



Aluminum lightens the world

アルミでかなえる、軽やかな世界

Beyond Structural Reforms

Building new business models

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June 7, 2023

UACJ Corporation



Background for Structural Reforms

Achieving a V-shaped recovery for earnings, which had worsened significantly as the business environment suddenly worsened and company size expanded, became an urgent issue

2018–2019

Deterioration in external environment

Demand declined sharply, particularly for IT and Liquid crystal and semiconductor manufacturing equipment, due to the US-China trade dispute and a slowdown in the Chinese economy.

Internal issues materialize

Increase in size of Group due to growth strategies as well as sudden changes in the environment caused issues to appear

- Insufficient management functions
- Low earning power
- Fragile financial structure



Underway since October 2019

Response to external environment

Lowering the break-even point for profit/loss and quickly mobilizing large-scale investments that have already been made are crucial issues

Overcoming internal issues

Prompt V-shaped recovery with reforms to both the revenue structure and management are urgent

- Streamline management functions and speed up management
- More efficient production system and reductions in fixed costs
- Cuts to interest-bearing liabilities and better asset efficiency

Backbone of structural reforms and key elements

Working toward a muscular yet flexible corporate system that is resilient in the face of changes in the environment

Backbone of structural reforms

1. Increase earnings capacity

- Reduce the break-even point
- Generate returns on large investments
- Withdraw from non-profitable and non-core businesses

2. Reform the financial structure

- Increase operating cash flows
- Reduce investments
- Strictly control inventory assets

3. Increase the speed and efficiency of management

- Improve management organizations and systems

Six elements making up structural reforms



Transforming corporate culture: Redefining UACJ philosophy

Previous
philosophy

The UACJ Group will strive to offer products and services deserving of our customers' satisfaction and trust, and to make broad-reaching contributions to society through sound and sustainable business development.

Does not reflect qualities that make aluminum or aluminum materials special. Should express UACJ purpose and character.

(Common opinion of employees and experts interviewed)

**Instead of a generic philosophy, let's express UACJ purpose and character.
→ Created with employee input**

**New
UACJ Group
philosophy**

Our Purpose

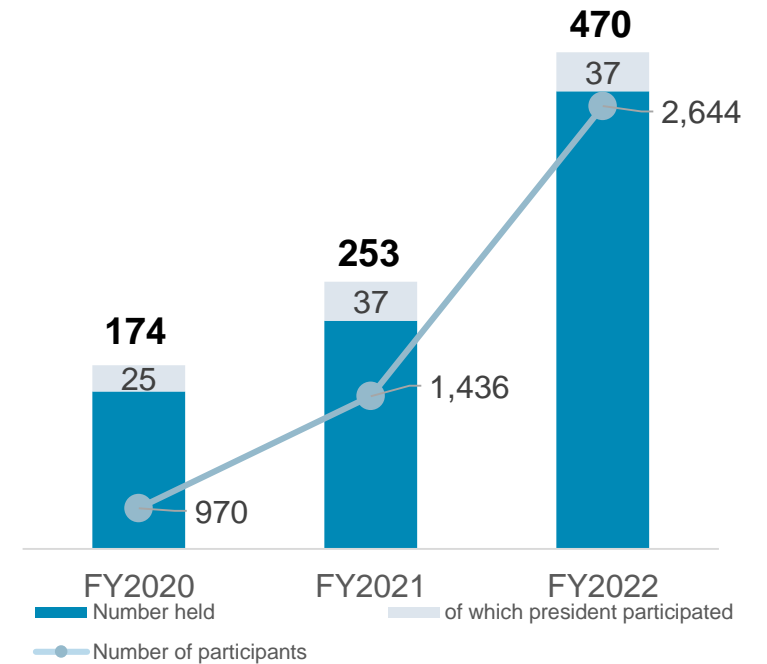
Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

Reforms to Corporate Culture

Goal is for employees to naturally take actions based on the Group Philosophy through dialogue on these principles



Number of dialogues on principles held and number of participants



Dialogues on principles held with aim of familiarizing employees with principles and raising engagement



