



ANNUAL REPORT 2020

Year ended March 31, 2020



Since its establishment, the NLM Group has been Japan's sole fully integrated aluminum manufacturer offering varieties of products ranging from aluminum raw material to fabricated products.

Aluminum has properties that make it a superb industrial material: it is lightweight and has excellent processability, corrosion resistance, thermal conductivity, and recyclability. Nippon Light Metal applies its core strengths — a wealth of knowledge about aluminum and its characteristics and technological capabilities that have been developed over many years — to supply a highly diversified range of products to a number of key industrial sectors, including the automotive, electrical and electronics, information and telecommunication, environment, safety, energy, construction, railroad, and food products industries.

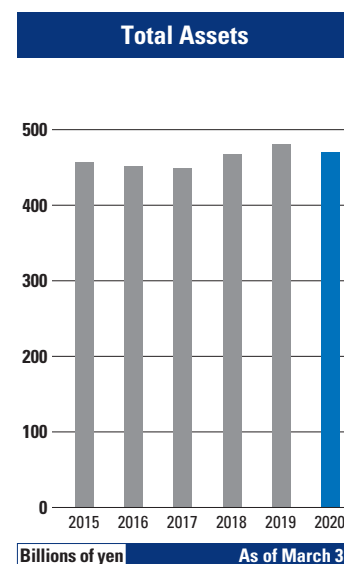
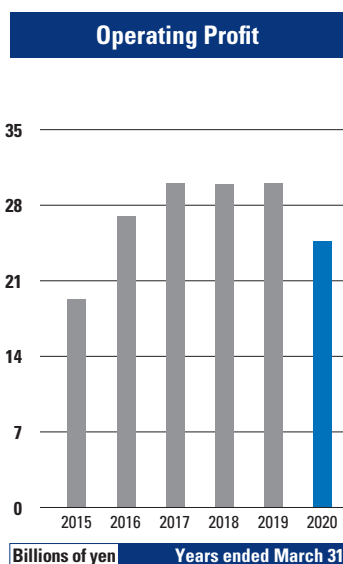
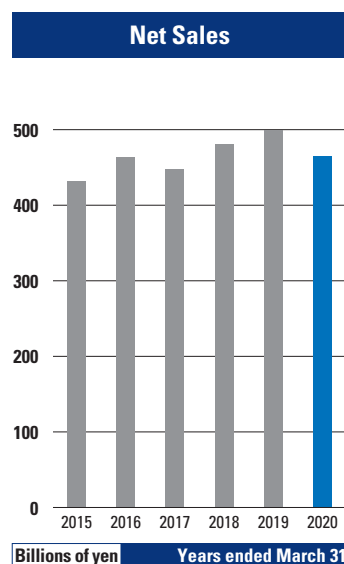
By carrying on development of new applications for aluminum and aluminum materials, the NLM Group is to continue to support customers in wide-ranging industrial sectors and contribute to improving the quality of people's lives and protection of the environment.



NLM Group

Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries Years ended March 31

	2019	2020	2020
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥500,451	¥465,946	\$4,281,411
Operating profit	30,052	24,607	226,105
Profit attributable to owners of parent	20,560	7,476	68,694
At year-end:			
Total assets	481,303	470,004	4,318,699
Net assets	202,735	201,198	1,848,737
Short-term borrowings and long-term debt, including bonds and capital lease obligation	143,742	137,091	1,259,680

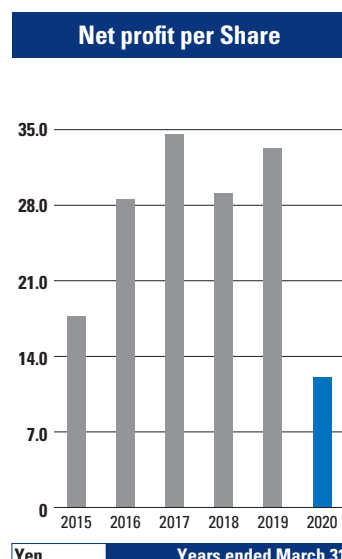


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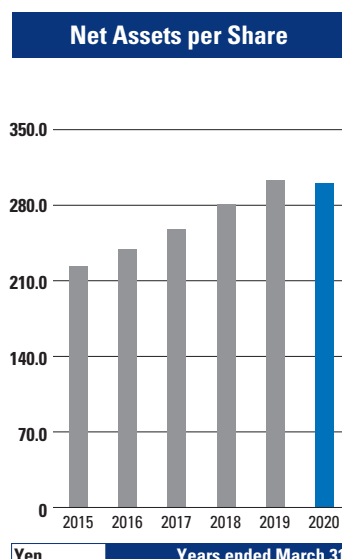


	2019	2020	2020
	yen		U.S. dollars
Per share data (yen and dollars):			
Net profit —basic	¥ 33.20	¥ 12.07	\$ 0.11
Cash dividends	9.00	9.00	0.08
Net assets	303.37	300.83	2.76
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 305	¥ 256	\$ 2.35
Low	200	141	1.30

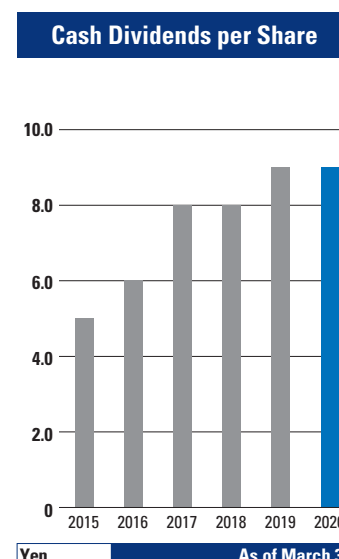
Note: U.S. dollar amounts have been translated for convenience only, at the exchange rate of ¥108.83=U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.



Net Income per Share = (Net Income - Amount not attributable to common shareholders) / Average Number of Shares Outstanding



Net Assets per Share = (Net Assets - Minority interests in consolidated subsidiaries) / Number of Shares Outstanding at Year-end





Ichiro Okamoto, *President & CEO*

I would like to take this opportunity to extend my sincere gratitude to our shareholders for their continued support of our business operations.

I hereby report on the operating results for Nippon Light Metal Holdings Company, Ltd. (“NLM Holdings”) for fiscal 2019 (the year from April 1, 2019 to March 31, 2020).



Business Environment of Fiscal 2019



During the fiscal year under review, the global economy faced growing concerns over its outlook, such as trade frictions between the United States and China, Brexit, and geopolitical risk in the Middle East. Furthermore, as the novel coronavirus infection started to spread this year, the global economy sharply deteriorated. The Japanese economy also appeared to be stuttering as a result of the increase of the consumption tax rate and a series of natural disasters, in addition to overseas economic trends, and it turned downward towards the end of the fiscal year owing to the spread of the novel coronavirus infection in Japan.

The aluminum industry saw demand for semiconductor manufacturing equipment and cars decline, resulting in an overall lack of strength. Furthermore, aluminum ingot prices continued a downward trend.



Basic Policies in the Mid-Term Management Plan and Initiatives in Fiscal 2019



Under such circumstances, the NLM Group (the “Group”) strove to maximize consolidated net sales in accordance with the basic policies in the Mid-Term Management Plan (“MTMP”), which commenced in the fiscal year under review and covers fiscal 2019 through 2021.

Under the first basic policy in MTMP, “create new products and businesses,” we strove to develop products and businesses, taking advantage of the supply chain with manufacturing at the core, to thoroughly pursue Group-wide cooperation and create new value for all customers. Specifically, we have created and provided high value-added products through a comprehensive process ranging from materials and design to processing, in the fields such as the heat device business for environmentally friendly vehicles.

Under the second basic policy in MTMP, “invest resources for growth,” we vigorously invested resources into fields and regions where the Group’s strengths can be utilized. First, in response to increasing demand for environmentally friendly vehicles due to China’s new energy vehicle (NEV) regulations, we expanded factory buildings to start local production of related products. In the secondary alloy business, in order to meet the growth of the Indian automobile market and

help Japanese manufacturers entering the market, our joint venture company with a local company commenced operation of the second factory

Furthermore, expecting demand for aluminum products to increase in North America amid tightened environmental regulations and increasing needs for automobile weight reduction, we established a subsidiary in the United States to develop, manufacture, and distribute automobile suspension parts, which came after the establishment of our existing marketing base there. Additionally, in the aluminum paste business, a central lab (a key research and development center for high-performance aluminum paste) started full-scale operation in Japan to meet the needs of new colors for automobile paint and support business development around the world.



Overview of Consolidated Financial Results



Despite various measures mentioned above, net sales decreased 6.9% year on year to ¥465.9 billion, operating profit decreased 18.1% year on year to ¥24.6 billion, and ordinary profit decreased 24.5% year on year to ¥23.5 billion. In addition, as a result of recording special losses for the cost of dealing with sedimentation in Amehata Dam (Yamanashi Prefecture), which is owned by Nippon Light Metal Co., Ltd., profit attributable to owners of parent decreased 63.6% year on year to ¥7.5 billion.

Year-end dividend payment will be ¥5 per share, which, combined with the interim dividend of ¥4 already paid, will bring annual dividend payment to ¥9 per share (unchanged from the previous year).



Overview by Business Segment



Net sales in the Aluminum Ingot and Chemicals segment decreased 12.1% year on year to ¥102,833 million and operating profit increased 13.4% year on year to ¥10,902 million. In the Alumina and Chemicals segment, although sales of mainstay aluminum hydroxide and alumina-related products for refractories and semiconductor-related products declined, profits increased year on year due to the effect of improved product mix, solid sales of high value-added products, and falling raw material prices. In the



Aluminum Ingot segment, regarding the mainstay secondary alloy products for automotive applications, demand in North America was firm, but a decline in demand in Japan, China and Thailand and competition with general-purpose alloys made in China dragged down sales and sales prices.

Net sales in the Aluminum Sheet and Extrusions segment decreased 6.2% year on year to ¥101,193 million and operating profit decreased 50.3% year on year to ¥3,556 million. In the Aluminum Sheet segment, there was a decline in sales volumes of thick plates for semiconductor and liquid crystal manufacturing equipment, materials for environmentally friendly vehicles and for PC cases. In the Aluminum Extrusions segment, in addition to sluggish sales of truck-related products, sales volume decreased for semiconductor manufacturing equipment and automobile-related products. Both segments were affected by the decline in sales prices, which reflected prices of aluminum ingots, in addition to the decrease in sales volume.

Net sales in the Fabricated Products and Others segment decreased 4.0% year on year to ¥172,975 million and operating profit decreased 10.6% year on year to ¥10,440 million. In the truck outfitting business, while demand for trailers was strong, there were impacts from a decline in sales for compact trucks due to a reactionary fall following rush demand ahead of the tightening of exhaust gas regulations, as well as a decline in demand for temperature-controlled vehicles. Profits increased year on year as a result of improved productivity and falling material prices. In the heat exchanger business, sales of products related to environmentally friendly vehicles fell sharply, despite robust sales of capacitors for air conditioners mainly for mainstay mini vehicles. In the Electronic Materials segment, demand for anodized aluminum foil for aluminum electrolytic capacitors showed little growth, and both net sales and operating profit fell significantly from the previous year. In the Panel System segment, sales of panel systems for clean rooms at electronic parts factories as well as for medical and pharmaceutical applications increased in response to 5G (the fifth generation mobile communication system) infrastructure development. However, sales of panel systems for food processing plants, particularly large-scale projects, decreased, resulting in lower sales and profits for the segment. In the Landscape Engineering segment, among products for roads and bridges, sales of new products for bridge inspections remained robust from the previous year, and demand

for products for structures such as sluice gates and water purification plants increased, resulting in higher net sales for the segment compared with the previous year. However, the segment's operating profit fell below the previous year's level, owing to the amortization of goodwill incurred when Sumikei-Nikkei Engineering Co., Ltd. (now known as Nikkei Engineering Co., Ltd.) became a subsidiary in the previous year. In the Carbon Product segment, both sales and profits increased, reflecting strong sales of high value-added products of mainstay carbon blocks for blast furnaces and electric furnaces, and progress in the heat treatment business for anode materials in lithium-ion batteries.

Net sales in the Aluminum Foil, Powder and Paste segment decreased 6.7% year on year to ¥88,945 million and operating profit decreased 39.9% year on year to ¥3,074 million. In the Aluminum Foil segment, there was increased demand for plain foil for lithium-ion battery surfaces and cathode materials, as well as foil for pharmaceutical packaging, but sales of foil for capacitors declined sharply due to lower demand for electronic components and high-tech products, resulting in decreased sales and profits for the segment. In the Powder and Paste segment, sales of aluminum powder in electronic material for heat dissipation performed well, and sales of aluminum nitride for thermal conductive fillers increased, but overall sales of powder products were sluggish. High value-added paste products were relatively buoyant, but sales volume of mainstay products for automobile paint decreased due to lower automobile production and other factors. As a result, the segment's sales and profits both decreased. In the Solar segment, sales volume of back sheets for solar cells fell due to the Chinese government's revision of its measure for supporting introduction of solar power generation systems, as well as price competition. Functional ink products for solar cells also faced intensified competition due to the market entry of competitors, while sales of new products for next-generation cells remained sluggish. As a result, both sales and profits of the Solar segment decreased.



Establishment of the Nomination and Remuneration Committee



In February 2020, the Company decided to set up a "Nomination and Remuneration Committee" as an advisory

**Countermeasures against sedimentation
in the area around Amehata Dam owned
by Nippon Light Metal Co., Ltd.**

body to the Board of Directors and the President and CEO.

In nominating and appointing or dismissing directors and executive officers (“applicable officers”), and making decisions on remuneration for applicable officers, the Company has always provided explanations to independent outside directors and made resolutions by the Board of Directors based on the opinions of the independent outside directors. We recently decided to establish the Nomination and Remuneration Committee to further enhance the independence, objectivity, and accountability of functions of the Board of Directors regarding decisions on the nomination and remuneration of applicable officers, as well as the corporate governance structure. The roles of the committee also include matters related to the succession plan for the President and CEO.

Members of the committee are elected by the Board of Directors. The committee shall consist of three or more members, including the President and CEO. The majority of them shall be independent outside directors. In addition, the chairman is elected by the Board of Directors from the independent outside directors who are committee members.



Outlook for Fiscal 2020



The uncertainty over overall economic activities around the world is increasing due to the spread of the novel coronavirus infection, and the future outlook is also unclear in Japan.

The forecast of the consolidated financial results for fiscal 2020 remains undetermined, because the impact of the spread of the novel coronavirus infection is uncertain and it is difficult at this point to reasonably forecast the consolidated financial results of the Group.

I would like to ask for the continuous support of shareholders in our efforts, just as we would do everything in our power to further develop the Group.

June 2020

I. Okamoto

President & CEO
Ichiro Okamoto

On August 9, 2019, we received administrative guidance from the Kofu River and National Highway Office of the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism regarding the results of periodic inspection of Amehata Dam (Hayakawa Town, Minamikoma-gun, Yamanashi Prefecture), which is owned by our subsidiary Nippon Light Metal Co., Ltd. In addition, torrential rain from Typhoon Krosa (Typhoon No. 10) in August 2019 and Typhoon Hagibis (Typhoon No. 19) in October 2019 caused the water level of the Amehata River upstream from the dam to rise, resulting in floods in the areas around the dam. We hereby extend our deepest apologies to residents and other affected people for the great problems and anxieties caused by the flood.

Nippon Light Metal Co., Ltd. set up the Amehata Area Sediment Countermeasures Investigative Commission (the “Investigative Commission”) with the Ministry of Land, Infrastructure, Transport and Tourism, the Yamanashi prefectural government, and the municipal government of Hayakawa Town in September 2019. As a result of repeated investigations on emergency measures against flood damage in the surrounding areas and drastic measures against accumulated sediment, we obtained the consent of the Ministry of Land, Infrastructure, Transport and Tourism, the Yamanashi prefectural government, and the municipal government of Hayakawa Town regarding countermeasures for sedimentation in the Amehata area. Following this, we submitted a compiled basic plan for addressing sedimentation in Amehata Dam to the Kofu River and National Highway Office of the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

Based on the plan, we will implement emergency measures such as the installation of temporary dikes to ensure the safety of the Honmura district, as well as drastic measures such as the construction of haul roads with a view to increasing the capacity to remove sediment and using them for disaster prevention in the local area with the aim of eliminating flood and earth flow damage to the Honmura district, the area upstream from Amehata Dam. We will also continue to work towards finding more potential areas to move sediment to and solving issues related to removal methods.



— *NLM Group aims to become a corporate group that continues to create new value for customers by facilitating group communication and collaboration* —

Nippon Light Metal Holdings moved its head office to Minato-ku, Tokyo in December 2019. Approximately 1,000 employees from 18 group companies including Nippon Light Metal and Toyo Aluminium gathered in the new office.



Promote the facilitation of group communication and collaboration



The NLM Group aims to further grow as a corporate group that continues to create new value for clients, under the slogan of “working as Team NLM to be a groundbreaking innovator of aluminum and beyond.” To that end, the Company reached a conclusion that it was indispensable to work together beyond the boundaries of groups, departments, and positions more than ever.

The office relocation is targeted at promoting the facilitation of group communication and collaboration.

To achieve the objective, a working team formed by young employees from each group company was involved in the creation of the new office from the planning stage and solicited various ideas from group employees to realize an “office created by employees themselves.”

In addition, we conducted training called “Change Management” to address employees’ anxiety arising from major changes in their work styles and to help them adapt to those changes.



A space that allows employees to freely choose a place to work and tools to use according to the nature of work and situation



Advance work style reform based on the concept of “Activity Based Working”



In the new office, we introduced free address workspaces that allow each person to choose a place to work suited to their work at the time. Our workspaces changed from fixed seats for each individual to the “Activity Based Working” environment that takes advantage of the capabilities of each employee. We also enhanced our IT tools to facilitate a quick switch to telework, which enables employees to work from home even if commuting is difficult due to disasters.



Towards the future



The new office has become a space where flexible ideas can be generated more easily due to the new work styles of employees.

Going forward, we will aim to become a stronger corporate group that can meet potential needs of clients, while further promoting group collaboration, creating complex products, and enhancing added value of products such as maintenance, services, and delivery.



Open-space cafeteria: Dining & Café/Bar “Isle”



NLM Group establishes a joint venture company to produce automotive parts in North America

— Five billion yen investment to grow the joint venture company into the Group's main base —



In November 2019, Nippon Light Metal North America, Inc. (headquarters: Ohio, U.S.A.; hereinafter "NLMNA"), a wholly-owned subsidiary of Nippon Light Metal, and ITOCHU Metals Corporation (headquarters: Minato-ku, Tokyo) established Nippon Light Metal Georgia, Inc. ("NLMGA"), a joint venture company to be engaged in development, manufacturing, and sale of aluminum parts for automobiles in the United States, the second largest automobile producing country in the world.

NLMGA began construction of a new plant in November 2019 to produce aluminum suspension parts in Georgia, U.S.A, against the backdrop of the need for lighter-weight vehicles in light of increasingly tighter local environmental regulations. Local production will start in 2022. The plan is to invest a total of 5.0 billion yen by 2024.

Within the NLM Group, Nikkeikin Aluminium Core Technology has been driving the business of manufacturing and distribution of aluminum parts for automobiles in Japan and China until now. Nikkeikin Aluminium Core Technology will support the new company with the start-up of the business and operations. Furthermore, we aim to grow the business by leveraging ITOCHU Metals' business experience and network in North America.



Ground-breaking ceremony of Nippon Light Metal Georgia, Inc.

With the establishment of NLMGA, the Company seeks to build a global supply system for aluminum parts for automobiles in Japan, China and the United States. The NLM Group aims to grow and expand its business as a group that continues to create new value for clients.

