



UACJ Corporation

IR-Day 2026 Q&A

May 29, 2026

Event Summary

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[Participants]	94	
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	Joji Kumamoto	Chief Executive of Corporate Strategy Division, and Director, Senior Managing Executive Officer
	Kozo Okada	Chief Executive of Finance and Accounting Division, and Director, Executive Officer
	Keizo Hashimoto	Chief Executive of Flat Rolled Products Division, and Executive Vice President
	Henry Gordinier	Senior Managing Executive Officer, CEO & President of Tri-Arrows Aluminum Inc., and CEO of UACJ North America Inc.
	Kaoru Ueda	Chief Executive of Corporate Communications Division, and Executive Officer

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Question & Answer

Sudo [M]: We will now begin the question-and-answer session. We are happy to answer your questions. These two individuals will also participate in the question-and-answer session: Joji Kumamoto, Chief Executive, Corporate Strategy Division Director, Senior Managing Executive Officer; and Kaoru Ueda, Chief Executive, Corporate Communications Division Executive Officer.

Now, Mr. Yamaguchi of SMBC Nikko Securities Inc., please go ahead.

Yamaguchi [Q]: Thank you for your presentation today. Also, if you are joining the session today via the web, I encourage you to visit the office. Very nice view. That is the first. I have only two questions.

The first point is that market conditions are very good, and the financial indicators are very impressive, especially in terms of TAA and other profits, but I think you are still at the halfway point regarding the so-called organic part or the results of what your company has been working on. I would like to ask what stage you are at.

For example, I think there are still various things you need to work on such as margin is small as scrap is expensive when you buy raw materials and purchased the facilities. In the intermediate process of such efforts, I would like to know what stage the organic part is at now and what kind of issues you are having. For instance, Thailand is not profitable due to the bad exchange rate, which is the exact opposite of the US.

Excluding those areas, I would like to ask you what kind of response you are getting to your initiatives.

Second, there was also talk of increasing production at TAA in the US, and I have told investors that it will be fine, but what investors are worried about is that Steel Dynamics and others are finally making things and doing their best, and if you listen to their briefings, they are doing very well. I also get a lot of questions about scrap that lots of people are saying that they use scrap, and that scrap is cheap now, but if scrap would become more expensive.

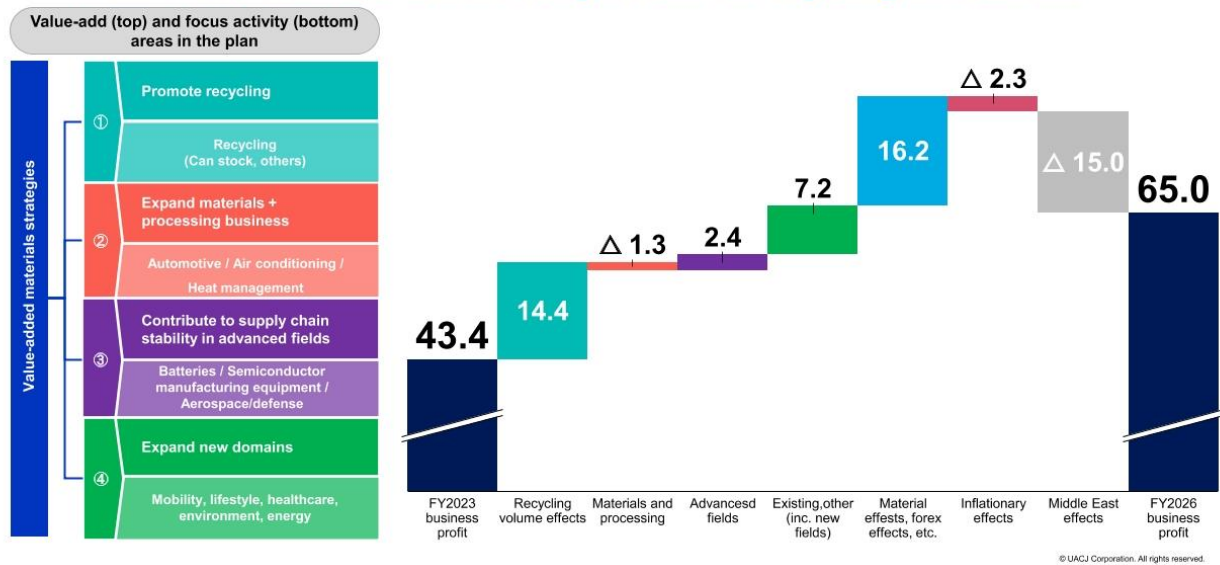
So I am asking a question regarding the supply and demand environment in the US market, since you encouraged us earlier to ask a question later. I would like to ask you to make that point clear and to give more color to this increased production. Please tell us how you are going to solve the bottleneck and raise it, and what economic benefits, if any, you can produce.

