UACJ Corporation

IR-DAY 2023 (Second Half)

June 7, 2023

Event Summary

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[Participants]	
[Number of Speakers]	9

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Teruo Kawashima	Director, Executive Vice President
Shinji Tanaka	Director, Executive Officer, Chief Executive, Corporate Strategic Restructuring Division
Henry Gordinier	Managing Executive Officer/President and CEO of Tri-Arrows Aluminum Inc.
Keizo Hashimoto	Managing Executive Officer Delegated Chief Executive, Flat Rolled Products Division
Fumihiko Sato	Executive Officer, Chief Executive, Automotive Parts Business Division
Kimitoshi Inagaki	Representative Director & President, UACJ (Thailand) Co., Ltd.
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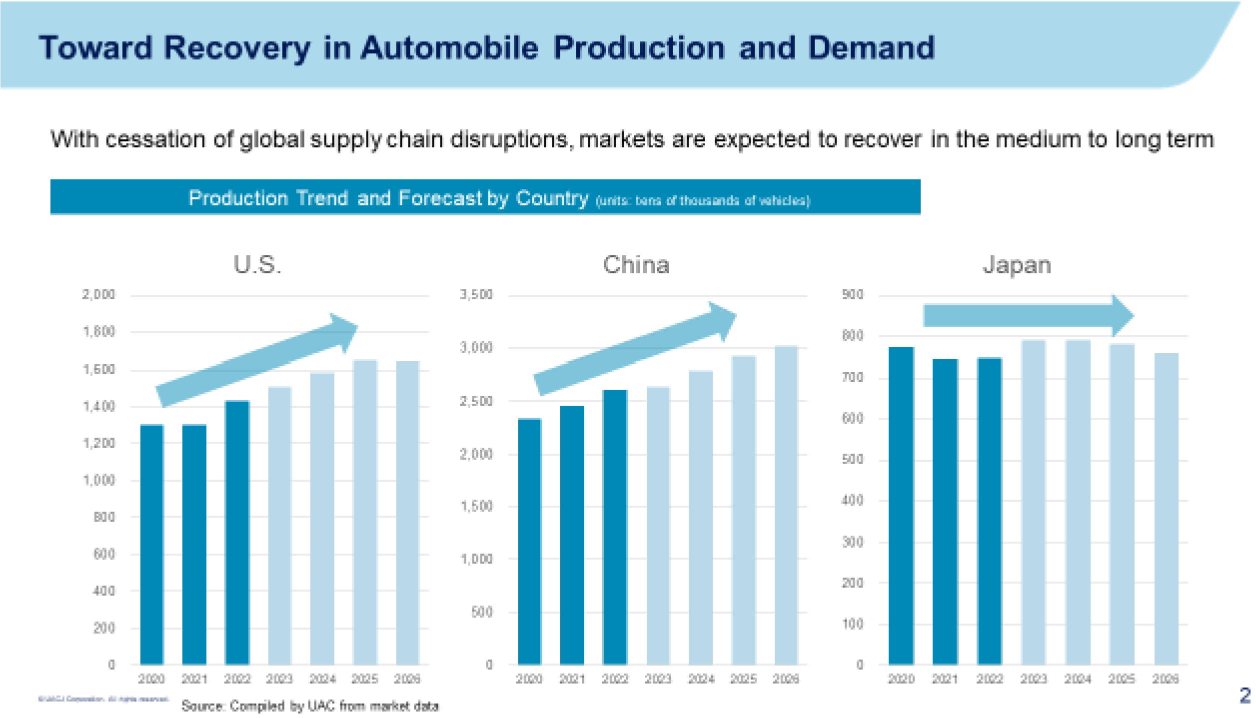
*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Ueda: Since it’s time to begin, let’s move on to the next segment of our program.

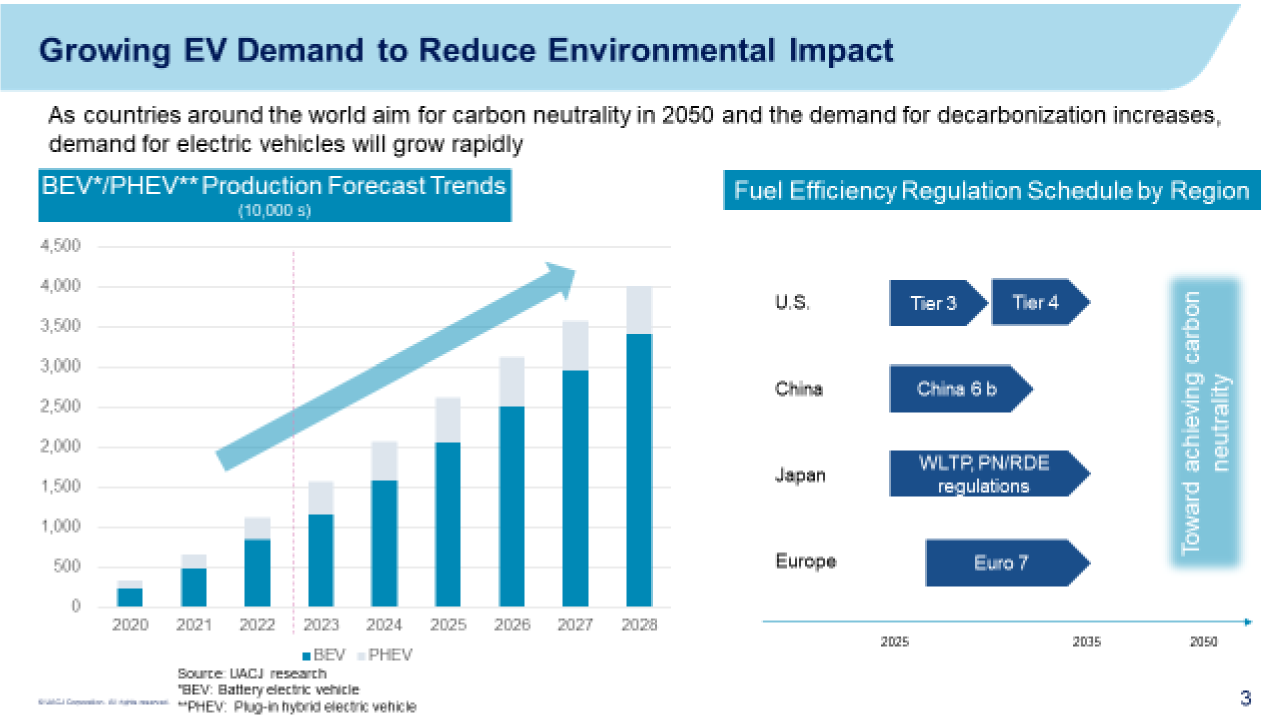
We’ll be discussing the automotive parts business at UACJ Corporation, and I’d like to turn it over to our Executive Officer and Chief Executive of the Automotive Parts Business Division, Fumihiko Sato, for this discussion. Sato-san, please proceed.



Sato: Thank you. I will be providing an update on UACJ Group's automotive parts business.

Let's start by assessing the current market conditions.

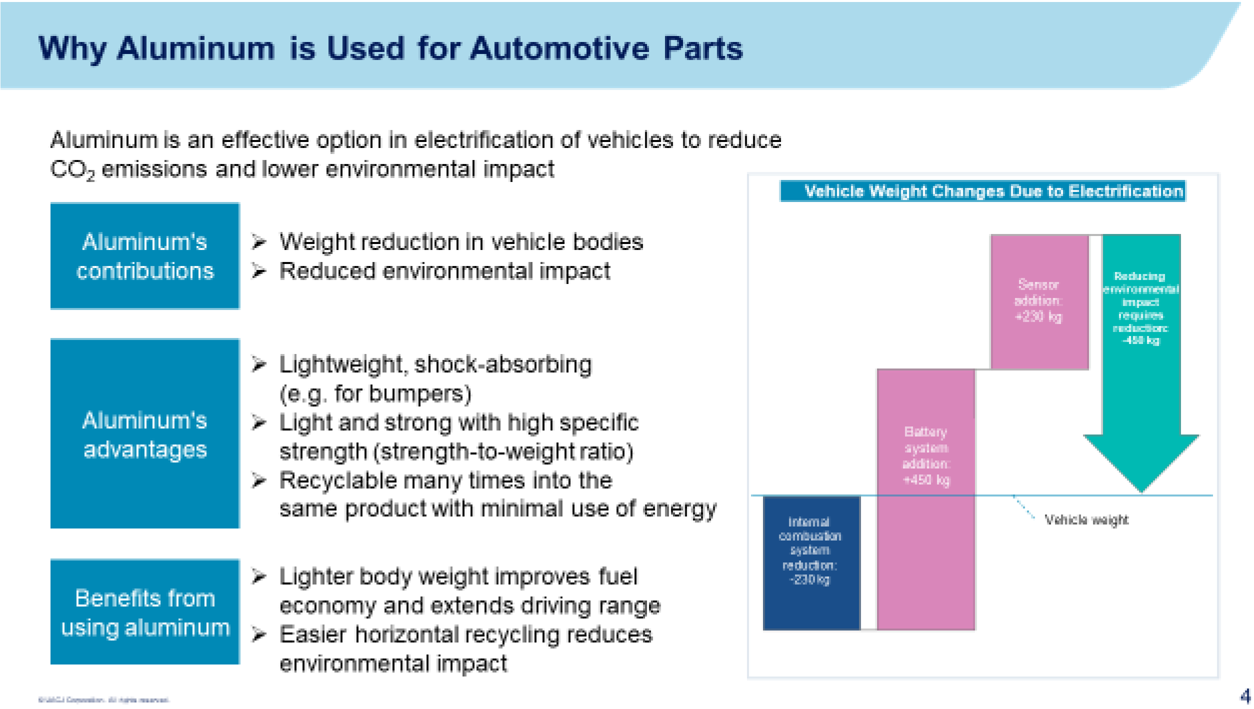
As illustrated in the chart, we witnessed significant disruptions in the global supply chain. However, since the latter half of 2022, we have been on a recovery path, and growth is projected to maintain an upward trajectory as seen in this chart. Looking forward to 2026, we anticipate a 15% increase in production volume in the North American market and a 25% increase in the Chinese market compared to 2022.



In the drive to reduce environmental impact, we foresee an increase in demand for electric vehicles.

To interpret this chart, by 2026, it's expected that 100 million vehicles will be produced worldwide, and it's projected that 30% of those will be electric vehicles, or EVs.

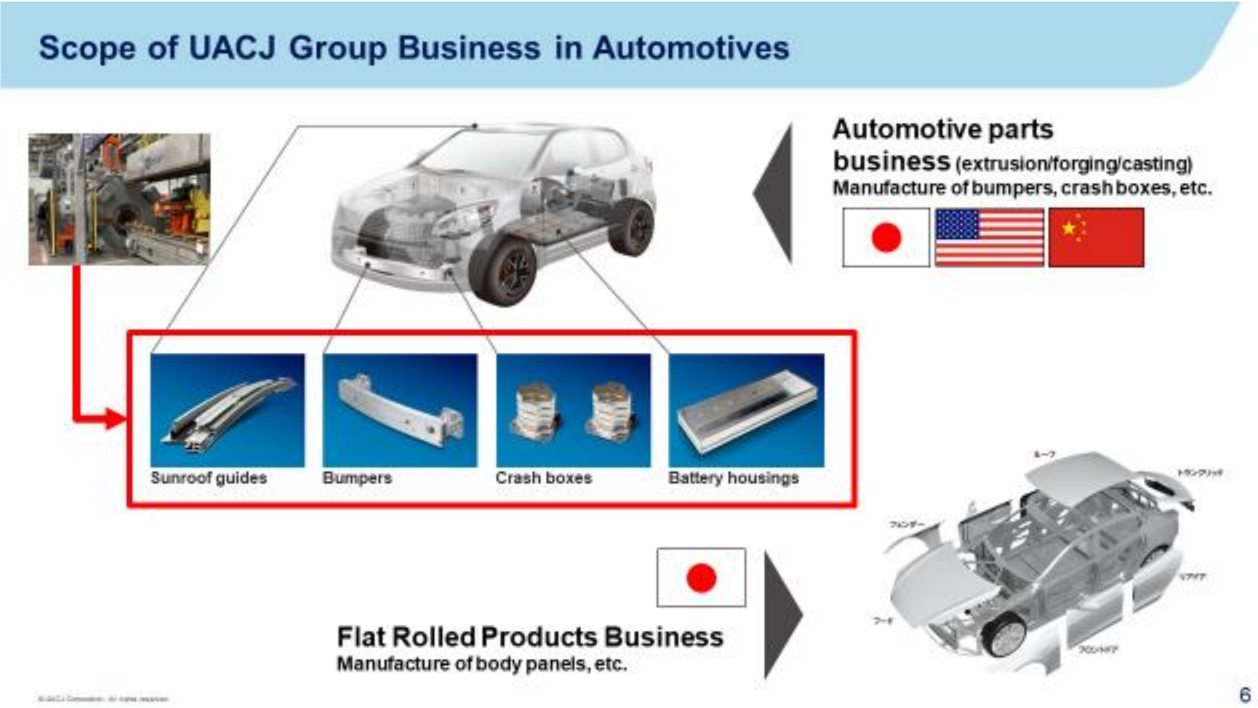
Region-wise, around 15% of vehicles in North America are expected to be replaced by EVs, and in China, this figure is higher, with around 30% expected to switch to EVs. This transition to EVs is a significant shift and also presents us with a great opportunity.



Now, to the question of whether aluminum will be used in automotive parts.

As shown in the chart above, with the proliferation of EVs, batteries are becoming larger and more sensors are being employed, leading naturally to an increase in vehicle weight. Therefore, the demand for lightweight materials is growing, and we are seeing an increased use of aluminum.

