



# Results Briefing for Fiscal 2018

**May 14, 2019**

## **1. FY2018 Results**

## **2. FY2019 Forecast**

## **3. Progress on Mid-term Plan for FY2019–FY2020**

## **4. Financial Status / Shareholder Return**

# 1. FY2018 Results

## Ordinary Income: ¥6.2 Billion (Down ¥13.2 Billion YoY)

**Sales volumes: Growth in demand for can stock from UACJ Thailand (UATH\*<sup>1</sup>) and Tri-Arrows Aluminum (TAA\*<sup>2</sup>)**

**Ordinary income: Down ¥13.2 billion, or 68.0%**

### Positive

- Improvement in equity-method profit for Logan\*<sup>3</sup>
- Cancellation of one-off HR cost
- Improvement in equity-method profit from termination of CUA\*<sup>4</sup> JV
- Improvement in UATH profitability

### Negative

- Inventory valuation
- Decline in sales due to sudden changes in business environment (deceleration of Chinese economy / US-China trade friction, etc.)
- Increase in energy costs
- One-off increase in depreciation costs for strategic investment at TAA, etc.

## Annual Dividend Forecast: ¥60 per Share

**Intend to pay ¥60 per share at year-end as originally planned**

\*1: UACJ (Thailand) Co., Ltd. \*2: Tri-Arrows Aluminum Inc. \*3: Logan Aluminum Inc.

\*4: Constellium-UACJ ABS LLC

# Full-Year Results for Fiscal 2018



(Billions of yen)

<Consolidated>	FY2017 (A)	FY2018 (B)	Change (B) - (A)
<b>Net sales</b>	624.3	<b>661.3</b>	37.1
<b>Operating income</b>	29.2	<b>14.9</b>	(14.3)
<b>Ordinary income before inventory valuation impact</b>	11.3	<b>3.0</b>	(8.3)
<b>Ordinary income</b>	19.4	<b>6.2</b>	(13.2)
<b>Net income</b>	12.3	<b>1.1</b>	(11.1)
<b>Adjusted EBITDA</b>	50.7	<b>42.6</b>	(8.1)

[Notes] Net income: Net income attributable to owners of the parent; adjusted EBITDA: EBITDA-inventory valuation impact

# Sales and Operating Income by Segment



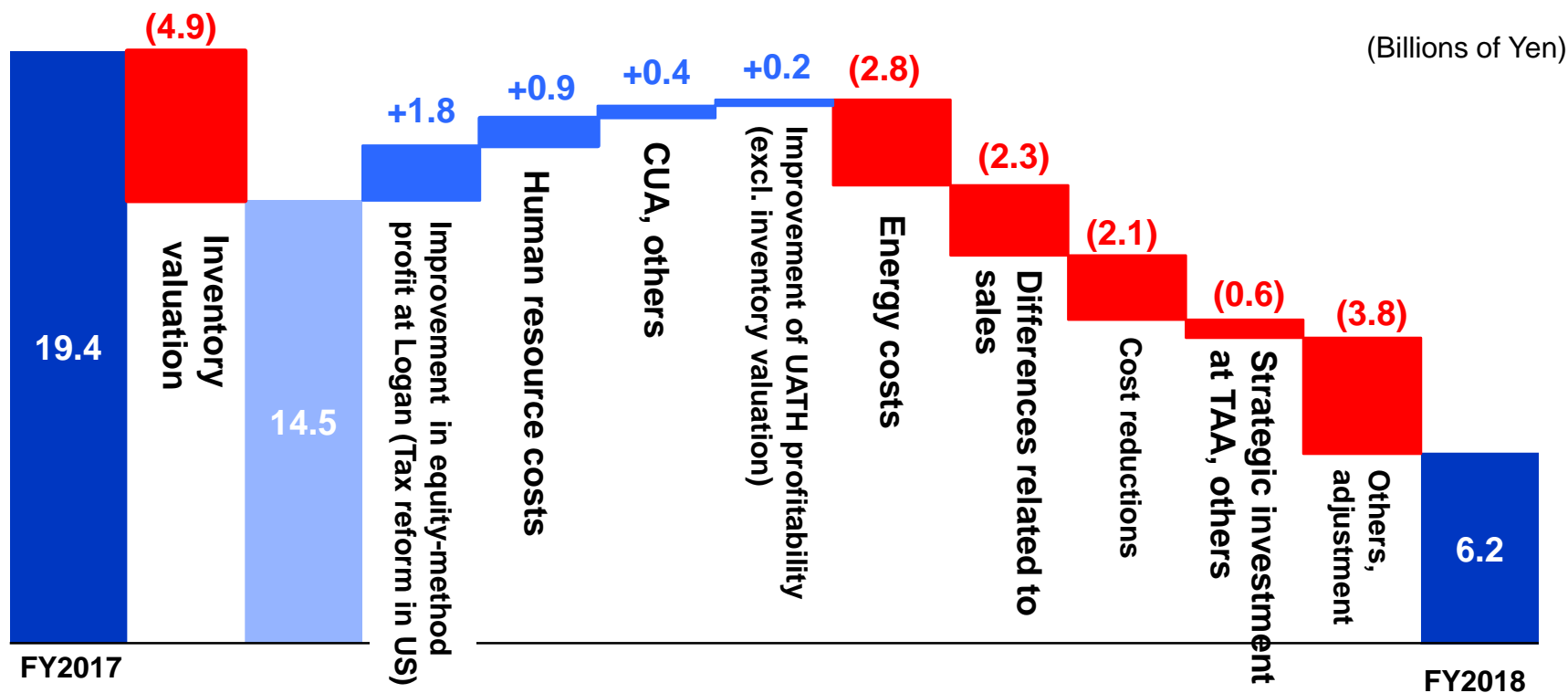
(Billions of yen)

