



UACJ Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 9, 2023

Event Summary

[Company Name]	UACJ Corporation	
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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2024	
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[Date]	November 9, 2023	
[Number of Pages]	30	
[Time]	15:30 – 16:30 (Total: 60 minutes, Presentation: 26 minutes, Q&A: 34 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	6	
	Miyuki Ishihara	Representative Director, President
	Teruo Kawashima	Director, Executive Vice President
	Shinji Tanaka	Director, Managing Executive Officer, Corporate Sustainability Division; Vice Chief Executive, Flat Rolled Products Division (Manufacturing Division) Director, Managing Executive Officer
	Joji Kumamoto	Director, Executive Officer, Corporate Strategy Division, Director, Executive Officer
	Haruhiro Iida	Executive Officer, Chief Executive, Finance and Accounting Division
	Kaoru Ueda	General Manager, IR, Finance Department
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Presentation

Ueda: Hello, everyone. Thank you for your very long patience. Thank you very much for taking time out of your busy schedule today to participate in the Q2 financial results briefing for the fiscal year ending March 2024 of UACJ Corporation. The explanatory materials we will be using in this briefing are available on our website. If you do not have the materials at hand, please visit our website.

Although this presentation may provide information that includes forward-looking statements, such information is only our current forecast. Please note that actual results may differ significantly from these forward-looking statements due to various factors.

Let me now introduce our company's attendees for today's meeting. Miyuki Ishihara, Representative Director, President.

Ishihara: My name is Ishihara. Thank you.

Ueda: Teruo Kawashima, Director, Executive Vice President.

Kawashima: My name is Kawashima. Thank you.

Ueda: Shinji Tanaka, Director, Managing Executive Officer.

Tanaka: My name is Tanaka. Thank you.

Ueda: Joji Kumamoto, Director, Executive Officer, Corporate Strategy Division, Director, Executive Officer.

Kumamoto: I am Kumamoto. Thank you.

Ueda: Haruhiro Iida, Executive Officer, Chief Executive, Finance and Accounting Division.

Iida: I am Iida. Thank you.

Ueda: I am Kaoru Ueda, General Manager, IR, Finance Department, and I will be your moderator today. Thank you.

Mr. Ishihara, President, will now explain the results for Q2 of FY2023, which we announced today. Please see the presentation materials during the explanation. President Ishihara, please begin.

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Key Points of Today's Announcements

In a continuation of Q1, **business profit*¹ in Q2 also came in above forecasts**
Based on progress versus forecasts in the first half, **we have revised up the full-year business profit forecast**

- 1 **■ 1H overview - Business profit: ¥21.0 billion (profit up year on year)**
 - ✓ Japan: In addition to the effects of introducing a surcharge system to reflect soaring energy/additive metal prices in product prices, profit increased due to our ability to secure profits even in challenging business environments (effects of structural reforms)
 - ✓ Overseas: Trend of rising profits at TAA*² continued, and the trend turned positive at UWH*³, where profits grew
- 2 **■ Full-year forecast - Business profit: ¥38.0 billion (upward revision)**
 - ✓ Despite the business environment being more challenging than expected, as a result of progress in actual profit in the first half and of further measures implemented, **we have revised up the full-year business profit forecast from ¥36.0 billion to ¥38.0 billion**
 - ✓ In the expectation of securing steady increases in business profit, **the interim dividend will be 45 yen, with an increase in the annual dividend to 90 yen**

*1 Business profit: The end result of sustainable business activities. Obtained by deducting from operating profit the impact of metal price lag, and other material profit or loss items that are temporary or extraordinary in nature

*2 TAA: Tri-Arrows Aluminum Inc.

*3 UWH: UACJ Automotive Whitehall Industries, Inc.

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Ishihara: Yes. Let me walk you through the presentation slides. For page numbers, I will use the number indicated in the lower right hand corner of the PowerPoint.

I would like to start by giving you an overview of the overall points. Following Q1, we have been able to exceed our internal plan for business profit for Q2. As a result of the progress of the H1 plan and a review of the business environment in H2, we have revised upward our full-year business profit forecast. First, as to the H1 overview, business profit increased to JPY21 billion from the same period of the previous year. Second, we have revised upward our full-year forecast for business profit by JPY38 billion.

I will begin with a summary of H1 in Japan. The surcharge pricing system introduced last year to reflect surging energy and additive metal prices in product prices was successful, and business profit increased despite a difficult business environment, including the effects of structural reforms undertaken up to last year. Overseas, TAA (Tri-Arrows Aluminum), contributed significantly to profits following Q1 while profits and losses of UWH (UACJ Automotive Whitehall) are turning around. Overseas operations also reported an increase in earnings.

As for the full-year forecast for FY2023, we have revised our full-year business profit forecast from JPY36 billion at the beginning of the fiscal year to JPY38 billion, as we were able to secure a solid business profit in H1 of the fiscal year and will implement additional measures in the future, despite the business environment being more challenging than our assumptions at the beginning of the fiscal year.

In addition, due to the prospect of stable business profits, we plan to increase the interim dividend by JPY5 to JPY45, thereby changing the annual dividend to JPY90.

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Overview of Results for 1H FY2023

Business profit: 21.0 billion yen (YoY: +¥7.8 billion)

Operating profit: ¥12.9 billion (YoY: ¥(3.2) billion)

■ Sales volume: 577,000 tons (YoY^{*1}: -111,000 tons)

- **Can stock:** Sales at UATH (Thailand)^{*2} and TAA (U.S.) declined due to the prolonging impact of excess inventories of can stock in North America
- **Automotive-related:** Continued sales improvement following recovery in production
- **Thick plates:** Increases in market inventory of thick plates for semiconductor production equipment have caused sales volumes to decline

■ Business profit: YoY: +¥7.8 billion

Positive factors

- **Improved profitability for domestic businesses** (Passing-on of sharp increases in energy, additive metal, and other prices, etc.)
- **TAA recorded increase of profits** (Improvements in product mix and manufacturing costs, etc.)

Negative factors

- **UATH profitability deteriorating due to temporary slowing of demand for can stock in North America and Southeast Asia**

■ Increase in interim dividend

- Have announced increase in interim dividend per share to 45 yen, which will combine with the year-end dividend of 45 yen to yield 90 yen
- No change to the policy of targeting consolidated dividend payout ratio of 20-30%

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*1 Actual figures have been restated following change in the accounting period. *2 UATH: UACJ (Thailand) Co., Ltd.

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Let me walk you through the presentation slides. Please refer to page four first. This is a summary of results for H1 of FY2023.

Business profit, as I mentioned earlier, was JPY21 billion, an increase of JPY7.8 billion versus the same month last year. In terms of volume, sales of aluminum decreased by about 110,000 tons from the previous year to 577,000 tons. Sales volume of both UATH and TAA decreased due to excess inventory of can stock in North America.

In the automotive materials and foil ground, which are materials related to automobiles, we are on the road to recovery, having escaped semiconductor shortages and disruptions in the global supply chain. Overall volume of thick plates decreased due to backward demand.

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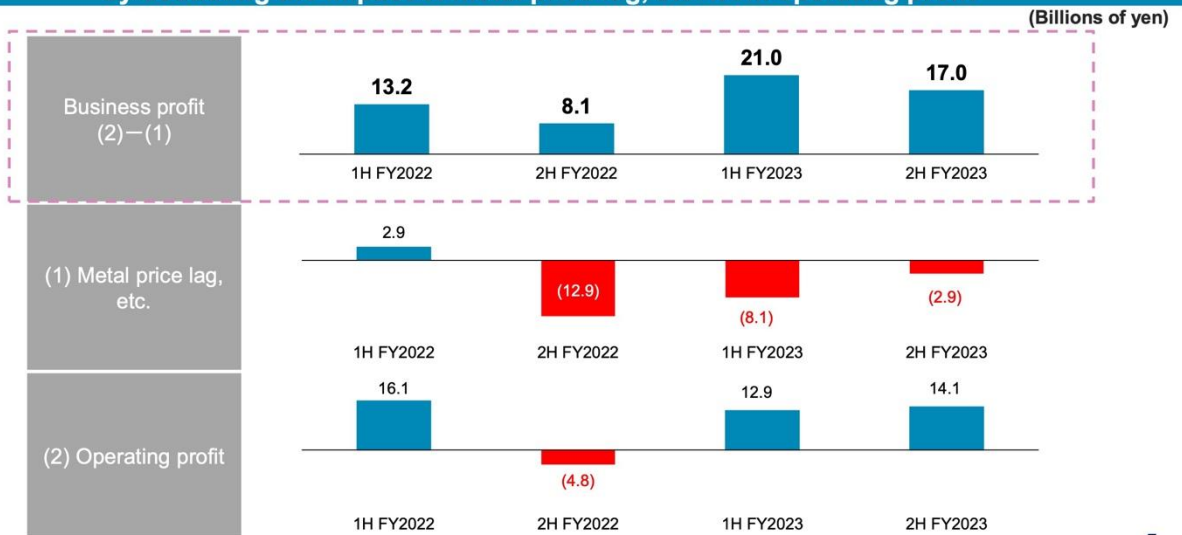
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Definition of “Business Profit”

