

Mid-term Management Plan

**Generating Returns on Past Investments and
Increasing Capital Efficiency**

Fiscal 2018 to 2020

May 9, 2018

UACJ Corporation



1. Looking Back on the Previous Mid-term Management Plan

2. UACJ's Future Direction

3. Major Policies of the New Mid-term Management Plan

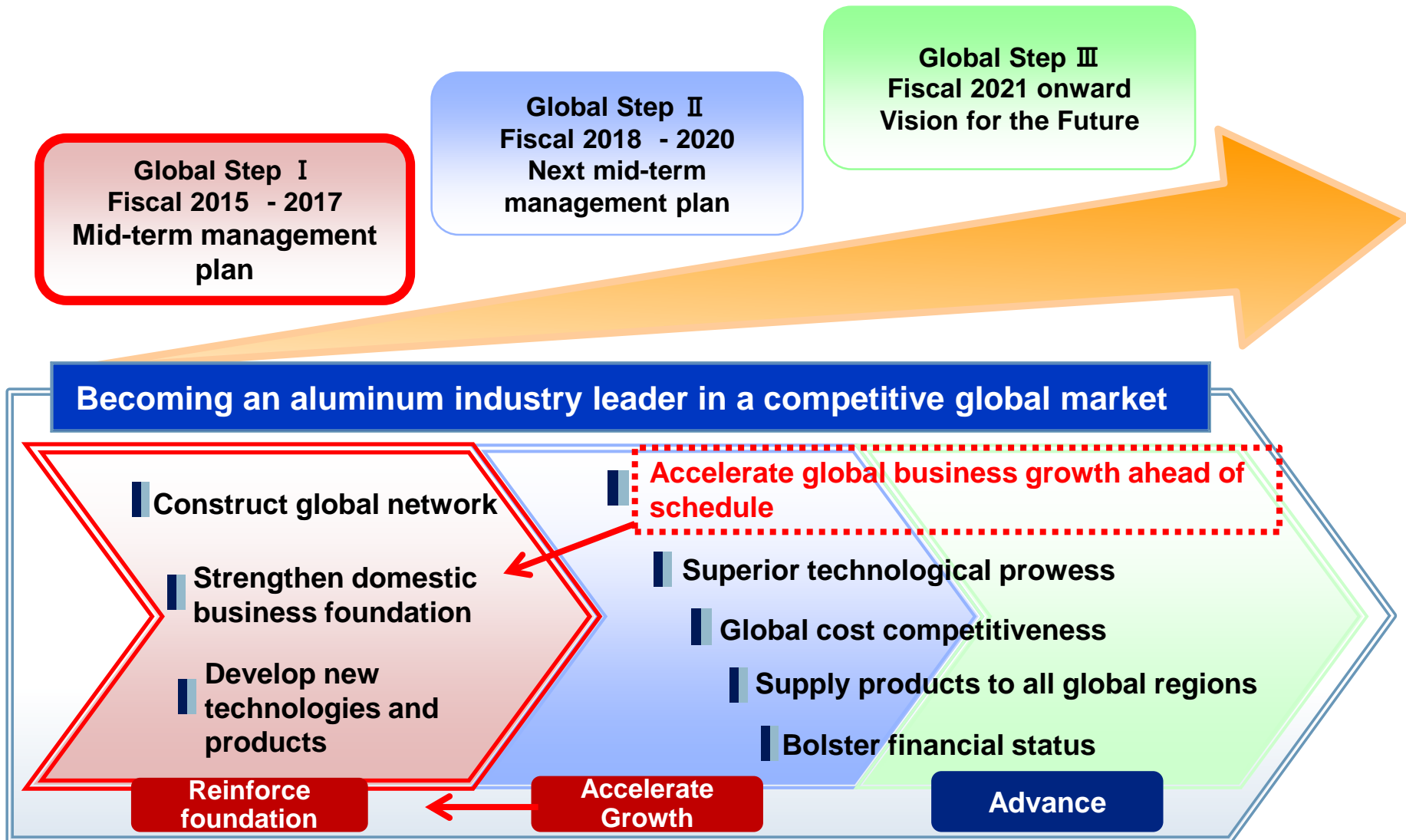
4. Mid-term Management Plan Targets and Shareholder Returns Policy

5. Environmental, Social and Governance Initiatives

1. Looking Back on the Previous Mid-term Management Plan Fiscal 2015 to 2017

**Accelerated strategic investment in response to
rising demand in the automotive market
and growth in Southeast Asia**

Previous Mid-term Management Plans and Their Objectives



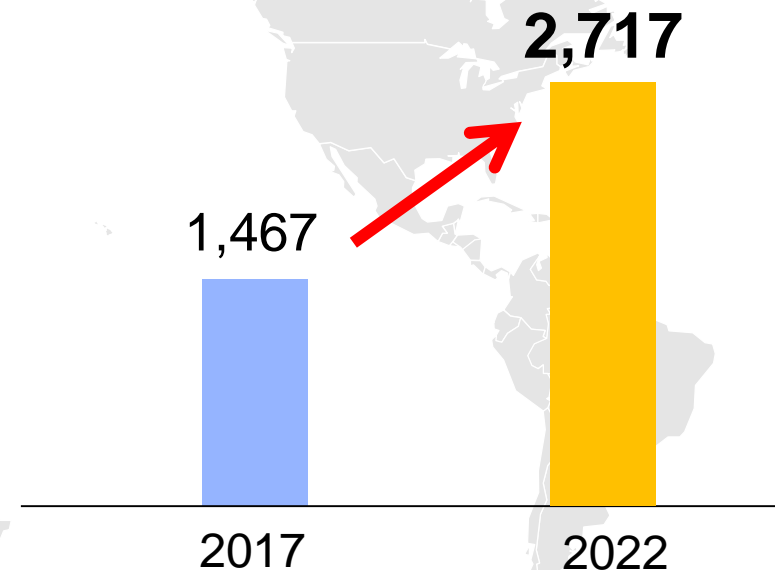
Changes in the Operating Environment Since the Previous Mid-term Management Plan

Rising demand for aluminum amid dramatic changes in the market

- **Growth in Asia and emerging countries**
- **Shift to lightweight and electric vehicles**
- **Solid demand in Japan**
- **Emergence of formidable new competitors in the marketplace**

Projected global demand for automotive body sheet and components*

(Estimated thousands of tons*)



* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in November 2017 by CRU International Limited, as well as other sources.

Main Initiatives Under the Previous Mid-term Management Plan

The Group stepped up measures for responding to changes in the operating environment

Growth market: Southeast Asia

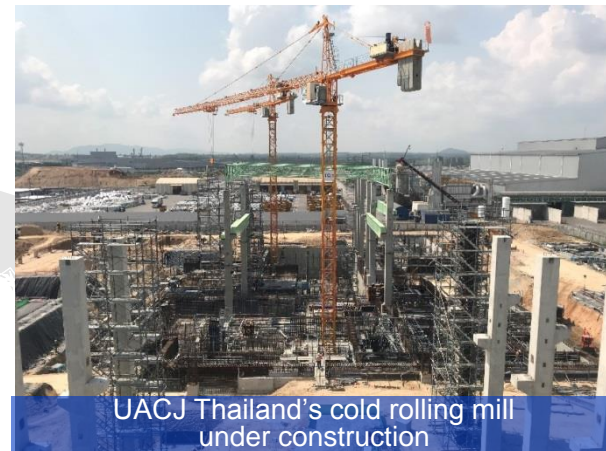
- UACJ Thailand¹ implemented the third phase of investment in an aluminum rolling mill and commenced fully integrated manufacturing

Growth industry: automotive body sheet

- Tri-Arrows Aluminum² installed casting lines and both hot and cold rolling lines
- Constellium-UACJ³ was established and began shipping samples
- UACJ acquired Whitehall Industries⁴
- UACJ decided to invest in facilities at Fukui Works in anticipation of rising demand for automotive body sheet

Establishment and expansion of the global supply network

- The Group created a global supply network for can stock based in Japan, the United States, and Thailand
- UACJ ELVAL HEAT EXCHANGER MATERIALS GmbH was established in Germany
- Operations of SHANGHAI UACJ DONGYANGGUANG ALUMINUM SALES CORPORATION in China were expanded



Notes: 1 UACJ (Thailand) Co., Ltd. 2 Tri-Arrows Aluminum Inc. 3 Constellium-UACJ ABS LLC 4 Renamed as UACJ Automotive Whitehall Industries, Inc.

