

Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2024
(Japan GAAP)

October 31, 2023

Company name: Nippon Light Metal Holdings Company, Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 5703
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Submission of quarterly financial results: November 7, 2023
Expected date of dividends payment: December 1, 2023
Preparation of supplementary materials for quarterly financial results: Yes
Holding of a briefing on quarterly financial results: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for Six Months Ended September 30, 2023

(1) Consolidated Results of Operations (Accumulated Total)

(% figures show year-on-year changes)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	250,452	(1.0)	5,681	55.3	6,689	28.5	2,144	(43.6)
September 30, 2022	253,094	7.2	3,657	(74.0)	5,207	(63.4)	3,804	(64.8)

(Note) Comprehensive income: Six months ended September 30, 2023 ¥6,443 million / 21.8%
Six months ended September 30, 2022 ¥5,290 million / (57.3%)

Six months ended	Net profit per share (basic)	Net profit per share (diluted)
	Yen	Yen
September 30, 2023	34.62	—
September 30, 2022	61.44	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	527,313	226,275	39.9
As of March 31, 2023	526,201	220,758	39.0

(Reference) Shareholders' equity: As of September 30, 2023 ¥210,392 million
As of March 31, 2023 ¥205,475 million

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	40.00	—	10.00	50.00
Fiscal year ending March 31, 2024	—	10.00			
Fiscal year ending March 31, 2024 (forecasts)			—	40.00	50.00

(Note) Revisions to dividend forecasts published most recently: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(% figures show year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	550,000	6.4	17,000	125.5	16,000	80.6	7,500	4.1	121.10

(Note) Revisions to Forecast of Financial Results published most recently: None

*Notes

(1) Change in significant subsidiaries during the period

(changes in specified subsidiaries affecting the scope of consolidation): None

Newly added: — (Company name: —) Excluded: — (Company name: —)

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements:

None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revision of accounting standards: None

(ii) Changes in accounting policies other than item (i) above: None

(iii) Changes in accounting estimates: Yes

(iv) Restatement: None

For details, please refer to “2. Notes on summary information (special notes) (3) Changes in accounting policies, changes in accounting estimates, and restatements” on p.6 of the attached documents.

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at end of period (including treasury stock)

As of September 30, 2023	61,993,750 shares
As of March 31, 2023	61,993,750 shares

(ii) Number of treasury stock at end of period

As of September 30, 2023	48,941 shares
As of March 31, 2023	69,643 shares

(iii) Average number of shares outstanding during the term

For the six months ended September 30, 2023	61,932,677 shares
For the six months ended September 30, 2022	61,910,526 shares

* Quarterly financial results are not subject to auditing by a certified public accountant or an audit firm.

* Explanations concerning the appropriate use of financial forecasts and other special notes

(Note of caution concerning forward-looking statements)

The forward-looking statements such as results forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors. For the conditions on which the financial forecasts are based and notes of caution concerning forward-looking statements, etc., please refer to “1. Qualitative Information on Quarterly Results (3) Explanation of forward-looking information, including consolidated earnings forecasts” on p.5 of the attached documents.

[Attached documents]

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1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results position

During the first half of the current consolidated fiscal year, significant relaxation of COVID-19 measures has led to a normalization of economic activity in Japan. However, the outlook remains uncertain, given the continued high raw material and fuel prices, monetary tightening around the world, the impact of exchange rate fluctuations, and concerns about a slowdown in the Chinese economy, among other factors.

The Group's panel system division was a strong performer despite the impact of semiconductor-related demand corrections and the slowdown in automobile demand in China. In addition, efforts were made to restore the truck body business amid the normalization of truck chassis supply, and automotive-related sales are recovering due to higher capacity utilization rates in automobile production in Japan. Net sales came in line with the same period of the previous fiscal year due partly to a decline in the aluminum ingot market. However, on the profit side, while aluminum sheet and extrusions were below the previous fiscal year's levels, the aluminum foil, powder and paste business, the panel system division, and the truck body business all posted higher profit than in the same period of the previous fiscal year. As a result, operating profit and ordinary profit both increased compared to the same period of the previous fiscal year. Regarding sediment control measures for Amehata Dam owned by our subsidiary Nippon Light Metal Co., Ltd. in Yamanashi Prefecture, it was determined necessary to implement additional processes for sediment removal in accordance with the progress of the Amehata Dam sediment control master plan, among others. Accordingly, we have revised the estimate for the provision for environmental measures. As a result, the profit attributable to owners of parent fell over the same period of the previous fiscal year due to an extraordinary loss recorded as an expense for environmental measures.

