

# Quality

## Policy

To continue responsible procurement, production and supply, which is one of the NLM Group's key material issue themes, it is essential to continue to provide safe and secure products and services. The NLM Group has established a quality philosophy of "We will engage in fair and honest business operations, continuing to provide products and services that satisfy our customer's requirements and expectations" Quality Assurance Administration Dept. puts emphasis on this quality philosophy and this issue, and sets a quality policy for each fiscal year, working to achieve it.

In FY2024, we have reaffirmed the importance of this initiative and the role that Quality Assurance Administration Dept. should fulfill based on past quality problems, and have made a major revision to our quality policy, which previously consisted of four items.

### FY2024 Quality Policy

**1. Informing the Group about and Increasing Adaptation to Legal Requirements, Quality Assurance Requirements and Procedure, and Quality Standards:**

We will share correct information concerning legal requirements, quality assurance requirements and procedure, and quality standards with our fellow employees. By doing this, we will lead the way for each employee to cultivate quality.

**2. Collaboration:**

We will mobilize cross-group co-operation in order to effectively tackle quality-related missions and challenges.

**3. Ensuring quality and safety:**

From research & development, to mass production and after-sales service, we thoroughly adhere to the 5G Methodology (Genba: the actual place, Genbutsu: the actual goods, Genjitsu: the actual situation, Genri: scientific principles, and Gensoku: standards and rules).

Based on our quality motto "Be honest, work honest", we are committed to ensuring quality and safety.

## Framework

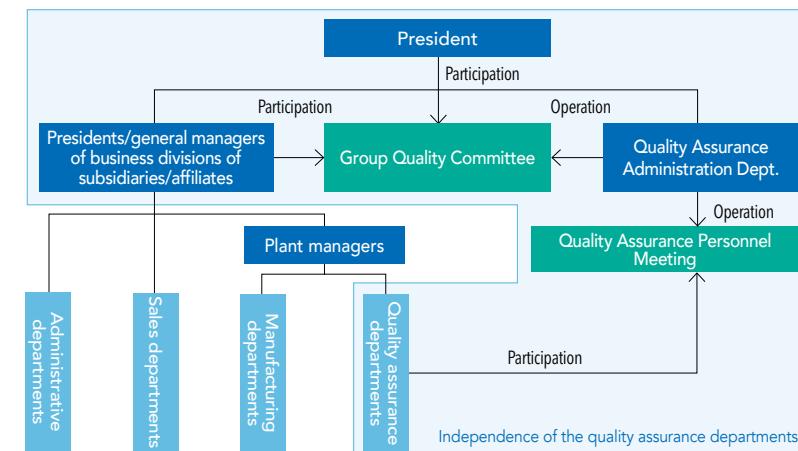
The NLM Group has established Quality Assurance and Management Regulations, positioned customer satisfaction as the basic principles of conduct for its business activities, and strives to thoroughly ensure quality assurance and management activities. Further, the Group Quality Committee meets two times a year to propel the Group's quality assurance and management activities. The Group 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. The Committee's activities include determining the quality policy for each fiscal year and sharing information about activities and their achievements.

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. What attendants do at this meeting include information sharing focused on issues and improvement activities.

## Ensuring the Independence of the Quality Assurance Framework

To ensure the independence of quality assurance departments, the NLM Group has established Quality Assurance Administration Dept. 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. In addition, the quality assurance departments of each Group company and segment are also independent of production departments. Thus, independent operations are ensured in a Group-wide manner.

### Quality Assurance Structure



## Key Target and Result

KPI	FY2023 results	FY2024 results	FY2030 target
Number of serious quality problems that occurred	38	36	0

## Quality

## Plan, Initiatives, Evaluation, and Future Actions

## FY2024 Action Plan

Category	Details of the actions
1. Informing the Group about and Increasing Adaptation to Legal Requirements, Quality Assurance Requirements and Procedure, and Quality Standards	<ul style="list-style-type: none"> <li>Optimizing systems for prevention</li> <li>Quality human capital training</li> </ul>
2. Collaboration	<ul style="list-style-type: none"> <li>Business division supports and collaboration</li> <li>Contest to Showcase Success Stories</li> </ul>
3. Ensuring quality and safety	<ul style="list-style-type: none"> <li>Quality audits</li> <li>Full quality checks</li> <li>Dealing with serious quality problems</li> </ul>

## Quality Human Capital Training

The NLM Group continuously provides quality training to ensure that each and every employee understands the importance of quality and acts with a high level of awareness. In FY2024, we provided a variety of training programs, including the basics of quality assurance and practical activities aimed at resolving issues at our business sites. We will continue to ensure the safety of our products and services through training, and develop human capital responsible for the next generation.