Established an optimized production system in Japan under the previous mid-term management plan

- Production of can stock and thick plate for LNG tankers at Fukui Works
- Production of automotive materials, lithographic sheet materials, and fin stock at Nagoya Works
- Production of thick plates for liquid crystal and semiconductor manufacturing equipment at Fukaya Works

Planned suspension of some operations postponed due to robust demand

- Specialty material finishing at Nikko Works



Cumulative effect of optimization in fiscal 2017
11 billion yen
(compared with original target of 13 billion yen)

Original targets unachieved due to rising costs associated with past investments

		Original fiscal 2017 targets	Fiscal 2017 results	Main reasons for difference between targets and results
Earnings	Net sales	700.0 billion yen	624.3 billion yen	Sales volume was lower than expected
	Ordinary income	35.0 billion yen	19.4 billion yen	Although the production system was optimized largely as planned, energy prices increased, substantial costs were needed for launching operations at UACJ Thailand and Constellium-UACJ, depreciation associated with Tri-Arrows Aluminum increased, and sales volume was lower than expected
	Adjusted EBITDA	67.0 billion yen	50.7 billion yen	
	ROE	10.0%	6.5%	
Financial stability	D/E ratio	1.33 times	1.50 times	While the financial structure was bolstered with a public offering and subordinated loans, borrowings increased due to past investments
Investment	Capital investment From FY2015-2017	90.0 billion yen	113.3 billion yen	Capital investment was higher than expected, specifically for the third phase of investment in UACJ Thailand and outlays for casting and cold rolling lines installed at Tri-Arrows Aluminum

2. UACJ's Future Direction

**Maximize the possibilities of aluminum in ways
that contribute to society and the environment**

UACJ's Future Direction—Meet the Expectations of All Stakeholders



Maximize the possibilities of aluminum in ways that contribute to society and the environment

Through UACJ's products and services

Helping reduce vehicle weight



with stronger and lighter materials

Helping facilitate aluminum can recycling

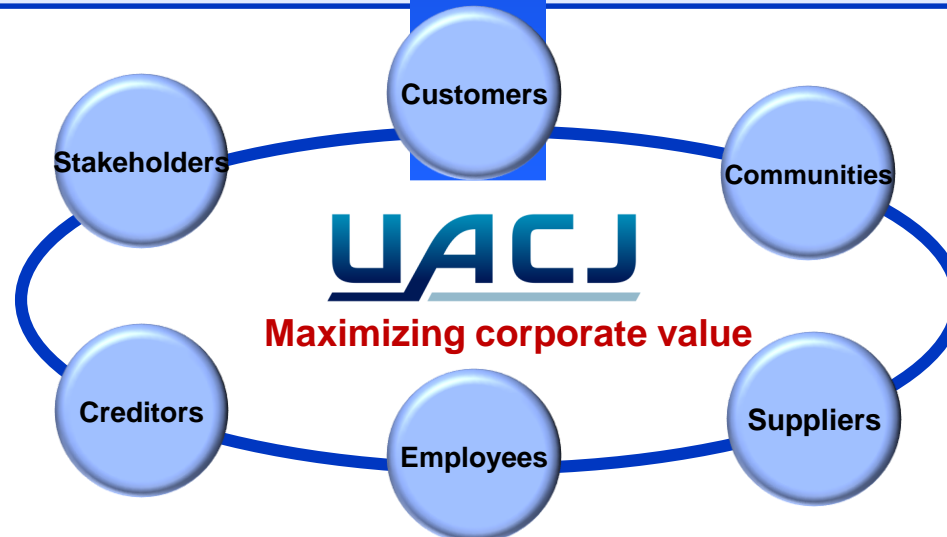


by making recycling easier

Helping promote electric vehicles



with highly electrically conductive materials



Checkpoints

- Level of customer satisfaction
- Level of employee satisfaction (amid workplace reforms)
- Return on invested capital
- Earnings per share
- Debt-to-equity ratio

Offering comprehensive solutions with aluminum products

13 benefits of aluminum

1. Highly resistant to low temperatures
2. Highly electrical conductive
3. Reflects light and heat
4. Exceptionally corrosion resistant
5. Lightweight
6. Non-toxic
7. Easy to cast into various shapes
8. Strong
9. Easily recyclable
10. Attractive
11. Non-magnetic
12. Easy to process
13. Highly thermal conductive

Rather than simply supplying aluminum as a raw material, UACJ offers solutions for adding value

UACJ R&D Center

Core technologies
Technologies for developing raw materials
Design technologies
Assessment technologies
Machining technologies
Manufacturing technologies
Processing technologies
Analysis technologies
Recycling technologies

UACJ's businesses

Flat rolled products

Extrusion

Foil

Casting and forging

Precision-machined components

Copper tubing

Customers

Canned food product manufacturers

Automakers

IT device manufacturers

Semiconductor production equipment manufacturers

Medical equipment manufacturers

Air-conditioner manufacturers

Helping customers develop and add more value to their products

3. Major Policies of the New Mid-term Management Plan

Key Measures in Response to Opportunities and Risks in the Operating Environment

Generate returns on past investments

**Increase capital efficiency with
an emphasis on ROIC**

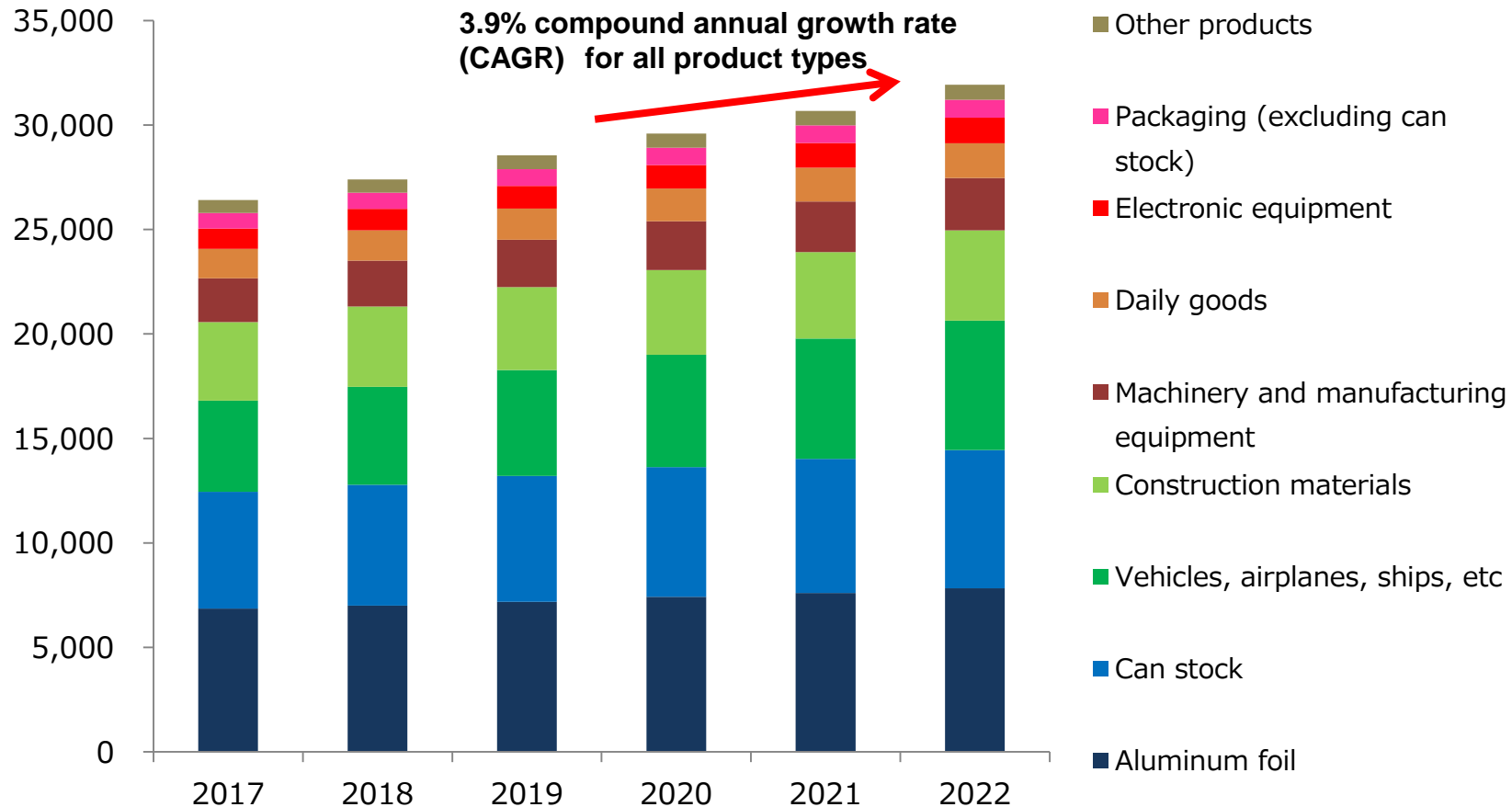
Market Opportunities: Forecast of Aluminum Sheet Demand by Product Type

**Forecast to surpass 30 million tons by 2021,
with substantial growth in demand for transportation-related materials**

(Thousands of tons)

