

# NIPPON LIGHT METAL GROUP INTEGRATED REPORT 2022

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## CONTACT INFORMATION

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## NLM Group Management Policy (Revised on May 16, 2022)

### Corporate Philosophy

Contribute to improving people's quality of life  
and environmental protection  
by continuing to create business,  
focused on aluminum.

### Basic Policies

- The Group will create healthy, safe workplaces, and achieve zero-accident operations.
- The Group will continuously provide diverse value to customers by deepening the level of collaboration and coordination within and outside the Group.
- The Group will work actively to achieve carbon neutrality, to help create a sustainable society.
- The Group will engage in fair and honest business operations, with respect for human rights and an emphasis on ethics.
- The Group will respect diverse values, and develop human resources from a long-term global perspective.

### Revision of the NLM Group Management Policy

We revised the NLM Group Management Policy effective on May 16, 2022.

For the new Management Policy, we redefined our corporate philosophy and basic policies by understanding the changes in the needs of society and customers associated with changes in the social environment, while preserving the spirit at the core of the previous policy, and then ensuring that the policy reflects the priority management issues (material issues) of the NLM Group and the specific initiatives for addressing each issue.

In addition, we kept the following points in mind while revising the policy and made each sentence short and simple.

- (1) That it is easy for employees to understand
- (2) That it serves as guidelines for daily work

At the NLM Group, we will continue to work as one to achieve this new Management Policy.



Ichiro Okamoto,  
President and CEO

Details Message from CEO (P. 05 to 10)

## Editorial Policy

### Introduction

As in the previous year, the NLM Group will publish an integrated report in 2022. The report is designed to communicate the Group's vision for value creation in both financial and non-financial terms to all stakeholders, including shareholders and investors.

Integrated Report 2021, which we published last year, included the Group's priority issues. The new mid-term management plan that started in FY2022 reflects our strong consciousness of initiatives to address these identified priority issues. In this report, we describe our initiatives to address the current priority issues and the priority issues in the new mid-term management plan, as carefully and conscientiously as possible. We would be happy if this report is useful to our stakeholders in their understanding of the NLM Group's business activities.

### Reference guidelines

This report has been prepared with reference to the International Integrated Reporting Framework advocated by the IFRS Foundation, the Sustainability Accounting Standards Board (SASB), Sustainable Development Goals (SDGs), ISO 26000, and the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry. In addition, information disclosures on the foundations supporting value creation have been prepared with reference to the Environmental Reporting Guidelines (2018 edition) of the Ministry of the Environment and Global Reporting Initiative (GRI) standards.

### Period covered

Data for the report was collected between April 2021 and March 2022.

(Note) Data collected before or after this period is 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 79 consolidated subsidiaries (a total of 80 companies) unless otherwise specified.

### Period of issuance

March 2023 (Previous issue: December 2021)

### Independent assurance

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

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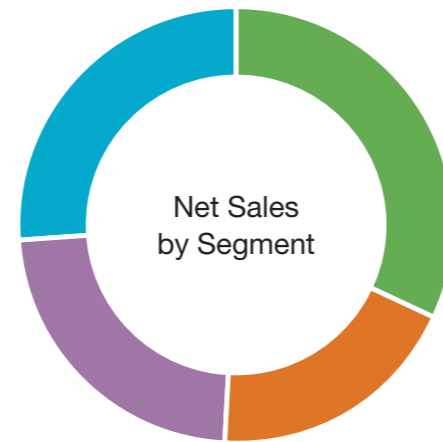
### Reporting Media

Further details and past initiatives are available on our website.

Financial information	Non-financial information
<ul style="list-style-type: none"> <li>● Website <a href="https://www.nikkeikinholdings.co.jp/ir/ir-data/">https://www.nikkeikinholdings.co.jp/ir/ir-data/</a></li> <li>● FACT BOOK </li> <li>● Shareholders' Newsletter </li> </ul>	<ul style="list-style-type: none"> <li>● Integrated Report 2022 </li> <li>● Website <a href="https://www.nikkeikinholdings.co.jp/sustainability/">https://www.nikkeikinholdings.co.jp/sustainability/</a> <a href="https://www.nikkeikinholdings.com/sustainability/">https://www.nikkeikinholdings.com/sustainability/</a> (English)</li> <li>● </li> </ul>

## At a glance

The products we offer at the NLM Group range from aluminum to intermediate products and processed products. We operate businesses widely and provide comprehensive solutions by providing products and services with high quality and high added value, a unique strength of a comprehensive aluminum manufacturer. Businesses of the Group are categorized into four segments based on manufacturing methods.



## Consolidated Financial Results (FY2021)

Net sales  
**486,579** million yen

Operating profit  
**22,198** million yen

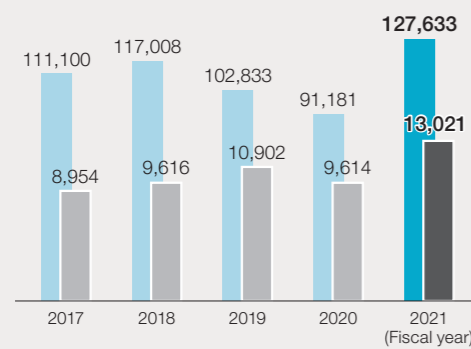
Ratio of Operating Profit to Net Sales  
**4.6%**

26%

## Aluminum Ingot and Chemicals → P.25

### Net Sales & Operating Profit (million yen)

Net Sales Operating Profit



### Business Summary

In the Aluminum Chemical Sector, the Chemicals Div. of Nippon Light Metal Co., Ltd. provides 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 industrial materials for the manufacture of pulp and paper.

The Ingot Sector provides a variety of aluminum ingots, with the leading role played by Nikkei MC Aluminium Co., Ltd., and is highly evaluated for the development of highly-functional ingots that cater to customers' needs.

### Major Products and Services

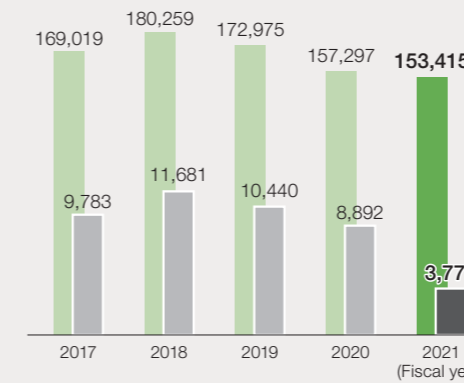
<https://www.nikkeikinholdings.co.jp/group/chemical.html>

32%

## Fabricated Products and Others → P.29

### Net Sales & Operating Profit (million yen)

Net Sales Operating Profit



### Business Summary

In Fabricated Products and Others, we provide distinctive products and services that are highly valued for their quality. These products include truck bodies from Nippon Fruehauf Co., Ltd., commercial refrigerator and freezer panels from Nikkei Panel System Co., Ltd., and fabricated aluminum products for infrastructure, including for civil engineering and construction, from Nikkei Engineering Co., Ltd. We also supply anodized aluminum foil for aluminum electrolytic capacitors, automotive parts, and carbon products, among others.

### Major Products and Services

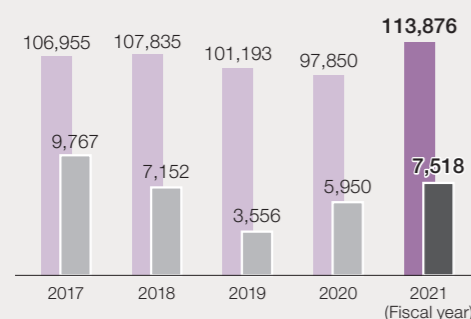
<https://www.nikkeikinholdings.co.jp/group/process.html>

23%

## Aluminum Sheet and Extrusions → P.27

### Net Sales & Operating Profit (million yen)

Net Sales Operating Profit



### Business Summary

The Sheet Products Div. of Nippon Light Metal Co., Ltd. and Nikkeikin Aluminium Core Technology Co., Ltd. play central roles in this business. Aluminum sheets and extrusion products are used in a wide variety of fields, such as for automotive parts and railway cars in the transport industry, thick sheets and relevant parts for semiconductor/ liquid-crystal manufacturing equipment, and fabricated sheets for PC/tablet bodies 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.

### Major Products and Services

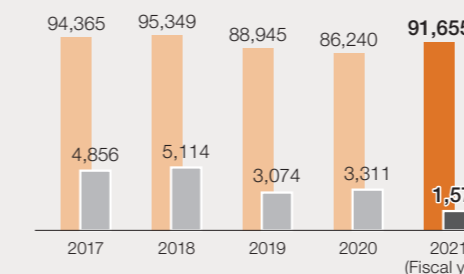
<https://www.nikkeikinholdings.co.jp/group/extrusion.html>

19%

## Aluminum Foil, Powder and Paste → P.31

### Net Sales & Operating Profit (million yen)

Net Sales Operating Profit



### Business Summary

Toyo Aluminium K.K. plays the leading role in the Aluminum Foil, Powder and Paste. We have established our position as a leading manufacturer by providing a wide range of products that incorporate the special characteristics of aluminum and are useful in society, industry and everyday life. They include packaging materials for food and medical products, products for electronics, aluminum powder and aluminum paste products. 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.

### Major Products and Services

<https://www.nikkeikinholdings.co.jp/group/powder.html>

\* The exclusion of Toyo Aluminium K.K. and the other companies constituting the Foil and Powder Products segment from the scope of consolidation is planned to occur on March 31, 2023.  
<https://www.nikkeikinholdings.com/news/news/common/pdf/p2022090201hde.pdf>

## Message from CEO



# As Team NLM, we will strive to be a groundbreaking innovator of aluminum and beyond.

President and CEO

岡本 一郎

## Introduction

At the NLM Group, we have decided to publish the 2022 edition of Integrated Report as was done in the previous fiscal year.

In this report, we hope to speak in detail about the external environment that surrounds the NLM Group and the Group's internal management resources, sharing our vision in terms of how we perceive these aspects, how we will provide value as a member of society and how we wish to take part in the creation of a better future with a focus on the so-called "value creation process," as in the previous year's report.

### Current status of the quality problem and future initiatives

Regarding the revocation of JIS certification and request that we cease the use of the JIS mark (quality problem), which has caused you inconvenience and concern, the Special

Investigation Committee established in June last year is currently investigating the situation. At the NLM Group, we will cooperate fully with the investigation activities of the committee. In addition, when we have received the committee's final report, which will contain a comprehensive picture of the problem, an analysis of its cause, and recommendations regarding measures to prevent recurrence, we will immediately disclose the report and implement other initiatives that will be necessary to restore trust.

Meanwhile, we have already initiated voluntary improvement activities prior to receiving the final report. I am also visiting plants and telling employees that I am determined to ensure the Group as a whole works as one to solve the quality problem, and making these improvements together with them.

## As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond.

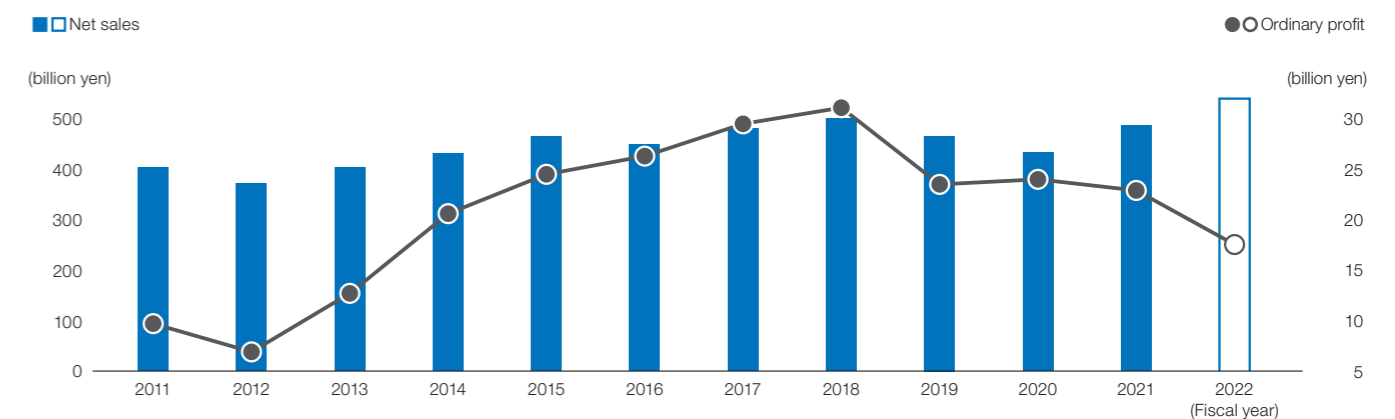
### Current situation of the Group

First, I would like to review the Group's recent business results and describe our future direction.

As Figure 1 shows, the Group has maintained relatively strong performance in the last several years. In FY2018, we

posted a record-high ordinary profit exceeding 30.0 billion yen. I believe this resulted from our strong efforts to push forward with our growth strategies, such as the acceleration of overseas expansion and the increase of efforts to create

Figure 1. Consolidated Financial Results



new businesses and products, in addition to the implementation of structural reforms including the review of businesses with issues and the introduction of a pure holding company system.

This year, the external environment surrounding our businesses has grown more difficult. Despite this environment, we would like to continue the above initiatives and ensure that they take root. Under the Mid-term Management Plan (Fiscal 2022-2024) that we announced in May, we aim to build a structure that enables us to consistently generate a profit. We also aim to achieve sustainable growth by both creating the value demanded by customers and addressing social issues including carbon neutrality. [Details▶P.21](#)

### Pursuing value instead of volume

Next, I would like to explain my own basic understanding and ideas about which way the Group will go and which direction it should take to continue its development.

Figure 2 shows changes in the demand for aluminum globally from 1960 to 2020. It appears that demand has remained on a growth path. However, we should note here that the demand for aluminum has remained virtually unchanged since 2000 except in China. Above all, annual demand in Japan has been around 4.0 million tons. From a global perspective, the Japanese aluminum market is only a minor, low-growth market accounting for only around 5% of the global market.

The materials business also has aspects of a process industry, so it is definitely not viable without a certain volume because fixed costs need to be absorbed. This is why some people think that we should proactively enter fast-growing markets and start by increasing the volume of production and sales by making capital investments.

However, I don't want the Group to compete on volume in a so-called battle of attrition through repeated large-scale capital investments and the emphasis of only size or volume in low-cost, high-volume production. Instead, I would like the Group to engage in businesses which are viable even at

low volume. In other words, I want the Group to compete on the value it creates for the customers who demand it.

Since I became the president, our slogan has been "becoming a groundbreaking innovator of aluminum and beyond as Team NLM." The phrase *groundbreaking innovator* used in the slogan essentially indicates this stance we have taken, the pursuit of value rather than of volume. At the NLM Group, we would like to follow this path as we move toward the future.

### Demonstrating the Group's comprehensive capability as Team NLM

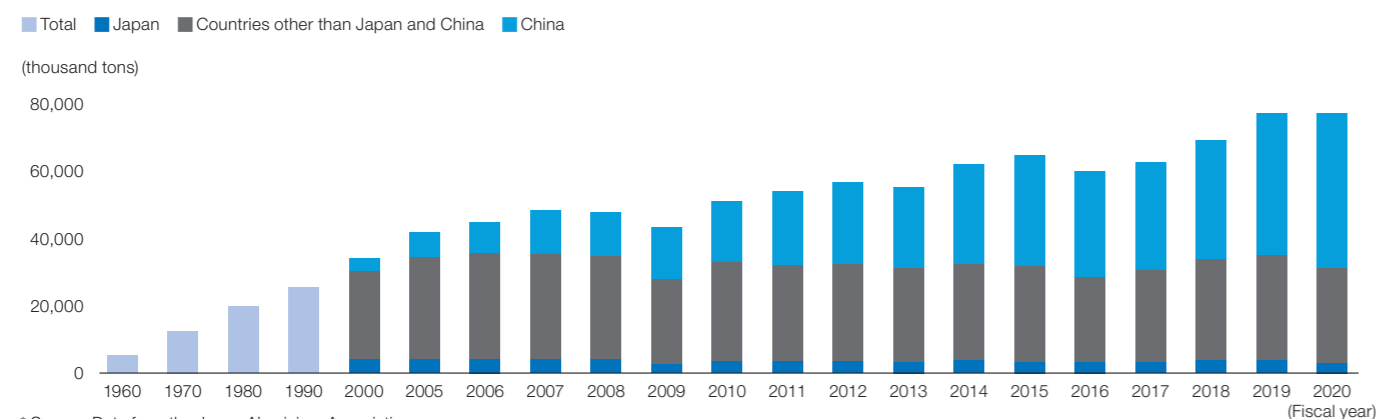
At the NLM Group, we operate an array of aluminum-related businesses. We used to describe ourselves as "a department store of aluminum." Upstream segments that are close to raw materials and materials and downstream segments that include processing, products, and related services co-exist in a single corporate group. We understand that this business structure has made us a corporate group that is unusual from a global perspective as well.

Because our businesses are diverse, the Group has within itself diverse knowledge and points of contact with customers. This comprehensive capability is a feature of the Group. It is also one of the strengths that we should leverage.

At the NLM Group, individual business segments, including the chemicals segment and the sheet and extrusion products segment, compete with other companies in their respective industries while internally they are managed on a stand-alone basis under the divisional system or as spin-offs. This is how we have been increasing the competitiveness and autonomous orientation of each business. On the other side of the coin is the fact that our way of thinking tends to be oriented toward partial optimization, which made it difficult to make a Group-wide or bold leap forward.

Therefore, we have been pushing forward with an initiative considering and implementing businesses not just in a siloed approach based on the business or function, but as a team beyond boundaries between divisions or companies, with

Figure 2. Changes in Demand for Aluminum in the World



our standard targets being customers from the automotive, electrical and electronics, and other industries — organization-spanning cross-functional collaboration. We have been strongly committed to promoting this, especially in the last 20 years.

Team NLM is an approach with which we go a step beyond the above initiative. I believe that if people and organizations work together organically within the Group, making it possible to demonstrate the Group's comprehensive capability leveraging the combined wisdom of individuals, we will be able to create and provide greater, more useful value.

One example is the heat dissipation plate for eco-friendly vehicles.\* We leveraged all of the Group's capabilities, such as alloys and other materials, methods including die-casting and forging, and processing such as bonding and press fitting, which led directly to value for customers. We can say that, at this point, the heat dissipation plate is exactly the type of achievement that is made by Team NLM.

To accelerate moves like this, we consolidated Group company sites, which had been geographically dispersed, bringing as many of them as possible to Shimbashi when we moved our head office functions to the district at the end of 2019. In addition, we abolished the traditional assigned seating system almost entirely and introduced a complete hot desking system. We built an environment (place) that facilitates collaborations within the Group beyond the boundaries between companies, divisions, positions, and other boundaries, or facilitates spontaneous collaboration.

### Constant awareness of strengths

As I mentioned above, at the NLM Group we pursue value, not volume. Our customers are the people who recognize this value, not us. What value is currently demanded by customers, and what value will they demand in the future? It is important to identify this value and think through it exhaustively.

I always say that we should be alert to external information and that information comes only from outside. At the NLM Group, we have established the Tansaku Joho (search information) database, on which crude information, such as the problems faced by customers and other external people and their tweets, is posted and shared within the Group. Information like this is exactly the clue to the value demanded by customers, so I check this information daily.

While the NLM Group is a manufacturer, I think that we deliver Shohin (commercial goods) to customers and not Seihin (finished goods) which may be mere objects. Of course, I do not mean shohin as an accounting term (merchandise, or goods purchased from external sources). By shohin, I mean what we deliver to customers in packages as comprehensive value including the processes of the sales activities, design, manufacturing, transportation, and after-sales services. I think that because the achievements we have made as Team NLM are condensed into these products they are shohin.

First, we need to share an understanding of what our strengths are as a prior condition before every business activity. To realize the value demanded by customers, we should take advantage of our strengths and continue to hone them, which is also one of our missions. [Details▶P.15](#)

\* xEVs as a whole, including BEVs

## Toward the implementation of sustainable management

### Corporate Philosophy that reflects a shift of our vision to business

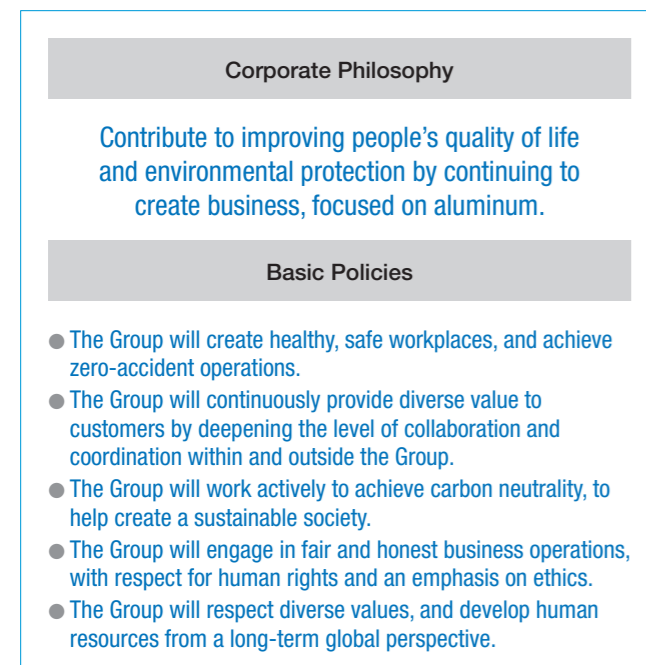
We revised the NLM Group Management Policy in May this year (Figure 3). The major point of the revision is that we have greatly changed the Corporate Philosophy as the Group's *raison d'être*.

Previously, it said "Be forever committed to the development of new applications for aluminum and aluminum-related materials." The revised philosophy now says "continuing to create business, focused on aluminum." We shifted from the previous thinking around of how we could expand the area of the use of aluminum as a specific material (development of new applications) to an approach focused on value for customers (business). We can say that this precisely reflects our image of what we should be, a groundbreaking innovator of aluminum and beyond.

In addition, the expression "business, focused on aluminum" is also used in the new Corporate Philosophy. This implies that we will not necessarily focus solely on aluminum in the operation of our businesses. It also means that we are determined to think more flexibly to realize the value demanded by customers.

In this revision of the Management Policy, we took time to consider the measures for informing employees of this idea and ensuring that it will take root and be followed as a guideline in the operation of businesses and the making of decisions by involving management team members of the Group companies. We would like to deepen employees' understanding of the Code of Conduct which embodies the Corporate Philosophy and ensure that it becomes deeply entrenched by, for example, considering it as company-wide activities.

Figure 3. NLM Group Management Policy (Revised on May 16, 2022)



### Priority management issues (material issues)

In last year's integrated report (2021 edition), we set the following five themes as the priority management issues to be addressed by the Group (material issues):

- Protecting the global environment
- Providing sustainable value
- Happiness of employees
- Responsible procurement, production and supply
- Corporate ethics and governance

From the current fiscal year onward, we will set specific KPIs (targets) for each issue together with a process chart showing a schedule and work aggressively to achieve the KPIs. [Details▶P.17](#)

### Happiness of employees and turning a light on inside

While we have not specifically prioritized the issues, I personally believe that we should first achieve the happiness of employees or get as close as possible to the ideal because that will lead to the improvement of the Group's value, such as the provision of the value demanded by customers and its contribution to solving social issues.

Just improving work conditions, such as salaries and benefit programs, is not all that we mean by the happiness of employees. I think that being a corporate group where all of its employees share its *raison d'être* and business purposes and intend to work proactively to achieve them is also an important element of employee happiness.

Employees work every day, spending a significant part of their lifetime working for the company. Without exception, all employees will eventually retire. I believe that making the NLM Group a corporate group where all of the employees feel really happy that they worked for the company on their



last day of work is the greatest responsibility I have as a manager. This is the happiness of employees that we should achieve.

Generally, employees are described as 人材 (lit. human materials). At the NLM Group, however, we use the term 人財 (lit. *human resources*) to describe our employees. In corporate activities, people are not inorganic materials that constitute a substance. They are the greatest assets that create new value that is multiplied by their creativity — They are our resources. When you get to the core of it, human resources themselves also constitute the strength of the Group.

This is why I think that my most important duty is to motivate each individual employee to work in a positive frame of mind — to turn a light on inside.

I value opportunities to engage in direct dialogue with employees, such as the initiative commonly known as Za-FIVE (photo), in which I invite about five young employees from each company or plant and sit in a circle with them to talk about the present and the future, although this has been interrupted by the COVID-19 pandemic.

## Conclusion

The business environment surrounding the NLM Group continues to change drastically. Further, these changes are not necessarily a tailwind for the Group.

Naturally, both people and companies change. For that reason alone, it is natural that we should work to change ourselves or make change happen. I even think that resisting change from the start or making it an excuse to do nothing is neglectful.

Value for customers also changes with the trends of society. This is why we, in the pursuit of value, have to continue flexibly taking on challenges.

"As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond."

We will continue our efforts to be a corporate group that can fulfill your expectations.



## Value Creation History

As a corporate group that has been around for a century, Team NLM continues to grow sustainably into a groundbreaking innovator of aluminum and beyond.

1939

Nippon Light Metal Co., Ltd. is established. Aluminum smelting begins.



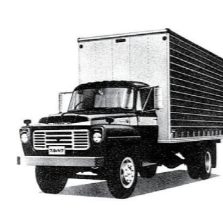
1950s

Rapid and widespread adoption of daily necessities made from aluminum



1960s

Aluminum sashes, truck mountings



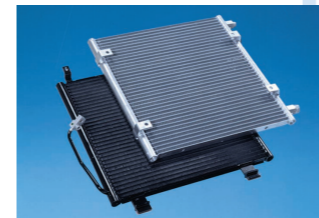
1970s

Industrial refrigeration panels, public landscaping products



1980s

Electrode foil, wheels and heat exchangers for vehicles, memory disk substrates



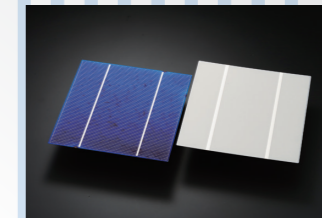
1990s

Secondary alloy business (recycling) Automotive parts



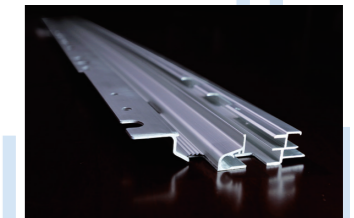
2000s

Foil, powder and paste business



~ 2010s:

Overseas expansion (China, Southeast Asia, India, North America)



Net sales (billion yen)

600

500

400

300

200

100

2021 (Year)

Development achieved as an aluminum smelting company

Expansion into aluminum processing and aluminum-related products

Promotion of global expansion

Into a groundbreaking innovator of aluminum and beyond that pursues value for customers

~ 1974: Founding and development phase

1974~: Business expansion and transformation phase

2003~: Overseas business expansion

2012~: Holding company system

### History and Significance of Business Activities

1939

Nippon Light Metal Co., Ltd. is established with the aim of smelting aluminum through joint investment from Tokyo Dento Company (later known as TEPCO) and Furukawa Electric Co., Ltd.

The birth of an aluminum smelting manufacturer possessing large-scale hydroelectric power generation capacity significantly contributed to the stable supply of aluminum, whose applications across industry and people's daily lives continued to expand.



1952

A capital and technological alliance is agreed to with Canada-based Aluminium Limited (later known as Alcan)

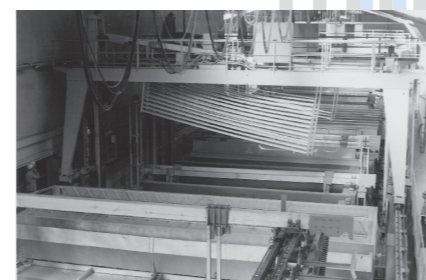
The world-class cutting-edge technologies brought through an alliance with a major worldwide aluminum manufacturer became the basis for the new products and technologies that followed and catered to the rapidly growing demand during the period of high economic growth in Japan.



1974

Through merger with Nikkei Aluminium Co., Ltd. and takeover of sales business from Nikkei Aluminium Rolling Co., Ltd., a total integrated production system for aluminum products is established.

Due to the sharp rise in electricity rates due to the Oil Shock, the business was rapidly switched from aluminum smelting to focus on aluminum processing.



1980s

Effective withdrawal from the domestic aluminum smelting business and acceleration of the transition to the processing business

In the extended aftermath of the Oil Shock, the Group decided to effectively withdraw from the smelting business by withdrawing completely from the smelting business in Niigata and Tomakomai and significantly downsizing the smelting business at the Kambara Complex.



2003

Full-scale operation of the overseas business is started by restructuring businesses in Southeast Asia and China

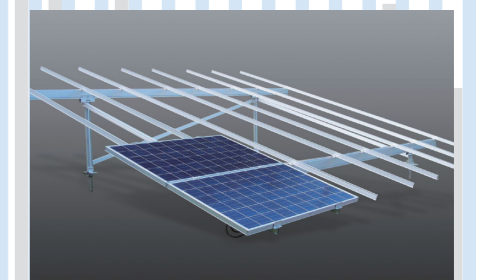
A structure in which the NLM Group takes the initiative in the operation of overseas business was established by dissolving the capital relationship with (the company then known as) Alcan and restructuring the businesses in Southeast Asia and China.



2012 ~

Holding company system

Business groups that suddenly emerged and grew during the business expansion phase were integrated, and by strengthening coordination through a cross-functional structure, Team NLM was born with the ability to serve users in more sophisticated and detailed ways.



■ Nippon Light Metal Co., Ltd. ■ The NLM Group

\* Due to the lack of accurate data, figures prior to 1948 are not listed.

1939

1952

1974

1980

2003

2012

2021 (Year)

# The Value Creation Process

Based on its Management Policy, the NLM Group aims to solve a range of material issues under the slogan of “as Team NLM, becoming a groundbreaking innovator of aluminum and beyond.” We will invest both financial and non-financial capital in a wide range of businesses and contribute to the improvement of people’s quality of life and environmental protection through the circulation of capital that is achieved by providing value to each stakeholder and creating social value.

## Corporate Philosophy

Contribute to improving people’s quality of life and environmental protection by continuing to create business, focused on aluminum.

## Material Issues

Protecting the global environment

Providing sustainable value

Happiness of employees

Responsible procurement, production and supply

Corporate ethics and governance

Conversion into various types of capital through increased social value

## Business Activities

### FY2022-24 Mid-term Management Plan

**1** Providing products and businesses that contribute to the creation of social value

**2** Reinforcing the management foundation

## OUTCOME

Value provided directly to stakeholders

### Customers

Provision of solutions to problems

### Global environment

Environmental impact, reducing CO<sub>2</sub> emissions

### Employees

Safe and secure workplace and job fulfillment

### Business partners and partner companies

Co-existence and co-prosperity

### Local communities

Coexisting with local communities

### Shareholders and investors

Improving corporate value Stable dividends

## Creating social value

Improvement of people’s quality of life

Environmental protection

### SUSTAINABLE DEVELOPMENT GOALS



### Opportunities

- Achieving the Corporate Philosophy
- Developing new markets and expanding existing businesses by responding to the social structure and environment
- Building a robust, safe and secure supply chain

### Risks

- Climate change risks
- Inter-material competition risks
- Supply chain fragmentation risks
- Risks of initiatives being inferior to those of competitors

### External Environment

- Carbon neutrality
- Circular economy
- Technological innovation
- Changing demographics
- Advance of globalization
- Respect for human rights /diversity & inclusion
- Food issues

## INPUT

FY2021/  
As of March 31, 2022

### Financial Capital

- Shareholders’ equity 195.0 billion yen
- Interest-bearing debt 155.4 billion yen

### Fixed Capital

- Production sites (49 domestic plants and five countries overseas)
- Capital expenditures 23.2 billion yen

### Human Capital

- Employees 12,750
- Annual expenditure on education and training 17,800 yen/employee

### Intellectual Capital

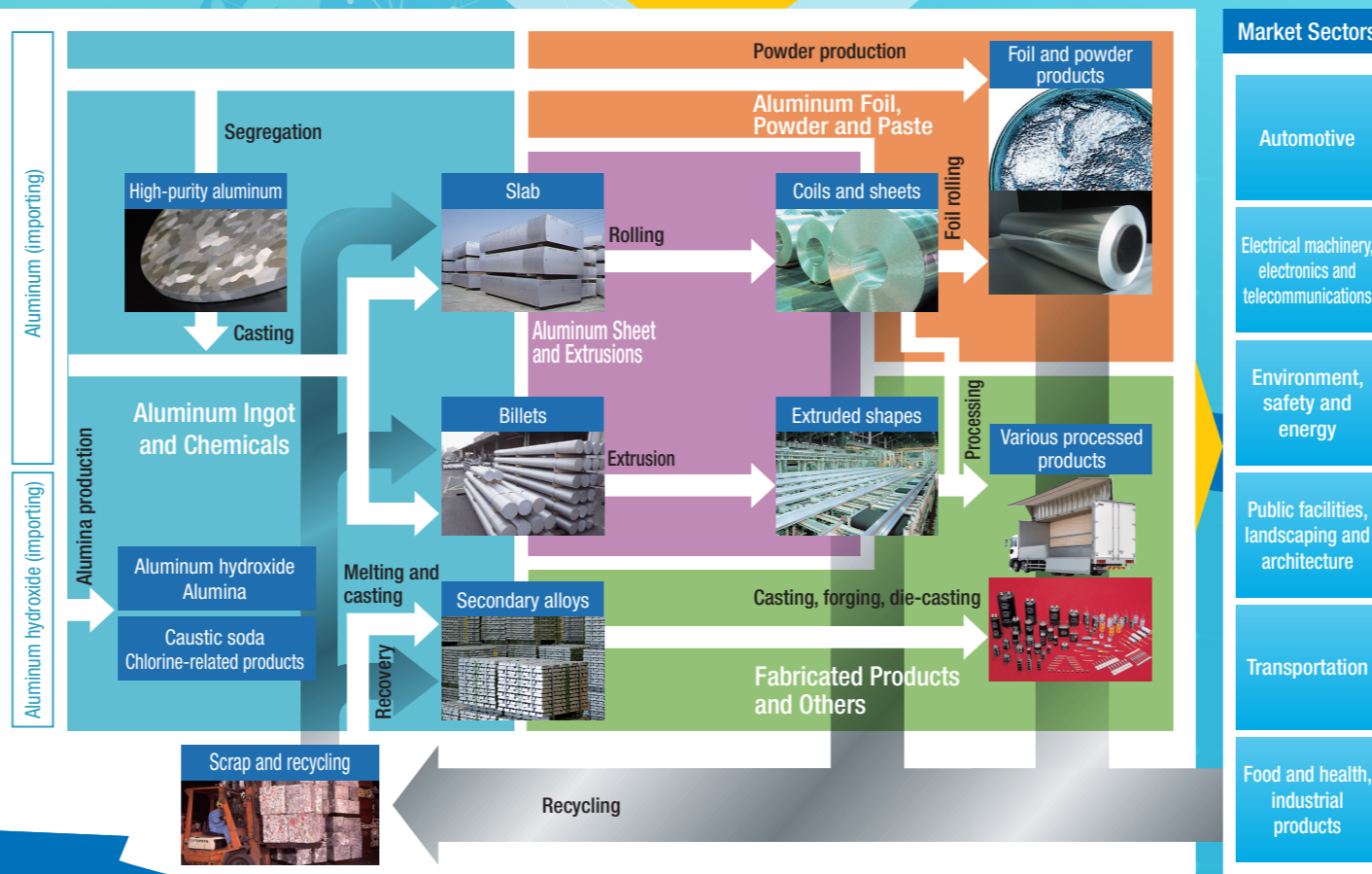
- Number of patents held 1,336
- Research and development expenses 6,443 million yen

### Social Capital

- Strong relationships that can respond to customer needs
- Wide variety of customer groups through a broad range of business fields

### Natural Capital

- Electrical energy usage 8.3 PJ
- Water consumption 0.9 million m<sup>3</sup>



### Market Sectors

- Automotive
- Electrical machinery, electronics and telecommunications
- Environment, safety and energy
- Public facilities, landscaping and architecture
- Transportation
- Food and health, industrial products

Accumulation of various types of capital through business activities

\* The exclusion of Toyo Aluminium K.K. and other companies constituting the Foil and Powder Products segment from the scope of consolidation is planned to occur on March 31, 2023.



Into a Groundbreaking Innovator of Aluminum and Beyond

# Creating new value as Team NLM

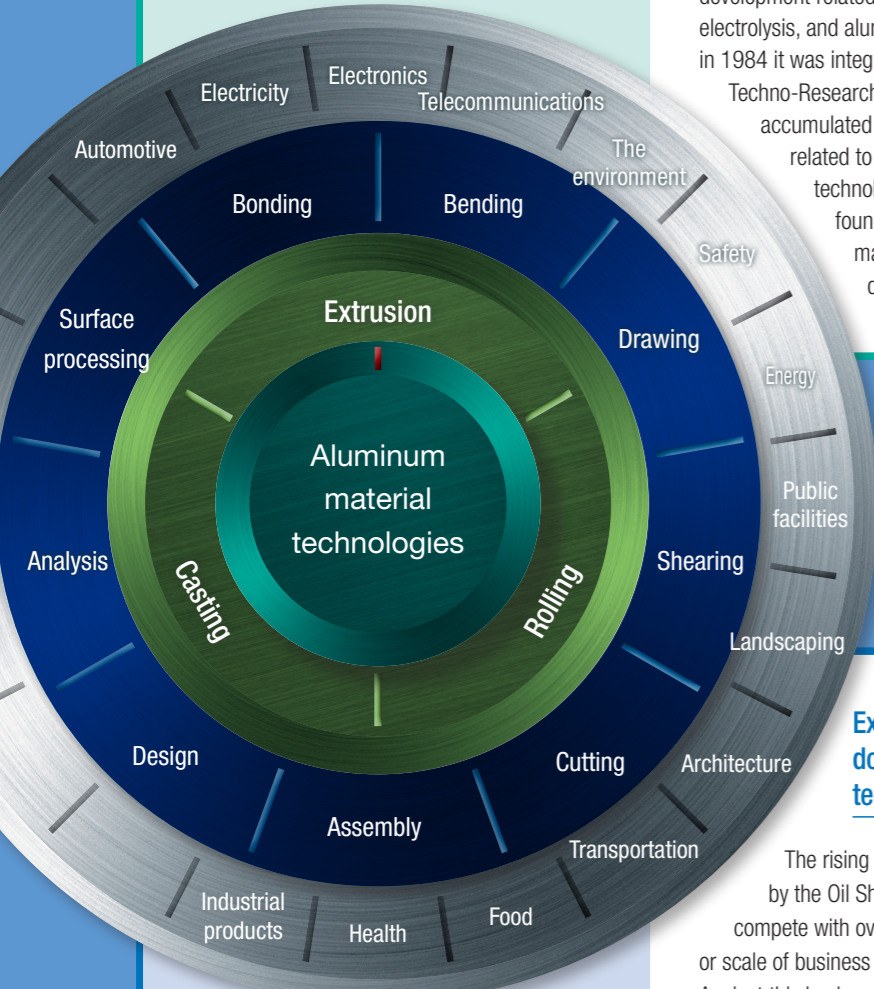
### Aluminum material technologies

Having started as an aluminum smelting company, the NLM Group has knowledge and expertise that it gained through an uncompromising focus on aluminum as a material at its technological core. This is symbolized by the Nikkei Research and Development Center.

### About the Nikkei Research and Development Center

The NLM Group's research and development base is the Nikkei Research and Development Center. This facility originates from Nippon Light Metal Research Laboratory, Ltd., which was established in April 1961 as a subsidiary of Nippon Light Metal Co., Ltd. for research and development related alumina, aluminum electrolysis, and aluminum materials. Later, in 1984 it was integrated into Nikkei Techno-Research Co., Ltd., and it accumulated academic knowledge related to various processing technologies in addition to its foundation of aluminum material technologies during the Group's rapid

shift of the focus of its business from aluminum smelting to aluminum processing after the Oil Shock. Since the Nikkei Research and Development Center was integrated into Nippon Light Metal Co., Ltd. in 1995, it has been engaged in activities every day as a research and development base for new value creation, focused on supporting the operating divisions, promoting value creation through the combination of multiple technologies (organization-spanning cross-functional collaboration), and developing new elemental technologies, which are the three pillars of its research and development.



Diverse customer needs

Aluminum material technologies  
Diverse processing technologies

Diverse market sectors

Creation of new value

As a result of business operation in diverse processing domains, the NLM Group has trade relationships with many diverse customers, including world-leading companies in each sector. At the NLM Group, we aim to evolve from our previous product-oriented research and development aimed at commercializing products using new technologies to market-oriented research and development creating new products through the combination of new and existing

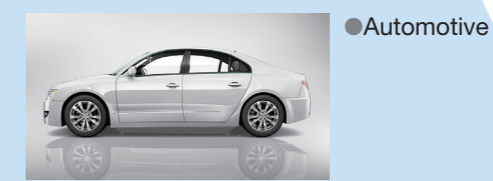
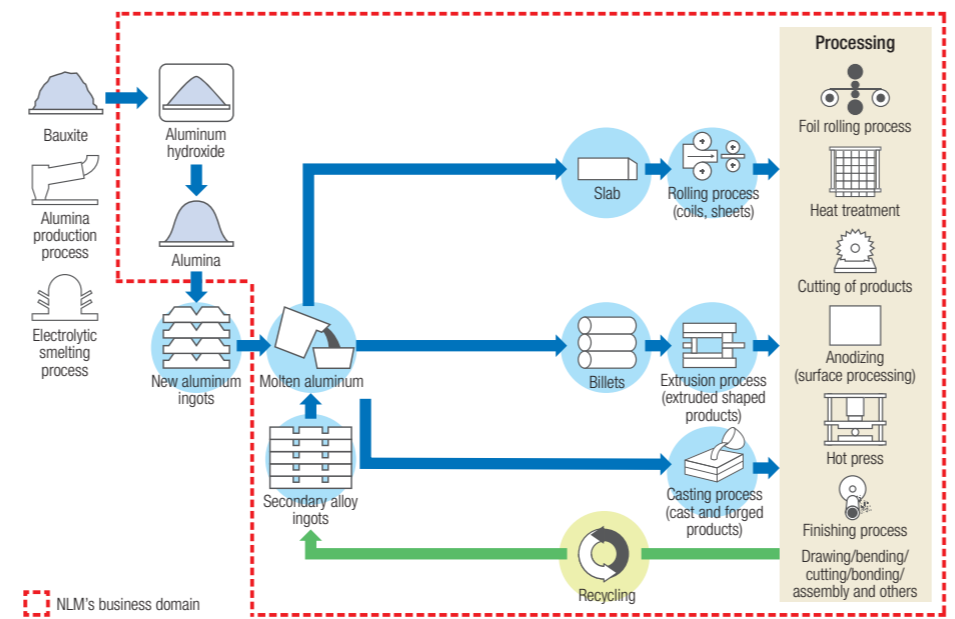
technologies in response to market needs. Customers in diverse sectors are valuable sources through which we identify diverse market needs. Catering to market needs as Team NLM using the diverse technological resources of the Group is the mission of the NLM Group and the source of its strength.

