Aluminum lightens the world
アルミでかなえる、軽やかな世界

Toward Enhancing Corporate Value

UACJ Financial Strategy

Teruo Kawashima

Director, Executive Vice President

May 28, 2024

UACJ Corporation

1. Initiatives and review during the 3rd Mid-Term Management Plan

Improved profitability and strengthened financial base led to higher stock prices during the third mid-term management plan period

Improving profitability

- Completion of structural reforms and reform of price-setting structure
- Permeated ROIC internally as a business management indicator
  → Cost of capital conscious management and improved return on capital

Strengthening financial foundation

- Creation of free cash flows by improving earning power
- Working capital reduction (CCC improvement)
- Accumulating equity capital (debt-to-equity ratio improvement)

Dialogue with capital markets

- Expansion and deepening of information disclosure
- Management with an awareness of co-creating corporate value with investors

Improved financial indicators

	FY2020		FY2023
Adjusted EBITDA*1	¥44.6 bil.	→	¥79.8 bil.
ROIC*2	2.9%	→	7.5%
ROE	-1.8%	→	5.3%
Debt-to-equity ratio*3	1.6	→	1.0

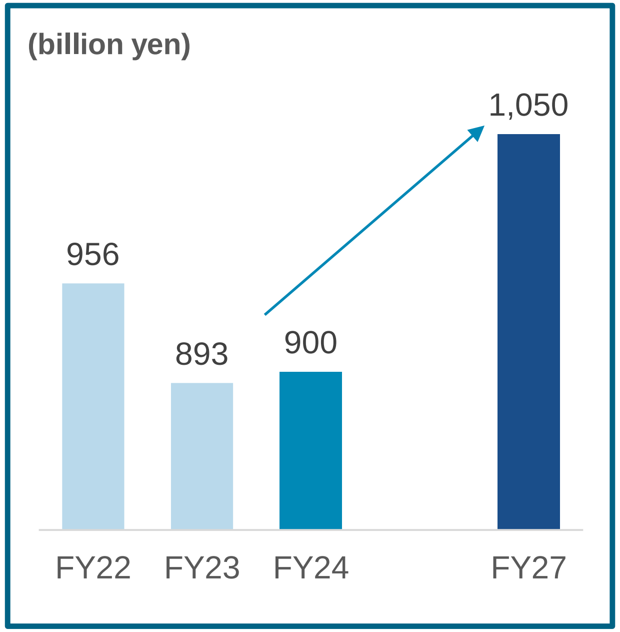
Market evaluation

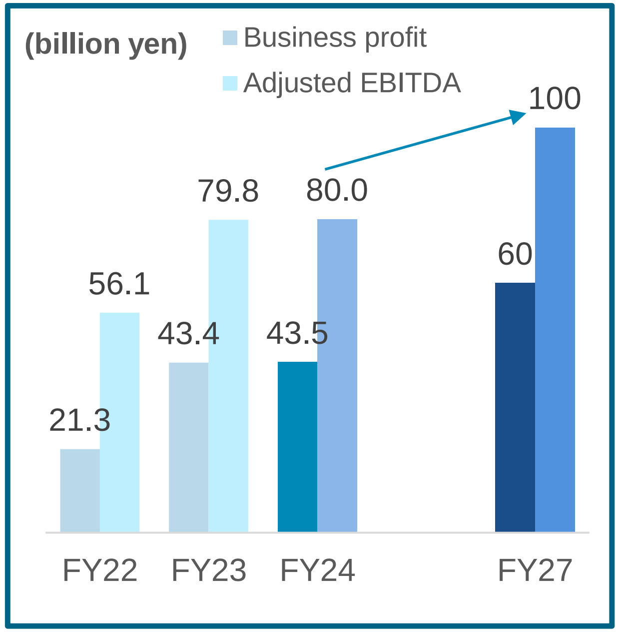
- ✓ **Stock price: Up 65%** (March 2020 to March 2023)
- ✓ **P/B ratio: Improved to 0.77** (March 2023)

