



*Aluminum lightens the world*

アルミでかなえる、軽やかな世界

# Concepts of Third Mid-term Management Plan and Future Outlook

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**June 8, 2021**

**UACJ Corporation**



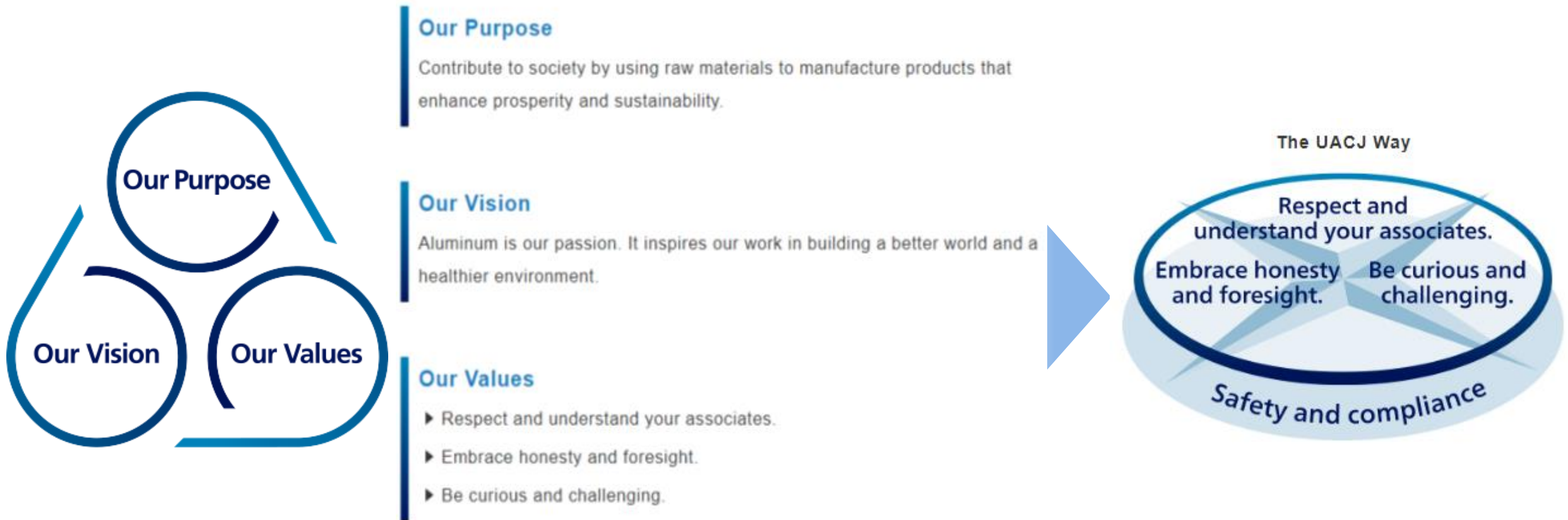
# 1. Long-term Management Vision

## UACJ VISION 2030



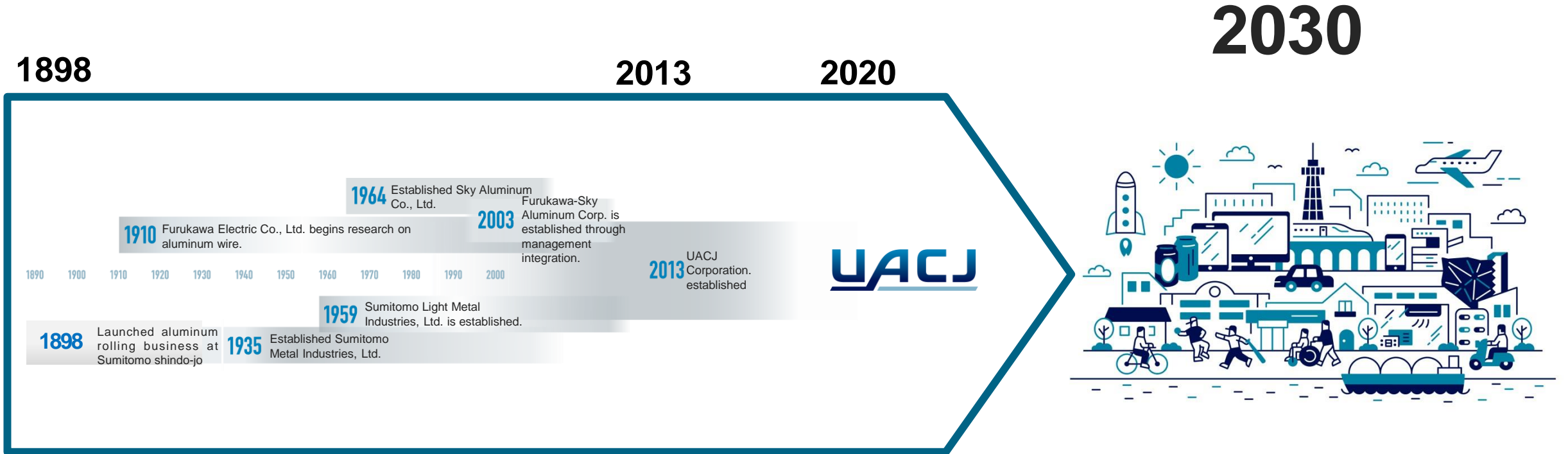
# UACJ Group Philosophy

## Reexamining our purpose and redefining the UACJ Group Philosophy



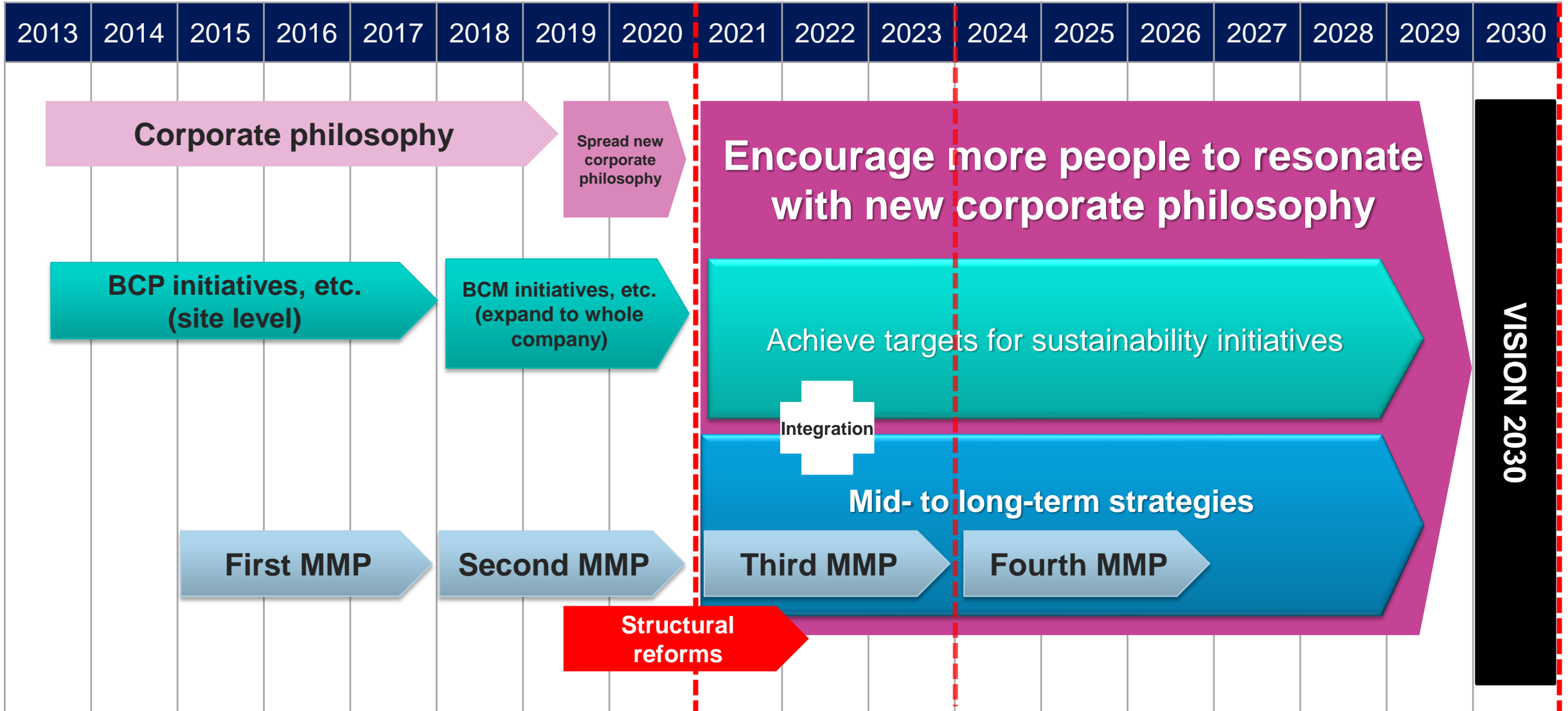
# UACJ's Unchanging Values

Expanding the possibilities of aluminum with "skills" and "techniques" honed by UACJ over the last hundred years