Tanaka [A]: Thank you for your question. You asked two questions. Your question is that the market conditions are progressing quite well, but what the status of the organic part is, and what the progress is. Also you asked about the situation in North America, which I would like Henry to explain later.

Progress in Strategies for Growth and Added Value

Two years of inflation and rising energy costs, sooner than expected

From FY26, activities toward early return on recycling investment



First of all, I would like to explain the current situation to answer your question requesting to explain the current situation without getting caught up in market conditions. I will explain based on page eight of my presentation.

First of all, regarding the situation of the organic part, this waterfall is divided by item, so it is difficult to tell if it is the organic part or not, but one thing that was originally planned is the recycling part, which generated JPY14.4 billion.

We plan to raise the amount of scrap used by increasing the recycling rate. As a result, investments are progressing smoothly, and although we are now at the halfway point of the mid-term plan, we believe that we are exceeding the expected effects.

On the other side, especially when it comes to market conditions, the effects of raw materials and foreign exchange rates on the right side include the effects of metal market conditions and the effects of diversity in procurement, which has resulted in a large amount of metal effects. We do not strictly categorize it, but I think this is one of the areas where we have seen a large increase despite such a headwind.

From this perspective, the recycling volume effect and the raw material effect have been particularly apparent, as scrap and capital investment are also included in this category.

In this waterfall, materials and processing are slightly decreased. This is due to automobiles. Since EV market is now in such a condition, we wait and see how it goes.

We believe that EV will recover at some point, although there may be some time gap. We are currently monitoring the situation, but will respond properly when next time EV market recovers.

Then next to it, it says advanced fields. I explained the aerospace/defense or semiconductor business. We are steadily working on this area as well. For this area, the time frame will be H2 of FY2027 or the fifth mid-term plan, so the number is not large at JPY2.4 billion at this stage, but we intend to expand this area firmly in the future.

That said, in general, we are now in the middle of the turnaround, and we believe that progress is well underway on what we have planned. However, there will be various changes in market conditions, geopolitical issues, and other changes in the surrounding environment, so we would like to proceed with caution while keeping a close eye on the situation.

If you have anything to add on this point, Mr. Kumamoto.

Kumamoto [A]: The original plan for the part of "the materials plus processing" was to expand the automotive parts business more and to generate revenue from it. However, as I have explained many times before, the automobile market, especially the production of EVs and other vehicles in the US, is at a standstill, or rather straggle, due to tariff issues.

However, although some North American and Japanese automakers and OEMs have announced that they are reviewing their investment plans and time frames, I do not believe that any of them have announced that they will discontinue this business.

So we have made some adjustments, such as reviewing the time frame of the Whitehall project and the order of investment, but I think that lighter vehicles are better, which is a common benefit for both EVs and ICEs. It would be better to bend over now and wait for a year for the storm to pass or for the weather to clear up. I think that is the situation.

Tanaka [M]: Secondly, a question was asked about the market environment in North America, including market conditions and competitors. Could Henry explain the situation?

Gordinier [A]: Sure and I believe you can correct me if I'm wrong simultaneously. I believe your question was really around scrap and the healthiness that we're seeing today in the scrap markets and kind of an outlook on that. Is that correct?

Well, yes, I mean the way I look at it is this way. We built the system. We are in an exceptional period right now. There's no way about it. I mean, two years ago, you'd look at scrap spreads that were around 75%. It fell to about 70%. You know, in the first part of this year, we've been buying at 45%, right? So you're seeing historically favorable markets in that sense.

So the way I think about it though is, number one, we didn't build a system that is going to be dependent upon the current condition. So we just were able to build a system that's in place to capture these tailwinds that we've got. As long as the U.S. consumer continues to recycle, even at our paltry 45% rates nationally, with the growth, we're still going to have access to those cans. I think the current spreads are going to remain favorable for this year, right? And that's independent of what may happen with changes in tariffs, etc. There's a lot of structural reasons right now where I think it's going to be a while before I see any significant change or tightening in scrap spreads.

