

Business Performance in Fiscal 2019

Operating Environment

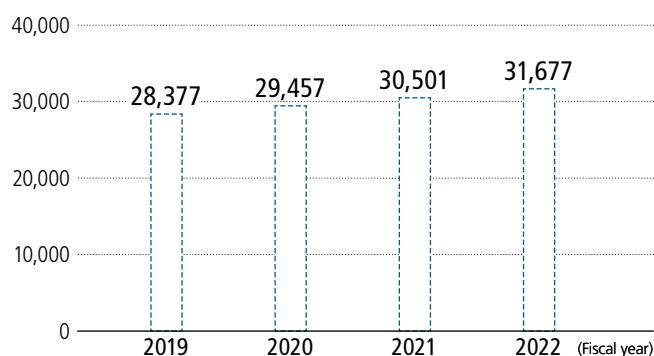
During fiscal 2019, the Company's fiscal year ended March 31, 2020, the outlook for the global economy had been uncertain as a result of geopolitical tensions and the slowdown of China's economy due to its trade war with the United States. Consequently, a deceleration of global economic growth appeared increasingly likely. More recently, due to the worldwide COVID-19 pandemic, various countries placed restrictions on economic activities and entered serious economic recessions. In Japan, the economy had been growing moderately, but a sales tax hike in October 2019 dampened consumer spending, and the spread of COVID-19 increasingly raised concerns of an economic recession.

Against this backdrop, Japan's flat-rolled aluminum industry experienced a decline in overall domestic demand for aluminum products compared with the previous fiscal year. Specifically, although demand for automotive body sheet was steady, demand for flat-rolled aluminum for beverage can stock decreased slightly year on year, and demand for aluminum thick plates for liquid crystal and semiconductor manufacturing equipment was sluggish. Demand

for aluminum extruded products also decreased across the board, including extruded parts for passenger vehicles, automotive heat exchangers, industrial machinery, and semiconductor manufacturing equipment.

Forecast of global demand for aluminum sheet

(Thousands of tons)



Source: Aluminum Rolled Products Market Outlook published in May 2018 by CRU International Limited

Consolidated earnings results and forecast

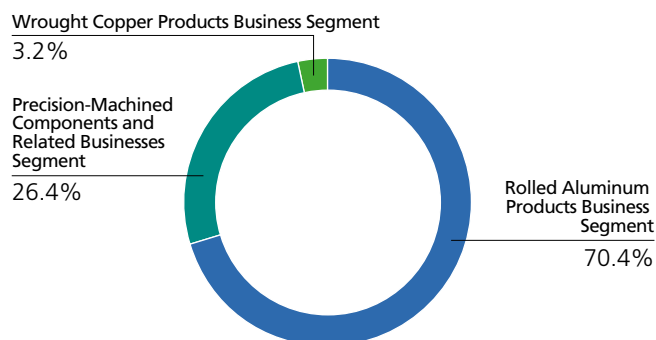
(Billions of yen)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Initial fiscal 2019 forecast in May 2019*	Fiscal 2020 targets of the mid-term management plan
Net sales	624.3	661.3	615.1	710.0	—
Operating income	29.2	14.9	10.1	17.5	37.0
Ordinary income before the impact of inventory valuation	11.3	3.0	9.8	11.5	—
Ordinary income	19.4	6.2	3.8	11.0	30.0
Net income attributable to owners of the parent	12.3	1.1	2.0	3.5	—
Adjusted EBITDA**	50.7	42.6	47.3	52.0	77.0

* The earnings forecast was revised in August 2019 and February 2020.