“Business profit” is the actual profit generated by the Company, and is derived by deducting the impact of metal price lag, etc. from operating profit



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On page five, I would like to talk about the new page explaining business profit. Business profit is an indicator of the Company's profit and loss, which demonstrates our ability, and is defined as operating profit minus inventory effects and other items. This is the same as what we used to explain to you as operating profit before inventory valuation effects, although it was also referred to as actual profit.

We have used a very long phrase, so from now on, we will refer to operating profit before inventory effects as business profit to briefly explain to you the earning power of your investment.

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1. Results for 1H FY2023

Results for 1H FY2023

(Billions of yen)

	1H FY2022* ¹ (A)	1H FY2023 (B)	Change (B)–(A)
Revenue	501.1	434.9	(66.2)
Business profit	13.2	21.0	7.8
Metal price lag	2.9	(8.1)	(11.0)
Operating profit	16.1	12.9	(3.2)
Profit (loss) attributable to owners of parent	9.4	4.5	(4.9)
Net profit (loss) per share based on business profit (yen/share)	15.8	21.1	5.3
Adjusted EBITDA* ²	30.4	39.1	8.7

*1 IFRS figures for 1H FY2022 results are rough estimates, and may change depending on the results of quarterly reviews going forward. Accounting periods of some group companies, including UATH, have been changed from December to March year-end to coincide with the adoption of International Financial Reporting Standards (IFRS).
*2 Adjusted EBITDA: EBITDA – Metal price lag

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On page six, this shows the figures for H1. Revenue decreased. However, business profits have increased. This is the result of a steady increase in the business profit margin. Although there was an increase in business profit, operating profit, or profit for the current period, decreased due to lower ingot prices and other factors. However, we were able to increase adjusted EBITDA and net profit per share, which is based on business profit, and this is proof that we have maintained our strength.

1. Results for 1H FY2023

Revenue and Operating Profit by Segment

(Billions of yen)

	1H FY2022* ¹ (A)		1H FY2023 (B)		Change (B)–(A)	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Flat-rolled products	444.3	17.8	374.3	16.6	(70.0)	(1.2)
Precision-machined components and related business	102.4	1.2	103.9	2.1	1.6	0.9
(Adjustment)	(45.5)	(2.9)	(43.2)	(5.8)	2.3	(2.9)
Total	501.1	16.1	434.9	12.9	(66.2)	(3.2)

* IFRS figures for FY2022 results are rough estimates, and may change depending on the results of quarterly reviews going forward.

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Page seven discusses revenue by segment, but I will comment only on the precision-machined components and related business. With the recovery of demand in the automotive field and the launch of various projects

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in North America, revenue increased 1.5% YoY to JPY103.9 billion and operating profit increased 73.3% YoY to JPY2.1 billion.

1. Results for 1H FY2023

Sales Volume, Flat-rolled Products

	1H FY2022 ^{*1} (A)	1H FY2023 (B)	(Thousands of tons) Change (B) – (A)
Can stock ^{*2}	453	385	(68)
Foil	24	22	(1)
IT	5	3	(2)
Automotive materials	59	69	10
Thick plates	29	16	(13)
Other general-purpose materials	119	83	(36)
Total	688	577	(111)
	For Japanese market 244 For overseas market 445	For Japanese market 233 For overseas market 344	For Japanese market (10) For overseas market (100)

^{*1} Actual figures have been restated following change in the accounting period.
^{*2} Sales volume after eliminating internal transactions

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Page eight shows the sales volume of aluminum sheet by product type. As shown here, can stock, thick plates, and other general-purpose materials have decreased, while automotive materials have increased.

In North America, the can stock business has been increasing over the medium to long term, but recently beverage consumption itself has been slowing down due to the inflationary effects, etc. The supply-demand balance has been achieved in can stock production in the US, and import demand is in an adjustment phase.

In Japan, demand has been soft due to a decrease in production and a drop in consumer confidence caused by high prices, but we have been able to increase our share of the can stock market, and as a result, the volume has been on par with the previous year.

As I mentioned earlier, the automotive materials market is on a recovery track, with an increase in production volume and an expansion in the number of vehicles that can adopt our materials. The thick plates market is currently in a temporary adjustment phase due to postponement of investment or an increase in inventories.

The other general-purpose materials seem to have decreased significantly, but this is mainly due to the fact that slabs sold outside of TAA are included as other general-purpose materials, so the slabs were not sold outside of TAA and were used as can stock.

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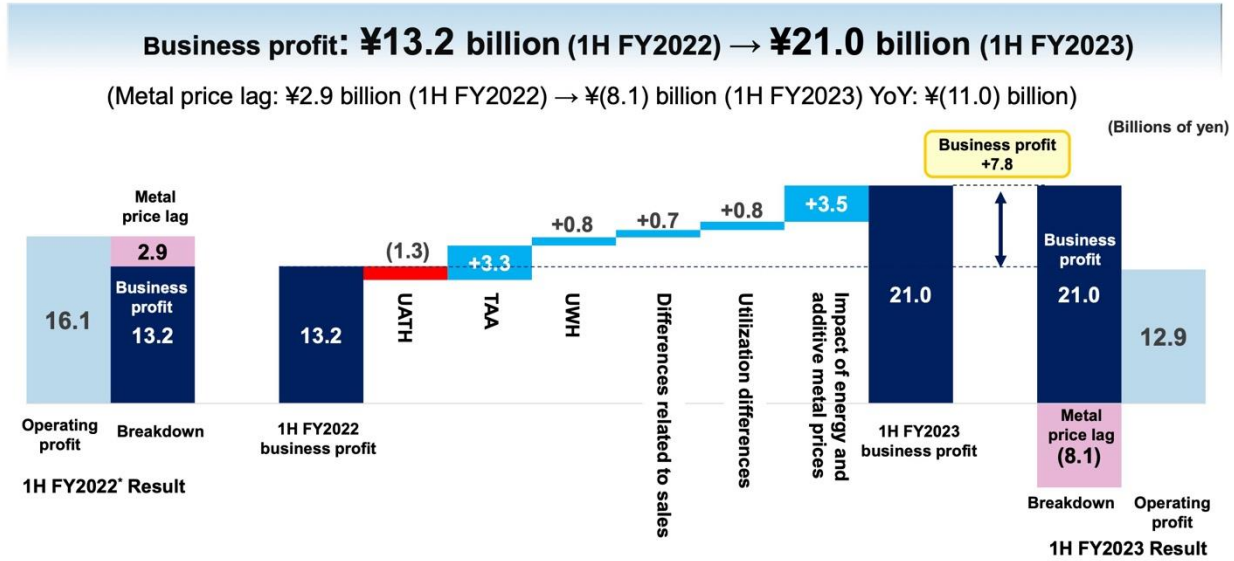
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Analysis of Business Profit (1H FY2022 → 1H FY2023)



On page nine, we provide a waterfall comparison of business profit for H1 of FY2022 and H1 of FY2023.

We will discuss UATH, TAA, and UWH in more detail later.

We were the first in the industry to establish a scheme to reflect energy and additive metal price hikes in our selling prices. As a result, we have been able to avoid a situation in which manufacturing costs would otherwise have put pressure on earnings. As you can see here, the energy and additive metals price effects made a positive contribution, and we were also able to increase sales-related differentials, including margin increases, leading to an increase in business profit.

Although the impact of inventory was a negative JPY8.1 billion due to the impact of ingot prices and other factors, this led to an operating profit of JPY12.9 billion by securing profits in the business.

