Note: This document is an English Translation of the "Informational Materials for the 11th General Meeting of Shareholders" that are not included in documents delivered to shareholders, and prepared solely for the convenience of shareholders who are non-Japanese speakers. In the event of any discrepancy between this translated document and the Japanese original document, the Japanese original text shall prevail. UACJ Corporation does not guarantee the accuracy and/or the completeness of the translation and shall have no liability for any errors or omissions therein.

Informational Materials for the 11th General Meeting of Shareholders

Items concerning measures for providing information in electronic format that are not included in documents delivered to shareholders who have requested delivery of paper-based documents pursuant to the provisions of relevant laws and regulations and the Company's Articles of Incorporation

Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements
11th fiscal term (from April 1, 2023 to March 31, 2024)

UACJ Corporation

Pursuant to the provisions of relevant laws and regulations and Article 15 of the Company's Articles of Incorporation, the items listed above are not included in the documents delivered to shareholders who have requested delivery of paper-based documents.
The Company sends paper-based documents stating the items listed above that are excluded from items concerning measures for providing information in electronic format to all shareholders regardless of whether they have made a request for delivery of paper-based documents.

Notes to Consolidated Financial Statements

Notes on important matters forming the basis of preparation of consolidated financial statements

1. Standard of preparation of consolidated financial statements

   The consolidated financial statements of the Company and its subsidiaries (hereinafter, “the Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS” or “IFRS accounting standards”) pursuant to Article 120, paragraph 1 of the Regulations for Corporate Accounting. In addition, in accordance with the latter clause of the same paragraph, certain descriptions and disclosure items required by IFRS accounting standards are omitted.

2. Scope of consolidation

   Consolidated subsidiaries

   Number of consolidated subsidiaries: 53

   Name of principal companies

   UACJ (Thailand) Co., Ltd.
   Tri-Arrows Aluminum Inc.
   UACJ Extrusion Corporation
   UACJ Extrusion Nagoya Corporation
   UACJ Extrusion Oyama Corporation
   UACJ Foil Corporation
   UACJ Foundry & Forging Corporation
   UACJ Metal Components Corporation
   UACJ Automotive Whitehall Industries, Inc.
   UACJ Trading Corporation
   UACJ Marketing & Processing Corporation

3. Application of equity method

   (1) Number of affiliates and jointly controlled entities accounted for by the equity method: 9

   Name of principal companies

   Logan Aluminum Inc.
   Guangdong DongYangGuang Aluminum Co., Ltd.
   Boyne Smelters Ltd.
   UACJ Logistics Corporation
   DICASTAL UACJ BOLV AUTOMOTIVE COMPONENTS CO., LTD.
   Dicastal UACJ Bolv (Tianjin) Extrusion Corporation

   (2) Special note on the procedures for applying the equity method

   For entities accounted for using equity method whose fiscal years differ from the consolidated fiscal year, adjustments are made for the effects of significant transactions or events during the period resulting from differences in balance sheet dates.

4. Fiscal term of consolidated subsidiaries

   20 overseas consolidated subsidiaries have balance sheet dates of December 31. For entities whose balance sheet dates differ from the consolidated balance sheet date, provisional financial figures prepared for consolidation as of the consolidated balance sheet date are used.

5. Accounting policies

(1) Valuation basis and methods for financial assets

1) Financial assets other than derivatives

(i) Initial recognition and measurement, subsequent measurement

The Group initially recognizes trade and other receivables at the date they are incurred. All other financial assets are initially recognized at the date of the transaction in which the Group becomes a contracting party to such financial assets.

Financial assets other than derivatives are classified as financial assets measured at amortized cost, net profit or loss, or financial assets measured at fair value through other comprehensive income. The classification is determined at the time of initial recognition.

(a) Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost if both of the following conditions are met.

・The financial asset is held based on a business model in which the financial asset is held for the purpose of collecting contractual cash flows.

・The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal balance at a specific date.

After initial recognition, the asset is measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Financial assets at fair value, other than those classified as financial assets measured at fair value through other comprehensive income, are classified as financial assets measured at fair value through profit or loss.

After initial recognition, they are remeasured at fair value at the end of each reporting period, with changes in fair value recognized as profit or loss.

(c) Financial assets measured at fair value through other comprehensive income

For investments in non-trading equity instruments, the Group is permitted to make the irrevocable election at initial recognition to present subsequent changes in their fair value in other comprehensive income, and the Group makes such designations for each financial instrument and classifies them as equity financial assets at fair value through other comprehensive income.

After initial recognition, they are remeasured at fair value at the end of each reporting period, with changes in fair value recognized as other comprehensive income.

When an equity instrument at fair value through other comprehensive income is derecognized, the cumulative amount of other comprehensive income previously recognized is transferred to retained earnings.

Dividends from such financial assets are recognized as part of financial revenue in profit or loss for the period.

Financial assets other than derivatives are measured at fair value plus transaction costs, unless they are classified as being at fair value through profit or loss.

(ii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the right to receive cash flows from the financial asset is transferred and the Group transfers almost all risks and economic value of ownership of the financial asset.

(iii) Impairment of financial assets

For financial assets measured at amortized cost, allowance for doubtful accounts for expected credit losses are recognized.

