

# Aiming to achieve the objectives of the mid-term management plan and complete structural reforms to enable swift responses to changes in the operating environment

## Third Mid-term Management Plan

### Complete structural reforms and position the Group for future growth and the success of UACJ Vision 2030



#### Major Policies

#### 1 Complete structural reforms

- Increase earnings capacity
- Improve the financial structure
- Strengthen management systems

Page 33: Accelerating additional measures to generate ¥21 billion in income

#### 2 Strengthen foundations for growth

- Add more value to products
- Focus on growth markets and industries
- Create new businesses
- Strengthen business foundations

Page 35: Meeting growing global demand for aluminum can stock  
Page 37: Helping the auto industry become carbon neutral

#### 3 Promote global sustainability

- Contribute to solving issues related climate change

Page 39: Dialogue with outside directors  
Page 49: Combatting climate change

Fiscal 2021 was the first year of the Company's third mid-term management plan. With a view to position the Group for the success of its long-term roadmap, UACJ Vision 2030, management has specified three major policies of the plan: complete structural reforms, strengthen foundations for growth, and promote global sustainability.

The completion of structural reforms has proceeded mostly according to plan. The goal to generate ¥21 billion in income from the reforms, however, has been set back due to delays in rationalizing production in Japan caused by the COVID-19 pandemic. Nevertheless, additional measures are being stepped up to ensure the goal is achieved.

To strengthen foundations for growth, UACJ has established an international supply network based in Japan, the United States, and Thailand to meet robust demand for aluminum can stock, which it has designated as a growth industry. As key members of this network, Tri-Arrows Aluminum and UACJ (Thailand) have posted record-high sales volume. To

manufacture and supply aluminum automotive parts, also positioned as a growth industry, the Company has expanded operations at UACJ Automotive Whitehall Industries to enable it to promptly respond to demand, which is projected to grow in the future.

To promote global sustainability, the Company regards its response to climate change as a priority issue. The entire UACJ Group is committed to reducing Scope 1 and 2 CO<sub>2</sub> emissions by 30%\*<sup>1</sup> by fiscal 2030, and will strive to become carbon neutral by 2050. The Company has joined the Aluminium Stewardship Initiative, and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures. Furthermore, the Group is taking a central role in facilitating aluminum product recycling by accelerating efforts to set up scrap aluminum collection systems and promoting advances in recycling technology.

\*<sup>1</sup> UACJ calculates CO<sub>2</sub> emissions based on formulas used in the Sixth Strategic Energy Plan published by Japan's Ministry of Economy, Trade and Industry in 2021.

## Financial targets

In fiscal 2021, the Company posted record-high consolidated net sales, operating income, and ordinary income. The Group's ability to respond to the growing adoption of aluminum in various manufacturing industries amid rising environmental awareness, along with the positive effect of its structural reforms on earnings and the favorable impact of the metal price lag contributed to these results. Moreover, it has already achieved

many financial targets for fiscal 2023, the final year of the current mid-term management plan. In fiscal 2022, while the impacts of steeply rising prices of aluminum, energy, and alloy additives on financial results are a matter of concern, the Group has been swiftly responding with proactive measures, such as introducing systems for reflecting these rising prices in product prices, to ensure that its financial structure continues to improve.

	Fiscal 2021 results	Fiscal 2022 forecast	Fiscal 2023 targets
Net sales	¥782.9 billion	¥940.0 billion	¥700.0 billion
Operating income	¥59.5 billion	¥31.0 billion	¥30.0 billion
Operating income margin	7.6%	3.3%	4.2%
Ordinary income	¥52.3 billion	¥25.5 billion	¥25.0 billion
Debt-to-equity ratio (excluding subordinated loans)	1.36 times	1.30 times	1.2 times or less
Return on equity	14.1%	6.7%	7.5%
Return on invested capital*2	11.1%	5.5%	6.0%

\*2 Formula: operating income before taxes ÷ (shareholder's equity + interest-bearing debt – cash and deposits, each calculated as the average of the respective amounts at the beginning and end of the fiscal year)

## Non-financial targets

In its mid-term management plan, the Company has set non-financial targets for performance indicators falling under six material issues. Among these issues is the Group's response to climate change, for which it is aiming to reduce Scope 1 and 2 CO<sub>2</sub> emissions by 30% by fiscal 2030, with a commitment to achieving carbon neutrality by 2050. Various initiatives have

been making progress, including human rights due diligence at two of the Group's main manufacturing plants. The Group regularly revises its targets in order to make further progress for each material issue. With respect to occupational health and safety, for example, it will strive to decrease the frequency of workplace accidents below the initial target.

Six material issues	Performance indicators	Fiscal 2021 results	Fiscal 2023 targets
Response to climate change	Reduction of CO <sub>2</sub> emissions compared with the level in fiscal 2019	Medium- and long-term targets were set by UACJ's Climate Change Countermeasures Steering Committee	Set targets for Scope 1 and 2 emissions with a view to achieve carbon neutrality
Product quality assurance	Number of serious quality defects	4	No more than one
	Number of customer complaints due to the fault of materials	19.9% fewer complaints than in fiscal 2020	10% fewer complaints than in the previous fiscal year
Occupational health and safety	Number of serious workplace accidents	Zero	Zero
	Frequency of workplace accidents resulting in injury or death per million work hours*3	0.25	0.25
Respect for human rights	Goals to be set based on results of due diligence, and an action plan to be carried out	Due diligence executed at two manufacturing plants (Fukui Works and Rayong Works)	Execution of due diligence at four manufacturing plants (Fukui Works, Rayong Works, and two other plants)
	Percentage of employees and officers that participate in 1) a training program covering codes of conduct and human rights, and 2) a training program on harassment	1) 90% 2) 100%	1) 96% 2) 100%
Diversity and equal opportunity	Percentage of women in management positions (including directors and officers) in Japan	2.2%	4%
Human resources development	Percent of successor candidates appointed to management positions	100% of candidates appointed to the rank of section manager or above at UACJ Corporation	Extend target to group companies in Japan
	Number of children and young people who participate in educational events held by UACJ as part of its education and sports programs for youth	446	800 per year

\*3 The frequency of workplace accidents is calculated by multiplying the combined number of serious workplace injuries and deaths (including those that did not result in a suspension of operations) by one million and dividing the resultant amount by the total hours worked in the fiscal year.

