

# Mid-term Management Plan

Generating Returns on Past Investments and  
Increasing Capital Efficiency

Fiscal 2018 to 2020

**May 9, 2018**

**UACJ Corporation**



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Today I would like to tell you about our new mid-term management plan, which spans from fiscal 2018 to 2020. Although this plan extends up to fiscal 2020, we believe that investments made over the past several years will fully contribute to improving profits and financial soundness by around 2022. The three years of the new plan are based on this premise.

## 1. Looking Back on the Previous Mid-term Management Plan

## 2. UACJ's Future Direction

## 3. Major Policies of the New Mid-term Management Plan

## 4. Mid-term Management Plan Targets and Shareholder Returns Policy

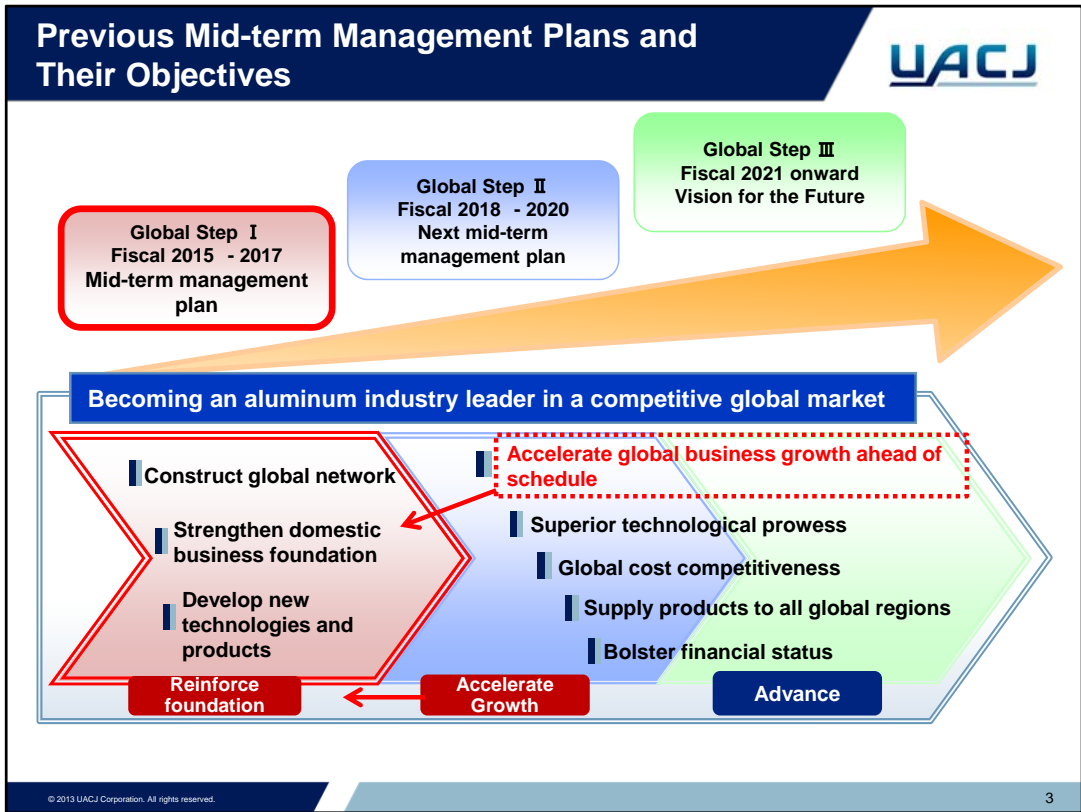
## 5. Environmental, Social and Governance Initiatives

I will cover five topics today. Firstly, I will provide an overview of our previous mid-term management plan. Secondly, I want to tell you about how we envision UACJ's future direction. Thirdly, I will explain the major policies of the new mid-term management plan. After that, I will talk about the plan's targets and our shareholder returns policy. Finally, I will tell you a little about the Company's recent environmental, social, and governance initiatives.

## **1. Looking Back on the Previous Mid-term Management Plan Fiscal 2015 to 2017**

**Accelerated strategic investment in response to  
rising demand in the automotive market  
and growth in Southeast Asia**

Let me begin by looking back on the previous mid-term management plan. Under that plan, UACJ accelerated strategic investment in response to rising demand in the automotive market and growth in Southeast Asia.



We had announced the previous plan in December 2014. The global market was competitive at that time, but our goal was to become an aluminum industry leader. At that stage, we began to reinforce the foundations of the UACJ Group’s business through three main initiatives of the plan—constructing a global network, strengthening our business foundation in Japan, and developing new technologies and products.

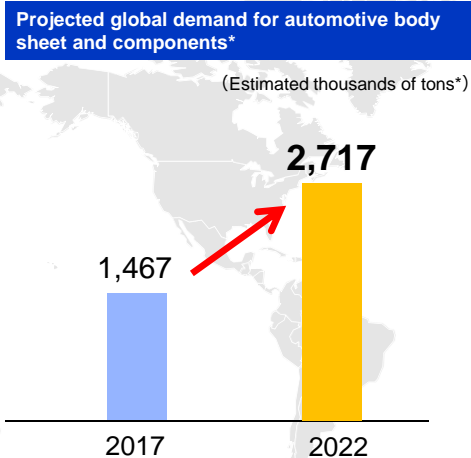
After that, however, the Group’s operating environment changed dramatically, so we began exploring ways to speed up growth. That led us to push forward with measures for accelerating global business growth ahead of schedule.

## Changes in the Operating Environment Since the Previous Mid-term Management Plan



### Rising demand for aluminum amid dramatic changes in the market

- **Growth in Asia and emerging countries**
- **Shift to lightweight and electric vehicles**
- **Solid demand in Japan**
- **Emergence of formidable new competitors in the marketplace**



\* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in November 2017 by CRU International Limited, as well as other sources.

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As I just mentioned, the Group's operating environment changed dramatically during the period of the previous mid-term management plan. Specifically, rapid growth was seen in Asia and emerging countries, there was a shift in the automotive market to lightweight and electric vehicles, demand in Japan stayed solid, and formidable new competitors appeared in the marketplace.

Amid those trends, demand for aluminum has been rising rapidly. As you can see in this slide, global demand for automotive aluminum body sheet and components in particular is projected to soar over the next several years. In response, every aluminum manufacturer, especially major producers of flat-rolled sheets, has been shifting to automotive products.

## Main Initiatives Under the Previous Mid-term Management Plan



### The Group stepped up measures for responding to changes in the operating environment

#### Growth market: Southeast Asia

- UACJ Thailand<sup>1</sup> implemented the third phase of investment in an aluminum rolling mill and commenced fully integrated manufacturing

#### Growth industry: automotive body sheet

- Tri-Arrows Aluminum<sup>2</sup> installed casting lines and both hot and cold rolling lines
- Constellium-UACJ<sup>3</sup> was established and began shipping samples
- UACJ acquired Whitehall Industries<sup>4</sup>
- UACJ decided to invest in facilities at Fukui Works in anticipation of rising demand for automotive body sheet

#### Establishment and expansion of the global supply network

- The Group created a global supply network for can stock based in Japan, the United States, and Thailand
- UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH was established in Germany
- Operations of SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION in China were expanded



UACJ Thailand's cold rolling mill under construction



Casting facilities for recycling scrap aluminum installed at Tri-Arrows Aluminum

Notes: 1 UACJ (Thailand) Co., Ltd. 2 Tri-Arrows Aluminum Inc. 3 Constellium-UACJ ABS LLC 4 Renamed as UACJ Automotive Whitehall Industries, Inc.