	FY2017 (A)		FY2018 (B)		Change (B) - (A)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
<b>Flat-rolled products</b>	497.9	29.7	<b>530.7</b>	<b>17.0</b>	32.8	(12.6)
<b>Wrought copper products</b>	45.6	2.1	<b>47.5</b>	<b>1.7</b>	1.9	(0.3)
<b>Precision-machined components and related business</b>	184.6	4.3	<b>197.1</b>	<b>3.1</b>	12.5	(1.2)
<b>(Adjustment)</b>	(103.9)	(6.8)	<b>(114.0)</b>	<b>(7.0)</b>	(10.1)	(0.2)
<b>Total</b>	624.3	29.2	<b>661.3</b>	<b>14.9</b>	37.1	(14.3)

# Analysis of Consolidated Ordinary Income (FY2017 → FY2018)



¥19.4 Billion (FY2017) → ¥6.2 Billion (FY2018)



# Flat-Rolled Product Sales Volume by Product Type



(Thousands of tons)

	FY2017 (A)	FY2018 (B)	Change (B) - (A)
<b>Can stock</b>	602	<b>666</b>	64
<b>Foil</b>	49	<b>50</b>	0
<b>IT</b>	21	<b>15</b>	(5)
<b>Automotive products</b>	135	<b>147</b>	13
<b>Thick plates</b>	69	<b>40</b>	(29)
<b>Other general-purpose materials</b>	174	<b>177</b>	3
<b>Total</b>	1,049	<b>1,094</b>	45
	For Japanese market: 529 For overseas market: 520	For Japanese market: 504 For overseas market: 590	(25) 70



## 2. FY2019 Forecast

## Ordinary Income: ¥11.0 Billion (Up ¥4.8 billion YoY)

### Sales volumes:

- Significant growth in demand for can stock from UATH and TAA
- Steady increase in automotive products

### Ordinary income: Up ¥4.8 billion, or 77.4%

#### Positive

- Improvement in UATH
- Improvement in sales
- Cost reduction
- Improvement in equity-method profit from termination of CUA JV

#### Negative

- Decrease in inventory valuation
- Increase in energy costs

## Annual Dividend Forecast of ¥60 per Share

- Prioritize profit increase, maintain dividend policy based on business performance, pay dividend once, annually, at year-end

# Full-Year Forecast for Fiscal 2019



(Billions of yen)

<Consolidated>	FY2018 (A)	FY2019 Forecast (B)	Change (B) - (A)
<b>Net sales</b>	661.3	<b>710.0</b>	48.7
<b>Operating income</b>	14.9	<b>17.5</b>	2.6
<b>Ordinary income before inventory valuation impact</b>	3.0	<b>11.5</b>	8.5
<b>Ordinary income</b>	6.2	<b>11.0</b>	4.8
<b>Net income</b>	1.1	<b>3.5</b>	2.4
<b>Adjusted EBITDA</b>	42.6	<b>52.0</b>	9.4

## Assumptions (FY2019):

**Nikkei average price of aluminum of ¥269/kg, exchange rate of ¥111/US\$, crude oil price of US\$68/B**

[Notes] As financial performance is managed on an annual basis, from this fiscal year we have discontinued the practice of providing financial forecasts for the first half of the year. Net income: Net income attributable to owners of the parent; adjusted EBITDA: EBITDA-inventory valuation impact

