

# CSR Report

Corporate Social Responsibility Report

2017



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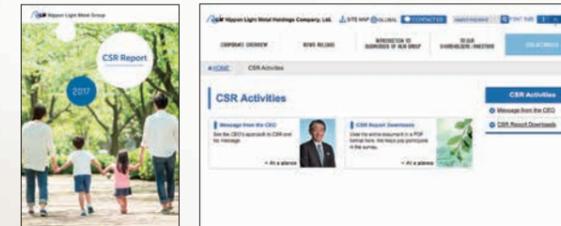
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## Reporting media of CSR information

The CSR Report 2017 of the NLM Group describes the CSR initiatives that we took in FY2016. More details about our CSR initiatives, past initiatives, financial information, and further information are available on our official website.

### Non-financial information

CSR Report (Brochure/PDF) Website  
<http://www.nikkeikinholdings.com/csr/>



### Financial information

Website  
<http://www.nikkeikinholdings.com/pages/ir/>



## Editorial Policy

### Introduction

The aim of this report is to ensure that the NLM Group's CSR-related approach and initiatives are understood by our stakeholders by reporting them in a way that it is easy to understand.

The NLM Group recognizes the social issues that are specified as the core subjects of ISO 26000 and pursues CSR initiatives that contribute to solving these issues. We would appreciate it if you would read about the initiatives we take to address each of the issues and provide us with opinions and comments.

### NLM Group's CSR and SDGs

The CSR of the NLM Group is summarized in our Corporate Philosophy as stated at the top of our Management Policy, which reads "Be forever committed to the development of new applications for aluminum and aluminum-related materials and thereby contribute to the improvement of people's quality of life and environmental protection." This concept is reflected in each of the themes of our activities.

In addition, we are promoting activities for understanding the United Nations' Sustainable Development Goals (SDGs), which we call "Step 1 Activities," as the first step in our initiatives for linking the NLM Group's growth and its contribution to realizing a sustainable society. Explanations of these activities were provided at the CSR Committee meetings that we held in February and July 2017. Moving forward, we will strive to integrate our activities with SDGs. (See Page 6.)



A CSR Committee meeting

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



### Reference guidelines

This report was created by referring to the Environmental Reporting Guidelines 2012 (Ministry of the Environment) and GRI G4 Sustainability Reporting Guidelines.

### Period covered

Data for the report were collected between April 2016 and March 2017.

\* Data collected before or after this period are also used in some sections of this report.

### Scope of the report

This report describes the activities of and facts about Nippon Light Metal Holdings Co., Ltd. and its 73 consolidated subsidiaries (a total of 74 companies) unless otherwise specified.

### Period of issuance

October 2017 (Next report: To be issued in October 2018; Previous report: Issued in October 2016)

### Independent assurance

A ★ symbol indicates that a third party, KPMG AZSA Sustainability Co., Ltd., has provided independent assurance regarding the reliability of the data.

## We will address social issues proactively as Team NLM.



### Good start to the new mid-term management plan

At the NLM Group, we launched a new mid-term management plan for a period of three years from FY2016. Under this plan, we have established three basic policies of “Create new products and business models by strengthening cooperation within the Group,” “Business development through strategies by region and by sector,” and “Strengthening of corporate culture.” I believe that the new mid-term management plan made a good start in FY2016 as its first year. We achieved a ten-year high operating profit of 30,200 million yen. In December 2016, we paid an interim dividend for the first time in 24 years, and the amount of the full-year dividend increased for the fifth consecutive year. Reflecting the favorable performance, we improved our financial strength and achieved a D/E ratio of less than 1.0. We would like to move forward to achieve further growth while maintaining this performance. While there were positive factors including the low crude oil price, I believe that the driving force behind this good start was our activities of giving comprehensive thought to the question, “What is our unique corporate value as the NLM Group?” and promoting businesses based on this thought in a group-wide manner.

### Corporate value of the NLM Group

What is our corporate value? I believe that it is determined by how we can satisfy the desires in the minds of our customers by deeply cultivating our strengths as a comprehensive material manufacturer with a focus on aluminum. This is also expressed by our Corporate Philosophy as stated at the top of our Management Policy, which reads “Be forever committed to the development of new applications for aluminum and aluminum-related materials and thereby contribute to the improvement of people’s quality of life and environmental protection.”

Under this philosophy, we at the NLM Group will continue to focus on aluminum and build a highly profitable business structure by taking advantage of our comprehensive accumulated knowledge and experience of aluminum, which is our strength, with the aim of making a broad contribution to society through our business activities. We will strengthen our sense of unity as Team NLM by enhancing our cross-sectoral development activities, which we refer to as a “cross-functional collaboration,” and create and provide a range of products and services that cater to customer needs. We engage in these activities with the aim of being a “groundbreaking

innovator of aluminum and beyond,” which is separated from the path to scale expansion. As a result, for materials such as those related to lithium ion batteries and those for smartphones, we have combined our expertise in a broad range of business domains, from the development of alloys as the materials to processing and surface-treatment technologies. This has led to our creation of products with high added value.

### Progress of globalization and our CSR initiatives

While the global economy is being integrated in various forms, the overseas expansion of the NLM Group is also making steady progress. In North America, which we position as an important market, we have begun to establish our marketing base, targeting the fields of automobiles, electric appliances and electronics, and food and distribution, where the use of aluminum is expected to increase. In Thailand, we saw start of the operation of the second plant that was being constructed by the local subsidiary of Nikkei MC Aluminum Co., Ltd., a group company that engages in the business of secondary alloys for automobiles. In India, Toyo Aluminium K.K. established a joint venture that manufactures and sells aluminum paste for coating materials. Given the population decline, falling birthrate, and aging population in Japan, overseas expansion is inevitable.

On the other hand, destination countries face issues that are specific to each, in addition to global issues such as global warming.

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs). We believe that we should carry out activities that contribute to solving issues including environmental problems and consideration for human rights and diversity, which are included in the SDGs, from a medium- and long-term perspective to build a sustainable world. We believe that these activities are included in important CSR activities that we in the NLM Group are expected to carry out. We will continue to be proactive in tackling a wide range of CSR issues, including the re-inspection of safety and ways of working of our employees as human assets, the promotion of diversity including the active participation of women, ensuring human rights in supply chains, and activities for protecting the environment and preserving biodiversity, not to mention ensuring compliance, both in Japan and overseas.

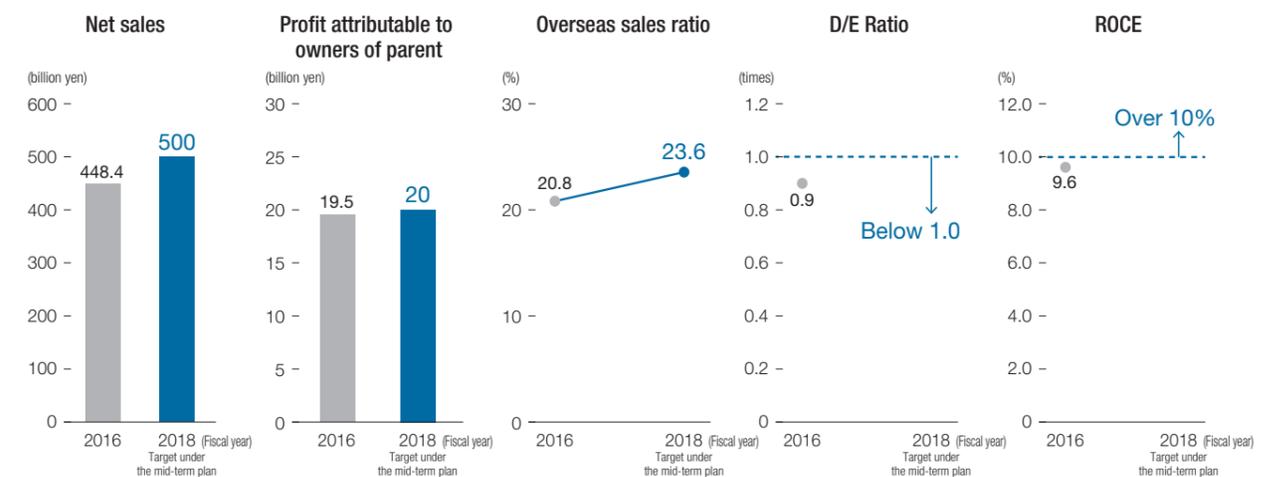
In this year’s CSR Report, we report on the achievements and issues of the CSR activities of the NLM Group, which is moving forward to be a “groundbreaking innovator of aluminum and beyond” as Team NLM, while being conscious of the SDGs and other global movements. We would appreciate your frank opinions.

August 2017

Nippon Light Metal Holdings Company, Ltd.  
President and Chief Executive Officer

*I. Okamoto*

### Key indicators of the mid-term management plan and actual achievements





# We strive to achieve the sustainable growth of our corporate group and improve our corporate value.

## NLM Group's CSR management and international initiatives

The CSR activities of the NLM Group commenced in full scale after the resolution regarding the CSR Promotion Plan was passed at the 2nd CSR Committee meeting (held in February 2012). Since then, we have continued to implement the activities by revising the plan based on an annual review of our achievements. We have increased the number of items for the action plan, which was initially 98, to 138 at present. We have selected these activities by ensuring consistency between international goals with our own issues by referring to ISO 26000 that was issued in November 2010. In other words, we have been proceeding with activities in line with the three frameworks of "Activities that lead to the happiness and pride of employees," "Activities that lead to the profits of our stakeholders," and "Activities that can help overcome social issues or contribute to the public interest." Probably reflecting these initiatives, in July 2017, the stock of Nippon Light Metal Holdings Co., Ltd. (the NLM HD) was selected as one of the 251 stocks of the MSCI Japan ESG Select Leaders Index, which is one of the ESG indices selected by the Government Pension Investment Fund (GPIF).

