



UACJ Corporation

Financial Results Briefing for the Fiscal Year Ended March 2021

May 12, 2021

Event Summary

[Company Name]	UACJ Corporation	
[Company ID]	5741-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2021	
[Fiscal Period]	FY2020 Annual	
[Date]	May 12, 2021	
[Number of Pages]	48	
[Time]	18:30 – 19:35 (Total: 65 minutes, Presentation: 39 minutes, Q&A: 26 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Miyuki Ishihara	Representative Director & President
	Teruo Kawashima	Director, Member of the Board, Managing Executive Officer
	Shinji Tanaka	Executive Officer, Corporate Strategic Restructuring Executive Officer
	Jyoji Kumamoto	General Manager of the Corporate Planning Office
[Analyst Names]*	Atsushi Yamaguchi	SMBC Nikko Securities Inc.
	Yu Shirakawa	Morgan Stanley MUFG Securities Co., Ltd.
	Yuji Matsumoto	Nomura Securities Co., Ltd.
	Shinichiro Ozaki	Daiwa Securities Co. Ltd.
	Harunobu Goro	UBS Securities Japan Co., Ltd.
	Eiji Sakimura	Nomura Asset Management Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Okada: It is time to commence the briefing session.

Thank you very much for taking time out of your busy schedules to join us today for the financial results briefing for FY2020 and third medium-term management plan of UACJ Corporation.

This briefing will be conducted using the explanatory materials available on our website. If you do not have the materials at hand, please visit our website.

Although this presentation may contain forward-looking statements, such statements are based on our current expectations only. Please note that actual results may differ materially from these future projections due to a variety of factors.

First, I would like to introduce today's attendees. Miyuki Ishihara, Representative Director & President.

Ishihara: I am Ishihara. Thank you.

Okada: Teruo Kawashima, Director, Member of the Board, Managing Executive Officer.

Kawashima: This is Kawashima. Thank you.

Okada: Shinji Tanaka, Executive Officer, Corporate Strategic Restructuring Executive Officer.

Tanaka: I am Tanaka. Thank you.

Okada: Jyoji Kumamoto, General Manager of the Corporate Planning Office.

Kumamoto: I am Kumamoto. Thank you.

Okada: I am Kozo Okada, Director of IR, Finance Department, who will serve as the moderator today. Thank you.

Kawashima, Director, Member of the Board, Managing Executive Officer, will explain the financial results for FY2020 and the forecast for FY2021 announced today, and Ishihara, Representative Director & President, will explain the third medium-term management plan.

The questions we received will be answered in the question-and-answer session in the second half of the briefing.

Mr. Kawashima, Director, please go ahead.

Kawashima: First of all, I would like to explain the financial results. Thank you very much for joining us today.

I will now explain the results for FY2020 and the forecast for FY2021.

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1. 2020年度 通期業績

通期業績

(単位:億円)	2019年度 通期 (A)	2020年度 通期 (B)	増減 (B) - (A)
連結売上高	6,151	5,698	△ 453
連結営業利益	101	111	10
棚卸影響前 連結経常利益	98	62	△ 36
棚卸影響額	△ 60	△ 2	58
連結経常利益	38	60	22
連結当期純利益	20	△ 33	△ 53
Adjusted EBITDA	473	447	△ 26

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※ Adjusted EBITDA: EBITDA - 棚卸評価関係

4

Please open page 4 of the document.

This is the result of the fiscal year under review. Net sales were JPY569.8 billion, a JPY45.3 billion decrease from the previous fiscal year. As for profits, operating income was JPY11.1 billion, an increase of JPY1 billion. Ordinary income before inventory valuation effects was JPY6.2 billion, a decrease of JPY3.6 billion. However, ordinary income was JPY6 billion, an increase of JPY2.2 billion.

Final profit was down by JPY3.3 billion, and adjusted EBITDA was JPY44.7 billion.

The main reason for the decrease in revenue was the decline in the price of bullion. In addition, we believe that the exchange rate caused a decline in revenue of approximately JPY18 billion. On the other hand, we analyzed the impact of the coronavirus pandemic on the volume, which resulted in a declining factor of about JPY11.6 billion.

At the same time, we have sold our copper tube business as of the end of September 2019. The impact of this change was approximately JPY16 billion, for a total decrease in revenue of approximately JPY45 billion.

The profit and loss will be explained on a separate page.

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1. 2020年度 通期業績

アルミ板 品種別売上数量

(単位:千トン)

品 種	2019年度 通期 (A)	2020年度 通期 (B)	増 減 (B) - (A)
缶 材	659	693	34
箔 地	44	52	8
I T 材	17	25	8
自 動 車 材	152	123	△ 29
厚 板	39	42	3
その他一般材	199	180	△ 19
合 計	1,110 国内市場向け 483 海外市場向け 627	1,113 国内市場向け 441 海外市場向け 673	3 国内市場向け △43 海外市場向け 46

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※内部取引控除後の数量

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Please go to page 6. This is the sales status of flat rolled products for the fiscal year under review.

The total column, at the bottom, shows 1.113 million tons, which is an increase of about 3,000 tons. This is almost on par with the previous quarter.

This includes 693,000 tons of can stock, which is an increase of 34,000 tons. On the other hand, automotive materials have decreased by about 29,000 tons.

As for can stock, domestic sales were slightly down, although I think part of this was due to the impact of the coronavirus pandemic. On the other hand, UATH, as I will explain later, was affected by the coronavirus pandemic, but it showed an increase over the previous fiscal year. In addition, there has been a large increase in the performance of TAA, which means that the total amount of can stock has increased by 34,000 tons.

IT materials benefitted from the demand for computers. As more and more people are remote, more and more IT materials are being used in the background.

Sales of automotive materials decreased by 29,000 tons due to the impact of the coronavirus pandemic in the first half of the fiscal year, despite the recovery in demand for automobiles in the second half. This is the status of sales of our mainstay, flat rolled products.

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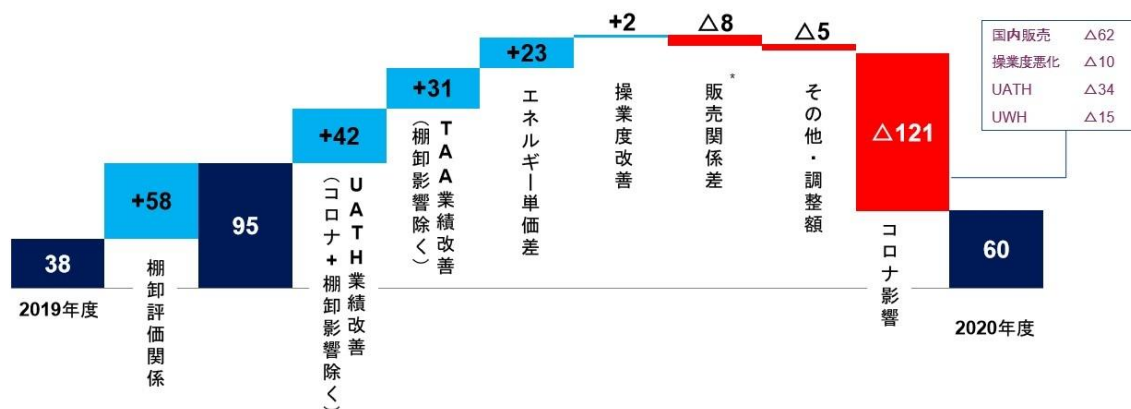
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連結経常損益分析 (2019年度 → 2020年度)

38億円 (2019年度) → 60億円 (2020年度)

(単位:億円)



* 販売関係差 : 国内販売数量の増加および、品種構成の好転に伴う損益差

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Please turn to page 7. This is the status of profit and loss.

Profit increased by JPY2.2 billion from JPY3.8 billion to JPY6 billion.

The main factor was the impact of inventory valuation, which was JPY5.8 billion, compared to the negative impact of inventory valuation of JPY6 billion in the previous fiscal year. In the current fiscal year, we have improved our profit and loss by about JPY5.8 billion, which is the improvement of JPY200 million.

The big one is the increase in UATH which is up and running after the third phase of construction in the fall of 2019, although the impact of coronavirus pandemic is excluded. Another increase is in TAA, which has been extremely strong. Then the energy cost went down, resulting in the increase.

On the other hand, the impact of the coronavirus pandemic was JPY12.1 billion. As you can see in the box on the right, if you include domestic sales and operations, the total impact was JPY7.2 billion. Then there is UATH, which was impacted by coronavirus pandemic, with its bottom in June, July and August.

With regard to Whitehall, UWH, we analyzed the impact of the April and May lockdowns on the US plants, which resulted in a total of about JPY12.1 billion.

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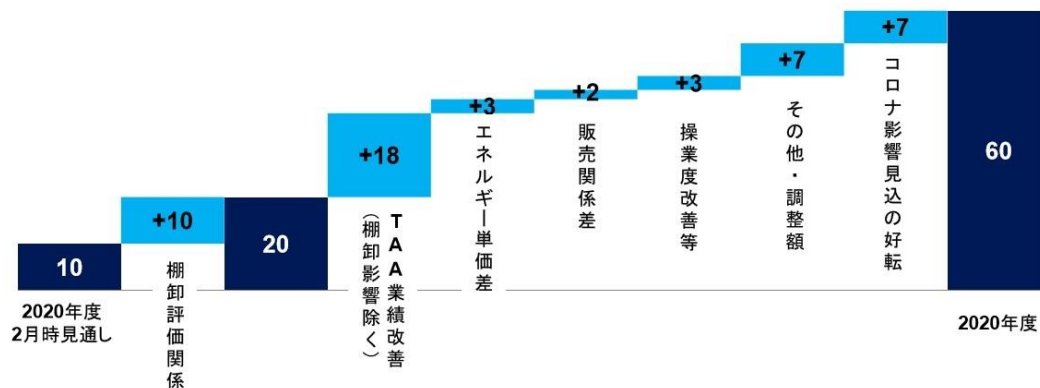
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1. 2020年度 通期業績

連結経常損益分析 (2021年2月時見通し → 2020年度通期)

10億円 (2月時見通し) → 60億円 (2020年度 通期)

(単位:億円)



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Please turn to page 8.

In February, we expected a profit of JPY1 billion, but it turned to be JPY6 billion, which is an improvement of about JPY5 billion. This is the analysis of its change.

There are 2 points for the increase. The valuation gain/loss on inventories was positive due to the increase in the price of bullion, which was more than expected, and TAA was even stronger, resulting in JPY1.8 billion. This has driven the overall profit to JPY6 billion.

