



UACJ Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 8, 2022

Event Summary

[Company Name]	UACJ Corporation	
[Company ID]	5741-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2023	
[Fiscal Period]	FY2022 Q2	
[Date]	November 8, 2022	
[Number of Pages]	36	
[Time]	16:00 – 17:00 (Total: 60 minutes, Presentation: 30 minutes, Q&A: 30 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]	87	
[Number of Speakers]	6	
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Presentation

Ueda: Everyone, thank you very much for waiting.

Thank you very much for participating in the financial results briefing for Q2 FY2022 of UACJ Corporation today.

This conference call will be conducted using the briefing materials available on the UACJ Corporation's website. If you do not have the materials at hand, please visit our website.

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

Now, I would like to introduce today's speakers from the Company.

Miyuki Ishihara, Representative Director, President.

Ishihara: This is Ishihara. Thank you.

Ueda: Teruo Kawashima, Director, Executive Vice President.

Kawashima: Hello, this is Kawashima. Thank you.

Ueda: Shinji Tanaka, Director, Managing Executive Officer, Chief Executive, Corporate Strategic Restructuring Office.

Tanaka: I am Tanaka. Thank you.

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

Kumamoto: I am Kumamoto. Thank you.

Ueda: Haruhiro Iida, Executive Officer, Chief Executive, Finance Department.

Iida: I am Iida. Thank you.

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

President Ishihara will now present financial results for Q2 FY2022 and the full-year forecast announced today. Please join us while viewing the presentation materials.

President Ishihara, please go ahead.

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Key Points of Today's Announcements

1H FY2022: Sales increased YoY and ordinary income before metal price lag also increased to ¥13.9 billion (YoY: +¥0.7 billion)

Full-year forecasts for FY2022: Sales will increase and ordinary income before metal price lag will also increase to ¥23.5 billion

- 1 **1H FY2022 Overview**
 - ✓ Outperformed our initial target in 1H
 - ✓ Japan: Automotive-related businesses were affected by market conditions, but sales of can stock, thick plates, and general materials increased
 - ✓ Overseas: Captured strong global can stock demand (particularly in North America), and profits increased at both TAA*¹ and UATH*²
- 2 **Full-Year Forecast for FY2022**
 - ✓ Despite changes in the external environment, we took advantage of our strengths to achieve **actual profit of ¥23.5 billion**, as planned
 - ✓ Utilized our strengths, namely our "three-country supply network," strong customer base, and ability to accommodate a wide variety of products and applications
 - ✓ Closely tracking risk factors such as aluminum ingot prices, rising interest rates in North America, and demand trends in automotive-related businesses
- 3 **Progress on Restructuring**
 - ✓ Progress as planned in each measure
 - ✓ **¥21.0 billion** in impact of structural reforms

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

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Ishihara: I will now present the financial results for Q2 FY2022.

Please open the document and let me summarize the key points of the presentation on the first page.

In H1, net sales increased YoY, ordinary income before metal price lag, which is the Company's actual profit and loss, increased by JPY700 million YoY. For the full year of FY2022, we are aiming for an increase in net sales, and ordinary income before metal price lag of JPY23.5 billion as planned.

I will now explain key points regarding H1, the full year, and structural reforms.

As a summary of H1, we were able to exceed our internal plan for H1, resulting in an increase in profit YoY.

In the market, in Japan, the automotive-related business was affected by market conditions, but sales of can stock, thick plates, and general materials, which are the Company's strengths, increased.

Overseas, on the other hand, both TAA and UATH increased profits due to strong global demand for can stock, especially in North America.

Regarding full-year forecast, we expect various changes in the external environment, but we are forecasting ordinary income before metal price lag, which is our actual profit, to be JPY23.5 billion, taking advantage of the various strengths of our company.

Our strengths are namely our three location supply network, strong customer base centering in Japan, and ability to accommodate a wide variety of products and applications to meet the customer demand.

Although the future outlook remains uncertain, we will closely monitor various risks, including the price of aluminum ingots, rising interest rates in the US, and automotive-related demand trends.

Regarding the third point, progress on restructuring, each measure is progressing as planned and achieving its intended effects.

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As for the effects of restructuring, we are on track to achieve our target of JPY21 billion.

Changes in the External Environment and Our Countermeasures

We will continue responding to changes in external business environment and thus minimize the impact on earnings

Changes in the External Environment and Our Countermeasures	Japan 	TAA (United States) 	UATH (Thailand) 
Increase in aluminum ingot prices	Pass on to sales prices		
Soaring unit energy prices	Agreements have been reached with most customers in negotiations concerning pass-through to sales prices	Pass through to sales prices (already introduced pricing system linked to market prices)	New contracts Already introduced pricing system linked to market prices Revisions to existing contracts Reached agreements with some customers concerning the pass-through of high energy prices
Soaring additive metals prices	We have introduced a pricing system linked to market prices for products that include many additive metals		
Increase in logistics costs	—		Pass through to sales prices (already introduced formula system)

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The second page summarizes changes in the external environment and our countermeasures.

As for the external environment, the report summarizes the situation in Japan, the US, and Thailand with respect to aluminum ingot prices, energy prices, additive metal prices, and logistics costs.

Ingot prices have fluctuated significantly from last year to today. In the event of such large fluctuations, inventory effects and the time lag before ingot prices are passed on to product prices can have a significant impact on business results. This situation continued last year and in 2022.

We have almost reached an agreement with our customers that they have already introduced or are in the process of introducing in the future, the selling prices to which the price of the soaring energy prices and additive metals were passed through.

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2. Progress on Restructuring

3. Full-Year Forecast for FY2022

4. Sustainability Initiatives

5. Reference Data

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As shown on page three, I will now discuss the results for H1, restructuring, full-year forecast, and sustainability initiatives that will support our future growth.

1. Results for 1H FY2022

Overview of Results for 1H FY2022

Ordinary income before metal price lag for 1H: ¥13.9 billion (YoY: +¥0.7 billion)

Ordinary income for 1H: ¥20.7 billion (YoY: ¥(5.1) billion)

■ Sales volume: 683,000 tons (+33,000 tons YoY)

- **Can stock:** Demand continued to grow at UATH (Thailand) and TAA (United States)
- **Thick plates:** Demand grew for semiconductor production equipment applications
- **General-purpose materials:** In air conditioner fin materials, we captured global demand for air conditioners, and demand increased for printing plate materials as customers moved operations back to Japan
- **Automotive-related (automotive materials, foil, IT materials):** Performance was affected by semiconductor shortages and global supply chain disruption

■ Ordinary income before metal price lag: YoY: +¥0.7 billion

Positive factors (Including structural reform effects)

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

Negative factors

- Increase in energy prices

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On page five is the overview of the results for H1.

Ordinary income before metal price lag for H1 was JPY13.9 billion, an increase of JPY700 million YoY.

In terms of sales volume, we were able to sell an additional 33,000 tons YoY

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Sales volume for can stock continued to increase in Thailand and North America, and demand for thick plates for semiconductor manufacturing equipment rose, especially in Japan.

In the area of general materials, which is one of our strengths, we were able to capture coated fin materials for air conditioners in line with global demand for air conditioners. And what is distinctive is the increase due to the return of parts of customers to Japan for printing plate materials.

In the automotive-related, automotive materials, foils, and IT materials have been affected by semiconductor shortages and global supply chain disruptions.

Despite these factors, we were able to achieve an increase in sales of 33,000 tons while leveraging our strengths.

Factors for increase and decrease in ordinary income before metal price lag are as shown in the slide.

1. Results for 1H FY2022

Results for 1H FY2022

(Billions of yen)

	1H FY2021 (A)	1H FY2022 (B)	Change (B)–(A)
Net sales	3,650	4,898	1,247
Operating income	299	215	△84
Ordinary income before metal price lag	132	139	7
Metal price lag	126	68	△58
Ordinary income	258	207	△51
Net income ^{*1}	173	152	△21
Adjusted EBITDA ^{*2}	327	314	△13

^{*1} Net income: Net income attributable to owners of the parent
^{*2} Adjusted EBITDA: EBITDA excluding metal price lag

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Page six summarizes the results for H1.

Net sales for H1 increased by JPY124.7 billion YoY, and consolidated ordinary income before metal price lag increased by JPY700 million.

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1. Results for 1H FY2022

Sales and Operating Income by Segment

(Billions of yen)

	1H FY2021 (A)		1H FY2022 (B)		Change (B) – (A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Flat-rolled products	326.9	32.6	438.2	24.5	111.4	(8.1)
Precision- machined components and related business	76.5	0.2	95.6	0	19.0	(0.2)
(Adjustment)	(38.4)	(2.9)	(44.1)	(3.0)	(5.7)	(0.1)
Total	365.0	29.9	489.8	21.5	124.7	(8.4)

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On page seven, I will explain sales and operating income by segment.

We will show you the movements of flat-rolled products as a whole later on, so I will explain about precision-machined components and related business on this page.

