UACJ Corporation

Q1 Financial Results Briefing for the Fiscal Year Ending March 2025

August 6, 2024

Event Summary

[Company Name]	UACJ Corporation	
[Company ID]	5741-QCODE	
[Event Language]	JPN	
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[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2025	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	5	
	Shinji Tanaka	Representative Director, President
	Teruo Kawashima	Director, Executive Vice President
	Joji Kumamoto	Director, Managing Executive Officer
	Kouzo Okada	Chief Executive, Finance and Accounting Division Executive Officer
	Kaoru Ueda	General Manager, IR, Finance Department
[Analyst Names]*	Atsushi Yamaguchi	SMBC Nikko Securities
	Yu Shirakawa	Morgan Stanley MUFG Securities
	Yuji Matsumoto	Nomura Securities
	Shinichiro Ozaki	Daiwa Securities
	Harunobu Goroh	UBS Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Ueda: Thank you for waiting. Thank you very much for taking time out of your busy schedule today to participate in the financial results meeting for UACJ Corporation for Q1 of FY2024.

Today's presentation will be given using the explanatory materials available on the UACJ website. If you do not have the materials at hand, please visit our website. Please be aware that although this presentation may provide information that includes forward-looking statements, such information is only our current forecast. Actual results may differ significantly from these forward-looking statements due to various factors.

Let me now introduce our company's attendees today.

Shinji Tanaka, President and Representative Director.

Tanaka: Hello. Thank you.

Ueda: Teruo Kawashima, Executive Vice President and Director.

Kawashima: Hello. Thank you.

Ueda: Joji Kumamoto, Director and Managing Executive Officer.

Kumamoto: Hello. Thank you.

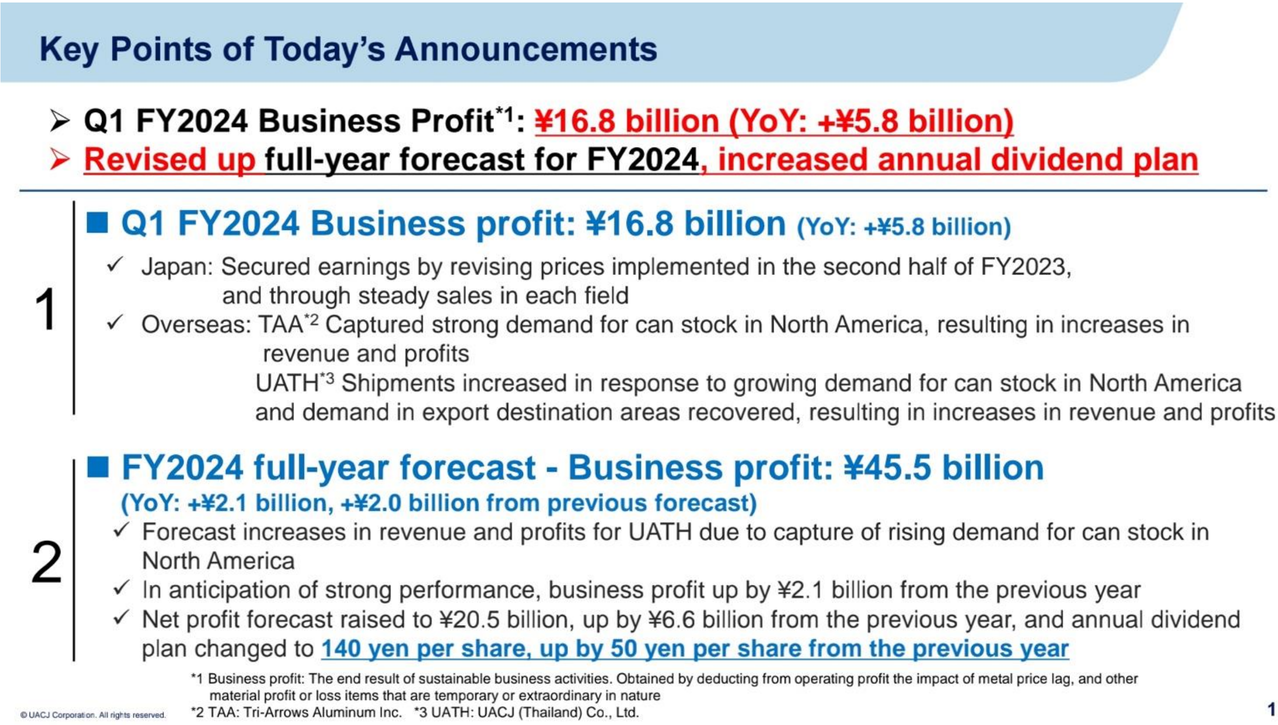
Ueda: Kouzo Okada, Executive Officer, Finance and Accounting.

Okada: Hello. Thank you.

Ueda: I am Kaoru Ueda, General Manager, Investor Relations and Finance. I will be the moderator today. Thank you.

Mr. Okada will now present Q1 results for FY2024 that we announced today. We will present in line with the presentation materials. Mr. Okada, over to you.

Okada: Thank you. I will now give a presentation based on the financial results presentation materials. The page number is indicated in the lower right corner. I will proceed with an explanation based on that.



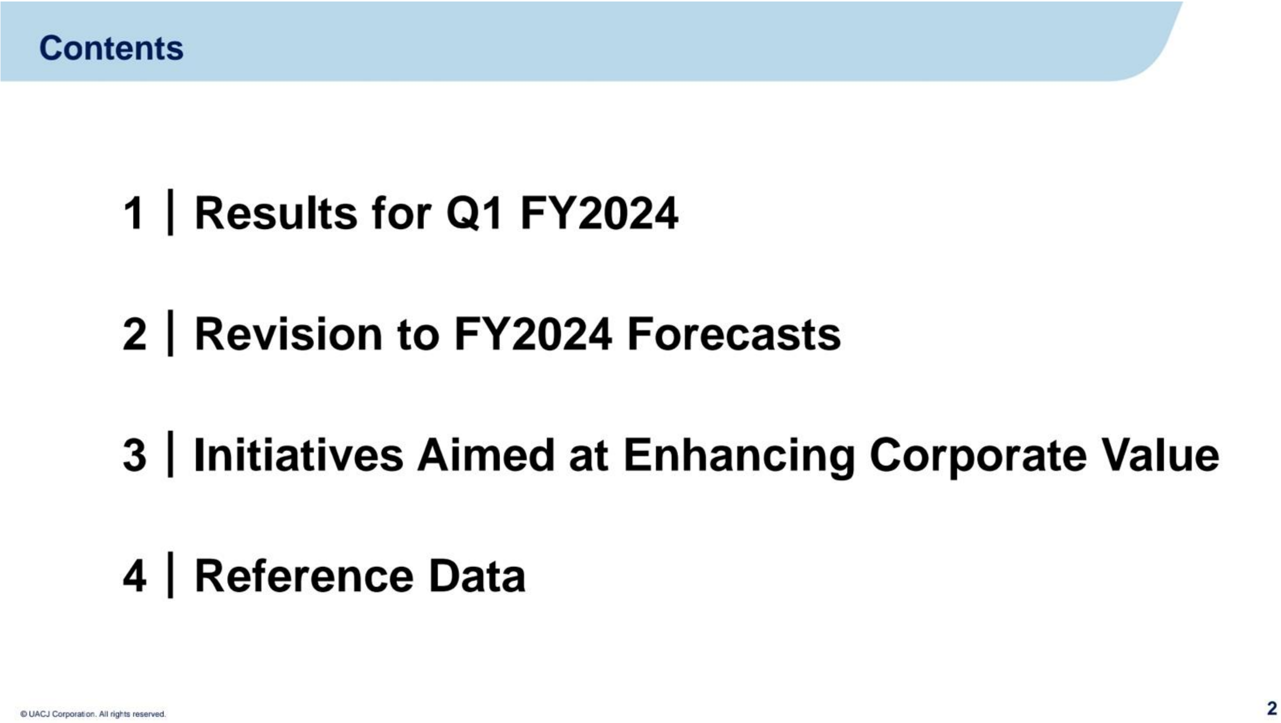
Page one is a summary of today's presentation.

First, business profit for Q1 was JPY16.8 billion, a YoY increase of JPY5.8 billion. Second, we have revised upward our full-year forecast for FY2024 and increased our annual dividend plan.

