

Contributing to the formation of a sustainable society through management that shows resolve and enthusiasm.

In the Company's Long-term Management Vision and Third Mid-term Management Plan, which were released in May 2021, strengthening sustainability efforts, including by reducing environmental impact and developing talent, have been positioned as essential for achieving the plan. Ryoko Sugiyama, an expert on environmental issues, and Takahiro Ikeda, who has participated in the management of a variety of manufacturing businesses, discussed the formulation of the vision, their assessment of the plan, and their views on future issues.

Reflecting on the Second Mid-term Management Plan and thoughts on the long-term vision and new mid-term management plan

Sugiyama: The Second Mid-term Management Plan that began in fiscal 2018 showed a positive spirit of "what can we do?" across the board, but we did not see any streamlining that considered what should not be continued.

Ikeda: One more thing that should have been considered is meeting the market's expectations of UACJ by delivering high value-added products in markets such as mobility. However, we were unable to diverge from a strategy that was focused on expanding in scale based on the Company's aim to become a major global manufacturer. In the end, we did not achieve the plan's targets and although there were environmental factors, such as the spread of the novel coronavirus (COVID-19), I think the main reason was that we were unable to bridge the gap between expectation and delivery.

Sugiyama: I agree. I felt that there was no sense of speed during the execution of the plan. In the second half of 2018 in particular, I did not see any signs of movement, even though business performance was deteriorating. However, as the Company engaged in structural reforms amid difficult circumstances, it became very clear what should not be continued.

Ikeda: As the structural reforms became more and more necessary, it seemed to finally spark a sense of danger. I think this sense of danger is why the withdrawal from the automotive body sheet joint venture in the U.S. went so smoothly. I also think the share transfer of the copper tubing business, which was one of

the Company's long-standing businesses, shows a real resolve to carry out structural reforms.

Sugiyama: I think that sense of danger has been very influential on the long-term vision and new mid-term management plan, which represent a significant change in direction. They set out to complete structural reforms and also stipulate sustainability as a major policy, which includes identifying materialities.

Ikeda: Within this, I feel very positive about the direction suggested by "contribute to creating a lighter world" being included in the vision. This was a phrase that came up during the redefining of the structure of the Group Philosophy and I think that it connects strongly to streamlining and reducing waste, not only in terms of the environment, but also in regard to financial matters and operations.

Ryoko Sugiyama

Director (outside, part-time)

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



Expectations of UACJ in regard to achieving the Long-term Vision

Sugiyama: This time there is a clear direction so all that remains is to start taking specific action and work toward the goal. As outside directors, we also intend to carefully monitor these efforts. Currently, conditions in the aluminum industry are extremely favorable. In recent years in particular there has been growing expectation regarding aluminum as a useful material for carbon-free and plastic-free initiatives. This is truly a golden opportunity. One area in which the previous mid-term plan was lacking was that it failed to address recycling and the contribution aluminum can make to reducing environmental impact. However, the Long-term Management Vision and Third Mid-term Management Plan fully address recycling and I look forward to seeing proactive efforts in this area.

Ikeda: Building recycling systems is not just a technical challenge. We must also face the reality that it is a social issue. For example, among developing countries that have made the most progress in recycling aluminum cans, the issue remains that the people gathering the cans for collection are the most impoverished, and often children. This is also covered in the SDGs and as a global manufacturer of aluminum, it is an issue that we must address. I would like to see partnerships toward solving this issue that include both developed and developing countries.

Sugiyama: In regard to partnerships, we joined the ASI* last year which I think will lead to some good opportunities. There seems to be movement toward taking a wider perspective and implementing initiatives across the entire supply chain. Another

area where I would like to see action is the recycling of things other than aluminum cans, such as automotive parts. Aluminum recycling makes a big contribution to reducing CO₂ emissions, so I want us to expand our efforts in this area. However, a significant barrier to overcome in order to recycle things other than aluminum cans is the difficulty of determining alloy content. Therefore, I've taken it upon myself to hope that the Company will play a central role in efforts such as developing a system that uses sensors to instantaneously determine alloy composition.

Ikeda: That would be a dream come true.

