



**Miyuki Ishihara**  
Representative Director  
& President

**Aiming higher as we continue  
to make surefooted progress**

## Showing the way forward with a clear view of our operating environment

In 2018, the fifth anniversary of UACJ's establishment through a merger, the Company launched a new three-year mid-term management plan with a view to step up and accelerate its growth strategies as a global aluminum manufacturer. That makes 2018 an especially important year, so I deeply felt the weight of my responsibilities when I was appointed as representative director and president in June. At the same time, I am extremely excited and motivated to take the UACJ Group to the next level by beating out the competition and attaining growth over the medium to long terms.

One of my hobbies is mountain climbing, and I think it has many things in common with corporate management. In both cases, a plan for achieving targets must be created, and careful preparations must be made to execute it. Moreover, no matter how meticulously the plan is carried out, things practically never go quite as expected.

I started mountain climbing after I joined my first company, as my supervisor at that time invited me to go climbing in the Japanese Alps. When we went there, however, the weather grew stormy and we had to deal with violent wind and rain while on a mountain. Fortunately, my supervisor, who led our climbing group, decided on a route that passed by a mountain hut just in case we needed to take shelter. We changed our plan on the spot and decided to stay overnight in the hut, allowing us to weather the storm. That experience made me appreciate how properly preparing countermeasures for extraordinary situations and calmly making the best decisions during a crisis are essential roles of a leader.

Just like the weather on a mountain, external factors surrounding the aluminum industry can change dramatically. Since UACJ was established five years ago, we have experienced rapid growth in emerging markets in Asia and rising demand for aluminum automotive body sheet in North America. In response, UACJ continued to proactively invest in the Group's operations in Thailand and the United States. Market growth was greater than originally anticipated, however, so we implemented a third phase of investment in UACJ (Thailand) Co., Ltd., and expanded production capacity of automotive body sheet at Tri-Arrows Aluminum Inc. in the U.S. under our previous

mid-term management plan. Unfortunately, costs associated with starting up the new operations piled up while energy costs soared. Consequently, we did not achieve our earnings targets by the final year of the plan in fiscal 2017. I am convinced that management made no mistakes in pursuing those proactive growth strategies and prior investments under the plan, but we had to assess some issues that arose when executing those measures.

In our new mid-term management plan launched in April 2018, we have laid out a roadmap for UACJ over the next five to ten years in order to realize our vision for the future. The plan includes essential measures for making progress over the first three years of that vision from fiscal 2018 to 2020. Naturally, the industry and market may change in ways we could not anticipate at the time of formulating the plan during its three-year period or over the course of the next five to ten years. Regardless of the situation, however, as the leader of the UACJ Group, I will calmly analyze the circumstances and choose a route that leads toward our goals so that all of our members can move forward confidently. By bringing together their collective expertise and skills, we can make surefooted progress toward reaching the targets of our mid-term management plan and realizing our vision for the future.

## Technology's value starts with its usefulness for people

"Maximize the possibilities of aluminum in ways that contribute to society and the environment" is the vision for the future we created when formulating the new mid-term management plan. While not a particularly new idea, this vision reaffirms the fundamental value of the business activities that the UACJ Group has engaged in for many years as an aluminum manufacturer, and sets an aspiration that will not change in the years to come.

Aluminum has a comparatively short history compared to other metals, but due to its many outstanding properties, it has become an essential material for many products in society today, ranging from automobiles, aircraft, and ships to food and pharmaceutical packaging materials, IT-related devices and equipment, and building materials. Furthermore, aluminum is recognized as a material that can help reduce environmental burden, as aluminum beverage cans are easy to recycle and cars can

## Message from the President

Aiming higher as we continue to make surefooted progress

be made more lightweight with aluminum components, improving their mileage.

Our goal at UACJ is not only to supply aluminum as a material for such products, but also offer solutions that benefit society and the environment by leveraging our own R&D capabilities and manufacturing technologies.

Over my long career, I started out by designing and developing manufacturing equipment at a factory, and went on to be a factory manager. Through that experience of working on the shop floor, I came to deeply appreciate the basic fact that the value of technology starts with its usefulness for people. No matter how great a technology is, if its creator fails to fully consider the user and accurately understand the user's needs, the technology will not become a valuable product for the user. For that reason alone, as technological innovation proceeds at an ever faster pace, it will become increasingly important for companies to develop new technologies and products together with users as co-developers.

In the future, UACJ will strive to more actively take on this co-developer role and provide solutions that help

increase value for customers in a wide range of industries. I want us to be an indispensable group of companies for our customers and people in general.