Consolidated Results of Operations

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2022	Change	YoY
Net sales	250,452	253,094	(2,642)	(1.0%)
Operating profit	5,681	3,657	2,024	55.3%
Ordinary profit	6,689	5,207	1,482	28.5%
Profit attributable to owners of parent	2,144	3,804	(1,660)	(43.6%)

Earnings by segment

(Millions of yen)

Segments	Net sales (over previous fiscal year)			Operating profit (over previous fiscal year)		
Aluminum ingot and chemicals	75,342	(3,771)	(4.8%)	5,851	(365)	(5.9%)
Aluminum sheet and extrusions	47,152	(8,327)	(15.0%)	(1,375)	(1,789)	—
Fabricated products and others	76,775	7,994	11.6%	99	1,919	—
Aluminum foil, powder and paste	51,183	1,462	2.9%	2,903	2,351	425.9%
Elimination and company-wide	—	—	—	(1,797)	(92)	—
Total	250,452	(2,642)	(1.0%)	5,681	2,024	55.3%

An overview of each business segment is provided below.

<Aluminum ingot and chemicals>

The aluminum chemical division saw a decrease in sales volumes for products for refractories and ceramics among the mainstay aluminum hydroxide and alumina-related products and for inorganic chlorine compounds among chemical products, which resulted in lower net sales than in the same period of the previous fiscal year. On the profitability side, despite the impact of soaring raw material and fuel prices, profit came in line with the same period of the previous fiscal year due to the effect of sales price revisions.

The ingot division saw an increase in sales volume over the same period of the previous fiscal year for the mainstay secondary alloy for automobiles as a result of higher sales attributable to the ongoing recovery in automobile production in Japan and solid sales in the U.S. and Thailand. However, both net sales and operating profit declined over the same period of the previous fiscal year due to a drop in sales prices reflecting the aluminum ingot market conditions.

As a result of the above, net sales in the aluminum ingot and chemicals segment in the first half of the current consolidated fiscal year decreased by 3,771 million yen (4.8%) year on year, from 79,113 million yen to 75,342 million yen. Operating profit amounted to 5,851 million yen, down 365 million yen (5.9%) compared to 6,216 million yen in the same period of the previous fiscal year.

<Aluminum sheet and extrusions>

In the sheet product division, net sales were significantly affected by the decrease in sales of thick sheets for semiconductor manufacturing equipment compared to the same period of the previous year due to the ongoing demand correction for semiconductors. In addition, sales prices declined, reflecting the aluminum ingot market conditions. As a result, net sales and operating profit were below the previous fiscal year's levels.

In the extruded product division, despite the ongoing recovery in products for truck bodies and domestic automobiles, net sales fell over the same period of the previous fiscal year due to a decrease in sales of products for semiconductor manufacturing equipment and automobile-related products in China, among other factors. On the profitability side, operating profit decreased over the same period of the previous fiscal year due primarily to the sales impact and the time required to stabilize mass production operations at the new plant in the U.S.

As a result of the above, net sales in the aluminum sheet and extrusion products segment for the first half of the current consolidated fiscal year decreased by 8,327 million yen (15.0%) year on year, from 55,479 million yen to 47,152 million yen. An operating loss of 1,375 million yen was recorded, representing a downward change of 1,789 million yen from the operating profit of 414 million yen recorded in the same period of the previous fiscal year.

<Fabricated products and others>

In the transport-related division, net sales in the truck body business exceeded the previous fiscal year's level thanks to the recovery in production amid the normalization and stabilization of truck chassis supply. On the profitability side, material prices remained high but stabilized and the effects of progress in sales price revisions were significant, which resulted in improvements in operating profit over the same period of the previous fiscal year.

In the panel system division, the freezing and refrigeration field saw an increase in sales of large projects, including those for food factories and low-temperature distribution warehouses, and the clean room field was supported by rising demand from semiconductor-related manufacturers, leading to higher sales. As a result, net sales and operating profit in the division as a whole increased over the same period of the previous fiscal year.

