



UACJ Corporation

IR-DAY 2024 Q&A

May 28, 2024

Event Summary

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[Participants]		
[Number of Speakers]	7	
	Shinji Tanaka	Representative Director, President
	Teruo Kawashima	Director, Executive Vice President
	Joji Kumamoto	Director, Managing Executive Officer
	Keizo Hashimoto	Senior Managing Executive Officer Delegated Chief Executive, Flat Rolled Products Division
	Henry Gordinier	Managing Executive Officer/President and CEO of Tri-Arrows Aluminum Inc.
	Tetuya Yamada	Managing Executive Officer/President of UACJ(Thailand)Co., Ltd.
	David Cooper	President and CEO of UACJ Automotive Whitehall Industries, Inc.
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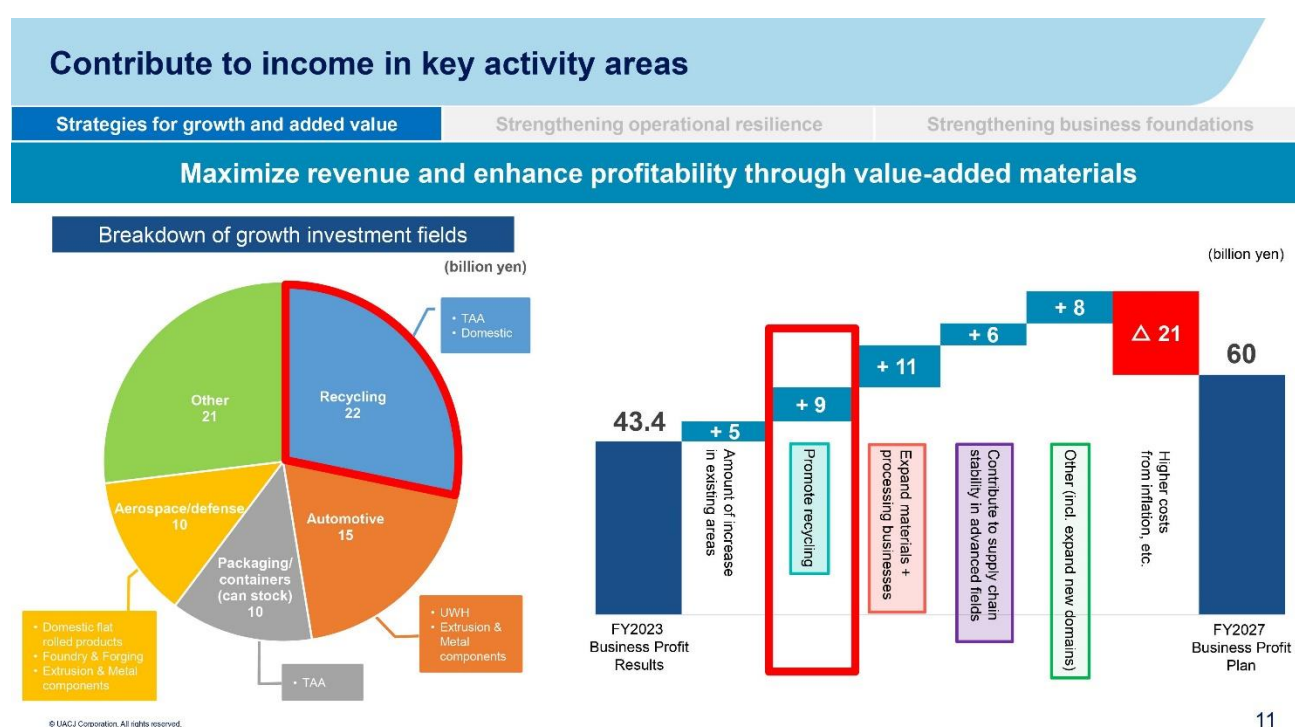
Question & Answer

Moderator [M]: We will now take questions from the audience.

The first question comes from Mr. Yamaguchi of SMBC Nikko Securities. Mr. Yamaguchi, please proceed.

Yamaguchi [Q]: This is Yamaguchi from SMBC Nikko Securities. I apologize for speaking in Japanese.

The previous medium-term management plan and the structural reforms before that were very easy to understand. If I recall correctly, it was around the end of September 2019, and the content was such that the stock price started to rise from that day. It was clear, for instance, that costs would be improved and consolidated, and that the revenues of the overseas businesses, which were struggling at the time, would increase.



Currently, I am looking at page 11 of the President's presentation materials, specifically the analysis of the factors for increase and decrease in business profit. When I look at this, for example, I see a positive JPY8.5 billion for the promotion of recycling and JPY10.5 billion for the expansion of materials and processing. However, these figures don't resonate with me. Of course, we want these outcomes, and I believe investors also hope for these results.

However, when you mention promoting recycling, I imagine that the cost of recycled materials will increase. I wonder if you can adequately pass these costs on to prices. Also, regarding the materials processing business, from what I hear, there is an assumption that demand will recover or increase to some extent, and your company is also striving to expand sales. This makes it hard for me to visualize the situation clearly. Perhaps investors were also confused when they first saw the presentation.

Naturally, having heard the explanation now, I hope these goals are achieved, but I think this vague reaction might be typical among investors. This is my first point.

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My second point concerns TAA. I have some concerns. Although TAA has been a highly profitable company, as indicated in the earlier materials, its growth seems to have slowed. From what I gather about the market environment from events like the ball and crown briefing meetings or by looking at financial statements, it doesn't appear to be growing much, and capital investment is actually decreasing.

On the other hand, from the statements made at beverage can manufacturers' briefings, it seems that the demand outlook is declining slightly, possibly due to a decrease in home drinking. Hence, there is a cautious approach to investment.

Meanwhile, companies like Steel Dynamics or Novelis are increasing their capacity, which raises concerns about whether everything will be all right. While I understand from the earlier discussion that your company has very strong relationships with its customers and that this is reassuring, I still have concerns about pricing and the competition for scrap acquisition. I would appreciate it if you could dispel these worries. Thank you.

Tanaka [A]: Thank you for your questions, Mr. Yamaguchi. You asked two questions. The first one is about the breakdown of the content on page 11 of the current mid-term management plan. The second question concerns the market environment in the US for TAA.

I will address the first question, and for the second question, Henry, who is here today, will provide the answer.

Regarding the first question about the value added from materials on the slide on page 11, we have presented it under themes such as recycling, the automotive sector, and the packaging sector. These themes are organized around the key issues we prioritize.

Within the recycling category, we have included contributions from the sheet business, the extrusion business, and the processed goods business. The way we achieve these effects is partly through the natural expansion of demand. Additionally, by having our customers recognize that our materials are environmentally friendly, we aim to add a premium to them. While we haven't separated the details within this broad category, we have consolidated all these elements and expressed them under the large theme of recycling.

