



# Using the Power of Aluminum to Enrich Lives and Create a Sustainable Society

## UACJ Group Philosophy (Our Fundamental Beliefs)



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**Our Purpose**    Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

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**Our Vision**    Aluminum is our passion. It inspires our work in building a better world and a healthier environment.

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**Our Values**    ▶ Respect and understand your associates  
▶ Embrace honesty and foresight  
▶ Be curious and challenging

How We Will  
Fulfill Our  
Philosophy

1

How We Will  
Fulfill Our  
Philosophy

2

How We Will  
Fulfill Our  
Philosophy

3



UACJ reexamined the purpose of its existence and in February 2020 redefined the structure of the Group Philosophy in these times of growing demand for aluminum as a material that enriches lives and industrial society and provides solutions for environmental issues. Our revised philosophy clarifies our direction forward and confirms that our past and present initiatives are leading us to the fulfillment of our purpose. Our updated philosophy clarifies the direction we should take and confirms that our past and present measures are leading us toward realizing our vision. We are confident that our mission to use the power of aluminum will help achieve a sustainable and flourishing society.

Expand our supply coverage area

Increase the industries we supply to

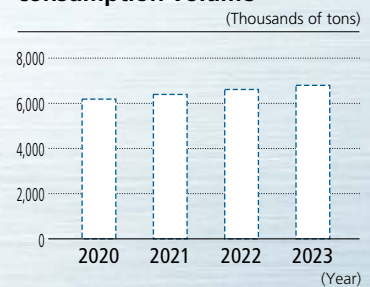
Enhance environmental initiatives

## UACJ's Purpose

### Provide materials that enrich lives and industry and contribute to a flourishing society

Aluminum is highly favored for its workability, electrical and thermal conductivity, and other attributes which have made it a common material used in industry and our daily lives. Demand for aluminum has been growing worldwide in recent years, particularly in emerging countries with rapidly growing economies. UACJ is harnessing its world-class production capacity and global supply network to provide the aluminum for a flourishing society.

#### Worldwide aluminum can consumption volume



Source: CRU Aluminium Rolled Products Market Outlook May 2018

### Helping with environment issues and the creation of a sustainable society

Aluminum has been attracting growing attention as a lightweight and easily recyclable material that can help address global warming, ocean plastic pollution, and other environmental issues that have intensified in recent years. UACJ is advancing its R&D and processing technologies to bring out the full benefits of aluminum's characteristics and create products that contributed to resolving social issues and creating a sustainable society.



Lighter cars emit less carbon dioxide



Aluminum can help reduce ocean plastic pollution

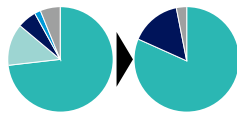
# A three-point production structure supplying over 1.5 million tons of aluminum worldwide

## Japan

### Shifting to product lines with high production efficiency and geared to emerging market trends

#### Fukui Works Product Lines (Concentrate on can stock, LNG carrier tanks)

- Can stock
- LNG tanks
- Other
- Foil stock
- Heat exchanger materials

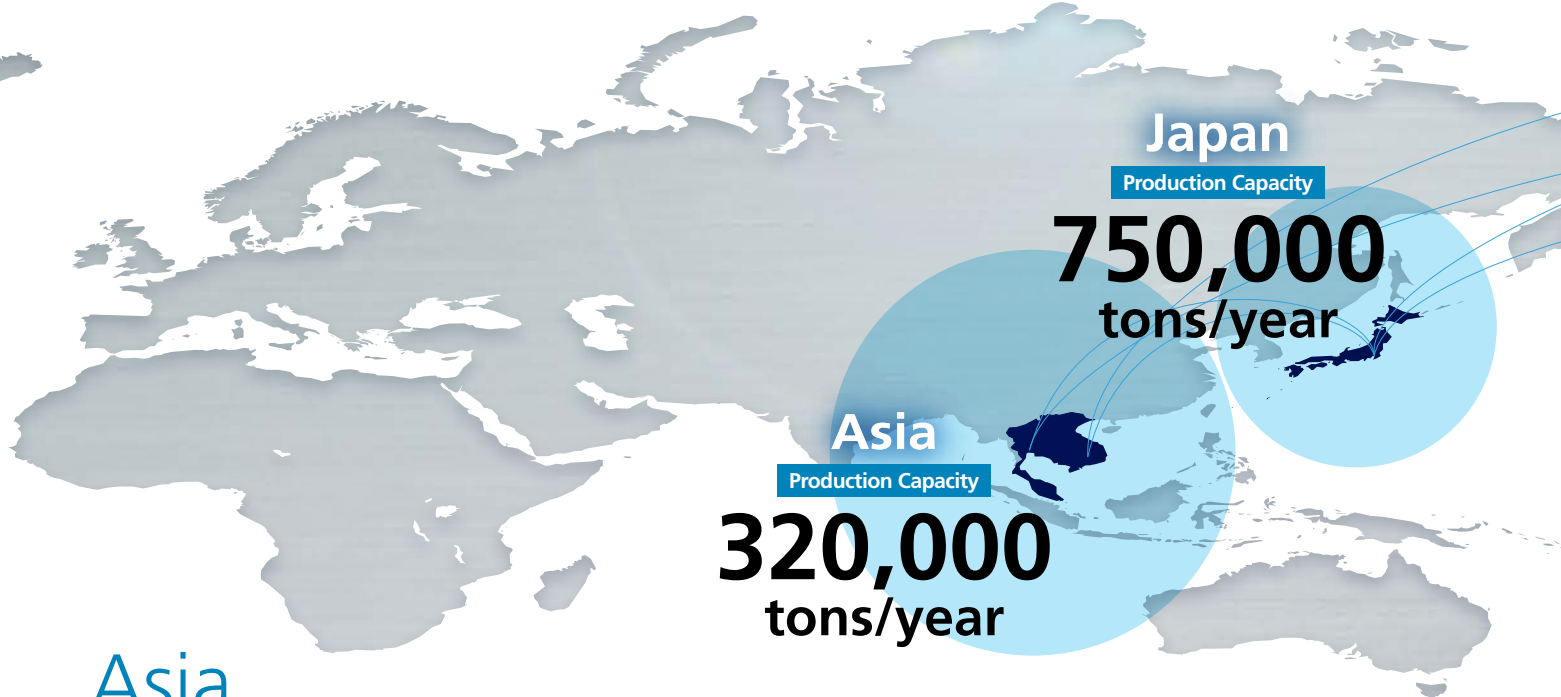


#### Nagoya Works Product Lines (Transfer can stock to another factory)

- Can stock
- Automotive sheet
- Print plate
- Cap materials
- Foil stock
- Heat exchange materials
- Fin stock
- Other



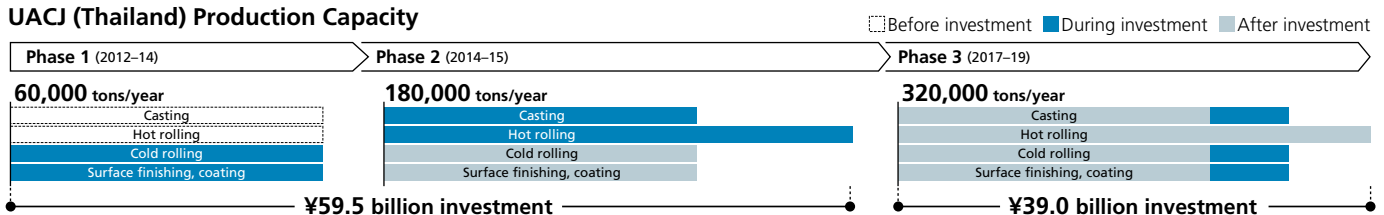
UACJ has a formidable presence in Japan where it commands over 50% of the market flat-rolled aluminum products. However, the Japanese market is expected to shrink as the country's population declines. To maintain profitability amid diminishing demand, we have taken advantage of our system of production sites across the country to redistribute production and raise production efficiency. We will continue consolidating our production bases to optimize our production network in Japan and offer a wide variety of cost-competitive products.



## Asia

### Raised annual production capacity to 320,000 tons in the greenfield of the flat-rolled aluminum industry

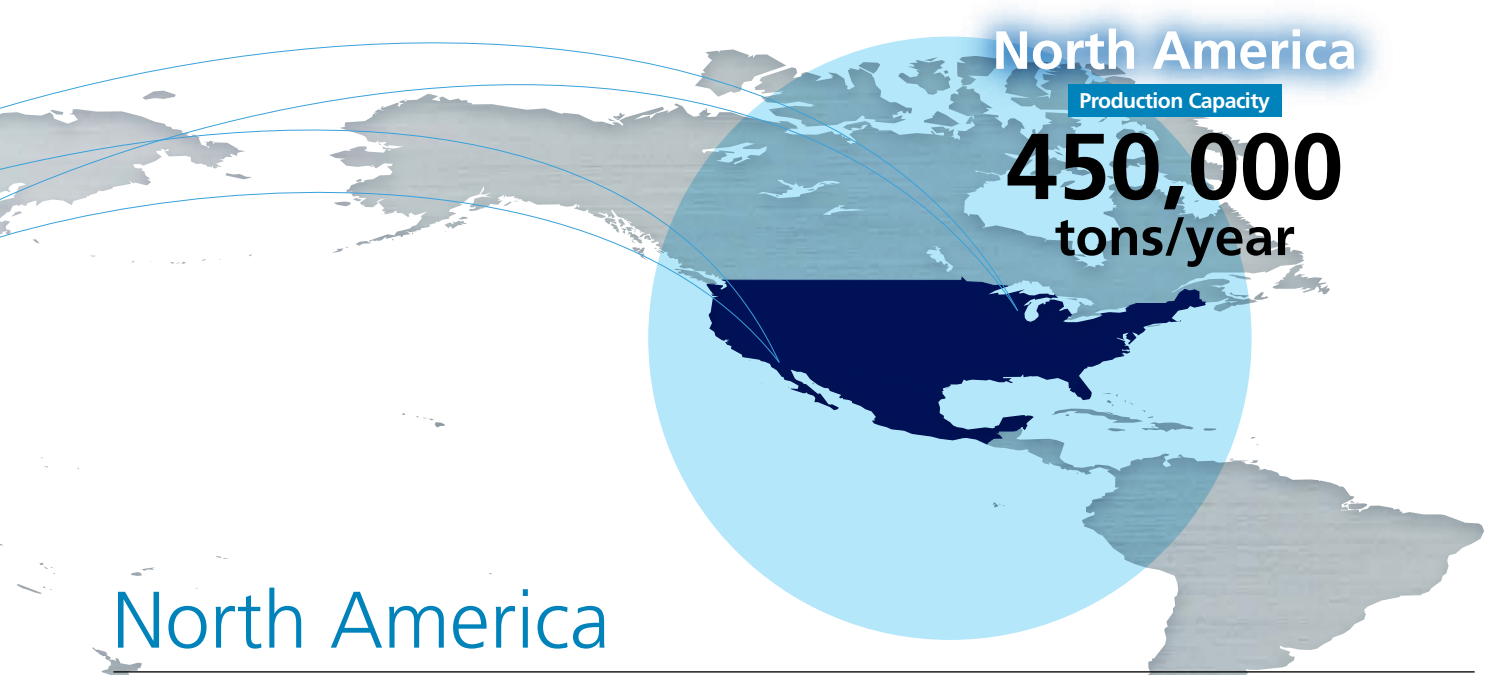
#### UACJ (Thailand) Production Capacity



Aluminum demand in Asia is growing in line with the region's economic expansion. UACJ has created unrivaled production capacity in the region. Over three phases, We implemented a three-phase plan to expand capacity at UACJ (Thailand)—our core production base in Southeast Asia—to position us for the evolving market environment and competition. We plan to make maximum use of this expanded capacity to broaden our supply coverage to Africa, South America, and other areas where aluminum demand is also brisk.

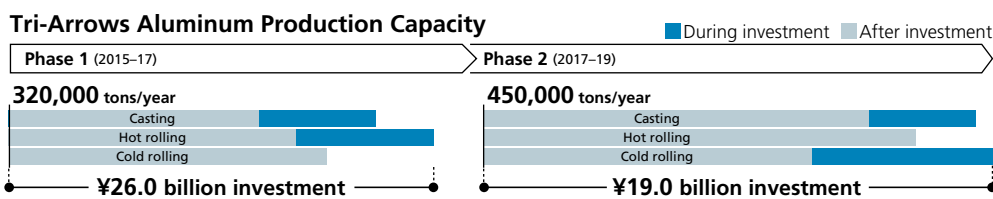


UACJ has capacity to produce over 1.5 million tons of aluminum annually and a world-class supply network to meet the strong demand worldwide for aluminum. Our three primary production bases in Japan, the United States, and Thailand can each produce over 300,000 tons annually, enabling us to provide a consistent supply of cost competitive products to customers around the world.



## North America

**As competitors shift their focus to automobiles, we are building a production structure to further establish our position as the world's leading supplier of can stock**

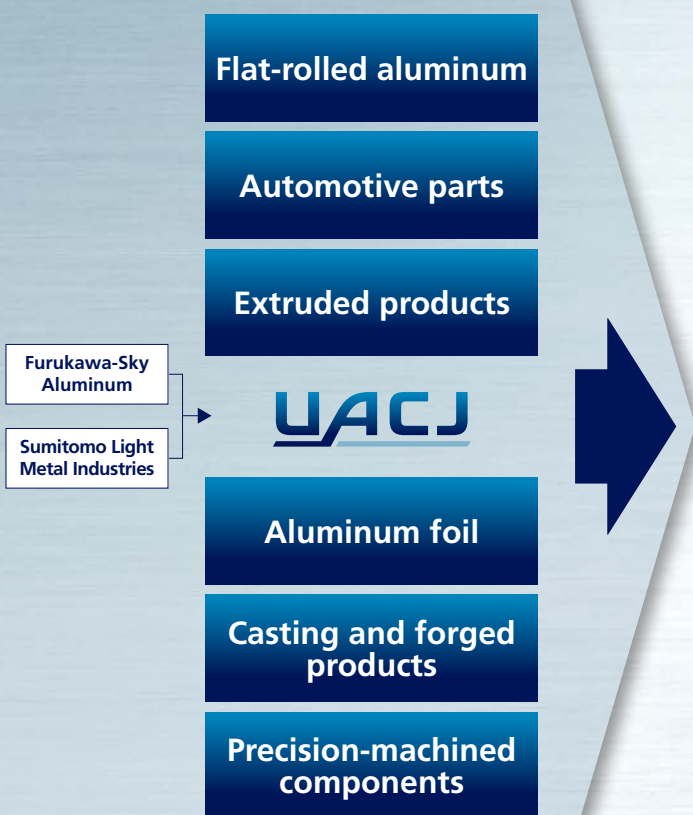


The United States has long been the largest market for can stock, but aluminum manufacturers in the country have been shifting the focus of their production to meeting the growing demand from the automobile industry. Tri-Arrows Aluminum (TAA), one of UACJ's major bases in North America, has made the strategic decision to continue concentrating its world-class production capabilities on meeting demand for can stock, for which there has been concern of a supply shortage. The company's upfront investments have expanded its production capacity, positioning it to take full advantage of the anticipated tightening of supply and demand for can stock. Utilizing the production capacity that has been increased through upfront investment, we will steadily capture demand for canned materials, which may be short of supply capacity.

# Enhanced ability to provide added-value solutions that will expand aluminum's use in society

**Advanced machining capabilities accumulated through business integration**

**New advanced processes enable new solutions**



## 2016

Added new processing and solution capabilities by acquiring a leading maker of automotive structural materials and other products in North America

## 2018

Accelerated commercialization of products meeting local needs in growing overseas markets by establishing R&D bases in the United States and Thailand

## 2019

Boosted our development capabilities through co-creation with customers by opening an innovation space to increase customer contact

### Key addition widened our automotive parts supply coverage with addition of UWH

The addition in 2016 of UACJ Automotive Whitehall Industries (UWH) was a key development for the UACJ Group in the automotive field. A leading supplier of aluminum structural parts and materials in North America, UWH gave us new processing and solution capabilities in the automotive field that enabled us to expand our lineup of automotive parts and materials.

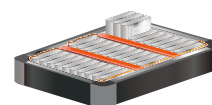
UACJ Automotive Whitehall Industries also has a firmly established customer base that has provided new sales destinations for UACJ Group products and vastly increased sales of automotive parts and materials.

Before aluminum can be used in a product, it must be processed to have functions needed for specific applications. UACJ has various advanced machining processes that it has acquired through business integration, and the installation of new equipment at UACJ Automotive Whitehall Industries (UWH) has added new processing capabilities. We have also boosted our commercialization capabilities by establishing new R&D bases in the United States and Thailand to our bases in Japan. We are continuing to enhance our ability to develop solutions for aluminum needs and to supply products to a wide range of fields.

## An easy-to-use material for a wide range of fields

### Solutions ①

Battery modules for electric vehicles



Automotive



Beverage cans



Aircraft & space



Construction



Shipping

IT



### Solutions ②

Lightweight automobile bumpers



### Solutions ③

Strong and highly designable smartphone bodies



## Commercialization capabilities enhanced by an integrated R&D and manufacturing structure

The UACJ R&D Division conducts basic research separately from product development. Our basic research seeks to develop materials and production technologies that will bring out the potential of aluminum from a long-term perspective. The Manufacturing Division uses production technology created by the Research and Development

Division to boost production quality and productivity.

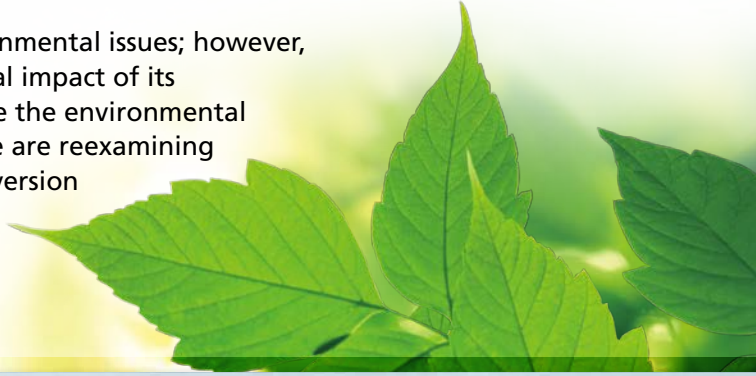
Our core R&D bases in Japan and overseas in the United States and Thailand work with manufacturing and sales departments to identify local needs and business opportunities, and to accelerate the commercialization of new products.



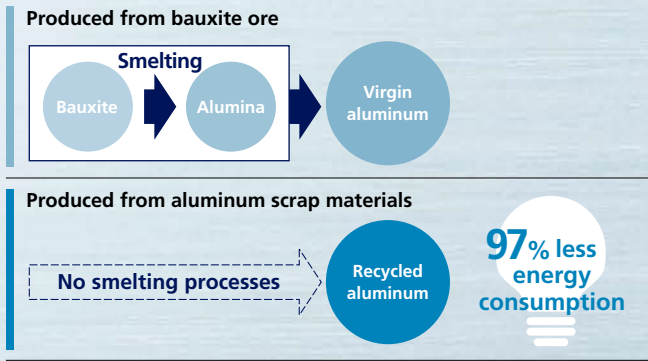
# Maximized aluminum environmental features through improved supply chain performance



Aluminum has vast potential as a solution to many environmental issues; however, producing more aluminum will increase the environmental impact of its manufacturing processes. UACJ is taking steps to minimize the environmental impact from the increasing use of aluminum products. We are reexamining how we use recycled materials, the potential for fuel conversion from oil to natural gas, and other aspects of the manufacturing process while also working to reduce the overall environmental impact from the supply chain.



**UACJ aluminum manufacturing processes save energy and resources**



**Actively introduce scrap recycling furnaces to increase the use of scrap materials, which uses significantly less energy than production from raw materials**

UACJ is taking active steps to increase the volume of aluminum it produces from recycled materials, and is systematically installing scrap and recycling furnaces at Group companies. In recent years, Tri-Arrows Aluminum expanded its recycling facilities in 2018 and currently uses scrap for 80% of its raw materials, and UACJ (Thailand) installed recycling facilities in 2019. Using scrap materials also costs less than using raw materials. UACJ will continue aggressively expanding its recycling capacity.



A scrap recycling furnace

**Main initiatives**

- Mitigate climate change**
  - Install energy-efficient equipment, update old equipment
  - Convert fuel sources from heavy oil to liquid natural gas
- Prevent pollution**
  - Install exhaust-gas treatment equipment
- Prevent water pollution**
  - Reuse factory waste water

**Raising the industry sustainability standard through the ASI**

In July 2020, UACJ became the first Japanese aluminum rolling manufacturer to join the global aluminum industry group Aluminium Stewardship Initiative (ASI). Through our membership, we will actively contribute to setting global standards for the aluminum industry and support the ASI's commitment to sustainability throughout the industry supply chain.



**Recycling Lighter vehicles**



**Working with industry groups to increase awareness of aluminum's environmental benefits**

UACJ is a member organization of the Japan Aluminium Association and works with the association in public relations activities to promote the environmental benefits of aluminum. The Company joins with the Japan Aluminium Can Recycling Association in can collection activities and also participates in various environmental education events. We are passionate about increasing the use of aluminum products as a way to help realize a recycling-oriented society.

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### Special Feature

## Increasing sales channels in overseas markets

New three-point global network opens doors to new markets

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## On the publication of this report

The UACJ Report 2020 is an integrated report combining the Company's business performance and financial information with general information about its management strategies, global business development plans, ESG activities, and other data.

UACJ has published integrated reports annually since fiscal 2015 to help stakeholders in Japan and worldwide gain a clear and comprehensive understanding of the Company. The report also includes an overview of market trends in the flat-rolled aluminum market so readers who are new to the Company can easily understand our business environment.

The report was prepared with input from departments throughout our organization and with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation of the Japanese Ministry of Economy, trade and Industry (METI).

We hope our stakeholders will gain a deeper understanding of our activities from this report and support us in our drive to continue enhancing the corporate value of UACJ.



### Reporting Scope

#### Period Covered

April 1, 2019 to March 31, 2020 (with some information about activities after March 2020)

#### Organizations Covered

UACJ Corporation and its consolidated subsidiaries in Japan (including specific data for some companies)

#### Accounting Standards

Japanese generally accepted accounting principles

#### About Forward-looking Statements

Some information in this report pertains to forward-looking statements and future earnings. These statements encompass risks and uncertainties and are not a guarantee of future earnings. Please be aware that actual prospects and earnings may differ from forecasts as a result of changes in the business environment and other factors.





We are moving ahead with medium- to long-term growth strategies while quickly implementing structural reforms to realize our new corporate philosophy.

**Miyuki Ishihara**  
Representative Director & President

The publication of this report comes at a time when the COVID-19 pandemic has caused serious hardships for people and businesses around the world. On behalf of the entire UACJ Group, I would like to express my sincere condolences to those who have lost loved ones due the coronavirus, and my deepest appreciation to the health care workers and other professionals on the front lines of this crisis. All of us are united in our commitment to the Group's stakeholders in helping overcome the challenges they face under these difficult circumstances.

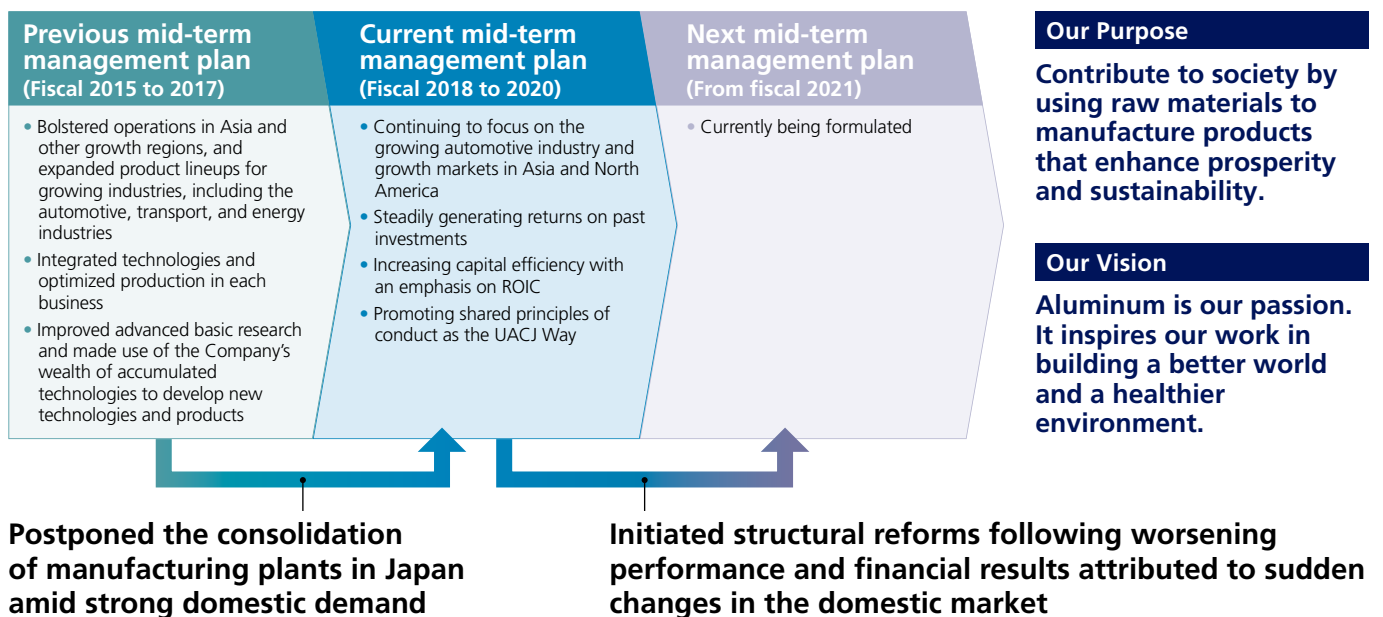
## Targets unachieved for the second consecutive fiscal year due to dramatic changes in the market

UACJ Corporation (hereafter, "UACJ" or "the Company") was founded in 2013 through the merger of two of Japan's leading aluminum product manufacturers. Sharing the same long-term strategies and recognizing that the domestic market

would contract in the future, the two companies aimed to grow sustainably as a global manufacturer by maximizing synergies through the merger to meet brisk demand in international markets, especially in Asia and North America. Accordingly, following the merger, UACJ carried out large scale investments to establish Tri-Arrows Aluminum Inc. in the United States and UACJ (Thailand) Co., Ltd., in Thailand, thereby creating a supply network extending beyond Japan to the rest of Asia and North America.

The Company made those growth investments because it could expect to generate enough profits in Japan for some time. Indeed, just after it formulated its investment plans, bottle-shaped aluminum cans came on the market, driving up domestic demand for canned coffee and other beverages. Meanwhile, automakers were increasingly using aluminum for body sheet as they strove to meet requirements for lighter vehicles. Demand for aluminum LNG tanks rose in line with growing shale gas exports from the United States. We also saw solid demand for aluminum thick plates used in liquid

## Shifts in UACJ's business strategies





crystal and semiconductor manufacturing equipment.

While we had expected the Japanese market to contract, demand for aluminum was actually rising at that time in every market we supplied. Therefore, we held off on our plan to consolidate the Company's domestic manufacturing plants, which we initiated under our previous mid-term management plan covering three years up to fiscal 2017, ended March 31, 2018. We also assumed domestic demand would grow when formulating our next management plan, spanning from fiscal 2018 to 2020, and stepped up investment in Tri-Arrows Aluminum and UACJ (Thailand) in order to tap brisk demand in Asia and North America.

From around the summer of 2018, however, China's economy was slowing down and its trade war with the United States had started, causing major changes in the market both domestically and internationally. Reflecting those trends, domestic demand for aluminum thick plates fell sharply at a time when production facilities in the U.S. and Thailand, which we had expanded through substantial investment, had not reached the point of profitability. Consequently, the Company failed to achieve its financial targets for the second consecutive fiscal year. Consolidated financial results were

down significantly year on year, with net sales decreasing by 7.0% to ¥615.1 billion, operating income falling by 31.9% to ¥10.1 billion, and ordinary income dropping by 38.9% to ¥3.8 billion. Net income attributable to owners of the parent was up, year on year, but that was mainly due to an increase in deferred tax assets.

### **Implementing structural reforms based on three objectives for making a stronger group of companies**

Aiming to overcome these severe circumstances, we began implementing a set of structural reforms in October 2019. That was quite early in comparison with other companies in Japan's aluminum industry, but since the Company had already planned to restructure its domestic manufacturing operations as an urgent matter immediately after it was established in 2013, our response to changes in the operating environment was actually late in retrospect. We deeply regret having initiated the reforms only after financial results worsened.

We learned from recent circumstances that the Company's earnings structure was unable to adapt to changes in the operating environment and its financial structure was relatively weak. Furthermore, the Group's slow response and inability to act decisively indicated a lack of leadership on the part of management. Therefore, to confront these issues head on and make the UACJ Group stronger, we designed the latest structural reforms based on the three objectives of increasing earnings capacity, reforming the financial structure, and increasing the speed and efficiency of management decision-making.

