





## Reducing the environmental burden of automobiles

— essential products for people's livelihoods and industries

Automakers have been reducing vehicle weight to comply with increasingly strict environmental regulations adopted in countries around the world. Leveraging the strengths of its six main businesses, UACJ is taking advantage of aluminum's light weight to reduce the weight of all kinds of auto parts and components, thereby helping reduce the environmental burden of automobiles.

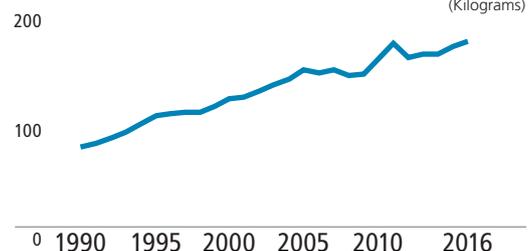
UACJ's Aluminum is All around Us

# TRANSPORTATION

### Growing use of aluminum for automotive parts

With the advances in aluminum strength and alloy technologies, aluminum has been increasingly adopted for a growing range of automotive parts and components over the years, including engine parts, wheels, doors, and bumpers. The adoption of aluminum for automobiles is expected to accelerate in the future now that stricter fuel consumption regulations have been enacted in developed countries. In response to this growing demand, the UACJ Group is expanding its supply capacity and developing new aluminum parts and components to offer even better solutions going forward.

Average volume of aluminum used per automobile\* (Kilograms)



\* The figures were calculated by dividing the total volume of automotive aluminum products by the total number of automobiles made in Japan.  
Source: Japan Aluminum Association's Website

## Improving the safety and fuel efficiency of airplanes

### — a means of transportation for connecting the world

Airplanes must be made of materials that are strong enough to withstand the harsh conditions of high altitudes and also lightweight in order to improve fuel efficiency. UACJ has been striving to make aircraft materials both stronger and lighter by developing the most advanced aluminum components, particularly in collaboration with national projects.



### Participation in national projects in the aerospace industry

In Japan, a large amount of aerospace development is carried out through national projects, including the development of rockets and the country's first passenger jet. UACJ actively participates in such projects, including one that aims to develop and increase the volume of domestically produced aerospace materials. As a developer of ultra-strength duralumin, UACJ is helping that project develop a domestically produced aluminum alloy that attains the highest strength in the world.



## Ensuring safe transport of LNG

### — a fuel that contributes to lower CO<sub>2</sub> emissions

Liquefied natural gas (LNG) emits less CO<sub>2</sub> when combusted compared with other fuels. It is transported around the world by LNG carriers, and the tanks of those ships are made of aluminum since it is highly resistant to low temperatures. Possessing some of the world's largest production facilities, UACJ manufactures huge sheets of thick plate for LNG tanks.

# EVERYDAY GOODS

## Enabling long-term food preservation with retort pouches

— indispensable items for daily eating habits

Aluminum is commonly used for packaging food because it excels at preserving aroma and preventing moisture and discoloration. UACJ manufactures aluminum-based retort pouches under a strict quality control system using advanced printing and processing technologies. By supplying pouches that preserve food for long periods of time, UACJ helps consumers reduce food loss and waste.



## Promoting the recycling of beverage cans

— essential containers for the beverage industry

While the design of beverage cans has evolved over the years, they are one of the most recycled items today. UACJ produces aluminum alloy sheets to comply with those design specifications and suit all kinds of recyclable cans so that recycling can continue making progress.



## Supplying safe and sanitary packaging materials for pharmaceuticals

— demand for which is rising as society ages

As the populations of many countries around the world grow older, demand for pharmaceutical products is on the rise. Materials for packaging those products must be extremely safe and sanitary. UACJ produces high-quality and safe foil stock for pharmaceutical packaging under strictly controlled sanitary conditions and in compliance with good manufacturing practices.



### Aluminum is at the forefront of recycling

Aluminum cans are so commonly recycled today that many consumers immediately associate them with recycling. In Japan, for example, over 90% of all aluminum cans are recycled. By recycling cans for aluminum can stock, one of UACJ's mainstay products, people can effectively reuse resources and greatly reduce the electricity consumption that would otherwise be needed for extracting and transporting raw materials.

Percentage of aluminum cans recycled in Japan

(Fiscal 2017)

92.5%

Source: Website of the Japan Aluminum Can Recycling Association



## Enabling more compact and diverse IT devices

### — products that enrich people's lives

As mobile IT devices become increasingly compact, their casings and bodies must be made stronger. UACJ exploits the properties of aluminum to develop alloys that attain that strength, which gives more design options to device manufacturers.

UACJ's Aluminum is All around Us

# INDUSTRY AND SOCIETY



## Supplying more attractive building materials

### — essential items for urban development

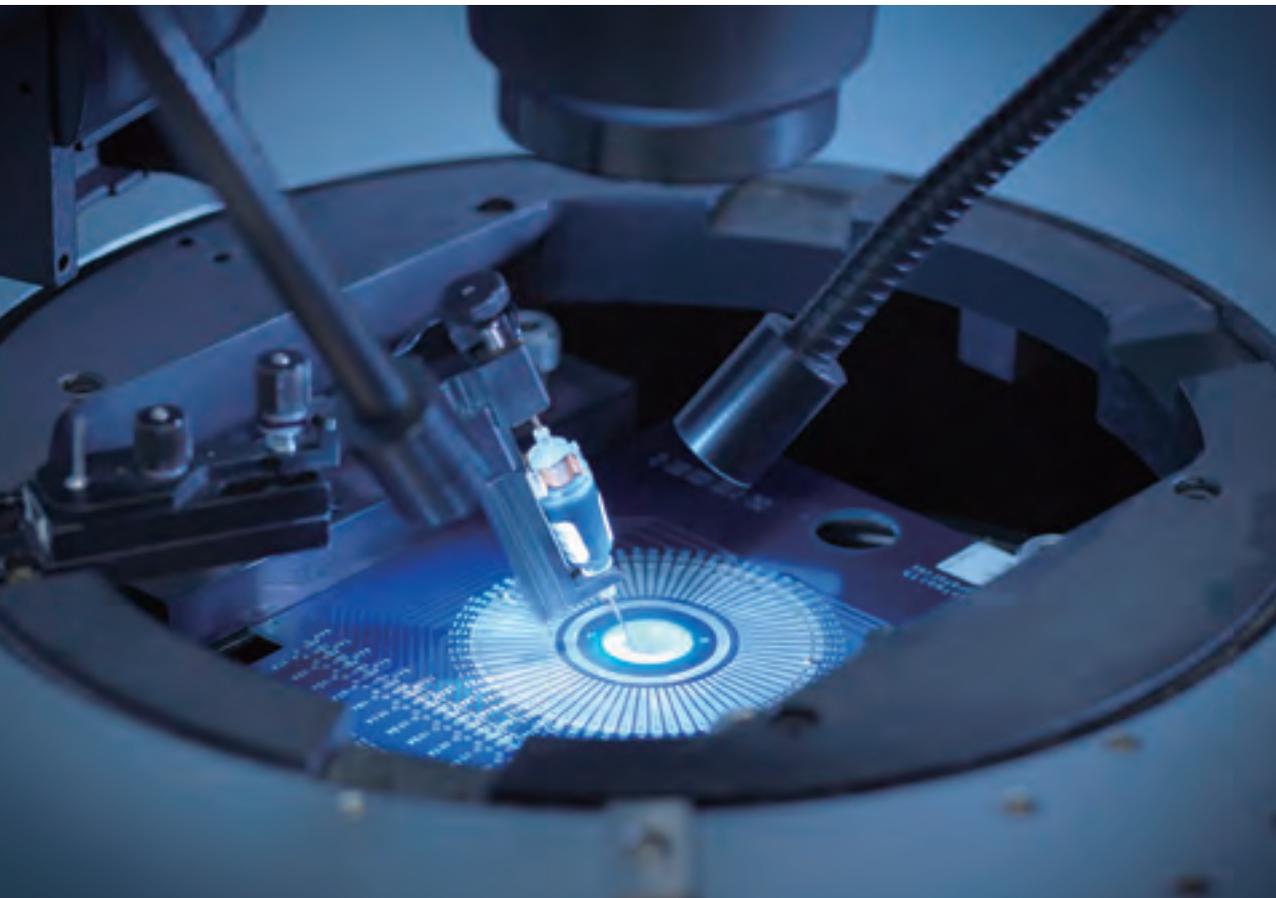
A vast amount of aluminum is used in buildings and structures today because of its attractive appearance, resistance to corrosion, and durability. UACJ makes use of its facilities and technologies to process aluminum in all sorts of ways so that it is adopted even more for buildings in our towns and cities.



## Extending the service life of air conditioners

### — indispensable appliances for comfortable lifestyles

Aluminum is used for air-conditioner compressor fins because of its outstanding thermal conductivity. UACJ helps make air conditioners last even longer by developing compressor fin materials that not only attain higher thermal conductivity but also comparatively greater strength.



## Adding more precision to equipment for manufacturing semiconductors

### — essential devices for society to function

Semiconductors are used in countless products and systems needed by society to function, from smartphones, automobiles and electric train operating systems to electricity grid and water supply control systems. Aluminum is used in semiconductor production equipment because it performs exceptionally well under vacuum conditions. UACJ supplies aluminum materials of the highest precision for such equipment, which helps boost productivity in semiconductor manufacturing.

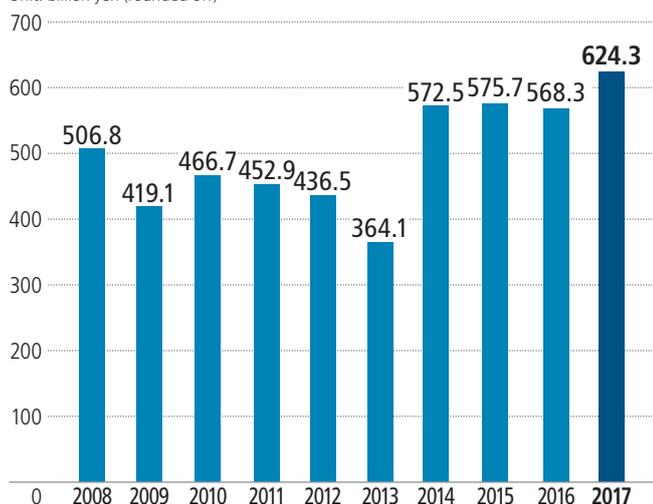
# Financial and Non-Financial Highlights

## Ten-Year Summary of Consolidated Financial Results

### Earnings

#### Net sales

Unit: billion yen (rounded off)

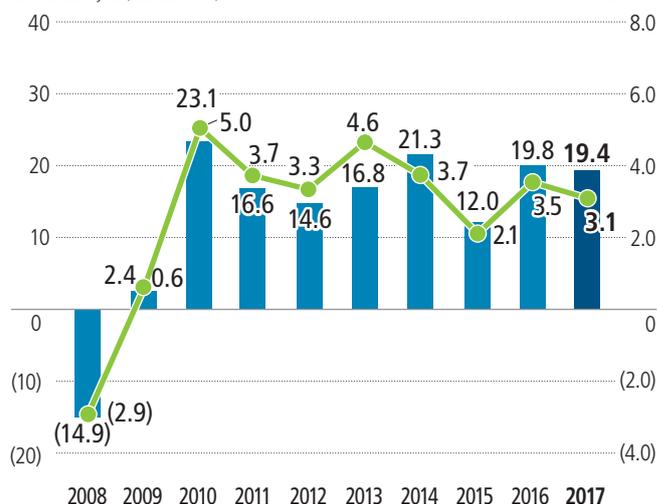


Net sales are affected by the aluminum ingot market because the Group's product prices reflect aluminum ingot prices along with precision machining costs. In fiscal 2017, net sales increased year on year on the back of growth in sales volume and comparatively higher ingot prices.

#### Ordinary income and ordinary income-to-sales ratio

Unit: billion yen (rounded off)

Unit: %



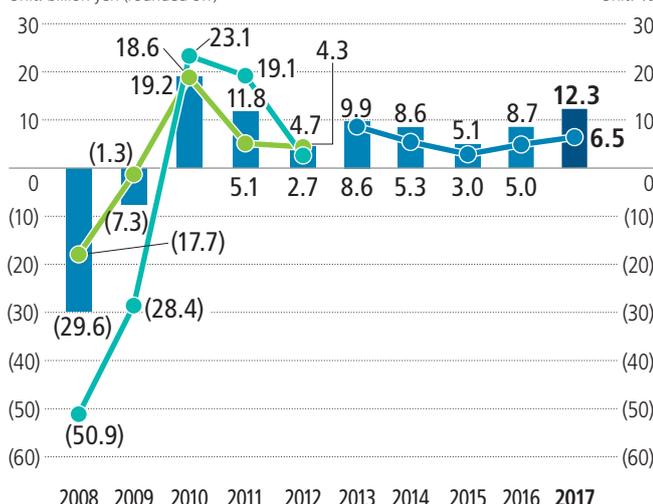
■ Consolidated ordinary income ● Ordinary income-sales ratio

In fiscal 2017, although inventory valuation increased due to comparatively high aluminum ingot prices, energy prices rose and strategic investment in U.S.-based subsidiaries increased. As a result of these and other factors, ordinary income decreased slightly compared with the previous fiscal year.

#### Net income attributable to owners of the parent company and ROE

Unit: billion yen (rounded off)

Unit: %

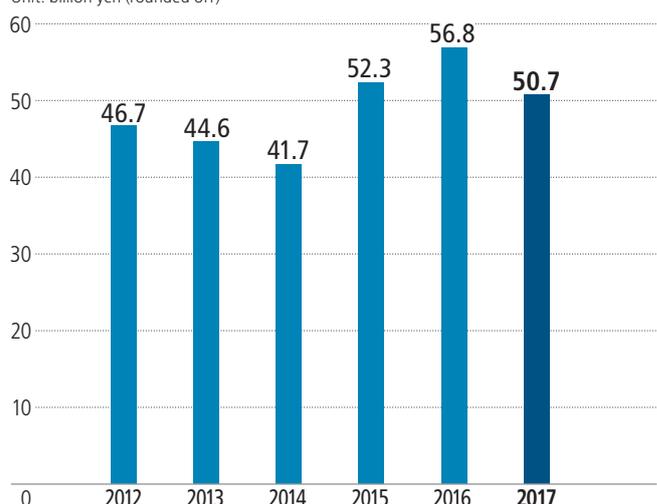


■ Net income attributable to owners of the parent company ● ROE ● Furukawa-Sky ● Sumitomo Light Metal Industries ● UACJ

In fiscal 2017, net income attributable to owners of the parent company increased substantially due to a decrease in corporate taxes paid by U.S. subsidiaries following revisions of the country's tax code. Return on equity also increased compared with the previous fiscal year.

#### Adjusted EBITDA

Unit: billion yen (rounded off)



Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) is an accurate indicator of the Company's profitability because it excludes inventory valuation, which varies depending on fluctuations in aluminum ingot prices. In fiscal 2017, adjusted EBITDA decreased year on year due to higher energy prices and increased strategic investment in subsidiaries in the United States.

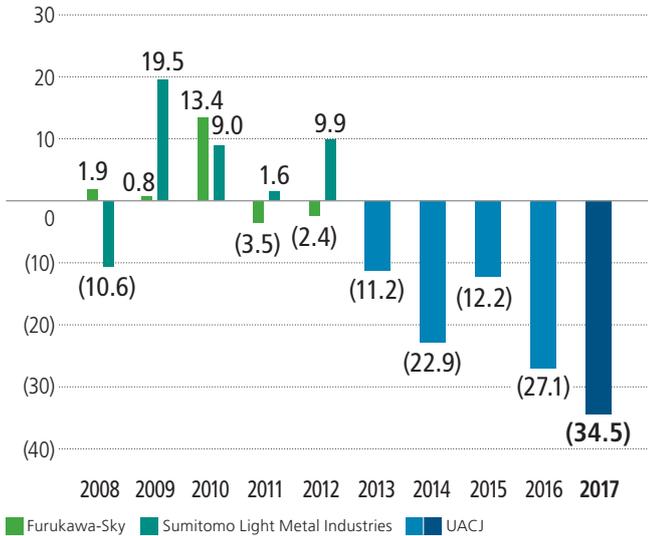
Adjusted EBITDA = operating income + depreciation and amortization + amortization of goodwill - inventory valuation

Notes about the graphs: The years shown in the graphs are UACJ's fiscal years, which span from April 1 of the specified fiscal year to March 31 of the following year. (For example, fiscal 2017 is from April 1, 2017 to March 31, 2018.) UACJ was formed in mid-fiscal 2013 through the merger of Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. Accordingly, the figures shown in the graphs up to fiscal 2012 are the combined results of the two former companies. Figures in fiscal 2013 are the combined results of the former companies in the first half of the fiscal year plus the results of UACJ in the second half. In addition, although changes were made to the accounting treatment of various items in fiscal 2013, including commercial paper maturing by the fiscal year-end, results up to fiscal 2012 for key performance indicators included in this section have not been adjusted to reflect those changes.

## Investment and Equity

### Free cash flow

Unit: billion yen (rounded off)



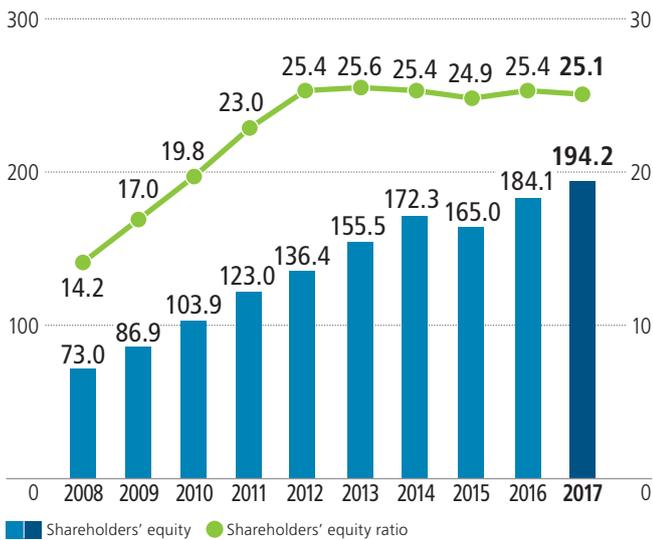
Free cash flow has been negative since fiscal 2013, reflecting ongoing growth-oriented investment for expanding global operations. The Company's management will strive to achieve an optimal balance of strategic investment and financial soundness going forward.

Free cash flow = operating cash flow + investment cash flow

### Shareholders' equity and shareholders' equity ratio

Unit: billion yen (rounded off)

Unit: %

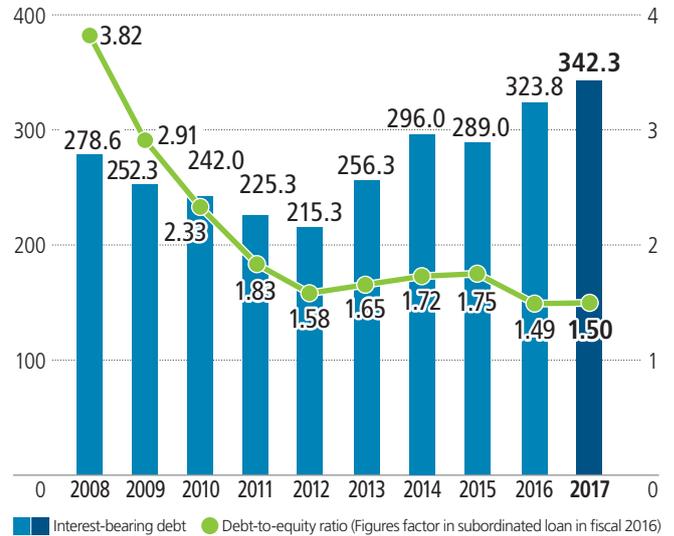


Shareholders' equity was up year on year due to the increase in net income attributable to owners of the parent. The shareholders' equity ratio, however, was roughly on par with the previous fiscal year as a result of increased interest-bearing debt.

### Interest-bearing debt and debt-to-equity ratio

Unit: billion yen (rounded off)

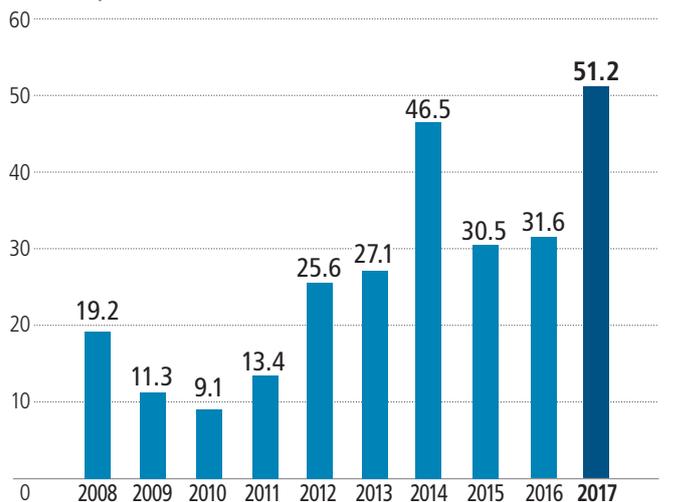
Unit: times



Interest-bearing debt increased year on year as proactive growth-oriented investment continued. Nevertheless, the debt-to-equity ratio stood at 1.50 times, in line with the previous fiscal year.

### Capital investment

Unit: billion yen (rounded off)



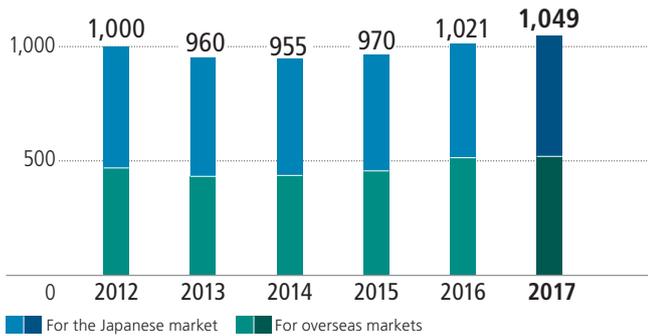
Capital investment increased in fiscal 2017 due to investment in casting and cold-rolling facilities at Logan Mill in the United States and a third phase of investment in new facilities at Rayong Works in Thailand.

