



## **UACJ Corporation**

Q3 Financial Results Briefing for the Fiscal Year Ending March 2022

February 3, 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>	Q3 Financial Results Briefing for the Fiscal Year Ending March 2022	
<b>[Fiscal Period]</b>	FY2021 Q3	
<b>[Date]</b>	February 3, 2022	
<b>[Number of Pages]</b>	35	
<b>[Time]</b>	15:15 – 16:11 (Total: 56 minutes, Presentation: 22 minutes, Q&A: 34 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	6	
	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
	Haruhiro Iida	Accounting Manager
	Kouzo Okada	Manager of IR and Finance Department
<b>[Analyst Names]*</b>	Atsushi Yamaguchi	SMBC Nikko Securities Inc.
	Yu Shirakawa	Morgan Stanley MUFG Securities Co., Ltd.
	Harunobu Goroh	UBS Securities Japan Co., Ltd.
	Yuji Matsumoto	Nomura Securities Co., Ltd.
	Shinichiro Ozaki	Daiwa Securities 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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**Okada:** Now, I would like to introduce our attendees for today.

Miyuki Ishihara, Representative Director and President of UACJ Corporation.

**Ishihara:** I am Ishihara. Thank you for joining us today.

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

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

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

**Tanaka:** My name is Tanaka. Thank you for joining us today.

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

**Kumamoto:** I'm Kumamoto. Thank you for joining us today.

**Okada:** Haruo Iida, Accounting Manager.

**Iida:** My name is Iida. Thank you for joining us today.

**Okada:** I am Kouzo Okada, Manager of IR and Finance Department, who will serve as the moderator today. Thank you for joining us today.

Mr. Kawashima will now explain the business results for 3Q of FY2021 and the full-year business forecast announced today. Please join us as we review the presentation materials.

Director Kawashima, please start.

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## Overview of Results for Q3 FY2021

**Ordinary income: ¥36.0 billion (Results for Q3 FY2020: ¥(0.6) billion)**

### ■ Sales volume: Up 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 recovery from impact of COVID-19)
- Improvement in UATH's performance
- Steady growth of TAA's performance
- Upturn in metal price lag

#### Negative factors

- Increase in energy prices
- Soaring logistics costs

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**Kawashima:** Now, I would like to explain the results of 3Q, the annual results, and sustainability.

Please go to page three. This is the summary for 3Q.

Ordinary income for the first nine months of the fiscal year was JPY36 billion, an increase of JPY36.6 billion over the same period of the previous year.

Compared to the same period of the previous year, the volume of can materials in Thailand and the US increased significantly. In addition, the number of transportation services, especially automobiles, is increasing, which is a great improvement.

The reason for the increase in profit is that our business performance in Japan has recovered significantly from the impact of the COVID-19. UATH, which I will mention about it later, has seen a huge increase in production. Then there is the TAA, and the impact of inventory.

On the other hand, the negative factors for the decrease in profit are the increase in energy costs, which has been continuing since last year, and soaring logistics costs.

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**Results for Q3 FY2021**

(Billions of yen)	Q3 FY2020 (A)	Q3 FY2021 (B)	Change (B)–(A)
Net sales	407.4	<b>562.7</b>	155.3
Operating income	3.1	<b>42.8</b>	39.7
Ordinary income before metal price lag	2.3	<b>15.6</b>	13.3
Metal price lag	(2.9)	<b>20.4</b>	23.3
Ordinary income	(0.6)	<b>36.0</b>	36.6
Net income*	(4.7)	<b>23.2</b>	27.9
Adjusted EBITDA**	31.0	<b>45.0</b>	14.0

\* Net income: Net income attributable to owners of the parent

\*\* Adjusted EBITDA: EBITDA excluding metal price lag

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Please turn to page four for the results of 3Q.

This is the result of 3Q. Consolidated net sales were JPY562.7 billion, an increase of JPY155.3 billion from the previous fiscal year. As for profits, the operating income was JPY42.8 billion [inaudible].

Consolidated ordinary income, JPY36 billion, an increase of JPY36.6 billion compared to the previous fiscal year. Of this amount, the impact of inventory was JPY20.4 billion for the current fiscal year, and this has increased to JPY23.3 billion.

The final profit was JPY23.2 billion, a significant increase of JPY27.9 billion from the loss in the same period of the previous year.

Sales revenue increased by JPY155.3 billion. Of this amount, about JPY105 billion was due to the increase in the price of aluminum ingots and the depreciation of the yen. In addition to that, the change in the sales volume mix is a factor of about JPY76 billion in revenue growth.

On the other hand, the accounting standards and revenue recognition standards have been changed from this fiscal year, and due to the impact of this change, a total revenue is forecasted to be JPY155 billion due to a decrease of about JPY30 billion.

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## Sales and Operating Income by Segment

(Billions of yen)	Q3 FY2020 (A)		Q3 FY2021 (B)		Change (B) – (A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
<b>Flat-rolled products</b>	341.4	7.3	<b>502.3</b>	<b>46.7</b>	160.9	39.4
<b>Precision- machined components and related business</b>	122.1	(0.7)	<b>118.6</b>	<b>0.3</b>	(3.5)	1.0
<b>(Adjustment)</b>	(56.1)	(3.5)	<b>(58.2)</b>	<b>(4.1)</b>	(2.1)	(0.6)
<b>Total</b>	407.4	3.1	<b>562.7</b>	<b>42.8</b>	155.3	39.7

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Please go to page five for the segment.

It shows a sales decline and profit growth for precision-machined components and related business. The impact of the accounting standards mentioned earlier was mostly felt in the precision-machined components and related business. Because of this, at first glance, it looks a sales decline and profit growth, but in reality, profit increased.

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1. Results for Q3 FY2021

**Sales Volume, Flat-rolled Products**

(Thousands of tons)

	Q3 FY2020 (A)	Q3 FY2021 (B)	Change (B) – (A)
Can stock	525	<b>609</b>	84
Foil	38	<b>43</b>	5
IT	19	<b>11</b>	(9)
Automotive materials	83	<b>105</b>	21
Thick plates	28	<b>39</b>	11
Other general-purpose materials	119	<b>160</b>	40
<b>Total</b>	<b>813</b>	<b>966</b>	<b>153</b>
	( For Japanese market 324 For overseas market 489 )	( For Japanese market 355 For overseas market 611 )	( For Japanese market 31 For overseas market 122 )

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Now please go to page six.

This is the status of sales of Flat-rolled Products, which account for over 80% of our business. This is the total for Japan, Thailand, and the United States.

The sales volume was 966,000 tons for three quarters, an increase of 153,000 tons compared to the same period of the previous year.

As you can see underneath, 122,000 tons of that is for overseas markets, so there has been a significant increase in overseas markets.

In terms of product items, of these 153,000 tons, 60% is canned material. Production has increased by half in Thailand and half in the United States.

As for the market, a large part of the increase in sales in Thailand is for the US market, so the US can materials market is very active, and can materials sales be increasing mainly in the US market.

Then there's automotive materials. Last year, COVID-19 had an impact in the first half. However, due to the impact of semiconductors and other factors, automakers' production has been a little weak, but compared to the previous fiscal year, it increased for 21,000 ton.

The thick plates. This one has been very strong and has increased by 11,000 tons, for a total increase of 153,000 tons through the last three quarters.

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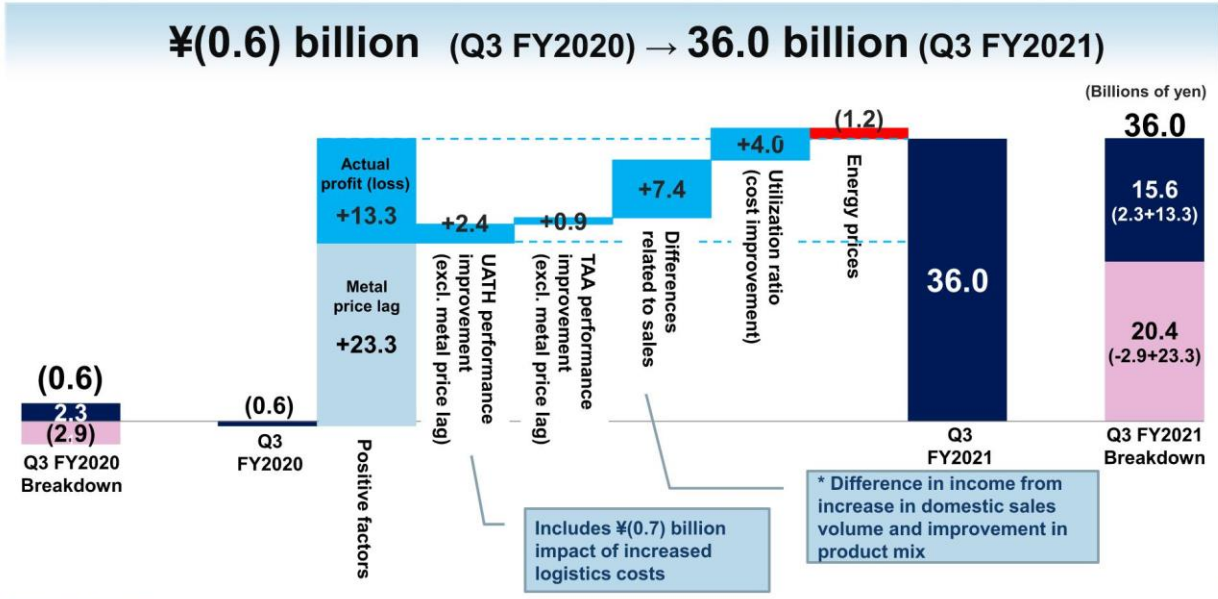
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**Analysis of Consolidated Ordinary Income (Q3 FY2020 → Q3 FY2021)**



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Please see page seven. This is a profit and loss analysis compared with the same period of the previous year.

