ANNUAL REPORT 2010

Year ended March 31, 2010

NIPPON LIGHT METAL COMPANY, LTD.

Profile

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.

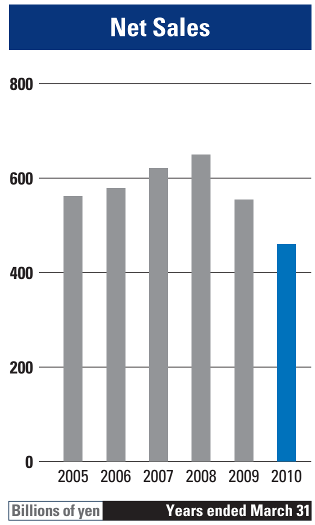
Aluminum has properties that make it a superb industrial material: it is lightweight and has excellent processability, corrosion resistance, thermal conductivity, and recyclability. Nippon Light Metal applies its core strengths — a wealth of knowledge about aluminum and its characteristics and technological 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.

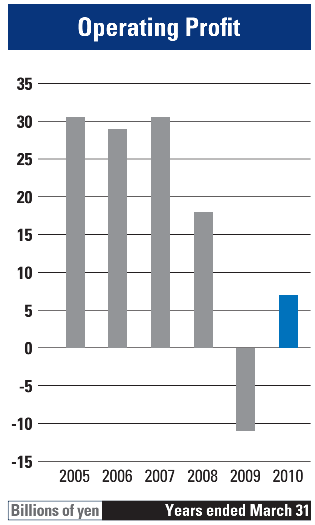
By carrying on development of new applications for aluminum and aluminum materials, the NLM Group is to continue to support customers in wide-ranging industrial sectors and contribute to improving the quality of people's lives and protection of the environment.

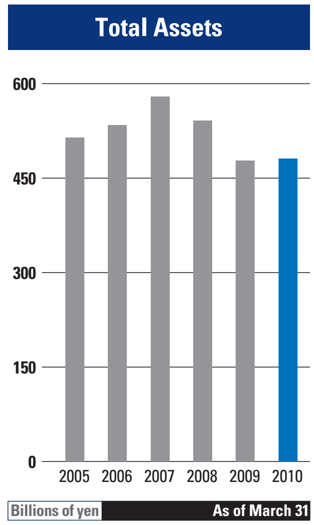
Consolidated Financial Highlight

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

	2009	**2010**	**2010**
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥554,094	**¥460,681**	**$4,951,429**
Operating profit (loss)	(11,892)	**7,673**	**82,470**
Net income (loss)	(31,442)	**2,084**	**22,399**
At year-end:			
Total assets	478,571	**481,022**	**5,170,056**
Net assets	88,781	**93,124**	**1,000,903**
Short-term borrowings and long-term debt, including bonds and capital lease obligation	234,011	**225,238**	**2,420,873**





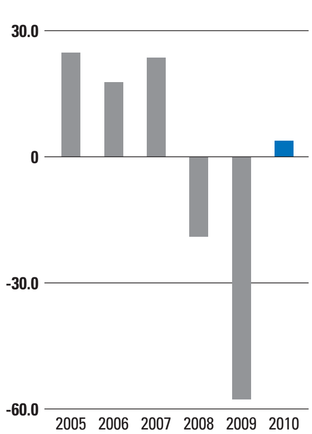


Contents

	2009	2010	2010
	Millions of yen		Thousands of U.S. dollars
Per share data (yen and dollars):			
Net loss —basic	¥ (57.77)	¥ 3.83	$ 0.04
—diluted	—	3.63	0.04
Cash dividends	—	—	—
Net assets	¥154.22	163.13	1.75
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 197	¥ 142	$ 1.53
Low	60	71	0.76

Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥93.04 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