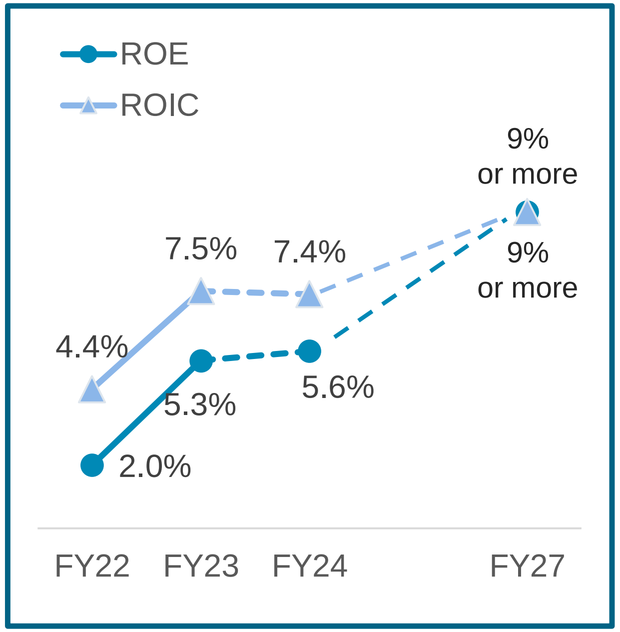
*1 Adjusted EBITDA = EBITDA minus inventory valuation effects
*2 ROIC is calculated based on pre-tax business profit
*3 Debt-to-equity ratio excludes subordinated loans

2-1. Financial Targets for the 4th Mid-Term Management Plan

Net sales	Business profit	Adjusted EBITDA*1	ROE	ROIC	Debt-to-equity ratio*3
