UACJ Corporation

IR-Day (Second Half)

June 9, 2022

Event Summary

[Company Name]	UACJ Corporation	
[Company ID]	5741-QCODE	
[Event Language]	JPN	
[Event Type]	Analyst Meeting	
[Event Name]	IR-Day (Second Half)	
[Fiscal Period]		
[Date]	June 9, 2022	
[Number of Pages]	51	
[Time]	10:00 – 11:58 (Total: 118 minutes, Presentation: 56 minutes, Q&A: 62 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	9	
	Miyuki Ishihara	Representative Director and President
	Teruo Kawashima	Director, Member of the Board, and Executive Vice President
	Masataka Taguchi	Chief Executive, Flat Rolled Products Division Senior Managing Executive Officer
	Henry Gordinier	Managing Executive Officer/President and CEO of Tri-Arrows Aluminum Inc.
	Jyoji Kumamoto	Chief Executive, Corporate Strategy Department Executive Officer
	Fumihiko Sato	Chief Executive, Automotive Parts Business Division Executive Officer
	Kaoru Ueda	General Manager of Investor Relations Department
	David Cooper	President and CEO, UACJ Automotive Whitehall Industries, Inc.

Kimitoshi Inagaki	Representative Director and President, UACJ (Thailand) Co., Ltd.

Presentation

Ueda: We will now begin the second half of the program.

Henry Gordinier, Managing Executive Officer, President and CEO of Tri-Arrows Aluminum would like to first explain the can materials business in North America.

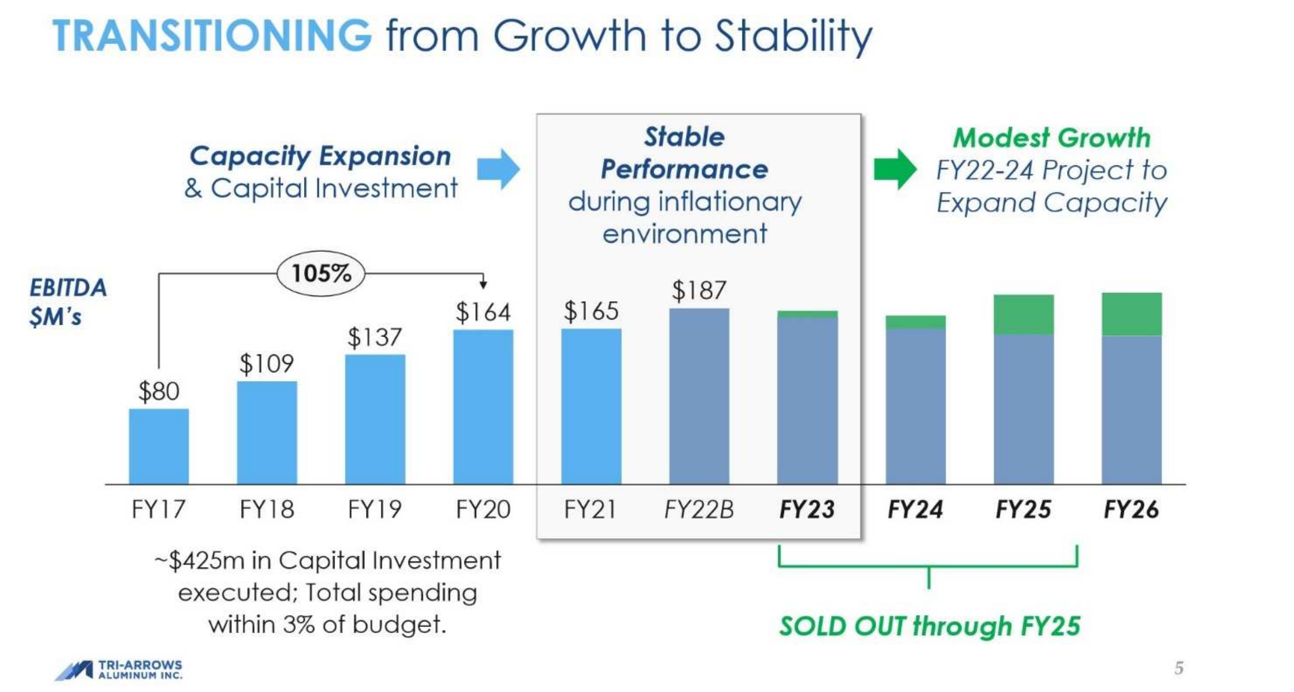
Let's begin the presentation.

Gordinier*: Good morning and thank you for being with us today. My name is Henry Gordinier and I am the President and CEO of Tri-Arrows Aluminum Inc.

First, a little bit about the company. Tri-Arrows Aluminum co-owns Logan Aluminum, which is a world-class aluminum rolling mill located in the Midwest of the United States. Logan is a manufacturing plant that is a production joint-venture, and it has over 1,400 employees.

Logan is a low-cost producer, and its cost position primarily is driven by world-class productivity. The culture is results-based, it's performance-based, and it's really grounded in teamwork as well.

From a sales perspective, the plant produces, and we sell, approximately 490 kt on an annual basis. We service the North American can sheet market and we are a preferred supplier to our customers. So, when I think about the recent past, what we've seen is, from a transition perspective, we are moving from a period of rapid growth into a period where we're going to see more stability and we're focused much more on earnings stability, particularly during an inflationary environment.

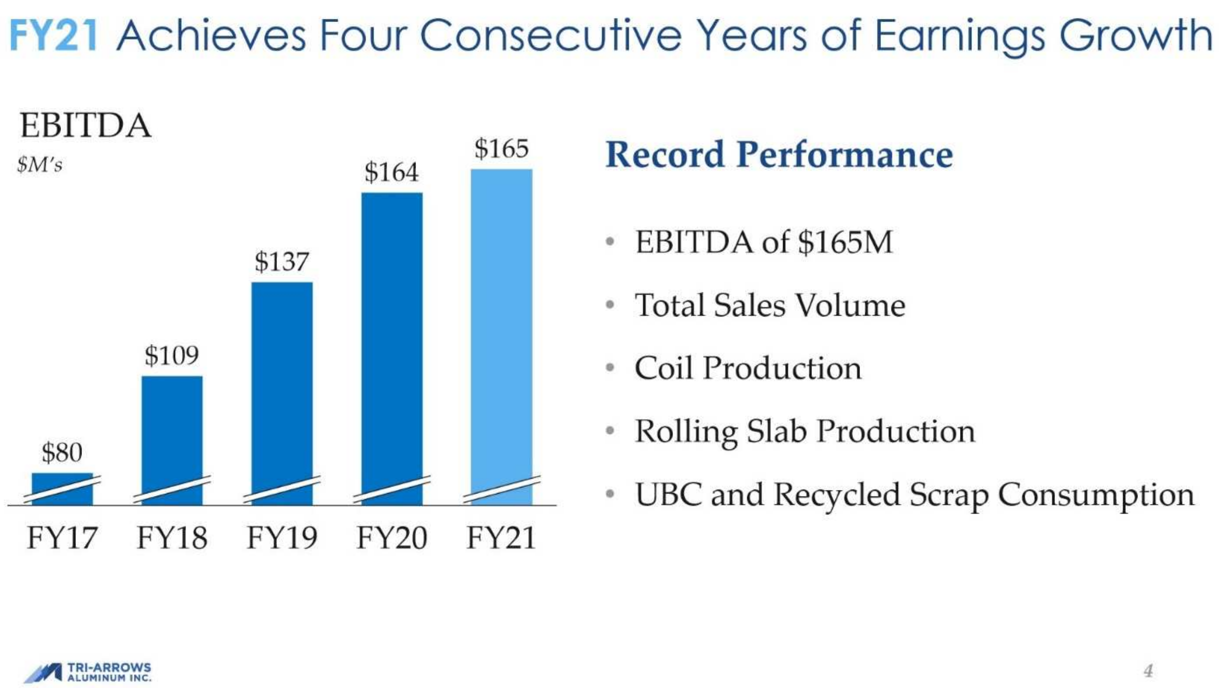


As you can see, our sales capacity has been sold out all the way through FY2025, and our business is currently moving forward with a project that's going to yield some additional capacity, modest in nature, and that capacity will be realized in our next mid-term plan, which will be FY2024 through FY2026

So, I'm going to back up just a touch and I want to focus in on the mission of our company.

The mission of Tri-Arrows is to create value, and it's to create value both for our shareholders, for our customers, for our partners, and it's to create value and be looking for opportunities for future growth. We're really focused on our partnerships, and we look for partners that, together with us, have a forward-thinking approach to business and have a value that's around dependability.

Most importantly, when I think about Tri-Arrows and our values, it's that we want to be ready to act and we want to be ready to act with systems and with processes that are scalable and that operate under very strong governance.



So, in FY2021, we've actually achieved, it was our fourth year of consecutive earnings growth, which we're very, very proud of.

In fact, since FY2017, you can say that the company has more than doubled our earnings, and the growth during this period of FY2017 through FY2021 was fueled by capital investment and this capital investment helped us expand our capacity. It also was key in helping us lower our manufacturing costs and in addition, our ability to increase the consumption of recycled material.

Specific to FY2021, Tri-Arrows achieved record performance in five areas for the company. We achieved an EBITDA of USD165 million, which was the highest in the history of the company. We achieved the greatest total sales volume for the history of the company. We had the largest coil production in the history of the company, the most rolling slab production in the history of the company and, as well, we had the largest amount of used beverage can and recycled scrap consumption in the history of the company.

So, it was a banner year and really represents a strong performance and a lot of effort over the past five years to scale and bring on the capacity and the investments that have been supported by UACJ.

Now I'll go back a touch on having talked about FY2021, now let's take a look at the forward years.

You can see again, what we saw from FY2017 to FY2021, in this period of rapid growth, and I just mentioned to you, it was driven by a lot of capital investment that was made into the business. And right now, we're really going to be focused on having brought those assets up and having brought that capacity to the market, operating the business, and providing a steady earnings flow for the company.

And again, we do have a focus of making sure that we're really, really mindful of our earnings and protecting costs, particularly during this inflationary environment. At the same time, while we are executing and trying to maintain this stable earnings platform, we also have an eye to the future. And we're working on a project today that is going to help us expand and get that next bit of capacity out of our hot mill to increase our total rolled coil production. And again, we expect to see that production and the results of that in our next mid-term plan.

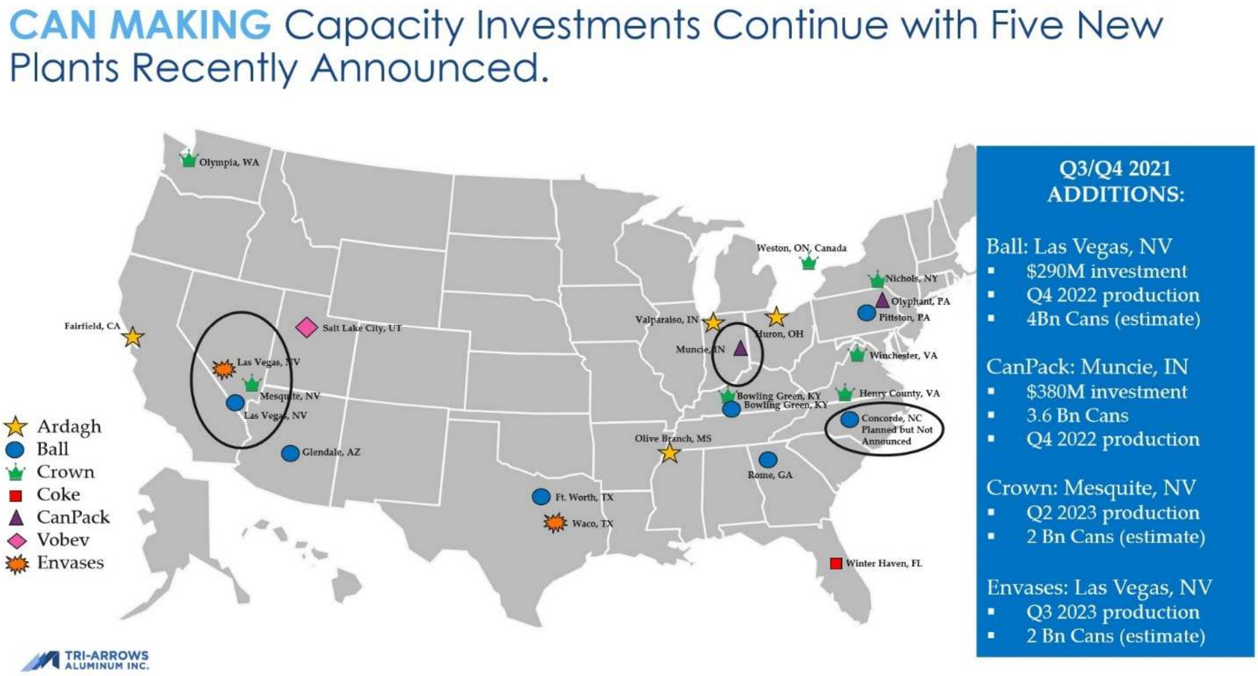
Now a little bit about the demand.

We've seen a tremendous amount of demand in the North American market for aluminum cans. In fact, we're seeing close to 8% on a YoY basis when we look at FY2020 to FY2021. And as we look forward, what we expect to see is 6% on a YoY basis through FY2025, and there's no real signs that that growth is going to stop. Many folks see that rate of growth continuing through 2030.

The growth itself is worth reflecting on. It's driven by consumers in two different ways, primarily. The first way is going to be around an environmental perspective, and consumers got consumer concern for the environmental impacts of single-use plastic packaging.

And the second big area for growth is just around consumer perception. And the perception has really changed over the last five years to aluminum being a premium package and for premium products going into that package.

So, between the consumers looking at aluminum as a premium package, as well as understanding that aluminum itself is infinitely recyclable and certainly advantaged relative to other products in the marketplace for packaging, all that is driving increased demand for our products.

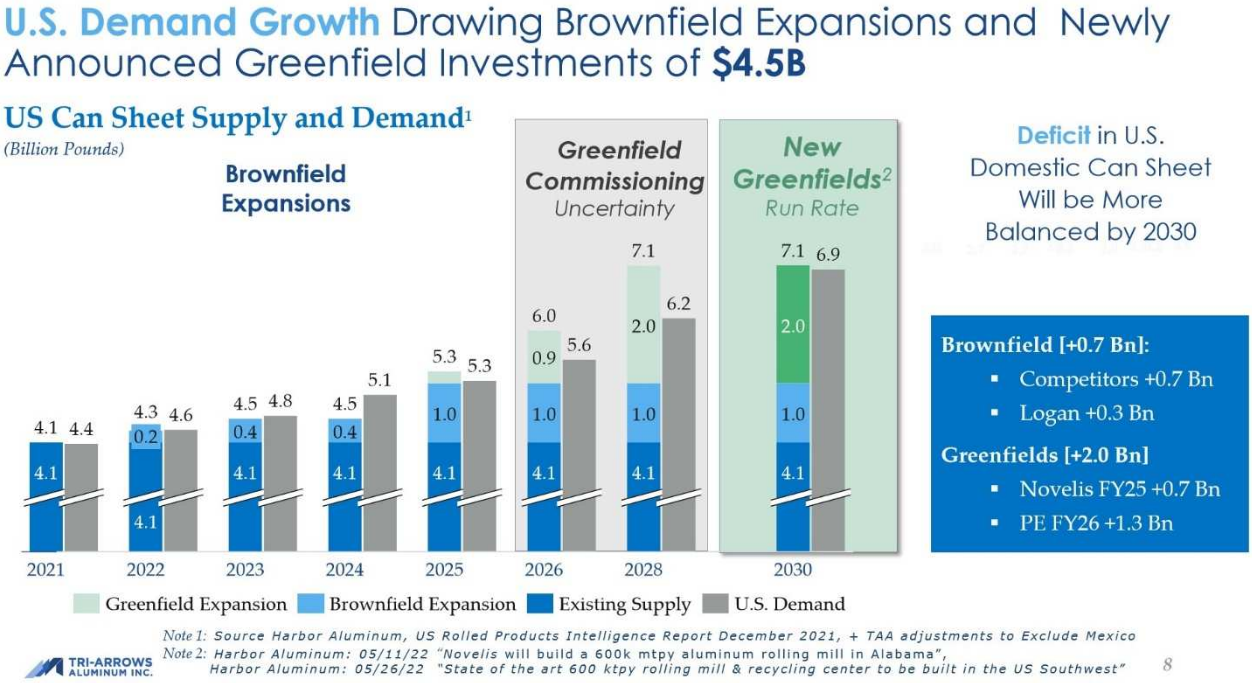


Now let's turn to can making.

We've seen there's demand by consumers for products. On the can making side, there's having to be a tremendous amount of expansion and capacity as well in order to meet this consumer demand. In fact, last year there was a constraint in the system in terms of the production of cans. So, there were almost 14 billion empty cans that were imported into the United States as new can making capacity was brought online.

Today the can makers are growing and they're continuing to invest. Current capacity in the US market is about 125 billion units, and there's more can making plants that are coming. So, when we think about geographically where this growth is occurring, we're seeing a lot of new investment taking place in the southwest of the United States.

