Quarterly Financial Results for the Second Quarter Ended September 30, 2018 [According to Japanese Accounting Standards] (Consolidated)

November 1, 2018

Name of Listed Company: UACJ Corporation
Stock Exchange Listings: Tokyo
Code Number 5741 URL http://www.uacj.co.jp/english/
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(Name) Miyuki Ishihara
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Scheduled Date for Submitting Financial Statements November 9, 2018
Scheduled Date of Dividend Distribution: -
Supplementary materials available on quarterly financial results : Yes
Quarterly results briefing: Yes (For institutional investors and securities analysts)

Note: Figures have been rounded to the nearest million yen.

1. Consolidated Business Performance for the Second Quarter, Ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated business performance (cumulative)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Six months ended	¥million	%	¥million	%	¥million	%	¥million	%
September 30, 2018	330,857	9.6	11,867	(24.9)	7,570	(40.9)	2,356	(65.7)
September 30, 2017	301,854	8.2	15,794	52.0	12,800	73.2	6,860	216.7

(Note) Comprehensive income: six months ended September 30, 2018: ¥3,776 million (-53.5%); six months ended September 30, 2017: ¥8,120 million (-%)

	Net income per share	Fully diluted net income per share
Six months ended	¥	¥
September 30, 2018	48.84	—
September 30, 2017	142.16	—

Note: The Company conducted a 1-for-10 reverse stock split on common shares with an effective date of October 1, 2017. Accordingly, net income per share is calculated as if the reverse stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of:	¥million	¥million	%
September 30, 2018	811,457	210,341	24.1
March 31, 2018	774,071	208,396	25.1

(Reference) Shareholders' equity: ¥195,193 million as of September 30, 2018, ¥194,235 million as of March 31, 2018

2. Dividends

	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended/ending:	¥	¥	¥	¥	¥
March 31, 2018	—	3.00	—	30.00	—
March 31, 2019	—	0.00			
March 31, 2019 (Forecasts)			—	60.00	60.00

(Note) Changes in dividend forecast during the quarter under review: No
The Company conducted a 1-for-10 reverse stock split on common shares with an effective date of October 1, 2017. Accordingly, the year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) is calculated after taking into consideration the impact of this reverse stock split. For this reason, a "–"symbol is contained in the column for annual dividends for the year. Annual dividends per share, based on calculations following the stock split, were ¥60 for the year ended March 31, 2018.

3. Forecast for consolidated business performance in the term ending March 31, 2019
(from April 1, 2018 to March 31, 2019)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
Full year	670,000	7.3	28,000	(4.1)	20,000	3.1	10,000	(18.4)	207.29

(Note) Revisions to consolidated business performance forecasts during the quarter under review: No

Notes
(1) Changes in significant subsidiaries during the period (Changes in the scope of consolidation of specific subsidiaries): No

(2) Application of particular accounting procedures to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in estimates, or restatements
a. Changes in accounting policies owing to revisions in accounting standards: No
b. Changes in accounting policies other than a. above: No
c. Changes in accounting estimates: No
d. Restatements: No

(4) Number of shares outstanding (common stock)
a. Number of shares issued at the end of the period (including treasury stock)
As of September 30, 2018 48,328,193 shares
As of March 31, 2018 48,328,193 shares
b. Number of shares of treasury stock at the end of the period
As of September 30, 2018 88,339 shares
As of March 31, 2018 86,440 shares
c. Average number of shares outstanding during the period (calculated cumulatively from the beginning of the fiscal year)
For the six months ended September 30, 2018 48,240,768 shares
For the six months ended September 30, 2017 48,256,230 shares

Note: The Company conducted a 1-for-10 reverse stock split on common shares with an effective date of October 1, 2017. Accordingly, number of shares issued at the end of the period, number of shares of treasury stock at the end of the period, and average number of shares outstanding during the period are calculated as if the reverse stock split had been conducted at the beginning of the previous fiscal year.

*These financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

*Explanations pertaining to appropriate use of information concerning future forecasts.
The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information available to the company at the time the results were announced. Actual performance may differ substantially from these projections due to fluctuations in the economy or a variety of other known and unknown factor.

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1. Qualitative Information on Results for the Second Quarter Ended September 30, 2018

(1) Consolidated Business Performance

During the first six months of the fiscal year ending March 31, 2019, the worldwide economy was characterized by positive ongoing business sentiment in the United States and firm performance in Europe. In the Chinese economy, growth showed signs of leveling off, but government policies designed to bolster the economy helped to moderate the pace of deceleration. Overall, emerging markets were in a recovery phase.

In the Japanese economy, business performance was negatively affected by natural disasters, but the overall economy continued to recover, buoyed by rebounds in capital investment and personal consumption, which trended upward.

From the beginning of the fiscal year, however, the outlook grew increasingly uncertain, due to the US government's introduction of protectionist trade policies and countermeasures by the Chinese government.