At the end of each reporting period, the Group assesses whether the credit risk associated with each financial asset has increased significantly from the time of initial recognition, and if the credit risk has not increased significantly from the time of initial recognition, the Group recognizes a 12-month expected credit loss as an allowance for doubtful accounts. On the other hand, if the credit risk has increased significantly from the time of initial recognition, an amount equal to the expected credit loss for the entire period is recognized as an allowance for doubtful accounts.

The existence of a significant increase in credit risk is determined by considering the debtor's default, signs that the debtor is going bankrupt, and other factors. When all or part of a debt is deemed uncollectible or extremely difficult to collect, the debt is considered to be in default, and the financial asset is considered to be credit impaired if the debtor is deemed to be in default or if legal liquidation proceedings are initiated due to bankruptcy or other reasons. In assessing whether there is a change in the risk of default and a significant increase in credit risk, the Group considers information on the deterioration of the debtor's business performance as well as information on the lapse of payment due dates.

However, for trade receivables and contract assets that do not contain a significant financial component, the allowance for doubtful accounts is always recognized in an amount equal to the expected credit loss for the entire period, regardless of whether there has been a significant increase in credit risk from the time of initial recognition.

Expected credit losses are measured as the present value of the difference between all contractual cash flows to be paid to the entity according to the contract and all cash flows the entity expects to receive.

The Group estimates expected credit losses on financial assets using a method that reflects the following.

・An unbiased probability-weighted amount calculated by evaluating a range of possible outcomes

・Time value of money

・Reasonable and supportable information about past events, current conditions, and projected future economic conditions that is available without undue cost or effort at the reporting date

In the event of significant economic fluctuations, etc., necessary adjustments are made to the expected credit loss as measured above.

If the Group does not have a reasonable expectation of recovering the entirety or a portion of a financial asset, the carrying amount of the financial asset in gross is directly reduced.

In subsequent periods, a reversal of a previously recognized impairment loss is recognized in profit or loss if the credit risk has decreased and the decrease can be objectively related to an event that occurred after the impairment was recognized.

2) Derivatives and hedge accounting

The Group uses derivatives such as foreign exchange forward contracts, interest-rate swaps, and commodity futures contracts to hedge exchange rate fluctuation risk, interest rate fluctuation risk, and commodity price fluctuation risk. At the start of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for implementing the hedge. The Group evaluates at hedge inception and on an ongoing basis thereafter whether the derivatives used in hedging transactions meet the requirements of hedge accounting in offsetting changes in the cash flows of hedged items.

Derivatives are initially recognized at fair value. For certain derivatives that do not qualify for hedge accounting, subsequent changes in fair value are recognized in cost of sales or other revenue (expense).

Derivatives that qualify for hedge accounting are accounted for as follows for changes in their fair value.

Cash flow hedges

The effective portion of the profit or loss on the hedging instrument is recognized in other comprehensive income, and the ineffective portion is recognized immediately in profit or loss.

Amounts related to hedging instruments recorded in other comprehensive income are reclassified to profit or loss at the time the hedged transaction affects profit or loss. If the hedged item gives rise to the recognition of a nonfinancial asset or a nonfinancial liability, the amount recognized in other comprehensive income is treated as an adjustment to the original carrying amount of the nonfinancial asset or nonfinancial liability.

When a scheduled transaction or firm commitment is no longer expected to occur, the cumulative profit or loss that was previously recognized as equity through other comprehensive income is reclassified as profit or loss. If the hedged future cash flows are still expected to occur, the amounts previously recognized as equity through other comprehensive income will continue to be recorded in equity until such future cash flows occur.

(2) Valuation basis and methods for inventories

Inventories are measured at acquisition cost or net realizable value, whichever is lower. Inventories include purchase costs, processing costs, and other costs incurred to bring inventories to their present location and condition, and costs are calculated primarily using the monthly weighted average method. In addition, net realizable value is calculated by deducting the estimated cost to completion and estimated cost to sell, from the estimated selling price in the regular course of business.

(3) Accounting methods for depreciation of significant depreciable assets

1) Property, plant and equipment

Property, plant and equipment are measured using the cost model and are stated as the amount deducting the accumulated depreciation and impairment losses from the acquisition cost. The acquisition cost includes costs directly related to the acquisition of the asset, costs of demolition, removal, and restoration, and borrowing costs that qualify for capitalization. Depreciation of property, plant and equipment other than land and construction in progress is recorded using the straight-line method over the estimated useful lives of the assets as follows. The estimated useful lives of major asset items are as follows.

Buildings and structures: 5 to 50 years

Machinery, equipment and vehicles: 2 to 25 years

Tools, equipment, and fixtures: 2 to 20 years

The estimated useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of each fiscal year, and changes in depreciation methods are accounted for as changes in accounting estimates.

2) Intangible assets

The cost model is used for the post-recognition measurement of intangible assets, which are stated as the amount deducting the accumulated depreciation and impairment losses from the acquisition cost.

Separately acquired intangible assets are measured at acquisition cost at the time of initial recognition. Intangible assets acquired in a business combination are measured at fair value as of the acquisition date. All expenditures for internally generated intangible assets are charged to expense in the period in which they are incurred, except for development costs that qualify for capitalization.

After initial recognition, intangible assets are amortized mainly using the straight-line method over their respective estimated useful lives, except for intangible assets with indefinite useful lives, which are tested for impairment if there is any indication that they may be impaired. The estimated useful lives of major intangible assets are as follows.