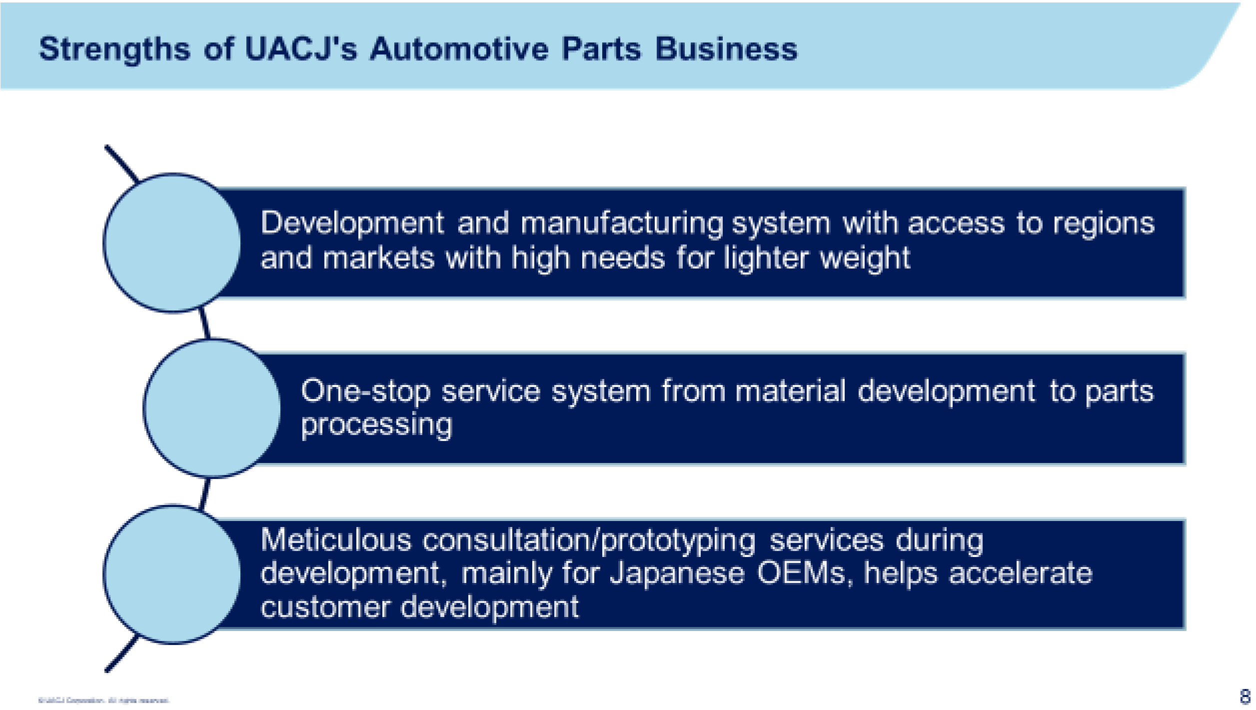
Moreover, given considerations around recyclability, we anticipate a favorable environment for aluminum usage, due to its minimal impact on the environment.



Next, I'd like to provide insight into our automotive parts business and discuss the scope of our work.

Here you see the sectors in which our group operates.

You'll notice the provision of body panel materials by our flat rolled products division in the bottom right. However, within the automotive parts category, we primarily deal with extrusion materials. As depicted in the diagram, we produce parts such as sunroof guides, main body bumpers, and accompanying crash boxes that are integral in collision energy absorption. In some parts of China, we are also engaged in the production of battery cases. We consider these areas our primary business domain and we are committed to them.



Let’s ponder why UACJ is selected for these products.

I believe there are three primary reasons. First, a key strength lies in our ability to establish manufacturing bases in areas where the transition to lighter and electric vehicles is progressing rapidly.

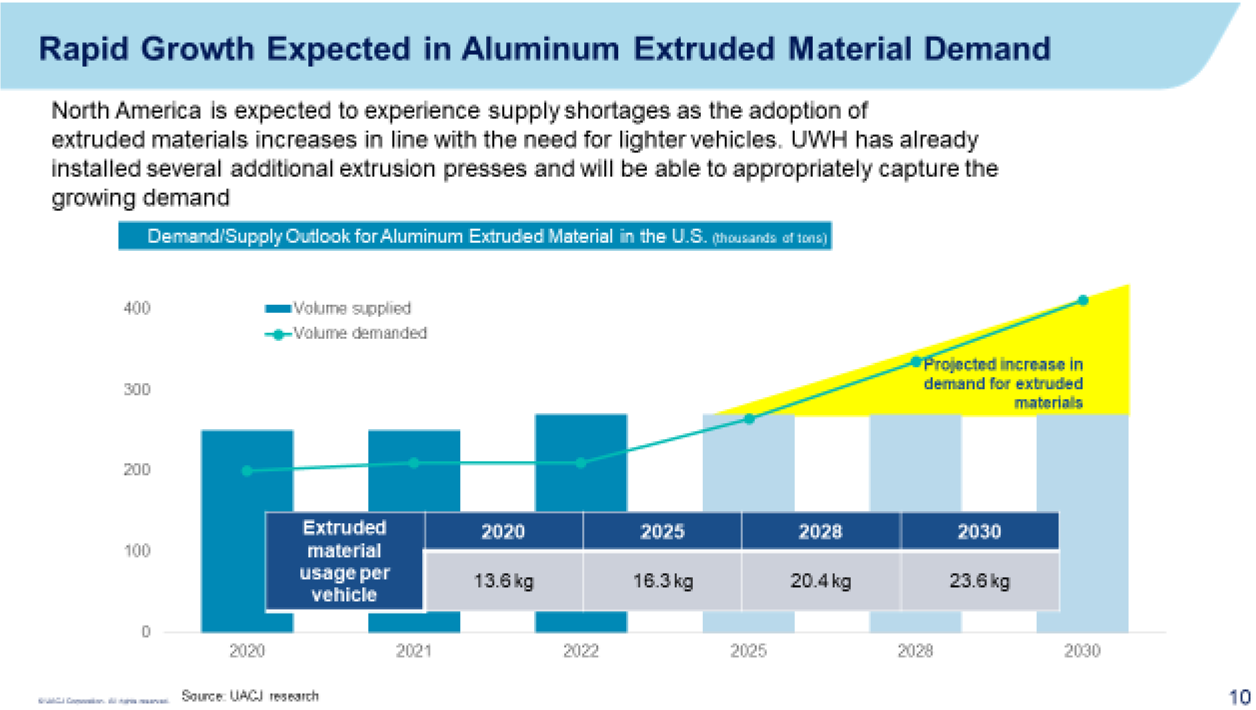
Secondly, our capability to handle the complete chain, from material development to part manufacturing, sets us apart from manufacturers that only specialize in parts production—this end-to-end capability is another strength.

Thirdly, we maintain research facilities that enable us to undertake joint development initiatives with our clients. We consider this collaborative capacity for development as another noteworthy strength of ours.

First, let me delve deeper into our capability to compete globally.

As indicated in the diagram, we own factories in China, North America, and Japan—a total of three key production bases.

In Japan, we have the Mobility Technology Center, or MTC, which supports our manufacturing and development initiatives. These organizations work in tandem, complementing each other to expand our production and sales in each respective region. This holistic approach defines our global network.



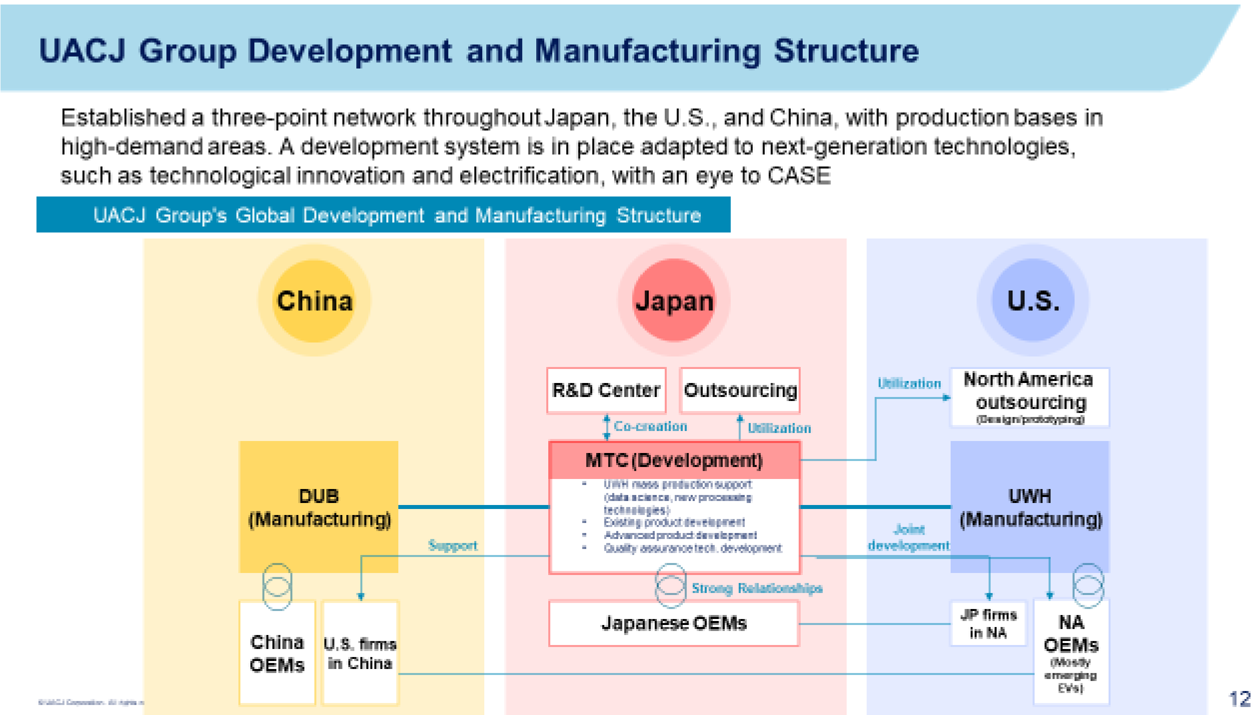
While it’s understood that aluminum is utilized, we still need to discuss if the extruded materials we manufacture will genuinely be in demand.

According to data from North America, the progression towards EVs is likely to significantly increase the demand for extruded materials. There’s even speculation that by 2030 we could face a material shortage.

In response, some suppliers have already started introducing equipment to manufacture new extruded materials. However, our Whitehall facility in North America has preemptively invested and currently operates five presses. Thus, we are well-positioned to meet our customers’ demands, which puts us ahead of the curve and creates an environment conducive to easily capturing and addressing customer needs.

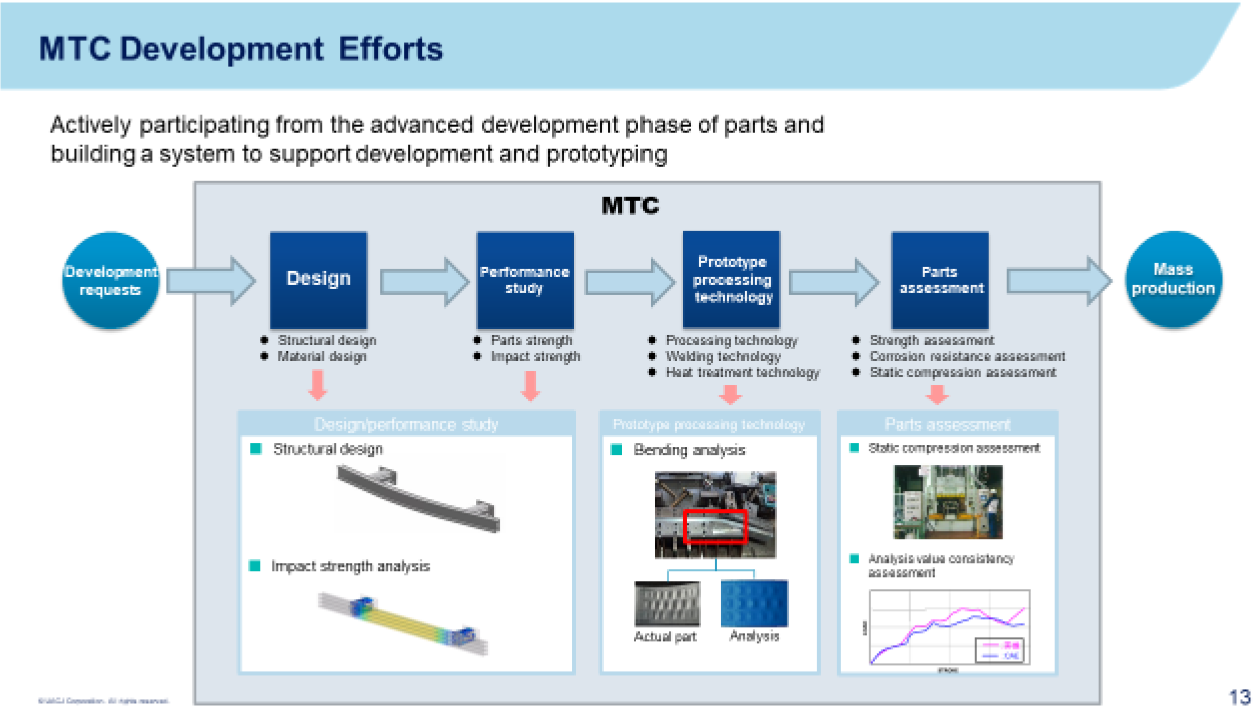
We can provide an end-to-end service, from material development to part processing, as described here.

As seen on the left, we produce extruded materials. Then, as shown in the picture on the right, we perform the necessary machining and deliver the finished parts to our customers in one seamless process.



Our development scheme supports these operations.

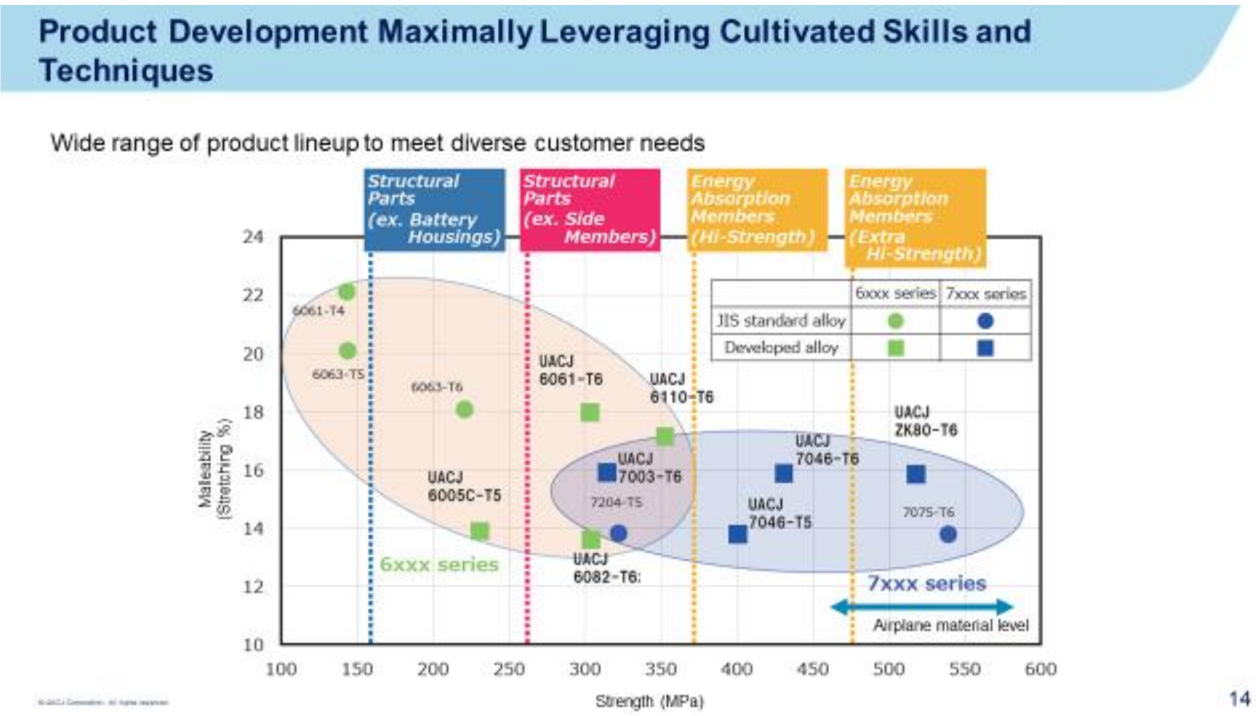
As mentioned earlier, we have the MTC, in Japan, equipped with advanced development capabilities. These capabilities allow us to support various production bases and facilitate expansion into other regions following the successful development of customer projects.