**3.9% compound annual growth rate
(CAGR) for all product types**

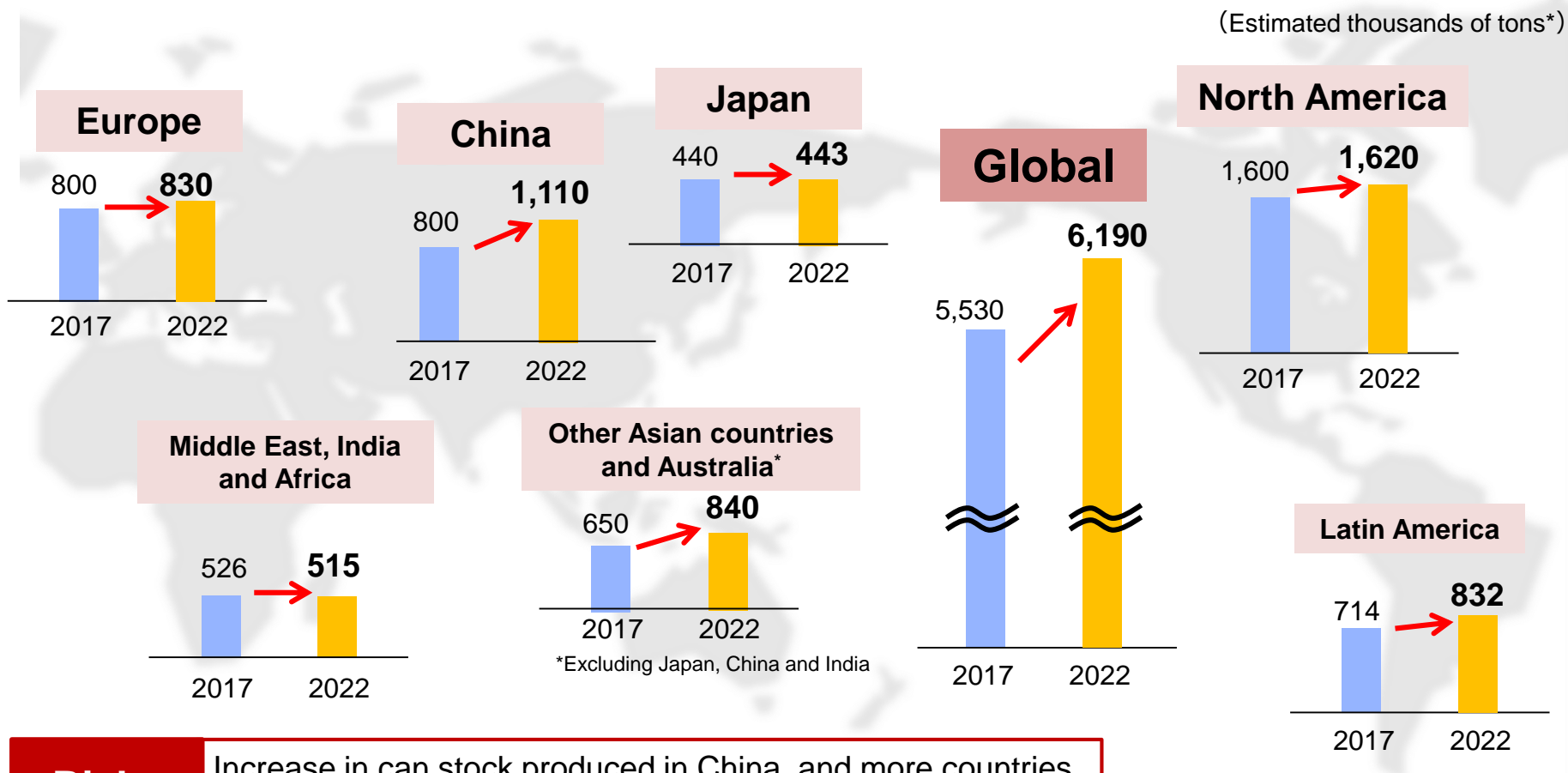
**7.3% CAGR for vehicles,
airplanes, ships, etc.**



Source : CRU Aluminum Rolled Products Market Outlook November 2017

Market Opportunities and Risks: Forecast of Demand for Aluminum Can Stock by Region

Growth expected in Australia, China, and the rest of Asia, but increased production of can stock in China poses a risk



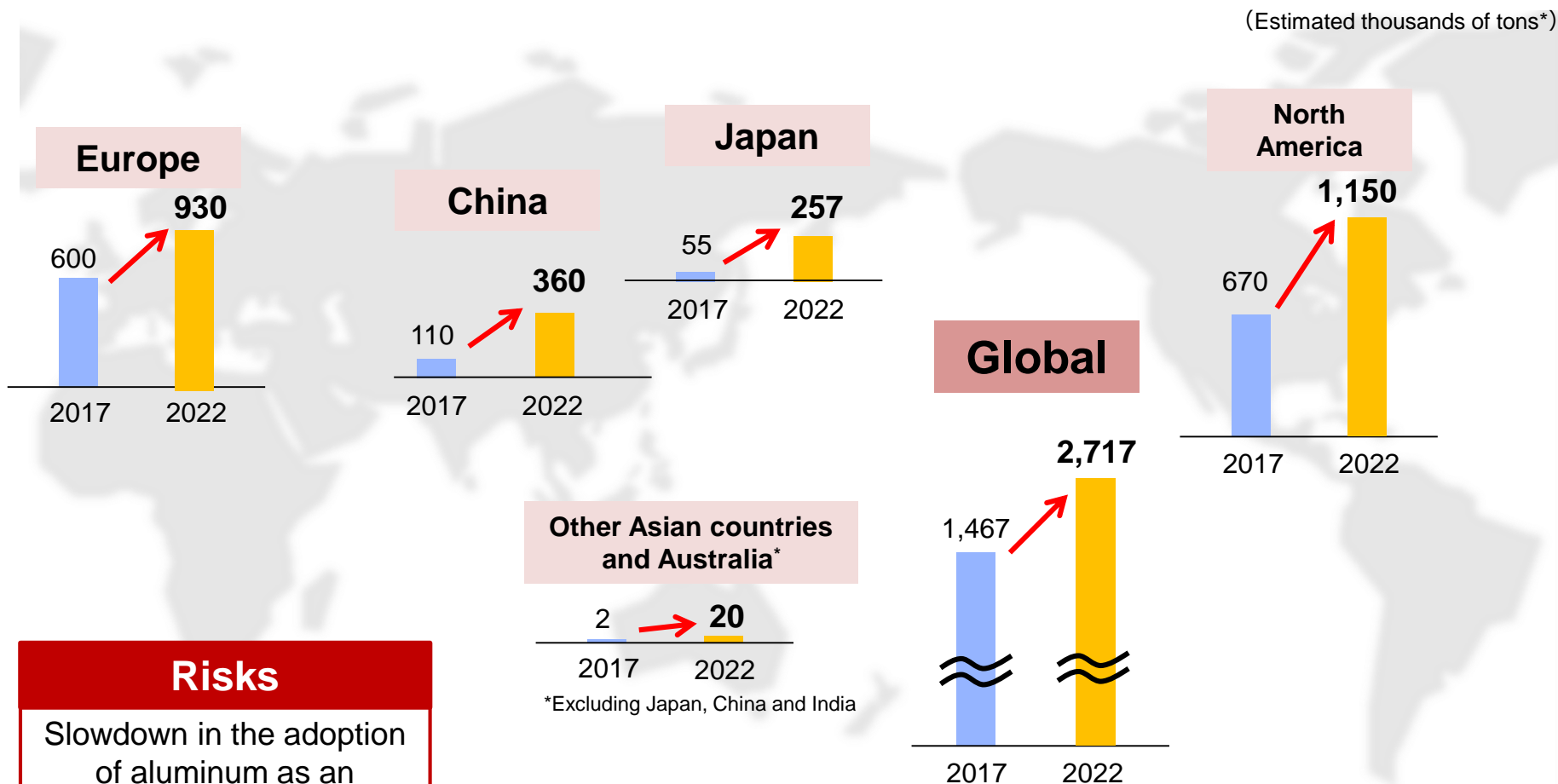
Risks

Increase in can stock produced in China, and more countries introducing sugary drink taxes due to health concerns

* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in August 2017 by CRU International Limited, as well as other sources.

Market Opportunities and Risks: Forecast of Demand for Automotive Aluminum

Demand is expected to grow due to the shift to lightweight and electric vehicles, but the use of aluminum for automobiles could decelerate