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1. Results for FY2023

Consolidated Balance Sheet

Declining sales volume resulted in higher inventories

Consolidated Balance Sheet

(Billions of yen)	March 31, 2023* (A)	Sept. 30, 2023 (B)	Change (B)–(A)
Cash and cash equivalents	23.4	32.6	9.2
Trade and other receivables	159.0	166.1	7.1
Inventories	228.7	239.3	10.7
Other current assets	26.6	23.3	(3.3)
Property, plant and equipment	365.7	378.8	13.1
Other non-current assets	92.4	98.2	5.8
Total assets	895.7	938.3	42.6
Trade and other payables	139.4	137.2	(2.1)
Borrowings	340.4	360.4	20.0
Other	148.0	151.4	3.4
Total equity attributable to owners of parent	246.5	265.6	19.1
Non-controlling interests	21.5	23.7	2.2
Total liabilities and equity	895.7	938.3	42.6

Application of Funds Statement

	Application of funds	Sources of funds
Long-term funds	Capital expenditures	Profit (loss) before tax
	Payment of income taxes, etc.	Depreciation and amortization
	Surplus of long-term funds	8.3
Short-term funds	Change in working capital	Shortage of short-term funds
	2.9	2.9

Surplus of long-term funds ¥8.3 billion

Shortage of short-term funds ¥2.9 billion

Free cash flow ¥5.4 billion

Long-term funds: Generation of long-term funds to act as the source for strengthening our financial position
Short-term funds: Increase in working capital including inventories

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Page 10 is the consolidated balance sheet, and here you can see that free cash flow was JPY5.4 billion.

1. Results for 1H FY2023

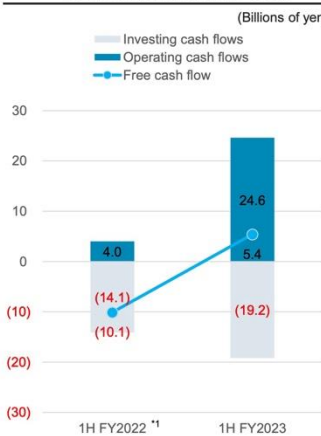
Consolidated Cash Flow Statement

Despite increase in interest-bearing debt, we are holding fast to our FY2023 D/E ratio target of 1.2x

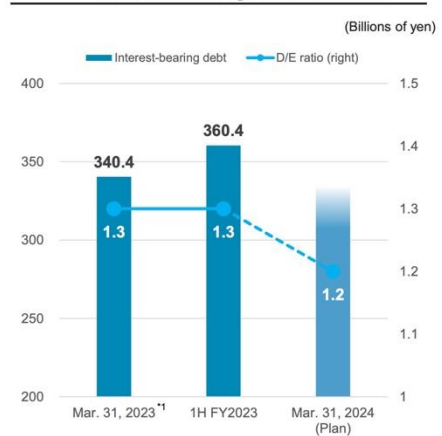
Consolidated Cash Flows in 1H FY2023 (provisional)

	(Billions of yen)
Profit (loss) before tax	10.1
Depreciation and amortization	18.0
Change in payables/receivables, etc.	(3.6)
Cash flows from operations	24.6
Capital expenditures	(19.2)
Free cash flow	5.4
Financing schemes, dividends, etc.	(6.1)
Decrease (increase) in cash and deposits	(9.0)
Conversion losses (gains) on foreign currency-denominated borrowings	(10.2)
Interest-bearing debt (increase)	(20.0)

Consolidated Cash Flows



Interest-Bearing Debt, D/E Ratio²



*1 IFRS figures for FY2022 results are rough estimates, and may change depending on the results of quarterly reviews going forward.
*2 D/E ratio: Factoring in subordinated loan

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On page 11, the consolidated cash flow statement is shown, and the free cash flow mentioned earlier is JPY5.4 billion. And although interest-bearing debt increased due to a temporary increase in working capital caused by soaring ingot prices or foreign exchange effects, the D/E ratio at the end of the period will be achieved as planned.

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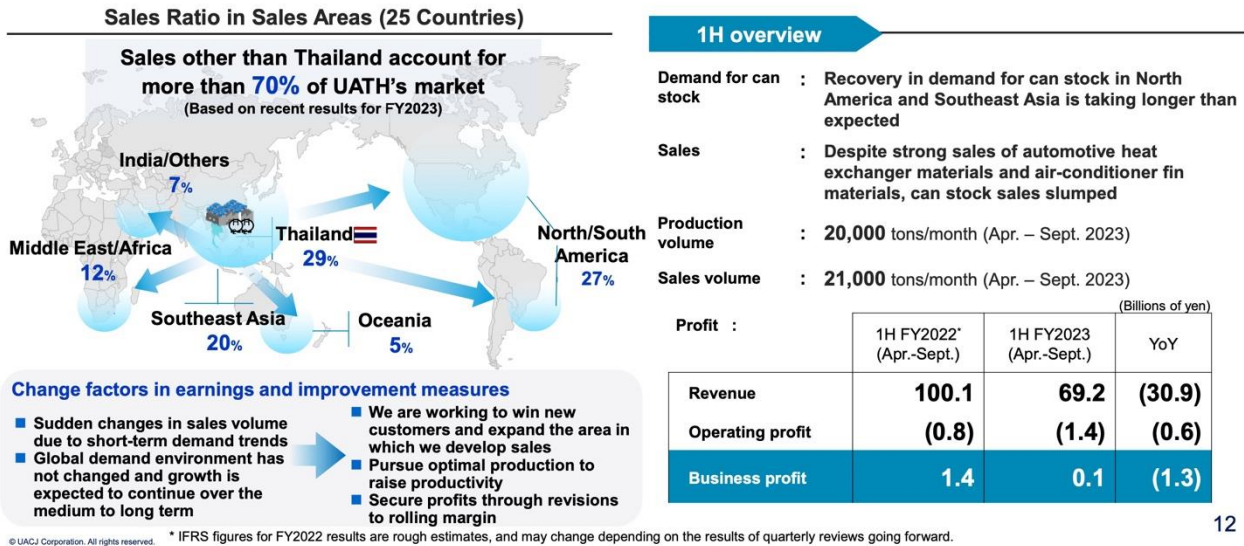
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Situation in Thailand (UATH) – Overview of 1H FY2023

Sales volumes declined due to the impact of slumping demand for can stock in North America and Southeast Asia



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Starting on page 12, I will provide a H1 summary of the status of each location. In Thailand, mainly in North America and Southeast Asia, global demand for aluminum can materials has been temporarily stagnant due to over-ordering caused by excessive growth expectations. However, a gradual recovery is expected through H1 of FY2024.

In China, the economic stagnation and inventory adjustments have caused excess capacity to be directed to Southeast Asia. We will continue our activities while paying close attention to this and will leverage our strengths to increase sales.

Regarding sales trends, mainly the passing on of higher energy prices, we will include this in new contracts and contract renewals in FY2025 that have begun.

By securing new customers to meet the global demand for aluminum can stock, which is expected to grow over the medium to long term, we have now completed material certification, and we hope to offset the decline in demand for can stock in North America by developing new customers in other regions.

Regarding business profit, looking at H1 of FY2023 from April to September, we saw an increase of JPY100 million, but unfortunately, the volume has also been decreasing, resulting in a minus figure compared to the previous year.