### Diverse processing technologies

Aluminum is processed into products using a variety of technologies because its low melting temperature enables it to be softer at lower temperatures than standard metals which makes it easy to process. At the NLM Group, we operate businesses in a broad range of sectors using these diverse processing technologies.

### Expansion of business domains and technological domains

The rising cost of electricity triggered by the Oil Shock made it difficult to compete with overseas companies on cost or scale of business in the smelting business. Against this background, we have continued to expand our business in the domain of aluminum processing. As a result, the NLM Group has obtained many of its diverse aluminum processing technologies through various businesses within the Group. In recent years, we have been ready to flexibly combine these diverse technologies as we become involved in customers' design and supply chain construction.



●Automotive



●Electrical and electronic equipment  
●Telecommunications



●Environment, safety and energy



●Public facilities, landscaping and architecture



●Transportation



●Food and health  
●Industrial products

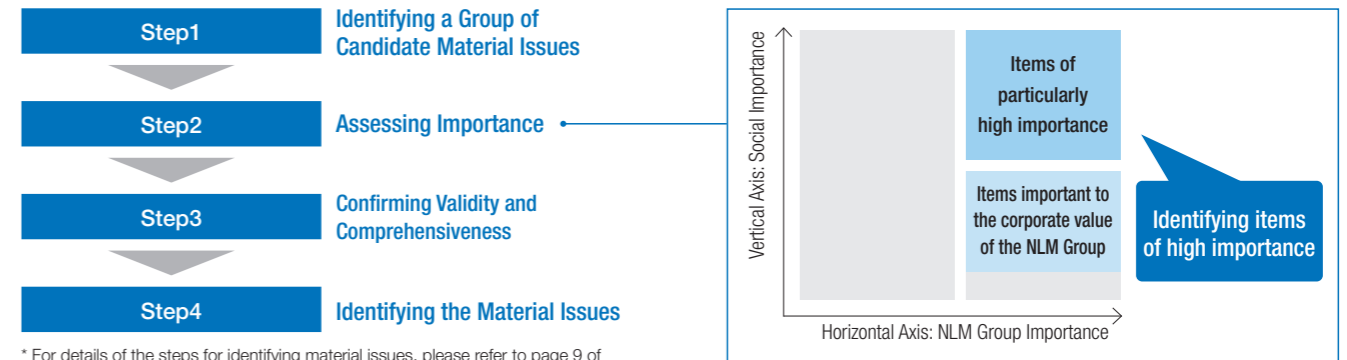
# Material Issues of the NLM Group

## Approach and Promotion Framework

The NLM Group will contribute to the realization of the sustainable society envisaged by the SDGs through the comprehensive and wide-ranging fields of business related to aluminum. As part of this process, in order to recognize the issues the NLM Group should address in particular and raise them as important management issues for the Group's sustainable growth and the creation of corporate value, our Board of Directors identified the material issues of the NLM Group.

We have set KPIs (target values) for each of the issues and are working towards achieving them based on concrete plans of action.

## Steps to Identifying Material Issues



\* For details of the steps for identifying material issues, please refer to page 9 of the Nippon Light Metal Group Integrated Report 2021.

## List of Material Issues

The Five Material Issue Themes	Material Issues	Major KPIs/Targets/Major Initiatives		
		Key Performance Indicator (KPI)	Target*1	Major Initiatives
<b>Protecting the global environment</b> 	<ul style="list-style-type: none"> <li>Reducing greenhouse gas emissions from company activities (scope 1, 2)</li> <li>Reducing greenhouse gas emissions in the supply chain (scope 3)</li> <li>Action on climate change (TCFD)</li> <li>Responding to water stress</li> <li>Preventing environmental pollution</li> </ul>	<ul style="list-style-type: none"> <li>Total scope 1 and 2 emissions (per unit of sales/Japan only) FY2021: 1.58 tons CO<sub>2</sub>/million yen</li> <li>Total scope 3 emissions (per unit of sales/Japan only) FY2021: 4.51 tons CO<sub>2</sub>/million yen</li> <li>Number of environmental incidents and complaints FY2021: 3 environmental incidents and 7 environmental complaints</li> </ul>	<ul style="list-style-type: none"> <li>-30% compared to the FY2013 level, FY2050: Net zero</li> <li>-30% compared to the FY2013 level, FY2050: Net zero</li> <li>0, FY2050: Continue to achieve 0 incidents and complaints</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to implement energy-saving initiatives and promoting fuel conversion and electrification</li> <li>Horizontal recycling of expanded aluminum materials and use of green aluminum</li> <li>Group-wide expansion of countermeasures and prevention of occurrence and recurrence of similar incidents</li> </ul>
<b>Providing sustainable value</b> 	<ul style="list-style-type: none"> <li>Efforts to expand the use of renewable energy</li> <li>Developing and providing low-carbon products and services</li> <li>Promoting a recycling-oriented economy and society</li> <li>Developing and providing robust infrastructure</li> <li>Contributing to the stable supply of food</li> <li>Shaping the future through innovation</li> </ul>	<ul style="list-style-type: none"> <li>Growth rate of sales of products for eco-friendly vehicles (Japan)</li> <li>Rate of purchase of external scrap</li> </ul>	<ul style="list-style-type: none"> <li>Compared to FY2021: Up 300%</li> <li>Overall Group: Above 30%</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcing the framework for the research and development of new products for eco-friendly vehicles</li> <li>Improving the comprehensive capability of the Group as a whole to make suggestions to the automotive market</li> <li>Building a system for the stable procurement of scrap as raw materials</li> <li>Promoting horizontal recycling by strengthening cooperation with external parties</li> </ul>
<b>Happiness of employees</b> 	<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Developing a fulfilling workplace</li> <li>Diversity &amp; inclusion</li> <li>Securing and cultivating human resources</li> </ul>	<ul style="list-style-type: none"> <li>Number of lost-time injuries FY2021: 15 in Japan</li> <li>Percentage of childcare leave taken by male employees FY2021: 18.5% (Japan)</li> <li>Percentage of managers that are women FY2021: 5.4% (consolidated)</li> <li>Number of employees who received next-generation management training FY2021: 13 (Japan)</li> <li>Percentage of managers who received managerial training FY2021: 100% (Nippon Light Metal Co., Ltd.)</li> </ul>	<ul style="list-style-type: none"> <li>0, FY2050: Continue to achieve 0 injuries</li> <li>FY2024: Above 30% (Japan) FY2030: 50% or above (Japan)</li> <li>FY2024: 7% (consolidated) FY2030: 10% or above (consolidated)</li> <li>Next-generation management: 10 or more trainees every year Managerial: 100% of newly appointed managers</li> </ul>	<ul style="list-style-type: none"> <li>Preventing injuries and similar injuries through the three principle (Genchi or real site, Genbutsu or real goods and Genjitsu or reality)</li> <li>Providing level-specific training themed on support for balancing work and childcare</li> <li>Motivating and helping employees to develop their careers through individual interviews</li> <li>Developing core human resources in a well-planned manner through repeated training and practical experience</li> </ul>
<b>Responsible procurement, production and supply</b> 	<ul style="list-style-type: none"> <li>Providing safe and secure products and services</li> <li>Protecting and respecting human rights</li> <li>Developing a stable supply chain</li> <li>A resilient value chain that is flexible to changes</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of major suppliers*2 that responded to a questionnaire survey to check that they understand and have approved our CSR procurement policy FY2021: 35%</li> <li>Number of prompt reports FY2021: 15</li> </ul>	<ul style="list-style-type: none"> <li>100%</li> <li>0, FY2050: Continue to achieve 0 reports</li> </ul>	<ul style="list-style-type: none"> <li>Conducting a CSR procurement questionnaire survey using a common format</li> <li>Ensuring thorough activities to prevent recurrence and establishing a framework for preventive activities</li> </ul>
<b>Corporate ethics and governance</b> 	<ul style="list-style-type: none"> <li>Strengthening governance</li> <li>Reinforcing the compliance framework</li> </ul>	<ul style="list-style-type: none"> <li>Number of self-assessments conducted by the Board of Directors FY2021: 1</li> <li>Number of times an opportunity to inspect business locations, etc. was provided to Outside Officers</li> <li>Percentage of managers or employees who found our whistleblowing system reliable FY2021: 46% of managers and 29% of general employees</li> <li>Rate of provision of compliance training FY2021: 11%</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a frequency of at least once a year</li> <li>At least two times a year</li> <li>Percentage of answers to anonymous employee surveys that are positive: 60% for managers, 50% for general employees</li> <li>Annual percentage of officers and employees provided training: 80% or above</li> </ul>	<ul style="list-style-type: none"> <li>Evaluating effectiveness regularly and making improvements based on evaluation results</li> <li>Providing Outside Officers with opportunities to inspect business locations, etc.</li> <li>Implementing PDCA through promotion of compliance and surveys</li> <li>Developing learning infrastructure and creating and distributing educational content</li> </ul>

\*1 The targets are FY2030 targets unless otherwise noted. \*2 Suppliers constituting 80% of the Group's total purchases by amount

## Material Issue: Providing Sustainable Value — Promoting a Recycling-Oriented Economy and Society —

At the NLM Group, we are working as Team NLM to establish a circular economy by leveraging the recycling (secondary alloy ingot) business within the Group, which is a strength.

### Reasons for the Selection of Material Issues

Since the smelting of new aluminum ingots consumes a lot of electricity, when fossil fuel-derived electricity is used, a large amount of CO<sub>2</sub> emissions are generated, causing major issues. On the other hand, CO<sub>2</sub> emissions from secondary aluminum alloy ingots, which are manufactured through recycling, are much lower, being around 10% of the emissions of primary alloy ingots. Accordingly, the promotion of aluminum recycling is a significant key to the achievement of carbon neutrality.

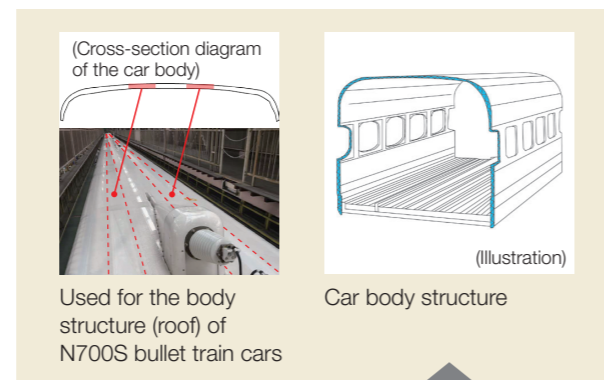
Aluminum recycling is broadly divided into two types. One is horizontal recycling, in which aluminum is recycled back into alloys with the same degree of purity and alloy composition. The other is cascade recycling, in which aluminum is reused as a general-purpose material while downgraded to a low-purity material containing many impurities. Because the desired amount of scrap material is not supplied, the stable procurement of scrap which is the raw material for both types of recycling is an issue in either case. Accordingly, building a system to collect the aluminum scrap produced as offcuts in the production processes of our customers and general scrap available on the market as waste after the completion of a product's lifecycle to be used as raw material — promoting a recycling-oriented economy and society (circular economy) — is a material issue of the NLM Group.

We believe that a social responsibility of the NLM Group is to contribute to the establishment of a sustainable ecosystem with aluminum as a low-carbon, highly recyclable material.

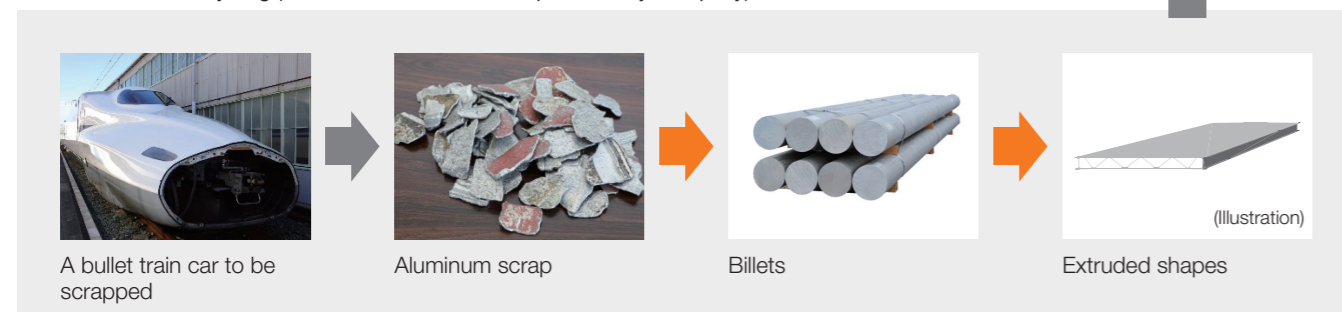


### Case Example Horizontal recycling of aluminum from car body structure to car body structure

At the NLM Group, we worked with Central Japan Railway Company and other entities to achieve the horizontal recycling of aluminum from car body structure to car body structure, in which the body structure of bullet train (Shinkansen) cars to be scrapped are recycled into a part of the body structure of newly manufactured cars. We have succeeded in making this method of recycling a reality. This initiative makes it possible to reduce CO<sub>2</sub> emissions by approx. 50 tons per train. We aim to expand the scope of application of these technologies, use resources even more efficiently and further reduce CO<sub>2</sub> emissions in the horizontal recycling of aluminum from bullet trains.



Flow of horizontal recycling (Information from Central Japan Railway Company)



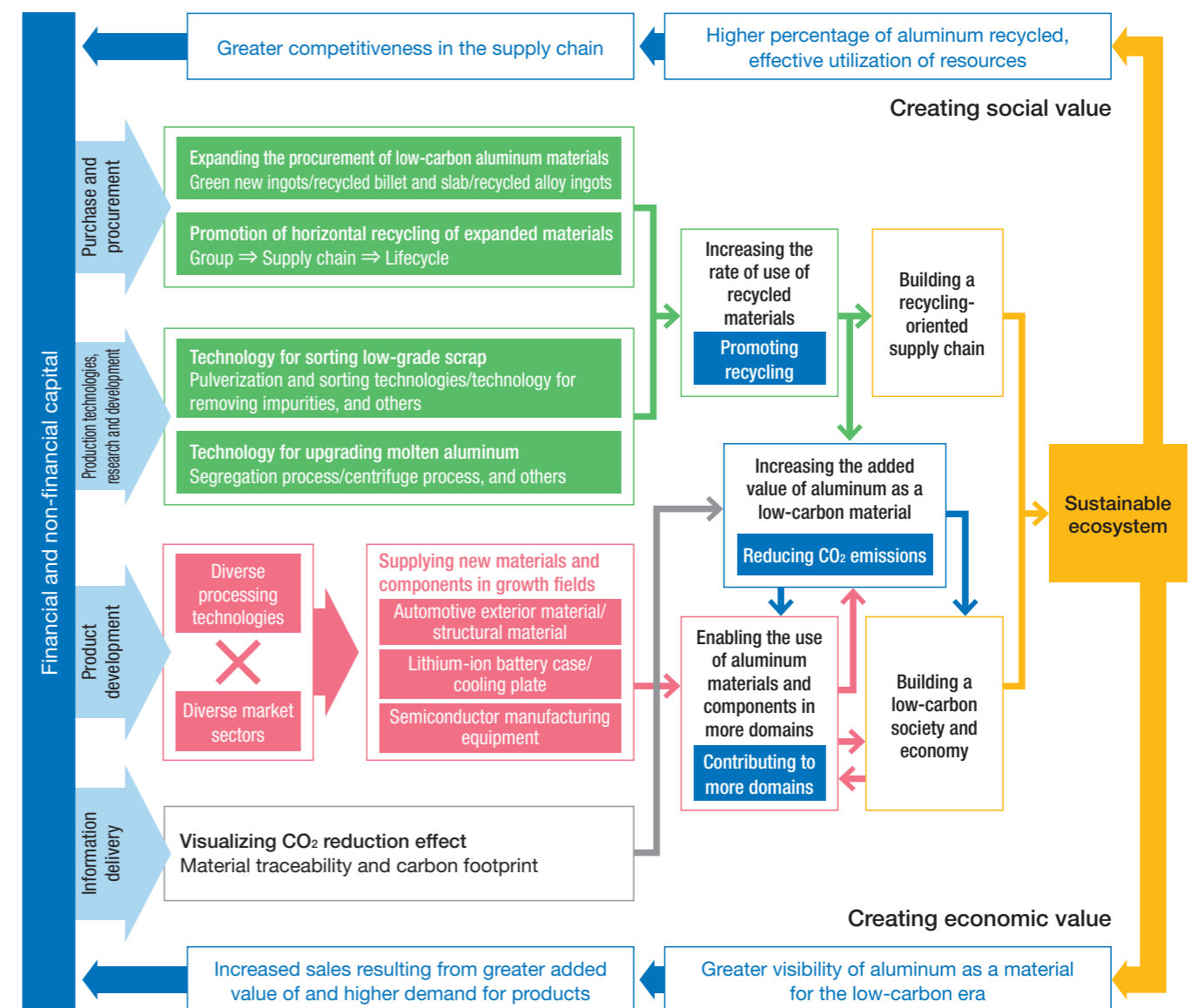
### Initiatives for Creating Social Value

Amid the global trend toward decarbonization, there is growing customer demand for a recycling-oriented supply chain, in which used aluminum is reused as a material, in addition to the supply of low-carbon materials.

To respond to this demand, at the NLM Group, we will procure more aluminum materials using green primary alloy ingots produced using power generated from natural sources of energy, as well as scrap and other materials. In addition, by using our expertise in the recycling business, we will recirculate scrap from expanded materials generated by supply chains, within the Group and expand the circle of this recirculation to include downstream processing domains and scrap collected after use.

This requires the establishment of production technologies for appropriately sorting and melting the collected scrap. We believe that, applied in waste processing, these technologies will also contribute to increasing our capacity for processing scrap from the market. In addition, we aim to develop an upgrading technology to recover only highly pure aluminum from molten aluminum containing impurities using the Group's aluminum material technologies.

We believe that by increasing the percentage of recycled materials we use in our domestic business through the above measures we can not only improve the market value of aluminum as a low-carbon, recyclable material but also enable the use of aluminum in even more market domains.



## Mid-term Management Plan

At the NLM Group, we formulate a mid-term management plan every three years. We have been steadily implementing measures based on this plan in our efforts to achieve our targets. As a result, we were mostly able to achieve the targets of the 2013 and 2016 mid-term management plans. During the 2019 mid-term management plan, we were not able to achieve the targets due in part to the tough external environment, but we were able to secure a certain level of profits. During the 2022 mid-term management plan, we will work on measures to build a stable profit structure and strengthen our management foundation under the theme of achieving growth by contributing to a sustainable society.

### Review of the mid-term management plans



What we want to be  
Corporate Philosophy

Contribute to improving people's quality of life and environmental protection by continuing to create business, focused on aluminum.

Position	Maximizing consolidated earnings by strengthening cooperation within the Group	Attempting to create value as a new type of material manufacturer	Investing resources in new products and new fields to achieve continued growth	Building a corporate structure that enables continued sustainable growth																																																	
Basic policies	<p><b>Aluminum is our foundation. We will use it as a springboard to new heights</b></p> <ol style="list-style-type: none"> <li>Business development through strategies by region and by sector</li> <li>Creating growth drivers leveraging new products and new businesses</li> <li>Reinforcing the business structure</li> </ol>	<p><b>As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond.</b></p> <ol style="list-style-type: none"> <li>Creating new products and business models by strengthening cooperation within the Group</li> <li>Business development through strategies by region and by sector</li> <li>Reinforcing the business structure (Reinforcing the business foundation)</li> </ol>	<p><b>As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond.</b></p> <ol style="list-style-type: none"> <li>Creating new products and new businesses</li> <li>Investing resources in growth</li> <li>Reinforcing the management foundation</li> </ol>	<p><b>As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond.</b></p> <ol style="list-style-type: none"> <li>Providing products and businesses that contribute to the creation of social value</li> <li>Reinforcing the management foundation</li> </ol>																																																	
Business targets and results	<table border="1"> <thead> <tr><th></th><th>Plan</th><th>Results</th></tr> </thead> <tbody> <tr><td>Net sales</td><td>440.0 billion yen</td><td>464.4 billion yen</td></tr> <tr><td>Operating profit</td><td>25.0 billion yen</td><td>26.8 billion yen</td></tr> <tr><td>Operating profit ratio</td><td>5.7%</td><td>5.8%</td></tr> <tr><td>ROCE</td><td>8.9%</td><td>9.0%</td></tr> </tbody> </table>		Plan	Results	Net sales	440.0 billion yen	464.4 billion yen	Operating profit	25.0 billion yen	26.8 billion yen	Operating profit ratio	5.7%	5.8%	ROCE	8.9%	9.0%	<table border="1"> <thead> <tr><th></th><th>Plan</th><th>Results</th></tr> </thead> <tbody> <tr><td>Net sales</td><td>500.0 billion yen</td><td>500.5 billion yen</td></tr> <tr><td>Operating Profit</td><td>32.0 billion yen</td><td>30.1 billion yen</td></tr> <tr><td>Operating profit ratio</td><td>6.4%</td><td>6.0%</td></tr> <tr><td>ROCE</td><td>10.0%</td><td>10.8%</td></tr> </tbody> </table>		Plan	Results	Net sales	500.0 billion yen	500.5 billion yen	Operating Profit	32.0 billion yen	30.1 billion yen	Operating profit ratio	6.4%	6.0%	ROCE	10.0%	10.8%	<table border="1"> <thead> <tr><th></th><th>Plan</th><th>Results</th></tr> </thead> <tbody> <tr><td>Net sales</td><td>540.0 billion yen</td><td>486.6 billion yen</td></tr> <tr><td>Operating Profit</td><td>37.5 billion yen</td><td>22.2 billion yen</td></tr> <tr><td>Operating profit ratio</td><td>6.9%</td><td>4.6%</td></tr> <tr><td>ROCE</td><td>11.4%</td><td>8.7%</td></tr> </tbody> </table>		Plan	Results	Net sales	540.0 billion yen	486.6 billion yen	Operating Profit	37.5 billion yen	22.2 billion yen	Operating profit ratio	6.9%	4.6%	ROCE	11.4%	8.7%	<table border="1"> <thead> <tr><th></th><th>Reference value</th></tr> </thead> <tbody> <tr><td>Operating Profit</td><td>30.0 billion yen</td></tr> </tbody> </table>		Reference value	Operating Profit	30.0 billion yen
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Achievements and challenges	<p>(Achievement) Targets were achieved through aggressive overseas expansion and the development of new products.</p> <p>(Challenge) Continuing to increase the earning power of overseas sites Improvement of financial position</p>	<p>(Achievement) Cooperation within the Group made it possible for new products to contribute to profits Improvement of financial position</p> <p>(Challenge) Investing funds, human resources and other resources aggressively to achieve continued growth</p>	<p>(Achievement) A certain level of profit was secured despite the tough environment.</p> <p>(Challenge) Responding to and addressing the sedimentation problem at the Amehata Dam and inappropriate acts related to JIS, among other problems</p>	<p>During the period of the 2019 mid-term management plan, the environment remained tough mainly due to the impact of the COVID-19 pandemic and the semiconductor shortage. We will build a revenue base which is less affected by the external environment and aim to develop a structure which enables us to secure stable profits exceeding 30.0 billion yen.</p>																																																	

## 2022 Mid-term Management Plan

We will work under the policy of improving the Group’s corporate value by both creating the value that customers demand and addressing social issues, aiming to grow sustainably into the corporate group that we want to be.

### The Environment Surrounding Us

We can say that the environment surrounding us is extremely uncertain at present, mainly due to the significant slow down of supply chains because of the semiconductor shortage, the volatility of the product markets, and the rapid depreciation of the yen. However, we believe that working steadily on the Group’s material issues will lead to sustainable growth over the medium and long terms. Accordingly, we are positioning the 2022 mid-term management plan as a new start in addressing our material issues based on the medium- to long-term business environment.

#### 2050 carbon neutrality

- Paying for the CO<sub>2</sub> emissions from the manufacturing of new aluminum ingots
- Engaging in initiatives throughout the supply chain, including initiatives reducing scope 3 emissions
- Building a system which sees initiatives for decarbonization as added value

#### Formation of a circular economy

- Attention being drawn to the recyclability of aluminum
- Building a collection and circulation system for recycling
- Promoting horizontal recycling which contributes to decarbonization and resource conservation

#### Technological innovation

- Structural change attributed to technological innovation in the automotive industry
- Growth in demand for semiconductors attributed to the evolution of communication technologies
- Labor-saving and automation of manufacturing process

#### Demographic change

- A decline in demand for aluminum in Japan resulting from the population decrease
- Labor shortage resulting from the decrease of the working-age population
- Acceleration of the shift of the demand center attributed to global population growth

#### Advance of globalization

- Supply chain risks due to the impact of geopolitical events
- Expanding opportunities to continue to foray into growth markets
- Shortage of business expertise and human resources outside Japan

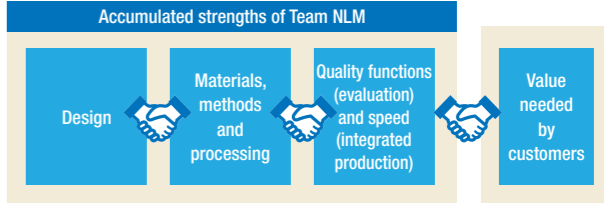

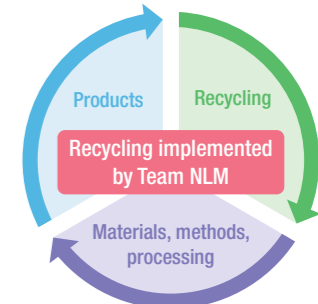
#### Respect for human rights and diversity & inclusion (D&I)

- The currently low level of active participation of women and the minority
- Promoting D&I to secure human resources
- Supply chain risks related to human rights problems

### SWOT analysis

At the NLM Group, we believe that the broad base of our business domains makes understanding the SWOT of the Group as a whole even more important. We have set measures in the 2022 mid-term management plan to address medium- to long-term material issues based on the following SWOT and are advancing these initiatives.

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>● Diverse aluminum-related knowledge and diverse points of contact with customers</li> <li>● Power of cross-sectoral teams that transcend the divisional framework</li> </ul>	<ul style="list-style-type: none"> <li>● Vulnerability of the management foundation, including vulnerability to quality problems</li> <li>● Insufficient ability to respond to supply chain slowdowns and market fluctuations</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>● Achieving the Corporate Philosophy by solving social issues</li> <li>● Developing new products and businesses in response to changes in the environment and the structure of society.</li> </ul>	<ul style="list-style-type: none"> <li>● Physical and transition risks of climate change</li> <li>● Risks related to materials prices and competition between materials resulting from changing market trends</li> </ul>

Basic Policies	Measures	Actions						
Providing products and businesses that contribute to the creation of social value	Strengthening the business of components for eco-friendly vehicles	<b>Connecting to value for customers</b> Goal of doubling the results (FY2021 results) of the eco-friendly vehicle component business 						
	Global market expansion	<b>Promoting local production for local consumption around the world, and full-scale entry into the United States as the third region following Japan and China</b> <ul style="list-style-type: none"> <li>● North America: Starting commercial production of automotive parts</li> <li>● India: Starting commercial production of secondary alloys for automobiles</li> </ul>  Nippon Light Metal Georgia, Inc.						
	Carbon neutrality (as an opportunity)	<b>Contributing to a sustainable society</b> <ul style="list-style-type: none"> <li>● Horizontal recycling and cascade recycling/creating eco-friendly products</li> </ul> 						
Reinforcing the management foundation	Carbon neutrality (as risks)	<b>Taking on the challenge of achieving carbon neutrality</b> <ul style="list-style-type: none"> <li>● Use of existing technologies and external technologies/energy-saving activities/fuel conversion</li> </ul> <table border="1" data-bbox="2389 1260 2834 1344"> <thead> <tr> <th>Target</th> <th>2030</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td></td> <td>30% reduction from the 2013 level</td> <td>Zero</td> </tr> </tbody> </table>	Target	2030	2050		30% reduction from the 2013 level	Zero
	Target	2030	2050					
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	Quality (restoring social trust)	<b>Rebuilding a quality assurance system for voluntary, exhaustive assurance/reform of organizational climate</b> <ul style="list-style-type: none"> <li>● Building a quality control system/creating a mechanism which ensures the inappropriate acts will never be forgotten</li> </ul>						
	Safety	<b>Making safety the top priority and ensuring compliance</b> <ul style="list-style-type: none"> <li>● Achieving zero injuries (continuing to achieve zero injuries and ensuring a zero injury culture becomes entrenched)/eliminating accidents in which workers are pinched or caught in machinery</li> <li>● Preventing and responding to misconduct/expanding initiatives to aspects other than quality/strengthening IT-based accounting control</li> </ul>						
Operational and workstyle reforms through DX	<b>Digitalization and efficiency improvement, standardization, optimization</b> <ul style="list-style-type: none"> <li>● Operational improvement/productivity improvement/prevention of injuries (labor reduction and automation)</li> <li>● Improvement of the efficiency of administrative operations/minimizing routine work</li> </ul>							
Happiness of employees	<b>Health and safety, job satisfaction, diversity &amp; inclusion, securing and cultivating human resources</b> <ul style="list-style-type: none"> <li>● Active participation of diverse human resources</li> <li>● Developing and recruiting digitally-minded human resources</li> </ul>							

## Segment Overview

## Aluminum Ingot and Chemicals

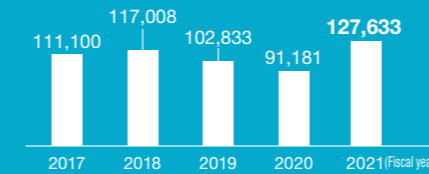


**Toshihiro Matsuba**  
Director in charge of  
the Chemicals Business

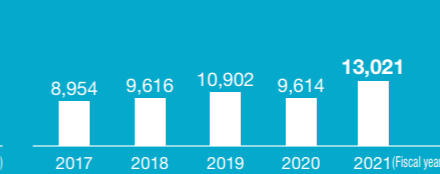


**Shuichi Asakuno**  
Director in charge of  
the Nikkei MC Aluminium Business

## Net Sales (million yen)



## Operating Profit (million yen)



## Aluminum Chemical Sector

## Business Environment

The Alumina Sector enjoys brisk demand in growth fields, mainly including aluminum hydroxide and alumina for heat dissipation and fire-resistant fillers intended for sectors related to automobiles and electronic materials, as well as low soda alumina for semiconductor manufacturing equipment. However, the rising price of imported aluminum hydroxide, a raw material, and energy prices are squeezing profit. In the Chemicals Sector, stable demand that supports industrial infrastructure is expected in the field of basic chemicals in the soda electrolysis business, which are used mainly for iron and steel, papermaking and industrial chemicals. However, the rising cost of manufacturing, logistics and other expenses are pressuring profit due to rising raw materials and fuel prices. Further, movement toward decarbonization is increasing both in Japan and overseas, and the segment as a whole is facing a major turning point toward new business development, in addition to the conversion and replacement, etc. of power sources.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>● A wide array of products and close relationships with many diverse business partners</li> <li>● Use of renewable energy, with the source of much of our power being hydroelectric.</li> </ul>	<ul style="list-style-type: none"> <li>● Aging of manufacturing equipment</li> <li>● Delay in expanding business domains</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>● Growing demand for measures to address heat affecting materials related to eco-friendly vehicles</li> <li>● Growth of domestic demand for high-performance semiconductors associated with growing concerns about economic security</li> </ul>	<ul style="list-style-type: none"> <li>● Rising prices of aluminum hydroxide, a raw material, and fuels and the instability of their procurement</li> <li>● Downsizing of the domestic commodity market</li> </ul>

## Business Policies and Strategies in the 2022 Mid-term Management Plan

At the Alumina Sector of Chemicals Div. of Nippon Light Metal Co., Ltd., we will increase earning power by aggressively investing, including in new product development, by positioning the fields of semiconductor manufacturing equipment, secondary batteries and heat dissipation and fire-resistant fillers as growth businesses while the commodity business in fields such as flocculants, refractory materials and common ceramics supports our business as a revenue base based on our strong relationships with customers maintained through the stable supply of products. We will also develop new, unprecedented alumina-related products through internal cooperation within the Group and collaboration with external parties.

In the Chemicals Sector, we will build a stable supply system and protect the global environment by replacing some aging equipment, such as soda electrolysis equipment and utility equipment, with equipment which enables the reduction of CO<sub>2</sub> emissions. At the same time, we will provide green chemical products with low CO<sub>2</sub> emissions (caustic soda, hydrochloric acid, chlorine and hydrogen) as eco-friendly, high-value-added products leveraging our strength of hydroelectric power generation being the power source. We will also develop products, such as hydrogen carriers made using hydrogen generated in soda electrolysis, in our efforts to provide sustainable value.

## Ingot Sector

## Business Environment

The sector of secondary alloys for automobiles slowed down due to supply constraints resulting mainly from the COVID-19 pandemic and the semiconductor shortage. However, as a result of a surge in the market price of primary aluminum ingots, the cost benefit of scrap, etc. increased, and it remained easy to generate profits. Amid the growing social demand for the reduction of CO<sub>2</sub> emissions, it is expected that the shift to eco-friendly vehicles will progress and the previously existing demand for internal combustion engine materials will be replaced by demand for new products, such as materials for car body structure and electrical components. Further, it is also expected that there will be growing demand for the establishment of a recycling-oriented supply chain that switches from using primary aluminum ingots to recycled aluminum ingots and the generated scrap is reused.

## Analysis of Present State (SWOT Analysis)

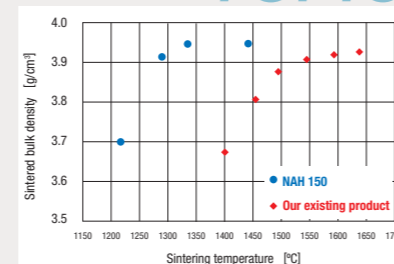
S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>● Ability to develop aluminum alloys</li> <li>● Global operations</li> </ul>	<ul style="list-style-type: none"> <li>● Insufficient ability to process scrap</li> <li>● High degree of dependence on the automotive sector</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>● Growing demand for materials for eco-friendly vehicles</li> <li>● Attention focused on recycled aluminum as a low-carbon material</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in demand for internal combustion engine parts resulting from the switch to eco-friendly vehicles</li> <li>● Scrap supply shortage attributed to the promotion of horizontal recycling</li> </ul>

## Business Policies and Strategies under the 2022 Mid-term Management Plan

In its medium-term strategy, Nikkei MC Aluminium Co., Ltd. aims to establish structures for developing, producing and selling products, and further, to build a framework for purchasing scrap as a material in major automotive markets in the world. In India, a market whose growth has been remarkable, we will build and begin operating a plant under a new company (registered in FY2019) and move into the black as quickly as possible, in our efforts to achieve market penetration. We will expand sales by providing alloys developed by the NLM Group as products for eco-friendly vehicles and for non-automotive sectors, including electrical and electronic equipment, in addition to our existing market sectors. In addition, we aim to enhance equipment for sorting scrap and technologies for melting it, in addition to expanding the resources we purchase, to increase the rate of use of low-grade scrap in addition to the high-grade scrap equivalent to primary aluminum ingots that will be difficult to procure on the market in the future. We aim to help customers reduce their CO<sub>2</sub> emissions through alloy development, global operations and aluminum recycling technologies.

## High-Purity Microfine Alumina That Contributes to the Decarbonization of Society

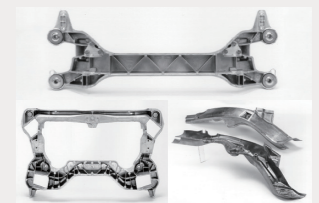
At the Alumina Sector of Chemicals Div. of Nippon Light Metal Co., Ltd., we launch newly developed products onto the market to contribute to the decarbonization of society. For example, in the n-avance™ series (NAH150) of products developed as a material for ceramic products, we succeeded in achieving a high degree of purity (low Na content) that we were not able to achieve with previous products. Further, another feature of the series is ultrafine particles less than half the size of the particles of our existing products. As a result, the sintering temperature of the alumina particles is approx. 250°C lower than ordinary alumina. That enables this product to reduce the energy cost of customers' manufacturing processes and also helps reduce CO<sub>2</sub> emissions. It is expected that sales of NAH150 will increase mainly as a product for semiconductor materials.



## TOPICS

## Joint Development of High-Performance Aluminum Alloys for High-Pressure Die-Casting with NanoAL LLC of North America

Nikkei MC Aluminium Co., Ltd. signed a tripartite joint development agreement with NanoAL LLC of North America and Mitsubishi Corporation R&M Japan Ltd., expanding the business alliance aimed at developing and commercializing high-performance aluminum alloys for high-pressure die-casting to respond to demand in multiple growth markets including automobiles and consumer electronics. High-pressure die-casting is a process of shaping net shape components by die-casting molten metal at a high pressure. It is attracting a lot of attention because Tesla, Inc. has adopted it as a method for manufacturing large automotive aluminum components using a casting machine called a Giga Press. High-pressure die-casting enables high-speed casting at a low cost. It enables die-cast objects to be complex shapes because it creates smooth surfaces with superior dimensional precision.



Examples of large die-cast components for automobiles

## TOPICS

## Segment Overview

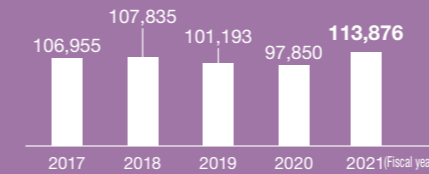
## Aluminum Sheet and Extrusions



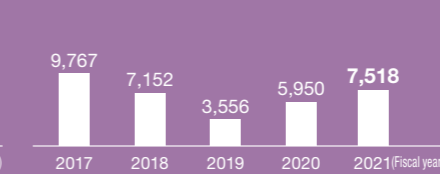
**Masahito Saotome**  
Director in charge of  
the Sheet Business

**Yoshiaki Ito**  
Executive Officer in charge of  
the Nikkeikin Kakoh Kabatsu Business

## Net Sales (million yen)



## Operating Profit (million yen)



## Sheet Product Sector

## Business Environment

The Sheet Product Sector saw demand begin to recover in FY2021, and products for semiconductor, battery, machinery and automotive sectors remained strong during that year. In FY2022, however, sales of products related to automobiles and trucks and other products have been declining, mainly due to the semiconductor shortage and the COVID-19 pandemic disrupting the supply chain. We have responded to the soaring costs of additive elements and energy mainly by revising prices. However, because it takes time for the revised prices to propagate in the market, the environment has remained extremely difficult in terms of profit.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>Ability to develop alloys intended for high value-added sectors</li> <li>Customer convenience ensured through the small-lot production of many products and quick delivery</li> </ul>	<ul style="list-style-type: none"> <li>Delay in the establishment of a production system for expanding the processing business</li> <li>Insufficient profitability of overseas business</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Expansion of thick sheets for semiconductor manufacturing equipment</li> <li>Expansion of demand related to batteries for eco-friendly vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Price volatility and unstable procurement of raw materials and fuels</li> <li>Paradigm shift in secondary batteries for eco-friendly vehicles</li> </ul>

## Business Policies and Strategies under the 2022 Mid-term Management Plan

At the Sheet Products Div. of Nippon Light Metal Co., Ltd., we are working on the development of new fabricated products in addition to the expansion of sales in sectors where we have competitive advantages related to technology and manufacturing aspects of the business and which are expected to grow.

Specifically, we will increase sales by increasing our capacity for producing thick sheets for semiconductor manufacturing equipment in response to the continuous growth of demand in the semiconductor sector. In the field of battery materials, an area where we excel, we will strive to increase sales in the expanding market by leveraging our ability to develop alloys that fulfill the needs of customers. Regarding the development of fabricated products, our sales and manufacturing teams are doing a market search mobilizing all resources, with the goal of launching new products following the components of semiconductor manufacturing equipment and bus bars (conductors for conducting large amounts of electrical current used in distribution boards, control boards, batteries and other devices) that have already been launched onto market. Thus, we are steadily commercializing products.

In addition, for the achievement of carbon neutrality, we strive to reduce the CO<sub>2</sub> emitted by the entire supply chain by working to switch the main raw materials for slabs from new aluminum ingots to scrap-derived materials leveraging our many years of recycling experience in the secondary aluminum alloy business and our cooperation inside the Group based on our experience-based knowledge.

## Extruded Product Sector

## Business Environment

The global semiconductor shortage that has continued since 2021, the COVID-19 lockdown in Shanghai and other events have greatly affected a wide range of sectors including our automotive parts business and truck mounting business. In addition, the business environment has remained tough due to the soaring prices of aluminum ingots, additive elements and fuels. On the other hand, actions to reduce environmental impact have accelerated, and the expansion of the eco-friendly vehicle market has led to a growing need for radiation performance and weight reduction. It is therefore expected that opportunities for the adoption of aluminum parts will increase and there will be progress in their horizontal recycling.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>Development, manufacturing and sales through cooperation within the Group</li> <li>Extrusion technologies for large, long extrusion materials and integrated production line from materials to processing</li> </ul>	<ul style="list-style-type: none"> <li>Declining competitiveness of overseas business</li> <li>Low profitability of businesses, including generic product businesses</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Expansion of the eco-friendly vehicle market</li> <li>Relationships with customers strengthened through the promotion of horizontal recycling</li> </ul>	<ul style="list-style-type: none"> <li>Rising prices and procurement instability impacting raw materials</li> <li>Geopolitical risks in China</li> </ul>

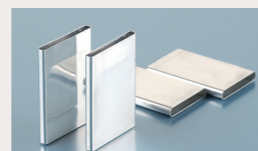
## Business Policies and Strategies under the 2022 Mid-term Management Plan

In its medium-term strategy, Nikkeikin Aluminium Core Technology Co., Ltd. aims to have more of its products adopted as battery cooling products for eco-friendly vehicles, a market that is expected to grow amid the trend toward carbon neutrality, and also as underbody parts and body structural parts reflecting the demand for lighter-weight vehicles. In addition, in the sectors where our products are in demand, including the truck, railway, industrial equipment and construction materials sectors, we will enhance our activities to identify new needs and develop products based on these findings leveraging our strong relationships with customers that have been cultivated over many years.

For the reduction of CO<sub>2</sub> emissions, we will proactively promote initiatives including switching the main raw materials for billets from new aluminum ingots to scrap-derived materials, introducing high-efficiency equipment in production processes, and converting fuels. In addition, we will work with customers to accelerate initiatives for the realization of horizontal recycling, in which used products are dismantled and segregated and then melted, cast and extruded again by the Group to produce the same products. [Details ▶ P.19 Case Example](#)

## Expansion of aluminum sheets for automotive batteries

Regarding aluminum sheets for the battery sector, more than 20 years ago we began to develop products including the LB Series and MF2 alloys, which were designed to cater to customer needs, at a time when lithium ion batteries were used for mobile phones and digital cameras, and those products have been adopted by customers. The main required property of the alloys used as battery materials is a balance between formability, strength and weldability. Having a research and development base enables us to develop alloys with properties appropriate for the purposes of use of the batteries, which is a strength of the NLM Group. In recent years, demand for aluminum sheets for automotive batteries has grown significantly due to the expansion of the electric vehicle market. This has resulted in a shift in the main application of battery materials to automotive batteries. Due to our ability to develop alloys and the high level of customer trust we have earned through our products they have used for many years, which are strengths we can leverage, our aluminum sheets have been chosen to be used as products for automotive batteries in an increasing number of cases.



