

Taking responsibility for materiality issues and fostering a sustainable corporate culture

Joji Kumamoto

Executive Officer

Formerly a member of Sumitomo Corporation, Joji Kumamoto was transferred to Tri-Arrows Aluminum in 2011, after it was jointly acquired by Sumitomo Corporation and UACJ in the same year. He joined UACJ in April 2017, and was appointed as chief executive of the Corporate Strategy Division in April 2021. He is currently in charge of devising and executing management strategies, including those related to sustainability.



Reaffirming UACJ's principles and goals in the process of acquiring ASI certification

The needs of consumers and society are changing rapidly amid an increasingly uncertain global outlook. For the UACJ Group to accomplish the long-term objectives of UACJ Vision 2030 under those circumstances, it must not only execute business growth strategies but also position sustainability management at the heart of its operations, which includes managing risks. To make advances in our sustainability management, we took a number of steps over a two-year period to acquire certification from the Aluminium Stewardship Initiative (ASI). As a result of these efforts, two of the Group's main manufacturing plants were certified in March 2022, specifically for the ASI Performance Standard, which addresses transparency and sustainability in terms of governance, the environment, and social responsibility, and the ASI Chain of Custody Standard, which is related to the continuity of product processes and distribution flows.

It has been very gratifying to see our everyday efforts bring such success. In my view, not only the certification itself was a success, but also the way we integrated our management philosophy and goals through the certification process. For example, in response to the ASI's principle of considering human rights in procurement activities, we formulated the UACJ Group Human Rights Policy in March 2022, and promoted it in and outside the Group. For our policy to be effective, however, we need to directly apply it in our procurement activities. Therefore, in the Group's Sustainable Procurement Guidelines, we emphasized a principle of the UACJ Way, "respect and understand your associates," which is central to our management philosophy. In other words, when

preparing to acquire the ASI certification, we considered best practices for procurement and manufacturing while returning to the roots of our management philosophy and principles. I believe this demonstrates how our sustainability management structure overlaps with the principles advocated by the ASI.

Raising awareness of sustainability through regular dialogue with employees

UACJ places importance on regularly engaging with employees as a means to make them aware of its sustainability-related policies and guidelines, and to encourage them to apply these policies and guidelines on the job. As part of these activities, President Miyuki Ishihara holds meetings with employees to discuss UACJ's management philosophy. These meetings were initiated to gain feedback from employees when the philosophy was revised in 2020. Since then, over 1,000 employees have participated. The meetings have covered the philosophy and various sustainability-related topics while consistently emphasizing the importance of applying these concepts in one's own work. Over the past year, participants shared their views about materiality issues and UACJ Vision 2030, thereby reaffirming the Group's direction going forward.

Exercising sustainability management on an organizational level requires strong leadership, so we hold related seminars for the Company's management. Five seminars on the materiality issues were held for executives in the second half of fiscal 2021, and we plan to hold seminars for division and department heads in fiscal 2022.

Taking the lead in building a circular economy with materials that can help fight climate change

As part of our sustainability management, we have specified six materiality issues for the UACJ Group. Among these issues, I am confident that the Group can make the most of its strengths in its response to climate change. Through the Group's core Rolled Aluminum Products Business, in particular, we can create ways to directly combat climate change and other environmental problems facing the world today. For that reason, we recognize the opportunities more than the risks posed by such problems.

The recyclability of aluminum will be a key factor. Fortunately, aluminum products can be recycled as new products over and over again. I believe the Group's Rolled Aluminum Products Business can play a very big role in building a circular economy, which has attracted substantial interest in recent years amid the push to carbon neutrality. In the case of aluminum cans, for example, almost 95% are sorted, collected, and recycled in Japan, then returned as raw materials to flat-rolled aluminum manufacturers like UACJ, and used again for aluminum can stock supplied to customers. This kind of recycling has been carried out among companies in Japan's aluminum can industry for almost 50 years, and is recognized as a practical business model for a circular economy. By applying this model in the automotive, consumer appliance, and other industries, we hope to help broaden the scope of the circular economy going forward. To accomplish that, taking on two big challenges will be necessary.

The first is to create an ecosystem that, like Japan's aluminum can industry, connects manufacturers that use aluminum with aluminum product factories and recycling operators in every region of the country. While this takes time, I believe many businesses will be receptive to such initiatives now that climate change has emerged as a major issue for society.

The second challenge is to improve recycling technologies. We are researching and developing rolling processes and alloys that can be recycled without reducing material quality, even if alloy substances differ somewhat. Our goal is to offer solutions that can meet product specifications demanded in the market.

While taking on these challenges, UACJ will continue educating people about the excellent recyclability of aluminum materials, and join forces with other companies to drive the transition to a circular economy. I believe this is a mission that UACJ must pursue in today's world.

Six materiality issues built on the core management principles of quality and safety

Of the Group's six materiality issues, product quality assurance together with occupational health and safety are prerequisites for sustainability and fundamental social responsibilities in the manufacturing industry. As such, they form the bedrock of the Group's operations and must be given top priority in sustainability management. At the same time, we will work hard to ensure that human rights are respected throughout our supply chain, maintain diversity and equal opportunity in workplaces that create new value for products and services, and continue developing each new generation of human resources. While affirming these management fundamentals, we will aim to grow sustainably by capitalizing on the business opportunities created through our response to climate change. I believe this is the Group's fundamental approach to its materiality issues.

Human resources development designed to prepare employees for uncertain times ahead

We are now engaged in discussions about how to align human resources development with the Group's management strategies. Management is collectively exploring whether we have the personnel needed for executing management and growth strategies, as well as what kind of training is needed and what human resources we lack. Meanwhile, our human resources departments are examining concrete plans for training methods, placement policies, and personnel systems.

Human resources development is not only about improving skills; fostering the right mindset is also essential. We are now living in a time of volatility, uncertainty, complexity, and ambiguity, so employees are bound to encounter new and unforeseen situations. Of course we must focus on equipping employees with skills needed for implementing management strategies, but we also need to improve their ability to solve problems on their own and take the initiative. Therefore, developing communication skills, especially within the Group, is extremely important for enabling employees to interact with anyone on a professional level, without feeling anxious or apprehensive. Accordingly, we intend to position communication skills at the core of human resources

Message from the Executive Officer in Charge of Sustainability Management

development. Furthermore, to foster a mindset for business execution, I think it will be important to discuss what standards for UACJ's future leaders better exemplify the values of our corporate philosophy.

Embedding sustainability in our corporate culture through dialogue

Since its establishment, UACJ has actively pursued a strategy of international expansion as Japan's leading flat-rolled aluminum manufacturer. Consequently, the number of its stakeholders and areas where it operates have increased, which means the

responsibilities that must be fulfilled are now weightier and more diverse.

To improve our sustainability management in that context, all members of the Group will need to deeply understand the importance of the materiality issues, and individually tackle them on the job and in relationships with stakeholders. At present, there is still room for improvement, so taking personal responsibility for the materiality issues is a vital step for the Group and each of its members to grow together with stakeholders. Therefore, we will continue organizing discussions among senior managers while engaging in dialogue with employees.

Highlights of environmental, social and governance (ESG) initiatives in fiscal 2021

2021	April	E	Established the Climate Change Countermeasures Steering Committee
	April	E/S/G	Became a signatory to the UN Global Compact
	May	E/S/G	Announced the Group's materiality issues and set targets for reducing CO ₂ emissions
	August	E	<ul style="list-style-type: none"> Supplied aluminum body panels to Toyota Motor for its Land Cruiser model Facilitated closed-loop recycling initiatives to reduce environmental impacts
	August	E	Completed plan to install a rooftop solar power system at Rayong Works in Thailand
	September	E/S	Produced SDG-themed badges and key holders using recycled materials
	September	E	Endorsed the TCFD recommendations and participated in the TCFD Consortium
	September	S	Formulated the Group's Health First Management Declaration
	October	S	Endorsed a government-led initiative to build partnerships in Japan
	November	E	Concluded an agreement with Yamaichi Metal Corporation to jointly process used beverage cans
	November	S	Jointly sponsored the Paralym Art contest for people with disabilities
2022	February	E	UACJ (Thailand) concluded an agreement to facilitate closed-loop recycling of aluminum cans
	February	E	Disclosed results of a scenario analysis based on the TCFD recommendations
	February	E/S	Commenced sales of Mizuyojin brand entranceway flood barriers
	March	E/S	Concluded an agreement with the governments of Fukui Prefecture and Sakai City to maintain a company forest
	March	E/S/G	ASI certification acquired by Fukui Works and Rayong Works
March	S	Formulated the UACJ Group Human Rights Policy	

