

North America

Using our enhanced production capacity to meet brisk can stock demand



Business Status and Market Environment Analysis

Strengths

Can Stock Business

- World's largest production capacity
- Long-term relations with can manufacturers
- Cost competitive from using a high percentage of scrap materials
- High supply capacity using our

bases in Japan and Thailand

Automotive Materials Business

- Relations with emerging EV manufacturers
- Integrated development abilities through to parts commercialization

Weaknesses

Can Stock Business

- Business development highly focused on can stock

Automotive Materials Business

- Limited business partners among major automakers

Opportunities

Can Stock Business

- Demand growing 3% annually
- Fast-growing market compared to other regions (prospects for rising prices and broader applications)
- Growing can stock demand amid movement to reduce plastic usage
- Rival firms switching production

focus from can stock to auto parts

Automotive Materials Business

- Increasing demand for aluminum materials for EVs and to lighten all automobiles to meet environmental regulations

Threats

Can Stock Business

- Increasing new market entrants and low-priced imports due to foreign trade policy changes

Automotive Materials Business

- Competition with other viable materials
- Increasing number of new market entrants

Summary of results in fiscal 2019

Aluminum can stock supply and demand is becoming extremely tight in North America, where it is a major commercial material. Overall demand remains very strong, but many aluminum manufacturers are shifting to producing automotive panels and parts to meet automaker needs for lighter vehicles.

Tri-Arrows Aluminum, our primary operator in North America, is generating steadily growing sales of can stock in this environment. While waiting for the construction of its new cold-rolling facility to be completed, the company used its idle casting facilities to produce and sell aluminum ingots. This business and the reduced manufacturing costs from its expanded scrap recycling furnace helped the company lift ordinary income a considerable ¥2.4 billion over the previous fiscal year.

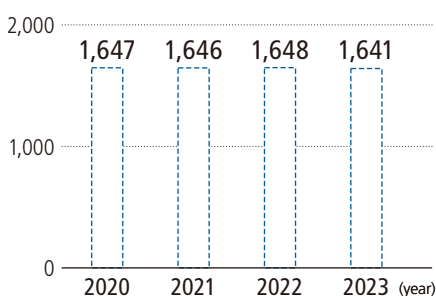
Business Outlook

The COVID-19 pandemic has led to increased beverage consumption inside the home, which has triggered such strong demand for can stock

that the industry is hard pressed to keep up. Along with this, we anticipate increasing demand for can stock as an alternative to plastic bottles in some areas of the United States, where some companies have begun marketing mineral water in aluminum bottles. With the expansion to its facilities complete, Tri-Arrows Aluminum is aiming to increase profits in 2020 as it ramps up sales volume with the expanded production line in full operation. The company expects to further boost profits as it secures volume sales and revises prices when it renews long-term contracts.

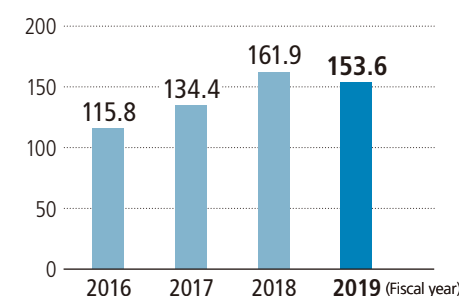
Demand to UACJ Automotive Whitehall Industries were slowed by the coronavirus pandemic but is quickly recovering from emerging EV manufacturers. The company is preparing to capture the expected growing demand beginning in 2022 when the EV automakers progress to mass production. The drive by automakers to lower vehicle weights is generating solid demand and is expected to develop into a growth market. The company is also closely monitoring market trends for aluminum auto body sheet, and plans to be aggressive in the market.

Aluminum can stock demand forecast (United States) (Thousands of tons)



Source: Aluminium Rolled Products Market Outlook, May 2018, CRU International Limited

North America sales (Billions of yen)



Tri-Arrows Aluminum sales volume and forecast (Thousands of tons)