The development flow might already be familiar to you.

Upon receiving a request from a customer, design and development commence at the MTC. This process involves the performance evaluation of individual parts, prototype creation, and final part evaluation for delivery to the customer.

This iterative loop is continuously repeated until we deliver the final mass-produced product. This is how our development capability is structured.

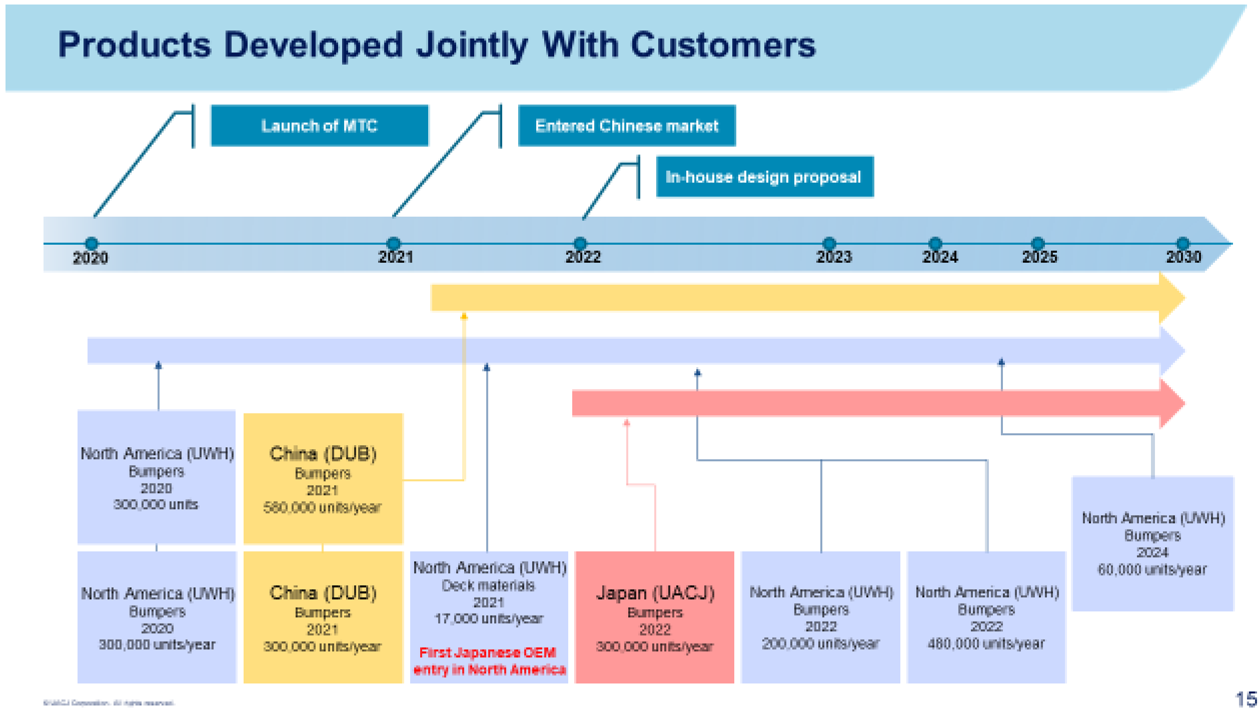


Now, let's delve into what our technologies and methods allow us to achieve.

Given our foundational expertise as material manufacturers, I'd like to focus on materials. As depicted in this chart, the materials on the left are easier to process, while those on the right possess higher strength.

According to each material's specific attributes, we can manufacture the various parts displayed on this chart. We are a company capable of offering such a broad range of materials.

One particular point of interest in this chart involves the pink group on the right and the blue group on the left. The materials in the left group boast high strength, allowing for the production of thinner parts—a feature that appeals to our customers. However, considering recyclability, there's an emerging requirement for uniformity of alloys as much as possible. As you can see, there's an overlap in the middle where two different alloy materials intersect. This capacity to cater to both types of alloys is a distinct advantage we possess as a materials manufacturer.

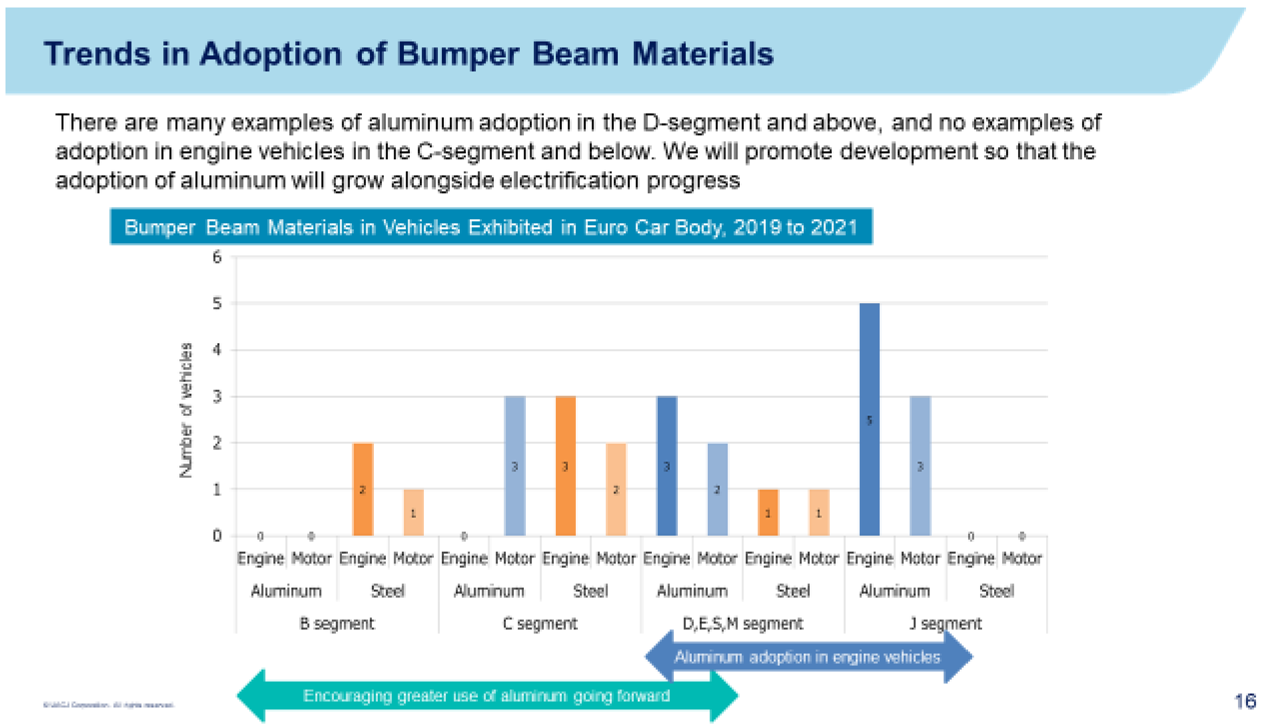


Next, I'd like to talk about some of the products that we've developed in collaboration with our customers.

Starting from 2020, our North American branch, Whitehall, began supplying aluminum bumpers to a leading EV manufacturer. Then in 2021, we expanded our operations and started providing materials for bumper production in the Chinese market to a similar manufacturer.

Since the beginning of 2022, we've been supplying entirely aluminum-made bumpers in the Japanese market.

In the latter half of 2022, we continued our supply of bumpers to different clients from our Whitehall location in North America. The manufacture, mass production, and sales of energy-absorbing components such as bumpers, is an ongoing, robust aspect of our operations.



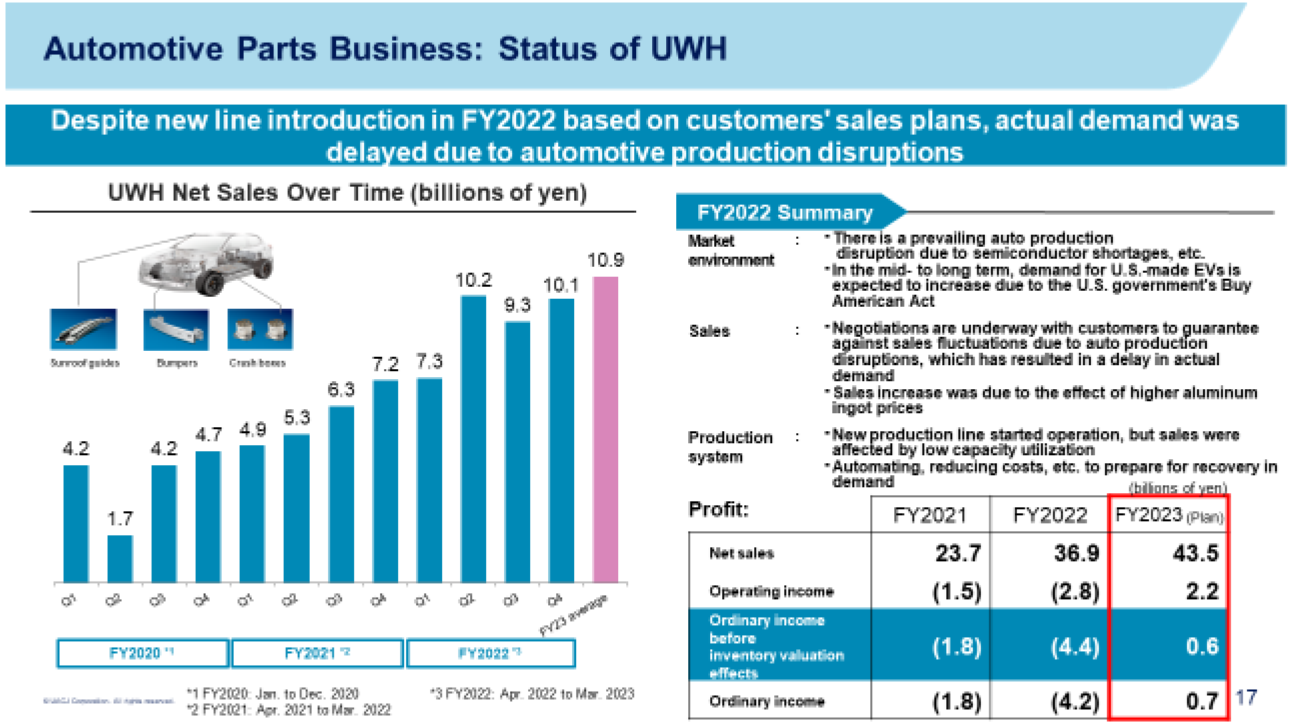
Regarding bumper beams, you might think that there are already steel bumpers available.

To delve into this further, I've prepared a comparative graph: the blue bars represent aluminum, and the orange ones represent steel.

On the right side, labeled as the J segment, are sports cars which generally prefer aluminum. In the middle, labeled D, E segment, are larger, luxury vehicles also favoring aluminum. We've expanded our material supply from right to left in response to an increasing number of customers preferring aluminum.

In the middle, marked as the C segment, are mid-sized vehicles where steel is still the predominant choice. However, if you look closely, you'll see that in electric vehicles, noted as motor, the use of aluminum is gradually increasing, a trend which can be confirmed by the length of the bar graph.

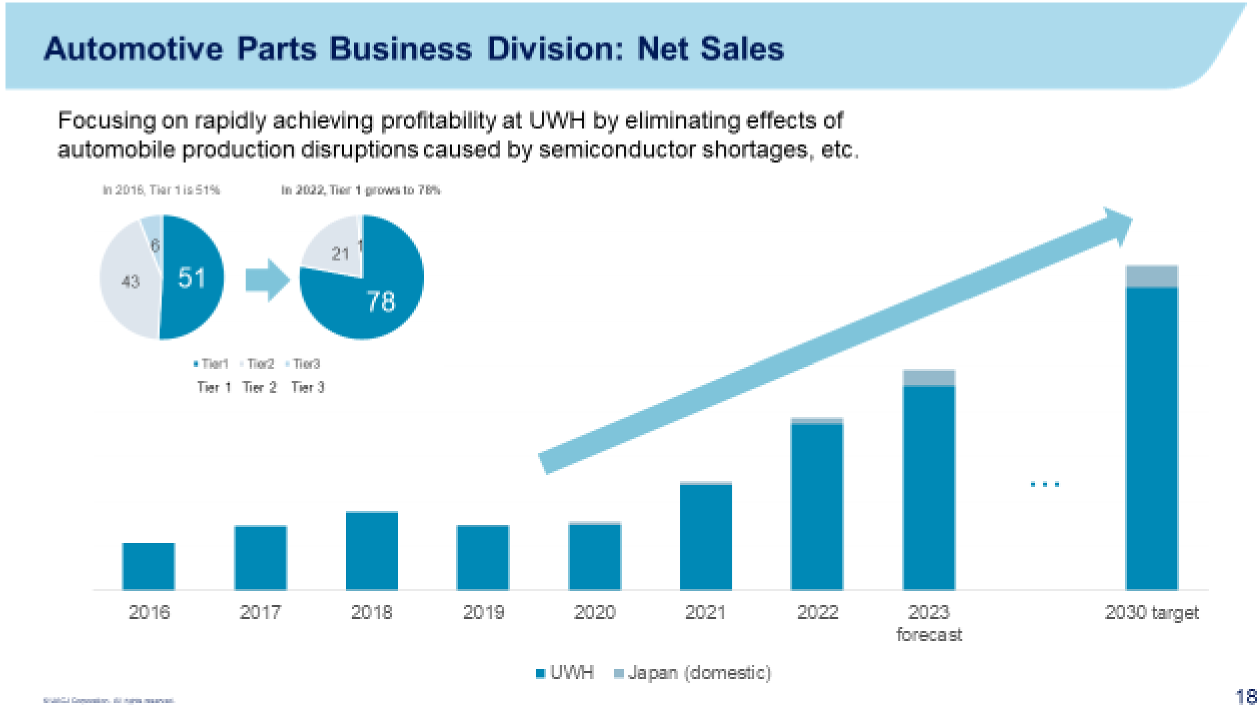
As the shift towards EVs continues, there is an increasing desire to avoid adding unnecessary weight to these vehicles. Thus, it's reasonable to expect that even mid-sized cars will start using aluminum bumpers. We believe there are still untapped opportunities in our area of expertise in the market.