Sales increased 25% YoY due to strong sales of air conditioning-related products, including air conditioners, as well as an increase in aluminum ingot prices.

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1. Results for 1H FY2022

Sales Volume, Flat-rolled Products

(Thousands of tons)

	1H FY2021 (A)	1H FY2022 (B)	Change (B) – (A)
Can stock	409	447	38
Foil	29	24	(6)
IT	7	5	(2)
Automotive materials	73	59	(14)
Thick plates	25	29	4
Other general-purpose materials	107	118	12
Total	650	683	33
	For Japanese market 245 For overseas market 405	For Japanese market 244 For overseas market 439	For Japanese market (1) For overseas market 34

* Sales volume after eliminating internal transactions
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Page eight shows sales volume by product type in flat-rolled products.

As you can see here, there was an increase in can stock, thick plates, and other general materials, but a decrease in the automotive-related such as foil, automotive materials.

However, we were able to increase by 33,000 tons in total. In particular, the increase in can stock overseas has affected the turnaround significantly.

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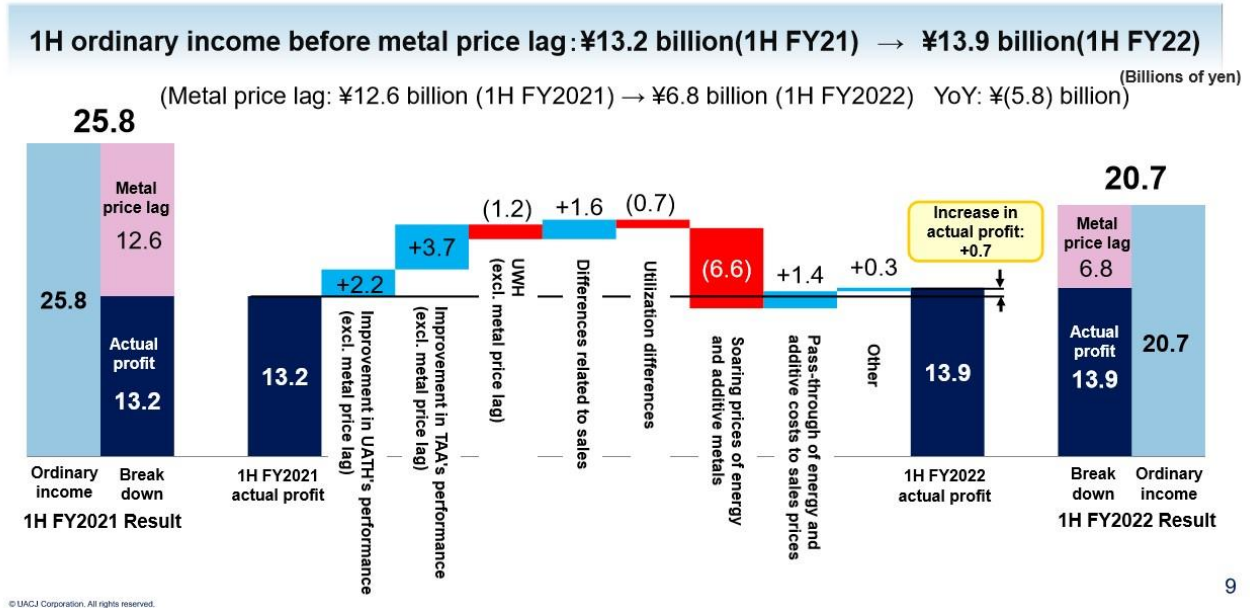
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1. Results for 1H FY2022

Analysis of Ordinary income before metal price lag (1H FY2021 → 1H FY2022)



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Page nine provides an analysis of consolidated ordinary income before metal price lag. This is a comparison between H1 of FY2021 and FY2022.

Actual profit for H1 FY2021 was JPY13.2 billion. Actual profit in H1 FY2022 was JPY13.9 billion, an increase of JPY700 million.

As for individual factors, the improvement in UATH's performance contributed JPY2.2 billion. The main reason for this is the revision of roll margins, or the impact of foreign exchange rates.

Performance improvement of TAA in North America contributed JPY3.7 billion. In particular, the increase in sales, the effect of metal benefits, and foreign currency translation differences contributed to the improvement in the performance.

The sales-related difference in Japan added JPY1.6 billion. For breakdown, single flat-rolled products saw an increase of JPY2.3 billion, but extrusion and others saw a decrease of JPY800 million. On the other hand, what is distinctive is a JPY100 million increase in foil production due to the large contribution of the revision of roll margins.

In terms of price pass-through of energy and additive metals, H1 saw progress in price pass-through of additive metals, accounting for JPY1.2 billion out of JPY1.4 billion increase. The major factors behind the decrease in profit are the auto parts business in UWH in North America. It decreased by JPY1.2 billion. I will explain it separately later.

The large factor is the price difference of energy and additive metals. The price difference in electricity, fuel, or additive metals caused the decrease of JPY6.6 billion.

This will be improved in the future by reviewing the pricing structure. The full-year figures will also be affected by the improvement.

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Consolidated Balance Sheet, Application of Funds Statement

Despite an increase in long-term funds, which are the source of our financial base, short-term funds fell short owing to high aluminum ingot prices

Consolidated Balance Sheet				Application of Funds Statement			
(Billions of yen)	Mar. 31, 2022 (A)	Sept. 30, 2022 (B)	Change (B)–(A)	Application of funds		Sources of funds	
Cash and deposits	14.3	21.1	6.8	Capital expenditures	13.0	Income before income taxes	20.0
Notes and accounts receivable – trade	122.7	141.4	18.7	Payment of income taxes	7.1	Depreciation and amortization	18.2
Inventories	232.4	266.4	34.1	Surplus of long-term funds	18.1		
Other current assets	25.2	38.3	13.1				
Noncurrent assets	398.5	422.8	24.3	Increase in working capital	34.5		
Investments and other assets	35.6	39.2	3.6			Shortage of short-term funds	34.5
Total assets	828.7	929.3	100.6	Surplus of long-term funds	¥18.1 billion		
Notes and accounts payable – trade	118.6	117.7	(0.8)	Shortage of short-term funds	¥34.5 billion		
Short-term loans payable	141.9	208.5	66.6	FCF	¥(16.5) billion		
Long-term loans payable	197.5	180.5	(17.0)				
Other	123.1	128.4	5.3				
Total shareholders' equity	209.0	220.1	11.1				
Accumulated other comprehensive income	19.0	50.5	31.5				
Non-controlling interests	19.6	23.6	4.0				
Total liabilities and net assets	828.7	929.3	100.6				

Long-term funds: Generation of funds to act as the source for strengthening our financial position
Short-term funds: Increase in working capital due to high ingot prices

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Page 10 shows the consolidated balance sheet and application of funds.

Cash and deposits increased JPY6.8 billion, inventories increased JPY34.1 billion, and interest-bearing debt increased JPY66.6 billion in the short-term and decreased JPY17 billion in the long-term. As a result, total shareholders' equity increased JPY11.1 billion.

If you look at the application of funds in the upper right table, there is a long-term fund surplus of JPY18.1 billion. On the other hand, the soaring cost of aluminum ingots and other factors necessitated short-term funding, resulting in a shortfall of JPY34.5 billion in short-term funds. As a result, free cash flow was negative JPY16.5 billion.

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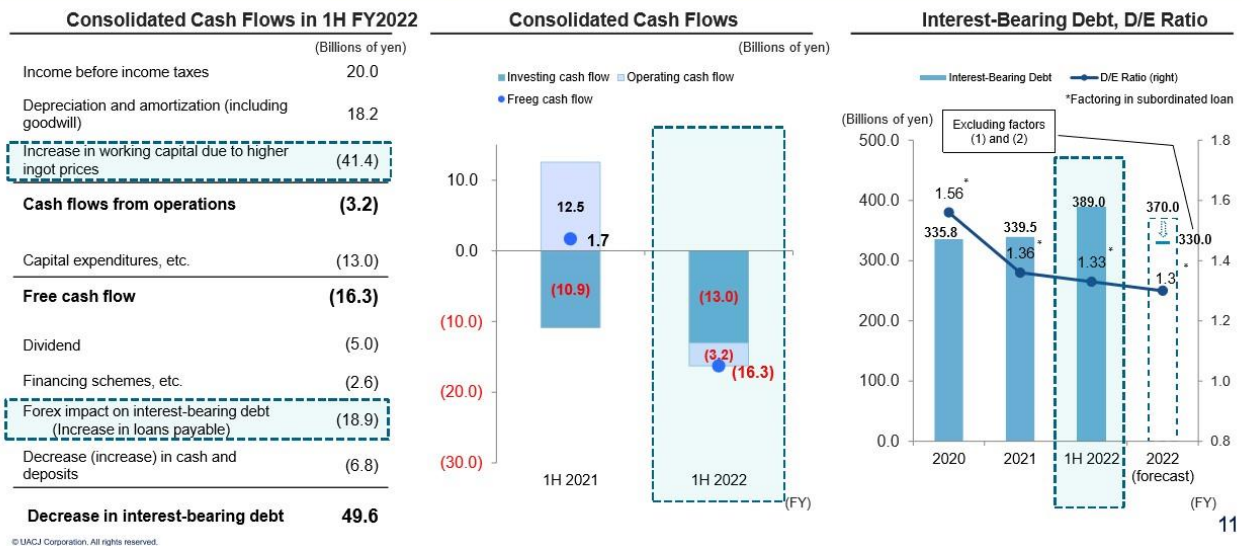
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Consolidated Cash Flow Statement

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



Page 11 shows consolidated cash flows.