### Framework of CSR activities of the NLM Group



On the other hand, the world's sustainability-related goals have changed a great deal in the last five years. In 2015, the Sustainable Development Goals (SDGs) were adopted at the UN General Assembly and the Paris Agreement was signed at COP21. All the goals are ambitious and cover a broad range.

In the NLM Group, we are currently looking for specific measures for linking our CSR Promotion Plan with these two great objectives. Regarding SDGs, we have started with efforts to understand the goals by having them introduced at various meetings, including the CSR Committee meetings and via various media.

Concerning greenhouse gases, while the increase in their emissions associated with our business expansion cannot be fully offset by our reduction efforts (see page 20), we are having discussions that are torn between a leap forward and feasibility. With regard to both of these aspects, we will strive to set goals that conform to international initiatives.

We will strive to achieve both the solution of international issues and the maximization of aluminum's value with the recognition that for the NLM Group, which continues to grow by expanding its business domains to China, Southeast Asia, India, the United States, and Europe, its international goals and initiatives are inextricably linked, and should be linked, to its businesses.

## Corporate governance

At the NLM Group, we operate businesses with a holding company structure, in which a corporate group is formed under the umbrella of the holding company, the NLM HD.

The NLM HD has introduced an executive officer system to separate management supervision from business execution. It has also established a Board of Auditors.

### Twelve directors (term: one year)



### Six auditors (term: four years)



Three outside auditors (All of them are independent auditors.)

The NLM HD conducts an effectiveness evaluation of its Board of Directors every year. Measures that were taken in FY2016 based on the results of the evaluation include an increase in the number of inspections of business locations by outside directors and auditors and free discussions about a wide range of topics that are not limited to matters for resolution. These initiatives have enabled remarks and discussions to be made more proactively, ensuring the effectiveness of our Board of Directors.

## Communication with shareholders and investors

At the NLM HD, we consider the general meetings of shareholders to be valuable opportunities to establish a connection between our shareholders and the company. We use videos and narrations to facilitate an understanding of the agenda items. In addition, we disclose information on the internet at an early stage and allow our shareholders to exercise their voting rights on the internet. In FY2016, we began issuing an English version of the notice of convocation of the general meeting of shareholders in our efforts to provide information in multiple languages.

At the NLM HD, we settle the account and make earnings announcements on a quarterly basis. At the time of earnings announcements for the full year and the first half, our CEO explains our performance and management policy himself. Earnings presentation materials are available on our official website.

### Major IR activities (FY2016)

Financial results briefing for corporate investors and securities analysts	Two times (full-year and first-half results)
One-on-one meetings with corporate investors and securities analysts	99 times

## Internal control system

The NLM Group's internal control framework has been established and is operated based on our Basic Policy on the Development of the Internal Control System that was determined by the Board of Directors of the NLM HD in accordance with the Companies Act. In addition, to respond to changes in the business environment, management structure, and others, an internal control manager and an internal control promoter, who supports the internal control manager, are appointed for each business unit in an appropriate manner.

The Board of Directors of the NLM HD receives a report about the status of internal control every two quarters and provides appropriate supervision and instructions.

## Internal control over financial reporting (J-SOX)

To ensure appropriate financial reporting, the NLM Group has

established and operates J-SOX with the CEO of the NLM HD serving as the responsible person. The evaluation of the reports is undertaken by the internal auditing departments of major group companies and consolidated by the NLM HD to check the effectiveness of internal control for the consolidated settlement of accounts. We also cooperate in addressing new issues that arise due to environmental changes and other causes, with information and opinion exchanges carried out constantly by our auditors, accounting auditors, and internal auditing department.

In recent years, the impact of business locations outside Japan on our consolidated account settlement has been growing increasingly important. Accordingly, we have introduced and established J-SOX at our major business locations in China and Southeast Asia.

## Risk management

At the NLM Group, we manage uncertainties such as the probability that our business may suffer a loss, either directly or indirectly, the probability that our business is interrupted or discontinued, and the probability that we will lose credibility or that our brand image will be damaged, by classifying them into strategic risks, financial risks, operational risks, and hazard risks.

Among operational risks and hazard risks, those that are especially serious are specified as "priority risks" by the Board of Directors of the NLM HD. The Board of Directors requests that such risks be managed intensively. Concerning priority risks, the persons responsible for the respective businesses provide instructions and take overall control. In addition, the supervisory department of the NLM HD supports each business by establishing the overall group's policies on handling such risks and the methods of managing them. The business departments repeat the processes of undergoing inspections and audits by the supervisory department of the NLM HD, assessing the remaining risks, and taking additional measures that are necessary.

In FY2016, we inspected and reviewed the system for managing product quality specifications, the system for preventing oil leakages, and the system for detecting leakages. In addition, we began to work on tasks such as the reinforcement of the information management system and the strengthening of business continuity planning.

Moving forward, we will strive to reduce the risks that increase due to business expansion at our overseas bases while taking the circumstances of each country or region into consideration.



We respect human rights and strive to share policies.



Round-table discussions

The NLM Group strives to create systems and workplaces that enable the active participation of diverse human assets. All the staff members of the Public Relations Office of Nippon Light Metal Co., Ltd., including the Manager, are women. The Public Relations Office also has foreign employees and employees who use the shorter working hours system for childcare.



Staff members of the Public Relations Office of Nippon Light Metal Co., Ltd.

Q1 All the team members of the Public Relations Office are women. How do you feel about the concepts of diversity and the promotion of the active participation of women?

- I often hear these words, but I am not as aware of the concepts in my everyday work as you might think.
I think that people feel differently about the words, diversity and promotion of the active participation of women, depending on their generation. I believe that they are matters of course for young staff members.

Q2 Do you feel that the fact that all the team members are women is an advantage for your work?

- I am not particularly conscious of the fact that we are women while I am working. However, women may be better at taking on new challenges than men.
There is also one aspect that I am careful about because we are all women, and that is the possibility that our perspective

may be female-biased. For example, when we design a PR tool, I suspect that the sensibility of women is not sufficient for us to create a design that is considered to be agreeable by various people. We seek advice from men around us when necessary.

Q3 Do you notice anything in particular as a foreign employee?

- I feel that not being Japanese is both a weakness and a strength. As a Chinese person, I can look at things from different angles than the Japanese do, and I believe that I have a set of values and sensibility that are different from those of the Japanese due to the differences in the environment in which we were raised, the education we received, and our cultural differences. China is an important region for the NLM Group, so I would like to contribute to the public relations work by taking advantage of my strengths.
We are not conscious of the nationality difference in our day-to-day work, but the difference is a significant advantage for us when we undertake work related to China.

Q4 One of the members works reduced hours for childcare. Do you have anything in mind regarding this?

- We don't do anything in particular about it. However, unexpected problems can arise for people with young children. Accordingly, we try to communicate closely with each other on a daily basis so that we can support each other in the event of a problem.
I believe that the understanding and cooperation of the members around us enable me to use the program without hesitation.

Q5 What do you think of female manager and the career development of women?

- I often attract attention in both a positive and negative sense because we only have a small number of female managers. This interview is one example. I guess that the existence of female managerial staff would be nothing special if we had more of them.
It is clear that childbirth and childcare place a major burden on women who are trying to develop their careers. I wish that we received more support while on maternity leave, such as the provision of work-related information and tools for skill improvement and permission to work at home. In addition, men should be allowed to take childcare leave more frequently.

Q6 Please provide us with a final comment.

- Diversity is of course important in that every single employee is respected. At the same time, diversity keeps various human assets together, leading to the development of the company. That is what I believe.

Promotion of the employment of people with disabilities

Nikkeikin OhLis (One heart, Lively, Smile) Co., Ltd. is a special subsidiary company aimed at promoting the employment of people with disabilities.

In June 2017, we held a workplace observation session at the company by inviting employees' families and the teachers of the schools they graduated from. The purpose of this session was to deepen the families' and teachers' understanding of the employees' daily work at the company, obtain their opinions, and create an even more comfortable workplace environment.

Participants in the session saw the employees carry out work such as cleaning the building of the Group Research and Development Center of Nippon Light Metal Co., Ltd., washing cars, inspecting equipment, maintaining flowerbeds and planted areas, growing vegetables, and sorting waste. This was followed by the employees' explanations of their work. In a subsequent opinion exchange session, the families shared opinions such as "I saw a side of my son that I don't see at home," and the teachers made comments such as "I was able to observe our graduates actually working, which is helpful for teaching my current students." The lunch served to the participants was the Co-op Box Lunch from Co-op Kambara, for which two of the company's employees work. They were very satisfied with the lunch.

The NLM Group will continue striving to increase the number of jobs for people with disabilities and expand the employment of the disabled.



Participants in the workplace observation session at Nikkeikin OhLis Co., Ltd.



An employee explaining his work



Opinion exchange session

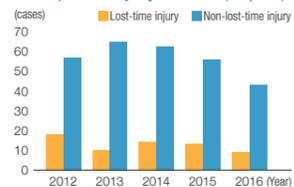
# We will promote the creation of safe, secure workplaces and the development of globally-competitive human assets.

## Group-wide activities for safety and health

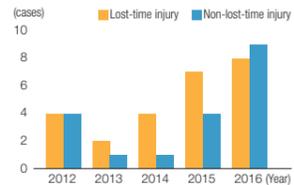
The NLM Group has established and operates a safety and health committee for each group company and the overall group, in addition to one for each workplace as provided for by the Industrial Safety and Health Act. The safety and health committee of the overall group consists of the presidents of major group companies and executive members of labor unions. This committee deliberates and determines the NLM Group's safety and health policies, targets, and other matters.