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1. 2020年度 通期業績

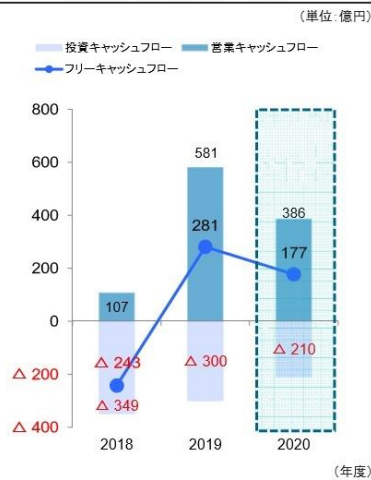
連結キャッシュフロー計算書

2020年度はコロナ禍においてもフリーキャッシュフローは黒字を維持

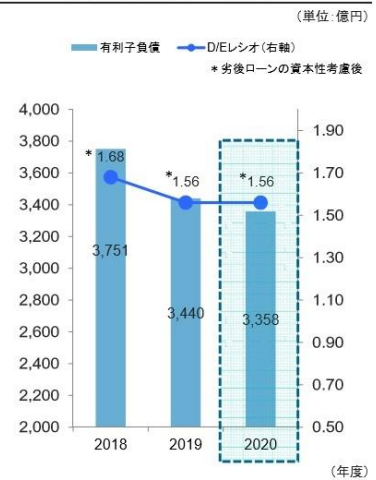
2020年度 連結キャッシュフロー	
(単位:億円)	
税引前利益	34.7
減価償却費(のれん含む)	334.0
債権債務増減他	17.5
営業キャッシュフロー計	386.2
設備投資 他	△ 231.6
連結範囲変更を伴う 子会社株式の売却	22.1
フリーキャッシュフロー	176.7
配当	△ 16.9
その他財務CF	△ 74.6
現預金増減(△は増加)	△ 3.0
有利子負債の減少	82.2

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連結キャッシュフロー 推移



有利子負債残高・D/Eレシオ



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Page 10 shows the cash flow.

As for cash flow, as you can see on the left, operating cash flow was JPY38.6 billion. On the other hand, there was JPY23.1 billion in capital investment on a cash basis, and after subtracting this, free cash flow was JPY17.7 billion.

In addition, there was the payment of dividend and other cash flow from financial activities. As a result, we have reduced interest-bearing debt by JPY8.2 billion.

This is illustrated by the bar graph on the far right of this page. Two years ago, the debt was JPY375.1 billion, and last year it was JPY344 billion. Although the coronavirus pandemic had impact on the fiscal year under review, we managed to reduce the debt by about JPY8.2 billion, and over the past 3 years, we have reduced the debt by about JPY40 billion.

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1. 2020年度 通期業績

タイ(UATH)の状況 ~2020年度 総括

コロナ影響のボトムは3Q、2021年1月からは旺盛な需要が追い風となり、販売量は増加へ

UATH 月次販売量(単位:千t)



2020年度 総括

缶材需要 : コロナ影響による販売は3Qをボトムに4Q以降回復
2021年1月以降グローバルでの旺盛な缶材需要
が追い風となり大幅に増加

生産量 : 約212千t / 年(20年1月~20年12月)
(2021年度 1Q 約28千t/月)

販売量 : 約203千t / 年(20年1月~20年12月)

損益	(億円)		
	19年度	20年度	前期比
売上高	691	641	△50
営業利益	△33	△30	3
経常利益	△45	△48	△3
棚卸影響前 経常利益	△48	△40	8

11

Please turn to page 11. This is the situation in Thailand.

As I mentioned earlier and as you can see in the bar chart which is on a monthly basis, the months of June, July, August, and September were the bottom due to the impact of the coronavirus pandemic, and we gradually recovered, and as you can see, January, February, and March were full production months. At the moment, the full capacity is a bit over 320,000 tons per year, and at the end of the first quarter, the situation of this full capacity continued.

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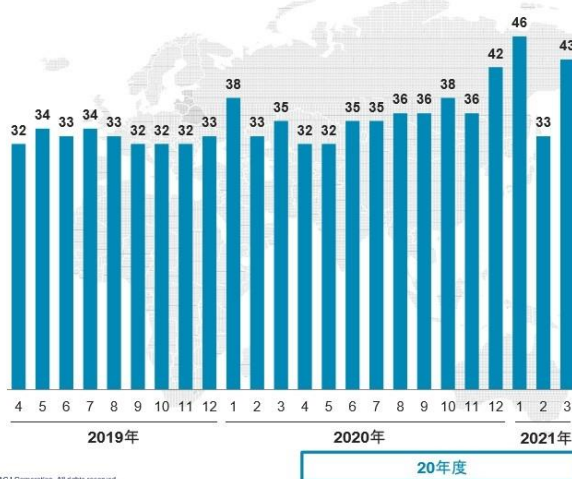
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1. 2020年度 通期業績

米国(TAA)の状況 ~2020年度 総括

コロナ禍でも旺盛な北米缶需要を取り込み、過去最高益を実現

TAA 月次販売量(単位:千t)



2020年度 総括

缶材需要 : 旺盛な需要環境継続
 販売量 : 約**444**千t / 年(20年4~21年3月)
 設備 : 21年4月 約**450**千t / 年体制

損益	(億円)		
	19年度	20年度	前期比
売上高	1,304	1,420	116
営業利益	54	130	76
経常利益	29	108	79
棚卸影響前 経常利益	57	89	32

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Page 12 shows the status of the TAA.

We have maintained a high level of sales due to the good demand of American can stock. The profit and loss was JPY10.8 billion, and although the impact of inventory valuation was significant, it was JPY8.9 billion even before the impact of inventory valuation. Compared to FY2019, the new cold rolling mill is up and running since April last year. With this background, we were able to post a very good figure.

The above is for the fiscal year just ended.

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2. 2021年度 通期業績見通し

通期業績見通し

(単位: 億円)	2020年度 通期 (A)	2021年度 通期見通し (B)	増減 (B) - (A)
連結売上高	5,698	6,600	902
連結営業利益	111	220	109
棚卸影響前 連結経常利益	62	99	37
棚卸影響額	△ 2	61	63
連結経常利益	60	160	100
連結当期純利益	△ 33	80	113
Adjusted EBITDA	447	508	61
年間配当	-	40円/株	

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※ Adjusted EBITDA: EBITDA - 棚卸評価関係

14

This is the full-year forecast for FY2021. Please turn to page 14.

Net sales is expected to be JPY660 billion, an increase of JPY90.2 billion YoY, and consolidated operating income is expected to be JPY22 billion, an increase of about JPY10.9 billion.

If you look at it before the impact of inventory valuation, it will be JPY9.9 billion, which is an increase of JPY3.7 billion. Ordinary income will be JPY16 billion, an increase of about JPY10 billion. We are forecasting a final profit of JPY8 billion.

As for dividends, although we did not pay a dividend in 2020 and caused concern, we plan to pay a dividend of JPY40 in 2021.

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2. 2021年度 通期業績見通し

アルミ板 品種別売上数量

(単位:千トン)

品 種	2020年度 通期 (A)	2021年度 見通し (B)	増 減 (B) - (A)
缶 材	693	845	152
箔 地	52	59	7
I T 材	25	19	△6
自 動 車 材	123	155	32
厚 板	42	49	7
その他一般材	180	201	21
合 計	1,113 〔国内市場向け 441 海外市場向け 673〕	1,328 〔国内市場向け 505 海外市場向け 824〕	215 〔国内市場向け 64 海外市場向け 151〕

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As for the status of the flat rolled products, please turn to page 16.

Page 16 shows the figures for the assumption of the sale of the flat rolled products. The total will be 1.328 million tons, which is a significant increase of 215,000 tons.

The big one, as you can see, is the can stock. It will increase by 152,000 tons. As I mentioned earlier, the plant in Thailand is at full capacity, and full production will continue, mainly due to good demand for cans, which will lead to an increase of 150,000 tons, mainly from UATH sales in Thailand and sales in the US. We have been able to close deals with most of our customers, so we believe that this number is highly reliable.

In addition, demand for automotive materials is returning, and is expected to increase by 32,000 tons. On the other hand, for IT materials, demand for personal computers was very good in 2020, but it is expected to return to normal after a lull, decreasing by about 6,000 tons.

The total is 215,000 tons. As you can see below, the increase is expected to be mainly in overseas market.

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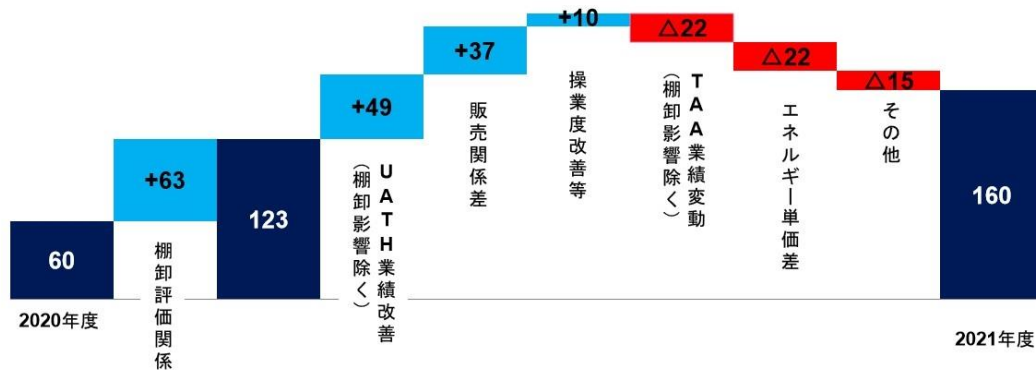
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連結経常損益分析 (2020年度通期 → 2021年度通期見通し)

60億円 (2020年度 通期) → 160億円 (2021年度 通期見通し)

(単位: 億円)



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17

Please turn to page 17 for the analysis of profit and loss.

The result for FY2020 was JPY6 billion. Against this, we expect an increase of JPY10 billion to JPY16 billion.

The biggest one is the inventory valuation, which will be JPY6.3 billion. The assumption is that the LME will be USD2,100. On that basis, we expect that inventory valuation gains will increase by about JPY6 billion, and that valuation gains will be positive.

Then the biggest one is UATH. The annual sales of 320,000 tons of base have been contracted and are scheduled to be completed. The increase relating to this will be JPY4.9 billion.

Then there is sales-related items. The difference related to sales is positive mainly for domestic flat rolled products. We expect to return to normal from the impact of coronavirus pandemic and projected JPY3.7 billion.

On the other hand, the TAA is estimated to have a negative impact of JPY2.2 billion, and the energy cost is estimated to have a negative impact of JPY2.2 billion due to the increase in the price of crude oil, which is based on USD63.

The TAA business has been robust, and in 2020, we were able to get a much better price than usual for procurement of raw materials. We expect the procurement price will return to normal, and in this context, the figures in 2020 were a little too good. Therefore, we projected the decrease of JPY2.2 billion as normal condition.

