Medium-term management plan

May 30, 2022
Nippon Light Metal Holdings Company, Ltd.
Medium-term management plan


(2) Overview of fiscal 2022-2024 medium-term management plan (2022 Medium-term Plan)
Review of 2019 Medium-term Plan

Summary

Secure a certain amount of profit even in harsh business environment

2019 Medium-term Plan: Although financial targets were not achieved, we have built up a system that can steadily generate 20 billion yen in ordinary profit.

External environment marked by negative factors such as the US-China trade friction, COVID-19, semiconductor shortages, a spike in raw material and fuel costs and other.
## Review of 2019 Medium-term Plan

### Financial indicators

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2018 Results</th>
<th>Fiscal 2019 Results</th>
<th>Fiscal 2020 Results</th>
<th>Fiscal 2021 Results</th>
<th>2019 Medium-term Plan Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>500.5</td>
<td>465.9</td>
<td>432.6</td>
<td>486.6</td>
<td>540.0</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>30.1</td>
<td>24.6</td>
<td>24.2</td>
<td>22.2</td>
<td>37.5</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>31.1</td>
<td>23.5</td>
<td>24.0</td>
<td>22.9</td>
<td>37.0</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>20.6</td>
<td>7.5</td>
<td>3.4</td>
<td>16.8</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>ROCE</strong></td>
<td>10.8%</td>
<td>8.0%</td>
<td>8.4%</td>
<td>8.7%</td>
<td>11.4%</td>
</tr>
<tr>
<td><strong>Total dividend payout ratio</strong></td>
<td>27.1%</td>
<td>74.6%</td>
<td>119.6%</td>
<td>31.2%</td>
<td>30% as standard</td>
</tr>
</tbody>
</table>

(Billions of yen)
### Primary specific measures implemented

#### Specific results from 2019 medium-term plan

<table>
<thead>
<tr>
<th>Creation of new products and new businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Eco-friendly cars: Use of heat-release plates for power control units</td>
</tr>
<tr>
<td>- Eco-friendly cars: Use of battery cooling plates</td>
</tr>
<tr>
<td>- Medical applications: Use of panels for clean rooms</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dedicate resources for growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>- North America: Establishment of company for manufacture and sale of auto underbody parts</td>
</tr>
<tr>
<td>- India: Operations at second factory for secondary alloys, established third base (new company)</td>
</tr>
<tr>
<td>- India: Aluminum foil processing company changed from an equity-method affiliate to a subsidiary</td>
</tr>
<tr>
<td>- Japan: Technology lab for panels established</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Reinforce management foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Nikkei Heat Exchanger and Nikkei Engineering made wholly owned subsidiaries</td>
</tr>
<tr>
<td>- Sold equity in investment in Toyo Precision Appliance (Kunshan) Co., Ltd.</td>
</tr>
<tr>
<td>- Establishment of Nomination and Compensation Committee</td>
</tr>
<tr>
<td>- Identification of material issues and value creation process (issuance of 2021 Integrated Report)</td>
</tr>
</tbody>
</table>

**Addressing issues**
- Sediment countermeasures at Amehata Dam: Emergency measures, completion of short-term plan (dirt removal), made provisions for reserves for countermeasure costs
- Inappropriate actions related to JIS certification: Recognized this as an important issue, currently taking measures to prevent reoccurrence
1. Financial results for the fiscal year ended March 31, 2022 and forecast of financial results for the fiscal year ending March 31, 2023
   (1) Consolidated financial results for the fiscal year ended March 31, 2022
   (2) Forecast of consolidated financial results for the fiscal year ending March 31, 2023

2. Medium-term management plan
   (2) Overview of fiscal 2022-2024 medium-term management plan (2022 Medium-term Plan)
Ambitions incorporated in medium-term management plan

Overview of 2022 Medium-term Plan

Development of corporate structure capable of sustainable growth

Team NLM offers “customer value” and achieves economic value and social value
Overview of 2022 Medium-term Plan

Nippon Light Metal Group’s vision

Identify possible material issues
- Created a short list from nearly 400 social issues related to ESG

Assess materiality
- Identified issues that were very material in terms of social importance and the importance of the Group’s corporate value

Confirm validity and comprehensiveness
- Assessment by external experts
- Reconsideration from aforementioned results

Confirmation of important issues
- Approval at Board of Directors’ meeting after CSR Committee and Executive Committee

Corporate structure that can achieve sustainable growth

Material issues
- Protecting the global environment
- Providing sustainable value
- Happiness of employees
- Responsible procurement, production and supply
- Corporate ethics, corporate governance

