

# Strengthening corporate governance in accordance with business strategies

## Steps to strengthen corporate governance since UACJ's establishment

2013                      2014                      2015                      2016                      2017

### UACJ's plans and goals

### Vision for the future

UACJ's future direction  
The UACJ Group will strive to maximize the possibilities of aluminum in ways that contribute to society and the environment.

### First mid-term management plan from fiscal 2015 to 2017

#### Major policies

- Expand into the growing automotive, transport, and energy industries while bolstering operations in Asia and other growth regions
- Organize optimized manufacturing operations in each business and facilitate technological integration
- Develop new technologies and products

### Measures to enhance governance

#### 2013

Appointed Toshio Suzuki, an expert in metallurgical and manufacturing engineering, as the Company's first outside director

#### 2014

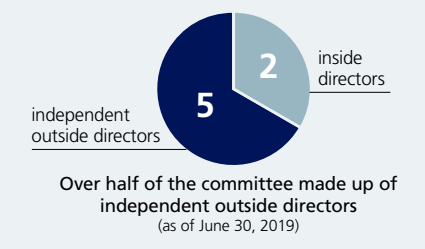
Promoted the Company's first non-Japanese nationals to executive officer positions

#### 2015

Appointed Ryoko Sugiyama, an expert in environmental and recycling engineering, as the Company's first female director

#### 2017

Established the Nomination and Remuneration Advisory Committee



#### 2016

Commenced efficacy evaluations of the Board of Directors

## Roles of directors, executive officers, and auditors

UACJ has adopted an executive officer system, through which executive officers are responsible for the Company's business execution function, while the Board of Directors is responsible for management decision-making and supervision. This system is designed to enhance the efficacy of the Board of Directors and ensure that business matters are carried out promptly.

The Board of Directors holds monthly meetings, in which its members report on the Company's operational status, and examine and deliberate important management issues in compliance with the Company's articles of incorporation and internal rules, as well as relevant laws and regulations. Four of the 12 directors are outside directors, which are responsible for ensuring that the Board's decision-making role is effectively performed. The four outside directors currently appointed have either extensive academic experience as university professors or corporate management experience as former company directors.

UACJ has also adopted an audit and supervisory board system. Under this system, the Audit & Supervisory Board supervises the duties performed

by directors in accordance with corporate auditing standards and the Company's auditing policies and plans, thereby serving as an independent organization with an important role in corporate governance. In principle, the Audit & Supervisory Board holds monthly meetings, in which full-time auditors present the results of periodic audit reports and engage in comprehensive discussions with the outside auditors.

In addition to the meetings of both boards, representative directors meet with outside directors and outside auditors for the purpose of exchanging ideas and proactively incorporating their suggestions in practical business matters.

### Organizational improvements

As a key objective of its structural reforms initiated in fiscal 2019, UACJ aimed to increase the speed and efficiency of its management decision-making. Accordingly, it has reduced the number of directors and executive officers in order to speed up decision-making and clarify responsibilities and authority. With this change, the Board of Directors was comprised of 10 directors and six auditors as of June 19, 2020. Administrative support for the Board was also centralized in a newly established Corporate Governance Department to facilitate quicker and more substantial assistance.

## Our Purpose

Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

## Mid-term management plan from fiscal 2018 to 2020

Next mid-term management plan (From fiscal 2021)

## Major policies

- 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

## Implementation of structural reforms from fiscal 2019 to 2022

- Major objectives**
- Increase earnings capacity
  - Reform the financial structure
  - Increase the speed and efficiency of management decision-making

## 2018

Appointed Takahiro Ikeda, an expert in production management, as an outside director

## 2018

Appointed Akio Sakumiya, an expert in business strategies and performance management, as an outside director

**2018** Increased the number of outside directors and auditors

## Board of Directors

inside directors

8

independent outside directors

4

Independent outside directors comprise one-third of members (as of June 30, 2019)

## Audit &amp; Supervisory Board

outside auditors

Outside auditors comprise two-thirds of members (as of June 30, 2019)

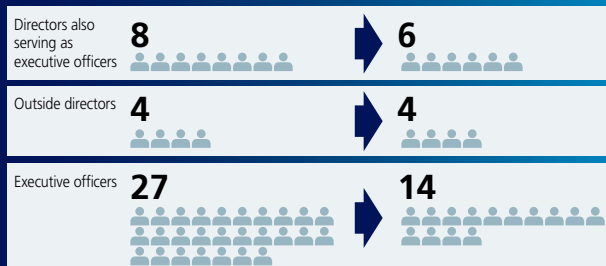
4

full-time auditors

2

## Changes in fiscal 2019

- Reduced the number of directors and executive officers



- Reorganized corporate divisions
- Revised the remuneration system (see page 37)

