

# Progress Overview of 'Pursuing Management Reforms'



November 21, 2024  
Nippon Light Metal Holdings Company, Ltd.

# Cancellation of Management Integration through Merger between Toyo Aluminium K.K. and UACJ Foil Corporation

## → Enhancing the business value of the Aluminum Foil Business Group as a wholly owned subsidiary of the Company

### Background to date

#### August 2022

Five companies (the two companies, both parent companies, including the Company, and JIC Capital) agreed to integrate the management of Toyo Aluminium and UACJ Foil on April 1, 2023.

#### February 2023

Decided to postpone the management integration

#### October 31, 2024

The five companies agreed to cancel the management integration of the two companies.

Due to the conditions for this management integration of the two companies not being ultimately met, at this time the Nippon Light Metal Group and UACJ Group decided to draw up its own growth strategy independently.

### Business group structure - Current FY (ending Mar. 2025) and beyond

Business Group	Main company/ business divisions	Segment
<u>Chemicals business group</u>	NLM Chemicals Nippon Electrode	Aluminum ingot and chemicals
<u>Metal business group</u>	Nikkei MC Aluminium	
<u>Sheet &amp; Extrusion business group</u>	Nippon Light Metal, sheets Nikkeikin Aluminium Core Technology NLM capacitor foil division	Aluminum sheet and extrusions
<u>Transport Equipment business group</u>	Nippon Fruehauf	Fabricated products and others
<u>Automotive Parts business group</u>	Nikkeikin Aluminum for Mobility	
<u>Engineering business group</u>	Nikkei Panel System Nikkei Engineering	
<u>Infrastructure business group</u>	NLM Kambara Complex, Tomakomai Complex Nikkei Logistics	
<u>Aluminum Foil business group</u>	<b>Toyo Aluminium</b>	Aluminum foil, powder and paste

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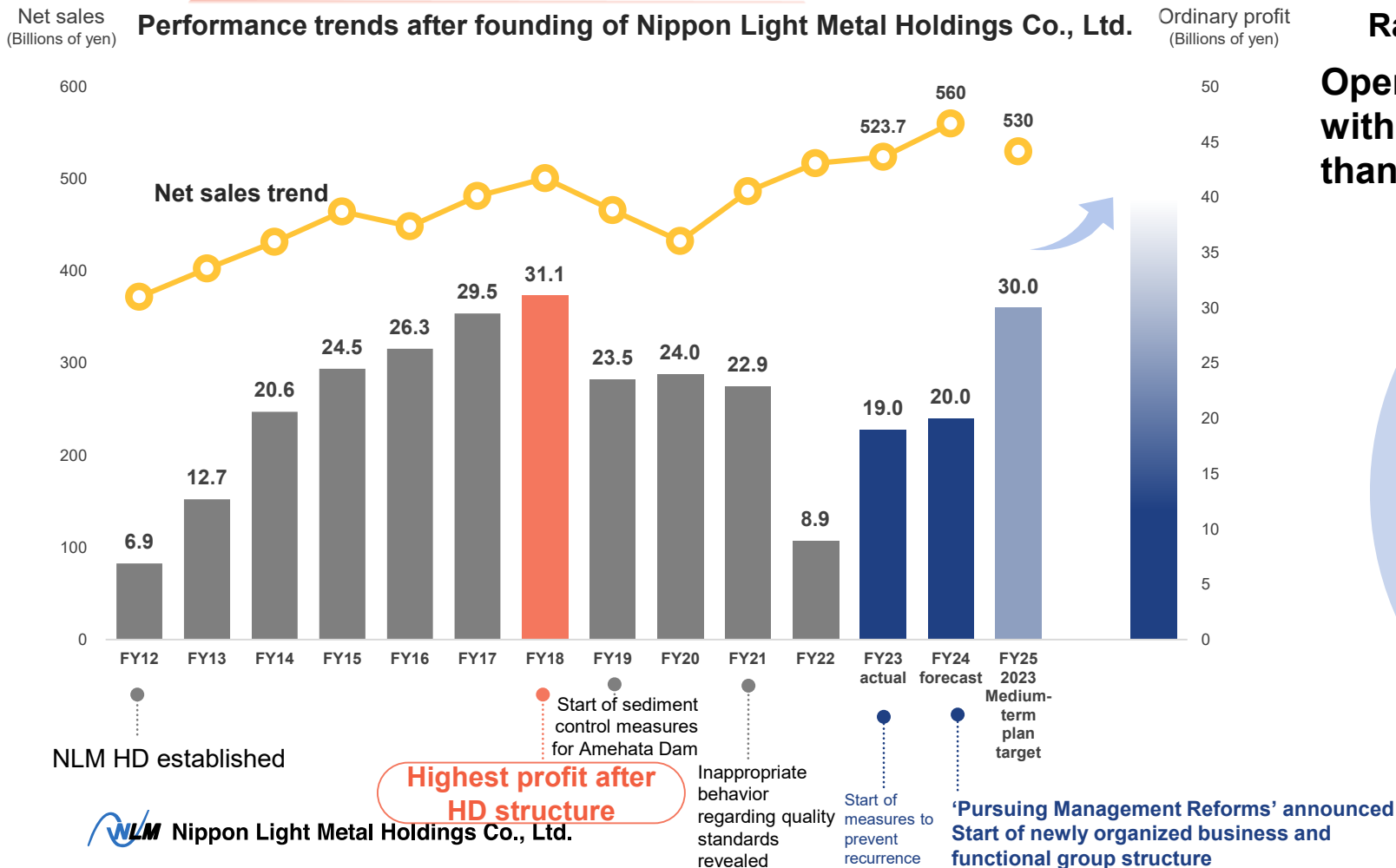
1. Significance of ‘Pursuing Management Reforms’
2. Status of consideration and formulation
3. Specific progress to date

# 1. Significance of 'Pursuing Management Reforms'

## A Review of the Group's Approach to Management in the Wake of Inappropriate Behavior regarding Quality Standards Found in 2021

- The Group demonstrated the strength as a decentralized corporate group with 77 group companies and pursued profits, achieving a profit of over 30 billion yen in FY2018.

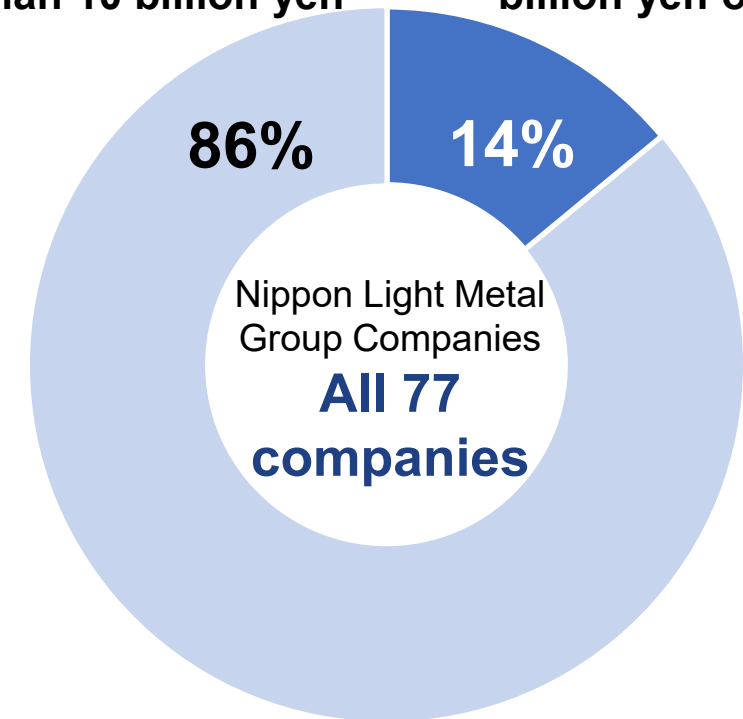
➡ Going forward, however, it would be unfeasible to sustain profit growth and address issues under this structure.



Ratio of Group companies by net sales scale

Operating companies with net sales of less than 10 billion yen

Operating companies with net sales of 10 billion yen or more



# 1. Significance of 'Pursuing Management Reforms'

## Sense of Crisis in the Group's Future Management

- Given issues facing us, the rapidly changing external environment, and increasing societal issues,  
➔ Management reform is urgent, and we determined that decisive action needs to be taken at this time (announced in May 2024).