Lithium ion battery cases

## TOPICS

## Commencement of operation of an automotive parts production site in North America

Nippon Light Metal Georgia, which was established in 2019 with the goal of increasing sales of our automotive underbody parts in North America, is preparing to meet its goal of starting production within FY2022. Demand for aluminum products is expected to increase in North America as well, reflecting tighter environmental regulations in countries around the world and growing need for lighter-weight vehicles. This initiative will also result in the establishment of three operating bases in Japan, China and the United States. By reinforcing our global supply structure, we will further strengthen our relationships with customers. We will aim to achieve the continued growth and expansion of our automotive business by proactively developing products that leverage the characteristics of aluminum, with a focus on the rapidly expanding eco-friendly vehicle market.



Nippon Light Metal Georgia, Inc.

## TOPICS

## Segment Overview

## Fabricated Products and Others

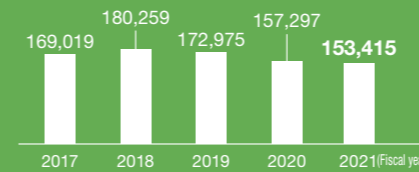
**Toshikazu Tanaka**  
Director in charge of  
the Nippon Fruehauf Business



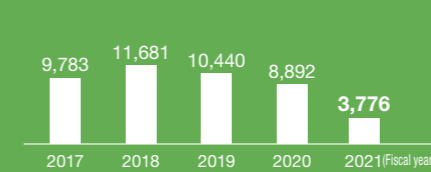
**Minoru Sotoike**  
Executive Officer in charge of  
the Panel System Business



## Net Sales (million yen)



## Operating Profit (million yen)



## Truck Mounting Sector

## Business Environment

We expect that steady demand will remain in the truck market in Japan despite a temporary decline attributed in part to supply chain disruptions. In addition, COP21 has resulted in the acceleration of the movement toward decarbonization, and there is also growing demand for low-carbon vehicles such as EVs in the commercial vehicle market. Further, the driver shortage has become serious, so the improvement of the efficiency of logistics and the reform of drivers' workstyles are urgent tasks that the logistics industry needs to address as it moves towards the application of an upper limit on work hours in the logistics sector in 2024. From a global perspective, the reduction of food loss in logistics has been set as a task for addressing food shortages and poverty. Thus, the logistics industry has entered a once-in-a-century great transformation towards the achievement of *sustainable logistics*. A response to these changes is also required for truck mountings and trailers, which support logistics.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>Ability to develop products in collaboration with the NLM Group and the Isuzu Group</li> <li>Largest share of the market in Japan (in terms of quantity)</li> </ul>	<ul style="list-style-type: none"> <li>Delay in the reflecting of the soaring prices of materials and parts in sales prices</li> <li>Delay in the expansion of business in overseas markets</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Expansion of service businesses reflecting the diversification of logistics</li> <li>Cooperation within the Group regarding decarbonization and cold chain logistics</li> </ul>	<ul style="list-style-type: none"> <li>Entry of overseas competitors and competitors from other industries into the commercial EV market</li> <li>Long-term downsizing of the domestic market</li> </ul>

## Business Policies and Strategies in the 2022 Mid-term Management Plan

Nippon Fruehauf Co., Ltd. will proactively develop differentiated products for the realization of *sustainable logistics*, by seeing the changes in the logistics environment that will occur over the next 10 years as opportunities.

Specifically, we will provide services that contribute to the improvement of the efficiency of logistics by delivering logistics that never stops, in addition to providing power supplies for mountings in response to the industry's switch to commercial vehicles that are EVs and developing products related to the modal shift that will eliminate the driver shortage. Further, to meet the demand related to the decarbonization of the logistics industry, we will also leverage the Group's strengths to reduce the CO<sub>2</sub> emitted throughout the lifecycle of the products we offer. Outside Japan, we will strive to ubiquitize cold chain logistics which are more necessary than ever due to lifestyle changes. For this purpose, we will participate in the creation of international standards leveraging our technologies and experience cultivated in Japan and provide products that meet local needs ahead of others. In addition, in the domains of autonomous driving and EVs, we will accumulate technologies and experience to prepare for their ubiquitization in Japan.

## Panel System Sector

## Business Environment

We saw the prices of steel sheet materials, foaming agents, and other materials rise, reflecting the soaring prices of crude oil and other commodities and the movement toward decarbonization, in addition to the global increase of demand for raw materials and transportation costs. In addition, the supply shortage of the raw materials for manufacturing panel cores became serious at the end of last year, mainly reflecting the suspension of production of foaming agents due to the damage that a hurricane did to suppliers in the United States last summer and the recovery of the global economy. While we were able to continue production, we were forced to limit the orders we accepted related to new properties and orders that required quick delivery, postpone deliveries, and take other measures. On the other hand, domestic semiconductor-related demand has increased steadily, supported by the national government's subsidy policies. It is expected that demand will increase in the clean room sector.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>Largest market share in the domestic industry</li> <li>Comprehensive capabilities with expertise in sales, design, production, logistics and installation</li> </ul>	<ul style="list-style-type: none"> <li>Shortage of human resources and inefficient operations</li> <li>Limited points of contact with end users</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Expansion of semiconductor-related market</li> <li>Growing demand for fireproof insulation panels</li> </ul>	<ul style="list-style-type: none"> <li>Rising raw materials prices and instability of procurement</li> <li>Labor shortage in the construction industry</li> </ul>

## Business Policies and Strategies in the 2022 Mid-term Management Plan

Nikkei Panel System Co., Ltd. positions ESG-management-based business activities as its key medium-term policy. In society where decarbonization is necessary, insulation panels play an important role in conserving energy. However, warehouse fires caused by the ignition of insulation have occurred frequently in recent years, which has led to growing demand for fireproof insulation. To meet this demand, Nikkei Panel System is striving to ensure the stable supply of non-CFC fireproof insulation panels through the pursuit of unique technologies. Further, the company holds a dominant share of the clean room sector of the semiconductor-related market in Japan, which is positioned as a key sector under Japan's economic security policy. It will continue to fulfill its supply responsibilities by fully demonstrating the design and installation capabilities that it has cultivated through its many practical operations. The company will invest aggressively in the automation of production and reduction of labor in its production processes and improve operational efficiency by using many digital technologies.

## FRUEHAUF CONNECT Contributing to the Safety and Security of Truck Drivers

To help solve social issues faced by transportation providers using many trailers such as the shortage of drivers and the reform of workstyles, Nippon Fruehauf Co., Ltd. Provides FRUEHAUF CONNECT, a service of providing location information and other information using IoT technologies. With this service, the company improves the efficiency of vehicle dispatch tasks and the quality of maintenance to support customers' operations.

In July 2022, a service was added to enable users to prepare for the natural disasters that have been occurring frequently in recent years. This service uses official data provided by the Japan Meteorological Agency and other organizations about earthquakes, heavy rains and other disasters to identify customers' vehicles in areas affected by disasters. The information is provided to customers so that they can confirm the safety of their drivers and vehicles.



FRUEHAUF CONNECT trailer positioning management system

## TOPICS

## To Accelerate Product Development and Ensure High Quality

In August 2020, Nikkei Panel System opened the Tec Lab at Shiga Plant as its core facility for the development of the human resources that will be future leaders and for product development and research, aiming to leap forward to being a space engineering company that creates *new spaces and new value*. To further add to its strengths, Nikkei Panel System Co., Ltd. established a Standard Installation Workshop with its partner companies engaged in installation with the goal of sharing knowledge and skills assuring worksite safety and the high quality of work. Specific activities include safety training using VR videos, the standardization of methods of installing new products, the development of installation jigs to ensure safety and efficiency, the development of new panel materials, and testing and verification done using actual-size panels.



Exterior of Tec Lab

## TOPICS



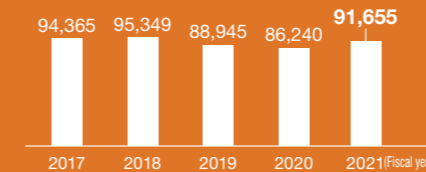
## Segment Overview

Aluminum Foil,  
Powder and Paste

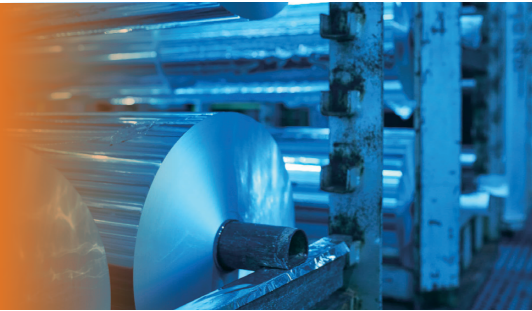
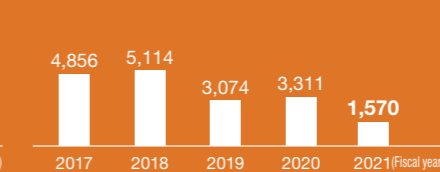
**Kaoru Kusumoto**  
Director in charge of  
the Toyo Aluminium Business Group



## Net Sales (million yen)



## Operating Profit (million yen)



## Aluminum Foil Division

## Business Environment

The environment surrounding the foil business has remained tough due in part to the soaring prices of aluminum ingots and other raw materials, rising energy costs, and an increase in the inflow of low-priced aluminum foil manufactured overseas. However, the movement toward a decarbonized society is increasing globally and the shift to EVs is progressing at an accelerated rate in the automotive industry. This is expected to lead to a rapid increase in demand for aluminum foils used as the outer material of automotive lithium ion batteries.

Further, currently, demand for aluminum foil as a pharmaceutical packaging material, the aluminum foil for what is called PTP packaging sheets, has remained strong.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>Largest share of the domestic aluminum foil market</li> <li>Significant technology development capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Aging of production facilities</li> <li>Low cost competitiveness against aluminum foil manufactured overseas</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Expansion of the EV market</li> <li>Expansion of the market for electronic components related to 5G and autonomous driving</li> <li>Expansion of the market for pharmaceutical double-sided aluminum PTP sheets in India and other countries</li> </ul>	<ul style="list-style-type: none"> <li>Soaring raw materials prices</li> <li>Inflow of aluminum foil manufactured overseas</li> </ul>

## Business Policies and Strategies in the 2022 Mid-term Management Plan

Toyo Aluminium K.K. will focus its efforts on expanding the aluminum foil for outer materials business by steadily tapping into the growing demand for lithium ion batteries. At present, the market has been declining, and it is expected to be some time before demand for consumer batteries recovers. However, it is urgently necessary to respond to the growing demand for automotive batteries. Therefore, we aim to establish a supply capacity and production system that fulfills the demand from customers in terms of quantity. At the same time, we will continue to work to reduce costs with a focus on the improvement of production efficiency.

Regarding aluminum foil for pharmaceutical packaging, we will step up efforts to expand to the market in India in addition to supplying the foils in Japan. The Indian market is expected to continue growing, and demand for pharmaceutical packaging materials is anticipated to remain strong in India and surrounding countries. In August 2021, we made Svam Toyal Packaging Industries Private Limited our subsidiary through additional investment. We will strengthen Svam Toyal's business management and production control system to improve its competitiveness. At the same time, we will aim to launch newly developed products to expand the business.

## Daily Necessities Division

## Business Environment

People's lifestyles have been changing due to the COVID-19 pandemic. There was significant demand from people staying home last year and the year before last. While this has been tapering off, trends such as people spending more time at home remain, which has led to more time spent cleaning homes, and an increasing awareness of ventilation. These trends are influencing the purchasing behaviors of consumers.

In addition, environmental awareness, which is reflected in people avoiding the use of plastics, the movement towards decarbonization and other movements, is increasing globally. These trends are also remarkable in Japan, where chilled food containers and frozen food containers used by convenience stores and supermarkets are being replaced with eco-friendly products.

## Analysis of Present State (SWOT Analysis)

S: Strengths	W: Weakness
<ul style="list-style-type: none"> <li>High product development capability</li> <li>Strong brand power in the everyday goods sector</li> </ul>	<ul style="list-style-type: none"> <li>Aging of production facilities</li> <li>Low cost competitiveness of commodities</li> </ul>
O: Opportunities	T: Threats
<ul style="list-style-type: none"> <li>Lifestyle changes reflecting increased time spent at home</li> <li>Increasing awareness of air purification and ventilation as a result of the COVID-19 pandemic</li> <li>Increasing environmental awareness reflected in the avoiding of the use of plastics and other actions</li> </ul>	<ul style="list-style-type: none"> <li>Soaring raw materials prices</li> <li>Shrinking of the market reflecting the decreasing population of Japan</li> </ul>

## Business Policies and Strategies in the 2022 Mid-term Management Plan

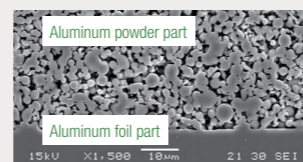
The Toyo Aluminium Group will focus its efforts on expanding its filter products. The filter product market has been growing significantly due to lifestyle changes. Because this product has a high repeat purchase rate, we can expect stable sales from continual purchases, and the expectation is that there is a lot of room to expand sales. We will strive to establish a framework for increasing production, including the expansion of the filter plant. We will also step up our efforts to approach customers who have yet to learn about our products and expand sales channels using e-commerce.

We will also work to expand sales of food containers, with a focus on containers made of paper. While demand for food containers is growing due to the increased demand for takeaway food, the overall consumption of food containers has been trending downward due mainly to the reduction of orders from convenience stores, which resulted from their efforts to address food loss. We will tap into demand from customers who intend to switch from plastic containers by leveraging our lineup of eco-friendly products that are not available from our competitors (heat-resistant paper cups, EC-Ware, pulp molds).

## For the Establishment of the Powder Laminated Foil Business

Powder laminated foil is a porous material that is produced by laminating aluminum powder on the surface of aluminum foil and sintering it. Unlike the current foil for aluminum electrolytic capacitors, the powder laminated foil does not require an etching process, which enables the reduction of the impact of its manufacturing on the environment and humans. It is deemed to be a promising new foil for capacitors at a time when demand for capacitors is expected to increase due to telecommunications infrastructure shifting to 5G and the expansion of the EV market.

In October 2018, Toyo Aluminium established a joint venture with Guangdong HEC Technology Holding Co., Ltd., which holds the largest share of the global chemical foil market. We have since been working on the development of powder laminated foil. We are working to realize the commercial production of powder laminated foil, aiming to launch it onto the market as a high-capacity, eco-friendly product.



## TOPICS

## Participation in a Circulation System Demonstration Experiment

Switching to paper products to avoid the use of plastics is environmentally friendly in that it prevents marine and soil pollution caused by plastics. However, the use of paper products also has an environmental impact which includes deforestation, and we cannot ignore this. Toyo Aluminium Ekco Products Co., Ltd. participates in a paper cup recycling demonstration experiment as one of its environmental initiatives. In this experiment, paper cups with a biodegradable resin lining are used for the drinks sold in a football stadium. The used paper cups are composted through primary fermentation in composting equipment installed in the stadium, secondary fermentation, and tertiary fermentation, and then used to grow crops on farms. The company is implementing this circulation system demonstration experiment together with related companies and organizations.



## TOPICS

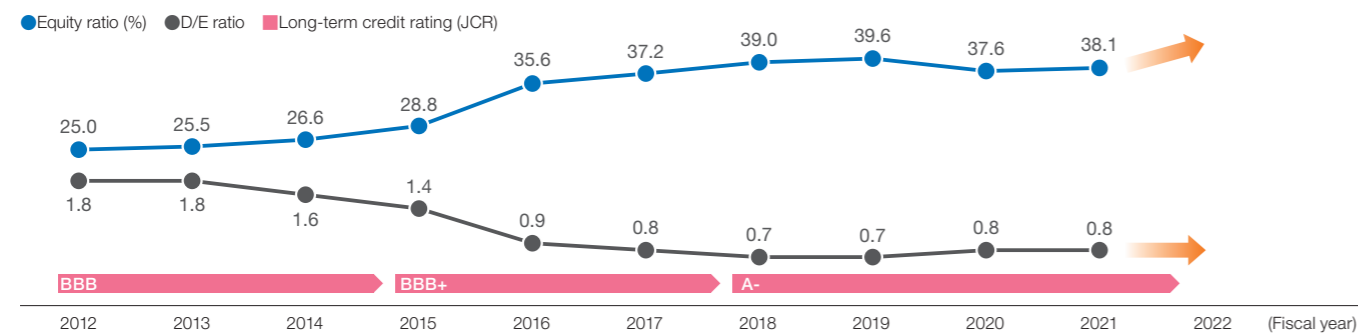
\* The exclusion of Toyo Aluminium K.K. and other companies constituting the Foil and Powder Products segment from the scope of consolidation is planned to occur on March 31, 2023. <https://www.nikkeikinholdings.com/news/news/common/pdf/p2022090201hde.pdf>

## Financial Strategy

We are working to formulate a financial strategy that balances investments to achieve sustainable growth as a corporate group, the maintenance and improvement of the financial structure and other elements, while aiming to ensure stable shareholder returns.

### Our Environment

During the ten years since we introduced the pure holding company system, we have proactively reinforced our financial foundation while also stably providing shareholder returns based on the cash flows created by increasing our earnings capacity through cooperation within the Group. The consolidated equity ratio was improved from 25.0% in FY2012 to 38.1% in FY2021, which is the most recent figure. In parallel with this, the D/E ratio has also improved, settling at a level below 1.0. While we have not presently issued bonds, etc. in Japan, our long-term credit rating has also improved, and is currently maintained at the A- level. We understand that our tasks for the future is increasing shareholder returns and aggressively investing for future growth in a well-balanced manner while continuing to reinforce our financial foundation.



### Basic Financial Policy

Our basic policy is to maintain and improve our financial standing while paying stable dividends in consideration of the balance between cash acquired from business activities and the use of the cash. As the financial discipline benchmark used for this purpose, we consider a D/E ratio of 1.0 or below to be a rough guide. In addition, we disclose ROCE, which is less affected by leverage, as the investment efficiency indicator.

The financial figure of the NLM Group may fluctuate greatly according to the condition of the aluminum ingot market. Therefore, in the 2022 mid-term management plan, we have disclosed reference targets in light of the current trends in the market environment, but we aim to achieve operating profit exceeding 30.0 billion yen to increase dividends.

Generally, the payment of dividends is the method for providing shareholder returns. However, we use total payout ratio as the indicator so that we are able to flexibly choose various methods.

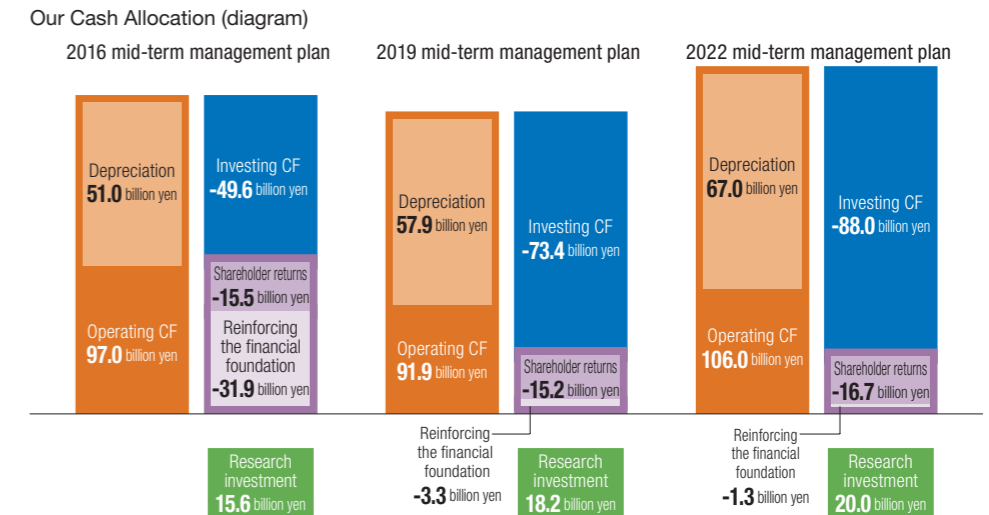
	FY2019 results	FY2020 results	FY2021 Results	FY2022 forecasts	FY2024 references
Net sales	465.9	432.6	486.6	515.0	
Operating profit	24.6	24.2	22.2	12.5	Operating profit exceeding 30.0 billion yen
Ordinary profit	23.5	24.0	22.9	15.0	
Profit attributable to owners of parent	7.5	3.4	16.8	10.0	
ROCE*	8.0%	8.4%	8.7%	—	Dividend per share: 100 yen
Total payout ratio	74.6%	119.6%	31.4%	52.6%	

\* ROCE = Ordinary profit before interest / Capital employed at the beginning of the fiscal year

### Cash Allocation

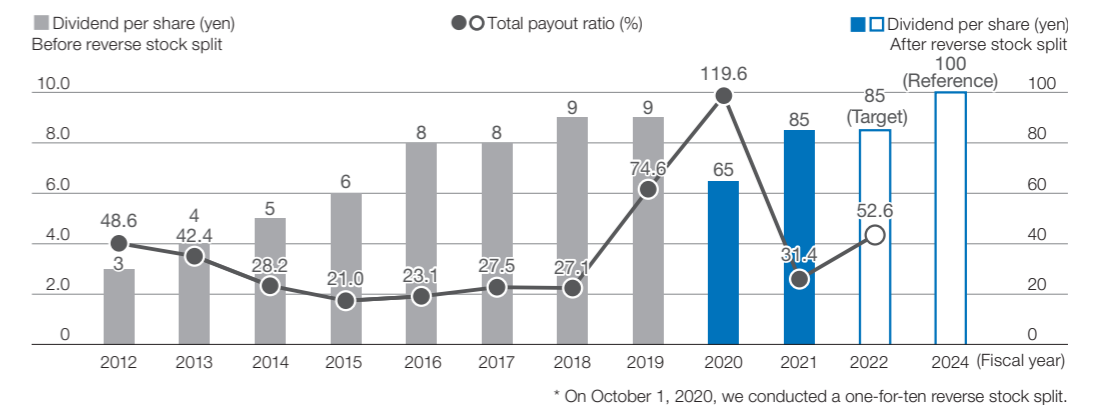
Regarding net cash provided by operating activities, we provide dividends stably based on our policy. In addition, under past mid-term management plans, we allocated cash in ways that attached importance to the improvement of our financial standing. However, since the 2019 mid-term management plan, under which a certain level of improvement was seen in our financial standing, our policy has been to divert cash to investments for continued growth. Under the 2022 mid-term management plan, we will continue to aggressively invest at a level that exceeds depreciation, as we did during the previous mid-term management plan. Regarding the content of investments, we will increase the ratio of investments for ensuring safety and reducing labor and environmental investments in line with the Group's material issue themes, instead of investing simply in maintenance and replacement. We will also increase research and development expenses which are the source of our new future products.

If surplus funds are generated under these policies, we will use them to improve our financial standing, in activities such as the repayment of interest-bearing debt and the increase of our cash position. Further, if a promising large-scale investment project occurs, we will consider it flexibly on the condition that we maintain our financial discipline (D/E ratio at 1.0 or below) and long-term credit rating.



### Shareholder Return Policy

Our basic shareholder return policy is to provide dividends to our shareholders by comprehensively considering the consolidated financial results and other factors from a medium- to long-term perspective while striving to strengthen our financial standing and management foundation. A total payout ratio of 30% is the benchmark indicator for profit allocation, while we also consider balancing this with the investments needed to achieve sustainable growth. We select methods of returning profits to shareholders by comprehensively considering our cash position, equity ratio and other factors, aiming to sustainably and stably provide shareholder returns.



\* On October 1, 2020, we conducted a one-for-ten reverse stock split.

### Dialogue with Shareholders and Investors

We are engaged in various initiatives that strengthen investor relations, aiming to more actively engage in dialogue with shareholders and investors than ever before. Specifically, we have made improvements such as the holding of a results briefings every quarter on the date of the announcement of quarterly financial results. We have begun to post a video of the results briefing including explanations of the progress of the mid-term management plan, which we hold every six months, and a summary of the Q&A session on our official website. Other initiatives include the enhancement of the information we disclose, such as the disclosure of profit-and-loss analyses, and the English translations of earnings presentation materials. We will continue to improve to address the needs of shareholders and investors.

# Governance

## Policy

The NLM Group has introduced a pure holding company system and operates under Nippon Light Metal Holdings Co., Ltd. ("NLM HD"), the holding company. NLM HD aims to improve corporate value by working to achieve sustainable growth and enhance its competitiveness through the formulation and determination of Group-wide strategy, strategic allocation of management resources, and the supervision of operating company management.

The Board of Directors consists of 14 Directors (5 Directors, 36% of the board, are Independent Outside Directors). NLM HD has adopted an executive officer (executive officer as "Officer") system (based on delegation agreements), enabling the Board of Directors to flexibly operate and substantively deliberate. In addition, to clarify the missions and responsibilities of Directors and Officers, each Director or Officer's term of office is 1 year.

NLM HD has also adopted a corporate auditor and Board of Auditors system. There are 6 Auditors (including 3 Independent Outside Auditors, 50% of the Board of Auditors). The Auditors constitute the Board of Auditors. As an independent body that plays a part in corporate governance, the Board of Auditors attend important internal meetings such as Board of Directors meetings, monitoring the execution of duties by Directors in accordance with audit policies and audit plans that comply with the standards for audits by Auditors.

●Corporate Governance Report (Japanese only)  
<https://www.nikkeikinholdings.co.jp/news/common/pdf/cgn.pdf>

### Basic Policy on Corporate Governance

- (1) NLM HD shall respect the rights of shareholders and ensure their substantial equality.
- (2) NLM HD shall endeavor to appropriately cooperate with shareholders and many other stakeholders. The Board of Directors and top management shall exercise leadership to foster a corporate culture that respects the rights and standpoints of stakeholders, as well as corporate ethics.
- (3) NLM HD shall make information disclosures as required by laws and regulations, and actively strive to disclose information needed by stakeholders to fulfill its accountability obligations and ensure transparency.
- (4) The Board of Directors, Auditors and Board of Auditors shall recognize their fiduciary responsibility to shareholders, and fulfill their respective roles and responsibilities appropriately to realize sustainable growth and enhance corporate value in the medium-to-long-term.
- (5) NLM HD shall have constructive dialogue with shareholders and investors through various IR activities to facilitate sustainable growth and improved corporate value in the medium-to-long-term.

## Progress of Enhanced Corporate Governance

Since the pure holding company system was introduced in 2012, NLM HD has been gradually strengthening its governance system, considering that corporate governance is one of its most important management challenges. NLM HD will continue to revise its governance system in line with the intent of

Corporate Governance Code and other guidance. In June 2021, the executive officer system was changed from a system based on employment agreements to one based on delegation agreements to clarify the responsibilities of the Officers and enhance their roles.

### Initiatives for Enhancing Corporate Governance

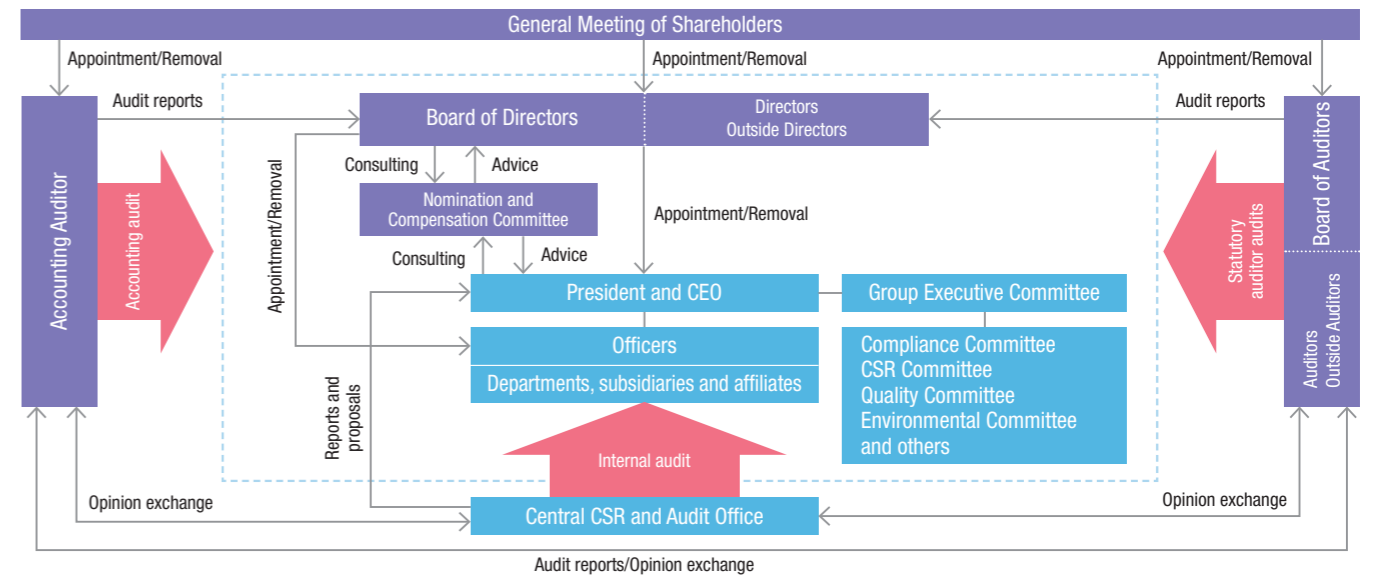
	2012	2013~2015	2016	2017	2018	2019	2020	2021
<b>Ensuring the diversity of the Board of Directors</b>								
Appointment of Outside Directors	2 people appointed	Increased to 3		Increased to 4		Increased to 5		
Appointment of female Directors							1 person appointed	
Skills matrix								●Skills matrix created
<b>Improving the effectiveness of the Board of Directors</b>								
Evaluation of the effectiveness of the Board of Directors								●Questionnaire survey of officers conducted
Executive officer system	●Introduction of an executive officer system							●Introduction of an executive officer system based on delegation agreements
Stock remuneration								●Introduction of stock remuneration
Nomination and Compensation Committee								●Establishment of the Nomination and Compensation Committee
<b>Strengthening internal control</b>								
Environmental protection	● 2012: Establishment of the Environmental Committee							
Information security	● 2020: Introduction of CSIRT							
Corporate ethics	● 2012: Establishment of the Compliance Committee Establishment of the NLM Group Compliance Code							
Internal control and risk management	● 2012: Establishment of the Basic Policy on the Development of the Internal Control System							
	● 2013: Establishment of the CSR Committee							
Quality	● 2012: Establishment of the Quality Committee							

## Framework

NLM HD has adopted the system of a company with a Board of Auditors. This decision was taken based on the belief that a system where Outside Directors and the Board of Auditors supervise management from their respective perspectives is an effective way to strengthen supervisory functions.

In addition, by separating the supervisory functions of management from business execution functions while actively appointing Outside Directors and Outside Auditors, NLM HD has ensured the supervision of executive functions and reciprocal monitoring of Directors, and the soundness in management through audits by Auditors including Outside Auditors.

### Governance Structure



Male Female Non-Japanese

Organization	Board of Directors	Nomination and Compensation Committee	Board of Auditors
Composition	<p>Internal members: Chairperson, 13 members</p> <p>Outside members: 5 members (Percent that are outside members: 36%)</p>	<p>Internal members: 1 member</p> <p>Outside members: 2 members (Percent that are outside members: 83%)</p>	<p>Internal members: 3 members</p> <p>Outside members: 3 members (Percent that are outside members: 50%)</p>
Basic policy	So that the Company can make appropriate and flexible decisions and supervise the execution of those decisions, the Board of Directors as a whole shall be composed of internal Directors who have the requisite skills and knowledge for management and Outside Directors who are able to actively share their views and raise issues regarding growth strategy and the enhancement of governance from the standpoints of a diverse range of stakeholders and society.	The Committee shall comprise at least 3 members including the President, and the majority of its members shall be Independent Outside Directors. In addition, the Board of Directors appoints one of the Independent Outside Directors who is a member of the Committee as its chairperson.	The Board of Auditors conducts auditing activities that maintain an independence from management by securing the participation of Outside Auditors with experience and insight into many fields. In addition, the Auditing Office that supports auditing operations of Auditors is assigned dedicated employees not subject to the direction or orders of Directors.
Authorities and responsibilities	The Board of Directors makes decisions on the basic and important management matters of the NLM Group, and supervises the status of Directors in the execution of their duties.	The Committee discusses and reports on matters determining nomination and compensation in response to a request for consultation from the Board of Directors and President. In considering particularly important matters such as appointment of officers and their compensation, NLM HD seeks the appropriate involvement of and advice from the Committee, whose main members are Independent Outside Directors, in an effort to ensure the independence and objectivity of the Board of Directors' functions and strengthen its accountability.	Auditors audit the status of internal control including compliance, risk management and the timely disclosure of information from the perspective of enhancing the effectiveness of corporate governance.
Term	1 year	1 year	4 years
Body that appoints (selects) its members	General Meeting of Shareholders	Board of Directors	General Meeting of Shareholders
Maximum number of members	15	Not limited	7
Frequency of meetings	Every month *FY2021: 13 times	3 times a year *FY2021: 5 times	Regularly *FY2021: 15 times
Major matters deliberated (discussed) in FY2021	<ul style="list-style-type: none"> <li>Revision of the Management Policy</li> <li>Identification of material issues</li> <li>Formulation of the new mid-term management plan</li> <li>Quality problems at the NLM Group</li> <li>Publication of Integrated Report 2021</li> <li>Review of overseas investment allocations</li> </ul>	<ul style="list-style-type: none"> <li>Deliberation regarding the skills matrix</li> <li>Deliberation regarding the presidential succession plan</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of the handling of the quality problems and submission of written opinions</li> <li>Confirmation of initiatives taken to strengthen compliance</li> <li>Confirmation of key audit matters (KAM) with the accounting auditor</li> <li>Promotion of IT control</li> </ul>

## Governance

### Board of Directors

The Company has 14 Directors, 5 of whom are Independent Outside Directors.

The Board of Directors meets once a month in principle, where it makes decisions on the basic and important management matters of the NLM Group, and supervises the status of Directors in the execution of their duties.

The economic environment in FY2021 saw stagnant economic activities which were attributed mainly to the COVID-19 pandemic, the soaring prices of raw materials and fuels, and the shortage of semiconductors and other components. FY2021 was also the final year of the mid-term management plan that started in FY2019, and the Board of Directors was engaged in monitoring to ensure the steady implementation of the plan. In particular, the Board of Directors identified material issues of the NLM Group and organized and identified sustainable value creation processes to push forward with sustainability management and increase its value. It also intensively discussed the tasks for achieving the shift to sustainability management, including decarbonization, the active participation of women and supporting and employing people with disabilities.

### Nomination and Compensation Committee

The Committee is composed of 6 committee members including all 5 of the Outside Directors.

The Committee discusses and reports on matters determining nomination and compensation in response to a request for consultation from the Board of Directors and President. In considering particularly important matters such as appointment of officers and their compensation, NLM HD seeks appropriate involvement and advice from the Committee, whose main members are Independent Outside Directors, in an effort to ensure the independence and objectivity of the Board of Directors and strengthen its accountability.

In FY2021, the Committee deliberated on the creation of a skills matrix for NLM HD's Board of Directors in response to a request. (See the skills matrix on page 42.) In the creation of NLM HD's Board of Directors, diverse human resources with a range of skills were selected to enable the Board of Directors to appropriately fulfill its decision-making functions and its management supervisory functions in light of the direction of NLM HD's medium- to long-term management and business strategy and thereby maintain a highly transparent governance system.

### Board of Auditors

Three of the 6 Auditors of the Company are Outside Auditors.

The Board of Auditors meets at least once a month, and conducts auditing operations with each Auditor maintaining independence from management, by securing the participation of Outside Auditors with experience and insight in various fields.

Auditors audit the status of internal control including compliance, risk management and the timely disclosure of information from the perspective of enhancing the effectiveness of corporate governance.

In FY2021, regarding the series of quality-related misconduct incidents that were revealed at several of the NLM Group's operating companies, the Board of Auditors examined the effectiveness of NLM HD's internal control and its risk scenarios based on results of the investigations of the Special Investigation Committee, from a perspective that is different from that of the Board of Directors, and expressed its opinions to the Board of Directors. Further, it coordinated with the accounting auditor and exchanged opinions about key audit matters (KAM) and IT control.

Other bodies including the following work to ensure the appropriate management of the Company.

### Group Executive Committee

As a body that assists the President and CEO in decision making, the Group Executive Committee is comprised mainly of Directors (excluding Outside Directors), Officers and Auditors (excluding Outside Auditors) of the Company. The Committee meets twice a month in principle, discussing and making decisions on policies related to NLM Group management and important items concerning management execution.

While matters that specifically require resolution of Board of Directors and other important management items are decided by the Board, the Group Executive Committee serves as a body that reviews matters before they are resolved by or reported to the Board. It determines the agenda and points for discussion, thus facilitating constructive debate and exchanges of opinions among the Board of Directors. Particularly with regard to the acquisition or disposition of shares or non-current assets, loans and guarantees, various risks such as credit risks or regional and market risks are taken into account, monetary standards are set for each type and the scope to be resolved by the Board of Directors is clearly specified. Matters that fall below these monetary amounts are delegated to the Group Executive Committee and other executive management, enabling the Board of Directors to focus on the discussion of essential strategies aimed at medium-to-long-term growth.

### Compliance Committee

Chaired by the president of NLM HD, the Compliance Committee meets 4 times a year as a body that examines tasks and problematic points related to overall compliance and it deliberates and determines measures for instilling and establishing compliance, including the determination of the Compliance Promotion Plan and the examination and correction of the status of the implementation of the plan.

### CSR Committee

The CSR Committee meets 2 times a year, in principle, as a body that deliberates a wide range of matters and makes necessary decisions related to the NLM Group's material issues. It is chaired by the President of NLM HD and is composed mainly of NLM HD's Directors (excluding Outside Directors) and Officers and the presidents of major subsidiaries.

### Quality Committee

Chaired by the President of NLM HD, the Quality Committee meets 2 times a year, in principle, and responsible people from quality assurance departments of Group companies participate in the Committee. In the Committee's meetings, participants push forward with quality management, including deliberations of the Group Quality Policy, analyze the cause of serious quality problems, discuss how to prevent their recurrence, and share information about quality audits and other activities, to ensure that the NLM Group provides safe, quality-assured products and services.

### Environmental Committee

This Committee is chaired by the President of NLM HD and comprises mainly NLM HD's Directors (excluding Outside Directors), Officers, and presidents of major subsidiaries. It meets 2 times a year to discuss basic environmental policy and activity promotion plans, report serious environmental problems and the results of environmental audits, and deliberate and propose initiatives related to environmental matters, with the goal of improving the environmental management of the NLM Group.

### Accounting Auditor

Accounting auditing is handled by Ernst & Young ShinNihon LLC.

The Board of Auditors formulates standards governing the appointment, dismissal and reappointment of the accounting auditor, considers the quality control, independence, expertise and size of the accounting auditor, and evaluates the accounting auditor yearly.

### Internal audit

Internal audits are performed by the internal auditing department based on an annual auditing plan, and involve audits related to the execution of business by subsidiaries and evaluations of internal control related to financial reporting. Recommendations for improvements and corrective action are issued as needed after verifying the appropriateness and effectiveness of internal control. The status of improvement and evaluation of internal control is reported to the Board of Directors twice a year.

## Evaluation of the Effectiveness of the Board of Directors

To verify that the Board of Directors is functioning appropriately overall and to take appropriate measures including improving upon issues based on the results, the effectiveness of the Board of Directors is evaluated each year in an effort to ensure ongoing improvements to its functioning.

### Evaluation Process

In FY2021, the effectiveness evaluation process was improved. Specifically, an internal questionnaire of Directors and Auditors regarding the effectiveness evaluation was conducted before performing the effectiveness evaluation for FY2021 and identifying the tasks to be done moving toward FY2022.

### (1) Effectiveness evaluation questionnaire

#### Effectiveness evaluation questionnaire

- **Survey period:** March 2022
- **Subjects:** All Directors and Auditors
- **Evaluation method:** 5-point scale
- **Major evaluation items:** Board of Directors' composition, operation, supervisory functions, risk management, decision-making functions, and culture (including evaluations of the Nomination and Compensation Committee)

### (2) Questionnaire results shared by the Board of Directors

The results of the questionnaire were reported at the Board of Directors meeting held in April 2022 before the effectiveness evaluation for FY2021 was performed and the tasks to be done in FY2022 were shared.

## Design of Compensation Systems for Directors and Officers

The Nomination and Compensation Committee discussed the compensation system for Directors and Officers, which was newly introduced in FY2021, and reported to the Board of Directors that the same compensation system should continue to be used in FY2022. Based on the report from the Committee regarding this compensation system, the Board of Directors passed a resolution regarding the delegation of the authority to make decisions regarding the compensation system and amounts of compensation for FY2022.

### Coordination Between Auditors, Accounting Auditor and the Internal Auditing Department

Auditors and accounting auditor maintain independence from one another while periodically discussing matters such as auditing targets and methods. They also coordinate to ensure that audits are conducted efficiently, such as endeavoring to exchange views and share information as needed.

In addition, Auditors and the internal auditing department maintain independence from one another while coordinating to ensure that audits are conducted efficiently, such as by exchanging views and sharing information as needed with regard to auditing targets, auditing methods and the status of risks.

Additionally, twice a year Auditors, accounting auditor, and the internal auditing department conduct three-way meetings to exchange views on internal control issues associated with audits and financial reporting.

### (3) Evaluation of effectiveness for FY2021 and identification of tasks to be done in FY2022

Through the above process, effectiveness in FY2021 was evaluated and the tasks to be done in FY2022 were identified at the meeting of the Board of Directors held in June 2022. The details of the following decisions are disclosed in the Corporate Governance Report.

### Major Initiatives in FY2021 and Evaluation

Under the FY2021 policy of enhancing discussions related to management issues and sustainability management from medium and long-term perspectives, the Board of Directors passed resolutions regarding the identification of the NLM Group's material issues, the formulation of a mid-term management plan that attaches importance to the sustainability management perspective, the revision of the Management Policy reflecting the material issues and the perspective of sustainability management and other matters after deliberating the matters multiple times.

In its comprehensive evaluation based on the questionnaire results, the Board of Directors confirmed that lively discussions took place and the recommendations and issues raised by Outside Directors and Auditors in particular significantly contributed to discussions, and Board of Directors overall has been evaluated as maintaining its effectiveness.

### Tasks to be done in FY2022

In FY2022, the Board of Directors will work on the following tasks based on the results of the effectiveness evaluation questionnaire, in its efforts to improve its effectiveness.

#### FY2022 Tasks of the Board of Directors

- Increasing the involvement of the Board of Directors in IR activities
- Enhancing communications between the members of the Board of Directors
- Enhancing the information provided to Outside Officers through inspections of business sites and other opportunities

### (1) Compensation of Directors

The Company has adopted the basic policy of ensuring that Director compensation functions as a healthy incentive to sustainable growth.