In 2016 (calendar year), there were 17 cases of lost-time injuries and 52 cases of non-lost-time injuries in the overall group, including overseas sites. The workplace injury trends have remained unchanged in the last several years. Regrettably, our measures for preventing the recurrence of such injuries, activities for reducing risks, and training and awareness-raising activities have not produced sufficient effects.

Workplace injury trends (Japan)



Workplace injury trends (outside Japan)



## The fourth mid-term course of action for safety and health

Under the (fourth) mid-term course of action for safety and health that commenced in 2017, we have added *comprehensive capability* to the existing *field capability*, *management capability*, *technical capability*, and *health capability*, reviewing the course of action to ensure that the respective actions are taken in an integrated manner.

### The fourth mid-term course of action for safety and health of the NLM Group

Mid-term course of action	2017	2018	2019
Enhance comprehensive capability	Raising awareness of safety and strengthening activities for preventing accidents	Support for priority business locations	Activities for improving risk sensitivity and uncompromising actions for not overlooking risks
Enhance GENBA* capability	Promoting safety activities that are created in the GENBA*	Conducting audits (of all business locations) and expanding the Safety Management System(SMS) certification to the overall group	Developing SMS promoters and safety managers internally and providing internal training
Enhance management capability	Expanding of equipment safety standards throughout the group	Reducing risks by means of risk assessment (training and support for practices)	Continuing to take countermeasures against back pain and heat stroke and measures for preventing passive smoking
Enhance technical capability	Continuing to take mental health measures and infection control measures		

Safety activities based on teamwork

## Enhancing GENBA\* capability

We provide experience-based safety training to raise the safety awareness of workers in the GENBAs. The training program is aimed at getting workers to deepen their understanding of the importance of safety by experiencing risks and knowing the fear of injury. In 2016, the training was provided to 112 workers in three sessions. We also provided risk prediction training to develop sensitivity for discovering potential risks and the capability of carrying out safe behaviors.

\* The word expressing the perspective of emphasis on hands-on experience

## Enhancing management capability

We are working to introduce the safety management system. To date, we have introduced it at 16 business locations. Further, we also have our safety control department conduct safety audits, thereby checking the status of safety and health activities at each business location. We have also introduced independent safety investigations, thereby developing human assets who are capable of making improvements.

## Enhancing technical capability

We have established the equipment safety standards to promote the safety of machines. We also reduce risks through risk assessment.

## Enhancing health capability

We are working on the prevention of back pain and other health problems, lifestyle improvements such as non-smoking activities, infection prevention, mental health care, and other activities.

## Enhancing comprehensive capability

We strive to improve the safety level of the overall group by taking measures including the introduction of measures to prevent the recurrence of workplace injuries in the overall group and the intensive deployment of human assets to business locations with frequent occurrences of workplace injuries.

These activities are aimed at achieving complete zero accidents to enable every single employee of the group to return home uninjured.

## Various safety activities



The group's safety and health committee meeting



Experience of being sandwiched in a crane hoist (Head Office and Atsugi Plant of Nippon Fruehauf Co., Ltd.)



Experience of being entangled in rollers (Nagoya Plant of Nippon Light Metal Co., Ltd.)



Risk prediction training (Toyo Precision Appliance (Kunshan) Co., Ltd.)



Independent safety investigations (Left: Shizuoka Kosan Co., Ltd., Right: Nikkei Extrusions Co., Ltd.)



## Human asset development at manufacturing sites

The NLM Group holds the Conference for Presentation of Improvement Cases to develop human assets for manufacturing sites and promote improvement activities. At the conference, presentations are given on a wide range of improvement cases, including safety improvements, quality improvements, and cost reductions. People from the overseas bases of the NLM Group also participate in this conference. Participants in the conference held in June 2017 included people from the heat exchanger plant of Nikkei Siam Aluminium Ltd. Through this and other similar programs, the NLM Group develops manufacturing professionals.

### Comments from participants from Nikkei Siam Aluminium Ltd. [sic]

- We got to learning new thing and we learning about teamwork when we do KAIZEN activity, and we learned about problem solving analysis that we can apply with our work done.
- We will be share the KAIZEN activity experience, the working principle, new technology as we saw in Plant tour to our colleague to be driving our employee to thinking and improve more and more to their work.
- We are very excited and proudly, that we are company's represent to jointed KAIZEN presentation in JAPAN.
- We will be share the KAIZEN activity experience, the working principle, new technology as we saw in Plant tour to our colleague to be driving our employee to thinking and improve more and more to their work.
- We hope to continue this good activity for motivation to create the innovation and improvement in the future.



Participants from overseas bases (people from the heat exchanger plant of Nikkei Siam Aluminium Ltd.)



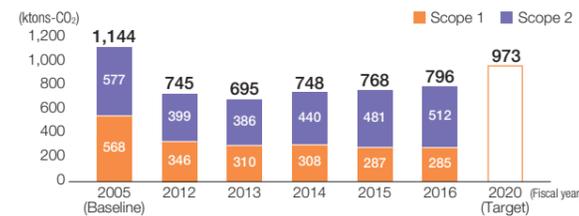
# We coexist in harmony with the global environment, aiming to create a sustainable society.



## Reduction of greenhouse gas emissions (in Japan)

In FY2016, greenhouse gas emissions from the NLM Group in Japan increased 3.7% from the previous year, to 796,000 tons. Our emissions caused by fuel consumption (Scope 1) have been reduced due to our energy-saving efforts, including fuel conversion. However, our emissions caused by electricity consumption (Scope 2) have increased, due in part to increased production, resulting in an increase in overall emissions.

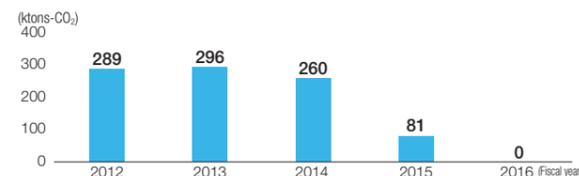
### Greenhouse gas emissions (Japan) ★



\* Boundary: 23 consolidated subsidiaries in Japan  
 ★: We have received independent assurance by KPMG AZSA Sustainability Co., Ltd. regarding the reliability of the data.  
 \* The following CO<sub>2</sub> emission factors were used for the calculations.  
 Electricity: End-use CO<sub>2</sub> emission intensity of the last fiscal year announced by the Federation of Electric Power Companies of Japan and the Electric Power Council for a Low Carbon Society  
 Fuel: CO<sub>2</sub> emissions as per heat value and calorific value for each fuel, which are set forth in the Ministerial Ordinance for Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emitters  
 \* The same emission factors are used for hydropower generation at the Kambara Complex of Nippon Light Metal Co., Ltd.  
 \* The target and actual values do not include emissions caused by chlorofluorocarbons and their alternative.

On the other hand, we made a major achievement in Scope 3. Nikkei Panel System Co., Ltd. has stopped using hydrofluorocarbons (HFCs), which are substitute for chlorofluorocarbons (CFCs), for all the thermal-insulation, flame retardant panels it produces. Since April 2016, the company has been using no HFCs, which contribute significantly to global warming. This is equivalent to reducing CO<sub>2</sub> emissions by 300,000 tons per year, which account for about one-third of the CO<sub>2</sub> emissions caused by the energy consumption in the NLM Group in FY2016.

### Amount of use of HFCs by Nikkei Panel System Co., Ltd. (greenhouse gas equivalent)



## Review of the voluntary action plan for reducing greenhouse gas emissions

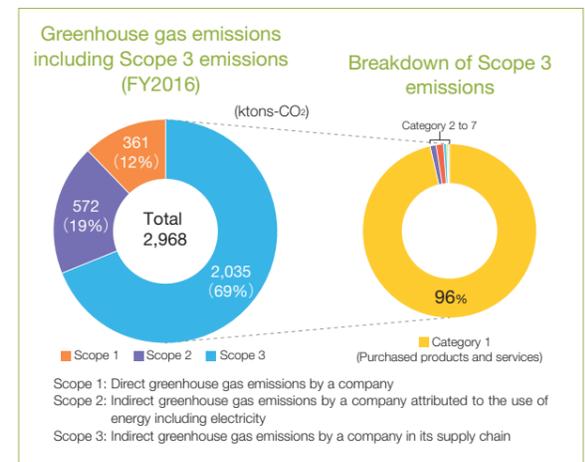
At the NLM Group, we engage in activities for achieving the target of reducing greenhouse gas emissions by 15% from the FY2005 level by FY2020. We have set this target in our voluntary action plan for reducing greenhouse gas emissions. Reflecting the status of the achievement of the target and the target of our nation that it pledged under the Paris Agreement that was adopted at COP21 in 2015, we are working to formulate a new voluntary action plan by setting 2030 as the target year, while continuing to engage in activities for reducing greenhouse gas emissions further.

## Greenhouse gas emissions including those from our overseas sites\*1

In the NLM Group, we make efforts to check the greenhouse gas emissions from our overseas sites. In FY2016, we started checking the emissions from all our overseas sites, and they were found to be 137,000 tons\*2.

\*1: Site: Scope of application of the environmental management system and the unit thereof  
 \*2: The CO<sub>2</sub> emission factor of Japan was used for the calculation. Moving forward, we will use emission factors that are appropriate for the conditions of each country in our efforts to improve the accuracy of the data.