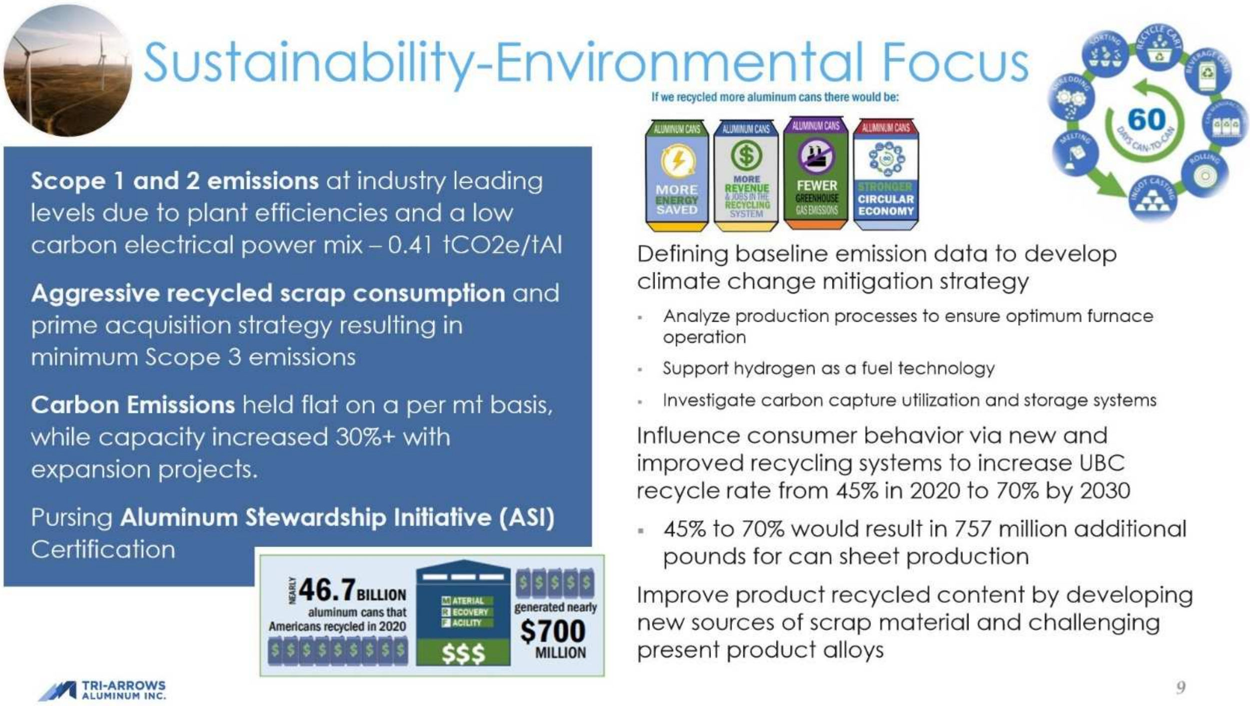
As you can see on the map, we've circled a few of those key areas in the Nevada market. There are actually four different can makers now that have made investments in that area of the country. But we're also seeing growth and new capacity that's occurring in the Midwest as well as in the mid-Atlantic area of the United States.



Let's talk about demand just a touch.

The US demand itself, in terms of sheet, we're seeing a tremendous amount of, with the demand, a tremendous amount of growth that's being required from suppliers of canned sheet and flat rolled products. Currently the market is in deficit, and the balance between supply and demand has been coming from imports. And what we're seeing today is pretty much everyone who is in the market as a producer is finding ways to bring new production into the market account with brownfield-type expansions.

In addition to that, the recent news that we've seen just here in the last couple of months is we've seen two brand-new greenfield rolling mills having been announced. Both of these rolling mills will likely be commissioned in the 2026 to 2028 period. Not exactly clear when that capacity will be coming on, but what we believe when we look farther out to 2030 is when that capacity is there. And we couple that with the demand that we're seeing in the market that by 2030, we will start to see some market balance between supply and demand on a kind of a run rate basis.



Now I'd like to talk just for a moment about sustainability.

It's one of the areas that I'm really, really proud of for our company, and it's a strong message to the marketplace, a strong message to our customers as well as to consumers.

Tri-Arrows, and Logan Aluminum specifically, is industry leading relative to Scope 1 and Scope 2 emissions, which are carbon emissions per tonne of aluminum. From a value perspective, we're seeing our numbers at around 0.4 tonnes of carbon per tonne of aluminum produced, which is truly world-class.

When we think about our product, we use a tremendous amount of used beverage cans and recycled scraps, post-industrial scrap, post-consumer scrap. Altogether, though, when we look at the products that we're producing, about 75% of it comes from recycled content. So, we're minimizing the amount of primary aluminum we're using and we're optimizing and maximizing as much recycled content as we can, which is important to the consumers and it's important to our business and the environmental footprint that we have.

There is opportunity to go further in this area and expand. We're working on partnering with UACJ in some R&D, particularly around alloy development and 5000-series alloy development that will just enable us to increase further the amount of recycled content in our product.

As well, we are working closely with the United States Aluminum Association as well as the Can Manufacturers Institute. We're partnering with our customers there in trying to advance public policy in the United States that would create the right kind of incentives to increase recycled rates. Unfortunately, recycled rates in the United States are fairly low -- about 45% was the recycled rate in 2020. We've seen some increases in FY2021, up to about 57% of the reported numbers, but what we would really like to see is the recycled rate to get closer to 70% to 80% here by 2030, so a tremendous amount of effort that we're doing with our partners and our customers industrywide is to try and improve recycling.

The last thing I'd like to talk about just briefly is just how our business also engages with the community, because it's incredibly important to us. And it's something that I think we really stand aside in the marketplace and is certainly something that I know that our customers see but that our employees value, and it's the amount that we are engaging with the community directly itself.

Tri-Arrows has over 30 charitable organizations that we support.

And in every year, what we do is ask our employees to select the top five that would be most meaningful to them and the ones that we think that as a company, that we could make a difference to. And we like to pick on charities that are of a size where our contributions and our involvement in time and in talent can make a difference, particularly for those that are in need.

We donated last year or contributed over USD600,000 to these organizations.

And in addition to that, we supported some emergency relief funds as necessary that occurred.

This is something that's tremendously important to our employees. The company is really, really proud to be involved in the community in this way and I think it's an important part of our message as well.

Outlook

- North America can sheet market is growing on the back of strong consumer preferences.
- TAA is well positioned in the market as a preferred supplier, with a healthy balance sheet and strong cash flow.
- Strong risk management practices, commodity price risk, interest rate risks, and energy, and inflation.
- Sustainability movement is driving new opportunities and the carbon footprint at Logan is advantaged over other mills.

TRI-ARROWS ALUMINUM INC. 11

So, in summary, my outlook.

The North American can sheet market is growing and we see we have a strong degree of confidence in that growth because it's backed by a consumer trend, and consumer trend is not fickle.

It's something that we've got a lot of confidence in, so we're focused in, at this point, in terms of making sure that we're operating our business as soundly as we can to deliver as much value as we can to our customers and our shareholders. We're well positioned in the market. We're doing business with the can makers as well as brands as a preferred supplier.

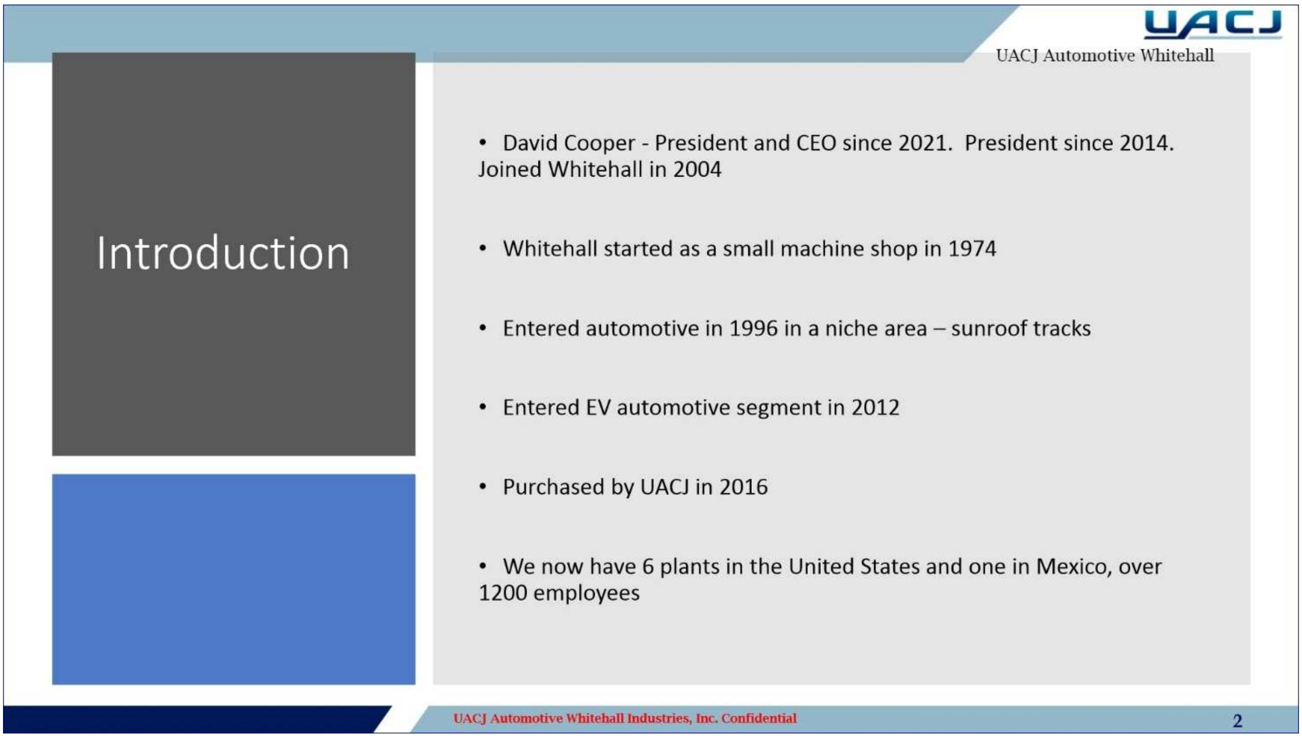
We have a very strong balance sheet, and we generate strong cash flows. We've got very strong risk management practices in place, including commodity price risk management, interest rate risk management, management on energy, as well as inflation. So, in this sense, we're doing what we can to be good stewards of our business. Thank you for your kind attention.

And the last point that's important for the outlook is this growing focus that we have on sustainability, both as a society in the United States, in our company, but also globally and in Japan. In this sustainability movement, it's truly driving new opportunities for us. It's driving opportunities where we can differentiate our company and differentiate the product that we're making, and really be advantaged, I believe, over our competitors and over other materials.

Thank you very much for your time this morning.

Ueda: Next, David Cooper, CEO of UACJ Automotive Whitehall Industries would like to explain about the automotive parts business in North America.

Let’s begin the presentation.



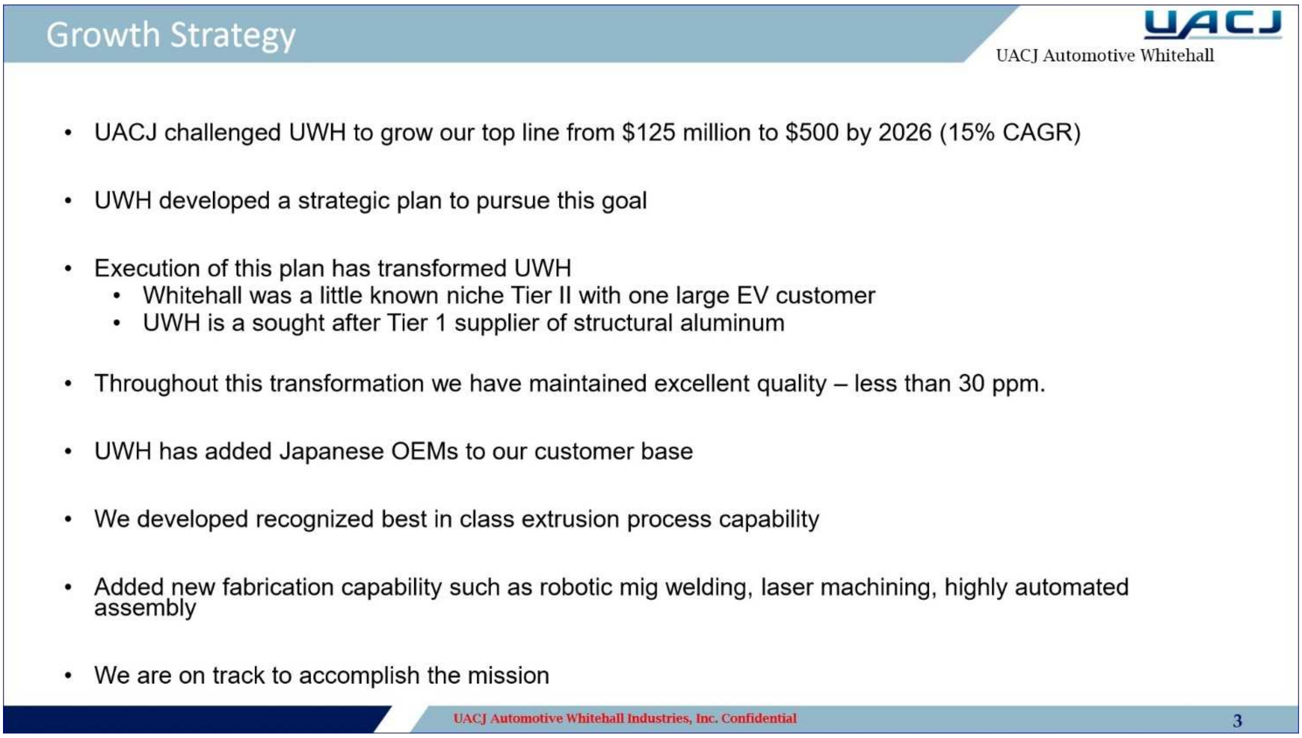
Cooper*: Thank you. Thank you for inviting me to tell you about our business. I'm David Cooper. I've worked for this company since 2004, starting as a VP of operations. I've been President here since 2014, and CEO for a little over a year.

A little bit about our company. Whitehall Industries began in 1974 in Whitehall, Michigan, as a small machine shop, serving customers like Xerox and Kodak.

In 1996, Whitehall entered the automotive market in a niche area. Sunroof tracks; this is a part that the glass and the sunshade travel in. So, we became quite good at making these very challenging parts.

At the same time, we had to take our already strong quality culture and bring it up a level to the very high standards of the automotive industry. We were able to successfully do that and we maintain that today. We've been producing our own aluminum extrusion since 2001 because we needed better control of extrusion dimensions and the material properties. Over the years, we've become a very capable extruder as well.

We began supplying the new electric vehicle market in 2012, which has been a major driver for our growth since then. Whitehall was very fortunate to become part of UACJ in 2016, and we now have six locations in the US and a plant also in Mexico, employing nearly 1300 employees.



Shortly after the acquisition, we were challenged by what we called Mission Impossible. UACJ asked us to grow from USD125 million to USD500 million in revenue within 10 years, a 15% CAGR.

We got our heads together and developed a strategy to try to accomplish this mission, which we keep up-to-date and adjusted, based on market and competitive information. Execution of this strategy has been successful and has transformed us from a little-known niche, Tier 2 sunroof track supplier with one large EV customer to a sought-after Tier 1 supplier of structural aluminum parts. Whitehall was not really well-known to OEMs at the time of the acquisition.

Part of our strategy was to improve our already excellent quality performance, and our level of quality through all the expansion and growth and through COVID and labor shortages, has remained excellent. Last year it was below 20 ppm, which is world-class.

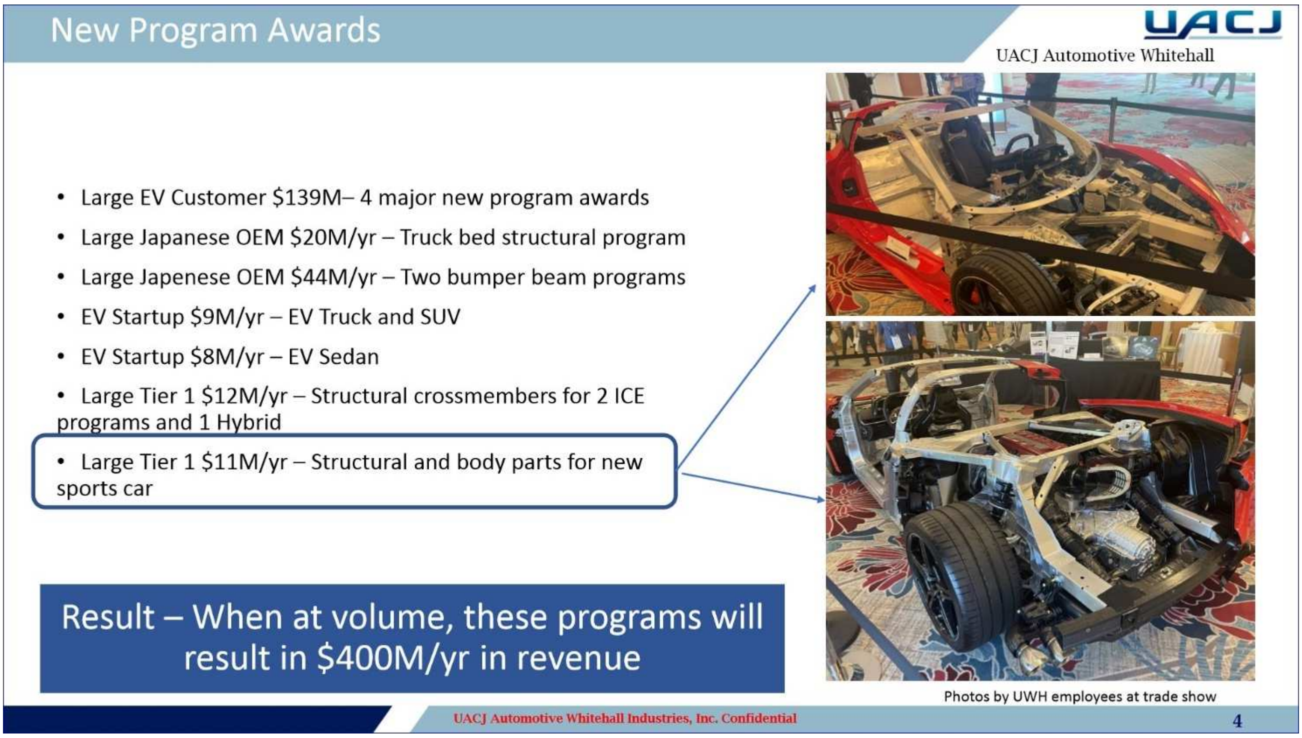
Another element was pursuing Japanese OEMs and UACJ gave us a real advantage here and we have been awarded substantial business by two major Japanese OEMs.

We decided also to place an emphasis on extrusion technology and process control, and now we're recognized as one of the best.

We have a really talented technical team and strict process control that results in the continuous expansion of our capability, consistent quality, and steadily improving productivity.

We've also expanded our fabrication capabilities. We're now cutting aluminum with lasers, whereas we were all using traditional machines before. We're welding in highly-automated cells. We weren't doing that. We do friction stir welding, where we're applying adhesive. Now we are far more automated than we were six years ago, when we were acquired.

We're on a path to accomplish this objective. Current growth potential for aluminum parts, particularly in EVs, is like nothing we've ever seen.



A few of the examples of some of the program awards.

Now a Tier 1, if you don't know, an automotive supplier, supplies directly to the OEM, whether it's GM or Ford, Toyota or whoever. That's a Tier 1. And so, we have a direct relationship with the automotive manufacturer. But as a Tier 1 or Tier 2, we're typically awarded business for the life of the vehicle program.

We're almost always the only supplier of these parts due to the cost of the customer's own tooling. Sometimes, the same parts are used when the vehicle design is updated. So, sometimes these programs can last up to 10 years.

Here are some examples of the business we've been awarded since we began executing this growth strategy and going after new markets. There's a large EV customer that has awarded us USD139 million of business in four new program awards.

