We have been taking steps to improve capital efficiency and the financial structure to ensure that the Company can raise shareholder value going forward.

Teruo Kawashima

Director, Managing Executive Officer, and Chief Executive of the Finance and Accounting Division

Since joining the Company, Teruo Kawashima worked for many years in the Finance and Accounting Department, where he formulated and executed financial strategies. With the Company's reorganization in April 2020, he was appointed as the chief executive in charge of the new Finance and Accounting Division. Since UACJ's establishment in 2013, Mr. Kawashima has been responsible for international business strategies, international investment planning, investor relations, and relations with capital market players. He worked in Chicago, USA, from 2016 to 2019.

Overview of the Company's financial structure

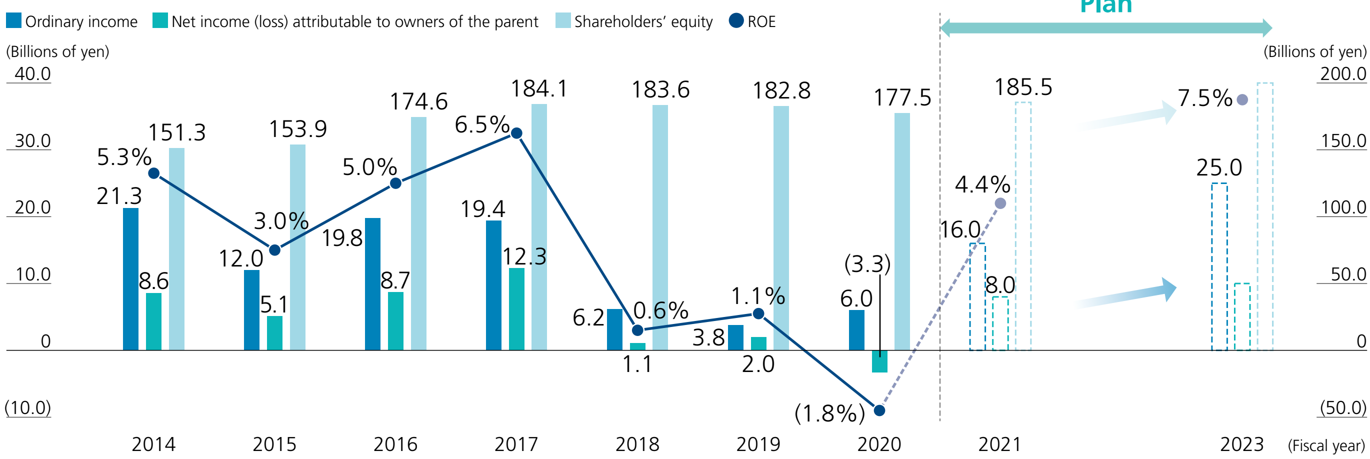
Emphasizing the need to strengthen the financial base

UACJ launched a set of structural reforms in September 2019, primarily aimed at increasing earnings capacity, reforming the Company's financial structure, and increasing the speed and efficiency of management decision-making. To push ahead with these reforms, the Finance and Accounting Division has been working hard to strengthen the Company's financial base by raising capital efficiency, enhancing cash flow management, and reducing interest-bearing debt.