As I mentioned earlier, there was an improvement of JPY36.6 billion compared to the same period of the previous year. As you can see on the left side of the waterfall, of the JPY36.6 billion, JPY23.3 billion is the metal price lag. The remaining JPY13.3 billion is the actual profit. Of that JPY13.3 billion, UATH's performance was JPY2.4 billion. This includes JPY700 million in increased costs due to soaring logistics costs, but even after factoring that in, our profit and loss has improved by JPY2.4 billion.

Then JPY900 million profit for TAA. The other big thing is domestic sales. This is a big increase, and with it comes an increase in capacity utilization ratio, sales-related, capacity utilization ration increased.

On the other hand, the increase in energy costs resulted in a JPY1.2 billion decrease, resulting in a JPY36 billion profit for the three quarters.

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## Consolidated Balance Sheet

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

	March 31, 2021	December 31, 2021	Change from March 31, 2021
Cash and deposits	28.1	27.1	(1.0)
Notes and accounts receivable – trade	120.0	138.7	18.7
Inventories	131.7	186.7	55.0
Other current assets	14.8	27.9	13.1
Noncurrent assets	400.3	390.4	(9.9)
Investments and other assets	38.1	38.4	0.3
<b>Total assets</b>	<b>733.0</b>	<b>809.2</b>	<b>76.2</b>
Notes and accounts payable – trade	101.1	116.5	15.4
Short-term loans payable	110.0	131.9	21.9
Long-term loans payable	225.7	206.2	(19.5)
Other	99.6	129.7	30.1
Total shareholders' equity	177.5	200.0	22.5
Accumulated other comprehensive income, non-controlling interests	19.0	25.1	6.1
<b>Total liabilities and net assets</b>	<b>733.0</b>	<b>809.2</b>	<b>76.2</b>

(Billions of yen)

Increase due to higher  
prices of aluminum  
ingot, etc.

Capital  
expenditures  
(inspection basis)  
¥15.4 billion

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Page eight. This is an overview of the balance sheet.

Total liabilities and net assets were JPY809.2 billion at the end of December 2021, an increase of JPY76.2 billion YoY. As you can see in the box, there has been an increase in the price of aluminum ingots in the form of notes and accounts receivable-trade and inventories. Then there is the increase in sales volume, which is a big increase here.

Changes in tangible and intangible fixed assets. Capital investment has decreased by JPY9.9 billion, but it was JPY15.4 billion for the last three quarters.

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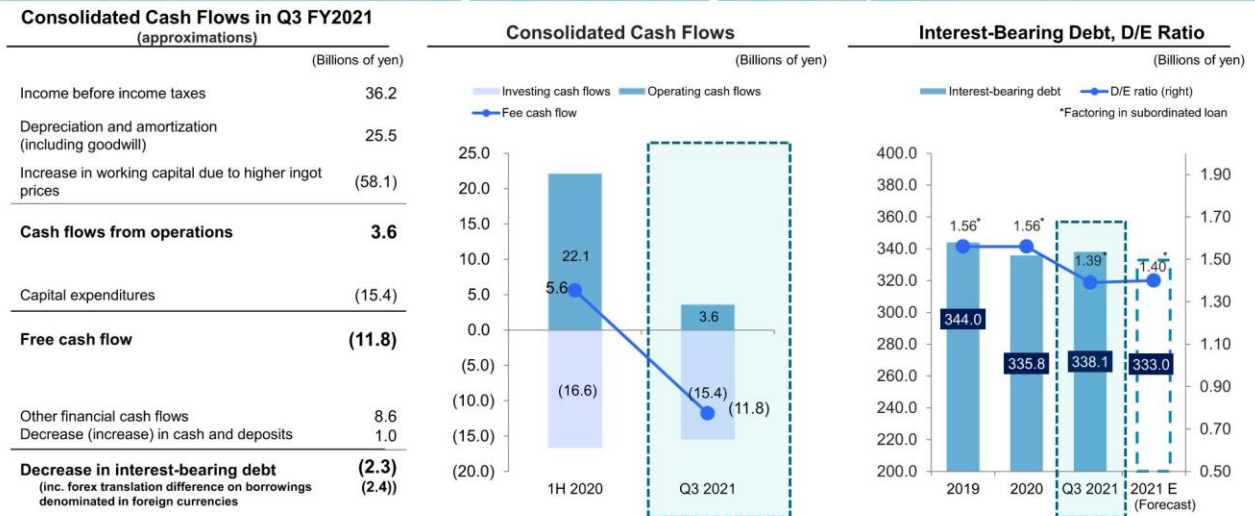
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1. Results for Q3 FY2021

## Consolidated Cash Flow Statement

Reducing interest-bearing debt, despite increase in working capital due to higher aluminum ingot market prices



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Page nine shows the status of cash flow.

Interest-bearing debt has increased slightly, by about JPY2.3 billion, so this is a summary of what the situation is.

On the left side of the page, we generated about JPY62 billion in retained earnings from income before income taxes and depreciation and amortization, but we also used about JPY58 billion in working capital due to the rising price of ingot, aluminum, and recently added metals. As a result, operating cash flow was increased by JPY3.6 billion.

In addition, capital investment is JPY15.4 billion, so free cash flow is JPY11.8 billion.

By adding other financial cash flow and then cash and cash equivalents, we ended up with decrease of JPY2.3 billion in interest-bearing debt.

For borrowings in foreign currencies. This is the borrowing of overseas companies, which increased to JPY2.4 billion due to the conversion difference caused by the weaker yen, so in effect, the figure was almost the same as the previous fiscal year.

As you can see in the bar graph on the far right, we plan to reduce interest-bearing debt to JPY333 billion at the end of March 2022.

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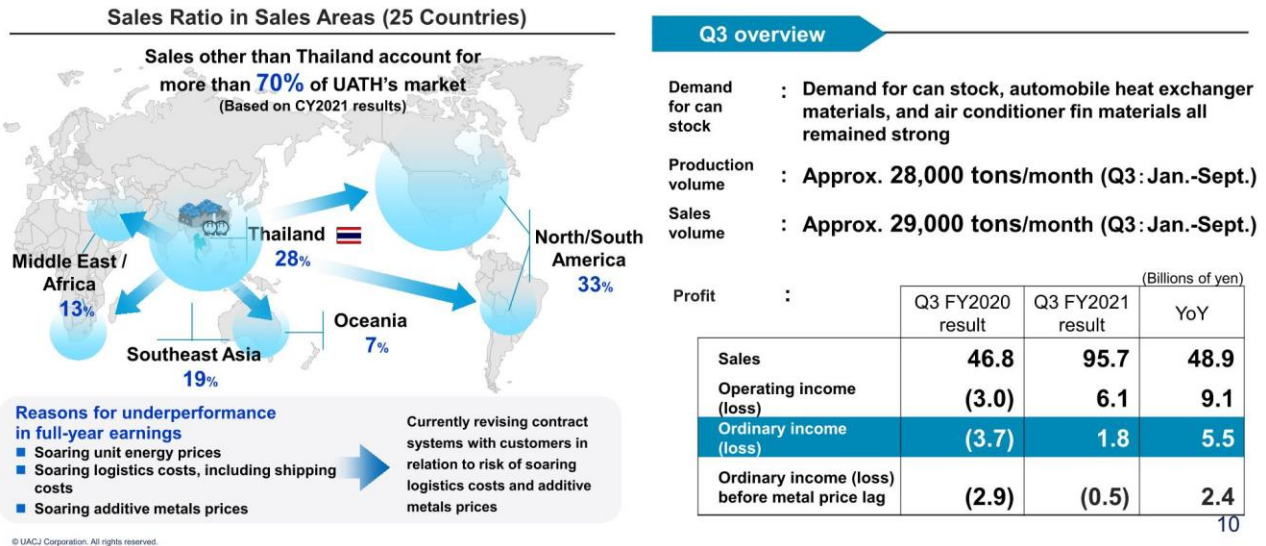
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## Situation in Thailand (UATH) – Overview of Q3 FY2021

Ordinary income moved into the black thanks to the establishment of production and sales capabilities to capture strong demand



From page 10 onwards, we have created a brief page on the current status of our three overseas bases.