# Sales and Operating Income by Segment



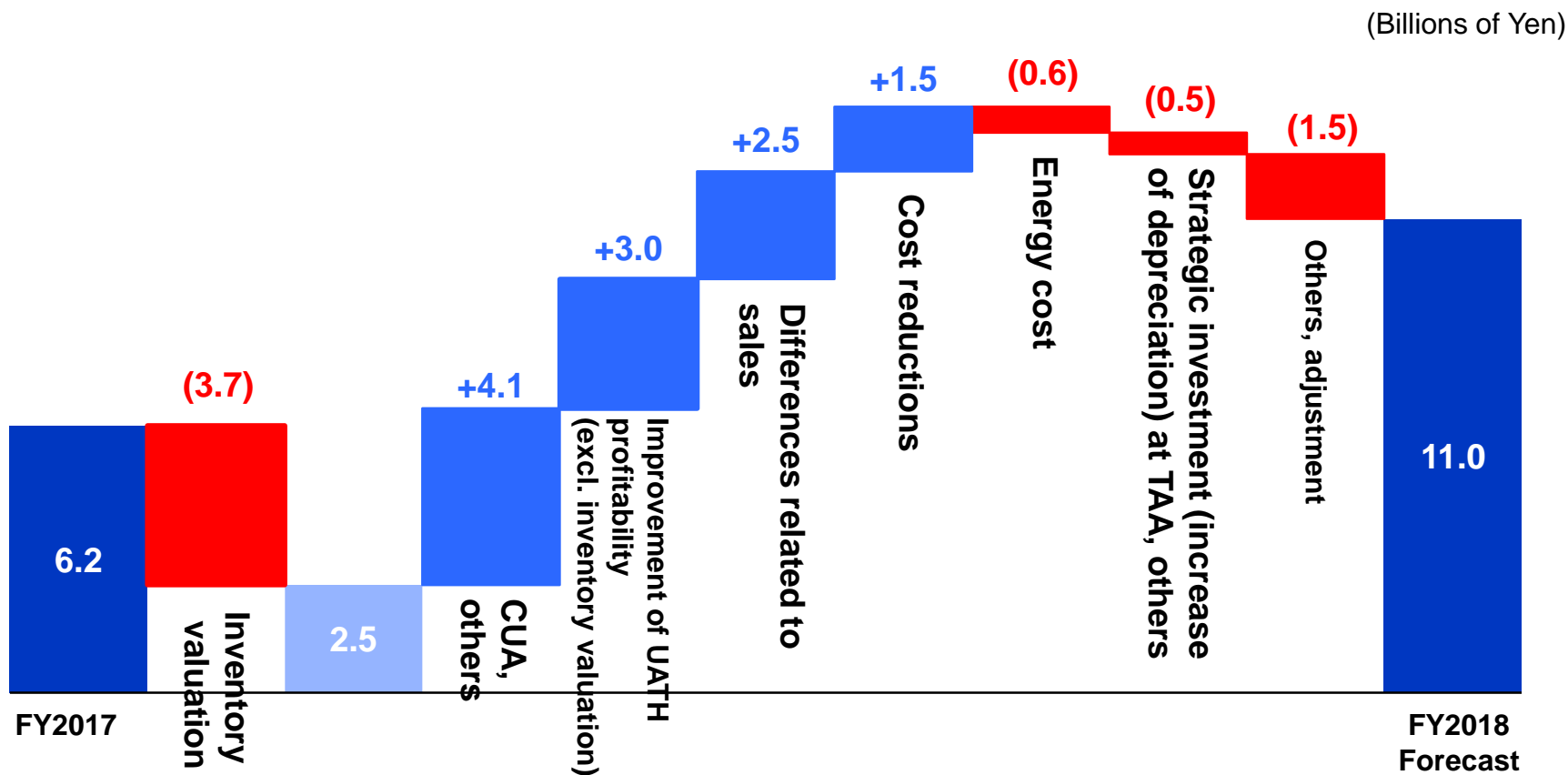
(Billions of yen)

	FY2018 (A)		FY2019 Forecast (B)		Change (B) - (A)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
<b>Flat-rolled products</b>	530.7	17.0	<b>567.0</b>	<b>20.1</b>	36.3	3.1
<b>Wrought copper products</b>	47.5	1.7	<b>50.1</b>	<b>2.2</b>	2.6	0.5
<b>Precision-machined components and related business</b>	197.1	3.1	<b>208.2</b>	<b>3.6</b>	11.1	0.5
<b>(Adjustment)</b>	(114.0)	(7.0)	<b>(115.3)</b>	<b>(8.5)</b>	(1.3)	(1.5)
<b>Total</b>	661.3	14.9	<b>710.0</b>	<b>17.5</b>	48.7	2.6

# Analysis of Consolidated Ordinary Income (FY2018 → FY2019 Forecast)



¥6.2 Billion (FY2018) → ¥11.0 Billion (FY2019 Forecast)



# Flat-Rolled Product Sales Volume by Product Type



(Thousands of tons)

	FY2018 (A)	FY2019 Forecast (B)	Change (B) - (A)
<b>Can stock</b>	666	<b>722</b>	56
<b>Foil</b>	50	<b>52</b>	3
<b>IT</b>	15	<b>15</b>	0
<b>Automotive products</b>	147	<b>164</b>	16
<b>Thick plates</b>	40	<b>42</b>	2
<b>Other general-purpose materials</b>	177	<b>194</b>	18
<b>Total</b>	1,094	<b>1,190</b>	95
	( For Japanese market: 504 For overseas market: 590 )	( For Japanese market: <b>523</b> For overseas market: <b>667</b> )	( 19 77 )