Sugiyama: If we know the composition of an alloy, we also know how to separate it, so recycling becomes easy. If we could realize such a system, we would be able to create a cycle in which scrap is returned to us as a valuable material, which could lead to new supply and value chains, particularly for materials manufacturers.

Ikeda: I think ideas like that, which incorporate a long-term vision, are extremely valuable. This kind of enthusiasm creates a sense of excitement and companies that do not possess it are not very appealing as investment destinations and tend not to gain in value. Most of all, employees become unable to talk about their dreams. In this regard, I think UACJ is a company that is able to visualize the future. We are blessed with an extremely diverse range of human resources which provides all kinds of potential.

Sugiyama: Speaking of diverse human resources, I would like to see female employees actively promoted. There are plenty of truly excellent candidates so I would like them to be given a chance based on assessments of their future potential.

Ikeda: We need to steadily advance discussions about utilizing personnel with various backgrounds and about the importance of resolve and enthusiasm, not only among management, but also among younger generations. If we can get this kind of discussion surging across the entire Company, I think we will have a greater chance of realizing the Long-term Vision.

* The Aluminium Stewardship Initiative. A global aluminum industry organization that is engaged in promoting sustainability across entire supply chains.



Takahiro Ikeda

Director (outside, part-time)

Takahiro Ikeda has held positions including executive officer of Mitsubishi Chemical*¹, director and president of Dia Chemical Co., Ltd.*¹, and director and managing executive officer of Mitsubishi Rayon Co., Ltd.*¹. He is also thoroughly familiar with the business environment in Asia and the ASEAN region through experiences such as developing business in Indonesia for Mitsubishi Chemical.

*¹ Currently Mitsubishi Chemical Corporation

Advancing to the next stage of strategy and governance. Monitoring the Company from a social perspective.

What is important for UACJ in order to complete structural reforms and build a foundation for new growth? Two outside directors discussed topics including their assessments of the Long-term Management Vision and Third Mid-term Management Plan and strengthening governance to support the execution of the plan.

Issues that were revealed during the previous mid-term management plan and assessments of new strategies

Sakumiya: During the Second Mid-term Management Plan, we were continuously unable to hit targets, including annual targets, so I think this has significantly damaged the trustworthiness of the Company's management plans in the eyes of shareholders. It is a fact that external factors, such as sudden changes in the market environment and the novel coronavirus (COVID-19) pandemic, played a part in these missed targets. However, there are also companies that managed to grow within the same environment. In this kind of environment, often referred to as a VUCA*¹ environment, I think companies should aim for sustainable growth. Achieving such growth requires the ability to adapt as an organization in order to overcome changes in the business

environment. There also needs to be an unfailing commitment toward shareholders, even in circumstances like a change of president. I feel that the Company's corporate management ability is still lacking in these areas.

Suzuki: It has been pointed out that one of the reasons for not hitting the targets was large-scale investment, but I think we could have done more regarding the execution of this investment strategy. Even considering factors such as the withdrawal from Constellium-UACJ ABS*² and delays to establishing production at UACJ (Thailand) Co. Ltd., it is a fact that we have had issues with the management of the overseas business. To get overseas production back on track, in addition to manufacturing technology we also need human resources and organizational capabilities on location that can handle the actual production. In this regard, I think we have lacked the ability to bring in and unify the diverse cultures and personnel found overseas.

Sakumiya: However, the Company continues to show its ability to improve by facing each issue one by one and implementing structural reforms. The Third Mid-term Management Plan contains a strong resolve to complete structural reforms and I was very impressed by this point. It also had other well-grounded policies, including controlling investment through financially based priorities and actively working to solve social issues such as climate change.

Suzuki: Efforts to tackle climate change as an important sustainability issue were discussed based on very detailed data. Also, digital transformation (DX) has been positioned as one of the foundations supporting the Long-term Vision, and this strengthening of DX is also linked to sustainability. Digitalizing production processes will make production more stable and lower defect rates, which will ultimately lead to a reduction in CO₂ emissions.

Sakumiya: Sustainability initiatives have been given concrete targets and attainment of these targets has been incorporated into performance-linked remuneration for officers (see p. 54). The details were also discussed at a meeting of the Nomination and Remuneration Advisory Committee, and I felt the Company's seriousness about addressing sustainability through ideas such as giving weight to non-financial targets in line with each officer's duties. My request to have mid-term management plan strategies correspond to materiality issues was taken up during the formulation of the plan and it is also firmly linked to the corporate philosophy.