As a result, we are forecasting a profit of JPY16 billion.

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19年度で大型戦略投資が一巡し、設備投資は減価償却費の範囲内

(単位:億円)

		2020年度 通期	2021年度 見通し
設備投資	一般投資	109	210
	戦略投資	72	88
	合計	181	298
減価償却費		334	349

Please see page 18 for capital investment.

For the current fiscal year, we expect total capital investment to be JPY29.8 billion, and since there will be depreciation and amortization of JPY34.9 billion, we expect to generate the fund of JPY5 billion.

That is all for the summary of financial results.

Okada: Next, President Ishihara will explain the third medium-term management plan.

Then, President Ishihara, please go ahead.

目次

1. 長期経営ビジョン UACJ VISION 2030

2. 前中期経営計画の振り返り

3. 第3次中期経営計画

4. 参考資料

Ishihara: Next, I, President Ishihara, would like to explain the third medium-term management plan.

The table of contents on the first page shows the long-term vision "UACJ VISION 2030," a review of the previous medium-term management plan, and the third medium-term management plan, in that order.

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1. 長期経営ビジョン UACJ VISION 2030



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On the second page, I would like to explain the long-term vision "2030" step by step.

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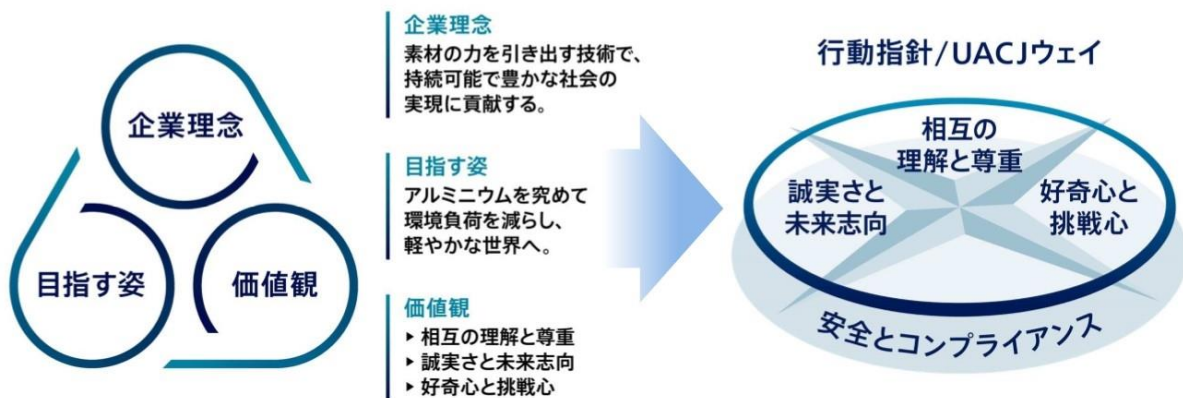
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UACJグループ理念

当社の存在意義(パーパス)を問い直し、グループ理念体系を再定義



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3

Moving on to page 3, this is our corporate philosophy as part of the structural reforms we have set for 2020. We have just redefined this again.

It expresses our attitude to contribute to a prosperous society based on our technological capabilities, society, and the world that can be created only with aluminum as a material, and the values that all of our executives and employees have respected or want to continue to respect.

We have established the "UACJ Way" as an action guideline for all employees to follow.

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UACJが変わらずに大切にしていること

100年に亘り究めてきた「技」と「術」を集結し、アルミの可能性を拓ける



Aluminum lightens the world
アルミでかなえる、軽やかな世界

On page 4, you will see that the values we respect are to expand the possibilities of aluminum by using the technology we have developed over the past 100 years to draw out the power of materials.

With pride and confidence in our achievements based on our history, we thought about what we could accomplish in the future.

In line with the new philosophy system, we have announced the tagline, "Aluminum lightens the world," to reflect everyone's desire to make it clear what UACJ is aiming for.

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長期経営ビジョン “UACJ VISION 2030”

持続可能で豊かな2030年社会の実現に向けた、UACJの貢献を描く将来ビジョン

＜外部環境変化から予想される未来の社会＞



- **成長分野**や**成長市場**の需要捕捉により、より広く社会の発展に貢献する
- **素材+α**で、バリューチェーン及びサプライチェーンを通じた社会的・経済的な価値の向上に貢献する
- **新規領域***への展開により、社会課題の解決に貢献する
- 製品ライフサイクルでの**CO₂削減**により、環境負荷の軽減に貢献する

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*新規領域：これまでにない、またはUACJにとって新しいビジネスモデル＝新規領域での新たな事業・製品。また既存領域での新たな製品カテゴリを創出することを目指す

5

On the next page, we have listed the degree of contribution to our vision.

How will UACJ contribute to the realization of its corporate philosophy in the society of 2030, as predicted by the external environment? In its 2030, we will contribute to growth areas and markets. There will be a contribution with material plus alpha. There will be a contribution in the so-called new areas, together with new business models. In addition, we will contribute to the reduction of CO2 emissions. We set these 4 areas as the areas of contribution of UACJ.

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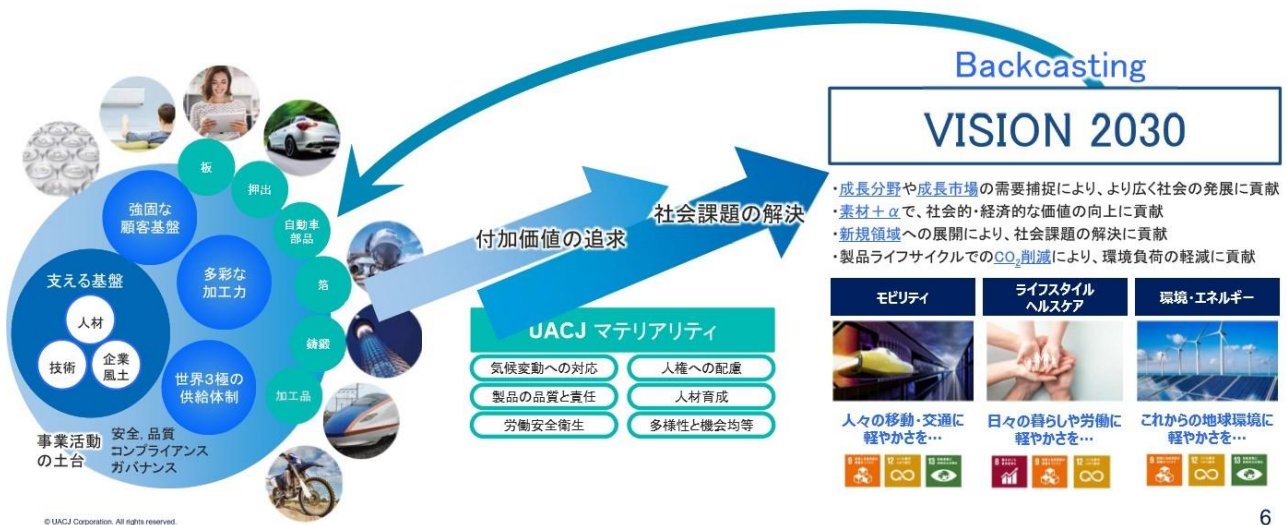
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長期経営ビジョン “UACJ VISION 2030” で目指す姿

アルミニウムを究めて、サステナブルな社会の実現に貢献する



6

The next page shows the long-term vision of the UACJ Group, which is based on a foundation of technology and human resources, to "pursue added value" through its various aluminum processing capabilities and thereby contribute to "solving social issues." I considered so-called year 2030 by backcasting 3 years from 2021.

For the development of this new domain, we established a vision committee consisting of 25 mid-career employees who will be responsible for next 10 years of the Group, and determined that we will contribute in the 3 domains of mobility, lifestyle and healthcare, and environment and energy. We will take concrete steps to implement projects that can make a contribution.

We set up a workshop with executives and employees of group companies in Japan and overseas, incorporated the opinions of outside experts, and selected 6 materialities as the UACJ Group's priority issues for social issues.

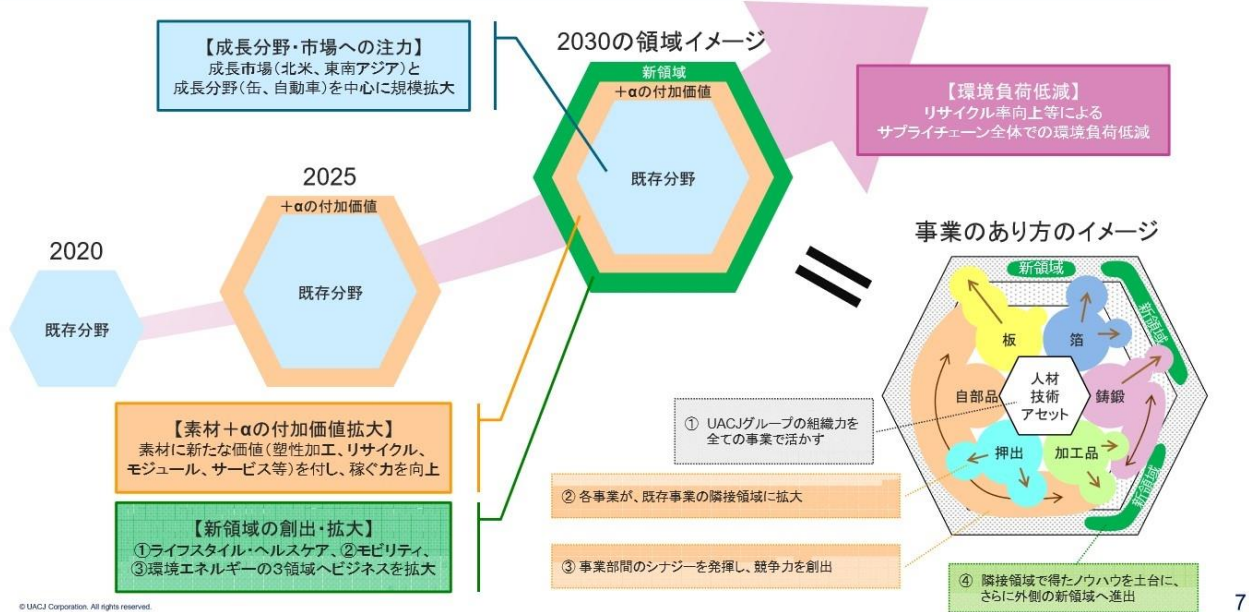
As for the goals for 2030, we have selected 4 of the SDGs and linked them together.

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長期経営ビジョン “UACJ VISION 2030” における事業イメージ



Page 7 shows where and when the 4 contributions will be made.