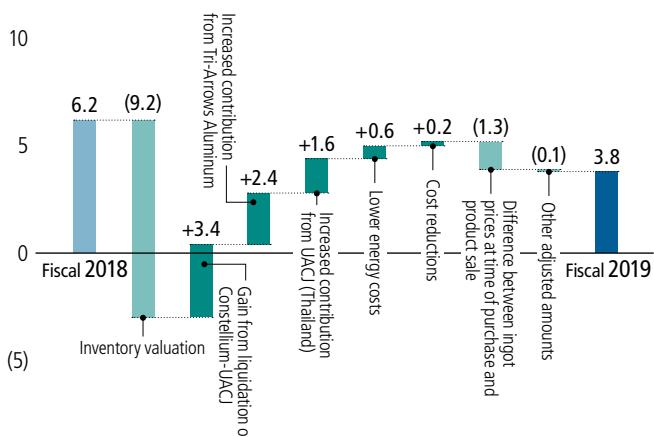
** Adjusted EBITDA = operating income + depreciation and amortization + amortization of goodwill – inventory valuation

Net sales by business segment



Factors underlying the year-on-year change in ordinary income

(Billions of yen)



Consolidated Earnings Results

In fiscal 2019, the Company posted net sales of ¥615.1 billion, down 7.0% year on year. This decrease was mainly due to declining sales volume in Japan and a fall in the average market price of aluminum ingots. Despite this result, however, UACJ (Thailand) Co., Ltd., and Tri-Arrows Aluminum Inc. recorded increased sales volume, indicating the success of the Company's focus on the growing automotive industry and growth markets in Asia and North America, a major policy of its mid-term management plan.

On the profit front, operating income decreased by 31.9% to ¥10.1 billion, and ordinary income fell by 38.9% to ¥3.8 billion. The main factor underlying these results was a substantial loss associated with the valuation of inventory assets, which reflected the lower average market price of aluminum ingots. Net income attributable to owners of the parent increased by 82.6% to ¥2.0 billion, mainly as a result of posting deferred income taxes. Despite this increase, however, the Company posted a structural reform loss

associated with the sell-off of its Wrought Copper Products business, which was conducted as part of its structural reforms announced in September 2019. It also posted a loss on the valuation of shares of subsidiaries and associates, specifically in connection with shares of Boyne Smelters Ltd. held by the Company's wholly owned subsidiary UACJ Australia Pty., Ltd., as well loans receivable from Boyne Smelters.

The earnings results, above, were substantially below amounts in the Company's initial forecast announced in May 2019 as well as the targets set in its mid-term management plan. Consequently, management deemed that its response to sudden changes in the operating environment was too slow and the Company's earnings structure was unsuited to those changes. Therefore, recognizing that the Company's earnings power was declining and its financial structure was weakening, management initiated the aforementioned structural reforms, which are organized under the three objectives of increasing earnings capacity, reforming the financial structure, and increasing the speed and efficiency of management decision-making (see pages 21 to 26).

About Adjusted EBITDA

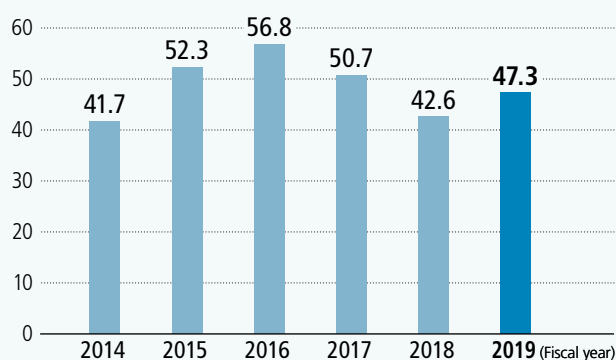
The UACJ Group's main raw materials are aluminum ingots sold on the global market at prices that can fluctuate significantly. Nevertheless, the Group has taken steps to eliminate any serious impact from such fluctuations on its financial results by passing these prices onto customers. Specifically, agreements are concluded with customers specifying that product selling prices are set by combining the aluminum ingot price and the costs associated with machining and processing the ingots into products. If, however,

market prices of aluminum suddenly change over a short period of time, the Company could post a gain or loss depending on the valuation of its inventory assets. For that reason, the Company adjusts its earnings before interest, taxes, depreciation and amortization (EBITDA) by excluding inventory valuation*, thereby eliminating the effect of changes in the aluminum market price. Therefore, adjusted EBITDA can be regarded as the most accurate indicator of the Company's profitability.