# Financial and Non-Financial Highlights

## Ten-Year Summary of Consolidated Financial Results

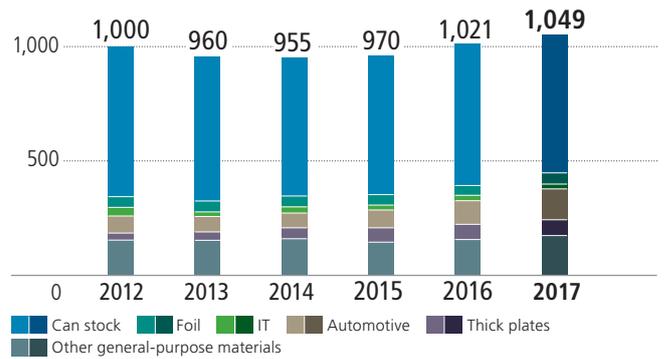
### Flat rolled product sales volume

Unit: 1,000t  
1,500



### Flat rolled product sales volume by product type

Unit: 1,000t  
1,500



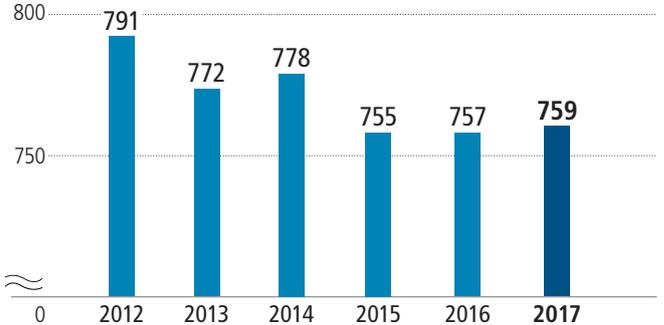
## Non-Financial

### Workplace accidents



### CO<sub>2</sub> emissions\*

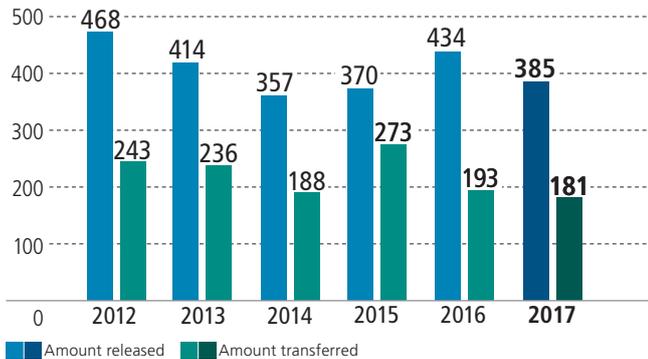
Unit: 1,000t-CO<sub>2</sub>



### PRTR substance emissions and transfer\*

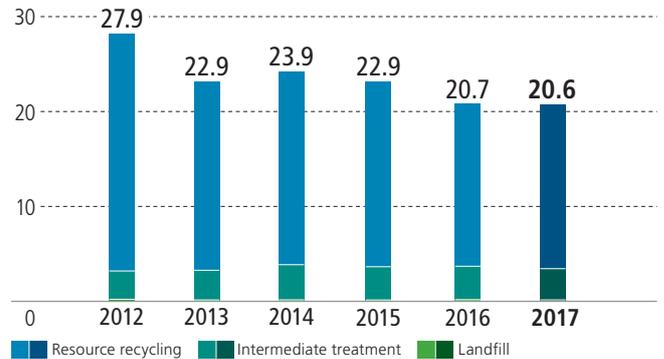
(including manganese, chromium, nickel and lead alloy elements in products)

Unit: 1,000t-CO<sub>2</sub>



### Industrial waste volume\*

Unit: 1,000t-CO<sub>2</sub>



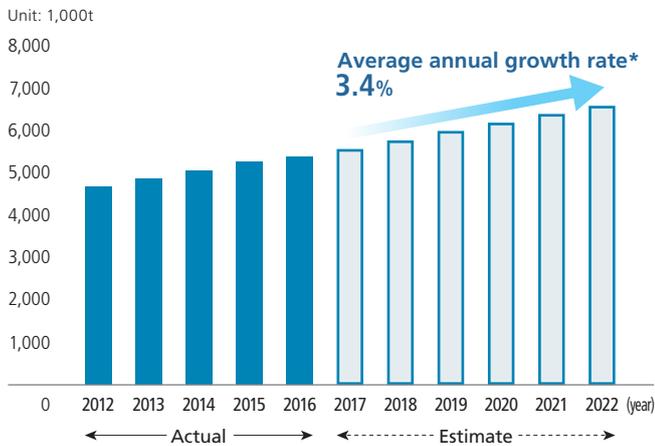
Note: The UACJ fiscal year is from April 1 to March 31 of the following year. Fiscal 2016 is the year ended March 31, 2017.

The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.

\* Measurement scope: UACJ (Nagoya, Fukui, Fukaya, Nikko), UACJ Color Aluminum, UACJ Extrusion Nagoya (Nagoya, Anjo), UACJ Extrusion Oyama, UACJ Extrusion Gunma, UACJ Extrusion Shiga, UACJ Foundry & Forging, UACJ Foil (Shiga, Nogi, Isezaki), UACJ Copper Tube

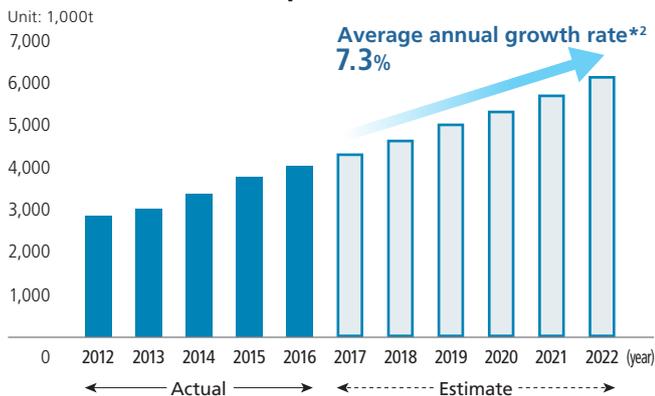
## Market Data

### Aluminum sheet demand for cans around the world



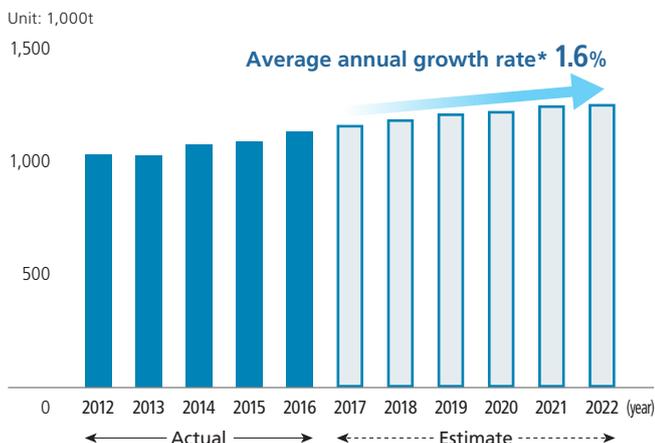
\*Average annual growth rate from 2012 to 2022  
Source: CRU Aluminium Rolled Products Market Outlook 2017 November Report

### Aluminum sheet demand for worldwide transportation\*1



\*1 Collective term for automobiles, aircraft, ships, etc.  
\*2 Average annual growth rate from 2012 to 2022  
Source: CRU Aluminium Rolled Products Market Outlook 2017 November Report

### Aluminum sheet demand



\*Average annual growth rate from 2012 to 2022  
Source: CRU Aluminium Rolled Products Market Outlook 2017 November Report

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### UACJ Report 2018



The UACJ Report 2018 summarizes the achievements and overall business operations of the UACJ Group. In addition to reporting current and future outlooks on corporate financial affairs, information on CSR and other non-financial issues has been compiled for this integrated report. Regarding the contents, reference was made to Version 1.0 of the International Integrated Reporting Framework, published by The International Integrated Reporting Council in December 2013. For further information, this website is linked to the investor relations (IR) and corporate social responsibility (CSR) websites of UACJ.

#### About Forward-looking Statements

Some information in this report pertains to forward-looking statements and future earnings. These statements are not a guarantee of future earnings, but rather address the risks and uncertainties faced by the Company. Please be aware that actual prospects and earnings may differ from forecasts as a result of changes in the business environment and other factors.



**Miyuki Ishihara**  
Representative Director  
& President

**Aiming higher as we continue  
to make surefooted progress**

## Showing the way forward with a clear view of our operating environment

In 2018, the fifth anniversary of UACJ's establishment through a merger, the Company launched a new three-year mid-term management plan with a view to step up and accelerate its growth strategies as a global aluminum manufacturer. That makes 2018 an especially important year, so I deeply felt the weight of my responsibilities when I was appointed as representative director and president in June. At the same time, I am extremely excited and motivated to take the UACJ Group to the next level by beating out the competition and attaining growth over the medium to long terms.

One of my hobbies is mountain climbing, and I think it has many things in common with corporate management. In both cases, a plan for achieving targets must be created, and careful preparations must be made to execute it. Moreover, no matter how meticulously the plan is carried out, things practically never go quite as expected.

I started mountain climbing after I joined my first company, as my supervisor at that time invited me to go climbing in the Japanese Alps. When we went there, however, the weather grew stormy and we had to deal with violent wind and rain while on a mountain. Fortunately, my supervisor, who led our climbing group, decided on a route that passed by a mountain hut just in case we needed to take shelter. We changed our plan on the spot and decided to stay overnight in the hut, allowing us to weather the storm. That experience made me appreciate how properly preparing countermeasures for extraordinary situations and calmly making the best decisions during a crisis are essential roles of a leader.

Just like the weather on a mountain, external factors surrounding the aluminum industry can change dramatically. Since UACJ was established five years ago, we have experienced rapid growth in emerging markets in Asia and rising demand for aluminum automotive body sheet in North America. In response, UACJ continued to proactively invest in the Group's operations in Thailand and the United States. Market growth was greater than originally anticipated, however, so we implemented a third phase of investment in UACJ (Thailand) Co., Ltd., and expanded production capacity of automotive body sheet at Tri-Arrows Aluminum Inc. in the U.S. under our previous

mid-term management plan. Unfortunately, costs associated with starting up the new operations piled up while energy costs soared. Consequently, we did not achieve our earnings targets by the final year of the plan in fiscal 2017. I am convinced that management made no mistakes in pursuing those proactive growth strategies and prior investments under the plan, but we had to assess some issues that arose when executing those measures.

In our new mid-term management plan launched in April 2018, we have laid out a roadmap for UACJ over the next five to ten years in order to realize our vision for the future. The plan includes essential measures for making progress over the first three years of that vision from fiscal 2018 to 2020. Naturally, the industry and market may change in ways we could not anticipate at the time of formulating the plan during its three-year period or over the course of the next five to ten years. Regardless of the situation, however, as the leader of the UACJ Group, I will calmly analyze the circumstances and choose a route that leads toward our goals so that all of our members can move forward confidently. By bringing together their collective expertise and skills, we can make surefooted progress toward reaching the targets of our mid-term management plan and realizing our vision for the future.

## Technology's value starts with its usefulness for people

"Maximize the possibilities of aluminum in ways that contribute to society and the environment" is the vision for the future we created when formulating the new mid-term management plan. While not a particularly new idea, this vision reaffirms the fundamental value of the business activities that the UACJ Group has engaged in for many years as an aluminum manufacturer, and sets an aspiration that will not change in the years to come.

Aluminum has a comparatively short history compared to other metals, but due to its many outstanding properties, it has become an essential material for many products in society today, ranging from automobiles, aircraft, and ships to food and pharmaceutical packaging materials, IT-related devices and equipment, and building materials. Furthermore, aluminum is recognized as a material that can help reduce environmental burden, as aluminum beverage cans are easy to recycle and cars can

## Message from the President

Aiming higher as we continue to make surefooted progress

be made more lightweight with aluminum components, improving their mileage.

Our goal at UACJ is not only to supply aluminum as a material for such products, but also offer solutions that benefit society and the environment by leveraging our own R&D capabilities and manufacturing technologies.

Over my long career, I started out by designing and developing manufacturing equipment at a factory, and went on to be a factory manager. Through that experience of working on the shop floor, I came to deeply appreciate the basic fact that the value of technology starts with its usefulness for people. No matter how great a technology is, if its creator fails to fully consider the user and accurately understand the user's needs, the technology will not become a valuable product for the user. For that reason alone, as technological innovation proceeds at an ever faster pace, it will become increasingly important for companies to develop new technologies and products together with users as co-developers.

In the future, UACJ will strive to more actively take on this co-developer role and provide solutions that help

increase value for customers in a wide range of industries. I want us to be an indispensable group of companies for our customers and people in general.

### Aiming to steadily generate returns on past investments and boost capital efficiency

As I mentioned earlier, the new mid-term management plan we launched in April 2018 specifies the future direction for the UACJ Group. We have set financial targets for fiscal 2022 and, as a waypoint in the five years until then, in fiscal 2020. To accomplish those targets, the Group is moving ahead with four major policies that we consider vital to implement between fiscal 2018 and 2020.

The first of those policies is to continue focusing on the growing automotive industry and growth markets in Asia and North America. In the growing Asian market, for example, we are working to boost productivity at UACJ (Thailand) and make this company profitable by fiscal 2019. It has already succeeded in boosting production output to over 10,000 tons per month, and operations can

### Financial results achieved during the previous mid-term management plan

		Fiscal 2016 results	Fiscal 2017 results	Original targets for fiscal 2017
Earnings	Net sales (billions of yen)	568.3	624.3	700.0
	Ordinary income (billions of yen)	19.8	19.4	35.0
	Adjusted EBITDA (billions of yen)	56.8	50.7	67.0
	ROE (%)	5.0	6.5	10.0
Financial stability	Debt-to-equity ratio (times)	1.49	1.50	1.33
Investment	Capital investment (billions of yen)	113.3 (From FY2015-2017)		90.0

now be handled by its local staff of Thai engineers. Looking ahead, we will step up efforts to transfer skills and know-how to the local employees so they can handle all of the work involved in installing and maintaining new production lines. In the United States, we are working to boost productivity at Tri-Arrows Aluminum so it can meet strong demand for flat-rolled aluminum for can stock and automotive body sheet in the North American market. Automotive body sheet is also supplied to that market by Constellium-UACJ ABS LLC, our joint venture with Constellium N.V. Following a task force carried out with that joint venture partner, we are now working to improve productivity specifically in terms of yields and operating ratios in an effort to tap strong demand and ensure a stable supply.

We are concentrating investment in the automotive body sheet and components business across the Group amid projections of rising demand worldwide in this growing industry. Investment will be used to bolster our supply capacity of such automotive products in each of the Group's businesses, namely the flat-rolled aluminum,

extrusion, foil, casting and forging, copper tubing, and precision-machined components businesses. Moreover, we are aggressively developing new products by having all of these businesses work together and by promoting collaboration between R&D departments. In April 2018, we established the Company's first research and development facility outside Japan with a view to more precisely



### UACJ's Future Direction

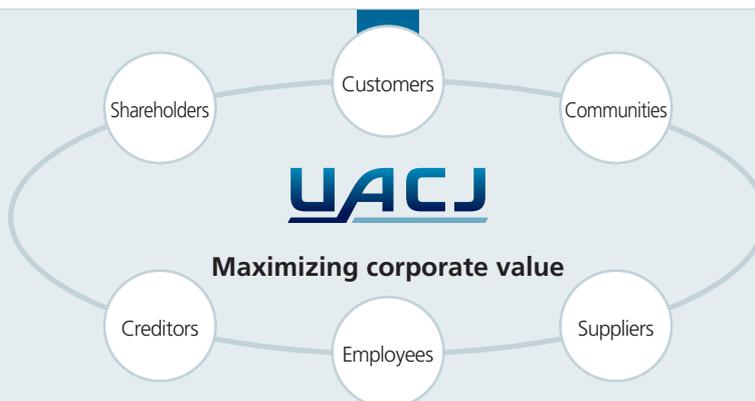
**Maximize the possibilities of aluminum in ways that contribute to society and the environment**

#### Through UACJ's products and services

Helping reduce vehicle weight with stronger and lighter materials

Helping facilitate aluminum can recycling by making recycling easier

Helping promote electric vehicles with highly electrically conductive materials



## Message from the President

Aiming higher as we continue  
to make surefooted progress

understand what automakers and auto parts manufacturers need and to work with them as a co-developer.

Our second major policy is to steadily generate returns on the investments the Company has proactively made since its establishment. This is a central pillar to our new mid-term management plan. Most of the capital investment and financing that has already been decided on and arranged will be completed in fiscal 2019, and we will very carefully pursue new strategic investment and financing going forward. We expect the returns on investments to start pouring in from fiscal 2019 and 2020, and then substantially drive up profits between fiscal 2021 and 2022.

Our third policy is to increase capital efficiency by giving priority to the return on invested capital (ROIC) in our operational management. We break down ROIC according to the operating income margin and invested



capital turnover, and aim to increase capital efficiency by improving the sales mix and cutting costs, thereby increasing the operating income margin, while controlling the turnover of inventory assets and other factors that indicate invested capital turnover. Priority will be given to ROIC throughout the entire UACJ Group, with each company and business division assessed while taking into account their medium- to long-term growth potential, strategic position, business characteristics. At the same time, we will strategically target and focus on key businesses while strictly managing the Group's business portfolio. By implementing all of these measures, we expect to secure positive free cash flow by fiscal 2020 and ROIC of at least 8% by fiscal 2022.

Finally, our fourth major policy is to promote shared principles of conduct throughout the entire Group as the UACJ Way. Since UACJ was established in 2013, many new members have joined the Group as it acquired companies and established joint ventures worldwide. Therefore, to keep the Group as a whole moving in the same direction, we created the UACJ Way as a set of principles of conduct for all employees to follow and value. While respecting the workplace environments of each of the Group's companies and the cultures of their respective countries, we want to foster a strong collective identity as a group by sharing UACJ's basic principles of conduct and corporate philosophy underlying all of the UACJ Group's business activities.

With these four major policies, we have set the following targets for fiscal 2020: ordinary income of 30.0 billion yen, ROIC of 6.4%, return on equity (ROE) of 8.0%, and a debt-to-equity ratio of 1.5 times. Our new mid-term management plan is a vital means for UACJ to reach its

### Major policies of the mid-term management plan from fiscal 2018 to 2020

1. Continue focusing on the growing automotive industry and growth markets in Asia and North America
2. Steadily generate returns on past investments
3. Increase capital efficiency with an emphasis on ROIC
4. Promote shared principles of conduct as the UACJ Way

next stage of growth from fiscal 2020 and onward. Over the next three years, we will strive to attain the plan's targets by ensuring steady progress of its priority measures and promptly responding to market shifts whenever necessary.

### **Creating an enduring, sustainable and self-driven organization**

In addition to the four major policies of the management plan, we understand the necessity of making UACJ an organization that can thrive for decades into the future. Established just five years ago, UACJ is a relatively new company, so putting systems into place for driving sustainable business growth is no small challenge.

We have already begun carrying out various measures for this purpose, including workplace reforms. In 2018, we initiated a workplace reform project covering the Company's sales, administration, R&D, and manufacturing-related divisions in an effort to improve productivity. In manufacturing divisions, we will examine new work-hour arrangements and hire more personnel in order to realize a better work-life balance for employees. Furthermore, recognizing that the "fourth industrial revolution" is now underway, we will work to raise operational efficiency by proactively adopting leading-edge technologies like the internet of things (IoT), artificial intelligence (AI), and robotic process automation at factories and in various other operations.

While pursuing efficiency and productivity in these ways, however, we must never neglect to ensure the quality of our products. Indeed, for the UACJ Group to maintain and improve its competitiveness in the global market, it is essential that all of its companies and workplaces ensure a consistently high level of quality. That not only requires adopting the latest equipment and systems, but also having every employee in each workplace improve the quality of their workmanship to a level everyone can depend on.

With a view to further enhance our human resources and organizations, we are focusing on developing the capabilities of all employees. Activities for promoting and sharing the UACJ Way, a major policy of the mid-term management plan, are a means of training and raising awareness among employees. Of the most importance,

### **Five key initiatives**

- 1. Implement workplace reforms**
- 2. Maintain product quality control capabilities**
- 3. Raise operational efficiency**
- 4. Promote and share the UACJ Way among employees group-wide**
- 5. Improve the transfer of knowledge and skills among employees**

however, is facilitating the transfer of skills from experienced personnel to younger workers at production plants. In preparation for the mass retirement of baby-boom generation workers, we set up training programs for transferring such skills at some plants starting in the mid-2000s. The programs were extended to numerous plants later on, and now all kinds of technical skills, information and know-how about manufacturing technologies and product engineering are being passed down to younger workers. We intend to transfer skills to workers at factories outside Japan as our international operations expand, and while looking to incorporate new technologies and AI, we will push forward with plans for even more comprehensive skills development and human resources training programs in the future.

As president, one of my most important missions is to transform the UACJ Group into an enduring, sustainable and self-driven organization through these wide-ranging initiatives. I am confident that we can accomplish the targets of the mid-term management plan and realize our vision for the future by having all employees of the Group channel their expertise and skills in the same direction, and enhance our collective abilities to execute strategies and take action as a single organization. I hope the Group's stakeholders will continue following our progress as we aim higher than ever before.

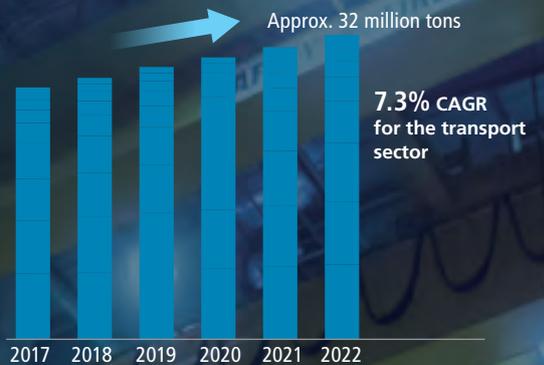
# The UACJ Group is working to generate returns on past investments and boost capital efficiency

Anticipating continuous growth of the global aluminum market, Japan's two largest aluminum companies merged in 2013 to form UACJ Corporation with the goal of setting up a global supply network. The new company launched its first mid-term management plan the following year and took steps to expand globally, which included the startup of full-fledged operations at Rayong Works in Thailand. During the period of that plan, however, UACJ's operations changed beyond expectations as the market for aluminum in Asia grew rapidly and demand for automotive aluminum rose substantially. With the adoption of tougher environmental regulations around the world, demand for automotive aluminum materials and components in particular are projected to grow due to their suitability for lightweight and electric vehicles.

Aiming to quickly respond to those trends, UACJ accelerated investment in its global supply network ahead of the schedule originally laid out for the three-year period of its new mid-term management plan, beginning from April 1, 2018. Guided by this new plan, the UACJ Group is boosting earnings by leveraging the supply network it has invested in to capture rising global demand for aluminum, while also striving to contribute positively to the sustainability of the global environment and community development.

## Forecast of global demand for aluminum sheet

3.9% compound annual growth rate (CAGR) overall



Source: Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited

### Before the merger

The two founding companies supplied aluminum to a wide range of industries primarily in Japan as the country's biggest aluminum companies.

### Merger in 2013

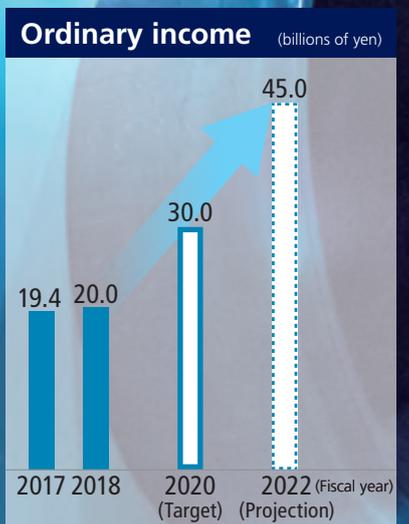
The two founding companies merged to form UACJ Corporation with a view to expanding internationally.