We will aim to create business domains and value toward 2030, and expand value-added domains such as recycling and processing in the automotive parts business during this medium-term plan. In the year 2030, we would like to realize the area of plus alpha which we can create simply because we are the aluminum manufacturer with a variety of businesses, including plates, foils, extruded products, castings and forgings, and auto parts. This is what we want to realize.

By leveraging the synergy of each business, we hope to expand into new areas with new combinations, such as the automotive parts business, which we have now achieved with extrusion and processed products.

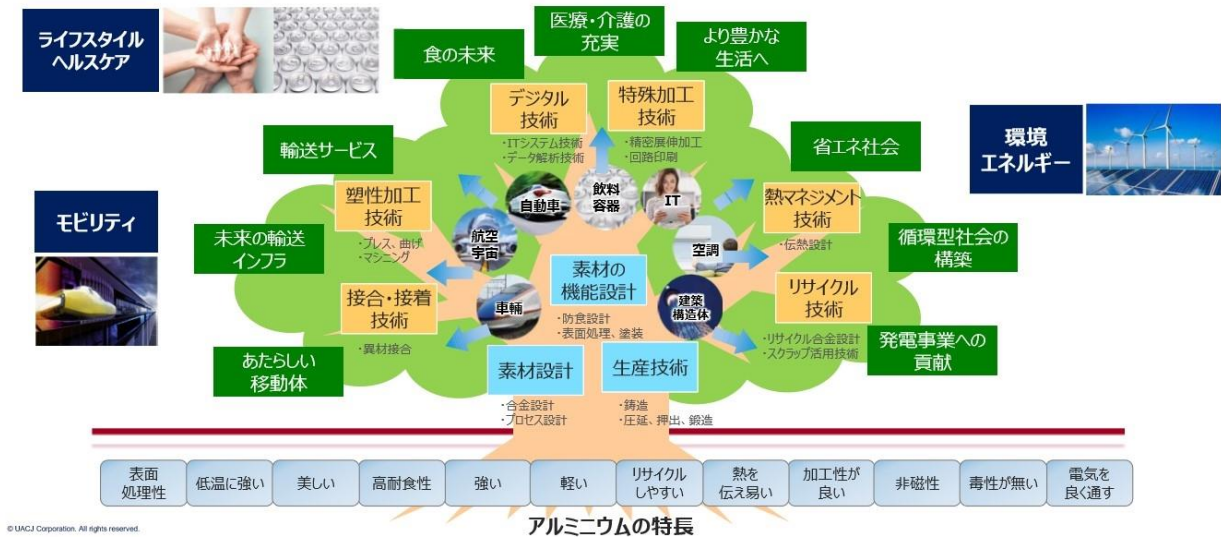
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長期経営ビジョン “UACJ VISION 2030” に向けての技術の拡がり

既存事業領域から新規事業領域へ、アルミ技術の可能性を拡大する



The page 8 shows the characteristics of aluminum as a material, and how new fields are related to our seeds of pursuing aluminum.

What I would like to say here is that we should think of new fields by making good use of the seeds we have.

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強みを活かした“素材+αの価値”創出

技術優位性とビジネス基盤を最大限に活用して、“素材+αの価値”を創造していく

UACJの強み

◆ 市場ニーズを正しく深く理解する力

- ▶ 様々な顧客への様々なアルミ製品供給による市場ニーズとの絶え間のない対話
- ▶ 市場ニーズを正しく深く理解し最適な製品で応える知見と経験の蓄積



◆ 市場ニーズを“素材”という形で実現する力

- ▶ 多彩で豊富なアルミ製品製造の技術と経験
- ▶ 最適な素材を最大の効率で製造する合金・プロセス設計技術
- ▶ 多品種製造にも対応できるコスト競争力



◆ 市場ニーズに幅広く接するビジネス基盤

- ▶ 日米アジアに広がる顧客基盤
- ▶ 日米アジアに有する大規模製造設備のネットワーク
- ▶ 品質重視で培ってきた顧客との信頼関係

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強みを活かした“+α”の提供価値

◆ 素材+加工による高付加価値部材の提供

- 例：車載用高強度バンパー等
- ✓ 多種多様な合金・加工技術を組み合わせ素材から加工までの一貫プロセスの製品設計による製品価値の最大化
 - ✓ 加工（一つ次の工程）を担当することによるニーズに対する更に深い理解

◆ 顧客での生産プロセス最適化サービスの提供

- 例：最適な生産条件の提案等
- ✓ 世界最高水準のアルミ製品製造に関するビッグデータを活用
 - ✓ 顧客と当社グループとの製造データ連携による顧客工程の最適化
 - ✓ 素材の力で顧客の製造プロセスの削減（合理化）に貢献

◆ アルミならではの環境価値を社会に提供

- 例：Can to Can リサイクル100%等
- ✓ 鋳造プロセスと、合金および加工プロセス設計技術を一貫して保有することによる、リサイクルに対応し環境に配慮した製品の提供
 - ✓ 多種多様なスクラップをリサイクルに活かす再生技術

9

Page 9 shows the specific strengths of our company and the "+α" value we provide by utilizing them.

We will leverage our extensive knowledge of aluminum, manufacturing know-how, business domains, and business infrastructure to add value in the areas of materials plus processing, data utilization, and recycling.

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UACJ VISION 2030 財務・将来財務目標

成長市場・分野への注力と新規事業の創出により、事業領域の拡大と利益率の向上を目指す

	2030年度 目標	(参考) 2020年度実績
売上高	8,000億円以上	5,698億円
売上高営業利益率	6%以上	2.0%
ROIC (税引前営業利益を基に算出)	10%以上	2.2%
ROE	10%以上	△1.8%

On page 10, we put it into numbers to create a financial target.

Our target image for 2030 is to achieve sales of JPY800 billion or more and an operating margin of 6% or more.

By capturing demand in growing markets and creating new businesses, we will aim to improve our profitability and investment efficiency through expansion of scale and added value.

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UACJ VISION 2030 非財務(ESG)目標

持続可能な社会を、UACJのチカラで

6つのマテリアリティ	評価指標	2023年度目標	2030年度目標
気候変動への対応	サプライチェーン全体でのCO ₂ 排出量の削減量 (2019年度BAU*1比)	-	22%削減
	重大品質不具合件数	1件以下	ゼロ
製品の品質と責任	客先クレーム件数	前年比10%減	2020年度比半減
	重篤災害発生件数	ゼロ	ゼロの継続
労働安全衛生	総合度数率*2	4.00	2.45
	人権DD実施、結果を踏まえた目標づくりと アクションプラン実行	4製造所で実施	グループの国内外の主要事業所
人権への配慮	行動規範、人権、ハラスメント関連の研修実施率	96% ※ハラスメント研修は実施率100%継続	100%
	管理職に占める女性比率 (役員含む、国内)	4%	15%以上
多様性と機会均等	後継候補者計画の実施率	国内グループ会社に展開	100%実施
	重点分野に関する教育支援活動の受益者数	300人/年	500人/年

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*1 BAU(Business as usual) : 何も対策を講じずに現状(生産量、品種構成)を維持した状態

*2 総合度数率 : 統計期間中の延べ労働時間あたりの労働災害による死傷者数(不休業を含む)を100万時間で換算した労働災害の発生状況(頻度)を評価する指標

11

On page 11, we have targets for non-financial indicators.

For each of the 6 materiality areas, we have established evaluation indicators or target values.

In particular, in response to climate change, we are working to achieve carbon neutrality by 2050, and have established figures for 2030.

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支える基盤のありたい姿

UACJ VISION 2030 を達成するために、無形資産による下支えを強化する

人材	<ul style="list-style-type: none">◆ 多様な人材が活躍し、変化に強く柔軟に活動する組織◆ グループとして有する能力を、部門・拠点を越えて活用◆ 高度人材(経営/海外/高度技術人材)の継続的育成
技術	<ul style="list-style-type: none">◆ 世界のアルミニウムの研究開発をリードする高い技術力◆ 社会の潜在ニーズ発掘と、UACJの技術シーズ提案の融合◆ 環境関連の技術、デジタル活用技術の習得・強化
DX	<ul style="list-style-type: none">◆ デジタル技術(人工知能、CPS*など)の活用によるスマート化◆ 顧客とのビジネスエコシステムの構築◆ サプライチェーン全体と協業したデジタル活用スキームの実現
風土	<ul style="list-style-type: none">◆ 企業理念、目指す姿、価値観が浸透し、自然体で実践されている状態◆ 社員が仕事に誇りとやりがいを感じられる高いエンゲージメント

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* CPS(Cyber Physical System) : 実世界(フィジカル空間)の多様なデータを収集し、サイバー空間でビッグデータ解析したソリューションを実世界に戻す一連のシステム

12

Page 12 is a roadmap in these 4 areas as a foundation to support the realization of VISION 2030, and we will work to build the foundation.

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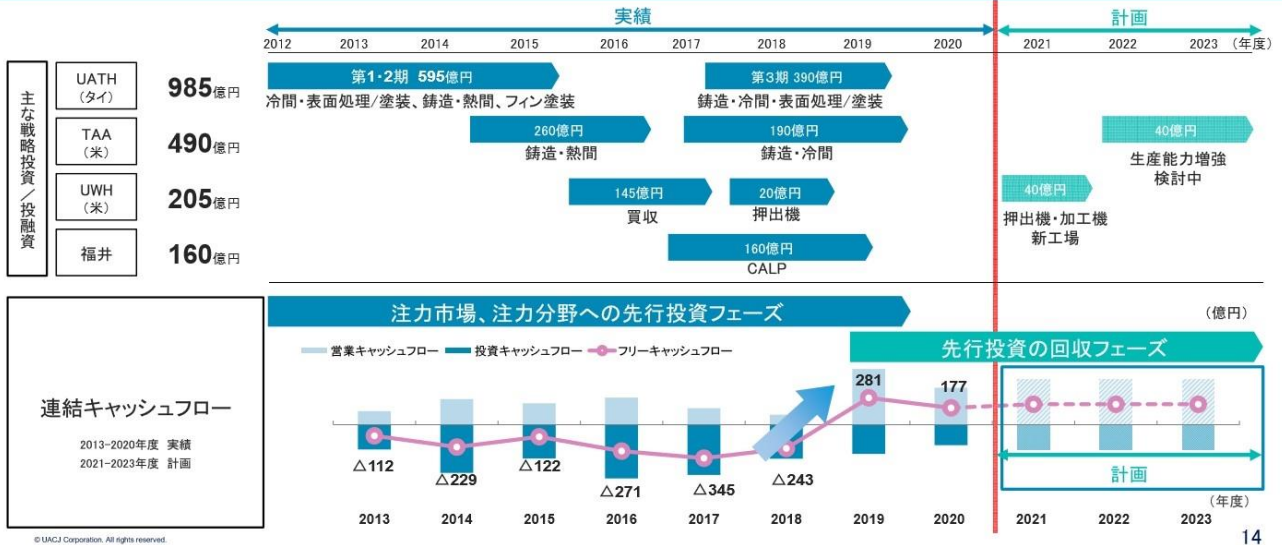
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2. 前中期経営計画の振り返り

アルミ圧延事業の産業構造について(投資とリターンの関係性)

生産立上げから量産、投資の回収まで5年以上要する中、19年度より投資回収フェーズへ



Next, I will review the previous medium-term management plan.

