



# Results Briefing for the First Nine Months of Fiscal 2020 (Q3 FY2020\*)

February 4, 2020  
UACJ Corporation



## Our Mission

Contribute to society by using raw materials to manufacture products that enhance prosperity and sustainability.

## Our Vision

Aluminum is our passion. It inspires our work in building a better world and a healthier environment.

## Our Values

- Respect and understand your associates.
- Embrace honesty and foresight.
- Be curious and challenging.

**\* Throughout this document, FY2020 refers to the fiscal year ending March 31, 2021. Q3 refers to a cumulative nine-month period unless a three-month period is specifically stated.**

## **1. Results for Q3 FY2020**

## **2. Full-Year Forecast for FY2020**

## **3. Results of the First Year of Restructuring and Outlook for the Future**

# **1. Results for Q3 FY2020**

## Ordinary loss: ¥0.6 billion (down ¥1.9 billion YoY)

### Sales volume: Down YoY

- Growth in demand for can stock from UATH<sup>\*1</sup> (Thailand) and TAA<sup>\*2</sup> (United States)
- Demand from transportation equipment manufacturers, centered on automakers, down in cumulative Q3, but in recovery from Q3 (October – December)

### Ordinary income: Down ¥1.9 billion YoY

#### Positive factors

- Improvement in UATH's performance
- Improvement in TAA's performance
- Upturn in inventory valuation

#### Negative factors

- Decrease in sales as a result of COVID-19
- Lower sales due to deterioration in the operating environment (prolonged US–China trade friction)
- Plant utilization rate down at domestic works due to lower sales

# Results for Q3 FY2020

<Consolidated>	Q3 FY2019 (A)	Q3 FY2020 (B)	Change (B) – (A)
Net sales	462.8	<b>407.4</b>	(55.3)
Operating income	5.6	<b>3.1</b>	(2.6)
Ordinary income before inventory valuation impact	6.1	<b>2.3</b>	(3.8)
Inventory valuation impact	(4.8)	<b>(2.9)</b>	1.9
Ordinary income	1.3	<b>(0.6)</b>	(1.9)
Net income*	0.6	<b>(4.7)</b>	(5.3)
Adjusted EBITDA**	33.6	<b>31.0</b>	(2.6)

\* Net income: Net income attributable to owners of the parent

\*\* Adjusted EBITDA: EBITDA excluding the impact of inventory valuation

# Sales and Operating Income by Segment



(Billions of yen)

	Q3 FY2019 (A)		Q3 FY2020 (B)		Change (B) – (A)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Flat-rolled products	375.7	7.0	341.4	7.3	(34.3)	0.3
Precision-machined components and related business	143.8	2.5	122.1	(0.7)	(21.7)	(3.2)
Wrought copper products	22.9	0.4	-	-	(22.9)	(0.4)
(Adjustment)	(79.6)	(4.3)	(56.1)	(3.5)	23.5	0.8
Total	462.8	5.6	407.4	3.1	(55.3)	(2.6)

# Sales Volume, Flat Rolled Products



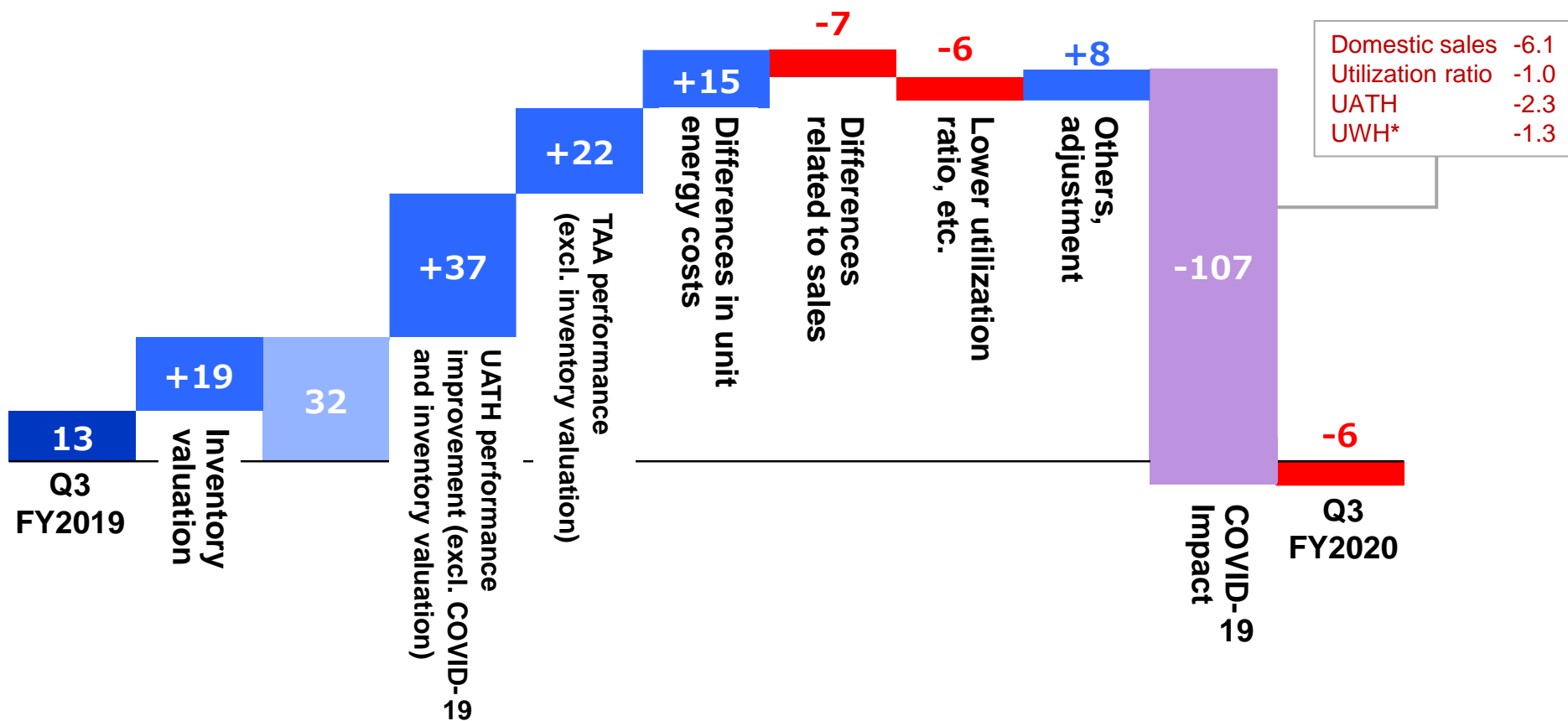
(Thousands of tons)

