

CSR REPORT

Toyal Group
CSR Report **2018**



+ Create the future

ALUMINIUM with+



Create the future

At Toyo Aluminium, CSR means following one principal rule, “create the future; I will create it” with an aim to helping build a sustainable society.

We are committed to giving back to society through our business operations as we work with an eye to forging a bright new future.

As we move closer toward celebrating our centennial in 2031, we are focusing on the actions we need to take that will see us through to the next fifty years to one hundred years.

We will rebuild our management structure on a foundation of CSR to ensure that it can contribute to the development of a sustainable society.

Toyol Group Vision

Think outside the box while putting our technological expertise to work for people and the planet.

ALUMINIUM with+

■ Concept

[Think outside the box:]

We think outside the box to create new products, such as TOYAL LOTUS®, an innovation inspired by the structure of a lotus leaf; CHROMASHINE®, that changes color depending on the angle it's viewed from; and our black foil designed to deliver all the flavor of stone-baked sweet potatoes without any of the fuss.

[Our technological expertise:]

Our technological expertise in rolling, roll-polishing, printing, laminating, grinding, molding, and more makes up our core competencies.

[For people and the planet:]

We give our all for all our stakeholders and stay focused on protecting the environment in our operations across the globe.

We are in the aluminium business but we go the extra mile to add value to aluminium and beyond.

【ALUMINIUM with+】

We are in the aluminium business but we go the extra mile to add value to aluminium and beyond.

Management Principles

We, in the Toyol Group, will act as follows.

1. Through sound business management, we will aim to provide products and services that always inspire customers, prove useful for society, and are environmentally friendly.
2. We will be committed to constant innovation and strive to provide products utilizing advanced technologies.
3. We will foster a vibrant and free-spirited corporate culture and aim to be a group of geniuses.
4. We will be aware of social responsibility and contribute to the society as a company with dignity.

Course of Action

“Create the future, I will create it”

1. Let's aim for the top.
2. Let's win with our wisdom.
3. Let's deepen communication.
4. Let's learn from our mistakes.
5. Let's make more use of our sensitivities.
6. Let's form alliances.
7. Let's further heighten awareness about safety and security.

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Editorial Policy

This report is intended for our stakeholders and describes policies, challenges, directions, and the current status of our CSR initiatives that fall in line with the goals leading to a sustainable society. To achieve the Sustainable Development Goals (SDGs), we use the SDG Compass to manage our CSR activities. This year's report is all about “creating the future” and highlights the employee workshops we had on our vision for the future as well as the dialogue we had with an external expert on innovation.

Just as it did last year, the end of the report features input from independent adviser, Masao Seki, a specially-appointed professor at Meiji University. His insights help us make continuous improvements to our CSR initiatives.

■ Reference guidelines

- SDG Compass: The guide for business action on the SDGs
- ISO 26000 (Guidance on social responsibility)
- GRI (Global Reporting Initiative) Sustainability Reporting Standards
- Guidelines for Environmental Reporting, 2012 edition, Ministry of the Environment

■ Period reported

Our activities from April 2017 to March 2018 as well as part of the 2018 action policy and plan are reported.

■ Scope

Toyo Aluminium K.K. and its affiliated companies

■ Issue date

September 2018 (previous edition published September 2017 and next edition slated for September 2019)

■ Cover design

The image of children holding a globe represents the concept of “creating the future.” We will work toward achieving the SDGs so that our children can pave the way to a sustainable society and planet.

We will make Toyo Aluminium a company that will wow the world as we move toward our 100th anniversary.



We would like to offer our sincere condolences and deepest prayers for the victims who lost their lives due to the torrential rains this July 2018 and express our heartfelt sympathy to all those affected by the disaster.

The Toyal Group donated to relief efforts aiding disaster victims and the recovery of the affected area.

We pray for the quick recovery of the disaster area.

Q1 Please tell us about your vision for the future as we head toward Toyo Aluminium's 100th anniversary in 2031.

A1 There are three keys that will open the way to sustainable growth of a company: the ability to quickly respond to any change, the ability to continually provide innovative and unique products that no other company has on the market, and the ability to satisfy all stakeholders, including our employees. We are currently developing a vision statement ahead of our centennial. I want to make sure it reflects the values of our corporate group and leverages our unique characteristics and strengths in addressing as well as solving the problems facing the world.

Developing a vision is not just a job of company directors. At Toyo Aluminium, we value the bottom-up approach instead of just listening to what top management has to say. In developing a vision for the future, we encourage employees to imagine our company as they'd like to see it, so our CSR promotion team organized workshops for brainstorming a vision.

With the help of all employees, we will develop a vision statement as we approach our 100th anniversary based on what we discussed there.

Q2 What is your view on the SDGs and how are you going to address them?

A2 A company must aim to deliver good financial performance and contribute to society through its business activities. The SDGs effectively help companies realize both of these purposes, and that's why we are making group-wide efforts toward achieving them. Sustainability is the key to corporate survival. However, since we've only just started working on the SDGs, I want to first get everyone across the group on the same page as soon as possible. I want to educate our directors and employees so they'll all gain an understanding about the SDGs. As a first step, all directors now wear SDGs pins. We are also incorporating the SDGs into our medium-term management plan. I'm planning to ask the directors to talk about the business strategies of the departments they are in charge of in relation to the SDGs inside and outside the company. For example, we are looking to set targets, such as the sales ratio of products that contribute to the SDGs that we'll also incorporate into our centennial vision. We joined the United Nations Global Compact in April 2018.

I believe that implementing the Ten Principles of the UN Global Compact is crucial to the sustainable development of our company and society as a whole.

Q3 Please tell us about your plan for addressing the five material CSR issues you identified in 2017.

A3 Among the five material issues, we place special importance on "innovation for the future" because it will directly help enhance our corporate value. Being sensitive to changes in the society, such as today's accelerating shift to electric vehicles, and creating innovations will lead to new business opportunities. I'm also eager to work with various partners on innovations, rather than working solo, and develop them into the fifth and sixth pillars of our business. I have set my sights on businesses related to issues facing Japan, such as energy, public infrastructure, and living environments in a graying society, as well as electronic devices. Recycling is another area we should work on. Meeting environmental, quality, and safety standards is also a material responsibility and a requirement companies must fulfill, so we will do our part in that regard. When it comes to quality, in particular, we will step up efforts in fiscal 2018 as we learn a lesson from the problems that occurred in the aluminium industry and ensure that everyone across the group is aware that quality is the lifeblood of any company. I also believe that employees are the driving force that will sustain our competitive edge over the long run.

We will hire more women and non-Japanese workers than ever with an eye to making our company a workplace where all employees are happy. Creating environments where a diverse group of employees can reach their full potential should change the way they think and help make innovations happen. It's important that we become aware of what society needs and where we should be headed in the process of innovating, and the SDGs can be a useful tool for doing that. At the same time we should not only discuss among ourselves but also be willing to listen to the opinions of people outside the company so we can understand what people want from Toyo Aluminium from an objective point of view before taking action.

We must keep making innovations and work toward fulfilling society's needs while staying on course. That's why our goal is to make Toyo Aluminium a company that will wow the world. In fiscal 2018, we will operate in accordance with the goals and road map laid out in our medium-term management plan, with a vision for our 100th anniversary that encompasses the SDGs.

Hiroshi Yamamoto,
President and Representative
Director, Toyo Aluminium K.K.



Feature 1: Dialogue with Employees

Creating a Vision of Sustainability for Our 100th Anniversary

The Toyal Group is developing growth strategies as it moves toward its 100th anniversary in 2031. Growth strategies should consist of not only financial strategies but also strategies designed to enhance our corporate value by, among other things, contributing to the SDGs, i.e. a vision of sustainability that will guide us to growth. At Toyo Aluminium, we are using both top-down and bottom-up approaches to developing a vision of sustainability, where employees actively engage in discussions. We are aiming to be an innovative and sustainable organization that continually creates value for society.

Members of the CSR promotion team and the CSR Promotion Office, made up of employees from different departments and companies across the group, held discussions to develop a sustainability vision statement. Launched in December 2016, the CSR promotion team is comprised of 13 members, including mid-level executives from Toyo Aluminium's business and administrative divisions, Toyo Aluminium Ekco Products, and Toyo Tokai Aluminium Hanbai who are the next generation of leaders. The team organized three workshops in March and April 2018.