As a result of the above, net sales in the fabricated products and others segment increased by 7,994 million yen (11.6%) to 76,775 million yen in the first half of the current consolidated fiscal year, compared to 68,781 million yen in the same period of the previous fiscal year. An operating profit of 99 million yen was recorded, representing an upward change of 1,919 million yen from the operating loss of 1,820 million yen recorded in the same period of the previous fiscal year.

<Aluminum foil, powder and paste>

In the aluminum foil division, the sale of foils for automobile lithium-ion battery exteriors increased over the same period of the previous fiscal year due to the recovery in automobile production, and sales of processed foil for medical product packaging increased due partly to sales price revisions. As a result, net sales for the division overall exceeded the previous fiscal year's level.

In the powder and paste division, sales of powder products for heat dissipation, such as aluminum powder for electronic materials and aluminum nitride, were below the previous fiscal year's levels due to the ongoing demand correction related to semiconductors. In paste products, on the other hand, sales of mainstay automobile paints increased as a result of the recovery of automobile production both in Japan and overseas. As a result, net sales for the entire division increased over the same period of the previous fiscal year.

In the daily necessities division, division-wide net sales exceeded the previous fiscal year's level thanks to solid sales of house-care products and the effect of price revisions for aluminum foil in consumer products, as well as strong sales of packaging products for frozen foods.

As a result of the above, net sales of aluminum foil, powder, and paste segments in the first half of the current consolidated fiscal year increased by 1,462 million yen (2.9%) year on year, from 49,721 million yen to 51,183 million yen. Meanwhile, on the profit side, operating profit increased by 2,351 million yen year on year, from 552 million yen to 2,903 million yen, due to an increase in sales in each division and the effect of revisions to sales prices.

(2) Explanation of consolidated financial position

a. Status of assets, liabilities, and net assets

As of the end of the first half of the current consolidated fiscal year, total assets increased by 1,112 million yen compared to the end of the previous consolidated fiscal year to 527,313 million yen due to a higher market value of investment securities in investments and other assets resulting from a rise in stock prices, among other factors. Liabilities decreased by 4,405 million yen compared to the end of the previous consolidated fiscal year to 301,038 million yen due to repayments of borrowings resulting from a decrease in working capital and other factors. Net assets increased by 5,517 million yen compared to the end of the previous consolidated fiscal year to 226,275 million yen due to an increase in foreign currency translation adjustment in response to the depreciating yen and other factors. The equity ratio rose from 39.0% at the end of the previous consolidated fiscal year to 39.9%.

b. Cash flow

Cash flows from operating activities

Net cash provided by operating activities in the first half of the current consolidated fiscal year amounted to 21,856 million yen. This was due to non-cash profit/loss items such as profit before income taxes and depreciation. Operating activities used 7,625 million yen in net cash in the same period in the previous fiscal year, but in the first half of the current consolidated fiscal year, operating activities provided 21,856 million yen in net cash, primarily due to a decrease in working capital.

Cash flows from investing activities

Net cash used in investing activities in the first half of the current consolidated fiscal year amounted to 9,455 million yen. This was primarily due to purchase of property, plant and equipment. Net cash used in investing activities was up 3,844 million yen compared to the same period in the previous fiscal year, which was primarily due to a decrease in proceeds from sale of investment securities.

Cash flows from financing activities

Net cash used in financing activities in the first half of the current consolidated fiscal year amounted to 13,192 million yen. This was primarily due to repayments of borrowings. Net cash used in financing activities was up 10,511 million yen compared to the same period in the previous fiscal year, which was primarily due to an increase in repayments of short-term borrowings.

As a result, cash and cash equivalents on a consolidated basis were down 157 million yen (0.5%) compared to the end of the previous consolidated fiscal year to 31,106 million yen.

(3) Explanation of forward-looking information, including consolidated earnings forecasts

With regard to the forecasts from the third quarter and beyond, the panel system division has remained a strong performer and recovery in products for truck bodies and domestic automobiles is ongoing. However, given the uncertainty of the timing of recovery in semiconductor-related demand as well as the automotive-related demand outlook in China, we have not changed our consolidated forecast for the fiscal year ending March 31, 2024, released on May 15, 2023.

