

November 5, 2019

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

(% indicates year-on-year change)

(Note) Comprehensive income: six months ended Sep 30, 2019: ¥5,312 million (-%) : six months ended Sep 30, 2018: ¥3,776 million (-53.5%)

(2) Consolidated financial position

(Reference) Shareholders' equity: ¥183,032 million as of Sep 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	—	0.00			
March 31, 2020 (Forecasts)			—	—	—

Note: Changes in dividend forecast during the quarter under review: No

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

For details, please refer to “(3) Forecast for Consolidated Business Performance in “1. Qualitative Information on Results for the Second Quarter Ended September 30, 2019” on page 2.

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: No

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

For details, please refer to “(3) Forecast for Consolidated Business Performance in “1. Qualitative Information on Results for the Second Quarter Ended September 30, 2019” on page 2.

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 September 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 September 30, 2019	93,662 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 six months ended September 30, 2019	48,235,439 shares
For the six months ended September 30, 2018	48,240,768 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 Second Quarter Ended September 30, 2019

(1) Consolidated Business Performance

During the first six 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 4.9% year on year, to ¥314,608 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 71.1% year on year, to ¥3,428 million, and ordinary income was ¥405 million, down 94.6%. These downturns were primarily caused by worsening inventory valuations. The Company also recorded a structural reform loss in relation to the sale of the wrought copper products business. As a result, the net loss attributable to owners of the parent was ¥3,389 million, down from ¥2,356 million in net income attributable to owners of the parent recorded in the same period of the previous fiscal year.

Information by segment is provided below.

Rolled Aluminum 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 demand for sheet products was down slightly year on year, due to lower demand for use in electrical and precision machinery, as well as for LCD and semiconductor production equipment. In extruded products, demand for use in construction materials and passenger cars was robust, but demand for use in buses and trucks, automotive heat exchangers and motorcycles decreased. As a result, overall demand for extruded products dipped year on year.

The Group's domestic sales volume for sheet products was down slightly year on year. Despite strong sales of can stock and automotive materials, sales volume of extruded products also fell, due to lower sales for use in electrical and precision machinery, and lower sales of thick plate for LCD and semiconductor production equipment.

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 4.6% year on year in the first six months of the fiscal year, to ¥253,314 million. This decline occurred despite sales volume growth and was primarily caused by falling primary ingot prices. Operating income dropped 62.4% year on year, to ¥4,793 million, mainly due to worsening inventory valuations.

Wrought Copper Products Business

In the wrought copper industry, the Group produces copper pipes, which are primarily used in household room air conditioners and commercial package air conditioners. Sales of copper pipes for use in household room air conditioners was down year on year, due to unseasonable weather. However, demand for use in commercial package air conditioners, particularly for schools, was robust. As a result, the Group's domestic shipment volume was up year on year. Copper ingot prices were down year on year.

In this environment, sales in the wrought copper products business during the six months under review fell 4.4% year on year, to ¥22,914 million. Operating income dropped 64.9% year on year, to ¥373 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 six months of the fiscal year under review rose 0.1% year on year, to ¥97,175 million. This rise was thanks to strong performance in heat exchanger materials, battery materials and air conditioning parts. Operating income, meanwhile, finished at ¥1,183 million, down 21.2% year on year, due to dwindling sales in the precision-machined components business, which are comparatively profitable.

(2) Consolidated Financial Position

Due to the sale of the wrought copper products business, total assets as of September 30, 2019 were ¥755,622 million, down 6.4% from their level on March 31, 2019. Total liabilities were down 7.1%, to ¥558,310 million.

Net assets came to ¥197,312 million, down 4.3%, due primarily to the payment of dividends and a net loss attributable to owners of the parent.

(3) Forecast for Consolidated Business Performance

1) Sales, operating income and ordinary income

Our business performance forecast remains unchanged from our announcement on August 1, 2019.

2) Net income attributable to owners of the parent

On September 30, 2019, we made an announcement entitled “Implementation of Structural Reform” (Note). We have commenced structural reforms, as described in this announcement, and currently are carefully considering the monetary impact of these reforms.

This situation makes a reasonable estimate of net income attributable to owners of the parent and net income per share problematic at this point. Consequently, these figures remain to be determined. We will announce our forecasts promptly, as soon as a rational calculation becomes possible.

(Note) The main objectives of the structural reform mentioned above are to increase earnings capacity, improve the financial structure, and increased management speed and quality. To this end, we will establish a strong structure resistant to environmental changes.

For details, please see “Implementation of Structural Reform,” announced September 30, 2019.

3) Dividend forecast

As is described above, our forecast net income attributable to owners of the parent remains to be determined, as does our dividend forecast. However, we will announce these forecasts promptly, as soon as the impact of the abovementioned structural reform becomes clear.