### Greenhouse gas emissions from the overall group including overseas sites (FY2016)



## Meeting of environmental practitioners held overseas for the first time

Due to the overseas expansion of the NLM Group, the subjects of environmental management in local areas have also been increasing. To respond to this situation in a group-wide manner and strengthen cooperation among our overseas sites, we held a meeting of environmental practitioners for the first time at an overseas venue in October 2016. We held it in Thailand, where we have many sites and where a large number of environmental initiatives are promoted. Environmental practitioners from five sites in three companies participated in the meeting. They introduced environmental management activities at each plant, shared information about the environmental laws and regulations of Thailand, and inspected the environmental facilities. They also asked questions and held active discussions about practical tasks such as waste management and countermeasures against the entry of pigeons into a plant. This allowed the local staff members to share the issues and goals. We will continue to hold meetings of environmental managers in our efforts to reduce the environmental risks at our overseas sites.



On-site inspection of environmental facilities

Meeting of environmental practitioners

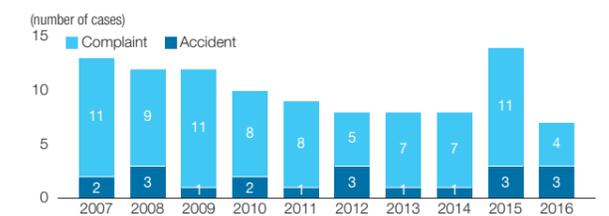
## Environmental accidents and emergency response

Regarding environmental accidents and the emergency response to such accidents, the NLM Group has established and operates a prompt reporting system both in Japan and overseas.

In FY2016, there were no environment-related lawsuits, penal charges, or fines. There were four complaints\* (three in Japan and one overseas) related to the environment and three minor environmental accidents\* in Japan. In all of these cases, the sites where they occurred and the environmental control department worked together to implement countermeasures, including measures for preventing recurrence.

To further reduce environmental problems, the NLM Group is proactive in taking risk-reduction steps that are appropriate for each site, such as the enhancement, establishment, and renewal of systems for detecting the leakage and promotion of noise control measures. We also hold regular briefings for local residents to disclose the results of environmental measurement and explain the contents of our measures for reducing complaints, such as those regarding noise. We therefore make steady efforts to communicate with the local residents.

### Environmental problems



\*Complaint: Number of petitions from external parties (such as those regarding smell and noise)  
 \*Accident: Environmental problems that affect external parties (such as the leakage of oil or chemicals)

## TOPIC

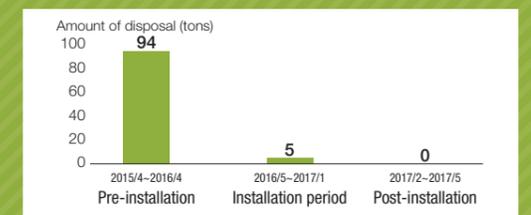
### No disposal of waste sulfuric acid

Nikkei Niigata Co., Ltd. uses sulfuric acid for the surface treatment of aluminum. This would result in the generation of approx. 100 tons of waste sulfuric acid every month. In May 2016, the company introduced a equipment for collecting and reusing sulfuric acid. As a result, the company has succeeded in completely eliminating the need to dispose of sulfuric acid. This device uses pressure dialysis, a method that is new in the field of surface treatment.



Equipment for collecting and reusing sulfuric acid

### Amount of disposal of waste sulfuric acid





# Activities for preserving biodiversity

In the NLM Group, we promote activities for preserving biodiversity at our sites in Japan and other countries in accordance with our biodiversity guidelines. In promoting the activities, we apply various methods that are appropriate for each phase. Specifically, we monitor the impact of our business activities on biodiversity, engage in business activities in consideration of biodiversity, and cooperate with local communities in our efforts to reduce the impact on biodiversity.

## Tree planting and biotope creation

Activities for protecting coral reefs



Nikkei Siam Aluminium Ltd. (Thailand)



Tree-planting activities on an industrial estate



Amata Nakorn Factory of Nikkei Siam Aluminium Ltd. (Thailand)

## Greening of factory premises

Garden and biotope



Tomakomai Complex of Nippon Light Metal Co., Ltd.



Nikkei Niigata Co., Ltd.



Garden on office building rooftop and biotope



Fruehauf Mahajak Co., Ltd. (Thailand)



Amata Nakorn Factory of Nikkei Siam Aluminium Ltd. (Thailand)



Wellgrow Plant of Nikkei MC Aluminum (Thailand) Co., Ltd.

Observation of wild birds that come to the discharge channel



Kambara Complex of Nippon Light Metal Co., Ltd.

Collaborations with NPOs



Participation in the creation of *Kyosei no Mori* (forest of coexistence) by Nikkei Technology Center Co., Ltd.

## Neighborhood cleaning and environmental monitoring

Fishway construction



Kakimoto Dam



Fishway that was constructed in Toshima Dam

Mangrove protection activities



Nikkei Siam Aluminium Ltd. (Thailand)



Monitoring of drainage at the Shimizu Plant of Nikkei Light Metal Co., Ltd.

Tree planting at Miho no Matrubara (World Heritage) and beach cleaning



Nikkei Sangyo Co., Ltd.



Riken Light Metal Industry Co., Ltd.



Cleaning of the area around the factory by Nikkei Extrusions Co., Ltd.



Cleaning of the area around the factory Shiga Factory of Nikkei Panel System Co., Ltd.



Cleaning of the area around the plant Wellgrow Plant of Nikkei MC Aluminum (Thailand) Co., Ltd.



# We will promote fair and equitable business activities by complying with the relevant laws and regulations.

## Promotion of compliance

The compliance standards of the NLM Group are stipulated in the Group Compliance Codes, which all officers and employees are required to observe. With regard to these compliance codes, a specific code of conduct is prescribed for each of the following items.

We have a handbook that contains these codes of conduct and other important rules. This handbook is distributed to all officers and employees. They read through the codes of conduct occasionally, using them as a guidepost.



- Chapter 1. Promotion of compliance
- Chapter 2. Responsibilities for employees
- Chapter 3. Basic internal rules
- Chapter 4. Responsibilities for customers and business partners
- Chapter 5. Responsibilities for society
- Chapter 6. Responsibilities for shareholders and investors

## Compliance meetings

A compliance meeting is held exclusively for employees' discussions about compliance. In daily operation, it is difficult for individual employees to start a conversation about an ethical question or a concern they experience at their workplace or about their work every time such a question or concern arises. In response, we hold compulsory meetings where the topic is limited to compliance in our attempt to eliminate concerns and solve issues at an early stage. All employees of all group companies in Japan participate in these meetings, which are held twice a year in each workplace. A total of about 20,000 employees participate in these meetings at around 2,000 workplaces every year. People from the same workplace are not the only combination of participants in these meetings. For example, only managerial staff participate in the meetings where the agenda involves how to instruct and train subordinates in a way that enables them to avoid power harassment.

We continue to take initiatives like this, which are based on our recognition that all problems stem from a lack of communication.

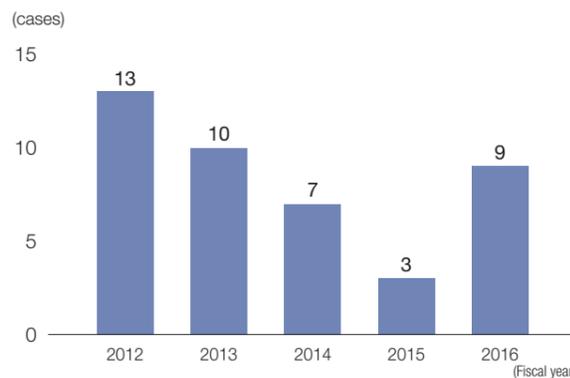
## NIKKEI HOTLINE

Compliance meetings are not the be-all and end-all solution. There are cases where the conditions or circumstances do not permit a discussion about an issue by any means. In such cases, the issue is entrusted to the whistleblowing system, which was established and is operated by each group company, or *NIKKEI HOTLINE*, which was established and is operated by Nippon Light Metal Holdings Co., Ltd. (NLM HD).

*NIKKEI HOTLINE* provides consultation or handles whistleblowing in about 20 cases every year. In the case of whistleblowing, the whistleblower may select a contact office that is appropriate for the matter they intend to report, such as a person from NLM HD in charge of compliance, legal affairs, personnel affairs, or audits, a corporate auditor, and a law firm. Whistleblowing is accepted either anonymously or non-anonymously, and the whistleblower protection program is applied for whistleblowing that is accepted.

For whistleblowing, checks are made for violations of the Compliance Codes through investigations including interviews with the whistleblower, the person involved in the alleged wrongdoing, and responsible persons from the workplace or company in question. Where the problem is judged to be a violation, we take appropriate measures such as disciplinary action, a personnel transfer, and/or an apology.

Number of cases that were reported to *NIKKEI HOTLINE* and where a violation of the Compliance Codes was suspected, resulting in investigations or an attempt to reach a solution



## Human rights due diligence in the supply chain

With the aim of sharing our human rights policies with our suppliers, we in the NLM Group have our purchasing managers visit suppliers in Japan and other countries to undertake on-site checks and exchanges of opinions. A chemical manufacturer and master alloy manufacturer in Japan agreed to share our human rights policies. In China, our purchasing managers visited a metal material manufacturer in Fujian, where they discussed the approach to human rights at manufacturing sites in China and exchanged frank opinions.

We will continue to visit our suppliers with the aim of sharing our human rights policies with them.



An interview with a metal material manufacturer in Fujian



An opinion exchange session at Tomiyama Pure Chemical Industries, Ltd.



An opinion exchange session at Fukuoka Alumi Industry Co., Ltd.