### Our management issues we have addressed to date

- **Sediment control measures for Amehata Dam**  
Plans formulated in 2019, launched in 2020, progressing smoothly
- **Inappropriate behavior regarding quality standards**  
Revealed in 2021, Special Investigation Committee active until March 2023
- **Measures to prevent recurrence**  
Initiated in March 2023, making steady progress

### External environment (market needs and societal issues) needing to be addressed

- **Governance and compliance**
- **Speed of change in market conditions**  
Automobiles (shift to EVs, review)  
Semiconductor demand, etc.
- **Carbon neutrality**
- **Demographic changes, employee engagement**

# 1. Significance of 'Pursuing Management Reforms'

## Essential Significance of Pursuing Management Reforms

■ **Change Management:** Toward a winning management mindset as Team NLM

➔ We will accomplish management reforms, leading to growth in the next era.



**Reinforce the Board of Directors' supervisory function**

**Swift decision-making from a broad perspective**



**Outside Director Ratio: 56%**

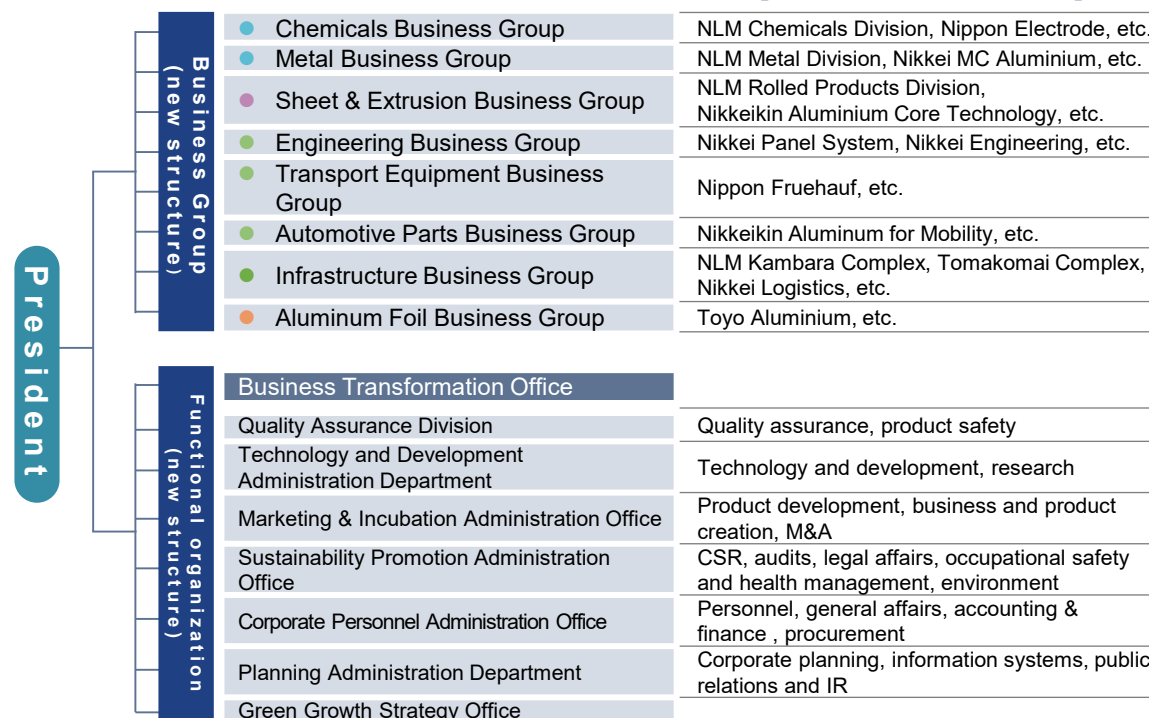
• Outside director ratio under the former structure: 36%  
(9 Directors of the Company, 5 Outside Directors)



**Grouping of businesses and functional organizations**

**Extended freedom of execution, with clear responsibilities**

**[Subsidiaries and divisions]**



● Aluminum ingot and chemicals segment ● Fabricated products and others segment  
● Aluminum sheet and extrusions segment ● Aluminum foil, powder and paste segment

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# 2023 Medium-term Plan

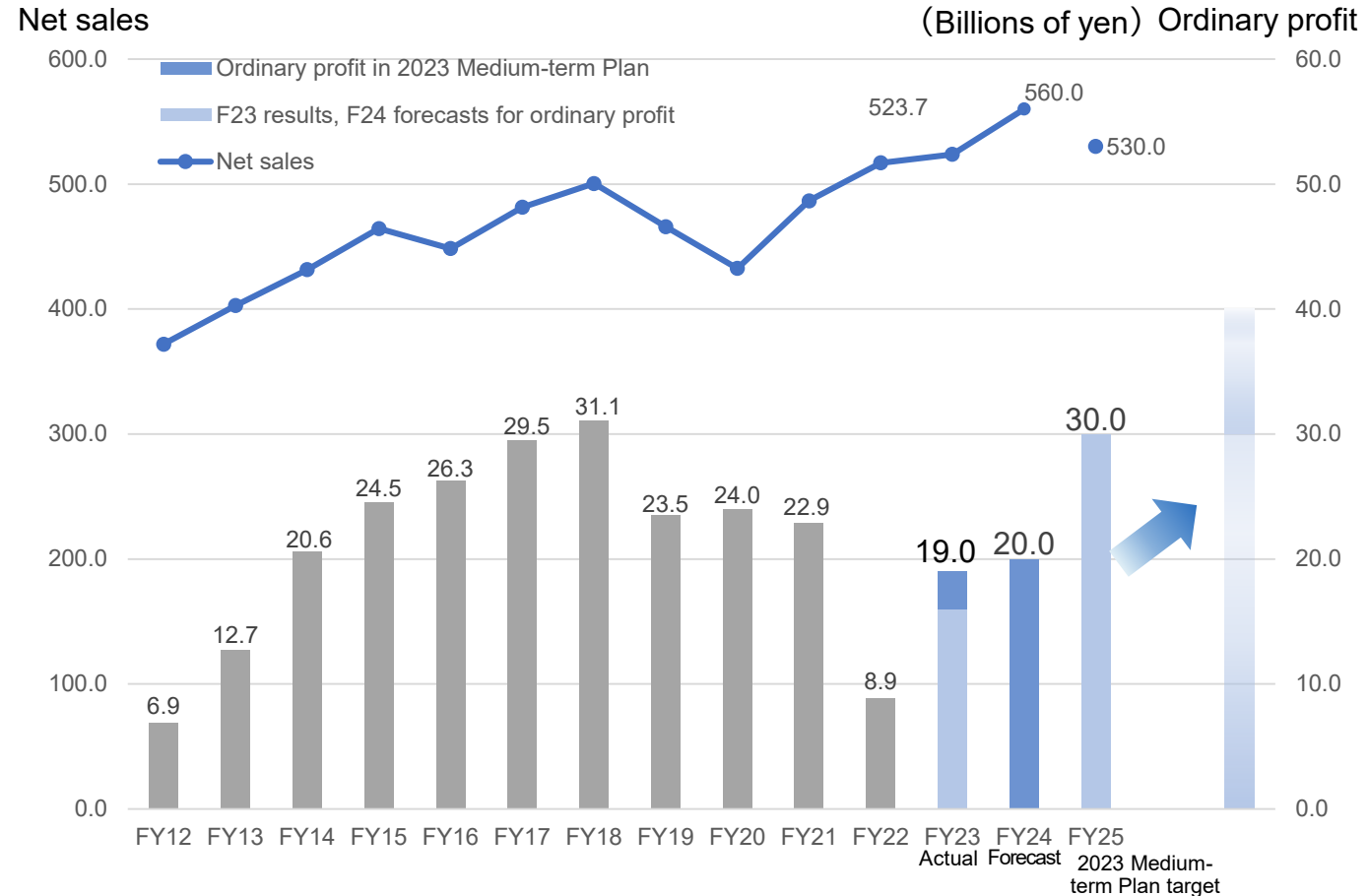
## Financial targets

- Accumulate achievements of 23 Medium-term Plan + Pursue Management Reforms to full completion
  - ➔ Establish a revenue base that will lead to growth in the next 5 and 10 years
  - ➔ Aiming for an ordinary profit target of 30 billion yen

(Unit: Billions of yen)

	F23 actual	F24 forecast	2023 medium-term plan target FY25
Net sales	523.7	560.0	530.0
Operating profit	18.2	21.0	30.0
Ordinary profit	19.0	20.0	30.0
Profit	9.9*	13.0	20.0
Annual dividends	50 yen	70 yen	100 yen
ROCE	6.0%	6.3%	10.3%
Total dividend payout ratio	34.4%	33.4%	31.0%

\* Changes in accounting standards were applied retrospectively to the current net profit and retained earnings for the 2023 fiscal year, amounting to 0.9 billion yen. As a result, the current net profit for fiscal 2023 was revised from 9 billion yen.