On page 14, I would like to mention the characteristics of our business as a premise for our review.

Since the aluminum rolling business is a huge equipment industry, it takes a lot of time from new investment planning, construction, start-up, and maximization of production capacity. A minimum of 5 years is expected.

Even at Fukui Works, Japan's newest rolling mill, it took 10 years. Securing the long-term investment burden and human resources for such growth was the main reason for the launch of UACJ in October 2013 and the business integration.

The first phase of UATH has begun, and large upfront investments such as the expansion of TAA and the installation of an automobile line at Fukui Works were completed in 2019. I think it was a good thing that we were able to start up smoothly despite being under the influence of coronavirus pandemic, and we are now in the investment recovery phase.

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財務目標 達成状況

世界経済の減速を始めとする市場環境の激変と対応の遅れから、当初目標に未達

(億円)	2018年度 実績	2020年度実績 (A)	2020年度計画 (第2次中計策定時) (B)	差異 (A)-(B)	当初目標と変化した主な理由
売上高	6,613	5,698	8,050	△2,352	・米中貿易摩擦、コロナ影響による広範な分野での需要減による販売数量の下振れ ・伸銅品事業の売却による売上高減
営業利益	149	111	370	△259	
経常利益	62	60	300	△240	
Adjusted EBITDA	426	447	770	△323	・海外の収益化遅れ ・地金価格の下落による棚卸評価損益 ・販売数量減による国内収益悪化
ROIC ^{*1}	2.7%	2.2%	6.4%	△4.2pt	
ROE	0.6%	△1.8%	8.0%	△9.8pt	
自己資本比率	23.7%	25.0%	26.0%	△1.0pt	
D/Eレシオ ^{*2}	1.7倍	1.6倍	1.5倍	-	・収益未達によるFCF悪化

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※計画値...為替レート：110円/US\$, LME：2,050ドル/バレル、原油(ドバイ)：60ドル/バレル

*1 ROIC：税引前営業利益を基に算出

*2 D/Eレシオ：劣後ローンの資本性考慮後

15

Page 15 shows the status of achievement of financial targets.

In 2020, the final year of the previous mid-term plan, we regrettably failed to achieve our financial targets.

Although there were some factors that caused us to fall short of the target, such as the impact of the trade friction between the US and China and the spread of the new coronavirus infection, I believe that we were able to approach the target by implementing management reforms and profit structure reforms, which are internal factors.

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第3次中期経営計画の位置づけ

UACJ VISION 2030に向け、成長を実現するための基盤強化の3年



Next, I would like to explain the third medium-term management plan.

Please see page 17.

As I mentioned in VISION 2030, the relationship between the third medium-term management plan and VISION 2030 is as follows. We see this as a 3-year period for realizing and strengthening the foundation to achieve growth.

The concept is to "Completing structural reforms and establishing the foundations for future growth and achieving VISION 2030."

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構造改革を完遂し、その先の成長と VISION2030 の実現に向けた基盤を確立する

1. 構造改革の完遂

- 稼ぐ力の向上
- 財務体質の改善
- マネジメントの仕組みの強化

2. 成長への基盤の強化

- 付加価値の向上
- 成長市場・成長分野への注力
- 新規領域の創出
- 支える基盤の強化



3. 軽やかな世界の実現への貢献(サステナビリティ推進)

- 気候変動問題への貢献

Page 18 shows the key policies for 2030.

They are as follows: "Complete structural reforms," "Strengthen the foundation for growth," and "Contribute to achieving a lighter world."

As time is limited today, I would like to leave the detailed explanation to the next IR Day to be held on June 8. I'll explain it to you in a nutshell.

第3次中期経営計画の目標

最終年度で ROE 7.5%、ROIC*2 6.0% を目指す

財務指標		非財務指標		
財務指標	2023年度	6つのマテリアリティ	評価指標	2023年度目標
売上高	7,000億円	気候変動への対応	サプライチェーン全体でのCO ₂ 排出量の削減量 (2019年度BAU ³ 比)	(22%削減(2030年度目標))
営業利益	300億円	製品の品質と責任	重大品質不具合件数	1件以下
売上高 営業利益率	4.2%		客先クレーム件数	前年比10%減
経常利益	250億円	労働安全衛生	重篤災害発生件数	ゼロ
D/Eレシオ*1	1.2倍以下		総合度数率*4	4.00
ROE	7.5%	人権への配慮	人権DD実施、結果を踏まえた目標づくりと アクションプラン実行	4製造所で実施
ROIC*2	6.0%	多様性と機会均等	行動規範、人権、ハラスメント関連の研修実施率	96% ※ハラスメント研修は実施率100%継続
			管理職に占める女性比率 (役員含む、国内)	4%
		人材育成	後継候補者計画の実施率	国内グループ会社に展開
			重点分野に関する教育支援活動の受益者数	300人/年

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*1 D/Eレシオ：劣後ローンの資本性考慮後
 *2 ROIC：税引前営業利益を基に算出
 *3 2019年度BAU(Business as usual)比

*4 総合度数率：統計期間中の延べ労働時間あたりの労働災害による死傷者数(不休業を含む)を
 100万時間で換算した労働災害の発生状況(頻度)を評価する指標

19

Page 19 shows the goals of the third medium-term management plan.

Our financial targets for 2023 will look like this. ROE and ROIC are not necessarily at satisfactory levels at present. In the third medium-term management plan, we will continue to build a foundation to realize our vision and further improve our capital efficiency.

The non-financial indicators are also as shown.

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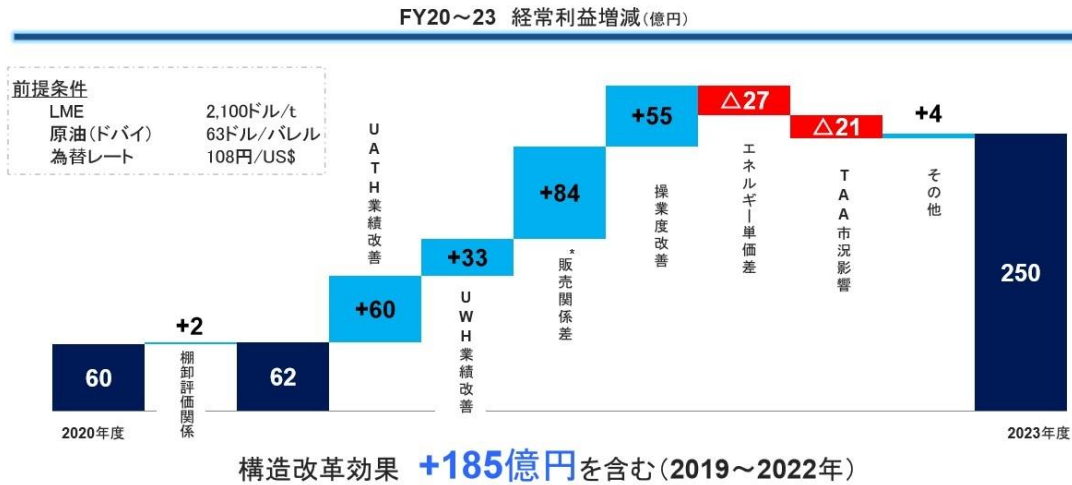
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中計達成に向けて：経常利益目標

コロナからの回復に加えて、構造改革と事業成長で利益を創出する



Page 20 shows the ordinary income target with the changes from 2020 to 2023 shown in the waterfall chart.

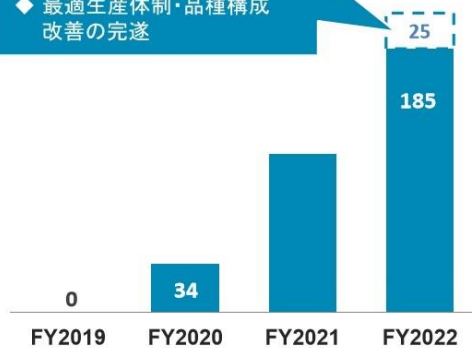
We are aiming for JPY25 billion by recovering from the spread of coronavirus infections, lowering the breakeven point of our domestic business, and monetizing our existing overseas investments. The effect of structural reforms is expected to be JPY18.5 billion compared to 2019, the starting point.

重点方針① 構造改革の完遂：稼ぐ力の向上

海外は計画上振れ、国内はコロナ影響を受け、追加施策の実施

追加施策

- ◆ 付加価値販売の強化
- ◆ 製造コストの低減
- ◆ 組織改革によるコスト削減
- ◆ 最適生産体制・品種構成改善の完遂



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	構造改革 発表時	第3次中計 発表時
国内：収益構造改革	+100億円	+67億円
生産拠点集約	+40億円	+34億円
最適生産体制・品種構成改善(自動車材・電池材増加)	+50億円	+25億円
間接費削減(間接人員削減等)	+10億円	+8億円
海外：大型投資収益化	+110億円	+118億円
UATH 第3期投資稼働開始で、販売量拡大とコスト削減	+70億円	+76億円
TAA 増産投資完了による販売量増加、価格改定実現	+20億円	+19億円
UWH 収益性重視の受注、押出機を活かし売上拡大	+20億円	+23億円
構造改革効果	+210億円	+185億円

25

Next, I would like to explain the discrepancy between the JPY18.5 billion and JPY21 billion by jumping to page 25.

Regarding the main theme of the structural reform, "Improvement of earning power," here is a comparison with the time when the structural reform was announced. In terms of measures, we are generally proceeding as planned. Due to the effect of coronavirus pandemic, the monetary effect has not been achieved in Japan.

Particularly in the field of automotive materials, there was a delay in promoting the use of aluminum and a return to steel, including plates, extrusion-related materials, structural materials, and foils used in car batteries, partly due to the effects of coronavirus pandemic. It is expected to take some time for the shift to aluminum.

In order to make up for this time period, we are considering the additional measures shown in this figure. We will continue to make efforts to achieve this goal toward 2023, as the impact of the coronavirus pandemic will recover.