### First mid-term management plan from fiscal 2015 to 2017

UACJ invested in building a global supply network in anticipation of rapidly rising demand for aluminum worldwide.

### Mid-term management plan targets

UACJ is aiming to greatly boost income between fiscal 2020 and 2022.



Vision for the future

## UACJ's future direction

The UACJ Group will strive to maximize the possibilities of aluminum in ways that contribute to society and the environment.

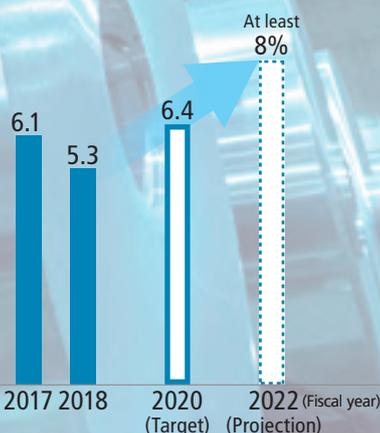
## New mid-term management plan from fiscal 2018 to 2020

UACJ is leveraging the global supply chain it has invested in to capture worldwide demand for aluminum and grow as a global group.

### Major policies of the plan

1. Continue focusing on the growing automotive industry and growth markets in Asia and North America
2. Steadily generate returns on past investments
3. Increase capital efficiency with an emphasis on ROIC
4. Promote shared principles of conduct as the UACJ Way

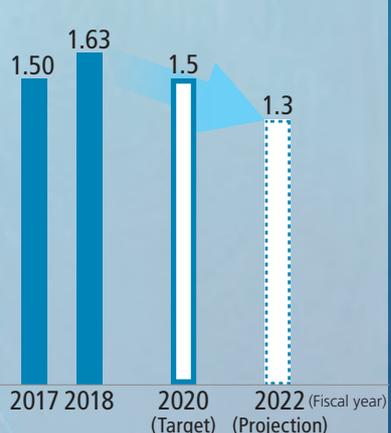
### ROIC (%)



### ROE (%)



### Debt-to-equity ratio\* (times)



\* After taking into account subordinated debt capital

# Major policies of the new mid-term management plan

UACJ has set the following four major policies with the goal of ensuring that past investments will contribute to earnings through to fiscal 2022

## Policy 1

### Continue focusing on the growing automotive industry and growth markets in Asia and North America



#### Growth markets in Asia

UACJ (Thailand) is aiming to boost productivity and become profitable by fiscal 2019

In fiscal 2016, UACJ increased investment in UACJ (Thailand) Co., Ltd., in order to meet rising demand for aluminum in Asia. The investment was for new production equipment at Rayong Works, which will bring production capacity up to 320,000 tons, making it one of the largest aluminum factories in Asia. Looking ahead, UACJ (Thailand) will continue focusing on boosting productivity through training programs for its homegrown engineers while working to raise quality and cost competitiveness. This subsidiary is expected to become profitable by fiscal 2019, and begin making significant contributions to consolidated ordinary income by fiscal 2020.



#### Growth markets in North America

Group companies are boosting productivity to meet growing demand for can stock and automotive body sheet

The Group's companies based in the U.S. are poised to capture growing demand for aluminum can stock and automotive body sheet in North America. Tri-Arrows Aluminum Inc., which manufactures can stock as well as automotive body sheet and structural materials, is working to raise the productivity of its Logan Mill to the world's highest level. Its sales volume is forecast to grow from 300,000 tons in fiscal 2017 to 400,000 tons in fiscal 2020 (350,000 tons of can stock and 50,000 tons of automotive materials). Meanwhile, automotive body sheet manufacturer Constellium-UACJ ABS LLC is also aiming to improve productivity and become profitable as soon as possible.



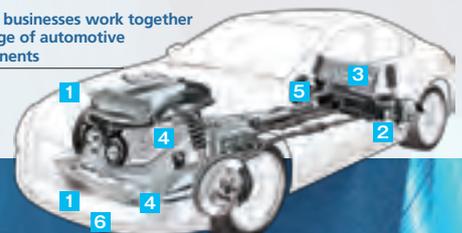
#### The growing automotive parts industry

UACJ is concentrating investment in operational resources group-wide

The aluminum automotive parts industry is expanding amid expectations of growing global demand. Each of the UACJ Group's six main businesses supplies aluminum automotive parts and components while working together to develop innovative new products for the market. Looking ahead, UACJ plans to concentrate investment in operational resources across the entire Group, including R&D facilities, to expand the range of products it offers. By leveraging a comprehensive product lineup, the Group aims to increase its earnings capacity while responding to diverse needs in the growing market for aluminum automotive parts.

- 1 Flat Rolled Products Business**  
Exterior components such as doors, hoods, and roofs, as well as heat exchanger materials
- 2 Extrusion Business**  
Heat exchanger materials and structural components such as sub-frames
- 3 Foil Business**  
Aluminum and copper foil used for the positive and negative electrodes of lithium-ion batteries
- 4 Casting and Forging Business**  
Vehicle wheels and wheels for turbochargers and compressors
- 5 Copper Tubing Business**  
Commutators for motors installed in electric vehicles
- 6 Precision-machined Components Business**  
Bumpers and bus bars

The Group's six main businesses work together to supply a wide range of automotive materials and components

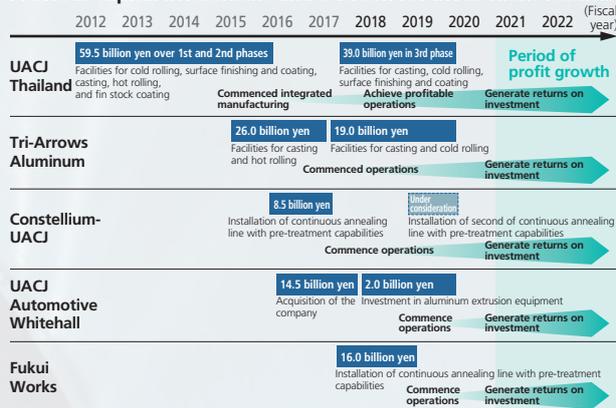


## Policy 2

### Steadily generate returns on past investments

During the three years of its previous mid-term management plan up to fiscal 2017, UACJ accelerated investment in its manufacturing subsidiaries in response to rising global demand for aluminum, which was stronger than previously expected. Investment primarily targeted Fukui Works in Japan, UACJ (Thailand), and three U.S. subsidiaries: Tri-Arrows Aluminum, Constellium-UACJ, and UACJ Automotive Whitehall Industries. With most large-scale capital investment set for completion by fiscal 2019, the Group's policy going forward is to carefully and selectively carry out new investment and financing. The past investments are expected to begin yielding substantial returns in fiscal 2019 and 2020, and profits are projected to grow markedly in fiscal 2021 to 2022.

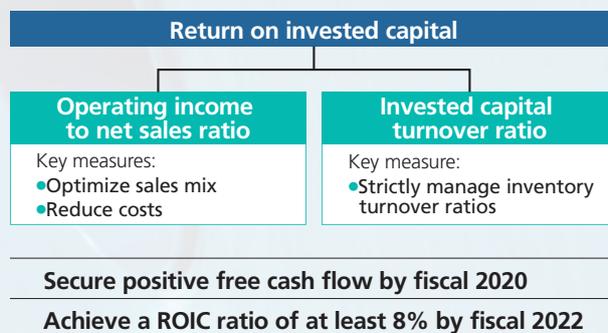
#### Previous capital investment and outlook for investment returns



## Policy 3

### Increase capital efficiency with an emphasis on ROIC

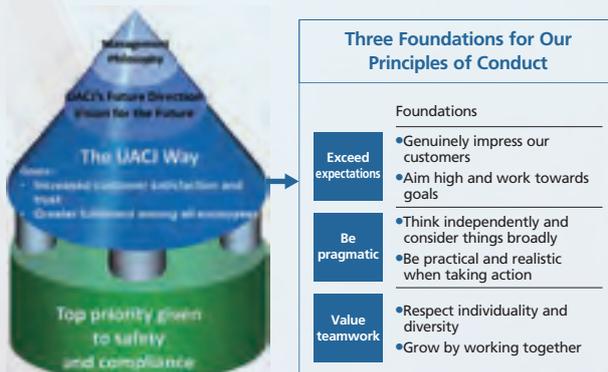
Under the new mid-term management plan, UACJ will work to improve capital efficiency while emphasizing return on invested capital (ROIC) throughout the management of the Group as a whole. ROIC is indicated by two ratios: the operating income to net sales ratio and the invested capital turnover ratio. To improve the first, all group companies and relevant departments are tasked with optimizing their sales mixes and reducing costs, and with respect to the second, they are to strictly manage inventory turnover ratios as a means to improve capital efficiency. Through these measures, UACJ is aiming to secure positive free cash flow by fiscal 2020 and achieve a ROIC ratio of at least 8% by fiscal 2022.



## Policy 4

### Promote shared principles for conduct cherished by each employee

With the expansion of its global supply network, the Company created the UACJ Way as a common set of principles of conduct for the entire Group. While based on giving top priority to safety and compliance, the UACJ Way is comprised of the three foundational principles of exceeding customers' expectations and genuinely impressing them, being pragmatic and thinking independently, and valuing teamwork while respecting individuality and diversity. The Group's management is committed to promoting these principles to all employees worldwide.



## Aiming to become a genuine global player while reaping the rewards of proactive investment in growth

UACJ began implementing proactive growth strategies under its new three-year mid-term management plan from the beginning of fiscal 2018. To learn more about what investors expect of UACJ and how it is evaluated in capital markets, the Company invited Harunobu Goroh from Morgan Stanley MUFG Securities to talk with UACJ Director Takayoshi Nakano.

### Boosting capital efficiency and steadily generating returns on past investments with an ongoing focus on growth markets and industries

—How would you assess the results of the previous mid-term management plan from fiscal 2015 to 2017, and what is your outlook for fiscal 2018 to 2020 under the new mid-term management plan?

**Nakano:** Our management plans are based on conditions in the global aluminum industry, and the future outlook is very exciting and favorable for the UACJ Group. For one thing, demand for aluminum is growing alongside the

economic development of emerging countries, especially in Southeast Asia. Moreover, aluminum is being used to make vehicles lighter in an effort to comply with stricter environmental regulations around the world, and that marks an epoch-making change in the automotive industry. To swiftly respond to these market trends, we aggressively made investments and procured the funds to do so under our previous mid-term management plan. That included a third round of investment in Rayong Works in Thailand, investment in new production lines at Tri-Arrows Aluminum in the United States, and the acquisition of a company in the U.S., which was renamed as UACJ Automotive Whitehall Industries.

**Goroh:** I think that concentrating investment in those

We want the execution of our new mid-term management plan to be seen as an important indicator of the Company's genuine capabilities.

#### Takayoshi Nakano

Representative Director, Member of the Board,  
Senior Managing Executive Officer  
In charge of Global Business Strategy Department and  
Public and Investor Relations Department, UACJ Corporation  
President and Director, Tri-Arrows Aluminum Holding Inc.



operations to capitalize on growth in the automotive industry and markets in Asia and North America was the right strategy to take, but the profit targets of the previous plan were not achieved. Although measures for expanding established operations appeared to proceed smoothly, I wonder if increased investment in new operations became a drag on UACJ's performance.

**Nakano:** Over the course of executing our strategies, we came up against several obstacles that had not been anticipated when the plan commenced. Firstly, the startup of new operations was delayed. Furthermore, processing fees for aluminum products were low on average in Southeast Asia, energy prices rose, and foreign exchange rates were unfavorable. So, in retrospect, although there were no problems with the strategies of the previous mid-term management plan, unfortunately we needed to improve and deal with various issues when executing those strategies.

**Goroh:** Am I correct to say that under those

circumstances, management not only focused on the same growth markets and the auto industry, but also established major new policies in the new mid-term management plan, namely generating returns on past investments and increasing capital efficiency, particularly in terms of return on invested capital (ROIC)?

**Nakano:** That's right. We believed there was no need to amend the strategies themselves, and looked to increase profitability while boosting or at least maintaining the Group's competitiveness. Nevertheless, when incorporating those strategies in specific investment and financing plans, we realized that risks and progress had to be thoroughly managed in order to ensure that the past investments would steadily generate returns.

**Goroh:** According to your new timeframe, most of the earmarked capital investment and related financing will be completed in fiscal 2019. Then UACJ will enter a stage of full-fledged profit growth in fiscal 2021.



Management's ability to execute  
its strategies will attract  
the most attention in capital markets,  
where expectations for  
UACJ are high.

**Harunobu Goroh**

Managing director  
Morgan Stanley MUFG Securities Co., Ltd.  
(As of June 2018)

## Engaging with Investors

**Nakano:** Yes, and we are also preparing for considerable business growth over those three years. In addition, our policy is to take steps toward increasing capital efficiency across the entire UACJ Group, placing importance on ROIC as an indicator of sound financial management.

**Goroh:** Securing positive free cash flow by fiscal 2020 and a ROIC ratio of at least 8% by fiscal 2022 are goals of the new management plan, but to accomplish them, obviously it will be very important to strategically target and focus on key businesses while strictly managing the business portfolio.

**Nakano:** That's right. If the Company does not attain a high enough level of ROIC, we may have to restructure certain businesses, including those that are profitable. On the other hand, it may also be necessary to accelerate investment in greater production capacity to promptly and accurately respond to changes in the market.

**Goroh:** If that happens, at some point in the future you may have to decide whether priority should be given to financial discipline or to capital investment.

**Nakano:** Yes, and in that regard, we want the execution of our current management plan to be viewed by capital markets as an important indicator of the Company's genuine capabilities.

### **Increasing opportunities for direct dialogue with all kinds of investors and gaining their trust in management strategies and business**

—What is your opinion of UACJ's corporate governance and how would you rate it overall?

**Goroh:** While many companies around the world have



been stepping up efforts to strengthen their corporate governance during the past few years, such initiatives appear to be lagging somewhat in the metal industry. In that context, I understand that UACJ has been improving its governance systems every year, such as by increasing the number of outside directors. In addition to strengthening those systems, I think it will be important in the future to verify whether corporate governance is functioning as expected and to take steps to improve its efficacy.

**Nakano:** In capital markets, corporate governance initiatives have recently emerged as important criteria for choosing which companies to invest in, as we have seen with environmental, social and governance investing. Therefore, if UACJ is to compete as a genuine global player in the future, it must raise its corporate governance to a respectable global level.

**Goroh:** Active dialogue with investors is indispensable for raising the level of corporate governance. Indeed, it is vital for companies to identify exactly what investors and capital markets expect and are concerned about, and to directly interact with them to bring any issues out in the open.

**Nakano:** We increased the number of briefing presentations for individual investors this year, and plan to increase the number of meetings with institutional investors, including one-on-one meetings. We are also preparing to create opportunities for investors to tour the Group's factories.

**Goroh:** Touring factories and seeing products firsthand is the best way to understand operations in the manufacturing sector. At a factory, you can clearly explain things like the benefits of installing new equipment and how your technologies are superior to other companies. That can make investors really trust and believe that your strategies are actually making progress.

### **Upgrading production facilities and diversifying the product mix with the aim to become an aluminum solution provider**

—Finally, we would like to hear your opinion regarding the future direction that UACJ intends to take?

**Goroh:** In order to realize the new mid-term management plan's future vision, first of all, the major policies of the plan must be executed. To achieve the profit targets, in particular, it will be necessary to increase earnings capacity.

What initiatives are you considering to accomplish that?

**Nakano:** Our plan is to technically upgrade production lines and take steps to raise productivity and quality. By making effective use of the latest technologies, such as artificial intelligence and the internet of things, we should be able to practically eliminate human error in factories, and mass-produce a wider variety of products with unprecedented levels of quality.

**Goroh:** In manufacturing industries, investment in plant and equipment is an obvious response to growing demand. What investors are really concerned about, however, is whether such investment will just increase production capacity or actually contribute to higher profitability by making production more efficient and advanced. If UACJ makes it a policy of proactively pursuing the latter kind of investment, it will send a strong message to capital markets going forward.

**Nakano:** In the future, we envision UACJ as a solution provider rather than just a manufacturer that sells materials. With our aluminum materials, we want to offer functions that help customers solve the challenges they face.

**Goroh:** Offering not only materials but also functions is a very intriguing vision for your business, and a lot of investors will be receptive to that approach if you can effectively promote it. What measures do you plan to take to accomplish that objective?

**Nakano:** We have set up a dedicated team to study manufacturing innovations and strategies of solution providers with a view to creating a concrete action plan in the future. It will be essential, of course, to enhance and expand our research and development organizations. At present, we are working to speed up the pace of R&D and expand it in other regions of the world. For example, we have sent an R&D team from Japan to the United States, and are involved in collaborative projects with a university in Thailand.

**Goroh:** To realize such a vision over the next five to ten years, you will have to closely monitor the progress of your priority measures and find an optimum balance between executing strategies and achieving profit targets. If something goes wrong, however, will management be able to deal with it effectively? In the market, investors expect companies to be able to respond to such challenges and carry out plans successfully. They closely watch the business strategies of various companies with those concerns.

**Nakano:** The global aluminum market is constantly changing. Therefore, we must quickly detect emerging



trends and be flexible about the steps we take to achieve our targets, even if the strategy, itself, does not need to be modified. In other words, it is essential to prepare a "Plan B."

**Goroh:** I would also add that the market has high expectations for UACJ in terms of its technological capabilities. Competition is heating up in growing markets, such as the market for automotive body sheet, so UACJ will have to continue being at the forefront of technology in the future if it is to fully capitalize on market growth.

**Nakano:** The Company must have a large enough scale of operations to maintain its competitive edge. At the time when UACJ was established through a merger in October 2013, it was large enough to compete on the world stage. What position we can secure on that stage going forward, however, will depend on how effectively we execute our technical development and other important strategies.

**Goroh:** Your ability to execute those strategies will attract the most attention in capital markets, where the expectations for UACJ are high. I wish you the best of luck in meeting those expectations and achieving the plan's targets.

## Special Feature

# Applying advanced manufacturing capabilities to benefit society and the environment

Used in countless ways in society today, aluminum is increasingly attracting attention as a metal that can benefit users and contribute to environmental initiatives. Amid growing global demand for aluminum, UACJ is leveraging the advanced manufacturing capabilities of the entire UACJ Group to supply valuable products to the world. Moreover, it is working to bring benefits to people worldwide and reduce environmental burden by applying those capabilities to capitalize on the many outstanding properties of aluminum.

## Drawing from advanced manufacturing capabilities refined for over a century

With a global supply network based in Japan, the United States, and Thailand, the UACJ Group has expanded its total production capacity to over one million tons of aluminum products annually. The Group has been applying its diverse range of precision machining technologies in engineering while broadening the applications for aluminum through research and development. Underpinning this expertise is a spirit of craftsmanship that has been refined for over a century. The UACJ Group's advanced manufacturing capabilities provide a solid foundation for its everyday business activities and unique competitive advantages in the industry.



Expertise in aluminum accumulated over more than a century





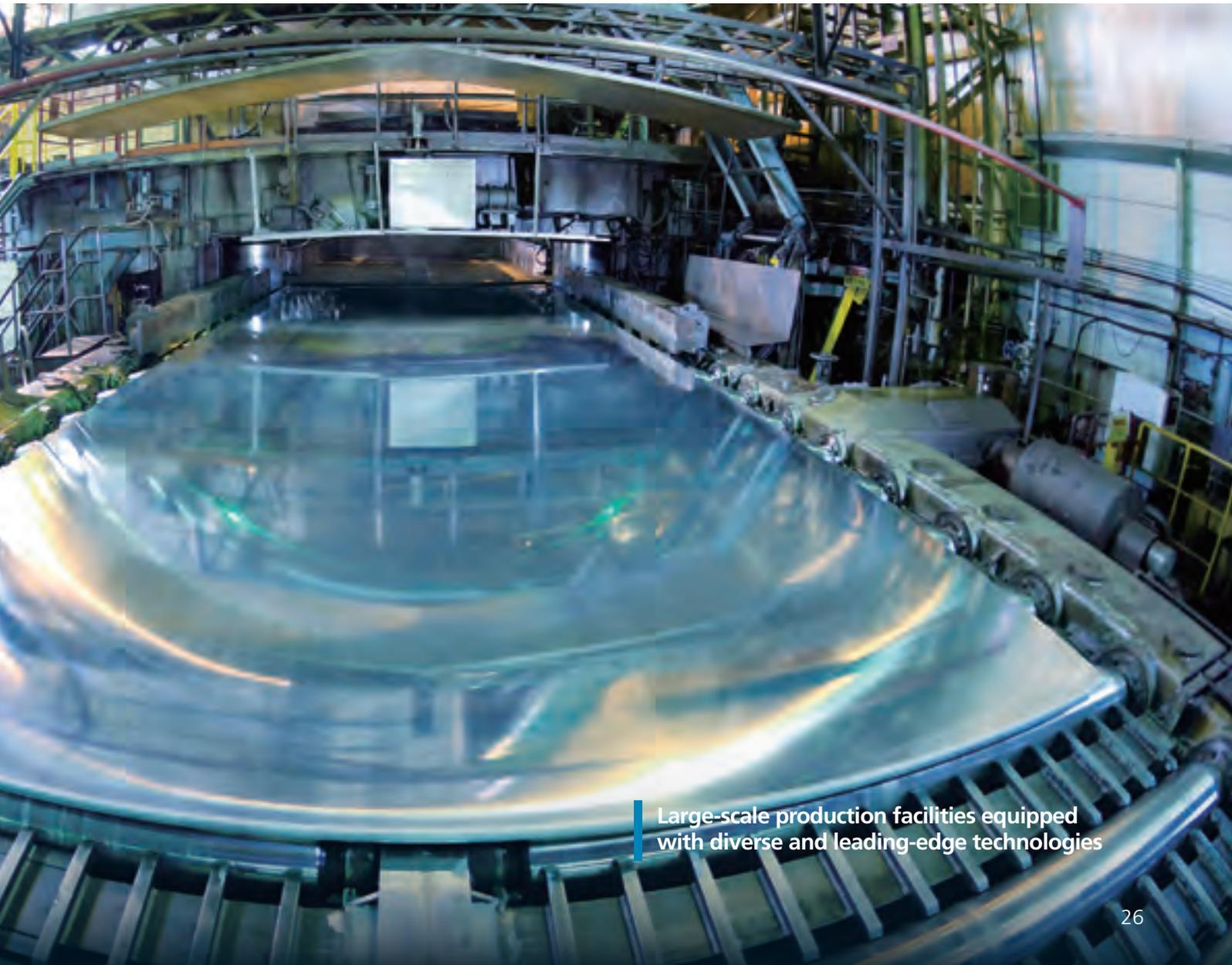
Production technologies for shaping aluminum into any kind of product