Overview of the joint venture company

Company name	: Nippon Light Metal Georgia, Inc. (NLMGA)
Paid-in capital	: USD16.0 million (JPY1,760 million at JPY110 /USD1)
Ownership ratio	: NLMNA - 90%; ITOCHU Metals - 10%
Establishment	: November 2019
Location	: Adairsville, Georgia, U.S.A.
Representative	: Katsu Nakajima, President
Description of business	: Manufacture and sale of aluminum parts for automobiles
Capital investment	: JPY5.0 billion (aggregate for the period up to 2024)
Business scale	: JPY8.0 billion (2027 plan)



Toyo Aluminium starts full-scale operation of a central lab in the Shinjo Works

— Meet the needs for automobile paint around the world —

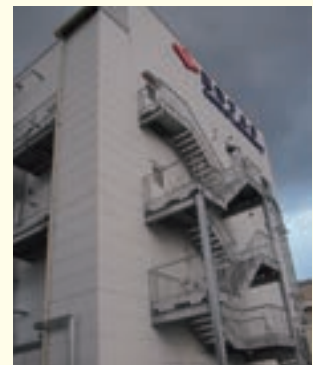


In November 2019, Toyo Aluminium started full-scale operation of a central lab on the premise of the Shinjo Works (Katsuragi City, Nara Prefecture) as a core base for developing high functional aluminum paste.

The Toyo Aluminium Group operates its aluminum paste business in Japan, the United States, France, China, and India. The company boasts an overwhelming market share of high-grade aluminum paste for automobile paint, with about 80% in Japan and over 50% in the world. In particular, the Shinjo Works, a specialized aluminum paste plant established in 1968, is the world's largest mother plant for the aluminum paste business.

While tailored proposals for client domains are becoming more important when developing new products, we have built a system at the central lab to meet the global needs for automobile paint, by

installing the same coating equipment used by our customer paint manufacturers and automobile manufacturers. With the new system in place, in addition to accelerating the development of new products and high functional aluminum paste, we will press ahead with local production for local consumption by transferring technology to domestic and overseas manufacturing bases, considering automation of production equipment, and checking the suitability of locally procured raw materials.



Central lab at the Shinjo Works



GOVERNANCE

Introduction

Nippon Light Metal Holdings Company, Ltd. (the “Company”) is a holding company listed on the First Section of the Tokyo Stock Exchange. It has formed the NLM Group (the “Group”) which consists of 77 consolidated subsidiaries, with Nippon Light Metal Company, Ltd. (“NLM”) and Toyo Aluminium K.K. as the core business companies, and 15 affiliates accounted for by the equity method. The Group engages in business revolving around the manufacture and sale of aluminum products and related products.

Governance Structure

Regarding the governance of the Group, while respecting the autonomy of each company, management is carried out based on the Group regulations, etc. stipulated by the Company. For matters that affect the entire Group, the Group Executive Committee which consists of members including the Company’s directors makes decisions after examining an issue from multiple perspectives. Matters of particular importance are deliberated and determined at Board of Directors meetings.

The Board of Directors of the Company consists of 14 directors, including five independent outside directors (one of them is female), which is an increase by one from the previous year. Thirteen Board of Directors meetings were held in fiscal 2019. To ensure agile management and sufficient deliberation by the Board of Directors, an executive officer system has been adopted to separate the tasks of management and execution.

From the viewpoint of maintaining the institutional independence of the auditing function, the Company has established

a Board of Auditors, which consists of six statutory auditors, including three independent outside auditors (one of them is a foreign national). Twelve Board of Auditors meetings were held in fiscal 2019. Also, there is an employee designated to exclusively provide assistance for auditing duties.

Establishment of the Nomination and Remuneration Committee

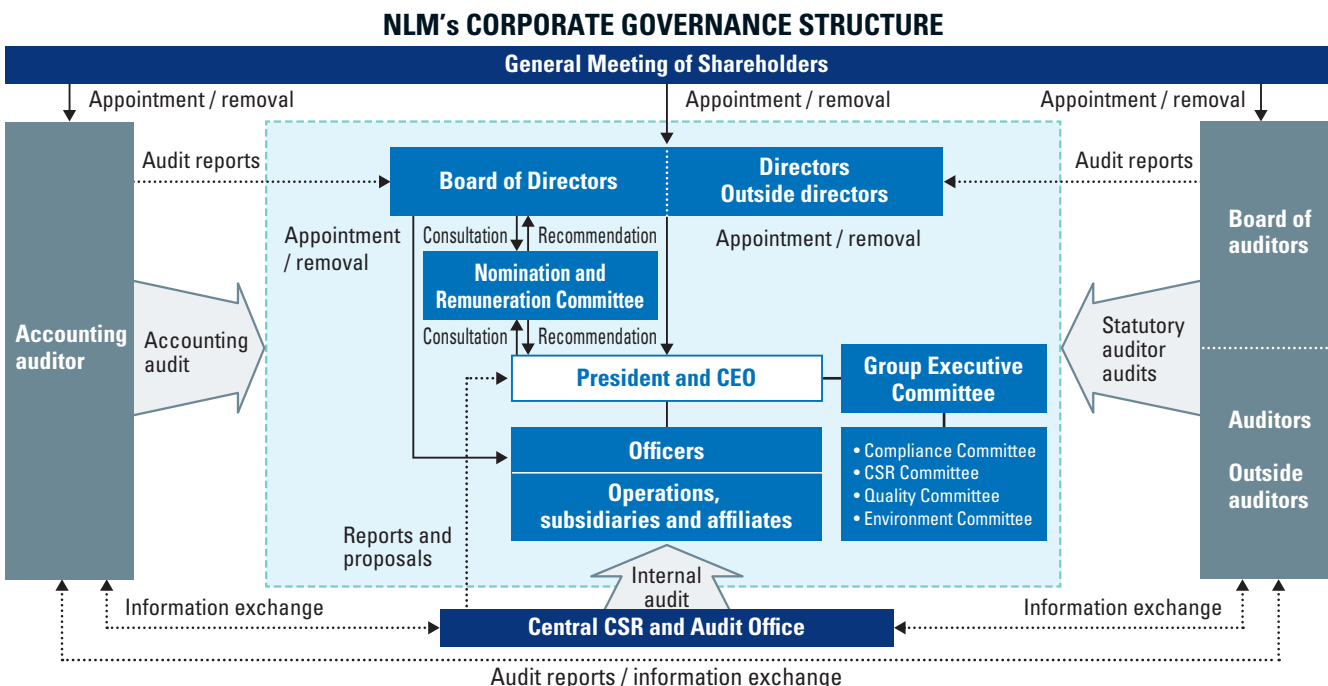
In February 2020, the Company set up a Nomination and Remuneration Committee as an advisory body to the Board of Directors and the President and CEO with the aim of enhancing the governance of the Board of Directors. The committee will discuss matters regarding nomination policies such as responsibilities and qualities required of directors, matters regarding the succession plan for the President and CEO, matters regarding remuneration for directors, and other relevant matters.

- Members of the Nomination and Remuneration Committee
- Chair Masato Ono (independent director)
 - Member Ryoichi Hayashi (independent director)
 - Member Haruo Ito (independent director)
 - Member Toshihito Hayano (independent director)
 - Member Keiko Tsuchiya (independent director)
 - Member Ichiro Okamoto (representative director)

Free Discussions with Outside Directors (Informal Meetings)

The Board of Directors of the Company provides a forum for free discussions revolving around outside directors and outside auditors. Free discussions are held on an informal and irregular basis to exchange opinions mainly on issues that require mid- to long-term and wide-ranging perspectives. Outside officers give their candid

○ Figure 1 Governance Structure





opinions, which contributes to fostering more active communication and trusting relationships among directors.

Main topics for free discussions

- Human resource development of the Group
- CSR issues for the Group

Communication with Stakeholders

The Group values sharing information and exchanging opinions through communication with stakeholders, and opinions it receives are reported to persons responsible for the respective businesses and business managers, and handled so that such opinions are reflected in management.

Stakeholder	Method of communication
Employees	Share issues and exchange opinions through the labor union, etc. Make regular communication mainly through individual personnel interviews, meetings, and various events.
Customers	Persons responsible for sales and businesses share issues and exchange opinions through usual business negotiations.
Business partners	Persons responsible for purchase and businesses share issues and exchange opinions through opportunities such as usual business negotiations and briefings for business partners.
Regional society	Each business location maintains communication through participation in local events and business location events to which local residents are invited, etc. Further, shares issues and exchanges opinions by holding regular and irregular briefings for residents in regions with a relatively large environmental impact, etc.
Shareholders and Investors	Share issues and exchange opinions mainly through general meetings of shareholders, financial results briefings, individual meetings, and tours of business locations.
Overall	Discloses this report, CSR report, and various communication tools principally on the website, and shares information and exchanges opinions through telephone, e-mail and other means.

Internal Control System

The Company's Board of Directors has resolved the Basic Policy on the Implementation of Internal Control Systems, and strives to enforce it thoroughly. Each company and department in the Group has designated a person in charge of internal control promotion and an internal control facilitator, to encourage the appropriate establishment and usage of controls. The status of internal control is reported to the Company's Board of Directors every half-year, and guidance is provided as necessary.

Risk Management

The Company's Board of Directors receives reports regarding the status of the Group's risk management every half-year, evaluates it, and issues necessary instructions. What provides the basis of this step is audits of more than 250 cases a year conducted by the Company's risk control department for all subsidiaries. Each specialized audit team carries out audits based on audit plans for each field including quality assurance, environmental conservation, labor management, information systems, accounting and operations, and internal

control. Results of the audits, along with corrective measures, are reported to the Board of Directors, Board of Auditors, and President and CEO of the Company.

Response to COVID-19 (as of June 30, 2020)

A COVID-19 response headquarters covering the whole Group was formed, and the President and CEO himself acts as the head of the response headquarters to give instructions on countermeasures. We have found one coronavirus infection case in Thailand and two cases in the United States within the Group. Direct impact on the business from the infection of employees and others is immaterial. Main measures put in place (including those ongoing) are as follows.

- Collection and analysis of accurate expert information and government policy information and provision of such information to employees (including officers, regular employees, temporary employees, and contract employees; hereinafter the same applies)
- Arrangement and encouragement of the use of soap, alcohol, face masks, etc. to help employees prevent infections individually.
*Employees have the right to withdraw themselves from work that may pose an immediate risk to their lives and health at their discretion.
- Arrangement of manuals, protective clothing, disinfection equipment, etc. for disinfecting workplaces
- To avoid close-contact settings, ban on business trips and group dining, restrictions on visitors, encouragement of work from home and online meetings and arrangement of ICT tools to enable those measures
- To avoid crowding, staggered work shifts, cancellation of events and conferences, shift system at cafeterias and resting areas, usage restrictions such as time limits, and split operations
- To avoid closed spaces, regular ventilation, forced ventilation using fans, and time limits for meetings and other functions in closed spaces
- Arrangement of infection prevention tools, reduced service options, shorter hours, and other measures to lighten the burden on employees engaged in operations such as delivery and service provision
- Development of procedures and training for dealing with confirmed and suspected infection cases (including all stages of feeling ill, having received PCR testing, and having tested positive; hereinafter the same applies)
- Preparation and training to continue or suspend operations/business in the event of confirmed and suspected infection cases
- Stay-at-home arrangement for employees with confirmed and suspected infection, consultation with medical institutions, public health centers, etc., and provision of necessary information
- Consideration for employees who had confirmed and suspected infection in returning to work (including ban on discrimination)
- Information sharing and consultation with the labor union in implementing these measures

Internal Control over Financial Reporting

To ensure financial reporting is conducted appropriately, an internal control system related to financial reporting has been set up and put into operation. These efforts are evaluated by an auditing department with the necessary auditing capabilities and whose

independence is secured. The status of design, operation and evaluation is shared with the statutory auditors, the accounting auditor, and is reported to the Company's Board of Directors, after which correctives are made as necessary.

In fiscal 2019, it was confirmed that the Group's internal control continued to be effective.

Compliance Program

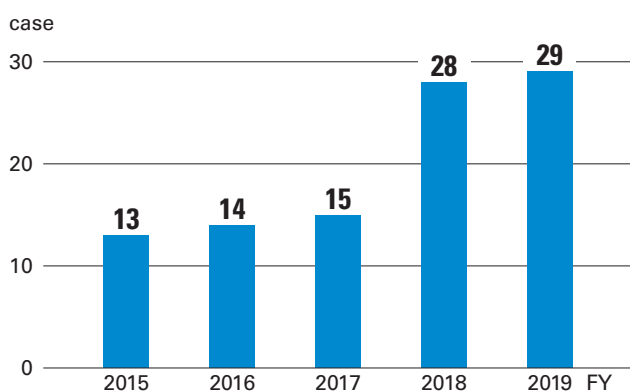
The Company's Compliance Committee is made up of the Company's directors and chaired by the President and CEO. Policies for activities aimed at enhancing compliance are embodied in the Compliance Promotion Plan, and the implementation status of the plan is reported to the Committee every quarter.

The Group's code of conduct is presented in the Group Compliance Code, which has various requirements for all directors and employees of the Group, including compliance with laws and regulations, corporate ethics and business etiquette, sensible conduct, and active communication with stakeholders. To ensure the thorough dissemination of this code, the Compliance Code is published as a handbook that is distributed to all directors and employees, which allows them to carry it around with them at all times. Furthermore, compliance meetings attended by all employees and managers are held twice a year at each workplace, where attendants repetitively learn the code of conduct. Discussion takes place on topics including compliance problems at one's workplace and compliance violation cases in other workplaces. In fiscal 2019, a total of 2,156 meetings were held, and a total of 21,404 people and others (participation rate of 94%) participated in such meetings.

Besides setting up the Group's whistle-blower system at each major company, the "NLM Hotline" has also been established as a common whistle-blowing channel for the Group. In fiscal 2019, a universal platform was created, enabling whistle-blowing in Japanese, English, Chinese, Thai, and Vietnamese.

Under these systems, the Group's NLM Hotline Rules stipulate the protection of whistleblowers and the prohibition of unfair treatment so that they can report any misconduct and illegal act without fear of retaliation, and the rules are thoroughly enforced. Apart from the Company's compliance department, multiple whistleblowing channels are provided, such as statutory auditors, the human resources department, the legal department, and an external channel (operated by a specialized company).

○ **Figure 2** Trend in Number of Cases Reported to the NLM Hotline



CSR INITIATIVES

Introduction

The CSR activities of the Group are carried out based on the CSR Promotional Plan adopted by the CSR Committee chaired by the Company's President and CEO, and the status of the activities is reported at the CSR Committee held twice a year and in the CSR Report published every year, as well as published on the Company's website, etc.

The Group's CSR initiatives have also been valued by investors, and the Company has been selected as a constituent of the MSCI Japan ESG Select Leaders Index of the Government Pension Investment Fund (GPIF) and as a constituent of the SNAM Sustainable Investment of Sompo Japan Nipponkoa Asset Management Co., Ltd.



ENVIRONMENT

Environmental Management System

The Group has established the Environment Committee, chaired by the Company's President and CEO. Besides formulating the environmental policy and plans to promote environmental conservation activities, the Environment Committee also monitors the implementation of these activities at each site.

Material Balance

The areas in which the Group's business activities have the greatest impact on the environment are greenhouse gases, recycling, water, and biodiversity.

The main inputs and outputs at sites are as shown in the table below.

Inputs	
Fuel:	4.7 PJ
Electricity and steam:	7.0 PJ
Raw materials:	523 kilotons
Water:	22.0 million m ³

Outputs	
Greenhouse gases:	731 kilotons-CO ₂
SOx:	365 tons
NOx:	449 tons
Wastewater:	26.8 million m ³
COD:	106 tons
Waste recycled/reduced:	41.6 kilotons
Landfill:	2.3 kilotons

Reduction in Greenhouse Gas Emissions

The Group's greenhouse gas emissions in fiscal 2019 decreased by 14% year on year to 2,511 tons-CO₂ per million yen. The

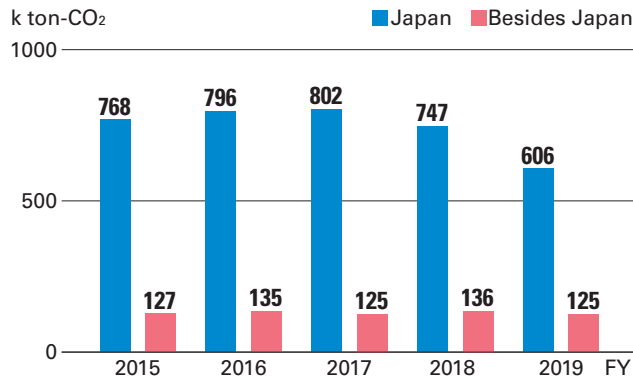


Our ESG Approach

breakdown was 351 tons-CO₂ per million yen (down 33% yoy) for Scope 1, 376 tons-CO₂ per million yen (up 7% yoy) for Scope 2, and 1,780 tons-CO₂ per million yen (down 13% yoy) for Scope 3.

The Group's initiatives to reduce greenhouse gas emissions aim to "reduce greenhouse gas emissions intensity per unit of sales to 1.82 tons-CO₂ per million yen by fiscal 2030" at the Group's sites in Japan. The results for fiscal 2019 were 1.60 tons-CO₂ per million yen.

○ **Figure 3 Greenhouse Gas Emissions (Scope 1+ Scope 2 only)**



Water

In fiscal 2019, the Group took in 22.0 million m³ of water (excluding seawater) and discharged 26.8 million m³ of water in Japan annually.

PEOPLE AND SOCIETY

Human Rights

The Group conducts human right protection activities within the scope of its influence. We conducted a fact-finding survey on all Group employees again in fiscal 2019 based on the roster of workers, and confirmed that children under the age of 15 did not work in any of the Group businesses.

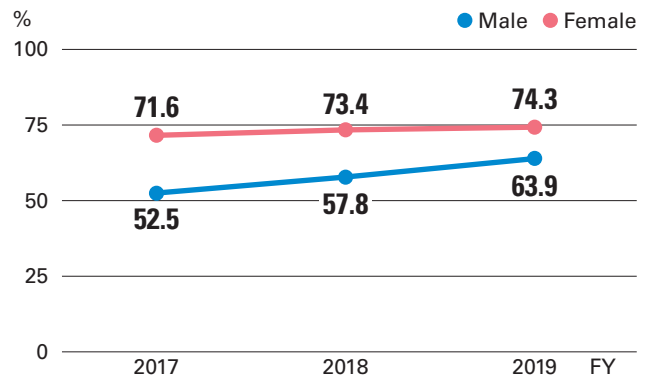
Each year, NLM also conducts research on its business partners regarding CSR procurement, and confirms their support of the CSR Procurement Policy including the Group Human Rights Policy. The response rate of the 453 target companies in fiscal 2019 was 49.4% (down 2.4 percentage points yoy). Furthermore, we check for human rights violations through on-site visits and interviews at the manufacturing and factory sites of partners. Also, we have obtained the signature of consent to the Group's Human Rights Policy from each of the smelting manufacturers who supplies aluminum virgin ingots, the Group's main raw material.

Labor Practices

As employees are our most important stakeholders, we strive to create a safe working environment where all employees can find joy and meaning in their work. Such efforts revolve around realizing a workplace with zero work accidents, that allows for good health and health improvement, and is free of discrimination and harassment. To achieve goals including the promotion of diversity among employees and realization of work-life balance of each employee, we promote participation of women in the workplace, expand the

employment of people with disabilities, and endeavor to reduce long working hours. The status of these activities is monitored by the staff of the Company's central supervisory department through labor audits which cover 335 items. In fiscal 2019, the response status for the legalization of harassment prevention measures (in Japan) was the main focus of the investigation, and instructions were given as necessary.