## Aiming to contribute ¥21.0 billion in ordinary income through structural reforms by accelerating additional measures

Since October 2019, the UACJ Group has been carrying out a set of structural reforms aimed at increasing earnings capacity, reforming the financial structure, and improving management systems. The reforms were designed to contribute ¥21.0 billion to consolidated ordinary income by the end of fiscal 2022 (March 31, 2023) compared with the amount posted in fiscal 2018 (ended March 31, 2019). In May 2021, when the Group launched its third mid-term management plan, the targeted contribution of the reforms was downwardly revised to ¥18.5 billion. This was due to the impact of the COVID-19 pandemic, specifically delays in

product releases and sales plans among customers, as well as slow progress in rationalizing production, which was intended to optimize the product mix and raise productivity in the Flat Rolled Products and Extrusion businesses. Maintaining its commitment to the initial target of ¥21.0 billion, however, the Group accelerated additional measures to achieve it, including revising processing fees, reducing costs across manufacturing and sales operations, promoting sales of value-added products, and further optimizing the product mix. Thanks to these efforts, the target appears within reach by the end of fiscal 2022.

### Main objectives, measures, and progress of structural

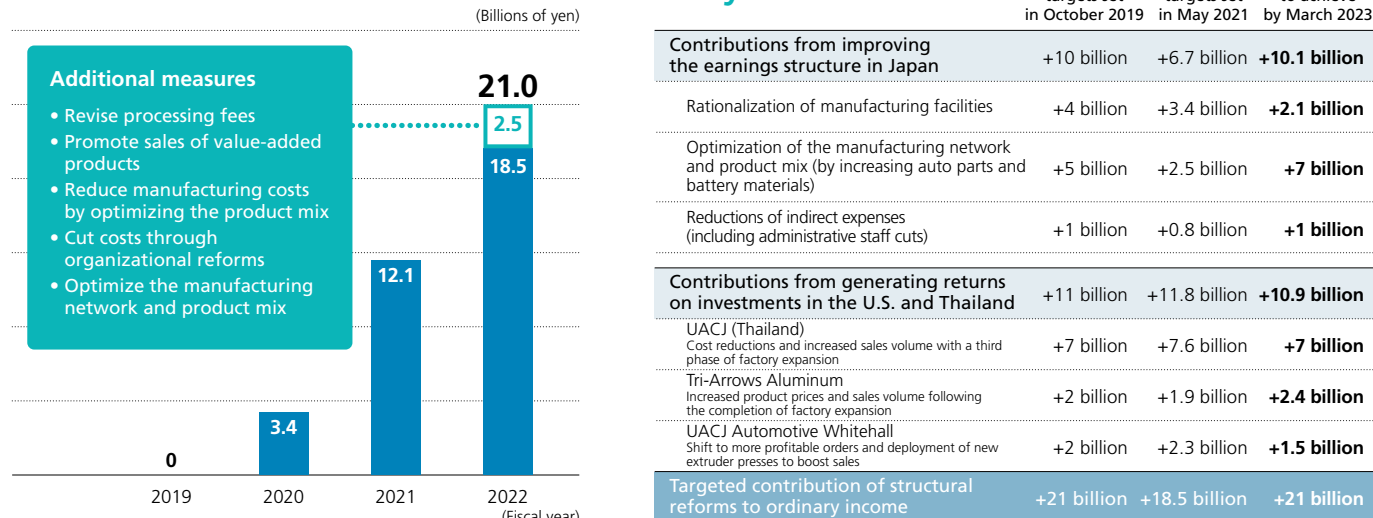
◎Almost completed ○Still underway

#### Main objectives and measures

Main objectives and measures	Progress
<p><b>Increase earnings capacity</b></p> <ul style="list-style-type: none"> <li>Lower the breakeven point to generate more earnings regardless of changes in the operating environment</li> <li>Capture demand in growing markets and maximize earnings by fully utilizing expanded production capacity</li> </ul>	<p>◎</p> <ul style="list-style-type: none"> <li>Expecting to lower the breakeven point to an index value of 90 in FY2022 from the base value of 100 as of March 31, 2020</li> <li>Contribution of structural reforms to ordinary income is approaching the target of ¥21.0 billion</li> <li>On track to completing the rationalization of domestic manufacturing facilities and optimizing production in fiscal 2022</li> </ul>
<p><b>Reform the financial structure</b></p> <ul style="list-style-type: none"> <li>Carefully select investment targets</li> <li>Reduce inventories</li> <li>Prioritize cash flow and capital efficiency in management</li> </ul>	<p>○</p> <ul style="list-style-type: none"> <li>Expecting to reduce the debt-to-equity ratio*1 to 1.30 by March 31, 2022 from 1.56 as of March 31, 2020</li> <li>Reducing the total amount of long-term loans</li> </ul>
<p><b>Strengthen management systems</b></p> <ul style="list-style-type: none"> <li>Improve risk management</li> <li>Invest in IT systems to streamline administrative processes and raise back-office efficiency</li> <li>Reorganize the management structure</li> </ul>	<p>◎</p> <ul style="list-style-type: none"> <li>Reduced the number of directors and executive officers</li> <li>Deployed a skills matrix to clarify the diversity and expertise of directors and officers</li> <li>Assessed the effectiveness of the Board of Directors and the Audit &amp; Supervisory Board</li> <li>Broadened performance-linked remuneration by integrating total shareholder return and non-financial indicators</li> </ul>

