



## **UACJ Corporation**

Financial Results Briefing for the Fiscal Year Ended March 2022

May 12, 2022

## Event Summary

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<b>[Company Name]</b>	UACJ Corporation	
<b>[Company ID]</b>	5741-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2022	
<b>[Fiscal Period]</b>	FY2021 Annual	
<b>[Date]</b>	May 12, 2022	
<b>[Number of Pages]</b>	36	
<b>[Time]</b>	16:00 – 17:03 (Total: 63 minutes, Presentation: 34 minutes, Q&A: 29 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	5	
	Miyuki Ishihara	Representative Director & President
	Teruo Kawashima	Director, Member of the Board, and Executive Vice President
	Jyoji Kumamoto	Chief Executive, Corporate Strategy Department Executive Officer
	Haruhiro Iida	Chief Executive, Finance and Accounting Division Executive Officer
	Kaoru Ueda	Manager of IR Department
<b>[Analyst Names]*</b>	Atsushi Yamaguchi	SMBC Nikko Securities Inc.
	Shinichiro Ozaki	Daiwa Securities Co. Ltd.
	Yuji Matsumoto	Nomura Securities Co., Ltd.
	Yu Shirakawa	Morgan Stanley MUFG Securities Co., Ltd.
	Harunobu Goroh	UBS Securities Japan Co., Ltd.

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

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# Presentation

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**Ueda:** I would like to introduce our attendees for today. Miyuki Ishihara, Representative Director & President.

**Ishihara:** Thank you in advance today.

**Ueda:** Teruo Kawashima, Director, Member of the Board, and Executive Vice President.

**Kawashima:** This is Kawashima. Thank you for joining us today.

**Ueda:** Jyoji Kumamoto, Chief Executive, Corporate Strategy Department Executive Officer.

**Kumamoto:** I am Kumamoto. Thank you.

**Ueda:** Haruhiro Iida, Chief Executive, Finance and Accounting Division Executive Officer.

**Iida:** I am Iida. Thank you.

**Ueda:** I am Kaoru Ueda, Manager of IR Department, who will serve as the moderator today. Thank you.

Ishihara will now present the full-year results for FY2021 and the forecast for FY2022 announced today. Please join us while viewing the presentation materials. President Ishihara, please.

## Key Points of Today's Announcements

**Achieved highest ever ordinary income at ¥52.3 billion (+¥46.3 billion YoY) and adjusted EBITDA\*<sup>1</sup> at ¥60.2 billion (+¥15.4 billion YoY).**  
**In the uncertain situation of the world economy, we expect increase in sales and ordinary income before metal price lag.**

- 1 **FY2021 Overview**
  - ✓ Captured strong global demand for aluminum, particularly in North American can stock market, and **achieved highest ever profits**
  - ✓ Significantly impacted by rising energy costs caused by recent increases in the crude oil price and rising materials costs caused by higher additive metals prices, but took countermeasures
  - ✓ **Restored** the annual dividend for FY2021 **after not paying a dividend in FY2020, and paid highest dividend ever at ¥85/share**
- 2 **Progress on Restructuring**
  - ✓ Prolonging of the stopping of lower processes at Fukaya Works owing to delays to automotive materials certification caused by the impact of COVID-19, etc.
  - ✓ **To achieve ¥21.0 billion in benefits of structural reform** in final fiscal year
- 3 **FY2022 Plan**
  - ✓ **Despite spikes in energy costs, additive metals, etc., we will pass these increases on to sales prices and move forward with the transition to a new pricing structure**
  - ✓ We will utilize our three-point global network to strengthen can stock sales, **achieve profitability at UWH\*<sup>2</sup>, and complete structural reforms**

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**Ishihara:** Yes. Now, I, Ishihara, would like to make a report.

First, if you open to the first page, you will find the key points of today's presentation.

Ordinary income and Adjusted EBITDA both reached record highs. In spite of the uncertain social and

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economic outlook, we expect an increase in revenue or an increase in ordinary income before inventory valuation effects in FY2022.

I would like to explain three points.




During the four quarters of FY2021, the supply chain was disrupted by the re-expansion of COVID-19, semiconductor shortages, and soaring prices of additive metals, while changes in the global situation, including the situation in Ukraine, caused energy prices to soar and many other risks. By responding to these changes throughout the company, we were able to capture the strong global demand for aluminum and achieve record-high ordinary income and adjusted EBITDA, which is our earning power. The entire group has been quick to respond to the rising prices of energy and additive metals due to the rise in crude oil prices. For the full year, we will pay a record annual dividend of JPY85 per share.

Regarding the second point, progress in structural reform, there has been some delay in the consolidation of domestic board production due to the impact of COVID-19, but this will be carried over and accomplished in FY2022. FY2021 was the final year of structural reforms, and the effects was almost finalized as JPY21 billion.

As for the third point, the plan for FY2022, as a leader in the aluminum industry, we will take the lead in shifting the steep increases in energy and additive metal prices to sales prices and in shifting to a new pricing system. In addition, we will strengthen can stock sales in the three-point global network we have established, return UWH, which is the core of our automotive parts business, to profitability, and complete structural reforms. As for the annual plan for FY2022, we will aim to increase revenue and ordinary income before inventory valuation effects.

## Changes in the External Environment and Our Countermeasures

We will work to minimize the impact on earnings of changes in the external business environment by responding promptly

<b>Changes in the External Environment and Our Countermeasures</b>	<b>Japan</b> 	<b>TAA (North America)</b> 	<b>UATH (Thailand)</b> 
<b>Increase in aluminum ingot prices</b>	Pass on to sales prices		
<b>Soaring unit energy prices</b>	Currently negotiating price pass-through (switch to pricing system linked to market prices <a href="#">from July</a> )	Pass through to sales prices ( <a href="#">already introduced</a> pricing system linked to market prices)	<a href="#">Currently negotiating</a> price pass-through
<b>Soaring additive metals prices</b>	Introduce pricing system linked to market prices		
<b>Increase in logistics costs</b>	—		Pass through to sales prices (already introduced formula system)

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The second page touches on how we will respond to changes in the external environment.

We already have a mechanism to pass the increase in the price of aluminum ingots on to selling prices in Japan, North America and Thailand. However, in the event of a significant change in the ingot price, the impact on inventory or the time lag until the ingot price is passed on to the product price will have an impact on our business results.

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Next, I would like to discuss energy price hikes. In Japan, we announced a switch to a price scheme linked to market prices in July and have been negotiating with customers. In the North American TAA, a market price-linked pricing scheme has already been introduced in April. Negotiations have started and are continuing with customers at UATH in Thailand to introduce a pricing scheme linked to market prices.

With regard to the price increase of additive metals, all of Japan, TAA, and UATH have already introduced a pricing scheme linked to market prices.

The increase in shipping costs, particularly at UATH in Thailand, has had a significant impact, but we have already signed formula-based contracts with many customers while passing the cost increases onto selling prices. While taking these actions, I will now explain the situation in FY2021 and FY2022.

## 1. Results for FY2021

### Overview of Results for FY2021

**Ordinary income: ¥52.3 billion (Results for FY2020: ¥6.0 billion)**

#### ■ Sales volume: 1,293,000 tons (+180,000 tons YoY )

- Steady growth in demand for can stock from UATH<sup>\*1</sup> (Thailand) and TAA<sup>\*2</sup> (United States)
- Recovery of demand from transportation equipment manufacturers, centered on automakers, led to strong performance

#### ■ Ordinary income: Strong YoY improvement

##### Positive factors

- Improvement in domestic business performance (including structural reform effects)
- Improvement in UATH's performance
- Steady growth of TAA's performance
- Upturn in metal price lag

##### Negative factors

- Increase in energy prices
- Increase in additive metals prices

\*1 UATH: UACJ (Thailand) Co., Ltd.  
\*2 TAA: Tri-Arrows Aluminum Holding Inc.

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Page five summarizes the full-year results for FY2021.

The summary of our full-year results for 2021 showed a positive turnaround due to the improved performance of our domestic business, the contribution of UATH and TAA, and the impact of inventories. Ordinary income also increased significantly by JPY46.3 billion over the previous year. In terms of sales volume, aluminum increased significantly compared to the previous fiscal year. Mainly, increases in can stock in Thailand and the US are solid. Sales volume to the transportation equipment industry, particularly automotive materials, also recovered compared to the previous fiscal year. Factors contributing to the increase in revenues are listed here. And the factors behind the decrease in profit are also listed here. I will explain more specifically about this later.

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1. Results for FY2021

**Results for FY2021**

(Billions of yen)

	FY2020 Full-Year (A)	FY2021 Full-Year (B)	Change (B)–(A)
Net sales	569.8	<b>782.9</b>	213.2
Operating income	11.1	<b>59.5</b>	48.4
Ordinary income before metal price lag	6.2	<b>21.3</b>	15.1
Metal price lag	(0.2)	<b>31.0</b>	31.2
Ordinary income	6.0	<b>52.3</b>	46.3
Net income*	(3.3)	<b>32.1</b>	35.3
Adjusted EBITDA	44.7	<b>60.2</b>	15.4

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Page six shows the full-year results.

What I want to emphasize most on this page is that sales increased significantly due to the soaring aluminum prices mentioned earlier, and that ordinary income for the full year, excluding the effects of the soaring aluminum prices, increased by JPY15.1 billion from the previous fiscal year, to JPY21.3 billion. As a result, consolidated net income increased JPY35.3 billion YoY to JPY32.1 billion. This is the achievement we wish to highlight today.

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1. Results for FY2021

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The results by segment is shown on page seven.

Flat-rolled products will be discussed in more detail later. In the area of processed products, the profit margin increased as a result of the upturn from the COVID-19 pandemic in the automotive parts business and air-conditioning equipment-related fields.