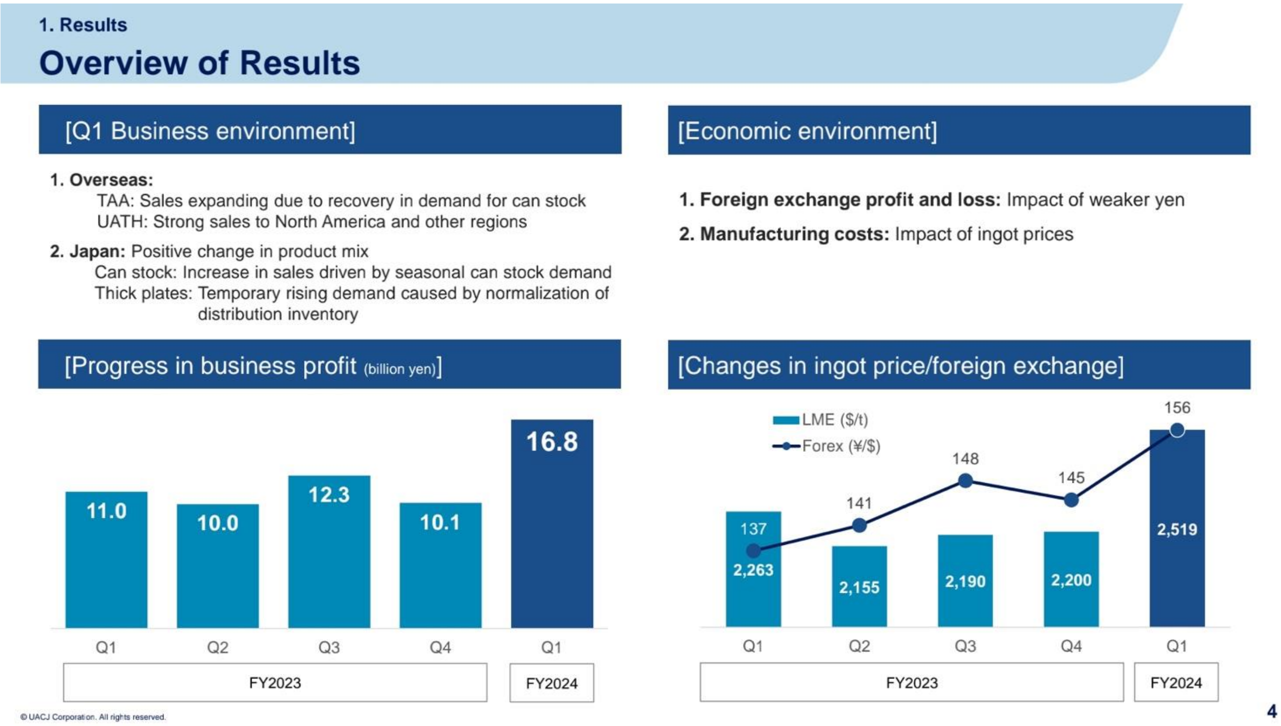
Now for the key points of Q1 results. First, in Japan, we secured earnings thanks to the effect of price revisions from H2 of FY2023 and steady sales in various fields. Overseas, both sales and income increased due to strong demand for can materials in TAA. At UATH, both sales and income increased due to shipments responding to growing demand for can materials in North America and a recovery in demand in export destination areas.

Second, the full-year forecast for business income for FY2024 is JPY45.5 billion, an increase of JPY2.1 billion from the previous year. We plan to increase sales and profits at UATH through shipments in response to growing demand for can materials in North America. We expect business performance to remain strong, and plan to increase business profit YoY by JPY2.1 billion.

We forecast that final profit will be JPY20.5 billion, an increase of JPY6.6 billion from the previous year. The annual dividend will be changed to JPY140 per share, an increase of JPY50 from the previous year.



I will now continue my presentation in line with the slides.



This is a summary of Q1 results.

In Q1 business environment, sales expanded due to a recovery in demand for overseas TAA and can materials. For UATH, sales to North America and other regions were strong. In Japan, the main factor is a favorable turnaround in the product mix. Sales of can materials increased due to the demand season, and demand for thick plates temporarily increased due to the optimization of distribution inventories.

On the right side, the economic environment includes foreign exchange gains and losses, improved gains and losses due to the weaker yen, and positive factors in manufacturing costs due to the impact of bullion prices.

In the lower left-hand corner, you can see the business profit of JPY16.8 billion per quarter, which is the change from Q1 of last fiscal year. In the lower right-hand corner, the LME bar chart of USD2,519 is the actual average for one quarter. The actual exchange rate was JPY156.

1. Results

Results for Q1 FY2024

(Billions of yen)	Q1 FY2023 (A)	Q1 FY2024 (B)	Change (B)−(A)
Revenue	211.1	**247.6**	36.5
Business profit	11.0	**16.8**	5.8
Metal price lag, etc.	(2.8)	**5.1**	**7.9**
Operating profit	8.2	**21.9**	13.7
Profit (loss) attributable to owners of parent	2.9	**14.7**	11.7
Net profit (loss) per share (yen/share)	61	**304**	243
(Reference) Profit (loss) attributable to owners of parent based on business profit	5.2	**10.4**	5.2
(Reference) Net profit (loss) per share based on business profit (yen/share)	108	**215**	107
Adjusted EBITDA[*1]	20.0	**26.2**	6.2

*1 Adjusted EBITDA: EBITDA − Metal price lag

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Page five shows the business performance.

Revenues were JPY247.6 billion, a YoY increase of JPY36.5 billion. Business profit was JPY16.8 billion, a YoY increase of JPY5.8 billion. Inventory impact was JPY5.1 billion, a YoY improvement of JPY7.9 billion.

Operating income was JPY21.9 billion, up JPY13.7 billion YoY. Final income, or net income, was JPY14.7 billion, a YoY increase of JPY11.7 billion.

The main reason for the JPY36.5 billion increase in sales is the roughly JPY4.5 billion in higher bullion prices. The increase in sales volume resulted in an increase of approximately JPY18 billion. The impact of foreign currency conversion resulted in sales of approximately JPY14 billion for Q1.

1. Results

Sales Volume, Flat-rolled Products

(Thousands of tons)

	Q1 FY2023 (A)	Q1 FY2024 (B)	Change (B)−(A)
Can stock*1	187	**208**	21
Foil	11	**11**	0
IT	1	**2**	1
Automotive materials	33	**35**	2
Thick plates	7	**10**	3
Other general-purpose materials	40	**48**	8
Total	280 For Japanese market 116 For overseas market 164	**315** For Japanese market 130 For overseas market 185	35 For Japanese market 14 For overseas market 21

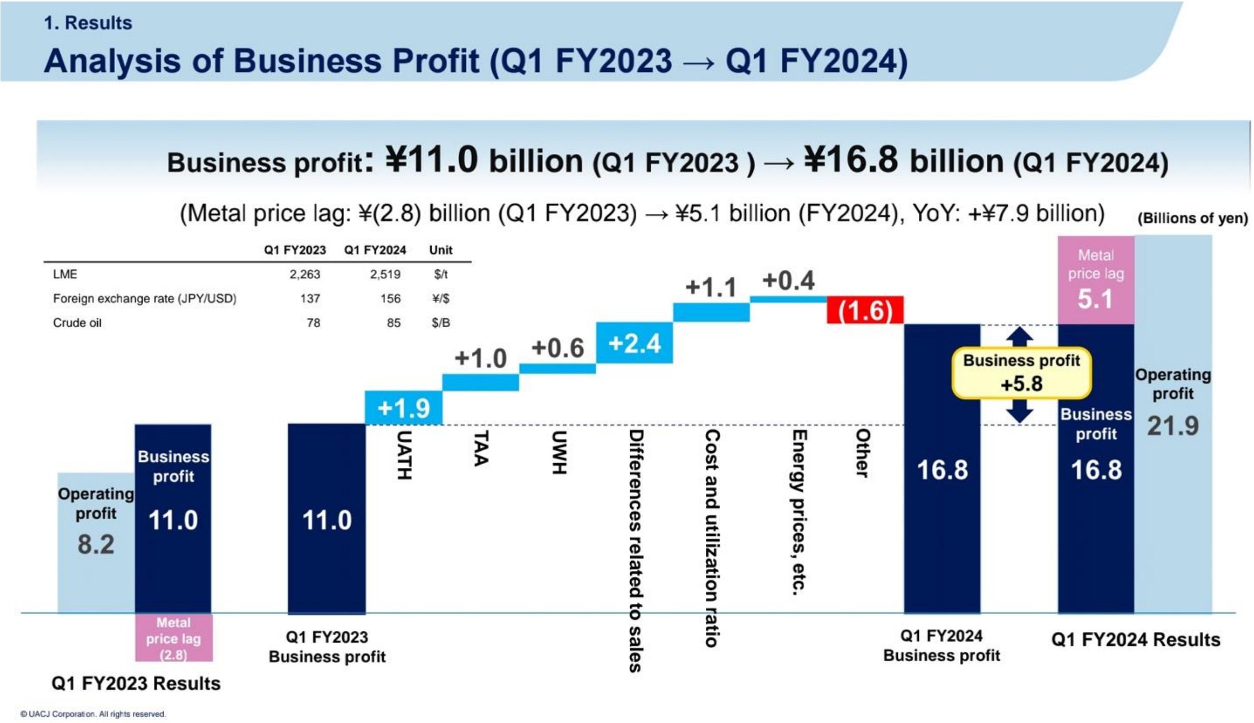
*1 Sales volume after eliminating internal transactions

Page six shows sales volume of aluminum sheet by product type.

The actual sales for Q1 totaled 315,000 tons, a YoY increase of 35,000 tons.

The major growth area is can materials. This was the result of strong TAA and UATH sales in North America and other regions.

For the second item from the bottom, thick plates, demand has temporarily increased due to the optimization of distribution inventories.



	Q1 FY2023	Q1 FY2024	Unit
LME	2,263	2,519	$/t
Foreign exchange rate (JPY/USD)	137	156	¥/$
Crude oil	78	85	$/B

Page seven shows a waterfall for the business profit analysis.

The business profit for the last fiscal year was JPY11 billion, and the business profit for Q1 of FY2024 is JPY16.8 billion. This waterfall chart shows a breakdown of that.

From the left, UATH and TAA increased by JPY2.9 billion in total due to the effect of increased sales volume. UWH increased by JPY600 million. The effects of cost reductions and other measures have continued to increase profits since H2 of last year. Regarding the sales-related difference, cost and capacity utilization difference, we were able to improve by JPY3.5 billion by increasing sales volume, improving capacity utilization, improving costs, and other factors.

The other item of minus JPY1.6 billion is the result of inventory unrealized profit adjustment. The final result was a business profit of JPY16.8 billion.