\*1 The debt-to-equity ratio includes subordinated loans

### Contribution of structural reforms to ordinary income

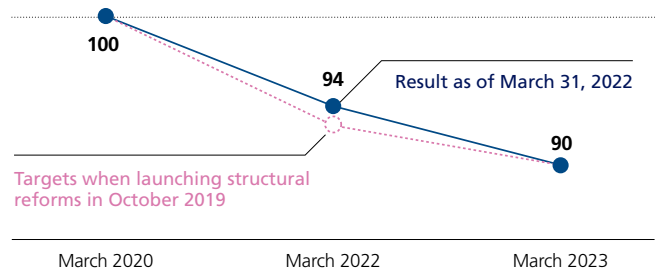


## Main measures for increasing earnings capacity

Although the production of some products for customers was late during the COVID-19 pandemic, UACJ will largely complete the rationalization of its manufacturing facilities in Japan by March 2023, and looks forward to deploying an optimized manufacturing network going forward. It also steadily reduced the breakeven point of its domestic Flat Rolled Products Business from an index value of 100 as of March 31, 2020, to 94 as of March 31, 2022, and expects to achieve its target of 90 by March 2023. In accordance with plans, UACJ has been generating substantial returns on its capital investments in the U.S. and Thailand while selling off and withdrawing from non-profitable and non-core businesses. As a result of these initiatives and additional structural reforms launched in fiscal 2021, the Company's earnings capacity has steadily increased.

### Progress in lowering the breakeven point

Index value of 100 representing the breakeven point as of March 31, 2020

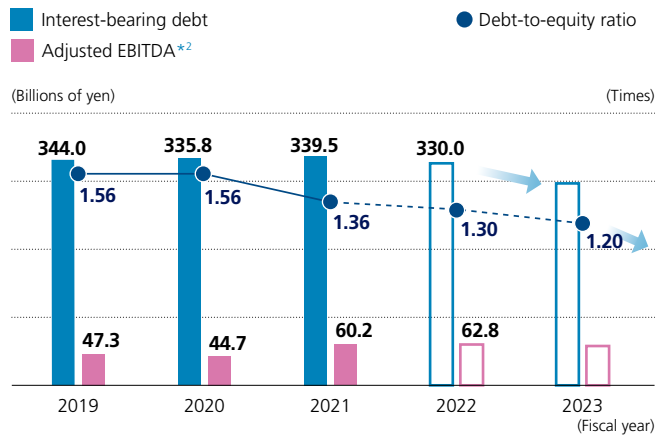


## Main measures for reforming the financial structure

Aiming to improve its financial position, which had weakened following a series of large-scale investments, UACJ has been focusing on carefully selecting investment targets, reducing inventories, and prioritizing cash flow and capital efficiency in operational management. In fiscal 2021, however, free cash flow turned negative as soaring market prices of aluminum required substantial increases in working capital. Nevertheless, earnings capacity steadily improved, as indicated by increases in adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)\*2, which grew from ¥44.7 billion in fiscal 2020 to ¥60.2 billion in fiscal 2021, and is forecast to reach ¥62.8 billion in fiscal 2022. Having significantly improved earnings, the Company has steadily increased its shareholders' equity, the source of a stronger financial position, and reduced its debt-to-equity ratio from 1.56 to 1.36 as of March 31, 2020 and 2021, respectively.

\*2 Adjusted EBITDA excludes the effect of the metal price lag

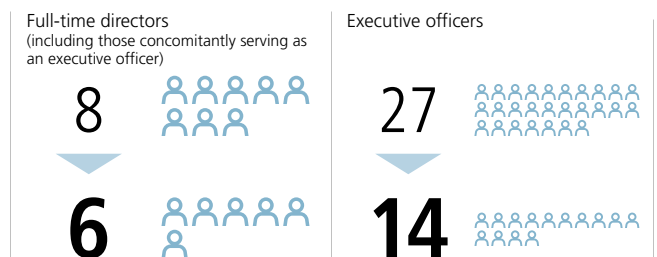
### Results and forecasts for key indicators



## Main measures for improving management systems

In fiscal 2020, with a view to increase the speed of management decision-making and clarify responsibilities and authority, UACJ reduced the number of its full-time directors from eight to six, thereby increasing the percentage of independent outside directors on its Board to 40%, and reduced the number of executive officers from 27 to 14. With the goal of continually enhancing its value going forward, UACJ will take steps to strengthen its corporate governance by facilitating information sharing between the Board of Directors and Nomination and Remuneration Advisory Committee, and having management engage in more comprehensive deliberations on the Group's medium- to long-term direction.

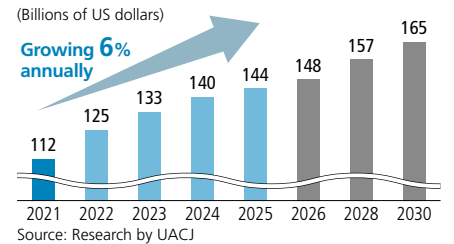
### Reductions in directors and officers following structural reforms



## Continuing to meet growing global demand for aluminum can stock

Due to their excellent recyclability, aluminum cans have been increasingly regarded as environmentally friendly beverage containers by consumers in recent years. Consequently, demand for flat-rolled aluminum can stock has been on the rise around the world. UACJ is making the most of its international manufacturing network based in three countries—Japan, Thailand, and the United States—to meet this robust global demand. In each of these countries, the UACJ Group is also working to set up can-to-can recycling systems with the goal of reducing environmental impacts by recycling as many aluminum cans as possible.