○ **Figure 4 Trend in Rate of Annual Paid Leave Taken**



Fair Operating Practices

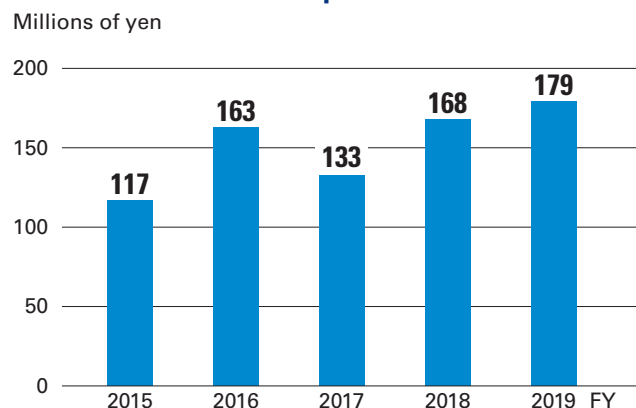
The Group aims to conduct fair and transparent business activities while adhering to laws and regulations of each country and region as well as international laws and regulations. In fiscal 2019, there were no fines or penalties in connection with legal and other violations.

Involvement with Regional Communities

The Group conducts its business activities in 179 regions of 11 countries. In each region, we aim to be a respectable corporation by conducting fair and transparent business activities and harmonious management while adhering to local as well as international laws and regulations.

We are also actively involved in the development of regional societies and make contributions in accordance with the Social Contribution Policy of the Group. In fiscal 2019, the Group participated in 353 community programs, and made community investments of ¥179 million.

○ **Figure 5 Trend in Amount of Expenditure for Social Developments**



○ Data Section : ESG Related Data

Item	Scope of Calculation	FY2017	FY2018	FY2019	Unit		
Environment							
Amount of greenhouse gas emissions (Scope 1 and Scope 2)*1	Consolidated (Japan only)*2	804	748	*606	Ktons-CO ₂		
	Consolidated (besides Japan)*3	125	137	125	Ktons-CO ₂		
Greenhouse gas emission intensity per unit of sales*1 (Goal; 1.82 (FY2030))	Consolidated (Japan only)	2.09	1.87	1.60	tons-CO ₂ /million yen		
Breakdown of Scope 3 emissions*4	Category 1: Purchased goods and services*5	1,926	1,947	*1,690	Ktons		
	Category 2: Capital goods	22	35	42	Ktons		
	Category 3: Fuel not included in Scope 1 or 2	28	34	34	Ktons		
	Category 4: Upstream transportation and distribution*6	0	0	0	Ktons		
	Category 5: Waste generated in operation	4	5	4	Ktons		
	Category 6: Business travel	0	0	0	Ktons		
	Category 7: Employee commuting	3	3	4	Ktons		
Energy consumption	Electricity and Steam	10.8	10.4	8.1	PJ		
	Fuels	6.3	6.2	6.0	PJ		
Energy consumption intensity per unit of sales	Consolidated	35.5	33.2	30.3	GJ/million yen		
Weight of raw materials used in production	Consolidated	576	601	523	Ktons		
Amount of SO _x emissions	Consolidated	473	379	365	Tons		
Amount of NO _x emissions	Consolidated	520	560	449	Tons		
Total volume of water intake*7	Consolidated	23.5	23.9	22.6	million m ³		
Total volume of water discharged*8	Consolidated	21.5	22.5	21.3	million m ³		
Water consumption volume*9	Consolidated	—	—	1.3	million m ³		
Amount of COD emissions	Consolidated	97	105	106	Tons		
Amount of waste and byproducts discharged	Recycled/Reduced	37.3	48.4	48.4	Ktons		
	Disposed (landfill)	3.5	3.5	3.4	Ktons		
Environmental accounting	Environmental conservation expenditure: Investment	1,983	2,218	1,580	million yen		
	Environmental conservation expenditure: Expenditure	5,598	6,210	6,248	million yen		
	Economic effect of environmental conservation activities: Earnings	486	554	370	million yen		
	Economic effect of environmental conservation activities: Changes in expenditure*10	(1,440)	(982)	1,027	million yen		
Number of cases of lawsuits, penalties, or forfeitures concerning the environment	Consolidated	0	0	0	cases		
Number of accidents concerning the environment*12	Consolidated	0	0	3	cases		
Number of complaints concerning the environment*13	Consolidated	10	16	10	cases		
Employees, etc.							
Number of directors and officers	Full-time directors and officers	Consolidated	Male	190	208	216	people
		Consolidated	Female	0	0	1	people
Breakdown by gender*14	Managerial	Consolidated	Male	1,540	1,640	1,666	people
		Consolidated	Female	90	95	96	people
	Nonmanagerial	Consolidated	Male	8,992	9,087	9,345	people
		Consolidated	Female	2,233	2,494	2,504	people
Number of employees	Employees	Consolidated	Total	12,855	13,316	13,611	people
Breakdown by country/region	Japan	Consolidated	Male	8,058	8,399	8,568	people
		Consolidated	Female	1,198	1,271	1,323	people
	Asia	Consolidated	Male	2,243	2,282	2,221	people
		Consolidated	Female	1,089	1,095	1,239	people
	U.S. and Europe	Consolidated	Male	231	229	222	people
		Consolidated	Female	36	40	38	people
Breakdown by age*15	Below age 15	Consolidated	Male	—	0	0	people
		Consolidated	Female	—	0	0	people
	From age 15 to 19	Consolidated	Male	—	108	108	people
		Consolidated	Female	—	15	21	people
	From age 20 to 29	Consolidated	Male	—	2,153	2,124	people
		Consolidated	Female	—	559	600	people
	From age 30 to 39	Consolidated	Male	—	3,150	3,164	people
		Consolidated	Female	—	833	894	people
	From age 40 to 49	Consolidated	Male	—	2,878	2,919	people
		Consolidated	Female	—	671	741	people
	From age 50 to 59	Consolidated	Male	—	1,975	2,010	people
		Consolidated	Female	—	276	284	people
	Age 60 and above	Consolidated	Male	—	646	686	people
		Consolidated	Female	—	52	60	people
Number of new hires	Total	Consolidated (Japan only)		596	692	617	people
	Percentage to employees	Consolidated (Japan only)		7.1	7.8	6.2	%
Number of new graduates who were recruited		Consolidated (Japan only)		197	211	210	people
Number of those who left the company	Total	Consolidated (Japan only)		401	490	490	people
	Percentage to employees	Consolidated (Japan only)		3.5	5.6	5.0	%
Fixation rate at least 3 years in the company*18		Consolidated (Japan only)		88.4	83.8	89.1	%
Number of those who were re-employed after retirement		Non-consolidated (Nippon Light Metal Co., Ltd.)		8	8	12	people
Labor Union participation rate		Non-consolidated (Nippon Light Metal Co., Ltd.)		100	100	100	%
Average age		Consolidated	Male	39.1	39.9	36.9	years of age
		Consolidated	Female	36.9	37.4	35.3	years of age



Item	Scope of Calculation	FY2017	FY2018	FY2019	Unit	
Employees, etc.						
Average years of service	Consolidated	Male	11.5	11.8	11.1	years
	Consolidated	Female	7.7	8.0	7.2	years
Average number of working hours per year	Consolidated (Japan only)	Male	2,146	2,157	2,226	hours/people
	Consolidated (Japan only)	Female	1,974	1,871	1,922	hours/people
Average number of overtime hours per year	Consolidated (Japan only)	Male	324	302	334	hours/people
	Consolidated (Japan only)	Female	161	150	175	hours/people
Average number of days of annual leave taken	Consolidated	Male	9.9	9.9	10.3	days
	Consolidated	Female	9.7	9.6	9.1	days
Average rate of annual leave taken	Consolidated	Male	52.5	57.8	63.9	%
	Consolidated	Female	71.6	73.4	74.3	%
Number of employees who newly took childcare leave	Consolidated (Japan only)	Male	1	6	12	people
	Consolidated (Japan only)	Female	55	66	52	people
Number of employees who newly took nursing care leave	Consolidated (Japan only)	Male	2	4	0	people
	Consolidated (Japan only)	Female	1	2	2	people
Number of employees who used reduced working hour system due to childcare or nursing care	Consolidated (Japan only)	Male	0	1	3	people
	Consolidated (Japan only)	Female	61	66	83	people
Number of employees on leave due to mental health issues	Consolidated (Japan only)	Male	34	59	51	people
	Consolidated (Japan only)	Female	2	9	8	people
Average education/training expenses per year	Consolidated		29.2	24.9	23.4	thousand yen/ people
Employment rate of people with disabilities**17	Non-consolidated (Nippon Light Metal Co., Ltd.)		2.59	2.63	2.57	%
	Non-consolidated (Toyo Aluminium K.K.)		2.03	1.93	2.55	%
Safety						
Number of workplace injuries**18	Lost-time injuries	Consolidated (Japan only)	12	23	19	cases
		Consolidated (besides Japan)	9	16	16	cases
	Non-lost-time injury	Consolidated (Japan only)	66	64	56	cases
		Consolidated (besides Japan)	5	5	6	cases
Frequency rate of lost-time injuries**18*19	Consolidated		0.56	1.05	0.91	
	Non-consolidated (Nippon Light Metal Co., Ltd.)		0.27	0.54	0.27	
Compliance, etc						
Number of cases reported to the NLM Hotline*	Consolidated		15	28	29	cases
Compliance meetings	Number of meetings held	Consolidated	2,102	2,066	2,156	times
	Number of participants	Consolidated	20,237	20,972	21,404	Total number of participants
Number of patent publications**18	Consolidated		182	167	160	cases
Number of patent registrations**18	Consolidated		107	92	81	cases
Quality assurance						
Number of legal violations in the delivery of products/services	Consolidated		0	0	0	cases
Number of reports of quality issues	Consolidated		6	8	7	cases
Number of recalls	Consolidated		2	4	3	cases
Community						
Amount of expenditure for social contributions	Consolidated		133	168	179	million yen
Governance						
Interim and year-end dividend per share	Consolidated		8	9	9	yen

The ★ mark indicates that a third party, KPMG AZSA Sustainability Co., Ltd., has provided independent assurance for the reliability of the data.

*1. From FY2018, GHG emissions from main offices have been calculated.

*2. The following CO₂ emission factors were used for the calculations.

Domestic electricity: The CO₂ emission factor with T&D losses of each previous fiscal year announced by the Electric Power Council for a Low Carbon Society

Domestic fuel: CO₂ emission factors per unit of fuel, specified by the Ordinance of the Ministry of the Environment

*3. The following CO₂ emission factors were used for the calculations.

Overseas electricity: CO₂ emission factors of the respective countries in CO₂FCOMB 2017 released by the IEA.

Overseas fuel: Same as domestic fuel in *2

*4. The emissions are calculated by multiplying the activity amount by the CO₂ emission factor published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

*5. The Scope 3 Category 1 emissions are calculated based on the volume of purchase of the top three items in terms of volume purchased from outside of the group. Of the items, the aluminum ingots are those purchased by Nippon Light Metal Group Metal Center.

*6. We revised the calculation criteria for Category 4 and amended FY2017 and FY2018 figures.

*7. The seawater intake quantity is not included.

*8. We revised the calculation criteria for the amount of discharged water and amended FY2017 and FY2018 figures.

*9. We started to compile data from FY2019.

*10. Changes in expenditure are calculated using the following formula: Changes in expenditure = expenditure incurred during a base period (FY2018) – expenditure incurred during the current year (FY2019)

*11. - (minus) indicates an increase in expenditure.

*12. Environmental problems that affect external parties (such as the leakage of oil or chemicals)

*13. Number of petitions from external parties (such as those regarding smell and noise)

*14. Contract employees (full-time) are included.

*15. Consolidated values began to be reported in FY2018.

*16. Percentage of employees who are still at the company as of April 1 in the year that is three years after they joined the company.

*17. As of June 1 immediately after the end of each fiscal year. The statutory employment rate is 2.2% (2.0% on and before March 31, 2018).

*18. During the calendar year (from January to December).

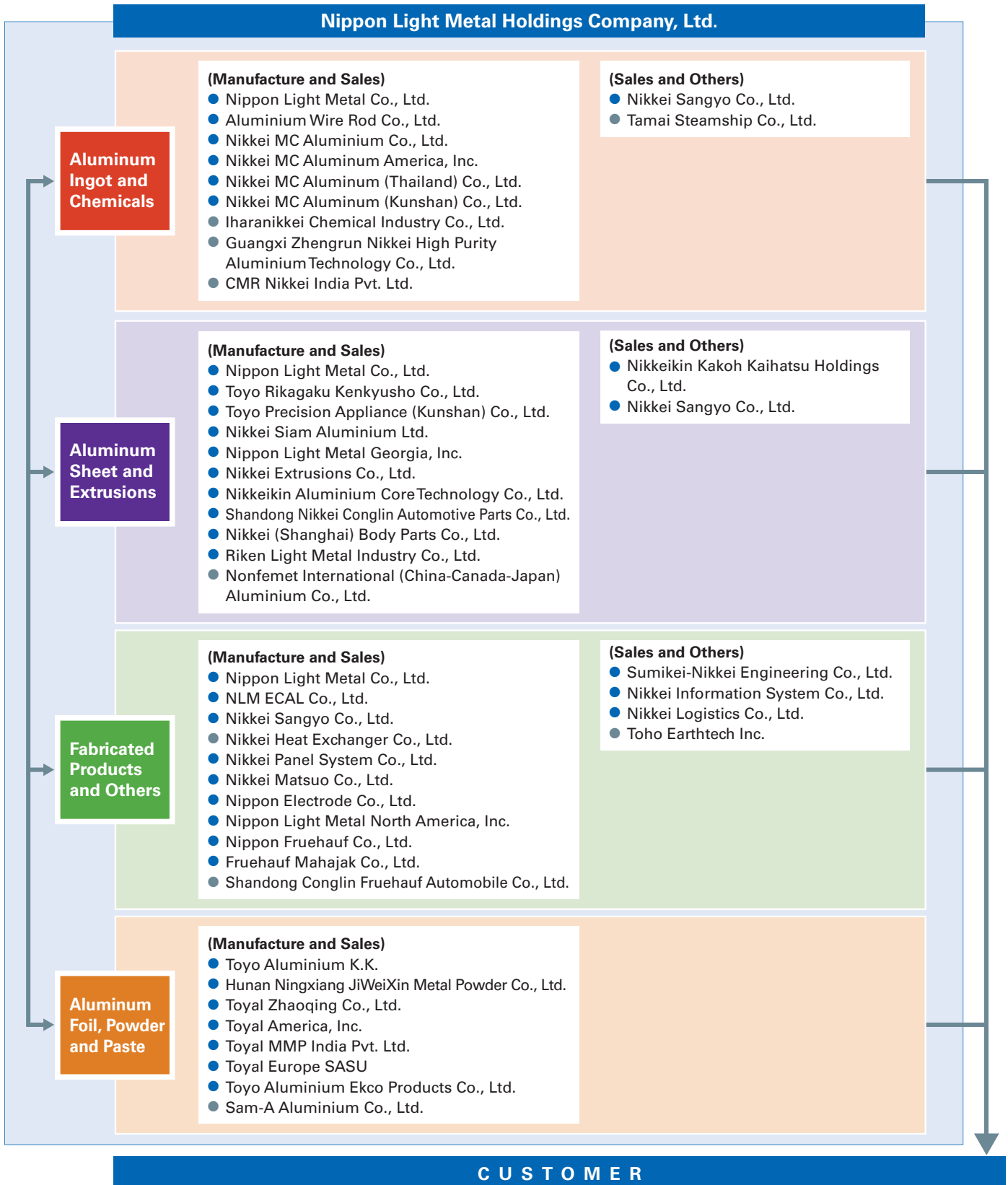
The value for lost-time injuries (consolidated, besides Japan) and non-lost-time injuries (consolidated, Japan only) for 2017 were incorrect and were therefore corrected.

*19. Injuries that resulted in one or more days' absence from work (excluding commuting injuries)



Nippon Light Metal Group consists of 80 subsidiaries and 22 affiliates (as of March 31, 2020).

The Group's major operations and the business relations between the Company, major consolidated subsidiaries and affiliates accounted for by the equity method are shown in the diagram below.



● Consolidated subsidiaries: 77 companies ● Affiliates accounted for by the equity method: 15 companies

(As of March 31, 2020)

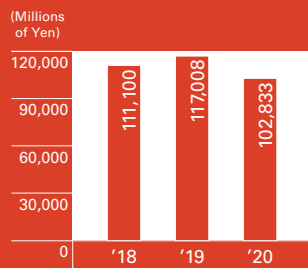


Aluminum Ingot and Chemicals

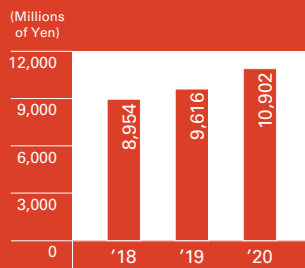
Profile Alumina and Chemicals segment produce aluminum hydroxide, alumina and chemicals used in various fields. These products are used as raw materials for flame retardants, ceramics and other products and as industrial materials in paper and pulp manufacturing. Aluminum Ingot segment manufacture various kinds of aluminum alloys and enjoy an excellent reputation for the development of high-performance alloys in response to customer requirements.



Net Sales



Consolidated Operating Profit



Principal Products

- Aluminum
- Aluminum hydroxide
- Chemicals (chemical products)
- Caustic soda
- Chlorinated chemical products
- Aluminum ingot
- Aluminum alloys

Overview of results for fiscal 2019

In the Alumina and Chemicals segment, sales of coagulants and organic chlorides were brisk among chemicals, but mainstay aluminum hydroxide and alumina-related products saw demand for refractories and semiconductor-related products slump. As a result, the segment's net sales decreased year on year. However, profits increased compared to the previous year due to the effect of improved product mix, solid sales of high value-added products, and falling raw material prices.

In the Aluminum Ingot segment, regarding the core secondary alloy products for automotive applications business, demand in North America was firm, but competition with general-purpose alloys made in China, in addition to a decline in demand in Japan, China and Thailand, dragged down sales and sales prices, resulting in lower net sales and profits for the segment compared to the previous year.

As a result, in the Aluminum Ingot and Chemicals segment, net sales decreased 12.1% year on year to ¥102,833 million, while operating profit increased 13.4% year on year to ¥10,902 million.



