



*Aluminum lightens the world*

アルミでかなえる、軽やかな世界

**FY2024 to FY2027**

# **Fourth Mid-term Management Plan**

## **Summary**

***Building and connecting for a lighter world***

**May 13, 2024**

**UACJ Corporation**



**1. Review of Previous Mid-Term Management Plan**

**2. UACJ VISION 2030**

**3. Fourth Mid-Term Management Plan Overview**

**4. Shareholder Return Policy**

# 1. Review of Previous Mid-Term Management Plan



# Review of the Third Mid-Term Management Plan: Major Financial Targets and Basic Policies

**Achieved most financial/action targets thanks to completing structural reforms as well as profit contributions from overseas businesses**

## ■ Basic Policies

### Complete structural reforms (to Mar 2023)

- Profit improvement target of ¥21 billion (BM: FY2019)
- Lower break-even point 10% from FY2019 to FY2022
- Consolidate manufacturing bases completed and optimal manufacturing system built up
- Reduce D/E ratio (from 1.7 in FY2019 to 1.3 in FY2022)
- Reduce director and executive officer headcount



### Strengthen foundations for growth

- Invest in North American can stock and automotive areas
- Decide to make recycling-related investments in Japan, the U.S., and Thailand
- Strengthen partnerships/collaboration with customers to create a circular economy in aluminum
- Expand and achieve profit in priority activity areas



### Promote global sustainability

- Establish a foundation for sustainability activities
- Form company-wide working groups by theme in environmental domains to strengthen initiatives



## ■ Major Financial Targets

Financial indicators	FY2023 plan targets	FY2023 results
Net sales	¥700 billion	¥892.8 billion
Business profit	¥32.7 billion	¥43.4 billion
Business profit margin	4.7 %	4.9 %
ROE	7.5 %	5.3 %
ROIC*1	6.0 %	7.5 %
Debt-equity ratio*2	1.2 or less	1.0

\*Assumptions for plan: ¥110/US\$; LME = US\$2,050/t; Crude oil (Dubai) = US\$60/barrel

\*1 ROIC is calculated based on pre-tax business profit

\*2 Debt-to-equity ratio excludes subordinated loans

## Review of the Third Mid-Term Management Plan: Highlights

### Varied reforms have further boosted domestic & overseas business earnings

#### Complete structural reforms

- Lower break-even point
- Establish optimal production system
- Business selection and concentration
- Reduce director and executive officer headcount



#### Reform price-setting structure

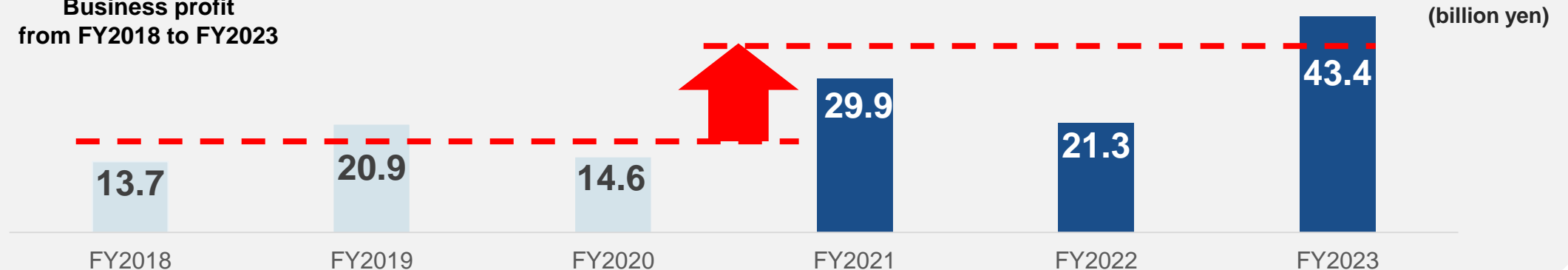
- Introduce energy surcharge system
- Scheme for passing on rising logistics costs
- Increase roll margins due to price hikes and environmental investments



#### Expand overseas business earnings contribution

- TAA: Significant revenue expansion
- UATH: Factory launch, profit expansion
- UWH: Strategic investment