An overview of the compensation system (policy on determining the details of compensation, etc. for individual Directors) is as follows.

# Governance

## Compensation Levels

Compensation levels are set based on a person's duties and responsibilities, the financial position of the Group and its operating results, with reference to the compensation levels of other domestically listed companies in the same industry with similar market capitalization and sales volume.

## Structure of Compensation

### Internal Directors

Compensation is made up of ① Basic Compensation, ② Performance-based Compensation and ③ Stock Remuneration, and as a standard, the following compensation ratios make up compensation when performance targets are met.

### Outside Director

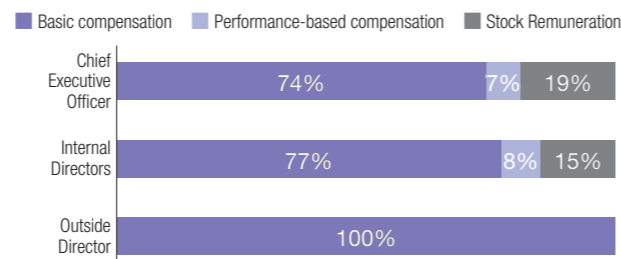
In light of the role of Outside Directors to oversee management from an independent standpoint, their compensation comprises only ① Base Compensation

Types of compensation, etc.		Overview
Fixed	① Base compensation	Base compensation is set as fixed compensation based on an officer's position, responsibilities and other factors.
	② Performance-based compensation	Performance-based compensation varies depending on business performance in the previous fiscal year, the attainment level of management plans (operating profit, ROCE, etc.), and the level of contribution to Group management, etc.
Variable	③ Stock Remuneration	<ul style="list-style-type: none"> <li>This is a restricted stock-based compensation scheme paid depending on the position of Directors.</li> <li>The compensation is in the form of pre-issuance type common shares with a restriction on transfer until the retirement of the officer in question.</li> <li>If, during the period of restriction on transfer, the Director violates a law or otherwise acts in a manner that is contrary to the purpose for which the system was established, the Company will acquire the shares in question at no cost.</li> </ul>

## Ratios of Internal Director Compensation

Constituent ratio	Fixed compensation 60%		Variable compensation 40%	
	① Base compensation Approximately 60%	② Performance-based compensation Approximately 20%	③ Stock Remuneration Approximately 20%	
Payment method	Monetary payment	Monetary payment	Stock-based payment	

## FY2021 Results



(Reference) Performance indicators for FY2020: Operating profit of 24,194 million yen and ROCE of 8.4%. Amount paid for shares for subscription: 1,864 yen/share

## Forthcoming Issues

The Nomination and Compensation Committee and Board of Directors have confirmed that they will continually examine the system design of ③ Stock Remuneration, and the details and ratios of the variable compensation combining ② Performance-based Compensation and ③ Stock Remuneration. Based on this policy, the Company will study the overall compensation system on an ongoing basis.

## (2) Compensation of Auditors

The compensation of Auditors comprises only fixed compensation, due to the role of auditors to conduct auditing from an independent standpoint. The compensation of Auditors is determined and paid through consultation between auditors.

members. In addition, benchmark amounts are set under the Group regulations for Group companies' capital investment, acquisition/disposal of shares and similar projects, and projects of a certain scale require the approval of the Company (of the Group Executive Committee and the Board of Directors).

shares held is reduced by selling them as appropriate according to the share price and market trends.

In light of the purpose of holding these shares, voting rights pertaining to cross-held shares are exercised in a way that contributes to the improvement of the corporate value of the business partner. Voting rights will not be exercised affirmatively with respect to matters which will result in a significant loss of shareholder value or which involves serious corporate governance concerns. In FY2021, as a result of review of all the cross-held shares conducted in accordance with the above policy, the Company reduced the number of shares of 6 cross-held stocks and sold all of the shares of 4 of these stocks. The contents of the review and the results of the sale of stocks were reported to the Board of Directors, and their validity was confirmed.

## Message from an Outside Director

# Striving for best governance as a pure holding company!

**Keiko Tsuchiya**  
Outside Director



As the company overseeing the overall NLM Group, Nippon Light Metal Holdings Co., Ltd. made a fresh start under its Corporate Philosophy, revised in 2022, which says "Contribute to improving people's quality of life and environmental protection by continuing to create business, focused on aluminum." The important point of this revision is that the "profit-first approach" was replaced with "value provision." This shows precisely that the NLM Group's consistent, valuable policy of value provision has been reflected more clearly and firmly in the Corporate Philosophy and the Basic Policies. In addition, it is fair to say that this is a highly meaningful step from the viewpoint of sustainable management, in that the company has adopted a Management Policy aimed at providing value to its stakeholders in the broader sense of the term, including its business partners, employees, and local communities, as a leading company.

Moreover, the NLM Group has expressed in the value creation process and announced internally and externally how it will coordinate and provide value in its business activities for the capital it invests, with the aim of achieving its Corporate Philosophy. This shows a stance of communicating the initiatives of the NLM Group as a member of society in a way that is easy for more people to understand and from medium- and long-term perspectives, within a rapidly changing environment. I think we can evaluate this highly as the start of communication, with which the overall Group and management clearly expressed their determination to be committed to the creation of a better future and sustainability after discussion by various bodies, including the Group Executive Committee. It is hoped that the NLM Group will continue to deliver information about its unique value provision initiatives to both internal and external stakeholders.

The NLM Group has also adopted a slogan, "As Team NLM, we will work to be a groundbreaking innovator of aluminum and beyond." This is a great challenge for the future. In addition, the Group has an urgent task of developing next-generation leaders and diverse human resources, who will take on this challenge to achieve the Corporate Philosophy. In response, regarding the development of next-generation leaders, a specific training program for a select group of employees has been instituted as a Group-wide initiative, and more than 100 members have already participated in the program. It is hoped that next-generation leaders will work actively in various ways and that the program will evolve to give them organizational support.

With respect to diversity, it is clearly stated in the Basic Policies that the Group will "respect diverse values" and "develop human resources from a long-term and global perspective." We have begun to see cases where young human resources with diverse values, experience, and ideas gain opportunities to interact with each other or take the initiatives in a cross-sectoral manner in the Group, leading to the provision of new products or services. On the other hand, concerning the promotion of active participation of women, the number of female leaders working successfully has been increasing in various divisions, which is encouraging. However, I believe that there is still room for growth in the number of female officers. From the viewpoint of global operations, it is hoped that while initiatives to develop next-generation leaders are systematized, more opportunities than ever before to take on challenges leading to growth will be provided to diverse human resources inside and outside the Group, by leveraging the global footprint as its foundation (sites around the world).

On the other hand, it is most regrettable that incidents concerning inappropriate conduct relating to quality control occurred, starting in 2021. While waiting for the results of investigations into the true cause by the Special Investigation Committee, I hereby express my apology as a Director. At the same time, I believe that my duty is to lead the overall Group in improving its corporate culture further in the right way, in addition to continuing to review compliance and governance aspects.

It will be increasingly important to perform management with sustainability as a pillar, develop next-generation leaders, enable the active participation of diverse individuals and teams, and continue to provide value to customers, society, and diverse stakeholders, in response to the expectations of society. We are required to perform a high level of management for these purposes, by improving the organizational capability of the overall Group, developing the right corporate culture, and thus achieving our Corporate Philosophy, while implementing constant reforms from medium- and long-term perspectives. I believe that the NLM Group, which has continued to grow throughout its history by constantly responding to changes in the market and customer expectations, will have increasingly significant responsibilities in society. As such, I am convinced that it is vital that the NLM Group, as a leading company, should use the revision of Corporate Philosophy and Basic Policies as an opportunity to start working as Team NLM to contribute to society through value creation for society.

## List of Officers &amp; Skills Matrix

Category	Name	Title	Profile	Number of shares held	Skills						
					Corporate management	Manufacturing and engineering Research and development IT	Sales Marketing Product development	Financial accounting General accounting Finance	Governance/ risk management/ legal affairs and compliance	Human resources Human resource development	Experience of global business
Directors	Ichiro Okamoto	Chief Executive Officer	April 1981: Joined Nippon Light Metal Co., Ltd. June 2006: Officer of Nippon Light Metal Co., Ltd. June 2009: Director and Executive Officer of Nippon Light Metal Co., Ltd. June 2012: Director and Senior Executive Officer of Nippon Light Metal Co., Ltd. October 2012: Director of Nippon Light Metal Holdings Co., Ltd. June 2013: President and CEO of Nippon Light Metal Co., Ltd.	25,517	○	○	○		○		○
	Toshihide Murakami	Director	April 1980: Joined Nippon Light Metal Co., Ltd. June 2007: Officer of Nippon Light Metal Co., Ltd. June 2011: Executive Officer of Nippon Light Metal Co., Ltd. June 2012: Director and Executive Officer of Nippon Light Metal Co., Ltd. October 2012: Director of Nippon Light Metal Holdings Co., Ltd. June 2014: Director and Senior Executive Officer of Nippon Light Metal Co., Ltd.	15,476	○	○	○		○		
	Yasunori Okamoto	Directors	April 1980: Joined Nippon Light Metal Co., Ltd. June 2008: Officer of Nippon Light Metal Co., Ltd. June 2012: Executive Officer of Nippon Light Metal Co., Ltd. October 2012: Officer of Nippon Light Metal Holdings Co., Ltd. June 2013: Director of Nippon Light Metal Holdings Co., Ltd. June 2013: Director of Nippon Light Metal Co., Ltd. June 2014: Director and Senior Executive Officer of Nippon Light Metal Co., Ltd.	14,715	○			○	○	○	
	Kaoru Kusumoto	Directors	April 1978: Joined Toyo Aluminium K.K. (which merged with Nippon Light Metal Co., Ltd. in October 1999) June 2010: Executive Officer of Toyo Aluminium K.K. June 2016: Managing Executive Officer of Toyo Aluminium K.K. June 2019: Senior Managing Executive Officer of Toyo Aluminium K.K. June 2020: President and COO of Toyo Aluminium K.K.	3,149	○			○	○		○
	Toshikazu Tanaka	Directors	April 1986: Joined Nippon Light Metal Co., Ltd. June 2014: Officer of Nippon Light Metal Co., Ltd. June 2018: Director and Executive Officer of Nippon Light Metal Co., Ltd. June 2018: Director of Nippon Light Metal Holdings Co., Ltd. June 2021: President and CEO of Nippon Fruehauf Co., Ltd.	9,772				○	○		
	Masahito Saotome	Directors	April 1985: Joined Nippon Light Metal Co., Ltd. June 2015: Officer of Nippon Light Metal Co., Ltd. June 2018: Executive Officer of Nippon Light Metal Co., Ltd. June 2018: Officer of Nippon Light Metal Holdings Co., Ltd. June 2019: Director of Nippon Light Metal Holdings Co., Ltd. June 2019: Director and Executive Officer of Nippon Light Metal Co., Ltd.	3,342			○	○			○
	Toshihiro Matsuba	Directors	April 1985: Joined Nikkei Kako Co., Ltd. (which merged with Nippon Light Metal Co., Ltd. in April 1989) June 2017: Officer of Nippon Light Metal Co., Ltd. June 2021: Director and Executive Officer of Nippon Light Metal Co., Ltd. June 2021: Director of Nippon Light Metal Holdings Co., Ltd.	2,603		○	○				○
	Shuichi Asakuno	Directors	April 1988: Joined Nippon Light Metal Co., Ltd. June 2017: President and CEO of Nikkei MC Aluminium Co., Ltd. June 2021: Director and Executive Officer of Nippon Light Metal Co., Ltd. June 2021: Director of Nippon Light Metal Holdings Co., Ltd.	2,357		○	○				○
	Hiroyuki Matsudaira	Directors	April 1989: Joined Shin Nikkei Co., Ltd. June 2010: Joined Nippon Light Metal Co., Ltd. June 2018: Officer of Nippon Light Metal Co., Ltd. June 2021: Officer of Nippon Light Metal Holdings Co., Ltd. June 2021: Executive Officer of Nippon Light Metal Co., Ltd. June 2022: Director of Nippon Light Metal Holdings Co., Ltd.	2,241				○	○		
	Masato Ono	Outside Director	April 1974: Joined Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.) March 2006: Managing Executive Officer of Mizuno Bank, Ltd. June 2007: Director and Deputy President of Mizuho Financial Group, Inc. June 2008: Executive Officer and Vice President of Japan Hades Co., Ltd. June 2012: Outside Director of Nippon Light Metal Co., Ltd. October 2012: Deputy Director of Nippon Light Metal Holdings Co., Ltd.	3,858	○			○	○		
Ryoichi Hayashi	Outside Director	April 1974: Joined Mitsubishi Corporation April 2007: Director of Mitsubishi Corporation March 2012: President and CEO of MMP K.K. July 2012: Energy Business Group Advisor at Mitsubishi Corporation June 2013: Outside Director of Nippon Light Metal Holdings Co., Ltd. March 2014: Director of Tokai Carbon Co., Ltd.	4,773	○		○				○	
Toshihito Hayano	Outside Director	April 1969: Joined Nomura Research Institute, Ltd. May 1996: Managing Director of Nomura Research Institute, Ltd. June 1996: Managing Director of KOKUSAI Securities Co., Ltd. (now Mitsubishi UFJ Securities Holdings Co., Ltd.) June 1998: Representative Director and Senior Managing Director of KOKUSAI Securities Co., Ltd. June 2001: President of KOKUSAI Capital Corporation (now AG Capital Co., Ltd.) October 2012: Substitute Auditor of Nippon Light Metal Holdings Co., Ltd.	634	○			○	○			
Keiko Tsuchiya	Outside Director	April 1981: Joined DENTSU INC. October 2005: Executive Officer, Head of HR Division, Asia-Pacific Region of GE Toshiba Silicones Co., Ltd. (now Momentive Performance Materials Japan LLC) February 2011: Vice President, Human Resources Division of Johnson & Johnson K.K. August 2015: Director of Adecco Ltd. June 2020: Outside Director of Nippon Light Metal Holdings Co., Ltd.	2,241	○					○	○	
Tatsuya Tanaka	Outside Director	April 1980: Joined Fujitsu Limited April 2012: Corporate Officer of Fujitsu Limited April 2014: Corporate Executive Officer of Fujitsu Limited January 2015: Vice President of Fujitsu Limited June 2015: Representative Director and CEO of Fujitsu Limited June 2019: Director, Chairman of Fujitsu Limited April 2020: Director, Chairman of Fujitsu Marketing Limited October 2020: Director, Chairman of Fujitsu Japan Limited June 2021: Outside Director of Nippon Light Metal Holdings Co., Ltd. April 2022: Senior Advisor to Fujitsu Japan Limited	484	○	○	○		○		○	
Auditors	Kotaro Yasuda	Full-time Auditor	April 1980: Joined Nippon Light Metal Co., Ltd. June 2009: Officer of Nippon Light Metal Co., Ltd. June 2014: Director and Officer of Nippon Light Metal Co., Ltd. June 2016: Director and Executive Officer of Nippon Light Metal Co., Ltd. June 2016: Officer of Nippon Light Metal Holdings Co., Ltd. June 2017: Director of Nippon Light Metal Holdings Co., Ltd.	7,936		○	○				
	Hideo Hirotsawa	Full-time Auditor	April 1984: Joined Nippon Light Metal Co., Ltd. June 2016: President and Chief Executive Officer of Nikkei Technology Center Co., Ltd. June 2019: President and Chief Executive Officer of Nikkei Extrusions Co., Ltd. June 2021: Full-time Auditor of Nippon Light Metal Holdings Co., Ltd. June 2021: Auditor of Nippon Light Metal Co., Ltd.	4,585			○			○	
	Masahiro Yoshida	Auditors	April 1979: Joined Toyo Aluminium K.K. (which merged with Nippon Light Metal Co., Ltd. in October 1999) June 2011: Executive Officer of Toyo Aluminium K.K. June 2016: Managing Executive Officer of Toyo Aluminium K.K. June 2019: Auditor of Nippon Light Metal Holdings Co., Ltd. June 2019: Full-time Auditor of Toyo Aluminium K.K.	600					○		
	Yoshiki Sato	Outside Auditor	April 1972: Joined Asahi Mutual Life Insurance Company April 2003: Executive Officer of Asahi Mutual Life Insurance Company April 2004: Managing Executive Officer of Asahi Mutual Life Insurance Company July 2004: Director and Managing Executive Officer of Asahi Mutual Life Insurance Company July 2008: President and Representative Director of Asahi Mutual Life Insurance Company April 2017: Chairman and Representative Director of Asahi Mutual Life Insurance Company April 2019: Chairman and Director of Asahi Mutual Life Insurance Company June 2020: Outside Auditor of Nippon Light Metal Holdings Co., Ltd. July 2021: Special Advisor to Asahi Mutual Life Insurance Company	0	○		○	○	○		
	Shintaro Kawai	Outside Auditor	April 1993: Registered as an attorney in Tokyo Bar Association April 1993: Joined Central Law Office July 2008: Partner of Clair Law Firm December 2010: Established Kawai Law Office June 2017: Substitute Outside Auditor of Nippon Light Metal Holdings Co., Ltd. June 2018: Outside Auditor of Nippon Light Metal Holdings Co., Ltd.	921					○		
Jinseki Kim	Outside Auditor	December 1992: Joined Tomono Tax Accounting Office October 1994: Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC) June 2003: Joined Azsa Audit Corporation (now KPMG AZSA LLC) July 2015: Opened Jinseki Kim CPA Office as its representative December 2015: Chief Executive Officer of Accounting Workshop Co., Ltd. June 2018: Substitute Outside Auditor of Nippon Light Metal Holdings Co., Ltd. December 2018: Representative Partner of Nozomy Audit Corporation June 2020: Outside Auditor of Nippon Light Metal Holdings Co., Ltd.	556				○	○		○	

Officer

Minoru Sotoike

In charge of Nippon Light Metal Business Group  
Panel System Business

Officer

Masakazu Ichikawa

General Manager of Central CSR and Audit Office

Officer

Kazuyoshi Sugiyama

Deputy Manager of Central Product Safety & Quality  
Assurance Division, in charge of Central CSR and Audit Office

Officer

Masayoshi Tsujino

In charge of the Toyo Aluminium Business Group

Officer

Yoshiaki Ito

In charge of Nippon Light Metal Business Group  
Nikkeikin Kakoh Kaihatsu Business

Officer

Isao Shikine

In charge of Nippon Light Metal Business Group  
Electrode Foil Business

# Compliance

## Policy

Our basic policy on compliance is described in the NLM Group Management Policy as “The Group will engage in fair and honest business operations, with respect for human rights and an emphasis on ethics.” Reinforcing the compliance framework has been identified as one of the material issues in the management of the Group.

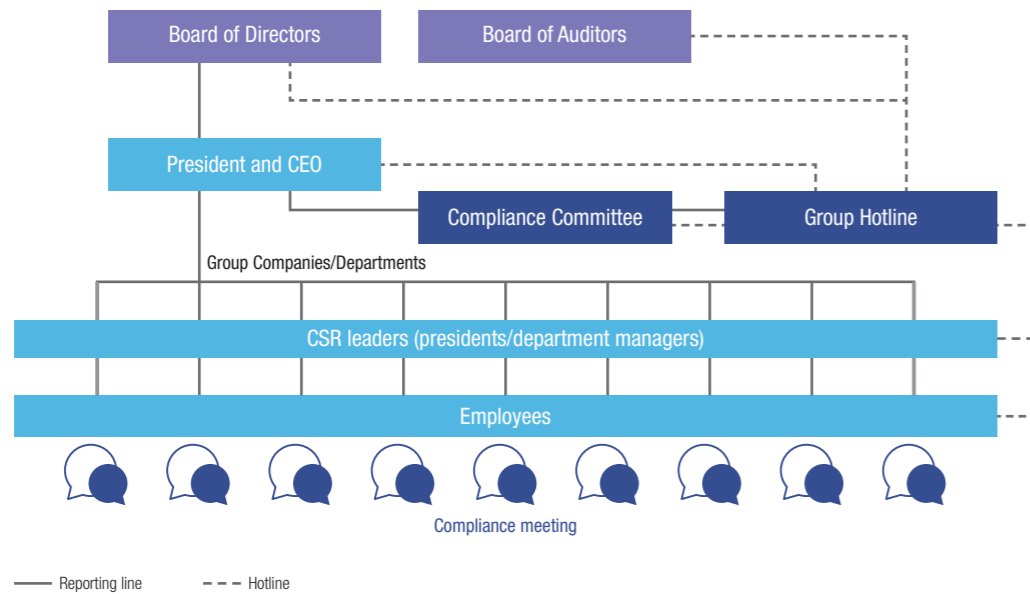
As a specific code of conduct for addressing this material issue and achieving the policy, we have established the NLM Group Compliance Codes, which are shared by all officers and employees of the Group. The NLM Group Compliance Codes

stipulate that being fair and honest means to “think and act from other people’s points of view.” We value empathy and aim to execute business in a fair and honest manner with communication and teamwork.

So that the Group Compliance Codes can be referenced whenever needed, they are included in a handbook that compiles the NLM Group Management Policy and other important Group regulations. The handbook is also translated into eight languages (English, Chinese, Thai, Vietnamese, Portuguese, Hindi, Spanish, and French) and distributed to all Group officers and employees.

## Framework

Compliance framework



### Compliance Committee

The Compliance Committee (chaired by the president of NLM Holdings) handles the promotion of compliance in the NLM Group. The committee deliberates and decides on measures to verify issues and problems related to compliance in general, as well as measures ensuring that compliance is established and firmly takes root in the organization.

Regarding the ongoing issues of the Group as a whole and the measures to address the issues, actions are being taken under a Compliance Promotion Plan formulated for the Group as a whole, for each Group company, and for each department.

The progress of the measures is reported to the Compliance Committee on a quarterly basis.

During each fiscal year, an anonymous survey of employees is conducted to examine their awareness of the organizational

climate and various risks. The results of the survey are reflected in the next Compliance Promotion Plan.

For serious compliance issues that occur suddenly, causes, corrective action, disciplinary action and measures to prevent recurrence, etc. are reported to the Compliance Committee. The Committee conducts additional investigations as necessary and deliberates and decides on necessary measures. Matters decided by the Compliance Committee are communicated to and implemented by CSR leaders, who are responsible people from Group companies and departments.

The compliance meetings and the NLM Group Hotline (hereafter, the “Group Hotline”) play essential roles in this promotion of compliance.

## Compliance meeting

The NLM Group conducts compliance meetings that involve the participation of all personnel as grassroots compliance activities. Compliance meetings are held twice a year at all workplaces to give employees an opportunity to talk about compliance. The meetings are also used for compliance training. The information discussed at the meetings is recorded and registered in the form of memoranda. The meetings are an opportunity to monitor opinions within the workplace and the actions being taken there. At most workplaces, 95% of employees participate in these meetings.

### Recent meeting themes

- The new Management Policy
- The new Group Hotline
- Progress of the company/department’s Compliance Promotion Plan
- Sharing the results of the anonymous employee survey and the issues identified by the survey
- Fraudulent financial accounting
- Basic working rules (overtime work, annual paid leave, etc.)

## Whistleblowing System

The NLM Group’s whistleblowing system covers all of the consolidated subsidiaries. The system has been established as the Group Hotline and is operated based on the NLM Group Hotline Regulations that were established by the Board of Directors of NLM Holdings. The Group Hotline includes hotlines for receiving whistleblowing complaints and requests in English, Chinese, Thai, and Vietnamese to facilitate employees’ use of the hotlines when their first language is not Japanese.

To enhance the independence of its operations, an external reporting hotline operated by a dedicated contractor has been available since 2018. In addition, reporting hotlines have also been set up to enable users to contact Auditors, people in charge of legal affairs and people in charge of personnel affairs, so that they can select the hotline that is appropriate for matters they intend to report. These hotlines receive approximately 40 whistleblowing complaints and requests for consultation every year.

In addition to the Group Hotline, major Group companies have established and operate their own whistleblowing systems. These systems are used in parallel with the Group Hotline as systems that are more familiar to employees. Compliance personnel at NLM Holdings inspect the systems in place at each Group company and the regulations that govern them from the perspectives of legal compliance and the protection of whistleblowers, and ensure that any necessary corrective actions are taken in consultation with each Group company.

## Whistleblower Protection

### Confidentiality

Information about each whistleblower is disclosed only to the people in charge of the reporting hotline and some of the people in charge of investigations (called “Gyomu Jujisha,” or people engaged in the business of handling whistleblowing disclosures). The identity of a whistleblower is never disclosed without the whistleblower’s consent to the Compliance Committee or Directors of NLM Holdings, the person who is the subject of the whistleblowing complaint, or related parties including the relevant workplace or company. The whistleblowers themselves and people who are the subjects of whistleblowing complaints are also prohibited from leaking any facts about the whistleblowing to other people.

Related electronic data is stored outside the NLM Group’s network in a way that makes physical access by people other than those related to the investigation impossible.

### Prohibition of Disadvantageous Treatment

The disadvantageous treatment of whistleblowers, such as harassment or retaliation, is also strictly prohibited. When information about a whistleblower is disclosed to the subject of a whistleblower complaint in the course of an investigation, the subject of the whistleblower complaint is prohibited from contacting the whistleblower except for business communication. The Group Hotline Office takes the proper steps to check to see if the subject of the whistleblower complaint has contacted the whistleblower unnecessarily and to check for any harassment, retaliation or similar disadvantageous treatment. If signs of such contact or treatment are identified, the top officer in charge of the Group Hotline (president of NLM Holdings) orders relief and recovery measures to be taken. Any violations of these rules result in disciplinary action.

## Plan

### FY2021 Compliance Promotion Plan

<b>Compliance Promotion Framework</b>	<ul style="list-style-type: none"> <li>• Operation of the Compliance Committee</li> <li>• Assignment and training of CSR leaders and CSR promotion personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement and operation of the whistleblowing system</li> <li>• Inspection of the whistleblowing system in each Group company</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination with related departments</li> </ul>
<b>Initiatives for Compliance Promotion</b>	<ul style="list-style-type: none"> <li>• Formulation and implementation of the Compliance Promotion Plan</li> <li>• Compliance meeting</li> <li>• Anti-bribery</li> <li>• Response to the establishment of a law related to power harassment</li> <li>• Power harassment prevention training</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of compliance at overseas sites</li> <li>• Compliance awareness raising</li> <li>• Tiered training</li> <li>• Development and delivery of awareness-raising tools</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud prevention measures</li> <li>• Anonymous employee survey</li> <li>• Updating the Compliance Promotion Plan</li> <li>• Compliance workshop</li> </ul>

# Compliance

## FY2021 Initiatives

In FY2021, we set the prevention of misconduct as the main task in response to the multiple instances of embezzlement that came to light in the previous fiscal year. We planned an anonymous employee survey to take corrective and preventive actions for each instance of embezzlement, and also to enable companies and departments other than those involved in the instances to learn lessons from them and further promote compliance. While preparations for the survey were being made, JIS certification violations came to light at multiple business sites. Therefore, we reorganized the survey based on these events and conducted it.

Regarding the JIS certification violations, a Special Investigation Committee was later established, and investigations into the violations are being conducted. Moving forward, we will investigate to identify the facts and causes of the events and the matters pointed out by the investigation report and take corrective actions and measures to prevent their recurrence.

Reported below are major initiatives taken by the Group in the period from May 2021, when the JIS certification violations came to light, to the present.

Month and year	Initiatives
May 2021	Revelation of the JIS certification violations
June	Establishment of the Special Investigation Committee
August	<b>Anonymous employee survey</b> (subjects: all officers and employees of the Group/16,000 persons)
November to December	A compliance lecture meeting A session for reporting results of analysis of the anonymous employee survey
April 2022	Reinforcement of the Group's quality assurance framework Formulation of a Mid-term Compliance Promotion Plan (FY2022 to FY2024)
May	Revision of the NLM Group Management Policy
June	Revision of the whistleblowing system
July-	Visits by the president and other management team members to work sites to engage in dialogue with employees

### Anonymous employee survey

In response to the revelation of misconduct and quality problems, we conducted an anonymous employee survey to reveal potential risks. The survey focused on risks including quality, accounting, and compliance risks. All Group officers and employees (including temporary staff and employees of our contractors and suppliers and excluding Directors of NLM Holdings) were surveyed, totaling more than 16,000 people (in 11 languages). Of the subjects surveyed, 15,333 responded to the survey. Response rate (91%)

Results of the survey for the Group as a whole, each business group, and each company were analyzed and shared. We have formulated and implemented a Compliance Promotion Plan in response to the risks and issues revealed by the analysis of the Group as a whole and of the individual companies.

### Revision of the NLM Group Management Policy

In May 2022, we revised the Group's Management Policy.

The main parts of the previous NLM Group Management Policy had been formulated before the establishment of NLM Holdings, when the business performance of the Group was unfavorable. Therefore, the policy strongly reflected an emphasis on profit. We revised this based mainly on the changes of the times and the

material issues related to the Group's management, which were identified by the Board of Directors of NLM Holdings in the previous year. Another goal of the revision was simplification to enable people to refer to it daily.

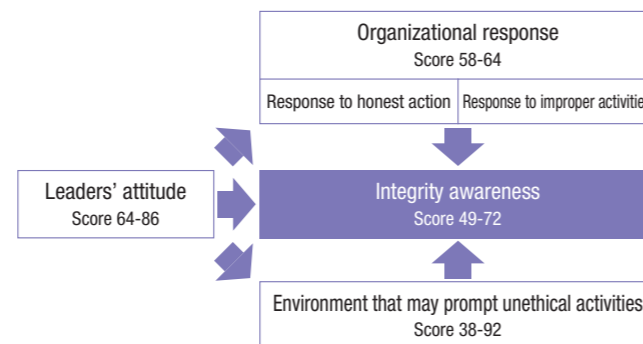
At present, we are striving to promote people's understanding of this new Management Policy and ensure that it takes root. We are also revising the Principle of Conduct and code of conduct for putting this policy into practice.

### Survey Results: Organizational Climate

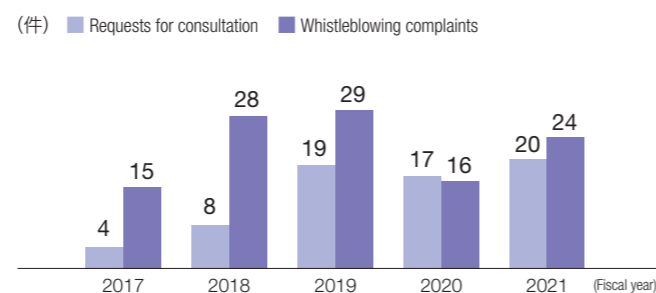
For the survey, we defined elements of integrity of an organization as "leaders' attitude," "organizational response" and "environment that may prompt unethical activities."

As a result, we received the following evaluation. "For 'leaders' attitude,' 'organizational response' and 'environment that may prompt unethical activities,' which affect integrity awareness on the part of members, 'leaders' attitude' showed a relatively favorable trend, and at each level of HD president,\* subsidiary presidents and workplace supervisors, the attitude that compliance should be prioritized over business performance appears to be recognized to some extent by members. On the other hand, compared to such 'leaders' attitude,' an unfavorable trend is seen in 'organizational response' and 'environment that may prompt unethical activities,' and there is concern over the reliability of the whistleblowing system, dependence on individual skills in work sites, and existence of the tendency to justify incompliance. While each individual member has strong awareness that they are responsible for compliance (which is a favorable trend), the level of their understanding of the NLM Group Compliance Codes and the frequency of application of these codes as behavior standards are low (which is unfavorable), so there are concerns that the NLM Group Compliance Codes have not necessarily taken root as a communication tool." (Source: Report on survey analysis results) \* President of NLM Holdings

Organizational reforms based on the results are being implemented in a Group-wide manner and at each company and department.



### Number of requests for consultation and whistleblowing complaints lodged with the Group Hotline



# Risk Management

## Policy

The NLM Group manages risks to its business strategy such as direct and indirect losses, the suspension or shutdown of business, damage to credibility or brand image, and so on. We classify the risks surrounding our business as strategic risks,

financial risks, operational risks and hazard risks, and establish and operate policies and systems that are appropriate for the probability and impact of each risk.

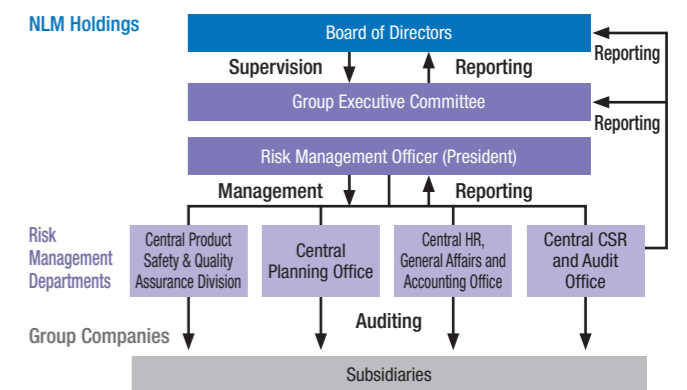
## Framework

The basic framework for managing particularly important risks for overall Group management and each area of business has been set forth in the Group Risk Management Regulations. Risks are identified according to a process of identifying potential risks, assessing their likelihood, and assessing their impact. We develop risk management policies and systems that include crisis response plans for the identified risks, formulate an annual plan for each and manage risks based on the plans.

The department responsible for each risk (second line of defense) recognizes each priority risk as something affecting the entire NLM Group and engages in management so that overall and individual risks are mitigated and avoided and so that a response can be put into practice in the event a risk materializes. The risk management status at each Group company is monitored through audits conducted by the risk management department, including quality audits, environmental audits, labor audits and IT audits. The statuses determined from these audits are reported by the risk management departments to the NLM Holdings Group Executive Committee and subsequently to the Board of Directors as reports on the status of individual issues or

general status reports twice a year. The Board of Directors of NLM Holdings oversees the risk management system based on these individual or general reports, and the Risk Management Officer manages the status of risks while giving instructions as necessary.

### Risk Management System



## FY2021 Plan and Initiatives

### Priority risks and major initiatives taken

Category	Major risks	Initiatives and results	Evaluation
Product and service defects	JIS certification violations	Special audits, reinforcement of quality assurance framework, JIS training	○
	Emerging risks	Strengthening assessment of emerging risks	○
Environmental issues	Leakages of chemicals, etc.	Investigating, correcting and following up on individual incidents	○
	Delay in decarbonization initiatives	Setting goals for carbon neutrality	○
Natural disasters/accidents	Floods in the area around Amehata Dam	Implementing a basic plan, sharing information about its progress with related people <a href="#">Details ▶ P.67</a>	○
	Suspension of business resulting from a disaster, etc.	All-hazards BCP	×
Health and safety issues	Injuries caused by being pinched or caught in machinery or equipment	Overhaul, follow-up, monitoring	○
Information system issues	Targeted email attacks	Repeating training to address targeted email attacks	○
	Cyberattack	Establishing CSIRT, providing training	○
Leakage of trade secret	System failure caused by a disaster, etc.	Implementing disaster recovery plans and training	○
	Loss of electronic information assets	Clarifying and systematizing the process of destroying electronic information	○
Security trade control	Unauthorized exports	Checking the status of judgments regarding whether restrictions apply or not, engaging in individual consultation	○
	Trade restrictions	Informing employees of restricted trades and checking measures taken in response	○



## Information Security

### Policy

The NLM Group has identified information security as one of its priority risks. Matters related to the handling of information including information security are set forth in the Group Information Management Regulations, and matters related to handling of information systems for storing and using the information are stipulated in the Group Information System Management Regulations. We implement initiatives that help improve corporate value in an ongoing fashion through the

protection and utilization of information as an important management resource.

This policy along with plans and initiatives based on the policy are deliberated on and decided by the Group Executive Committee and reported to the NLM Holdings Board of Directors. In response to the report, the Board of Directors provides instruction as necessary.

### Framework

Comprehensive management of information security risks is implemented by the Systems Department and the Internal Control Department. The Internal Control Department is responsible for non-physical aspects such as the development of information management rules and systems, and also coordinates with various risk management departments including Legal Affairs, Intellectual Property, General Affairs and Human Resources. The Systems Department handles hardware aspects such as the maintenance and upkeep of information and communication system equipment. To discuss and solve compound issues such as the security, maintenance and utilization of information, Risk Management Meetings (RMM) involving the Internal Control, Systems, Legal Affairs, Intellectual

Property, General Affairs, Human Resources and Compliance departments are held in alternate months.

Matters decided in RMMs are communicated to Group companies and departments by the Information Management Officers and Information Systems Personnel appointed by each Group company and department. To monitor the status of implementation for all Group companies and departments, once a year the Internal Control Department performs an inspection of information management systems and their operational status, and the Systems Department carries out IT audit. Information security-related issues, inspection results, and other information is reported to the NLM Holdings Group Executive Committee and Board of Directors every six months.

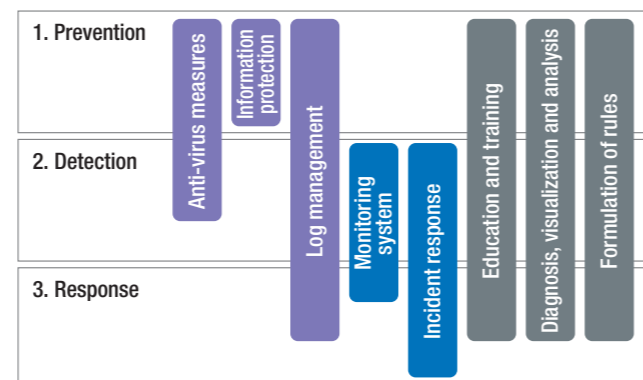
### FY2021 Initiatives

In FY2021, we worked to strengthen information security while improving the convenience of remote work, such as by expanding the use of cloud computing. We have been strengthening information security at each step - prevention, detection, and incident response. We have now shifted our focus from the prevention to detection stages to the enhancement of monitoring and detection functions in the detection to incident response stages and the ability to respond swiftly to incidents.

Measures from the detection to response stages are based on the initiatives to ensure the integrity and safety of key information assets and access to systems on the assumption that no users, devices or connection sources can be trusted (zero-trust security). In addition, we address measures to protect important information assets from threats of natural disasters. We also conduct disaster recovery training (DRT) to prepare for actually experiencing a disaster and take other initiatives in a well-planned manner.

To strengthen the ability to respond when an incident occurs, we organized a Computer Security Incident Response Team (CSIRT) as a dedicated group handling information security issues within the Group, and developed a framework for coordination between the Group's risk management departments and outside organizations in the event of an emergency. We formulate emergency response plans and conduct exercises based on those plans.

#### Measures to Strengthen Security



In addition to the above, we are continually implementing the following initiatives through the IT diagnosis of all sites, etc.

- Strengthening the security of terminals
- Server-intrusion testing
- Training to address targeted email attacks
- IT asset management and inventory
- License investigations
- Strengthening IT development, operations, maintenance, etc.
- Disaster recovery plan and training (improving preparedness)
- Monitoring important information

## The Environment

### Policy

#### Basic Environmental Policy

Environmental issues are not just regional problems; they have spread and become serious to the point that they could affect the global environment and the very basis for humanity's existence. Accordingly, efforts to build a society that coexists with the global environment and a sustainable, recycling-oriented economic society are the responsibility of nations, local governments, citizens and companies alike. Based on this recognition, the NLM Group proactively aims to achieve harmony with the environment across every area of its corporate conduct.

This will lead to the protection of our shareholders, business partners, employees and local communities - the foundation for our existence - and translate into sound business activities. In addition, through socially responsible activities related to the environment, we will endeavor to create a truly prosperous society as a good corporate citizen.

#### Action Guidelines

- **Compliance with environmental laws and regulations, etc.**  
We will comply with laws, regulations and other requirements related to the environment.
- **Improving the efficiency of energy usage and curbing CO<sub>2</sub> emissions**  
We will aim to improve energy efficiency and control CO<sub>2</sub> emissions by improving the efficiency of manufacturing processes and equipment, boosting production efficiency, optimizing distribution and so on.
- **Promoting resource conservation and the 3Rs**  
We will pursue the efficient use of aluminum and all resources we handle, and work to promote the three Rs (reduce, reuse and recycle).
- **Corporate activities that consider the impact on the environment**  
With regard to the location of production facilities, the development of new products and similar considerations, we will use chemical methods to assess the impact on the environment in advance, and take necessary measures such as efforts to preserve biodiversity. We will also do our utmost to reduce the impact on the environment through our regular business activities.
- **Developing technologies that contribute to the environment**  
We actively develop products utilizing the properties of aluminum which have a minimal impact on the environment, and technologies such as processes that minimize environmental impact. The effects gained are disclosed and provided to society to aid in environmental conservation.

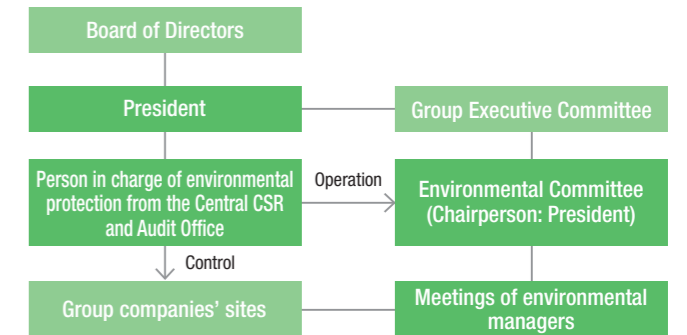
### Framework

#### Environmental Management System

The NLM Group Environmental Committee deliberates and decides on the core measures related to the Group's environment management. The committee is chaired by the president of Nippon Light Metal Holdings Co., Ltd., and consists of its officers, presidents of major NLM Group companies, and other members.

Matters determined by the Environmental Committee are fleshed out by the person in charge of environmental protection from the Central CSR and Audit Office, which serves as the committee's secretariat (hereinafter, the "person in charge of environmental protection"). They are made known at meetings of environmental managers from 47 sites\* of 25 domestic companies before actions are taken. Meetings of environmental personnel are also held overseas (5 sites of 3 companies in Thailand, 8 sites of 8 companies in China, 2 sites of 2 companies in North America, 1 site of 1 company in Europe, and 1 site of 1 company in India) to share information.

#### Environmental Management System



\* "Site" is the unit at which the environmental management system is applied.

#### Action Plan

**Environmental Committee** The NLM Group's plan

- The committee strengthens the environmental risk management stance of the NLM Group as a whole through coordination between sites.
- The committee engages in activities to protect the global environment to help build a sustainable society and resolve social issues.