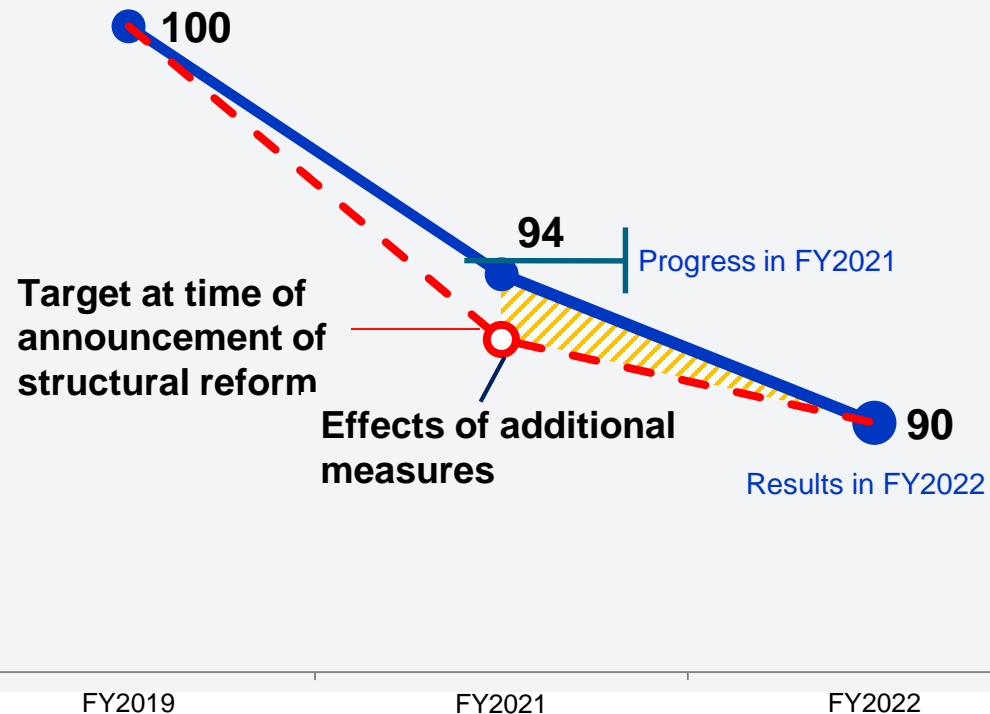
In May 2023, the 100th dialogue on principles was held with the president participating (UEHEM* implemented)

Increase earning capacity – Reforms to revenue base

Other measures have made up for some delayed benefit from production base consolidation

Domestic flat-rolled products business break-even point

Index with actual breakeven point in FY2019 set to 100



Results 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 → Completed
- **Improve profitability**
 - Respond to focus and growth areas → Planned measures are completed
 - Correct and withdraw from low-profitability areas → Planned measures are completed
 - Optimization of prices for climate change countermeasures (additional measures) → Completed
- **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)
 - Close Chinese metal components subsidiary (Wuxi) → Completed (December 2022)
- **Construction of optimal production system**
 - Improve productivity of automobile materials → Completed
 - Review and optimize product/process sharing between works by utilizing Fukui's new CALP (automobile material finishing line) → Completed
- **Reduction of indirect costs**
 - Reduce indirect personnel, etc. → Beginning of shared services
 - Improve business processes through investment in IT, etc. → Started and in progress

*1 UMP: UACJ Marketing & Processing

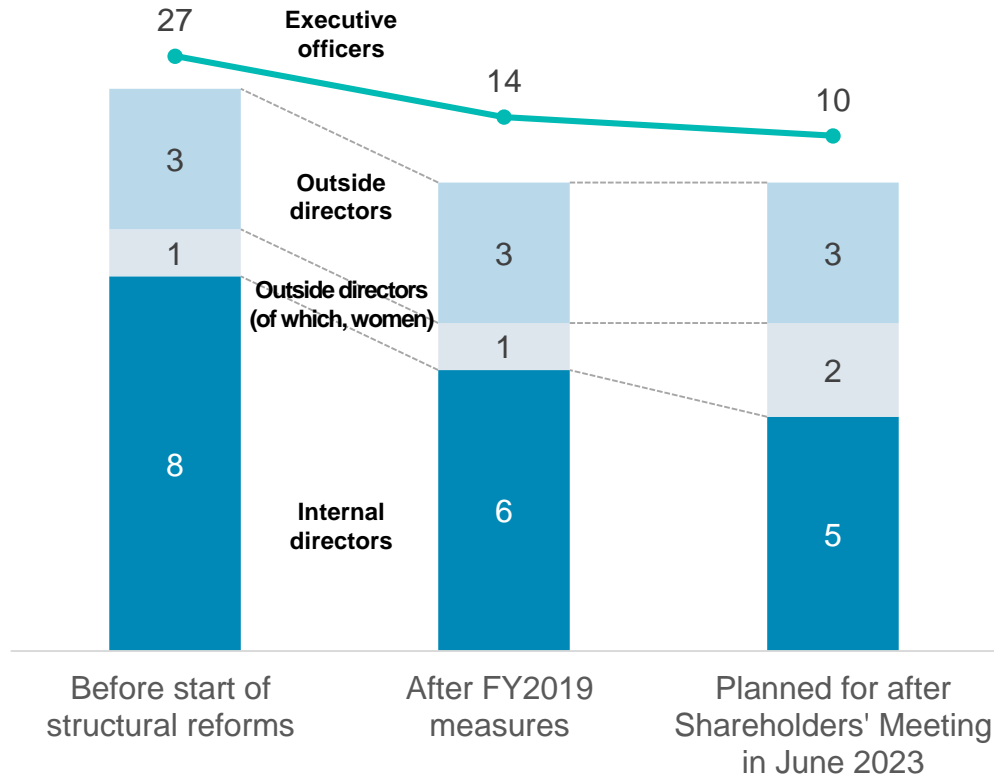
*2 Extrusion operations in Thailand: UACJ Extrusion (Thailand)