About one year has passed since we launched these reforms, and we are seeing progress towards each objective. With respect to increasing earnings capacity, consolidation of production facilities in Japan, which had been put off in the past, is now proceeding according to plan. In Thailand, new production facilities are fully operating following a third phase of capital investment, sales volume has increased, and favorable long-term contracts and agreements to revise prices



## Objectives and targets of structural reforms

<p><b>Increase earnings capacity</b></p>	<ul style="list-style-type: none"> <li>• Reduce the break-even point</li> <li>• Generate returns on large investments</li> <li>• Withdraw from non-profitable and non-core businesses</li> </ul>	<p><b>Earnings target</b>  <b>Increase by ¥21 billion</b>  <small>by fiscal 2022 compared with fiscal 2019</small></p>
<p><b>Reform the financial structure</b></p>	<ul style="list-style-type: none"> <li>• Increase operating cash flows</li> <li>• Reduce investment</li> <li>• Strictly control inventory assets</li> </ul>	<p><b>Free cash flow target</b>  <b>Achieve positive free cash flow</b></p> <p><b>Capital investment target</b>  <b>Reduce by 92.8 billion</b>  <small>between fiscal 2020 and 2022 compared with the total between fiscal 2017 and 2019</small></p> <p><b>Interest-bearing debt target</b>  <b>Reduce by at least ¥80 billion</b></p> <p><b>Debt-to-equity ratio target</b>  <b>1.3</b></p>
<p><b>Increase the speed and efficiency of management decision-making</b></p>	<ul style="list-style-type: none"> <li>• Improve management organizations and systems</li> <li>• Establish a structural reform headquarters</li> </ul>	<p><b>Management organizations that demonstrate quick decision-making</b>  <b>Successful implementation of reform measures</b>  <b>Optimally sized management team</b></p>

with international customers have been concluded. In the U.S., Tri-Arrows Aluminum had to slightly delay the startup of a new cold-rolling mill due to the outbreak of COVID-19, but sales were unaffected and production capacity is being boosted incrementally.

As part of our efforts to reform the financial structure, we have been withdrawing from non-profitable and non-core businesses while narrowing the Company's focus to its aluminum products businesses. Accordingly, the Company sold off its Wrought Copper Products business, which it had inherited from one of its founding companies. Meanwhile, all of the UACJ Group's employees have been cooperating in urgent measures to cut costs. As a result of these efforts, the Company recorded positive free cash flow in fiscal 2019 for the first time since it was established in 2013.

Finally, to increase the speed and efficiency of management decision-making, we reorganized our

management team to clearly separate management decision-making and execution as well as to clarify responsibilities and authority. Specifically, we reduced the number of executive officers from 27 to 14, as well as the number of full-time directors who concurrently serve as executive officers.

These structural reforms have been producing steady results so far, and the Company must complete this reform process in order to quickly improve financial results and get back on the growth track. At this time, we should have been implementing growth strategies under our current mid-term management plan, but we had no choice but to postpone those measures in order to focus on the structural reforms. Given the current circumstances, however, rather than just taking steps to improve short-term financial results, I believe we must take these steps to make the Group stronger and more capable of growing in the future.

## Creating new growth opportunities with a revised group philosophy

In fiscal 2019, while implementing structural reforms, we also revised our group philosophy. Comprised of Our Purpose, Our Vision, and Our Values, this philosophy broadly expresses the Group's direction and lays a path toward the future we want to realize. Having reaffirmed this, all of us can share the same vision and harness our collective power when carrying out the structural reforms. During the revision process, we invited almost 400 employees and managers—ranging from young employees to senior managers—to share their ideas in order to reflect the views and aspiration of all members of the Group.

Looking at this new philosophy now, I believe it has been put into practice through the prior investments and other measures we implemented in past years. Through capital investment in Tri-Arrows Aluminum and UACJ (Thailand), we provided customers around the world with aluminum products that help reduce environmental impacts, realizing our mission of contributing to society by enhancing prosperity and sustainability. Through the Company's acquisition of UACJ Automotive Whitehall Industries, Inc., we improved our ability to offer solutions in the auto industry. We also established new R&D facilities in Thailand and the United States, which



are working to maximize the potential of aluminum and help lower environmental loads across a wide range of industries.

Using the new corporate philosophy as a starting point, the UACJ Group will seek to create new growth opportunities going forward. Harsh business conditions will continue in many industries due to the COVID-19 pandemic, but some industries have actually experienced even faster growth, such as IT services and healthcare. Various aluminum products are needed in those industries, including magnetic discs and substrates for cloud servers, IT-related equipment components, and radiation-related components for medical equipment. Therefore, we intend to expand businesses that can take advantage of these opportunities for growth.

When pursuing such opportunities, however, we must always consider how the UACJ Group can offer value to society. Manufacturers of aluminum and other metal products provide value to society by supplying their customers with materials they need to use. For the Group to continue enhancing the value it provides in the future, however, besides ensuring a stable supply of aluminum products to its customers, it must also offer useful and innovative new solutions. More than ever before, we need to develop new applications for aluminum and demonstrate how its benefits cannot be matched by other materials.

This means that we must shift from being a group of companies that simply supplies aluminum products to being an enterprise that helps customers and communities innovate by providing valuable solutions. Aluminum is regarded as a technologically advanced material, but since it is so widely used throughout society, it still has a great deal of potential as a material with respect to its applications, properties, and machining technologies.

Even today, however, some people say that machining aluminum is difficult. It is true that machining aluminum is not as easy as other metals like iron, but I think that weak point can actually drive business opportunities. UACJ's two founding companies had been developing and manufacturing aluminum products for over a century, so we have more experience and expertise than any other manufacturer—that is

UACJ's biggest strength. By leveraging the Company's accumulated technologies and know-how to improve and refine the machinability of aluminum parts and components, we can solve the technical limitations of machining aluminum and, therefore, create new demand for applications that were previously unfeasible.

While overcoming this weak point, our solutions must also more effectively leverage aluminum's strong points, including its light weight, electrical and thermal conductivity, and excellent recyclability. Aluminum is already being used in the auto industry for body sheet and structural components, thereby helping reduce environmental impacts by facilitating material recycling and reducing vehicle weight, which improves mileage. Against that backdrop, the Company established its Mobility Technology Center to lead the development of new auto parts and components. This center will be at the forefront of the Group's efforts to accelerate the development of solutions in the growing automobile market. It will also enhance the Group's ability to offer solutions in other markets,

while making the most of aluminum's strengths. In these ways, we will work to lower environmental burdens and help make a more sustainable and prosperous society.

### Creating the next mid-term management plan with a longer-term strategic outlook

Anticipating steady progress through our structural reforms, which are now proceeding in earnest across the entire UACJ Group, we will design the next management plan to realize future growth, giving consideration to strategies from an even longer-term perspective than before. That is because the aluminum manufacturing industry is a very capital-intensive industry, so it is not uncommon for large-scale investments to require five or six years from the time of planning and carrying out the investment until facilities start operating and generate profits. Therefore, instead of thinking in terms of three-year management plans, we will consider growth strategies spanning over five to ten years, and position the next

### Envisioning the way forward under the next management plan





management plan within that timeframe.

The next ten years will bring us to 2030, the final year for achieving the United Nations' Sustainable Development Goals (SDGs), which are comprised of 17 goals and 169 targets. With that in mind, one approach we are considering is to specify the UACJ Group's ambitions for 2030 based on the SDG targets it is focusing on, and establish the next mid-term management plan as the first step towards realizing those ambitions. If we take this approach, the starting point for the whole plan will be the UACJ Group's purpose statement that we revised in February 2020: "To contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability." Guided by this new purpose, we will fully examine what the Group can do over the next decade, set qualitative and quantitative goals based on sustainability criteria, including the SDGs, and devise measures for achieving those goals.

Two of the Group's key competitive advantages are particularly relevant for executing such medium- and long-term growth strategies—its ability to provide solutions derived from extensive expertise in aluminum, and its global supply network based in Japan, the United States, and Thailand. We can leverage this supply network to flexibly respond to surges in market demand in North America, Asia, or other regions of the world. For example, when demand for aluminum can stock outpaces supply in North America, the Group's production facilities in Japan and Thailand can help those in the U.S. to fill growing orders. In other words, the Group can ensure a stable supply as only a global manufacturer can. Furthermore, taking advantage of the Group's solid track record in Japan, the Company's subsidiaries in the U.S. can supply materials and components to Japanese automobile and parts manufacturers that have set up operations in North America. The adoption of aluminum for automotive body sheet and structural components is expected to quickly pick up pace in Asia in the future now that automakers have done so in the U.S., Europe, and Japan. Utilizing its operations in Thailand, the Group's supply network will be able to make a smooth transition to supplying those



products in Asia by drawing from the accomplishments and know-how it has built up in the U.S. and Japan.

While making the most of the Group's competitive advantages—its solutions capabilities and global supply network—we intend to aggressively promote new markets for aluminum products by responding flexibly to the changing needs of customers and society in general under our next mid-term management plan.

Aluminum is an essential material for modern society. In fact, at a time when many factories in North America suspended operations due to the spread of COVID-19 from the spring of this year, the aluminum industry was designated by governments as an essential industry, allowing operations to go ahead. Guided by our new corporate philosophy, all of our employees are determined and committed to taking on new challenges so that the UACJ Group can continue fulfilling its social responsibility as an aluminum product manufacturer. As we pursue these endeavors, we ask for the ongoing support of the Group's many stakeholders around the world.

## We are quickly improving the financial structure and strengthening business management with a view to raise corporate and shareholder value over the medium and long terms

### Teruo Kawashima

Director and Managing Executive Officer  
In charge of Chief Executive of Finance and Accounting Division

Since joining the Company, Teruo Kawashima worked for many years in the Finance and Accounting Department, where he formulated and executed financial strategies. With the Company's reorganization in April 2020, he was appointed as the executive officer in charge of the new Finance and Accounting Division. Since UACJ's establishment in 2013, Mr. Kawashima has been responsible for international business strategies, international investment planning, investor relations, and relations with capital market players. He worked in Chicago, USA, from 2016 to 2019.



### Committed to structural reforms for increasing earnings capacity and improving the financial structure

From fiscal 2018, ended March 31 2019, the UACJ Group had been postponing reforms of its financial structure while continuing to post financial results below targets. The failure to achieve those targets was mainly attributable to the impact of market trends, including the trade war between the United States and China, the slowdown of China's economy, and, in fiscal 2018, a steep drop in demand for aluminum materials and components used in IT-related devices and thick plates used in liquid crystal and semiconductor manufacturing equipment. Due to these sudden changes in the market, results posted by the Group's core businesses—its main revenue base—worsened significantly at a time when they should have been generating substantial returns on large growth investments, which had been carried out in the United States and Thailand for the purpose of expanding the businesses over the medium and long terms.

Regrettably, the Group's business structure was not able to adapt to those changes in the market, and our management organizations encountered serious issues. In response, we initiated a set of structural reforms in October 2019, primarily aimed at increasing earnings capacity, reforming the financial structure, and increasing the speed and efficiency of management decision-making.

Since the Company's establishment in 2013, the UACJ Group has grown into one of the world's top three aluminum product manufacturers, and accounts for over half of all flat-rolled aluminum manufactured in Japan. It employs almost 10,000 people worldwide and deals with a large number of customers, suppliers, and business partners in the global market. This means we have a much bigger social responsibility than ever before. Therefore, to fulfill our responsibility, we must carry out the structural reforms with an unwavering commitment.

As chief financial and accounting officer, I am determined to lead the Company's efforts to reform its financial structure. Specifically, I will push ahead with reducing total assets and interest-bearing debt while aiming to maintain positive free cash flow with strict financial discipline. Unfortunately, to respond to the outbreak of COVID-19, we had to temporarily diverge from our policy of improving the financial structure and borrow an additional ¥30 billion. We also established committed credit lines totaling ¥43 billion with financial institutions in order to maintain stable operations amid the ongoing economic disruptions caused by the pandemic.

While taking these steps to secure credit, we largely

completed large-scale investment projects for UACJ (Thailand) Co., Ltd., and Tri-Arrows Aluminum Inc., and proceeded to restrict capital investment in order to manage cash flow and deal with the difficult business conditions brought on by COVID-19. In fiscal 2020, we are limiting capital investment to an amount commensurate with depreciation and amortization, and expect it to total about half the level of fiscal 2019.

Through our latest structural reform plan, we are working to improve profitability by ¥21 billion by fiscal 2022 and reduce interest-bearing debt by ¥80 billion over the next three years. We have rationalized production in Japan, and large-scale investments in Thailand and the U.S. have begun generating steady returns. In fiscal 2019, the Company achieved positive free cash flow for the first time since it was established and improved its financial structure to some extent. Looking ahead, maintaining strict financial discipline will be essential for realizing the objectives of our structural reforms. Therefore, while making sure to allocate resources to growth businesses, we will continue taking all necessary steps to improve the financial structure and bring the debt-to-equity ratio down to 1.3 during the period of our structural reform plan. Eventually, we will aim to reduce the ratio to 1.0, which we regard as an indicator of financial soundness.

## Managing businesses from the perspective of capital efficiency

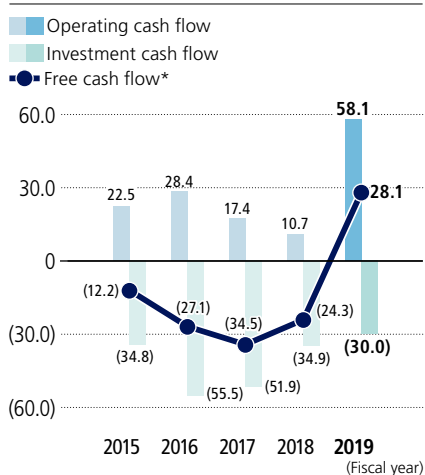
Along with improving and restoring the soundness of the financial structure, another objective of our structural reform plan is to strengthen financial management, which will be needed to ensure the medium- and long-term growth of the entire UACJ Group. Accordingly, we revamped our management practices and introduced a number of key performance indicators (KPIs) tailored to our places of business.

The Company's finance departments work to boost profitability, capital efficiency, and financial management by using various financial indicators, including return on equity (ROE), return on invested capital (ROIC), and the debt-to-equity (D/E) ratio. I believe there should be no divergence between such indicators and the management tools used at production plants and sales offices. In the past, practically all of our workplaces had been managed on the basis of profit and loss accounting. In the future, however, they will need to incorporate asset efficiency and cash flow management into their management practices because paths taken by the Company's businesses to attain targets had differed from that of its finance departments.

## Progress in reforming the financial structure

### Positive free cash flow achieved for the first time in fiscal 2019

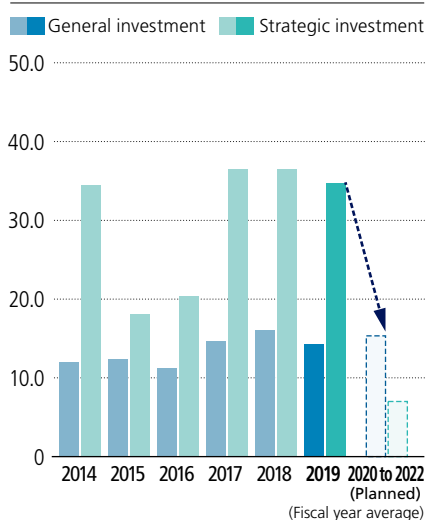
#### Cash flow results (Billions of yen)



\* Free cash flow = operating cash flow + investment cash flow

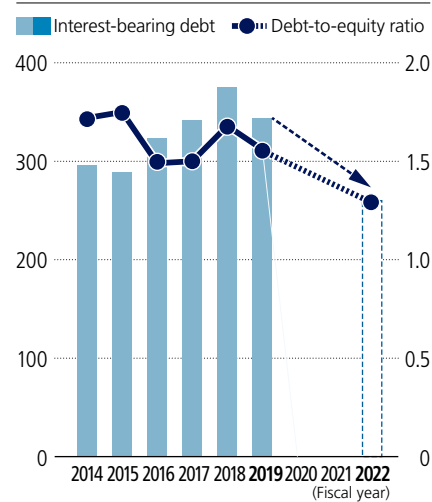
### Large-scale strategic investments completed in fiscal 2019

#### Capital investment results and plans (Billions of yen)



### Interest-bearing debt to be cut ¥80 billion by reducing capital investment

#### Interest-bearing debt results and forecast (Billions of yen; times)



Note: Subordinated loans were excluded from calculations



I will illustrate this with an example. Our production plants keep a certain amount of inventory to ensure that they can dependably manufacture and supply products. Plants that manufacture flat-rolled aluminum need more than two months of lead time after aluminum ingots are melted in order to carry out numerous production processes until a product is finished and ready for shipment. Therefore, they must keep enough aluminum in stock for each production process so that products can be shipped on schedule, even if a problem arises during one of those processes. Funds for ordering aluminum ingots, all of which must be imported because they are not made in Japan, are provided in advance based on purchase plans. From a financial perspective, reducing these inventory assets helps us reduce total assets, raise asset efficiency, and maximize cash flow, thereby improving ROE, ROIC, and the D/E ratio. In contrast, increasing or decreasing these inventory assets has no direct effect if only profits and losses are considered in managerial accounting.

The balance sheet and cash flow must be integrated in the accounting practices of our operational management, and I will lead efforts to widely adopt this approach going forward. To ensure that, it will be necessary to put systems in place that demonstrate what our businesses can do to improve financial performance. We are moving forward with our KPI program to show how various initiatives currently being carried out to improve operations are related to financial results. The deployment of KPIs is very helpful for analyzing why

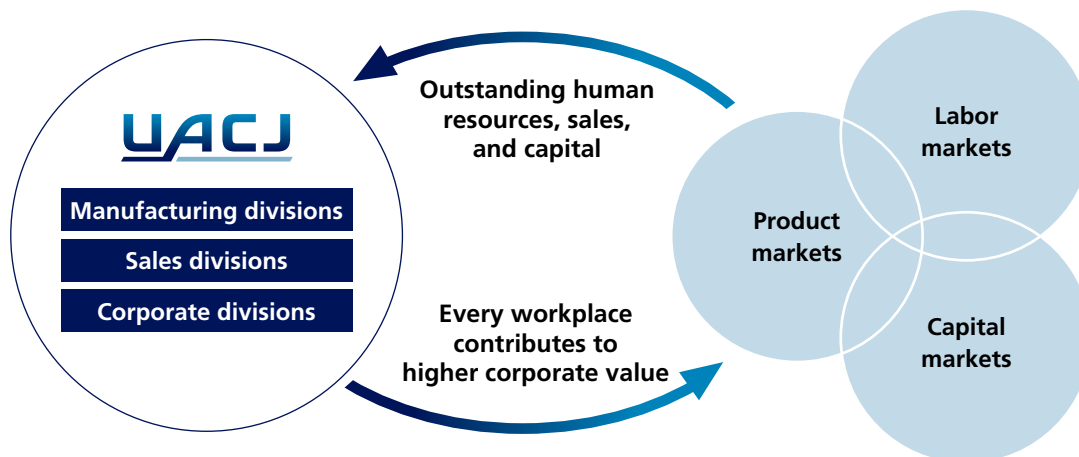
businesses have failed to meet targets or beat targets. All of the Group's manufacturing plants have been managing their operations from the perspective of profit and loss accounting for many years, so adopting a different approach is not an easy matter. Nevertheless, I have been discussing this with the heads of each business division, and expect our new management method to be fully adopted within the next three years as a framework for managing the divisions.

To ensure that our operations are reformed in this way, I will continue engaging in discussions with the heads of each business division in my role as chief financial and accounting officer. To have personnel at various workplaces recognize the importance of our financial affairs, when explaining our operational management, I have recently begun discussing three markets that companies deal with. It goes without saying that our workplaces are keenly aware of the product market, where profits are made from the sale of goods. Besides the product market, however, a company must deal with capital markets to secure the funds it needs to conduct business, and with the labor market to attract people who can run its businesses. All three of these markets are necessary for a company to continue operating.

By taking that perspective, employees will come to understand that it is not enough for a company to be profitable. We procure the funds needed to operate our businesses from capital markets, so we should use the weighted average cost of capital as a profit target because it

### Approach to raising corporate value

**Each division strives to raise corporate value, produce a virtuous cycle in three interrelated markets, and maintain stable operations**



includes the cost of debt and the cost of capital. Corporate value will not go higher unless those targets are attained. By increasing corporate value, the Company can earn a higher credit rating, raise its presence in the product market, and more effectively attract the best talent from the labor market. By securing skilled human resources and leveraging that presence to boost sales, we can return more profits to employees and shareholders, and more easily procure the funds we need to operate from capital markets. By explaining how the three markets are interrelated in these ways, I want management to understand how measures executed by each business are linked to our financial indicators, and how that contributes to increasing corporate value.

We must also take on another major challenge from now: adapting our financial management to the globalization of the Group's businesses. When UACJ was established through the merger of its founding companies in 2013, sales outside Japan accounted for about 30% of total net sales, but they are now almost half. Likewise, sales volume of flat-rolled aluminum to foreign markets now exceeds the amount to the domestic market. The investment funds needed for expanding capacity of the Group's production plants in the U.S. and Thailand have been procured in Japan up to now, but as their operations reach capacity and sales grow, cash flows in those countries will increase in the near future. Consequently, cash flow management by overseas subsidiaries will become much more important. Therefore, we are planning to set up a global cash flow management organization, which will not only oversee locally generated cash flows but also handle foreign currency management and national tax systems.

### **Tapping demand in growing markets with environmentally friendlier products**

While the UACJ Group is currently making concerted efforts to reform its financial structure and business management organizations, it is also focusing on returning profits to shareholders in the future in anticipation of substantial returns on past investments. Along with paying dividends, increasing corporate value should also be considered as a means to return profits to shareholders. Based on both of those means, we are planning to set a target for total shareholder return and implement measures to achieve it.

Today, economic conditions are very challenging due to various factors, including the ongoing worldwide COVID-19 pandemic and the trade war between the United States and China. Taking a broader view from a medium- to long-term perspective, however, aluminum product manufacturers appear to be ideally positioned for raising value in the future.

With the increasing seriousness of climate change and environmental problems worldwide, we can expect demand for aluminum products that offer solutions to continue rising.

One such product is flat-rolled aluminum for can stock, the UACJ Group's mainstay product. In recent years, ocean plastic pollution has been extensively covered by the mass media, which has led to worldwide efforts to use alternatives to plastic as a material for beverage and detergent containers. Aluminum has attracted attention due to its excellent recyclability and relatively small burden on the environment. Aluminum auto parts are another type of product that contributes to environmental solutions. They are essential for reducing vehicle weight, which improves the mileage of gasoline powered cars and extends the distance traveled by electric vehicles. In the future, demand for aluminum body sheet and structural components for automobiles is projected to grow.

The UACJ Group can meet such market demand and respond to new applications for aluminum products in more and more regions of the world through its global supply network, which was established after UACJ's establishment through substantial strategic investments in the United States and Thailand. Looking ahead, the Company will need to accelerate the returns from those investments to strengthen its financial base. Moreover, for the Group to increase its value over the medium and long terms, it must expand its businesses in those growing markets. To accomplish that, we intend to make necessary investments in R&D with a view to develop innovative manufacturing technologies and aluminum products that can attract new demand. Indeed, we regard R&D as the driver of higher corporate value in the future.

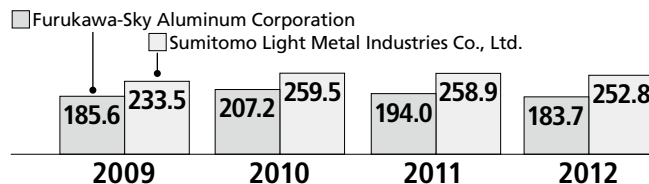
In tandem with the structural reforms initiated in 2019, we also revised our corporate philosophy. It expresses our aspiration to contribute to the prosperity and sustainability of society through our aluminum products businesses. All members of the UACJ Group can take great delight and pride in such contributions. As an essential enterprise for society, the UACJ Group will strive to meet the expectations of shareholders, customers, and all other stakeholders by increasing corporate and shareholder value in the years ahead.

## Changes during the previous and current mid-term management plans

During the period of its previous mid-term management plan, UACJ expanded production capacity mainly at its overseas subsidiaries, Tri-Arrows Aluminum Inc. and UACJ (Thailand) Co., Ltd., in order to capture robust demand in the global market. Through that investment, the Group's production capacity surpassed 1.5 million tons and consolidated net sales surpassed the ¥600-billion mark. Later, however, earnings power declined, particularly of operations in Japan, and the Company's financial position worsened. Consequently, the goals and targets of the current mid-term management plan were not achieved. In response, management initiated a set of structural reforms in October 2019 in an effort to stabilize the financial position and form a basis for achieving the goals of its next mid-term management plan.

### Founding companies supplied products mainly in Japan

Net sales  
(Billions of yen)

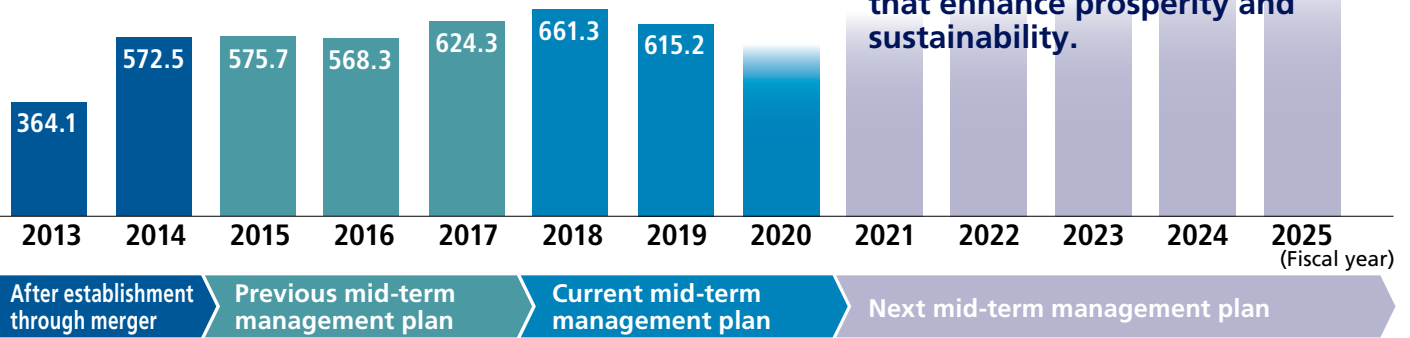


Before establishment through merger

### Past investments

	Previous mid-term management plan (Fiscal 2015 to 2017)	Current mid-term management plan (Fiscal 2018 to 2020)																				
Operating environment and challenges	<ul style="list-style-type: none"> <li>Demand for aluminum cans and foil increased rapidly amid rapid economic growth in Asia and the Middle East</li> <li>Demand for aluminum auto and aircraft parts increased amid efforts to reduce vehicle and aircraft weight by manufacturers, particularly in the U.S. and Europe</li> </ul>	<ul style="list-style-type: none"> <li>Demand for aluminum products grew globally. Aluminum can stock demand rose mainly in Australia, China, and other Asian countries. The shift to lighter cars and EVs drove up demand for aluminum auto parts in North America</li> <li>Financial results were far short of previous targets. Sales volume had declined and energy costs rose steeply</li> <li>The Company's financial position worsened. Interest-bearing debt had increased due to rising costs for starting up new operations</li> </ul>																				
Basic strategies and major policies	<ul style="list-style-type: none"> <li>Bolster operations in Asia and other growth regions, and expand product lineups for growing industries, including the automotive, transport, and energy industries</li> <li>Integrate technologies and optimize production in each business</li> <li>Improve advanced basic research and make use of the Company's wealth of accumulated technologies to develop new technologies and products</li> </ul>	<ul style="list-style-type: none"> <li>Continue to focus on the growing automotive industry and growth markets in Asia and North America</li> <li>Steadily generate returns on past investments</li> <li>Increase capital efficiency with an emphasis on ROIC</li> <li>Promote shared principles of conduct as the UACJ Way</li> </ul>																				
Key achievements	<ul style="list-style-type: none"> <li>Established a global supply network for can stock based in Japan, Thailand, and the U.S.</li> <li>Established a supply network for automotive parts in the U.S.</li> <li>Optimized production facilities, thereby contributing ¥11 billion in earnings</li> <li>Centralized R&amp;D at Nagoya Works and made progress in developing new products and next-generation core technologies</li> </ul>	<ul style="list-style-type: none"> <li>Thai and U.S. subsidiaries boosted profits following investments. UACJ (Thailand) posted operating income for the first time and boosted annual production capacity and sales volume to about 200,000 tons per year; Tri-Arrows Aluminum topped 400,000 tons in annual sales volume; the ratio of sales outside of Japan surpassed 50% of total sales</li> <li>The business portfolio has been streamlined. Sold off the copper tubing business and ended an automotive body sheet joint-venture agreement in the U.S.</li> </ul> <div style="display: flex; align-items: center;"> <div style="margin-right: 20px;"> <p><b>UACJ Thailand's monthly production output in fiscal 2019</b> (Thousands of tons)</p> <p>Startup of new facilities</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Output (Thousands of tons)</th> </tr> </thead> <tbody> <tr><td>4</td><td>10</td></tr> <tr><td>5</td><td>13</td></tr> <tr><td>6</td><td>14</td></tr> <tr><td>7</td><td>18</td></tr> <tr><td>8</td><td>18</td></tr> <tr><td>9</td><td>21</td></tr> <tr><td>10</td><td>23</td></tr> <tr><td>11</td><td>23</td></tr> <tr><td>12</td><td>23</td></tr> </tbody> </table> </div> </div>	Month	Output (Thousands of tons)	4	10	5	13	6	14	7	18	8	18	9	21	10	23	11	23	12	23
Month	Output (Thousands of tons)																					
4	10																					
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Remaining challenges	<ul style="list-style-type: none"> <li>Financial results fell far short of the plan's targets. Sales volume dropped as energy costs rose steeply</li> <li>The Company's financial position worsened. Interest-bearing debt increased due to rising costs for starting up operations</li> </ul>	<p>Remaining challenges will be determined following the conclusion of the current mid-term management plan</p>																				

## Tapped worldwide demand and grew into a major global manufacturer



### Our Purpose

Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

## Returns on the past investments

Next mid-term management plan (From fiscal 2021)

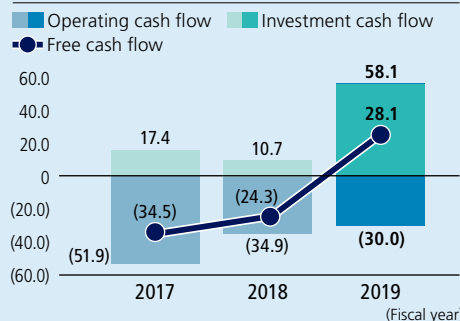
### Structural reforms

- Management was ineffective**  
 Decision-making was slow, execution was lacking, risk management was insufficient, and reforms of business processes were delayed by the slow adoption of IT
- Earnings power declined**  
 Responses to changing business conditions and product mix adjustments were slow, measures to cut fixed costs were insufficient, and foreign subsidiaries failed to achieve profit targets
- The financial structure was weak**  
 Large investments drove up interest-bearing debt and efforts to improve asset efficiency were slow
- Increase earnings capacity**  
 Reduce the break-even point, generate returns on large investments, and withdraw from non-profitable and non-core businesses
- Reform the financial structure**  
 Increase operating cash flows, reduce investment, and strictly control inventory assets
- Increase the speed and efficiency of management decision-making**  
 Improve management organizations and systems, and establish a structural reform headquarters

- Rationalized production in Japan  
Stopped certain processes at Fukaya Works and closed down Nikko Works
- Achieved positive free cash flow
- Slimmed down management  
Substantially reduced the number of full-time directors and executive officers

Note: The results above were as of March 31, 2020

### Consolidated cash flow results (Billions of yen)



Currently being formulated





## All members of the Group are committed to pushing ahead with our structural reforms

### Katsuyasu Niibori

Director and Managing Executive Officer  
In charge of Chief Executive of Corporate Strategic Restructuring Office, Chief Executive of Corporate Strategy Division

In the lead-up to UACJ's establishment, Katsuyasu Niibori was in charge of the department handling the merger at Furukawa-Sky Aluminum Corporation. Later he served as president of UACJ Foil Corporation. When structural reforms were announced in September 2019, he was tasked with leading UACJ's Corporate Strategic Restructuring Office, and then appointed as the head of the Corporate Strategy Division when the Company reorganized in April 2020.

