

Governance

Progress of Enhanced Corporate Governance

NLM HD has positioned corporate governance as one of its most important management priorities and has been strengthening its governance framework in stages.

In June 2024, as part of its management reforms, NLM HD restructured its Group governance framework and strengthened the supervisory function of its Board of Directors, including by increasing the ratio of Outside Directors to a majority.

NLM HD will continue to review and enhance its governance framework in line with the intent of the Corporate Governance Code and other relevant guidance.

Initiatives for Enhancing Corporate Governance

2012: Transition to a holding company system

- Launched a new group structure with NLM HD as the holding company
- Appointed 2 Outside Directors (with the number to be subsequently increased)
- Introduction of an executive officer system

From 2020: Further improvement in the effectiveness of the Board of Directors

- Establishment of the Nomination and Compensation Committee (advisory body) (2020)
- Appointed female Directors and increased the number of Outside Directors (same as above | to 5)
- Introduction of stock compensation (2021)
- Developed a skills matrix (same as above)
- Introduction of an annual evaluation of the effectiveness of the Board of Directors through questionnaires (same as above)
- Introduction of a delegation-based executive officer system (same as above)

2024: Further evolution of group management

- Organizational structure reform (reorganized the Group's business portfolio into 8 business groups and service functions into 7 functional organizations)
- Reduction of the total number of Directors from 14 to 9 (56% independent Outside Directors)
- Abolishment of concurrent appointment of Directors and Executive Officers in charge of a business
- Introduction of the Senior Executive Officer system
- Introduction of a performance-linked stock compensation plan

- Strengthening group governance
- Appointment of Officers
- Compensation for Officers
- Improving the effectiveness of the Board of Directors

