UACJ Corporation

Business briefing on the Aerospace and Defense Materials Business

December 22, 2025

Event Summary

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Presentation

Ueda: It is time to commence the briefing session. Thank you very much for taking time out of your busy schedules to attend the Business Briefing on the Aerospace and Defense Materials Business of UACJ Corporation today.

I am Ueda, General Manager, IR, Finance Department, and I will serve as today's moderator. Please note the following points regarding the briefing session. For the record of the agenda, this briefing is being recorded and transcribed. Please refrain from recording or videotaping the event at your end.

I would now like to introduce our company's presenters at today's business briefing. Harutaka Yoshida, Senior General Manager, Foundry & Forging Works.

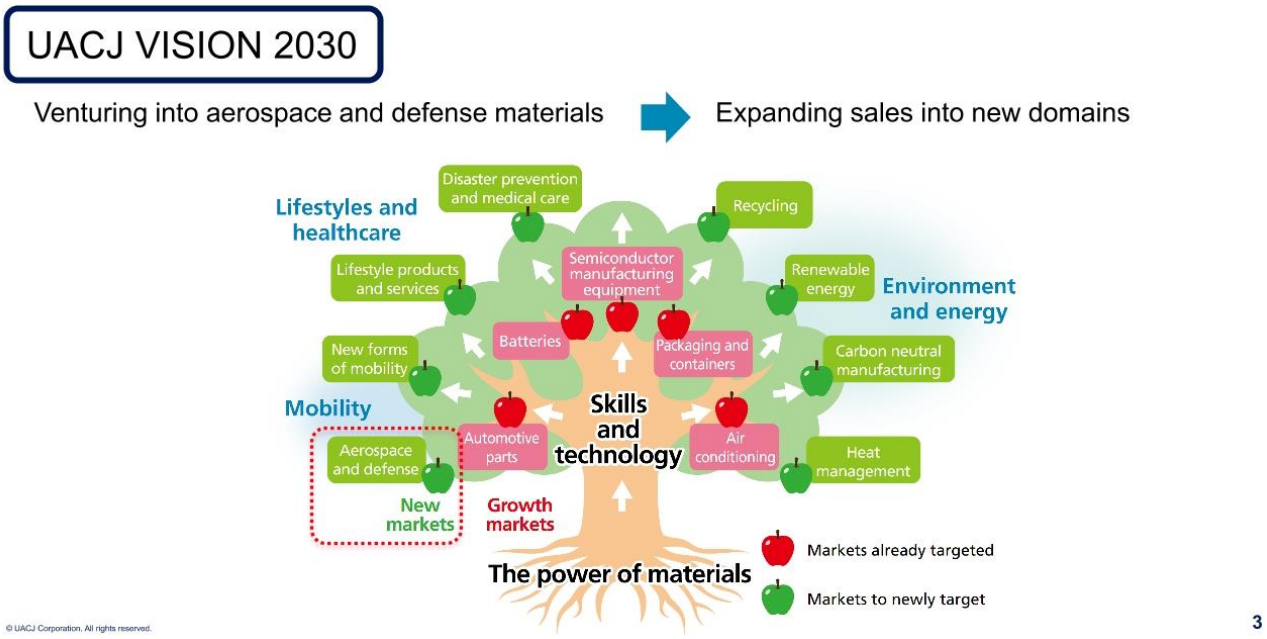
Yoshida: Thank you very much.

Ueda: Let us begin today's program. Mr. Yoshida, Senior General Manager, Foundry & Forging Works, will give an explanation of the aerospace and defense materials business. Mr. Yoshida, please go ahead.

Yoshida: Thank you very much for attending our business briefing on the aerospace and defense materials business. I am Mr. Yoshida, Senior General Manager, Foundry & Forging Works, and I will be today's presenter. Thank you.

Today's agenda consists of four major items. Number one is the establishment of the aerospace & defense materials business division and its background. Number two is an introduction to our business, explaining the domains served by this business division. Number three is explanation of aluminum alloys used in the aerospace and defense sector. And finally, I would like to introduce the forging technology at the foundry and forging works.

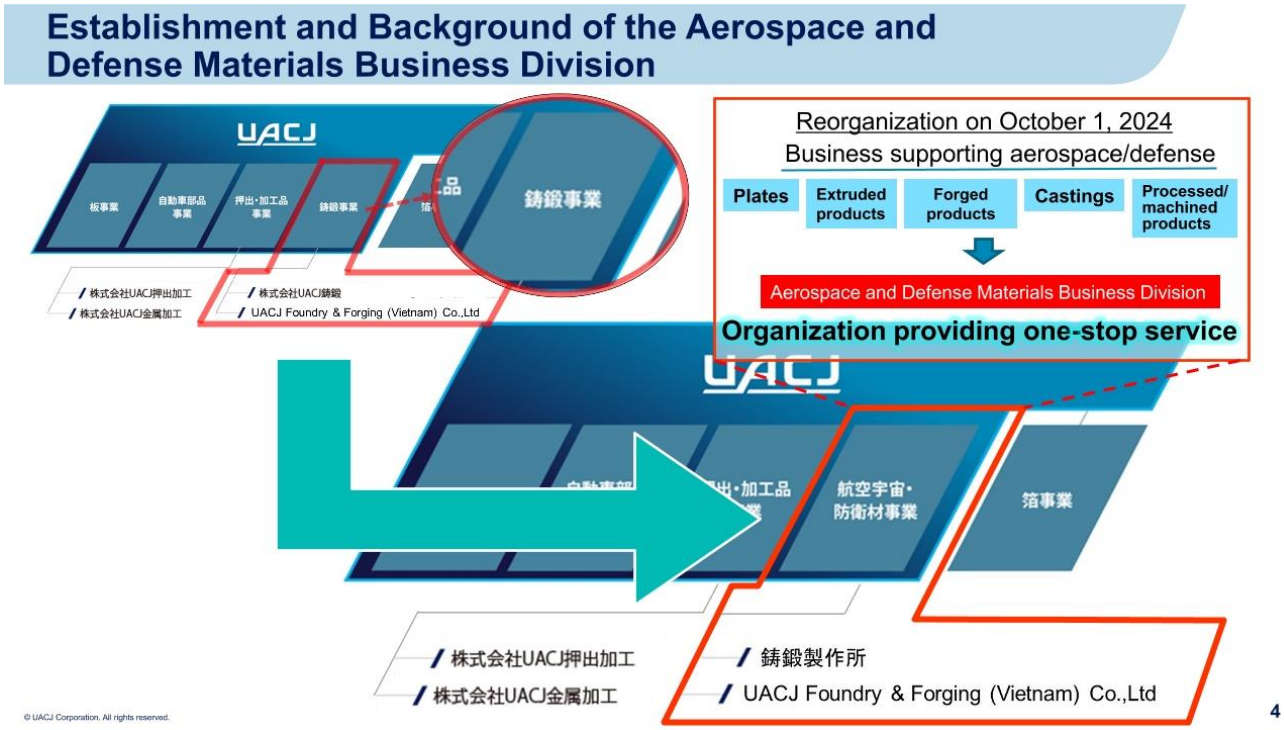
Establishment and Background of the Aerospace and Defense Materials Business Division



Let me begin by presenting the establishment of the aerospace & defense materials business division and its background.

In UACJ VISION 2030, as shown in this tree diagram, we are committed to expanding both existing growth areas shown as red apples and new areas shown as green apples.

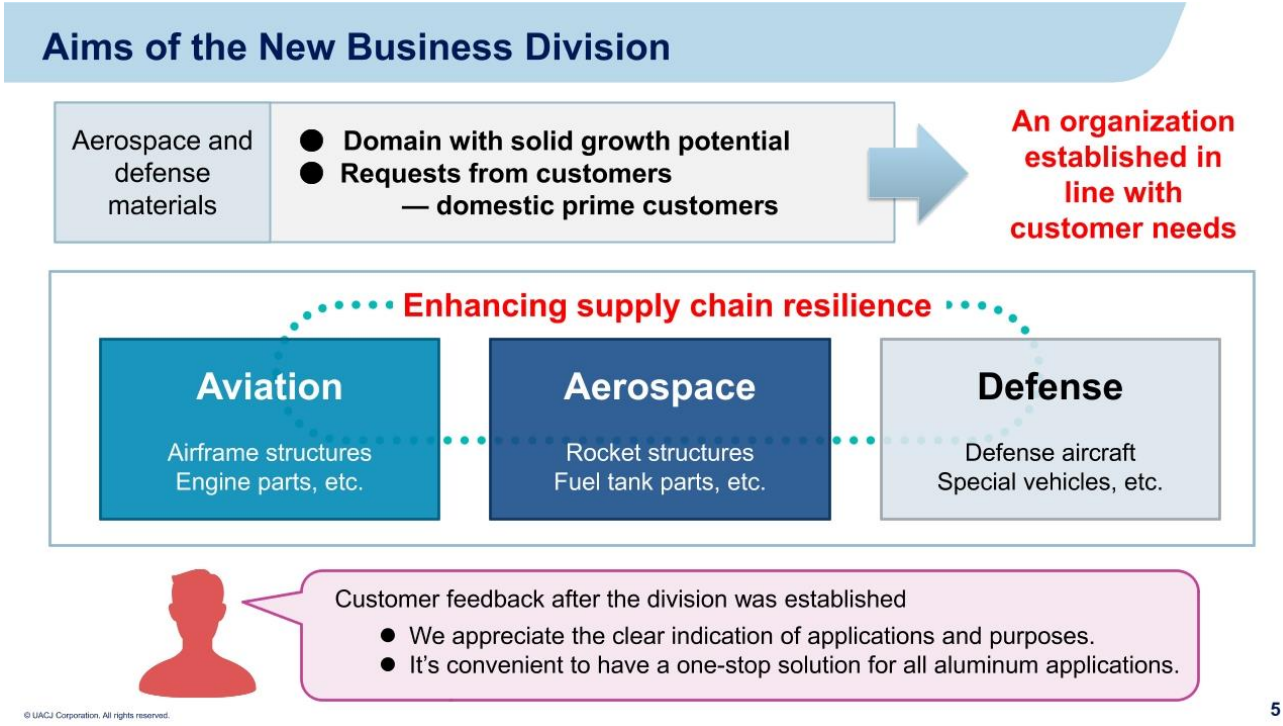
The blue apple on the far-left side of the new and growing areas says “aerospace and defense,” and we have decided to commercialize our business in this area.



We used to operate in five businesses, including foil, as shown in the upper left-hand corner. Aerospace and defense materials were also originally sold and produced separately in three separate businesses: flat-rolled products, extrusion, and forgings.