First, please go to page 10. This is the situation with UATH in Thailand.

As for UATH, the image on the left shows that 30% of its production is in Thailand, and the rest is exported from Thailand. They export to North and South America for about 33%, which is a quite big market. They are currently supplying a large portion of our products to the North American market, mainly can stocks.

The bottom of this page shows some of the factors contributing to downward revision of full-year earnings such as the increase in energy bills. Then there is the rising cost of shipping. Recently, the cost of metal additives has risen, and the cost has gone up slightly. We are currently discussing with our customers to revise some of our contracts in terms of logistics costs and the risk of rising prices of additive metals.

Sales volume was very strong in 3Q, and although it is not written here, 4Q has been also very good. Originally, the annual target for 2021 was 320,000 tons for the period from January to December, and we have achieved this goal.

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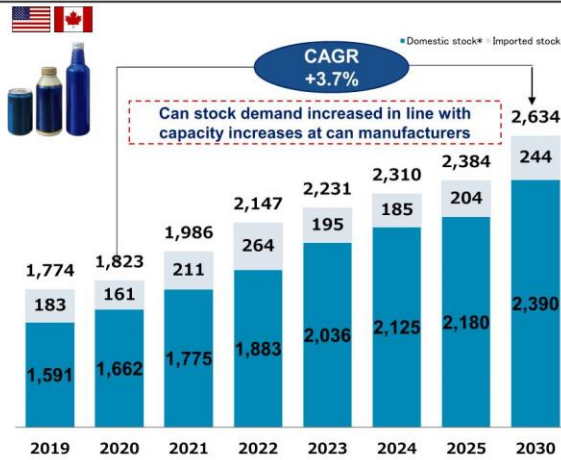
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## Situation in United States (TAA) – Overview of Q3 FY2021

Large YoY increase in ordinary income thanks to capture of strong demand for cans in North America

United States & Canada Can Stock Supply Balance (Thousands of tons)



Source: CRU Can Stock Market Outlook 2021 3Q  
 \* Domestic stock shows total estimated production volume of United States rolled product manufacturers after excluding imports outside the United States and Canada

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### Q3 overview

- Demand for can stock** : Strong demand continued
- Sales volume** : Approx. 42,000 tons/month (Q3 total: Apr. – Dec.)
- Production capacity** : Established an operation network to handle production of approximately 450,000 tons/year
- Capacity increases** : Began considering facility enhancements at Logan Mill

Profit	(Billions of yen)		
	Q3 FY2020 result	Q3 FY2021 result	YoY
Sales	99.5	171.2	71.7
Operating income (loss)	7.7	22.3	14.6
Ordinary income (loss)	6.0	20.5	14.5
Ordinary income (loss) before metal price lag	6.3	7.2	0.9

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Next is the TAA.

This time, the demand situation for can stock in the US and Canada is written on the left. This figure is expected to increase by more than 4% every year from FY2025 to FY2030. As a result, the sales volume of TAA will also increase.

Also, we are currently discussing with our partner, Novelis, about the investment in Logan Mill, which was released in January.

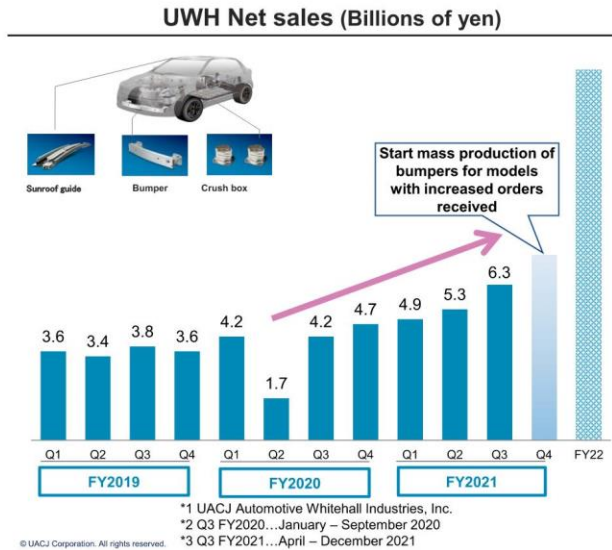
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## Situation in United States (UWH\*1) – Overview of Q3 FY2021

**Aiming to move into the black in Q4 with the start of mass production of aluminum structural materials for major OEMs in Japan and the United States**



### Q3 overview

- Demand** : Despite continued expansion of the EV market, the impact of COVID-19 and semiconductor shortages has recently been notable
- Sales** : Although sales have increased, mainly for emerging EV manufacturers, sales have been impacted by soaring ingot prices, COVID-19, semiconductor shortages, etc. Plan to recover with start of mass production of bumpers for models with increased orders received from Q4
- Production** : New Arizona plant is ready for operation but waiting for operation of customer's new plant

Profit : (Billions of yen)

	Q3 FY2020*2 result	Q3 FY2021*3 result	YoY
Sales	10.1	16.5	6.4
Operating income (loss)	(2.0)	(1.7)	0.3
Ordinary income (loss)	(2.2)	(1.9)	0.3

Please go to page 12. Whitehall, it is a parts business.

The volume of EVs here is increasing, and we are getting very good inquiries at the moment. On the other hand, there is a shortage of semiconductors, and due to the effects of COVID-19, our customers' factories, including the plant in Whitehall, have been operating at a low level due to the presence of people who have come into close contact with infected people with COVID-19. Because of this, the 3Q result has been quite tough.

However, from 4Q, we will finally start mass production of the products we have already received orders for, and we will start to recover our investment in 4Q or next fiscal year.

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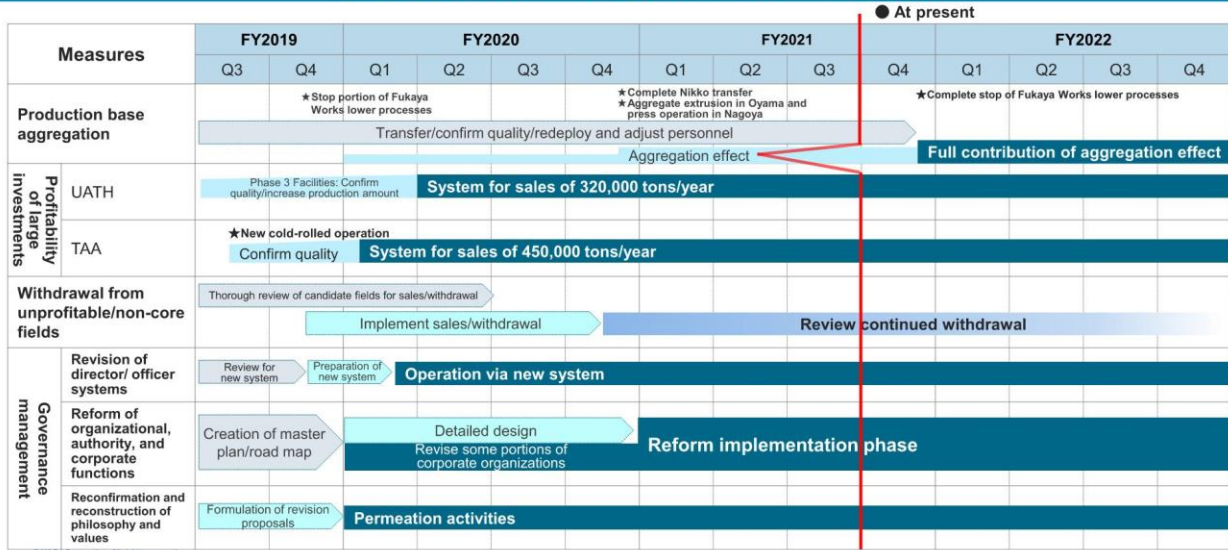
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2. Progress on Restructuring

**Progress on Restructuring**

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



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Next, I would like to explain the progress of structural reform. Please go to pages 14 and 15.

Page 14 shows the progress.

