

## Dialogue with CEO and External Experts

# “Shape Together” For a Sustainable Society

In this day and age where the term “sustainability management” is spread, the Toyal Group is striving to transform into an organization and Group that are in tune with the era of the SDGs. We held a dialogue with CEO Masao Imasu, and Atsuko Fukushima, a journalist who also serves as an outside director at several companies, to discuss the future “ideal vision” of the Toyal Group to survive in this age of uncertainty. (Held in July 2021)

## Sustainability Management Promoted by the Toyal Group

**Tanaka (Facilitator):** As part of the MX project that began in fiscal 2020, you reformed your management principles and formulated your Mission, Vision, and Value. What kind of sustainability management is the Toyal Group aiming for?



**Imasu:** We need to respond not only to the needs of our customers but also to the needs of society. No matter how good products we make, if they don't achieve the role we should play as a company, they can't be evaluated correctly. And after as many as 90 years, corporate systems no longer meet social needs. Therefore, we decided to change the organization first to transform our management from discipline type into autonomous type. We established the outline in the first year, so I think this year is the time to put our soul into it and make it something our employees can empathize with.

**Fukushima:** I think that it is of great significance that you revised your management principles at this timing. It is because I feel the COVID-19 pandemic has greatly increased the importance of principles. It is important that each and every employee who works in the field is always in empathy and agreement with the Mission, Vision, and Value of the management principles as their own issues. In the event of an unexpected crisis like the COVID-19 pandemic this time, an organization waiting for instructions from the top cannot respond flexibly or quickly.

Management principles are the starting point for employees to act independently. So I believe they are the foundation to establish the autonomous organization that CEO Imasu is aiming for.

**Tanaka:** To the slogan of your group, you added the word “together.” What was your enthusiasm put into the word “together”?

**Imasu:** It is no longer an era where employees who can do what they are told to do are considered excellent. In order to improve a company, each and every employee must demonstrate their abilities. In that sense, we thought we would need EQ\*<sup>1</sup> and SQ\*<sup>2</sup>, or sensitivity. We also need to move forward with delegation to transform into an organization where teams can make decisions. We are committed to “aim for collective genius,” and we need to be an organization where employees do not wait for decisions of superiors but make decisions and judgments on their own to win business, and superiors do not make decisions but support them. We will make that change, and then further consider the SDGs to accelerate our efforts on environmental and social issues.

\*1 EQ: Abbreviation for Emotional Intelligence Quotient, which indicates the ability to understand, recognize, and effectively manage the emotions of yourself and others.

\*2 SQ: Abbreviation for Sensitivity Intelligence Quotient, which indicates intuition, inspiration, and sensitivity to external stimulus.



**[Profile]**  
She graduated from the College of Liberal Arts, Tsuda University. After working for Chubu-Nippon Broadcasting Co., Ltd., she became independent in 1988. She is a newscaster for news programs of NHK, TBS, etc., and has interviewed more than 700 business leaders for magazines such as the Nikkei and economic magazines, and serialized interviews in economic programs of TV Tokyo and weekly magazines. She is also active in lectures and forums on themes such as economy and management, environment, communication, diversity, agriculture and food, etc., and also serves as an outside director and management advisor for listed companies. In addition, she is involved in public positions such as a member of the Forestry Policy Council of the MAFF, and the council of advisers of the MEXT, as well as university management and non-profit organization activities.



## Current Challenges for the Toyal Group

**Tanaka:** The Toyal Group is striving to change into a Group more needed by the society by transforming into a business model that resolves social issues. What should they do to that end?

**Fukushima:** I believe that balancing social value and economic value is the foundation of sustainable management, and I think the Toyal Group has a very clear path to utilize the potential of aluminium to solve various challenges of the society.

**Imasu:** I think we should make a commitment being aware that only thinking about profits is not the way it should be.

**Fukushima:** I think that what is required of future leaders is to successfully establish a mechanism and strategy to balance the resolution of social challenges, corporate profits, and economic value. It's a difficult task, but I believe it's the management solution most required for companies today.

**Tanaka:** The Toyal Group has expanded this reform to its personnel and evaluation systems. I don't think there are many cases where a company carries out a reform to that extent. What do you think about this point?

**Fukushima:** I think the CEO has a strong sense of crisis to that degree. You can't change your corporate culture unless you change the way your organization works in various ways. I believe the top must have an unwavering belief and strong leadership to achieve that.