Now, USD139 million is an annual volume. So, that's what you get each year, for the life of the program. We've got a couple of new, as I said, large Japanese OEMs. One is a truck bed structural program at USD20 million a year, two bumper beam programs at USD44 million a year from another Japanese OEM.

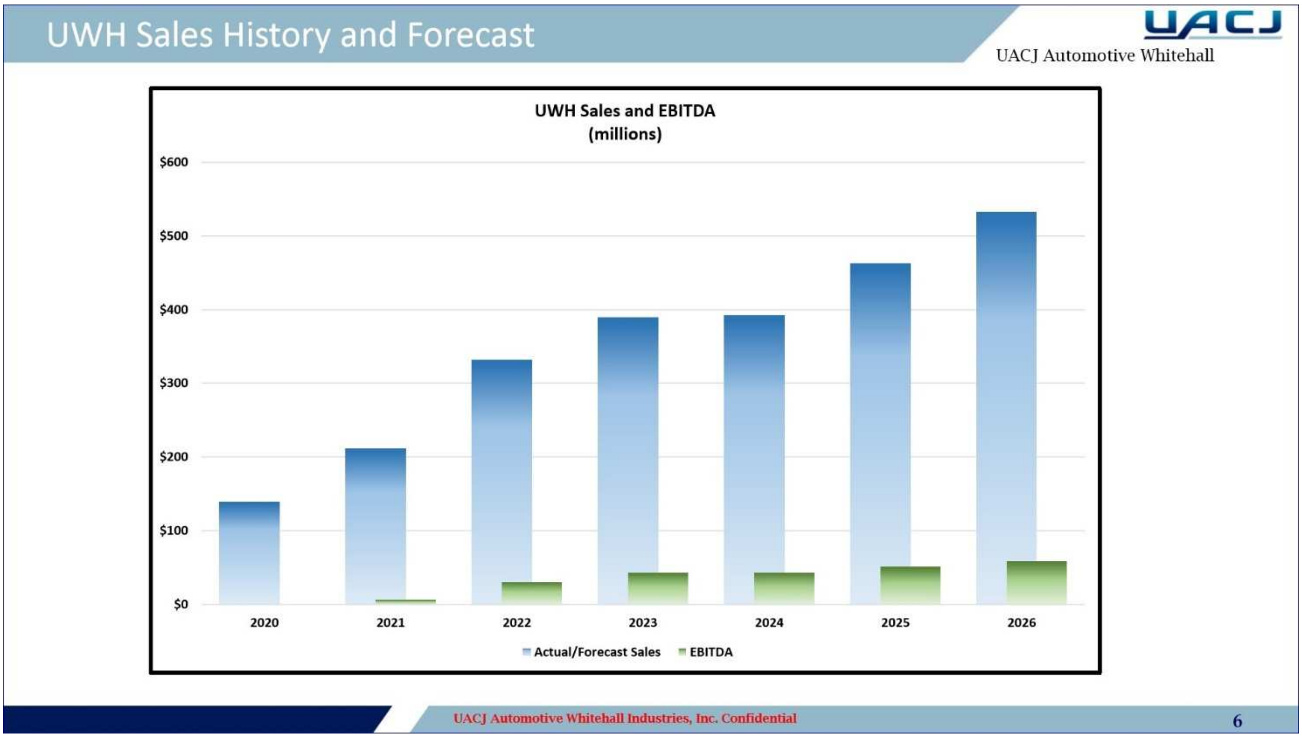
We continue to grow and expand and add customers to our EV segment. One startup awarded us USD9 million annually for a truck and SUV. Another EV maker awarded us USD8 million for a sedan.

Over on the internal combustion engine side, we have two cross members for USD12 million and a large structural program for a sports car that you see over there to the right. Those are the kind of parts that we produce in our plants and supply to our customer to get welded into that that structure there. All told, we have achieved business awards that will total USD400 million, once these programs reach volume.

When we set about this strategy, assuming the average automotive program has a life of five years, then if we're going to achieve this USD500 million target we were given, then we need to be awarded USD100 million per year. Now, we didn't want to take a step up. We wanted to gradually achieve that goal.

As you see in this chart in 2019, we had established a goal of USD60 million of new program awards, followed by USD75 million in 2020. We'll actually more than double that in 2019.

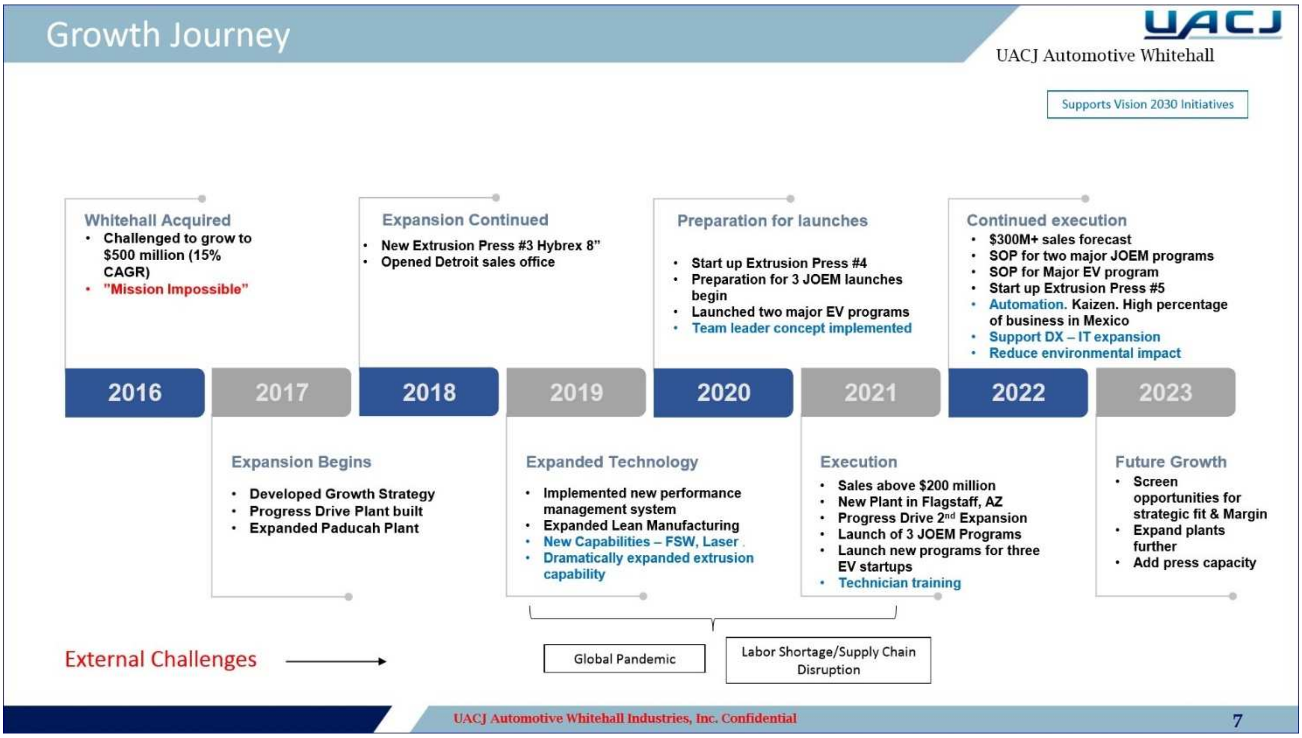
That required us to really accelerate our expansion in plants and equipment. For those three years, 2019, 2020 and 2021, we actually were just under USD100 million in sales. So, we're well on our way towards achieving the target. This year, in 2022, we're actually lowering the target because our presses are going to reach capacity in 2023.



This is what the sales history and forecast look like.

We're seeing rapid growth in our top line, although we reach capacity in 2023 and you can see the flat spot there. Assuming we can get approval for a couple more extrusion press lines, we'll continue to grow in 2025 and 2026.

You can see, as we rose above our breakeven point towards the end of 2021. The profitability comes with that, but that rapid growth was costly.



A little bit about what this takes to grow this fast in our business.

That target was given to us in 2016. We called it Mission Impossible, but we went after it, developed a new strategy, and we had to start expanding.

We built a new plant in Michigan. We expanded our plant in Paducah in 2017. In 2018, we put in our third extrusion press, which was a state of the art 8-inch water quench press.

We also opened a Detroit sales office, as most of our competitors have. In 2019, we started adding new technology like laser cutting, friction stir welding, dramatically expanded our extrusion capability and new alloys in High-Strength 6000, and really, really great things came out of that team.

We also started working on our management of our people and performance management systems, new ways of leading them in the plant. We also recognize, as we become more automated, the types of skills that need to be developed too. So, we have a technician training program as well.

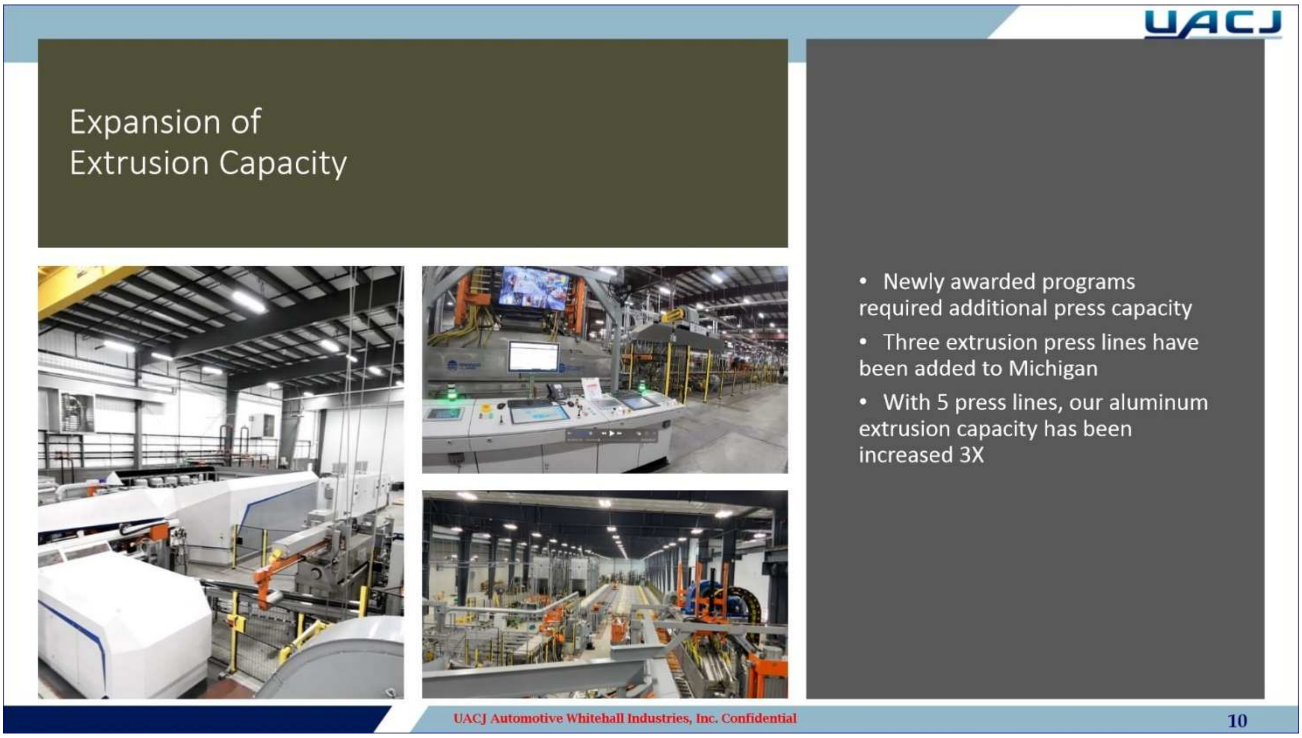
In 2020, we started off our fourth press, started preparing for the three Japanese OEM launches I mentioned earlier, and the new EV program launches. In 2021, we reached over USD200 million in sales, and we also expanded adding a new plant in Flagstaff, Arizona, so that we could be closer to some EV customers in California, Nevada, and Arizona. We also expanded Progress Drive for a second time and continue to prepare launches for these Japanese OEMs.

This year, our sales, we expect to be above USD300 million. And as we finally launch these new programs that we were awarded back in 2019. One of the Japanese OEMs launched last year. The other two start this summer. We're starting up our fifth press. We're actually starting it this week and we have a significant amount of automation going in place also.

But what I really wanted to emphasize here is how much work this is; how much work it is to launch new automotive programs at that rate, during the pandemic, during a labor shortage, during all these supply chain disruptions. It was a very difficult challenge, some challenges to overcome, but it's a fantastic team of people we have here, a great management team, great, great people in the plants and excellent culture. So, I can't say enough good about the team of people that make all this happen.

There are just a couple of illustrations here to show you. This is what this is what we had when UACJ acquired us. We had two plants in Michigan, one in Paducah and one in a nice town in Central Mexico.

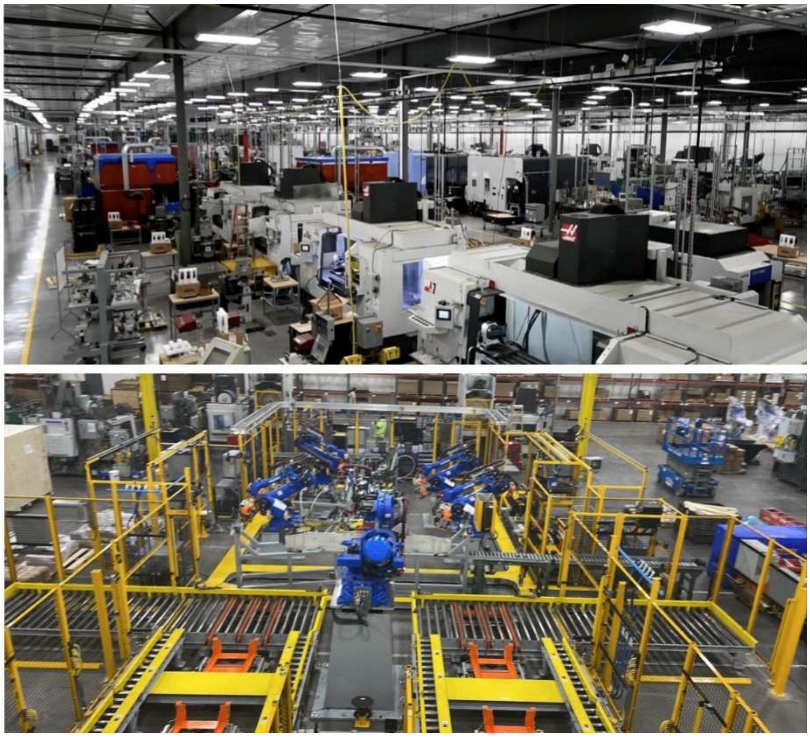
Now we have three plants in in Ludington, where I am, we have a sales office in Troy, we have expanded that Paducah plant, the plant in Mexico is three times the size, and we just started last year a plant in Flagstaff, Arizona. That's been going very well.



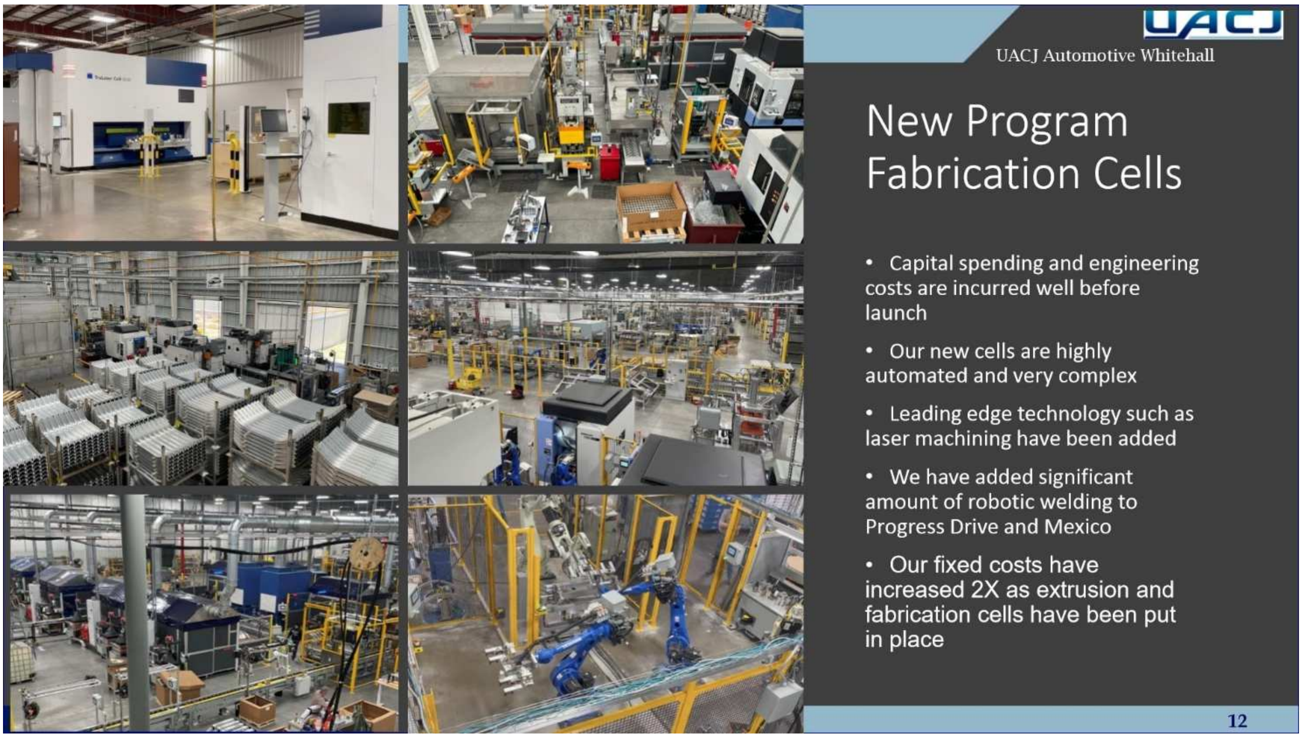
This is a glimpse into some of our extrusion plants, the three presses that we put in. With these additional press lines, our extrusion and, actually our sales, capacity is now up by a factor of three.

