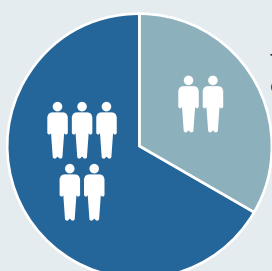
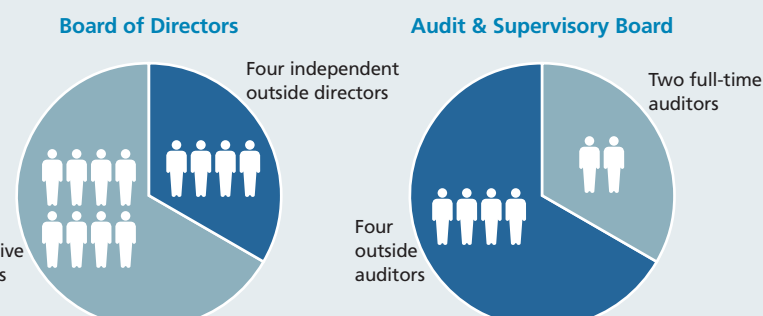


Enhancing corporate governance while giving importance to diverse perspectives in management

Steps to strengthen corporate governance since UACJ's establishment

Year	UACJ's plans and goals	Measures to enhance governance
2013	UACJ established	Appointed an outside director
2014	Vision for the Future created	Promoted non-Japanese nationals to executive officer positions
2015	Major policies of fiscal 2015 – 2017 mid-term management plan: ·Expand into the growing automotive and energy industries while bolstering operations in growth regions ·Organize optimized manufacturing operations in each business and facilitate the integration of technologies ·Develop new technologies and products	Nominated a female outside director
2016		Commenced efficacy evaluations of the Board of Directors
2017	Major policies of fiscal 2018 – 2020 mid-term management plan: ·Continue focusing on the growing automotive industry and growth markets in Asia and North America ·Steadily generate returns on past investments ·Increase capital efficiency with an emphasis on ROIC ·Promote shared principles of conduct as the UACJ Way	Established the Nomination and Remuneration Advisory Committee  <p>Two representative directors</p> <p>Four independent outside directors or auditors</p> <p>Over half of the committee made up of independent outside directors or auditors (as of October 30, 2017)</p>
2018		Increased the number of outside directors and auditors  <p>Board of Directors Four independent outside directors Eight executive officers Independent outside directors comprise one-third of members</p> <p>Audit & Supervisory Board Two full-time auditors Four outside auditors Outside auditors comprise two-thirds of members</p>

Framework for corporate governance

UACJ' s corporate governance system

UACJ has divided the responsibilities of its Board of Directors into a management decision-making and supervisory function together with a business execution function for the purpose of improving the Board's efficacy and ensuring that its decisions are carried out promptly. Meetings of the Board of Directors are held monthly and attended by 12 directors and all six members of the Audit & Supervisory Board. In the meetings, the Company's operational status is reported on and important management issues are examined and deliberated in compliance with the Company's articles of incorporation and internal rules as well as relevant laws and regulations.

In an effort to ensure that its decision-making role is effectively performed, the Board of Directors increased the number of outside directors from two to four effective from June 2018. The two newly appointed outside directors have corporate management experience as former company directors, while the two others have been offering impartial views drawing from their extensive academic experience as university professors.

In addition, executive officers (including directors concurrently holding this position) and full-time members of the Audit & Supervisory Board attend a monthly executive management meeting, in which they examine and deliberate on important issues concerning management. Officers in charge

of business execution strive to reach consensus in the meetings in order to strictly manage business affairs.

UACJ has adopted an audit and supervisory board system. Under this system, its Audit & Supervisory Board supervises the duties performed by directors in accordance with corporate auditing standards and the Company's auditing policies and plans, serving as an independent organization with an important role in corporate governance. Half of the Audit & Supervisory Board's six members have expertise in finance and accounting. Meetings are held monthly, in which full-time auditors present the results of periodic audit reports and engage in comprehensive discussions with the outside auditors.