Sales of aluminum for beverage containers in the United States



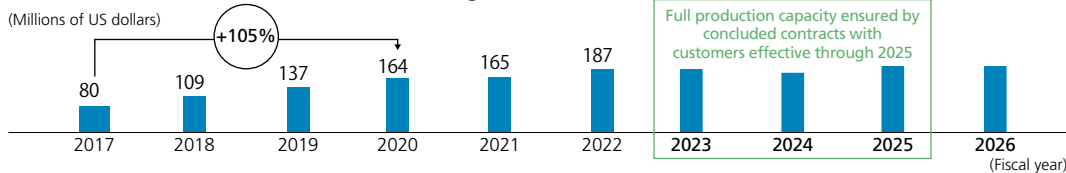
### Can stock production

### The UACJ Group is leveraging its three-country manufacturing network to meet growing demand, particularly in North America

Anticipating growing demand for aluminum can stock in the North American market, UACJ has been proactively investing in its U.S.-based subsidiary, Tri-Arrows Aluminum Inc., to expand its manufacturing facilities. In addition to boosting production capacity, the investment has also led to lower production costs and higher recycling rates. As a result, Tri-Arrows Aluminum has posted record-high sales and profits, and doubled its earnings before interest, taxes, depreciation and amortization (EBITDA) in fiscal 2021 compared with the fiscal 2017 result.

Tri-Arrows Aluminum cannot meet the demand on its own, so UACJ and UACJ (Thailand) Co., Ltd., have also been supplying can stock to the North American market. Besides this market, UACJ (Thailand) has been meeting strong demand for can stock in Thailand, South America, Southeast Asia, and Oceania. As a result, it recorded profits and record-high sales volume in fiscal 2021.

Tri-Arrows Aluminum's EBITDA results and targets



### Can stock production



### Looking to invest in new production capacity to tap growing demand in the North American can stock market

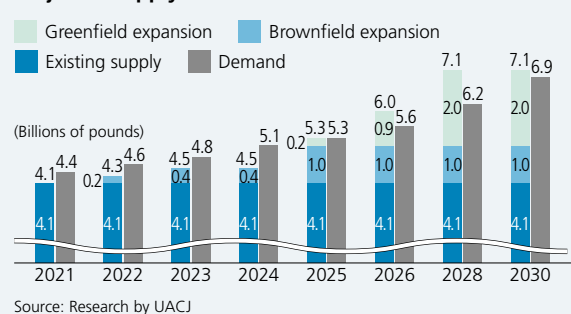
In North America, consumers are driving up growth in demand for aluminum beverage cans today. Amid growing interest in the environmental impact of disposable containers in recent years, many consumers prefer container materials that help protect the environment. As a result, aluminum cans are now regarded as a premium package because they can be recycled endlessly, and, therefore, are being used as containers for many new products. Demand for aluminum can stock is projected to rise considerably through to 2030, but the balance of supply and demand is expected to even out by that year following steady investment in production capacity by can manufacturers in North America. To ensure that Tri-Arrows Aluminum captures this growing demand, we are looking to invest in new facilities to boost production capacity over the medium and long terms.

### Henry Gordinier

President and CEO  
Tri-Arrows Aluminum Inc.



Projected supply and demand of can stock in the U.S.



Can recycling

### Helping establish recycling systems with governments and manufacturers in the ASEAN region

Aiming to reduce environmental impacts in Thailand, UACJ (Thailand) is participating in an aluminum can recycling project called Can to Can Journey, which involves the Thai government and domestic industry players, including major can manufacturers and food and beverage producers. As part of the project, UACJ (Thailand) will put more aluminum can melting furnaces into operation by fiscal 2024. Through the operation of these specialized new furnaces, the country's aluminum can recycling rate is expected to increase markedly going forward. Besides Thailand, the project also aims to expand can recycling in Vietnam and other neighboring ASEAN countries, where aluminum cans are increasingly been used.



UACJ (Thailand) participated in the Can to Can Journey project's signing ceremony in December 2021



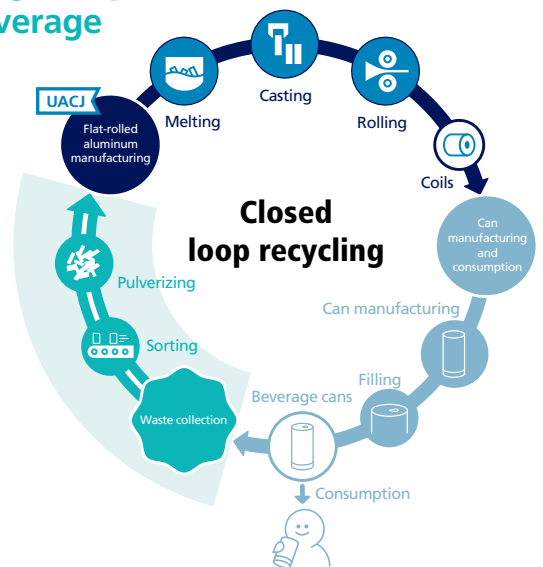
Thailand's Minister of Natural Resources and Environment speaking about the project in November 2020

Can recycling

Can recycling

### To expand can-to-can closed-loop recycling in Japan, UACJ is seeking ways to process used beverage cans through industry collaboration

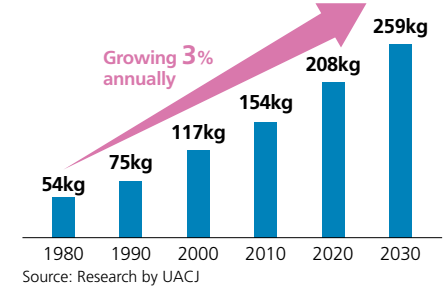
UACJ is aiming to facilitate can-to-can recycling and raise the closed-loop recycling rate in Japan with a view to help reduce environmental impacts and lower CO<sub>2</sub> emissions over the product lifecycle of aluminum cans. Toward this end, UACJ has been exploring ways of accelerating the establishment of a domestic aluminum can recycling system in collaboration with Yamaichi Metal Corporation, recognizing that progress towards a circular economy can help drive the country's sustainability.