#### Business profit from FY2018 to FY2023



## 2. UACJ VISION 2030



# Ideals in the UACJ Group's Long-term Roadmap, UACJ Vision 2030

Building a sustainable world by using aluminum to reduce environmental impact



## UACJ Vision 2030 Financial Targets

	FY2030 target	(Reference) Initial announcement (May 2021)
Net sales	<b>¥1.1 trillion or more</b> (Revising ingot price / forex assumptions)	<b>¥800 billion or more</b>
Business profit on net sales	<b>6% or more</b>	<b>6% or more</b> (Operating margin on net sales)
ROIC (Calculated based on pre-tax business profit)	<b>10% or more</b>	<b>10% or more</b> (Calculated based on pre-tax operating income)
ROE	<b>10% or more</b>	<b>10% or more</b>

(Assumptions)

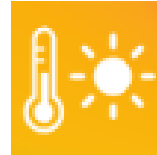
LME (\$/ton)	2,200	2,100
Forex (yen/\$)	140	104



# UACJ VISION 2030 Major Non-Financial Targets



**Driving a circular economy in aluminum**



**Addressing climate change**



**Conservation, restoration, and nurturing of nature (Nature-positive)**



**Respect for human rights**



**Instilling diversity, equity, and inclusion (DE&I)**



**Occupational health and safety**



**Product quality assurance**

## FY2030 target

UACJ recycling rate **80%**

Reduction rate of CO<sub>2</sub> emissions **30%**  
(Scope1 and 2, vs. FY2019, intensity basis)

Reduction rate of Scope 3 emissions **30%**  
(Category1, vs. FY2019, intensity basis)

Reduction rate of water withdrawal **25% or more**  
(vs. FY2020, intensity basis)

Rate of conducting human rights DD **100%**

Percentage of women in management positions **15%**

Number of serious workplace accidents **Maintaining zero**

Number of serious quality defects **Zero**

### **3. Fourth Mid-Term Management Plan Overview**



## Market Environment and Business Opportunities

### UACJ's market environment

#### Aluminum (resources)

- Global demand for aluminum is increasing at an annual rate of more than 3%, due to the expansion of application areas and domains, as well as increased environmental awareness

#### Beverage cans

- Increased demand for aluminum cans due to growing environmental awareness in Europe and the U.S., population growth in emerging countries, and an economic cycle of self-sustained growth

#### Automotive

- Growing environmental needs in addition to needs for lighter vehicle bodies
- Increased demand for aluminum sheets and extruded material due to the shift to EVs and autonomous driving

#### Lithium ion battery

- Increased demand in the battery domain due to the shift to EVs

#### Heat management

- Increasing demand for air-conditioning in emerging countries and Europe, as well as expanding needs for EV in-vehicle applications

#### Aerospace /defense

- Growing production needs for high-quality products and bringing services back to Japan

#### Semiconductors

- Stimulated capital investment as semiconductor-related demand grows and its industry returns to Japan

### Opportunities for UACJ's value-added materials

#### Expansion of can stock, automotive-related, and other products

- Growing global demand for can stock due to increasing environmental awareness among consumers
- Expanding needs for lighter weight

#### Expansion of a circular economy in aluminum

- Further increase in recycling, especially for aluminum can stock, for which demand is growing
- Expanding recycling in automotives and other areas

#### Promoting supply of value-added materials and products

- Expanding needs for lighter-weight vehicles (EVs, HVs, and others)
- Growing for advanced materials in aerospace and defense (Establishment of Aerospace and Defense Materials Business Division)
- Growing demand in the heat management and semiconductor areas

# Major Policies of the Fourth Mid-Term Management Plan

## From a provider of materials to a value-adding materials company

1	Strategies for growth and added value	<p><b>Maximize revenue and improve profitability through increased value creation</b></p> <ul style="list-style-type: none"> <li>① Promote recycling</li> <li>② Expand materials plus processing businesses</li> <li>③ Contribute to supply chain stability in advanced fields</li> <li>④ Expand new domains</li> </ul>	<p>Red apple : Key activity areas in existing domains    Green apple : Key activity areas in new domains</p>
2	Strengthening operational resilience	<p><b>Strengthen our agile and flexible structure</b></p> <ul style="list-style-type: none"> <li>① Build capability to address environmental changes</li> <li>② Increasing asset efficiency</li> <li>③ Automation (improving safety/productivity)</li> </ul>	
3	Strengthening business foundations	<p><b>Strengthen foundations supporting value creation and stable business operations</b></p> <ul style="list-style-type: none"> <li>① Attract and develop diverse talent and increase engagement</li> <li>② Acquire, strengthen, and leverage intangible assets such as technologies and brands</li> <li>③ Use digital technologies to strengthen competitiveness and organizational capabilities</li> <li>④ Strengthen proposal capabilities by further promoting collaboration and cooperation among businesses/divisions and with the supply chain and value chain</li> </ul>	