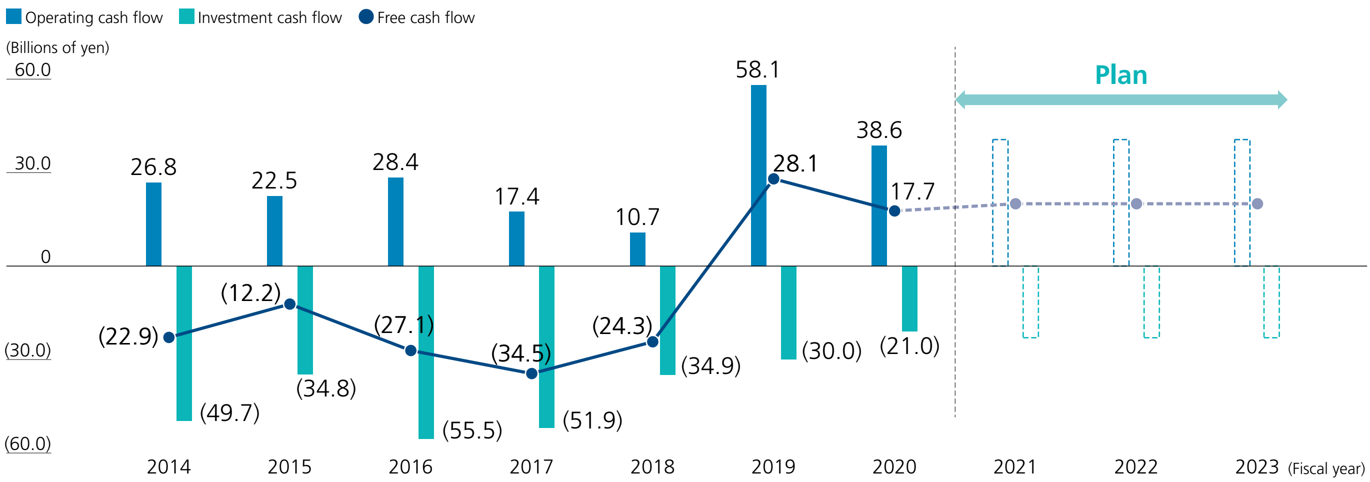
To raise capital efficiency, we are aiming to increase return on equity (ROE), which we regard as a key performance indicator. To accomplish that, relevant departments have been thoroughly managing operations to reach targets for return on invested capital (ROIC), and strictly maintaining financial discipline across the Company to meet targets for the debt-to-equity ratio. As an example of our management focus on ROIC, when formulating our new mid-term management plan, we considered amounts of invested capital for each business division and hurdle rates set for the Company based on the weighted average cost of capital. Furthermore, to ensure that relevant business divisions work to achieve capital efficiency targets, I personally meet with key members of those divisions to explain our approach to capital efficiency and ROIC. I am doing everything I can to enhance management's ability to raise capital efficiency throughout the Company.

Following its establishment through a merger of two companies in October 2013, UACJ invested large amounts of capital in manufacturing plants located in Japan, the United States, and Thailand, with a view to tap rising demand for aluminum products in the global market. Consequently, the UACJ Group greatly expanded its flat-rolled aluminum production capacity, and now supplies this product to Japan, North America, and Southeast Asia as a world-leading manufacturer. Major investments implemented since fiscal 2018, including those for expanding new manufacturing facilities in Thailand, are largely completed. Accordingly, fixed costs, including depreciation and amortization, increased substantially. Unfortunately, however, the new facilities in Thailand have not been meeting targets for production output

ROE results and target



Cash flows



and sales volume, mainly attributable to changes in the market resulting from trade friction between the US and China, and, more recently, the COVID-19 pandemic. This has brought down net sales, and, as a result, ROIC (on an operating income basis) has temporarily worsened since fiscal 2018, hovering around the 2% level.

Investing large amounts of capital in production capacity after the Company's establishment also resulted in negative free cash flow, as net cash used in investing activities continually exceeded net cash provided by operating activities. Consequently, interest-bearing debt rose substantially. In fiscal 2019, the Company achieved positive free cash flow for the first time, reflecting the completion of large investments in manufacturing facilities as well as the sell-off of its copper tubing business, which was implemented to concentrate operational resources. Furthermore, we reduced interest-bearing debt by ¥39.3 billion to ¥335.8 billion as of March 31, 2021, from its peak of ¥375.1 billion two years earlier. The debt-to-equity ratio (excluding subordinated loans) was 1.6 as of March 31, 2021. This ratio is an indicator of financial soundness, so the result shows that the Company's finances are still relatively weak. Therefore, reforming the financial structure and strictly maintaining financial discipline have been positioned as two important policies of our structural reform initiative and new mid-term management plan, and measures for strengthening the financial base are being carried out by the Company as a whole. Members of all relevant business divisions are now very aware of the importance of ROIC as a performance indicator, so we are well positioned to improve earnings and cash flows going forward.

