

Results Briefing for the Fiscal Year Ended March 31, 2019

(Q&A Summary)

1.Consolidated Operating Performance, Other Topics

Q) At the end of the third quarter, you explained that one-off cost increases had a downward impact of ¥3.2 billion on income. How will you remedy this during the fiscal year ending March 31, 2020?

A) The equipment failure that caused the increase in one-off cost has already been resolved, and it has been factored into the analysis of consolidated ordinary income for 2018 and 2019, including items such as differences related to sales, cost reduction and improvement in UATH profitability.

Q) How will you reduce costs by ¥1.5 billion, which you listed as a factor contributing to income increase in your analysis of consolidated ordinary income for 2018 and 2019?

A) We will improve our operation rate by increasing volume.

Q) What are the thoughts behind your planned thick plate and IT material numbers for the fiscal year ending March 31, 2020, and how do you view their trends?

A) We expect a recovery in the second half, but we formulated these numbers based on the assumption that we would continue to face difficult circumstances during 2019.

Q) The ratio of automotive materials, which have issues concerning productivity, will increase. Will this really improve domestic profitability?

A) Yields are currently improving. We are establishing a new production facility dedicated to automotive materials in Fukui. Having production facilities in both Fukui and Nagoya will lead to further improvement in productivity.

Q) Given that domestic demand is declining, it seems as if you will need to further consolidate your domestic production facilities. Is this the case?

A) We will identify growing fields, such as automotive materials, as well as shrinking fields and modify our system so that it can respond flexibly.

Q) Currently, results are trending downward, but I would like to know more about dividends and the balance sheet.

A) We will maintain dividends per share of ¥60 as we continue to emphasize our policy of stable and ongoing dividends.

The balance sheet will improve because investment will peak in 2019, and we will begin reaping the rewards in 2021 (as indicated in our Mid-Term Plan).

2. Status of Principal Overseas Subsidiaries

Q) Could you share the latest information regarding the income/loss forecast for UATH in 2019 and 2020?

A) Production, sales and facility construction are all proceeding according to plan. We expect to record operating income in the fourth quarter of 2019 and aim to post ordinary income in 2020. Demand is also strong and the risk of an influx of Chinese imports is limited.

Q) What about the latest information concerning the income/loss forecast for TAA in 2019 and 2020?

A) Although the U.S. can stock market is expanding, the competition has not been able to respond to the resource shift to automotive materials, which has acted as a tailwind for us. We are also continuing to reduce costs through the use of scrap recycling facilities. Other than amortization and interest rates, performance is strong.

Q) You have revised your volume forecast from the time you formulated the Mid-Term Plan and now indicate that volume will increase starting in 2019. Could you please explain the reasons for the increases, which products will increase and the impact increased production will have on income or loss?

A) We will increase production volume ahead of schedule due to strong demand and a large number of customer inquiries. Volume increases will primarily be in can stock, and we will see improvement in terms of income and loss as a result of higher sales volume.

Q) I would like to ask you about future developments related to automotive

materials in North America. Will you expand UWH? How will TAA utilize it?

A) While maintaining an awareness of CASE, we will develop the automotive parts business with a primary focus on UWH. We are also considering expanding the automotive body sheet business in North America. TAA can rely exclusively on can stock to increase profitability.

3. Questions related to the Mid-Term Plan

Q) You have predicted that capital investment will increase more than originally projected in mid-term forecasts from 2019. Have you revised capital investment targets in the Mid-Term Plan?

A) Our mid-term forecasts project total investment of ¥144.0 billion over three years, and we are adjusting the total amount of our capital investment forecast downward. In 2019, we will cut back on capital investment when possible. Capital investment that was pushed back from 2018 is included in the capital investment projections we announced for 2019.

Q) You have mentioned that you will reexamine your business strategy. What changes are you currently planning on making?

A) We plan to supplement decreasing sales of thick plate for LCD/semiconductor production equipment, which is highly profitable, with the vertical start-ups of UATH and TAA and the expansion of the automotive parts business. This will enable us to become a company that can continue to record income even when its product mix changes.

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