*3 Extrusion subsidiary in China: UACJ Extrusion (Tianjin) Corporation

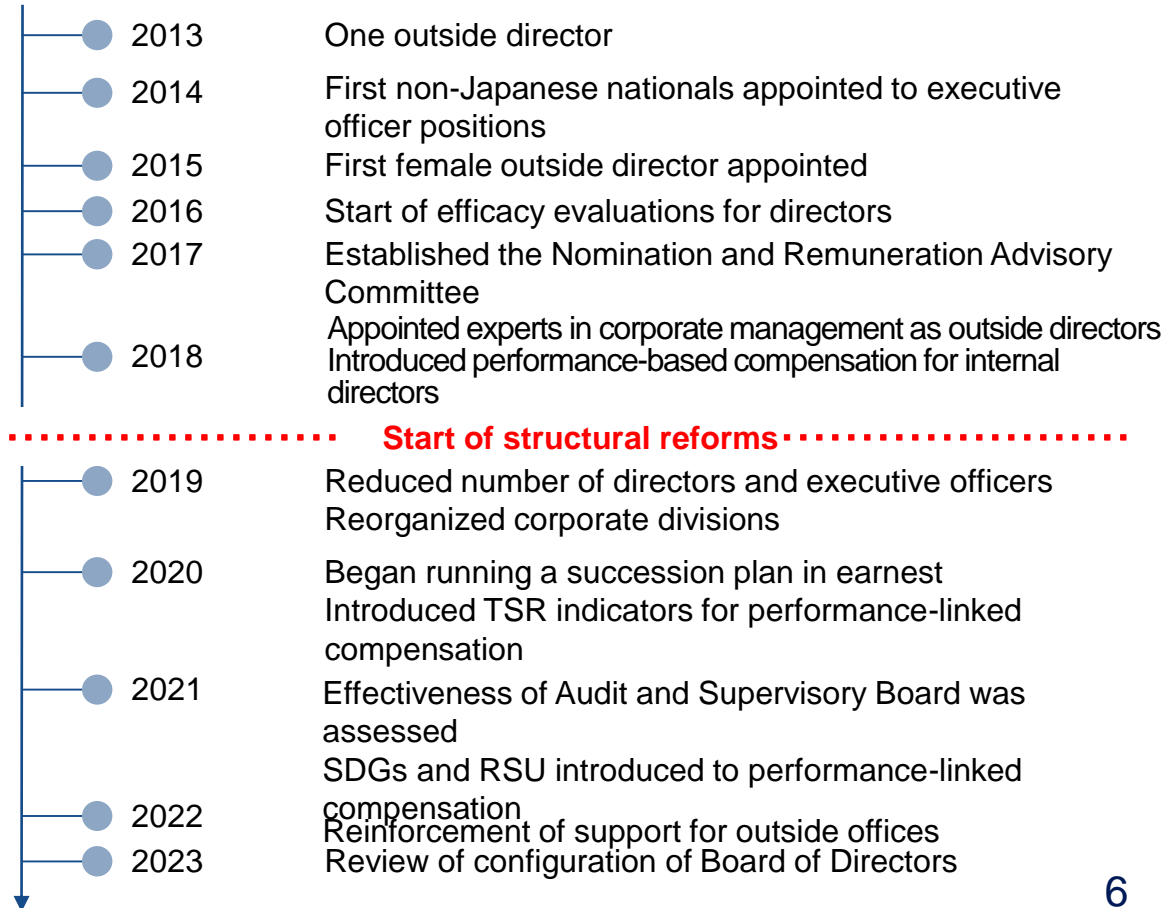
Improve speed and quality of management: Streamline management

Balance reforms to configuration of directors and executive officers and efforts to strengthen governance