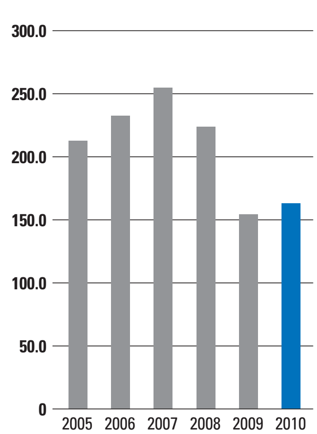
Net Income per Share



Yen | Years ended March 31

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

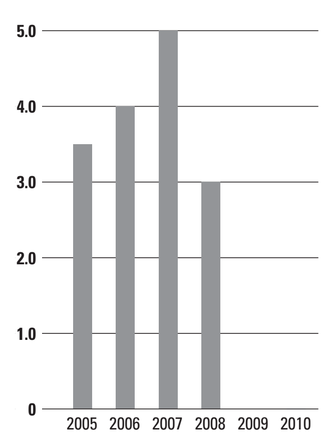
Net Assets per Share



Yen | Years ended March 31

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

Cash Dividends per Share



Yen | As of March 31

Takashi Ishiyama, *President and CEO*

I am pleased to report on the operating results for Nippon Light Metal Company, Ltd. and its consolidated group companies for fiscal 2009 (the year from April 1, 2009, to March 31, 2010).

Overview of Fiscal 2009

During the year under review, the aluminum industry as a whole was on track for improvement, as there were signs of recovery in demand from its principle customers in the automotive, electrical and electronics industries linked with the progress in inventory adjustments, while demand further cooled down in the building related markets. But such improvement proved short of achieving the level of business as attained prior to the current recession and aggregate demand for aluminum products declined compared to the previous year.

Given these circumstances, the Group was focused on establishing an operational structure that can generate profits on the basis of a reduced production and sales, by promoting emergency measures such as inventory reduction, highly selective capital expenditure and reduction of fixed costs including personnel expenses. On the other hand, the Group has been promoting business activities for growth such as aggressive allocation of management resource to operations in China and Southeast Asia, along with reinforcement and expansion of environment and energy-related sectors, let alone development of new products that ensure superior profitability.

As a result of these efforts, despite a decrease in consolidated net sales of ¥460.7 billion compared to the previous year, consolidated operating profit improved ¥19.6 billion year on year, to ¥7.7 billion and consolidated ordinary profit improved ¥19.6 billion year on year, to ¥2.7 billion on the earnings front as various initiatives to ensure profitability along with launch of new products in the growing markets secured significantly better results. The Group recorded ¥2.1 billion net income, as a result of recording deferred tax assets in respect of hitherto valuation losses on shares in affiliated companies concerning Shin Nikkei Co., Ltd., along with special losses including Provision for loss on sales of subsidiaries and affiliates' stocks in association with the transfer of its shares.

Under these circumstances, I regret to announce that there will be no year-end dividend payment as the previous year. I would like to ask for kind understanding of our shareholders regarding this decision.

Overview by Business Segment

Sales in the Aluminum Ingot and Chemicals segment decreased 27.0% year on year, to ¥88.1 billion, while operating profit increased 357.9%, to ¥3.4 billion. Despite the initial assumption of generally weak demand throughout the year in this sector, there was a hint of recovery in demand in the fourth quarter.

Sales in the Aluminum Sheet and Extrusions segment decreased 17.8%, to ¥54.9 billion, despite remarkable recovery in demand from the third quarter. Operating results for this segment improved roughly ¥5.0 billion, still generating an operating loss of ¥0.7 billion.

Sales in the Fabricated Products and Others segment decreased 12.5%, to ¥198.3 billion, while operating profit increased 125.0%, to ¥9.0 billion, thanks primarily to the robust sales of back-sheets and functional ink for solar cells at Toyo Aluminium K.K.

Sales in the Building Materials segment fell 14.7%, to ¥119.4 billion, resulting in an improvement in operating results of ¥6.5 billion compared to the previous year, which still generated ¥1.4 billion operating loss.

Share Transfer of Shin Nikkei Co., Ltd. and Change of Segment Information

On April 1, 2010, we transferred all shares of Shin Nikkei Co., Ltd. to the JS Group Corporation, and as a result Shin Nikkei Co., Ltd. ceased to be the Company's subsidiary. This will significantly reduce the share of the "Building Materials" segment while relatively enhancing the share of the "Fabricated Products and Others" segment in the Group's consolidated sales, from the following fiscal year (year ending March 31, 2011).