So very confident that those are going to kind of endure. And then the great thing about what we've been trying to do is, in terms of kind of the scalability point, it's the fact that by raising your overall throughput, number one, is even if you're making lower value on a unit basis, you're processing more units, so you're creating more earnings, number one. And number two, great defensive strategy is our ability to just diversify out and not be solely dependent upon a limited amount of scrap types, but getting much wider in terms of that.

And we built, for that matter, a pretty incredible, I think, supply chain on the front end where the networks from where we're procuring are from international to domestic sources. So I'm overall very, very confident. I'm also fully recognizing the fact that we're in a historically strong market.

I think that's going to stick with us for just a little bit. And then I think we built the system to make sure we're going to optimize however these, wherever spreads ultimately kind of settle in.

Sudo [M]: Thank you. Next question, Mr. Matsumoto of Nomura Securities, please.

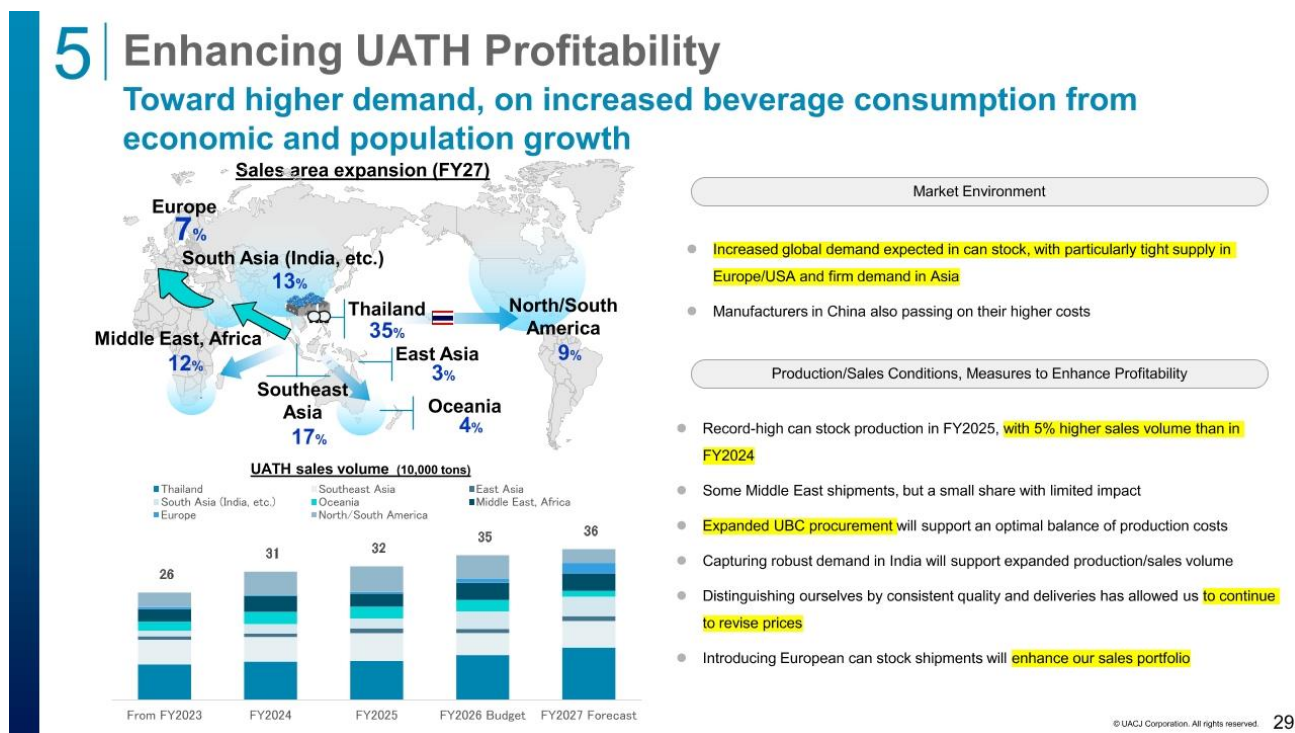
Matsumoto [Q]: My name is Matsumoto from Nomura Securities. Thank you for your presentation.

First, regarding UATH, I always hear that this one is going to get better in the future at the results briefing. However, I have a feeling that it is not going to get better. For example, this year, or even the next three years, please tell us what you think will progress and improve if we break it down into volume, price, margin, and then cost.