Software: 3 to 10 years

Technology and customer-related intangible assets: 8 to 15 years

The estimated useful lives, residual values, and depreciation methods of intangible assets with finite useful lives are reviewed at the end of each fiscal year, and changes in depreciation methods are accounted for as changes in accounting estimates.

3) Leases

The Group recognizes right-of-use assets and lease obligations at the inception of the contract for all lease components other than short-term leases and leases with a small underlying asset. At the inception date, right-of-use assets are measured at acquisition cost, and lease obligations are measured at the present value of the lease payments that have not been paid as of that date.

The lease term is determined as the non-cancelable term of the lease plus the period subject to the option of extending the lease (if it is reasonably certain that the Group will exercise such an option) and the period subject to the option of terminating the lease (if it is reasonably certain that the Group will not exercise such an option).

Right-of-use assets are stated as the amount deducting the accumulated depreciation and impairment losses from the acquisition cost.

Right-of-use assets are depreciated from the inception date to the end of the useful life of the underlying asset if ownership of the underlying asset is transferred to the Group by the end of the lease term, or otherwise, from the inception date to the end of the useful life of right-of-use assets or the end of their lease term, whichever is earlier.

4) Investment property

Investment properties are real estate held for the purpose of generating rental income, capital gains, or both.

The cost model is used for investment properties, which are recorded as the amount deducting the accumulated depreciation and impairment losses from the acquisition cost.

Depreciation of assets other than land is calculated mainly by the straight-line method over their respective estimated useful lives (2 to 50 years).

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year, and changes are accounted for as changes in accounting estimates.

(4) Goodwill

Goodwill is stated as the amount deducting impairment losses from the acquisition cost in the consolidated statement of financial position.

Goodwill is not amortized but is tested for impairment each period and whenever indications of impairment exist. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination after the acquisition date.

Goodwill impairment losses are recognized in profit or loss and are not subsequently reversed.

(5) Impairment of nonfinancial assets

Each fiscal year, the Group determines whether there is any indication of impairment of nonfinancial assets, excluding inventories, deferred tax assets, assets held for sale, and retirement benefit assets, and if any indication exists (or if an annual impairment test is required), the Group estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is estimated for each cash-generating unit to which the asset belongs. The recoverable amount is calculated using the higher of the fair value or value in use of the asset or cash-generating unit after deducting costs to sell. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized for that asset, and the carrying amount is reduced to the recoverable amount. Furthermore, the estimated future cash flows in the value-in-use valuation are discounted to present value using a pre-tax discount rate that reflects factors such as current market assessments of the time value of money and the risks inherent in the asset in question.

Appropriate valuation models supported by available fair value indicators are used to calculate fair value after deducting costs to sell.

For assets other than goodwill, the Group evaluates whether there are indications that losses recognized in prior periods may be reduced or eliminated, such as when there are changes in the assumptions used to calculate the recoverable amount of an asset. If such indications exist, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the calculated recoverable amount or the carrying amount after deducting depreciation if no impairment loss had been recognized in prior periods.

(6) Accounting policy for significant provisions

The Group recognizes a provision when it has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. When the time value of money is significant, the estimated future cash flows are discounted to their present value using a pre-tax interest rate that reflects the time value of money and the risks inherent in the liability. Discounted rebates over time are recognized as financial expenses.

(7) Employee benefits

Retirement benefits

The Group maintains defined benefit and defined contribution plans as retirement benefits for its employees.

The Group calculates the present value of the defined benefit plan obligation and related current service costs and past service costs using the projected unit credit method.

The discount rate is based on the market yield of high-quality corporate bonds at the end of the period corresponding to the discount period, with the discount period based on the period up to the expected date of benefit payments each year in the future. The liability or asset for a defined benefit plan is calculated as the fair value of the plan assets deducted from the present value of the defined benefit plan obligation. Amounts of remeasurements of defined benefit plans are recognized collectively in other comprehensive income in the period in which they arise and are immediately reclassified to retained earnings from other components of equity. Prior service cost is recognized as profit or loss in the period in which it is incurred.

The cost of defined contribution retirement benefits is recognized as an expense when contributions are made.

(8) Revenue

The Group recognizes revenue in an amount that reflects the expected compensation that the Group would be entitled to in exchange for the transfer of goods or services to customers, based on the following five-step approach, which excludes interest, dividends, and other income in accordance with IFRS 9 "Financial Instruments."

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied

The Group primarily engages in the manufacture and sale of rolled, foil, extruded, cast, forged, and precision-machined products of nonferrous metals, including aluminum, and their alloys. The Group primarily takes the supply of finished products to customers to be its performance obligation, and in principle judges that its performance obligation is satisfied when control is transferred to the customer by handing over the product, at which time it recognizes the revenue.

The consideration for these performance obligations is generally received within one year from the fulfillment of the performance obligations based on separately determined payment conditions and do not contain any significant financing component. Measured at the consideration promised in a contract with a customer, less discounts, and rebates. Transactions, where the Group's role in providing products to customers is categorized as an agency, are measured as the net amount after deducting the amount paid to the supplier of the product from the amount received from the customer.

With regard to some paid supply transactions falling under repurchase agreements, inventories continue to be recognized as a result of deemed financing transactions, and the end of year inventory retained by the suppliers are recognized as financial liabilities.