1. Results

Consolidated Balance Sheet

Enhancing equity through net profit derived from capturing North America can stock demand

Consolidated Balance Sheet

(Billions of yen)	Mar. 31, 2024 (A)	Jun. 30, 2024 (B)	Change (B)－(A)
Cash and cash equivalents	40.2	33.0	(7.2)
Trade and other receivables	179.7	204.7	25.0
Inventories	187.9	211.7	23.8
Other current assets	23.4	27.1	3.7
Property, plant and equipment	385.2	394.7	9.5
Other non-current assets	98.0	99.8	1.8
Total assets	914.4	971.0	56.6
Trade and other payables	141.7	153.0	11.4
Borrowings	310.9	320.9	10.0
Other	159.8	166.1	6.3
Total equity attributable to owners of parent	277.0	303.0	25.9
Non-controlling interests	25.0	28.1	3.1
Total liabilities and equity	914.4	971.0	56.6

Application of Funds Statement

	Application of funds		Sources of funds	
Long-term funds	Capital expenditures	9.9	Profit (loss) before tax	20.8
	Payment of income taxes	2.0	Depreciation and amortization	9.4
	Surplus of long-term funds	18.3		
Short-term funds	Change in working capital	32.3		
			Shortage of short-term funds	32.3

Surplus of long-term funds ¥18.3 billion
Shortage of short-term funds ¥(32.3) billion

Free cash flow ¥(14.0) billion

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Next, page eight, the balance sheet.

Total assets amounted to JPY971 billion, an increase of JPY56.6 billion from the end of March 2024. The main factors were, first of all, foreign currency translation effects, which led to an overall increase of approximately JPY30 billion. In addition, an increase in working capital due to higher sales volume and other factors resulted in a final increase of JPY56.6 billion.

1. Results

Consolidated Cash Flow Statement

Maintaining D/E ratio at FY2024 target of 1.0x

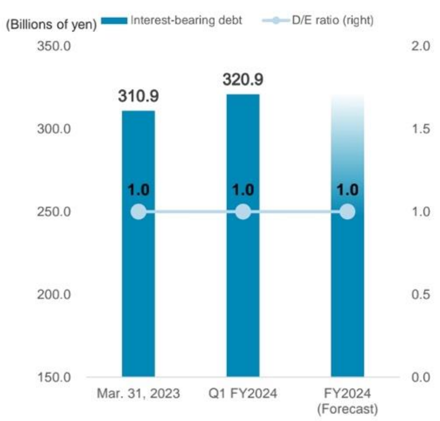
Consolidated Cash Flows in FY2024

(Billions of yen)

Profit (loss) before tax	20.8
Depreciation and amortization	9.4
Change in payables/receivables, etc.	(34.3)
Cash flows from operations	**(4.1)**
Capital expenditures	(9.9)
Free cash flow	**(14.0)**
Financing schemes, dividends, etc.	2.2
Decrease (increase) in cash and deposits	7.2
Conversion losses (gains) on foreign currency-denominated borrowings	(5.5)
Interest-bearing debt (increase)	**(10.0)**

Consolidated Cash Flows

Interest-Bearing Debt, D/E Ratio*



* D/E ratio: Factoring in subordinated loan

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Page nine shows consolidated cash flows.

As shown on the left, income before income taxes was JPY20.8 billion and depreciation and amortization was JPY9.4 billion, generating a total of JPY30.2 billion in cash. From this, we used JPY34.3 billion for changes in receivables, payables, and other items, resulting in a negative operating cash flow of JPY4.1 billion.

Toward this end, we generated JPY2.2 billion in cash through financing schemes, dividends, reversal of cash and cash equivalents, and so on, and generated JPY7.2 billion in cash, but with a figure of JPY5.5 billion due to the yen conversion of foreign currency denominated loans, we saw an increase in interest-bearing debt of JPY10 billion.

The bar graph on the right side shows the change in the balance of interest-bearing debt. In the middle are the results for Q1 of FY2024. The D/E ratio was JPY277 billion at the end of March, from which retained earnings of JPY12.5 billion in Q1 and foreign currency translation adjustments increased by JPY13.6 billion, resulting in an equity capital of JPY303 billion. Although the D/E ratio was less than 1, it is shown as 1.0 in the graph due to rounding.

We expect the figure to continue to be less than one at the end of FY2024.

1. Results

Capital Investment and Depreciation and Amortization

Capital investment will be held firmly within the range of depreciation

(Billions of yen)		Q1 FY2024 Results	FY2024 Forecast	FY2021-2023 Results	FY2024-2027 Plan
Capital investment	General investment	3.5	16.0	55.6	82.0
	Strategic investment	2.4	20.5	24.7	78.0
	Total	5.9	36.5	80.3	160.0
Depreciation and amortization		9.4	36.5	101.8	160.0

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Next, page 10 covers capital expenditures, cost and amortization.

The actual capital investment for Q1 was JPY3.5 billion for general investment and JPY2.4 billion for strategic investment, for a total of JPY5.9 billion. The full-year forecast is JPY36.5 billion. We have not reviewed this forecast at this point, and we are generally making steady progress.

1. Results

Situation in Thailand (UATH)

Shipments resumed in response to recovery in North American can stock demand, leading to increases in revenue and profits

Overview

Demand : Global can stock demand is recovering

Sales : [North America]
Shipments of products resumed in response to recovery in can stock demand
[ASEAN and other regions]
- Worked to win new customers, expanded sales area
- In response to competition from Chinese materials, negotiated contracts based on our strengths of stable supply and high quality

Profit : Secured earnings through recovery in sales volume

(Billions of yen)

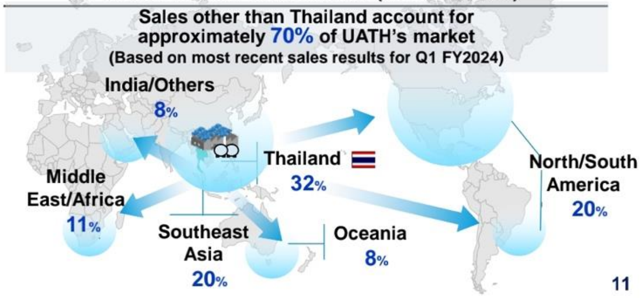
	Q1 FY2023 (Apr.-Jun.)	Q1 FY2024 (Apr.-Jun.)	YoY
Sales volume (Thousands of tons)*	6.2	7.2	1.0
Revenue	34.0	45.3	11.3
Operating profit	(1.4)	5.2	6.6
Business profit	0	1.9	1.9

*Includes shipments to TAA

*Refer to p.28 for performance since FY2023.

Changes in business profit (billion yen)

Sales Ratio in Sales Areas (25 Countries)



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Page 11 covers the situation in Thailand.

We have resumed shipments in response to the recovery in demand for can materials in North America. As a result, both sales and income increased due to increased sales in other areas as well. As mentioned in the summary, global demand for can materials has recovered. As I mentioned earlier, product shipments to North America have resumed. In ASEAN and other regions, we are also developing new customers and expanding sales development areas.

The table on the lower left shows the sales volume and profit/loss for Q1, which was 72,000 tons, a YoY increase of 10,000 tons. Sales revenue was JPY45.3 billion, a YoY increase of JPY11.3 billion. Operating income was JPY5.2 billion, a YoY increase of JPY6.6 billion. Business profit was JPY1.9 billion, a YoY increase of JPY1.9 billion.

The upper bar graph on the right side shows the change in business profit since Q1 of the previous fiscal year. UATH business profits have been steadily increasing.

1. Results

Situation in United States (TAA)

Demand in can stock supply chain as a whole expanding, sales volume continues to recover, leading to increase in revenue and profits

Overview

Demand : • No change in long-term trend of rising demand for can stock in North America
• Recently we have been seeing restocking demand throughout the supply chain

Production : • Production continuing at high levels
• Capacity expansion is making satisfactory progress

Sales : Sales volume increased by 11 thousand tons

(Billions of yen)

	Q1 FY2023 (Apr.-Jun.)	Q1 FY2024 (Apr.-Jun.)	YoY
Sales volume (Thousands of tons)*	9.8	10.9	1.1
Revenue	57.0	71.3	14.3
Operating profit	6.6	10.7	4.1
Business profit	7.3	8.3	1.0

*Refer to p.28 for performance since FY2023.

Changes in business profit (billion yen)

Changes in US Can Stock Demand

Source: Research by UACJ

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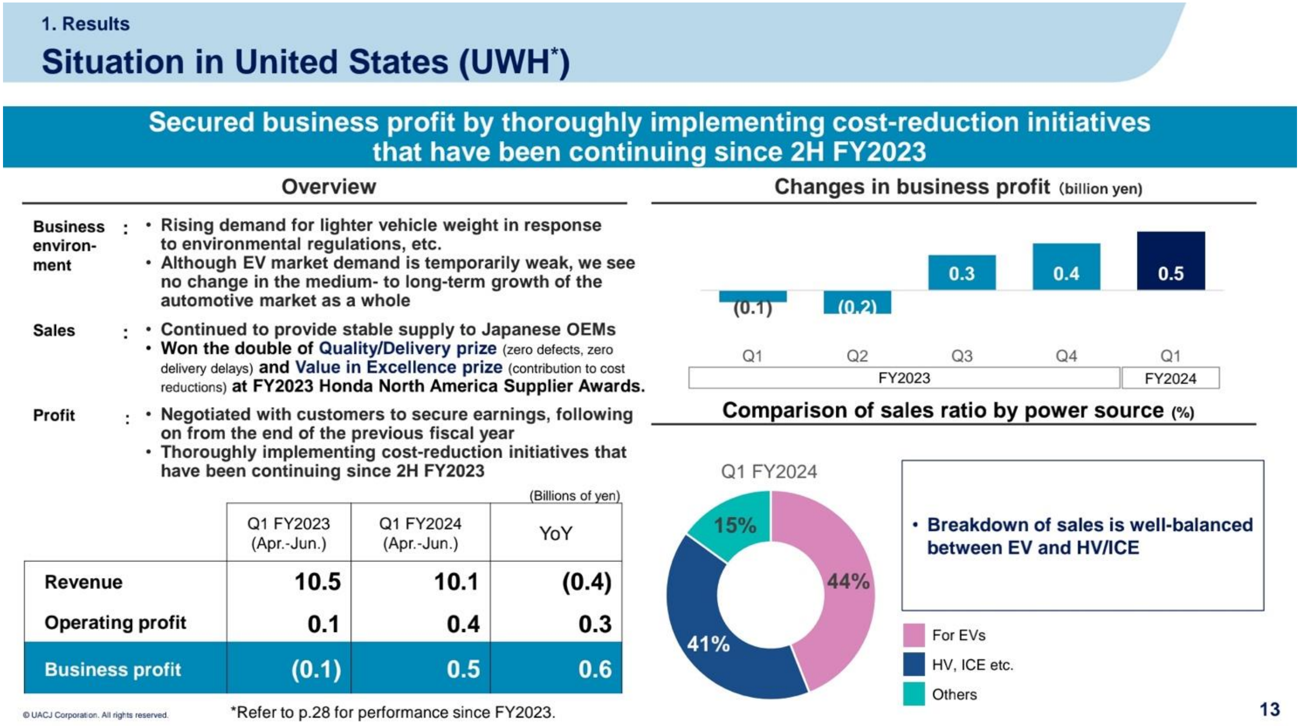
Page 12 covers TAA status.

