Operating Results and Financial Analysis

Overview of Operating Results

In FY2024, the business environment surrounding the Group showed overall signs of recovery, driven largely by economic growth in the United States centered on consumer spending. At the same time, we faced challenges such as the slowdown of the Chinese economy and volatility in financial and capital markets. In the latter half of the period, it became necessary to monitor developments in U.S. trade policy and other factors. In Japan, while employment and income conditions as well as corporate earnings showed gradual improvement, circumstances remained unpredictable due to factors such as U.S. policy trends and the impact of rising prices on business operations and private consumption.

Additionally, prices continued to rise for aluminum ingots and other materials.

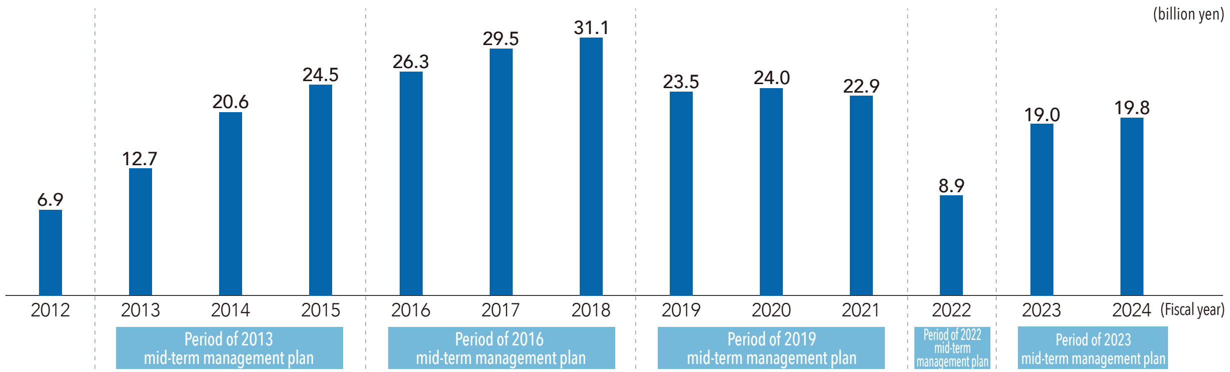
In the current period, operating profit, ordinary profit, and profit attributable to owners of the parent all surpassed results from the previous period. This was due to strong performance in Aluminum Sheet and Extrusions, which improved significantly as a result of higher aluminum ingot market prices and sales price revisions, despite the ongoing impact of elevated raw material costs.

(billion yen)

	FY2020 (results)	FY2021 (results)	FY2022 (results)	FY2023 (results)	**FY2024 (results)**
Net sales	432.6	486.6	517.0	523.7	**550.2**
Operating profit	24.2	22.2	7.5	18.2	**21.7**
Ordinary profit	24.0	22.9	8.9	19.0	**19.8**
Profit attributable to owners of parent	3.4	16.8	7.2	9.9	**12.4**
ROCE (return on capital employed)*	8.4%	8.7%	3.2%	6.0%	**—**
ROIC (return on invested capital)*	—	—	—	4.9%	**5.1%**

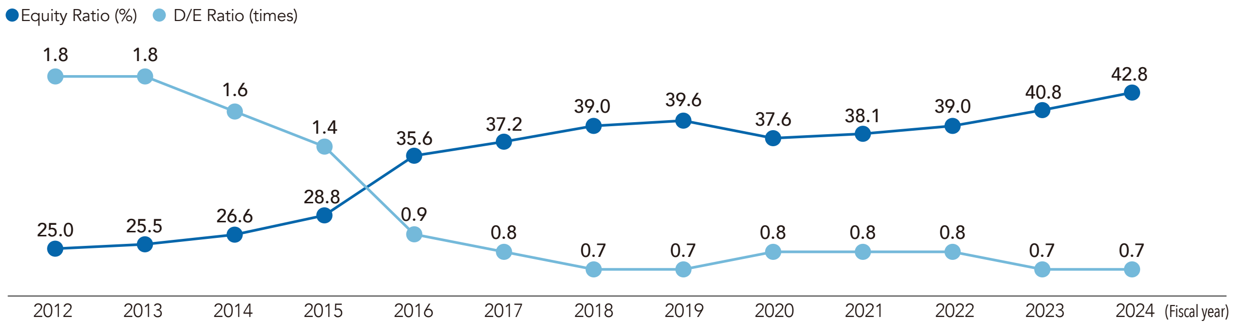
*Replaced the previously used ROCE with ROIC.
ROCE = Ordinary profit before interest / Capital employed at the beginning of the period (Beginning equity + Beginning interest-bearing debt - Beginning cash and deposits)
ROIC = Ordinary profit before interest expenses / Invested capital at the beginning of the period (Working capital (Accounts receivable + Inventories - Accounts payable) + Fixed assets)

Changes in Consolidated Ordinary Profit



Financial Position

In FY2024, our financial position remained stable, supported by an increase in retained earnings driven by higher profit attributable to owners of parent compared with the previous period. This improvement was mainly attributable to sales price revisions and higher aluminum ingot prices.