In 2023 and 2024, the extruded products and foundry and forging businesses were first moved up from subsidiaries to the main business unit, and on October 1, 2024, they were reorganized into the aerospace and defense materials business unit through a developmental reorganization with the foundry and forging business as the parent. Instead of dealing only with forgings, we have reorganized our business organization into a one-stop shop that can provide four product lines: plates, extruded products, cast products, and forgings.

Under this division are the foundry and forging works and UACJ Foundry & Forging (Vietnam), and this Vietnam plant manufactures compressor wheels, a component of automobiles. Later, I would like to talk about forging conducted at the foundry and forging works.



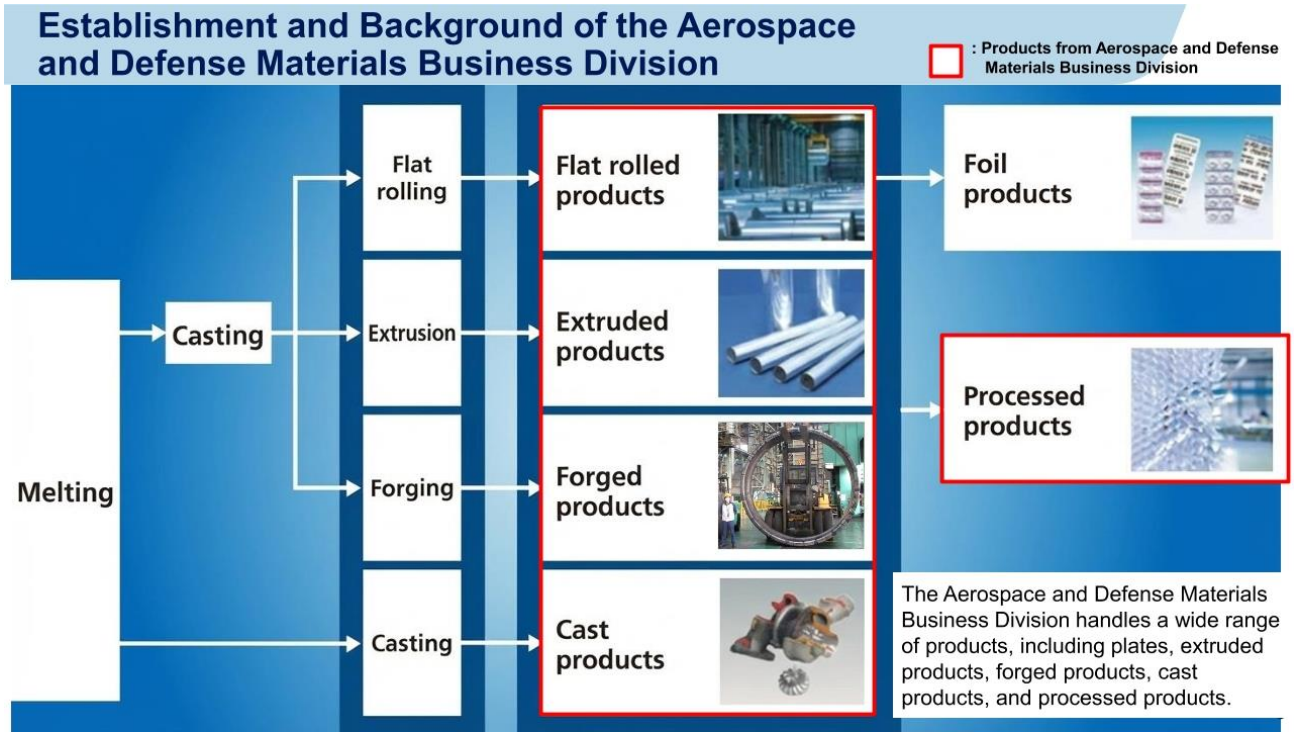
This is the aim of the new business division. Our target customers are major prime manufacturers in Japan. With respect to space and defense, the market has traditionally been flat and stable. The system was that domestic prime makers would import plates, extruded products, and forged products from US aluminum makers, and Japan would make fuselage parts and sell them to North American aircraft makers. That is where our company has been selling only a limited number of items, as I mentioned earlier.

When the COVID-19 pandemic subsided and demand for aircraft rapidly recovered, US aluminum manufacturers gave priority to their own prime suppliers, which made it very difficult for domestic prime manufacturers to procure.

We had heard that they wanted us to do it, but it was around the time of the COVID-19 pandemic when there was a considerable increase in the number of requests for us to also do aviation equipment. We have chosen the name of this business division to express our intention to make a full-fledged commitment to the three fields of aerospace and defense, and also to express our purpose by taking the name of the same business as our customers: aerospace and defense materials.

One year has passed since we started our business in October 2024, and we have received many words of expectation and gratitude from prime manufacturers, who say that we have done a good job and that they are relying on us.

As mentioned in the middle section, aluminum is used in the aviation, space, and defense sectors for airframe structures, engine parts, rocket structures, fuel tanks, defense aircraft, special vehicles, and so on.

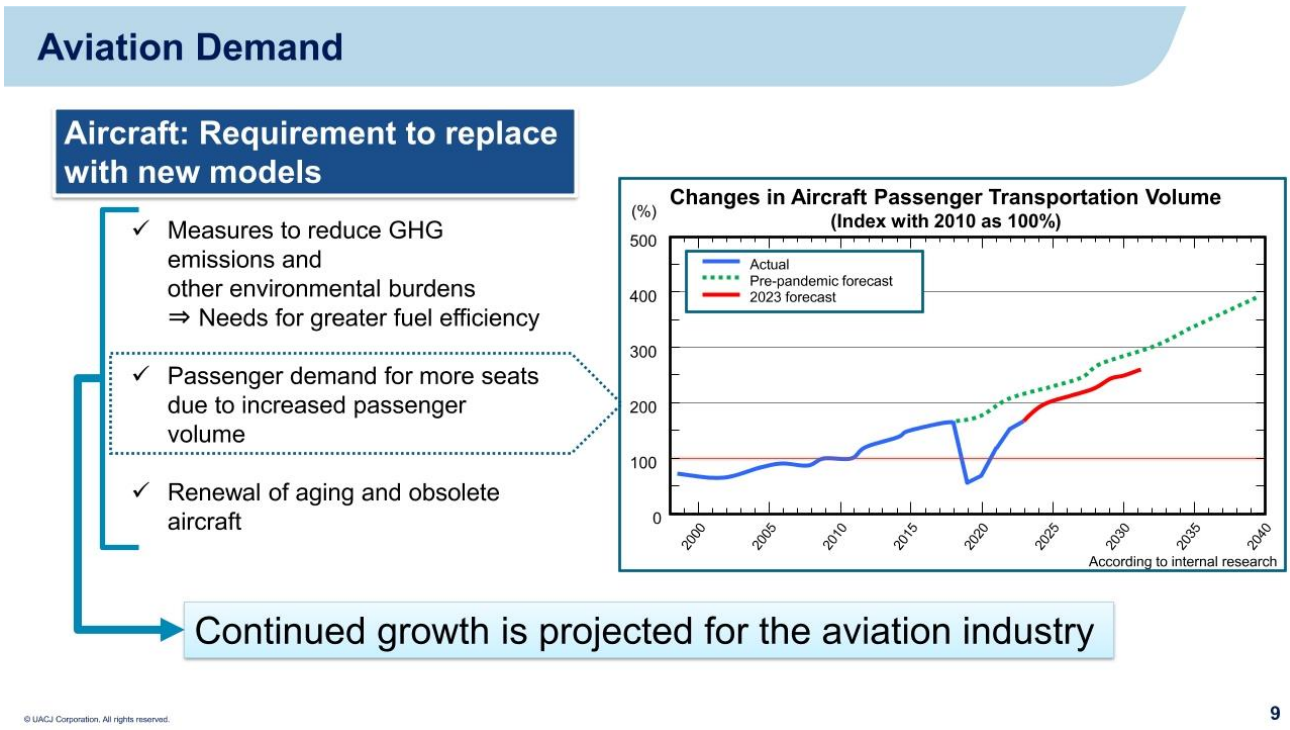


This diagram shows our aluminum products by process. As shown here, the aerospace and defense materials division handles a wide range of products, including flat-rolled products, extruded products, forged products, cast products, and processed products. In addition, although this division is separated from the field of aerospace and defense materials, the division manufactures compressor wheels in Vietnam as a casting product. Furthermore, processed products include thick plate products for semiconductor manufacturing equipment.

Within this product line, the foundry and forged works manufactures forged products, the forging technology of which will be introduced later.

Next, I would like to introduce our business and the fields we cover.

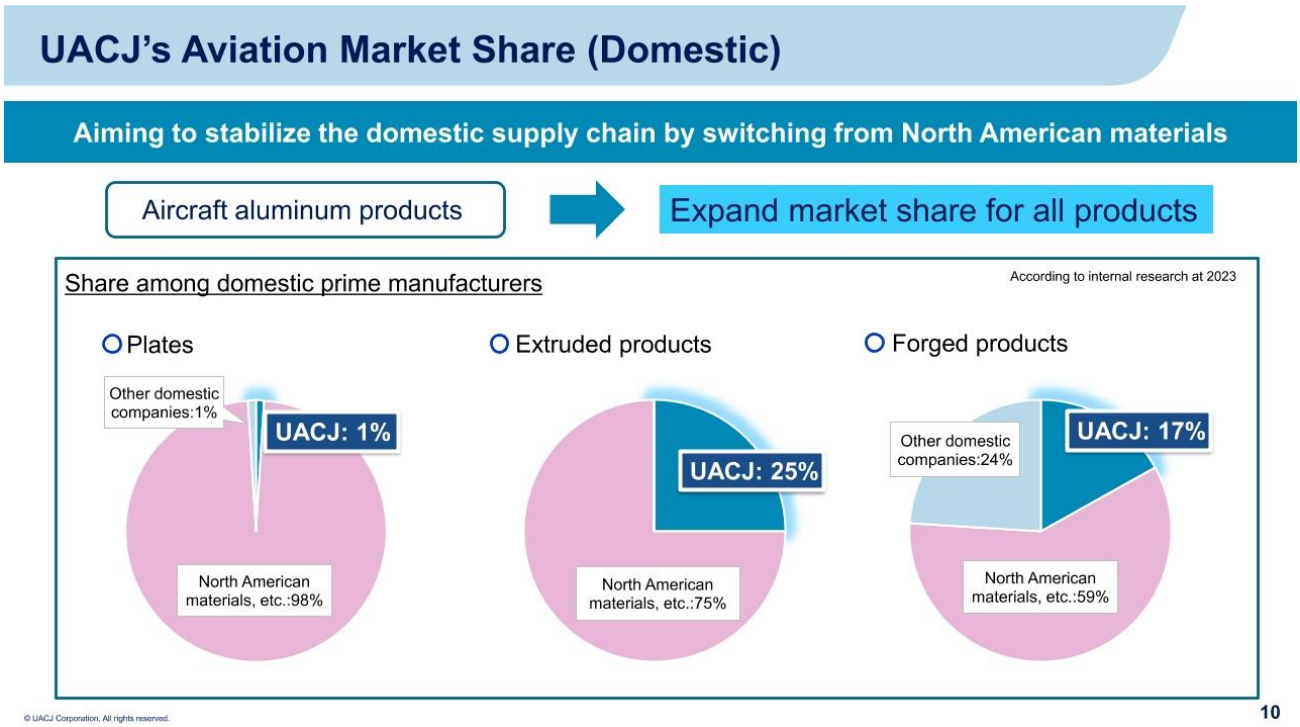
As for our business fields, as the name of our division suggests, our three main business fields are aerospace, space, and defense. I will explain what the demand is for these three areas and what our position is in these areas.



