

Management integration created a chain reaction, accelerating UACJ as a major aluminum group that is increasingly stronger in growth markets and industries.

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Message from Management

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First Steps into the Future

Three years ago, realizing that there is no future for the aluminum industry in Japan, with a sense of urgency, Furukawa Sky Aluminum and Sumitomo Light Metal Industries agreed to combine their strengths and gave birth to UACJ. Today, together with its subsidiaries, the UACJ Group is steadily creating a name for itself in global markets.

With the Japanese aluminum market maturing in the advent of declining birthrates and an aging society, we no longer have expectations of experiencing the levels of growth attained in past years. On the other hand, the markets in Asia and other countries are growing, with not only leading global manufacturers, but also companies from emerging nations are entering the game, which is making competition increasingly difficult. Before consolidating the businesses of Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries, Ltd., they were the two top-ranking companies in the aluminum industry in Japan, each pursuing growth through competition with the other. It was that market environment that inspired us to meld the two companies into one.

Since that time, the issues I have focused on most as president of UACJ are clarifying the road the Group must take in response to the challenging business environment, disseminating our vision for the future, and enforcing tangible policies and strategies throughout the Group in order for us to achieve our goals. We must carve out a future for ourselves, and establish sustainable growth by defeating the fierce competition in growth

markets like Asia and in growth industries, such as the automobile industry where aluminum contributes to weight savings. That is why we released the UACJ Group Vision for the Future in March 2014, which is aimed at establishing us as an aluminum industry leader in a competitive global market. This vision lays out fundamental policies for taking maximum advantage of the expansive business resources created after integrating the two companies, and strengthening our global supply capacity, cost-competitiveness and technical development capabilities.

In December 2014 we established the Global Step I Mid-term Management Plan, which introduced the policies of our vision to individual businesses. This mid-term management plan is the first step in a long-term roadmap to success. The three years from fiscal 2015 to fiscal 2017 mark the phase during which we are strengthening foundations by following three major policies: (1) expanding growth products in the transportation field—focusing on automobiles—and the energy field, and strengthening business in growth regions such as Asia; (2) constructing an optimal

Thriving under Pressure

Positioning of Mid-Term Management Plan

Fiscal 2015-2017

Reinforce foundation

Global Step I
Mid-term management plan

Fiscal 2018-2020

Accelerate Growth

Global Step II
Next mid-term management plan

Fiscal 2021 onward

Advance

Global Step III
Vision for the Future

production network for each business sector utilizing the synergies created through unification; and (3) developing unique technologies and products by applying our vast technological prowess to fundamental research.

In fiscal 2015—the plan’s first year—we made powerful strides toward restructuring business in Japan based on these policies; for instance, by concentrating on reallocating product mix. Meanwhile, we established a 200,000 ton per year fully-integrated manufacturing line at the Thai Rayong Works during August 2015. In the USA, we strengthened facilities, entered joint ventures and are working to expand the supply of aluminum automotive products in the region, for which we acquired the No. 1 US brand in automotive structural components and parts. Our Research and Development Division is also participating in national projects and cooperating with clients to develop new products and technologies, primarily in growth industries such as energy, the environment and transportation.

Consolidated net sales in fiscal 2015 greatly exceeded that before integration, reaching 575.7 billion yen and putting us in a position to aim for over 600 billion yen in the next fiscal term. While profits fell due to factors such as startup costs for the Thai rolling mill and falling primary aluminum ingot price, cost reductions resulted from our integration initiatives continue to materialize. Items indicating our true earning power, such as ordinary income before inventory valuation and adjusted EBITDA, have increased. Profits will continue to recover in the next term, with our business base growing firmer as we pursue expansion.

Defying Logic 1+1 = 3 or 4

From Simple Transformation to Chain Reaction

The integration of businesses in Japan and overseas continues to proceed smoothly. However, considering the importance of maximizing synergies, our present status is best described as “still in the phase of simple transformation,” working through the tasks of fusing organizational cultures and personnel of the former Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries, Ltd. Of course, cost reductions



Strategy Execution Policies

Major Policies of Vision for the Future

Proactively expand in growth fields and markets around the globe

Improve cost competitiveness through restructuring

Develop revolutionary technologies and products

Fundamental Policies for Implementation



Major Policies of the Global Step I Mid-term Management Plan

1 Expand growth products in the transportation field—focusing on automobiles—and the energy field, and strengthen business in growth regions such as Asia

2 Construct an optimal production network for each business sector utilizing the synergies created through unification

3 Develop unique technologies and products by applying our vast technological prowess to fundamental research

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have already materialized, but we are not yet to the point of “making one plus one equal three, or even four.” In order to produce this added synergy, it is important that we not only integrate businesses, but also spark chain reactions between individual elements and cultures so as to discover new value.