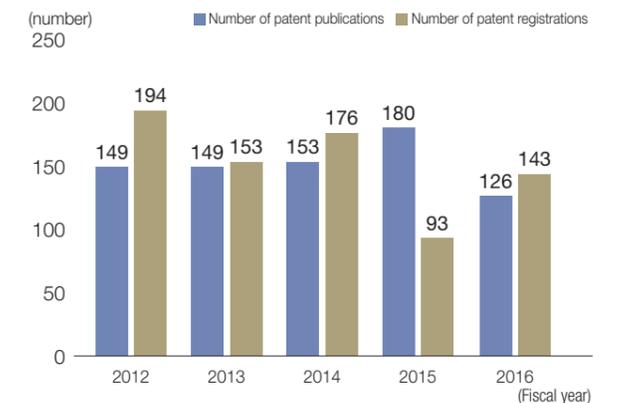
## Protection of intellectual property rights

In the NLM Group, we protect and apply the achievements of our research and development activities with intellectual property rights. We also work to protect intellectual property by respecting third parties' intellectual property rights, for example. In the process of developing new products, each business department and R&D

department cooperates with the intellectual property department in promoting activities such as the study of other companies' prior arts, applications for patents concerning our technologies, and the acquisition of intellectual property rights over the technologies.

Where we operate a business overseas jointly with a local partner, we work proactively to acquire the intellectual property rights that are required in the country and ensure contracts to prevent technology leakage.

## Patent publications and registrations by the NLM Group



## Initiatives for proper trade operations

In import procurement, Nippon Light Metal Co., Ltd. participates in the Authorized Economic Operator (AEO) program\*, which is a global standard. As an authorized importer, the company strives to facilitate international trade while ensuring the safety of such trade. It has also established a Customs Clearance Operation Management Committee to ensure proper trade operations. This committee supervises the trade operations of each department. In FY2016, the company began to undergo independent audits in its efforts to create a stricter management system.

Group companies have also been requested to participate in the Customs Clearance Operation Management Committee to ensure proper trade operations in each department. In the future, we will make it a group-wide committee so that the overall NLM Group will work to promote proper trade operations.

\* AEO: A program that permits improved, simplified customs procedures for operators with established systems for cargo security management and compliance with laws and regulations. The program is aimed at ensuring the security of international logistics and facilitating this to increase Japan's international competitiveness.



# We are building a quality assurance system that will form the foundation of a groundbreaking innovator of aluminum and beyond.

## Quality assurance we provide as a groundbreaking innovator of aluminum and beyond

The NLM Group is a corporate group that focuses on aluminum materials and has strengths and expertise in a wide range of fields. We develop products by combining the technologies and expertise of group companies, aiming to be a groundbreaking innovator of aluminum and beyond, that is, a creator of products that are able to provide customers with satisfaction and pleasure that they have never experienced before.

On the other hand, in order for us to allow customers to use our products as combinations of our new technologies with a sense of security, it is essential that we develop new measurement, inspection, and analysis technologies to provide assurance for such use as a groundbreaking innovator of aluminum and beyond. To establish such new quality assurance technologies, the quality assurance supervisory department provides assistance with tasks such as the establishment of methods for managing and inspecting new materials, parts, and processes through opportunities such as quality audits, independent studies of quality (Hinshitsu Jishuken), and individual support. For example, the division provided assistance with the establishment of a method for ensuring the strength of reinforcing materials for structures and support for supplier management.

## Protecting quality

### Quality audits

In the NLM Group, we conduct an audit of our domestic and overseas bases every year. With regard to the problems discovered in quality audits, we share the issues with the audited departments in question with the aim of improving the level of their quality assurance. In FY2016, we checked the methods of the management and assurance of inspection equipment used in the processes, in addition to the existing audit items, and confirmed that none of the 64 bases have any problems.

### Full quality checks

In FY2016, there was a case where we delivered a product whose specifications differed from those we had determined with the customer. In response, we in the NLM Group conducted a full quality

check of all of our products and services to see whether we had provided the products and services required by customers. We checked a total of 51,108 cases and found 148 cases with problems such as insufficient recording and unclear detailed specifications. We immediately ordered remedies for the problems that were discovered and checked the contents of the remedies. Further, in the quality audits, we check whether systems for preventing the recurrence of problems have been established.

### Management of chemical substances contained in products

In the NLM Group, we strive to strengthen our management system to ensure appropriate responses to laws and regulations related to chemical substances contained in products. Regulations related to chemical substances are tightened and renewed, and we must ensure that we reflect the updates in our products. Accordingly, our quality assurance supervisory department watches for the tightening of regulations and provides the latest information to business departments. Further, concerning newly added chemical substances, the supervisory department and business department take countermeasures through mutual consultations.

## Quality audits



Nikkei Siam Aluminium Ltd. (panel division) (Thailand)



Guangxi Zhengrun Nikkei High Purity Aluminum Technol (China)

Shimonoseki Nikkei Co., Ltd.

## Fostering quality

### Independent studies of quality (Hinshitsu Jishuken)

In FY2014, the NLM Group began conducting independent studies of quality (Hinshitsu Jishuken), which are aimed at improving the quality assurance level of the overall group. Hinshitsu Jishuken is a program aimed at fostering human assets who can play the leading role in quality assurance. It is conducted within each group company by staff members who are directly involved in products, such as their development, manufacturing, and sales, by using the factory or plant as the venue. They learn approaches and methods for improving quality control and establishing quality assurance by carrying out improvement activities using actual products, manufacturing processes, and other subjects. Human assets fostered through this program constitute a foundation for building the quality assurance system of a groundbreaking innovator of aluminum and beyond.



A session for independent studies of quality

### Program for independent studies of quality (held twice a year with participants from all group companies)

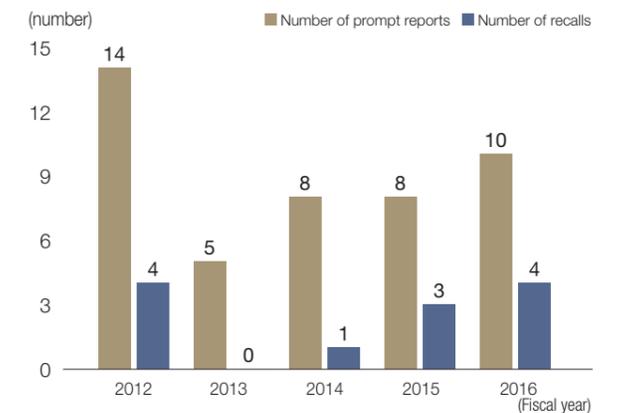
- Selecting a plant/factory as the venue
- Determining the theme of improvements based on actual production activities
- Studying the methods and tools needed for improvement
- Carrying out improvement activities in teams (three times for a period of seven days in total)

## Connecting quality

### Prompt reports on quality

In the NLM Group, when a case that may be a serious quality assurance problem has occurred, we provide information about the case as a prompt report on quality regardless of its causes. In FY2016, ten cases were reported.

### Prompt reports and recalls



### Group Quality Committee

In the NLM Group, we hold meetings of the Group Quality Committee, which is chaired by the director in charge of quality, twice a year. At the meetings, the participants receive information about the group's quality policies, approve the quality management promotion plan, share information about quality problems that have occurred in the group and the results of quality audits, and engage in other activities. A group discussion is also held as part of the meeting. In FY2016, the participants held a discussion under the topic "prevention of incorrect specifications," which allowed them to share ways of thinking that differ among the various business categories, issues that are common to them, and other information. Further, we are building a network of committee members through these meetings.

### Number of violations of laws in the provision of products and services

In FY2016, there were no violations of laws in our provision of products and services.



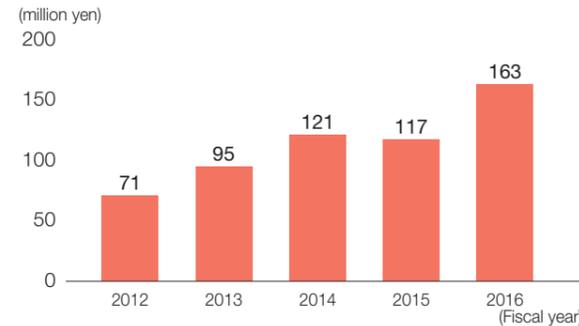
# We are striving to undertake better communication with local communities.

## Social contribution accounting

At the NLM Group, we engage in activities with the local communities. For example, at many of our business locations, we participate in local festivals and invite local residents to events that we host. Above all, we participate in locally based traditional events and other events proactively by involving all the staff members at each site. We thereby contribute to the development of each local community as its member.

In FY2016, we participated in 255 local programs, and the amount of expenses for these and other activities was 163 million yen.

### Expenses related to social contribution



## Participation in local festivals

### Dai Minyo Nagashi (a large folk-dancing parade) in the Niigata Festival (Nikkei Niigata Co., Ltd.)

Boasting around 14,000 participants, *Dai Minyo Nagashi* in the Niigata Festival, which is held in Niigata City, Niigata Prefecture, is said to be one of the largest dancing parades in Japan. Every year, about 250 people from the NLM Group participate in this parade. Wearing the same *yukata* (summer kimono), they display a well-synchronized dance with a *mando* (a large lantern) decorated with aluminum barrels manufactured by Nikkei Niigata Co., Ltd.



Dai Minyo Nagashi

Mando decorated with aluminum barrels

### Tomakomai Minato Festival (Tomakomai Complex of Nippon Light Metal Co., Ltd., Nikkei Hokkaido Co., Ltd., and others)

In 2013, the NLM Group participated in the citizens' dance in the Tomakomai Minato Festival, which is held in Tomakomai City, Hokkaido, for the first time in 15 years. Since then, we have participated in the dancing event every year. We make full preparations for participating in the event, including training sessions provided by a dance instructor and the creation of a special costume. As a result, we have received an award, including the Fashion Award and the Award of Excellence, for four consecutive years.