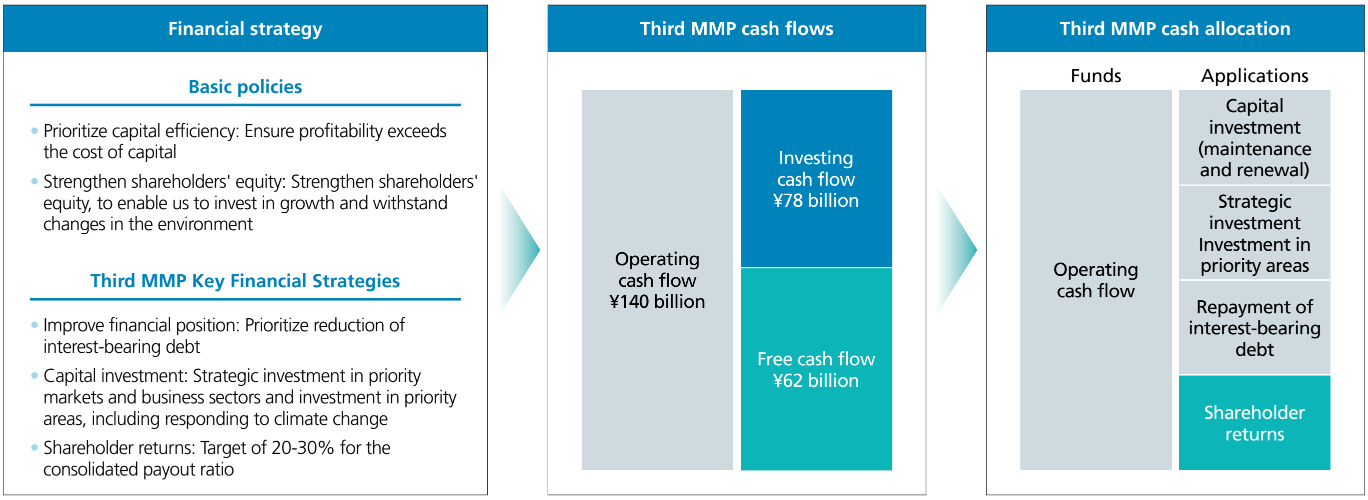
Although the impact of the COVID-19 pandemic is still a concern today, growing global demand for aluminum cans along with rising demand for aluminum automotive parts are tailwinds for the UACJ Group. Therefore, we are looking forward to ramping up production output and sales volume in Thailand, and reaching full operations at manufacturing plants in the United States. That will enable the Company to increase operating income, raise capital efficiency, generate free cash flow, boost earnings capacity, and improve its financial base.