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The UACJ Group stepped up various measures in response to those changes in the operating environment. To meet growing market demand in Southeast Asia, UACJ (Thailand) commenced fully integrated manufacturing from August 2015, and we are currently implementing a third phase of investment in an aluminum rolling mill there.

We also worked to meet rising demand for automotive body sheet. In the United States, Tri-Arrows Aluminum started boosting production capacity in August 2015 following investments made in casting lines and both hot and cold rolling lines. Constellium-UACJ, a finished automotive body sheet manufacturer, started up production and began shipping product samples. Meanwhile, UACJ bolstered the Group's automotive components business by acquiring Whitehall industries, which specializes in structural components.

In Japan, demand for automotive body sheet has been rising just like in the United States. Therefore, we decided to invest in facilities at Fukui Works, specifically specialized production lines for heat-treated and surface finished automotive body sheet, and continuous annealing lines with pre-treatment functions.

Through all of these initiatives, the UACJ Group succeeded in establishing a global supply network based in Japan, the U.S., and Thailand. Now when we negotiate with customers, they are increasingly aware of the Group's position as a global supplier.

In addition, we also made progress in creating a global network for supplying heat exchanger materials by establishing operations in both Germany and China.

## Main Initiatives Under the Previous Mid-term Management Plan



### Established an optimized production system in Japan under the previous mid-term management plan

- Production of can stock and thick plate for LNG tankers at Fukui Works
- Production of automotive materials, lithographic sheet materials, and fin stock at Nagoya Works
- Production of thick plates for liquid crystal and semiconductor manufacturing equipment at Fukaya Works  
Planned suspension of some operations postponed due to robust demand
- Specialty material finishing at Nikko Works

Cumulative effect of optimization in fiscal 2017  
11 billion yen  
(compared with original target of 13 billion yen)



In Japan, we succeeded in setting up an optimized production system and strove to maximize the cumulative effect of that optimization. That involved concentrating production of flat-rolled aluminum for can stock and thick plate for LNG tankers at Fukui Works, centralizing general automotive materials at Nagoya Works, and concentrating production of thick plate for semiconductor and liquid crystal manufacturing equipment at Fukaya Works. We also transferred specialty material finishing to Nikko Works.

We had previously planned to suspend some operations at Fukaya Works, but we postponed that plan because demand for aluminum is currently strong in Japan, especially flat-rolled aluminum for can stock, automotive materials, and thick plate for semiconductor manufacturing equipment.

The cumulative effect of optimizing this production system has amounted to about 11 billion yen, just short of our initial target of 13 billion yen.

**Original targets unachieved due to rising costs associated with past investments**

		Original fiscal 2017 targets	Fiscal 2017 results	Main reasons for difference between targets and results
Earnings	Net sales	700.0 billion yen	<b>624.3</b> billion yen	Sales volume was lower than expected
	Ordinary income	35.0 billion yen	<b>19.4</b> billion yen	Although the production system was optimized largely as planned, energy prices increased, substantial costs were needed for launching operations at UACJ Thailand and Constellium-UACJ, depreciation associated with Tri-Arrows Aluminum increased, and sales volume was lower than expected
	Adjusted EBITDA	67.0 billion yen	<b>50.7</b> billion yen	
	ROE	10.0%	<b>6.5%</b>	
Financial stability	D/E ratio	1.33 times	<b>1.50</b> times	While the financial structure was bolstered with a public offering and subordinated loans, borrowings increased due to past investments
Investment	Capital investment From FY2015-2017	90.0 billion yen	<b>113.3</b> billion yen	Capital investment was higher than expected, specifically for the third phase of investment in UACJ Thailand and outlays for casting and cold rolling lines installed at Tri-Arrows Aluminum

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This shows UACJ's financial results in fiscal 2017, the final year of the previous mid-term management plan. Unfortunately, the original financial targets of the plan were unachieved due to rising costs for starting up production at facilities we invested in over the past several years. Net sales were lower than expected, and ordinary income, especially, was far below the target, a result that management must seriously reflect on. Various reasons for the differences between the results and our original targets are listed on the slide.

Although it is very regrettable that the targets were unachieved, I believe the strategies we pursued were appropriate. Based on those strategies, the Company proactively made investments with a strong resolve to realize the future growth we had envisioned. Now, under our new mid-term management plan, we are at a stage in which the UACJ Group can begin generating steady returns on those past investments.



## 2. UACJ's Future Direction

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

Next, I would like to tell you about how we envision the future direction of UACJ. When formulating our new mid-term plan, management discussed what direction the Company should take and what it should look like in five to ten years' time, and then decided what to do over the next three years based on that vision. Essentially, the direction we decided on is to maximize the possibilities of aluminum in ways that contribute to society and the environment.

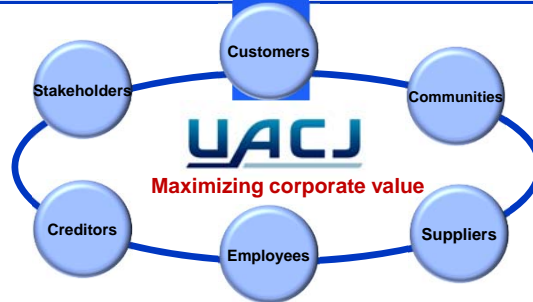
When aiming for sustainable growth, a company's management may set policies that are either changeable or unchangeable, but a vision like this is irreversible.

# UACJ's Future Direction—Meet the Expectations of All Stakeholders



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

Through UACJ's products and services



- Checkpoints**
- Level of customer satisfaction
  - Level of employee satisfaction (amid workplace reforms)
  - Return on invested capital
  - Earnings per share
  - Debt-to-equity ratio

Accordingly, we are deeply committed to maximizing the possibilities of aluminum in ways that contribute to society and the environment. As UACJ's future direction, this vision is unalterable and essentially permanent.

## Offering comprehensive solutions with aluminum products

### 13 benefits of aluminum

1. Highly resistant to low temperatures
2. Highly electrical conductive
3. Reflects light and heat
4. Exceptionally corrosion resistant
5. Lightweight
6. Non-toxic
7. Easy to cast into various shapes
8. Strong
9. Easily recyclable
10. Attractive
11. Non-magnetic
12. Easy to process
13. Highly thermal conductive

Rather than simply supplying aluminum as a raw material, UACJ offers solutions for adding value

### UACJ R&D Center

Core technologies  
Technologies for developing raw materials  
Design technologies  
Assessment technologies  
Machining technologies  
Manufacturing technologies  
Processing technologies  
Analysis technologies  
Recycling technologies

### UACJ's businesses

Flat rolled products  
Extrusion  
Foil  
Casting and forging  
Precision-machined components  
Copper tubing

### Customers

Canned food product manufacturers  
Automakers  
IT device manufacturers  
Semiconductor production equipment manufacturers  
Medical equipment manufacturers  
Air-conditioner manufacturers

Helping customers develop and add more value to their products

This slide provides a snapshot of UACJ's competitive advantages. It shows each of the Group's businesses with the UACJ R&D Center positioned at the center of operations.

The Group's diverse operations are comprised of the flat rolled products, extrusion, foil, casting and forging, precision-machined components, and copper tubing businesses. By combining the strengths of each business with R&D capabilities while taking advantage of the properties of aluminum, UACJ can offer solutions for adding value rather than simply supplying aluminum as a raw material. In that way, we can help customers increase the value of their product development and finished products.