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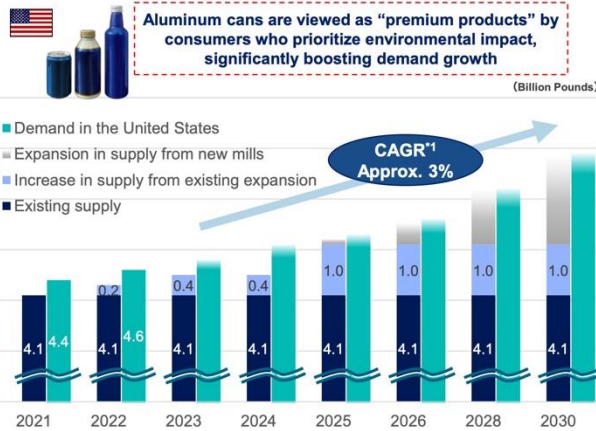
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Situation in United States (TAA) – Overview of FY2023

Covered decline in sales volumes through improvements in product mix and manufacturing cost

Changes in US Can Stock Demand and Domestic Supply Capacity



Source: Research by UACJ

*1 CAGR: Shows a rate of increase over multiple periods in terms of the rate of increase per period.
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1H overview

- Demand for can stock** : No change in our view that the dip in demand caused by inventory corrections is temporary in nature, and that the outlook for the demand environment remains healthy over the long term
- Sales volume** : **35,000** ton/month (Apr. – Sept. 2023)
*including shipments from Japan and UATH
- Production capacity** : Established an operation network to handle production of approximately **450,000** tons/year
- Capacity increases** : Enhanced facility at production bases in North America
- Profit** :

	(Billions of yen)		
	1H FY2022 ²	1H FY2023	YoY
Revenue	155.6	121.9	(33.7)
Operating profit	7.1	10.1	3.0
Business profit	11.2	14.6	3.3

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Page 13, Status of North America, TAA. As you can see on the left, there is no change in our medium- to long-term growth forecast of about 3% for the general can stock business. The demand for can stock is surely growing at about 1%, and we believe that there will be no major change in the North American market, which is expected to grow toward a growth rate of 3%.

We expect demand for aluminum as an environmentally friendly container in the future, and TAA's contract through 2025 is almost complete, with negotiations for contracts beyond that time already underway. TAA's strong supply capacity will enable us to capture this demand.

Business profit was JPY14.6 billion in H1 of FY2023, an increase of JPY3.3 billion from the previous year.

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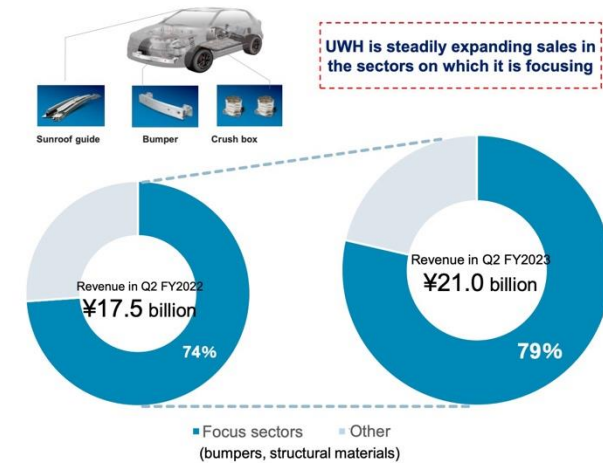
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Situation in United States (UWH) – Overview of 1H FY2023

Growth in sales volume following the recovery in automobile production in North America, and trend of higher sales/profits continues

Change in product mix



Overview

- Market environment :** •With a recovery of production at customers, the North American automobile market is on a recovery trend
•Move towards electric vehicles in North American market continues, use of aluminum products in automotive parts predicted to expand
- Sales :** Profits rose as a result of securing orders as planned

Profit : (Billions of yen)

	1H FY2022*	1H FY2023	YoY
Revenue	17.5	21.0	3.5
Operating profit	(1.1)	0.3	1.4
Business profit	(1.2)	(0.3)	0.8

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* IFRS figures for FY2022 results are rough estimates, and may change depending on the results of quarterly reviews going forward.

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Page 14, Status of North America, UWH. In the North America, the automotive materials business, the recovery trend is becoming clear, and Whitehall is receiving orders as planned by customers, resulting in an increase in revenue.

By preparing for such a recovery in demand, we will steadily improve productivity or automate facilities and implement cost reduction measures to achieve business profits.

In H1 of FY2023, there was a profit turnaround of about JPY800 million from the previous year.

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Outlook for Second Half of FY2023, and Prospects for FY2024

We expect a recovery in demand in the automotive-related field following the recovery in production at customers. On the other hand, we do not expect a full-fledged recovery in demand for can stock in North America or thick plates in Japan until FY2024

Japan	<p>Can stock: Although we expect demand for beverage can stock to be flat, the rising need to mitigate environmental impacts will promote the shift to aluminum</p> <p>Automotive: Production at customers has more or less recovered, and automotive-related is set to increase</p> <p>Thick plates: We assume that a recovery in demand for products used in semiconductor production equipment will emerge in the first half of FY2024</p>
North America	<p>Can stock: In the medium to long term, there has been no change to our view that demand for can stock will increase. In the short term, a recovery in demand is likely to take longer than initially inspected due to lower sales caused by the impact of inflation, etc.</p> <p>Automotive parts: We expect to record steady profits as a result of securing orders as planned</p>
Asia	<p>Can stock: Inventory corrections at customers in Southeast Asia and adjustments to can stock demand in North America are likely to be gradually resolved as we move into the first half of FY2024</p>

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I will now turn to page 16 and beyond to discuss the outlook for H2 of FY2023 and the outlook for FY2024. In the automotive sector, demand will recover firmly as customers' production has started to recover. On the other hand, we expect a full-scale recovery in demand for can stock in North America and thick plates in Japan in H1 of FY2024.

If I may add a few details by region, I think the demand for can stock in Japan for beverage cans, this will remain flat. Although the population is decreasing, the use of aluminum for beverage cans is being grown due to the need to reduce environmental impact, and this will continue to be the case.

In the automotive materials business, customers' production is generally recovering. We expect the number of automotive materials-related sales to increase in the future. In the area of thick plates, demand for products for semiconductor manufacturing equipment is expected to recover in H2 of next year. Therefore, in thick plates materials, we plan to recover in H1 of FY2024.

There is no change in the outlook for increasing demand for can stock in North America and in the medium to long term. In the automotive parts business, we expect stable revenue plan since we have started to receive orders from customers as planned.

In addition, in North America, we have confirmed that demand for aluminum can stock is steadily increasing, and although there is a recent decline in sales, we expect that the recovery in demand will lead to a firm return in H1 of FY2024, although it will be slower than expected in H2.

Currently, demand for export materials to North America is in an adjustment phase but is expected to recover in FY2024 due to a future recovery in demand for beverages. In the automotive materials, UWH has received a great number of inquiries for aluminum materials from new customers. We are proud to be recognized by our customers as a manufacturer that can produce high-strength materials, and we are committed to responding to their needs in the future.

As for can stock, the reputation of aluminum cans as environmentally friendly beverage containers is increasing, both in Japan and overseas, and a gradual recovery is expected through H1 of FY2024.

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2. Forecast for FY2023

Understanding of Business Environment

Assumptions underlying full-year forecasts for FY2023

- 1H FY2023: Despite the challenging business environment, business profit exceeded forecasts in both the domestic and overseas businesses
- 2H FY2023: Despite the full-fledged recoveries we had expected for can stock in North America and Southeast Asia and for thick plates in Japan slipping into FY2024, we aim to maintain profit at first-half level

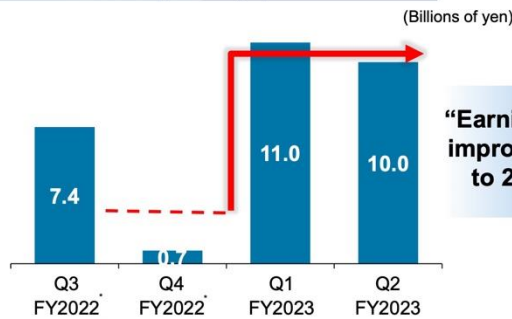
Business profit
¥36.0 billion



Business profit
¥38.0 billion

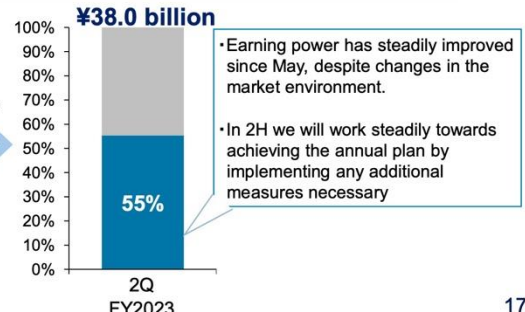
Revised Up

Business profit by quarter



“Earnings power”
improved relative
to 2H FY2022

FY2023 progress in business profit



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On page 17, I will talk further about business profit in anticipation of the business environment. Initially, as you can see on the lower left, our earning power has improved dramatically from business profit in FY2022 to Q1 and Q2 of FY2023. As a result, we are revising our forecast upward from JPY36 billion to JPY38 billion. The current progress rate is 55%.

