Quarterly Financial Results for the First Quarter Ended June 30, 2019 [According to Japanese Accounting Standards] (Consolidated)

August 1, 2019

Name of Listed Company	UACJ Corporation		
Stock Exchange Listings	Tokyo		
Code Number	5741	URL	http://www.uacj.co.jp/english/
Representative	(Title)	Member of the Board, President	
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Scheduled Date for Submitting Financial Statements: August 9, 2019

Scheduled Date of Dividend Distribution: -

Supplementary materials available on quarterly financial results: Yes

Quarterly results briefing: Yes (For institutional investors, securities analysts)

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

1. Consolidated Business Performance for the First Quarter, Ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(1) Consolidated business performance (cumulative)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	¥million	%	¥million	%	¥million	%	¥million	%
June 30, 2019	159,754	(6.9)	1,311	(84.7)	(135)	—	(1,613)	—
June 30, 2018	171,553	12.5	8,586	(9.5)	6,806	(12.8)	2,260	(48.7)

(Note) Comprehensive income: three months ended June 30, 2019: -¥2,670 million (-%) : three months ended June 30, 2018: ¥2,780 million (-23.4%)

	Net income per share	Fully diluted net income per share
Three months ended	¥	¥
June 30, 2019	(33.45)	—
June 30, 2018	46.84	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of:	¥million	¥million	%
June 30, 2019	789,129	200,096	23.6
March 31, 2019	807,224	206,204	23.7

(Reference) Shareholders' equity: ¥185,987 million as of June 30, 2019, ¥190,998 million as of March 31, 2019

2. Dividends

	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended/ending:	¥	¥	¥	¥	¥
March 31, 2019	—	0.00	—	60.00	60.00
March 31, 2020	—				
March 31, 2020 (Forecasts)		0.00	—	—	—

Note: Changes in dividend forecast during the quarter under review: Yes

The forecast year-end dividend amount for the fiscal year ending March 31, 2020 is currently undecided.

For more details, please view the “Notice of Revisions to Earnings and Dividend Forecasts” released on August 1, 2019.

3. Forecast for consolidated business performance in the term ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Full year	670,000	1.3	10,000	(32.7)	4,000	(35.5)

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

The forecast for consolidated business performance in the first half has been omitted, as the Company conducts business performance management on an annual basis.

The forecast for net income attributable to owners of the parent is currently undecided.

For more details, please view the “Notice of Revisions to Earnings and Dividend Forecasts” released on August 1, 2019.

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: Yes
b. Changes in accounting policies other than a. above: No
c. Changes in accounting estimates: No
d. Restatements: No

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements (3) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 8.

(4) Number of shares outstanding (common stock)

a. Number of shares issued at the end of the period (including treasury stock)

As of June 30, 2019	48,328,193 shares
As of March 31, 2019	48,328,193 shares

b. Number of shares of treasury stock at the end of the period

As of June 30, 2019	92,461 shares
As of March 31, 2019	91,347 shares

c. Average number of shares outstanding during the period (calculated cumulatively from the beginning of the fiscal year)

For the three months ended June 30, 2019	48,236,092 shares
For the three months ended June 30, 2018	48,241,380 shares

*These financial results are outside the scope of quarterly review by certified public accountants or accounting auditors.

*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 First Quarter Ended June 30, 2019

(1) Consolidated Business Performance

During the first three months of the fiscal year ending March 31, 2020, the global economy was bearish in the face of factors such as slowdown in the Chinese economy caused by trade friction with the United States and ongoing deterioration in IT and semiconductor market conditions.

The Japanese economy continued to be plagued by uncertainty due to deceleration in the global economy, despite modest growth in the corporate and household sectors.

In this environment, net sales for the UACJ Group were down 6.9% year on year, to ¥159,754 million. This decline occurred due to a drop in primary ingot prices, as well as other factors, despite growth in sales volume. On the profit front, operating income fell 84.7% year on year to ¥1,311 million and ordinary loss was ¥135 million, down from ¥6,806 million in ordinary income recorded in the previous fiscal year. These downturns were primarily caused by worsening inventory valuations. Furthermore, net loss attributable to owners of the parent finished at ¥1,613 million, down from ¥2,260 million in net income attributable to owners of the parent recorded in the previous fiscal year. Primarily contributing to this change was an additional recording of deferred tax liabilities.

Information by segment is provided below.

Flat Rolled Products Business

In the flat-rolled products business, within sheet materials, domestic demand for aluminum for beverage cans was strong, increasing slightly year on year. Automotive demand also remained robust. However, overall sheet product sales volume was down slightly year on year due to sluggish demand in aluminum for use in ships and liquid-crystal and semiconductor production equipment. In extruded products, demand for construction materials was strong, but overall sales volume for extruded products declined due to lower demand for use in buses and trucks, automotive heat exchangers and motorcycles.