Each of the Group's businesses is able to offer customers wide-ranging combinations of individual products, and we intend to bolster and leverage that competitive advantage going forward.

### **3. Major Policies of the New Mid-term Management Plan**

**Key Measures in Response to Opportunities and Risks in the Operating Environment**

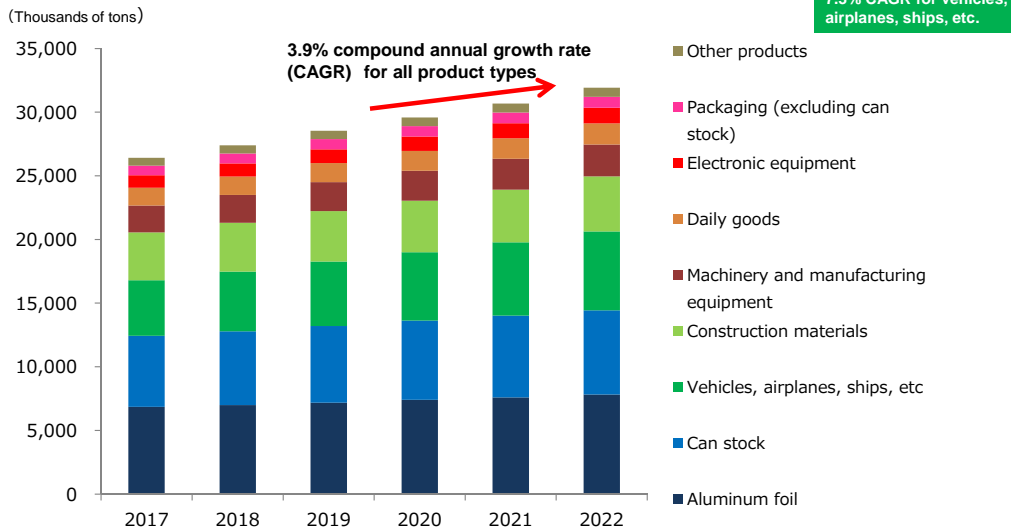
**Generate returns on past investments**  
**Increase capital efficiency with an emphasis on ROIC**

Moving on, I would like to explain the major policies of the new mid-term management plan.

## Market Opportunities: Forecast of Aluminum Sheet Demand by Product Type



Forecast to surpass 30 million tons by 2021, with substantial growth in demand for transportation-related materials



Source : CRU Aluminum Rolled Products Market Outlook November 2017

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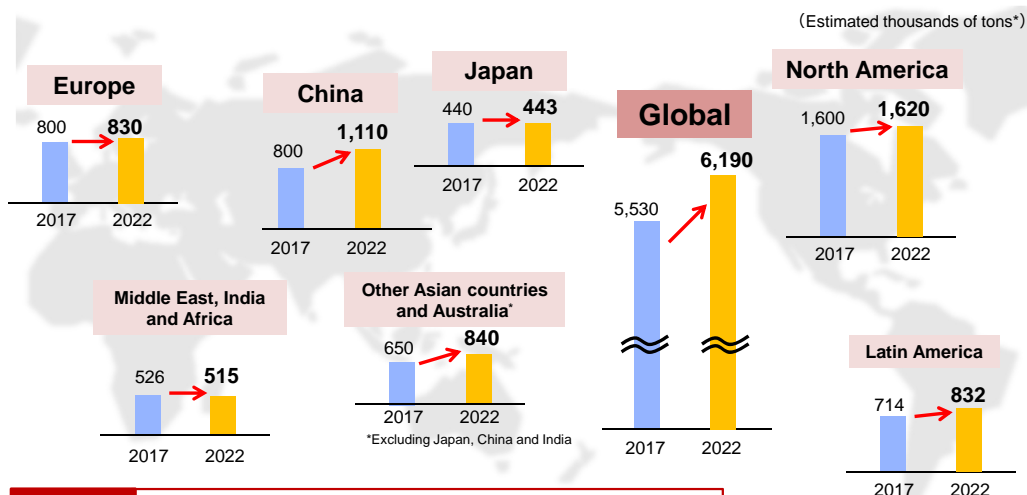
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This chart shows the forecast of demand for aluminum sheet, one of the UACJ Group's mainstay products. Demand for aluminum sheet for all product types listed here is projected to rise at a compound annual growth rate of almost 4% between 2017 and 2022. Among the product types, however, in the category of vehicles, airplanes, ships, etc., which is mainly comprised of automobiles, aluminum sheet demand is forecast to increase at a compound annual growth rate of 7.3%.

## Market Opportunities and Risks: Forecast of Demand for Aluminum Can Stock by Region



Growth expected in Australia, China, and the rest of Asia, but increased production of can stock in China poses a risk



### Risks

Increase in can stock produced in China, and more countries introducing sugary drink taxes due to health concerns

\* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in August 2017 by CRU International Limited, as well as other sources.

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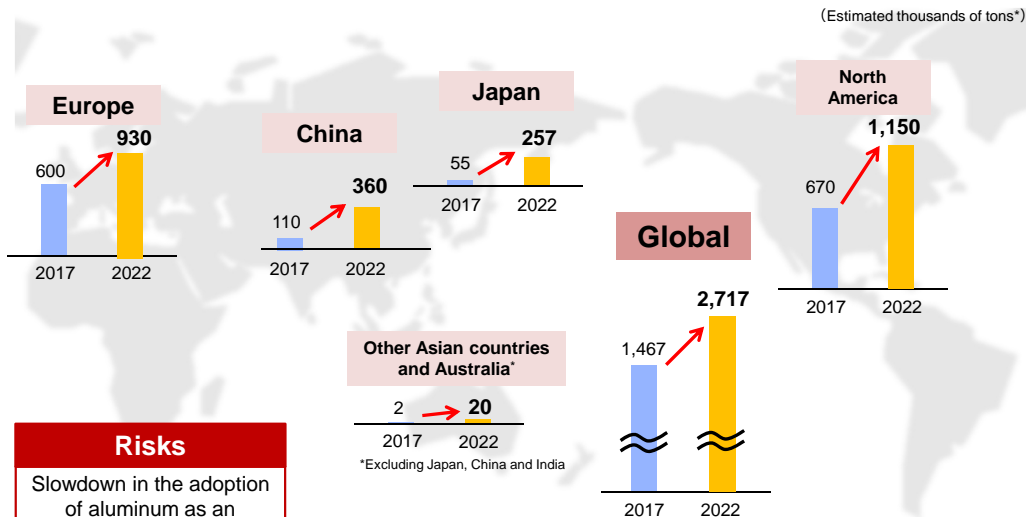
Here we have forecasts of can stock, which is made of flat-rolled aluminum. Globally, demand is projected to rise from over 5.5 million tons in 2017 to almost 6.2 million tons in 2022. Although forecast demand is comparably flat in Europe, North America, and Japan, considerable growth is expected in China and other Asian countries, including Australia.

This growth in demand, however, comes with risks for the UACJ Group. The Asian market could become even more competitive as Chinese suppliers improve their capabilities, aluminum quality improves, and prices fall. Furthermore, the number of countries and governments introducing sugary drink taxes could increase amid growing health concerns, and that could lead to declining consumption of canned beverages.

## Market Opportunities and Risks: Forecast of Demand for Automotive Aluminum



Demand is expected to grow due to the shift to lightweight and electric vehicles, but the use of aluminum for automobiles could decelerate



\* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in August 2017 by CRU International Limited, as well as other sources.