Aviation sector demand trends. The figure on the right shows the changes in aircraft passenger transportation volume. If it were not for the COVID-19 pandemic, global passenger traffic was expected to increase steadily

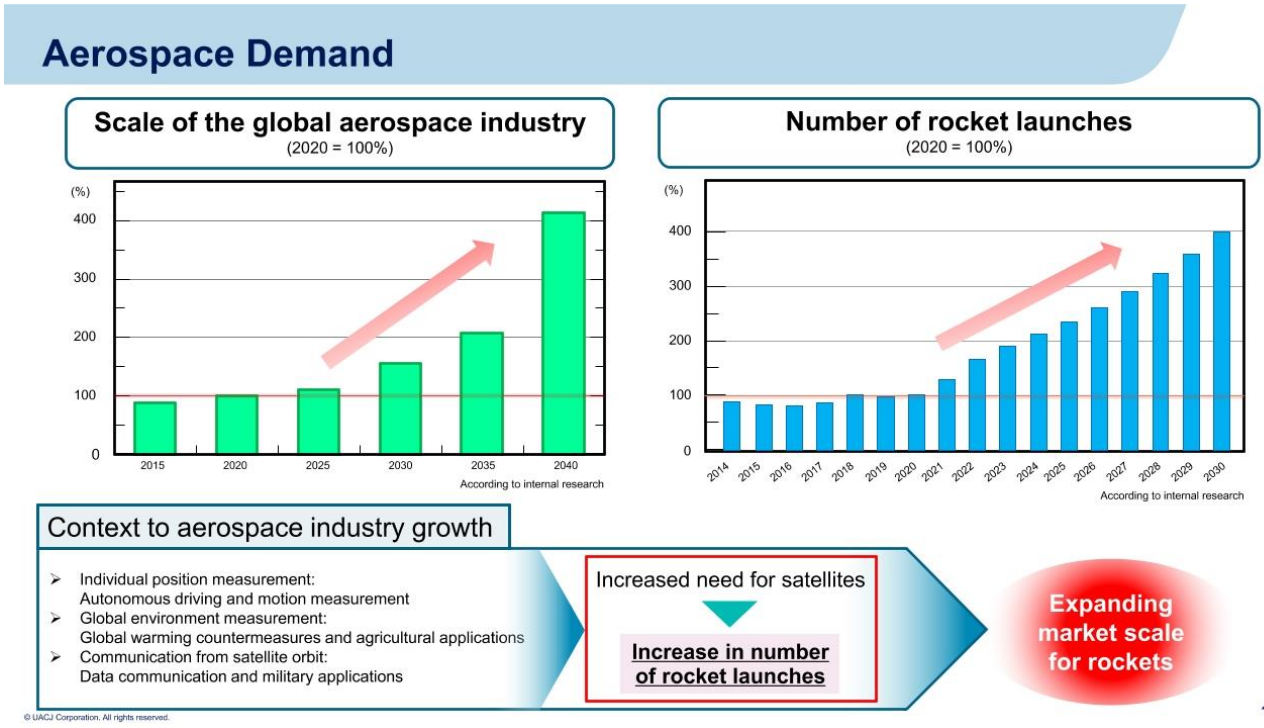
as shown in the dotted line. However, the number of passengers has been decreasing for the past four years due to the COVID-19 pandemic, but has recently been increasing again.

The two major aircraft manufacturers in Europe and the US must increase the number of aircraft in response to the projected increase in passenger volume, and in order to promote fuel efficiency in response to environmental concerns, they must optimize aircraft design and create aircraft that are compact but can handle more passengers per aircraft. There is considerable demand for updating to these newer machines.

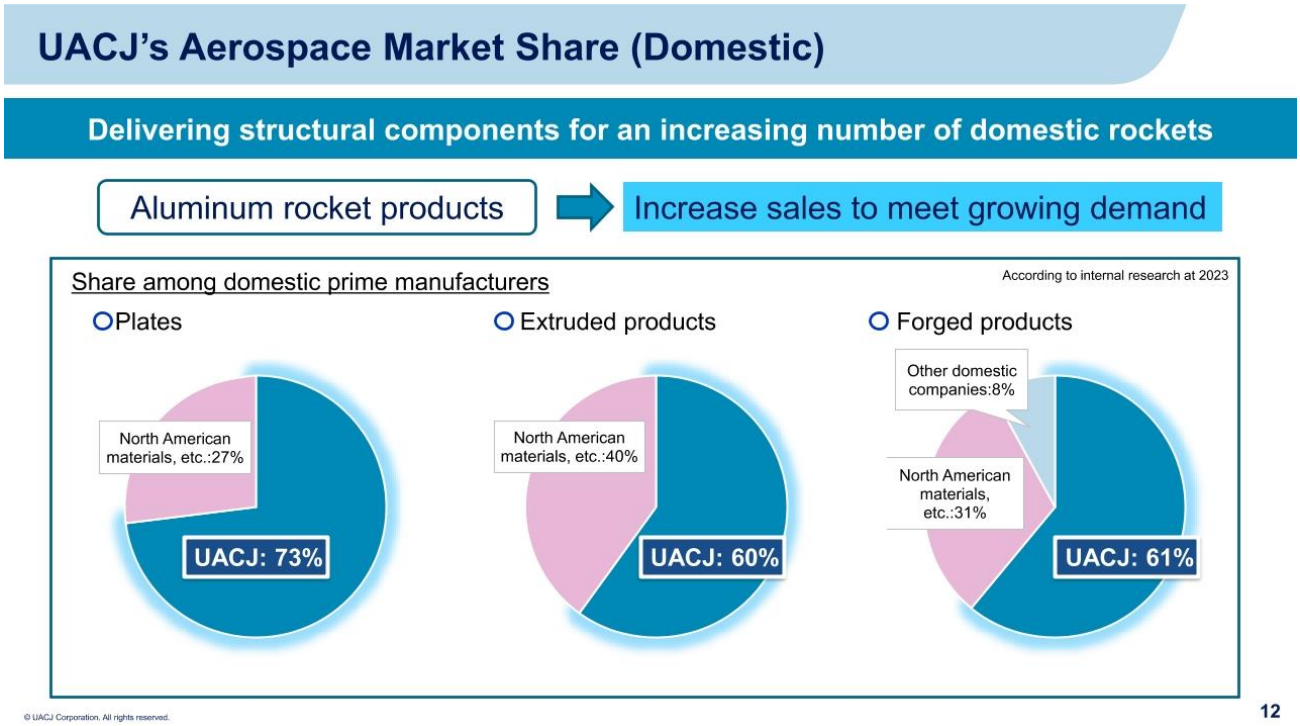


This is our market share in the aviation sector. This is our domestic prime manufacturer's market share. The blue area shows the UACJ's share, sorted from left to right: plates, extruded products, forged products. Especially for plate, the market share is currently small due to equipment restrictions. The pink areas are almost entirely made up of material from North American aluminum manufacturers.

As I mentioned earlier, domestic prime manufacturers have a strong desire to procure from Japanese aluminum manufacturers, and our moves to stabilize the domestic supply chain have been well received by our customers, who have expressed their willingness to back up our moves.

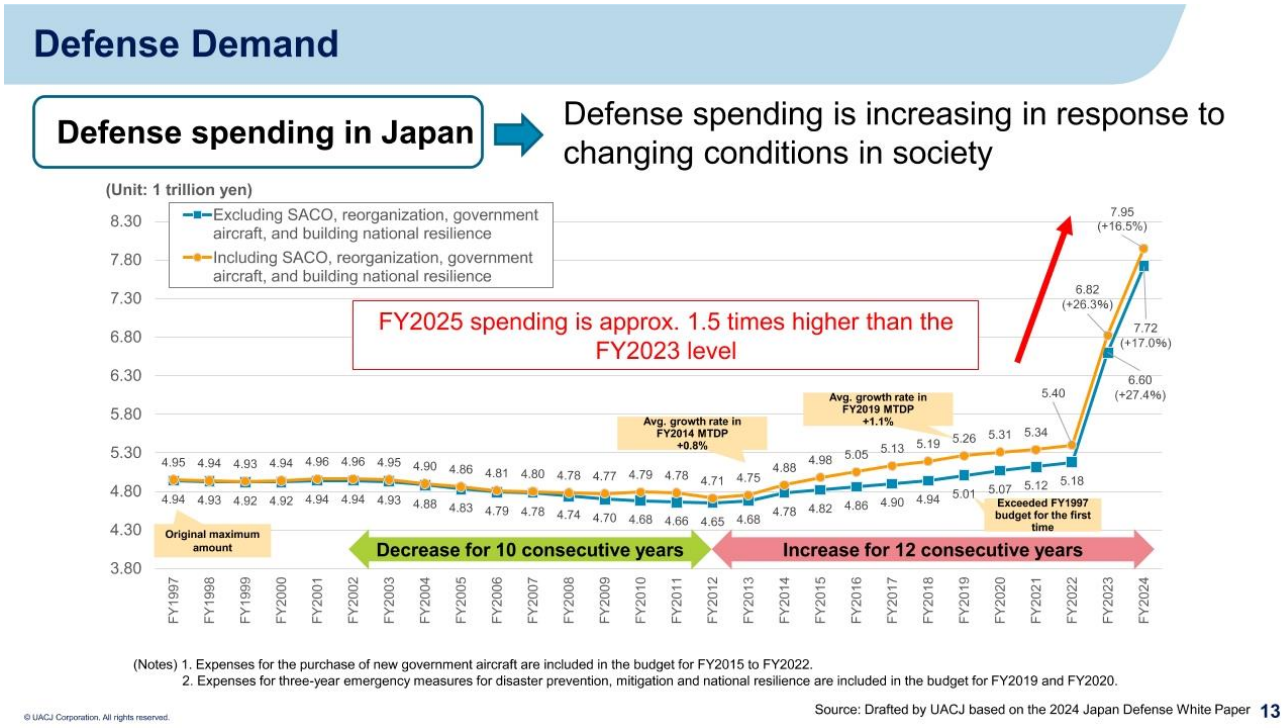


Next, we will look at demand trends in the space sector. The number of rockets launched in Japan has remained low in terms of the actual number of launches. However, in order to keep up with the rapid expansion of AI and various information and communication technologies, more satellites must be launched from Japan. Equally, the situation has changed to the point where we have to launch a large number of rockets.