(9) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group company at the exchange rate on the acquisition date.

Monetary assets and liabilities denominated in foreign currencies as of the end of the fiscal year are translated into functional currencies at the exchange rates prevailing at the end of the fiscal year.

Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated into functional currencies at the exchange rate prevailing on the date of fair value calculations.

Exchange differences arising from translation or settlement are recognized in profit or loss. However, financial assets measured through other comprehensive income and exchange differences arising from cash flow hedges are recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities of foreign operations are translated into the currencies presented at the exchange rates prevailing at the end of the fiscal year, while revenues and expenses are translated into the currencies presented at average rates during the fiscal year, unless there are significant fluctuations in exchange rates. Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. Exchange differences on translation of foreign operations are recognized in profit or loss during the period in which the foreign operations are disposed of.

(10) Other significant matters for preparing consolidated financial statements

1) Accounting method for consumption taxes	Stated exclusive of consumption tax.
2) Application of the group tax sharing system	The Company and domestic consolidated subsidiaries apply the group tax sharing system.

Significant accounting estimates

Impairment of property, plant and equipment, right-of-use assets and intangible assets at UACJ (Thailand) Co., Ltd.

(1) Amount recorded in the Consolidated Financial Statements for the current fiscal year

(Millions of yen)

	Current fiscal year
Total of property, plant and equipment, right-of-use assets and intangible assets	101,861

(2) Information regarding significant accounting estimates for identified items

UACJ (Thailand) Co., Ltd. (hereinafter, "UATH") is the most important base in Southeast Asia for the global supply network established by the Group, and its initially planned growth investment has been completed, recording an annual operating income of ¥397 million in the current fiscal year. The total of property, plant and equipment, right-of-use assets and intangible assets owned by UATH is

¥101,861 million, accounting for 11.1% of the Group's total assets (¥914,430 million) at the end of the current fiscal year.

UATH is a vital component of future business plans in judging impairment of property, plant and equipment, right-of-use assets and intangible assets despite recording an operating income in the current fiscal year. Those business plans are significantly affected by estimates of sales prices and manufacturing costs, which are influenced by trends in market demand and sales forecasts, and the price of aluminum and exchange rates, as well as other assumptions.

Therefore, the property, plant and equipment, right-of-use assets and intangible assets owned by UATH were carefully assessed for impairment. Note that in accordance with IAS 36. "Impairment of Assets," UATH is identified as one cash generating unit.

As a result of investigation, it was judged that there are no signs of impairment, so no impairment loss was recorded for the current fiscal year.

(3) Impact on the following fiscal year's Consolidated Financial Statements

If it becomes necessary to revise the assumptions used in the above estimates due to factors, including the deterioration in the market and business environment, impairment losses could be recorded in the following fiscal year.

Notes to consolidated statement of financial position

1. Loan stock

   Other financial assets (non-current) ¥3,875 million

2. Allowance for doubtful accounts deducted directly from assets

   Trade and other receivables ¥264 million

   Other financial assets (non-current) ¥28 million

3. Accumulated depreciation and impairment for property, plant and equipment ¥484,572 million

   Accumulated depreciation and impairment for right-of-use assets ¥2,695 million

   Accumulated depreciation and impairment for investment property ¥3,472 million

4. Contingent liabilities (Guarantee obligations)

   Debt guarantee amount (including guarantee-like acts) for affiliated companies, etc. in relation to loans payable to financial institutions, etc. ¥2,242 million

Notes to consolidated statement of changes in equity

1. Class and total number of issued shares, and class and number of treasury stock

	Number of shares at beginning of the current fiscal year (shares)	Increase of the current fiscal year (shares)	Decrease of the current fiscal year (shares)	Number of shares at end of the current fiscal year (shares)
Issued shares				
Common stock	48,328,193	–	–	48,328,193
Treasury stock				
Common stock	106,933	1,931	–	108,864

2. Dividends

(i) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
General Meeting of Shareholders held on June 21, 2023	Common stock	4,099	85.00	March 31, 2023	June 22, 2023
Board of Directors meeting held on November 9, 2023	Common stock	2,170	45.00	September 30, 2023	December 1, 2023

(ii) Dividends whose effective date falls in the current fiscal year following the fiscal year of the record date

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
General Meeting of Shareholders held on June 19, 2024	Common stock	2,170	45.00	March 31, 2024	June 20, 2024

Financial instruments

1. Status of financial instruments

(1) Risk management

In the course of its management activities, the Group is exposed to financial risks (credit risk, liquidity risk, exchange rate fluctuation risk, interest rate fluctuation risk, stock price fluctuation risk, and commodity price fluctuation risk) and manages risks based on certain policies to mitigate such financial risks. The Group also uses derivatives to hedge exchange rate fluctuation risk, interest rate fluctuation risk, and commodity price fluctuation risk, and has a policy of not engaging in speculative transactions.

(2) Credit risk management

Credit risk is the risk that a counterparty to a financial asset held by the Group will default on its contractual obligations, resulting in financial loss to the Group.

The Group mainly manages due dates and outstanding balances of trade receivables by business partners in accordance with credit management rules and periodically monitors the credit status of major business partners in order to promptly identify concerns about collections and mitigate losses due to deterioration of financial conditions.