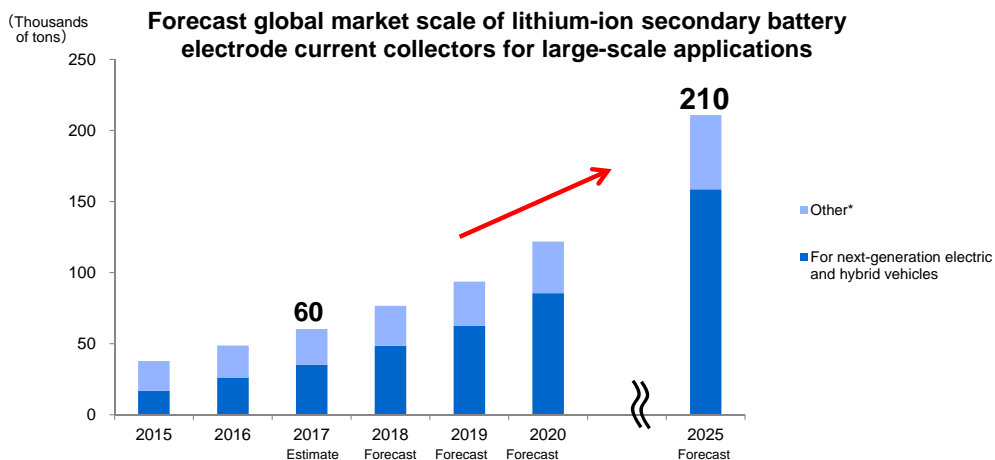
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Demand for automotive aluminum is expected to be strong as aluminum continues to be used for a wider range of components and vehicle models. The adoption of aluminum for automobiles has been accelerating in Japan, and demand is projected to rise steeply in North America, in particular. UACJ is in a position to strategically capitalize on that market growth since it has three subsidiaries with production facilities in the United States: Tri-Arrows Aluminum, which primarily manufactures cold rolled coil; Constellium-UACJ, which has installed production lines for heat-treated and surface finished automotive body sheet; and UACJ Automotive Whitehall Industries, a manufacturer of automotive parts and components.

At the same time, we are considering the risk of a slowdown in the adoption of aluminum as an automotive material.

**Growing demand for aluminum foil used  
in automotive lithium ion batteries**



\* For electric power storage, motors, consumer electronics, and other large-scale applications

Source: 2017 report on the future outlook for energy and large-scale secondary battery materials published by Fuji Keizai

**Risks**

The current status of lithium-ion secondary batteries as the de facto industry standard could change in the future

In addition to automotive body components, aluminum is also used as a material for automotive lithium-ion batteries, which are installed in electric vehicles. The use of these batteries is projected to increase substantially now that the automotive industry is shifting to electric vehicles, the regulatory environment is becoming increasingly strict in Europe and China, and Zero Emission Vehicle standards and Corporate Average Fuel Economy regulations have been adopted in the United States.

UACJ’s aluminum foil is widely used in automotive lithium-ion batteries, and the Company has the second highest market share in the world, despite stiff competition from Chinese manufacturers. Nevertheless, although this battery material is currently the de facto industry standard, that could change in the future. Therefore, it will be necessary to take into full consideration the possibility of this risk materializing.



## Major Policies of the New Mid-term Management Plan



### Vision for the Future UACJ's Future Direction

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

#### Mid-term plan

#### Major Policies 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

#### Previous mid-term plan

#### Key measures from fiscal 2015 to 2017

- Accelerated international expansion by establishing a global supply network and proactively investing in growing markets and industries
- Optimized the production network in Japan

We have four major policies in our new mid-term management plan. The first is to continue focusing on the growing automotive industry and growth markets in Asia and North America. The second is to steadily generate returns on past investments. The third policy is to increase capital efficiency while emphasizing returns on invested capital. Finally, we want to promote shared principles of conduct as the UACJ Way so that all companies of the Group can manufacture products with the same mindset and succeed globally as a corporate enterprise.

## Focusing on Growth Markets and Industries in Asia



### UACJ Thailand is aiming to boost productivity and become profitable by fiscal 2019

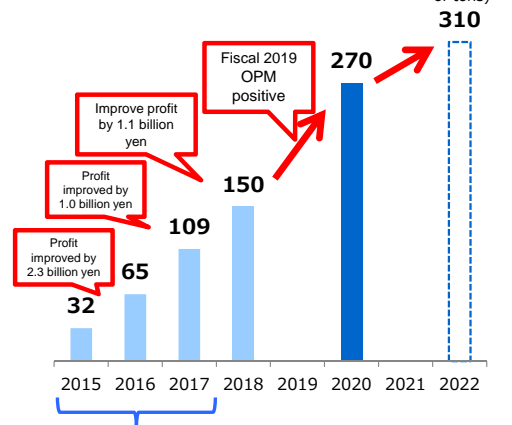
#### Priority measures

- Improve quality and cost competitiveness
- Expand sales channels with a focus on profitability
- Provide training and career development for Thai engineers

Establish a profitable business by boosting productivity and expanding sales channels



#### UACJ Thailand's annual sales volume (Thousands of tons)



Sales volume steadily increased  
Averaged over 10,000 tons per month  
in the fourth quarter of fiscal 2017

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I would like to discuss the first of those four major policies.

In Asia, one of the growth markets targeted under the plan, we are focusing on boosting production capacity at UACJ (Thailand). We have also set a number of priority measures in Thailand. They include improving quality and cost competitiveness as a means to differentiate our products from those manufactured in China. Our customers are spread out from the Middle East to Asia and Oceania, but the market is very competitive, so we are working to expand sales channels while focusing on profitability. In addition, training Thai engineers at UACJ (Thailand) is an urgent task, since its performance directly depends on their capabilities. Our goal is to empower those engineers so that local personnel can eventually run all the company's operations.

As you can see in the chart, sales volume has been steadily increasing over the past few years, and now exceeds 10,000 tons per month on average. Boosting production capacity allows sales volume to rise accordingly.

We expect UACJ (Thailand) to become profitable by the end of fiscal 2018, generate steady operating profits in fiscal 2019, and then make a significant contribution to consolidated ordinary income by fiscal 2020.

## Focusing on Growth Markets and Industries in North America



Tri-Arrows Aluminum is aiming to improve productivity in anticipation of growing demand for can stock and aluminum automotive body sheet

### Priority measures

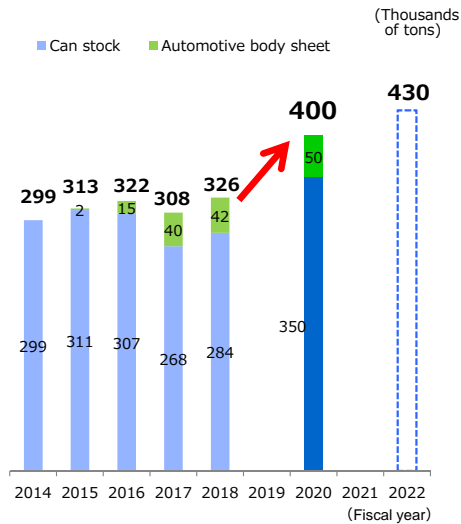
- Reduce costs and generate returns on investment in casting lines and hot and cold rolling lines
- Improve productivity to world-leading levels

Put a system in place for producing 400,000 tons in sales volume by fiscal 2020



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### Tri-Arrows Aluminum's annual sales volume



In North America, the other growth market targeted under the mid-term management plan, we are preparing to tap growing demand for aluminum can stock and automotive body sheet.