* Inventory valuation represents the gain or loss generated by the difference between the market price of aluminum at the times when the Group sold an aluminum product and when it purchased aluminum ingots as raw materials for the product, or between the market price of aluminum when it purchased aluminum ingots and the average price of inventories in stock. Accordingly, if aluminum ingots were purchased at a high price and the market price subsequently decreased, the Company would post a loss on inventory evaluation. Conversely, if aluminum ingots were purchased at a low price and the market price subsequently increased, the Company would post a gain on inventory evaluation.

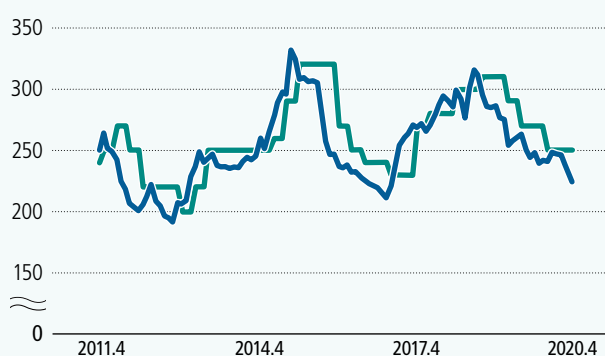
Adjusted EBITDA

(Billions of yen)



Market prices of primary aluminum ingots (Yen per kilogram)

● Average market price in Japan ● Average global market price



International operations

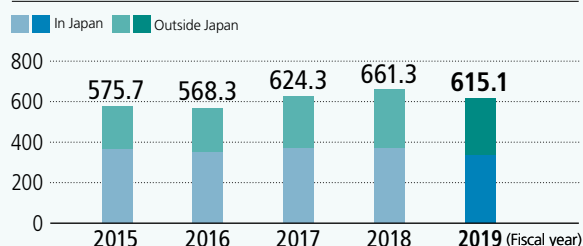
Reflecting the Company's past efforts to expand globally, operations outside Japan now account for a considerable amount of the Group's business. For example, sales volume of aluminum sheet for markets outside Japan has exceeded the amount for the Japanese market since fiscal 2018, and net sales outside Japan as a percentage of total net sales increased from 36.7% in fiscal 2014 to 45.5% in fiscal 2019. In response to this shift, the Group plans to devise measures for reducing the impact of foreign currency exchange risks going forward.

Key variables of ordinary income sensitivity variable

Average during FY2019		Ordinary income sensitivity
Aluminum price on Nikkei-JPX Commodity Index	¥245 per kilogram	Increases by ¥2.0 – ¥3.0 billion per year with each rise of ¥10 per kilogram
Aluminum price on London Metal Exchange	US \$1,749 per tonne	Increases by ¥2.2 – ¥3.5 billion per year with each rise of \$100 per tonne
Yen to US dollar exchange rate	¥109	Almost no impact, however: - a strong yen is favorable for procuring fuel and additional metals - a weak yen is favorable for product selling prices (set by the aluminum price and machining costs) and foreign exchange gains
Yen to Thai baht exchange rate	¥3.5	
Dubai crude oil price	US \$60 per barrel	Decreases by ¥1.0 – ¥1.5 billion per year with each rise of \$10 per barrel

Net sales in and outside Japan

(Billions of yen)