¥1,050 billion	¥60 bil.	¥100 bil.	9% or more	9% or more	Less than 1.0







Assumptions for FY27 | **LME: US$2,200/t; Exchange rate: ¥140/US$**

*1 Adjusted EBITDA = EBITDA minus inventory valuation effects
*2 ROIC is calculated based on pre-tax business profit
*3 Debt-to-equity ratio excludes subordinated loans

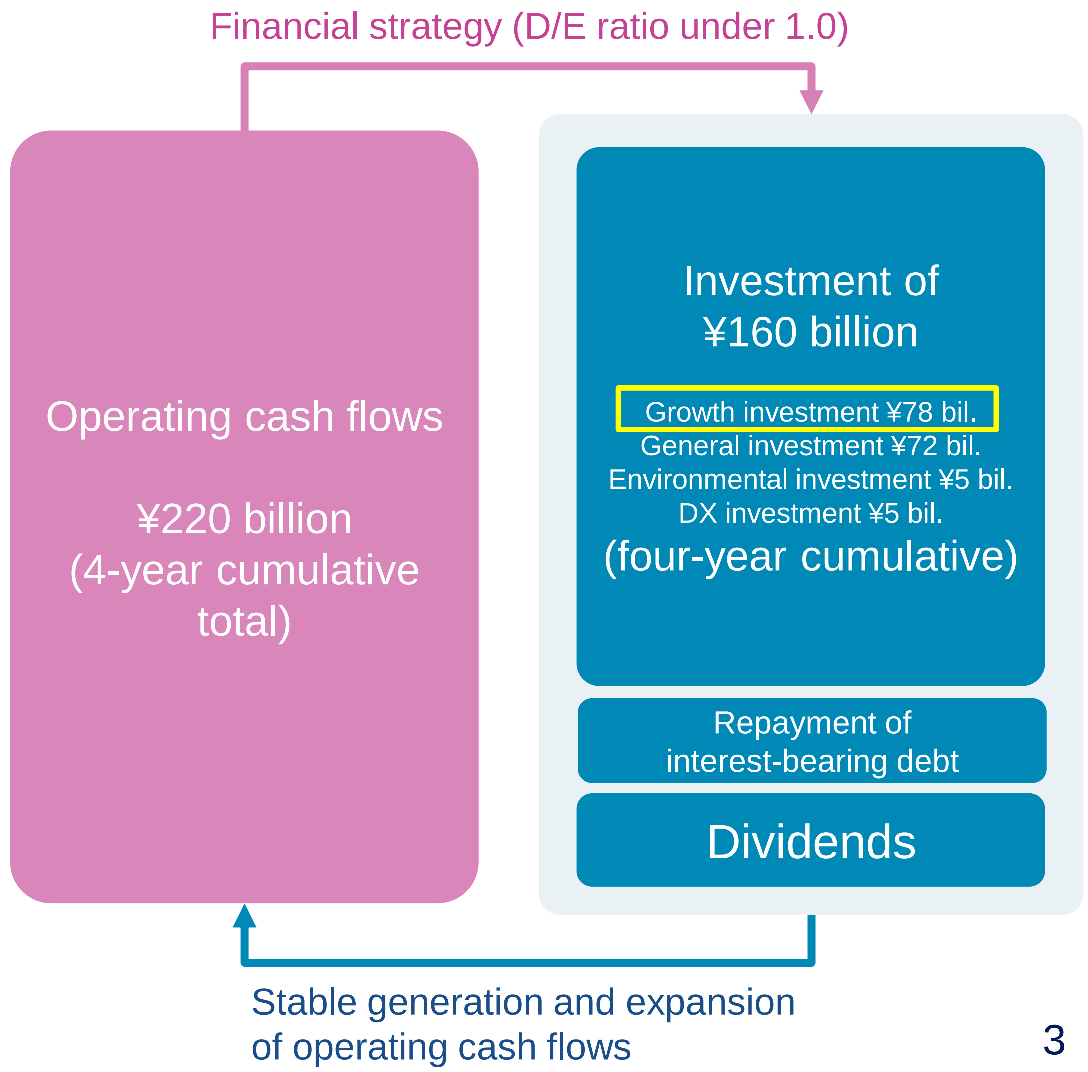
2-2. Financial Strategy and Cash Allocation for the 4th MTP

