

Nippon Light Metal Holdings Co., Ltd.

Q&A Summary of Briefing on Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025

• Date: 5:00-5:40 pm; July 31, 2024 (Wednesday)

• Briefers and respondents:

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Q1. The operating profit forecast for the first half of fiscal 2024 was revised upward from the 5.5 billion yen forecast released in May to 8.0 billion yen in this July forecast, with profit expected to increase in three of the four segments (i.e. the aluminum ingot and chemicals, the aluminum sheet and extrusions, and the aluminum foil, powder and paste segments). What are the factors behind this?

A1. Factors behind the increase in profit forecast are primarily as a result of the strong sales of processed foil for medical applications, particularly in India, in the aluminum foil, powder and paste segment (Aluminum Foil Business Group), and the relatively solid effect of increased sales in the Chemicals Business Group belonging to the aluminum ingot and chemicals segment. In addition, looking at the aluminum sheet and extrusions segment (Sheet & Extrusion Business Group), the Aluminum Sheet Division expects a slight increase in sales volume compared to the forecast we released in May, despite it taking some time for sales of thick-gauge plates for semiconductor manufacturing equipment to fully recover, while the Extrusions Division also sees an upturn in sales of products for semiconductor manufacturing equipment. The upward trend in aluminum ingot prices in 1Q is also a contributing factor.

Q2. How much will higher aluminum ingot prices affect the company's business performance?

A2. In the range of one to two billion yen (in 1Q). In 2Q, however, we are keeping a close watch on volatile price movements, including the downward trend in aluminum ingot prices, in contrast to 1Q.

Q3. You left the full-year earnings forecasts unchanged from those released in May. What is your view of the earnings forecast for the second half of the year?

A3. The second-half forecast is slightly weaker than what we released in May, reflecting such factors as softening aluminum ingot prices as we moved into July, uncertainty about market price trends,

and the fact that each business group is taking a harsher view of the external environment.

- Q4. The aluminum foil, powder and paste segment (Aluminum Foil Business Group) seems to have stalled a little in 2Q compared to 1Q. What lies behind this?
- A4. We have slightly lowered the demand forecast for 2Q from the forecast released in May, due to the fact that aluminum ingot prices are on a weak trend in 2Q and that the inventory adjustment of the Aluminum Foil Division's foils for automotive lithium-ion battery exteriors is still underway.
- Q5. The first-half and full-year earnings forecasts are for an increase in profit in the aluminum sheet and extrusions segment, but for a decrease in profit in the fabricated products and others segment. What changed the outlook for these two segments?
- A5. I would like to note that as a result of the reclassification of segment components effective this quarter, the automotive parts business, which was previously under the aluminum sheet and extrusions segment, has been consolidated into the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility Company, Ltd.) under the fabricated products and others segment. Accordingly, the presentation of earnings in the two segments has been changed (i.e. the fiscal 2023 results and the forecast released in May of fiscal 2024, which are provided in this briefing material, also restate the figures calculated to reflect the segment reclassification). The changes from the May forecast are based on a harsher view of the China and U.S. businesses in the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility Company, Ltd.).
- Q6. Do you expect the solid performance in the aluminum foil, powder and paste segment to continue in the second half of the year and beyond?
- A6. The Aluminum Foil Division, the Powder and Paste Division and the Household Products Division all performed solidly in the first half of the year. However, the outlook for automobile paint products, and foils for automotive lithium-ion batteries in the automotive sector is weakening in the second half and beyond, and we have factored in a slight slowdown in the first half.
- Q7. In your view, how does the business environment for automobile and semiconductor-related businesses differ between the forecasts released in May and the one this July?
- A7. The business environment for the automobile-related business, particularly the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility Company, Ltd.), has worsened slightly from the forecast we released in May, both in Japan and overseas. In Japan, new product launch schedules were pushed back due to the delay in the shift to EVs. Overseas, our

forecasts reflect the difficult situation in terms of earnings, including the level of the burden of fixed costs, given the fact that the new U.S. plant has only just started operations, although its capacity utilization has risen to about 80% after shifting to mass production, in addition to the impact of the sluggish performance of Japanese automakers in China. In addition, we also see a weak demand for sheet materials for automotive lithium-ion battery cases handled by the Aluminum Sheet Division.

With regard to the semiconductor-related business, we expect sales of products for semiconductor manufacturing equipment to begin to recover in the second half of the year, primarily for thick-gauge plates in the Aluminum Sheet Division. On the other hand, over the past two years, the Panel System Division of the Engineering Business Group enjoyed solid sales in the clean room field for semiconductor-related manufacturers, backed by strong demand. However, the company's view of the business environment is slightly uncertain as sales are slowing down in 1Q and the first half of the year, partly due to delays in construction periods and revised investment timelines caused by rising material costs and labor shortages.

- Q8. The demand began to increase in the periods from 1Q to 2Q for the Aluminum Sheet Division's sales of thick-gauge plates for semiconductor manufacturing equipment. Is this correct?
- A8. Our current view is that the demand will begin to increase after the second half of the year. In fact, sales volume in the recent periods (1Q and first half) increased compared to the same period of the previous fiscal year, but we do not yet see this as a full recovery of demand.
- Q9. How will an upswing in aluminum ingot prices affect the earnings recovery of the Transport Equipment Business Group (Nippon Fruehauf)?
- A9. There is no formula for automatically passing through changes in aluminum ingot prices to sales prices as in the case of the Sheet & Extrusion Business Group (Aluminum Sheet Division and Extrusions Division), and for Nippon Fruehauf, the increase in the aluminum ingot price will directly add to the cost of the product. In response, Nippon Fruehauf will continue their efforts to pass on the portion of the cost increase in sales prices and to correct prices and is aiming for a solid return to profitability in the second half of the year.
- Q10. In your view, how does the business environment for the Panel System Division of the Engineering Business Group differ between the forecast released in May and the one this July?
- A10. In general, there is no difference or change in our view. However, in the recent periods (1Q and first half), rising material costs and labor shortages have caused delays in construction periods and revisions of investment timelines in large projects for food factories and low-temperature distribution warehouses and others. As a result, the 1Q results and first half earnings forecasts were down from the previous year's levels. Looking ahead to the second

half of the year, although there is some uncertainty, we do not expect a major deviation from our earnings forecasts released in May, as the level of orders received remains high and measures are being taken to secure a greater number of projects.

Q11. How will you review the China business of the Automotive Parts Business Group (Nikkeikin Aluminum for Mobility Company, Ltd.)?

A11. Under the premise of “local production, local consumption,” which is our basic overseas business policy, we will look into a framework that is tailored to local needs. With the current progress of Chinese EV manufacturers, it is our view that now is the stage in which we need to closely monitor the policies and trends of Japanese automakers, our main customer base, and then we will consider the company’s future direction.

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