Demand expanded throughout the can material supply chain and sales volume continued to recover, resulting in higher sales and profits. As for demand, the long-term trend of expanding demand for can materials in North America remains unchanged, and the entire supply chain is currently experiencing restocking demand. Production continues at a high level, and the expansion of facilities is progressing steadily.

Please see below for sales. Sales volume was 109,000 tons, up 11,000 tons YoY. Sales revenue was JPY71.3 billion, up JPY14.3 billion YoY. Operating income was JPY10.7 billion, up JPY4.1 billion YoY. Business income was JPY8.3 billion, up JPY1 billion YoY. As you can see on the right side of the graph, business profit for Q1 was JPY8.3 billion. Business profit has been growing considerably.



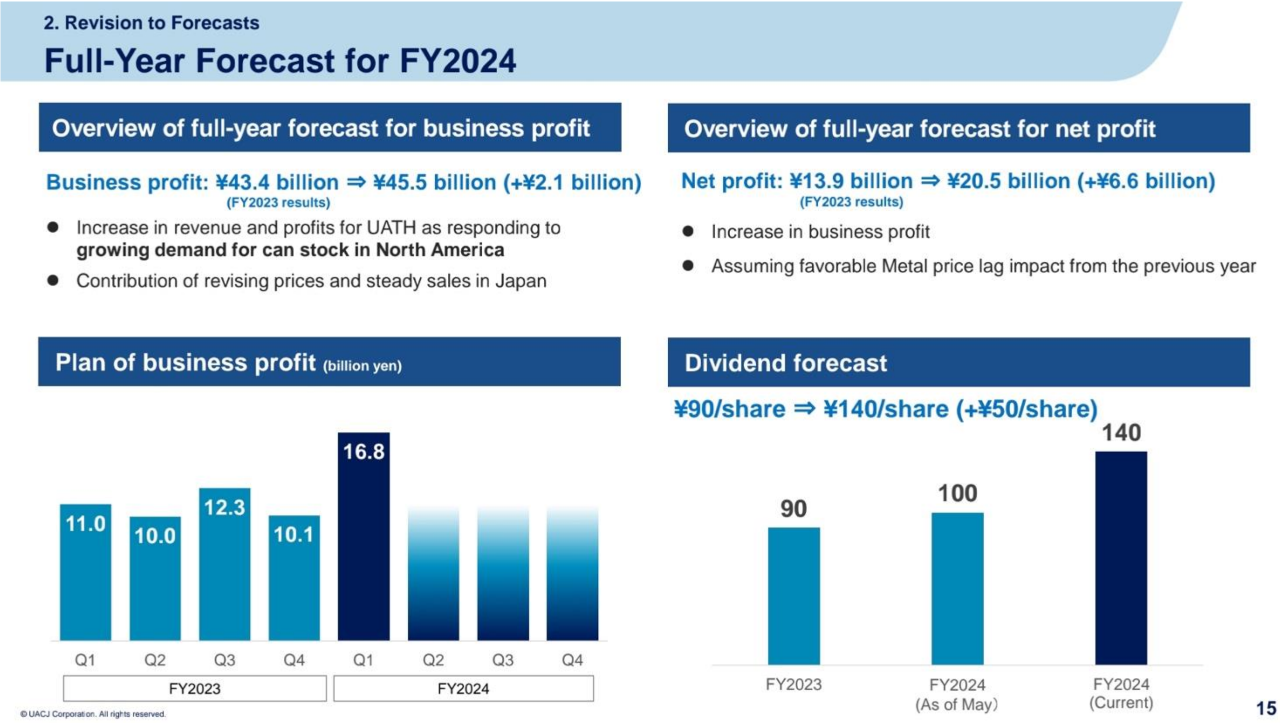
Page 13, UWH status.

In the business environment, there is a growing need for lighter car bodies due to environmental regulations and other factors. Although demand in the EV market is temporarily weak, we expect no change in the medium- to long-term growth of the overall automobile market.

On the sales front, stable sales to Japanese OEMs continue. We received double awards for Quality/Delivery and Value in Excellence at the 2023 Honda North America Supplier Awards.

As for profit and loss, the lower left graph shows net sales of JPY10.1 billion, down JPY0.4 billion YoY. Operating income was up JPY300 million YoY, and business profit was up JPY600 million, showing that we have steadily implemented cost reduction measures since H2 of last year and secured business profit. The upper right-hand corner shows the trend of business profit, which has been steadily increasing since Q3 of the last fiscal year.

The pie chart on the lower right shows sales broken down by the power of the vehicle models for which UWH has received orders. 44% of the sales in pink are related to components for EV vehicles, and 41% in blue are for HV/ICE and other items on order. We believe that the ratio of these sales is now in a good balance.



This is the revised forecast for FY2024.

A summary of the full-year forecast is provided on page 15.

The forecast of business profit for the full year is JPY45.5 billion, up from JPY43.4 billion in the previous year. We are forecasting an increase of JPY2.1 billion. Both sales and income increased at UATH, mainly in response to growing demand for can materials in North America, while the effect of domestic sales price revisions and steady sales contributed to the increase in sales and income.

This is an overview of the forecast of final profit for the full year. We expect a YoY increase of JPY6.6 billion, from JPY13.9 billion in the previous fiscal year to JPY20.5 billion this year. The main factors are expected to be an increase in business profit and a favorable turnaround in inventory effects from the previous year.

As a result, we plan to pay a dividend of JPY140 per share for the current fiscal year, an increase of JPY50 from the previous fiscal year, up from JPY90 per share in the previous fiscal year.

2. Revision to Forecasts

Full-Year Forecast for FY2024

(Billions of yen)	FY2023 Results (A)	Current Forecast (B)	Change (B) - (A)	As of May 2024 Forecast (C)	Change (B) - (C)
Revenue	892.8	930.0	37.2	900.0	30.0
Business profit	43.4	45.5	2.1	43.5	2.0
Metal price lag, etc.	(12.0)	1.0	13.0	(2.0)	3.0
Operating profit	31.4	46.5	15.1	41.5	5.0
Profit (loss) attributable to owners of parent	13.9	20.5	6.6	15.5	5.0
Net profit (loss) per share (yen/share)	287	425	138	321	104
(Reference) Profit (loss) attributable to owners of parent based on business profit	22.1	19.8	(2.3)	16.9	2.9
(Reference) Net profit (loss) per share based on business profit (yen/share)	458	411	(47)	350	61
Adjusted EBITDA	79.8	82.0	2.2	80.0	2.0
Annual dividends	90 yen/share	140 yen/share	50 yen/share	100 yen/share	40 yen/share

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Page 16, full-year forecasts.

Forecast sales revenue is JPY930 billion, a YoY increase of JPY37.2 billion. Forecast business profit is JPY45.5 billion, a YoY increase of JPY2.1 billion. Forecast inventory impact is JPY1 billion, a JPY13 billion improvement from the same period last year. Forecast operating income is JPY46.5 billion, a JPY15.1 billion increase YoY. Forecast final income is JPY20.5 billion, up JPY6.6 billion YoY. Adjusted EBITDA is planned to be JPY82 billion, an increase of JPY2.2 billion YoY.

