



## **UACJ Corporation**

Financial Results Briefing for the Fiscal Year Ended March 2023

May 11, 2023

## Event Summary

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<b>[Company Name]</b>	UACJ Corporation	
<b>[Company ID]</b>	5741-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2023	
<b>[Fiscal Period]</b>	FY2023 Annual	
<b>[Date]</b>	May 11, 2023	
<b>[Number of Pages]</b>	38	
<b>[Time]</b>	15:30 – 16:32 (Total: 62 minutes, Presentation: 33 minutes, Q&A: 29 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	6	
	Miyuki Ishihara	Representative Director, President
	Teruo Kawashima	Director, Executive Vice President
	Shinji Tanaka	Director, Managing Executive Officer
	Joji Kumamoto	Executive Officer, Chief Executive, Corporate Strategy Division
	Haruhiro Iida	Executive Officer, Chief Executive, Finance and Accounting Division
	Kaoru Ueda	General Manager, IR, Finance Department
<b>[Analyst Names]*</b>	Atsushi Yamaguchi	SMBC Nikko Securities Inc.
	Harunobu Goroh	UBS Securities Japan Co., Ltd.
	Yu Shirakawa	Morgan Stanley MUFG Securities Co., Ltd.
	Yuji Matsumoto	Nomura Securities Co., Ltd.
	Shinichiro Ozaki	Daiwa Securities Co. Ltd.

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\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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## Presentation

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**Ueda:** All participants, thank you very much for waiting. Thank you very much for taking time out of your busy schedule to participate in the financial results briefing for FY2022 of UACJ Corporation today. This briefing will be conducted using the briefing materials available on the UACJ Corporation website. If you do not have the materials at hand, please visit our website.

This presentation may contain forward-looking statements, and such statements are based on our current expectations only. Please note that actual results may differ materially from these future projections due to a variety of factors.

We would like to ask for your cooperation in starting the conference. In order to facilitate the question-and-answer session, please change your display name on Zoom to a combination of your company name and your name.

Now, I would like to introduce today's speakers from the Company. Miyuki Ishihara, Representative Director, President.

**Ishihara:** This is Ishihara. Thank you for joining us today.

**Ueda:** Teruo Kawashima, Director, Executive Vice President.

**Kawashima:** Hello, this is Kawashima. Thank you for joining us today.

**Ueda:** Shinji Tanaka, Director, Managing Executive Officer.

**Tanaka:** I am Tanaka. Thank you.

**Ueda:** Joji Kumamoto, Executive Officer, Chief Executive, Corporate Strategy Division.

**Kumamoto [A]:** This is 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, who will serve as the moderator today. Thank you.

President Ishihara will now present financial results for the FY2022 and the full-year forecast for FY2023 announced today. Please join us while viewing the presentation materials.

President Ishihara, please go ahead.

**Ishihara:** I will now explain based on the financial results presentation materials.

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## Key Points of Today's Announcements

**FY2022: Sales increased YoY but ordinary income before metal price lag decreased to ¥16.1 bn (YoY: ¥(5.2) bn)**

**FY2023: We expect improvements resulting from the manifestation of the effects of the energy surcharge and a recovery in automotive-related demand**

- 1 **FY2022 Overview**
  - ✓ In FY2022 profits declined year on year, hit by the impact of disruption to automotive production.
  - ✓ Japan: Automotive-related businesses was affected by market conditions, but sales of air conditioner fin materials and other general-purpose materials increased
  - ✓ Overseas: Captured strong global can stock demand, and profits increased at both TAA\*<sup>1</sup> and UATH\*<sup>2</sup>
  - ✓ Structural reforms: Generated ¥21.0 billion in structural reform effects, established a system that enables to respond the external business environment promptly
  
- 2 **Full-Year Forecast for FY2023**
  - ✓ We expect a recovery in automobile-related demand as a result of a recovery in domestic production units in the second half
  - ✓ We expect to achieve profitability at UWH\*<sup>3</sup> with the easing of disruption to automotive production in North America
  - ✓ Effects of energy surcharges in Japan manifested themselves throughout the year
  - ✓ Continuing to work to pass additional burden of electricity costs on to sales prices

\*1 TAA: Tri-Arrows Aluminum Inc.

\*2 UATH: UACJ (Thailand) Co., Ltd.

\*3 UWH: UACJ Automotive Whitehall Industries, Inc.

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1

We will begin with the key points of the presentation on page one, as you can see from the page number at the right bottom.

In FY2022, sales increased from the previous year, while ordinary income before inventory effects, which is the actual profit, decreased. In FY2023, we expect improvement due to the effects of energy surcharges and recovery in automobile-related demand.

In FY2022, earnings decreased from the previous year, mainly due to the significant impact of automobile production in all of our businesses, including flat-rolled products and extrusion. As for the domestic business, the automotive-related business has been affected by the market impact to a large extent. Among them, sales of general-purpose materials increased in terms of volume due to strong sales of air conditioner fin materials.

Overseas, both TAA in North America and UATH in Thailand increased profits due to strong global demand for can stock. I will discuss the effects of the structural reforms we undertook up to FY2022 in more detail later, but I believe that as a result, we have become more resilient, able to respond quickly to changes in the external environment.

Looking at our full-year business outlook for FY2023, we expect domestic automobile production volume to recover from H2 of FY2023. The disruption in the production of automobile in North America is expected to be resolved, and the production of UWH (UACJ Automotive Whitehall Industries, Inc.) in North America is also expected to return to profitability during the year.

We have achieved our price scheme linked to the energy and additive metals markets globally as planned, and for FY2023, we expect the effects of this scheme to be manifested throughout the year. There will be new additional costs for electricity and other expenses, but we will continue to consider this matter.

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## Changes in the External Environment and Our Countermeasures

With the aim of stabilizing profits, we established a pricing scheme that will be resilient to changes in the business external environment

	Japan 	TAA (United States) 	UATH (Thailand) 
Increase in aluminum ingot prices	Pass on to sales prices		
Soaring unit energy prices	Pass-through to sales prices <b>already implemented on schedule</b>  Continuing to consider additional burden of electricity costs on to sales prices	Pass through to sales prices <b>(already introduced pricing system linked to market prices)</b>	<b>Updated contracts (including new ones)</b> Already introduced pricing system linked to market prices  <b>Revisions during contract period for existing contracts</b> Reached agreements with some customers concerning the pass-through of high energy prices
Soaring additive metals prices	We have introduced a pricing system linked to market prices for products that include many additive metals		
Increase in logistics costs	—		Pass through to sales prices <b>(already introduced formula system)</b>

2

The next section on responding to changes in the external environment is the details of the pricing scheme I just mentioned. There are no major changes.

I will now begin to present the results for FY2022 starting on page four and thereafter.

### 1. Results for FY2022

## Overview of Results for FY2022

**Ordinary income before metal price lag for FY2022: ¥16.1 billion (YoY: ¥(5.2) bn)**

Ordinary income for FY2022: ¥8.7 billion (YoY: ¥(43.6) billion)

- Sales volume: 1,330,000 tons (+37,000 tons YoY)
  - Can stock: UATH (Thailand) and TAA (US) recorded increases driven by healthy demand
  - General-purpose materials: Sales volume increased in air conditioner fin materials as we captured global demand for air conditioners, and for printing plate materials as customers moved operations back to Japan
  - Automotive-related (automotive materials, foil), IT-related materials: Sales volume decreased as being affected by semiconductor shortages and global supply chain disruption

### ■ Ordinary income before metal price lag: YoY: ¥(5.2) billion

Positive factors (Including structural reform effects)      Negative factors

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Improvements in the domestic business roll margin (by incorporating investments to address climate change)</li> <li>• Growth of UATH's performance</li> <li>• Growth of TAA's performance</li> </ul> | <ul style="list-style-type: none"> <li>• Increase in energy prices</li> <li>• Income decreased for UWH and domestic automotive-related business due to impact of disruption to automotive production</li> </ul> |
|---|---|

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5

On page five is the performance summary for FY2022.

Sales volume was up 37,000 tons from the previous year. This was due to the fact that can stock were doing very well in Thailand and North America. General-purpose materials include air conditioner fin materials, and

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since demand for air conditioners is growing worldwide, production for UATH in Thailand or for air conditioners in Japan has increased. For some products, customers moved operation back to Japan. In particular, demand for printing plate materials has been growing significantly.

The automotive-related materials, which includes automotive body panel materials, foil battery materials, extruded materials, and processed products, as well as IT-related materials and semiconductor-related materials, have also seen a large decrease due to supply chain disruptions.

Ordinary income before inventory effects was decreased JPY5.2 billion YoY, and the factors for the increase and decrease are as stated.

## 1. Results for FY2022

### Results for FY2022

	(Billions of yen)		
	FY2021 (A)	FY2022 (B)	Change (B) – (A)
Net sales	782.9	962.9	180.0
Operating income	59.5	17.2	(42.3)
Ordinary income before metal price lag	21.3	16.1	(5.2)
Metal price lag	31.0	(7.4)	(38.4)
Ordinary income	52.3	8.7	(43.6)
Net income <sup>*1</sup>	32.1	4.7	(27.4)
Adjusted EBITDA <sup>*2</sup>	60.2	59.7	(0.5)

\*1 Net income: Net income attributable to owners of the parent  
© UACJ Corporation. All rights reserved. \*2 Adjusted EBITDA: EBITDA – Metal price lag

6

Performance figures are summarized on page six.

Consolidated net sales increased JPY180 billion from the previous year. However, ordinary income before inventory valuation effects, which is the actual profit/loss, was JPY16.1 billion, lower than the previous year's result. The rest is as we have indicated in our figures.

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1. Results for FY2022

**Sales and Operating Income by Segment**

(Billions of yen)

	FY2021 (A)		FY2022 (B)		Change (B) – (A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Flat-rolled products	697.5	64.1	<b>850.9</b>	<b>23.3</b>	153.4	(40.8)
Precision- machined components and related business	164.8	1.1	<b>199.1</b>	<b>(0.2)</b>	34.3	(1.2)
(Adjustment)	(79.3)	(5.7)	<b>(87.1)</b>	<b>(6.0)</b>	(7.8)	(0.3)
<b>Total</b>	782.9	59.5	<b>962.9</b>	<b>17.2</b>	180.0	(42.3)

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7

On page seven, you will find net sales and operating income by segment.

I will discuss flat-rolled products in more detail later, but here I would like to touch on the precision-machined components and related business. Sales increased due to strong sales of air-conditioning-related materials and new launches of automotive-related products, as well as the impact of the weaker yen against the US dollar. However, operating income fell short of the previous year's level due to an increase in labor costs associated with inflation in North America and higher energy costs.

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1. Results for FY2022

**Sales Volume, Flat-rolled Products**

(Thousands of tons)

	FY2021 (A)	FY2022 (B)	Change (B) - (A)
Can stock	816	<b>869</b>	53
Foil	56	<b>46</b>	(10)
IT	14	<b>9</b>	(5)
Automotive materials	138	<b>126</b>	(12)
Thick plates	53	<b>52</b>	(1)
Other general-purpose materials	216	<b>228</b>	12
<b>Total</b>	<b>1,293</b>	<b>1,330</b>	<b>37</b>
	For Japanese market <b>479</b> For overseas market <b>815</b>	For Japanese market <b>475</b> For overseas market <b>855</b>	For Japanese market <b>(4)</b> For overseas market <b>40</b>

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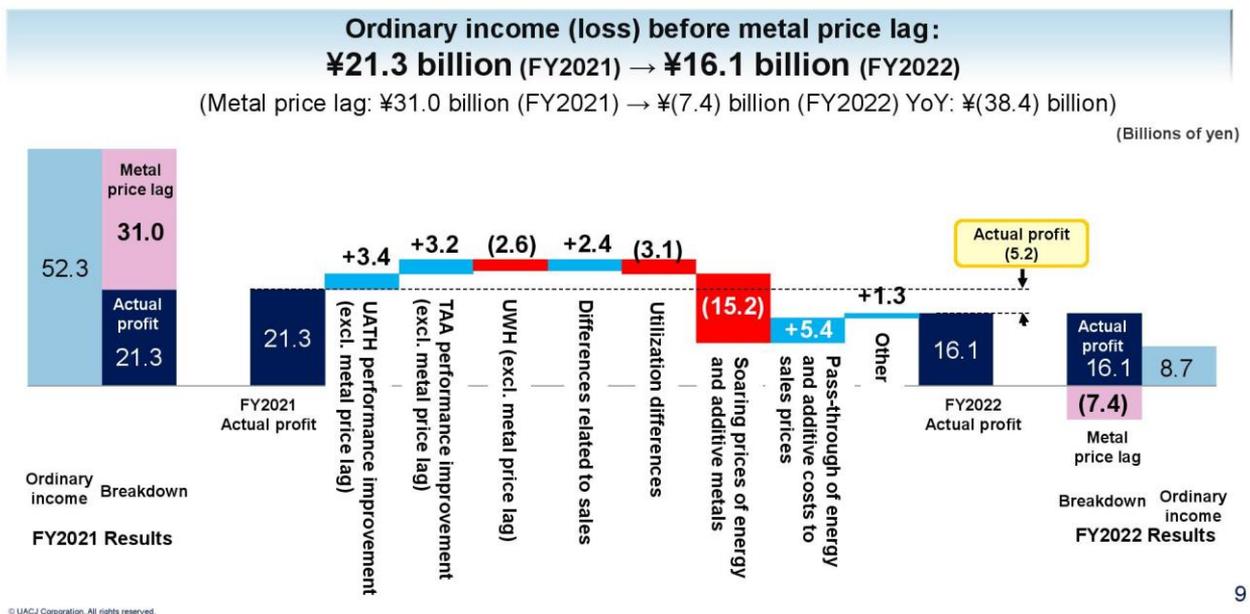
8

Page eight shows sales of flat-rolled products by product type.