Aluminum Billet



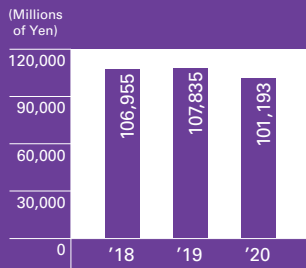
Aluminum Sheet and Extrusions

Profile *The NLM Group's aluminum sheet and extrusions are used in a wide range of market sectors, for instance for automotive parts and railway cars in the transport industry and for semiconductor and liquid crystal manufacturing equipment and photosensitive drums in the electrical machinery and electronics industries. The Group applies technologies and expertise accumulated over many years to actively develop products that meet user needs and provides customers with high-performance sheets and extrusions.*

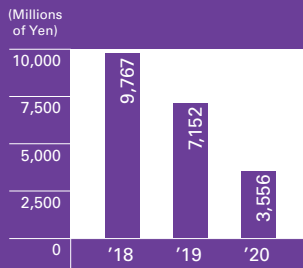
Consolidated Net Sales



Net Sales



Consolidated Operating Profit



Applications

- Automobile
- Transport
- Electronics
- Industrial
- Building materials and infrastructure materials

Principal Products

- Automobile suspension parts
- Lead-free cut aluminum alloy
- Quick freezing coagulated powder extruded materials
- High-intensity molded aluminum sheet
- Large structural materials for railway rolling stock
- Flap for trucks
- Thick plate for semiconductor and LCD manufacturing equipment
- Foil stock
- Photosensitive drum materials
- Printing roll
- Industrial materials
- Aluminum honeycomb panel
- Scaffolding
- Building materials

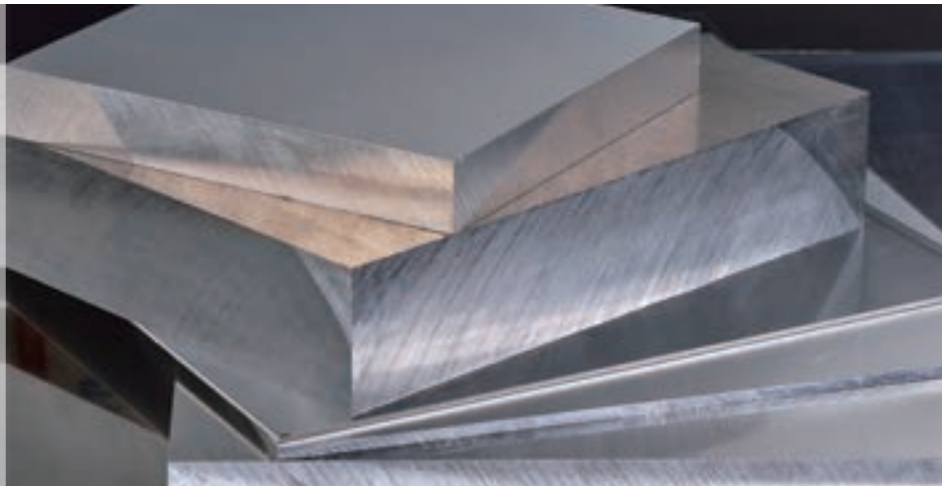
Overview of results for fiscal 2019

In the Aluminum Sheet segment, there was a decline in sales volumes of thick plates for semiconductor and liquid crystal manufacturing equipment, materials for environmentally friendly vehicles for PC cases, resulting in lower net sales for the segment compared with the previous year. Profits greatly decreased mainly owing to a decline in sales prices reflecting the price of aluminum ingots, in addition to a decrease in sales of high value-added products.

In the Aluminum Extrusions segment, although sales volume of communications-related products such as those for

data centers increased, truck-related products were sluggish, and sales volume of products for semiconductor manufacturing equipment and automobile-related products decreased. As a result, net sales for the Aluminum Extrusions segment decreased from the previous year. Profits also fell significantly due to a decline in sales prices reflecting the price of aluminum ingots, in addition to lower sales volume.

As a result, in the Aluminum Sheet and Extrusions segment, net sales decreased 6.2% year on year to ¥101,193 million, and operating profit decreased 50.3% year on year to ¥3,556 million.

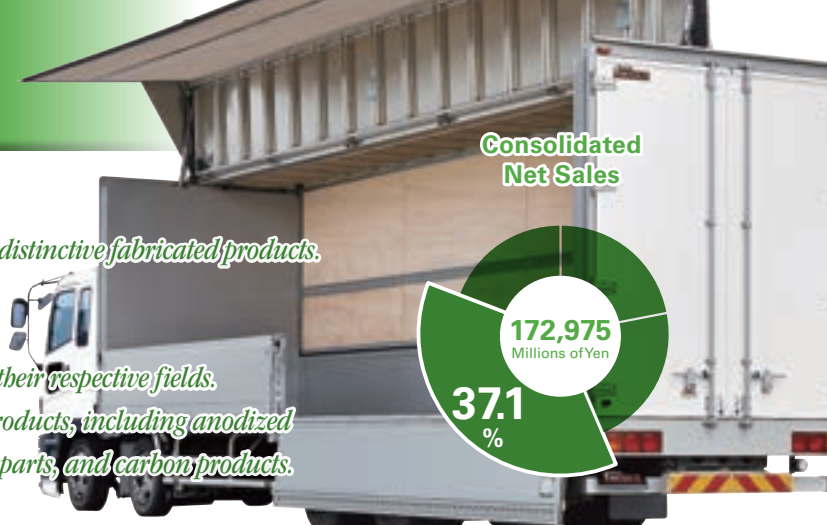


Aluminum Sheet

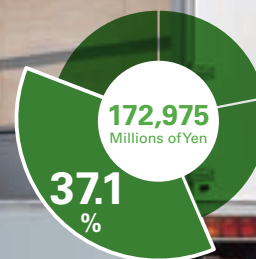


Fabricated Products and Others

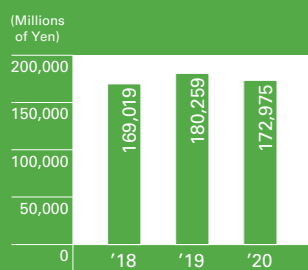
Profile *The NLM Group includes several companies that handle distinctive fabricated products. In particular, Nippon Fruehauf's truck bodies and Nikkei Panel System's commercial refrigerators and freezer panels enjoy an excellent reputation for quality, and are market share leaders in their respective fields. In addition, the Group provides familiar aluminum fabricated products, including anodized aluminum foil for aluminum electrolytic capacitors, automotive parts, and carbon products.*



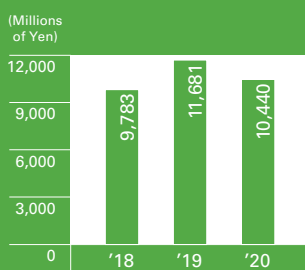
Consolidated Net Sales



Net Sales



Consolidated Operating Profit



Applications

- Automobile
- Transport
- Electronics
- Building materials and infrastructure materials
- Food and lifestyle

Principal Products

- Cast and forged parts for automobiles
- Heat exchangers for automobiles
- Van truck bodies and trailers
- Anodized foil for electrolytic capacitors
- Clean rooms
- Landscape engineering products
- Solid truss structural materials (Aluminum truss)
- Plant package for communication base stations
- Panels for commercial refrigerators and freezers

Overview of results for fiscal 2019

In the Transport-Related segment, net sales of the truck outfitting business decreased from the previous year, mainly owing to lower sales for compact trucks as a result of a reactionary fall following rush demand ahead of the tightening of exhaust gas regulations, and a decline in demand for temperature-controlled vehicles, despite firm demand for trailers. However, profits increased from the previous year as a result of improved productivity and falling material prices.

In the heat exchanger business, sales of products related to environmentally friendly vehicles fell sharply, despite brisk sales of capacitors for air conditioners mainly for mainstay mini vehicles. In August 2019, we acquired additional shares of Nikkei Heat Exchanger Company, Ltd., which was an equity-method affiliate, and made it a wholly-owned subsidiary. The move is aimed at further strengthening the subsidiary's collaboration with the Group and accelerating the creation of new products and businesses in the field of heat devices such as materials related to environmentally friendly vehicles.

In the shaped parts business, both net sales and operating profit greatly decreased from the previous year, due to a sharp drop in demand for forgings for China and Thailand in addition to lower sales of mainstay brake calipers among castings.

In the Electronic Materials segment, demand for anodized aluminum foil for aluminum electrolytic capacitors showed little growth in line with the deterioration of the market environment for electric and electronic equipment, and both net sales and operating profit fell significantly from the previous year.

In the Panel System segment, sales of panel systems for clean rooms at electronic parts factories increased in response to 5G (the fifth generation mobile communication system) infrastructure development. There was also higher demand for panel systems for clean rooms for medical and pharmaceutical applications, but products for industrial refrigerators and freezers saw demand for panel systems for food processing plants, particularly large-scale projects, decrease. As a result, both net sales and operating profit declined year on year.

In the Landscape Engineering segment, among products for roads and bridges, demand for railings declined, but sales of new products for bridge inspections remained robust from the previous year. Demand for products for structures such as sluice gates and water purification plants increased, resulting in higher net sales for the Landscape Engineering segment year on year. However, the segment's operating profit fell below the previous year's level, owing to the amortization of goodwill incurred when Sumikei-Nikkei Engineering Co., Ltd. (now known as Nikkei Engineering Co., Ltd.) became a subsidiary in the previous year.

In the Carbon Product segment, both net sales and operating profit increased from the previous year, reflecting strong sales of high value-added products of mainstay carbon blocks for blast furnaces and electric furnaces, and progress in the heat treatment business for anode materials in lithium-ion batteries, despite a slowdown of the steel industry, where our main customers operated.

As a result, in the Fabricated Products and Others segment, net sales decreased 4.0% year on year to ¥172,975 million and operating profit decreased 10.6% year on year to ¥10,440 million.

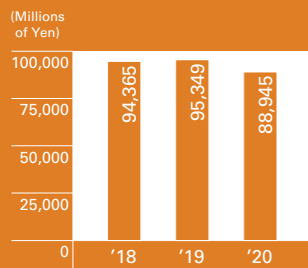


Aluminum Foil, Powder and Paste

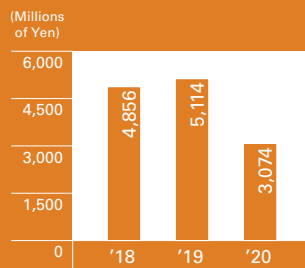
Profile *The core company in this segment is Toyo Aluminium K.K. The company has established its position as the leading manufacturer by using the features of aluminum to develop a wide range of products beneficial to society, industry and daily life, including packaging for food and pharmaceutical products, electronics, aluminum pastes, and materials for solar cells. Expanding into new fields based on our own technology, we are marketing various kinds and types of materials and products of high functionality in both domestic and overseas markets.*



Net Sales



Consolidated Operating Profit



Applications

- Food and lifestyle
- Electronics
- Automobile
- Environmental / Energy

Principal Products

- Aluminum foil
- Aluminum foil for electrolytic capacitors
- Powder and paste
- Back sheets for solar cells
- Electrode ink for solar cells

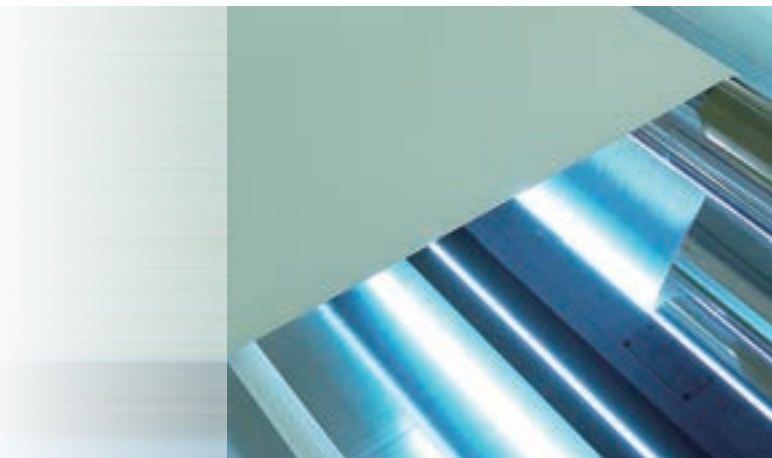
Overview of results for fiscal 2019

In the Aluminum Foil segment, sales of plain foil for lithium-ion battery surfaces and cathode materials increased from the previous year's figure as sales for smartphones and personal computers decreased but sales for automobiles increased. However, sales of foil for capacitors declined sharply due to lower demand for electronic components and high-tech products. While sales of fabricated foil for pharmaceutical packaging increased, sales of water-repellent fabricated foil for food products and antenna circuit foil for IC cards decreased, resulting in lower net sales and operating profit of the Aluminum Foil segment compared with the previous year.

In the Powder and Paste segment, sales of aluminum powder in electronic material for heat dissipation performed well, and sales of aluminum nitride for thermal conductive fillers increased, but overall sales of powder products were sluggish. With regards to paste products for inks, sales of high value-added products such as those for gravure printing were relatively buoyant, but sales volume of mainstay products for automobile paint decreased due to lower automobile production and weak performance of silver-colored paste products. As a result, both net sales and operating profit of the Powder and Paste segment decreased from the previous year.

In the Solar segment, sales volume of back sheets for solar cells fell due to the Chinese government's revision of its measure for supporting introduction of solar power generation systems, as well as price competition. Functional ink products for solar cells also faced intensified competition due to the market entry of competitors, while sales of new products for next-generation cells performed weakly. As a result, net sales of the Solar segment greatly decreased from the previous year.

As a result, in the Aluminum Foil, Powder and Paste segment, net sales decreased 6.7% year on year to ¥88,945 million and operating profit decreased 39.9% year on year to ¥3,074 million.



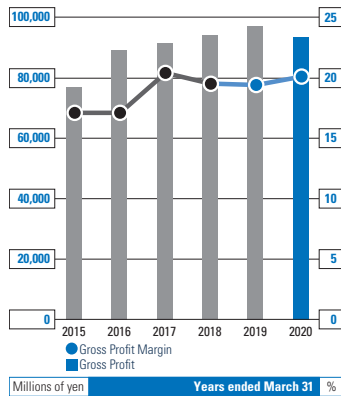
Aluminum Foil



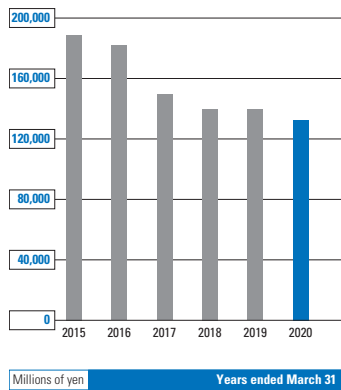
Consolidated Six-Year Summary

Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries Years ended March 31

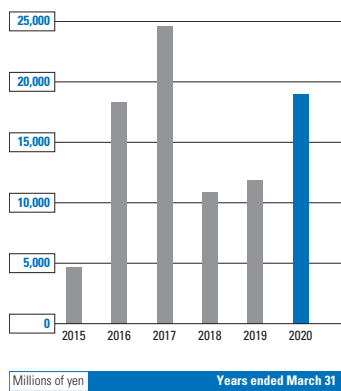
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



2015 2016

(Millions of yen)

Financial Results

Net Sales	¥431,477	¥464,405
Gross Profit	76,987	89,237
Gross Profit Margin (%)	17.8	19.2
Operating Profit (Loss)	19,305	26,821
Ordinary Profit (Loss)	20,600	24,526
Profit attributable to owners of parent	9,645	15,533

Segment Information

Net Sales:		
Aluminum Ingot and Chemicals	114,339	109,844
Aluminum Sheet and Extrusions	82,823	103,340
Fabricated Products and Others	138,088	149,220
Aluminum foil, powder and paste	96,227	102,001
Total	431,477	464,405

Operating Profit (Loss):

Aluminum Ingot and Chemicals	6,069	9,138
Aluminum Sheet and Extrusions	4,230	3,058
Fabricated Products and Others	7,704	10,958
Aluminum foil, powder and paste	4,183	6,829
Elimination or corporate items	(2,881)	(3,162)
Total	19,305	26,821

Financial Position

Current Assets	248,906	247,363
Property, plant and equipment	153,235	152,183
Intangible assets	4,543	3,328
Investments and other assets	50,593	49,320
Current liabilities	202,220	186,881
Long-term liabilities	117,672	120,894
Shareholders' equity (Note 3)	111,791	124,884
Total accumulated other comprehensive income (Note 3)	9,631	5,300
Non-controlling interests (Note 3)	15,963	14,235
Interest-bearing Debt (Note 2)	188,990	182,207

Cash Flows

Cash Flows from Operating Activities	11,780	37,770
Depreciation and Amortization	16,406	16,356
Cash Flows from Investing Activities	(7,119)	(19,419)
Capital Expenditures	15,869	18,861
Cash Flows from Financing Activities	(17,581)	(10,708)

Per Share Data (yen and dollars)

Net Profit (Loss) - basic	¥ 17.74	¥ 28.56
- diluted	15.59	25.10
Net Assets (Note 3)	223.27	239.39
Cash Dividends	5.00	6.00

Indices

Return on Capital Employed (ROCE)(%)	8.2	9.0
Return on Equity (ROE)(%)	8.3	12.3
Equity Ratio (%)	26.6	28.8

Others

Number of Shares Outstanding (thousands)	545,126	545,126
R&D Expenditures	4,495	4,794
Number of Employees	13,335	12,961

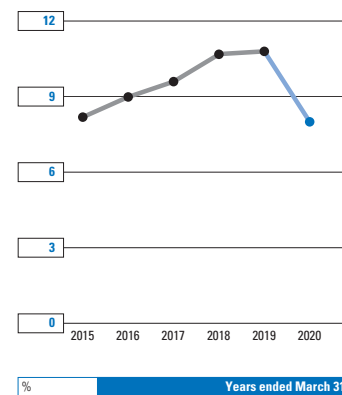
Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥108.83 = U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

Note 2: Interest-bearing Debt = Long-term debt and Short-term borrowings, excluding capital lease obligations + Notes discounted + Notes endorsed

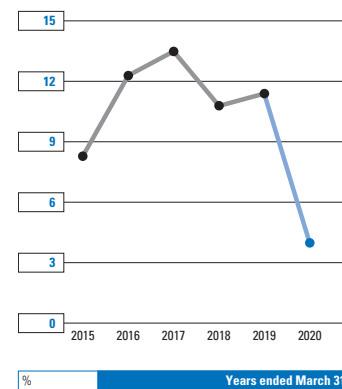
Note 3: Numbers used for the year ended March 2010 have been revised according to the current segment categories.

2017	2018	2019	2020	2020
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)
¥448,381	¥481,439	¥500,451	¥465,946	\$4,281,411
91,564	94,035	97,257	93,609	860,140
20.4	19.5	19.4	20.1	20.1
30,225	29,893	30,052	24,607	226,105
26,252	29,533	31,084	23,475	215,703
19,520	18,012	20,560	7,476	68,694
101,840	111,100	117,008	102,833	944,895
98,165	106,955	107,835	101,193	929,827
154,684	169,019	180,259	172,975	1,589,405
93,692	94,365	95,349	88,945	817,284
448,381	481,439	500,451	465,946	4,281,411
10,126	8,954	9,616	10,902	100,175
7,775	9,767	7,152	3,556	32,675
10,245	9,783	11,681	10,440	95,929
5,478	4,856	5,114	3,074	28,246
(3,399)	(3,467)	(3,511)	(3,365)	(30,920)
30,225	29,893	30,052	24,607	226,105
246,394	267,059	267,238	246,374	2,263,843
151,231	154,002	164,568	173,757	1,596,591
3,190	3,187	5,554	5,867	53,910
47,808	43,052	43,943	44,006	404,355
184,277	191,729	184,364	162,341	1,491,693
90,722	86,249	94,204	106,465	978,269
154,600	167,115	183,163	184,547	1,695,736
5,053	6,842	4,691	1,728	15,878
13,971	15,365	14,881	14,923	137,123
149,835	139,997	139,570	132,622	1,218,616
36,488	25,868	34,644	48,676	447,266
16,602	17,126	17,294	18,694	171,772
(11,887)	(14,948)	(22,777)	(29,684)	(272,756)
19,908	21,077	29,926	29,978	275,457
(24,432)	(17,040)	(8,904)	(15,745)	(144,675)
¥ 34.58	¥ 29.09	¥ 33.20	¥ 12.07	\$ 0.11
31.46	—	—	—	—
257.82	280.93	303.37	300.83	2.76
8.00	8.00	9.00	9	0.08
9.6	10.7	10.8	8.0	
13.5	10.8	11.4	4.0	
35.6	37.2	39.0	39.6	
619,937	619,937	57,185	60,100	
4,939	5,177	5,447	5,867	53,910
13,126	12,855	13,316	13,611	

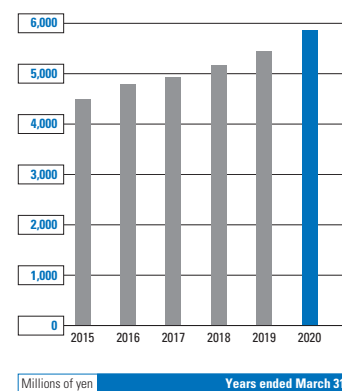
Return on Capital Employed (ROCE)



Return on Equity (ROE)



R&D Expenditures





Overview

During fiscal year 2019 (the year ended March 31, 2020), the global economy faced growing concerns over its outlook, such as trade frictions between the United States and China, Brexit, and geopolitical risk in the Middle East. Furthermore, as the novel coronavirus infection started to spread this year, the global economy sharply deteriorated. The Japanese economy also appeared to be stuttering as a result of the increase of the consumption tax rate and a series of natural disasters, and it turned downward towards the end of the fiscal year owing to the spread of the novel coronavirus infection in Japan.