2. 2023年度 業績見通し

2023年度 通期業績見通し

収益改善施策の実行によって事業利益で増収、増配を図る

(単位:億円)	2023年度 (5月時見通し) (A)	2023年度 (最新見通し) (B)	2022年度* (実績) (C)	増減 (B) - (C)
売上収益	9,700	8,800	9,557	△ 757
事業利益	360	380	213	167
棚卸資産影響	△ 20	△ 110	△ 100	△ 10
営業利益	340	270	113	157
親会社の所有者に帰属する 当期利益	150	110	△ 13	123
事業利益をベースとした 1株あたり当期利益 (円/株)	340	364	119	245
Adjusted EBITDA	723	750	558	192
年間配当	85円/株	90円/株	85円/株	5円/株

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On page 18, we present our full-year forecast in figures. Since the business environment surrounding our company is very uncertain, there are differences of demand in each field. However, we have revised our full-year forecast in this manner. Please look it over later.

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2. Forecast for FY2023

Revenue and Operating Profit by Segment (Current forecast)

(Billions of yen)

	FY2023 (Forecast as of May) (A)		FY2023 (Current forecast) (B)		FY2022 (Results) (C)		Difference (B)–(C)	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Flat-rolled products	870.0	34.8	781.0	30.1	837.2	15.0	(56.2)	15.1
Precision-machined components and related business	194.0	5.5	181.0	3.4	207.1	2.5	(26.1)	0.9
(Adjustment)	(94.0)	(6.4)	(82.0)	(6.5)	(88.6)	(6.2)	6.6	(0.3)
Total	970.0	34.0	880.0	27.0	955.7	11.3	(75.7)	15.7

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On page 19, we present the sales volume forecast by segment.

2. Forecast for FY2023

Sales Volume, Flat-rolled Products (Current Forecast)

(Thousands of tons)

	FY2023 (Forecast as of May) (A)	FY2023 (Current forecast) (B)	FY2022*1 (Results) (C)	Difference (B)–(C)
Can stock*2	880	761	834	(73)
Foil	53	46	46	0
IT	11	9	9	0
Automotive materials	142	144	125	19
Thick plates	47	34	52	(18)
Other general-purpose materials	203	174	228	(54)
Total	1,336	1,168	1,293	(125)
	For Japanese market 510 For overseas market 826	For Japanese market 478 For overseas market 690	For Japanese market 475 For overseas market 818	For Japanese market 3 For overseas market (128)

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*2 Sales volume after eliminating internal transactions

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Page 20 shows the outlook for each product type. In can stock, as I mentioned earlier, there has been an adjustment phase for imported materials, which has had some impact on the production and sales of UATH and TAA.

However, we expect that the recovery of automotive materials will continue, and that the situation for thick plates will be in a temporary adjustment phase in FY2023 but will return in H1 of FY2024. For other general-purpose materials, they are affected by TAA's outside sales slabs.

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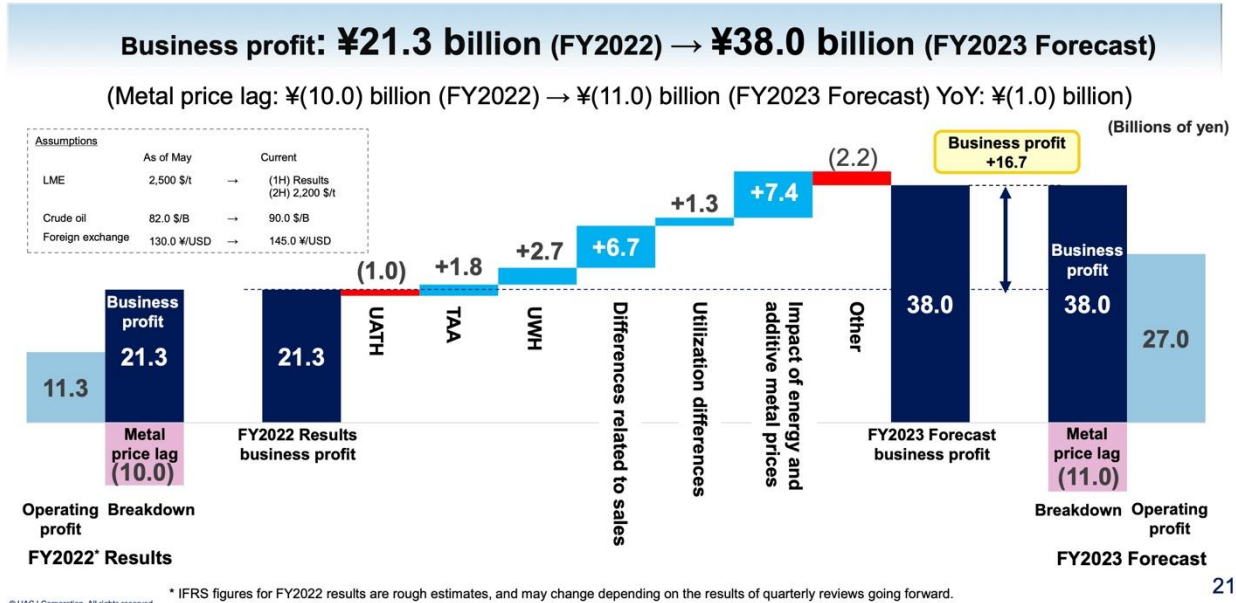
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2. Forecast for FY2023

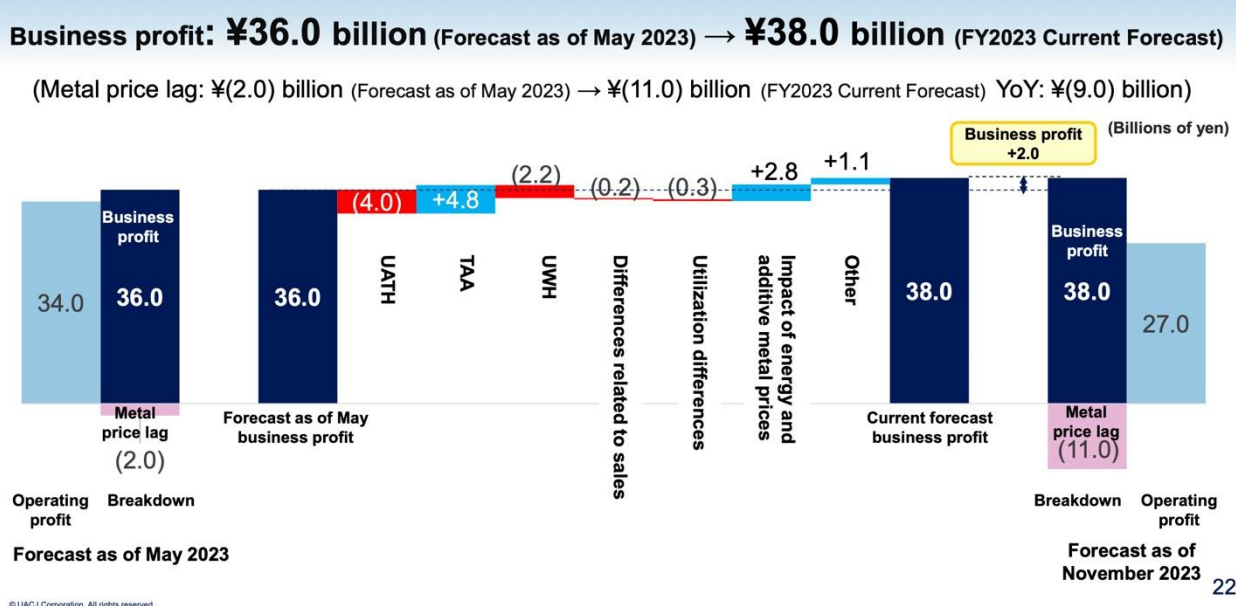
Analysis of Business Profit (FY2022 → FY2023 Current Forecast)



Page 21 shows the waterfall of profits by business for the year. We expect JPY38 billion in FY2023, compared to JPY21.3 billion in FY2022. In particular, in the area of sales, we expect to see an improvement in roll margins, and we have indicated that the impact of energy and additive metal prices will be passed on in H2 of the fiscal year as well.