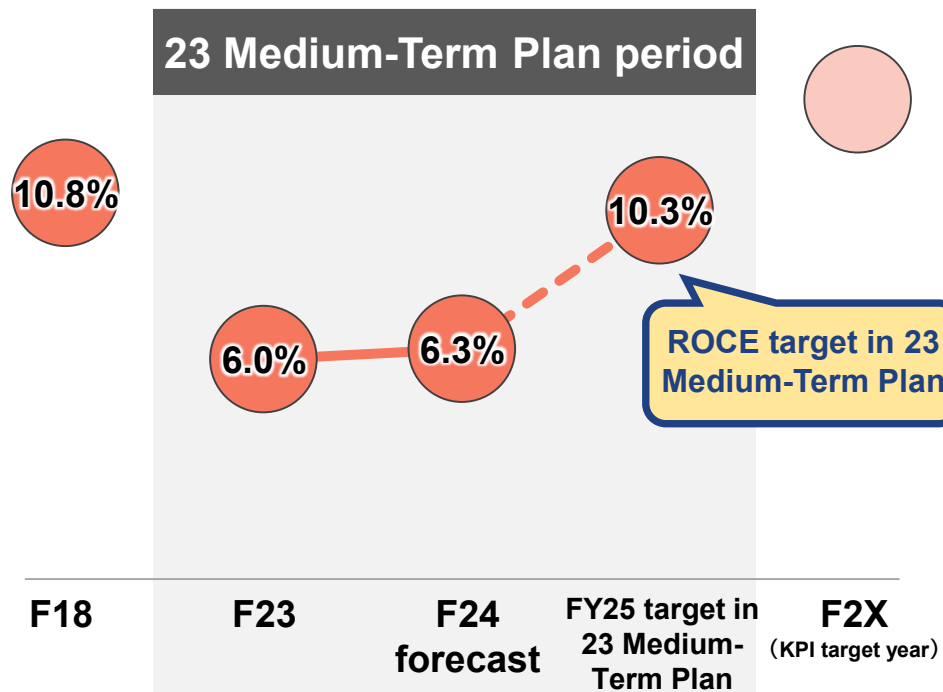
## 2. Status of consideration and formulation

# Direction of the Company's Strategy and KPI Planning

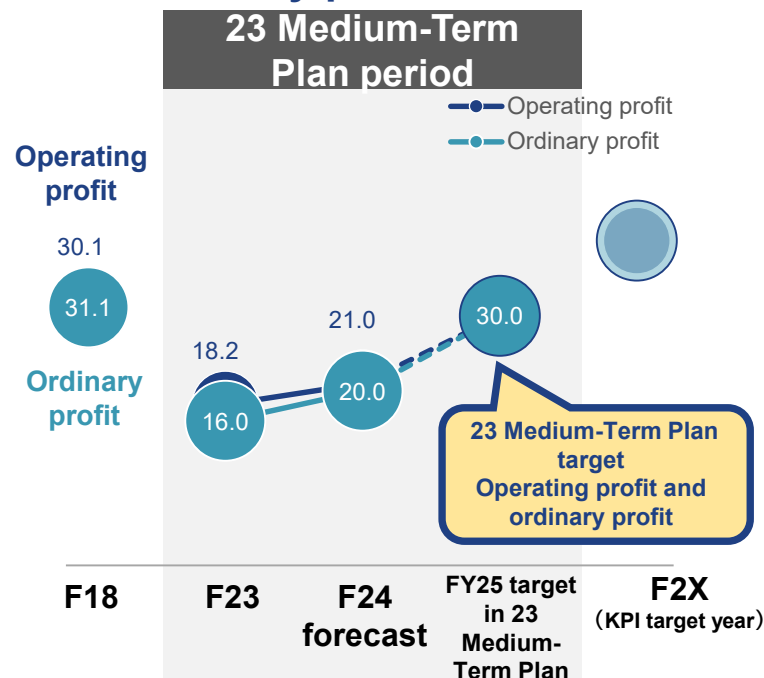
### ROCE and ROE targets of over 10%

- Increase the revenue base and return on capital employed to become a corporate group with stable profits of over 30 billion yen
  - ➔ **Currently formulating financial and non-financial strategies and KPIs (e.g., operating profit, ordinary profit, and D/E ratio) to be provided in May 2025**

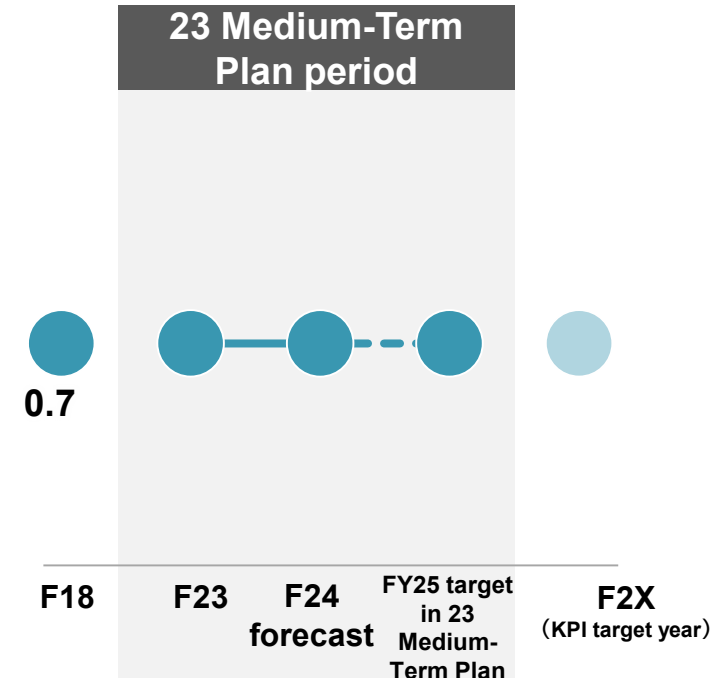
#### ROCE (Return on capital employed)



