

Business Performance

Business Environment

During the fiscal year ended March 31, 2018, the worldwide economy was characterized by ongoing recovery in the United States and Europe, but the rate of growth in China slowed. Emerging markets were generally in a recovery phase, despite some country-specific disparities. In Japan, ongoing production increases in the corporate sector were buoyed by a strong employment environment, and the household sector continued its slow recovery.

Moving into March, however, the outlook grew increasingly uncertain, due to the US government's introduction of protectionist trade policies and corresponding countermeasures from the Chinese government.

In the flat-rolled products business, demand for can stock was down year on year, but aluminum shipment volumes were robust, due to favorable demand for use in the transport sector and in relation to semiconductor and LCD fabrication equipment. In extruded products, demand was favorable for use in the automotive and general machinery sectors, resulting in stable performance.

In the wrought copper industry, the Group maintained high domestic and international production levels for its core product, copper pipes that are primarily used in household and commercial package air conditioners.

Financial Results Overview

Fiscal 2017 consolidated net sales for the UACJ Group were up 9.8% year on year, to ¥624.3 billion. On the profit front, owing to such factors as an upturn in inventory valuations, operating income grew 12.9%, to ¥29.2 billion. However, ordinary income decreased 2.1%, to ¥19.4 billion, as the passing of the US Tax Reform Act caused the Company to be affected by the reversal of deferred tax assets at an equity-method affiliate. Furthermore, a rise in business startup costs at equity-method affiliate Constellium-UACJ ABS LLC led to a loss in entities accounted for using the equity method. At the same time, the passing of the US Tax Reform Act prompted a reduction in corporate taxes at a US subsidiary. As a result, net income attributable to owners of the parent grew 40.6%, to ¥12.3 billion.

Principal measures of operating performance

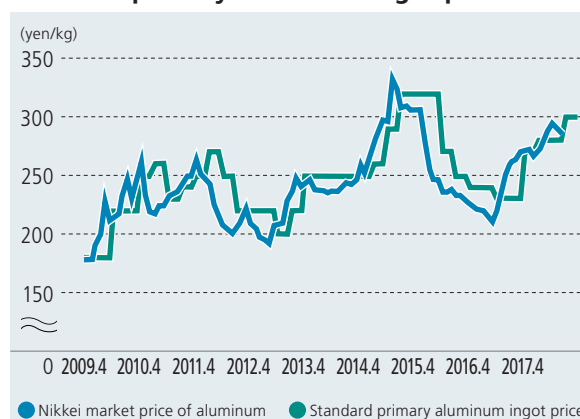
Unit: billions of yen

	Fiscal 2016	Fiscal 2017	Fiscal 2018 (Forecast)
Consolidated net sales	568.3	624.3	670.0
Consolidated operating income	25.9	29.2	28.0
Ordinary income before the impact of inventory valuation	24.0	11.3	16.4
Consolidated ordinary income	19.8	19.4	20.0
Net income attributable to owners of the parent	8.7	12.3	10.0
Adjusted EBITDA	56.8	50.7	57.2

Fuel expenses per unit



Nikkei average primary ingot price/ Standard primary aluminum ingot price



Forecast for Fiscal 2018

Issues to be Addressed

As geopolitical risks such as those in the Middle East and Syria continue to be influential, the Company forecasts further economic uncertainty due to the US administration's protectionist trade policies, immigration policies and currency strategies, as well as due to countermeasures from the Chinese government in response to US trade policy.

Additionally, the Group's financial position may be impacted by events it cannot currently predict, such as unexpected fluctuations in raw material and crude oil prices associated with an overconcentration of providers, greater-than-expected fluctuations in exchange rates and serious accidents involving major facilities. However, the Company will work as diligently as possible to minimize their effect.

Financial Performance Forecast for the Next Term

Fiscal 2018 is the first fiscal year in the new mid-term management plan, and the Company predicts sales volume increases for can stock, automotive materials and aluminum

foil used in lithium-ion batteries. We also forecast improvements at UACJ (Thailand) Co., Ltd., but believe inventory valuations will worsen due to ingot price fluctuations and expect to incur startup expenses as part of our strategic investment in the Logan Mill in the United States. Additionally, crude oil prices are currently rising, and we expect to incur higher energy costs.