*Aluminum lightens the world*

# Strategic Systems through 2030



# Long-term Management Vision "UACJ VISION 2030"

Our future vision for how UACJ can contribute to achieving a sustainable and abundant society by 2030

<Projections for future society based on changes in the external environment>

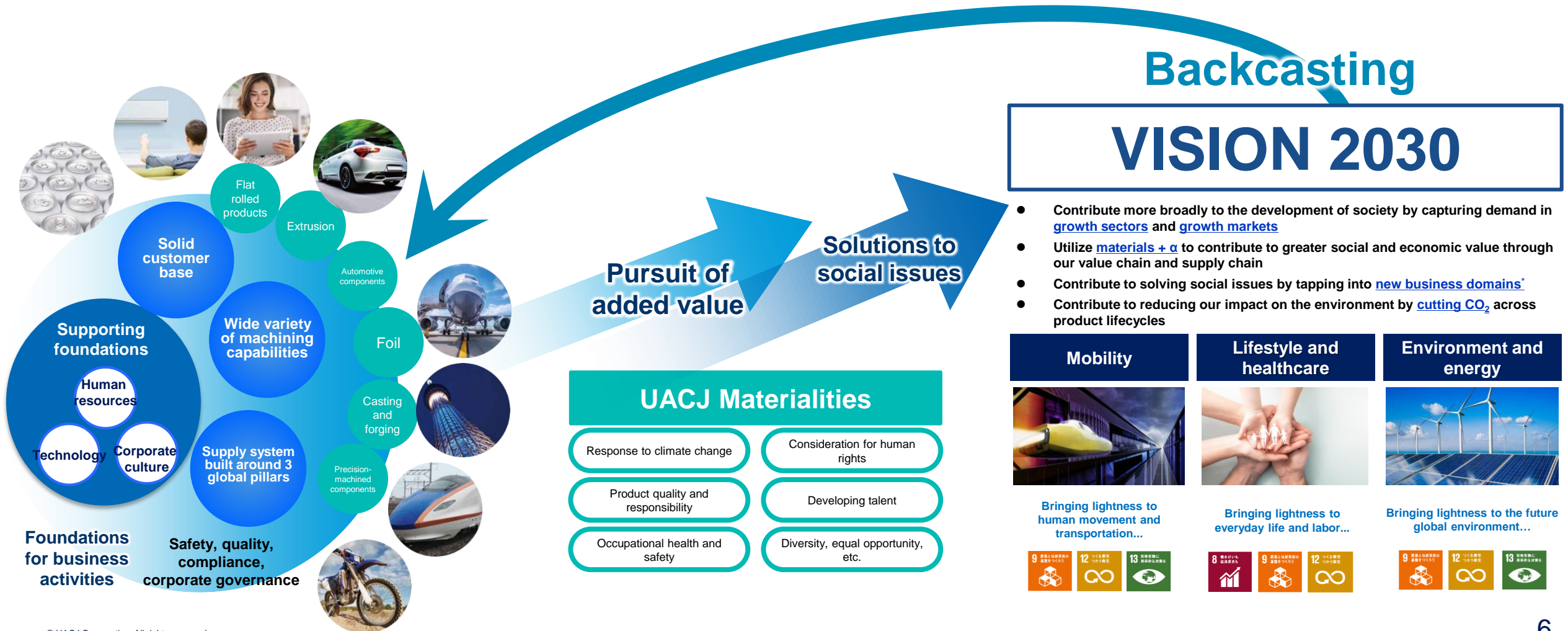


- Contribute more broadly to the development of society by capturing demand in [growth sectors](#) and [growth markets](#)
- Utilize [materials +  \$\alpha\$](#)  to contribute to greater social and economic value through our value chain and supply chain
- Contribute to solving social issues by tapping into [new business domains](#)\*
- Contribute to reducing our impact on the environment by [cutting CO<sub>2</sub>](#) across product lifecycles

\* New business domains: Business models that have never been seen before or are new for UACJ = new businesses and products in new business domains. We also aim to create new product categories in existing business domains

# Vision for our Future in the Long-term Management Vision "UACJ VISION 2030"

## Pursuing our passion, aluminum, to contribute to building a sustainable society



# UACJ Sustainability

## The UACJ Group's Sustainability Policy

### Passing down a better world over the next century

#### Contribute to sustainability through technologies and innovation

The UACJ Group shall contribute to the sustainability of society and the global environment by applying the technologies and expertise it has accumulated over its history to offer innovative solutions.

#### Work together with all types of stakeholders

The UACJ Group shall forge partnerships and collaborate with a wide range of stakeholders and people across society in its efforts to help make the world more sustainable through its business activities.

#### Respect the individuality of diverse members

The UACJ Group shall take steps to ensure that the individuality of its diverse members is respected, regardless of their nationality, gender, age, disabilities, or other characteristics, and provide them with opportunities to apply their individual knowledge and skills to help devise innovative solutions.