Operating Results and Financial Analysis

Management Indicators (2023 Mid-term Management Plan)

Financial Indicator

We aim to develop a structure which enables us to secure stable ordinary profit exceeding 30.0 billion yen, to enable the sustainable growth of the NLM Group. During the 2023 Mid-term Plan, we will create value through the growth strategies of the individual business segments. At the same time, we aim to build a revenue base that is less susceptible to the external environment by addressing the Group's issues.

(billion yen)

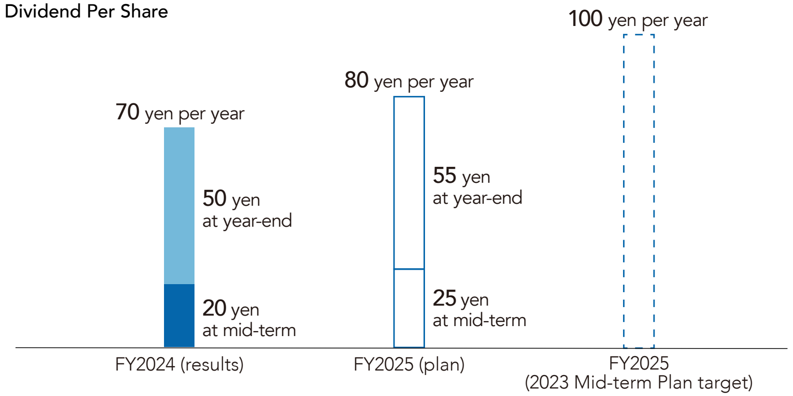
	FY2023 (Results)	FY2024 (Results)	FY2025 (Forecast as of May 15)	FY2025 (Target under the 2023 Mid-term Plan)
Net sales	523.7	550.2	590.0	530.0
Operating profit	18.2	21.7	23.0	30.0
Ordinary profit	19.0	19.8	21.0	30.0
Profit attributable to owners of parent	9.9	12.4	15.0	20.0
ROCE (return on capital employed)*	6.0%	—	—	10.3%
ROIC (return on invested capital)*	4.9%	5.1%	5.5%	—

*Replaced the previously used ROCE with ROIC.

Basic Policy on Profit Distribution

Our basic policy is to provide dividends to our shareholders by comprehensively considering the consolidated financial results and other factors from a medium- to long-term perspective while striving to strengthen our financial standing and management foundation. Regarding the profit return indicator, we determine the amount of dividends and other returns based on a total payout ratio of 30% or higher, including the acquisition of treasury shares.

Dividend Per Share



We strive to improve our corporate value by investing for the future, including in measures to strengthen our management foundation, R&D, human capital development, and initiatives to achieve carbon neutrality, in addition to investing to expand business in growth areas, such as areas related to automobiles and semiconductors, and creating demand and increasing earning power in the area of infrastructure business. We will increase earning power by implementing measures under the 2023 Mid-term Plan, followed by a review of our business structure and improvements in capital efficiency. In doing so, we aim to ensure management with an awareness of the improvement of the price-to-book ratio.

FY2025 Earnings Forecasts

For FY2025, we expect higher profit compared with the previous period. Although rising costs linked to aluminum ingot market conditions and a delayed recovery in semiconductor-related demand will have an impact, performance in Fabricated Products and Others is anticipated to improve, driven by continued strong demand in truck body–related sectors and the effects of sales price revisions. In addition, foil and powder products are also expected to exceed the levels of the prior year.

However, concerns persist regarding heightened anxiety over the global economy due to policy uncertainties in various countries—such as additional import tariff measures in the United States—and trade fragmentation. In Japan as well, it will be necessary to continue closely monitoring changes in the business environment stemming from rising prices and volatility in financial and capital markets.

(billion yen)

	FY2024 (results)	FY2025 (forecast as of May 15)	Change
Net sales	550.2	590.0	+39.8 (+7.2%)
Operating profit	21.7	23.0	+1.3 (+5.8%)
Ordinary profit	19.8	21.0	+1.2 (+6.1%)
Profit attributable to owners of parent	12.4	15.0	+2.6 (+21.2%)
Dividend per share	70 yen	80 yen	+10 yen

Factors for Changes in Ordinary Profit