

Quarterly Financial Results for the Third Quarter
Ended December 31, 2018
[According to Japanese Accounting Standards] (Consolidated)

February 6, 2019

Name of Listed Company UACJ Corporation
Stock Exchange Listings Tokyo
Code Number 5741 URL <http://www.uacj.co.jp/english/>
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Scheduled Date for Submitting Financial Statements February 14, 2019
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 Third Quarter, Ended December 31, 2018
(From April 1, 2018 to December 31, 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	
	¥million	%	¥million	%	¥million	%	¥million	%
Nine months ended December 31, 2018	497,440	8.5	13,917	(40.3)	7,125	(54.4)	1,200	(88.7)
December 31, 2017	458,668	9.9	23,305	35.1	15,625	21.8	10,648	126.7

(Note) Comprehensive income: nine months ended December 31, 2018: ¥2,869 million (-81.6%); nine months ended December 31, 2017: ¥15,610 million (-%)

	Net income per share	Fully diluted net income per share
	¥	¥
Nine months ended December 31, 2018	24.87	—
December 31, 2017	220.66	—

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
	¥million	¥million	%
As of:			
December 31, 2018	816,650	209,430	23.9
March 31, 2018	774,071	208,396	25.1

(Reference) Shareholders' equity: ¥194,840 million as of December 31, 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	14,500	(50.4)	6,500	(66.5)	1,500	(87.8)	31.09

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes

For details, please refer to the press release dated today (February 6, 2019), entitled “Announcement of Revised Operating Results Forecast”

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 December 31, 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 December 31, 2018 90,023 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 nine months ended December 31, 2018 48,240,192 shares

For the nine months ended December 31, 2017 48,251,961 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 Third Quarter Ended December 31, 2018

(1) Consolidated Business Performance

During the first nine months of the fiscal year ending March 31, 2019, the worldwide economy was generally robust, despite growing uncertainty as deceleration of the Chinese economy became more apparent due to mounting trade friction with the United States.

The Japanese economy was also firm, but fluctuations such as these are leading to increased uncertainty about the future outlook.

In this environment, net sales for the UACJ Group were up 8.5% year on year, to ¥497,440 million, affected by such factors as higher sales of can stock and aluminum for automotive panels at consolidated subsidiary Tri-Arrows Aluminum Inc., a rise in orders for can stock at UACJ (Thailand) Co., Ltd., and higher primary ingot prices.

On the profit front, however, the operating environment has changed more rapidly than anticipated, affected by such factors as rapid deceleration in the Chinese market and trade friction between the United States and China. Consequently, demand has fallen off sharply for the Company's mainstay products: IT materials and thick plate for liquid-crystal and semiconductor production equipment. In addition to these factors in the management environment, natural disasters have had a greater impact than we had initially expected, delaying our cost-reduction efforts and causing production costs to rise. In addition, we were affected by temporary factors during the nine months under review, such as equipment breakdowns. Consequently, operating income fell 40.3% year on year, to ¥13,917 million, and ordinary income declined 54.4%, to ¥7,125 million. Net income attributable to owners of the parent was down 88.7%, to ¥1,200 million, following a substantial decrease in corporate taxes paid by US subsidiaries in the previous fiscal year following revisions of the country's tax code.

Information by segment is provided below.

Rolled Aluminum Products Business

In the flat-rolled products business, within sheet materials, demand for aluminum for beverage cans was down overall year on year. The decline was due in part to sluggish growth of beer-related beverages, as well as to production cutbacks due to natural disasters such as flooding in Western Japan. Automotive demand, meanwhile, remained robust. However, overall sheet product sales volume was down year on year due to lower demand for use in ships and liquid-crystal and semiconductor production equipment. In extruded products, demand for construction materials was favorable, but overall sales volume for extruded products declined due to lower demand for use in vehicles (buses and trucks, passenger cars and motorcycles).

The Group's domestic sales volume was down year on year for sheet materials, with particular declines in IT materials and thick plate (for use in ships and liquid-crystal and semiconductor fabrication equipment), while sales volume for extruded products was essentially flat. 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 9.5% year on year in the first nine months of the fiscal year, to ¥400,382 million, benefiting from higher sales volume and a rise in primary ingot prices. Operating income fell 34.6% year on year to ¥15,524 million, due to a sharp deceleration in the Chinese market and the impact of trade friction between the United States and China, which caused demand to decline for IT materials and the thick plate used in liquid-crystal and semiconductor production equipment. In addition to these demand decreases, natural disasters delayed our cost-reduction efforts and caused production costs to rise. Furthermore, we were affected by temporary factors during the nine months under review, such as equipment breakdowns.