2. Forecast for FY2023

Analysis of Business Profit (Forecast as of May 2023 → FY2023 Current Forecast)



On page 22, we supplement the May forecast with the current outlook. As for the difference between 36 and 38, the change is mainly due to the difference in energy prices and the changes in UATH, TAA, and Whitehall mentioned earlier.

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2. Forecast for FY2023

Capital Investment and Depreciation and Amortization

Capital investment will be held firmly within the range of depreciation. Allocate a certain amount to climate change countermeasures and promote them in a planned manner.

(Billions of yen)		FY2022 1H	FY2022 Full-year	FY2023 1H	FY2023 Forecast
Capital investment	General investment	7.3	21.0	8.4	23.0
	Strategic investment	2.8	5.4	4.4	14.0
	Total	10.1	26.4	12.8	37.0
Depreciation and amortization		18.2	37.3	18.0	37.0

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On page 23, we have capital investment. With regard to capital investment, we will maintain it within the scope of depreciation, and at the same time, we will start preparations in advance for the recovery of thick plates, especially at the Fukaya thick plate plant, which is expected to recover in the next fiscal year. This is included in general investment.

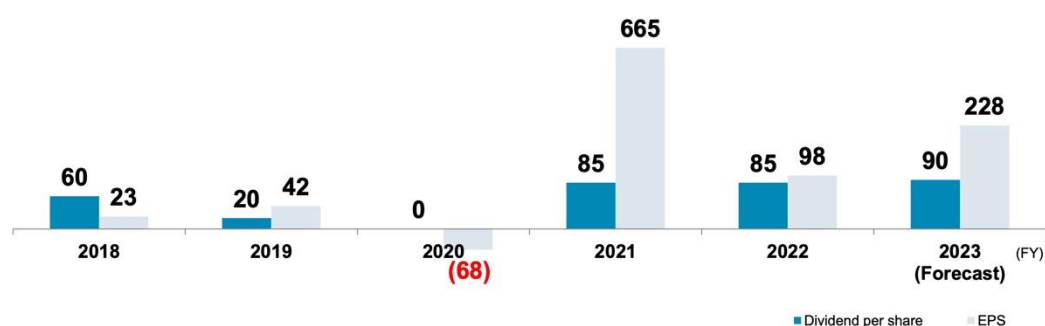
2. Forecast for FY2023

Shareholder Returns Policy

In the expectation of securing steady increases in business profit, we have raised the annual dividend to 90 yen

- 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 dividend payout ratio
- Enhancing shareholder value** : Aiming to enhance value by securing certain profits and cash flows, and engaging in dialogue with capital markets

Dividend per share / EPS (yen)



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Regarding shareholder returns, as mentioned earlier, we will increase dividends. In order to increase the value of our shares, we will continue to secure steady profits and cash flow, and in addition, we will continue to maintain an active dialogue with the capital market. Thank you for your understanding.

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Preparing Management Indicators to Address Capital Efficiency and Enhance Corporate Value

Ensure achievement of FY2023 targets and pave the way to VISION 2030

We established ROE, ROIC, and D/E ratio as financial indicators for the 3rd Mid-Term Management Plan

- ⇒ In FY2023, the final year of the 3rd Mid-Term Management Plan, we will implement measures to steadily increase profits to ensure that we achieve our financial targets.
- By continuing to actively engage in dialogue with capital markets, we will reflect the needs of capital markets in management

We have established ROE and ROIC as financial indicators for the UACJ VISION 2030 long-term vision. We will work to (1) reduce cost of capital, (2) raise expected growth rates, and (3) engage in proactive communication with shareholders and investors

- ⇒ Specific measures will be incorporated into the fourth mid-term management plan (beginning in 2024) to ensure achievement of 2030 targets

Financial indicators/ KPIs

Period of 3rd MTMP

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)	FY2030 (Targets)
ROE	0.6%	1.1%	-1.8%	15.6%	2.0%	4.3%	10.0%
ROIC ^{*1}	2.8%	1.9%	2.2%	11.1%	3.0%	4.5%	10.0%
D/E ratio ^{*2}	1.7	1.6	1.6	1.4	1.3	1.2	—

^{*1} ROIC: Calculated based on operating income before income taxes

^{*2} D/E ratio: Factoring in subordinated loan

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On page 26, I discuss capital efficiency initiatives to enhance corporate value. We have already presented the financial indicators and predicted the future situation, but we will incorporate specific measures in our fourth mid-term management plan starting in FY2024 to ensure that we achieve our FY2030 target.

We will continue to enhance capital efficiency management with a firm awareness of the cost of capital, and at the same time, while leveraging UACJ's strengths, we will work to increase corporate value through the creation of a circular supply chain, or circular economy, for aluminum materials by expanding the areas in which aluminum materials are used.

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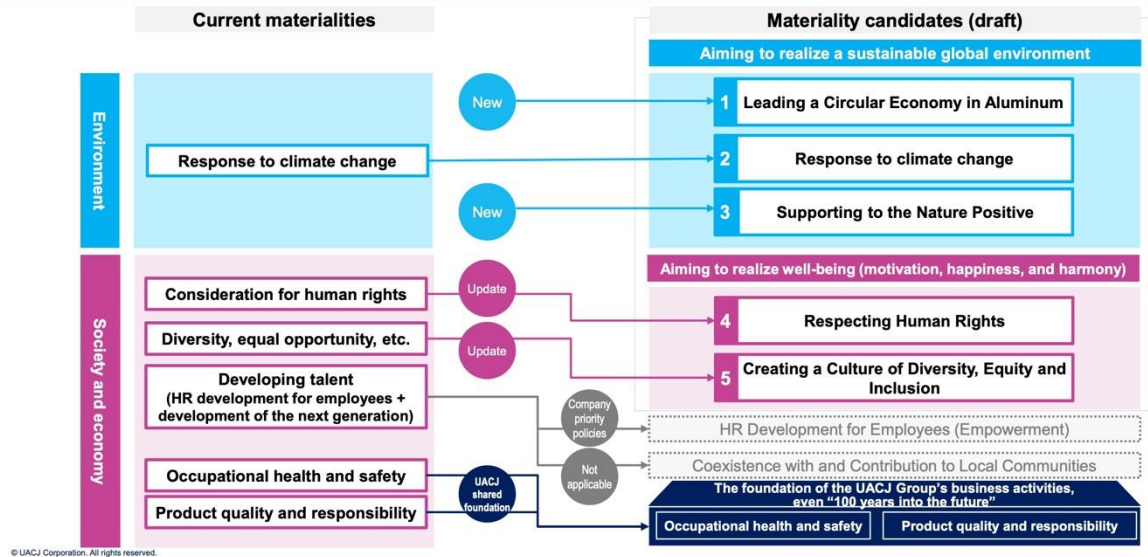
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Preparing for Review of Materialities

We will review materialities with the objective of enhancing corporate governance over the medium to long term



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In response to this, we have explained the review of materiality on page 27.

We have already identified materiality from an ESG perspective in order to realize our vision of where we want to be in FY2030, while at the same time working to manage our business with an awareness of the cost of capital. We have made a series of improvement efforts that only our company can make.

On the other hand, external demands for social, economic, and environmental issues are changing significantly. What we need to work on in order to achieve our company's vision is also changing in various ways. So, the Company is reviewing its materiality. As you can see here, we first clarified our objectives.

We will strive to achieve a sustainable global environment, and to achieve a life worth living, happiness, and harmony through wellbeing. From the perspective of the Earth as a habitat and ourselves as its inhabitants, we have summarized two objectives and narrowed them down to five measures to realize them. What we are showing you is the proposals. When it comes to what we do as a company that manufactures things as a matter of course, we will continue to implement the PDCA cycle in our improvement activities as in the past.

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Notice of ESG Briefing Session and UACJ Report 2023 (Integrated Report)

Announcing the holding of ESG briefing session

We will be holding an ESG briefing session on the topic of “what aluminum can do for a better future.” Details of the session can be found below.
We look forward to your participation.

Date: Thursday, December 07, 2023 10:00–12:00

Format: Online meeting (planned)

Speakers Miyuki Ishihara, President and Representative Director
Shinji Tanaka, Director, Managing Executive Officer
Akinori Yamaguchi, Senior Managing Executive Officer
Seiichi Hirano, Senior Managing Executive Officer

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Announcing the publication of UACJ Report 2023

The 2023 edition of the report shows the evolution of UACJ in the 10 years since business integration and our growth story toward realizing UACJ Vision 2030. It also details our efforts to expand into business domains that will enable us to further contribute to a better world and healthier environment, and initiatives related to the idea that “Human resource development is integral to advanced manufacturing.” Please take a look.

