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Shifting from a conservative stance to pursuing growth while maintaining financial discipline

UACJ has entered a new stage

I can say with confidence that UACJ has completed its structural reform phase and has now reached the stage of being widely assessed in capital markets. Back in 2018, our business divisions were urging management for new investment funds, but despite our desire to invest, we were unable to because the Company lacked enough financial resources. Although I was not in charge of financial affairs at the time, I was fully aware of how management struggled through this issue and resolved to never let it happen again.

Since that time, we have steadily improved the Company's financial condition by focusing on key businesses and selling off others, consolidating manufacturing facilities, and taking concrete steps to boost profitability. As a result of those efforts, we achieved our debt-to-equity ratio target of 1.0, bringing it down substantially from 1.6 as of March 31, 2020. Undoubtedly, the Company is now at a new stage. During the first two years of our current mid-term management plan, business profit rose in line with targets and reached ¥48.2 billion in the fiscal year ended March 2026. For the fiscal year ending March 2027, we initially forecasted business profit*1 of ¥65.0 billion along with adjusted EBITDA*2 of ¥109.0 billion, but in light of positive changes in the Group's operating environment, we upwardly revised these forecasts to ¥86.0 billion and ¥130.0 billion, respectively. Moreover, we raised the planned dividend from ¥58 per share to ¥70 per share.

The first two years of the plan were not without challenges, of course, as we were confronted with tariffs imposed by the US, war in the Middle East, soaring market prices of aluminum, and the continued depreciation of the yen. Consequently, compared with our initial estimate, the amount of working capital used over the plan's first three fiscal years up to March 2027 is expected to increase by around ¥120 billion. Nevertheless, we have managed to keep the debt-to-equity ratio at about 1.0. Moreover, UACJ's price-to-book ratio surpassed 1.0 in fiscal 2025, and its credit rating was upgraded to A- by a credit rating agency one year earlier than expected. Having built up its earning capacity, achieved financial soundness, and earned trust in capital markets, the Company can now embark on a new stage of financial strategies aimed at pursuing growth while maintaining financial discipline.

*1 Business profit is operating profit excluding the effect of the metal price lag as well as temporary and extraordinary factors.
*2 Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) is EBITDA excluding the effect of the metal price lag.

Looking toward the final two years of our mid-term management plan

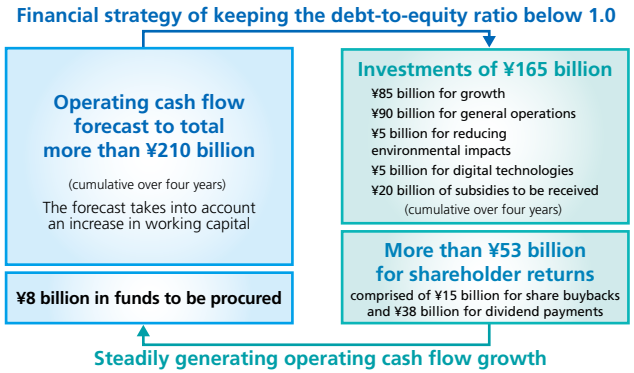
Now that the Company has reached this new stage, our basic approach to financial strategies is to optimize growth investments, financial soundness, and shareholder returns. Although working capital has been rising above initial expectations, we do not plan to scale back investment and shareholder returns. This decision has been approved by the Board of Directors.

In fact, we intend to increase growth investments from our initial plan of ¥78 billion to ¥85 billion during the final two years of our mid-term management plan up to March 2028. Although investment in the UACJ Group's aluminum automotive parts business will be reduced due to a lull in the EV market, we plan to channel the surplus funds into the Group's recycling operations, can stock business in the United States, and aerospace and defense materials business. This reflects our approach of making disciplined investment decisions while flexibly responding to market trends. We also

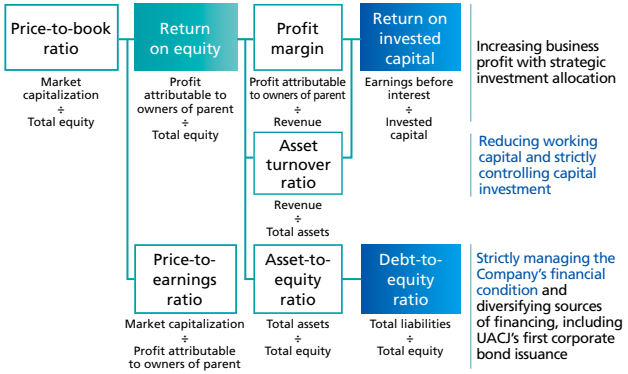
plan to limit substantial cash outlays by securing around ¥20 billion from subsidies and other sources.