In the first and second workshops, the participants were divided into three discussions groups, and in the third workshop everyone took part in one big round-table discussion. In addition to discussions by the CSR promotion team, individual employees will also get a chance to review the proposed sustainability vision statement for themselves on an ongoing basis. After the management team reviews and approves a summary of the discussions, we will finalize a sustainability vision statement for the Toyal Group that will guide us as we work toward achieving our financial targets and contribute to the SDGs.



First workshop

<Discussion Theme>

How the Toyal Group can contribute to each SDG through innovation

Participants were divided into three groups, in which they discussed how the Toyal Group could help achieve the SDGs, and then put their ideas together. The table on the right is a summary of what was discussed in the workshop. Specifically, all participants agreed that it's more important that we contribute to the SDGs through innovation in products and technologies that are designed to help solve energy and climate change problems, enhance the safety and efficiency of infrastructure, and facilitate effective use of resources as well as by enhancing the business processes that keep us ahead of the competition.



Workshop Overview

[Dates]

March 13 (Tuesday), April 12 (Thursday), and April 24 (Tuesday), 2018 (held 3 in total)

[Venue] Toyo Aluminium K.K. Osaka Office

[Attendees]

(1) Toyal Group CSR promotion team

- Toyo Aluminium K.K.
Motoki Furueda, Foil Headquarters
Yuichi Asano, Powder & Paste Headquarters
Yutaka Ochi, Photovoltaic Headquarters
Tetsuya Matsui, New Business Creation Department
Yutaro Sawada, New Business Creation Department
Masakazu Uematsu, Advanced Technology Division
Keiichi Watanabe, Engineering Center
Tatsuaki Otsuka, Management Planning Department
Hideki Yamamoto, General Affairs Department
Mitsunori Sawai, Personnel Affairs Department
- Toyo Aluminium Ekco Products Co., Ltd.
Nobuhisa Ogihara, CSR Promotion Office
Yoshikatsu Isaki, Package Sales Department
- Toyo Tokai Aluminium Hanbai K.K.
Satoshi Kawahara, General Affairs Department

(2) Toyo Aluminium K.K. CSR Promotion Office staff

Administrative office: Toyo Aluminium K.K. CSR Promotion Office

| | Contribution to SDGs | Ways to contribute |
|---|--|---|
| Contributing to the SDGs through innovations | 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION | • Renewable energy, storage batteries • Global power generation business |
| | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | • Recycling, circular business model |
| | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | • Paint/energy-related innovations (that leverage existing technologies) |
| Contributing to the SDGs through business processes | 11 SUSTAINABLE CITIES AND COMMUNITIES | • More durable, maintenance-free infrastructure |
| | 2 ZERO HUNGER | • Agricultural and food storage solutions |
| | 8 DECENT WORK AND ECONOMIC GROWTH | • Human resources diversity |
| | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | • Responsible production and consumption |

Second workshop

<Discussion Theme>

What are the Toyal Group's innate strengths? What should the Toyal Group do in order to continually create value over the long run?

After looking at the Toyal Group's innate strengths and values embedded in its DNA, participants were divided into three groups and discussed business models for creating value on a long-term and sustainable basis as well as contributing to achieving the SDGs through these business models while looking back over the past and into the future before putting all their ideas together. Participants agreed that the business models that the group had used so far were designed to respond to a wide range of customer needs with an R&D capability that enhanced value through a focus on aluminium processing technologies. Proposed ideas for the future included exploring further possibilities for aluminium and using the technologies the group has developed for non-aluminium applications. Participants agreed that they would contribute to the SDGs through such new business models.

Values and strengths

- Hard working, technology oriented
- Value people
- Aluminium-related basic R&D capability, processing technologies
- Excellent customer base, ability to cultivate a new customer base
- Top market share, unparalleled quality and performance
- Encourage taking on challenges
- Engage employees in discussions

Business models

- [Past]**
- Creating value through a cycle of developing products, technologies, and customer bases while responding to a wide range of customer needs with aluminium processing technologies
- [Future]**
- Explore further possibilities for aluminium
 - Use technologies built on aluminium for non-aluminium applications
 - Expand customer bases, markets for various applications, operating areas, and value chain

Value creation = Contribution to the SDGs

- 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
- Expanding the value chain for distributed renewable energy systems
- 3 GOOD HEALTH AND WELL-BEING
- Expanding operations in the medical field by incorporating sensors into drug packaging materials, making a full-scale entry into the medical equipment market, etc.
- Materials that remove toxic substances
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
- Leveraging aluminium functions to contribute to the environment, safety, and infrastructure
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- Making the environmental impact of aluminium zero
- 2 ZERO HUNGER
- Packaging materials for long-term storage of agricultural products

Third workshop

<Discussion Theme>

What are the contents and key words/phrases that should be included in the sustainability vision statement based on what has been discussed so far?

The CSR promotion team conducted a round-table discussion to draft a sustainability vision statement based on the outcome of the first and second workshops. Participants shared ideas with a focus on not only making it something that will help in achieving the Toyal Group's financial targets and the SDGs but also on making it a statement that embodies the values of the group and is easy for everyone to understand.



Innovations the Toyal Group aims to make as well as types of environmental and personnel initiatives to be implemented, which were discussed and decided on at the workshop, are as shown in the page on the right. Following the workshop, one participant said, "It was a great opportunity to talk about the future of our company with people from other departments. The workshop enabled me to look at my responsibilities in light of the SDGs." Another commented, "The SDGs have helped all departments to align the direction in which we are headed and I think everybody is now on the same page."



The CSR promotion team drafted this sustainability vision statement, and individual employees will review it for themselves on an ongoing basis. After putting all the ideas together, we will finalize a sustainability vision statement for the Toyal Group that will guide us as we work to achieve our financial targets and contribute to the SDGs.

Toyo Aluminium Sustainability Vision (Draft)
TOYAL 2031 - Toward Our 100th Anniversary

ALUMINIUM with + Creating a Sustainable Future

Vision

➤ We will explore the far edges of the horizon to find new possibilities for aluminium as we continue coming up with innovations that enrich people's lives.



➤ We will leverage the features and advantages of materials to promote clean energy.



➤ We will cut CO₂ emissions from our operations by 30%.



➤ We will work with various stakeholders to build a recycling system for the entire product life cycle.



➤ We will promote smart factories and smart offices where people from diverse backgrounds can work together and reach their full potential.





Feature 2: Dialogue with an Expert

Innovations Needed to Solve Problems Facing the World

We invited Hiro Nishiguchi, executive managing director of Japan Innovation Network, to discuss innovation at the Toyo Group in light of the SDGs. Participants engaged in lively discussions on the kinds of innovations the group should pursue and how it can accelerate innovation with the implementation of the SDGs.

Workshop Overview

[Date] May 21 (Monday), 2018 [Venue] Toyo Aluminium K.K. Osaka Office

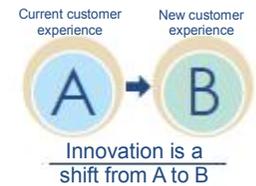
[Attendees]

| | | |
|---|--|--|
| <p>Expert</p>  <p>Hiro Nishiguchi, Executive Managing Director, Japan Innovation Network</p> | <p>Toyo Aluminium K.K.</p>  <p>Yoshihiro Tomioka, Director and Managing Executive Officer in Charge of New Business Creation Dept.</p>  <p>Zenya Ashitaka, Managing Executive Officer in Charge of the Advanced Technology Division</p>  <p>Masahiro Yoshida, Managing Executive Officer in Charge of the CSR Promoting Dept.</p> | <p>Facilitator</p>  <p>Takehiko Mizukami, Chief CSV Officer, Cre-en Inc.</p> |
|---|--|--|

Shifting from the current customer experience (= A) to a new customer experience (=B) is what innovation is all about.

[Mizukami] Toyo Aluminium identified “innovation for the future” as one of its material issues. Making innovation happen doesn’t seem like an easy task. Is there some formula for success? Let me ask Mr. Nishiguchi first.

[Nishiguchi] It all boils down to making a dramatic shift in customer experience. It’s about how you shift the current customer experience (=A) to a new customer experience (=B). Innovation creates value once you put an idea into practice. I believe Japanese companies are among the best in the world when it comes to putting an idea into practice. What’s important is the ability to generate ideas. This includes identifying issues, creating a concept, and developing a business model. To generate ideas you need to go back and forth through these steps in a process of trial and error, and that’s the formula for success.



[Mizukami] Now how will the SDGs lead to innovation?

[Nishiguchi] I just talked about shifting from A to B, and most people seem to focus on finding B during the process of innovation. In fact, the SDGs are an agreement about B among 193 countries around the world. In other words, they are the ultimate goal of innovation. Once you know what B is, all you need to do is to take steps that will make the shift from A to B. The SDGs are made up of 17 goals plus their 169 targets. Companies must develop businesses that will generate a profit based on these targets and create a mechanism that will let the money flow into these businesses.

