

## Responding to Stakeholders' and Investors' Questions Regarding UACJ and the Flat Rolled Aluminum Industry

### Q How are aluminum sheets manufactured?

A First, an aluminum ingot is melted (melting process) and then impurities are removed and it is formed into a large cuboid of aluminum (slab). For example, the length of a slab made at Fukui Works can be as wide as 2.3 meters and 10 meters long, and weigh as much as 32 tons. Next, the slab surfaces are scraped and the slab is treated by heating to a maximum of 600°C to ensure a uniform slab temperature. The slab is

then sent to a hot rolling line where a machine presses it into a sheet as thin as about 3mm, which is then rolled up into a coil (hot rolling). Subsequently, sheets are further rolled by a cold-rolling machine (cold rolling) while constantly controlling the sheet thickness and flatness. The strength of the sheet is adjusted according to its application. Finally, finishing (e.g., surface treatment and coating) is applied, depending on which product it is used for, such as cans, before being delivered to the customer.

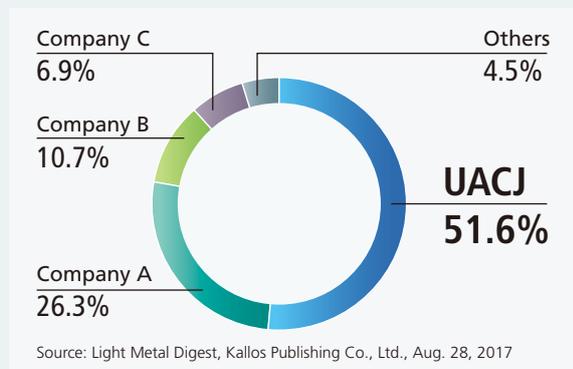
#### Aluminum manufacturing process



**Q What is UACJ's position in the Japanese aluminum industry?**

**A** Our global sales in fiscal 2016 were 1,020,000 tons, and we hold the No. 1 position in the Japanese aluminum industry.

**Ratio of domestic flat rolled aluminum product production**



**Q Who are your main customers?**

**A** Our customers cover a wide range of industries, including can manufacturers, foil manufacturers, electronic components manufacturers, automobile and automotive parts manufacturers, metal trading companies, ship builders and more.

**Q What UACJ's position in the global aluminum industry?**

**A** UACJ has flat rolled aluminum products sales of approximately one million tons per year, around the same amount as other major world-leading aluminum companies such as Novelis and Arconic.

**Q What is the ratio of UACJ sales and sales volume for overseas markets?**

**A** The Global Step I Mid-term Management Plan sets forth our goal for bolstering the global sales network. Thanks to steady progress in implementing measures to attain this goal, the ratio of overseas sales has grown year-on-year from 36.7% in FY2014 to 38.5% in FY2016 and overseas sales volume has risen year-on-year.

**Q UACJ has substantial interest-bearing liabilities. How does the Group feel about the soundness of its financial standing?**

**A** The Group is actively making advanced investments with an eye toward future growth based on the growth strategy stipulated in the mid-term management plan. Borrowing is therefore increasing at present, but we will soon enter the payout period. We will continue with Group management emphasizing a balance between financial soundness and investment.

**Q Do fluctuations in the primary aluminum ingot price affect UACJ's business performance?**

**A** The primary ingot prices of aluminum and copper, which are the main materials utilized throughout the Group, are always fluctuating according to the market environment. The selling prices of our products is basically "Primary ingot price + Processing fee (roll margin)," and this fluctuates in parallel with the ingot market price. As we have prior arrangements with our customers to adjust prices according to market fluctuations, business performance is not largely affected by such fluctuations.

**Nikkei average primary ingot price/ Standard primary aluminum ingot price** Unit: yen/kg



**Q Please explain about "inventory valuations," which is referred to in the explanatory note on profits.**

**A** It is the profit or loss generated by the difference between the primary ingot price, the basis of UACJ's sales price and the actual price of the ingot when purchased, and the difference between UACJ's purchase price and the aggregate average shipping price of the inventory. If we purchased aluminum ingots when the price was high and the price later falls, the inventory valuation becomes negative. In contrast, if we purchased aluminum ingots when the price was low and the price rises thereafter, the inventory valuation becomes positive.

**Q Do fluctuations in crude oil price affect UACJ's business performance?**

**A** The fluctuation of crude oil price by one US dollar causes our ordinary income to change approximately 100 million yen.

**Q Do fluctuations in foreign currency affect UACJ's business performance?**

**A** The effect is not significant.

**Q Do weather conditions affect UACJ's business performance?**

**A** The sales of aluminum products tend to increase when there is a very hot summer. This is because the shipments of air conditioners and beverage cans, which use aluminum, increase. However, the influence is not as much as it once was.