

Nippon Light Metal Holdings Co., Ltd.

Q&A Summary of Briefing on Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2024

• Date: 5:30-6:00 pm; January 31, 2024 (Wednesday)

• Briefers and respondents:

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Q1. Regarding operating profit improved in the fabricated products and others segment during the period from Q2 to Q3, which division other than the panel system division contributed to the improvement? What were the factors behind the decrease in profit in the truck body business from Q2 to Q3, and what is the outlook for Q4?

A1. This was primarily due to the landscape engineering division having good order intake for public works projects and the carbon products division seeing an increase in sales of products for electric furnaces, blast furnaces and other applications.

The truck body business has not yet had a profit increase relative to the rise in sales volume due to an ongoing process of productivity improvement even under an enhanced production system with additional personnel following the recovery in truck chassis supply, and the relatively high proportion of mass-market vehicles in the product model mix. Looking forward to Q4, we expect operating profit to improve as the replacement of products with those ordered after the revision of sales prices is in progress and productivity is improving as well.

Q2. Please explain the current trends and future outlook for demand for semiconductor manufacturing equipment in the aluminum sheet and extrusions segment.

A2. There was no change in the situation for the period from Q2 to Q3. Our view is that the slump in demand will remain until the end of fiscal 2023 and that severe conditions will continue into fiscal 2024, and we have yet to experience a sense of recovery.

Q3. In the aluminum sheet and extrusions segment, what factors are behind your forecast of a decrease in operating profit for the period from Q3 to Q4, as opposed to an increase posted for the period from Q2 to Q3?

- A3. The market environment and demand trends, including those related to semiconductors, have not changed significantly, and we do not believe that there will be a noticeable decline in operating profit forecasts for our segments and businesses in Q4.
- Q4. The 20% processing fee revision for aluminum sheet products will be implemented in February. Will the effects of the price revision be seen in fiscal 2024 or later?
- A4. This effort is largely targeted at fiscal 2024 and beyond.
- Q5. What is behind your decision to leave the full-year earnings forecasts unchanged from those released in May 2023?
- A5. The main factor was the aluminum foil, powder and paste segment. In Q3, the increase in operating profit was mainly due to the seasonal peak sales in the daily necessities division, as well as the brisk demand for processed foil for medical product packaging in the foil division as hospital visits increased following the easing of social restrictions due to the COVID-19 pandemic. In contrast, in Q4 we expect operating profit to decline due to the disappearance of seasonal factors that contributed to profit increases, as well as an expected decline in sales volume of processed foil for medical product packaging, slowing demand, sluggish sales of foil for lithium-ion battery exteriors, and the impact of aluminum ingot market conditions, among other factors
- In other segments, we expect to see a decline in sales due to seasonal factors in the aluminum ingot and chemicals segment, continued weak demand in the aluminum sheet and extrusions segment through Q3, and an increase in sales in the fabricated products and others segment at the end of the fiscal year in construction-related businesses such as in the landscaping engineering and panel system divisions.
- Q6. What were the factors behind Nikkeikin ACT's increase in operating profit during the period from Q2 to Q3?
- A6. The main contributor to the higher operating profit was the recovery in demand for the truck body business, although this was also partly due to the transfer of the automotive business to Nikkeikin ALMO, which is experiencing a slowdown in sales in China.
- Q7. Does the recovery of operating profit to 7 billion yen in Q3 represent real value? Or do you include one-time factors such as in the aluminum foil, powder and paste segment (as explained in A5 above) or in the landscape engineering division?
- A7. The one-time factors include some of those resulting from Q4 demand that were brought forward to Q3.

- Q8. What is your outlook for fiscal 2024?
- A8. Looking at our results for the first nine months of this fiscal year, demand related to semiconductors was sluggish and the overseas auto parts business faced difficult conditions. In our view, this is an issue that has brought about the downturn in the aluminum sheet and extrusions segment. In terms of semiconductor-related demand, market expansion in fiscal 2025 is our common understanding at this point, but we believe that when the market starts up in fiscal 2024 will be a significant factor in improving results in fiscal 2024. In the auto parts business in China and the U.S., on the other hand, we are looking to meet the global supply system demanded by our customers, the automakers, over the medium to long term, and frankly speaking, it is difficult to say whether we can improve profit in the short term. Looking ahead to fiscal 2024, we intend to first lay the foundation for a profitable structure. In addition, we are continuing our review of the framework and approach to improving profitability in the medium to long term, not only in the auto parts business, but also as a major issue for fiscal 2024 and beyond. We believe these efforts will be the starting point for the Group's next phase of growth.
- Q9. The full-year operating profit forecast remains unchanged at 17.0 billion yen. However, by segment, compared with the full-year operating profit forecast presented in the Q2 results dated October 31, you expect an increase of 1.5 billion yen in the aluminum foil, powder and paste segment, a decrease of 0.5 billion yen in the aluminum ingot and chemicals segment, and a decrease of 1.0 billion yen in the aluminum sheet and extrusions segment. What are the determining factors for these expectations?
- A9. The decreases in our operating profit forecasts for both the aluminum ingot and chemicals segment and the aluminum sheet and extrusions segment reflect recent signs of slow recovery in semiconductor-related demand and automotive-related sales in the Chinese market. The increase in the operating profit forecast for the aluminum foil, powder and paste segment was as a result of factoring in seasonal demand for the daily necessities division in Q3, as well as an upturn in demand for medical product packaging and higher sales of paste products for automobile paints.
- Q10. Do the revised operating profit forecasts by segment reflect differences in demand assumptions?
- A10. Regarding the aluminum ingot and chemicals segment and the aluminum sheet and extrusions segment, while our forecast for the recovery of semiconductor-related demand was set for the latter half of fiscal 2023 at the beginning of the fiscal year, the current situation remains sluggish. In the aluminum foil, powder and paste segment, our forecast for fiscal 2023 was that the impact of the rebound decline in fiscal 2021 and 2022 from the

increase in stay-at-home demand due to the COVID-19 pandemic in fiscal 2020 would continue. In fact, in fiscal 2023, demand was solid, and we were able to pass on the higher raw material prices to sales prices, and the orders received for paste products for automobile paints were higher than expected, and demand for medical product packaging was strong through Q3. As such, we decided to revise our forecasts as the demand trend in each area exceeded our expectations at the beginning of the fiscal year.

Q11. Please tell us about the progress of the transfer of Toyo Aluminium's business.

A11. We are aware that it is taking some time as the process is still under review by the relevant parties. As soon as circumstances allow, we will explain it; however, at this point, we remain committed to making every effort to integrate the aluminum foil business.

Q12. What is the status of the new plant operations in the U.S. for extrusion products in the auto parts business currently underway in the aluminum sheet and extrusions segment?

A12. We are currently behind our originally-planned timeframe for stabilizing mass production.

Q13. How will this affect Nikkeikin ALMO's business performance in the future?

A13. We do not believe that the slowdown in auto parts sales to China and the delay in stabilizing mass production at the new U.S. plant will have a significant further negative impact on Nikkeikin ALMO's performance. However, we see a potential risk that the recent quality incident at an automaker could spread to domestic automotive-related business in Nikkeikin ALMO.