[Mizukami] The SDGs are quickly garnering interest in Japan, just as they are in other countries. What do you think companies should be doing?

[Nishiguchi] While many companies are actively addressing the SDGs, there are some that don’t get it right. They typically use the language of the SDGs in explaining their business operations. The SDGs are goals, and you need business activities that will get you there. If you get this wrong, the SDGs will end up being just a PR tool. The 17 SDGs are well planned goals, agreed upon by 193 countries, encompassing the myriad of issues facing us across the globe. It would be hard not to find a business that doesn’t have anything to do with any of them.

[Ashitaka] Every R&D theme of ours, including those we’ve worked on in the past, is related to one of the 17 goals. The innovations we made so far have been built on what we have done in the past. If we want to incorporate the SDGs into new innovations, how should we go about it specifically?

[Nishiguchi] There are 169 targets under the 17 goals. If you break them down even further, you will find areas where you can contribute to respectively in the public, private, and nonprofit sectors. Just pick one of these areas as “B” in the shift from A to B. That’s a shift Toyo Aluminium should be able to make. Toyo Aluminium has made numerous shifts happen and made great contributions to the world through aluminium. It’s important that you first go back to the very reason for your being and think about what you can do and who you should target. It’s best if you discuss that with people from all different departments, including young employees.

Backcasting, a key to innovation



[Yoshida] I see. To make a shift from A to B, we should discuss "B" based on the SDGs and identify what to target. Our employees tend to focus on our current capability, which is "A," and building on it. Our New Business Creation Department and the Advanced Technologies Headquarters, on the other hand, are two organizations that are really able to focus on "B."

[Nishiguchi] That's the same as the concept of backcasting. You start with setting a goal and then work backwards to figure out how you can reach it.

[Tomioka] The 169 targets of the SDGs seem very extensive. Even if you break them down, they still cover a vast area. We must look at how Toyo Aluminium can play a role in that area.

[Nishiguchi] Exactly. After breaking them down into smaller areas, you'll need to convert them into corporate projects. Countries across the globe are working to achieve the 17 SDGs and their 169 targets. That's a fact, and there is no need discussing why they are important. This is a big plus for using the SDGs.



[Ashitaka] I like the idea of using the backcasting approach to innovation, i.e. setting a goal first and working backwards to reach that goal. We seem to be focusing on our current initiatives and doing nothing more than linking them to the SDGs.

[Mizukami] Linking your current initiatives with the SDGs is totally okay. It's important that you aim for a goal and start new business initiatives.

[Ashitaka] I see. When we take this approach, I believe that discussing it with other employees will be crucial. I will take time to carry on in-depth discussions to grasp the language used and identify where we are headed and what we can do.

[Nishiguchi] That's exactly the part of the innovation process where you go back and forth through the steps, starting with identifying issues. Innovation is not possible unless employees are willing. Their faith and enthusiasm are vital.

Discussions are a must to keeping their morale up.

[Tomioka] It would be ideal to use both backcasting and forecasting and consciously link the innovations we are working on to the SDGs.

[Nishiguchi] I'd like to emphasize that there is probably no issue a company can solve alone. The trick is to look for issues that cannot be solved without Toyo Aluminium. You should focus on making Toyo Aluminium indispensable. That's how Toyo Aluminium can be part of the big solution.

Ability to identify real needs and communicate essential value

[Ashitaka] I believe that highlighting our technologies is also important. I'm afraid that we always hold back and end up killing opportunities.

[Nishiguchi] Well, you should first turn your attention to the world, collect information about who is trying to solve issues and what those issues are, and then analyze that information. There are a number of platforms out there.

[Tomioka] If I look at it the other way around, you could let the public know the issues you want to solve via such platforms and find people who would work with you on solving them.

[Mizukami] You could effectively communicate that point using the common language that is the SDGs. For example, you can sell your aluminium processing technologies, which are your forte, by linking them to the SDGs. You could use the technology behind the TOYAL LOTUS®, which is currently used for yogurt container lids, for other applications that would address the food waste issue.

[Yoshida] Enhancing our communication capability, such as communicating the right information via the right channel, is one of the challenges we should address.

[Nishiguchi] There seems to be things that can be solved through communication. You must communicate the value your technologies will deliver to your customers from their perspective.



Look for the shift you want to make and accelerate innovation

I believe the important thing to do is to find the kind of shift Toyo Aluminium can and wants to make. Look at the areas you want to contribute to. It's also important that you do that with a focus on both your company and the market. If you are currently working on a number of R&D projects, see if the shift you are going to make is consistent with market needs (i.e. SDG targets). You should use your resources for the projects that focus on areas where there are needs. During our dialogue I said that the SDGs represent the kinds of shifts everyone agreed that they want. Continue discussing which one you are going to contribute to. I also learned through our dialogue that your company had already made a number of innovations. You should be able to accelerate innovation by leveraging your communication skills and overseas network.



Hiro Nishiguchi, Executive Managing Director, Japan Innovation Network

Expert's comment

Looking at our company's reason for being in the context of achieving the SDGs

I've always believed that a company is a living entity and must have a reason for being in order to survive. After participating in today's dialogue, I realized that a company's reason for being lies in its ability to contribute to the SDGs and their targets. I will start with carefully thinking about the areas where we can and want to contribute to. The dialogue also inspired me to work on enhancing our ability to get our message across, throughout the world.



Yoshihiro Tomioka, Director and Managing Executive Officer in Charge of the New Business Creation Dept.

Identifying specific SDG targets and carrying on in-depth discussions with colleagues

Thank you for sharing your valuable insights with us during the dialogue. We are currently placing the biggest emphasis on energy, which falls under Goal 7 of the SDGs. I will work to identify specific targets as I continue further discussions with colleagues to explore what Toyo Aluminium can and wants to do ahead of 2030.



Zenya Ashitaka, Managing Executive Officer in Charge of the Advanced Technology Division

Working together to contribute to the SDGs

The dialogue provided me with a number of good tips that will help us move ahead with innovation. Being in charge of the CSR Promotion Office, I'm tasked with the responsibility of implementing initiatives aimed at achieving the SDGs. As I participated in the dialogue, it hit home with me that the New Business Creation Department and the Advanced Technologies Headquarters are also responsible for implementing initiatives aimed at achieving the SDGs. I will work closely with these departments to contribute to the SDGs.



Masahiro Yoshida, Managing Executive Officer in Charge of CSR Promoting Dept.

Post-dialogue comments

Visions and Strategies for the Future

The Toyal Group is moving ahead with CSR initiatives in accordance with the basic CSR policy and CSR charter it has developed in light of its Management Principles and Course of Action. We support the SDGs (Sustainable Development Goals) with an understanding of their background and are working to achieve them. We are helping build a sustainable society through our corporate activities while working to enhance our corporate value.



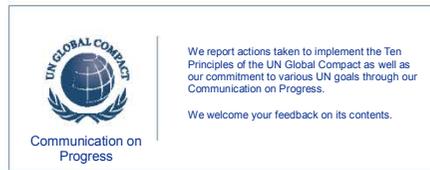
Basic CSR Policy

We in the Toyal Group aim to build a corporate culture that allows us to continuously improve our sound business activities. To that end, we will develop management that can contribute to society by (i) developing corporate activities that are compliant with social norms and corporate ethics, (ii) providing product quality that allows customers to use our products with peace of mind, (iii) conducting business activities in harmony with the environment, and (iv) conducting activities that place the utmost priority on occupational health and safety in the workplace.

Participation in the UN Global Compact

The Toyal Group signed the UN Global Compact and was registered as a participant on April 10, 2018. In accordance with the Ten Principles of the UN Global Compact covering the areas of human rights, labor, the environment, and anti-corruption, we, as a global company, actively promote responsible management and CSR initiatives across our corporate group with an aim of helping build a sustainable society. In fiscal 2018, we will conduct internal workshops on the Ten Principles to promote a better understanding of them.

We will renew our awareness about human rights, labor, the environment, and anti-corruption while ensuring that every employee recognizes their social responsibility and fulfills our social responsibility as an upstanding corporate citizen.



SDGs

In September 2015, all UN members (193 countries) adopted Agenda 2030 with a view to eliminating extreme poverty, inequality, and injustice while protecting the globe over the next 15 years with an eye to forging a brighter future. Agenda 2030 is a set of goals known as the Sustainable Development Goals (SDGs). The SDGs consist of 17 goals and 169 targets on the issues covered but yet to be fully addressed by the Millennium Development Goals as well as worsening environmental problems and other issues discussed at Rio+20. The SDGs challenge countries across the globe to create a world where no one is left behind.