Similarly, for the automotive, packaging, and aerospace sectors, contributions from the sheet and extrusion businesses are mixed in. We have organized and presented these in terms of their significance in key areas.

Certainly, there are specific details regarding what contributes to each part, and we recognize this. We will continue to work on ways to present these details in a clearer manner for everyone.

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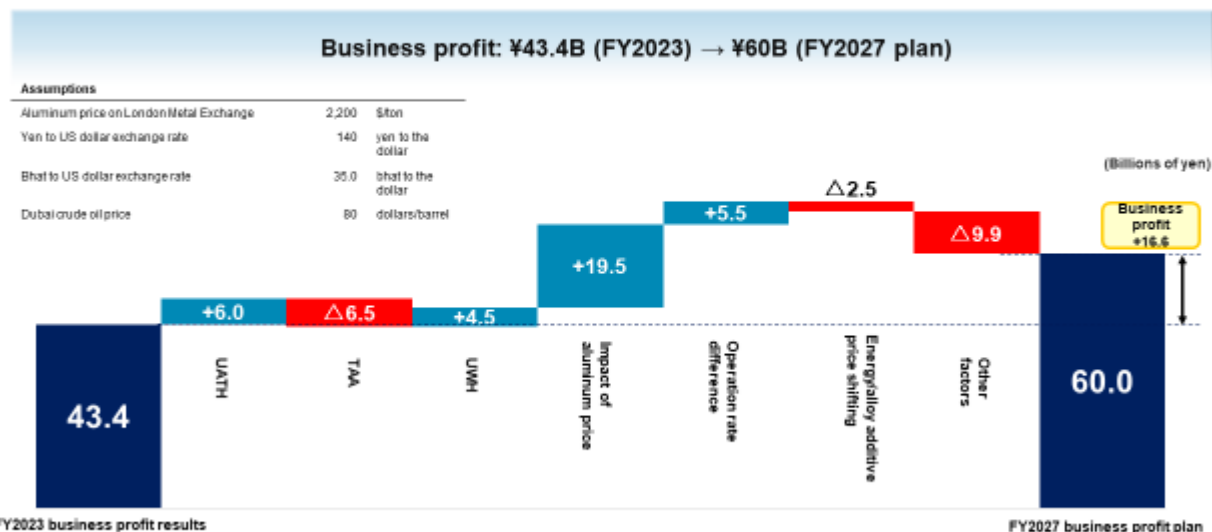
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4. Reference Material

Business Profit Analysis: FY2023 Results → FY2027 Plan



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Kawashima [A]: I would like to add a few points. On page 56 of the supplementary materials released on the 13th, there is a traditional waterfall breakdown. It shows how TAA and UATH are performing, as well as the increase in domestic sales and rising costs, in the conventional format. By comparing these with the strategic analysis mentioned by the president earlier, you can understand the path to reaching JPY60 billion.

Tanaka [M]: Now, regarding the second point about the US market environment, Henry will provide an explanation.

Gordinier [A]*: Let me start with some general comments, and if I don't address your specific question, please feel free to ask further.

First, regarding our confidence in growth, I am confident about the 3% growth rate. This figure is based on what we have seen over the past three to four years, following decades of stagnation or decline.

In the North American canning and beverage industry, there were constraints on canning due to COVID-19. The comments you mentioned likely refer to capital investment in canning. When we talk about pace, we consider the pace of new supply and demand growth expectations, and in this context, investment in canning was constrained. During the pandemic, higher growth rates were expected, with peak projections reaching 10%, or 4% to 6% on average. The pandemic increased off-premise demand, and new drinks like hard seltzer grew rapidly. These have now normalized.

Therefore, I believe my projection is rather conservative. Sales of sheets have already exceeded expectations from Q1.

Yamaguchi [Q]*: The entry of competitors and capacity expansions likely impact not just the supply-demand balance but also scrap costs. Are these considerations not factored into this year's forecasts?

Gordinier [A]*: In FY2023, we had significant tailwinds regarding scrap. For FY2024, we are considering these benefits. The volume of scrap consumed and the complex trading processes in the US affect this, but the rising US transaction prices are a strong tailwind for us. That's the first point.

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Second, we can optimize and increase the volume of scrap we consume. Part of our investments relates to this. So, even if there are price negatives due to a tight market, we can compensate with volume.

Regarding the new rolling mill, the sheet segment in our industry has been deficit for a long time. However, considering the fundamentals, such as the growth potential in aluminum body and parts sheets and extruded products for vehicles, and the increase in beverage packaging, more sheets will be required. When we consider investments, it seems rational, and from a macro improvement perspective, the environment remains positive for our business.

Investment considerations must also account for rising costs. We need to consider the rate of return on capital, but we must make investments justified by prices and economics.

Considering all this, I see strong tailwinds for our business strategy. Does this answer your question?

Yamaguchi [M]*: Thank you very much.

Moderator [M]: Thank you, Mr. Yamaguchi.

Tanaka [M]: Thank you. If I may, I would like to ask for an additional comment on the stability of scrap procurement in North America.

Gordinier [A]*: Certainly, regarding stability in scrap procurement, this includes price stability, quantity stability, and efforts to increase the volume. In the market, the supply of scrap itself is stable. What I mean is the broad use of recycled metals, whether for beverage cans or automotive scrap, which are sorted and alloyed, including old construction materials. We utilize the most economically advantageous mix of scrap.

Scrap can be substituted, but it has specific price characteristics. We procure from the most economically favorable sources. Clearly, the supply of scrap needs to expand. That's undeniable.

There are large consortiums and industry-wide alignments. Demand comes from beverage manufacturers and canning companies, among others. It's not just one factor but many that achieve our goals, creating significant positive momentum. This is very important to our processes, so we invest time and energy into it.

To specifically answer the question about stability, I am confident that the order volume will lead to favorable outcomes. This is a consortium effort. It's not just a part of the value chain, but the entire value chain shares a common goal. The brands we sell to also support recycling because consumers demand it. We need to secure scrap, and the scrap suppliers need to find the scrap. The entire value chain is oriented toward this goal, and we expect to see movement. We aim to outperform in terms of performance.

Moderator [M]: Thank you very much. Are there any other questions? Next, we have a question from Mr. Shirakawa of Morgan Stanley MUFG Securities. Mr. Shirakawa, please proceed.

Shirakawa [Q]: This is Shirakawa from Morgan Stanley MUFG Securities. Thank you for today. I have two questions.

The first question is related to page 11 of the President's presentation. The breakdown of growth investments by sector is provided, but I would like a bit more detail. Specifically, for example, regarding the investments in recycling (JPY22 billion) and the distinction between TAA and domestic investments, what exactly are these investments going into?

In terms of business profit, the plan is to increase from JPY43.4 billion to JPY60 billion by FY2027. From a timeline perspective, I assume the effects of these investments will appear toward the end of the mid-term

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management plan, but could you explain which aspects will contribute to profit increases in the next year or the year after that within this mid-term plan? That covers the first point.