As I mentioned earlier, demand for can stock has been increasing due in part to the worldwide increase in demand for aluminum can stock. However, there was a large decrease in foil, IT materials, and automotive materials, which are largely included in the automotive-related materials category. Overall, however, there was an increase of 37,000 tons. The ratio of overseas sales has been increasing slightly.

1. Results for FY2022

**Analysis of Consolidated Ordinary Income (FY2021 → FY2022)**



9

The waterfall chart is shown on page nine.

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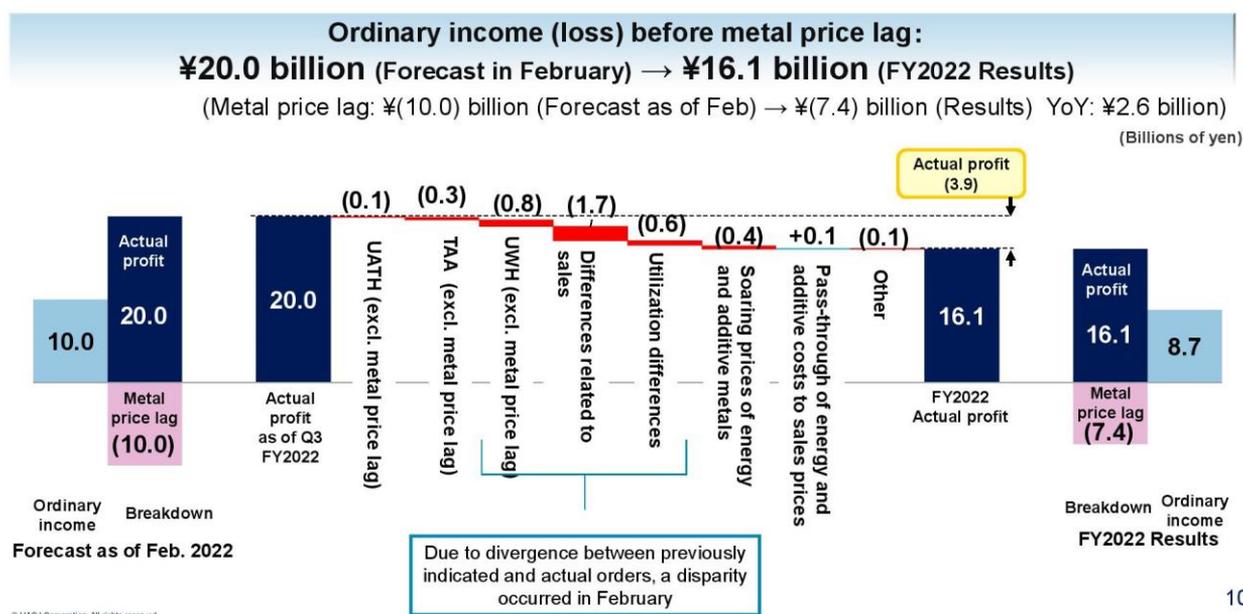
8

This shows the changes from FY2021 to FY2022. This section mainly explains the changes of the actual profit from JPY21.3 billion to JPY16.1 billion in FY2022. Metal price lag deteriorated by JPY38.4 billion due to the decline in bullion prices, while the increase was due to the improved performance of UATH Thailand, improved performance of TAA, and increased domestic sales-related factors, excluding automobile-related materials. The price pass-through for energy and additive metals contributed JPY5.4 billion to profit. This is mainly for domestic sales. Others contributed JPY1.3 billion.

The factors behind the decrease in profits are as follows: JPY2.6 billion decrease in UWH (Whitehall) in automotive parts, JPY3.1 billion decrease in domestic utilization differences, and a JPY15.2 billion decrease in energy and additive metal prices hikes. As shown here, there was a JPY15.2 billion decrease due to energy and additive metal price hikes, but we were able to achieve an increase of JPY5.4 billion in H2 of the year through negotiations on energy surcharges and other measures conducted from H1 of the year.

This means that the half-year amount approximately will be recovered. As I mentioned earlier, this will manifest itself from the beginning in FY2023. We experienced very sharp price fluctuations due to the Russian-Ukrainian crisis in February 2022. The impact on this was felt in FY2022. That impact of JPY10 billion affected us significantly.

1. Results for FY2022  
**Analysis of Consolidated Ordinary Income (Changes from Forecast in February)**



Page 10 shows the changes from the forecast made in February.

There was a large change already in February. We are a make-to-order company, so we start production after receiving unofficial orders from our customers. However, a large discrepancy occurred between what was produced and what was actually delivered. As a result of the large discrepancies that occurred in February and March, expected profit of JPY20 billion decreased to JPY16.1 billion.

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1. Results for FY2022

## Consolidated Balance Sheet, Application of Funds Statement

### Generation of long-term funds to act as the source of our financial position

Consolidated Balance Sheet				Application of Funds Statement		
(Billions of yen)	March 31, 2022 (A)	March 31, 2023 (B)	Change (B)–(A)	Application of funds		Sources of funds
Cash and deposits	14.3	22.3	8.0	Long-term funds	Capital investment 26.9	Income before income taxes 7.1
Notes and accounts receivable – trade	122.7	125.0	2.3		Payment of income taxes, etc. 8.0	Depreciation and amortization 37.3
Inventories	232.4	223.5	(8.8)		Surplus of long-term funds 9.5	
Other current assets	25.2	39.0	13.7	Short-term funds		Change in working capital 16.2
Noncurrent assets	398.5	412.6	14.1		Surplus of short-term funds 16.2	
Investments and other assets	35.6	37.6	2.0			
<b>Total assets</b>	<b>828.7</b>	<b>860.1</b>	<b>31.4</b>			
Notes and accounts payable – trade	118.6	118.1	(0.4)		Surplus of long-term funds ¥9.5 billion	
Short-term loans payable	141.9	157.7	15.8		Surplus of short-term funds ¥16.2 billion	
Long-term loans payable	197.5	179.0	(18.5)		FCF ¥25.7 billion	
Other	123.1	136.0	12.9			
<b>Total shareholders' equity</b>	<b>209.0</b>	<b>209.6</b>	<b>0.6</b>			
Accumulated other comprehensive income	19.0	38.5	19.5			
Non-controlling interests	19.6	21.2	1.6			
<b>Total liabilities and net assets</b>	<b>828.7</b>	<b>860.1</b>	<b>31.4</b>			

Long-term funds: Generation of long-term funds to act as the source for strengthening our financial position  
 Short-term funds: Effect generated by reduction in inventories

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11

On page 11 is the consolidated balance sheet and application of fund statement.

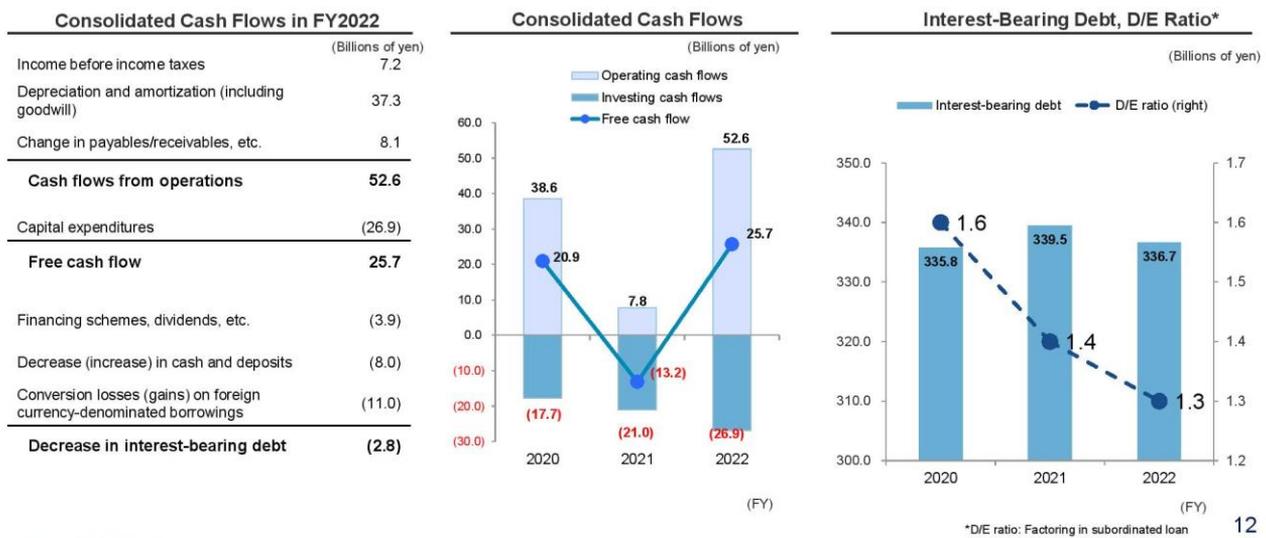
In particular, interest-bearing debt was reduced by a total of JPY2.8 billion, offsetting a decrease in long-term debt from an increase in short-term debt. From December 2020 to March 2023, we saw a combined decrease in interest-bearing debt of JPY35 billion.

If you look at the application of funds statement, the resulting free cash flow was positive JPY25.7 billion.

1. Results FY2022

## Consolidated Cash Flow Statement

### Interest-bearing debt decreased, the D/E ratio improved to 1.3, and earning power improved



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The details are shown on page 12.

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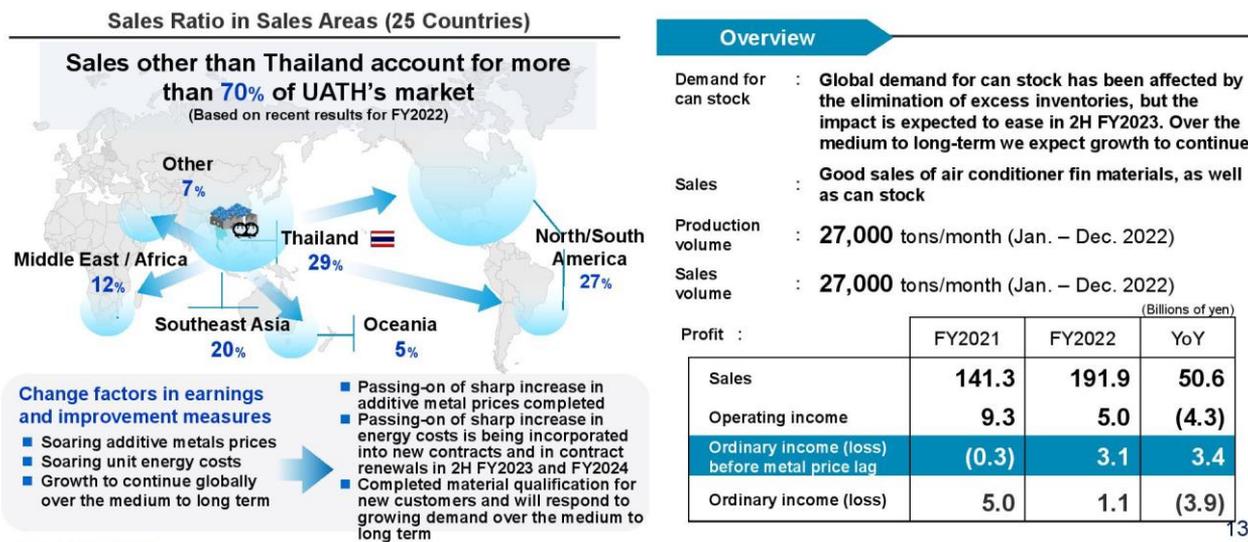


The graphs of consolidated cash flow, interest-bearing debt, and debt-to-equity ratio show that cash flow has recovered in FY2022, interest-bearing debt has decreased, and the debt-to-equity ratio has improved to 1.3 times.