Award presentation ceremony

Citizens' dancing

### Konomiya Hadaka Matsuri (Konomiya naked festival) (Nagoya Plant, Nippon Light Metal Co., Ltd.)

The *Konomiya Hadaka Matsuri* (Konomiya naked festival), which is held at Owari Okunitama Shrine in Inazawa City, Aichi Prefecture, is a time-honored festival with more than 1,200 years of history. The Nagoya Plant of Nippon Light Metal Co., Ltd. participates in the festival every year through the local community. For example, its employees participate in the ceremony of making a huge round rice cake to be dedicated to the shrine. The plant also participates in the parade for dedicating the round rice cake. Further, on the day of the Naoi Shinji (the shrine ritual for dispelling misfortune), which is the climax event of the festival, the factory offers its premises for security services and first aid. The company thus cherishes this locally-based festival.



Making of the huge round rice cake

Huge round rice cake to be dedicated to the shrine

### Minami Alps Hayakawa Sansai Matsuri (wild vegetable festival) (Kambara Complex, Nippon Light Metal Co., Ltd.)

Nippon Light Metal Co., Ltd. owns a dam and a power plant in Hayakawa Town, Minami Koma County, Yamanashi Prefecture. In Hayakawa Town, the *Minami Alps Hayakawa Sansai Matsuri* (wild vegetable festival) is held in the season of wild vegetables. The Kambara Complex of Nippon Light Metal Co., Ltd. participates in this event with the local women's association and various other organizations by holding a stall in the venue. At the stall, they sell everyday utensils made of aluminum, such as aluminum foils and pans, collect aluminum cans, and carry out other activities. More than 10,000 people visit the festival and look forward to buying aluminum everyday utensils as well as wild vegetables.



The wild vegetable festival

Stall held by Kambara Complex

## Invitation to on-premise events

### Rose Viewing Festival and Rose Motive (Head Office and Atsugi Plant of Nippon Fruehauf Co., Ltd.)

In 1984, the Head Office and Atsugi Plant of Nippon Fruehauf Co., Ltd. began growing roses on its premises with the aim of providing pleasure to the employees. Currently, 1,000 roses of 400 breeds flourish there, and the Rose Viewing Festival, which is open to the public, is held as an opportunity to express appreciation to the company's many stakeholders. The festival celebrated its 30th anniversary and attracted around 6,000 visitors in 2017. Events held during the festival include sales of rose saplings, a seminar on how to raise roses, and a concert. A fund-raising activity is also included in the events, and the money collected through the activity is donated as aid money for children in developing countries and others. These initiatives were highly evaluated and the plant was commended by Kanagawa Prefecture in the past as a plant that coexists in harmony with the local community.

At the 50th anniversary of the company, the Rose Motive, a container in a see-through structure, was developed and used

to offer a mobile rose garden for delivering roses raised on the premises. The Rose Motive has been deployed as part of the activities for supporting the reconstruction of the disaster-affected area and the revitalization of the local community, and visitors to the festival were pleased to see the container.



Venue of the event

Rose Motive

## Festivals organized at our manufacturing sites

In the NLM Group, we hold on-premise events at our manufacturing sites to enable local residents to get to know our plants and to express our gratitude for them. At the festivals, our employees run food stalls, host games and lotteries, organize bazaars, take visitors on plant tours, and engage in other activities. In addition, taiko drum groups and cheerleading teams from local schools are also invited to the events. In this way, the festivals serve as valuable opportunities for interacting with the local residents.



Performance of the taiko drum club of Shizuoka Prefectural Suruga-Sogo High School at Riken Noryo Sai (Riken summer festival)



Plant tour at the Nikkei Sai festival

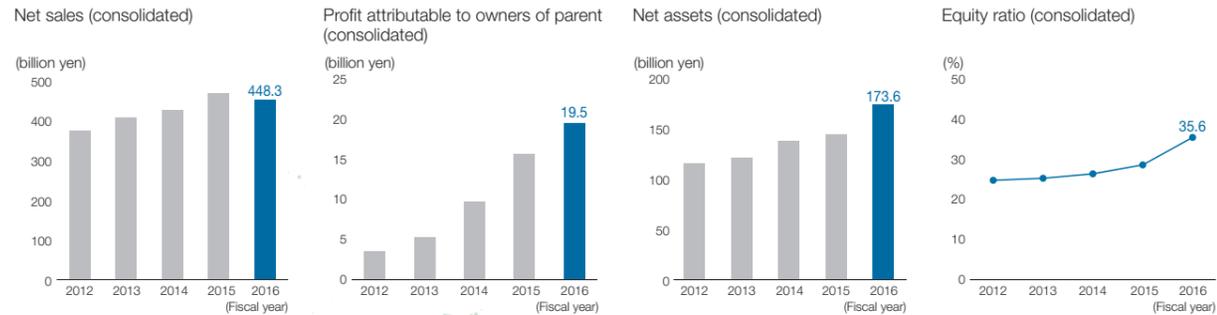
A bingo game at the Nikkei Bazaar

Event name	Number of times it has been held to date	Number of visitors	Venue
Riken Noryo Sai	22	Approx. 1,000	Head Office Plant of Riken Light Metal Industry Co., Ltd.
Nikkei Sai	28	Approx. 2,000	Kambara Complex, Nippon Light Metal Co., Ltd.
Nikkei Bazaar	29	Approx. 2,000	Nagoya Plant, Nippon Light Metal Co., Ltd.

## Corporate overview

Trade name:	Nippon Light Metal Holdings Company, Ltd. (Abbreviated to "NLM HD")	Paid-in-capital:	46,525 million yen
Securities code:	5703	Sales:	448,381 million yen (consolidated)
Head office location:	2-2-20 Higashi Shinagawa, Shinagawa-ku, Tokyo	Number of employees:	13,126 (consolidated)
Established:	October 1, 2012		

All of the data are in FY2016 or as of March 31, 2017.



## Global network

- Alumina, Chemicals, and Ingot Business
- Sheet and Extruded Products Business
- Fabricated Products and Other Businesses
- Foil and Powder Products Business

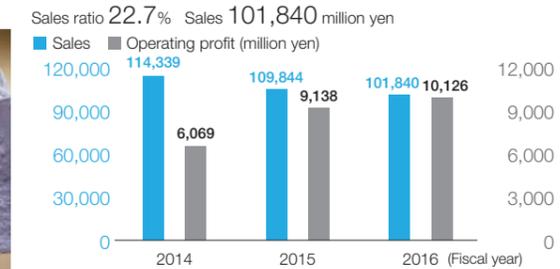
■ Toyal Europe

- Nikkei MC Aluminum (Kunshan)
- Nikkei MC Aluminum (Thailand)
- CMR Nikkei India
- Nikkei Siam Aluminium
- Nikkei Singapore Aluminium
- Guangxi Zhengrun Nikkei High Purity Aluminum Technol
- NI Nikkei Shenzhen
- Nikkei (Shanghai) Body Parts
- Nikkei (Shanghai) International Trading
- Shandong Nikkei Conglin Automobile Parts
- Nonfemet International (China-Canada-Japan) Aluminium
- Changchun Nikkei Railway Vehicle Equipment
- Toyo Precision Appliance (Kunshan)
- PT. Nikkei Trading Indonesia
- Nikkei Panel System Vietnam
- Fruehauf Mahajak
- Shandong Conglin Fruehauf Automobile

- Suzhou Toyo Aluminium Ekco Household Products
- Toyal Zhaoqing
- Toyo Tokai Aluminium Hanbai (Shanghai)
- Hunan Ningxiang JiWeiXin Metal Powder
- Toyo Aluminium Ekco Trading (Suzhou)
- Sam-A Aluminium
- Toyal MMP India
- Toyal (Thailand)

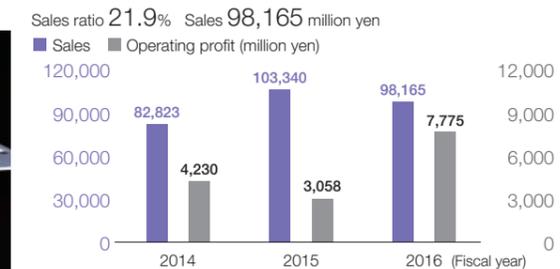
## Business summary

■ Alumina, Chemicals, and Ingot Business



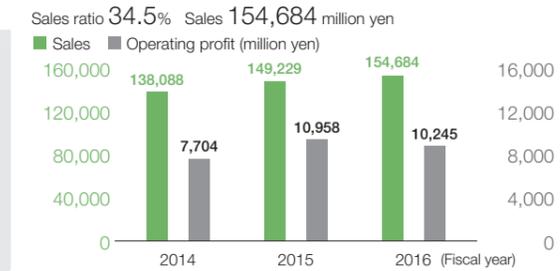
The alumina and chemicals segment manufactures aluminum hydroxide, alumina, and various other chemicals. These products are used in a range of fields, including as fire retardants, raw materials for ceramics, and plant materials for the manufacture of pulp and paper. The ingot segment manufactures a variety of aluminum ingots and is highly evaluated for the development of highly-functional ingots that cater to customers' needs.

■ Sheet and Extruded Products Business



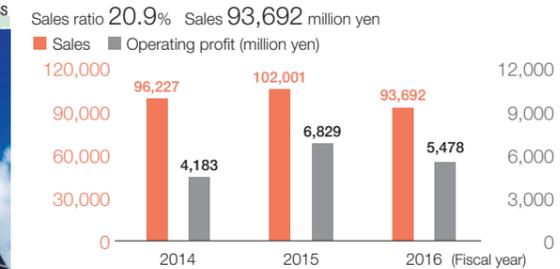
Aluminum sheets and extrusion products are used in a wide range of fields, such as for automotive parts and railway cars in the transport industry and for semiconductor/liquid-crystal manufacturing equipment and photosensitive drums in the electrical and electronics industry. The NLM Group makes use of its technologies and expertise cultivated over many years to proactively develop products that meet customers' needs and to supply highly functional sheets and extrusion products.