An unwavering dedication to manufacturing



A supply network based in three countries

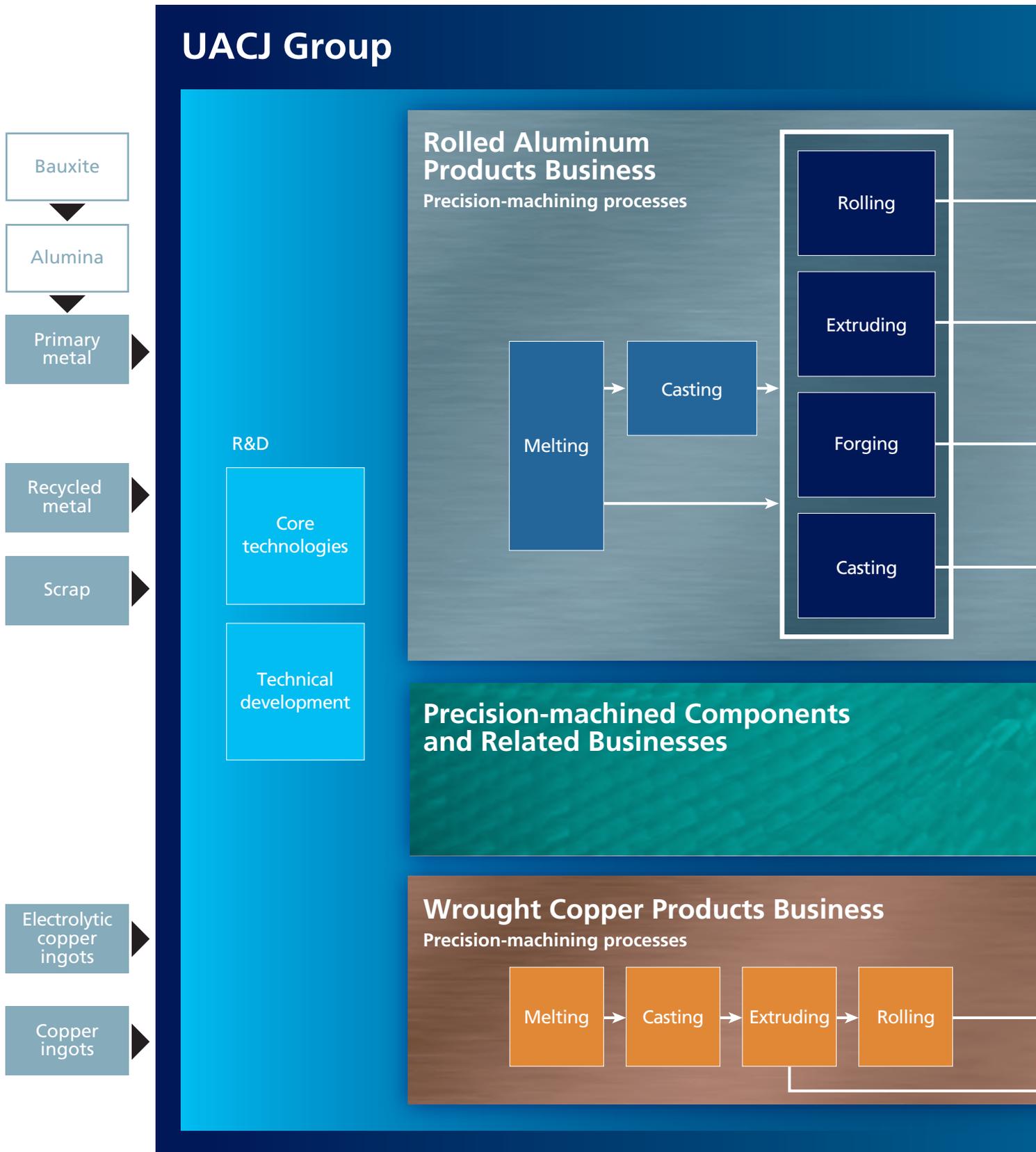


Large-scale production facilities equipped with diverse and leading-edge technologies

## Special Feature

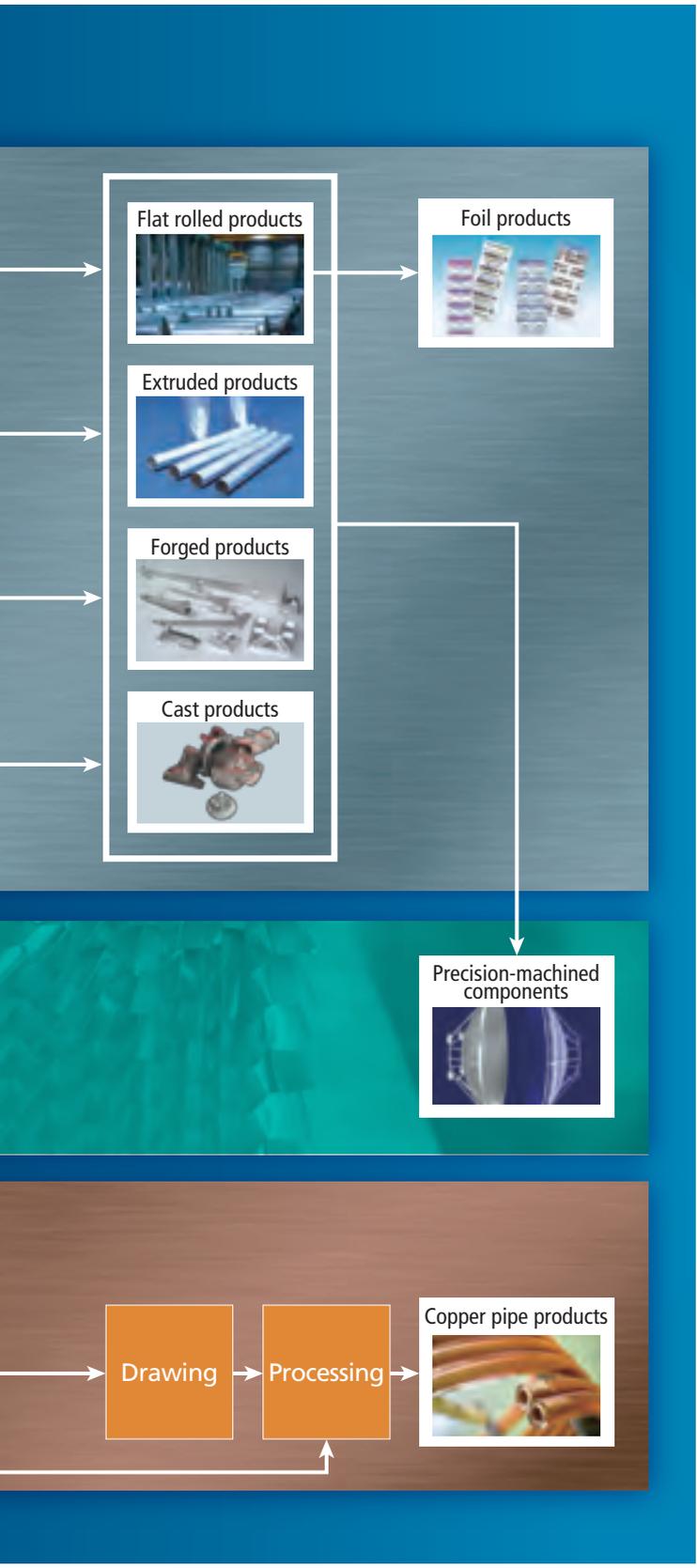
Leveraging the Group's strengths to provide value-added solutions to a wide range of industries

### The UACJ Group's business flow



As one of the few comprehensive aluminum manufacturers in the world today, the UACJ Group applies its diverse and advanced machining technologies to produce various kinds of value-added aluminum products, including flat-rolled aluminum, extruded products, foil, casted and forged products, and precision-machined components. By combining those machining technologies and its

leading-edge R&D, the Group is creating all-new value that sets it apart from its competitors. In addition to supplying basic materials to various industries, all members of the Group share a commitment to its social mission of offering solutions for challenges facing customers and communities around the world while adding more value to aluminum.



**Major applications/customers**

- Beverage cans 
- Automobiles 
- Aviation and aerospace 
- Shipbuilding 
- Pharmaceuticals/ Foods 
- IT 
- Air-conditioning 
- Construction 

## Regional spotlight

# North America

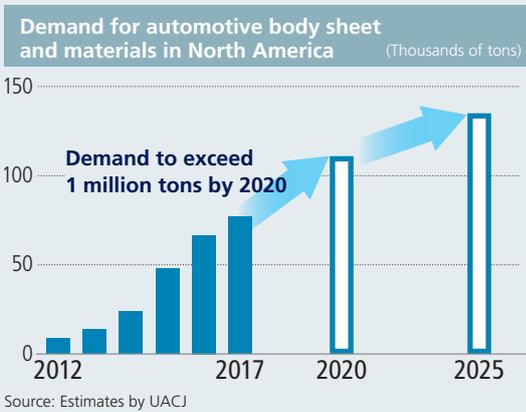
Responding to concerns over supply in the world's largest can stock market and automakers' efforts to comply with tougher environmental regulations



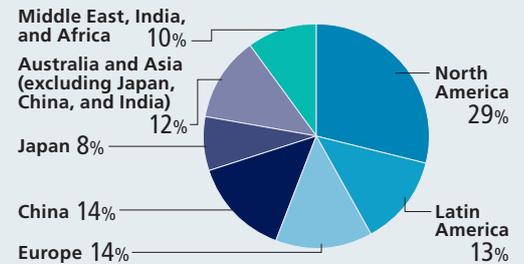
### Market trends

- The shift to electric vehicles and more lightweight cars accelerated due to stricter environmental regulations
- Beverage can demand stabilized in North America, the world's largest market
- Flat-rolled aluminum manufacturers shifted from can stock to automotive materials

### Market data



### Global demand for aluminum can stock by region



Source: Estimates by UACJ based on the Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited

### Fiscal 2017 highlights

- A new melting and casting line for scrap aluminum began operating at Tri-Arrows Aluminum's Logan Mill
- Aluminum extrusion subsidiary UACJ Automotive Whitehall Industries became the first company in North America to equip its parts production lines with a new HybrEx extrusion press
- A new R&D center was established in the U.S. in April 2014 as the Group's first R&D facility outside Japan

### Net sales in North America



## The UACJ Group's recent activities

### Leveraging increased production capacity to meet demand for both automotive materials and can stock

Amid increasingly strict environmental regulations in the automotive industry, automakers are proactively adopting aluminum as a material for reducing vehicle weight. In response, UACJ has laid the foundations for its automotive materials business in the North American market. Three group companies are now systematically working together to meet brisk demand: automotive body sheet manufacturer Constellium-UACJ ABS LLC, automotive structural material manufacturer UACJ Automotive Whitehall Industries, Inc., and Tri-Arrows Aluminum Inc., which supplies structural materials produced at its Logan Mill.

In 2017, Logan Mill began operating a new melting and casting line for scrap aluminum, thereby raising its cost competitiveness. In the same year, UACJ Automotive Whitehall's factory became the first in North America to install a state-of-the-art HybrEx extrusion press, enabling it to ensure high quality and supply products at a lower cost.

North America is the world's largest market for canned beverages, consuming approximately 94 billion aluminum cans annually. Maintaining a stable supply of can stock, however, is a growing concern because flat-rolled aluminum manufacturers have been shifting production from can stock to automotive materials in

recent years to meet rising demand from the automotive industry. In response to that major trend, UACJ plans to boost production capacity at Logan Mill in order to increase its supply of flat-rolled aluminum for both automotive materials and can stock. Annual production at the mill is scheduled to reach 400,000 tons by fiscal 2020, comprised of 350,000 tons of can stock and 50,000 tons of automotive materials.

In addition to boosting production capacity through these initiatives, UACJ established a new R&D center in Chicago, Illinois, in April 2018. As the Group's first research and development facility outside Japan, the center will facilitate speedier product development and more precisely target demand for automotive materials and other products in the North American market.



## Management tasks

### Focusing on key issues at each factory in order to take advantage of increased production capacity

As UACJ continues to invest in greater production capacity of its operations around the world, it is necessary to ensure that new manufacturing equipment operates according to plans at each factory. At Logan Mill, for example, our job is to raise the efficiency of production. The mill's efficiency was among the world's best when it specialized exclusively in producing can stock, but manufacturing has become more complicated now that it has begun supplying automotive body sheet and structural materials, so we need to make production techniques more precise than ever before. At Constelli-

um-UACJ, we will dispatch expert teams that specialize in raising productivity to help improve the skill levels of its operators, and are working to make this company profitable as soon as possible. By overcoming these challenges, we look forward to leveraging our world-class efficiency to meet demand for can stock as well as rapidly growing demand for aluminum automotive materials.



### Henry Gordinier

President and CEO  
Tri-Arrows Aluminum Inc.



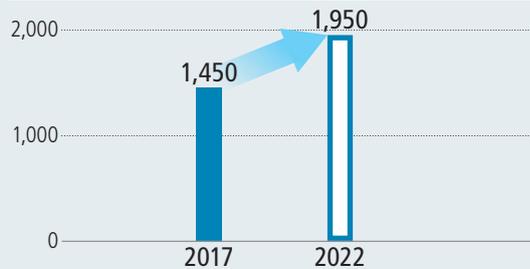


Market trends

- Demand for beverage cans rose on the back of economic growth
- The shift to electric vehicles accelerated following stricter environmental regulations for automobiles in China, boosting orders to heat exchanger manufacturers
- The Thai government positioned the manufacturing sector as the driver of economic development and stepped up support
- Training workers and transferring skills in manufacturing industries has emerged as a major challenge

Market data

Demand for can stock in Asia\* and Australia (Thousands of tons)



\* Excluding Japan and India  
Source: Estimates by UACJ based on the Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited

Demand for automotive body sheet in Asia\* and Australia (Thousands of tons)



\* Excluding Japan and India  
Source: Estimates by UACJ based on the Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited

Fiscal 2017 highlights

- Sales volume of flat-rolled aluminum for can stock increased substantially, reflecting population growth
- Sales of heat exchanger materials were strong on the back of rising demand for automobiles
- Average monthly production output reached 10,000 tons at Rayong Works as local personnel improved their skills

Sales in Thailand / Others (Billions of yen)



## The UACJ Group's recent activities

### Meeting growing demand by boosting production capacity to 320,000 tons at Southeast Asia's only comprehensive flat-rolled aluminum factory

In Southeast Asia, the population has been increasing along with economic growth and consumer spending is on the rise. Consequently, demand for aluminum for beverage cans, automobiles and other products continues to grow. To meet this growing demand, UACJ (Thailand) Co., Ltd., has been constructing and expanding Rayong Works— Southeast Asia's only flat-rolled aluminum factory integrating melting, casting, hot and cold rolling and finishing lines —since fiscal 2012. Rayong Works has mainly been manufacturing aluminum can stock and heat exchanger materials since the completion of its second phase of construction in 2016, which increased annual production capacity to 180,000 tons, among the highest in Asia. In addition to supplying products to Thailand's beverage can market and auto parts factories, UACJ (Thailand) has expanded its customer base from Asia to Australia and Middle Eastern countries, contributing to Thailand's growing exports of aluminum products.

In anticipation of rising demand in the future, UACJ plans to increase investment in Rayong Works with a view to boosting production capacity to 320,000 tons, which is

about the same as Nagoya Works and Fukui Works, respectively. Despite that unrivalled capacity, however, cost competition is heating up in the region due to the recent entry of aluminum manufacturers from other Asian countries, including China and South Korea. Therefore, UACJ (Thailand) is striving to broaden its sales channels while giving priority to cost competitiveness going forward.



UACJ's aluminum casting plant under construction in Thailand

## Management tasks

### Transferring skills from experienced Japanese engineers to raise skill levels of local personnel

Training local personnel has been a big project at Rayong Works ever since it began operating. Improving the level of their skills not only raises our productivity, but also fosters the human resources that will lead Thailand's industrial sector in the future. Therefore, from the time Rayong Works was under construction, we appointed experienced engineers from Japan to pass on their skills to our Thai personnel. The engineers have set up a system for ongoing training, compiling standardized manuals detailing each specific operation in manufacturing areas, explaining working objectives and procedures, and conducting on-the-job training when operations start up. As a result of this initiative and the installation of automated equipment, our Thai engineers and workers

employed for only two or three years can now handle all of the plant's manufacturing operations, which would normally require about 10 years.

While aiming to make the company profitable by fiscal 2019, we will continue focusing on training in order to enhance the skills of our Thai employees so they can take over the remaining duties currently handled by Japanese staff, such as maintaining facilities and operating production lines when facilities are expanded.



**Hironori Tsuchiya**

President and director  
UACJ (Thailand) Co., Ltd.

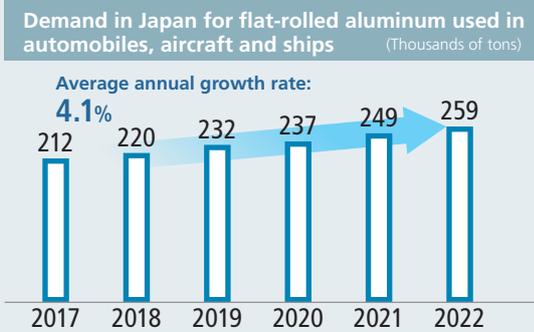
## Transferring skills and providing solutions while expanding the supply of high-demand automotive body sheet



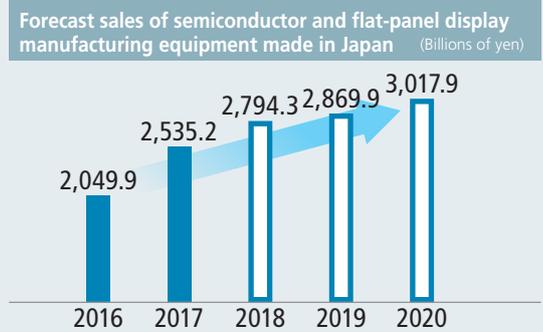
### Market trends

- North American initiatives for reducing vehicle weight have spread to Japan
- The market for liquid crystal panel and semiconductor manufacturing equipment was brisk due to strong sales of tablet computers and other IT-related devices
- IoT and AI were increasingly applied at factories
- A shortage of factory workers became an increasingly urgent issue

### Market data



Source: Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited



Source: Data on forecast demand for semiconductor and flat-panel display manufacturing equipment published in July 2018 by the Semiconductor Equipment Association of Japan

### Fiscal 2017 highlights

- Decision made to install a new automotive body sheet heat treatment line at Fukui Works to meet growing demand
- State-of-the-art extrusion equipment was installed at UACJ Extrusion Nagoya Corporation's automotive parts manufacturing facilities
- Workplace reform projects commenced (see page 46 for details)



## The UACJ Group's recent activities

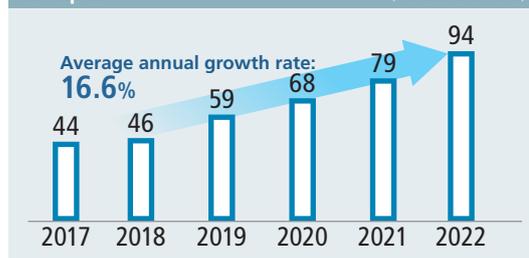
### Bolstering production capacity of automotive materials while supplying products to a wide range of industries

In Japan, UACJ supplies aluminum products to meet the diverse needs of a wide range of industries, including aluminum for beverage cans, automobiles, aircraft, ships, IT-related devices and equipment, and building materials. In each of these markets, demand for aluminum is projected to remain strong in the future. For example, in the beverage can market, of which UACJ holds an unrivalled share of around 50%, can stock demand is forecast to grow even more, especially for low-alcohol beverage cans and bottle-shaped cans for coffee and other types of drinks. Moreover, due to the popularity of smartphones and table computers, solid demand is expected for aluminum materials used to make device casings as well as liquid crystal and semiconductor manufacturing equipment.

Demand for aluminum automotive materials in particular is projected to rise, driven by initiatives originating in North America for reducing the weight of automobiles. This trend has also reached Japan, where demand for automotive body sheet and other aluminum components is gaining momentum. In response, UACJ

added new facilities at Fukui Works for manufacturing automotive body sheet and materials, supplementing production of these products already handled by Nagoya Works, which also manufactures heat exchanger materials. With operations scheduled to commence in 2020, production capacity in Japan is set to reach approximately 100,000 tons.

#### Outlook for automotive body sheet demand in Japan (Thousands of tons)



Source: Aluminium Rolled Products Market Outlook published in November 2017 by CRU International Limited

## Management tasks

### Training programs launched to transfer skills at all manufacturing plants

Transferring skills is our biggest task at manufacturing plants in Japan. Many of UACJ's engineers who had been involved in starting up manufacturing operations in Japan will retire over the next decade. Therefore, having them pass down the production techniques, know-how, and broad expertise they gained over many years to younger employees will be essential for the Company to maintain its competitive edge as a manufacturer.

With that in mind, we are now creating training opportunities at each production plant in Japan. At Nagoya Works, for instance, engineers are learning about high-added-value production in an in-depth technical training program led by experienced technical staff from various departments as well as retired engineers who

have been rehired. Opportunities to learn skills have also begun at Fukui Works. The training includes instructions on starting up manufacturing facilities, particularly the new automotive body sheet heat treatment line scheduled to begin operating in 2020.

By teaching younger employees people about the manufacturing techniques and expertise accumulated at UACJ through these programs, we hope to maintain and improve the Company's competitiveness while also contributing to the competitiveness of Japan's manufacturing industry and preserving the human assets it has developed.