Numbers of Directors and Executive Officers



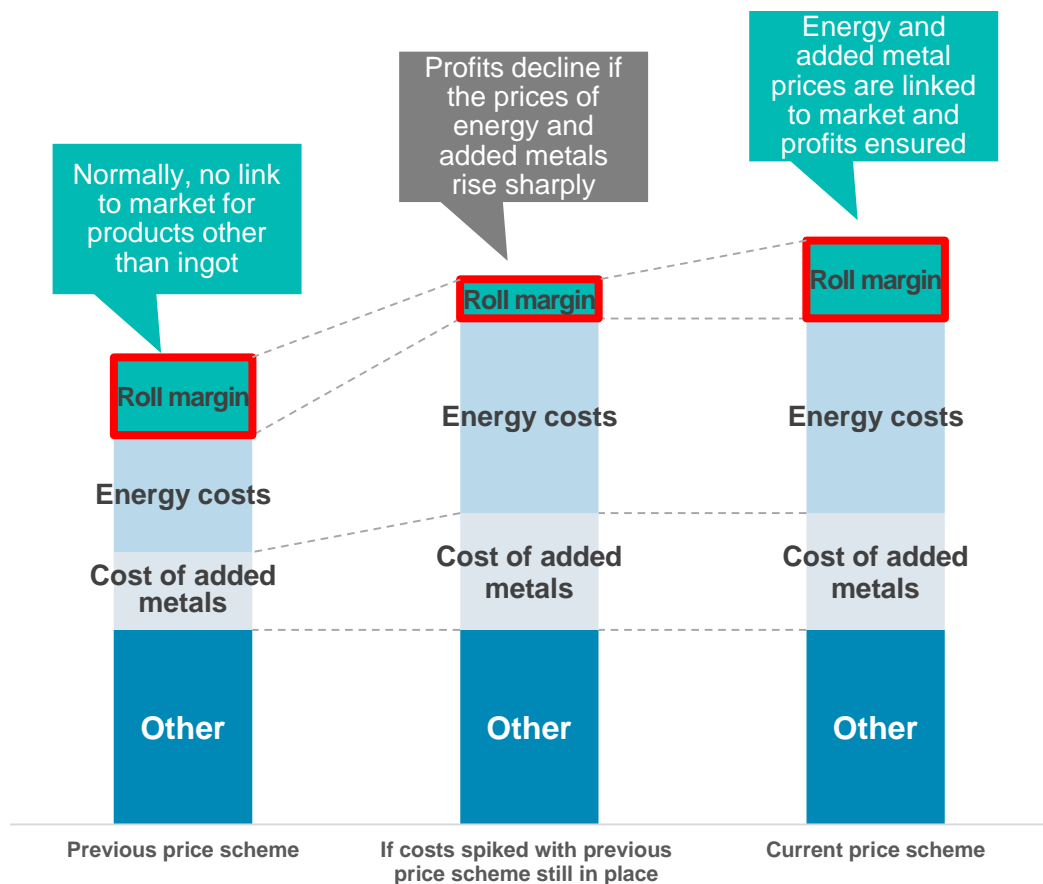
Measures to strengthen governance



Effects of measures

Built a profit structure that is less vulnerable to impact of market conditions

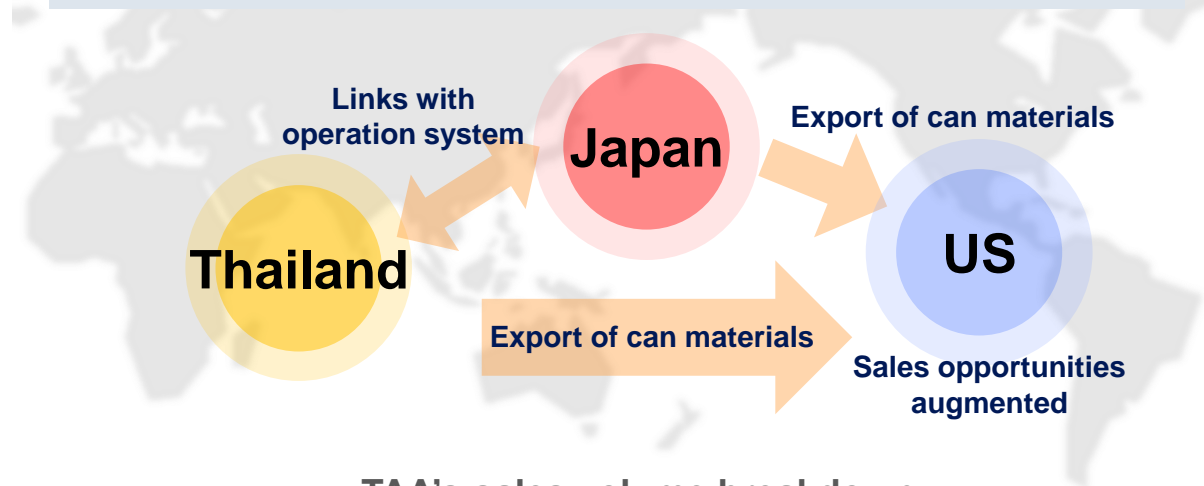
The price pass-on scheme was considered and introduced early by raising decision-making speed through reforms to the organization and management



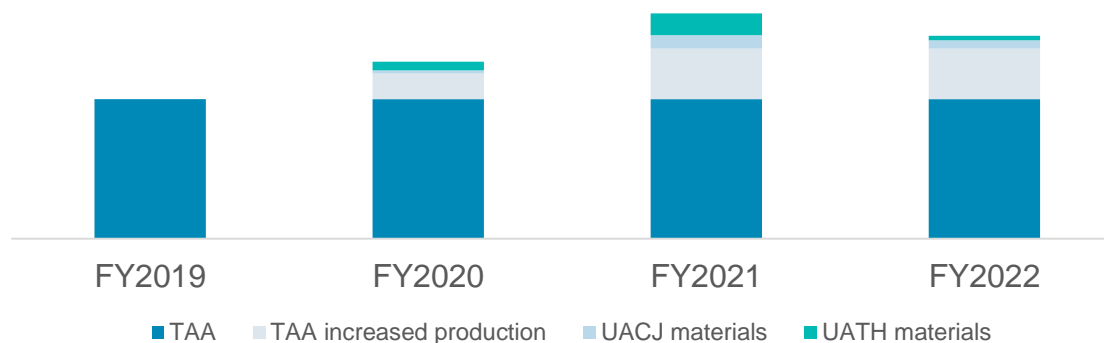
Scheme linking prices to market price

Revenue surpassed targets in the North American can stock market

Captured demand for can materials in North America, which was more robust than initially predicted in the structural reform plan, by establishing a three-pronged system around Japan, US and Thailand