	Q3 FY2019 (A)	Q3 FY2020 (B)	Change (B) – (A)
Can stock	518	542	24
Foil	33	38	6
IT	13	19	6
Automotive materials	113	83	(29)
Thick plates	28	28	1
Other general-purpose materials	148	119	(29)
Total	852	830	(21)
	(For Japanese market: 368 For overseas market: 484)	(For Japanese market: 324 For overseas market: 506)	(44) 22

# Analysis of Consolidated Ordinary Income (Q3 FY2019 → Q3 FY2020)

¥1.3 billion (Q3 FY2019) → - ¥0.6 billion (Q3 FY2020)

(Billions of yen)





# Consolidated Balance Sheet for Q3 FY2020



**Although cash on hand remains robust, total assets were down ¥18.0 billion as a result of lower inventories, among other factors.**

	March 31, 2020	December 31, 2020	Change from March 31, 2020	(Billions of yen)
Cash and deposits	28.7	46.7	18.0	Increased cash on hand to address COVID-19
Notes and accounts receivable - trade	100.9	111.3	10.4	
Inventories	135.9	124.3	(11.6)	Drew down inventories to improve free cash flow
Other current assets	23.3	17.6	(5.6)	
Noncurrent assets	425.5	396.4	(29.1)	
Investments and other assets	38.4	38.7	0.3	
Total assets	752.8	734.8	(18.0)	Total assets down due to the sale of business (results of structural reforms)
Notes and accounts payable - trade	96	97.8	1.7	
Short-term loans payable	107.8	109.8	2.0	
Long-term loans payable	236.2	237.1	0.8	
Other	110.0	103.5	(6.5)	
Total shareholders' equity	182.8	177.1	(5.7)	
Accumulated other comprehensive income, non-controlling assets	20.0	9.6	(10.4)	
Total liabilities and net assets	752.8	734.8	(18.0)	

# Consolidated Cash Flow Statement for Q3 FY2020



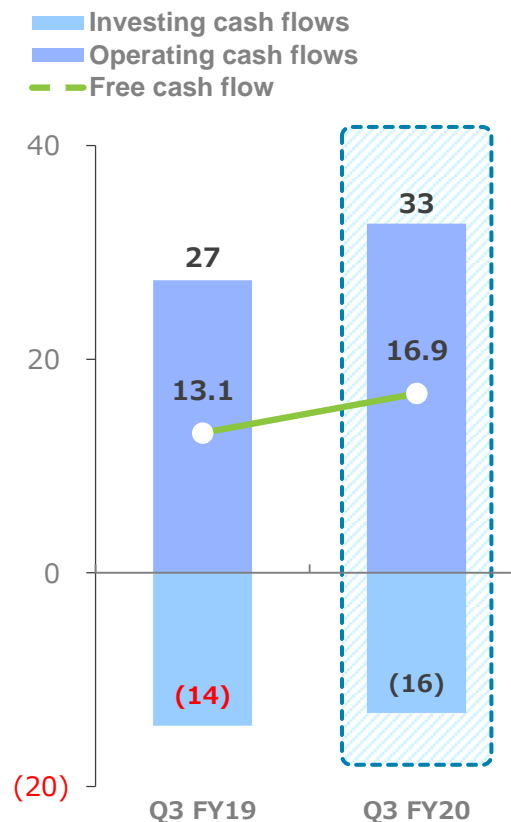
**We maintained positive free cash flows in Q3 FY2020 despite COVID-19.**

## Consolidated Cash Flows in Q3 FY2020

	(Billions of yen)
Income before income taxes	(1.30)
Decrease (increase) in inventories	25.01
Receivables and payables	9.04
<b>Cash flows from operations</b>	<b>32.75</b>
Capital expenditures	(19.42)
Sale of shares in subsidiary due to change in scope of consolidation	3.52
<b>Free cash flow</b>	<b>16.85</b>
Dividends	(1.69)
Increase (decrease) in cash and deposits	(17.96)
<b>Increase in interest-bearing debt</b>	<b>(2.81)</b>