As in the past, I will mention later about a slight delay of production base aggregation, but the situation has been affected by the delay in certification by our customer automakers.

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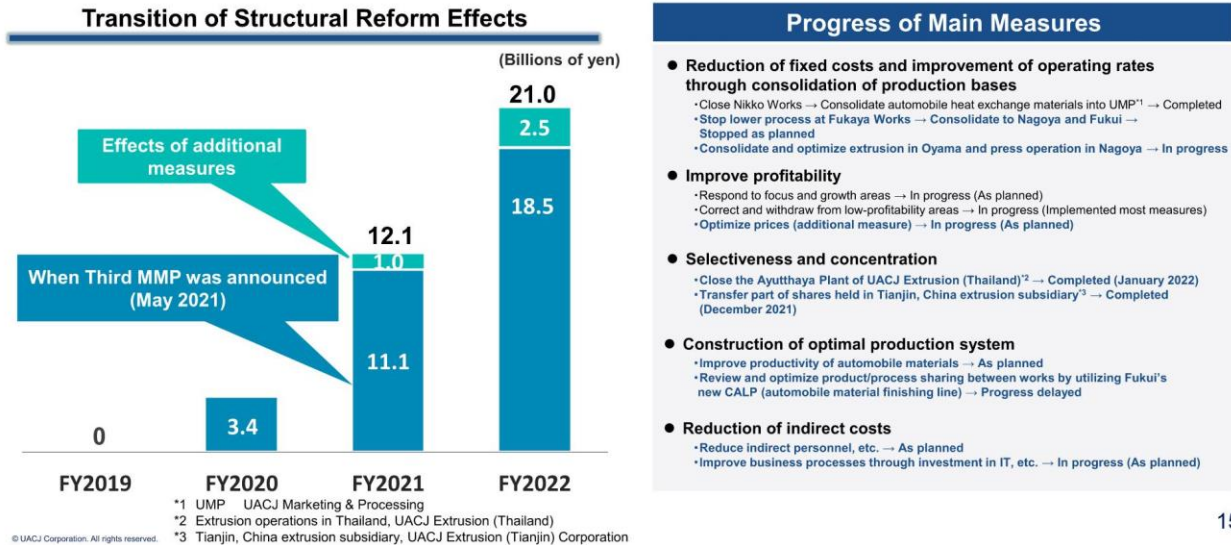
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## 2. Progress on Restructuring

### Efficiency through the Structural Reforms

Some ongoing delays to seeing the benefits of production base aggregation owing to the impact of COVID-19, but making up for these delays with additional measures



The effects of structural reforms are summarized on page 15.

As I mentioned in the previous briefing, we believe that we can cover the JPY21 billion target by adding up the shortfall due to the increase in transaction prices.

Here are a few key points of what happened in the last three quarters.

Please take a look at the "selectiveness and concentration" section. Originally, in January last year, we announced that we would close our Ayutthaya plant in Thailand. After a year of work, the liquidation of the plant was completed at the end of January as scheduled.

For our subsidiary factory in Tianjin, China, we also made a joint venture with another company in China for an extrusion plant, and sold the shares to the other company, which was also completed at the end of December. This allowed us to implement some of the planned selectiveness and concentration.

Construction of optimal production system as I mentioned earlier, we are ready to prepare a finishing line for automobiles in Fukui, but there is a slight delay due to the delay in certification by our customers. However, production here will be on schedule in the second half of 2022, so we expect to be able to carry out all the structural reforms as planned by the end of FY2022.

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### 3. Full-Year Forecast for FY2021

## Full-Year Forecast for FY2021

(Billions of yen)	FY2021 (May forecast) (A)	FY2021 (August forecast) (B)	FY2021 (November forecast) (C)	FY2021 (Current forecast) (D)	FY2020 (E)	Change (D)–(A)	Change (D)–(B)	Change (D)–(C)	Change (D)–(E)
Net sales	660.0	700.0	750.0	<b>750.0</b>	569.8	90.0	50.0	0	180.2
Operating income	22.0	33.0	50.0	<b>50.0</b>	11.1	28.0	17.0	0	38.9
Ordinary income before metal price lag	9.9	13.4	21.0	<b>18.0</b>	6.2	8.1	4.6	(3.0)	11.8
Metal price lag	6.1	11.6	19.0	<b>22.0</b>	(0.2)	15.9	10.4	3.0	22.2
Ordinary income	16.0	25.0	40.0	<b>40.0</b>	6.0	24.0	15.0	0	34.0
Net income	8.0	12.0	20.0	<b>23.0</b>	(3.3)	15.0	11.0	3.0	26.3
Adjusted EBITDA	50.8	54.9	63.0	<b>63.0</b>	44.7	12.2	8.1	0	18.3

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Next, on page 17 onwards, I will explain the outlook for the full year.

Page 17 shows the forecast of profit and loss for the year.

The red framed area indicates the current outlook. Net sales were JPY750 billion, unchanged from the end of November. Operating income also remains unchanged at JPY50 billion. The third item from the bottom, ordinary income, is JPY40 billion, which has not been changed, but the breakdown has changed.

Ordinary income before metal price lag, changed from JPY21 billion to JPY18 billion. On the other hand, we have changed the metal price lag by the same amount, so we expect ordinary income to remain the same.

As for the final profit, we have revised it from JPY20 billion to JPY23 billion. EBITDA is expected to be JPY63 billion.

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### 3. Full-Year Forecast for FY2021

## Sales Volume, Flat-rolled Products (Current Forecast)

(Thousands of tons)

	FY2021 (May forecast) (A)	FY2021 (August forecast) (B)	FY2021 (November forecast) (C)	FY2021 (Current forecast) (D)	FY2020 (E)	Change (D)–(A)	Change (D)–(B)	Change (D)–(C)	Change (D)–(E)
Can stock	845	847	842	844	693	(1)	(4)	2	151
Foil	59	58	59	57	52	(2)	(1)	(2)	5
IT	19	18	17	14	25	(5)	(3)	(2)	(11)
Automotive materials	155	157	148	142	123	(13)	(15)	(6)	19
Thick plates	49	51	53	54	42	5	2	0	12
Other general-purpose materials	201	211	212	219	180	18	8	8	40
<b>Total</b>	<b>1,328</b>	<b>1,342</b>	<b>1,330</b>	<b>1,329</b>	<b>1,113</b>	<b>1</b>	<b>(13)</b>	<b>1</b>	<b>216</b>
	For Japanese market 505 For overseas market 824	For Japanese market 504 For overseas market 838	For Japanese market 492 For overseas market 838	For Japanese market 486 For overseas market 843	For Japanese market 441 For overseas market 673	For Japanese market (19) For overseas market 19	For Japanese market (18) For overseas market 5	For Japanese market (6) For overseas market (5)	For Japanese market 45 For overseas market 170

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Please go to the next page. Page 18.

This is the sales volume by products. If you look at the total, we had 1.33 million tons in November, and now we have 1.32 million, so there is a slight change in volume, but the total has not really changed.

This time, we have not changed the consolidated ordinary income of JPY40 billion, but as I mentioned earlier, we have slightly changed the content. The metal price lag will increase a little bit, and in return, other areas will decrease. The details are on page 19.

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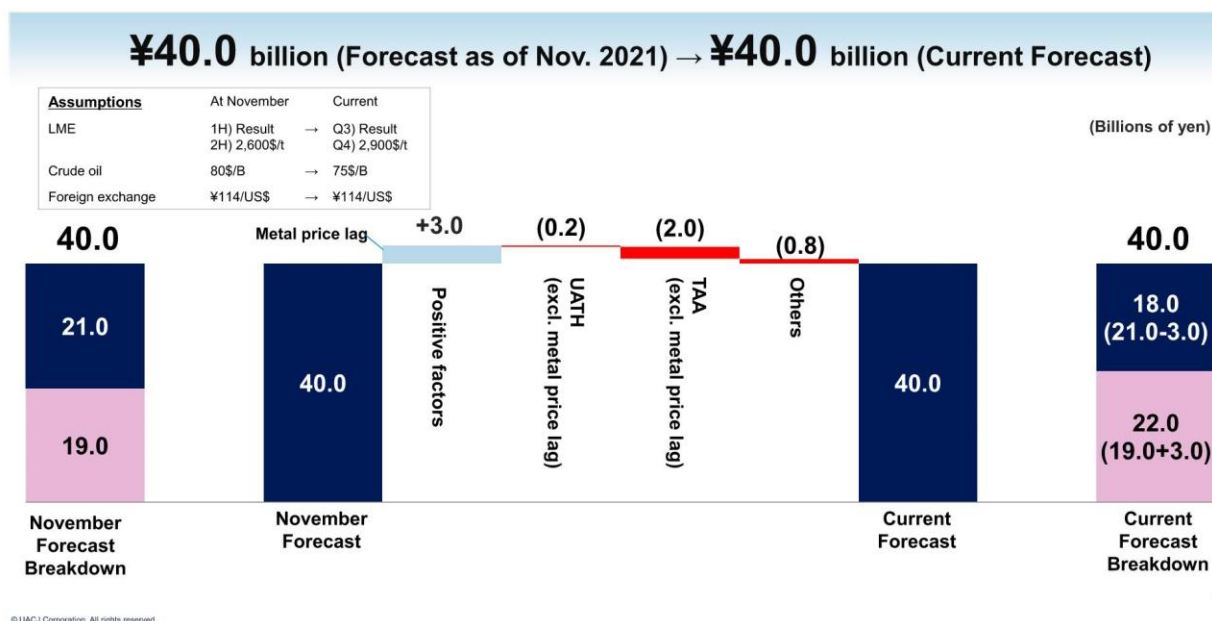
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### 3. Full-Year Forecast for FY2021