On the second point, I would like to ask Henry. Why did you choose this way of increasing capacity this time, for example, if demand is strong, was there any other option such as increasing capacity by 20% in a different way and why did you choose this investment pattern?

Tanaka [M]: You asked two questions. The first question is about the status of UATH as to what will happen to volume and margins in the future. The second question is for Henry, what the aims and points of investment in this capacity expansion were.

First, Hashimoto will answer about UATH, followed by Henry.



Hashimoto [A]: Please see page 29 which I explained. First of all, as you can see in the lower left-hand corner, we have been increasing our volume year after year, and demand for can stock has been expanding globally. We have been able to steadily increase our sales volume in response to customer needs. We have been able to offer this service in almost all areas, and it is growing, with the US naturally following, and Europe has just begun.

On the other hand, as we have explained, our prices are also improving as we have stronger relationships with our customers. Our biggest competitor, Chinese manufacturers, is increasing their costs amid domestic demand, so the situation is improving every year.

For the areas where profit is not growing much, as I mentioned earlier, the baht is appreciating more than expected. This may be the same as in Japan in the past, but Thailand also has a fairly strong export industry, so the exchange rate tends to be stronger than expected in such circumstances. Therefore, the current situation is that the revenue that is being raised in volume and price is being diminished as a result.

Despite such a trend, we are growing our volume further and price is improving currently. Therefore, one important point is that these effect will come up in the figures in the future.

In addition to the above, the European market, which I explained earlier, is growing stronger due to the needs of our customers. We cannot handle these needs only from Japan, so the production started in Thailand this year. In terms of prices, the situation is better in the US and Europe than in Asia, so the improvement in terms of portfolio can be added.

As mentioned in Okada's part in the material, we are going to produce the products that have more add-value in Thailand. One of them is foil. Also, although we are currently producing heat exchanger and fin materials, we are trying to increase the types of products and make further improvements. That is the current in Thailand.

Tanaka [A]: In terms of improving our sales portfolio, we have been sending mainly from Japan to Europe, but we are also receiving inquiries from some countries that do not charge tariffs, so we expect the profit to appear in H2.

Although we cannot control the exchange rate, the appreciation of the baht was particularly strong last year, and now that the appreciation of the baht has calmed down a bit, we would like to make sure that we can generate positive results in the current fiscal year and beyond.

Henry will then give an overview of the situation in the US.

Gordinier [A]: Sure, absolutely. I would like to clarify one part of your question. You were asking why we chose this approach from a capacity perspective. Was that a question that was talking about, one step further, inorganic versus organic? Was that what you meant by approach?

Matsumoto [Q]: I think there are several options. Why did you choose this method this time?

Gordinier [A]: The simplest I can give you is cost efficiency, capital efficiency. It's a pretty staggering number. If you think about it in context of, let's say, the new rolling mills that are being announced, all in, those numbers are anywhere between \$3 to \$5 a ton when you think about the output pounds that have been put out there.

From a capital efficiency perspective, we're like cents on the dollar for these. Literally, because we have the downstream capacities already there, and we've got the upstream capacity that's been built, the debottlenecking, the rates of return are just kind of silly, and we're able to fund these things on operating cash. And so it's kind of yes, how can you not do something that it's 30, 40 cents to the dollar for the new output pound? So the first one, the answer is probably just it's the no-brainer approach.

Matsumoto [Q]: Would it be economically infeasible to increase the investment a bit more, say by 20% in capacity, or would it be physically difficult to do so?

Gordinier [M]: Why we didn't go further, is that what you're saying?

Matsumoto [Q]: Does the 20% capacity increase mean that this is not economical or economically rational?

Gordinier [A]: There are definitely breakpoints. So when we were looking at the projects, you're looking at breakpoints from capital efficiency. In this particular project, there was just a really clean breakpoint technically with what we're going to be doing that would allow us to create this capacity for the least amount of capital possible. There are other opportunities to increase further that are less capital efficient that we've looked at. But we knew this was the right one to go through today, and for those reasons, it was kind of the no-brainer. We still have options to go into a phase two, if you will, that would deliver strong value as well.

So just haven't pursued that yet. And I'd say relative to the North America market, it's something I talk about frequently with our colleagues. With our balance sheet where it is today, we're also just monitoring the competitive position because there's other ways to expand as well inorganically.

Tanaka [M]: One more point, Henry, could you comment on how our market environment is doing while our competitors are starting production?