In addition, the Group only enters into derivative transactions with financial institutions with high credit ratings in order to reduce counterparty risk, and the impact of such transactions on credit risk is limited.

There is also no excessive concentration of credit risks that require special management with respect to particular counterparties or groups to which they belong.

(3) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its repayment obligations for maturing financial liabilities when they become due.

Trade and other payables, borrowings, and other financial liabilities are exposed to liquidity risk, which is mitigated through efficient fund management by preparing and updating fund plans in a timely manner, as well as by diversifying fund procurement methods such as bank loans and commercial paper issuance. In addition, the Group has entered into commitment line agreements with financial institutions to protect against liquidity risk.

(4) Exchange rate fluctuation risk management

As the Group operates internationally and engages in international transactions, fluctuations in foreign exchange rates will affect its business performance.

In principle, the Company and some of its consolidated subsidiaries use foreign exchange forward contracts to hedge against the risk of fluctuations in foreign exchange rates, which are identified on a monthly basis by currency, for trade receivables and payables denominated in foreign currencies. In addition, depending on exchange rate conditions, the Group enters into foreign exchange forward contracts and currency options on foreign currency-denominated trade receivables and payables that are certain to arise from forecasted transactions related to imports and exports. The Group also enters into currency swap transactions as necessary to hedge exchange rate fluctuation risks on foreign currency-denominated borrowings.

(5) Interest rate fluctuation risk management

Some of borrowings, etc. with floating interest rates in the Group are exposed to interest rate fluctuation risk. The Group enters into interest rate swap transactions as necessary to hedge interest rate fluctuation risks on borrowings.

(6) Stock price fluctuation risk management

The Group’s investment securities are mainly shares of business partners and are exposed to the risk of market price fluctuations.

The Group periodically assesses the market value and financial conditions of the issuing entity (business partners, etc.) and reviews its holdings as appropriate, taking into consideration its relationship with its business partners.

(7) Commodity price fluctuation risk management

The Group manufactures and sells rolled products, cast products, forged products, and fabricated products of nonferrous metals such as aluminum and their alloys, and purchases aluminum ingots and other raw materials for these products. As their sales and purchase prices are affected by fluctuations in commodity prices, the Group is exposed to price fluctuation risk. The Group uses aluminum metal, etc. futures trading to hedge the risk of price fluctuations.

2. Fair values of financial instruments

For financial instruments measured at fair value, fair value measurements are classified from Level 1 to Level 3 based on the observability and significance of the inputs used for measurement.

Level 1: Market value of identical assets or liabilities in active markets (unadjusted)

Level 2: Fair value calculated directly or indirectly using observable prices, other than Level 1

Level 3: Fair value calculated from valuation techniques that include unobservable inputs

(1) Financial instruments recognized in the consolidated statement of financial position at fair value

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss	–	2,579	–	2,579
Derivative assets	–	1,366	–	1,366
Other				
Financial assets measured at fair value through other comprehensive income				
Shares	6,256	–	3,345	9,601
Total	6,256	3,945	3,345	13,546
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	1,385	–	1,385
Total	–	1,385	–	1,385

The main financial instruments measured at fair value are as follows.

1) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities, respectively, and are classified as financial assets and financial liabilities measured at fair value through profit or loss. These include foreign exchange forward contracts, interest-rate swaps, and commodity futures contracts, and are measured based on prices quoted by financial and other institutions with whom the Group conducts transactions.

2) Shares

Shares are included in other financial assets and classified as financial assets measured at fair value through other comprehensive income. Shares classified as Level 1 are listed shares traded in active markets and are measured at market prices on stock exchanges. Those classified as Level 3 are unlisted shares and are measured at fair value, primarily using the comparable company method. Under the comparable company method, comparable listed companies are selected, and fair value is measured mainly by using EBIT margins or PBR of the comparable companies.

(2) Financial instruments measured at amortized cost

Financial instruments that are measured at amortized cost at the end of the current fiscal year are as follows. Financial instruments whose carrying amount is a reasonable approximation of fair value and financial instruments with poor materiality are not included. In addition, lease obligations are not included in the table below because IFRS 7 “Financial Instruments: Disclosures” does not require fair value disclosures.

(Millions of yen)

	Carrying amount	Fair value	Difference
Financial liabilities measured at amortized cost			
Long-term loans payable	215,235	215,068	(167)
Other financial liabilities	34,163	33,894	(269)
Total	249,398	248,962	(436)

Note: The fair values of long-term loans payable and other financial liabilities are classified as Level 2.

The fair value measurement method for the main financial instruments measured at amortized cost are as follows.

Long-term loans payable and other financial liabilities

The fair value of these items is calculated based on the present value of the total principal and interest over the remaining life of the asset, discounted at the interest rate that would apply if a new similar transaction were executed.

Revenue recognition

1. Disaggregation of revenue

Disaggregated sales by product are as follows.

(Millions of yen)

	Reportable segments
	Aluminum products business
Flat rolled product related	743,272
Extrusion and precision-machined component related	65,213
Casting and forging product related	9,992
Automotive part releated	44,086
Other	30,219
Revenue from contracts with customers	892,781
Revenue to external customers	892,781

2. Underlying information to understand the revenue from contracts with customers

Notes are omitted since this is the same details as “5. Accounting policies (8) Revenue.”

3. Contract balance

The contract balance of consolidated companies is as follows.