TAA's sales volume breakdown (Fiscal 2019 sales set at 100)



Assessment of structural reforms

Reforms were made to revenue structure, large investments are yielding revenue, and structural reforms have had an effect equivalent to 21.0 billion yen

Key issues and assessments

Increase earnings capacity



- ✓ Lowered break-even point (down 10% over FY19)
- ✓ Structural reforms generated 21 billion yen
- ✓ Consolidation of manufacturing bases completed and optimal manufacturing system built up

Reform the financial structure



- ✓ Debt-equity ratio reduced (from 1.6 in FY19 to 1.3 in FY22)
- ✓ Interest-bearing liabilities reduced by 28 bn yen

Increase speed and efficiency of management



- ✓ Reorganized director and executive officer system and compensation system
- ✓ Revised committee system and organizational systems
- ✓ Redefined Group principles and held dialogue on Group Philosophy

Additional measures

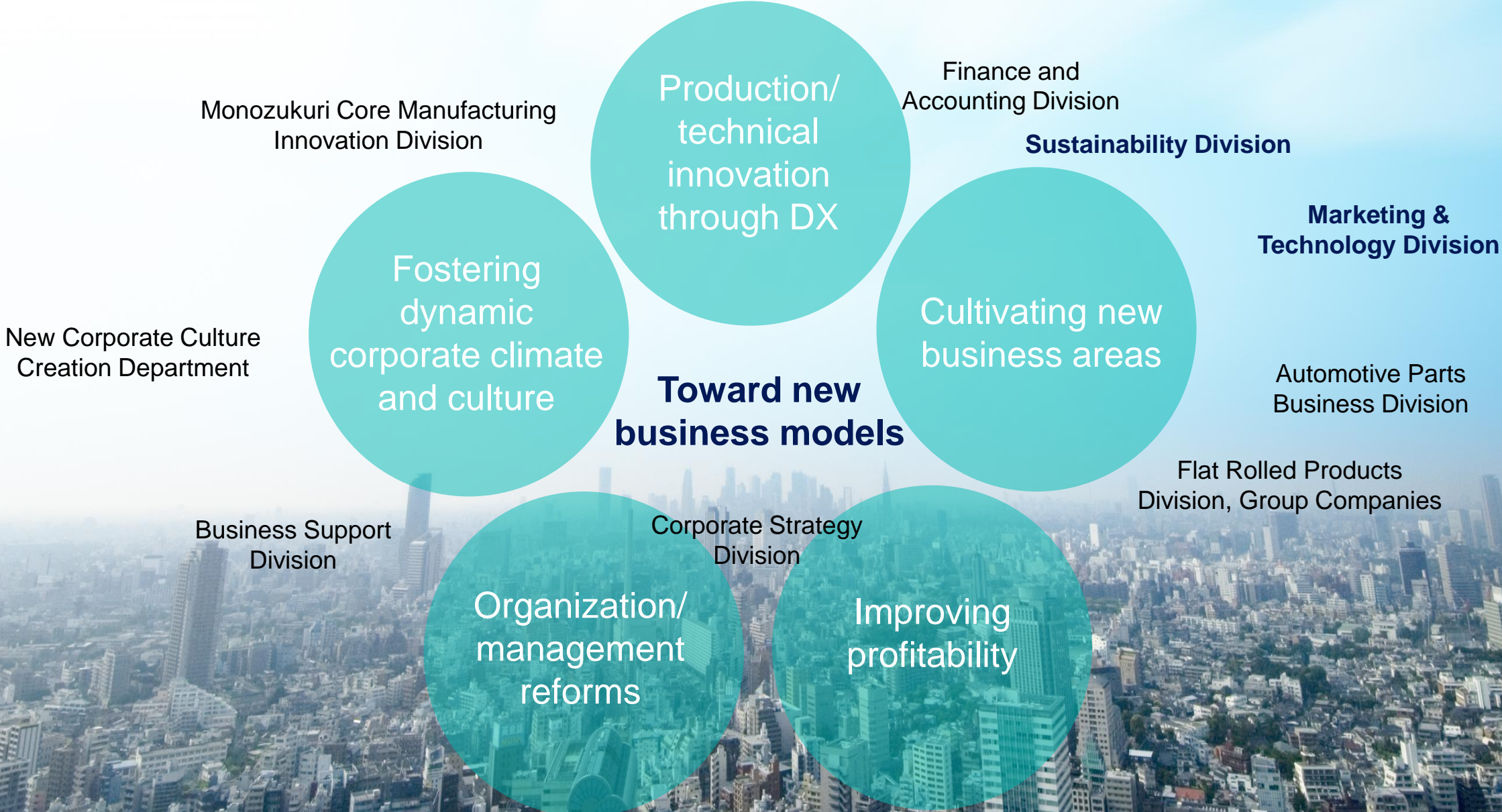


- ✓ Introduced formula system to address spike in added metal prices
- ✓ Introduced surcharge system to address high rise in energy prices