In this environment, net sales for the UACJ Group were up 9.6% year on year, to ¥330,857 million, buoyed by a rise in primary ingot prices. On the profit front, a rise in energy costs led to a 24.9% year-on-year decline in operating income, to ¥11,867 million. Ordinary income fell 40.9%, to ¥7,570 million, and net income attributable to owners of the parent dropped 65.7%, to ¥2,356 million.

Information by segment is provided below.

Rolled Aluminum Products Business

In the flat-rolled products business, within sheet materials, although demand related to low-alcohol beverages remained favorable, domestic demand for can stock was down year on year as beer-related demand failed to increase and due to production cutbacks stemming from such natural disasters as flooding in Western Japan. Automotive demand, however, remained robust. Meanwhile, overall sheet product sales volume was down year on year, due to falling exports. Sales of extruded products were firm, due to favorable demand for use in the automotive and general machinery sectors.

The Group's domestic sales volume was essentially in line with the above-stated demand trends, falling year on year in sheet products and remaining essentially flat for extruded products. However, the UACJ Group's sales volume for rolled aluminum products rose year on year, due to higher demand for can stock and aluminum materials for automotive panels from Tri-Arrows Aluminum Inc. and an increase in orders for can stock from UACJ (Thailand) Co., Ltd.

As a result of these sales conditions, sales in the rolled aluminum products business grew 10.4% year on year in the first six months of the fiscal year, to ¥265,546 million, benefiting from the rise in primary ingot prices. Operating income fell 20.3% year on year to ¥12,756 million, due to a rise in energy costs.

Wrought Copper Products Business

In the wrought copper industry, the Group's sales volume of copper pipes was up year on year due to favorable domestic shipments of household air conditioners and commercial package air conditioners—the principal uses of these pipes—affected by hot summer weather. These factors, plus a year-on-year increase in copper ingot prices, led to positive overall performance.

In this environment, sales of wrought copper products business prices increased 8.3% year on year in the first half, to ¥23,973 million. Operating income rose 8.5%, to ¥1,062 million, mainly thanks to improvements in the product mix.

Precision-machined Components and Related Businesses

Due in part to higher primary ingot prices, sales in the precision-machined components and related businesses expanded 7.1%, to ¥97,065 million. On the other hand, operating income fell 35.4%, to ¥1,501 million, mainly because the product mix worsened as IT-related demand fell.

(2) Consolidated Financial Position

As of September 30, 2018, net assets amounted to ¥210,341 million, up ¥1,945 million from March 31, 2018, as retained earnings grew due to the posting of net income attributable to owners of the parent.

Total assets were ¥811,457 million, up ¥37,386 million from March 31, 2018, mainly as a result of higher inventories stemming from increased primary ingot prices.

(3) Forecast for Consolidated Business Performance

Our business performance forecast announced on May 9, 2018, remains unchanged.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of September 30, 2018)
Assets		
Current assets		
Cash and deposits	22,005	31,766
Notes and accounts receivable-trade	135,181	140,165
Merchandise and finished goods	39,412	42,239
Work in process	60,439	60,454
Raw materials and supplies	45,261	62,568
Other	20,193	18,028
Allowance for doubtful accounts	(30)	(33)
Total current assets	322,461	355,187
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,941	68,974
Machinery, equipment and vehicles, net	108,600	108,494
Land	115,730	115,662
Other, net	41,821	51,262
Total property, plant and equipment	335,092	344,391
Intangible assets		
Goodwill	46,435	45,099
Other	14,268	13,738
Total intangible assets	60,703	58,837
Investments and other assets		
Investment securities	26,577	24,326
Other	29,310	28,788
Allowance for doubtful accounts	(71)	(72)
Total investments and other assets	55,816	53,042
Total noncurrent assets	451,610	456,270
Total assets	774,071	811,457

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	121,335	130,995
Short-term loans payable	61,777	62,160
Current portion of bonds	2,500	1,250
Current portion of long-term loans payable	50,643	62,375
Other	36,893	38,253
Total current liabilities	273,148	295,033
Noncurrent liabilities		
Long-term loans payable	227,417	246,357
Retirement benefit obligations	18,465	18,159
Other	46,646	41,567
Total noncurrent liabilities	292,527	306,083
Total liabilities	565,675	601,116
Net assets		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	51,841	52,576
Treasury stock	(295)	(300)
Total shareholders' equity	184,141	184,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,383	2,984
Deferred losses on hedges	(806)	(562)
Foreign currency translation adjustment	8,359	7,801
Cumulative adjustments related to retirement benefits	158	98
Total accumulated other comprehensive Income	10,094	10,321
Non-controlling interests	14,161	15,148
Total net assets	208,396	210,341
Total liabilities and net assets	774,071	811,457

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Six months ended September 31, 2018)

(Millions of yen)