## Main deliberations by the Board of Directors

## Matters related to operations:

Structural reforms; corporate philosophy renewal; formulation of medium- and long-term strategies; plans for budgets, income and expenditures, and financing; financing and loan guarantees for subsidiaries and affiliates; compliance with Japan's Corporate Governance Code; COVID-19 countermeasures; business sell-offs

## Matters related to the Board and executive officers:

Nomination of representative directors; officer appointments; officer remuneration; revision of Nomination and Remuneration Advisory Committee rules and appointment of its members; succession planning for the CEO and other officers; revision of Board rules

## Matters related to shares and shareholder meetings:

Holding of the annual general meeting of shareholders; dividend payments; revision of stock ownership rules; sell-off of cross-shareholdings

## Efficacy evaluations of the Board of Directors

UACJ evaluates the efficacy of its Board of Directors every year by distributing a questionnaire concerning the Board's composition and functioning to every director and auditor on the Board. Based on the results of the questionnaire, members of the Board discuss issues that need to be addressed and put forward measures for making improvements.

Evaluation results in fiscal 2019 confirmed that the Board had functioned properly and its role in supervising management was sufficiently carried out. The results also indicated that discussions and deliberations had been conducted in a constructive and open manner, the composition of the Board's membership was well balanced, and issues concerning its efficacy identified prior to fiscal 2019 had been addressed.

The Company plans to continue taking steps to improve the efficacy of its Board of Directors in order to facilitate the Group's sustainable growth and enhance corporate value in the future.

## Remuneration of directors and corporate auditors

UACJ established a new remuneration system for directors after gaining approval at its 5th Annual General Meeting of Shareholders held on June 21, 2018. Under this 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 because their primary role of impartial and independent supervision is not related to the achievement of financial targets.

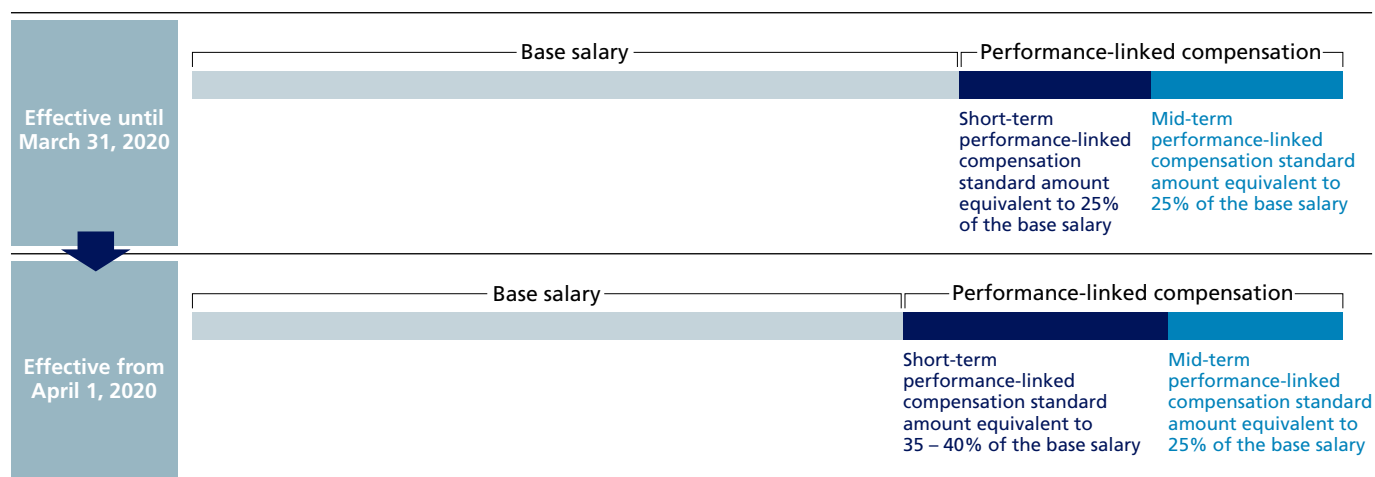
The fixed base salary has been set at amounts comparable with those of other similar-size companies in related industries based on data about directors' salaries in Japan provided by external organizations. Both the short- and mid-term performance-linked compensation amounts have been calculated as a percentage of a standard amount equivalent to 25% of the base salary. Depending on the degree that targets are achieved, directors receive a percentage ranging from 0 – 200% of the standard amount. Effective from the

current fiscal year, the standard amount for the short-term performance-linked compensation was raised to a range between 35 – 40% in order to give directors greater incentive to raise corporate value as they oversee structural reforms initiated in fiscal 2019.

### Compensation linked to total shareholder return

When the directors' remuneration system was established, mid-term performance-based compensation was linked to the achievement of targets for two consolidated financial results averaged over a three-year period: the return on invested capital and adjusted earnings before interest, taxes, depreciation and amortization. Along with these indicators, the Company added total shareholder return, an indicator of corporate value from the standpoint of shareholders, effective from the current fiscal year, to encourage directors to give more consideration to the Company's share price and dividends. The amount of compensation is calculated by dividing the Company's total shareholder return growth rate by the growth rate of the Tokyo Stock Exchange's TOPIX Net Total Return Index over a three-year period.