1. Results for FY2022

## Situation in Thailand (UATH) – Overview of FY2022

Sales and profits increased thanks to efforts to capture strong global demand can stock and air conditioner fin materials



The situation by region is described starting on page 13.

In Thailand, as shown in the left picture, we have been able to provide can stock to various regions in order to meet the very strong global demand for can stock. Although currently sluggish due to the disruptions of the supply chain, global can stock is expected to grow in the mid- to long term, and we have completed material certifications for new customers. Therefore, we expect global can stock to continue to grow in FY2023 and beyond.

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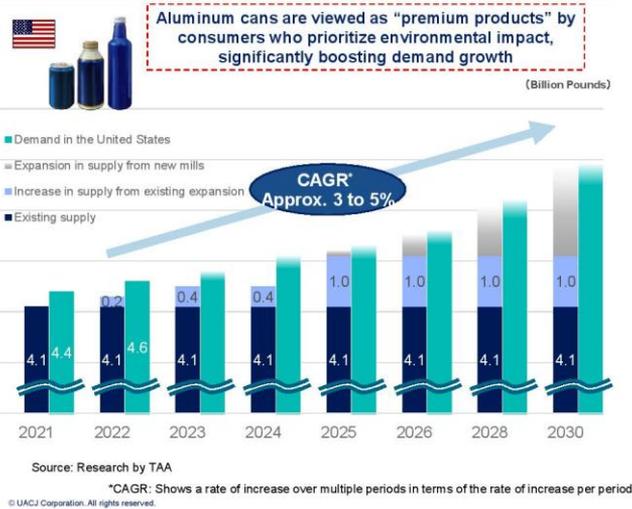
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1. Results for FY2022

## Situation in United States (TAA) – Overview of FY2022

Actual profit grew as a result of capturing healthy US demand for can stock

### Changes in US Can Stock Demand and Domestic Supply Capacity



### Overview

- Demand for can stock** : In the short term we are being affected by the inventory correction, but that is expected to ease in 2H FY2023. Strong demand environment continues over the long term.
- Sales volume** : **42,000** ton/month (Apr. 2022 – Mar. 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)		
	FY2021	FY2022	YoY
Sales	237.2	286.5	49.3
Operating income	32.0	7.6	(24.4)
Ordinary income (loss) before metal price lag	9.9	13.1	3.2
Ordinary income (loss)	29.5	1.7	(27.8)

14

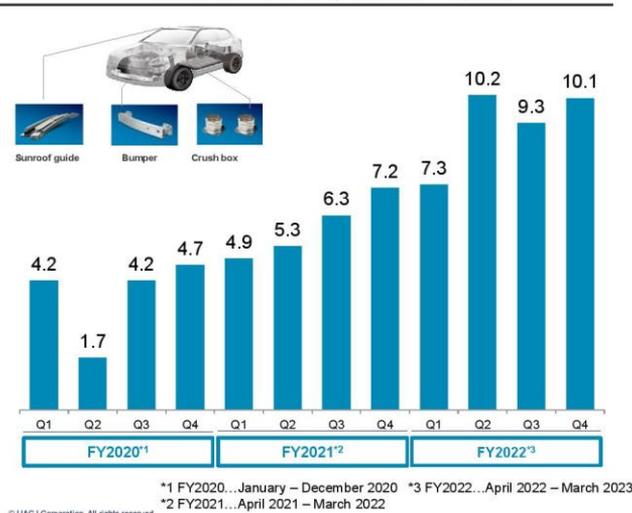
As for the US, TAA has been affected by an inventory adjustment at the moment, but we expect that this will be resolved in FY2023 and beyond and that strong demand is expected in the long term.

1. Results for FY2022

## Situation in United States (UWH) – Overview of FY2022

Despite deploying new lines based on customer sales plans, the impact of disruption to automotive production resulted in actual demand being pushed back

### UWH Net sales (Billions of yen)



### Overview

- Market environment** : •Automotive production has recently been disrupted by shortages of semiconductors, etc.  
•Over the medium to long term, the US government's Buy America Act is expected to lead to rising demand for EVs manufactured in the US
- Sales** : •Actual demand has been pushed back due to the effects of disruption to automotive production, and we are negotiating guarantees with customers for the portion of sales which is changed  
•Increase in sales due to high aluminum ingot prices
- Production** : •Although new lines began operating, the impact of sales resulted in low operation rates  
•In preparation for a recovery in demand, we have implemented automation and reduced costs

Profit	(Billions of yen)		
	FY2021	FY2022	YoY
Sales	23.7	36.9	13.2
Operating income	(1.5)	(2.8)	(1.3)
Ordinary income (loss) before metal price lag	(1.8)	(4.4)	(2.6)
Ordinary income (loss)	(1.8)	(4.2)	(2.4)

15

Page 15 shows the status of UWH (Whitehall) in North America.

Although automobile production continues to be disrupted by the shortage of semiconductors and other factors currently, the situation of automobile production is very strong, and we expect it to grow for FY2023. UWH (Whitehall) is currently negotiating with existing customers for guarantees to cover sales fluctuations, and is also working steadily to reduce costs through automation and productivity improvements.

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## Key Issues and Measures to Be Implemented for Structural Reforms

### Establishing strong management foundations as a goal of structural reforms

Key issues	Measures
Enhance earnings power	<ul style="list-style-type: none"> <li>Establish earnings structures that are resilient to changes in the environment by lowering breakeven points, etc.</li> <li>Capture demand in growth sectors and maximize earnings by utilizing capacity from already completed major investments to the maximum possible extent</li> </ul>
Improve financial position	<ul style="list-style-type: none"> <li>Highly selective investment</li> <li>Reduction in inventories</li> <li>Initiatives for management that emphasizes cash flow and capital efficiency</li> </ul>
Strengthen management systems	<ul style="list-style-type: none"> <li>Revision of director/officer systems</li> <li>Reform of organizational, authority, and corporate functions</li> <li>Reconfirmation and reconstruction of philosophy and values</li> </ul>

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From page 16 onward, we will explain structural reforms.

Page 17 lists the objectives and measures since the beginning of the structural reform.

## Progress on Structural Reforms

### Planned structural reform measures are all completed while addressing changes in the environment

Measures	FY2019		FY2020				FY2021				FY2022				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Production base aggregation			★Stop portion of Fukaya Works lower processes			★Complete Nikko closing ★Aggregate extrusion in Oyama and press operation in Nagoya						★ Completed transfer of automotive materials from Fukaya Works (Continuing facility operation to respond to orders for general-purpose materials)			
	Transfer/confirm quality/redeploy and adjust personnel														
	Aggregation effect														
Profitability of Large Investments	UATH	Phase 3 Facilities: Confirm quality/increase production amount		System for sales of 320,000 tons/year											
	TAA	★New cold-rolled operation		System for sales of 450,000 tons/year											
	Confirm quality														
Withdrawal from unprofitable/non-core fields	Thorough review of candidate fields for sales/withdrawal														
	Implement sales/withdrawal														
	Review continued withdrawal														
Governance management	Revision of director/ officer systems	Review for new system	Preparation of new system	Operation via new system											
	Reform of organizational, authority, and corporate functions	Creation of master plan/road map		Detailed design				Reform implementation phase							
	Reconfirmation and reconstruction of philosophy and values	Formulation of revision proposals		Permeation activities											
Strengthen foundations												Passing-on of sharp increase in additive metal prices			
														Passing-on of sharp increase in energy prices	

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The results are shown in the Gantt chart on page 18.

The reform has progressed almost in line with the schedule. In addition, as a result of structural reforms to strengthen our business foundation, we introduced a system that can respond quickly to changes in the external environment. This is the surcharge system we introduced to reform the pricing structure to respond

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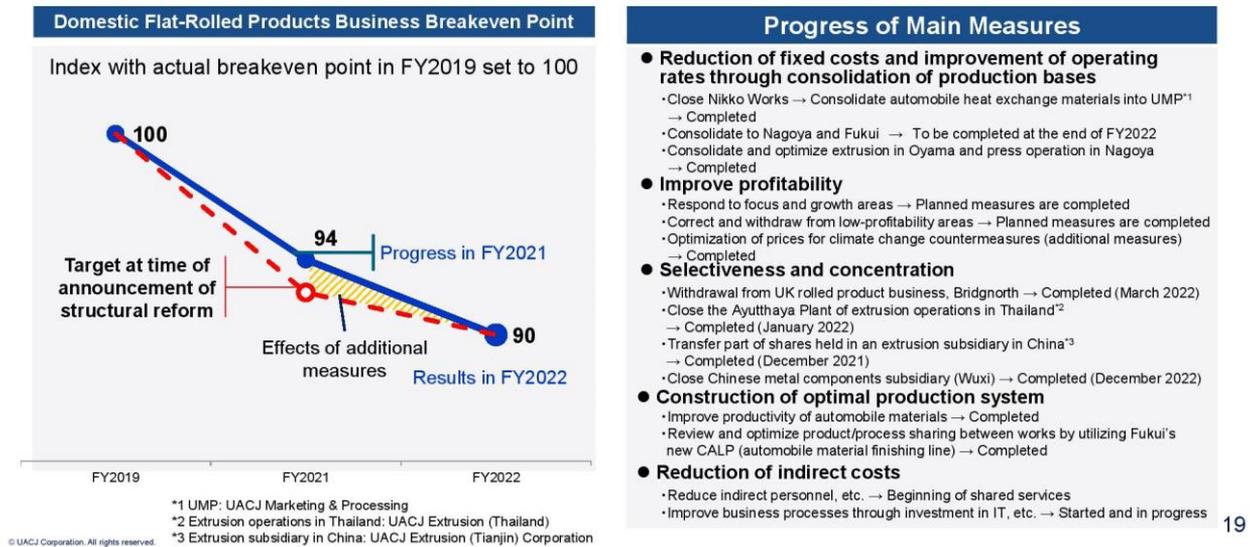
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to the sharp increase in energy and additive metal prices quickly in H1 of FY2022, as I mentioned earlier. This is an indication that the Company has the ability to realize this kind of implementation.

## 2. Overview of Structural Reforms

### Lower Breakeven Points

Breakeven points lowered to targeted levels through previous structural reform initiatives



On page 19, the break-even point is described for flat-rolled products business.

It can be seen that cost reductions have further advanced the foundation for increased earning power.

## 2. Overview of Structural Reforms

### Improvement in Earnings from Structural Reforms

We achieved ¥21.0 billion in earnings by reforming our profit structure and generating returns on large investments

	When structural reforms were announced (September 2019)	Impact of structural reforms*	
<b>Domestic: Profit structure reforms</b>	+¥10.0 bn	+¥11.2 bn	
Production base aggregation	+¥4.0 bn	+¥1.4 bn	Reviewed discontinuation of facilities to deal order increase with certain products
Optimizing the production system and improving the product mix (increase in automotive components and battery materials)	+¥5.0 bn	+¥8.7 bn	Productivity improvement, optimization of prices for climate changes, etc.
Reducing indirect expenses (reducing indirect headcount, etc.)	+¥1.0 bn	+¥1.1 bn	As planned
<b>Overseas: Returns on large investments</b>	+¥11.0 bn	+¥9.8 bn	
UATH Increasing sales volume and reducing costs with the start of operation of investments made in phase three	+¥7.0 bn	+¥6.9 bn	As planned
TAA Increasing sales volume with completion of investment to increase capacity, and amending prices	+¥2.0 bn	+¥5.1 bn	Increased due to our response to rising demand for can stock in North America
UWH Focusing on profitability when accepting orders and utilizing extruder to increase sales	+¥2.0 bn	¥(2.2) bn	Decreased due to the impact of disruption in North American automobile production
<b>Impact of structural reforms</b>	+¥21.0 bn	+¥21.0 bn	

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\*Impact of structural reforms is calculated based on the details from the time structural reforms were announced 20

As shown on page 20, we were able to achieve a numerical effect of JPY21 billion. Although there are pluses and minuses for each item, the overall impression is that JPY21 billion was achieved.