Operating cash flow was JPY3.4 billion, of which working capital increased by JPY41.6 billion due to higher aluminum ingot prices. Investment cash flow is JPY13 billion. Therefore, free cash flow was negative JPY16.5 billion.

Interest-bearing debt, on the other hand, is total JPY389 billion as of Q2 FY2022, as shown in the graph on the far right. At this point, our forecast for the end of FY2022 is about JPY370 billion, but if the current surge in aluminum ingot prices and foreign exchange effects had not occurred, we would have been able to achieve JPY330 billion as originally planned. Due to some of the factors mentioned earlier, we have revised the figure to JPY370 billion.

On the other hand, the D/E ratio of 1.3 times appears to be achievable as a goal.

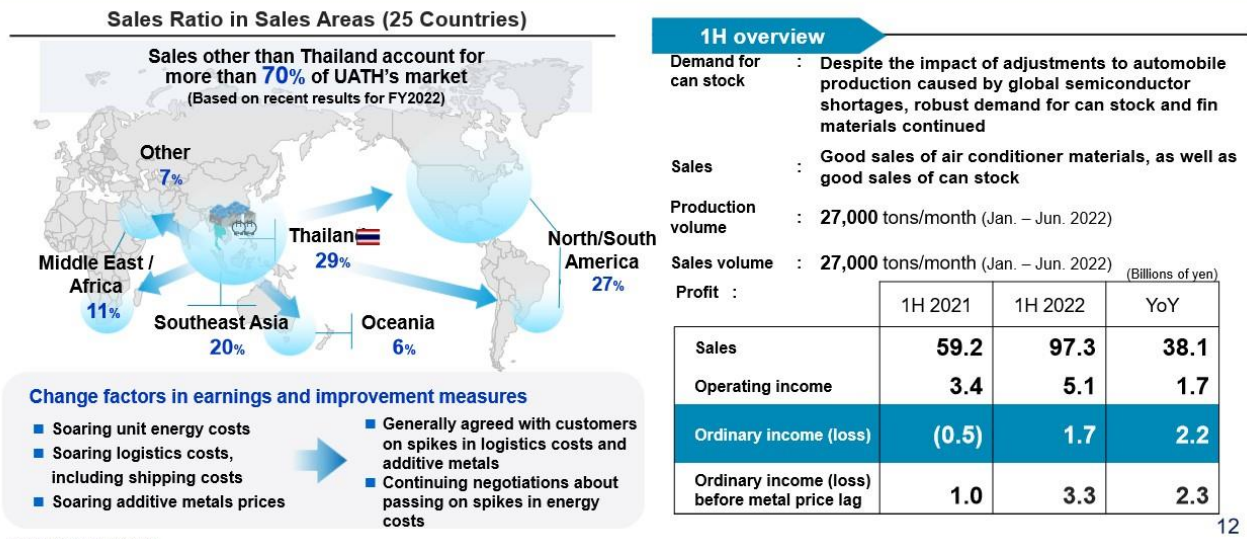
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Situation in Thailand (UATH) – Overview of 1H FY2022

Sales and profits increased thanks to efforts to capture strong global demand for cans and air conditioner materials



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From page 12 onward, we will discuss the situation of each location.

In Thailand, sales and ordinary income before metal price lag also turned around YoY by capturing strong demand for coated fin materials for air conditioners, in addition to can stock.

We expect to continue to grow mainly on the back of global, medium- to long-term demand for aluminum can stock. And we will continue to make maximum efforts to sell general materials, including air conditioner fin materials.

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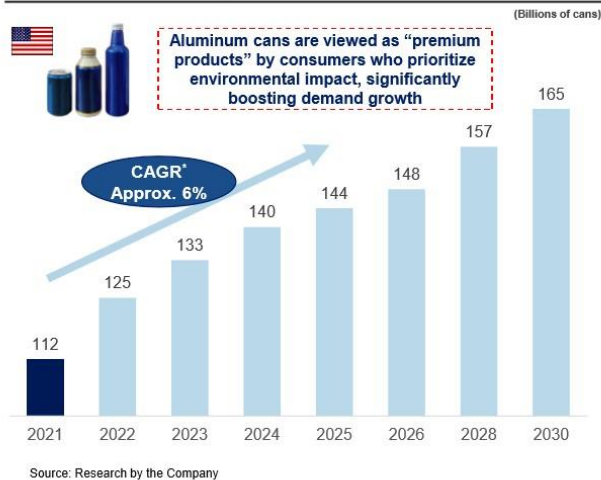
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Situation in United States (TAA) – Overview of 1H FY2022

Captured strong can stock demand in the United States, resulting in higher sales and profits (ordinary income before metal price lag)

US Beverage Can Stock Sales Forecast



1H overview

- Demand for can stock** : Strong demand environment to continue over the long term
- Sales volume** : **45,000 ton** (Apr. – Sept. 2022)
*including shipments from Japan and UATH
- Production capacity** : Established an operation network to handle production of approximately 450,000 tons/year
- Capacity increases** : Considering facility enhancements at production bases in North America

Profit :	(Billions of yen)		
	1H 2021	1H 2022	YoY
Sales	110.8	155.6	44.8
Operating income	16.3	6.8	(9.5)
Ordinary income (loss)	5.7	9.4	3.7
Ordinary income (loss) before metal price lag	15.1	5.3	(9.8)

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Page 13 shows the situation in North America TAA.

In North America, demand for can stock remains strong and the shift to aluminum containers is being promoted. Aluminum containers will be used for mineral water soon.

However, in the short term, there is a temporary decline in demand for can stock as the effects of the disruption in the supply chain, such as marine transportation, which was a concern during the COVID-19 pandemic, has been resolved, but the decline is considered temporary. This is because the start-up of new lines by can stock manufacturers is progressing smoothly and on schedule.

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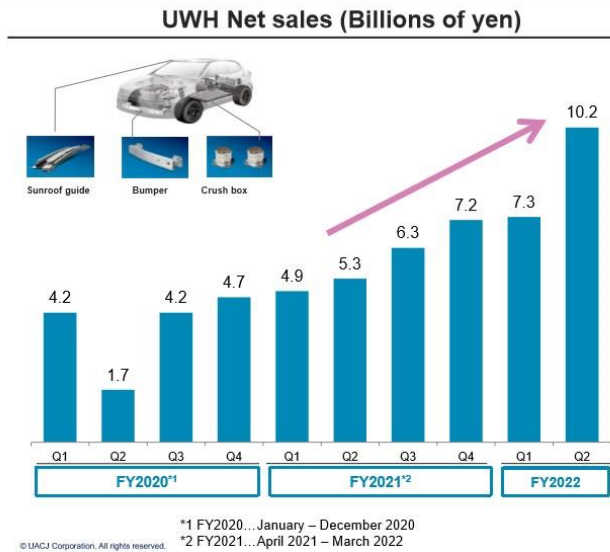
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1. Results for 1H FY2022

Situation in United States (UWH) – Overview of 1H FY2022

Production started for major projects that have already been ordered, but performance was impacted by disruption to automotive production



1H overview

- Market environment** : •EV production in the United States is increasing as a result of the policy of the United States government to prohibit ICE car sales by 2035
- Sales** : •In 1H, sales were impacted by the operational status of customers' production as a result of semiconductor shortages, etc.
•From 2H onward, profitability is expected to improve in line with the elimination of the above factors
- Production** : Preparations were completed for the operation of new lines, and we also took measures to automate production, cut costs, etc.

Profit : (Billions of yen)

	1H 2021	1H 2022	YoY
Sales	10.2	17.5	7.3
Operating income	(0.8)	(1.7)	(0.9)
Ordinary income (loss)	(0.9)	(2.1)	(1.2)
Ordinary income (loss) before metal price lag	(0.9)	(2.1)	(1.2)

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On page 14, we present the status of UWH.

In H1, the shortage of semiconductors and other factors affected customers' production ramp-up, but mass production at Japanese OEMs started in May and thereafter, and we have begun to respond to this situation. In addition, from Q4 onward, we will start the new line for US EV vehicle manufacturers.

With the new line up and running, we have received positive feedback from our customers, such as the fully automated welding of aluminum bumpers, which is a world achievement, and we look forward to UWH's production toward mass production in the future.