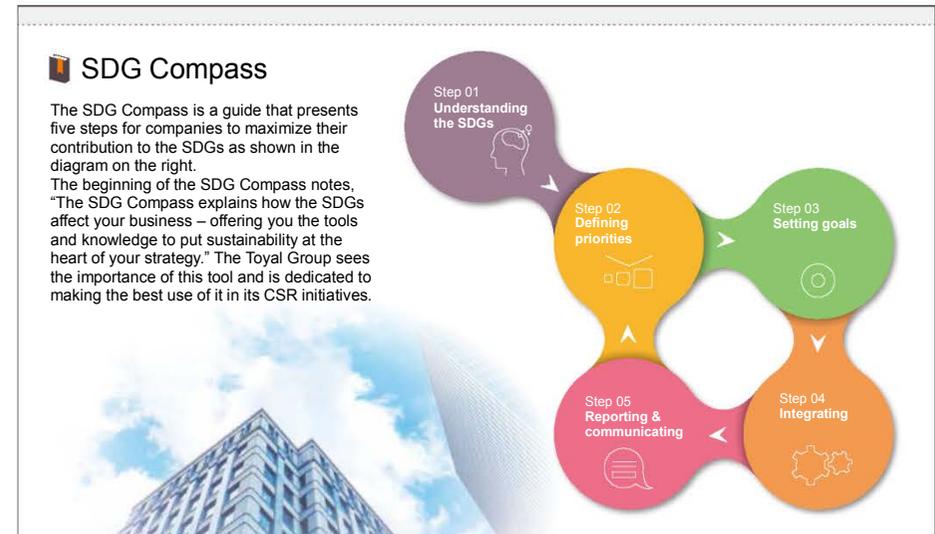
Source: Global Compact Network Japan website <http://www.ungcnj.org/sdgs/index.html>

Management

CSR Management based on the SDG Compass

At the Toyal Group, we use the SDG Compass to manage our CSR initiatives with an eye to aligning our business operations and CSR initiatives with the SDGs as well as to measure and monitor our contribution to achieving the SDGs. The CSR Promotion Office serves an administrative function for implementing CSR initiatives under the supervision of a managing executive officer in charge. On top of that, a CSR promotion team has been organized to serve a cross-sectoral function for the Toyal Group. Designed to help employees develop a sense of ownership for CSR initiatives, the CSR promotion team plays a central role in our CSR initiatives.

The team is made up of the best and brightest from each department, who is tasked with promoting CSR initiatives by sharing information on them with their department. In fiscal 2017, we took all five SDG Compass steps, i.e. understanding the SDGs, defining priorities, setting goals, integrating, and reporting & communicating. We have been steadily taking these steps since fiscal 2016 and will continue to move forward.



Step 01 Understanding the SDGs

In fiscal 2017, we conducted an SDG workshop for managers, following the SDG workshop we held for directors and department heads the previous year. We also use quarterly internal newsletters distributed to all employees to familiarize them with the SDGs. The section of the newsletter entitled "Our CSR Initiatives" features articles contributed by employees about their CSR initiatives, which are linked to the SDGs.

This gives employees an opportunity to see how their daily operations and actions contribute to the SDGs. In fiscal 2018, we are planning to organize an SDG workshop designed to increase employees' awareness and understanding of the SDGs.

Step 02
Defining priorities

We identified material CSR issues for the Toyol Group in fiscal 2017 according to the following three steps. First, we asked experts representing our stakeholders what they expect from the Toyol Group in helping solve issues facing the world. The CSR promotion team then identified material issues facing our corporate group and analyzed their materiality in light of the findings from the interviews with the management team. Finally, material issues were identified after they were analyzed on the basis of stakeholders' expectations as well as materiality assessed from our own viewpoint. The five CSR issues shown on the right were found to be material. Governance is at the heart of addressing these material issues.



Toyol Group's CSR Action Plan

| Material CSR Issue | Major initiatives | Description |
|--|--|---|
| 1 Innovation for the future | Build the fifth pillar of the business | Conduct R&D with the SDGs in mind |
| | Sell environmentally friendly products | Sell environmentally friendly products such as the Hane™ modules, aluminium foil for lithium-ion batteries, and water-based paint |
| 2 Environmental protection | Eliminate serious environmental incidents | Develop and implement a plan in each business location and monitor progress |
| | Improve per-unit energy consumption Reduce energy consumption | Invest in energy-saving equipment and work on making improvements |
| | Reduce industrial waste | Implement initiatives aimed at reducing industrial waste, sort waste and raise awareness for sorting waste |
| 3 Human resources diversity | Provide flexible work arrangements | Introduce a flextime program |
| | Empower women | Hire recent female college graduates for career-track positions |
| 4 Quality and safety | Eliminate serious quality incidents | Develop and implement a plan in each business location and monitor progress |
| | Eliminate lost time accidents, non-lost time accidents, and fire accidents | Develop and implement a plan in each business location and monitor progress |
| | Establish a crisis management system | Build a business continuity management (BCM) system |
| 5 Cooperation with stakeholders | Co-exist with local communities | Conduct cleanup activities in areas near each business location |
| | Work with other stakeholders | Hold dialogues with stakeholders |

Step 03
Setting goals

We selected issues that correspond to the five material CSR issues from the medium-term management plan running from 2018 through 2020. Using the outside-in approach* and with the SDGs in mind, we selected the areas where we can contribute to the SDGs. This helped us to see that a large part of what we do contributes to the SDGs. We ensure that individual employees are aware of that as we work further to help achieve the SDGs. Some of these areas are shown in the CSR action plan below.

*Outside-in approach: Studying needs from a global perspective with a focus on external factors

| FY 2017 results | FY 2018 goals |
|--|---|
| Gained an understanding of the SDGs and identified issues | Promote R&D with the SDGs in mind |
| 95% of previous year's sales | 160% of previous year's sales |
| Number of serious environmental incidents: 0 | Implement and monitor activities focused on effectiveness |
| Per-unit energy consumption: Down 5% Energy consumption: Down 1.8% | Reduce per-unit energy consumption by 1% Reduce energy consumption by 2.5% |
| Per-unit industrial waste: Up 3% | Reduce per-unit industrial waste by 2% |
| Considered the program | Implement the program on a trial basis |
| Ratio of recent female college graduates hired for career-track positions: 23% | Ratio of recent female college graduates hired for career-track positions: 30% |
| Number of serious quality incidents: 0 | Implement and monitor activities focused on effectiveness |
| Loss time accidents: 0, Non-loss time accidents: 10, Fire accidents: 6 | Implement and monitor activities focused on effectiveness |
| Made arrangements for building a system | Start implementing a system group-wide after building a system at selected business locations |
| Conducted river cleanups | Implement social action programs |
| Exchanged information with NPOs | Hold dialogues (with experts, NPOs, etc.) |

Step 04
Integrating

Since fiscal 2016, the Toyol Group has been taking an offensive approach to CSR initiatives based on the concept of CSV.* We linked the Toyol Group's material CSR issues with contributing to the SDGs and aligned the CSR action plan shown below with our medium-term management plan. In order to further ensure that CSR initiatives are integrated into our business operations, we incorporate them into our business strategy while making it clear why we work on these initiatives as business. The CSR promotion team discusses the significance of CSR activities on an ongoing basis with an eye to making them voluntary actions across all departments. We are making company-wide efforts to contribute to the SDGs.

*CSV stands for Creating Shared Value. It's about creating economic value in a way that also creates value for society by addressing its challenges, and by doing so creating value for both the society and the Toyol Group to enhance its corporate value.

Commitment by the Director in Charge of CSR
Harnessing the Collective Knowledge and Efforts of All Employees to Create a Sustainable Future



Masahiro Yoshida,
Managing Executive Officer in Charge of the CSR Promoting Dept.

This year marks the third year since we started addressing the SDGs as part of our offensive CSR strategy. We started off small but are steadily moving ahead toward 2030, the target year of the SDGs, and 2031, our 100th anniversary. The SDG-aligned initiatives help us envision an ideal future and point to the goals and direction all employees should be headed for. One of our material CSR issues we identified in light of the SDGs is "Innovation for the future." As we move toward our 100th anniversary, innovation is vital. Without innovation there is no growth or future. To make innovation happen, all of us at the Toyol Group are aiming to be "a group of geniuses" who must take on new challenges. We will harness the collective knowledge and efforts of all employees to build a sustainable future.