## Materialities

Response to climate change

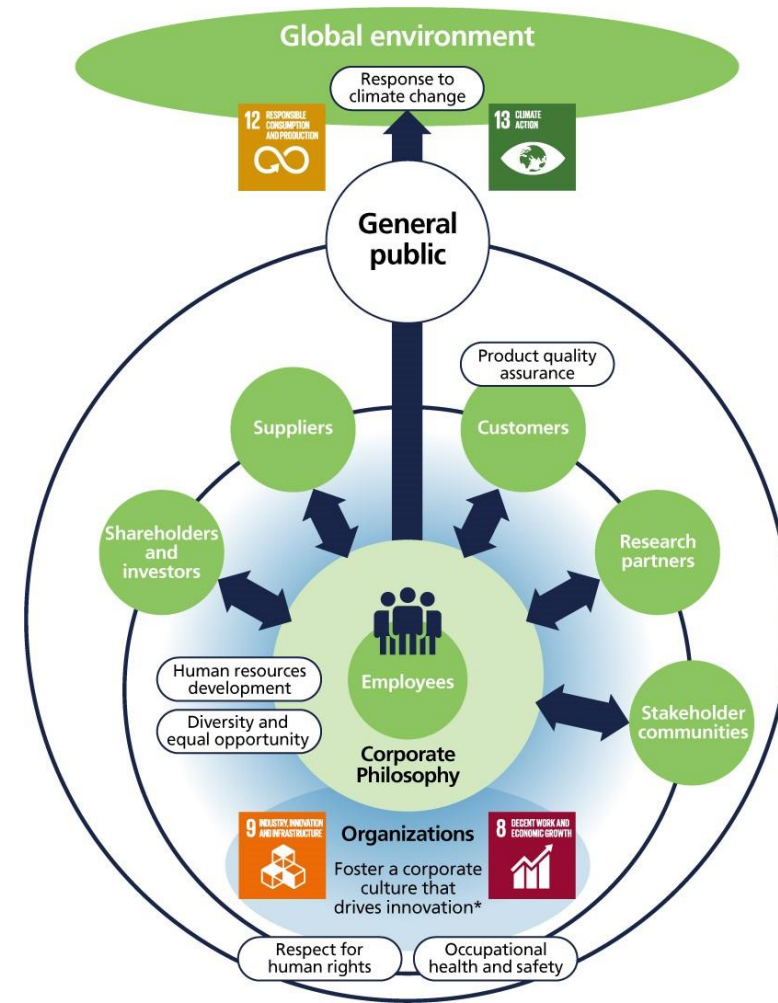
Product quality assurance

Occupational health and safety

Respect for human rights

Diversity and equal opportunity

Human resources development



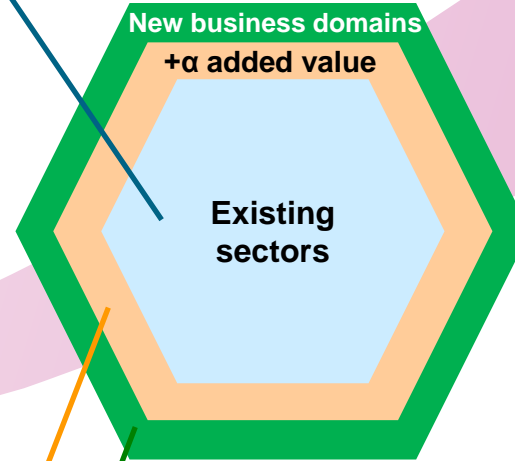
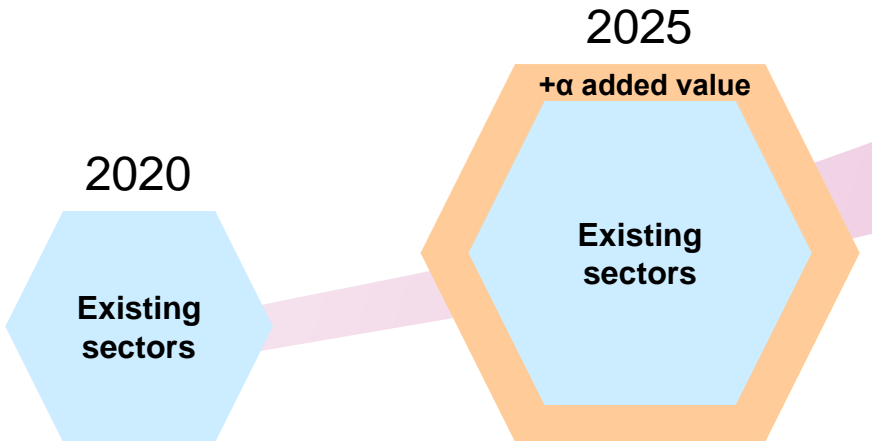


# Business Concept Under the Long-term Management Vision "UACJ VISION 2030"

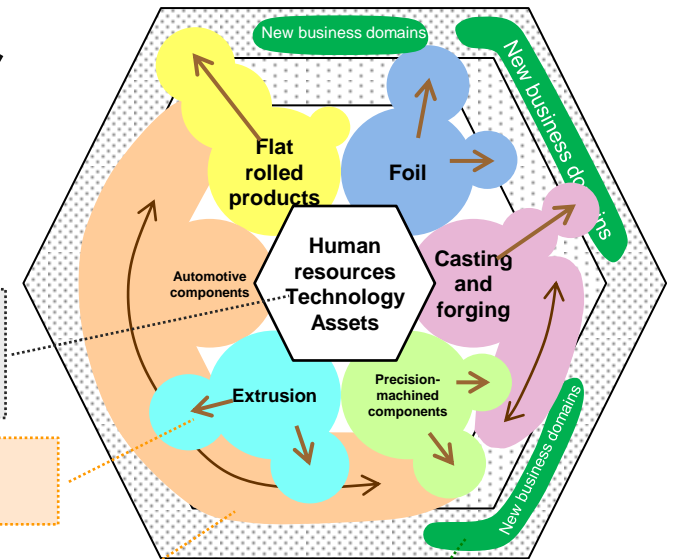
**[Focus on growth sectors and markets]**  
Expansion in scale centered on growth markets (North America, Southeast Asia) and growth sectors (can stock and automobiles)

## Business domains concept for 2030

**[Reducing environmental impact]**  
Reducing environmental impact across the supply chain as a whole with higher recycling rates and other measures



## Vision for businesses



**[Increasing added value with materials + α]**  
Attaching new value to materials (plasticity processing, recycling, modules, services, etc.) and thus increasing earnings power

**[Creation and expansion of new business domains]**  
Expanding our businesses in three domains: (1) lifestyle and healthcare, (2) mobility, and (3) environment and energy

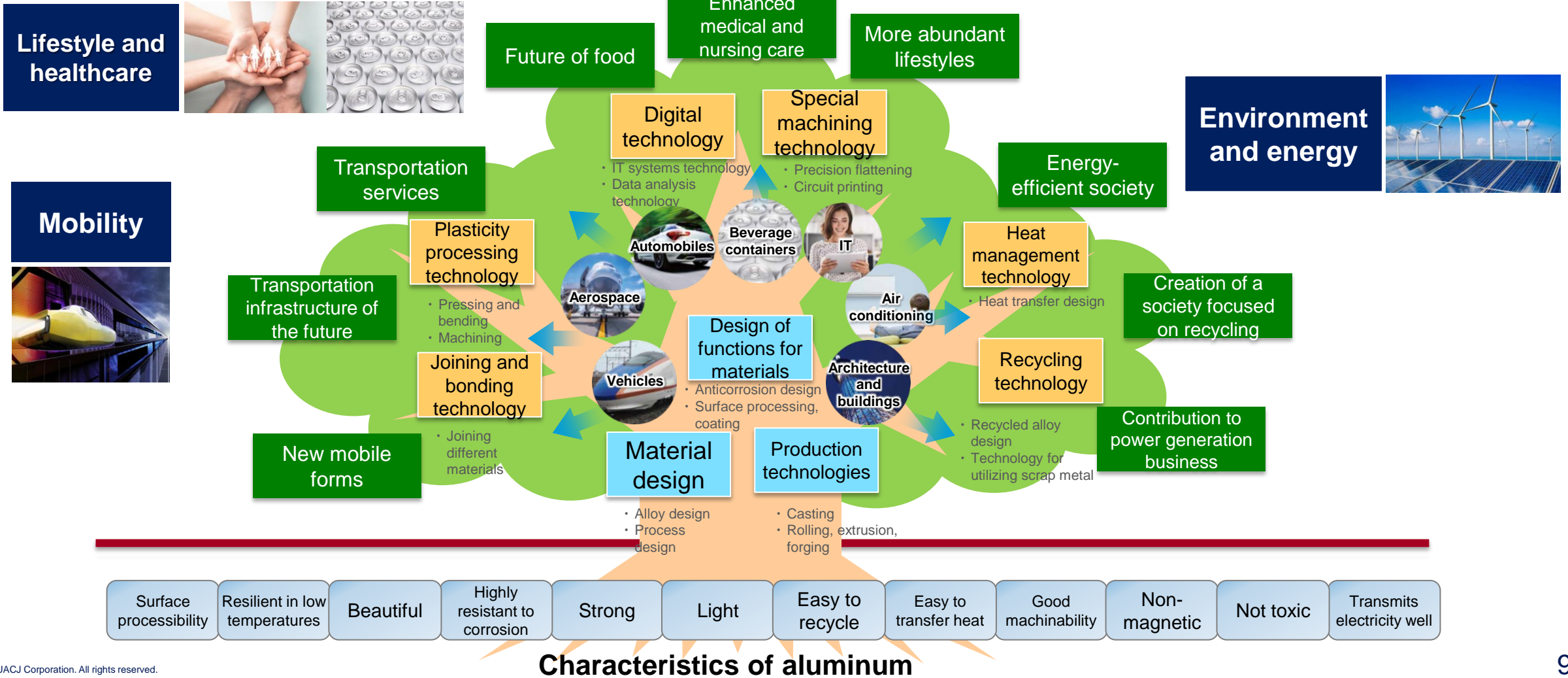
(1) Leveraging the capabilities of the UACJ Group across all businesses

(2) Expanding activities in each business into domains adjacent to existing businesses

(3) Utilizing synergies between business departments to generate competitiveness

(4) Building on our expertise gained from adjacent business domains to push outward to new business domains

# Expanding the possibilities of aluminum technologies, from existing to new business domains



# Utilizing Our Strengths to Create the "Value of Materials + $\alpha$ "

Utilizing UACJ's superior technical expertise and business foundations to the greatest possible extent to create the "value of materials +  $\alpha$ "

## UACJ strengths

- ◆ **Ability to deeply and accurately identify market needs**
  - Unceasing dialogue with market needs through the supply of various aluminum products to a range of customers
  - Built up the knowledge and experience to accurately and deeply understand market needs and respond with the optimal products



- ◆ **Ability to give shape to market needs in the form of "materials"**
  - Rich and varied technical expertise and experience in aluminum product manufacturing
  - Alloy and process design technologies that enable us to manufacture the optimal materials with the highest efficiency
  - Cost competitiveness that we can apply to the manufacturing of a wide range of products



- ◆ **Business foundations that mean we come into contact with a broad range of market needs**
  - Customer base across Japan, the Americas, and Asia
  - Network of large-scale manufacturing facilities across Japan, the Americas, and Asia
  - Relationships of trust developed with customers through prioritization of quality

## Utilizing our strengths to offer "+ $\alpha$ " value

- ◆ **Offering high-added-value components by combining materials and processing**

E.g.: High-strength bumpers for vehicles, etc.

- ✓ Maximizing the value of our products with integrated processes for product design that cover everything from materials to machining, combining a broad and varied range of alloys and machining technologies
- ✓ Developing a deeper understanding of customer needs by overseeing machining (the next process)

- ◆ **Offering services optimized to customers' production processes**

E.g.: Proposing the optimal production conditions, etc.