2. Progress on Restructuring

Progress on Restructuring

Delays to customer certification caused by COVID-19 pandemic resolved, and caught up on delays to production base aggregation

● At present

Measures	FY2019		FY2020				FY2021				FY2022			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Production base aggregation			★ Stop portion of Fukaya Works lower processes				★ Complete Nikko closing ★ Aggregate extrusion in Oyama and press operation in Nagoya				★ Completed transfer of automotive materials from Fukaya Works (Continuing facility operation to respond to orders for general-purpose materials)			
	Transfer/confirm quality/redeploy and adjust personnel													
	Aggregation effect													
Profitability of large investments														
UATH	Phase 3 Facilities: Confirm quality/increase production amount		System for sales of 320,000 tons/year											
TAA	★ New cold-rolled operation		System for sales of 450,000 tons/year											
	Confirm quality													
Withdrawal from unprofitable/non-core fields	Thorough review of candidate fields for sales/withdrawal													
	Implement sales/withdrawal													
	Review continued withdrawal													
Governance management														
Revision of director/ officer systems	Review for new system		Preparation of new system		Operation via new system									
Reform of organizational, authority, and corporate functions	Creation of master plan/road map		Detailed design				Reform implementation phase							
			Revise some portions of corporate organizations											
Reconfirmation and reconstruction of philosophy and values	Formulation of revision proposals		Permeation activities											

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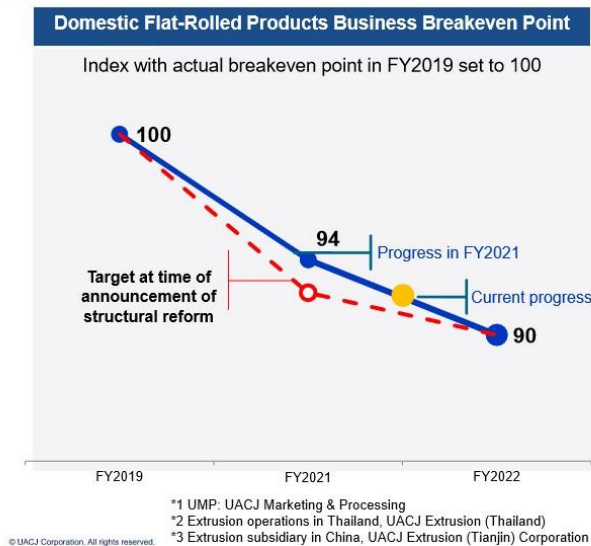
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2. Progress on Restructuring

Efficiency through the Structural Reforms

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



Progress of Main Measures

- **Reduction of fixed costs and improvement of operating rates through consolidation of production bases**
 - Close Nikko Works → Consolidate automobile heat exchange materials into UMP^{*1} → Completed
 - Consolidate to Nagoya and Fukui → To be completed at the end of FY2022
 - Consolidate and optimize extrusion in Oyama and press operation in Nagoya → In progress
- **Improve profitability**
 - Respond to focus and growth areas → In progress (As planned) → Developing information
 - Correct and withdraw from low-profitability areas → In progress (Implemented most measures)
 - Rectifying price-determination structure (additional measures) → Implemented, with impact in line with expectations
- **Selectiveness and concentration**
 - Withdrawal from UK rolled product business, Bridgnorth → Completed (March 2022)
 - Close the Ayutthaya Plant of extrusion operations in Thailand^{*2} → Completed (January 2022)
 - Transfer part of shares held in an extrusion subsidiary in China^{*3} → Completed (December 2021)
 - Decision to close Chinese metal components subsidiary (Wuxi) (November 2022)
- **Construction of optimal production system**
 - Improve productivity of automobile materials → As planned
 - Review and optimize product/process sharing between works by utilizing Fukui's new CALP (automobile material finishing line) → To be completed at the end of FY2022
- **Reduction of indirect costs**
 - Reduce indirect personnel, etc. → As planned
 - Improve business processes through investment in IT, etc. → In progress (As planned)

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As I will explain on page 16 and beyond, restructuring is progressing almost as planned.

Those that have made progress are on page 17. In terms of improving profitability, the pricing structure is being corrected.

In terms of selection and concentration, we are making progress in the UK and China.

In terms of optimization of production, the consolidation of production bases for automotive materials is almost complete and is expected to contribute from H2 onward.

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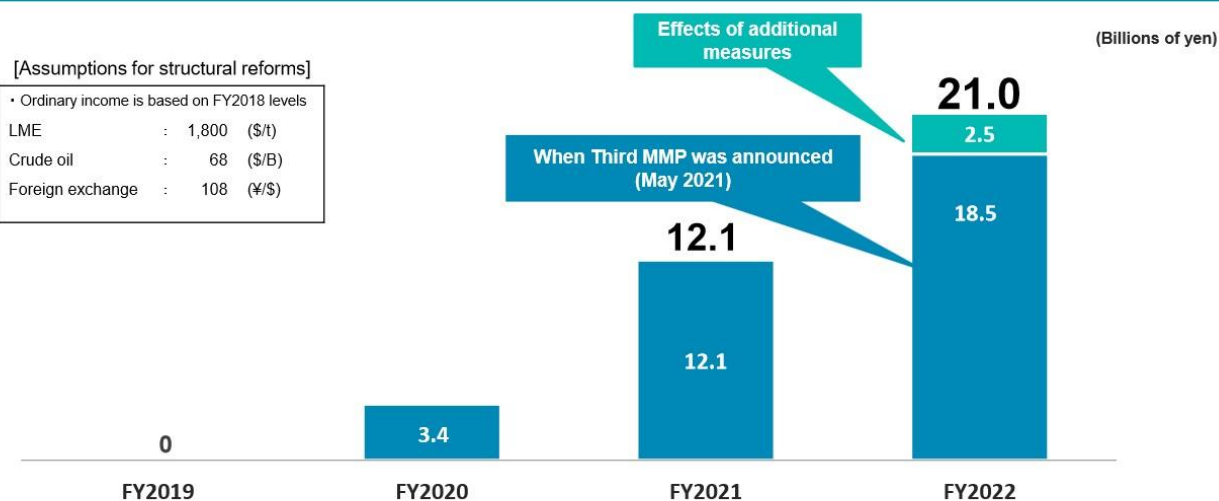
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2. Progress on Restructuring

Transition of Structural Reforms

Caught up on the aggregation of production bases, and expecting to achieve benefits of ¥21.0 billion with additional measures



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As shown on page 18, we are on track to achieve JPY21 billion as planned.

2. Progress on Restructuring

Earnings Improvement Effect of Implementing Structural Reforms

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

Definition	When structural reforms were announced (September 2019)	When Third MMP was announced (May 2021)	When FY2021 earnings results were announced (May 2022)	Latest Forecast
Domestic: Profit structure reforms	+¥10.0 bn	+¥6.7 bn	+¥10.1 bn	+¥10.1 bn
Production base aggregation	+¥4.0 bn	+¥3.4 bn	+¥2.1 bn	+¥2.1 bn
Optimizing the production system and improving the product mix (increase in automotive components and battery materials)	+¥5.0 bn	+¥2.5 bn	+¥7.0 bn	+¥7.0 bn
Reducing indirect expenses (reducing indirect headcount, etc.)	+¥1.0 bn	+¥0.8 bn	+¥1.0 bn	+¥1.0 bn
Overseas: Returns on large investments	+¥11.0 bn	+¥11.8 bn	+¥10.9 bn	+¥10.9 bn
UATH: Increasing sales volume and reducing costs with the start of operation of investments made in phase three	+¥7.0 bn	+¥7.6 bn	+¥7.0 bn	+¥7.0 bn
TAA: Increasing sales volume with completion of investment to increase capacity, and amending prices	+¥2.0 bn	+¥1.9 bn	+¥2.4 bn	+¥4.6 bn
UWH: Focusing on profitability when accepting orders and utilizing extruder to increase sales	+¥2.0 bn	+¥2.3 bn	+¥1.5 bn	¥(0.7) bn
Impact of structural reforms	+¥21.0 bn	+¥18.5 bn	+¥21.0 bn	+¥21.0 bn

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Page 19 shows the status of earnings in the restructuring.

Although there are individual fluctuations, we are on track to achieve the target overall.

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Understanding of Management Environment

Company-wide

- As the environmental awareness of consumers increases, we expect global demand for aluminum materials to increase, particularly for can stock and automotive materials
- We will utilize our “six-business collaboration,” “strong customer base,” and “ability to accommodate a wide variety of products and applications” to capture increasing demand

Can stock

Over the medium and long term, strong global demand is expected to continue
In 2H, we expect performance to be impacted by the using up of excess inventories that occurred as a result of temporary supply chain disruption

Automotive materials

Over the medium and long term, we expect demand to increase as vehicles are made lighter to increase environmental performance and people switch to EVs
In 2H, we expect the fall in automotive production caused by supply chain disruption to begin to recede, but the impact will remain in Q3

Others

Thick plates: We expect robust demand for semiconductor production equipment applications over the medium and long term
Air conditioner fin materials: Air conditioner demand is increasing, and demand for air conditioner fin materials is also robust
Printing plate materials: Performance is robust thanks to efforts to capture demand related to customers moving operations back to Japan

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On page 21, I will explain the economic environment and our response to it.