**Imasu:** As you say, I think it is the enthusiasm of the top and executives. We need to instill that enthusiasm more to make the entire Group passionate, so we would like to deepen our communication even more. This year, we are trying to deepen mutual understanding and empathy within the Group and encourage our employees to think “Okay, let's challenge it.” Priority is given to discipline in some workplaces such as manufacturing sites. However, I want all the staff in any environment to think autonomously too. The only way to achieve this is for leaders to enthusiastically communicate and have them empathize.

## Expectations for the Toyal Group in the Future

**Tanaka:** Requested by the society, carbon neutrality has become a really urgent issue. It is also time to drive initiatives for human rights, diversity and carbon footprint. What do you expect of the Toyal Group in these areas?

**Fukushima:** Over the past few years, there has been a significant change in investors' awareness and action regarding ESG. This is because investors have a strong sense of crisis that their profits will be lost too if management does not pay due consideration to ESG emphasizing sustainability. There was a time when environmental issues and human rights issues were considered fields to which companies should make a social contribution. But that's not the case anymore. What is required is to build a mechanism and strategy to balance the resolution of social challenges, profits as a company, and economic value, while forming a good relationship with all stakeholders. I think that the sustainable growth of a company lies ahead of its realization.

**Imasu:** I agree with you. We have to put ESG at the center of management, make profits as a company, and also contribute to society. For that, it is also necessary to determine in which direction we should expand our technological capabilities.

**Fukushima:** The Toyal Group has pretty specific social challenges that it wants to solve, and has the materials and technological capabilities that can realize it. I think they have a bright prospect since they clearly see the design to balance social value and economic value.

**Imasu:** We will need a lot of time and technology development for some challenges we want to solve. But if we are not prepared to move in that challenging direction, ESG will not come to the forefront of management.

**Fukushima:** For that reason as well, I agree with the idea that “employees are the most important,” which the CEO often suggests. This is a very serious problem, but employees of Japanese companies have remarkably low engagement with their companies. Corporate value can be created only when employees work energetically with high aspiration and motivation. To this end, I think that having your employees empathize with your principles and enhancing their engagement will lead to the formation of the autonomous organization the Toyal Group is aiming for. I believe that an organization that enables diverse human capital to play an active role autonomously using the principles as a unifying force can create new value and innovation, all the more for the age of uncertainty.

**Imasu:** Toward that end, I believe it is really important to talk about our dreams. I suppose that if we make each company a place where our employees can feel happy, their engagement with the company will naturally increase. Based on the new management principles, we will bring passion to increase opportunities for our employees to feel happy.





**Feature:** Challenge to a Carbon-Free Society

## Internal Dialogue

# Toyal Group's Environmental Strategy to Establish a Carbon-Free Society

Following the Japanese government's declaration to achieve zero CO<sub>2</sub> emissions by 2050, efforts toward the realization of a carbon-free society are being accelerated in the industry too. In this social situation, we are aiming to reduce our CO<sub>2</sub> emissions by 30% compared to fiscal 2013 by 2031, which is the year of the 100th anniversary of the Toyal Group's foundation. What is the current situation regarding this goal? About the efforts to reduce CO<sub>2</sub> emissions and realize a carbon-free society, a dialogue was held with Senior Managing Executive Officer Kusui, Executive Officer Rochard, and Executive Officer Tsujino.

(Held in July 2021)



## Environmental Measures of the Toyal Group Including External Environment

**Yamabuki (Facilitator):** Regarding environmental measures, what are your thoughts on the situation surrounding the Toyal Group?

**Kusui:** The Powder & Paste Headquarters, whose business development is especially global, is requested to submit its carbon footprint by our customers in Europe. There are two types of carbon, and we need to reduce both CO<sub>2</sub> emissions and VOC (volatile organic compound) emissions.

**Rochard:** Germany is leading the world in decarbonization and is taking a hard look at CO<sub>2</sub> emissions of companies. Our German competitors are already on their way to "zero CO<sub>2</sub> emissions by 2025." If we don't start now, we could lose business opportunities with customers who are looking to reduce their carbon footprint through the supply chain.

