

# Sustainability Strategy

## Materiality (Key issues) of the NLM Group

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 improvement of

corporate value, our Board of Directors identified the Materiality (Key issues) of the NLM Group in 2021. 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 Materiality (Key issues)**
<https://www.nikkeihinholdings.com/sustainability/materiality.html>

Five Themes	Materiality (Key issues)	Reason for Selection of Materiality (Key issues) and Visions	Major Key Performance Indicator (KPI)	Target value* <sup>1</sup>	FY2024 results	Our assessment
<div>Protecting the global environment</div> <div></div>	<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>Response to climate change (TCFD)</li><li>Responding to water stress</li><li>Preventing environmental pollution</li></ul>	All of the aluminum we use at the NLM Group is imported, and a huge amount of electricity is necessary in the process of smelting it. Accordingly, we urgently need to reduce all GHG emissions—Scopes 1, 2 and 3. In addition, consideration for the natural environment and biodiversity is essential for ensuring the sustainability of our operations that utilize natural capital. Through these initiatives, we will balance both social responsibility and environmental consideration, and aim to become “a company that co-creates a sustainable future” trusted by our stakeholders.	● Scope 1 and 2 emissions per unit of sales (Japan) (➡ See pages 17, 48, 52)	~30% compared to the FY2013 level FY2050: Net zero	0.80 tons CO <sub>2</sub> /million yen	○
			● Scope 3 emissions per unit of sales (Japan) (➡ See pages 17, 48, 52)	~30% compared to the FY2013 level FY2050: Net zero	4.91 tons CO <sub>2</sub> e/million yen	○
			● Number of environmental incidents and complaints (➡ See page 50)	Continue to achieve 0 incidents and complaints	25 environmental incidents 9 environmental complaints	×
<div>Providing sustainable value</div> <div> </div>	<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>	The NLM Group has product families that can fulfill the growing demand related to the switch to materials created using renewable sources of energy and highly recyclable materials. Leveraging their features, we provide sustainable value in various fields, including the automobiles, transportation, electricity and electronics, and social infrastructure. These initiatives will contribute to the realization of a decarbonized and recycling-oriented society and the strengthening of social infrastructure, and create a sustainable future through innovation.	● Growth rate of sales of products for eco-friendly vehicles (Japan/compared to the FY2021 level)	Up 300%	Up 80%	△
			● Rate of purchase of external scrap (overall Group)	Above 30%	36%	○
<div>Happiness of employees</div> <div></div>	<ul style="list-style-type: none"><li>Occupational Safety and Health</li><li>Developing a fulfilling workplace</li><li>Diversity &amp; inclusion</li><li>Securing and cultivating human capital</li></ul>	With the internal slogan “Safety and health come before anything else,” in recent years, the NLM Group is focusing significant efforts on mental health care as well. To enhance corporate value, the happiness of employees who drive our businesses is indispensable, and to achieve that, we believe that a healthy work-life balance, diversity and inclusion, and human capital development are key. Through these initiatives, we foster the pride and growth of our employees, and aim for an enterprise filled with diversity and trust, and one that is continually chosen by the market.	● Number of lost-time injuries (➡ See page 57)	Continue to achieve 0 incidents	15	×
			● Employee engagement score (Japan) (➡ See page 59)	3.6 or higher	3.38(NLM*)	△
			● Percentage of managers that are women (consolidated) (➡ See page 61)	FY2024: 7% or above FY2030: 10% or above	6.1%	×
			● Percentage of childcare leave taken by male employees (Japan) (➡ See page 61)	FY2024: 30% FY2030: 100%	80.3%	○
			● Percentage of regularly hired career track workers that are women (➡ See page 61)	20% or higher	12.8%	×
			● Annual number of employees who completed next-generation management training (➡ See page 62)	10 or more trainees	15	○
● Percentage of managers who completed new manager training (➡ See page 62)	100%	100%	○			
<div>Responsible procurement, production and supply</div> <div></div>	<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>	Through initiatives that encompass a BCP perspective that includes respecting human rights and stable procurement in light of geopolitical risks, as well as by maintaining and improving quality, we will realize sustainable and highly transparent procurement and build a trusted supply chain, aiming to become an enterprise that grows together with local communities, all while pursuing customer satisfaction and consistent quality.	● Number of serious quality problems that occurred (➡ See pages 54 and 74)	Continue to achieve 0 incidents and complaints	36	×
			● Joining the relief organization (➡ See page 63)	Membership continued	Membership continued	○
			● Response rate from major suppliers* <sup>3</sup> to a questionnaire survey to check that they understand and have approved our CSR procurement policy	80%	74%	△
			● Number of BCP training sessions held	3	3	○
<div>Corporate ethics and governance</div> <div></div>	<ul style="list-style-type: none"><li>Strengthening governance</li><li>Reinforcing the compliance framework</li></ul>	We promote the enhancement of corporate governance and dialogue with diverse stakeholders. Additionally, we believe that the prevention of misconduct and scandals is effective in precluding such matters from negatively impacting not only the company but also society. We will ensure compliance with laws and regulations and highly reliable information disclosure to gain the understanding and trust of shareholders and investors, thereby aiming to be an enterprise chosen by the market for the long term.	● Number of quarterly interviews with investors held	84	120	○
			● Number of self-assessments conducted by the Board of Directors	Once/year	1	○
			● Number of times Outside Officers inspected business locations	Twice/year	2	○
			● Percentage of officers and employees who received compliance training (consolidated) (➡ See page 47)	Annual percentage of 80% or above	20%	×