I'd like to briefly touch on the operational status of Whitehall in North America. Although a more detailed explanation will be provided by David later, allow me to provide a quick overview.

In 2022, we established new production lines for fresh clients, but we faced disruptions. There were instances when our production had to halt and resume due to difficulties in procuring essential components like semiconductors. This led to some challenging periods. Consequently, we didn't see the expected rise in revenues, which put us in a tough spot as we struggled to generate the profits we had hoped for.

As mentioned before, we're making progress in 2023. We're recovering from the difficulties we faced related to component supply and supply chain issues. We anticipate that sales will go as projected, leading to an increase in profit. Moreover, due to inflation and other cost surges, we've been engaged in discussions about passing these additional costs onto our customers by adjusting our selling prices. These conversations are beginning to yield positive results. Internally, we're also focusing on enhancing productivity. Through all these efforts combined, we plan to strive to secure the projected financial outcomes for FY2023.

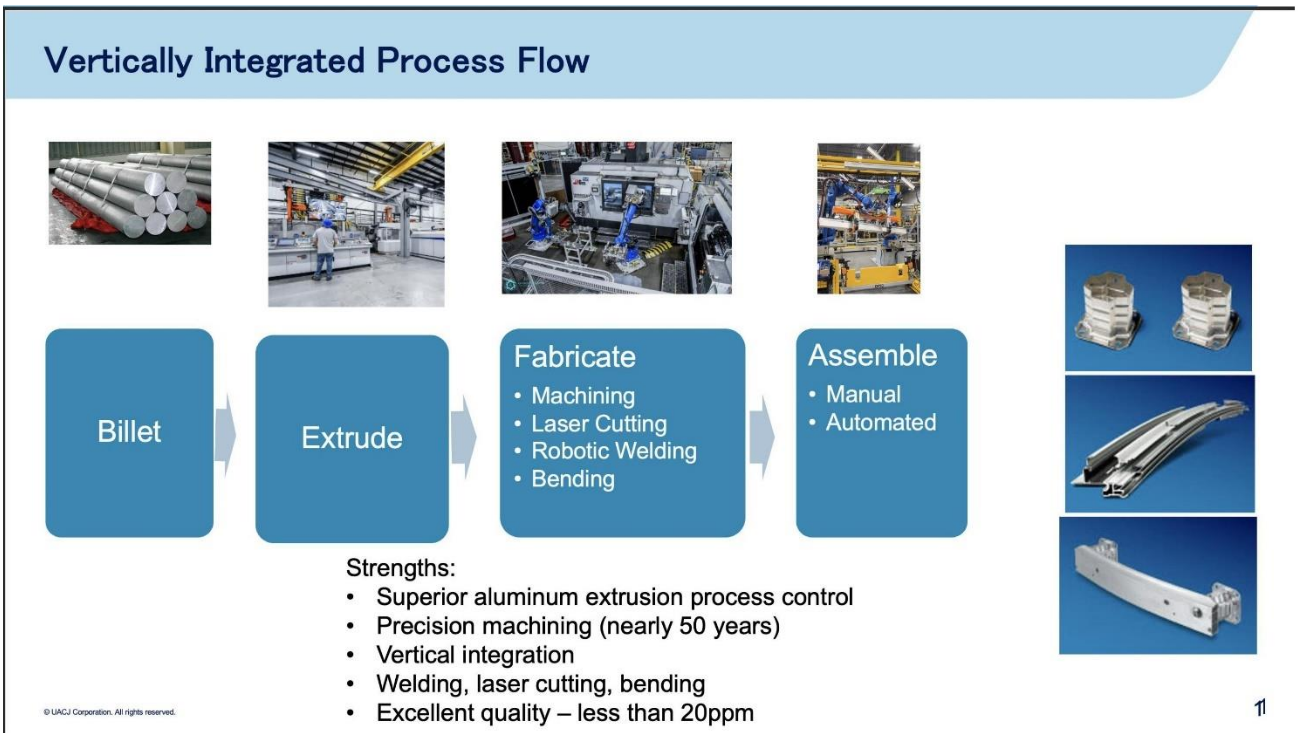


To conclude, as I mentioned before, our highest priority for 2023 is to enhance our sales, meet our budgetary goals, and elevate our profits.

Looking forward to 2030, our aim is to expand our profitability by capitalizing on growing markets.

This concludes my presentation. Thank you very much for your attention.

Ueda: Thank you very much. Moving on, we have a presentation on our automotive parts business in North America. The explanation will be provided by David Cooper, CEO of UACJ Automotive Whitehall Industries.



Cooper*: Good morning, everyone. Thank you for giving me the opportunity to speak today. My name is David Cooper, and I serve as the President and CEO of UACJ Automotive Whitehall Industries, also known as UWH.

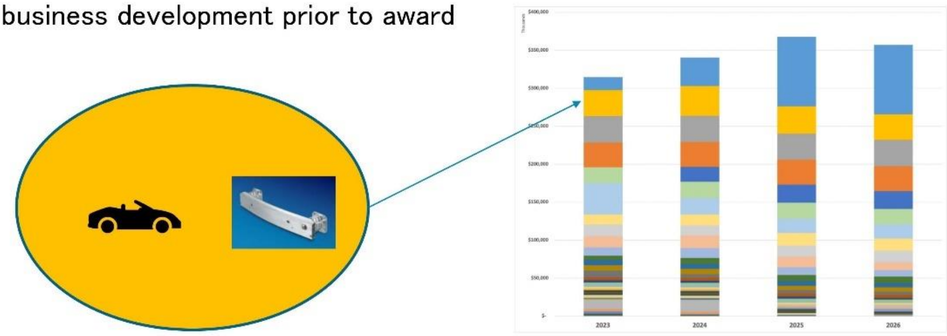
We are a company that specializes in the manufacture of automotive parts; it's our core and only business. We function as a vertically integrated supplier of these components, beginning our process with billets, which we then extrude, shape appropriately, manufacture, assemble, and finally convert into the end product.

We excel in the control of the aluminum extrusion process. This expertise gives us an edge and enables us to maintain consistent material characteristics.

We have approximately 50 years of experience in machining, encompassing a broad array of manufacturing processes, including laser cutting, welding, robotic welding, and bending. Our diverse capabilities have earned us a stellar reputation in the market.

Automotive Parts Business Model

- 100% Automotive
- Automotive parts business consists of many single source contracts:
  - Awarded 2-4 years prior to SOP
  - Contracts awarded for life of program – typically 6 years
  - Capital/Tooling must be in place and verified 6-12 months prior to SOP
  - Sales volume dependent upon vehicle sales
- Vertically integrated – billet through finished part
- Engineer to engineer business development prior to award
- Low SG&A costs



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Next, let me provide an overview of our business model.

As I have previously stated, we exclusively operate in the automotive parts industry.

We usually secure contracts for vehicle programs two to four years prior to the start of production. These contracts cover the entire duration of the program, making us the single source of procurement. The average program lasts around six years. Installation and validation of the necessary equipment and tools must be done 6 to 12 months before production begins, leading to an increase in our sales as work progresses.

We are a vertically integrated company, engaging in engineer-to-engineer business development until we obtain a contract.

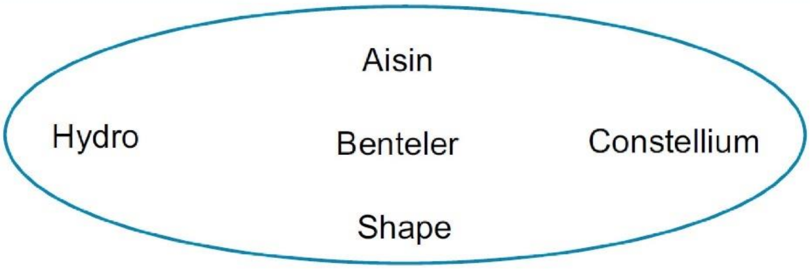
We maintain low selling, general, and administrative expenses.

UACJ Automotive Whitehall Locations

We strategically position our facilities close to our customers. We have two plants in Ludington, Michigan, which is where I am currently located.

There's another plant in Paducah, Kentucky, and one in central Mexico. In Flagstaff, Arizona, we have established a plant as a strategic location catering to our electric vehicle customers.

Competition – Vertically Integrated Automotive Structural Part Suppliers



I Believe that UACJ Whitehall is the most capable overall relative to our competition:

- Leader in structural extrusion capability and process control
- Tight tolerance machining for almost 50 years
- Relatively small, but very responsive and flexible
- Exellent in quality – less than 20ppm, zero ppm for many large customers
- Competitive cost structure

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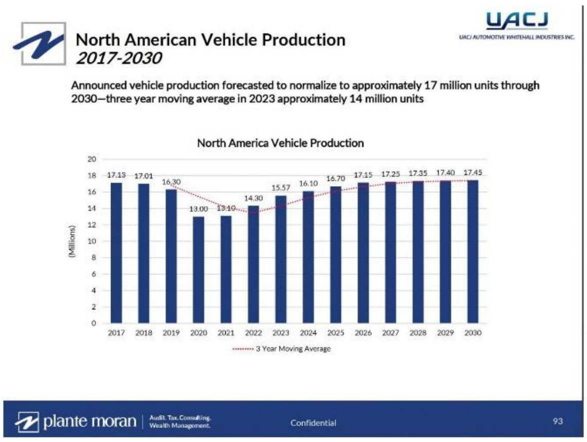
Our competitors include companies such as Hydro, Shape, Benteler, Aisin, and Constellium.

Our key strength in this market is our holistic proficiency—we excel in every aspect. While competitors may have strength in certain areas, we possess a balanced, comprehensive set of skills.

We have exceptional capabilities in structural extrusion, have been delivering tight tolerance machining for almost 50 years, and consistently uphold high quality. Furthermore, we maintain a highly competitive cost structure.

North American Market Conditions

- Margins for auto suppliers have been negatively affected by inflation and pressure to increase wages.
- Chip and component shortages have eased
- Automotive production is expected to increase to 17 million during 2026
- The aluminum extrusion content in the NA automotive market is expected to grow rapidly, driven by EV



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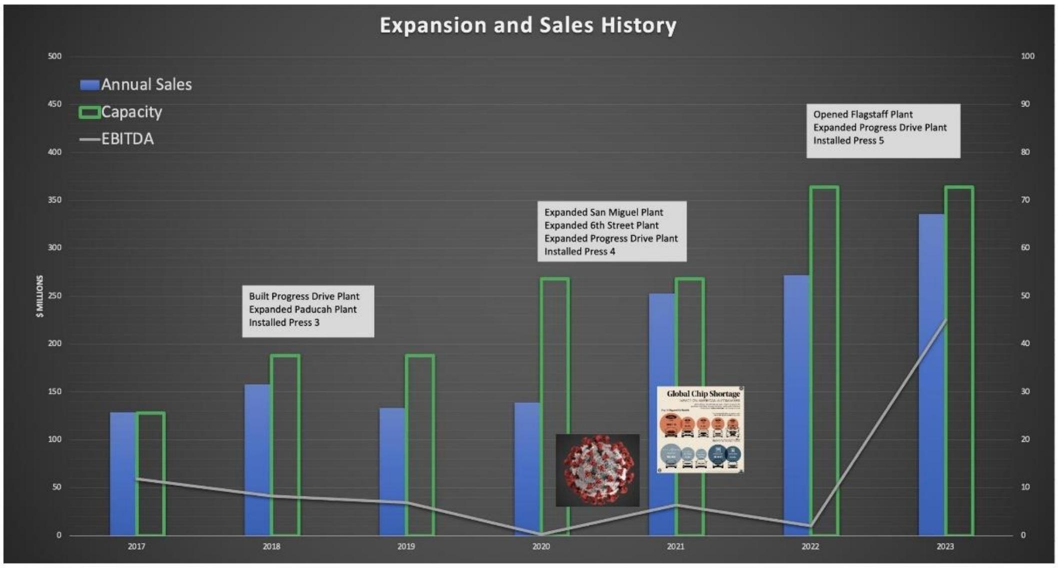
As with many automotive parts suppliers, we've been impacted by COVID-19, disrupted supply chains, and labor shortages. These difficulties have negatively influenced our operations.

These issues are, however, easing, and we predict a rebound in the overall North American automotive production to approximately 17 million units over the next few years.

Look at the graph in the lower left. We have conducted market research.

Our research indicates that automotive extrusion parts will make up a market of around USD7 billion. If we can capture even just 10% of this market, our sales could double, a prospect we find exciting.

Capacity vs Sales Chart 2017 – 2023



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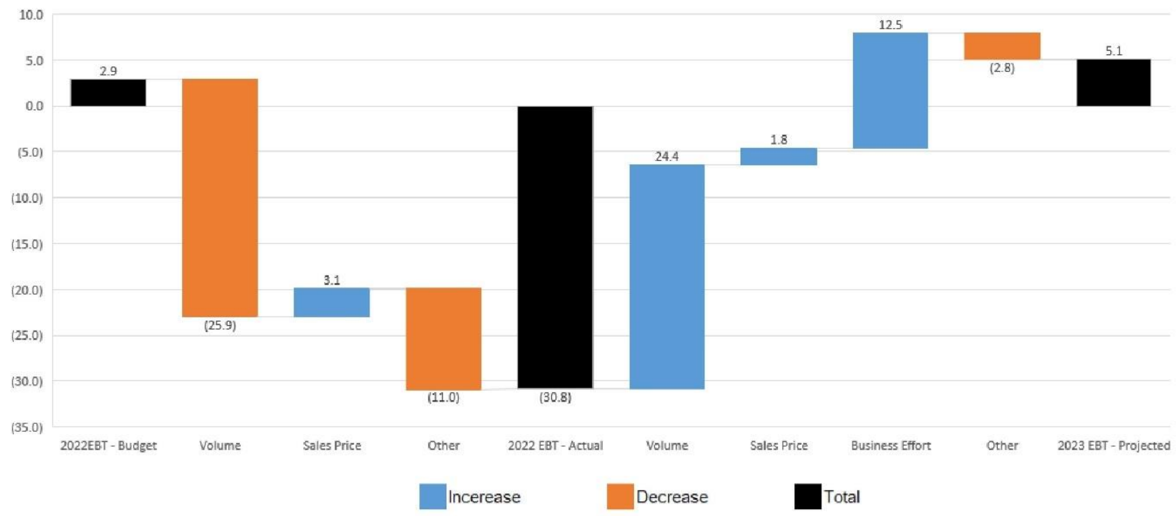
When we were acquired by UACJ, we were tasked with boosting our sales to USD500 million. This year, we achieved USD300 million, marking a 15% sales increase.

