

Nippon Light Metal Holdings Co., Ltd.

Q&A Summary of Briefing for the Third Quarter of Financial Results for the Fiscal Year Ending March 31, 2025

- Date: 5:00–5:40 pm; January 31, 2025 (Friday)

- Briefers and respondents:

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Q1. The fabricated products and others business segment is likely to remain weak, despite a recovery trend. What factors are behind this, and what measures will you take to improve performance in the next fiscal year (FY2025)?

A1. This is mainly due to the unfavorable performance of the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility). In addition to recent weak orders in both Japan and China, the U.S. site, which began operations two years ago (2023), has not yet achieved the volume of orders initially targeted.

In response to this, we will strive to recover business performance in the next fiscal year and beyond through measures such as acquiring new products and increasing productivity.

Q2. You left the full-year consolidated earnings forecasts (operating profit of 21.0 billion yen and ordinary profit of 20.0 billion yen) unchanged. What is the background for the decision not to change them (including factors in terms of changes and strengths/weaknesses by segment)?

A2. In the aluminum ingot and chemicals segment, the aluminum sheet and extrusions segment, and the aluminum foil, powder and paste segment, we expect sales and profit to increase from the previous fiscal year (FY2023). By contrast, as explained earlier, the fabricated products and others business segment is unlikely to see an improvement, with negative growth compared with the previous fiscal year (FY2023). At the same time, the annual earnings forecast for the fabricated products and others business segment is set to be profitable against the cumulative performance deficit in the third quarter. This is due to the fact that, although there is a negative impact from the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility), the Panel System Division of the Engineering Business Group (Nikkei Panel System) and the Landscape Engineering Business Group (Nikkei Engineering) are expected to see concentrated sales in the fourth quarter, particularly in March. Taking these circumstances and trends into account, the full-year earnings forecasts for this quarter remain unchanged.

- Q3. Is it correct to understand that the progress of the aluminum ingot and chemicals segment, the aluminum sheet and extrusions segment, and the aluminum foil, powder and paste segment is relatively good?
- A3. There are variations among each segment and business, but basically, your understanding is correct.

Below is an explanation by segment.

Aluminum ingot and chemicals segment:

The Alumina and Chemicals Division of the Chemicals Business Group achieved a certain level of profitability despite the impact of soaring raw material prices, as a result of being able to implement timely sales price revisions.

Aluminum sheet and extrusions segment:

In the Aluminum Sheet Division of the Sheet & Extrusion Business Group, sales of foil materials to the Aluminum Foil Business Group (Toyo Aluminium), a volume zone, is affected by the sluggish demand for foils for automotive lithium-ion battery exteriors, while sales of sheet materials for automotive lithium-ion battery packages were strong. This resulted in a certain level of profitability. In the Extrusions Division, the products for truck bodies remained relatively strong, sales of products for semiconductor manufacturing equipment were slightly below expectations, but overall sales were relatively solid.

Aluminum foil, powder, and paste segment:

Regardless of the ongoing adjustment of foils for automotive lithium-ion battery exteriors, the demand for processed foil for medical product packaging is growing significantly, especially in India, and the Powder and Paste Division's heat dissipation products for semiconductors and electronic materials are well received by customers, showing a positive trend.

- Q4. The Transport Equipment Business Group (Nippon Fruehauf) in the fabricated products and others business segment has achieved profitability in the cumulative results for the third quarter. However, I have the impression that the timing of performance recovery has been pushed back. To what extent will you be able to achieve performance recovery for the next fiscal year (FY2025)? (In FY2020, operating profit achieved approximately 2.0 billion yen, while operating profit in the cumulative third quarter of this fiscal year (FY2024) was 0.1 billion yen. For further recovery, is it necessary to add measures such as further price revisions, or are the current measures sufficient?)
- A4. This fiscal year's performance has improved to the level of achieving profitability, backed by the recovery of sales, alongside the progress of sales price revisions, indicating a path for

performance recovery. However, we understand that the Group must make solid efforts to return to the original profit level (operating profit of approximately 2.0 billion yen in FY2020). We are well aware that there are still areas where the effects of the sales price revisions implemented to date have not been fully realized, and there are challenges in terms of costs related to meeting customer needs with a diverse range of vehicle models from a productivity standpoint, as well as productivity improvements such as production automation, where we have a lot of work to do. We are determined to advance efforts to return to the original level of profitability.

Q5. The Aluminum ingot and chemicals segment's fourth-quarter performance is expected to shrink compared to the third quarter and earlier. What are the causes behind this?