The Group's domestic sales volume was down year on year for sheet materials, with particular declines in thick plates for tankers and liquid-crystal and semiconductor equipment. Sales volume also decreased in extruded products. However, the UACJ Group's sales volume for rolled aluminum products rose year on year, thanks to overseas sales volume that was supported by higher demand for can stock and aluminum materials for automotive panels from Tri-Arrows Aluminum Inc. and an increase in can stock sales from UACJ (Thailand) Co., Ltd.

As a result of these sales conditions, sales in the rolled aluminum products business fell 7.1% year on year in the first three months of the fiscal year, to ¥128,861 million. This decline occurred despite sales volume growth and was primarily caused by falling primary ingot prices. Operating income dropped 73.6% year on year, to ¥2,350 million, mainly due to worsening inventory valuations.

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 during the three months under review fell 2.8% year on year, to ¥12,356 million. Operating income dropped 51.2% year on year, to ¥339 million, a decline caused mainly by worsening inventory valuations.

Precision-machined Components and Related Businesses

Despite falling sales in the precision-machined components businesses in Japan and the United States, overall sales in the precision-machined components and related businesses during the first three months of the fiscal year under review rose 0.6% year on year, to ¥48,881 million. This rise was thanks to strong performance in heat exchanger materials, battery materials and air conditioning parts. Operating income, meanwhile, finished at ¥210 million, down 69.7% year on year, due to dwindling sales in the precision-machined components business, which are comparatively profitable.

(2) Consolidated Financial Position

On June 30, 2019, assets amounted to ¥789,129 million, down 2.2% from the start of the fiscal year, due primarily to a decline in notes and accounts receivable-trade.

Liabilities totaled ¥589,033, down 2.0%, mainly due to repayment of interest-bearing debt.

Net assets were ¥200,096 million, down 3.0%, a decline caused primarily by a drop in retained earnings due to payment of dividends and the recording of net loss attributable to owners of the parent.

(3) Forecast for Consolidated Business Performance

1) Sales, operating income and ordinary income

We have revised our full-year forecast for the fiscal year ending March 31, 2020, which was released on May 14, 2019. The decision to revise the forecast was made based on projections that indicate worsening inventory valuations caused by primary aluminum ingot market prices that are currently lower than anticipated at the time of our previous forecast and expectations that economic deceleration in China caused by trade friction with the United States will continue to impact demand for IT materials and thick plates for liquid-crystal and semiconductor devices.

Our updated forecast projects sales of ¥670,000 million, operating income of ¥11,500 million and ordinary income of ¥4,000 million.

2) Net income attributable to owners of the parent

We are currently formulating a business structure reform plan. This is in response to decreasing sales of IT materials and thick plates for liquid-crystal and semiconductor devices due to a decelerating Chinese economy caused by trade friction with the United States, as well as structural changes in the domestic business environment accompanying slow growth in markets for rolled aluminum products, primarily in Japan.

Currently, we are conducting a thorough examination regarding which aspects of our business structure should be reformed. For this reason, possible impact on business performance remains uncertain. Accordingly, we have cancelled our previous forecast for net income attributable to owners of the parent, which was released on May 14, 2019, and are temporarily refraining from releasing a new forecast.

We plan to release information concerning net income attributable to owners of the parent and our business structure reform plan in September 2019.

3) Dividend forecast

As indicated above, we are currently refraining from speculation regarding net income attributable to owners of the parent. Accordingly, our dividend forecast is currently undetermined.

For more details, please see the “Notice of Revisions to Earnings and Dividend Forecasts” released on August 1, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	26,510	31,290
Notes and accounts receivable-trade	145,217	125,017
Merchandise and finished goods	38,243	37,463
Work in process	62,300	58,815
Raw materials and supplies	54,567	51,768
Other	21,528	23,412
Allowance for doubtful accounts	(73)	(73)
Total current assets	348,291	327,694
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	70,977	70,105
Machinery, equipment and vehicles, net	117,002	114,896
Land	114,920	114,842
Other, net	59,829	68,757
Total property, plant and equipment	362,728	368,600
Intangible assets		
Goodwill	43,156	42,011
Other	12,835	12,070
Total intangible assets	55,991	54,081
Investments and other assets		
Investment securities	21,384	20,579
Other	18,902	18,257
Allowance for doubtful accounts	(72)	(81)
Total investments and other assets	40,214	38,755
Total noncurrent assets	458,933	461,436
Total assets	807,224	789,129

