

Fiscal 2018 Financial Results Briefing and Mid-term Management Plan
Announcement (Q&A Summary)

1. Consolidated Financial Results, Other

- Q) Why is ordinary income remaining at about 60–70% of previous medium-term management plan targets?
- A) There are two reasons. The first is large changes to the market environment, such as to ingot and energy prices. The second is the startup speed of our Thai business, UACJ (Thailand) Co., Ltd., coupled with the delayed startup at Constellium-UACJ ABS LLC, which makes automotive body sheet in the United States.
- Q) What will the impact of US tariffs on aluminum be?
- A) They will be a plus for our US bases, like Constellium-UACJ ABS LLC and UACJ Automotive Whitehall Industries, Inc. However, we predict an impact on can stock in China and are keeping an eye on trends.
- Q) What effect will sanctions on United Company RUSAL Plc in Russia have in terms of ingot procurement?
- A) We already have alternative procurement prospects. We predict that the rise in ingot prices will have a small impact, but we basically pass on changes in ingot prices to the consumer.
- Q) You've anticipated significant profits for the second half of fiscal year 2018. What is the reason for this and what influence will rising crude oil prices have?
- A) Productivity at UACJ Thailand and Constellium-UACJ is gradually improving, and we can expect higher productivity to contribute to profits around the second half of this fiscal year. New and unforeseen risks aside from rising crude oil prices have arisen, like the US's protectionist trade policies. If the impact of these risks stays within our expectations, we believe that ordinary income will reach the previously announced figure of ¥20 billion.

2. Status of Main Overseas Subsidiaries

Q) What are your forecasts for UACJ Thailand and Constellium-UACJ going forward?

A) There was an influx of Chinese general-purpose materials into the region that we had not anticipated when we started UACJ Thailand. Moving forward, we will focus on selling higher-value-added products and increasing our production capacity.

Creating a task force for Constellium-UACJ ABS LLC significantly reduced the confusion at the time of startup. We are working to enhance the quality and productivity in automotive materials.

Q) When will UACJ Thailand move into the black?

A) We aim to achieve profitable operations during the fourth quarter of fiscal 2018.

3. Medium-Term Management Plan

Q) Why does the medium-term plan still indicate substantial capital investment?

A) Most capital investment in the plan has already been decided, such as the third phase of investment for UACJ Thailand and investment in production capacity for Tri-Arrows Aluminum Inc. We will make new investments in pursuit of growth if business opportunities present themselves but we will consider their balance with general investments such as updates to plant and equipment.

Q) Other aluminum manufacturers are also focusing on automotive materials. What sets you apart?

A) The cost competitiveness of our three main hubs in the United States, Japan and Thailand. We know that, particularly, Tri-Arrows Aluminum Inc. in the United States is the most cost competitive in the world and the fact that the company is establishing a presence in the United States is one primary factor that sets us apart. In Japan, we believe we can obtain first-mover advantage as we add automotive material lines at the Fukui Works.

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