#### Operating profit and ordinary profit (Billions of yen)



#### D/E ratio

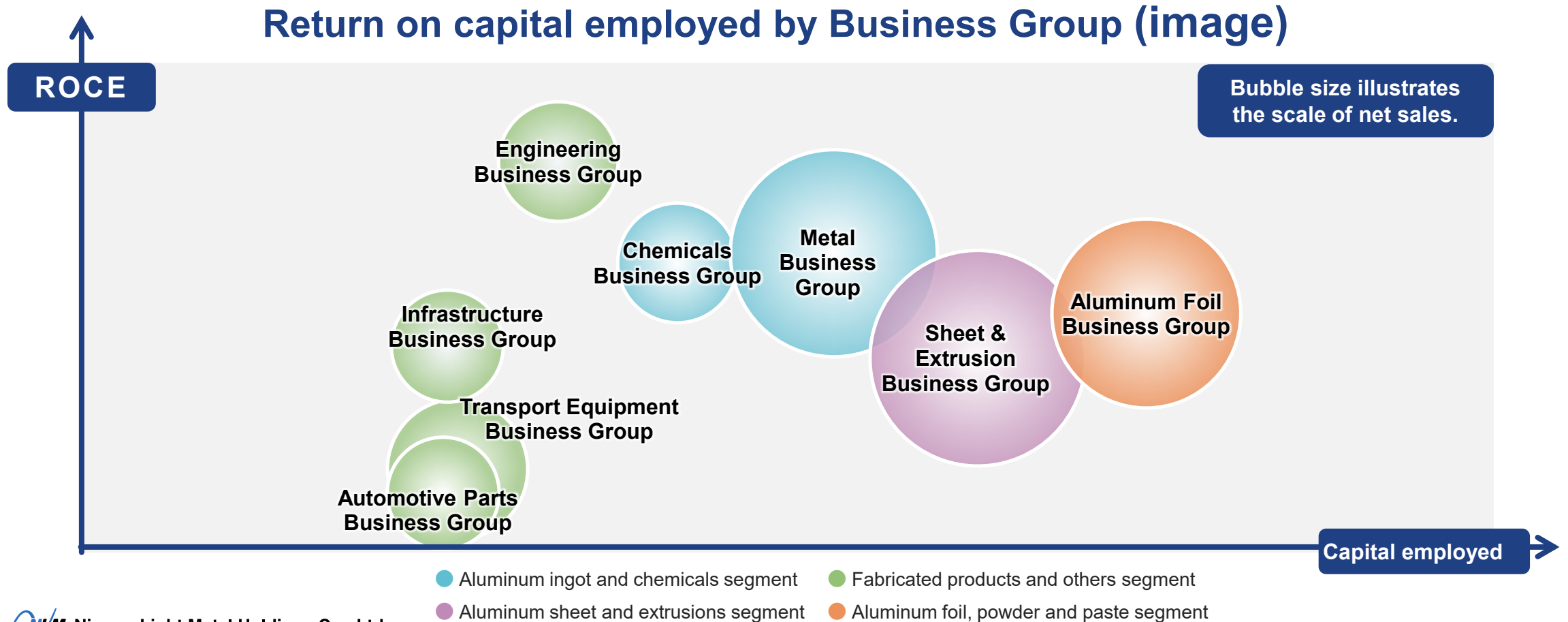


## 2. Status of consideration and formulation

### Business Group Strategy and KPIs

- Strategy by Business Group + return on capital employed (ROCE) to be publicly provided

➔ Currently formulating a focused growth scenario (growth businesses/products, effective use of resources)



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### 3. Specific progress to date

## Progress on Quality Measures to Prevent Recurrence in the Group

- **Progress on track: All efforts to Pursue management reforms and Reinforce internal control functions to be completed by the end of March 2026**
- **Completed corrective actions for all 214 cases of inappropriate behavior reported by the Special Investigation Committee**
- **Completed corrective actions and certified JIS at the sites previously invalidated for JIS certification (Nippon Light Metal's Nagoya Plant and Nikkei Niigata), and lifted the suspension of JIS mark use at the sites previously suspended (Nikkei Kambara and Nikkei Extrusions)**
- **Continued the management–employee dialogue; 35 site manager meetings attended by a total of 5,503 employees: 30 workplace tours with 2,395 employees**

### Pursue management reforms

- (1) Rebuild Group's governance system – Strengthen Group affiliation
- (2) Rebuild relationships between the Company and Group companies
- (3) Address management issues and risks within the Group
- (4) Cross-sectoral response by sales, development, manufacturing, quality assurance, and other divisions
- (5) Rebuild the quality assurance system
- (6) Constant verification
- (7) Reinforce supervision by Board of Directors

### Reinforce internal control functions

- (1) Build and administer effective internal control system under supervision of Board of Directors
- (2) Reforms of corporate culture
- (3) Reinforce information reporting and affiliations
- (4) Promote activities to strengthen compliance
- (5) Reinforce internal audit division
- (6) Reforms to internal reporting system
- (7) Utilize external resources

### 3. Specific progress to date

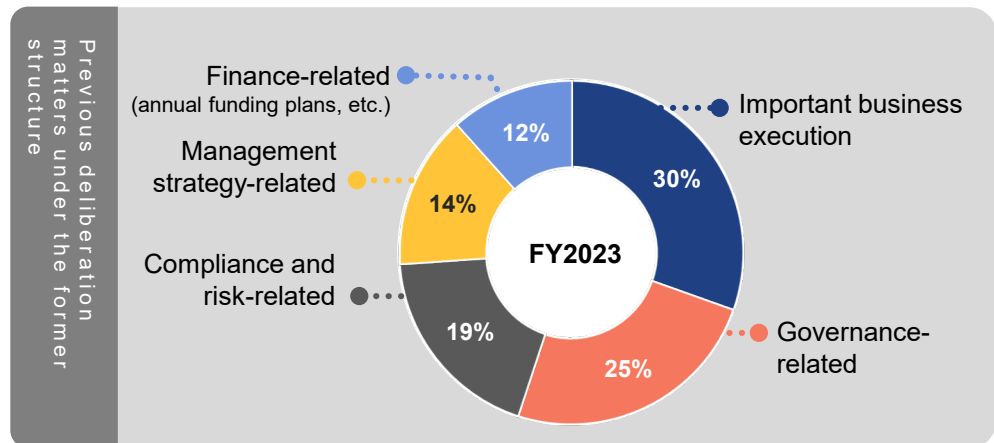
## Reinforcement of the Board of Directors' Supervisory Function

- Under the new structure, deliberations have focused on Pursuing Management Reforms and other efforts to maximize corporate value.



### New structure Changes in the Board's deliberations

Speeding up the decision-making and execution process, **by delegating responsibility and authority to officers in charge of business groups**



After the transition to the new Board of Directors structure (effective June 2024)

**Pursue management reforms**  
**More in-depth deliberation and discussion of supervisory functions,** including consideration of business group-specific future strategy and development of the Company's strategy under the business group structure.

### 3. Specific progress to date

## Introduction of the Performance-Based Stock Compensation Plan

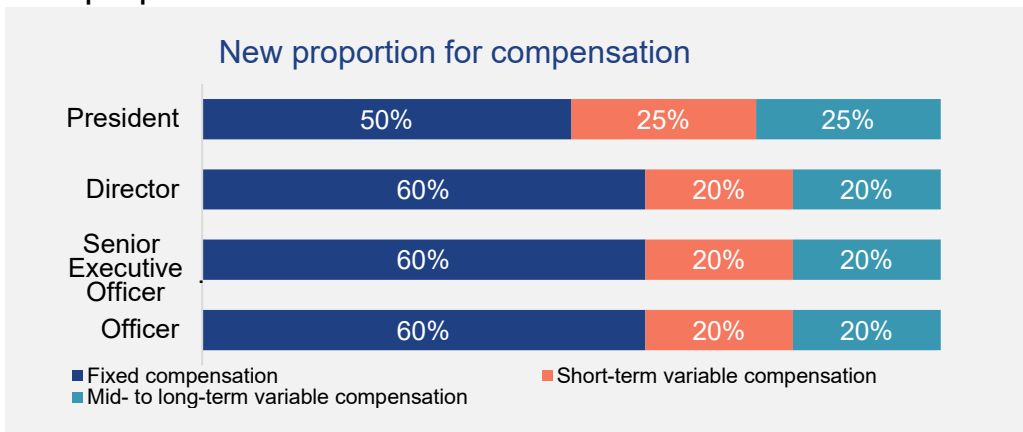
- Provide an incentive compensation plan for directors (excluding outside directors) and officers to increase mid- to long-term performance and continue to increase corporate value, sharing benefits and risks of share price fluctuations with shareholders

### Changes in compensation composition

After raising the proportion of variable compensation, the mid- to long-term incentives are now set at the same level as the short-term incentives.

#### New plan after revision

- Higher proportion of variable compensation for all executive positions
- Increase in the mid- to long-term incentives to match the same proportion of the short-term incentives



### Expansion of the incentive scheme for compensation

Both short-term and mid- to long-term incentives are now linked to the increase in corporate value in the financial and non-financial terms.