The aluminum industry saw demand for semiconductor manufacturing equipment and cars decline, resulting in an overall lack of strength. Furthermore, aluminum ingot prices continued a downward trend.

Under such circumstances, the Group strove to maximize consolidated net sales in accordance with the basic policies in the Mid-Term Management Plan (“MTMP”), which commenced in fiscal year 2019 and covers fiscal 2019 through 2021.

Under the first basic policy in MTMP, “create new products and businesses,” we strove to develop products and businesses, taking

Overview of Consolidated Business Performance

(Millions of yen)

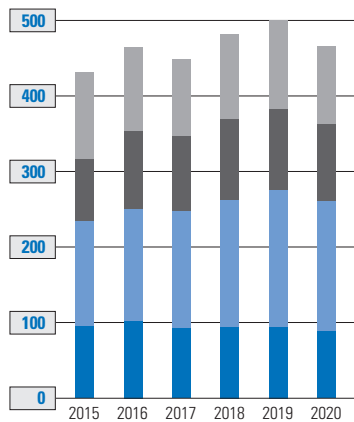
	Fiscal year under review The year ended March 31, 2020	Previous fiscal year The year ended March 31, 2019	Changes in comparison (Decrease in parentheses) Changes [Percent changes]
Net sales	465,946	500,451	(34,505)[(6.9%)]
Operating profit	24,607	30,052	(5,445)[(18.1%)]
Ordinary profit	23,475	31,084	(7,609)[(24.5%)]
Profit attributable to owners of parent	7,476	20,560	(13,084)[(63.6%)]
Net income per share (Yen)	12.07	33.20	(21.13)[(63.6%)]

advantage of the supply chain with manufacturing at the core, to thoroughly pursue Group-wide cooperation and create new value for all customers. Under the second basic policy in MTMP, “invest resources for growth,” we vigorously invested resources into fields and regions where the Group’s strengths can be utilized.

Earnings and Expenses

NLM Holdings’ consolidated net sales for the fiscal year under review decreased 6.9% year on year to ¥465.9 billion (\$4,281 million).

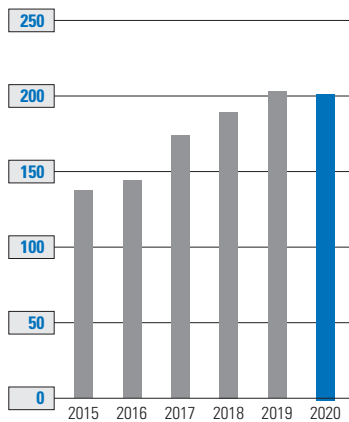
Net Sales By Segment



Billions of yen Years ended March 31

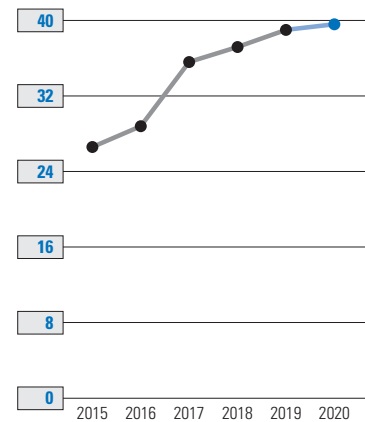
- Aluminum Ingot and Chemicals
- Aluminum Sheet and Extrusions
- Fabricated Products and Others
- Aluminum Foil, Powder and Paste

Total Net Assets



Billions of yen As of March 31

Equity Ratio



% As of March 31

Note: Numbers used for the year ended March 2010 have been revised according to the current segment categories. Numbers used for the year ended March 2010 do not include numbers from the Building Materials segment.

For sales and other aspects of financial performance by business segment, please see the Review of Operations on Pages 16 to 19.

The cost of sales decreased 7.7% year on year to ¥372.3 billion (\$3,421 million). Selling, general and administrative expenses were ¥69.0 billion (\$634 million). As a result, operating profit decreased 18.1% year on year to ¥24.6 billion (\$226 million).

Non-operating income decreased 30.0% year on year to ¥3.4 billion (\$31 million). Equity in earnings of affiliates decreased 60.0% year on year to ¥0.3 billion (\$2 million) and dividend income increased 4.5% year on year to ¥0.3 billion (\$3 million), while other non-operating income decreased 32.2% year on year to ¥1.6 billion (\$14.7 million).

Non-operating expenses increased 18.3% year on year to ¥4.6 billion (\$42 million). As a result, ordinary profit fell 24.5% year on year to ¥23.5 billion (\$216 million).

Environmental expenses associated with Amehata Dam (Yamanashi Prefecture), which is owned by our subsidiary Nippon Light Metal, were recorded as a special loss of ¥11.0 billion (\$101 million). Please see Page 5 for details of countermeasures for sedimentation around Amehata Dam.

As a result, profit before income taxes during the fiscal year under review was ¥12.5 billion (\$115 million). Corporate, inhabitant and business taxes amounted to ¥4.9 billion (\$45 million) and deferred income taxes during the fiscal year under review were ¥(1.7) billion (\$16 million). Profit was ¥9.3 billion (\$85 million).

As a result of the above, profit attributable to owners of parent in the fiscal year under review decreased 63.6% year on year to ¥7.5 billion (\$69 million). The average number of shares outstanding decreased from 619,221 thousand in the previous fiscal year to 619,214 thousand. Accordingly, net income per share decreased from ¥33.20 in the previous year to ¥12.07 (\$0.11). The annual cash dividend per share remained the same as the previous year at ¥9.0 (\$0.08).

Overview of Consolidated Balance Sheets

(Millions of yen)

	March 31, 2020	March 31, 2019	Changes in comparison
Total assets	470,004	481,303	(11,299)
Total liabilities	268,806	278,568	(9,762)
Net assets	201,198	202,735	(1,537)
Equity ratio (%)	39.6	39.0	(0.6)

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2020 decreased ¥11.3 billion year on year to ¥470.0 billion (\$4,319 million). This was mainly due to a decrease in notes and accounts receivable – trade. Total liabilities decreased ¥9.8 billion year on year to ¥268.8 billion (\$2,470 million). This was mainly due to a decrease in notes and accounts payable – trade. Interest-bearing debt decreased ¥6.9 billion year on year to ¥132.6 billion.

Net assets decreased ¥1.5 billion year on year to ¥201.2 billion (\$1,849 million), primarily due to a decrease in foreign currency translation adjustments. Net assets per share decreased ¥2.54 year on year to ¥300.83 (\$2.76), while the equity ratio rose 0.6 percentage points year on year to 39.6%.

Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2020 increased ¥3.0 billion year on year to ¥36.3 billion (\$334 million).

Net cash provided by operating activities totaled ¥48.7 billion (\$447 million). This was because the amount of non-cash income and expense items, including profit before income taxes and depreciation and amortization, exceeded the amount of cash outflows such as income taxes paid. Net cash used in investing activities was ¥29.7 billion (\$273 million). This was mainly due to payments for purchase of property, plant and equipment. Net cash used in financing activities totaled ¥15.7 billion (\$145 million). This was mainly due to repayments of long-term debt.

Outlook for Fiscal 2020

Under the basic policies in MTMP for fiscal 2019 to 2021, which has entered the second year in the fiscal year ending March 31, 2021, the Group strives to create new products and businesses, invest resources for growth, and strengthen the management foundation, thereby maximizing consolidated net sales.

The uncertainty over overall economic activities around the world is increasing due to the spread of the novel coronavirus infection, and the future outlook is also unclear in Japan.

The forecast of the consolidated financial results for fiscal 2020 remains undetermined, because the impact of the spread of the novel coronavirus infection is uncertain and it is difficult at this point to reasonably forecast the consolidated financial results of the Group.



Consolidated Balance Sheets

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	March 31,		
	2019	2020	2020
Assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and deposits (Notes 4 and 7)	¥ 33,417	¥ 36,349	\$ 333,998
Notes and accounts receivable – trade (Note 7)	123,039	105,458	969,016
Electronically recorded monetary claims – operating (Note 7)	29,642	27,575	253,377
Finished products	30,453	28,513	261,996
Work-in-progress, including costs related to construction-type contracts ..	19,105	19,309	177,424
Raw materials and supplies	22,231	18,788	172,636
Other current assets	9,848	10,767	98,934
Allowance for doubtful accounts	(497)	(385)	(3,538)
Total current assets	267,238	246,374	2,263,843
Property, plant and equipment (Note 6):			
Land	54,663	54,587	501,580
Buildings and structures	140,766	152,490	1,401,176
Machinery and equipment	290,629	298,133	2,739,438
Tools, furniture and fixtures	34,317	35,869	329,587
Construction-in-progress	15,023	8,894	81,724
Accumulated depreciation	(370,830)	(376,216)	(3,456,914)
Total property, plant and equipment	164,568	173,757	1,596,591
Intangible assets:			
Goodwill	1,999	1,555	14,288
Other intangible assets	3,555	4,312	39,622
Total intangible assets	5,554	5,867	53,910
Investments and other assets:			
Investment securities (Notes 5 and 7)	29,623	27,560	253,239
Deferred tax assets (Note 10)	6,618	8,981	82,523
Other assets	7,924	7,732	71,047
Allowance for doubtful accounts	(222)	(267)	(2,454)
Total investments and other assets	43,943	44,006	404,355
Total assets	¥ 481,303	¥ 470,004	\$ 4,318,699

	March 31,		
	2019	2020	2020
Liabilities and net assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 55,411	¥ 52,602	\$ 483,341
Current portion of long-term debt (Notes 6 and 7)	15,058	10,787	99,118
Notes and accounts payable – trade (Note 7)	76,244	63,826	586,474
Income taxes payable	3,422	2,654	24,387
Other current liabilities	34,229	32,472	298,373
Total current liabilities	184,364	162,341	1,491,693
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	73,273	73,702	677,221
Liabilities for retirement benefits (Note 9)	19,741	20,115	184,830
Provision for environmental measures	—	10,609	97,482
Other long-term liabilities (Notes 6, 7 and 10)	1,190	2,039	18,736
Total long-term liabilities	94,204	106,465	978,269
Total liabilities	278,568	268,806	2,469,962
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000,000 shares			
Issued: 619,937,500 shares	46,525	46,525	427,502
Additional paid-in capital	19,500	18,983	174,428
Retained earnings	117,206	119,108	1,094,440
Treasury stock, at cost (720,629 shares in 2019 and 725,769 shares in 2020) ..	(68)	(69)	(634)
Total shareholders' equity	183,163	184,547	1,695,736
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities (Note 5)	3,322	2,230	20,491
Net unrealized gains (losses) on hedges (Note 7 and 13)	(9)	(120)	(1,103)
Land revaluation surplus (Note 12)	145	145	1,332
Foreign currency translation adjustments	2,434	1,084	9,961
Remeasurements of defined benefits plans (Note 9)	(1,201)	(1,611)	(14,803)
Total accumulated other comprehensive income	4,691	1,728	15,878
Non-controlling interests	14,881	14,923	137,123
Total net assets	202,735	201,198	1,848,737
Contingent liabilities (Note 16)			
Total liabilities and net assets	¥481,303	¥470,004	\$4,318,699

The accompanying notes are an integral part of these financial statements.



Consolidated Statements of Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31,		
	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥500,451	¥465,946	\$4,281,411
Cost of sales (Note 14)	403,194	372,337	3,421,271
Gross profit	97,257	93,609	860,140
Selling, general and administrative expenses (Note 14)	67,205	69,002	634,035
Operating profit	30,052	24,607	226,105
Non-operating income:			
Interest income	81	85	781
Dividend income	289	302	2,775
Equity in earnings of affiliates	680	268	2,463
Rental income	804	760	6,983
Technical support fee	666	403	3,703
Other	2,354	1,596	14,665
Total non-operating profit	4,874	3,414	31,370
Non-operating expenses:			
Interest expense	1,301	1,211	11,127
Loss on disposal of fixed assets	575	466	4,282
Rental expense	758	592	5,440
Other	1,208	2,277	20,923
Total non-operating expenses	3,842	4,546	41,772
Ordinary profit	31,084	23,475	215,703
Special gains:			
Gain on step acquisitions	1,371	—	—
Total special gains	1,371	—	—
Special losses:			
Loss on valuation of investment securities (Note 18)	—	11,000	101,075
Loss on impairment of fixed assets (Note 17)	957	—	—
Loss on valuation of investment securities (Note 5)	386	—	—
Total special losses	1,343	11,000	101,075
Profit before income taxes	31,112	12,475	114,628
Income taxes (Note 10):			
Current	7,342	4,897	44,997
Deferred	1,764	(1,707)	(15,685)
Net profit	9,106	3,190	29,312
Profit attributable to non-controlling interests	22,006	9,285	85,316
Profit attributable to owners of parent	1,446	1,809	16,622
Profit attributable to owners of parent	¥ 20,560	¥ 7,476	\$ 68,694
Per share of common stock (Note 19):			
	(Yen)		(U.S. dollars) (Note 3)
Net assets	¥ 303.37	¥ 300.83	\$ 2.76
Net profit	33.20	12.07	0.11
Cash dividends (Note 11)	9.00	9.00	0.08

The accompanying notes are an integral part of these financial statements.



Consolidated Statements of Comprehensive Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31,		
	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net profit	¥22,006	¥9,285	\$85,316
Other comprehensive income (losses)			
Net unrealized gains (losses) on securities	(890)	(1,088)	(9,997)
Net unrealized gains (losses) on hedges	135	(111)	(1,020)
Foreign currency translation adjustments	(413)	(1,281)	(11,771)
Remeasurements of defined benefit plans	(766)	(438)	(4,025)
Equity of other comprehensive income (losses) of affiliates	(397)	(232)	(2,132)
Total other comprehensive income (losses) (Note 8)	(2,331)	(3,150)	(28,945)
Comprehensive income	¥19,675	¥6,135	\$56,371
Attributable to:			
owners of parent	¥18,409	¥4,513	\$41,467
non-controlling interests	1,266	1,622	14,904
	¥19,675	¥6,135	\$56,372

The accompanying notes are an integral part of these financial statements.



Consolidated Statements Of Changes In Net Assets

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	2019										
	Shareholders' equity				Accumulated other comprehensive income						Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Non-controlling interests	
	(Millions of yen)										
Balance at April 1, 2018	¥ 46,525	¥ 19,064	¥ 101,593	¥ (67)	¥ 4,181	¥ (144)	¥ 145	¥ 3,111	¥ (451)	¥ 15,365	¥ 189,322
Cash dividends (Note 11)			(4,955)								(4,955)
Profit attributable to owners of parent			20,560								20,560
Purchase of treasury stock				(1)							(1)
Increase by merger			8								8
Capital increase of consolidated subsidiaries ...		212									212
Change in ownership interest of parent due to transactions with non-controlling interests		224									224
Net unrealized gains (losses) on securities					(859)						(859)
Net unrealized gains (losses) on hedges						135					135
Foreign currency translation adjustments								(677)			(677)
Remeasurements of defined benefits plans									(750)		(750)
Net increase in non-controlling interests										(484)	(484)
Balance at March 31, 2019	¥ 46,525	¥ 19,500	¥ 117,206	¥ (68)	¥ 3,322	¥ (9)	¥ 145	¥ 2,434	¥ (1,201)	¥ 14,881	¥ 202,735

	2020										
	Shareholders' equity				Accumulated other comprehensive income						Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Non-controlling interests	
	(Millions of yen)										
Balance at April 1, 2019	¥ 46,525	¥ 19,500	¥ 117,206	¥ (68)	¥ 3,322	¥ (9)	¥ 145	¥ 2,434	¥ (1,201)	¥ 14,881	¥ 202,735
Cash dividends (Note 11)			(5,574)								(5,574)
Profit attributable to owners of parent			7,476								7,476
Purchase of treasury stock				(1)							(1)
Increase by merger											—
Capital increase of consolidated subsidiaries ...											—
Change in ownership interest of parent due to transactions with non-controlling interests		(517)									(517)
Net unrealized gains (losses) on securities					(1,092)						(1,092)
Net unrealized gains (losses) on hedges						(111)					(111)
Foreign currency translation adjustments								(1,350)			(1,350)
Remeasurements of defined benefits plans									(410)		(410)
Net increase in non-controlling interests										42	42
Balance at March 31, 2020	¥46,525	¥18,983	¥119,108	¥(69)	¥2,230	¥(120)	¥145	¥1,084	¥(1,611)	¥14,923	¥201,198

	2020										
	Shareholders' equity				Accumulated other comprehensive income						Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Non-controlling interests	
	(Millions of yen)										
Balance at April 1, 2019	\$ 427,502	\$ 179,179	\$ 1,076,963	\$ (625)	\$ 30,525	\$ (83)	\$ 1,332	\$ 22,366	\$ (11,036)	\$ 136,737	\$ 1,862,860
Cash dividends (Note 11)			(51,217)								(51,217)
Profit attributable to owners of parent			68,694								68,694
Purchase of treasury stock				(9)							(9)
Increase by merger											—
Capital increase of consolidated subsidiaries ...											—
Change in ownership interest of parent due to transactions with non-controlling interests		(4,751)									(4,751)
Net unrealized gains (losses) on securities					(10,034)						(10,034)
Net unrealized gains (losses) on hedges						(1,020)					(1,020)
Foreign currency translation adjustments								(12,405)			(12,405)
Remeasurements of defined benefits plans									(3,767)		(3,767)
Net increase in non-controlling interests										386	386
Balance at March 31, 2020	\$427,502	\$174,428	\$1,094,440	\$ (634)	\$ 20,491	\$ (1,103)	\$ 1,332	\$ 9,961	\$ (14,803)	\$ 137,123	\$ 1,848,737

The accompanying notes are an integral part of these financial statements.