Gordinier [A]: With that I mean, there are two new rolling mills. One is ADI's facility that has coil into the market and then another one that is our joint venture partner, the mill at Bay Minette and it is still in process and in terms of building and coming along. But the important point to know is our market's structurally short right now. We have historically high imports right now to support demand. And if you talk to any of our customers right now, the issue is around getting metal.

It's around getting coil to get products to market. So structurally short now, these new assets are going to take some time to commission and to ramp, right? And we know that, we've seen it.

So I think it's going to be some time before they really leg into, I would say, the full run rates, but the market continues to grow. So we really do have confidence that things are going to be balanced out and that there's going to be some time for these ramps. And so what we saw customers initially do, from a contracting perspective, customers were initially at first a little bit standoffish in terms of cutting new longer-term deals.

They were going to kind of wait and see what these new announcements meant relative to what leverage they might have in a supply negotiation. But then recently, they've really come to the table in '25 to say, hey, look, we recognize now what we kind of already believe, which is the ramp times are long. And these are complicated industrial complexes that are being turned on.

And the customer, what they really need is reliability, dependability. They need the coil now for product that they're trying to put on the shelf, which put us in an advantaged position. It's another reason why these investments we're doing make sense, because they are less complicated, right?

And you're able to release that capacity, and we're able to time the investments with the sales agreements on the other side of them.

Sudo [M]: Thank you for your question. UBS Securities Mr. Goroh, please go ahead.

Goroh [Q]: Thank you. Two questions.

The first point is that in the change analysis of profit this time, there are costs such as a JPY15 billion impact from the situation in the Middle East and a JPY2.3 billion impact on inflation. I believe that the vision of the medium-term management plan also incorporated a large amount of inflation risk, which was a negative factor in some areas.

I believe the price increase was announced last week. Last year, too, there was the high cost upfront and this cost was recovered by price increase, which created a large difference in profit between H1 and H2. I think it is very important how to reduce and manage the time lag in the system to raise prices after the fact.

I understand the mechanism of lowering cost per unit by increasing volume without preceding fixed costs even when increasing capacity, but if the trend is concurrent with a shrinking marginal profit in the end, this is what we are having difficulty understanding. Is this price increase initiative being properly implemented with as short a time lag as possible?

Also, I am particularly concerned about the rule of annual price revision in the US. I wonder if there is any room for change in this rule in the shortage, any room for change to a system where cost increases are firmly and immediately passed on temporarily. Please explain the margins about these points.

The second point is the part about improving the scrap recycling rate. The first stage was a rise from a low rate, so I think the change was significant. We are told that the overall number has now reached nearly 80% at all of our locations.

I think you have told us earlier what kind of growth potential you can expect from here, and a new initiative to expand the types of scraps. It would be good if this can lead to energy and cost saving as well as an increase in value. Could you tell me if there is room to increase the recycling rate, and if so, how this will contribute to increase profit and value as planned?

Tanaka [M]: You asked two questions. One is whether there is a time lag in the timing of price increases and whether margins are being secured amid the current inflationary situation. The other is the recycling rate of scrap and how things will develop although it has progressed smoothly so far.

Hashimoto will explain the first point, and I will answer the second point.

Hashimoto [A]: First of all, regarding the time lag of price increases in response to cost increase, there are two biggest cost increases right now. It is labor and energy related. In Japan, energy is subject to a surcharge, so there is a gap of three months or six months, but we are able to pass the cost increase at a certain timing.

In terms of labor cost, wage increase negotiation did not take place every year since three years ago. However, as you know, since last year and the year before last, labor costs have been increasing by 4% and 5% annually. We cannot help passing these cost increase on prices. Since our customers understand it, we negotiate every year.

Therefore, we are negotiating with the evidence of the current wage increase and overall cost increase, so we are able to negotiate price increase every year.

We also announced the very issue of the Middle East last Friday and began negotiations this week. The new price will be effective from July, and customers understand this situation and will be able to respond with a certain speed.

Whether we can pass on the cost increase to the customer at a reasonable time would depend on our future discussion.

We are forced to and are being allowed to work in a way that does not shift the timing in any major way.

Henry will respond regarding the US-related issue.