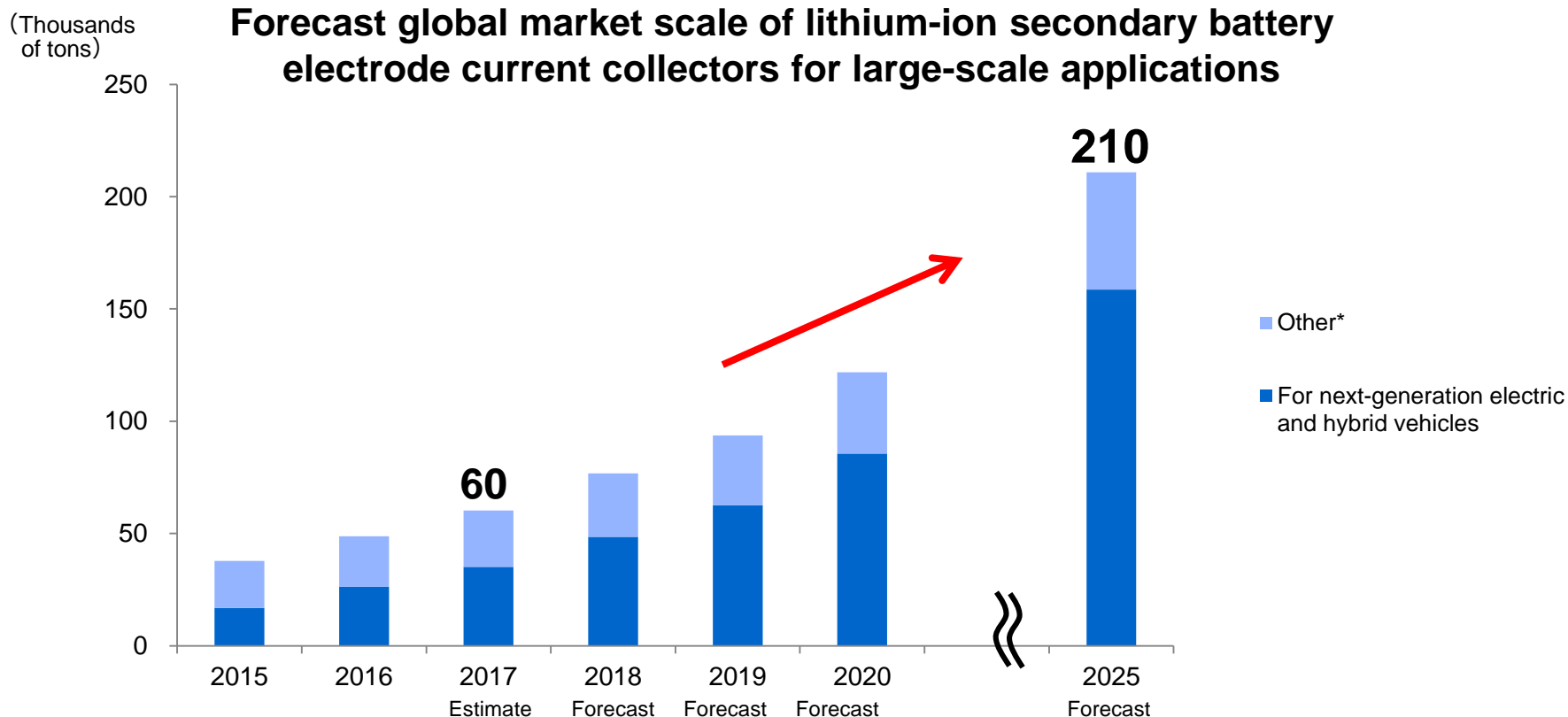
Risks

Slowdown in the adoption of aluminum as an automotive material

* Figures are estimated by UACJ based on the CRU Aluminum Rolled Products Market Outlook published in August 2017 by CRU International Limited, as well as other sources.

Market Opportunities and Risks: Forecast of the Lithium Ion Battery Market

Growing demand for aluminum foil used in automotive lithium ion batteries



* For electric power storage, motors, consumer electronics, and other large-scale applications

Source: 2017 report on the future outlook for energy and large-scale secondary battery materials published by Fuji Keizai

Risks

The current status of lithium-ion secondary batteries as the de facto industry standard could change in the future

Vision for the Future UACJ's Future Direction

Maximize the possibilities of aluminum in ways that contribute to society and the environment

Mid-term plan

Major Policies from fiscal 2018 to 2020

1. Continue focusing on the growing automotive industry and growth markets in Asia and North America
2. Steadily generate returns on past investments
3. Increase capital efficiency with an emphasis on ROIC
4. Promote shared principles of conduct as the UACJ Way

Previous mid-term plan

Key measures from fiscal 2015 to 2017

- Accelerated international expansion by establishing a global supply network and proactively investing in growing markets and industries
- Optimized the production network in Japan

UACJ Thailand is aiming to boost productivity and become profitable by fiscal 2019

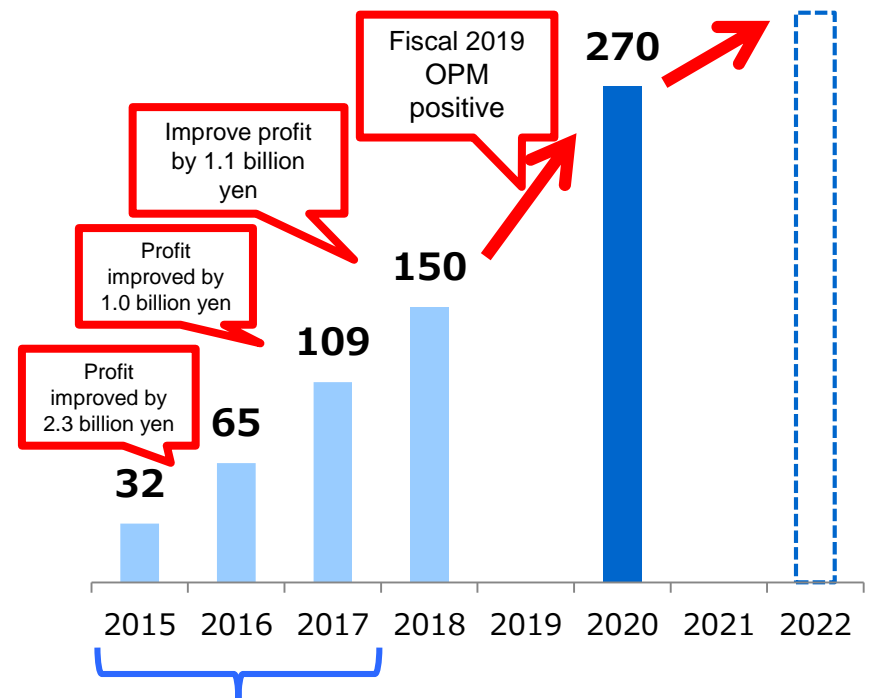
Priority measures

- Improve quality and cost competitiveness
- Expand sales channels with a focus on profitability
- Provide training and career development for Thai engineers

Establish a profitable business by boosting productivity and expanding sales channels



UACJ Thailand's annual sales volume (Thousands of tons)



**Sales volume steadily increased
Averaged over 10,000 tons per month
in the fourth quarter of fiscal 2017**

Focusing on Growth Markets and Industries in North America

Tri-Arrows Aluminum is aiming to improve productivity in anticipation of growing demand for can stock and aluminum automotive body sheet

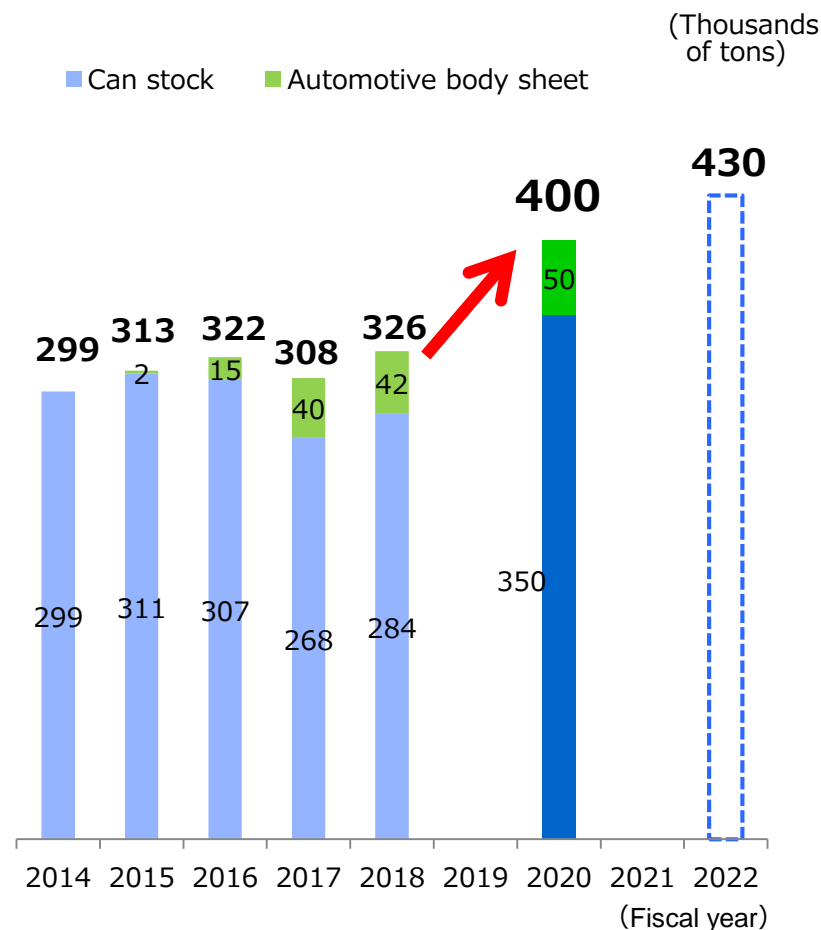
Priority measures

- Reduce costs and generate returns on investment in casting lines and hot and cold rolling lines
- Improve productivity to world-leading levels

Put a system in place for producing 400,000 tons in sales volume by fiscal 2020



Tri-Arrows Aluminum's annual sales volume



Constellium-UACJ is aiming to improve productivity and ensure a stable supply to customers

Priority measures

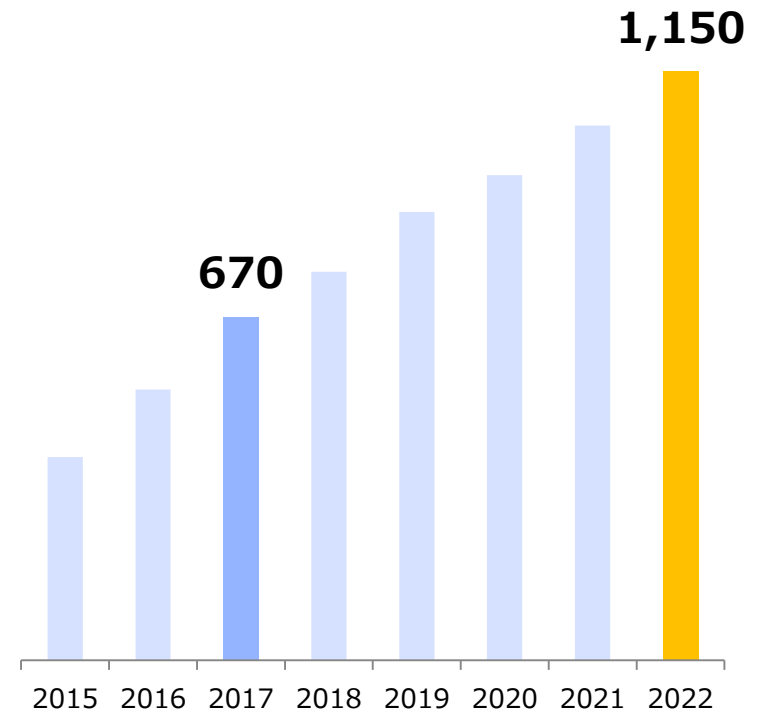
- Improve productivity specifically in terms of yields and operating ratios
- Tap strong demand while ensuring a stable supply