Our long-term management vision and new mid-term management plan

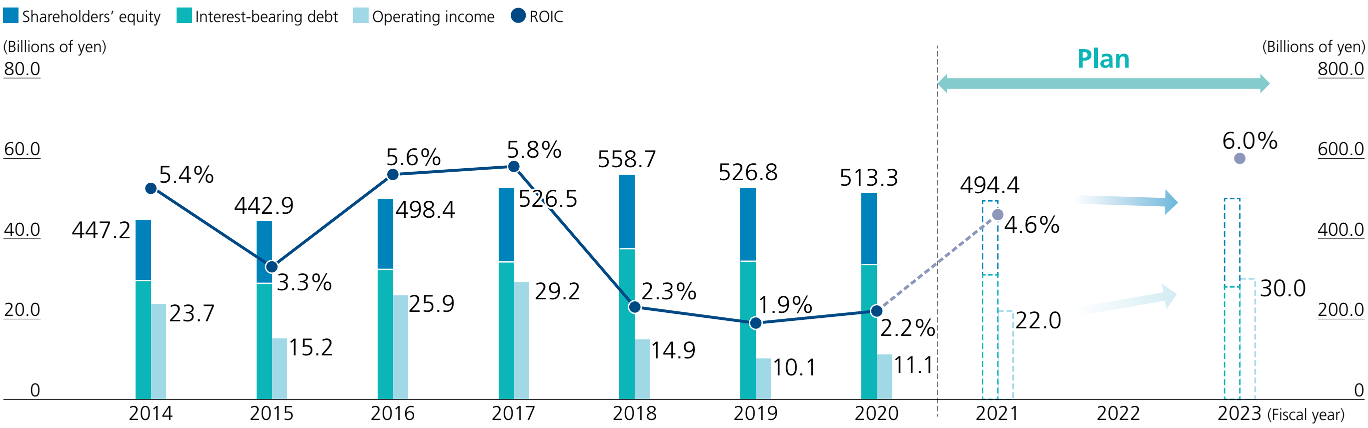
Raising capital efficiency and establishing a sound financial base

In May 2021, we launched a new mid-term management plan, the third such plan since the Company was established, and set earnings and financial targets up to the plan's final year in fiscal 2023. At the same time, we announced a long-term management vision with the same set of targets extending to fiscal 2030. The targets were set in consideration of rising demand for flat-rolled aluminum products.

Capital structure and cash allocation under the new mid-term management plan



ROIC results and Plan

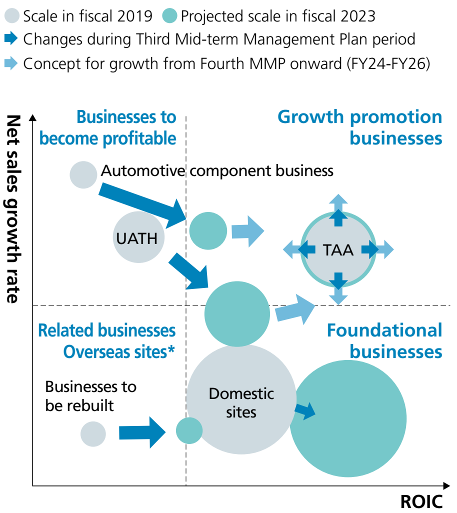


Specifically, demand for aluminum cans is projected to rise steeply and aluminum parts in automobiles, especially electric vehicles, will be used for a broader range of applications amid growing environmental awareness around the world today. From that perspective, I am confident that the Company's proactive steps to expand production capacity in Japan, the United States, and Thailand will greatly contribute to business growth and lead to improvements in capital efficiency and the financial structure.

Under the new mid-term management plan, fiscal 2023 targets for consolidated financial results include ordinary income of ¥25.0 billion, ROE of 7.5%, and ROIC (on an operating income basis) of 6.0%. Given the robust demand in the market, I believe it will be possible to quickly improve capital efficiency by boosting production output and sales volume, and raising the rate of operations at manufacturing plants. We also forecast a return to profitability and increased ROE since the Company will have no operating subsidiaries in the red if UACJ (Thailand) returns to the black as expected in fiscal 2021.

Over the three-year period of the mid-term management plan, we will aim for ¥140 billion in net cash provided by operating activities, and ¥78 billion in net cash used in investing activities. The balance of ¥62 billion will be for shareholder returns and to pay down interest-bearing debt.