UACJ has been investing in new production facilities for Tri-Arrows Aluminum since 2015, and we are now looking forward to seeing returns on those investments. Tri-Arrows previously produced aluminum exclusively for cans, but now it manufactures cold-rolled coil for both aluminum cans and automobile body sheet. Although that change has increased its manufacturing load, we are aiming to improve productivity to world-leading levels.

Annual sales volume topped 300,000 tons in fiscal 2017, and we are targeting 400,000 tons by 2020. Of that amount, we are aiming for 350,000 tons of flat-rolled aluminum for can stock and 50,000 tons of automotive body sheet.

## Focusing on Growth Markets and Industries in North America



Constellium-UACJ is aiming to improve productivity and ensure a stable supply to customers

### Priority measures

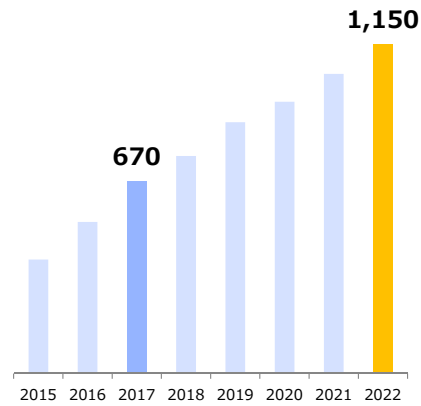
- Improve productivity specifically in terms of yields and operating ratios
- Tap strong demand while ensuring a stable supply

Quickly secure profitability of the first phase of the continuous annealing line with pre-treatment, and study its second phase



### Demand for automotive body sheet in North America

(Estimated thousands of tons\*)



Constellium-UACJ has continuously posted losses as an affiliated company accounted for by the equity method. Nonetheless, we intend to improve the productivity of its first production line and ensure a stable supply of products to customers amid brisk demand for automotive body sheet in North America. Working together with our joint-venture partner Constellium N.V., and have set up a task force team, which is currently working to find solutions for various issues faced by this company. First among them is quickly achieving profitability of its first continuous annealing line with pre-treatment capabilities. We will consider installing a second such line depending on how successful the company is in tapping the strong demand and securing steady orders from customers.

## Focusing on the Growing Automotive Market and Industry



### UACJ will concentrate investment in operational resources group-wide targeting the growing automotive market

#### Priority measures

##### Flat rolled products business

- Quickly secure profitability of the first phase of Constellium-UACJ's continuous annealing line with pre-treatment in North America, and study its second phase
- Install a continuous annealing line with pre-treatment at Fukui Works in Japan
- Strengthen the global supply network for heat exchanger materials

##### Extrusion business

- Improve extruded products for automotive components in Japan and expand the global supply network

##### Precision-machined components business

- Enhance relations with UACJ Automotive Whitehall's customers and enable more aggressive sales initiatives

##### Foil business

- Leverage the competitive edge of the Group's high-performance and high-quality automotive battery foil

##### Casting and forging business

- Market compressor wheels globally and enhance solutions

##### R&D

- Develop new alloys for automotive use
- Establish a recycling system for automotive materials
- Establish an R&D center in North America



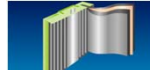
Hoods



Heat exchanger materials



Bumpers

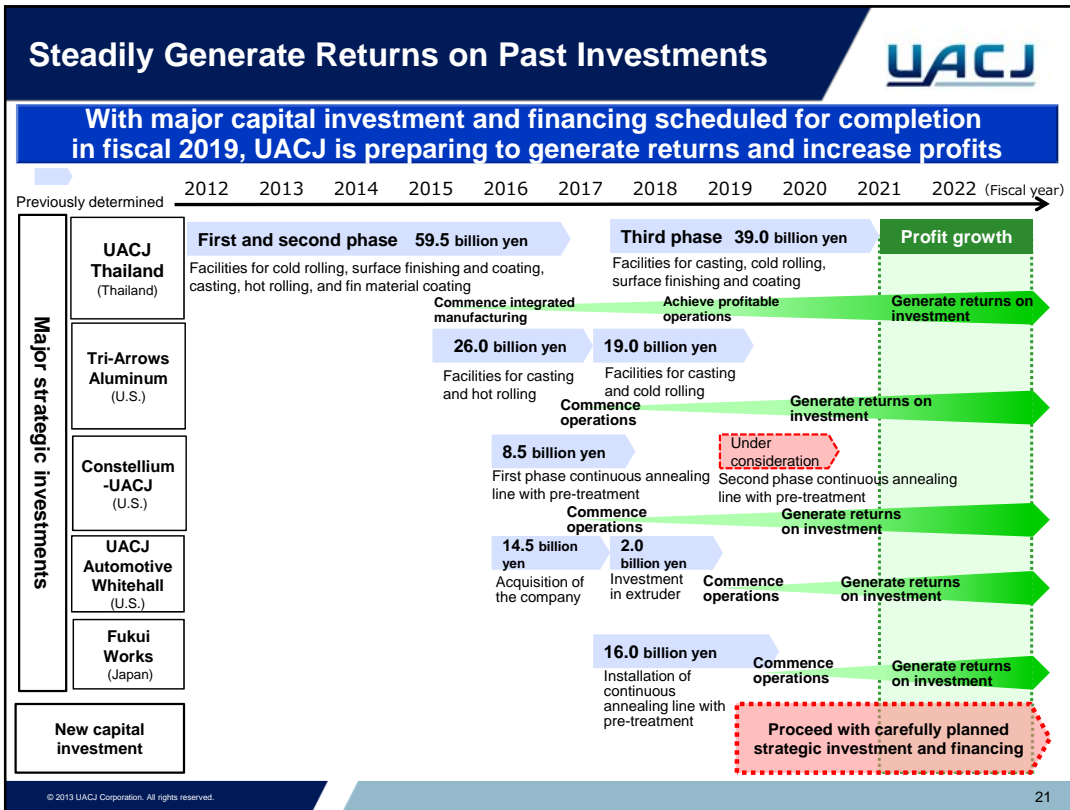


Lithium-ion battery electrode current collector foil



Compressor wheels

The automotive market is an important growth market for the entire UACJ Group. Each of the Group's businesses is working together to enable production of aluminum materials and components for automobiles. Aluminum can be used for a wide range of auto parts, and demand is projected to rise steeply worldwide. Accordingly, we are focusing on the transport sector, particularly automotive-related industries. The Group's research and development centers will play a key role in these efforts going forward.



Now I would like to talk about the returns on past investments we expect to steadily generate in the years ahead. This is a key aspect of our mid-term management plan, and, of course, one of the biggest concerns of the Company's shareholders and investors.

This slide provides an overview of investments made since 2012 and the timing of the investment returns. Aiming for future growth, we made strategic investments in UACJ (Thailand), Tri-Arrows Aluminum, Constellium-UACJ, UACJ Automotive Whitehall Industries, and Fukui Works. We have already decided on and publically announced plans for large-scale capital investments going forward. And, as I mentioned earlier, we will consider installing a second continuous annealing line with pre-treatment capabilities at Constellium-UACJ in the future.