Sustainability Governance

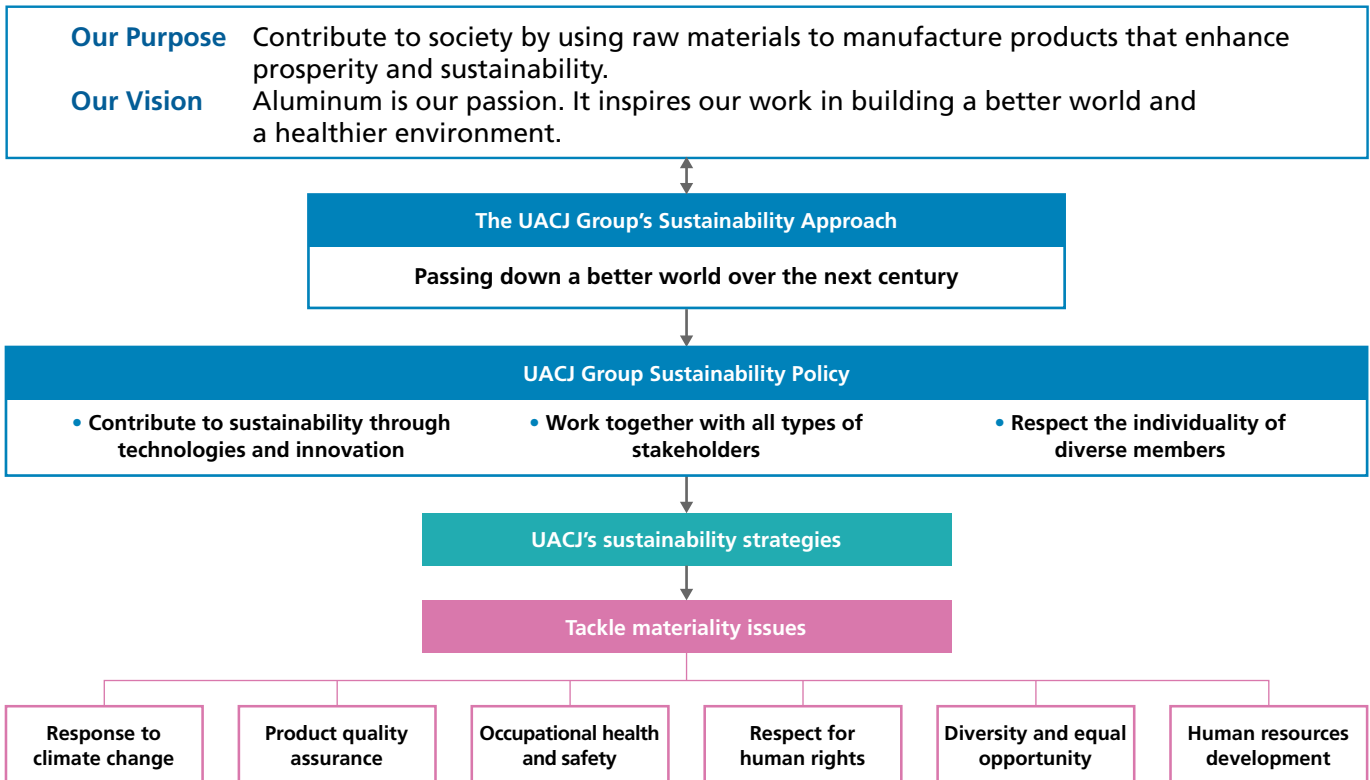
The UACJ Group’s approach to sustainability

Positioning sustainability-driven activities as a core element of its management and operations, the UACJ Group recognizes the need to carry out such activities on a group-wide basis. For that purpose, the Group has specified materiality issues as vital factors for growing sustainably with society. Furthermore,

promoting sustainability has been positioned as a major policy of the Group’s current mid-term management plan, now underway.

Businesses may not be able to continue operating in the future unless they help build a more sustainable world. Recognizing the seriousness of this risk with a sense of purpose, the UACJ Group is carrying out highly effective measures designed to have a positive impact on the world.

Positioning of sustainability



The Group’s materiality issues

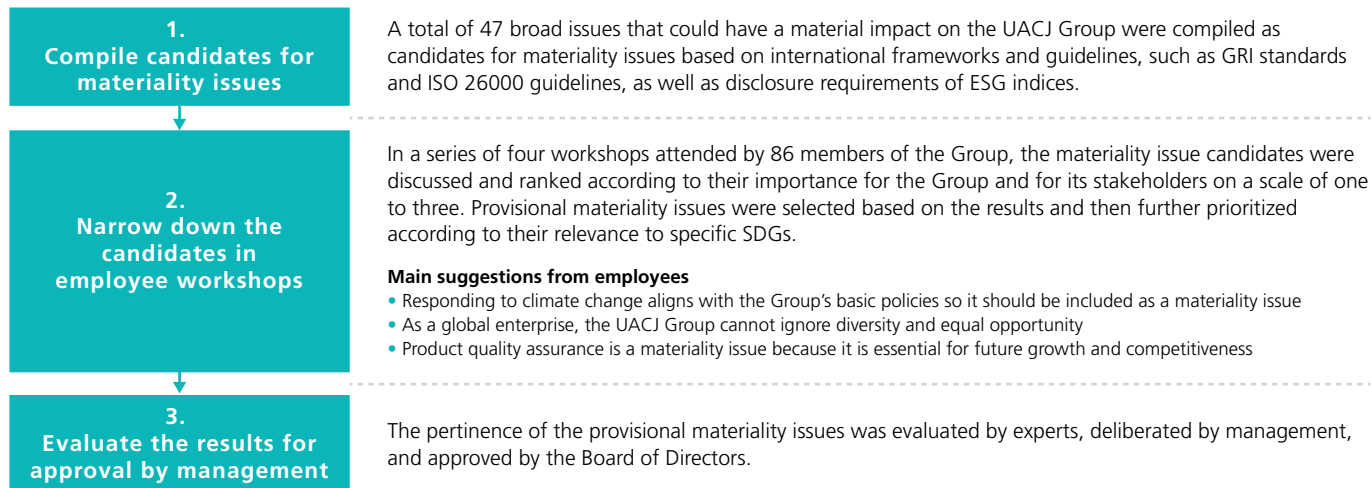
The UACJ Group is placing priority on tackling the six materiality issues it has specified: response to climate change, product quality assurance, occupational health and safety, respect for human rights, diversity and equal opportunity, and human resources development. These issues were decided over three stages lasting about two years. This process did not only involve directors and executive officers, as broad range of the Group’s members including employees from manufacturing plants and

sales offices actively took part in workshops aimed at narrowing down the issues. Consultations were also held with experts from outside the Group, and the materiality issues were reviewed and finally approved by UACJ’s Board of Directors.

Through this process, the Group designated the six materiality issues along with relevant UN Sustainable Development Goals (SDGs), 2030 sustainability goals for each issue, an action plan, and key performance indicators (KPIs) for measuring the plan’s progress. For each of the six issues, the Group also clarified how its actions can bring benefits to society.

Sustainability Governance

Process of specifying materiality issues



The UACJ Group's materiality issues, performance indicators, results, and goals

Materiality issue	Reason for selection	Performance indicators	Fiscal 2021 results	Fiscal 2030 goals
Response to climate change	The Group can make a significant social contribution by pursuing ways to use the recyclability of aluminum to reduce greenhouse gas emissions throughout entire supply chains.	Reduction of CO ₂ emissions across the Group's supply chain	Medium- and long-term targets were set by UACJ's Climate Change Countermeasures Steering Committee	Reduce Scope 1 and 2 CO ₂ emissions by 30% (compared with levels in fiscal 2019) Reduce Scope 3 CO ₂ emissions across the entire supply chain by recycling as much aluminum as possible in cooperation with various suppliers
Product quality assurance	It is a source of the Group's competitiveness as a manufacturer and directly connects to realizing the mutual sustainability of the Group and society	Number of serious quality defects	4	Zero
		Number of customer complaints related to quality	19.9% fewer complaints than in fiscal 2020	50% fewer complaints than in fiscal 2020
Occupational health and safety	Employee safety is part of the bedrock of the Group's business continuity as a manufacturer.	Number of serious workplace accidents	Zero	Zero
		Frequency of workplace accidents resulting in injury or death per million work hours	No more than 0.25	No more than 0.08
Respect for human rights	Respect for the rights of employees of the Group and its suppliers is part of the bedrock of its business continuity as a global enterprise.	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 the Group's main workplaces in and outside Japan
		Percentage of employees and officers that participate in 1) training on codes of conduct and human rights, and 2) training on harassment	1) 90% 2) 100%	1) 100% 2) 100%
Diversity and equal opportunity	Ensuring employee diversity and equality in terms of promotion and treatment is essential for realizing future growth.	Percentage of women in management positions (including directors and officers)	2.2%	At least 15% (but whenever possible, aim for the target of 30% set by the Japanese government)
Human resources development	The development and mastery of abilities by employees is the source of value creation, and is essential for realizing future growth.	Percent of successor candidates appointed to management positions	100% of candidates appointed to the rank of section manager or above at UACJ Corporation	100%
		Number of people who participate in educational events held by UACJ	446 per year	1,000 per year*

* The target has been upwardly revised due to changes in the method for calculating the number of participants following a review of events to be held

Framework for promoting sustainability

Effective from April 2022, UACJ established a new framework for promoting sustainability with a view to clarify responsibilities for sustainability actions, speed up decision-making, and ensure all initiatives make steady progress. Accordingly, executive

officers and organizations have been put in charge of each of the six materiality issues, and are responsible for assessing progress based on the KPIs that have been specified for each issue. This progress will be periodically reported and deliberated on by committees assigned to each of the issues in order to improve the effectiveness of relevant measures.

Framework for sustainability actions

Materiality issues	Officers in charge	Organization in charge	KPI monitoring	
			Committee	Frequency
Response to climate change	Chief executive of the Corporate Strategy Division	Corporate Sustainability Department Designated working groups	Climate Change Countermeasures Steering Committee	3 times annually
Product quality assurance	Vice chief executive of the Business Support Division	Quality Control Division	Quality Committee	Once annually
Occupational health and safety	Vice chief executive of the Business Support Division	Safety & Environment Department Safety groups	Health and Safety Committee	Once annually
Respect for human rights	Chief executive of the Business Support Division Chief executive of the Corporate Strategy Division	Corporate Sustainability Department	Compliance Committee	Once annually
Diversity and equal opportunity	Chief executive of the Business Support Division Vice chief executive of the Business Support Division	Human Resources Division	* Relevant departments cooperate to monitor progress under the direction of the executive in charge of human resources strategies * Progress is monitored over the course of executing company-wide human resources strategies	
Human resources development	Chief executive of the Business Support Division Vice chief executive of the Business Support Division	Human Resources Development Department Human Resources Division		

Participation in sustainability organizations

In accordance with the UACJ Group Sustainability Policy, UACJ has joined various organizations in an effort to increase the Group’s involvement in sustainability initiatives around the world.