Allocating financial resources to strengthen the financial base, improve capital efficiency, and increase corporate value

Financial strategy indicators

- **Strengthening profitability**
  - **Business profit: FY2023 ¥43.4 billion ⇒ FY2027 ¥60 billion**
  - **Net profit: FY2023 ¥13.9 billion ⇒ FY2027 ¥30 billion**
- **Capital efficiency improvement: Target ROIC of 9% (based on business profit)**
- **Financial base: Target debt-to-equity ratio of less than 1x**
- **Cash allocation: Growth investments of ¥78 billion**
- **Cost of equity capital: Current 9% → Reducing (target 7% level)**
  (Pre-tax WACC 7%)
- **Shareholder return: Dividend payout ratio of 30% or more**
- **Further strengthening of dialogue with capital markets: Proactive investor relations**
- **Expanding and deepening information disclosure: Appropriately disclose financial and non-financial information**

Enhancement of corporate value: Achieving P/B ratio of 1.0 or more

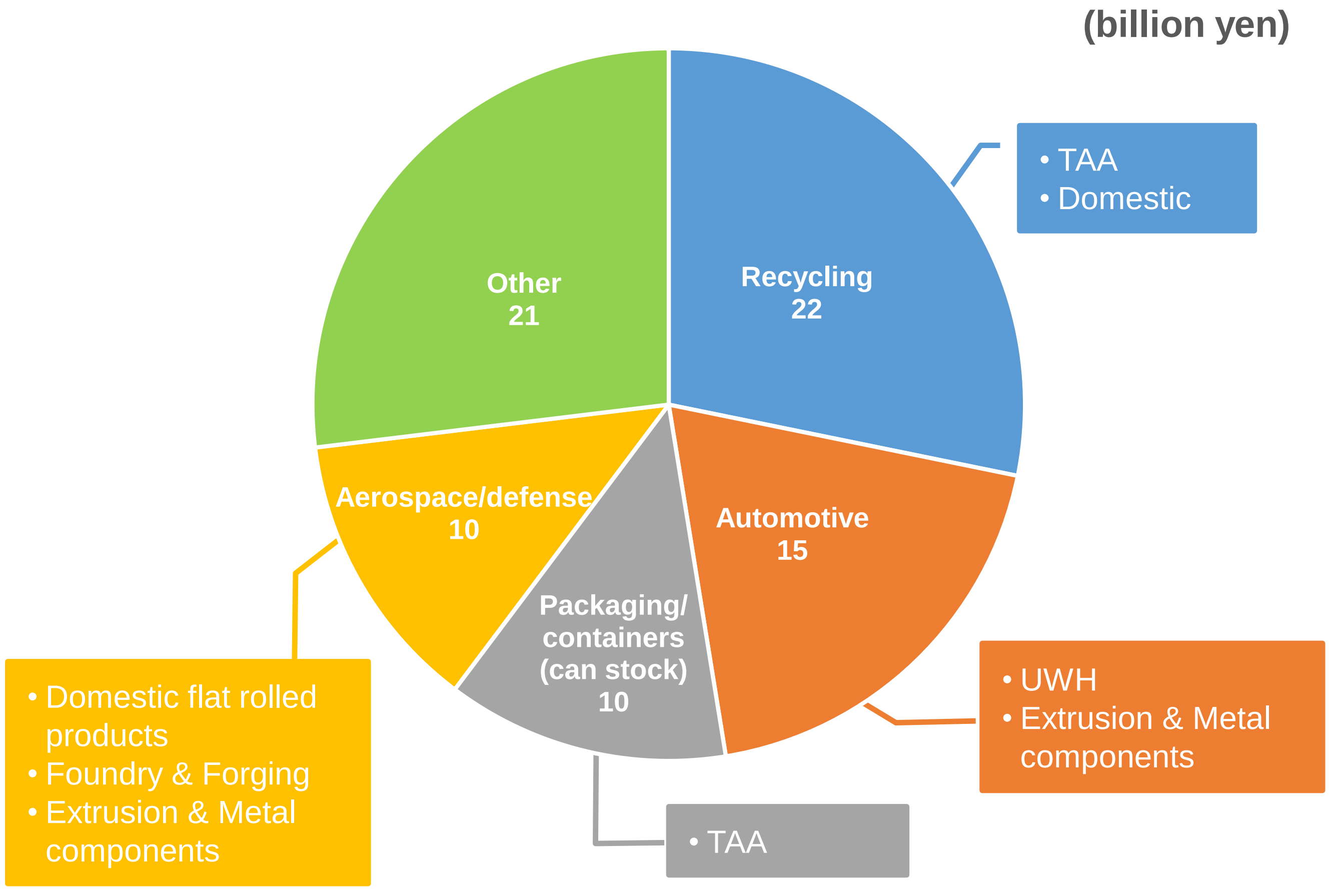


2-3. Investment Plan for the 4th MTP

Prioritize investment in high-growth areas

Category	Amount (¥bil.)	Segment, purpose
Growth investment	78	• Recycling applications • Automotive • Packaging/containers (can stock) • Aerospace/defense, etc.
General investment	72	• Safety measures • Production equipment updates • Quality improvement
Environmental investment	5	• Energy conservation • Fuel conversion, etc.
DX investment	5	• Automation • System improvement • Database construction, etc.