(Website) <https://www.uacj.co.jp/ir/library/factbook.htm>



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Please refer to page 28 for information on these ESG-related briefings. An informational meeting is scheduled for Thursday, December 7. I would like to update you on our ESG efforts, including the details of the materiality that we are reviewing, which I have just presented to you. We would like to reiterate our invitation and hope that you will join us.

In addition, a new integrated report was released at the end of September. As we celebrate the 10th anniversary of our integration, we are pleased to present our evolution and future growth story. We hope you will take a look at the information on our website.

That is all I have to say. Thank you very much.

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Question & Answer

Ueda [M]: That concludes our explanation. We will now take your questions. Let us now introduce our first questioner. Mr. Yamaguchi, SMBC Nikko Securities. Please ask your question.

Yamaguchi [Q]: Thank you. I am Yamaguchi from SMBC Nikko Securities. I am sorry I always ask this question, but the first point is that I would be glad if you could give us the annual revenue, profit, etc., for the major subsidiary groups, since you have given them in terms of business profit this time.

The second point is that even though the drop in volume is unusual, profits are increasing. In the analysis of the factors for the increase/decrease, I don't see much of a drop in volume, which I assume is offset by something else, but I would like an explanation of how the profit increases.

The third point is, regarding the quarter and half-year trends, the actual profit was flat, but according to the preliminary data, it seemed that Q2 would be a bit of a drop, but this is surprisingly clinching, and H2 is seen as a bit of a decline in profit. Why is this?

The last question is, with this TAA as the center of the sliding scale, prices have gone up, but on the other hand, energy and materials prices have gone down and margins have increased for a moment. But if material prices go down now, is there a need to lower prices by that amount next year? Are the profits you are making this fiscal year temporary? I would like to confirm that point. That is all.

Iida [A]: Okay, Iida will answer. First, we look at UATH's annual forecast for FY2023: JPY146.5 billion in revenue, negative JPY100 million in operating profit, and JPY1.4 billion in business profit. As for TAA, revenue is JPY227.2 billion, operating profit JPY12.7 billion, and business profit JPY21.2 billion. Last, but not least, is UWH. Revenue of JPY41.8 billion, operating profit of JPY1.5 billion, and business profit of JPY900 million. That is all.

Yamaguchi [M]: Thank you.

Ishihara [A]: The next question is why profits are increasing while volumes are decreasing. As I mentioned earlier in my explanation of this matter, we had originally talked about sticking to the profit margin. In North America, profits as a percentage of sales price have increased due to the significant impact of the product mix.

In Japan, in addition to a steady decline in manufacturing costs, the overall business profit margin increased to about 4.3% in FY2023, both in Japan and overseas.

We are making various efforts to add value to our materials, and I think this means that our profit margins are firmly reflected in the value of our products, which is more than just conventional materials.

Third, we had told you that Q2 might be a little slow, and furthermore, with the summer vacation, we had told you that we did not have high expectations for both manufacturing and sales. Although it remains to be seen at what point we can expect to pass on the price of energy or additive metals, what we had expected to see in H2 is now reflected in H1, and things are turning around for the better.

We mentioned that the figures would drop a little in H2. The product mix in TAA was good in H1, and this will have a slight impact on the product mix and unit prices in H2. These are a few negative factors.

In addition, the previously anticipated curtailment of ingot cost purchases has changed the outlook slightly. In addition, as for what will happen to profits when energy prices fall in the future, our scheme is basically to

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convert price fluctuations between the upper and lower limits into selling prices. Please consider that there will be no significant impact on profits even when energy prices become lower.

Yamaguchi [Q]: The point is not that the profit is temporarily delayed from period to period, is that correct? As a perception.

Ishihara [A]: That's correct.

Yamaguchi [M]: Thank you very much.

Ueda [M]: Thank you for your question. Next, Mr. Shirakawa, Morgan Stanley MUFG Securities. Please ask your questions.

Shirakawa [Q]: My name is Shirakawa from Morgan Stanley MUFG Securities. Thank you very much. I have three quick questions. The first point is the improvement of the TAA structure that the President mentioned earlier. What happened in H1, and also, in H2, why is it getting worse? If you don't mind me asking, can we expect such a better composition in the next fiscal year and beyond?

The second point is UATH, Thailand. Thailand has been revised downward, and looking at the statistics, I thought that the volume was not showing up, that it might be a bit tough. I wonder if the revised portion of this roll margin will be reflected again in the future, and I would like to know the factors pushing up profits for this portion. This is the second point.

The third and final point is the concept of dividends. This time, the net profit plan has been revised downward, while the business profit plan has been revised upward. Since the dividend is increased in such an environment, I believe the dividend payout ratio has increased considerably. I believe it goes up to 39%.

It says on page 24 that your company aims to achieve a total dividend payout ratio of 30% or more over the long term. Has your company increased the dividend this time to show that it is now capable of paying a stable dividend of 30% or more? Also, this is 39%, which seems a bit high compared to 30%, so I would be interested to know how you decided on this dividend and what discussions you had. These are my three questions.

Ishihara [A]: Yes, thank you. As for the better composition of TAA, this basically means that the composition from customers has improved. Since there are not that many varieties to begin with, we were able to sell to customers with high profit margins.

Tanaka [A]: Let me answer. Regarding the price of UATH, many customers sign up on an annual basis. Therefore, the contracts for FY2024 have already been almost completed, but for customers who have newly contracted for FY2024, we are asking them to review the surcharges for energy prices, additive alloys, and other such areas. Therefore, as of FY2024, some customers may still be charged conventional prices, while others may be charged surcharges such as this one, resulting in a bit of a mixed situation.

However, for customers who sign long-term contracts after that, we will incorporate such surcharges into the price when signing new contracts. That is all.

Ishihara [A]: In the context of that next return ratio of 20% to 30%, what kind of discussion there was about this increase. We have been talking about stable dividends since the beginning, and we are now in a situation where business profits are steadily increasing. There was a discussion that since the business structure, including structural reforms, has been improved, it would be necessary to pay appropriate dividends to shareholders.

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Currently, the interim dividend is JPY40 per share and the year-end dividend is JPY45 per share, for a total of JPY85 per share. There have been discussions about raising these figures to as high as JPY45 and JPY45, respectively, to firmly raise the Company's strength, and we have therefore decided to increase the dividend.

Shirakawa [Q]: Yes. I'm sorry, just a follow-up, but then as far as TAA is concerned, if you look at the ups and downs, there is also a significant difference of about JPY5 billion here, but is this H2 more of an actual profit?

Ishihara [A]: Yes, that's right. As I mentioned earlier, TAA showed some profit in H1, so I would like you to think that the average at this upper and lower levels is our ability.

Shirakawa [Q]: Okay. Also, UATH, Thailand, is it correct to understand that the profit margin will improve in the next fiscal year in the long run, since there is a mix of surcharges that have not yet been made for some customers and have been made for others?

Tanaka [A]: Yes, that's right. For new customers, we would offer that and ask them to sign up in that manner.

Shirakawa [Q]: Okay. Also, I'm sorry if this is too much of a follow-up, but I'm not quite sure I understand the background behind the 39% dividend at the end. Please share any thoughts you have on the 39%.

Kawashima [A]: Let me comment on that quickly. First of all, as has been said, the current fiscal year's ratio is 39%, but if we look at the total for the three years of the fourth mid-term management plan, the ratio is about 27%.

Another thing, as the President mentioned earlier, we thought about EPS on business profits. When you think against that, it's roughly 40%. In this context, we are still trying to think in terms of EPS based on business profit. The reason is that the operating profit or loss from inventory will have a positive or negative effect. So, there was a discussion about considering improvements by looking at the figures of business profit, after all, if we think that it will not be profitable by chance or otherwise, but that it will converge as a result. In this context, the background is that the result was 39% this year.

Shirakawa [M]: Yes, I understand. It is now clear. Thank you very much.

Ueda [M]: Thank you for your question. Next, Mr. Matsumoto, Nomura Securities. Please ask your questions.