Quickly secure profitability of the first phase of the continuous annealing line with pre-treatment, and study its second phase



Demand for automotive body sheet in North America

(Estimated thousands of tons*)



UACJ will concentrate investment in operational resources group-wide targeting the growing automotive market

Priority measures

Flat rolled products business

- Quickly secure profitability of the first phase of Constellium-UACJ's continuous annealing line with pre-treatment in North America, and study its second phase
- Install a continuous annealing line with pre-treatment at Fukui Works in Japan
- Strengthen the global supply network for heat exchanger materials

Extrusion business

- Improve extruded products for automotive components in Japan and expand the global supply network

Precision-machined components business

- Enhance relations with UACJ Automotive Whitehall's customers and enable more aggressive sales initiatives

Foil business

- Leverage the competitive edge of the Group's high-performance and high-quality automotive battery foil

Casting and forging business

- Market compressor wheels globally and enhance solutions

R&D

- Develop new alloys for automotive use
- Establish a recycling system for automotive materials
- Establish an R&D center in North America



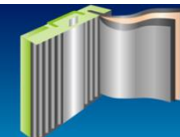
Hoods



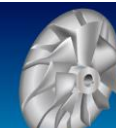
Heat exchanger materials



Bumpers



Lithium-ion battery electrode current collector foil

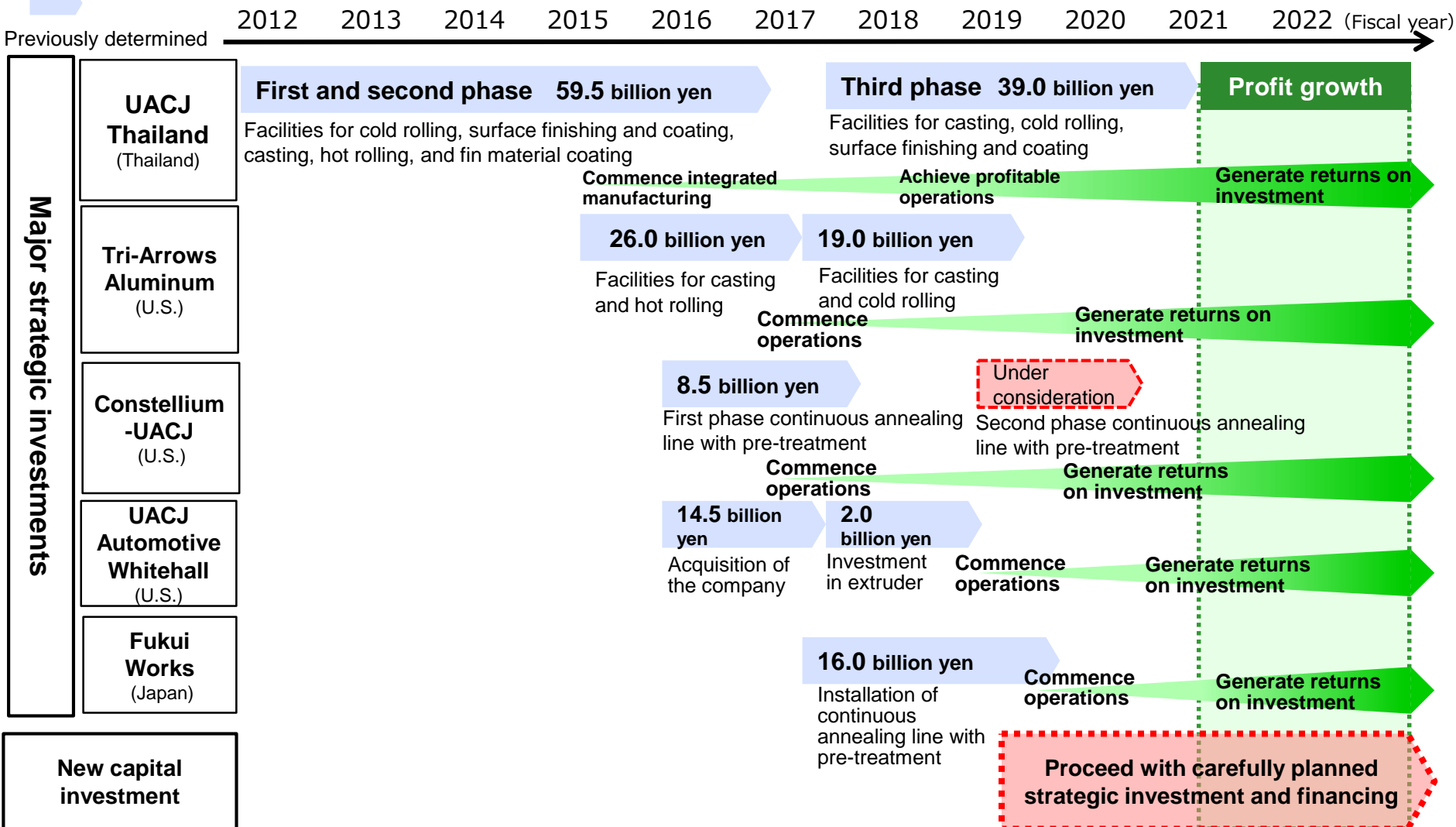


Compressor wheels

Steadily Generate Returns on Past Investments



With major capital investment and financing scheduled for completion in fiscal 2019, UACJ is preparing to generate returns and increase profits



Increase Capital Efficiency with an Emphasis on ROIC*

UACJ will boost capital efficiency while raising corporate value over the medium and long terms

Emphasize the return on invested capital (ROIC) when improving capital efficiency

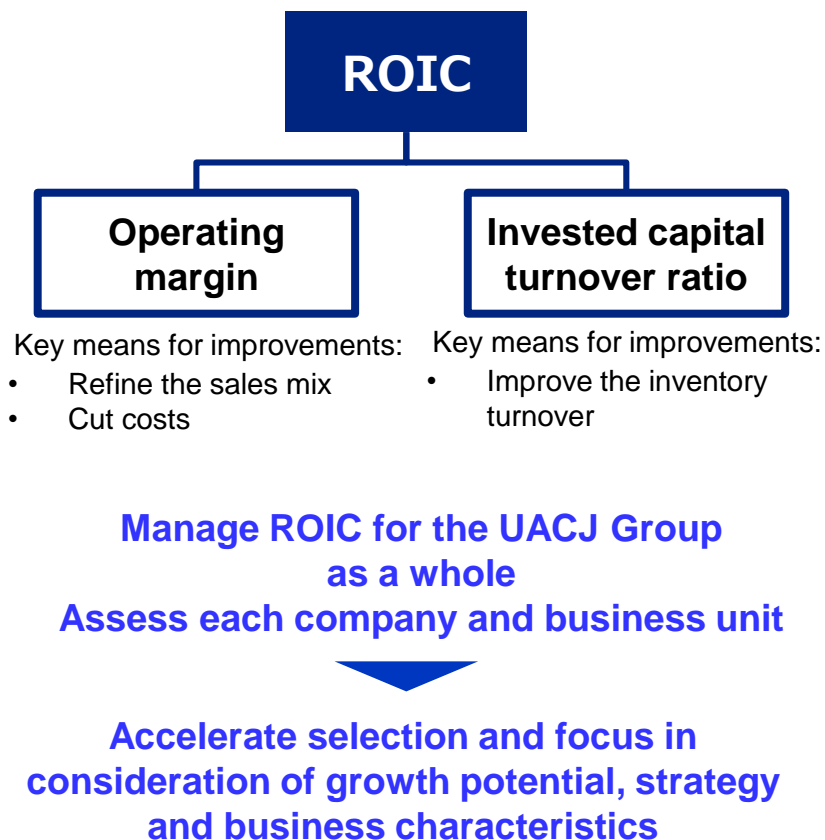
Taking into account medium- to long-term growth potential, business characteristics, and improved processes

Strategically target and focus on key businesses
Strictly manage the business portfolio