A5. We have factored in a slightly weaker fourth quarter for the Alumina and Chemicals Division of the Chemicals Business Group. There are two factors. One is that the market price of raw material aluminum hydroxide has spiked significantly due to production problems at suppliers (overseas) and other factors. The other is due to factoring in the loss from the disposal of some production facilities.

Q6. The sales price revisions for aluminum hydroxide and alumina started in January 2025. Am I correct in understanding that the effect of the sales price revisions will manifest in the next fiscal year (FY2025)?

A6. That is correct. Compared to other business groups and divisions, the Alumina and Chemicals Division is in a somewhat price-leading position, which allows for negotiations to advance sales price revisions in the face of soaring raw material prices. However, there is inevitably a time lag in reflecting this in net sales due to lead times and other factors.

Together with other business groups and divisions, we intend to respond in as timely a manner as possible to minimize the impact of soaring prices such as for raw materials on our performance.

Q7. Is it possible to increase profits in the next fiscal year in order to achieve the profit target of 30.0 billion yen for the next fiscal year (FY2025), which is the final year of the 2023 Medium-term Plan? Also, is it likely that you will be able to increase profits to a level that would allow for a dividend increase in the next fiscal year?

A7. Currently, we are in the process of formulating our plan for the next fiscal year (FY2025) within the company, so we are not in a position to provide a specific profit plan, overall sentiment, or dividend policy at this time. What I can say at this point is that for the automotive and semiconductor markets, which are the main targets of the Group, the results for FY2024 were unfavorable in terms of meeting expectations. However, regardless of uncertainties due

to changes in trade policies following the transition in U.S. administration, we intend to see some recovery in FY2025. We are working to acquire the gains by implementing sales price revisions in as timely a manner as possible, while minimizing the negative impact on our performance, so that our customers bear the portion of the raw material price increase that cannot be absorbed by the Group's own efforts. Given these endeavors, we believe that it does not necessarily mean that increasing profits next fiscal year will be difficult.

Q8. In the aluminum sheet and extrusions segment (Sheet & Extrusion Business Group), how are processing fees (roll margin price) being revised and how are soaring raw material prices, such as aluminum ingot, being passed on to sales prices?

A8. Regarding the revision of processing fees (roll margin price), the Aluminum Sheet Division increased the price by about 20% last February 2024. The Extrusions Division will increase the price by more than 20% from February 2025. Like other companies, we are pursuing a policy of mitigating the adverse impact on our performance by implementing sales price revisions after negotiating with customers in as timely a manner as possible for the portion of the raw material price increase that cannot be absorbed by the Group's own efforts. Looking at aluminum ingot prices, LME prices (dollar/kg) are generally hovering around the 2,600 dollar level, but domestic distribution prices (yen/kg) are trending upward due to the weak yen. Therefore, in the short term (monthly/quarterly), we have incorporated a slight positive upside in the fourth-quarter earnings forecasts where the sales price is above the inventory ingot price.

Q9. Regarding the performance of the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility) in the fabricated products and others business segment, the loss in the third quarter was larger than that in the second quarter. What are the causes behind this?

A9. This is because the third-quarter results reflect a one-time loss incurred as a result of discontinuing sales of some of Nikkeikin Aluminum for Mobility's unprofitable products.

Q10. How do you see the future market trends for thick sheets for semiconductor manufacturing equipment in the Aluminum Sheet Division of the aluminum sheet and extrusions segment (Sheet & Extrusion Business Group)?

A10. While we had expected the recovery to expand from the first half to the second half of this fiscal year (FY2024), the current situation is that it has not ramped up beyond expectations. In fact, the strong performance of sheet materials for automotive lithium-ion battery packages is supporting the current results. In addition, we anticipate a significant recovery in thick sheets for semiconductor manufacturing equipment in FY2025, which is our current outlook.

Q11. You mentioned sluggish Japanese automakers in your comments on the performance of the

- auto business. Were you referring to the auto industry as a whole or to specific manufacturers?
- A11. In the upstream business (e.g., the secondary alloy ingot division of the Metal Business Group in the aluminum ingot and chemicals segment (Nikkei MC Aluminum)), we have transactions with various companies at home and abroad (the U.S., China, Thailand, and India) in a comprehensive manner. In fact, since the situation of the auto industry in each region affects our business, we perceive it as the overall auto industry. For the downstream processing business (e.g., the Automotive Parts Business in the fabricated products and others business segment (Nikkeikin Aluminum for Mobility)), due to the nature of our transactions being conducted for each customer's products and items, we are tending to see it more from the latter perspective. In addition, we are closely monitoring future trends such as the reorganization of the auto industry.

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