(Millions of yen)

	Current fiscal year
Notes receivable - trade	23,846
Accounts receivable - trade	121,021
Allowance for doubtful accounts	(445)
Receivables from contracts with customers (beginning balance)	144,422
Notes receivable - trade	26,019
Accounts receivable - trade	143,141
Allowance for doubtful accounts	(264)
Receivables from contracts with customers (ending balance)	168,896
Contract liabilities (beginning balance)	(743)
Contract liabilities (ending balance)	(1,840)

The balance of contract liabilities is of little importance and there are no significant fluctuations.

The amount of recognized revenues included in the beginning balance of contract liabilities and the amount of recognized revenues from performance obligations satisfied in previous periods had no importance in the current fiscal year.

4. Transaction price allocated to the remaining performance obligations

   The amount of revenue related to the unsatisfied (or partially unsatisfied) performance obligations that is expected to be recognized in the future at the end of the fiscal year is as follows. The Group applies practical expedient for the notes on transaction price allocated to the remaining performance obligations, and does not include contracts with initially expected contractual period of one year or less in the scope of such notes.

(Millions of yen)

	Current fiscal year
Within one year	–
Over one year and within five years	2,893
Over five years	–

Notes to investment property

1. Status of investment property

   The Company and certain consolidated subsidiaries have office buildings, land, and other property for lease in Tochigi, Aichi, and other regions.

2. Fair value of investment property

(Millions of yen)

Carrying amount	Fair value
5,764	4,988

Note: The fair value of investment properties is calculated mainly using a method where the value is revised as necessary based on real estate appraisals by outside real estate appraisers.

Notes to per-share information

1. Equity attributable to owners of the parent per share ¥5,745.42
2. Basic earnings per share ¥287.38

Notes to Non-Consolidated Financial Statements

Summary of significant accounting policies

(1) Valuation basis and methods for securities

Subsidiary and affiliated company shares

Stated at cost determined by the moving average method

Available-for-sale securities

Securities other than shares, etc. with no market price

Stated at fair value
(valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares, etc. with no market price

Stated at cost determined by the moving average method

(2) Valuation basis and methods for derivatives

Stated at fair value

(3) Valuation basis and methods for inventories

Stated at cost determined by the monthly moving average method

(Values on the balance sheet are calculated from the book value reduction method due to decreased profitability)

(4) Accounting method for depreciation of non-current assets

(i) Property, plant and equipment (excluding leased assets)

Straight-line method

(ii) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method based on the period of internal availability (5 years), while goodwill is amortized evenly over 20 years.

(iii) Leased assets

For leased assets related to finance lease transactions with the right of ownership transferred the depreciation method is the same as that applied for owned non-current assets. Leased assets related to finance lease transactions that do not transfer ownership the straight-line method is applied using the lease term as service life and a residual value of zero (the guaranteed amount of the residual value if there is a guarantee of residual value).

(5) Accounting policy for provisions

(i) Allowance for doubtful accounts

To prepare for credit losses on notes and accounts receivable - trade, loans receivable, etc., an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(ii) Provision for retirement benefits

To prepare for employees' retirement benefits, recorded based on the retirement benefit obligations and expected pension assets at the end of the current fiscal term. In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal term on a benefit formula basis.

Past service costs are amortized using the straight-line method over a fixed number of years (10 years) that is within the average remaining service years of employees when incurred.

Actuarial gains and losses are amortized using the straight-line method for fixed number of years (10 years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

(iii) Provision for business restructuring

To prepare for expenses associated with the structural reforms of the flat-rolled products business, a reasonably estimated amount for the forecast future expenses is recorded.

(6) Accounting policies for revenue and expenses

The Company recognizes revenue based on the following five step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company is primarily engaged in the manufacture and sale of flat-rolled and precision- machined products of nonferrous metals, including aluminum, and their alloys. The Company primarily takes the supply of finished products to customers to be its performance obligation, and in principle judges that its performance obligation is satisfied when control is transferred to the customer by handing over the product, at which time it recognizes the revenue.

Note that revenues are recognized for some domestic sales when shipped where satisfying the requirements of paragraph 98 of the Implementation Guidance of the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020. Hereinafter “Revenue Recognition Accounting Standard”).

The consideration for these performance obligations is generally received within one year from the fulfillment of the performance obligations based on separately determined payment conditions and do not contain any significant financing component. Measured at the consideration promised in a contract with a customer, less discounts, and rebates. Transactions, where the Company’s role in providing products to customers is categorized as an agency, are measured as the net amount after deducting the amount paid to the supplier of the product from the amount received from the customer.

With regard to some paid supply transactions falling under repurchase agreements, inventories continue to be recognized as a result of deemed financing transactions, and the end of year inventory retained by the suppliers are recognized as financial liabilities.

(7) Accounting methods for hedging

(i) Accounting methods for hedging

Deferred hedge accounting is applied. In addition, the appropriation treatment is applied for foreign exchange forward contracts that meet the requirements of appropriation treatment while interest-rates swaps that meet the conditions for exceptional accounting are accounted for using exceptional accounting.

(ii) Hedging instrument and hedged items

Hedged items and hedging instruments subject to hedge accounting in the current fiscal term were as follows.