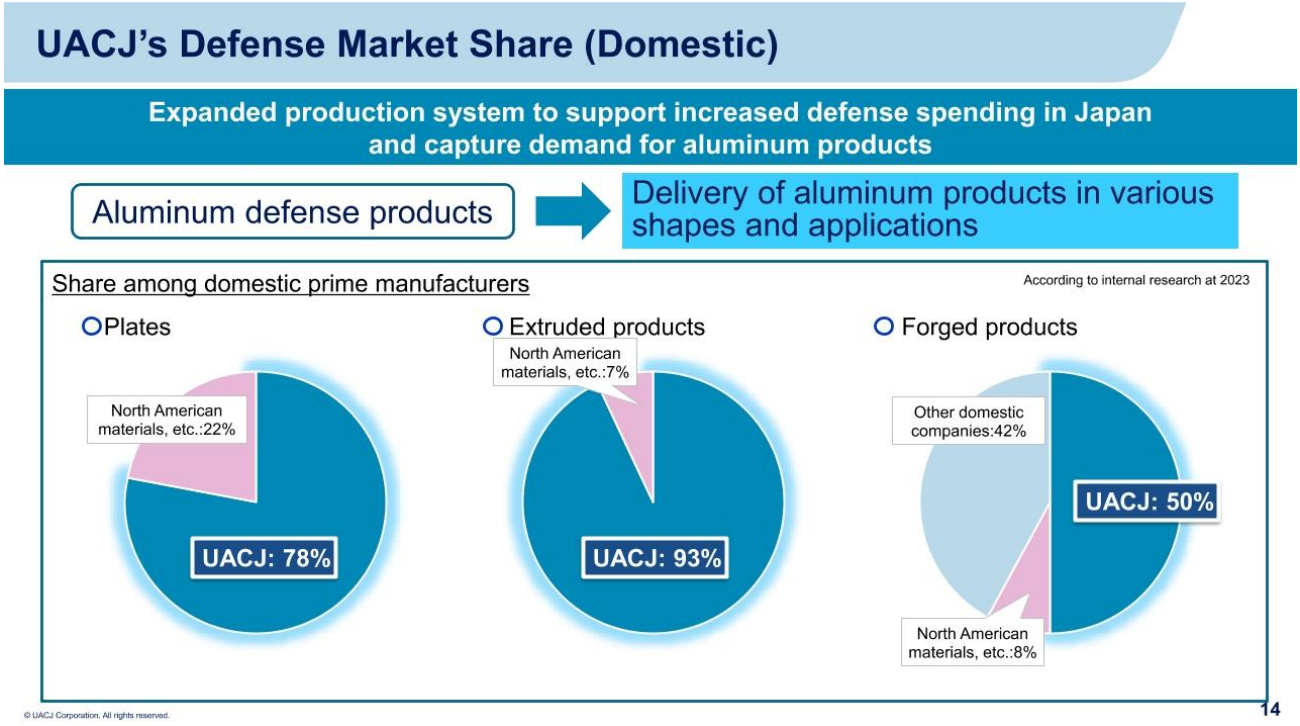


This is our market share in the space sector. It mainly shows the H3 rocket, the key launch vehicle in Japan. Here, UACJ's market share is high because it is made in Japan, but it still relies on North America. We will try to address this part of the demand, as the overall demand will grow with the increase in the number of

launches per year. At the same time, we will take the pink area occupied by the North American material further.



Next, we will look at demand trends in the defense sector. In the defense sector as well, there has been an increase since around FY2022 in line with changes in social conditions, resulting in a national defense budget of JPY43 trillion over the five-year period from 2023 to 2027. Comparison of the existing FY2023 to FY2025 shows a 1.5-fold increase.



We will show you our market share in the defense sector. As I mentioned earlier, as a Japanese aluminum manufacturer, we would like to promote measures to increase overall production of these products in response to the increased national defense budget with respect to defense-related matters.

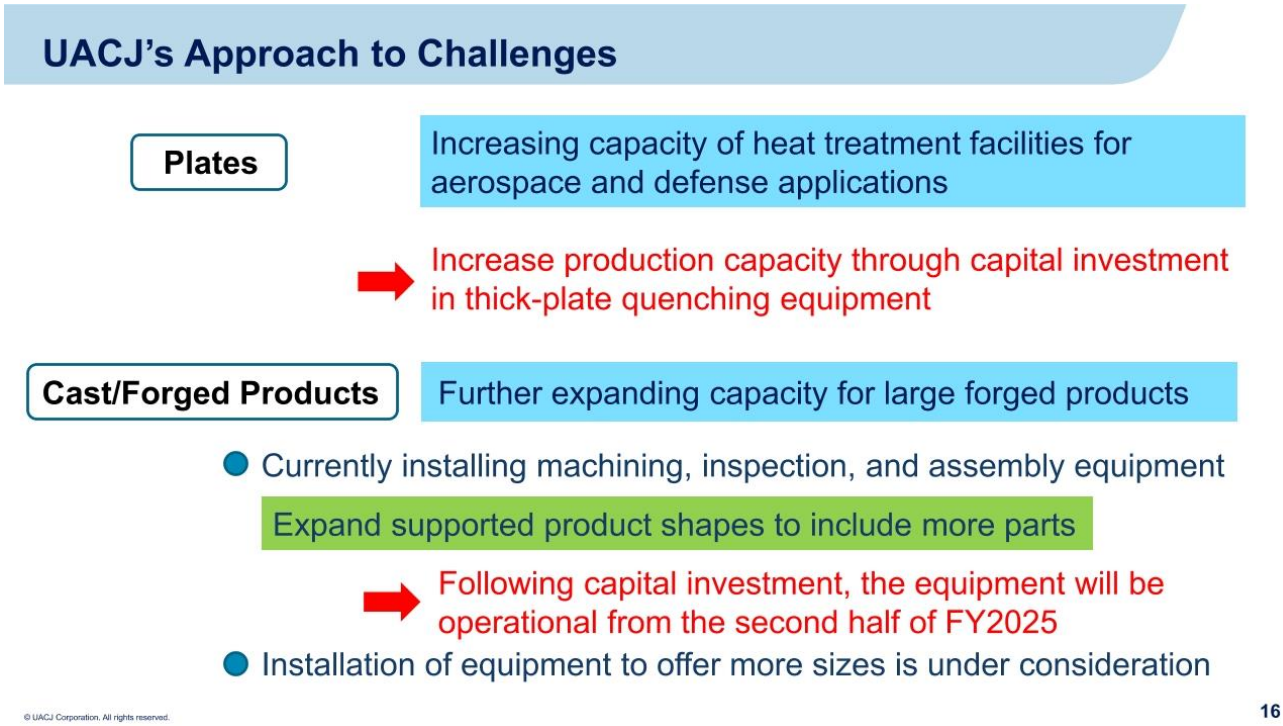
On this page, titled "strengths and challenges in aerospace and defense materials," we will explain our future sales plans for the three aerospace and defense fields.

The sales plan for FY2030 aims for growth of 2.3 times the FY2024 actual sales, taking FY2024 as 100. To achieve this sales plan, we are implementing a complex of specific sales initiatives in each of our fields.

In the defense sector, we will strengthen cooperation with domestic Tier 1 companies and related ministries and agencies, while developing a system to increase production to meet growing demand.

In the space field, we aim to achieve a 100% share of the domestic market for flagship rockets and expand our sales channels by strengthening cooperation with private start-up companies.

In the aerospace field, we will expand new sales of plate and extruded products by acquiring certification from North American aircraft manufacturers. Furthermore, we will use our strength in large forging presses to enter the European and US markets in cooperation with major European manufacturers. In addition, we are considering expanding sales channels through PR and collaboration with existing sales companies of titanium and specialty steel. Through these priority measures, we will ensure the targeted 2.3-fold growth.



Next, I will explain the strengths and challenges of our business. Our strength is our ability to manufacture thick aluminum plate in wide shapes, forged products, and other materials using one of the largest production facilities in Japan. We also have the capability to develop and manufacture various aluminum alloys for use in aerospace and defense applications.

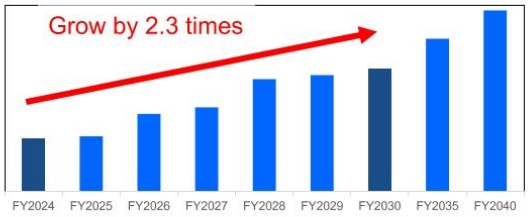
On the other hand, as a challenge, we are limited in terms of equipment compared to the heat treatment facilities that European and US aluminum manufacturers have. We need to increase the capacity of heat treatment facilities for aerospace and defense materials and further increase the production capacity of large forged products to compete with overseas materials.

To solve this issue, we have decided to invest in heat treatment facilities, which are indispensable for the production of quenched materials. Our mission is to solemnly obtain certification and increase the number of items to fill the equipment constraints I mentioned earlier.

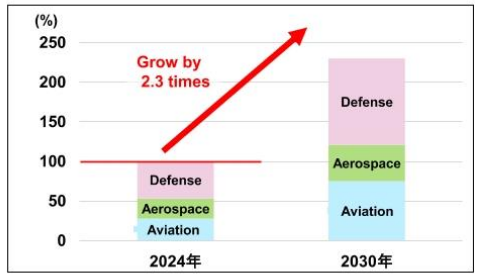
For forged products, we have not been able to fully increase the size and the part we cannot manufacture is imported from the US. We are considering the introduction of large forging equipment to capture this demand.