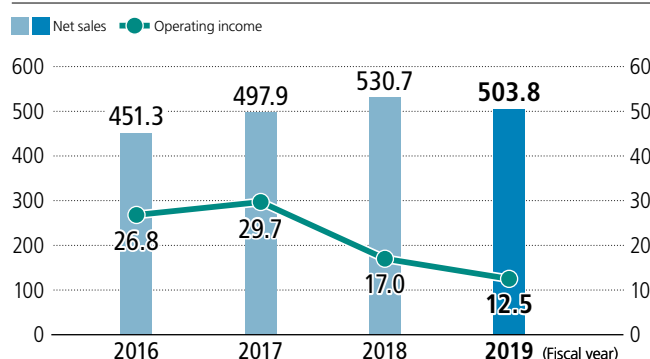


Rolled Aluminum Products Business Segment

In fiscal 2019, this business segment recorded total sales volume of 1,153 thousand tons, up 59 thousand tons year on year and surpassing the million-ton mark for the fourth consecutive fiscal year. Sales volume of products for markets outside Japan increased year on year and exceeded sales volume for the Japanese market, which declined compared with the previous fiscal year. In Japan, although sales of automotive body sheet were firm, the business recorded a slight drop in sales of mainstay flat-rolled aluminum for can stock and a decrease in sales of thick plates for liquid crystal and semiconductor manufacturing equipment. Outside Japan, UACJ (Thailand) and Tri-Arrows Aluminum boosted sales volume of flat-rolled aluminum for can stock. Direct sales of aluminum slabs by Tri-Arrows Aluminum also contributed substantially to sales volume.

Net sales and operating income

(Billions of yen)



Note: Figures in the graph exclude intersegment sales and transfers.

Sales volume of flat-rolled aluminum by product usage and geographical region

Product usage	Fiscal 2019 sales volume		Main customers	Main end-product manufacturers
	(Thousands of tons)	(Percent of total)		
Can stock	702	60.9%	Can manufacturers	Beverage and food product manufacturers
Foil stock	44	3.8%	Foil manufacturers	Pharmaceutical and food product manufacturers, Battery manufacturers
Casings and substrates*	17	1.5%	Electronic parts manufacturers	IT equipment manufacturers
Automotive parts	152	13.2%	Automobile and auto parts manufacturers	Automobile manufacturers
Thick plate	39	3.4%	Metal trading companies Shipbuilders	Liquid crystal and semiconductor production equipment manufacturers Shipbuilders
General-purpose materials	199	17.3%	Building material manufacturers and metal trading companies	Large construction general contractors
Total	1,153	100%		
Sold to the Japanese market	483	41.9%		
Sold to markets outside Japan	669	58.0%		

* PC and smart device casings; electronic equipment substrates

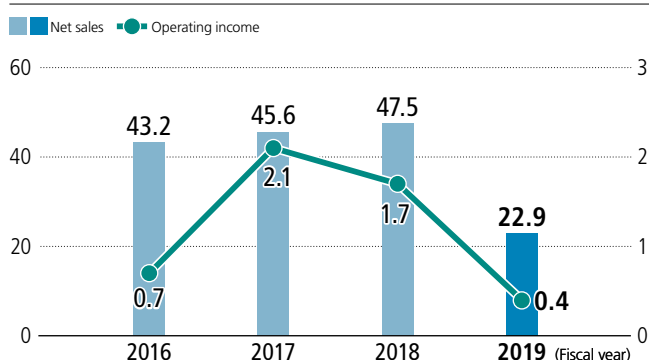
Despite the overall increase in sales volume, however, net sales decreased by 5.1% year on year to ¥503.8 billion, largely due to a decline in the market price of aluminum ingots. Operating income fell by 26.3% to ¥12.5 billion, mainly as a result of unfavorable Inventory valuation.

Wrought Copper Products Business Segment

The Company sold off the Wrought Copper Products business in September 2019 as part of its structural reforms. Accordingly, this segment contributed to results for only about six months of fiscal 2019. Net sales totaled ¥22.9 billion, a decrease of 51.7%, and operating income came in at ¥0.4 billion, down 78.5% compared with the previous fiscal year.

Net sales and operating income

(Billions of yen)



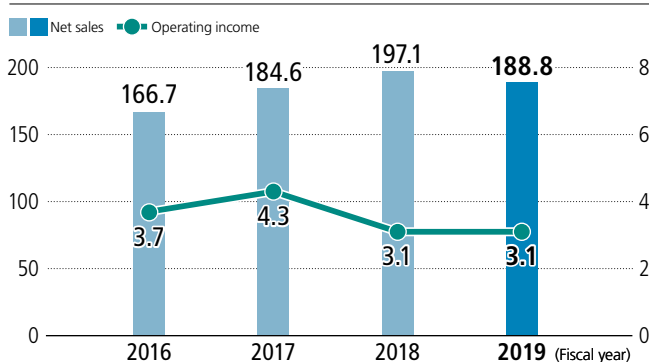
Note: Figures in the graph exclude intersegment sales and transfers.