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1. Results for FY2021

**Sales and Operating Income by Segment**

(Billions of yen)

	FY2020 Full-Year (A)		FY2021 Full-Year (B)		Change (B) – (A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
<b>Flat-rolled products</b>	477.8	17.2	<b>697.5</b>	<b>64.1</b>	219.7	47.0
<b>Precision- machined components and related business</b>	165.1	(0.6)	<b>164.8</b>	<b>1.1</b>	(0.3)	1.7
<b>(Adjustment)</b>	(73.1)	(5.4)	<b>(79.3)</b>	<b>(5.7)</b>	(6.2)	(0.2)
<b>Total</b>	569.8	11.1	<b>782.9</b>	<b>59.5</b>	213.2	48.4

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Sales volumes of flat-rolled products by product type are on page eight.

I will not go into details as I will describe the trends for each type of product later but let me talk a little about some of the items that are not blurred, such as a large increase in sales of foil due to the expansion of automotive and consumer battery applications, and an increase in sales of fin materials in other general-purpose materials, which are painted fin materials for air conditioners. In addition to the increase in sales of fin materials, there has been an increase in sales of slabs sold externally at TAA.

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1. Results for FY2021

**Sales Volume, Flat-rolled Products**

(Thousands of tons)

	FY2020 Full-Year (A)	FY2021 Full-Year (B)	Change (B) – (A)
Can stock	693	<b>816</b>	123
Foil	52	<b>56</b>	5
IT	25	<b>14</b>	(10)
Automotive materials	123	<b>138</b>	15
Thick plates	42	<b>53</b>	12
Other general-purpose materials	180	<b>216</b>	36
<b>Total</b>	<b>1,113</b>	<b>1,293</b>	<b>180</b>
	( For Japanese market 441 For overseas market 673 )	( For Japanese market 479 For overseas market 815 )	( For Japanese market 38 For overseas market 142 )

\* Sales volume after eliminating internal transactions

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Page nine shows an analysis of consolidated ordinary income and loss compared to FY2020 and FY2021. As we always do since the previous year, we have divided the portion that is actual profit/loss and the portion that is the effect of inventory, which is an external factor.

The waterfall chart from JPY6 billion in FY2020 to JPY52.3 billion in FY2021 is shown. The impact of inventory increased significantly due to higher ingot prices. As for actual profit/loss, we saw an increase of JPY15.1 billion. This includes the effects of restructuring and improved performance at each base. In domestic sales, we saw an increase of JPY11.2 billion. This was largely due to an increase in sales volume and an improvement in the product mix, which led to an increase in the profitability ratio. Further improvement in utilization rate (cost improvement) due to increased sales volume was also achieved.

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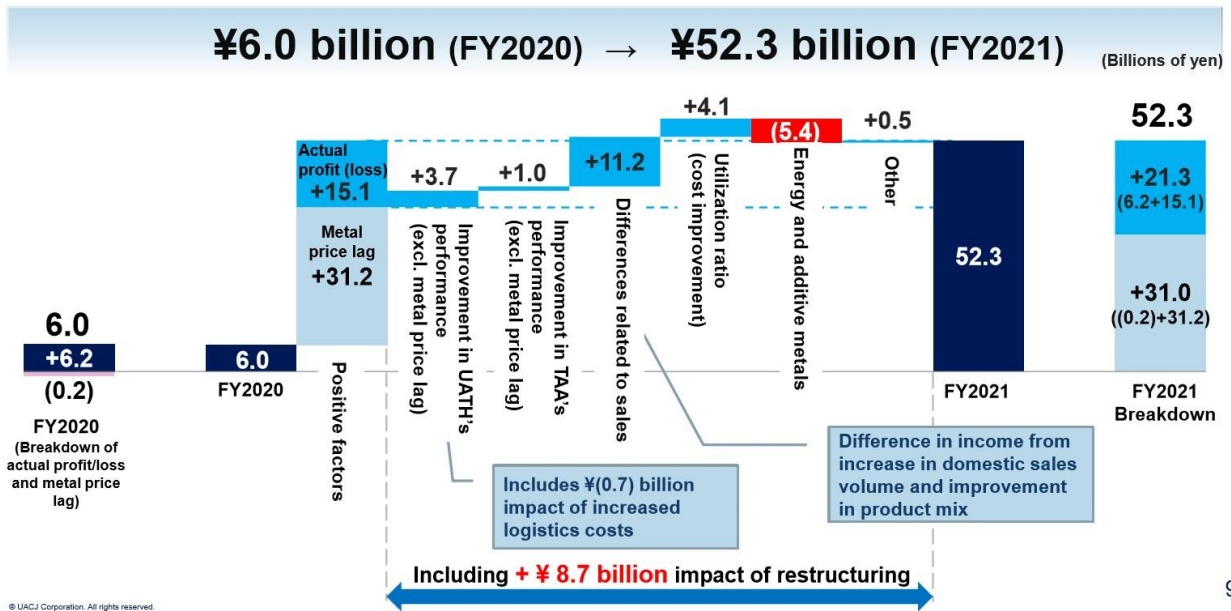
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1. Results for FY2021

**Analysis of Consolidated Ordinary Income (FY2020 → FY2021)**

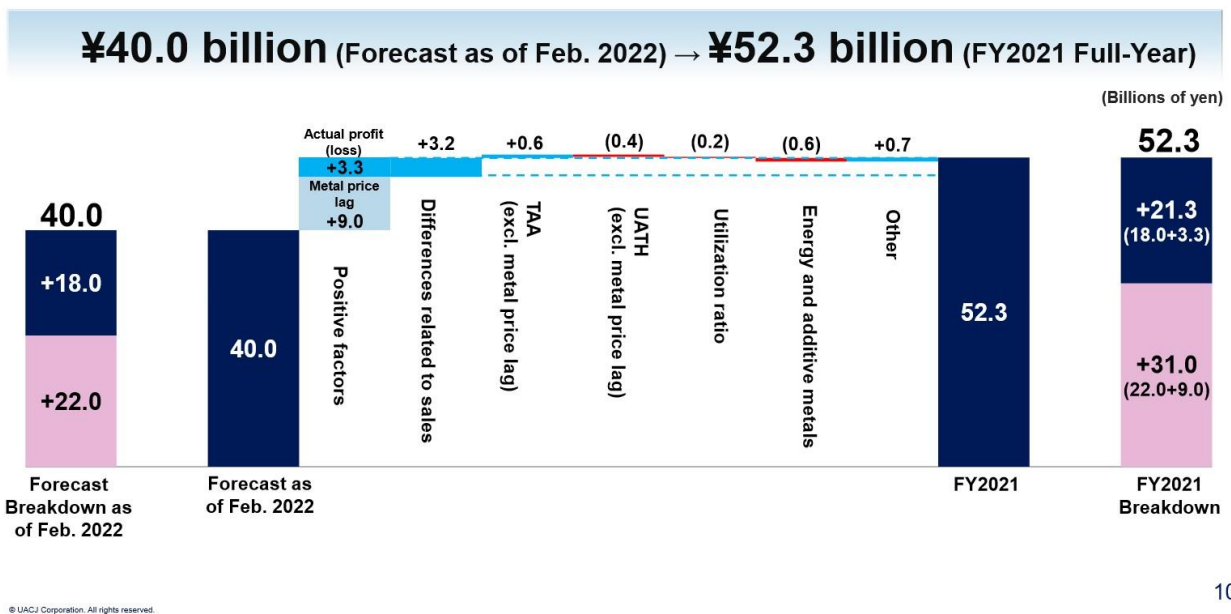


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As a result, as shown in the chart on page nine, the additional JPY15.1 billion was added to JPY6.2 billion of actual profit/loss, resulting in the increase of JPY21.3 billion.

1. Results for FY2021

**Analysis of Consolidated Ordinary Income (Forecast as of Feb. 2022 → FY2021 Full-Year)**



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On page 10 is the consolidated recurring profit/loss analysis, which is a comparison with what was announced in February 2022.

In February, we forecasted JPY18 billion for the actual profit and loss. We conservatively forecasted JPY18 billion, taking into account various risks. However, we were able to avoid the manifestation of risks and generate further profits through manufacturing efforts, resulting in a profit of JPY21.3 billion of actual profit,

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exceeding JPY21 billion as originally planned.

For individual breakdowns, please see the waterfall chart.

1. Results for FY2021

## Consolidated Balance Sheet

### Increase in inventories and other assets due to recovery in sales and continued rise in ingot prices

(Billions of yen)	March 31, 2021 (A)	March 31, 2022 (B)	Change (B)–(A)
Cash and deposits	28.1	14.3	(13.8)
Notes and accounts receivable – trade	120.0	122.7	2.7
Inventories	131.7	232.4	100.7
Other current assets	14.8	25.2	10.4
Noncurrent assets	400.3	398.5	(1.8)
Investments and other assets	38.1	35.6	(2.5)
<b>Total assets</b>	<b>733.0</b>	<b>828.7</b>	<b>95.7</b>
Notes and accounts payable – trade	101.1	118.6	17.5
Short-term loans payable	110.0	141.9	31.9
Long-term loans payable	225.7	197.5	(28.2)
Other	99.6	123.1	23.5
<b>Total shareholders' equity</b>	<b>177.5</b>	<b>209.0</b>	<b>31.5</b>
Accumulated other comprehensive income, non-controlling interests	19.0	38.6	19.6
<b>Total liabilities and net assets</b>	<b>733.0</b>	<b>828.7</b>	<b>95.7</b>

Increase due to higher prices of aluminum ingot, etc.

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Page 11 contains a consolidated balance sheet.