As a result of the above share transfer, segment information shall be revised accordingly from the following fiscal year. Specifically, the aluminum foil, powder and paste sector, mainly manufactured by Toyo Aluminium, shall be removed from the "Fabricated Products and Others segment" and newly established as the "Aluminum Foil, Powder and Paste" segment, while existing business in the "Building Materials" segment shall be distributed to the "Aluminum Sheet and Extrusions" segment, as well as the "Fabricated Products and Others" segment, abolishing the "Building Materials" segment. As a result of this change, there will be four segments in the fiscal year ending March 2011, namely the "Aluminum Ingot and Chemicals" segment, the "Aluminum Sheet and Extrusions" segment, the "Fabricated Products and Others" segment and the "Aluminum Foil, Powder and Paste" segment.

Outline of the New Mid-Term Management Plan

In May 2010, the Group announced the New Mid-Term Management Plan for the three years from fiscal 2010, in which we will accelerate creation of new products and technologies along with business development in the overseas markets primarily in China and Southeast Asia, while staying focused on reinforcing our business foundation. We will also explore the opportunities of alliances or M&A with other companies across the national borders, with speedy management style and allocation of resources based on clearly thought-out strategies.

Business targets in fiscal 2012, the last year of the New Mid-Term Management Plan, envisage net sales of ¥430 billion (25% *increase year on year), ordinary profit of ¥20 billion (7.4 times year on year) and net income of ¥12 billion (5.7 times year on year). Meanwhile, financial targets under the plan envisage ¥24.2 billion reduction of interest-bearing debt, to ¥197 billion, 1.4 times Net D/E ratio (Debt Equity ratio) and 9.1% ROCE (Return on Capital Employed) ratio. (For details, please see Special Feature, page 4 to 6.)

(Note) Calculated on the sales figure excluding Shin Nikkei*

Outlook for fiscal 2010

In the Japanese economy, corporate performance is expected to get back on a track for recovery driven primarily by the exporting sector, with gradual improvements in capital expenditure as well as employment and income environment, while full-scale recovery in domestic demand is likely to take longer. As respects the global economy, although the simultaneous global recession appears to have bottomed out, driven primarily by the growth in the emerging economies not least China, the situation is likely to remain in the balance, leaving no room for optimism.

Under such circumstance, although the Group's net sales will significantly drop as a result of the aforementioned transfer of Shin Nikkei to the JS Group, operating results are anticipated to show remarkable improvement as each business segment of the Group is expected to show some increase in sales volume. Specifically, the next fiscal year is projected to register net sales of ¥380 billion, operating profit of ¥16 billion, ordinary profit of ¥10 billion and net income of ¥5.5 billion.

Within this severe business environment, we are striving to keep up improvement in productivity and reinforce our sales capabilities, as well as strengthen our earnings base through the development of new products and businesses and cultivation of business in growth fields by making a concentrated Group effort.

I would like to ask for the continuing support of our shareholders in these efforts.

June 2010

Takashi Ishiyama

Takashi Ishiyama
President and CEO

The New Mid-Term Management Plan (Fiscal 2010-2012) of the NLM Group

The NLM Group has formulated a New Mid-Term Management Plan covering the three years from April 2010. This Special Feature introduces the specifics of the plan.

Numerical targets set out in the previous mid-term management plan for the three years ending in the end of March 2010, were not achieved as directly impacted by the simultaneous global recession since the latter half of 2007. Meanwhile, however, there has been some progress in the implementation of the action plans set out in the previous mid-term management plan, as specifically listed up as follows.

Major Action Plans with progress in the Previous Mid-Term Management Plan

POLICIES	ACTIONS
Business domain expansion by means of active infusion of management resources into growth sectors	Concentrated allocation of management resources to the three growth sectors.
Demand creation and earning power improvement in core business sectors	**[Aluminum Foil sector]** Management consolidation of Toyo Aluminium and Tokai Aluminum Foil. **[Chemical Products]** Commencing changeover to the new raw materials.
Active development of overseas business	**[Nikkeikin Aluminium Core Technology]** The second manufacturing site for automotive parts. **[Toyo Aluminium]** Solar cells related businesses in China.
Completion of structural improvement of the Building Materials business	Realignment and consolidation of manufacturing sites along with workforce reduction in the building materials operation. Transfer of Shin Nikkei to the JS Group.