The second question is about Thailand. I understand you are aiming for an increase in volume. What I would like to know is whether there will be a change in the composition of this volume. For instance, you mentioned automotive heat exchanger materials and air conditioner fin materials, so how will the composition of volumes change? Additionally, within can materials, how will end materials and body materials evolve?

Fourth Mid-Term Management Plan Basic Policy

01

Enhance our value locally as the only company with mills in Southeast Asia

Continue the start-up plan of 320,000 tons/year by securing steady sales volume in ASEAN countries and elsewhere

- Secure can stock market share in Southeast Asia, Oceania, and India
- Maximize sales of fin stock for AC units (systematic increase in production capacity)
- Promote switching to recycled alloys for automotive heat exchangers and secure market share through expanded sales of Monobraze

Environmental contribution through Can to Can Loop, supporting expanded regional market share

- Increase local collection of UBC/class scrap (stabilize scrap purchases)

02

Maximize production capacity of the Flat Rolled Products Business Division

Achieve 360,000 tons/year production capacity through maximum use of existing facilities

- Maximize casting and cold rolling capacity
- Can stock production capacity: 300,000 tons/year
- Optimize UACJ/UATH production of fin stock for AC units

Support domestic UACJ production by utilizing surplus production capacity

- Support domestic production capacity for thin products of pure aluminum through integrated fin strip production

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Also, in the briefing materials for Thailand, on page four, there is mention of utilizing excess production capacity to support domestic production of UACJ. I did not fully understand this part, so could you provide more details? That is all.

Tanaka [A]: Thank you for your questions. First, regarding the breakdown of the JPY22 billion growth investment mentioned on page 11, I cannot link it to specific items.

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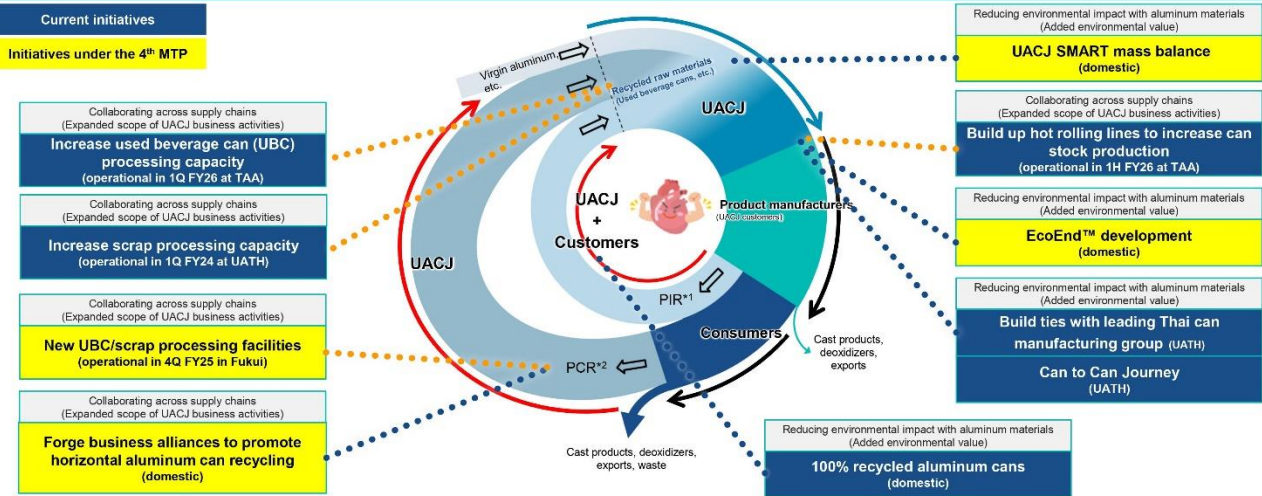
Promote horizontal recycling of can stock

Strategies for growth and added value

Strengthening operational resilience

Strengthening business foundations

Contribute to building a global horizontal recycling loop for aluminum cans



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As explained on page 10, this represents the recycling loop centered around cans. For instance, it includes the UBC (used beverage can) processing facilities. Currently, we are progressing with the UBC processing facilities at the Fukui plant, and we have also completed new processing facilities in Thailand. These are partly included. Additionally, in North America, there are investments in shredders for shredding UBCs. These are the main components of the JPY22 billion breakdown.

Regarding the timeline for the effects of these recycling investments, it takes time for the equipment to become operational after the investment. Therefore, we have indicated FY2027.

In the first one to two years, there will still be the startup of equipment, so the impact will be minimal. However, from the third year onwards, toward the fourth year, we expect at least this level of revenue to be realized. Furthermore, beyond that, we anticipate even greater profits, but these are not shown in the current projection.

Regarding the second point about Thailand, Yamada will provide an explanation.

Yamada [A]: First, regarding the product composition, we do not anticipate significant changes. The main pillars will remain to be can materials, automotive heat exchanger materials, and air conditioner fin materials. We expect overall growth, but the composition ratio is not expected to change significantly.

Regarding potential changes within can materials, as you are aware, there is the rise of Chinese mills, which has significantly impacted us. For example, in this context, bare ends, which are uncoated end materials, have relatively less competition from other sources. We believe supplying these is meaningful for us. As we navigate these overall market trends, we will continue to identify and shift toward areas where we can make the most impact.

Gordinier [A]*: May I add something regarding the facilities in Thailand? Thailand is truly an essential element for North America as well. Therefore, when we consider the continuity of the supply chain and adjusting to the demands of our customers, Thailand is very important, and we utilize production from Thailand. Thus, the

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relationship between Thailand and North America is very strong and healthy. When we drafted the mid-term management plan, maintaining this relationship was a key consideration.

Tanaka [M]: Mr. Hashimoto, could you add some information regarding the domestic situation?

Hashimoto [A]: I will supplement the information. Regarding the product composition, as Mr. Yamada mentioned earlier, the production capacity for automotive heat exchanger materials and air conditioner fin materials on the production lines is fixed, so the balance will not change significantly.

As Henry mentioned, the volume for the US may fluctuate slightly, but in the long term, new mills will be established in the US, which will gradually decrease the demand around 2026 or 2027. Therefore, as I explained earlier, we are working to increase our presence in local regions, such as Asia, India, and Australia. This regional shift in can material sales destinations will be a noticeable change.

Regarding the utilization of domestic support capacity, there are two main aspects. As mentioned in my explanation, we are enhancing the interchangeability between Thailand and Japan to respond flexibly to changes in demand.

A clear example is that some exports currently come from Japan. We are making it possible to also supply from Thailand, including can materials, automotive heat exchanger materials, and air conditioner fin materials. We are establishing a system where the optimal supply source can be selected based on the situation.

Additionally, we anticipate that domestic demand will increase in the future. To support this, we are also considering providing some domestic support, which is the current situation.