#### **Q** What was the background for UACJ's structural reforms?

**A** We decided on drastic structural reforms to make the Company strong enough to withstand sudden changes in the operating environment.

UACJ was established through the merger of Japan's top two aluminum product manufacturers, which aimed to form a major global company. When the merger was decided, I remember the excitement among our members as we all imagined how to create a unique new business.

As we had envisioned, UACJ grew into a leading global manufacturer after proactively investing in business expansion, not only in Japan but also in Thailand and the United States. Before reaching a phase when those large investments could produce returns, however, demand for our products dropped due to trade friction between the U.S. and China, and aluminum ingot prices and foreign exchange rates became unfavorable. Consequently, the earnings power of each of the UACJ Group's businesses fell sharply and the Company's financial structure weakened.

Our operating environment changed much more suddenly than we could have imagined, but that made us realize that the Group's business structure was not resilient to such changes, and management lacked the ability to respond decisively and

quickly. These were the main reasons for initiating the structural reforms. For the Group to regain its earnings capacity and maintain stable performance in the future, we recognized that painful and drastic structural reforms would be necessary rather than temporary adjustments and improvements to the existing business structure.

A significant amount of time would normally be needed for in-depth reforms to a company's business structure and organizations, but we had no time to lose as results continued to fall short of performance targets. With a sense of crisis, management carried out various measures aimed at quickly making the Company strong enough to withstand sudden changes in its operating environment. Among them, we streamlined the business portfolio, which included rationalizing production facilities, substantially reorganized management, and reoriented our corporate culture.

#### **Q** What issues had to be addressed first through the structural reforms?

**A** We had to substantially reorganize management and the divisional structure to speed up management decisions and business execution.

In my view, the main reason why the Company's earnings power declined and the financial structure weakened was that

management lacked the ability to objectively oversee the earnings capacity of each of the Group's businesses. Accordingly, when initiating the structural reforms, we started by analyzing the weak points of our operational management and how to strengthen them. Specifically, we focused on increasing the speed and efficiency of management decision-making.

One of the biggest problems was that the number of officers in charge of business execution had increased in line with the compartmentalization of organizational functions following the Company's establishment in 2013. Since so many officers had been appointed, the scope of their authority was not clearly defined, and more and more matters could not be decided by individual officers. As a result, time was needed to address particular issues, which led to delays in management decision-making. Indeed, this issue had been raised by the Board of Directors and the Nomination and Remuneration Advisory Committee. Therefore, after thorough deliberations, a plan was settled to substantially slim down the Company's management team.

Our new management team was announced in February 2020 and went into effect the following April. The number of executive officers was cut from 27 to 14, clarifying the scope of responsibilities and authority of each officer and facilitating speedier decisions concerning business execution. The number of outside directors was kept at four, and the number of full-time directors who also serve as executive officers was reduced from eight to six, promoting greater separation of the execution and supervision functions of management. Through

this arrangement, the Board of Directors can now engage in more dynamic discussions involving fewer members and make management decisions more quickly.

In addition, we substantially reorganized the Company's divisional structure, which had been organized horizontally into 18 divisions under the leadership of the president. That arrangement made smooth interdivisional cooperation difficult because the operational scope and authority of the divisions were so compartmentalized. For that reason, we adopted a divisional headquarters structure divided into three new organizations: the Corporate Strategy Division, Finance and Accounting Division, and Business Support Division. Each division has a clearly defined role, which not only facilitates smooth cooperation between them but also speedier decision-making across the Group.

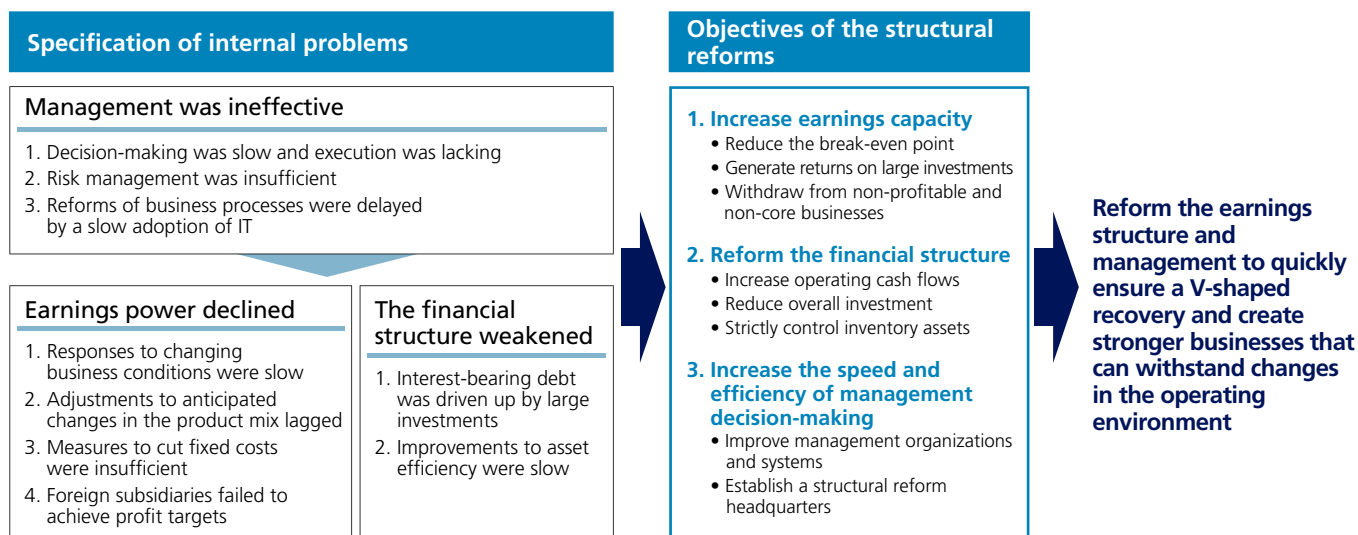
All of the structural reforms were approved in the Company's general meeting of shareholders held in June 2020. They have also been very well received by institutional investors and various other groups of stakeholders.

**Q** What do you think will be the key to the success of the structural reforms?

**A** We must ensure that all members of the Group implement the reforms as a team by facilitating communication and sharing best practices.

The structural reforms we are implementing now constitute the most extensive restructuring of the Group's business portfolio

## Process of formulating the structural reforms



and organizations since UACJ was established in 2013. To successfully carry out the reforms, I think the most important factor will be to keep all employees united and focused on the same objectives so their efforts and commitment are consistent.

One important objective of the structural reforms is to rationalize production plants in Japan, which will involve shutting down certain facilities and transferring operations between plants. In this process, the hardships experienced by local employees will differ widely among the plants, but those who are not directly affected should not feel happy because their workplace was spared from the rationalization. I want them to empathize with their counterparts experiencing the hardships of the reorganization, and work harder than ever to raise productivity and cut costs. Unless we continue to improve each workplace in those ways, we will not be able to actually accomplish the structural reforms.

For the reforms to be successful, all members of the Group, regardless of their job titles and responsibilities, must take individual actions toward the same goals. That means it is essential for everyone to understand the purpose and necessity of the reforms, and to move in the same direction. Therefore, revising our corporate philosophy and promoting it group-wide was a core element of the structural reforms. Toward that end, we created a program designed to promote our vision and values as the UACJ Way, which is a set of guidelines for all employees to follow. To lead these efforts, we also set up a department tasked with renewing our corporate culture. It has been creating opportunities for directors and officers, including the president, to meet with employees to discuss how the

philosophy can be put into practice in one's daily work activities.

I had also scheduled visits to various workplaces to directly speak with employees about the structural reforms and explain their importance in detail. Unfortunately, however, due to the outbreak of COVID-19, we were unable to hold large gatherings of employees. Instead, we held the meetings online and tried several digital tools to interact with employees, such as soliciting their comments and suggestions via email. I plan to continue deploying various means to explain the structural reforms to employees in the future so that we can carry them out as a united team.

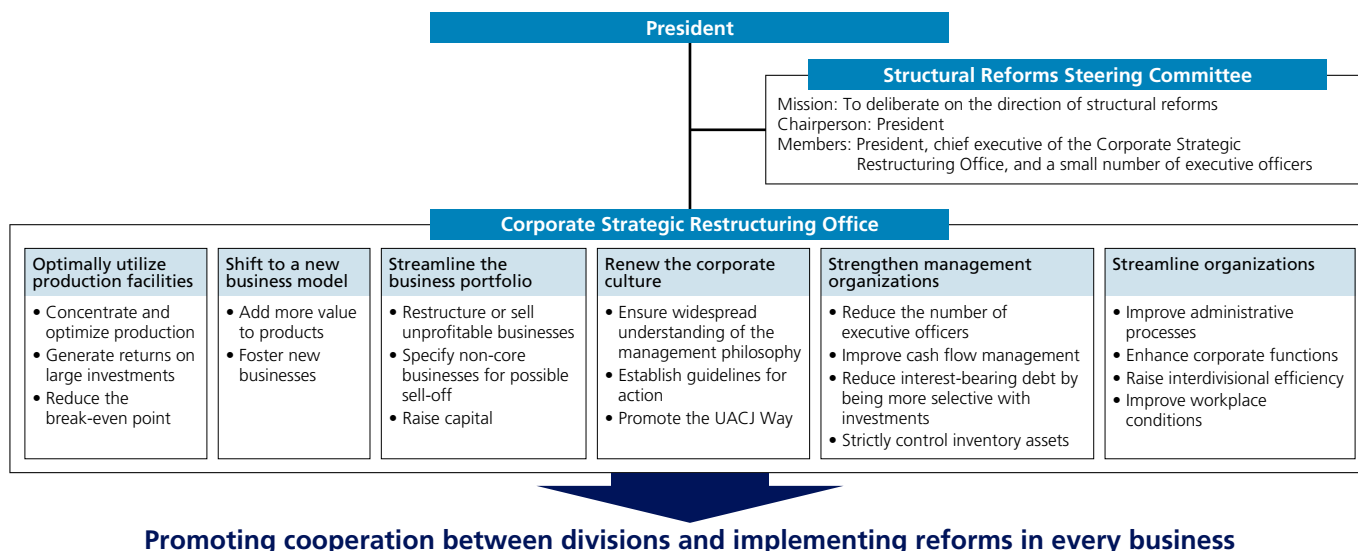
Another important key for ensuring the success of the reforms is to establish best practices as soon as possible. For example, if the reforms result in an effective way to cut costs at a production plant or a useful marketing technique for stimulating new demand, I want those cases to be shared and adopted as best practices group-wide. If we share actual examples of how results were achieved by implementing the reforms, employees should be more motivated to continue carrying them out.

**Q** How will the structural reforms move forward from now?

**A** We will carefully monitor the progress and results of each measure to ensure targets are achieved.

Through the structural reforms, we are aiming to improve ordinary income by ¥21 billion over the next three years

## Organization for promoting the structural reforms



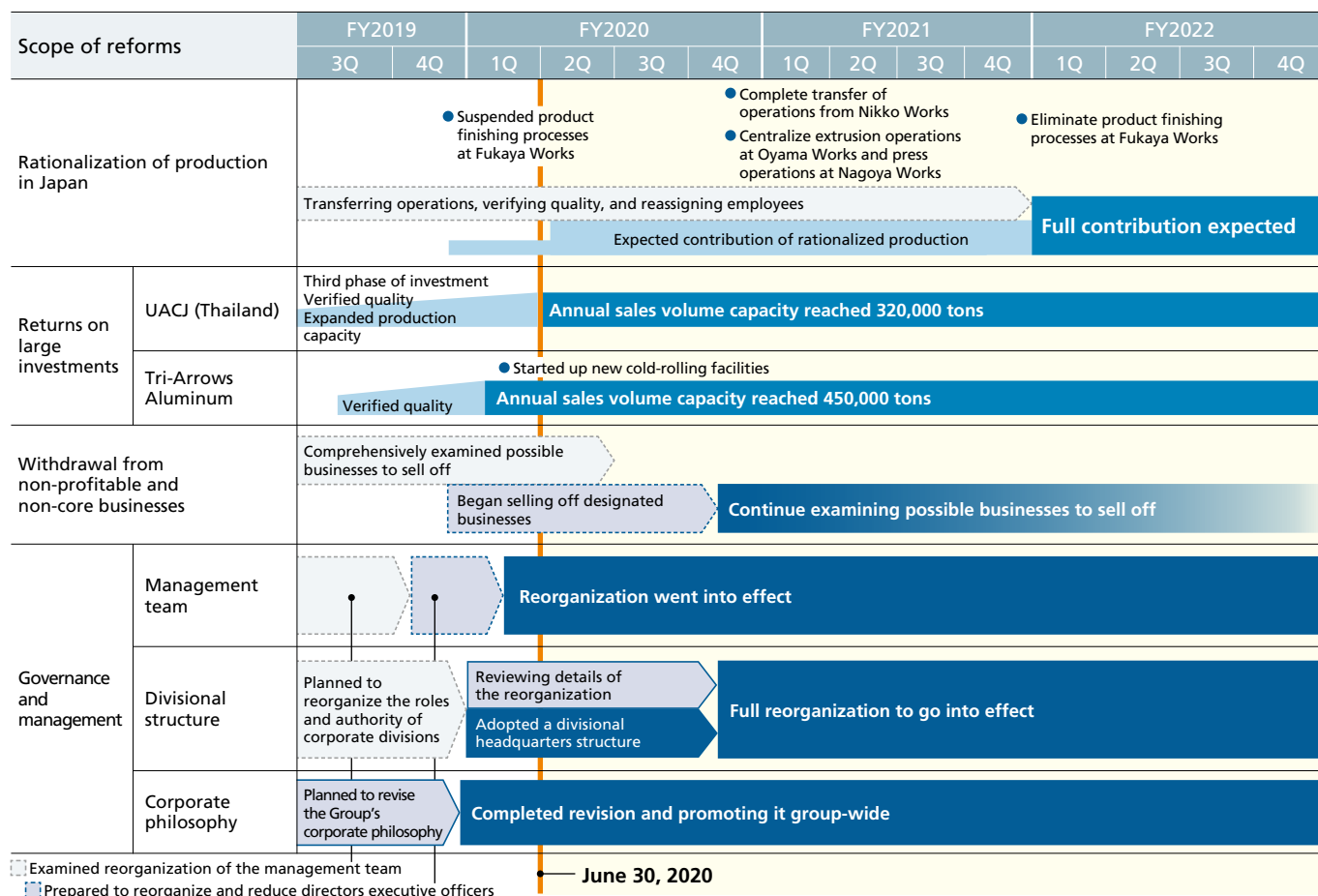
between fiscal 2020 and 2022, ending March 31, 2023, and the entire UACJ Group is committed to this target. After the reforms were launched, COVID-19 spread worldwide beyond everyone's expectations, but we will not let such external factors interfere with our progress. Instead, we will draw on the Group's collective capabilities to achieve this target regardless of changes in our operating environment.

The main measures of the structural reforms have been proceeding in line with our roadmap, including the management and organizational reforms discussed above, as well as our measures for rationalizing production plants in Japan, improving earnings of overseas subsidiaries, and quickly streamlining the Group's business portfolio. This progress has been reported in our periodic briefings of financial results, and feedback from investors and other stakeholders has consistently been positive. I understand, of course, that they are not only concerned about the flow of progress but also the specific

results of the measures. Therefore, we will report in detail on whether results have been improving for each measure and how much time is expected to achieve our goals. While monitoring this progress, if any of the measures are not producing results in line with the goals, we will need to examine and quickly implement new initiatives to get the results on track.

I believe that the UACJ Group must accomplish the structural reforms if it is to fulfill its purpose of "Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability," and in that process, continue operating as an enterprise that is indispensable for people in the future. The Group is a very large enterprise, producing over half of all flat-rolled aluminum in Japan, so a stoppage or slowdown of its operations would have various negative effects on society. Therefore, all members of the Group must always uphold our social responsibility while working together to implement the reforms going forward.

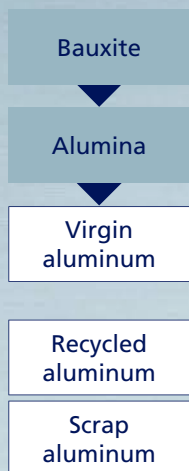
## Timeline of the structural reforms





### Aluminum's diverse benefits

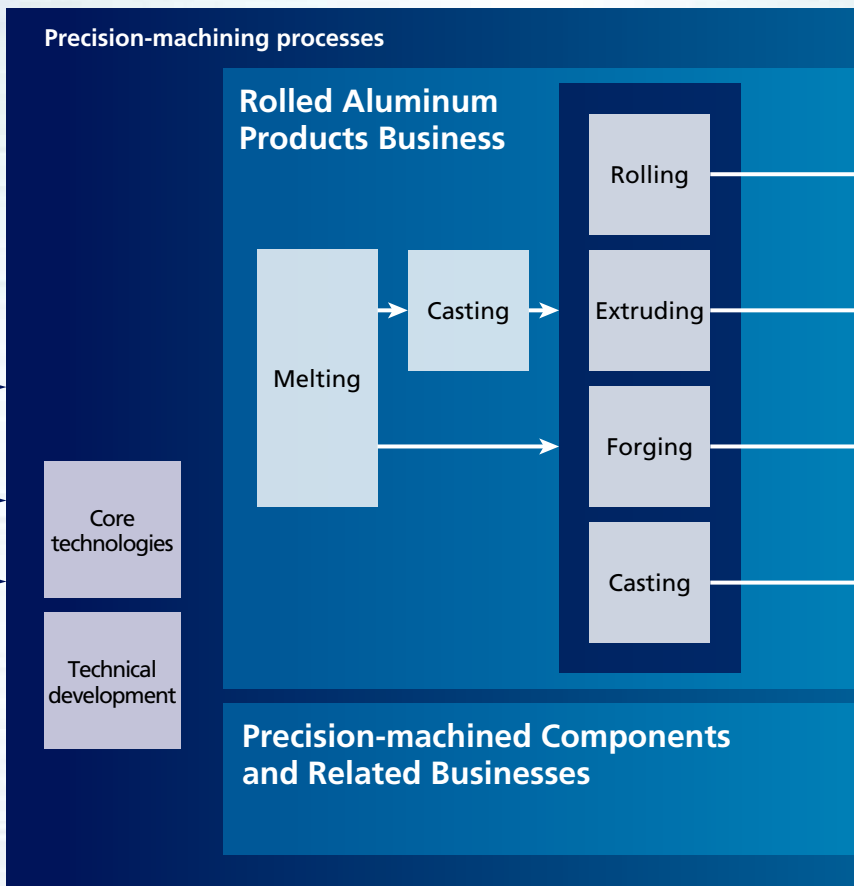
#### Smelting process



#### Benefits of aluminum

- Highly resistant to low temperatures
- Excellent electrical conductivity
- Reflects light and heat
- Resistant to corrosion
- Lightweight
- Non-toxic
- Easy to cast
- Strong
- Easy to recycle
- Attractive in appearance
- Comparatively non-magnetic
- Easy to machine and process
- Excellent heat transmittance

### The UACJ Group's wide-ranging precision-machining processes



### UACJ's strategies

- Mid-term management plan (pages 21 – 22)
- Structural reforms (pages 23 – 26)

### UACJ's strengths and basis for growth (pages 45 – 47)

#### Human capital

- A diverse workforce of about 10,000 employees in 10 countries of the world
- Expertise in occupational safety

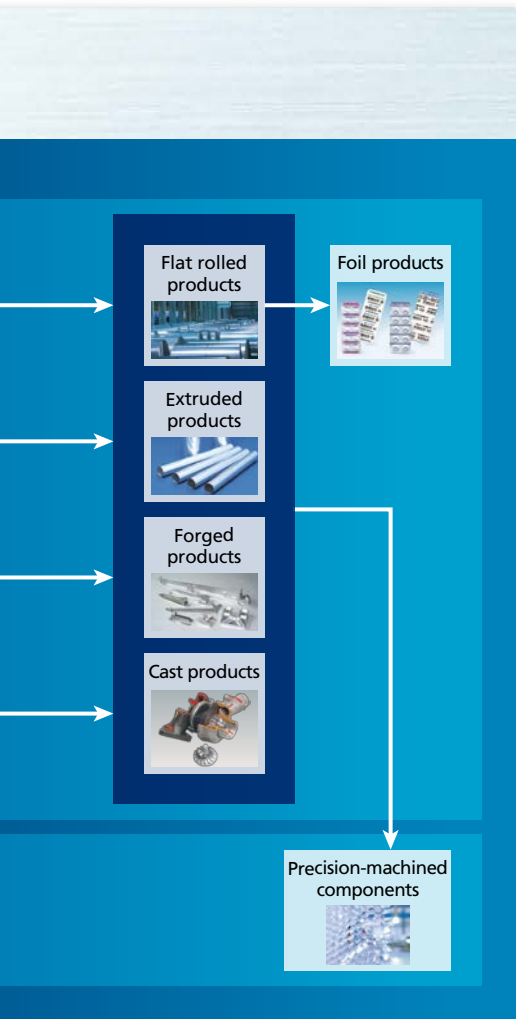
#### Intellectual capital

- Over 100 years of accumulated expertise in aluminum

#### Manufactured capital

- More than 1.5 million tons of annual production capacity
- Manufacturing facilities are among the world's largest, including a hot-rolling mill totaling 400m in length and 4.3m wide

# The recycling of aluminum helps reduce CO<sub>2</sub> emissions and facilitate more effective use of resources



## UACJ's management foundations

Corporate governance (pages 35 – 38)  
 Risk management (pages 41 – 44)

### Social capital

- Tie-ups with leading research institutes around the world

### Natural capital

- Aluminum loses little value as a resource, even after recycling

### Financial capital

- Ability to generate cash flows by leveraging production capacity to meet strong global demand

### Automobiles



### Aviation and aerospace



### Transport ships



## For a variety of industries around the world

### Beverage cans



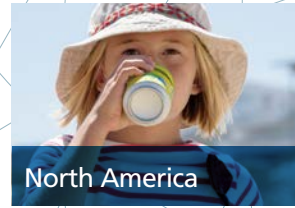
### Pharmaceutical and food products



### IT devices



### Construction







## Special Feature

# Increasing sales channels in overseas markets

### New three-point global network opens doors to new markets

Increasing our sales channels to overseas markets is a key growth strategy for the UACJ Group. We completed a major step to creating a global supply network by increasing the annual production capacity at each of our three primary overseas bases in Japan, the United States, and Thailand to over 300,000 tons. Kensuke Goto, Head of the Overseas Sales Management Department, introduces the latest developments as we prepare to use our three-point supply network to expand can stock sales across a broader range of the global markets.





**Kensuke Goto**  
Head of the Global  
Sales Planning &  
Promotion Department

Mr. Goto has been a sales manager for a wide range of UACJ products. He joined the sales department at UACJ (Thailand) in 2014 where he oversaw sales of automotive heat exchanger materials and later moved to sales of can stock to global manufacturers. In 2020, he became Head of the Global Sales Planning & Promotion Department at UACJ Corporation where he is in charge of strategic planning for global sales.

## Expanded capacity at UACJ (Thailand) opens avenues to untapped markets

The UACJ Group's supply framework for can stock has been structured for the production base in Japan to supply the Japan market, Tri-Arrows Aluminum in the United States the North American market, and UACJ (Thailand) the Thailand and Southeast Asian Market. This structure was used because we needed to ensure we could provide a stable supply to our domestic customers in Japan, who required unique specifications. Also, Tri-Arrows Aluminum needed to focus on meeting the rapidly growing demand for can stock in the United States, which is the world's largest user of aluminum cans. UACJ (Thailand) had annual production capacity of under 200,000 tons, so it was dedicated to supplying the local market in Thailand and neighboring countries.

However, the **third phase of investment to expand the production facilities at UACJ (Thailand)** raised its annual production capacity to 320,000 tons in 2019. At the same time, local operators have become increasingly proficient and have doubled their monthly production volume to above 20,000 tons. **Enhanced output by UACJ (Thailand) will allow us to**

**supply to a wider base of users**, and the company has even extended its supply range to the growing markets in Africa and the Middle East. **The expanded supply range will not only increase sales, it will also diversify risk.** The company is also preparing to broaden its coverage to include South America, where demand is also growing for can stock.

UACJ (Thailand) also gives us **flexibility when choosing our sales destinations, allowing us to respond to changing global market conditions** caused by trade agreements, tariffs, or other developments. One example is the trade friction between the United States and China. Aluminum demand in the United States surged when it restricted the import of Chinese products, and UACJ (Thailand) was able to help Tri-Arrows Aluminum meet demand that was beyond its capacity. Likewise, UACJ (Thailand) started delivering to South Korea to avoid tariffs placed on products from Japan. Bolstered by the augmented production capacity, the UACJ Group's sales activities are branching out to reach new regions around the world.





## Expanded supply range is bringing new business with global manufacturers

The UACJ Group's Can Stock Business has advanced to the next stage with the capacity expansion at UACJ (Thailand) and the ability to offer high quality products to new customers around the world. This new stage is enabling business with global beverage and can manufacturers. Global manufacturers need suppliers who can provide a large volume of can stock worldwide that is of consistent quality and highly cost competitive during contracts that last several years. These are the minimum standards to be considered as a candidate to supply can stock. UACJ is now positioned to meet and exceed those standards. The enhanced capacity of UACJ (Thailand) and the increase to an annual capacity of 450,000 tons at Tri-Arrows Aluminum in the United States with the further support from the 300,000 tons produced annually in Japan give us **the stable supply system needed to become a business partner of the global manufacturers.**

In addition, the three production bases previously only supplied locally and were considered to be operating as three distinct companies. However, managers from the three companies advocated for combining forces to create a global supply network. Customers have even noticed the difference,

saying that we have become a global corporation, and we are **now recognized as a fully unified group.** I believe that this change in how our customers see the Group is significant.