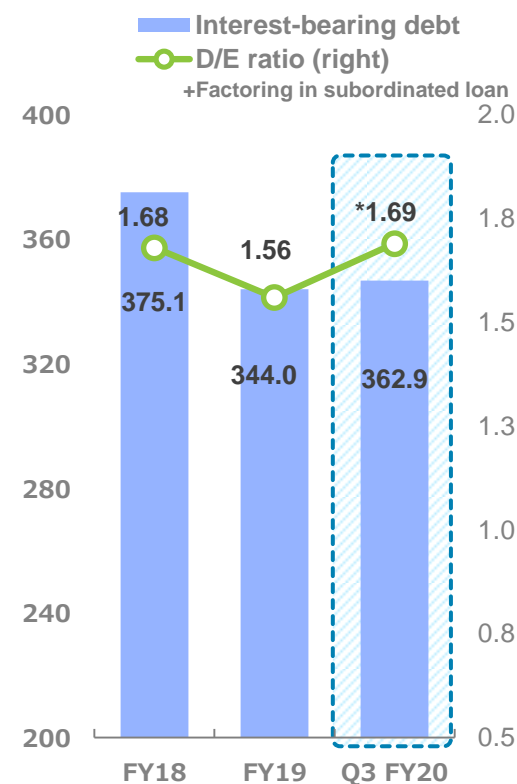
## Consolidated Cash Flows

(Billions of yen)



## Interest-Bearing Debt, D/E Ratio

(Billions of yen)



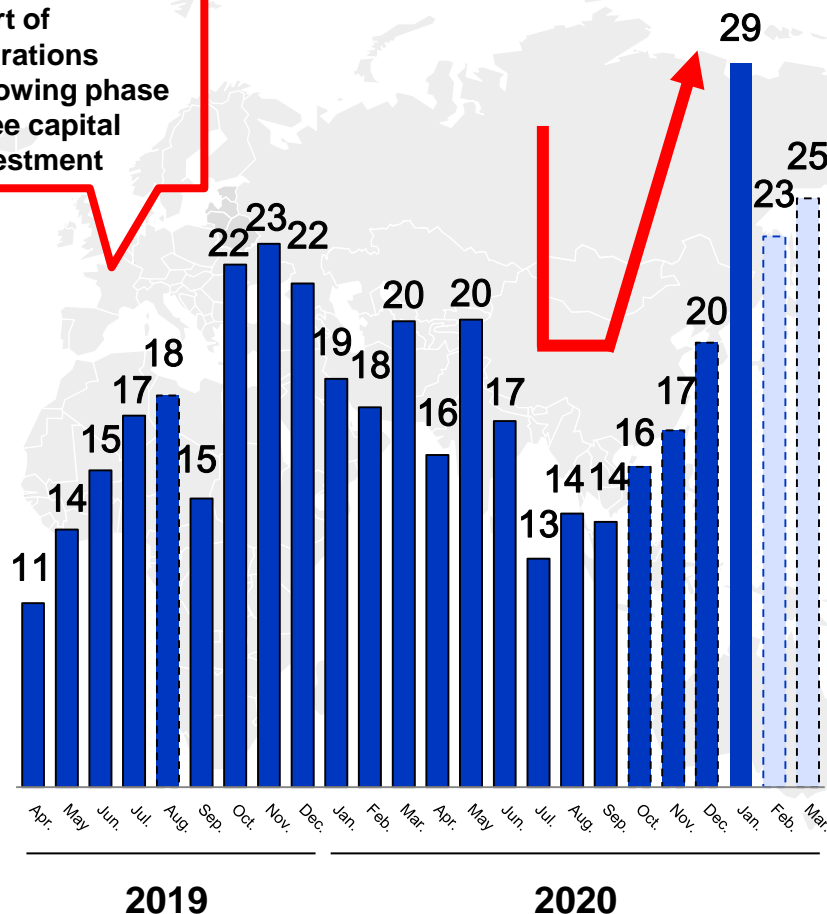
# Situation in Thailand (UATH)

## Overview of Q3 FY2020

Sales volume rose, as the impact of COVID-19 bottomed out in Q3 and demand was robust from December.

### Monthly production volume at UATH (thousands of tons)

Start of operations following phase three capital investment



### Q3 overview

- Demand for can stock: The downward impact on sales due to COVID-19 bottomed out in Q3 (July–September). Monthly sales recovered to more than 20,000 tons/month, thanks to robust demand from December.
- Production volume: Approx. 13,000 tons/month (Q3: July–September)
- Sales volume: Approx. 13,000 tons/month (Q3: July–September)
- Profit:

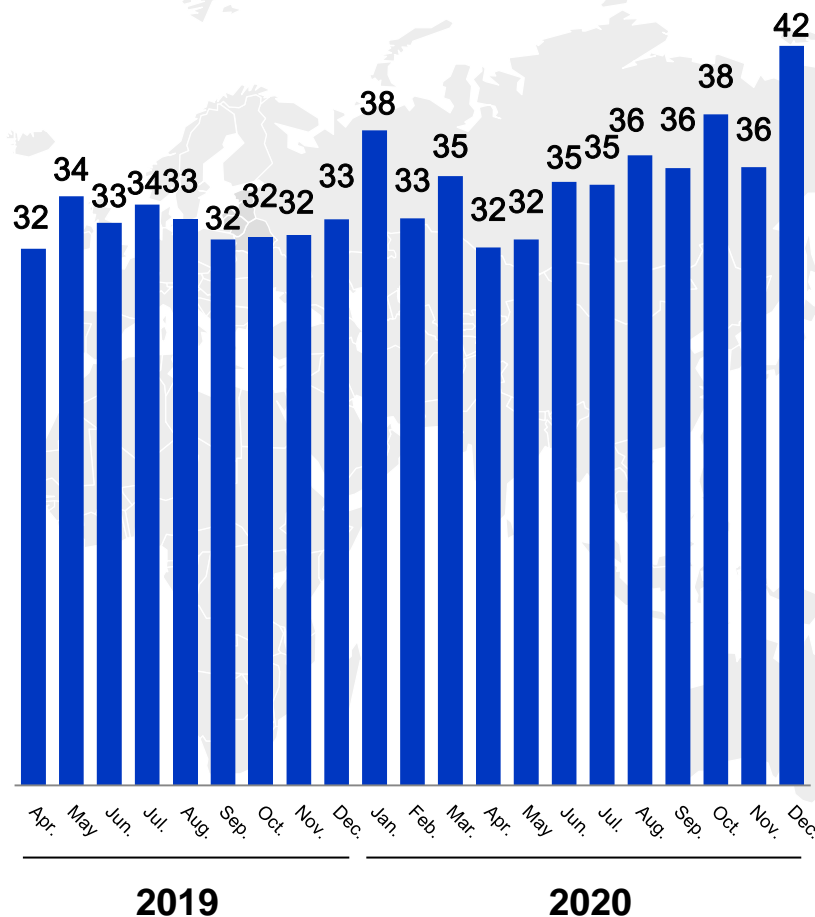
	3Q FY2019 result	3Q FY2020 result	YoY
Sales	46.4	46.8	0.4
Operating income (loss)	(3.5)	(3.0)	0.5
Ordinary income (loss)	(3.9)	(3.7)	0.2
Ordinary income (loss) before inventory valuation impact	(4.3)	(2.9)	1.4