## Providing steady support to the automotive industry as it pursues carbon neutrality

Automobiles are a major source of greenhouse gas emissions, and the auto industry is dealing with stricter fuel efficiency regulations and increasingly serious efforts to realize carbon neutrality. Therefore, the world's automakers are now competing to improve the mileage and cruising range of their cars, and to develop and promote electric, hybrid, and plug-in hybrid vehicles. Aluminum is an essential material for enhancing the environmental performance of cars because it contributes to reducing vehicle weight. To ensure a dependable supply of aluminum for diverse applications, including body panels, structural components, and battery parts, UACJ has established a manufacturing network led by its manufacturing plant in Japan, Fukui Works, and subsidiary in the United States, UACJ Automotive Whitehall Industries, Inc.

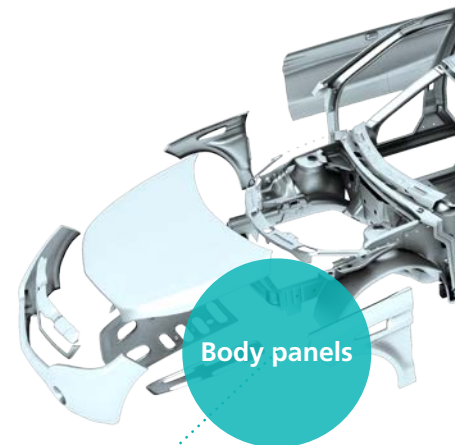
Weight of aluminum used per passenger vehicle in North America



### Adoption and benefits of aluminum auto parts

<b>Emerging trends</b>	Although orders for aluminum used in engine blocks is forecast to decline, the adoption of aluminum for motor housings and battery casings of battery electric vehicles is on the rise	The adoption of aluminum for doors, hoods, and chassis is projected to increase in the future
<b>Key drivers of trends</b>	<b>Electrification</b>	<b>Sustainability initiatives</b>
<b>Benefits of using aluminum</b>	Improves fuel efficiency and cruising range by reducing vehicle weight Improves running performance and extends vehicle life by allowing the vehicle's center of gravity to be lowered	
	Reduces environmental burdens by enabling recycling at existing facilities (casted and flat-rolled products recycled as casted components)	Reduces environmental burdens by enabling closed-loop recycling (flat-rolled products recycled as flat-rolled components)

Source: Compiled by UACJ based on information from the Japan Aluminium Association and other public sources

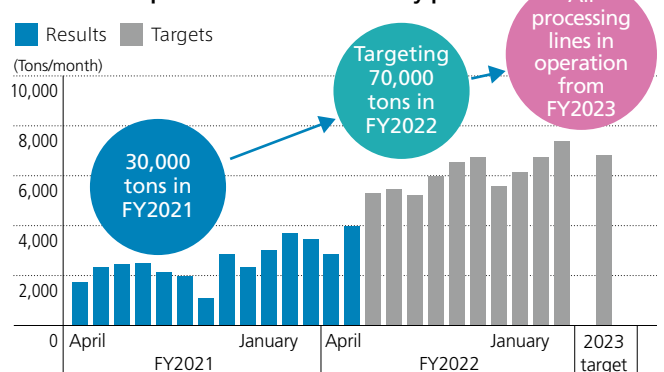


### Body panels

## Anticipating growing demand for automotive body panels, Fukui Works is preparing for full operations of its automotive panel production lines

Recognizing how aluminum auto parts contribute to improving vehicle fuel efficiency and the cruising range of electric vehicles, UACJ anticipates growing demand for these materials going forward. Accordingly, it recently installed large-scale automotive panel production lines at Fukui Works, and concentrated the production of these products at this facility after previously manufacturing them at Nagoya Works and Fukaya Works. The new lines have already begun operating, and verification by customers has largely been completed following some delays due to the COVID-19 pandemic. Fukui Works is on track to producing about 70,000 tons of aluminum auto parts in fiscal 2022, in line with plans, and looks forward to reaching full capacity in fiscal 2023.

Fukui Works' production volume of Body panels

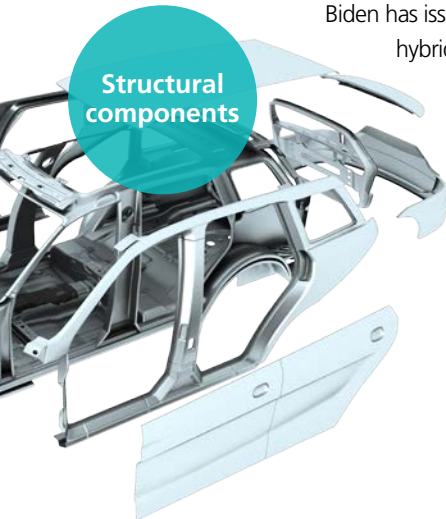
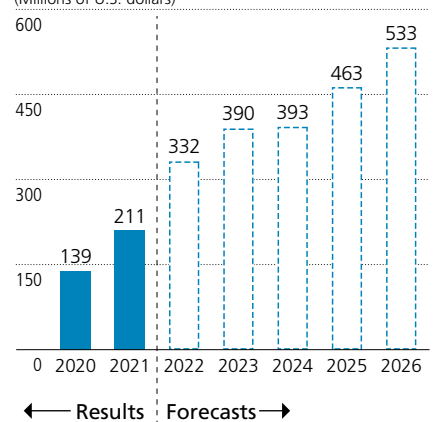