Of course, a global supply system is not enough to win contracts. Successful business negotiation requires appreciating a country's business customs and national character and understanding the customer's way of thinking and the speed of their decision-making. I realized this when I was on global sales team at UACJ (Thailand). One time when an American senior executive and I were in a sales meeting we were asked to give a price quote. In Japan, providing a quote usually takes time to formulate because we would consult with superiors and do other preparations. However, the American executive gave them a rough estimated right away. Although he had been authorized to enter a business deal, he also seemed to have an intuitive understanding that an **on-the-spot decision would lead to a successful business negotiation and a satisfied customer.** For the Group to increase its business partnerships with global manufacturers, we must develop human resources that have that sort of global business sense.

### We must become a genuine global player to expand business with global customers

For the UACJ Group to establish key points of contact with global customers, it will need to promptly acquire information on important market trends and the competitive environment along with feedback from customers by being directly connected to the marketplace. To accomplish this, we must allocate key sales personnel who can establish and maintain long-term relationships with our customers and be directly involved in negotiations without needing the support of a trading company. Therefore, these individuals should be groomed over the long term instead of having their jobs rotated every several years. UACJ must aim to be a global player rather than just a Japanese company doing global business, and I am happy to say that it has already established a strong global presence in the global can stock market.



**Bud Patel**

UACJ (Thailand) Co., Ltd.  
General Manager Global  
Business Sales &  
Marketing Dept.

## Identifying emerging needs at global manufacturers

Global manufacturers primarily need stable supply in all parts of the world and cost competitiveness. At the same time, those manufacturers have innumerable contacts with end users, and have a **diverse array of both apparent and latent needs**. It will not be enough for the UACJ Group to grow by meeting the natural rise in demand as populations increase and emerging countries expand economically. We also must have the structure to respond to a wide range of needs, including potential needs.

The Group is fully aware of this and has supplemented its R&D base in Japan with new bases in the United States and Thailand. The local bases shorten the time needed to respond to customers because we can examine their requests and issues locally without having to bring them to Japan. Communication in the local languages also enables immediate and more detailed responses. The overseas R&D bases will also develop products geared to local potential needs and will be actively involved in boosting sales and enhancing customer satisfaction.

Our customers are also **increasingly concerned about environmental issues**. In the last year or two, many customers started asking us for specifics about the percentage of recycled materials in our products and what our targets are. Now, these topics are discussed by virtually all of our customers. We are also often asked if UACJ is a member or planning to join the Aluminium Stewardship Initiative. ASI is an international organization aiming to maximize the social contributions of aluminum producers, processors, and end users around the world by strengthening the sustainability throughout the aluminum supply chain. **We were the first Japanese aluminum rolling manufacturer to join ASI**. Beverage manufacturers of well-known brands as well as can manufacturers are strongly pushing for sustainability measures. My many years of experience in sales tells me that



Visitors to UACJ are served water in aluminum cans

### **sustainability is going to continue to be a major buying factor in the years ahead.**

One environmental problem that has gained a lot of attention recently is the plastic pollution from plastic bottles, bags, and other waste that is flowing into the seas and having a tremendous impact on the marine ecosystem. Industries are responding by using less plastic in containers and packaging. Although not yet big enough to measurably affect aluminum demand, some beverage packaging companies in the United States are offering aluminum cups as an alternative to plastic cups used at baseball stadiums and outdoor events. We have even switched to serving water in aluminum cans to visitors to the Company. Among beverages, mineral water is the largest market, and converting even just 1% of that market to aluminum cans would add huge demand for aluminum. As we demonstrate the value of the UACJ Group in the global market, **we will seek to form new markets** while being sensitive to the demands and changes at our customers and in society.

## Implementing structural reforms to realize medium- to long-term business growth as an aluminum products manufacturer with a solid revenue base

### Akio Sakumiya

Independent outside director

Akio Sakumiya was formerly an executive vice president at Omron Corporation. At that company, he mainly supervised management as a non-executive director, serving as vice chairs of various committees in charge of human resources, remuneration, and nominating the president, while specializing in corporate governance and management of returns on invested capital.

### UACJ's corporate governance Steady progress in reforming management and the officer remuneration system

Two years have passed since I was appointed as an outside director at UACJ Corporation. I proposed corporate governance reforms after my appointment, but progress was not as quick as I expected. Later, however, reforms began to pick up pace, and now structural reforms are proceeding very quickly. Among the most important results of those reforms, the number of executive officers has been reduced and meetings of the Board of Directors have become more effective following improvements to the way the meetings are run.

Immediately after my appointment, I was surprised by the large number of executive officers, and concerned that the responsibilities of those officers and the Board of Directors had not been separated. For those reasons, I proposed improvements, and was rather stern when expressing my view that the Board had not served as a venue for serious deliberations in the past because of the failure to clearly separate those fundamental responsibilities. Specifically, executive officers are responsible for executing business while the Board of Directors is responsible for the supervision of that execution and management decision-making.

We made a huge step forward when this system was reorganized in April 2020. The number of representative directors was reduced from three to one, and the number of full-time directors serving concomitantly as executive officers was cut from eight to six. Moreover, the number of executive officers was significantly slimmed down from 27 to 14. Reducing the number of these officers has clarified their executive responsibilities and duties. Likewise, reducing the number of executive officers who also serve as directors while keeping the number of outside directors at four will lead to a clearer separation of the business execution and supervision functions.

How the Board of Director runs its meetings has also been improved. In the past, the Board was mainly a venue for reporting information and deciding on proposals. The Board received reports from each division with data explaining their performance, and made decisions regarding matters like



investment plans. The outside directors asked various questions and offered their opinions regarding those decisions, but time was limited, so there was not much input from the full-time directors and executive officers. Consequently, deliberations were not thoroughgoing or dynamic.

In contrast, time for deliberations was added this fiscal year. In addition to the reports and resolutions, a fixed amount of time is scheduled specifically for deliberations, allowing the Board to have detailed discussions about the Company's strategies, policies, and so on. As a result, the full-time directors have recently been participating more in discussions, and it seems like matters are being discussed in more depth.

This is not only the case with the Board; in divisional meetings, which are mainly led by executive officers, time has recently been designated for deliberations in addition to the routine activities of reporting and sharing information. In the past, members of the meetings just quietly listened to a series of reports lasting about five minutes each, but now they are actively engaged in discussions.

As another important reform, the officer remuneration system was recently revised. At UACJ, performance-linked compensation made up a very small percentage of total compensation, not only in comparison with companies overseas but even with guidelines set by the Japan Association of Corporate Directors. I argued that such a low percentage provided no incentives, and from that standpoint, a review of the system went ahead. Major revisions to the system were not made as the current mid-term management plan is still in effect, but the percentage of short-term performance-linked compensation was increased slightly, and total shareholder return was newly adopted as the indicator for performance-linked compensation over the medium and long terms in order to better align the interests of officers with shareholders.

In all of these ways, the Company's corporate governance is steadily improving, and, in my view, is reaching the standards required by Japan's Corporate Governance Code, although some issues remain. One of those issues is improving the Company's succession planning. Future leaders need to be groomed by giving more opportunities to promising young and mid-career personnel at earlier stages of their careers, and expanding their capabilities through more challenging work assignments. I expect such initiatives to be included in discussions about strengthening corporate governance going forward.

## **Structural reforms and adoption of ROIC management Determined efforts to carry out comprehensive reforms**

The UACJ Group began implementing structural reforms in October 2019 in an effort to quickly improve its performance and financial structure, which had weakened. In my opinion, that happened because the Company went ahead with large-scale investments to globalize its operations without sufficiently solidifying its revenue base by maximizing the effects of the merger following its establishment in 2013. In other words, the structural reforms are addressing issues that go back to the earliest time of the Company. The break-even point must be lowered by consolidating production plants in Japan, and rationalizing and raising the efficiency of their operations. The revenue base needs to be made more resilient to changes in the operating environment. These reforms are essential for UACJ's continuity and growth in the future.

When the structural reforms were being drawn up, I made two strong requests. Firstly, I said the reform plan must be meticulously designed and comprehensive to make management feel confident that no lingering issues would remain after its completion. I also emphasized that unless the reforms were executed with strong determination, the Company might have to prepare for its dissolution. Thankfully, a comprehensive plan was put together under the direction of the president, and is being implemented across the entire UACJ Group. The plan was explained in a surprising level of detail when it was announced according to observers both inside and outside the Group. Investors appeared to recognize how seriously the Group is taking the reforms, so I expect they will be paying attention to the results.

After the reforms were launched, the Group's operating environment became very difficult due to the impact of the trade war between the U.S. and China along with the worldwide spread of COVID-19. We cannot regard those factors as excuses, however, because unexpected changes can occur at any time. Even in such a tough operating environment, the Group must keep doing whatever is necessary to achieve its objectives and meet the expectations of its stakeholders. Toward those ends, I intend to offer as much support as I can as an outside director.

Among its management reforms, the Company adopted return on invested capital (ROIC) as a performance indicator a few years ago, but, regrettably, it has not achieved adequate results so far. I regard ROIC as a management tool for raising awareness of profitability in each division. The Company's Finance and Accounting Division has been making preparations for the adoption of ROIC across the Company, such as providing a tool that shows data about expected levels of profit and invested capital by division. In the future, this management tool will be deployed in every division, and it will be essential for employees to use it regularly in order to understand things like how quickly collecting accounts receivable can improve ROIC.

Managing ROIC cannot work effectively, however, unless businesses are decentralized to a certain extent. Decentralization is beneficial if most of a company's businesses operate well and only a few experience problems, but the

opposite is true in the case of UACJ, so decentralizing its businesses will be difficult. For that reason, I believe the Group will need to quickly achieve its structural reforms in preparation for a full-fledged transition to ROIC management.

## **Towards future growth Pursuing innovations while ensuring strict financial discipline**

In response to the COVID-19 pandemic, UACJ promptly set up an emergency response headquarters and acted very quickly. It put measures in place to cope with infected employees and prevent the spread of infections, drew up a business continuity plan based on the scenario of suspending operations at production plants, and allocated funds to prepare for an emergency situation.

During the time of the pandemic and after it is finally contained, the Group must complete its structural reforms as soon as possible and strive to expand its businesses in the coming years under its next mid-term management plan. The markets for aluminum can stock and auto parts will remain important, in my view, but the Company must stay on top of worldwide trends as a global player and refine its growth strategies to determine which businesses can expand and beat out the competition. In the next mid-term management plan, the Company should also integrate sustainability management practices into its business strategies to realize its purpose of contributing to the sustainability of society through its business activities.

In deliberations about the next mid-term management plan, I stressed the importance of two key points. The first is to ensure strict financial discipline. Pursuing growth is an important challenge, and I am very much in favor of it, but it should be pursued from a strong platform built on solid finances, earnings, and technology. Secondly, the Company needs to stand out more for its originality, which relates to technological capabilities. Aluminum's environmental friendliness can be promoted by any manufacturer, so UACJ will have to offer such added value in its own unique way if it is to stay ahead of competitors.

Generally, people believe aluminum products are made using mature technologies, so they do not foresee any major innovations. In fact, most aluminum product manufacturers, UACJ included, allocate less than 1% of their net sales to research and development. This even raises the question of whether aluminum products should continue being made in developed countries when no technological innovations are expected.

UACJ's management is well aware of this issue, and plans to have the Group compete by adding more value to products rather than just boosting sales volume. The challenge, however, is identifying the seeds and needs for differentiating and adding value to products, so they must be researched constantly and persistently. By studying industries in which new applications are emerging, such as electric vehicles and robotics, we may be able to identify needs for new materials. I hope the Company will take proactive steps towards systematically creating such innovations under its next mid-term management plan.



# Strengthening corporate governance in accordance with business strategies

## Steps to strengthen corporate governance since UACJ's establishment

2013                      2014                      2015                      2016                      2017

### UACJ's plans and goals

### Vision for the future

UACJ's future direction  
The UACJ Group will strive to maximize the possibilities of aluminum in ways that contribute to society and the environment.

### First mid-term management plan from fiscal 2015 to 2017

#### Major policies

- Expand into the growing automotive, transport, and energy industries while bolstering operations in Asia and other growth regions
- Organize optimized manufacturing operations in each business and facilitate technological integration
- Develop new technologies and products

### Measures to enhance governance

#### 2013

Appointed Toshio Suzuki, an expert in metallurgical and manufacturing engineering, as the Company's first outside director

#### 2014

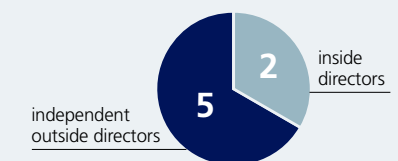
Promoted the Company's first non-Japanese nationals to executive officer positions

#### 2015

Appointed Ryoko Sugiyama, an expert in environmental and recycling engineering, as the Company's first female director

#### 2017

Established the Nomination and Remuneration Advisory Committee



Over half of the committee made up of independent outside directors (as of June 30, 2019)

#### 2016

Commenced efficacy evaluations of the Board of Directors

## Roles of directors, executive officers, and auditors

UACJ has adopted an executive officer system, through which executive officers are responsible for the Company's business execution function, while the Board of Directors is responsible for management decision-making and supervision. This system is designed to enhance the efficacy of the Board of Directors and ensure that business matters are carried out promptly.

The Board of Directors holds monthly meetings, in which its members report on the Company's operational status, and examine and deliberate important management issues in compliance with the Company's articles of incorporation and internal rules, as well as relevant laws and regulations. Four of the 12 directors are outside directors, which are responsible for ensuring that the Board's decision-making role is effectively performed. The four outside directors currently appointed have either extensive academic experience as university professors or corporate management experience as former company directors.

UACJ has also adopted an audit and supervisory board system. Under this system, the Audit & Supervisory Board supervises the duties performed

by directors in accordance with corporate auditing standards and the Company's auditing policies and plans, thereby serving as an independent organization with an important role in corporate governance. In principle, the Audit & Supervisory Board holds monthly meetings, in which full-time auditors present the results of periodic audit reports and engage in comprehensive discussions with the outside auditors.

In addition to the meetings of both boards, representative directors meet with outside directors and outside auditors for the purpose of exchanging ideas and proactively incorporating their suggestions in practical business matters.

### Organizational improvements

As a key objective of its structural reforms initiated in fiscal 2019, UACJ aimed to increase the speed and efficiency of its management decision-making. Accordingly, it has reduced the number of directors and executive officers in order to speed up decision-making and clarify responsibilities and authority. With this change, the Board of Directors was comprised of 10 directors and six auditors as of June 19, 2020. Administrative support for the Board was also centralized in a newly established Corporate Governance Department to facilitate quicker and more substantial assistance.

## Our Purpose

Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

## Mid-term management plan from fiscal 2018 to 2020

Next mid-term management plan (From fiscal 2021)

## Major policies

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

## Implementation of structural reforms from fiscal 2019 to 2022

- Major objectives**
- Increase earnings capacity
  - Reform the financial structure
  - Increase the speed and efficiency of management decision-making

## 2018

Appointed Takahiro Ikeda, an expert in production management, as an outside director

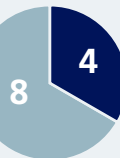
## 2018

Appointed Akio Sakumiya, an expert in business strategies and performance management, as an outside director

**2018** Increased the number of outside directors and auditors

## Board of Directors

inside directors



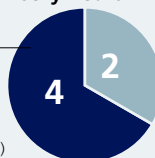
independent outside directors

Independent outside directors comprise one-third of members (as of June 30, 2019)

## Audit &amp; Supervisory Board

outside auditors

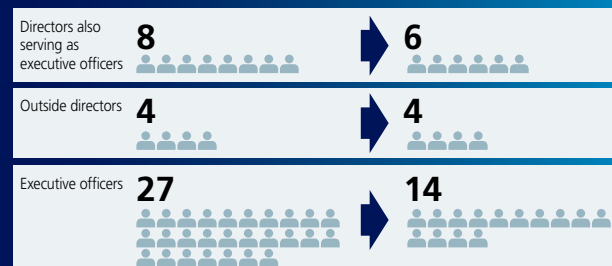
Outside auditors comprise two-thirds of members (as of June 30, 2019)



full-time auditors

## Changes in fiscal 2019

- Reduced the number of directors and executive officers



- Reorganized corporate divisions
- Revised the remuneration system (see page 37)

## Main deliberations by the Board of Directors

## Matters related to operations:

Structural reforms; corporate philosophy renewal; formulation of medium- and long-term strategies; plans for budgets, income and expenditures, and financing; financing and loan guarantees for subsidiaries and affiliates; compliance with Japan's Corporate Governance Code; COVID-19 countermeasures; business sell-offs

## Matters related to the Board and executive officers:

Nomination of representative directors; officer appointments; officer remuneration; revision of Nomination and Remuneration Advisory Committee rules and appointment of its members; succession planning for the CEO and other officers; revision of Board rules

## Matters related to shares and shareholder meetings:

Holding of the annual general meeting of shareholders; dividend payments; revision of stock ownership rules; sell-off of cross-shareholdings

## Efficacy evaluations of the Board of Directors

UACJ evaluates the efficacy of its Board of Directors every year by distributing a questionnaire concerning the Board's composition and functioning to every director and auditor on the Board. Based on the results of the questionnaire, members of the Board discuss issues that need to be addressed and put forward measures for making improvements.

Evaluation results in fiscal 2019 confirmed that the Board had functioned properly and its role in supervising management was sufficiently carried out. The results also indicated that discussions and deliberations had been conducted in a constructive and open manner, the composition of the Board's membership was well balanced, and issues concerning its efficacy identified prior to fiscal 2019 had been addressed.

The Company plans to continue taking steps to improve the efficacy of its Board of Directors in order to facilitate the Group's sustainable growth and enhance corporate value in the future.

## Remuneration of directors and corporate auditors

UACJ established a new remuneration system for directors after gaining approval at its 5th Annual General Meeting of Shareholders held on June 21, 2018. Under this system, full-time directors receive a fixed base salary, short-term performance-based compensation linked to the achievement level of financial targets for the fiscal year, and mid-term performance-based compensation linked to the achievement level of financial targets over a multiple year period. Outside directors, who serve on a part-time basis, receive a fixed base salary only because their primary role of impartial and independent supervision is not related to the achievement of financial targets.

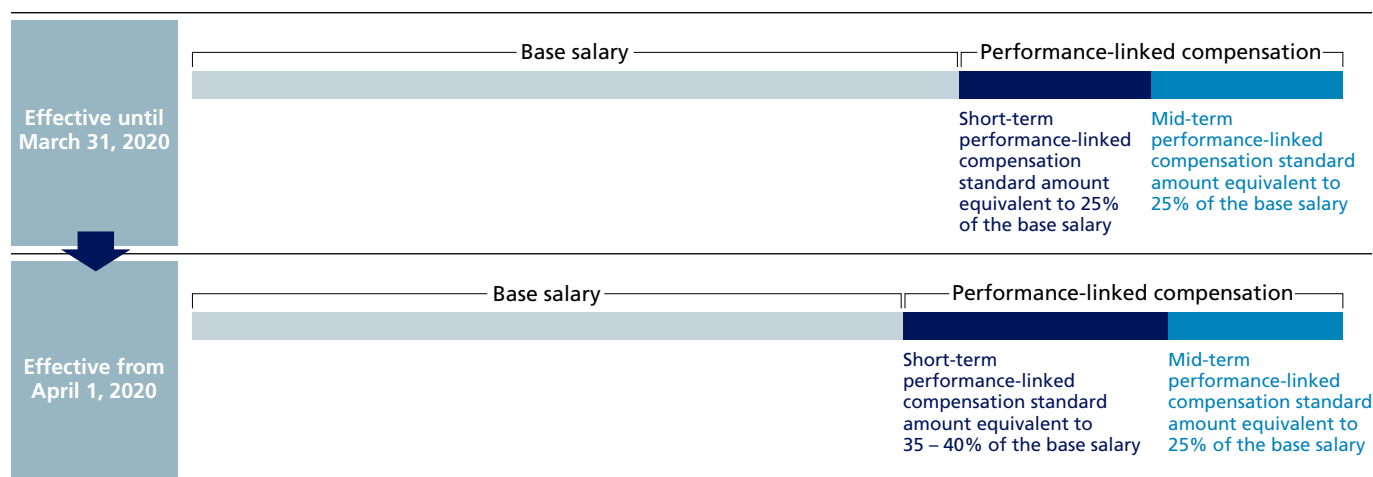
The fixed base salary has been set at amounts comparable with those of other similar-size companies in related industries based on data about directors' salaries in Japan provided by external organizations. Both the short- and mid-term performance-linked compensation amounts have been calculated as a percentage of a standard amount equivalent to 25% of the base salary. Depending on the degree that targets are achieved, directors receive a percentage ranging from 0 – 200% of the standard amount. Effective from the

current fiscal year, the standard amount for the short-term performance-linked compensation was raised to a range between 35 – 40% in order to give directors greater incentive to raise corporate value as they oversee structural reforms initiated in fiscal 2019.

### Compensation linked to total shareholder return

When the directors' remuneration system was established, mid-term performance-based compensation was linked to the achievement of targets for two consolidated financial results averaged over a three-year period: the return on invested capital and adjusted earnings before interest, taxes, depreciation and amortization. Along with these indicators, the Company added total shareholder return, an indicator of corporate value from the standpoint of shareholders, effective from the current fiscal year, to encourage directors to give more consideration to the Company's share price and dividends. The amount of compensation is calculated by dividing the Company's total shareholder return growth rate by the growth rate of the Tokyo Stock Exchange's TOPIX Net Total Return Index over a three-year period.

### Breakdown of remuneration to full-time directors receiving 100% of the standard amount of performance-linked compensation



### Total remuneration of directors and auditors in fiscal 2019

Positions	Number of members	Total amount by type of remuneration			Total remuneration amount
		Base salary	Short-term performance-linked compensation	Mid-term performance-linked compensation	
All directors (Outside directors)	13 (4)	¥269 million (¥53 million)	¥32 million (Not applicable)	¥0 (Not applicable)	¥301 million (¥53 million)
All auditors (Outside auditors)	6 (4)	¥87 million (¥40 million)	Not applicable	Not applicable	¥87 million (¥40 million)
Total (Outside directors and auditors)	19 (8)	¥356 million (¥92 million)	¥32 million (Not applicable)	¥0 (Not applicable)	¥388 million (¥92 million)

## Selection and nomination of corporate officers

UACJ established its Nomination and Remuneration Advisory Committee for the purpose of increasing the impartiality and transparency of the decision-making process for nominating and remunerating directors, executive officers, and corporate auditors. The committee is made up of seven members in total, with an independent outside director serving as chairperson. The remaining six members are comprised of three independent outside directors, two full-time directors, and one independent outside auditor from the Audit & Supervisory Board.

The committee evaluates candidates based on their respective career background, former positions, qualifications and capabilities. The candidates recommended by the Nomination and Remuneration Advisory Committee are then selected by the Board of Directors. Candidates for corporate auditor positions must also be approved by the Audit & Supervisory Board.

## Compliance

Aiming to maintain the public's trust in the UACJ Group, UACJ created the Group Code of Conduct for all employees and corporate officers to follow, drawing from its Corporate Philosophy and a set of shared principles called the UACJ Way. To ensure that all members fully understand the code and put it into practice, regular training sessions are held in workplaces throughout the entire Group, which raises awareness of compliance and educates employees about pertinent laws and regulations.

To quickly identify and resolve compliance-related problems, UACJ has put a whistleblower system in place. In fiscal 2019, the Company centralized the system and made it accessible to all employees and officers across the entire Group, as recommended in guidelines for corporations issued by Japan's Consumer Affairs Agency. It also made the system available as a cloud-based application, thereby allowing users to more easily access the system via smart devices at any time and location.

### Compliance with competition laws and prevention of bribery

Aiming to prevent price fixing, bribery, or other illegal conduct, UACJ has assessed the degree of legal compliance at all group companies through a series of risk assessments, surveys, and investigations conducted between fiscal 2016 and 2017. Based on the results, in fiscal 2018, UACJ created related policies and rules covering competition and bribery along with global guidelines and country-specific guidelines suited to national laws and regulations. In fiscal 2019, it set up a consultation service for all members of group companies worldwide, and offered training seminars throughout the year for department heads and newly appointed managers. Reflecting the success of these efforts, no incidents of bribery or infringements of competition laws in Japan or other countries were reported in fiscal 2019.

## Promoting dialogue with shareholders and investors

In order to update shareholders and investors about the Company's activities and earn their trust over the long term, UACJ promotes interaction with them and ensures timely and appropriate information disclosure. Along with a wide range of investment-related information provided on its websites, UACJ also organizes briefing sessions and meetings with shareholders and investors to create opportunities for direct dialogue.

### Activities in fiscal 2019

UACJ undertook a various initiatives to engage even more with shareholders and investors in fiscal 2019. In Japan, teleconferences and small meetings with UACJ President Miyuki Ishihara were held for shareholders and investors. Annual factory tours for individual shareholders were also held at Fukui Works in October and Nagoya Works in November, providing opportunities for them to directly observe operations and learn more about aluminum.

President Ishihara also traveled to other countries to meet with shareholders and investors. In addition to giving presentations on financial results, he held his first small meetings outside Japan, in which he explained UACJ's management principles and medium- to long-term vision. The Company's officer in charge of investor relations also met one-on-one with representatives from institutional investors. In addition, factory tours were held for institutional investors by UACJ (Thailand) Co., Ltd.

In an effort to enhance its information disclosure, UACJ has been uploading videos of the president's financial results presentations on its website on the same day they were held. The Company plans to continue making such improvements going forward with a view to provide dependable information disclosure to shareholders and investors.

### Adapting activities to the COVID-19 pandemic

Holding presentations and meetings for shareholders and investors has been difficult in fiscal 2020 due to the COVID-19 pandemic. Accordingly, UACJ has taken a number of steps to provide more opportunities for dialogue, such as holding meetings online and live streaming its 7th Annual General Meeting of Shareholders. In November, it held online meetings with investors in Asia and participated in an online conference organized by a securities firm. Anticipating the pandemic's prolonged impact, the Company plans to explore more ways for engaging with shareholders and investors going forward.



## Directors



**Miyuki Ishihara**  
Representative Director & President

Attended 15 of 15 Board of Directors meetings

Apr. 1981 Joined Sumitomo Light Metal Industries, Ltd.  
Oct. 2012 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Jun. 2015 Director, Member of the Board, Executive Officer  
Apr. 2017 Director, Member of the Board, Managing Executive Officer  
Apr. 2018 Director, Member of the Board  
Jun. 2018 Representative Director & President (Current)



**Hironori Tsuchiya**  
Director, Member of the Board,  
and Executive Vice President  
President, UACJ (Thailand) Co., Ltd.

Newly appointed (appointed in June 2020)

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
Jun. 2011 General Manager, Rolled Products Division  
Director, Member of the Board,  
Furukawa-Sky Aluminum Corp.  
Jun. 2013 Director and Managing Executive Officer  
Oct. 2013 General Manager, Production Division  
Director, Member of the Board  
Managing Executive Officer, UACJ Corporation  
Apr. 2017 Director, Member of the Board  
Senior Managing Executive Officer  
President, UACJ (Thailand) Co., Ltd. (Current)  
Jun. 2017 Senior Managing Executive Officer  
Apr. 2020 Executive Vice President  
Jun. 2020 Director, Member of the Board,  
Executive Vice President (Current)



**Mizuho Taneoka**  
Director, Member of the Board,  
Senior Managing Executive Officer  
Chief Executive, Delegated Director,  
Flat Rolled Products Division

Attended 15 of 15 Board of Directors meetings

Apr. 1980 Joined Sumitomo Corporation  
Sep. 2010 Joined Sumitomo Light Metal Industries, Ltd.  
Oct. 2012 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Apr. 2017 Managing Executive Officer  
Jun. 2017 Director, Member of the Board,  
Managing Executive Officer  
Apr. 2018 Director, Member of the Board, Senior  
Managing Executive Officer  
Jun. 2018 Representative Director, Member of the  
Board, Senior Managing Executive Officer  
Apr. 2020 Director, Member of the Board, Senior  
Managing Executive Officer (Current)  
President of Tri-Arrows Aluminum Holding  
Inc. (current)



**Katsuyasu Niibori**  
Director and Managing Executive Officer  
In charge of Chief Executive of  
Corporate Strategic Restructuring Office,  
Chief Executive of Corporate Strategy Division

Attended 15 of 15 Board of Directors meetings

Apr. 1982 Joined Furukawa Electric Co., Ltd.  
Jun. 2012 Director, Furukawa-Sky Aluminum Corporation  
Jun. 2013 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Apr. 2015 Executive Officer, UACJ Corporation  
Advisor, UACJ Foil Corporation  
Jun. 2015 Executive Officer, UACJ Corporation  
Member of the Board, President & CEO,  
UACJ Foil Corporation  
Apr. 2017 Managing Executive Officer, UACJ Corporation  
Jun. 2018 Director, Member of the Board, Managing  
Executive Officer, UACJ Corporation (current)



**Teruo Kawashima**  
Director and Managing Executive Officer  
In charge of Chief Executive of Finance  
and Accounting Division

Attended 11 of 11 Board of Directors meetings  
(since being appointed as a director)

Apr. 1982 Joined Sumitomo Light Metal Industries, Ltd.  
Apr. 2007 General Manager, Administrative Department  
Apr. 2013 Deputy General Manager, Administrative Division  
Oct. 2013 Executive Officer, UACJ Corporation  
Oct. 2016 CEO, UACJ North America Inc. (Current)  
Apr. 2019 Managing Executive Officer  
Jun. 2019 Director, Member of the Board, Managing  
Executive Officer (Current)



**Seiichi Hirano**  
Director, Member of the Board,  
Executive Officer  
Chief Executive, Research & Development  
Division

Newly appointed (appointed in June 2020)

Apr. 1984 Joined Sumitomo Light Metal Industries, Ltd.  
Apr. 2018 General Manager, Quality Management  
Department, UACJ Corporation  
Apr. 2019 General Manager, Quality Management  
Department  
Executive Officer, UACJ Corporation  
Apr. 2020 Chief Executive, Research & Development Division  
Jun. 2020 Chief Executive, Research & Development Division  
Director, Member of the Board, Executive  
Officer (Current)

## Outside Members of the Board



**Toshio Suzuki**  
Director, Member of the Board  
(outside, part-time)

Attended 15 of 15 Board of Directors meetings

Apr. 1988 Assistant Professor, University of Tokyo  
Jun. 1994 Professor  
Apr. 1995 Professor of Graduate School  
Mar. 2012 Retirement  
Jun. 2012 Professor Emeritus, University of Tokyo (Current)  
Oct. 2013 Director, Member of the Board (outside and  
part-time), UACJ Corporation (Current)

Rationale for selection: Toshio Suzuki was invited to serve to utilize his objective viewpoints given his extensive academic background as a university professor emeritus.