Corporate officer training programs

UACJ provides various training programs at the time directors and auditors are newly appointed and during their terms of office in order to prepare them for properly carrying out their duties. Training for the newly appointed corporate officers is designed to ensure that they comprehend their roles and responsibilities. Those who are outside officers are given tours of production plants, including facilities outside Japan, and invited to attend various committee meetings and information sessions in order to gain a full understanding of the Group's operations, financial affairs, and organizational structure. During their terms of office, directors and auditors are given opportunities to learn more about corporate governance and discuss challenges facing the Group, as well as individual training depending on their respective expertise, experience, and skills.

Evaluating the efficacy of the Board of Directors

As a means to evaluate the efficacy of the Board of Directors, a questionnaire concerning its composition and functioning is distributed every year to each director and auditor serving on the Board. The results of the questionnaire are discussed by the Board and improvements are carried out on that basis.

The evaluation covers the following four main areas: the Board's size and composition, functioning and organization, decision-making processes, and quality of deliberations by its members.

Summary of evaluation results in fiscal 2017

Based on the evaluation results in fiscal 2017, the size and diversity of the Board of Directors was considered to be suitable, and the composition of its members was deemed to be balanced overall. Moreover, the Board's functioning was

considered to be reasonable and its organization effective for supervising management. The results also confirmed that discussions and deliberations were conducted in a constructive and open manner, including in preparatory discussions held prior to meetings of the Board.

Nevertheless, the results also pointed to the need for improvements going forward. Accordingly, the Board of Directors plans to revise its debating and reporting procedures as a means to enhance deliberations and strengthen its supervisory functions, and engage in more rigorous debates concerning management strategies and other important matters. It will also ensure that outside members are provided with more substantial explanations prior to meetings and materials relevant for corporate governance.

By making use of evaluation results every year, the Board of Directors has improved its functioning and raised the level of its deliberations on matters that are vital for accelerating the UACJ Group's global expansion and achieving continuous growth.

Process of nominating directors

Candidates for directors and other executive management positions are evaluated by the Nomination and Remuneration Advisory Committee based on their respective career background, positions, qualifications and capabilities, and the most suitable candidates are selected by the Board of Directors. Candidates for independent outside officers, in particular, are expected to be able to actively and directly contribute to constructive discussions in meetings of the Board, while taking into account the rules set by the Tokyo Stock Exchange and the interest of the Company. As of the publication date of this report, four independent outside directors serve on the Board of Directors, one of whom is a woman and two of whom have corporate management experience. The Board intends to further consider its diversity and size in the future with a view to maintaining an optimal balance of expertise, experience, and capabilities among its membership as a whole.

TOPIC 1

Nomination and Remuneration Advisory Committee established

For the purpose of enhancing corporate governance and increasing the impartiality and transparency of the decision-making process for nominating and remunerating directors and executive officers, UACJ established its Nomination and Remuneration Advisory Committee on October 30, 2017, as an advisory body to the Board of Directors. The committee deliberates on enquiries it receives relating to the nomination and remuneration of directors and executive officers, and reports the conclusions of such deliberations to the Board of Directors. The committee is made up of seven members in total, with an independent outside director serving as chairperson. The remaining six members are comprised of three independent outside directors, two full-time directors, and one independent outside auditor from the Audit & Supervisory Board.