Gordinier [A]: In the United States, we operate mostly under long-term contracts. I think the shortest contract we have in place is 3 years. We've got several at 5 and then a couple that span out to 8 years. We've got a range of them. They all have price adjustments in them that are triggered around inflation. When we think about producer price index, for example. There are methodologies we have that would help us against core inflation from a pass-through perspective. Ultimately, between that and the productivity gains, which you saw

help us drive our actual costs down lower, that helps kind of protect where our margins are from that perspective. We don't go back and renegotiate conversion prices mid-cycle. They happen with the term of the agreement.

Goroh [Q]: Once a year, product price adjustment opportunity you have. But I'm just wondering, the condition is getting in the supply shortage position. If there's a chance to make it shorter timing-wise, it is better to get reasonable margin going forward. Once a year, it's kind of too risky.

Gordinier [A]: In the event of a shock, like in the event of a price shock. We talk about the Middle East, for example. We have had no direct impacts at all from an operational supplies perspective. The question, I think, might be read as, if we had supply shocks that would come in, how would we address those? We would address those. We have in the past, historically, by approaching with surcharges when you're in unique times.

We just haven't been in a space where that's effectively kicked in. We do have a pass-through model relative to freight as well. We're insulated on the freight component of it as well.

Goroh [M]: Let me confirm whether it is correct to understand that activities to offset the decrease of JPY15 billion have started properly, and that this degree of decrease is on the track to be reduced.

Gordinier [A]: We are currently working in that very direction.

Tanaka [A]: The second question was about improving the scrap recycling rate.

So far, the recycling rate has been steadily increasing as planned. You are exactly right, but it becomes quite difficult from here.

So far, we have been able to exceed the plan so far mainly by increasing the utilization rate of UBCs and raising the recycling rate, rather in areas where it is relatively easy to recover scrap.

However, as we have talked about using various materials from here in the US, we are working to diversify and expand the types of raw materials we use, in essence, to achieve the desired ingredients while successfully blending various scraps.

In addition, one more thing. As we mix such scrap ingredients with agreement with customers, the ingredients will be slightly different from the original plan, and we would like to know if such ingredients can be used by our customers. Or, while we ask customers to use these things, we integrate alloy. We are currently aiming for 80% of the total, with the understanding of our customers.

Sudo [M]: Mr. Goroh, thank you for your question. Next question, please. Mr. Shirakawa of Morgan Stanley MUFG Securities Co., please go ahead.

Shirakawa [Q]: This is Shirakawa from Morgan Stanley MUFG Securities. Thank you very much. I have two questions.

The first point is about the US. We were informed of the situation. I would like to know your short term and the medium term view.

It is about section 232 tariffs. With a 50% tariff in place, the US is a net importer and this will be a factor that is pushing up the Midwest premium in the short term. Is this system itself sustainable? Please let me know what you think about this place.

The second point is that regarding ROIC, working capital, which is estimated to be JPY120 billion, has been increasing since 2024, but the ROIC has been on a slight downward trend. This year, the plan is to increase and improve it significantly.

You mentioned earlier that you are going to work hard at the CCC. Can you tell us more about what is going to change and why ROIC will be so much better only this fiscal year?

Tanaka [M]: Thank you for your question. You asked two questions. First of all, the subsequent developments, including Section 232 over the short and medium term, regarding the US. It may be difficult for Henry to comment on the Section 232 developments, but he will respond to you.

The other point is the trend of working capital, which Okada explained earlier. I would like to provide a supplementary explanation.

Gordinier [A]: It's certainly one that we talk about a lot inside our business as well. And I have served for two years as chairman of the U.S. Aluminum Association, so had a fair amount of time in Washington, D.C., helping talk policy on exactly these things. I think a couple of things. But first, yes, the structure can endure.

The reality is, I believe, we've shown that we can operate in an environment of high tariffs. Now, will, it's a different question, right? And I think, and with whom, and with which partners, right?

So I think you're going to see tariffs now become part of trade policy with the U.S. that sticks for a while, even, and at this point in time, I'm just telling you what I feel, administration to administration. But I also believe you've got things like the USMCA agreement that, by statute, will start negotiations in July. And I don't think that's going to be trilaterally negotiated.

It's probably more bilaterally negotiated between U.S. and Mexico and Canada. I would say that one of the largest concerns is if you begin having preferential rates with one country versus another country, you create all sorts of opportunities for market distortions and trade flows that don't quite make a lot of sense. So a lot of the work being done right now, I know from association and from my counterparts and competitors, we're trying to make sure what we don't create is a world of unintended consequences that makes it harder on our industry to compete.