	FY2017 2nd Quarter (From April 1, 2017 to September 30, 2017)	FY2018 2nd Quarter (From April 1, 2018 to September 30, 2018)
Net sales	301,854	330,857
Cost of sales	259,089	290,423
Gross profit	42,766	40,434
Selling, general and administrative expenses	26,971	28,567
Operating income	15,794	11,867
Non-operating income		
Gain on valuation of derivatives	301	631
Interest income	443	497
Other	800	777
Total non-operating income	1,544	1,905
Non-operating expenses		
Interest expenses	2,439	3,214
Shares of losses of entities accounted for using equity method	1,658	1,895
Other	442	1,093
Total non-operating expenses	4,538	6,202
Ordinary income	12,800	7,570
Extraordinary income		
Gain on sales of investment securities	39	725
Insurance income	187	—
Other	91	36
Total extraordinary income	316	761
Extraordinary loss		
Loss on retirement of non-current assets	303	403
Inventory valuation loss	124	—
Other	91	205
Total extraordinary losses	519	609
Income before income taxes	12,597	7,723
Total income taxes	5,469	5,064
Net income	7,128	2,659
Net income attributable to non-controlling interests	268	303
Net income attributable to owners of the parent	6,860	2,356

Quarterly Consolidated Statements of Comprehensive Income

(Six months ended September 31, 2018)

(Millions of yen)

	FY2017 2nd Quarter (From April 1, 2017 to September 30, 2017)	FY2018 2nd Quarter (From April 1, 2018 to September 30, 2018)
Net income	7,128	2,659
Other comprehensive income		
Valuation difference on available-for-sale securities	436	598
Deferred gains (losses) on hedges	(301)	211
Foreign currency translation adjustment	801	890
Adjustments to retirement benefits	(5)	(48)
Share of other comprehensive income of entities accounted for using equity method	61	(534)
Total other comprehensive income	992	1,117
Comprehensive income	8,120	3,776
(Attributable to)		
Owners of the parent	7,809	2,583
Non-controlling interests	311	1,192

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

Not applicable

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in the Scope of Consolidation and Application of the Equity Method)

(1) Significant changes in the scope of consolidation

Not applicable.

(2) Changes in the scope of application of the equity method

During the period under review, the Company sold a portion of its shareholdings in Sumikei-Nikkei Engineering Co., Ltd., which had been an affiliated company accounted for using the equity method. As a result of this sale, Sumikei-Nikkei Engineering was excluded from the scope of application of the equity method during the first six months under review.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The UACJ Group began applying the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) from the beginning of the first quarter under review. As a result, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under noncurrent liabilities.

(Segment Information, etc.)

Segment Information

I First six months of the Fiscal Year Ended March 31, 2018
(April 1, 2017, to September 30 2017)

Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments (Notes) 1	Amount recorded in the quarterly consolidated statements of income (Notes) 2
	Rolled Aluminum Products Businesses	Wrought Copper Products Businesses	Precision-machined Components and Related Businesses	Subtotal		
Net sales						
Sales to external customers	211,133	15,910	74,811	301,854	—	301,854
Intersegment sales and transfers	29,334	6,225	15,783	51,342	(51,342)	—
Total	240,466	22,136	90,594	353,196	(51,342)	301,854
Segment income	16,010	978	2,323	19,311	(3,517)	15,794

(Notes) 1. The negative ¥3,517 million adjustment to segment income includes a negative ¥191 million adjustment for inventories, negative ¥164 million in eliminations for intersegment transactions, and a negative ¥3,162 million for companywide expenses that were not allocable to individual reporting segments. Companywide expenses are general management expenses for the parent company that are not ascribed to reportable segments.

2. Segment income is adjusted to the operating income in the quarterly consolidated statements of income.

II First six months of the Fiscal Year Ending March 31, 2019
(April 1, 2018 to September 30, 2018)

Information on sales and income by reportable segment

(Millions of yen)

	Reportable Segments				Adjustments (Notes) 1	Amount recorded in the quarterly consolidated statements of income (Notes) 2
	Rolled Aluminum Products Businesses	Wrought Copper Products Businesses	Precision-machined Components and Related Businesses	Subtotal		
Net sales						
Sales to external customers	234,809	16,643	79,406	330,857	—	330,857
Intersegment sales and transfers	30,738	7,331	17,660	55,728	(55,728)	—
Total	265,546	23,973	97,065	386,585	(55,728)	330,857
Segment income	12,756	1,062	1,501	15,319	(3,452)	11,867

(Notes) 1. The negative ¥3,452 million adjustment to segment income includes a negative ¥7 million adjustment for inventories, negative ¥177 million in eliminations for intersegment transactions, and a negative ¥3,268 million for companywide expenses that were not allocable to individual reporting segments. Companywide expenses are general management expenses for the parent company that are not ascribed to reportable segments.

2. Segment income is adjusted to the operating income in the quarterly consolidated statements of income.