\*<sup>1</sup> The targets are FY2030 targets unless otherwise noted. \*<sup>2</sup> Nippon Light Metal Co., Ltd. (non-consolidated) \*<sup>3</sup> Suppliers constituting 80% of the Group’s total purchases by amount

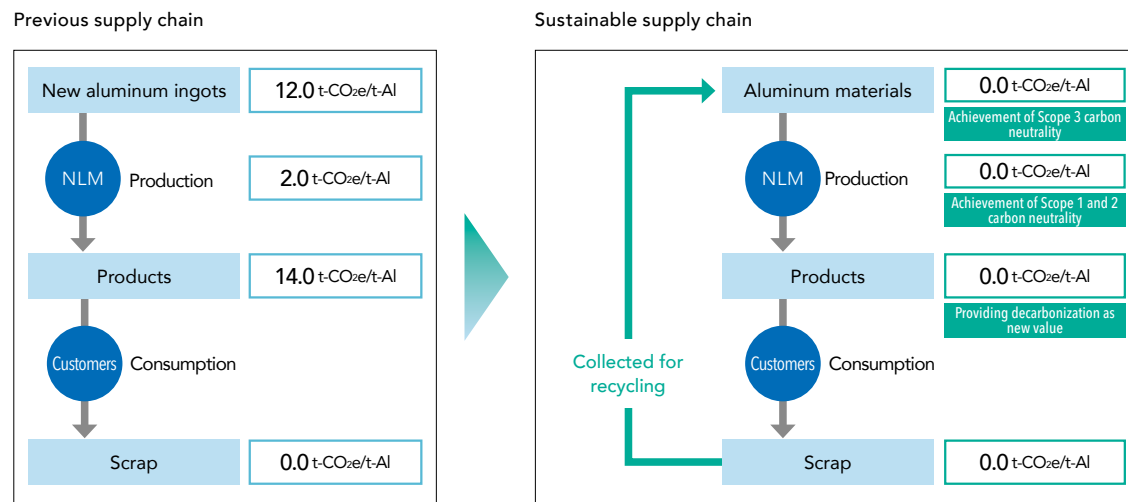
## Sustainability Strategy

### Action on the Material Issues: Initiatives for the Integrated Decarbonization Strategy of the Group

#### The NLM Group's role in realizing a decarbonized and recycling-oriented society

As global warming has been an issue for the entire world, the achievement of carbon neutrality throughout the supply chain is becoming a requirement for every company to continue their business activities. We are seeing actual financial burdens emerge, such as carbon taxes already introduced, primarily in Europe, and an increase in investors and financial institutions that require decarbonization initiatives as a condition for investment and financing. Domestically, frameworks are also being established that obligate the purchase of emission allowances or the payment of penalties for exceeding emission quotas. These moves are significant risks to business continuity.