Effect in improving revenue, breakdown

	Initial target	Result
Japan: Reforms to revenue structure	+10 bn yen	+11.2 bn yen
Consolidate manufacturing bases	+4 bn yen	+1.4 bn yen
Optimal manufacturing system and product mix	+5 bn yen	+8.7 bn yen
Reductions to indirect costs	+1 bn yen	+1.1 bn yen
Overseas: Generate revenue on large investments	+11 bn yen	+9.8 bn yen
UATH	+7 bn yen	+6.9 bn yen
TAA	+2 bn yen	+5.1 bn yen
UWH	+2 bn yen	-2.2 bn yen
Effect of structural reforms	+21 bn yen	+21 bn yen

Building on structural reform momentum to create new business models



Megatrends and changes in our business environment

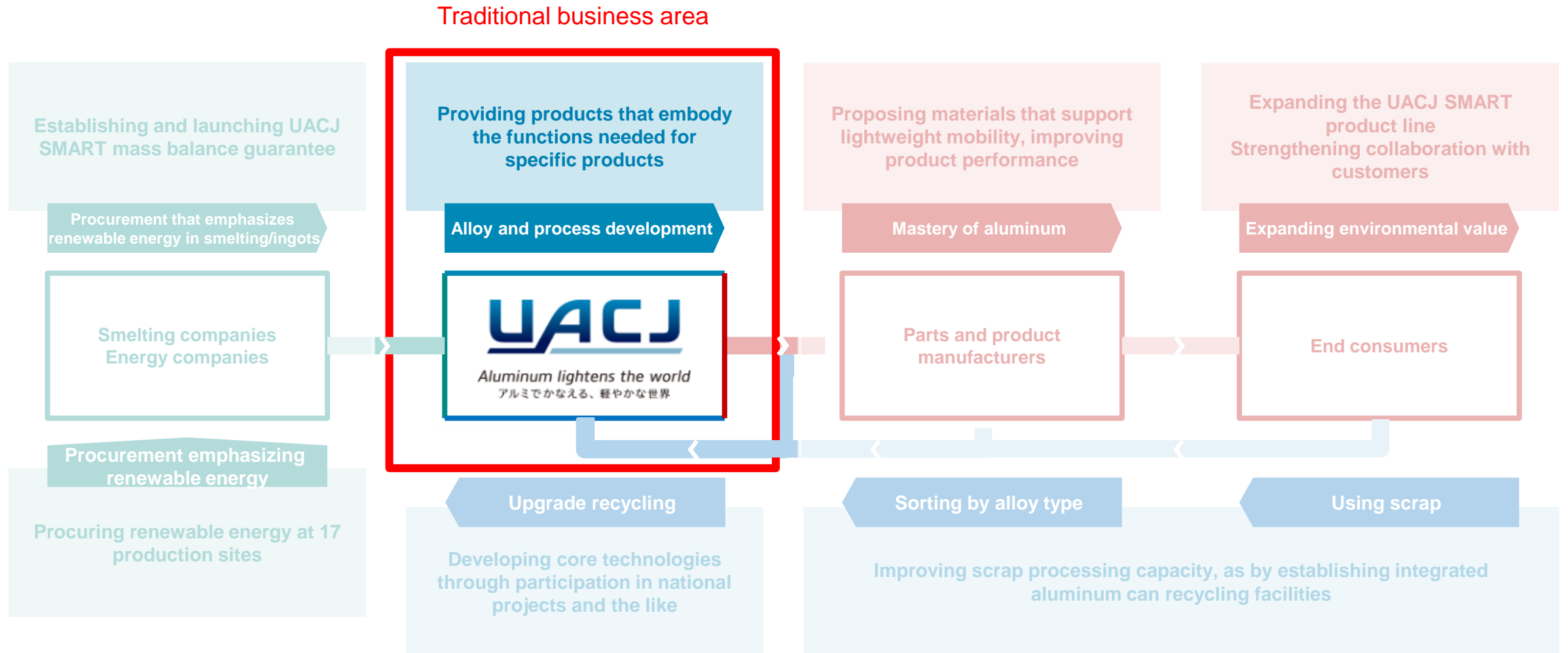
Global economic development (driven by population growth and advances) amid environmental degradation



Responding to increasingly diverse customer needs, addressing significant social issues