Kawashima [A]: Initially, we operate under a tri-polar system, where we have Thailand, Japan, and the US. From another perspective, we have a large one plus four mill operation: two in Japan, one in Southeast Asia, and one in the US, all operating in parallel. Thus, where to produce within the product mix is determined.

For instance, producing in Nagoya versus producing in Fukui or Thailand is similar. With increased capacity and improved quality, interchangeability becomes feasible. This allows us to operate more efficiently. Consequently, it is not just one plus one plus one equals three but potentially achieving a capacity of 3.5 or four.

As we implement the third mid-term management plan and prepare for the fourth, we aim to leverage this enhanced capability, which will provide us with additional opportunities.

Shirakawa [M]: Understood. Thank you.

Moderator [M]: Thank you, Mr. Shirakawa. Next, we have a question from Mr. Matsumoto of Nomura Securities. Mr. Matsumoto, please proceed.

Matsumoto [Q]: This is Matsumoto from Nomura Securities. I have two questions.

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Key Accomplishments

"We are creating a more durable company that is prepared to compete and provide value over the next decade."

- Creating a **"Culture of Connectivity"** to drive economic outcomes that balance near-term opportunities with long-term objectives and promote next-generation Leadership Development.
- Tremendous efforts to advance **data systems, information platforms, and data lake analytics** for business outcomes and rapid decision making
- Developed **integrated work systems** across functional areas to streamline work.
- Continued **debt reduction** with appropriate liquidity to meet working capital needs.
- Strengthened **governance** framework.
- Demonstrating **exceptional cost controls**, managing to less than inflation.
- Executing sales agreements through 2028 with **preferred supplier status**.
- Managing Capital Investments **on-time and on-budget**
- Realizing gains through **asset optimization** and **continuous improvement** to expand efficiencies.



First, a question for Henry. On page six of the TAA materials, there is mention of sales agreements up until 2028. Could you tell us what proportion of these agreements are in place and whether the increase in capacity among various companies has led to any unfavorable contracts? That is my first question.

Growth Strategy for Can Stock

Strengthen intercompatibility with operations in Japan
to secure stable volume and expand sales to new customers



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Basic policy

- Establish sales network for **340,000 tons/year**
- Maintain existing contracts, expand new sales
- Expand **compatibility with UACJ** in anticipation of future demand fluctuation; strengthen stable supply capacity

Can stock strategy

- Focus on expanding sales to areas targeted at the time of UATH establishment: **ASEAN region, India, Middle East, Africa, and elsewhere**
- Stabilize earnings by **revising selling prices as needed**
- Provide **high added value through environmental contributions** via promotion of recycling
- In contract negotiation, leverage competitive advantages in **stable supply and high quality**

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The second question is about UATH, referring to page eight. It shows a significant increase in volume planned for 2025. Is this based on a market recovery, or are these figures due to your own efforts? It doesn't seem like there is much increase expected from the US, so could you explain the background behind this? That's all.

Tanaka [M]: Thank you. Henry will answer the first question.

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Gordinier [A]*: Certainly. There were two parts to the question. If my answers aren't sufficient, please ask again.

First, regarding the proportion of secured contracts and our contracting strategy, for 2025, all contracts are already in place. By 2028, 1/3 of the contracts are confirmed. Discussions are still ongoing, and I believe that 66%, or 2/3, will be secured within the next quarter. Honestly, I think we are in a very advantageous position.

As for whether there are any unfavorable contracts due to the emergence of new mills, the answer is no. While there are new entrants in the market, their capabilities need to be proven.

Our value proposition is the reliability of supply. When we talk to customers about our competitors, many of them return to us because of our reliability.

Furthermore, some projects are slightly delayed, which means that additional capacity expected to come online may be uncertain. From the perspective of our customers and ourselves, there is uncertainty about when this supply will hit the market. Commissioning, ramp-up, and the process that two mills are undergoing all contribute to this uncertainty. However, our business plans are trusted and proven, which naturally attracts business.

The current contracts are not at all disadvantaged by the introduction of new mills.

Tanaka [M]: Thank you. For the second question regarding the increase in UATH volume in 2025, Mr. Hashimoto will respond.

Hashimoto [A]: I will answer that. Looking at page eight, it appears that volumes are low in 2023 and 2024 and then increase sharply in 2025. If we had shown the data for 2021 and 2022, you would see that the volumes were actually higher, close to the levels projected for 2025.

What happened is that there was some growth slowdown, leading to inventory adjustments in the US, Asia, and other regions. This resulted in a downward revision of volumes compared to the original projections, with inventory adjustments happening from the latter half of 2023 through 2024, lasting for about a year. This is the primary reason for the dip.

Additionally, for 2025 and 2026, we anticipate gaining new market share and increasing volumes in Asia, including India. You can understand this as an expectation of higher volumes and market share in those years.

Tanaka [M]: Is that clear?

Moderator [M]: Thank you for your question. Next, we have a question from Mr. Goroh of UBS Securities, participating via Zoom. Mr. Goroh, please go ahead.

Goroh [Q]: This is Goroh from UBS Securities. Thank you for the opportunity. I apologize for participating via the web today.

Regarding the profit increase plan, although it may not have been the main focus of today's explanation, I believe that the drivers of profit improvement over the past few years have been the improvement in the margin structure. The competitive environment and supply-demand conditions were discussed today, but one of the things the market is paying attention to and expecting is whether you can maintain or further improve the enhanced margins.

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In your presentation, you mentioned cost reductions and the growth in high-margin segments. I would like to understand if these are aspects you can commit to regardless of external factors. Could you explain the outlook for margins over the next four years and the potential for further improvement? This is my first point.

Secondly, I find the focus on recycling very distinctive in this plan. In the past, capacity increases were closely linked to demand growth, and as demand grew, it was absorbed accordingly. This time, the investments are mainly related to recycling. From an external perspective, it seems the increase in production volume is matched by the use of recycled materials. Overall, your target seems to be to increase the recycling rate from 68% to 80% in the mid-term.

Could you explain how you plan to match the increased use of recycled raw materials with volume growth? Will this result in cost increases or, conversely, margin improvements? I think it needs to lead to margin improvements. Branding strategies such as UACJ SMART might also play a role here. I would appreciate it if you could explain these points. Thank you.

Tanaka [M]: Thank you for your questions. First, regarding the profit increase plan, Mr. Hashimoto will explain.

Hashimoto [A]: Thank you for your question. It is indeed a crucial point. Regarding margins, as mentioned several times, our approach involves reviewing the pricing structure and implementing surcharges for identifiable costs. This approach remains unchanged. As you pointed out, if the prices of recycled materials or low-carbon metal rise, our basic strategy will be to discuss these changes with our customers.

Regarding margins, specifically for the sheet business, there are both profitable and underperforming areas. In the early part of this mid-term plan, we aim to review and improve these areas.