Toward Further Growth in the Aerospace and Defense Materials Business

Sales plan for the three areas of aviation, aerospace, and defense
(Index with 2024 as 100)



Share of each area in the sales plan
(Index with 2024 as 100)



Sales measures, etc. to achieve FY2030 sales plan

Domain	Main measures	Plates	Extrusion	Forging
Defense	(1) **Strengthening relationships** with domestic Tier 1 companies and related ministries and agencies	○	○	○
	(2) **Establishing a system to increase production** (increasing UACJ's production capacity, securing subcontractors, etc.)	○	○	○
Aerospace	(1) **Achieving 100% share of UACJ materials used in** flagship rockets	○	○	○
	(2) Collaborating with **private start-ups** (strengthening relationships through materials, technical support, etc.)	○	○	○
Aviation	(1) Expanding new sales by **acquiring** North American aircraft manufacturer **certification**	○	○	
	(2) **Establishing** a UACJ materials **resale system** (switching to overseas materials for high-mix, small-lot items)	○		
	(3) Using large forging presses to partner with major European Tier 1 equipment suppliers; **entering the European & U.S. markets**			○
	(4) **Expanding sales channels** through collaboration with existing trading companies for **titanium and specialty steel**	○	○	○

Continuing on, here is our approach to the issue. In response to these challenges, we are making capital investments and expanding our manufacturing capacity. As for plates, we have decided to invest in the thick plate quenching equipment as I mentioned earlier, and we intend to switch from US materials by enhancing these facilities.

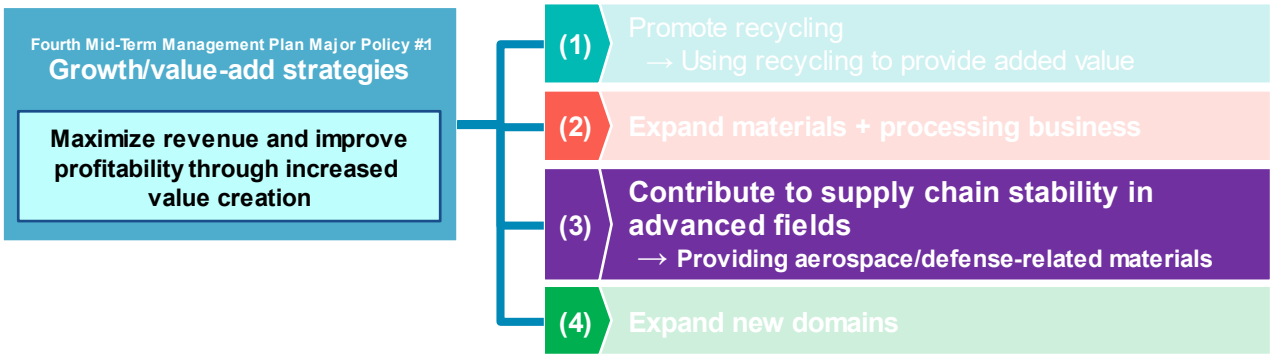
As for forged products, the construction work started in H2 of the last fiscal year, and the building was completed in April of this year, equipment was installed, and operations started in H2 of this year. Production capacity will be increased by expanding machining, inspection, and assembly facilities. In addition, we are considering the introduction of larger forging equipment.

Toward Achieving the Fourth Mid -term Management Plan and Realizing Vision 2030

Strengths of the Aerospace and Defense Materials Business

- **Production capabilities for large -scale materials** at some of the largest production facilities in the country
- **Ability to develop aluminum alloys** that reliably meet customer needs

Strengthening the domestic supply chain and contributing to the UACJ Group's profitability



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I would like to explain how this business is positioned for the realization of our fourth medium-term management plan and VISION 2030.

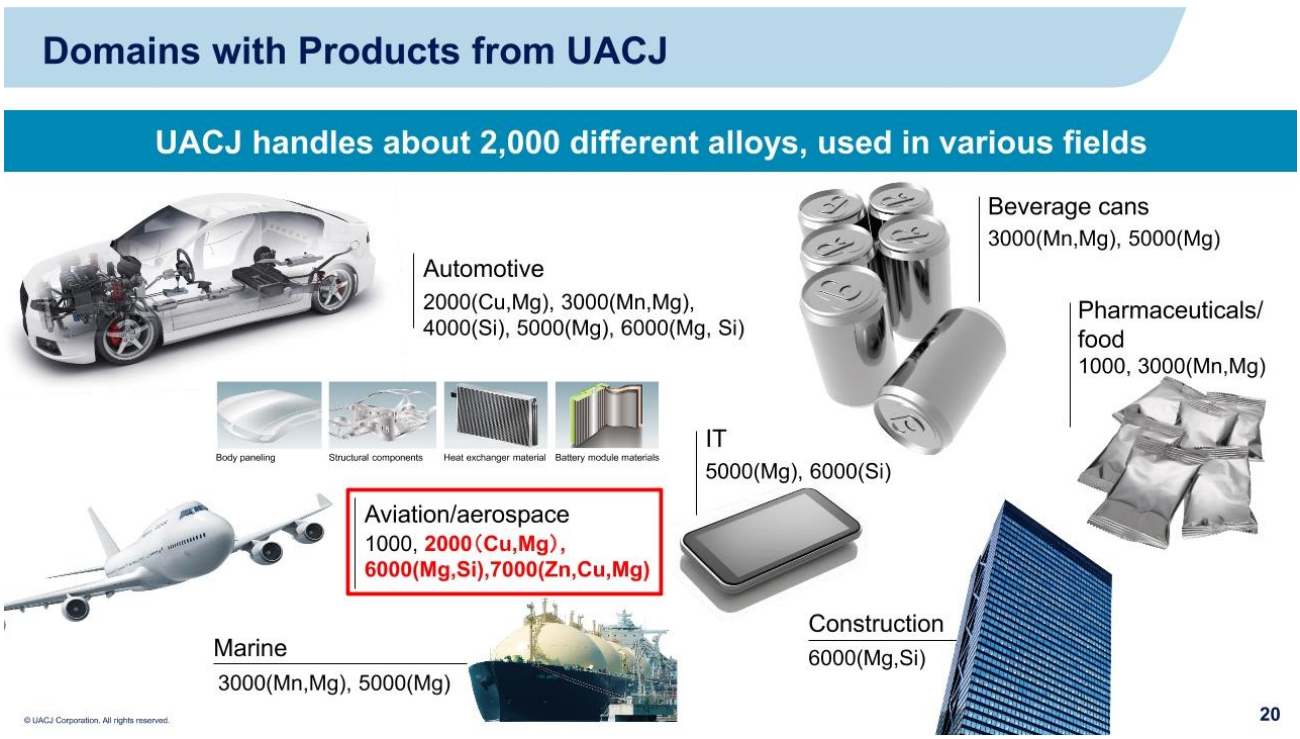
The key policies of the fourth medium-term management plan are 1) growth and value-added strategies, aiming to maximize earnings and improve profitability through expanded value creation. In this context, the important pillar of our business is the contribution to the stabilization of supply chains in cutting-edge fields, namely the provision of aerospace and defense-related materials.

We have two strengths that make this contribution possible. One is our ability to produce large materials using one of the largest large-scale production facilities in Japan, and the other is our ability to develop aluminum alloys that can reliably meet the needs of our customers.

By maximizing these strengths, we will strengthen the domestic supply chain and contribute to the overall profitability of the UACJ Group.

Next, we will discuss aluminum alloys used in the aerospace and defense materials business field.

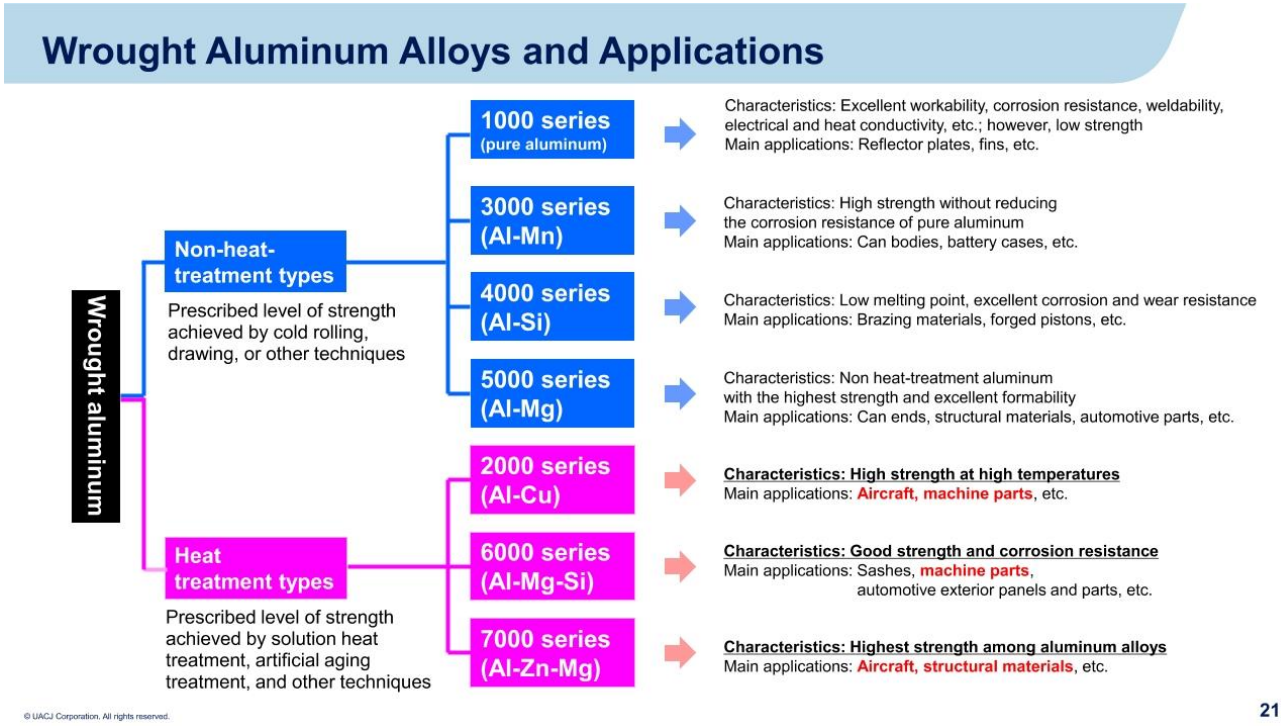
Aluminum has 15 main characteristics, the best known of which are lightweight, high strength, and excellent recyclability. As shown here, it has many other properties, including strong heat conductivity and processing ease. Three main characteristics are used in the aerospace and defense materials business: lightweight, high strength, and processing ease.



These are the product areas offered by UACJ. This is an example of an application area for aluminum. Each shows the four-digit number of alloy called wrought aluminum, below the field. Beside it, the main elements

added are shown. UACJ has registered approximately 2,000 different alloys and manufactured them in more than 10,000 different recipes to achieve the characteristics required by our customers.