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. Performance was weak in comparison with the previous year, when primary copper ingot prices increased.

In this environment, sales in the wrought copper products business rose 6.8% during the nine months under review, to ¥35,898 million. Operating income fell 5.3%, to ¥1,397 million, as worsening inventory valuations offset improvements in the product mix.

Precision-machined Components and Related Businesses

Although IT-related sales declined, sales of battery materials and air conditioning parts were favorable. Also, primary ingot prices increased, leading to a 6.7% year-on-year rise in sales in the precision-machined components and related businesses, to ¥147,474 million. Operating income, meanwhile, fell 28.9%, to ¥2,414 million, as the product mix worsened due to falling IT-related sales and overhead costs rose.

(2) Consolidated Financial Position

On December 31, 2018, assets amounted to ¥816,650 million, up 5.5% from the start of the fiscal year due to higher inventories and capital investment.

Liabilities totaled ¥607,221 million, up 7.3%, due to an increase in interest-bearing debt taken out for strategic investments in Tri-Arrows Aluminum Inc. and UACJ (Thailand) Co., Ltd.

Net assets were ¥209,430 million, up 0.5% due to a rise in the foreign currency translation adjustment.

(3) Forecast for Consolidated Business Performance

Since entering the nine months under review, the operating environment has changed more swiftly than anticipated, affected by such factors as rapid deceleration in the Chinese market and trade friction between the United States and China. Consequently, demand has fallen off sharply for the Company's mainstay products: IT materials and thick plate for liquid-crystal and semiconductor production equipment.

In addition to these factors in the management environment, natural disasters have had a greater impact than we had initially expected, delaying our cost-reduction efforts and causing production costs to rise. In addition, we were affected by temporary factors during the nine months under review, such as equipment breakdowns. As a result, we have revised our operating performance forecasts for the fiscal year ending March 31, 2019, from the figures announced on May 9, 2018.

We now anticipate net sales of ¥670,000 million, operating income of ¥14,500 million, ordinary income of ¥6,500 million and net income attributable to owners of the parent of ¥1,500 million.

For details, please refer to the release dated today (February 6, 2019), entitled "UACJ Revises Operating Results Forecast."

Our forecast for year-end dividends remains unchanged, at ¥60 per share.

3. 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 December 31, 2018)
Assets		
Current assets		
Cash and deposits	22,005	22,439
Notes and accounts receivable-trade	135,181	147,864
Merchandise and finished goods	39,412	43,775
Work in process	60,439	60,728
Raw materials and supplies	45,261	57,374
Other	20,193	24,241
Allowance for doubtful accounts	(30)	(33)
Total current assets	322,461	356,389
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,941	70,827
Machinery, equipment and vehicles, net	108,600	117,235
Land	115,730	115,395
Other, net	41,821	48,856
Total property, plant and equipment	335,092	352,313
Intangible assets		
Goodwill	46,435	44,242
Other	14,268	13,088
Total intangible assets	60,703	57,330
Investments and other assets		
Investment securities	26,577	22,811
Other	29,310	27,876
Allowance for doubtful accounts	(71)	(69)
Total investments and other assets	55,816	50,618
Total noncurrent assets	451,610	460,261
Total assets	774,071	816,650

(Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	121,335	124,572
Short-term loans payable	61,777	68,653
Commercial papers	—	16,000
Current portion of bonds	2,500	—
Current portion of long-term loans payable	50,643	58,850
Other	36,893	39,010
Total current liabilities	273,148	307,086
Noncurrent liabilities		
Long-term loans payable	227,417	240,437
Retirement benefit obligations	18,465	18,222
Other	46,646	41,476
Total noncurrent liabilities	292,527	300,135
Total liabilities	565,675	607,221
Net assets		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	51,841	51,420
Treasury stock	(295)	(304)
Total shareholders' equity	184,141	183,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,383	1,845
Deferred losses on hedges	(806)	(947)
Foreign currency translation adjustment	8,359	10,076
Cumulative adjustments related to retirement benefits	158	156
Total accumulated other comprehensive income	10,094	11,129
Non-controlling interests	14,161	14,589
Total net assets	208,396	209,430
Total liabilities and net assets	774,071	816,650

