

Compliance

Policy

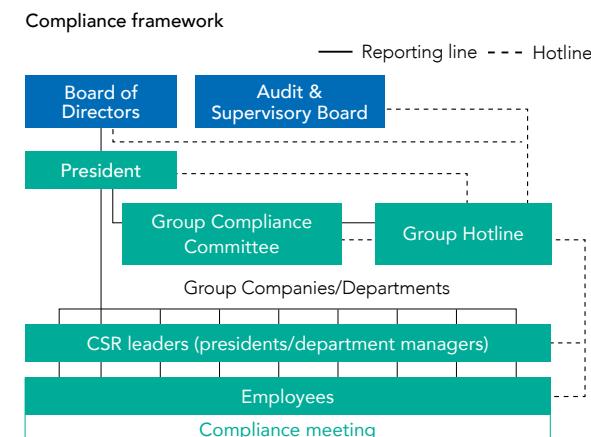
Our basic policy on compliance is described in the NLM Group Management Policy as "The Group will engage in fair and honest business operations, with respect for human rights and an emphasis on ethics." Reinforcing the compliance framework has been identified as one of the material issues in the management of the Group. As a specific code of conduct for addressing this material issue and achieving the basic policy on compliance, we have established the NLM Group Compliance Codes*, which are shared by all officers and employees of the Group.

* So that the Group Compliance Codes can be referenced by all employees whenever they have difficulty making a decision in their work, they are included in a handbook that compiles the NLM Group Management Policy, the NLM Group Business Conduct Guidelines, and the NLM Group Hotline Regulations (whistleblowing system). The handbook is translated into eight languages (English, Chinese, Thai, Vietnamese, Portuguese, Hindi, Spanish and French) and distributed to all Group officers and employees.

Framework

Group Compliance Committee

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



FY2024 Plan and Initiatives

In light of past detection of business misconduct and quality issues, the NLM Group has formulated a three-year Compliance Promotion Plan, with FY2024 being the final year.

Because organizational culture reform requires a long-term approach, we will continue to plan and implement measures beyond FY2025, focusing on the PDCA cycle of the Compliance Promotion Plan for organizational culture reform and the expansion of compliance education and awareness-raising.

FY2022-2024 Compliance Promotion Plan

1. Compliance Promotion Framework

- ① Operation of the Group Compliance Committee
Complete Revision of the Rules of the Group Compliance Committee
- ② Assignment of CSR leaders and CSR promotion personnel
- ③ NLM Group Compliance Codes
Complete Revision
Complete Initiatives for raising awareness of and ensuring the Codes become entrenched within the Group
- ④ Improvement and operation of the Whistleblowing System (Group Hotline*)
Complete Revision of the system, making the new system known, and increasing awareness of it
- ⑤ Coordination with related departments^{*2}

*1 Group Hotline

The NLM Group's whistleblowing system can be used by the employees of all of the consolidated subsidiaries, offered through the Group Hotline. The Group Hotline includes hotlines for receiving whistleblowing complaints and requests in multiple languages (English, Chinese, Thai and Vietnamese). To enhance the independence of its operations, an external reporting hotline has also been established. In addition, reporting hotlines have also been set up to enable users to contact Audit & Supervisory Board Members, people in charge of legal affairs and people in charge of personnel affairs. All of these hotlines accept anonymous whistleblowing reports. The Group Hotline imposes a confidentiality obligation on the people who respond to whistleblowing reports, and the information about whistleblowing reports will not be shared or disclosed without the whistleblower's consent. The whistleblowers themselves and people who are the subjects of whistleblowing complaints are also prohibited from leaking any information about whistleblowing reports to other people. The disadvantageous treatment of whistleblowers, such as harassment or retaliation, is also strictly prohibited.

*2 Legal Affairs, Audit, Human Resources, etc.

*3 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. The meetings are an opportunity to monitor opinions within the workplace and the actions being taken there.

2. Initiatives for Compliance Promotion

- ① Implementing PDCA for organizational culture reforms
Ongoing P: Formulation of the Compliance Promotion Plan → D: Implementation of the plan → C: Compliance questionnaire → A: Analysis of the result and correction of the plan
- ② Enhancement of communications
Ongoing Compliance meeting^{*3}
- ③ Promotion of compliance at overseas sites
Ongoing Making the Group Hotline known
Ongoing Formulation and implementation of the Compliance Promotion Plan
Ongoing Holding compliance meetings
- ④ Compliance awareness raising
Ongoing Power harassment prevention training
Ongoing Single-session training (tiered training, expatriate training, etc.)
Ongoing Development and delivery of awareness-raising tools (digital content, compliance lecture meeting, etc.)

3. Protecting and Respecting Human Rights

- Ongoing Establishment of a complaint mechanism
- Ongoing Formulation of relief procedures

Compliance

Reforms of Organizational Climate

We are reforming our organizational climate, aiming to build a sound, open organization.