The green segment represents the investments we've made in equipment over the past seven years, including installing new presses, inaugurating the Flagstaff plant, and incorporating various other facilities. We've managed to achieve a great deal in a short time, thanks to our outstanding team.

As our fixed costs and management needs increase, we must enhance our sales even further. The pandemic hindered our ability to augment volumes, a struggle that was not unique to us; our competitors also felt the pandemic's adverse impact. We are grappling with labor shortages and increasing inflation.

Due to decreased volume, we have not been able to fully demonstrate our potential.

2022 to 2023 Waterfall



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The following chart provides our forecast for 2023.

We are experiencing delays in three of our programs. These include an electric vehicle project and a program for a Japanese client, which collectively impact around 25% of our business operations. Consequently, our contributory profit is lower by about USD26 million.

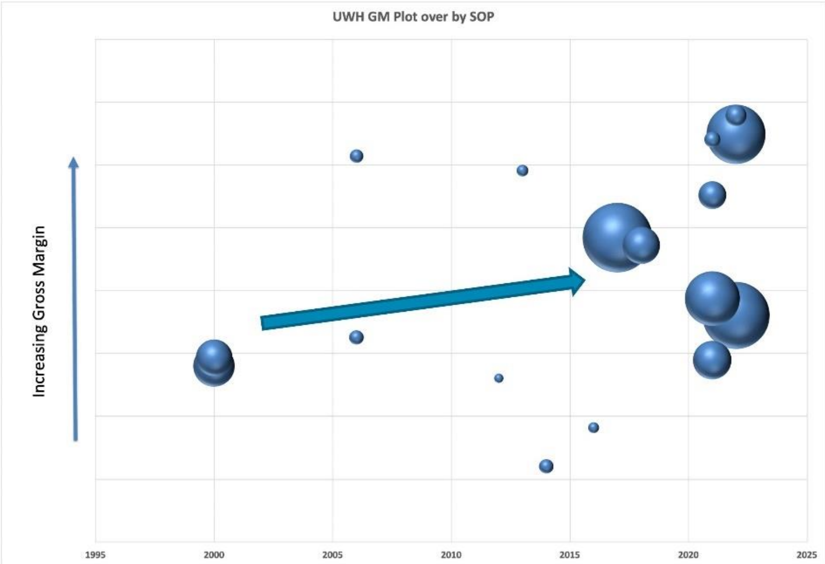
Additionally, inflation is creating an estimated impact of about USD3 million. Factors like interest rates will also start affecting us in the coming year.

However, the rebound in volume, represented in blue at USD24 million, will play the most significant role in our recovery.

Despite certain uncertainties, our target is to achieve approximately USD5 million in EBITDA.

In terms of the program delays, we're striving to recover as much as possible and to implement measures to recoup the short-term setbacks we've encountered.

Gross Margin by Program over Time



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This graph illustrates the gross profit in correlation with the size of each program. The Y-axis represents gross profit.

Since it includes overhead costs, you can see that the overall gross profit is on an upward trend, signifying business progression. If you look to the left, you can see the past, and as you move towards the right, you can observe an improvement in gross profit.

Short Term Focus

6 years of expansion are complete complete :

- We have grown in excess of 15% CAGR during some difficult times
- We have transformed from tier 2/3 to primarily tier 1 Structural
- Recent launches of major structural automotive programs have been very successful
- We are now a leader in automotive structural extrusion capability
- We have maintained an excellent quality record of less than 20ppm
- We now have name recognition, and are sought by major OEM's for new business

- We are now pausing expansion. During this pause, we are focused on:
  - Improving profitability
  - Reducing debt
  - Kaizen on newly launched programs
  - Preparing for the next step up and selecting new program targets

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We've successfully completed the capacity expansion we planned over the last six years.

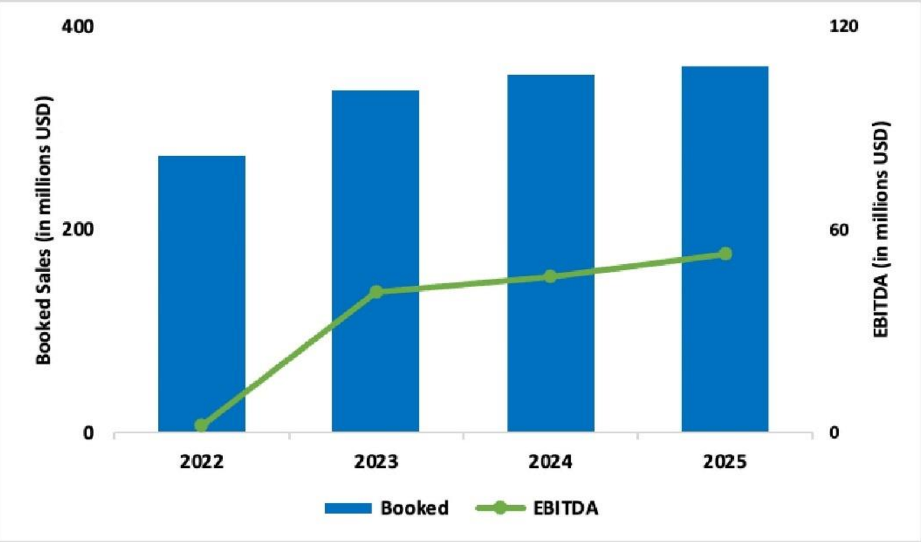
It’s been a tough period, but we’ve managed to grow at a 15% CAGR. In terms of structures, we’ve transitioned from being mainly a Tier 2 or 3 supplier to predominantly a Tier 1 supplier. In addition, we’ve kept our defect rate impressively low. This has allowed us to emerge as a leader in the structural extrusion segment.

Now that our capacity enhancement phase is over, we’re focusing on the strategic areas highlighted here.

Our team is tirelessly working towards constant improvement, or kaizen, embracing automation, initiating structural reforms, and striving to cut fixed costs.

We’re also conducting improvement events to eliminate waste. We are taking reasonable steps toward negotiating better prices with our customers and seek the lowest possible prices from our suppliers. Additionally, our operations in Mexico are growing.

Sales Forecast 2023-2027 & EBITDA Chart 2022-2025



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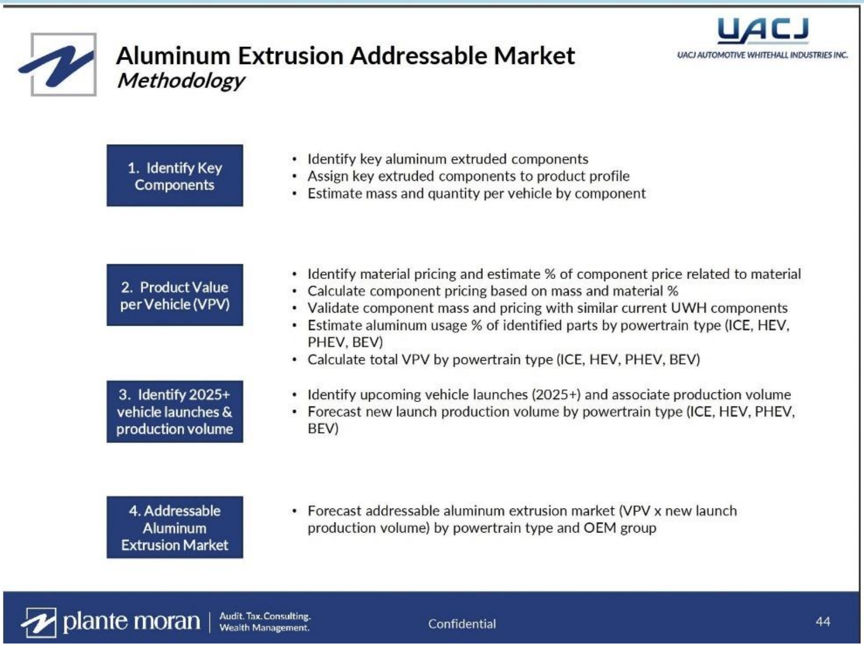
Looking ahead at the next three years, according to the IHS forecast, we have projected our sales and EBITDA.

With the launch of the EBT plant in 2023, we anticipate an improvement in our EBITDA. We're committed to meeting our targets.

Future Market Study



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Next, I'd like to share some of our findings from the future market research we conducted.

We have researched where the markets that can be approached with aluminum extrusions are, what types of components exist, which aluminum extrusions will play a key role between conventional vehicles and EVs, what the price trends for the materials will be, and what the forecasted opportunities are in the approachable aluminum extrusion market.

Future Market Study

UACJ
UACJ AUTOMOTIVE WHITEHALL INDUSTRIES INC.

Aluminum Extrusion Addressable Market
New Launch (2025+) Production Volume and Market Size

4. Addressable Aluminum Extrusion Market

- Forecast addressable aluminum extrusion market (VPV x new launch production volume) by powertrain type and OEM group

Powertrain	2025 ($M)	2030 ($M)	'25-'30 CAGR
ICE	$127	$2,267	78%
HEV	$26	$1,100	111%
PHEV	$30	$365	65%
BEV	$205	$3,366	75%
Total	$388	$7,098	79%

OEM Group	2025 ($M)	2030 ($M)	'25-'30 CAGR
Detroit 3	$209	$2,923	69%
Japanese 3	$112	$1,893	76%
German 3	$0	$800	-
Other	$50	$850	76%
Start-up	$16	$91	41%
Tesla	$0	$540	-
Total	$388	$7,098	79%

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In the next few years, we expect new vehicle introductions to consist of approximately 5% EVs, broken down by major OEM groups as indicated here. In terms of market value, we anticipate surpassing USD7 billion by 2030.

By carefully selecting our programs and collaborating closely with our customers, we aim to succeed and cater to areas with predicted growth.

Environment and Sustainability

- Contributing to the EV Market with recyclable aluminum since 2012
- EV Market now more than 50% of our business
- Pursuing ASI Certification
- Co-developing structural alloys using 75% post consumer aluminum
- Developing emission reduction goals
- Continuous effort to reduce scrap and waste – this is our largest contribution to emission reduction – a win-win

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Since 2012, we've been making significant contributions to the EV market, primarily using recyclable aluminum. Presently, the EV market constitutes more than 50% of our business. We continue to strive for ASI certification, with 75% of our structural alloys using recycled aluminum. We're also committed to reducing emissions, setting targets, and minimizing waste and scrap.

Our People Make Us What We Are

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Our company is shaped by our 1,400-strong workforce that I mentioned earlier. They are truly the backbone of our company.

Excellent Potential for Profitable Growth

UACJ Whitehall is in an excellent competitive position

- A highly capable team
- A leader in structural extrusion
- Excellent quality and customer relationships
- Recognized by OEM's – traditional and EV

UACJ Whitehall will be participating in an exploding market for automotive structural aluminum components.

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We're currently in an excellent competitive position. We have a highly capable team and are a leader in the structural extrusion industry. Our quality is exceptional, and our customer relationships are excellent. Our reputation is recognized by OEMs, and we're acknowledged in both the traditional automobile and EV segments.

This concludes my presentation. Thank you for your attention.

Ueda: Thank you very much. Now, let's proceed to our financial strategy. We will have Teruo Kawashima, our Director and Executive Vice President, guide us through this section. We appreciate your attention.

Aluminum lightens the world
アルミでかなえる、軽やかな世界

UACJ Financial Overview

Toward a stronger financial position and improved capital efficiency

Teruo Kawashima
Director, Executive Vice President

June 7, 2023
UACJ Corporation

Kawashima: My name is Kawashima. I sincerely appreciate your participation in our IR Day today. I'm here to discuss our approach towards finance and accounting.

Our focus, as outlined on the cover, includes strengthening our financial base, discussing our strategies towards improving capital efficiency—a recent hot topic, and addressing our own challenges in these areas. Please bear with me as the presentation might jump between different topics.

UACJ financial tasks and targets: Third medium-term management plan and beyond

Third medium-term management plan

Toward a stronger financial position
- Steady free cash flow, effective cash allocation
- Bolster shareholder equity (strengthening the basis to become a more valuable company)
- Generating cash flow is a priority in the third plan

Strengthening management of operations
- Improve capital efficiency by clearly positioning it as a performance indicator for business/corporate management
- UACJ performance indicators: ROE, ROIC, D/E ratio

Shareholder return
- Enhance corporate value
- Consolidated payout ratio, total return
- Reduce cost of capital

Beyond the plan
Ensure that profitability always exceeds cost of capital
Efforts to increase corporate value and attain a P/B ratio of 1 or more

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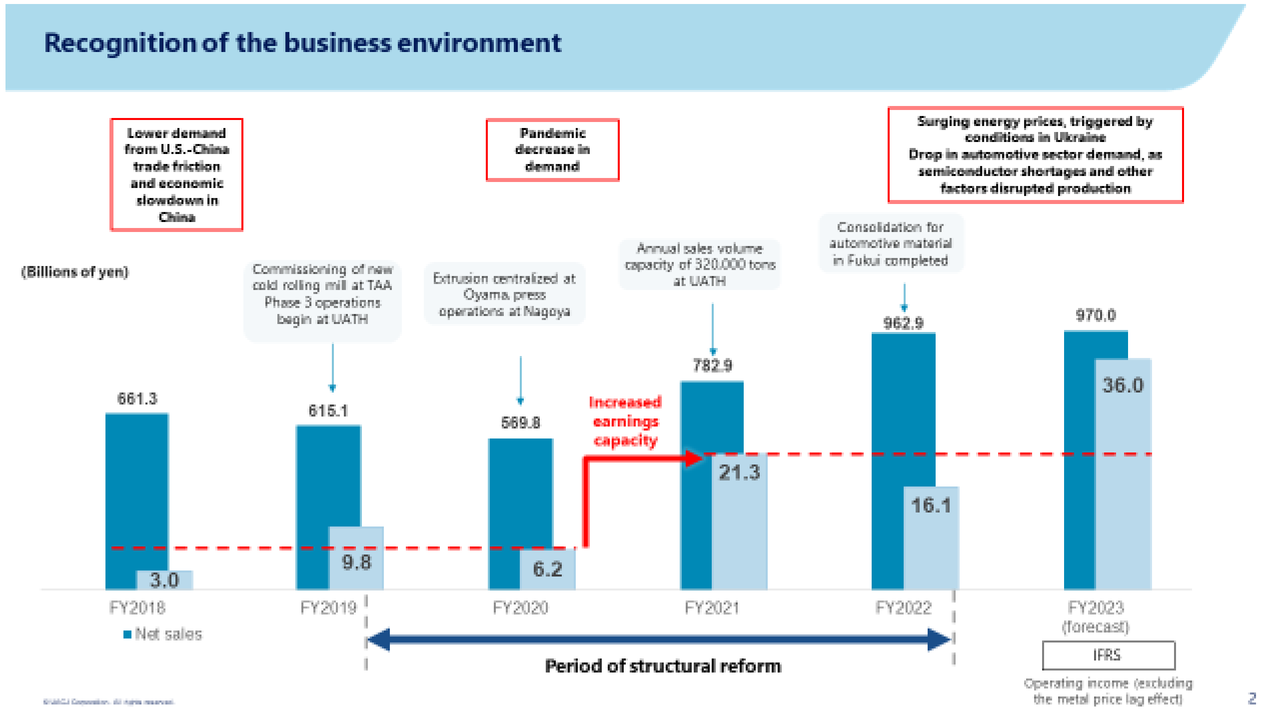
We summarized our Third Medium-Term Management Plan on page one, as numbered on the bottom right. We are in the final year of this plan, which was established three years ago with three key pillars: financial stability, business management, and shareholder returns. We have had successes and setbacks in its execution, but overall, I believe we are making good progress.