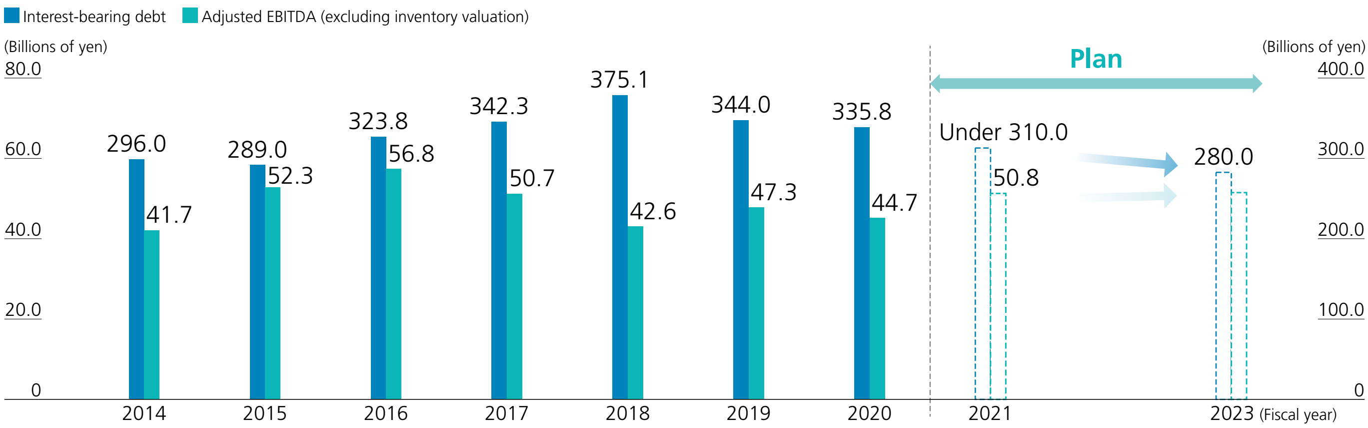
Transformation of the business portfolio



* Extrusion, casting and forging, foil, and precision-machined components businesses
Note:The size of circles shows the rough size of net sales

Classification	Business	Target market and sector	Investment allocation policy under Third MMP
Growth promotion businesses	TAA	North America, can stock	Prioritize allocation of strategic investment
Businesses to become profitable ⬇ Growth promotion businesses	Automotive component business	North America, China, Japan, automobiles	Prioritize allocation of strategic investment
Businesses to become profitable ⬇ Foundational businesses	UATH	Initiatives targeting both upstream and downstream	Investment centered on key issues, without any significant increase in capacity
Foundational businesses	Domestic sites (non-automotive components)	Initiatives targeting both upstream and downstream	Investment centered on key issues, without any significant increase in capacity
Businesses to be rebuilt ⬇ (Foundational businesses)	Overseas sites in related businesses		Investment centered on maintenance and renewal (also consider withdrawal when necessary)