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 September 30, 2019)
Assets		
Current assets		
Cash and deposits	26,510	31,175
Notes and accounts receivable-trade	145,217	113,086
Merchandise and finished goods	38,243	36,509
Work in process	62,300	52,221
Raw materials and supplies	54,567	45,389
Other	21,528	21,778
Allowance for doubtful accounts	(73)	(69)
Total current assets	348,291	300,090
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	70,977	67,753
Machinery, equipment and vehicles, net	117,002	113,187
Land	114,920	104,933
Other, net	59,829	77,070
Total property, plant and equipment	362,728	362,943
Intangible assets		
Goodwill	43,156	40,692
Other	12,835	11,608
Total intangible assets	55,991	52,300
Investments and other assets		
Investment securities	21,384	19,841
Other	18,902	20,522
Allowance for doubtful accounts	(72)	(73)
Total investments and other assets	40,214	40,290
Total noncurrent assets	458,933	455,532
Total assets	807,224	755,622

(Millions of yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	122,535	100,809
Short-term loans payable	61,601	60,754
Commercial paper	-	16,000
Current portion of long-term loans payable	45,579	53,464
Other	43,555	40,350
Total current liabilities	273,269	271,376
Noncurrent liabilities		
Long-term loans payable	267,901	233,837
Retirement benefit obligations	18,192	16,902
Other	41,658	36,194
Total noncurrent liabilities	327,751	286,934
Total liabilities	601,020	558,310
Net assets		
Shareholders' equity		
Capital stock	52,277	52,277
Capital surplus	80,318	80,318
Retained earnings	51,337	45,054
Treasury stock	(307)	(311)
Total shareholders' equity	183,624	177,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,670	1,223
Deferred losses on hedges	(1,203)	(1,569)
Foreign currency translation adjustment	6,950	6,082
Cumulative adjustments related to retirement benefits	(44)	(41)
Total accumulated other comprehensive income	7,373	5,695
Non-controlling interests	15,206	14,280
Total net assets	206,204	197,312
Total liabilities and net assets	807,224	755,622

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Six months ended September 30, 2019)

(Millions of yen)

	FY2018 2nd Quarter (From April 1, 2018 to Sep 30, 2018)	FY2019 2nd Quarter (From April 1, 2019 to Sep 30, 2019)
Net sales	330,857	314,608
Cost of sales	290,423	282,501
Gross profit	40,434	32,108
Selling, general and administrative expenses	28,567	28,680
Operating income	11,867	3,428
Non-operating income		
Gain on valuation of derivatives	360	376
Dividend income	297	330
Other	977	751
Total non-operating income	1,634	1,457
Non-operating expenses		
Interest expenses	3,214	3,531
Share of loss of entities accounted for using equity method	1,895	—
Other	821	948
Total non-operating expenses	5,930	4,479
Ordinary income	7,570	405
Extraordinary income		
Gain on sale of investment securities	725	406
Other	36	12
Total extraordinary income	761	418
Extraordinary loss		
Structural reform loss	—	897
Loss on retirement of noncurrent assets	403	428
Other	205	23
Total extraordinary loss	609	1,348
Income or loss before income taxes	7,723	(525)
Total income taxes	5,064	2,574
Net income or loss	2,659	(3,099)
Net income attributable to non-controlling interests	303	290
Net income or loss attributable to owners of the parent	2,356	(3,389)

Quarterly Consolidated Statements of Comprehensive Income

(Six months ended September 30, 2019)

(Millions of yen)

	FY2018 2nd Quarter (From April 1, 2018 to Sep 30, 2018)	FY2019 2nd Quarter (From April 1, 2019 to Sep 30, 2019)
Net income or loss	2,659	(3,099)
Other comprehensive income		
Valuation difference on available-for-sale securities	598	(447)
Deferred gains (losses) on hedges	211	(618)
Foreign currency translation adjustment	890	(861)
Adjustments to retirement benefits	(48)	(144)
Share of other comprehensive income of entities accounted for using equity method	(534)	(143)
Total other comprehensive income	1,117	(2,213)
Comprehensive income	3,776	(5,312)
(Attributable to)		
Parent company shareholders	2,583	(5,067)
Non-controlling interests	1,192	(245)

(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

Due to the transfer of shares of UACJ Copper Tube Corporation, as well as its subsidiaries (UACJ Copper Tube Sales Corporation, Toyo Fitting Co., Ltd., and UACJ Copper Tube (Malaysia) Sdn. Bhd.), these companies have been removed from the scope of consolidation.

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

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 six months of the Fiscal Year Ended March 31, 2019 (April 1, 2018, to Sep 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-mac hined 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.

II First six months of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to Sep 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-mac hined Components and Related Businesses	Subtotal		
Net sales						
Sales to external customers	219,315	15,597	79,697	314,608	—	314,608
Intersegment sales and transfers	33,999	7,317	17,478	58,794	(58,794)	—
Total	253,314	22,914	97,175	373,403	(58,794)	314,608
Segment income	4,793	373	1,183	6,349	(2,921)	3,428

(Notes) 1. The negative ¥2,921 million adjustment to segment income includes a ¥98 million adjustment for inventories, negative ¥179 million in eliminations for intersegment transactions, and a negative ¥2,841 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.