2. Revision to Forecasts

Sales Volume, Flat-rolled Products

(Thousands of tons)

	FY2023 Results (A)	Current Forecast (B)	Change (B) - (A)	As of May 2024 (C)	Change (B) - (C)
Can stock*	791	854	63	836	18
Foil	45	45	0	54	(9)
IT	8	10	2	10	0
Automotive materials	142	139	(3)	144	(5)
Thick plates	34	38	4	41	(3)
Other general-purpose materials	175	175	0	182	(7)
Total	1,195 For Japanese market 475 For overseas market 720	1,262 For Japanese market 485 For overseas market 777	67 For Japanese market 10 For overseas market 57	1,267 For Japanese market 502 For overseas market 765	(5) For Japanese market (17) For overseas market 12

*1 Sales volume after eliminating internal transactions

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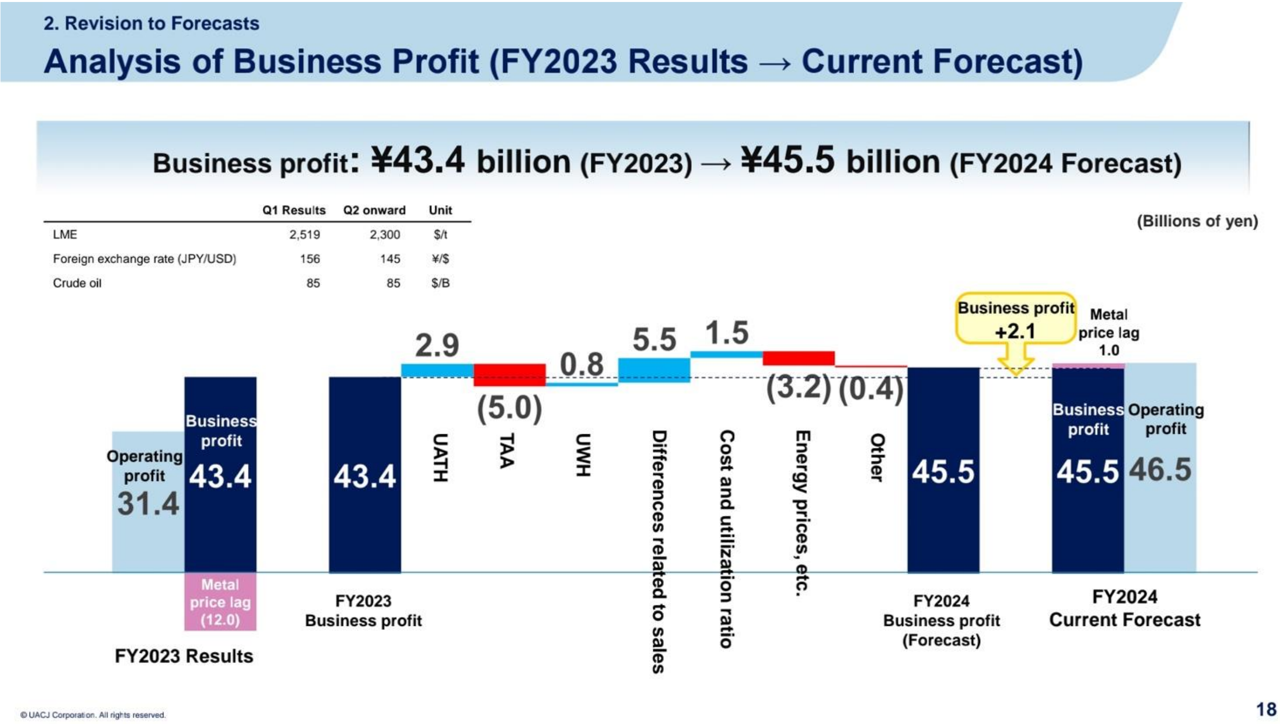
Page 17 shows the forecast for sales of aluminum sheet.

The red box on the right side of the graph shows our annual sales plan of 1,262,000 tons, a YoY increase of 67,000 tons. In particular, demand for can materials is expected to grow significantly to 63,000 tons.



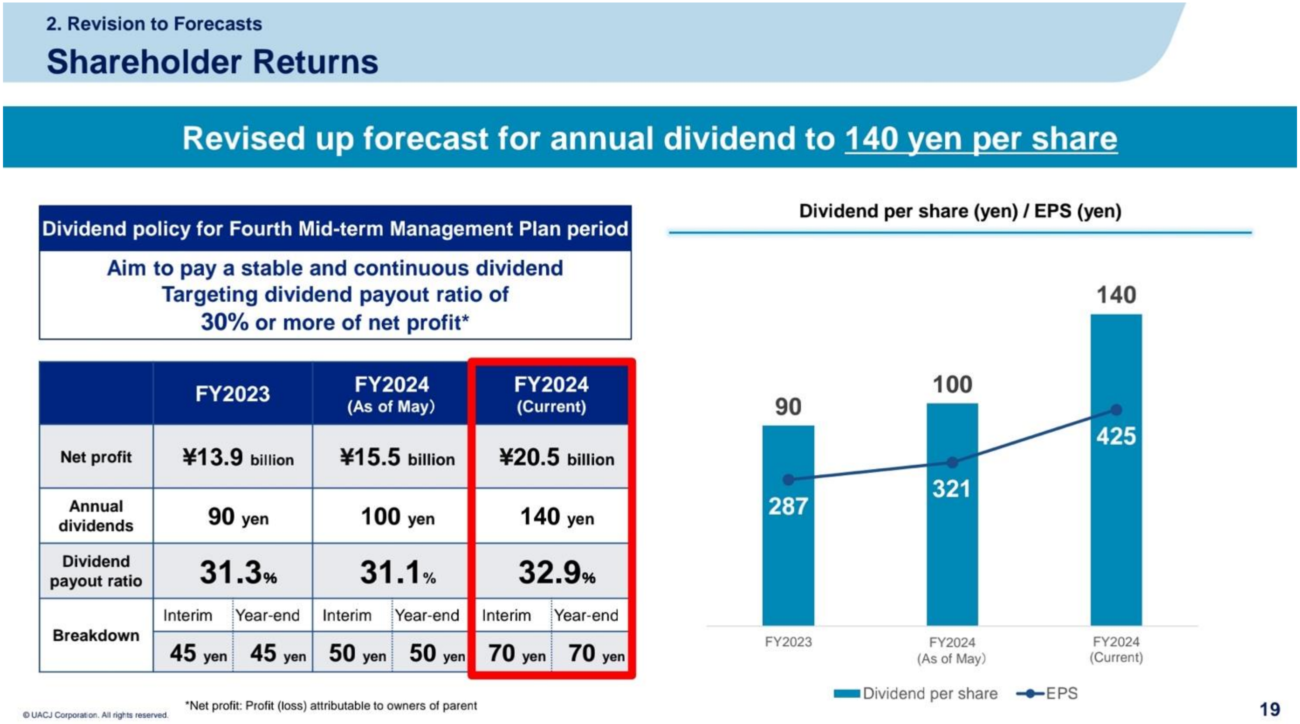
Based on the sales volume, we have analyzed the business profit on page 18. The sales volume of UATH is forecast to increase from JPY43.4 billion last year to JPY45.5 billion this year.

As for TAA, as explained in our full-year forecast in May of this year, there was a temporary order placed by a customer in Q4 of FY2023, resulting in a difference of approximately JPY1.5 billion. The remaining JPY3.5 billion is mainly due to the impact of the time lag in the pass-through of the surcharge system.

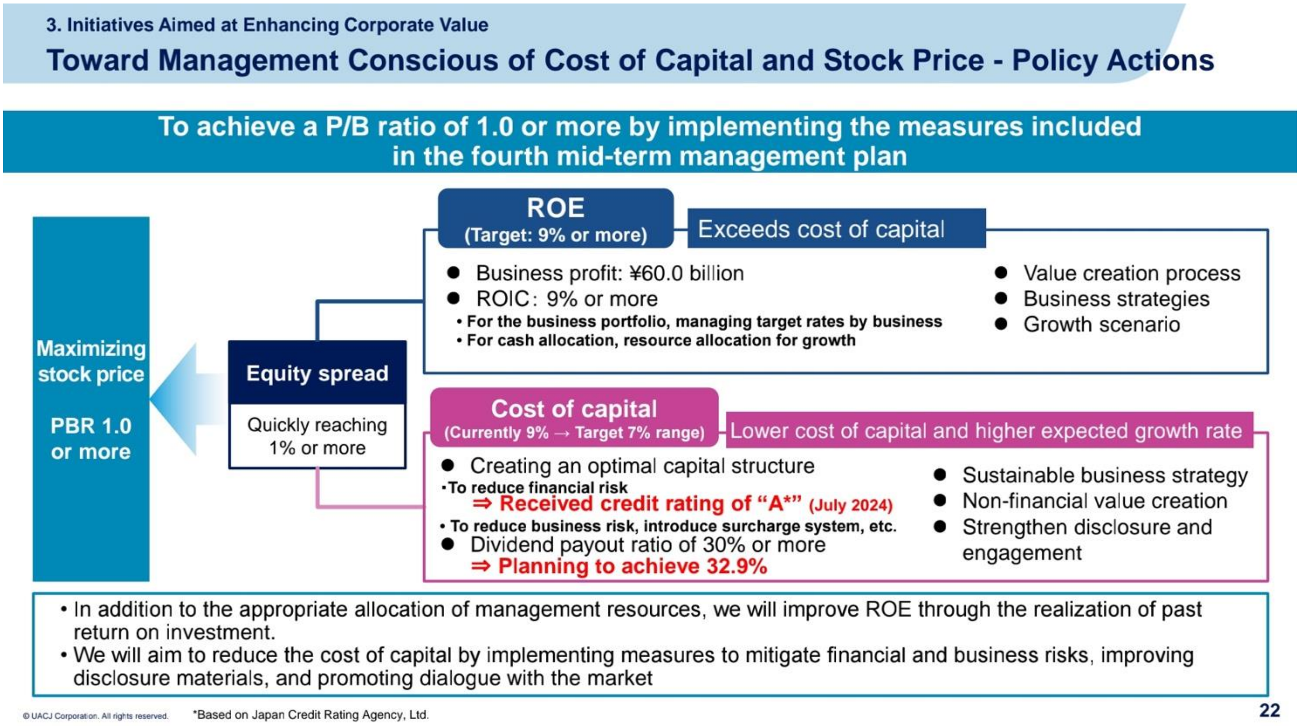
For UWH, we forecast a business profit of JPY800 million, while incorporating the effects of continued cost reductions.

The sales-related difference and cost and capacity utilization difference are expected to increase by approximately JPY7 billion due to an increase in sales volume. As for the energy price difference, we estimate that the negative JPY3.2 billion is due to the impact of time and unit price differences in pass-through.

Ultimately, we plan to achieve a full-year business profit forecast of JPY45.5 billion for the current fiscal year.