Consolidated Statements of Cash Flows

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31,		
	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Cash flows from operating activities			
Profit before income taxes	¥ 31,112	¥ 12,475	\$ 114,628
Depreciation and amortization	17,294	18,694	171,772
Amortization of goodwill	222	444	4,080
Loss (gain) on step acquisitions	(1,371)	56	515
Loss on impairment of fixed assets	957	—	—
Loss (gain) on valuation of investment securities	386	—	—
Increase (decrease) in allowance for doubtful accounts	(625)	(69)	(634)
Increase (decrease) in net defined benefit liability	(1,110)	(242)	(2,224)
Increase (decrease) in provision for environmental measures	—	10,609	97,482
Interest and dividend income	(370)	(387)	(3,556)
Interest expense	1,301	1,211	11,127
Equity in earnings of affiliates	(680)	(268)	(2,463)
Decrease (increase) in notes and accounts receivable – trade	3,812	18,854	173,243
Decrease (increase) in inventories	(4,186)	4,873	44,776
Increase (decrease) in notes and accounts payable – trade	(3,721)	(10,359)	(95,185)
Other	(1,131)	750	6,893
Subtotal	41,890	56,641	520,454
Interest and dividends received	658	633	5,816
Interest paid	(1,345)	(1,165)	(10,705)
Settlement package paid	(2,029)	—	—
Income taxes paid	(4,530)	(7,433)	(68,299)
Net cash provided by operating activities	34,644	48,676	447,266
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(22,262)	(28,269)	(259,754)
Proceeds from sales of property, plant and equipment	251	122	1,121
Payments for purchase of intangible assets	(1,373)	(1,487)	(13,664)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	1,201	53	487
Other	(594)	(103)	(946)
Net cash used in investing activities	(22,777)	(29,684)	(272,756)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(852)	(2,918)	(26,812)
Proceeds from long-term debt	20,145	10,637	97,740
Repayments of long-term debt	(19,926)	(14,694)	(135,018)
Cash dividends paid	(4,971)	(5,586)	(51,328)
Dividends paid to non-controlling interests	(691)	(885)	(8,132)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,857)	(1,382)	(12,699)
Other	(752)	(917)	(8,426)
Net cash used in financing activities	(8,904)	(15,745)	(144,675)
Effect of exchange rate changes on cash and cash equivalents	(135)	(296)	(2,719)
Net increase (decrease) in cash and cash equivalents	2,828	2,951	27,116
Cash and cash equivalents at beginning of the year	30,517	33,345	306,395
Cash and cash equivalents at end of the year (Note 4)	¥ 33,345	¥ 36,296	\$ 333,511

The accompanying notes are an integral part of these financial statements.



Notes to Consolidated Financial Statements

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Light Metal Holdings Company, Ltd. (the “Company”) and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects, from the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The notes to the consolidated financial statements include certain financial information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. The accompanying consolidated financial statements include certain reclassifications for the purpose of presenting them in a form familiar to readers outside Japan.

(b) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, companies substantially controlled by the Company. All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method, except that investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

As a result, the consolidated financial statements for the year ended March 31, 2020 include the accounts of the Company and its 79 significant subsidiaries, and its 16 affiliates are accounted for by the equity method (78 and 17, respectively, in the previous year). The balance sheet date of certain consolidated subsidiaries is December 31. In principle, the financial statements of such subsidiaries were tentatively prepared to be consolidated in accordance with the fiscal year (ended March 31) of the Company, while those of some companies whose closing date is December 31 are used upon consolidation, with the necessary adjustments made to those financial statements to reflect any significant inter-group transactions made between December 31 and March 31.

The difference between the cost and the underlying net assets of investments in consolidated subsidiaries or affiliates accounted for by the equity method has been allocated to identifiable assets based on fair value at the respective dates of acquisition. Any unassigned residual amount is recognized as goodwill and amortized by the straight-line method over an estimated useful life, with the exception of minor amounts which are charged to income in the year of acquisition.

(c) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gains and losses are included in income for the year.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Income statement accounts are translated into Japanese yen using the average exchange rates during the year. The resulting translation adjustments are accounted for as foreign currency translation adjustments, except for the minority interest portion which is allocated to minority interests in consolidated subsidiaries.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise of cash in hand, bank deposits available for withdrawal on demand and short-term investments with an original maturity of three months or less which are exposed to a minor risk of fluctuation in value.

(e) Inventories

Inventories are principally stated at cost, determined by the moving average method. In addition, the balance sheet amount is carried at the lower of cost or market to reflect descent of profitability.

(f) Investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into held-to-maturity securities or available-for-sale securities.

Held-to-maturity securities are stated at amortized cost. Available-for-sale securities for which market quotations are available are stated at fair value with net unrealized gains or losses being included in net assets, net of related taxes. Available-for-sale securities for which market quotations

are not available are stated at cost. Realized gains and losses on sales are determined using the moving average method and are included in income for the year.

In cases where the fair value of held-to-maturity securities or available-for-sale securities has declined significantly and such impairment is other than temporary, such securities are written down to fair value and the resulting losses are charged to income for the year.

(g) Allowance for doubtful accounts

Allowance for doubtful accounts is estimated by applying the average percentage of actual bad debts in the past to the balance of receivables. In addition, an amount deemed necessary to cover non-collectible receivables is provided on an individual account basis.

(h) Provision for environmental measures

Provision for environmental measures is estimated reasonably to the possible extent based on the plan for measures against reservoir sedimentation in Amehata Dam in Hayakawa-cho, Minamikoma-gun, Yamanashi Prefecture which is possessed by the company's consolidated subsidiaries Nippon Light Metal Company, Ltd.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally using the straight-line method over the estimated useful lives of the respective assets, ranging from 2 years to 60 years for buildings and structures, and from 2 years to 22 years for machinery and equipment.

(j) Intangible assets

Intangible assets are amortized by the straight-line method over their respective estimated useful lives. Expenditure relating to computer software developed for internal use is charged to income as incurred, except in cases where it contributes to the generation of income or future cost savings. In these cases, it is capitalized and amortized using the straight-line method over its estimated useful life, which is no longer than 5 years.

(k) Retirement benefits

- 1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.
- 2) Prior service cost is amortized as incurred mainly by the straight-line method over the period of 15 years, which is shorter than the average remaining years of service of the then employees. Unrecognized actuarial gain or loss is amortized by the declining-balance method over a period of 12 years from the year following that in which it arises.

(l) Leased assets

Finance leases without options to transfer ownership of the leased assets to the lessee are accounted for as ordinary sale and purchase transactions. These leased assets are depreciated to their respective salvage value of zero using the straight-line method over a period of leasing term. Finance leases with options to transfer ownership of the leased assets to the lessee are depreciated by the same method applied to the fixed assets owned by the Company.

(m) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries use the Japanese consolidated taxation system.

The Company and its consolidated subsidiaries apply the deferred tax accounting method. Deferred tax assets and liabilities are determined using the asset and liability approach, and recognized for temporary differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements.

(n) Derivatives

All derivatives are stated at fair value with changes in fair value being included in net profit for the year in which they arise, except for derivatives designated as hedging instruments.

The Company and its consolidated subsidiaries use derivatives to reduce their exposure to fluctuation in foreign exchange rates, interest rates, and the prices of aluminum ingot and others in the market. Derivatives designated as hedging instruments are principally forward foreign



exchange contracts, interest rate swap contracts, interest rate and currency swap contracts, and aluminum ingot and others forward contracts. The underlying hedged items are trade accounts receivable and payable, long-term bank loans, and sales or purchases of aluminum ingot and others.

Gains and losses arising from changes in fair value of derivatives designated as hedging instruments are deferred and included in net profit in the same period in which the corresponding gains and losses on the underlying hedged items or transactions are recognized. The Company and its consolidated subsidiaries use interest rate swaps, and interest rate and currency swaps to hedge their interest rate (and foreign exchange rate) risk exposure. The related interest differentials paid or received under the interest rate swap agreements are recognized in interest expense over the term of the agreements.

The Company and its consolidated subsidiaries assess the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(o) Research and development costs

Research and development costs are charged to income as incurred.

(p) Appropriation of retained earnings

Appropriation of retained earnings is reflected in the consolidated financial statements for the year in which the appropriation is approved at a general meeting of shareholders.

The Company's retained earnings consist of unappropriated retained earnings and a legal reserve as required by the Companies Act of Japan. The Companies Act provides that an amount equal to 10% of distributions from unappropriated retained earnings paid by the Company and its domestic subsidiaries be appropriated to the legal reserve. Such appropriations are no longer required when the total amount of statutory reserve (additional paid-in capital (other than the capital reserve) and the legal reserve) equals 25% of their respective stated capital.

(q) Net profit per share

Basic net profit per share of common stock, presented in the accompanying consolidated statements of income, is computed based on the weighted average number of shares outstanding during each year.

Diluted net profit per share reflects the potential dilution that could occur if securities were converted into common stock. Diluted net profit per share of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for the related interest expense on a net of tax basis.

(r) Reclassification

Certain reclassifications of previously reported amounts have been made to conform them to the current year's presentations.

(s) Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 31, 2020, the Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19).

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from contracts with customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

Accounting Standard for Fair Value Measurement and Related Implementation Guidance

On July 4, 2019, the Accounting Standards Board of Japan (“ASBJ”) issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31), along with related updates to “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9 revised 2019), and “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised 2019).

(1) Overview

The ASBJ has developed an “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively, the “Fair Value Measurement Standard”), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes defined in “Accounting Standard for Measurement of Inventories”

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of revised accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standards and implementation guidance on its consolidated financial statements.

2. ACCOUNTING CHANGES

(a) Change in accounting policies

Adoption of IFRS 16 “Leases”

Certain consolidated subsidiaries which apply International Financial Reporting Standards (IFRS) have adopted IFRS 16 “Leases” (January 13, 2016; hereinafter “IFRS 16”) from the beginning of the fiscal year ended March 31, 2020.

IFRS 16 requires lessees to recognize assets and liabilities for, in principle, all leases. A transition approach, cumulative effect of retrospectively applying was recognized at the date of initial application.

It also has a small effect on consolidated financial statements for the fiscal year ended March 31, 2020.

(b) Change in presentation

Not applicable..

3. U.S. DOLLAR AMOUNTS

The rate of ¥108.83 = U.S.\$1, the approximate exchange rate prevailing at March 31, 2020, has been used for the purpose of presenting the U.S. dollar amounts in the accompanying consolidated financial statements. These amounts are presented solely for the convenience of the readers. Accordingly, they should not be construed as representations that yen amounts actually represent, or have been or could be readily converted, realized or settled in U.S. dollars at that rate.



4. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and deposits disclosed in the accompanying consolidated balance sheets at March 31, 2019 and 2020 is summarized as follows:

	2019		2020			
	(Millions of yen)		(Thousands of U.S. dollars)			
Cash and deposits	¥	33,417	¥	36,349	\$	333,998
Time deposits with maturities in excess of 3 months		(72)		(53)		(487)
Cash and cash equivalents	¥	33,345	¥	36,296	\$	333,511

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of Sumikei-Nikkei Engineering Co., Ltd. for the year ended March 31, 2019, related acquisition costs and net proceeds.

	2019	
	(Millions of yen)	
Current assets	¥	7,894
Fixed assets		319
Goodwill		2,221
Current liabilities		(3,942)
Long-term liabilities		(13)
Non-controlling interests		(809)
Gain on step acquisitions		(1,371)
Carrying amount accounted for by the equity method immediately before gaining controls		(2,129)
Acquisition cost of shares		2,170
Cash and cash equivalents		3,371
Net: Proceeds from purchase of shares of subsidiaries	¥	1,201

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of Nikkei-Heat-Exchanger Co., Ltd. for the year ended March 31, 2020, related acquisition costs and net proceeds.

	2020		2020	
	(Millions of yen)		(Thousands of U.S. dollars)	
Current assets	¥	2,133	\$	19,598
Fixed assets		422		3,878
Current liabilities		(1,646)		(15,125)
Gain on step acquisitions		56		515
Gain on bargain purchase		(107)		(983)
Carrying amount accounted for by the equity method immediately before gaining controls		(457)		(4,199)
Acquisition cost of shares		401		3,685
Cash and cash equivalents		454		4,172
Net: Proceeds from purchase of shares of subsidiaries	¥	53	\$	487

5. INVESTMENT SECURITIES

(a) Available-for-sale securities with available market quotations

The acquisition cost, carrying amount, and gross unrealized gains and losses of available-for-sale securities with available market quotations at March 31, 2019 and 2020 were as follows:

	2019		2020			
	(Millions of yen)		(Thousands of U.S. dollars)			
Equity securities						
Cost	¥	3,873	¥	3,916	\$	35,983
Unrealized gains		4,674		3,494		32,105
Unrealized losses		(40)		(305)		(2,803)
Carrying amount	¥	8,507	¥	7,105	\$	65,285

(b) Sales of available-for-sale securities

The proceeds and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2019 and 2020 were as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥ 0	¥ 314	\$ 2,885
Realized gains on sales	—	99	910
Realized losses on sales	—	—	—

(c) Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates, included in the investment securities in the consolidated balance sheets, as of March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in non-consolidated subsidiaries and affiliates	¥ 14,883	¥ 14,235	\$ 130,800
(Investments in jointly controlled entities included in the above)	(2,597)	1,888	17,348

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2020 bore interests at annual rates 0.92% on average and mainly consist of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2019 and 2020 comprised the following:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks and insurance companies due from 2020 to 2029 with interest rates 0.67% on average:			
Secured	¥ 826	¥ 314	\$ 2,885
Unsecured	82,667	79,053	726,390
Unsecured 4.31% bonds due June 1, 2027, redeemable before due date	666	653	6,000
Capital lease obligations due from 2020 to 2034 with interest rates 0.45% on average	4,172	4,469	41,064
	88,331	84,489	776,339
Less: portion due within one year	(15,058)	(10,787)	(99,118)
Total long-term debt	¥ 73,273	¥ 73,702	\$ 677,221

A summary of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2019 and 2020 is as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Property, plant and equipment	¥ 503	¥ 484	\$ 4,447

The maturities of long-term debt outstanding at March 31, 2020 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2021	¥ 10,787	\$ 99,118
2022	6,909	63,484
2023	10,360	95,194
2024	9,950	91,427
2025	3,153	28,972
Thereafter	43,330	398,144
	¥ 84,489	\$ 776,339



7. FINANCIAL INSTRUMENTS

(a) Overview

1. Policy for financial instruments

The Company and its consolidated subsidiaries (the “Group”) invest temporary cash surpluses primarily on short-term deposits, and strive to diversify financing methods by raising funds through bank borrowings and corporate bonds. The Group utilizes various derivative financial instruments such as interest rate swaps, forward foreign exchange contracts, forward trading in aluminum ingots and currency swap contracts for the purpose of reducing risk, and does not enter into derivative transactions for speculative or trading purposes.

2. Types of financial instruments and related risk, and risk management for financial instruments

Notes and accounts receivable – trade and electronically recorded monetary claims –operating are exposed to credit risk in relation to customers. The Group manages the risks by monitoring the due dates and outstanding balances by individual customers. Accounts receivable – trade denominated in foreign currencies are exposed to risk of exchange rate fluctuations and are hedged by utilizing forward foreign exchange contracts. Stocks of investment securities, which are exposed to market fluctuations, are mainly those of companies with which the Group has business relationships. The Group periodically reviews the fair values of such stocks and the financial position of the issuers.

Notes and accounts payable – trade have payment due dates approximately within one year.

Short-term borrowings are used mainly for operating activities, and long-term borrowings are used principally for the purpose of making capital investments. Variable rate borrowings are exposed to risk of interest rate fluctuation and some of those denominated in foreign currencies are exposed to risk of exchange rate fluctuations. However, in order to reduce such risks, the Group utilizes interest rate swap and interest rate and currency swap transactions as a hedging instrument for each individual contract for some of those long-term borrowings. Assessment of the effectiveness of hedging activities is omitted, as the requirements for special treatment of interest rate swaps are met.

The execution and management of derivative transactions are performed based on the control procedure designated in management policy. In addition, to reduce credit risk, counterparties of derivative instruments are restricted to only highly rated financial institutions and major trading companies.

For notes and accounts payable – trade and borrowings, the Group prepares its cash flow plans to manage liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates).

3. Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in “(b) Estimated fair value of financial instruments and related information,” do not necessarily indicate the actual market risk involved in the derivative transactions.

(b) Estimated fair value of financial instruments and related information

The carrying value of financial instruments in the consolidated balance sheets, estimated fair value and the difference between them as of March 31, 2019 and 2020 are as follows:

	2019		
	Carrying Value ^{*1}	Estimated Fair Value ^{*1}	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 33,417	¥ 33,417	¥ —
(2) Notes and accounts receivable – trade	123,039	123,039	—
(3) Electronically recorded monetary claims – operating	29,642	29,642	—
(4) Investment securities			
Stocks of subsidiaries and affiliates	4,097	1,969	(2,128)
Other securities	8,507	8,507	—
(5) Notes and accounts payable – trade	(76,244)	(76,244)	—
(6) Short-term borrowings	(55,411)	(55,411)	—
(7) Bonds	(666)	(666)	—
(8) Long-term borrowings ^{*2}	(83,493)	(84,157)	(664)
(9) Derivative transactions			
for which hedge accounting has not been applied	(1)	(1)	—
for which hedge accounting has been applied	0	0	—

*1 Liabilities are shown in parenthesis.

*2 The current portion of long-term borrowings is included in long-term borrowings.

	2020		
	Carrying Value ^{*1}	Estimated Fair Value ^{*1}	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 36,349	¥ 36,349	¥ —
(2) Notes and accounts receivable – trade	105,458	105,458	—
(3) Electronically recorded monetary claims – operating	27,575	27,575	—
(4) Investment securities			
Stocks of subsidiaries and affiliates	4,190	1,264	(2,926)
Other securities	7,105	7,105	—
(5) Notes and accounts payable – trade	(63,826)	(63,826)	—
(6) Short-term borrowings	(52,602)	(52,602)	—
(7) Bonds	(653)	(653)	—
(8) Long-term borrowings ^{*2}	(79,367)	(80,269)	(902)
(9) Derivative transactions			
for which hedge accounting has not been applied	3	3	—
for which hedge accounting has been applied	(154)	(154)	—

	2020		
	Carrying Value ^{*1}	Estimated Fair Value ^{*1}	Difference
	(Thousands of U.S. dollars)		
(1) Cash and deposits	\$ 333,998	\$ 333,998	\$ —
(2) Notes and accounts receivable – trade	969,016	969,016	—
(3) Electronically recorded monetary claims – operating	253,377	253,377	—
(4) Investment securities			
Stocks of subsidiaries and affiliates	38,500	11,614	(26,886)
Other securities	65,285	65,285	—
(5) Notes and accounts payable – trade	(586,474)	(586,474)	—
(6) Short-term borrowings	(483,341)	(483,341)	—
(7) Bonds	(6,000)	(6,000)	—
(8) Long-term borrowings ^{*2}	(729,275)	(737,563)	(8,288)
(9) Derivative transactions			
for which hedge accounting has not been applied	(28)	(28)	—
for which hedge accounting has been applied	(1,415)	(1,415)	—

*1 Liabilities are shown in parenthesis.

*2 The current portion of long-term borrowings is included in long-term borrowings.

Notes

1. Method for determining the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable – trade and (3) Electronically recorded monetary claims – operating
Since these items are settled in a short period of time, their carrying value approximates fair value.

(4) Investment securities

The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, refer to Note 5 “Investment Securities.”

(5) Notes and accounts payable – trade and (6) Short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

(7) Bonds

The fair value of bonds is based on the present value of the sum of principal and interest discounted by an interest rate determined based on the remaining period and current credit risk of each bond.



Notes to Consolidated Financial Statements

(8) Long-term borrowings

The fair value of long-term borrowings is based on the present value of the sum of principal and interest discounted by an interest rate which is expected to be required upon entering into similar new borrowings. Interest rate swaps subject to special treatment, and interest rate and currency swaps subject to integral accounting method are used for some long-term floating rate borrowings. Principal and interest in which these swaps are embedded, are discounted using a current interest rate which is expected to be required upon entering into similar new borrowings.

(9) Derivatives

Refer to “Note 13. Derivatives.”

2. Unlisted stocks of ¥17,019 million and ¥16,265 million (\$149,453 thousand) as of March 31, 2019 and 2020 are not included in “(4) Investment securities” because no quoted market prices are available and it is extremely difficult to measure the fair value.