(Note) The forward-looking statements such as results forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecasts depending on a range of factors.

2. Notes on Summary Information (Special Notes)

(1) Change in significant subsidiaries during the period

None

(2) Application of accounting method specific to preparation of quarterly consolidated financial statements

None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

Changes in accounting estimates

(Provision for environmental measures)

The Group sets out several realistic and feasible plans (i.e., removal methods and destinations) to remove the amount of sediment as specified in the Amehata Dam sediment control master plan. In addition, the Group makes a reasonable estimate of costs for sediment removal, construction of in-river routes used to transport the sediment and site preparation work if the work is performed at the removal destination, as well as other incidental costs. These costs are recorded as “provision for environmental measures” in the quarterly consolidated balance sheets.

During the first half of the current consolidated fiscal year, it was determined necessary to implement additional processes for sediment removal in accordance with the progress of the Amehata Dam sediment control master plan, among others. Accordingly, we have revised the estimate for the provision for environmental measures. As a result, we recorded an extraordinary loss of 1,796 million yen as an expense for environmental measures, resulting in a decrease of the same amount in profit before income taxes for the first half of the current consolidated fiscal year.

3. Quarterly Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	31,305	31,269
Notes and accounts receivable - trade, and contract assets	150,709	150,715
Merchandise and finished goods	44,576	44,286
Work in process	20,715	24,140
Raw materials and supplies	29,332	27,854
Other	16,062	14,035
Allowance for doubtful accounts	(366)	(383)
Total current assets	292,333	291,916
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,839	59,031
Machinery, equipment and vehicles, net	47,488	47,341
Tools, furniture and fixtures, net	5,873	5,843
Land	55,046	55,161
Construction in progress	7,003	7,116
Total property, plant and equipment	174,249	174,492
Intangible assets		
Goodwill	1,771	1,577
Other	10,392	10,199
Total intangible assets	12,163	11,776
Investments and other assets		
Other	48,009	49,675
Allowance for doubtful accounts	(553)	(546)
Total investments and other assets	47,456	49,129
Total non-current assets	233,868	235,397
Total assets	526,201	527,313

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	68,539	72,116
Short-term borrowings	93,157	84,143
Income taxes payable	1,025	2,012
Other	33,758	34,490
Total current liabilities	196,479	192,761
Non-current liabilities		
Bonds payable	801	897
Long-term borrowings	69,612	67,668
Retirement benefit liability	18,571	18,943
Provision for environmental measures	12,693	13,333
Other	7,287	7,436
Total non-current liabilities	108,964	108,277
Total liabilities	305,443	301,038
Net assets		
Shareholders' equity		
Share capital	46,525	46,525
Capital surplus	19,087	19,008
Retained earnings	130,938	132,463
Treasury shares	(95)	(67)
Total shareholders' equity	196,455	197,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,535	5,114
Deferred gains or losses on hedges	(39)	59
Revaluation reserve for land	145	145
Foreign currency translation adjustment	5,826	7,676
Remeasurements of defined benefit plans	(447)	(531)
Total accumulated other comprehensive income	9,020	12,463
Non-controlling interests	15,283	15,883
Total net assets	220,758	226,275
Total liabilities and net assets	526,201	527,313

**(2) Quarterly Consolidated Statements of Income and
Quarterly Consolidated Statements of Comprehensive Income**

**Quarterly Consolidated Statements of Income
(April 1, 2023 – September 30, 2023)**

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	253,094	250,452
Cost of sales	215,256	210,061
Gross profit	37,838	40,391
Selling, general and administrative expenses	34,181	34,710
Operating profit	3,657	5,681
Non-operating income		
Share of profit of entities accounted for using equity method	1,220	701
Foreign exchange gains	1,448	1,041
Other	2,010	1,452
Total non-operating income	4,678	3,194
Non-operating expenses		
Interest expenses	627	672
Other	2,501	1,514
Total non-operating expenses	3,128	2,186
Ordinary profit	5,207	6,689
Extraordinary losses		
Environmental expenses	—	1,796
Total extraordinary losses	—	1,796
Profit before income taxes	5,207	4,893
Income taxes - current	1,054	2,096
Income taxes - deferred	1,170	357
Total income taxes	2,224	2,453
Profit	2,983	2,440
Profit (loss) attributable to non-controlling interests	(821)	296
Profit attributable to owners of parent	3,804	2,144