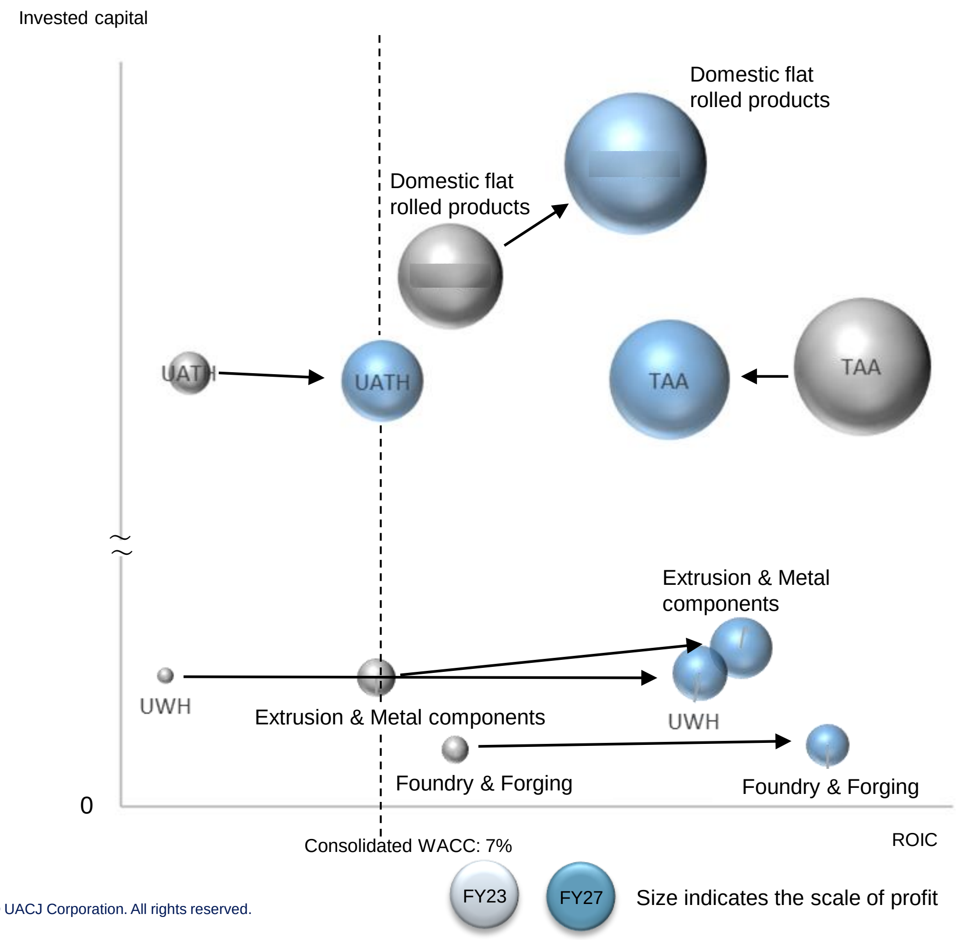
Breakdown of growth investment fields



2-4. Growth Investment and Vision for the 4th MTP

Toward improved ROIC through focused investment in high-growth areas

Portfolio envisioned in FY2027



Business	Target segment	Investment allocation policies under the new plan
Flat rolled products business (domestic)	Recycling Aerospace/defense	Investment in recycling and other value-added areas Investment focused on aerospace, defense
Flat rolled products business (TAA)	Recycling Packaging/ containers (can stock)	Priority on growth investment
Flat rolled products business (UATH)	Recycling	Focus on greater profitability through enhanced productivity, etc., without major capacity expansion
Automotive parts business (UWH)	Automotive	Priority on growth investment
Foundry & forging business	Aerospace/defense	Priority on growth investment for aerospace/defense
Extrusion & metal components business	Automotive Aerospace/defense Other	Priority on growth investment for aerospace/defense No major investment elsewhere; focus on key areas