Material CSR Issue

1 Innovation for the future

WHY?
Why is it important?

We believe that our most important social responsibilities are to provide new products and services that meet society's needs, help solve issues facing the world in order to pave the way to a sustainable society, and create economic value. In the market, where technological advancements are rapidly heating up the competition, first movers get the lion's share. Working against this backdrop, we will think outside the box and push the envelope in our aluminium-based business as we move ahead at full speed to build a brighter future and create value.

Contribution to SDGs

| | SDG targets* the Toyol Group can contribute to | The Toyol Group's approach |
|--|---|---|
| | 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being | We will work with medical institutions, pharmaceutical companies, etc. to identify the real needs of healthcare professionals and leverage our unique technologies to make product innovation happen. We will help make quality health services available. |
| | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix | We contribute to this target through the provision of materials for solar cells, electric car batteries, etc. We will explore possible ways to contribute to this target via our technologies as well as by expanding the scope of sales for these products. |
| | 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management | We will create innovations with technologies designed to prevent the degradation of materials, enhance strength, and prolong the life of structures. |
| | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse | A recycling technology for thin aluminium foil has still not been established despite advancements in aluminium recycling. As a manufacturer of aluminium foil, we're dedicated to the effective use of limited resources. Realizing a recycling system for disposable aluminium containers, for instance, is a major challenge, and we are looking to make innovation happen in this area. |

*Targets refer to the 169 targets associated with the 17 SDGs.

OUR APPROACH

Approach

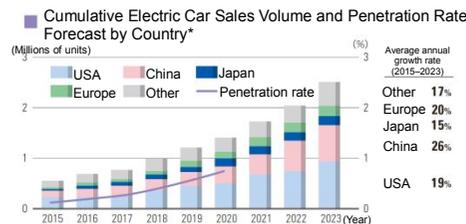
The Toyol Group moves ahead with the R&D and commercialization of products by harnessing its core technologies at its Advanced Technologies Headquarters and New Business Creation Department in response to current and potential issues facing society as well as changes in the market environment. We divided target markets into three types, i.e. existing, new, and next-generation markets, and invest R&D resources in each category. We actively promote open innovation, partnering with startups, universities, research institutions, etc. across the globe, to tackle challenges we cannot overcome alone. Taking the Creating Shared Value (CSV) approach, we focus on R&D projects that will create value for both society and the Toyol Group while staying in close touch with stakeholders. We will think outside the box and push the envelope of our aluminium-based business to lead the world.

OUR PERFORMANCE

Examples

Promoting Widespread Use of Electric Cars

Widespread use of electric cars whose sales are growing worldwide is one example of an environmental solution. Toyo Aluminium supplies aluminium foil and other products to automobile parts manufacturers (primarily in China) for cladding, positive electrodes, and condensers used in electric car batteries. Our high quality aluminium foils offer excellent formability and can be processed into various shapes. We will expand the scope of sales to cover the entire globe with an eye to playing a major part in reducing CO₂ emissions through the widespread use of electric cars.



*Source: Ikeda, K., Zhu, Y., & Kimura, Y. (2017). Trend watcher: Denki jidisha no shijo kankyo to shorai no tenbo [Outlook for the electric car market]. *Joho Sensor*, July, Ernst & Young Transaction Advisory Services Co., Ltd.

Reducing Hazardous VOCs via Widespread Use of Water-based paints

Equipped with a proprietary surface treatment technology that enables use of aluminium pigments in water-based paints, Toyo Aluminium works to promote the applicable pigment to the widespread use of water-based paints. It would help to reduce VOCs.* While there are many new color pigments that are not applicable to water-based paints, our surface treatment technology can improve them to apply to water-based paint. In fiscal 2017, VIAMI Solutions Inc., a US-based special pigment manufacturer, used our surface treatment technology to successfully enhance the durability of its high chroma blue pigment and commercialize it.

*VOCs refers to volatile organic compounds, which are often found in paints and inks. Since they contribute to the formation of smog, regulations are imposed in countries around the world. A shift to water-based paints for automotive and other applications is needed in order to reduce VOCs.

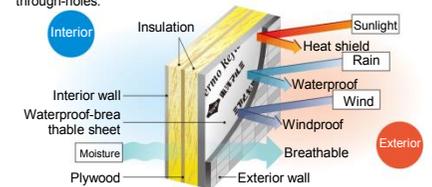


VIAMI Solutions' new pigment (left) and conventional pigment (right)

Waterproof-breathable Sheets Designed to Extend the Life of Houses

Waterproof-breathable sheets are commonly used inside the exterior walls of houses as thermal insulation and waterproofing. Conventional waterproof-breathable sheets, often employing vapor-deposited aluminium films which readily absorb heat and possess low moisture permeability, pose a problem. Employing the aluminium technologies we have built up over the years, Toyo Aluminium developed a waterproof-breathable sheet using porous aluminium foil.* The newly developed sheet features higher infrared reflectance, moisture permeability, and durability than conventional sheets. It makes living environments cool in the summer and warm in the winter while extending the life of houses.

*A porous aluminium foil is a type of aluminium foil with numerous fine through-holes.



Example of a wooden house wall (conceptual drawing)

Material CSR Issue

2 Environmental protection

WHY?
Why is it important?

We process aluminium made from the mineral bauxite to produce materials for various products. That takes huge amounts of natural resources, energy, and chemicals in operations that we realize impact the environment. That's why we ensure that our operations are in harmony with the global environment.

Contribution to SDGs

| | SDG targets the Toyal Group can contribute to | The Toyal Group's approach |
|--|---|---|
|   | <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> | <p>We promote the widespread use of renewable energy by supplying parts and materials for solar cells and solar power systems. For example, we are working to enhance the efficiency of solar panels, reduce power generation costs, and make solar panels more installable. We also work to improve the energy efficiency of products at every step from production to utilization with an aim to reduce greenhouse gas emissions.</p> |
| | <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p> | |
|  | <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> | <p>We are taking various measures aimed at building a circular economy, such as switching productions processes to those that leave a smaller environmental footprint as well as reducing and recycling waste. In fiscal 2017 we added molded pulp to our lineup as part of our product-based environmental initiative.</p> |
| | <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> | |

OUR APPROACH

Approach

Our approach to protecting the environment has two sides, one is providing environmentally friendly products and the other is reducing our environmental footprint in our business operations. We focus on developing parts and materials for solar cells and low VOC water-based coatings, as well as manufacturing and selling high performance foils for condensers, all with an eye to supplying environmentally friendly components that will minimize the environmental impact of the end-use product. In an effort to reduce the environmental footprint of our business operations, we work to cut energy consumption throughout all production processes, minimize waste, and promote reusing and recycling. Placing a special emphasis on curbing global warming, we are currently developing a long-term plan to significantly cut our carbon emissions by 2030, the target year of the Paris Agreement and the SDGs, and will double our efforts going forward.

In addition to all that, 15 of our business locations, including our production sites, have been ISO 14001 certified. We will maintain an effective environmental management system to prevent environmental incidents from occurring and ensure compliance with relevant laws and regulations while working to minimize our environmental footprint in order to keep our operations sustainable and in harmony with the global environment.

OUR PERFORMANCE

Examples

Aiming to Take Renewable Energy to New Heights

- Hane™ Lightweight Solar Cell Module -

Conventional solar panels may be impossible to install in some places due to their size and weight. Toyo Aluminium's Hane™ lightweight solar panel modules were designed to bring solar power systems where they've never been before. They have huge potential for use in distributed power generation as well as emergency power supply and help spread renewable energy.

We have been promoting the use of these modules in-house, and in fiscal 2017 the panels were installed on a parking lot carport at our Yao Works where they power street lights.



Carport equipped with Hane™ modules (left) and LED street lights (right) powered by the modules at the Yao Works

Development of Molded Pulp Containers

The EU announced the European strategy for plastics in 2018, with the objective of ensuring that by 2030 all plastic packaging placed on the EU market is reusable or easily recycled. We're also witnessing a growing number of countries imposing regulations related to plastic plates, utensils, and bags. These trends are expected to drive a quick shift from plastic food trays used in supermarkets, etc. to paper trays in the West and elsewhere.

Working against this backdrop, Toyo Aluminium Ekco Products Co., Ltd. developed molded pulp^{*1} containers in fiscal 2017 to add to its existing lines of paper containers, such as EC-Ware^{*2} and paper cups. Since pulp can be molded into any desired shape, molded pulp containers can meet a wide variety of needs for use as food trays. Toyo Aluminium Ekco Products continues to focus on the manufacture and sales of paper containers that will replace plastic containers with an aim to protecting the global environment.