**Ryoko Sugiyama**  
Director, Member of the Board  
(outside, part-time)

Attended 14 of 15 Board of Directors meetings

May 1996 Representative Director, Sugiyama & Kurihara  
Environmental Consultants, Inc.  
Dec. 1997 Director, Gifu Shimbun  
Dec. 1999 Director, Gifu Broadcasting System, Inc.  
Apr. 2010 Professor, Fuji Tokoha University (currently  
Tokoha University) Faculty of Social and  
Environmental Studies  
Jun. 2010 Outside Director, Lecip Holdings Corporation  
Jun. 2015 Director, Member of the Board (outside and  
part-time), UACJ Corporation (Current)  
Jan. 2016 Representative Director of non-government  
incorporated foundation (currently public  
interest incorporated foundation) Gifu  
Sugiyama Memorial Foundation (current)  
Jun. 2016 Outside Director and Audit & Supervisory  
Committee member of Lecip Holdings  
Corporation (current)  
Dec. 2018 Owner and Representative Director, Gifu  
Shimbun (Current)  
Dec. 2019 Director and Chairperson, Gifu Broadcasting  
System, Inc.

Rationale for selection: Ryoko Sugiyama was invited to serve to utilize her extensive background as a university professor and management experience as a company director.



**Takahiro Ikeda**  
Director, Member of the Board  
(outside, part-time)

Attended 15 of 15 Board of Directors meetings

Apr. 1975 Joined Mitsubishi Kasei Kogyo (now Mitsubishi  
Chemical Corporation)  
Apr. 2006 Executive Officer, Mitsubishi Chemical  
Corporation Deputy General Manager, Polymers  
Division  
Apr. 2007 Executive Officer, General Manager, Chemicals  
Division  
Jul. 2008 Dia Chemical Co. Ltd., President  
Jun. 2010 Managing Executive Officer, Mitsubishi Rayon  
Co., Ltd. (now Mitsubishi Chemical Corporation)  
Apr. 2013 Director and Managing Executive Officer  
Apr. 2015 Advisor  
Apr. 2016 Itochu Chemical Frontier Corporation, Executive  
Advisor  
May 2017 T.I. Associates, Representative Director (Current)  
Jun. 2018 Director, Member of the Board (outside and  
part-time), UACJ Corporation (Current)

Rationale for selection: Takahiro Ikeda was invited to serve to utilize his experience as a director at a major chemical manufacturer and long career in corporate management.



**Akio Sakumiya**  
Director, Member of the Board  
(outside, part-time)

Attended 15 of 15 Board of Directors meetings

Apr. 1975 Joined Tateisi Electric Manufacturing Co. (now  
OMRON Corporation)  
Jun. 2003 Executive Officer, General Manager of  
Amusement Equipment Business, OMRON  
Corporation; President and CEO of OMRON  
Ichinomiya Co., Ltd. (now OMRON Amusement  
Co., Ltd.)  
Apr. 2009 Executive Officer, OMRON Corporation;  
President, Electronic Components Business  
Company  
Jun. 2010 Managing Executive Officer, OMRON  
Corporation; President, Electronic and  
Mechanical Components Business Company  
Jun. 2011 Senior Managing Director  
Jun. 2014 Executive Vice President  
Mar. 2018 Outside Audit & Supervisory Board Member,  
Asahi Glass Co., Ltd. (now AGC Inc.) (Current)  
Jun. 2018 Director, Member of the Board (outside and  
part-time), UACJ Corporation (Current)

Rationale for selection: Akio Sakumiya was invited to serve to utilize his corporate management experience as an executive vice president of a major electrical appliance manufacturer and extensive background in corporate governance, including positions of vice-chairperson of several committees involved in the remuneration and affairs of company directors and other personnel.

## Audit & Supervisory Board Members



**Nobuhiro Ishihara**  
Audit & Supervisory Board Member

Attended 15 of 15 Board of Directors meetings

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
Oct. 2003 General Manager, General Affairs Dpt., Fukui Works, Rolled Products Div., Furukawa-Sky Aluminum Corp.  
Jun. 2004 General Manager, General Affairs Div., Nuclear Fuel Industries, Ltd.  
Jun. 2008 Director and General Manager, General Affairs Dept.  
May 2009 Executive Officer and General Manager, General Affairs Dept.  
Jun. 2010 Full-time Statutory Auditor, Furukawa-Sky Aluminum Corp.  
Oct. 2013 Audit & Supervisory Board Member, UACJ Corporation (Current)



**Kiyoshi Tanaka**  
Audit & Supervisory Board Member

Attended 15 of 15 Board of Directors meetings

Apr. 1981 Joined Furukawa Electric Co., Ltd.  
Jun. 2010 Director, Furukawa-Sky Aluminum Corp.  
Jun. 2013 Director and Managing Executive Officer  
Oct. 2013 Director, Member of the Board Managing Executive Officer, UACJ Corporation  
Jun. 2017 Director, Member of the Board Managing Executive Officer, UACJ Corporation  
Member of the Board, President, UACJ Extrusion Corporation  
Apr. 2020 Director, Member of the Board  
Jun. 2020 Audit & Supervisory Board Member, UACJ Corporation (Current)

## Outside Members of the Board



**Akari Asano**  
Audit & Supervisory Board Member (outside, part-time)

Attended 15 of 15 Board of Directors meetings

Apr. 1970 Joined Mitsubishi Rayon Co., Ltd. (now Mitsubishi Chemical Corporation)  
Jun. 2003 General Manager, General Affairs Department  
Jun. 2004 Senior Director  
Jun. 2008 Resigned from Mitsubishi Rayon Co., Ltd.  
Jun. 2009 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd.  
Jun. 2013 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd.; Statutory Auditor (outside and part-time), Furukawa-Sky Aluminum Corp.  
Oct. 2013 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)

Rationale for selection: Akari Asano was invited to serve to utilize his expertise and experience in executive corporate management and as a general manager of a company division.



**Yuki Iriyama**  
Audit & Supervisory Board Member (outside, part-time)

Attended 14 of 15 Board of Directors meetings

Apr. 1970 Joined Nippon Steel Corporation  
Jun. 2002 Director, Manager of the Board and General Manager of Overseas Business Development Division Nippon Steel Corporation  
Apr. 2006 Managing Executive Officer  
Jun. 2009 Executive Advisor  
Oct. 2012 Standing Advisor, Nippon Steel Corporation  
Jun. 2014 Advisor of Nippon Steel Corporation (part-time)  
Mar. 2015 Counsel of Kajitani Law Offices (Current)  
Jun. 2015 Stepped down as advisor (part-time) of Nippon Steel Corporation  
May 2017 Director of Vallourec S.A. (France) (Current)  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)

Rationale for selection: Yuki Iriyama was invited to serve to utilize his advanced legal expertise as a lawyer specializing in corporate law, and given his extensive experience in corporate management, including a position of managing director at a major steel manufacturer.



**Hiroyuki Yamasaki**  
Audit & Supervisory Board Member (outside, part-time)

Attended 15 of 15 Board of Directors meetings

Oct. 1982 Joined Chuo Accounting Corporation  
Oct. 2005 Director, Chuo Aoyama Audit Corporation  
May 2006 Acting Chairman  
Nov. 2007 Senior Partner of ShinNihon Audit Corporation (now Ernst & Young ShinNihon LLC)  
Aug. 2008 Managing Director of Ernst & Young ShinNihon LLC  
Jul. 2013 Auditor of Japan Venture Capital Association  
Jul. 2017 President of Hiroyuki Yamasaki CPA Office (Current)  
Dec. 2017 Director, Land Business Co., Ltd.  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)  
Jun. 2018 Outside Director, Sankyo Co., Ltd. (Current)

Rationale for selection: Hiroyuki Yamasaki was invited to serve to utilize his extensive background in finance and accounting as a certified public accountant specializing in corporate accounting.



**Yoshiro Motoyama**  
Audit & Supervisory Board Member (outside, part-time)

Attended 15 of 15 Board of Directors meetings

Apr. 1980 Joined Mitsubishi Motors  
Mar. 2014 Director, Vice President, General Manager, Production Division, Mitsubishi Fuso Truck and Bus Corporation  
Aug. 2017 Takenaka Co. Ltd., Director & CTO  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)  
Aug. 2019 Director, Takenaka Co., Ltd. (Current)

Rationale for selection: Yoshiro Motoyama was invited to serve to utilize the broad outlook he has gained over his career and given his extensive experience in corporate management, including a position of executive vice-president of a major automobile manufacturer.

## Executive Officers

**Youji Shimizu** Senior Managing Executive Officer

**Yukio Takekawa** Managing Executive Officer

**Masataka Taguchi** Managing Executive Officer

**Akinori Yamaguchi** Managing Executive Officer

**Akito Imaizumi** Executive Officer

**Satoshi Sugama** Executive Officer

**Shinji Tanaka** Executive Officer

**Henry Gordinier** Executive Officer

## Risk identification and control

The UACJ Group has been carrying out risk management under the direction of its CSR Committee, which oversees the management of risks that could seriously affect the Group's operations and formulates appropriate countermeasures. Members of the committee include the president, who serves as chair, and all executive officers of UACJ Corporation, as well as the presidents of the Company's main subsidiaries. Under the committee's leadership, each group company has been managing risks related to the environment, occupational health and safety, product quality, information security, export controls, and so on, in accordance with relevant group-wide rules and its own respective rules. Likewise, business divisions have been managing risks that are pertinent to their respective operations.

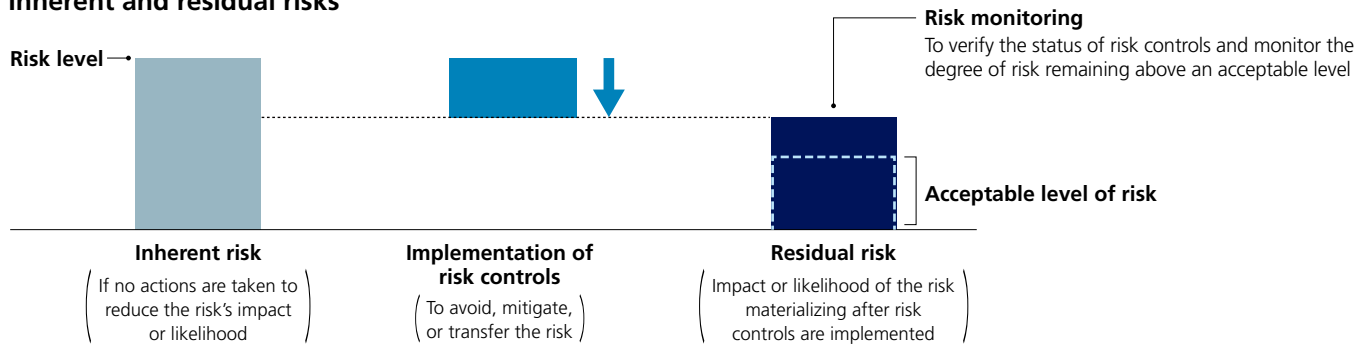
In fiscal 2019, ended March 31, 2020, a dedicated risk management working group was set up in the Company's Legal Affairs Department to conduct a group-wide risk assessment based on uniform criteria, initiate a plan-do-check-act (PDCA) cycle, and put forward initiatives for improving the Group's risk management. The Company transferred the working group to its Corporate Strategy Division in April 2020 to integrate these risk management activities into strategic

planning, with a view to more effectively manage risks that could affect its management plans.

The working group identified 138 risks that could potentially interfere with the achievement of business plans. To assess the importance of each of those risks for the Group as a whole, it carried out a survey of managers and departments handling operations and corporate functions, and assessed the level of residual risks (see the chart, below) according to uniform criteria, specifically the potential impact and likelihood of risks as well as their countermeasures. Among the risks, those that involved the possibility of fires and explosions, information security, and other important matters were designated as priority risks, and an executive officer was appointed to take responsibility for the group-wide management of such risks.

Through this process, UACJ accurately identified risks that could seriously impact the Group's business activities and has taken steps to respond to those risks should they materialize. Furthermore, the entire UACJ Group is currently implementing a PDCA cycle in an effort to continually mitigate these risks going forward.

### Inherent and residual risks



### Improving risk management practices

As explained, above, the UACJ Group began taking steps to strengthen its risk management in fiscal 2019. Among those efforts, surveys and assessments were carried out to verify whether risk management was sufficiently understood and widespread among employees and managers throughout the Group. Based on the findings, improving risk management practices were designated as an important task for the entire Group in fiscal 2020. Therefore, to further integrate risk management into everyday business activities, the Group has been stepping up its management of priority risks while pursuing the following objectives.

#### Measures for improving risk management

##### 1. Raising risk literacy

In the process of identifying and controlling risks, UACJ's management has recognized the need to raise awareness of risks among all employees and have each of the Group's organizations take ownership of risk management. Therefore, it has been explaining the importance of discerning, reporting on and sharing information about risks to employees, appointing personnel to take charge of risk management in every division and business department, and implementing important risk countermeasures, such as business continuity management. The Company has also begun holding workshops about important risks for relevant managers in various workplaces.

##### 2. Devising risk-conscious business strategies

UACJ's management has been giving more consideration to risks when deliberating on its latest mid- to long-term business strategies to better ensure their successful realization. It has also integrated risk control objectives in important policies and tasks, and deployed backtracking in group-wide mid-term action plans while taking account of megatrends and changes in the operating environment, including both risks and opportunities. By taking these steps, the Company is formulating more risk-conscious business strategies than ever before.

## Disclaimer regarding the potentially significant impact of risks on investment decisions

The following risks are considered by the UACJ Group's management as potentially having a significant impact on the decisions of investors. Besides these risks, however, other risks unforeseen at the time of preparing this report could also significantly affect the Group's financial results should they materialize. Furthermore, while the Group has

identified and manages the risks listed herein and prepared countermeasures for each of those risks, it might not be able to achieve the intended outcome of those countermeasures in the future. Unless otherwise stated, the forward-looking statements contained herein are based on assumptions as of March 31, 2020.

### Risks related to changes in the overall economic climate

<p><b>1. Worldwide COVID-19 pandemic</b></p>	<p>The worldwide COVID-19 pandemic has resulted in an overall decline in market demand that could continue for some time. Furthermore, the UACJ Group may have to suspend certain operations if its employees become infected, or may be requested to temporarily close its facilities by governments in the countries in which it operates as a measure to prevent the spread of infections. All of these factors could negatively affect the Group's financial and other results.</p> <p>In response, group companies have taken steps to prevent infections by enabling teleworking for employees, temporarily closing some facilities, and complying with instructions and requests from each government, while placing the highest priority on the safety of employees as well as their families and loved ones. At the same time, the Group has been working to continue operating manufacturing plants that can stay open to fulfill its mission of supplying essential products to customers.</p> <p>Looking ahead, while continuing to carry out necessary measures for preventing COVID-19 infections, the Group will take steps to mitigate the impact of the pandemic on its financial and other results as much as possible. Specifically, it will continue to promptly implement a variety of measures when necessary, such as temporarily closing certain manufacturing plants, limiting outlays for capital investment, and procuring funds from committed credit lines. Nevertheless, with no foreseeable end at the present time, the pandemic could have a serious impact on the Group's financial and other results depending on the extent it spreads in the future.</p>
<p><b>2. Shifts in geopolitical and economic trends</b></p>	<p>The UACJ Group conducts business in various countries of the world, including Japan, the United States, Thailand, and China, and its supply chain extends globally. Therefore, its operations could be significantly impacted by a worldwide economic slowdown, geopolitical tensions, such as the trade war between the United States and China, and environmental regulations. Accordingly, the Group has been restructuring its businesses to better prepare it for responding to such changes.</p>
<p><b>3. Climate change and other global environmental changes</b></p>	<p>Demand for the UACJ Group's main products can be affected by changing weather conditions, whether regionally or globally. For example, demand for flat-rolled aluminum used to make beverage cans could weaken due to unseasonably cool summers and mild winters. Furthermore, overall market demand could decline in the future depending on the effects of climate change and other global environmental changes. These factors could have a significant impact on the Group's financial and other results.</p> <p>Amid such environmental changes and growing environmental awareness among consumers, the Group recognizes that it has opportunities to supply environmental friendly products by taking advantage of the lightweight and recyclable properties of aluminum. Toward that end, it established a new Corporate Sustainability Department in its Corporate Strategy Division in April 2020, and tasked it with initiating a variety of group-wide activities incorporating environmental, social and governance (ESG) criteria as well as the United Nations' Social Development Goals. Through such activities, the Group intends to make a more active contribution to combatting climate change and protecting the environment through its products and services.</p>
<p><b>4. Raw material prices</b></p>	<p>The UACJ Group's main raw materials are aluminum ingots sold on the global market, the price of which can fluctuate unexpectedly due to market trends and international affairs. The Group sets its product selling prices based on the market price of aluminum used for the products combined with the total cost of processing the aluminum. This condition is included in agreements with customers in advance, so selling prices reflect trends in the aluminum market and higher market prices are passed on to customers. If the aluminum market price falls steeply over the short term, however, the Group could record a loss on inventory valuation substantial enough to temporarily impact its financial and other results.</p> <p>In addition, the Group's financial and other results could be significantly impacted if prices of other raw materials it uses besides aluminum rise significantly, including metals used in aluminum alloys, various secondary materials, and crude oil and fuel, or if electricity rates or processing costs increase substantially.</p>
<p><b>5. Exchange rates</b></p>	<p>The UACJ Group carries out business internationally using various currencies, including the U.S. dollar and Thai baht. When preparing its consolidated financial statements, UACJ converts the financial results of its foreign subsidiaries from their respective currencies to Japanese yen amounts at rates set by the foreign exchange market. Consequently, unfavorable exchange rates could have a significant impact on its consolidated financial results. While it is difficult to completely eliminate this risk, the Group works to mitigate the financial impact by concluding forward exchange contracts.</p>
<p><b>6. Interest rates</b></p>	<p>If interest rates rise substantially in the future, UACJ would incur higher costs for repaying long-term loans with floating interest rates, which could have a significant impact on its consolidated financial results. To counter this risk, while it is difficult to repay all loans at fixed interest rates, the Company takes steps to ensure that a majority of its loans have fixed rates through interest rate swap agreements and other measures.</p>



**Risks related to business strategies**

<p><b>1. Returns on strategic investments</b></p>	<p>The UACJ Group has invested in production capacity expansion to meet demand from growing markets, particularly the automotive parts market and the can stock market in Asia and North America. Specifically, through three phases of capital investment, it constructed and expanded UACJ (Thailand) Co., Ltd.'s Rayong Works to supply flat-rolled aluminum for can stock in Southeast Asia, where economic growth is driving up demand. It has also expanded Tri-Arrows Aluminum Inc.'s Logan Mill to meet growing demand for aluminum can stock in North America amid heightened awareness of the environmental benefits of these products. To meet growing demand for aluminum auto panels and parts, the Group installed new automotive body sheet production lines at Fukui Works in Japan, and expanded production facilities operated by UACJ Automotive Whitehall Industries, Inc., in the United States.</p> <p>Returns on these investments have been steady since they were largely completed in fiscal 2019. If market conditions or the Group's operating environment worsen significantly in the future, however, the amount of returns on these investments could fall short of original targets, and a substantial shortfall could significantly impact financial and other results.</p>
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**Operational risks**

<p><b>1. Funds procurement</b></p>	<p>The UACJ Group procures funds needed for its operations through bank loans and the issuance of commercial paper. If it is unable to procure funds according to presumed requirements of these methods, however, due to changes in business or credit conditions, the Group may have to revise its business plans or incur higher costs for raising funds, which could impact its financial and other results. To reduce these risks, the Group always specifies the purpose of raising funds through loans from financial institutions or its issuance of commercial paper, and has secured committed credit lines. Furthermore, it makes efforts to improve cash flows in order to reduce its dependence on funds procurement.</p> <p>Since its establishment, UACJ has procured funds for proactive capital investment in Japan, the United States, and Thailand to expand production capacity in anticipation of growing demand in the markets it targets. While the amount of interest-bearing debt increased substantially as a result, the Company significantly reduced this amount in the fiscal year ended March 31, 2020, by using funds generated from returns on the capital investments, which began materializing during that fiscal year, and from the sale of businesses and other assets.</p>
<p><b>2. Group-wide corporate governance</b></p>	<p>With over 60 subsidiaries around the world, the UACJ Group is made up of many workplaces and divisions. Therefore, the collective ability of the Group's diverse workplaces and employees to effectively implement its policies and business strategies could have an impact on its operations and performance. Therefore, employee training programs are carried out to ensure that all members of the Group worldwide fully understand and comply with these policies and strategies, as well as the Group's internal rules, Group Code of Conduct, Management Philosophy, and UACJ Way guidelines. With a view to strengthen this framework, the Company set up a new Business and Culture Engagement Department in its Corporate Strategy Division in April 2020. Furthermore, as part of restructuring activities, the Company is taking steps to bolster headquarter functions, improve business management systems, revamp its corporate governance system, and reorganize management.</p>
<p><b>3. Development and deployment of strategic human resources</b></p>	<p>The optimal deployment of highly capable personnel can have a significant impact on the UACJ Group's ability to devise effective strategies and achieve goals that are necessary for ensuring its long-term growth. Therefore, the Group carries out succession planning to systematically identify and groom new leaders, promotes diversity and inclusion to bring out the best of its diverse workforce, and provides human resources training and development programs for essential personnel. It is also improving workplace conditions in an effort to enhance employee engagement and raise job satisfaction.</p>
<p><b>4. Procurement of limited raw materials</b></p>	<p>Certain raw materials procured by the UACJ Group are limited in supply. Consequently, the prices of these raw materials could change depending on the circumstances of their producers, and the volume the Group can procure could be restricted. Therefore, the Group stockpiles these materials in preparation for supply shortages and diversifies its suppliers to ensure that it can continue providing products to customers.</p>
<p><b>5. Product quality assurance</b></p>	<p>In 2017, a company operating in Japan's aluminum industry admitted to falsifying inspection certificates of aluminum products in order to meet customers' specifications for strength. Efforts are still ongoing to repair the damage caused by this major scandal to the reputations of not only this company but also Japan's entire aluminum industry. If such misconduct involving product quality occurs within the UACJ Group in the future, The Group could greatly lose the trust of its customers, and its competitiveness and financial results could be seriously impacted. Therefore, UACJ has created quality assurance guidelines, using those issued by the Japan Aluminum Association as a model, and positioned quality assurance at the core of its approach to compliance. Based on the guidelines, group companies jointly conduct product quality inspections, strictly enforce compliance, and actively strive to both assure and improve quality. Furthermore, the Group renews its quality assurance policy every fiscal year as a basis for implementing improvements and following up on past initiatives, including relevant training programs along with measures for preventing the recurrence of product defects and eliminating human error.</p>

<b>6. Diversifying needs of customers</b>	<p>The needs of the UACJ Group's customers have been diversifying in recent years amid the accelerating pace of digitalization and technological innovation, as well as changes in the global environment and societal trends. The Group's ability to provide products and services that promptly meet such diversifying needs in the future could have a significant impact on its competitiveness, growth, and financial and other results.</p> <p>To meet these customers' needs, the Group participates in national projects and conducts joint-research with universities and leading research institutions around the world to acquire and integrate cutting-edge technologies that can bolster its competitiveness. It is also collaborating with customers, suppliers, and other organizations to develop new products at its U-AI Laboratory based at its R&amp;D Center. Furthermore, the Group is actively promoting a digital transformation throughout its operations, and proactively applying technologies that facilitate recycling and other environmental initiatives in an effort to contribute to a more sustainable planet.</p>
<b>7. Natural disasters and accidents</b>	<p>The UACJ Group operates in areas of the world that have experienced earthquakes, floods, and other natural disasters, as well as large-scale accidents, terrorist attacks, and other man-made disasters. The frequency of such disasters causing damage to people and property was especially high in 2019. Furthermore, the Group, itself, operates high-temperature and high-voltage equipment, such as casting furnaces and quenching furnaces, which could cause serious accidents unless operated safely. If the Group or one of its suppliers sustains damage caused by such an accident or a natural or man-made disaster that results in a suspension of manufacturing operations, the Group's financial and other results could be significantly impacted.</p> <p>To reduce these risks, the Group takes every possible precaution to ensure the safety of its equipment and facilities, particularly the aforementioned furnaces. For example, it has established various equipment safety rules and routinely conducts safety drills and training programs. In the fiscal year ended March 31, 2020, UACJ specified onsite fires and explosions as a priority risk from among possible serious accidents, conducted risk assessments at each of the Group's manufacturing plants worldwide, and analyzed their response capabilities. In addition, the Group's flat-rolled aluminum manufacturing plants in Japan have been implementing business continuity plans in an effort to ensure that the production of these important products can continue during times of emergency.</p>
<b>8. Legal compliance</b>	<p>The UACJ Group is subject to a broad range of laws in regulations in the countries in which it operates, and, therefore, could be penalized and forced to pay fines due to violations of such laws and regulations, regardless of any negligence on its part. Furthermore, if such laws and regulations are made stricter or if new laws or regulations are enacted, the Group could incur expenses needed to comply with the changes.</p> <p>The Group recently reaffirmed its strong commitment to compliance along with safety as the most important values for all of its employees and officers when it revised its Management Philosophy and UACJ Way guidelines in February 2020. Included in the philosophy is the following vision: "Aluminum is our passion. It inspires our work in building a better world and healthier environment." Under the revised philosophy and guidelines, the UACJ Group will strive to build up public trust and minimize any unforeseen losses that could result from violations of laws and regulations by continuing to provide training programs covering the Group Code of Conduct to all employees and officers, and to implement various measures for ensuring compliance with laws and regulations that are important for business continuity as a manufacturer, including those related to occupational health and safety as well as environmental protection.</p>
<b>9. Information security</b>	<p>The UACJ Group handles a wide range of information, including data provided by customers, personal details of employees and their families, and information produced in the process of conducting business. If such information is stolen and leaked by a malicious third party, the Group could be responsible for reparations, suffer a loss of credibility, and lose opportunities for future business. Moreover, if intellectual property acquired through R&amp;D or manufacturing operations is leaked or compromised, the Group's competitiveness could be weakened.</p> <p>In consideration of information security trends in recent years, UACJ has specified information security as a priority risk for the Group, and created standard group-wide information management rules and electronic information security rules in the fiscal year ended March 31, 2020, to maintain a common approach for protecting information across the entire Group. Furthermore, to continue improving its information security management, the Group routinely conducts relevant assessments based on cyber security management guidelines issued by Japan's Ministry of Economy, Trade and Industry and the Information-Technology Promotion Agency, Japan.</p>

## Risks related to accounting-based valuation and estimates

<b>1. Impairment of fixed assets</b>	<p>If market conditions or the UACJ Group's operating environment worsen significantly in the future, the market value of fixed assets it owns could decline markedly and the returns on those assets could decrease as a result. In such cases, the Company would have to record an impairment loss on the fixed assets in accordance with relevant accounting standards, and a substantial impairment loss amount could significantly impact its consolidated financial results.</p>
<b>2. Recoverability of deferred tax assets</b>	<p>The Company calculates the amount of deferred tax assets it can presumably recover based on reasonable estimates of future taxable income. If market conditions or its operating environment worsen significantly in the future, however, its taxable income could not only differ substantially from such estimates but also result in a reversal to deferred tax liabilities. A substantial reversal could significantly impact consolidated financial results.</p>

# Research and Development

## Refining core technologies

UACJ is working to refine its core technologies used for material design and production processes by acquiring the latest technologies and expertise in collaboration with leading-edge research organizations in Japan and around the world. As part of these efforts, in fiscal 2019, the Company began fully operating a laboratory specializing in industry-collaborative research on aluminum, which has been set up at the Chubu Center of the National Institute of Advanced Industrial Science and Technology in Japan. The laboratory has launched joint research projects spanning across a wide range of fields, including methods for improving production processes, new applications for aluminum using newly developed surface finishing technologies, and data science applications in R&D.