What is noticeable is an increase in inventories due to price hikes caused by soaring prices of aluminum ingots and other metals.

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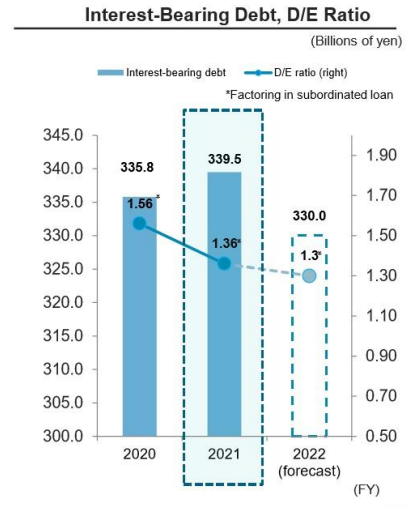
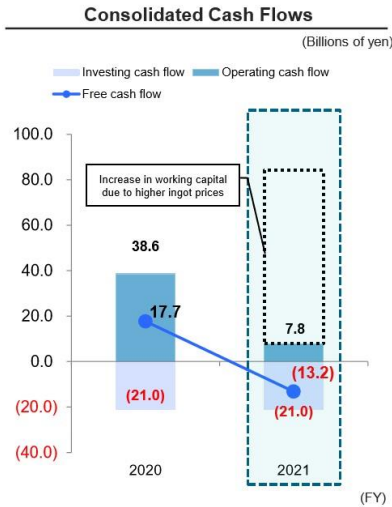
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## Consolidated Cash Flow Statement

**Operating cash flow decreased owing to the increase in working capital caused by higher prices of aluminum ingots, additive metals, etc.**

Consolidated Cash Flows in FY2021	
(Billions of yen)	
Income before income taxes	50.1
Depreciation and amortization (including goodwill)	34.0
Increase in working capital due to higher ingot prices	(76.3)
<b>Cash flows from operations</b>	<b>7.8</b>
Capital expenditures	(21.0)
<b>Free cash flow</b>	<b>(13.2)</b>
Other financial cash flows	2.9
Forex impact on interest-bearing debt	(7.1)
Decrease (increase) in cash and deposits	13.8
<b>Decrease in interest-bearing debt</b>	<b>3.7</b>



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Page 12 is the consolidated statement of cash flows.

As you can see here, working capital has increased due to the rise in the price of aluminum ingots, and as a result, cash flow is negative. However, looking at the balance of interest-bearing debt, although we saw slight increase in interest-bearing debt due to the increase in working capital led by soaring aluminum ingot market price, we have the ability to steadily lower the debt-to-equity ratio.

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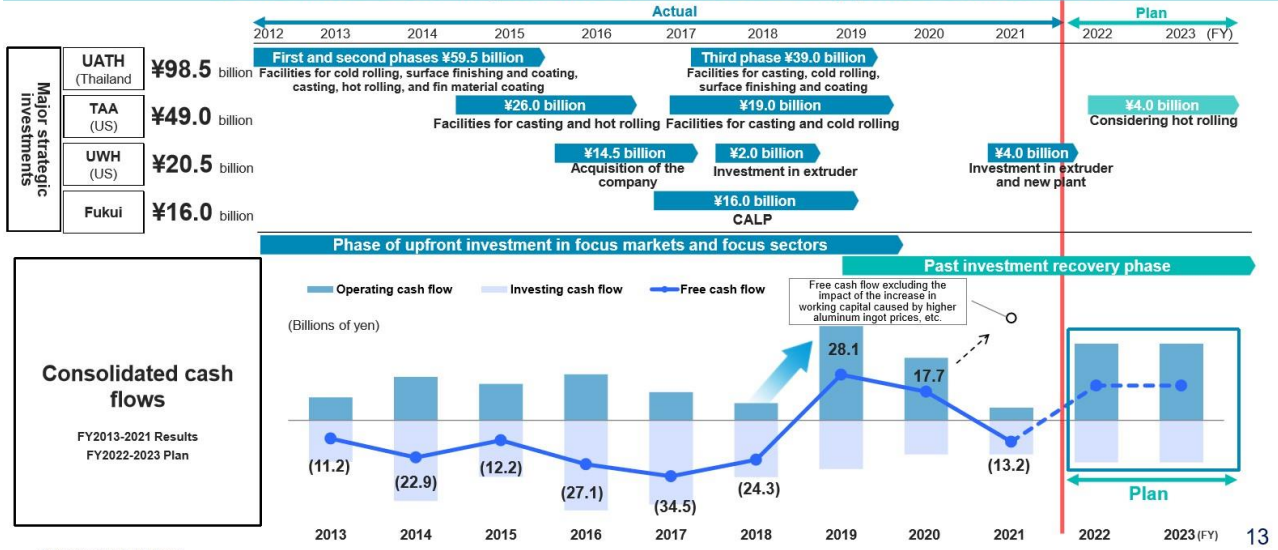
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1. Results for FY2021

## Consolidated Cash Flows

Investing cash flows decreased as we have been in past investment recovery phase since FY2019



The performance of consolidated cash flows is shown on page 13.

Unfortunately, in FY2021, the company's performance worsened due to the working capital requirements mentioned earlier, but we believe that the company's performance is steadily improving over FY2019 and FY2020 on a merit basis, taking over the management of cashflow, which turned the black in FY2019.

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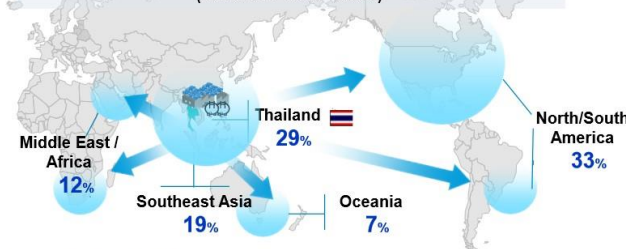
1. Results for Q3 FY2021

## Situation in Thailand (UATH) – Overview of FY2021

Despite the increase in energy costs, sales and profits increased thanks to the establishment of production and sales capabilities to capture robust demand

### Sales Ratio in Sales Areas (25 Countries)

Sales other than Thailand account for more than 70% of UATH's market  
(Based on FY2021 results)



#### Change factors in full-year performance and improvement measures

- Soaring unit energy prices
- Soaring logistics costs, including shipping costs
- Soaring additive metals prices

- Introducing a formula system in response to spikes in logistics costs and additive metals. To be reflected in profit from FY2022 onward
- Beginning negotiations with clients concerning sales contracts from FY2024 onward

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### FY2021 overview

- Demand for can stock** : Demand for can stock, automobile heat exchanger materials, and air conditioner fin materials were all strong, and a tight supply-demand balance continued
- Sales** : Achieved highest ever sales volume
- Production volume** : 314,000 tons/year (Jan. – Dec.)
- Sales volume** : 321,000 tons/year (Jan. – Dec.)

Profit	(Billions of yen)		
	FY2020	FY2021	YoY
Sales	64.1	141.3	77.1
Operating income	(3.0)	9.3	12.4
Ordinary income (loss)	(4.8)	5.0	9.9
Ordinary income (loss) before metal price lag	(4.0)	(0.3)	3.7

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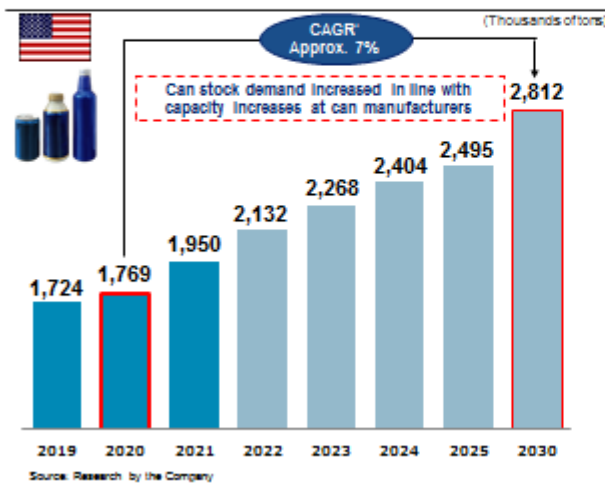
From page 14 onward, we summarize the results of our automotive parts business in Thailand and the US. As for Thailand, we are now able to produce on a 320,000-ton basis.

1. Results for FY2021

## Situation in United States (TAA) – Overview of FY2021

Utilized our three-point global network to capture strong can demand in North America and grow sales and profits

### US Can Stock Demand Forecast



Source: Research by the Company. \* CAGR, Compound Annual Growth Rate. Shows a rate of increase over multiple periods in terms of the rate of increase per period.

### FY2021 overview

- Demand for can stock** : Strong demand continued
- Sales volume** : Approx. 490,000 tons/year (including shipments from Japan and UATH)
- Production capacity** : Established an operation network to handle production of approximately 450,000 tons/year
- Capacity increases** : Considering facility enhancements of production bases in North America

Profit	(Billions of yen)		
	FY2020	FY2021	YoY
Sales	142.0	237.2	95.2
Operating income	13.0	32.0	19.0
Ordinary income (loss)	10.8	29.5	18.7
Ordinary income (loss) before metal price lag	8.9	9.9	1.0

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In North America, as shown on page 15, sales volume, including shipments from Japan and UATH, totaled 490,000 tons/year, which is a result of our ability to secure sales demand in the US.

