

Nippon Light Metal Holdings Co., Ltd.

Q&A Summary of Briefing on Semi-annual Financial Results for the Fiscal Year Ending March 31, 2025

• Date: 5:00–5:35 pm; October 31, 2024 (Thursday)

• Briefers and respondents:

Hiroyuki Matsudaira, Director and Senior Executive Officer

Haruhiko Takahashi, Officer and Accounting Manager of Corporate Personnel Administration Office

Koichi Isshiki, Officer and Head of Planning Administration Department

Masahiro Amaya, Accounting Manager of Corporate Personnel Administration Office

Q1. What is the outlook for the second half of the year for the truck body business (Transport Equipment Business Group, Nippon Fruehauf)? (progress of sales price revisions, demand outlook for truck bodies)

A1. We expect the sales volume to recover in the second half and the effect of sales price revisions to be more pronounced than in the first half.

The first-half results showed a recovery trend compared to the same period of the previous fiscal year, but the absolute values were rather low. We anticipate that the second-half results will be higher than the first-half results. In addition, looking at the progress of sales price revisions, the amount of the effect is forecast to be slightly above the plan.

Q2. The full-year financial results forecasts for fiscal 2024 remain unchanged from the first-quarter financial results, with the same sense of uncertainty about the business environment. What is the change in the probability of the financial results forecasts for the second half of the year and the business environment compared with the first quarter of the year?

A2. For the Group's overall consolidated results, there is no change in the profit structure of our traditional second-half model (first-half profit < second-half profit).

Going forward, we will take measures that will not result in lost opportunities as demand recovers and increases.

Here are our views for each segment.

In the aluminum ingot and chemicals segment:

The Chemicals Business Group's Alumina and Chemicals Division faces the risk of an increase in the price of the raw material aluminum hydroxide. In response, we will work to offset the increase in raw material prices through sales price revisions.

In the aluminum sheet and extrusions segment:

Both the Aluminum Sheet and Extrusions Divisions of the Sheet & Extrusion Business Group anticipate a significant growth in demand for products used in semiconductor manufacturing equipment and will seize growth opportunities to prevent any loss of business.

In the fabricated products and others segment:

The Transport Equipment Business Group's truck body sales are expected to increase through the second half of the year.

By contrast, the Automotive Parts Business Group (Nikkeikin Aluminum Core Technology), which sees no change in the severe conditions in China and the U.S. (compared to when we announced the first quarter results), intends to return to profitability in Japan through a recovery in demand and improvements in productivity.

The Engineering Business Group's Panel System Division, which experienced a significant downturn in sales in the refrigerator and freezer sector and large projects in the first half, will work resolutely in the second half to improve its performance, albeit while identifying

trends in demand.

In the aluminum foil, powder and paste segment:

Although the overall business environment was favorable, sales of the Aluminum Foil Division's foil for lithium-ion battery exteriors have weakened slightly through the second half. On the other hand, the Aluminum Foil Division's processed foil for medical product packaging is being carefully monitored as a growth area, and the company aims to secure a solid profit in the second half of the year.

Q3. In your view, is the probability of a performance recovery in the second half of the year higher now than when you announced the first-quarter results?

A3. The degree of certainty about the recovery is uneven depending on the business area and product category. In the Aluminum Sheet and Extrusions segment, both the Aluminum Sheet Division and the Extrusions Division of the Sheet & Extrusion Business Group expect a full recovery of products for semiconductor manufacturing equipment through the fourth quarter of the year. We therefore believe that the certainty of recovery is now higher than at the announcement of the first-quarter results.

In the fabricated products and others segment, the Panel System Division of the Engineering Business Group is likely to experience a slight slowdown in demand, partially reflecting information that the delivery dates for some projects have been postponed to next fiscal year. However, the outlook for truck body demand in the Transport Equipment Business Group (Nippon Fruehauf) is considered certain to some extent.

Q4. The automotive industry as a whole is a little concerned about the impact of production cuts in the second half of the year, both domestically and globally. By contrast, you expect the automobile sector to recover somewhat in the second half of the year. And I understand that you are highly certain about the plan for the second half. Is that correct?