(a) Currency related	Hedging instruments ····	Foreign exchange forward contracts
	Hedged items ···········	Foreign currency denominated receivables and payables and planned foreign currency denominated transactions
(b) Interest-rate related	Hedging instruments ····	Interest-rate swaps
	Hedged items ···········	Interest paid on loans payable
(c) Commodity related	Hedging instruments ····	Aluminum metal, etc. futures trading
	Hedged items ···········	Purchase and sales transactions for aluminum metal, etc.

(iii) Hedging policy

Interest rate fluctuation risk, exchange rate fluctuation risk, and price fluctuation risk pertaining to aluminum metal, etc. are hedged in accordance with the internal rules of the Company. Note that under such rules, derivative transactions are only executed to cover transactions with actual need, and the policy is for absolutely no speculative trading for the purpose of trading profit.

(iv) Method for appraising hedge effectiveness

The cumulative amount of market fluctuations of the hedged items and the cumulative amount of market fluctuations of the hedging instruments are compared every quarter, with the hedge effectiveness appraised based on the amount of fluctuation in both, etc. Provided, however, that foreign exchange forward contracts subject to appropriation treatment and interest-rate swaps accounted for using exceptional accounting are not subject to appraisal for effectiveness.

(8) Application of the group tax sharing system

The group tax sharing system is applied. In addition, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force (PITF) No. 42, August 12, 2021), corporation and regional corporation taxes and their related tax effects are accounted for and disclosed.

Significant accounting estimates

1. Valuation of UACJ (Thailand) Co., Ltd. shares

(1) Amount recorded in the non-consolidated financial statements for the current fiscal term

(Millions of yen)

	Current fiscal term
Shares of subsidiaries and associates UACJ (Thailand) Co., Ltd.	125,776

(2) Information regarding significant accounting estimates for identified items

UACJ (Thailand) Co., Ltd. (hereinafter, "UATH") is the most important base in Southeast Asia for the global supply network established by the Group, and its initially planned growth investment has been completed, recording an annual operating income of ¥525 million in the current fiscal term.

UATH shares are shares with no market price so the value on the balance sheet is based on the acquisition cost, but considerable impairment may be required if the real price has significantly declined due to factors such as deterioration of its financial position and there is not sufficient proof to substantiate the possibility of recovery. For the valuation of non-current assets that significantly affect the measurement of the real price of UATH shares, please refer to the details stated in the Notes to Consolidated Financial Statements "Significant accounting estimates 1. Impairment of property, plant and equipment, right-of-use assets and intangible assets at UACJ (Thailand) Co., Ltd."

There has been no significant decline in the real price of UATH shares, so no unrealized loss is recorded for the current fiscal term.

(3) Impact on the following fiscal year's financial statements

Unrealized losses on the shares of subsidiaries and associates could be recorded in the following fiscal year if an impairment loss on non-current assets is recorded and there is a significant decline in real price.

Notes to balance sheets

1. Loan stock at the end of the current fiscal term

Investment securities	¥3,875 million

2. Accumulated depreciation for property, plant and equipment ¥247,337 million
3. Contingent liabilities (Guarantee obligations)

Debt guarantee amount (including guarantee-like acts) for affiliated companies, etc. in relation to loans payable to financial institutions, etc.	¥63,262 million

4. Limit on repurchase obligations associated with securitization of receivables ¥1,448 million
5. Total limit on repurchase obligations for joint liability as the sellers agent of subsidiaries' securitization of receivables ¥3,002 million
6. Short-term monetary claims to subsidiaries and associates ¥79,716 million
   Long-term monetary claims to subsidiaries and associates ¥10,357 million
   Short-term monetary obligations to subsidiaries and associates ¥23,680 million

Notes to statements of income

1. Total transactions with subsidiaries and associates
   Net sales ¥86,990 million
   Net purchases ¥62,418 million
   Amount of non-operating transactions ¥7,011 million
2. Provision of allowance for doubtful accounts for subsidiaries and associates
   Provision of allowance for doubtful accounts for subsidiaries and associates records the allowance for doubtful accounts of the amount equivalent to excess debt against loans made to the Company's consolidated subsidiary UACJ Australia Pty. Ltd. and others.

Notes to statement of changes in equity

Matters concerning class and number of treasury stock

	Number of shares at beginning of the current fiscal term (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the current fiscal term (shares)
Common stock	106,933	1,931	–	108,864

Notes to deferred tax accounting

Main causes of deferred tax assets and deferred tax liabilities

Main causes of deferred tax assets are tax loss carryforwards and provision for retirement benefits, while the main cause of deferred tax liabilities is the valuation difference on land acquired in association with business combinations.