As shown in the graph on the left, the demand for can stock is expected to increase at an annual rate of 7% from 2020 to 2030, in proportion to the operation of new plants or new production lines by can manufacturers. We will secure production capacity in a timely manner, while also taking into account the

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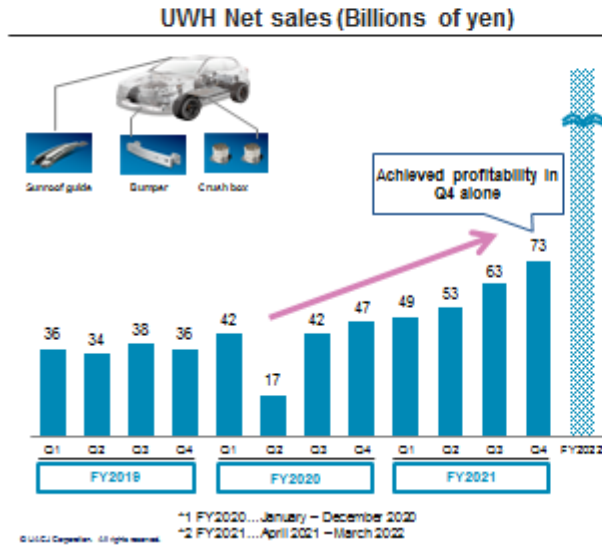


status of our facilities.

1. Results for FY2021

Situation in United States (UWH<sup>\*1</sup>) – Overview of FY2021

Achieved profitability in Q4 thanks to increase in sales volume to existing customers and start of mass production of aluminum structural materials for major Japanese OEMs



FY2021 overview

- Demand for car stock** : Despite the expansion of the EV market, supply chain disruption caused by the impact of COVID-19 and the impact of semiconductor shortages continue
- Sales** : Although sales have increased, mainly for emerging EV manufacturers, sales have been impacted by soaring ingot prices, COVID-19, semiconductor shortages, etc.  
In Q4, we achieved profitability thanks to an increase in sales volume to existing EV manufacturer customers as well as the start of mass production of bumpers for 2022 models for Japanese OEMs
- Production** : New Arizona plant is ready for operation  
Waiting for operation of customer's new plant

	(Billions of yen)		
	FY2020 <sup>*1</sup>	FY2021 <sup>*2</sup>	YoY
Sales	14.8	23.7	8.9
Operating Income	(2.2)	(1.5)	0.7
Ordinary Income (loss)	(2.5)	(1.8)	0.7

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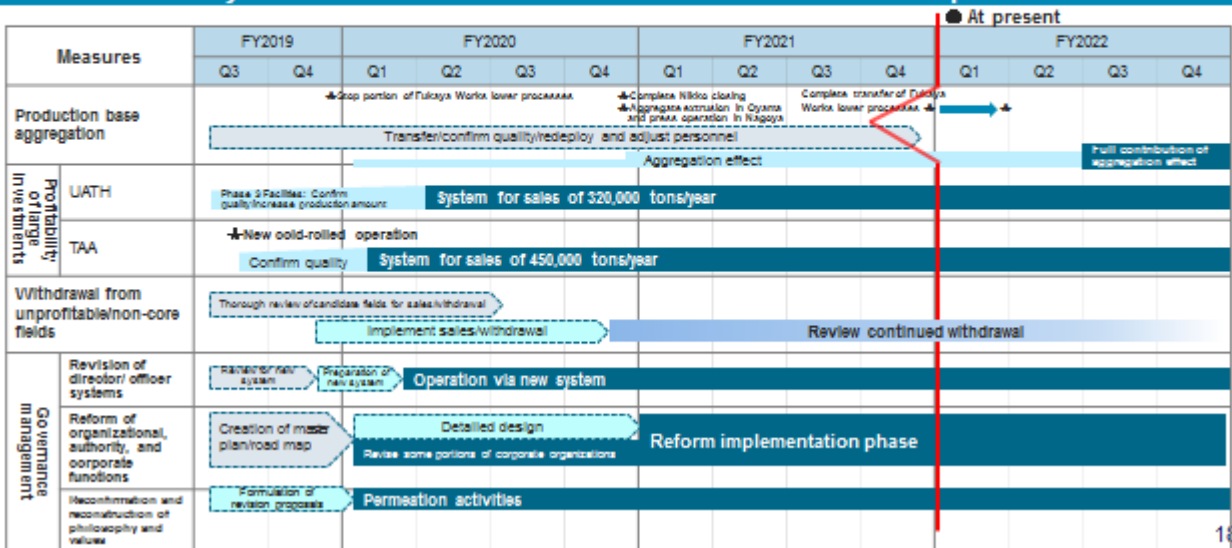
On page 16 is the status of our auto parts business in the US.

Fortunately, we achieved a surplus in the fourth quarter alone. And orders for large customers will increase beginning in FY2022. To address this, we feel that being able to turn a profit in the fourth quarter of FY2021 has allowed us to invest for a full year of profitability in 2022.

2. Progress on Restructuring

Progress on Restructuring

Planning to catch up in 1H FY2022 on delays to production base aggregation caused by delays to customer certification as a result of COVID-19 pandemic



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I would now like to talk about the progress of structural reforms, the full-year results for 2022, sustainability,

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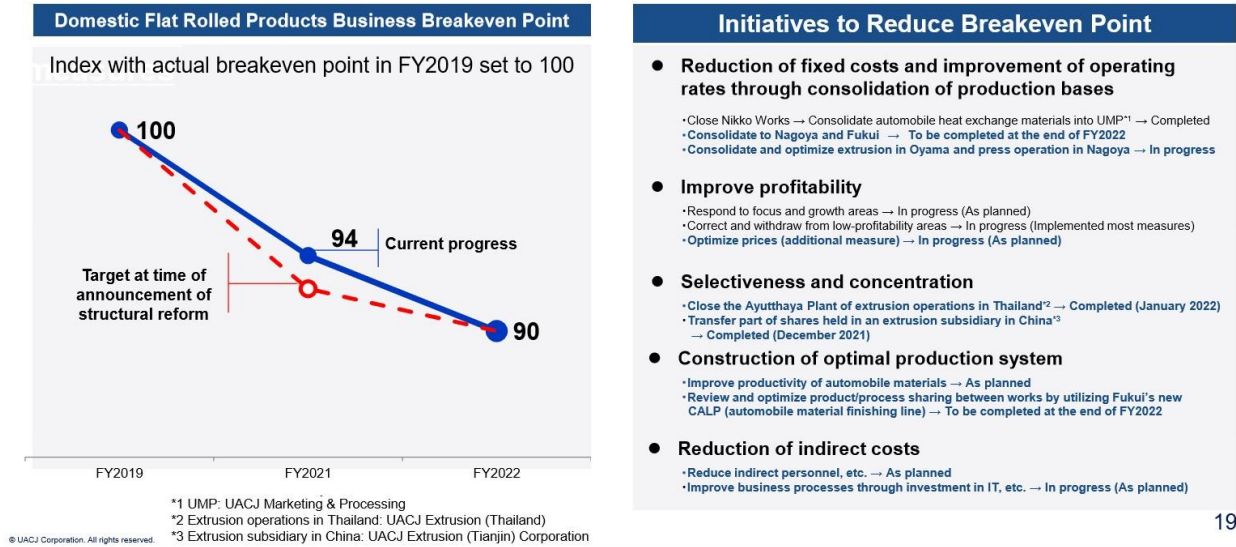
and how the UACJ Group will perform in the future.

Page 18 is a roadmap of progress in structural reform. There are some delays, but generally the schedule is on track.

2. Progress on Restructuring

**Efficiency through the Structural Reforms**

**Breakeven point steadily becoming lower as a result of structural reform efforts to date**



On page 19 shows the break-even point we monitor to see how the ability to make domestic flat rolled products will improve in the structural reform.

The plan is to bring the number to 90 in FY2022 when FY2019 is set at 100. We are now almost in line with the plan.

I would like to mention here that, as I mentioned earlier, the key is the consolidation of production bases, especially the consolidation of the production of body panels for automotive materials. This is now expected to be completed by the end of FY2022, so we will be able to make up for the delay as shown on page 18, as I mentioned earlier.

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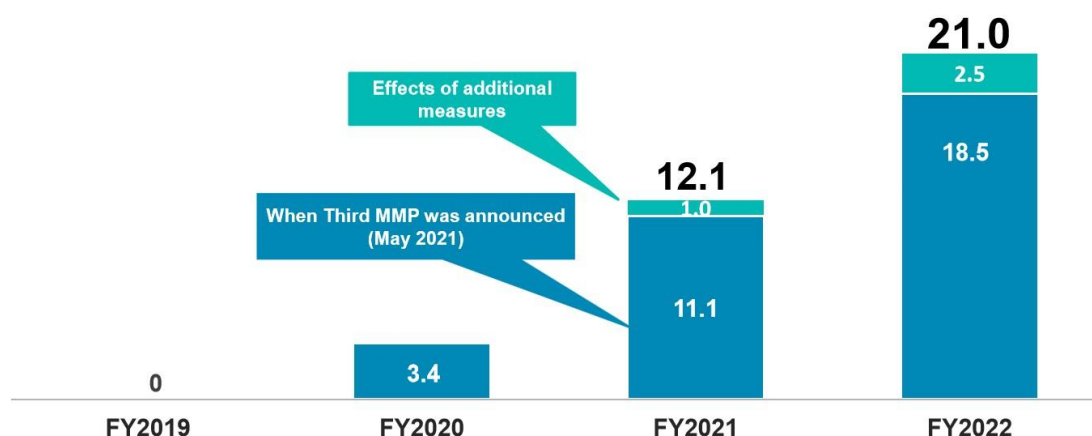
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## 2. Progress on Restructuring

### Transition of Structural Reforms

Despite partial delays to the aggregation of production bases, etc., we will achieve benefits of ¥21.0 billion with additional measures

(Billions of yen)



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Page 20 shows the progress of the JPY21 billion figure for structural reforms.