# Situation in the United States (TAA)

## Overview of Q3 FY2020

Sales and income rose, buoyed by robust North American demand for can stock despite the impact of COVID-19.

Monthly sales volume at TAA  
(thousands of tons)



### Q3 overview

- Demand for can stock: Demand environment remained robust
- Sales volume: Approx. 39,000 tons/month (October–December)
- Equipment: Operational start of network for producing approximately 45,000 tons/month
- Profit/loss:

	(Billions of yen)		
	Q3 FY2019 result	Q3 FY2020 result	YoY
Sales	96.3	99.5	3.2
Operating income	3.1	7.7	4.5
<b>Ordinary income</b>	<b>1.3</b>	<b>6.0</b>	<b>4.7</b>
Ordinary income before inventory valuation impact	4.1	6.3	2.3

## **2. Full-Year Forecast for FY2020**

# Full-Year Forecast for FY2020

<Consolidated>	FY2020 (November forecast) (A)	FY2020 (Current forecast) (B)	FY2019 (C)	Change (B) – (A)	Change (B) – (C)
Net sales	550.0	<b>560.0</b>	615.1	10.0	(55.1)
Operating income	3.5	<b>8.0</b>	10.1	4.5	(2.1)
Ordinary income before inventory valuation impact	0.1	<b>2.2</b>	9.8	2.1	(7.6)
Inventory valuation impact	(3.6)	<b>(1.2)</b>	(6.0)	2.3	4.8
Ordinary income	(3.5)	<b>1.0</b>	3.8	4.5	(2.8)
Net income*	(9.5)	<b>(6.5)</b>	2.0	3.0	(8.5)
Adjusted EBITDA**	41.3	<b>43.7</b>	47.3	2.4	(3.6)

\* Net income: Net income attributable to owners of the parent

\*\* Adjusted EBITDA: EBITDA excluding the impact of inventory valuation

# Sales Volume, Flat Rolled Products



(Thousands of tons)

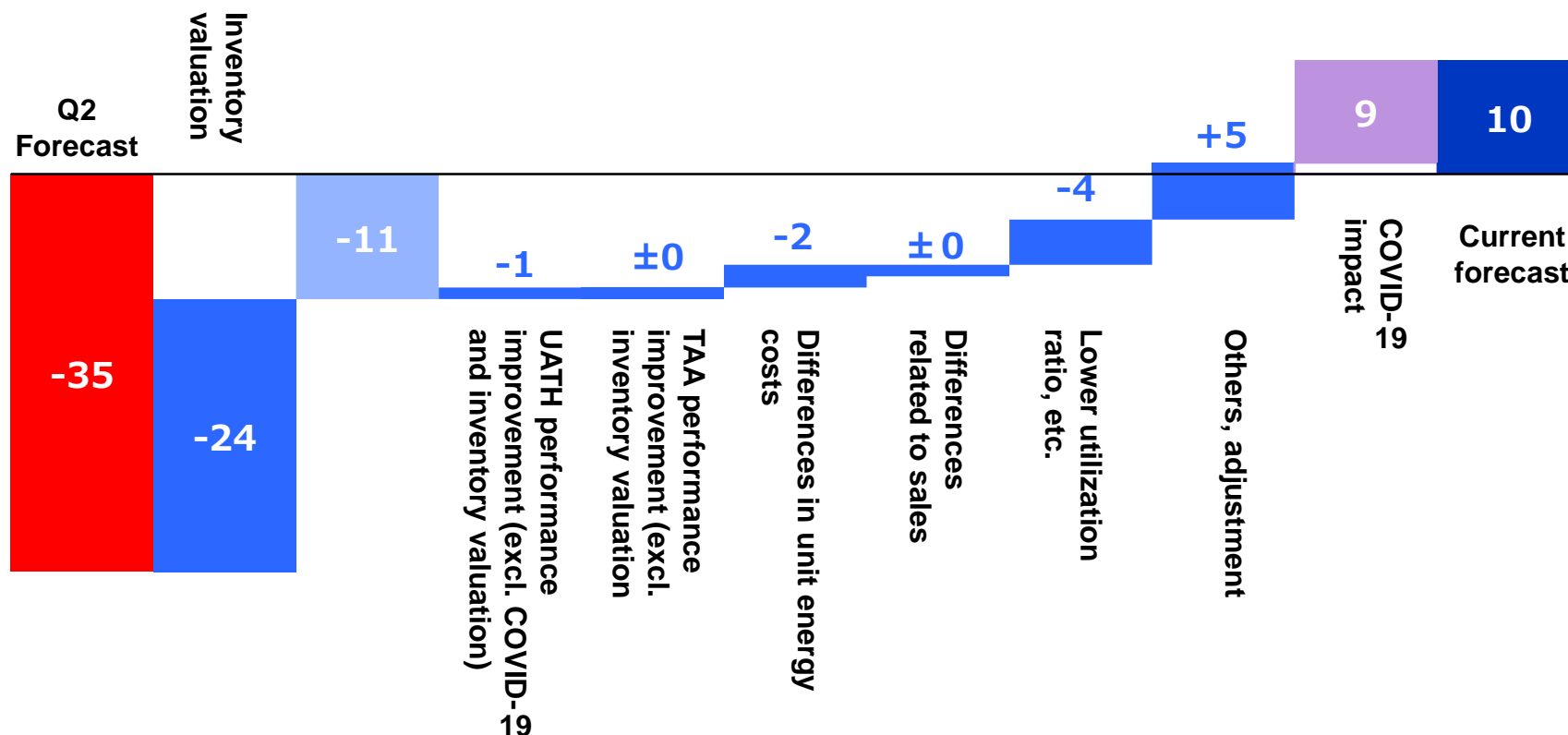
	FY2020 (November forecast) (A)	FY2020 (Current forecast) (B)	FY2019 (C)	Change (B) – (A)	Change (B) – (C)
Can stock	733	721	702	(12)	19
Foil	54	52	44	(2)	8
IT	24	24	17	1	8
Automotive materials	117	122	152	5	(29)
Thick plates	39	40	39	2	1
Other general- purpose materials	159	182	199	24	(16)
	1,125	1,142	1,153	17	(11)
<b>Total</b>	For Japanese market: 435 For overseas market: 691	For Japanese market: 439 For overseas market: 703	For Japanese market: 483 For overseas market: 669	( 5 ) 12	( 44 ) 33