Interest-bearing debt and adjusted EBITDA results and Plan



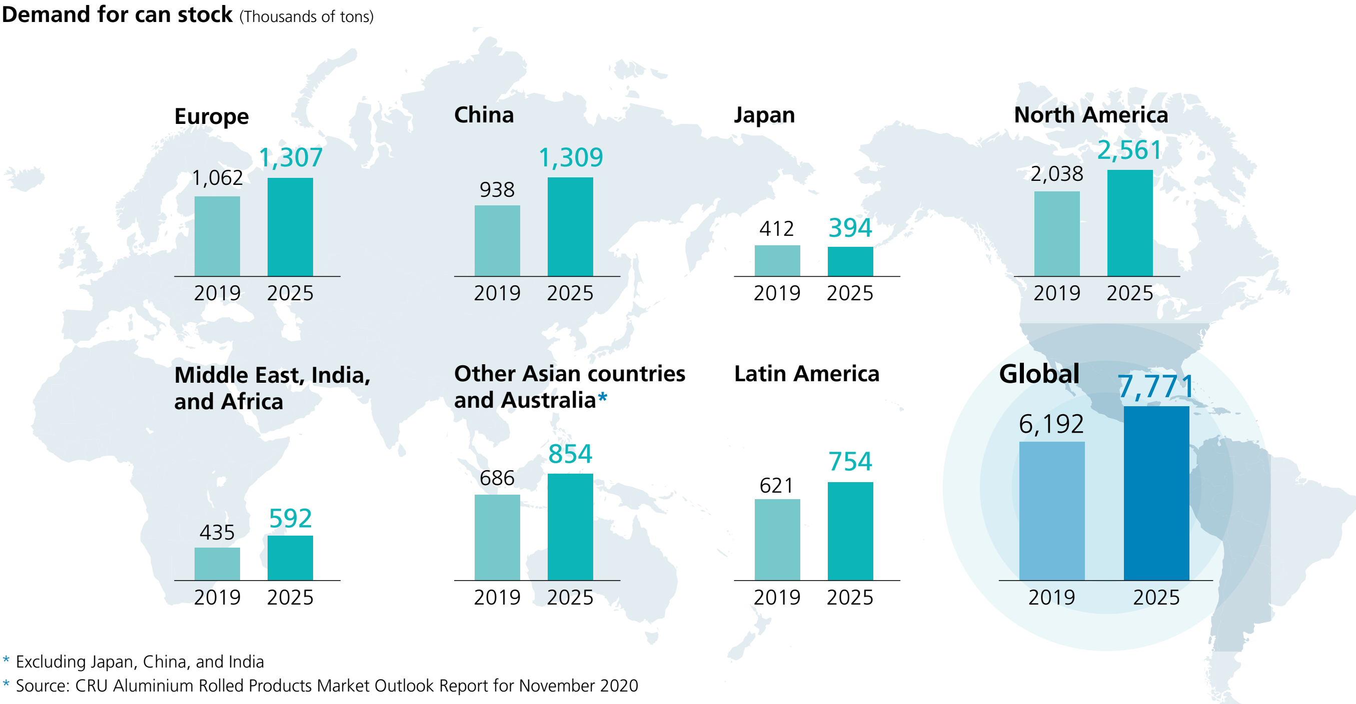
Our goal is to reduce interest-bearing debt to no more than ¥280 billion by the end of fiscal 2023. Furthermore, we plan to limit capital expenditures to about 70% of depreciation and amortization, which is forecast to total ¥107.8 billion over the three years of the plan.

Since its establishment, the Company continually invested in production capacity expansion in preparation for rising demand, making large investments over several phases. We expect those investments to generate operating cash flow, and earnings capacity to expand as a result of our structural reforms. Consequently, we look forward to generating steady free cash flow, reducing interest-bearing debt, and improving the Company's financial base. Furthermore, we expect shareholders' equity to increase as profitability improves. Accordingly, we will aim to reduce the debt-to-equity ratio (excluding subordinated loans) to no more than 1.2 by the end of fiscal 2023. The Company will aim to raise shareholders' equity even further by generating profits, and continue using free cash flow to pay down interest-bearing debt with the goal of attaining a debt-to-equity ratio of 1.0 as soon as possible after fiscal 2023.

Among the targets of our recently announced long-term management vision, we are aiming to increase ROE and ROIC to at least 10% by fiscal 2030 by improving capital efficiency and the financial base. To stay on track toward achieving these goals, management will make all-out efforts to accomplish the targets of the new mid-term management plan.

Demand for aluminum products is projected to rise markedly, including demand for aluminum can stock in North America and for aluminum parts for automobiles, particularly EVs. Aluminum can stock demand, for example, is projected to increase by around 5% annually until fiscal 2025, and then rise even more from 2026. I am confident that the Group will be able to meet this demand by making full use of its production capacity, the expansion of which should be completed by fiscal 2023. The Group can look forward to huge business opportunities as a flat-rolled aluminum manufacturer, so we will consider expanding capacity again after fiscal 2023 in order to seize those opportunities. The Company will also need to invest in other key initiatives, such as aluminum recycling facilities and its digital transformation. When executing these investments, we will pay close attention to capital efficiency and the internal hurdle rate while carefully balancing measures to strengthen the financial base.