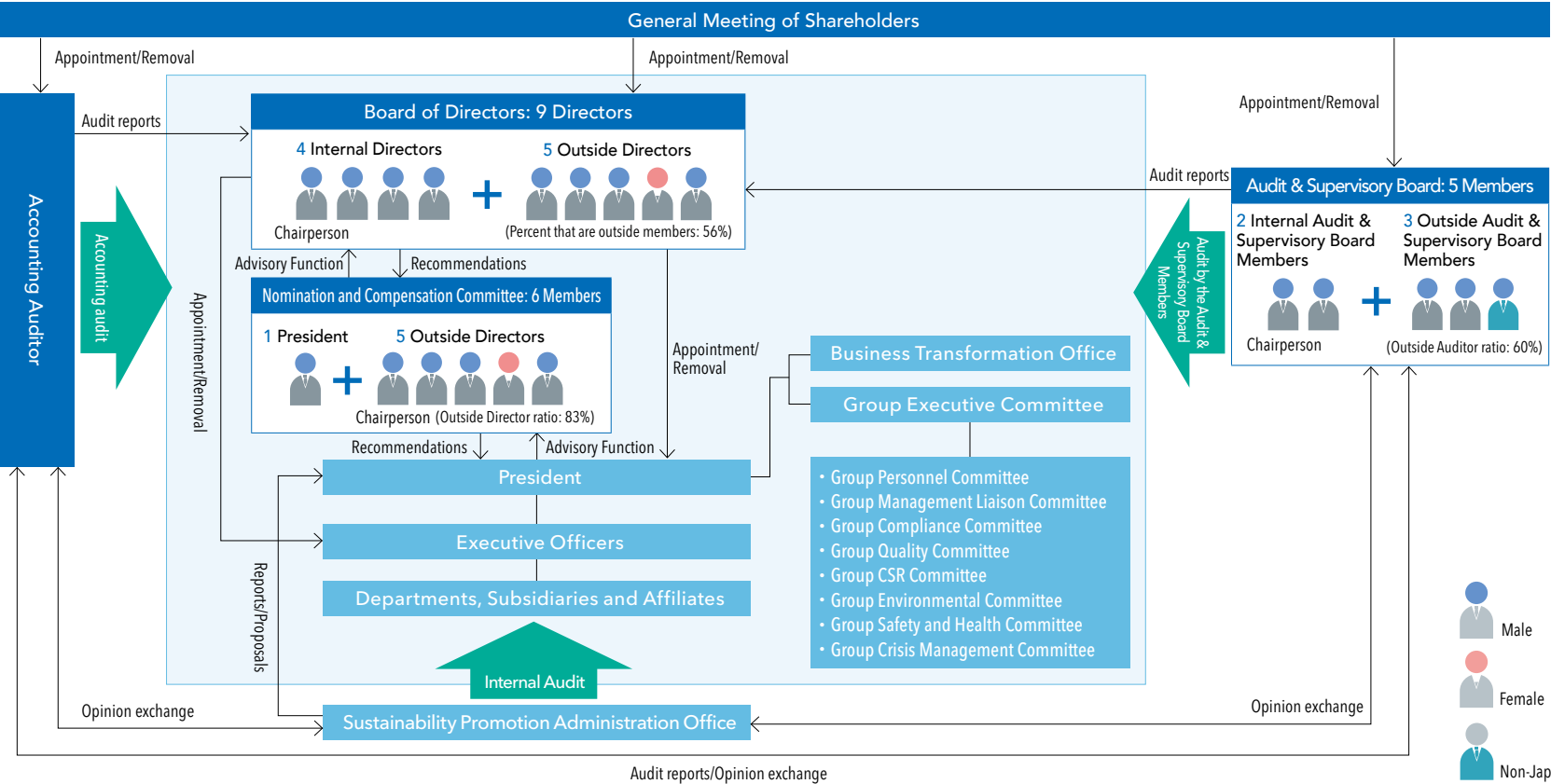
Policy and Structure

The NLM Group has adopted a pure holding company structure, under which the operating companies conduct their business activities under r Nippon Light Metal Holdings Co., Ltd. ("NLM HD"), the holding company. Within this structure, NLM HD aims to maximize corporate value by working to achieve sustainable growth and enhance its competitiveness through the Group-wide strategic planning and decision-

making, the strategic allocation of management resources, and the oversight of operating company management







[Corporate Governance Report \(Japanese only\)](https://www.nikkeihinholdings.co.jp/news/common/pdf/cgn.pdf)
<https://www.nikkeihinholdings.co.jp/news/common/pdf/cgn.pdf>

Governance Structure (As of October 2025)

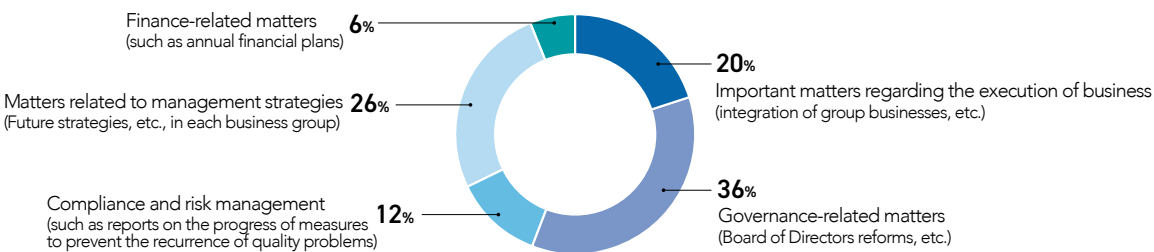


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Organizations and Meeting Structure