Plant Expansions

- Two plants were added
  - Progress Drive in Michigan
  - Flagstaff AZ
- Mexico was expanded 3X
- Kentucky was expanded 1.5X
- Progress Drive has been expanded twice and is now our largest plant



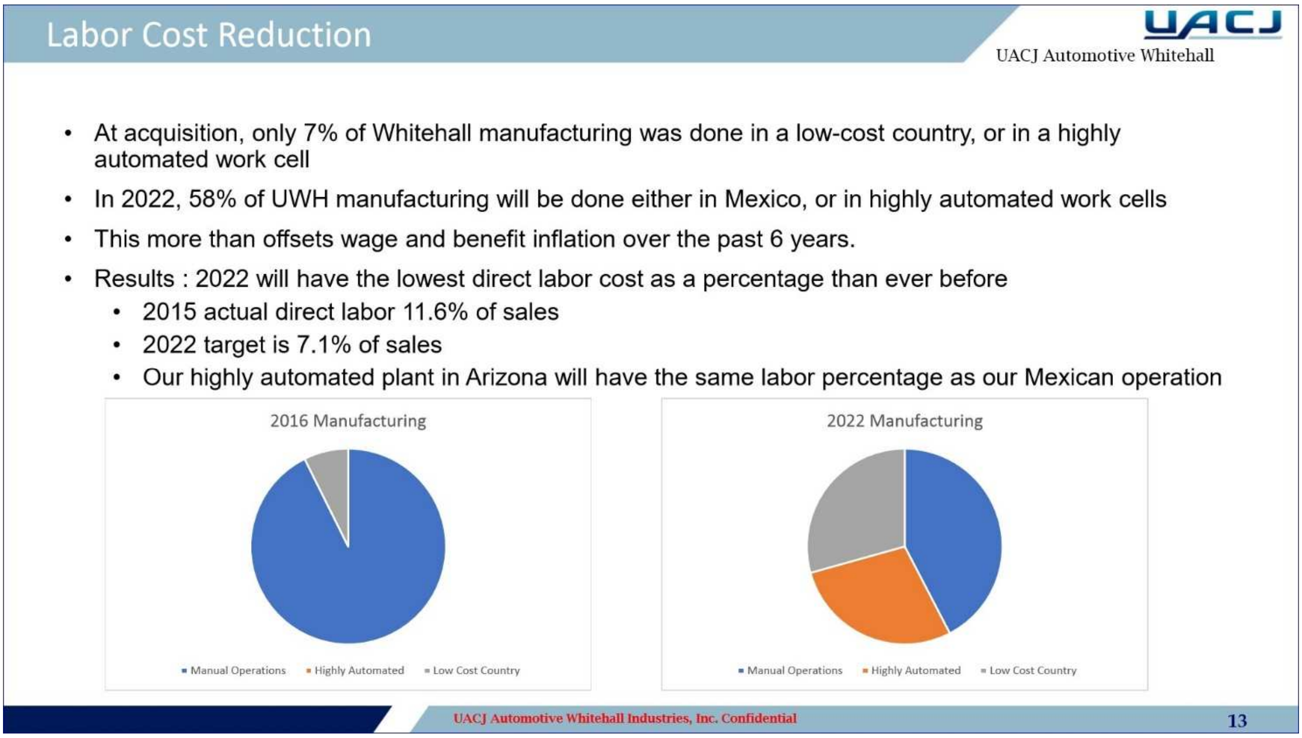
Just a glimpse inside what our plants look like. You can see there they're dense with automotive fabrication equipment. As I said, we had a Progress Drive plant in Michigan; added the Flagstaff, Arizona; plant and did quite a bit of expansion to all of our plants over the past five years to get ready for the new business that we've been awarded.



In automotive manufacturing, the OEMs award business and fund tooling to a single supplier, usually for the life of the program. These fabrication cells are dense with complex machinery and automation. They must be put in place well in advance of the start of production. They have to be validated for process, capability, and capacity.

Traditional OEMs require that this capital tooling be validated 6 to 12 months before the start of production. EV customers are different. They proceed much faster and sometimes don't even give you the time to get the capital in place, and we have to put temporary systems in place. But you can see the type of technology we've added to prepare for these programs, such as the laser cutting machines in the upper left and the robotic friction stir welding in the lower right, automated welding cells in the lower left. So, it's just quite a bit of work to get all that stuff put in place well in advance of the start of production.

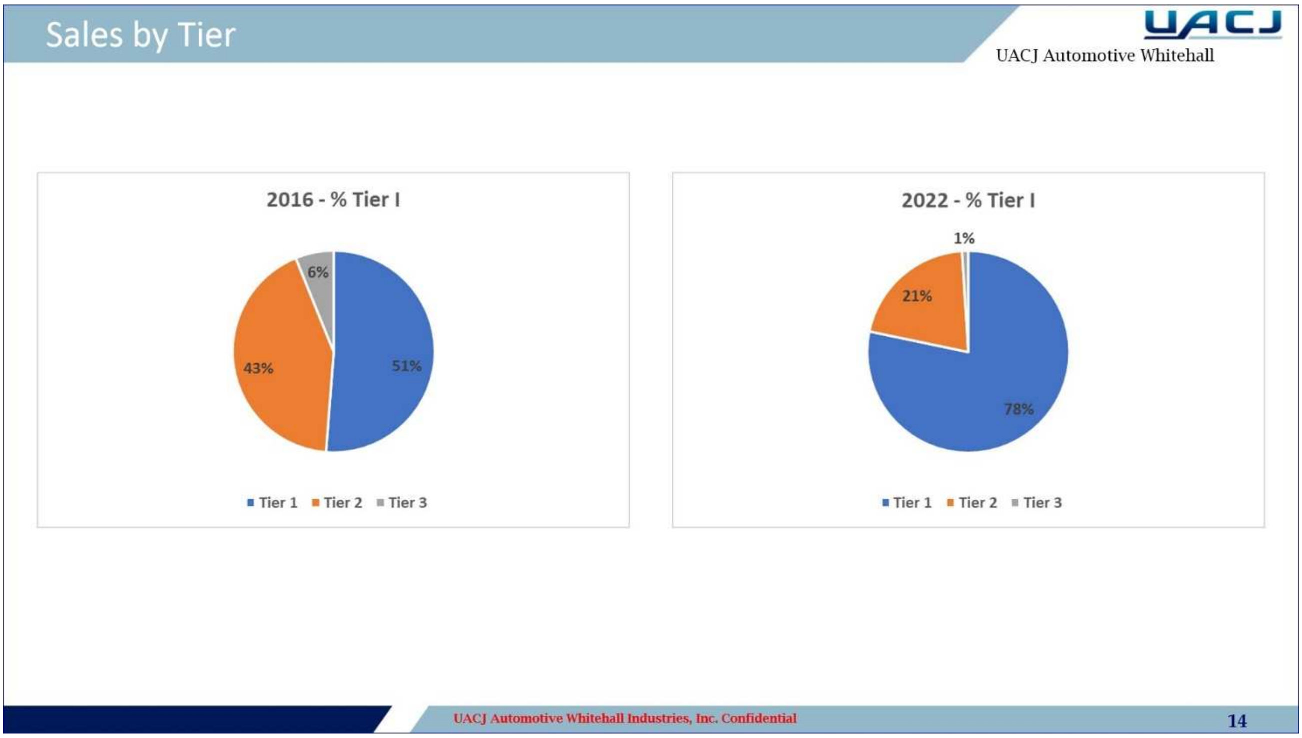
All this time, all this growth, we have to put this stuff in advance and we ended up with fixed costs twice what they were when we started. We'll end up with three times the capacity and extrusion and the amount of sales we can generate with the capacity, but it has been costly.



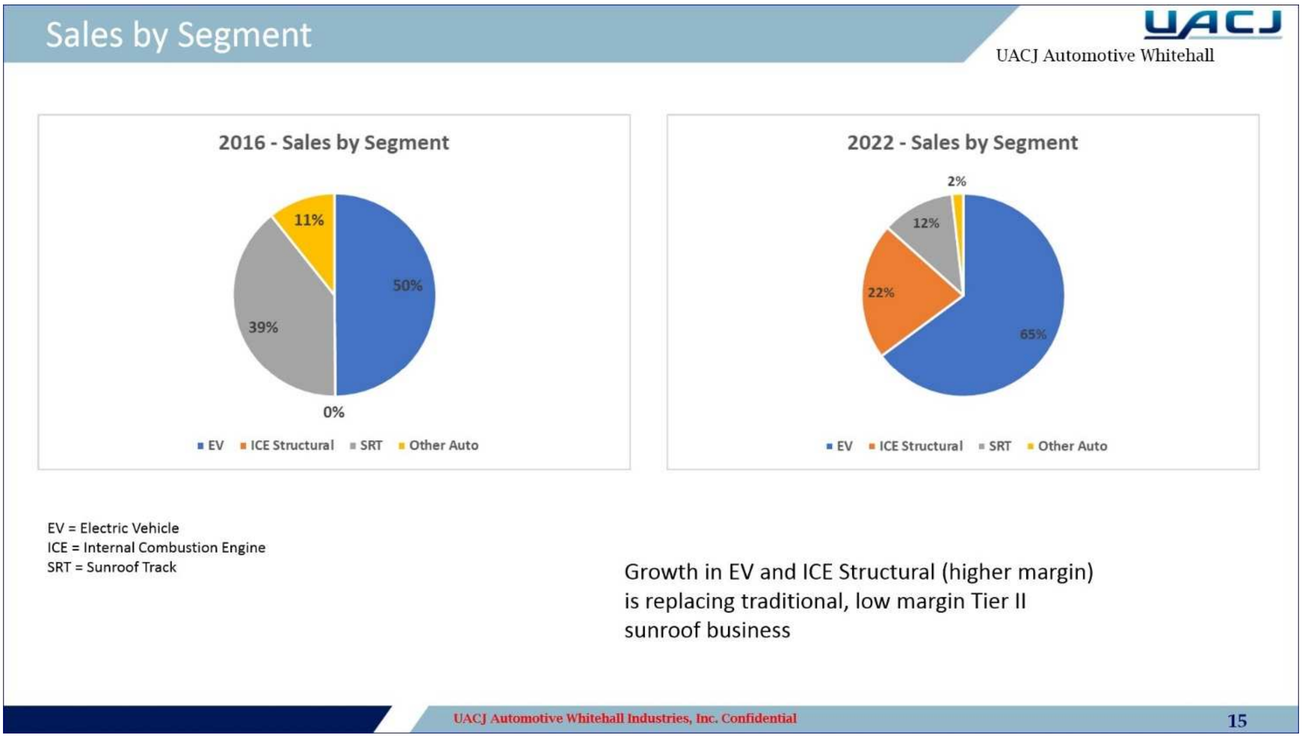
At the same time we attracted all this business made is expansion, we also fundamentally changed the labor component as labor costs continue to rise in North America.

At acquisition, only 7% of Whitehall manufacturing was done in a low-cost country or in a highly automated work cell. This year, almost 60% will be done either in our Mexican plant or with highly-automated work cells. This more than offsets the wage and benefit inflation over the last six years.

So, while our direct labor content as a percent of sales was about 12% in 2015, this year, it'll be below 8%. Also, I'll add that our automated plant in Arizona will have the same labor content, as a percentage of sales, as our plant in Mexico. So, fundamental change was achieved there.

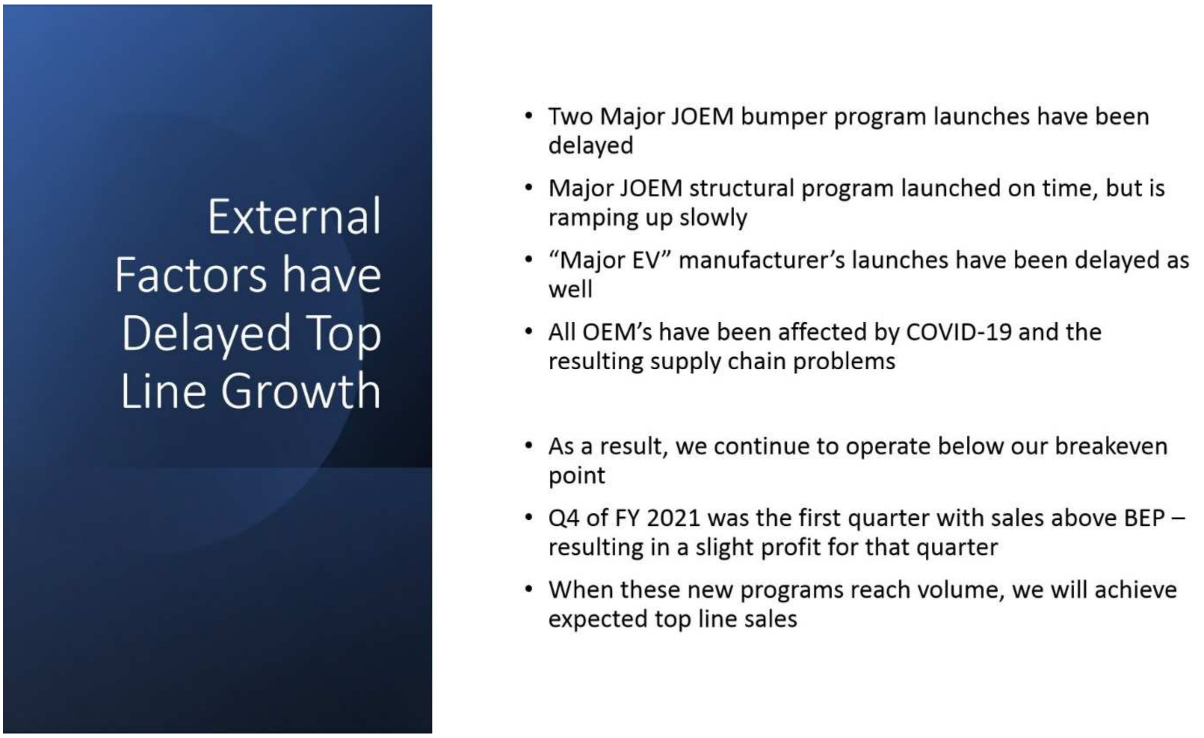


Also, over the past five years, we've transitioned from our traditional Tier 2, or even Tier 3, status that is supplying directly to the automotive manufacturer, to predominantly a Tier 1 supplier.



So, we were about 50% at acquisition; almost 80% for this year. We've also moved away from what was our core business, the sunroof tracks, as they become more complex, more resource-demanding and actually lower margin than the new stuff that's being presented to us.

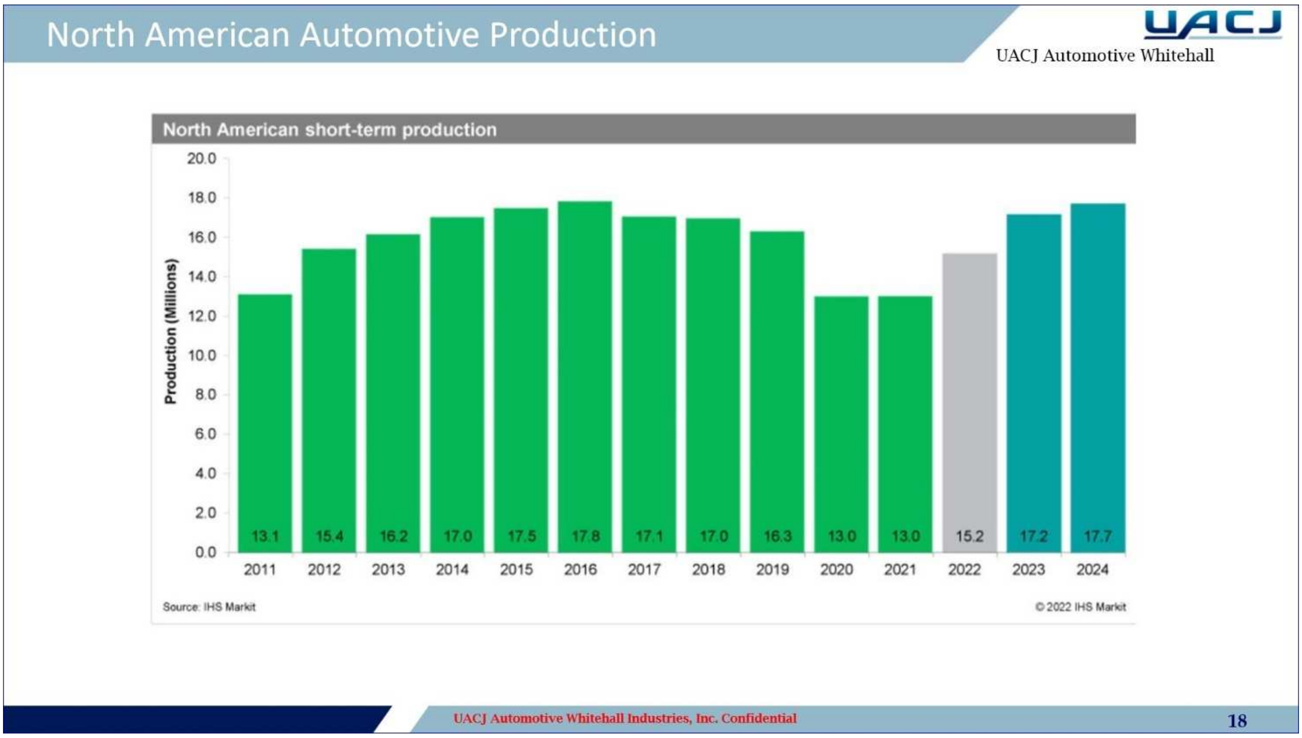
So, you can see we want 40% of our business being sunroof, to 12% this year. Our share of EV has gone from 50% up to 65%. Now structural, in the non-battery electric vehicle, is up to 22% from nothing.



So, we've had a lot of new business to launch. It really would be great if had been operating in capacity by now, but we had a number of headwinds that prevented that.

The major Japanese OEM bumper program had been delayed. All this stuff has to do with COVID-19 and the supply chain disruption caused by COVID-19 and the chip shortage.