Structural components

## Backed by proactive capital investment, UACJ Automotive Whitehall is meeting growing demand for automotive structural components in North America

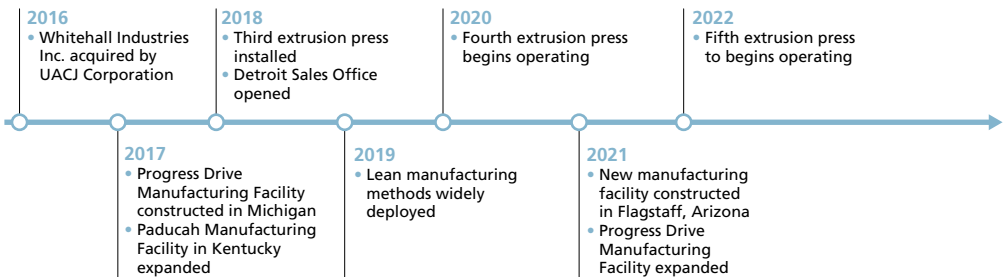
Since joining the UACJ Group in April 2016, UACJ Automotive Whitehall has increased its production capacity following proactive capital investment, deployed more advanced extrusion and forming technologies, automated production processes, and adopted stricter quality controls. As a result, the company has steadily increased net sales while securing large numbers of orders from new customers, including major Japanese automakers and emerging EV manufacturers. In the United States, President Biden has issued an executive order that aims to have electric, plug-in hybrid, and fuel cell vehicles account for over half of new car sales by 2030. Therefore, demand for aluminum structural components is bound to rise in line with the widespread adoption of EVs going forward. In preparation, UACJ Automotive Whitehall has begun operating a new production facility in Arizona and plans to further expand the production capacity of its other facilities to capture demand in the North American market.

**UACJ Automotive Whitehall's net sales results and forecasts**  
(Millions of U.S. dollars)



Structural components

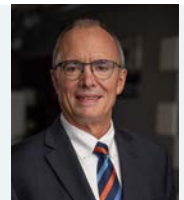
### UACJ Automotive Whitehall's expansion since joining the UACJ Group



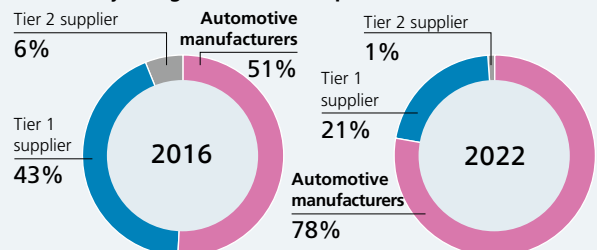
## Applying world-class technologies to manufacture aluminum structural components as a Tier 1 supplier

Since joining the UACJ Group in 2016, UACJ Automotive Whitehall Industries has evolved beyond producing automotive sunroof tracks, as a Tier 2 supplier to manufacturing a diverse range of aluminum structural components for many automakers as a Tier 1 supplier. The company has won many new orders and acquired numerous certifications from automakers, attesting to its world-class production technologies, high productivity, consistent quality, and advanced supply systems. Aiming for sustainable growth in the North American market, we are working to further refine our production technologies and boost supply capacity while continuing to build trust with automobile manufacturers.

**David Cooper**  
President and CEO  
UACJ Automotive Whitehall Industries, Inc.



**Percentage of sales volume by supplier status before and after joining the UACJ Group**





Dialogue between an outside director and executive in charge of the Group's response to climate change

## As a global-leading aluminum product manufacturer, UACJ will spur efforts to promote the sustainability of the aluminum industry and the planet

Climate change has emerged as a problem that must be tackled on a global scale. In this context, expectations for aluminum to play a positive role are growing. The UACJ Group has been making all-out efforts to combat climate change and promote sustainability. Two members of UACJ's Board of Directors were invited to discuss the current progress of these efforts and future outlook: Ryoko Sugiyama, an outside director who specializes in environmental issues, and Shinji Tanaka, who serves as a director and managing executive officer responsible for the Group's response to climate change.

With the growing seriousness of climate change, aluminum has been attracting attention around the world as a metal that can contribute to reducing environmental burdens. What is your perspective on this trend?

**Tanaka:** Compared with other metals, aluminum is particularly easy to recycle. Recycling emits only about 3% of the CO<sub>2</sub> emitted from aluminum smelting. In October 2020, the Japanese government announced its goal to become carbon neutral by 2050, and since then, public interest has been

growing and our customers increasingly expect us to expand aluminum applications and step up recycling.