Organization		Board of Directors	Nomination and Compensation Committee	Audit&Supervisory Board
Composition	Internal members	Chairperson 		Chairperson 
	Outside members	 (Outside Director ratio: 56%)	Chairperson  (Outside Director ratio: 83%)	 (Outside Auditor ratio: 60%)
Basic Policies		The Board of Directors shall fulfill its supervisory function centered on the formulation of Group strategies aimed at maximizing corporate value. It is composed of Internal Directors and Outside Directors who possess the experience and expertise necessary for Group-wide strategic decision-making and the oversight of the business execution.	The Committee shall consist of three or more members including the President and Chief Executive Officer, with Independent Outside Directors comprising the majority of its members to ensure the transparency and fairness of the decision-making process related to the nomination of Directors and the compensation system. In addition, the Board of Directors appoints one of the Independent Outside Directors who is a member of the Committee as its chairperson.	The Audit & Supervisory Board conducts audits while maintaining independence from management by securing the participation of Outside Audit & Supervisory Board Members with experience and insight in various fields. In addition, the Auditor's Office that supports auditing operations of Audit by the Audit & Supervisory Board Members is assigned dedicated employees not subject to the direction or orders of Directors.
Authorities and Responsibilities		The Board of Directors makes decisions on the fundamental and important management matters of the NLM Group, and supervises the execution of duties by Directors and Executive Officers.	The Committee discusses and submits recommendations on nomination and compensation in response to a request for consultation from the Board of Directors and President and Chief Executive Officer.	Auditors conduct 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.
Frequency of Meetings		Monthly *FY2024 results: 14 meetings	3 times a year *FY2024 results: 5 meetings	Held on a regular basis *FY2024 results: 15 meetings
Major Matters Deliberated in FY2024		<ul style="list-style-type: none">• Management reforms (structural reforms) and future strategies of each business group• Reforms of the Board of Directors• Integration of group businesses• Reports on the progress of measures to prevent the recurrence of quality problems within the NLM Group	<ul style="list-style-type: none">• Officer Appointment• Succession plan for the President• Total amount of compensation for Directors for FY2024 and the policy for determining it	<ul style="list-style-type: none">• Communication and exchange of information with Directors and Executive Officers• Exchange of information with auditors of operating subsidiaries, the internal auditing department, and the accounting auditor

Matters deliberated by the Board of Directors (FY2024) *Based on the number of matters submitted for discussion



Organization	General Manager/Chairperson	Details
Business Transformation Office	Director of the Company	In response to the results of the investigations into the quality-related misconduct incidents within the Group and the prevention of their recurrence, etc., which were announced in March 2023, this office plays the leading role in promoting reforms within the NLM Group, so that the Group's initiatives to prevent recurrence will be implemented effectively without delay, with the core initiatives of promoting management reforms and strengthening internal control functions.
Group Executive Committee	President and Chief Executive Officer of the Company	As a body that assists the President and Chief Executive Officer in decision making, the Group Executive Committee is comprised mainly of Directors (excluding Outside Directors), Executive Officers and Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) of the Company. The Committee discusses and makes decisions on policies related to NLM Group management and important items concerning management execution. While matters that specifically require a resolution of the 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 organizing the agenda and key discussion points to facilitate constructive debate and exchanges of opinions among the Board of Directors.
Main meeting structure	Chairperson	Details
Group Compliance Committee	President and Chief Executive Officer of the Company	The Committee examines issues and problems regarding overall compliance and deliberates and determines measures to ensure compliance becomes entrenched and established.
Group Quality Committee	President and Chief Executive Officer of the Company	The Committee promotes quality management, analyzes the causes of serious quality problems, discusses how to prevent their recurrence, shares information regarding quality audits and other activities, and implements other initiatives.
Group CSR Committee	President and Chief Executive Officer of the Company	The Committee deliberates a wide range of matters and makes decisions regarding the NLM Group's Materiality (Key issues).
Group Environmental Committee	President and Chief Executive Officer of the Company	The Committee discusses basic environmental policy and activity promotion plans, reports on serious environmental problems and the results of environmental audits, and deliberate and propose initiatives related to environmental matters.
Group Crisis Management Committee	General Manager of Planning Administration Dept. of the Company	The Committee investigates crises (classified into four levels, from Level 0 to Level 3) that have occurred or may occur within the NLM Group, determines necessary countermeasures, and gives directions to related departments.

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Coordination Between Audit & Supervisory Board Members, Internal Auditing Department, and Accounting Auditor

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. The appropriateness and effectiveness of internal control are verified, and recommendations for improvements and corrective actions are issued as needed.

● Internal auditing department	Sustainability Promotion Administration Office
● Auditing cycle	Every three years, in principle, on a subsidiary-by-subsidiary basis
● Reporting of audit results	The status of the improvement and evaluation of internal audits and internal control is reported to the Board of Directors twice a year.
● Cooperation with Audit&Supervisory Board Members	The internal auditing department and Audit & Supervisory Board Members 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, they hold three-way meetings involving the accounting auditor (Ernst & Young ShinNihon LLC) twice a year to exchange views on internal control issues associated with audits and financial reporting, among other topics.