Initiatives to Reduce Environmental Impact

Maximizing aluminum's environmental performance, reducing impact globally

ALmitas+ SMART Mass Balance

- ALmitas+ SMART Mass Balance material features guaranteed environmental performance from green raw materials such as low-carbon aluminum or recycled content, enabling customers to promote their lower environmental impact.
- Already in use by Nissan Motor Co., Ltd. and Sekisui Jushi Plametal Corporation, with discussions underway for adoption in other key segments.

Promotion of horizontal recycling for aluminum cans

Can stock

- EcoEnd™* jointly developed with Toyo Seikan Co., Ltd.
(Featuring expanded use of recycled materials in can lids, 40% lower GHG emissions)
- Joint venture involving Fukui Works established with Yamaichi Metal for UBC processing. Can-to-can recycling promoted through an integrated recycling system that includes melting.
- Horizontal recycling promoted by UATH in the ASEAN region through new furnace construction and promotion of regional recycling.

We are also working on recycling in areas other than can stock.

* Beverage can lid with higher recycled aluminum content jointly developed with Toyo Seikan.

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In the latter half, we anticipate a growing demand for products with a reduced carbon footprint, essentially those that minimize carbon emissions. This is where our added value comes into play. As I mentioned in my explanation, we plan to expand our ALmitas+ SMART mass balance initiative. We expect increasing demand for these kinds of products. In this context, we aim to enhance our added value through cost management

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and our mass balance approach. We will work with our customers to increase this added value, and we understand that this will be our direction moving forward.

Tanaka [A]: Thank you. For the second question about focusing on recycling, securing raw material quantities, and improving margins, this is closely related to the first question.

Hashimoto [A]: Indeed, these topics overlap significantly. As I mentioned earlier, by implementing mass balance and reducing our carbon footprint, we need to increase our recycling rate. This means we must first ensure a stable supply of materials. For any resulting price increases, we will discuss passing these costs on to our customers. The value recognized from our mass balance efforts will enhance our added value. We plan to approach this in the same way, focusing on both securing materials and increasing added value through our mass balance approach. This is our basic strategy.

Tanaka [A]: Thank you. Additionally, Mr. Goroh asked about system improvements, suggesting that there were significant benefits during the third mid-term plan.

Indeed, we achieved substantial improvement effects by revising formulas and content. Moving forward, what are our plans? We intend to continue reviewing items that can be revised further in addition to the formula revisions we've done so far. We also aim to increase our margins by adding brand premiums, as I mentioned earlier.

By extending our previous revisions and incorporating new aspects such as the brand value and various added values we create, we aim to pass these onto our prices. We believe that this will significantly contribute to our profits. This concludes my response to your question. Is that satisfactory?

Goroh [M]: I understand well. Thank you very much.

Moderator [M]: Thank you, Mr. Goroh. Are there any other questions? Next, we have a question from Mr. Ozaki of Daiwa Securities. Mr. Ozaki, please proceed.

Ozaki [Q]: This is Ozaki from Daiwa Securities. Thank you for today.

My first question is related to the mid-term plan, as I understand today is also a briefing on the mid-term plan. I would like to know more about the factors contributing to the profit increase on page 56 of the presentation materials, as mentioned by Mr. Kawashima earlier.

You mentioned that the increase in profit is significantly due to sales-related factors and operating rates. Could you explain whether this is mainly due to the effect of increased volume or production or if it involves improvements in composition or changes in margin considerations?

My second question is about using recycled materials to aim for profit increase, which was also mentioned in today's presentation materials. Could you break down the impact between the benefits from raw materials and the impact of passing on the price increase of low-carbon aluminum? Which do you see as having a greater effect on improving profits in this mid-term plan? I would appreciate it if you could provide us with a breakdown.

Tanaka [M]: Thank you for your questions. For the first question about the factors contributing to profit increase, Kawashima will respond.

Kawashima [A]: This is Kawashima. Page 56 mentioned earlier is from the mid-term plan materials. As for its breakdown, as noted, in the traditional waterfall chart, we focus on sales and operations, mainly in the domestic context. There is a significant increase in sales-related factors. Roughly half of this increase comes

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from volume growth, while the other half is expected from the production increase effects of investments aimed at expanding recycling. Therefore, we anticipate a positive impact on operational rates due to increased sales volumes.

Regarding price increases, we are looking at this based on the current pricing structure. This also relates somewhat to the second question. We consider recycled materials made from scrap to be valuable. We are thinking about how to pass on this value. As you pointed out, while raw material prices might rise, we view this more as a value increase rather than a price increase.

However, specific actions are still forthcoming, so we are not projecting large profits from this area yet. Hence, we expect volume growth, changes in composition, and different volume contents. With JPY78 billion in investments, some of which are already underway, the effects will start to manifest not just at the end of the fourth mid-term management plan but already in 2024 and 2025. We aim to reach our targets by taking these factors into account.

While I can't provide precise figures here, our current focus is on improving the domestic market.

Tanaka [A]: Now, regarding the second question about profit increases related to recycling and how we consider securing raw material benefits and margin improvements. As mentioned in your question, to what extent are raw material benefits included in our profit projections? At this point, we have not significantly factored in raw material benefits in our profit projections. Since we cannot predict how scrap prices will fluctuate in the future, this aspect is almost not included.

However, we have factored in the benefits of decarbonization or low-carbon initiatives, such as branding and potentially increased volumes. The extent to which we can decarbonize and increase our recycling rate is included as an effect in our current projections.

The profit increases we foresee are based on solid, foreseeable factors. While we aim to reach these levels, we haven't yet incorporated additional elements born from new ideas or expanded visions. Through this fourth mid-term management plan, we aim to explore and integrate these aspects further.

Ozaki [Q]: Are there currently customers who are increasing their orders for low-carbon aluminum or paying higher prices for it, and is this the basis for your profit increase plan?

Tanaka [A]: Yes, we are currently receiving many inquiries, and we already have customers who are purchasing these products. Although we cannot disclose customer names, we are indeed trading with these customers with an added premium. This is the current situation.

Ozaki [M]: Thank you.

Moderator [M]: Thank you for your question, Mr. Ozaki. Next, we have a question from Mr. Shibata of SBI Securities. Mr. Shibata, please go ahead.

Shibata [Q]: This is Shibata from SBI Securities. I have a broad question regarding the sheet materials. This relates to the presentation material explained by Mr. Hashimoto.