**Maintain and strengthen basic UACJ principles**

**Conduct business in line with the UACJ Way**

**Health, safety, quality, compliance, governance**

## Approach to Business Opportunities: UACJ's Value-Added Materials

### UACJ's business model of value-added materials

Create value-added businesses through collaboration between the five businesses, expanding both business domains and value

Illustration of business domains

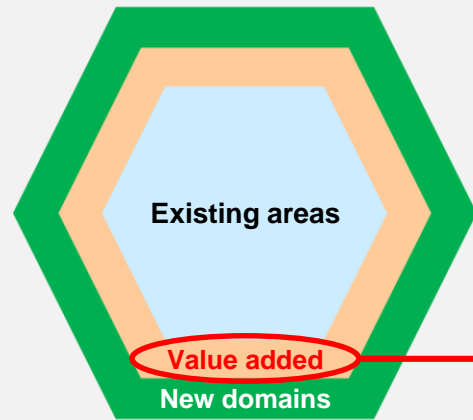
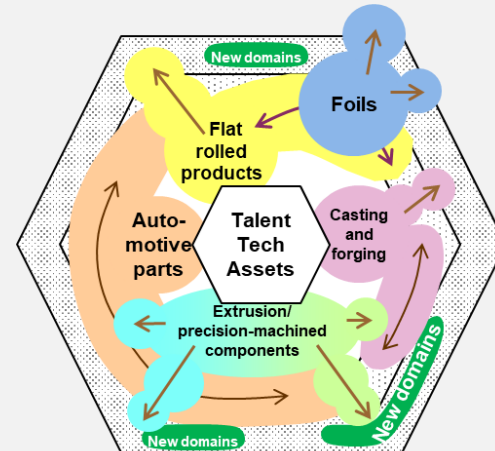


Illustration of ideal business division structure



### Value-added materials

Adding new value to materials (plastic processing, recycling, modules, services, etc.) to increase earning power

**Business profit margin: 6% or more**

### Value-add focus areas in the fourth mid-term management plan

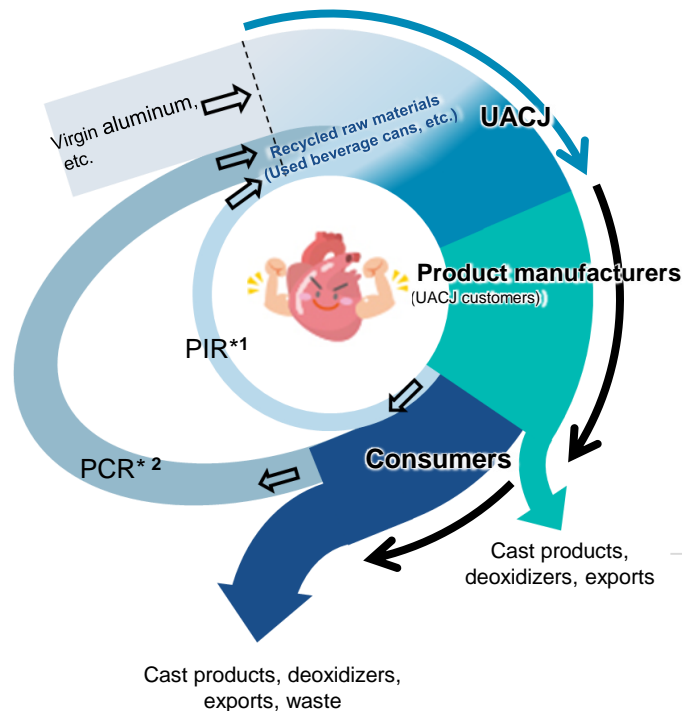
Value-add focus areas in the fourth mid-term management plan		Focus activity areas
Value-added materials strategies	① Promote recycling	Recycling (Can stock and others)
	② Expand materials + processing businesses	Automotive Air conditioning Heat management
	③ Contribute to supply chain stability in advanced fields	Batteries Semiconductor manufacturing equipment Aerospace/defense
	④ Expand new domains	Mobility Lifestyle/healthcare Environment/energy