## Increase Capital Efficiency with an Emphasis on ROIC\*



**UACJ will boost capital efficiency while raising corporate value over the medium and long terms**

### Emphasize the return on invested capital (ROIC) when improving capital efficiency

Taking into account medium- to long-term growth potential, business characteristics, and improved processes

**Strategically target and focus on key businesses**  
**Strictly manage the business portfolio**

**Fiscal 2020**  
**Secure positive free cash flow**

**Fiscal 2020**  
**Target ROIC of minimum 8%**

### Factors Underlying ROIC

**ROIC**

**Operating margin**

**Invested capital turnover ratio**

Key means for improvements:

- Refine the sales mix
- Cut costs

Key means for improvements:

- Improve the inventory turnover

**Manage ROIC for the UACJ Group as a whole**  
**Assess each company and business unit**

**Accelerate selection and focus in consideration of growth potential, strategy and business characteristics**

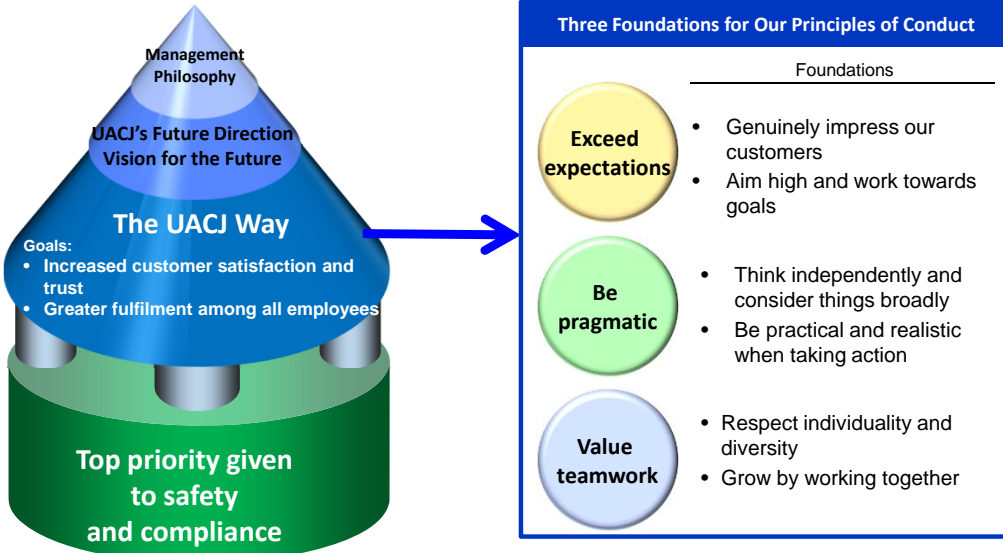
Under the new mid-term management plan, we are giving importance to the return on invested capital as a key performance indicator for increasing capital efficiency. That does not mean simply managing such quantitative results for the purpose of monitoring the efficiency of our businesses; instead, we will take into account medium- to long-term growth potential, business characteristics, and improved processes, while strategically targeting and focusing on key businesses at an even faster pace, and strictly managing the business portfolio.

Through these measures, we will strive to secure positive free cash flow by fiscal 2020, and attain a rate of return on invested capital of at least 8% by fiscal 2022.

## Promote Shared Principles of Conduct as the UACJ Way



The UACJ Way: Establish principles for conduct cherished by each employee



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Next, I would like to tell you about the UACJ Way, a set of principles of conduct that we have begun sharing and promoting within the UACJ Group.

Since our operations have been expanding in Asia, North America, and other regions of the world, we felt it was necessary to create these principles of conduct as a common set of values for all members of the Group globally.

We feel that it is important for each member to personally consider the Group's shared vision, management philosophy and future direction in his or her everyday work and all other aspects of our business. The essence of those principles of conduct is reflected in the UACJ Way. Personally, I am committed to promoting the UACJ Way throughout the Group's global operations in the future.



## 4. Mid-term Management Plan Targets and Shareholder Returns Policy

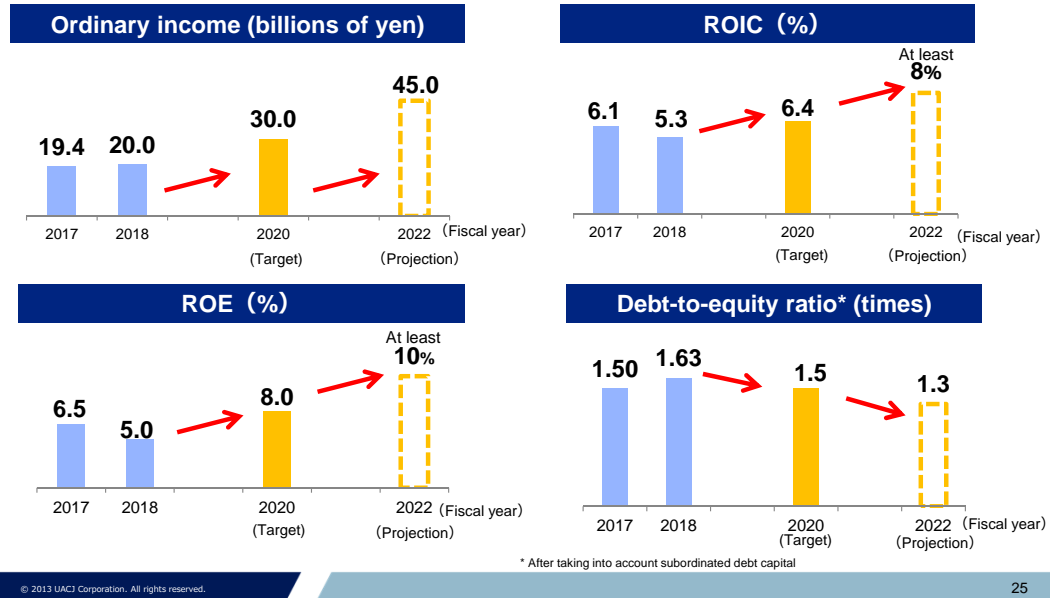
**Expand profitability and maintain financial stability**

Now I want to turn to the financial targets we have set in the mid-term management plan, particularly with respect to increasing profitability and maintaining financial stability.

## Mid-term Management Plan Targets



UACJ has set fiscal 2020 targets midway through the plan in anticipation of substantial profit growth between fiscal 2020 and 2022



This shows the financial targets of our mid-term management plan. There are few reasons to be optimistic in fiscal 2018, and that is reflected in the targets.

Beginning with ordinary income, we forecast 20 billion yen in fiscal 2018, and are aiming for 30 billion by fiscal 2020. Although this target may not meet your expectations, we believe ordinary income could reach 45 billion yen by fiscal 2022, driven by the full contribution of returns on past investments, as I explained earlier,

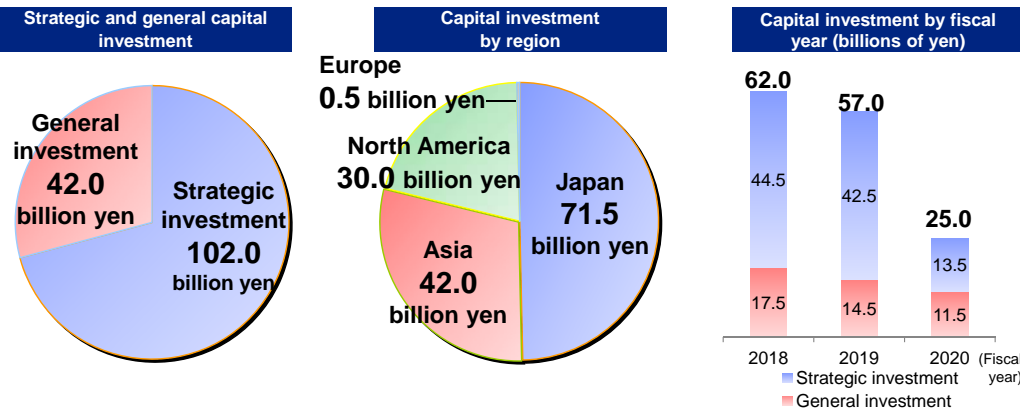
Our forecast for the rate of return on invested capital is 5% in fiscal 2018, but we are targeting a minimum of 6.4% by fiscal 2020, and hope to achieve at least 8% by fiscal 2022. The corresponding figures for return on equity are also shown in the graph.