UACJ has also been carrying out joint research with Hokkaido University, which is offering a practical course on next-generation innovations in aluminum to prepare students for working in the aluminum industry through R&D aimed at creating innovative aluminum materials. Combining the university's academic expertise with UACJ's

extensive technical development capabilities, the course is designed to equip students with the skills they will need to develop innovative and highly useful materials.

Outside Japan, UACJ has been networking with members of national research institutes in Thailand through the UACJ Thailand R&D Center. The center has also set up a system for recruiting and training engineering students from local universities to provide a solid source of skilled human resources in the future.



A university student being trained at the UACJ Thailand R&D Center

## Developing products and applications

UACJ conducts R&D on aluminum and its many useful properties with a view to promote applications across a broad range of industries. In collaboration with Japan's New Energy and Industrial Technology Development Organization, the Company has been using high-strength aluminum alloys for auto parts, developing an aluminum recycling process, and assessing corrosion resistance under various driving conditions. Together with Hitachi, Ltd., UACJ has been verifying a system designed to make new material development more efficient by applying the results of computer-derived material data analyses to shorten development times. With the system, the companies are aiming to reduce the weight of auto parts and quickly develop easily recyclable can stock. In addition, UACJ has partnered with SAP Japan Co., Ltd., and Doctors, Inc., to develop a medication tracking system that notifies caregivers remotely about whether patients have taken medication or

not, made possible by a pharmaceutical packaging foil that can detect whether a package has been opened. By collaborating in this way, UACJ is aiming to offer practical solutions for caregivers and patients.



In the countries where its main production plants are based—Japan, the United States, and Thailand—UACJ has established R&D facilities to help boost productivity and support manufacturing of products tailored for regional needs.

## UACJ Innovation Challenge launched to create new value with aluminum

UACJ has been successful in producing high-quality products according to customers' requests, but it will need to proactively create new value in the future to ensure further growth. From that perspective, the Company's main research and development facility, the UACJ R&D Center, launched a program called the UACJ Innovation Challenge in 2019 to generate ideas about creating new value using aluminum. Among the program's activities, the center invited members of other manufacturers and trading companies as well as students to join employees in workshops designed to brainstorm ideas that can lead to innovations. It also provides support for related projects initiated by employees.



Employees who volunteered to join the UACJ Innovation Challenge program share ideas about innovation.

# Advancing Sustainable Manufacturing

## Producing Environmentally Friendly Products

Demand for aluminum is growing around the world as people recognize its usefulness as an alternative to plastic and as a lightweight material for automobile parts amid increasingly strict environmental regulations. Transport tractors and trailers, for example, can be made lighter by using lightweight aluminum materials for body panels and components. That contributes to both higher fuel efficiency and lower CO<sub>2</sub> emissions.

To make use of aluminum in products, however, the performance of the materials must be improved. Therefore, the UACJ Group makes aluminum sheet, parts, and other items according to the required performance specifications of the end-products. For example, it improves the strength of aluminum components used in automobiles.

In the same way, the Group strives to make aluminum products that enhance user-friendliness and help reduce environmental burdens, specifically by saving resources, combating global warming, facilitating a circular economy, and eliminating substances that are harmful to the environment.

This approach is reflected in the Group's corporate philosophy, which was revised in February 2020. The Our Vision section of the philosophy states the following: "Aluminum is our passion. It inspires our work in building a better world and a healthier environment." Accordingly, while working to expand its operations, the Group will pursue solutions for global environmental issues through its businesses with a view to ensure not only its own sustainable growth but also that of society.

Increasing production volume, however, will lead to a greater environmental load from manufacturing processes. Therefore, the Group strives to reduce the total amount of energy it consumes and waste it disposes in line with targets set every year in an effort to lower the environmental load of its manufacturing processes.

In addition, UACJ Corporation has joined the Aluminium



Stewardship Initiative (ASI), a global non-profit standards setting and certification organization that aims to "maximize the contribution of aluminum to a sustainable society" by promoting improvements in environmental, social and governance impacts of aluminum production and measures to reduce environmental burdens across the industry and supply chain as a whole. UACJ was the first rolled aluminum product manufacturer in Japan to join the ASI. As a member, the Company is actively contributing to global standards-setting in the aluminum industry while supporting the ASI's activities and objectives.

## Project launched to promote aluminum as a solution for environmental problems

UACJ has launched a group-wide project for promoting the adoption of aluminum by demonstrating how it can be used in potential solutions for environmental problems. For instance, using aluminum instead of plastic to make beverage containers can help slow down ocean plastic pollution. Through the project, group companies provide information on aluminum's benefits and recent trends to beverage manufacturers in Japan and other countries, and to consumers in general, including children. As a way of showing the feasibility of switching from plastic containers, the Company offers drinking water bottled in aluminum cans to people visiting its head offices in Japan and Thailand. Now that awareness of ocean plastic pollution is on the rise, UACJ is cooperating with the Japan Aluminium Association and the Japan Aluminium Can Recycling Association to educate the public about the benefits of aluminum cans.



All beverages in vending machines at the Company's factories in Japan are bottled in aluminum cans.



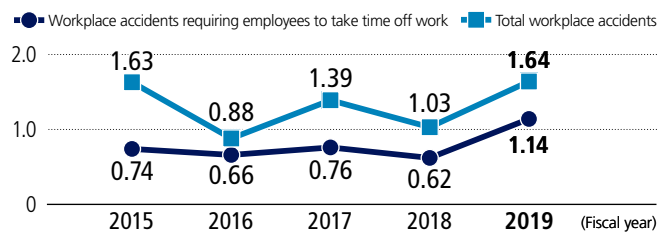
# Human Resources Management

## Ensuring safe workplaces

In the UACJ Group's flat-rolled aluminum production plants, working conditions come with risks as employees must handle large-scale equipment. For example, oil used for lubrication when rolling aluminum can fly off of machines, resulting in dangerous conditions. Therefore, the Group places the highest priority on ensuring the health and safety of all employees. Its production plants implement thoroughgoing measures to maintain safety and require all of their members to participate in health and safety activities. They also conduct comprehensive risk assessments covering a wide range of operations in an effort to completely eliminate risks and unsafe conditions that could cause accidents. If the assessments identify relatively high risk levels for specific machinery and operating procedures, priority is given to reducing those risks in safety measures, and provisional measures are implemented for all remaining risks. Furthermore, as part of its human resources development, the Group has been fostering a workplace culture that places the utmost importance on safety through various

training programs, including safety awareness training and practical drills for workers as well as occupational health and safety education for managers. Indicating the effectiveness of these activities, UACJ has maintained a relatively low number of workplace accidents since its establishment.

### Frequency of Workplace accidents in Japan per million work hours



## Enabling employees to make the most of their capabilities

The UACJ Group employs almost 10,000 people worldwide. In addition to their different nationalities, cultures, and languages, these employees live in diverse communities and balance work and life differently. Therefore, in each of its businesses, the Group strives to maintain accommodating workplaces that allow all members to make the most of their capabilities. As part of those efforts, group companies have been introducing a number of childcare and nursing care leave systems while promoting workplace reforms. The reforms are being independently carried out by various workplaces with the goal of raising productivity and employee engagement, with 106 measures taken in fiscal 2019. To boost productivity, each workplace has set their own targets for improving the efficiency of meetings and document production. To raise employee engagement, an engagement survey was conducted for the first time in fiscal 2019, and improvement measures were initiated based on the results. In the same fiscal year, about 400

employees participated in a project to renew the Group's corporate philosophy. The renewed philosophy is providing a clear path forward for the UACJ Group to manufacture products with an even stronger sense of purpose.



UACJ's president has been visiting production plants in Japan to directly speak with employees about the Group's philosophy and vision, and plans to visit overseas workplaces in the future.

### VOICE

#### Message from a manager Growing together with the company

I am a senior manager responsible for supervising 13 subordinates in the Procurement Department. Procurement is closely linked to factory production schedules and profitability, so we must take great care in our work. I make sure that the importance of that is understood by everyone on my team so we can contribute to the growth of UACJ (Thailand) while refining our individual skills. In other departments, too, such as accounting and finance, women have been appointed as managers, so I feel that the company has a culture of gender equality.



**Laksanai Aranyakornkun**  
Senior manager, Procurement Department  
UACJ (Thailand) Co., Ltd.

# Fiscal 2019 Activity Report

## Performance Overview

### Sales volume

Up year on year 

- Can stock sales volume increased at UACJ (Thailand) and Tri-Arrows Aluminum
- Automotive parts sales volume increased in Japan

### Ordinary income

Decreased 38.9% year on year to ¥2.4 billion 

#### Contributing factors


- Improved equity-method gain after the JV dissolution of Constellium-UACJ ABS
- Smaller negative contributions from UACJ (Thailand) and Tri-Arrows Aluminum

#### Detracting factors


- Inventory valuation detracted from profit
- Impact on sales from the adverse business environment of US-China trade friction and unfavorable domestic business conditions

## Primary Activities



1Q

- Established a second overseas R&D center in Thailand
- Held executive study sessions to identify materiality ( Page 49)






2Q

- Launched structural reform ( Page 21-26)
- Sold the copper tubing business
- Established an automotive parts JV with CITIC Group Corporation in China

3Q

- Started collaborative creation of high-performance aluminum with Hitachi ( Page 45)
- Started joint research with SAP Japan and others on a medication tracking system using aluminum foil with package opening detection ( Page 45)

4Q

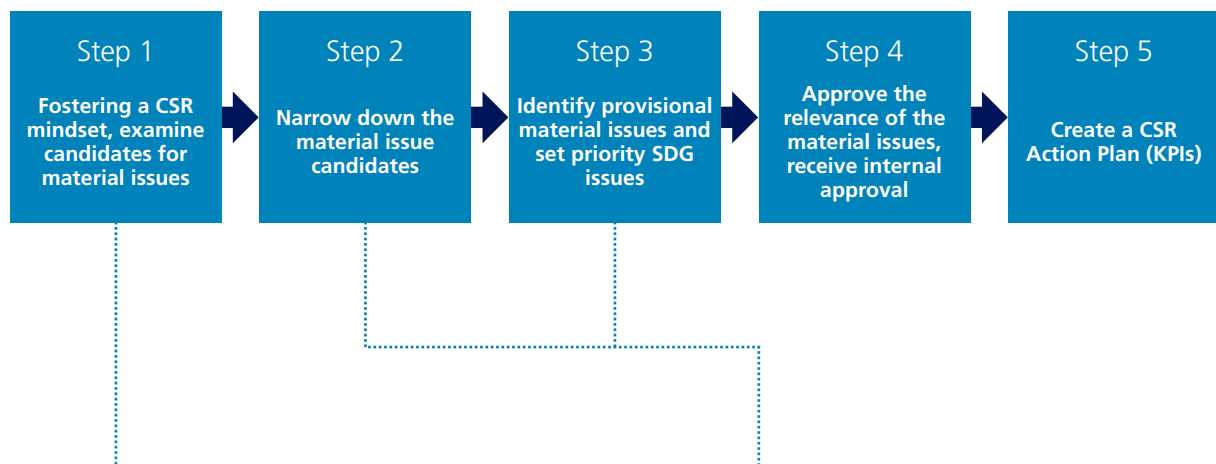
- UACJ (Thailand) achieved profitability in operating income on a quarterly basis ( Page 53)
- Halved the number of executive officers ( Pages 35-38)
- Adopted a new Group Philosophy ( Pages 1-2)
- Held employee workshops to define materiality for the Company ( Page 49)
- Recorded positive free cash flow for the first time after the merger ( Page 51)

## Defining Material Issues

As society evolves, CSR is becoming a standard expectation of companies. Investors are increasingly interested in a company's ESG and using it as part of their evaluations for investment. UACJ considers addressing CSR issues to a basic condition for surviving as a business and essential to creating sustainable value as a global company. We also believe it can be a source for business competitiveness and have positioned the material issues at the core of our sustainability management. Defined based on international standards, such as ISO26000, the material issues have major impacts on society and the company's stakeholders. We therefore consider them vital

issues related to our business sustainability and will continue working to bring them into greater clarity.

The material issues are being addressed in four stages, following the four steps shown below. Discussions about the issues are all-inclusive, starting with directors, executive officers, and other management-level personnel and encompassing employees at our manufacturing and sales sites as well as employees at our group companies in Japan and overseas. After the material issues are identified and defined, we put together action plans and KPIs for CSR activities.



### Fostering CSR awareness

While we were defining the material issues, in April 2019 the Company held study sessions to raise awareness of CSR and establish a uniform understanding about CSR throughout the Company. The sessions were attended by the Company president and other executives as well as the heads of all business departments. We also conducted interviews and surveys with each department to apprehend the current status of CSR activities. The aim of these activities is to determine the current level of understanding of CSR issues among employees and to foster a company-wide mindset. In addition, we selected 47 issues as material issue candidates based on important international standards, such as ISO26000.



### Employees from various divisions discuss material issue candidates

Employee workshops were conducted to identify material issues and associated priority targets among the SDGs. Employees from all corners of the Group participated, including from corporate divisions such as corporate planning and human resources, and from manufacturing and sales divisions of domestic and overseas group companies, each providing perspectives from their own duties and from the stakeholders they interact with. The candidates for material issues that emerged from these sessions will be narrowed down based on our redefined philosophy (Page 1) and with input from specialists.



## Achievement of positive cash flow

Investments to expand the manufacturing facilities at UACJ (Thailand) and Tri-Arrows Aluminum neared completion in fiscal 2019. UACJ (Thailand) achieved a notable milestone as it brought its expanded facility into full-scale operation during the year and ultimately achieved an operating profit in the fourth quarter (October to December). We expect these investments to begin generating measurable contributions to profits. They are a major reason why in fiscal 2019 UACJ was able to record the first positive free cash flow since being established in 2013. We are working to restore our financial balance as quickly as

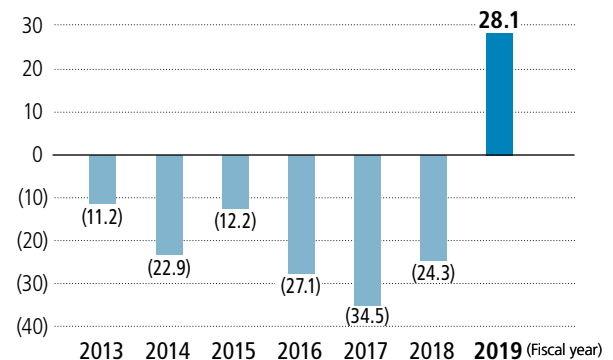


The newly added cold mill rolling lines at Tri-Arrows Aluminum (left) UACJ (Thailand)

possible by continuing to employ strict financial discipline and allocating profits earned in overseas markets to reduce corporate debt.

### Free Cash Flow

(Billions of yen)



## Impact of the COVID-19 pandemic

### Regional

#### Increasing support for medical institutions battling the virus

UACJ is using its technologies to help battle the COVID-19 pandemic. To offset the shortage of protective equipment at medical institutions treating the virus, we used our processing technology to produce aluminum frames for face shields, which we donated to a medical institution in Nagoya City. We also donated masks to local communities at our business sites.



### For employees

#### Prevention and protection measures and work from home

We are recommending our employees in administrative and sales departments to work from home or use other teleworking options with the aim of reducing the in-person attendance rate to 30% or less. We are also preparing the necessary infrastructure and security measures to support working from outside the office. Assignments and business trips overseas are carefully considered in light of the status the virus and medical system and in accordance with local immigration and activity restrictions.

### Supply system

#### Strengthened risk management system, such as preparing alternative production plans

We responded to the production adjustments at automobile manufacturers by suspending production activities for brief periods based on the individual conditions of each factory. We are also strengthening our risk management system, including preparing alternative production plans in the event that the virus is contracted by people at our manufacturing sites.

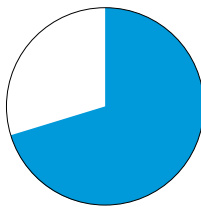
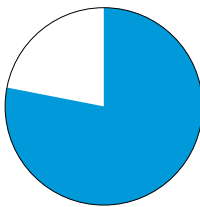
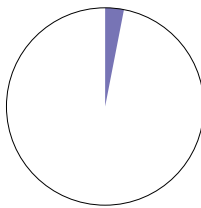
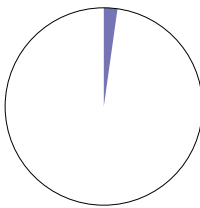
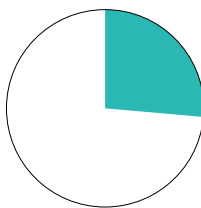
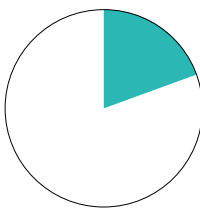
### Financing

#### Securing financing for any circumstances

Given the uncertain outlook, we have set up commitment lines (immediate credit facility) totaling ¥43 billion with financial institutions. Including cash, at the end of fiscal 2019 we had secured funds of approximately ¥100 billion. We believe we are sufficiently prepared for any circumstances, but will flexibly secure access to sufficient funds as the situation dictates.

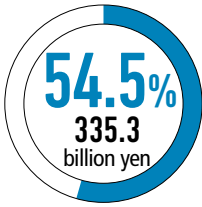
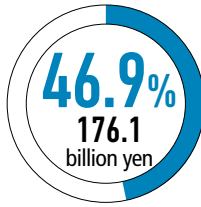
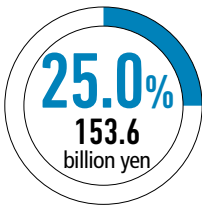
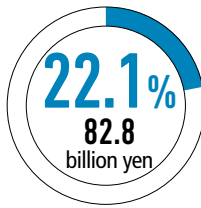
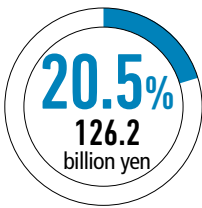
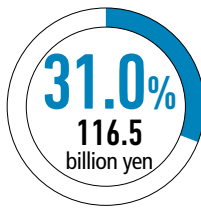


### Overview of Results by Business Segment

Segment	Businesses	FY 2019 segment sales and % of net sales	FY 2019 segment income and % of operating income	Reference page
<b>Rolled Aluminum Products Business</b>	<ul style="list-style-type: none"> <li>Flat-rolled aluminum</li> <li>Extruded products</li> <li>Aluminum foil</li> <li>Casting and forged products</li> </ul>	 <p><b>70.4%</b> 503.8 billion yen</p>	 <p><b>78.1%</b> 12.5 billion yen</p>	P59
<b>Wrought Copper Products</b>	<ul style="list-style-type: none"> <li>Copper tubing and pipes</li> </ul>	 <p><b>3.2%</b> 22.9 billion yen</p>	 <p><b>2.3%</b> 0.4 billion yen</p>	P60
<b>Precision-machined Components and Related Businesses</b>	<ul style="list-style-type: none"> <li>Precision-machined components</li> </ul>	 <p><b>26.4%</b> 188.8 billion yen</p>	 <p><b>19.6%</b> 3.1 billion yen</p>	P60

Note: Segment sales totals include inter-segment sales and transfers. Segment income totals are before inter-segment adjustments.

### Overview of Results by Geographical Segment

Segment	Main plants and operators	FY 2019 segment sales and % of net sales	Property, plant and equipment and % of the consolidated total as of March 31, 2019	Reference page
<b>Japan</b>	<ul style="list-style-type: none"> <li>Nagoya Works</li> <li>Fukui Works</li> <li>Fukaya Works</li> <li>Nikko Works</li> </ul> All operated by UACJ Corporation	 <p><b>54.5%</b> 335.3 billion yen</p>	 <p><b>46.9%</b> 176.1 billion yen</p>	P54
<b>USA</b>	<ul style="list-style-type: none"> <li>Tri-Arrows Aluminum Inc.</li> <li>Logan Aluminum Inc.</li> <li>UACJ Automotive Whitehall Industries, Inc.</li> </ul>	 <p><b>25.0%</b> 153.6 billion yen</p>	 <p><b>22.1%</b> 82.8 billion yen</p>	P52
<b>Asia and Other Regions</b>	<ul style="list-style-type: none"> <li>UACJ (Thailand) Co., Ltd.</li> </ul>	 <p><b>20.5%</b> 126.2 billion yen</p>	 <p><b>31.0%</b> 116.5 billion yen</p>	P53

# North America

Using our enhanced production capacity to meet brisk can stock demand



## Business Status and Market Environment Analysis

### Strengths

#### Can Stock Business

- World's largest production capacity
- Long-term relations with can manufacturers
- Cost competitive from using a high percentage of scrap materials
- High supply capacity using our

bases in Japan and Thailand

#### Automotive Materials Business

- Relations with emerging EV manufacturers
- Integrated development abilities through to parts commercialization

### Weaknesses

#### Can Stock Business

- Business development highly focused on can stock

#### Automotive Materials Business

- Limited business partners among major automakers

### Opportunities

#### Can Stock Business

- Demand growing 3% annually
- Fast-growing market compared to other regions (prospects for rising prices and broader applications)
- Growing can stock demand amid movement to reduce plastic usage
- Rival firms switching production

focus from can stock to auto parts

#### Automotive Materials Business

- Increasing demand for aluminum materials for EVs and to lighten all automobiles to meet environmental regulations

### Threats

#### Can Stock Business

- Increasing new market entrants and low-priced imports due to foreign trade policy changes

#### Automotive Materials Business

- Competition with other viable materials
- Increasing number of new market entrants

## Summary of results in fiscal 2019

Aluminum can stock supply and demand is becoming extremely tight in North America, where it is a major commercial material. Overall demand remains very strong, but many aluminum manufacturers are shifting to producing automotive panels and parts to meet automaker needs for lighter vehicles.

Tri-Arrows Aluminum, our primary operator in North America, is generating steadily growing sales of can stock in this environment. While waiting for the construction of its new cold-rolling facility to be completed, the company used its idle casting facilities to produce and sell aluminum ingots. This business and the reduced manufacturing costs from its expanded scrap recycling furnace helped the company lift ordinary income a considerable ¥2.4 billion over the previous fiscal year.

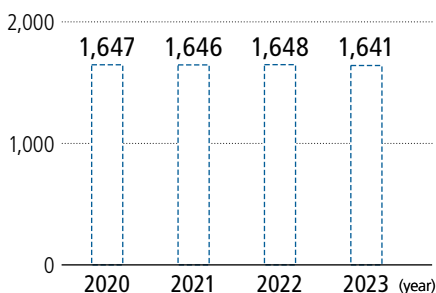
## Business Outlook

The COVID-19 pandemic has led to increased beverage consumption inside the home, which has triggered such strong demand for can stock

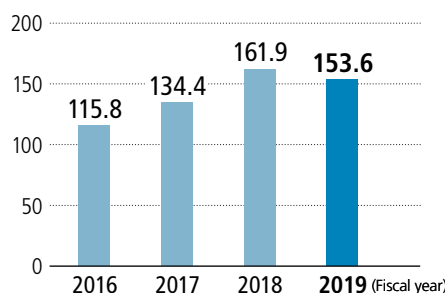
that the industry is hard pressed to keep up. Along with this, we anticipate increasing demand for can stock as an alternative to plastic bottles in some areas of the United States, where some companies have begun marketing mineral water in aluminum bottles. With the expansion to its facilities complete, Tri-Arrows Aluminum is aiming to increase profits in 2020 as it ramps up sales volume with the expanded production line in full operation. The company expects to further boost profits as it secures volume sales and revises prices when it renews long-term contracts.

Demand to UACJ Automotive Whitehall Industries were slowed by the coronavirus pandemic but is quickly recovering from emerging EV manufacturers. The company is preparing to capture the expected growing demand beginning in 2022 when the EV automakers progress to mass production. The drive by automakers to lower vehicle weights is generating solid demand and is expected to develop into a growth market. The company is also closely monitoring market trends for aluminum auto body sheet, and plans to be aggressive in the market.

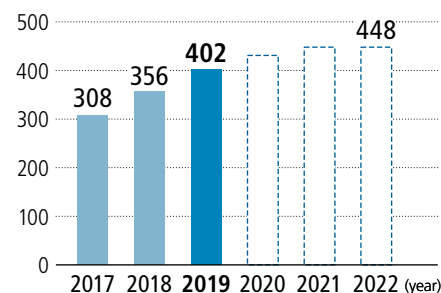
**Aluminum can stock demand forecast (United States)** (Thousands of tons)



**North America sales** (Billions of yen)



**Tri-Arrows Aluminum sales volume and forecast** (Thousands of tons)



Source: Aluminium Rolled Products Market Outlook, May 2018, CRU International Limited

# Asia and Other Regions

Starting full-scale operation of the enhanced capacity to prepare UACJ (Thailand) for a demand recovery



## Business Status and Market Environment Analysis

### Strengths

- Easy access to the Asia market, where demand is expected to grow
- Southeast Asia's only state-of-the-art equipment and production capacity of 320,000 tons/year
- Quality control cultivated in Japan
- Long-term relations with Japanese and other can manufacturers in the region

### Opportunities

- Brisk demand accompanying Asia's economic expansion
- Increasing export opportunities to North America and Europe as they reduce plastic usage

### Weaknesses

- Challenges to passing skills to local operators

### Threats

- Chinese companies introducing low-priced products
- High tariffs due to trade friction or political decisions

## Summary of results in fiscal 2019

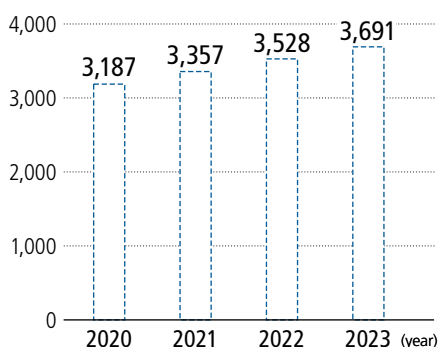
Our major base in the Southeast Asian region, UACJ (Thailand), completed the third phase of facility investment and launched operations of the expanded facilities in July 2019. The company increased its monthly production volume from 14,000 tons in June to 18,000 tons in July and further raised output to 23,000 tons in October. As production volume increased, so did sales volume, and the company attained positive profitability for the first time in the October-December quarter. The rapidly developing managerial skills of the Thai managers and continuing progress localizing operations, including increasing the ranks of local operators, contributed substantially to the achievement on both the operating and management level. These efforts by UACJ (Thailand) supported growth in ordinary income of ¥1.6 billion over the previous fiscal year.

## Business Outlook

Economic activity in Southeast Asia has been constrained by the spread of COVID-19. Demand for can stock, our primary product in the region, has been sluggish due to the lockdowns in cities and bans on sale of alcoholic beverages. Even after the restrictions are eased, we expect a reduced number of tourists and other factors to lead to sluggish economic conditions and do not anticipate demand for can stock to begin growing again until 2022 at the earliest.

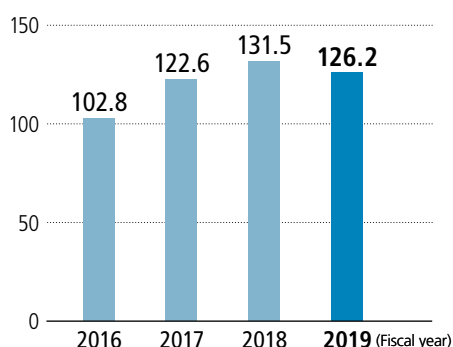
UACJ (Thailand) is planning to keep its enhanced production capacity in full operation so it will be fully prepared to ramp up sales volume when demand returns. The company aims to quickly reestablish profitability by strengthening its direct sales to acquire new customers, revising its product prices, gathering long-term contracts, and expanding its sales region. To promote demand for can stock, UACJ (Thailand) is also actively participating in the Thai government's Can to Can Journey recycling campaign.