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2. Overview of Structural Reforms

## Impact of Structural Reforms: Summary

Key issues	Results
<p><b>Enhance earnings power</b></p> <ul style="list-style-type: none"> <li>Lower breakeven point by 10% from the point at which structural reforms began</li> <li>Impact of structural reforms: ¥21.0 billion</li> </ul>	<ul style="list-style-type: none"> <li>Breakeven point has been lowered by 10%</li> <li>Has generated ¥21.0 billion in structural reform effects</li> <li>As a follow-on initiative we rectified the price-determination structure</li> </ul>
<p><b>Improve financial position</b></p> <ul style="list-style-type: none"> <li>Lower D/E ratio from 1.7 to 1.3</li> <li>Reduce interest-bearing debt by more than ¥80 billion</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in D/E ratio: 1.3 in FY2022</li> <li>Reduction in interest-bearing debt: ¥28.0 billion</li> <li>*Working capital increased due to soaring ingot prices</li> </ul>
<p><b>Strengthen management systems</b></p> <ul style="list-style-type: none"> <li>Revision of director/officer systems</li> <li>Reform of organizational, authority, and corporate functions</li> <li>Reconfirmation and reconstruction of philosophy and values</li> </ul>	<ul style="list-style-type: none"> <li>The number of directors and executive officers was cut</li> <li>Made the diversity and expertise of officers visible through the introduction of a skill matrix</li> <li>Assessed the effectiveness of the Board of Directors and the Audit &amp; Supervisory Board</li> <li>Broadened performance-linked remuneration by integrating total shareholder return and non-financial indicators</li> </ul>

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21

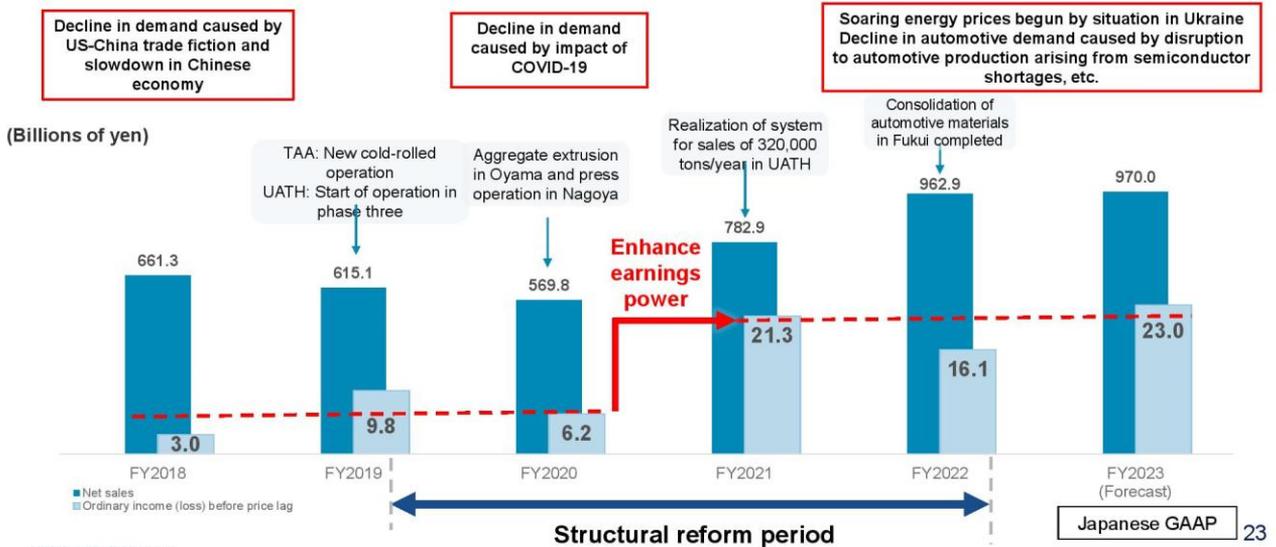
Page 21 summarizes the results of the structural reforms.

Details will be explained on IR-Day, so please refer to them.

3. Full- Forecast for FY2023

## Understanding of Management Environment

As well as steadily increasing earnings power, we have transformed “the structure of the company into one that can respond promptly to changes in the external environment”



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Next, I will explain our full-year earnings forecast for FY2023. Consolidated ordinary income before price lag for FY2023 is expected to be JPY23 billion, as shown on this page. In response to this JPY23 billion, we would like to, once again, present our perception of the business environment. This slide shows the change in sales and the Company's actual profit, ordinary income before price lag, since FY2018, when I myself assumed the position of President.

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In 2018, trade friction between the US and China, or a slowdown in the Chinese economy, led to a significant decrease in demand in the main flat-rolled products, such as IT materials and thick plates. In conjunction with this, the earning power of the Company has been low due to the up-front investment in facilities at domestic and overseas subsidiaries.

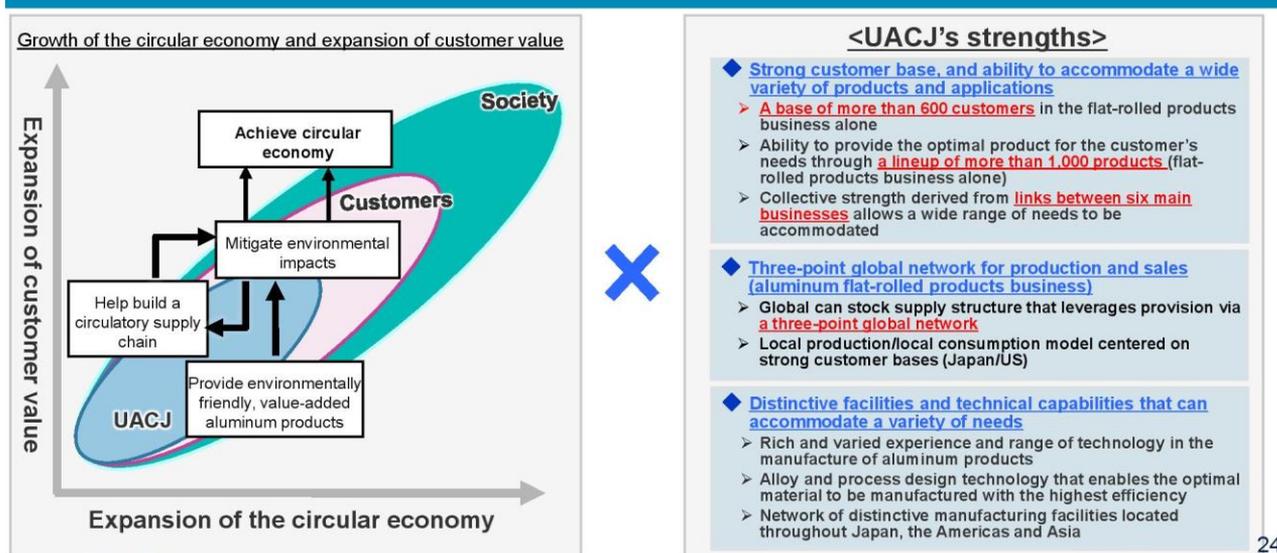
However, with the structural reforms that we began working on in H2 of FY2019 and completed in FY2022, we believe that our earning power has improved significantly over the next three years as indicated by the red arrows by transforming ourselves while implementing the structural reforms.

We are also feeling a strong response to our longstanding challenge of establishing a corporate structure that can respond quickly to the external environment. As I mentioned earlier, we were able to respond quickly to the significant increase in energy prices starting in FY2022, which shows our ability.

### 3. Full- Forecast for FY2023

## Promote Circular Economy through the Provision of Value-added Services

By adding value to aluminum materials, promote the circular economy and expand customer value



On page 24, we review once again the concepts in this mid-term plan, as FY2023 is the final year of the third mid-term plan. In terms of establishing a foundation for future growth after completion of structural reform, and realization of our vision for 2030, we believe that we can increase our corporate value by expanding the circular economy and increasing customer value, as shown in the picture on the left, and by combining these with UACJ's strengths.

We are working to solve the problems of our customers and society through the creation of a circular economy for aluminum by expanding the scope of aluminum material utilization and at the same time, through aluminum materials as a material that can be used to build a recycling-oriented supply chain.

We intend to successfully seize the opportunity of building a circular economy to expand our materials-plus-alternatives business model, while at the same time enhancing our corporate value.

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## Understanding of Market Environment

### Company-wide

- We expect aluminum demand to increase over the medium to long term due to its environmentally friendly characteristics (recyclability, lightweight).
- The demand situation will be challenging in the first half of FY2023, but we anticipate a recovery, primarily in automotive-related demand, in the second half.  
⇒ Amid harsh demand conditions, we will endeavor to maintain and increase market share, and promote further cost reduction activities
- In FY2023, we expect to benefit from a pricing system that links to market prices of energy and additive metals over the full year  
⇒ Working to pass additional burden of electricity costs on to sales prices

### Can stock

Japan: Amid firm demand, we will engage in activities to increase sales volume  
Global: Due to recent economic sentiment based on inflation, and the effects of excess inventory that arose from supply chain disruptions, there will be a temporary lull, but in the medium to long-term we expect the resumption of an environment of healthy demand

### Automotive materials

Japan: Due to the easing of shortages in semiconductors and other parts, we expect a recovery in demand in the second half of FY2023  
UWH: With the easing of supply chain disruption among North American auto manufacturers, we aim to achieve profitability on the back of stabilizing demand during FY2023

### General-purpose materials

Thick plates: Despite adjustments in the short term, we expect robust demand for semiconductor production equipment applications over the medium and long term  
IT materials: Despite recent inventory adjustments, we expect an expansion in demand for DX and 5G-related applications in the future  
Air conditioner fin materials: Demand for fin materials is expanding thanks to a global expansion in air conditioner applications, particularly in Europe and Southeast Asia  
Printing plate materials: Sales are increasing thanks to efforts to capture demand related to customers moving operations back to Japan  
⇒ We will utilize our “strong customer base” and “ability to accommodate a wide variety of products and applications” to secure profits in sectors performing well

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25

Regarding the market environment, as shown on page 25, we expect that the situation from FY2022 will continue through H1 of FY2023 for the Company as a whole.

However, we expect that the supply chain disruptions in automobile-related materials and the inventory impact of North American can stock will be eliminated and that market environment will recover.

In addition, demand for general-purpose materials, such as thick plates, air conditioner fin materials, and printing plates materials, will be strong in the medium to long term, and there is a certain increase in air conditioner fin materials in the near future. We would like to take advantage of our strength in these areas.

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### 3. Full-Year Forecast for FY2023

## Full-Year Forecast for FY2023

(Billions of yen)	Japanese GAAP		Change (B)–(A)	(Billions of yen)	IFRS FY2023 (Forecast)
	FY2022 Results (A)	FY2023 Forecast (B)			
Net sales	962.9	<b>970.0</b>	7.1	Net sales	<b>970.0</b>
Operating income	17.2	<b>32.5</b>	15.3	Operating income	<b>34.0</b>
Ordinary income before metal price lag	16.1	<b>23.0</b>	6.9	Operating income before metal price lag	<b>36.0</b>
Metal price lag	(7.4)	<b>(2.0)</b>	5.4	Metal price lag	<b>(2.0)</b>
Ordinary income	8.7	<b>21.0</b>	12.3	—	—
Net income	4.7	<b>11.5</b>	6.8	Net income	<b>15.0</b>
Adjusted EBITDA	59.6	<b>73.8</b>	14.2	Adjusted EBITDA	<b>72.3</b>
Annual dividends	85 yen/share	85 yen/share	—	Annual dividends	85 yen/share

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26

You can see these assumption in numbers on page 26.