Quarterly Consolidated Statements of Comprehensive Income
(April 1, 2023 – September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,983	2,440
Other comprehensive income		
Valuation difference on available-for-sale securities	244	1,580
Deferred gains or losses on hedges	(245)	100
Foreign currency translation adjustment	1,616	1,762
Remeasurements of defined benefit plans, net of tax	(253)	(78)
Share of other comprehensive income of entities accounted for using equity method	945	639
Total other comprehensive income	2,307	4,003
Comprehensive income	5,290	6,443
Comprehensive income attributable to owners of parent	5,497	5,587
Comprehensive income attributable to non-controlling interests	(207)	856

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,207	4,893
Depreciation	9,603	10,095
Amortization of goodwill	347	348
Increase (decrease) in allowance for doubtful accounts	(103)	5
Increase (decrease) in retirement benefit liability	290	272
Increase (decrease) in provision for environmental measures	(1,490)	640
Interest and dividend income	(227)	(277)
Interest expenses	627	672
Share of loss (profit) of entities accounted for using equity method	(1,220)	(701)
Decrease (increase) in trade receivables	3,370	2,509
Decrease (increase) in inventories	(12,803)	(468)
Increase (decrease) in trade payables	(2,538)	2,520
Other, net	(2,611)	334
Subtotal	(1,548)	20,842
Interest and dividends received	385	636
Interest paid	(639)	(751)
Income taxes refund (paid)	(5,823)	1,129
Net cash provided by (used in) operating activities	(7,625)	21,856
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,415)	(8,688)
Proceeds from sale of investment securities	3,363	376
Other, net	(559)	(1,143)
Net cash provided by (used in) investing activities	(5,611)	(9,455)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,411	(8,642)
Proceeds from long-term borrowings	5,000	51
Repayments of long-term borrowings	(7,774)	(3,125)
Dividends paid	(2,786)	(619)
Dividends paid to non-controlling interests	(716)	(438)
Other, net	(816)	(419)
Net cash provided by (used in) financing activities	(2,681)	(13,192)
Effect of exchange rate change on cash and cash equivalents	1,092	634
Net increase (decrease) in cash and cash equivalents	(14,825)	(157)
Cash and cash equivalents at beginning of period	45,145	31,263
Cash and cash equivalents at end of period	30,320	31,106

(4) Notes regarding the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Segment information, etc.)

I. First Half of the Fiscal Year Ended March 31, 2023 (April 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments					Adjustments ^{*1}	Quarterly consolidated profit/loss posted ^{*2}
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder, and paste	Total		
Net sales							
Net sales to external customers	79,113	55,479	68,781	49,721	253,094	—	253,094
Intersegment sales or transfers	31,607	12,528	6,603	175	50,913	(50,913)	—
Total	110,720	68,007	75,384	49,896	304,007	(50,913)	253,094
Segment profit (loss)	6,216	414	(1,820)	552	5,362	(1,705)	3,657

Notes:

*1 The 1,705 million yen negative adjustment to segment profit (loss) represents corporate expenses and mainly comprises expenses related to General Affairs, HR, Accounting, and other head office administration departments of the Company and Nippon Light Metal Company, Ltd.

*2 Segment profit is adjusted with operating profit on the quarterly consolidated statements of income.

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:

Not applicable

II. First Half of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments					Adjustments ^{*1}	Quarterly consolidated profit/loss posted ^{*2}
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder, and paste	Total		
Net sales							
Net sales to external customers	75,342	47,152	76,775	51,183	250,452	—	250,452
Intersegment sales or transfers	24,149	13,691	7,117	169	45,126	(45,126)	—
Total	99,491	60,843	83,892	51,352	295,578	(45,126)	250,452
Segment profit (loss)	5,851	(1,375)	99	2,903	7,478	(1,797)	5,681

Notes:

*1 The 1,797 million yen negative adjustment to segment profit (loss) represents corporate expenses and mainly comprises expenses related to General Affairs, HR, Accounting, and other head office administration departments of the Company and Nippon Light Metal Company, Ltd.

*2 Segment profit (loss) is adjusted with operating profit on the quarterly consolidated statements of income.

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:
Not applicable