When making investment decisions, we carefully assess whether they exceed criteria by applying internal hurdle rates set above the weighted average cost of capital. While closely examining market growth potential, we aim to concentrate investment funds into businesses that can leverage the Group's strengths. This careful and strict selection process is designed to generate maximum cash in the future. Underlying this approach is our firm resolve to never return to the time when management wanted to invest but lacked the funds. We want to ensure that the Company has enough funds for future generations of management to undertake whatever investments they deem appropriate at any time. I regard this as my responsibility as head of the Finance and Accounting Division.

Breakdown of cash allocation during the final two years of the current mid-term management plan



Financial indicators and measures to take during the mid-term management plan's final two years



Entrenching ROIC management group-wide

Now that we are at this new stage, improving capital efficiency will be a challenge for the Company. We have specified return on invested capital (ROIC) as a performance indicator for these important measures during the final two years of the mid-term management plan. The key for increasing ROIC is to boost business profit while simultaneously reducing invested capital. To reduce invested capital, in particular, we have been working to improve the cash conversion cycle.*3 We expanded these efforts group-wide in fiscal 2025 because generating cash will be increasingly important as working capital rises due to recently soaring market prices of aluminum and the depreciation of the yen.

I must say that our employees and managers involved in these activities have genuinely shifted their mindset toward making improvements. In addition to the weight-based inventory management we had established in the past, they have been applying financial-based management and incorporated targets for reducing working capital in the budgets of each business unit. They also report on progress made every month with an awareness that their own business units must generate cash. Honestly speaking, some time was needed for this culture to take root. In the past, in every meeting with members of business units, I had to repeatedly warn them that investment funds would be suspended unless progress was made. Now, however, understanding has spread throughout the units, and I really appreciate how everyone responded so positively. To broaden this across the entire Group, we have also integrated seminars on capital efficiency management into training programs for every level of employee. It is now commonplace for employees to ask about how high ROIC has reached in their workplace and discuss how to exceed hurdle rates. More than just a system, ROIC management is now entrenched in our corporate culture.

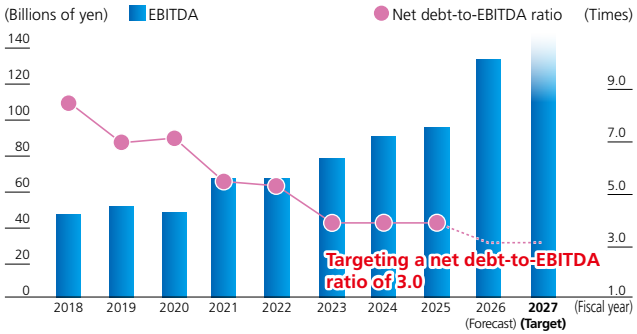
*3 The cash conversion cycle is a financial metric that measures the time in days for a company to convert outlays for raw materials and products into cash flows from sales.

Net debt-to-EBITDA adopted as a financial performance indicator

Starting from this fiscal year, we supplemented our financial performance indicators with the net debt-to-EBITDA ratio, which is widely used around the world as an indicator of financial soundness, and set a target of 3.0. We added the ratio because the Company has posted EBITDA above the ¥100 billion level, so at this stage, debt levels must be managed in line with its capacity to generate cash. By using this indicator together with the debt-to-equity ratio, which we have primarily used in the past, we intend to manage the Company's financial health in a more substantive manner.

Our adoption of the net debt-to-EBITDA ratio has also facilitated communications with international institutional investors, credit rating agencies, and financial institutions. As

EBITDA and net debt-to-EBITDA ratio



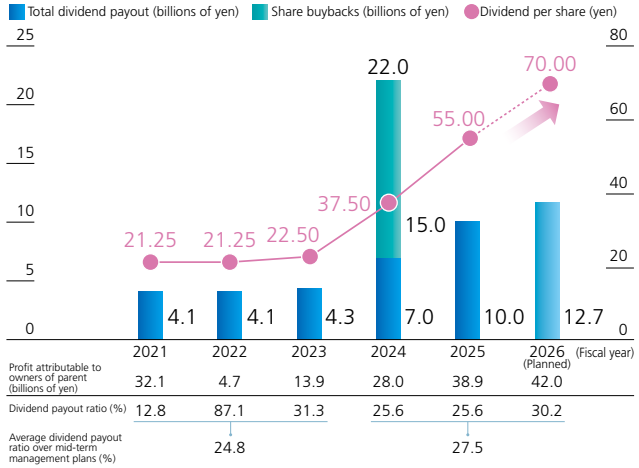
evidence of this, when the Company executed its very first corporate bond issuance this year, orders greatly exceeded initial expectations. Reflecting broad confidence in its financial condition, the Company's credit rating has improved, which makes it easier to secure financing. This has allowed us to shift our financial management from a conservative approach of strictly managing the debt-to-equity ratio to a proactive approach of leveraging earning capacity to flexibly invest. This shift will lay a path for pursuing growth while maintaining financial discipline in the future.