#### New plan after revision

##### Mid- to long-term variable compensation

Performance indicator

- Stock price
- Greenhouse gas reduction targets
- Personal evaluation (non-financial)

##### Short-term variable compensation

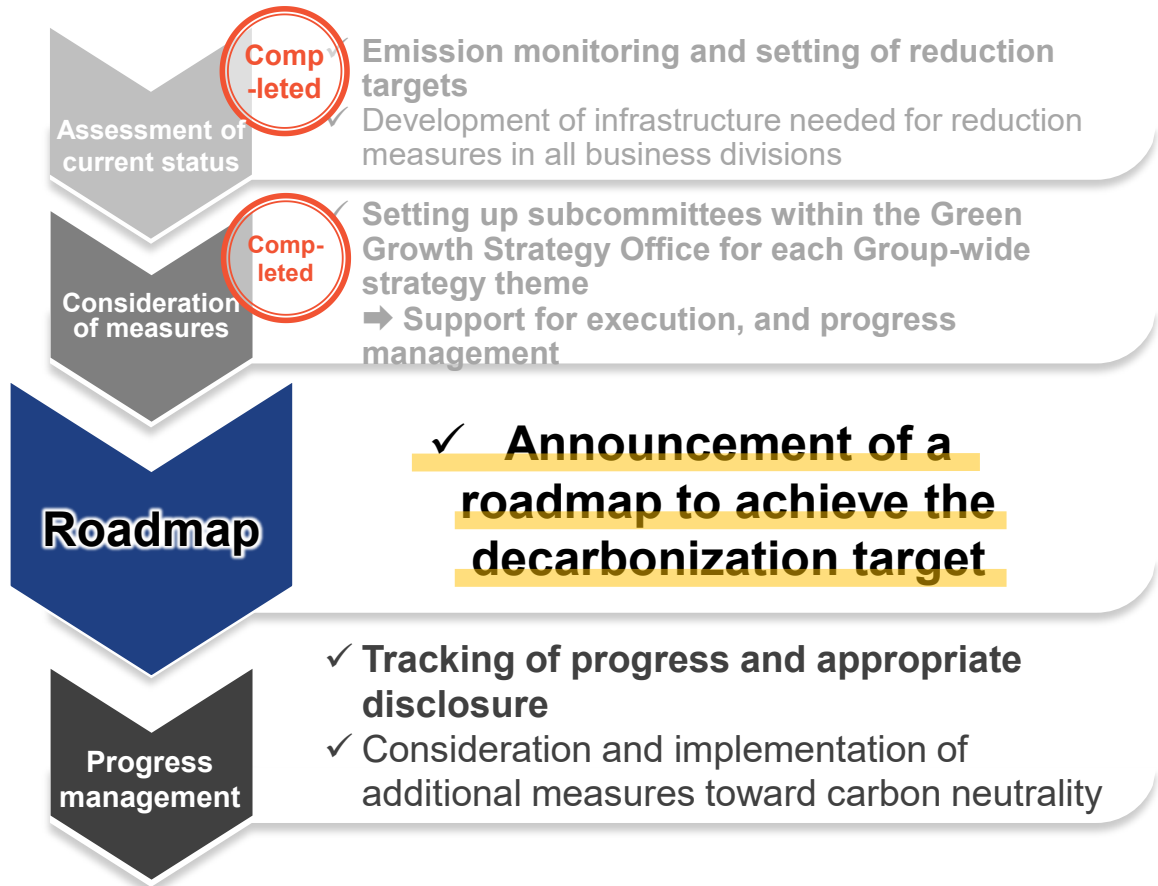
Performance indicator

- Operating profit
- ROCE
- Personal evaluation (non-financial)

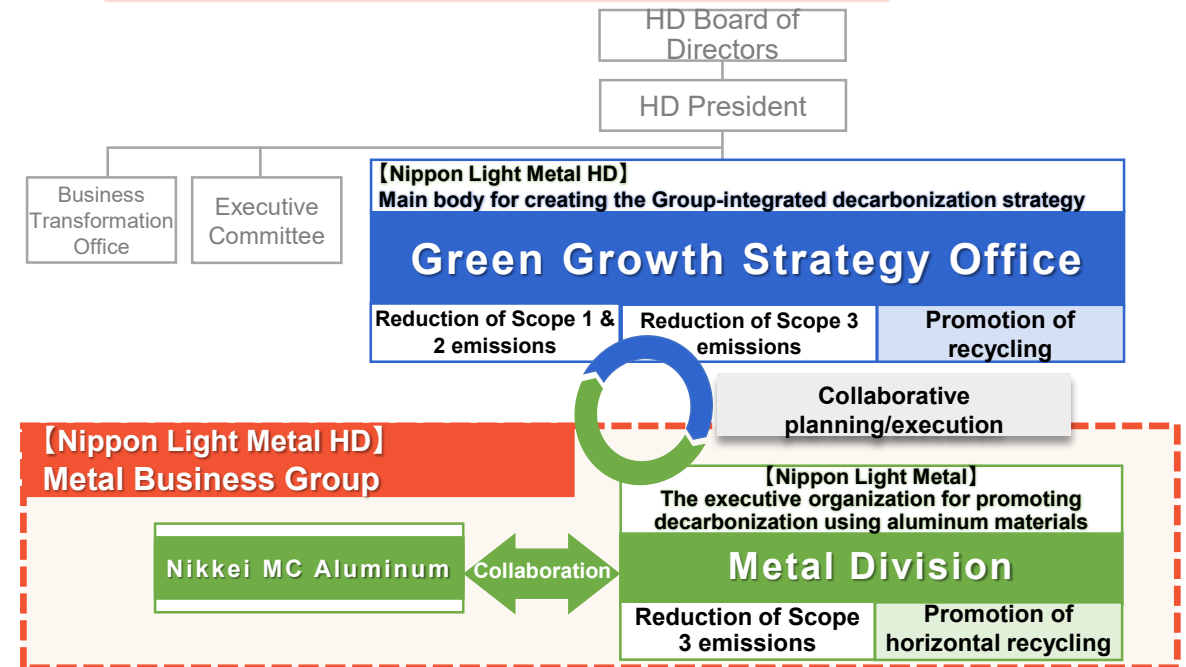
### 3. Specific progress to date

## Approach to Carbon Neutrality

- We announced a roadmap to achieve the FY2030 targets.



- The executive organization now form a single Metal Business Group.  
Enabling an integrated and agile resource allocation and implementation



- ▶ For details, refer to “Nippon Light Metal Group's Roadmap for Achieving Fiscal Year 2030 Targets for Carbon Neutrality” at:  
<https://www.nikkeikinholdings.co.jp/common/file/pdf/p2024112001hd.pdf>



### 3. Specific progress to date

## Marketing & Incubation Administration Office

- Initiated with an ambidextrous, three-pronged management approach to new product development and new business creation
- Aiming for sales of over 100 billion yen from new products and new businesses in the FY2030s

### Creation of new value for customers and new value for the world



#### Marketing Promotion Group

<Deepen and strengthen existing businesses>

- Main activities**
- Three new activities with business divisions (new products, new applications, new demand)
  - DX (digital marketing)

#### Incubation Promotion Group

<Business ideas>

- Main activities**
- Creation of new business ideas (participation in ARCH)
  - Development of in-house entrepreneurs (BizCon)
  - Practical program for new business creation



#### Innovation Promotion Group <External co-creation>

- Main activities**
- Open innovation promotion
  - Corporate technology development