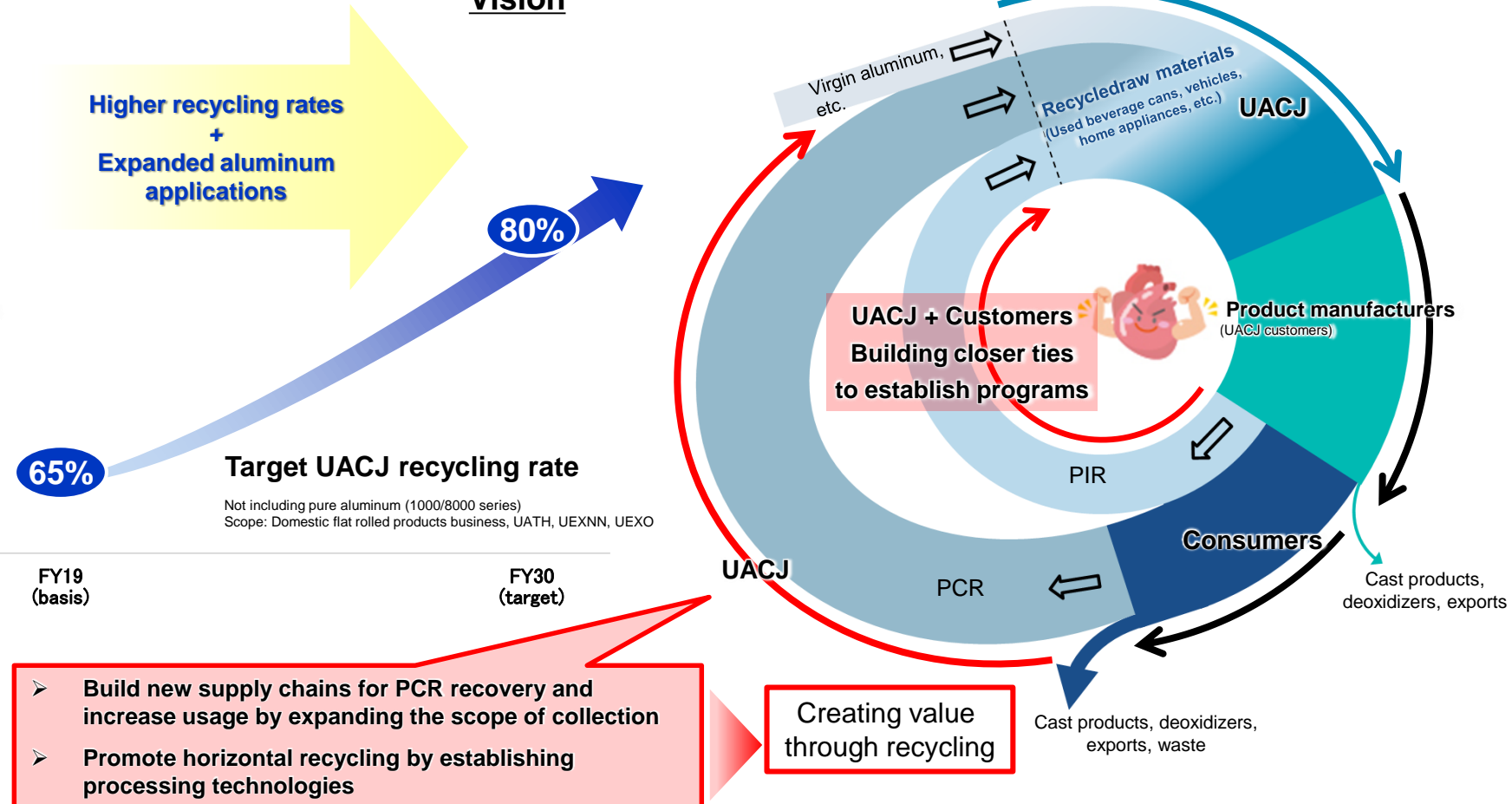
## Promote Recycling: Future Challenges and Vision

### Leading the way to a circular economy with aluminum, transforming business models

#### Current roles



#### Vision



\*1 PIR: Post-industrial recycled material. Scrap generated at the material processing stage in manufacturing.

\*2 PCR: Post-consumer recycled material. Scrap from used products.