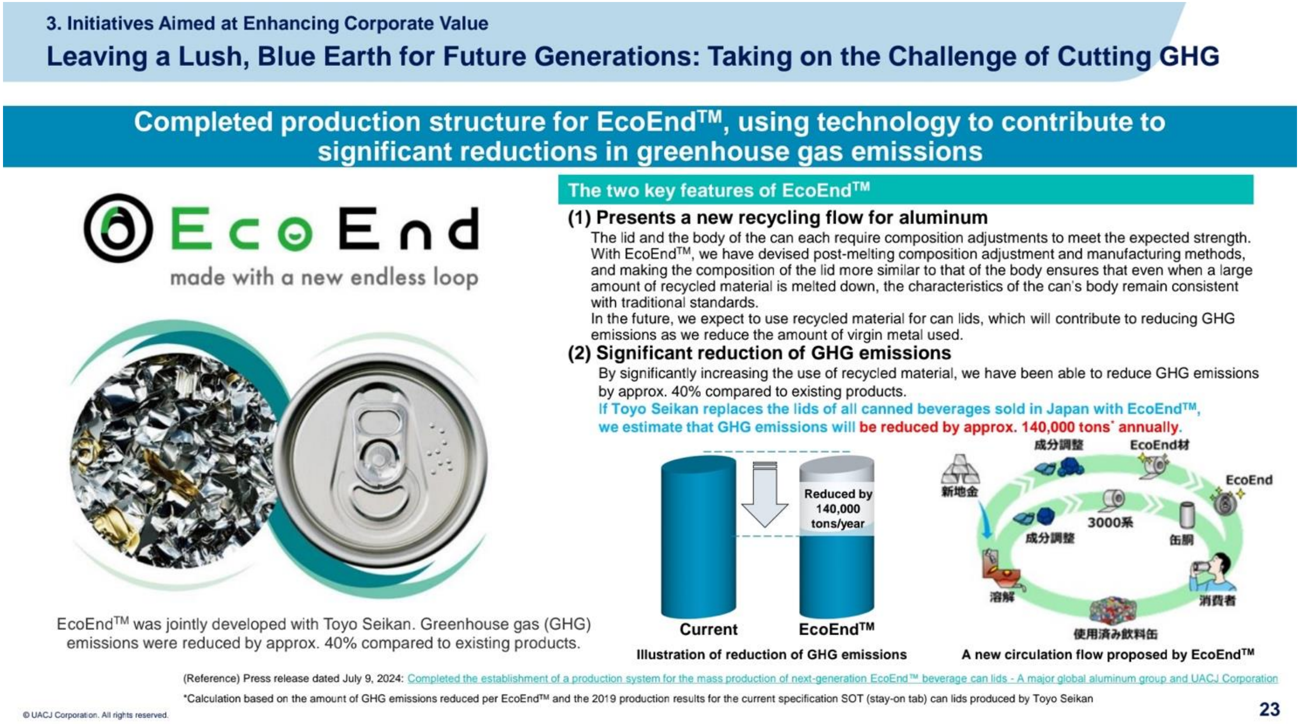
Continued on page 19, the annual dividend will be increased to JPY140 per share. We will increase the annual dividend to JPY140 per share, or a payout ratio of 32.9%, on final profit of JPY20.5 billion.



Continuing on, we are working to enhance corporate value.

On page 22, "Toward Achieving Management Conscious of Cost of Capital and Stock Prices," we have a slide from Finance that we showed at IR-Day in May, showing the results that came out in Q1 of the current fiscal year.

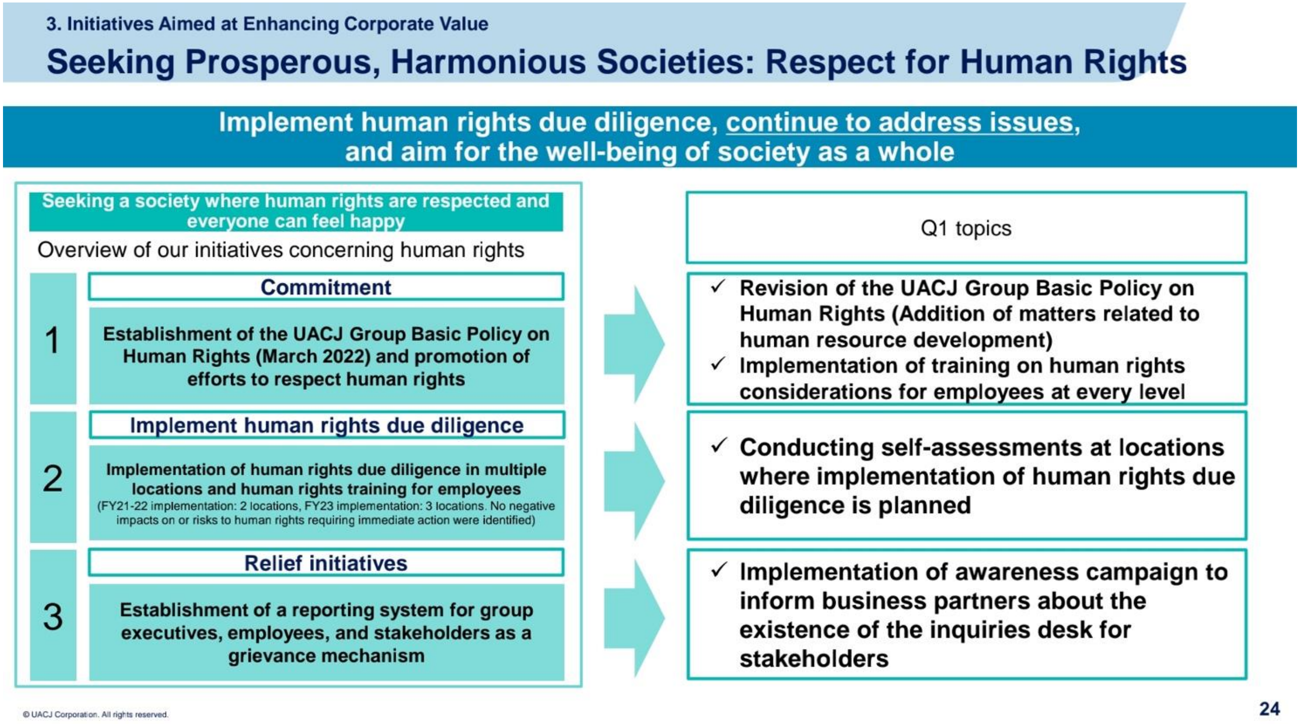
As you can see in the cost of capital section, we were able to obtain an A rating from the Japan Credit Rating Agency in the area of financial risk reduction. The dividend payout ratio is planned to be 32.9% for the current fiscal year. In addition to the appropriate allocation of management resources, we will seek to reduce the cost of capital by realizing the benefits of past investments and exceeding ROE, while implementing measures to reduce financial and business risks, improving the sophistication of disclosure materials, and promoting dialogue with the market.



Next, page 23. On July 9, we announced the release of EcoEnd, which was jointly developed with Toyo Seikan.

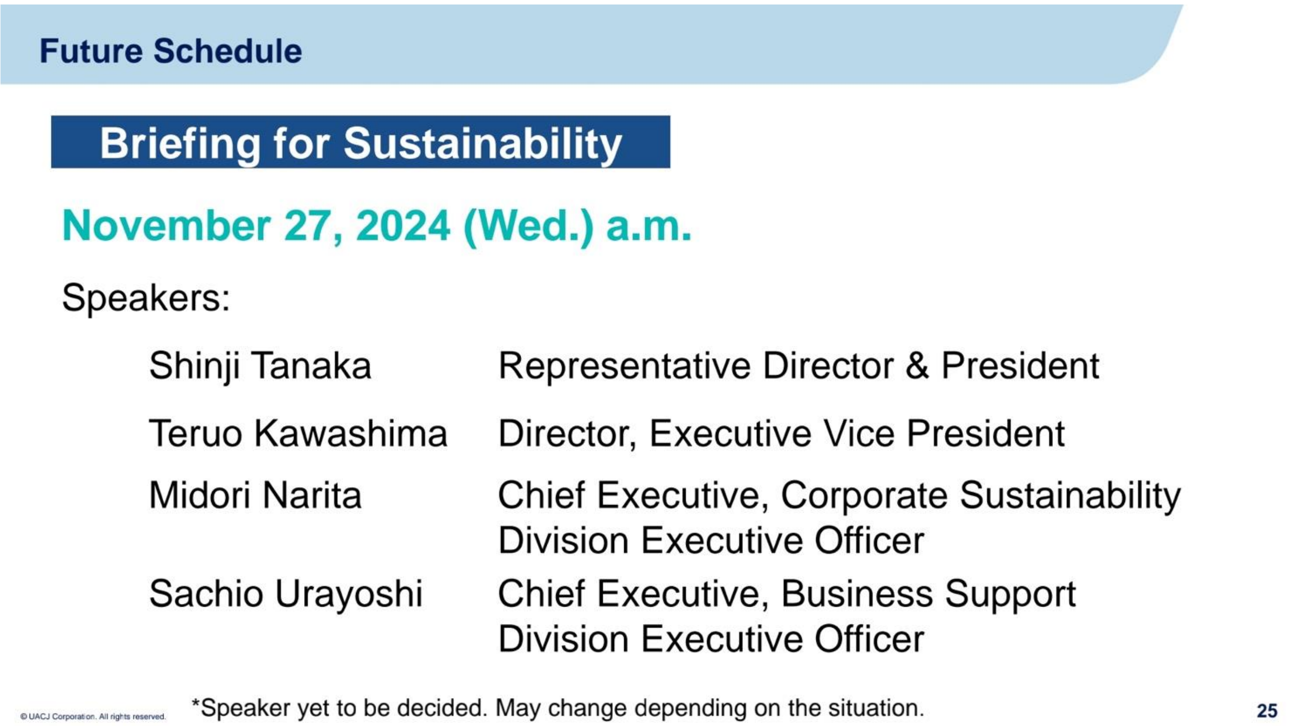
To “pass on a green and blue planet to the future,” it will be a challenge to reduce GHG emissions. We have developed EcoEnd, a next-generation beverage can lid that reduces the use of new base metal and have completed the construction of a production system.