## Analysis of Consolidated Ordinary Income (Forecast as of Nov. 2021→Current Forecast)



19

The LME price, the price of bullion, was the first assumption we looked at. As of November, we saw it at USD2,600. Then, it was over USD3,000. In December, on the contrary, the price dropped once to USD2,500, but it has been rising again, so we have revised the price for 4Q based on USD2,900. As a result, we expect the metal price lag to increase by about JPY3 billion.

On the other hand, TAA figure is expected to be a bit negative. The biggest reason for this was actually some equipment trouble at the Logan plant in November. We saw that production would not be possible due to this, and that it would decrease.

However, canned stocks are very tight, and customers are asking for them, so we are thinking of moving the sales of the four quarters to 1Q of next year or later. So, you can expect a large part of the JPY2 billion deterioration to be shifted to 1Q of next year.

In fact, the factory has been working very hard to solve the problems, so we are almost always able to produce products on schedule. However, sales to customers will be delayed until after April, so please think of it as a little bit of a mix-up between 4Q and 1Q.

The other negative figure of JPY8 million is due to a considerable increase in the amount of metal additives, and the cost of those additives is reflected in the negative figure, so although the figure of JPY40 billion is unchanged, the contents are slightly different.

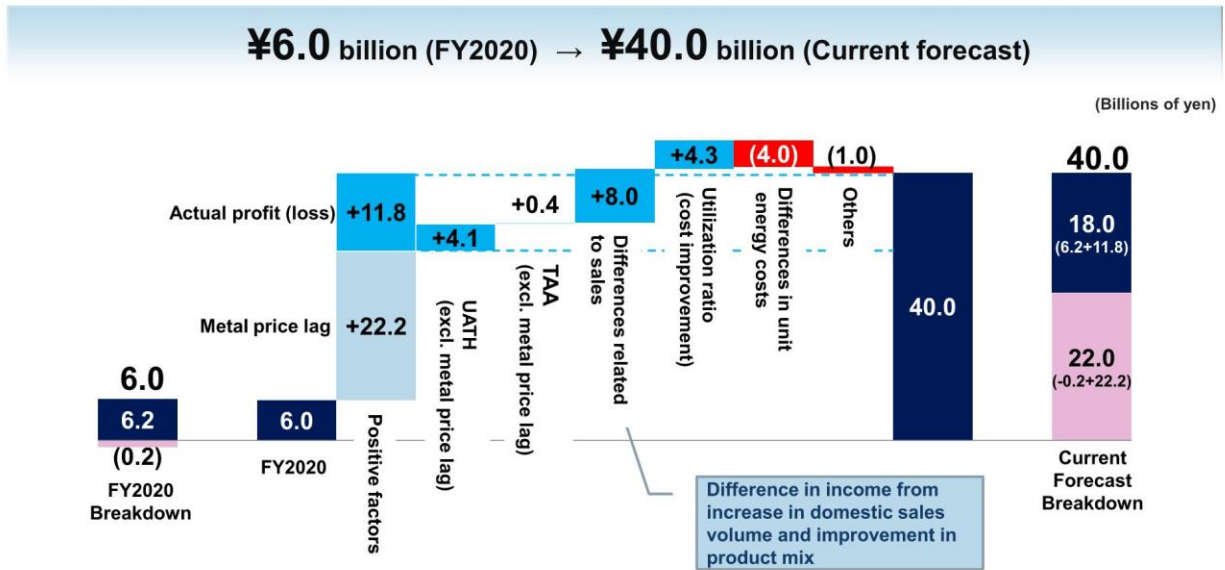
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## Analysis of Consolidated Ordinary Income (FY2020 → Current Forecast)



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Then page 20. This is the movement compared to the same period of the previous year.

The profit was JPY6 billion in FY2020, and it is JPY40 billion in FY2021 forecast, which is a profit increase of about JPY34 billion. Since this is the similar situation, which I won't go into too much. One thing, the energy cost became negative. We compensate for this with sales and utilization ratio. Compared to the previous fiscal year, metal price lag increased by JPY22.2 billion and actuals increased by JPY11.8 billion.

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**Capital Investment Plan / Depreciation and Amortization**

Approximately 70% of depreciation costs are capped at capital expenditures.  
Allocate a certain amount to climate change countermeasures and promote them in a planned manner

		Q3 FY2020	FY2020	Q3 FY2021	FY2021 forecast
		(Billion of yen)			
<b>Capital Investment Plan</b>	General investment	<b>7.2</b>	<b>10.9</b>	<b>10.1</b>	<b>21.0</b>
	Strategic investment	<b>5.4</b>	<b>7.2</b>	<b>5.3</b>	<b>8.8</b>
	<b>Total</b>	<b>12.5</b>	<b>18.1</b>	<b>15.4</b>	<b>29.8</b>
<b>Depreciation and amortization</b>		<b>25.0</b>	<b>33.4</b>	<b>25.5</b>	<b>34.9</b>

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21

Page 21 shows the capital investment.

The total for the first three quarters is JPY15.4 billion, and the total for the year is JPY29.8 billion. Looking at these figures, 4Q itself has a huge capital investment. However, we believe that some of them will be postponed until FY2022 or later. As a matter of fact, the plan for the annual forecast is JPY29.8 billion.

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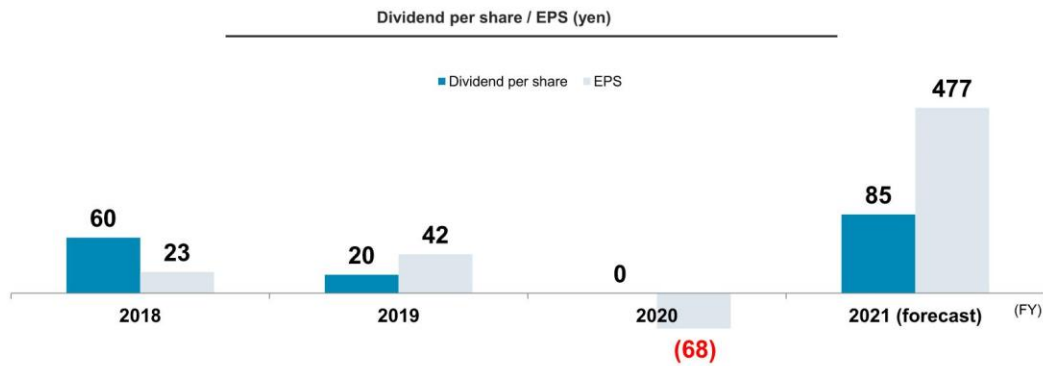
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## Shareholder Returns Policy

### Maintain dividend of JPY85

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



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Page 22 shows the dividend.

In May of last year, we originally announced an annual dividend of JPY40 per share, but we revised it to JPY85 per share in 2Q. We are planning to keep it that way.

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## Changes in the External Environment and Our Countermeasures

Take countermeasures to flexibly respond to changes in the external environment and minimize the impact on profit and loss

Changes in the External Environment	Risks to our business	Countermeasures
Semiconductor shortages Impact of supply chain disruptions	Decrease in sales due to decrease in sales volume of automobile parts	We are impacted by customers' adjustments to production, both in Japan and overseas, particularly in relation to automobiles. We will respond promptly to the needs of customers, while paying close attention to the production trends of our customers
Additive metals procurement risk Additive metals price hike risk	Profit pressure due to procurement difficulties and soaring prices of additive metals such as magnesium and metal silicon	Some level of outlook in place for procurement of additive metals Considering the introduction of pricing systems linked to market prices (already agreed with major customers)
Soaring logistics costs	Soaring marine transportation costs due to soaring container prices	We have agreed with the majority of customers to change contract terms so that logistics costs can be passed on to prices
Spread of COVID-19	Decrease in sales volume and sales resulting from temporary closure due to lockdowns, and lowering of operating rates of factories of the Company and customers	We will utilize BCP to minimize the impact of COVID-19
Growing demand for beverage cans in North America	Loss of sales opportunities due to delay of new investment	Considering facility enhancements aimed at enhancing flat-rolled product production capacity at Logan Mill

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Page 23. There are a number of risks and a variety of external factors at work, which I have summarized here.