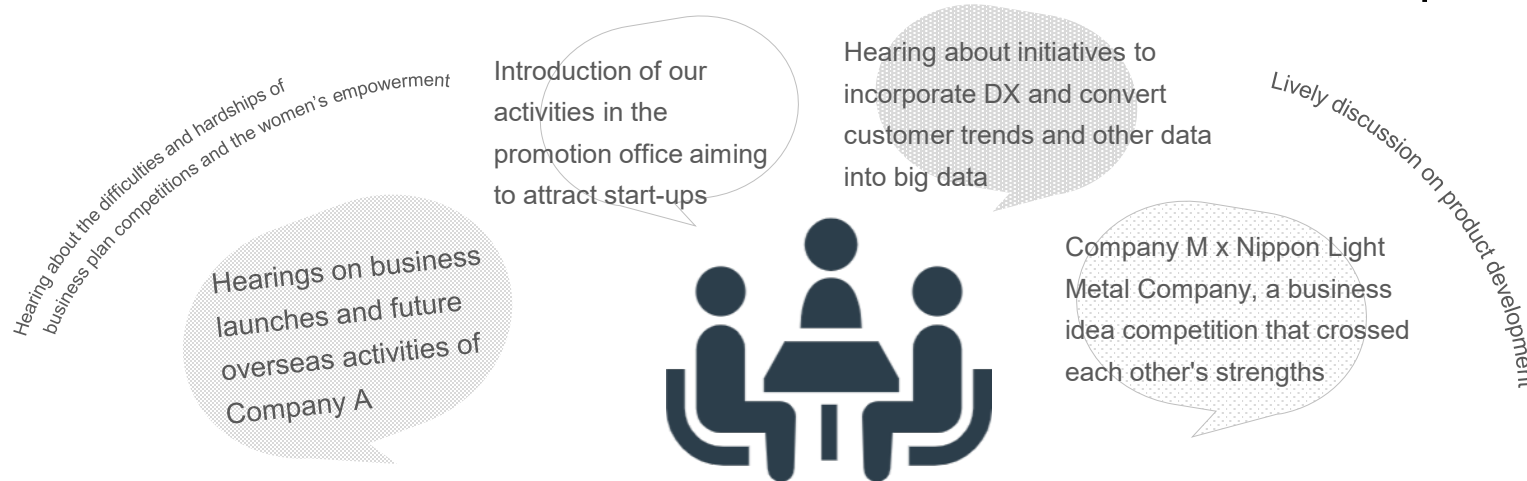
### 3. Specific progress to date

## Marketing & Incubation Administration Office – Activity report –

### ■ Established a base for creating new businesses at the Incubation Center “ARCH”

#### Incubation Promotion Group Creation of new business ideas

- Three of our employees are stationed at the ARCH TORANOMON HILLS INCUBATION CENTER
- Daily activities with 120 major companies to generate and discuss business ideas
- Increasing the development speed with ARCH's approach to new business development



ARCH TORANOMON HILLS  
INCUBATION CENTER

#### ARCH's approach to new business development:

1. Keep the size of the business small and focus on speed of development
2. Explore the true value of what to offer by listening to the front line and customers
3. Expand the size while repeatedly pivoting (correcting the course)

An incubation center conceptualized as the world's first organization specializing in the mission of business reforms for large corporations and new business creation. ARCH focuses on the feasibility and challenges unique to large companies with ample resources and networks, supporting business creation from both a hardware and software perspective.

### 3. Specific progress to date

## Dialogue with Shareholders and Investors

- To help shareholders and investors better understand and increase their interest in our company, we continue to enhance our investor relations activities.

### Key points for strengthening FY2023 initiatives

#### Better understanding of mid- to long-term strategies and measures

- ▶ Focused IR briefings on mid- to long-term topics (e.g., pursuing management reforms, carbon neutral strategy, etc.)

#### More in-depth understanding of our business models

- ▶ Held a business briefing at Alumina and Chemicals Division, Chemicals Business Group (to be held at Sheet Division, Sheet & Extrusion Business Group in FY2024)



**Business briefing**  
(At Sheet Division, Sheet & Extrusion Business Group)



**Factory tour**  
(At Nagoya Plant, Nippon Light Metal)

#### Opportunities for dialogue

- ▶ Held President's Small Meeting and interviews with outside directors



**President's Small Meeting**

#### Increased frequency of dialogue

- ▶ More sessions held with the Director in charge of planning (among securities analysts and domestic institutional investors)

#### Disclosure of dialogue content

- ▶ Q&A summary of financial results briefings (on the day of each quarterly results release) posted on the Company's website (also available in English)

### 3. Specific progress to date

## Dialogue with Shareholders and Investors

### ■ Reflecting opinions from shareholders, investors, and outside directors in our initiatives

#### Opinions, requests, and needs from investors

- Increase IR activities (more opportunities for information dissemination, disclosure of progress on measures and issues)
- Uncertainty if investor opinions are being communicated to management
- Willing to listen to the President's thoughts and ideas
- Wish to know the perception, thinking, and direction of capital efficiency and narrow variations, and the discussion on shareholder returns at the management level
- Improvement of governance, promotion of business integration, and consolidation reforms

#### Opinions, requests, and needs from outside directors

- Concern that the company's management is not sufficiently communicated to the market (complex business portfolio, growth drivers, sources of competitiveness)
- Insufficient dissemination of information to shareholders and investors (lack of information may lead to a lower valuation of our company)
- IR activities should be regularly reported to the Board of Directors.

#### Reflecting their opinions in our initiatives

##### Summary of IR activities

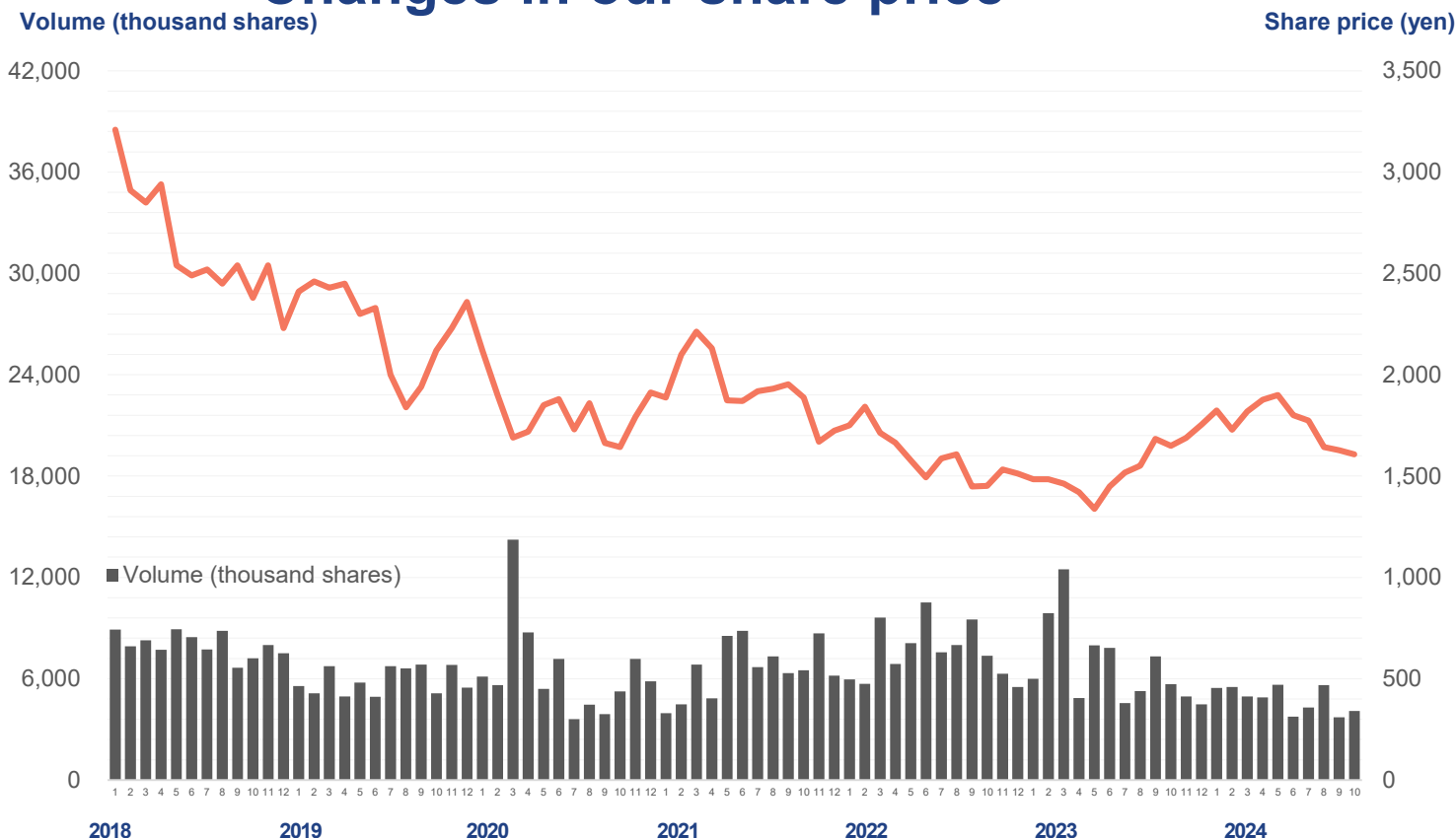
- Held a business briefing and plant tours (to deepen understanding of business models)
  - Implemented improvements in IR briefings, presentation content, and disclosure methods (visualization of management issues and strategic progress)
  - Increased active Q&A sessions and dialogue in IR briefings, financial results briefings, etc.
  - President's Small Meeting (to be held regularly from FY2024)
  - Increased frequency of dialogue (better communication) with President and the Director (in charge of planning)
  - Opportunities for dialogue with outside directors
- Efforts to pursue management reforms e.g., reinforcement of the Board of Directors' supervisory function and the grouping of businesses and functional organizations
  - Sharing of shareholder and investor requests and needs, including regular reporting to the Board of Directors (about once a year), as appropriate