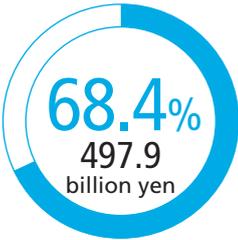
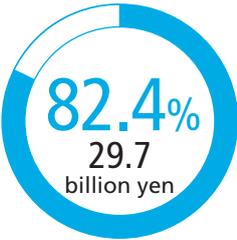
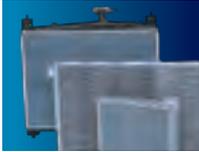
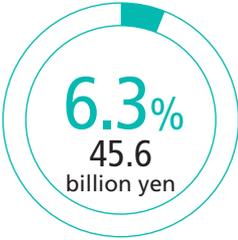
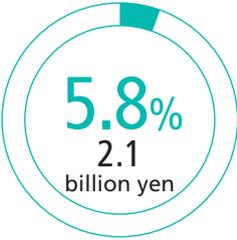
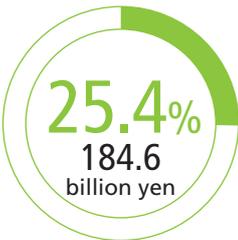
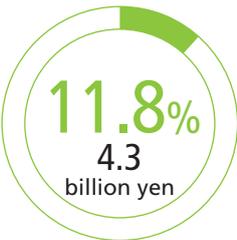
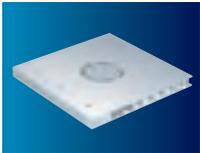
Engineering study manuals used at UACJ

#### Mizuho Taneoka

Representative Director, Member of the Board,  
Senior Managing Executive Officer

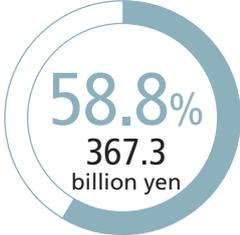
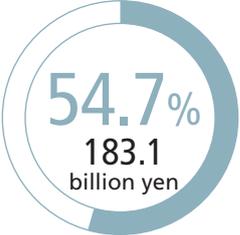
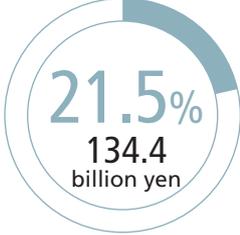
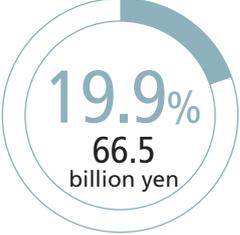
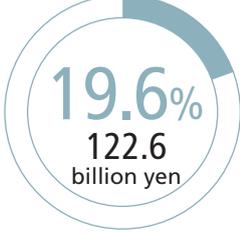
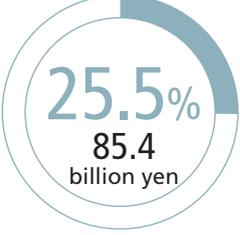


Information by Business

Business		Net sales margin (fiscal 2017)	Operating income margin (fiscal 2017)	Products
<p>Rolled Aluminum Products Business</p> <ul style="list-style-type: none"> <li>■ Flat Rolled Products Business</li> <li>■ Extrusion Business</li> <li>■ Foil Business</li> <li>■ Casting and Forging Business</li> </ul>		 <p><b>68.4%</b> 497.9 billion yen</p>	 <p><b>82.4%</b> 29.7 billion yen</p>	 Automotive body sheet  Aluminum can stock and closure materials  LNG tank materials  Automobile heat exchanger and tubing materials  Turbocharger compressor wheels  Lithium-ion battery current collector foil
<p>Wrought Copper Products Business</p> <ul style="list-style-type: none"> <li>■ Copper Tubing Business</li> </ul>		 <p><b>6.3%</b> 45.6 billion yen</p>	 <p><b>5.8%</b> 2.1 billion yen</p>	 Air-conditioner internally grooved copper tubing  Heat exchanger tubing  Piping for hot/cold water supply  Piping for construction
<p>Precision-machined Components and Related Businesses</p> <ul style="list-style-type: none"> <li>■ Precision-machined Components Businesses</li> </ul>		 <p><b>25.4%</b> 184.6 billion yen</p>	 <p><b>11.8%</b> 4.3 billion yen</p>	 Bumper assembly  Parabolic antenna  Honeycomb panel  Large aluminum tank

Note: Net sales includes intersegment sales and transfers. Operating income is before intersegment adjustments.

## Sales by Region

Region	Main business sites	Net sales margin (fiscal 2017)	Property, plant and equipment (as of March 31, 2018)
 <p>Japan</p>	<ul style="list-style-type: none"> <li>■ Nagoya Works</li> <li>■ Fukui Works</li> <li>■ Fukaya Works</li> <li>■ Nikko Works</li> </ul>	 <p>58.8% 367.3 billion yen</p>	 <p>54.7% 183.1 billion yen</p>
 <p>USA</p>	<ul style="list-style-type: none"> <li>■ Tri-Arrows Aluminum Inc.</li> <li>■ Logan Aluminum Inc.</li> <li>■ Constellium-UACJ ABS LLC</li> <li>■ UACJ Automotive Whitehall Industries, Inc.</li> </ul>	 <p>21.5% 134.4 billion yen</p>	 <p>19.9% 66.5 billion yen</p>
 <p>Thailand/ Others</p>	<ul style="list-style-type: none"> <li>■ UACJ (Thailand) Co., Ltd.</li> </ul>	 <p>19.6% 122.6 billion yen</p>	 <p>25.5% 85.4 billion yen</p>

## Assumptions and sensitivities

	Fiscal 2017	Fiscal 2018 (Forecast)	Sensitivity on Ordinary Income
Nikkei average price of aluminum (¥/kg)	283	293	¥10/kg change →¥2.0–3.0 billion/year
London Metal Exchange (\$)	2,045	2,100	\$100/kg change →¥2.2–¥3.5 billion/year
Foreign exchange (¥/\$)	112	110	Almost no impact -Fuel and additional material: Positively affected by stronger yen -Rolling margin, forex conversion: Positively affected by weaker yen
Foreign exchange (¥/Thai baht)	3.31	3.4	
Dubai Crude oil (\$)	57	60	\$10 change →Approx. ¥1.0 billion/year

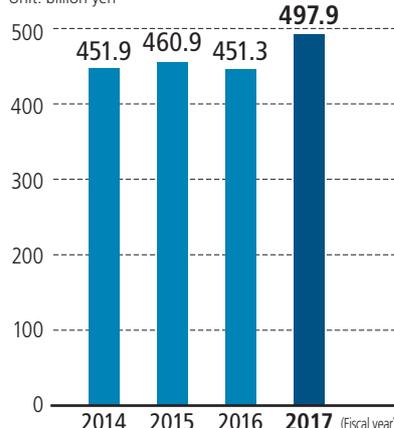
Note: Following a review of each market, the forecast amounts were revised as of the publication date of the Company's report on consolidated financial results for the first quarter of fiscal 2018.

## Rolled Aluminum Products Business



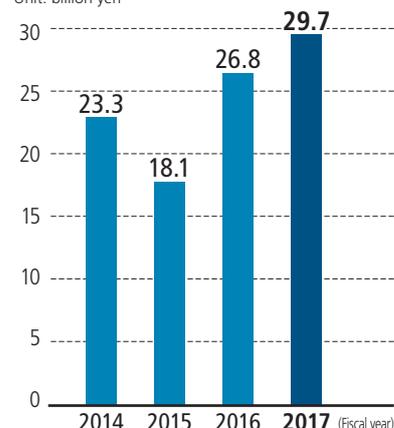
### Net sales

Unit: billion yen



### Operating income

Unit: billion yen



Note: Figures for net sales and operating income were calculated before intersegment sales and transfers.

## Financial results and forecast

In fiscal 2017, total sales volume of flat-rolled aluminum products surpassed the million-ton mark for the second consecutive year, increasing 28 thousand tons year on year to 1,049 thousand tons. Sales of flat-rolled aluminum for can stock, a mainstay product, were negatively affected by declining demand in Japan, which continued from the previous fiscal year due to slumping sales of canned beer. Nonetheless, demand in Asia was strong, resulting in a substantial sales increase at UACJ (Thailand) Co., Ltd. In the U.S., sales were down at Tri-Arrows Aluminum Inc. as it boosted its supply of aluminum structural materials for automobiles. Meanwhile, sales of aluminum foil stock and materials for IT-related devices and equipment were on par with the previous fiscal year. Sales of automotive body sheet and heat exchanger materials were brisk, but sales of thick plates for LNG tankers were down year on year. Sales of materials for semiconductor and liquid crystal manufacturing equipment grew significantly, while sales of general

aluminum materials, including fin materials for air conditioner condensers, increased year on year.

As a result of the factors above, as well as the positive impact of higher aluminum ingot prices, which are reflected in product sales prices, net sales in the Flat-Rolled Aluminum Products segment rose 10.3% to 497.9 billion yen in fiscal 2017. Operating income came in at 29.7 billion yen, up 10.8% year on year mainly as a result of favorable Inventory valuation.

In fiscal 2018, total sales volume of flat-rolled aluminum products is projected to reach 1,115 thousand tons, increasing 66 thousand tons year on year. The growth is expected to be especially prominent in markets outside Japan, with UACJ (Thailand) forecasting a substantial increase. In fact, UACJ expects its annual sales volume in overseas markets to exceed the amount in the Japanese market for the first time since it was established in 2013.

### Product mix of rolled aluminum products and main customers

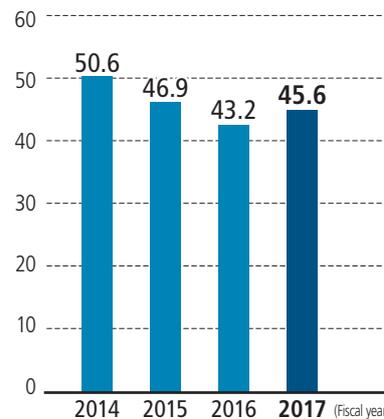
Product uses	Fiscal 2017 sales volume		Main customers	Main end-product manufacturers
	(Unit: 1,000t)	(as % of total)		
Can stock	602	57.4%	Can manufacturers	Beverage/Food manufacturers
Foil	49	4.7%	Foil manufacturers	Pharmaceutical/Food manufacturers
IT	21	2.0%	Electronic parts manufacturers	IT equipment manufacturers
Automotive	135	12.9%	Automobile/ Parts manufacturers	Automobile manufacturers
Thick plate	69	6.6%	Metal trading companies Shipbuilders	Liquid crystal/Semiconductor production equipment manufacturers Shipbuilding
Other generalpurpose materials	174	16.6%		
<b>Total</b>	<b>1,049</b>	<b>100%</b>		
For Japanese market	529	50.4%		
For overseas markets	520	49.6%		

## Wrought Copper Products Business



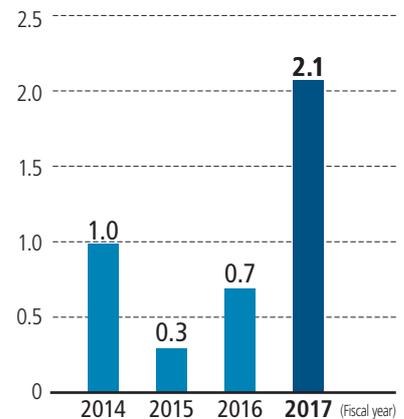
### Net sales

Unit: billion yen



### Operating income

Unit: billion yen



Note: Figures for net sales and operating income were calculated before intersegment sales and transfers.

## Financial results and forecast

In the Wrought Copper Products segment, net sales increased by 5.6% to 45.6 billion yen, mainly due to brisk sales of copper tubing for air conditioners on the back of steady shipments of air conditioner units in Japan, as well as to higher copper ingot prices, which were reflected in product sales prices. Operating income jumped 195.3% year on year to 2.1 billion yen mainly as a result of highly favorable

inventory valuation.

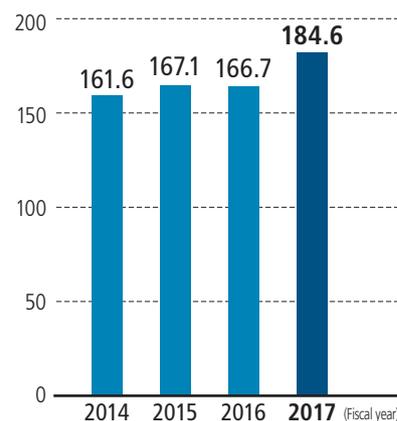
In fiscal 2018, net sales are forecast to increase to 55.0 billion yen based on growing sales volume of copper pipes for air conditioners. Operating income, however, is projected to remain on par with fiscal 2017 at 2.0 billion yen, mainly due to the impact of unfavorable inventory valuation.

## Precision-machined Components and Related Businesses



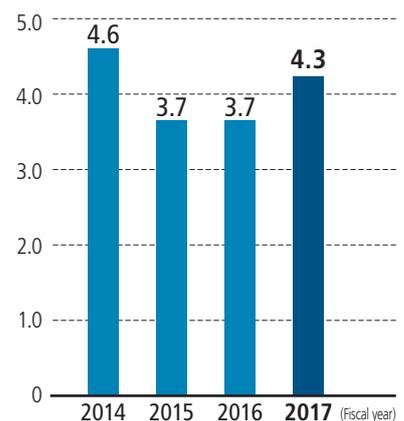
### Net sales

Unit: billion yen



### Operating income

Unit: billion yen



Note: Figures for net sales and operating income were calculated before intersegment sales and transfers.

## Financial results and forecast

In the Precision-machined Components and Related Businesses segment, net sales climbed 10.7% to 184.6 billion yen in fiscal 2017, mainly due to growing demand for aluminum components for IT-related devices and equipment, as well as to higher aluminum ingot prices. Operating income totaled 4.3 billion yen, an increase of 13.9% year on year.

In fiscal 2018, net sales are projected to reach 200.0 billion yen amid ongoing brisk demand for aluminum components for IT-related devices and equipment. On the other hand, operating income is expected to remain flat at 4.0 billion yen, mainly as a result of unfavorable inventory valuation.



## Reforming corporate governance and bringing more value to the aluminum business with the goals of raising corporate value and achieving sustainable growth

### Offering support for management and corporate governance from different perspectives than those at UACJ

—What impression of UACJ did you have when you were appointed as an outside director?

**Ikeda:** I sensed that everyone in the Company is really serious and sincere about their work. When I reviewed documents prepared ahead of meetings of the Board of Directors, I thought they were very thorough and well organized. Later I toured numerous sections of factories, and, as expected of a manufacturer, the shop floor was full of energy, which really impressed me.

**Sakumiya:** My first impression was basically the same—UACJ appeared to be a very serious company. It seemed like all members would immediately deal with any problem that arose and work diligently to find a solution. On the other hand, if everyone is too serious and, in some respects, obedient, there will not be much thinking outside the box.

—What roles are you expected to perform as an outside director?

**Ikeda:** While working for a chemical material manufacturer for many years, I was involved in starting up operations in other countries and managing companies in Japan and overseas. While I was on the front lines of business back then, since I retired there almost three years ago, I gained even more opportunities to work with people from many

different industries by providing assistance to a number of companies. In that process, I was able to discover things I didn't know and to experience different ways of doing things. I think the Company expects me to draw from that experience and offer viewpoints that differ from its own personnel while supervising and assisting management.

**Sakumiya:** I served as an executive vice president at Omron Corporation up until June 2017, and it earned a reputation for being at the forefront of corporate governance in Japan. For instance, Omron adopted an executive officer system in 1999, and set up a personnel advisory committee and a nomination and remuneration advisory committee in 2003, ahead of most companies. In that context, I focused my energy on enhancing its corporate governance, and dedicated myself to supervising management as a non-executive director for six years from 2011. By making use of that experience, I think one of my roles as an outside director at UACJ will be to help reform its corporate governance.

### Supporting a more effective corporate governance system and utilizing techniques for securing a higher return on invested capital

—How do you think you can apply your professional experience and expertise in UACJ's management?

**Ikeda:** In the materials manufacturing business, progress



is generally made through trial and error. In most cases, for every one success there is usually a series of repeated failures. When we failed, we analyzed the causes, but there were numerous times when we could not precisely identify the problem just by debating things within the company.

**Sakumiya:** I assume because everyone tends to develop similar lines of thinking when working at the same company.

**Ikeda:** That's right. But when we are exposed to diverse cultures and ways of doing things by working in different countries, interacting with people in different industries, and so on, we observe all kinds of things we had never noticed before. In UACJ's case, it is a company that deals primarily in aluminum, and when seen from outside, its corporate culture appears insular in some respects, even if that is not perceived internally. In that regard, as an outside director, I would like to point out issues that tend to be overlooked inside the Company, which I hope will contrib-

ute to enhancing its corporate value.

**Sakumiya:** Given my background, I mainly want to help reform UACJ's corporate governance. For example, although the Company has already shifted to a system that separates the management execution and supervision functions, now that the system is in place, the challenge going forward is making it more effective. I think my experience can be used to help optimize the workings of that system.

**Ikeda:** I understand that Omron began managing its return on invested capital (ROIC) before UACJ, which adopted ROIC as an important financial indicator from this fiscal year.

**Sakumiya:** Yes, Omron has been using ROIC as a basic tool in its operational management. Managing ROIC is advantageous because it allows the earnings power of various operations under different business models to be assessed using a common indicator. Omron also created an "ROIC reverse tree formula" for analyzing the components

**Takahiro Ikeda** (shown left)

Director, Member of the Board (outside, part-time)

Over his career, Mr. Ikeda has served as an executive officer at Mitsubishi Chemical Corporation\*, president of Dia Chemical Co., Ltd.\*, and a director and managing executive officer at Mitsubishi Rayon Co., Ltd.\* He has been involved in expanding business throughout the ASEAN region and the rest of Asia, including the expansion of Mitsubishi Rayon's operations in Indonesia.

\* Now part of the current Mitsubishi Chemical Corporation

**Akio Sakumiya** (shown right)

Director, Member of the Board (outside, part-time)

After serving as a director and executive vice president at Omron Corporation, Mr. Sakumiya turned his attention to management supervision as a non-executive director, serving as vice chairperson in various advisory committees, including a company president nomination committee. He also contributed to raising Omron's corporate value by applying return on invested capital as a key performance indicator for management.

of ROIC at the accounting item level and setting specific goals for increasing ROIC in every workplace. Managing ROIC also facilitates business portfolio management and indicates which businesses should be targeted and focused on. Indeed, it is essential for decisions to shift operational resources to businesses that can generate earnings and withdraw from businesses that produce low profits. I think ROIC is a useful indicator if applied throughout a company's operations, including its selection and concentration of businesses.



—**Mr. Ikeda, given your extensive business experience in China and Southeast Asia, what advice do you have for UACJ with respect to its global expansion?**

**Ikeda:** UACJ has been undertaking extremely large investments in Thailand and the United States in recent years. In emerging countries like Thailand, society is transforming at a remarkable speed, which is very different than the moderate pace of change here in Japan. Therefore, if we try to manage operations in such a country according to our usual practices in Japan, we will encounter a widening gap between how the operations are perceived at the worksites there. When managing operations in a different country, it is essential for headquarters to consider the actual circumstances there and be engaged with the worksites so they do not become isolated. In UACJ's case, especially, since it has made such vast investments, rather than segmenting businesses under Asia and North America, both need to be treated as group businesses. That is UACJ's biggest management challenge, and unless it is dealt with, I do not envision success in the future.

## Enhancing the supervisory function of the Board of Directors while striving for sounder and more transparent governance

—**Please tell us your views on UACJ's corporate governance?**

**Ikeda:** I think more authority should be transferred to the Executive Management Committee and other committees so they can decide on agenda items now handled by the Board of Directors, because that would give us more room to deliberate on important matters related to aligning business strategies and maintaining sound financial affairs.

**Sakumiya:** I agree. The Board of Directors has both management and supervisory functions, but improving the supervisory function is regarded as more important in corporate governance reforms today. Therefore, UACJ will have to place more importance on the Board's supervisory function while clearly distinguishing between management and supervision in the future. For that purpose, it will be necessary to limit the number of agenda items that can be fully deliberated, and also to ensure that an appropriate number of members attending meetings of the Board are responsible for supervision.

**Ikeda:** When proposals are made in Board meetings by members in charge of business execution, the viewpoints tend to be concerned with protecting their respective businesses. The Board of Directors is a venue for discussing things from a broad perspective that takes the whole company into account. Therefore, to enable even more objective discussions, especially in connection with proposals for supervising business execution, it may be necessary to adjust the proportion of the members who are concurrently responsible for business execution and the members who are not.

**Sakumiya:** At UACJ, outside directors are provided with very comprehensive documents and information, so we can get a full picture of its operations and financial situation. On the other hand, if we consider the role of outside directors as supervising management on behalf of shareholders, instead of taking into account all of that detailed information, we need to make decisions from a broader perspective. Because we also have experience in management, we may be inclined to get deeply involved in it, which creates the risk of adopting the stance of managers rather than of shareholders.

**Ikeda:** Indeed, there are many challenges, but fiscal 2018

is the first year of UACJ's rebirth, so to speak, so we have an opportune time to really accelerate corporate governance reforms. By continuously sharing our views with members of the Board and executive management organizations, I hope we can make UACJ's corporate governance sounder and more transparent.

**—Both of you are members of the Nomination and Remuneration Advisory Committee that was established in October last year. What are your views on the committee's activities and what would you like to see going forward?**

**Ikeda:** The committee provides a concrete process for nominating new corporate officers, but to elect really outstanding officers in the future, it is necessary to have a system for grooming and selecting excellent candidates from among the Company's own employees. I would like the committee to examine how effectively UACJ can do that now, and discuss what kind of framework should be put in place if the current system is insufficient.

**Sakumiya:** To create a management succession plan, the process for grooming corporate officer candidates is essential, so, as you said, we will need a training program for middle management. That means we have to look about 10 years ahead, so we also need to discuss how the entire human resources system should be structured.



**Ikeda:** When setting up any system for evaluating employees and setting career goals, we must make sure it is up to date with the latest developments. Rather than just following the models used in the past, we need to make such systems more impartial and trustworthy, and incorpo-

rate the most recent innovations in information technology and artificial intelligence.

**Sakumiya:** I would also add that after reviewing the remuneration system for directors, we made it comply with Japan's Corporate Governance Code, such as by incorporating incentives linked to improving performance over the medium term. Since this system has been put in place, however, I would like the committee to monitor it appropriately, verifying that the system functions properly from hereon and that the incentives for improving performance actually work.

## **Promoting a more diverse corporate culture and adding value to our businesses**

**—Finally, what do you think will be UACJ's key challenges in the future?**

**Ikeda:** For UACJ to continuously grow in the global market and raise its corporate value, increasing the diversity of its organizations and corporate culture will be vital. Even if an organization is made up of 100 talented and dedicated members, it will be more dynamic if just one or two members are different in some way. There are times when conflicts arise from diversity, but such conflicts can bring about reforms and innovation if they are converted into positive opportunities. Therefore, we should make the most of the diverse attributes and backgrounds of employees in the future. In Japan, there has been a long tradition of rejecting non-conformists, including in human resources development, but now we need to consider how to foster such individuals.

**Sakumiya:** For UACJ to be a more attractive company for investors, I think it will be important to refine its technological and product development capabilities, and beat out the competition by supplying high-added-value products and services rather than competing for volume. To accomplish that, in addition to developing new products, UACJ must also enhance its capabilities across the board, including innovations to production processes and business models. Unless we add more value to our businesses and boost profitability, the aluminum industry itself could become less attractive for investors. While bearing that in mind, I would like UACJ to continue focusing on creating more value in the future.

# Striving to reduce the Group’s environmental load not only at production plants but also through responsible procurement and environmentally friendly products

## M Message A message from the executive officer overseeing environmental initiatives



**Hiroyuki Fukui**  
Managing executive officer

Aluminum is regarded as an environmentally friendly metal because it is easy to recycle and, in recent years, increasingly expected to be a useful material for reducing vehicle weight as automakers comply with stricter environmental regulations. With demand for aluminum on the rise, the UACJ Group is focusing on supplying a wide range of aluminum materials and products by leveraging its entire group-wide network of operations, including R&D facilities. These activities have been designated as priority measures under our mid-term management plan launched in April 2018.

Over the past few years, we have initiated various environmental measures in our manufacturing operations. For example, a group company in the United States recently began operating a new furnace for melting scrap aluminum at its factory, enabling most of the can stock it manufactures to be made of recycled aluminum.

As a world-class aluminum manufacturer, the UACJ Group intends to continue making the most of aluminum’s diverse properties to help reduce environmental burden and contribute to society through its manufacturing processes and products.

