

Asia and Other Regions

Starting full-scale operation of the enhanced capacity to prepare UACJ (Thailand) for a demand recovery



Business Status and Market Environment Analysis

Strengths

- Easy access to the Asia market, where demand is expected to grow
- Southeast Asia's only state-of-the-art equipment and production capacity of 320,000 tons/year
- Quality control cultivated in Japan
- Long-term relations with Japanese and other can manufacturers in the region

Opportunities

- Brisk demand accompanying Asia's economic expansion
- Increasing export opportunities to North America and Europe as they reduce plastic usage

Weaknesses

- Challenges to passing skills to local operators

Threats

- Chinese companies introducing low-priced products
- High tariffs due to trade friction or political decisions

Summary of results in fiscal 2019

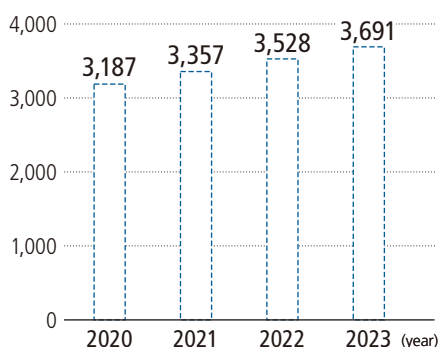
Our major base in the Southeast Asian region, UACJ (Thailand), completed the third phase of facility investment and launched operations of the expanded facilities in July 2019. The company increased its monthly production volume from 14,000 tons in June to 18,000 tons in July and further raised output to 23,000 tons in October. As production volume increased, so did sales volume, and the company attained positive profitability for the first time in the October-December quarter. The rapidly developing managerial skills of the Thai managers and continuing progress localizing operations, including increasing the ranks of local operators, contributed substantially to the achievement on both the operating and management level. These efforts by UACJ (Thailand) supported growth in ordinary income of ¥1.6 billion over the previous fiscal year.

Business Outlook

Economic activity in Southeast Asia has been constrained by the spread of COVID-19. Demand for can stock, our primary product in the region, has been sluggish due to the lockdowns in cities and bans on sale of alcoholic beverages. Even after the restrictions are eased, we expect a reduced number of tourists and other factors to lead to sluggish economic conditions and do not anticipate demand for can stock to begin growing again until 2022 at the earliest.

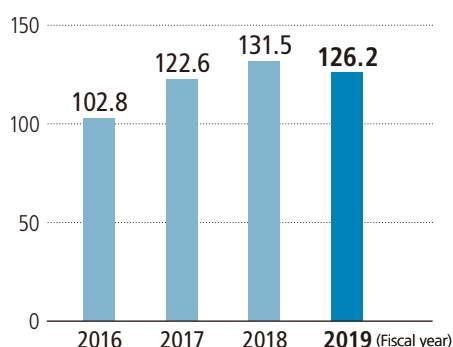
UACJ (Thailand) is planning to keep its enhanced production capacity in full operation so it will be fully prepared to ramp up sales volume when demand returns. The company aims to quickly reestablish profitability by strengthening its direct sales to acquire new customers, revising its product prices, gathering long-term contracts, and expanding its sales region. To promote demand for can stock, UACJ (Thailand) is also actively participating in the Thai government's Can to Can Journey recycling campaign.

Aluminum can stock demand forecast (Asia and other regions) (Thousands of tons)



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

Asia and other region sales (Billions of yen)



UACJ (Thailand) sales volume and forecast (Thousands of tons)