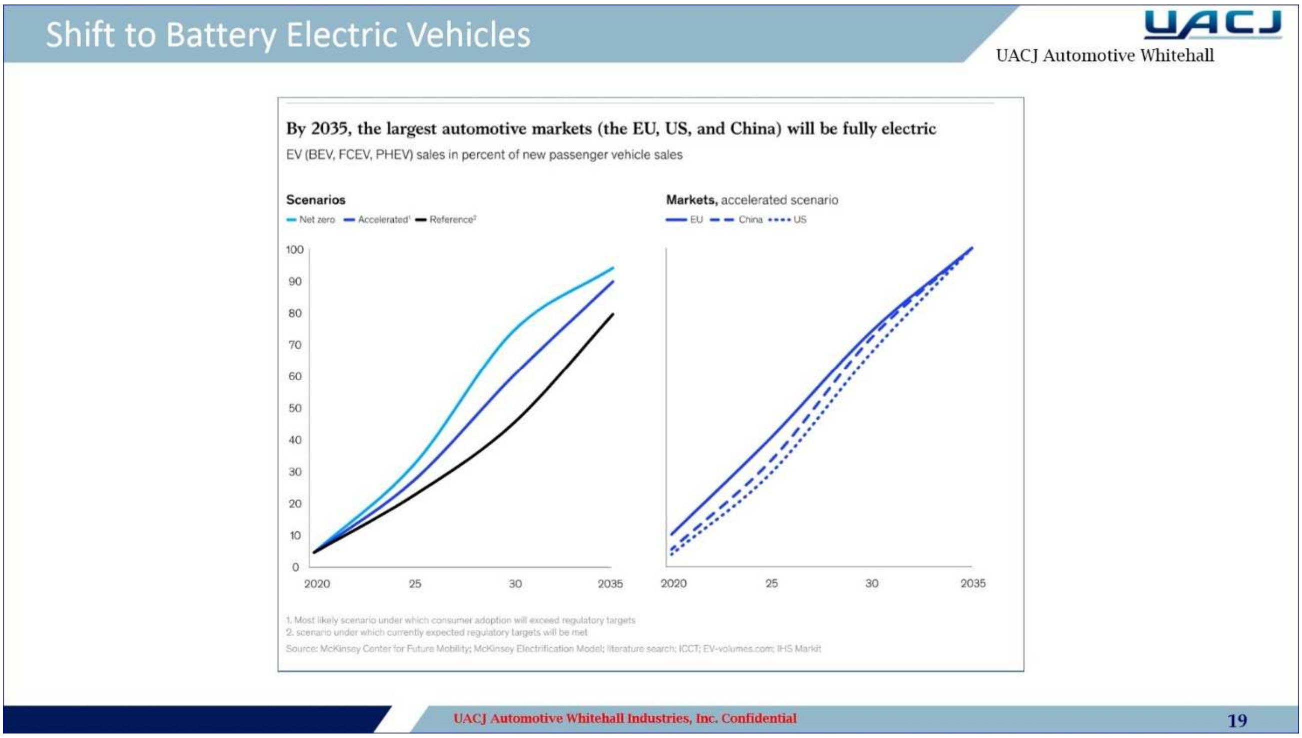
So, we've had lots of delays by these new launches.All of all of our OEMs have been affected by COVID-19 and the supply chain problems. So, as a result, we've been operating below breakeven point, with all the added costs we've added since we started expanding. But we have the capacity in place. You'll see that there is so much growth potential, we don't know what to do with it.



This chart shows the North American automotive production.

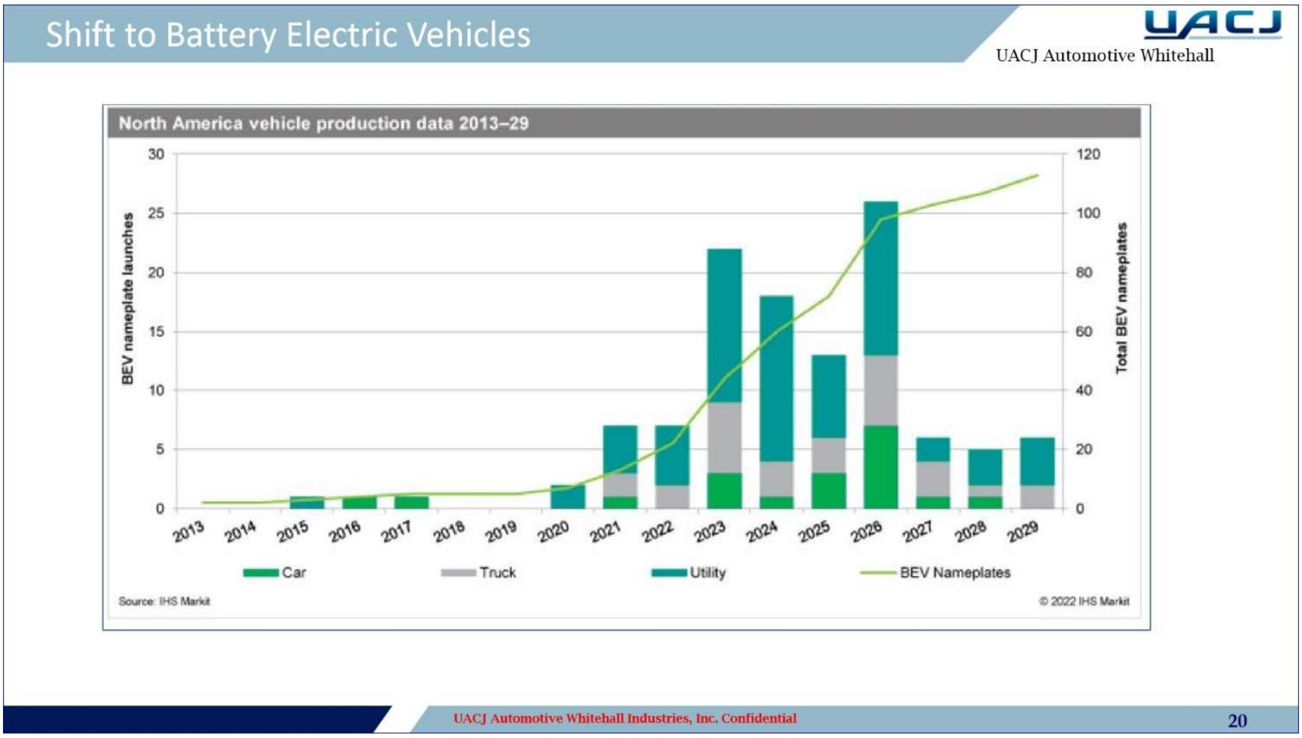
You can see a dip there in 2020 and 2021, caused by COVID-19. That's a dip in production, not demand, which means that demand is building. The car lots are empty, the inventories are gone. So, all that has to be replenished.

The future, the next several years is going to be higher North American production than we had, like we saw in the last five years.



Couple that with the transition from internal combustion engine to battery electric vehicle and hybrids. This chart shows that the US auto market is expected to be almost fully-electric by 2035.

So we have growth in North American production and we have conversion to battery electric vehicles, which benefits us. That's our core business right now, and it really favors us for the vehicles to switch to battery electric.



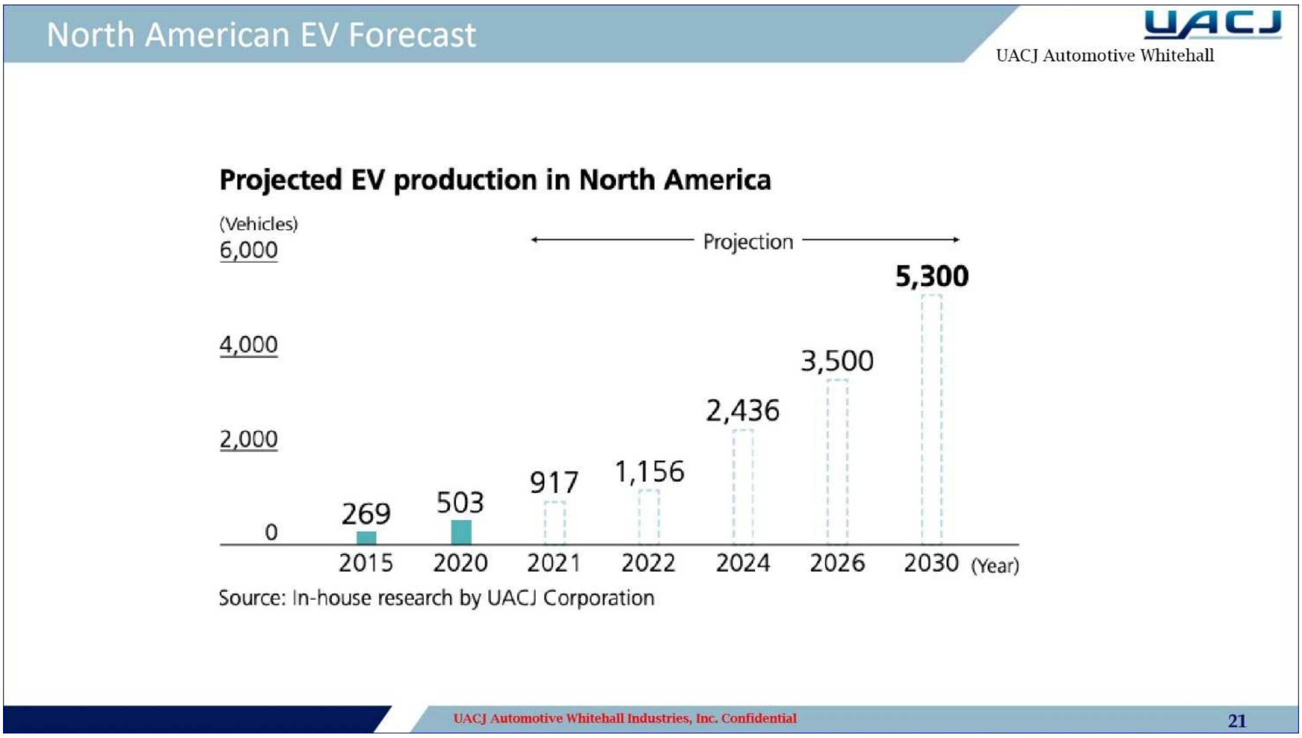
Here's another way of looking at it.

The number of new battery electric vehicles is expected to skyrocket by the end of this decade. The number of new battery electric vehicle models is expected to grow from less than 10 now, 10 battery electric models to over 100.

We've never seen so many opportunities coming to us.

These opportunities are large too. To put that in perspective, prior to getting into this type of business, it took us years to fill up one extrusion press. When opportunities would come to come to us, there might be 10 pounds per vehicle of aluminum. Now, when a customer comes to us, it might be 100 pounds or 150 pounds per vehicle. Bumpers, rocker panels, cross members, and battery box parts. So, we're in an exploding market, as far as the number of new battery electric vehicles that are coming. And also, that just multiplies the value and the content that we get awarded.

So, we're only limited by how fast we can put capacity in place and launch a new program.



Here's another chart showing the annual expected production of electric vehicles in North America over the next several years.

So, to conclude, we have a tremendous growth opportunity after executing on this strategy and the favorable market that we're in. New business comes to us now, now that we have established a reputation as a preferred structural automotive supplier.

We were overwhelmed with new program opportunities. We can't accept them now because our press capacity is now booked. Major customers are pushing us to install more as they see a shortage developing overall for extrusion capacity in the future.

So, there's never been a time like this to be in our business.

Thank you.

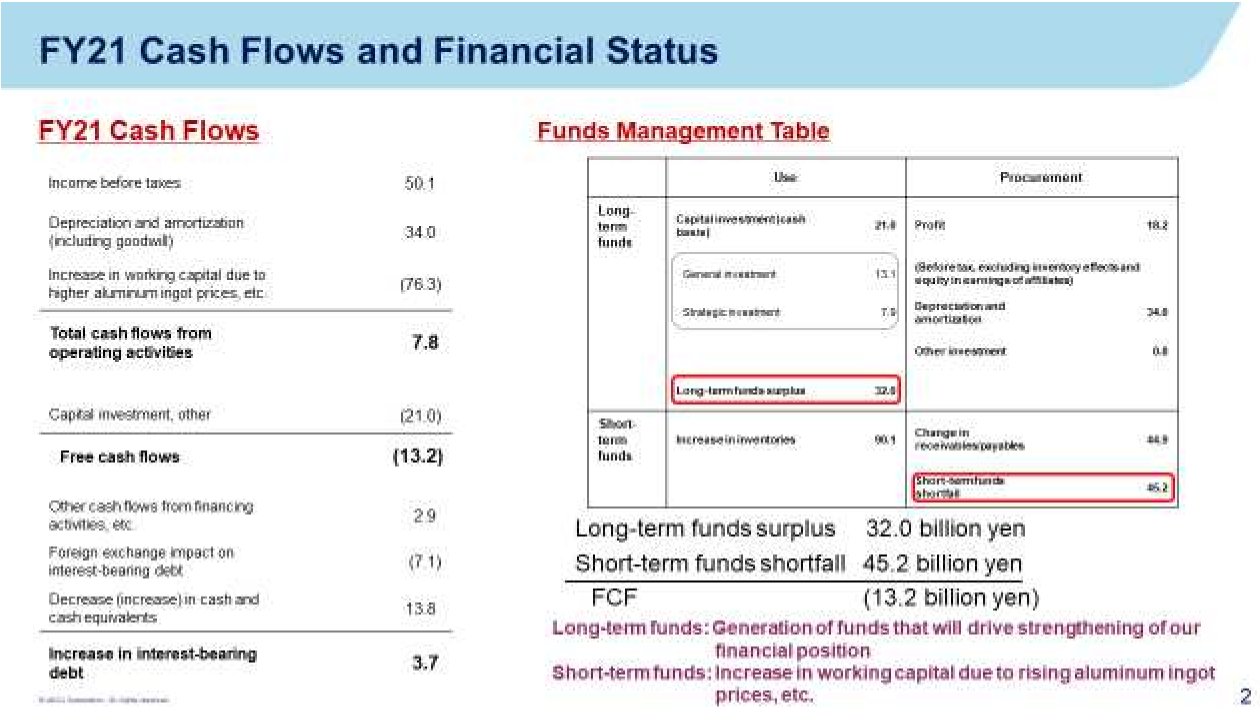
Please open the document. First, there are three major points considered in the mid-term management plan.

As I have explained, we have made large investments in Southeast Asia, Japan, and the United States. As a result, the Company's financial base has become slightly more fragile. One of the major challenges was to recover this situation by strengthening the financial base.

As Henry and David just mentioned, the aluminum business is growing very rapidly. Dramatic changes are taking place. In this context, the question is how to allocate resources and, while doing so, further strengthen the financial base. Then, in building this financial base, we thought that one major challenge was to build up our base equity capital.

The other is to strengthen business management, for which we have set three KPIs. We are managing the project on this basis, and I would like to explain the progress of the project.

The third point is shareholder return, increasing the value of our business. We are currently focusing on returning the profits that have been generated, and we believe that these three points are the key points.



Next page, please. First, here is the current status for FY2021, the fiscal year ended. Since President Ishihara, Mr. Taguchi, and the Board members have already explained profit and loss and business conditions, I will explain only cash flow and financials.

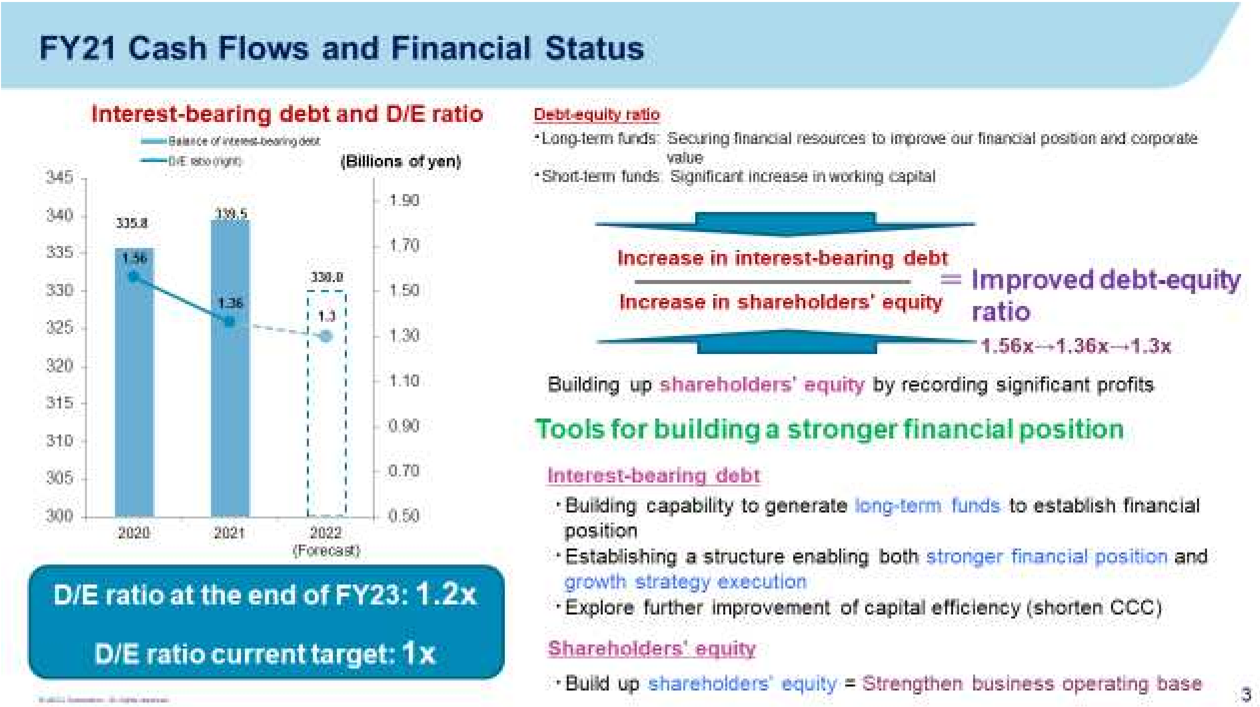
If you look at the documents, you will see the cash flow on the left side, which is the document that we put out when we announce our financial results. Looking at it briefly, we had the power of creation coming from ourselves, such as profits and amortization, but the major part of the problem was that working capital increased due to higher resource prices and other factors.

A different perspective on this, is stated on the fund management chart at the right. It may not be seen very often these days, but it is orthodox, and I, personally, think it is the best way to understand it. Money has no color, but I believe that we can understand it by looking at how the colors are divided. A quick look at the fund management chart shows that we have created a lot of our own long-term funds. I consider this to be the establishment of the Company's foundation.

As you can see, we generated funds from profits, depreciation, and other sources, and on the other hand, we made capital investments, this time JPY21 billion. Of this JPY21 billion, JPY7.9 billion are strategic investments and JPY13.1 are general investments. I believe that long-term funds are the source of the Company's business. This has created a fund of JPY32 billion. However, as I have mentioned many times in the past, the price of bullion has risen dramatically, and while this has not had an impact on our business model in terms of profit and loss, it has had an impact on our cash flow.

Because of this relationship, the short-term shortfall actually cost JPY45.2 billion. The result was a negative JPY13.2 billion in free cash flow. Therefore, although JPY13.2 billion is shown as a negative figure, in terms of what we should do and what we can control when we color the money, I think that the large JPY32 billion fund is significant.

As I have repeatedly noted below, we still created long-term funds and source funds. On the other hand, working capital increased in 2021.



Next page, please.

As a result, the absolute amount of interest-bearing debt has increased, as you can see in the chart on the left, which I have explained many times in the financial statements. On the other hand, the D/E ratio is performing in line with our original plan as a result of the accumulation of equity capital.