Looking ahead, we're gearing up to discuss our Fourth Medium-Term Management Plan. From a finance and accounting perspective, we will be considering topics like capital costs, sales and profit growth strategies, and ways to enhance our corporate value. Of particular note is the P/B ratio, a metric gaining much attention recently—we believe there's significant room for improvement in this area.



Like Ishihara's earlier presentation, I've prepared a similar graph to emphasize a key point: our business landscape and operational conditions have seen a significant shift with the commencement of our factories in Thailand and the US since 2021.

Back in 2018, our adjusted EBITDA stood at around JPY42 billion. This figure rose to JPY60 billion for 2021 and 2022, and we're aiming to exceed JPY70 billion in 2023.

One of our major challenges is determining how best to leverage this substantial financial resource and identifying areas that still require bolstering.

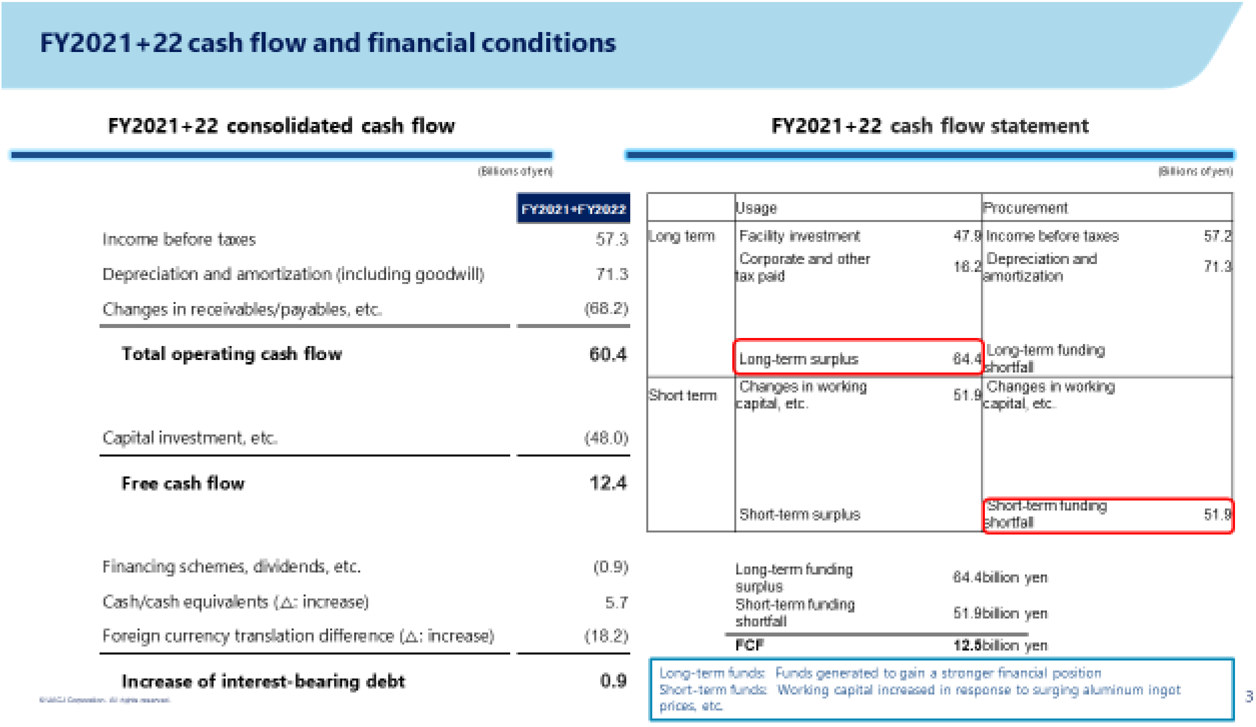
Please note that the data on the far right of the graph is in accordance with IFRS, so it differs slightly from the JGAAP data on the left. Nevertheless, we consider our transition to IFRS a significant reform.

We initiated a business structure reform in September 2019, simultaneously identifying and addressing various challenges in our finance and accounting areas. The spotlight was not just on finance, but also on enhancing cash flow and strengthening our financial framework. Within the accounting sphere, we faced the task of determining factory cost calculation methods, and notably, making the transition to IFRS. While we had a focus on capital efficiency at the time, the expanding scale of our overseas operations led us to consider this shift to IFRS.

Taxation is another crucial aspect. We've also begun contemplating improved tax management strategies.

With a considerable portion of our business transactions being overseas, we recognize the need to mitigate tax risks inherent in cross-border transactions. As tax laws vary from country to country, we've strived to incorporate these differences to the best of our ability in order to optimize our net profits. We've undergone numerous reforms within our finance and accounting domains to achieve this.

In leveraging the financial resources we've accumulated; we are focusing on fortifying our financial base—a longstanding challenge—and clarifying our approach to enhancing capital efficiency.



FY2021+22 cash flow and financial conditions

FY2021+22 consolidated cash flow

(Billions of yen)

	FY2021+FY2022
Income before taxes	57.3
Depreciation and amortization (including goodwill)	71.3
Changes in receivables/payables, etc.	(68.2)
Total operating cash flow	**60.4**
Capital investment, etc.	(48.0)
Free cash flow	**12.4**
Financing schemes, dividends, etc.	(0.9)
Cash/cash equivalents (△: increase)	5.7
Foreign currency translation difference (△: increase)	(18.2)
Increase of interest-bearing debt	**0.9**

FY2021+22 cash flow statement

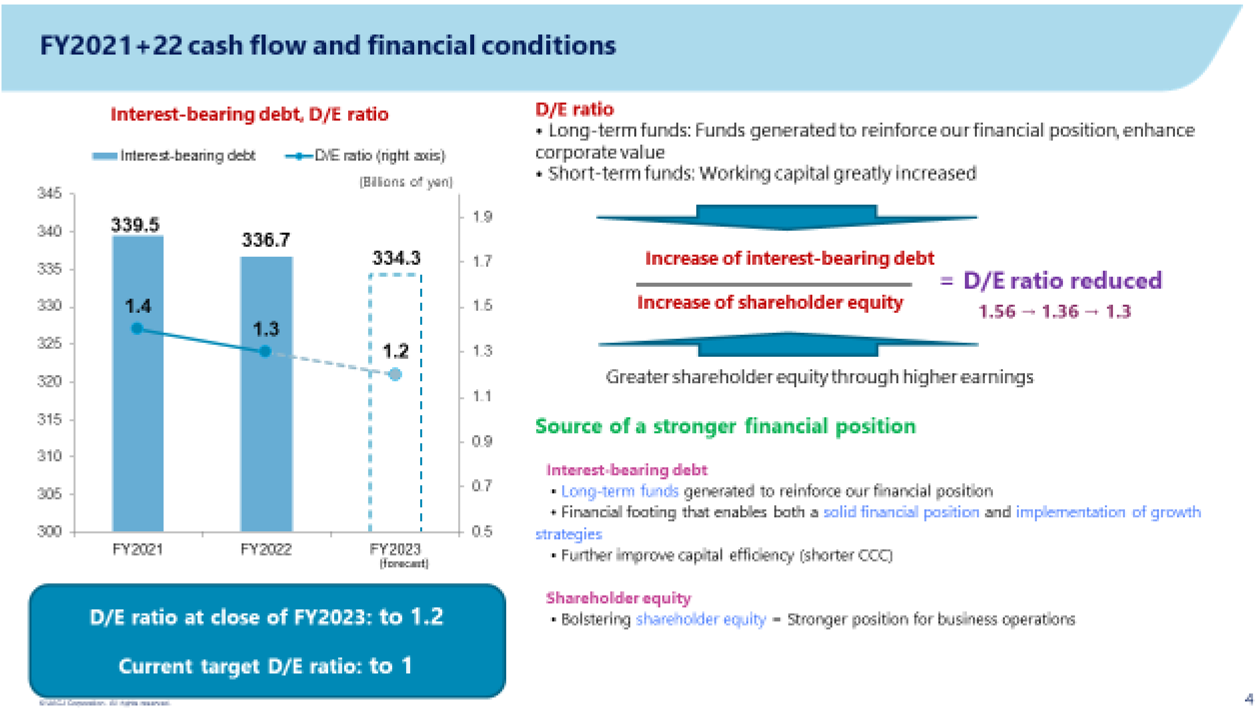
(Billions of yen)

	Usage		Procurement	
Long term	Facility investment	47.9	Income before taxes	57.2
	Corporate and other tax paid	16.2	Depreciation and amortization	71.3
	Long-term surplus	64.4	Long-term funding shortfall	
Short term	Changes in working capital, etc.	51.9	Changes in working capital, etc.	
	Short-term surplus		Short-term funding shortfall	51.9

Long-term funding surplus	64.4billion yen
Short-term funding shortfall	51.9billion yen
FCF	12.5billion yen

Long-term funds: Funds generated to gain a stronger financial position
Short-term funds: Working capital increased in response to surging aluminum ingot prices, etc.

3

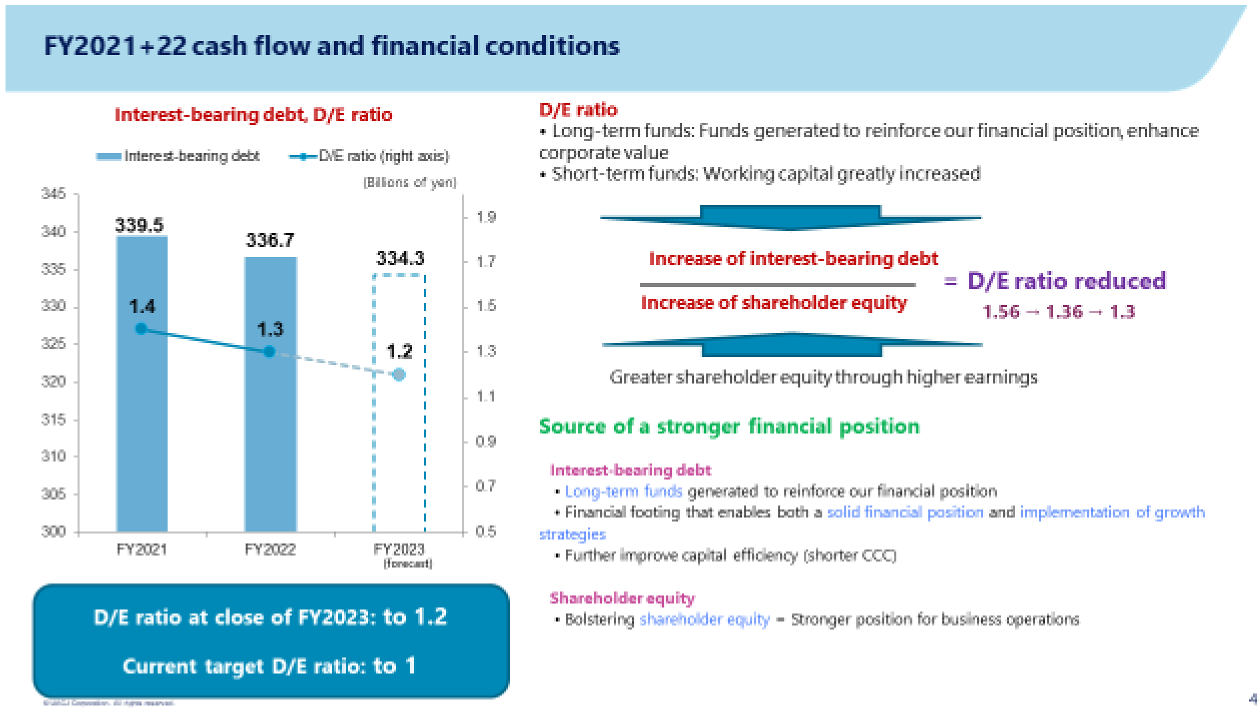


Let me quickly address the familiar numbers on pages three and four.

One of our key areas of focus is financial structure. As previously mentioned by Tanaka, we've seen a significant expansion in our working capital, and over the last two years, our debt has barely decreased.

As you can see here, we've generated JPY130 billion from earnings and depreciation, contrasted against capital investment of JPY50 billion.

While the growth of our working capital was inevitable, we can't allow it to overshadow our earnings. To manage this, we've launched initiatives internally, focused on the cash conversion cycle, to bring it down.



Historically, our D/E ratio was around 1.7 or 1.8. By the end of the just-concluded fiscal year in March, we've reduced it to around mid-1.2, under 1.3. Our goal for this year is to keep it under 1.2. We anticipate that we might bring it down to the 1.1 range. I personally believe that we could even reduce it further to around one, or ideally, below that, in the next one to two years.

Until now, our focus was on bolstering our financial foundation to ensure steady business operations. However, the next task is to determine how to deploy the funds we've generated towards growth sectors, which you have all explained about, and efforts for profit improvement. Balancing this allocation with further enhancing our financial health is our focus area. However, we have many potential investment opportunities. The challenge is deciding where to allocate these funds to fortify the Company.

I believe there are numerous business opportunities across various sectors. The biggest task is to incorporate these opportunities while improving our financial structure and increasing earnings.