- ✓ Utilize world-class big data related to aluminum product manufacturing
- ✓ Optimization of customer processes by combining manufacturing data from customers and the Group
- ✓ Using the power of materials to contribute to customers' reduction of manufacturing processes (streamlining)

- ◆ **Offering the unique environmental value of aluminum to society**

E.g.: Can to can 100% recycling, etc.

- ✓ Ensuring compatibility with recycling and offering environmentally-friendly products through the fact that we own technologies for designing all processes, from casting to alloys and machining.
- ✓ Recycling technologies that utilize a broad and varied range of scrap metals in recycling

# UACJ VISION 2030 Financial Position and Future Financial Targets

Aiming to expand our business domains and enhance profit margins by focusing on growth markets and sectors and creating new businesses

	<b>FY2030 Target</b>	(Reference) FY2020 Results
<b>Net sales</b>	<b>¥800 billion+</b>	¥569.8 billion
<b>Operating margin</b>	<b>6%+</b>	2.0%
<b>ROIC</b> (Calculated based on operating profit before tax)	<b>10%+</b>	2.2%
<b>ROE</b>	<b>10%+</b>	-1.8%

# UACJ VISION 2030 Non-financial (ESG) Targets

## Using the power of UACJ to build a sustainable society

Six materialities	Evaluation indices	FY2023 targets	FY2030 targets
<b>Response to climate change</b>	Reduction of CO <sub>2</sub> emissions across the supply chain (compared with FY2019 BAU <sup>*1</sup> )	-	22% reduction
<b>Product quality and responsibility</b>	Number of significant quality defects	One or fewer	Zero
	Number of customer complaints	Down 10% YoY	Down 50% compared with FY2020
<b>Occupational health and safety</b>	Number of serious accidents	Zero	Maintain zero
	Total workplace accidents <sup>*2</sup>	4.00	2.45
<b>Consideration for human rights</b>	Implementation of DD for human rights, and creation of targets and implementation of action plan based on the results	To be implemented at four manufacturing sites	Main Group business sites in Japan and overseas
	Proportion of employees receiving training related to the Code of Conduct, human rights, and harassment	96% (Continue to maintain a 100% implementation rate for harassment prevention training.)	100%
<b>Diversity, equal opportunity, etc.</b>	Proportion of female managers (including officers, in Japan)	4%	15%+
<b>Developing talent</b>	Successor candidate planning implementation rate	Rollout across domestic group companies	100% implementation rate
	Number of persons benefiting from activities to support education related to key areas	300 people/year	500 people/year

\*1 BAU (Business as usual): Maintaining the current circumstances (production amount, product makeup) without any countermeasures

\*2 Total workplace accidents: An indicator to assess the occurrence of workplace accidents (frequency), calculated by converting the number of deaths and serious injuries from workplace accidents (including those that did not result in a loss of work time) for the total number of working hours during the period being measured, converted based on a factor of one million hours.

# Vision for Supporting Foundations

## Strengthening our foundations with intangible assets, as we look to achieve the UACJ VISION 2030

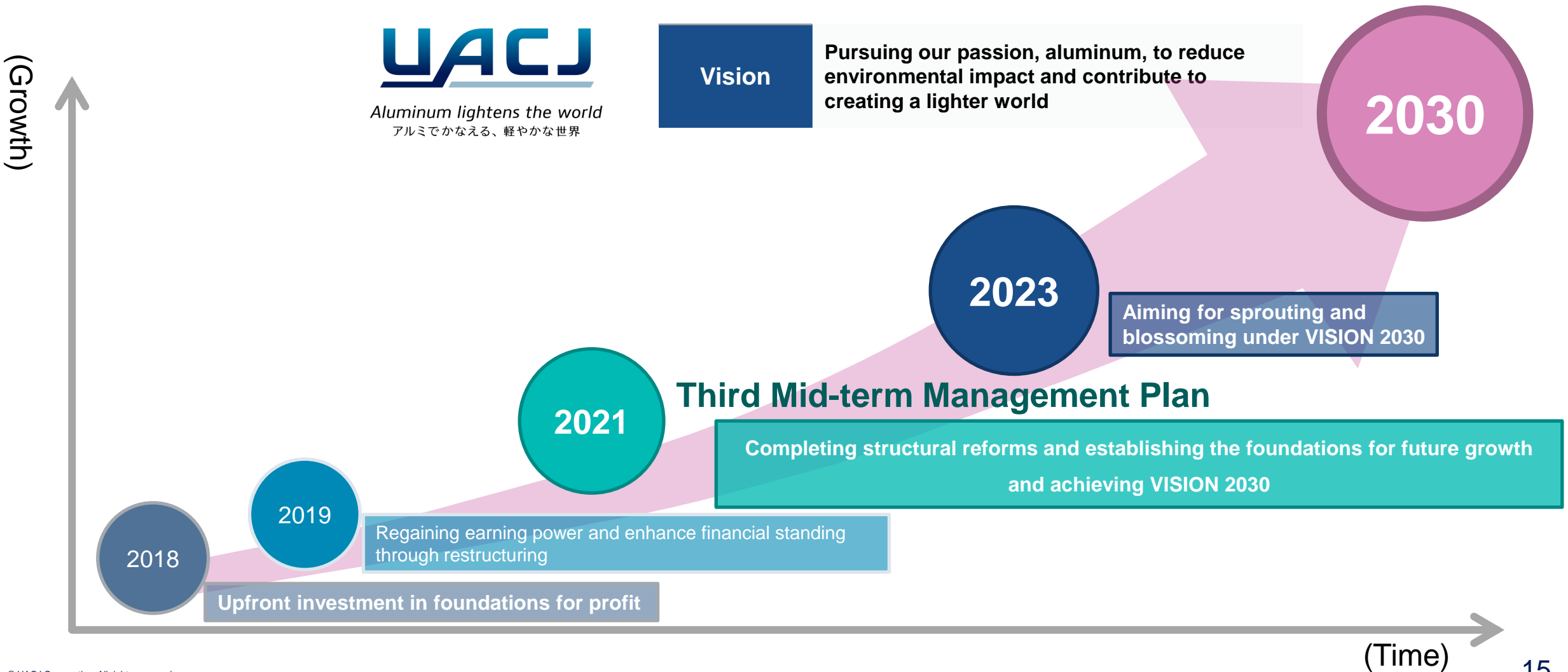
<b>Human resources</b>	<ul style="list-style-type: none"><li>◆ An organization that is resilient to change and acts in a flexible manner, with active participation by a diverse range of people</li><li>◆ Going beyond the bounds of departments and business sites to utilize the capabilities we possess as a Group</li><li>◆ Continuously developing high-level human resources (management/overseas/highly skilled technical human resources)</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>◆ Advanced technical capabilities that play a leading role in global aluminum research and development</li><li>◆ Combining the identification of underlying needs in society with proposals seeded by UACJ's technical expertise</li><li>◆ Learning and strengthening environmental technology and technology that utilizes digital tools</li></ul>
<b>DX</b>	<ul style="list-style-type: none"><li>◆ Making our business smarter by utilizing digital technologies (AI, CPS*, etc.)</li><li>◆ Building business ecosystems with customers</li><li>◆ Working with companies across the supply chain as a whole to implement schemes that utilize digital technologies</li></ul>
<b>Corporate culture</b>	<ul style="list-style-type: none"><li>◆ A state where our corporate philosophy, vision, and values have permeated the culture, and are naturally put into practice</li><li>◆ A high level of engagement that allows employees to feel a sense of pride and fulfillment in their work</li></ul>

## 2. Third Mid-term Management Plan



# Third Mid-term Management Plan Positioning

Three-year period to strengthen the foundations for growth, as we look to achieve UACJ VISION 2030





# Major Policies

## Complete structural reforms and establish the foundations for future growth and achieving VISION 2030

### 1. Complete structural reforms

- Enhance earnings power
- Improve financial position
- Strengthen management systems

### 2. Strengthen foundations for growth

- Increase added value
- Focus on growth markets and sectors
- Create new business domains
- Strengthen supporting foundations

### 3. Contribute to achieving a lighter world (promote sustainability)

- Contribute to solving issues related to climate change



# Third Mid-term Management Plan Targets

## Targeting ROE of 7.5% and ROIC\*<sup>2</sup> of 6.0% by final fiscal year of plan

### Financial indicators

Financial indicator	FY2023
Net sales	¥700.0 billion
Operating income	¥30.0 billion
Operating margin	4.2%
Ordinary income	¥25.0 billion
D/E ratio* <sup>1</sup>	1.2 times or less
ROE	7.5%
ROIC* <sup>2</sup>	6.0%