*1. Molded pulp: Molded paper products made from pulp, which is dissolved in water, made into paper over a wire mesh, and dried
 *2. EC-Ware: Press-molded paper trays with rolled rims (EC stands for "edge curl")

Energy-saving Initiatives based on Capital Investment

Recognizing the huge environmental impact of the manufacturing equipment it uses in aluminium production, the Toyal Group actively invests in equipment with excellent environmental efficiency in a well-planned manner in order to contribute to the greenhouse gas reduction targets set under the Paris Agreement.

In fiscal 2017, its Gunma Works installed a new VOC treatment system to replace three older systems. The overhaul resulted in a 60% reduction in natural gas consumption (950 t-CO₂) and a 17% reduction in power consumption (40 t-CO₂).



VOC treatment system at the Gunma Works

Material CSR Issue

Human resources diversity

WHY?
Why is it important?

Three key phrases represent the current status of the business environment in Japan, i.e. globalization, declining working-age population, and diversifying personal values. In working against this backdrop, we are forging a work environment that puts a premium on job satisfaction, personal growth, and support for various work styles that will contribute to sustainable business practices and a sustainable society.

Contribution to SDGs

| | SDG targets the Toyal Group can contribute to | The Toyal Group's approach |
|---|--|---|
|  | 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life | We have built a work environment where all employees can reach their full potential regardless of gender by enhancing the child care leave program and shortened work hour program for employees with child care responsibilities, as well as implementing other measures to address Japan's declining working-age population due to the falling birth rate and graying of society. We also provide female employees with career support by assigning them to career-track positions. These initiatives will enable us to ensure full and effective participation of women in the workforce and equal leadership opportunities throughout the Toyal Group. |
|  | 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value | As our operations quickly expand across the globe, we are actively hiring workers from overseas, including foreign nationals, and equipping employees with skills needed to work in the global arena through various training programs, including long-term and short-term study abroad programs. These initiatives will all contribute to achieving higher levels of economic productivity. We are also focusing on reducing total working hours per year by reducing meetings, making them more efficient, and boosting communication through the use of a new IT system as part of our work reform initiatives. These initiatives will contribute to ensuring productive employment and decent jobs. |

OUR APPROACH

Approach

We are a company that values people, and that's why we value employee diversity as well as individual personalities with an aim to foster human resources* diversity. As our operations quickly expand across the globe, we are actively hiring workers from overseas, including foreign nationals, and equipping employees with skills needed to work in the global arena through various training programs, including long-term and short-term study abroad programs. We have built a work environment where all employees can reach their full potential regardless of gender by enhancing the child care leave program and shortened work hour program for employees with child care responsibilities, and implementing other measures to address Japan's declining working-age population due to the falling birth rate and the graying of society. We also provide female employees with career support by assigning them to career-track positions. We are also focusing on reducing total working hours per year by reducing meetings, making them more efficient, and boosting communication through the use of a new IT system as part of our work reform initiatives. We continue to create an engaging environment where people from diverse backgrounds can fulfill their potential while ensuring that all employees maintain a healthy work-life balance.

*Human resources is *jinzai* (人材) in Japanese, where "jin" means people and "zai" means resources. At the Toyal Group, we use the kanji character 財 instead of 材 because, while they both sound the same and mean "resources," the first one reflects our belief that people are a treasured asset.

OUR PERFORMANCE

Examples

Equipping Employees with Global Skills

Toyo Aluminium has sent a number of its employees on overseas assignments. As we focus on equipping employees with global skills group-wide, Toyo Aluminium Ekco Products Co., Ltd. (TEP) introduced a study abroad program in fiscal 2017. The program provides employees with an opportunity to study in Singapore, one of our major overseas markets. In fiscal 2017, two employees participated in this program that helps employees develop global skills as they learn the language spoken in this country that our business has forged close ties with while giving them a chance to encounter different cultures and customs. We will continue to make group-wide efforts to provide employees with opportunities to study abroad.



Jun Matsumoto (leftmost) who participated in TEP's first study abroad program

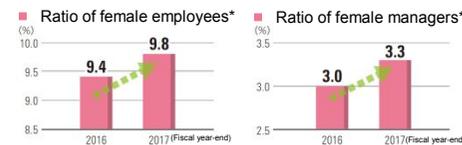
■ Number of Employees Who Participated in Study Abroad Programs and Employees Assigned to Work Abroad*

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 (planned) |
|---|---------|---------|---------|---------|-------------------|
| Number of employees who participated in study abroad programs | 4 | 2 | 3 | 3 | 5 |
| Number of employees assigned to work abroad | 20 | 13 | 13 | 17 | 17 |

*Data boundary is Toyo Aluminium K.K.

Empowering Women in the Workplace

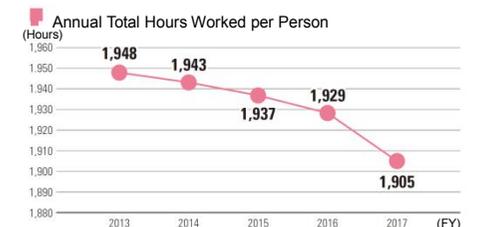
The Toyal Group views empowering women in the workplace as one of its top management issues. Toyo Aluminium placed emphasis on hiring women in its 2017 recruiting drive, and as a result assigned about 20% of new female employees who joined the company in April 2018 to career-track positions. Toyo Tokai Aluminium Hanbai K.K. introduced a job shift program in 2017 and, thanks to the program, appointed a female employee to a sales position for the first time ever in January 2018. While we have been working toward reaching the target set in fiscal 2016 of putting 3% of female employees on the career-track by March 31, 2019, the percentage was about one as of March 31, 2018. Although we are still only halfway towards meeting this target, we will work hard to nurture a culture that empowers women in the workplace and boost the percentage of women in career-track or managerial positions.



*Data boundary is Toyo Aluminium K.K.

Work Style Reform

We are implementing various measures to reduce working hours as part of our work style reform initiative. In fiscal 2017, we launched a cross-sectoral meeting reform project to review meeting structures and significantly reduced the number of meetings (by approximately 18%). We also provide employees with facilitation training to make meetings efficient. In addition to that, we introduced a chat tool to replace email. These initiatives led to cutting the annual total hours worked per person by about twenty-four. We also kicked off an initiative aimed at transforming our company into a more autonomous organization where managers delegate more responsibility and authority to their subordinates. We will continue to work toward creating a more autonomous workplace where all employees can feel engaged.



Material CSR Issue

4 Quality and safety

WHY?
Why is it important?

We are committed to making and providing products that are safe, satisfying to customers, and beneficial to society. Our workplace motto, “no safety, no production,” instilling a safety-first attitude in our employees sums up the foundation of our operations. Ensuring both product and workplace safety is job one for manufacturers who are responsible corporate citizens.

Contribution to SDGs

| | SDG targets the Toyal Group can contribute to | The Toyal Group's approach |
|---|---|---|
|  | 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment | We cannot provide customers with quality products unless we keep the working environment where they are made both clean and safe. We conduct internal audits and use the PDCA cycle to check if our management system is working and to monitor all risks. |
|  | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. | In order for final products to be used continuously and effectively, the materials that go into making them must be high quality. Ensuring quality leads to minimizing quality defects and reducing waste. We will provide products our customers can use effectively for a long time with an eye to cutting the waste we generate. |

OUR APPROACH

Approach

We have obtained ISO 9001 certification at 16 locations, including our affiliates across the globe, and completed a shift to the 2015 version at all of these locations.

In order to ensure safety, a safety and health office has been set up at each production site while Toyo Aluminium's CSR Promotion Office plays a central role in maintaining a safety management system. This allows for concerted efforts between the head office and production sites in implementing safety and health initiatives.

We also ensure that subcontractors who provide us with the processing services that support our daily operations fulfill their quality and safety responsibilities in order to prevent accidents and problems from occurring at production sites other than ours. We actively help them with monitoring quality control, conducting safety inspections for equipment we lend, and more while respecting their autonomy. While there have been reports about quality incidents that have shaken public confidence in corporations, we are committed to not only complying with social norms but also making continuous improvements to further enhance quality and safety with an aim of earning greater customer trust.