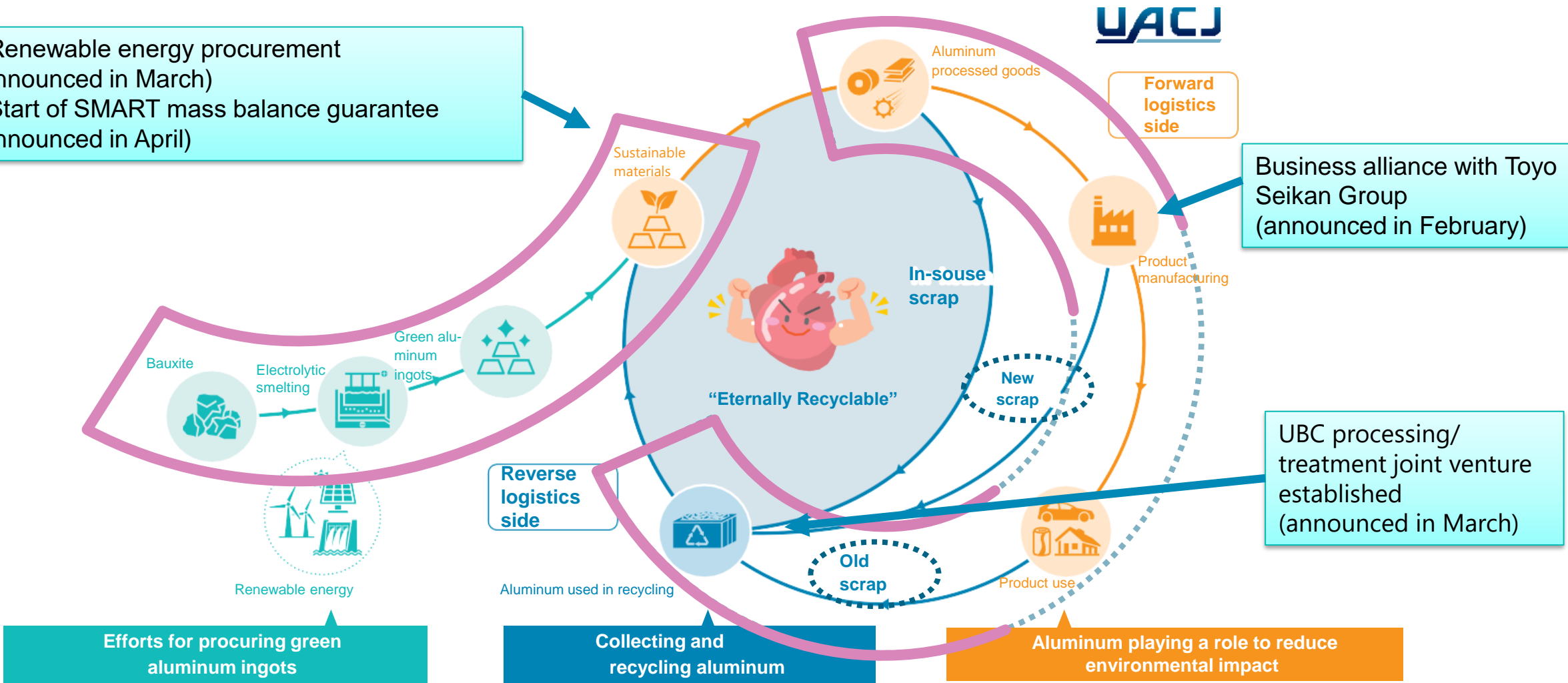
Further expanding business domains, increasing earnings capacity

Expanding aluminum applications by highlighting its environmental value, seeking new forms for maximum recycling



Addressing social issues: Aluminum circularity – toward the core of a circular economy

- Renewable energy procurement (announced in March)
- Start of SMART mass balance guarantee (announced in April)



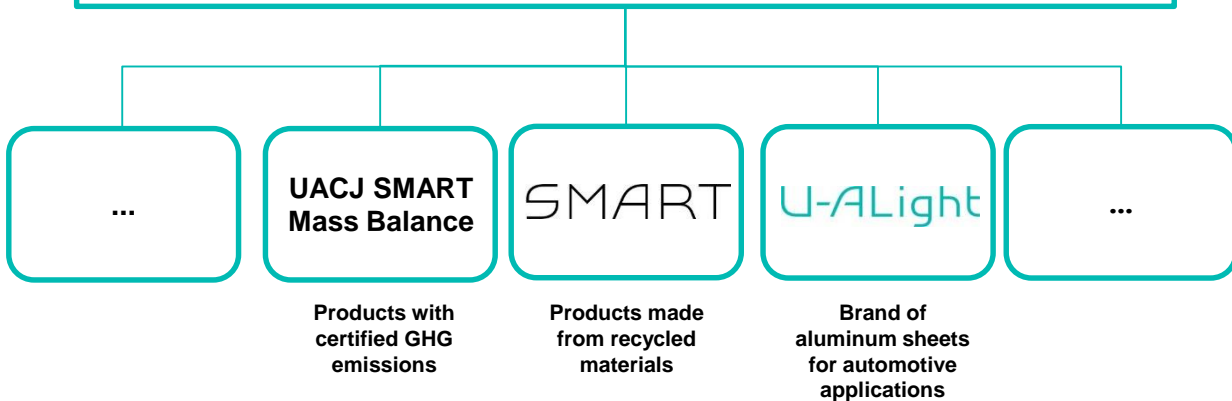
Meeting customer needs: Developing environmentally conscious product lines

Focusing on developing products with a lighter footprint, expanding SMART product line



UACJ SMART

Product lines with a lighter environmental footprint, such as reduced CO₂ emissions and better recyclability