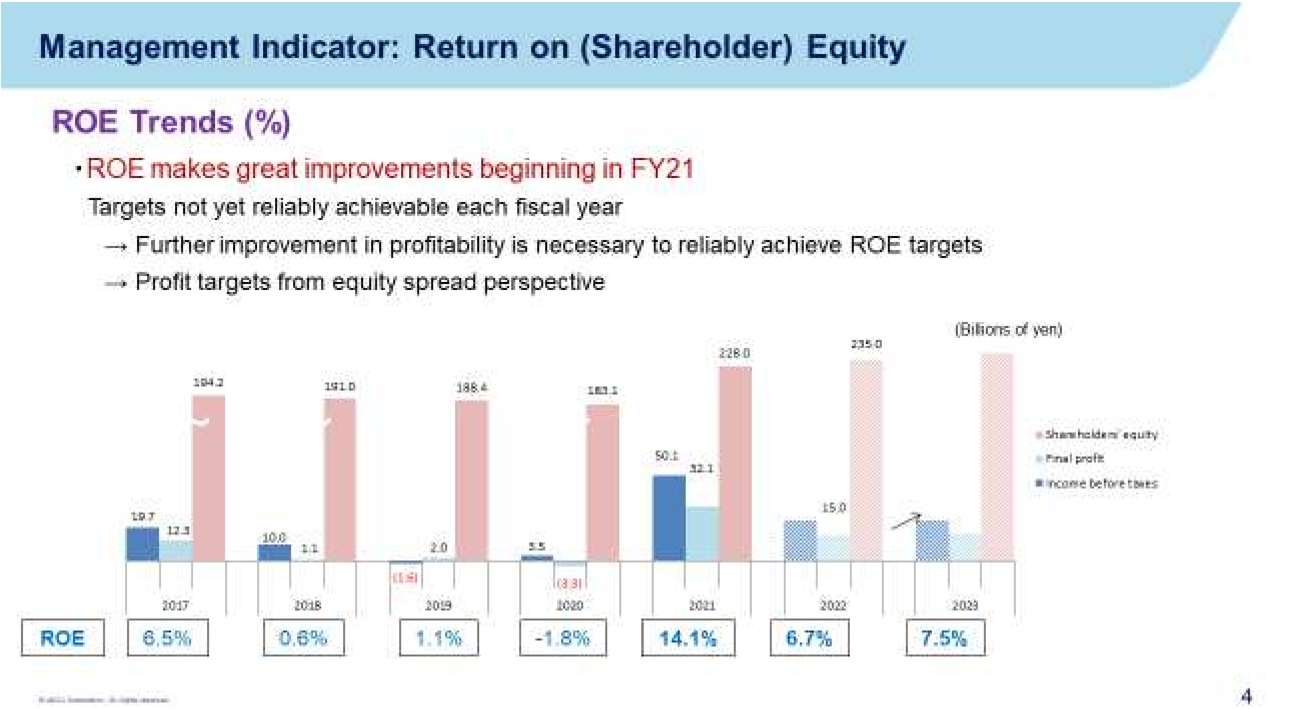
As written at the bottom of the page, our medium-term management plan calls for a 1.2-fold increase, and I believe that our immediate goal is to achieve a one-fold increase.

Again, this is briefly explained in the D/E Ratio section on the right. The D/E ratio went from 1.56 to 1.36 and then to 1.3. As I mentioned earlier, working capital has been growing, but the increase in working capital has been covered to a large extent by long-term funds, so I believe we have been able to minimize this to a large extent.

On the other hand, equity capital has built up considerably. I believe that the source of strengthening the financial base is how to create long-term funds, and how to allocate those long-term funds to strengthening the financial base and growth markets.

On the other hand, while it is true that the price of bullion has risen in terms of working capital, we are still trying to improve the efficiency of our funds. It is not only the price of the resource, but also the scale of the business, from 1.2 million tons to 1.4 or 1.5 million tons, which means that working capital is required. This is still a debt improvement for us in terms of CCC. Also, as I always ask Mr. Taguchi, I am sorry, but we still need to improve the turnover rate of inventory. By doing this, we believe we are making ourselves more financially efficient.

This was the situation in 2021.



On the next page and thereafter, I would like to reiterate three more indicators from the perspective of the medium-term management plan. ROE, ROIC and D/E ratio are the major KPIs of our management indexes.

First, ROE. Internally, I have been talking about ROE, but as a practical matter, it is quite difficult to manage business based on ROE, because of the mathematical formula.

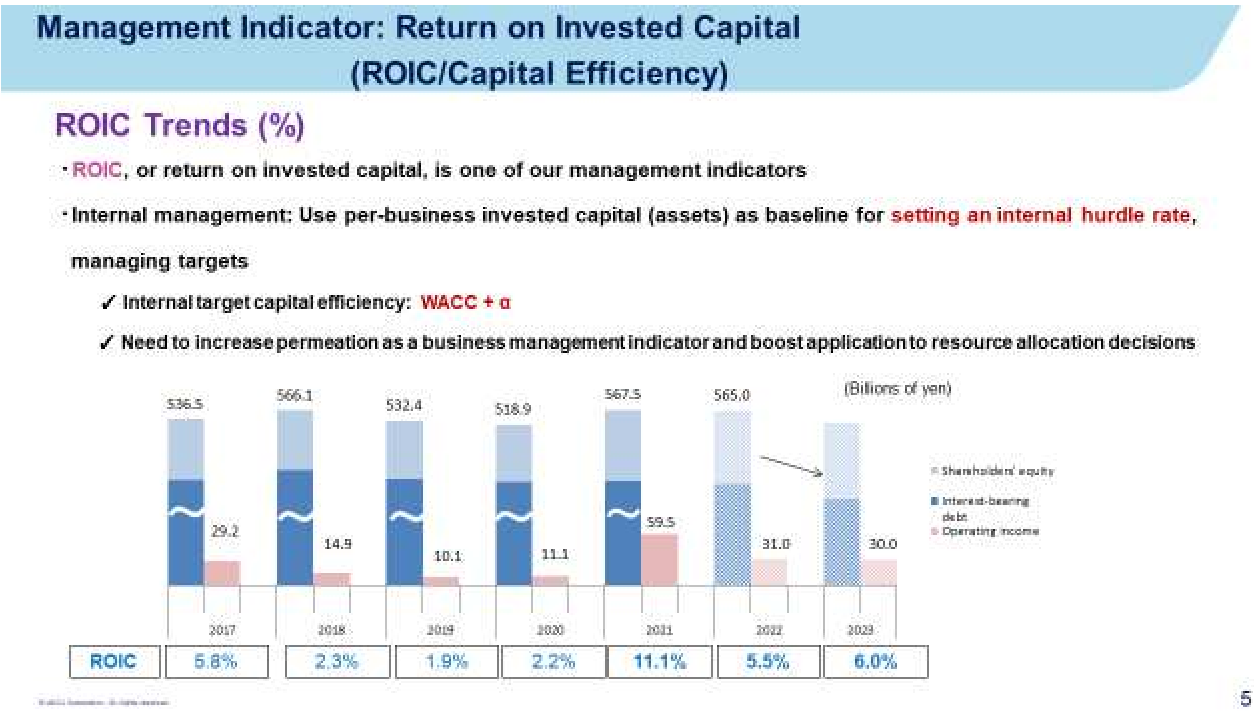
We are saying that in order to [inaudible] ROE, as far as the execution side, from the business, we want you to look at ROIC. Then, we want you to look at the D/E ratio. I consider these two to be the actual KPIs of the project, and I am asking you all to do the same. We believe that if we can achieve these two goals, it will lead to a place where ROE will improve as a result.

ROE itself, as Ishihara mentioned earlier, was 14%, a very good figure. The amount of inventory impact was significant as a percentage. The only positive is that in breaking down ROE, since sales and total assets are almost the same, the efficiency of assets has improved much more than before.

What was even better was that the debt [inaudible] was so large that I think we had to pull back because of the large debt, but as a base, I think we are getting to the base that we think we are at.

This year it is still low, though, at 6.7%. The mid-term target is 7.5%. Our target is still 8% as a minimum, and since VISION2030 also calls for 10%, we must bring ourselves to a point where we can achieve this goal consistently. We still need to increase profitability in that area.

Then there is another thing to consider: equity spreads. I do not think that 10% is good, but I think that the key will be to create equity spread in the future by lowering capital efficiency and cost of capital.



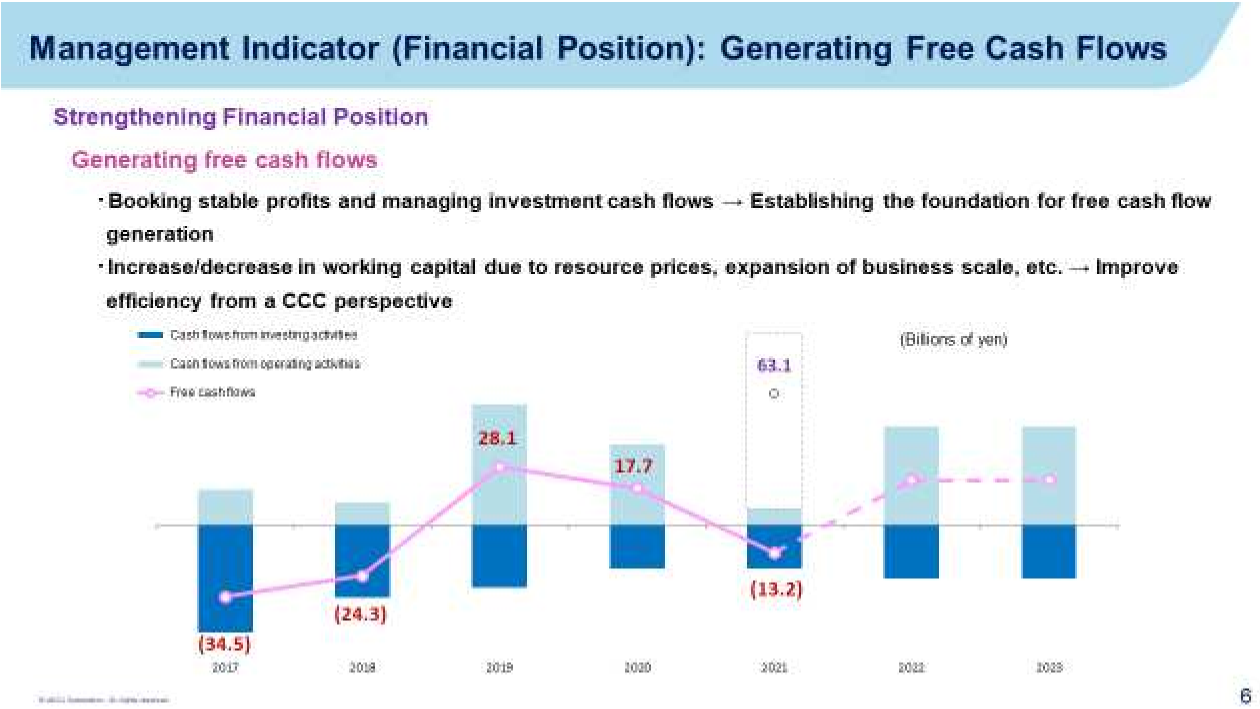
One of them, ROIC, is what we discuss next.

In fact, internally, I have been saying capital efficiency at every turn for the past year and a half. Somehow, I believe that by saying this many times, we have created in your minds an awareness of the amount of money involved.

The first step in the actual operation is to report the amount of capital invested in each business for each fiscal year. It shows how much money this business is now spending in terms of invested capital. In addition, before this mid-term plan begins, we have presented a hurdle rate that we would like to request internally from Finance. By managing profit and loss with this multiplication, we created a target value.

This target level is based on the WACC, Weighted Average Cost of Capital, but since we are just getting started, we are still at the starting line and have only just turned the first corner. We are still at a low level, but we are proceeding with the request to create profit and loss based on the level of [inaudible] little by little.

As a result [inaudible] though, ROIC. This quarter, as I mentioned earlier, inventory has had a large impact, so a big number of 11% has come out. However, the rate for the current fiscal year is still 5.5% or 6%, which is still low considering our own situation.



Next page, please. Finally, I would like to talk about our finance, the major challenge we face.

Strengthening the financial base is considered in the denominator and the numerator. The first thing to consider in the numerator is the generation of cash flow. No matter how hard we work, without cash flow, it is difficult for us to improve our bottom line. It is obvious, but it is big. The big thing is that we would like you to understand well that we are still gaining the ability to generate cash flow.

In this section, which is also from the financial statements, I have written the cash flow trends. In 2021, we have drawn a dotted line for minus-JPY13.2 billion, which is a slight excuse, but as I mentioned earlier, we believe that we have sufficient large cash flow to strengthen the foundation for profit and business expansion.

Plus, I think the challenge is to consider capital efficiency.

Management Indicators (Financial Position): D/E Ratio

Strengthening Financial Position

- **D/E ratio**: One of our management indicators measuring our financial position
  - → Generating FCF and improving capital efficiency reduces balance of interest-bearing debt
  - → Strengthen position by building up shareholders' equity, the financial foundation of corporate operations
- **Procuring funds**: Improving ability, stability, and source diversification for procuring necessary funds

D/E ratio, interest-bearing debt, adjusted EBITDA trends (billions of yen)

7

Next page, please. In fact, within the Company, we consider the D/E ratio to be one of our goals for finance, and we believe that this is our financial foundation.

This year, we spent a lot on working capital, so it would not have been surprising if our debt-to-equity ratio had worsened. However, thanks to the higher profits from the business, our equity capital increased enough to offset the increase in working capital, and our financial position improved more than we had expected. I think we need to continue to do this.

Then, another way to strengthen our financial base is to raise funds. After all, we believe that a good financial foundation does not necessarily attract money. In short, to improve the financial base while also increasing or stabilizing the ability to raise funds. We believe that the financial institutions that support us on a daily basis are a great source of support, but we also think it is important to manage our business while maintaining even better relationships with other organizations.

Here we have written the D/E ratio, interest-bearing debt and EBITDA. When I personally look at it, I think that the important point is EBITDA, which was only a little over 400, but now it is 600 and expected to reach 630 this year. We think we can probably get to 700 in the near future.

After all, getting 700 is significant. If you only have 400, you can only use a portion of that, no matter how hard you try. The fact that this amount has accumulated more than 1.5 times is a result of the business restructuring, and that the business environment is turning around significantly. Therefore, we think that a game change has occurred since this year 2021, and that we must appeal to ourselves to strengthen our financial base accordingly, even to the point of making it solid.

Dialogue with Capital Markets

Improving Corporate Value

- With our business management indicators as our window to business operation and management, we will seek greater corporate value
- Reducing cost of capital

Evolving Information Disclosure Further

- Expanding and deepening (evolving) comprehensive corporate information disclosure (financial + non-financial information)
- Improving understanding of our business environment and business strategy

Shareholder Return Policy

- Return policy: Target long-term total return ratio of at least 30%
- Payout ratio: Aiming for a consolidated payout ratio of 20% to 30% and stable/consistent dividends

8

Finally, there is the situation in capital markets, etc. As I have already mentioned on the last page, we need to increase corporate value based on the KPIs, etc., while having our business understood. I think we need to do this.

At the same time, as for non-financial information as it is called nowadays, I personally believe that it is necessary to be included in the disclosure of comprehensive corporate information. Unlike in the past, we will disclose our information in a more proactive manner. We will be allowed to use these opportunities. Then we'll do another ESG presentation in the fall. We are also creating various materials in-house.

We are doing a great deal of what we are doing by doing this. Then there is the big position of aluminum. We are thinking in terms of enhanced disclosure to help people understand that the winds of follow-up are blowing.

Then, if we make a profit for the period, we would like to return a commensurate amount to our shareholders and share it with them. We apologize for the inconvenience caused by the lack of profits over the past several years, but we believe that we will be able to meet our dividend target of JPY85 for the current and next fiscal years, which is in the middle of our dividend payout ratio on average over the past several years, and we will respond by increasing profits even more. The challenge is to increase value.

To do so, we will strengthen our financial base, as I mentioned earlier. I believe that the major mission of our finance and accounting departments is to ensure thorough business management for this purpose, and I personally feel that we are on the right track for this year, as the first year of our mid-term plan has somehow come to an end.

That is all for my explanation. Thank you very much for your time today.

Ueda: That concludes our explanation.

Question & Answer

Ueda [M]: We will now take your questions.

The first one, Mr. Yamaguchi from SMBC Nikko Securities Inc. Please go ahead.

Yamaguchi [Q]: Thank you very much for your time today. This is Yamaguchi of SMBC Nikko Securities Inc. I would like to ask four points.

The first point is about the structural reforms. The steady implementation has been made since the announcement in September 2019. However, on the other hand, I don't think the stock price is going up much. I have my own answer to that, but I was wondering why your company thinks the stock price is not going up. I think it will go up if you implement the measures you have discussed today. I would like to know your company's view if there is anything your company thinks. This is the first point.

Secondly, from what I heard the whole thing briefly through, I understand that you mentioned about a bottlenecks and reaching the full capacity, while Mr. Kawashima said about wanting to strengthen the financials.

I was wondering if you would have an opportunity loss if you stayed doing nothing in the midst of a very strong US market. You also said that the Asian market was close to a sold-out, too. You have acquired Whitehall and now it is time for the harvest, but you are saying that you are lacking capacity already.

If you are going to be disciplined in your finances while you have this extravagant issue, it would be difficult since there is a balance between opportunity loss and finances. I would like to know if there are any KPIs, such as you will take a step forward when the D/E ratio reaches certain level such as 0.7 times or so.

The third point is about price formulas. For example, if magnesium or silica metal dropped dramatically in certain quarter, and if there is a lag before the passing through the price, would only this quarter be profitable? Or, I wonder if oil goes up sharply during the fiscal year and if it is to be passed through in the next quarter, only that quarter, for example, will be less profitable.

There are often cases in the specialty steel industry where there is a gap in surcharges, and profits can be bumpy, but what should we be prepared for? Please explain. That is all.

Ueda [M]: Please Mr. Ishihara answer the question, or assign someone else.

Ishihara [M]: That is the way we will proceed. Thank you very much for your question. First point is our thoughts on the stock prices. Mr. Kawashima will answer the first question.

Kawashima [A]: Regarding the stock price, I also think it is low. There are many ways to look at it, but considering our own equity capital and our P/B ratio, it is still very low. I think it would be good if people could have a better understanding of our business.

The only thing I can say is that I believe that people will be able to realize more that our business has changed significantly since 2021. You may think that this may be the case, but as I mentioned earlier, I believe that the business situation in 2018, 2019, and 2021 was actually completely different. If we can realize our target properly during this first or second quarter, I think people will understand that we are in a completely different stage and position and evaluate us better.