**Aluminum can stock demand forecast (Asia and other regions)** (Thousands of tons)

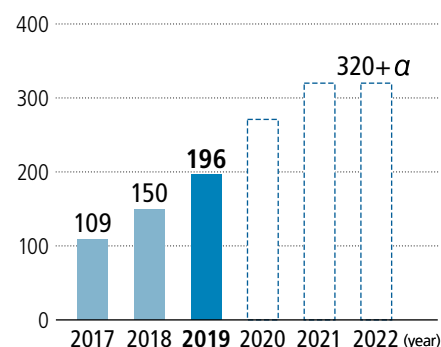


Source: Aluminium Rolled Products Market Outlook, May 2018, CRU International Limited

**Asia and other region sales** (Billions of yen)



**UACJ (Thailand) sales volume and forecast** (Thousands of tons)



# Japan

## Reforming to create a high-profit business structure



### Business Status and Market Environment Analysis

#### Strengths

- Dominating market share
- Multi-product capability
- Ability to work with customers to flexibly meet their needs
- Two factories with large-scale hot rolling lines
- Long history of good relations with customers

#### Opportunities

- Declining plastic usage and need for lighter vehicles
- Digitalization generating growing demand for semiconductors and IT devices and equipment
- Domestic companies revising their production systems, such as for business continuity plans

#### Weaknesses

- Low productivity levels for various and small-lot products
- Inefficient marketing ability (ability to attract new demand)

#### Threats

- Contracting markets due to depopulation
- Cost competition with low-priced imported materials for commoditized products

### Summary of results in fiscal 2019

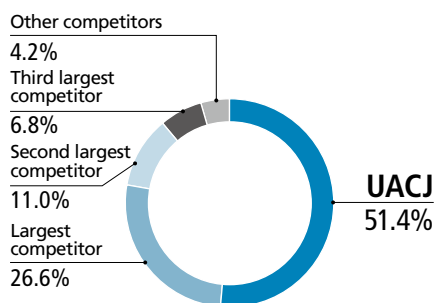
Overall sales volume and revenue decreased in Japan. Sales remained solid for automotive parts, particularly for automotive body sheet, but sales volume declined for our core can stock. Sales volume also contracted for thick plates for liquid crystal and semiconductor manufacturing equipment owing in part to the deteriorating business sentiment amid the ongoing trade friction between the United States and China since 2018. At the same time, we made steady progress enhancing our manufacturing structure to meet the growing demand for automotive materials in Japan with the operation starts of an automotive finishing line at the Fukui Works and a new press for extruded products at the Nagoya Works.

### Business Outlook

We anticipate declining sales volume due to the ongoing COVID-19 pandemic and its impact on economic activity, including the suspension of automobile production, and also due to the prolonging U.S.-China trade friction. We also expect the declining population to lead to diminishing demand in the medium and long term.

We are preparing for this outlook by implementing structural reform to establish the optimal production system, beginning by consolidating our manufacturing bases. We are progressing as planned with structural reform designed to lower the break-even point so we can remain a highly profit business even in a shrinking market.

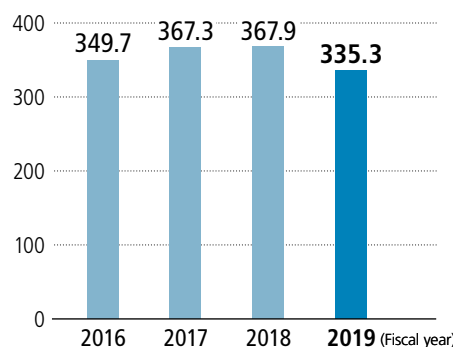
### Share of flat-rolled aluminum produced in Japan in 2019



Source: *Alutopia* magazine, September 2020, Kallos Publishing Co., Ltd.

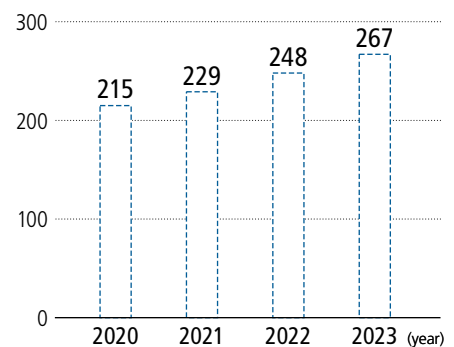
### Japan sales

(Billions of yen)



### Demand in Japan for flat-rolled aluminum used in automobiles, aircraft, ships, and rail vehicles

(Thousands of tons)



Source: Aluminium Rolled Products Market Outlook, May 2018, CRU International Limited



		Fiscal 2010	Fiscal 2011	Fiscal 2012
<b>Consolidated income</b>				
Net sales		466,699	452,898	436,485
Operating income (loss)		27,933	18,709	15,069
Ordinary income (loss)		23,146	16,595	14,606
Income (loss) before income taxes		18,676	10,098	9,743
Net income (loss) attributable to owners of the parent		19,157	11,838	4,656
Operating margin		6.0%	4.1%	3.5%
Net income (loss) to net sales ratio		4.1%	2.6%	1.1%
<b>Consolidated financial condition</b>				
Total assets <sup>1</sup>		524,527	535,148	536,200
Net assets		105,174	124,440	138,166
Shareholders' equity		103,921	122,985	136,387
Interest-bearing debt		242,035	225,324	215,318
Current assets <sup>1</sup>		205,286	204,890	191,653
Non-current assets <sup>1</sup>		319,240	330,257	344,547
Current liabilities <sup>1</sup>		237,988	263,221	251,858
Non-current liabilities <sup>1</sup>		181,364	147,487	146,175
Shareholders' equity ratio <sup>1</sup>		19.8%	23.0%	25.4%
Return on equity	Former Furukawa-Sky until FY 2012	18.6%	5.1%	4.3%
	Former Sumitomo Light Metal	23.1%	19.1%	2.7%
<b>Consolidated cash flows</b>				
Cash flows from operating activities		35,923	36,239	29,032
Cash flows from investing activities		(13,595)	(38,120)	(21,520)
Free cash flow		22,328	(1,881)	7,512
Cash flows from financing activities		(5,441)	(8,034)	(12,887)
<b>Per share information</b>				
Net income (loss) per share (yen) <sup>2</sup>	Former Furukawa-Sky until FY 2012	52.70	15.59	13.85
	Former Sumitomo Light Metal	16.64	14.95	2.59
Annual dividend per share (yen) <sup>2</sup>	Former Furukawa-Sky until FY 2012	6.0	6.0	6.0
	Former Sumitomo Light Metal	0.0	1.5	3.5
<b>Main consolidated expenses</b>				
Capital investment		9,092	13,351	25,554
Depreciation and amortization		23,445	22,821	20,121
Research and development expenses		4,886	5,111	5,031

Notes: All yen figures in the graphs have been rounded. Accounting principles for notes maturing at the end of the fiscal year changed in fiscal 2013. However, the figures prior to retrospective treatment are shown for the main management indicators and other records prior to fiscal 2012. The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.

(Millions of yen)

Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
364,107	572,541	575,735	568,316	624,270	661,330	615,150
17,772	23,679	15,212	25,869	29,205	14,868	10,126
16,798	21,337	12,010	19,819	19,408	6,201	3,788
15,523	18,856	13,976	18,281	19,692	10,041	(1,622)
9,946	8,649	5,105	8,715	12,253	1,116	2,038
4.9%	4.1%	2.6%	4.6%	4.7%	2.2%	1.6%
2.7%	1.5%	0.9%	1.5%	2.0%	0.2%	0.3%
608,490	677,952	662,543	725,443	774,071	807,224	752,785
168,140	187,136	178,582	198,360	208,396	206,204	202,716
155,515	172,305	165,030	184,090	194,235	190,998	188,363
256,309	295,953	289,006	323,825	342,336	375,080	344,011
236,638	269,889	263,409	305,563	322,461	348,291	288,919
371,852	408,063	399,135	419,880	451,610	458,933	463,866
236,387	287,884	249,784	237,650	273,148	273,269	264,434
203,963	202,932	234,177	289,433	292,527	327,751	285,635
25.6%	25.4%	24.9%	25.4%	25.1%	23.7%	25.0
8.6%	5.3%	3.0%	5.0%	6.5%	0.6%	1.1%
—	—	—	—	—	—	—
14,233	26,777	22,511	28,393	17,381	10,651	58,115
(25,452)	(49,668)	(34,759)	(55,456)	(51,853)	(34,947)	(30,021)
(11,219)	(22,891)	(12,248)	(27,063)	(34,472)	(24,296)	28,094
14,067	25,694	11,176	49,478	13,543	28,971	(25,852)
30.36	20.21	11.94	201.63	253.96	23.14	42.26
—	—	—	—	—	—	—
9.0	6.0	6.0	60.0	60.0	60.0	20.0
—	—	—	—	—	—	—
27,104	46,539	30,489	31,556	51,195	52,544	48,947
17,165	22,636	22,893	23,508	25,686	27,215	27,748
3,688	4,619	4,630	4,412	4,409	4,529	4,305

## Notes:

- The Company has applied Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting, issued by the Accounting Standards Board of Japan on February 16, 2018. Accordingly, amounts for total assets, current assets, non-current assets, current liabilities, non-current liabilities, and shareholders' equity ratio were calculated to reflect this application retroactively from fiscal 2017.
- In fiscal 2017, UACJ conducted a 1-for-10 reverse stock split of common stock on October 1, 2017. Figures for net income (loss) per share in fiscal 2016 and 2017 were calculated as if the reverse stock split had occurred at the beginning of fiscal 2016. Likewise, figures for annual dividend per share from fiscal 2016 and 2017 were calculated on a post-stock-split basis.

## Business Performance in Fiscal 2019

### Operating Environment

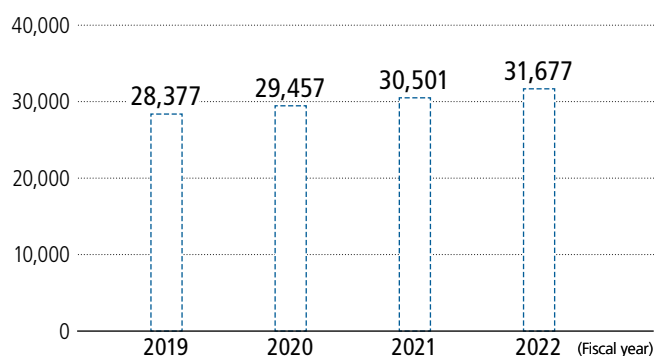
During fiscal 2019, the Company's fiscal year ended March 31, 2020, the outlook for the global economy had been uncertain as a result of geopolitical tensions and the slowdown of China's economy due to its trade war with the United States. Consequently, a deceleration of global economic growth appeared increasingly likely. More recently, due to the worldwide COVID-19 pandemic, various countries placed restrictions on economic activities and entered serious economic recessions. In Japan, the economy had been growing moderately, but a sales tax hike in October 2019 dampened consumer spending, and the spread of COVID-19 increasingly raised concerns of an economic recession.

Against this backdrop, Japan's flat-rolled aluminum industry experienced a decline in overall domestic demand for aluminum products compared with the previous fiscal year. Specifically, although demand for automotive body sheet was steady, demand for flat-rolled aluminum for beverage can stock decreased slightly year on year, and demand for aluminum thick plates for liquid crystal and semiconductor manufacturing equipment was sluggish. Demand

for aluminum extruded products also decreased across the board, including extruded parts for passenger vehicles, automotive heat exchangers, industrial machinery, and semiconductor manufacturing equipment.

### Forecast of global demand for aluminum sheet

(Thousands of tons)



Source: Aluminum Rolled Products Market Outlook published in May 2018 by CRU International Limited

### Consolidated earnings results and forecast

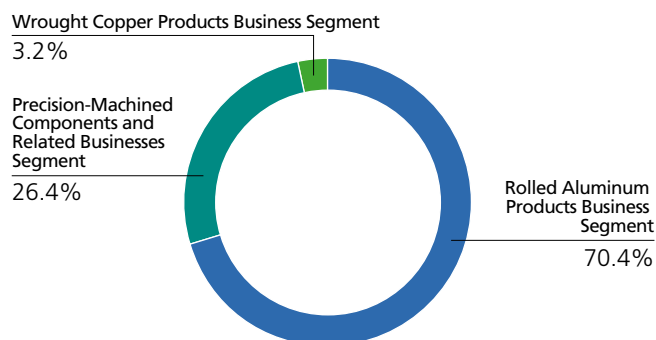
(Billions of yen)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Initial fiscal 2019 forecast in May 2019*	Fiscal 2020 targets of the mid-term management plan
Net sales	624.3	661.3	615.1	710.0	—
Operating income	29.2	14.9	10.1	17.5	37.0
Ordinary income before the impact of inventory valuation	11.3	3.0	9.8	11.5	—
Ordinary income	19.4	6.2	3.8	11.0	30.0
Net income attributable to owners of the parent	12.3	1.1	2.0	3.5	—
Adjusted EBITDA**	50.7	42.6	47.3	52.0	77.0

\* The earnings forecast was revised in August 2019 and February 2020.

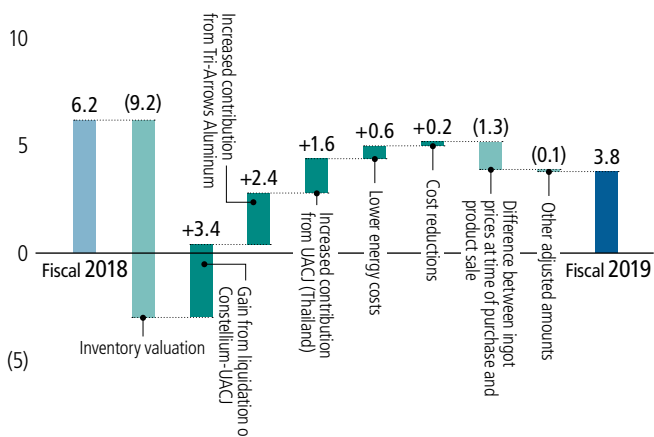
\*\* Adjusted EBITDA = operating income + depreciation and amortization + amortization of goodwill – inventory valuation

### Net sales by business segment



### Factors underlying the year-on-year change in ordinary income

(Billions of yen)



## Consolidated Earnings Results

In fiscal 2019, the Company posted net sales of ¥615.1 billion, down 7.0% year on year. This decrease was mainly due to declining sales volume in Japan and a fall in the average market price of aluminum ingots. Despite this result, however, UACJ (Thailand) Co., Ltd., and Tri-Arrows Aluminum Inc. recorded increased sales volume, indicating the success of the Company's focus on the growing automotive industry and growth markets in Asia and North America, a major policy of its mid-term management plan.

On the profit front, operating income decreased by 31.9% to ¥10.1 billion, and ordinary income fell by 38.9% to ¥3.8 billion. The main factor underlying these results was a substantial loss associated with the valuation of inventory assets, which reflected the lower average market price of aluminum ingots. Net income attributable to owners of the parent increased by 82.6% to ¥2.0 billion, mainly as a result of posting deferred income taxes. Despite this increase, however, the Company posted a structural reform loss

associated with the sell-off of its Wrought Copper Products business, which was conducted as part of its structural reforms announced in September 2019. It also posted a loss on the valuation of shares of subsidiaries and associates, specifically in connection with shares of Boyne Smelters Ltd. held by the Company's wholly owned subsidiary UACJ Australia Pty., Ltd., as well loans receivable from Boyne Smelters.

The earnings results, above, were substantially below amounts in the Company's initial forecast announced in May 2019 as well as the targets set in its mid-term management plan. Consequently, management deemed that its response to sudden changes in the operating environment was too slow and the Company's earnings structure was unsuited to those changes. Therefore, recognizing that the Company's earnings power was declining and its financial structure was weakening, management initiated the aforementioned structural reforms, which are organized under the three objectives of increasing earnings capacity, reforming the financial structure, and increasing the speed and efficiency of management decision-making (see pages 21 to 26).

## About Adjusted EBITDA

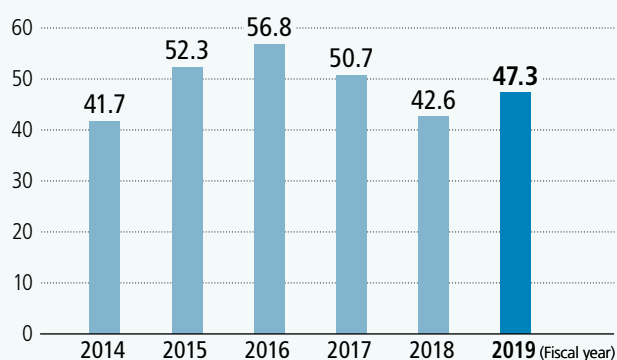
The UACJ Group's main raw materials are aluminum ingots sold on the global market at prices that can fluctuate significantly. Nevertheless, the Group has taken steps to eliminate any serious impact from such fluctuations on its financial results by passing these prices onto customers. Specifically, agreements are concluded with customers specifying that product selling prices are set by combining the aluminum ingot price and the costs associated with machining and processing the ingots into products. If, however,

market prices of aluminum suddenly change over a short period of time, the Company could post a gain or loss depending on the valuation of its inventory assets. For that reason, the Company adjusts its earnings before interest, taxes, depreciation and amortization (EBITDA) by excluding inventory valuation\*, thereby eliminating the effect of changes in the aluminum market price. Therefore, adjusted EBITDA can be regarded as the most accurate indicator of the Company's profitability.

\* Inventory valuation represents the gain or loss generated by the difference between the market price of aluminum at the times when the Group sold an aluminum product and when it purchased aluminum ingots as raw materials for the product, or between the market price of aluminum when it purchased aluminum ingots and the average price of inventories in stock. Accordingly, if aluminum ingots were purchased at a high price and the market price subsequently decreased, the Company would post a loss on inventory evaluation. Conversely, if aluminum ingots were purchased at a low price and the market price subsequently increased, the Company would post a gain on inventory evaluation.

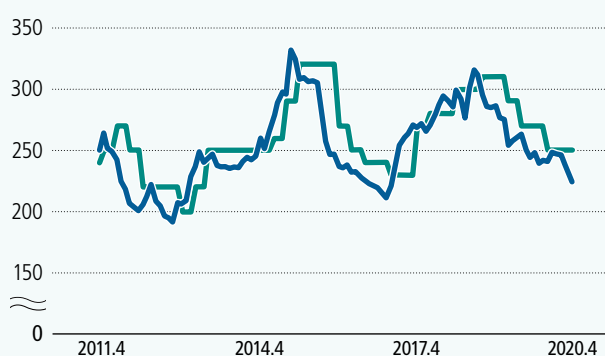
### Adjusted EBITDA

(Billions of yen)



### Market prices of primary aluminum ingots (Yen per kilogram)

● Average market price in Japan ● Average global market price





## International operations

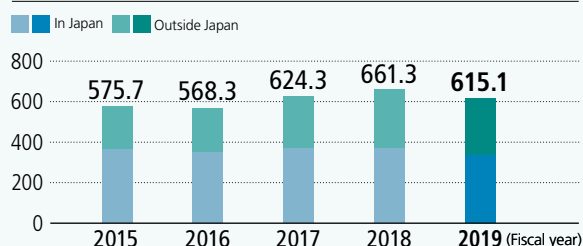
Reflecting the Company's past efforts to expand globally, operations outside Japan now account for a considerable amount of the Group's business. For example, sales volume of aluminum sheet for markets outside Japan has exceeded the amount for the Japanese market since fiscal 2018, and net sales outside Japan as a percentage of total net sales increased from 36.7% in fiscal 2014 to 45.5% in fiscal 2019. In response to this shift, the Group plans to devise measures for reducing the impact of foreign currency exchange risks going forward.

### Key variables of ordinary income sensitivity variable

Average during FY2019		Ordinary income sensitivity
Aluminum price on Nikkei-JPX Commodity Index	¥245 per kilogram	Increases by ¥2.0 – ¥3.0 billion per year with each rise of ¥10 per kilogram
Aluminum price on London Metal Exchange	US \$1,749 per tonne	Increases by ¥2.2 – ¥3.5 billion per year with each rise of \$100 per tonne
Yen to US dollar exchange rate	¥109	Almost no impact, however: - a strong yen is favorable for procuring fuel and additional metals - a weak yen is favorable for product selling prices (set by the aluminum price and machining costs) and foreign exchange gains
Yen to Thai baht exchange rate	¥3.5	
Dubai crude oil price	US \$60 per barrel	Decreases by ¥1.0 – ¥1.5 billion per year with each rise of \$10 per barrel

### Net sales in and outside Japan

(Billions of yen)

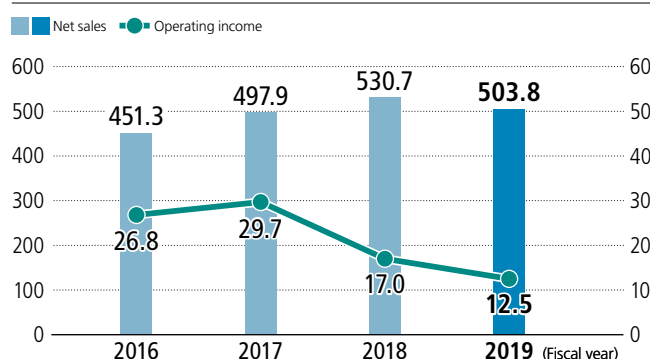


## Rolled Aluminum Products Business Segment

In fiscal 2019, this business segment recorded total sales volume of 1,153 thousand tons, up 59 thousand tons year on year and surpassing the million-ton mark for the fourth consecutive fiscal year. Sales volume of products for markets outside Japan increased year on year and exceeded sales volume for the Japanese market, which declined compared with the previous fiscal year. In Japan, although sales of automotive body sheet were firm, the business recorded a slight drop in sales of mainstay flat-rolled aluminum for can stock and a decrease in sales of thick plates for liquid crystal and semiconductor manufacturing equipment. Outside Japan, UACJ (Thailand) and Tri-Arrows Aluminum boosted sales volume of flat-rolled aluminum for can stock. Direct sales of aluminum slabs by Tri-Arrows Aluminum also contributed substantially to sales volume.

### Net sales and operating income

(Billions of yen)



Note: Figures in the graph exclude intersegment sales and transfers.

## Sales volume of flat-rolled aluminum by product usage and geographical region

Product usage	Fiscal 2019 sales volume		Main customers	Main end-product manufacturers
	(Thousands of tons)	(Percent of total)		
Can stock	702	60.9%	Can manufacturers	Beverage and food product manufacturers
Foil stock	44	3.8%	Foil manufacturers	Pharmaceutical and food product manufacturers, Battery manufacturers
Casings and substrates*	17	1.5%	Electronic parts manufacturers	IT equipment manufacturers
Automotive parts	152	13.2%	Automobile and auto parts manufacturers	Automobile manufacturers
Thick plate	39	3.4%	Metal trading companies Shipbuilders	Liquid crystal and semiconductor production equipment manufacturers Shipbuilders
General-purpose materials	199	17.3%	Building material manufacturers and metal trading companies	Large construction general contractors
<b>Total</b>	<b>1,153</b>	<b>100%</b>		
Sold to the Japanese market	483	41.9%		
Sold to markets outside Japan	669	58.0%		

\* PC and smart device casings; electronic equipment substrates

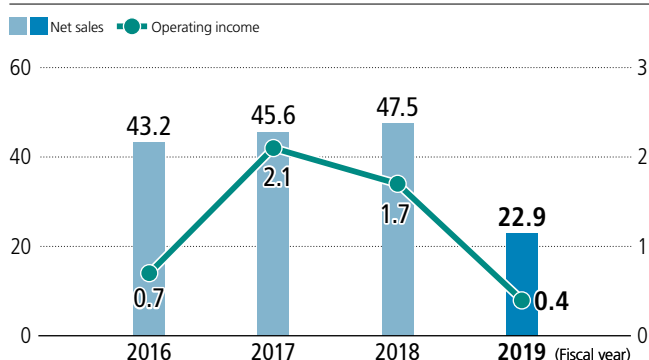
Despite the overall increase in sales volume, however, net sales decreased by 5.1% year on year to ¥503.8 billion, largely due to a decline in the market price of aluminum ingots. Operating income fell by 26.3% to ¥12.5 billion, mainly as a result of unfavorable Inventory valuation.

## Wrought Copper Products Business Segment

The Company sold off the Wrought Copper Products business in September 2019 as part of its structural reforms. Accordingly, this segment contributed to results for only about six months of fiscal 2019. Net sales totaled ¥22.9 billion, a decrease of 51.7%, and operating income came in at ¥0.4 billion, down 78.5% compared with the previous fiscal year.

### Net sales and operating income

(Billions of yen)



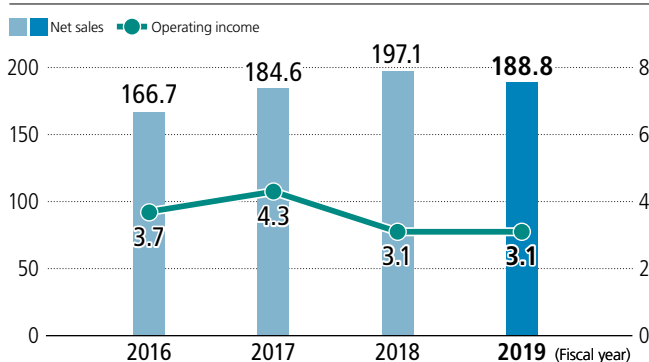
Note: Figures in the graph exclude intersegment sales and transfers.

## Precision-Machined Components and Related Businesses Segment

In fiscal 2019, net sales in this segment amounted to ¥188.8 billion, a decrease of 4.2% compared with the previous fiscal year. This was mainly due to declining sales in the Precision-Machined Components business in Japan and the United States, which more than offset steady sales of battery materials and air conditioning-related products. Operating income increased by 1.1% year on year to ¥3.1 billion, largely as a result of efforts to cut costs.

### Net sales and operating income

(Billions of yen)



Note: Figures in the graph exclude intersegment sales and transfers.

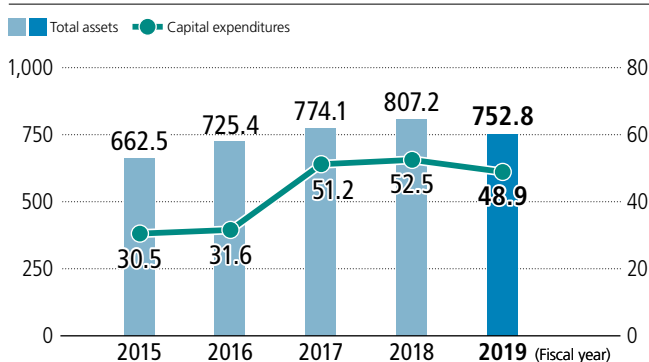
## Financial Position

### Assets

As of March 31, 2020, total assets stood at ¥752.8 billion, a decrease of 6.7% compared with a year earlier, primarily as a result of the sell-off of the Wrought Copper Products business. During fiscal 2019, capital expenditures were mainly allocated to UACJ (Thailand), which is in its third phase of capital investment, Tri-Arrows Aluminum's Logan Mill, and automotive body sheet production facilities operated by Fukui Works. Capital investment had been mainly earmarked for UACJ (Thailand) and Tri-Arrows Aluminum in the past and strategic investment in both subsidiaries is mostly complete. The Company's financial structure is expected to improve as capital expenditures are substantially reduced going forward.

### Total assets and capital expenditures

(Billions of yen)

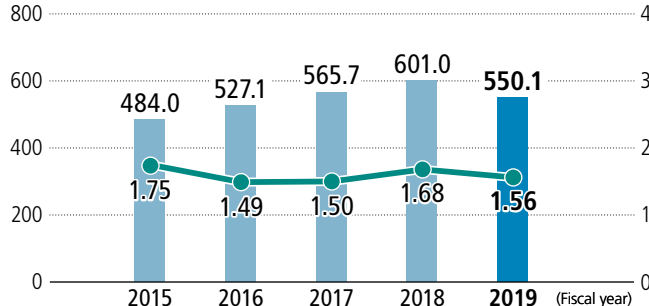


### Liabilities and Net Assets

As of March 31, 2020, total liabilities amounted to ¥550.1 billion, a decrease of 8.5% compared with a year earlier. This decrease was made possible by improved cash flows resulting from the sell-off of the Wrought Copper Products business and other factors. Net assets came to ¥202.7 billion, a decrease of 1.7% compared with a year earlier. This was largely attributable to valuation difference on available-for-sale securities, which reflected stock sell-offs and decreased share prices.

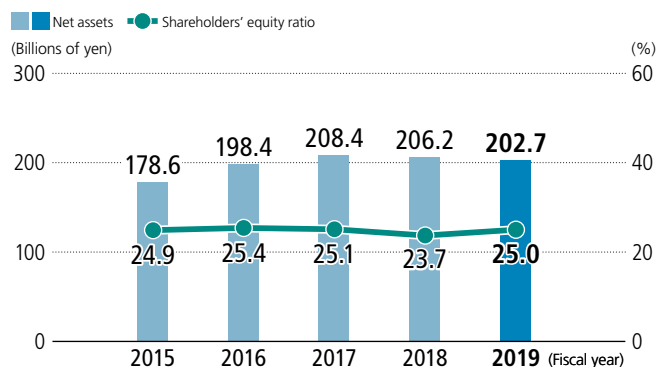
### Total liabilities and debt-to-equity ratio

(Billions of yen) (Times)



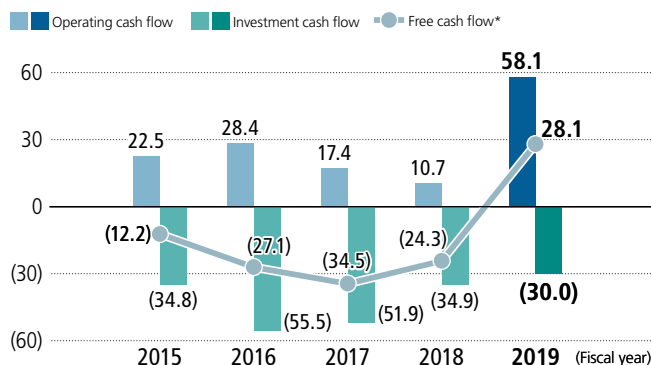
Note: Figures from fiscal 2016 include subordinated loans

### Net assets and shareholders' equity ratio



### Cash flows

(Billions of yen)



\* Free cash flow = operating cash flow + investment cash flow

## Cash Flows

In fiscal 2019, despite a loss before income taxes, net cash provided by operating activities jumped by 445.6% year on year to ¥58.1 billion, mainly due to a decrease in notes and accounts receivable-trade as well as a decrease in inventories. Net cash used in investing activities amounted to ¥30.0 billion, down 14.1% year on year. The main outflow was the purchase of property, plant and equipment, comprised mainly of capital investment in UACJ (Thailand) and Tri-Arrows Aluminum. Main inflows were proceeds from the sale of the Wrought Copper Products business along with proceeds from sales of investment securities. To fund its cash requirements, the Company allocated its own funds along with loans and other sources. When raising cash, it distinguished between long-term funds, such as capital investment, and working capital (short-term funds), and managed financing risks by establishing committed credit lines and by deploying financing methods suited to how the funds were spent.