OUTLINE OF THE NEW MID-TERM MANAGEMENT PLAN

The New Mid-Term Management Plan was prepared as a projection for the next three years, bearing in mind what the Group should look like in five years time. The new plan specifically envisages future shape of the new NLM Group after the demerger of Shin Nikkei. The Group implemented the eight basic policies as follows:

The New Mid-Term Management Plan — Basic Policies

1 >> **Prioritized allocation of management resources to business units in growth sectors**

2 >> **Further reinforcement of industry-leading businesses**

3 >> **Accelerated development of overseas business operations centering on China and Southeast Asia**

4 >> **Development of applications by integrating key technologies and creation of new products**

5 >> **Contribution to environmental protection by exploiting the characteristics of aluminum**

6 >> **Improvement of the financial position and resumption of dividend payment**

7 >> **Development and deployment of human resources**

8 >> **Fulfillment of corporate social responsibility (CSR) and strengthening of corporate governance**

The Group will further develop its core technologies for aluminum materials, while reinforcing the business foundation in view of the current harsh economic environment, and then will focus on developing new products and technologies drawing on such core technologies. Meanwhile, the Group will be aiming at sustainable growth through aggressive implementation of business strategies to cultivate opportunities in overseas markets not least China and Southeast Asia.

1. Focusing on the four target sectors that are automotive, electric and electronics, telecommunications, environment, safety and energy

The Group will focus on the four sectors targeted under the previous medium-term management plans as future growth sectors expected to develop new use for aluminum materials, namely **(i) automotive, (ii) electric and electronics, (iii) telecommunications, (iv) environment, safety and energy**. Ambitious sales expansion as follows is projected, by aggressively emphasizing R&D and capital investment in these sectors.

(Billions of yen)

Sector	Fiscal 2009 (Actual)	Fiscal 2012 (Target)
Automotive	68.7	89.0
Electric and electronics	33.6	50.0
Telecommunications	5.1	13.0
Environment, safety and energy	18.8	37.5

2. Further reinforcement of industry-leading businesses

The Group has already got quite a few "strong products" with competitive advantages, such as alumina and aluminum hydroxides in the Aluminum Ingot and Chemicals segment, lithium-ion battery cases in the Aluminum Sheet and Extrusions segment, aluminum foil and truck outfitting products, panel system products, aluminum paste used for automobile paint, aluminum parts for solar cells and carbon block for blast furnaces in the Fabricated Products and Others segment. These are successful examples maintaining high market shares in respective markets

We will further strengthen our competitiveness by developing new products in the market sectors where we dominate as market leader, while anticipating the changes in the market and diversified needs of consumers, let alone improving productivity.

3. Accelerated development of overseas business operations centering on China and Southeast Asia

Production capacity shall be enhanced at Toyo Aluminium's plant for back-sheets and electrode ink for solar cells (Zhaoqing, China), Nikkeikin Aluminium Core Technology's sunroof rail plant (Shanghai, China), Nikkei Siam's aluminum sheet plant (Thailand), to catch up with the soaring demand for respective product.

Meanwhile, production capacity enhancements under consideration include the third manufacturing site in Asia for Nikkei MC Aluminium's aluminum alloy operation, the third manufacturing site in China for Nikkei Aluminium Core Technology's automotive parts operation, material powder production lines at Toyo Aluminium, Nippon Fruehauf's manufacturing site in China, and manufacturing sites in Southeast Asia for Nikkei Panel System and for the Company's Heat Exchanger Division. We will also actively explore the opportunities of M&A or alliance with local companies in overseas markets to further expand our overseas operations, by which our overseas sales ratio is projected to increase from 12.2% in fiscal 2009 to 19.4% in fiscal 2012.

4. Development of applications by integrating key technologies and creation of new products

After years of operation since its establishment, the Group has become a conglomerate embracing numerous business units operating in a range of domains with a variety of forms and scales, comprising groups with broad scope of operations from upstream to downstream, drawing on respective unique technologies.

Thus, we will create new products and businesses mainly in environment and energy-related markets, providing weight-saving solutions and clean energy solutions to automotive and other industries, by integrating or matching a variety of diverse technologies within the Group, to our existing advanced products.

5. Contribution to environmental protection by exploiting the characteristics of aluminum

Aluminum with its superior properties including lightness, thermal conductivity, processability and recyclability, is an environmentally friendly material that fits the demand of the times more than ever.