Precision-Machined Components and Related Businesses Segment

In fiscal 2019, net sales in this segment amounted to ¥188.8 billion, a decrease of 4.2% compared with the previous fiscal year. This was mainly due to declining sales in the Precision-Machined Components business in Japan and the United States, which more than offset steady sales of battery materials and air conditioning-related products. Operating income increased by 1.1% year on year to ¥3.1 billion, largely as a result of efforts to cut costs.

Net sales and operating income

(Billions of yen)



Note: Figures in the graph exclude intersegment sales and transfers.

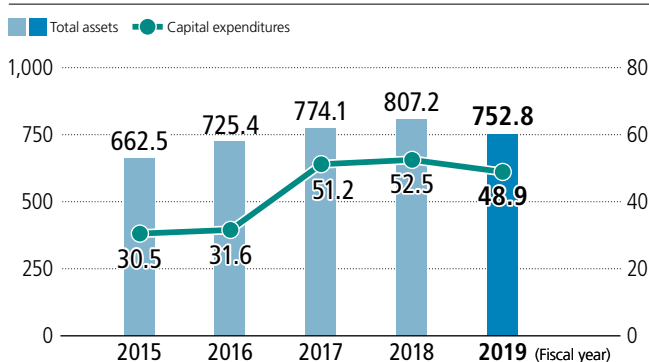
Financial Position

Assets

As of March 31, 2020, total assets stood at ¥752.8 billion, a decrease of 6.7% compared with a year earlier, primarily as a result of the sell-off of the Wrought Copper Products business. During fiscal 2019, capital expenditures were mainly allocated to UACJ (Thailand), which is in its third phase of capital investment, Tri-Arrows Aluminum's Logan Mill, and automotive body sheet production facilities operated by Fukui Works. Capital investment had been mainly earmarked for UACJ (Thailand) and Tri-Arrows Aluminum in the past and strategic investment in both subsidiaries is mostly complete. The Company's financial structure is expected to improve as capital expenditures are substantially reduced going forward.

Total assets and capital expenditures

(Billions of yen)

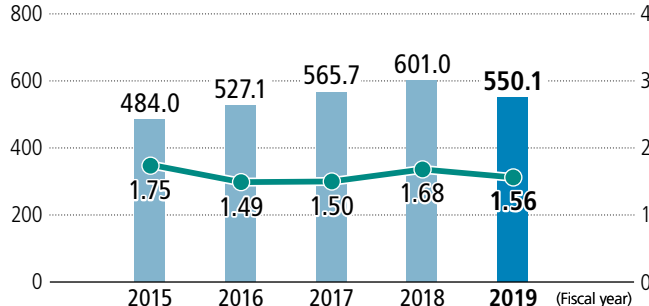


Liabilities and Net Assets

As of March 31, 2020, total liabilities amounted to ¥550.1 billion, a decrease of 8.5% compared with a year earlier. This decrease was made possible by improved cash flows resulting from the sell-off of the Wrought Copper Products business and other factors. Net assets came to ¥202.7 billion, a decrease of 1.7% compared with a year earlier. This was largely attributable to valuation difference on available-for-sale securities, which reflected stock sell-offs and decreased share prices.

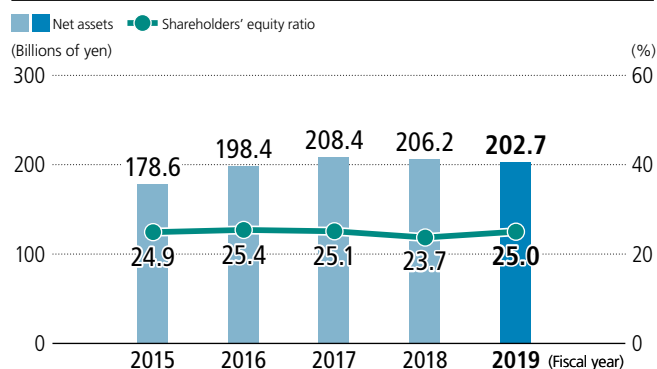
Total liabilities and debt-to-equity ratio