Conventional can lids used a lot of new ingots with high CO2 emissions, but with this development, we will increase the use of recycled raw materials such as used aluminum cans while maintaining quality. By reducing the amount of new bullion used, CO2 emissions can be reduced by approximately 40% compared to conventional lids. We are determined to promote the value of this product.



Page 24. We will continue to respect human rights, conduct human rights due diligence, and address issues for a prosperous and harmonious society, aiming for the well-being of society as a whole. Q1 results are shown on the right side of this page.

Regarding the first item, the UACJ Group Human Rights Policy was revised, and education on consideration for human rights was conducted in training programs for each level of employees. For No. 2, a self-assessment was conducted at the site where the human rights due diligence was to be conducted. Regarding No. 3, we conducted activities to inform our business partners about the consultation service for stakeholders.



Last but not least, page 25 shows our future schedule.

We will be hosting a sustainability information session on the morning of Wednesday, November 27. Speakers are as listed. We look forward to your participation.

This concludes my presentation.

Ueda [M]: That concludes our presentation.

We will now take your questions.

Let us now introduce our first questioner. Mr. Yamaguchi, SMBC Nikko Securities.

Yamaguchi [Q]: Thank you. I am Yamaguchi from SMBC Nikko Securities.

On page 15, at the bottom left, there is a graph that I am interested in. Q1 numbers are very strong and exceeded market expectations. It looks like there is a bit of a drop off in Q2, Q3, and Q4. If I'm understanding this correctly.

Looking at business profit for each segment, I don't know about domestic, so I calculate it on the basis of TAA, UATH, UWH, boards, and extrusions subtracted, the actual result for Q1 is JPY6.1 billion, while the full year is JPY16.3 billion, but if you multiply JPY6 billion by 4, you get JPY24 billion. TAA is JPY22.5 billion.

For Q1, it is JPY8.3 billion, but if we multiply it by 4, we get a very large number. Also, UATH is JPY1.9 billion. I don't think the impact of inventory is included here, but I would like to ask you to explain, unit by unit, the background to the fact that you are making good progress against the full-year plan but expect performance to fall later in the year.

The second question is related to the dividend forecast. The growth in net income is larger than the growth in business income or pre-inventory. I would appreciate your explanation regarding the larger growth in net income, including the background of this increased dividend.

The third point is where you change the outlook for shipment volume, but I understand there is some variability. Could you comment on that? These are my three questions. Thank you.

Kawashima [A]: I will give you an outline, although it may be difficult to answer everything. First, as has been said, we are looking at a business profit of JPY16.8 billion in Q1, and roughly JPY10 billion in Q2 and subsequent quarters. As to why there is a decrease, there are several factors.

One big one is the exchange rate. As Mr. Okada mentioned earlier, Q1 closing was calculated at JPY156 for accounting purposes. Calculations for the second and subsequent quarters are made at JPY145. Therefore, the first thing to be considered is that the overseas profits, TAA, UWH, and UATH, are only that amount when converted to yen basis.

Then the other thing is that the bullion price will certainly go into the inventory impact, but some of the scrap prices will be linked to some extent to the LME. I don't see the discount range changing much, but I see the LME assumption at USD2,300 after Q2.

In Q1 it was around USD2,500, so the price difference would be effective for that lower amount. This will drop after Q2. More to the point, we saw a bit of an upswing in the exchange rate and bullion price in Q1.

Also, in Q1, we had a very good variety composition domestically. We expect the sales volume to remain the same over the year, but it is not just Q1 can materials, which are good, but also the customers we deliver to, and certain varieties there were very strong, and domestic sales of cans were very high.

Traditionally, the most demanding period was Q1, so from Q2 onward, the overall sales volume will remain the same, but the variety of products will return slightly. In other words, we expect a slight deterioration. The profit is expected to be JPY45.5 billion for the year.

The next point is the final profit. It is true that operating income has improved by JPY5 billion compared to the original forecast, and the final profit has also improved, but since the effective tax rate is less than 30%, if it is true that operating income will improve by JPY5 billion, the final profit is estimated to be around JPY4 billion.

On the other hand, under business profit, which is included in the financial expenses section in IFRS, the loss from conversion of foreign currency denominated receivables and payables is expected to decrease, resulting in a JPY5 billion improvement in final profit, which is about the same amount.

Therefore, since we expect the final profit to be JPY20.5 billion, we have changed the dividend payout ratio from the initial 30% to JPY140 from JPY100, and we now expect the dividend payout ratio to be approximately 33%.

Tanaka [M]: I will take the question you asked about quantity change. You asked about shipment volume changes.

Yamaguchi [Q]: You are seeing some variability in shipping volume. I understand that can materials are growing, but thick plates are decreasing.

Kawashima [M]: Is that over a year?

Yamaguchi [Q]: Yes, annually. Looking at previous and current comparisons.

Tanaka [A]: Yes, I will talk about that. If you look at page 17, you will see that the overall annual increase in the outlook is mainly due to the major change in can materials. In particular, the situation for can materials differs depending on the domestic and overseas circumstances. In Japan, a domestic manufacturer's new products are selling very well, and the upswing is particularly large in the domestic market.

Looking overseas, for UATH and TAA, in particular in the US, inventory adjustment was almost completed in Q4 of last year and is returning at a cruising speed in Q1. And there is still a little room left over from the previous Q4, which is more than we initially anticipated. With that, exports from UATH to North America have also resumed. This is the reason why can materials as a whole have grown significantly in the current situation.

We will need to closely monitor the volume difference and changes in volume from Q2 onward, but we believe that the budget will remain at the same level as we originally planned. That is all.

Ueda [M]: Thank you very much. The next question is from Mr. Shirakawa, Morgan Stanley MUFG Securities.

Shirakawa [Q]: My name is Shirakawa from Morgan Stanley Securities. Two questions, please.

The first is about Thailand. The figures showed a considerable increase in export volume from May and June. Looking at page 29 of your presentation, it looks like there was a big increase in June and not so much in May. Please let me know if there was a point in the sales process where there was a monthly gap.

Also, you just said the part for North America is now back to cruising speed because the inventory adjustment has been completed in North America. However, I'm not sure if this will continue, so I think you were saying that we need to see how the demand for can materials is now.

Also, I think some other companies on the supply side will be ramping up in the future, so please tell us how the supply-demand relationship is going. I'm sorry, I've included a lot of things, but my main point is about the monthly discrepancy in Thailand and US demand. Please comment on this. Thank you.

Secondly, I would like to follow up on Mr. Yamaguchi's question. On page 17, I would like to know about this area where there is variability for foil ground and thick plates.

Also, in this document, it says that demand for thick plates for semiconductor manufacturing equipment is expected to increase temporarily. When do you expect a full-fledged recovery in demand? Could you explain why you think it is temporary? Thank you.

Kawashima [A]: I will take this question. Regarding shipment figures, we did see very high shipments in June. That is of course indicative of sales. As Mr. Tanaka mentioned earlier, we believe that the inventory adjustment of aluminum can materials in North America, which had been continuing for the past year and a half, was originally completed in January of this year.

As you may remember, we received temporary customer demand in about February, so that provided a boost at the end of March last year when we closed the accounts. When it actually opened, the situation has remained relatively strong, not temporary. I believe this is an inventory adjustment, or perhaps the demand for aluminum can materials themselves is probably not so bad.

So originally, we were thinking that demand would return to normal and then stay stable, but now we are seeing that the situation is better than we expected because of the little extra that has been generated. As a result, some of the production could not be completed in time at TAA, so they exported from Thailand to the US in Q1. We are of the view that this will continue for a little while longer.

Tanaka [A]: I would like to add a little more to what you just said about Thailand. On page 29, I think it was pointed out that June in particular was a particularly large month, but we had already been preparing export materials for North America in Thailand since April. However, the shipments for May and June were shipped all at once because the shipments could not be arranged in time for May, resulting in a particularly large jump in the number of shipments. We believe that from July onward, this area will be a little steadier and will remain flat at a higher level.

Kawashima [A]: And then the second question, domestic sales. Sales compared to the original forecast. First, foil ground is still a bit weak. As a result, we are of the view that the growth will be a little less than originally projected. However, it is not decreasing, and the volume shows that it has bottomed out and is gradually coming back. We expect that it will take a little more time.

Then there is the situation of thick plates, but I wonder if the demand for semiconductor manufacturing equipment will take a little more time. For our part, we are looking for a return around the middle of H2. The temporary increase explained earlier was due to a slight drop in inventories at the customer's side for thick plates in general, and the adjustment was made in Q1. However, a full-fledged recovery is not expected until H2.

Tanaka [A]: Just one more point to add, bullion prices have been rising since July. Some customers ordered ahead of schedule, so there is a bit of a mixed bag of orders in this area.

Shirakawa [Q]: Thank you very much. As a follow-up, on the first point, in North America, I thought we would see a dent, but it wasn't so much. In short, there was a transient demand in Q4, and looking at that, the demand was so strong that your company had to ship from Thailand because it could not be covered by TAA.

If so, TAA has not changed its performance in this forecast. If we look at YoY figures, we see a JPY5 billion decrease in profit. Is this a bit conservative? Or should I still look at the risk of a slight decrease?

Kawashima [A]: Regarding the US for UATH, UATH sells to TAA, and TAA sells to outside parties. Therefore, for the portion of UATH material sold in the US, there is a profitable portion at UATH.

Shirakawa [M]: I understand. Got it. Thank you very much.

Ueda [M]: Thank you for your question. The next question is from Mr. Matsumoto, Nomura Securities. Please go ahead.

Matsumoto [Q]: My name is Matsumoto from Nomura Securities. Thank you.