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	122,535	116,985
Short-term loans payable	61,601	58,019
Current portion of long-term loans payable	45,579	54,089
Other	43,555	43,745
Total current liabilities	273,269	272,837
Noncurrent liabilities		
Long-term loans payable	267,901	256,428
Retirement benefit obligations	18,192	18,205
Other	41,658	41,564
Total noncurrent liabilities	327,751	316,197
Total liabilities	601,020	589,033
Net assets		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	51,337	46,829
Treasury stock	(307)	(309)
Total shareholders' equity	183,624	179,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,670	1,271
Deferred losses on hedges	(1,203)	(1,625)
Foreign currency translation adjustment	6,950	7,247
Cumulative adjustments related to retirement benefits	(44)	(21)
Total accumulated other comprehensive Income	7,373	6,872
Non-controlling interests	15,206	14,109
Total net assets	206,204	200,096
Total liabilities and net assets	807,224	789,129

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Three months ended June 30, 2019)

(Millions of yen)

	FY2018 1st Quarter (From April 1, 2018 to June 30, 2018)	FY2019 1st Quarter (From April 1, 2019 to June 30, 2019)
Net sales	171,553	159,754
Cost of sales	148,780	143,801
Gross profit	22,772	15,954
Selling, general and administrative expenses	14,186	14,642
Operating income	8,586	1,311
Non-operating income		
Dividend income	285	320
Gain on valuation of derivatives	613	—
Other	459	433
Total non-operating income	1,356	754
Non-operating expenses		
Interest expenses	1,607	1,755
Share of loss of entities accounted for using equity method	924	—
Other	605	446
Total non-operating expenses	3,136	2,200
Ordinary income or loss	6,806	(135)
Extraordinary income		
Gain on sale of investment securities	43	274
Other	4	14
Total extraordinary income	48	288
Extraordinary loss		
Loss on retirement of noncurrent assets	149	118
Loss on sale of investments securities	88	—
Other	51	14
Total extraordinary loss	289	132
Income before income taxes	6,565	21
Total income taxes	4,036	1,621
Net income or loss	2,528	(1,600)
Net income attributable to non-controlling interests	269	13
Net income or loss attributable to owners of the parent	2,260	(1,613)

Quarterly Consolidated Statements of Comprehensive Income

(Three months ended June 30, 2019)

(Millions of yen)

	FY2018 1st Quarter (From April 1, 2018 to June 30, 2018)	FY2019 1st Quarter (From April 1, 2019 to June 30, 2019)
Net income or loss	2,528	(1,600)
Other comprehensive income		
Valuation difference on available-for-sale securities	225	(399)
Deferred gains (losses) on hedges	242	(555)
Foreign currency translation adjustment	124	(490)
Adjustments to retirement benefits	(24)	(76)
Share of other comprehensive income of entities accounted for using equity method	(315)	449
Total other comprehensive income	252	(1,070)
Comprehensive income	2,780	(2,670)
(Attributable to)		
Parent company shareholders	1,992	(2,114)
Non-controlling interests	789	(556)

(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 accounting policies)

(Application of IFRS 16 Leases)

We have been applying International Financial Reporting Standard (IFRS) 16 Leases at IFRS-compliant overseas consolidated subsidiaries since the beginning of the fiscal year ending March 31, 2020.

The application of this standard have an immaterial effect on quarterly consolidated financial statements.

(Segment Information, etc.)
Segment Information

I First three months of the Fiscal Year Ended March 31, 2019 (April 1, 2018, to June 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 Business	Wrought Copper Products Business	Precision-machined Components and Related Businesses	Subtotal		
Net sales						
Sales to external customers	123,524	8,751	39,278	171,553	—	171,553
Intersegment sales and transfers	15,125	3,958	9,325	28,408	(28,408)	—
Total	138,649	12,709	48,603	199,961	(28,408)	171,553
Segment income	8,893	694	692	10,279	(1,693)	8,586

(Notes) 1. The negative ¥1,693 million adjustment to segment income includes a negative ¥31 million adjustment for inventories, negative ¥85 million in eliminations for intersegment transactions, and a negative ¥1,577 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 three months of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)

1. 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 Business	Wrought Copper Products Business	Precision-machined Components and Related Businesses	Subtotal		
Net sales						
Sales to external customers	111,480	8,443	39,831	159,754	—	159,754
Intersegment sales and transfers	17,381	3,913	9,049	30,343	(30,343)	—
Total	128,861	12,356	48,881	190,098	(30,343)	159,754
Segment income	2,350	339	210	2,899	(1,588)	1,311

(Notes) 1. The negative ¥1,588 million adjustment to segment income includes a ¥40 million adjustment for inventories, negative ¥90 million in eliminations for intersegment transactions, and a negative ¥1,538 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.

2. Items Related to Changes in Reporting Segments

Starting from the beginning of the fiscal year ending March 31, 2020, we are including expenses from the automotive components division, which had previously been listed under “adjustments” as Companywide expenses, under the precision-machined components and related businesses. This change was made because the newly established automotive components division has been reclassified under these businesses. Impact from this change is immaterial.