Net sales are expected to be JPY970 billion. Ordinary income before price lag is expected to be JPY23 billion. Both of them are projected to increase from actual results in FY2022 to the forecast for FY2023. It says Japanese GAAP here, but I will discuss IFRS International Standards later, so I will discuss the results based on Japanese GAAP here.

### 3. Full-Year Forecast for FY2023

## Forecast for Sales and Operating Income by Segment

	Japanese GAAP FY2022 Results (A)		Japanese GAAP FY2023 Forecast (B)		Change (B)–(A)		IFRS FY2023 Forecast	
	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income
	Flat-rolled products	850.9	23.3	<b>870.0</b>	<b>34.2</b>	19.1	10.9	<b>870.0</b>
Precision- machined components and related business	199.1	(0.2)	<b>194.0</b>	<b>4.7</b>	(5.1)	4.9	<b>194.0</b>	<b>5.5</b>
(Adjustment)	(87.1)	(6.0)	<b>(94.0)</b>	<b>(6.4)</b>	(6.9)	(0.4)	<b>(94.0)</b>	<b>(6.4)</b>
Total	962.9	17.2	<b>970.0</b>	<b>32.5</b>	7.1	15.3	<b>970.0</b>	<b>34.0</b>

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27

Page 27 shows net sales, operating income, and ordinary income by segment. As you can see, we expect demand for flat-rolled products to grow significantly. This also indicates that we will see a recovery in

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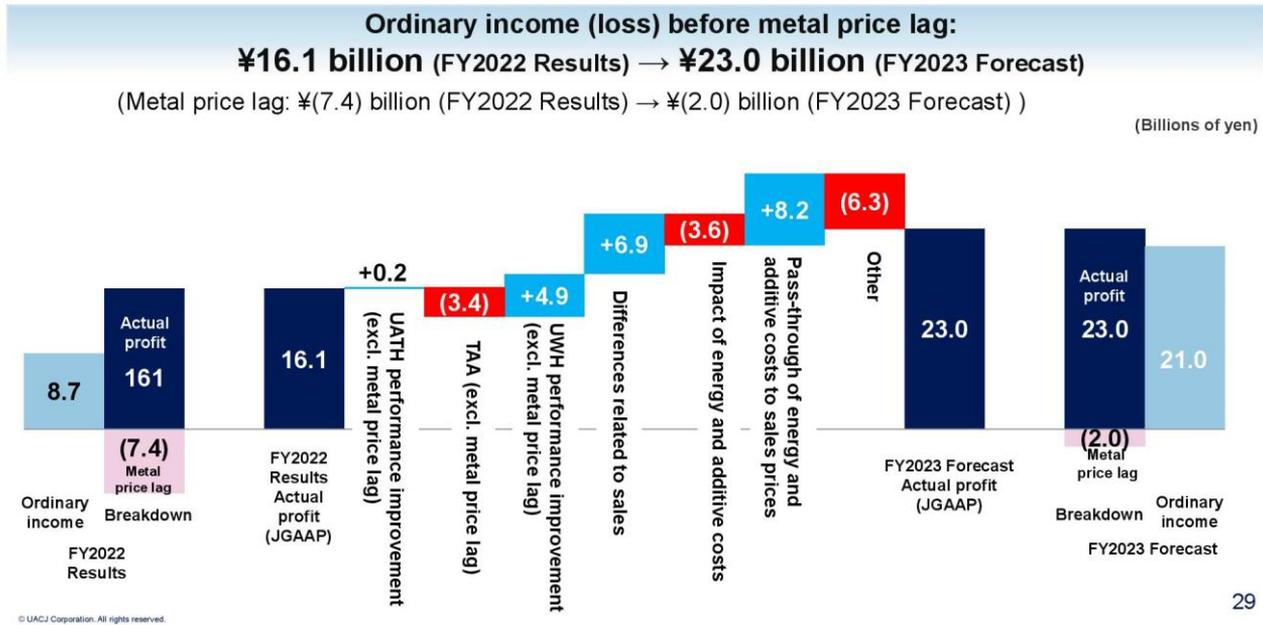
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automotive-related demand as mentioned earlier, and we believe that this is highly probable for the full-year performance figures on page 26.

Page 28 is for your reference.

3. Full-Year Forecast for FY2023

**Analysis of Ordinary Income before Metal Price Lag (FY2022 Results→FY2023 Forecast) (JGAAP)**



Page 29 shows a comparison of ordinary income before price lag between FY2022 and FY2023, using Japanese GAAP. This metal price lag is expected to increase JPY5.4 billion. The main reasons for the increase include an improvement in UATH, an improvement in UWH(Whitehall)'s profitability, an improvement in differences related to domestic sales, and an improvement in the price pass-through of energy and additive metals. The decrease in income is due to the decrease in metal benefits and other factors in TAA's results. The impact of energy and additive metal costs includes the new rise in electricity prices we were requested. In this context, we plan to take action so that this can be steadily reflected in roll margins, et cetera, but the real negative amount is about this much.

There are other factors for decrease. In each of these factors, there are delays over the settlement period or additional expenses, et cetera, but we are working to firmly pass through these costs to prices or improve them, and we are projecting an actual profit of JPY23 billion against a FY2022 profit of JPY16.1 billion.

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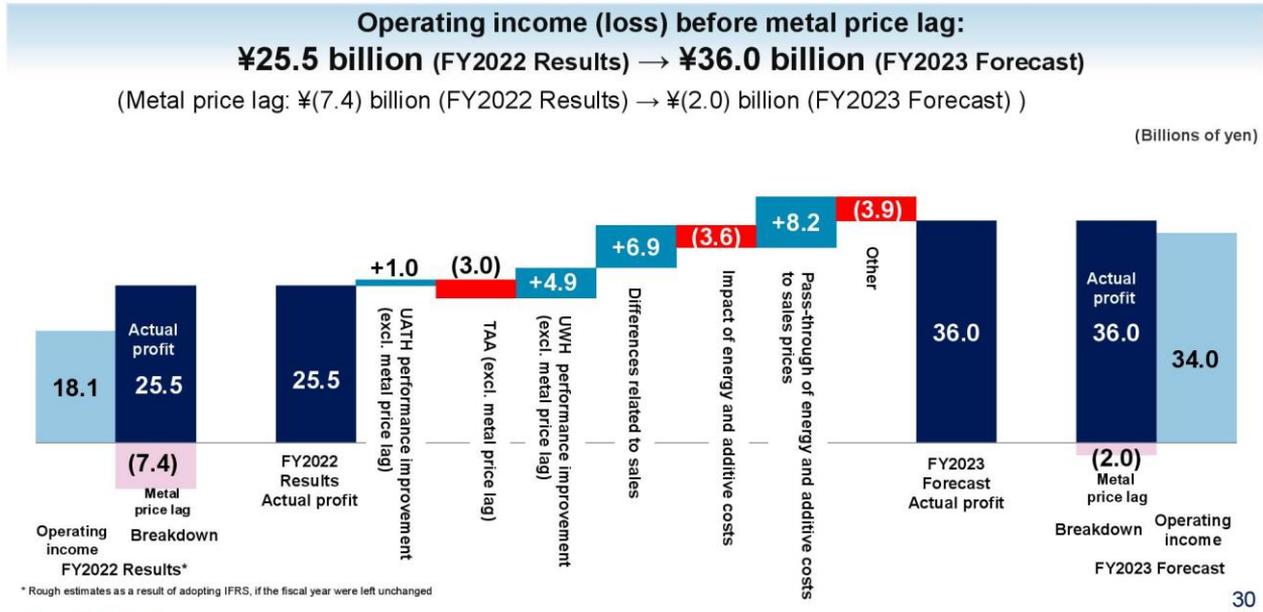
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3. Full-Year Forecast for FY2023

Analysis of Operating Income before Metal Price Lag (FY2022 Results → FY2023 Forecast) (IFRS)



30

Page 30 is a comparison for after the transition to IFRS, which I will discuss later.

3. Full-Year Forecast for FY2023

Capital Investment and Depreciation and Amortization

The amount of capital investment will not exceed the recorded amount of depreciation and amortization  
 Allocate a certain amount to climate change countermeasures and promote them in a planned manner.

(Billions of yen)		FY2021 Results	FY2022 Results	FY2023 Forecast	FY2021-FY2023 Total value (actual and estimate)
Capital investment (Construction basis)	General investment	12.9	21.0	25.2	59.1
	Strategic investment	7.9	5.4	14.0	27.3
	Total	20.7	26.4	39.2	86.4
Depreciation and amortization		34.0	37.3	39.2	110.5

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31

As shown in the chart, capital investment is limited to approximately 80% of depreciation over a three-year period.

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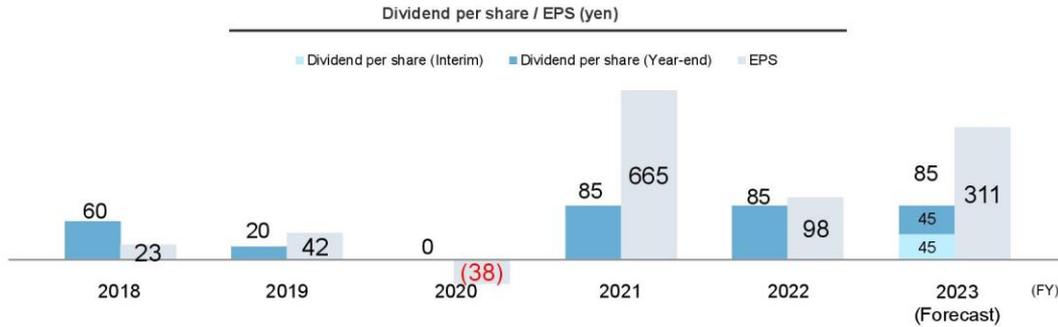
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## Shareholder Returns Policy

### We maintain dividend of JPY85

- Returns policy** : Targeting a long-term total return ratio of 30% or more
- Dividend** : We seek to pay continuous and stable dividends, aiming for a three-year average consolidated dividend payout ratio of 20-30% (beginning in FY2023, we plan to pay an interim dividend)
- Enhancing shareholder value** : Aiming to enhance value by securing certain profits and cash flows, and engaging in dialogue with capital markets



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32

On page 32, we show shareholder returns.

The annual dividend of JPY85 per share will remain unchanged. In addition, the Company plans to pay two dividends, an interim and a year-end dividend, beginning in FY2023. We will aim to increase the value of our shares by ensuring reliable profits, cash flow, and dialogue with the capital market.

## 4. Voluntary Adoption of International Financial Reporting Standards (IFRS)

### Adoption of IFRS

Decision made to adopt IFRS accounting standard to address the globalization of the business

The overseas ratio of net sales, invested capital, and other attributes of the Group is rising every year, and is expected to increase further going forward

- ➔ With the further expansion of global corporate activities in mind, we will put in place and evolve systems for accounting and information disclosure
- ➔ Adoption of IFRS will enhance understanding of the financial position of the Company among overseas suppliers and others



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34

I will be discussing International Financial Reporting Standards (IFRS) starting on page 33.

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In response to the globalization of our group's business, we have decided to adopt IFRS accounting standards. As shown in the graph, the percentage of our group's sales, invested capital, et cetera, that is overseas has been increasing every year. This number is expected to increase further in the future.

Therefore, we will improve our accounting and information disclosure systems with the further expansion of our global corporate activities in mind. By adopting IFRS, we hope that more investors will have a better understanding of our company.