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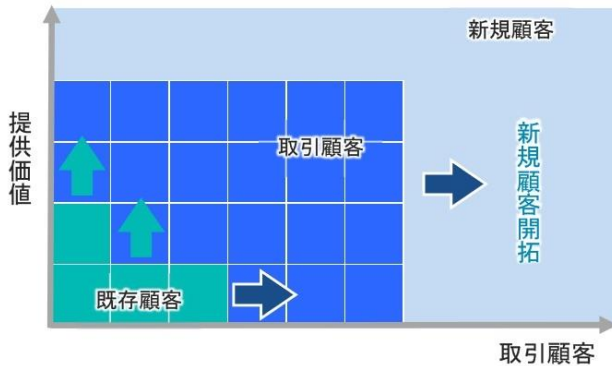
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重点方針② 成長への基盤強化：付加価値型ビジネスの拡大

顧客基盤への「環境素材」および「付加価値サービス」拡大

提供価値の拡大：環境素材＋付加価値サービスを提供

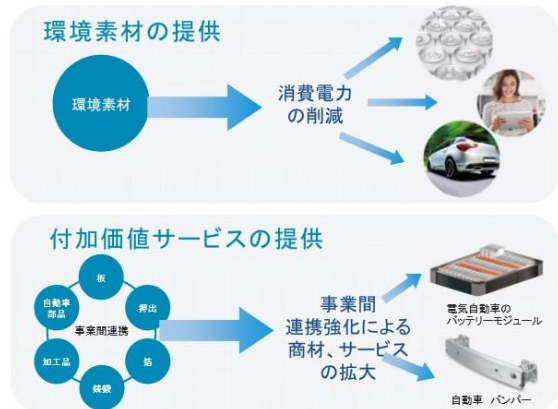
- UACJ認定リサイクル材の提供
- リサイクル素材の共同開発
- 事業間連携による形成加工およびサービスの拡大



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取引顧客の拡大：様々な分野での取引拡大

- 缶材、産業材でのリサイクル材導入の拡大
- 自動車分野でのリサイクル材の共同開発
- 自動車部品分野での付加価値サービス拡大



29

Next, on page 29, I would like to explain the expansion of value-added businesses in strengthening the foundation for growth.

We will provide new customers or customers with value of materials plus alpha in the existing business or beyond it. In particular, the provision of environmental materials will be the main issue to aim for.

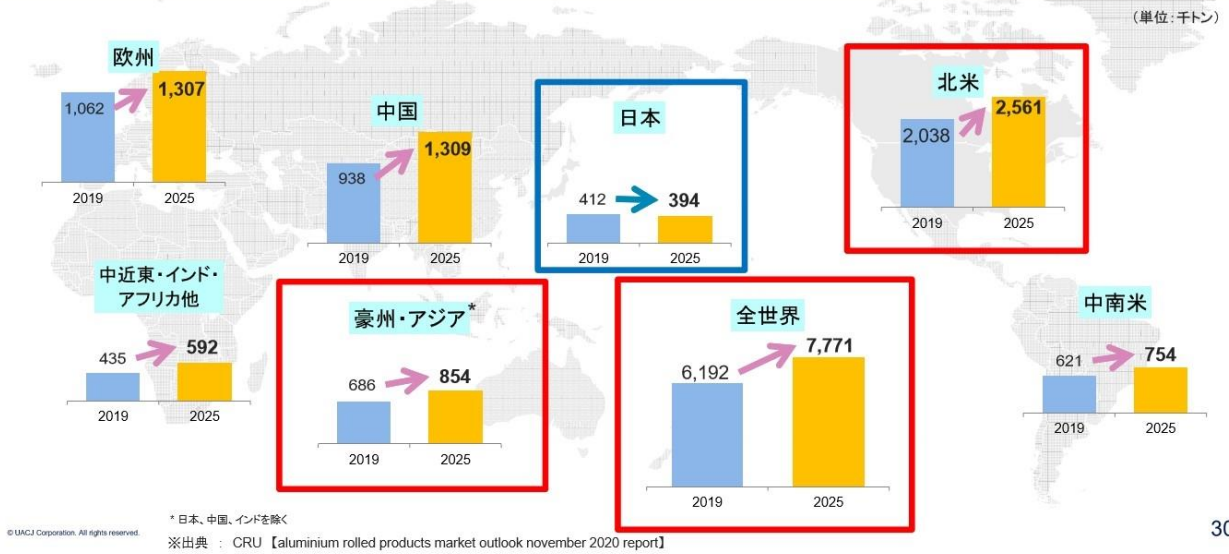
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重点方針② 成長への基盤強化 : 地域別の缶材需要

北米地域中心に世界的な缶材需要の増加



Page 30 summarizes the foundation of growth, the can stock business by region in particular, and it is expected to expand mainly in North America, thanks to the tailwind from the shift away from plastic containers and PET bottles.

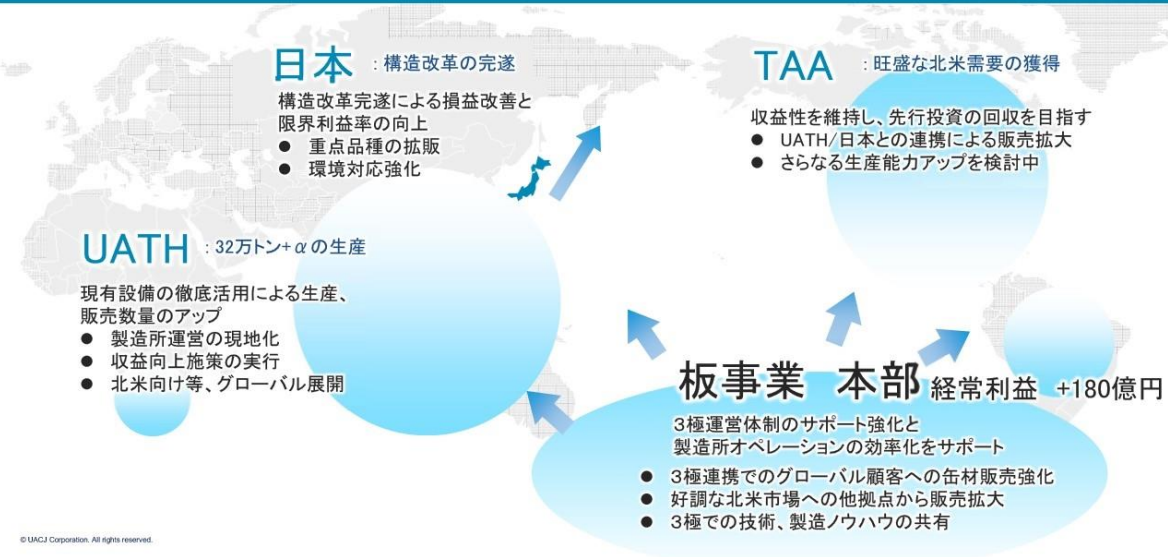
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重点方針② 成長への基盤強化 : 地域戦略とグループ戦略

世界3極供給体制を活かしたグローバルでの缶材拡販を目指す



Page 31, under the heading of "Foundations for Growth," shows the collaboration among the various regions, especially in the flat rolled products.

In response to the increasing global demand for can stock, while leveraging our strength of being able to supply from Japan, Thailand, and North America, we also take advantage of our ability to supply from Japan and Thailand to the market in North America, where the demand is tight.

We will make maximum use of the increased production capacity resulting from the large-scale investment to meet the strong demand.

I would like to leave the following explanations of individual businesses to the IR Day.

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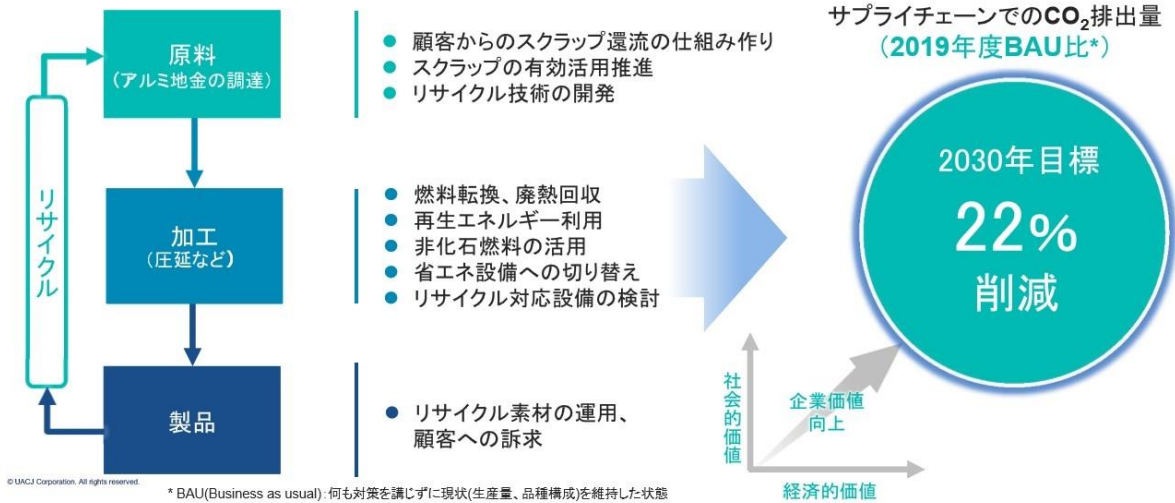
重点方針③ 軽やかな世界の実現への貢献

構造改革の完遂

成長への基盤の強化

軽やかな世界の実現への貢献

気候変動対策推進委員会を立ち上げ、アルミによる環境負荷低減へ積極的に貢献



38

Moving onto page 38. The third of our priority policies is to "Contribute to achieving a lighter world."

This theme is also included in our new philosophy system, which aims to lead aluminum to an extremely light world, and we will carry out sustainable activities to achieve this goal.

As a key issue for that, we will aim to reduce CO₂ emissions throughout the entire supply chain and product lifecycle.

As I mentioned earlier, we will build a foundation for activities to achieve carbon neutrality in 2050. This will be done in the period of this medium-term plan.