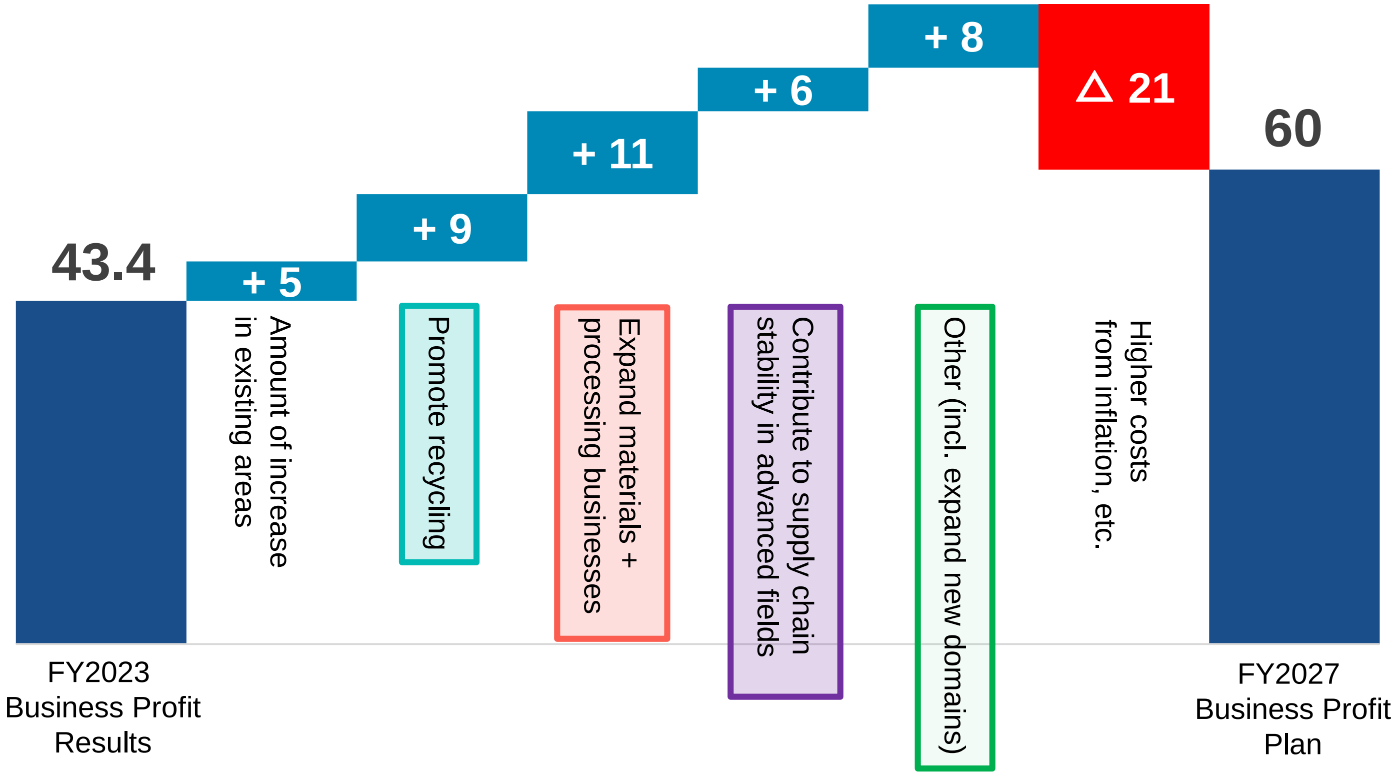
2-5. Contribute to income in key activity areas for the 4th MTP

Maximize revenue and enhance profitability through value-added materials

Value-added materials strategies

Value-add focus areas in the fourth mid-term management plan	Focus activity areas
① Promote recycling	Recycling (Can stock and others)
② Expand materials + processing businesses	Automotive Air conditioning Heat management
③ Contribute to supply chain stability in advanced fields	Batteries Semiconductor manufacturing equipment Aerospace/defense
④ Expand new domains	Mobility Lifestyle/healthcare Environment/energy

(billion yen)



3-1. Policy Actions to improve P/B ratio

To achieve a P/B ratio of 1.0 or more by implementing the measures included in the fourth mid-term management plan

Maximizing stock price

P/B ratio 1.0 or more

Equity spread

Quickly reaching **1% or more**

ROE
(Target 9% or more)

To exceed cost of capital

- **Business profit: ¥60 billion**
- **ROIC: 9% or more**
  - For the business portfolio, managing target rates by business
  - For cash allocation, resource allocation for growth

- **Value creation process**
- **Business strategies**
- **Growth scenario**

Cost of equity capital
(Current 9% → target 7% level)

Lower cost of capital and higher expected growth rate

- **Creating an optimal capital structure**
  - To reduce financial risk, secure a credit rating of "A"
  - To reduce business risk, introduce surcharge system, etc.
- **Dividend payout ratio of 30% or more**

- **Sustainable business strategy**
- **Non-financial value creation**
- **Strengthen disclosure and engagement**

- In addition to the appropriate allocation of management resources, we will improve ROE by generating earnings that exceed invested capital through the realization of past return on investment.
- We will aim to reduce the cost of capital by implementing measures to mitigate financial and business risks, improving disclosure materials, and promoting dialogue with the market