(Billions of yen) (Times)



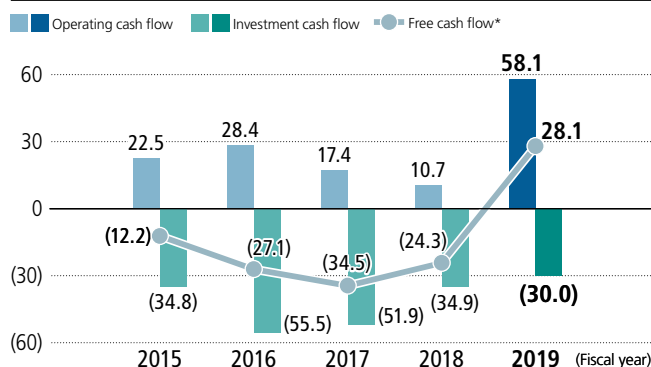
Note: Figures from fiscal 2016 include subordinated loans

Net assets and shareholders' equity ratio



Cash flows

(Billions of yen)



* Free cash flow = operating cash flow + investment cash flow

Cash Flows

In fiscal 2019, despite a loss before income taxes, net cash provided by operating activities jumped by 445.6% year on year to ¥58.1 billion, mainly due to a decrease in notes and accounts receivable-trade as well as a decrease in inventories. Net cash used in investing activities amounted to ¥30.0 billion, down 14.1% year on year. The main outflow was the purchase of property, plant and equipment, comprised mainly of capital investment in UACJ (Thailand) and Tri-Arrows Aluminum. Main inflows were proceeds from the sale of the Wrought Copper Products business along with proceeds from sales of investment securities. To fund its cash requirements, the Company allocated its own funds along with loans and other sources. When raising cash, it distinguished between long-term funds, such as capital investment, and working capital (short-term funds), and managed financing risks by establishing committed credit lines and by deploying financing methods suited to how the funds were spent.

Free cash flow amounted to ¥28.1 billion, a substantial improvement compared with the previous fiscal year. Even excluding a one-time cash inflow of ¥21.3 billion from the sell-off of the Wrought Copper Products business, free cash flow was positive. In fact, fiscal 2019 marked the first time for the Company to record positive free cash flow since its establishment in 2013, as prior capital investment in growth markets and industries had resulted in negative amounts in previous years.

Research and Development Expenses

The UACJ Group conducts research and development on new types of products and new applications with a view to broaden its customer base, and on manufacturing processes that could lead to higher productivity. In fiscal 2019, the Group carried out the following research and development activities.

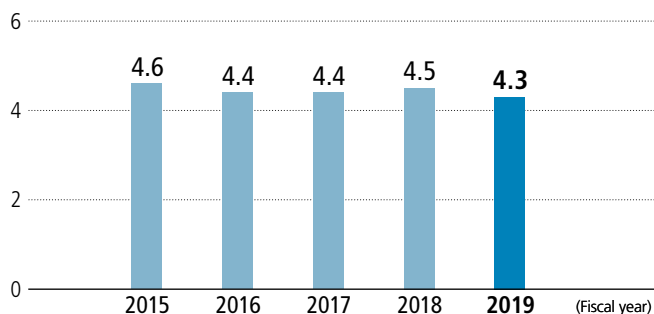
In the Rolled Aluminum Products Business segment, aluminum materials were developed for bottle-shaped beverage cans. The Company became the first aluminum product manufacturer to install manufacturing equipment for mass-producing these cans, and is aiming to tap demand for these products as beverage producers shift away from plastic containers amid growing awareness of ocean pollution and other environmental issues. The Company has also been developing aluminum recycling processes and applications for high-strength auto parts through its participation in a national project overseen by Japan's Ministry of Economy, Trade and Industry for researching and developing innovating new structural materials. In addition, R&D activities were carried out to boost the Group's productivity, and full production capacity was achieved by Rayong Works, operated by UACJ (Thailand). The Company's Research and Development Division also helped start up a newly installed rolled aluminum production line for automotive body sheet at Fukui Works.

