Nippon Light Metal Holdings Co., Ltd.
Q&A Summary of IR Briefing on Progress Overview of FY2023–2025 Medium-term Management Plan (2023 Medium-term Plan)

・ Date: 2:00–3:00 pm; May 27, 2025 (Tuesday)
・ Briefers and respondents:
 Ichiro Okamoto, President and CEO
 Hiroyuki Matsudaira, Director and Senior Executive Officer
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Q1 Please explain in detail what is the difference between the ordinary profit target (¥30 billion) for fiscal 2025 in the 2023 Medium-term Plan (hereinafter "2023 MTP") and the ordinary profit forecast for fiscal 2025 (¥21 billion announced on May 15, 2025).

A1 The main factors behind the profit decrease (¥12.5 billion loss), in terms of volume and product mix, are the significant slowdown in sales at the Automotive Parts business group (Nikkeikin Aluminum for Mobility) compared to those planned in the 2023 MTP, as well as product mix impacts at the Transport Equipment business group (Nippon Fruehauf). The profit decrease in new products (¥4.5 billion loss) reflects unmet 2023 MTP sales targets due to our automaker customers' review of their EV market rollout pace, as well as a slowdown in sales, despite our aggressive plan to roll out new materials for EV components. To offset profit decreases due to higher purchased product costs (¥3.1 billion loss) and fixed expenses (¥8.1 billion loss), we made rigorous efforts in price negotiations with customers across multiple business groups, including Transport Equipment, Chemicals, and Automotive Parts, for the portion that could not be fully offset by group-wide efforts alone. These efforts contributed a total of ¥10.9 billion in corrective pricing effects, driving a recovery in profits. Additionally, retaining the Aluminum Foil business group (Toyo Aluminium) under the Group structure helped to drive a recovery of ¥6.3 billion in profits, despite its original plan to be spun off under the 2023 MTP.

Q2 Which businesses and products will see profit growth in fiscal 2025 and beyond?

A2 The Sheet & Extrusion business group (Nippon Light Metal, Sheet; Nikkeikin Aluminium Core Technology) anticipates a recovery in demand for thick sheets and other products for semiconductor manufacturing equipment from the second half of the year. The Transport Equipment business group (Nippon Fruehauf) returned to profitability in fiscal 2024 following very severe performance through fiscal 2023 and is now projecting a year-on-year increase in profit for fiscal 2025, reflecting steady demand.

Q3 To enhance capital efficiency per business group, the invested capital across all eight business groups is likely to be moving in the direction of increasing their invested capital as per your concept of offensive structure. Alongside this, are there any divestments under consideration?

A3 Our plan includes reducing cross-shareholdings and selling unnecessary assets. We maintain a fundamental approach of proactively making capital investments as part of our growth strategy to boost profits, thereby enhancing the ROIC level.

Q4 Will the number of subsidiaries change under the next MTP (fiscal 2026–2028)?

A4 The details are under review, and therefore we will refrain from providing specific information. Several themes are on the rise, and a concrete examination is in progress.
Our case-by-case judgment for growth investments remains unchanged. We are also conducting a thorough study on divestments.

Q5 Please explain in detail the “Excerpt from strategic and action items for the next MTP” presented in the materials.

A5 We are currently reviewing our alliances and investments, and will therefore refrain from providing specific information. As a result of transitioning to the business group structure, one key pillar is the ability to shift from low-profit to high-profit businesses and products. We anticipate that synergies will emerge from this group structure going forward.

Q6 In terms of the direction of financial indicators for the next MTP, you are seeking to achieve an ordinary profit of over ¥30 billion and an ROIC of 8% or higher. Alongside ongoing growth investments, you plan for divestments. Is it correct to understand that net capital won’t increase?

A6 While targeting the early achievement of over ¥30 billion in ordinary profit during the next MTP period, we need to continue making capital investments for profit growth, as well as invest in renewing aging equipment.
In light of the shift toward value-added businesses and products at a higher level, we will work on the development of quantitative plans that incorporate resource reallocation through the business group structure, so that we can reflect them in the next MTP.

Q7 In conjunction with your concept for strengthening shareholder returns, you seem set to avoid accumulating invested capital. In any case, does it mean that quantitative and concrete examinations regarding invested capital are still going to be made?

A7 Many matters remain undecided at the organizational level; therefore, we ask for your understanding regarding the limited nature of explanations available at this time. We are proactively considering shareholder returns, and will move ahead with discussions along with its growth strategy. We intend to provide details at an appropriate time.
We will pursue solid growth investments and direct the resulting profits in an effort to strengthen shareholder returns.