I feel that it is important for us to disclose our efforts in the place like this so that we can gain more people's understanding.

Ishihara [A]: This is Ishihara. The stock price represents a company's strength and everyone's expectations, and I believe that the key to our efforts is how to raise the value of the Company in the future. Naturally, it is important to produce solid results, but we also think it is important to show future value in our overall indicators. We also keep an eye on beta as an indicator of importance. I hope these efforts will be reflected in our future share price.

Second, in terms of volume and production/sales, as mentioned earlier, we are at full capacity, especially in growing markets, where we have already caught up with the market with our existing investments. One thing is that we are in a situation where we have not yet been able to give you a long-term timeline for the next phase of growth, while ensuring that we have a solid financial base.

We are well aware that both Whitehall, Thailand, and TAA are being criticized for lost opportunities, and we are working to secure a solid financial base in this situation. Later, Kawashima may tell you what the KPI should be for that. I think it is important to first determine where the priority areas should be.

In Japan, the structural reform period has seen a great deal of consolidation through optimization of business locations. In this context, the new growth area of panels for automotive materials and the world of beverage cans are still important areas for us, and we will invest efficiently in these areas.

I believe the most important thing is how we can help our customers use more highly recyclable aluminum and collect it while contributing to the reduction of CO2 emissions during its life cycle as aluminum. In that sense, I think we need to invest in the environment. We will invest heavily in this area in Japan and, of course, in Thailand and TAA's US base as well.

When it comes to the competence aspect, the emphasis is on North America. As Henry mentioned, 6% annual growth in demand is expected for can materials, so we have not yet maxed out our capacity at TAA for that potential. We will be maxing out our capacity while eliminating bottlenecks there.

In the automotive parts business, new presses that are actually put into operation will be replaced by new materials in the span of five years or so. So it is important to consider how we can make effective use of the equipment we have already invested in and connect it to the next new system. We need to have a business that can be turned around in that kind of cycle. If we install new press every time we have new products, that would not be economically rational.

Therefore, we believe that we can still seize opportunities for growth by shifting fields to those with high total profitability, while considering to make such rational cycle.

Mr. Kawashima will discuss how much of the financial base should be targeted.

Kawashima [A]: Kawashima will answer from a financial perspective. First, as for the financial base, as I mentioned earlier, I still think 1 times is the best, in terms of D/E ratio. We still consider the D/E ratio to be the standard and think it is 1 times. Our current target is 1.3 [times]. If we think we can achieve 1.2 [times] in FY2023, we think we can get there.

When we wait that long, if we are asked if we can't make the investment because we will focus on the financial base, I believe that is an allocation. I personally think that it would be totally different when we have a big foundation of EBITDA of 400 and 650. EBITDA is being generated, free cash flow is being created, and long-term funds are being created.

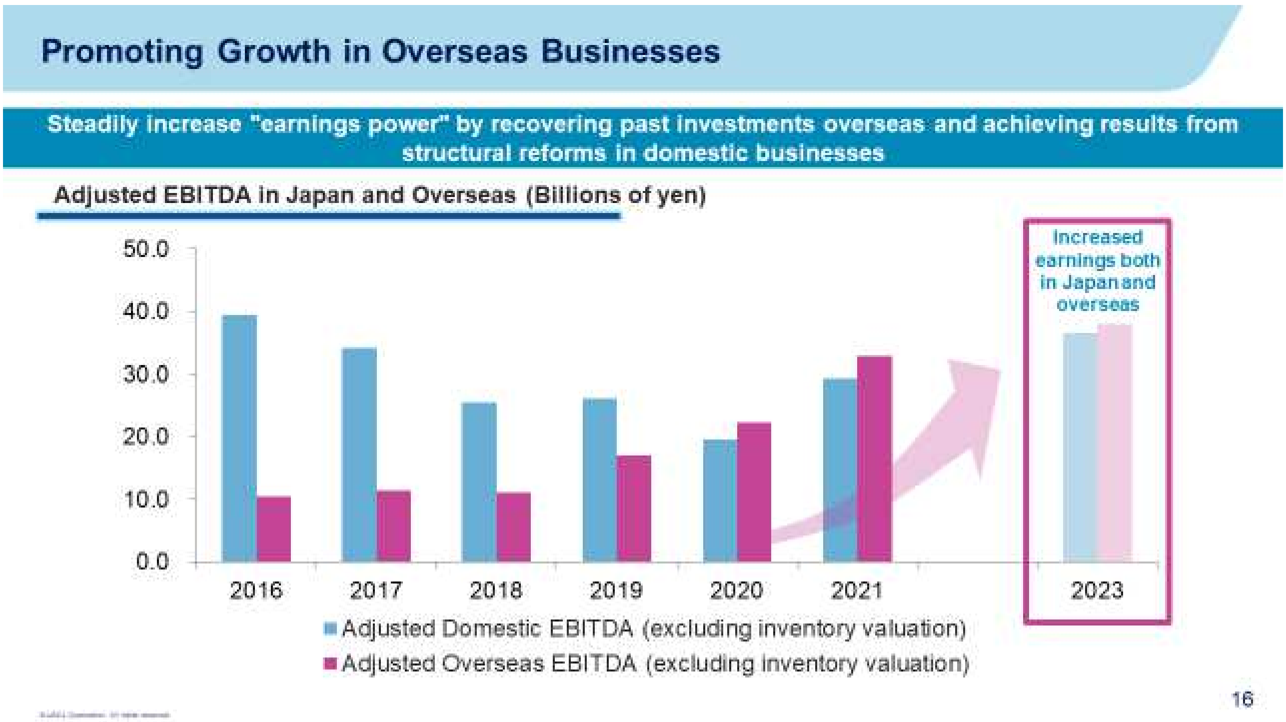
These are the points that put us in totally different situation from where we were in 2016 and 2017.

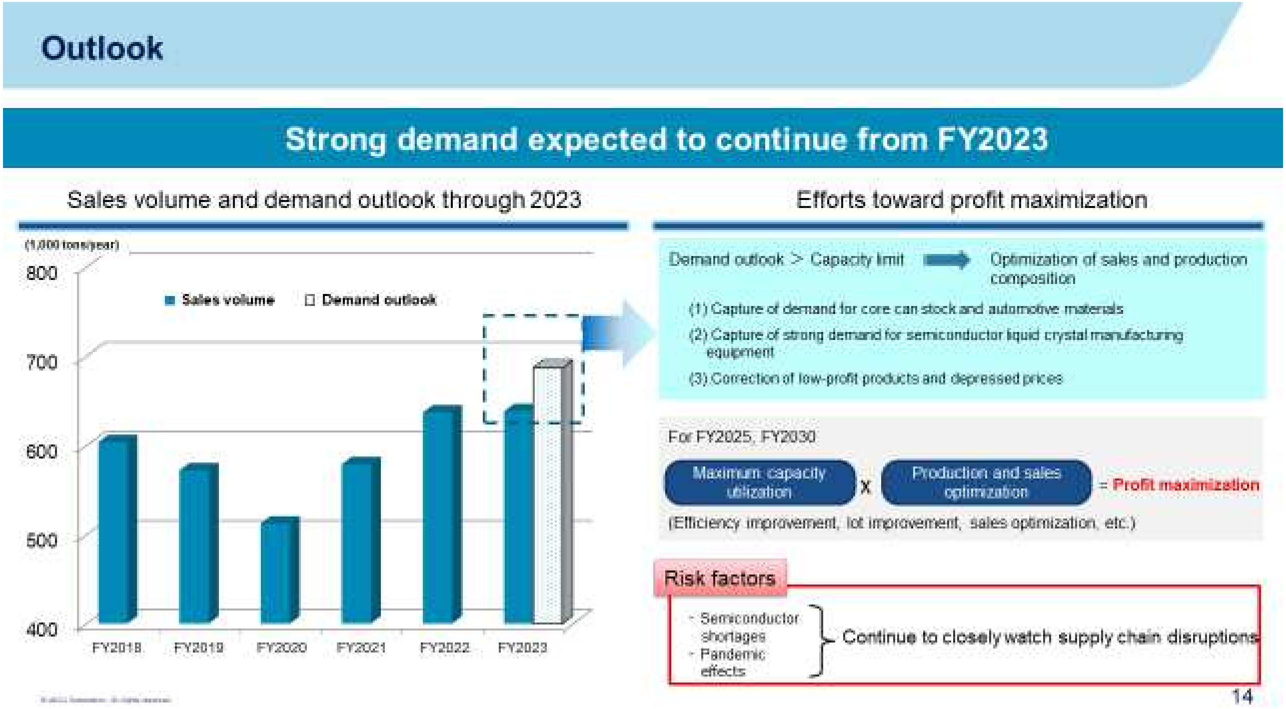
In addition, for capital investment, we will not start by building a factory from scratch in order to strengthen our capacity. Therefore, the amount of investment is completely different for capacity expansion. In such a situation, free cash will be generated, so we will invest in growth to some extent while also investing in the environment, as the president mentioned, and at the same time strengthening the Company's financial base. If we did nothing and made no investment, we would probably be able to strengthen financial base at a bounce, but that is not the case. It is important to do both. With the base of the long-term funding, free cash flow and EBITDA being generated as I mentioned earlier, I think it is our priority to achieve 1 times as soon as possible for the time being.

Ishihara [A]: Thirdly, the status of the pass-through of additive metals and energy is probably not reflected in sales or profits in a timely manner. Your question is how we should look at those situations.

Since this is still a matter of negotiation with the customer, we believe that there will be actual cases, such as a commitment to a specific date. I think this is inevitable. We would like to have a dialogue with you, while showing you how price pass-through will be reflected in profit, at the opportunity of quarterly performance or earnings forecast reporting. I hope you are fine with my answer. That's all.

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



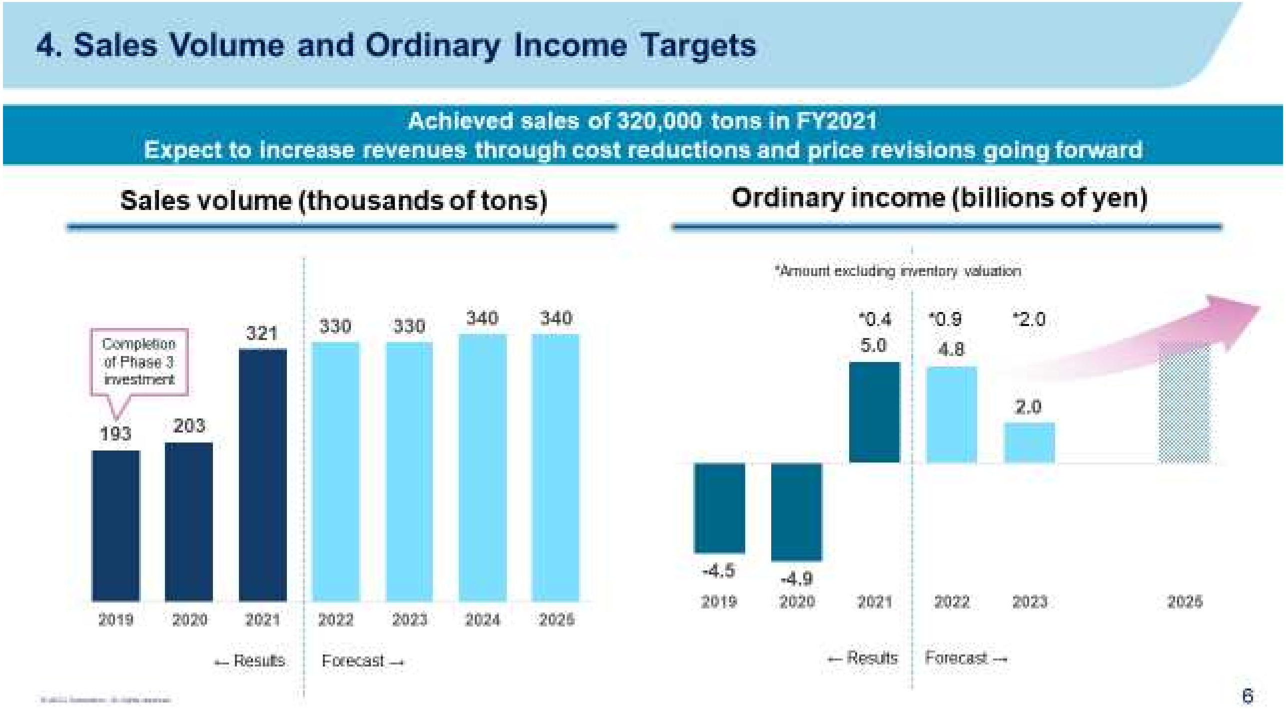


Shirakawa [M]: Thank you very much for your time today. This is Shirakawa from Morgan Stanley Securities. I would like to ask three questions briefly.

The first question is based on page 16 of the mid-term plan review document and page 14 of the current status and outlook of flat-rolled products.

If you look at page 16, and page 14 of flat-rolled products, adjusted EBITDA overseas appears to have improved considerably. There has been a recovery in volume from COVID-19 in Japan as well, but looking at Adjusted EBITDA in Japan, I think it is still quite inferior compared to 2016 and 2017.

Now that you are undertaking considerable domestic structural reforms, as you explained today. Please tell us again what is needed to further improve domestic earnings after these structural reforms are completed this year. This is the first point.



Then, next point is about the Thailand business. I have a question regarding page six of the presentation material on the Thailand business. In the fiscal year just completed, FY2021, you managed to achieve profit before inventory evaluation impact. I think it was a pretty good year.

If you look at this page six, although I'm not sure if this bar chart is correct, but the future profit/loss is expected to be about JPY5 billion in 2025, excluding inventory valuation. It seems to me that you are planning, or rather, wanting to get there. I would like to ask if you are aiming for this figure.

In pursuit of this goal, how can you reduce costs and increase profits in the future, even though the volume of sales will not increase that much? Please tell me about the measures to improve earnings in Thailand for next two to three years' time frame. This is the second point.

Finally, I would like to ask about TAA. Since Henry is here, I would like to ask him. It is on page five of the material. On page five, you continue to be in the stable performance phase earning stable profit from FY2021, FY2022 and FY2023, as you presented on IR day last year and this time. However, I remember that the target of the profit was little lower.

I think the target was USD157 million or USD1 million. This time, it is USD165 million in FY2021 and expected to be USD187 million in FY2022. I think the target of profit is rising. Please tell me the background behind that. If we omit the green areas, it looks as if revenues will drop a bit from FY2024 onward. Please tell me the background behind that, too. Those are my three questions. Thank you.

Ishihara [M]: Thank you very much. Now, the question about page 14 of the flat-rolled products will be answered by Taguchi as he is responsible.

Taguchi [A]: Taguchi will answer your question. The structural reform will end in 2022, and I assume you are asking what we will do after that. First, in our current outlook, it will be bit beyond our capacity. So, selection and concentration is one of the first things to do. We will make the price of low-profitable products that are not priced right appropriate, and review the product mix of business to select and concentrate on this volume.

The other point is that the product mix is expected to change in many ways. Product mix in automobiles and cans are expected to increase. What is important here is we can make any combination of products as long as we acquire certification in US, Thailand and in Japan. We call it double-specification in factories in Japan. This is the UACJ's greatest strength, and we will continue to produce product mix that can be made anywhere.

In addition to these two, we will naturally work to improve productivity and yield, which are the foundations of the industry, and while working in these areas, I think it is important to raise the current 640,000 tons in Japan to 650,000 tons or 660,000 tons. That's all.

Ishihara [A]: If Ishihara may add a little more, our flat-rolled products business has the advantage that there is nothing that we cannot produce, in terms of the product type. Therefore, I think it is important to consider how we shift to areas with high profitability while expanding such things.

Of course, I think it is necessary to seek high profitability in terms of product variety, but more than that, we are not only in the flat-rolled products business, but also in five other businesses. What is the customer's requirement with thick plate using flat-rolled products? Right now, this is the delivery time in the semiconductor manufacturing equipment industry. If you want to make equipment quickly so that semiconductors can be manufactured, what it matters is to shorten the delivery time of materials.

In this context, in order to shorten the delivery time of materials, we are not only selling thick plates, but also processing them. By keeping them processed, we can contribute to shortening the lead time for our customers. We have such business structure. We will expand our business with the collaboration of this flat-rolled product business and other businesses. We believe that we will be able to move in a way that enhances corporate value, not only in terms of revenue, but also in terms of that kind of uniqueness.

Secondly, I would like to present a time frame target or goal for profitability for the Thai business. Mr. Inagaki, would you like to take it?

Inagaki [A]: I will answer the question. Since we are talking about profit/loss in 2025, we are not yet as accurate as we would like to be, but right now, we believe that we can expect a profit/loss of more than a current level in working for achieving our annual sales of 340,000 tons in 2025.

The first is to improve yield or capacity to produce 340,000 tons. There will be cost reductions associated with that production increase, and our most recent goal is to improve UBC's scrap rate, and we are working toward that goal by 2025 with some firm numbers. The effect of this is reduced cost of raw materials.

In addition, due to the current tight supply and demand situation, we are currently working on contracts with customers for 2023 and 2024, and we expect to see an increase in base price revisions and other factors. Considering these factors, we believe that we can expect a certain degree of improvement in profit and loss by 2025. That's all.

Ishihara [M]: Third point in your question is about TAA, on page five of the stable performance section. The figure of 157 in the past has now improved to 165 and 187. The question is about the background behind that and the background behind the situation where the earnings has been declining excluding the green area since 2024 in terms of EBITDA. Henry will answer this question.

Gordinier [A]*: I will answer. Thanks for the great question. Logan is a very interesting factory. To understand profit on YoY, and what we have to consider when looking at production, is that it is 100% Logan. That is where this constrained asset and others are being used. And we increase the utilization rate, the tonnage of volume, and the recovery. This will lead to the increase in profit of pounds that can be produced without cost.

When we talked about FY2021, I mentioned that the production of coils was the highest ever, as well as the highest ever for ingots. And we told you that the contracts have already been signed for 100% of them. That value will be reflected in our final sales.

If you look at FY2022, we also have to look at the production baseline, but in addition we have a materials strategy. We succeeded in raising scraps in FY2021 and FY2022. In other words, we have been able to increase the recycling rate in our production. So, the profit margin increased because we were able to utilize scrap.

This means that, in addition that we were able to increase sales by increased production, we were able to create more values by raising scrap rates. That is the situation with respect to FY2021, and I hope you will understand our forecast for FY2022 with my current explanation. This allows us to say that the situation is improving year over year.