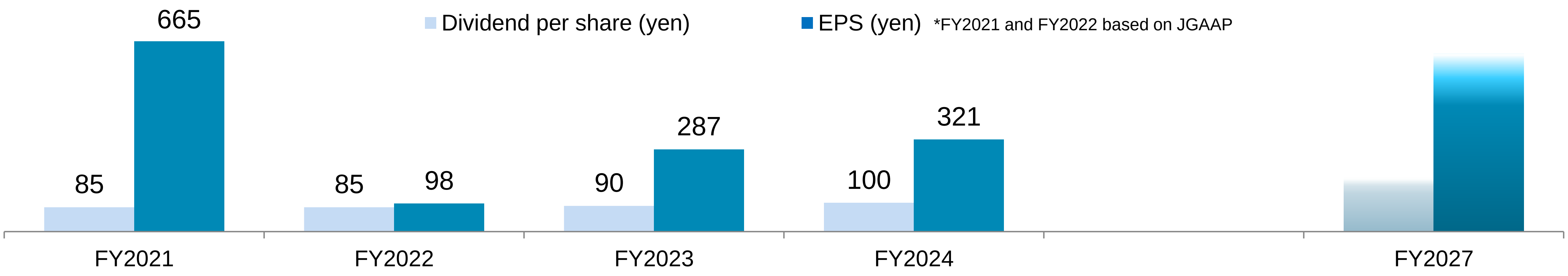
3-2. Shareholder Return Policy

Stable/consistent dividends with a target dividend payout ratio of 30% or more

Dividend policy: Aim for stable and consistent dividend payments, with a target dividend payout ratio of 30% or more of net profit*

*Net profit = Profit attributable to owners of parent

Dividend payout ratio	Third Mid-Term Management Plan Period (FY2021 to FY2023)		Fourth Mid-Term Management Plan Period (FY2024 to FY2027)
	Policy: 20% to 30% (actual three-year average: 24.8%)	Increased →	30% or more



	FY2021	FY2022	FY2023	FY2024	FY2027
Dividend payout ratio	12.8%	87.1%	31.4%	31.1%	

Third mid-term management plan actual average: **24.8%**

Fourth mid-term management plan: **target 30% or more**

3-3. Enhancing share value

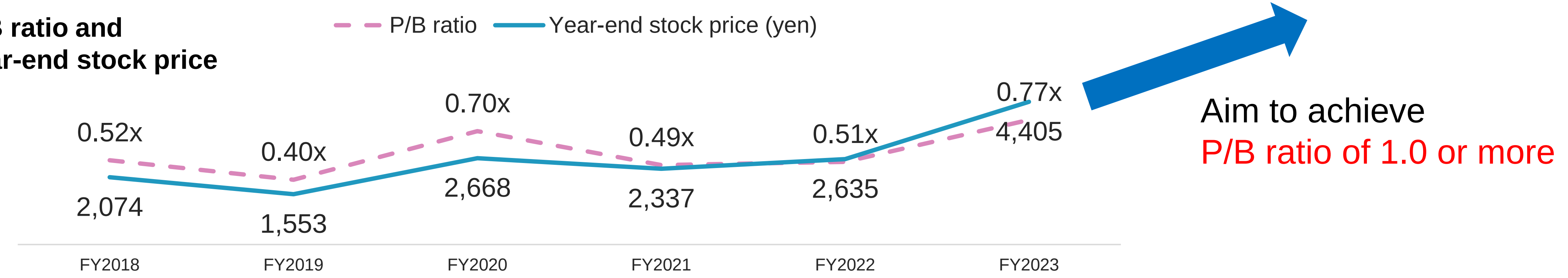
Aim to increase TSR and achieve P/B ratio of 1.0 or more by enhancing share value

Enhancing share value: Ensure steady profit and cash flow while continuing to engage with capital markets to improve share value

Higher total shareholder return (TSR)

TSR results (five years from FY2019 to FY2023)	175%

P/B ratio and year-end stock price



Aluminum lightens the world

アルミでかなえる、軽やかな世界