Nippon Light Metal Holdings Co., Ltd.
Q&A Summary of Briefing on Financial Results for the Fiscal Year Ended March 31, 2025

- Date: 5:00–5:40 pm; May 15, 2025 (Thursday)
- Briefers and respondents:
  Hiroyuki Matsudaira, Director and Senior Executive Officer
  Haruhiko Takahashi, Officer in charge of Accounting of Corporate Personnel Administration Office
  Koichi Isshiki, Officer and General Manager of Planning Administration Department
  Masahiro Amaya, Accounting Manager of Corporate Personnel Administration Office

Q1. Overall, performance in the fiscal year ended March 31, 2025 (FY2024) seems to be largely in line with the company plan. However, what are the differences in operating profit by segment as per the company plan (where segment operating profit was restated in the third-quarter financial results announced in January 2025)? And what are the factors behind them?

A1. The aluminum ingot and chemicals segment (company plan: ¥12.0 billion; actual results: ¥11.5 billion) was slightly below the plan because products for secondary alloy ingots for automotive applications performed worse than anticipated. In the aluminum sheet and extrusions segment (company plan: ¥5.0 billion; actual results: ¥5.5 billion), demand for semiconductor-related products was adjusted less than expected, and there was a slight positive impact from aluminum ingot market prices.

In the fabricated products and others segment (company plan: ¥2.0 billion; actual results: ¥3.2 billion), the engineering business group (the panel system division and the landscape engineering division) recorded higher-than-expected net sales on a percentage-of-completion basis, and profit margins from large projects were relatively good. Lastly, the aluminum foil, powder, and paste segment (company plan: ¥6.0 billion; actual results: ¥5.5 billion) had overall sales slightly below expectations. These are the major factors.

Q2 The projected increase in operating profit (¥6.0 billion) for the fabricated products and others segment in FY2025 doesn’t seem that large when compared to the operating profit results in the fourth quarter of FY2024 (¥4.7 billion). Were any one-time factors included in the operating profit results for the fourth quarter of FY2024?

A2 There were no particularly significant one-time factors.

Q3 For the fabricated products and others segment, operating profit results increased significantly from ¥0.3 billion in the third quarter (October–December) of FY2024 to ¥4.7 billion in the fourth quarter (January–March) of FY2024, even when excluding the seasonality of the engineering business group’s performance. What caused this significant increase?

A3 A major factor was that the engineering business group’s sales recorded in March, using the percentage-of-completion method, were higher than anticipated.

Q4 Regarding the projected ¥1.2 billion increase in ordinary profit for FY2025 compared to FY2024, what is the factor-by-factor breakdown of the change?

A4 In terms of sales volume variance, we anticipate increased sales across our businesses in general, including the sheet & extrusion business group (the aluminum sheet division and the extrusions division). Regarding the variance from new products, we are factoring in an increase in new products from the automotive parts business group (Nikkeikin Aluminum for Mobility). The majority of the variance in sales prices is attributable to the effects of sales price revisions in the chemicals business group and the transport equipment business group (Nippon Fruehauf) to offset increases in raw material prices and fixed expenses.

The main factors behind the variance in purchased goods are the increased prices of aluminum hydroxide and aluminum ingots, which are used as raw materials, in the chemicals business group and the transport equipment business group.

Recently, however, market prices of aluminum hydroxide used as a raw material, along with aluminum ingot market prices, have moderated. This has reduced the effect of decreasing profits for the chemicals business group, in tandem with the effect of increasing profits from sales price revisions, as indicated by the sales price variance.

Lastly, other variances are mainly the estimated monetary effects of increased depreciation expenses due to capital investments and the anticipated increase in fixed expenses, including labor costs.

Q5 Aluminum ingot prices in the U.S. appear to be rising sharply in relation to the additional U.S. import tariffs. Will this not lead to increased production costs or worsening margins at the U.S. operations of the automotive parts business group (Nikkeikin Aluminum for Mobility)?