## Capital Investment and Depreciation Expenses



**UACJ will carefully select investment targets in consideration of both strategic factors and profitability**

- **Capital investment of 144 billion yen over three years from fiscal 2018 to 2020** (70 billion yen is already earmarked and 74 billion yen will be newly decided)
- **Depreciation expenses of 109 billion yen over three years from fiscal 2018 to 2020** (New capital investment kept within the range of depreciation expenses)



This shows our capital investment plans and depreciation expenses. We have made very careful decisions about what to target for investment, which are not all captured by the data shown in these charts.

A total of 144 billion yen has been earmarked as capital investment over the three years from fiscal 2018 to 2020. Of that amount, about 70 billion yen has already been decided as part of past investment projects, while the remaining 74 billion yen will be newly invested over the next three years.

Of the total amount of 144 billion yen, 102 billion yen has been designated as strategic investment and 42 billion yen as general investment for upgrading and maintaining facilities. The pie chart in the center shows the amounts by region. As you can see, around half of the investment will be in Japan, and the other half will be split up between Asia and North America, specifically in Thailand and the United States. Most of the investments already decided on are connected to past investment projects.

Depreciation expenses are expected to total 109 billion yen over the three years of the plan. Excluding the 70 billion yen already earmarked for investment, new capital investment will be kept within the range of depreciation expenses.

## Shareholder Returns Policy



Striving to boost earnings from core businesses and switching to a single annual dividend payment at the fiscal year-end

- Priority is given to increasing earnings per share by steadily generating returns on past investments

- The consolidated dividend policy has been revised

[Target]

Dividend payout ratio: 20%-30%

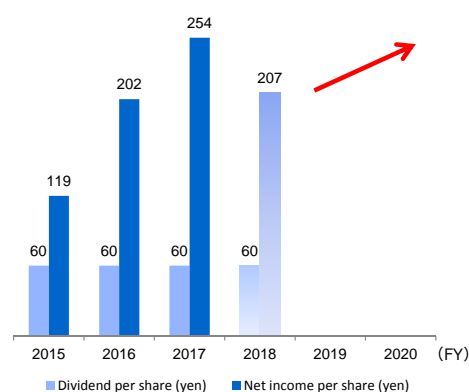
Total return ratio: minimum 30%

Interim dividend abolished and a single annual dividend to be paid at the fiscal year-end

Planned dividend of 60 yen per share for fiscal 2018

- When profits are growing, dividend amounts are considered flexibly based on profit targets and financial condition

Dividend per share and net income per share\*



\* Calculated after a reverse stock split was conducted

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Our basic shareholder returns policy is to continuously pay stable dividends while giving priority to boosting earnings from core businesses.

Effective from the current fiscal year, UACJ has adopted a performance-based dividend policy. We are now targeting a dividend payout ratio of between 20 to 30%, and a total return ratio of at least 30% over the long term. (The total return ratio is calculated as the sum of paid dividends and share buy-backs divided by net income attributable to owners of the parent.)

The annual dividend for fiscal 2017 was comprised of an interim dividend of 30 yen per share and a planned year-end dividend of 30 yen per share. From the current fiscal year onwards, however, the annual dividend will be paid just one time as a fiscal year-end dividend. As long as earnings continue to grow in the future, management will flexibly decide on the annual dividend amount based on the Company's profits and financial condition.

## **5. Environmental, Social and Governance Initiatives**

**Continuing to be a good corporate citizen**

In the final part of my presentation, I would like to mention a few initiatives we have taken that are particularly relevant from the standpoint of environmental, social and governance criteria.

## Reducing Environmental Impacts by Using Aluminum

UACJ

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

アルミニウムは、  
どこまでクルマの  
環境負荷を  
減らせるか。

2030年、世界の自動車は16億台を超えるとされています。そのとき、地球への環境負荷を  
いかに軽減できるか。解決策のひとつとして、いま注目されているのがアルミニウム素材。車体の  
軽量化により燃費を改善、航続距離をのばし、環境負荷の少ない社会を支えています。

その課題に、アルミニウムでこたえていく

UACJ

This is our latest corporate advertisement in Japan. It starts with the question, "How much can aluminum reduce the environmental impact of automobiles?" The content of the ad expresses UACJ's resolve to supply aluminum components for automobiles, an increasingly important market.

## Improving Workplaces While Making the Most of Diverse Human Resources



### Promoting dynamic work environments for all employees

#### External factors

- Declining birthrate and aging population in Japan
- Increasing competition to attract global talent
- Advancements in AI and IoT

#### Internal factors

- Globalization of the UACJ Group's business



#### Priority measures

- Continue improving workplaces, employees' skills, and technological capabilities
- Hire and develop global talent
- Promote diversity by supporting the careers of older workers, women, and foreign nationals
- Foster an open corporate culture that passes down skills

**UACJ is currently promoting various workplace reform projects**



I would also like to mention our efforts to empower and train the Company's human resources. We have recently begun implementing workplace reform projects, through which we intend to create a positive workplace environment that allows every employee to develop and apply their skills on the job.

## UACJ has been strengthening corporate governance while giving importance to the diversity of its management

October 2013	UACJ appointed its first outside director	Strengthened areas
April 2014	UACJ appointed its first non-Japanese executive officer	Non-Japanese nationals
June 2015	The number of outside directors increased from one to two with the appointment of a female outside director	Women
June 2016	Commencement of a system for assessing the efficacy of the Board of Directors	
October 2017	Nomination and Remuneration Advisory Committee established Outside directors and outside auditors collectively comprise over half of the executive management team	Objectivity and transparency
June 2018 (scheduled)	The number of outside directors will be increased from two to four One-third of the 12-member Board of Directors will be independent outside directors The number of outside auditors will be increased from three to four Total number of auditors will be six. Two-thirds of the six-member Audit & Supervisory Board will be outside auditors	Independence Independence

As part of our efforts to strengthen corporate governance, we held a meeting with representatives from Furukawa Electric Co., Ltd., UACJ's principle shareholder, at the end of February 2018 to discuss executive appointments in the current fiscal year. There were a few disagreements in the meeting, and I understand that has caused some concerns among stakeholders, particularly shareholders and investors.

Looking ahead, we will continue to place importance on holding constructive dialogues with shareholders as we work to increase UACJ's corporate value.

That concludes my presentation today. Thank you very much.