As for consumption trends, demand for aluminum materials is expected to increase significantly, especially for can stock and automotive materials globally.

We will meet this demand by taking advantage of our collaboration in the six businesses, our strong customer base, and our ability to accommodate a wide variety of products and applications.

See slides for can stock, automotive materials, and other general materials.

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3. Full-Year Forecast for FY2022

Full-Year Forecast for FY2022 (Increase in Net sales in YoY, increase in ordinary income before metal price lag in YoY)

(Billions of yen)	FY2022 (Forecast as of May) (A)	FY2022 (Current Forecast) (B)	FY2021 (Results) (C)	Change (B)–(A)	Change (B)–(C)
Net sales	940.0	900.0	782.9	(40.0)	117.1
Operating income	31.0	21.0	59.5	(10.0)	(38.5)
Ordinary income before metal price lag	23.5	23.5	21.3	0	2.2
Metal price lag	2.0	(8.0)	31.0	(10.0)	(39.0)
Ordinary income	25.5	15.5	52.3	(10.0)	(36.8)
Net income	15.0	10.0	32.1	(5.0)	(22.1)
Adjusted EBITDA	62.8	62.8	60.2	0	2.6
Annual dividends	85 yen/share	85 yen/share	85 yen/share	—	—

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On page 22, we present our forecast for the full year.

Consolidated net sales are expected to increase, and ordinary income before metal price lag is expected to achieve the initial plan of JPY23.5 billion.

Adjusted EBITDA will also increase by JPY2.6 billion from the previous year.

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3. Full-Year Forecast for FY2022

Sales Volume, Flat-rolled Products (Current Forecast)

(Thousands of tons)

	FY2022 (Forecast as of May) (A)	FY2022 (Forecast as of August) (B)	FY2022 (Current forecast) (C)	FY2021 Results (D)	Change (C) – (A)	Change (C) – (B)	Change (C) – (D)
Can stock	891	904	904	816	13	(1)	88
Foil	58	56	47	56	(11)	(9)	(9)
IT	18	16	11	14	(7)	(4)	(3)
Automotive materials	154	143	128	138	(25)	(15)	(10)
Thick plates	60	60	58	53	(2)	(2)	5
Other general-purpose materials	238	237	240	216	2	3	24
Total	1,419 Japanese market 541 Overseas market 878	1,416 Japanese market 525 Overseas market 891	1,389 Japanese market 494 Overseas market 895	1,293 Japanese market 479 Overseas market 815	(30) Japanese market (48) Overseas market 17	(27) Japanese market (31) Overseas market 4	96 Japanese market 15 Overseas market 80

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Page 23 shows projected sales trends in flat-rolled products by product type.

As in H1, sales of can stock, thick plates, and other general materials are expected to remain firm.

We expect current conditions to continue in the automotive materials, foil, and IT-related and automotive-related products. However, since improvement is expected from Q4 onward, we expect total production and sales to increase to 96,000 tons compared to the previous year, while taking advantage of our other strengths.

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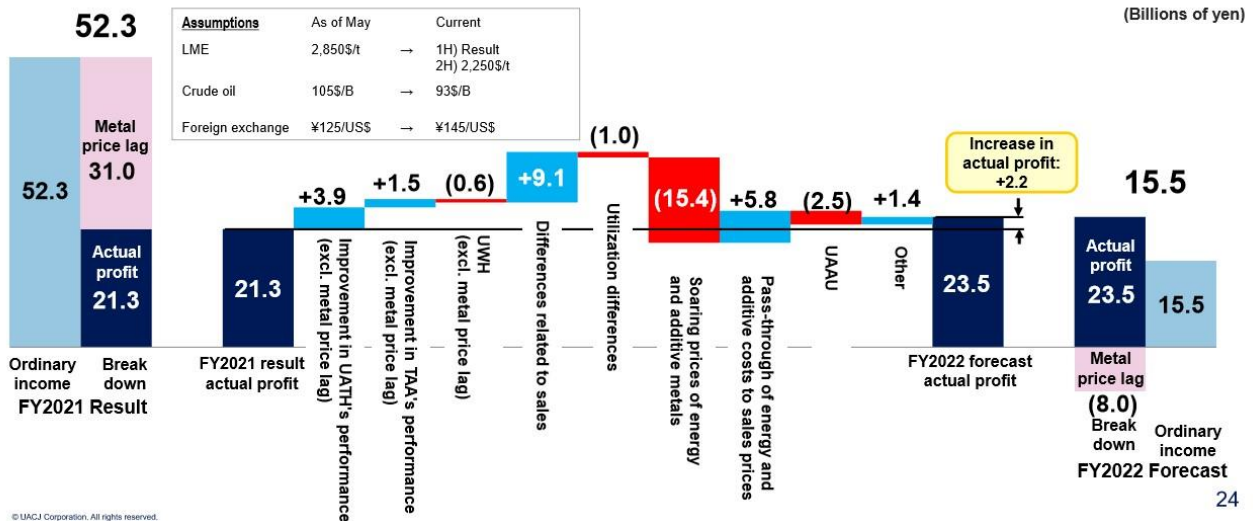
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3. Full-Year Forecast for FY2022

Analysis of Ordinary income before metal price lag (FY2021 → FY2022 Current Forecast)

Ordinary income before metal price lag: ¥21.3 billion(FY21) → ¥23.5 billion(FY22)

(Metal price lag: ¥31.0 billion (FY2021) → ¥(8.0) billion (FY2022 Current forecast) YoY: ¥(39.0) billion



Page 24 shows the change in ordinary income before metal price lag from FY2021 to FY2022.

We expect an increase of JPY2.2 billion from JPY21.3 billion to JPY23.5 billion. The increase is expected to be mainly due to the improved performance of UATH. Of the increase of JPY3.9 billion, the majority is attributable to increased sales and improved productivity.

TAA's performance improvement is expected to add JPY1.5 billion. The main reason for the increase is the increase in sales and metal benefits.

The sales-related difference is expected to be JPY9.1 billion in Japan, of which JPY7.7 billion is expected for the flat-rolled product business alone.

Regarding the price pass through of energy and additive metals, that for energy will begin in H2. We expect an increase of JPY5.8 billion in total. The main factor contributing to the decrease is a decrease of JPY600 million in UWH. As I mentioned earlier, improvements will be made in H2.

The unit price difference for energy and additive metals will cause decline of JPY15.4 billion, but as mentioned earlier as a factor in the increase in profits, the price pass through of energy cost will proceed.

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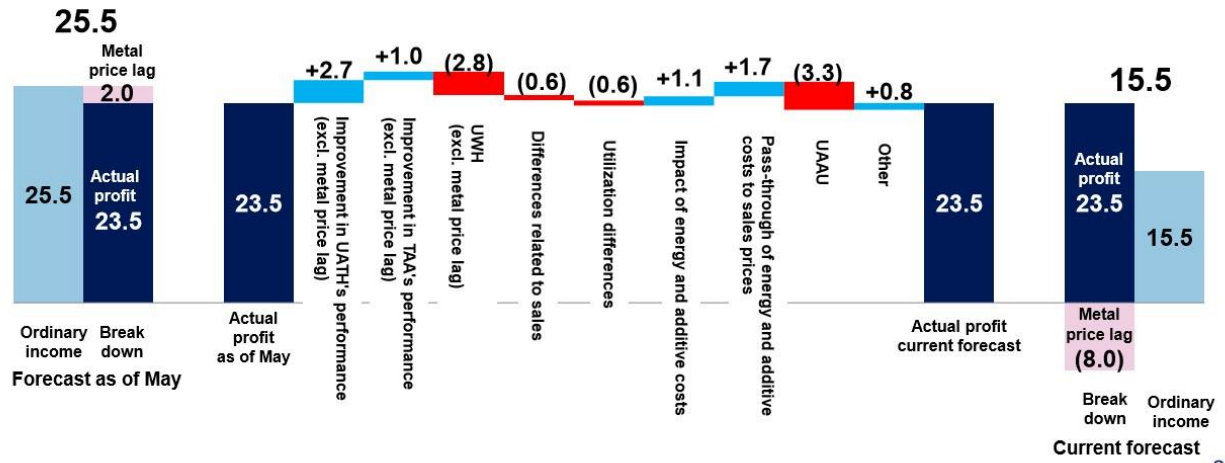
3. Full-Year Forecast for FY2022

Analysis of Ordinary income before metal price lag (Forecast as of May 2022 → FY2022 Current Forecast)

Ordinary income before metal price lag: ¥23.5 billion (Forecast as of May 2022) → ¥23.5 billion (Current Forecast)

(Metal price lag: ¥2.0 billion (FY2021) → ¥(8.0) billion (FY2022 Current forecast) YoY: ¥(10.0) billion

(Billions of yen)



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Page 25 compares the May 2022 forecast with the current 2022 latest forecast. Please refer to this page.