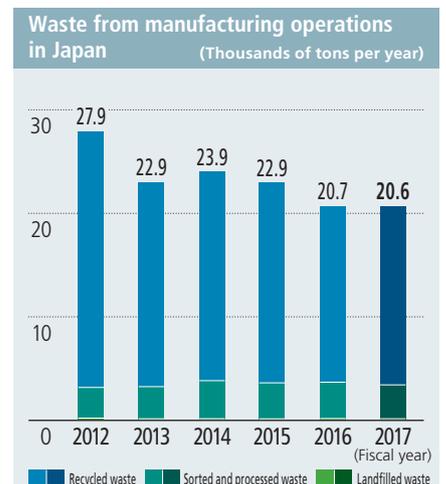
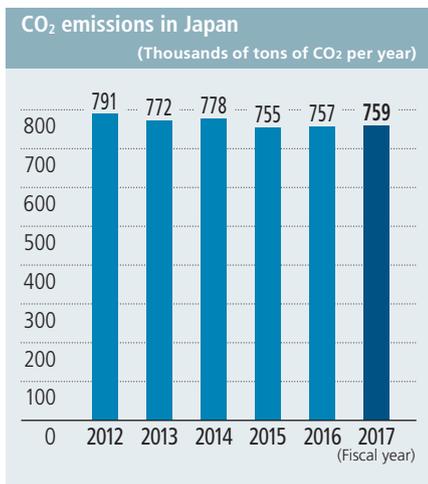
### Considering the environment at the manufacturing stage

In accordance with its basic environmental policies for reducing CO<sub>2</sub> emissions and controlling chemical substances, the entire UACJ Group makes active efforts to reduce its burden on the environment, pursuing targets set every year for important environmental indicators. The Group’s environmental load is particularly substantial at the manufacturing stage, so group-wide initiatives along with independent measures at each

production plant are actively carried out each year.

### Measures for fighting global warming

Although the UACJ Group’s operations do not include aluminum smelting, which consumes vast amounts of electricity, a substantial amount of electricity is consumed by its main business of flat-rolled aluminum production, accounting for much of the total environmental load of manufacturing operations. Therefore, the Group has been carrying out measures for reducing energy consumption at each of its production plants, including initiatives



Scope of operations covered: UACJ Corporation (Nagoya Works, Fukui Works, Fukaya Works, and Nikko Works), UACJ Color Aluminum Corporation, UACJ Extrusion Nagoya Corporation (Nagoya Works and Anjo Works), UACJ Extrusion Oyama Corporation, UACJ Extrusion Gunma Corporation, UACJ Extrusion Shiga Corporation, UACJ Foundry & Forging Corporation, UACJ Foil Corporation (Shiga Works, Nogi Works, and Isesaki Works), and UACJ Copper Tube Corporation



for raising efficiency and switching to cleaner fuels. Despite such efforts, total CO<sub>2</sub> emissions and emissions per ton of aluminum in Japan were higher in fiscal 2017 than in the previous fiscal year\*, mainly due to a year-on-year increase in production volume.

### Measures for preventing discharge of hazardous chemical substances

In addition to complying with legal requirements related to the discharge of hazardous chemical substances in manufacturing processes, UACJ enforces its own standards that are even stricter than such laws. It also works to reduce the use of chemical substances regulated under Japan's Law Concerning the Pollutant Release and Transfer Register, and properly monitors and reports on those substances in accordance with the law.

Regrettably, certain chemical substances in wastewater were found to exceed legal limits at a factory operated by UACJ Copper Tube Corporation in fiscal 2017. The excessive levels did not affect the nearby river, and were caused by consumption of carbon dioxide underwater by algae growing in a pond. Measures have been taken to limit the growth of the algae in order to prevent a recurrence of this problem.

### Reducing waste matter from manufacturing operations

UACJ strives to reduce waste matter from its manufacturing operations with the goal of practically eliminating waste sent to landfills. At its production plants, which generate particularly large amounts of waste matter, waste management subcommittees have been set up to share information on effective methods for reducing and processing waste. In fiscal 2017, UACJ's main production plants in Japan succeeded in reducing the amount of waste matter compared with the previous fiscal year.

\* Based on a fixed rate of emissions from electrical power generation

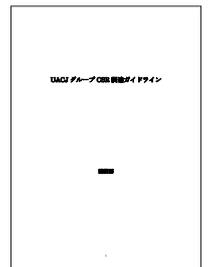
## TOPIC

### Recycling furnace brought online to help reduce environmental burden

In the United States, the world's biggest consumer of beverage cans, Tri-Arrows Aluminum Inc. manufactures flat-rolled aluminum for can stock at its Logan Mill, and recycled aluminum accounts for about 80% of the raw materials it uses to produce the can stock. Aiming to raise that recycling rate even higher in anticipation of growing global demand for can stock, the company began operating a new furnace for melting scrap aluminum in fiscal 2018, thereby boosting Logan Mill's production capacity of can stock made from recycled aluminum.

### Socially responsible procurement with the environment in mind

The UACJ Group strives to procure materials and goods that have comparatively less impact on the environment in accordance with its UACJ Group CSR Procurement Guidelines, which specify how the environment and other issues should be considered across the entire supply chain. Moreover, in compliance with ISO 14001 standards, the Group requires suppliers of raw materials and secondary materials to confirm whether such materials contain regulated chemical substances and provide evidence that such substances are not used. If materials contain such substances, the Group makes efforts to switch to alternative materials containing smaller amounts. It has also been working to reduce the environmental burden of its administrative operations by cutting down on packaging materials used during shipments and by procuring office supplies that have been certified as environmentally friendly.



UACJ Group CSR Procurement Guidelines

### Developing and producing environmentally friendly products

As part of UACJ's future direction, the Group explores ways to help solve environmental issues through its products. One way is to supply aluminum materials that feature the same functions as conventional products but are lighter in weight. That allows automakers, for example, to reduce the weight of their vehicles, which improves fuel efficiency and helps reduce CO<sub>2</sub> emissions. At the product finishing stage, the Group has been switching to cleaning solutions and coatings that are easier on the environment in order to improve the environmental friendliness of its products, such as colored aluminum and flat-rolled aluminum for can stock. Furthermore, it takes advantage of the diverse properties of aluminum to develop products that contribute to a lighter environmental load.

#### Objectives of improving products

Product development and innovations	Benefits to the environment and society
Develop and produce good-quality recycled aluminum for can stock	Reduce the volume of new can stock to save resources and cut costs
Develop and produce high-performance heat exchanger pipes	Improve the performance of heat exchangers so they can be made more compact to save resources
Develop and improve aluminum materials for automobile air conditioners to comply with the European requirement to use CO <sub>2</sub> as a refrigerant	Promote the adoption of CO <sub>2</sub> as a refrigerant to help fight global warming
Develop and improve aluminum materials for hybrid vehicles	Save resources and improve fuel economy by helping make vehicles lighter in weight

## Striving to earn the trust and meet the expectations of stakeholders to be a corporate group that benefits communities worldwide

### **M**essage **A message from the executive officer overseeing social initiatives**



**Yukihiro Kuwamoto**  
Executive officer

Marking its fifth anniversary in 2018, UACJ has expanded its operations over the past five years by establishing and acquiring companies in the United States and Thailand. As a result, the UACJ Group's employees have become more diverse overall. Meanwhile, transferring skills to the next generation of workers and drastically reforming working conditions have emerged as serious issues in Japan, making it important for us to improve our workplace environment.

In response to these developments, UACJ has launched two new initiatives for its employees. One is a project for reforming our workplaces in Japan. Targeting almost all types of operations, the project is aimed at helping employees become more productive while maintaining a healthy work-life balance with plenty of rest time. The second initiative is the UACJ Way campaign. The UACJ Way is a set of principles of conduct for every employee to follow and value. We are promoting it group-wide to foster a sense of unity among all members so that we can realize the future direction envisioned by UACJ. By carrying out these initiatives, we hope to be a group of companies that meets the expectations of our employees as well as the Group's many stakeholders around the world.

### Initiatives for customers

#### Maintaining strict quality control

As stated in its Basic Product Quality Policy, the UACJ Group aims to offer products and services that earn the satisfaction and trust of customers. On that basis, it formulates a group-wide quality control plan every fiscal year, specifying goals for product quality and important measures to execute. For the Group as a whole to raise quality in line with those plans and goals, quality control departments in each business segment work closely together with technical departments responsible for group-wide quality control. Furthermore, rigorous inspections are conducted at every production plant by experienced personnel using state-of-the-art testing and inspection equipment.



#### Ensuring a stable supply in the event of a disaster

UACJ recognizes that it has a vital social responsibility to maintain a stable supply of products even in the event of a serious disaster affecting its production plants, such as a major earthquake or outbreak of a new strain of influenza. Accordingly, it has established a business continuity plan for enabling the Group to continue providing products and services in the time of an emergency or, if that is not possible, to resume those activities as soon as possible.

Based on the plan, UACJ has put systems in place for preventing secondary disasters in order to reduce further damage and promptly resume business activities. They include an emergency communications network and a system for confirming the safety of employees, through which the status of affected workplaces can be quickly and accurately reported, enabling the delivery of necessary support and relief supplies.

In addition, UACJ has set standard group-wide procedures for handling a case of a serious product defect, which include sharing relevant information throughout the Group and responding immediately. Information about past defects is also utilized for the purpose of preventing recurrences in the future.



## Improving customer satisfaction

The vital importance of product quality for customer satisfaction is recognized in UACJ's management philosophy and basic policies on product quality. Accordingly, UACJ regularly conducts customer satisfaction surveys and obtains feedback directly from customers with a view to continuously improving product quality. UACJ also invites customers to contact the Company directly via its corporate websites, and promptly responds with detailed answers to technical questions as well as product orders and document requests. Such online enquires number around 200 annually, with 20% to 30% coming from outside Japan. Through all of these means, UACJ intends to continue engaging with customers and incorporate their feedback in new product development and quality improvements going forward.



## Support for employees

### Promoting diversity

UACJ expanded its operations internationally over the past five years, so now employees with various nationalities, cultural backgrounds, and languages are members of the Group. Therefore, UACJ is promoting a corporate culture that embraces diversity while allowing every employee to realize his or her potential. The spirit of diversity is expressed in the UACJ Way, which is being promoted at every workplace worldwide as a set of principles of conduct for employees to value in their work and everyday life.

### Measures for keeping factories safe

UACJ has put an occupational health and safety management system in place at its four main production plants in Japan, through which measures are being carried out with the goal of completely eliminating workplace accidents. Health and safety training is also provided to employees and managers in order to raise each worker's awareness of safety on the job. In fiscal 2017, a total of 20 accidents occurred at the four plants, which amounts to a frequency of 1.39 accidents per million work hours. The frequency of accidents requiring employees to take time off work was 0.76 per million work hours.

## TOPIC

### Workplace reform project launched with the goal of enhancing efficiency

In fiscal 2017, UACJ launched a workplace reform project with the goals of making its workplaces more efficient as well as more positive and enjoyable places to work. The reforms have been designed to promote an optimal work-life balance by limiting working hours to eight hours daily, giving employees more time to spend at home, pursue hobbies and education, and get enough rest. The changes apply to all types of employees in every division of the Company, including sales, administration, R&D, and factory-support departments.



Leaders of the workplace reform project

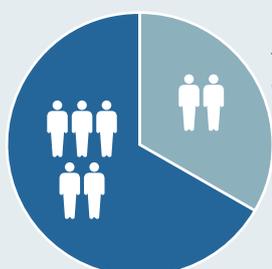
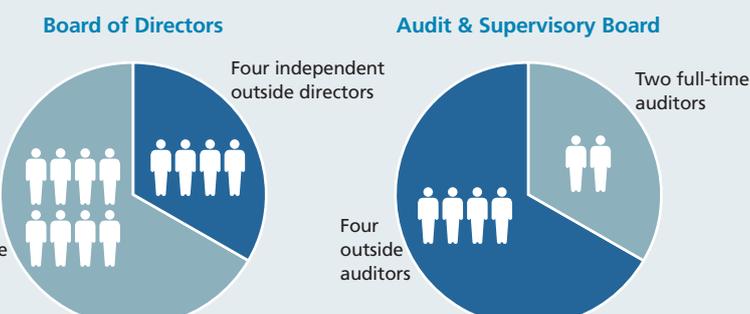
## Community engagement

The places where the Group conducts business and its employees live are regarded as especially important communities for UACJ. On that basis, all group companies strive to forge strong bonds with members of their communities as good corporate citizens. Particularly in places where workplaces are located, employees make active efforts to participate in local events, provide support for education, and volunteer in community activities. For example, employees of Tri-Arrows Aluminum regularly offer support for charitable activities in Louisville, Kentucky, by helping charity groups collect donations.



# Enhancing corporate governance while giving importance to diverse perspectives in management

Steps to strengthen corporate governance since UACJ's establishment

Year	UACJ's plans and goals	Measures to enhance governance
2013	UACJ established	Appointed an outside director
2014	Vision for the Future created	Promoted non-Japanese nationals to executive officer positions
2015	<b>Major policies of fiscal 2015 – 2017</b> mid-term management plan: •Expand into the growing automotive and energy industries while bolstering operations in growth regions •Organize optimized manufacturing operations in each business and facilitate the integration of technologies •Develop new technologies and products	Nominated a female outside director
2016		Commenced efficacy evaluations of the Board of Directors
2017	<b>Major policies of fiscal 2018 – 2020</b> mid-term management plan: •Continue focusing on the growing automotive industry and growth markets in Asia and North America •Steadily generate returns on past investments •Increase capital efficiency with an emphasis on ROIC •Promote shared principles of conduct as the UACJ Way	<b>Established the Nomination and Remuneration Advisory Committee</b>  <p>Two representative directors</p> <p>Four independent outside directors or auditors</p> <p>Over half of the committee made up of independent outside directors or auditors (as of October 30, 2017)</p>
2018		<b>Increased the number of outside directors and auditors</b>  <p><b>Board of Directors</b>                      Four independent outside directors                      Eight executive officers                      Independent outside directors comprise one-third of members</p> <p><b>Audit &amp; Supervisory Board</b>                      Two full-time auditors                      Four outside auditors                      Outside auditors comprise two-thirds of members</p>

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## Framework for corporate governance

### UACJ' s corporate governance system

UACJ has divided the responsibilities of its Board of Directors into a management decision-making and supervisory function together with a business execution function for the purpose of improving the Board's efficacy and ensuring that its decisions are carried out promptly. Meetings of the Board of Directors are held monthly and attended by 12 directors and all six members of the Audit & Supervisory Board. In the meetings, the Company's operational status is reported on and important management issues are examined and deliberated in compliance with the Company's articles of incorporation and internal rules as well as relevant laws and regulations.

In an effort to ensure that its decision-making role is effectively performed, the Board of Directors increased the number of outside directors from two to four effective from June 2018. The two newly appointed outside directors have corporate management experience as former company directors, while the two others have been offering impartial views drawing from their extensive academic experience as university professors.

In addition, executive officers (including directors concurrently holding this position) and full-time members of the Audit & Supervisory Board attend a monthly executive management meeting, in which they examine and deliberate on important issues concerning management. Officers in charge

of business execution strive to reach consensus in the meetings in order to strictly manage business affairs.

UACJ has adopted an audit and supervisory board system. Under this system, its Audit & Supervisory Board supervises the duties performed by directors in accordance with corporate auditing standards and the Company's auditing policies and plans, serving as an independent organization with an important role in corporate governance. Half of the Audit & Supervisory Board's six members have expertise in finance and accounting. Meetings are held monthly, in which full-time auditors present the results of periodic audit reports and engage in comprehensive discussions with the outside auditors.

### Corporate officer training programs

UACJ provides various training programs at the time directors and auditors are newly appointed and during their terms of office in order to prepare them for properly carrying out their duties. Training for the newly appointed corporate officers is designed to ensure that they comprehend their roles and responsibilities. Those who are outside officers are given tours of production plants, including facilities outside Japan, and invited to attend various committee meetings and information sessions in order to gain a full understanding of the Group's operations, financial affairs, and organizational structure. During their terms of office, directors and auditors are given opportunities to learn more about corporate governance and discuss challenges facing the Group, as well as individual training depending on their respective expertise, experience, and skills.

## Evaluating the efficacy of the Board of Directors

As a means to evaluate the efficacy of the Board of Directors, a questionnaire concerning its composition and functioning is distributed every year to each director and auditor serving on the Board. The results of the questionnaire are discussed by the Board and improvements are carried out on that basis.

**The evaluation covers the following four main areas:** the Board's size and composition, functioning and organization, decision-making processes, and quality of deliberations by its members.

### Summary of evaluation results in fiscal 2017

Based on the evaluation results in fiscal 2017, the size and diversity of the Board of Directors was considered to be suitable, and the composition of its members was deemed to be balanced overall. Moreover, the Board's functioning was

considered to be reasonable and its organization effective for supervising management. The results also confirmed that discussions and deliberations were conducted in a constructive and open manner, including in preparatory discussions held prior to meetings of the Board.

Nevertheless, the results also pointed to the need for improvements going forward. Accordingly, the Board of Directors plans to revise its debating and reporting procedures as a means to enhance deliberations and strengthen its supervisory functions, and engage in more rigorous debates concerning management strategies and other important matters. It will also ensure that outside members are provided with more substantial explanations prior to meetings and materials relevant for corporate governance.

By making use of evaluation results every year, the Board of Directors has improved its functioning and raised the level of its deliberations on matters that are vital for accelerating the UACJ Group's global expansion and achieving continuous growth.

### Process of nominating directors

Candidates for directors and other executive management positions are evaluated by the Nomination and Remuneration Advisory Committee based on their respective career background, positions, qualifications and capabilities, and the most suitable candidates are selected by the Board of Directors. Candidates for independent outside officers, in particular, are expected to be able to actively and directly contribute to constructive discussions in meetings of the Board, while taking into account the rules set by the Tokyo Stock Exchange and the interest of the Company. As of the publication date of this report, four independent outside directors serve on the Board of Directors, one of whom is a woman and two of whom have corporate management experience. The Board intends to further consider its diversity and size in the future with a view to maintaining an optimal balance of expertise, experience, and capabilities among its membership as a whole.

### TOPIC 1

#### Nomination and Remuneration Advisory Committee established

For the purpose of enhancing corporate governance and increasing the impartiality and transparency of the decision-making process for nominating and remunerating directors and executive officers, UACJ established its Nomination and Remuneration Advisory Committee on October 30, 2017, as an advisory body to the Board of Directors. The committee deliberates on enquiries it receives relating to the nomination and remuneration of directors and executive officers, and reports the conclusions of such deliberations to the Board of Directors. The committee is made up of seven members in total, with an independent outside director serving as chairperson. The remaining six members are comprised of three independent outside directors, two full-time directors, and one independent outside auditor from the Audit & Supervisory Board.

### Rationale for selecting outside directors and auditors

Position	Name	Rationale for selection
Outside director	Toshio Suzuki	Toshio Suzuki was invited to serve as an outside director based on the judgement that he could properly perform the required duties while offering objective viewpoints given his extensive academic background as a university professor emeritus. Mr. Suzuki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Ryoko Sugiyama	Ryoko Sugiyama was invited to serve as an outside director based on the judgement that she could properly perform the required duties given her extensive background as a university professor and experience as a company director. Ms. Sugiyama was appointed after it was determined she was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Takahiro Ikeda	Takahiro Ikeda was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his experience as a director at a major chemical manufacturer and long career in corporate management. Mr. Ikeda was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Akio Sakumiya	Akio Sakumiya was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his corporate management experience as an executive vice president of a major electrical appliance manufacturer and extensive background in corporate governance, including positions of vice-chairperson of several committees involved in the remuneration and affairs of company directors and other personnel. Mr. Sakumiya was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
Outside auditor	Akari Asano	Akari Asano was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his expertise and experience in executive corporate management and as a general manager of a company division. Mr. Asano was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Yuki Iriyama	Yuki Iriyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his advanced legal expertise as a lawyer specializing in corporate law, and given his extensive experience in corporate management, including a position of managing director at a major steel manufacturer.
	Hiroyuki Yamasaki	Hiroyuki Yamasaki was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties given his extensive background in finance and accounting as a certified public accountant specializing in corporate accounting. Mr. Yamasaki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.
	Yoshiro Motoyama	Yoshiro Motoyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while making use of the broad outlook he has gained over his career and given his extensive experience in corporate management, including a position of executive vice-president of a major automobile manufacturer. Mr. Motoyama was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders.

## Remuneration of corporate officers

UACJ's remuneration system for corporate officers has been designed to give directors incentives to work towards raising corporate value and improving the Company's financial results over the medium to long terms, and to help ensure that profits are generated sustainably so that the UACJ Group can contribute to society at large through dependable and sound business expansion, thereby meeting the expectations of its wide array of stakeholders. Based on that approach, the Board of Directors makes decisions on specific remuneration plans and the system's execution in accordance with reports submitted by the Nomination and Remuneration Advisory Committee in order to ensure the system functions properly and to improve the impartiality and transparency of such decisions.

### T O P I C 2

#### New remuneration system for directors established

UACJ established a new remuneration system for directors after gaining approval at its 5th Annual General Meeting of Shareholders held on June 21, 2018. The new system was put in place as a means to further motivate corporate officers to achieve the Company's performance targets and to align their interests with shareholders as an incentive to raise shareholder value.

Under the system, full-time directors receive a fixed base salary, short-term performance-based compensation linked to the achievement level of financial targets for the fiscal year, and mid-term performance-based compensation linked to the achievement level of financial targets over a multiple year period. Outside directors, who serve on a part-time basis, receive a fixed base salary only since their primary responsibility is to supervise operations from an impartial and independent standpoint.

The performance-based compensation is linked to the achievement of financial targets for the key performance indicators of management strategies, including adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as well as return on invested capital (ROIC), which was adopted under the new mid-term management plan that commenced in fiscal 2018. A performance share unit plan was adopted for the mid-term performance-based compensation as a means to align the interests of directors with those of shareholders. The full-time directors are remunerated with common shares and a monetary amount equivalent to the achievement level of consolidated financial results over a mid-term period.

## Promoting constructive dialogues with shareholders

Relations with shareholders and investors are taken very seriously at UACJ. Accordingly, a dedicated Public and Investor Relations Department has been established and a director is appointed to oversee its activities. The department organizes meetings and teleconferences on financial results for shareholders and investors every fiscal quarter, and arranges one-on-one meetings and group sessions with the president when required. Factory tours for shareholders are also organized twice annually to give them a first-hand look at manufacturing operations. As a basic policy, management also holds meetings with investors in North America, Europe, and Asia every year.

Looking ahead, UACJ plans to organize presentations specifically for individual investors in order to create more opportunities to engage with them. It will also continue providing useful and timely information for shareholders by publishing its integrated report every year and disclosing news and updates on its websites. The Company's Japanese website has been highly evaluated for its quality, indicated by its ranking of fourth in 2017 and eighth in 2016 in the All Japanese Listed Companies' Website Ranking published by Nikko Investor Relations Co., Ltd.



## Factory tours for shareholders



At Fukui Works, shareholders see the quality of UACJ's products up close while observing aluminum coils.