## Contribute to income in key activity areas

# Maximize revenue and enhance profitability through value-added materials

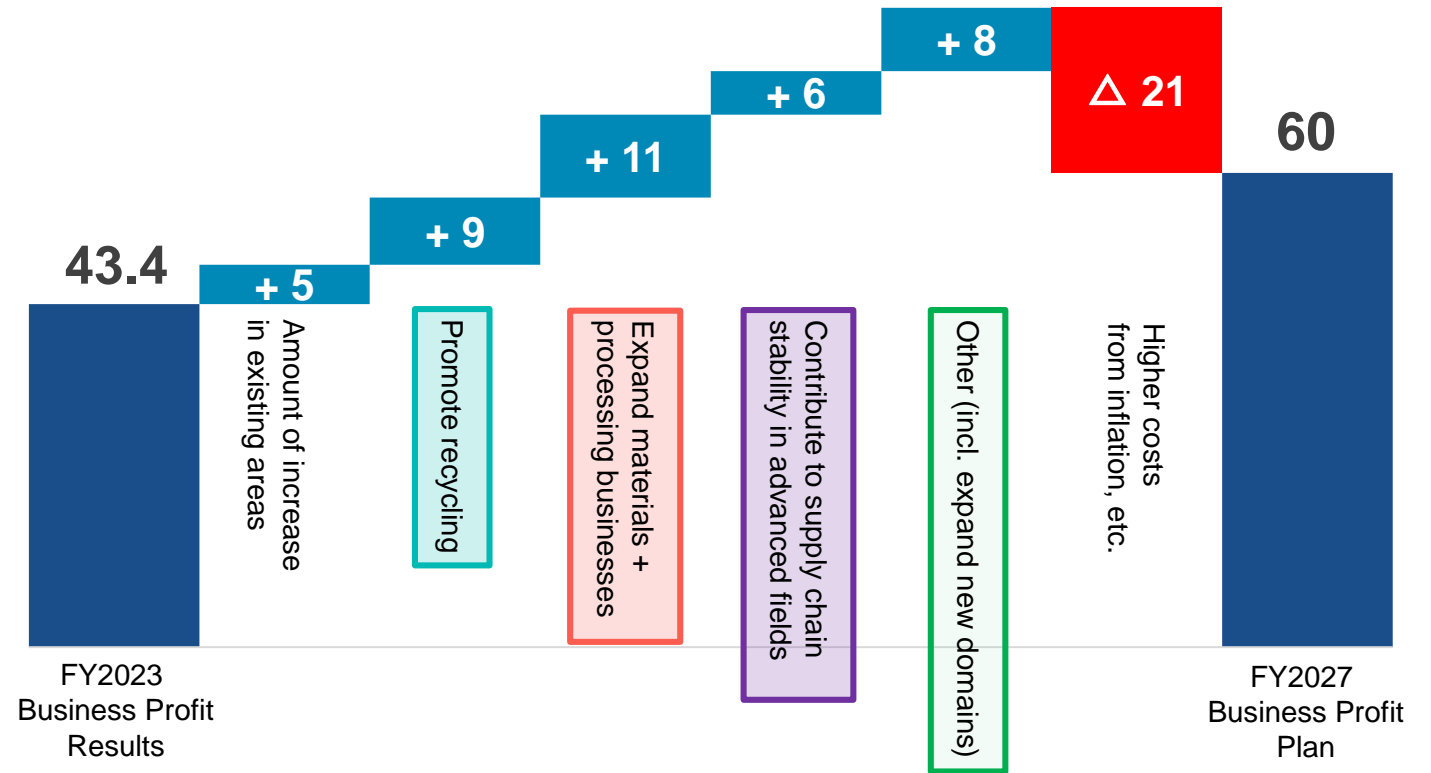
(billion yen)

Value-added materials strategies

Value-add focus areas in the fourth mid-term management plan

Focus activity areas

①	Promote recycling	Recycling (Can stock and others)
②	Expand materials + processing businesses	Automotive Air conditioning Heat management
③	Contribute to supply chain stability in advanced fields	Batteries Semiconductor manufacturing equipment Aerospace/defense
④	Expand new domains	Mobility Lifestyle/healthcare Environment/energy