3. The redemption schedule for receivables and marketable securities with maturities at March 31, 2019 and 2020 is as follows:

	2019			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits	¥ 33,356	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	123,039	—	—	—
Electronically recorded monetary claims – operating	29,642			
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	2	3	—	—
	¥ 186,039	¥ 3	¥ —	¥ —
	2020			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits	¥ 36,349	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	105,458	—	—	—
Electronically recorded monetary claims – operating	27,575			
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	2	1	—	—
	¥ 169,384	¥ 1	¥ —	¥ —
	2020			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and deposits	\$ 333,998	\$ —	\$ —	\$ —
Notes and accounts receivable – trade	969,016	—	—	—
Electronically recorded monetary claims – operating	253,377			
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	18	9	—	—
	\$ 1,556,409	\$ 9	\$ —	\$ —

4. The redemption schedule for bonds and long-term borrowings at March 31, 2019 and 2020 is as follows:

	2019		
	Due within one year	Due after one year but within five years	Due after five years
	(Millions of yen)		
Bonds	¥ —	¥ —	¥ 666
Long-term borrowings	14,496	30,977	38,020
	¥ 14,496	¥ 30,977	¥ 38,686

	2020		
	Due within one year	Due after one year but within five years	Due after five years
	(Millions of yen)		
Bonds	¥ —	¥ —	¥ 653
Long-term borrowings	10,068	28,499	40,800
	¥ 10,068	¥ 28,499	¥ 41,453

	2020		
	Due within one year	Due after one year but within five years	Due after five years
	(Thousands of U.S. dollars)		
Bonds	\$ —	\$ —	\$ 6,000
Long-term borrowings	92,511	261,867	374,897
	\$ 92,511	\$ 261,867	\$ 380,897

5. The fair value of derivatives at March 31, 2019 and 2020 is as follows:

(1) Derivative transactions for which hedge accounting has not been applied

Currency-related transactions

	2019		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)		
Currency swap contracts			
U.S. dollars payment / Japanese yen receipt	¥ 444	¥ 444	¥ 1
Foreign exchange forwards	70	—	(2)

Currency-related transactions

	2020		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)		
Currency swap contracts			
U.S. dollars payment / Japanese yen receipt	¥ 435	¥ 435	¥ 0
Foreign exchange forwards	67	—	3

	2020		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)		
Currency swap contracts			
U.S. dollars payment / Japanese yen receipt	\$ 3,997	\$ 3,997	\$ 0
Foreign exchange forwards	616	—	28

*1 Method for calculating fair value

The fair value is based on prices quoted from counterparty financial institutions.



Notes to Consolidated Financial Statements

*2 Currency swap contracts and foreign exchange forwards are the hedging instruments for monetary receivables and payables arising from transactions among consolidated subsidiaries, and designated accounting is applied in non-consolidated financial statements.

(2) Derivative transactions for which hedge accounting has been applied

Currency-related transactions

	2019			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Foreign exchange forwards				
Deferred hedge method	Accounts receivable	¥ 121	¥ —	¥ (1)
	Accounts payable	1,201	—	1
Designated accounting for foreign exchange forward contracts	Accounts receivable	1,388	—	(*)
	Accounts payable	384	—	(*)

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Foreign exchange forwards				
Deferred hedge method	Accounts receivable	¥ 240	¥ —	¥ (2)
	Accounts payable	938	—	3
Designated accounting for foreign exchange forward contracts	Accounts receivable	812	—	(*)
	Accounts payable	1,539	—	(*)

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)			
Foreign exchange forwards				
Deferred hedge method	Accounts receivable	\$ 2,205	\$ —	\$ (18)
	Accounts payable	8,619	—	28
Designated accounting for foreign exchange forward contracts	Accounts receivable	7,461	—	(*)
	Accounts payable	14,141	—	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. Since forward foreign exchange contracts subject to designated accounting (special treatment for forward foreign exchange contracts) are accounted for together with the underlying trade receivable or trade payable subject to hedging, the fair value of such contracts is included in the fair value of those hedged items.

Interest-related transactions

	2019			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Interest rate swaps				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	¥ 695	¥ 598	¥ 2
	Special treatment of interest rate swap transactions	19,926	16,624	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	656	219	(*)

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Interest rate swaps				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	¥ 98	¥ —	¥ 0
Special treatment of interest rate swap transactions	Long-term borrowings	16,730	15,200	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	219	—	(*)

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)			
Interest rate swaps				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	\$ 900	\$ —	\$ 0
Special treatment of interest rate swap transactions	Long-term borrowings	153,726	139,667	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	2,012	—	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. Since interest rate swaps subject to special treatment and interest rate and currency swaps subject to integral accounting method are accounted for together with the corresponding long-term borrowings subject to hedging, the fair value of such contracts is included in the fair value of the those hedged items.

Commodity-related transactions

	2019			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Aluminum ingot and others forward contracts				
Fair value hedge accounting	Accounts receivable	¥ 413	¥ —	¥ (6)
	Accounts payable	1,890	—	4

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)			
Aluminum ingot and others forward contracts				
Fair value hedge accounting	Accounts receivable	¥ 396	¥ —	¥ 31
	Accounts payable	1,841	—	(185)

	2020			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)			
Aluminum ingot and others forward contracts				
Fair value hedge accounting	Accounts receivable	\$ 3,639	\$ —	\$ 285
	Accounts payable	16,916	—	(1,700)

(*) The fair value is based on prices quoted from counterparty trading companies.



8. OTHER COMPREHENSIVE INCOME

Each component of other comprehensive income for the year ended March 31, 2019 and 2020 is as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized gains (losses) on securities:			
Amount arising during the year	¥ (1,219)	¥ (1,439)	\$ (13,222)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	8	—	—
Before-tax effect	(1,211)	(1,439)	(13,222)
Tax effect	321	351	3,225
Net-of-tax amount	(890)	(1,088)	(9,997)
Unrealized gains (losses) on hedges:			
Amount arising during the year	(99)	(299)	(2,748)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	275	153	1,406
Before-tax effect	176	(146)	(1,342)
Tax effect	(41)	35	322
Net-of-tax amount	135	(111)	(1,020)
Foreign currency translation adjustments:			
Amount arising during the year	(413)	(1,281)	(11,771)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	—	—	—
Before-tax effect	(413)	(1,281)	(11,771)
Tax effect	—	—	—
Net-of-tax amount	(413)	(1,281)	(11,771)
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,106)	(751)	(6,900)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	15	134	1,231
Before-tax effect	(1,091)	(617)	(5,669)
Tax effect	325	179	1,644
Net-of-tax amount	(766)	(438)	(4,025)
Equity of other comprehensive income (loss) of affiliates:			
Amount arising during the year	(397)	(232)	(2,132)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	—	—	—
Before-tax amount	(397)	(232)	(2,132)
Tax benefit	—	—	—
Net-of-tax amount	(397)	(232)	(2,132)
Total other comprehensive income	¥ (2,331)	¥ (3,150)	\$ (28,945)

9. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit corporate pension plans and a lump-sum payment retirement benefit plans. Additional benefits may be granted to employees according to the conditions under which termination of employment occurs. Certain consolidated subsidiaries use the simplified method for calculation of retirement benefit obligation. Certain subsidiaries have defined contribution plans.

The changes in the retirement benefit obligation during the years ended March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 38,483	¥ 39,897	\$ 366,599
Service cost	1,869	2,056	18,892
Interest cost	244	251	2,306
Actuarial gain or loss	487	(573)	(5,265)
Retirement benefits paid	(1,185)	(1,743)	(16,016)
Others	(1)	(1)	(9)
Balance at the end of the year	¥ 39,897	¥ 39,887	\$ 366,507

The changes in plan assets during the years ended March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 25,757	¥ 27,409	\$ 251,852
Expected return on plan assets	625	545	5,008
Actuarial gain or loss	(619)	(1,324)	(12,166)
Employer contributions	2,297	1,758	16,154
Retirement benefits paid	(648)	(1,064)	(9,777)
Others	(3)	(7)	(65)
Balance at the end of the year	¥ 27,409	¥ 27,317	\$ 251,006

The changes in liability for retirement benefits accounted for by the simplified method during the years ended March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 7,049	¥ 7,253	\$ 66,645
Retirement benefit expenses	1,017	1,114	10,236
Retirement benefits paid	(542)	(561)	(5,155)
Contributions for the plans	(271)	(261)	(2,298)
Balance at the end of the year	¥ 7,253	¥ 7,545	\$ 69,328



Notes to Consolidated Financial Statements

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2020 for the defined benefit plans:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 48,134	¥ 48,257	\$ 443,417
Fair value of plan assets	(31,075)	(31,081)	(285,592)
	17,059	17,176	157,825
Unfunded retirement benefit obligation	2,682	2,939	27,005
Net liability for retirement benefits in the consolidated balance sheets	¥ 19,741	¥ 20,115	\$ 184,830
Liability for retirement benefits	¥ 19,741	¥ 20,115	\$ 184,830
Net liability for retirement benefits in the consolidated balance sheets	¥ 19,741	¥ 20,115	\$ 184,830

The components of retirement benefit expenses for the years ended March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,869	¥ 2,056	\$ 18,892
Interest cost	244	251	2,306
Expected return on plan assets	(625)	(545)	(5,008)
Amortization of unrecognized actuarial gain or loss	53	156	1,433
Amortization of prior service cost	(25)	(23)	(211)
Retirement benefit expenses accounted for by the simplified method	1,017	1,114	10,237
Retirement benefit expenses on the defined benefit plan	¥ 2,533	¥ 3,009	\$ 27,649

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ 25	¥ 23	\$ 211
Actuarial gain or loss	1,066	594	5,458
Total	¥ 1,091	¥ 617	\$ 5,669

Remeasurements of defined benefits plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ (155)	¥ (132)	\$ (1,213)
Unrecognized actuarial gain or loss	2,025	2,619	24,065
Total	¥ 1,870	¥ 2,487	\$ 22,852

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2020 is as follows:

	2019	2020
General account	33%	34%
Domestic bonds	22%	22%
Foreign stocks	15%	11%
Domestic stocks	10%	7%
Foreign bonds	8%	15%
Others	12%	11%
Total	100%	100%

The ratio of the retirement benefit trust, set to the corporate pension plan, in the total fair value of plan assets is 3% and 2% at March 31, 2019 and 2020, respectively.

The expected return on assets is estimated based on the anticipated allocation to each asset category and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2019	2020
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.0%	1.0%

Required contribution of the consolidated subsidiaries for the defined contribution plans for the years ended March 31, 2019 and 2020 is as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Required contribution	¥ 44	¥ 86	\$ 790

10. INCOME TAXES

Significant components of deferred tax assets and liabilities at March 31, 2019 and 2020 are as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carry forwards.....	¥ 6,340	¥ 5,660	\$ 52,008
Net defined benefit liabilities.....	5,987	6,005	55,178
Accrued bonuses.....	2,063	2,030	18,653
Unrealized intercompany loss.....	1,962	1,962	18,028
Allowance for doubtful accounts.....	1,417	202	1,856
Loss on disposal of fixed assets.....	94	64	588
Other.....	7,179	9,919	91,142
Gross deferred tax assets.....	25,042	25,842	237,453
Valuation allowance for tax loss carry forwards.....	(6,292)	(5,631)	(51,741)
Valuation allowance for deductible temporary differences.....	(6,818)	(6,295)	(57,843)
Total Valuation allowance.....	(13,110)	(11,926)	(109,584)
Total deferred tax assets, net of valuation allowance.....	11,932	13,916	127,869
Deferred tax liabilities:			
Undistributed retained earnings of subsidiaries and associates.....	(1,841)	(1,851)	(17,008)
Unrealized gain on securities.....	(1,244)	(888)	(8,160)
Revaluation gain on subsidiaries.....	(974)	(974)	(8,950)
Unrealized intercompany gain.....	(907)	(902)	(8,288)
Other.....	(477)	(468)	(4,300)
Total deferred tax liabilities.....	(5,443)	(5,083)	(46,706)
Net deferred tax assets.....	¥ 6,489	¥ 8,833	\$ 81,163



Notes to Consolidated Financial Statements

Notes: A breakdown of tax loss carry forwards and valuation allowance by expiry date as of March 31, 2019 and 2020 is as follows:

	2019						Total
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	
	(Millions of yen)						
Tax loss carry forwards	¥ 233	¥ 2,745	¥ 527	¥ 1,040	¥ 431	¥ 1,364	¥ 6,340
Valuation allowance	(233)	(2,697)	(527)	(1,040)	(431)	(1,364)	(6,292)
Deferred tax assets	¥ —	¥ 48	¥ —	¥ —	¥ —	¥ —	¥ 48 (b)

	2020						Total
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	
	(Millions of yen)						
Tax loss carry forwards	¥ 2,649	¥ 378	¥ 911	¥ 398	¥ 164	¥ 1,160	¥ 5,660
Valuation allowance	(2,649)	(349)	(911)	(398)	(164)	(1,160)	(5,631)
Deferred tax assets	¥ —	¥ 29	¥ —	¥ —	¥ —	¥ —	¥ 29 (b)

	2020						Total
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	
	(Thousands of U.S. dollars)						
Tax loss carry forwards	\$ 24,341	\$ 3,473	\$ 8,371	\$ 3,657	\$ 1,507	\$ 10,659	\$ 52,008
Valuation allowance	(24,341)	(3,206)	(8,371)	(3,657)	(1,507)	(10,659)	(51,741)
Deferred tax assets	\$ —	\$ 267	\$ —	\$ —	\$ —	\$ —	\$ 267 (b)

(a) The amount is determined by multiplying the corresponding tax loss carry forwards by the effective statutory tax rate.

(b) The Company considers these deferred tax assets recoverable based on the expected future taxable income.

Deferred tax assets and liabilities that comprise net deferred tax assets are included in the following accounts of the accompanying consolidated balance sheets:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (investments and other assets)	¥ 6,618	¥ 8,981	\$ 82,523
Other long-term liabilities	(129)	(148)	(1,360)

A reconciliation of the differences between the effective statutory income tax rate and the effective income tax rate for the years ended March 31, 2019 and 2020 was summarized as follows:

	2019	2020
Effective statutory income tax rate	—	30.6
Increase (decrease) in taxes resulting from:		
Effect of special tax exemption		(3.0)
Change in valuation allowance		(2.2)
Effect of tax rate difference of foreign subsidiaries		(1.3)
Foreign tax credit		(1.0)
Inhabitant taxes per capital		1.3
Permanently non-deductible expenses		1.4
Other		(0.2)
Effective income tax rate		25.6

Since the difference between the effective statutory income tax rate and the effective income tax rate was equal or less than 5% of the effective statutory income tax rate, the reconciliation for the year ended March 31, 2019 is not presented.

11. APPROPRIATIONS OF RETAINED EARNINGS

(1) The following appropriation (cash dividends) was approved and recorded for the year ended March 31, 2019 and 2020, respectively:

2019							
Resolution made at	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Source of dividends	Cut-off date	Effective date	
The ordinary general meeting of shareholders on June 26, 2018	Common stock	¥2,478	¥4.00	Retained earnings	March 31, 2018	June 27, 2018	
The meeting of the Board of Directors on October 30, 2018	Common stock	¥2,478	¥4.00	Retained earnings	September 30, 2018	December 3, 2018	

2020								
Resolution made at	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Source of dividends	Cut-off date	Effective date
The ordinary general meeting of shareholders on June 25, 2019	Common stock	¥3,097	\$28,457	¥5.00	\$0.05	Retained earnings	March 31, 2019	June 26, 2019
The meeting of the Board of Directors on November 5, 2019	Common stock	¥2,477	\$22,760	¥4.00	\$0.04	Retained earnings	September 30, 2019	December 2, 2019

(2) Dividends with the cut-off date in the year ended March 31, 2020 and the effective date in the year ending March 31, 2021 are as follows:

2020								
Resolution made at	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Source of dividends	Cut-off date	Effective date
The ordinary general meeting of shareholders on June 24, 2020	Common stock	¥3,097	\$28,457	¥5.00	\$0.05	Retained earnings	March 31, 2020	June 25, 2020

The Company is required to obtain the approval of shareholders at an ordinary general meeting of shareholders for appropriations of retained earnings in conformity with the Corporation Law. Appropriations of retained earnings are, therefore, not recorded in the consolidated financial statements for the year which the cut-off date of dividend belongs to, but are recorded in the consolidated financial statements in the subsequent year after shareholders' approval has been obtained.



12. REVALUATION SURPLUS

A consolidated subsidiary of the Company revalued its land used for business purposes in accordance with the Land Revaluation Law. The Company recognized its portion of consolidated subsidiary's revaluation surplus in net assets.

13. DERIVATIVES

In the normal course of business, the Company and its consolidated subsidiaries utilize various derivative financial instruments in order to manage the exposure to fluctuation in foreign currency exchange rates, interest rates and the prices of aluminum ingot in the market. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for trading purposes.

14. NOTES TO CONSOLIDATED STATEMENT OF INCOME

Inventories

The amount of inventories written down due to a decline in profitability for the years ended March 31, 2019 and 2020 was ¥(331) million and ¥151 million (\$1,387 thousand), respectively which is included in cost of sales.

Selling, general and administrative expenses

Main components of selling, general and administrative expenses for the year ended March 31, 2019 and 2020 were as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Freight charges	¥13,028	¥12,773	\$117,367
Salaries, allowances and bonuses	20,433	20,463	188,027

Research and Development

Research and development costs charged to cost of sales and selling, general and administrative expenses for the years ended March 31, 2019 and 2020 were ¥5,447 million and ¥5,867 million (\$53,910 thousand), respectively.

15. LEASE TRANSACTIONS

Lessees' accounting

Future minimum lease payments subsequent to March 31, 2020 for noncancelable operating leases are summarized as follows:

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
2021	—	¥1,530	\$14,059
2022 and thereafter	—	9,437	86,713
Total	—	10,967	100,772

16. CONTINGENT LIABILITIES

1) *Guarantee obligations*

Contingent liabilities at March 31, 2019 and 2020 are ¥1,391 and ¥1,970 million (\$18,102 thousand), respectively, for loans guaranteed and other guarantees given in the ordinary course of business.

2) *Contingent liabilities regarding environmental measures*

Heavy rain from typhoon No. 10 and No.19 in August and October 2019 respectively caused the water level of the Amehata River, upstream of the Amehata Dam in Hayakawa-cho, Minamikoma-gun, Yamanashi Prefecture which is possessed by the company's consolidated subsidiaries Nippon Light Metal Company, Ltd. to rise. As a result of that, the Amehata River overflowed its banks and flooded surrounding areas.

For residents' safety, emergency response measures for area recovery and flood prevention have been prioritized and carried out with help from relevant parties. Furthermore, fundamental measures against reservoir sedimentation are also being developed under guidance from Ministry of Land, Infrastructure, Transport and Tourism.

Nippon Light Metal Company, Ltd. has taken the situation seriously and established a discussion group consisted of 4 parties: Nippon Light Metal Company, Ltd., Ministry of Land, Infrastructure, Transport and Tourism, Yamanashi Prefecture and Hayakawa-cho. The group has discussed and later on approved the measures regarding Amehata area mentioned above.

The plan for measures against reservoir sedimentation from fiscal year ending March 31, 2021 to March 31, 2022 can be estimated and recorded in the consolidated balance sheet as provision for environmental measures. It should be noted that the plan after fiscal year ending March 31, 2023 is not recorded in the consolidated financial statements since it still remains difficult to be estimated due to some issues about disposal methods of sediment released from the reservoir.