At Nagoya Works, shareholders receive explanations of how UACJ's products are used in a model car in the showroom.



## Directors

**Miyuki Ishihara**

Representative Director & President  
Overall management

Attended 14 of 14 Board of Directors meetings

Apr. 1981 Joined Sumitomo Light Metal Industries, Ltd.  
Oct. 2012 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Jun. 2015 Director, Member of the Board,  
Executive Officer  
Apr. 2017 Director, Member of the Board,  
Managing Executive Officer  
Apr. 2018 Director, Member of the Board  
Jun. 2018 Representative Director & President (Current)

**Takayoshi Nakano**

Representative Director, Member of the Board,  
Senior Managing Executive  
Officer In charge of Global  
Business Strategy Department  
and Public and Investor Relations  
Department

Attended 14 of 14 Board  
of Directors meetings

Apr. 1978 Joined Nippon Steel Corporation (now Nippon  
Steel & Sumitomo Metal Corporation)  
Apr. 2004 Manager, European Office  
Jun. 2009 Advisor, Furukawa-Sky Aluminum Corp.  
Jun. 2010 Director  
Jun. 2012 Managing Director  
Jun. 2013 Director and Managing Executive Officer  
Oct. 2013 Director, Member of the Board Managing  
Executive Officer, UACJ Corporation  
Apr. 2015 Director, Member of the Board Senior  
Managing Executive Officer  
Jun. 2018 Representative Director, Member of the  
Board, Senior Managing Executive Officer  
(Current)

**Mizuho Taneoka**

Representative Director, Member of the Board,  
Senior Managing Executive  
Officer Delegated Chief Executive,  
Flat Rolled Products Division

Attended 11 of 11 Board of Directors  
meetings (number held since being  
appointed director)

Apr. 1980 Joined Sumitomo Corporation  
Sep. 2010 Joined Sumitomo Light Metal Industries, Ltd.  
Oct. 2012 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Apr. 2017 Managing Executive Officer  
Jun. 2017 Director, Member of the Board,  
Managing Executive Officer  
Jun. 2018 Representative Director, Member of the  
Board, Senior Managing Executive Officer  
(Current)

**Kazuhisa Shibue**

Director, Member of the Board,  
Senior Managing Executive Officer  
Delegated Chief Executive, Research &  
Development Division In charge of  
Information Technology Department  
and Engineering Department

Attended 14 of 14 Board  
of Directors meetings

Apr. 1980 Joined Sumitomo Light Metal Industries, Ltd.  
Apr. 2010 Executive Officer  
Oct. 2013 Managing Executive Officer,  
UACJ Corporation  
Jun. 2014 Director, Member of the Board  
Managing Executive Officer  
Apr. 2017 Director, Member of the Board, Senior  
Managing Executive Officer (Current)

**Kiyoshi Tanaka**

Director, Member of the Board,  
Managing Executive Officer  
Member of the Board, President  
of UACJ Extrusion Corporation

Attended 13 of 14 Board  
of Directors meetings

Apr. 1981 Joined Furukawa Electric Co., Ltd.  
Jun. 2010 Director, Furukawa-Sky Aluminum Corp.  
Jun. 2013 Director and Managing Executive Officer  
Oct. 2013 Director, Member of the Board Managing  
Executive Officer, UACJ Corporation  
(Current), Member of the Board, President of  
UACJ Extrusion Corporation (Current)

**Masahiro Teshima**

Director, Member of the Board,  
Managing Executive Officer  
Delegated Vice Chief Executive,  
Flat Rolled Products Division  
In charge of Sales and Marketing

Attended 11 of 11 Board of Directors  
meetings (number held since being  
appointed director)

Apr. 1982 Joined Sumitomo Light Metal Industries, Ltd.  
Apr. 2014 Executive Officer, UACJ Corporation  
Apr. 2017 Managing Executive Officer  
Jun. 2017 Director, Member of the Board  
Managing Executive Officer (Current)

**Katsuyasu Niibori**

Director, Member of the Board,  
Managing Executive Officer  
Member of the Board, President  
& CEO, UACJ Foil Corporation

Newly appointed (in June 2018)

Apr. 1982 Joined Furukawa Electric Co., Ltd.  
Jun. 2012 Director, Furukawa-Sky Aluminum Corp.  
Jun. 2013 Executive Officer  
Oct. 2013 Executive Officer, UACJ Corporation  
Apr. 2015 Executive Officer, UACJ Corporation, Advisor  
to UACJ Foil Corporation  
Jun. 2015 Executive Officer, UACJ Corporation,  
Member of the Board, President & CEO,  
UACJ Foil Corporation  
Apr. 2017 Managing Executive Officer, UACJ  
Corporation, Member of the Board, President  
& CEO, UACJ Foil Corporation  
Jun. 2018 Director, Member of the Board, Managing  
Executive Officer (Current), Member of the  
Board, President & CEO, UACJ Foil  
Corporation (Current)

**Akito Imaizumi**

Director, Member of the Board,  
Executive Officer  
In charge of Corporate Planning  
Department and Finance  
and Accounting Department

Newly appointed (in June 2018)

Apr. 1983 Joined Sumitomo Light Metal Industries, Ltd.  
Apr. 2014 Executive Officer, UACJ Corporation  
Jun. 2018 Director, Member of the Board,  
Executive Officer (Current)

## ■ Outside Members of the Board



**Toshio Suzuki**  
 Director, Member of the Board  
 (outside and part-time)  
 Attended 14 of 14 Board  
 of Directors meetings

Apr. 1988 Assistant Professor, University of Tokyo  
 Jun. 1994 Professor  
 Apr. 1995 Professor of Graduate School  
 Mar. 2012 Retirement  
 Jun. 2012 Professor Emeritus, University of Tokyo  
 (Current)  
 Oct. 2013 Director, Member of the Board (outside and  
 part-time), UACJ Corporation (Current)



**Ryoko Sugiyama**  
 Director, Member of the Board  
 (outside and part-time)  
 Attended 12 of 14 Board  
 of Directors meetings

May 1996 Director, Sugiyama & Kurihara Environmental  
 Consultants, Inc.  
 Dec. 1997 Director, Gifu Shimbun  
 Dec. 1999 Director, Gifu Broadcasting System, Inc.  
 Apr. 2010 Professor, Fuji Tokoha University  
 (currently Tokoha University) Faculty of Social  
 and Environmental Studies  
 Jun. 2010 Outside Director, Lecip Holdings Corporation  
 (Current)  
 Jun. 2015 Director, Member of the Board (outside and  
 part-time), UACJ Corporation (Current)



**Takahiro Ikeda**  
 Director, Member of the Board  
 (outside, part-time)  
 Newly appointed (in June 2018)

Apr. 1975 Joined Mitsubishi Kasei Kogyo  
 Apr. 2006 Mitsubishi Chemical Executive Officer,  
 Deputy General Manager, Polymers Division  
 Apr. 2007 Executive Officer, General Manager,  
 Chemicals Division  
 Jul. 2008 Dia Chemical Co. Ltd., President  
 Jun. 2010 Mitsubishi Rayon, Managing Executive Officer  
 Apr. 2013 Director and Managing Executive Officer  
 Mar. 2015 Advisor  
 Mar. 2016 Stepped down as Advisor  
 Apr. 2016 Itochu Chemical Frontier Corporation,  
 Executive Advisor  
 May 2017 T.I. Associates, Representative Director  
 (Current)  
 Jun. 2018 Director, Member of the Board (outside and  
 part-time), UACJ Corporation (Current)



**Akio Sakumiya**  
 Director, Member of the Board  
 (outside, part-time)  
 Newly appointed (in June 2018)

Apr. 1975 Joined Tateisi Electric Manufacturing Co.  
 (now OMRON Corporation)  
 Jun. 2003 Executive Officer, General Manager of  
 Amusement Equipment Business, and  
 President and CEO of OMRON Ichinomiya Co.,  
 Ltd. (now OMRON Amusement Co., Ltd.)  
 Apr. 2009 Executive Officer and President of Electronic  
 Components Business Company  
 Jun. 2010 Managing Executive Officer and President of  
 Electronic and Mechanical Components  
 business Company  
 Jun. 2011 Senior Managing Director  
 Jun. 2014 Executive Vice President  
 Mar. 2018 Outside Audit & Supervisory Board Member,  
 Asahi Glass Co., Ltd. (Current)  
 Jun. 2018 Director, Member of the Board (outside and  
 part-time), UACJ Corporation (Current)

## Audit & Supervisory Board Members



**Hisashi Hasegawa**  
Audit & Supervisory Board Member

Attended 14 of 14 Board of Directors meetings

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
Jun. 2009 Director and General Manager, Finance and Accounting Dept., Furukawa-Sky Aluminum Corp.  
Jun. 2012 Managing Director  
Jun. 2013 Managing Executive Officer  
Oct. 2013 Managing Executive Officer, UACJ Corporation  
Jun. 2015 Director, Member of the Board Managing Executive Officer  
Apr. 2018 Director, Member of the Board  
Jun. 2018 Audit & Supervisory Board Member (Current)



**Nobuhiro Ishihara**  
Audit & Supervisory Board Member

Attended 14 of 14 Board of Directors meetings

Apr. 1980 Joined Furukawa Electric Co., Ltd.  
Oct. 2003 General Manager, General Affairs Dpt., Fukui Works, Rolled Products Div., Furukawa-Sky Aluminum Corp.  
Jun. 2004 General Manager, General Affairs Div., Nuclear Fuel Industries, Ltd.  
Jun. 2008 Director and General Manager, General Affairs Dept.  
May 2009 Executive Officer and General Manager, General Affairs Dept.  
Jun. 2010 Full-time Statutory Auditor, Furukawa-Sky Aluminum Corp.  
Oct. 2013 Audit & Supervisory Board Member, UACJ Corporation (Current)

## Outside Audit & Supervisory Board Members



**Akari Asano**  
Audit & Supervisory Board Member (outside, part-time)

Attended 14 of 14 Board of Directors meetings

Apr. 1970 Joined Mitsubishi Rayon co., Ltd.  
Jun. 2003 General Manager, General Affairs Department  
Jun. 2004 Senior Director  
Jun. 2008 Resigned from Mitsubishi Rayon co., Ltd.  
Jun. 2009 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd.  
Jun. 2013 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd., Statutory Auditor (outside and part-time), Furukawa-Sky Aluminum Corp.  
Oct. 2013 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



**Yuki Iriyama**  
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Apr. 1970 Joined Nippon Steel Corporation (now Nippon Steel & Sumitomo Metal Corporation)  
May 1977 Graduated from the College of Europe (a graduate school in Belgium)  
Jun. 2002 Director, Manager of the Board and General Manager of Overseas Business Development Division  
Jun. 2006 Managing Executive Officer  
Jun. 2009 Executive Advisor  
Oct. 2012 Standing Advisor, Nippon Steel & Sumitomo Metal Corporation  
Jun. 2014 Advisor of Nippon Steel & Sumitomo Metal Corporation (part-time)  
Mar. 2015 Counsel of Kajitani Law Offices (Current)  
Jun. 2015 Stepped down as advisor (part-time)  
May 2017 Director of Valloirec S.A. (France) (Current)  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



**Hiroyuki Yamasaki**  
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Oct. 1982 Joined Chuo Accounting Corporation  
Oct. 2005 Director, Chuo Aoyama Audit Corporation  
May 2006 Acting Chairman  
Nov. 2007 Senior Partner of ShinNihon Audit Corporation (now Ernst & Young ShinNihon LLC)  
Aug. 2008 Managing Director of Ernst & Young ShinNihon LLC  
Jul. 2013 Auditor of Japan Venture Capital Association  
Jul. 2017 President of Hiroyuki Yamasaki CPA Office (Current)  
Dec. 2017 Director, Land Business Co., Ltd. (Current)  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



**Yoshiro Motoyama**  
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Apr. 1980 Joined Mitsubishi Motors  
Mar. 2014 Director, Vice President, General Manager, Production Division, Mitsubishi Fuso Truck and Bus Corporation  
Jan. 2017 Advisor  
Aug. 2017 Takenaka Co. Ltd., Director & CTO (Current)  
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)

## Executive Officers

**Hironori Tsuchiya**  
Senior Managing Executive Officer

**Youji Shimizu**  
Managing Executive Officer

**Hiroyuki Fukui**  
Managing Executive Officer

**Yukio Takekawa**  
Managing Executive Officer

**Akinori Yamaguchi**  
Executive Officer

**Teiichi Abe**  
Executive Officer

**Teruo Kawashima**  
Executive Officer

**Masataka Taguchi**  
Executive Officer

**Akira Matsushita**  
Executive Officer

**Kimitoshi Inagaki**  
Executive Officer

**Akinori Yoshida**  
Executive Officer

**Yasuhiro Hosomi**  
Executive Officer

**Takahide Otani**  
Executive Officer

**Yukihiro Kuwamoto**  
Executive Officer

**Satoshi Sugama**  
Executive Officer

**Shinji Tanaka**  
Executive Officer

**Atsushi Sakaue**  
Executive Officer

**Henry Gordinier**  
Executive Officer

## Financial Results

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		Fiscal 2008	Fiscal 2009	Fiscal 2010
<b>Operating performance and profitability (consolidated)</b>				
Net sales	Total	506,826	419,118	466,699
Operating income (loss)	Total	(6,860)	5,780	27,933
Ordinary income (loss)	Total	(14,883)	2,357	23,146
Income before income taxes (loss)	Total	(21,431)	(9,491)	18,676
Net income attributable to owners of the parent (loss)	Total	(29,643)	(7,250)	19,157
Operating margin	Total	(1.4%)	1.4%	6.0%
Net income/net sales	Total	(5.8%)	(1.7%)	4.1%
<b>Financial condition and efficiency (consolidated)</b>				
Total assets	Total	514,974	510,073	524,527
Net assets	Total	75,624	88,217	105,174
Shareholders' equity	Total	72,964	86,858	103,921
Interest bearing debt	Total	278,623	252,340	242,035
Current assets	Total	175,170	180,576	205,286
Noncurrent assets	Total	339,801	329,498	319,240
Current liabilities	Total	258,666	238,684	237,988
Noncurrent liabilities	Total	180,682	183,172	181,364
Shareholders' equity ratio	Total	14.2%	17.0%	19.8%
Return on equity (ROE)	UACJ/Furukawa-Sky	(17.7%)	(1.3%)	18.6%
	Sumitomo Light Metal	(50.9%)	(28.4%)	23.1%
<b>Consolidated cash flows</b>				
Cash flows from operating activities	Total	14,644	31,181	35,923
Cash flows from investing activities	Total	(23,339)	(10,840)	(13,595)
Free cash flow	Total	(8,695)	20,341	22,328
Cash flows from financing activities	Total	9,399	(21,969)	(5,441)
<b>Per share information</b>				
Current net profit (loss) (yen)	UACJ/Furukawa-Sky	(50.64)	(3.39)	52.70
	Sumitomo Light Metal	(49.42)	(15.95)	16.64
Dividend (yen)	UACJ/Furukawa-Sky	6.0	2.0	6.0
	Sumitomo Light Metal	0.0	0.0	0.0
<b>Capital investment and R&amp;D costs (Consolidated)</b>				
Capital investment	Total	19,235	11,255	9,092
Depreciation and amortization costs	Total	25,128	24,501	23,445
R&D costs	Total	5,008	4,602	4,886

Note: Accounting principles for notes maturing at the end of the fiscal year changed in fiscal 2013. However, the figures prior to retrospective treatment are shown for the main management indicators and other records prior to fiscal 2012. The figures before fiscal 2012 are a simple total of the two former companies, Furukawa-Sky Aluminum Corporation and Sumitomo Light Metal Industries Co., Ltd. In fiscal 2013, the figures reported for the first-half year are the amounts for both former companies, and those for the last half-year are the business results for UACJ.

Unit: millions of yen (rounded off)

Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
452,898	436,485	364,107	572,541	575,735	568,316	<b>624,270</b>
18,709	15,069	17,772	23,679	15,212	25,869	<b>29,205</b>
16,595	14,606	16,798	21,337	12,010	19,819	<b>19,408</b>
10,098	9,743	15,523	18,856	13,976	18,281	<b>19,692</b>
11,838	4,656	9,946	8,649	5,105	8,715	<b>12,253</b>
4.1%	3.5%	4.9%	4.1%	2.6%	4.6%	<b>4.7%</b>
2.6%	1.1%	2.7%	1.5%	0.9%	1.5%	<b>2.0%</b>
535,148	536,200	608,490	677,952	662,543	725,443	<b>774,191</b>
124,440	138,166	168,140	187,136	178,582	198,360	<b>208,396</b>
122,985	136,387	155,515	172,305	165,030	184,090	<b>194,235</b>
225,324	215,318	256,309	295,953	289,006	323,825	<b>342,336</b>
204,890	191,653	236,638	269,889	263,409	305,563	<b>324,318</b>
330,257	344,547	371,852	408,063	399,135	419,880	<b>449,873</b>
263,221	251,858	236,387	287,884	249,784	237,650	<b>273,157</b>
147,487	146,175	203,963	202,932	234,177	289,433	<b>292,638</b>
23.0%	25.4%	25.6%	25.4%	24.9%	25.4%	<b>25.1%</b>
5.1%	4.3%	8.6%	5.3%	3.0%	5.0%	<b>6.5%</b>
19.1%	2.7%	—	—	—	—	—
36,239	29,032	14,233	26,777	22,511	28,393	<b>17,381</b>
(38,120)	(21,520)	(25,452)	(49,668)	(34,759)	(55,456)	<b>(51,853)</b>
(1,881)	7,512	(11,219)	(22,891)	(12,248)	(27,063)	<b>(34,472)</b>
(8,034)	(12,887)	14,067	25,694	11,176	49,478	<b>13,543</b>
15.59	13.85	30.36	20.21	11.94	201.63*	<b>253.96*</b>
14.95	2.59	—	—	—	—	—
6.0	6.0	9.0	6.0	6.0	60.00*	<b>60.00*</b>
1.5	3.5	—	—	—	—	—
13,351	25,554	27,104	46,539	30,489	31,556	<b>51,195</b>
22,821	20,121	17,165	22,636	22,893	23,508	<b>25,686</b>
5,111	5,031	3,688	4,619	4,630	4,412	<b>4,409</b>

\* The Company conducted a 1-for-10 reverse stock split on common shares on October 1, 2017. Net income per share and net assets per share have been calculated as if this reverse stock split had occurred at the beginning of fiscal 2016. Annual dividends per share for fiscal 2016 and fiscal 2017 are calculated on a post-stock-split basis.

## 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.

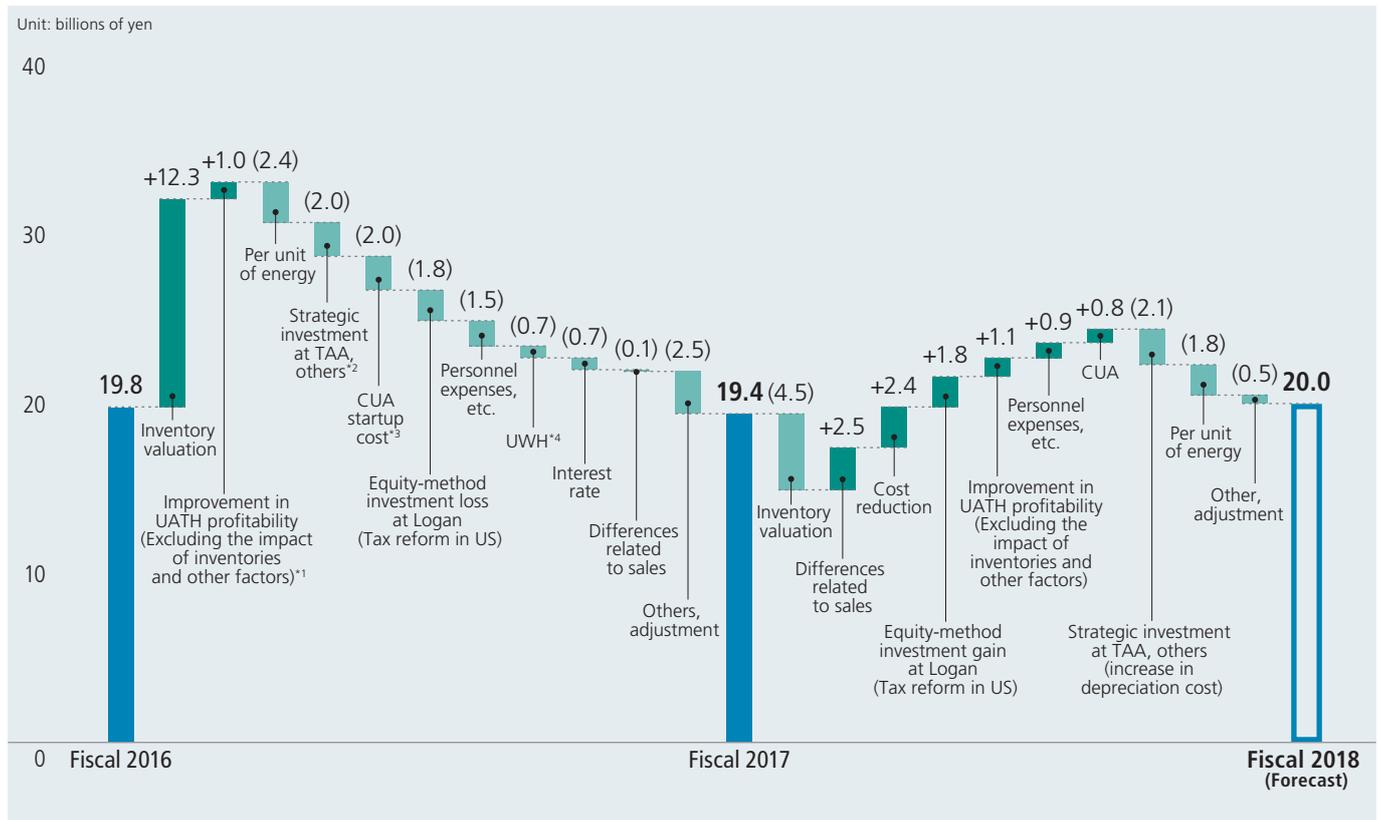
Furthermore, we anticipate ¥57.2 billion (up 12.8%) in adjusted EBITDA, which measures real performance.

## 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.

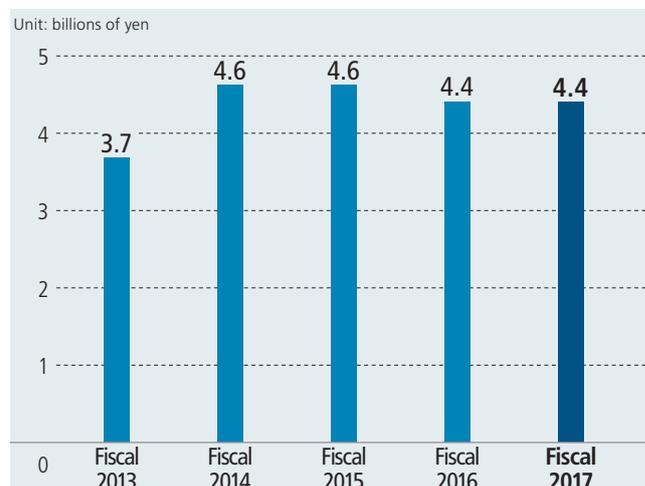
### Rolled Aluminum Products Business

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.