In July 2020, UACJ became Japan’s first flat-rolled aluminum manufacturer to join the Aluminium Stewardship Initiative, an international organization that works to “foster responsible production, sourcing and stewardship of aluminium” and “maximize the contribution of aluminium to a sustainable society.” As a member, UACJ intends to proactively contribute to setting global standards in the industry while taking a leading role in efforts to promote sustainability.

In March 2021, UACJ joined the Japan Hydrogen Association, which strives to speed up efforts to establish hydrogen infrastructure. UACJ will help realize this objective by collaborating with other members and supplying high-quality aluminum products.

In addition, UACJ became a signatory to the UN Global Compact in April 2021, and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2021. It also became a supporter of the TCFD Consortium, and is actively disclosing information about climate-related risks and opportunities based on the TCFD recommendations.



Responding to Climate Change

The UACJ Group’s approach to climate change

Based on the action guidelines of its basic environmental policies, the UACJ Group recognizes its social responsibility as a comprehensive aluminum products manufacturer to take proactive steps to combat climate change and contribute to decarbonization. Accordingly, the Group has designated its response to climate change as a materiality issue for management, and is carrying out measures to reduce its emissions of greenhouse gases (GHGs). Among these measures, the Group has been developing aluminum products that help users save energy and facilitating closed-loop recycling, which is expected to greatly contribute to realizing carbon neutrality by reducing CO₂ and other GHGs. Management is also placing importance on addressing both climate-related risks and opportunities in the Group’s operations.

Action Guidelines

- Continue, broaden, and strengthen measures to reduce CO₂ and other GHG emissions from operations with the goal of achieving a 30% overall reduction by fiscal 2030*¹ while striving to realize carbon neutrality on a Scope 1 and 2 basis by 2050
- Aim to minimize GHG emissions across the entire supply chain by collaborating with various supply chain partners in initiatives to reduce Scope 3 emissions and by recycling as much as possible
- Step up previously initiated measures to conserve energy, switch to fuels that result in less GHG emissions, and progressively adopt renewable energy sources
Provide products and services that contribute to reducing
- GHG emissions, particularly the UACJ Smart brand of environmentally friendly products, by making the most of the relevant properties of aluminum, such as its ability to reduce overall product weight on a life cycle assessment*² basis and be recycled many times over
- Promote the development of technologies that contribute to reducing GHG emissions
- Independently and proactively carry out initiatives designed to reduce GHG emissions, and actively disclose all relevant information

*1 Compared with the fiscal 2019 result, calculated using methods explained in the Japanese government’s Sixth Strategic Energy Plan, issued by the Ministry of Economy, Trade and Industry in 2021

*2 A life cycle assessment is a method for quantifying environmental impacts at every stage of a product’s life, from sourcing raw materials to manufacturing, using, and disposing the product

Activities in fiscal 2021

To provide a venue for leading the Group’s response to climate change, UACJ established its Climate Change Countermeasures Steering Committee in April 2021, and appointed its president as chair. Four working groups were also set up under the committee, which began to examine how to take action and invest in the transition to a low-carbon economy. A new basic policy for combating climate change was also created, and as part of efforts to promote it across the Group, the president announced the policy to all employees.

In September 2021, UACJ endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and became a supporter of the TCFD Consortium, an organization of supporter companies in Japan. The Company commenced a scenario analysis based on the TCFD recommendations in January 2022, and disclosed the results in the following month.

Along with these initiatives, in consideration of climate change countermeasures recommended by the working groups, the Group reviewed its fiscal 2030 target for reducing CO₂ emissions, which had been announced in May 2021, and set new CO₂ emission reduction targets in June 2022 based on its declaration to become carbon neutral by 2050.

UACJ’s responses to climate change in fiscal 2021

Month and year	Activities
April 2021	<ul style="list-style-type: none"> • Became a signatory to the UN Global Compact • Established the Climate Change Countermeasures Steering Committee • Set up working groups for specified tasks
May 2021	<ul style="list-style-type: none"> • Announced the Group’s materiality issues • Set targets for reducing CO₂ emissions
July 2021	<ul style="list-style-type: none"> • Created a basic policy for combating climate change
August 2021	<ul style="list-style-type: none"> • The basic policy for combating climate change was announced by UACJ’s president
September 2021	<ul style="list-style-type: none"> • Appointed executives to take charge of the Group’s response to climate change • Endorsed the TCFD recommendations
January 2022	<ul style="list-style-type: none"> • Interdivisional working groups began discussions
February 2022	<ul style="list-style-type: none"> • Disclosed results of a scenario analysis based on the TCFD recommendations
March 2022	<ul style="list-style-type: none"> • Acquired certification from the Aluminium Stewardship Initiative, a global industry group

Disclosing climate-related information based on TCFD recommendations

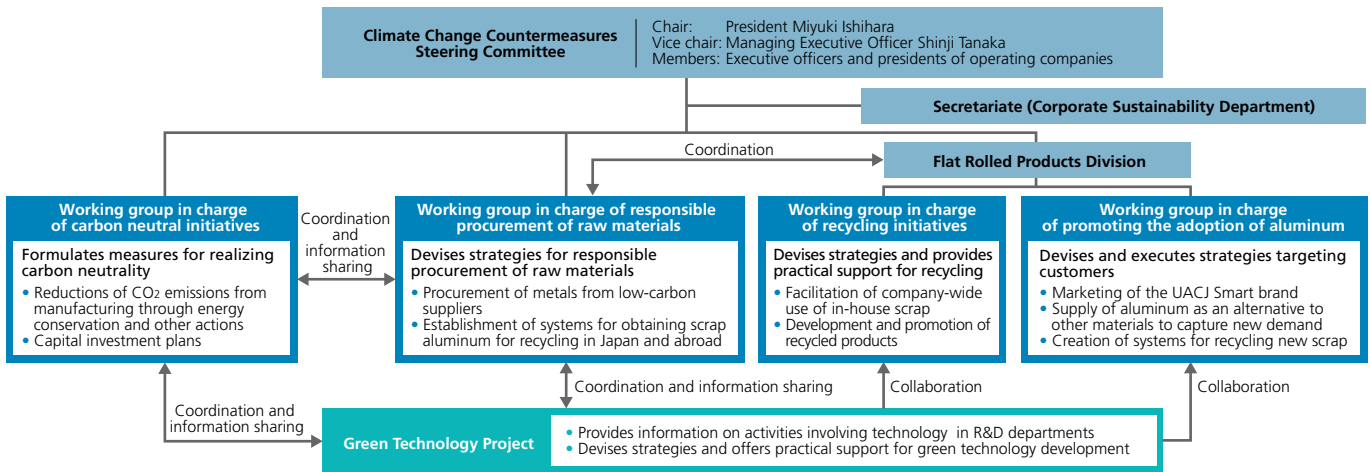
Governance

The Group's basic standpoint and approach for sustainability actions, including measures to combat climate change, are conveyed in the UACJ Group Sustainability Policy.

On April 1, 2021, UACJ established its Climate Change Countermeasures Steering Committee as an organization for overseeing the Group's initiatives to address climate change.

Under this committee, which is chaired by the company president, working groups have been set up to lead the Group's efforts to become carbon neutral, responsibly procure raw materials, facilitate recycling, and promote the adoption of aluminum. When necessary, UACJ's Management Committee and the Board of Directors receive reports on the working groups' research results and activities from the Climate Change Countermeasures Steering Committee, and make decisions on related policies and goals. In this way, management is directly involved in matters of climate-related governance.

Organization of the Climate Change Countermeasures Steering Committee



Strategy

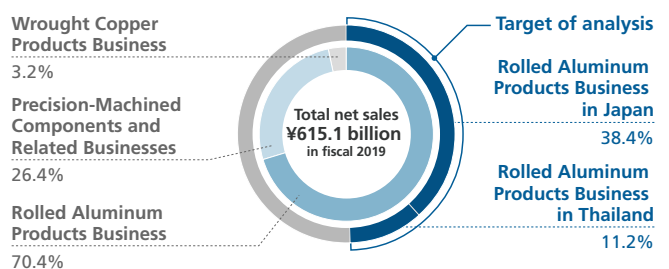
UACJ has conducted a scenario analysis to assess the implications of climate change on its main businesses and business portfolio as a whole. Through this process, it has examined risks and opportunities across the entire value chain, from raw materials procurement to product disposal and recycling, for its Rolled Aluminum Products Business in Japan and Thailand.

Based on the TCFD's recommendation to consider different climate-related scenarios, including a 2°C or lower scenario, UACJ conducted its analysis using two scenarios of climate change based on future estimates by the International Energy Agency and the Intergovernmental Panel on Climate Change: a temperature rise of 1.5°C, and a rise between 2.6°C and 4°C.

Under the 2.6°C to 4°C scenario, a negative impact overall would result even if the Group implements more countermeasures and capitalizes on opportunities. Under the

1.5°C scenario, however, the impact would be largely positive if the Group implements countermeasures and capitalizes on opportunities. In this case, the Group would need to step up its efforts to decarbonize, such as by using more renewable energy. Towards this end, the Group will install one of the world's largest rooftop solar power systems at Rayong Works in Thailand, and switch from liquified petroleum gas to liquified natural gas as fuel for its heat treatment furnaces in Japan.