3. Full-Year Forecast for FY2022

Capital Investment and Depreciation and Amortization

Maintain 70% of capital expenditures as depreciated.

Allocate a certain amount to climate change countermeasures and promote them in a planned manner.

		FY2021 1H	FY2021 Full-year	FY2022 1H	FY2022 Forecast
		(Billions of yen)			
Capital investment	General investment	7.6	12.8	7.3	25.9
	Strategic investment	3.4	7.9	2.8	6.4
	Total	11.0	20.7	10.1	32.3
Depreciation and amortization		16.9	34.0	18.2	34.7

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Page 26 is related to capital investment.

It is implemented within the range of depreciation.

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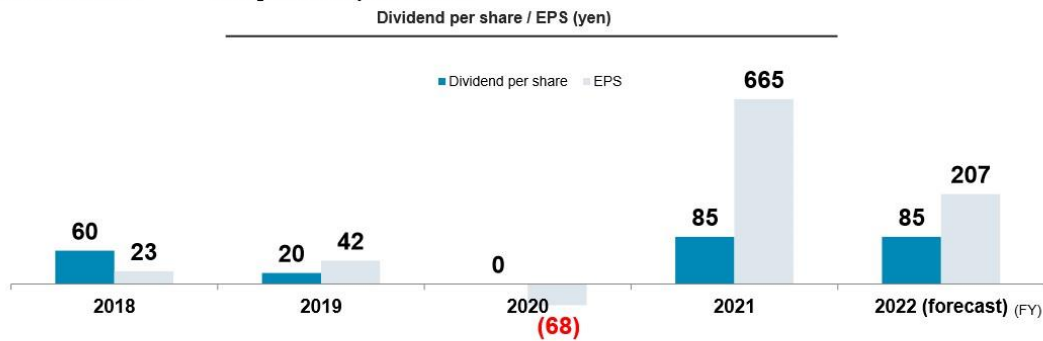
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3. Full-Year Forecast for FY2022

Shareholder Returns Policy

Maintain dividend of JPY85

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



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Page 27 is about shareholder returns.

As planned, the dividend will remain unchanged at JPY85.

From page 28 onward, we introduce our sustainability initiatives.

4. Sustainability Initiatives

Corporate Philosophy and Sustainability Policy

UACJ Group Philosophy

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



Our Purpose

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

Our Vision

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

Our Values

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

Sustainability Policy

“Passing down a better world over the next century”

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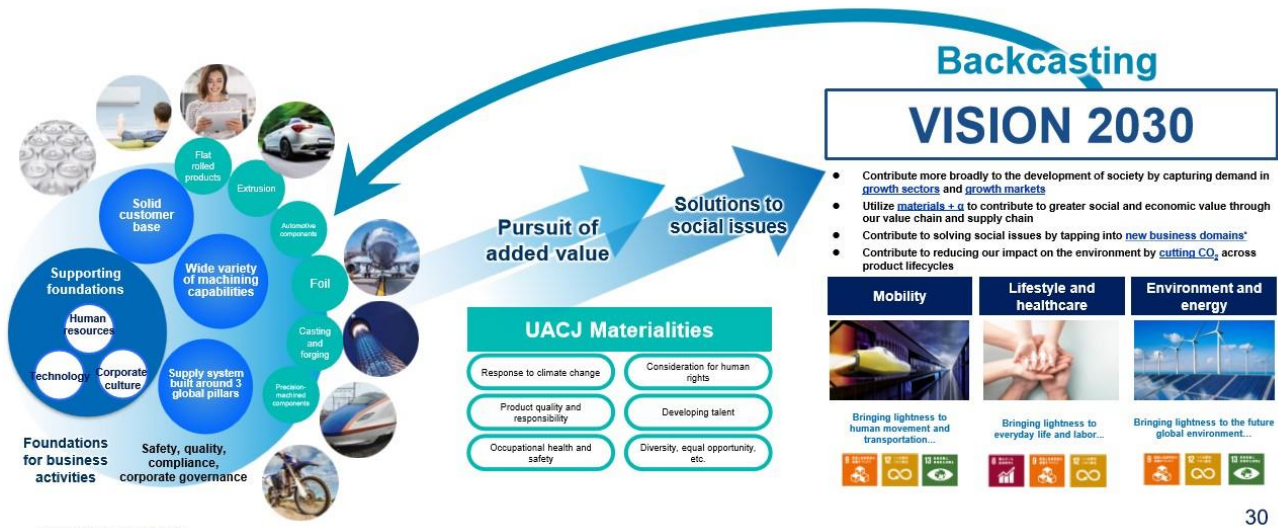
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4. Sustainability Initiatives

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

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



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In order to realize our goal of a lighter world with less environmental impact by mastering aluminum, we have identified six materialities and achieved KPIs as shown on page 30 under our basic policy "passing down a better world over the next," and have expressed the linkage to the four SDGs as well.

We will promote the use of aluminum in the fields of mobility, lifestyle/healthcare, and environment/energy to help build a recycling-oriented society.

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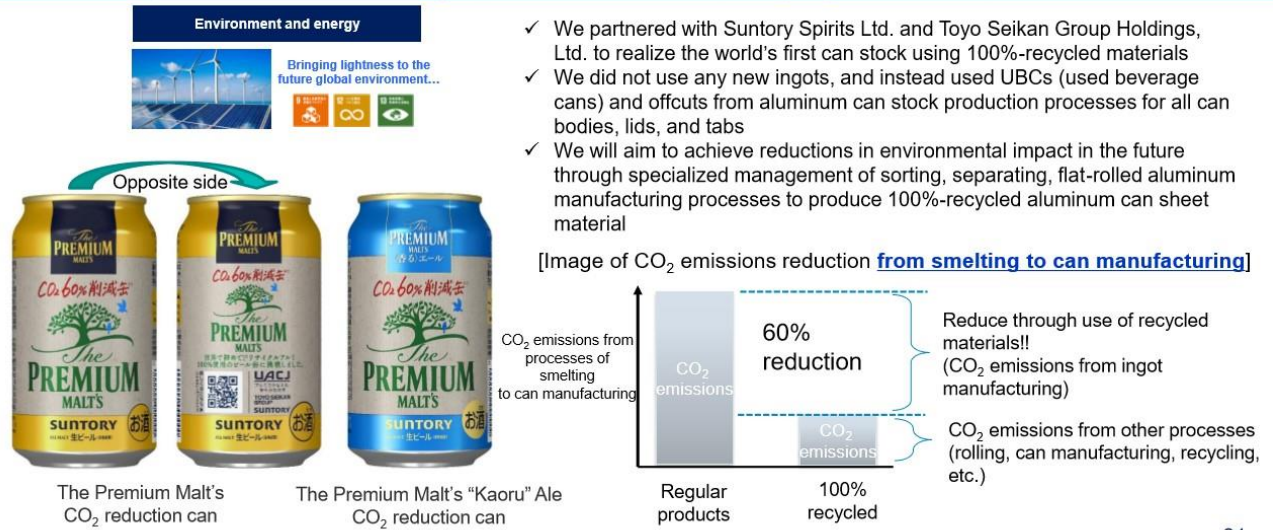
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4. Sustainability Initiatives

Solutions to Social Issues – Reducing Our Environmental Impact by “Cutting CO₂”

Reduced CO₂ emissions by approximately 60% through the use of 100%-recycled aluminum for Suntory Spirits’ “The Premium Malt’s”



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On page 31, you will find 100% recycled cans, a concrete example of our effort.

As you can see here, this is a collaborative effort among the three companies. This is an initiative of beverage can manufacturers, beverage manufacturers, and our company.

If CO₂ emission from smelting to can making are set at 100, the new process using 100% recycled aluminum enables a 60% reduction in CO₂ emissions.

Although it is still difficult to achieve 100% recycling of all products toward the realization of a recycling-oriented society, we will continue to work on it one by one, starting with what we can do.