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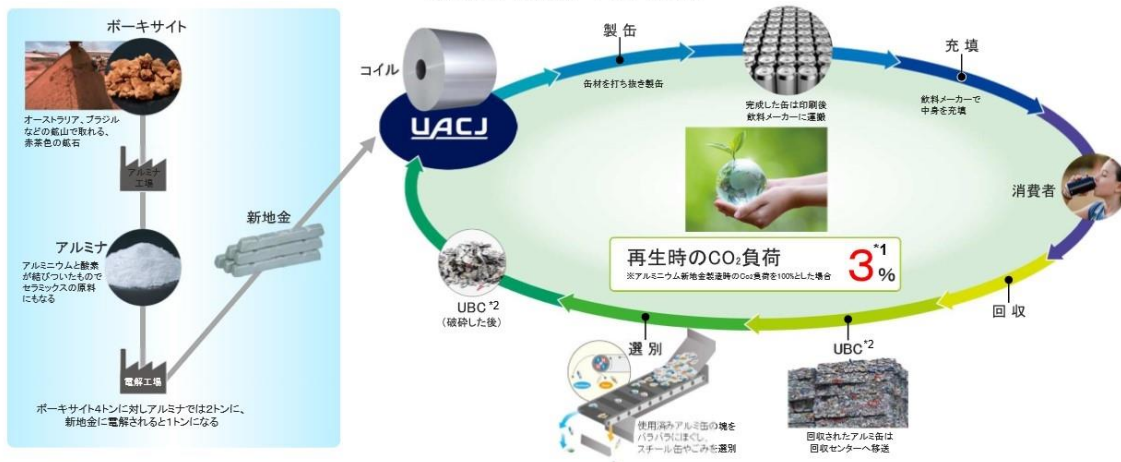
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重点方針③ 軽やかな世界の実現への貢献

アルミニウム製品の環境負荷低減ライフサイクルをグローバルで推進する

使用済み飲料缶(Used Beverage Can)を中心としたリサイクル原料を積極的に使用し、環境負荷低減に大きく貢献



© UACJ Corporation. All rights reserved. *1: 日本アルミニウム協会VISION2050掲載数値より算出 *2: UBC 使用済み飲料缶(Used Beverage Can)

On page 39, we show an example of recycling of can stock as a model.

We are promoting it globally. We are planning to achieve the same kind of cyclic and closed recycling in Japan, Thailand, and North America.

The recycling loop will be built through technological development and co-creation with customers and other stakeholders. This is not limited to can stock, but we will continue to make global contributions in a variety of fields.

Below, I will explain our ESG initiatives and the strengthening of our financial position on IR Day.

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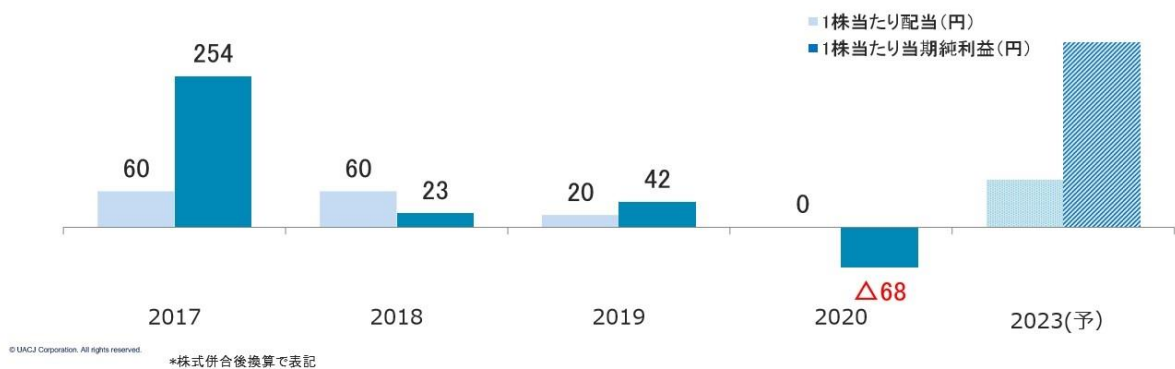
株主還元方針

長期的な総還元性向30%以上を目標に、安定的かつ継続的な配当及び株主価値の向上に取り組む

還元方針 : 長期的な総還元性向は30%以上を目標とする

配当 : 連結配当性向20%~30%を目途に、安定的かつ継続的な配当を目指す

株式価値の向上 : 確実な利益・キャッシュフローの確保、資本市場との対話で価値向上を目指す



45

Last but not least, on page 45, I would like to explain our policy on shareholder returns.

The Company's return policy is to aim for a long-term total return ratio of 30% or more. We aim to pay stable and continuous dividends with a target consolidated payout ratio of 20% to 30%.

We will aim to increase the value of our shares by ensuring reliable profits, cash flow, and dialogue with the capital market.

That is all for the explanation from myself. Thank you very much.

Okada: That is all for the presentation from the Company.

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Question & Answer

Okada: We will now take your questions.

If you have more than one question, we will answer one question at a time.

Now, I would like to start with the first question. The following is a question from Mr. Yamaguchi, SMBC Nikko Securities Inc.

What are the sales, operating income, and ordinary income of TAA and UATH for the new fiscal year?

Kawashima: Let me, Kawashima, answer this question. .

First, about UATH. As for the results, net sales were JPY64.1 billion. Operating income was down by JPY3 billion, and ordinary income was down by JPY4.8 billion in the red.

In contrast, for the forecast for FY2021, we expect net sales of JPY115.1 billion, operating income of JPY2.5 billion in the black, and ordinary income of JPY800 million in the black.

Then there is the TAA. In terms of result for the FY2020, net sales was JPY141.9 billion, operating income was JPY 13 billion, and ordinary income was JPY10.8 billion.

On the other hand, for the forecast for FY2021, we expect net sales of JPY164 billion, operating income of JPY8.9 billion, and ordinary income of JPY6.9 billion.

Incidentally, since this may come up in the questions, here are the numbers for Whitehall, UWH. As for Whitehall, we are currently making capital investments, and the corresponding products will be available from FY2022 onward, so we are still in a difficult situation both this time and next fiscal year.

In terms of sales, for the period that ended, it was JPY14.8 billion. As I mentioned earlier, there was a 2-month lockdown, so this had a huge impact. Operating income was down by JPY2.2 billion, and ordinary income was down by JPY2.4 billion.

In contrast, in 2021, we expect net sales to be JPY23.8 billion, operating income to be down by JPY600 million, and ordinary income to be down by JPY900 million, with a return to profitability starting in 2022. That is all.

Okada: Thank you for your question.

I would like to move on to the next question. We have received multiple questions from Mr. Shirakawa, Morgan Stanley MUFG Securities Co., Ltd. We will respond to each of your questions in order.

The first question: The domestic sales volume in FY2021 is expected to be 100,000 tons above the FY2020 level and about 10% above the FY2018 level, which was before the coronavirus pandemic. It says that, as for the future market forecast, cans and extruded materials for automobiles are expected to increase on a global basis. Which areas of sales volume do you expect to grow in the Company? Also, was there any change in the medium-term demand outlook due to coronavirus pandemic?

Our president, Ishihara, will answer this question.

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Ishihara: This is Ishihara.

In our company as well, growth in can stock and automotive materials is expected to be prominent. This means that demand for can stock, especially in North America and Southeast Asia, will grow. With regard to automobiles, in addition to flat rolled products, demand for extruded materials, the area of metal processing, et cetera, and automobile-related fields such as battery materials in the area of the foil business will grow.

As for the coronavirus impact, our current assumption is that the impact of coronavirus will disappear by FY2021. That is all.

Okada: Here is the next question.

It is commendable that you are becoming more confident that UATH will be profitable in the mid-term management plan, as shown on page 33, but I feel that a recurring profit of JPY2 billion with a 320,000-ton structure is somewhat insufficient in terms of revenue per ton. Are there any measures that can be taken to further increase revenue?

Kawashima will answer this question.

Kawashima: This is Kawashima.

As you pointed out, we believe that JPY2 billion for a 320,000-ton structure is still a small amount. The exchange rate for the US dollar and the baht are very difficult. There is the positive factor that baht is in the weakening trend, and on the other hand, energy prices are rising. Therefore, as I mentioned earlier, the demand environment for both is extremely favorable and we can expect a steady flow of sales in the future.

In this way, we will be able to gradually reduce manufacturing costs and make improvements, and we would like to increase profits more and more by the factor of bullion and foreign exchange as I mentioned earlier.

First of all, we will continue to produce 320,000 tons as a base, which will enable us to reduce costs, so we can expect more return on our investment.

As I mentioned earlier, the market for cans is very good from a global perspective, and we are in a good situation in this field, so we would like to make the most of this situation while reducing costs in manufacturing to increase profits and recover our investment. That is all.

Okada: Moving onto the next question.

I have a question about the medium-term management plan document on page 25. What are the reasons why the earnings effect from domestic reforms has become lower than when the structural reforms were launched? Also, you have factored in an additional profit effect of JPY2.5 billion from additional measures, but I would like to ask if there is any risk that this will not be achieved again.

Ishihara will answer the question.

Ishihara: I, Ishihara, will answer the question.

The reason for the underachievement in Japan, as I mentioned earlier, is the automobile industry. The demand was down for the body panel in the case of flat rolled products, for structural material in the case of extrusion, or for automotive related products such as structural material for metal processing. There were also factors such as that we were not able to take the time to actually evaluate the use of aluminum due to

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coronavirus pandemic. In addition, due to the convenience of our customers, the launch of new car models was pushed back a little.

Against this backdrop, although we were originally promoting production concentration and establishment of optimal production structure, we believe that the effects of the production consolidation and the minimum production system will be realized as planned once the shift to aluminum and the sales of new vehicles become more predictable.

So this means that it will be bit behind from the plan. We are not going to do nothing in particular during the period of the postponement, but we are going to implement additional measures for 2022, and we are planning to approach to JPY 21 billion by both implementing these additional measures and bringing forward the postponed portion by mitigating the impact of coronavirus.

Okada: Thank you for your question.

Let's move on to the next question. The following is a question from Mr. Matsumoto, Nomura Securities Co., Ltd.

What is the reason for the upward revision of TAA by JPY1.8 billion for the fiscal year ended March 2021? Also, why are you expecting the decline of JPY2.2 billion in profit in the fiscal year ending March 2022 when the market environment looks good?

With regard to the medium-term management plan, please let me know the background of the JPY3.3 billion improvement in UWH's performance or the breakdown of the JPY8.4 billion sales-related difference.

This question will be answered by Kawashima.

Kawashima: Now, Kawashima will answer the question.

First, in terms of TAA, although we were a little conservative in our forecasting, sales of canned stock and other products were better than we had expected.

Then, the price of bullion has continued to rise currently including in the fourth quarter. Although we are looking at the inventory-related difference separately, we were able to procure raw materials at a slightly more advantageous price compared to the rise in bullion prices. This is the reason why our profits were not as good as we had originally expected.

On the other hand, regarding your question that our view may be bit too weak about the negative figure of JPY2.2 billion for FY2021, at the time of demand, the sales is almost fixed, so our expectation for that part would be certain.

As I mentioned earlier, in FY2020, we were able to procure raw materials at a very favorable rate, and the numbers were very good. We see those areas that were a little better than normal will return to normal. Therefore, rather than a decrease from JPY10.8 billion, since the profit was originally JPY2.9 billion or JPY3 billion, it will increase to JPY6 billion. You may feel that it is a decline when looking from higher point. However, in FY2020, we expect the situation where we had an advantage to go back to normal, thus to deteriorate. This is the situation with TAA.