# Analysis of Consolidated Ordinary Income

## (Q2 Forecast → Current Forecast)

**- ¥3.5 billion (Q2 Forecast) → ¥1.0 billion (Current forecast)**

(Billions of yen)



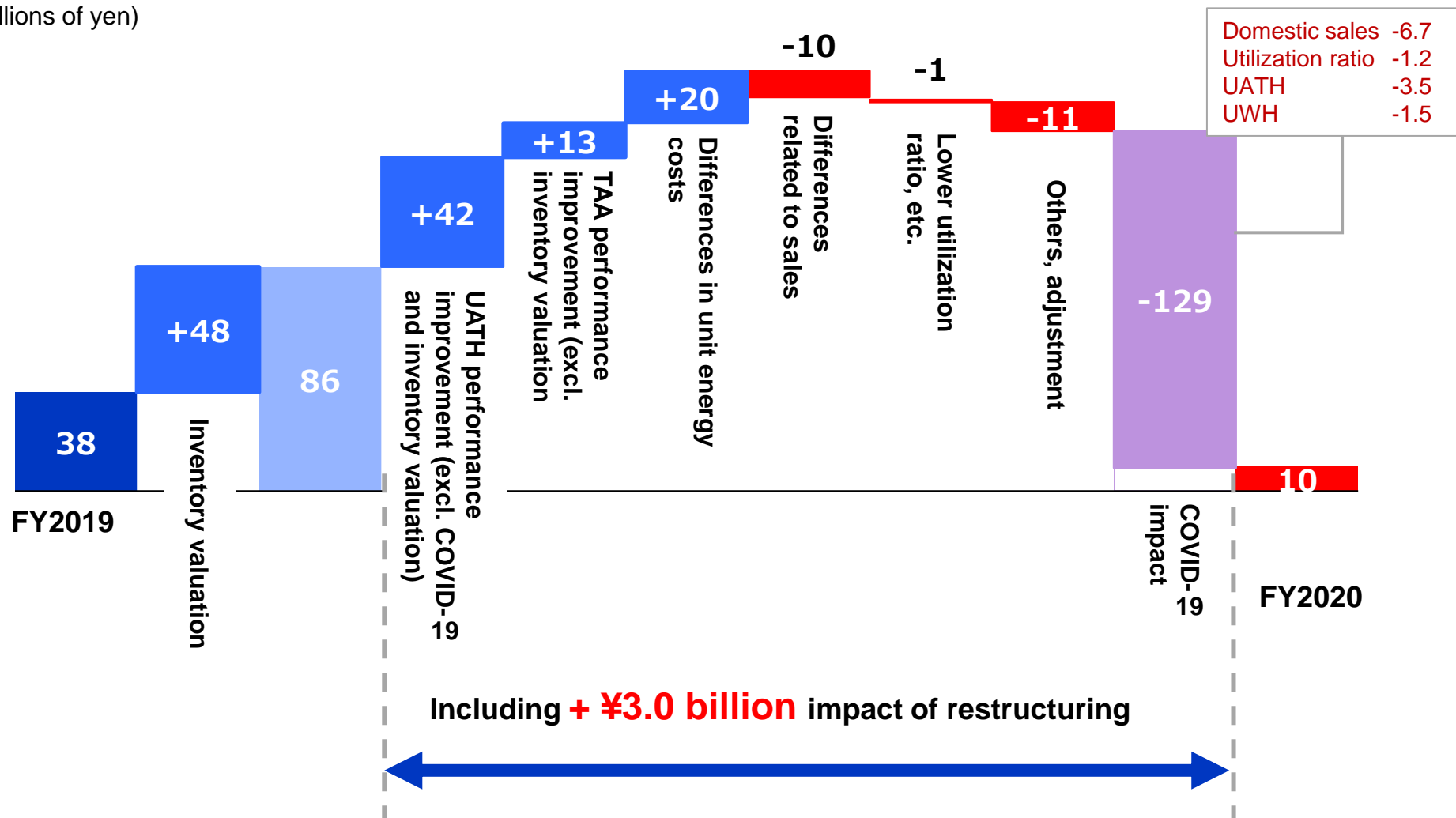


# Analysis of Consolidated Ordinary Income

(FY2019 → FY2020 Current Forecast)