OUR PERFORMANCE

Examples

Using In-process Inspection Data for Repair Planning to Enhance Product Safety

Product contamination is one of the worst kind of incidents and one we definitely want to avoid as a maker of pharmaceutical packaging and food containers. Working to prevent mold-related incidents, which account for the bulk of incidents, Toyo Aluminium Ekko Products' Shiga plant analyzes in-process inspection data to identify molds that are used frequently and systematically conducts repairs. This initiative enabled the plant to completely eliminate aluminium contamination in fiscal 2017.

In fiscal 2018, we will shift the primary quality assurance responsibility from the head office's Quality Assurance Department to each production site to bring the initiative directly to the shop floor.



Mold repair operations

Expanding Occupational Health and Safety Management System

In order to prevent work-related accidents, each production site takes measures that are in line with the occupational health and safety management system. Toyo Aluminium's Gunma Works, Shonan Yabata Works, Chigasaki Works, and Yao Works that primarily produce aluminium foil laminates made a declaration of conformity in accordance with the ISO 17050 conformity assessment requirements in September 2017. We will continue to encourage these voluntary initiatives as we move forward.



Joint OHSMS internal audit guidance meeting held among four processing plants

Winner of the 2017 Special Award for Excellence in Occupational Safety

Toyo Aluminium's Yao Works, Shonan Yabata Works, Shinjo Works, and Shinjo Works (Gose) received the 2017 Special Award for Excellence in occupational safety from the Japan Aluminium Association in recognition of their tireless efforts to ensure workplace health and safety. The award is given to business locations that meet all its requirements, i.e. no lost time and non-lost time accidents, and reportable accidents (fires and explosions) as specified in Article 96 of the Ordinance on Industrial Safety and Health, as well as no lost time and non-lost time accidents at their subcontractors. In order to raise awareness about keeping its workplaces accident free, the Toyal Group also has an internal award program that recognizes business locations that have no accidents (lost time accidents) for 1,000 days.

Number of times the Special Award for Excellence was awarded

| Location | Number of wins |
|---------------------|----------------|
| Yao Works | 1 |
| Shinjo Works | 4 |
| Shonan Yabata Works | 2 |
| Shonan Works (Gose) | 5 |



Representatives of the locations that won the Japan Aluminium Association's occupational safety award

Material CSR Issue

5 Cooperation with stakeholders

WHY?
Why is it important?

We place importance on working with all stakeholders, including customers, local communities, governments, NPOs, and employees, to create innovations and maintain sustainable business operations while helping to build a sustainable society. We actively engage in stakeholder dialogues with an eye to enhancing our corporate value.



Contribution to SDGs

| | SDG targets the Toyal Group can contribute to | The Toyal Group's approach |
|--|---|---|
| | <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> | <p>As a manufacturer of aluminium products, we make every effort to communicate what we do as well as our technological expertise to stakeholders across the board. We will stimulate not only our business but the entire industry by educating the next generation and contribute to a more sustainable society by pursuing further technological development.</p> <p>Our factories conduct production activities with a close eye on ensuring the safety of neighboring communities. We are dedicated to enhancing the local communities we call home and always keeping the lines of communication with our neighbors open.</p> |
| | <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> | <p>Whenever a climate-related hazard or natural disaster occurs in any country, especially any of the countries or regions where we operate, we conduct disaster relief activities in cooperation with the affected communities. We are continually looking at ways to help strengthen local resilience and the ability to adapt in the wake of a disaster by discussing disaster response measures with local residents and more. We are also developing a business continuity management (BCM) system that will enable us to restore normal operations as soon as possible in the event of a disaster.</p> |

OUR APPROACH

Approach

Our production and employment activities affect local socioeconomic conditions. We are committed to making a positive impact on society by working with employees, our closest stakeholders, as well as local communities and NPOs in addition to providing quality products, with an eye to enhancing our corporate value.

Specific initiatives include providing support for local cultural projects, sponsoring environmental programs, cooperating in food drives organized by NPOs, and more. Working with a focus on educating the next generation, we added a kids educational site all about aluminium to our corporate website. In addition to these initiatives, we provide assistance to areas affected by natural disasters, and our employees volunteer to clean up areas near our business locations. We will continue to actively engage with the community as part of our commitment to contributing to a more sustainable society as well as enhancing our corporate value.

OUR PERFORMANCE

Examples

Environmental Education for the Next Generation at Our Production Site (Hino Works)

Our production sites have a significant impact on local communities, and we believe that contributing to the education of the next generation at our production sites has a positive effect on the sustainability of both the Toyal Group and the community.

The Hino Works co-sponsored phase 2 of a renovation project for the Lake Biwa Museum in Shiga Prefecture, where the plant operates. Focusing on the lake and how it relates to people's lives, the Lake Biwa Museum is a comprehensive museum that attracts many visitors. The museum conducts joint research on the environment with many universities and research institutions and also serves as an environmental learning facility, making it a popular field trip destination.



Photo taken with Toru Shinohara, Director General of the Lake Biwa Museum (right)

Disaster Relief Activities

[Hunan NingXiang JiWeiXin Metal Powder Co., Ltd. (China)]

Committed to actively contributing to society as a responsible corporate citizen, the Toyal Group is always ready to lend a hand whenever disaster strikes.

At Hunan NingXiang JiWeiXin Metal Powder Co., Ltd. in China's Hunan Province, workers and management pulled together to help those hit by the floods that swept through Ningxiang city's town of Qingshanqiao in 2017. Their donation of emergency food supplies to the city and help in disaster recovery work earned the company high praise from the municipal government and those they helped.



Working in the disaster area



Relief supplies (shovels and carts)



Relief supplies (rice and oil)

Launching an Educational Website about Aluminium

We believe that it is crucial to find different ways to get as many people as possible interested in aluminium. In fiscal 2017 we launched an educational website about aluminium* containing easy-to-understand explanations and illustrations with an eye to getting people of all ages interested in aluminium and helping them gain a better understanding about the metal.

The website has garnered a lot of attention since it hit the internet. We have received inquiries from parents and teachers of elementary school-age children, people with whom we never had direct contact before. We were also asked to be interviewed by a TV producer and the editor of a newsletter for union employees of a major company.

*Visit Toyo Aluminium's corporate website to explore its educational site on aluminium.
<http://www.toyal.co.jp/jiyukenkyu/index.html>



Corporate Governance

In 2016 the Toyal Group distributed the third version of its Management Principles Handbook to all employees so they can keep it handy. It enables them to better understand the group's Management Principles and Courses of Action as well as action guidelines for themselves.

The handbook also contains information about the group's basic CSR policy, CSR charter, etc. that will serve as the foundation for our CSR management system.

In fiscal 2018 we continue to focus on enhancing corporate governance across all Toyo Aluminium departments and affiliates as we did last year.

Internal control system

At the Toyal Group, we have a process for ensuring that financial reporting adheres to the Financial Instruments and Exchange Act. We also have a clear legal and regulatory compliance policy to ensure risk management pursuant to the Companies Act and as well as compliance with the Antimonopoly Act, and other relevant laws. We are continually working to enhance the group's internal control system via ongoing audits, reviews and improvements.

Risk management

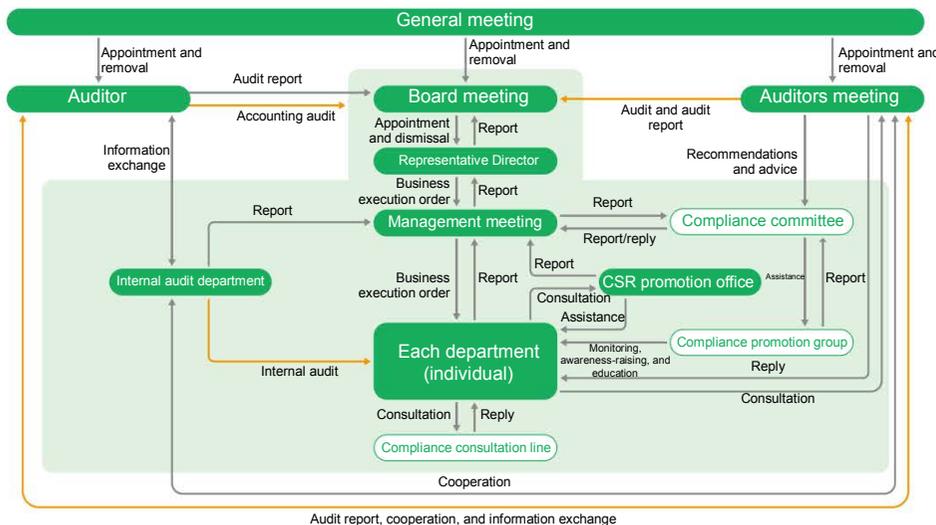
The Toyal Group has its own risk management rules that specify basic risk management requirements for the group. These rules enable us to properly manage various risks in our business operations and take necessary steps consistent with our business strategies as we aim to continuously enhance our corporate value. The Toyal Group has identified nine risks that require group-wide integrated management in addition to individual initiatives at its affiliates. These risks are labeled as Critical Risks (see the list shown on the right) and managed respectively by responsible departments.