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Aiming to Become the World's No. 1 Comprehensive Aluminum Sheet Business

Becoming the world's No. 1 comprehensive aluminum sheet business that creates added value by reducing environmental impact and helping to resolve social issues

Collaboration covering many products and regions

Collaborative advantage of a broad product line and territory

Domains for expansion in the new mid-term plan

		Regional Axis						
		Japan	China	Southeast Asia India	Middle East Africa Australia	Europe	North America	Central/ South America
Product Axis	Cans	UACJ		UATH	UATH	UACJ	TAA	UATH
	Automotive Panels	UACJ						
	Automotive Heat Exch. Mat.	UACJ	UDSG	UATH		UEHEM	UATH	UATH
	Battery Foil	UACJ	UDSG				UACJ	
	AC Fins	UACJ		UATH		UATH UACJ	UATH	UATH
	Functional Materials	UACJ	UACJ	UACJ			UACJ	
	Thick Plates	UACJ	UACJ	UACJ		UACJ	UACJ	

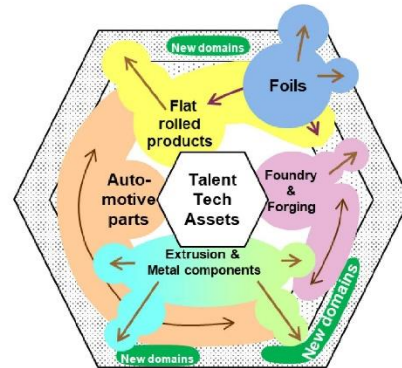
UEHEM: UACJ Elval Heat Exchanger Materials GmbH

UDSG: Shanghai UACJ Dongyangguang Aluminum Sales Corporation

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Collaboration creating synergies among businesses

Collaborative advantage of synergies among businesses



3

On page three, there is a section where the key areas of focus are mapped out in pink, and it appears that automotive panels are not highlighted in dark pink. Could you explain the rationale behind this? Is it because your company has already invested significantly in automotive panels and now sees it as an area that will continue at a steady pace without needing further focus?

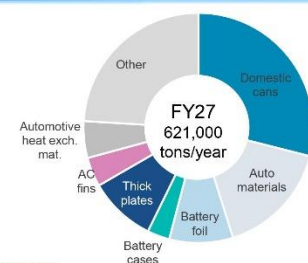
Fourth Mid-Term Management Plan: Sales Plan

Sales volume (domestic market)

(thousands of tons)



FY2027 sales breakdown by product type



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Area	Policy	Sales volume
Can stock	• Create added value by promoting recycling to stimulate demand for cans	➡
Foil	• Seek expanded sales in growing markets such as battery foil by strengthening relationships with manufacturers	↗
Automotive materials	Body panels	➡
	Heat exchangers	➡
Thick plates	• Review product mix, strengthen support for recycling	➡
Other general materials	• Expand sales to match semiconductor demand recovery and serve new energy transport applications	↗
	AC fin stock, etc.	➡

12

Additionally, on page 12, battery foils are highlighted with strong growth potential. Could you provide more details on the growth story and profitability of battery foils? That is my main question.

Tanaka [M]: Mr. Hashimoto, please respond.

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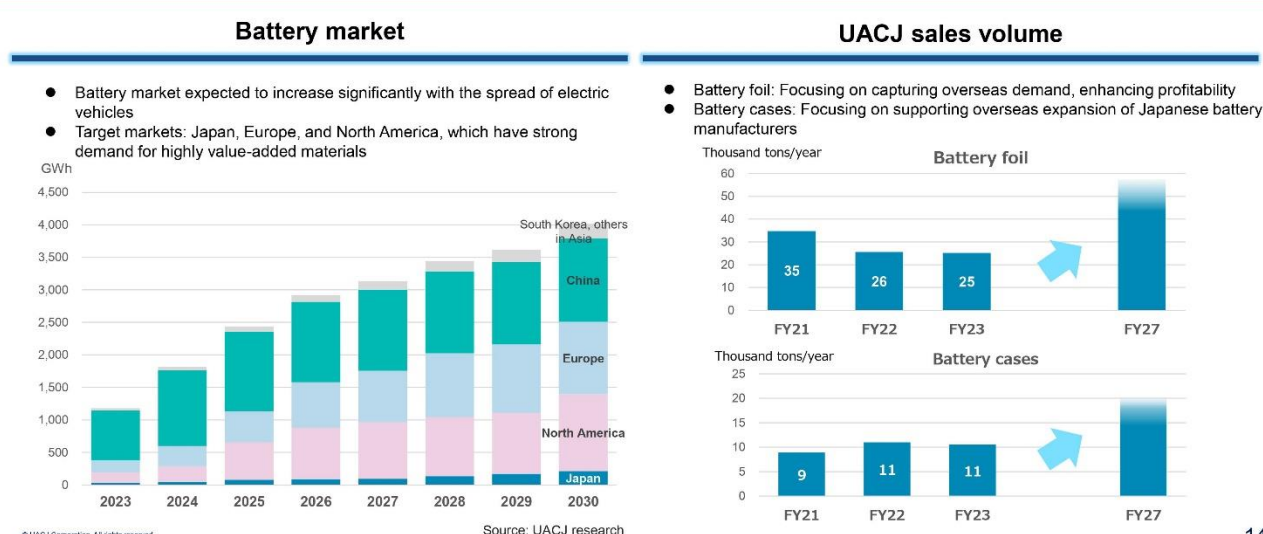
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Hashimoto [A]: Thank you for your question. First, regarding page three of my presentation materials. We indeed debated whether to highlight this in color. However, as this mid-term plan focuses on key areas for the fourth term, we chose to highlight areas requiring particular attention at this time. Fundamentally, automotive panels are steadily growing and will continue to do so. New components are also being introduced, making this still a key area.

While growth is expected to continue, it will do so at a steady pace during the mid-term plan period. This is why we did not highlight it in color, as you correctly understood. Regarding batteries, the growth outlook is very promising.

Trends in Segments with High Demand: Battery Foil, Battery Cases

Capturing growing battery demand, supporting manufacturers' overseas expansion



Turning to page 14 of the materials, the battery market's growth depends partly on how much battery-type vehicles increase, but the overall trend is upward. Batteries are also used in hybrids, so there is growth there as well. This steady upward trend is expected to continue.

Within the battery sector, there are foils and cases. The foils used inside batteries include current collector foils and pouches that enclose the batteries. Both require high quality. Not just any material can be used, and we have been highly regarded in this field. We expect significant growth here.

As for case materials, Japanese manufacturers are strong in this area, and case processing manufacturers are expanding overseas. We have started exporting to these overseas markets. During this mid-term plan period, we expect significant growth in demand for both battery foils and cases, as indicated in the materials, and we aim to capture this demand.

Shibata [Q]: Thank you. Regarding battery materials, I sometimes hear concerns about rivals quickly entering the market and making it difficult to maintain profitability. Are there measures in place to address this risk?

Hashimoto [A]: In our current operations, we have differentiated items from other companies, and we hear that these items continue to be highly regarded. We intend to maintain our focus on this sector and continue developing new innovations to sustain our differentiation.