Businesses subject to the scenario analysis



Risk significance assessment: risks and opportunities

	Risk items		Business impact	
	Small classification	Index	Risks	Opportunities
Transition risks, opportunities	Carbon price (carbon tax / carbon border adjustment mechanism)	Revenue Expenditures	<ul style="list-style-type: none"> Procurement costs for imported raw materials / materials increase Electricity costs increase 	<ul style="list-style-type: none"> Sales and revenue increase due to reduced competitiveness of imported competitor products from countries/regions with insufficient GHG emissions controls
	Carbon emissions targets / policies in each country (Emissions trading / Mandatory Carbon Footprint Reporting etc.)	Revenue Expenditures	<ul style="list-style-type: none"> Raw material procurement costs / manufacturing costs increase due to expenses for purchasing carbon credits Expenses increase for updates / introduction of equipment such as aluminum scrap melting furnaces and energy-saving equipment, and enabling changeover to other fuels Production management costs increase due to mandatory carbon footprint recording and reporting 	<ul style="list-style-type: none"> Carbon tax and other costs can be reduced by reducing procurement of energy-intensive raw materials (virgin aluminum) Demand associated with switching from other materials increases due to tighter regulations There are opportunities to increase revenue by taking advantage of aluminum's light weight, high thermal efficiency, and high recyclability
	Recycling regulations/policies in each country	Revenue Expenditures	<ul style="list-style-type: none"> Prices increase due to increased demand for scrap metal Investment costs to introduce new equipment and innovative technologies to strengthen recycling technology and alloy development capabilities increase Market advantage over competitors / other materials declines due to delays in addressing recycling regulations Demand for aluminum castings decreases due to an expanding electric vehicle market; the current recycling framework does not function adequately 	<ul style="list-style-type: none"> Revenue increases through sales promotion focused on superior recyclability Business base expands and revenue increases through "closed-loop recycling" targeting automobile manufacturing processes, etc.
	Changes in energy mix	Revenue Expenditures	<ul style="list-style-type: none"> Energy costs (electricity, fuel, etc.) increase Investment in SCOPE1 decarbonization increases 	<ul style="list-style-type: none"> Energy conversion in aluminum smelting countries progresses, resulting in reduced GHG emissions from aluminum smelting processes and improved competitiveness against other materials
	Developing next-generation technologies	Expenditures	<ul style="list-style-type: none"> Sorting technology for recycled raw materials does not advance, resulting in lower yields and production capacity Revenue decreases due to weaker competitiveness brought on by delays in developing technologies related to GHG emissions reduction 	<ul style="list-style-type: none"> Costs associated with the use of raw materials are mitigated and reduced by the spread of closed-loop recycling Manufacturing costs are mitigated and reduced by increased use of raw materials and improved manufacturing yields resulting from the consolidation of alloys By developing materials suitable for recycling, UACJ can increase revenue from increased demand for environmentally branded products (UACJ SMART®) UACJ can raise the level of demand by developing smelting methods with low GHG emissions
	Changes in customer behavior	Revenue Expenditures	<ul style="list-style-type: none"> There is increasing environmental awareness among customers and users, and failure to comply with environmental labeling, etc., will result in declining sales from customers pulling away If decarbonization measures are not accelerated through the entire value chain, the environmental branding of UACJ and its business will be damaged and sales will decline Customers and users will pull away from products with low recycled content or that cannot use low carbon aluminum, resulting in a decrease in revenue from lower sales 	<ul style="list-style-type: none"> The recyclability of aluminum is reevaluated, and revenue increases as orders from cutting-edge environmental companies increase Environmental responsiveness becomes a value for UACJ and its products, improving reputation with customers and creating new business opportunities UACJ can increase its revenue by expanding recognition of its high recycling rate / low carbon aluminum for beverage cans UACJ can increase its revenue by acquiring ASI certification, etc., in response to customers' requests for environmental friendliness
Physical risks, opportunities	Increase in average temperature	Revenue	<ul style="list-style-type: none"> Revenue decreases due to lower production capacity resulting from instability in raw material procurement from impact on mining and transportation The working environment at manufacturing sites worsens due to higher temperatures, and there is a risk of decreased revenue due to lower productivity and difficulties in hiring personnel Air conditioning equipment expenses and running costs for addressing the heat increase 	<ul style="list-style-type: none"> Demand for beer and soft drinks increases, and sales grow for packaging materials, providing opportunities for increased revenue Demand for air conditioning equipment increases, and sales for fin materials grow, creating opportunities for increased revenue
	Increasing severity of extreme weather conditions (cyclones, floods)	Revenue Expenditures	<ul style="list-style-type: none"> There are operation/shipments shutdowns, suspension of operations at suppliers, loss of confidence and decreased sales due to temporary halts in production caused by extreme weather conditions (flooding and heavy rain) Expenses for equipment-related countermeasures and damage repair increase due to storm surge and flooding caused by typhoons at manufacturing sites with high risk of flooding Troubles making delivery deadlines increase due to increased disruptions in the distribution network caused by extreme weather 	<ul style="list-style-type: none"> As a result of increased demand associated with "building national resilience" as a countermeasure against natural disasters, there is an increase in demand for disaster-prevention products and structural materials / related products that contribute to strengthening infrastructure Demand for infrastructure development increases, resulting in increased demand for sluice gates and other disaster-prevention products Demand increases for products (aluminum laminated sheets, etc.) used in evacuation centers, etc.

Risk management

The Climate Change Countermeasures Steering Committee's secretariat has set up a team tasked with specifying risks and opportunities in accordance with the TCFD recommendations, and producing related scenarios and road maps. To reflect

UACJ's policy of responding to climate change on a group-wide basis, the team's members have been selected from a broad range of operations, including sales, manufacturing, R&D, legal affairs, risk management, public relations, sustainability management, and corporate finance.

Future countermeasures to individual risks				
Evaluation	Future countermeasures to individual risks			
	Category	Risk countermeasures example	Category	Initiatives for seizing opportunities example
High	Adapted	<ul style="list-style-type: none"> Setting of long-term GHG emissions reduction targets Setting of long-term energy use reduction targets Introduction of internal carbon pricing 	Adapted	<ul style="list-style-type: none"> Implementation of long-term GHG emissions reduction targets Leveraging of CO₂ absorption through forests, etc., and credit programs Establishment of an evaluation method to measure contribution to making reductions Shifting to energy-saving technologies with an aim toward decarbonization through public-private partnerships and international cooperation
Medium				
High	Adapted	<ul style="list-style-type: none"> Promotion of higher recycling rate for products Establishment of a scrap recovery system with upstream/downstream customers 	Adapted/ Established	<ul style="list-style-type: none"> Collaboration for and establishment of a scrap recovery system with retailers and local governments
High	Adapted	<ul style="list-style-type: none"> Improved energy conservation through changing fuels / switching power companies Promotion of the introduction of renewable energy sources 	Adapted/ Established	<ul style="list-style-type: none"> Promotion of use of on-site power generation such as solar power, selling of electricity Promotion of use of on-site power generation such as solar power, selling of electricity Leveraging of decarbonization technologies such as CCS/CCUS
High				
Medium	Adapted	<ul style="list-style-type: none"> Development of decarbonized aluminum products / services (certification) 	Adapted/ Established	<ul style="list-style-type: none"> Promotion of use of aluminum for products Establishment of UACJ's own branding by moving toward with acquiring environmentally friendly certifications Collaboration with competing materials companies
Medium				
High	Adapted/ Retained	<ul style="list-style-type: none"> Implementation of disaster prevention equipment Sophistication of risk models by leveraging data 	Established	<ul style="list-style-type: none"> Promotion of the use of aluminum for products: Expansion of disaster prevention technologies/products Formation of public-private consortiums, etc., aimed at disaster prevention

Metrics and targets

In June 2022, UACJ declared its goal of realizing net zero Scope 1 and 2 CO₂ emissions by 2050. To work towards that goal, it has set a fiscal 2030 target of reducing Scope 1 and 2 CO₂ emissions by 30% compared with the fiscal 2019 level. The Group will also accelerate measures for minimizing Scope 3 CO₂

emissions across its entire supply chain.

Targets

- Net zero Scope 1 and 2 CO₂ emissions by 2050
- 30% reduction in Scope 1 and 2 CO₂ emissions by fiscal 2030
- Minimize Scope 3 CO₂ emissions across its entire supply chain by recycling as much aluminum as possible in collaboration with suppliers

Human resource strategies that enhance the power of our people and organization for Group growth worldwide

Akinori Yamaguchi

Senior Managing Executive Officer

Appointed president of UACJ (Thailand) Co., Ltd. in October 2013 where he played a key role launching the company. After returning to Japan, he was senior general manager at Fukui Works in Japan, and since April 2020 has served as the chief executive of the Business Support Division, where has been solidifying the management organization and human resources strategies.



Strategically cultivating human resources to lead the medium- and long-term management strategies

UACJ has defined six materiality issues that are fundamental to fulfilling our long-term management objective, UACJ VISION 2030. Four of those materiality issues are related to people. With the accelerating pace of technological innovation and globalization as well as the needs to deal climate change and other social issues, developing our human resources is absolutely essential to achieving sustainable growth for the Company. Based on this conviction, we are strengthening the connections between our human resources strategy and management strategies, particularly the medium-term management plan to fiscal 2023 and UACJ VISION 2030. We are identifying the qualities and skills that will be necessary for the next generation of leaders in our company growth, and are focusing on those areas to cultivate the human resources we will need.

The first step for the Human Resources Department is to talk to each business department and corporate division to understand the details of their medium- and long-term strategies and UACJ VISION 2030 and to discuss their human resource requirements. Although discussions like these are part of our standard process for recruitment and training, this time we are focusing more specifically on defining the specific requirements for the human resources as they pertain to the management strategies.

Different departments require different qualities and skills, so our hiring and training objectives must also be different. For example, departments with a need for “global human resources” could be seeking people capable of conducting

business in English or people with a talent for dealing with business partners in foreign settings. By talking closely with each department and learning the intricacies of their needs, such as “we need leaders who can commercialize our technology” or “we want people that can attain the level of skill needed to bring our technologies forward,” we can create a more effective plan for human resources development.