■ Fabricated Products and Other Businesses



The NLM Group has many group companies that deal with distinctive fabricated products. Among them, truck bodies from Nippon Fruehauf Co., Ltd. and commercial refrigerators and freezer panels from Nikkei Panel System Co., Ltd. are highly valued for their quality and thereby enjoy the top share in each industry. We also supply other aluminum fabricated products that are closely related to our everyday lives, including anodized aluminum foil for aluminum electrolytic capacitors, automotive parts, and carbon products.

■ Foil and Powder Products Business



Toyo Aluminium K.K. plays the leading role in these businesses. We have established our position as a leading manufacturer by developing a wide range of products that incorporate aluminum's special characteristics and that are useful in society, industry and everyday life. They include packaging materials for food and pharmaceuticals, products for electronics, aluminum paste, and solar cell materials. We develop new fields by utilizing our own technologies as the foundation and provide a range of highly-functional materials and products in markets at home and abroad.

- INMOBILIARIA WTV
- Nikkei MC Aluminum America
- T.S.T. Nikkei Metals
- Toyal America

- Nippon Light Metal Holdings
- Nippon Light Metal
- Nikkei Sangyo
- Shizuoka Kosan
- Kinki Kenmazai Kogyo
- Aluminium Wire Rod
- Nikkei MC Aluminium
- Iharanikkei Chemical Industry
- Tamai Steamship
- Nikkeikin Kakoh Kaihatsu Holdings
- Nikkei Inazawa
- Nikkei Metal
- Nikkei Kenzai Kogyo
- Nikkei Extrusions
- Chugoku Nikkei Katahan
- Riken Light Metal Industry
- Nisshin
- Nikkeikin Aluminium Core Technology
- Nikkei Technology Center
- Nikkei Niigata
- Nikkei Kambara
- Toyo Rikagaku Kenkyusho
- Nippon Fruehauf
- Nikkan
- NKS
- Nikkei Matsuo
- Nikkei Fujioka
- Nikkei Hokkaido
- Nippon Electrode
- Fuji Trading
- Shimizu Seibi
- Nikkei New Business
- NLM ECAL
- Nikkei Panel System
- Shiga Nikkei
- Shimonoseki Nikkei
- Nikkei Information Systems
- Nikkeikin OhLis
- Nikkei Logistics
- Keinara
- Fruehauf Industries
- Fruehauf Hokkaido
- Fruehauf Okayama
- Fruehauf Kyushu
- Fruehauf Shiga
- Fruehauf Service
- Sumikei-Nikkei Engineering
- Seiko Electric
- Arakawa Hydro Electric Power
- Nikkei Heat Exchanger
- Arumi Reinetsu
- Toho Earthtech
- Toyo Aluminium
- Toyo Aluminium Ekco Products
- Toyo Tokai Aluminium Hanbai
- Toyo Aluminium Kosan
- ALPHAMIC

Our responses to previous third-party opinions

The following are opinions about the CSR Report 2016 of the NLM Group and the responses of the group to the opinions.

Major opinions	Responses of the NLM Group	Applicable page
This is an extremely easy-to-read and good report that tells us about the company's eagerness toward CSR.	We aim to make our CSR reports understandable for our family members.	All pages
As far as human rights due diligence is concerned, I would like to note the value of the NLM Group's moving into action for visiting and exchanging opinions with suppliers. Also...(snip)... I hope the Group will be able to sustain this momentum to further promote their responses to social problems through dialogue and mutual understanding with suppliers and partners.	We carry out activities with a basic rule of providing in-depth explanations to suppliers and business partners and ensuring their understanding. These are low-key efforts, but we would like to promote our responses stably as far as we can reach.	P17
I would like to recognize the fact that the guidelines concerning biodiversity have been developed.	Based on these guidelines, we are enhancing our initiatives at each business location.	P14-15
I hope that a new goal of greenhouse gas emissions will be established in response to COP21.	We were unable to reduce GHG emissions because our production performance remained favorable in Japan and overseas. Under these circumstances, it was extremely difficult to set a new goal, and we came to a standstill. We will aim to set one as soon as possible.	P6 P12
I would like to see the Group continuously consider how to contribute to solving problems that are mainly related to human rights and the environment. Both perspectives of innovation for its own business method and creation of new products and services are required.	We would like to implement the PDCA cycle so that we can carry out activities reflecting international frameworks such as SGDs, in addition to communication with our stakeholders and ISO 26000.	P8-9 P12-15

In the NLM Group's CSR Report for the fiscal year under review, the viewpoints of "unique corporate culture," "groundbreaking innovator of aluminum and beyond," and "globalization," which are mentioned by Mr. Okamoto in the Message from the CEO, constitute a rigid framework. The report tells us that the group's initiatives are making steady progress. This is demonstrated most clearly by the fact that the company's stock was selected as one of the 251 stocks for an ESG index selected by GPIF.

Above all, I would like to evaluate highly appreciate the following three points.

The first point relates to the environment. One aspect is the expansion of the scope of the disclosed information to cover overseas sites. Starting from the fiscal year under review, data about overseas sites are included in the actual results of greenhouse gas emissions. Moreover, the meeting of environmental managers was held overseas for the first time. Needless to say, it is important to share information and goals by involving overseas plants and offices.

Second, people from Nikkei Siam Aluminium in Thailand also participated in a meeting for creating safe, secure workplaces. This is a new and highly welcome movement. I hope that the group will expand this measure further from the next fiscal year onward.

The third point is the steady implementation of human rights due diligence in the supply chain. This issue will be increasingly important from a global perspective, and I hope that the group will enhance the range of information it discloses in addition to continuing to take this initiative.

On the other hand, I should also point out a few issues to be overcome in the future.

First of all, the most critical issue is the renewal of the greenhouse gas reduction target. It is vital to set a goal to be achieved by FY2030. In doing so, the concept of increasing the reducible amount based on the

status quo has its limitations. I hope that the NLM Group will recognize the qualitative difference between a social target and a performance target. The former is a target as a challenge for encouraging an organization to change its mindset for the unpredictable future.

The second issue, which relates to the above, is the increase in greenhouse gas emissions from the group's sites in Japan. However, what I am concerned about is not the increase in emissions itself. It is essential that the increase in emissions should not be a psychological barrier to formulating an ambitious new plan. The group must avoid being excessively preoccupied with immediate issues.

The third issue is CSR activities that are more closely related to SDGs. The beginning of Step 1 activities in the fiscal year was an important first step. I hope that the group will ensure that its CSR activities appeal to a wider range of stakeholders by associating them closely with SDGs. I expect the group to take initiatives for tackling global common issues that are unique to a groundbreaking innovator of aluminum and beyond with a unique set of values.

Finally, I was extremely interested in the special features "NLM as the Creator of Connection" because all of the articles show how technologies and products from the NLM Group contribute to creating social linkages in an easy-to-understand manner.

I would like to close my third-party opinions by expressing my hope for the further progress of the NLM Group's CSR activities.

Consulting Fellow, Research Institute of Economy, Trade and Industry

Mr. Toshihiko Fujii



Independent Assurance Report

To the President and CEO of Nippon Light Metal Holdings Company, Ltd.

We were engaged by Nippon Light Metal Holdings Company, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ★ for the period from April 1, 2016 to March 31, 2017 (the "Indicators") disclosed in its CSR Report 2017 (the "CSR Report") for the fiscal year ended March 31, 2017.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria") as described in the CSR Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the CSR Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the CSR Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's Nagoya Plant selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the CSR Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the CSR Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
October 12, 2017

## Data

The ★ mark indicates that a third party, KPMG AZSA Sustainability Co., Ltd., has provided independent assurance for the reliability of the data.

### Organizational Governance

Interim and year-end dividend per share (yen)

Year	2013	2014	2015	2016	2017
Dividend	3	4	5	6	8

### Human Rights

Number of employees by country/region (number)

		Japan	Asia	U.S. and Europe	Total	
Full-time directors	Male	162	21	4	187	
	Female	0	0	0	0	
Employees	Managerial employees	Male	1,313	184	32	1,529
		Female	28	40	5	73
	Regular employees	Male	6,566	2,322	203	9,091
		Female	1,107	1,291	35	2,433
Total		9,014	3,837	275	13,126	

Employment rate of people with disabilities (%)

Year	2013	2014	2015	2016	2017
Nippon Light Metal Co., Ltd.	1.92	1.91	1.89	2.41	2.47
Toyo Aluminium K.K.	2.09	2.05	2.06	2.12	2.05

As of June 1 each year

Number of those who were re-employed after retirement (Nippon Light Metal Co., Ltd.) (number)

Fiscal year	2012	2013	2014	2015	2016
Number	34	16	20	17	26

Three-year retention rate (Nippon Light Metal Co., Ltd.) (%)

Year and month of joining the company	2010/04	2011/04	2012/04	2013/04	2014/04
Retention rate	97.1	93.2	92.9	98.1	93.7

\* Percentage of employees who are still at the company as of April 1 in the year that is three years after they joined the company

Number of employees who newly took childcare leave (Nippon Light Metal Co., Ltd.) (number)

Fiscal year	2012	2013	2014	2015	2016
Number	5	8	8	8	8

### Labor Practices

Number of new graduates who were recruited (Nippon Light Metal Co., Ltd.) (number)

Fiscal year	2013	2014	2015	2016	2017
Number	54	41	43	47	72

Number and rate of new hires and those who left (Nippon Light Metal Co., Ltd.)