Q8 In terms of the ordinary profit forecast for fiscal 2025 (¥21 billion announced on May 15, 2025), are there any one-time events or other factors, potentially further increasing profits?

A8 One-time events include progressing sales price revisions as a profit-increasing factor and impacts from declining aluminum ingot prices as a profit-decreasing factor. Both have been somewhat factored into our ordinary profit forecast for fiscal 2025 (¥21 billion).

Q9 What rationale and discussions led to establishing the current basic policy for shareholder returns at “a total dividend payout ratio, including the acquisition of treasury stock, of over

30%"?

A9 The decision was made after considering the prevailing market standards at the time (not limited to the steel and non-ferrous metals sector, including aluminum). Given growing attention on strengthening shareholder returns, we will actively discuss whether our current total dividend payout ratio or dividend ratio remains appropriate.

Q10 What is the priority among your three profit-improvement measures (growth strategies, securing appropriate margins, and resource allocation review)?

A10 In terms of reviewing resource allocation, transitioning to the business group structure allowed for a smooth shift from low-profit to high-profit businesses and products. This will lead to increased profits per business group and boost overall group profits.

Q11 Given your current equity ratio in the 40% range, will dividend-focused measures be prioritized to strengthen shareholder returns under the next MTP? Do you consider the acquisition of treasury stock to be feasible?

A11 With a view to enhancing the ROE level, we will examine both approaches for increasing profit through growth investments and using appropriate levels of leverage.

A12 Looking at overseas sales and operating profit, India's net sales for fiscal 2025 are forecast to significantly grow year on year (from ¥14.9 billion actual in fiscal 2024 to ¥19.0 billion forecast for fiscal 2025), while no growth in their operating profit is expected (from ¥0.1 billion actual in fiscal 2024 to ¥0.1 billion forecast for fiscal 2025). What caused this?

A12 This is due to the later-than-expected launch of operations at the third base for secondary alloys (Metal business group; Nikkei MC Aluminium). Sales of processed foil for medical product packaging (Aluminum Foil business group; Toyo Aluminium) account for a large portion of India's total net sales, which will drive overall net sales growth in India during the near term.

Q13 In fiscal 2024, India's net sales results (¥14.9 billion) fell short of the forecast at the beginning of the year (¥21.7 billion). What factors were behind this?

A13 This is because the production volume at our third base for secondary alloys hasn't yet reached a sufficient level relative to its production capacity.

Q14 Processed foil for medical product packaging generates profits, but the production of secondary alloys at the third base has not yet reached a profitable level. Is this correct?

A14 We expect our third base for secondary alloys to turn profitable during fiscal 2025. Looking at sales of processed foil for medical product packaging, fiscal 2025 is likely to be a period of a temporary lull before resuming a steady growth curve thereafter.

Q15 With regard to constructing a circular supply chain, you mentioned securing manufacturing bases for recycled materials and considering bases for scrap procurement as a part of your procurement approach. Does this imply that you will establish a new domestic or overseas base?

A15 Circular business models will be key for the aluminum industry's future, given that Japan alone cannot sustain such supply chains and global expansion is critical for delivering value to our customers.

Q16 Are you considering local sourcing and consumption, i.e., "local production for local consumption," or procuring recycled materials overseas for use in Japan?

A16 Currently, the regions and bases where our products are manufactured do not always align with the bases where large amounts of scrap are generated. Therefore, in our view, constructing a supply chain with efficient material flows on a global scale heavily outweighs local sourcing-consumption models.

Q17 What is your approach to increasing your procurement of green aluminum?

A17 Global green aluminum ratios remain below 50% with limited near-term growth expectations. Procuring green aluminum remains a challenge, but that's precisely why we believe that a circular supply chain model involving recycled materials and scrap procurement is becoming increasingly vital.

Q18 As part of your production approach, you mentioned rebuilding a domestic casting production system and establishing a new production base for recycled extruded and recycled rolled materials. Do you mean that you will rebuild a casting production system using existing bases, or establish a new production base for such materials?

A18 While maintaining a reasonable number of domestic aluminum melting bases within the Group, there will come a time when we undergo a significant shift from existing aluminum melting equipment for new aluminum ingots to melting equipment for recycled materials and scrap.

Q19 Regarding your sales approach, you mentioned carbon-neutral sales strategies by sector. How do you approach the building materials and automotive sectors?

A19 We are at a stage of requesting customers' understanding on the value of decarbonization, while also seeing the rapidly growing demand faced by customers. As such, we are looking to co-create the value of decarbonization with customers through brand-building initiatives with clear terms, thereby linking it to profitability.