Maximization of corporate value

Nippon Light Metal Group’s vision

Management policies
We will Contribute to improving people’s quality of life and environmental protection by continuing to create business, focused on aluminum.
Overview of 2022 Medium-term Plan

Basic policies of 2022 medium-term management plan

Team NLM—Groundbreaking Innovator of Aluminum and Beyond

1. Provide products and businesses that contribute to the creation of social value
   - Provide products and businesses that satisfy customers’ needs
   - Provide a range of products and businesses throughout the overall supply chain lifecycle
   - Strengthen the Group collaboration system to solve social issues

2. Strengthen management foundation
   - Thorough quality compliance (restoring social trust)
   - Top priority on safety and thorough compliance
   - Response to carbon neutrality
   - HR expansion, appointments and education to improve sustainable corporate value
## Specific actions

<table>
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<tr>
<th>Basic policies</th>
<th>Measures</th>
<th>2022 Medium-term Management Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide products and businesses that contribute to the creation of social value</td>
<td>Reinforce parts business for eco-friendly cars</td>
<td>Reinforce parts business for eco-friendly cars</td>
</tr>
<tr>
<td></td>
<td>Expand global markets</td>
<td>North America: Start of mass production of auto parts; India: Start of mass production of secondary alloys</td>
</tr>
<tr>
<td></td>
<td>Carbon neutral (opportunity side)</td>
<td>Horizontal recycling and cascade recycling initiatives, creation of eco-friendly products</td>
</tr>
<tr>
<td>Strengthen management foundation</td>
<td>Carbon neutral (risk side)</td>
<td>Use of existing technology and external technology, energy-conservation activities, fuel development</td>
</tr>
<tr>
<td></td>
<td>Quality (restore social trust)</td>
<td>Construction of quality management system, creation of structure that prevents the occurrence of inappropriate actions from simply fading away</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
<td>Zero-accident initiatives that are sustained and well-established within the organization</td>
</tr>
<tr>
<td></td>
<td>Operational reforms and workstyle reforms through DX</td>
<td>Digitization, greater efficiency, common standards, optimization</td>
</tr>
<tr>
<td></td>
<td>Happiness of employees</td>
<td>Safety and hygiene, work motivation, diversity and inclusion, hiring and educating human resources</td>
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</tbody>
</table>
Team NLM—Groundbreaking Innovator of Aluminum and Beyond

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Overview of 2022 Medium-term Plan

Eco-friendly automotive part business (Results of previous medium-term plan)

Progress toward 2019 Medium-term Plan
Delivering the greatest value by streamlining materials, design & processing

Total solutions
Nippon Light Metal Group’s eco-friendly automotive heat device business

- Aluminum material technology (Materials taking advantage of characteristics)
- Heat analysis technology (Optimal design)
- Countermeasures against heat from materials to processing
- Fin forming technology
- Bonding technology
- Extrusion, Micro-fin processing, Pipe embedding, Various bonding

Importance of linkage

Material from Analysts’ Meeting on November 14, 2019

Creation of New Products/Growth Investment

Material from Analysts’ Meeting on November 16, 2021

Team NLM achieves high added value from customers’ perspective

Used in heat release plates for power control units, the heart of eco-friendly cars

Heat release plates for eco-friendly automobiles

Customer response
Effective use of online meetings
Business talks
Search for value

Strengths of Nippon Light Metal Group
- Secondary alloys
- Manufacturing methods
- Die-casting
- Common materials
- Gravity
- Developed alloys
- Hot forging
- Processing techniques
- Bonding technology (FSW)

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Overview of 2022 Medium-term Plan

Further reinforce eco-friendly auto parts business

Link to “customer value”

Accumulation of strengths of Team NLM

- Design
- Materials × Production method and processing
- Quality function (evaluation) × Speed (streamlining)
- Customer value, needs

Aim to double 2021 results in eco-friendly auto parts business
Further promotion of “local manufacturing and local consumption” worldwide

China: Automobiles
Nikkeikin Aluminium Core Technology
Start of mass production of battery cooling plates (2020)

India: Food and health
Toyo Aluminium
Foil processing business for pharmaceutical packaging was made a subsidiary (2021)

India: Automobiles
Nikkei MC Aluminium
Reinforced capacity of second plant for secondary alloys (membership company) (2019)
New company (consolidated) established (2019)
Start of mass production (2022 plan)

US: Automobiles
Nikkei MC Aluminum
Reinforce capacity of secondary alloys for auto body structural materials (2022 plan)

US: Automobiles
Nippon Light Metal Georgia, Inc.
Company established for forging of undercarriage parts (2019)
Start of mass production (2022 plan)

