Nippon Light Metal Holdings Company, Ltd.

Q&A on Briefing for Analysts on Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

□Date: 1:30 – 2:00 pm, November 15, 2022 (Tuesday)
□Presenters: Ichiro Okamato, President and CEO
Hiroyuki Matsudaira, Office and Head of Central Planning Office
Haruhiko Takahashi, Accounting Manager, Central HR, General Affairs and Accounting Office

Q1. Are there any management issues, other than the external environment, that are affecting the financial results in FY22?

A1. External factors are having a substantial impact, and the sharp decrease in sales volume due to the decrease in auto production, attributable to a semiconductor supply shortage, and the insufficient supply of truck chassis are major issues. On the other hand, measures in our 2022 Medium-term Management Plan include reinforcing the parts business for eco-friendly cars and expanding global markets, however we face issues with projects whose capital investments and start of mass production are lagging behind schedule.

Q2. Why are the Special Investigation Committee's activities taking so long?

A2. We have left the investigation system, methods, schedule and other aspects entirely up to the Special Investigation Committee, and while it may be difficult to understand the conditions, the Nippon Light Metal Group's scope of business is broad, so it takes time for the Committee to understand it.

Q3. This environment is not conducive to growth for product sales volume in FY22, but what are conditions like for businesses other than product sales, such as the service and maintenance businesses?

A3. The service and maintenance businesses are steadily generating results. That said, the impact of higher prices for purchased products such as aluminum ingot and fuel and raw materials, as well as the impact of the decline in the sale of products, is extremely high, which means that the service and maintenance businesses are not making a marked contribution to profit.

Q4. What KPIs do you use as indicators to assess progress with the 2022 Medium-term Management Plan?

A4. The range of the Nippon Light Metal Group's businesses is so broad that it is difficult to set standard KPIs for the Group overall. At the same time, by identifying important issues in FY21 and setting KPIs for those important issues in FY22, you can see that we are moving ahead on important issues, but we are not at a stage at which we can link this to the 2022 Medium-term Management Plan.

Q5. Page 27 of the Briefing Materials states that "We plan to release our future plans, based on changes to the business structure, in March 2023." What changes will be incorporated and what kind of plans do you anticipate?

A5. Given that Toyo Aluminium will leave the Nippon Light Metal Group due to a shares transfer at the end of March 2023, we are not certain about what kinds of businesses and products will offer value to customers and what level of profit we can plan for due to changes in the external environment. However, we intend to lay out qualitative and quantitative plans to ensure better understanding than when the 2022 Medium-term Management Plan was released.

Q6. What are the Group's strengths with the three products identified on page 18 of the Briefing Materials: the section on reinforcing the business for eco-friendly cars?

A6. Our strength is that we cover the entire field, from aluminum as a material to its processing. Cooling components for power devices are products that combine die casts with a special joining process (friction stir welding, or FSW), and we sell the product that has passed our own quality check so that it can be directly incorporated into the customer's production line. This is another strong point of ours. Cooling components for batteries and LIB module frames also have the same strengths. The Nippon Light Metal Group is unique in that we are not only skilled with aluminum materials with excellent heat conductivity, but are also able to combine various processes and sell products with multifaceted value to customers. This allows us to differentiate ourselves in significant ways and earn customers' trust, which leads to the sale of the Group's products.

Q7. Page 27 of the Briefing Materials says that "We plan to release our future plans in March 2023." If a worsening external environment lowers the profit levels to which the Group aspires, will you potentially change your approach to dividends?

A7. If we achieve the earnings forecasts announced on September 29, we will leave annual dividends at 85 yen per share. We aim to continue distributing profits to shareholders on an ongoing and stable basis, and believe that this policy will be significant in ensuring sustainable growth for the Group. Trends in the price of fuel and raw materials, among other factors, add uncertainty to the impact on earnings in the future, and we will think seriously about dividends, but our basic policy on dividends will not change.