#### Meetings of environmental managers

**To enhance the Group's environmental risk management stance, the meeting:**

- Takes preventive measures and also takes permanent measures to prevent the recurrence of trouble that has occurred in the past
- Conducts environmental audits with a focus on field locations
- Strives to develop human resources and improve capabilities through environmental management education and having site managers conduct environmental audits of other sites

**To help realize a sustainable society and solve social issues, the meeting:**

- Promotes greenhouse gas reduction and contributes to the achievement of carbon neutrality
- Considers the preservation of biodiversity

# The Environment

## Plan

Action Plan	FY2021 Plan	FY2021 Results
1 Reducing environmental mishaps	Zero environmental mishaps	Three incidents, seven complaints, nine abnormalities
2 Conducting environmental audits	Conducting environmental audits at 19 sites	Conducted at 19 sites
3 Development of environmental human resources	Ensuring that employees hold qualifications under environmental laws	Fulfilled at all the 47 sites
	Conducting training sessions on laws (Water Pollution Prevention Act, Waste Management and Public Cleansing Act and Fire Service Act)	Training sessions on laws (Water Pollution Prevention Act, Waste Management and Public Cleansing Act and Fire Service Act) conducted
4 Greenhouse gas emission reduction and carbon neutrality initiatives	Energy saving activities	CO <sub>2</sub> emissions per unit of sales Increased 0.6% compared with the previous fiscal year (Japan)
	Setting carbon neutrality targets	2030 and 2050 targets set
5 PCB processing	Continuing the processing of high-density PCB and content analysis and processing of low-density PCB	High-density: 98% achieved Low-density: 90% achieved
6 Environmental management at major overseas production sites	Environmental audits at 8 sites (5 sites in China, 3 sites in Thailand)	Conducted at 7 sites (Could not be conducted at 1 site due to business liquidation)
	Holding of the 6th meeting of environmental managers in Thailand	6th meeting of environmental managers in Thailand held
7 Compliance with laws and regulations	Disseminating information on revised laws and regulations	Conducted
8 Conservation of biodiversity	Promotion of biodiversity conservation activities	Ongoing activities underway at all 47 sites

## Environmental Targets and FY2021 Results (Japan only)

### Environmental Targets and FY2021 Results<sup>\*1</sup>

Item	Target Fiscal Year	Base Fiscal Year	Target (Greenhouse Gas Emissions per Unit of Sales)	FY2021 Results	Unit
Climate change countermeasures (Energy saving and global warming)	2030	2005	1.82 <sup>*2</sup>	1.58	tons CO <sub>2</sub> /million yen
	2024	2019	29.7 <sup>*2</sup>	31.9	GJ/million yen
Water preservation	2024	2019	5.0 <sup>*3</sup>	5.3	x10 <sup>-5</sup> million m <sup>3</sup> /million yen
Waste reduction and recycling	2024	2019	8.8 <sup>*3</sup>	10.5	x10 <sup>-5</sup> thousand tons/million yen
	2024	2019	5.4 <sup>*3</sup>	9.9	x10 <sup>-6</sup> thousand tons/million yen
Chemical management	2024	2019	Number of PRTR substances at 24 or less <sup>*4,5</sup>	22	Substances

<sup>\*1</sup> Regarding air quality control (SO<sub>x</sub>, NO<sub>x</sub> emissions) and water quality control (COD emissions), we stopped setting targets in FY2021 but we continue to perform monitoring.  
<sup>\*2</sup> Calculated based on an annual 1% reduction from the base fiscal year. <sup>\*3</sup> Emissions per unit of sales is calculated by dividing FY2019 emissions by forecast net sales in FY2024.  
<sup>\*4</sup> Reporting under the Pollutant Release and Transfer Register (PRTR) System <sup>\*5</sup> Number of reported substances

## Preservation of Biodiversity

### The NLM Group Biodiversity Guidelines

The NLM Group will take the following initiatives for the preservation and sustainable use of components of biological diversity.

- Striving to understand the impact of business activities on biodiversity
- Engaging in biodiversity-friendly business activities to reduce the impact of business activities on biodiversity, to ensure the sustainable use of components of biological diversity
- Striving to develop a system for promoting these initiatives

# Action on Climate Change — Disclosure Based on the TCFD Recommendations

## Basic Approach

At the NLM Group, we fully recognize the impact that our business activities may have on the environment. We have established a basic environmental policy, under which we are taking initiatives to realize sustainable businesses and a sustainable society voluntarily and proactively, beyond complying

with related laws and regulations. We have identified action on climate change as one of the NLM Group's material issues. We will strive to enhance the content of the information we disclose in accordance with the TCFD recommendations.

## Governance

To build a structure for taking action on climate change, we have set up the Environmental Committee and the CSR Committee, which are chaired by the president. Guided by these committees, we formulate plans of action to promote sustainability, including action on climate change. In addition, a

taskforce consisting of members selected widely from within the NLM Group engage in activities themed on achieving carbon neutrality by 2050 and the promotion of recycling.

[Details on page 36](#)

## Changes in CO<sub>2</sub> Emissions (Scopes 1, 2 and 3), Indicators, and Targets

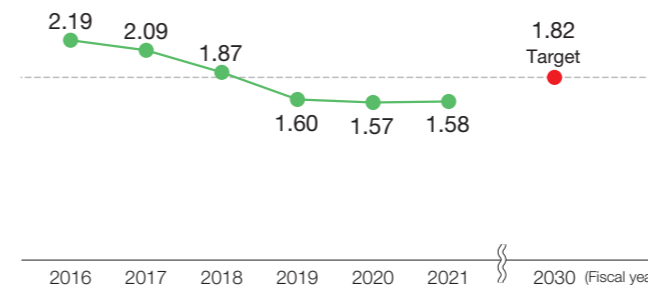
In FY2021, total emissions increased from the previous fiscal year due to the increase of production. However, we achieved the FY2021 target for CO<sub>2</sub> emissions per unit of sales.

Moving forward, we will set a new Scope 3 emissions target in addition to the Scopes 1 + 2 target and push forward with

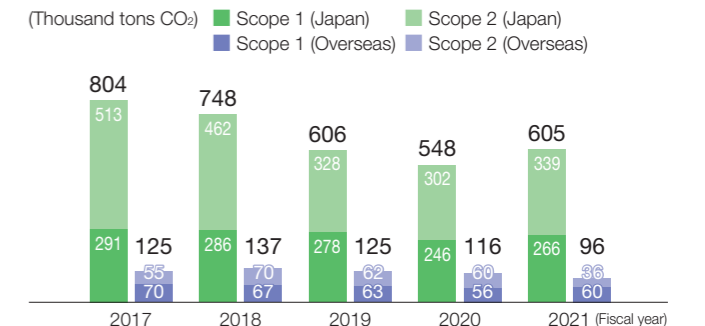
initiatives to ensure that greenhouse gas emissions (emissions per unit of sales) in 2030 will be 30% lower than the level in FY2013 (Scopes 1 + 2: 2.07 tons CO<sub>2</sub>/million yen, Scope 3: 5.60 tons CO<sub>2</sub>/million yen), with the goal of achieving carbon neutrality by 2050.

### CO<sub>2</sub> emissions (Scopes 1, 2 and 3)

Change in CO<sub>2</sub> emissions per unit of sales (Scopes 1 and 2) (Japan)  
(Tons CO<sub>2</sub>/million yen)

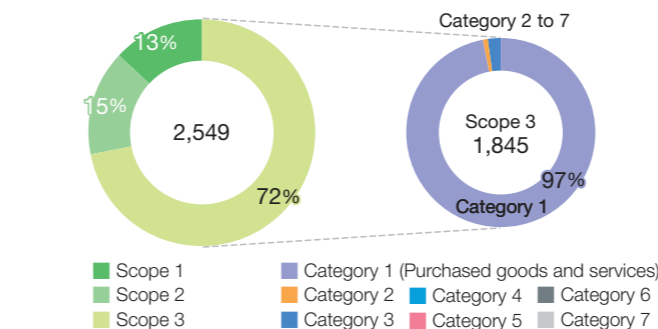


### Changes in CO<sub>2</sub> emissions (Scopes 1 and 2) (Japan and overseas)

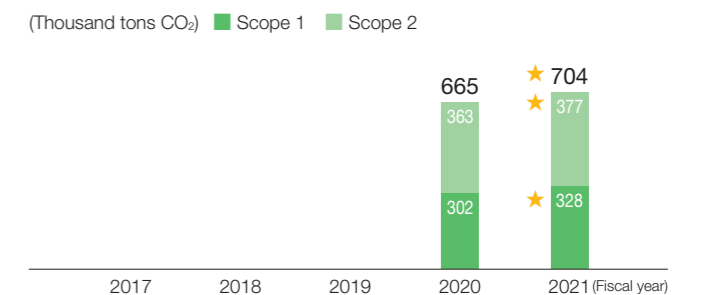


<sup>\*</sup> The left bar for each year indicates emissions in Japan (April to March) and the right one indicates the value for other countries (January to December).  
<sup>\*</sup> Values for 2020 were corrected to improve accuracy.

### CO<sub>2</sub> emissions including Scope 3 emissions (FY2021)



### (Japan and overseas)



<sup>\*</sup> In FY2020, we began to combine values in Japan and overseas (for April to March). Accordingly, the values may differ from the sum of the values for Japan and overseas in the above graph.

### [Basis for Calculations]

<sup>\*</sup> Boundary: 31 domestic consolidated subsidiaries (manufacturing) 13 overseas consolidated subsidiaries (manufacturing)  
<sup>\*</sup> Greenhouse gas emissions (Scopes 1 and 2) are calculated based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures, and the following CO<sub>2</sub> emission factors are used./Electricity in Japan: The CO<sub>2</sub> emission factor with T&D losses of each previous fiscal year announced by the Electric Power Council for a Low Carbon Society/Electricity overseas: CO<sub>2</sub> emission factors of the respective countries shown in CO<sub>2</sub> FCOMB 2017 from the IEA/Fuel: The CO<sub>2</sub> emission factor for each fuel is set by a ministerial ordinance from the Ministry of the Environment (The CO<sub>2</sub> emission factor for electricity in Japan was used for the hydroelectric power generated at the Kambara Complex of Nippon Light Metal Co., Ltd.)  
<sup>\*</sup> Actual values only relate to energy-derived CO<sub>2</sub> emissions.

# Action on Climate Change — Disclosure Based on the TCFD Recommendations

## Risk Management

At the NLM Group, we regard climate change risks as one of the most important sets of managerial risks. To manage these risks, we conduct scenario analyses regarding the risks and opportunities for the period until 2030. For the risk items that are determined to be highly important, we will conduct quantitative analyses before enhancing disclosures and will push forward with initiatives to achieve our targets. While only Nippon Light Metal Co., Ltd. is the subject of analysis at present, we plan to expand the scope to analyze the impact on the Group as a whole as we

move toward the next fiscal year. Following this, we aim to conduct scenario analyses from a longer perspective for the period until 2050.

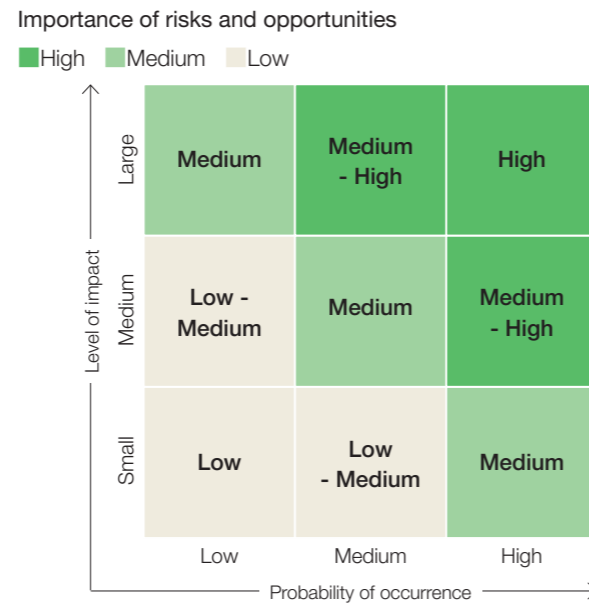
We will report details of the analyses to the Environmental Committee and the CSR Committee for the formulation of risk management plans. At the same time, we will regularly report to the Board of Directors, thus strengthening the measures for addressing climate change risks.

## Strategy

To disclose information in accordance with the TCFD recommendations, the NLM Group conducts analyses based on two scenarios to clarify the difference in the impact between the scenarios. One is the 4.0°C scenario which assumes that climate change will not be addressed. The other is the 1.5°C scenario, which assumes that the strongest regulations will be imposed. We have set FY2030 as the target year to ensure that the analysis results will be sufficiently persuasive.

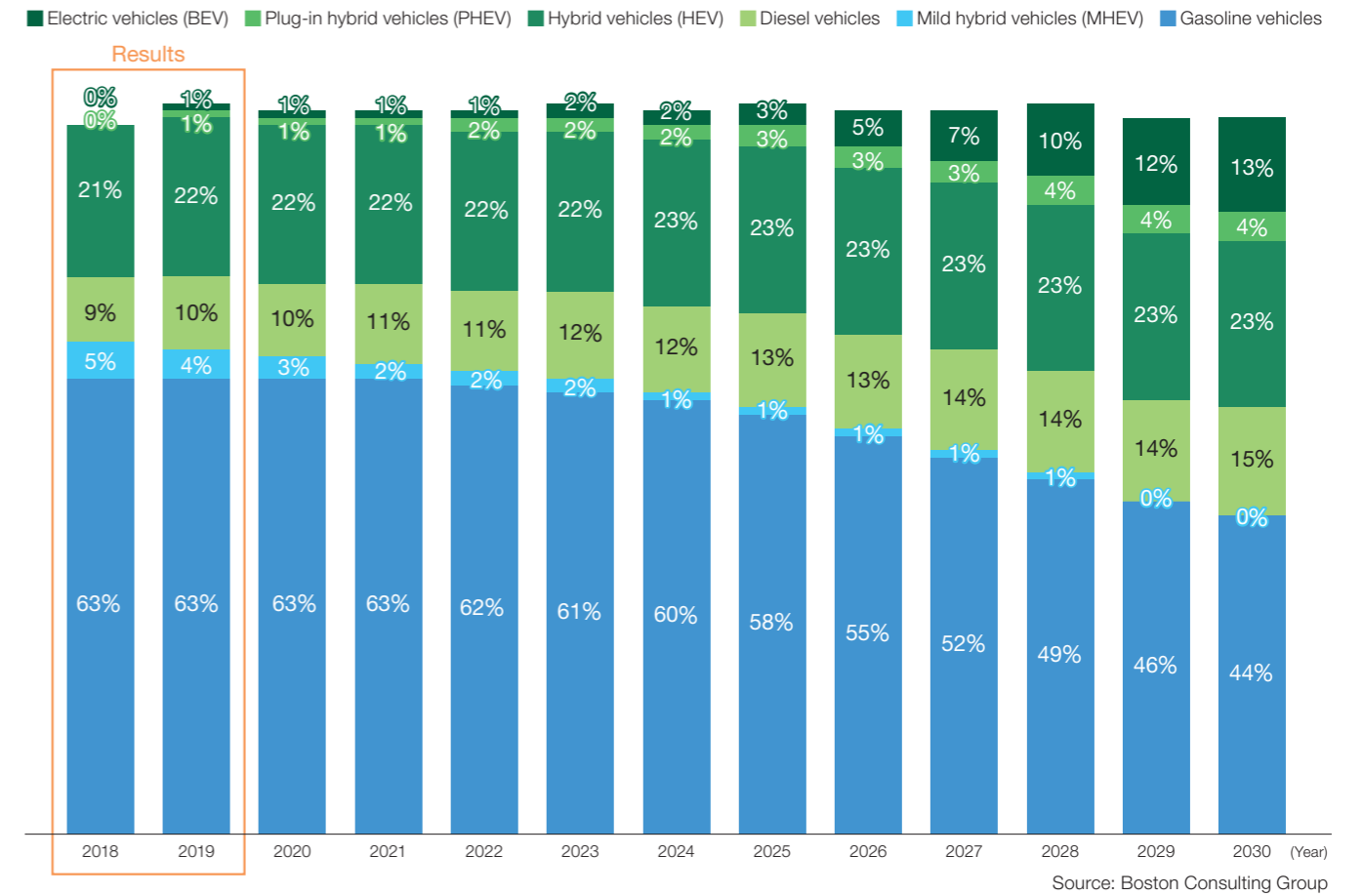
Further, because we work in a wide range of business fields, we started with the analysis of Nippon Light Metal Co., Ltd. this fiscal year. We are calculating the degree of impact that risks and opportunities will have on Nippon Light Metal Co., Ltd. with a focus on the chemicals business and rolled products business, which are major segments of the company.

At present, we have projected what the world will be like in FY2030 based on reference materials from external sources and listed risks and opportunities that may occur there. Then, we evaluated the level of impact of each item in each predicted scenario from two perspectives, the probability of occurrence and the level of impact if the event occurs, and mapped them. The major items are as follows.

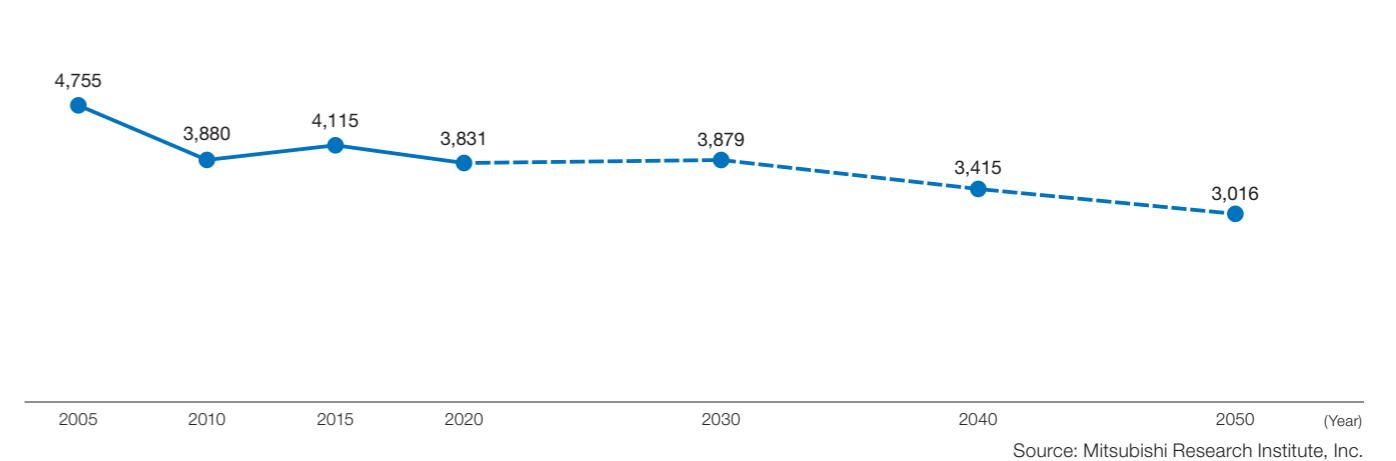


Category	Description of the risk/opportunity in the scenario		Degree of impact 4.0°C scenario	Degree of impact 1.5°C scenario
	Risks	Transition	Policy and regulatory risks: There is a risk that the introduction of a carbon tax or an increase in carbon prices will increase the cost of procuring raw materials and manufacturing costs related to the company's products, pressuring profit.	Low
Transition		Policy and regulatory risks: There is a possibility that raw material costs will increase due to changes in the regional balance of the supply chain, which may result from differences in the reduction targets of countries, in addition to the possibility of the occurrence of direct costs related to CO <sub>2</sub> emissions trading.	Low	Medium - High
Transition		Technological risks: There is a possibility that our competitive advantage in the market will be reduced due to delays in the development of new technologies, in addition to the possibility that investment costs will increase to achieve decarbonization and develop new recycling technologies.	Low - Medium	Medium - High
Transition		Market risks: If action on climate change is delayed, businesses could be negatively affected by a failure to meet the standards required by customers. It could also lead to an increase in financing costs reflecting the decarbonization policies of financial institutions.	Low	Medium - High
Physical		Acute: The frequent occurrence of giant typhoons and torrential rains will result in the risk of damage to equipment and other property, incurring costs to repair them, and an increase in non-life insurance premiums, in addition to the risk of production suspensions and supply chain disruptions, which could result from floods.	Medium	Medium
Opportunities	Transition	Products and services: It is expected that more aluminum components will be used in eco-friendly vehicles and other low-carbon products, which will result in an increase in sales through the promotion of sales and contribution to a low-carbon society that can be made throughout the product's lifecycle.	High	High
	Transition	Resource efficiency: With an increase in the recycling rate and the promotion of horizontal recycling, it will be reaffirmed that aluminum is a material with high resource efficiency, resulting in an increase in the demand for and visibility of aluminum products.	Medium	Medium - High

Percentage of the number of new vehicles sold in Japan (%)



Forecast number of passenger vehicles sold in Japan (thousand vehicles)



It is expected that, toward 2030, the ratio of eco-friendly vehicles in automotive sales will increase in not only the 1.5°C scenario but also in the 4.0°C scenario, which assumes that climate change will not be addressed.

The number of vehicles sold will begin to decline gradually in 2030 in Japan but is expected to increase globally. It is believed that both the number of eco-friendly vehicles sold globally and the percentage of all vehicles that are eco-friendly vehicles will continue to increase.

At the NLM Group, we expect an increase in the demand for aluminum products resulting from an increase in eco-friendly vehicles, including demand for materials for batteries to be installed in these vehicles and materials for heat dissipation for cooling, in addition to the need to decrease vehicle weight to increase travel distance.

# Reduction of Environmental Impact

## FY2021 Initiatives

### Environmental Mishaps

At the NLM Group, we have developed and operate a quick reporting system in Japan and overseas to respond promptly to environmental problems.

In terms of environmental incidents, three oil or chemical leaks (three in Japan) occurred, and there were seven complaints related to the environment such as odor or noise (four in Japan, three overseas) fielded. The numbers remained almost unchanged from FY2020.

For each incident that takes place, the site where the incident occurred and the person in charge of environmental protection work together to communicate with external parties while taking measures to prevent recurrence. Examples include complaints about smoke and odor.

- **Complaints about smoke and odor**

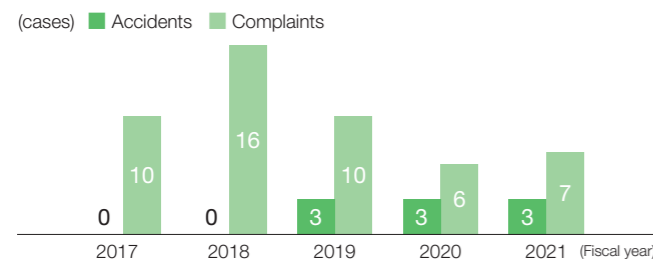
- Cause: Odor from combustion
- Countermeasures:
  - (Immediate measures) Suspension of operation and fact-finding
  - (Permanent measures) Confirmation of operating conditions, materials and other factors, introduction of deodorizing devices, etc.

We collect information about measures taken at all sites of the Group to prevent similar incidents, at meetings of environmental managers and other opportunities, and share the measures taken at each site across the Group, as a part of our efforts to reduce risk.

In FY2022, we increased the frequency of the meetings of environmental managers from two times a year to four, to share information on a timely basis and further reduce risk.

In FY2021, there were no lawsuits, fines, or forfeits related to the environment.

### Number of environmental mishaps that occurred



\* Incidents: Environmental mishaps that affect external parties, such as oil or chemical leaks  
Complaints: Complaints (about odor, noise, etc.) lodged by external parties

### Environmental Audits

At the NLM Group, the person in charge of environmental protection conduct regular environmental audits of 60 sites in Japan and other countries.

The environmental audits involve checking compliance with laws and regulations, emergency response readiness, the likelihood that mishaps similar to past environmental mishaps will occur, and the status of countermeasures that have been put in place. The audits are conducted for the following purposes.

- Checking the status of compliance with environmental laws and regulations and the status of the environmental management of the NLM Group
- Improving environmental management capabilities

In FY2021, environmental audits were conducted at 19 sites in Japan and seven overseas (4 sites in China and 3 sites in Thailand) and 58 problems were identified.

Regarding compliance with laws and regulations, the number of problems related to industrial waste disposal decreased. This was a result of repeated pointing out and corrective actions taken for insufficiencies in standards for the storage of industrial waste and insufficient waste information provided to waste disposal contractors, as well as training sessions on the Waste Management and Public Cleansing Act held within the Group.

On the other hand, the number of identified problems related to emergency response readiness have been increasing. In FY2021 audits, we found several cases where measures to prevent oil or chemicals from splashing in the event of pipe fracture were insufficient, and we requested that partitions or covers be used as a corrective action. The placement of sandbags or absorbent mats in places for storing or feeding oil was requested as a corrective action to prevent the outflow of oil in the event of a leak.

After the environmental audits have been conducted, the corrective actions are supported by the person in charge of environmental protection as needed, and monitoring continues until all corrections are complete.

We will continue to conduct environmental audits by visiting sites.

## Development of Environmental Human Resources

- **Encouragement to acquire public qualifications related to the environment**

To prevent shortages of personnel who have acquired public qualifications into the future, we encourage sites with few such qualification holders to increase the number of qualified employees. In FY2021, 11 employees newly obtained qualifications, including employees that became a Qualified Person for Energy Management or a Pollution Control Manager.

- **Training sessions on laws and regulations**

We regularly hold training sessions on the environmental laws and regulations that apply to the NLM Group. In FY2021, 68 employees participated in training sessions that were held on the Water Pollution Prevention Act, Waste Management and Public Cleansing Act and the Fire Service Act. In FY2022, we plan to hold training sessions on laws related to chemical substances and the Offensive Odor Control Act in light of social trends and our environmental mishaps.

### Training sessions on laws that were held/are planned

● Implemented ○ Plan to be implemented

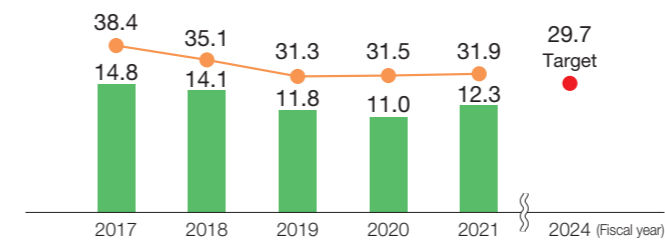
Environmental laws and regulations	2017	2018	2019	2020	2021	2022	2023*
Air Pollution Control Act	●						○
Noise Regulation Act				●			
Vibration Regulation Act				●			
Offensive Odor Control Act						●	
Act on Special Measures against Dioxins							○
Water Pollution Prevention Act	●				●		
Soil Contamination Countermeasures Act		●	●				
Waste Management and Public Cleansing Act		●	●	●	●		
Fire Service Act					●		
Laws related to chemical substances (Chemical substance control law (PRTR System) and others)						●	
(Information about revisions of laws)	●	●	●	●	●	●	○

\* The plans may change due to internal circumstances.

### Results on Indicators

#### Energy consumption (Japan)

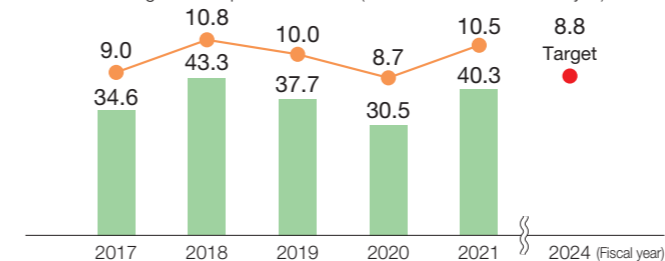
- Energy consumption (PJ)
- Energy consumption intensity per unit of sales (GJ/million yen)



\* 1 PJ = 1 × 10<sup>15</sup> J, 1 GJ = 1 × 10<sup>9</sup> J

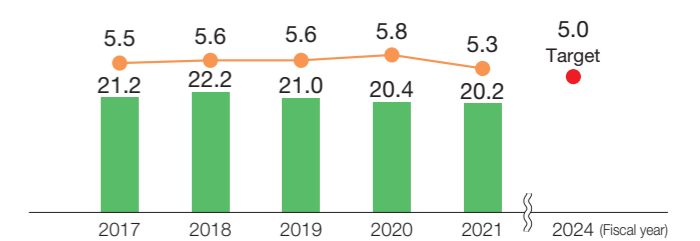
#### Waste emissions (Japan)

- Total waste emissions (thousand tons)
- Total waste generated per unit of sales (10<sup>-5</sup> thousand tons/million yen)



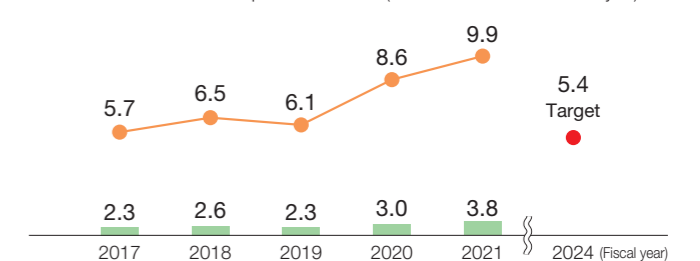
#### Wastewater amount (Japan)

- Total amount of discharged water (million m<sup>3</sup>)
- Total wastewater per unit of sales (10<sup>-5</sup> million m<sup>3</sup>/million yen)



#### Amount of landfill waste (Japan)

- Amount of landfill waste (thousand tons)
- Amount of landfill waste per unit of sales (10<sup>-6</sup> thousand tons/million yen)



# Quality

## Policy

At the NLM Group, we have set a policy that is a part of our Management Policy, which states, "The Group will continuously provide diverse value to customers by deepening the level of collaboration and coordination within and outside the Group."

And we have adopted the NLM Group's Quality Policy, which states that "The Group will earn the satisfaction and trust of its customers by providing distinctive products and services with reliable quality and safety."

We determine our quality policy for each fiscal year based on this NLM Group's Quality Policy and in light of the issues that emerge each year. The Quality Policy is considered by the Central Product Safety & Quality Assurance Administration Dept. and decided on by the Quality Committee.

The Quality Policy is aimed at "providing safe and secure products and services," a material issue that was identified based on "responsible procurement, production and supply" as a key material issue theme of the NLM Group.

Further, the NLM Group has established Quality Assurance and Management Regulations, positioned customer satisfaction as the basic operating principle of its business activities, and strives to thoroughly ensure quality assurance and management activities.

### FY2021 Quality Policy

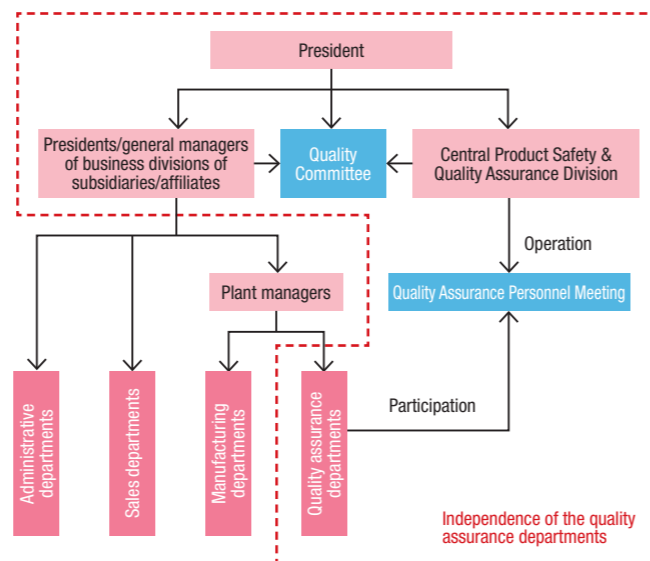
1. We will ensure safety and quality at every stage from product and service development to mass production based on sites and actual goods and the thorough implementation of rules and principles.
2. We will accurately ascertain customers' requirements and provide safety and quality that exceeds them to satisfy and win the loyalty of customers.
3. We will establish social credibility by strengthening legal compliance and quality risk management.
4. We will cultivate human resources with the quality assurance skills required to reduce global expansion risks.

## Framework

The Quality Committee meets two times a year to propel the Group's quality assurance and management activities. The Quality Committee is chaired by the president of NLM HD, and presidents of subsidiaries and general managers of business divisions participate in the meeting as members of the Committee.

In addition, the Quality Assurance Personnel Meeting, which is attended by general managers of quality assurance departments from Group companies, is held four times a year. Issues and information about improvement activities are shared at this meeting to improve the level of personnel in charge of practical quality assurance tasks.

Quality Assurance Structure



### Ensuring the Independence of the Quality Assurance Framework

To ensure the independence of quality assurance departments, the NLM Group has established the Central Product Safety & Quality Assurance Division under the direct control of the president. The division has overall control of the quality assurance departments of all Group companies and segments in the NLM Group. The Central Product Safety & Quality Assurance Division is able to make decisions independently and has the authority to issue work orders (such as orders for quality audits and full quality checks), among other authorities. In addition, the quality assurance departments of each Group company and segment are also independent of production departments, thus ensuring independent operations.

## Plan

### FY2021 Action Plan

1. We will ensure safety and quality of products.	<ul style="list-style-type: none"> <li>• Establishment of a quality assurance framework for new businesses</li> <li>• Support for the launch of new products at Group companies</li> </ul>
2. We will satisfy and win the loyalty of customers.	<ul style="list-style-type: none"> <li>• Conducting quality audits</li> <li>• Verification of full quality check results from the previous fiscal year and following up on issues</li> <li>• Conducting individual and group training</li> <li>• Organizing contest to showcase success stories</li> <li>• Implementation of program for improving quality assurance capabilities (independent studies of quality (Hinshitsu Jishuken))</li> </ul>
3. We will establish social credibility by strengthening legal compliance and quality risk management.	<ul style="list-style-type: none"> <li>• Awareness-raising activities by Quality Committee, etc.</li> <li>• Confirming products covered by legal standards</li> <li>• Promoting operation of a management system for harmful chemicals contained in products</li> <li>• Conducting full quality checks</li> <li>• Swiftly handling of serious quality problems in response to alerts</li> </ul>
4. We will cultivate human resources with the quality assurance skills required to reduce global expansion risks.	<ul style="list-style-type: none"> <li>• Initiatives to make improvements at key overseas sites</li> <li>• Support from the mother factory in Japan for overseas factories</li> </ul>

## Initiatives in FY2021 and Evaluation

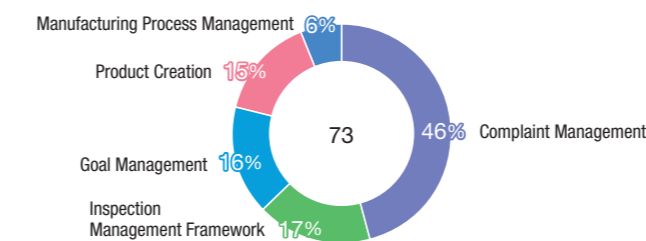
### Quality Audits

The Central Product Safety & Quality Assurance Division conducts quality audits of all business sites once a year, including overseas sites.

We reviewed the quality audit standards to further improve the level of audits in FY2021. We audited 45 facilities in Japan during the fiscal year. The quality audits involved various checks, including the management status of complaints, the new product launch process, delivery specifications exchanged with customers, and the process for creating and issuing inspection certificates provided to customers. While no serious issues were uncovered, 73 matters were identified. This includes 53 minor issues which would not have been identified before the new standards were introduced in FY2021. For example, concerning a rule stating that equipment for measuring length shall be calibrated using standard samples, it was identified that the method for managing the standard samples themselves had not been determined. In response, the sites concerned created draft plans for corrective action, and the Central Product Safety & Quality Assurance Division checked the validity and appropriateness of the corrective action before it was taken. We also verified that corrective action regarding all of the identified issues was complete.

In addition, 44 proposals were also made to raise the level of quality management at each site and establish better management standards. For example, to fulfill all quality-related requirements when developing a new product, we proposed clarifying specific measures to be implemented in the design and development stages and reflecting the measures in the system.

Classification of Issues Identified in Quality Audits



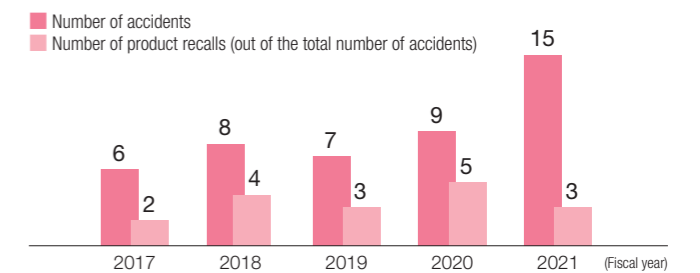
### Sharing and Utilizing Complaint Information

In the NLM Group, the Central Product Safety & Quality Assurance Division monitors complaints by collecting information about complaints from Group companies and segments. In addition, the causes of all complaints are analyzed. The results of the analyses are provided to the Quality Committee to ensure the information is shared.

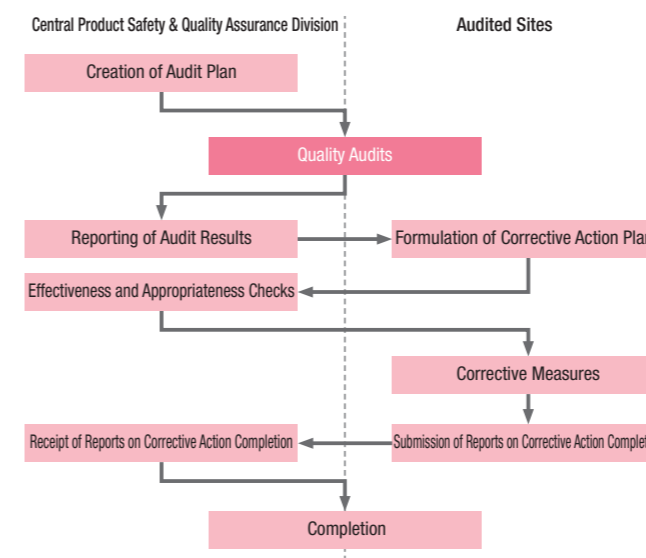
We have established and enforce a rule requiring that, in the event of a serious quality problem such as a recall or a defect that may cause physical injury, information about the problem shall be provided promptly to the overall Group regardless of who is responsible for it.

In FY2021, 15 problems were reported as quality alerts, including four serious quality problems of non-conformity to public standards such as JIS violations. In one example, we received a complaint that a device delivered for specific equipment cracked. As a result of our investigation into this device, we learned that the device cracked because of the structure of the equipment. In the equipment, the device is subjected to more stress than it can endure due to the behavior of the equipment during use. While the delivered device fulfilled the requirements of the specifications as a unit, the customer determined the device to have a design defect because it did not fulfill its basic functions. There are cases like this where our product does not work as intended in the customer's system. We have therefore decided to examine the points deemed necessary in the development phase even if these examinations are not specifically required.

Number of Quality Alerts



### Steps of Quality Audits



# Human Resource Strategy

## Policy

At the NLM Group, a basic policy established within our Management Policy states, "The Group will continuously provide diverse value to customers by deepening the level of collaboration and coordination within and outside the Group." Strengthening group engagement is essential for collaboration and coordination within the Group which is a prerequisite for the provision of value to customers. We understand that the prerequisite for group engagement, which leads to value creation, is strong engagement between each Group company and each individual employee. At the NLM Group, our basic policies are to strive to strengthen engagement by improving the level of happiness of employees through the creation of workplaces which are both fulfilling and comfortable, and at the same time endeavoring to strengthen group engagement by holding Group-wide events and other activities.

Regarding the establishment of a workplace environment that is the foundation of comfortable working conditions, in FY2021 we set, "The Group will build its workplace environment in a

well-planned manner under the philosophy, 'Employees are assets,' to increase the sense of unity of companies and employees," as the Group's basic policy on employment welfare.

In addition, the state in which the safety and health of every individual employee is maintained is a prerequisite for fulfilling and comfortable workplaces. Our goal is to create a culture of never getting injured and never allowing others to get injured and a workplace environment where everyone is energetic and in good physical and mental health.

To strengthen engagement, multidimensionally deepening communication is essential. Using the relocation of the Group's head office to Shimbashi as a starting point, we intended to deepen communication to induce a chemical reaction. However, the prolonged impact of the COVID-19 pandemic means that we are only halfway to our goal. We understand that achieving both increased productivity and deeper communication leveraging new workstyles is the task we face after the end of the COVID-19 pandemic.

# Developing a Fulfilling Workplace

## Framework

While a fulfilling workplace is created mostly through initiatives taken within each workplace of each Group company, the NLM Group considers initiatives which lead to the happiness of employees from a macro perspective at regular meetings of the

general managers of the HR departments of major Group companies. Further, plans and achievements are shared at the Group HR Personnel Meeting held once a year.

## Plan

At the NLM Group, we began to consolidate and share information about each Group company's plans for investing in employee welfare in FY2020 to drive the creation of a comfortable workplace environment through enhancement of employee welfare. In FY2021, we continued with this initiative and planned the on-site observation of good examples within the Group and tours of other companies' facilities.

We also planned the Social Contribution Project and NLM Pride as activities to enhance engagement with employees across the entire Group.

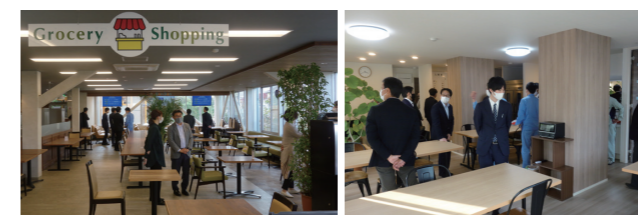
Regarding the happiness that lies ahead of a fulfilling workplace, we participated in the *Minna-de Shiawase-de*

*Itsuzukeru Keiei Kenkyu-kai* (business management workshop for remaining happy together) run chiefly by Professor Takashi Maeno of the Keio University Graduate School, in October 2019 and we have continued to participate in its monthly workshops. We plan to apply the theories and practices of well-being management learned in the workshop to the Group's measures. We participate in sports for people with disabilities in connection with "let's try it!," one of the four factors of happiness that Professor Maeno advocates: let's try it! thank you! it will turn out all right! and be yourself!. We planned to participate in this and various other activities that we have never experienced before, with the goal of contributing to society.

## FY2021 Initiatives

Regarding each Group company's investment plans related to the improvement of the workplace environment, we consolidated and shared information from 18 major Group companies in Japan regarding three points: (1) progress against the FY2020 plan, (2) investment plan for FY2021 and (3) medium- to long-term investment plans. For projects which have been implemented, we also share photos taken before and after improvements, so that they can be used as reference materials when making similar improvements.

To share good examples, we organized a tour of employee welfare facilities in October. We toured cafeterias of the Kambara Complex and the Shimizu Plant of Nippon Light Metal Co., Ltd. which were fully renovated in FY2019, and the Shimizu Plant's newly built bachelors' dormitory and exchanged views. In the cafeteria, explanations were given about the importance of improving not only tangible aspects, such as the eating environment, but also intangible matters including the enhancement of the menu. At the bachelors' dormitory, explanations were given on the creative measures that could be devised in the facility to strengthen communication between employees living in the dormitory, which is designed to enable residents to furnish their private rooms in pursuit of comfort. These explanations were followed by a lively exchange of views.