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4. Sustainability Initiatives

Solutions to Social Issues – New Products and Businesses Utilizing “Uniqueness of Aluminum”



A Space Just for You – Whenever, Wherever

Created our second business through the “UACJ Innovators” in-house startup program

Lifestyle and health care



Manufacturing and sales began on October 3, 2022
Product website: <https://origami.uacj-group.com/>

A personal booth [origami™] with a lightweight, compact folding structure that can be used in a phase-free manner
 • As a work space that supports a variety of work styles in the office
 • To secure personal space at evacuation shelters in the event of a disaster

Because it is a folding structure that takes advantage of the lightness of aluminum:

- Easy to transport and install
- Easy to move and change layout according to space
- Compact design folds to half depth when not in use
- Because of the highly heat-conductive aluminum structure, it is easy to adapt to the air-conditioned environment of the installation location, making the inside of the booth comfortable

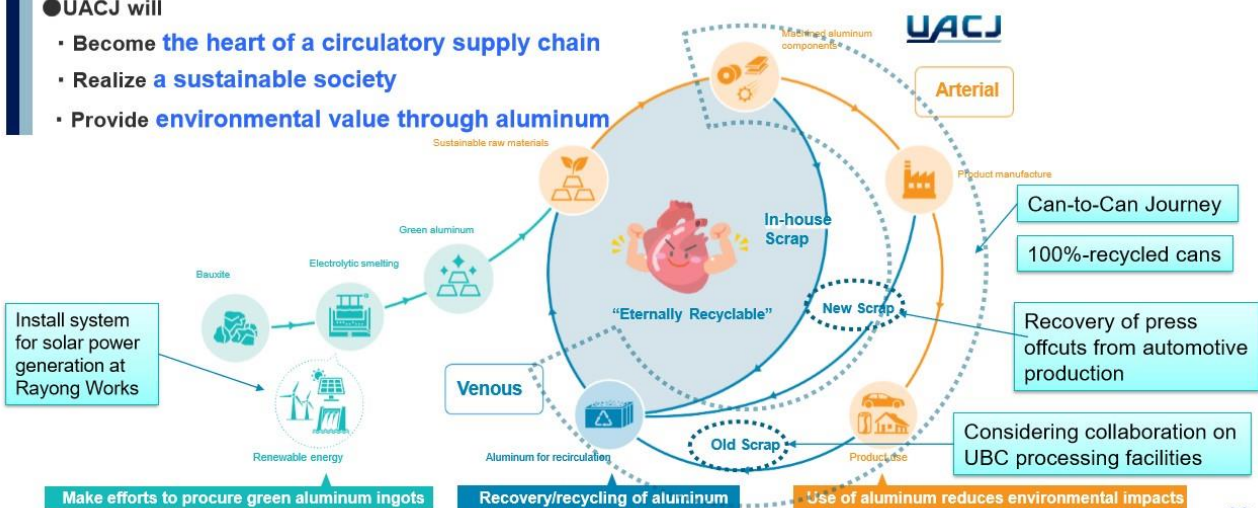
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On page 32, you will find our initiative called Origami, which we started for the purpose of disaster mitigation and disaster prevention in the field of lifestyle and healthcare using aluminum product. This initiative is based on our effort in processing, not only the material itself, and contributes to securing personal space in the current COVID-19 pandemic.

4. Sustainability Initiatives

Solutions to Social Issues – The Cycle of Aluminum Use ~ Becoming the Heart of the Circular Economy ~

- Aluminum is a material that can be recycled “eternally,” “an unlimited number of times”
- UACJ will
 - Become the heart of a circulatory supply chain
 - Realize a sustainable society
 - Provide environmental value through aluminum



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As shown on page 33, we will create environmental value through aluminum, aiming at the creation of a recycling-oriented society, playing a role as the heart of the environmental supply chain, and realizing a sustainable society.

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While placing the promotion of the Earth, society, people, and ESG at the center of our management, we will work to achieve the SDGs and further society. We believe this will also lead to the achievement of the USCJ Group's philosophy.

今後の予定

ESG説明会

2022年11月29日(火) 10:00~12:00

形式 ZOOM開催

登壇者	代表取締役社長	石原 美幸
	取締役常務執行役員	田中 信二
	専務執行役員	山口 明則
	執行役員	隈元 穰治
	サステナビリティ推進部	野瀬 健二

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We will be holding ESG briefing on November 29 to explain this ESG initiative, as shown on page 34, and would like to invite everyone to attend.

This concludes my explanation.

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

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Question & Answer

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

Now let me introduce the first questioner. Mr. Yamaguchi from SMBC Nikko Securities Inc., please ask your questions.

Yamaguchi [Q]: Thank you very much for your time today. Thank you. Please tell me three points.

First, please give us the full year sales, operating income, and ordinary income figures for each location, preferably including inventory impact. This is the first question.

Second, I was not clear earlier about the temporary drop in the US can stock market and its subsequent return, so I would like to know more about the background behind the temporary drop and subsequent return.

Ball Co., Ltd. and Crown Co., Ltd. have recently released their financial results, and the contents are not very good. Of course, there is the rise in fuel costs, etc., but they were somewhat modest about final demand. So, I would like to confirm if the demand, which is key, is okay.

Third, steel companies, such as Steel Dynamics, Inc., have recently been trying to enter the market because of the expectation of tight supply and demand in the US. Although your company has not yet materialized any plans to increase production, is there any risk that by the time you are ready to increase production, the balance of supply and demand will have stabilized, and you will not be able to recover your investment?

Those are my three questions. Thank you.

Iida [A]: I will give you the figures.

Let me start with UATH. The forecast for the full year is net sales of JPY192.1 billion, operating income of JPY4.4 billion, ordinary income before metal price lag of JPY3.6 billion, and recurring income of JPY800 million.

We will now move on to the TAA. Net sales is JPY311.1 billion, operating income is JPY4.6 billion, ordinary income before metal price lag is JPY11.5 billion, and ordinary income is negative JPY100 million.

Moving on to UWH. Net sales is JPY40.1 billion, operating income is negative JPY1.5 billion, ordinary income before metal price lag is negative JPY2.4 billion, and ordinary income is negative JPY2.4 billion.

That is all.

Ishihara [A]: Now, in your second question, regarding the temporary decline in can stock in TAA in North America, you said that there were some points that were unclear in my explanation. Basically, the market in North America is dominated by TAA and UATH.

In North America, there was a period of great disruption in the supply chain, including marine transportation, due in part to the impact of COVID-19. The demand in North America during this period was such that, for example, empty cans were imported, and UATH was supplying materials to North America because it was not possible to meet this demand in the US alone.

TAA is basically given orders, so overall sales volume is not affected. However, production at UATH is being slightly saved due to temporarily high inventory caused by inventory dumping, as the transportation

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disruption in North America has been resolved and goods are now able to come in smoothly. I mentioned that the overall market is declining slightly, but this does not mean that sales in TAA are decreasing at all.

Also, Steel Dynamics is entering the aluminum market, and there are plans to increase production. As mentioned on page 13, we are currently considering the expansion of facilities at our North American production bases, and we have already taken into account the start-up of North American flat-rolled products manufacturers.

As a result, there is still a supply shortage in terms of demand and supply, and we have confirmed that there will not be a surplus even if we take advantage of increased production in North America. This is how I see it.

That's all.

Yamaguchi [Q]: With regard to my second question, you mean that there was temporary confusion like that, which created temporary demand, but now that those things have ended. On the other hand, there was temporary demand and inventory was built up a little, but it will be resolved in the future. Is it correct?

Ishihara [A]: Yes, that's right.

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

Next question is from Mr. Shirakawa from Morgan Stanley MUFG Securities Co., Ltd. Please go ahead.

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

The first point is a continuation of the confirmation of the numbers that Mr. Yamaguchi just asked at the very beginning. Please tell us about TAA. The actual recurring income of TAA in this fiscal year, excluding inventory valuation, is expected to be JPY11.5 billion. I think it is JPY2.1 billion H2 by calculation. It is JPY9.4 billion in H1 and JPY2.1 billion in H2. I think there is a significant difference in profits between H1 and H2 due to the deterioration and subsequent return to normal level of metal benefit. What do you think is the actual profit loss or minimum profit that will ensure the continuity of TAA? This is the first question.

Second, please tell me about the price pass-through of energy and additive metals on page 24. Your plan is to recover JPY5.8 billion YoY through price pass-through of energy cost according to the analysis. On the other hand, since the price hike in energy and additive metals has had a negative impact of JPY15.4 billion, it appears that some JPY10 billion has not been passed to the price.

On the other hand, since JPY9.1 billion has been factored into the sales-related difference as a factor for increased profits, it appears that the energy and additive metals price hikes have been mostly offset, or perhaps recovered, this fiscal year. Is it correct? Or should we assume that price hikes of energy and additive metals have not been offset or recovered enough by price pass-through and you will continue to recover it in the next fiscal year and beyond? Please tell us about your thoughts on this.

These are my two questions. Thank you.

Iida [A]: Regarding the TAA marginal gain, as you understand, one reason that it looks different in H1 and H2 is metal benefit. This is due in part to the LME, but also to the reduction in the Midwest Premium, which remains the same as a percentage, but the absolute amount is a little lower. It is true H1 was particularly strong.

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On the other hand, there are two other singularities in H2. One is the impact of interest rates. This will have a noticeable impact in H2.

Another point is the production of Logan. In H2, there are areas where repair costs are concentrated in H2, so we think it would be better to spread them evenly to H1 and H2.

In any case, TAA has already established a 450,000-ton production system, and we have the image that recurring income will exceed JPY10 billion.

Ishihara [A]: Regarding the second point, the soaring cost of energy and additive metals, I think it is safe to say that both additive metals and energy have achieved the change in H2.

That's all.

Shirakawa [Q]: I understand.

I would like a little more detail on the first point. It is about the last part, the TAA's ability to make a profit or loss. The last comment was that while you have achieved 450,000 tons, you think you have exceeded the previous figures in terms of actual results. However, looking at the previous figures, which were for a year or two, I think there was a significant amount of metal benefit boost, so I would like to know what we should consider in terms of actual results.