**¥3.8 billion (FY2019) → ¥1.0 billion (Current forecast)**

(Billions of yen)



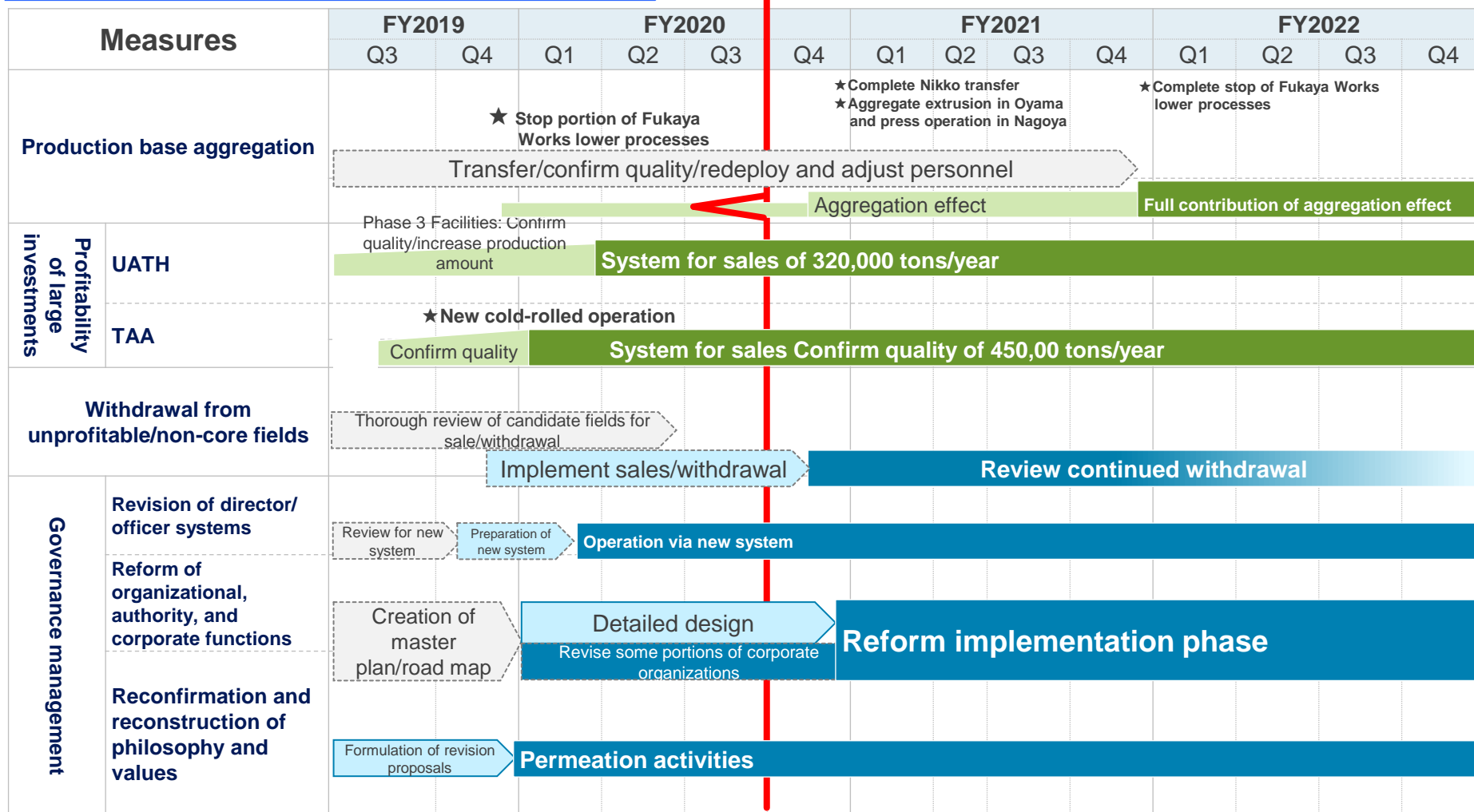
### **3. Results of the First Year of Restructuring and Outlook for the Future**

# Progress on Restructuring

We are progressing with various restructuring measures as planned in accordance with our roadmap.

Progressing as planned

At present



All measures targeting domestic profit structure reform are progressing essentially according to plan.

## Production base aggregation

### Stop lower processes at the Fukaya Works

- ✓ Operations to continue, as demand rebounded before transfer of production for automotive parts was complete  
→To cease operation in Q4 of FY2021, as planned

### Close the Nikko Works

- ✓ Completed client negotiations in relation to the transfer of production of automotive heat exchangers, so closure (as planned) in Q4 of FY2020

### Aggregate/optimize extrusion in Oyama and press operation in Nagoya

- ✓ Pursuing more efficient aluminum foil rolling operations

## Optimizing the production system, improving the product mix

- ✓ Prioritizing sales of products for which demand is increasing despite COVID-19 (In addition to can stock, automotive materials and electrolytic foil materials, these include materials for IT devices and thick plate for liquid crystal and semiconductor manufacturing equipment .)
- ✓ Promoted optimization of prices in some key product categories
- ✓ Stepped up monitoring of production at four factories in Japan

## Reducing indirect expenses

- ✓ Introduced BPR\* measures to make back-office operations more efficient  
Considering the optimal structure for consolidating and slimming corporate functions
- ✓ Stepping up cost controls in the aim of curtailing overall expenses

# Selection and Focus (Withdraw from Unprofitable/Non-Core Fields)



In Q3, as well, we conducted business reorganization in Japan and overseas from the standpoint of profitability and efficiency.