A4. We do not anticipate a significant recovery in domestic automobile production. In fact, the Automotive Parts Business Group plans to launch more than 10 new products this fiscal year, and we believe this will be a major factor in the recovery we expect to see in the first half through the second half of the year. Our financial results forecast figures are not necessarily a strong indication of the Group's performance, but we see this as a manifestation of our ability to link the launch of new products (i.e., a strategy and measure in the 2023 Medium-term Plan) to our future earnings.

Q5. "Concerns about a decline in medium- to long-term profitability caused by factors such as intensifying competition from Chinese manufacturers" was the reason for the management integration of the aluminum foil business (referred to in your August 2022 announcement). Now that the management integration has been canceled, how will you work to improve the profitability of the Aluminum Foil Business Group (Toyo Aluminium) in the future?

A5. Having announced the management integration plan for the aluminum foil business in August 2022, the companies involved have comprehensively studied and considered the necessary conditions for the management integration, including the management structure and the growth strategy after the integration. As a result, the conclusion was reached that it would be preferable for each company to draw up its own growth strategy independently at this point in time.

Based on this, the 2023 Medium-term Plan focuses on capturing growth in the automotive area, particularly in environmentally friendly vehicles. Sales of foil for automotive lithium-ion battery exteriors are included in this area but are currently affected by the slowdown in EV demand growth. As such, we will once again draw up a strategy to actively invest resources not only in the growth of the automotive area, but also in other areas and markets that will benefit the growth of the Group as a whole, including processed foil for medical product packaging and the Indian

market.

- Q6. In your document announcing the cancellation of the management integration plan for the aluminum foil business, you explained that “the concerned parties have decided at present that each group draws up its own growth strategy by itself, as conditions for implementation of this integration were not met.” What were the conditions that were not met?
- A6. We are not in a position to comment on the conditions for implementing this management integration of the aluminum foil business. However, it is our intention in the future to continue to manage the Aluminum Foil Business Group (Toyo Aluminium), which is one of the main pillars of the Group, and to firmly map out a growth strategy for the Aluminum Foil Business Group, taking into account the view of diversifying the Group’s growth areas.
- Q7. I suppose you are currently considering the strategies and measures for “promoting management reforms” announced in May 2024. How will the cancellation of this management integration plan for the aluminum foil business affect these management reforms?
- A7. The management integration when we announced the integration plan for the aluminum foil business was based on the assumption that our aluminum foil business (Toyo Aluminium) would be spun off. Now the main issue is how to further enhance the value of this business in the Group. Specifically, the question is how to improve capital efficiency and increase profits (specific details not yet available).
In terms of growth strategies, the basic line is to work on issues that entail global expansion of the Aluminum Foil Division’s processed foil for medical product packaging and the Powder and Paste Division’s products for heat dissipation that overlap with those of other business groups.
- Q8. New growth areas (e.g., processed foil for medical product packaging and powder and paste), which did not exist two years ago when you announced the management integration plan for the aluminum foil business, are beginning to take shape. And I understand that you are now confident in your ability to direct management resources and incorporate the growth of the aluminum foil business into the group companies in the future. Is that correct?
- A8. Our main focus of the business grouping in an effort to promote management reforms, not only for the Aluminum Foil Business Group, is to replace the substance of businesses and products with higher value-added products.
- Q9. Initially, the management integration plan for the aluminum foil business, which was announced at that time, was based on the need to reorganize the business in the face of future competition from Chinese and Korean manufacturers. But now, I think it is the company’s responsibility to explain the background of its decision to cancel the management integration. What was behind your decision to cancel it? (i.e., was it due to legal restrictions such as the approval and permission of the Fair Trade Commission, or was it because the concerned parties had different ideas about the management integration plan and could not reach an agreement? Or was it your company’s intention to explore growth in the aluminum foil business on its own?)
- A9. It is understood that the parties have agreed to terminate the agreement, and we will not comment further at this stage.