For instance, in order to ensure that integration proceeds smoothly, one of our main tasks has been to compare technologies and sales expertise of the two companies and select the best option in each case. However, moving forward, it is important to empirically analyze why an option is better, and adopt the approach that leads to the development of ever-better technologies and greater expertise.

Creating this chain reaction from disparate elements and cultures is also indispensable for operations at overseas bases. Having previously served as a manager at a factory in Vietnam, I know that operations will not go smoothly if an attempt is made to unilaterally force use of the “Japanese way” at an overseas factory. The important thing to do is share the UACJ Group philosophy and approach ways to enhance manufacturing through local employees; doing so while adequately understanding and respecting the local culture and natural characteristics. Furthermore, it is necessary to tailor Japanese manufacturing methods to the styles of the local people, and create an atmosphere where local workers proactively share opinions and make

proposals for better manufacturing.

As we continue to pursue the various policies of the Global Step I Mid-term Management Plan, we will focus on promoting these chain reactions at individual Group business sites, setting the stage for a new corporate culture in the UACJ Group.

Accelerating Global Development and Capitalizing on Rare Opportunities

To defeat the fierce competition in overseas markets and growth product industries, the UACJ Group is accelerating research and development and M&As, and strengthening its global supply network; the three key hubs of which are based in Japan, North America and Thailand.

Of the global markets, Southeast Asia in particular is showing high, sustained growth. Aluminum demand in Southeast Asia in fiscal 2020 is expected to be approximately two-fold what it was in fiscal 2012. In order to strengthen the supply network in this region, in 2012 the UACJ Group began construction of the Rayong Works in Thailand. The cold rolling and finishing lines began operating in January 2014, and the upstream processes of forging and hot rolling came online in August 2015. As a result, the rolling mill now has a fully-integrated manufacturing system that offers the benefits of high quality and low cost, with a production capacity of 200,000 tons per year. As the

Company Principles

In order to implement our management philosophy, the UACJ Group acts according to the following principles, and promotes an organizational structure in line with these precepts.

1. We will strive for active and impartial communication with all of our stakeholders, and will always place stakeholder trust first when acting.
2. We will act according to strict ethics, comply with laws and regulations, and proactively contribute to the environment and society. We will avoid all connection with criminal or subversive elements, and fulfill our responsibilities as a corporate citizen.
3. In order to earn our customers' satisfaction and trust, we will tirelessly strive to improve our quality, technical and on-site expertise.
4. We will nurture staff by creating safe and positive work environments.
5. We will consistently adopt a global and long-term outlook, and adapt flexibly to changes in the business environment, such as globalization. We will respect the laws, cultures and customs of each country, and contribute to the development of their societies.



Rayong Works is a key element in the UACJ Group's global supply network, we will continue to explore how to phase in more improvements to production capacity as necessary in the future.

Meanwhile, in the aluminum industry itself, we expect to see the best growth in automotive products. As environmental and fuel consumption regulations grow more stringent in regions around the world, many automotive manufacturers are promoting and examining ways to achieve reductions in vehicle weight by expanding the use of aluminum. The continued application of automotive panels and materials in this massive market is a very big business opportunity for the aluminum industry.

To seize on this rare opportunity, the UACJ Group is aggressively investing heavily to increase its market share in the USA which is a vital market for aluminum automotive components in view of the increasingly stricter environmental regulations. In 2014, we entered a joint venture with European company Constellium N.V. to establish a manufacturing and sales company,

Constellium-UACJ ABS LLC for ABS, and that company began operations in June 2016. We also invested 240 million dollars into strengthening casting and aluminum rolling capabilities at the Logan Mill of our consolidated US subsidiary, Tri-Arrows Aluminum, Inc. By moving into the production of slab stock in-house, we were able to pursue cost benefits for our businesses throughout North and Central America, as well as establish a network for supplying base materials to our joint venture with Constellium. We also purchased a North American company that manufactures and sells automotive aluminum structural materials and components under the brand name "Whitehall Industries," and established UACJ Automotive Whitehall Industries, Inc. in order to strengthen our position in the industry.

In the future, we plan to further improve cost, quality and delivery, and further strengthen and expand our automotive aluminum business in North and Central America by promoting synergies among UACJ Group companies in the region.

In addition to proactive global strategies such as these, we also continued reallocating our product mix in Japan in fiscal 2015, aiming to optimize the domestic production network. These changes have already achieved synergistic effects equivalent to 8 billion yen, and are expected to bring even greater benefits moving forward.

The UACJ Group will continue to accelerate its global growth by balancing financial stability with steady, strategic investments designed to capitalize on important business opportunities.