# Toward Management that Leads to Higher Capital Efficiency

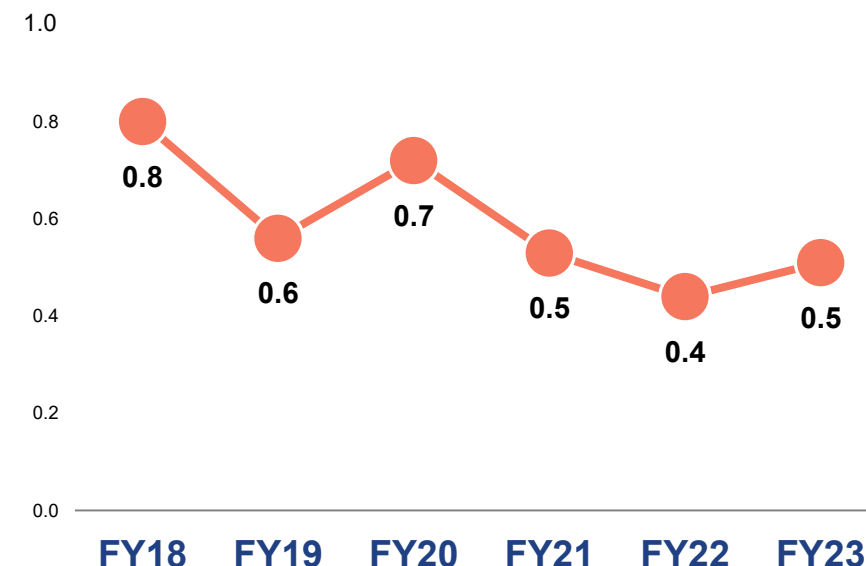
## ➔ Need to increase corporate value (shareholder value) in both financial and non-financial terms

Effort is made to incorporate the profit growth of Aluminum Foil Business Group (for heat dissipation applications, processed foil for medical product packaging).

### ■ Changes in our share price



### ■ PBR



- **Highlight of Team NLM's efforts to address the environment and climate change, human capital strategy, and other issues that will lead to the next era of growth**



\*English version will be available on our website at: <https://www.nikkeikinholdings.com/ir/ir-data/p3.html>





**Team NLM – Groundbreaking Innovator of Aluminum and Beyond**

# Supplemental materials

## Reportable segments: Reorganization of the business group structure (before/after)

Integration of Automotive Parts business (Oct. 2023), business grouping in pursuit of management reforms (effective June 2024) – Some business groups belonging to a segment have been reclassified (effective from 1Q FY2024).

[Before reclassification] Before the previous FY (ended Mar. 2024)

Segment	Main company/ business divisions
Aluminum ingot and chemicals	NLM Chemicals Nikkei MC Aluminium
Aluminum sheet and extrusions	Nippon Light Metal, sheets Nikkeikin Aluminium Core Technology (extrusions) Nikkeikin Aluminium Core Technology (automotive parts)
Fabricated products and others	Nippon Fruehauf NLM Heat Exchanger division, Industrial Parts division NLM capacitor foil division Nikkei Panel System Nikkei Engineering Nippon Electrode NLM Kambara Complex, Tomakomai Complex Nikkei Logistics
Aluminum foil, powder and paste	Toyo Aluminium

[After reclassification] Current FY (ending Mar. 2025) and beyond

Main company/ business divisions	<b>Business group</b> <span>New !</span>	Segment
NLM Chemicals Nippon Electrode	<u>Chemicals business group</u>	Aluminum ingot and chemicals
Nikkei MC Aluminium	<u>Metal business group</u>	
Nippon Light Metal, sheets Nikkeikin Aluminium Core Technology (extrusions) NLM capacitor foil division	<u>Sheet &amp; Extrusion business group</u>	Aluminum sheet and extrusions
Nippon Fruehauf	<u>Transport Equipment business group</u>	
Nikkeikin Aluminum for Mobility	<u>Automotive Parts business group</u>	
Nikkei Panel System Nikkei Engineering	<u>Engineering business group</u>	Fabricated products and others
NLM Kambara Complex, Tomakomai Complex Nikkei Logistics	<u>Infrastructure business group</u>	
Toyo Aluminium	<u>Aluminum Foil business group</u>	Aluminum foil, powder and paste

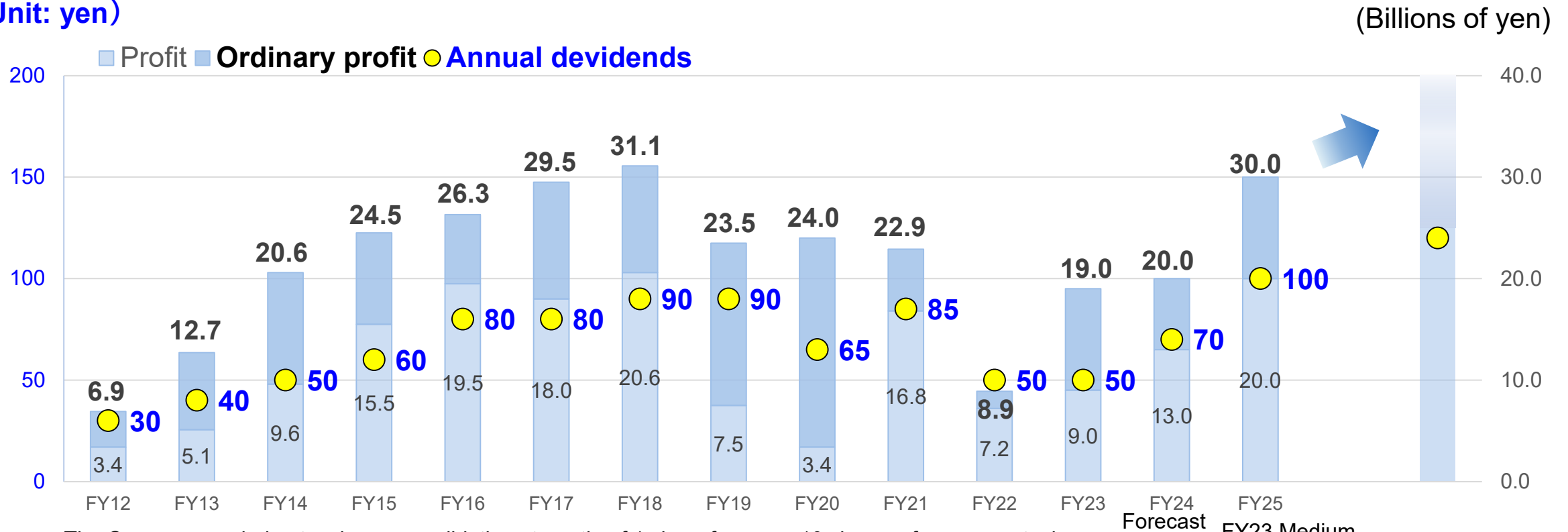
# Supplemental materials

## Shareholder returns

### Shareholder returns **based on stable dividends**

Our policy is to return profits to all shareholders, comprehensively taking into account the maintenance of consolidated earnings and a sound financial foundation for the medium to long term, while also reinforcing the financial system and management foundation (30% or higher of total dividend payout ratio).

(Unit: yen)



The Company carried out a share consolidation at a ratio of 1 share for every 10 shares of common stock on October 1, 2020, and the dividend amount per share prior to FY2019 (fiscal year ended in March 2020) takes into account the effect of this share consolidation.