A dividend policy built on growth investments, financial soundness, and shareholder returns

We had originally set the annual dividend for the fiscal year ending March 2027 at ¥58 per share; however, with the upward revision of our earnings forecast disclosed along with first quarter results, we raised the annual dividend to ¥70 per share. During the four years of our current mid-term management plan, we have been aiming for a payout ratio of at least 30%, and this policy is guided by three factors: growth investments, financial soundness, and shareholder returns.

We have received suggestions to adopt a progressive dividend policy and the dividend-on-equity ratio for our next mid-term management plan. Based on our commitment to paying stable dividends, we will consider these matters while carefully monitoring fluctuations in the market price of aluminum, which is an inescapable source of earnings volatility in our industry.

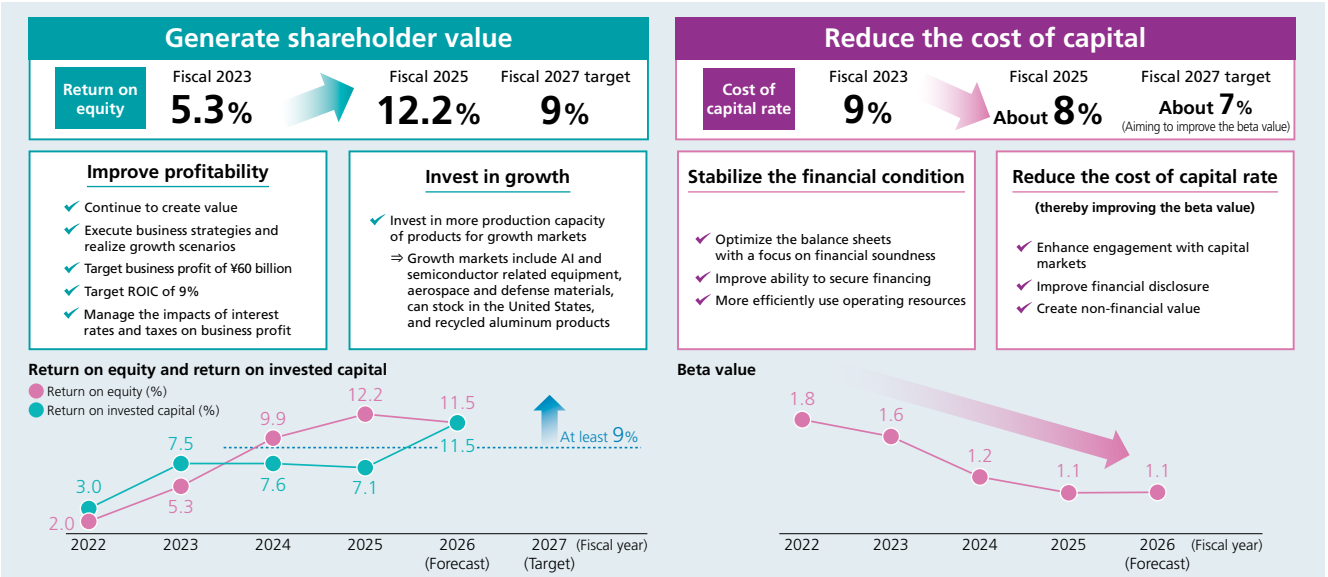
Shareholder returns



Increasing the equity spread to raise shareholder value

UACJ's price-to-book ratio has surpassed 1.0, and we regard this achievement as a new starting point. Under our current mid-term management plan, we are aiming for an equity spread (the difference between return on equity and the cost of capital) of at least 1%, so our goal now is to continue pushing it higher.

Approach to increasing capital efficiency



In our financial management, we do not want to maintain a conservative approach focused solely on reducing liabilities, nor do we want to adopt an aggressive approach that recklessly takes risks. Instead, the future I envision as head of the Finance and Accounting Division is to pursue growth while maintaining financial discipline. Accordingly, we will carefully select promising growth areas for capital investment on the basis of ROIC while aiming to increase EBITDA in the future. At the same time, we will practice financial discipline by keeping the debt-to-equity ratio below 1.0. Furthermore, we intend to meet the expectations of shareholders and investors by ensuring stable and continuous shareholder returns in line with our dividend payout ratio target of at least 30%.

UACJ is now being seriously assessed in capital markets, and having reached this stage, we will work to ensure that the Company continues to grow in the future. I am committed to pursuing this growth while maintaining financial discipline, and will pass on this approach to our next generation of management.