Fiscal year	2012	2013	2014	2015	2016
New hires (number)	148	122	79	98	105
Rate (%)	7	6	4	5	5
Number of those who left the company	128	124	140	100	134
Rate (%)	6	6	7	5	6

Labor Union participation rate (Nippon Light Metal Co., Ltd.) (%)

Fiscal year	2012	2013	2014	2015	2016
Participation rate	100	100	100	100	100

Number of workplace injuries

Year	2012	2013	2014	2015	2016
Lost-time injuries (Japan)	18	10	14	13	9
Non-lost-time injuries (Japan)	57	65	63	56	43
Lost-time injuries (overseas)	4	2	4	7	8
Non-lost-time injuries (overseas)	4	1	1	4	9

Frequency rate of lost-time injuries

Year	2012	2013	2014	2015	2016
NLM Group	1.17	0.87	0.96	0.70	0.46
Nippon Light Metal Co., Ltd.	0.28	0.29	0.58	0.59	0.00

\* Injuries that resulted in one or more days' absence from work (excluding commuting injuries)  
\* Values for past years were corrected reflecting changes to the boundaries of the NLM Group.

### The Environment

The ◆ mark indicates that the data cover 23 consolidated subsidiaries in Japan.

◆ Employees with official environmental qualifications (number)

Qualification	Number of employees who have acquired it	
Pollution Control Manager	Air Pollution	91
	Water Pollution	125
	Noise	21
	Vibration	21
	Noise/Vibration	31
	Dioxins Pollution	46
	General Dust Pollution	23
Qualified Engineer of the Industrial Waste Treatment Facility	9	
Qualified Manager of the Specially Controlled Industrial Waste Subject to Special Control	Non-infectious waste	133
	Infectious waste	6
Qualified Person for Energy Management	Heat/Electricity	94
Certified Environmental Measurer	Density-related	3
	Noise/Vibration-related	0

Greenhouse gas emissions (Scope 1 and Scope 2) ★ (ktons-CO<sub>2</sub>)

Fiscal year	2012	2013	2014	2015	2016
Japan	745	695	748	768	796
Overseas	-	-	-	-	137

\* Values for overseas sites began to be aggregated in FY2016.  
\* CO<sub>2</sub> emission factors used in Japan were used for calculating the values for overseas sites.

◆ Greenhouse gas emission intensity per unit of sales (tons-CO<sub>2</sub>/Million yen)

Fiscal year	2012	2013	2014	2015	2016
Intensity	2.41	2.08	2.14	2.09	2.19

◆ Breakdown of Scope 3 emissions

Category	Emissions (ktons)	Rate (%)
Category 1 Purchased goods and services	★1,962	96.4
Category 2 Capital goods	21	1.1
Category 3 Fuel and energy not included in Scope 1 or 2	33	1.6
Category 4 Upstream transportation and distribution	11	0.5
Category 5 Waste generated in operation	4	0.2
Category 6 Business travel	0	0.0
Category 7 Employee commuting	3	0.2
Total	2,035	100

\* The emissions are calculated by multiplying the activity amount by the CO<sub>2</sub> emission factor published by the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

\* The Scope 3 Category 1 emissions are calculated based on the volume of purchase of the top three items in terms of purchase volume. Of the items, the aluminum ingots are those purchased by Nippon Light Metal Co., Ltd.

◆ Energy consumption (PJ)

Fiscal year	2012	2013	2014	2015	2016
Electricity	8.2	7.8	7.6	8.5	9.5
Fuels	5.8	5.1	5.2	4.9	4.9

◆ Energy consumption intensity per unit of sales (GJ/million yen)

Fiscal year	2012	2013	2014	2015	2016
Intensity	45.2	38.4	36.4	36.5	39.6

◆ Weight of raw materials used in production (ktons)

Fiscal year	2012	2013	2014	2015	2016
Weight	559	543	640	678	618

◆ SOx emissions (tons)

Fiscal year	2012	2013	2014	2015	2016
Emissions	372	379	402	312	339

\* The value for FY2015 was corrected.

◆ NOx emissions (tons)

Fiscal year	2012	2013	2014	2015	2016
Emissions	380	396	496	437	388

\* The value for FY2015 was corrected.

◆ Quantity of water intake (million m<sup>3</sup>)

Fiscal year	2015	2016
Quantity	22.6	23.7

\* We began to calculate the quantity in FY2015. (The seawater intake quantity is not included.)

◆ Total amount of discharged water (million m<sup>3</sup>)

Fiscal year	2012	2013	2014	2015	2016
Total amount of discharged water	29.0	27.9	26.3	26.1	30.5

◆ COD emissions (tons)

Fiscal year	2012	2013	2014	2015	2016
Emissions	88	94	79	92	109

\* Figures for FY2012 to FY2015 were corrected.

◆ Emissions and disposal of waste and waste byproducts (ktons)

Fiscal year	2012	2013	2014	2015	2016
Recycled/Reduced	28.6	34.3	38.9	33.2	33.5
Disposed (landfill)	3.5	2.2	2.0	2.4	2.9
Total	32.1	36.5	40.9	35.6	36.4

◆ Environmental accounting

[(1) Environmental conservation expenditure] (million yen)

Category	Investment	Expenditure
Costs incurred within business area		
Pollution prevention cost	667	1,034
Environmental conservation cost	880	138
Resource circulation cost	457	842
Upstream/Downstream costs	0	323
Management costs	5	185
R&D costs	0	3,255
Social activity costs	0	10
Environmental remediation costs	0	61
Total	2,009	5,847

[(2) Economic effect of environmental conservation activities]

Earnings (million yen)		Changes in expenditure*1*2 (million yen)	
Details	Total	Details	Total
Earnings from recycling waste produced in the course of main business activities, including earnings from sales of valuables, and recycling used products	397	Energy expenditure	2,833
		Water expenditure	4
		Waste disposal expenditure	-85
		VOC <sup>3</sup> processing expenditure	14
		Legally required contributions to the reduction of restricted hazardous substances (Example: SOx pollution levy)	3
Total	397	Total	2,770

\*1: Changes in expenditure are calculated using the following formula:  
Changes in expenditure = expenditure incurred during a base period (FY2015) – expenditure incurred during the current year (FY2016)

\*2: - (minus) indicates an increase in expenditure

\*3: Volatile Organic Compounds

◆ Environmental conservation expenditure (million yen)

Fiscal year	2012	2013	2014	2015	2016
Investment	1,615	1,014	1,526	1,612	2,009
Expenditure	6,643	5,903	4,925	5,517	5,847

\* Figures for FY2012 to FY2015 were corrected.

◆ Economic effect of environmental conservation activities (million yen)

Fiscal year	2012	2013	2014	2015	2016
Earnings	382	357	433	383	397
Changes in expenditure	-246	-350	-415	3,174	2,770

\* - (minus) indicates an increase in expenditure

◆ Emissions of substances controlled under the PRTR (Class 1 designated chemical substances (kg) (mg-TEQ for dioxin, etc.))

No.	Name of substances	Emissions				Movement	
		Atmosphere	Public water district	Business sites Soil	Business sites Landfill	Sewerage	Outside business sites
53	Ethyl Benzene	19,745	0.0	0.0	0.0	0.0	4,230
80	Xylene	35,108	0.2	0.0	0.0	0.0	13,525
83	Cumene	3.4	0.0	0.0	0.0	0.0	0.0
87	Chromium and trivalent chromium compounds	0.0	12	0.0	0.0	0.0	4.2
165	2,4-Dichlorotoluene	4.4	0.0	0.0	0.0	0.0	0.0
186	Methylene chloride	55,000	0.0	0.0	0.0	0.0	5,520
243	Dioxins	1,023	26	0.0	0.0	0.0	16.1
273	N-Dodecyl alcohol	16,944	0.0	0.0	0.0	0.0	8,200
281	Trichloroethylene	10,200	0.0	0.0	0.0	0.0	6,780
296	1,2,4-Trimethyl benzene	14,213	0.0	0.0	0.0	0.0	31,154
297	1,3,5-Trimethyl benzene	6,900	0.0	0.0	0.0	0.0	6,699
300	Toluene	127,130	0.7	0.0	0.0	0.0	137,450
308	Nickel	0.0	19	0.0	0.0	0.0	33.1
309	Nickel compounds	0.0	0.0	0.0	0.0	32.3	690
321	Vanadium compounds	0.0	0.0	0.0	0.0	0.0	0.1
349	Phenol	330	14	0.0	0.0	0.0	0.0
374	Hydrogen fluoride and its water-soluble salt	0.6	0.0	0.0	0.0	0.0	0.0
384	1-Bromopropane	9,800	0.0	0.0	0.0	0.0	0.0
392	N-hexane	5,257	0.0	0.0	0.0	0.0	772
405	Boron compounds	190	44,000	0.0	0.0	730	2,071
412	Manganese and its compounds	0.0	0.0	0.0	0.0	0.0	3.1
438	Methylnaphthalene	347.1	0.0	0.0	0.0	0.0	0.0
448	Methylenbis (4,1-Phenylene) = Diisocyanate	0.0	0.0	0.0	0.0	0.0	86

Number of cases of lawsuits, penalties, or forfeitures related to the environment

Fiscal year	2012	2013	2014	2015	2016
Number of cases	0	0	0	0	0

Number of accidents and complaints related to the environment

Fiscal year	2012	2013	2014	2015	2016
Accidents	3	1	1	2	3
Complaints	5	7	7	11	4



## CONTACT INFORMATION

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