- ◆ Distinguished from competitive products by environmental qualities
- ◆ Reducing environmental impact of our customers' products
- ◆ Making more end consumers aware of the environmental benefits of aluminum

Meeting customer needs: Providing options for customers to reduce CO₂ emissions

17 production bases for processed products now run on 100% renewable energy

Production sites using 100% renewable electricity (17 total)

- UACJ Extrusion Nagoya Corp. (Anjo Works)
- UACJ Extrusion Gunma Corp.
- UACJ Extrusion Shiga Corp.
- UACJ Casting and Forging Corp. (Foundry & Forging Works, Foundry & Forging Second Works)
- UACJ Metal Components Corp. (Sendai, Narita, Ena, Shiga, and Hiroshima Works)
- Nalco Koriyama Co., Ltd.
- UACJ Aluminum Center Corp. (Utsunomiya Color Aluminum Works, Shiga Works, Nara Works)
- Izumi Metal Corp.
- Kamakura Industry Co., Ltd.
- UACJ Marketing & Processing Corp.

-  Approx. 220 GWh of electricity from 100% renewable energy sources purchased per year since April 2023
-  CO₂ emissions reduced by approx. 100,000 tons per year*
⇒ Equivalent to approx. 20% of Scope 2 CO₂ emissions of the UACJ Group
⇒ Now underway ahead of the FY30 CO₂ emissions reduction target**

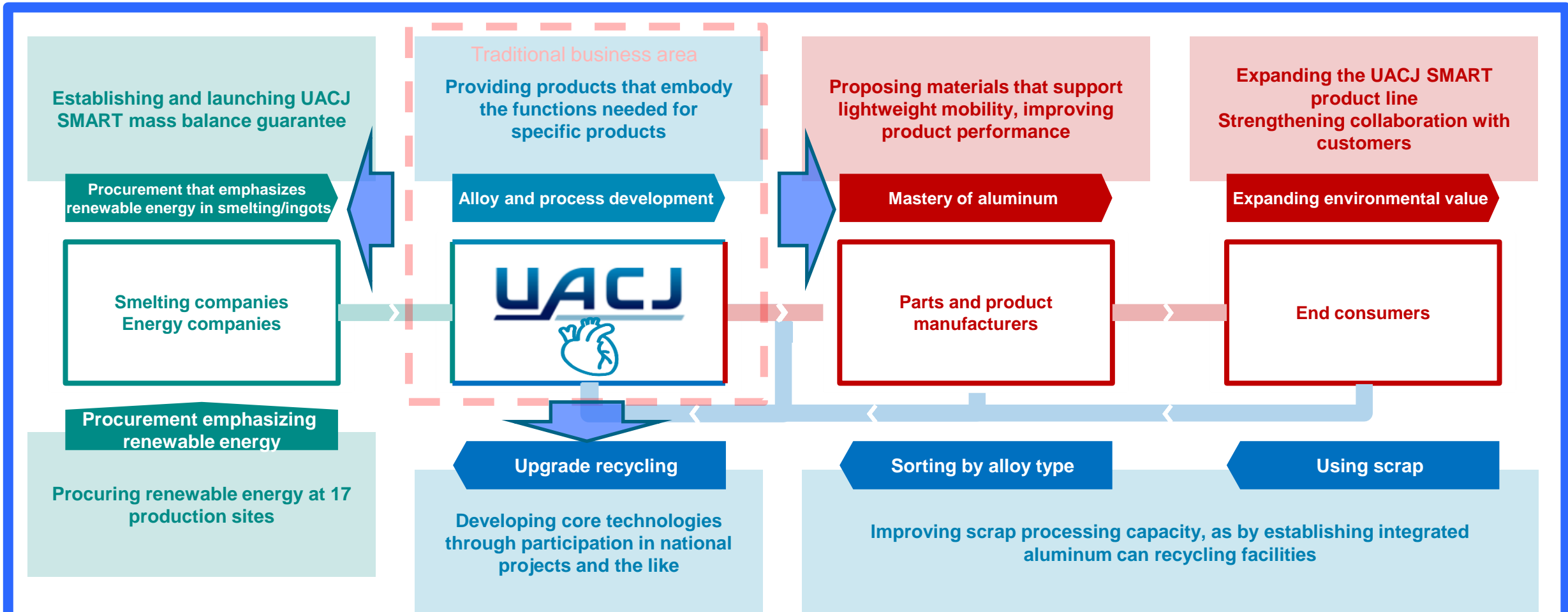
Implementation from manufacturing sites near final products enables lower customer Scope 3 CO₂ emissions.

*Equivalent to annual emissions for approx. 54,000 average households.

**Carbon neutrality pledge: Aiming to reduce Scope 1 and 2 CO₂ emissions by 30% by FY30, with a commitment to achieving carbon neutrality by 2050. Also seeking to reduce Scope 3 CO₂ emissions across the entire supply chain by working with suppliers to recycle as much aluminum as possible.

Further expanding business domains, increasing earnings capacity

Expanding aluminum applications by highlighting its environmental value, seeking new forms for maximum recycling





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