But I think there's great opportunity on the other side of USMCA to strengthen North America and maintain what's really important for us, which is truly, it's about having our borders protected. And not just our borders, Canada's and Mexico's borders protected against unfairly subsidized metal coming out of China and Russia. So we're focused pretty intensely on that.

I do think that tariffs can exist. I think the levels will be adjusted. And it's really a function of how those bilateral trade agreements come about and when they happen.

I certainly believe that at this point in time, there's a lot on the government's plate. So I think that we are going to see these extended negotiations with USMCA take place over a longer term. So I'm not looking for anything over the summer or in the fall, I think.

Tanaka [M]: Okada will respond on the second point, the increase in working capital, and the change in financial indicators.

Okada [A]: Okada will answer your question.

The increase in working capital has led to a deterioration in cash, but the first thing to note is that the molecule of the ROIC concept, business profit, is planned at JPY65 billion for the current fiscal year, which is a significant turnaround.

The main measure will be to accelerate collections in the areas where working capital is deteriorating, mainly We will do what we can to reduce working capital while doing what we can to generate cash, including financing schemes, and of course, we will do this within the context of our overall understanding, including inventories. Each business will factor it in their budget and reduce inventories.

In short, the inventory used to be a weight-based budget, but now it has been changed to a value-based budget, which is also visualized. We have progressed to the point where we can discuss how to proceed as a whole, while also receiving monthly progress from each such project.

We have been working seriously on this area, with the president and others giving a big order, but there are signs that the effects of our efforts, which have been even greater than before, are finally getting back on track, and we expect that the ROIC will continue to improve.

Shirakawa [Q]: With the situation in the Middle East worsening, I think there has been a slight change in procurement sources. In this context, of course, I think it is good for CCC to narrow down inventory, but is there any risk?

Okada [A]: Maybe my explanation was not sufficient, but the benchmark is to optimally and properly manage rather than reduce. We are not thinking about sacrificing the production. Because it will inevitably go up and down, we will make efforts to immediately bring the bumpy spots to be appropriate level. That is our approach to inventory.

Shirakawa [M]: Thank you.

Sudo [M]: Thank you for your question. Mr. Shibata of SBI Securities, please go ahead.

6 | Creating Environmental Value Through Value-Added Materials

Currently promoting the economic benefit that the environmental value of a smaller footprint represents

Smaller Environmental Footprint

- Procurement of virgin aluminum made using renewable energy
 - ✓ Recycled raw materials
 - ✓ Green virgin aluminum
- Capital investment supporting recycling
 - ✓ Fukui: UBC melting/recycling system
 - ✓ TAA: Shredder line expansion
 - ✓ UATH: Scrap furnace expansion
 - ✓ Oyama: Advanced casting system
- Development of alloys applying recycled raw materials
- Procurement of renewable energy

Turning Environmental into Economic Value

- Expanding sales of eco-friendly products
- Tangible forms of environmental value
- Third-party certification
- Promotion of environmental value

Cumulative ALmitas+ projects

Fiscal Year	Cumulative Projects
FY23	5
FY24	15
FY25	25
FY26 Forecast	35

ALmitas+ 8 customer advantages from the value of aluminum and UAJC technology

Aesthetics, designability	Light	Original, practical	Easy fabrication	Efficiency	Sustainability	Durability	Co-creation
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Shibata [Q]: This is Shibata from SBI Securities. Thank you. One question.

On page 30 of Mr. Hashimoto's presentation, there is a slide showing that the Company is promoting the conversion of environmental value created by reducing environmental impact into economic value. In this box, you introduced various measures to reduce environmental impact, and you can get an idea of actions that can be taken from the outside.

On the other hand, we believe that the economization of environmental values on the right is difficult to determine quantitatively from the outside, and therefore difficult to incorporate into earnings forecasts, etc. So, I would appreciate it if you could be more specific about the economization of environmental values on this right, like this is what we should be focusing on.

Hashimoto [A]: Hashimoto will answer.

This is very difficult, as you point out. It is really difficult to determine how to measure environmental value in terms of economic value, and there is still a lot of trial and error going on in the world today.

One thing that shows the economic valorization in numbers is the CO₂, or carbon tax. The so-called carbon price has already been quantified and valorized in such a way as to say how much it costs when renewable energy is used for electricity. So, there is a rough estimate of the cost of using renewable energy, especially at electric power companies, etc., and how much CO₂ will be reduced, and how much per ton as a result.