The first big one is the disruption in the supply chain due to the shortage of semiconductors, and that is in the automobile industry. As I mentioned earlier, both Japan and the US are affected by this, and the sales for this area is decreasing. Demand itself is strong, so I think this will shift to the next fiscal year and beyond.

Then additive metals. The situation of magnesium was chaos, but we have products at hand at the moment. We are trying to procure as much as possible ahead of schedule, so we have about six months' worth of supplies in hand.

However, the price has gone up considerably. We are now considering a price scheme that is linked to the market price and will be charged to the customer. We have already agreed with most of our major customers, and we believe that will affect the price revision from April.

Logistics costs are also very high and costly. In the same way as for the metal additives mentioned earlier, we have asked our customers to agree on this as well.

In addition, the spread of the COVID-19 infection has affected our customers and our company, both in Japan and overseas, in the form of infected people or people in close contact with infected people. This is not a problem because the BCP minimizes the impact of infection, so there is no major impact.

Then there are the cans stock in North America, as I explained earlier.

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4. Sustainability Initiatives

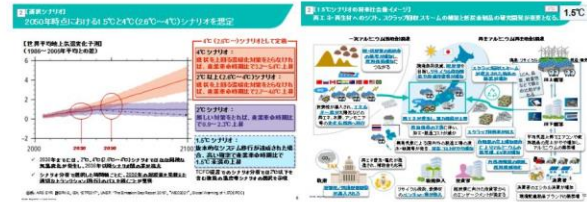
Scenario Analysis of Climate Change Risks and Opportunities (TCFD Scenario Analysis)

Conduct risk significance assessments and analysis of two scenarios, 4°C and 1.5°C, in accordance with the TCFD recommendations

The Company's activities related to the TCFD

(Partial extract from scenario analysis materials)

- July 2021** Adopted as a "project supporting climate risk and opportunity scenario analysis in accordance with the TCFD in FY2021" by the Ministry of the Environment
- September 2021** **Expressed support for the TCFD recommendations**  
Participated in the TCFD Consortium
- October 2021 to January 2022** Conducted climate change scenario analysis with the support of the Ministry of the Environment



\* More detailed results of scenario analysis are (expected to be) provided in "Practical guide for Scenario Analysis in line with the TCFD recommendations," to be announced by the Ministry of the Environment

Reference: Our website [Responses to climate change (<https://www.uacj.co.jp/csr/environment/climate.htm>)]

**Analysis that full-fledged shift to utilizing renewable energy and recycled materials will occur**

**Soon create scrap collection system and further deepen research and development into low-carbon products**

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Finally, I would like to report two points about our sustainability initiatives.

Look at page 25. This is in response to TCFD.

Last September, we expressed our support for TCFD's recommendations and joined the TCFD Consortium. After that, the Ministry of the Environment invited us to support the TCFD scenario analysis, and we applied for it, and were selected to analyze the TCFD scenario from October to January.

It's finalized. A summary of the results will be posted on our website today at the same time as the announcement of the financial results. We are working on the 4°C scenario and the 1.5°C scenario by analyzing the opportunities and the risks.

I will be thinking more about this TCFD in the future.

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4. Sustainability Initiatives

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

### Purchase of UBCs, signing of memorandum on promoting closed-loop recycling



Conference with Minister of Environment  
(November 2020)

November 2020

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

Exchanged the above memorandum at the Ministry of Natural Resources and Environment of Thailand. Aim to establish cooperation and coordination between each site to achieve a circular society, and promote the recycling of environmentally friendly beverage packaging.



Memorandum signing ceremony  
(December 2021)

December 2021

#### Signed “Memorandum Related to Purchase of UBCs and Promotion of Closed-Loop Recycling”

Declared the launch of an initiative in which a Thai beverage maker group will collect containers, and after processing as scrap, UATH will roll the material and supply it to can manufacturers.



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

Cooperating 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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The last topic is on page 26.

I've mentioned this several times, so I'm sure you remember it. In the form of closed-loop recycling initiative within UATH Thailand, we are promoting the horizontal recycling of UBC and can scrap within Thailand.

We have signed a memorandum of understanding (MOU) regarding the promotion of this project. Based on this, we are planning to promote closed-loop recycling initiative within Thailand in the future.

That's all I have to say.

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## Question & Answer

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**Okada [M]:** That is all the explanation we have for you.

We will now take your questions. I will introduce the first questioner. Mr. Yamaguchi, SMBC Nikko Securities Inc.

**Yamaguchi [Q]:** Thank you for all your presentation. As always, it would be great if you could tell us the full year sales, operating income, and ordinary income of the three overseas subsidiaries.

Also, I don't think there were any segment forecasts for copper products and rolled aluminum products this time, but please let me know if there are any. This is the first question.

**Company Representative [M]:** Mr. Iida, the Accounting Manager, will tell you about the full year forecast of overseas subsidiaries.

**Iida [A]:** I will give you the figures for UATH, TAA, and UWH in the order of net sales, operating income, and ordinary income.

First, UATH's full year forecast for the net sales is JPY140 billion, operating income is JPY9.4 billion, and ordinary income is JPY5.1 billion. For TAA, net sales is JPY22.57 billion, operating income is JPY24 billion, and ordinary income is JPY21.5 billion. For UWH, net sales is JPY24 billion, operating income is minus JPY1.5 billion, ordinary income is minus JPY1.8 billion. That is all.

**Iida [A]:** For the full year forecast by segment, please refer to page 28.

**Yamaguchi [Q]:** I understand. Please explain the background, such as the fact that the current annual forecasts for overseas subsidiaries are off, or rather, sales are down, and profits are not down even though they are. This is the second question.

**Kawashima [A]:** First of all, for Thailand, compared to last year, we are operating at full capacity this year, so sales have risen significantly. Then profits are rising along with production. However, as I mentioned earlier, there is an increase in the cost of marine transportation, added metals, etc., and this is offset by the cost of other factors. However, in terms of absolute figures, the impact of July has also been quite positive. That's where the profits are coming from.

In the US, the sales volume of TAA has not deviated significantly because the capacity is almost full. Sales are up only because of the increase in the price of bullion. As for the profit and loss, as I mentioned earlier, there was a problem in 4Q, so the volume was reduced, resulting in a negative figure.

In the US, it is land transportation that increases costs. Truck transportation costs have also risen, and in the case of the US, energy costs and metal additives are delayed by one year, so there may be some irregularities when looking at the fiscal year end, but basically, we are able to pass these costs on to our customers through the price index. Compared to the previous fiscal year, the current fiscal year has seen a large increase in profits due to higher bullion prices and the availability of cheap raw materials for various bullion.

And last but not least, Whitehall. As I mentioned earlier, mass production of the products for which we have received orders will start in March this year, so in that sense, there has been no significant change

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compared to last year. The volume is also increasing a bit, so sales are increasing, and profits are growing quite a bit along with it.

On the other hand, there is a shortage of semiconductors, and due to COVID-19, business has been doing well, but due to the impact of a slight slowdown in operations by our customers, profits have not been as high as expected. However, the business itself is very strong, and we believe that we will be able to catch up in the next fiscal year and beyond.

**Yamaguchi [Q]:** I'm sorry. I think I asked the wrong question, but if I'm not mistaken, the last time you gave us the interim results, the profit by each location, the sales went down for TAA, and I think this was probably due to the impact of the shipment, but the profit stayed the same.

For UATH, sales drop, but profits increase. I think, for Whitehall, it is about costs and the impact of semiconductors in his explanation, but I wanted to ask what was behind the deviation in sales and profits of TAA and UATH from the previous forecast.

**Kawashima [A]:** First of all, for UATH, the rise in profit is largely due to the metal price lag. As a result, profits have increased significantly compared to the previous fiscal year.

Also, demand for TAA is very strong, but as I mentioned earlier, due to land transportation, we were not able to sell some of them, and some of them remain in stock.