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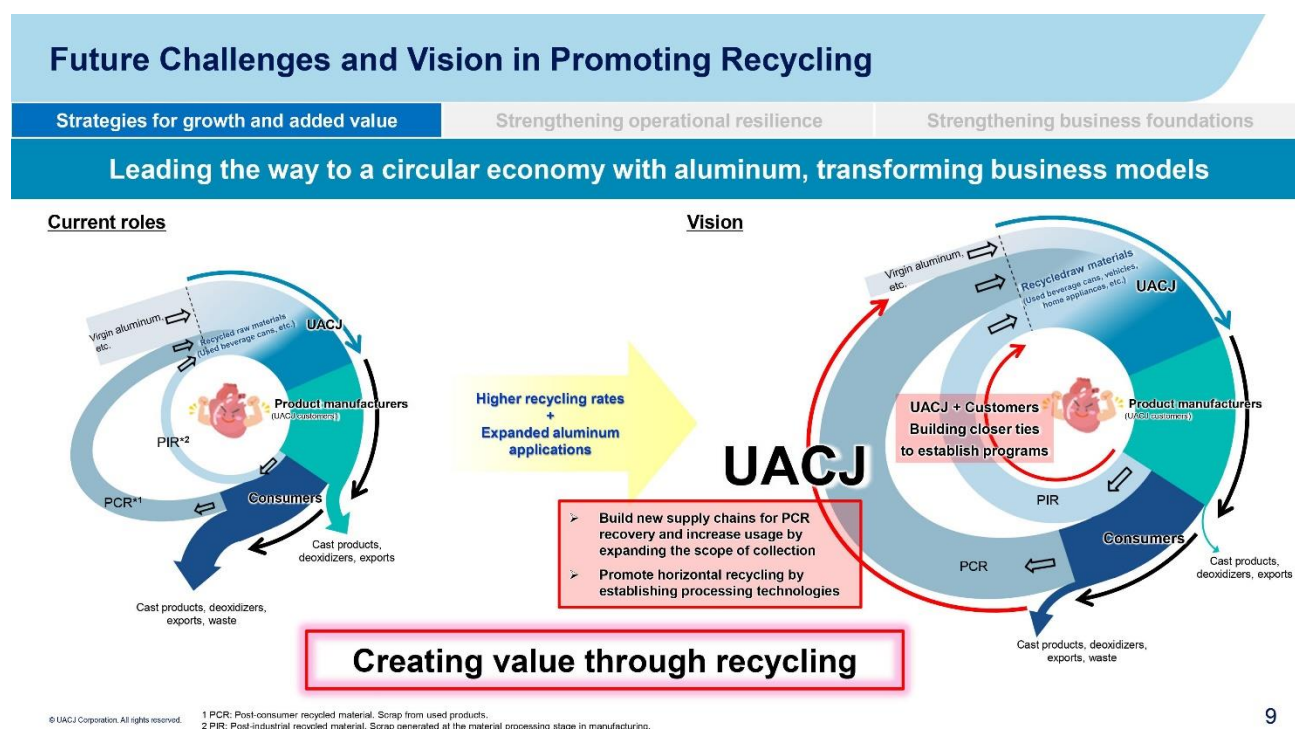
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Shibata [M]: Thank you. That's very clear.

Moderator [M]: Thank you for your questions, Mr. Shibata. Next, we have a question from Mr. Iba of SMBC Nikko Securities. Mr. Iba, please go ahead.

Iba [Q]: Thank you very much for today. My name is Iba. I have two questions. Thank you in advance.



9

First, regarding the illustration of a heart on page nine of President Tanaka's materials, which shows increasing the recycling rate. The illustration seems to indicate reducing exports to raise the recycling rate. However, there have also been discussions about increasing exports from Japan to Europe and the US and possibly increasing exports slightly. Naturally, increasing exports could make recycling more challenging. Could you explain your thoughts on this?

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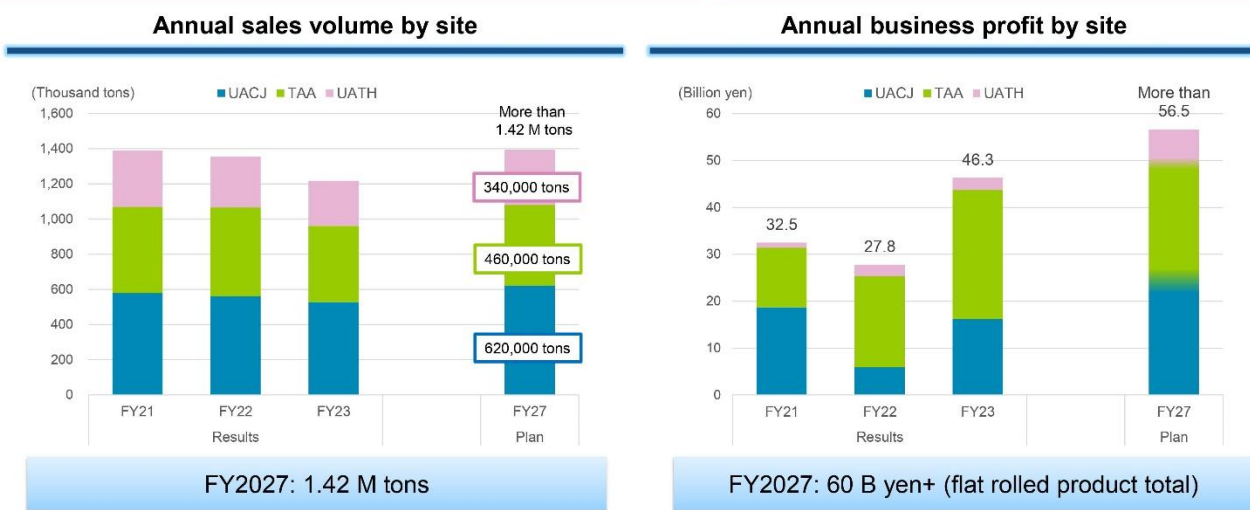
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Total Sales Volume and Business Profit for All Three Units

Amid firm demand, we are pursuing higher sales volume and business profit at our three units in flat rolled products business



9

The second question is about the illustration on page nine of Mr. Hashimoto's materials. On the right side, it shows a significant increase in UACJ non-consolidated profits from the previous year's results to the target for FY2027 in the mid-term plan. Is this increase primarily due to the growth in thick foil, or does it also include contributions from can materials and automotive materials? Could you provide more details on this? These are my two questions. Thank you.

Tanaka [A]: Thank you for your questions. First, regarding increasing the recycling rate, our fundamental approach to recycling is based on local production for local consumption. The idea is to recycle within the area where the materials are produced. If we increase exports, the materials will obviously go overseas. For those exported materials, we aim to recycle the scrap locally in the destination country.

For materials consumed domestically, we recycle domestically. For materials produced and circulated in Thailand, they are recycled within the Asia region. In North America, materials are recycled within North America. The basic principle is local production and recycling within the area. Exported materials are considered part of the recycling cycle in the destination area.

For the second question, Mr. Hashimoto will respond.