# Supplemental materials

## Status of sales price revisions

The sales price revisions become effective for Nippon Fruehauf's products in May 2024 and for Nippon Light Metal's chemicals in June 2024 and January 2025.

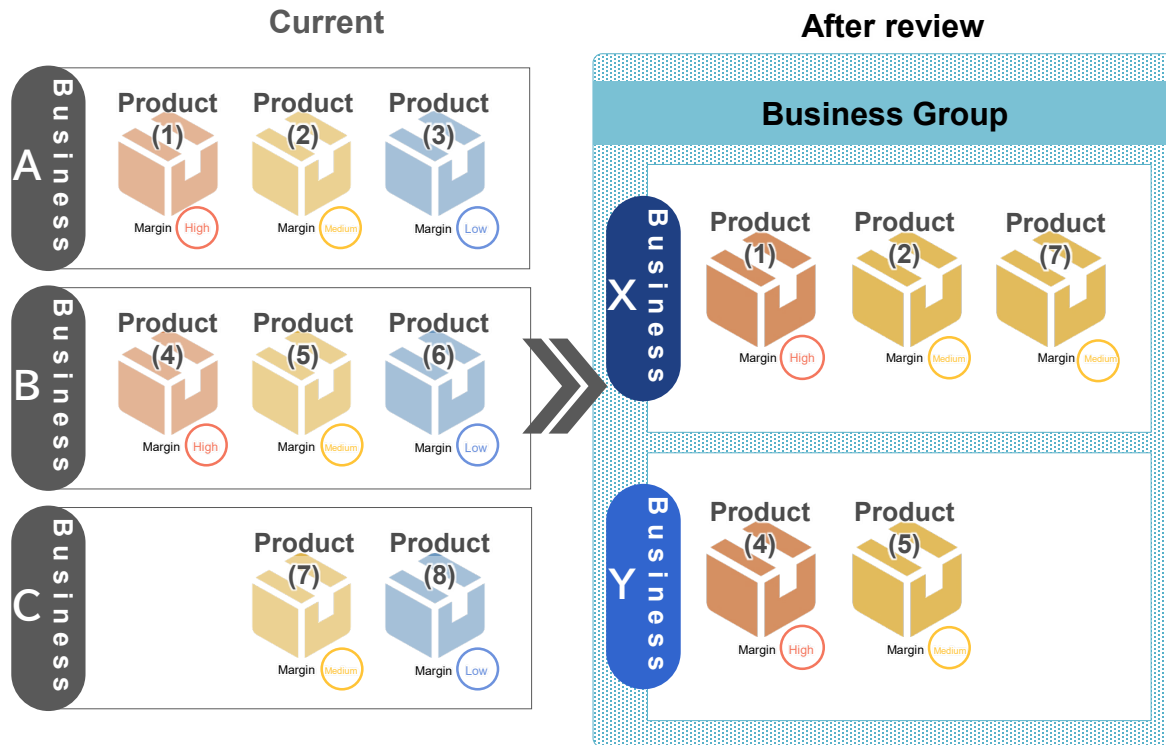
Start time	Segment		Item subject to price revision	Revision details	
January 2023	Aluminum sheet and extrusions	Sheet & Extrusion Business Group Nippon Light Metal, sheets	All aluminum sheet products	Raw material and fuel surcharge	Also applicable to some extrusion products
March 2023	Fabricated products and others	Transport Equipment Business Group Nippon Fruehauf	All products including van bodies and trailers	10–15% increase over current prices	
July 2023	Aluminum foil, powder and paste	Aluminum Foil Business Group Toyo Aluminium	Resin and paper raw materials for household use	20% or more	
February 2024	Aluminum sheet and extrusions	Sheet & Extrusion Business Group Nippon Light Metal, sheets	All aluminum sheet products	About 20% increase in processing fees (roll margin price)	Also applicable to extrusion products at the same level
May 2024 (parts and components in August)	Fabricated products and others	Transport Equipment Business Group Nippon Fruehauf	All products including van bodies and trailers, and all other parts and components	20% increase for products, 15–30% increase for parts and components	
June 2024	Aluminum ingot and chemicals	Chemicals Business Group Nippon Light Metal, chemicals	Aluminum hydroxide, alumina	10% or more over current prices	
January 2025	Aluminum ingot and chemicals	Chemicals Business Group Nippon Light Metal, chemicals	Aluminum hydroxide, alumina	Aluminum hydroxide 20 yen/kg or more, alumina 30 yen/kg or more	

# Supplemental materials

## What we can do by grouping businesses and functional organizations

Remove the resource constraints associated with individual efforts by business (Group company)

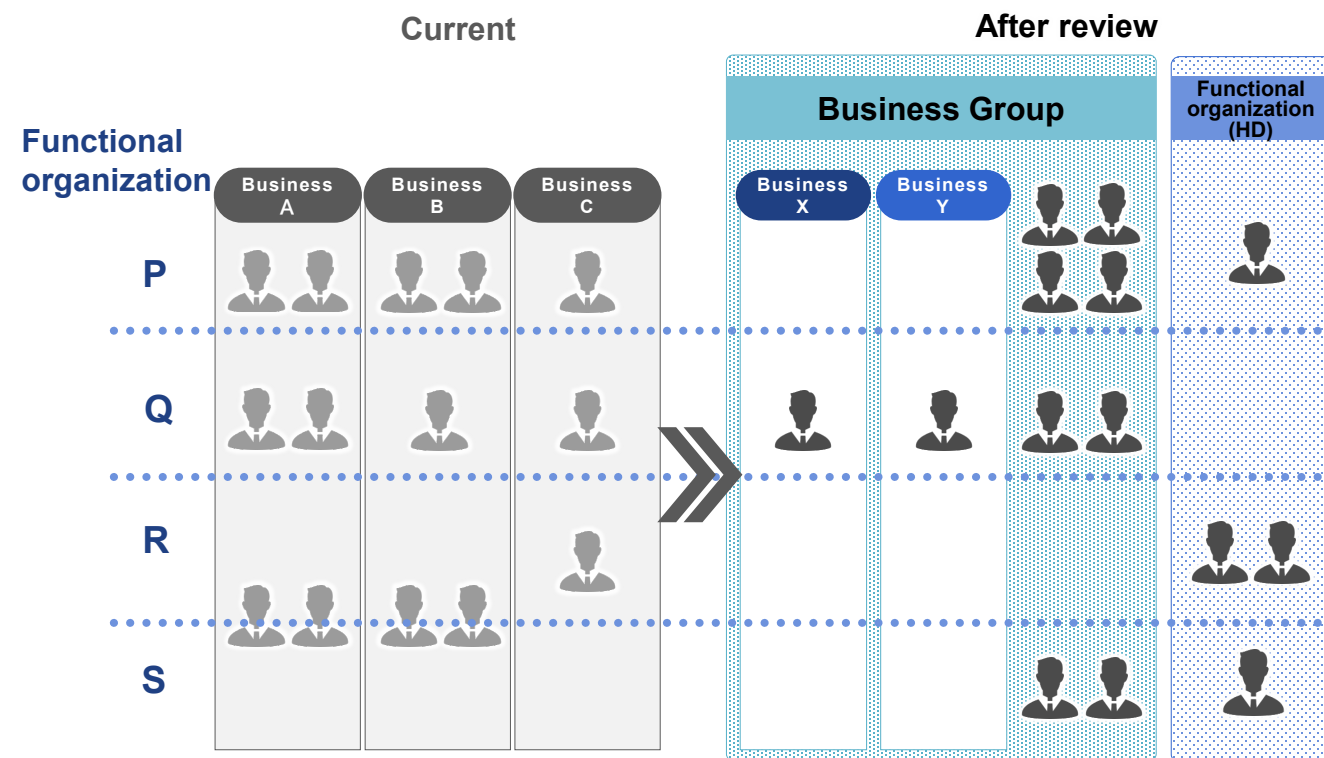
### Flexible business and product portfolios



Business Group

Ability to shift to high value-added products in areas with higher growth potential

### Resilient allocation of human resources (human capital)



Streamline efforts to improve operational efficiency (DX, automation), accelerate the creation of new products and businesses

Functional organization

Notes on this document

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