Financial results for the fiscal year ended March 31, 2022 and medium-term management plan

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

(2) Overview of fiscal 2022-2024 medium-term management plan (2022 Medium-term Plan)
## Financial results for the fiscal year ended March 31, 2022 – compared with the previous year

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2021 Results</th>
<th>Fiscal 2020 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>486.6</td>
<td>432.6</td>
<td>+54.0  (+12.5%)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>22.2</td>
<td>24.2</td>
<td>-2.0   (-8.2%)</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>22.9</td>
<td>24.0</td>
<td>-1.1   (-4.6%)</td>
</tr>
<tr>
<td><strong>Profit attributable to</strong></td>
<td>16.8</td>
<td>3.4</td>
<td>+13.4  (+397.9%)</td>
</tr>
<tr>
<td>owners of parent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROCE</strong></td>
<td>8.7%</td>
<td>8.4%</td>
<td>+0.3p</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>85 yen</td>
<td>65 yen</td>
<td>+20 yen</td>
</tr>
</tbody>
</table>
Fiscal 2020 Results -1.1 billion yen Fiscal 2021 Results

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price</td>
<td>24.0</td>
<td>22.9</td>
</tr>
<tr>
<td>Sales volume</td>
<td>+0.4</td>
<td></td>
</tr>
<tr>
<td>New products</td>
<td>+7.1</td>
<td></td>
</tr>
<tr>
<td>Purchased</td>
<td></td>
<td>-5.9</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>-2.8</td>
</tr>
</tbody>
</table>

Factors behind changes in ordinary profit – compared with the previous year

Consolidated financial results for the fiscal year ended March 31, 2022
### Segment Information – compared with the previous year

(Billions of yen)

<table>
<thead>
<tr>
<th>Segment Information</th>
<th>Net sales</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal 2021 Results</td>
<td>Fiscal 2020 Results</td>
</tr>
<tr>
<td>Aluminum ingot and chemicals</td>
<td>127.6</td>
<td>91.2</td>
</tr>
<tr>
<td>Aluminum sheet and extrusions</td>
<td>113.9</td>
<td>97.9</td>
</tr>
<tr>
<td>Fabricated products and other</td>
<td>153.4</td>
<td>157.3</td>
</tr>
<tr>
<td>Aluminum foil, powder, and paste</td>
<td>91.7</td>
<td>86.2</td>
</tr>
<tr>
<td>Management, shared</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>486.6</td>
<td>432.6</td>
</tr>
</tbody>
</table>
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 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)
## Consolidated earnings forecasts for the fiscal year ending March 31, 2023

### Full-year earnings forecasts – compared with the previous year

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2022 Forecasts</th>
<th>Fiscal 2021 Results</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>540.0</td>
<td>486.6</td>
<td>+53.4 (+11.0%)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>20.0</td>
<td>22.2</td>
<td>-2.2 (-9.9%)</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>20.0</td>
<td>22.9</td>
<td>-2.9 (-12.7%)</td>
</tr>
<tr>
<td>Profit attributable to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>owners of parent</td>
<td>14.0</td>
<td>16.8</td>
<td>-2.8 (-16.7%)</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>85 yen (*)</td>
<td>85 yen</td>
<td>±0</td>
</tr>
</tbody>
</table>

*Interim dividend: 40 yen/share; year-end forecast: 45 yen/share; dividend payout ratio: 37.6%
Factors behind changes in ordinary profit – compared with the previous year

Fiscal 2021 Results
-2.9 billion yen

Sales price: +9.7
Sales volume: +3.5
New products: -0.7
Purchased products: -13.1
Other: -2.3

Fiscal 2022 Forecasts
(Billions of yen)

22.9
20.0

Consolidated earnings forecasts for the fiscal year ending March 31, 2023
## Segment information – compared with the previous year

(Billions of yen)