Evaluation of the Effectiveness of the Board of Directors and Summary of Evaluation Results

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 (one or more times a year) to ensure its functions continue to be improved on an ongoing basis.

Evaluation Process

The effectiveness of the Board of Directors in FY2024 was evaluated in the form of a self-evaluation, including a questionnaire survey of all Directors and Audit & Supervisory Board Members conducted in April 2025. The results of the questionnaire were discussed at the Board of Directors meeting held in May 2025 before the effectiveness evaluation for FY2024 was performed and the tasks for FY2025 were shared.

● Subjects:	All Directors and Audit & Supervisory Board Members	
● Evaluation method:	5-point scale + Free description	
● Evaluation process:	<div>➡ ① Questionnaire survey of each Director and Audit & Supervisory Board Members ➡ ② Reporting questionnaire results to the Board of Directors for discussion ➡ ③ Evaluation of the effectiveness and identification of issues by the Board of Directors ➡ ④ Efforts for improvement</div>	● Major evaluation items: <div>● Operation of the Board of Directors ● Supervisory function ● Dialogue with Shareholders and Investors, etc. ● Risk management ● Decision-making function ● Matters that were deliberated (The Nomination and Compensation Committee was also evaluated.)</div>

Summary of evaluation results

Tasks to be done in FY2024	<div>● Select agenda items based on the criteria for determining matters to be submitted to the Board of Directors, which were revised based on the changes in the roles of the Board of Directors (the separation of the business execution function and the formulation of medium- to long-term Group strategies), enhance discussions, and improve the operations of the Board of Directors.</div> <div>● Organizing business site inspection tours as opportunities to provide information to Outside Officers (KPI: two or more times a year)</div>
FY2024 initiatives	<div>● The NLM Group's management reform efforts based on agenda standards revised in light of changes in the role of the Board of Directors (separation of execution, formulation of medium- to long-term group strategies), the selection of agenda items related to the strategies of the NLM Group and each business group from a broad perspective, and the ideal form of the Board of Directors, including the management of proceedings to ensure the effectiveness of the Board of Directors, were deliberated. The evaluation of NLM HD by shareholders and investors was also deliberated providing sufficient information and opportunities for a shared understanding.</div> <div>● Two business site inspection tours were organized for Outside Officers, thus deepening their understanding of a wide range of the Group's businesses. The tours were also used as opportunities to confirm the Group's management issues, etc., through direct communication with people working on site.</div> <div>Business sites that were inspected</div> <div>● Nikkei Panel System Co., Ltd. Shimonoseki Plant (Details of business: manufacturing and installation of insulation panels) It was selected as a business site to inspect due to its status as a major business site for the Engineering Business Group and the completion of a new plant.</div> <div>● Nippon Light Metal Co., Ltd. Shimizu Plant (Details of business: manufacturing and sales of alumina, aluminum hydroxide, and various chemicals) It was selected as a business site to inspect due to its status as a major business site for the Chemicals Business Group.</div>
FY2024 evaluation	<div>In order for the Board of Directors to function effectively, open and constructive statements and discussions occur with the sharing of information and understanding as the premises for discussion. On the whole, the effectiveness of the Company's Board of Directors is ensured.</div> <div>Issue</div> <div>● Enhance discussions in response to mid- to long-term changes in the external environment, and enhance discussions on IR activities, including dialogue with shareholders and investors and how to disseminate information</div> <div>● Implement and refine measures to improve the Board of Directors (selection of matters submitted for discussion, how to share materials and information, improvement in managing proceedings, etc.)</div>
Policy for initiatives in FY2025	Select agenda items in line with the function of the Board of Directors (enhancing corporate value through advice and supervision on medium- to long-term corporate strategies), enhance discussions, and improve the operation of the Board of Directors

Governance

Policy for Nominating Officers and Status of the Succession Plan

Nomination of Directors

NLM HD comprehensively evaluates Director candidates from the following perspectives and makes a decision at the Board of Directors meeting.

- Experience and insight related to the NLM Group's businesses
- Contribution to the NLM Group's businesses
- Work performance from the perspective of group management and overall optimization, etc.