A tour of employee welfare facilities

Activities under the Social Contribution Project and NLM Pride were greatly affected by the COVID-19 pandemic. We were forced to cancel all of the planned activities involving the gathering of large groups of Group employees. A few events that we were able to implement included the viewing of the wheelchair rugby games of Japan's national team in the Tokyo Paralympics at the Group head office's cafeteria and the provision of menu items related to the countries of the opposing teams at the cafeteria. By attracting attention to sports for

people with disabilities through these activities, we were able to provide Group employees with opportunities to increase their familiarity with these sports. These activities also led to NLM Pride partly because Nikkei Metal Co., Ltd. provided Japan's national wheelchair rugby team with enhanced performance aluminum rims the company created in collaboration with Nikkeikin Aluminium Core Technology Co., Ltd. Further, the range of users of Nikkei Arena, the gymnasium in the Nippon Light Metal Co., Ltd. Tomakomai Complex, has been growing wider every year partly because it was fully renovated in 2020 in ways that anticipated its use for sports for people with disabilities. At present, Nikkei Arena is essential for the activities of wheelchair basketball teams, wheelchair rugby teams and club teams for children with disabilities in Hokkaido.

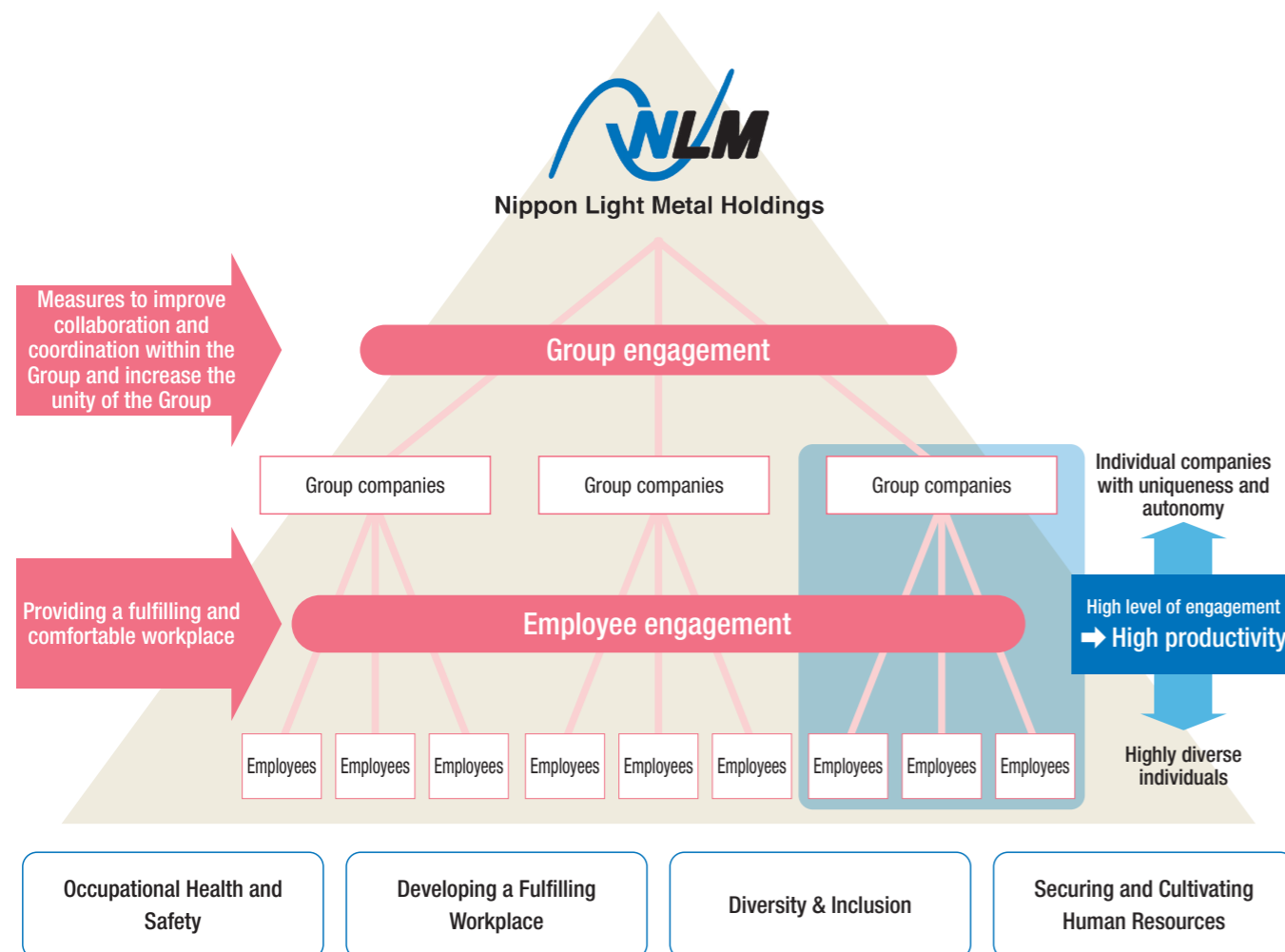
Knowledge acquired by participating in the *Minna-de Shiawase-de Itsuzukeru Keiei Kenkyu-kai* began to be introduced to employees in FY2021 in a series of articles published in the internal newsletter and via internal signage. Our participation in sports for people with disabilities, which started from "let's try it!," one of the four factors of happiness, not only increases employees' sense of contribution to society but is also connected to another of the factors, "thank you!" (ties with other people based on gratitude), thus leading to the improvement of happiness.

The understanding that pursuing employee happiness through these activities contributes to Group management is being gradually developed.



Nikkei Arena being used by a team

## Creating new social value as Team NLM



# Diversity & Inclusion

## Policy

At the NLM Group, we have set the happiness of employees as one of the material issue themes and identified diversity and inclusion (D&I) as one of the material issues within this theme. Team NLM should be a vibrant corporate group consisting of diverse human resources which are essential for the continuous

creation of new value. We believe that the creation of workplaces where all employees, including specific groups of people such as people with disabilities, women and older employees, are respected and needed improves employee engagement and serves as the foundation of the companies and the Group.

## Framework

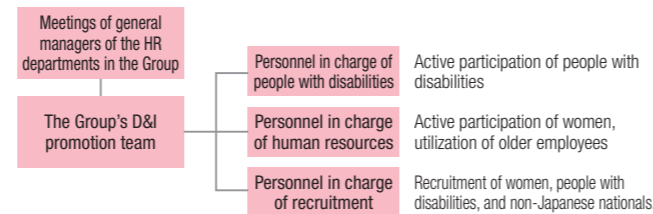
The NLM Group consists of diverse business entities. Because their work environments are also diverse, it was difficult to take across-the-board initiatives to increase diversity. While each Group company took initiatives independently, they were insufficient from the viewpoint of the overall Group.

At present, the tasks to be implemented to increase the diversity of the Group's human resources and promote their active participation are shared and relevant policies are discussed at regular meetings of general managers of the HR departments in the Group. Indicators for the entire Group, such as the employment rate of people with disabilities, the percentage of new employees that are women, and the percentage of managers that are women, are monitored, and plans for future job development are shared at the annual Group HR Personnel Meeting. New initiatives and good examples from Group companies are also shared at this meeting to increase the diversity of the Group as a whole.

Regarding the employment of people with disabilities, Nikkeikin OhLiS Co., Ltd. was established in October 2015 and certified as a special-purpose subsidiary in January 2016. This company has

its business establishments in Kambara, Shimizu Ward, Shizuoka City, where there is a cluster of the Group's major business sites, and at the Tokyo head office. The company is expanding its operations every year. Nikkeikin OhLiS plays a role in the accumulation of expertise in the creation of workplace environments where people with disabilities are able to work vibrantly leveraging the abilities of each individual and the expansion of this expertise to Group companies, as well as in expanding and promoting the employment of people with disabilities.

### D&I Promotion Framework



## Plan

### Employment of people with disabilities

- Continuing to recruit employees of Nikkeikin OhLiS Co., Ltd. and expand its job categories
- Supporting the employment of people with disabilities by Group companies

Diverse individuals working vibrantly and displaying their individuality increases the vitality of an organization. While it is growing increasingly difficult to secure human resources regardless of the presence or absence of disabilities, we have planned to recruit human resources in a well-planned manner from a longer-term perspective and expand job categories to increase operations of Nikkeikin OhLiS Co., Ltd.

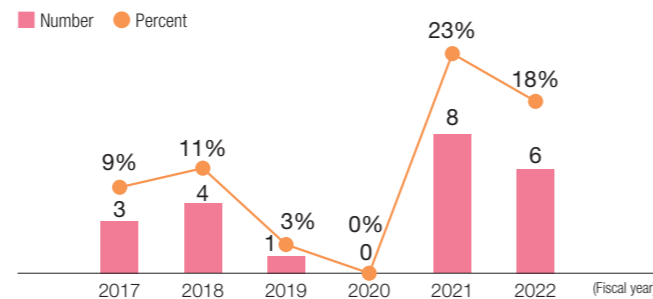
### Active participation of women\*

- Increasing the percentage of employees that are women (as candidates for managers) by continuing to recruit female career track workers
- Continuing to support women when their careers are interrupted and after they return to work

We aim to continue improving the percentage of managers that are women as an indicator of the active participation of women. To increase the percentage of employees that are women, we set a target regarding newly hired female career track workers for the first time in FY2019. That year, we set the target of 10% or more of the career track workers we hire being women as a part of our plan to expand the employment of female career track workers.

\* Nippon Light Metal Co., Ltd.

### Changes in the number and percentage of regularly hired career track workers at Nippon Light Metal Co., Ltd. that are women



### Utilization of older employees\*

- Extension of the mandatory retirement age
- For the utilization of older employees, Nippon Light Metal Co., Ltd. decided to extend the mandatory retirement age from the viewpoint of improving workplace productivity by making workplaces more fulfilling for these employees. The company determined the framework of the new system in FY2020, finalized it through the exchange of opinions with the labor union regarding the details of the system and its operation in FY2021, and planned to introduce it in FY2022.

\* Nippon Light Metal Co., Ltd.

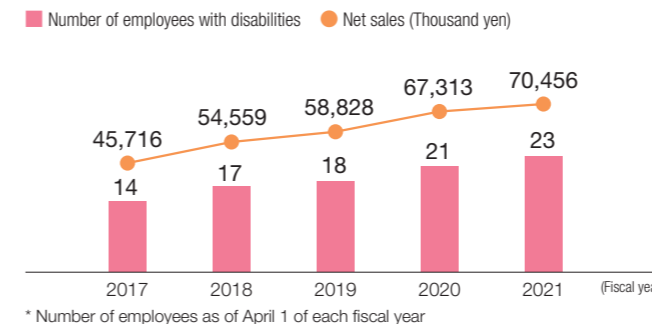
## FY2021 Initiatives

### Employment of people with disabilities

At the NLM Group, we have proactively employed people with disabilities, aiming to increase the organization's diversity. As a result, the employment rate of people with disabilities at the Group (among Group companies obliged to employ people with disabilities) was 2.38% as of June 1, 2022, exceeding the previous fiscal year's 2.36%. The employment rate exceeds the statutory rate and has continued to rise. This is a result of initiatives including recruitment via more diverse routes and the development of new job categories, which facilitated Group companies' recruitment efforts. The number of employees at Nikkeikin OhLiS Co., Ltd., a special-purpose subsidiary, increased to 24 as of April 1, 2022 due to progress in the development of new job categories, such as gradually beginning more difficult operations. Nikkeikin OhLiS continues to expand its operations.

In addition, we provided diversity training intended for new career track employees as in previous years in our efforts to deepen their understanding of diversity.

### Changes in the number of employees with disabilities and net sales of Nikkeikin OhLiS Co., Ltd.



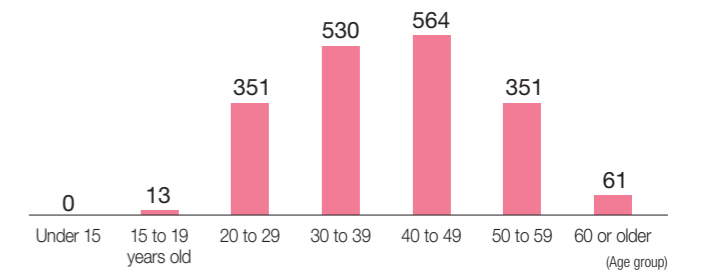
\* Number of employees as of April 1 of each fiscal year

### Active participation of women\*

At the NLM Group, we have been striving to build an environment where it is possible to balance work and life events, such as childbirth and childcare, believing that active participation of women brings new perspectives and vitality to the organization. Nippon Light Metal Co., Ltd. has established a childcare leave system, shortened working hour system for childcare, and nursing leave system, which exceed the statutory levels. This has dramatically improved the comfort of work for women. At the same time, we understand that it is important to make arrangements to ensure that career interruptions resulting from life events do not disrupt women's active participation as a consequence. For this purpose, in FY2021 we began individually interviewing female employees who are considered our next managers to learn their future career plans, their expectations and hopes for the company's systems and other information, to develop an environment that is even better at facilitating the active participation of women. We also encourage male employees to participate in childcare so as to prevent career interruptions only affecting women. We converted part of the childcare leave into paid leave and implemented other initiatives to encourage male employees to use this leave. As a result, percentage of childcare leave taken by male employees was 17.5% in FY2021, exceeding the national average (13.9%, which was announced by the Ministry of Health, Labour and Welfare). Nippon Light Metal Co., Ltd. acquired Kurumin Mark certification and Grade 2 Eruboshi certification in FY2021.

\* Nippon Light Metal Co., Ltd.

### Number of female employees in each age group (FY2021, consolidated)



The Fortuna training for women was started in FY2012 to facilitate women's active participation and FY2021 was its tenth year. During those ten years, 154 female employees (as trainees and mentors) from 16 companies completed the training. Provided in tandem with training of female employees' superiors, this training promoted their understanding of the roles of their superiors in supporting the active participation of women, which is an achievement of the training program.



A Fortuna training session

### Utilization of older employees\*

Nippon Light Metal Co., Ltd. completed its shift to the new system in FY2022 to extend the mandatory retirement age to 65 as planned. Under the previous system, the age of mandatory retirement and reemployment was 60. This was based on the concurrent payment of pensions. This had made it difficult to link performance to the amount of compensation. Under the new system with an extended mandatory retirement age, a personnel and wage system that is not premised on the payment of public pensions has been introduced, which has made it possible to evaluate the performance of each more fairly. Connecting the demonstration of the skills and experience cultivated over many years to high evaluations, this system increases the motivation of older employees. In addition, roles and duties which were partially unclear under the previous reemployment system have been clarified, to leverage the excellent knowledge and skills of older employees in each organization without hampering generational change.

It is planned to introduce the extended mandatory retirement age which was introduced at Nippon Light Metal Co., Ltd. in FY2022 at each Group company, one by one, based on the business strategies of each company.

\* Nippon Light Metal Co., Ltd.

# Securing and Cultivating Human Resources

## Policy

At the NLM Group, we have set a basic management policy, which states, "The Group will respect diverse values, and develop human resources from a long-term global perspective." In our joint recruitment activities for employing career track workers, we describe our desired human resources as people who:

- listen closely to others and are able to understand what they think and want
- take interest in and are able to take on challenges in a wide range of fields
- are able to innovate by connecting people and information.

Regarding human resource development, we have set a human resource development policy, which states, "The company will support the personal development of its employees which are its assets. For this purpose, the company will spare no effort in its creation of systems and a culture that facilitate the personal development of its people." At the same time, we are determined to work on the following tasks through cooperation between workplaces, the HR department and employees as parties involved in human resource development.

## Framework

### Securing human resources

At the NLM Group, we switched from the recruitment of career track workers by Nippon Light Metal Co., Ltd. alone to their joint recruitment by major Group companies in FY2014. At present, Nippon Light Metal Co., Ltd., Nikkeikin Aluminium Core Technology Co., Ltd., and Nikkei MC Aluminium Co., Ltd. jointly engage in recruitment efforts. The pre-assignment group training of new employees, which is given during an employee's first three months in the companies, is provided jointly by four companies, with new employees of Nikkei Information Systems Co., Ltd. also joining the training program. The goal of this training program is fostering a sense of unity beyond the boundaries between companies by having them live together for an extended period. This sense of unity is one of the pillars supporting Team NLM.

### Workplaces

- Developing human resources through practical operations by setting challenging goals
- Clearly specifying and sharing the knowledge, skills and mindsets required in the workplace

### HR department

- Providing training that is appropriate to help employees achieve personal development through practical operations
- Clearly specifying and sharing the standard knowledge, skills and mindsets required across different workplaces and job categories

### Employees

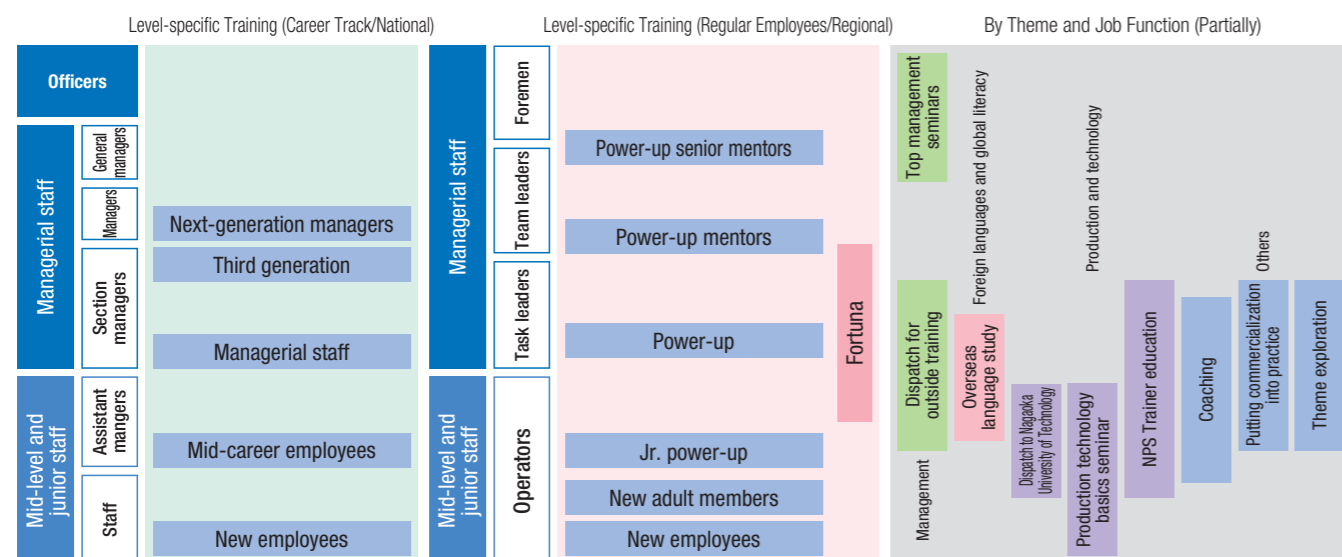
- Endeavoring to develop their own capabilities, taking the position of learning from those around us, and striving to create an environment for mutual learning as members of the company

### Human resource development

For the development of employees, we have recently been committed in particular to Group-wide training and education along with the training programs provided by each Group company. At present, a total of approx. 30 Group companies participate in a diverse array of training programs.

Previously, Group companies voluntarily participated in the training programs of Nippon Light Metal Co., Ltd. For career track employees, we are planning to shift to a unified mandatory training program intended for all Group companies in Japan in FY2025. By shifting to unified training, we will strive to improve the training system of the Group as a whole. At the same time, we will encourage Group employees to share and understand the Management Policy and drive the development of a human network through the training opportunities, aiming to further strengthen Team NLM.

### Education and Training System



## Plan

### Securing human resources

For the periodic recruitment of career track employees who will join us in April 2022, we planned to conduct joint recruitment by the three companies as has been done previously. While it was difficult to predict the impact of the COVID-19 pandemic on recruitment activities, we focused our efforts on enhancing internship programs in particular in our efforts to increase the number of employees.

### Human resource development

For FY2021, we planned to provide the same level of training that was provided in previous years. Regarding the forms of training,

we looked for appropriate training programs by once again scrutinizing the content of the training which would previously be provided as group training because of the unpredictable impact of the COVID-19 pandemic. For training programs the effectiveness of which will not change markedly by providing the training remotely, we planned to be proactive in providing them remotely from the viewpoint of efficiency. At the same time, the NLM Group emphasizes the contributions of group training programs, which are opportunities for human resources from Group companies to get together to increase cooperation and the sense of unity within the Group. Therefore, we planned to provide group training at pivotal points.

## FY2021 Initiatives

### Securing human resources

The company hired 34 career track workers who will join Nippon Light Metal Co., Ltd. in FY2022 through its regular recruitment activities, nearly achieving its plan. This includes 6 women, meaning that 18% of the newly hired career track workers were women. The target percentage, which is higher than 10%, was achieved as in the previous fiscal year, when 23% of the newly hired career track workers were women. This is a result of initiatives to strengthen the recruitment of women, including a women-only internship program. We also expanded the remote internship program for STEM students in cooperation with the Nikkei Research and Development Center. As a result, the program attracted 137 students, almost double the number in the previous fiscal year, which resulted in the successful hiring of STEM students.

To recruit skilled workers consisting mainly of high-school graduates, who have been growing more difficult to recruit every year partly due to the declining birthrate, Nippon Light Metal Co. Ltd. created new pages for high school students on its recruitment website. Videos showing employees working, interviews with employees, and other materials are available for viewing on the website. They have been received well, and we have received comments such as, "I can feel the atmosphere of the workplaces well, and this has reduced my anxiety about joining the company."

### Human resource development

In the aspect of training, we improved programs which showed changes in the trainees, such as the increase in the percentage of trainees that are women, to ensure the curricula are aligned with the times. This has resulted in higher scores given by trainees. In addition, in response to the opinion that the increasing frequency of remote work has resulted in the perception that organizational management is more difficult than before, we began to provide the Remote Work Management Seminar, a remote seminar intended for managers, and a total of 215 managers have attended it.

Every time a remote training program was held, we learned skills for increasing the efficiency of remote learning. As a result, in the latter half of the fiscal year, trainees began giving scores that were comparable to group training. Now the increased utilization of remote seminars will potentially enable efficient learning unconstrained by time or location. We can say that this is an achievement.

Regarding existing training programs, we were able to implement almost all of the programs that were planned at the beginning of the fiscal year, despite the impact of the COVID-19 pandemic. This has enabled us to avoid any lapses in training. At the same time, the NLM Group aims to create new value from Group coordination. Therefore, we also attach importance to the roles that group training plays in the strengthening of Group engagement. In FY2021, when we were forced to implement many training programs remotely, we were able to expand the possibilities of efficient learning. At the same time, issues remained in terms of the enhancement of Group coordination created through interactions between the employees of the Group companies.

### Participants in the Group's Major Training Programs in FY2021

Training program	Number of participating companies	Number of trainees
Next-generation manager training	11	13
Managerial training	14	43
Mid-level employee training	10	38
New employee training	4	46
NPS Trainer education	14	25
Production technology basics seminar*1	15	662
Fortuna*2	9	21
Power-up*2	8	30
Jr. power-up training*2	8	53
Coaching training	20	109

\*1 The figure for the production technology basics seminar is the total number of trainees who attended any one of a total of 13 courses.  
\*2 Trainees of Fortuna and Power-up include mentors.



Remote ceremony to welcome prospective employees who have received job offers



Scene from next-generation manager training



# Occupational Health and Safety

## Policy

The Group Safety and Health Policy has been formulated as follows in accordance with the basic principle of the NLM Group Management Policy, namely to create a safe and healthy workplace and achieve zero accidents.

### Safety and health come before anything else.

- Make it a basic principle to work every day in good physical and mental health, without injury, and with a sense of security and job satisfaction.
- Continue to improve the work environment and ensure that each other observe the basics (behaviors) by being attentive to each other.
- All employees shall play a leading role in creating a safe and healthy workplace and achieving zero accidents.

## Framework

The Group Safety and Health Committee is the highest decision-making body responsible for safety and health management at the NLM Group. This committee is chaired by the president of NLM Holdings, and the top individuals representing labor and management, including presidents of major Group companies and labor union representatives, meet in February each year as part of the committee to verify the results of activities in the current fiscal year, determine the Group Safety and Health Policy for the following fiscal year on the basis of those results and revise or abolish the Group Safety and Health Regulations.

In addition, Safety and Health Committees are put in place at each Group company and business site as prescribed by the Industrial Safety and Health Act. The following two meeting bodies have been established to facilitate coordination with these committees.

### ● Group Safety & Health Manager Meeting

This meeting mainly comprises the business site managers and plant managers who serve as the safety and health committee chairpersons at each business site. Their job is to disseminate and roll out the policies decided on by the Group Safety and Health Committee.

## Plan

### FY2021 Action Plan

1. Preventing Accidents	<ul style="list-style-type: none"> <li>● On-site inspection of lost-time injuries</li> <li>● Group-wide roll out of measures to deal with similar accidents</li> <li>● Support for priority business sites</li> <li>● Promoting activities for observing the basics</li> <li>● Sharing information among senior management and instructions from the president</li> </ul>
2. Improving Field Capabilities	<ul style="list-style-type: none"> <li>● Safety and health education</li> </ul>
3. Enhancing Management Capabilities	<ul style="list-style-type: none"> <li>● Promoting internal accreditation for safety and health management systems (SMS)</li> <li>● Developing SMS promoters and safety managers, rolling out in-house training</li> </ul>
4. Improving Technical Capabilities	<ul style="list-style-type: none"> <li>● Group-wide roll out of equipment safety standards</li> <li>● Risk assessment education and training</li> <li>● Development of safety engineers (SE) and safety foremen (SF)</li> </ul>

To realize the Group Safety and Health Policy, we systematically pursue initiatives aimed at preventing accidents, improving field capabilities, enhancing management capabilities and improving technical capabilities.

On preventing accidents, members of the Safety and Health Control Department take part in local accident review meetings

### ● Group Safety & Health Coordinator Meeting

This meeting mainly comprises the safety & health coordinators of each business site, who work as the managers of safety and health committee administrative sections at each business site. This meeting convenes twice a year to verify operations at each business site and share information.

### Safety and Health Management Framework



and Safety and Health Committee meetings at business sites experiencing frequent accidents as a priority business site support measure, in an effort to improve the level of recurrence prevention measures at the affected sites through advice and guidance.

On improving field capabilities, safety and health education is provided in a wide range of areas, from training on the safety and health management system to legal education and training about machinery safety, to expand education as a part of safety and health activities throughout the entire Group.

On enhancing management capabilities, three business sites in Japan have obtained ISO 45001 certification. Twenty other business sites in Japan have received in-house accreditation for their own safety and health management systems utilizing the JISHA\* style OSHMS. This voluntary accreditation system was started in 2013 as part of efforts to build appropriate safety management capabilities.

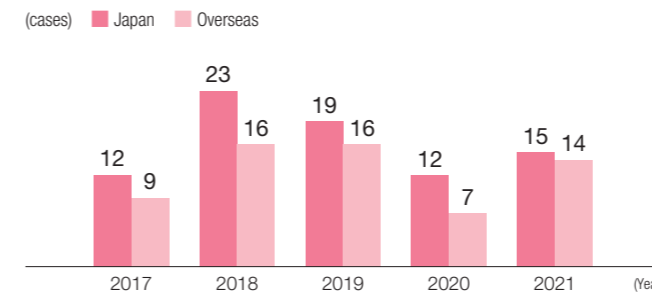
In terms of improving technical capabilities, we created equipment safety standards based on international safety standards and have since promoted the improved safety of machinery and equipment. In addition, we have introduced risk assessments as a risk mitigation approach and foster the development of safety practitioners through widespread training.

Further, we focus on the development of skilled safety personnel by providing Safety Engineer and Safety Foreman training to facilitate a deeper understanding of general machinery safety.

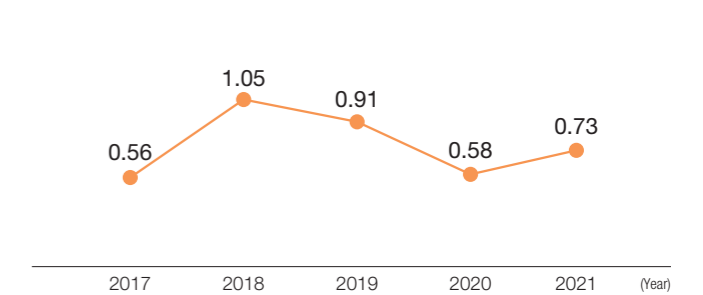
\* JISHA: Japan Industrial Safety & Health Association

## Workplace Injury Trends

### Number of lost-time injuries



### Frequency rate of lost-time injuries



## FY2021 Initiatives

### Investigations of workplace injuries and the prevention of their recurrence from a third-party perspective

When a workplace injury has occurred, the first thing we do is to have the people in charge and other people from the business location, including the safety and health manager, investigate into the cause. This is followed by the consideration and implementation of measures to prevent the recurrence of the injury. Employees who are most familiar with the work site are expected to consider and implement reliable measures. On the other hand, familiarity may also cause them to overlook something, make an incorrect assumption, or make some other error. There is also the concern that, because those people work in the same site daily, they may protect each other or hesitate to take more severe measures. Accordingly, as the second line of defense, the Safety and Health Control Department of NLM Holdings inspects the site from a third-party perspective, separately from the people from the business location in question. They inspect the site three times, one week, one month and six months after the workplace injury, to verify the effectiveness of the countermeasures that were implemented and whether they have taken root firmly, among other points. Further, this initiative enables countermeasures based on specialized knowledge, such as the incorporation of best practices from other business locations. In addition, activities to prevent workplace injuries at business locations where workplace injuries occurred were supported by giving instructions on how to streamline processes of analyzing the causes of workplace injuries and formulating countermeasures, explaining legal regulations, advising them to receive training from external institutions and taking other measures.

### Promoting activities for observing the basics

In FY2021, we pushed forward with activities to ensure the basics are observed as a new measure.

To do this, every month we selected noteworthy workplace injuries from among the injuries that occurred in the previous month, summarized how they occurred in an easy-to-understand manner, and delivered information about basic countermeasures to all Group companies to share information about workplace injuries.

Further, we also requested inspections and reviews of safety rules to reconfirm basic matters at each business site.

To expand safety and health activities throughout the entire Group, safety and health education covers a wide range of areas, from training on the safety and health management system to legal education and training about machinery safety.

- OSHMS leader training
- OSHMS internal auditor training
- Training for newly appointed safety managers
- Foreman training
- Special training for workers handling dust
- Special training for workers handling low voltage electricity
- Equipment safety training
- Risk assessment training
- Safety engineer (SE) training
- Safety foreman (SF) training

### Safety and health education

	FY2018	FY2019	FY2020	FY2021
Number of times the training was held	56 times	31 times	19 times	23 times
Trainees (total)	985	622	291	372

We have been developing materials with the aim of creating a system enabling each business site to conduct training on its own. However, there has been an increasing number of occasions where training has had to be cancelled due to COVID-19. Therefore, we switched training to remote training programs whenever possible.

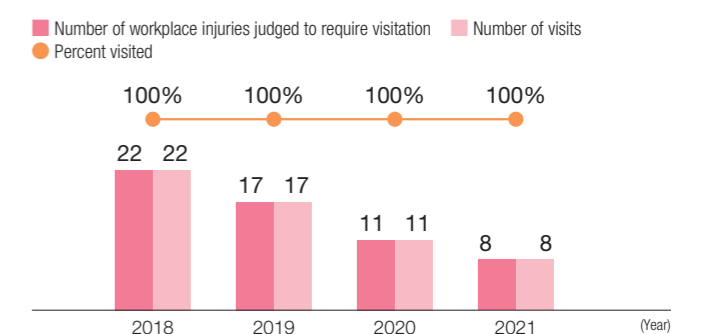
### 2021 evaluation

Although we implemented a range of initiatives in 2021, we were unable to achieve a reduction in workplace injuries.

One reason is that we were not able to reduce the injuries due to workers being pinched or caught in machinery or equipment, which we worked intensively to reduce through activities including comprehensive inspections. The number of lost-time injuries in Japan increased by three. This partly reflects the number of falls caused by frozen road surfaces, etc., which was one in 2020 and increased to four in 2021 because of the frequent snow. As a result, the number of visits to business locations where workplace injuries occurred decreased as shown in the following section. In 2022, we are implementing initiatives to reduce the number of injuries due to workers being pinched or caught in machinery or equipment as well as the number of falls.

### Percent of business locations where workplace injuries occurred that are visited

Percent of business locations where workplace injuries occurred that are visited



# Supply Chain Management

## Policy

At the NLM Group, we have set a basic policy that is a part of our Management Policy, which states, "The Group will continuously provide diverse value to customers by deepening the level of collaboration and coordination within and outside the Group." We have therefore set developing a stable supply chain and a resilient value chain that is flexible to changes as material issues, aiming

to achieve responsible procurement, production and supply. To achieve the above, we will work with suppliers to promote procurement activities in consideration of CSR, including legal compliance, respect for human rights, environmental protection and the safety of products and services.

## CSR Procurement Policy

1. Fair and good-faith procurement
2. Elimination of antisocial forces
3. Procurement compliance
4. Control of chemical substances in products
5. Consideration of human rights, the labor environment, safety and health
6. Business continuity planning (BCP) initiatives
7. SDG-related Initiatives

CSR Procurement Policy: <https://www.nikkeikinholdings.co.jp/csr/fair-practice/0702.html>

## Framework

The NLM Group runs a wide range of businesses and also purchases a broad array of items. For this reason, our purchasing system has adopted the basic policy of giving autonomy to each field of business while engaging in moderate Group coordination. We are trying to anticipate and solve a range of issues to achieve

responsible procurement through Group coordination. Every six months, we hold a Group Procurement Personnel Meeting to share information about matters related to CSR procurement in addition to information, issues and solutions related to procurement.

## FY2021 Initiatives

### Developing a stable supply chain

In 2021, the purchasing departments of the NLM Group began to face unprecedented changes in the procurement environment.

In response to the tight supply-demand balance and the sharp rise in the prices of metallic silicon and magnesium, which was a result of the sudden change of the Chinese government's energy policy, we looked for suppliers from free-market countries other than China.

Against the background of the global disruption of container logistics and delayed arrival of aluminum and other raw materials stemming from the COVID-19 pandemic, we focused our efforts on looking for roundabout routes and collecting logistics information.

In response to the extreme global shortage of boron and potash sources caused by the Russian invasion of Ukraine, we worked with suppliers in Japan to search for new raw material sources and consider new technologies.

Large-scale disasters, geopolitical risks and the instability of the supply of raw materials using conventional energy caused by the transition to a decarbonized society are all elements of the instability of the supply chain. At the NLM Group, we take the following measures to minimize the negative impact of these events.

- Reducing geopolitical risks by procuring items from new production regions
- Building stable supply systems under annual contracts with "suppliers whose faces we can see"
- Looking for subordinate sources in monopolistic supply chains

Through these and other measures, we are developing stable supply chains.

Future issues include the transformation of supply chains into deeper, multi-layered supply chains, resulting from the progress in supply chain globalization. The importance of the visualization of supply chains and the conducting of prior simulations based on visual data is increasing. We will focus on preventive and predictive BCP for supply chains in addition to our BCP focused on reactive measures.

We are striving to ensure the stable supply of items we procure under our purchasing policies of responding immediately and flexibly to changes in the environment and proposing and implementing raw material and equipment procurement strategies for all Group companies in Japan and other countries, to hedge risks while also reducing costs.

For the procurement of aluminum ingots which are our main raw material, we are striving to build a stable supply structure by anticipating geopolitical risks and the risks involved in procurement from overseas suppliers which exist due to lockdowns during the COVID-19 pandemic and other events. We are also working on green procurement. We are increasing transactions with overseas suppliers who use electricity from renewable energy sources, looking for new suppliers like this, and further, pushing forward with the procurement of recycled raw materials with the goal of helping build a sustainable society.

## Evaluation of suppliers (conducting questionnaire surveys)

For the FY2021 questionnaire surveys of the NLM Group's suppliers of centrally procured products, we adopted the online questionnaire method which we began in FY2020. We sent out questionnaires to approx. 400 suppliers as in preceding years. In FY2021, we received responses from 35% of suppliers.

In the questionnaire results, it was notable that, when answering a question about the level of their understanding of the SDGs, the 67% of respondents answered "We can give a detailed explanation of them" or "We can explain them to a certain degree," which was an approx. nine-point increase over the 58% last year, indicating that more of them have a deeper understanding of the SDGs.

Further, when asked about their initiatives to achieve the SDGs, 56% of respondents answered, "We are promoting them," or "We will promote them in the future," which was an approx. 15-point increase over the 41% last year, indicating that more suppliers are implementing initiatives to achieve the SDGs as a part of their corporate activities.

When asked about their human rights considerations, 56% of suppliers said they have formulated human rights policies and engage in activities to increase employee awareness of human rights, an approximately 15-point increase over the 41% from last year.

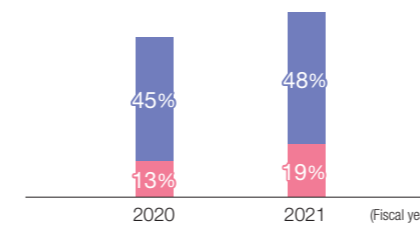
However, when asked about the status of their acquisition of certifications, such as environmental management system (EMS) certifications, which was included in the questions related to the environment that were added this year, nearly half of the suppliers responded, "We have already acquired a third-party certification," or "We plan to acquire a third-party certification within one year," indicating that they are at a high level.

We also asked about their green procurement initiatives. Here again, nearly half of the suppliers responded, "We have formulated and implemented a policy," or "We plan to formulate a policy within one year," showing that they also take environmental initiatives at a high level.

We will continue to share the NLM Group's procurement policy and promote CSR procurement in cooperation with our suppliers.

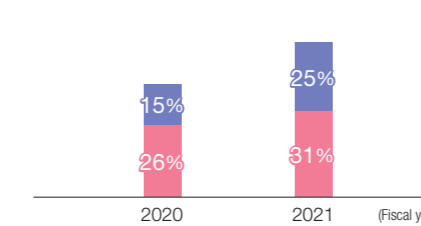
How well do you know the SDGs?

- We can give a detailed explanation of them
- We can explain them to a certain degree



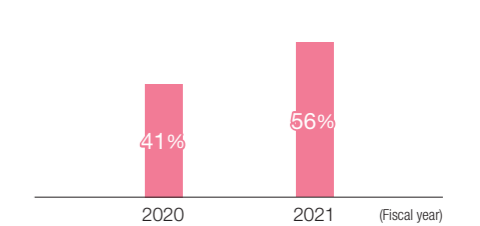
Are you promoting initiatives for achieving the SDGs?

- We are promoting initiatives
- We plan to promote initiatives in the future



Do you consider human rights?

- We have formulated a human rights policy and engage in activities to increase employee awareness of human rights.



## Protecting and respecting human rights

At the NLM Group, we have been demonstrating our stance on human rights by observing our Human Rights Policy,\* responding to the surveys conducted by our customers by collecting information about our supply chains and conducting questionnaire surveys of our suppliers.

We will begin planning to identify and assess risks experimentally in 2022 by targeting some supply chains and using the CSR/Sustainable Procurement Self-assessment Tool Set from the Global Compact Network Japan. We will verify the effectiveness of the risk identification and assessment based on the results of this experiment and plan to identify and assess risks in the major supply chains for centrally procured products in FY2023. In addition, we are setting KPIs with a plan to ultimately include not only the supply chains for centrally procured products but also the supply chains of the NLM Group as a whole in the subjects of the questionnaire survey.

Based on these plans, we will take the following steps to advance human rights due diligence.

- (1) **Assessment (identification and assessment of risks)**  
Identifying and assessing the risks and impact of suppliers' activities, operations, products and services
- (2) **Responses (prevention and mitigation of impacts)**  
Taking preventive and mitigation measures to ensure that our business activities will not have a negative impact on human rights
- (3) **Monitoring (tracking and effects measurements)**  
Measuring the effects of the responses that have been implemented
- (4) **Provision of information to internal and external parties (accountability)**  
Fulfilling accountability duties mainly for stakeholders negatively affected

\* The NLM Group's Human Rights Policy  
<https://www.nikkeikinholdings.co.jp/csr/human-rights/0402.html>

# Local Communities

## Policy

The NLM Group works to contribute to local communities in accordance with its Social Contribution Policy (established July 22, 2016) described below, so that it can effectively utilize the resources of the Group to contribute to the development of local communities through social contribution activities that are unique to the Group.

- The NLM Group respects local culture and customs and contributes to the development of local communities in harmony with them. In addition, through activities to protect biodiversity we contribute to the conservation of local environments.
- The NLM Group contributes to the development of next-generation human resources through education on manufacturing and support for academic research.
- The NLM Group strives to enhance its support system so that employees can voluntarily take part in activities that contribute to local communities.

## Framework

The NLM Group has adopted the basic policy of allowing each business site to play a central role in voluntary community engagement activities while engaging in moderate Group coordination. We pursue solutions to issues such as engagement with local communities and regional development by engaging in

dialogue with people from each community. These initiatives are shared at Group General Affairs Liaison Meetings attended by the general affairs personnel of Group companies and business sites, to facilitate solutions to each local issue.

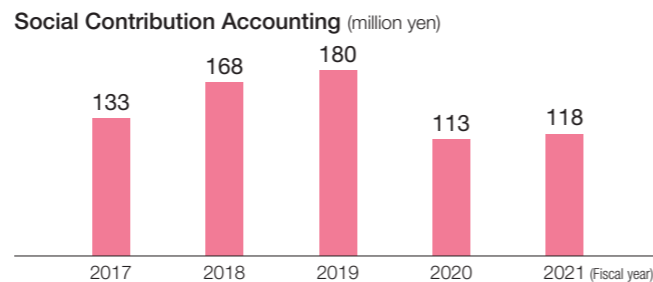
## Plan

### FY2021 Plan

- Ascertaining and promoting pro bono activities
- Providing support for cultural and sports programs as well as educational and research institutions in each locality
- Active engagement with local communities
- Cooperation with external organizations such as police and fire departments and information gathering
- Preparations for publishing social contribution activity website posts
- Support for BCP formulation

## Social Contribution Accounting

In FY2021, we participated in 192 local programs, and our expenses were 118 million yen.



## Measures to address sedimentation in Amehata Dam

At the Amehata Dam (Hayakawa-cho, Minamikoma-gun, Yamanashi Prefecture) which is maintained by Nippon Light Metal Co., Ltd., a major subsidiary of the NLM Group, rising water levels on the Amehata River upstream of the dam due to torrential rains caused by Typhoon Krosa in August 2019 and Typhoon Hagibis in October 2019 caused flooding damage across the surrounding region.

In order to achieve a fundamental solution following the notification of regular inspection results from the Ministry of Land, Infrastructure, Transport and Tourism in 2019, we received the following administrative guidance to compile plans for sedimentation control measures and systematically address the sedimentation issues.

### Content of the administrative guidance

- Regarding measures to respond to the regular inspection of Amehata Dam  
Notice No. 13 dated August 9, 2019 from the General Manager of Kofu River and National Highway Office, Kanto Regional Development Bureau, MLIT  
To: Director of Kambara Complex, Nippon Light Metal Co., Ltd.  
Notice from the General Manager of Kofu River and National Highway Office, Kanto Regional Development Bureau, MLIT
- Findings of the regular inspection  
Measures to address sedimentation have been taken, but the measures shall be strengthened and improved to surely reduce the amount of sediment.