Matsumoto [Q]: My name is Matsumoto from Nomura Securities. I have only one question. I was looking at this chart on page 22, and UATH has been revised downward by JPY4 billion here, and TAA has been revised upward by JPY4.8 billion. And UWH. And also, the price impact of energy and additive metals is plus JPY2.8 billion, so please tell us a little bit about the factors for these four. That is all.

Ishihara [A]: These four? As for UATH, the sales volume will basically be lower than projected, and this will have a significant impact. As for TAA, the increase in sales was basically higher than expected. The other major factors were the impact of foreign currency translation, and depreciation and amortization.

As for UWH, the sales volume is lower than expected. We said it would be more, but it didn't go to the final planned value.

And as for energy and additive metals, I thought I explained this a little earlier, but with the turnaround in energy and additive metals prices, it looks as if the numbers are higher than expected, as if the profit is higher than expected. That is all.

Matsumoto [M]: TAA, I'm a little sorry, I didn't quite catch that. Do you mean the increase in sales, and also the impact of foreign exchange and amortization?

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

Matsumoto [Q]: I had an image that the volume was sluggish, but even this is going better than planned?

Ishihara [A]: Yes, that's right. This is due to the positive earnings turnaround on the sales side mentioned earlier and the reduction of inventories in TAA, not the volume itself.

Matsumoto [Q]: Also, for energy and additive metals, when you say that there is a price turnaround, do you mean that energy prices, people usually see them at the beginning of the period and they are all falling?

Ishihara [A]: That's correct. Basically, since the price originally went down, there were some subtle points, but the decision was made within a certain range, and the effect was on the positive side of that range.

Matsumoto [Q]: That relates to Mr. Yamaguchi's first question, but I wonder if we don't have to worry too much about that part being cut next year.

Ishihara [A]: That is not a major factor.

Matsumoto [M]: Okay. Thank you.

Ueda [M]: Thank you for your question. Next, Mr. Goroh, UBS Securities.

Goroh [Q]: I am Goroh from UBS Securities. Thank you. First, I would like to reconfirm how to look at the numbers. In North America, I think you mentioned that you were able to secure volume mainly from customers with high profit margins by improving the sales mix and product mix. I would like to confirm that progress toward inventory adjustment is firmly underway in the market. You said that the margins could have been improved and that the volume environment was not favorable. I believe that the current situation is that the market is sluggish, but when considering the next fiscal year's performance, I would like to confirm whether you can include a factor that will allow volume growth while maintaining margins.

You have already mentioned the timing of return by region, but this time I would like to confirm how the volume of TAA in particular will change in the future, including companies in the upper process, etc., and also to confirm the profit/loss of ingot, which has always been a bit of a hot topic.

I have heard that efforts are being made in the US market to increase the scrap recovery rate, but I think that if the supply-demand balance for raw materials is rather relaxed and products are tight, the margin can be maintained and expanded. Please explain the market trend in this area. This is the first question.

Secondly, this is a bit of a forward question, but I think that up to this point, you have been working on structural reforms in line with the mid-term plan and have been able to incorporate the results of these reforms. As you put together these new areas for the next fiscal year, I would like to know what kind of room there is for change, such as further structural reforms and cost reduction efforts. Could you explain where you see the potential for growth or change? This is the second question.

Ishihara [A]: First of all, you mentioned the profit margin in North America and the progress of inventory adjustment, and you also asked about scrap recovery.

As we continue to supply our high-margin customers in North America, we have a track record of aluminum cans and can stock in North America in terms of evaluating how to increase in the future. There are comparisons with FY2022 and FY2023, or future projections for FY2023, and as we go here, we are starting to see can stock sales that are higher than the previous year, almost since August. In addition, given the increase

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in H2 of last year from August and September, we expect sales to continue to exceed last year's levels, and we expect this trend to continue in FY2024.

As for the progress of inventory adjustment, as I mentioned earlier, while the demand for can stock was originally expected to grow at an annual rate of 3%, the current growth rate is about 1%. However, as I mentioned earlier, can stock shipments have exceeded those of the previous year, so we expect can stock to steadily decrease, and during H1 of FY2024, an increasing trend is expected in the future.

As for ingot, I have heard that the recovery rate is steadily increasing. The difference between product prices and prices for ingot and scrap metal has recently turned around a bit, or rather, is coming down, and this has had a small impact on TAA's profit and loss.

And third, while the structural reform efforts have been successful, what about the seeds of future growth and change. This will be explained by Mr. Tanaka.

Tanaka [A]: Okay, I have your nomination. As you will see on page 27 of the PowerPoint, we are actually about to conduct a review of materiality over the next year. As Mr. Ishihara explained, three years have passed since the current materiality was established, and the environment surrounding us is now undergoing very significant changes.

In light of these major environmental changes, the right-hand side of this page shows a recycling society of aluminum, and nature positive, the protection and regeneration of nature, although they are still in the draft stage. This is exactly what we mean by adding value to new materials with these keywords. By adding value, a premium is added back to us.

I refrain from presenting specific items such as these here at this time, but we are currently thinking of adding new value to the new materiality, mainly by reviewing these new materialities, to bring them to the next level of earning power.

As soon as the proposals are finalized, we plan to set KPIs that will be appropriate for them, and we would like to consider some new measures in the process.

Ishihara [A]: In addition, we are now subdividing the three areas of mobility, lifestyle/healthcare, and environment/energy into eight product groups, and we are now identifying business areas that will grow in the future. I hope to be able to show you how much we will earn there in the mid-term plan, so I guess I would like to ask you to look forward to that.

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

Ishihara [A]: In response to Mr. Matsumoto's earlier question, I would like to add this. In the area of energy prices or additive metals, there are cost advantages due to lower energy prices, so I hope you understand that this is also factored in. That is all.

Ueda [M]: Okay, next question is from Mr. Ozaki, Daiwa Securities. Please ask your questions.

Ozaki [Q]: I am Ozaki from Daiwa Securities. I have two questions. The first point is regarding UATH, you mentioned the price negotiation for FY2024. This is described as the introduction of a surcharge system, but is this different from a price increase that would improve profitability? Let me just confirm this point.

Second, regarding the downward revision of UWH, the volume was a little lower than expected, but it seems that automobile production itself is not that bad. Please tell us about the background of this different prospect. These are my two points.

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Ishihara [A]: Thank you very much. Regarding UATH's price negotiations for FY2024, you asked basically how the introduction of a surcharge differs from a price increase, but this varies quite a bit from customer to customer.

The surcharge is said to pass on the higher energy prices to customers. Instead of taking the variability of a surcharge, you have an option that you negotiate in the same scheme as a traditional price increase, in addition to the price itself, the so-called roll margin. I think this is a choice between the two.

Surcharges are basically variable, but I believe that once a price increase is made, it does not change, so we are negotiating on the basis of surcharges for energy this time. The difference is that, for example, the price increase of sub-materials or the fixed cost of electricity is negotiated as a price increase, while the fixed surcharge is negotiated in the form of a permanent price increase.

Regarding the downward revision of Whitehall's forecast, it is difficult to be more specific, but the recovery trend differs depending on the customer. Of course, each customer has a different situation in terms of which area they are selling in. Therefore, it is difficult to read how the car models we are receiving orders for will move.

Customers indicate the total volume, but specifically, if a product did not sell in North America but sold in the China region, we work in North America, so it may happen that the sales of the vehicle model is lower than expected. Please consider that these are individual circumstances.

This is also on the side of a turnaround, so the common practice in this industry is to have a system that responds to customer production at 100 plus or minus 20%, so fluctuations will occur in such areas.

Ozaki [Q]: Thank you very much. Then, Thailand will introduce a surcharge system for energy, but there will also be some transfer of other sub-materials to the roll margin, so a certain amount of margin improvement can be expected next year. Is my understanding correct?

Ishihara [A]: Yes, that's right. That is how we see it.

Ozaki [M]: I understand. Thank you very much.

Ueda [M]: Thank you for your question. Are there any questions from others? There being no further questions, we will now conclude the question and answer session. For further inquiries, please contact IR.

This concludes the Q2 financial results briefing for the fiscal year ending March 2024 of UACJ. Thank you for joining us today. 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 very much for taking time out of your busy schedule to join us today.

Ishihara [M]: Thank you very much.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
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