In FY2021, JPY12.1 billion has been acquired along with the implementation of additional measures.

## 2. Progress on Restructuring

### Earnings Improvement Effect of Implementing Structural Reforms

We will achieve ¥21.0 billion in benefits, without fail, through measures such as revisions to the rolling margin and cuts to manufacturing costs

	When structural reforms were announced (September 2019)	When Third MMP was announced (May 2021)	When 1H FY2021 earnings results were announced (November 2021)	Latest Forecast
<b>Domestic: Profit structure reforms</b>	<b>+¥10.0 bn</b>	<b>+¥6.7 bn</b>	<b>+¥9.6 bn</b>	<b>+¥10.1 bn</b>
Production base aggregation	+¥4.0 bn	+¥3.4 bn	+¥2.3 bn	+¥2.1 bn
Optimizing the production system and improving the product mix (increase in automotive components and battery materials)	+¥5.0 bn	+¥2.5 bn	+¥6.5 bn	+¥7.0 bn
Reducing indirect expenses (reducing indirect headcount, etc.)	+¥1.0 bn	+¥0.8 bn	+¥0.8 bn	+¥1.0 bn
<b>Overseas: Returns on large investments</b>	<b>+¥11.0 bn</b>	<b>+¥11.8 bn</b>	<b>+¥11.4 bn</b>	<b>+¥10.9 bn</b>
UATH: Increasing sales volume and reducing costs with the start of operation of investments made in phase three	+¥7.0 bn	+¥7.6 bn	+¥7.6 bn	+¥7.0 bn
TAA: Increasing sales volume with completion of investment to increase capacity, and amending prices	+¥2.0 bn	+¥1.9 bn	+¥1.9 bn	+¥2.4 bn
UWH: Focusing on profitability when accepting orders and utilizing extruder to increase sales	+¥2.0 bn	+¥2.3 bn	+¥1.9 bn	+¥1.5 bn
<b>Impact of structural reforms</b>	<b>+¥21.0 bn</b>	<b>+¥18.5 bn</b>	<b>+¥21.0 bn</b>	<b>+¥21.0 bn</b>

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On page 21, the figures show how the implementation of structural reforms will improve profitability.

We are on track to achieve our structural reform target of JPY21 billion. Although there will be some ups and downs in the numbers of domestic and overseas sales due to the fluctuation of demand, we will ensure that the target will be accomplished.

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## Understanding of Management Environment

### Company-wide

Despite factors such as the situation in Ukraine and the risk of the renewed spread of COVID-19 in Japan and overseas, as the environmental awareness of consumers increases, we expect global demand for aluminum materials to increase, particularly for can stock and automotive materials

### Japan

**Can stock:** Despite weak growth in soft drinks as a result of COVID-19, demand for alcoholic beverages is robust. Overall, we expect demand to be on par with the previous year  
**Automotive materials:** Despite the impact of semiconductor shortages on automotive production, we expect demand to increase as a result of the increase in models using aluminum  
**Thick plates:** We expect demand for semiconductor production equipment applications to remain robust

### North America

**Can material:** We expect demand to increase as the rate of usage of aluminum cans increases among new products  
**Automotive materials:** Despite the impact of COVID-19 and semiconductor shortages, we expect demand to increase as demand associated with the shift to EVs increases

### Asia

**Can stock:** We expect demand to increase, with strong aluminum can and can stock demand acting as a tailwind in Southeast Asia, including within Thailand

Page 22 and thereafter are the earnings forecast for the full year of FY2022. This is exactly where UACJ will be after FY2021, or after the completion of structural reforms.

Our understanding of management environment for FY2022 are summarized on page 23.

Despite factors such as the situation in Ukraine and the risk of the renewed spread of COVID-19 in Japan and overseas, as the environmental awareness of consumers increases, we expect global demand for aluminum materials to increase, particularly for can stock and automotive materials.

In Japan, the demand for can stock, automotive materials, and thick plates will be firm. In the automotive sector, demand for aluminum is expected to increase as the number of vehicles adopting aluminum is expected to rise. The demand for thick plates for semiconductor manufacturing equipment will continue to be strong, while their contributions to the development of transportation-related materials such as hydrogen and ammonia are also expected.

In the demand for can stock in North America, the adoption rate of aluminum cans by new products has been very high due to the involvement in the de-plasticization process. In the automotive parts business, the demand for aluminum as a lightweight material will surely increase due to the growing demand for EVs, despite the impact of COVID-19 and semiconductors.

In the Asian region, aluminum cans or canning rates are steadily increasing in Southeast Asia, including Thailand, and the recycling environment for aluminum cans is boosting aluminum demand for UATH. UATH's local production for local consumption has created the groundwork for the company to become a leader in the Southeast Asian region.

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### 3. Full-Year Forecast for FY2022

## Results for FY2021

	FY2021 Full-Year (A)	FY2022 Full-Year (B)	Change (B)–(A)
			(Billions of yen)
Net sales	782.9	<b>940.0</b>	157.1
Operating income	59.5	<b>31.0</b>	(28.5)
Ordinary income before metal price lag	21.3	<b>23.5</b>	2.2
Metal price lag	31.0	<b>2.0</b>	(29.0)
Ordinary income	52.3	<b>25.5</b>	(26.8)
Net income	32.1	<b>15.0</b>	(17.1)
Adjusted EBITDA	60.2	<b>62.8</b>	2.6
Annual dividends	85 yen/share	85 yen/share	0

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See page 24 for full-year figures for FY2022.

Ordinary income before inventory valuation effects, which is the actual profit/loss, is expected to increase by JPY2.2 billion compared to FY2021, ensuring the continuation of our earning power. Adjusted EBITDA is also expected to increase from the previous year, leading to an increase in corporate value. This includes our expectation of a large increase in profit from UATH.

Production and sales of large orders will surely start up in FY2022. I would like to mention that the structure to support this increase is being put in place.

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### 3. Full-Year Forecast for FY2022

## Sales and Operating Income by Segment

(Billions of yen)

	FY2021 Full-Year (A)		FY2022 Full-Year (B)		Change (B)–(A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Flat-rolled products	697.5	64.1	<b>832.0</b>	<b>33.8</b>	134.5	(30.3)
Precision-machined components and related business	164.8	1.1	<b>204.0</b>	<b>2.2</b>	39.2	1.1
(Adjustment)	(79.3)	(5.7)	<b>(96.0)</b>	<b>(5.0)</b>	(16.7)	0.7
<b>Total</b>	<b>782.9</b>	<b>59.5</b>	<b>940.0</b>	<b>31.0</b>	<b>157.1</b>	<b>(28.5)</b>

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Sales forecast by segment are shown on page 25. In the processed products-related business that I mentioned earlier, operating income is expected to increase compared to the previous year. This represents the future contribution of the auto parts business.

### 3. Full-Year Forecast for FY2022

## Sales Volume, Flat-rolled Products

(Thousands of tons)

	FY2021 Full-Year (A)	FY2022 Forecast (B)	Change (B)–(A)
Can stock	<b>816</b>	<b>891</b>	75
Foil	<b>56</b>	<b>58</b>	2
IT	<b>14</b>	<b>18</b>	4
Automotive materials	<b>138</b>	<b>157</b>	19
Thick plates	<b>53</b>	<b>60</b>	7
Other general-purpose materials	<b>216</b>	<b>234</b>	18
<b>Total</b>	<b>1,293</b>	<b>1,419</b>	<b>126</b>
	( For Japanese market 479 For overseas market 815 )	( For Japanese market 541 For overseas market 878 )	( For Japanese market 63 For overseas market 63 )

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On page 26 is sales volume forecast of flat rolled products by product type.

Here, we expect almost no significant fluctuations occurring in 2021 and 2022, both for the products for the domestic and overseas market. Conversely, the ratio of the products for domestic market is expected to rise slightly. This means that domestic demand for automotive materials and thick plates will increase.

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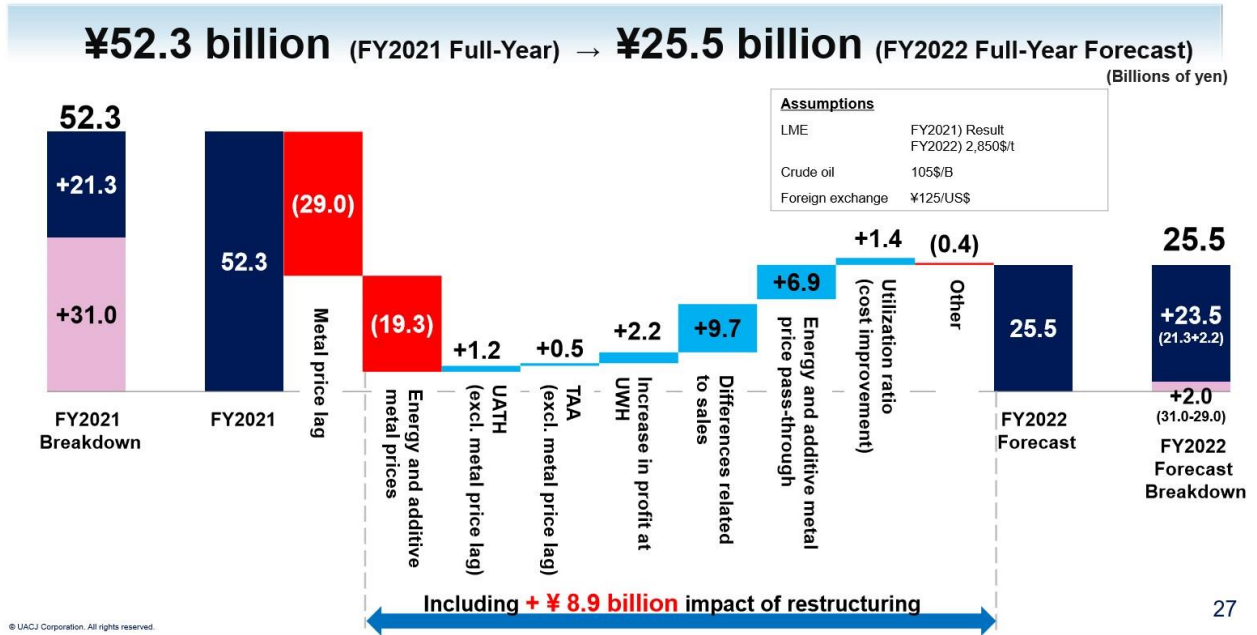
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## Analysis of Consolidated Ordinary Income (FY2021 Full-Year → FY2022 Full-Year Forecast)



Page 27 shows the waterfall chart from FY2021 to FY2022.