Under these circumstances, we forecast net sales of ¥670.0 billion (up 7.3% year on year), operating income of ¥28.0 billion (down 4.1%), ordinary income of ¥20.0 billion (up 3.1%) and net income attributable to owners of the parent of ¥10.0 billion (down 18.4%) for fiscal 2018.

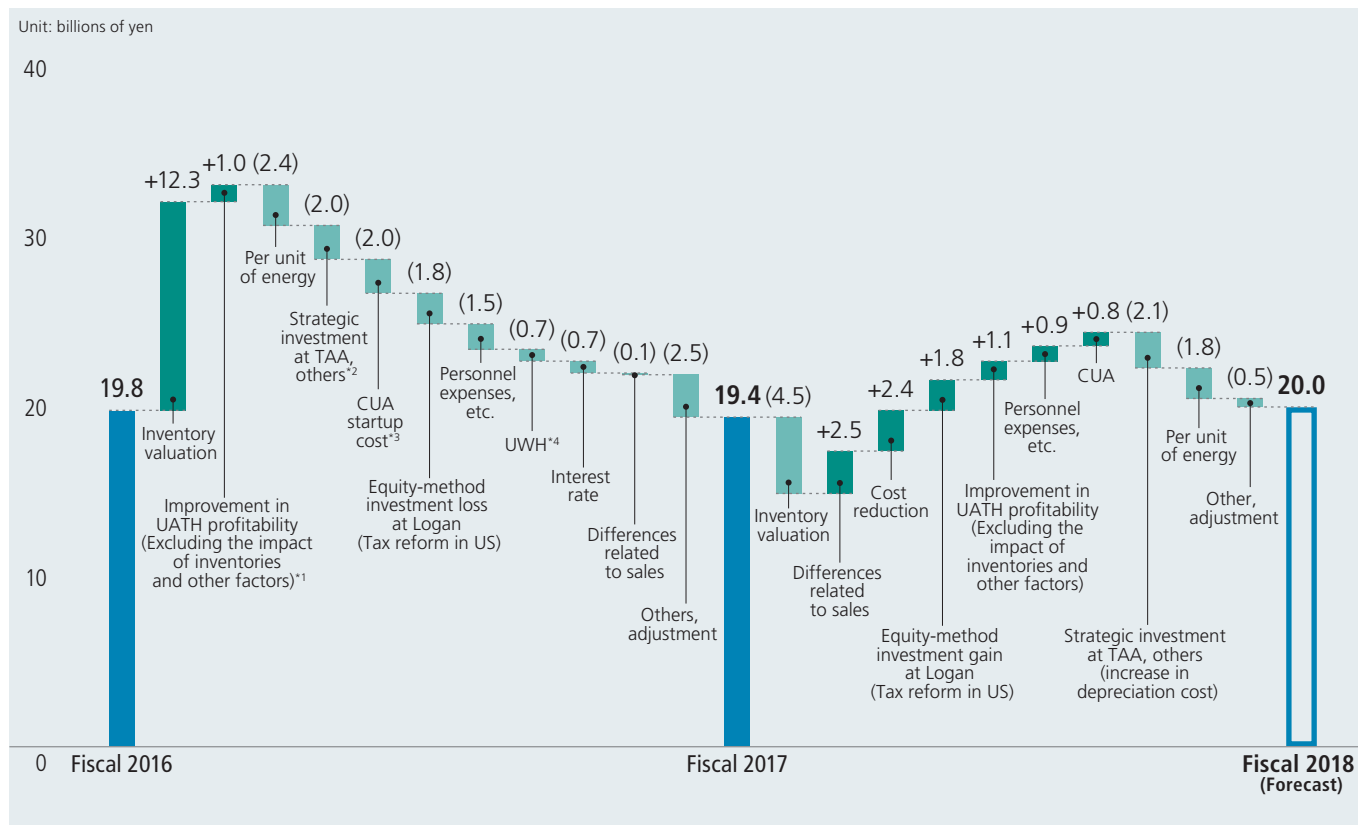
Furthermore, we anticipate ¥57.2 billion (up 12.8%) in adjusted EBITDA, which measures real performance.

Returning Profit to Shareholders

Dividend Policy

UACJ believes it is important to return profits to shareholders in the form of dividends. While our basic policy is to provide stable and sustainable dividends, we also comprehensively

Analysis of consolidated ordinary income



*1 UATH: UACJ (Thailand) Co., Ltd. *2 TAA: Tri-Arrows Aluminum Inc. *3 CUA: Constellium-UACJ ABS LLC *4 UWH: UACJ Automotive Whitehall Industries, Inc.

consider a variety of factors when making decisions on dividend amounts. These factors include trends in corporate performance, securing investment funds for improving corporate value and R&D in order to boost competitiveness, and strengthening our financial standing.