### **3. Progress on Mid-Term Plan for FY2019–FY2020**

## 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 Fiscal 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

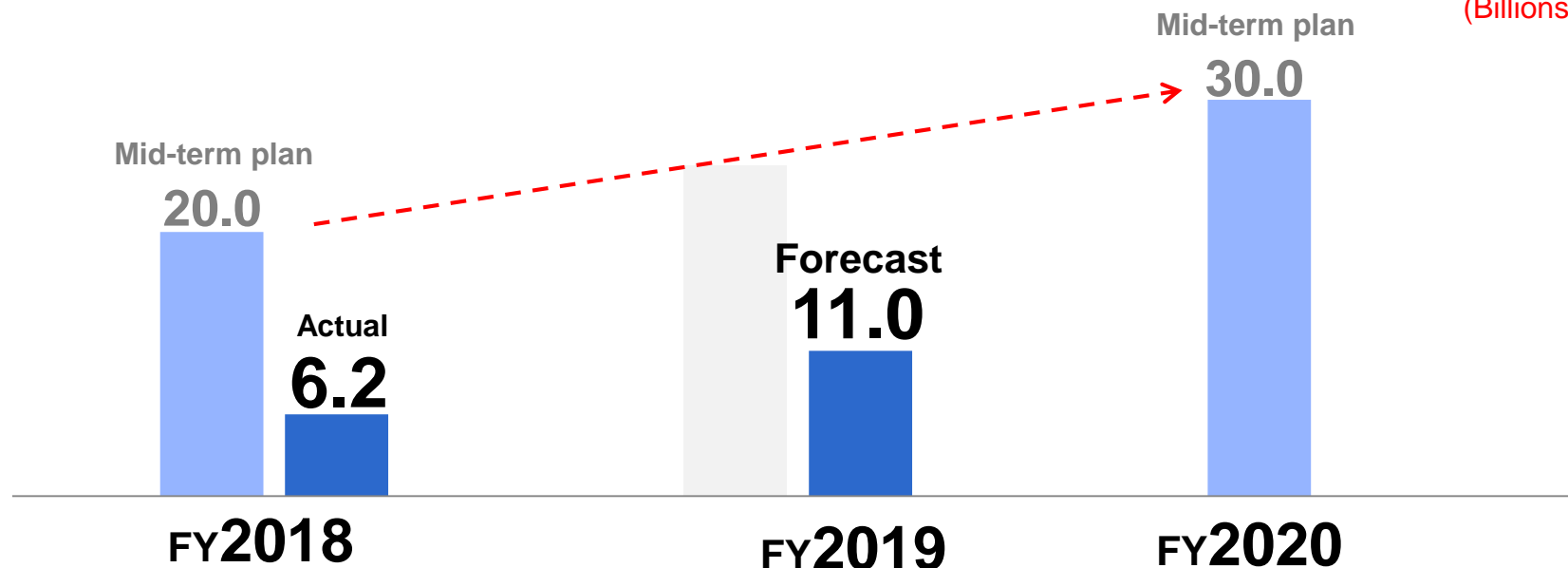
### Previous Mid-Term Plan

## 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



(Billions of yen)



### Sudden deterioration of business environment

- Sales decline due to US-China trade friction and deceleration of Chinese economy
- Fluctuation of aluminum ingot price, energy price as well as foreign exchange

### Shortfall of current Business plan

- Decline in volume, deterioration of product mix, increase in energy cost

### Deterioration of financial status

- Increase in interest-bearing debt due to worsening profitability

**Reexamine business strategy**

# Optimize the Business Portfolio (Review)

Accelerate “selection and concentration” to improve capital efficiency

**FY2018**

**FY2019**

Aug.

Dissolve South Korea’s CHOIL business partnership

Transfer Sumikei-Nikkei Engineering stock to Nippon Light Metal

Sept.

- New battery foil production facility at Ruyuan Dongyangguang UACJ Fine Aluminum Foil
- Capital investment to facilitate increase in production of capacitor foil and automotive heat exchanger materials at Ruyuan Dongyangguang UACJ Fine Aluminum Foil

Dec.

Terminate JV agreement with Constellium

Feb.

Establish the Automotive Parts Business Division to further enhance the aluminum materials for vehicles business

Mar.

Form business alliance with China-based CITIC Group subsidiaries

## Aiming to become profitable at the operating level in FY2019

### FY2018 summary

- Met stable demand for can stock in Southeast Asia
- Achieved the planned sales and production targets in spite of one-off equipment failure (sales volume: 150kt)
- Stayed on track with UATH 3<sup>rd</sup> phase