On the other hand, aluminum is expected to be used more widely in the automotive sector, where it is necessary to further reduce the weight of vehicles due to the shift to EVs. Further, regarding the realization of a decarbonized society, there are high hopes for aluminum because it is highly recyclable and its recycling makes it possible to significantly reduce the GHG emissions of entire supply chains. Notably, the GHG emissions generated during aluminum recycling are only 3% of that generated during primary aluminum production. This characteristic is an extremely crucial element for contributing to the reduction of GHG emissions through material recycling throughout the supply chain.



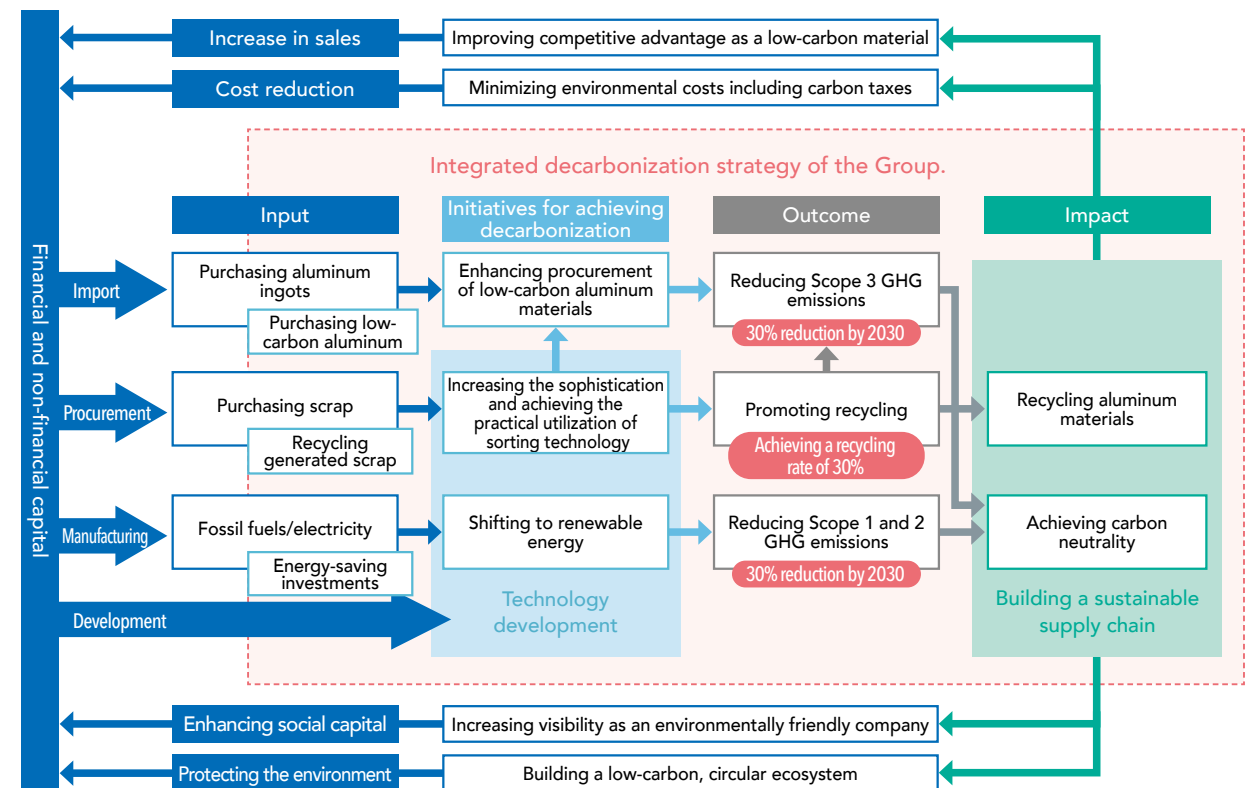
#### Concept of decarbonization strategy and basic policies

The NLM Group will reduce GHG emissions from company activities (Scopes 1 and 2) through investments in energy-saving measures and conversion of fuel and electricity to renewable sources.

Additionally, we will switch primary aluminum ingots procured overseas to "green aluminum" derived from renewable energy sources, such as hydroelectric power, and simultaneously promote the circular use of aluminum materials, to reduce GHG emissions in the procurement stage (Scope 3).

Through these initiatives, we will offer customers new value in the form of low carbon and decarbonization.