Another area where we are strengthening the connections between our human resources and management strategies is health management, which is part of our materiality of occupational health and safety. Our continuous efforts in this area are steadily producing results, as evidenced by the recognition in March of this year as one of the Health & Productivity Management Outstanding Organizations in 2022. We are currently putting together a strategic roadmap to continue systematically improving our level of performance.

Group human resources planning through extensive discussions on succession training

Cultivating and increasing the ranks of next-generation human resources involves discussing the kinds of human resources that the management strategies will need along with forming a successor training plan geared to the future. Last fiscal year, we broadened our scope from general managers and to also encompass section managers to identify potential successor candidates.

The candidate selection process includes discussions with each division and business, with each division and business’s top officials, and then between corporate management and each division and business’s top officials. These active dialogues give

us opportunities to recognize a wide variety of talented people, and we conduct them on a rotating basis throughout the organization. So individuals can gain the necessary experience, we even make requests for transfers across departments, which can sometimes trigger complaints from the work sites. Friction like that actually provides a good opportunity to find alignment between the individual's goals and the role management wants them to fulfill, but most importantly, we believe that it helps employees view the management strategies as their own. We believe the discussions and dialogues are gradually providing clarity to our overall human resources plan, and we are currently formulating detailed training curriculums and working with each department to revise their training plans.

One issue we are facing is that these efforts so far have been limited to our operations in Japan. This will be taken into consideration as we examine investment related to human capital management when we begin preparing for the next medium-term management plan. In these preparations, we will be taking a more expansive view on human resources and will include construction a talent management system for centralized management of skills and experience to enable effective assignment and development of global human resources.

Strengthening the education curriculum for finance and sustainability

One of the core themes of the UACJ VISION 2030 we announced last year is the development of new business fields. In the current fiscal year, we will start putting together projects to bring several new ideas to the second stage of development toward commercialization. From a human resources perspective, this means "developing human resources that align with the management strategies and creating an optimal organization for the entire company," and efforts are already under way as a human resources strategy.

The first step is to learn what human resources will be needed to carry out the plans for commercialization. Of course, each project requires different personnel, but certain elements are the same for all projects. Whether a project is technological or administrative, all projects will require people with financial (finance) and non-financial (sustainability) knowledge.

Previously, this knowledge would be provided through division

of labor of specialized personnel. We are now in an age when corporate management and business activities require all people to be versed in finance and sustainability in order to create opportunities and reduce risk. The Human Resources Department is expanding the curriculum for learning these new basics.

Becoming a corporate group of self-sufficient human resources with a disciplined approach to their work

The aggressive globalization of our operations means the Group must train and support employees in Japan and overseas and at the same time enhance management efficiency while fostering group unity, maximizing synergies, and reducing global risk.

In recent years, we have been putting particular effort into sustainability by pursuing sustainability-oriented management, formulating a basic policy on climate change, and revising our procurement guidelines to cover human rights considerations. We recognize the importance of creating a fully coordinated discipline that cover the whole Group so our business sites do not have to act on their own. Although this is primarily a governance issue, it is also a human resources issue in that it entails changing awareness to think and act in a manner separates autonomy and discipline. The human rights due diligence that the Fukui Works and UACJ (Thailand)'s Rayong Works conducted to obtain Aluminium Stewardship Initiative certification was very important because it renewed our awareness of the high degree of human rights awareness overseas and gave us a harsh look at human rights issues in the supply chain. I believe many of the employees involved felt the importance of balancing the discipline that we should observe as a group with a spirit of autonomy to take on challenges and make decisions according to the situation at hand. This is a reaffirmation of our value of respecting and understanding our associates set forth in the code of conduct we call the UACJ Way.

With human resources worldwide capable of taking autonomous and disciplined action in the changing global business environment, we will continue advancing each of our strategies with a healthy sense of urgency to achieve sustainable growth for the corporate group.

Human Resource Management

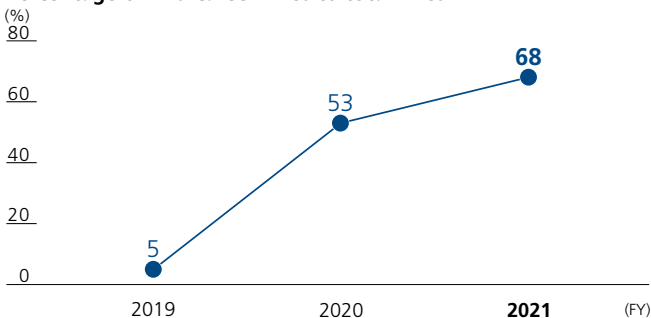
Practicing talent management

UACJ has set human resources, technology, and corporate culture as the key elements in creating the foundation for achieving our long-term management objective, UACJ VISION 2030. To fulfill our vision, we believe it is critically important to develop the human resources to lead the next generation and to strategically allocate personnel so each person will gain the skills to contribute anywhere in the Group without being restricted to divisions or locations.

With that perspective, we have launched specific plans for human resource development and successor training in fiscal 2021. We extensively discussed the medium- to long-term growth strategies for each business and corporate division and the human resources that the strategies will need. We also defined human resources to more specifically match the management strategies and used the definitions to create a highly effective plans for human resource development and successor training. We also formulated and began a trial application of a talent management system to facilitate the strategic allocation of personnel. The system will improve our ability to strategically allocate staff to develop individuals for our future succession plan by providing centralized management of skill and experience development and facilitating global placement and human resource development. Defining human resources matched to the management strategies and launching the talent management system has given us a better ability to visualize the human resource needs (talents) that are currently lacking or will be required in the future. In fiscal 2020, we have begun actively recruiting mid-career workers who can immediately fill provide the human resource needs to fulfill the UACJ VISION 2030.

Even as the business environment rapidly changes, we will continue fostering a sense of group unity, improving management efficiency, and strengthening the integration of our management and human resource strategies to maximize synergies.

Percentage of mid-career hires to total hires



Diversity and equal opportunity

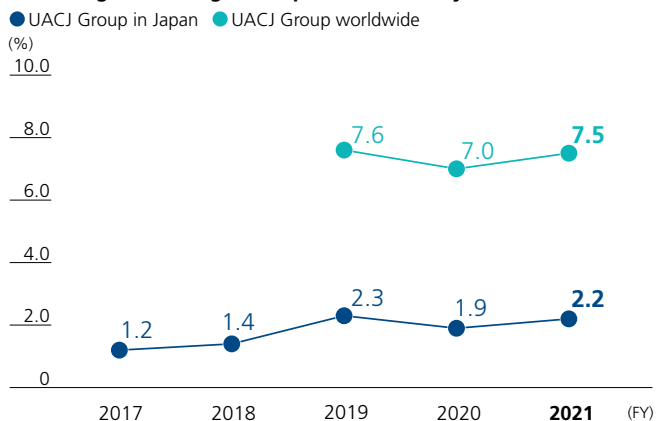
We believe the diversity of our human resources is the source of the Group's competitiveness. Diversity and equal opportunity is one of our core materiality issues. We foster an organizational culture where employees accept and appreciate each other's different values and ways of thinking, and we are continually building on the diversity and equal opportunity by promoting the active participation by women, employing diverse individuals, and accommodating various work styles.

We are fostering employee diversity by actively recruiting seniors, women, and foreign nationals. As of the end of April 2022, the UACJ parent company had rehired 157 senior employees who had recently retired. We are also actively expanding opportunities for women in line with the Act on Promotion of Women's Participation and Advancement in the Workplace. Our action plan includes increasing the percentage of female hires to at least 20% in each employment management category.

At the end of fiscal 2021, there were 108 women in management positions in the UACJ Group (including Group companies other than consolidated subsidiaries), and during the year 21.7% of the people hired to management positions at the parent company were women. We are also actively pursuing foreign talent in our hiring of new university graduates with the aim of 10% of new hires being foreign nationals. Since the UACJ merger, the company has hired 13 foreign nationals.

We believe that employee diversity is a source of innovation and improvement in organizational management. We provide equal access to education and transfer opportunities and have a system designed to be as responsive as possible to requests by motivated individuals.

Percentage of management positions held by women



Human resource development initiatives

We believe that cultivating individuals with the ability to make proactive decisions and take the lead in solving problems is essential for the Group's future development in the evolving business environment. The objective of our human resource development is for each employee to grow individually and feel fulfillment in their careers.

The Human Resources Department and Technique & Skill Development Department work together and offer various training programs, such as training and seminars for specific job positions using the facilities at the Human Resources Development Center at the Nagoya Works. We continued providing training online through the COVID-19 pandemic, and in fiscal 2021 held 100 training and seminar sessions on 230 days with 1,235 participants.

We have many overseas offices, and are therefore also focusing on developing global human resources. English-language lessons are provided for all employees based on their TOEIC scores, business skill seminars are held to build experience and knowledge and, for employees who will be taking assignments overseas, individualized training is provided on key topics based on their work experience and mission at the assigned destination.

We launched an overseas training system in fiscal 2014 for employees to take 12 months of foreign-language training followed by 18 months of practical training overseas. Through fiscal 2021, nine employees have gone through the program and taken assignments in the United States and other countries.

To develop the human resources who will be responsible for UACJ Group management in the future, in fiscal 2018 we launched the Business Leader Development Program to provide mid-career managers with opportunities to deepen their fundamental management knowledge.

In fiscal 2020, we introduced an open recruitment system for new positions at all of our bases in Japan. The number of applications for positions outside the realms of current work content reminded us of the many employees who are eager to test their abilities. The system was also an opportunity to rediscover buried talent. We are planning to use the open recruitment system as a solution source for issues developing the next generation of managers.

Since many of our employees specialize in specific areas spanning R&D to manufacturing and sales, we will use job rotation and open recruitment to develop management personnel by providing more opportunities for employees of all ages to accumulate broad experience.