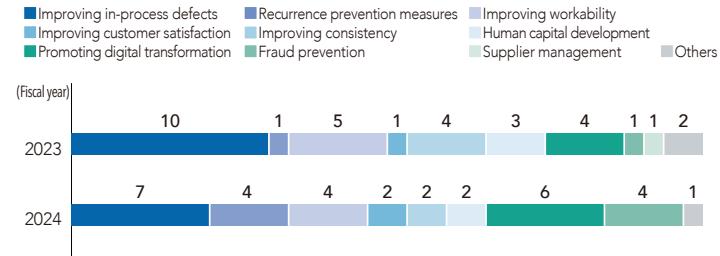
## Business Division Supports and Collaboration

NLM HD dispatches experienced and knowledgeable human capital from Quality Assurance Administration Dept. to business divisions within the NLM Group, providing support and collaboration to resolve quality issues that are difficult for a business site to resolve on its own. We are working to resolve quality issues in each business division, including reducing complaints, reviewing our QMS, correcting serious quality problems, and providing quality training. In FY2024, we provided support and collaboration with Nippon Light Metal Co., Ltd. Capacitor Foil Business Div., Nippon Fruehauf Co., Ltd., Nikkeikin ALMO Co., Ltd., and Nikkei Engineering Co., Ltd. We will continue to expand the scope of target business divisions and contribute to improving the quality control system across the NLM Group through support and collaboration.

## Contest to Showcase Success Stories

At the NLM Group, we hold the "Contest to Showcase Success Stories" once a year, where we share examples of quality improvement efforts undertaken at each business site and award examples of outstanding methods and results. In FY2024, there were 32 applications. In terms of classification of the applications, there was a tendency for many to be about improving in-process defects and promoting digital transformation, and there were many business sites that were particularly working on strengthening their systems. We will continue the activity and share success stories within the group.

## Classification of Applications for the Contest to Showcase Success Stories



## Quality Audits

NLM HD conducts quality audits of major business sites with the aim of confirming, maintaining and improving the NLM Group's quality control system. Until now, quality audits have been conducted by an audit team made up of members from Quality Assurance Administration Dept. However, from FY2024 onwards, we have reviewed our auditing method so that business sites with similar business forms will be grouped together and divided into an auditing department and an audited department to conduct mutual audits.

In FY2024, we conducted quality audits at 42 locations in Japan and overseas. By selecting highly specialized members from the auditing department, we are now able to identify areas for improvement that are more advanced than the quality audits that have been conducted mainly by Quality Assurance Administration Dept. (e.g., proposing the significance and methods of keeping records of products for which records of inspections are not kept). In the future, we will conduct quality audits with a focus on discovering latent quality risks.

## Dealing with Serious Quality Problems

At the NLM Group, we have established and implemented a rule stipulating that when a serious quality problem, such as a recall or a defect that may cause physical injury or non-conformity to JIS or other public standards (hereafter, "serious quality problem"), has been discovered or is likely to occur within a business segment, information about the problem shall immediately be shared within the Group, regardless of where any responsibility lies. Quality Assurance Administration Dept. monitors the status of the occurrence of serious quality problems and analyzes the causes of any that occurred. The results of these analyses are shared by the Group Quality Committee and other organizations so that improvements can be implemented.

In FY2024, 36 serious quality problems occurred, a decrease compared to FY2023. Although serious quality problems still occur, many of these cases include problems that have been discovered and recognized as serious quality problems within the NLM Group, so we believe that each of our initiatives is having an effect. In the future, we will take initiatives with a view to reduce the number of problems themselves and strive to further strengthen our quality control system.