<table>
<thead>
<tr>
<th>Segment Information</th>
<th>Net sales</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal 2022</td>
<td>Fiscal 2021</td>
</tr>
<tr>
<td></td>
<td>Forecasts</td>
<td>Results</td>
</tr>
<tr>
<td>Aluminum ingot and chemicals</td>
<td>161.0</td>
<td>127.6</td>
</tr>
<tr>
<td>Aluminum sheet and extrusions</td>
<td>109.0</td>
<td>113.9</td>
</tr>
<tr>
<td>Fabricated products and other</td>
<td>167.0</td>
<td>153.4</td>
</tr>
<tr>
<td>Aluminum foil, powder, and paste</td>
<td>103.0</td>
<td>91.7</td>
</tr>
<tr>
<td>Management, shared</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>540.0</td>
<td>486.6</td>
</tr>
</tbody>
</table>

Consolidated earnings forecasts for the fiscal year ending March 31, 2023
1. Financial results for the fiscal year ended March 31, 2022 and forecast of financial results for the fiscal year ending March 31, 2023
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2. Medium-term management plan
   (2) Overview of fiscal 2022-2024 medium-term management plan (2022 Medium-term Plan)
Secure a certain amount of revenue 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.
## 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>Net sales</td>
<td>500.5</td>
<td>465.9</td>
<td>432.6</td>
<td>486.6</td>
<td>540.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>30.1</td>
<td>24.6</td>
<td>24.2</td>
<td>22.2</td>
<td>37.5</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>31.1</td>
<td>23.5</td>
<td>24.0</td>
<td>22.9</td>
<td>37.0</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>20.6</td>
<td>7.5</td>
<td>3.4</td>
<td>16.8</td>
<td>24.0</td>
</tr>
<tr>
<td>ROCE</td>
<td>10.8%</td>
<td>8.0%</td>
<td>8.4%</td>
<td>8.7%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Total dividend payout ratio</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>
<th>Dedicate resources for growth</th>
<th>Reinforce management foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eco-friendly cars: Use of heat-release plates for power control units</td>
<td>• North America: Establishment of company for manufacture and sale of auto underbody parts</td>
<td>• Nikkei Heat Exchanger and Nikkei Engineering made wholly owned subsidiaries</td>
</tr>
<tr>
<td>• Eco-friendly cars: Use of battery cooling plates</td>
<td>• India: Operations at second factory for secondary alloys, established third base (new company)</td>
<td>• Sold equity in investment in Tokyo Precision Appliance (Kunshan) Co., Ltd.</td>
</tr>
<tr>
<td>• Medical applications: Use of panels for clean rooms</td>
<td>• India: Aluminum foil processing company made a subsidiary</td>
<td>• Establishment of Nomination and Compensation Committee</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
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Overview of 2022 Medium-term Plan

Ambitions incorporated in medium-term management 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

Corporate structure that can achieve sustainable growth

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

Material issues
- Environmental conservation
- Providing sustainable value
- Happiness of employees
- Responsible procurement, manufacturing and supply
- Corporate ethics, corporate governance

Maximization of corporate value

Management policies
We will help to improve peoples’ lives and protect the environment by continuing to create businesses centered on aluminum.
Overview of 2022 Medium-term Plan

Basic policies of 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>
<thead>
<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>Expand global markets</td>
<td>North America: Start of mass production of auto parts; India: Start of mass production of secondary alloys</td>
<td></td>
</tr>
<tr>
<td>Carbon neutral (opportunity side)</td>
<td>Horizontal recycling and cascade recycling initiatives, creation of eco-friendly products</td>
<td></td>
</tr>
<tr>
<td>Carbon neutral (risk side)</td>
<td>Use of existing technology and external technology, energy-conservation activities, fuel development</td>
<td></td>
</tr>
<tr>
<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>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td>Zero-accident initiatives that are sustained and well-established within the organization</td>
<td></td>
</tr>
<tr>
<td>Operational reforms and workstyle reforms through DX</td>
<td>Digitization, greater efficiency, common standards, optimization</td>
<td></td>
</tr>
<tr>
<td>Happiness of employees</td>
<td>Safety and hygiene, work motivation, diversity and inclusion, hiring and educating human resources</td>
<td></td>
</tr>
</tbody>
</table>
Overview of 2022 Medium-term Plan

Basic policies of 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
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Overview of 2022 Medium-term Plan

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

Material from Analysts’ Meeting on November 14, 2019

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

Motor control power device cooling
- Extrusion
- Micro-fin processing
- Pipe embedding
- Various bonding