## Domestic business

- Close the Nikko Works
- Close the Fukawa Works of UACJ Metal Components Corporation
- Close the Osaka Works of UACJ Metal Components Corporation
- Transfer shares in logistics subsidiary
- Others

## Overseas business

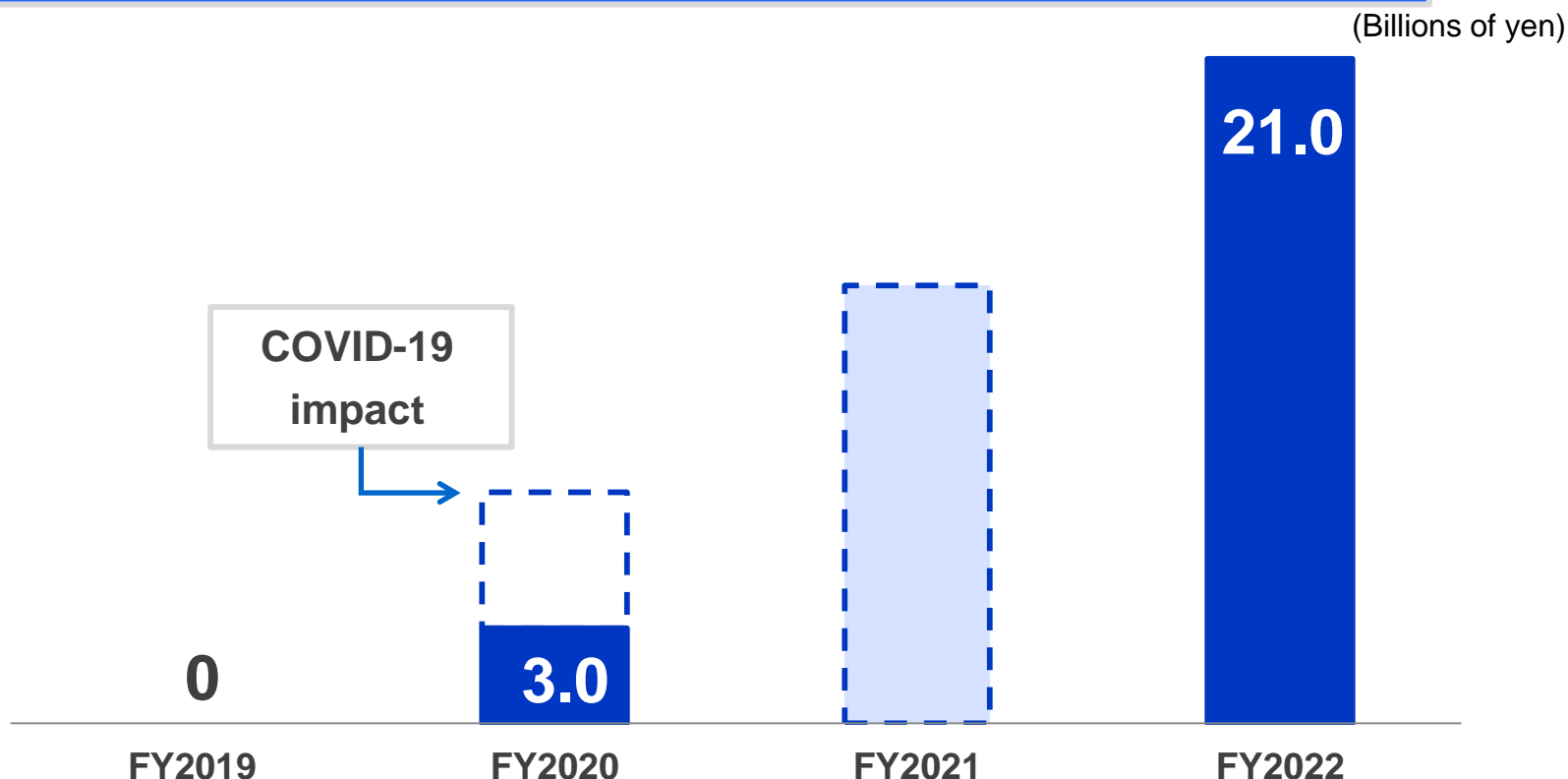
- Complete transfer of extrusion company in Indonesia
- Decide on transfer of Thai PF heat exchanger business
- Close Ayutthaya Plant of UACJ Extrusion (Thailand)
- Others

**Posted:**     **Extraordinary losses of approximately ¥4.0 billion**  
**Extraordinary income of approximately ¥2.0 billion**

# Results of Restructuring

Despite the impact of COVID-19, we maintain thoroughly committed to the effects of structural reforms and are adhering to our targets for FY2022.

Profit improvement due to restructuring (FY2019→FY2022)  
**+¥21.0 billion**



# Movement in Thailand (UATH): Can to Can Journey



We are participating in a project to promote the recycling of aluminum cans, as part of a Thai government-led effort to reduce environmental impact.

## Can to Can Journey

The government and industry bodies invited UATH to take part in this movement to promote an understanding of the recyclability of aluminum cans and the closed loop of can-to-can recycling (the cycle for reusing aluminum in the aluminum can process).

### Participating Companies and Organizations



Ministry of Natural  
Resources and  
Environment



3R Foundation



Mahidol University



Thai Beverage  
Industry Association



Thai Beverage  
Can Ltd.