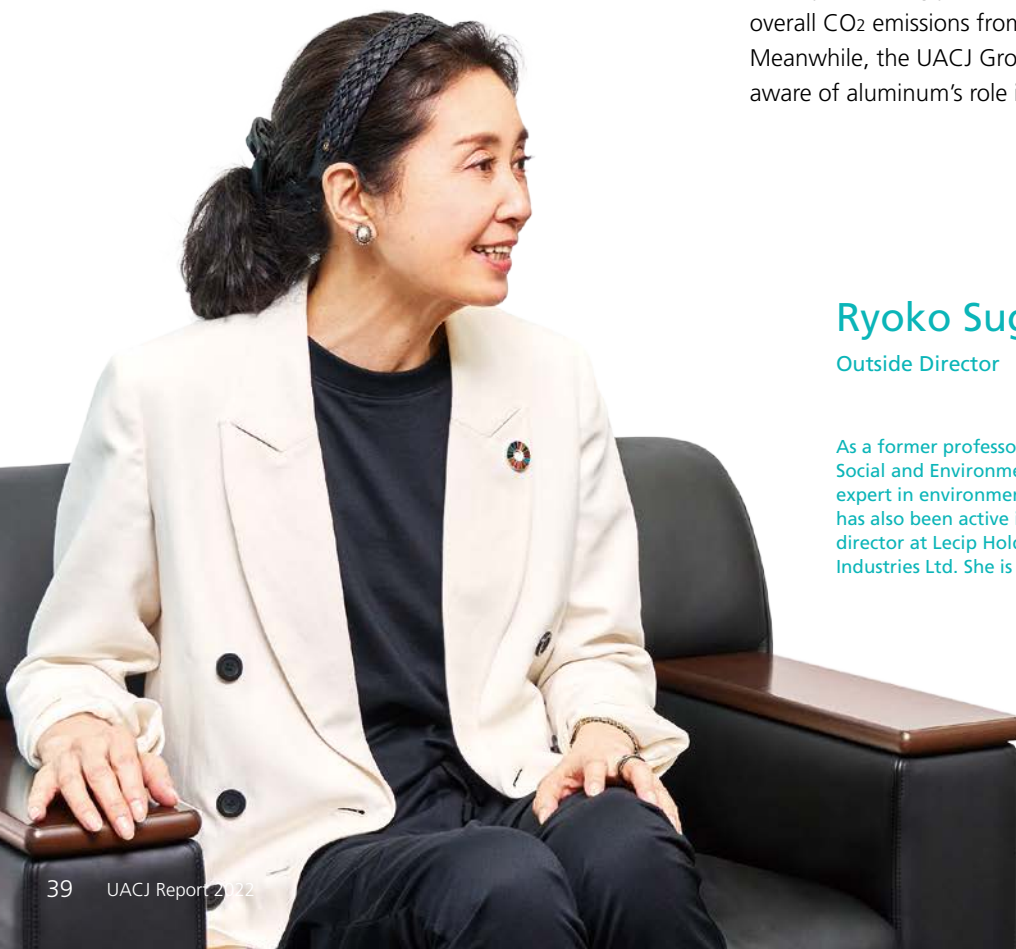
**Sugiyama:** Looking at it another way, if aluminum is not recycled, vast amounts of energy will be consumed and CO<sub>2</sub> emitted across the supply chain. To reduce its environmental impact, the aluminum industry has a social mission to recycle materials. That should be a core responsibility. Yet, when I was appointed as outside director in 2015, recycling was not strongly backed by UACJ, which I questioned at the time.

**Tanaka:** Back then, we were not aggressively promoting the adoption of recycled aluminum because of issues involving manufacturing efficiency and workability. Now that environmental awareness has reached such a high level, however, our customers are looking to protect the environment, so they increasingly want to use recycled aluminum to reduce overall CO<sub>2</sub> emissions from their manufacturing processes. Meanwhile, the UACJ Group's employees have become very aware of aluminum's role in solving environmental problems

### Ryoko Sugiyama

Outside Director

As a former professor of Tokoha University's Faculty of Social and Environmental Studies, Ryoko Sugiyama is an expert in environmental and recycling engineering. She has also been active in industry, including as an outside director at Lecip Holdings Corporation and Kurita Water Industries Ltd. She is UACJ's first female director.



and fighting climate change. Therefore, the Group is now very keen on exploring solutions and taking action.

**Sugiyama:** As you said, many manufacturers have recently come to recognize the importance of recycling, whereas only a limited number of customers did so in the past. UACJ, too, has set a very good process in motion by integrating sustainability into its management strategies and specifying material issues along with related initiatives. Awareness has been growing among employees, as well. The important thing, however, is to give something back to society through those activities. In Japan, when you look at the shelves of convenience stores, aluminum cans account for only a small percentage of bottled water, tea, and other beverages. As other parts of the world rapidly phase out plastic, I wonder if Japan is keeping up.

**Tanaka:** Globally, we are seeing a shift to aluminum beverage containers. In North America, demand for aluminum can stock has been growing steadily at a rate of 6% annually. To accelerate this shift in Japan, aluminum product manufacturers will need to more effectively educate the public about the environmental benefits of aluminum.

**Sugiyama:** Perhaps educational tools created by UACJ will be effective for that, such as its recently published booklet about aluminum and the environment. I hope we can accelerate the shift to aluminum by providing many people with clear explanations of how aluminum containers and aluminum recycling can help reduce environment burdens.

**To make further progress in aluminum recycling, what kind of measures will be needed?**

**Tanaka:** In Japan, steps to establish an aluminum can recycling system were taken many years ago, so over 90% of all aluminum cans are now recycled. On the other hand, since the body and lid of the same can contain different types of alloys, it is difficult to recycle them as can stock without lowering the quality of the materials. Consequently, if the same level of quality is maintained, the can-to-can recycling rate drops down to around 70%. To raise the rate of this type of closed-loop recycling will be a big challenge going forward.

**Sugiyama:** Besides aluminum cans, however, there still hasn't been much progress in recycling other aluminum products.