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Nine months ended December 31, 2018)

(Millions of yen)

	FY2017 3rd Quarter (From April 1, 2017 to December 31, 2017)	FY2018 3rd Quarter (From April 1, 2018 to December 31, 2018)
Net sales	458,668	497,440
Cost of sales	394,710	439,958
Gross profit	63,958	57,482
Selling, general and administrative expenses	40,653	43,565
Operating income	23,305	13,917
Non-operating income		
Gain on valuation of derivatives	13	986
Interest income	686	767
Other	1,505	1,251
Total non-operating income	2,204	3,004
Non-operating expenses		
Interest expenses	3,697	4,984
Share of loss of entities accounted for using equity method	4,736	3,032
Other	1,451	1,781
Total non-operating expenses	9,883	9,797
Ordinary income	15,625	7,125
Extraordinary income		
Gain on sale of investment securities	54	725
Gain on sale of noncurrent assets	388	419
Insurance income	188	—
Other	0	86
Total extraordinary income	631	1,230
Extraordinary loss		
Loss on retirement of noncurrent assets	425	529
Loss due to fire	—	214
Other	225	238
Total extraordinary losses	650	981
Income before income taxes	15,606	7,373
Total income taxes	4,016	6,011
Net income	11,590	1,362
Net income attributable to non-controlling interests	942	162
Net income attributable to owners of the parent	10,648	1,200

Quarterly Consolidated Statements of Comprehensive Income
(Nine months ended December 31, 2018)

(Millions of yen)

	FY2017 3rd Quarter (From April 1, 2017 to December 31, 2017)	FY2018 3rd Quarter (From April 1, 2018 to December 31, 2018)
Net income	11,590	1,362
Other comprehensive income		
Valuation difference on available-for-sale securities	1,101	(541)
Deferred gains (losses) on hedges	(293)	(300)
Foreign currency translation adjustment	2,786	2,853
Adjustments to retirement benefits	(8)	(84)
Share of other comprehensive income of entities accounted for using equity method	435	(421)
Total other comprehensive income	4,020	1,507
Comprehensive income	15,610	2,869
(Attributable to)		
Owners of the parent	14,599	2,235
Non-controlling interests	1,011	634

(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

UACJ Aluminum Center Corporation has been included in the scope of consolidation from the third quarter under review, due to this company's establishment.

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

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 of the fiscal year.

(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.

(Dissolution of a joint venture with Constellium)

UACJ and its consolidated subsidiary, Tri-Arrows Aluminum Holding Inc., established Constellium-UACJ ABS LLC as a joint venture with Constellium N.V. and that company's subsidiary, Constellium U.S. Holdings I, LLC, to pursue joint business in North America. However, on December 11, 2018, the parties agreed to dissolve this joint venture. All procedures under this agreement were complete as of January 10, 2019. For details, please see the release dated December 11, 2018, entitled "UACJ Terminates Joint Venture Agreement with Constellium N.V.; Eliminating JV Company as an Equity-Method Affiliate".

(Segment Information, etc.)

Segment Information

I First nine months of the Fiscal Year Ended March 31, 2018 (April 1, 2017 to December 31, 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	320,690	24,001	113,977	458,668	—	458,668
Intersegment sales and transfers	44,872	9,615	24,187	78,674	(78,674)	—
Total	365,562	33,617	138,164	537,342	(78,674)	458,668
Segment income	23,741	1,475	3,397	28,614	(5,309)	23,305

(Notes) 1. The negative ¥5,309 million adjustment to segment income includes a negative ¥241 million adjustment for inventories, negative ¥246 million in eliminations for intersegment transactions, and a negative ¥4,821 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 nine months of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to December 31, 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	352,389	24,413	120,637	497,440	—	497,440
Intersegment sales and transfers	47,992	11,485	26,837	86,315	(86,315)	—
Total	400,382	35,898	147,474	583,754	(86,315)	497,440
Segment income	15,524	1,397	2,414	19,335	(5,417)	13,917

(Notes) 1. The negative ¥5,417 million adjustment to segment income includes a positive ¥1 million adjustment for inventories, negative ¥290 million in eliminations for intersegment transactions, and a

negative ¥5,129 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.