17. LOSS ON IMPAIRMENT OF FIXED ASSETS

The consolidated subsidiaries recognized ¥957 million of loss on impairment of fixed assets in the consolidated statements of income, and the significant items of such impairment loss for the year ended March 31, 2019 were as follows:

2019			
Location	Major use	Asset category	(Millions of yen)
Guangdong, China	Operating assets	Buildings and structures	¥367
		Machinery and equipment	450
		Tools, furniture and fixtures	48
		Others	47
Total			¥912

Since the cash flows generated from operating activities resulting from the use of the groups of assets have become extremely worse, the consolidated subsidiaries recognized an impairment loss of ¥912 million, measured by the net realizable value (mainly based on the real estate appraisal value), as a result of noting a sign of impairment and evaluating a necessity of the impairment loss recognition.

The consolidated subsidiaries have grouped the operating assets by independent operating divisions which generate cash flows, the rental assets by administrative business divisions, and idle assets by individual asset itself.

18. ENVIRONMENTAL EXPENSES

To ensure safety in the area around the Amehata Dam in Hayakawa-cho, Minamikoma-gun, Yamanashi Prefecture which is possessed by the company's consolidated subsidiaries Nippon Light Metal Company, Ltd., they have tackled and carried out the plan for fundamental measures against reservoir sedimentation. The plan from fiscal year ending March 31, 2021 to March 31, 2022 can be estimated and recorded in the consolidated statements of income as environmental expenses, special losses. Environmental expenses for the fiscal year ending March 31, 2020 is ¥11,000 million (\$101,075 thousand). ¥10,609 million (\$97,482 thousand) of that is for provision for environmental measures.



19. AMOUNTS PER SHARE

Net profit and net assets per share as of March 31, 2019 and 2020 and for the years then ended were summarized as follows:

1. Number of shares

	2019	2020
	(Thousands of shares)	
Weighted average number of shares	619,221	619,214
Effect of convertible bonds	—	—
Diluted number of shares	619,221	619,214

2. Net profit per share

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Net profit	¥ 20,560	¥ 7,476	\$ 68,694
	2019	2020	2020
	(yen)		(U.S. dollars)
Net profit per share	¥ 33.20	¥ 12.07	\$ 0.11
Diluted net profit per share	¥ —	¥ —	\$ —

3. Net assets per share

	2019	2020	2020
	(Millions of yen)		(Thousands of U.S. dollars)
Total net assets	¥202,735	¥ 201,198	\$ 1,848,736
Non-controlling interests	(14,881)	(14,923)	(137,122)
Net assets attributable to shares of common stock	¥187,854	¥ 186,275	\$ 1,711,614
	2019	2020	2020
	(yen)		(U.S. dollars)
Net assets per share	¥ 303.37	¥ 300.83	\$ 2.76

20. SEGMENT INFORMATION

(1) Outline of reportable segments

The reportable segments are components of the Company and its consolidated subsidiaries, for which their discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance.

The Company and its consolidated subsidiaries operate under four distinct business segments mainly in Japan: “Aluminum ingot and chemicals,” “Aluminum sheet and extrusions,” “Fabricated products and others” and “Aluminum foil, powder and paste.”

The “Aluminum ingot and chemicals” segment supplies aluminum remelted ingot used for various industrial materials, and produces a wide spectrum of alumina and alumina hydrates ranging from raw materials to basic materials for ceramic compounds. The “Aluminum sheet and extrusions” segment produces sheet, coil and extrusion products consisting primarily of shapes, tubes and rods. The “Fabricated products and others” segment produces a variety of products which include wing bodies for transport vehicles, automobile components and

electronic materials. The “Aluminum foil, powder and paste” segment produces aluminum foil and aluminum powder used for various fields, such as daily necessities, energy, electronics and automobile. “Adjustment” includes unallocated operating expenses and corporate assets not specifically related to reportable segments.

(2) Calculation method of net sales, profit or loss, assets and other items on each reportable segment

The accounting policies applied by each reportable segment are consistent with those described in “Note 1. Significant Accounting Policies.” Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined based on market value.

(3) Information on net sales, profit or loss, assets and other items by each reportable segment

Reportable segment information for the years ended March 31, 2019 and 2020 were as follows:

	2019					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Millions of yen)					
Net sales						
Customers	¥ 117,008	¥107,835	¥ 180,259	¥ 95,349	¥ —	¥ 500,451
Intersegment	48,272	25,149	13,685	522	(87,628)	—
Total	165,280	132,984	193,944	95,871	(87,628)	500,451
Segment profit (Note2)	¥ 9,616	¥ 7,152	¥ 11,681	¥ 5,114	¥ (3,511)	¥ 30,052
Segment assets	¥ 129,876	¥114,630	¥ 168,023	¥ 100,110	¥ (31,336)	¥ 481,303
Depreciation and amortization	¥ 3,631	¥ 5,109	¥ 4,352	¥ 3,997	¥ 205	¥ 17,294
Amortization of goodwill	¥ —	¥ —	¥ 222	¥ —	¥ —	¥ 222
Loss on impairment of fixed assets	¥ —	¥ 40	¥ —	¥ 917	¥ —	¥ 957
Investment in equity-method affiliates	¥ 4,274	¥ 2,247	¥ 3,746	¥ 3,895	¥ —	¥ 14,162
Capital expenditures	¥ 12,142	¥ 5,037	¥ 6,050	¥ 6,484	¥ 213	¥ 29,926

(Note 1). Explanations of adjustments amounts are as follows.

- 1) Adjustments of ¥(3,511) million in segment profit are general corporate expenses.
- 2) Adjustments of ¥(31,336) million in segment assets include ¥(47,063) million in the elimination of transactions between segments and ¥15,727 million in corporate assets.
- 3) Adjustments of ¥205 million in depreciation and amortization expenses are mainly composed of those of corporate assets.
- 4) Adjustments of ¥213 million for capital expenditures are the increase in corporate assets.

(Note 2). Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.



Notes to Consolidated Financial Statements

	2020					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Millions of yen)					
Net sales						
Customers	¥ 102,833	¥ 101,193	¥172,975	¥ 88,945	¥ —	¥465,946
Intersegment	36,581	23,051	14,396	452	(74,480)	—
Total	139,414	124,244	187,371	83,397	(74,480)	465,946
Segment profit (Note2)	¥ 10,902	¥ 3,556	¥ 10,440	¥ 3,074	¥ (3,365)	¥ 24,607
Segment assets	¥ 120,144	¥ 107,904	¥167,400	¥ 95,027	¥ (20,471)	¥470,004
Depreciation and amortization	¥ 3,942	¥ 5,486	¥ 4,517	¥ 4,420	¥ 329	¥ 18,694
Amortization of goodwill	¥ —	¥ —	¥ 444	¥ —	¥ —	¥ 444
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Investment in equity-method affiliates ...	¥ 3,968	¥ 2,184	¥ 3,168	¥ 3,984	¥ —	¥ 13,304
Capital expenditures	¥ 6,596	¥ 7,246	¥ 7,781	¥ 8,179	¥ 176	¥ 29,978

	2020					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Thousands of U.S. dollars)					
Net sales						
Customers	\$ 944,895	\$ 929,827	\$1,589,405	\$ 817,284	\$ —	\$4,281,411
Intersegment	336,130	211,807	132,280	4,153	(684,370)	—
Total	1,281,025	1,141,634	1,721,685	821,437	(684,370)	4,281,411
Segment profit (Note2)	\$ 100,175	\$ 32,675	\$ 95,929	\$ 28,246	\$ (30,920)	\$ 226,105
Segment assets	\$1,103,961	\$ 991,491	\$1,538,179	\$ 873,169	\$ (188,101)	\$4,318,699
Depreciation and amortization	\$ 36,222	\$ 50,408	\$ 41,505	\$ 40,614	\$ 3,023	\$ 171,772
Amortization of goodwill	\$ —	\$ —	\$ 4,080	\$ —	\$ —	\$ 4,080
Loss on impairment of fixed assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investment in equity-method affiliates ...	\$ 36,461	\$ 20,068	\$ 29,110	\$ 36,607	\$ —	\$ 122,246
Capital expenditures	\$ 60,608	\$ 66,581	\$ 71,497	\$ 75,154	\$ 1,617	\$ 275,457

(Note 1). Explanations of adjustments amounts are as follows.

1) Adjustments of ¥(3,365) million (\$ (30,920) thousands) in segment profit are general corporate expenses.

2) Adjustments of ¥(20,471) million (\$ (188,101) thousands) in segment assets include ¥(42,065) million (\$ (386,521) thousands) in the elimination of transactions between segments and ¥21,594 million (\$198,420 thousands) in corporate assets.

3) Adjustments of ¥329 million (\$3,023 thousands) in depreciation and amortization expenses are mainly composed of those of corporate assets.

4) Adjustments of ¥176 million (\$1,617 thousands) for capital expenditures are the increase in corporate assets.

(Note 2). Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

Geographical sales for the years ended March 31, 2019 and 2020 were summarized as follows:

2019			2020			2020		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥400,889	¥99,562	¥500,451	¥377,729	¥88,217	¥465,946	\$3,470,817	\$810,594	\$4,281,411

Geographical property, plant and equipment as of March 31, 2019 and 2020 were summarized as follows:

2019			2020			2020		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥147,525	¥17,043	¥164,568	¥157,287	¥16,470	¥173,757	\$1,445,254	\$151,337	\$1,596,591

Information on amortization of goodwill and unamortized balance by each reportable segment as of March 31, 2019 and 2020 for the years then ended were as follows:

	2019						
	The reportable segments				Adjustment	Consolidated	
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste			
	(Millions of yen)						
Amortization of goodwill	¥ —	¥ —	¥ 222	¥ —	¥ —	¥ 222	
Balance as of March 31	¥ —	¥ —	¥ 1,999	¥ —	¥ —	¥ 1,999	
	2020						
	The reportable segments				Adjustment	Consolidated	
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste			
	(Millions of yen)						
Amortization of goodwill	¥ —	¥ —	¥ 444	¥ —	¥ —	¥ 444	
Balance as of March 31	¥ —	¥ —	¥ 1,555	¥ —	¥ —	¥ 1,555	



	2020					
	The reportable segments				Adjustment	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Thousands of U.S. dollars)					
Amortization of goodwill	\$ —	\$ —	\$ 4,080	\$ —	\$ —	\$ 4,080
Balance as of March 31	\$ —	\$ —	\$ 14,288	\$ —	\$ —	\$ 14,288

21. ADDITIONAL INFORMATION

The company isn't affected by the COVID-19 spread immediately so the impact from COVID-19 was considered small to the group's performance in the year ended March 31, 2020. This is due to the fact that the group has a wide range of business sectors and as a material supplier, our business is mainly conducted between companies, rather than between individual customers.

Regarding to consolidated financial statements ended March 31, 2020, although forecasting the size of COVID-19 impact is extremely difficult, we have made accounting estimates for impairment loss on fixed assets and deferred tax assets recoverability based on the assumption that most of both domestic and overseas business will recover in the second half of the next fiscal year ending March 2021. The result from this accounting estimate is not significant to consolidated financial statements.

22. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Reverse stock split

At a meeting of the Board of Directors held on May 15, 2020, the Company resolved to propose to the 8th Annual General Meeting of Shareholders on reverse stock split and a change in the articles of incorporation, and these were approved at the Annual General Meeting of Shareholders held on June 24, 2020.

1. Reason for the reverse stock splits

The total number of issued shares increased to 619,937,500 shares as of March 31, 2020 through transfer to common shares due to the exercise of purchasing rights for preferred stock that had been issued previously.

The Company considers this number of shares large when taking into account the business scale. The current stock price level is also far below the range per investment unit considered desirable by Tokyo Stock Exchange, Inc., which is equal to or greater than ¥50,000 and less than ¥500,000. In addition, the stock price volatility per ¥1 is relatively large and susceptible to sizable stock price fluctuations as a speculative investment. Therefore, the Company recognizes that the impact on all of the general investors is not low.

Taking these circumstances into consideration, the Company proposes a one-for-ten reverse stock split.

2. Matter of the reverse stock split

(1) Type of stock subject to the reverse

Common shares

(2) Method and percentage of the reverse stock split

As of October 1, 2020, the Company will conduct a one-for-ten reverse split of common shares held by the shareholders listed on the last shareholder register on September 30, 2020.

(3) Number of shares to be decreased due to the reverse stock split

Total number of issued shares before the reverse stock split (as of March 31, 2020)	619,937,500 shares
Number of shares to be decreased due to reverse stock split	557,943,750 shares
Total number of issued shares after the reverse stock split	61,993,750 shares

Note: “Number of shares to be decreased due to the reverse stock split” and “Total number of issued shares after the reverse stock split” are the theoretical values. These are multiplied by the Total number of issued shares before the reverse stock split and the percentage of reverse stock split.

(4) Total number of issuable shares after the reverse stock split

Total number of issuable shares before the reverse stock split (as of March 31, 2020)	2,000,000,000 shares
Total number of issuable shares after the reverse stock split	200,000,000 shares

3. Treatment in cases where fractions of less than one share occur

If any fraction of less than one share occurs as a result of this share reverse stock split, it shall be disposed altogether under the provisions of the Companies Act and the disposal fee will be distributed to shareholders who have fractions according to the percentage of the fraction.

4. Schedule of the reverse stock split

Date of resolution of the Board of Directors	May 15, 2020
Date of resolution of Shareholders meeting	June 24, 2020
Effective date of the reverse stock split	October 1, 2020

5. Effect on per share information

Assuming that the reverse stock split had taken place at the beginning of the year ended March 31, 2019, per share information for the years ended March 31, 2019 and 2020 would be as follows:

	March 31,		
	2019	2020	2020
	(yen)		(U.S. dollars)
Per share of common stock			
Net assets	¥ 3,033.74	¥ 3,008.26	\$ 27.64
Net profit	332.30	120.73	1.11
Diluted net profit	—	—	—



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Independent Auditor's Report

The Board of Directors
Nippon Light Metal Holdings Company, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nippon Light Metal Holdings Company and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 16. Contingent Liabilities 2) Contingent liabilities regarding environmental measures to the consolidated financial statements, which describes among the plan for measures against reservoir sedimentation for the Amehata Dam which is possessed by the company's consolidated subsidiaries Nippon Light Metal Company, Ltd. The plan after fiscal year ending March 31, 2023 is not recorded in the consolidated financial statements since it still remains difficult to be estimated due to some issues about disposal methods of sediment released from the reservoir. Our opinion is not qualified in respect of this matter.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

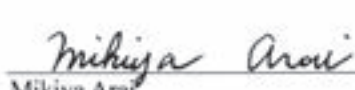

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 24, 2020

Yusuke Nakamura
Designated Engagement Partner
Certified Public Accountant

Mikiya Arai
Designated Engagement Partner
Certified Public Accountant

Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant



OVERSEAS SUBSIDIARIES AND AFFILIATES

North America

Nikkei MC Aluminum America, Inc.
Indiana, U.S.A.
Aluminum alloys
(60%)

Toyal America, Inc.
Illinois, U.S.A.
Aluminum powder and paste
(100%)

Nippon Light Metal Georgia, Inc.
Georgia, U.S.A.
Automobiles components
(90%)

Europe

Toyal Europe SASU
Accous, France
Aluminum powder and paste
(100%)

East Asia

Nikkei MC Aluminum (Kunshan) Co., Ltd.
Jiangsu, China
Aluminum alloys
(85%)

Guangxi Zhengrun Nikkei High Purity Aluminium Technology Co., Ltd.
Guangxi, China
Aluminum high purity metal
(49%)

Nonfemet international (China-Canada-Japan) Aluminium Co., Ltd.
Shenzhen, China
Aluminum extrusion
(18%)

Toyo Precision Appliance(Kunshan)Co.,Ltd.
Jiangsu, China
IT related case
(85%)

Shandong Nikkei Conglin Automotive Parts Co.,Ltd.
Shandong, China
Automobiles components
(55%)

Nikkei(Shanghai) Body Parts Co.,Ltd.
Jiangsu, China
Automobiles components
(100%)

Shandong Conglin Fruehauf Automobile Co.,Ltd.
Shandong, China
Trailers and trucks
(50%)

Hunan Ningxiang JiWeiXin Metal Powder Co.,Ltd.
Hunan, China
Aluminum powder
(90%)

Toyal Zhaoqing Co.,Ltd.
Guangdong, China
Aluminum paste
(90%)

Sam-A Aluminium Co.,Ltd.
Seoul, Korea
Aluminum foil, paste
(33.4%)

Southeast Asia

Nikkei MC Aluminum (Thailand)Co.,Ltd.
Chachengsao, Thailand
Aluminum alloys
(79.4%)

CMR Nikkei India Pvt, Ltd.
Bawal, India
Aluminum alloys
(26%)

Nikkei Siam Aluminium Ltd.
Pathumtani, Thailand
Aluminum sheet, foil
(100%)

Fruehauf Mahajak Co.,Ltd.
Bangkok, Thailand
Trailers and trucks
(70%)

Toyal MMP India Pvt,Ltd.
Nagpur, India
Aluminum paste
(74%)



Directors And Officers

Directors

President

Representative Director

Ichiro Okamoto

President and CEO of Nippon Light Metal Co., Ltd

Directors

Toshihide Murakami

Yasunori Okamoto

Kaoru Kusumoto

President and CEO of Toyo Aluminium K.K.

Hiroyasu Hiruma

President and CEO of Nippon Fruehauf Co., Ltd.

Sho Adachi

*President and Representative Director of Nikkeikin Kakoh
Kaibatsu Holdings Co., Ltd.*

Yoshihiro Tomioka

Toshikazu Tanaka

Masahito Saotome

Masato Ono^{*1}

Ryoichi Hayashi^{*1}

Haruo Ito^{*1}

Toshihito Hayano^{*1}

Keiko Tsuchiya^{*1}

^{*1} Outside Director

Audit & Supervisory Board Member

Nobuo Matsumoto

Kotaro Yasuda

Masahiro Yoshida

Yoshiki Sato^{*2}

Shintaro Kawai^{*2}

Jinseki Kim^{*2}

^{*2} Outside Member

Officers

Minoru Sotoike

Kazuto Sanada

Masakazu Ichikawa

Kazuyoshi Sugiyama

Satoshi Aso

(As of June 24, 2020)



Corporate Data

Company Name

Nippon Light Metal Holdings Company, Ltd.
<https://www.nikkeikinholdings.co.jp>

Established

October 1, 2012

Paid-In Capital

¥46,525 million

Shares of Common Stock

Authorized: 2,000,000,000
Issued: 619,937,500

Number of Shareholders

60,100

Stock Exchange Listings

Tokyo

Transfer Agent of Common Stock

Sumitomo Mitsui Trust Bank, Ltd.

Last Shareholders' Meeting

June 24, 2020

Major Shareholders

(Ratio of Stock Holding)

The Master Trust Bank of Japan, Ltd.
(trust accounts) (10.9%)

Japan Trustee Services Bank, Ltd.
(trust accounts) (7.5%)

The Dai-ichi Life Insurance Co., Ltd.
(3.2%)

Nikkei-Keiyu-Kai (2.7%)

The Light Metal Educational Foundation, Inc.
(2.4%)

Japan Trustee Services Bank, Ltd.
(trust accounts 9) (2.2%)

Asahi Mutual Life Insurance Co.
(2.1%)

SSBTC CLIENT OMNIBUS ACCOUNT
(2.0%)

JPMC GOLDMAN SACHS TRUST JASDEC LENDING
ACCOUNT (2.0%)

JP MORGAN CHASE BANK 385151
(1.8%)

(As of March 31, 2020)

Cautionary Statement

This annual report contains various projections and estimates. Important factors that could alter these projections and estimates include changes in the balance of aluminum supply and demand, fluctuations in the price of aluminum ingot and foreign exchange rates, as well as shifts in Japanese government policies and regulations. The Company cautions, therefore, that the projections and estimates contained herein involve risk and uncertainty, and that actual results could differ materially from those expressed or implied.



<https://www.nikkeikinholdings.co.jp>

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