\*1 D/E ratio: Factoring in subordinated loan

\*2 ROIC: Calculated based on operating profit before tax

\*3 Compared with FY2019 BAU (Business as usual)

### Future financial and ESG targets

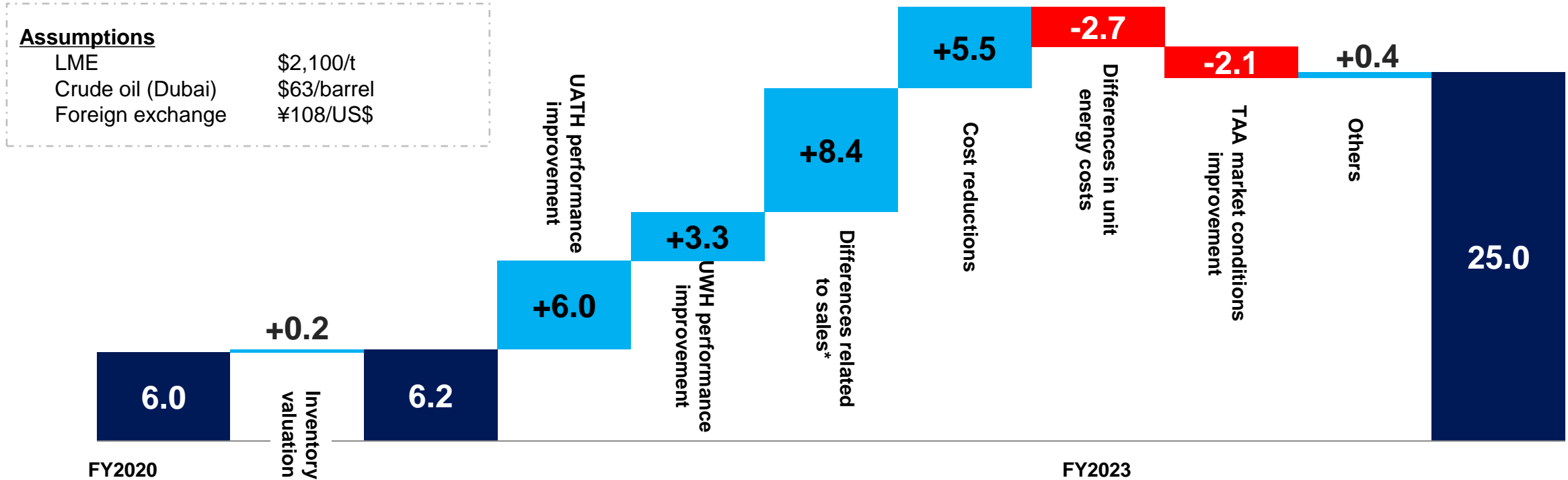
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	Total workplace accidents* <sup>4</sup>	4.00
<b>Consideration for human rights</b>	Implementation of DD for human rights, and creation of targets and implementation of action plan based on the results	To be implemented at four manufacturing sites
	Proportion of employees receiving training related to the Code of Conduct, human rights, and harassment	96% (Continue to maintain a 100% implementation rate for harassment prevention training.)
<b>Diversity, equal opportunity, etc.</b>	Proportion of female managers (including officers, in Japan)	4%
<b>Developing talent</b>	Successor candidate planning implementation rate	Rollout across domestic group companies
	Number of persons benefiting from activities to support education related to key areas	300 people/year

\*4 Total workplace accidents: An indicator to assess the occurrence of workplace accidents (frequency), calculated by converting the number of deaths and serious injuries from workplace accidents (including those that did not result in a loss of work time) for the total number of working hours during the period being measured, converted based on a factor of one million hours.

# Looking to Achieve the Mid-term Management Plan: Ordinary Income Target

Generate profits with structural reforms and business growth, in addition to the post-COVID-19 recovery

FY2020-FY2023 Change in ordinary income (Billions of yen)



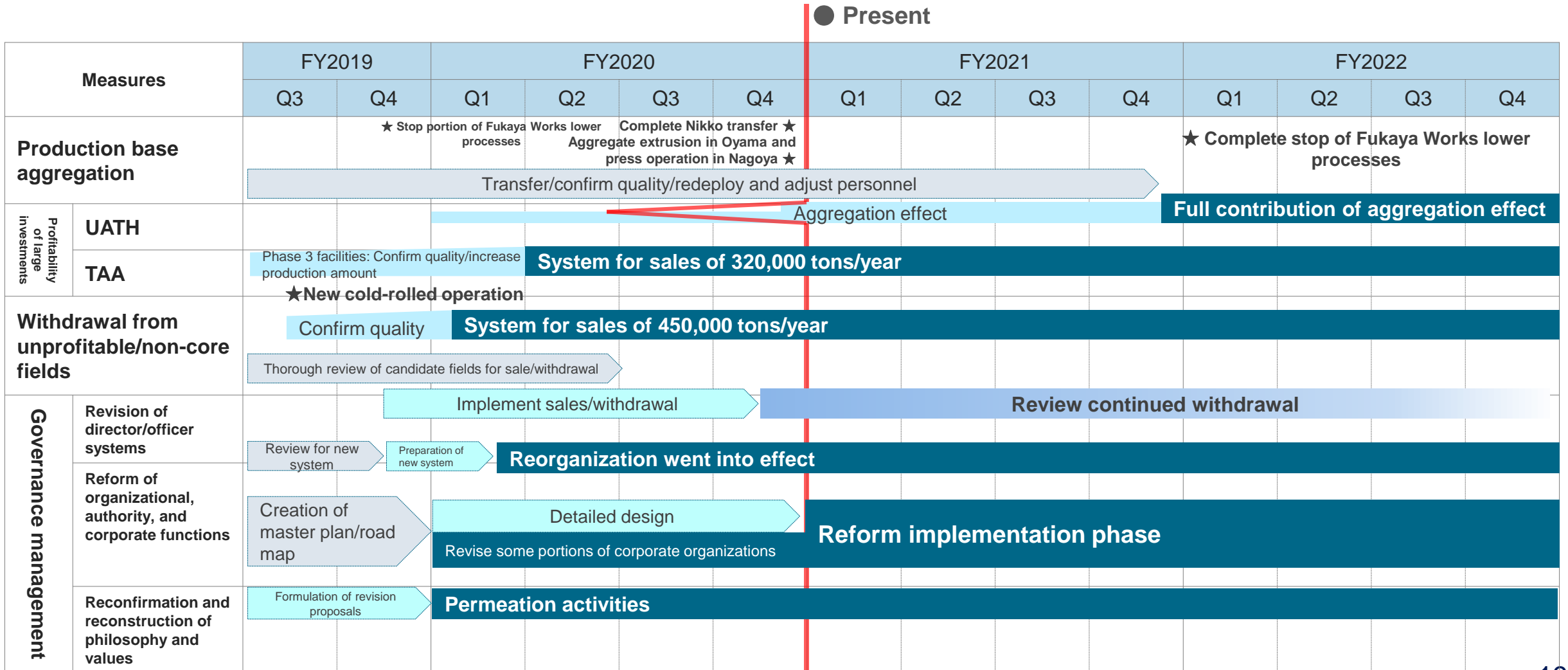
**Assumptions**

LME	\$2,100/t
Crude oil (Dubai)	\$63/barrel
Foreign exchange	¥108/US\$

Includes **+18.5 billion yen** from impact of structural reforms (2019-2022)

# Major Policy (1) Complete Structural Reforms: Results and Outlook for the Future

We are progressing with various restructuring measures as planned in accordance with our roadmap

