Basic Information | Value Creation | **Foundations of Value Creation** | Data

NIPPON LIGHT METAL GROUP
INTEGRATED REPORT 2025

Message of Commitment | Governance | Message from an Outside Director | List of Officers | Risk Management | Information Security | Compliance | The Environment | Response to Climate Change | Quality | Human Capital Strategy | Occupational Safety and Health | Developing a Fulfilling Workplace | Diversity & Inclusion | Securing and Cultivating Human Capital | Protecting and Respecting Human Rights | Supply Chain Management | Contribution to Local Communities and Society

Contents

# 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 into nine risk categories, and establish and operate policies and systems that are appropriate for the probability and impact of each risk.
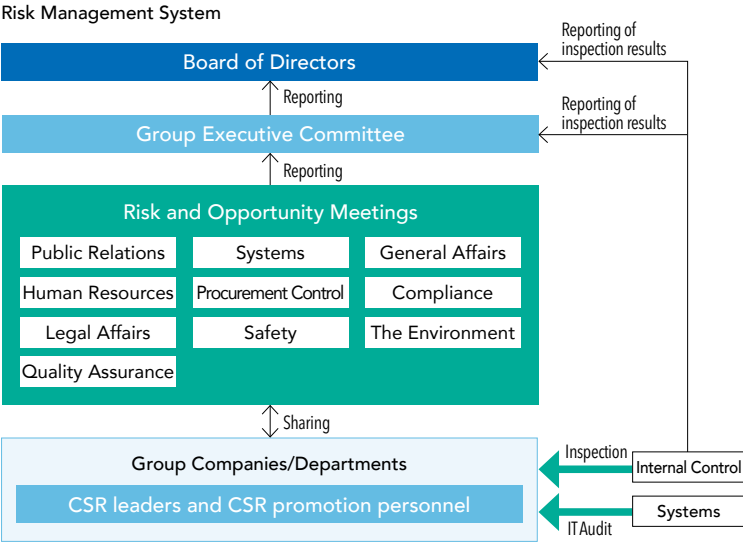
## Framework

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.

Based on the results of the assessment of identified risks, we develop risk management policies and systems that include crisis response plans, formulate an annual plan for each, and manage risks based on the plans.

The department responsible for each risk 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 department at the Risk and Opportunity Meetings as reports on the status of individual issues or general status reports so that the information is shared. They are reported to the NLM Holdings Group Executive Committee, and subsequently to the Board of Directors twice a year.

Risk Management System



## Plan and Initiatives

Regarding the risks stated in the Group Risk Management Regulations, the major operational and hazard risks and the evaluation of the responses to these risks are as follows.

| Risk category | | Major risks | Risk management measures and response policies | Current year evaluation | Previous year evaluation |
|---|---|---|---|---|---|
| Operational risks | Violations of applicable laws and regulations | • Violation of laws or rules, and harassment | • Compliance meetings and training | ○ | ○ |
| | | • Operational fraud | • Raising awareness of recurrence prevention (site manager meetings and workplace visits) | ○ | ○ |
| | | • Defect in the framework for remediating infringements on human rights | • Establishment of a complaint mechanism and formulation of relief procedures | ○*1 | △ |
| | Quality issues | • Decline in quality awareness | • Compliance training, Quality Day initiatives, audits, and provision of information about rules | ○ | ○ |
| | | • Overlooking of high-risk development projects | • Management and evaluation of products to which laws and regulations apply and of quality risks | ○ | ○ |
| | | • Shortage/uneven allocation of human capital in charge of quality practices | • Establishment of efficient personnel distribution, checking of the sufficiency of human resources, and rotation of human resources | △*2 | △ |
| | Environmental issues | • Violation of environmental laws or regulations and environmental mishaps | • Training sessions on laws and regulations, audits, prompt communication of information, and information sharing | ○ | ○ |
| | | • Shortage of human capital in charge of practical environmental tasks | • Provision of information about past environmental mishaps to the next generation of human resources in onsite environmental audits, etc. | ○ | ○ |
| | | • Deterioration of environmental equipment | • Regular inspections and replacement, installation of equipment to prevent problems | ○ | ○ |
| | Health and safety issues | • Injuries caused by being pinched or caught in machinery or equipment | • Inspection of dangerous locations, strategy meetings, and information sharing | ○ | ○ |
| | | • Occurrence of lost-time injuries | • Inspection of sites where injuries have occurred and horizontal deployment within the Group | ○ | ○ |
| | | • Violation of laws and regulations and violation of rules | • Support for actions taken in response to instructions from supervising offices, holding of training sessions, and assistance in the identification and addressing of issues | ○ | ○ |
| | Information security issues | • Cyberattack | • CSIRT training, collection of information, and addition of security products | ○ | ○ |
| | | • Software license compliance | • Internal software audits and development of an IT asset management system | ○ | ○ |
| | | • Abuse/defect of information system | • Beginning full-scale operation of the IT control and management system for systems subject to information technology general control (ITGC) activation | ○ | ○ |
| | | • Shortage of IT human capital | • Introduction of outsourcing services, use of generative AI, and provision of IT training | ○*3 | △ |
| | Leakage of trade secret | • Leakage of electronic information assets | • Diagnosing IT issues at all sites, training, strengthening CSIRT, and formulating guidelines for using generative AI | ○ | ○ |
| | Security and export control | • Unauthorized exports and violation of trade restrictions | • Communication of information about the revision of laws, checking of the status of export control, and checking of the status of judgments regarding whether restrictions apply or not | ○ | ○ |
| | Failure in the timely disclosure of information | • Inadequate communication | • Increase in the frequency of opportunities to engage in dialogue and improvement of the materials and methods for disclosing information | ○ | ○ |
| Hazard risks | Natural disasters/ accidents | • Natural disasters | • Continuing to ensure disaster early warning alerts are provided, establishment of stockpiles, development of BCPs, and implementation of disaster drills | ○*4 | △ |
| | | • Accidents | • Courtesy calls to police, fire departments, and related organizations and attendance of their general meetings, etc. | ○ | ○ |

FY2024 Plan and Initiatives

○：Complete/annual progress target was achieved.　△：Initiatives were taken but the target has yet to be achieved.
Measures for items evaluated as △ in the previous year evaluation
*1 The establishment of a framework for remediating infringements on human rights was completed in FY2024.　*2 Coordination continues to be underway to rotate human capital in charge of quality practices.　*3 Outsourcing of some IT-related operations will begin in 2025.　*4 Tabletop BCP exercises and training on establishment of a disaster control headquarters were implemented in FY2024.