Director Comment



Fumiharu Jito

Chief Executive, MONOZUKURI Core Manufacturing Innovation Division

After serving as Senior General Manager of the Fukaya Works Division and the Nagoya Manufacturing Division, appointed Executive Officer and Chief Executive, MONOZUKURI Core Manufacturing Innovation Division in April 2022, and appointed Director in June 2022

Passing the "monozukuri" manufacturing culture, the foundation of value creation, to the next generation

UACJ makes a wide variety of aluminum products using "monozukuri," the craft of skilled manufacturing. We have grown as a company not because we mechanically produce items as ordered, but because of our culture of analyzing and responding to the true needs of our customers

The fact is, however, that the skilled technicians at the manufacturing sites who have supported Japan's industrial growth are starting to retire. We established the Monozukuri Foundation Headquarters on April 1, 2022 to ensure that the technologies and mindsets of our monozukuri culture are passed on to the next generation. In fiscal 2021, we launched a Group-wide experiment called the Monozukuri Gakuen program that offered 102 days of training and seminars geared to specific position levels during the year. The program will level out the unique skill education and training systems possessed by our manufacturing plants and Group companies and deploy them throughout the Group.

Monozukuri makes people. We will maintain and develop energetic and dynamic worksites as we build UACJ into a company that continues to produce value for society.

Thorough Occupational Safety, Human Rights, and Diversity

Occupational health and safety

The safety, health, and well-being of our employees takes precedence over all else, and we have accordingly set occupational health and safety as a priority materiality issue that we promote through activities involving all of our employees.

Our occupational health and safety promotion structure includes general safety and health managers at all of our business sites charged with ensuring that employees can carry out their jobs in safe and comfortable work environments.

Aiming to create a working environment in which employees can work with peace of mind, we have established a system for promoting occupational health and safety led by a general health and safety manager at each business site.

The Safety and Health Committee, which meets once a year, is headed by the safety and health officer and composed of full-time directors, general managers of the factories, and the presidents of major group companies. Monitoring of occupational safety includes monthly confirmations at the meeting of health and safety managers of evaluation indicators are the number of serious accidents and the accident frequency rate. In fiscal 2021, the committee recorded zero serious workplace accidents and an accident frequency rate of 0.25, which was slightly higher than in the previous fiscal year.

As we prepared our work environments for certification by the Aluminium Stewardship Initiative, we confirmed that our safety systems, procedures, and culture prioritize safety in accordance with the Group Code of Conduct. We continue to take proactive steps to maintain thorough occupational safety and health.

Advancing workstyle reform

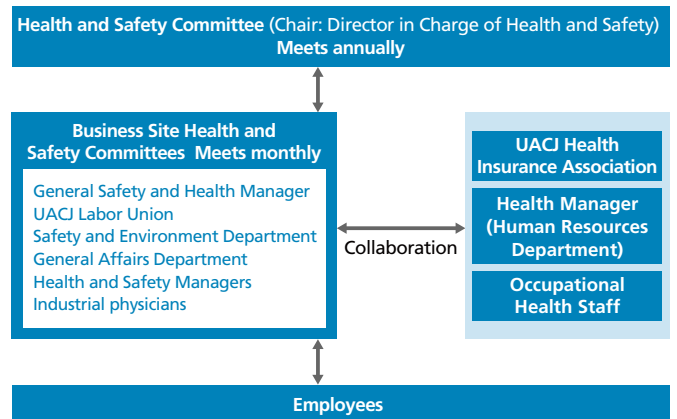
The Workstyle Reform Project we launched in fiscal 2017 aims to transform work productivity and create workplaces with a positive atmosphere. As part of the project, we have implemented initiatives including conducting employee engagement surveys at Group and affiliate companies in Japan and UACJ (Thailand) and developing management seminars. In fiscal 2020, the company began presenting seminars on work techniques in a telework environment to help employees with the changing conditions during the COVID-19 pandemic. In fiscal 2021, we initiated personnel systems supporting a hybrid telework and in-office work style, and also introduced a free address system at our office sites.

We plan to broaden the employee engagement survey to include all overseas affiliates as part of our ongoing efforts to enhance productivity and employee engagement.

Promoting health management

We consider both absenteeism, when an employee is absent or takes long leaves due to physical ailments, and presenteeism, when an employee comes to work but cannot perform to their best abilities because of poor health, to be detrimental to the company's continued development. We aim to decrease incidents of absenteeism and presenteeism and increase employee engagement by being an attractive company where employees work with enthusiasm and high energy and where diverse people gather. We also believe that health management

Health Management Promotion Structure



The UACJ Group Health Management Policy

The UACJ Group recognizes that the sound health of its employees is a foundation for sustainable business activities. Accordingly, it aims to contribute to a better world as a group of companies in which all employees can perform their jobs actively and productively. Toward this end, the UACJ Group shall make efforts to raise health awareness among its employees and their family members, and help employees maintain and improve their physical and mental health to proactively prevent illness and lead healthy lives.

September 2021
Miyuki Ishihara
 Representative Director & President UACJ Corporation

strengthens both our people and our organizations and will help us fulfill our corporate vision.

Health management is a key part of our health and safety activities, and in September 2021 we issued the Health First Management Declaration of our commitment to be even more driven in our efforts to protect and promote the health of our employees.

Respect for human rights

Respect for human rights has been set as a priority materiality issue at UACJ, and the Group Code of Conduct stipulates our principles of respect for human rights, prohibition of harassment, prohibition of child labor and forced labor, and respect for basic labor rights. We adopted a new UACJ Group Human Rights Policy in March 2022 and announced it both internally and publicly.

In fiscal 2021, we provided code of conduct training at 90% of all Group companies in Japan and 30 Group companies overseas. We also implemented harassment prevention education at 100% of our companies, maintaining the standard of the previous fiscal year. In fiscal 2022, we will continue

providing code of conduct training to all UACJ employees and are developing a human rights training program for all Group companies in Japan and overseas.

Steps to modify the corporate culture

When we redefined the Group philosophy in February 2020, we also created a department dedicated to disseminating the philosophy and creating a new corporate culture. Originally created as the Corporate Culture Reform Promotion Department in April, the department was renamed the New Corporate Culture Creation Department in August 2020 and brought under direct control of the president in April 2022.

In February 2020, the president, general managers of the manufacturing sites, and other senior management began holding meetings to discuss the corporate philosophy and ways to disseminate and improve engagement with the philosophy. In fiscal 2020, the Group held a total of 174 of these meetings attended by 970 employees, and in fiscal 2021 it held 253 meetings attended by 1,436 employees.

We have now completed the first two steps of the three-year plan for corporate culture reform begun in 2020. Step 1 was to identify and objectively assess the conditions and Step 2 was to take action based on the Group philosophy. We are now implementing Step 3 to make fulfilling the Group philosophy a natural part of all of our activities and to become an attractive company where employees work with enthusiasm and high energy.

Topics

Human rights due diligence

Our action plans for issues of materiality sets a key performance indicator for human rights of "implementing human rights due diligence, using the findings to set specific targets, and executing action plans." We have set fiscal 2030 as the date by which we will complete the due diligence at the Group's primary businesses sites in Japan and overseas.

Due diligence at the ASI-certified Fukui Works in Japan and the Rayong Works of UACJ (Thailand) in fiscal 2021 found no human rights violations or risks requiring immediate action.

We plan to conduct human rights due diligence at two of our manufacturing sites and affiliated companies each year as part of our ongoing efforts to identify, analyze, and evaluate human rights risks and to formulate and implement appropriate countermeasures.



A Group philosophy discussion meeting

Fortifying risk management

We define risk as “any event that could hinder the fulfilment of our corporate philosophy,” which includes not only events that could directly cause loss or damage, but that could also affect opportunities for future earnings and growth. Ideally, risk management is performed by all employees, not just the officers and executives. This means that every day, everyone is aware of risk issues, proactively identifies and shares risk, and actively participates in risk management. We are working to establish this ideal throughout the Group.

Roadmap of Risk Management Activities

- Risk management and Group risk management activities
- Business continuity management (BCP) activities

Fiscal 2019	Fortification of Group risk management <ul style="list-style-type: none"> ● Adoption of the Group risk assessment and risk ownership system
Fiscal 2020	Understanding of risk management, increased application in daily operations <ul style="list-style-type: none"> ● Started building a foundation for risk management integrated with management strategy
Fiscal 2021	Increased activities to strengthen risk management, establishment of the critical risk response system <ul style="list-style-type: none"> ● Established and deployed basic risk management policies to all companies in Japan, formulated a key risk response system ■ Conducted Group BCM training, prepared BCPs for all businesses
Fiscal 2022	Introduction of integrated framework for domestic and overseas risk management <ul style="list-style-type: none"> ● Expand activities to fortify risk management to overseas Group companies, enhanced response to key risks ■ Begin broadening BCM activities overseas ■ Strengthen the crisis response system
Fiscal 2023	Establishment of a risk management framework specific to UACJ <ul style="list-style-type: none"> ● Enhance all levels of risk management activities in Japan and overseas ■ Continue BCM activities ■ Expand disaster coverage ■ Continue strengthening the crisis response system
Fiscal 2025	Make risk management a part of UACJ Culture <ul style="list-style-type: none"> ● Realize “risk management performed by all employees” ■ Continue BCM activities ■ Expand disaster coverage ■ Continue strengthening the crisis response system
By Fiscal 2030	Fully establish and continue developing the risk management culture <ul style="list-style-type: none"> ● Enhance “risk management performed by all employees” ■ Continue BCM activities ■ Expand disaster coverage ■ Continue strengthening the crisis response system

Fulfill UACJ VISION 2030 All employees engaged in risk management

In the past, our risk management system consisted of managing risks to the Group mainly by applying the PDCA cycle led mainly by the CSR Committee, which convened twice a year. To better enable us to respond to the rapid changes in the business environment, we have revised the system to include more frequent discussion of risk issues at the management meetings so we can respond in a more timely and appropriate manner.