### Outlook

- Aiming to reach 200kt/y in 2019

#### Can stock

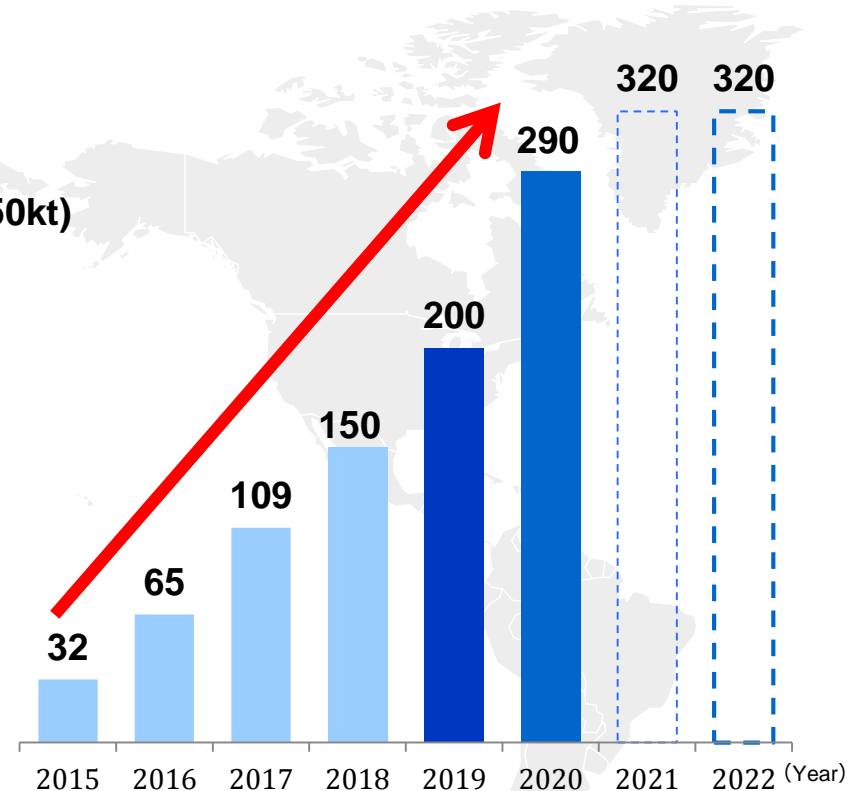
- Increase in unit price as a result of tight supply/demand
- Improve product/sales mix  
→ Strengthen direct sales

#### Fins for air conditioners

- Focus on highly profitable products

- Planning to generate ordinary profit in FY2020

UATH Sales Volume (Kt)



## Meet strong can stock demand and improve product efficiency

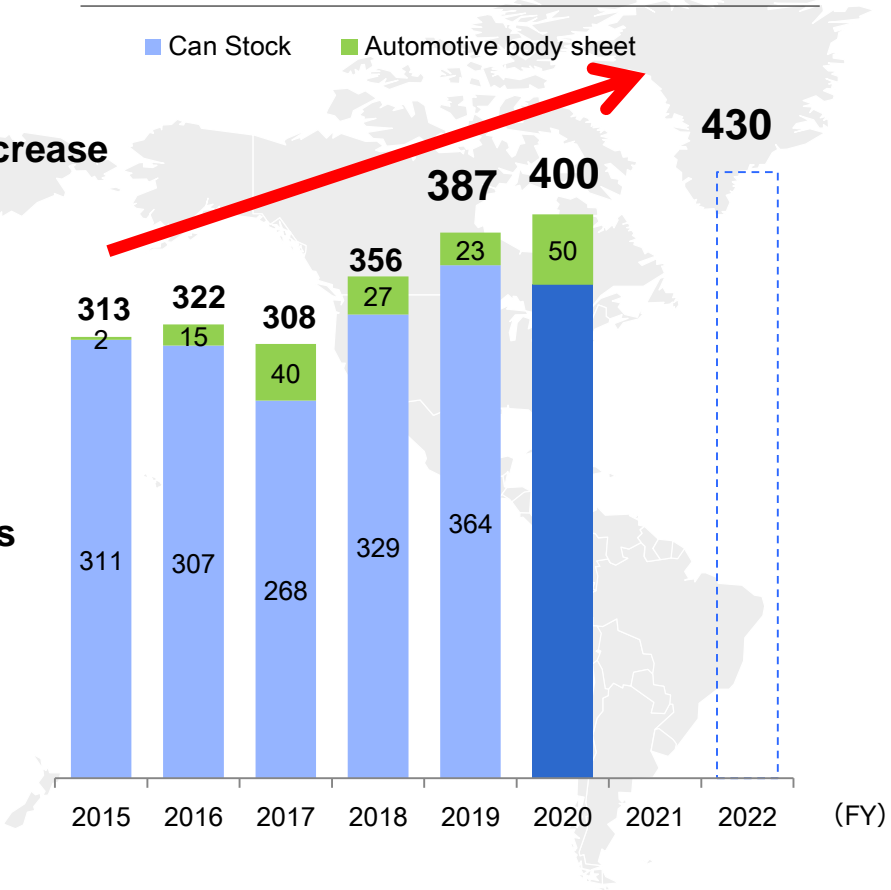
### FY2018 summary

- Supply/demand for can stock remained tight in North America
- Maintained full production of can stock due to decrease in imports from China
- Exceeded original sales/profit targets

### Outlook

- Ongoing tight supply/demand for can stock
- Recoup 2015 investments aimed at reducing costs
- Sales volume: 400kt/year in 2020

### TAA Sales Volume (Kt)



**Build a business structure optimized to provide the best solutions to global customer needs for lightweight vehicles**



**Japan**

- Establish the automotive parts business division to bolster group-wide global business

**U.S.**

- Enhance relations with UWH\* customers and facilitate more aggressive sales initiatives