Implementation items	Plan/target	Results	Evaluation
Compliance Promotion Plan	The Group will implement PDCA for the Compliance Promotion Plan.	<p>Each Group company formulates (P) and implements (D) the Promotion Plan for the next fiscal year based on the review (C and A) of the Promotion Plan for the past fiscal year.</p> <p>Example initiatives:</p> <ul style="list-style-type: none"> • Fraud prevention measures • Psychological safety improvement measures • Applicable laws and regulations education • Independent questionnaire 	<p>Ongoing</p> <p>We are working on unique, specific initiatives based on the results of anonymous employee surveys and various case examples.</p>
Anonymous employee survey	Anonymous employee surveys are conducted to reveal potential risks related to quality, accounting and compliance.	<p>We implemented the third anonymous employee survey.</p> <p>Subjects: Approx. 14,000 officers and employees</p> <p>Response rate: 80%</p>	<p>Ongoing</p> <p>The overall score improved by 2 points from the previous time. Although it is not a significant change, we believe it reflects the results of our ongoing initiatives.</p>
Compliance meeting	We hold a compulsory biannual Compliance Meeting with the goal of engaging in dialogue between employees on the theme of compliance.	<p>The participation rate in FY2024 was 94% (excluding local employees at overseas business sites).</p> <p>Recent themes:</p> <ul style="list-style-type: none"> • Compliance issues faced by the company/department • Compliance Promotion Plan of the company/department • Deeper understanding of power harassment 	<p>Ongoing</p> <p>There has also been an increase in managerial meetings where managerial staff discuss opinions that have come up in workplace meetings, and we are working to improve the workplace.</p>

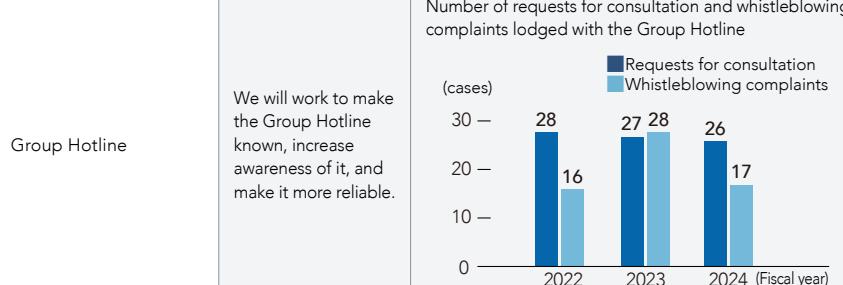
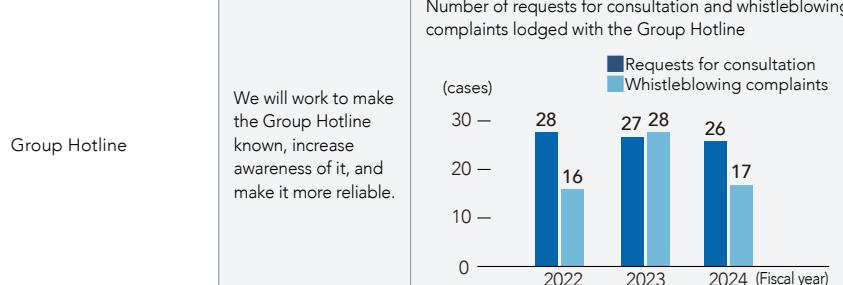
Compliance awareness raising

At the NLM Group, we provide compliance training to increase employees' compliance awareness.

Implementation items	Plan/target	Results	Evaluation
Power harassment prevention training	We provide power harassment prevention training for managers and supervisors responsible for production sites four times a year.	<p>A total of approximately 521 managers and supervisors from 117 companies have participated in the training program as of FY2024.</p>	<p>Ongoing</p> <p>In the questionnaire survey, which was conducted on a five-point scale, approx. 90% of participants rated it as one of the top two answers, very satisfied or satisfied.</p>
Tiered training (single-session training)	We provide compliance training as part of tiered training.	<p>Training that was given: New employee training, mid-level employee training, managerial training, next-generation manager training</p>	<p>Ongoing</p> <p>The training programs are used as opportunities to share compliance-related knowledge and awareness which are necessary in each tier.</p>
Development and delivery of awareness-raising tools	We will introduce the Learning Management System (LMS).	<p>Nippon Light Metal Co., Ltd. conducted compliance training using an LMS (an e-learning tool that uses comic teaching materials).</p>	<p>Actions being taken</p> <p>Introduction of LMS is complete. We have begun training using e-Learning tools, but the transition to group companies has been delayed, and we have not achieved our target participation rate. In FY2025, we will expand this to group companies and aim to improve the participation rate.</p>

Group Hotline (Whistleblowing System)

At the NLM Group, we are implementing initiatives to make our whistleblowing system more user-friendly.

Implementation items	Plan/target	Results	Evaluation																								
Group Hotline	<p>We will work to make the Group Hotline known, increase awareness of it, and make it more reliable.</p>  <table border="1"> <caption>Approximate data from Group Hotline chart</caption> <thead> <tr> <th>Fiscal Year</th> <th>Requests for consultation (cases)</th> <th>Whistleblowing complaints (cases)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>28</td> <td>16</td> </tr> <tr> <td>2023</td> <td>27</td> <td>28</td> </tr> <tr> <td>2024</td> <td>26</td> <td>17</td> </tr> </tbody> </table>	Fiscal Year	Requests for consultation (cases)	Whistleblowing complaints (cases)	2022	28	16	2023	27	28	2024	26	17	<p>Number of requests for consultation and whistleblowing complaints lodged with the Group Hotline</p> <p>(cases)</p>  <table border="1"> <caption>Approximate data from Group Hotline chart</caption> <thead> <tr> <th>Fiscal Year</th> <th>Requests for consultation (cases)</th> <th>Whistleblowing complaints (cases)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>28</td> <td>16</td> </tr> <tr> <td>2023</td> <td>27</td> <td>28</td> </tr> <tr> <td>2024</td> <td>26</td> <td>17</td> </tr> </tbody> </table>	Fiscal Year	Requests for consultation (cases)	Whistleblowing complaints (cases)	2022	28	16	2023	27	28	2024	26	17	<p>Actions being taken</p> <p>There are an increasing number of cases where whistleblowing has led to the confirmation of fraudulent or inappropriate acts and subsequent correction. In addition, we disclose whistleblowing cases to promote understanding and utilization of the whistleblowing system.</p>
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