#### Flow of impact



# Sustainability Strategy

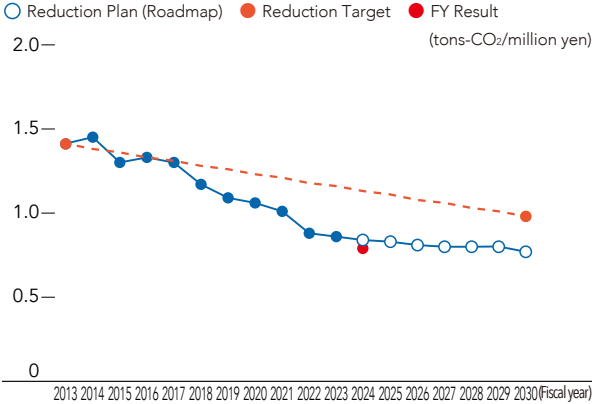
## Roadmap to achieve the targets

As the control tower for the Group's GHG emissions reduction, we established the Green Growth Strategy Office in FY2023 and have since been planning and promoting decarbonization strategies.

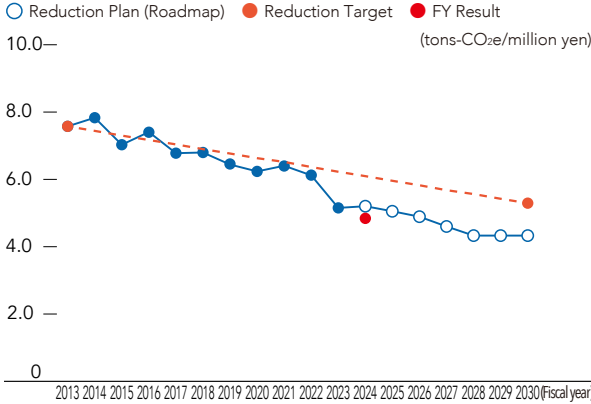
In FY2024, we formulated and published the roadmap to achieve the FY2030 targets, and the Green Growth Strategy Office is managing the progress to ensure its steady implementation.

📌 **NLM Group's roadmap to achieve the FY2030 targets toward carbon neutrality**  
<https://www.nikkeihinholdings.com/news/common/file/kessan/p2024121601hde.pdf>

### Scope 1 + 2



### Scope 3



## Prospect of achieving the reduction targets

### Scope 1 + 2

In FY2024, the recovery in production volume slowed the GHG emissions reduction, but promoting energy saving and energy conversion allowed us to achieve a GHG emissions reduction of approximately 130 thousand tons compared to FY2013. As a result, the emissions per unit of sales improved from the baseline year (FY2013) value of 1.41 to 0.80.

The future forecast takes into account an increase in GHG emissions due to the recovery in production volume, but we will endeavor to reduce emissions by further reinforcing energy-saving measures and expanding the introduction of renewable energy. Our current outlook indicates that, while an increase in emissions is anticipated due to factors such as increased production, we can still achieve the emissions per unit of sales target through these initiatives.

### Scope 3

Up until FY2024, similar to Scopes 1 and 2, a reduction in production volume contributed to a reduction in GHG emissions. On top of that, our initiatives to increase recycled aluminum procurement and to promote the use of scraps led to an emissions reduction of approximately 420 thousand tons. By this, the emissions per unit of sales improved from the baseline year (FY2013) value of 7.58 to 4.91.

Moving forward, we plan to advance the GHG emissions reduction by expanding the procurement of imported recycled billets and green aluminum and further accelerating aluminum recycling. Even factoring in the emissions increase associated with the production recovery, the 2030 emissions per unit of sales target of 5.31 is expected to be achievable.

## Outlook for reduction in total emissions

Our company has set its GHG emissions reduction targets based on emissions per unit of sales, and the FY2030 targets for Scopes 1 and 2 and Scope 3 are expected to be achieved. However, achieving carbon neutrality by FY2050 presupposes a practical reduction in total emissions, and we believe that achieving reduction on a total emissions basis requires implementing even more measures.

### COLUMN

#### Initiatives for achieving decarbonization

The NLM Group has been progressing the switch to green electricity derived from renewable energy sources to promote the Scope 2 emissions reduction.

In FY2024, we switched the electricity used at Toyo Rikagaku Kenkyusho Co., Ltd. and Toyo Aluminium K.K., Hino Works to 100% green electricity.

We will continue to actively expand the introduction of green electricity to achieve carbon neutrality.