**Tsujino:** Since the customers of the Foil Headquarters are mainly in Japan, we haven't got many of the requests the Powder & Paste Headquarters is receiving. In that sense, the awareness of decarbonization has not grown much. However, I realize that abnormal weather due to climate change has increased over the past 10 years. I think it's time for us to start actively taking measures for the environment.

## Current Situation of CO<sub>2</sub> Emissions in the Toyal Group

**Yamabuki:** What is your big picture of CO<sub>2</sub> emissions within the Toyal Group? Also, what measures are you taking to reduce CO<sub>2</sub> emissions?

**Kusui:** When we started working on the SDGs, we changed our way of thinking to determine that we need to make efforts to reduce CO<sub>2</sub> emissions. We are now conscious of the CO<sub>2</sub> emissions throughout our entire supply chain. We are investigating the CO<sub>2</sub> emissions throughout the entire supply chain as required by our suppliers. Production with recycled aluminium does not generate much CO<sub>2</sub>, but producing new ingots consumes so much energy that they are even called "canned electricity." It is necessary to investigate how much CO<sub>2</sub> is generated in that process first.

**Rochard:** Our Group produces various kinds of products, and we are now quantifying how much CO<sub>2</sub> is emitted to produce them. But this is surprisingly a difficult task. We produce what we deliver to our customers around the world. For example, some products are made in Japan, some in France, and some in China. Therefore, we need a system that uses common standards.



## Future Environmental Strategy Reflecting on the Current Long-Term Target

(30% reduction compared to fiscal 2013 by 2031)

**Yamabuki:** What strategy do you think is needed to achieve both the target as the Toyal Group and the reduction of CO<sub>2</sub> emissions required by the market?

**Kusui:** The challenge is to accurately understand the CO<sub>2</sub> emissions in the supply chain. We are working to quantify the emissions, and I think the first step is to investigate how much CO<sub>2</sub> is emitted in each area and disseminate the information.

**Rochard:** The next step would be to select raw materials with low CO<sub>2</sub> emissions. Producing aluminium ingots emits the most CO<sub>2</sub> in manufacturing our products. Up until now we have selected materials based on their prices and quality, but in the future, it will become an important standard to select suppliers of ingots with less CO<sub>2</sub> emissions. It will also be a key point to draw up a long-term environmental investment plan and install new facilities that reduce energy consumption in the manufacturing process.



**Tsujino:** For example, aluminium foil rolling facilities are expensive, so it is difficult to replace them with other facilities with lower environmental impact. I think it is necessary to have an environmental investment plan from a long-term perspective in order to drastically reduce environmental impact and CO<sub>2</sub> emissions.

**Kusui:** I think that it is necessary to talk about reducing CO<sub>2</sub> emissions on a regular basis and incorporate it into the targets. I think we must think about what we can start with, make it a policy of the headquarters, and make everyone aware of it in business reports.

## Tasks and Challenges in Promoting Decarbonization

**Yamabuki:** What would be the best way for the Toyal Group to deal with climate change?



From the left, Unit Leader Tatsumi (interpreter), Executive Officer Rochard, Senior Managing Executive Officer Kusui, Executive Officer Tsujino, and Mr. Yamabuki.

There are various hurdles, but what efforts do you think you should make to clear them and achieve the targets?

**Kusui:** On the positive side, we are developing products that contribute to reducing CO<sub>2</sub> emissions. This includes the application of the aluminium alloy powder for 3D printing to automobile parts.

**Rochard:** Most of the CO<sub>2</sub> emissions come from purchased raw materials and energy, so we need to focus on the supply chain.

**Tsujino:** In the foil business, the production of the components for lithium-ion batteries is growing, but in order to increase production and reduce environmental impact, we will seriously consider measures to reduce environmental impact when new facilities are introduced.

**Rochard:** We will expand the use of carbon credits such as afforestation projects for a good balance.

**Tsujino:** Each of our business sites around the world has their own activities to reduce CO<sub>2</sub> emissions. Europe in particular is an area where sustainability initiatives are highly advanced, so I think it will be necessary in the future to actively diffuse their advanced initiatives to each manufacturing site and business site.

**Rochard:** I think the global development of Japanese companies will be threatened unless they address environmental issues promptly. The Powder & Paste Headquarters established a Global Sustainability Team, and we are taking actions to collect data and reduce CO<sub>2</sub> emissions. Moving forward, we must tackle environmental issues on a global scale as the Toyal Group.