Hashimoto [A]: Regarding the first question about the increase in exports, particularly in sheet materials, since UATH was established, most exports from Japan have been transferred to Thailand. Therefore, the current volume of exports from Japan is quite low. However, we aim to maintain a certain volume, especially in areas with strong demand. For instance, we have started increasing exports slightly to Europe. Even with this slight increase, it remains a small part of the overall picture, so please understand it in this context.

Regarding the second question, this refers to page 12. As I explained, the growth rates for each business sector during this mid-term plan are summarized on subsequent pages. Generally, as indicated, the main growth areas include battery foil and thick plate. Additionally, automotive body panels and heat exchanger fins will see growth.

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While some areas will grow significantly, others may remain stable, but this provides a specific idea of the expected growth.

Iba [M]: Thank you.

Tanaka [M]: Excuse me, this is Tanaka. Mr. Iba, were you asking about the exports shown in the recycling loop illustration?

Iba [M]: Yes, because the thickness of the export line has decreased.

Tanaka [M]: I see, you are referring to the export line at the bottom.

Iba [M]: Yes, that's right.

Tanaka [A]: I apologize for misunderstanding your question earlier. This illustration indicates that we aim to reduce the amount of scrap exported overseas and complete the recycling process domestically. My earlier response was about exports in the form of cans, which might have been off-target for your question.

Iba [Q]: By reducing exports, are you planning to buy back materials at a higher price, or is that not considered?

Tanaka [A]: At this stage, it is not about the price. The basic principle is to recycle domestic materials domestically.

Moderator [M]: Thank you for your questions. Mr. Goroh from UBS participating via Zoom, please go ahead with your question if you have one.

Goroh [M]: Excuse me, this is Goroh from UBS. If no one else has questions, may I ask an additional one? Thank you.

Moderator [M]: Please go ahead.

Goroh [Q]: A significant topic in the mid-term plan is the increase in dividend payout ratio. In the first year, due to foreign exchange losses and other non-operating items, net profit levels are not very high, so the increase in dividends appears small. Last year, you announced that dividends would be based on business profit, unaffected by inventory valuation. Given the projected net profit of JPY30 billion in the final year of the mid-term plan, could you explain the level of DPS expected if a 30% payout ratio is applied in the absence of inventory valuation fluctuations? What level are you aiming for? Thank you.

Tanaka [M]: Regarding the dividend payout ratio, Kawashima will respond.

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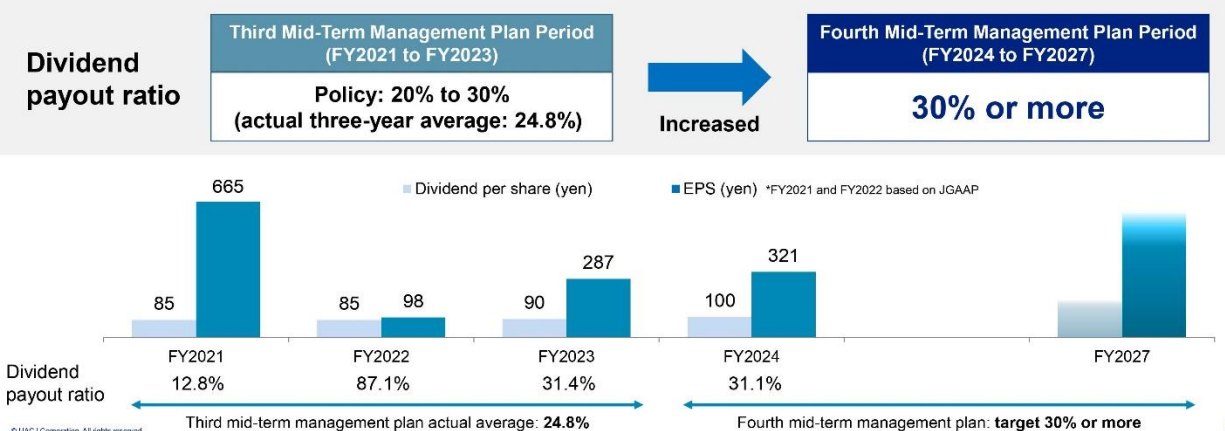


3-2. Shareholder Return Policy

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



8

Kawashima [A]: This is Kawashima. As mentioned, for a net profit of JPY30 billion, we intend to allocate over 30% as dividend resources. Consequently, the dividends per share would be calculated from this amount. The impact of inventory fluctuations is uncertain, but we base our calculations on net profit, which includes accounting profits and consolidated earnings. Our goal is to return these to our shareholders.

Given that aluminum prices have stabilized around USD2,200 over the past two years and have recently increased to USD2,400 to USD2,500, we do not anticipate major fluctuations. This stability allows us to ensure a stable dividend payout based on consistent final profits. We aim to maintain and possibly increase dividends, aligning with business profits as mentioned earlier.

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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%



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Ensuring net profit and applying a payout ratio of 30% or more, we also consider TSR and factors like P/B ratio and equity spread as well as various other factors. We aim to enhance our corporate value and market evaluation through these comprehensive efforts.

Goroh [M]: Thank you very much.

Moderator [M]: Thank you for your questions. We are running out of time, so we will take one final question. Mr. Shirakawa from Morgan Stanley MUFG Securities, please go ahead.

Shirakawa [Q]: Sorry for the time, but may I ask one more question about Whitehall?

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Analysis of Business Profit (FY2023 Results → FY2027 Forecast)



14

On page 14 of the presentation materials, the improvement in quantity mix shows a significant profit increase of USD26.6 million. Could you explain the likelihood of this increase, given that previous growth plans didn't achieve such results?

Additionally, the sales price does not seem to contribute much to the profit increase. I expected that securing margins in new contracts would drive profit increases, so could you explain this aspect as well? Thank you.

Tanaka [M]: Thank you. Regarding Whitehall, David will respond.

Cooper [A]*: Thank you. The majority of the contribution comes from volume. Over the past few years, we have added a lot of capacity, such as fixed assets, plants, and press lines. Therefore, the increase in fixed costs is minimal, and we can achieve sales growth with limited additional investment.

We can also secure margins. Even if prices remain the same, as long as we cover overheads, the contribution from sales growth is significant. The contribution margin is better now compared to when equipment utilization was lower.

For this mid-term plan, the projected sales are USD377 million compared to the current USD80 million. The fixed costs associated with this increase are minimal, meaning most of the growth is in variable costs, leading to high profit margins. There is also some mix effect. Previously, we focused more on sunroofs, but as quantities increase, the contribution margin improves, which explains the situation.

Tanaka [M]: Is that clear? Thank you.

Moderator [M]: Thank you for your questions. This concludes our session. For further inquiries, please contact our IR department.

This concludes UACJ Corporation's IR Day. We will continue striving to meet the expectations of our shareholders and stakeholders. Thank you for your continued support and encouragement.

Thank you for taking the time to join us today.

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