What this slide shows is that our view of the market environment going forward is consistent with our thinking last year. We believe it is a strong market, and that there is an additional portion of green coming in. It means that the capacity of hot mills will increase slightly. We tried to show stability while controlling costs. This diagram illustrates such situation.

Ishihara [A]: As Henry just answered, we have invested in scrap pretreatment equipment and scrap melting furnaces, which is called the DC method and started in 2020 or about 2019. The profit was added by making such an investment.

It is not that we made profit by utilizing scrap, but by being able to utilize it due to such investments. The revenue will drop a bit for that after 2024, so we will make up for it with the green portion. The green part corresponds to the volume, so it will increase permanently, but the blue part includes the raw materials, so I mentioned that it will fluctuate a little.

Let's move on to the next question.

Ueda [M]: Now the next question please. Mr. Matsumoto, Nomura Securities Co. Thank you.

Matsumoto [Q]: This is Matsumoto from Nomura Securities. First, I have a question for Henry. I understand that the demand for aluminum in the US is very strong until about 2030, but I wonder if there is a risk of a counterattack from other materials, for example. I was wondering if there is any possibility of that since there is not enough aluminum.

During a break earlier, a video was playing, and the PET bottle recycling rate is very high in Japan, but it is very low in the US. If those things go up, for example, I wonder if it will affect the demand for aluminum. I also think that other materials will devise the premiums. Please let me know if you have any thoughts in those areas. This is my first question.

Secondly, I would like to ask David, if he is here. I thought your story about order receiving was great. You talked about various capabilities, but I felt that you did not talk much about profits. For example, what is UWH's daily awareness of ROIC and profit margin, which Mr. Kawashima explained earlier?

The third point is that in Mr. Kawashima's explanation, there was a part about lowering capital costs, but I have not heard that kind of talk at such briefings at other companies. Please let me know your thought behind that. That's all.

Ishihara [M]: Thank you. Let's start with the TAA. You said that the demand for aluminum, including can materials, is expected to rise in North America until 2030. You also said that there would be some device and associated counterattack by other materials. On the other hand, how would aluminum be affected if the recycling rate increases? That was your question. Henry would like to respond to this.

Gordinier [A]*: Thank you for your question. Thank you for your great questions. This is a question we are often asked. To answer your question, I cannot tell you how the recycling environment is directly affected by consumer preferences in Japan, but I can tell you how it is in the US.

We are very confident about the market in the US. Now, an investment of JPY4.5 billion has been made in two rolling mills, and much more in can manufacturing. It is not marketing that is driving it, but consumer preference. Consumers now really value can products, aluminum packaging brand. For can manufacturing, new factories are being established more and more.

Plastic is already seen as garbage. In fact, plastic is garbage. Recycling will degrade it. It will not return to exactly the same condition, even if recycled, in the case of plastic. That's why this market is so sticky, and why so much investment is being made in this market. It is the understanding that this is driven by consumer preference and is not a temporary thing. I think it's because of the strong view that it's sticky.

What my children and my children's friends drink from is aluminum cans. Even things like water are now in aluminum cans. It used to be a plastic bottle monopoly. But now, aluminum cans of water, whether for concerts or sporting events, are being used. So, we are really confident here.

In a real sense, I don't see a recycling market being built with plastic as a threat to aluminum cans. The packaging strategy for the energy drinks and the craft beers on the shelves now are totally different. This is not a big thing. This is because the brands themselves make the choice.

With major brands, very large brands, e.g. Coca-Cola, "Recycle Me" is printed at the side of the aluminum cans. So, they are really committed. The fact that the brand is committed, and that it is shifting its products in the direction of aluminum cans, I can say with confidence that this trend will continue for some time to come.

Ishihara [M]: How will the increased recycling rate affect the aluminum material? Please comment on it.

Gordinier [A]*: Yes, of course. Increasing recycling rates is a really good thing. As I mentioned earlier, several rolling mills will be launched. Each has its own recycling strategy. We are also working to reduce carbon dioxide emissions. This is one of the characteristics of aluminum cans. It can be recycled permanently. And the more they are recycled, the more we can increase the recycling rate.

Higher recycling rates would mean more material entering the market. This means more scrap material. So it's more cost efficient for scrap materials. This is good for the environment and also good as a whole. It will be less cost for manufacturing. This would increase the recycling rate.

I believe that what is being advocated now in the US in terms of policy as a tailwind and it will become a longer-term trend. I believe that aluminum cans will be increasingly adopted.

Ishihara [M]: In the middle, Henry said that plastic is garbage, but it is easy to become garbage. We hope you understand that when they are disposed of, they are likely to become garbage. Aluminum is less prone to waste and returns. It is reused and becomes a can again. That is the image we are talking about, and we hope you will understand.

Secondly, to David. We were asked what kind of management we are actually doing with ROIC and other financial KPIs in mind. David?

Cooper [A]*: Yes. It is true that I did not focus much on the question about productivity. This is because our efforts with regard to energy were focused on putting in new lines of automobile manufacturing while our growth targets were very high.

But that in no way means that we neglected profitability. Costs, fixed costs were incurred before sales were made. Even though the program has not yet been able to launch, costs are still being incurred. We expect sales to increase in the future. There is a little delay there.

There is a delay. We will cover fixed costs through sales, and we have talked about how fixed costs have doubled. By doubling fixed costs, the capacity for increased production has tripled. We have various programs in place and volumes are increasing, so I think we can eventually cover our costs and then turn a profit. We are charting a course for growth.

We have proven Improvements, cost savings, and productivity enhancement. We have also placed a great deal of emphasis on automation. This has increased considerably this year. The factory in Flagstaff will be almost completely automated. As I mentioned in the slides, we have made significant improvements in our efforts in Mexico.

The biggest challenge regarding profitability is top-line growth. The program is a little delayed by COVID-19 and we are just waiting for that. In addition, there was also a shortage of chips and supply chain disruptions. But these will disappear. These elements will disappear. A good program is currently being ready, and we believe we can achieve the anticipated volume.

Also, as I mentioned earlier, we will reduce costs and introduce automation. We will also improve direct productivity. We would also like to manage the business by fading out of the low-profit sunroof business and complicated business and shift to highly profitable business with high potential of profit contribution. Not a conventional business.

We will contribute to profits this year and that is where we are going from there. As the press's extruder capacity increases, it will produce more. The break-even point will be exceeded. If there are capital constraints, I believe that this will in turn accelerate cost reductions even more. It should reduce scrap and contribute to profitability.

I hope I have answered your question.

Ishihara [A]: UWH is a [inaudible] business, so the production system is designed to handle each product in the foreground. Therefore, the production and investment efficiency of each type of product is much easier to grasp for flat-rolled products and extruded products than for materials. Since we already have a system in place to capture these figures, we believe we are able to manage the investment efficiency of new investments, including existing investments, for each type of product, and we would like to continue to improve the accuracy of this system.

Then, as a question to Mr. Kawashima, could you please comment on the part about lowering the cost of capital?

Kawashima [A]: I think it is difficult to say how we will do it specifically. It is not something we can control. However, I believe it is important for a company to create corporate value. In this context, of course, capital costs, etc. must be considered.

As you are well aware, our cost of capital is very high, as you can see if you calculate it. The high factor is the beta value, which Mr. Ishihara mentioned earlier, so by raising our corporate value, we can have people understand our situation better, as you asked earlier. We believe that would affect the stock price.

As a result, the capital cost will be lower. On the other hand, we are now asking the business to increase capital efficiency. In same way, we will increase profitability after capital efficiency is [inaudible] increased. Then capital cost will become lower, and we will make equity spread by that. We believe that that is the major purpose of the Company. Although there is nothing concrete we can do, we are aware of the need to lower the cost of capital, and we have talked about this within the Company, which is why I have included it here.

Ueda [M]: Thank you very much. Now, the next person, Mr. Goroh, UBS Securities, Inc.

Goroh [Q]: This is Goroh from UBS Securities. Thank you. I have one major question that includes two points. In your explanation of the growth strategy, I think you explained that there has been a major game change in terms of demand. How are you going to approach this opportunity for demand growth in terms of volume?

I think you mentioned that you are considering additional investment and a vision for capacity expansion in the future, but I am not sure if additional volume growth within the existing business model will lead to a significant change in ROE and ROIC fundamentally. I think it is a little bit difficult to understand that part.

On the other hand, what I am concerned about is the expansion of value-added business, for example, as part of strengthening the foundation for growth as mentioned in the President's explanation, and the idea of building a unique position as explained by Mr. Taguchi. I feel that how to proceed in this area is also important.

For example, value proposition and customers we do business with. You have shown in the graph, but, for example, how are you going to actually expand such value-added businesses as solution-providing businesses, which you have mentioned in the past? For example, what are the evaluation criteria, milestones, and how are they viewed within the Company? I would like to know how we, outside the Company, will be able to see this, in terms of KPI management, or in what way it will actually contribute to added value, and how it will be managed.

I think it is your unique positioning. I believe you have mentioned before that you want to be an industry leader in recycling and that you want to be different from other companies in the same industry. I would like to know the progress in this area and how you plan to set and manage your goals in this area. Thank you.

Ishihara [M]: Thank you very much. In the area of growth strategies, I believe it is important to improve existing businesses even though the scope for additional investment is limited in the midst of a game change in terms of demand, both domestically and internationally.

In this context, how can we add value as a foundation for growth? Since you asked about how we will create a unique position, I would like to start first, followed by Taguchi, or by Kumamoto, who is in charge of strategy, and then Sato, who is here today, since we are expanding the scope of our business, especially in the area of automotive parts.

Basically, I think that existing businesses need to find ways to add value as a foundation for growth, but I think that it is difficult to do so in the existing materials business. As I mentioned earlier, we have six businesses, not just the existing business of flat-rolled products. Therefore, the question is how the six businesses can work together to create a new business model. Now, the automotive parts business is entering the area of bumpers and battery package cases for EVs.

In that area, we are not selling conventional extruded products, but rather bending and welding extruded products, attaching plate products to them, and making new bumpers with such comprehensive capabilities. It could be the design capability that we had in R&D, or it could be the ability to enhance strength and longevity, or even its performance when it crashes. We have this comprehensive strength and that is why we can create new things.

Or, in this world of aluminum cans, adding water to aluminum actually extends the life of the contents. This is quite an advantage in the area of storage. It is no longer a matter of having to replace them after three years. So, when we find something new, we can increase the demand for beverage cans by telling the world about it or disclosing our new value. I think the growth opportunity would be how to sell the existing business along with the services.

In terms of figures, we are aiming for sales of JPY800 billion and a profit margin of around 6% by 2030. I can show our vision only with such figures for now. In this context, the question is how we get the JPY200 billion out of the new business development, from the previous JPY600 billion to JPY800 billion. Our goal is to create JPY100 billion in new areas, and I believe that we are just beginning to materialize this goal and we have a plenty of seed.

The other thing is how we can create a unique position. From Taguchi, including recycling efforts.

Taguchi [A]: Taguchi will explain. First, unique positioning. I said earlier that this is not a matter of just pursuing the volume but of contributing to the environment and other aspects of society.

The first is, of course, the environment, and by expanding upstream recycling in cooperation with Yamaichi, we will increase the recycling rate, as stated on the left in the material. And contribute to carbon neutrality. That is one thing.

The other thing is, and Ishihara added this earlier, our business is not just flat-rolled products. There is a company called UACJ Foundry & Forging Corporation, which collaborates with our Fukaya thick plates and processes them before delivery.

We are looking for new areas that can contribute to society in upstream and downstream areas, and of course, if these are integrated, delivery will be quicker. Such things are called unique positioning in the business of flat-rolled products.

Ishihara [A]: Also, for us, volume is important for recycling. It is important how much we put on the market, and then we recycle it, so we have to have the capacity to accept it. So we also have to have the ability to sell what we accept, just to get it out as a product again.

We are positioned that well, and if we expand the use value of aluminum even more, we will be positioned even better, and we would like to build our own unique positioning, including recycling, with that combination. The rest is in order.

Kumamoto [A]: This is Kumamoto. We are currently working on some things, so it is difficult for me to say anything in terms of catchphrases. As Ishihara mentioned at the beginning of this presentation, we would like to expand our business base by about JPY100 billion in new areas toward 2030, and as Taguchi just mentioned, recycling is a business opportunity that is completely new to us this past year.

We have selected three areas of focus, or potential areas, as VISION 2030, and have just begun work on how to use this as a launching pad to flesh out the plan and connect it to the Fourth Medium-Term Management Plan. We are not able to go into the details any further.

The hint that Mr. Goroh gave me was how to measure this kind of added value. We would like to consider how we can present this in some form or rather a way that will be acceptable to everyone. Thank you.

Ishihara [M]: In the area of growth beyond just existing business through the auto parts business. Also, as David mentioned, the auto parts business can be managed on a stand-alone basis for each individual product, but if we disclose too much information, the prices will be known. Can you talk about it little bit about it?

Sato [A]: This is Sato. Please let me explain. Growth, or as David said at the beginning, the North American auto parts environment is in a very strong demand, where the environment is changing very rapidly. It is difficult to make decision on what to choose as customer's demands snowball from moment to moment. We have such a situation.

However, there is also the issue of the balance between growth and fiscal discipline, and in light of ever-changing information, we should share appropriate information within the UACJ and decide whether to step in or stay out. This needs to be determined on an individual basis.

However, in the midst of this, we have customers who come to see us with very strong request. However, if we can penetrate into them, we can get new and value-added information. We are Tier One, but we may be able to seize the opportunity to move up to a higher Tier One. With this in mind, we cannot stop growth by fiscal discipline alone, and I would like to strike a balance between the two as we prepare to take a new step upward.

We are a long-established company in the aluminum parts industry, which is what makes us a little different from our competitors. We have also received a lot of trust from our customers, and we have heard that our quality was good, so that is where we are a little different, and we would like to use that as leverage to move up a little bit more. I would like to make choices in the changing environment with this in mind.

As you mentioned financial indicators, it is difficult for me to answer your question because I am not able to give detailed information, but at this stage we are focusing on strategic growth, so we had to concentrate on EBITDA. However, since the reaping period will begin a little from now on, we would like to express a financial indicator, which we are aiming for, internally as KPI and we may be able to explain it to you when time comes. That is all. Thank you very much.

Ishihara [A]: Now that Sato has said that he will work on the scientific approach and figure it all out in the auto parts business, we can expect a reduction in costs and other factors. That's all.

Ueda [M]: Thank you very much. Although it is past the scheduled time, we would like to take this opportunity to answer your questions as best we can.

The next question is from Mr. Ozaki, Daiwa Securities Co. Ltd. Thank you.

Ozaki [Q]: This is Ozaki from Daiwa Securities. Thank you for the precious opportunity today. I would like to ask you two questions.

First, in your earlier explanation, you mentioned that the Thai base could aim for about JPY5 billion in ordinary income in the future. Please tell me, once you achieved this, whether you will have achieved the hurdle rate internally such as ROIC. I think you would like to make more profit since you have invested about JPY100 billion in this base, but please tell us about any measures you are taking to further increase profits.

Secondly, regarding TAA, despite the very strong local demand, the profit forecast on page five of the document does not show much growth, which I think is a bit disappointing. Can't you think of a way to increase profits as a local base by promoting price pass-through and the like?

Please tell us about this point. I have these two questions.

Ishihara [M]: Thank you very much. First, since you asked whether UACJ as a whole has achieved the hurdle rate when we achieve the target of JPY5 billion in ordinary income in Thailand, Kawashima will explain this.

Kawashima [A]: First, the JPY5 billion is not a mid-term plan, and this is the figure we believe we will achieve for the time being at minimum. Also, this will be studied when we come up with the fourth medium-term plan, so we would like to ask you not to obsess over that JPY5 billion first.

At this stage, if you ask me if we hit a hurdle rate when we achieve, say, JPY5 billion, I don't think we are there yet. As has been said, the total investment is JPY100 billion and the amortization is in progress. If we consider it as invested capital, it will be lower, so I don't think it is at that level in that sense.

However, the problem is that we have three poles ourselves. So, I still think it is important to go beyond the hurdle rate in the flat-rolled products as a whole. Otherwise, it is still very difficult to exceed one factory hurdle rate from scratch. But it is being done in the US, in Japan, and across the flat-rolled product business. That's why I think it is three poles. I believe that the hurdle rate can be exceeded and a plan to make a profit can be seen.

Ishihara [M]: And then TAA. I think Henry mentioned this earlier, but since we were pointed out that the growth in profits is not in proportion to the growth in demand or production, he will explain once again. This is a duplication, but Henry, please.

Gordinier [A]*: Of course. There may indeed be some overlap, but I would like to answer from a slightly different angle. I would like to make a few comments on price pass-through as well. By all means, this point should have been mentioned.

In TAA, price pass-through is already reflected in the contract, for example, with regard to magnesium and hardener. Or logistics costs, and other things that are currently increasing in price, are already reflected in the contract formula. This has been part of the industry structure for quite some time.

As for the future, there is no structural change with respect to how we approach the market. In other words, there are no new efficiencies, particularly with respect to the form of the contract.

It means that, with regard to cost protection, it has already been incorporated into the contract. Improving profitability going forward will come from increased production in our company's case. This means improving profitability through increased production, by gradually increasing capacity.

In terms of what other areas we can find value in, it is material. It means changing the material. It is difficult to say how the transaction price in the US will change in the future, such as scrap pricing or scrap discounting. However, I believe that there is a great opportunity for the future.

I think it is more important to execute capital projects on budget and on schedule, rather than reducing costs or increasing value with respect to mechanisms that are not currently in place. We pursue efficiency as much as possible. We are already in a situation where we have sold out of production through 2025, and we are focused on producing that as efficiently as possible.

Ishihara [A]: I am Ishihara, but I would like to add a few things. In 2019 and 2020, we put in a DC4 casting, including the scrap I mentioned earlier, or a CM4 cold rolling mill for TAA. Since we put that in greenfield, it grows all at once for what we put into against the growth in demand.

We are going to maximize our existing capacity, so we will invest there while operating the existing. If we try to increase capacity by increasing the speed of rolling mills and so on, the growth from 2023 to 2025 seems little on page five, but it is the construction period. Construction is done while stopping, and the output is not so extreme there.

However, the output will come out in 2025. It will be coming out in 2026 as well. The modifications in the traditional field is different and that makes the difference in figures. I hope this answered your question.

Ueda [M]: Thank you very much. These are the answers to the questions we have received today. Are there any other questions, including those from Zoom? As there are no further questions, this concludes the question-and-answer session. For any further inquiries, please contact the Investor Relations Department.

This concludes the IR Day of UACJ Corporation. Thank you very much for joining us today while you are busy.

Company Representative [M]: Thank you very much.

Ueda [M]: We would like to ask for your continued support and encouragement to our company.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.