### Breakdown of remuneration to full-time directors receiving 100% of the standard amount of performance-linked compensation



### Total remuneration of directors and auditors in fiscal 2019

Positions	Number of members	Total amount by type of remuneration			Total remuneration amount
		Base salary	Short-term performance-linked compensation	Mid-term performance-linked compensation	
All directors (Outside directors)	13 (4)	¥269 million (¥53 million)	¥32 million (Not applicable)	¥0 (Not applicable)	¥301 million (¥53 million)
All auditors (Outside auditors)	6 (4)	¥87 million (¥40 million)	Not applicable	Not applicable	¥87 million (¥40 million)
Total (Outside directors and auditors)	19 (8)	¥356 million (¥92 million)	¥32 million (Not applicable)	¥0 (Not applicable)	¥388 million (¥92 million)

## Selection and nomination of corporate officers

UACJ established its Nomination and Remuneration Advisory Committee for the purpose of increasing the impartiality and transparency of the decision-making process for nominating and remunerating directors, executive officers, and corporate auditors. 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.

The committee evaluates candidates based on their respective career background, former positions, qualifications and capabilities. The candidates recommended by the Nomination and Remuneration Advisory Committee are then selected by the Board of Directors. Candidates for corporate auditor positions must also be approved by the Audit & Supervisory Board.

## Compliance

Aiming to maintain the public's trust in the UACJ Group, UACJ created the Group Code of Conduct for all employees and corporate officers to follow, drawing from its Corporate Philosophy and a set of shared principles called the UACJ Way. To ensure that all members fully understand the code and put it into practice, regular training sessions are held in workplaces throughout the entire Group, which raises awareness of compliance and educates employees about pertinent laws and regulations.

To quickly identify and resolve compliance-related problems, UACJ has put a whistleblower system in place. In fiscal 2019, the Company centralized the system and made it accessible to all employees and officers across the entire Group, as recommended in guidelines for corporations issued by Japan's Consumer Affairs Agency. It also made the system available as a cloud-based application, thereby allowing users to more easily access the system via smart devices at any time and location.

### Compliance with competition laws and prevention of bribery

Aiming to prevent price fixing, bribery, or other illegal conduct, UACJ has assessed the degree of legal compliance at all group companies through a series of risk assessments, surveys, and investigations conducted between fiscal 2016 and 2017. Based on the results, in fiscal 2018, UACJ created related policies and rules covering competition and bribery along with global guidelines and country-specific guidelines suited to national laws and regulations. In fiscal 2019, it set up a consultation service for all members of group companies worldwide, and offered training seminars throughout the year for department heads and newly appointed managers. Reflecting the success of these efforts, no incidents of bribery or infringements of competition laws in Japan or other countries were reported in fiscal 2019.

## Promoting dialogue with shareholders and investors

In order to update shareholders and investors about the Company's activities and earn their trust over the long term, UACJ promotes interaction with them and ensures timely and appropriate information disclosure. Along with a wide range of investment-related information provided on its websites, UACJ also organizes briefing sessions and meetings with shareholders and investors to create opportunities for direct dialogue.

### Activities in fiscal 2019

UACJ undertook a various initiatives to engage even more with shareholders and investors in fiscal 2019. In Japan, teleconferences and small meetings with UACJ President Miyuki Ishihara were held for shareholders and investors. Annual factory tours for individual shareholders were also held at Fukui Works in October and Nagoya Works in November, providing opportunities for them to directly observe operations and learn more about aluminum.

President Ishihara also traveled to other countries to meet with shareholders and investors. In addition to giving presentations on financial results, he held his first small meetings outside Japan, in which he explained UACJ's management principles and medium- to long-term vision. The Company's officer in charge of investor relations also met one-on-one with representatives from institutional investors. In addition, factory tours were held for institutional investors by UACJ (Thailand) Co., Ltd.

In an effort to enhance its information disclosure, UACJ has been uploading videos of the president's financial results presentations on its website on the same day they were held. The Company plans to continue making such improvements going forward with a view to provide dependable information disclosure to shareholders and investors.

### Adapting activities to the COVID-19 pandemic

Holding presentations and meetings for shareholders and investors has been difficult in fiscal 2020 due to the COVID-19 pandemic. Accordingly, UACJ has taken a number of steps to provide more opportunities for dialogue, such as holding meetings online and live streaming its 7th Annual General Meeting of Shareholders. In November, it held online meetings with investors in Asia and participated in an online conference organized by a securities firm. Anticipating the pandemic's prolonged impact, the Company plans to explore more ways for engaging with shareholders and investors going forward.