The drop in H2 is quite large, so I am sure there will be the burden of the interest rate I just mentioned, and I am sure there will also be some stoppages. For example, if we forecast next year's profit by multiplying that in H2, it will decrease the profit significantly. I think we should use H1, but please let me know how we should think about it. Thank you.

Kawashima [A]: This is Kawashima.

It is quite difficult to give you quantitative figures, so I'm sorry but I this is a qualitative discussion. As I said earlier, interest rates have risen now, so I believe that we have no measures to take compared to H1.

Then there is one more thing: energy bills. In the case of the US, the formula is already set. Although you can pass through to the price, there will be one-year time lag. Then, for example, the rise in the price of energy in H1 of 2022 will impact on 2023.

So, instead of multiplying JPY2.4 billion in H2, we believe we should have JPY10 billion. We have the production capacity of 450,000 tons in order to generate that level of amount. As was questioned earlier, demand itself does not always rise steadily, so if it rises a little too much, it will be corrected a little. Therefore, we believe it is normal that it dropped a little in H2 given annual rate has risen. We believe that a figure of about JPY10 billion for full-year can and must be targeted.

Shirakawa [M]: I understand very well. Thank you.

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

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

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

This is the first question. Including Mr. Shirakawa's question, you have explained that you have achieved all of the price pass-through and that you were able to accomplish the measures you have been focusing on. Can you assume that will contribute to the profit next fiscal year? I think the idea of a gap on an area basis comes

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into play. Since you have not yet achieved all for H1, I think we need to pay attention to the time lag and the period lag from next year onward, but simply put, can we assume there is the room to recover the gap of plus and minus in the next fiscal year? That is the one point.

The other point is that you achieved JPY21 billion in restructuring effect in line with the plan. The reaping of this is somewhat obscured by the fact that it is included in various parts of the change factors in profit in the waterfall analysis of YoY comparison. I believe that some of the results achieved during the period include the contribution of CALP at Fukui Works, for example. If you have any figures, even qualitative, of the room for profit increase by reaping of restructuring that will be effective in the next fiscal year and beyond?

These are my two questions.

Ishihara [M]: Thank you very much.

As for the portion of the price pass-through, for the so-called surcharges for energy and additive metals, it will basically come out even to zero, or rather, the amount we have paid will be returned. Therefore, we do not believe that it will lead to an increase in profit next fiscal year.

On the other hand, since the roll margin was revised, we expect to see such improvement from H1 of FY2023, since the revised roll margin no longer applies to H1 FY2022.

Regarding the JPY21 billion reaping, Tanaka, who is in charge of restructuring, will answer.

Tanaka [A]: This is Tanaka.

Regarding the JPY21 billion in restructuring benefits, I have explained that we are generally making progress as planned.

For the next year and beyond, we need to look at this in more detail. At the same time as we reap the benefits of this JPY21 billion, we are also building up the additional measures on top of it. We are currently in the process of building up the amount, and once the accumulation stage is more defined, we would like to consider how much more we can add to the JPY21 billion in the next fiscal year and beyond.

Since we expect to see the effect of an increased production in the next fiscal year and beyond, we will inevitably see the increase to JPY21 billion and the amount resulting from the additional measures we are currently considering.

Ishihara [A]: This is Ishihara.

To add a little more, using CALP as an example, we are not yet at 100% capacity utilization. As the impact of the COVID-19 improve, and as CALP operations approach 100% capacity, we believe that profits above current levels will follow.

Kawashima [A]: This is Kawashima. Let me just sort it out.

As mentioned earlier in Mr. Shirakawa's previous question, in the full-year forecast, there is an increase of JPY9.1 billion in relation to sales, and then a decrease due to the price difference for energy. They will offset each other, but apart from that, originally, roll margin was revised last August in a pure form based on environmental response, which we believe will be effective for the full year of this year.

Also, as the president mentioned earlier, we can pass through all of the energy price hikes. However, because of the time lag, the full amount was taken for this quarter because it was high at the beginning of the year. In contrast, the customer's request, as mentioned earlier by the president, is to start price pass-through October

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onward. Because of this gap, the difference came out this fiscal year. We hope you understand that if the difference is actually eliminated, as the president said, it will come out even.

Goroh [Q]: I want to confirm one thing about restructuring. In forecasting demand, you have revised down your forecast of sales volume and I think you have taken into consideration the sales volume of automobile which was lower than your estimate. What are the factors, if any, that you will be able to generate the profit as planned despite the shortfall of volume?

Tanaka [A]: In terms of volume composition, the automobile is still down considerably. On the other hand, that of can stock is growing and partially offset the drop of the automobile.

In terms of overall restructuring, there are domestic and overseas part. There has been a considerable amount of in and out of money in overseas part. It declined largely at UWH, especially in automotive materials.

On the other hand, as I mentioned earlier, the TAA, mainly due to metal benefits, is expected to make a significant recovery. Although there is a considerable amount of in and out of money both in Japan and overseas, we expect to land at this JPY21 billion plus level overall.

Goroh [M]: I understand very well. Thank you.

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

The next question is from Mr. Matsumoto from Nomura Securities Co., Ltd. Please go ahead.

Matsumoto [Q]: This is Matsumoto from Nomura Securities. Thank you.

I'm getting the feeling that UWH's performance is a little less than stellar, but I'd like to know if the only reason behind this is that volumes are a little behind, supply chain disruptions. Can you give me some more details? Also, roughly when can we expect to see a turnaround? For example, can you tell me if you expect to be a bit profitable in Q4 of this year, or something like that?

The second point is about the adjustment of can stock in North America. In terms of performance, I was under the impression that you mentioned earlier that the supply from UATH would decrease a bit, but will this have an impact on TAA's performance? I get the impression from what you say that the volume of UATH is going to decrease, but I have a feeling that the plan looks rather good for UATH's performance as well, so I wonder which corporation will be affected as a profit by the adjustment of the volume in that area.

Ishihara [A]: This is Ishihara.

First, regarding UWH's performance, UWH returned to profitability in Q4 FY2021 alone, so we aimed to be profitable for the full year in FY2022 as well.

However, there have been various supply chain disruptions related to automobiles, such as the impact of semiconductors and the lockdown in Shanghai to date. Although there has been a slight delay in the production of EVs by US manufacturers, mass production for Japanese OEM started September 2022, as I mentioned earlier. Therefore, we expect that these factors will contribute to the return to profitability Q4 FY2022 and beyond. We hope to achieve profitability beginning in Q4 FY2022 and beyond, and I believe we can make that projection.

Kawashima [A]: Kawashima will answer.

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First, basically, since production is done by way of UATH, you should assume that UATH is basically affected by it. Considering only the current fiscal year, the gap is due to the three-month difference in the fiscal year end. This small difference causes the spread and unit price to be a little bit off.

However, regarding your question, since UATH is basically where the production is done, please consider that UATH is greatly affected in terms of profit and loss.

Matsumoto [Q]: Am I correct in understanding that TAA is still able to maintain full operation?

Kawashima [A]: Yes, that's fine. You can say that.

Matsumoto [M]: I understand. Thank you.

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

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

Ozaki [Q]: This is Ozaki from Daiwa Securities. Thank you.

The first point is that the real ordinary income on a company-wide basis was JPY13.9 billion in H1, but while it was JPY10.2 billion in Q1, it decreased considerably to JPY3.7 billion in Q2. I would like to know the background behind it. That is the first point.

Secondly, I am looking at UWH on page 14 of the material. Could explain why the deficit has increased in H1 despite a considerable increase in sales compared to the same period of the previous year?

I would like to ask these two questions.

Kawashima [A]: Kawashima will answer. Roughly, Q1 is JPY10.2 billion, and Q2 is JPY4 billion. Basically, the operation rate in Q2 drops because of summer vacation. Even under normal circumstances, the P&L in Q2 will deteriorate compared to Q1. That was one thing.

Also, energy costs and other costs came in with some delay, the impact on Q2 was sometimes larger than that on Q1. Also, since there is such a gap in overseas profit and loss as well, Q2 P&L deteriorated slightly compared to Q1. This is qualitative but please consider this as the overall picture.

Then, UWH, I think it is safe to assume that the increase in sales is basically due to the increase in ingot prices. As the president mentioned earlier, there have been a lot of orders, and although we thought we would be able to sell the products as we received orders from the beginning of the year, we had to delay it due to the effect of automobile production. Therefore, the sales volume itself is not doing well, but the sales amount itself has risen superficially due to the rise in the price of ingot.

Ozaki [M]: I understand. Thank you.

Ueda [M]: Thank you very much.

As the time has come, I would like to conclude the financial results briefing. For any further inquiries, please contact the investor relations department.

This concludes the financial results briefing for Q2 FY2022 of UACJ Corporation. Thank you very much for your participation today.

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We will continue to strive to meet the expectations of our shareholders and other stakeholders, and we look forward to your continued support and encouragement of our company.

Thank you for joining us today despite your busy schedule.

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