A5 The country of origin for aluminum ingots procured in the U.S. is Canada, which incurs tariff costs, but our basic business concept is local production and consumption (sourcing materials, production, and sales). We will continue to minimize the impact on performance through sales price revisions under which customers would need to bear the cost increases arising from external factors, including tariffs.

Q6 The projected decrease in operating profit for the aluminum ingot and chemicals segment in FY2025 includes the impact of moderating aluminum ingot market prices when compared to FY2024. What is the estimated monetary effect of this impact?

A6 We figure it’s around ¥4.0 billion.

Q7 Your forecast assumes a further increase in profits in the aluminum foil, powder, and paste segment (aluminum foil business group) in FY2025. What are the factors behind this?

A7 Sales of foil products for automotive lithium-ion battery exteriors in the aluminum foil division remained in an adjustment phase for some time. But recently, signs of growing demand have begun to emerge, and we expect a sales recovery in FY2025.

We are factoring in future sales expansion of processed foil for medical product packaging in the aluminum foil division, centered on our base in India, as well as demand growth and increased sales of powder products for heat dissipation, such as aluminum powder for electronic materials and aluminum nitride, in the powder and paste division. We see these as pillars of our future growth strategy.

Q8 The operating profit forecast for the transport equipment business group (Nippon Fruehauf) for FY2025 is ¥1.2 billion. While this is an improvement from FY2024, it still seems to fall short of the ¥2.0–3.0 billion level seen in previous years. What are your views on this?

A8 Your point that it is insufficient compared to past profitability is correct. We have not fully revised sales prices, which would require customers to bear the cost increases, notably from soaring raw material prices and higher fixed expenses. We believe that how we approach sales price revisions going forward is pivotal to regaining profitability.

Q9 What caused Nikkei Panel System to project a profit decrease for two consecutive years (FY2023 to FY2024 and FY2024 to FY2025), according to the major group companies' financial forecasts for FY2025? Despite an improvement beginning in FY2024, how is it that Nikkeikin Aluminum for Mobility is operating at a loss? What countermeasures are planned for these situations?

A9 Nikkei Panel System:

Until FY2023, performance was strong, buoyed by robust demand in the clean room field in the semiconductor-related business and a high volume of orders placed for major projects. However, demand was weak in the first half of FY2024. Although it recovered in the second half, this trend has continued into early FY2025. Background factors include a lull in demand in the clean room field for the semiconductor-related business, and delays in construction periods by customers becoming more apparent, partly due to the construction industry's "2024 problem." To counter this, we are currently striving to secure profits by expanding sales in the refrigerator and freezer field, where demand remains steady, and by prioritizing highly profitable project orders. However, current profit levels have not yet reached those of FY2023.

Nikkeikin Aluminum for Mobility:

In Japan, we aim to increase profits by launching new products and other initiatives, even though the domestic market is still weak. At our U.S. base, we will continue to curb fixed expenses by improving production efficiency, including yield improvement. Our China base will seek to expand sales as an action plan by securing orders from local manufacturers under the premise of ensuring profitability, thereby advancing profit improvement overseas.

Q10 What is the outlook for the thick sheet business for semiconductor manufacturing equipment (the sheet and extrusion business group's aluminum sheet division) in FY2025?

A10 Shipment volumes began to move around the middle of FY2024, but have not yet fully recovered. At this point, the FY2025 performance forecast assumes a recovery beginning in the second half of FY2025. However, since the demand situation is fluid, we are closely monitoring trends among our customers, including distributors.

Q11 What do you emphasize when deciding on the policy and criteria for shareholder returns?

A11 We believe that soundly achieving our growth strategy and providing shareholder returns, including measures to address stock prices, are inextricably linked. FY2025 marks the final fiscal year of the 2023 Medium-Term Management Plan. We are looking to quickly formulate our next medium-term plan and, after solidifying our growth strategy, we want to move on to discussions encompassing how we will approach strengthening shareholder returns.