Akio Sakumiya

Director (outside, part-time)

Akio Sakumiya was formerly an executive vice president at Omron Corporation where he mainly supervised management as a non-executive director, serving as vice-chair of various committees, including the committee for nominating the president. He contributed to raising the corporate value of the company by advocating management that uses returns on invested capital as an indicator.

Suzuki: As you said, I think a lot more discussion has gone into the creation of this plan compared to the previous one, which has made it more refined. Next, it will be important that it is executed properly.

Sakumiya: The financial and non-financial targets in the Long-term Vision and Third Mid-term Management Plan represent a commitment to stakeholders, including shareholders, so this time they must be achieved. As an outside director, I will be strictly monitoring the progress made on each measure.

*1. An abbreviation of Volatility, Uncertainty, Complexity, and Ambiguity. It refers to times in which the social and economic environment is extremely difficult to predict.

*2. An automotive body sheet joint venture in the U.S. that the Company withdrew from in 2018.

Assessment of governance reforms

Sakumiya: As a result of small improvements built up each year, the Company is steadily levelling up. An example of this is how the directors and executive officers first discussed the optimum number of officers and then made significant cuts. We were also able to have serious discussions about the number of representative directors and how we should approach having advisors. Although there are still issues to be addressed, I think we have reached a commendable level.

Suzuki: I think that management is more separated from execution than before, and roles have been made clearer. This has changed the nature of discussions at meetings of the Board of Directors. There is no longer any perfunctory decision-making regarding matters that are already mostly resolved, which has created a lot more time for more substantial discussion about each agenda item. Also, I feel that the strengthening of oversight functions has resulted in the executive side submitting more carefully planned agenda items.

Sakumiya: At the end of fiscal 2020, we used third party interviews to evaluate the effectiveness of the Board of Directors for the first time. The outside directors, including myself, and outside Audit & Supervisory Board members are regularly severely critical regarding the Company, but reading the report, I understood that the inside officers are accepting this criticism sincerely and are using it to make improvements. I really feel that all directors and Audit & Supervisory Board members are sharing issues and each individual officer is taking ownership of each issue in order to solve it.

Suzuki: Another topic that was covered in discussions by the Nomination and Remuneration Advisory Committee in fiscal 2020 was standards for reappointing and not reappointing representative directors.

Sakumiya: Standards for keeping or removing the president is an extremely difficult topic to discuss at any company but it is a key part of corporate governance, so it not only has to be discussed within a company, but it also has to be presented in a way that is open and accessible from a social perspective. For this reason, I think that having discussions that last an appropriate amount of time by a committee of which more than half the members are outside officers is extremely meaningful, including in regard to



Toshio Suzuki

Director (outside, part-time)

As a professor emeritus at the University of Tokyo, Toshio Suzuki is an expert in metallurgical and manufacturing engineering. He also has a broad personal network that includes graduates from top universities in Thailand. He leverages his extensive academic experience to oversee management and provide executives with advice.

future strengthening of management oversight.

Suzuki: While these discussions have been very heated with a variety of opinions flying around, I think that they have been a big step toward creating committees that will be able to actually take advice on board and then reach a consensus in the future.

Sakumiya: One request I made on this theme was to revise scheduling. I think that rather than having a schedule that assumes the president will be reappointed from the start, we need a schedule that provides enough time to assemble a new management team in the event that the president is replaced.

Suzuki: The schedules for nominations from this year onward will actually reflect your suggestion, with the timeframe moved forward significantly.

Sakumiya: Companies are social institutions. I want the management team to take this to heart and do everything they can to raise corporate value. As outside directors, we should oversee and support management by taking a social perspective and thinking what can be done to make the Company better. I think that the foundation of governance is each side properly fulfilling their role in a way that complements the other side's efforts.

Suzuki: I think that strengthening corporate governance will be key to achieving the targets in the Long-term Management Vision and Third Mid-term Management Plan. We will work to raise the Company's corporate value and contribute to realizing the sustainable society advocated in the Long-term Vision by thoroughly monitoring the execution of the plan.