As shown here, 2000-, 6000-, and 7000-series alloys are commonly used in the aerospace industry.

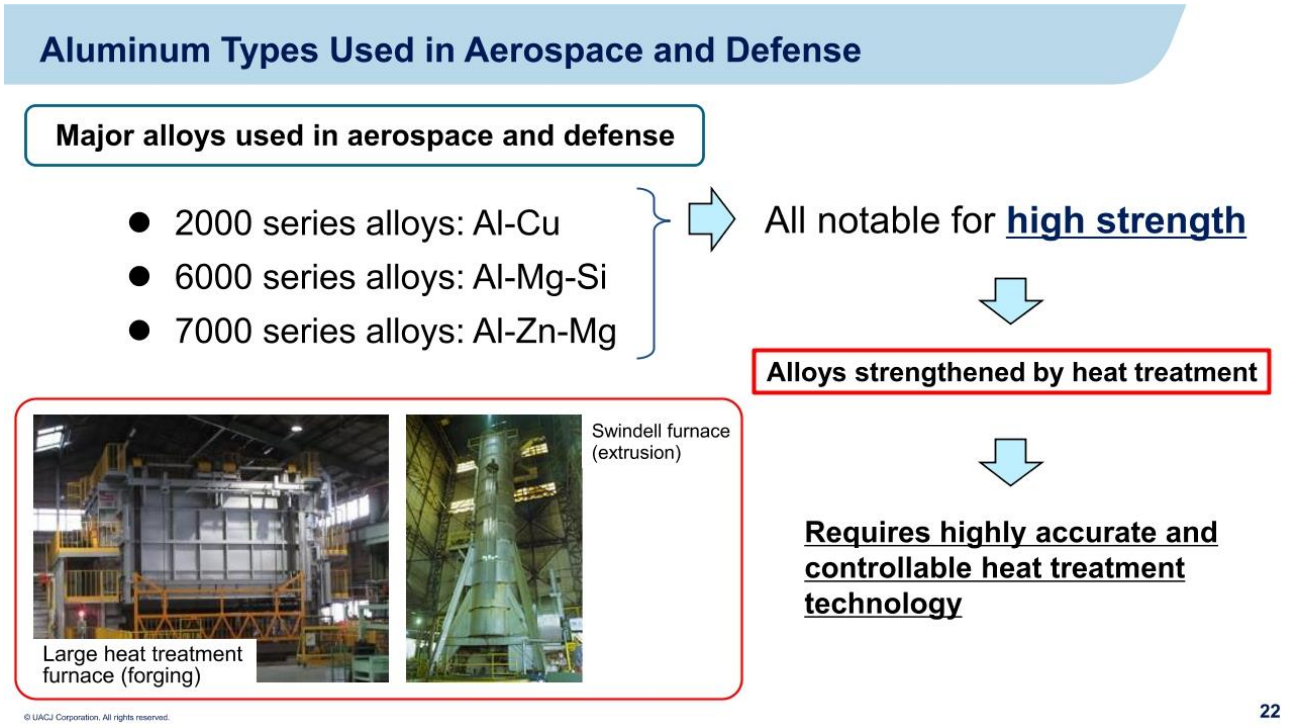


This is wrought aluminum alloys and its applications. Wrought aluminum are broadly classified into two types: non-heat-treated and heat-treated. Non heat-treatment types include 1000 series of pure aluminum, 3000 series of aluminum manganese, 4000 series of aluminum silicon, and 5000 series of aluminum magnesium, which achieve a prescribed strength by cold rolling, drawing and other techniques.

Series 1000 has excellent workability, corrosion resistance, and conductivity of electricity and heat, but has low strength and is used for reflective panels. Series 5000 is a non-heat-treated type that also has the highest strength formability and is used for can ends and structural materials.

Heat-treated types include the 2000 series, 6000 series, and 7000 series, which achieves prescribed level of strength by solution heat treatment, artificial aging treatment, and other techniques.

Series 2000 is a heat-resistant alloy with high strength at high temperatures, and is used for aircraft engine parts and rocket components. Series 7000 has the highest strength of all aluminum alloys and is used in aircraft and structural material applications.



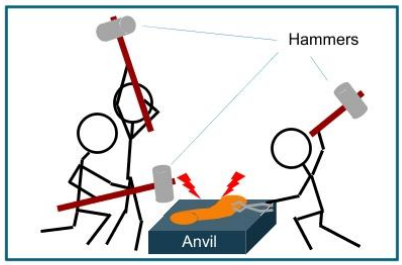
Alloys mainly used in the aerospace and defense fields are 2000-series alloys, 6000-series alloys, and 7000-series alloys, all of which are characterized by high strength. These are alloys that are strengthened by heat treatment, which requires highly precise and controllable heat treatment techniques. This photo shows a large heat treatment furnace for forging and a swindell furnace for extrusion.

Many parts for aerospace and defense products are thoroughly lightweight. To ensure strength in conjunction with extreme weight reduction, high-strength alloys are selected and precision machining is used to reduce weight. In addition, it is important to integrate parts by machining from large materials in order to avoid strength loss of joints due to welding.

About Forging

Traditional forging

Traditional smithing (e.g., of swords)



- Material: Iron
- Tools: Anvil, hammers

Forging at UACJ

Forging with a large press

- Material: Aluminum
- Tools: Anvil, large press

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Finally, we would like to introduce the forging technology at the Cast and Forge Works.

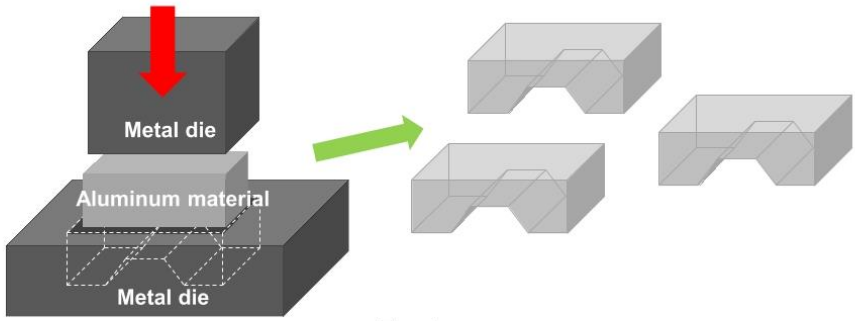
An example of traditional forging, such as sword forging as shown on the left, is done using iron as the material and an anvil and hammer as tools.

In our forging process, on the other hand, aluminum is used as the material, and an anvil and a large press are used as tools. There are two main types of forging: die forging and free forging, each of which is explained on the next slide.

About Forging: Die Forging

Die forging

Forging method using dies to shape (form) metal



Features

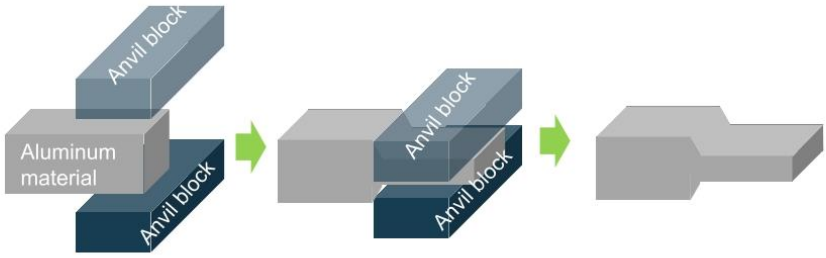
- Enables mass production with uniform shape
- Only manufactures one shape
- One die is needed for each product

First, let me explain about die forging. Die forging is a forging method that uses a die to form a product, and is characterized by the ability to mass-produce products of the same shape. However, there will be a restriction that only the same shape can be manufactured and one die is needed for each product.

About Forging: Free Forging

Free forging

Forging method using an anvil or jig to shape (form) metal



Features

- Capable of manufacturing various shapes
- Forms metal into relatively simple and rough shapes
- Forms by combining various anvil blocks and jigs

Next, we will explain free forging. Free forging is a forging method that does not use a specific die, but uses an anvil or jig for forming. It is characterized by a high degree of freedom to accommodate a wide range of shapes, but the resulting shape is relatively simple and the dimensional accuracy is coarse. Therefore, in free

forging, after forming, the product is machined and finished to the final product dimensions.

About Forging: Free Forging Examples

Free forging examples

Plates

Rings

Cylinders

- Production possible with various alloys
- Supports production by single piece/lot
- Can handle complex shapes unavailable with rolling and extrusion

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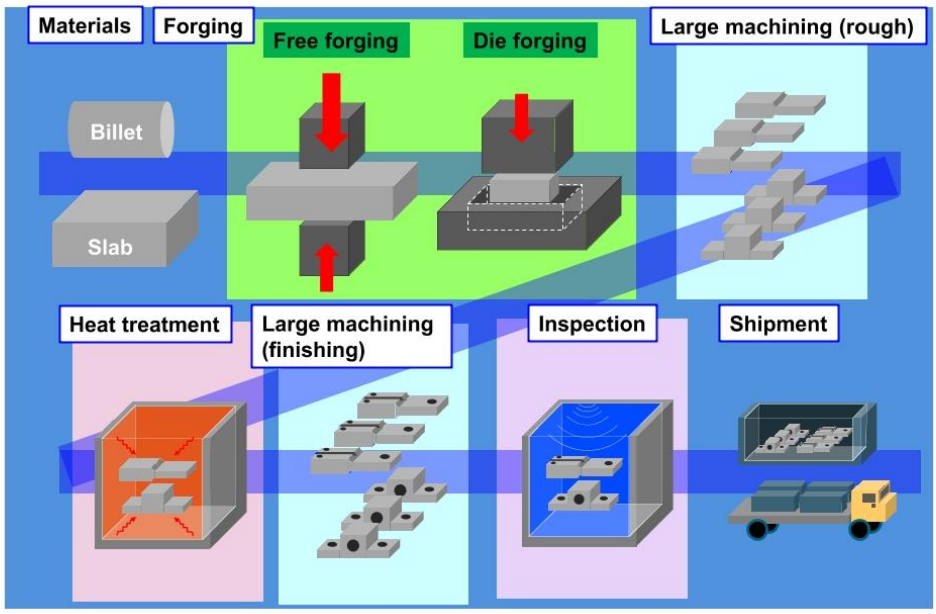
Here is an example of a free-forging product. Free forging can be used for production in a variety of alloys and can be made from a single piece. We can also handle shapes that cannot be manufactured by rolling or extrusion. As examples, the pictures show plate, ring, and cylindrical shapes.

