

Japan

Reforming to create a high-profit business structure



Business Status and Market Environment Analysis

Strengths

- Dominating market share
- Multi-product capability
- Ability to work with customers to flexibly meet their needs
- Two factories with large-scale hot rolling lines
- Long history of good relations with customers

Opportunities

- Declining plastic usage and need for lighter vehicles
- Digitalization generating growing demand for semiconductors and IT devices and equipment
- Domestic companies revising their production systems, such as for business continuity plans

Weaknesses

- Low productivity levels for various and small-lot products
- Inefficient marketing ability (ability to attract new demand)

Threats

- Contracting markets due to depopulation
- Cost competition with low-priced imported materials for commoditized products

Summary of results in fiscal 2019

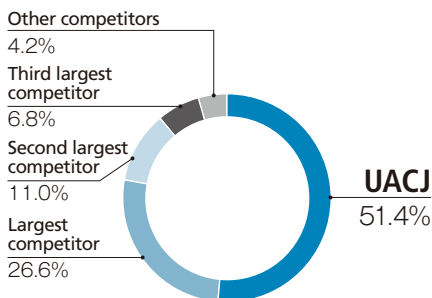
Overall sales volume and revenue decreased in Japan. Sales remained solid for automotive parts, particularly for automotive body sheet, but sales volume declined for our core can stock. Sales volume also contracted for thick plates for liquid crystal and semiconductor manufacturing equipment owing in part to the deteriorating business sentiment amid the ongoing trade friction between the United States and China since 2018. At the same time, we made steady progress enhancing our manufacturing structure to meet the growing demand for automotive materials in Japan with the operation starts of an automotive finishing line at the Fukui Works and a new press for extruded products at the Nagoya Works.

Business Outlook

We anticipate declining sales volume due to the ongoing COVID-19 pandemic and its impact on economic activity, including the suspension of automobile production, and also due to the prolonging U.S.-China trade friction. We also expect the declining population to lead to diminishing demand in the medium and long term.

We are preparing for this outlook by implementing structural reform to establish the optimal production system, beginning by consolidating our manufacturing bases. We are progressing as planned with structural reform designed to lower the break-even point so we can remain a highly profit business even in a shrinking market.

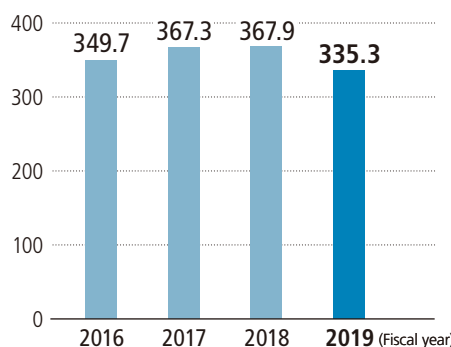
Share of flat-rolled aluminum produced in Japan in 2019



Source: *Alutopia* magazine, September 2020, Kallos Publishing Co., Ltd.

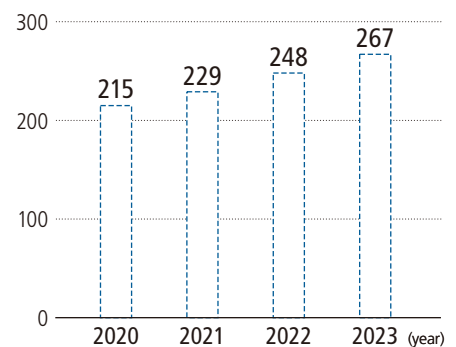
Japan sales

(Billions of yen)



Demand in Japan for flat-rolled aluminum used in automobiles, aircraft, ships, and rail vehicles

(Thousands of tons)



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