## Fourth Mid-Term Management Plan Financial Targets

**Targets for FY2027: Business profit of ¥60 billion, ROE of 9%, ROIC of 9% or more, and create equity spread**

Net sales

**¥1,050 billion**

Business profit

**¥60 bil.**

Adjusted EBITDA<sup>\*1</sup>

**¥100 bil.**

ROE

**9% or more**

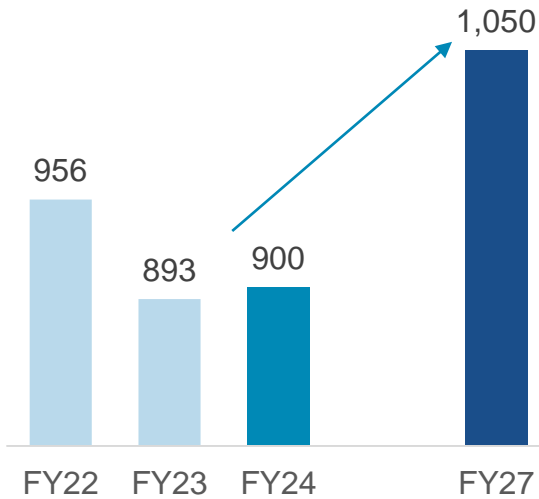
ROIC

**9% or more**

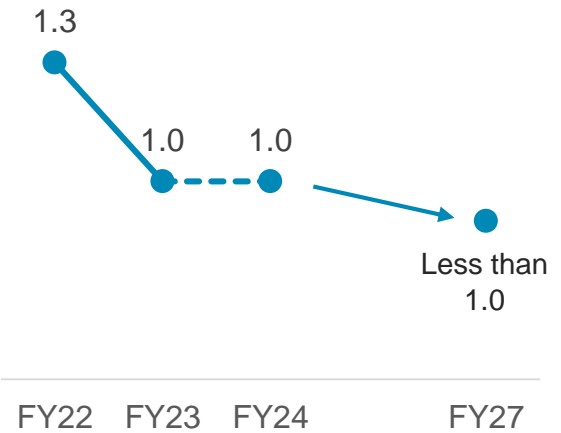
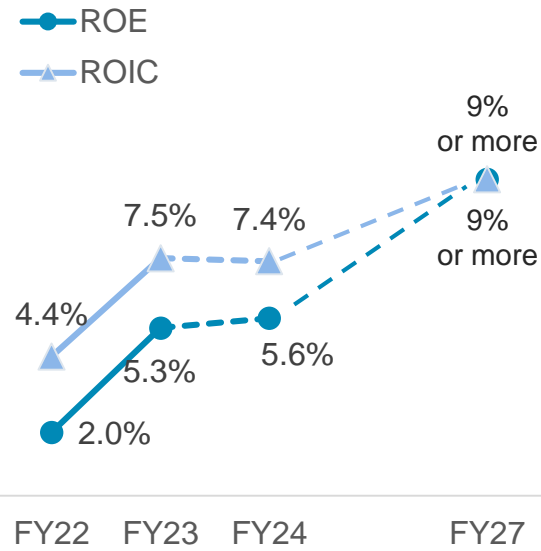
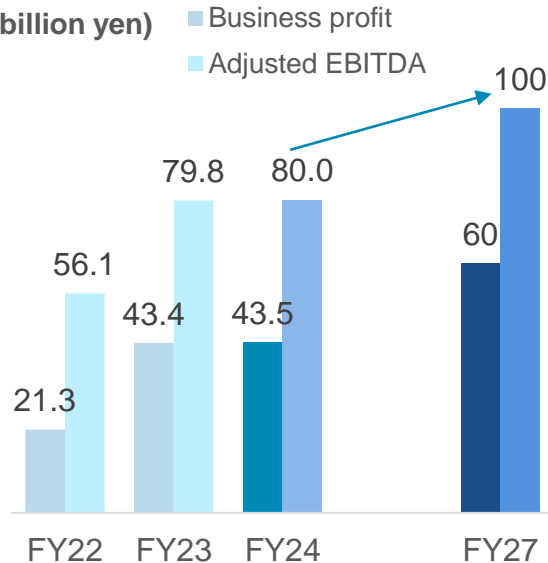
Debt-to-equity ratio<sup>\*3</sup>

**Less than 1.0**

(billion yen)



(billion yen)