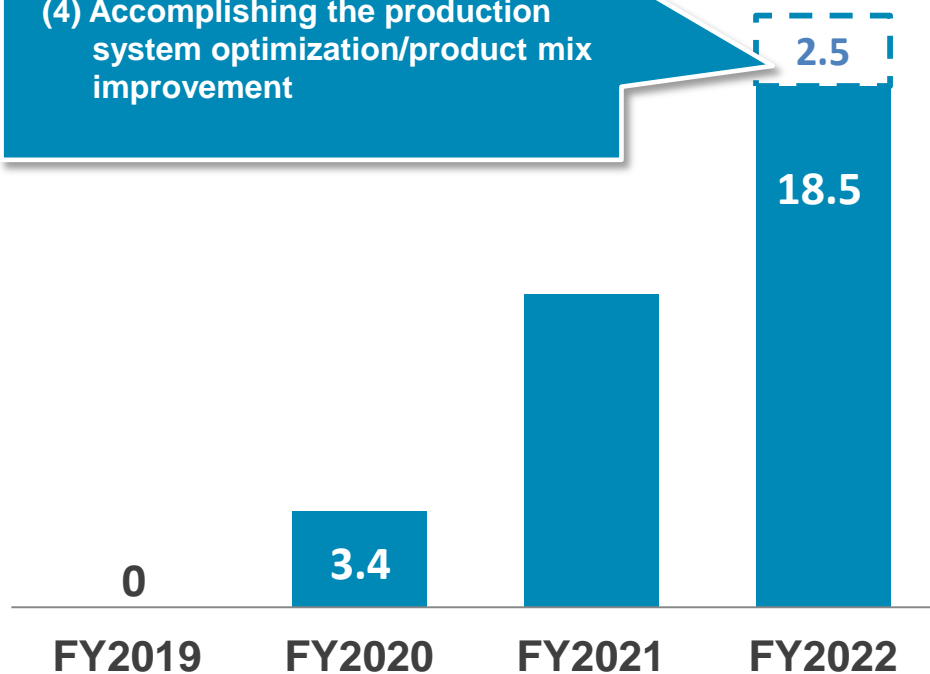


# Major Policy (1) Complete Structural Reforms: Enhance Earnings Power

As performance exceeds targets overseas, domestic performance has been impacted by COVID-19 and we are implementing additional measures

## Additional measures

- (1) Strengthening added value sales
- (2) Cutting manufacturing costs
- (3) Cutting costs with organizational reforms
- (4) Accomplishing the production system optimization/product mix improvement



	When structural reforms were announced	When Third MMP was announced
<b>Domestic profit structure reform</b>	<b>+¥10.0bn</b>	<b>+¥6.7bn</b>
Production base aggregation	+¥4.0bn	+¥3.4bn
Optimizing the production system and improving the product mix (increase in automotive components and battery materials)	+¥5.0bn	+¥2.5bn
Reducing indirect expenses (reducing indirect headcount, etc.)	+¥1.0bn	+¥0.8bn
<b>Overseas: Returns on large investments</b>	<b>+¥11.0bn</b>	<b>+¥11.8bn</b>
UATH Increasing sales volume and reducing costs with the start of operation of investments made in phase three	+¥7.0bn	+¥7.6bn
TAA Increasing sales volume with completion of investment to increase capacity, and amending prices	+¥2.0bn	+¥1.9bn
UWH Focusing on profitability when accepting orders and utilizing extruder to increase sales	+¥2.0bn	+¥2.3bn
<b>Impact of structural reforms</b>	<b>+¥21.0bn</b>	<b>+¥18.5bn</b>

# Major Policy (2) Strengthen Foundations for Growth

Complete structural reforms

Strengthen foundations for growth

Contribute to achieving a lighter world

## Strengthen foundations for the future beyond structural reforms

### Key issue

Increase added value

Focus on growth markets and sectors

Create new business domains

Strengthen supporting foundations

### Measures

- Create and offer the added value of materials +  $\alpha$  through our value chain and supply chain
- Focus on growth markets (North America and Southeast Asia) and growth sectors (can stock, automobiles)
  - Capture robust North American demand by 3 global supply system, and considering expansion of production capacity in North America.
  - Increase capacity in the automotive component business (North America, China)
- Develop frameworks and systems to support the creation of new business domains, such as internal "startups"
- Identify new business domains from the seed phase
- Strengthening frontline capabilities on all fronts = passing down monozukuri (craftsmanship) from senior to junior employees and develop talents and organizations, mainly through Monozukuri Gakuen and the U-KI training program
- Invest management resources in recycling and digital technologies
- Utilize a diverse range of human resources and enhance engagement

# Major Policy (2) Strengthen Foundations for Growth: Expansion of Added-Value Businesses

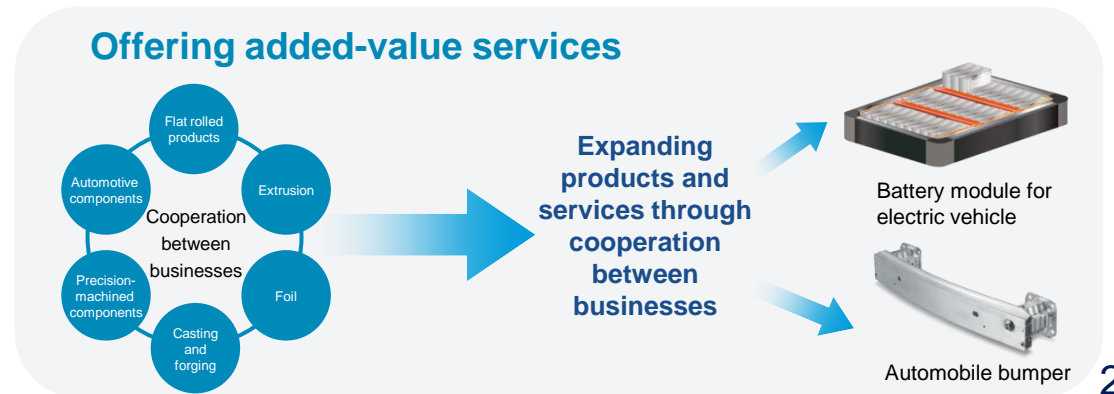
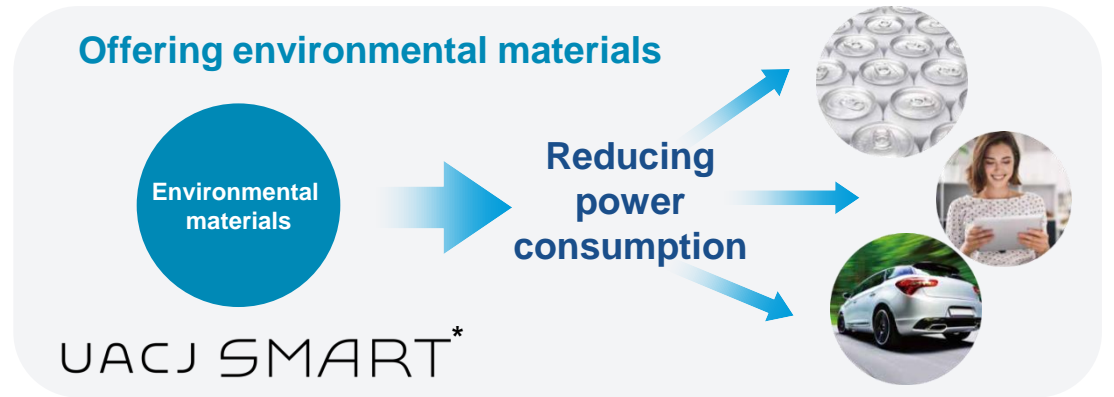
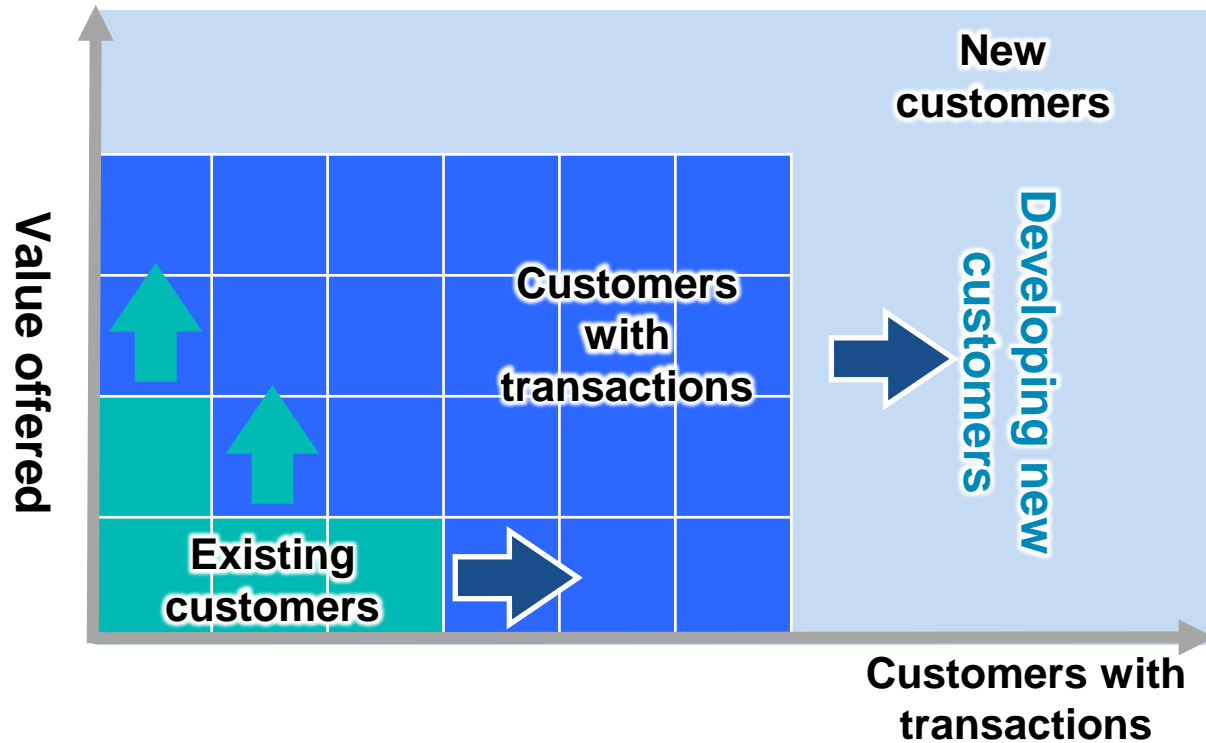
## Expanding customer base to cover "environmental materials" and "added-value services"

