

Supply Chain Management

Policy and Approach

At the NLM Group, we have set a basic policy that is a part of our Management Policy, which states, “The Group will continuously provide diverse value to customers by deepening the level of collaboration and coordination within and outside the Group.” To continue to provide value to customers it is necessary to respond immediately and flexibly to daily changes in the environment. We have therefore set a resilient value chain that is flexible to changes and developing a stable supply chain as two of our material issues to make Group-wide efforts to achieve responsible procurement, production and supply. To achieve the above, the purchasing departments of the Group uphold the CSR procurement policy and work with suppliers to promote procurement activities in consideration of CSR, including legal compliance, respect for human rights, environmental protection and the safety of products and services.

Furthermore, the Group has participated in the Partnership Building Declaration since March 2022 and is committed to building sustainable and favorable partnerships that enable mutual growth with its suppliers.


 CSR Procurement Policy (Japanese only)
 <https://www.nikkeikinholdings.co.jp/csr/fair-practice/0702.html>



Framework

The NLM Group runs a wide range of businesses and also purchases a broad array of items. For this reason, our purchasing system has adopted the basic policy of giving autonomy to each field of business while engaging in moderate Group coordination. We are also strengthening business collaboration through personnel exchanges and enhancing the Group's procurement capabilities. We develop and execute procurement strategies from diverse perspectives, promote cost reduction and risk management, and strive to achieve responsible sourcing.

FY2024 Initiatives

The procurement environment surrounding the purchasing departments has increased the need to establish a supply chain management (SCM) system that considers sustainability to address environmental and social issues, such as the global warming and human rights problems, in addition to an SCM system focused on quality, cost, and delivery (QCD). In addition, the environment surrounding procurement is changing every day, including the rising market prices of energy and various other resources, price increases driven by the transition to carbon neutrality (green inflation), and procurement risks stemming from potential geopolitical risks. This has also made it more necessary than ever to build a resilient SCM system for handling these problems flexibly. In response, we again engaged in the following procurement activities in FY2024.

A resilient value chain that is flexible to changes

■Supplier diversification to prepare for emergencies

To prepare for constantly changing geopolitical risks and market fluctuations, the Group is building a framework to avoid dependence on specific regions.

- Exploring new supply sources outside traditional production regions
- Reviewing and diversifying existing suppliers
- Shifting from purchasing from a single source to purchasing from multiple sources

With these measures, we are developing a stable supply chain to minimize the damage when a risk is actualized.

■Strengthening BCP through operational improvements

We are enhancing the flexibility of our procurement system and initial response capabilities to prepare for sudden supply disruptions.

- Ensuring stable supply under annual contracts with “suppliers whose faces we can see”
- Reducing market risks through formula-based pricing
- Introducing a risk alert system

We are focusing on building a resilient and robust supply chain by responding based on prior planning and preparation.

For the procurement of aluminum ingots, our primary raw material, we have established a diversified procurement system from both domestic and international sources based on our manufacturing expertise. This allows us to meet customer requirements for quality, timely delivery, social responsibility, low carbon emissions, and more, while conducting proactive operations focused on reducing various risks.

- Deepening long-term contracts and partnerships with major aluminum producers for customized materials
- Developing and expanding applications for recycled products
- Determining procurement strategies and managing inventory strategically based on collaboration with business units

Furthermore, in its pursuit of a carbon-neutral society, the Group is strengthening the procurement of low-carbon raw materials and recycling activities, aiming to contribute to a sustainable society.

- Promoting horizontal recycling in collaboration with sales and engineering departments in addition to procurement, with the aim of increasing the usage rate of aluminum scrap
- Shifting to and expanding procurement from overseas sources in response to the decreasing supply of aluminum scrap in the domestic market
- Strengthening collection routes within the Group and promoting supplier diversification

We will continue procurement in consideration of carbon neutrality and promote the procurement of raw materials made using renewable energy sources and recycled raw materials, aiming to help establish a sustainable society.

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Developing a stable supply chain

Results of the supplier questionnaire survey in FY2024

From the perspectives of quality, environment, and social responsibility, the Group strives to maintain customer satisfaction and trust while working to raise supplier awareness and strengthen collaboration, led by its procurement departments.