First, please tell us about UATH exports to North America. For example, do you think they will continue throughout this fiscal year, and what is the sales environment like outside of North America?

This has nothing to do with the financial results, but the approval rate for the election of directors at the general shareholders' meeting in June was 99% for the president and chairman last year, but this year it suddenly dropped to 80%. What are your thoughts on this situation and what is your awareness of the problem? Thank you.

Kawashima [A]: I will take this question. Regarding the US market, I do not think it is weak. In addition, we expect that UATH sales to North America will continue to some extent not only in June but also through to the end of the year. We have included the figures in this forecast on that basis.

As for the other point about the approval rate, it is difficult to know exactly what each investor's judgment is, so I can't really answer that question. On the other hand, some institutional investors have raised various issues such as PBR, outside directors, dividends, and so on. I interpret the 80% rate as not being in line with their expectations. We believe that we can get a good approval rating next year by raising the stock price or paying out dividends a little more.

Matsumoto [Q]: What is the demand environment like outside of North America at UATH?

Kawashima [A]: UATH originally had factories for Southeast Asia, Oceania, and the Middle East. We can also produce for the US, but even looking just at Southeast Asia, demand has been high since last year. We are making progress with long-term contracts with our customers. However, the Chinese economy is a little weak, and some Chinese materials are flowing to Southeast Asia, so there are cases where contracts that were originally intended to be for multiple years are now for a single year.

Kumamoto [A]: There is also the influence of Logan's expansion.

Kawashima [A]: Yes, and our overall situation with UATH in Southeast Asia is that we are just at the point of contract renewal. We are on schedule to raise prices, and then to ask for a shift in energy and other costs, and so on.

Matsumoto [M]: I understand. Thank you very much.

Kawashima [M]: You also asked about North America. Is there anything to add?

Kumamoto [A]: Regarding the question of how long UATH's sales to North America will continue, I think the strong sales in North America will continue for some time. However, as to what kind of supply mix we will have, on the other hand, we are also looking at the Logan expansion. Without that, I think we will probably continue to have it from UATH for a long time. The expansion will begin to produce results at the beginning of FY2026, so our current intention is that it will continue through FY2025.

In the meantime, we are marketing to Asia, Oceania, the Middle East, and South Africa, and the volume is actually increasing. We must continue to work to expand our sales partners well into the future.

Matsumoto [M]: Understood. Thank you very much.

Tanaka [A]: Tanaka here. Going back to your question about vote counts. I would like to say a few words. Unfortunately, 80% of the votes were in favor of the proposal, but one shareholder told us that although half of our board members are from outside the Company, for them, the criteria were a majority of external board members, and a P/B ratio of 1x. We would like to address these issues in the next fiscal year and beyond.

Matsumoto [M]: Thank you very much. Understood.

Ueda [M]: Thank you for your question. Next question. Mr. Ozaki, Daiwa Securities.

Ozaki [Q]: I am Ozaki from Daiwa Securities. Thank you.

Looking at the waterfall on page seven, you mentioned that volume increase was having the biggest impact, but I was wondering if you could tell me what the increase or decrease in profit would look like if it were broken down into price or spread.

As I recall, the volume has increased by about 35,000 tons, so my question was intended to ascertain how much of an increase in profit was due to this. Also, please tell me what the minus 1.6 figure is.

My second question is that if Q1 results were very strong, and if the Company were to continue to generate a reasonable amount of profit and cash flow, what would it do with the cash it earns? Do you have any thoughts on this? Would it be used to repay borrowings in the normal way, or would it be used for share buybacks since the major shareholders have sold their shares? What are your thoughts on how to use the extra cash? Thank you.

Kawashima [A]: Kawashima here. One of the main reasons for the positive effect of the JPY2.4 billion difference in domestic sales compared to the same period last year is the product mix. As I mentioned earlier, Q1 was very good in terms of aluminum can material. The demand period and the fact that the products we deliver are actually selling well are two major factors.

Of the JPY2.4 billion plus, we believe about JPY1 billion is volume difference. That is, quantity composition. The remaining part is that we have been revising prices since last year, which must have taken its effect. That is the nature of this JPY2.4 billion profit. Of the JPY2.4 billion, a little less than JPY2 billion is for the aluminum sheet business, of which about half is volume and half is margin.

The minus JPY1.6 billion in Others on that page is due to the accounting treatment of unrealized gains/losses related to consolidated financial results. This is an adjustment for some of the shipments at the end of June that have remained in the group. This will be realized in reverse as we will sell to outside parties after July.

For cash, as has been said, we would be very happy to have a surplus, but for Q1, we are making a profit, and the volume of sales is increasing. The price of bullion was increasing, so we actually spent a lot of money on working capital and had negative free cash flow. For the whole year, we anticipate bullion prices remaining flat and sales volume increasing, so there will be an increase in working capital.

We are aiming to control our own working capital as much as possible in the cash conversion cycle, and we believe that we will be able to secure some. As a dividend, we first distribute from the cash flow that we generate. Since we are not yet strong financially, we are looking at reducing interest-bearing debt or capital investment and depreciation in the same amount, so we are making a medium-term plan thinking that we have a lot of opportunities to increase our corporate value for the future, so we will probably use the funds in that direction.

Ozaki [Q]: Thank you very much. About JPY1 billion of the JPY2.4 billion sales-related difference is the volume component, and the rest is what exactly?

Kawashima [A]: Of the JPY2.4 billion, roughly JPY2 billion is the board business, of which half is the volume component and half is the margin.

Ozaki [Q]: I see. I understand. I wonder if the results of UATH and TAA are also largely due to the increased volume.

Kawashima [A]: UATH is showing a JPY1.9 billion turnaround, of which we estimate about JPY1 billion is sales-related. Most of that is that sales volume is increasing. Some is due to a turnaround in the USD and THB exchange rate. Also, there was a positive exchange rate difference in yen conversion.

As for TAA, the sales volume is positive, but the price-linked adjustment is one year behind the sales price, which has a negative effect on the sales price. Although TAA's own sales are strong, the sales difference is slightly negative compared to the previous year.

Ozaki [M]: Thank you very much.

Ueda [M]: Thank you for your question. The next questioner is Mr. Goroh, UBS Securities. Please go ahead.

Goroh [M]: I am Goroh from UBS Securities. Thank you.

Kawashima [M]: Thank you.

Goroh [Q]: I have two questions. The first is about a reorganization of the TAA approach to earnings and full-year forecasts. TAA's mid-term plan calls for minus 6.5 over the next four years, most of which will be realized in the current fiscal year, minus 5.0.

In your explanation, you said that inventory adjustment in North America has progressed, and that volume has improved. However, it was said that the TAA view on this revision of the earnings forecast is that the current forecast of minus 5.0 is unchanged from the forecast at the beginning of the period. Although there was an explanation that the margin and spread were delayed, I believe that Q1 results actually contributed JPY1 billion more than the previous year. It seems that the worsening margins will eventually remain during the mid-term plan, but is there any room for regaining them in the future?

If it is a periodic lag, it will be a positive factor in H2, and will be related to the medium-term plan itself, so I would like to confirm again about this minus JPY5 billion. It may be that it is a buffer in some sense, but I would appreciate any further comment you can give on this.

The second question goes back to the comment just now about cash flow. Your company has raised the dividend this time to JPY140. As for your explanation of the dividend payout ratio, I think that one of the characteristics of your company is that you consider lowering the cost of capital as a tool to raise the dividend payout ratio. In this regard, the external environment, including foreign exchange rates and the business environment, is changing dramatically, so even business profit as a mere figure will continue to change in the future. After all, business profits can change because factors such as foreign exchange can come into play.

If the purpose is to lower the cost of capital, it is also important to know how to commit to this figure. For example, can we consider this JPY140 figure committed for this fiscal year? I believe that the mid-term plan is aiming to go even higher, so please explain one more step in terms of whether or not to simply apply the figures and dividend payout ratio in this area. Thank you.

Kawashima [A]: I will take this. First of all, rather than saying that the TAA results fell compared to FY2023, it would be more accurate to say that FY2023 result was better. Regarding sales volume, as Mr. Kumamoto mentioned earlier, we are now investing in increasing production. This will increase just around the end of the medium-term plan.

On the other hand, the problem point is raw materials. The price of scrap metal other than bullion has risen considerably. We are of the view that this eats away at profits a bit.

We expect this to continue in H2 and beyond. As a practical matter, prices are rising at the moment, and we are projecting this amount. On the other hand, demand is strong, so we do not believe that a drop in demand will result in a negative impact.

Now I will talk about the dividend. This was discussed internally at length in the mid-term plan. We have established a policy of paying out at least 30% of final profits as dividends. Therefore, please consider that the dividend of JPY140 per share for a payout ratio of 33% is in line with the policy, although it is also in relation to the market.

Demand is strong, and nothing has changed about the path to take EBITDA from JPY80 billion to JPY100 billion. Therefore, we believe that the dividend increase is not a temporary measure, but rather a milestone or benchmark for the future.

We changed the price from JPY100 to JPY140 because we believe that this is an expression of our view of profit and loss for shareholders and the market, and that by returning profits to shareholders, we can lower the cost of capital by raising the share price.

Goroh [M]: Understood. Thank you very much.

Ueda [M]: Thank you for your question. We have just reached the end of our time, and there seems to be no one who wishes to ask questions, so we will conclude the Q&A session here.

For further inquiries, please contact the IR Department.

This concludes the financial results presentation for UACJ for Q1 of FY2024. Thank you for joining us today.

Company Representative [M]: Thank you very much.

Ueda [M]: We will continue to strive to meet the expectations of our shareholders and other stakeholders, and we look forward to your continued support and encouragement of our company. Thank you very much for taking time out of your busy schedule to join us today.

[END]

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Document Notes

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