**China**

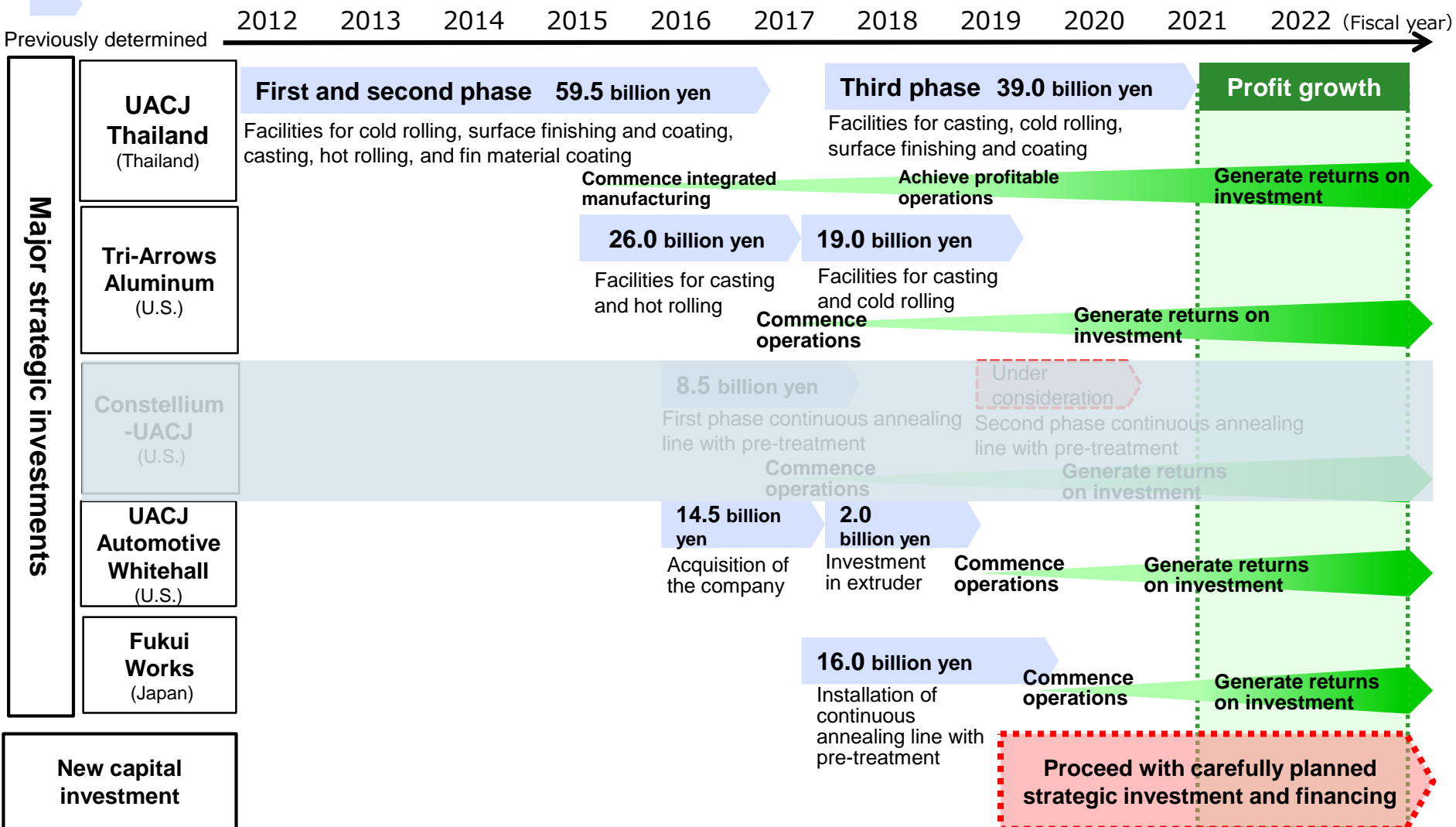
- Form business alliance with China-based CITIC group subsidiaries

\*UWH: UACJ Automotive Whitehall Industries, Inc.

# 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



## 4. Financial Status / Shareholder Return

# Capital Investment and Depreciation and Amortization Forecasts



Continue to increase strategic investment mainly for UATH, TAA in 2019

(Billions of yen)

		FY2018	FY2019 Forecast
Capital investment	General investment	16.1	19.9
	Strategic investment	36.5	40.3
	Total	52.5	60.2
Depreciation and amortization		30.7	34.0
Strategic investment and loans		-	0.7