Free cash flow amounted to ¥28.1 billion, a substantial improvement compared with the previous fiscal year. Even excluding a one-time cash inflow of ¥21.3 billion from the sell-off of the Wrought Copper Products business, free cash flow was positive. In fact, fiscal 2019 marked the first time for the Company to record positive free cash flow since its establishment in 2013, as prior capital investment in growth markets and industries had resulted in negative amounts in previous years.

## Research and Development Expenses

The UACJ Group conducts research and development on new types of products and new applications with a view to broaden its customer base, and on manufacturing processes that could lead to higher productivity. In fiscal 2019, the Group carried out the following research and development activities.

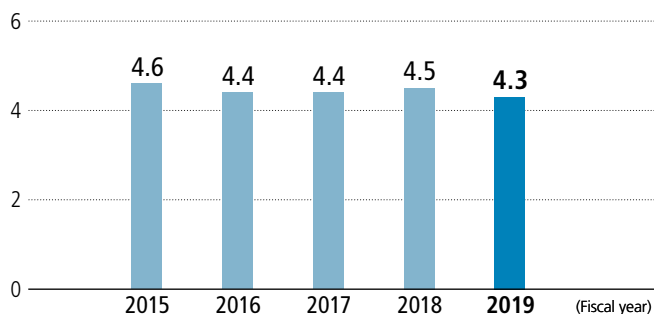
In the Rolled Aluminum Products Business segment, aluminum materials were developed for bottle-shaped beverage cans. The Company became the first aluminum product manufacturer to install manufacturing equipment for mass-producing these cans, and is aiming to tap demand for these products as beverage producers shift away from plastic containers amid growing awareness of ocean pollution and other environmental issues. The Company has also been developing aluminum recycling processes and applications for high-strength auto parts through its participation in a national project overseen by Japan's Ministry of Economy, Trade and Industry for researching and developing innovating new structural materials. In addition, R&D activities were carried out to boost the Group's productivity, and full production capacity was achieved by Rayong Works, operated by UACJ (Thailand). The Company's Research and Development Division also helped start up a newly installed rolled aluminum production line for automotive body sheet at Fukui Works.

In the Precision-Machined Components and Related Businesses segment, the Automotive Parts Business Division, which was newly established in fiscal 2019, collaborated in the development of many new products by assisting with material design, strength simulations, and production process planning. Likewise, the Research and Development Division helped these businesses create products and raise productivity, and assigned a number of its researchers in Japan to work at UACJ Automotive Whitehall Industries, Inc., in the United States.

As a result of these activities, research and development expenses totaled ¥4.3 billion in fiscal 2019, a decrease of 4.9% compared with the previous fiscal year.

## R&D expenses

(Billions of yen)



## Forecast for Fiscal 2020

### Operating environment

The prolonged trade war between the United States and China, which has continued since the summer of 2018, along with the slowdown of China's economy have impacted the economies of Japan and other countries around the world. With the additional impact of the COVID-19 pandemic, the global economy has entered a period of deceleration.

In Japan, economic activities have been seriously curtailed and demand for automobiles and industrial machinery are expected to remain sluggish. In North America, production and sales of can stock remains steady since canned beverages are regarded there as daily necessities. Automobile parts factories in the United States have been affected somewhat by restrictions on their activities amid the pandemic while operating. In Asia, demand for can stock remains stable despite the impact of restaurant and store closures, and market differentiation is expected going forward, particularly with respect to primary materials used for cans.

### Forecast of financial results

While the COVID-19 pandemic is still spreading around the world, the Company will devise production plans that comply with the government policies of each country in which its production facilities are located, and continue manufacturing products while closely monitoring circumstances in each of those countries. Due to the growing impact of the pandemic, however, the future supply and demand of aluminum products as well as the market price of aluminum ingots are highly unpredictable. Since this has made it difficult to calculate a sound forecast of financial results at the present time, the Company's management decided to postpone its fiscal 2020 forecast of financial results. The Company plans to promptly announce its forecast when reasonable calculations are deemed possible.

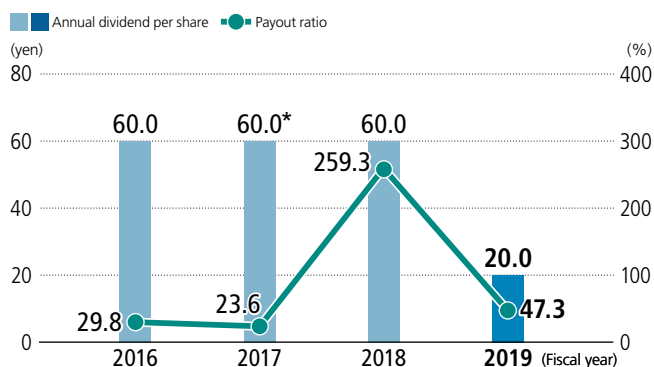
## Dividends

The Company's management believes that dividends are the principle means of returning profits to shareholders. Accordingly, while following the Company's basic policy of continuously paying stable dividends, management decides on the dividend amount based on a comprehensive assessment of various factors, including recent financial results, allocation of funds for investment aimed at raising corporate value and R&D needed for bolstering competitiveness, and measures for strengthening the Company's financial structure.

As a means to more flexibly return profits to shareholders based on full fiscal year profits, the Company pays a single annual dividend at the fiscal year-end as a matter of policy. Given the strength of financial results in recent years, management will aim for a total return ratio of 30% over the long term in order to share profits commensurately. During the period of its current mid-term management plan, however, management is targeting a consolidated dividend payout ratio within the range of 20 to 30%, based on the amount of profit in the full fiscal year.

The dividend for fiscal 2019 has been set at ¥20 per share. The dividend for fiscal 2020, however, has yet to be decided due to the difficulty of reasonably predicting the impact of the COVID-19 pandemic on the Company's financial results and market price of aluminum ingots at the present time. The Company plans to immediately announce this dividend amount when it is possible to calculate the forecast of consolidated financial results.

### Annual dividend per share and payout ratio



\* The Company conducted a 1-for-10 reverse stock split of common shares effective from October 1, 2017. The dividend per share figure for fiscal 2017 was calculated to take the reverse stock split into account.



Unit: millions of yen

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	26,510	28,741
Notes and accounts receivable-trade	145,217	100,913
Merchandise and finished goods	38,243	45,608
Work in process	62,300	50,153
Raw materials and supplies	54,567	40,158
Other	21,528	23,444
Allowance for doubtful accounts	(73)	(98)
<b>Total current assets</b>	<b>348,291</b>	<b>288,919</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	70,977	72,353
Machinery, equipment and vehicles, net	117,002	137,232
Land	114,920	104,957
Construction in progress	50,790	50,657
Other, net	9,039	10,168
<b>Total property, plant and equipment</b>	<b>362,728</b>	<b>375,366</b>
<b>Intangible assets</b>		
Goodwill	43,156	39,148
Other	12,835	10,968
<b>Total intangible assets</b>	<b>55,991</b>	<b>50,116</b>
<b>Investments and other assets</b>		
Investment securities	21,384	13,036
Retirement benefit assets	487	432
Deferred tax assets	1,569	9,340
Other	16,846	15,652
Allowance for doubtful accounts	(72)	(75)
<b>Total investments and other assets</b>	<b>40,214</b>	<b>38,384</b>
<b>Total non-current assets</b>	<b>458,933</b>	<b>463,866</b>
<b>Total assets</b>	<b>807,224</b>	<b>752,785</b>

Unit: millions of yen

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	122,535	96,023
Short-term loans payable	61,601	54,298
Current portion of long-term loans payable	45,579	53,494
Lease obligations	2,597	16,000
Other	40,958	44,619
Total current liabilities	273,269	264,434
Non-current liabilities		
Long-term loans payable	267,901	236,218
Retirement benefit obligations	18,192	18,182
Other	41,658	31,234
Total noncurrent liabilities	327,751	285,635
Total liabilities	601,020	550,069
<b>Net assets</b>		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	51,337	50,481
Treasury stock	(307)	(319)
Total shareholders' equity	183,624	182,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,670	71
Deferred gains or losses on hedges	(1,203)	(2,042)
Foreign currency translation adjustment	6,950	10,079
Cumulative adjustments related to retirement benefits	(44)	(2,501)
Total accumulated other comprehensive income	7,373	5,607
Non-controlling interests	15,206	14,353
Total net assets	206,204	202,716
Total liabilities and net assets	807,224	752,785

## Consolidated Statements of Income

Unit: millions of yen

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net sales	661,330	615,150
Cost of sales	588,956	549,026
Gross profit	72,375	66,124
Selling, general and administrative expenses	57,506	55,997
Operating income	14,868	10,126
Non-operating income		
Dividend income	444	800
Gain on valuation of derivative	857	462
Other	2,277	1,518
Total non-operating income	3,578	2,779
Non-operating expenses		
Interest expenses	6,740	6,921
Share of loss of entities accounted for using equity method	3,184	—
Other	2,321	2,197
Total non-operating expenses	12,246	9,118
Ordinary income	6,201	3,788
Extraordinary income		
Gain on sale of investment securities	1,636	2,000
Gain on transfer of equity	2,591	—
Other	1,313	57
Total extraordinary income	5,539	2,057
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	—	5,330
Structural reform loss	—	986
Loss on retirement of non-current assets	826	874
Fire loss	374	—
Other	499	277
Total extraordinary losses	1,700	7,467
Income or loss before income taxes	10,041	(1,622)
Income taxes-current	6,337	409
Income taxes-deferred	1,756	(4,958)
Total income taxes	8,093	(4,550)
Net income	1,948	2,927
Net income attributable to non-controlling interests	832	889
Net income attributable to owners of the parent	1,116	2,038

## Consolidated Statements of Comprehensive Income

Unit: millions of yen

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net income	1,948	2,927
Other comprehensive income		
Valuation difference on available-for-sale securities	(716)	(1,599)
Deferred gains (losses) on hedges	(586)	(1,318)
Foreign currency translation adjustment	124	3,094
Adjustments to retirement benefits	(446)	(1,185)
Share of other comprehensive income of entities accounted for using equity method	(678)	(1,819)
Total other comprehensive income	(2,302)	(2,827)
Comprehensive income	(354)	101
(Attributable to)		
Owners of the parent	(1,604)	272
Non-controlling interests	1,251	(171)

Unit: millions of yen

	Previous fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
<b>Net cash provided by (used in) operating activities</b>		
Income or loss before income taxes	10,041	(1,622)
Depreciation and amortization	27,215	27,748
Amortization of goodwill	3,490	3,455
Loss on valuation of shares of subsidiaries and associates	—	5,330
Interest and dividends income	(1,298)	(970)
Interest expenses	6,740	6,921
Decrease (increase) in notes and accounts receivable-trade	(10,275)	42,113
Decrease (increase) in inventories	(9,431)	7,936
Increase (decrease) in notes and accounts payable-trade	1,301	(23,077)
Other	(1,823)	(1,471)
Subtotal	25,960	66,364
Interest and dividends income received	1,625	1,070
Interest expenses paid	(6,681)	(7,046)
Income taxes (paid)	(10,253)	(2,274)
Net cash provided by (used in) operating activities	10,651	58,115
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(46,295)	(52,851)
Purchase of intangible assets	(696)	(516)
Proceeds from sales of investment securities	4,346	4,142
Proceeds from equity transfer	11,093	—
Proceeds from sale of shares of subsidiary due to change in scope of consolidation	—	21,341
Other	(3,395)	(2,136)
Net cash provided by (used in) investing activities	(34,947)	(30,021)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(51)	(7,441)
Proceeds from long-term loans payable	86,478	24,023
Repayment of long-term loans payable	(52,269)	(47,459)
Cash dividends paid	(1,447)	(2,894)
Dividends paid to non-controlling interests	(205)	(682)
Sale-and-leaseback revenues	1,824	3,521
Proceeds from sale and installment back	122	12,808
Payments of sale and installment back payable	(487)	(5,415)
Outlays for the repayment of lease obligations	(2,507)	(2,361)
Other	(2,487)	49
Net cash provided by (used in) financing activities	28,971	(25,852)
Effect of exchange rate change on cash and cash equivalents	(278)	349
Net increase (decrease) in cash and cash equivalents	4,395	2,591
Cash and cash equivalents at beginning of period	20,794	25,190
Cash and cash equivalents at end of period	25,190	27,781



## Company Overview

<b>Corporate name</b>	UACJ Corporation
<b>Headquarters</b>	Tokyo Sankei Bldg., Otemachi 1-7-2, Chiyoda-ku, Tokyo 100-0004 Japan
<b>Representative Director &amp; President</b>	Miyuki Ishihara
<b>Principal business</b>	Manufacture and sales of flat rolled products, casting products, forged products and precision-machined products of nonferrous metals, including aluminum and alloys thereof
<b>Capital</b>	52.277 billion yen
<b>Number of employees (consolidated)</b>	9,927 * As of March 31, 2020
<b>Fiscal year end</b>	March 31
<b>URL</b>	<a href="https://www.uacj.co.jp/english/">https://www.uacj.co.jp/english/</a>

## Locations

<b>Nagoya Works</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan
<b>Fukui Works</b>	Kurome 21-1, Mikuni-cho, Sakai-shi, Fukui 913-8588, Japan
<b>Fukaya Works</b>	Uwanodai 1351, Fukaya-shi, Saitama 366-8511, Japan
<b>Nikko Works</b>	Kiyotaki Sakuragaokamachi 1, Nikko-shi, Tochigi 321-1443, Japan
<b>Chubu Office</b>	Kanayama Place, Kanayama 1-13-13, Naka-ku, Nagoya-shi, Aichi 460-0022, Japan
<b>Kansai Office</b>	Nakanoshima Mitsui Building, Nakanoshima 3-3-3, Kita-ku, Osaka-shi, Osaka 530-0005, Japan
<b>Kyushu Branch</b>	Hakata Gion M-SQUARE, 2-1 Reisen-machi, Hakata-ku, Fukuoka 812-0039, Japan
<b>Research &amp; Development Division</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan
<b>Fukui Development Office</b>	Kurome 21-1, Mikuni-cho, Sakai-shi, Fukui 913-8588, Japan
<b>Fukaya Development Office</b>	Uwanodai 1351, Fukaya-shi, Saitama 366-8511, Japan
<b>R&amp;D Center (North America)</b>	200 West Madison Street Suite 2150, Chicago, IL 60606, U.S.A.
<b>R&amp;D Center (Thailand)</b>	INC2D-1122, 141 Thailand Science Park, Phahonyothin Road, Khlong Nueng, Khlong Luang, Pathum Thani, Thailand

## Group Companies (Japan)

### ■ Flat Rolled Products Business

UACJ Color Aluminum Corporation  
 UACJ Fukaya Service Corporation  
 UACJ Nagoya Alupack Corporation  
 Sansen Co., Ltd.  
 Furukawa UACJ Memory Disk Co., Ltd.

### ■ Extrusion Business

UACJ Extrusion Corporation  
 UACJ Extrusion Oyama Corporation  
 UACJ Extrusion Nagoya Corporation  
 UACJ Extrusion Gunma Corporation  
 UACJ Extrusion Shiga Corporation  
 Light Metals Extrusion Development Co., Ltd.  
 Nihon Cooler Co., Ltd.

### ■ Foil Business

UACJ Foil Corporation  
 Nikkin Co., Ltd.  
 UACJ Foil Sangyo Corporation  
 UACJ Foil Service Corporation

### ■ Casting and Forging Business

UACJ Foundry & Forging Corporation  
 HIGASHI NIHON TANZO CO., LTD.

### ■ Precision-machined Components Business

UACJ Metal Components Corporation  
 Nalco Koriyama Co., Ltd.

### ■ Others

UACJ Trading Corporation  
 Izumi Metal Corporation  
 KAMAKURA INDUSTRY COMPANY LIMITED  
 UACJ Marketing & Processing Corporation  
 UACJ Aluminum Center Corporation  
 UACJ Logistics Corporation  
 UACJ Green-net Corporation

## Group Companies (Overseas)

### Flat Rolled Products Business

UACJ (Thailand) Co., Ltd. (Thailand)  
 Tri-Arrows Aluminum Holding Inc. (USA)  
 Tri-Arrows Aluminum Inc. (USA)  
 Logan Aluminum Inc. (USA)\*  
 Bridgnorth Aluminium Ltd. (UK)\*  
 RUYUAN DONGYANGGUANG UACJ FINE ALUMINUM FOIL CO., LTD. (China)\*  
 UPIA Co., Ltd. (South Korea)

### Automotive Parts Business

UACJ Automotive Whitehall Industries, Inc. (USA)

### Extrusion Business

UACJ Extrusion (Tianjin) Corporation (China)  
 PT. UACJ-Indal Aluminum (Indonesia)  
 UACJ Extrusion (Thailand) Co., Ltd. (Thailand)  
 UACJ Extrusion Czech s.r.o. (Czech Republic)

### Foil Business

UACJ Foil Malaysia Sdn. Bhd. (Malaysia)

### Casting and Forging Business

UACJ Foundry & Forging (Vietnam) Co., Ltd. (Vietnam)

### Precision-machined Components Business

UACJ Metal Components North America, Inc. (USA)  
 UACJ Metal Components Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components Central Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components (Thailand) Co., Ltd. (Thailand)  
 P.T. Yan Jin Indonesia (Indonesia)  
 UACJ (Wuxi) Aluminum Products Corporation (China)

### Others

DICASTAL UACJ BOLV AUTOMOTIVE COMPONENTS CO., LTD. (China)  
 UACJ North America, Inc. (USA)  
 SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION (China)  
 SHAOGUAN UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION (China)  
 UACJ MH (Thailand) Co., Ltd. (Thailand)  
 UACJ (Shanghai) Aluminum Corporation (China)  
 UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH (Germany)  
 UACJ Trading (Thailand) Co., Ltd. (Thailand)  
 UACJ Trading (Shanghai) Co., Ltd. (China)  
 UACJ Trading (Kunshan) Metal Products Co., Ltd. (China)  
 UACJ Trading (HongKong) Co., Ltd. (China)  
 UACJ Trading (Dalian.F.T.Z.) Co., Ltd. (China)  
 UACJ Trading Czech s.r.o. (Czech Republic)  
 UACJ Trading (America) Co., Ltd. (USA)  
 UACJ Marketing & Processing America, Inc. (USA)  
 UACJ Marketing & Processing Mexico, S.A. de C.V. (Mexico)  
 UACJ Australia Pty. Ltd. (Australia)  
 Boyne Smelters Ltd. (Australia)\*

\* Equity-method affiliate

## Stock Overview

**Total number of shares issuable** 170,000,000 shares  
 Note: The number of shares issuable was revised to 170,000,000 due to the share consolidation on October 1, 2017.

**Total number of shares issued and outstanding** 48,328,193 shares (Including 97,121 shares of treasury stock)  
 Note: The number of shares became 48,328,193 due to the share consolidation on October 1, 2017.

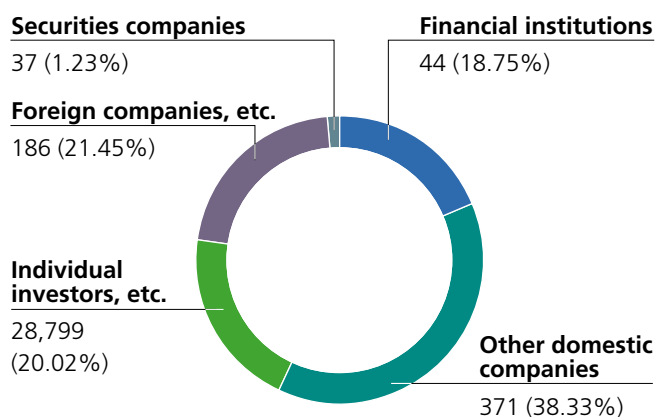
**Number of shareholders** 29,438

## Major Shareholders

Shareholder name	Investment in company	
	Number of shares held (hundreds)	Equity position (%)
Furukawa Electric Co., Ltd.	120,365	24.95
NIPPON STEEL CORPORATION	37,446	7.76
The Master Trust Bank of Japan, Ltd. (investment trust account)	21,308	4.41
ECM MF	14,500	3.00
GOLDMAN SACHS INTERNATIONAL	12,467	2.58
Japan Trustee Services Bank, Ltd. (trust account)	12,417	2.57
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	12,050	2.49
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	8,400	1.74
Japan Trustee Services Bank, Ltd. (trust account 9)	8,253	1.71
The UACJ Group Employee Stock Ownership Plan	8,012	1.66

Note: The number of shares is shown after rounding off figures of less than 100 shares.  
 Note: Calculations of equity position exclude treasury stock (97,121 shares), and figures have been rounded off below the second decimal place.

## Ownership Ratio (Share ownership percentage)



# Answers to shareholder and investor questions about UACJ's business and operating environment.

## Q What is the manufacturing process for flat-rolled aluminum?

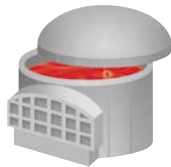
**A** The manufacturing process begins by melting an aluminum ingot, then removing impurities and forming the liquefied aluminum into a large cuboid slab. The Fukui Works produces slabs that can be as large as 2.3 meters wide and 10 meters long, and weigh up to 32 tons. The surfaces are scraped and the slab is treated by heating to a uniform temperature up to 600°C throughout the slab. The slab is then sent to a

hot rolling line where a hot-rolling machine presses it into sheet as thin as 3mm. The sheet is then wound into a coil. The sheets then are then passed through a cold-rolling machine that rolls the aluminum to the specific thickness, flatness, and strength needed for its intended use. The final process is the finishing, where the surface is treated and coated for the final product, such as cans, before being delivered to the customer.

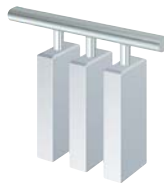
### Aluminum manufacturing process



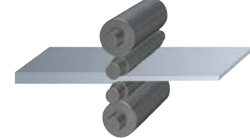
Melting



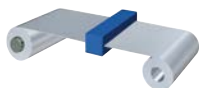
Casting



Hot mill rough rolling



Finishing inspection/packaging



Cold mill rolling



Hot mill finish rolling



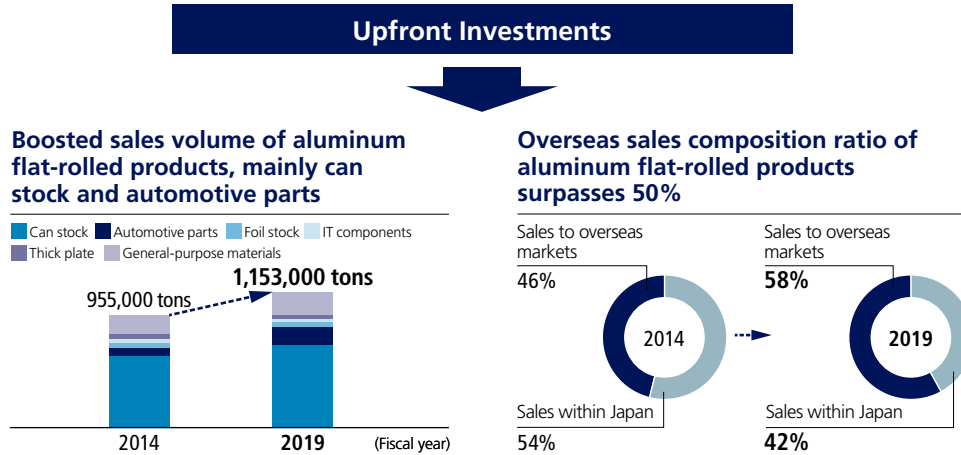
The UACJ website has a video explaining the full manufacturing process.  
<https://www.uacj.co.jp/english/ir/other/movie/index.htm>



## Q How have the upfront investments contributed to the Company's performance so far?

**A** UACJ is leveraging the escalated corporate strength from the company merger by aggressively conducting upfront investment in areas where we anticipate brisk demand, particularly in growth markets in Asia and North America and in the growth fields, such as the automotive field. These investments have boosted our annual production capacity for flat-rolled products from 500,000 tons before the merger to over 1.5 million tons at present. The

expanded production capacities for our core can stock products at UACJ (Thailand) and Tri-Arrows Aluminum in the United States and the increased production volume of automotive parts following the addition of UACJ Automotive Whitehall Industries have supported sales volume of flat-rolled products surpassing one million tons for four straight years. The advances we have made in these areas have led to our overseas sales volume exceeding our domestic sales volume.



## Q Do aluminum ingot price fluctuations affect UACJ's business performance?

**A** Market conditions affect the primary ingot prices of aluminum and copper, which are the main materials that the Group uses. Our product prices change with primary ingot prices, and our prices are basically "primary ingot price + processing fee." Our customers understand how the pricing works and that changes in market prices are passed on to our product prices. However, fluctuations in ingot prices can affect our business performance because of the time lag between when we purchase the ingot and sell our products.

\* Please refer to the graphs on page 58 for data on ingot price trends.

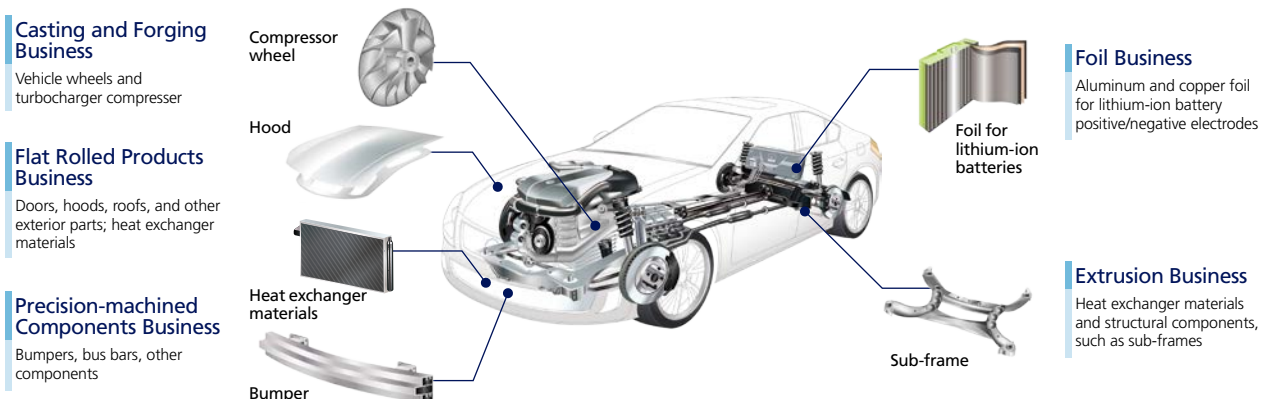
## Q What is the "inventory valuation" mentioned to in the explanatory note on profits?

**A** Inventory valuation is the gain or loss in the valuation of our inventories that arises from comparing the amount of the difference between the primary ingot price on which we base our product prices and the actual price of the ingot when purchased, and the amount of the difference between our purchase price and the total average selling price of our inventories. If the aluminum ingot price is lower than at the time of purchase, the inventory valuation becomes negative. Likewise, if the price is higher than at the time of purchase, the inventory valuation becomes positive.

## Q How is aluminum important for reducing the weight of automobiles, and which automobile parts are made of aluminum?

**A** Aluminum is lighter than steel—about one-third the weight of steel—as well as strong, easy to process, resistant to corrosion, thermally conductive, and recyclable. Due to those excellent properties, it has been adopted for major automobile parts such as engines, transmissions, and wheels. Automakers have been increasingly using aluminum in recent years for body sheet and frames in

preparation for stricter fuel efficiency standards that will be in effect in many countries in 2020. The UACJ Group's mid-term management plan begun in fiscal 2018 includes Group-wide initiatives to supply a diverse range of automotive aluminum parts and components and become a solutions provider for reducing the weight of automobiles.





## Cover Story

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UACJ announced a new corporate philosophy in February 2020, which was created through discussions among more than 400 employees of all ages and management levels. A key theme mentioned by a great number of the participants was the desire to take advantage of aluminum's easy reusability to "contribute to a recycling-oriented society" and by doing so to help make a world that is as "as bright and light as aluminum." We are committed to fulfilling our philosophy.



# UACJ Corporation

## Corporate Communication Department

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<https://www.uacj.co.jp/english/ir>

For comments or suggestions regarding this report, please use the inquiry form provided (page linked to the above URL) or contact UACJ via telephone or facsimile using one of the numbers provided above.

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