### Expanding added value: Offering environmental materials + added-value services

- Offering UACJ-certified recycled materials
- Jointly developing recycled materials
- Expanding shaping and services through cooperation between businesses

### Expanding customers with transactions: Expanding business in a variety of sectors

- Increasing the use of recycled materials for can stock and industrial materials
- Joint development of recycled materials in the automotive sector
- Expanding added value services in the automotive components sector



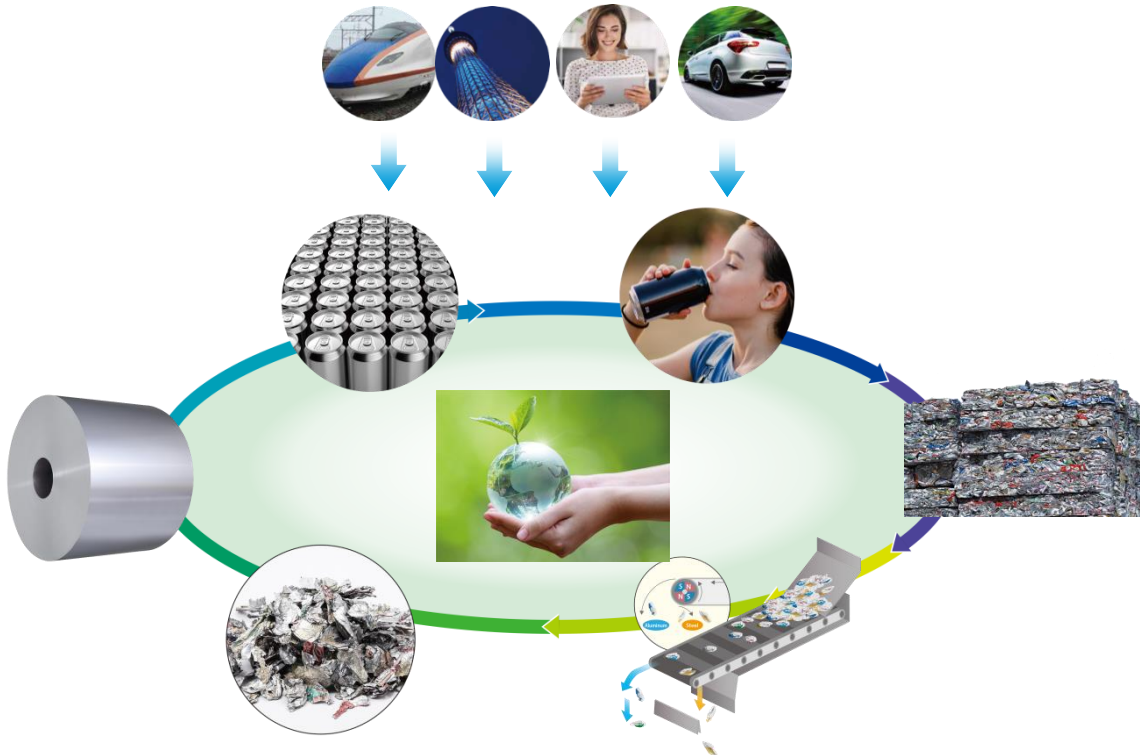
\* UACJ SMART: An environmentally-friendly aluminum products brand. These aluminum products have a significantly lower environmental impact compared with conventional products, achieved through fine-tuned management of materials, component regulation, and manufacturing processes.

# Major Policy (2) Strengthen Foundations for Growth: Create New Business Domains

## Focus on solving social issues and customer issues utilizing seeds

### Create a recycling ecosystem for aluminum

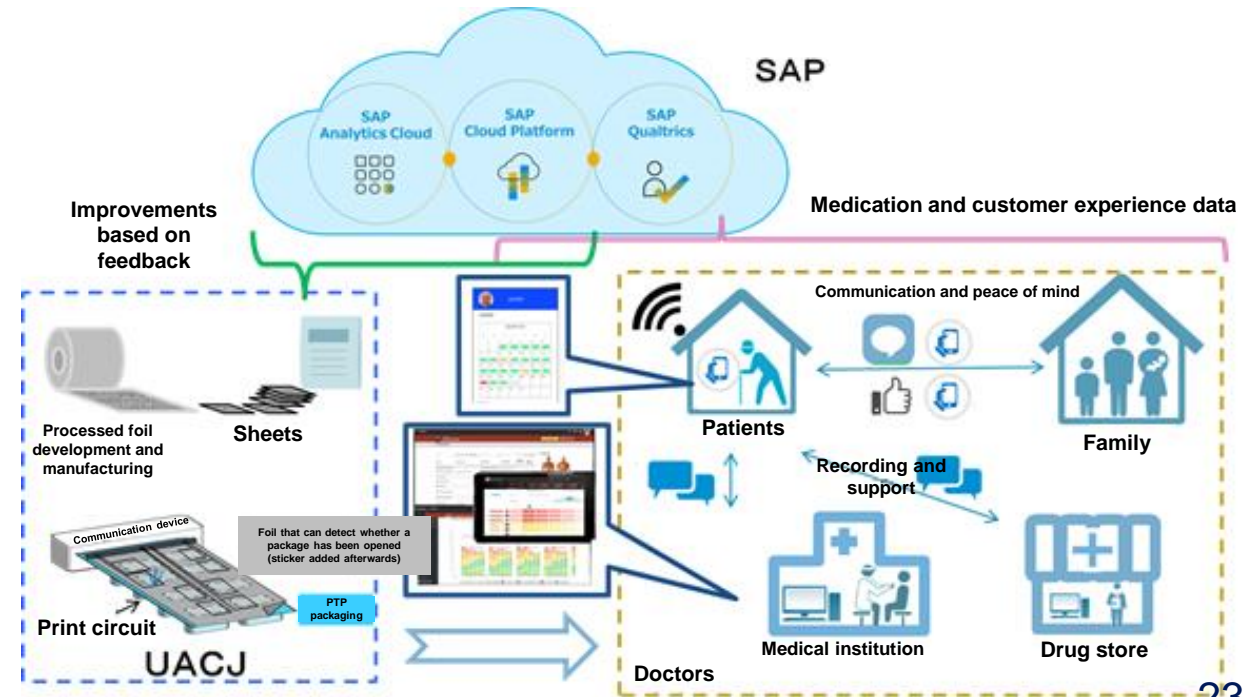
Cooperate with companies in different industries to establish a recycling ecosystem for aluminum in various sectors



### UACJ × SAP × Doctors

Joint development of pharmaceutical packaging foil that can detect whether a package has been opened

Promoting development with the aim of commercializing this system by 2022, as we aim to build a system that contributes to promoting patient health by managing how people take their medication