Nominations are made through consultation with the “Nomination and Compensation Committee,” which is chaired by an independent Outside Director and is composed of a majority of independent Outside Directors, ensuring transparency and fairness. In addition, when selecting management members, including the President, we select human resources who will contribute to maximizing corporate value in light of the “ideal image of the President” and evaluation criteria.

Training for Officers

We aim to improve the qualifications of our Officers and strengthen governance through the following training:

Chairper	Details
Internal Officers	Provide opportunities for seminars and networking events tailored to each individual, and provide support for expenses. Share and discuss management issues at the annual “Nippon Light Metal Group Top Management Seminar,” etc.
Outside Officers	Promote understanding of NLM HD's businesses through business briefings and inspection tours of major business sites.

Succession Plan

NLM HD conducts systematic succession planning with the aim of ensuring the succession of leaders who will contribute to increasing corporate value.

Positioning and basic policies

We place importance on achieving optimal timing for the replacement of the President, and design the selection, development, and evaluation processes based on the “ideal image of the President.”

Major initiatives

Item	Details
Selection	Form a group of candidates through “Next-generation Managers Training,” etc., and prepare a list of successor candidates from both the medium-to-long-term and short-term perspectives. At the same time, develop the most suitable successors, conduct evaluations (identify the best candidates), and review the selection.
Development	Strengthen their group management perspective and leadership through strategic rotation, tough assignments, interviews with Outside Directors, etc.
Evaluation	Conduct regular monitoring and objective evaluations through individual interviews with the current President, etc., based on evaluations and recommendations (including 360-degree evaluations) from other NLM HD Officers, etc., and through interactions with Outside Directors.

Transparency and supervisory framework

- The Nomination and Compensation Committee will essentially perform the supervisory function for the succession plan and will report its opinions to the Board of Directors and the President.
- The Board of Directors receives reports from the Nomination and Compensation Committee in a timely manner and fully respects its opinions when selecting the President.

Ideal image of the President

A human resource who has credentials to meet management mandates (realizing management policies, materiality, Mid-term Management Plans, etc.), work appropriately with various stakeholders, leading the NLM Group's business areas, and its Officers, and employees as one team, and maximize corporate value in both financial and non-financial aspects through hands-on efforts

Must possess the following credentials necessary to achieve the above:

- Ability to conceive and execute growth strategies from a medium-to-long-term perspective
- Ability to promote reforms without being bound by common sense
- Ability to make decisions based on stakeholders’ opinions

Compensation

Revision of the Compensation System for Directors and Officers

NLM HD's basic policy is to make compensation for Directors (excluding Outside Directors) serve as a sound incentive for sustainable growth.

In June 2024, the Company revised the compensation system for its Directors (excluding Outside Directors) and Executive Officers as part of its management reforms. This is to create a compensation system that contributes to sustainable improvement of corporate value. Through reviews based on the following three pillars, NLM HD's compensation system for Directors and Officers has become more transparent and accountable, linking compensation to performance and contributing to medium-to-long-term value creation.

• Optimize compensation levels	In order to make the level appropriate for the responsibilities of a prime-listed company under the HD structure, we have revised the level using as a benchmark the level of prime-listed companies with a similar operating profit scale in all industries.
• Enhance compensation structure	We increased the variable compensation ratio according to the level of responsibility, to 50% for the President and 40% for other positions. This increases the degree of reflection of business and individual performances.
• Evolve the Incentive System (Performance Indicators)	In order to strengthen motivation to achieve business performances from short-, medium-, and long-term perspectives, we set a 1:1 ratio for short-term incentive (STI) and long-term incentive (LTI), which are linked to multiple KPIs, including financial and non-financial.

In particular, for LTI, we have introduced performance-based stock compensation based on the following three indicators, replacing the previous non-performance-based one, to clarify incentives for medium-to-long-term value creation.

- Stock price indicator (compared to TOPIX)
- Progress in greenhouse gas emission reduction (KPI for material issues)
- Individual evaluations (non-financial)

In addition, for STI, we have newly incorporated individual evaluations (non-financial) in addition to the traditional operating profit and ROCE, creating a system for evaluating results in both quantitative and qualitative terms.

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Current Compensation System for Directors and Officers

Summary of compensation structure

Compensation for Directors (excluding Outside Directors) consists of basic compensation, performance-based compensation, and stock compensation.