As you can see, we are projecting ordinary income of JPY23.5 billion in FY2022, an increase of JPY2.2 billion over the JPY21.3 billion in FY2021 based on our actual performance. This includes JPY8.9 billion of structural reform effects.

It should be noted here that the JPY52.3 billion in FY2021 will be affected by inventory valuation, and furthermore, soaring energy costs and additive metal prices. In order to address this, we will improve performance at each of our bases or increase sales volume, but we will also have to pass on the higher prices of energy and additive metals to our sales prices.

For the aluminum industry, this is exactly the kind of structural reform in the pricing of materials that we are determined to achieve by consulting with our customers and taking the leadership in this area. The JPY6.9 billion shown in the waterfall chart is only the portion that we can expect for sure, and there is a large portion other than this that will be negotiated in the future. Therefore, the company will be able to increase profits in FY2023 by ensuring that the energy costs and additive metals can be passed on to the sales price in FY2023. This is a factor that will increase profits in the future versus 2022.

This will be the foundation that allows us to achieve structural reform of price that I mentioned earlier in which negotiation on price pass through for energy and additive metal with customers are ensured to be completed through the current introduction of surcharge system and formula system.

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## Capital Investment and Depreciation and Amortization

The amount of capital investment will not exceed the recorded amount of depreciation and amortization  
Allocate a certain amount to climate change countermeasures and promote them in a planned manner

(Billions of yen)		FY2021 Full year	FY2022 Forecast
Capital investment	General investment	12.8	25.9
	Strategic investment	7.9	6.4
	Total	20.7	32.3
Depreciation and amortization		34.0	34.7

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Page 28 is capital expenditures.

We will steadily implement aggressive measures to improve profitability and climate change initiatives, while at the same time strengthening governance to enhance financial and other measures. We will continue this stance.

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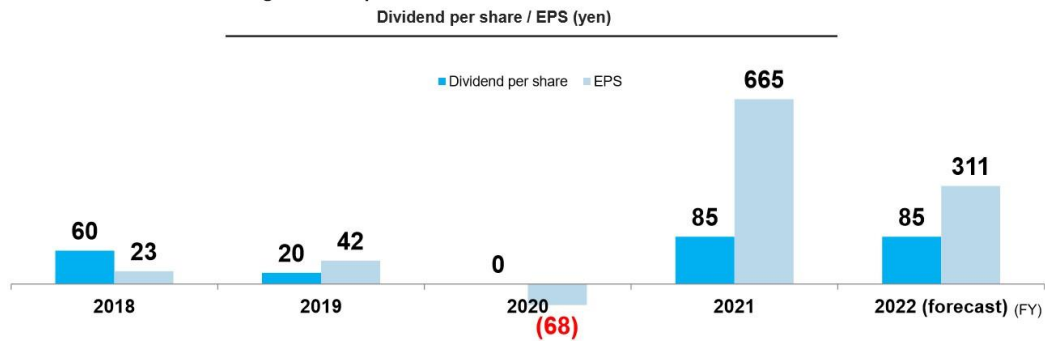
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## Shareholder Returns Policy

**Despite significant decrease in impact of metal price lag, we will prioritize the maintenance of a stable dividend and maintain our dividend of ¥85 per share**

- Returns policy** : Targeting a long-term total return ratio of 30% or more
- Dividend** : Aiming to pay a stable and continuous dividend, with a target of 20-30% for the consolidated payout ratio
- Enhancing shareholder value** : Aiming to enhance value by securing certain profits and cash flows, and engaging in dialogue with capital markets



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Page 29 shows shareholder returns.

Although the inventory impact is expected to be substantially removed, we expect to remain profitable on an actual basis and plan to maintain the dividend per share at JPY85, emphasizing stable and sustainable dividends. Regarding the dividend figure, assuming ordinary income of JPY25 billion to JPY30 billion from FY2020 onward, this JPY85 would be within the consolidated dividend payout ratio of 22% to 27%. It is consistent with our dividend policy.

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## Corporate Philosophy and Sustainability Policy

### UACJ Group Philosophy

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



#### Our Purpose

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

#### Our Vision

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

#### Our Values

- ▶ Respect and understand your associates.
- ▶ Embrace honesty and foresight.
- ▶ Be curious and challenging.

### Sustainability Policy

**“Passing down a better world over the next century”**

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Next, I will discuss our sustainability initiative.

We have redefined the value of our group's existence as our starting point. The management, led by me, together with our employees, has held a philosophy dialogue meeting and has been working to spread this philosophy. We feel that penetration is progressing strongly even in the COVID-19 pandemic.

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#### 4. Sustainability Initiatives

### FY2021 Topics

April 2021	E	Launched the Climate Change Countermeasures Promotion Committee
April 2021	E/S/G	Signed UN Global Compact and received approval
May 2021	E/S/G	Announced materiality and set CO <sub>2</sub> emissions reduction targets
August 2021	E	Our aluminum body panels adopted for TOYOTA MOTOR's new "Land Cruiser" Contributed to reducing environmental impact with closed-loop recycling
August 2021	E	Introduced solar roof-mounted power generation system at UATH Rayong Works
September 2021	E/S	Made SDGs badges and key holders using recycled materials
<b>September 2021</b>	<b>E</b>	<b>Expressed support for the TCFD recommendations and participated in the TCFD Consortium</b>
September 2021	S	Formulated Health First Management Declaration
October 2021	S	Supported the "Declaration of Partnership Building"
<b>November 2021</b>	<b>E</b>	<b>Entered into basic agreement with Yamaichi Metal Corp. for joint processing of UBCs*</b>
November 2021	S	Held "Drawing the Bright World Made by Aluminum – Paralymp Art Contest"
February 2022	E	UATH signed memorandum on promoting closed-loop recycling of aluminum cans
<b>February 2022</b>	<b>E</b>	<b>Announced results of TCFD scenario analysis</b>
February 2022	E/S	Began full-fledged sales of "MIZUYOJIN" waterstop boards for preventing disasters
March 2022	E/S	Entered into agreement related to corporate forest regeneration with Fukui Prefecture and Sakai City
<b>March 2022</b>	<b>E/S/G</b>	<b>Acquired ASI (Aluminium Stewardship Initiative) certification</b>
March 2022	S	Formulated the "UACJ Group's Human Rights Policy"

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\*UBC: Used Beverage Can



"Making an Exciting Future with Aluminum," Hajime Tajiri: Grand Prize Winning Piece in art contest with theme of "The Bright World Made by Aluminum" (Held by SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION)



SDGs badge and key holder made from recycled materials collected from each UACJ Group site: UACJ Foundry & Forging, UACJ Metal Components, UACJ Foundry & Forging (Vietnam), and UACJ Green-net participated in joint planning, design, production, and delivery.

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To give you a few specific examples of those activities, on page 32, we summarize the topics that we conducted in FY2021.

The picture in the upper right corner is the work that was selected as the Grand Prix winner for its efforts to support the independence of people with disabilities. We are actively engaged in these cultural activities to increase the use of aluminum. The response we are hearing through these activities is that the number of aluminum fans is steadily increasing.

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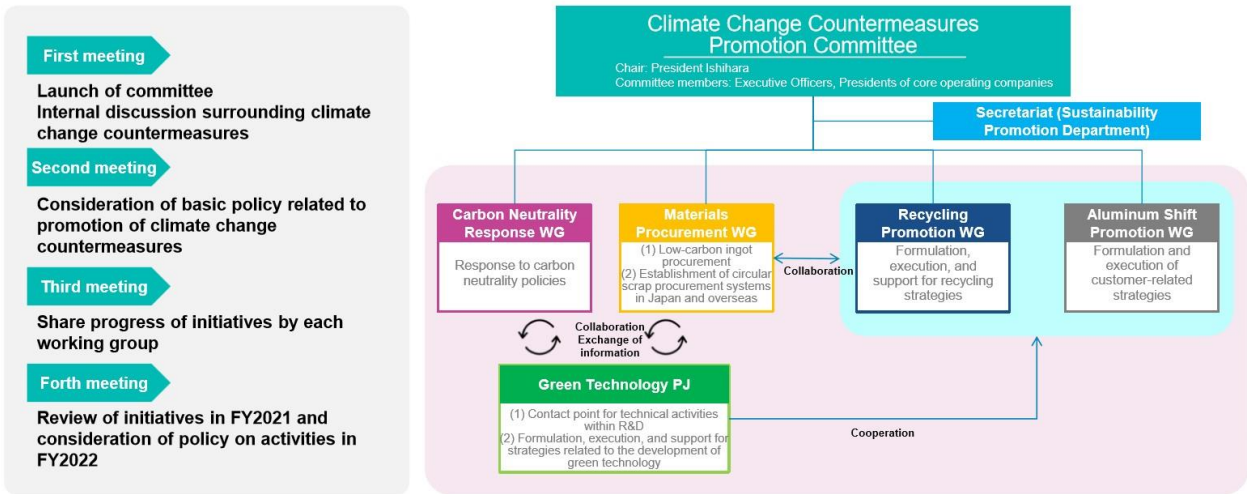
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4. Sustainability Initiatives

Launch of Climate Change Countermeasures Promotion Committee and Status of Activities

Established working groups reporting directly to the Climate Change Countermeasures Promotion Committee, which conduct activities in accordance with their respective priority themes



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On page 33, you will find the structure of the Climate Change Countermeasures Promotion Committee, which began its activities in FY2021.