## **Supplementary Information**

## Mid-term Management Plan Targets



UACJ has set fiscal 2020 targets midway through the plan in anticipation of substantial profit growth between fiscal 2020 and 2022

(Billions of yen)	Fiscal 2017 results	Fiscal 2020 target	Fiscal 2022 projections
Operating income	29.2	<b>37.0</b>	50.0
Ordinary income	19.4	<b>30.0</b>	45.0
Adjusted EBITDA	50.7	<b>77.0</b>	95.0
Shareholders' equity ratio (%)	25.1	<b>26.0</b>	At least 30%
Debt-to-equity ratio (times)	1.50	<b>1.5</b>	1.3
Return on invested capital (%)	6.1	<b>6.4</b>	At least 8%
Return on equity (%)	6.5	<b>8.0</b>	At least 10%
Net sales	624.3	805.0	905.0

Assumptions: exchange rate of 110 yen to the U.S. dollar; London Metal Exchange aluminum price of 2,050 U.S. dollars per ton;  
Dubai crude oil price of 60 U.S. dollars per barrel

## Outlook in Japan for Mainstay Aluminum Flat Rolled Products



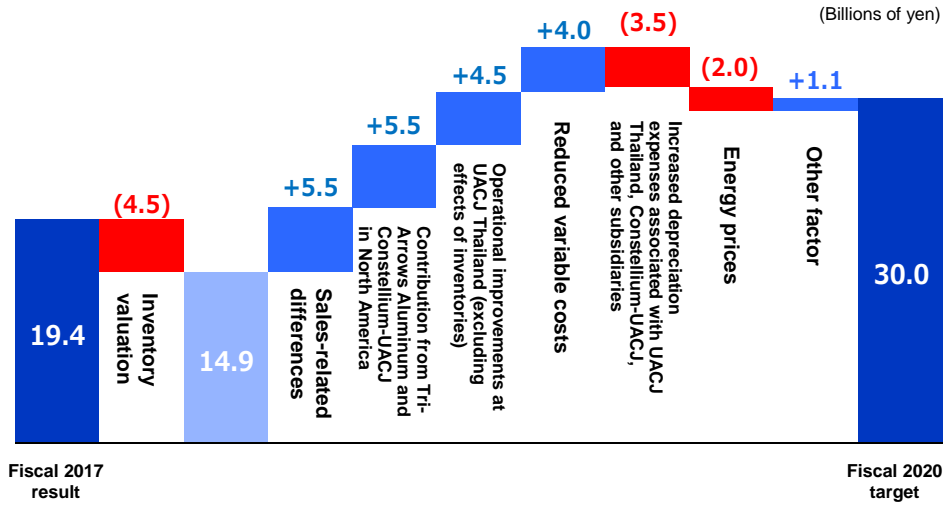
Rapid growth expected for automotive body sheet as types of vehicles and components made with the material increase

products	Trend	Market scale* (thousands of tons annually)			Outlook <small>(Company estimates)</small>
		2017	2022	CAGR	
Can stock	→	440	<b>443</b>	0%	Declining demand for canned beer will be offset by growing demand for canned low-alcohol beverages
Automotive body sheet	↗	55	<b>257</b>	36%	Despite declining automobile production, the types of vehicles and components made with aluminum will increase as part of efforts to make lighter and more environmentally friendly vehicles
Automotive heat exchanger material	→	76	<b>72</b>	-1%	Demand for automotive heat exchanger material will decrease due to fewer vehicles being produced in Japan
Foil	→	114	<b>125</b>	2%	Despite flat or declining demand for general and capacitor foil, applications as automotive battery materials will increase
Thick plate for LNG tankers	? ↘	21	<b>17+</b>	N/A	Demand for LNG tankers will bottom out between 2018 and 2019, and the use of LNG-powered vessels will depend on environmental regulations concerning SOx set for enactment in 2020
Thick plate for liquid crystal and semiconductor manufacturing equipment	→	58	<b>69</b>	4%	Investment in semiconductor industry will be solid over the medium to long terms

## Factors Underlying Expected Increase in Ordinary Income Comparison of fiscal 2017 result and 2020 target



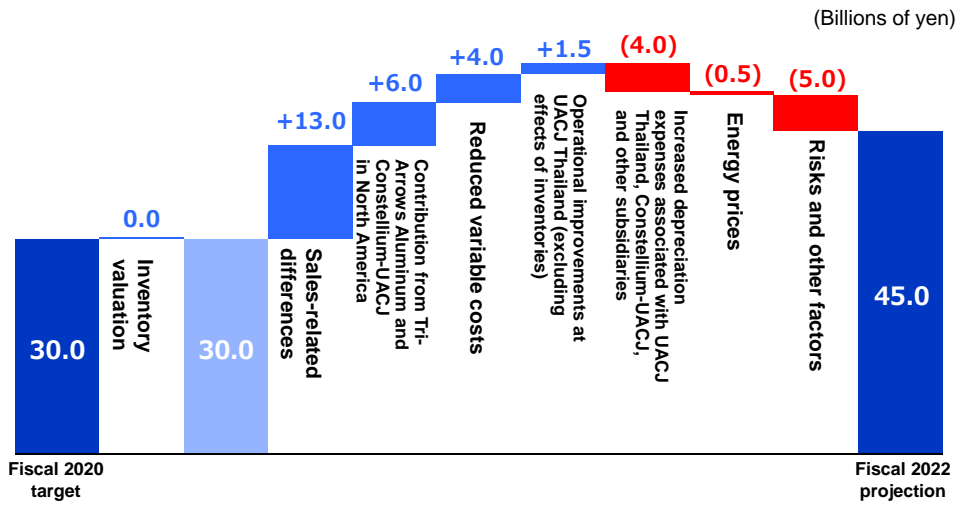
**UACJ posted ordinary income of 19.4 billion yen in fiscal 2017  
and is targeting 30.0 billion yen by fiscal 2020**



**Factors Underlying Expected Increase in Ordinary Income**  
**Comparison of fiscal 2020 target and 2022 projection**



**UACJ is targeting ordinary income of 30.0 billion yen in fiscal 2020 and projects 45.0 billion yen by fiscal 2022**



**Focusing on boosting productivity and setting up a system for enabling sales volume of over 10,000 tons per month**

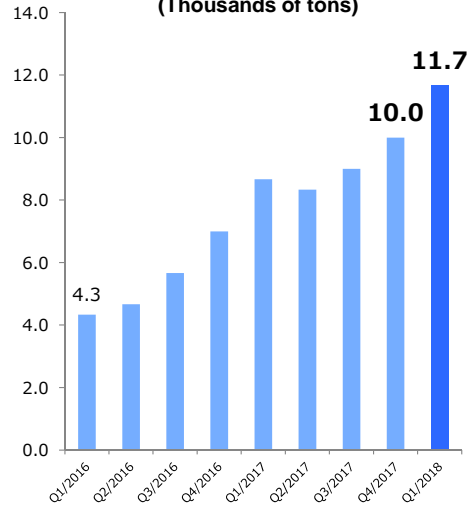
**Recent initiatives**

- Sales volume surpassed 10,000 tons per month on average in the fourth quarter of fiscal 2017, and about 12,000 is expected in the first quarter of fiscal 2018
- Initiatives focused on boosting productivity, including improvements in quality and technological capabilities
- Preparations were made to start up production of air-conditioner compressor fin materials, and the third phase of construction of production facilities proceeded smoothly



The third phase of construction of an aluminum rolling mill

**UACJ Thailand's average monthly sales volume each quarter (Thousands of tons)**



## ■ Cautionary note concerning forward-looking statements

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This presentation contains various forward-looking statements that are based on current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections and business plans of UACJ and its group companies constitute forward-looking statements. Although UACJ's management believes that its expectations and assumptions are reasonable, actual results and trends in UACJ's performance could differ from those expressed or implied by figures or statements herein due to exchange rate fluctuations, uncertainties in future business circumstances, and other factors.

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