The Group is actively contributing to conservation and protection of the global environment by promoting development, supply and recycling of environmentally friendly products, along with our pursuit of the voluntary action plan for mitigation of global warming.

6. Development and deployment of human resources and strengthening of corporate governance

Drastic changes are going on in our business environment in which development of creative and innovative human resources is essential. As the Group's corporate culture has dramatically changed from "security-oriented" to "challenging undaunted by failure" since the turn of the century, we will continue to be committed to developing human resources capable of diversifying and expanding business operations from now on, while strengthening human resources management to enable individuals to bring their diverse characteristics and skills into full play.

To reinforce corporate governance, the Group will further promote awareness of corporate social responsibility (CSR) and continue its sincere efforts to ensure compliance and management of risks related to the environment, safety, and disaster prevention.

Quantitative Targets

(Billions of yen)

	Fiscal 2009 (Actual)	Fiscal 2010 (Forecast)*2	Fiscal 2012 (Target)
Net sales	460.7*1	380.0	**430.0**
Operating profit	7.7	16.0	**27.0**
Ordinary profit	2.7	10.0	**20.0**
Net income	2.1	5.5	**12.0**
Interest-bearing debt	221.2	207.0	**197.0**
Net D/E ratio (times)	2.0	1.7	**1.4**
ROCE (%)	2.2	5.0	**9.1**

[Basis of calculation] Aluminum ingot market price : ¥250,000/ton   Exchange rate : ¥90/USD

**1 Net sales, excluding those of Shin Nikkei Co., Ltd. sold on April 1, were ¥344.1 billion.*

**2 Figures are as of May 14, 2010, the date of announcement.*

7. Plan for Cash Flow: Improvement of the financial position and resumption of dividend payment

Making selective investments while focusing on the earliest possible resumption of dividends and improvement in financial position as financed by profits

We will invest in growing sectors ¥73 billion which comprises ¥20 billion gain on disposal of the building materials business, and three-year cumulative depreciation and amortization of ¥53 billion. Profits gained from such investment shall be used to resume dividend payment early, and to repay interest-bearing debt in an effort to improve the Group's financial position.

The last, but not the least, as the NLM Group is determined to pull together as one, staying focused on achieving the objectives under the New Medium-Term Management Plan, we would appreciate kind understanding and support of shareholders on the aforementioned strategies and actions.

Toyo Aluminium Strengthens its Functional Materials Business Expands production and sales, with focus on rapidly growing Chinese market

Toyal Zhaoqing Co., Ltd.

Toyo Aluminium is posting strong results from the functional material businesses listed below. These include solar cell back-sheets that prevent the absorption of moisture (which causes the performance of solar cells to deteriorate) and aluminum ink for electrode backing, which improves the conversion efficiency of solar cells.

1. Toyal Solar Back Sheets for Solar Cells

Toyo Aluminium manufactures these strong-selling back sheets for solar cells in Japan and China (Toyal Zhaoqing Co., Ltd.). The company boosted production capacity at two sites in Japan in 2008, and although it only began production in China in September 2009, it is already expanding its production facilities there.

2. Alsolar Aluminum Ink for Solar Cells

Toyo Aluminium currently produces 1,200 tons of aluminum ink per year, accounting for 40% of global production. This fall, the company will double its production through investments in Japan. Next year, it plans to start production in China, and aims to reach 5,000 tons annual production by 2012, quadrupling its current production level and winning a 50% share of the global market.

3. Aluminum Pastes

Aluminum paste is primarily used in automotive coatings. Sales of aluminum pastes to China, Korea, and India are very strong. Sales in Japan are also recovering.

4. Aluminum Powders

Aluminum powder was originally used in powder metallurgy and refractories, but there is growing demand for aluminum powder for aluminum paste for coatings, and as a raw material in aluminum inks for solar cells. As a result of this increased demand, shortfalls in production capacity are expected both in Japan and internationally, and Toyo Aluminium has reacted by boosting its production of aluminum powders as raw materials in Japan and China.

Using its back sheets and aluminum ink businesses as growth drivers, Toyo Aluminium will expand its production and sales of functional materials, with a focus on the Chinese market.