Fiscal 2020
Secure positive free cash flow

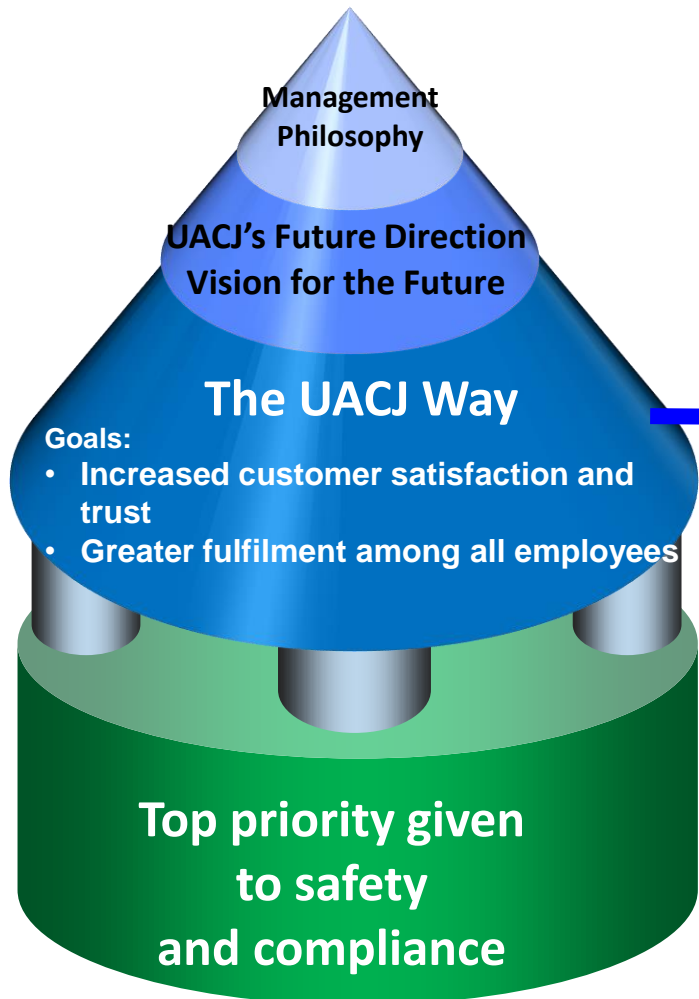
Fiscal 2020
Target ROIC of minimum 8%

Factors Underlying ROIC



Promote Shared Principles of Conduct as the UACJ Way

The UACJ Way: Establish principles for conduct cherished by each employee



Three Foundations for Our Principles of Conduct

Foundations

Exceed expectations

- Genuinely impress our customers
- Aim high and work towards goals

Be pragmatic

- Think independently and consider things broadly
- Be practical and realistic when taking action

Value teamwork

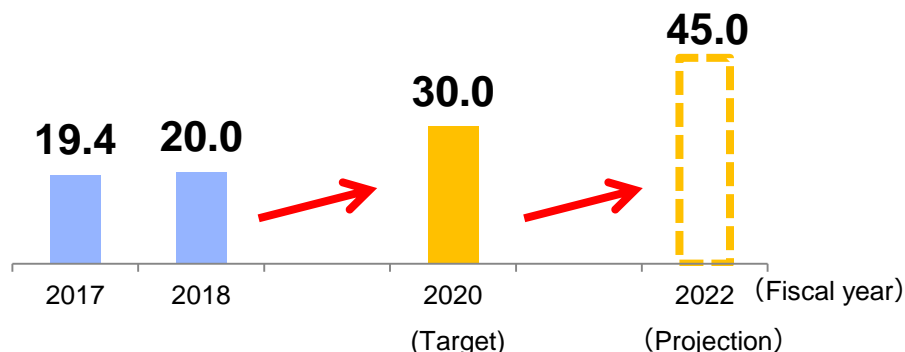
- Respect individuality and diversity
- Grow by working together

4. Mid-term Management Plan Targets and Shareholder Returns Policy

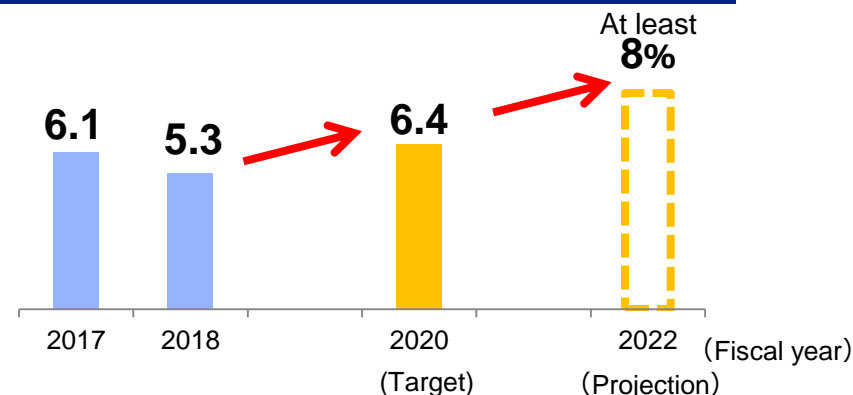
Expand profitability and maintain financial stability

UACJ has set fiscal 2020 targets midway through the plan in anticipation of substantial profit growth between fiscal 2020 and 2022

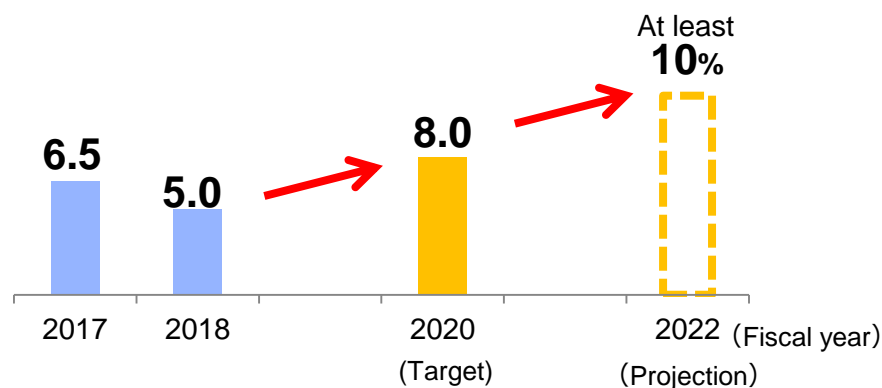
Ordinary income (billions of yen)



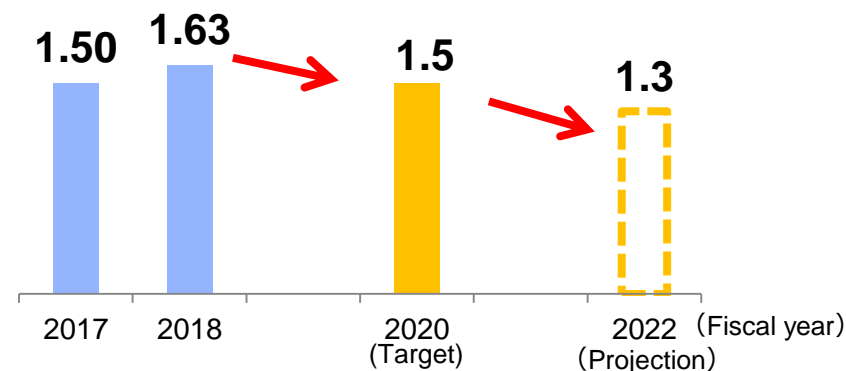
ROIC (%)



ROE (%)



Debt-to-equity ratio* (times)

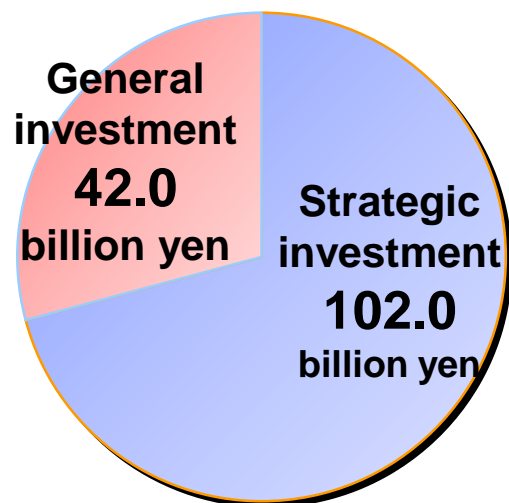


* After taking into account subordinated debt capital

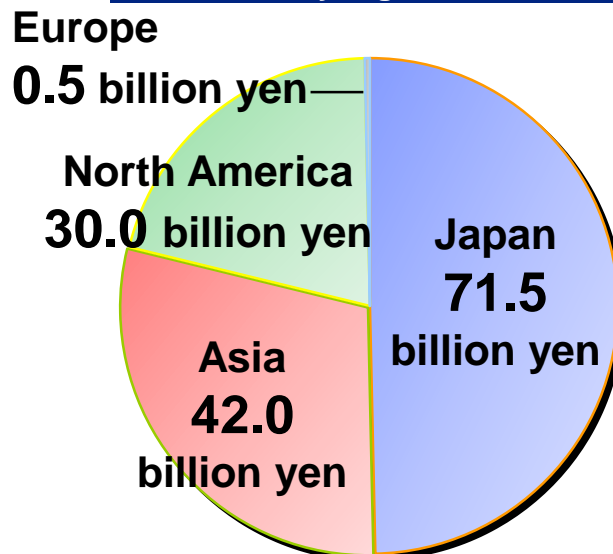
UACJ will carefully select investment targets in consideration of both strategic factors and profitability

- **Capital investment of 144 billion yen over three years from fiscal 2018 to 2020**
(70 billion yen is already earmarked and 74 billion yen will be newly decided)
- **Depreciation expenses of 109 billion yen over three years from fiscal 2018 to 2020**
(New capital investment kept within the range of depreciation expenses)

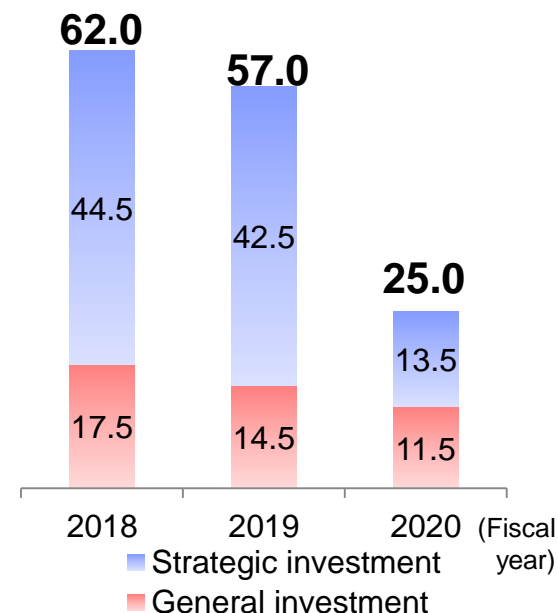
Strategic and general capital investment