Anglo Asia Group



UACJ



# Reference Data



# Sales and Operating Income by Segment



(Billions of yen)

	FY2020 (November forecast) (A)		FY2020 (Current forecast) (B)		FY2019 (C)		Change (B) – (A)		Change (B) – (C)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income
Flat-rolled products	458.0	8.2	475.0	13.3	503.8	12.5	17.0	5.1	(28.8)	0.8
Wrought copper products	-	-	-	-	229	4	-	-	(22.9)	(0.4)
Precision- machined components and related business	173.0	(0.4)	160.0	(0.6)	188.8	3.1	(13.0)	(0.2)	(28.8)	(3.7)
(Adjustment)	(81.0)	(4.3)	(75.0)	(4.7)	(100.3)	(5.9)	(6.0)	(0.4)	25.3	1.2
Total	550.0	3.5	560.0	8.0	615.1	10.1	10.0	4.5	(55.1)	(2.1)

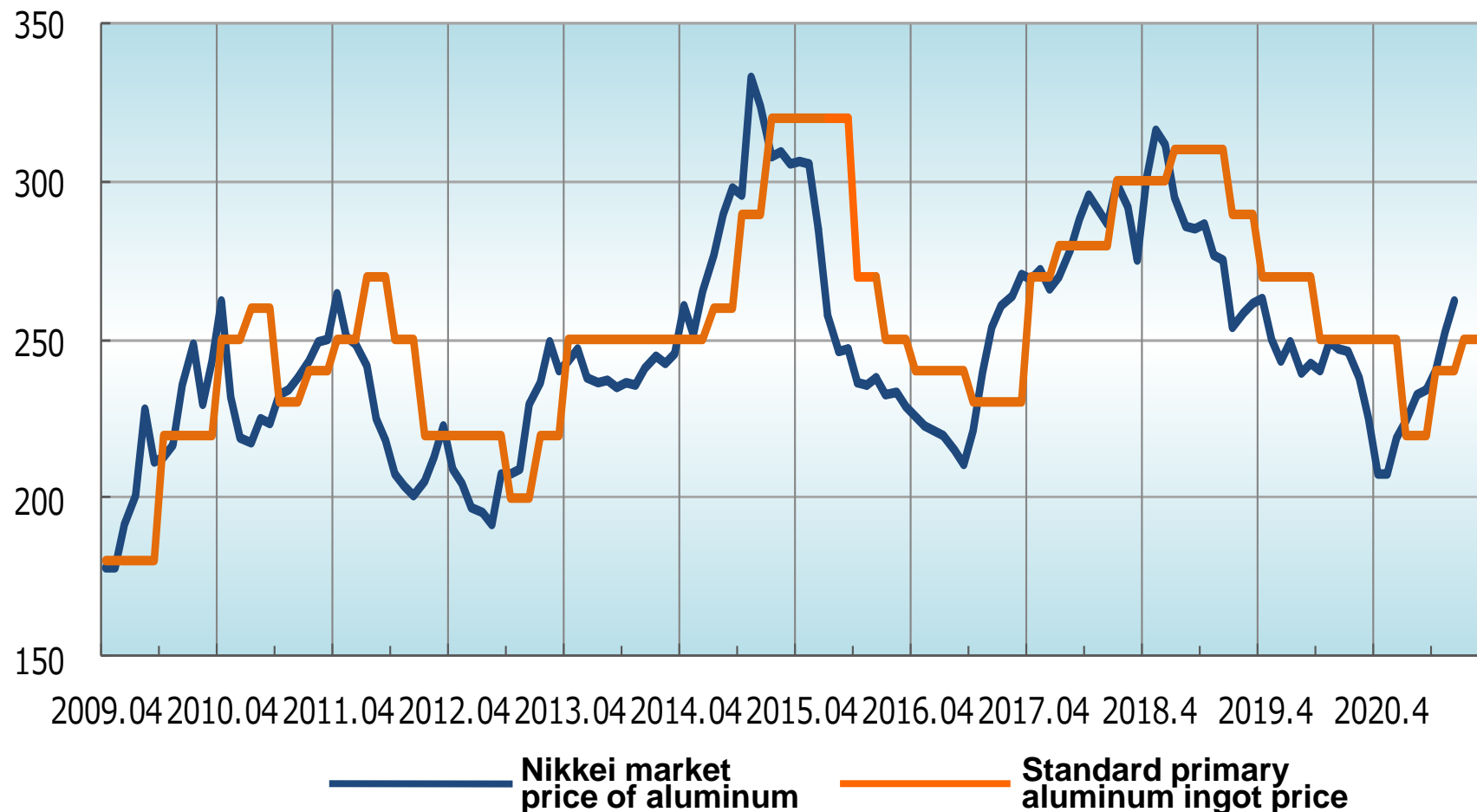
Crude oil CIF  
(yen/L)

LNG CIF  
(yen/kg)



# Nikkei Average Primary Ingot Price/ Standard Primary Aluminum Ingot Price

(Yen/kg)



# Assumptions and Sensitivities

	FY2019 (actual)	FY2020 (Sep. 30)	FY2020 (Dec. 31)	Sensitivity on ordinary income
Nikkei average price of aluminum (¥/kg)	245	227	239	¥10/kg rise→ +¥2.0–3.0 billion/year
LME (\$)	1,749	1,675	1,779	\$100/t rise→ +¥2.2–¥3.5 billion/year
Foreign exchange (¥/\$)	109	105	106	Almost no impact - Fuel and additional material cost: become positive by stronger yen - Rolling margin, forex conversion: become positive by weaker yen
(¥/Thai baht)	3.5	3.4	3.4	
Crude oil (Dubai: \$)	60	40	43	\$10 increase → Approx. (¥1.0–¥1.5) billion/year

## 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 movements fluctuations, and uncertainties in future business circumstances, and other factors.

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