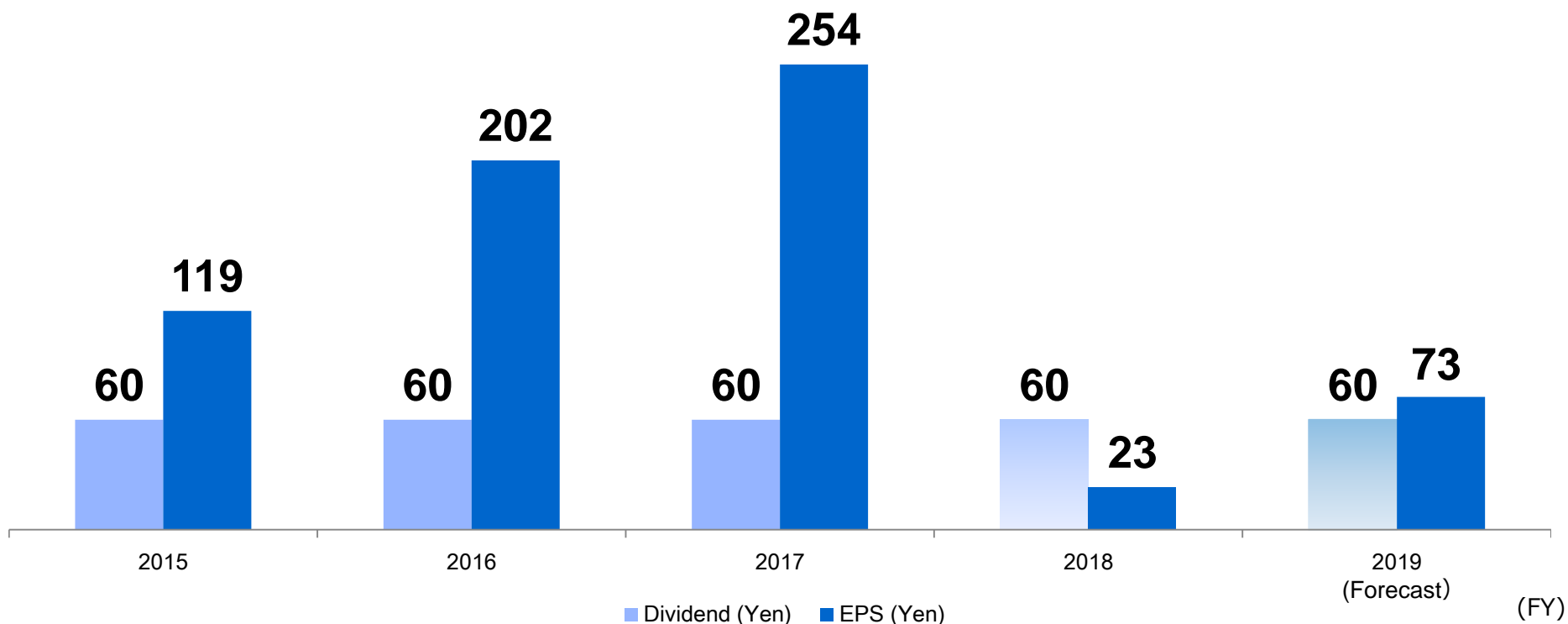
## ROE decline, due to lower net income

	As of March 31, 2018	As of March 31, 2019
<b>Shareholders' equity (billions of yen)</b>	194.2	<b>191.0</b>
<b>Shareholders' equity ratio (%)</b>	25.1	<b>23.7</b>
<b>Interest-bearing debt (billions of yen)</b>	342.3	<b>375.1</b>
<b>D/E ratio* (times)</b>	1.50	<b>1.68</b>
<b>ROE (%)</b>	6.5	<b>0.6</b>

\*Factoring in subordinated loan

Plan to maintain ¥60/share based on stable and sustainable dividend policy

## Dividend/EPS (Yen)



\*After the reverse stock split in October 1, 2017

# Appendix

# Outlook in Japan for Mainstay Aluminum Flat Rolled Products in 2019

## Business outlook and environment remains uncertain/severe

Main products	FY2018 Original Outlook	Now	Outlook
Can stock	→	→	Declining demand for canned beer will be offset by growing demand for canned low-alcohol beverages (unchanged)
Automotive body sheet/parts	→	→	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 (unchanged)
Thick plate LCD/Semiconductor production equipment	↗	↘	Decreasing demand for current semiconductor equipment due to sudden changes in business environment, but the long-term trend is not significantly changed (stable demand)
IT	↗	↘	Declining demand due to sudden changes in business environment

(UACJ estimate)

# Assumptions and Sensitivities

	FY2018	FY2019 Forecast	Sensitivity on Ordinary Income
Nikkei average price of aluminum (¥/kg)	284	269	¥10/kg increase → +¥2.0–3.0 billion/year
LME (\$)	2,035	1,900	\$100/t increase → +¥2.2–¥3.5 billion/year
Foreign exchange (¥/\$)	111	111	Almost no impact
(¥/Thai baht)	3.4	3.5	-Fuel and additional material cost: expected to become positive due to stronger yen -Rolling margin, forex conversion: expected to become positive due to weaker yen
Crude oil (Dubai: \$)	72	68	\$10 increase → Approx. (¥1.0–¥1.5) billion/year

Crude oil CIF  
(yen/L)