**Yamaguchi [Q]:** I understand. As for the last question, if you look at the financial results this time, for example, if you deduct the so-called "strong ordinary income," it was JPY2.4 billion for 3Q, it was only JPY2.2 billion for 4Q, and the total for the second half was JPY4.6 billion. As you mentioned earlier, even if you add back the TAA, which is JPY2 billion behind schedule, the figure would be JPY6.6 billion, and even if you double the figure at JPY6.6 billion, the figure would be JPY13 billion or JPY14 billion, which would not reach the JPY17.8 billion planned for this fiscal year. If things continue at this rate, it is likely that profits will decline considerably. There has been a lot of talk about raising prices, but how should we think about the outlook?

Also, I think there is a possibility that something like the metal benefits of TAA may not be expected every year, so I would like to know how I should think about this area.

This is the end of the question.

**Kawashima[A]:** First of all, very roughly speaking, for the last 4Q, the Company has borne the entire cost increase, including the increase in the price of metal additives and the increase in the cost of energy.

As I mentioned earlier, we have a contract in place now that requires customers to bear the burden, and this will take effect from April next year, so in that sense, this 4Q is tough, or 3Q and the second half of the year got too much burden. We believe that we will catch up on this amount in the next fiscal year and beyond.

Also, if you look at just 4Q, since it is the end of the fiscal year, there will be various one-time expenses related to financing, so I don't think the amount for 4Q will necessarily multiple four. I hope you can see it that way.

As for the overall demand for can stocks in the US, the situation is still very tight and strong, and this will not change. However, the contract is a multi-year contract, so what we are talking about now is a price increase after FY2024 or FY2025, so it's not going to raise prices in FY2022, so I think there will be a slight delay in that area.

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It is the same situation for Thailand. We sold 320,000 tons this quarter. However, there are some cost increases, and as I mentioned earlier, we have discussed and agreed to have our customers bear some of the costs. From the new fiscal year, I think we can assume that the amount will decrease by that amount, so it will not necessarily be the base of figures that Mr. Yamaguchi said for this fiscal year.

However, the cost of added metals and energy is still rising, so there will be efforts to help ourselves, and we will also have to change the composition of our production.

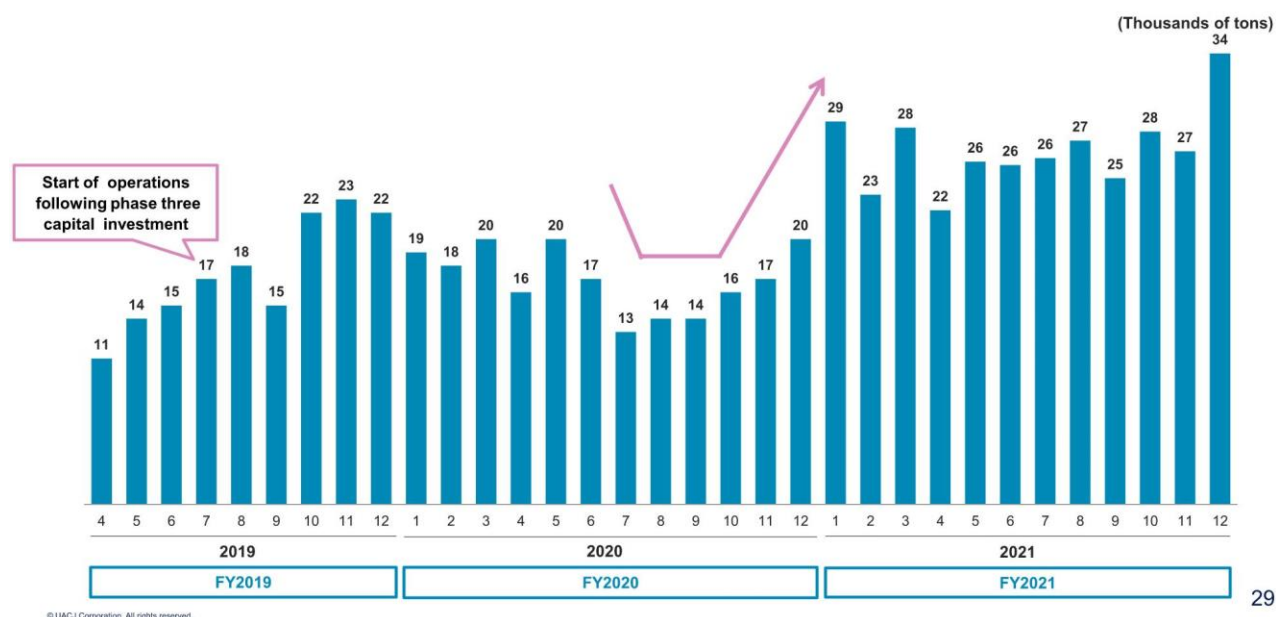
Another thing is the effect of the structural reforms that we are promoting. This is also going up every year, so I think this will also come out next year. That's all.

**Yamaguchi [M]:** I'm sorry it took so long. Thank you very much. Excuse me.

**Okada [M]:** Thank you for your question. The next question is from Mr. Shirakawa of Morgan Stanley Securities.

#### 5. Reference Data

### Monthly Sales Volume at UATH



**Shirakawa [Q]:** This is Shirakawa from Morgan Stanley Securities. Thank you very much for your presentation today. I would like to ask you two questions as well.

This is related to Mr. Yamaguchi's last question, but I think there are various cost increases this fiscal year, such as the cost of metal additives and the cost of energy. How much of a cost increase do you expect this fiscal year? When you say that it will be turned over from April next year, please tell us first how much you expect it to be turned over. This is the first point.

Secondly, regarding UATH in Thailand, I think you have lowered your forecast for UATH by JPY200 million on a performance basis from the November forecast, so on a performance basis, I think you are looking at breaking-even for this fiscal year.

Looking at the first, second, third, and fourth quarter, I think the plan is to generate a little profit in 1Q, followed by a little deficit, and then turn into a big profit in 4Q. I think your plan is to turn a large profit in 4Q.

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As you can see on page 29, for example, the volume was 34,000 tons in December, which is a level you have never seen before, and I think it is having a positive effect. When you think about next year, I think you said that you can pass on some of the cost increase to the next year. I would like you to comment on how much you can expect in terms of sales volume.

Also, please tell us about the background of turning black in 4Q. Please.

**Kawashima [A]:** This is Kawashima. As for your first question, I understand the purpose of your question, but we haven't closed the financial year yet, and we haven't been able to analyze how much at this stage. So, if you ask me how much it is, it is very difficult for me to give you an answer here.

However, the cost increase is due to energy costs, logistics costs, and the increase in the cost of metal additives in the second half of the fiscal year. We are working on asking the customer to bear some of the cost of this part so we can catch up on that. As for the amount, we are in the process of preparing the budget for FY2022 in preparation for the annual closing. I understand that you are very interested in next year's figures, but it is very difficult for me to give you detailed information here.

Then, for UATH, 4Q. As you pointed out earlier, this is a very large sales volume. Think of it as a backdrop to the rise in profits. For the next fiscal year, we are producing 320,000 tons this fiscal year, but the market environment has not changed at all. Therefore, we are aiming to produce and sell 320,000 tons, plus more.

In addition to this, there are energy costs, logistics costs, and added metals. For the current fiscal year, UATH is paying for all of the costs, but we are asking our customers to pay for these costs, and we are discussing and agreeing on a price scheme with them. I think that side is going to catch up. We apologize for the inconvenience, but we will be able to answer your questions when we announce our financial results in May, so please understand that this is just a summary at this stage.

**Shirakawa [Q]:** Thank you very much. As a supplement to the first point, if you have any figures, please let us know how much such cost increases were in the first three quarters.

**Kawashima [A]:** I'm sorry, I don't have it with me at the moment, so if I can find out anything about it today, I'll let you know. If I am not sure, our staff will contact you later.

**Shirakawa [M]:** Thank you very much. That's all.

**Okada [M]:** Thank you for your question. The next question comes from Mr. Goroh, UBS Securities Co.

**Goroh [Q]:** This is Goroh from UBS Securities. Thank you for your presentation today. Now, I have two points.

The first point is about the investment increase for Logan, which has started to be considered. I only have a rough idea, so I'm wondering what kind of time frame, scale, and impact there is. The first point is that I would like you to give us an outline of what you can tell us at this point.

The second point also relates to the question that Mr. Shirakawa just asked. This time, you are revising the roll margins in all regions and, although this may be a separate issue, you are passing on the increased costs.

In the past, it has taken a long time to revise the roll margin, and it has been difficult to see how much has been achieved in terms of analysis. This time, the tightness of supply and demand and the increase in costs will have an effect of a different magnitude than in the past, so it will be different from the usual price negotiations. I think it's about non-retirement, but about how much it can actually penetrate.