And one more thing, the Whitehall situation. As I mentioned earlier, Whitehall's business is the supply of automobile parts. Therefore, most of the orders we receive from customers are fixed. Advance investment for this purpose, et cetera, is also included in the recent announcement. Since the upfront investment is

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impaired first, the depreciation costs and the human resources required for operation will appear in the form of upfront investment.

The mass production of the cars that are actually ordered will start from FY2022 onward. What will happen if we do this is that since we have already covered most of the fixed costs, we will be able to produce goods at variable costs in relation to sales, resulting in a significant improvement in profits. As for Whitehall, we see that profit will be improved significantly with the start of mass production of the cars that was ordered.

In addition, regarding the breakdown of the JPY8.4 billion in the domestic market that I mentioned earlier, this JPY8.4 billion is all for domestic. I don't have detailed figures on hand, but I would say that about 70% of the JPY8.4 billion is related to domestic flat rolled products. The rest is extrusion, foil, and metal processing. We expect the sales-related difference to be positive, mainly due to the disappearance of coronavirus impact. That is all.

Okada: Thank you for your question.

I would like to move on to the next question. This question is from Mr. Ozaki, Daiwa Securities Co. Ltd. I have received 2 of them, so I will read them out in order.

Here is the first question. You are planning to increase the volume of thick plates in the FY2021 plan and the medium-term management plan. Please tell us about the demand trend for thick plates for semiconductors.

This question will be answered by Ishihara.

Ishihara: This is Ishihara.

We are now anticipating demand for thick plates. There is demand for semiconductors, but there will be a demand in the new area. For example, it is expected to stimulate demand for liquefied hydrogen carriers and other alternatives to conventional LNG carriers.

In addition, there is no doubt that the demand for semiconductors will increase significantly, given the current investment plans of semiconductor manufacturers. However, because of the capacity of equipment manufacturers, compared to the period when demand was very high in 2016 and 2017, it is difficult to say whether demand will return to that level. However, we expect the demand to recover substantially by 2022 or at least by 2023. Therefore, as a materials manufacturer, we are making our current demand forecast for thick plates in order to respond to that demand. That is all.

Okada: I would like to read out the second question.

Is there any possibility that you will invest in capacity expansion to meet the increasing demand for can stock? In that case, what is your thought about the funding? As for this question, Kawashima will answer.

Kawashima: This is Kawashima.

Regarding your question, first of all, in the US, on page 14 of the medium-term management plan document that I mentioned earlier, there is an outline of capital investment. In this section, there is a discussion of capacity expansion in North America. This is because the demand for can stock in the US is very strong, and tight situation has continued right now. We will consider this in the future.

As for Thailand, I think the first thing we need to do is to recover our investment. The demand is very good at 320,000 tons right now, so we are going to bring it by ourselves. We have 3 regions, Japan, Thailand, and the US, so we are trying to optimize our sales structure within those regions.

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As for the funds, rather than trying to figure out how to collect them, our main priority is to improve our financial structure. In that effort, we will try to improve our financial structure by reducing interest-bearing debts, or by building up capital as profits increase, and we are considering how to use the funds on a case-by-case basis.

Since we are not in the situation to build a new plant, we have about JPY35 billion to JPY36 billion each in depreciation, so even if we invest in expansion, we will probably be able to handle it within that range, and I don't think it will significantly damage our financial position. That is all.

Okada: Thank you for your question.

I would like to move on to the next question. The following is a question from Mr. Yamaguchi, SMBC Nikko Securities Inc.

Both TAA and UATH are operating at full capacity, but how will they cope with the growth in demand? Are you considering investing in increased production on a long-term basis? Also, will UATH's profit and loss improve further if the number of Japanese staff decreases?

This question will be answered by Kawashima.

Kawashima: This is Kawashima.

I think this probably overlaps with the previous question, but we are certainly experiencing strong demand for can stock, so we are considering North America in our mid-term plan, and we have included it in the plan.

As for Thailand, we will continue to operate at full capacity and recover our investment. If the number increases further, we will consider the sales structure while fully utilizing the full capacity of the 3 regions, including Japan of course. As a result, we believe that profits will be higher than we had expected. That is all.

Okada: Thank you for your question.

I would like to move on to the next question. The following is a question from Mr. Shirakawa, Morgan Stanley MUFG Securities Co., Ltd.

Page 44 of the mid-term management plan shows JPY16 billion in strategic investments for the next 3 years. There was a recent release on the expansion of processing machines at UWH, but what other investments will be made? Also, please explain when you are expecting to recover the return of the investment.

This question will be answered by Kawashima.

Kawashima: This is Kawashima.

On page 14, I have mentioned the same thing several times before, but first of all, as we announced recently, we are investing in the parts business in the US. We have received specific orders for this product, and we are making investments to respond to those orders. Since the decision making has been already done, we will install the equipment as soon as possible. The sales will probably start with the 2022 year-model, so we expect to start recovering our investment at that stage.

As for the flat rolled products in the US, we are still considering it, so we will see what happens. However, generally speaking, as you know, the can stocks in the US has been increasing greatly, as I mentioned earlier. It is almost the level we cannot catch up. If that's the case, we should invest in it.

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Since we still have a bit of the capacity, it is not a big investment, and it will not take much time. Since the demand is there, if we invest, we can start recovering it in early stage. It will be a very efficient investment. However, this is a matter for future consideration. That is all.

Okada: Thank you for your question.

I would like to move on to the next question from the next person. The following is a question from Mr. Goroh, UBS Securities Co., Ltd.

This is to confirm the scenario of investment recovery for CALP in Fukui. You explained that opportunities to apply body material have been delayed due to the impact of coronavirus pandemic. Has there been any change in the outlook for the adoption scenario since then? Am I correct in understanding that the delay is transient?

This question will be answered by Ishihara.

Ishihara: This is Ishihara.

With regard to Fukui's CALP plan, there is a great deal of demand in the automotive field over the medium to long term, and I believe that demand can be expected to grow as planned, which is the development of shift to aluminum.

However, as I mentioned earlier, there may be delays due to the circumstances of the OEM. However, there are some OEMs that are performing well, and we understand that the overall automotive materials will converge as planned over the medium to long term.

Okada: Thank you for your question.

Next, we have a question from Mr. Shirakawa of Morgan Stanley MUFG Securities Co., Ltd.

What is the volume forecast for UATH for this fiscal year?

This question will be answered by Kawashima.

Kawashima: This is Kawashima.

We are expecting to sell about 320,000 tons, plus some extra. As you can see in the document, we have received the orders for most of it, so we expect to receive about that much. That is all.

Okada: Thank you for your question.

The next question is from Mr. Sakimura, Nomura Asset Management Co., Ltd.

Based on the profit level of the fourth quarter, the profit plan for this fiscal year seems low. Is there any reason for this?

This question will be answered by Kawashima.

Kawashima: This is Kawashima.

Certainly, the situation in the fourth quarter was very good. I do not know if we are conservative or not, but we do factor in our own risks to some extent.

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At the moment, as I mentioned earlier, the price of bullion is factored in as USD2,100. It is rising sharply currently. However, since the price of bullion fluctuates quickly, we don't know what will happen, so we are not sure about this point.

Also, I believe that the demand is very strong. However, since this has not happened yet in January, we do not know what will happen. It may be true that, if you compare to the fourth quarter that is completed, you can say that we are conservative.

We plan to achieve 100% of the announced JPY16 billion in ordinary income and JPY8 billion in final income, and we are proceeding with our business management with this as our target every month. That is all.

Okada: Thank you for your question.

We are running out of the time. I am sorry, but the next person's question will be the last one.

For questions we were unable to answer today, we will respond to them separately.

Here is the last question. The following is a question from Mr. Shirakawa, Morgan Stanley MUFG Securities Co., Ltd.

The question is about ROE of 7.5%. This is higher than the 6.5% in FY2017, but it is not enough as a target. At the same time, I believe that the number is achievable with an increase in numerator. Please tell us whether you are considering measures related to the denominator for the target of 10% or more for 2030. Also, what do you consider your cost of capital to be?

This question will be answered by Kawashima.

Kawashima: This is Kawashima.

First, you mentioned that ROE for FY2023 of 7.5% is low. I certainly think in same way. Please understand that 7.5% is not the target for 2023, but for 2030 and 2025, the goal is to stably achieve 10% or more. Therefore, please understand that 7.5% in 2023 is the passing point.

So 7.5% which is low is not a target, and the target is 10%. However, since the numbers are stacked up, I believe that the figure is 7.5%.

Then regarding the cost of capital, for the past several years, we have been managing various businesses within the Company in the form of capital efficiency management. We are thinking of ROIC or ROC as a base.

The hurdle rate that we look at is the cost of capital, which is the WACC that we look at, and then we add a small spread to it, present the return on invested capital for each business, and we present it in the form of a target.

The current WACC is about 3.8% on an after-tax basis, or about 5.4% on a pre-tax basis. At the moment, the debt ratio is a bit high, so I think the WACC is a bit low.

As our business performance improves, the ratio of equity and debt will change, and since the stock price will have a positive effect, the WACC will probably rise a little more. We will always present internally current WACC we have, and I would like each business to operate efficiently with that as the hurdle rate for the return on invested capital.

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As for the 10% target for 2030, if we calculate backwards from our earlier goal of JPY800 billion in net sales and an operating income margin of 6%, the ROE will probably be 10% or higher. We would like to create a business that is capable of consistently producing such figures.

In relation to that, with regard to the denominator of ROE, this is about capital policy. Therefore, we will have to see how it is, but I think there are 2 things.

From now on, cash flow is going to improve a lot. Because the return of investment will begin. One thing that is possible is that, because the capital will grow along with the recovery from investment, we will generate more revenue than that.

On the other hand, there are various measures and methods that can be taken to increase the value of shares, which may increase or decrease the denominator. There are several ways to make capital policy, so we will move it flexibly based on our own cash flow and the situation. We will do it flexibly by monitoring it every day.

Till now, we inevitably invest first, then use the fund. However, as you know, cash flow is changing to be positive since 2019. We can generate profit from there, which will enable us to take many measures that we have not been able to take in the past. Therefore, I would like to think about various things with improving our financial structure as a prerequisite. That is all.

Okada: Thank you very much.

This concludes the briefing on the financial results of FY2020 and the third medium-term management plan of UACJ Corporation.

For any further inquiries, please contact the Investor Relations Department.

We would like to ask for your continued support and encouragement to our company. Thank you very much for your time today.

Ishihara: Thank you very much.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *This document has been translated by SCRIPTS Asia.*

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