Demand for can stock (Thousands of tons)



* Excluding Japan, China, and India
* Source: CRU Aluminium Rolled Products Market Outlook Report for November 2020

Cash allocation and shareholder return policies

Allocating cash to realize sustainable growth

When allocating cash in the years ahead, we will focus on investment in growth businesses, shareholder returns, and improvements to the financial structure, with a view to strengthen the financial base while pursuing business growth.

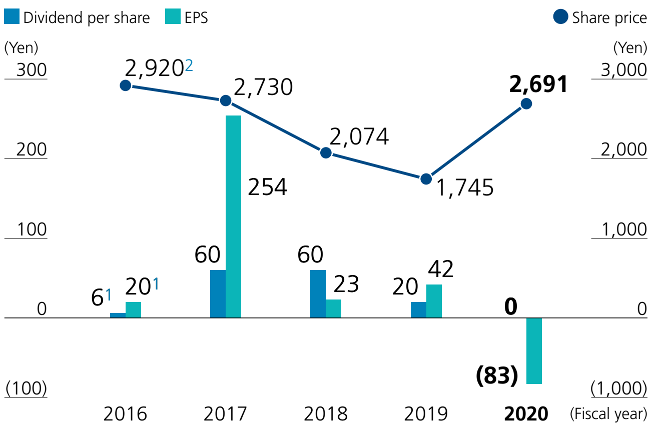
At the same time, to provide a roadmap for the Group to fulfill its corporate social responsibility, we have set various non-financial goals in our long-term management vision and mid-term management plan. As a flat-rolled aluminum manufacturer, the Group has an important responsibility to protect the environment and combat climate change. Therefore, we have set specific goals to work towards, and will give serious consideration to related activities and initiatives when allocating cash in the future.

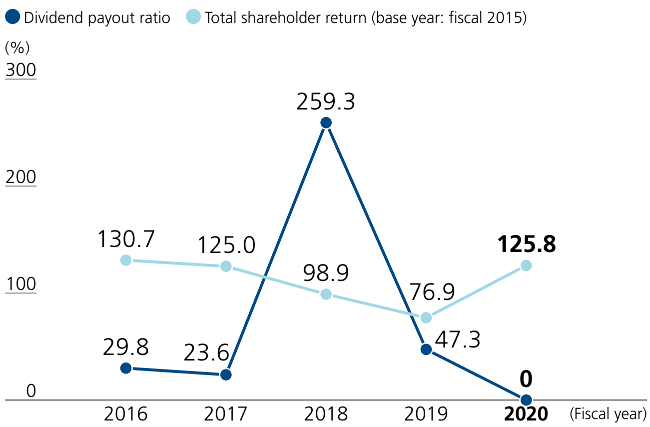
Amid the ongoing COVID-19 pandemic, we have reaffirmed the importance of risk management. Accordingly, we will work to establish a financial base that allows the Group to continue operating under any circumstances, even another pandemic. We will also promptly share relevant operational data and reduce costs by improving operational efficiency. In these ways, we intend to make the Company stronger and more valuable for its stakeholders.

To ensure stable and continuous shareholder returns, we are aiming for a dividend payout ratio within the range of 20% to 30% over the next three years of our mid-term management plan, based on our total shareholder return target. The Company's financial structure has been a serious issue for management, but by improving it along with capital efficiency, we will work to raise the total return ratio above 30% in order to increase shareholder value. The Company has integrated total shareholder return in its performance-linked compensation plan for full-time directors, demonstrating the importance it places on shareholder returns.

Regrettably, the Company did not pay a dividend for fiscal 2020 because it posted a loss on the bottom line, which was largely due to losses associated with structural reforms as well as the impact of the COVID-19 pandemic. Management plans to resume dividend payments in fiscal 2021, however, since the Company's performance is expected to bounce back as business picks up in Japan, UACJ (Thailand) boosts its production and sales, and operations in the United States benefit from brisk market demand. The Company's profits and financial condition are already performing better than initial expectations, so I am confident that shareholders can look forward to a turnaround this fiscal year.

Shareholder returns





[1] Before stock split
[2] Adjusted to account for the stock split