Transactions with related parties

Subsidiaries, associates, etc. of the Company

Type	Name of company, etc.	Ratio of voting rights held (%)	Relationship with related parties	Details of the transactions	Transaction amount (Millions of yen)	Subject	Balance at the end of period (Millions of yen)
Subsidiary	UACJ North America, Inc.	(Held) Direct 100.0	Outsourcing, concurrently serving as an officer, lending funds, debt guarantee	Collecting funds (Note 1)	6,029	Short-term loans receivable Long-term loans receivable	11,851 3,028
				Debt guarantee (Note 2)	13,650	–	–
	UACJ (Thailand) Co., Ltd.	(Held) Direct 100.0	Selling products, purchasing raw materials, outsourcing, concurrently serving as an officer, debt guarantee, purchasing equipment, etc. on behalf of others	Debt guarantee (Note 2)	43,266	–	–
	UACJ Extrusion (Thailand) Co., Ltd.	(Held) Indirect 100.0	Concurrently serving as an officer, lending funds, debt guarantees	Collecting funds (Note 1)	335	Short-term loans receivable	5,766
	UACJ Foil Corporation	(Held) Direct 100.0	Selling products, purchasing raw materials, concurrently serving as an officer, lending funds	Selling products (Note 3)	15,424	Accounts receivable - trade	8,355

Terms and conditions of transactions and the related policies for determining them

Notes:
1. Lending funds is determined with reference to market interest rates.
2. Debt guarantees are made for bank borrowings, etc. and the guarantee fees are determined with consideration to credit strength.
3. The price for selling products is determined based on market prices.

Revenue recognition

Notes concerning the underlying information to understand revenue from contracts with customers are omitted since this is the same details as "Summary of significant accounting policies (6) Accounting policies for revenue and expenses."

Notes to per-share information

1. Net assets per share ¥4,126.96
2. Net income per share ¥57.74

Additional information

Group reorganization: absorption-type company split and merger between the consolidated subsidiaries, and absorption-type merger of a consolidated subsidiary

At a meeting of the Board of Directors held on March 28, 2024, the Company has decided to reorganize certain domestic operations within the UACJ Group, effective from October 1, 2024 (planned). This will include a company split-off and mergers of wholly-owned subsidiaries, as well as the Company's absorption of a wholly-owned subsidiary and changes to its business divisions (hereafter, the "Reorganization").

1. Overview of the Reorganization

   As a part of the Reorganization, certain operations of UACJ Extrusion Nagoya Corporation (hereafter, "UACJ Extrusion Nagoya") will be split off and absorbed by UACJ Extrusion Corporation (hereafter, "UACJ Extrusion") on October 1, 2024 (planned) (hereafter, the "Split-off"). Specifically, UACJ Extrusion will take over the aluminum extruded product manufacturing operations of Nagoya Works. On the condition that the Split-off is effectuated, UACJ Extrusion Nagoya will be renamed UACJ Extrusion Anjo Corporation, reflecting the fact that Anjo Works will be the only manufacturing facility it owns following the Split-off.

   Also effective on October 1, 2024, and on the condition that the Split-off is effectuated, UACJ Extrusion and UACJ Extrusion Oyama Corporation (hereafter, "UACJ Extrusion Oyama") will merge, where UACJ Extrusion will survive and UACJ Extrusion Oyama will be dissolved (hereafter, the "First Merger").

   Further, effective on October 1, 2024, and on the condition that both the Split-off and the First Merger are effectuated, UACJ Foundry & Forging Corporation (hereafter, "UACJ Foundry & Forging") and UACJ Extrusion will merge, where UACJ Foundry & Forging will survive and UACJ Extrusion will be dissolved (hereafter, the "Second Merger").

   Finally, effective on October 1, 2024, and on the condition that the Split-off and the First and Second Mergers are effectuated, UACJ Foundry & Forging and the Company will merge, where the Company will survive and UACJ Foundry & Forging will be dissolved (hereafter, the "Third Merger").

   Also effective on October 1, 2024, the Company's Foundry & Forging Business Division will be re-established and renamed Aerospace and Defense Materials Business Division. This new division will be tasked with the additional responsibilities of designing and selling products to the aerospace and defense markets.

(1) Names of entities involved in the Reorganization

   1) Split-off:
   UACJ Extrusion as the succeeding company, UACJ Extrusion Nagoya as the splitting company

   2) First Merger:
   UACJ Extrusion as the surviving company, UACJ Extrusion Oyama as the dissolving company

   3) Second Merger:
   UACJ Foundry & Forging as the surviving company, UACJ Extrusion as the dissolving company

   4) Third Merger:
   UACJ Corporation as the surviving company, UACJ Foundry & Forging as the dissolving company

(2) Purpose of the Reorganization

   The Group formulated the fourth mid-term management plan with the fiscal 2024 as the first year in order to realize its long-term roadmap, UACJ VISION 2030. In the fourth mid-term management plan, the Company has set out "promoting recycling" as one of the key issues, and has selected aerospace and defense materials as an important market for the UACJ Group to capture demand and offer value. Through the Reorganization, the Company aims to make further progress in promoting recycling by absorbing its subsidiaries and their production facilities that operate aluminum and aluminum alloy casting processes—a source and the core of the Group's value creation—and integrate them into the casting processes of its Flat Rolled Products Business, as a means to improve its production facilities and facilitate cooperation between company divisions. Furthermore, the Company will integrate its Foundry & Forging Business Division into a new Aerospace and Defense Materials Business Division.

(3) Schedule of the Reorganization

Date of Board of Directors' resolution	March 28, 2024
Date of conclusion of the absorption-type company split agreement	June 28, 2024 (planned)
Date of conclusion of the absorption-type merger agreement for the First, Second and Third Mergers	June 28, 2024 (planned)
Effective date	October 1, 2024 (planned)

(4) Name of entity after the Reorganization

UACJ Corporation

(5) Other items regarding overview of transaction

The Reorganization will not involve allotments of shares or money, etc.

2. Overview of accounting treatment

These transactions will be accounted for as transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).