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I feel that the market is still not convinced, but I would like to know more about the difference between the past and the current price negotiations, for example, how much penetration you are aiming for, or what kind of customers you have already implemented the price negotiations for. Please explain in more detail.

Thank you very much for your cooperation.

**Kawashima [A]:** First of all, we are currently discussing Logan's investment with Novelis. I can't give you a specific number at this stage. It has not been decided yet.

However, we will start construction after we have agreed on the outline, so I think it will take four or five years for the first [inaudible] to come out.

Looking at our business in the US, other companies are also increasing their capacity in response to the increase in can stocks. In this regard, we are working on a scheme to meet the shortage by 2026.

We are now in talks to reach an agreement by this spring and to move forward with concrete plans. After that, nothing has been decided yet, so I can't talk about it here. I will talk to you again as soon as it is decided.

Also, I was told about the price. The first big difference is that last year, we are asking our customers to pay the cost of the price increase for all products in Japan. The purpose was not to increase the cost, but to ask the company to bear this part of the cost so that we can respond to the environment in a sustainable manner. There was a roll margin increase.

And now add to that, this is not an increase in the roll margin price, but an increase in the cost of the price. We have been discussing with them separately, asking them to bear part of the cost of energy and other things.

The big thing is that it is still very tight, both domestically and overseas. We are in a situation where things are in short supply. Under these circumstances, our company's credibility in terms of safety and certainty of supply has been increasing, so please understand that we have gained a lot of understanding against this background.

We believe that the actual numbers will be impacted next year, starting with FY2022 financial results.

**Goroh [M]:** I understand. Thank you very much.

**Ishihara [A]:** This is Ishihara. If I may add, the revision of the roll margin is not a cost increase in the conventional manufacturing side, but a response to environmental changes, and we are trying to tackle research and development with a focus on recycling.

We are going to ask for a revision of the roll margin to cover the cost of labor and investment in research and development.

Although customers may not call it roll margins, they are working on price revisions with this objective in mind, and we are sure that we will be able to achieve our target figures in this area. We have set a target of 25 or 30 for the next fiscal year, and I am confident that we will be able to achieve this goal.

In addition, we are asking for a separate price revision for the current cost increase in manufacturing. So, there is a difference between the two. I think that is the background. That's all.

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

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**Kawashima [A]:** Regarding Logan, I forgot to mention one thing. We are now considering investments, but I don't think this will cause a significant deterioration in our financial discipline.

Please understand that our financial discipline is a discipline, and we are trying to keep it that way.

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

**Okada [M]:** Thank you for your question. The next question, Mr. Matsumoto of Nomura Securities Co.

**Matsumoto [Q]:** I'm Matsumoto from Nomura Securities. Thank you.

The first point is about automobile-related products. I think the production cutback in automobiles started around the July to September period, but I would like to know the quarterly impact on your company's shipments, if you could tell us a little bit about it by field, such as UWH. Can you tell us approximately when it will return to normal?

Secondly, please tell us what kind of TAA problems have occurred and how you are analyzing the causes and taking measures to deal with them. That's all.

**Kawashima [A]:** This is Kawashima. Actually, I would like to know when the production cutbacks in automobiles will be fixed. Demand is still strong, but there is a shortage of semiconductors. In addition, due to COVID-19, our customers, both in Japan and in the US, are experiencing a significant drop in operations, and although we have been told each time that we will return to profit in 4Q or next year, this has been postponed.

Demand is particularly strong in the United States, but COVID-19 infections are increasing. However, we have already received an order for a large bumper material for which we have already received an order, and mass production has finally started, and we have already started shipping a lot of it. We believe that we will be able to get this one for next year for sure.

In Japan, we are also lagging behind, but as I mentioned earlier, we expect to be able to get a certification in the second half of 2022, so we hope to catch up by the middle of the next fiscal year.

As for the trouble with the TAA, it's hard to say which machine it was, but there was a problem. So, as you know, can stocks be very tight in the US right now. We didn't want to inconvenience the customers, so we told them we would skip in 4Q. They said they understood. So, they asked us to send after Q1, and in return, they will try something on their own. They had to reduce their inventories or buy some from other companies.

At the moment, as I mentioned earlier, we have been able to catch up with the machine breakdowns, and we are now able to make our own inventory, so we are confident that we will be able to sell them to customers from April. Therefore, please understand that this is not a very serious factory problem.

**Matsumoto [M]:** Okay, thank you very much. That's all.

**Okada [M]:** Thank you for your question. Next question, Mr. Ozaki of Daiwa Securities Co.

**Ozaki [Q]:** I'm Ozaki from Daiwa Securities.

First, I am a little concerned about the fact that the actual recurring profit excluding inventory valuation for the first half was JPY13.2 billion and for the second half it will be JPY4.8 billion, which is quite bad. Assuming that you will lose JPY2 billion in the second half due to the impact of TAA production cutbacks, what is the reason for the remaining JPY6.4 billion decline in profit compared to the first half?

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Secondly, if you look at the trend of TAA's ordinary income, 1Q of this fiscal year was JPY1.5 billion, 2Q was JPY4.2 billion, 3Q was JPY1.5 billion, and I estimate that the forecast for 4Q is JPY2.1 billion.

I'd like to confirm that this second quarter of just over JPY4 billion was indeed overkill. Also, I have the impression that profits in the second half of the fiscal year are a little weak. Which quarter is the reason for the JPY2 billion reduction in production? Let me reconfirm this point.

Also, the third and final point is that I have the impression that the domestic aluminum rolling business, excluding TAA and Thailand, has also seen a fairly poor profit and loss in the second half of the year, so let me check the background to this.

That is all, please.

**Kawashima [A]:** This is Kawashima. In general, as I mentioned earlier, the increase in the cost of added metals and the cost of energy will increase in the second half of the year.

That's why the second half of the year will be more difficult than the first half. It's not that the demand is weak, but the burden of added metals, energy costs, and so on is getting bigger. As I mentioned earlier, we are working to ask our customers to do this from FY2022 onward.

In addition, as for 4Q, it is true that the TAA is in the negative of 4Q sales. Then, as you said earlier, TAA's 2Q is very good, and indeed they are. There are various factors, including sales volume and the timing of the availability of very inexpensive raw materials, so although the keynote has not changed, market conditions and timing have changed.

The same is true in Japan. It is a little weak, but the demand is very strong. The inquiries are strong, and we are trying to make things as much as we can. However, the second half of the fiscal year is looking a little tougher due to various factors such as the rising cost of energy, and the burden of added metals and energy costs in the second half of the fiscal year. So please understand that we are working now to fix that and rectify it for the first half of the next fiscal year.

**Ozaki [Q]:** If we assume that TAA is affected by the production cutback of JPY2 billion in 4Q, we would be able to make a profit of about JPY4 billion in 4Q without this effect. How can we understand?

**Kawashima [A]:** Not all of the JPY2 billion is due to that, so it's not 20 adding up to 20. In terms of thinking, we originally considered the price of bullion to be at a very high level. We saw that this would provide us with a very competitive raw material. But as you know, as I explained earlier, the price of bullion has suddenly dropped. This does not mean that they are not competitive, but that their competitiveness has dropped from, say, 100 to 70.

At present, the price of bullion is rising again, so although the competitiveness of bullion has not returned to 100, it has returned to around 90, and this is what you can see in 4Q.

**Ozaki [M]:** I understand. Thank you.

**Ishihara [A]:** I, Ishihara, would like to make a few additional comments. This is related to Mr. Matsumoto's question earlier, but I think that the difference between the first half and the second half of the fiscal year has had a significant impact on the automotive materials field, both in terms of extrusion and plates.

In the first half of the year, the impact of the COVID-19 disaster began to recover favorably from 2020, and although our customers were affected by the disaster, they said that they would manufacture at full throttle during the first half of the year, so we have been supplying products to Tier 1 and Tier 2 customers.

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Here in the second half of the year, we have not been able to achieve the same level of performance as in the first half. Therefore, as mentioned earlier in the section on aluminum sales volume by product type, the automobile and IT-related sectors are inevitably affected.

In this regard, I believe that the rise of these automotive materials will once again emerge toward the first half of the next fiscal year, and we will be able to achieve the same level of sales and profits as in the first half of 2021.

That's all.

**Ozaki [M]:** I understand very well. Thank you.

**Okada [M]:** Thank you for your question.

Since there are no further questions, I would like to conclude the question-and-answer session.

This concludes the financial results briefing for 3Q of FY2021 of UACJ Corporation.

Thank you very much for your time today. We look forward to your continued support and encouragement in the future.

Thank you very much for taking time out of your busy schedules to join us today.

[END]

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