- A plan for measures to address the sedimentation problem shall be finalized and the measures shall be implemented in a well-planned manner to fundamentally solve the sedimentation problem.
- While abnormalities such as deflection have not been observed, the amount of sediment has exceeded the sediment storage capacity. Accordingly, its impact on the dam body, etc. shall be investigated.

In response to the flooding damage that occurred and the above administrative guidance from the government, in September 2019 Nippon Light Metal Co., Ltd. established the Amehata Area Sediment Countermeasures Investigative Commission ("the Commission," hereafter) together with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Yamanashi prefectural government, and the Hayakawa municipal government, and after the Commission had met four times up to March 2020, it considered emergency countermeasures to deal with the flooding damage in the surrounding region along with fundamental measures to address the sedimentation, after which the Basic Plan for Measures Addressing Amehata Dam Sediment ("the Basic Plan," hereafter) was compiled in April 2020 and submitted to the MLIT.

### Outline of the Basic Plan

#### 1. Positioning of the Basic Plan

Floods have already occurred above the Amehata Dam reservoir. Therefore, under this basic plan, we will aim to

implement a solution to prevent floods and mudslides as soon as possible and ensure that the Amehata Dam reservoir can surely fulfill its functions in the future. Accordingly, we divided countermeasures into three stages: a short-term plan [Step 1], a medium-term plan [Step 2], and a long-term plan [Step 3].

This basic plan was formulated with the greatest possible consideration of the living environment of local residents. It has a realistic target for the amount of accumulated sediment to be removed, before describing the feasible countermeasures that we formulated. To begin the implementation of the Basic Plan immediately, we attached importance to the short-term plan (a solution to prevent floods and mudslides) to be implemented in FY2020 and FY2021.

Under the medium-term plan for FY2022 and onward, we will take measures such as securing places to dispose of removed sediment by finding candidate locations where embankments are needed so the removed sediment can be used as a material to build the embankments, while continuing to cooperate with the Hayakawa and Minobu municipal governments, the national government, and the Yamanashi prefectural government. In addition, the Basic Plan will be reviewed at the follow-up meeting\* of the Investigative Commission described in Chapter 3 in accordance with its progress, to formulate and advance feasible measures to secure sufficient sediment storage capacity to prepare for the largest ever inflow of earth and sand.

Further, there are many issues to be studied surrounding Amehata Dam, including the remarkably large amount of sedimentation compared to other dams in Japan. Therefore, we will continue to study countermeasures from a broad perspective to ensure sedimentation stays at a safe level and take measures to maintain sufficient sediment storage capacity (continuous countermeasures against sedimentation) by consulting with other stakeholders at the follow-up meetings of the Investigative Commission. We have positioned this process as a part of the long-term plan.

## 2. Outline of the Basic Plan

- (1) Short-term plan [Step 1]  
Period FY2020 to the end of FY2021

**Goal** Implementing a solution to prevent floods and mudslides (removing accumulated sediment so that the water level will not exceed the normal water level) Removal and transportation of the accumulated sediment that is believed to cause floods and mudslides (estimated amount: 3,000,000 m<sup>3</sup>)

- Details**
- Emergency measures
    - Construction of a temporary embankment and securing a river channel
    - Temporary use of the inside of the dam lake for the construction of embankments to protect the prefectural road, to construct a temporary road, and for other purposes
  - Drastic measures
    - Increase the capacity of the belt conveyor to discharge sediment below the dam
    - Use the sediment (as an aggregate resource, for constructing haul roads in rivers, for building embankments for land development, and for other purposes)
    - Review the continuous countermeasures addressing sedimentation
  - Follow-up, etc.

### (2) Medium-term plan [Step 2]

**Period** FY2022 to the end of FY2024  
**Target** Remove 3,000,000 to 4,000,000 m<sup>3</sup> of accumulated sediment to secure sufficient sediment storage capacity to prepare for the largest ever inflow of earth and sand.

- Details**
- Use the sediment (as an aggregate resource, for building embankments for land development, and for other purposes)
  - Review and implement the continuous countermeasures addressing sedimentation
  - Follow-up, etc.

### Long-term plan [Step 3]

**Period** From FY2025 onwards  
**Target** Maintain a safe level of sedimentation  
**Details**

- Use the sediment (as an aggregate resource, for building embankments for land development, and for other purposes)
- Implement continuous countermeasures addressing sedimentation
- Follow-up, etc.

\* Chapter three is not listed in this report. For details, please refer to the Basic Plan for Measures Addressing Amehata Dam Sediment (<https://www.nikkeikin.co.jp/news/news/common/pdf/p202005070202.pdf>)

## Roadmap

Item	Issue	Timeline					
		Short Term		Medium Term		Long Term	
		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025 ~
Construction of a temporary embankment	—	Construction complete					
Securing a river channel	Securing a sufficient river channel to prepare for the largest ever inflow of earth and sand	In the future we will continue to excavate the river channel in an effort to prevent disasters.					
Construction work in the inside of the dam lake and temporary storage in the dam lake	—	Protecting existing structures and riverside roads, constructing temporary storage yards, etc.					
Increased sediment transportation capacity	—	A system to remove 1.5 million m <sup>3</sup> per year was established in 2021.					
Soil utilization	Aggregate resources	Making adjustments to prepare for the expansion of demand for aggregate					
	Amehata River transportation route	Completion of construction at the end of May 2022					
	Hayakawa River transportation route	Detours near narrow sections and river crossing structures					
Securing a disposal site	Considering use of soil in response to wide area needs	Construction of embankments in candidate soil disposal sites and studying new candidate sites					
Ongoing countermeasures addressing sedimentation	Consideration for a shift to a long-term plan, etc. and coordination with relevant organizations	Under continual consideration					
Amount of sediment removed and transported	<b>Results for FY2020 and FY2021: 3.0 million m<sup>3</sup></b>	1.5 million m <sup>3</sup>	1.5 million m <sup>3</sup>	1.0 million m <sup>3</sup>	1.0 million m <sup>3</sup>	1.0 million m <sup>3</sup>	Measures based on the amount of inflow
		3.0 million m <sup>3</sup>		3.0 million to 4.0 million m <sup>3</sup>			

# Local Communities

## Progress Report

Since FY2020, Nippon Light Metal Co., Ltd. has been working diligently to implement the Basic Plan. The period for the short-term plan ended at the end of FY2021, and progress was made as scheduled concerning the planned measures.

In implementing the countermeasures, for the fiscal year ended March 2020 we recorded an extraordinary loss of 11,000 million yen for sediment control costs related to countermeasures, for which it became possible to reasonably estimate the costs for implementation during FY2020 to FY2021, and for the fiscal year ended March 2021 we recorded an extraordinary loss of 16,200 million yen for sediment control, for which it became possible to reasonably estimate the costs for implementation during the period until FY2024.



Overall view of the Amehata Dam

### History of measures to address sedimentation in Amehata Dam

August 9, 2019	●Administrative guidance is received from the Kofu River and National Highway Office, Kanto Regional Development Bureau, MLIT, concerning response to the results of regular inspection of the Amehata Dam, which is a facility of Nippon Light Metal Co., Ltd.
August 16	●Flooding damage is incurred across the region surrounding the Amehata Dam due to the torrential rains of Typhoon Krosa.
September 3	●The 1st meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
October 12	●Flooding damage is incurred across the region surrounding the Amehata Dam due to the torrential rains of Typhoon Hagibis.
December 20	●The 2nd meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
February 4, 2020	●The 3rd meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
March 25	●The 4th meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
April 30	●The Basic Plan for Measures Addressing Amehata Dam Sediment is submitted to the General Manager of the Kofu River and National Highway Office, Kanto Regional Development Bureau, MLIT.
June 11	●The 1st follow-up meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
November 26	●The 2nd follow-up meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
June 4, 2021	●The 3rd follow-up meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.
April 27, 2022	●The 4th follow-up meeting of the Amehata Area Sediment Countermeasures Investigative Commission is held.

## Receipt of a Notification Based on Article 78 of the River Act Regarding Hydroelectric Power Generation Facilities and Renewal of Water Rights at Hakii Power Plant

Nippon Light Metal Co., Ltd., a major subsidiary of the NLM Group, investigated the (five) hydroelectric power generation facilities it owns (subject period: 1987 to 2021) in accordance with the (Request for) Investigations into Reporting, etc. of Water Intake Quantity of Hakii Power Plant, etc. of Nippon Light Metal Co., Ltd., which was received from the Kofu River and National Highway Office of the MLIT's Kanto Regional Development Bureau on April 8, 2022.

As a result of the investigations, deficiencies in our management methods and framework that were put in place more than 10 years ago were found regarding the use of water at these hydroelectric power generation facilities. On account of this, we received a notification pursuant to the provisions of Article 78 of the River Act.

Regarding the renewal of the water rights at the Hakii Power Plant, which is one of the (five) hydroelectric power generation facilities, the period of permission expired on March 31, 2020, and we applied for its renewal. The government has indicated

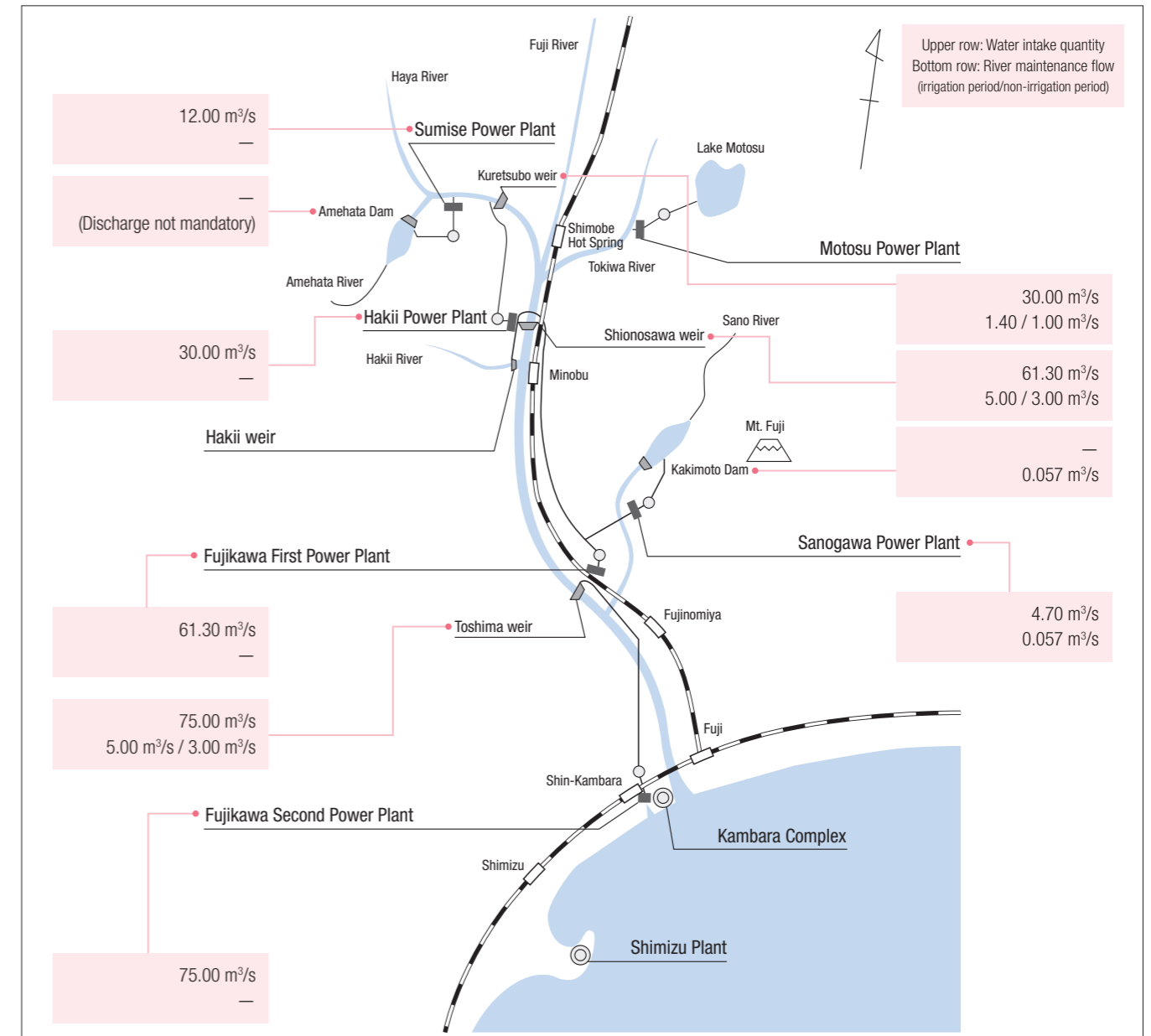
that they may adopt a policy of giving us the permit but shortening the period of the permit to around five years from the date of renewal.

NLM Holdings and Nippon Light Metal Co., Ltd. take the notification seriously and will strive to ensure appropriate management by further enhancing measures to prevent recurrence, in addition to implementing existing measures to improve the equipment and the management framework, such as the control method, while receiving guidance from the Ministry of Land, Infrastructure, Transport and Tourism.

Once again, we extend our deepest apologies to local residents and other stakeholders for the great problems and anxieties we have caused.

We report the outline of the hydroelectric power generation facilities of Nippon Light Metal Co., Ltd. and the results of the investigations as follows.

### Outline of the hydroelectric power generation facilities of Nippon Light Metal Co., Ltd.



# Local Communities

## Outline of Results of the Investigations (Source: Outline of Results of the Investigations into Quantities of Water Intake and Discharge by Five Power Plants of Nippon Light Metal Co., Ltd. at Fuji River)

### 1. Objectives

From the Kofu River and National Highway Office of the Ministry of Land, Infrastructure, Transport and Tourism (hereafter, "MLIT"), we received an Investigations into Reporting, etc. of Water Intake Quantity of Hakii Power Plant, etc. of Nippon Light Metal Co., Ltd. request dated April 8, 2022. We later conducted on-site investigations, and then we were requested to point out problems and describe our views about the status of water intake. In response, we conducted detailed investigations into the quantities of water intake in a 35-year period by the five power plants that had received permits from the national government. We also investigated the quantities of water discharged over a 29-year period (approx. 10-year period for the Sanogawa Power Plant). We conducted detailed investigations into the quantities of water taken in and discharged by checking daily logs on water delivery and dam related to operations, chart record papers, PC data and power record data which show the equipment's condition, and by interviewing related people.

### 2. Results

(1) Presence or absence of factors hindering appropriate quantities of water taken in and discharged

#### Conduit hydropower plants

(1) Hakii Power Plant (2) Fujikawa First Power Plant, and (3) Fujikawa Second Power Plant)

Regarding water intake, before April 2007, when the automation of the management was completed, we operated the plants in a way such that the intake quantity would not be

below the amount specified for each power plant (permitted water intake quantity at Hakii Power Plant and Fujikawa Second Power Plant and the permitted water intake quantity less the water intake quantity from the No. 4 Water Inlet at Fujikawa First Power Plant), which caused excess water intake.

- Regarding water discharge, before 2010, when we revised the management method, we controlled the gate by setting the median value for the water level of the water inlet so that the quantity of water discharge from the gate will be equivalent to the river maintenance flow. When the quantity of water discharge was below this level, it did not reach the river maintenance flow.

- Limiters or similar equipment which record excess water intake as the upper limit of the permitted water intake quantity or record the river maintenance flow as the lower limit had not been installed.

#### Dam power plants

(4) Sanogawa Power Plant and (5) Sumise Power Plant)

- Regarding water intake, in April 1998 and before, quantities exceeding the permitted water intake quantity were recorded in the conversion table used in those days. This caused a false recognition by workers, which resulted in the excess water intake.

(2) Results of investigations into quantities of water intake We confirmed the occurrence of excess water intake as shown in the table below.

Power plant name	Permitted water intake quantity (m <sup>3</sup> /s)	Period of investigation	Results of investigations into quantities of water intake (Note 2)			
			Time when water intake exceeding the permitted quantity took place (Note 1)	Total number of days when the permitted amount of water intake was exceeded	Total water intake quantity in excess of the permitted quantity (thousand m <sup>3</sup> )	Average excess quantity for the days when the permitted quantity was exceeded (m <sup>3</sup> /s)
1 Hakii Power Plant	30.00	1987 to 2021	Until October 2004	1,422 [ 0]	28,665 [ 0]	0.23 [ 0]
2 Fujikawa First Power Plant	(Note 3) 61.30	1987 to 2021	Until December 2004 [Until January 2007]	2,929 [ 129]	160,203 [ 4,177]	0.63 [ 0.37]
3 Fujikawa Second Power Plant	75.00	1987 to 2021	Until October 2001 [Until August 2006]	19 [ 150]	419 [ 3,962]	0.26 [ 0.31]
4 Sanogawa Power Plant	4.70	1987 to 2021	No excess water intake [Until April 1998]	0 [ 3]	0 [ 58]	0 [ 0.22]
5 Sumise Power Plant	12.00	1987 to 2021	No excess water intake	0 [ 0]	0 [ 0]	0 [ 0]

(Notes) 1. "Time when water intake exceeding the permitted quantity took place" is the last month in the period subject to investigation when excess water intake was confirmed to have occurred.  
 2. Figures in brackets [ ] are estimated figures for the period when raw observation data for the water intake quantity was not kept.  
 3. The figure for Fujikawa First Power Plant was obtained by subtracting the water intake quantity from the No. 4 Water Inlet (4.70 m<sup>3</sup>/s) from the permitted water intake quantity (66.00 m<sup>3</sup>/s).

### Investigation Methods

#### Conduit hydropower plants

(1) Hakii Power Plant, (2) Fujikawa First Power Plant, and (3) Fujikawa Second Power Plant)

The water intake quantity for each day was calculated based on the water level at the point where the water from the intake weirs joins together. For days without water level data, the water intake quantity was estimated based on the amount of power produced by the plant. Presence or absence of excess intake was confirmed based on comparison with the permitted water intake quantity.

#### Dam power plants

(4) Sanogawa Power Plant and (5) Sumise Power Plant)

The water intake quantity for each day was calculated using a conversion table based on output data from generators and water level of the dam. Presence or absence of excess intake was confirmed by comparing this value with the permitted water intake quantity.

(3) Result of investigations into the quantity of water discharged We confirmed insufficiencies as shown in the table below.

Power plant name	Quantity of water discharge needed for river maintenance (m <sup>3</sup> /s)	Period of investigation (Note 1)	Results of investigations into the quantity of water discharge (Note 3)			
			Time when an insufficient quantity of water was discharged (Note 2)	Total number of days when an insufficient quantity of water was discharged	Total shortfall in the quantity of water discharged (thousand m <sup>3</sup> )	Average shortfall on days when the quantity of water discharged was insufficient (m <sup>3</sup> /s)
1 Hakii Power Plant	Irrigation period April 1 to September 30	1993 to 2021 29 years	No insufficiency [Until September 2003]	0 [ 88]	0 [ 137]	0 [ 0.02]
	Non-irrigation period October 1 to March 31			0 [ 35]	0 [ 82]	0 [ 0.03]
2 Fujikawa First Power Plant	Irrigation period March 16 to September 30	1992 to 2021 30 years	Until August 2001 [Until May 1994]	75 [ 1]	707 [ 3]	0.11 [ 0.04]
	Non-irrigation period October 1 to March 15			64 [ 0]	182 [ 0]	0.03 [ 0]
3 Fujikawa Second Power Plant	Irrigation period March 16 to September 30	1992 to 2021 30 years	Until April 2000 [Until November 1992]	100 [ 28]	516 [ 286]	0.06 [ 0.12]
	Non-irrigation period October 1 to March 15			26 [ 11]	283 [ 34]	0.13 [ 0.04]
4 Sanogawa Power Plant	Full year January 1 to December 31	2012 to 2021 10 years	No insufficiency	0 [ 0]	0 [ 0]	0 [ 0]
5 Sumise Power Plant	Discharge for river maintenance not mandatory	—	—	—	—	—

(Notes) 1. The beginning of the period of investigation is the year when permits were granted under the rules on water use that require the quantity of discharged water be equivalent to the river maintenance flow quantity.  
 2. "Time when an insufficient quantity of water was discharged" is the last month in the period subject to investigation when it was confirmed that the quantity of water discharged was insufficient.  
 3. Figures in brackets [ ] are estimated figures for the period when raw observation data for the quantity of water discharged was not kept.

### Investigation Methods

#### Conduit hydropower plants

(1) Hakii Power Plant (2) Fujikawa First Power Plant, and (3) Fujikawa Second Power Plant)

The quantity of water discharged each day was calculated based on the water level of the water inlet and the degree to which the scour gate was opened. For days without this data, the quantity of water discharged was estimated based on the data recorded in the daily log on water delivery.

The presence or absence of insufficient discharge was confirmed based on comparison with the river maintenance flow specified in the rules on water use.

#### Dam power plants

(4) Sanogawa Power Plant)

The quantity of water discharged from the dam each day was calculated based on water level data from flow observation equipment. The presence or absence of insufficient discharge was confirmed based on comparison with the river maintenance flow specified in the rules on water use.

(4) Results of internal investigations

As a result of the investigations, it was revealed that the water intake quantity had been excessive until December 2004 (until January 2007 if estimated values are included) and the quantity of water discharged was insufficient until August 2001 (until September 2003 if estimated values are included). In addition, the quantities of water taken in and discharged in those periods had not been reported correctly to MLIT.

(5) Current status of water use

#### Conduit hydropower plants

(1) Hakii Power Plant (2) Fujikawa First Power Plant, and (3) Fujikawa Second Power Plant)

- Regarding water intake, the automation of water intake management was completed in April 2007. The permitted water intake quantity has been maintained, with no human judgment in matters such as the reading of data.
- Regarding water discharge, we strengthened operations management in 2010. We have continued to ensure that the quantity of water required for river maintenance is discharged.

#### Dam power plants

(4) Sanogawa Power Plant)

- Regarding water intake, we began to create a database in June 2019, and the quantity is calculated automatically. The permitted water intake quantity has been maintained, with no human judgment in matters such as the reading of data.

3. Views of Nippon Light Metal Co., Ltd. based on the results of the investigations

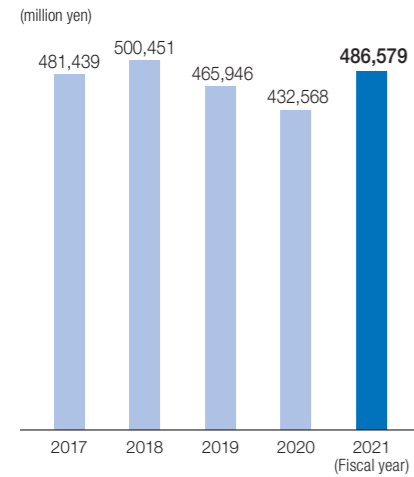
Up to the date the investigations were conducted, we had been striving to ensure appropriate water intake control through efforts such as the introduction of programmable logic controllers (PLC). We had been using water without questioning the existing management methods and framework. However, the investigations revealed that the permitted water intake quantity had been exceeded and the quantity of water discharged had been below the river maintenance flow for specific periods in the past. We found that this was attributable to problems with control methods, recording, and the management framework. We will roll out measures to prevent their recurrence through equipment improvement and the revision of operations, initiatives that we have been advancing in a step-by-step manner, and we will continue to work on the following tasks to ensure that we do not cause similar problems in the future.

- Providing employees with training related to river laws, compliance, etc.
- Daily operations management of the water intake and discharge status, which will be performed using data
- Strengthening the requirements regarding the preservation of records related to power generation operations
- Regular audits by personnel in charge of environmental protection from Nippon Light Metal Co., Ltd.

# Financial and Non-Financial Highlights

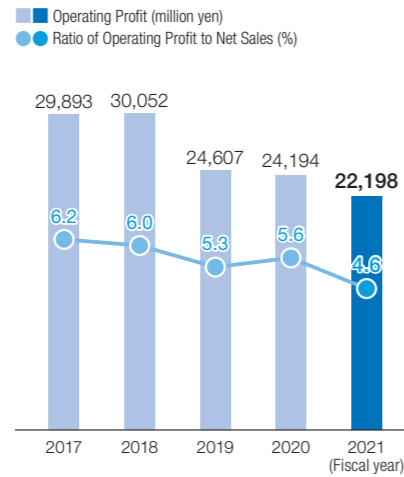
## Financial Highlights

### Net Sales



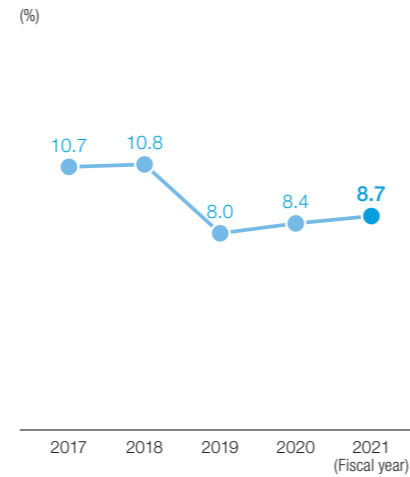
Net sales increased year on year with a rise in sales prices in the Ingot Sector, Sheet and Extruded Products Sector and other segments, reflecting the condition of the aluminum ingot market, in addition to an increase in sales volume in the Aluminum Chemical Sector, the area of secondary alloys for automobiles and other areas, as well as steady demand related to electrical machinery and electronics.

### Operating Profit / Operating Profit Ratio



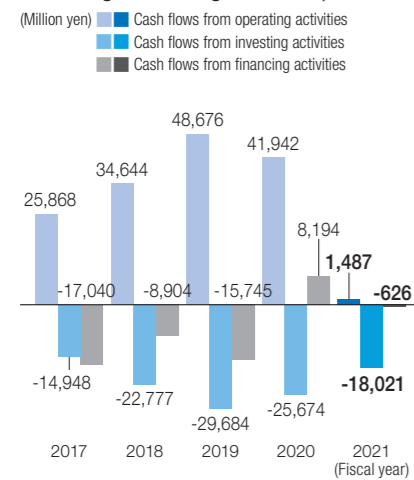
Operating profit declined year on year, mainly reflecting rising prices of raw materials and fuels and the stagnation of production in the truck mounting business attributed to the chassis supply shortage that stemmed from the semiconductor shortage.

### Return on Capital Employed (ROCE)



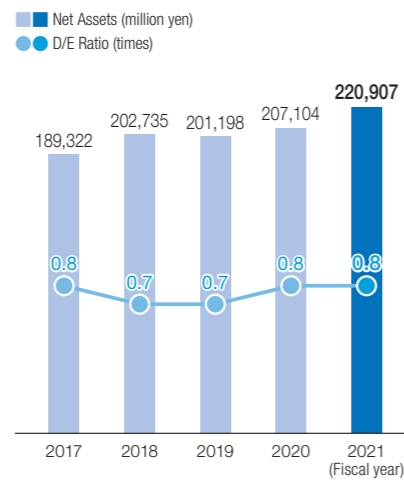
To measure the profitability and growth potential of our businesses, one of the management indicators for each business segment we use is return on capital employed (ROCE), which indicates how much profit (ordinary profit before interest) has been earned as compared to the capital employed (shareholders' equity + interest-bearing debt - cash and deposits). ROCE for FY2021 was 8.7%.

### Cash Flows (From Operating/Investing/Financing Activities)



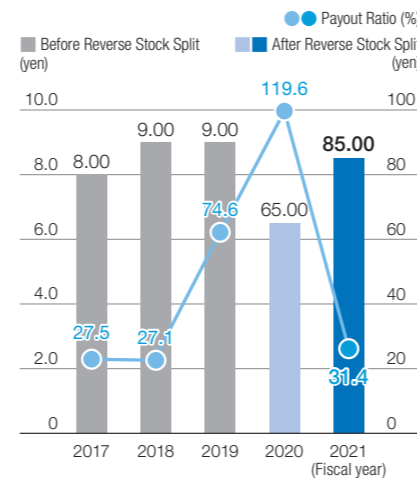
The decrease in cash flows from operating activities resulted from an increase in trade receivables, inventories and other working capital, mainly reflecting the soaring aluminum prices. Net cash was used in financing activities because of a decrease in proceeds from long-term borrowings.

### Net Assets / D/E Ratio



We will strive to improve our corporate value by investing in measures to strengthen our management foundation, R&D, human resource development, initiatives to achieve carbon neutrality, and other areas, in addition to expanding business in growth areas and creating demand and increasing earning power in the area of infrastructure business. We will strive to keep the D/E ratio below 1.0.

### Dividend Per Share / Payout Ratio

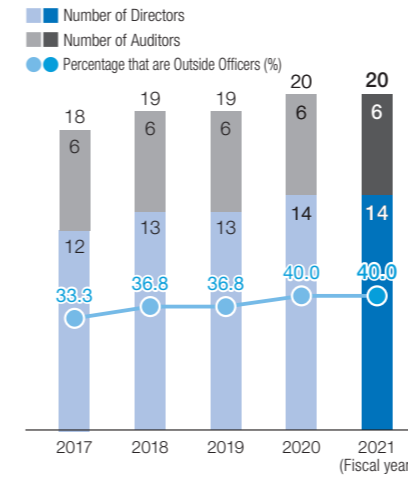


Our basic profit allocation policy is to provide dividends to our shareholders by comprehensively considering the consolidated financial results and other factors from a medium- to long-term perspective while striving to strengthen our financial standing and management foundation. Regarding the indicator for the return of profits, we determine the amount of dividends and other returns based on a total payout ratio of 30%, including the acquisition of treasury shares.

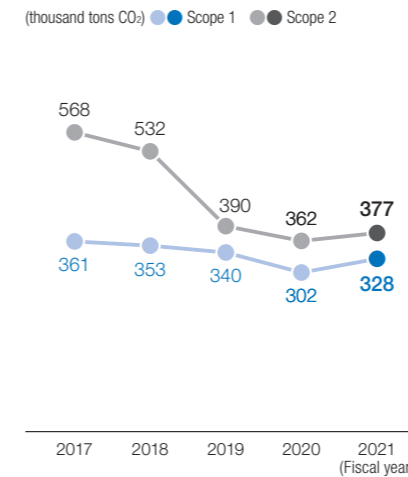
Note: The Company conducted a 10-to-1 reverse stock split of common shares on October 1, 2020. The graph lists actual dividend amounts regardless of whether it was before or after the reverse stock split in question.

## Non-Financial Highlights

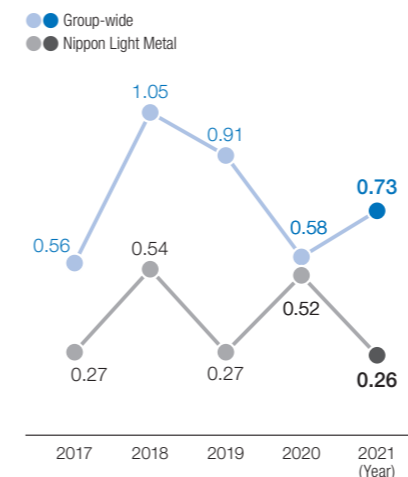
### Number of Officers / Percentage that are Outside Officers



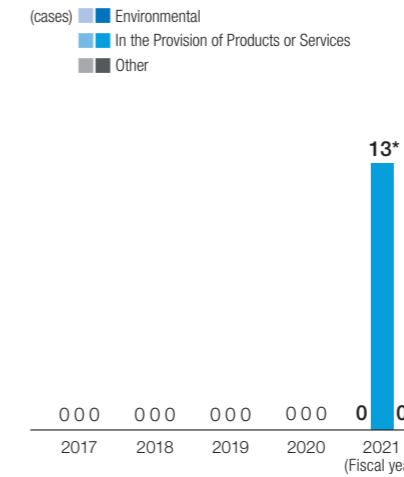
### CO<sub>2</sub> Emissions



### Frequency Rate of Lost-time Injuries

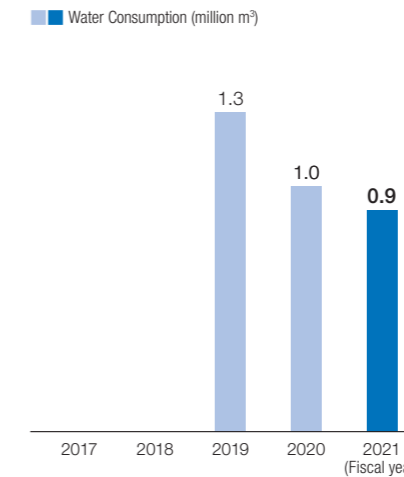


### Number of Violations of Laws or Regulations



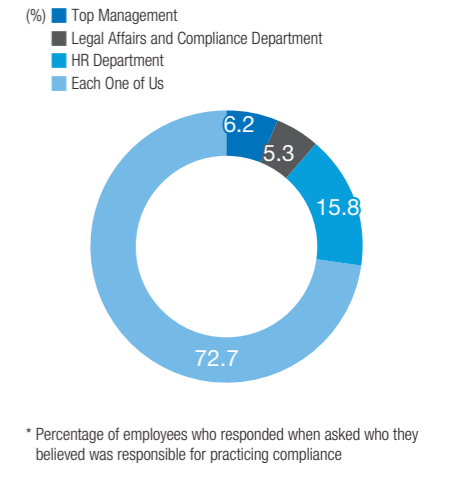
\* All of the above were pointed out by Japan Quality Assurance Organization (JQA).

### Water Usage



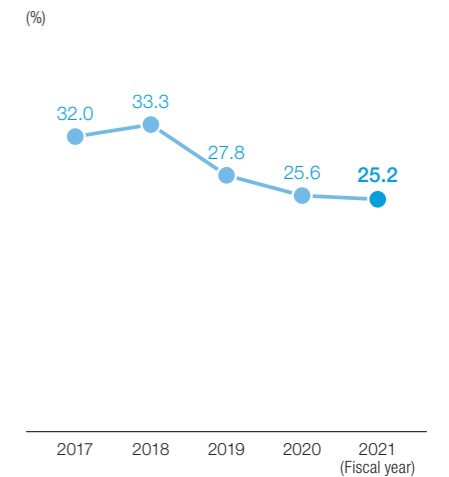
\* Began to be calculated in FY2019.

### Ownership Regarding the Practice of Compliance\*

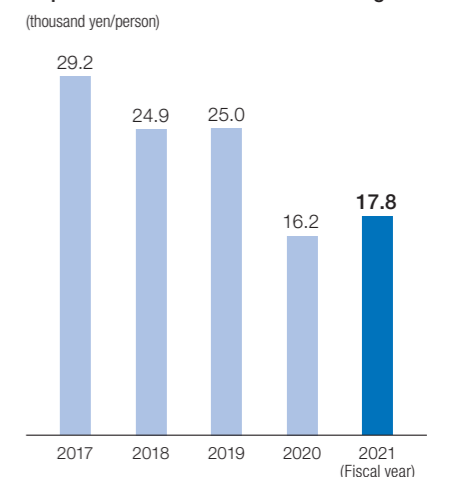


\* Percentage of employees who responded when asked who they believed was responsible for practicing compliance

### Percentage of Raw Materials Used That Are Recycled Ingots



### Average Annual Amount of Expenditure for Education/Training



## Operating Results and Financial Analysis

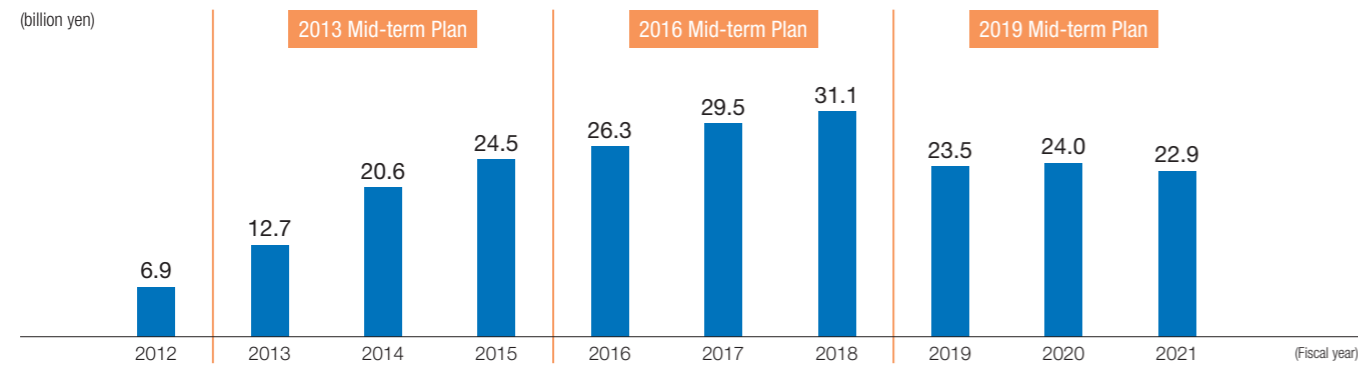
### Overview of Operating Results

At the NLM Group, we endeavored to implement measures steadily and achieve targets based on the three basic policies of the three-year mid-term management plan that started in April 2019 (hereafter, the “2019 Mid-term Plan”): creating new products and new businesses, investing resources in growth and reinforcing the management foundation.

We were unable to achieve the targets partly because of the significant impact of the changes in the external environment that

took place during the period of the 2019 Mid-term Plan, including the soaring prices of raw materials and fuels, in addition to the economic slowdown attributed to the U.S.-China trade war and the COVID-19 pandemic and the decline in automotive production due to the shortages of semiconductors and other components. However, we were able to secure a certain level of profit in this challenging business environment.

#### Changes in Consolidated Ordinary Profit



	2018 (Results)	2021 (Target in the 2019 Mid-term Plan)	2019 (Results)	2020 (Results)	2021 (Results)
Net sales	500.5	540.0	465.9	432.6	486.6
Operating profit	30.1	37.5	24.6	24.2	22.2
Ordinary profit	31.1	37.0	23.5	24.0	22.9
Profit attributable to owners of parent	20.6	24.0	7.5	3.4	16.8
ROCE (%)*	10.8	11.4	8.0	8.4	8.7

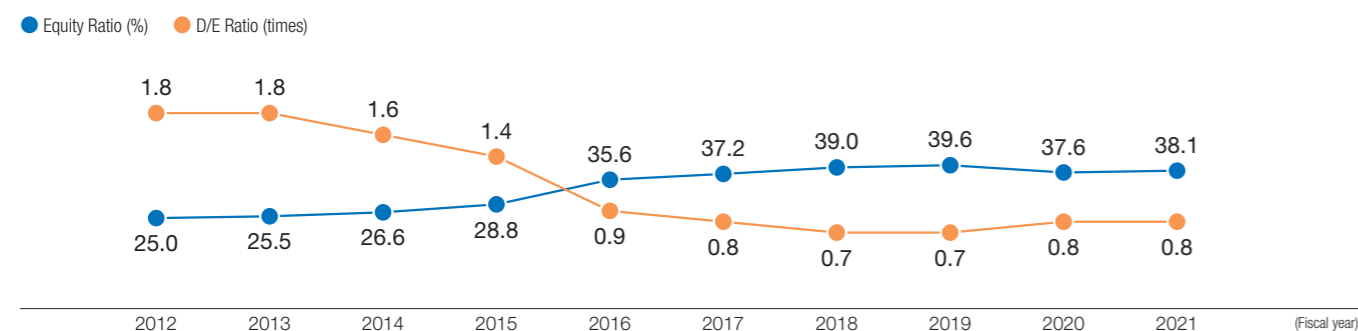
\* ROCE (return on capital employed): Ordinary profit before interest / Capital employed

### Financial Position

In conjunction with various measures built into its mid-term management plan aimed at establishing a healthier and firmer management position, the NLM Group concentrated on reducing interest-bearing debt and enhancing shareholders' equity to improve its financial strength. During the period of the 2019 Mid-term Plan, our financial position remained stable, partly

reflecting the continued efforts to enhance our financial foundation, despite the posting of an allowance for sediment control measures at the Amehata Dam owned by Nippon Light Metal Co., Ltd., performance fluctuations and changes in demand for funds attributed to COVID-19, and other negative factors.

#### Equity Ratio and D/E Ratio



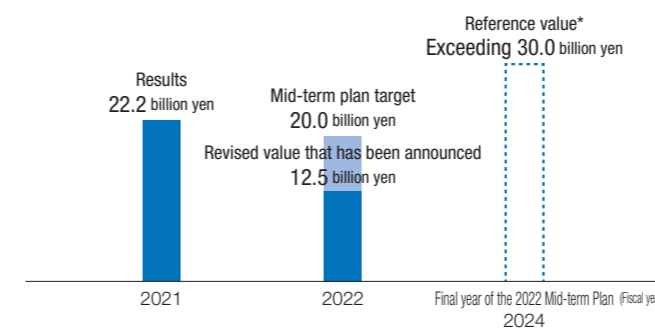
### Management Indicators (2022 Mid-term Management Plan)

#### Financial Indicator

At the NLM Group, we adopted a three-year mid-term management plan that started in April 2022 (hereafter, the “2022 Mid-term Plan”).

During the 2022 Mid-term Plan, we will build a revenue base that is less susceptible to the external environment and aim to develop a structure which enables us to secure stable profits exceeding 30.0 billion yen, to enable the sustainable growth of the NLM Group.

#### Operating Profit



\* The value is the current rough estimate made by the Company. It is not positioned as a target to be achieved.

### FY2022 Earnings Forecasts

It is expected that the global economy will see progress in the shift to the new normal created by the COVID-19 pandemic, including remote working, while reducing COVID-19 risks. The modest recovery is expected to continue despite unfavorable conditions such as supply chain disruptions, high prices, and labor shortages. However, risks putting strong downward pressure on economic growth — including increasing factors for negative business confidence attributed to the situation in

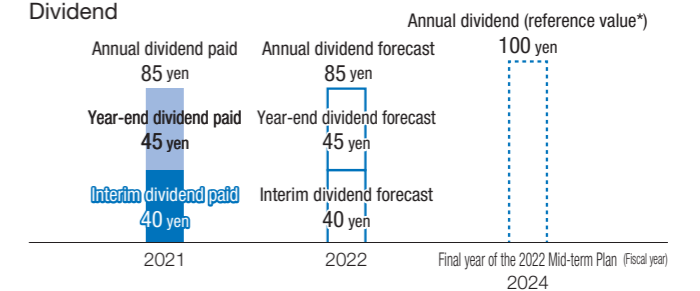
	FY2022 forecasts (Oct. 31)	FY2021 Results	Change
Net sales	515.0	486.6	+28.4 (+5.8%)
Operating profit	12.5	22.2	-9.7 (-43.7%)
Ordinary profit	15.0	22.9	-7.9 (-34.6%)
Profit attributable to owners of parent	10.0	16.8	-6.8 (-40.3%)
Dividend per share	85 yen*	85 yen	±0

\* Interim dividend of 40 yen/share and year-end dividend of 45 yen/share

#### Basic Policy on Profit Distribution

Our basic policy is to provide dividends to our shareholders by comprehensively considering the consolidated financial results and other factors from a medium- to long-term perspective while striving to strengthen our financial standing and management foundation. Regarding the profit return indicator, we determine the amount of dividends and other returns based on a total payout ratio of 30%, including the acquisition of treasury shares.

#### Dividend



\* The value is the current rough estimate made by the Company. It is not positioned as a target to be achieved.