We also convene the Risk Management Promotion Meeting when needed to allow the relevant officers to engage in more detailed discussions about key risks. The management meetings also allow greater time to discussion of risk.

Risk identification and management process

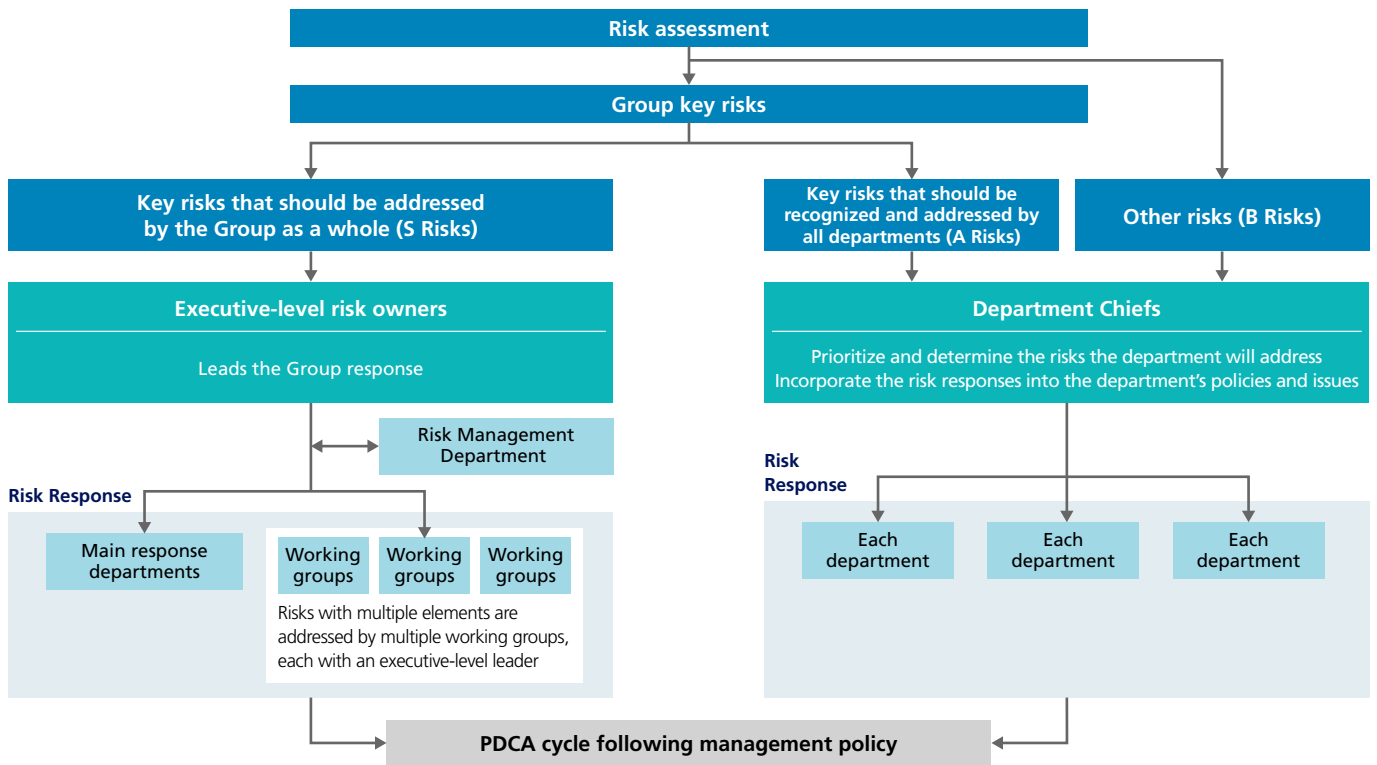
Each year, we carry out the following procedure to identify the key risks to the Group and determine the direction that risk management activities will take for the fiscal year.

- (1) Questionnaire-based assessments of general managers, major group companies, and their executives are conducted to identify key risks that the group should be aware of.
- (2) Based on the above proposals, key risks are discussed by executive officers discuss, and risks to be addressed as a Group are identified at the management meetings.
- (3) Among the selected key risks, those that are difficult to deal with in each existing business and division are classified as S Risks. An executive officer is then assigned as “risk owner” to be in charge of the Groupwide response to the risk.
- (4) Key risks to the Group are reflected in the President’s Policy Statement based on the management strategy. Each business and division also prepares an annual policy statement of risks requiring recognition and response and addresses the risks.

Based on several perspectives, including who the risk owner will be, the identified risks are classified into three categories of S, A, and B, with response procedures laid out for each category (right figure).

This process facilitates the smooth integration of risk management into our management strategies.

Risk Management Process and Response



Daily risk management

As the Group focuses on constructing a risk management structure, we are also seeking ways to visualize risk and make it more personalized for individual employees. We reorganized the Group's approach to risk management in June 2021 in the areas of crisis response, disaster prevention, and business continuity planning (BCP) and established the UACJ Group Basic Policy on Risk Management, which is the basis for the UACJ Group Risk Management Regulations and other guidelines. These policies are communicated to employees throughout the Group in Japan via various media, including videos in which the president explains the concepts and what is expected of employees. In fiscal 2022, these materials will be translated into seven languages, including English, Thai, and Chinese, and shared with our overseas subsidiaries, where we are also strengthening risk management in daily operations.

Along with these top-down initiatives, also assigning a risk management promotion manager in each department to be in charge of promoting risk management along with the responsible official. The promotion managers will implement measures to raise risk awareness and sensitivity among within their department and be in charge of risk countermeasures. The risk management promotion managers will convene quarterly to share examples of internal and external initiatives and issues faced by the Group.

Business continuity management measures

Business continuity management is a key materiality issue in the Group's risk management, and we are establishing UACJ Group BCM Guidelines to provide unified principles for the Group.

In fiscal 2021, the general manager of the Corporate Strategy Division led initiatives resulting in the completion of BCPs for a major earthquake and disease epidemic in Japan. Business continuity management at our Group companies overseas includes preparing BCPs catering to specific regional risks.

Topics

First Groupwide business continuity management drill

UACJ conducted its first Groupwide business continuity management drill in September 2021. Using a scenario of a major earthquake that affected operations for four days, the drill was conducted over one-and-a-half-hour period with each affected department communicating online as they followed the scenario developments. In June 2022, the Business Continuity Advancement Organization (BCAO) presented UACJ with the Excellent Practices Award in recognition of the company's efforts to strengthen the business continuity capabilities across the entire Group.

Risks (Opportunities and Threats) Surrounding UACJ

The following are major risks that we believe may affect the decisions of investors significantly due to the likelihood that they will occur, and the degree of impact they may have.

Main external risks

Risk	Risk details and impacts	Actions
The COVID-19 pandemic and future epidemics	<p>Threats The ongoing pandemic or a future epidemic could affect the Group's purchasing and procurement from suppliers.</p> <p>Threats Changes in customers' operations resulting from the ongoing pandemic or a future epidemic could affect the Group's manufacturing operations and sales.</p> <p>Threats The ongoing pandemic or a future epidemic could lead to delays, suspensions, or stoppages of the Group's operations.</p>	<ul style="list-style-type: none"> Infection control measures have been incorporated into business continuity plans. Sufficient inventories of necessary materials are maintained. The Group flexibly plans production and secures information needed from customers at an early stage. Infection control measures for employees are being thoroughly implemented.
Climate change and other changes in the global environment*	<p>Threats The Group could lose business opportunities and its products could become less competitive if it fails to sufficiently reduce greenhouse gas emissions.</p> <p>Opportunities The Group could expand business opportunities and help solve environmental issues by providing products and services that make effective use of aluminum's beneficial properties, including its light weight, excellent thermal conductivity, and ability to be continually recycled.</p>	<ul style="list-style-type: none"> UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) UACJ set up its Climate Change Countermeasures Steering Committee in April 2021 to provide a venue for management to discuss the Group's response to climate change. (→Page 49) The Group's response to climate change was included in its long-term UACJ Vision 2030 and third mid-term management plan as a major management policy and means for its businesses to contribute solutions. (→Page 30) The Group has joined the Task Force on Climate Related Financial Disclosures and acquired certification from the Aluminium Stewardship Initiative as part of its active participation in international initiatives to combat climate change. (→Page 48)
Natural disasters	<p>Threats The Group's manufacturing operations and sales could be impacted if a natural disaster, such as an earthquake, tsunami, typhoon, or flood, threatens the safety of its employees and their families or the operations of production facilities at one of its workplaces around the world, or damages facilities operated by its customers or suppliers.</p>	<ul style="list-style-type: none"> Business continuity plans are executed by all divisions and workplaces, and business continuity management is continually strengthened on a group-wide basis. (→Pages 59-60) Workplaces conduct periodic drills to verify the effectiveness of business continuity planning and management. (→Page 60)
Changes in government policies, economic trends, and geopolitical risks	<p>Threats The Group could incur higher selling, logistics, and procurement costs, or have trouble procuring supplies and operating if political and economic conditions change, regulations are abruptly introduced, or public order deteriorates in a country where it manufactures products or its customers and suppliers operate.</p>	<ul style="list-style-type: none"> The Group procures raw materials from diverse suppliers to avoid overdependence on specific countries and regions. Sufficient inventories of necessary materials are maintained. Measures are continually executed to improve the Group's ability to effectively respond to changes in its operating environment, such as measures to reduce the break-even point. (→Pages 33-34) The Group is preparing to implement a price agreement system with customers, allowing it to pass on higher costs to selling prices. (→Page 81)
Changes in foundational technologies and demand structures	<p>Threats Opportunities Demand for the Group's products could shift significantly due to rapid advances or changes in digital and other foundational technologies, or growing expectations for corporations to protect the global environment.</p>	<ul style="list-style-type: none"> UACJ's Digital Innovation Department is leading efforts to digitally transform the Group's manufacturing, sales, management, and administrative operations, recognizing that digital platforms will provide a basis for future business expansion as well as a means to provide solutions for issues facing society. UACJ has set up its own venture organization to foster innovative ideas from its workplaces. (→Page 15) Organizations have been established to create new businesses based on shifts in the demand structure. The Group is continuously studying and evaluating the comparative advantages of its products and their competitiveness with other materials in various markets, as well as changes in demand on a broader societal level and its progress in developing technologies that can address these shifts in demand.
Market volatility	<p>Threats Opportunities Although most of the Group's businesses have set up price agreement systems that reflect market price fluctuations in selling prices as a means to eliminate the impact of medium- to long-term changes in virgin aluminum ingot prices on earnings, consolidated profits and losses posted during a fiscal year could be impacted by fluctuations in the value of inventory assets if aluminum market prices suddenly change over a short span of time or are reflected in selling prices over different periods of time.</p> <p>Threats Opportunities Fluctuating demand for recycled aluminum products in the future could lead to significant changes in prices and supplies of aluminum scrap and used beverage cans.</p> <p>Threats If prices of raw materials, particularly metals used in aluminum alloys, as well as logistics and energy prices rise steeply during a short span of time and cause chronic or structural problems in the supply chain, UACJ may not be able to absorb the resultant costs on its own.</p> <p>Threats Opportunities Steep rises in interest rates as well as fluctuations in exchange rates could impact the Group's international operations as a whole.</p>	<ul style="list-style-type: none"> Inventories of virgin aluminum ingots are controlled to maintain sufficient amounts. Negotiations with customers are regularly held to conclude price agreements that reflect changes in raw material (including metals used in aluminum alloys), logistics, and energy prices in selling prices. (→Page 81) UACJ utilizes foreign exchange contracts and flexibly procures funds from diverse sources to minimize the impact of interest rate fluctuations. Management closely follows and analyzes market conditions and trends while collecting relevant data.