Changes in Business Segment

Segmentation until Fiscal 2009

Aluminum Ingot and Chemicals segment

Chemicals Division, Nikkei MC Aluminium, Metal & Alloy Division, Aluminium Wire Rod, Group Metal Center, etc.

Aluminum Sheet and Extrusions segment

Rolled Products Division, Nikkei Siam,
Nikkeikin Aluminium Core Technology, Nikkei Extrusions, etc.

Fabricated Products and Others segment

Toyo Aluminium
Nippon Fruehauf, Nikkei Panel System, Capacitor Foil Division,
Nippon Electrode, Nikkei Matsuo, Shaped Parts Division,
Heat Exchanger Division, Container Department, NLM ECAL,
Nikkei Sangyo, Nikkei Logistics, Sumikei Nikkei Engineering
(affiliate accounted for by the equity method), etc.

Building Materials segment --- abolished

Shin Nikkei
Riken Light Metal Industrial
Others

Segmentation from Fiscal 2010

Aluminum Ingot and Chemicals segment

(No change)

Aluminum Sheet and Extrusions segment

(No change)
Riken Light Metal Industrial

Fabricated Products and Others segment

(No change)

Others

Aluminum Foil ,Powder and Paste segment --- newly established

Toyo Aluminium

Transferred to the JS Group Corporation on April 1, 2010.

1. Summary of Corporate Governance

NLM considers the development of a corporate governance system one of its most important management priorities, as this system helps ensure trust in management by stakeholders, including shareholders, business partners, employees and local communities.

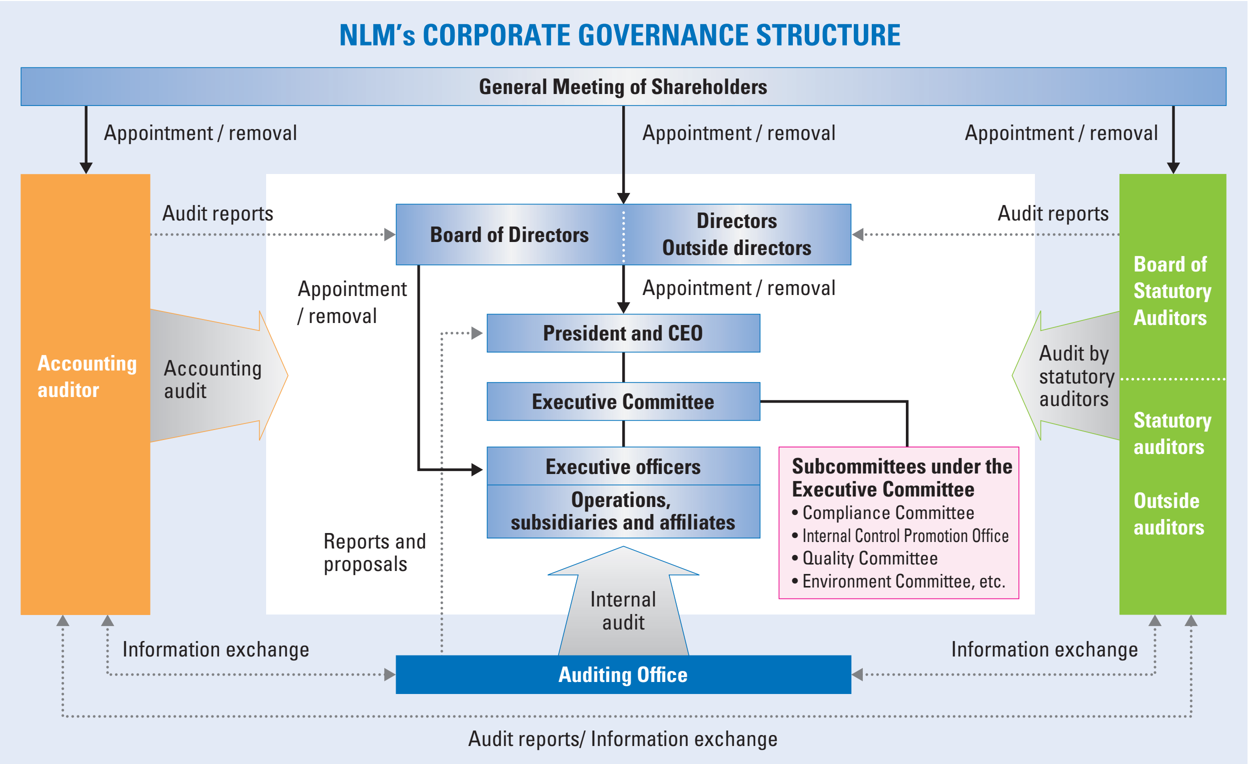
NLM has adopted an executive officer system. The Board of Directors consists of 10 directors, of whom two are outside directors. This system enables agile management and sufficient deliberation by the Board of Directors. To clarify the roles and responsibilities of directors and executive officers and ensure that their tasks are conducted appropriately, their term of office is set to be one year. 14 Board of Directors meetings were held in fiscal 2009.