Also, in Europe, such figures are starting to be 100 euros per ton, etc. By lowering such CO₂, the carbon footprint, or the economization of valorization of the carbon price, will be one of the yardsticks.

Therefore, in our case, it costs about 15 t-CO₂-e/Al-t to make a normal aluminum sheet, but if we use green ingots, the cost is reduced by two-thirds, and if we use scrap, the cost falls further. How much the value drops against this 15 t-CO₂-e/Al-t base average value, would be the value of one CO₂, especially Scope 3. So using this yardstick, we get certain value for the portion that was reduces.

We have been working on this initiative for several years now, and although there is some debate among our customers as to how much is being paid per ton, we have gained a certain level of understanding, and we are now in the process of receiving actual added value by valorizing and visualizing it, and putting it into actual investment and development funds on the left.

We cannot do some of this without sustainability, so we have to make the investment profitable, and we have to value it. The yardstick of value conversion started from these things.

Tanaka [A]: I would like to add a few more points.

Customer needs have diversified considerably, with some customers saying that if the price goes up, the recycling rate does not have to be high, while others want a higher recycling rate even if they have to pay for it, especially among B-to-C customers.

I can't disclose exactly how much that is and how it is, but it is a fact that such customers are actually increasing quite a bit, so I think that over time, the various things I mentioned earlier and the conversion of CO₂ into money will also progress.

So, although it is difficult to say whether a sudden and drastic change will occur immediately, I would like to see us take steady steps in these areas and make sure that people understand the value of these efforts.

Sudo [M]: Next question, please. Mr. Ozaki of Daiwa Securities, please go ahead.

Ozaki [Q]: I have one question.

This is in regards to the TAA in the US. I could clearly understand the various capital investments that utilize scrap and the systems in place to recover them.

In this context, please tell us what would be the most important differentiator compared to US competitors. The intent of my question is to confirm how difficult it is for other companies to imitate TAA's scrap utilization business model.

Tanaka [M]: Henry will answer how we compare to our competitors in the US and what our advantages are.

Gordinier [A]: Well, I think you have got the competitive advantage first. We've got, I would say, a very large head start if you just in terms of our assets, that are in place today. And there's no question I think that that's there. If you had to ask me about competitive advantage, I would probably stretch that a bit further to how we work with our suppliers, the network of suppliers that we get. It's really in the how we conduct our business. We've got the right infrastructure. We've got the right capabilities. We've scaled that out. Now the question is how do we operate in the market? How do we think and how do we transact? For lack of a better term, our approach to the market is very sophisticated.

It's savvy. Think of our procurement arm as not buying pencils but trading so that we're very intentional about when we enter the market, about how much we're entering the market for, when we exit the market, trying to do as best we can to capture value but offering as little predictability as we can, which creates more opportunity for us. That's something I think that is fairly unique relative to how our competitors are set up.

That's one level. The other part is the suppliers and the partners that we've got. We've got a broad range of suppliers that extend all the way from pure traders that we've got long-term relationships with, to folks that actually have assets themselves, physical yards, to folks that are importers.

In structuring each of those deals somewhat differently or the kinds of deals differently, it gives you these leverages that I think are very, very difficult to recreate. A lot of them are pretty relationship-based. If you go take a look at the folks that we partner with, these are decades-old relationships.

The level of trust and how we interact almost on handshake agreements is something that I think is different and differentiates us in a way. When opportunity shows itself, we typically see it first. When markets move in a way where we don't want to chase it, we run our model and our system in a space where our production is not at risk.

We know when to use inventory, we know when to lever up, we know when to draw it down. To me, the question you had about competitive advantage is really one around culture. It's about how it is you approach working with your partners and the partners that you select.

Then you've got to complement that with having the right asset base. What I'm really proud of when you looked at the presentation earlier today was the fact that the assets that we put in place, they were here before the market showed up. It's about making sure that you're not reacting to something that's happened.

It's about making sure you've got the operational abilities in place to take advantage of the markets and the market conditions. I think we executed on both of those fairly well.

Sudo [M]: Thank you for your question. We will now end the question-and-answer session. For further inquiries, please contact the IR Department.

This concludes the IR-Day of UACJ Corporation. We will continue to strive to meet the expectations of our shareholders and other stakeholders, and we look forward to your continued support and encouragement of our company.

Thank you for taking time out of your busy schedules to join us today.

[END]

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