Total amount of compensation

=

Basic compensation

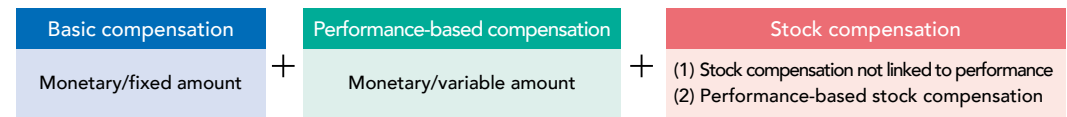
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Performance-based compensation

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Stock compensation

- Basic compensation is set as fixed compensation according to the position, responsibilities, etc. of each Director.
- Performance-based compensation varies depending on the NLM Group's business performance, the achievement of management plans (operating profit, ROCE, etc.), the degree of contribution to group management, etc.
- Stock compensation is intended to encourage improvement in medium- to long-term business performance and increase incentives to raise corporate value, and consists of non-performance-based stock compensation and performance-based stock compensation.
 - Non-performance-based stock compensation is paid according to the number of basic points, which are determined according to the Director's position, etc.
 - Performance-based stock compensation will be paid according to the number of performance-based points, calculated by multiplying a number determined according to the Director's position, etc., by a performance-based coefficient (0% to 200%) that varies depending on the actual values of performance-based indicators (such as "stock price-related indicators," "non-financial indicators (materiality-related indicators such as greenhouse gas reductions), and "individual target achievement"), etc.



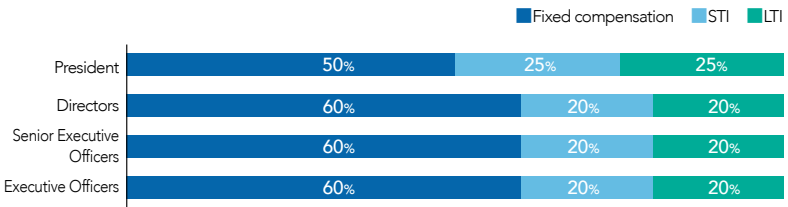
Structure of compensation	Calculation method	Type	
Basic compensation	Amount set for each position	Monetary payment	Fixed amount
Performance-based compensation	Standard amount of compensation for each position x [0% to 200%*1]	Monetary payment	Variable amount
Stock compensation ① ②	① Granting restricted stock for each position which is not linked to performance ② Granting performance-based restricted stock for each position Standard amount of stock compensation for each position x [0% to 200%*2]	Stock-based payment	① Fixed amount + ② Variable amount

*1 Operating profit, ROCE, and individual evaluations

*2 Stock price (compared to TOPIX), ratio to greenhouse gas emission reduction target, and individual evaluations

Compensation ratio

As a standard, the composition ratio of compensation for Directors (excluding Outside Directors) will be approximately 60% basic compensation, 20% performance-based compensation, and 20% stock compensation when each evaluation indicator is achieved at 100%. As a standard, the composition ratio of compensation for the President will be approximately 50% basic compensation, 25% performance-based compensation, and 25% stock compensation when each evaluation indicator is achieved at 100%.



Performance indicators for long-term incentives: stock compensation

The following three performance indicators shall be used.

- Stock price indicator (compared to TOPIX)
- Ratio to greenhouse gas emission reduction target (KPI for material issues)
- Individual evaluations (non-financial)

Performance indicators for short-term incentives: performance-based compensation

The following three performance indicators shall be used.

- Operating profit
- ROCE
- Individual evaluations (non-financial)

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Group Governance

Since June 2024, the NLM Group has been organizing businesses (group companies) that are adjacent to each other in terms of market sector and process into eight business groups and service functions into seven functional organizations (administration offices), thereby adopting a broader and higher-level management perspective and promoting the following:

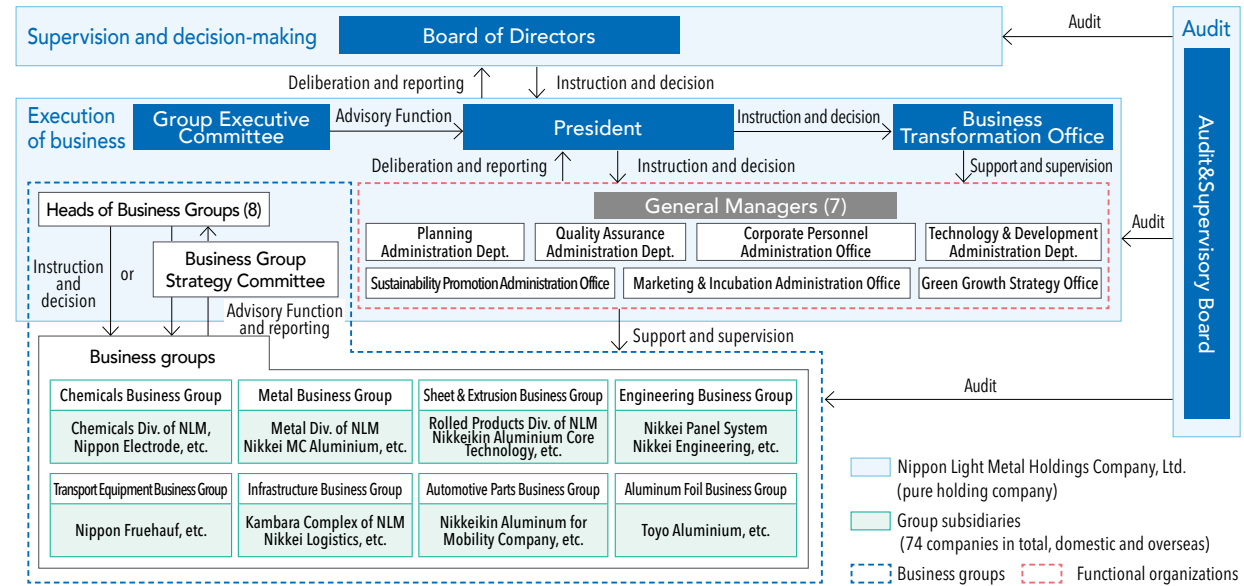
- The review and optimization of resource allocation, human capital distribution, the product and business portfolios, and other aspects of business by overcoming the existing organizational barriers (constraints)
- The integrated operation of governance, quality and safety enhancement, sustainability and carbon neutrality, and new business and new product development

In April 2023, we established the Business Transformation Office with the aim of promoting the NLM Group’s management reforms and strengthening its internal control functions.

In business groups, our Executive Officers serve as their head, which enables business operations to be aligned with the NLM Group’s policies, and we have established a governance framework in which any plans or investments above a certain threshold must be approved by the Group Executive Committee.

In addition, within each business group, important matters relating to that business group are consulted and reported on at the Business Group Strategy Committee. We have adopted ROIC as a common indicator to measure capital efficiency across business groups, and by monitoring this figure, we use it to make optimal business group configurations and investment decisions.

Group Governance Structure



Cross-Shareholdings

The basic policy on cross-held shares is to reduce them. Shares of a business partner may be acquired and held only where it is recognized that the acquisition and holding of these shares will contribute to strengthening the relationship with the business partner and facilitating smooth business operations.

Cross-held shares are reviewed every year by examining whether assets are being used efficiently, comprehensively considering the status of transactions and other matters. For stocks which are found to not have a particularly compelling reason for holding them, the number of shares held is reduced by selling them.

In FY2024, as a result of reviewing all cross-held shares conducted in accordance with the above reduction policy, the Company reduced the number of shares held as shown in the table below. The results of review and the sale of shares were reported to the Board of Directors, and their appropriateness was confirmed.

Details of cross-shareholdings are provided in securities reports issued by the Company.

➤ [Securities Reports](https://www.nikkeikinholdings.com/ir/ir-data/p6.html) <https://www.nikkeikinholdings.com/ir/ir-data/p6.html>

	FY2022	FY2023	FY2024
Number of cross-held stocks with a reduced number of shares	4	8	11
(Of which, the number of stocks where all held shares were sold)	1	4	11
Ratio of cross-held listed stocks to total assets (%)			2.2
Ratio of cross-held listed stocks to net assets (%)			4.8