### Aiming to steadily generate returns on past investments and boost capital efficiency

As I mentioned earlier, the new mid-term management plan we launched in April 2018 specifies the future direction for the UACJ Group. We have set financial targets for fiscal 2022 and, as a waypoint in the five years until then, in fiscal 2020. To accomplish those targets, the Group is moving ahead with four major policies that we consider vital to implement between fiscal 2018 and 2020.

The first of those policies is to continue focusing on the growing automotive industry and growth markets in Asia and North America. In the growing Asian market, for example, we are working to boost productivity at UACJ (Thailand) and make this company profitable by fiscal 2019. It has already succeeded in boosting production output to over 10,000 tons per month, and operations can

### Financial results achieved during the previous mid-term management plan

|                     |                                      | Fiscal 2016 results      | Fiscal 2017 results | Original targets for fiscal 2017 |
|---------------------|--------------------------------------|--------------------------|---------------------|----------------------------------|
| Earnings            | Net sales (billions of yen)          | 568.3                    | 624.3               | 700.0                            |
|                     | Ordinary income (billions of yen)    | 19.8                     | 19.4                | 35.0                             |
|                     | Adjusted EBITDA (billions of yen)    | 56.8                     | 50.7                | 67.0                             |
|                     | ROE (%)                              | 5.0                      | 6.5                 | 10.0                             |
| Financial stability | Debt-to-equity ratio (times)         | 1.49                     | 1.50                | 1.33                             |
| Investment          | Capital investment (billions of yen) | 113.3 (From FY2015-2017) |                     | 90.0                             |

now be handled by its local staff of Thai engineers. Looking ahead, we will step up efforts to transfer skills and know-how to the local employees so they can handle all of the work involved in installing and maintaining new production lines. In the United States, we are working to boost productivity at Tri-Arrows Aluminum so it can meet strong demand for flat-rolled aluminum for can stock and automotive body sheet in the North American market. Automotive body sheet is also supplied to that market by Constellium-UACJ ABS LLC, our joint venture with Constellium N.V. Following a task force carried out with that joint venture partner, we are now working to improve productivity specifically in terms of yields and operating ratios in an effort to tap strong demand and ensure a stable supply.

We are concentrating investment in the automotive body sheet and components business across the Group amid projections of rising demand worldwide in this growing industry. Investment will be used to bolster our supply capacity of such automotive products in each of the Group's businesses, namely the flat-rolled aluminum,

extrusion, foil, casting and forging, copper tubing, and precision-machined components businesses. Moreover, we are aggressively developing new products by having all of these businesses work together and by promoting collaboration between R&D departments. In April 2018, we established the Company's first research and development facility outside Japan with a view to more precisely



## UACJ's Future Direction

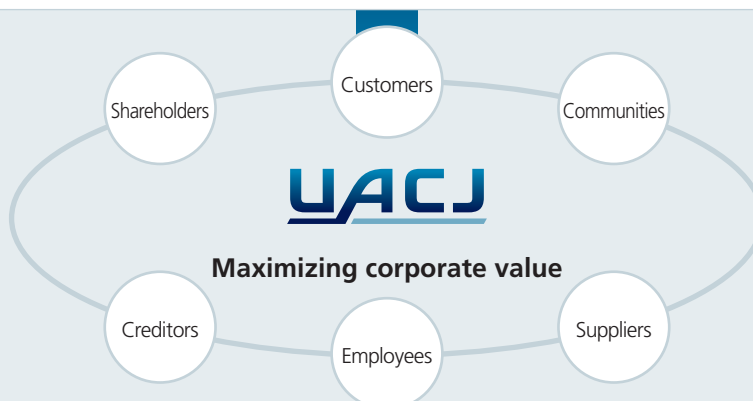
**Maximize the possibilities of aluminum in ways that contribute to society and the environment**

### Through UACJ's products and services

Helping reduce vehicle weight with stronger and lighter materials

Helping facilitate aluminum can recycling by making recycling easier

Helping promote electric vehicles with highly electrically conductive materials





## Message from the President

Aiming higher as we continue  
to make surefooted progress

understand what automakers and auto parts manufacturers need and to work with them as a co-developer.

Our second major policy is to steadily generate returns on the investments the Company has proactively made since its establishment. This is a central pillar to our new mid-term management plan. Most of the capital investment and financing that has already been decided on and arranged will be completed in fiscal 2019, and we will very carefully pursue new strategic investment and financing going forward. We expect the returns on investments to start pouring in from fiscal 2019 and 2020, and then substantially drive up profits between fiscal 2021 and 2022.