Manufacturing Process Overview



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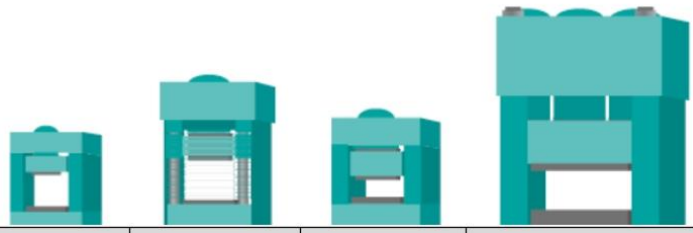
The following is an overview of the manufacturing process. Starting with a material such as a billet or slab, forging is performed by free forging or die forging. The products are then machined, heat-treated, finish-machined, and inspected before shipping.

Manufacturing Process: Forging Presses



Types of Forging Presses	1,000ton Press	3,000ton Press	5,000ton Press	15,000ton Press
Height above ground (mm)	6,000	10,500	7,000	13,000
Work opening width (mm)	1,900	2,240	2,000	4,500
Pressure (t)	1,000	3,000	5,000	15,000
Open height (mm)	2,000	3,300	1,750	3,300
Stroke (mm)	1,300	2,000	700	2,500

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The following is a list of our forging presses. We have a 1,000-ton press, a 3,000-ton press, a 5,000-ton press, and one of the largest 15,000-ton presses in Japan, each with its own pressures and sizes.

Main Facilities: Forging Presses, Heat Treatment Furnaces

15,000-ton press

3,000-ton press

No. 7 solution treatment furnace

No. 8 aging furnace

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Examples of our main facilities are the 15,000-ton press and 3,000-ton press shown in the photo, as well as the solution treatment furnace and aging furnace, which are heat treatment facilities.

Quality Assurance System

Delivering world-leading products of the highest quality

ISO9001/AS9100 certificate of registration

ISO14001 certificate of registration

Nadcap NDT (nondestructive testing) certification

Nadcap HT (heat treatment) certification

Dimensional inspection

Coordinate measuring machine

Test/inspection items (examples)

- Hardness measurement
- Electrical conductivity measurement
- Tension test
- Ultrasonic test
- Stress corrosion cracking test
- Peel strength test
- Fracture toughness test
- Fluorescent penetrant test
- Metallographic observation
- Micro/macro examination
- Various chemical analyses
- and others

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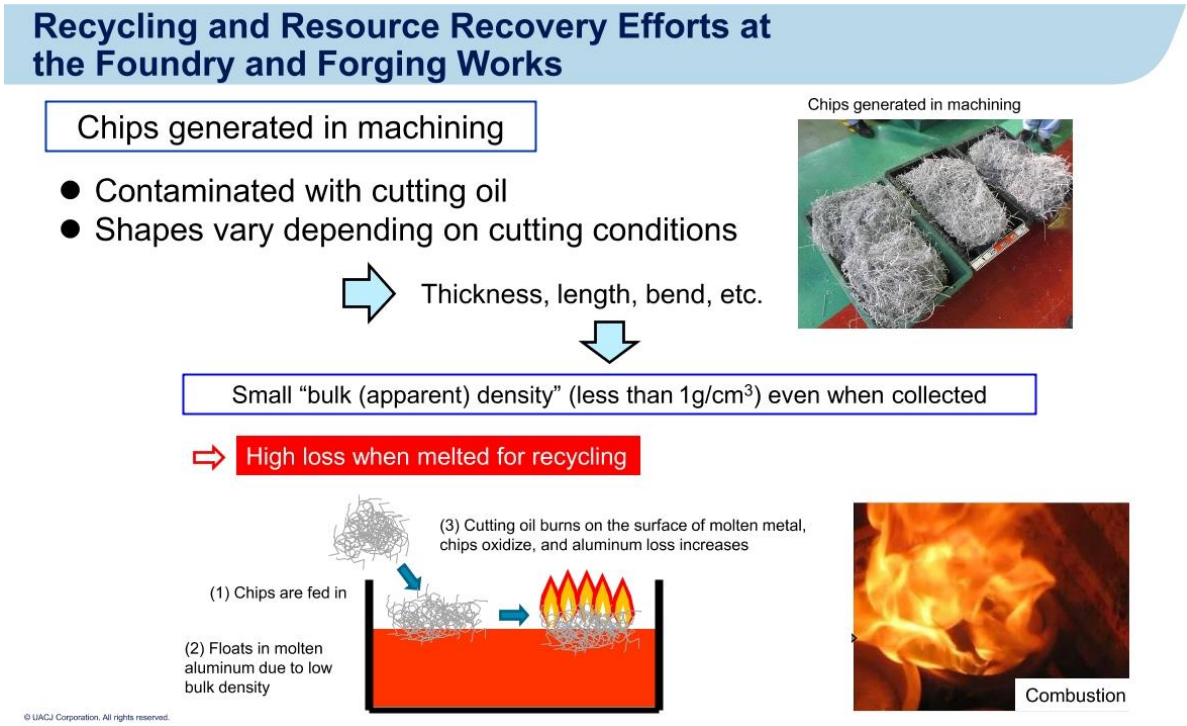
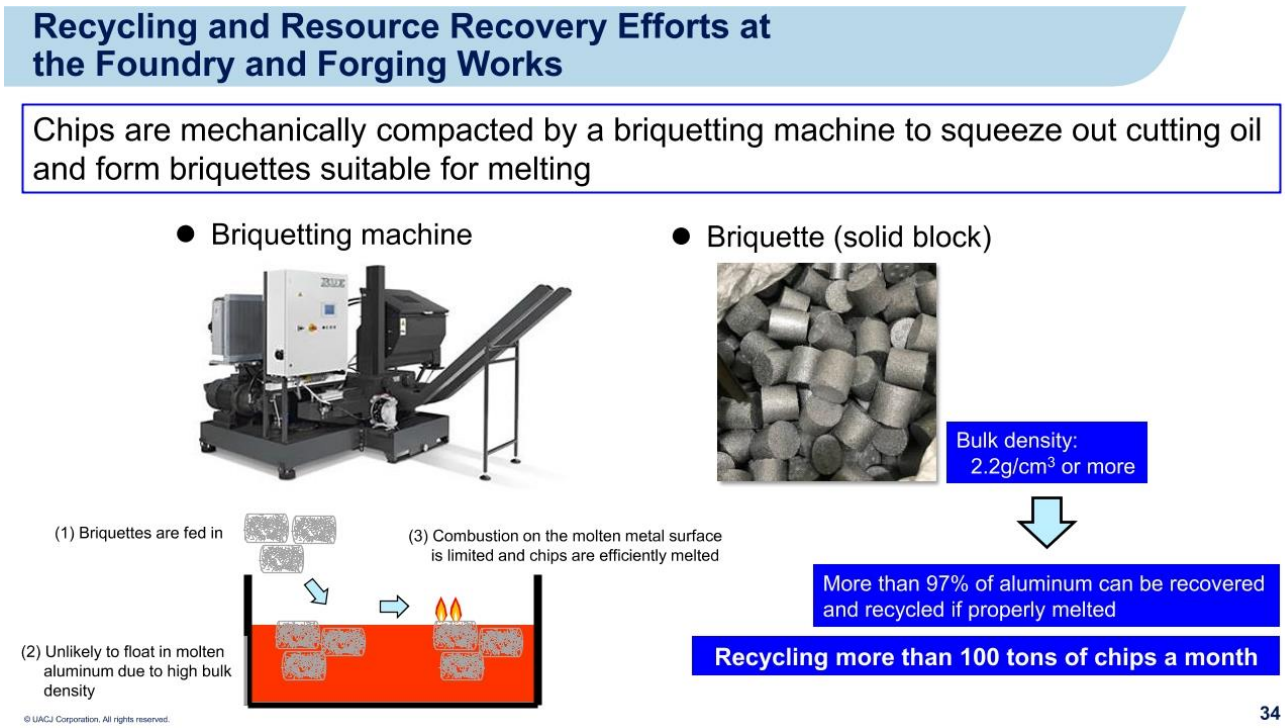
Next, the quality assurance system. We have a rigorous quality assurance system to deliver world-leading products of the highest quality. In addition to international certifications such as ISO9001/AS9100, we also have Nadcap NDT (Non-Destructive Testing certification) and Nadcap HT (Heat Treatment) certifications.

Testing and inspection items include dimensional measurement using 3D measuring instruments, hardness measurement, electrical conductivity measurement, tension test, stress corrosion cracking test, and many more.



Lastly, we will introduce the recycling and resource recovery efforts at the foundry and forging works as a topic of discussion. Chips generated by machining contain cutting fluid and take various shapes depending on cutting conditions. Even when collected, the apparent density, or bulk density, is small, less than 1 gram per cubic centimeter. This causes a problem of high loss during recycling dissolution. That is, because of its low bulk density, chips float on molten aluminum, cutting oil burns on the surface of the molten metal, and chips oxidize, resulting in a large loss of aluminum.



To address this issue, we use a briquetting machine to mechanically compress chips and squeeze out cutting oil while simultaneously forming briquettes suitable for melting. The briquette is pictured on the right.

Briquettes have a bulk density of more than 2.2 grams cubic centimeters, which makes them difficult to float in molten aluminum. This suppresses combustion on the surface of the molten metal and efficiently melts the chips, enabling recovery and recycling of more than 97% of the aluminum if properly melted. Currently, we recycle more than 100 tons of chips per month.

That is all the explanation from me. Thank you for your attention.

Ueda: Thank you very much, Mr. Yoshida. This is the end of our explanation.

Question & Answer

Ueda [M]: I would now like to take your questions, and these three people will also participate in the question-and-answer session. Kiyonori Kubota, General Manager, Aerospace & Defense Materials Sales Department.

Kubota [M]: My name is Kubota. Thank you.

Ueda [M]: Hironori Fukada, General Manager, Strategy & Planning Department.

Fukada [M]: I am Fukada. Thank you.

Ueda [M]: Likewise, Nobuhito Sakaguchi, Manager, Development Section, Strategy & Planning Department.

Sakaguchi [M]: My name is Sakaguchi. Thank you.

Ueda [M]: If you have a question, please state your company name and name, and then ask your question. Mr. Pham of Jefferies, please go ahead.

Pham [Q]: I am Pham from Jefferies Securities. Thank you for your explanation.

What is the current utilization rate of each business for the 2.3 times sales target? I think the defense is probably under a lot of pressure, but what can you tell us about each?

Yoshida [A]: Yoshida will answer. Since the same presses are used for aerospace and defense, respectively, there is still some room for improvement in the overall utilization rate. The utilization rate of presses differs between die forgings and free forgings, but we believe that the current overall utilization rate is still around 50-60%.