4. Sustainability Initiatives

Support for TCFD Recommendations and Scenario Analysis of Climate Change Risks and Opportunities

Devising future environmental strategies based on scenario analysis

September 2021

Expressed support for the TCFD recommendations and participated in the TCFD Consortium

October 2021 to January 2022

Conducted climate change scenario analysis with the support of the Ministry of the Environment

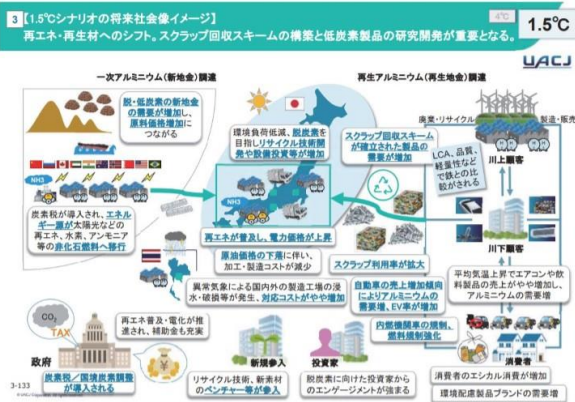


Image of a future society in the 1.5°C scenario\*

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\* Source: Ministry of the Environment "Recommendations for Business Strategy Planning Utilizing TCFD" (2021 version) [http://www.env.go.jp/earth/datsutansokeiei\\_mat01\\_20220418.pdf](http://www.env.go.jp/earth/datsutansokeiei_mat01_20220418.pdf)

Analysis of the 1.5°C scenario suggests a shift to more widespread use of renewable energy and recycled materials

Improve corporate value by implementing strategies that will become the core of the circular economy of aluminum products, such as:

- Creating a scrap collection scheme at the earliest possible opportunity
- Conducting further research into recycling technologies

As shown on page 34, one of the progresses of our sustainability activities is that we have been selected as a representative example of the aluminum industry by the Ministry of Environment's TCFD Scenario Analysis Support Project. Based on the results of this scenario analysis, we will plan and promote sustainability activities in our group in the future. Through the performance of the TCFD scenario, we will identify the strategies we need to address and accelerate our efforts to become the heart of the circular economy in aluminum products.

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4. Sustainability Initiatives

## Closed-Loop Recycling Initiatives in Thailand (UATH)

**Aiming to reduce environmental impact in the ASEAN region by taking the lead in improving recycling rates**

### Closed-loop recycling process in the ASEAN region



### Progress made regarding the Can to Can Journey



#### Conference with Minister of Environment of Thailand (November 2020)

Signed memorandum on coordination between government/environmental bodies/private sector companies, to promote recycling of environmentally friendly beverage containers



#### Memorandum signing ceremony (December 2021)

Signed "Memorandum Related to Purchase of UBCs and Promotion of Closed-Loop Recycling"

**Aiming to lower environmental impact in the ASEAN region by promoting the circulation of aluminum cans through recycling**

Cooperated with a major Thai can manufacturer to provide a "Can to Can Journey" with activities that involve the Thai government and industry stakeholders

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One of these is the closed-loop recycling initiative in Thailand and Southeast Asia, shown on page 35. With the establishment of UATH in Thailand, closed-loop recycling in the Southeast Asian region, mainly for aluminum cans, is gaining momentum, just as in Japan.

As the heart of the circular economy, we are committed to making the greatest possible contribution to reducing environmental impact in the Southeast Asian region.

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#### 4. Sustainability Initiatives

### Obtaining ASI Certification

The Fukui Works and UATH have been recognized for their sustainable business operations, becoming the first Japanese manufacturers of rolled aluminum to obtain ASI certification

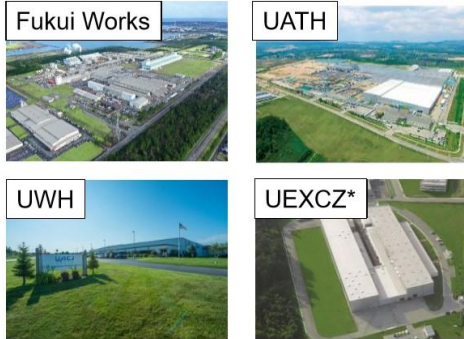
#### What is ASI

- An international initiative in the aluminum industry
- As well as setting the global standards for performance in terms of sustainability and traceability in manufacturing, processing and the supply chain, ASI also carries out evaluations and certification to ensure these standards are upheld



Obtain ASI certification

Aiming to obtain ASI certification



As an internationally recognized ESG compliant company, we will aim to:

- Secure customer trust
- Gain business opportunities

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On page 36, there is an initiative to further expand the market for aluminum, creating a global, worldwide fan base for aluminum. This shows the certification status of ASI. This will ensure customer trust and lead to business opportunities.

### Future Plans

IR-Day

Thursday, June 9, 2022 9: 00-12: 00

Format: Online meeting

Speaker: Miyuki Ishihara, Representative Director & President  
Teruo Kawashima, Director, Executive Vice President  
Masataka Taguchi, Senior Managing Executive Officer  
Henry Gordinier, Managing Executive Officer/CEO, TAA  
David Cooper, CEO, UWH

ESG briefing session

Planned at the end of November 2022

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Page 37 describes our future plans.

IR-Day will be held online on June 9, 2022. Continuing from the previous year, the managers of major divisions will provide an explanation of the progress of the medium-term management plan. Henry

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Gordinier of TAA, US, and David Cooper of UWH, US, will also participate. They will explain the growth potential of the business. We will send our invitation and hope that you will join us.

In late November 2022, an ESG briefing session is scheduled.

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

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## Question & Answer

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**Ueda [M]:** That is all for the presentation from the Company. We would now like to take your questions.

I would like to introduce the first questioner. Mr. Yamaguchi from SMBC Nikko Securities Inc., please ask your questions.

**Yamaguchi [Q]:** Hello. This is Yamaguchi of SMBC Nikko Securities Inc. Thank you for all your help.

First, in terms of numbers, on the basis of the current year's forecast, which we always hear about, can you please explain to us about TAA, UATH, and UWH, including sales, operating income, ordinary income, and if possible, inventory impact?

**Iida [A]:** Let me start with UATH. We expect net sales of JPY178 billion, operating income of JPY4.1 billion, ordinary income of JPY900 million, and inventory impact of JPY0. TAA is forecasted to have sales of JPY305.7 billion, operating income of JPY9.5 billion, ordinary income of JPY5.8 billion, and a negative inventory valuation impact of JPY4.6 billion. For UWH, we expect to have net sales of JPY39.9 billion, operating income of JPY700 million, ordinary income of JPY300 million. That is all.

**Yamaguchi [Q]:** Thank you very much. I would like to know about the recent trends of the market environment in each region, for instance, Asia and the US. Lastly, the aluminum market has been moving in an unsettled or slightly declining direction, and although it is not directly related to the aluminum market, in the case of TAA, metal benefits may or may not be obtained depending on the scrap. If the price continues to drop, is there any risk of a negative impact on TAA's financial results other than inventory effects?

For example, last year in Asia, logistics costs were also heavy, and I'm sure there were many other factors, so it would be helpful if you could explain not only the demand side, but also the impact on earnings.

**Ishihara [A]:** First, in Japan, although there are some COVID-19 effects, the demand for can stock, automotive materials, and thick plates have been strong, and the demand for can stock will continue to be steady at the same level as last year because of the very strong demand for beer as mentioned earlier. For automobiles and thick plates, I think the issue will be how to pass on the price increases. We have already had discussions with major customers, and if we can pass on the higher costs of energy and additive metals to the price, it will certainly lead to higher profits.

In North America, the market is strong, in part due to the metal benefits mentioned earlier. Although there are concerns about imports and exports of can stock from China to the western region and there are also concerns due to the current softening of domestic demand in China, the increased and growing demand in North America will certainly be enough to contribute to increased production at UATH and TAA, so this should not be a problem. In terms of automobile-related demand, it is noticeable that new EV makers are making a start, and Japanese OEMs are also beginning to demand lightweighting for vehicles other than EVs, so we believe that we will be able to generate earnings by responding to these demands.

In the Southeast Asian region, UATH is currently capturing about 30% of Thai domestic demand, but if demand for can stock in the Southeast Asian region is expected to increase, exports to North America and other regions will probably decrease. However, we will continue to make efforts to meet the relatively strong demand in North America as it is important for Southeast Asia region to do so. Although the impact of the COVID-19 remains uncertain in the Southeast Asia region, we do not expect this to be a major factor in reducing production. That's all.

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**Yamaguchi [Q]:** I understand. What do you think about metal benefits? Wouldn't that be a metal disadvantage?

**Kawashima [A]:** This is Kawashima. I think it can be affected. Our current assumption of the LME this time is USD2,850/ton, so we have similar assumption for metal base. It is true that the lower prices will be linked, but another possibility is that the lower prices will loosen the demand for the US. Conversely, the discount rate may work more cleverly. We currently have fairly conservative view on discount rate. Conversely, that portion is necessary, so we will be surely affected. We believe that although it will be affected, it will not necessarily be a parallel worsening factor.