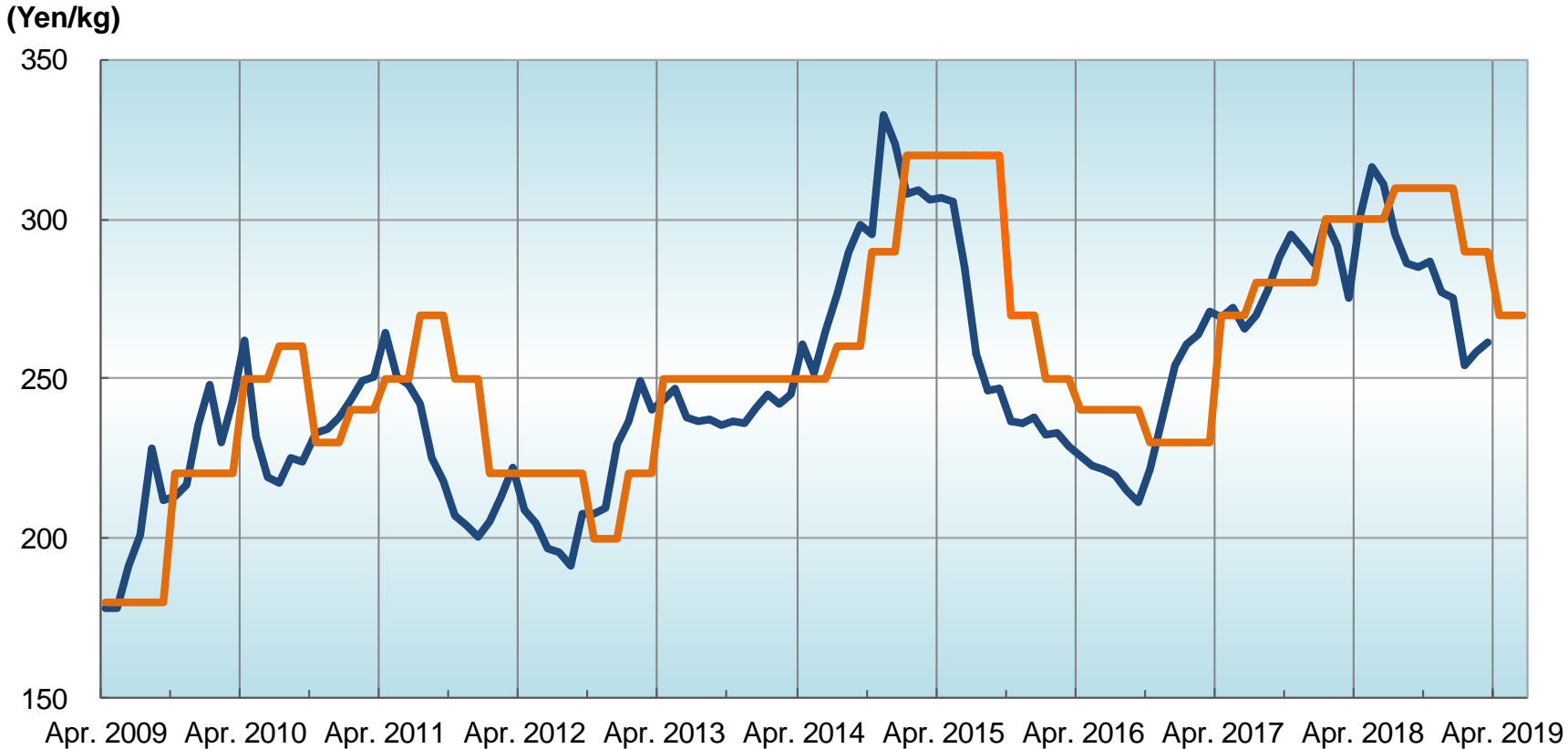
LNG CIF  
(yen/kg)



— LNG CIF (yen/kg)

— Crude oil CIF (yen/L)

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



— Nikkei market price of aluminum      — Standard primary aluminum ingot price

(Billion Yen)		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net sales		572.5	575.7	568.3	624.3	661.3	710.0
Operating income		23.7	15.2	25.9	29.2	14.9	17.5
Ordinary income before inventory valuation impact		14.2	20.3	24.0	11.3	3.0	11.5
<Inventory valuation impact>		7.1	(8.3)	(4.2)	8.1	3.2	(0.5)
Ordinary income		21.3	12.0	19.8	19.4	6.2	11.0
Net income attributable to owners of the parent		8.6	5.1	8.7	12.3	1.1	3.5
Adjusted EBITDA		41.7	52.3	56.8	50.7	42.6	52.0
CAPEX	General	12.0	12.4	11.2	14.7	16.1	19.9
	Strategic	34.5	18.1	20.4	36.5	36.5	40.3
	Total	46.5	30.5	31.6	51.2	52.5	60.2
Depreciation		21.8	22.2	22.8	25.1	30.7	34.0
Strategic investment and loans		3.8	5.5	23.1	3.3	-	0.7
Shareholders' equity		172.3	165.0	184.1	194.2	191.0	191.6
Shareholders' equity ratio		25.4	24.9	25.4	25.1	23.7	23.1
Interest-bearing debt		295.9	289.0	323.8	342.3	375.1	400.0
D/E ratio*		1.72	1.75	1.49*	1.50*	1.68*	1.80*
ROE		5.3	3.0	5.0	6.5	0.6	1.8

\*Factoring in subordinated loan



## Cautionary note concerning forward-looking statements

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