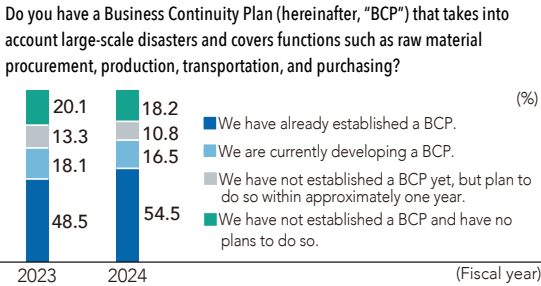
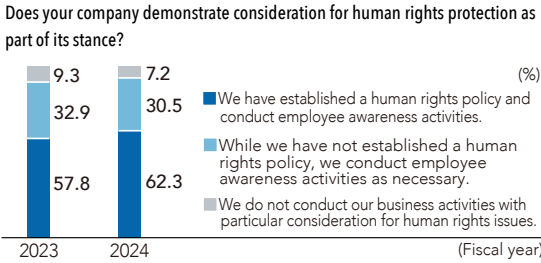
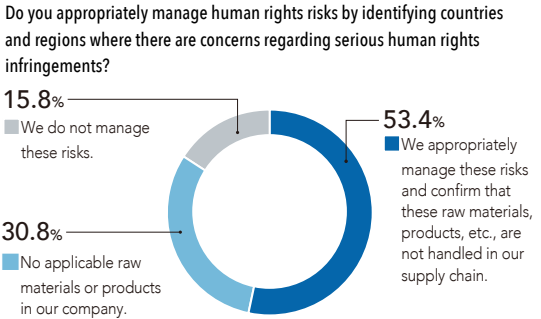
As part of these efforts, we conduct supplier surveys to understand the current situation and identify issues. In FY2024, we analyzed situations primarily through a questionnaire survey. At the same time, we continued to build a resilient SCM system by implementing countermeasures to address geopolitical risks, the pandemic, and other challenges.

In FY2024, we conducted a questionnaire survey of approximately 480 companies that are suppliers of centrally procured products (coverage: 96%).

Following the previous fiscal year, we also included survey questions in FY2024 regarding risk responses to the Uyghur Forced Labor Prevention Act and issues related to China. Approximately 50% of suppliers responded that they “appropriately manage” in answer to the question asking whether they “identify countries and regions where serious human rights violations are a concern socially and internationally, and appropriately manage” these risks. This year, we revised the response options, separating them into “We do not manage these risks” and “no applicable raw materials or products in our company.” This change revealed that approximately 15% of suppliers simply lack management systems.

Additionally, in response to the question on human rights—“Does your company demonstrate consideration for human rights protection in its stance?”—the proportion of suppliers responding “We have established a human rights policy and conduct employee awareness activities” increased from 58% last year to 62%, a rise of approximately four percentage points. For the question regarding Business Continuity Planning (BCP) in anticipation of large-scale disasters, the percentage of companies responding “We have already established a BCP” increased from 48% last year to 54%, indicating a heightened awareness of building a resilient supply chain.

Going forward, we will continue to share the Group’s procurement policy with suppliers and promote CSR procurement in cooperation with suppliers.



Regarding human rights due diligence initiatives

The Group ensures thorough compliance with our human rights policy, communicates customer requirements to suppliers, and assesses and shares the status of human rights initiatives through supplier surveys.

In FY2024 again, we identified and assessed risks by targeting suppliers of centrally procured products, using the CSR/Sustainable Procurement Self-assessment Tool Set from the Global Compact Network Japan.

Moving forward, we will take the following steps to advance human rights due diligence. Steps implemented in FY2024 and planned to continue in FY2025 are indicated by blue shading. In FY2023, we established a contact for human rights consultations as a measure for redressing situations.

1. Human rights policy	Declaration of commitment to responsibility to respect human rights
2. Human rights due diligence	① Identification and evaluation of negative impacts ② Prevention and mitigation of negative impacts ③ Evaluation of effectiveness of initiatives ④ Explanation and information disclosure
3. Redress	Responding to the damage caused by the negative impact on human rights

[Human Rights Policy \(Japanese only\)](https://www.nikkeikinholdings.co.jp/csr/human-rights/0402.html)
<https://www.nikkeikinholdings.co.jp/csr/human-rights/0402.html>

To identify and evaluate negative impacts, we asked suppliers to also complete the CSR/Sustainable Procurement Self-assessment Tool Set in FY2024. This allowed us to identify associated risks. Together with suppliers surveyed last year, these companies account for 80% of the products supplied that are purchased centrally by the head office.

High evaluation scores were given for information security, quality and safety, and labor-related items, confirming that many suppliers have appropriate management systems in place. On the other hand, although the average score for human rights items was high, some suppliers responded that they feel the need for improvement in their “consideration for local communities or indigenous peoples.” The likely reason for this result is that many suppliers’ businesses and products do not directly impact local communities or indigenous peoples, and therefore awareness of this issue has not been sufficiently raised. For the item concerning coexistence with local communities, the average score was relatively low, suggesting that many surveyed suppliers are located in industrial zones and currently make limited contributions to their local communities. Regarding these issues, we need to advance awareness activities for suppliers while further strengthening management systems.

In August 2025, we officially launched awareness activities by announcing the survey implementation to all Group members at a meeting attended by purchasing personnel from 27 Group companies. As a KPI target, we will increase the number of companies that we ask to respond to this questionnaire to the companies responsible for 80% of the Group’s total purchases (including purchases by each business site) in monetary terms by FY2030, thus promoting procurement in consideration of human rights.