Roundtable Discussion between Outside and Inside Directors

Officers in executive and supervisory roles collaborate to chart a course toward UACJ Vision 2030

Dialogue leads to more effective management



UACJ decided to reallocate its growth investments after finishing the first half of its current mid-term management plan, spanning four years from April 2024 to March 2028. This decision was reached through forthright and thoroughgoing deliberations by its Board of Directors. We met with Joji Kumamoto and Kozo Okada, the executive officers responsible for overseeing these investments, along with Outside Director Ryoko Nagata, to discuss a number of related matters, including how dialogue among officers in executive and supervisory roles guides the Company's management, and what path is being charted to complete the objectives of UACJ Vision 2030.

Dialogue between officers in executive and supervisory roles leads to better management

Companies are now placing importance on the quality of deliberations by their boards of directors and the process for reflecting those deliberations in management. What kind of space for discussions does UACJ's Board provide?

Kumamoto We do not consciously focus on the differing standpoints of the executive and supervisory roles. Nevertheless, our discussions with outside directors provide opportunities to gain valuable insights relevant to execution that would not necessarily come from discussions solely among people who have been working at the Company for a long time. They have diverse professional backgrounds and bring perspectives that I had never considered before. To have important points recognized from an external viewpoint can also be reassuring.

Okada I have been serving on the Board as head of the Finance and Accounting Division for about a year, and I make a point of speaking clearly in meetings. We cannot have constructive discussions unless the significance of specific financial results is understood. How well we executive officers explain things has a direct bearing on the pertinence of the feedback we receive from outside directors.

Kumamoto It is also important to promptly inform executive teams of how the explanations from the

executive officers in Board meetings were received, what was discussed, and what conclusions were reached. I always make sure to tell members of the Corporate Strategy Division about the Board's deliberations on the same day of the meeting. If the Board expressed praise or dissatisfaction with certain aspects of an explanation, I let the members know immediately to keep them up to date. Instead of simply reporting on what the Board does, we are now integrating that information into the learning cycle of our entire organization.

Okada Members of the Finance and Accounting Division wait for me to come back to my office following a Board meeting to ask me how it went. I tell them what was discussed and commended in the meeting. We go through this routine every month.

Nagata As an outside director, when listening to the executive officers report on quantitative results, I pay close attention to whether they have a collective mindset. I ask myself whether they appear overconfident when results are good, discouraged when results are bad, and motivated to confront challenges. It's difficult to put the nuances into words, but I am basically looking for transparency and commitment. I always observe whether you, Mr. Okada, are playing a central role in providing useful feedback to business divisions by using the financial results to facilitate better decision-making going forward. That's because your responsibility for financial affairs is extremely important.



Kumamoto The members of the Board engage in candid and open debates. That has been the atmosphere since the time I joined several years ago. By sharing information, including bad news, we can make sound decisions from the outset.

Nagata A hallmark of the Board is that all members—the inside directors, outside directors, and auditors—make a lot of suggestions. Sometimes the auditors raise their hands and disagree with what I say, and express a clearly contrasting opinion. Furthermore, there are no factions or prearranged decisions. All of these things are the norm, and I think they indicate a high level of psychological safety.

Deliberations by the Board initiate a review of investment allocation

During the first half of the mid-term management plan, what deliberations by the Board resulted in a major management decision?

Okada We decided to review the growth investments that had been originally allocated under the plan. Initially, we had earmarked a substantial amount of investment for the Group's automotive parts business, but we decided to reallocate most of it to the can stock business, recycling operations, and the aerospace and defense materials business. This bold decision originated from forthright deliberations by the Board.

Kumamoto We knew the automobile market was shifting, but our discussions had only reached the point of narrowing the scope of new investment. Then an outside director pointed out that continually expanding the automotive parts business was like running at full speed toward a cliff. That prompted me to propose to the Board a policy of suspending new investment and reallocating the remaining funds to other businesses. The outside director's compelling observation was behind that major change in direction.

Nagata I think it is hard for the head of a business division to call for an end to investment, but it is easier for executive officers to accept such a proposal after risks have been identified by someone from outside the Company. When you made that proposal to reallocate investment, all of the outside directors were behind it. That was an excellent example of how the Board is capable of supporting proposals from executive officers and quickly making decisions.

Kumamoto Actually, we engaged in repeated discussions for about six months until we reached the decision to reduce growth investment in the automotive parts business during the mid-term management plan, and to expand the business at a later time. The head of the

Automotive Parts Business Division was also struggling to make a decision, but a final decision could be made after a clear message was sent by the Board.

Okada From a financial perspective, it was necessary to justify such a change in investment allocation. I had numerous discussions with the head of the Automotive Parts Business Division about recognizing a goodwill impairment on its operations in the US and the outlook for the North American market. Nevertheless, because I routinely discussed the matter with you, the reasoning for your proposal was consistent and I was always prepared for Board meetings. I believe that everyday communication facilitates better decisions by the Board.