**Tanaka:** That's right, so collection and recycling systems need to be created for aluminum products other than cans. Aluminum beverage cans are used and collected over a relatively short time span. In contrast, over a decade can pass before products like auto parts can be recovered for recycling. Therefore, recycling

## Shinji Tanaka

Director, Managing Executive Officer,  
Chief Executive of the Corporate Strategic Restructuring Office

As a managing executive officer, Shinji Tanaka, is responsible for the UACJ Group's response to climate change. He oversees the proceedings of UACJ's Climate Change Countermeasures Steering Committee, and was directly involved in the Company's decision to strive for carbon neutrality and revise its targets for reducing CO<sub>2</sub> emissions.



systems must be designed to suit the respective life cycles of different products. Furthermore, compared with cans, a wider range of alloys are used in other aluminum products, so to enable closed-loop recycling, systems for separating, sorting, and recovering these materials will be needed.

**Sugiyama:** For those reasons, a wide range of stakeholders must work together, including automakers and manufacturers in related industries as well as municipal governments. Having consumers cooperate is also essential, of course, since they are the end users.

**Tanaka:** Yes, collaboration among many types of stakeholders across society will be needed to build a circular economy for aluminum. I want UACJ to be at the heart of that process.

**Sugiyama:** In the resource recycling process, large corporations function like arteries, sending products out to society, and this side of the circulatory system is very robust. Meanwhile, comparatively smaller companies and municipal governments are generally entrusted with the collection of the used products, functioning like veins, and this side of the system has not been reinforced much. Therefore, for UACJ to be at the “heart” of this circular economy, it should proactively contribute to improving collection and recovery systems.

**Tanaka:** I agree. As part of such efforts, we are currently exploring ways to process and treat used aluminum cans in partnership with upstream suppliers (see page 36). Our activities are not limited to Japan. In Thailand, we are working with the government, can manufacturers, beverage producers, and other stakeholders in a project called Can to Can Journey, which aims to establish a closed-loop recycling system for aluminum cans. In the future, we intend to expand these activities in Vietnam and other ASEAN countries.

### Besides recycling, what other initiatives will UACJ need to pursue to combat climate change?

**Sugiyama:** Aluminum parts help reduce the weight of cars and other vehicles, contributing to better mileage and lower CO<sub>2</sub> emissions. It will be important to exploit the properties of aluminum in such ways to reduce environmental burdens in a broader range of industries. On the other hand, a vast amount

of electricity is consumed in the process of smelting virgin aluminum. Since the amount of recycled aluminum produced cannot meet total demand for aluminum at present, saving energy and reducing CO<sub>2</sub> emissions in the smelting process is a major issue.

**Tanaka:** UACJ imports smelted aluminum ingots in addition to recycled aluminum. CO<sub>2</sub> emitted from the smelting process is categorized as Scope 3 emissions. Our environmental targets, however, fall within the range of Scope 1 and 2 emissions. Nevertheless, as a major manufacturer in the global aluminum industry, UACJ is using as much recycled aluminum as possible while working together with its many partners across the supply chain to reduce Scope 3 emissions, aiming to minimize greenhouse gas emissions from the supply chain as a whole. Because there are limits to how much the smelting process can be improved, we are exploring other possibilities in partnership with our suppliers. For example, increasing the ratio of electricity supplied from renewable energy sources is one such possibility.

**Sugiyama:** That should be possible because UACJ operates across the entire supply chain, from upstream to downstream, with a vast network of veins and arteries that will form the circular economy of the future. I hope to see the Company work proactively to reduce the environmental impact of the supply chain as a whole.

**UACJ became the first Japanese flat-rolled aluminum manufacturer to acquire certification from the Aluminium Stewardship Initiative. What were the Company's objectives?**

**Tanaka:** UACJ acquired the certification in order to help customers improve their green procurement goals. At the same time, by participating in the initiative, the Company could become involved in the creation of international rules concerning responsible aluminum production, procurement, management, and logistics. We want to play a leading role in making the entire industry more sustainable.

**Sugiyama:** I pointed out earlier that the shift away from plastic beverage containers has been slow in Japan compared with other parts of the world, but Japanese ideas are also not commonly applied in general business practices around the world today. Historically, the creation of international business

regulations were spearheaded by Europe and the United States. Japan just followed their lead for the most part. With that in mind, UACJ's push to join the Aluminium Stewardship Initiative ahead of other Japanese companies with a desire to play a role in creating international rules is highly commendable. I am sure this will lead to big successes in the future.

**Tanaka:** Thank you. By actively participating in the creation of global standards for the aluminum industry as a member of the initiative, we not only hope to enhance the sustainability of our own businesses, but also to contribute to the sustainability of the industry and the planet.

**This year, UACJ declared its goal to become carbon neutral by 2050. What was the background behind this goal?**

**Tanaka:** In our third mid-term management plan launched last year, we targeted a 22% reduction in CO<sub>2</sub> emissions across our supply chain by 2030, compared with the level in fiscal 2019.

After that, we set up our Climate Change Countermeasures Steering Committee, and made significant progress by implementing improvement plans. On that momentum, we set a 30% reduction target for Scope 1 and 2 emissions, which can be reduced through the Group's own efforts. A 30% reduction may not appear so ambitious, but since we had launched various measures to cut emissions before 2019, further reducing emissions by 30% from now will actually be very challenging.

**Sugiyama:** Considering the often reported damage caused by record-breaking heat waves around the world this past summer, we have no time to lose in the fight against climate change. Although your target may be very challenging, I believe UACJ, as an industry leader, will accomplish it.

**Tanaka:** To achieve carbon neutral Scope 1 and 2 emissions by 2050, a 30% reduction by 2030 is not just a target to work towards—it is a goal we must accomplish. I think it will be feasible if we implement a number of measures, such as expanding our use of renewable energy and stepping up energy-saving measures at every manufacturing facility. At the same time, we will continue to collaborate with our partners across the supply chain and use as much recycled aluminum as possible to reduce Scope 3 emissions.