**Yamaguchi [Q]:** I understand. Thank you very much.

**Ueda [M]:** Thank you very much for your questions. Next question is from Mr. Shirakawa from Morgan Stanley MUFG Securities Co., Ltd. Please go ahead.

**Shirakawa [Q]:** This is Shirakawa from Morgan Stanley Securities. I have a question relating to page 27 of the material. You explained that the energy and additive metals are the factors of a decline in profit of JPY19.3 billion, and you will offset part of it with price pass-through of JPY6.9 billion, which you said is the part that you are confident to achieve. If we divide this JPY19.3 billion into energy and additive metals, how much will it be, and if we divide the JPY6.9 billion that will offset the factor of energy and additive metals, how much will it be?

**Ishihara [A]:** I am Ishihara, but please forgive us for not being able to break down the increase or decrease for energy/additive metals in detail.

**Shirakawa [Q]:** I understand. I think that the remaining JPY12 billion or so is still being negotiated. I would like to know what responses you are getting to the introduction of the formula system and the surcharge system for price pass-through.

**Ishihara [A]:** This is Ishihara. As for the response, I am sure that people in all fields understand the impact of energy and additive metals on the price of materials. At this point, from our conversations with major customers, wholesalers, and distributors, we believe that we have gained their understanding, as I mentioned earlier.

In this context, in terms of the difference between the JPY19.3 billion and JPY6.9 billion figures, I understand that this represents that we are at the stage of starting the price negotiations for the difference.

Energy or additive metals are a recent issue. Since this is rapidly becoming a matter of major impact, we have introduced new formulas and surcharges to the domestic market. We present the forecast in this way based on the assumption that the figures will be reflected in the second half of FY2022 onward for negotiations we are currently working on to lead to the contract renewal by gaining customers understanding. We do not mean that we will achieve about half of it, but rather that first half may not be reflected in the price contract, but latter half will be firmly reflected on selling price. As I mentioned earlier, we are getting very good responses in the individual negotiations with customers.

**Shirakawa [Q]:** I understand. If so, the new plan for the new fiscal year does not include a breakdown of the first and second half of the year, but from what you have just explained, should we assume that profits will be more heavily weighted toward the second half of the year than toward the first half?

**Ishihara [A]:** That's right. I believe that the direction is that profit will be reflected for sure in the second half of the year, and the fiscal year 2023, and the situation will be turned positively.

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**Shirakawa [Q]:** I understand. Finally, as a follow-up question, there are of course competitors in the flat-rolled products business, and if you introduce a formula system or a surcharge system, is there any risk that they will not introduce such a system and will take market share at a price lower than your company's?

**Ishihara [A]:** I believe there is always that risk. The UACJ Group is proud to be a leader in the industry, and we would like to create a trend, whether or not it becomes an industry-wide movement that includes all competitors. We believe we can do it.

**Shirakawa [Q]:** I understand very well. Thank you very much.

**Ueda [M]:** Thank you very much for your questions. The next question is from Mr. Matsumoto from Nomura Securities Co., Ltd. Please go ahead.

**Matsumoto [Q]:** This is Matsumoto from Nomura Securities.

First, regarding the difference related to sales in the analysis of profit increase/decrease, the difference in the fiscal year ended March 2021, the fiscal year just ended, was slightly above the plan. Could you tell me the reason for that and also for the increase in your forecast for this fiscal year?

Second, on page two, for example, how many customers have agreed to the surcharge for energy or that for additive metals, or what is your assumption for the plan as to how many customers you expect to agree? The agreement may have already made for additive metals.

Third, I think that in the second half of last year, there was a slight stagnation in automobile-related volumes due to a slight reduction in automobile production. Could you tell me how the impact, such as of the current lockdown in China, are factored into this plan? That's all.

**Ishihara [A]:** This is Ishihara. The sales-related difference is very large. In FY2021, sales-related difference have grown in all businesses. It increased in not only flat rolled products, but also in extrusions, processed products, distribution, foil manufacturing, and castings and forgings, and we have achieved a very large number. We believe this is due to the timely response to demand for aluminum in each of our businesses and our ability to shift to a profit axis.

Regarding your second question about the formula and surcharge system, what kind of customers have agreed to it, and what percentage of them have agreed to it, we are discussing with almost all of our customers. As I mentioned earlier, we are talking to all of our major customers and their general wholesaler-distributor customers as well. We will now negotiate individually in such circumstances. As I mentioned earlier, I think the situation is not bad in terms of the direction of the commissioning process and understanding. As for the timing of implementation, as I mentioned earlier, we are looking at a schedule that will allow us to achieve this in the second half of FY2022.

Also, how we see the lockdown impact. The automotive materials field are affected particularly significantly in China, so the effect has been taken into account for Dicastal UACJ Bolv Automotive Parts Co., Ltd. That is all.

**Matsumoto [Q]:** I understand. Thank you very much.

**Ueda [M]:** Thank you very much for your questions.

The next question is from Mr. Goroh from UBS Securities Japan Co., Ltd.

**Goroh [Q]:** This is Goroh from UBS Securities. Thank you as always.

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I have two points. First, I would like to ask you about your thinking about post-structural reform. You showed us a graph of the break-even point this time as well, and we were able to hear that you were generally taking measures to reduce cost to lower the break-even point in line with the plan. This is due to be completed in FY2022 and after that, you will have a goal of post-structural reform, as you mentioned. For example, the cost reductions that were made as a result of the emergency measures may be recovered in the future, or future capital investment will also be considered, although the level of investment will be kept within the depreciation limit this year as well. Free cash is on the positive side this year but considering the balance between cash control and financials in the future, we are looking at various scenarios for post-structural reforms, such as maintaining the slimmed-down status, further promoting slim-down, or having possible rebound. I would like to know what kind of direction you have in your mind.

Secondary, you expect the volume to recover this time. I also think that increased sales at overseas locations will also be key. In particular, the consolidation effect is the key such as in the start-up of CALP in Fukui. Also, thick plates, for example, have been in the increasing trend every year since the year before last, and this may be due to the strong semiconductor-related demand. It is a little difficult to understand the effects of improvement in these product mix and volume effects, since it is included in sales-related differences. I would like to confirm whether there is the area that is expected to grow further in the future toward next fiscal year. That's all.

**Ishihara [A]:** Thank you.

First, in a slightly disjointed order, you mentioned what kind of fields you would see the product mix in the future that would be able to respond to the consolidation effect in Japan, and what the demand for thick plates would be. As I indicated a little earlier on page 23, in Japan, we expect to see the recovery in volume in areas where we are not yet able to see that. In this context, although we have not yet been able to consolidate our operations for automotive body panels in particular, we have already confirmed with actual figures that we are on track to gain the approval for the consolidation of our operations from almost all of our targeted customers. Since this will be achieved by the end of FY2022, we will be able to complete the structural reforms for the part that is associated with the consolidation of automotive panel materials in the automobile industry.

In this case, the balance of development investment will shift to thick plates. In the field of thick plates, we started to see the needs to supply aluminum thick plates not only in the field of semiconductor manufacturing equipment, but also in the field of future transportation of hydrogen and ammonia, and we expect an increase in thick plates due to the impact of these factors. I believe that such a situation will lead to market recovery or efforts to increase sales.

Next, you asked a difficult question about the status of post structural reforms that whether the operation streamlined under structural reform will rebound or whether it will be further streamlined. As I mentioned earlier, we would like to continue to actively participate in growth areas and markets after FY2022. However, in parallel, we will also strengthen our financial position by effecting a balance, and while maintaining a firm sense of that level, we intend to manage our business to maintain at least a positive free cash flow.

As a result, I believe that the time frame for post-structural reform will be related to the next medium-term management plan. We have drawn up a vision of what we should aim for in 2030, and the specific measures in the next medium-term management plan will be important in meeting this vision. Toward that end, we are now steadily moving forward with various studies. That's all.

**Goroh [Q]:** Thank you. I understand.

**Ueda [M]:** Thank you very much for your questions. We are almost at the end of our scheduled time, so we would like to make the next question as the last one.

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Next question is from Mr. Ozaki from Daiwa Securities Co., Ltd. Please go ahead.

**Ozaki [Q]:** This is Ozaki from Daiwa Securities. On page 26, you mentioned that the sales volume of can stock, automobiles, and other general-purpose materials are expected to increase considerably this fiscal year. Could you tell me the background for this? That is all.

**Ishihara [A]:** We expect to see an increasing trend in can stock. This is in response to the continued strong can market, especially in North America, and we expect to see an increase in sales from TAA and UATH. In Japan, the beer market has been very strong. With the release of new type of beers and robust trend in alcohol beverages such as RTD, we expect this area to perform on par with the previous fiscal year. The ratio of aluminum cans is increasing due to their recyclability as environmentally friendly products, both in Japan and overseas, which has led to an increase in the use of aluminum cans. We expect this part of the sales to increase.

In the automotive industry, the need for lightweight materials is still very high. Therefore, the number of vehicles using aluminum is already expected to increase in various types of contracts, and in order to respond to this increase, the transfer to Fukui is planned as you mentioned. By completing these plans, we expect the demand for automotive materials to increase. That's all.

**Ozaki [Q]:** I see, I understand. Thank you very much.

**Ueda [M]:** Thank you very much for your questions. As the time has come, I would like to conclude the financial results briefing.

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

**Ishihara [M]:** Thank you very much.

**Ueda [M]:** We would like to ask for your continued support and encouragement to our company. Thank you very much for taking time out of your busy schedules to join us today.

[END]

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