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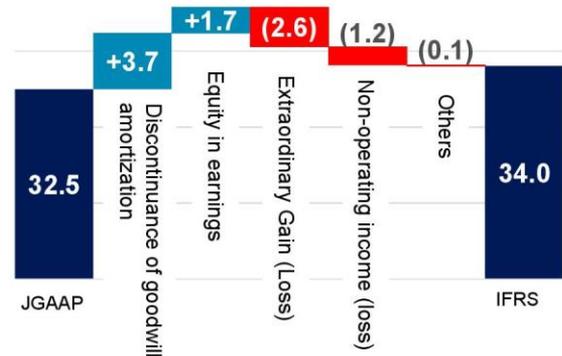
4. Voluntary Adoption of International Financial Reporting Standards (IFRS)  
 Comparison and Analysis of Changes in Performance Indicators between Japanese GAAP and IFRS

Comparison of FY2023 Forecast

Japanese GAAP		IFRS	
Net sales	970.0	Net sales	970.0
Operating income	32.5	Operating income	34.0
Ordinary income	21.0		-
<b>Ordinary income before metal price lag</b>	<b>23.0</b>	<b>Operating income before metal price lag</b>	<b>36.0</b>
Metal price lag	(2.0)	Metal price lag	(2.0)
Net income	11.5	Net income	15.0

Indicator to show actual profit

Changes in operating income following application of IFRS



- ✓ Following the adoption of IFRS, we will use operating income as an indicator for managing performance
- ✓ Adoption of IFRS leads to the following adjustments to operating profit
  - Discontinuance of goodwill amortization
  - Equity in earnings
  - Extraordinary Gain (loss)
  - Non-operating income (loss)
  - Others

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On page 35, we compare what changes will occur in transitioning from Japanese GAAP to IFRS.

This section shows the change in figures for operating income before metal price lag from Japanese GAAP to IFRS. This is for your reference.

5. Sustainability Initiatives  
 Corporate Philosophy and Sustainability Policy

UACJ Group Philosophy

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



Our Purpose

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

Our Vision

Aluminum is our passion. It inspires our work in building a better world and a healthier environment.

Our Values

- ▶ Respect and understand your associates.
- ▶ Embrace honesty and foresight.
- ▶ Be curious and challenging.

Sustainability Policy

**“Passing down a better world over the next century”**

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Page 36 onward shows our sustainability initiatives. As for the relationship between our corporate philosophy and sustainability, we will develop various activities with the aim of passing down a better world over the next century.

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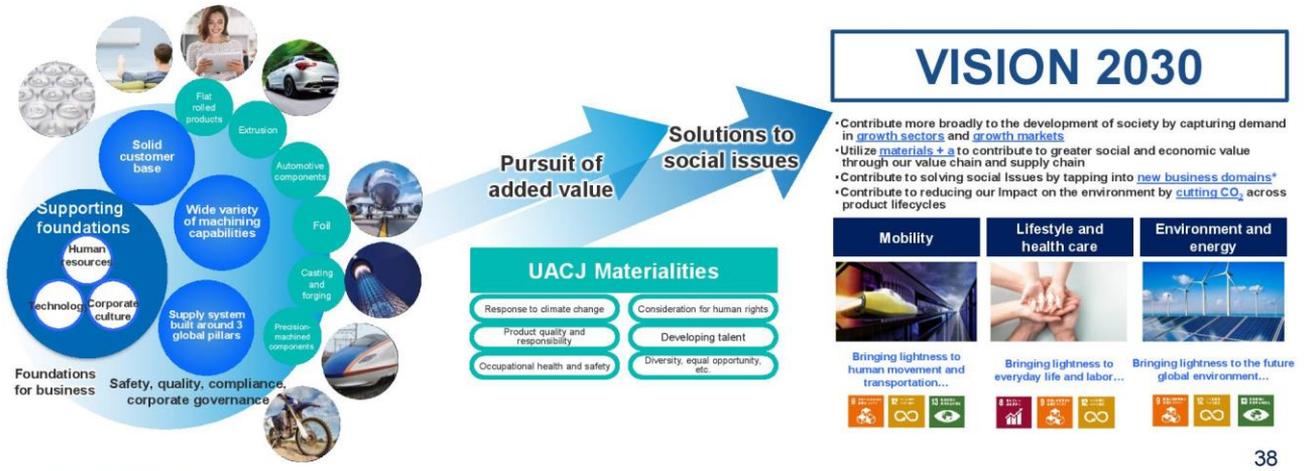
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5. Sustainability Initiatives

Vision for our Future in the Long-term Management Vision “UACJ VISION 2030”

Pursuing our passion, aluminum, to contribute to building a sustainable society

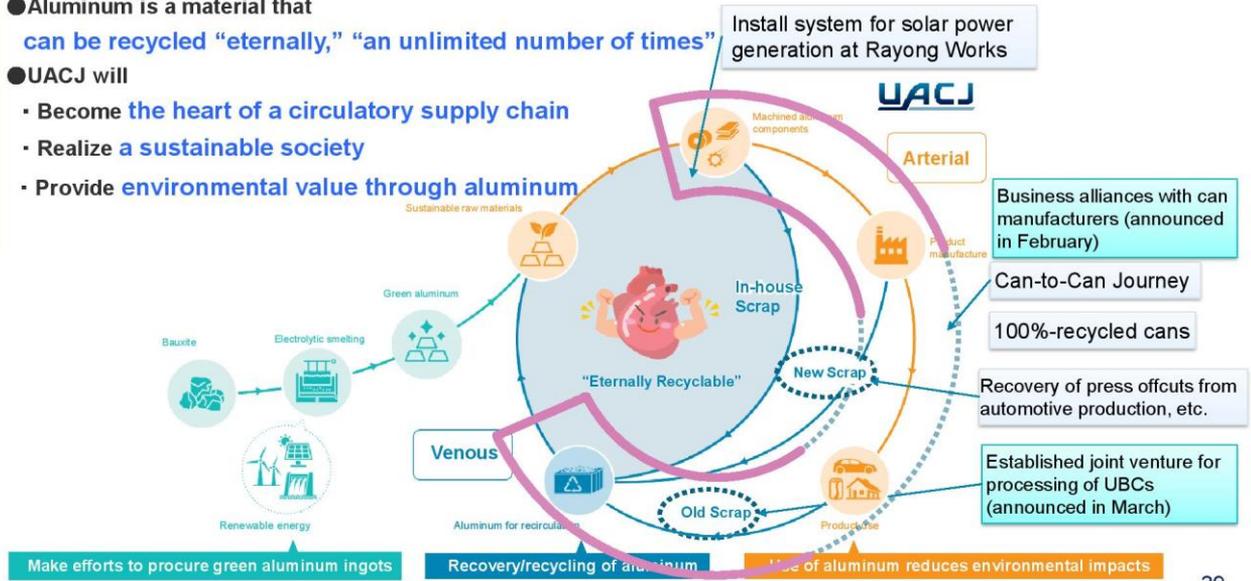


On page 38 is VISION 2030, which describes how the UACJ Group will contribute to the world in 2030, while considering by back-casting what kind of activities will be performed in the three domains of mobility, lifestyle/health care, and environment/energy.

5. Sustainability Initiatives

Solutions to Social Issues – The Cycle of Aluminum Use ~ Becoming the Heart of the Circular Economy ~

- Aluminum is a material that can be recycled “eternally,” “an unlimited number of times”
- UACJ will
  - Become the heart of a circulatory supply chain
  - Realize a sustainable society
  - Provide environmental value through aluminum



As a result, as you can see on page 39, the UACJ Group is committed to building a circular economy for aluminum by taking advantage of the fact that aluminum can be recycled, which is one of the social issues, and to becoming the heart of such a circular economy. As shown in the figure, the solid red line indicates that we are entering the area from flat-rolled products to the manufacturing of aluminum cans, which is a sub-process of flat-rolled products, through joint development with our customers.

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We will also collaborate with other companies to collect and reprocess used aluminum cans or UBCs, which are returned for reuse, and incorporate this process into our company's domain. This means that we incorporate the downstream process of materials which is Scope 3 domain into our company's domain that already has upstream process.

## 5. Sustainability Initiatives

### FY2022 Topics

May 2022	S	Fukui Works awarded prize by the chairman of the prefectural Keidanren as a "Fukui Workplace Practicing Health Management"
May	E	Launched the "U-ALight" brand for flat-rolled aluminum for use in the automotive sector
June	E/S/G	Selected to be a constituent of the ESG-related "SOMPO Sustainability Index"
July	S	Conducted social contribution activities with Tokyo Yakult Swallows
July	E/S	Began demonstration testing of the "Water Bridge" network for supplying emergency water reserves using aluminum bottles
July	S	Held basketball workshop with Utsunomiya Brex
August	E	Partnered with Suntory and Toyo Seikan Group Holdings and manufactured the world's first can stock using 100%-recycled materials
September	E/S	Participated in the Aichi Prefecture Startup Ecosystem Collaboration Project
October	S	Began sales of "origami +work", the industry's first foldable personal booth
November	E/S/G	Held first ESG briefing session
December	S	Held a baseball camp in Sakai City, Fukui Prefecture
December	E	UATH was awarded a prize in the AMATA Best Waste Management Awards 2022 (at the highest Platinum level)
December	E	Achieved a "B" score in the CDP 2022 "Climate Change" and "Water Security" Categories
February 2023	E	<b>Concluded a business alliance agreement with Toyo Seikan Group Holdings to promote closed-loop recycling for aluminum cans</b>
February	E/S	Anjo Works of UACJ Extrusion Nagoya Corporation registered with Anjo City in Aichi Prefecture, as an "Anjo SDGs Co-Creation Partner"
March	E	<b>Established joint venture with Yamaichi Metal Corp. for processing of UBCs*, and built a pelletization recycling system</b>
March	S	Acquired certification as a 2023 Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category)
March	E/S	Participated in the "Nakame Challenge Cup 2023" with aluminum cups using UACJ's materials
March	E	<b>A majority of UACJ Group's production sites in Japan (17) to become 100% renewable energy factories</b>
—	S	Implemented human rights due diligence at new sites (implemented at UACJ Extrusion's Anjo Works and others in FY2022)

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\*UBC: Used Beverage Can

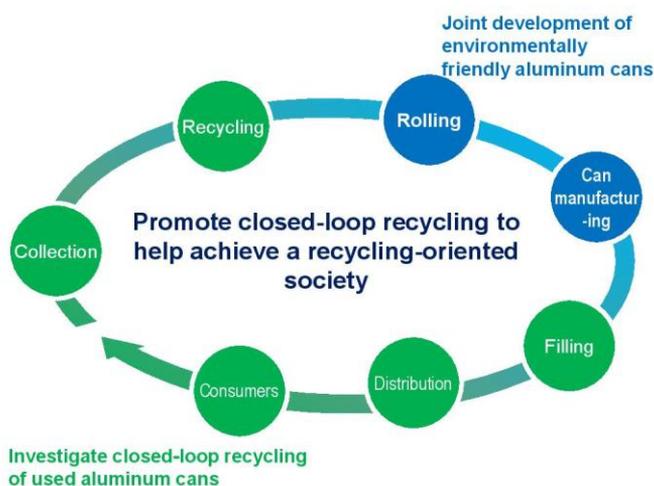
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Specific examples are on page 40. I will give you three specific examples of this.