Capital investment by region



Capital investment by fiscal year (billions of yen)



Striving to boost earnings from core businesses and switching to a single annual dividend payment at the fiscal year-end

- Priority is given to increasing earnings per share by steadily generating returns on past investments

- The consolidated dividend policy has been revised

[Target]

Dividend payout ratio: 20%-30%

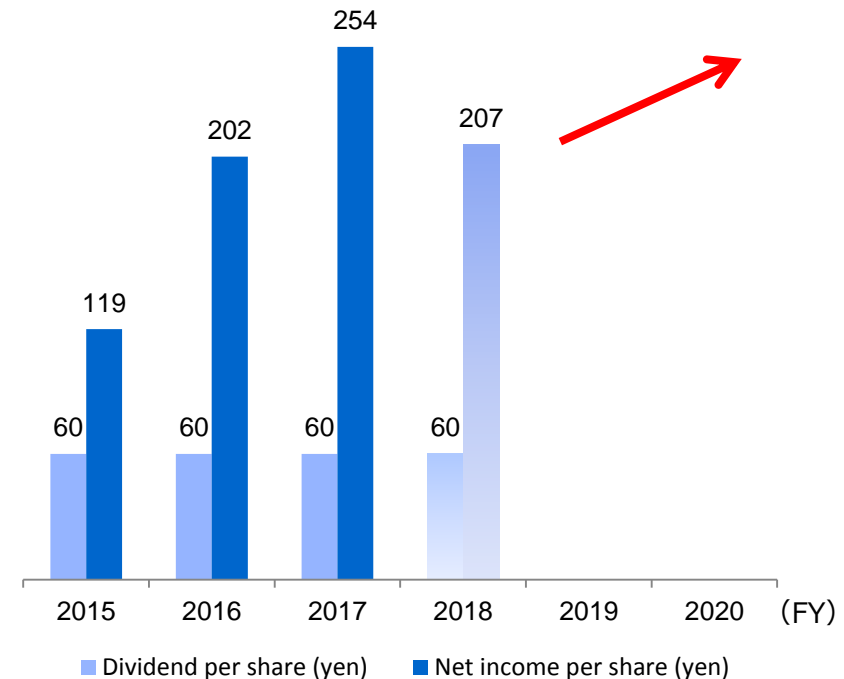
Total return ratio: minimum 30%

Interim dividend abolished and a single annual dividend to be paid at the fiscal year-end

Planned dividend of 60 yen per share for fiscal 2018

- When profits are growing, dividend amounts are considered flexibly based on profit targets and financial condition

Dividend per share and net income per share*




* Calculated after a reverse stock split was conducted

5. Environmental, Social and Governance Initiatives

Continuing to be a good corporate citizen

Maximizing the possibilities of aluminum in ways that
contribute to society and the environment



アルミニウムは、
どこまでクルマの
環境負荷を
減らせるか。

2030年。世界の自動車は16億台を超えと言われています。そのとき、地球への環境負荷をいかに軽減できるか。解決策のひとつとして、いま注目されているのがアルミニウム素材。車体の軽量化により燃費を改善、航続距離をのばし、環境負荷の少ない社会を支えていきます。

その課題に、アルミニウムでこたえていく



Promoting dynamic work environments for all employees

External factors

- Declining birthrate and aging population in Japan
- Increasing competition to attract global talent
- Advancements in AI and IoT

Internal factors

- Globalization of the UACJ Group's business

Priority measures

- Continue improving workplaces, employees' skills, and technological capabilities
- Hire and develop global talent
- Promote diversity by supporting the careers of older workers, women, and foreign nationals
- Foster an open corporate culture that passes down skills

UACJ is currently promoting various workplace reform projects



UACJ has been strengthening corporate governance while giving importance to the diversity of its management

October 2013 **UACJ appointed its first outside director**

**Strengthened
areas**

April 2014 **UACJ appointed its first non-Japanese executive officer**

**Non-Japanese
nationals**

June 2015 **The number of outside directors increased from one to two with the appointment of a female outside director**

Women

June 2016 **Commencement of a system for assessing the efficacy of the Board of Directors**

October 2017 **Nomination and Remuneration Advisory Committee established
Outside directors and outside auditors collectively comprise over half of the executive management team**

**Objectivity and
transparency**

**June 2018
(scheduled)** **The number of outside directors will be increased from two to four**

Independence

One-third of the 12-member Board of Directors will be independent outside directors

Independence

The number of outside auditors will be increased from three to four

Total number of auditors will be six. Two-thirds of the six-member Audit & Supervisory Board will be outside auditors

Supplementary Information

UACJ has set fiscal 2020 targets midway through the plan in anticipation of substantial profit growth between fiscal 2020 and 2022

(Billions of yen)	Fiscal 2017 results	Fiscal 2020 target	Fiscal 2022 projections
Operating income	29.2	37.0	50.0
Ordinary income	19.4	30.0	45.0
Adjusted EBITDA	50.7	77.0	95.0
Shareholders' equity ratio (%)	25.1	26.0	At least 30%
Debt-to-equity ratio (times)	1.50	1.5	1.3
Return on invested capital (%)	6.1	6.4	At least 8%
Return on equity (%)	6.5	8.0	At least 10%
Net sales	624.3	805.0	905.0

Assumptions: exchange rate of 110 yen to the U.S. dollar; London Metal Exchange aluminum price of 2,050 U.S. dollars per ton;
Dubai crude oil price of 60 U.S. dollars per barrel

Outlook in Japan for Mainstay Aluminum Flat Rolled Products

Rapid growth expected for automotive body sheet as types of vehicles and components made with the material increase

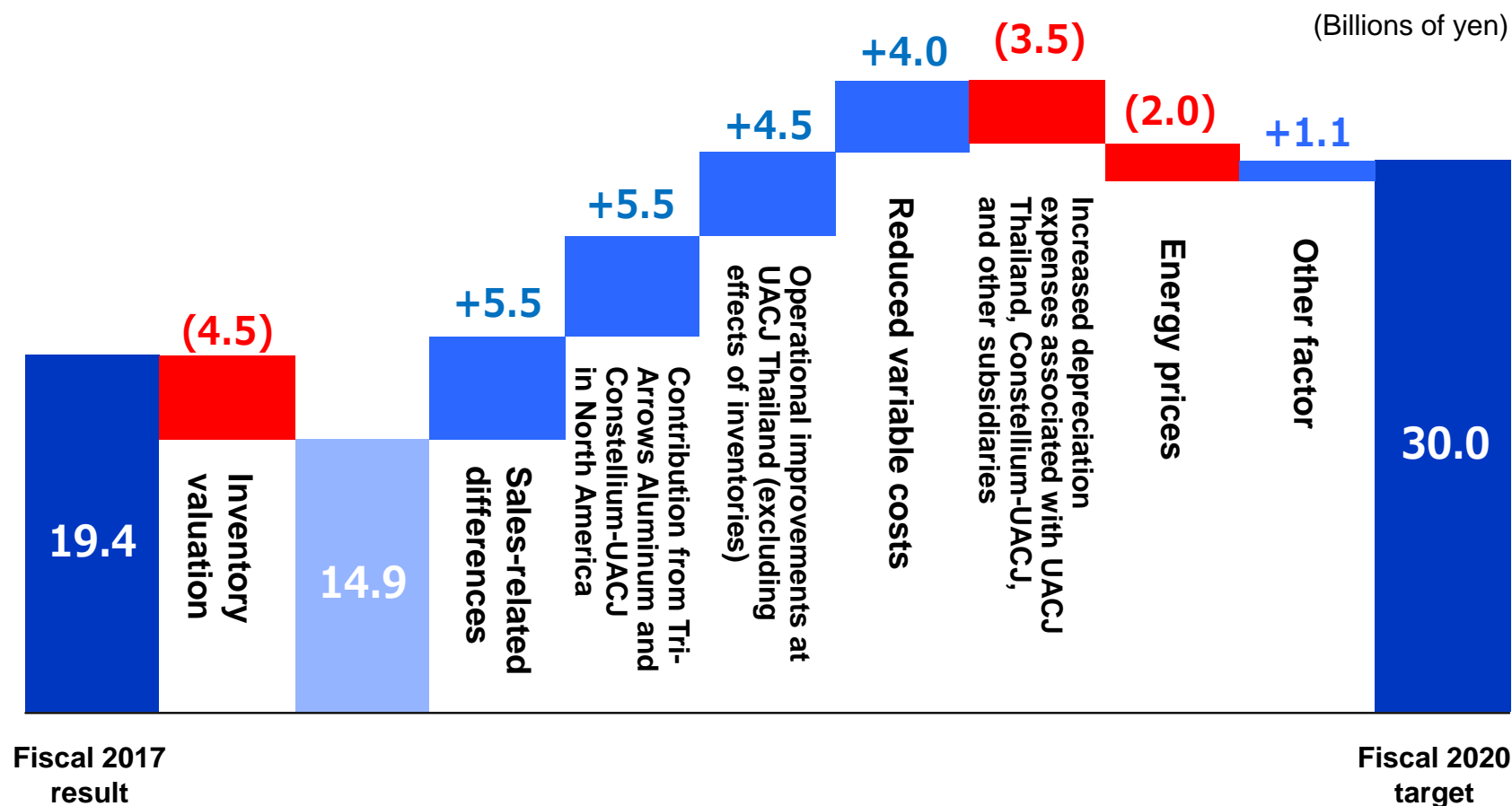
products	Trend	Market scale* (thousands of tons annually)			Outlook (Company estimates)
		2017	2022	CAGR	
Can stock	→	440	443	0%	Declining demand for canned beer will be offset by growing demand for canned low-alcohol beverages
Automotive body sheet	↗	55	257	36%	Despite declining automobile production, the types of vehicles and components made with aluminum will increase as part of efforts to make lighter and more environmentally friendly vehicles
Automotive heat exchanger material	→	76	72	-1%	Demand for automotive heat exchanger material will decrease due to fewer vehicles being produced in Japan
Foil	→	114	125	2%	Despite flat or declining demand for general and capacitor foil, applications as automotive battery materials will increase
Thick plate for LNG tankers	? ↪	21	17+	N/A	Demand for LNG tankers will bottom out between 2018 and 2019, and the use of LNG-powered vessels will depend on environmental regulations concerning SOx set for enactment in 2020
Thick plate for liquid crystal and semiconductor manufacturing equipment	↗	58	69	4%	Investment in semiconductor industry will be solid over the medium to long terms