Unit: millions of yen

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of March 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	41,242	22,005
Notes and accounts receivable-trade	126,287	135,181
Merchandise and finished goods	29,179	39,412
Work in process	42,969	60,439
Raw materials and supplies	43,764	45,261
Other	22,152	22,049
Allowance for doubtful accounts	(29)	(30)
<b>Total current assets</b>	<b>305,563</b>	<b>324,318</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	61,516	68,941
Machinery, equipment and vehicles, net	95,953	108,600
Land	115,034	115,730
Construction in progress	24,616	33,848
Other, net	8,348	7,973
<b>Total property, plant and equipment</b>	<b>305,467</b>	<b>335,092</b>
<b>Intangible assets</b>		
Goodwill	50,677	46,435
Other	16,713	14,268
<b>Total intangible assets</b>	<b>67,390</b>	<b>60,703</b>
<b>Investments and other assets</b>		
Investment securities	28,269	26,577
Long-term loans	3,876	12,033
Retirement benefit assets	421	483
Other	14,560	15,056
Allowance for doubtful accounts	(103)	(71)
<b>Total investments and other assets</b>	<b>47,023</b>	<b>54,078</b>
<b>Total non-current assets</b>	<b>419,880</b>	<b>449,873</b>
<b>Total assets</b>	<b>725,443</b>	<b>774,191</b>

Unit: millions of yen

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of March 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	104,431	121,335
Short-term loans payable	50,592	61,777
Current portion of bonds	2,500	2,500
Current portion of long-term loans payable	45,268	50,643
Other	34,859	36,902
Total current liabilities	237,650	273,157
Non-current liabilities		
Bonds payable	2,500	—
Long-term loans payable	222,964	227,417
Lease obligations	17,823	17,616
Provision for restructuring	929	854
Retirement benefit obligations	18,768	18,465
Other	26,449	28,286
Total noncurrent liabilities	289,433	292,638
Total liabilities	527,083	565,795
<b>Net assets</b>		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	42,252	51,841
Treasury stock	(241)	(295)
Total shareholders' equity	174,605	184,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,592	2,383
Deferred gains or losses on hedges	(661)	(806)
Foreign currency translation adjustment	6,851	8,359
Cumulative adjustments related to retirement benefits	703	158
Total accumulated other comprehensive income	9,485	10,094
Non-controlling interests	14,270	14,161
Total net assets	198,360	208,396
Total liabilities and net assets	725,443	774,191

**Consolidated Statements of Income**

Unit: millions of yen

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	568,316	624,270
Cost of sales	490,460	540,150
Gross profit	77,856	84,120
Selling, general and administrative expenses	51,987	54,915
Operating income	25,869	29,205
Non-operating income		
Interest income	573	941
Dividend income	449	431
Rental income	286	331
Other	992	1,149
Total non-operating income	2,299	2,851
Non-operating expenses		
Interest expenses	3,790	5,213
Share of loss of entities accounted for using equity method	1,405	5,361
Financing expenses	1,195	—
Other	1,959	2,075
Total non-operating expenses	8,349	12,649
Ordinary income	19,819	19,408
Extraordinary income		
Gain on sale of investment securities	10	826
Gain on sale of non-current assets	119	512
Insurance income	—	424
Other	9	0
Total extraordinary income	137	1,762
Extraordinary loss		
Loss on retirement of non-current assets	707	841
Valuation loss on investment securities	10	262
Fire loss	270	—
Special severance payment	185	—
Other	503	375
Total extraordinary losses	1,675	1,478
Income before income taxes	18,281	19,692
Income taxes-current	8,505	7,138
Income taxes-deferred	174	(733)
Total income taxes	8,679	6,405
Net income	9,602	13,287
Net income attributable to non-controlling interests	887	1,034
Net income attributable to owners of the parent	8,715	12,253

**Consolidated Statements of Comprehensive Income**

Unit: millions of yen

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net income	9,602	13,287
Other comprehensive income		
Valuation difference on available-for-sale securities	1,405	(211)
Deferred gains (losses) on hedges	560	(170)
Foreign currency translation adjustment	(1,460)	213
Adjustments to retirement benefits	(679)	221
Share of other comprehensive income of entities accounted for using equity method	(1,454)	(97)
Total other comprehensive income	(1,627)	(44)
Comprehensive income	7,975	14,243
(Attributable to)		
Owners of the parent	7,100	13,171
Non-controlling interests	874	72

Unit: millions of yen

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	18,281	19,692
Depreciation and amortization	23,508	25,686
Amortization of goodwill	3,177	3,504
Equity in earnings of affiliated companies	1,405	5,361
Interest and dividends income	(1,022)	(1,372)
Interest expenses	3,790	5,213
Decrease (increase) in notes and accounts receivable-trade	(8,855)	(9,423)
Decrease (increase) in inventories	(5,983)	(29,046)
Increase (decrease) in notes and accounts payable-trade	4,331	16,812
Other	(5,050)	(6,396)
Subtotal	33,583	30,032
Interest and dividends income received	1,439	1,807
Interest expenses paid	(3,786)	(5,197)
Income taxes (paid)	(2,844)	(9,262)
Net cash provided by (used in) operating activities	28,393	17,381
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(30,544)	(47,289)
Purchase of intangible assets	(1,107)	(703)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(14,494)	—
Purchase of investments in capital of subsidiaries and affiliates	(5,091)	—
Other	(4,221)	(3,861)
Net cash provided by (used in) investing activities	(55,456)	(51,853)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(14,153)	10,600
Proceeds from long-term loans payable	97,939	60,123
Repayment of long-term loans payable	(48,832)	(48,598)
Payment for redemption of bonds	(2,500)	(2,500)
Proceeds from issuance of common stock	14,553	—
Cash dividends paid	(2,566)	(2,895)
Dividends paid to non-controlling interests	(195)	(256)
Sale-and-leaseback revenues	635	376
Proceeds from sale and installment back	9,013	730
Outlays for the repayment of lease obligations	(4,204)	(3,624)
Other	(213)	(412)
Net cash provided by (used in) financing activities	49,478	13,543
Effect of exchange rate change on cash and cash equivalents	(136)	598
Net increase (decrease) in cash and cash equivalents	22,278	(20,331)
Cash and cash equivalents at beginning of period	18,814	41,125
Net increase in cash and cash equivalents due to changes in scope of consolidation	33	—
Cash and cash equivalents at end of period	41,125	20,794

## Company Overview

<b>Corporate name</b>	UACJ Corporation
<b>Headquarters</b>	Tokyo Sankei Bldg., Otemachi 1-7-2, Chiyoda-ku, Tokyo, Japan
<b>Representative Director &amp; President</b>	Miyuki Ishihara
<b>Principal business</b>	Manufacture and sales of flat rolled products, casting products, forged products and precision-machined products of nonferrous metals, including aluminum and copper and alloys thereof
<b>Capital</b>	52.277 billion yen
<b>Number of employees (consolidated)</b>	10,067 * As of March 31, 2018
<b>Fiscal year end</b>	March 31
<b>URL</b>	<a href="https://www.uacj.co.jp/english/">https://www.uacj.co.jp/english/</a>

## Locations

<b>Nagoya Works</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan
<b>Fukui Works</b>	Kurome 21-1, Mikuni-cho, Sakai-shi, Fukui 913-8588, Japan
<b>Fukaya Works</b>	Uwanodai 1351, Fukaya-shi, Saitama 366-8511, Japan
<b>Nikko Works</b>	Kiyotaki Sakuragaokamachi 1, Nikko-shi, Tochigi 321-1443, Japan
<b>Chubu Office</b>	Kanayama Place, Kanayama 1-13-13, Naka-ku, Nagoya-shi, Aichi 460-0022, Japan
<b>Kansai Office</b>	Nakanoshima Mitsui Building, Nakanoshima 3-3-3, Kita-ku, Osaka-shi, Osaka 530-0005, Japan
<b>Kyushu Office</b>	ACROS Fukuoka, Tenjin 1-1-1, Chuo-ku, Fukuoka-shi, Fukuoka 810-0001, Japan
<b>Hokkaido Branch</b>	NREG Kitananjo Building, Kitananjonishi 3-1-25, Chuo-ku, Sapporo-shi, Hokkaido 060-0003, Japan
<b>Research &amp; Development Division</b>	Chitose 3-1-12, Minato-ku, Nagoya-shi, Aichi 455-8670, Japan
<b>R&amp;D Center (North America)</b>	200 West Madison Street Suite 2150, Chicago, IL 60606

## Group Companies (Japan)

### ■ Flat Rolled Products Business

UACJ Color Aluminum Corporation  
UACJ Fukaya Service Corporation  
UACJ Nagoya Alupack Corporation  
Sansen Co., Ltd.  
Furukawa UACJ Memory Disk Co., Ltd.

### ■ Extrusion Business

UACJ Extrusion Corporation  
UACJ Extrusion Oyama Corporation  
UACJ Extrusion Nagoya Corporation  
UACJ Extrusion Gunma Corporation  
UACJ Extrusion Shiga Corporation  
Light Metals Extrusion Development Co., Ltd.  
Nihon Cooler Co., Ltd.

### ■ Foil Business

UACJ Foil Corporation  
Nikken Co., Ltd.  
UACJ Foil Sangyo Corporation  
UACJ Foil Service Corporation

### ■ Casting and Forging Business

UACJ Foundry & Forging Corporation  
HIGASHI NIHON TANZO CO., LTD.

### ■ Copper Tubing Business

UACJ Copper Tube Corporation  
UACJ Copper Tube Sales Corporation  
Toyo Fitting Co., Ltd.  
UACJ Copper Tube Packaging Corporation

### ■ Precision-machined Components Business

UACJ Metal Components Corporation  
Nalco Koriyama Co., Ltd.  
Sumikei-Nikkei Engineering Co., Ltd.\*

### ■ Others

UACJ Trading Corporation  
Izumi Metal Corporation  
Metal Cut Co., Ltd.  
KAMAKURA INDUSTRY COMPANY LIMITED  
UACJ Marketing & Processing Corporation  
ACE21 Corp.  
UACJ Logistics Corporation  
UACJ System Corporation  
UACJ Green-net Corporation

\* Equity-method affiliate

## Group Companies (Overseas)

### ■ Flat Rolled Products Business

UACJ (Thailand) Co., Ltd. (Thailand)  
 Tri-Arrows Aluminum Holding Inc. (USA)  
 Tri-Arrows Aluminum Inc. (USA)  
 Logan Aluminum Inc. (USA)\*  
 Constellium-UACJ ABS LLC (USA)\*  
 Bridgnorth Aluminium Ltd. (UK)\*  
 RUYUAN DONGYANGGUANG UACJ FINE ALUMINUM FOIL CO., LTD. (China)\*  
 UPIA Co., Ltd. (South Korea)

### ■ Extrusion Business

UACJ Extrusion (Tianjin) Corporation (China)  
 PT. UACJ-Indal Aluminum (Indonesia)  
 UACJ Extrusion (Thailand) Co., Ltd. (Thailand)  
 UACJ Extrusion Czech s.r.o. (Czech Republic)

### ■ Foil Business

UACJ Foil Malaysia Sdn. Bhd. (Malaysia)

### ■ Casting and Forging Business

UACJ Foundry & Forging (Vietnam) Co., Ltd. (Vietnam)

### ■ Copper Tubing Business

UACJ Copper Tube (Malaysia) Sdn. Bhd. (Malaysia)

### ■ Precision-machined Components Business

UACJ Metal Components North America, Inc. (USA)  
 UACJ Metal Components Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components Central Mexico, S.A. de C.V. (Mexico)  
 UACJ Metal Components (Thailand) Co., Ltd. (Thailand)  
 P.T. Yan Jin Indonesia (Indonesia)  
 UACJ (Wuxi) Aluminum Products Corporation (China)

### ■ Others

UACJ Automotive Whitehall Industries, Inc. (USA)  
 UACJ North America, Inc. (USA)  
 SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION (China)  
 UACJ MH (Thailand) Co., Ltd. (Thailand)  
 UACJ (Shanghai) Aluminum Corporation (China)  
 UACJ ELVAL Consulting S.A. (Greece)  
 UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH (Germany)  
 UACJ Trading (Thailand) Co., Ltd. (Thailand)  
 UACJ Trading (Shanghai) Co., Ltd. (China)  
 UACJ Trading (Kunshan) Metal Products Co., Ltd. (China)  
 UACJ Trading (HongKong) Co., Ltd. (China)  
 UACJ Trading (Dalian.F.T.Z.) Co., Ltd. (China)  
 UACJ Trading Czech s.r.o. (Czech Republic)  
 UACJ Trading (America) Co., Ltd. (USA)  
 UACJ Marketing & Processing America, Inc. (USA)  
 UACJ Marketing & Processing Mexico, S.A. de C.V. (Mexico)  
 UACJ Australia Pty. Ltd. (Australia)  
 Boyne Smelters Ltd. (Australia)\*

\* Equity-method affiliate

## Stock Overview

**Total number of shares issuable** 170,000,000 shares  
 Note: The number of shares issuable was revised to 170,000,000 due to the share consolidation on October 1, 2017.

**Total number of shares issued and outstanding** 48,328,193 shares (Including 86,440 shares of treasury stock)  
 Note: The number of shares became 48,328,193 due to the share consolidation on October 1, 2017.

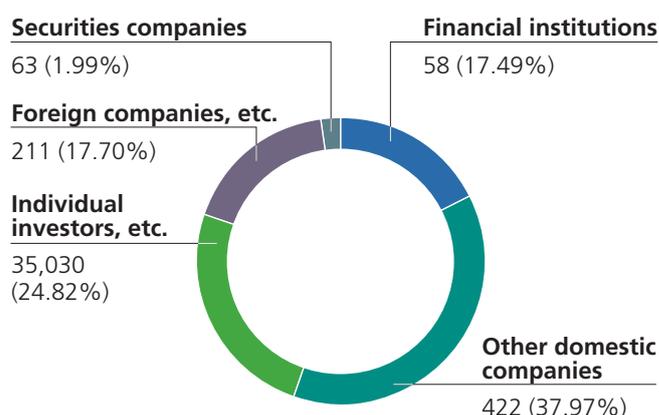
**Number of shareholders** 35,784

## Major Shareholders

Shareholder name	Investment in company	
	Number of shares held (hundreds)	Equity position (%)
Furukawa Electric Co., Ltd.	120,365	24.95
GOLDMAN SACHS INTERNATIONAL	42,511	8.81
NIPPON STEEL & SUMITOMO METAL CORPORATION	37,446	7.76
The Master Trust Bank of Japan, Ltd. (investment trust account)	11,135	2.30
Japan Trustee Services Bank, Ltd. (trust account)	10,617	2.20
SUMITOMO CORPORATION	7,500	1.55
Mizuho Bank, Ltd.	7,331	1.51
Sumitomo Mitsui Banking Corporation	7,330	1.51
The UACJ Group Employee Stock Ownership Plan	7,310	1.51
Japan Trustee Services Bank, Ltd. (trust account 9)	6,552	1.35

Note: The number of shares is shown after rounding off figures of less than 100 shares.  
 Note: Calculations of equity position exclude treasury stock (86,440 shares), and figures have been rounded off below the second decimal place.

## Ownership Ratio (Share ownership percentage)



\* Percentage figures are rounded off to the third decimal point.

# Questions from shareholders and investors about UACJ's business and operating environment are answered as follows.

## Q | How are aluminum sheets manufactured?

**A** First, an aluminum ingot is melted (melting process) and then impurities are removed and it is formed into a large cuboid of aluminum (slab).

For example, the length of a slab made at Fukui Works can be as wide as 2.3 meters and 10 meters long, and weigh as much as 32 tons.

Next, the slab surfaces are scraped and the slab is treated by heating to a maximum of 600°C to ensure a uniform slab temperature. The slab is then sent to a hot

rolling line where a machine presses it into a sheet as thin as about 3mm, which is then rolled up into a coil (hot rolling).

Subsequently, sheets are further rolled by a cold-rolling machine (cold rolling) while constantly controlling the sheet thickness and flatness. The strength of the sheet is adjusted according to its application. Finally, finishing (e.g., surface treatment and coating) is applied, depending on which product it is used for, such as cans, before being delivered to the customer.

### Aluminum manufacturing process



Melting



Casting



Hot mill rough rolling



Finishing inspection/packaging



Cold mill rolling



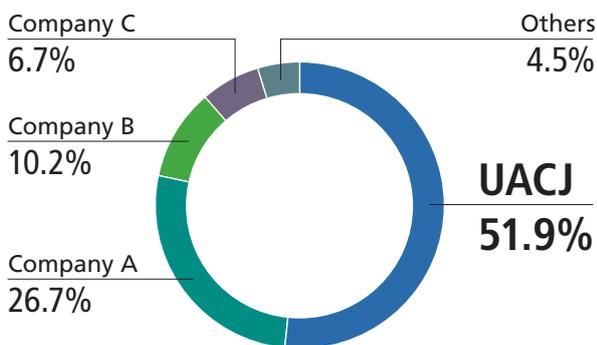
Hot mill finish rolling



**Q | What is UACJ's position in the Japanese and global aluminum industries?**

**A |** With global sales volume amounting to 1,049 thousand tons in fiscal 2017, UACJ Group maintained its number-one position in Japan, and continued to operate on a scale similar to world-leading aluminum manufacturers such as Novelis Inc. and Arconic Inc.

UACJ's share of flat-rolled aluminum produced in Japan



Source: ALUTOPIA, Kallos Publishing Co., Ltd., Aug. 28, 2018

**Q | What is the ratio of UACJ sales and sales volume for overseas markets?**

**A |** The UACJ Group aimed to expand its global supply network under its previous mid-term management plan, Global Step I. By making steady progress towards that goal, the ratio of overseas sales to total sales increased from 36.7% in fiscal 2014 to 41.2% in fiscal 2017, and sales volume to overseas markets has increased every year.

**Q | UACJ has substantial interest-bearing liabilities. How does the Group feel about the soundness of its financial standing?**

**A |** The Group is actively making advanced investments with an eye toward future growth based on the growth strategy stipulated in the mid-term management plan. Borrowing is therefore increasing at present, but we will soon enter the payout period. We will continue with Group management emphasizing a balance between financial soundness and investment.

**Q | Do fluctuations in the primary aluminum ingot price affect UACJ's business performance?**

**A |** A The primary ingot prices of aluminum and copper, which are the main materials utilized throughout the Group, are always fluctuating according to the market environment. The selling prices of our products are basically "Primary ingot price + Processing fee (roll margin)," and this fluctuates in parallel with the ingot market price. As we have prior arrangements with our customers to adjust prices according to market fluctuations, business performance is not largely affected by such fluctuations.

\* Please refer to the graphs on page 57 for data on ingot price trends.

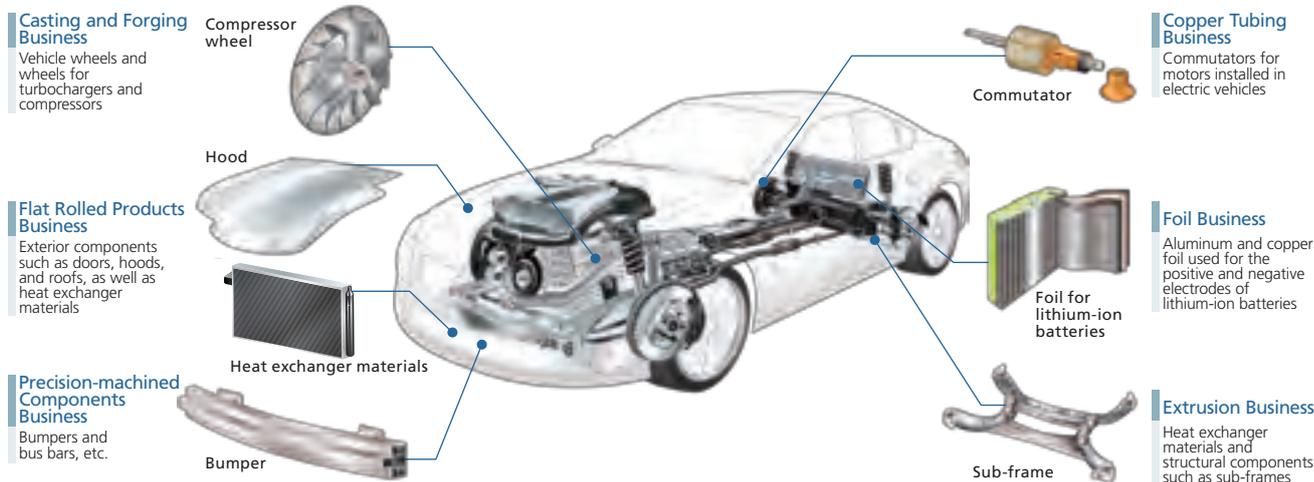
**Q | Please explain about "inventory valuations," which are referred to in the explanatory note on profits.**

**A |** It is the profit or loss generated by the difference between the primary ingot price, the basis of UACJ's sales price and the actual price of the ingot when purchased, and the difference between UACJ's purchase price and the aggregate average shipping price of the inventory. If we purchased aluminum ingots when the price was high and the price later falls, the inventory valuation becomes negative. In contrast, if we purchased aluminum ingots when the price was low and the price rises thereafter, the inventory valuation becomes positive.

**Q | How is aluminum important for reducing the weight of automobiles, and which automobile parts are made of aluminum?**

**A |** Aluminum is lightweight—about one-third the weight of steel—as well as strong, easy to process, resistant to corrosion, thermally conductive, and recyclable. Due to those excellent properties, it has been adopted for major automobile components such as engines, transmissions, and wheels. In recent years, its applications have been growing to include automotive body sheet and frames as

automakers prepare for stricter fuel efficiency standards in various countries effective from 2020. Against that backdrop, the UACJ Group is aiming to provide solutions for reducing the weight of automobiles with aluminum, and working to supply a diverse range of automotive aluminum parts and components throughout the Group as a priority measure in its mid-term management plan that commenced in fiscal 2018.



## Cover photo

The photo shows flat-rolled aluminum being shipped by tractor-trailer in Bangkok, with the Grand Palace in the background. Produced by Rayong Works in Thailand, one of the UACJ Group's main manufacturing facilities, these products are already widely used in the country and the rest of Asia. Production capacity at the facility was increased in order to meet growing demand for flat-rolled aluminum, which was part of UACJ's efforts to expand its global supply network. Accordingly, many more shipments like these can be expected in Thailand going forward. With the launch of its new mid-term management plan in April 2018, UACJ has entered a stage in which increased production capacity is contributing to earnings.



# UACJ Corporation

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<https://www.uacj.co.jp/english/inquiry/ir>

For comments or suggestions regarding this report, please use the inquiry form provided (page linked to the above URL) or contact UACJ via telephone or facsimile using one of the numbers provided above.

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