2019 Medium-Term Plan Investment
Overview of 2022 Medium-term Plan

**Trilateral system built around Japan, China and US: Global supply operations**

**Third piece of Japan, China and US system: Full-fledged entry into US**

- **Name**: Nippon Light Metal Georgia, Inc. (Abbreviation: NLMGA)
- **Location**: Adairsville, Georgia, US
- **Capital**: USD 16.0 million
- **Shareholders**: Nippon Light Metal North America, Inc. (NLMNA) 90%, ITOCHU Metals Corporation 10%
- **Start of production**: Planned for September 2022
Overview of 2022 Medium-term Plan

Initiatives to achieve carbon neutrality

Contributions to sustainable society: Carbon neutral challenge

Target

<table>
<thead>
<tr>
<th>2030</th>
<th>2050</th>
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<tbody>
<tr>
<td>Down 30% compared to 2013</td>
<td>Zero</td>
</tr>
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</table>

Risk (negative factors)

- Increased carbon tax burden

Opportunities (positive factors)

- Provide new value by putting into place a circular economy utilizing a recycle scheme to the maximum extent (creation of eco-friendly products)
- In light of recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), we will disclose information on risks and opportunities.
Overview of 2022 Medium-term Plan

Circular economy put into action by Team NLM

Products

Nippon Fruehauf Company, Ltd.
Nikkeikin Aluminum Core Technology
Nippon Panel System
Nikkei Engineering

Recycling

Nikkei MC Aluminum
Riken Light Metal Industry
Nippon Light Metal

Recycling carried out by Team NLM

Materials, production methods, processing

Nikkei Matsuo
Nikkeikin Aluminum Core Technology
Nippon Light Metal
Basic policies of 2022 medium-term management plan

Overview of 2022 Medium-term Plan

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Rebuild a quality assurance system

Reform organizational culture

Without waiting for the findings from the Special Investigation Committee, we will independently and thoroughly review the quality assurance system and reform the organizational climate.
### Overview of 2022 Medium-term Plan

#### Strengthen management foundation

<table>
<thead>
<tr>
<th>Top priority on safety and thorough compliance</th>
<th>Operational reform and workstyle reform through DX</th>
<th>HR expansion, appointments and education</th>
</tr>
</thead>
</table>
| ◆ Zero accidents  
  Eradicate getting caught/being entangled accidents  
◆ Response to fraud prevention  
  Expansion to areas beyond quality  
  Reinforce IT controls on accounting | ◆ Improve operations  
  Raise productivity  
  Accident prevention (Energy conservation, automation)  
◆ Greater efficiency for administrative work  
  Reduce routine operations | ◆ Utilization of diverse staff  
◆ Train and hire digital human resources |
## Overview of 2022 Medium-term Plan

**Investments for further growth and strengthening of management foundation**

### Aggressive investment aimed at sustainable growth

#### 2016 Medium-term Plan Results

- **R&D expenses:** 15.6 bn yen
- **Capital investment**
  - **New products, expanded sales:** 11.3 bn yen
  - **Energy conservation and safety:** 17.3 bn yen
  - **Maintenance and updates:** 42.3 bn yen

#### 2019 Medium-term Plan Results

- **R&D expenses:** 18.2 bn yen
- **Capital investment**
  - **New products, expanded sales:** 23.4 bn yen
  - **Energy conservation and safety:** 25.2 bn yen
  - **Maintenance and updates:** 29.1 bn yen

#### 2022 Medium-term Plan

- **R&D expenses:** 20.0 bn yen
- **Capital investment**
  - **New products, expanded sales:** 29.0 bn yen
  - **Energy conservation and safety:** 32.0 bn yen
  - **Maintenance and updates:** 30.0 bn yen

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Policy on shareholder returns

Basic policy on profit distribution
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.

Indicators for profit distribution

Total dividend payout ratio of 30% as standard
- Steady implementation of shareholder returns
- Plans for aggressive investment to achieve sustainable growth
- Choose methods by comprehensively considering cash position, shareholders’ equity rate and other
**Overview of 2022 Medium-term Plan**

**Financial indicators**

|                      | Fiscal 2021 Results | Fiscal 2022 Forecasts | Fiscal 2024 References*
|----------------------|---------------------|-----------------------|--------------------------
| **Operating profit** | 22.9                | 20.0                  | Over 30.0                
| **Dividends per share** | 85 yen              | 85 yen                | 100 yen                  

*These figures indicate the Company’s approximations at this point and are not targets that the Company aims to meet.*
Team NLM – Groundbreaking Innovator of Aluminum and Beyond