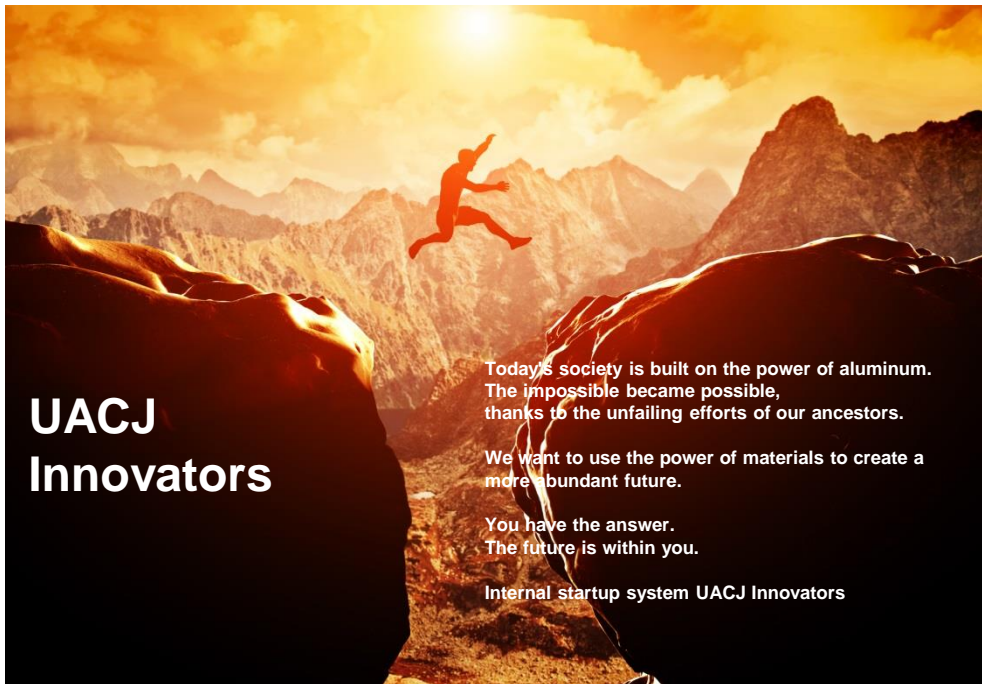


## Major Policy (2) Strengthen Foundations for Growth: Create New Business Domains

Identify new possibilities for aluminum, through internal submissions and collaboration with external parties

### Internal "startup" system "UACJ Innovators"

Broadly calling for submissions from employees of all Group companies for business plans with the possibility of enabling the UACJ Group to offer +  $\alpha$  added value and create new businesses



(From internal materials)

### UACJ x Wemake\*

Issuing a broad call for ideas from outside the Group for new businesses and new products that utilize UACJ's aluminum materials and the assets of related businesses to offer new value



\*Wemake

An online cocreation platform service that enables both individuals and companies to propose ideas for corporate-led projects.

<https://www.wemake.jp/>

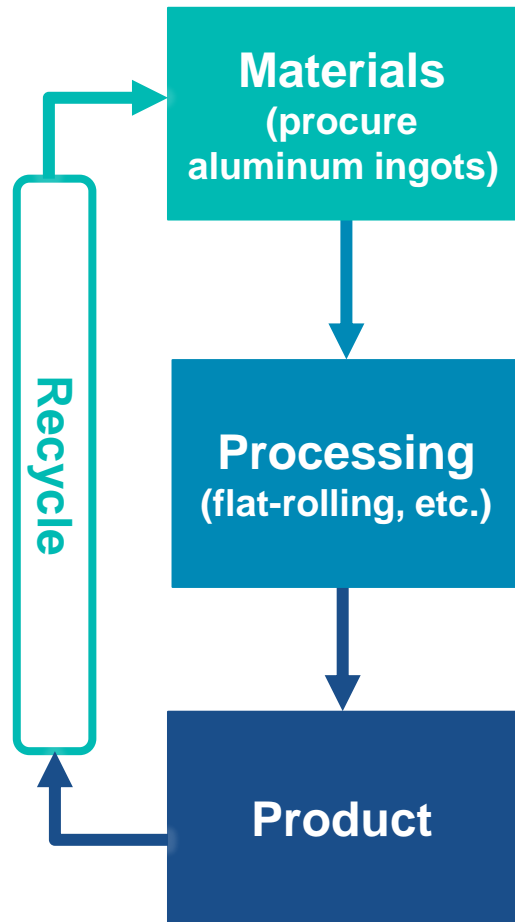
# Major Policy (3) Contribute to Achieving a Lighter World

Complete structural reforms

Strengthen foundations for growth

Contribute to achieving a lighter world

Establish a Climate Change Countermeasure Promotion Committee and actively contribute to reducing environmental impact with aluminum

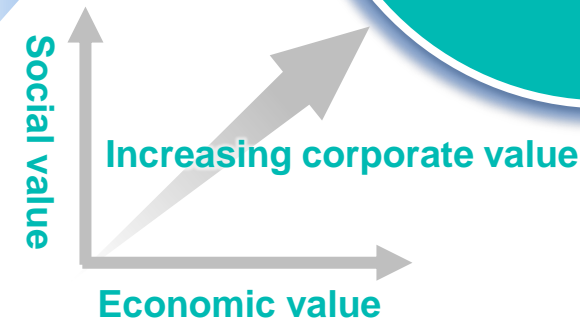


- Create system for recirculating scrap from customers
- Promote effective utilization of scrap metal
- Develop recycling technology

- Heat transfer and waste heat collection
- Use of renewable energy
- Utilization of non-fossil fuels
- Switch to energy-saving facilities
- Consider using facilities compatible with recycled materials

- Use of recycled materials and appeal to customers

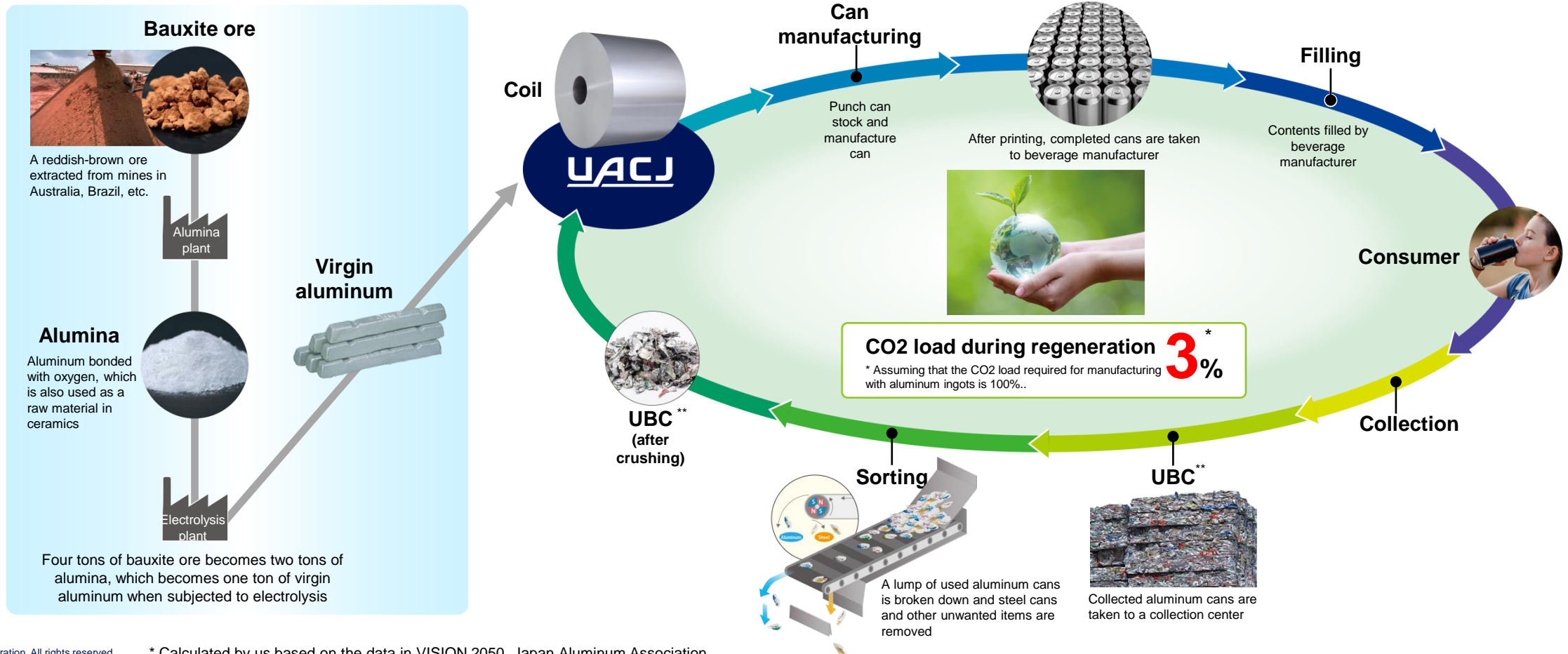
CO<sub>2</sub> emissions across the supply chain (compared with FY2019 BAU\*)



# Major Policy (3) Contribute to Achieving a Lighter World

Promoting aluminum product lifecycles designed to reduce environmental impact on a global basis

## UACJ actively utilizes recycled materials, primarily used beverage cans, which contributes significantly to reducing environmental impact





*Aluminum lightens the world*

アルミでかなえる、軽やかな世界