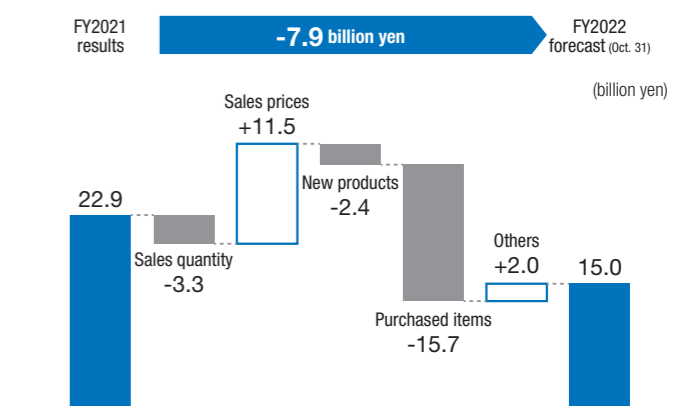
We will strive to improve our corporate value by investing for the future, including in measures to strengthen our management foundation, R&D, human resource development, and initiatives to achieve carbon neutrality, in addition to investing to expand business in growth areas and creating demand and increasing earning power in the area of infrastructure business. We will strive to keep the D/E ratio below 1.0.

Ukraine, economic sanctions against Russia, and the belt-tightening policy of the United States — have also surfaced.

In this environment, we calculated the forecast of consolidated financial results based on the currently available information and predictions.

(Announced on October 31, 2022/Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2022/ Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022)

#### Factors for Changes in Ordinary Profit



## Key Financial Data for the Past 11 Years

(Unit: million yen)

(Fiscal year)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Operating Results</b>											
Net sales	403,009	371,887	402,829	431,477	464,405	448,381	481,439	500,451	465,946	432,568	<b>486,579</b>
Gross profit margin (%)	16.8	16.9	17.1	17.8	19.2	20.4	19.5	19.4	20.1	20.8	<b>18.8</b>
Operating profit	13,665	8,154	12,617	19,305	26,821	30,225	29,893	30,052	24,607	24,194	<b>22,198</b>
Ordinary profit	9,709	6,873	12,730	20,600	24,526	26,252	29,533	31,084	23,475	24,030	<b>22,928</b>
Profit attributable to owners of parent	2,856	3,355	5,128	9,645	15,533	19,520	18,012	20,560	7,476	3,366	<b>16,759</b>
<b>Segment Information</b>											
<b>Net sales</b>											
Aluminum Ingot and Chemicals	99,560	93,902	105,488	114,339	109,844	101,840	111,100	117,008	102,833	91,181	<b>127,633</b>
Aluminum Sheet and Extrusions	70,618	63,161	71,274	82,823	103,340	98,165	106,955	107,835	101,193	97,850	<b>113,876</b>
Fabricated Products and Others	127,972	126,218	132,261	138,088	149,220	154,684	169,019	180,259	172,975	157,297	<b>153,415</b>
Aluminum Foil, Powder and Paste	104,859	88,606	93,806	96,227	102,001	93,692	94,365	95,349	88,945	86,240	<b>91,655</b>
<b>Operating profit (loss)</b>											
Aluminum Ingot and Chemicals	5,227	3,273	2,917	6,069	9,138	10,126	8,954	9,616	10,902	9,614	<b>13,021</b>
Aluminum Sheet and Extrusions	1,569	1,675	2,668	4,230	3,058	7,775	9,767	7,152	3,556	5,950	<b>7,518</b>
Fabricated Products and Others	6,392	6,974	7,224	7,704	10,958	10,245	9,783	11,681	10,440	8,892	<b>3,776</b>
Aluminum Foil, Powder and Paste	3,402	(771)	2,889	4,183	6,829	5,478	4,856	5,114	3,074	3,311	<b>1,570</b>
Elimination or corporate	(2,925)	(2,997)	(3,081)	(2,881)	(3,162)	(3,399)	(3,467)	(3,511)	(3,365)	(3,573)	<b>(3,687)</b>
<b>Financial Position</b>											
Current assets	225,200	217,648	226,807	248,906	247,363	246,394	262,671	267,238	246,374	270,781	<b>296,727</b>
Non-current assets	197,471	202,138	205,731	208,371	204,831	202,229	204,528	214,065	223,630	236,174	<b>235,874</b>
Current liabilities	192,070	182,173	181,520	202,220	186,881	184,277	191,729	184,364	162,341	166,116	<b>190,542</b>
Non-current liabilities	121,752	122,989	129,824	117,672	120,894	90,722	86,148	94,204	106,465	133,735	<b>121,152</b>
Shareholders' equity	100,033	102,297	105,787	111,791	124,884	154,600	167,115	183,163	184,547	184,763	<b>194,967</b>
Accumulated other comprehensive income	434	2,851	4,629	9,631	5,300	5,053	6,842	4,691	1,728	5,949	<b>8,122</b>
Non-controlling interests	8,382	9,476	10,778	15,963	14,235	13,971	15,365	14,881	14,923	16,392	<b>17,818</b>
Balance of interest-bearing debt	187,697	188,844	198,668	188,990	182,207	149,835	139,997	139,570	132,622	146,229	<b>155,406</b>
<b>Cash Flows</b>											
Cash flows from operating activities	19,537	18,030	18,148	11,780	37,770	36,488	25,868	34,644	48,676	41,942	<b>1,487</b>
Depreciation	17,040	16,259	16,435	16,406	16,356	16,602	17,126	17,294	18,694	19,157	<b>20,063</b>
Cash flows from investing activities	(18,289)	(14,025)	(18,998)	(7,119)	(19,419)	(11,887)	(14,948)	(22,777)	(29,684)	(25,674)	<b>(18,021)</b>
Capital expenditures	23,167	17,121	14,001	15,869	18,861	19,908	21,077	29,926	29,978	25,933	<b>23,222</b>
Cash flows from financing activities	(6,915)	(5,175)	5,762	(17,581)	(10,708)	(24,432)	(17,040)	(8,904)	(15,745)	8,194	<b>(626)</b>
<b>Per-Share Information (yen)<sup>(Note)</sup></b>											
Profit	52.51	61.69	94.29	177.35	285.62	345.79	290.88	332.03	120.73	54.37	<b>270.77</b>
Diluted profit	—	—	90.43	155.86	251.01	314.65	—	—	—	—	<b>—</b>
Net assets	1,847.13	1,933.30	2,030.30	2,232.72	2,393.87	2,578.24	2,809.28	3,033.74	3,008.26	3,081.54	<b>3,281.17</b>
Amount of dividends	2.0	3.0	4.0	5.0	6.0	8.0	8.0	9.0	9.0	65.0	<b>85.0</b>
<b>Indicators (%)</b>											
Return on capital employed (ROCE)	4.9	3.7	5.9	8.2	9.0	9.6	10.7	10.8	8.0	8.4	<b>8.7</b>
Return on equity	2.9	3.3	4.8	8.3	12.3	13.5	10.8	11.4	4.0	1.8	<b>8.5</b>
Equity ratio	23.8	25.0	25.5	26.6	28.8	35.6	37.2	39.0	39.6	37.6	<b>38.1</b>
<b>Others</b>											
Number of shares issued (thousand shares) <sup>(Note)</sup>	545,126	545,126	545,126	545,126	545,126	619,938	619,938	619,938	619,938	61,994	<b>61,994</b>
Research and development expenses	4,902	5,063	4,984	4,495	4,794	4,939	5,177	5,447	5,867	5,935	<b>6,443</b>
Number of employees	10,041	10,392	10,438	13,335	12,961	13,126	12,855	13,316	13,611	13,162	<b>12,750</b>

Note: The Company conducted a 10-to-1 reverse stock split of common shares on October 1, 2020. Profit per share, diluted profit per share and net assets per share are calculated on the assumption that the reverse stock split was carried out at the beginning of FY2011. Dividend per share lists the actual dividend amounts regardless of whether before or after the reverse stock split in question.



## Consolidated Financial Statements

### Consolidated Balance Sheets

(Unit: million yen)

Item	Fiscal Year Ended March 2022	Fiscal Year Ended March 2021	Increase (decrease)	Item	Fiscal Year Ended March 2022	Fiscal Year Ended March 2021	Increase (decrease)
<b>Assets</b>				<b>Liabilities</b>			
<b>Current assets</b>	296,727	270,781	25,946	<b>Current liabilities</b>	190,542	166,116	24,426
Cash and deposits	45,188	61,229	(16,041)	Notes and accounts payable - trade	72,324	65,815	6,509
Notes and accounts receivable - trade	—	105,003	(105,003)	Short-term borrowings	78,245	62,668	15,577
Notes and accounts receivable - trade, and contract assets	115,558	—	115,558	Income taxes payable	4,264	3,327	937
Electronically recorded monetary claims - operating	28,620	28,770	(150)	Provision for recall	1,098	—	1,098
Inventories	89,397	65,594	23,803	Other	34,611	34,306	305
Other	18,350	10,570	7,780	<b>Non-current liabilities</b>	121,152	133,735	(12,583)
Allowance for doubtful accounts	(386)	(385)	(1)	Bonds payable	734	664	70
<b>Non-current assets</b>	235,874	236,174	(300)	Long-term borrowings	76,427	82,897	(6,470)
Property, plant and equipment	175,923	179,105	(3,182)	Retirement benefit liability	18,776	19,929	(1,153)
Buildings and structures	59,322	59,119	203	Allowance for sediment control measures	18,253	24,634	(6,381)
Machinery, equipment and vehicles	47,868	49,507	(1,639)	Other	6,962	5,611	1,351
Tools, furniture and fixtures	5,849	6,234	(385)	<b>Total liabilities</b>	311,694	299,851	11,843
Land	54,904	54,690	214	<b>Net assets</b>			
Construction in progress	7,980	9,555	(1,575)	<b>Shareholders' equity</b>	194,967	184,763	10,204
Intangible assets	12,390	7,073	5,317	Share capital	46,525	46,525	—
Goodwill	2,442	1,111	1,331	Capital surplus	19,107	18,992	115
Other	9,948	5,962	3,986	Retained earnings	129,465	119,377	10,088
Investments and other assets	47,561	49,996	(2,435)	Treasury shares	(130)	(131)	1
Investment securities	29,798	30,241	(443)	<b>Accumulated other comprehensive income</b>	8,122	5,949	2,173
Deferred tax assets	10,961	11,898	(937)	Valuation difference on available-for-sale securities	2,821	3,642	(821)
Other	7,353	8,402	(1,049)	Deferred gains or losses on hedges	186	24	162
Allowance for doubtful accounts	(551)	(545)	(6)	Revaluation reserve for land	145	145	—
<b>Total assets</b>	532,601	506,955	25,646	Foreign currency translation adjustment	5,555	2,665	2,890
				Remeasurements of defined benefit plans	(585)	(527)	(58)
				<b>Non-controlling interests</b>	17,818	16,392	1,426
				<b>Total net assets</b>	220,907	207,104	13,803
				<b>Total liabilities and net assets</b>	532,601	506,955	25,646

### Consolidated Statements of Income

(Unit: million yen)

Item	Fiscal Year Ended March 2022	Fiscal Year Ended March 2021	Increase (decrease)
<b>Net sales</b>	486,579	432,568	54,011
<b>Cost of sales</b>	395,229	342,499	52,730
Gross profit	91,350	90,069	1,281
<b>Selling, general and administrative expenses</b>	69,152	65,875	3,277
<b>Operating profit</b>	22,198	24,194	(1,996)
<b>Non-operating income</b>	5,233	3,916	1,317
Interest and dividend income	552	393	159
Share of profit of entities accounted for using equity method	1,663	623	1,040
Other non-operating income	3,018	2,900	118
<b>Non-operating expenses</b>	4,503	4,080	423
Interest expenses	1,089	1,033	56
Expenses related to special investigations	606	—	606
Other non-operating expenses	2,808	3,047	(239)
<b>Ordinary profit</b>	22,928	24,030	(1,102)
<b>Extraordinary income</b>	5,254	—	5,254
Gain on sale of shares of subsidiaries and associates	1,962	—	1,962
Gain on step acquisitions	1,526	—	1,526
Gain on sale of non-current assets	912	—	912
Gain on contribution of securities to retirement benefit trust	854	—	854
<b>Extraordinary losses</b>	2,883	16,200	(13,317)
Expense related to recall	1,481	—	1,481
Impairment loss	1,402	—	1,402
Sediment control costs	—	16,200	(16,200)
<b>Profit before income taxes</b>	25,299	7,830	17,469
<b>Income taxes - current</b>	7,656	6,691	965
<b>Income taxes - deferred</b>	268	(3,958)	4,226
<b>Profit</b>	17,375	5,097	12,278
<b>Profit attributable to non-controlling interests</b>	616	1,731	(1,115)
<b>Profit attributable to owners of parent</b>	16,759	3,366	13,393

### Consolidated Statements of Cash Flows

(Unit: million yen)

Item	Fiscal Year Ended March 2022	Fiscal Year Ended March 2021	Increase (decrease)
<b>Cash flows from operating activities</b>	1,487	41,942	(40,455)
<b>Cash flows from investing activities</b>	(18,021)	(25,674)	7,653
<b>Cash flows from financing activities</b>	(626)	8,194	(8,820)
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,014	418	596
<b>Net increase (decrease) in cash and cash equivalents</b>	(16,146)	24,880	(41,026)
<b>Cash and cash equivalents at beginning of period</b>	61,176	36,296	24,880
<b>Net increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	115	—	115
<b>Cash and cash equivalents at end of period</b>	45,145	61,176	(16,031)

# Data

		Boundary		2017	2018	2019	2020	2021	Unit	
<b>Employees, etc.</b>										
Number of directors	Full-time directors	Consolidated	Male	190	208	216	209	223	person(s)	
		Consolidated	Female	0	0	1	1	1	person(s)	
		Consolidated	<u>Total</u>	<u>190</u>	<u>208</u>	<u>217</u>	<u>210</u>	<u>224</u>	person(s)	
Number of employees <sup>1</sup>	Managerial staff	Consolidated	Male	1,540	1,640	1,666	1,712	1,674	person(s)	
		Consolidated	Female	90	95	96	100	95	person(s)	
		Consolidated	<u>Total</u>	<u>1,630</u>	<u>1,735</u>	<u>1,762</u>	<u>1,812</u>	<u>1,769</u>	person(s)	
	General	Consolidated	Male	8,992	9,087	9,345	9,040	8,486	person(s)	
		Consolidated	Female	2,233	2,494	2,504	2,310	1,775	person(s)	
		Consolidated	<u>Total</u>	<u>11,225</u>	<u>11,581</u>	<u>11,849</u>	<u>11,350</u>	<u>10,261</u>	person(s)	
		Consolidated	<u>Total</u>	<u>12,855</u>	<u>13,316</u>	<u>13,611</u>	<u>13,162</u>	<u>12,030</u>	person(s)	
	Number of employees by country/region	Japan	Consolidated	Male	8,058	8,399	8,568	8,668	8,621	person(s)
			Consolidated	Female	1,198	1,271	1,323	1,384	1,431	person(s)
			Consolidated	<u>Total</u>	<u>9,256</u>	<u>9,670</u>	<u>9,891</u>	<u>10,052</u>	<u>10,052</u>	person(s)
Asia		Consolidated	Male	2,243	2,282	2,221	1,858	1,317	person(s)	
		Consolidated	Female	1,089	1,095	1,239	985	400	person(s)	
		Consolidated	<u>Total</u>	<u>3,332</u>	<u>3,377</u>	<u>3,460</u>	<u>2,843</u>	<u>1,717</u>	person(s)	
U.S. and Europe		Consolidated	Male	231	229	222	226	222	person(s)	
		Consolidated	Female	36	40	38	41	39	person(s)	
		Consolidated	<u>Total</u>	<u>267</u>	<u>269</u>	<u>260</u>	<u>267</u>	<u>261</u>	person(s)	
		Consolidated	<u>Total</u>	<u>267</u>	<u>269</u>	<u>260</u>	<u>267</u>	<u>261</u>	person(s)	
Number of employees in each age group <sup>2</sup>	Under 15	Consolidated	Male	—	0	0	0	0	person(s)	
		Consolidated	Female	—	0	0	0	0	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	person(s)	
	15 to 19 years old	Consolidated	Male	—	108	108	89	112	person(s)	
		Consolidated	Female	—	15	21	20	13	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>123</u>	<u>129</u>	<u>109</u>	<u>125</u>	person(s)	
	20 to 29	Consolidated	Male	—	2,153	2,124	1,925	1,691	person(s)	
		Consolidated	Female	—	559	600	444	351	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>2,712</u>	<u>2,724</u>	<u>2,369</u>	<u>2,042</u>	person(s)	
	30 to 39	Consolidated	Male	—	3,150	3,164	3,038	2,745	person(s)	
		Consolidated	Female	—	833	894	826	530	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>3,983</u>	<u>4,058</u>	<u>3,864</u>	<u>3,275</u>	person(s)	
	40 to 49	Consolidated	Male	—	2,878	2,919	2,798	2,641	person(s)	
		Consolidated	Female	—	671	741	738	564	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>3,549</u>	<u>3,660</u>	<u>3,536</u>	<u>3,205</u>	person(s)	
	50 to 59	Consolidated	Male	—	1,975	2,010	2,252	2,290	person(s)	
		Consolidated	Female	—	276	284	319	351	person(s)	
		Consolidated	<u>Total</u>	<u>—</u>	<u>2,251</u>	<u>2,294</u>	<u>2,571</u>	<u>2,641</u>	person(s)	
60 or older	Consolidated	Male	—	646	686	650	681	person(s)		
	Consolidated	Female	—	52	60	63	61	person(s)		
	Consolidated	<u>Total</u>	<u>—</u>	<u>698</u>	<u>746</u>	<u>713</u>	<u>742</u>	person(s)		
Percentage of female employees		Consolidated	18.1	19.4	19.1	18.3	15.5	%		
Percentage of female managers		Consolidated	5.5	5.5	5.4	5.5	5.4	%		
Number of new hires	Total	Consolidated (Japan)		596	692	617	486	459	person(s)	
	Percentage to employees	Consolidated (Japan)		7.1	7.8	6.8	5.3	5.0	%	
Number of new graduates who were recruited		Consolidated (Japan)		197	211	210	196	205	person(s)	

		Boundary		2017	2018	2019	2020	2021	Unit
Number of employees who left	Total	Consolidated (Japan)		401	490	490	427	515	person(s)
	Percentage to employees	Consolidated (Japan)		3.4 <sup>3</sup>	5.3 <sup>3</sup>	5.1 <sup>3</sup>	4.4 <sup>3</sup>	5.3	%
Three-year retention rate <sup>4</sup>		Consolidated (Japan)		88.4	83.8	89.1	87.8	82.3	%
Number of those who were re-employed after retirement		Non-consolidated (Nippon Light Metal Co., Ltd.)		8	8	12	1	8	person(s)
Labor Union participation rate		Non-consolidated (Nippon Light Metal Co., Ltd.)		100	100	100	100	100	%
Average age	Consolidated	Male		39.1	39.9	39.4	40.7	41.3	years old
		Female		36.9	37.4	37.0	38.4	39.8	years old
		<u>Total</u>		<u>38.6</u>	<u>39.4</u>	<u>39.0</u>	<u>40.3</u>	<u>41.0</u>	years old
Average duration of service	Consolidated	Male		11.5	11.8	11.8	12.7	13.4	years
		Female		7.7	8.0	7.6	8.6	10.4	years
		<u>Total</u>		<u>10.8</u>	<u>11.1</u>	<u>11.0</u>	<u>12.0</u>	<u>12.9</u>	years
Average annual hours worked	Consolidated (Japan)	Male		2,146	2,157	2,076	2,085	2,119	Hours/person
		Female		1,974	1,871	1,867	1,919	2,003	Hours/person
		<u>Total</u>		<u>2,124</u>	<u>2,120</u>	<u>2,047</u>	<u>2,062</u>	<u>2,103</u>	Hours/person
Average annual overtime work hours	Consolidated (Japan)	Male		324	302	284	255	257	Hours/person
		Female		161	150	148	130	153	Hours/person
		<u>Total</u>		<u>302</u>	<u>282</u>	<u>266</u>	<u>238</u>	<u>243</u>	Hours/person
Average number of days of annual paid leave taken	Consolidated	Male		9.9	9.9	11.0	10.8	12.7	days
		Female		9.7	9.6	9.6	9.9	12.9	days
		<u>Total</u>		<u>9.9</u>	<u>9.8</u>	<u>10.7</u>	<u>10.6</u>	<u>12.7</u>	days
Average rate of acquisition of annual paid leave	Consolidated	Male		52.5	57.8	63.9	56.4	59.5	%
		Female		71.6	73.4	74.3	64.3	67.2	%
		<u>Total</u>		<u>55.3</u>	<u>60.0</u>	<u>65.4</u>	<u>57.6</u>	<u>60.6</u>	%
Number of employees who newly took childcare leave	Consolidated (Japan)	Male		1	6	12	12	50	person(s)
		Female		55	66	52	42	74	person(s)
		<u>Total</u>		<u>56</u>	<u>72</u>	<u>64</u>	<u>54</u>	<u>124</u>	person(s)
Number of employees who newly took nursing care leave	Consolidated (Japan)	Male		2	4	0	2	1	person(s)
		Female		1	2	2	2	1	person(s)
		<u>Total</u>		<u>3</u>	<u>6</u>	<u>2</u>	<u>4</u>	<u>2</u>	person(s)
Number of users of the shorter working hour program	Consolidated (Japan)	Male		0	1	3	5	5	person(s)
		Female		61	66	85	96	100	person(s)
		<u>Total</u>		<u>61</u>	<u>67</u>	<u>88</u>	<u>101</u>	<u>105</u>	person(s)
Number of employees who were absent from work due to mental health problems	Consolidated (Japan)	Male		34	59	51	45	43	person(s)
		Female		2	9	8	5	8	person(s)
		<u>Total</u>		<u>36</u>	<u>68</u>	<u>59</u>	<u>50</u>	<u>51</u>	person(s)
Average annual amount of expenditure for education/training		Consolidated		29.2	24.9	25.0	16.2	17.8	thousand yen/person
Employment rate of people with disabilities <sup>5</sup>	Non-consolidated (Nippon Light Metal Co., Ltd.)			2.59	2.63	2.57	2.60	2.57	%
	Non-consolidated (Toyo Aluminium K.K.)			2.03	1.93	2.55	2.63	2.30	%

\*1 Fixed-term (full-time) employees are included. Temporary employees are excluded.  
\*2 Consolidated figures have been reported since FY2018.  
\*3 The calculation method was revised, and the figures were corrected accordingly.  
\*4 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.  
\*5 As of June 1 immediately after the end of each fiscal year. The statutory employment rate is 2.3%.

		Boundary	2017	2018	2019	2020	2021	Unit
<b>The environment</b>								
Greenhouse gas emissions (Scope 1, Scope 2) <sup>1</sup>	Consolidated		929	885	731	665	★704	thousand tons-CO <sub>2</sub>
	Consolidated (Japan only) <sup>2</sup>		804	748	606	548	605	thousand tons-CO <sub>2</sub>
	Consolidated (overseas only) <sup>3</sup>		125	137	125	117	100	thousand tons-CO <sub>2</sub>
Greenhouse gas emissions per unit of sales <sup>1</sup>	Consolidated (Japan only)		2.09	1.87	1.60	1.57	1.58	tons-CO <sub>2</sub> /million yen
Breakdown of Scope 3 emissions <sup>4</sup>	Category 1 Purchased goods and services <sup>5</sup>	Consolidated	1,926	1,947	1,690	1,644	★1,781	thousand tons-CO <sub>2</sub>
	Category 2 Capital goods	Consolidated	22	35	42	39	23	thousand tons-CO <sub>2</sub>
	Category 3 Fuel and energy not included in Scope 1 or 2	Consolidated	28	34	34	31	33	thousand tons-CO <sub>2</sub>
	Category 4 Upstream transportation and distribution <sup>6</sup>	Consolidated	0	0	0	0	0	thousand tons-CO <sub>2</sub>
	Category 5 Waste generated in operation	Consolidated	4	5	4	3	4	thousand tons-CO <sub>2</sub>
	Category 6 Business travel	Consolidated	0	0	0	0	0	thousand tons-CO <sub>2</sub>
	Category 7 Employee commuting	Consolidated	3	3	4	4	4	thousand tons-CO <sub>2</sub>
Energy consumption	Electricity	Consolidated	10.8	10.4	8.1	7.8	8.3	PJ
	Fuels	Consolidated	6.3	6.2	6.0	5.5	5.8	PJ
Energy consumption intensity per unit of sales	Consolidated	35.5	33.2	30.1 <sup>6</sup>	30.4 <sup>6</sup>	29.0	GJ/million yen	
Weight of raw materials used in production	Consolidated	576	601	523	426	456	thousand tons	
SOx emissions	Consolidated	473	379	365	330	350	tons	
NOx emissions	Consolidated	520	560	449	380	507	tons	
Quantity of water intake <sup>7</sup>	Consolidated	23.5	23.9	22.6	21.7	21.2	million m <sup>3</sup>	
Total amount of discharged water	Consolidated	21.5	22.5	21.3	20.7	20.4	million m <sup>3</sup>	
Total wastewater per unit of sales	Consolidated	4.5	4.6	4.6	4.8	4.2	10 <sup>-5</sup> million m <sup>3</sup> /million yen	
Water consumption <sup>8</sup>	Consolidated	—	—	1.3	1.0	0.9	million m <sup>3</sup>	
COD emissions	Consolidated	97	105	106	90	77	tons	
Emissions and disposal of waste and waste byproducts	Total emissions	Consolidated	41.9	51.9	45.6	37.1	44.2	thousand tons
	Total emissions per unit of sales	Consolidated	8.7	10.3	9.8	8.6	9.1	10 <sup>-5</sup> thousand tons/million yen
	Disposed (landfill)	Consolidated	3.5	3.5	3.4	3.5	4.8	thousand tons
	Disposed (landfill) per unit of sales	Consolidated	6.7	7.0	7.3	8.2	9.9	10 <sup>-6</sup> thousand tons/million yen
	Environmental accounting	Consolidated (Japan)	1,983	2,218	1,580	995	1,359	million yen
Environmental conservation expenditure: Investment	Consolidated (Japan)	5,598	6,210	6,248	5,746	5,688	million yen	
Economic effect of environmental conservation activities: Earnings	Consolidated (Japan)	486	554	370	334	603	million yen	
Economic effect of environmental conservation activities: Changes in expenditure <sup>9,10</sup>	Consolidated (Japan)	(1,440)	(982)	1,027	2,098	(1,849)	million yen	

		Boundary	2017	2018	2019	2020	2021	Unit
Number of cases of lawsuits, penalties, or forfeitures related to the environment	Consolidated		0	0	0	0	0	case(s)
Number of accidents related to the environment <sup>11</sup>	Consolidated		0	0	3	3	3	case(s)
Number of complaints related to the environment <sup>12</sup>	Consolidated		10	16	10	6	7	case(s)
<b>Safety</b>								
Number of workplace injuries <sup>13</sup>	Lost-time injuries	Consolidated (Japan only)	12	23	19	12	15	case(s)
		Consolidated (overseas only)	9	16	16	7	14	case(s)
	Non-lost-time injuries	Consolidated (Japan only)	65	64	53	58	46	case(s)
		Consolidated (overseas only)	5	5	7	3	4	case(s)
Frequency rate of lost-time injuries <sup>13,14</sup>	Consolidated	0.56	1.05	0.91	0.58	0.73		
	Non-consolidated (Nippon Light Metal Co., Ltd.)	0.27	0.54	0.27	0.52	0.26		
<b>Compliance</b>								
Number of cases that were reported to Group Hotline	Consolidated		15	28	29	16	24	case(s)
Compliance meeting	Number of times the meeting was held	Consolidated	2,102	2,066	2,156	2,517	2,416	times
	Number of participants	Consolidated	20,237	20,972	21,404	23,059	22,307	total number
Number of patent publications <sup>13,15</sup>	Consolidated		182	167	160	140	213	case(s)
Number of patent registrations <sup>13,15</sup>	Consolidated		107	92	81	131	88	case(s)
<b>Quality assurance</b>								
Number of violations of laws or regulations in the provision of products/services	Consolidated		0	0	0	0	13	case(s)
Number of prompt reports	Consolidated		6	8	7	9	15	case(s)
Number of recalls	Consolidated		2	4	3	5	3	case(s)
<b>Community</b>								
Expenditure related to social contribution	Consolidated		133	168	180	113	119	million yen
<b>Governance</b>								
Interim and year-end dividend per share <sup>16</sup>	Consolidated		8	9	9	65	85	yen

**Amount of income taxes paid in FY2020 by country<sup>17</sup>**

	Japan	China	Thailand	U.S.	Indonesia	Vietnam
Amount of income taxes paid (million yen)	3,915	526	59	81	1	10
Number of employees	10,062	1,976	785	158	2	31

★ We have received independent assurance by KPMG AZSA Sustainability Co., Ltd. regarding the reliability of the data.  
<sup>1</sup> In FY2018, we began to compile statistics on greenhouse gas emissions from our main offices. The sum of Japan only and overseas only figures may not match the consolidated figures due to rounding.  
<sup>2</sup> The following CO<sub>2</sub> emission factors were used for the calculations.  
 Electricity in Japan: The CO<sub>2</sub> emission factor with T&D losses of each previous fiscal year announced by the Electric Power Council for a Low Carbon Society  
 Fuel in Japan: The CO<sub>2</sub> emission factor for each fuel is set by a ministerial ordinance from the Ministry of the Environment  
<sup>3</sup> The following CO<sub>2</sub> emission factors were used for the calculations.  
 Electricity overseas: CO<sub>2</sub> emission factors of the respective countries shown in CO2FCOMB 2017 from the IEA  
 Fuel overseas: Same as fuel in Japan in\*2  
 The subject period is January to December for FY2017 to FY2019 and April to March for FY2020 to FY2021.  
<sup>4</sup> Calculated based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. Figures for FY2021 were calculated using the emission intensity specified in the Inventory Database for Environmental Analysis (IDEA) database Ver 2.3 (for calculating greenhouse gas emissions from the supply chain).  
<sup>5</sup> The Scope 3 Category 1 emissions are calculated based on the volume of purchase of the top three items in terms of volume purchased from outside of the Group. Of the items, the aluminum ingots are those purchased by Nippon Light Metal Co., Ltd. Purchasing Department.  
<sup>6</sup> Figures for FY2019 and FY2020 were corrected to improve accuracy.  
<sup>7</sup> The seawater intake quantity is not included.  
<sup>8</sup> Began to be calculated in FY2019.  
<sup>9</sup> Changes in expenditure are calculated using the following formula: Changes in expenditure = expenditure incurred during a base period (FY2020) – expenditure incurred during the current year (FY2021)  
<sup>10</sup> - (minus) indicates an increase in expenditure.  
<sup>11</sup> Environmental problems that affect external parties (such as the leakage of oil or chemicals)  
<sup>12</sup> Number of petitions from external parties (such as those regarding smell and noise)  
<sup>13</sup> The subject period is the calendar year (January to December).  
<sup>14</sup> Injuries that resulted in one or more days' absence from work (excluding commuting injuries)  
<sup>15</sup> Companies subject to calculation were added from FY2020.  
<sup>16</sup> On October 1, 2020, the company conducted a one-for-ten reverse stock split.  
<sup>17</sup> The amount of taxes paid was 1 yen or more and less than 1 million yen in India (46), Singapore (3), Taiwan (6), Hong Kong (0), and France (109). (The figures in the parentheses indicate the number of employees.)

## Independent Assurance Report

### Independent Assurance Report

To President and Chief Executive Officer 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 performance indicators marked with ★ (the "Indicators") for the period from April 1, 2021 to March 31, 2022 included in its Nippon Light Metal Group Integrated Report 2022 (the "Report") for the fiscal year ended March 31, 2022.

#### 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 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 the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the 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 the Company's responsible personnel to obtain an understanding of its policy for preparing the 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 procedures on 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 recalculating the Indicators.
- Visiting the Shimizu Plant of Nippon Light Metal Company, Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

#### 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 Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the 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.

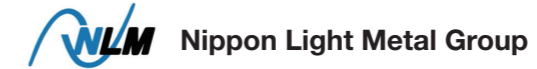
/s/ Kazuhiko Saito  
 Kazuhiko Saito, Partner, Representative Director  
 KPMG AZSA Sustainability Co., Ltd.  
 Tokyo, Japan  
 March 8, 2023

Notes to the Reader of Independent Assurance Report:  
 This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

## Announcement of the New Management Policy

# At the NLM Group, we revised the Group's Management Policy in May 2022.

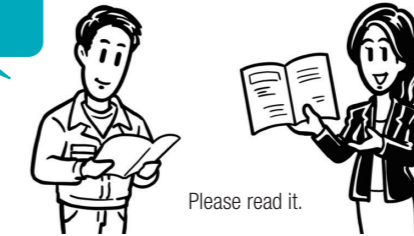
To communicate this new Management Policy to all officers and employees of the Group, and to ensure they understand it, we have created and distributed an explanatory video in addition to creating and distributing a handbook as we have been doing.



Details → P. 1 and P. 9

Please

read it.



Please read it.

Why did we revise it?

Society changes over time.

The Management Policy also needs to be kept up to date.

What is the Management Policy?

It shows the stance on work that you should have.



It shows the stance on work that you should have.



Our basic policies are described in it.

Our basic policies are described in it.



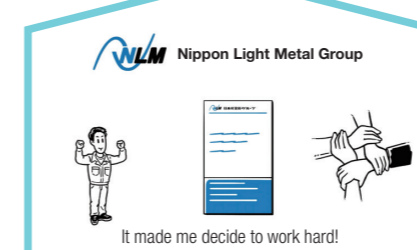
To learn from failure and make a fresh start,



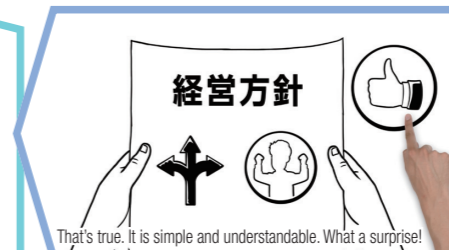
it is important that it be revised.



To ensure it is useful in your everyday work,



It made me decide to work hard!



That's true. It is simple and understandable. What a surprise!



we made each sentence short and simple.

## Company and Share Information

### Corporate Overview (as of March 31, 2022)

Company Name	Nippon Light Metal Holdings Co., Ltd.
Head Office Location	Urbannet Uchisaiwai-cho Building, 1-1-13 Shimbashi, Minato-ku, Tokyo
Share Capital	46,525,000,014 yen
President and CEO	Ichiro Okamoto
Number of Employees	12,750 (consolidated)
Established	October 1, 2012
Stock Exchange Listings	Tokyo Stock Exchange First Section <sup>(Note)</sup> (Securities code: 5703)

Note: Transferred to the Prime Market of Tokyo Stock Exchange on April 4, 2022

### Share Information (as of March 31, 2022)

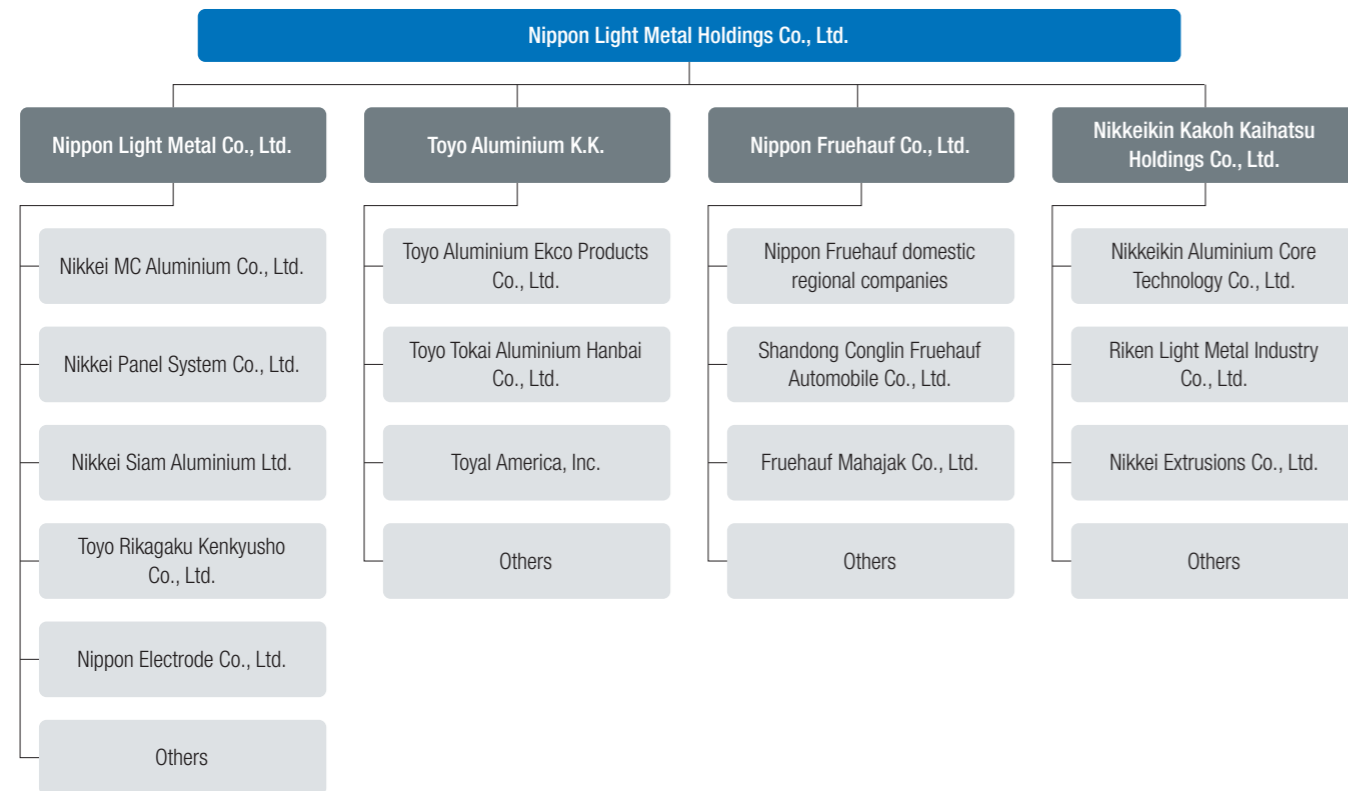
Total Number of Authorized Shares	200,000,000 shares
Total Number of Issued Shares	61,993,750 shares
Number of Shareholders	51,679

#### Major Shareholders (top ten)

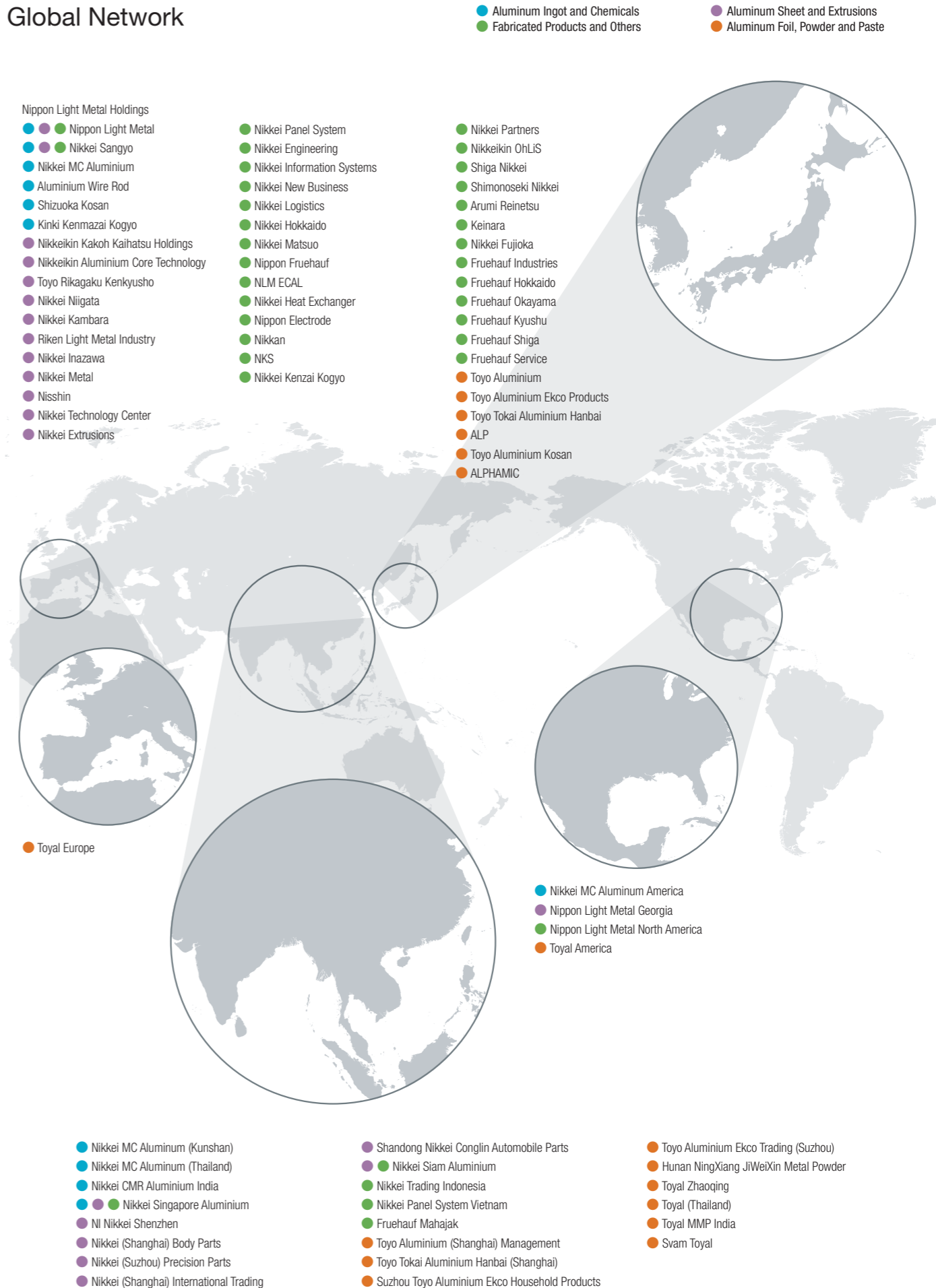
Name of Shareholder	Number of Shares Held (in thousands)	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,909	19.2
Custody Bank of Japan, Ltd. (Trust Account)	4,436	7.2
The Dai-ichi Life Insurance Company, Limited	2,000	3.2
Nikkei-Keiyu-Kai	1,833	3.0
The Light Metal Educational Foundation, Inc.	1,491	2.4
Asahi Mutual Life Insurance Company	1,275	2.1
DFA INTL SMALL CAP VALUE PORTFOLIO	1,178	1.9
Mizuho Bank, Ltd.	1,126	1.8
STATE STREET BANK WEST CLIENT – TREATY	949	1.5
Sumitomo Mitsui Trust Bank, Limited	909	1.5

Note: Ratio of shareholding is calculated after excluding treasury shares (82,325 shares).

### Nippon Light Metal Group Management Structure (as of March 31, 2022)



## Global Network



Note: Two dormant companies are excluded.