In the Precision-Machined Components and Related Businesses segment, the Automotive Parts Business Division, which was newly established in fiscal 2019, collaborated in the development of many new products by assisting with material design, strength simulations, and production process planning. Likewise, the Research and Development Division helped these businesses create products and raise productivity, and assigned a number of its researchers in Japan to work at UACJ Automotive Whitehall Industries, Inc., in the United States.

As a result of these activities, research and development expenses totaled ¥4.3 billion in fiscal 2019, a decrease of 4.9% compared with the previous fiscal year.

R&D expenses

(Billions of yen)



Forecast for Fiscal 2020

Operating environment

The prolonged trade war between the United States and China, which has continued since the summer of 2018, along with the slowdown of China's economy have impacted the economies of Japan and other countries around the world. With the additional impact of the COVID-19 pandemic, the global economy has entered a period of deceleration.

In Japan, economic activities have been seriously curtailed and demand for automobiles and industrial machinery are expected to remain sluggish. In North America, production and sales of can stock remains steady since canned beverages are regarded there as daily necessities. Automobile parts factories in the United States have been affected somewhat by restrictions on their activities amid the pandemic while operating. In Asia, demand for can stock remains stable despite the impact of restaurant and store closures, and market differentiation is expected going forward, particularly with respect to primary materials used for cans.

Forecast of financial results

While the COVID-19 pandemic is still spreading around the world, the Company will devise production plans that comply with the government policies of each country in which its production facilities are located, and continue manufacturing products while closely monitoring circumstances in each of those countries. Due to the growing impact of the pandemic, however, the future supply and demand of aluminum products as well as the market price of aluminum ingots are highly unpredictable. Since this has made it difficult to calculate a sound forecast of financial results at the present time, the Company's management decided to postpone its fiscal 2020 forecast of financial results. The Company plans to promptly announce its forecast when reasonable calculations are deemed possible.

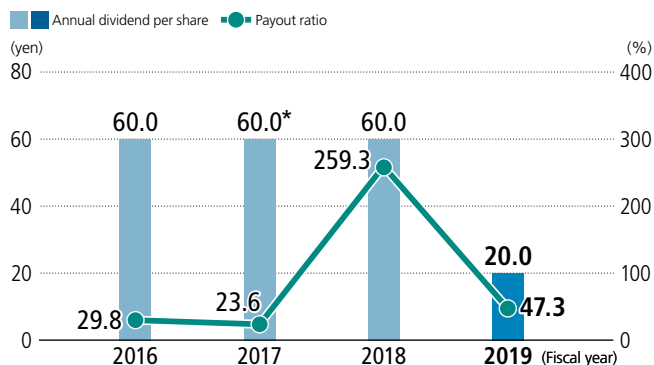
Dividends

The Company's management believes that dividends are the principle means of returning profits to shareholders. Accordingly, while following the Company's basic policy of continuously paying stable dividends, management decides on the dividend amount based on a comprehensive assessment of various factors, including recent financial results, allocation of funds for investment aimed at raising corporate value and R&D needed for bolstering competitiveness, and measures for strengthening the Company's financial structure.

As a means to more flexibly return profits to shareholders based on full fiscal year profits, the Company pays a single annual dividend at the fiscal year-end as a matter of policy. Given the strength of financial results in recent years, management will aim for a total return ratio of 30% over the long term in order to share profits commensurately. During the period of its current mid-term management plan, however, management is targeting a consolidated dividend payout ratio within the range of 20 to 30%, based on the amount of profit in the full fiscal year.

The dividend for fiscal 2019 has been set at ¥20 per share. The dividend for fiscal 2020, however, has yet to be decided due to the difficulty of reasonably predicting the impact of the COVID-19 pandemic on the Company's financial results and market price of aluminum ingots at the present time. The Company plans to immediately announce this dividend amount when it is possible to calculate the forecast of consolidated financial results.

Annual dividend per share and payout ratio



* The Company conducted a 1-for-10 reverse stock split of common shares effective from October 1, 2017. The dividend per share figure for fiscal 2017 was calculated to take the reverse stock split into account.