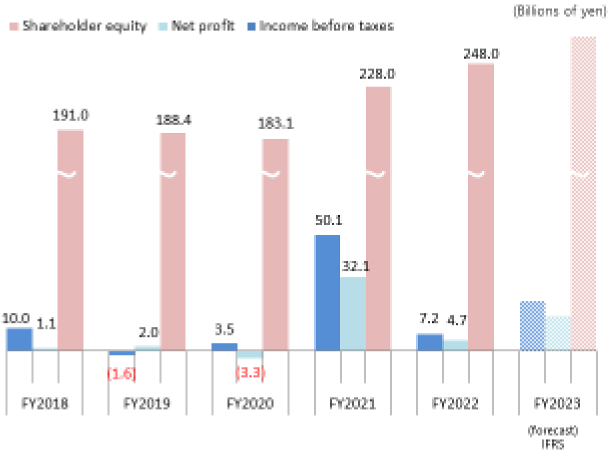
In terms of ROE, the question is how to balance the numerator and the denominator. I think the goal is not just to reduce the denominator. I see it as a process of becoming leaner and more muscular—simultaneously boosting earnings. I believe this is the way to improve our ROE.

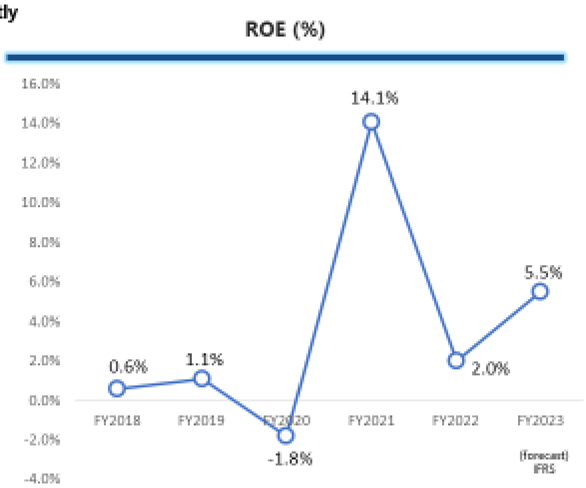
UACJ performance indicators: ROE, profitability of shareholder equity

ROE (%)

Not at a level allowing consistent attainment of the targeted amount (exceeding cost of capital)

→ Further gains in profitability to achieve target ROE consistently





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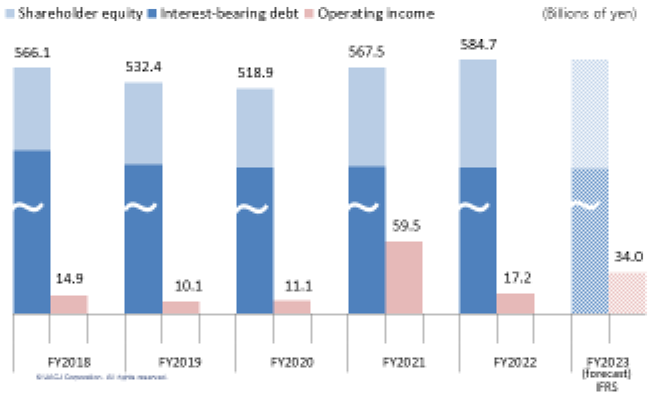
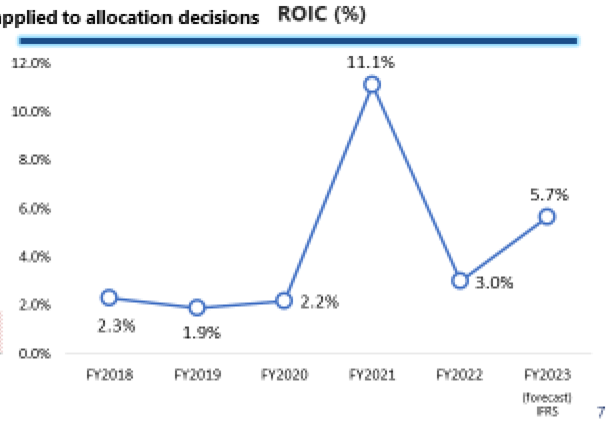
UACJ performance indicators: ROIC – capital efficiency

ROIC (%)

UACJ also considers return on invested capital (ROIC) a performance indicator

- **Internally, the amount of invested capital in each business forms the basis for the hurdle rates set, so that targets can be managed**
  - ✓ **Internal target capital efficiency level: WACC + α**
  - ✓ **Must be clearly positioned as a performance indicator and applied to allocation decisions**





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In order to realize our objectives, we have documented our ROE and ROIC figures on pages six and seven of our materials. I believe we have yet to reach the ideal benchmarks in terms of capital efficiency.

Within our organization, we have been trying to raise the awareness of capital efficiency by setting an internal hurdle rate and aligning our perspective with ROIC. We have been thinking about how to distribute our invested capital and what kind of invested capital we need. We have also shown internally where the criteria for such investments are, and we have been working on this consciously for the past three years.

Though we're still in the early stages and not yet where we'd like to be, I anticipate that the upcoming medium-term management plan will focus on how we can elevate, safeguard, achieve, or even surpass the numbers required of us based on the hurdle rate we've established.

The challenge is determining how to allocate the JPY70 billion EBITDA generated from our invested capital. There are numerous potential growth areas available to us: can material manufacturing in North America, automotive parts production, as well as various domestic opportunities. Over the past year, we've deliberated on how best to allocate resources to these sectors. Ultimately, I believe that the key isn't to shrink the denominator, but to boost the numerator. The key point in this approach is to enhance our profitability and ensure that we maintain our figures or meet our target figures.

Another essential factor we must focus on is sustainability. Our commitment is to make our approach tangible and share it publicly, seeking understanding and appraisal from a wider audience. We intend to use occasions like this to communicate about these initiatives.

Lastly, I believe shareholder returns is the remaining topic. Keeping our financial structure from the previous term in mind, we adjusted our dividend payout ratio from 20% to 30%.

In this context, it's necessary to consider how we are providing returns to the market. When we talk about P/B ratio, factors such as the capital investment linked to our ROE, our earnings, and the PAR representing our franchise value, all contribute to our ability to provide returns to the market. This, we perceive as a token of our gratitude. By doing so, we aim to further enhance our corporate value, facilitate market understanding of our corporate value, and obtain recognition for our company's worth, all of which are vital in the realm of financial management.

In conclusion, we are aware of our challenges and are committed to continue addressing them in the future. This wraps up my section. Thank you for your attention.

Ueda: Thank you. This concludes our company's presentation.

Question & Answer

Ueda [M]: We will now proceed to taking your questions.

We would like to invite Yamaguchi-san from SMBC Nikko Securities to ask his question.

Yamaguchi [Q]*: This is Yamaguchi from SMBC Nikko Securities. Thank you for your time. I want to ask about TAA and UWH.

This chart points to a complex situation in the stock market, indicating issues like oversupply for 2026 and 2027. Observing the steel companies and the current market, I wonder about your views on supply and demand as UACJ, your parent company, bolsters its capabilities. For instance, efforts have been made at UWH, so what's your outlook on the supply-demand dynamics moving forward?

And about this greenfield where there seems to be certainty, how do you plan to adjust inventory in this context? The US market, for instance, has made significant purchases, but the supply-demand scenario seems potentially unstable right now. I would like to hear a response from the Tri-Arrows side, specifically TAA.

Gordinier [A]*: Thank you for your question.

In terms of the current situation, we are indeed working to reduce our stock, having potentially over-purchased metals. The market still has potential, having experienced robust growth last year.

For this year, we may see new shipments. However, I predict the situation will likely remain steady. This, however, includes our efforts to decrease our inventory. The market remains in a healthy state. The temporary surplus in inventory at present is leading customers to make adjustments, suggesting the supply chain is in the process of managing this overstock.

In our business this year, we're dealing with various challenges. We're trying to increase our sales while also implementing cost control and also focusing on reducing inventory over the short term, as noted in the presentation. By around FY2024, we expect this inventory situation to be more normalized.

In response to the second part of your question about the supply-demand imbalance, a significant uncertainty lies in when this project will start contributing capacity to the market, and to what extent the market can reduce its inventory. This would enable the start of net consumption of new sheets. This aspect is still uncertain.

From my perspective, we may continue to face challenges. Considering this timeline, the US market is in a similar state. I think it's essential that we prepare for a range of scenarios.

There's a high probability that some instability might persist in the market. Supply and demand don't always align in terms of timing, so the upcoming challenge for our company in the next few years will be navigating these periods of instability and fluctuations effectively.

It's crucial to maintain cost control and position ourselves as the most affordable provider. With the entry of new competitors, who are likely to be more efficient and exhibit higher production efficacy, our cost advantage becomes even more important.

We believe that we hold a significant edge in terms of cost. With that in mind, we aim to manage our business effectively, foster good business relationships, and guide the business to success. We also plan to improve efficiency, for instance, through the use of scrap. Additionally, our assets and production facilities are of world-class standards.

I remain very optimistic regarding the position we take. I am confident that we hold an advantageous position compared to other companies, regardless of the emergence of new capabilities or entrants in the market.

The market is expanding, and I believe that the supply-demand dynamics will eventually stabilize. Therefore, our goal is to navigate this short-term inventory reduction phase, apply appropriate measures to our business performance, and I am confident we can do that.

We aim to uphold our commitment, retain our confidence, and carry out our plans as planned. As the market continues to expand over time, even with new entrants, we strive to ensure that our business continues to grow successfully. That concludes my response.

Yamaguchi [Q]: Looking at page 10 of UWH's presentation, the projected increase in demand for automotive extrusion parts highlighted in yellow is notably striking.

Is this projection based on orders that have already been placed, or is it an estimate from your company? Alternatively, is it something that market research firms are predicting? The securities market is particularly sensitive to phrases like rapid expansion, especially when it refers to the anticipated surge in demand for aluminum extrusions. Could you please clarify this for us?

Sato [A]: This is Sato. I would like to respond to your question.

The basis of our projections come from market reports on the demand for extruded materials.

Alongside this market data, we have also considered feedback and insights from our customers. We have received comments suggesting a desire for us to scale up more quickly, particularly towards 2030. Therefore, this projection is not just a striking forecast but a consensus reality acknowledged by all involved parties.

Ueda [M]: Thank you for your question. Now, let's proceed to our next participant, Shirakawa-san from Morgan Stanley MUFG Securities. Please go ahead.

Shirakawa [Q]: This is Shirakawa from Morgan Stanley Securities. Thank you for the session today. I have three questions.

Firstly, regarding Thailand. During today's presentation, you mentioned the changing landscape with the US trending towards oversupply. Traditionally, exports from Thailand to the US have been a major factor driving Thailand's production increases, but this appears to be falling out. However, you also mentioned robust ongoing demand in Southeast Asia and your intentions to meet this demand.

Reflecting on history, Southeast Asia has not always been a profitable market, often due to bottlenecks such as intensified competition and influx of cheaper materials from China. Could you share your current perspective on the business environment in Southeast Asia?

Secondly, since we have this opportunity, I'd like to ask about Whitehall in Japanese. On page 11 of your presentation materials, you showed medium to long-term EBITDA and the booked sales from 2023 to 2027.

From this, it appears that the secured bookings will lead to an increase in sales, and consequently, EBITDA will also see a recovery. However, reflecting on your past track record, it's clear that things haven't always progressed smoothly. Factors such as the impacts of COVID-19, issues with customer ramp-ups, and other variables have led to some goals not being achieved.

Could you share your level of confidence or probability of success for the plan presented this time? Additionally, could you discuss your strategies for mitigating potential changes in the external environment?

My third question, and I apologize for the length, pertains to UACJ SMART. I clearly comprehend the immense value of being able to recycle aluminum in a closed-loop system, which mitigates environmental burden.

I am interested in how you plan to be rewarded for this value by your customers. For instance, are there plans to elevate prices or innovate high-value products that amplify your profit margins? I suppose that this could potentially boost your ROE or P/E ratio, as Kawashima-san alluded to earlier. Could you elaborate on whether your strategies align with this train of thought? Thank you.

Inagaki [A]: As per your question, we're indeed facing a progressively challenging environment. This primarily stems from the stagnation of the Chinese economy, which has driven Chinese manufacturers to target Southeast Asia. We are at a juncture where we must compete in this market.

As was mentioned earlier, the advent of new mills and a potential oversupply situation in North America also means that we need to pivot our focus to local markets, as well as those in the Middle East and Oceania.

Firstly, on the subject of cost, we must augment our self-help efforts. Although we initially commenced production at 320,000 tons, we've managed to raise this figure to 340,000 tons in the current term. I believe we have significantly enhanced our production efficiency, which is manifest in our reduced costs. The first countermeasure is thus to elevate production efficiency in response to these circumstances.

Ishihara [M]: The second question was about Whitehall, UWH. The participant asked for comments on the probability or confidence level of future recovery, given the current conditions affected by COVID-19 and our customer scenarios. He also asked how we will adapt should the environment change again. We'll have David Cooper answer first, and then Sato-san will follow up.

Cooper [A]*: Thank you. I genuinely appreciate your concerns. The situation is considerably different from what it was in 2022 and 2023, but undoubtedly, it has affected our sales volume and the quantities we deal with. We are also striving to improve our fixed costs.

If you turn to slide two, you'll see that in our line of business, our sales are unavoidably influenced by vehicle production rates. Essentially, we have three key programs, all of which were delayed last year due to challenges encountered in FY2022.

However, two of these programs have now fully resumed, and we anticipate the third one to recover by 2023. We are quite confident, to the tune of 90% certainty, regarding our projections for 2023. Naturally, there's an element of unpredictability about the remainder.

Yet, when it comes to our response measures, our team is confident that we can manage effectively. We've been in negotiations with our customers for 10, 20 years, and have also been restructuring the business in the short term.

We're introducing new programs as well. Whether it involves automation, initiatives in Mexico, cost-cutting, or implementing price increases, we are committed to these strategies. Furthermore, we aim to progress without ever compromising on the quality of our offerings.

Ishihara [Q]: Sato-san, could you please elaborate on how you have been dealing with environmental changes, like fluctuations in prices or demand? How have your negotiations with customers and your strategies changed compared to this year?

Sato [A]: Sure, I will respond to your question.

When we look back at 2021 and 2022, we see we faced issues like the pandemic and a parts shortage, which caused significant disruptions and exposed how fragile the auto production system was. We had to accept some of these disruptions.

However, we expect more fluctuations in the future. As I previously mentioned, we're focused on cost reduction and adhering to the profit and loss account. We will compensate for any losses elsewhere, and if we're short of something, we will build up improvements.

If inflation causes price hikes, we'll discuss with our customers about sharing some of the burden. Within our company, we will further lower costs and continuously compensate for any losses. Our goal is to safeguard our targeted profit by all means. This is our commitment. I believe we can achieve this, driven by the strong resolve of our customers, our employees, and ourselves.