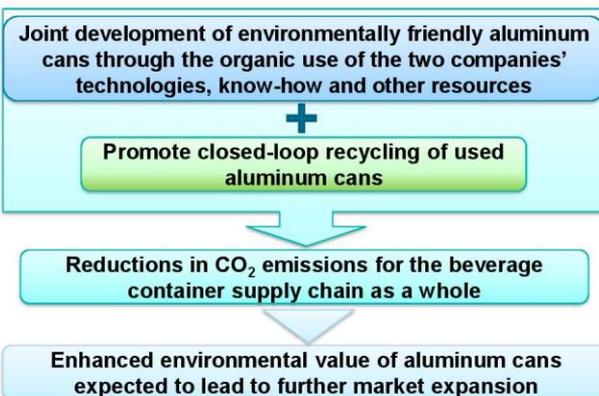
## 5. Sustainability Initiatives

### Promotion of Closed-loop Recycling for Aluminum Cans\*: Concluded a Business Alliance Agreement with Toyo Seikan Group Holdings

#### Enhance environmental value of aluminum cans to further expand the market



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\*Closed-loop recycling for aluminum cans:  
Recycling of used aluminum cans as a raw material for new aluminum cans

41

Page 41 is about the promotion of closed-loop recycling for aluminum cans, in which we collaborate with Toyo Seikan Group Holdings. In order to promote closed-loop recycling of used aluminum cans, we will develop

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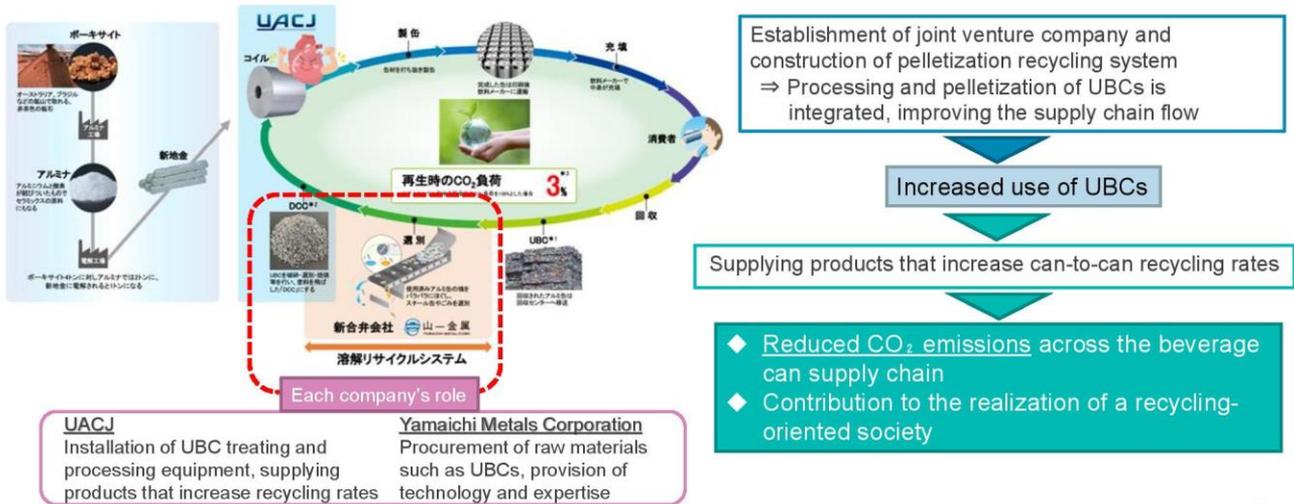
cans that are easy to recycle by organically utilizing the technologies and know-how of both companies in the areas of materials and processing. As a result, we expect the area in which aluminum is used to expand more and increase in volume.

5. Sustainability Initiatives

Promotion of Closed-loop Recycling for Aluminum Cans:

Concluded a Joint Venture Agreement with Yamaichi Metals Corporation for UBC Processing

Contributing to the realization of a recycling-oriented society through the construction of a UBC\* pelletization recycling system



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\*UBC: Used Beverage Can

Page 42 shows the area of raw materials, the upper process of materials.

We will contribute to the realization of a recycling-oriented society by collaborating with Yamaichi Metals Corporation on a dissolution and recycling system for used cans, or so-called UBCs. More than 90% of the aluminum cans consumed in Japan are recovered as raw materials, but unfortunately, the percentage of closed-loop recycling as a can-to-can is still less than 70%.

In addition, those that are not used domestically are exported overseas. The creation of this dissolving and recycling system will increase the amount of UBCs used and the can-to-can ratio. We can increase the ratio of aluminum cans that are converted to aluminum cans. If UBCs can stay in the domestic realm and mitigate exports overseas, they will make a significant contribution to the establishment of a recycling chain in Japan.

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## 5. Sustainability Initiatives

### Seventeen Production Sites - the Majority of Domestic Sites - to Run on 100% Renewable Power

Converting the production sites of processed products to 100% renewable energy, providing customers with an option for reducing CO<sub>2</sub>

- ☀️ Production sites running on 100% renewable power (17 sites in total)
- UACJ Extrusion Nagoya Corporation (Anjo Works)
  - UACJ Extrusion Gunma Corporation
  - UACJ Extrusion Shiga Corporation
  - UACJ Foundry & Forging Corporation (Foundry & Forging Works, Foundry & Forging Second Works)
  - UACJ Metal Components Corporation (Sendai Works, Narita Works, Ena Works, Shiga Works, Hiroshima Works)
  - NALCO Koriyama Co., Ltd.
  - UACJ Aluminum Center Corporation (Utsunomiya Color Aluminum Works, Shiga Works, Nara Works)
  - Izumi Metal Corporation
  - KAMAKURA INDUSTRY COMPANY LIMITED
  - UACJ Marketing & Processing Corporation



- ☀️ Approx. 220 GWh of electricity will be purchased annually from 100% renewable energy sources (starting from April 2023)
  - ☀️ The UACJ Group's 17 major production sites in Japan will be run on 100% renewable power, with zero scope 2 CO<sub>2</sub> emissions
  - ☀️ CO<sub>2</sub> emissions will be reduced by an estimated 100,000 tons\*  
⇒ Equivalent to approx. 20% of the UACJ Group's scope 2 CO<sub>2</sub> emissions
- \*Considered in terms of general household use, this is equivalent to about 54,000 households

By implementing renewable power at the production sites of the products closest to finished products, we can also contribute to reducing customers' scope 3 CO<sub>2</sub> emissions

43

Page 43 shows the project to make the majority of manufacturing sites in Japan, or 17 sites become factories with 100% renewable electricity.

This is a domain in the so-called "Scope 2" area, but by making our factory bases, which are close to the final products, low CO<sub>2</sub> emission factories, our customers can easily choose our products. This will lead to the contribution that we can reduce CO<sub>2</sub> emissions of customers, and make the factory an easy choice for customers.

By reducing CO<sub>2</sub> emissions at our 17 sites to zero on Scope 2, the UACJ Group as a whole will reduce CO<sub>2</sub> emissions by approximately 20% on Scope 2.

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## Preparing for a management indicator to address capital efficiency and management with an awareness of the share price

In addition to strengthening our capital efficiency management, we will intensify our dialogue with the capital markets and work to enhance corporate value

Financial indicators for the Third Mid-term Management Plan/UACJ VISION 2030 long-term vision: ROE, ROIC, D/E ratio  
 → Company is adopting these as indicators to manage capital efficiency, and is also actively engaging in dialogue with capital markets

### Financial indicators/ KPIs

	Period of 3rd MTMP					
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
ROE	0.6%	1.1%	-1.8%	15.6%	2.0%	4.6%
ROIC <sup>*1</sup>	2.8%	1.9%	2.2%	11.1%	3.0%	5.5%
D/E ratio <sup>*2</sup>	1.7	1.6	1.6	1.4	1.3	1.2

### Our initiatives to manage capital efficiency

- ✓ Set a capital efficiency target based on cost of capital, and manage profit and loss/invested capital e.g. Cash flow management - beginning project to improve CCC (cash conversion cycle)
- ✓ By continuing to actively engage in dialogue with capital markets, we will reflect the needs of capital markets in management and open the way to enhance corporate value



In order to achieve enhancements in corporate value we will further strengthen our initiatives

\*1ROIC: Calculated based on operating income before income taxes \*2 D/E ratio: Factoring in subordinated loan  
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44

Next, and last, is page 44.

This section discusses how to respond to capital efficiency as a management indicator and how to achieve stock price conscious management. In addition to strengthening capital efficiency management, the Company will strive to enhance corporate value by enhancing dialogue with the capital market.

Since 2020, the Company has incorporated capital efficiency as an indicator for business management and has actively engaged in dialogue with shareholders and investors. The KPIs for financial indicators in the third medium-term management plan and long-term vision "UACJ VISION 2030" are as shown in this chart. ROE, ROIC, and D/E ratio are shown.

As an example of our most recent efforts in capital efficiency management, we have initiated a project to improve the cash conversion cycle (CCC). We will continue to strengthen our capital efficiency management with an awareness of the cost of capital, and at the same time, while leveraging UACJ's strengths, we will work to improve our corporate value through the establishment of a circular supply chain for aluminum materials, or a circular economy in aluminum, coupled with the expansion of the areas where aluminum materials are used.

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## Future Plans

IR-Day

**June 7, 2023, 09:00 - 12:00**

Format: Online meeting

Speakers:

Miyuki Ishihara	Representative Director & President
Teruo Kawashima	Director, Executive Vice President
Shinji Tanaka	Director, Managing Executive Officer
Keizo Hashimoto	Managing Executive Officer Delegated Chief Executive, Flat Rolled Products Division
Henry Gordiner	Managing Executive Officer of UACJ Corporation CEO/President of Tri-Arrows Aluminum Inc.
Fumihiko Sato	Chief Executive, Automotive Parts Business Division Executive Officer
Kimitoshi Inagaki	President of UATH
David Cooper	CEO of UWH

ESG Briefing

**To be held in December 2023**

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45

Our future schedule is shown on page 45.

On June 7, from 9:00 AM. to 12:00 PM, we will hold our IR-Day. This will be an online format. Following last year's presentation, I would like to directly brief you on the progress of the medium-term management plan from the heads of each of the major divisions. The North American TAA and the head of UWH (Whitehall) in North America will also participate. I will explain the growth of our businesses. Both are planning to attend from Tokyo. We will send our invitation and hope that you will join us.

That is all from me.

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## Question & Answer

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**Ueda [M]:** That is all for the presentation from the Company. We would now like to take your questions. Please let us know if you have any questions. We will appoint a person to ask question. The moderator will call your name, so please ask your questions.

Let me introduce the first questioner. Mr. Yamaguchi from SMBC Nikko Securities Inc., please ask your questions.

**Yamaguchi [Q]:** Thank you for your continued support. I am Yamaguchi. Thank you.

I understand that you are moving to IFRS, but I would like to request you to disclose the total profit and segment profit in adjusted figures which exclude extraordinary profit/loss items, et cetera, as Hitachi, Ltd. does.

Also, in the case of your company, the metal price lag is very large, so it would be very helpful if you could explain that in a classified form as well, so that it is very easy to understand. This is a request. This is the first point.

Second, I am very sorry to ask the same question as I always do, but this time the GAAP figures are disclosed. I would like you to explain how you are forecasting the profits of TAA, UATH, and UWH for this fiscal year, including the impact of metal price lag.

As this is the final year of the mid-term plan, you were targeting about a few more billions of yen, as of September 2019. At this stage, it seems that you will expect to fall short of it. Is it correct that this is due to the ongoing adjustment centered on can stock, the further increase in electricity rates, and the delayed recovery in automobile production? Please tell me about this point.

In addition, there are points that everyone has doubtful views. Investors are somewhat skeptical of Whitehall, but you seem to be projecting the recovery in your forecast made this time. Could you explain the chance of success or catalyst to achieve the recovery? These are the three questions. Thank you.

**Ishihara [M]:** Kawashima will answer the first point about IFRS.

**Kawashima [A]:** This is Kawashima. As you have requested, we have been thinking about it, and we will disclose the breakdown in a way that you can understand, as we have in the past.

**Ishihara [M]:** Iida will answer the second point about individual profit forecast.

**Iida [M]:** IFRS basis.

**Yamaguchi [A]:** GAAP would be better, if possible.

**Iida [A]:** Let's start with UATH. Net sales are JPY187.5 billion, operating income is JPY5.5 billion, ordinary income before metal price lag is JPY3.3 billion, and ordinary income is JPY3.3 billion as well.

**Yamaguchi [Q]:** You mean zero?

**Iida [A]:** It means that the metal price lag is zero.

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TAA, sales of JPY286.7 billion, operating income of JPY16.3 billion, and ordinary income before metal price lag of JPY9.7 billion. Metal price lag is expected to be zero again, so ordinary income would be the same amount.

Finally, UWH, net sales are JPY43.5 billion, operating income is JPY2.2 billion, ordinary income before metal price lag is JPY600 million, ordinary income is JPY700 million. That is all.

**Yamaguchi [M]:** Thank you.

**Ishihara [A]:** It is the final year of the third medium-term plan, and you mentioned that we may be about JPY1 billion short. I think it is almost as you mentioned earlier, but I think the impact of H2 of FY2022 will continue into H1 of 2023. The main one is that the impact of the automobile-related is expected to continue in H1 of 2023, and we made our forecast bit lower for that.

We expect can stock to recover. However, although automobile-related materials as well as thick plates were expected to recover during FY2023 originally, the demand for thick plates will be sluggish until FY2024. Therefore it is as Mr. Yamaguchi mentioned.

The other thing is UWH (Whitehall) that you said you are skeptical. We have the same discussion in the Company. As I mentioned earlier, our company is based on make-to-order production, so we start various types of production according to the customer's unofficial orders. As far as UWH (Whitehall) is concerned, our main focus is on automotive parts, so the difference between this year's unofficial orders from customers and the delivery of those orders will have an impact on our business.