One in a Million Growth Opportunity

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Making Greater Contributions to Society through Aluminum

Aluminum is a relatively new material, first being used by humans only about 200 years ago. Compared to steel, which has a much longer history, the uses for aluminum are still limited. But this also means that significant room remains to discover new applications through innovative concepts and technical development.

I have been involved in aluminum research since I was a college student. I'm proud to say that there is no one as dedicated as I am to discovering new uses for aluminum, and ensuring greater contributions to society via this unique material.

Integration of the two former companies honestly helped to expand the possibilities of UACJ's Research and Development Division. Our two research and development centers, previously located in Nagoya and Fukaya, were consolidated into a single location in Nagoya, where we are currently in the process of implementing a new R&D framework. As a manufacturer focusing on aluminum processing, we have approximately 300 R&D researchers, and no other company in world rivals our capabilities in this industry. Additionally, while the R&D Division of the former Furukawa-Sky Aluminum Corporation consisted largely of young researchers, that at the former Sumitomo Light Metal Industries, Ltd. consisted largely of mid-career employees. This has resulted in an excellent balance of youth and experience for the newly established

A More Aluminum-friendly Society

department. We are looking forward to accelerating our R&D, with shared inspirations leading to a chain reaction.

During the R&D process, including the development of new applications, we avoid limiting ourselves to in-house resources. Instead, we embrace open innovation, collaborating with corporate clients in development and testing. In fact, the UACJ Group frequently dispatches R&D specialists to its clients to work on solutions in the pursuit of meeting material property demands and resolving technical concerns. For instance, ABS and structural materials currently utilize a wide variety of materials. When developing aluminum automotive materials and parts, we not only focus on development of the aluminum materials themselves, but also the technologies for joining dissimilar materials.

Through R&D such as this, that which incorporates the needs of the market, the UACJ Group is providing products with high added-value, and thus contribute to resolving obstacles for our customers. This customer-centric approach, meticulous technical services, and products

Areas of Growth in Mid-term Management Plan

Energy



- Lithium-ion batteries
- Fuel cells
- Reusable energies

Environment



- Recycling
- Exhaust heat

Transportation



- Automobiles
- Aircraft
- Ships

IT



- Computers
- Servers
- Memory media

tailored to meet demanding customer needs are important weapons we will use to compete in global markets, even against the large-scale aluminum manufacturers. Likewise, we will strive to always remain one step ahead of the times, challenging ourselves to develop new applications for aluminum that will contribute to solving societal issues in fields such as transportation (focusing on automobiles) and renewable energy.

A Level-headed Approach to Risk, Blinded by Neither Pessimism or Optimism

The business environment in present-day society continues to change at an astounding pace, making smooth sailing difficult for individuals and corporations alike. Since entering the company I have served as an engineer in the Research and Development Division, a plant foreman, and a manager at an overseas production site. Like many others, I have faced my own share of difficulties at each of these positions. During such times, something that went a long way to keeping me going were words written by the now departed Ikkaku Takeshima, a former representative at the Japan Training Center. In one of his books titled, "The Book to Read When Starting Your Life Over," he wrote, "In my case, I always strove to choose a better way of thinking. And it was a result of those cumulative decisions that made me the person I am today." I encountered this phrase during research while in my 30s, and it left a deep impression in my mind. Since that time, regardless of the issue, whenever I encounter something dissatisfying, I resist the urge to blame it to someone else, and instead, strive to take ownership of it and my own life, and act accordingly.

Likewise, in managing a company, I strive to take ownership of my actions and visit local sites whenever possible, seeing the works and facilities in person and listening to the troubles of those on the frontlines. It is a



philosophy of focusing on the real site, the real article and the real situation. In order to encourage this philosophy, I always tell employs to take a level-headed approach, be cognizant of risk, and be blinded by neither pessimism nor optimism. Pessimism causes people to give up before they've started, while optimism causes people to underestimate difficulties and grow negligent of what is needed. People and corporations can only grow when facing reality head on, acting with an awareness of the risks, and remaining motivated.

As we continue to formalize the new corporate culture at UACJ, we are also presented with an unparalleled opportunity to raise the level of our human resources and the organizational strength of the Group. Moving forward, I hope to continue to foster an awareness of risk and a sense of ownership in work, throughout the company, sparking continuing chain reactions in each department, and inviting breakthroughs in our R&D and business efforts.

In order to maintain the trust of all of stakeholders, as a truly global entity, the UACJ Group must focus on strengthening corporate governance, for instance by establishing oversight mechanisms via the Board of Directors, having active CSR committees, and implementing thorough compliance and risk management.

Moving forward, the UACJ Group will strive to raise corporate value and steadily implement further growth strategies under the Global Step I Mid-term Management Plan, doing so on the way to becoming an aluminum industry leader in a competitive global market. Thank you all for your continued guidance and support.

Actions of Individual in Charge