Our third policy is to increase capital efficiency by giving priority to the return on invested capital (ROIC) in our operational management. We break down ROIC according to the operating income margin and invested



capital turnover, and aim to increase capital efficiency by improving the sales mix and cutting costs, thereby increasing the operating income margin, while controlling the turnover of inventory assets and other factors that indicate invested capital turnover. Priority will be given to ROIC throughout the entire UACJ Group, with each company and business division assessed while taking into account their medium- to long-term growth potential, strategic position, business characteristics. At the same time, we will strategically target and focus on key businesses while strictly managing the Group's business portfolio. By implementing all of these measures, we expect to secure positive free cash flow by fiscal 2020 and ROIC of at least 8% by fiscal 2022.

Finally, our fourth major policy is to promote shared principles of conduct throughout the entire Group as the UACJ Way. Since UACJ was established in 2013, many new members have joined the Group as it acquired companies and established joint ventures worldwide. Therefore, to keep the Group as a whole moving in the same direction, we created the UACJ Way as a set of principles of conduct for all employees to follow and value. While respecting the workplace environments of each of the Group's companies and the cultures of their respective countries, we want to foster a strong collective identity as a group by sharing UACJ's basic principles of conduct and corporate philosophy underlying all of the UACJ Group's business activities.

With these four major policies, we have set the following targets for fiscal 2020: ordinary income of 30.0 billion yen, ROIC of 6.4%, return on equity (ROE) of 8.0%, and a debt-to-equity ratio of 1.5 times. Our new mid-term management plan is a vital means for UACJ to reach its

### Major policies of the mid-term management plan from fiscal 2018 to 2020

1. Continue focusing on the growing automotive industry and growth markets in Asia and North America
2. Steadily generate returns on past investments
3. Increase capital efficiency with an emphasis on ROIC
4. Promote shared principles of conduct as the UACJ Way

next stage of growth from fiscal 2020 and onward. Over the next three years, we will strive to attain the plan's targets by ensuring steady progress of its priority measures and promptly responding to market shifts whenever necessary.

### **Creating an enduring, sustainable and self-driven organization**

In addition to the four major policies of the management plan, we understand the necessity of making UACJ an organization that can thrive for decades into the future. Established just five years ago, UACJ is a relatively new company, so putting systems into place for driving sustainable business growth is no small challenge.

We have already begun carrying out various measures for this purpose, including workplace reforms. In 2018, we initiated a workplace reform project covering the Company's sales, administration, R&D, and manufacturing-related divisions in an effort to improve productivity. In manufacturing divisions, we will examine new work-hour arrangements and hire more personnel in order to realize a better work-life balance for employees. Furthermore, recognizing that the "fourth industrial revolution" is now underway, we will work to raise operational efficiency by proactively adopting leading-edge technologies like the internet of things (IoT), artificial intelligence (AI), and robotic process automation at factories and in various other operations.

While pursuing efficiency and productivity in these ways, however, we must never neglect to ensure the quality of our products. Indeed, for the UACJ Group to maintain and improve its competitiveness in the global market, it is essential that all of its companies and workplaces ensure a consistently high level of quality. That not only requires adopting the latest equipment and systems, but also having every employee in each workplace improve the quality of their workmanship to a level everyone can depend on.

With a view to further enhance our human resources and organizations, we are focusing on developing the capabilities of all employees. Activities for promoting and sharing the UACJ Way, a major policy of the mid-term management plan, are a means of training and raising awareness among employees. Of the most importance,

### **Five key initiatives**

- 1. Implement workplace reforms**
- 2. Maintain product quality control capabilities**
- 3. Raise operational efficiency**
- 4. Promote and share the UACJ Way among employees group-wide**
- 5. Improve the transfer of knowledge and skills among employees**

however, is facilitating the transfer of skills from experienced personnel to younger workers at production plants. In preparation for the mass retirement of baby-boom generation workers, we set up training programs for transferring such skills at some plants starting in the mid-2000s. The programs were extended to numerous plants later on, and now all kinds of technical skills, information and know-how about manufacturing technologies and product engineering are being passed down to younger workers. We intend to transfer skills to workers at factories outside Japan as our international operations expand, and while looking to incorporate new technologies and AI, we will push forward with plans for even more comprehensive skills development and human resources training programs in the future.

As president, one of my most important missions is to transform the UACJ Group into an enduring, sustainable and self-driven organization through these wide-ranging initiatives. I am confident that we can accomplish the targets of the mid-term management plan and realize our vision for the future by having all employees of the Group channel their expertise and skills in the same direction, and enhance our collective abilities to execute strategies and take action as a single organization. I hope the Group's stakeholders will continue following our progress as we aim higher than ever before.