Nagata Nevertheless, those decisions will not necessarily be the correct solutions because they are premised on factors that might change due to geopolitical risks and the situation in the Middle East. Nowadays, management must constantly monitor such factors and take changes into account in order to flexibly and quickly make new decisions.

Possibilities for achieving targets and developing new businesses

Do you think the Company can achieve its targets for the second half of the mid-term management plan?

Okada I think we are making steady progress. In fiscal 2024 and 2025, results for business profit were in line with targets, and the results for adjusted EBITDA were also solid. We anticipate much better results in fiscal 2026, so I am confident that our targets for the plan's second half will be reached. Still, our current plan is just a stepping-stone toward UACJ Vision 2030. The preparations that we make at this time will be of the utmost importance for ensuring the success of the vision.

Nagata In my view, the executive officers have raised the overall level of management. Financially based plan-do-check-act (PDCA) cycles began to function effectively over the past three years. Reports that used to read like textbooks now express management's resolve to overcome challenges with practical solutions. Importantly, awareness of capital efficiency has spread throughout the Company's operations.

Will new business growth continue to be a challenge?

Kumamoto Honestly speaking, we should have made more progress in new business development during the first half of the plan. I take responsibility for that, and I am determined to drive efforts forward during the plan's second half. My job is to expand these businesses—launching them from scratch and then building them up—and I am committed to seeing that through.

Nagata I have regularly called for more progress in new business development during Board meetings. UACJ has a strong tendency to pursue organic growth. While that is a strength, I think that proactively seeking mergers, acquisitions, and business alliances will be essential going forward. If preparations are being made, I would like to know about them, such as by receiving concrete explanations when I inspect workplaces. As an outside



director, I expect such information to be actively shared by the executive officers.

Kumamoto Among the outside directors we newly appointed following the general meeting of shareholders in June of this year, two have been involved in new business development during their careers. When I first met them, they candidly remarked on the difficulties involved in monetizing a new business. They have experienced both successes and hardships in this regard, so I want to draw on their know-how during the final half of our mid-term management plan.

The heart of a circular economy for aluminum finally starts to beat

What initiatives for raising corporate value over the medium and long terms are attracting attention?

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Kumamoto Recycling is the most important initiative for the Company's management. Through a joint venture with Yamaichi Metal Corporation, we have begun operating facilities that process used beverage cans for recycling, and started to melt down the first ton of materials. We have declared our ambition to make UACJ the heart of a circular economy for aluminum, and now the heart has started to beat. We have finally reached that stage. As the blood starts flowing, a full view of the circulation will clearly emerge. By taking these practical steps, UACJ will be able to show everyone what a circular economy looks like.

Nagata I think this really attests to UACJ's uniqueness and strength. More than just declaring what it wants to do, the Company is showing the world how to do it. To reach this stage is extremely significant. I hope its recycling operations are developed as a model for the world.

Okada Customers are more interested than ever in our efforts to turn environmental value into economic value. The need for green aluminum and recycled materials is growing, and people have started to appreciate how recycling adds value. The entire Company must accelerate these efforts and take the lead in delivering solutions that the market is seeking.

Nagata Building a circular economy will lead to monetization for the Company while also helping solve issues facing society. Businesses that can do both are rare, so this recycling project will be of the utmost importance during the second half of the mid-term management plan.

Building a better world and a healthier environment

Finally, what are you determined to do from now in your current role?

Kumamoto I will place importance on developing talent. I don't mean people who specialize in certain things, but people who can guide the Company to a secure destination, regardless of what obstacles appear. They should be able to deal with unexpected circumstances and chart a safe course for themselves and their subordinates. That is what I really want to pass on to our next generation of management.

Okada From my standpoint in corporate finance, my job is to ensure that the Company can take action at any time because it has enough financial resources. When carrying out structural reforms between October 2019 and March 2023, we had wanted to invest but were unable to. To avoid another situation like that, we must manage the Company's financial position in a disciplined manner. That is how to prepare for the next stage of growth and keep it sustainable.

Nagata I would also add the ability to anticipate change, because observing changes after they happen could delay the response. For the Company to be really strong, it must foster an organizational culture that encourages everyone to take on challenges and make bold decisions without fear of failure, and to follow through on its actions with resolve.

Kumamoto Now that we have initiated a circular economy, excitement will flow throughout the Company. We are also developing the aerospace and defense materials business as our next growth driver. New businesses will definitely take shape over the final two years of our mid-term management plan. I believe the real challenge for UACJ is just beginning.

Nagata The Board of Directors engages in forthright deliberations, discussions between officers in executive and supervisory roles are dynamic, and there is a shared resolve to realize the Company's vision. With all of these factors now in place, I am very determined as an outside director to help management anticipate change going forward.