Rationale for selecting outside directors and auditors

Position	Name	Rationale for selection
Outside director	Toshio Suzuki	Toshio Suzuki was invited to serve as an outside director based on the judgement that he could properly perform the required duties while offering objective viewpoints given his extensive academic background as a university professor emeritus. Mr. Suzuki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Ryoko Sugiyama	Ryoko Sugiyama was invited to serve as an outside director based on the judgement that she could properly perform the required duties given her extensive background as a university professor and experience as a company director. Ms. Sugiyama was appointed after it was determined she was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Takahiro Ikeda	Takahiro Ikeda was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his experience as a director at a major chemical manufacturer and long career in corporate management. Mr. Ikeda was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Akio Sakumiya	Akio Sakumiya was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his corporate management experience as an executive vice president of a major electrical appliance manufacturer and extensive background in corporate governance, including positions of vice-chairperson of several committees involved in the remuneration and affairs of company directors and other personnel. Mr. Sakumiya was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
Outside auditor	Akari Asano	Akari Asano was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his expertise and experience in executive corporate management and as a general manager of a company division. Mr. Asano was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Yuki Iriyama	Yuki Iriyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his advanced legal expertise as a lawyer specializing in corporate law, and given his extensive experience in corporate management, including a position of managing director at a major steel manufacturer.
	Hiroyuki Yamasaki	Hiroyuki Yamasaki was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties given his extensive background in finance and accounting as a certified public accountant specializing in corporate accounting. Mr. Yamasaki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Yoshiro Motoyama	Yoshiro Motoyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while making use of the broad outlook he has gained over his career and given his extensive experience in corporate management, including a position of executive vice-president of a major automobile manufacturer. Mr. Motoyama was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.

Remuneration of corporate officers

UACJ's remuneration system for corporate officers has been designed to give directors incentives to work towards raising corporate value and improving the Company's financial results over the medium to long terms, and to help ensure that profits are generated sustainably so that the UACJ Group can contribute to society at large through dependable and sound business expansion, thereby meeting the expectations of its wide array of stakeholders. Based on that approach, the Board of Directors makes decisions on specific remuneration plans and the system's execution in accordance with reports submitted by the Nomination and Remuneration Advisory Committee in order to ensure the system functions properly and to improve the impartiality and transparency of such decisions.

T O P I C 2

New remuneration system for directors established

UACJ established a new remuneration system for directors after gaining approval at its 5th Annual General Meeting of Shareholders held on June 21, 2018. The new system was put in place as a means to further motivate corporate officers to achieve the Company's performance targets and to align their interests with shareholders as an incentive to raise shareholder value.

Under the system, full-time directors receive a fixed base salary, short-term performance-based compensation linked to the achievement level of financial targets for the fiscal year, and mid-term performance-based compensation linked to the achievement level of financial targets over a multiple year period. Outside directors, who serve on a part-time basis, receive a fixed base salary only since their primary responsibility is to supervise operations from an impartial and independent standpoint.

The performance-based compensation is linked to the achievement of financial targets for the key performance indicators of management strategies, including adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as well as return on invested capital (ROIC), which was adopted under the new mid-term management plan that commenced in fiscal 2018. A performance share unit plan was adopted for the mid-term performance-based compensation as a means to align the interests of directors with those of shareholders. The full-time directors are remunerated with common shares and a monetary amount equivalent to the achievement level of consolidated financial results over a mid-term period.

Promoting constructive dialogues with shareholders

Relations with shareholders and investors are taken very seriously at UACJ. Accordingly, a dedicated Public and Investor Relations Department has been established and a director is appointed to oversee its activities. The department organizes meetings and teleconferences on financial results for shareholders and investors every fiscal quarter, and arranges one-on-one meetings and group sessions with the president when required. Factory tours for shareholders are also organized twice annually to give them a first-hand look at manufacturing operations. As a basic policy, management also holds meetings with investors in North America, Europe, and Asia every year.

Looking ahead, UACJ plans to organize presentations specifically for individual investors in order to create more opportunities to engage with them. It will also continue providing useful and timely information for shareholders by publishing its integrated report every year and disclosing news and updates on its websites. The Company's Japanese website has been highly evaluated for its quality, indicated by its ranking of fourth in 2017 and eighth in 2016 in the All Japanese Listed Companies' Website Ranking published by Nikko Investor Relations Co., Ltd.



Factory tours for shareholders



At Fukui Works, shareholders see the quality of UACJ's products up close while observing aluminum coils.

At Nagoya Works, shareholders receive explanations of how UACJ's products are used in a model car in the showroom.