\*1 Adjusted EBITDA = EBITDA minus inventory valuation effects

\*2 ROIC is calculated based on pre-tax business profit

\*3 Debt-to-equity ratio excludes subordinated loans

[Assumptions for FY27] LME: US\$2,200/t; Exchange rate: ¥140/US\$



## Fourth Mid-Term Management Plan Positioning

### Fourth Mid-Term Management Plan

*Becoming a value-adding materials company*

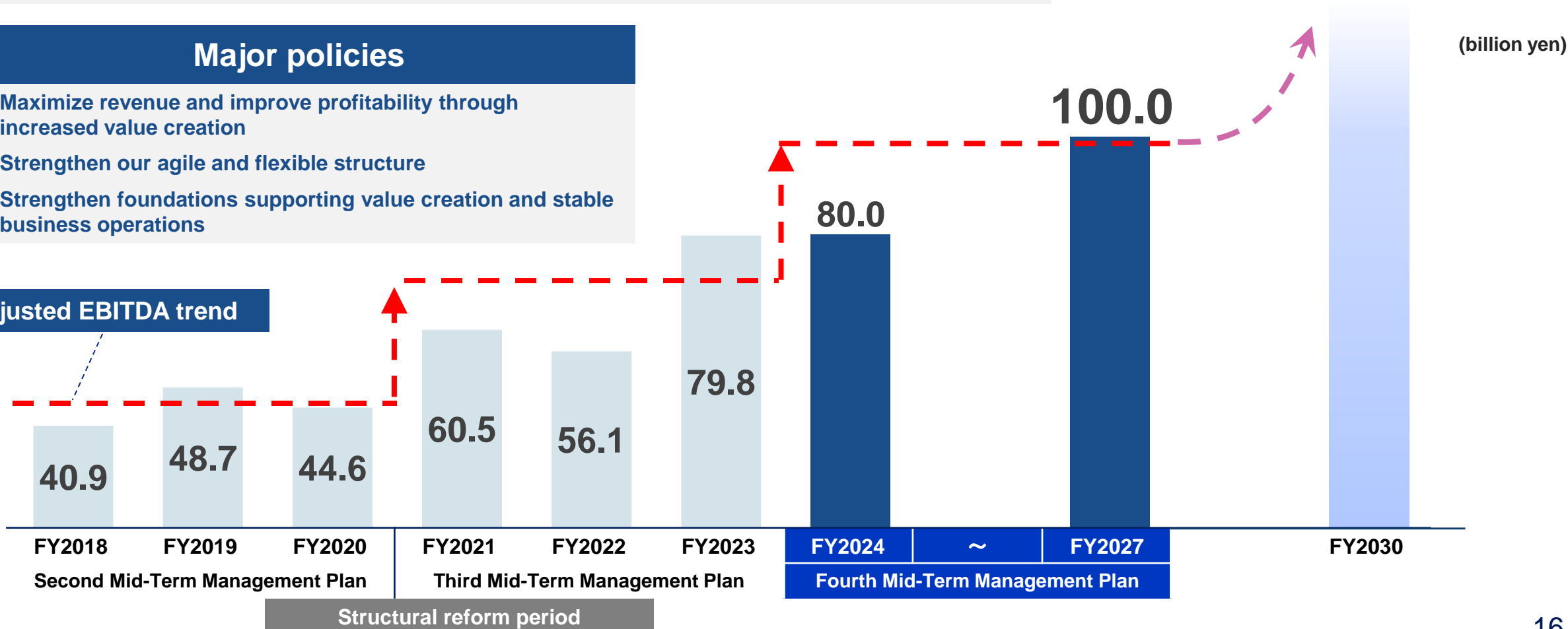
Building and connecting for a lighter world

UACJ VISION 2030

### Major policies

1. Maximize revenue and improve profitability through increased value creation
2. Strengthen our agile and flexible structure
3. Strengthen foundations supporting value creation and stable business operations

### Adjusted EBITDA trend



## 4. Shareholder Return Policy



## Dividend policy and Increasing share value

**Working to ensure stable/consistent dividends and increase shareholder value, with a target dividend payout ratio of 30% or more**

**Dividend policy:** Aim for stable and consistent dividend payments, with a target dividend payout ratio of 30% or more of net profit\*

\*Net profit = Profit attributable to owners of parent

**Dividend  
payout ratio**

**Third Mid-Term Management Plan Period  
(FY2021 to FY2023)**

**Policy: 20% to 30%  
(actual three-year average: 24.8%)**



**Increased**

**Fourth Mid-Term Management Plan Period  
(FY2024 to FY2027)**

**30% or more**

**Enhancing share value:** Ensure steady profit and cash flow while continuing to engage with capital markets to improve share value



**Higher total shareholder return (TSR)**



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