In H2 of FY2022, there was a considerable discrepancy between the customer's unofficial ordered volume and the actual volume that was taken. However, since around the end of FY2022, the gap between customers' unofficial ordered volume and actual volume delivered has been decreasing, and we expect that customers' future production forecasts will be firm from H1 of FY2023.

For those customers who do not have a good track record, we have been making investments to maintain the production system. Therefore, we are negotiating with them to pass on the cost of the investment to the price, as a guarantee. We are now beginning to see that we can negotiate with a high degree of certainty. As for UWH (Whitehall), we believe that we have had a very bad year so far, but I think we are on track to achieve a solid number in terms of planning. That's all.

**Yamaguchi [M]:** Automobile manufacturers have strong production plans. There was also talk that semiconductors are being supplied sufficiently. On the other hand, the story seems different in the two US car makers respectively. At the briefing, it was explained that one of them may have difficult performance as demand at home is decreasing, and for the other, inventory adjustment will start soon. That is all.

**Ueda [M]:** Thank you very much for your questions.

The next question is from Mr. Goroh from UBS Securities Japan Co., Ltd. Please ask your question.

**Goroh [Q]:** This is Goroh from UBS Securities. Thank you.

First, you have explained the results of the structural reform as you are completing it soon. From FY2023 onward, I understand that the structural reforms that have been carried out up to now have been targeted and are now being finalized. I understand that you will continue to make constant efforts to further increase corporate value in the future.

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This is not included in the guidance for the new fiscal year, but I would like to know what you think about the room for further improvement from a long-term perspective, and how to create factors that will increase profits through self-help efforts and commitments.

The second point is about your initiative on circular economy you explained. I understand that a mass balance type was newly added to the UACJ Smart brand in April. You mentioned earlier that you will increase the number of plants that are 100% carbon neutral and 100% renewable energy, and I was wondering in what way, for example, the addition of a mass balance type brand will change the volume or customer approach in this area. As a leader in supplying more low-carbon materials, how are you structured to expand sales? I would appreciate it if you could explain this area. Those are my two questions.

**Ishihara [M]:** The first point is how the results of structural reforms will continue after FY2023, and how they will be linked to corporate value. You also asked if there is some kind of evaluation function that can be committed to.

Tanaka will answer this question, who is in a position to promote structural reform and then to promote sustainability.

**Tanaka [A]:** I am Tanaka. As to your question, the structural reform itself will end its 3.5-year activity in FY2022, but as Mr. Goroh pointed out, we will continue to work on new structural reforms.

Some of them are a continuation from previous reforms, of course, but on the other hand, what is emerging is, as was mentioned earlier in the second question, a non-financials-related initiative. I think these will be major themes throughout the next 5 to 10 years. Therefore, in addition to the structural reforms that have been carried out to date, we are also strengthening our efforts in non-financial areas and linking them to our business.

We have already started discussing individual specific items, and we are planning to create a new theme from the discussion.

**Ishihara [A]:** I would add that the so-called Headquarters for the Promotion of Structural Reform was disbanded, but it was subsequently renamed the Headquarters for Sustainability Promotion in order for it to become more progressive. Therefore, it is necessary to promote it within the organization in order to add further necessary value. Specific numbers will be given as KPIs in the future.

The second point is related to the circular economy, asking after the mass balance is announced, what characteristics it has, and what kind of increase is expected in terms of volume. We are currently speaking with automotive customers about mass balance.

Therefore, it will become possible to offer low-carbon materials to customers in the so-called body panels related to automobiles. Therefore, in addition to the expansion of body panels, which has been driven by the conventional need for weight reduction through the use of aluminum only, such low-carbon materials can be used as materials related to carbon neutrality in the so-called circular economy. This will prevent customers going back to the other materials and they would wish to use aluminum when creating new cars. However, we cannot provide specific figures. That's all.

**Goroh [M]:** Thank you.

**Ueda [M]:** Thank you very much for your questions. The next question is from Mr. Shirakawa from Morgan Stanley MUFG Securities Co., Ltd. Please go ahead and ask your question.

**Shirakawa [Q]:** This is Shirakawa from Morgan Stanley Securities. Thank you very much for your time today.

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I would like to ask two questions. I'm very sorry that this is a numerical question, but the first point is on pages 28 and 29 of the explanatory materials. In the forecast for this fiscal year, you assume that the sales volume will remain almost unchanged, but you also say that sales of high-margin products such as thick plates will decrease.

On the other hand, page 29 shows a JPY6.9 billion increase in the differences related to sales, which is considered to be a significant factor in the increase in profit. Can you explain how it will become possible? This is the first question.

The second point I would like to ask about is on page 31 and page 14 of the document. On page 31, structural investment is planned to be increased by JPY9 billion for FY2023. Looking at the TAA section on page 14, it says that you are expanding facilities at your North American production base. I can imagine where you would invest, but could you tell me what this investment is specifically?

If it is in the US, I think it will relate to the next mid-term plan. I would like to know how much the capacity and sales volume may increase in the future. These are my two questions. Thank you.

**Ishihara [M]:** You asked about the difference in quantity on page 28 and 29. Especially, the difference between FY2022 and FY2023 is flat, but if you look at page 29, you will see the sales related difference. Kawashima-san, can you give us the breakdown?

**Kawashima [A]:** Kawashima will answer.

### 3. Full-Year Forecast for FY2023

## Sales Volume, Flat-rolled Products

	FY2022 Results (A)	FY2022 Forecast (B)	Change (B) - (A)
Can stock	869	880	11
Foil	46	53	7
IT	9	11	2
Automotive materials	126	142	16
Thick plates	52	47	(5)
Other general-purpose materials	228	203	(25)
<b>Total</b>	<b>1,330</b>	<b>1,336</b>	<b>6</b>
	For Japanese market 475 For overseas market 855	For Japanese market 510 For overseas market 826	For Japanese market 35 For overseas market (29)

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28

If you look at page 28, it is true that the total sales volume is almost unchanged, but if you look at the content, can stock and automotive materials are coming back. On the other hand, others are decreasing. This other is down 25,000 tons, but what this actually means is that sales of slabs in the US will be down significantly. In fact, slab sales are down more than 25,000 tons.

Thus, it's going to increase as an actual product. The total volume will remain the same, but the composition will improve, and that will make the difference in sales. The sales are all in Japan, and the automobile and

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other products will return mainly in Japan. Then there is foil and IT, all of which are domestic. In addition, other general-purpose materials in Japan are doing well, so please understand that this is the way it is going.

**Ishihara [A]:** As for the expansion of TAA capacity, I think we have already announced that we are planning to expand the hot rolling capacity, and construction has already started. Since the construction will last over the long period, the cost itself will be posted in each year. Therefore, content of investment is improvement in hot rolling capacity in North America, which was already announced.

**Kawashima [A]:** This is Kawashima. The major strategic investment is, in addition to the one in North America just mentioned, joint venture in Fukui in collaboration with Yamaichi Kinzoku Corporation, which explained earlier. Construction will begin soon. We believe that these two will be the major focus of our strategic investment. Since it will take multiple years, we believe that the amount of investment will be spent in this fiscal year and then in the next mid-term plan.

**Shirakawa [M]:** I understand. Thank you.

**Ueda [M]:** Thank you very much for your questions. The next question is from Mr. Matsumoto, Nomura Securities Co., Ltd. Please ask your question.

**Matsumoto [Q]:** This is Matsumoto from Nomura Securities. Thank you. The first point is that you are looking at a decrease in profits for the current fiscal year with respect to TAA. Please let me know the background of it. Also, regarding volume, there seems to be a lot of talk about various inventory adjustments, but could you also tell me how you see this fiscal year going?

Second, I was wondering how you are looking at the volume of UATH, and I was thinking that the profit might increase a little more, but it seems to have leveled off again. Could you also tell me your view about it? That's all.

**Ishihara [M]:** Your question is about the background to the results of TAA's profit this fiscal year. Please tell us about the profit a little bit.

**Kawashima [A]:** This is Kawashima. On page 29, we are looking at the factors for the change between the period that just ended and the new period, and we are expecting a decrease of JPY3.4 billion for TAA. However, it is not a decrease in terms of volume, but depreciation is going to increase. The yen conversion rate is different between the period that ended and the current period. Therefore, we are expecting a decrease due to the conversion rate as well.

We believe that a little over JPY2 billion of this JPY3.4 billion deterioration is a decrease due to increased depreciation.

**Ishihara [A]:** Regarding the outlook for TAA volume, I mentioned that growth is currently stagnant due to excess inventory in the supply chain as a whole. This started in H2 of FY2022, but we expect it to continue until H1 of FY2023. Our plan for TAA is based on the assumption that this will be resolved in H2 of FY2023.

Also, as for TAA, the contract for FY2025 has already started, and we are seeing steady progress on that as well, so we expect that FY2023 will go according to plan if these situations are resolved.

Regarding UATH, the production volume of can stock by UATH has been affected by the North American market, as mentioned earlier, but the situation will be resolved in H2 of the year and beyond, while global demand for air conditioners has been increasing very steadily. We are making various improvements to accommodate this situation, and we believe that the total volume will be such that the maximum rolling capacity will be functional.

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What worries me a little is the heat exchanger material for automobile. We will have to see what will happen in the future. However, in the area of heat exchangers for automobiles, we expect to see an expansion in the area of heat exchanger materials in Europe, and we believe that demand in this area will have an impact on UATH. I believe that UATH will definitely recover in H2 of the year and beyond. We may be forecasting H1 to be a little lower. That's all.

**Matsumoto [M]:** I understand. Thank you very much. That's all.

**Ueda [M]:** Thank you very much for your questions. We are almost at the end of our scheduled time, so we would like to make the next question the last one. Mr. Ozaki, Daiwa Securities Co., please ask your question.

**Ozaki [Q]:** This is Ozaki from Daiwa Securities. Please tell me, what is the decline of JPY6.3 billion in other factors on page 29?

Second, regarding UATH, I was hoping that switching to a long-term contract would have some effect on the price increase. Could you give me a breakdown again of the effect of this price increase and the background to this, that even if it did, it would not increase the profit? These are my two questions.

**Ishihara [M]:** Kawashima-san,, please answer regarding page 29.

**Kawashima [A]:** It is true that JPY6.3 billion by other factor is a large amount, but more than half of this amount is in the consolidation adjustment account. This is the increase and decrease of the unrealized gains and losses from internal transactions when consolidating accounts. For the fiscal year just ended, FY2022, there was large reversal of consolidation adjustment account. For FY2023, the volume increases slightly and then it was reversed. Therefore, its difference shows up. That is the biggest reason.

Then another thing is the interest rate. This is shown as an ordinary income. As you know, interest rates in the US have risen considerably, and the difference in interest rates has resulted in a JPY1.5 billion to JPY2 billion increase in financial expenses compared to last year. It will increase the expenses a little bit, but part of the deterioration in TAA that you asked about earlier is actually due to the interest rate. Because it is expressed in terms of ordinary income. Because of that reason, the decrease is expected to be JPY6.3 billion.

**Ishihara [A]:** Regarding your second question about UATH, you said that in FY2023, we will be able to negotiate with a new customer in the energy field, and that you expected that we will be able to pass on the price increase. However, as you can see on the second page, it is difficult to pass on the price increase during the term of the existing contract, so we are working on the contract with the Thai customer that we will do it at the time of the new contract.

Therefore, new contracts will increase from H2 of FY2023 to H1 of FY2024. Therefore, unfortunately, many customers are still in a situation where their existing contracts are not changed at all during FY2023.

Therefore, although I mentioned earlier that the contract for FY2025 with customers will start for TAA, the contract for FY2024 will start. Price pass-through will be negotiated at that time, so our plan incorporated it. That's all.

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

**Ueda [M]:** Thank you very much for your questions. As the time has come, I would like to conclude the financial results briefing. We would appreciate your cooperation in completing a questionnaire regarding today's briefing. You can answer the questions using the QR code displayed on the screen or the URL in the chat box. For any further inquiries, please contact the investor relations department.

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This concludes the financial results briefing for Q2 of FY2022 of UACJ Corporation. Thank you for joining us today despite your busy schedule.

[END]

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