In fiscal 2017, we set interim and year-end dividends at ¥30 per share*.

In fiscal 2018, we will change a portion of our dividend policy with the goal of further clarifying the scope of dividends. We will conduct this change because during the period of our new medium-term management plan we will distribute dividends while prioritizing cash flow and investments aimed at strengthening production capacities in plants overseas and raising corporate value in Japan.

When considering profit distribution based on performance, we will aim for a long-term total return ratio of at least 30%, but during the period of this plan, will target a consolidated dividend payout ratio of 20-30% of yearly profit.

In fiscal 2018, we are planning annual dividends of ¥60 per share.

* Figures are after changes in the number of shares constituting one trading unit and a reverse stock split (changed on October 1, 2017).

Financial Position

Balance Sheet Analysis

Total assets in fiscal 2017 were ¥774.2 billion, up 6.7% year on year, primarily due to higher inventories and capital expenditures.

Total liabilities rose 7.3%, to ¥565.8 billion, mainly as a result of a rise in long-term loans payable to fund strategic investments in the Logan Mill in the United States and UACJ (Thailand) Co., Ltd.

Total net assets were ¥208.4 billion, up 5.1%, thanks to an increase in retained earnings owing to the posting of net income attributable to owners of the parent.

Research and Development

UACJ aims to respond to diverse customer needs and environmental, energy and social changes by conducting consistent research and development ranging from basic technologies to products and applied technology. Additionally, we are expanding our collaboration with state-of-the-art domestic and international research institutions and business groups and strengthening our new product and technology development systems. Meanwhile, we will keep our focus on developing human resources capable of global response, thorough compliance and BCP enhancement so that we can maintain and improve our research and development capabilities. Furthermore, we will endeavor to expand the

scope of application for aluminum parts primarily at the R&D Center (North America), which we established in April 2018, in pursuit of growth in demand for automotive structural materials in North America.

Total R&D expenditures for fiscal 2017 were ¥4.4 billion.

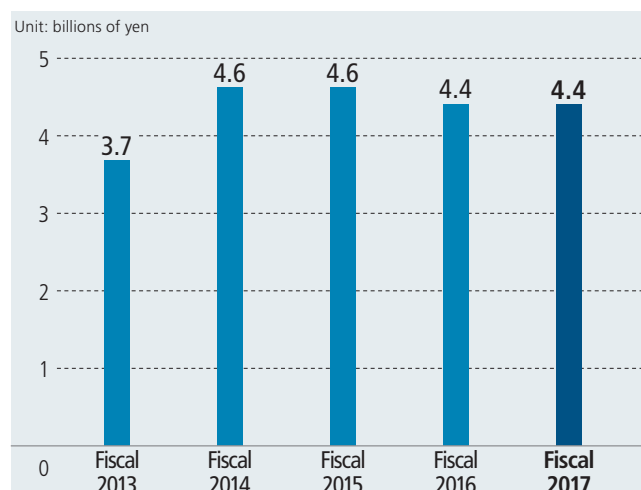
Rolled Aluminum Products Business

With our mainstay flat-rolled aluminum products, we aim to fulfill increasingly diverse and detailed customer needs. We accomplish this goal by focusing on developing aluminum materials used in can stock, aluminum alloy sheets for automotive bodies, automotive structural products, automotive heat exchangers, room air conditioners, IT-related devices and lithium-ion battery current collectors.

To raise productivity and lower manufacturing costs and environmental impact, we are developing new processes from both tangible and intangible perspectives and moving forward with the introduction of IoT technologies. As for basic technologies, the Company is further developing its simulation technologies and actively engaging in improving its data application, analysis and evaluation technologies. Meanwhile, we decided to continue participating in the second and final five years of the Innovative Structural Materials Project, commissioned by the Ministry of Economy, Trade and Industry, in all three themes. In addition, we are accelerating the development of a new aluminum manufacturing process, as well as a high-strength next-generation aircraft material that will be stronger than extra super duralumin.