Ishihara [M]: The third question was about UACJ SMART. Tanaka-san, who discussed this earlier, will respond first, followed by Hashimoto-san, who will address who will cover the costs or to whom the price increase will be passed.

Tanaka [A]: This is Tanaka. Thank you for your question.

As I explained earlier, we've launched UACJ SMART as a brand focused on reducing environmental impact. The term SMART indicates a focus on using a significant amount of recycled materials. As a part of the SMART brand portfolio that I introduced today, one of the options we offer customers in our lineup is the SMART mass balance, or low-carbon ingot. By using this in the final product, we can reduce CO2 emissions.

We are already integrating this into our offerings, and it's in a state where we are in the process of aligning it with the U-ALight vehicle lineup.

As for the question on pricing, we are not considering it the same way as our conventional material sales. We've traditionally set prices on a per-kilogram or per-sheet basis. While we will maintain a per-kilogram base, going forward, we aim to offer a premium price, taking into account the added environmental value, and to sell it in a way that our customers feel the price is justified.

However, this pricing strategy is naturally subject to discussions with our customers. We aim to engage in dialogues and negotiations, where we express our desire to add a certain value to the price because of the added environmental value.

For SMART mass balance, we have already made it available for sale to certain customers. The situation now is such that we are proceeding with sales after acknowledging a certain level of premium. That's all from my side.

Hashimoto [A]: Adding to what Tanaka mentioned about our conversations with clients, we've already initiated the process. Essentially, there are two components: the cost of producing the metal ingot using renewable power, and the aspect of collecting and utilizing recycled materials to achieve equivalent quality products. These both present technical challenges, so we have individual understandings with clients about the pricing for each. We've started off with a recognition of the associated costs, and to some degree, this recognition includes cost pass-through, factoring in the additional value.

Ueda [M]: Thank you for your question. Let's move on to the next participant, Matsumoto-san from Nomura Securities. Please go ahead.

Matsumoto [Q]: I'm Matsumoto from Nomura Securities, thank you for the opportunity. I have three questions, and the first two are for President Henry of TAA.

First, in last year's presentation, figures related to the capacity increase of Manna Capital and Ball were included in the supply-demand chart. However, they are missing from this year's materials. Could you provide some insight into how you're currently assessing the supply-demand dynamics, considering the progress and significance of these projects?

My second question is also regarding TAA. Could you discuss any future risks related to intensified competition for the procurement of aluminum scrap?

My third question is about Hashimoto-san's explanation towards the end. I'm interested in understanding whether collaborations like the one with Toyo Seikan Group are aimed at further expanding the market.

In practical terms, how much can we expect from initiatives such as shifting from PET to aluminum? Or how much would it increase your market share? Could you discuss the expected quantitative benefits of these initiatives in the future? That concludes my questions. Thank you.

Ishihara [M]: Let's start with the two inquiries about TAA. The first question refers to last year's presentation by Henry, where Manna Capital was mentioned within the supply and demand balance, but is missing in this year's context. Could you provide your interpretation and response to this?

Gordinier [A]*: Your question pertains to new market entrants. Our current focus is assessing whether these projects present a benefit to us when we examine the overall market.

At the moment, two projects are underway, and looking ahead, we first need to understand the state of the market by studying the overall supply-demand balance. We have two rolling mills and a third plan is being considered. While fresh information has not yet emerged in the market, we have temporarily halted the inclusion of this additional capacity into our operations.

Our focus is on identifying the areas where shifts are happening right now, and we are basing our forecasts on that.

Regarding your second question about the intensification of competition: it's true that the market is packed with robust competitors. Hence, we can't say that we have a distinct advantage in our cost structure. Of course, we expect the market to balance out over time.

Competition will always become more intense, and whether demand will increase is our most significant challenge. In the short term, it's about which side, supply or demand, outweighs the other. Nevertheless, in terms of cost structure, we believe we have certain benefits, which in the short run, are advantageous to us.

Competition will, without a doubt, continue to amplify. However, we should turn our focus inward. We need to ensure we're doing everything we can, fostering optimal relationships with our clients, and checking if our contract terms are optimally cost-effective. These are the types of things that we need to be focusing on. We believe we are managing well in these three areas and foresee ongoing success.

Ishihara [M]: One of the questions was about the potential competition intensifying in the procurement of aluminum scrap. Could you please share your thoughts on this?

Gordinier [A]*: When it comes to aluminum scrap, we are increasingly recognizing the value that the use of UBCs and scrap brings. This ties into sustainability as the entire supply chain is being assessed for lowering its carbon footprint, which is becoming increasingly crucial.

Within the US Aluminum Association, we are collaborating with can manufacturers, brands, and even competitors to explore strategies to enhance the recycling rate across the industry. It's imperative that we do not waste valuable commodities like UBCs. Currently, half of what we manufacture in the US ends up discarded, and we are endeavoring to increase this recycling rate.

Moreover, initiatives to provide incentives to boost the recycling rate are being discussed. The present scenario sees a low recycling rate, with a large proportion being discarded. Hence, all stakeholders in the industry—brand, can manufacturers, and rolling mill operators—need to cooperate and augment the supply of aluminum. I see immense potential in this.

Even if it doesn't reach a global standard, if we can enhance it by roughly 50% from the current level and halve what we're landfilling, we can improve the situation significantly. I believe we can cultivate a scenario where the demand for this scrap surpasses the supply.

Amid our supply, the supply from competitors, and the demand from customers, raising the supply of scrap is vital, and I believe that generates value. Multiple collaborations are taking place, and I am optimistic about the future.

However, the scenario is dependent on consumer behavior and the type of legislation implemented at the state or federal level. This will occur step by step and will require time.

Ishihara [Q]: Hashimoto-san, you've suggested that partnership could lead to the growth of the overall market, as well as the aluminum can market specifically. Can you tell me more about your growth targets in terms of the current usage rates of aluminum cans? I'd appreciate your personal perspective on this.

Hashimoto [A]: Thank you for the question. I believe that's a crucial point to consider. As you may already know, the body and the lid of an aluminum can are made of different materials. Therefore, when we look at recycling—returning, crushing, and reprocessing these cans to utilize the scrap--there's a limit to the recycling rate.

We aim to significantly enhance this process, starting with the production of our first eco-friendly aluminum cans, which are made of materials that are more similar and hence, easier to repurpose. This initiative, which we're in the midst of innovating, has already garnered positive feedback from beverage manufacturers. They're eager for us to progress swiftly.

You may be aware that last year, in collaboration with Suntory and Tokyo Seikan Group Holdings, we produced 100% recyclable cans. We received positive feedback for this, indicating a significant demand in the beer and beverage can markets for such products. Therefore, these achievements are contributing to the direction the market is taking, and we've already received high evaluations from beverage manufacturers.

This is a challenge we first face in Japan, but it's also prevalent overseas. However, our commitment to promoting aluminum use could greatly accelerate improvements in recycling rates downstream. Hence, if this helps to boost the use of aluminum, I believe it would contribute to an overall increase in demand.

Ishihara [A]: This is Ishihara, I'd like to add a bit more. Through initiatives like these, I believe it's critical to increasingly conduct PR activities targeting younger generations that aluminum cans are environmentally friendly materials.

Given the various efforts we have undertaken, in the context of soft drinks, for instance, only 10% of cans in Japan are made of aluminum, while for beer, the figure stands at 70%. Given these trends, one of our targets is to increase the use of aluminum in the soft drink sector, which is particularly popular among younger consumers. Indeed, one of our aims is to achieve aluminum usage rates similar to those seen in the US.

We hope to encourage younger people to increasingly opt for environmentally friendly choices, even if there's a slight price premium. Although aluminum may be a bit more expensive, when its environmental footprint is taken into account, we believe it offers superior value. I am of the opinion that we can cultivate a market that recognizes this value and we are committed to consistently pushing forward with efforts to achieve this.

Ueda [M]: Thank you for your question. Now, we'll move on to the next participant. Ozaki-san from Daiwa Securities, we invite you to ask your question.

Ozaki [Q]: This is Ozaki from Daiwa Securities. Thank you for your time today. My questions relate to the possibility of profit growth at existing locations, specifically for TAA and Thailand. Could you provide insights into each?

Regarding TAA, I have the impression that the demand forecast has been revised downwards compared to last year's figures. Could you elaborate on what kind of changes have occurred in your outlook?

In addition, based on the impressions from today's explanation, it appears that the risk of a slackening—or even worsening—supply-demand balance for can materials in North America is increasing. I'd like to confirm whether your company's understanding of this situation has changed. Additionally, I anticipate that around 2026, there will be a transition in long-term contracts. Could you please confirm whether a price increase would be challenging at that juncture?

My second question is about Thailand. While the operation is currently profitable, I'm wondering whether the current level of profit is satisfactory considering the investment of around JPY100 billion. Furthermore, I believe the timeframe to transition long-term contracts will be around 2023 or 2024. Amid uncertainties like competition with Chinese materials and the trajectory of American demand, I'm interested in understanding whether you believe a price increase can be secured.

Ishihara [M]: Your first question was about North America's TAA, where there seems to be a slight downward revision from the previous year, and you're asking about the reasons behind this. Secondly, with regards to the outlook for can materials in North America, new contracts will start being negotiated from 2026 and you're wondering if price increases will be feasible at that point. Let's first turn to Henry for his response.

Gordinier [A]*: Alright. First off, our outlook for FY2022 was made when we were enjoying record-high profits. Now, in 2023, the situation has changed due to fluctuations in volume.

As mentioned earlier, we're striving to reduce our inventory, which does have an impact on TAA. Moreover, the market has shown some signs of weakening, which has influenced our outlook for 2023. Also, our predictions for this year are based on the projected supply of scrap material. I believe that what transpires after 2026 will depend on the social conditions at that time.

In response to your second question, as competition increases, supply expands, and new manufacturing facilities emerge, we must tackle the situation with a value-focused approach. We believe we can elevate the total value of our business. The source of this value can be diverse, but primarily, we're focusing on reducing bottlenecks—that's one strategy.

We also have a number of projects aimed at amplifying the value of our business. Some strategies are cost-based, others look at returns, and still others rely on volume, among other things.

There are various factors within the market that can boost our profits. For 2026 and beyond, there are also a variety of programs that can positively contribute to our situation at that time. I hope this answers your query.

Ishihara [M]: As for UATH, our operations in Thailand, there are two questions. The first one, which I would like Inagaki-san to address, is whether we're satisfied with the profitability level we've achieved now that we're in the black. The second question, which I would like Hashimoto-san to address, is about the contractual landscape from 2026 onward, and if there's potential for price hikes.

Inagaki [A]: I'd like to respond to the first question. It's a tough question, but in all honesty, we aren't at a satisfactory level in terms of profit margins yet, and I believe we have to keep pushing to improve them.

Our facility is largely centered around can materials. Given the steady growth projected in this domain, we must grasp our sales condition accurately, ensure it feeds into production, and consequently increase our sales volume to bolster profits. Conditions also remain favorable for fin materials, and we see potential in other product categories.

One thing that's clear is our focus on cost reduction. As has been discussed earlier, we plan to differentiate ourselves by increasing our recycling rates. This strategy, I believe, will help elevate our profits and link to greater sales volume. That's all from my side.

Hashimoto [A]: For 2026, firstly, our domestic customers in Thailand currently account for about 30% of our business. An additional 20% comes from neighboring Southeast Asia. Geographically, we hold a significant advantage for these markets compared to China or Korea.

As I previously stated, we hold a strong position in these markets and have a high market share. We have been pursuing initiatives, including utilizing locally sourced recycled materials, which enhances our positioning as a local purchaser, including the recognition that comes with it.

Thus, we have been able to gradually increase our prices to reflect rising costs, a trend which these markets have generally accepted. We anticipate this upward price trend to persist.

Ishihara [A]: I'd like to follow up with a little more detail. Typically, from our experience, it takes over 10 years for a factory with a capacity of around 300,000 tons per year to start turning a profit.

For UATH, as shown on page two, we hit 320,000 tons in our seventh year. This is when we were finally able to become profitable. So, considering our past experiences with facilities of a similar scale, while it's not about the amount, I feel that we've managed the timing quite well in terms of turning a factory of this scale profitable. I think Inagaki and his team deserve significant credit for this achievement. That's all from me.

Ozaki [Q]: Thank you. Regarding the transition of long-term contracts in Thailand, it seemed earlier like you mentioned 2026, but does it start around 2024?

Hashimoto [A]: It varies among customers. Some are in 2024, and others are in 2025. On balance, 2024 and 2025 are more frequent.

Ozaki [M]: I see. Thank you.

Ueda [M]: Thank you for your question. Next, Shibata-san from Tokai Tokyo Research Institute, please go ahead with your question.

Shibata [Q]: I'm looking at Tanaka-san's presentation, Looking Beyond Structural Reforms. Observing the graph on page five about lowering the break-even point for plate products, and the breakdown of the JPY21 billion in revenue improvement effects on page eight, for example, it shows the initial plan for consolidating manufacturing bases was JPY4 billion, but the actual figure was JPY1.4 billion. Overlaying this with the graph on the break-even point, I'm wondering whether we can expect more room to lower the break-even point at domestic bases in the future.

The Company has improved through structural reforms, so I'm curious if there's potential for additional improvements like that. Could you share what you can on this topic? That's all.

Ishihara [M]: The question was whether, by adjusting for slight variances in outcomes of the domestic profit structural reforms like manufacturing site consolidation, which have yielded benefits of around JPY11.2 billion, we can anticipate further drops in the breakeven point depicted on page five.

Tanaka [A]: Thank you for your question, and I'll answer it succinctly.

First, within our domestic profit reforms, part of the structural changes, there have been minor discrepancies, particularly in our manufacturing site consolidation and optimal manufacturing system. These don't reflect substantial shifts in the content but rather elements common to both, such as productivity enhancements. If you sum them up, the total would roughly be the same.

During the planning phase, for instance, we moved some elements that were originally part of the optimal manufacturing system, thinking it would be better to change their classification. So, looking at it from that perspective, it's not so much that some plans succeeded and others didn't; instead, we've managed to stay largely on track with our overall goal.

In terms of the possibility of further reductions in the breakeven point, I believe there's still room for improvement. While we've fulfilled our objectives within the current round of structural reforms, we've only just completed the implementation of the CALP and the installation of new automotive material production equipment. I believe there's more we can do to improve productivity and yield in these areas, and we intend to pursue further advancements. That concludes my response.

Ueda [M]: Thank you all for your questions.

That concludes our question and answer session. For any future inquiries, please direct them to our investor relations department.

With that, we bring the UACJ Corporation's IR Day to a close. We will continue to make every effort to meet the expectations of all our stakeholders, including our shareholders. We appreciate your ongoing support and valuable feedback. Thank you very much for your time today.

[END]

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