Pham [Q]: Thank you very much. How much capital investment is required for a 2.3-fold increase in size?

Yoshida [A]: Is it correct to answer about the foundry and forging works now? We had lacked machining and inspection facilities until now, but we constructed a new building in April and built machining facilities and inspection and assembly lines, so our machining and inspection facilities are now up to the task.

However, if sales increase by 2.3 times, the capacity of our presses, such as 15,000-ton presses, will be strained, and we are currently considering investing in equipment that can produce large forgings.

Pham [Q]: Thank you very much. Finally, on aviation. I think that European and North American manufacturers are adjusting their production quite a bit right now. Although European manufacturers are probably short of engines and North American manufacturers are not increasing deliveries, I have heard quite a bit about the increase in inventory in the supply chain. How are you hearing about this in the field? Is there quite a bit of inventory or something?

Yoshida [M]: Kubota from sales will answer this.

Kubota [A]: You are right about aero engines. Quite a bit of adjustment has been made just in terms of production trends. I think it will be a bit difficult for the whole of FY26, though. Aircraft demand will increase quite steadily, so we expect to see another recovery in H2 of 2027 and into 2027.

We do not deal with European manufacturers for aircraft or airframes, so we only deal with North American manufacturers. However, we believe that the production rate in North America is gradually increasing, and we expect the rate to rise next year or the year after next, when we can obtain certification.

Pham [M]: Thank you very much.

Ueda [M]: Thank you very much. Now, Mr. Yamaguchi, SMBC Nikko Securities, please.

Yamaguchi [Q]: My name is Yamaguchi. Thank you very much. In the past, at a similar briefing for each business unit, I asked what the scale of sales was and was given a figure of around JPY7 billion - JPY8 billion. I would like to know if this has not changed. This is the first question.

In relation to this question, if you can now double down on plates at other non-factory areas, for example, plates, what kind of changes would there be in your company's shipments while you are very busy with cans, and so on? Also, I think there is a cycle of certification, and when it was explained to me before, it usually took five or six years to obtain certification. However, I heard that if you enter a domestic prime manufacturer, you can obtain certificate in a relatively short cycle. If you could explain the certification process and the timeline that your company would actually go to order or sales, like a process chart for the future, it would be helpful, not only for forgings, but for the entire process.

I think the profit contribution is probably still small by any means, but can you tell me anything, including your image of when sales reach that JPY7 billion - JPY8 billion level?

Yoshida [M]: Kubota from the sales department will answer this as well.

Kubota [A]: Overall sales have not changed particularly significantly. Regarding your second question, the production capacity for plates and extrusion, we are relatively okay with plates. That is because, although cans and automobiles are strong, we have enough capacity in the upper process of hot rolling, and we are planning to invest in the lower process, as we announced in Q1 of this year, so we believe that we can make up for this.

Also, there are no problems so far with extrusion. We are currently working on obtaining certification for a North American aircraft manufacturer, which is scheduled for early next spring, and we expect to receive a large number of orders once the certification is obtained. In that case, our capacity would not be enough, so we are considering investing in some heat treatment for extrusion.

And the third and final question is about certification of aircraft manufacturers. As you say, it has taken five to 10 years in the past, but I do not think it will take that long this time. The reason, as Yoshida explained earlier, was that after COVID-19 pandemic, materials were not coming in from North America, which made it very difficult for domestic prime makers. Prime manufacturers in Japan want suppliers that put Japan first, and they have been very supportive of our efforts to acquire certification. That is one point.

Now, we are actually holding monthly progress follow-up meetings with aircraft manufacturers in North America. We had a meeting on Dec. 5th as well. As we have already followed up on the progress in this way, we believe that we will be able to obtain certification as planned.

Regarding extrusions, again, we expect to obtain certification around next spring, and for plates, by the end of 2027. That is all.

Yamaguchi [M]: Thank you.

Ueda [M]: Thank you very much. Now, Mr. Shirakawa of Morgan Stanley MUFG Securities, please go ahead.

Shirakawa [Q]: My name is Shirakawa from Morgan Stanley MUFG Securities. Thank you very much. There are two points.

This is related to what you just said, but in the document on page 15, sales will increase in stages next year and again in FY28. Can you tell us the background behind this increase? Also, when there is an increase in certification at the extrusion you mentioned, sales have gone up a notch in FY26 and FY28, can you give us some background on this?

Is the JPY7 billion to JPY8 billion after the 2.3 times increase?

Kubota [A]: For 2026, for H3 rockets, 100% of the materials in plate and extrusion field are our company's material. Therefore, it increased. Space-related. The increase in sales in 2028 is mainly due to our plan in 2028 to start receiving orders from North American aircraft manufacturers after obtaining their certification for plate materials.

Shirakawa [Q]: When you said earlier JPY7 billion to JPY8 billion, do you mean the sales when they increased by 2.3 times?

Fukada [A]: We are at that level at this stage.

Shirakawa [Q]: current stage. So, 2.3 times the amount would be JPY15 billion?

Fukada [A]: Yes. That understanding is fine.

Shirakawa [Q]: One more thing. In the explanatory materials for the past mid-term business plan, there is a chart showing that the ROIC of the casting and forging section is very high while the invested capital remains almost the same. The point is that the investment in quenched materials had not yet been included in the medium-term plan, and the current situation is more [inaudible].

There is a chart on page 18 of the medium-term plan, with invested capital on the vertical axis and ROIC on the horizontal axis. As for the casting and forging, why has the invested capital not increased much in FY2027?

Fukada [A]: The investment in heat treatment equipment for plates is probably not accounted for in the casting and forging, so that is not part of the plan.

Shirakawa [Q]: So, you are saying that maybe everything that will increase in FY2027 was not included?

Fukada [A]: In that sense, it is in the plan for UACJ, but not in the casting and forging.

Shirakawa [M]: Thank you very much.

Ueda [A]: At the time of the mid-term business plan, the plate business included investments mainly in aerospace and defense-related businesses, and at that time, investment was included in both the cast and forged business and the plate business. Therefore, ROIC appeared as you said. However, since there was a reorganization of the business divisions, the current situation has changed.

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

Ueda [M]: Mr. Matsumoto from Nomura Securities, please go ahead.

Matsumoto [Q]: My name is Matsumoto from Nomura Securities. Thank you for your assistance. In relation to what Mr. Yoshida said earlier on page 17, you mentioned that machining and other work has been

completed, but that equipment may be needed. Could you tell me what and when you are planning to do specifically?

Yoshida [A]: Earlier I mentioned that the capacity of large presses will be insufficient if sales increase by 2.3 times. In terms of what kind of manufacturing facilities or investments we are thinking, please see page 17. Just recently, on December 19, our proposal was adopted by the Space Strategy Fund. We are not yet able to discuss specific equipment, but our proposal is for the theme of a new manufacturing process that will contribute to high-frequency launches. Please wait for the press release that will be issued shortly to find out what equipment will be introduced and when it will be introduced. The idea is that once that equipment is installed, there will be room for the current capacity.

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

Ueda [M]: Mr. Goroh, UBS Securities, please go ahead.

Goroh [Q]: I am Goroh from UBS Securities. Thank you. I have a question about confirming the business structure. This time, having received a long-term order, you said you will plan production and sales with a view to future sales. What would be the structure of the roll margin or contract?

For example, in January this year, your company announced a 20% increase in overall roll margin, and you often work on such initiative on margin. In such field, is the plan fixed based on such long-term view? Or is there such a risk situation as an inflation hedge? One thing I would like to know is how it works from your company's standpoint.

I understand that domestic manufacturers have an advantage, but I would like to confirm that your company is able to capture a large share of the market in terms of equipment capacity and product quality, which is unique to your company. Thank you.

Kubota [A]: Regarding on the contract first, it is mostly a multi-year contract. We ask for our price increases as needed. We have asked for price increase for at least the portion of the cost increase, and we increase price bit by bit every year.

Goroh [Q]: Are you saying that you are able to increase price at the same pace as the revision of the roll margins we are hearing about, as in the case of thick plates?

Kubota [A]: The timing is not exactly the same as other plates and extrusion, but basically we are asking for price increase so that we do not get behind.

Yoshida [A]: I think the other question was how we differentiate ourselves from other companies, both domestic and overseas, and what our strengths are. Compared to other domestic companies, we have large presses, and nowadays, aircraft, space, and defense-related industries are demanding very large aluminum products, and this is where we have an advantage.

As for differentiation from overseas makers, as was explained earlier, we are able to communicate with domestic prime makers and participate in the design stage, so we are able to discuss what shape would be best, and we are also able to offer stable quality. I believe that we are highly evaluated by domestic prime makers for our efforts in this area.

Ueda [M]: Thank you for your question. Mr. Ozaki of Daiwa Securities, please go ahead.

Ozaki [Q]: I am Ozaki from Daiwa Securities. Thank you. I believe that your company's market share in aerospace and defense is quite different from one sector to another, could give us some background on this?

You mentioned equipment limitations, but what is the background behind the current market share, including certification, supply chain, etc.?

Yoshida [M]: Kubota from sales will answer.

Kubota [A]: First of all, in the field of aviation, as with civil aircraft and defense aircraft, our business started out mainly in North America, and parts were basically imported for a long time. We are still in the process of raising the market share of our lumber against imported lumber. Plate, extrusion, and casting and forging all have low market shares.

As for rockets and defense systems, it is not so low as aircraft. For defense, made-in-Japan material is preferable, and our product is used more than 50% as shown on page 14. In the space sector, we use overseas materials for parts that cannot be manufactured because they are inevitably large parts, but we are gradually shifting the production of these parts to us. Therefore, we believe that our company's share will increase. Is it okay?

Ozaki [Q]: Are you taking the direction of aiming to get market share that you are not capturing now such as large-scale space?

Kubota [A]: Yes.

Ozaki [M]: Thank you very much.

Ueda [M]: SBI Securities, Mr. Shibata, please go ahead.

Shibata [Q]: I am Shibata from SBI Securities. Thank you. First question. I have a question about the sales plan on page 15. Please tell us as much as you can about sales and profit by sectors including how profit margins vary depending on the destination, or whether customers are more shifting to custom-made?

Kubota [A]: This is a very difficult question. It depends on the customer. Some products are not making profit and some are making profits.

Shibata [M]: Thank you very much.

Ueda [M]: I would like to conclude this briefing. For any further inquiries, please contact the IR Department.

This concludes the Business Briefing on the Aerospace and Defense Materials Business of UACJ Corporation. Thank you very much for taking time out of your busy schedules to join us today.

[END]

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