The Company is also proceeding with research and development in its light aluminum material, pipes and bar products business, which, like the flat-rolled products business, is one of the UACJ Group's core operations. This R&D covers a wide range, including automotive heat exchanger materials,

R&D costs



air-conditioning materials, airplane and automotive aluminum structure materials and high-performance material for motorcycles. We are active in cast products as well, developing aluminum parts with added value, including compressor wheels, which only a few companies in the world are capable of producing. In the realm of packaging material development, Ai-PAC II won the Japan Aluminium Association's "Development Award" in fiscal 2017.

Total R&D expenses for the rolled aluminum products business in fiscal 2017 were ¥4.3 billion.

Wrought Copper Products Business

In the wrought copper products segment, we are developing high-strength copper pipe for air conditioners, contributing greatly to the development and mass production of air conditioners with higher performance and greater energy savings. We are also promoting sales for "DANT," a material we developed to prevent infestation by ant nests in copper pipes used in construction, pipework and air conditioners and are conducting development to further improve corrosion resistance. The technology in the materials we developed to prevent corrosion from ant nests is highly regarded, and we received the Research Paper Award from the Japan Copper and Brass Association for the second consecutive year.

R&D expenses for the wrought copper business were ¥0.1 billion.

Precision-machined Components and Related Businesses

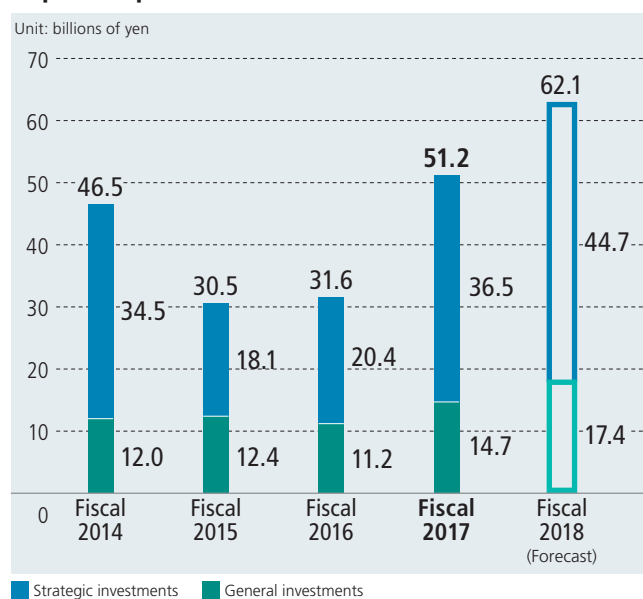
In precision-machined components and related businesses, we are developing cooling devices such as a high-performance, precise power control device, and began mass production in fiscal 2016. We will aim for increased sales in this category, as demand for high-performance applications expands. With regard to the air-conditioning heat exchanger field, we are proceeding with development aimed at expanding sales while supporting conversion to mass production for all-aluminum heat exchangers. Additionally, in automotive parts, we will aim to further expand upon improved sales from the previous year for our ultralight aluminum bumper system, which complies with global specifications.

R&D expenses for precision-machined components and related businesses were ¥2.2 million.

Capital Investment

Total capital investment for the UACJ Group in fiscal 2017 was ¥51.2 billion. By segment, capital investment was ¥44.7 billion in the rolled aluminum products business, ¥0.6 billion in the wrought copper products business and ¥5.5 billion in the precision-machined components and related businesses. Capital investment shared among segments was ¥0.5 billion.

Capital expenditures



As our primary capital investments, in the rolled aluminum products business, we are conducting Phase 3 capital investment in UACJ (Thailand) Co. Ltd., investing in Tri-Arrows Aluminum Inc.'s Logan Mill in the United States and upgrading deteriorating facilities as necessary in Japan.

We have included investment in intangible assets in all capital investment figures listed above.

For fiscal 2018, the Company forecasts strategic investments of ¥44.7 billion and general investments of ¥17.4 billion, totaling ¥62.1 billion.

Analysis of Capital Resources and Funding Liquidity

Analysis of Cash Flows

Cash and cash equivalents totaled ¥20.8 billion as of March 31, 2018, down ¥20.3 billion from one year earlier.

Details of individual cash flows and the factors affecting them are described below.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥17.4 billion, down ¥38.8% from the previous year. This decrease was mainly due to the recording of income before income taxes and depreciation costs.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥51.9 billion, down 6.5% due to capital investment in Tri-Arrows Aluminum Inc. and UACJ (Thailand) Co. Ltd.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥13.5 billion, down 72.6%, mainly due to financing through loans payable.