Factors Underlying Expected Increase in Ordinary Income

Comparison of fiscal 2017 result and 2020 target



UACJ posted ordinary income of 19.4 billion yen in fiscal 2017 and is targeting 30.0 billion yen by fiscal 2020

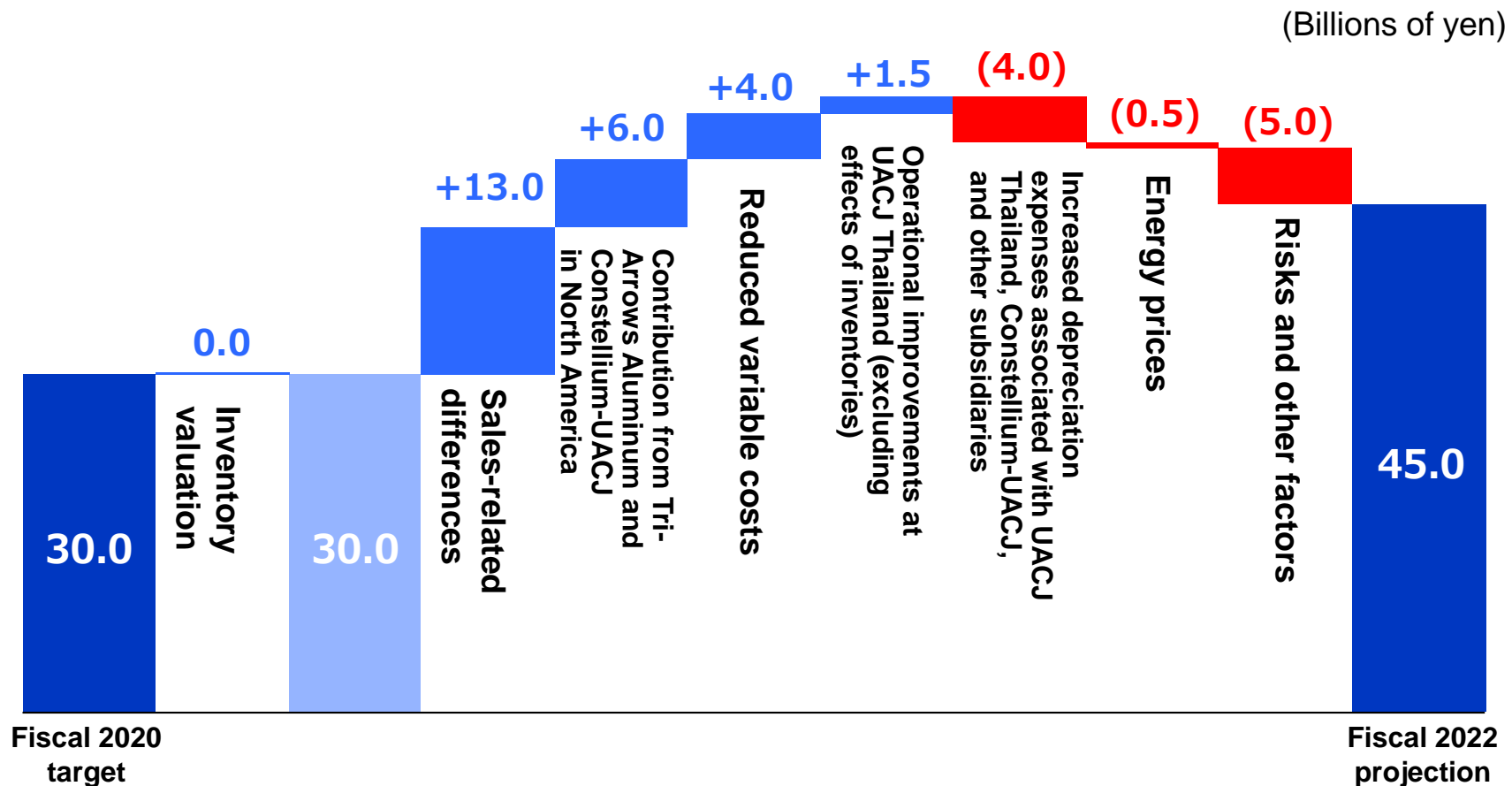


Factors Underlying Expected Increase in Ordinary Income

Comparison of fiscal 2020 target and 2022 projection



UACJ is targeting ordinary income of 30.0 billion yen in fiscal 2020 and projects 45.0 billion yen by fiscal 2022



Focusing on boosting productivity and setting up a system for enabling sales volume of over 10,000 tons per month

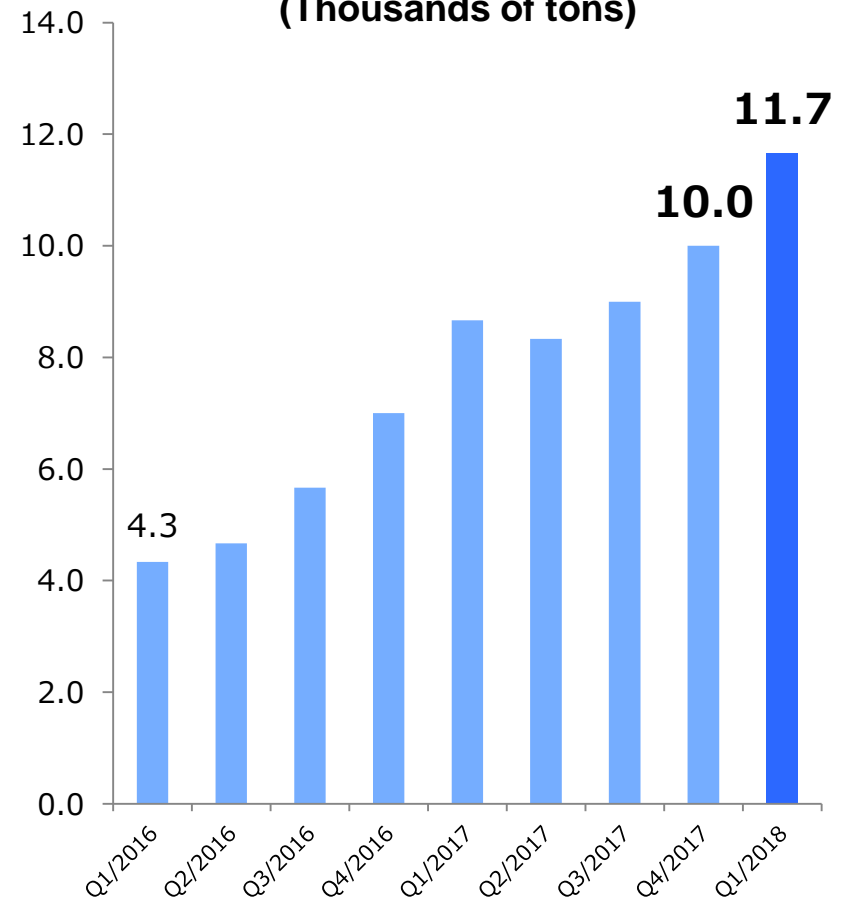
Recent initiatives

- Sales volume surpassed 10,000 tons per month on average in the fourth quarter of fiscal 2017, and about 12,000 is expected in the first quarter of fiscal 2018
- Initiatives focused on boosting productivity, including improvements in quality and technological capabilities
- Preparations were made to start up production of air-conditioner compressor fin materials, and the third phase of construction of production facilities proceeded smoothly



The third phase of construction of an aluminum rolling mill

UACJ Thailand's average monthly sales volume each quarter (Thousands of tons)



Cautionary note concerning forward-looking statements

This presentation contains various forward-looking statements that are based on current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections and business plans of UACJ and its group companies constitute forward-looking statements. Although UACJ's management believes that its expectations and assumptions are reasonable, actual results and trends in UACJ's performance could differ from those expressed or implied by figures or statements herein due to exchange rate fluctuations, uncertainties in future business circumstances, and other factors.

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