Working under the leadership of the president of Toyo Aluminium K.K., its directors and presidents of its affiliates serve as risk management officers responsible for providing guidance and supervision on risk management for the departments and companies they are in charge of. The Internal Audit Department conducts comprehensive audits of Critical Risks semiannually and reports on its audit findings at management meetings. The members of the group's management meeting provide necessary recommendations to risk management officers and advise them to look into corrective measures to be taken in areas where proper risk management is deemed to be lacking.

Critical Risks

- | | |
|-------------------------------------|--|
| (1) Defective products or services | (6) Leak of confidential company or personal information |
| (2) Environmental problems | (7) Failure to make timely disclosure |
| (3) Natural disasters and accidents | (8) Security export control |
| (4) Safety and health issues | (9) Overseas risk management |
| (5) Defective information systems | |

Corporate governance system



Yoshikatsu Isaki, Package Sales Department, Toyo Aluminium Ekco Products Co., Ltd.



I work as a sales rep for commercial food packaging products. Our products are made from recyclable materials such as aluminium and paper. We also focus on marketing products made from FSC-certified paper that has been certified by the Forest Stewardship Council (FSC) to have been sourced in an environmentally friendly manner.

I look forward to continue working on promoting the sales of environmentally friendly products.



Masakazu Uematsu, Advanced Technology Division



I will try to enhance collaboration among the Intellectual Property Department (where I work), business units, and R&D departments to increase the value of existing businesses and cultivate new business opportunities with an eye to innovation for the future. More specifically, I will create and maximize value by utilizing intellectual properties while making an ongoing effort to develop our R&D capability in order to help create a brighter future.



Tatsuaki Otsuka, Management Planning Department



The Management Planning Department will work on developing an administrative system for group companies in Japan and overseas to help streamline their back-office operations and enhance governance as part of our effort to promote the "G" in ESG (environmental, social, and governance), which is so crucial to the sustainability of global companies.



Haruka Ishii, Electronic Materials Sales Department, Toyo Tokai Aluminium Hanbai K.K.



I switched to a career-track position in January 2018 after working in a clerical job for three and a half years. Being the company's first female sales representative, I had some concerns and found myself faced with a dilemma at first, but I feel more confident now with the help of everyone working with me. I hope to find a firm footing on the job so I can serve as a good role model for other women who want to follow in my footsteps.



Mitsunori Sawai, Personnel Affairs Department



Promoting diversity in the workplace is one of the main challenges for the Personnel Affairs Department. I will do my part to develop flexible systems while nurturing a culture and workplace that embrace diversity so all employees can reach their full potential regardless of nationality or gender.



Keiichi Watanabe, Engineering Center



I'm responsible for aluminium foil manufacturing equipment. We use a huge amount of energy and generate carbon dioxide through our production activities. I will look into the use of renewable energy and work with production departments to create innovations in manufacturing practices and processes that will lead to a substantial reduction in energy consumption.



Yuichi Asano, Powder & Paste Headquarters



At the Powder & Paste Headquarters, we will leverage our high performance products, such as our colored aluminium paste with excellent silicate treatment that can be used for water-based coatings as well as aluminium nitride with high thermal conductivity, to reduce VOCs and solve energy problems. As a member of the Business Strategy Office, I will propose forming partnerships that will aid in achieving the SDGs, establishing a new technological foundation, and more.



Yutaka Ochi, Photovoltaic Headquarters



The Photovoltaic Headquarters develops, manufactures, and sells solar power-related parts and materials. It's a business unit that is directly related to energy and the environment. I'm driven by the fact that what we do in our business unit is helping to build a brighter future and will continue to move forward with the aim of putting renewable energy in more people's lives.

What We Can Do for a Better Future



Masao Seki, Professor, School of Business Administration Meiji University
Senior Adviser on CSR SOMPO JAPAN NIPPONKOA INSURANCE INC.

Overall, this year's report, like last year's, underscores the capable leadership of top management but comes with the added bonus of a focus on the contributions of individual employees. I can see that the Toyo Group is making a group-wide effort to integrate the SDGs into its business operations by making them the common language. The company seems more future-oriented than last year, indicating that it is putting the right foot forward as it moves ahead.

Points to be appreciated

- The president clearly indicated a firm intention to integrate the SDGs into the company's business strategies. He noted in "Message from the President" that he would use the SDGs in developing a vision statement for the 100th anniversary (2031) and incorporate them into the medium-term management plan.
- There were a number of employee workshops on developing a sustainability vision statement for the 100th anniversary, and I can feel a sense of excitement among employees who have been inspired to, not only think about, but forge the future of their company for themselves.
- The company is looking at new ways to find direct links with the SDGs, not just in terms of the broader 17 goals but with the more specific 169 targets. This is an effective and appropriate use of the SDGs.
- The company is leveraging its strengths (e.g. molded pulp containers) to help solve the plastic pollution problem that has raised red flags across the globe.

Recommendations for improvement

- The company should set medium- to long-term targets and make them public in addition to the annual targets it has set in light of past results.

These should be targets the company aims to achieve over the medium to long run, such as CO2 reduction and female manager ratio targets. This is exactly the outside-in approach, which is mentioned in the report, and is crucial to making innovations.

- The report lacks any descriptions of supply chains. Supply chain management relates to all of the five material CSR issues (materiality) and is an area that is of great interest to stakeholders. Next year's report should address supply chain management.
- While the company is working mainly on the environmental issues addressed in the SDGs, it should look into ways it can leverage its products to contribute to other aspects of the SDGs, such as building an inclusive society where no one is left behind. This should lead to innovation.
- I give high marks to the section entitled "What We Can Do for a Better Future" because it features input from individual employees and shows who they are, but it should include more women. The same consideration should be taken in selecting employees to participate in the workshops for developing a vision statement.

Afterword

I want the company to step up efforts on "innovation for the future," which is listed at the top of the material CSR issues. Fulfilling the company's potential as a material manufacturer will help boost its corporate value over the medium to long run. Since making its first step toward integrating the SDGs into its business strategies, the company has been on the right track. I'm looking forward to a positive outcome.



In reply to the independent adviser's opinion

Masahiro Yoshida, Managing Executive Officer in Charge of the CSR Promoting Dept.

I would like to express my sincere gratitude to Professor Seki for his valuable feedback on our activities again this year. At the beginning he wrote, "the company seems more future-oriented than last year, indicating that it is putting the right foot forward as it moves ahead." His supportive comment encourages us to take further steps forward. Still we are only at the beginning and have many challenges ahead of us, such as using the outside-in approach, as he pointed out. We will continue to work on solving the problems facing society with a focus on innovation for the future, one of our material CSR issues, as we work to realize our vision of "TOYAL 2031 - Toward Our 100th Anniversary."

Business Overview

● **Trade name**

Toyo Aluminium K.K.

● **President**

Hiroshi Yamamoto

● **Head Office**

6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, 541-0056 Japan

● **Establishment**

May 12, 1999 (the former Toyo Aluminium was established on April 7, 1931)

● **Paid-in capital**

8,000,000,000 yen

● **Number of employees (as of March 31, 2018)**

2,542 (Consolidated), 1,450 (Nonconsolidated)

● **Shareholder**

Nippon Light Metal Holdings Co., Ltd., 100%

● **Major business fields**

▶ **Foil**

We develop and supply original aluminium foil products using our unique technologies and know-how. We also offer high-function and high-performance materials leveraging our lightweight and high-performance aluminium foil as next-generation product solutions.



▶ **Powder and paste**

We develop aluminium paste products with a focus on enhancing aesthetic values as well as functionality. We have contributed to growth and development in the fields of chemicals, electronic materials, automobiles, and aerospace via our aluminium powder and its applied technologies.



▶ **Solar cell related products**

We have developed a division specializing in environmental-friendly products, such as solar cells, as well as other related growth areas. The division is paying particular attention to overseas solar power generation businesses, especially in China, and offers products employing its unique technology.



▶ **Household products**

We manufacture and sell household products, aluminium foil food containers, and paper packaging by leveraging our production and materials expertise along with our marketing capability that gives people exactly what they need in their daily lives.



Global Network





Toyo Aluminium K.K.

<http://www.toyal.co.jp/>

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