Main internal risks

Risk	Risk details and impacts	Actions
Product quality assurance*	<p>Threats The Group could lose the trust of its customers and other stakeholders if its quality assurance activities are carried out fraudulently or improperly, or if its products fall short of quality standards.</p> <p>Threats Failure to meet quality specifications could inconvenience customers, disrupt the market, and lead to an inability to fulfill supply obligations.</p> <p>Opportunities The Group can earn more trust from customers and a stronger reputation in the market by implementing stricter quality controls.</p>	<ul style="list-style-type: none"> UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) Quality assurance is periodically checked and discussed at the management level through the Company's Quality Committee. (→Page 48) Quality control plans and measures are routinely executed. Compliance training is regularly carried out. (→Page 75) The Group is expanding the use of automated quality verification tests. Periodic quality inspections are mutually conducted by the Group's workplaces.

Occupational health and safety*	<p>Threats A workplace accident or disease outbreak could cause harm to employees and damage to physical property.</p> <p>Threats A workplace disaster could interfere with the Group's manufacturing operations.</p>	<ul style="list-style-type: none"> • Safety and compliance have been designated as basic principles of the UACJ Way, a set of guidelines for all employees, and occupational health and safety are given top priority in business activities. (→Page 57) • UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) • Occupational health and safety activities are periodically followed and discussed at the management level through the Company's Health and Safety Committee. (→Pages 48,57) • Health- and safety-related rules have been put in place and training is carried out on a regular basis. (→Page 57) • Management resources are allocated and countermeasures taken to eliminate hazards in the workplace, including fire and explosion risk assessments.
Development and deployment of human resources*	<p>Threats Recruiting talented personnel is increasingly competitive in Japan due to its declining birth rate and aging population.</p> <p>Threats Opportunities Increasingly advanced skills are needed for expanding business internationally.</p> <p>Threats Opportunities The effective deployment of human resources is critical for the success of the Group's businesses.</p>	<ul style="list-style-type: none"> • UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) • UACJ set up a committee in October 2021 to discuss systematic succession planning and grooming of new leaders. • Training programs for passing down manufacturing skills in the workplace are being enhanced, including the Company's Monozukuri Gakuen program. (→Page 56) • Personnel are being effectively deployed through internal recruitment systems.
Respect for human rights*	<p>Threats Opportunities The Group's promotion of respect for human rights in its workplaces around the world could succeed or fail depending on social and cultural factors in each respective country.</p> <p>Threats Insufficient protection of human rights in the workplace, including those of suppliers, could lead to a loss of trust among stakeholders, regulatory penalties, or lawsuits.</p>	<ul style="list-style-type: none"> • UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) • UACJ set up a working group in July 2021 to examine and discuss human rights. • UACJ's Human Rights Policy was established and announced in March 2022. (→Page 58) • The Group is increasing the number of workplaces subject to human rights due diligence based on guidelines issued by the Aluminium Stewardship Initiative. (→Page 58) • Suppliers are requested to comply with the UACJ Corporation CSR Deployment Guideline for Suppliers, which are revised as necessary.
Diversity and equal opportunity*	<p>Threats If measures for ensuring diversity and equal opportunity in the workplace are inadequate, a loss of trust among stakeholders or regulatory penalties could result.</p> <p>Threats Opportunities Failure to embrace diversity in the workplace could lead to difficulties in retaining and recruiting employees, an inability to attract diverse workers, and a loss of competitiveness due to slow and insufficient responses in times of volatility, uncertainty, complexity and ambiguity. Conversely, fully embracing diversity could revitalize business activities, stimulate future-oriented innovations, and contribute to operational resilience.</p>	<ul style="list-style-type: none"> • UACJ has specified relevant materiality issues with related action plans and key performance indicators. (→Page 47) • The Group conducts an employee engagement survey in every country where it operates, and takes steps to improve the survey scores. • The Group is planning to create a diversity and inclusion declaration. • The Group promotes its corporate philosophy and organizes related discussions with employees at workplaces around the world. (→Page 43) • UACJ is implementing a variety of workplace reforms. (→Pages 13,57) • An e-learning program about diversity and inclusion is offered to employees. • UACJ has set targets and is implementing measures for raising the percentage of female managers and newly hired employees (both college graduates and mid-career). (→Page 55) • UACJ has set targets for the percentage of foreign nationals among newly hired college graduates. (→Page 55) • UACJ actively promotes the hiring of people with disabilities through its special subsidiaries. • UACJ has established a system for rehiring employees who have reached retirement age to allow older people to continue working. (→Page 55) • UACJ provides training programs in Japan for employees hired local in other countries by its subsidiaries. • UACJ actively hires mid-career workers and has introduced a trial program for hiring former employees. • Career counseling and various training programs are offered to help employees with career development. (→Page 56)
Compliance	<p>Threats The Group could lose business opportunities if, due to a violation of laws or regulations, it is penalized, held responsible for reparations, and loses credibility.</p> <p>Threats Compliance with newly enacted or revised laws and regulations could incur costs.</p>	<ul style="list-style-type: none"> • All employees are made aware of the top priority given to safety and compliance in the Group's operations, and are offered training programs covering relevant laws and regulations. • An internal whistleblower system is in place and made widely accessible to employees. (→Page 75) • Legal compliance is regularly verified by internal audits. (→Page 75)
Group-wide corporate governance	<p>Threats Opportunities The Group's collective capabilities are affected by its ability to integrally manage all of its workplaces around the world and fully execute policies and strategies on a group-wide basis.</p>	<ul style="list-style-type: none"> • The Group's corporate philosophy is made known to all employees. (→Page 13) • Internal controls are continually strengthened across the Group • The Group's employees participate in regularly held discussions on the corporate philosophy with UACJ's president, executive officers, and division heads. (→Pages 13,43) • Internal control audits and operational audits are conducted on a routine basis. • Meetings are held to discuss ways of improving group-wide corporate governance.
Information security	<p>Threats The Group could be responsible for reparations and lose credibility and business opportunities if information in its possession is leaked or stolen, such as customer data, personal information, trade secrets, and technological information.</p> <p>Threats A cyber attack on the Group could cause a suspension of operations due to a stoppage of information systems, and costs for restoring systems could be incurred.</p>	<ul style="list-style-type: none"> • The Group strictly manages information based on its own information management rules, electronic information rules, and technical data rules. • UACJ carries out assessments and measures for improving all aspects of security in accordance with cyber security management guidelines issued by Japan's Ministry of Economy, Trade and Industry, and the Information-technology Promotion Agency, Japan. • UACJ has expanded its use of external surveillance systems and internal security systems.
Funds procurement	<p>Threats Securing funds could be subject to constraints or higher costs due to changes in business and credit conditions.</p>	<ul style="list-style-type: none"> • The Group has diversified its methods for procuring funds, including loans through committed credit lines with banks, direct procurement through the issuance of commercial paper, and asset finance. • Measures are taken to increase profitability and improve capital efficiency in order to boost cash flow.

Risks related to accounting-based valuation and estimates

Risk	Risk details
Impairment of fixed assets	If market conditions or the Group's operating environment worsen significantly in the future, the market value of fixed assets it owns could decline markedly and the returns on those assets could decrease as a result. In such cases, the Company would have to record an impairment loss on the fixed assets in accordance with relevant accounting standards. Its consolidated financial results could be impacted if the impairment loss is substantial.
Recoverability of deferred tax assets	The Company calculates the amount of deferred tax assets it can presumably recover based on reasonable estimates of future taxable income. If market conditions or its operating environment worsen significantly in the future, however, its taxable income could not only differ substantially from such estimates but also result in a reversal to deferred tax liabilities. A substantial reversal could significantly impact the Company's consolidated financial results.

* Designated as a UACJ Group materiality issue