Battery cooling plate

Importance of linkage

Material from Analysts’ Meeting on November 16, 2021

Progress with 2019 Medium-term Plan

Team NLM achieves high added value from customers’ perspective

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

Customer response
- Effective use of online meetings

Business talks
- Search for value

Strengthes of Nippon Light Metal Group
- Secondary alloys
- Manufacturing methods
- Processing technique
- Common materials
- Die-casting
- Bonding technology (PSW)
- Developed alloys
- Gravity
- Casting technology
- Hot forging
- Press-in technology

With the team’s power, integrate value that customers can sense and the Group’s strengths

Nippon Light Metal Holdings

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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 × Construction method and processing

Quality function (evaluation) × Speed (streamlining)

Customer value, needs

Aim to double 2021 results in eco-friendly auto parts business
Overview of 2022 Medium-term Plan

Expansion of sales in global markets

Further promotion of “local manufacturing and local consumption” worldwide

Regional F24 growth image (F21 comparison)

China: Automobiles
Nikkei 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
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
- 2030: Down 30% compared to 2013
- 2050: Zero

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

Nikkeikin Aluminum Core Technology
NIKEHAI

Riken Light Metal Industry
RIKEN

Nikkei Panel System

Nikkei Engineering

Recycling

Nikkei MC Aluminum
NMA

Nippon Light Metal
NLM

Recycling carried out by Team NLM

Materials, construction methods, processing

Nikkei Matsuo

Nikkeikin Aluminum Core Technology

Nippon Light Metal

Nippon Light Metal Holdings

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Overview of 2022 Medium-term Plan

Basic policies of 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
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>
<tbody>
<tr>
<td>◆ Zero accidents</td>
<td>◆ Improve operations</td>
<td>◆ Utilization of diverse staff</td>
</tr>
<tr>
<td>Eradicate getting caught/being entangled accidents</td>
<td>Raise productivity</td>
<td>◆ Train and hire digital human resources</td>
</tr>
<tr>
<td>◆ Response to fraud prevention</td>
<td>Disaster prevention</td>
<td></td>
</tr>
<tr>
<td>Expansion to areas beyond quality</td>
<td>(Energy conservation, automation)</td>
<td></td>
</tr>
<tr>
<td>Reinforce IT controls on accounting</td>
<td>Greater efficiency for administrative work</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduce routine operations</td>
<td></td>
</tr>
</tbody>
</table>

- Improve operations
- Raise productivity
- Disaster prevention
- (Energy conservation, automation)
- Greater efficiency for administrative work
- Reduce routine operations
### Overview of 2022 Medium-term Plan

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

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#### Aggressive investment aimed at sustainable growth

<table>
<thead>
<tr>
<th>2016 Medium-term Plan Results (86.5 billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses: 15.6 bn yen</td>
</tr>
<tr>
<td>Capital investment</td>
</tr>
<tr>
<td>New products, expanded sales: 11.3 bn yen</td>
</tr>
<tr>
<td>Energy conservation and safety: 17.3 bn yen</td>
</tr>
<tr>
<td>Maintenance and updates: 42.3 bn yen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019 Medium-term Plan Results (95.9 billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses: 18.2 bn yen</td>
</tr>
<tr>
<td>Capital investment</td>
</tr>
<tr>
<td>New products, expanded sales: 23.4 bn yen</td>
</tr>
<tr>
<td>Energy conservation and safety: 25.2 bn yen</td>
</tr>
<tr>
<td>Maintenance and updates: 29.1 bn yen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2022 Medium-term Plan (111.0 billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses: 20.0 bn yen</td>
</tr>
<tr>
<td>Capital investment</td>
</tr>
<tr>
<td><strong>New products, expanded sales:</strong> 29.0 bn yen</td>
</tr>
<tr>
<td>Energy conservation and safety: 32.0 bn yen</td>
</tr>
<tr>
<td>Maintenance and updates: 30.0 bn yen</td>
</tr>
</tbody>
</table>

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

- **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
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

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2021 Results</th>
<th>Fiscal 2022 Forecasts</th>
<th>Fiscal 2024 References*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>22.2</td>
<td>20.0</td>
<td>Over 30.0</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>85 yen</td>
<td>85 yen</td>
<td>100 yen</td>
</tr>
</tbody>
</table>

*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