To examine important matters that affect the entire Group from multiple perspectives, NLM has set up an Executive Committee under the Board of Directors. This committee consists of the president and CEO, senior executives and executive officers and directors of subsidiaries who concurrently serve as NLM directors. The Executive Committee meets at least twice a month.

NLM has also adopted a statutory auditor system. The Board of Statutory Auditors consists of five statutory auditors, of whom three are outside auditors. Auditors are independent and play a key role in corporate governance by attending Board of Directors and other important internal meetings.

Support Systems for Outside Directors and Outside Statutory Auditors

The Planning Department and the Legal Department, which jointly serve as the secretariat for the Board of



Directors, circulate preparatory handouts to directors and auditors. The secretariat also elaborates on issues of particular importance prior to meetings.

The Auditors Office provides staff to assist the auditors.

Accounting Audits

In fiscal 2009, Ernst & Young ShinNihon LLC conducted accounting audits based on the Companies Act and the Financial Instruments and Exchange Act of Japan.

2. Summary of Implementation of Internal Control Systems

To fulfill its corporate governance obligations, NLM takes as another management priority the development of internal control systems for all NLM Group employees. Such systems affect all of NLM's business processes, ensuring risk management, compliance with laws and ordinances and ongoing work efficiency.

At a meeting on March 14, 2008, the Board of Directors resolved to partially amend the basic policy on the implementation of the Internal Control Systems, in order to achieve the Company's goals stipulated in the Group management policy. We will continue to move forward with the implementation of the systems, while revising the policy as necessary.

Establishment of the Compliance Code and the Internal Whistle-Blower System

In July 2004, NLM established the Compliance Committee, chaired by the president and CEO, to clarify its corporate social responsibility and to implement effective internal compliance systems. On April 1, 2006, NLM also established the Group Compliance Code, which is posted on the Group Intranet. At the same time, a leaflet containing this code was distributed to all members of Group companies. Concurrently, an internal whistle-blower system was created.

NLM considers important the creation of an atmosphere that fosters the frank exchange of opinions among officers and employees about workplace compliance and encourages its top-of-mind significance. Each year, NLM holds more than 900 compliance meetings that are attended by employees.

Establishment of Group Risk Management Regulations

As part of its risk management system, in May 2006 NLM established the Group Risk Management Regulations. These regulations specify departmental responsibilities and risk management guidelines, segmented by risk significance into 1) product and service defects, 2) environmental problems, 3) disasters (natural and accidental) and 4) information system problems.

Establishment of Regulations Concerning the Preservation and Management of Documents Containing Important Decisions

In accordance with corporate regulations, NLM appropriately stores and manages information on the execution of duties by directors, which is disclosed to statutory auditors upon request. On May 29, 2006, NLM established the Regulations Concerning the Preservation and Management of Documents Containing Important Decisions. These regulations establish criteria for the storage and management of documents at each NLM Group company, including those concerning Executive Committee decisions, committee minutes and departmental decisions, such as approval applications, data and addenda.

BASIC PRINCIPLE

We shall comply with relevant laws and ordinances and shall take action independently and actively on global environmental problems.

NLM Group's management policies reflect the recognition that initiatives to tackle global environmental problems are vital.

Basic Policy for Environmental Issues

Environmental issues are no longer confined to one locality, and have been spreading and worsening to the extent that they can endanger the global environment and the very existence of human beings.

Actions and dedication are required for the national government, local governments, citizens and companies to construct a sustainable, recycling-oriented economy and society capable of coexisting with the environment preserved Earth. With this mission strongly in mind, the NLM Group seeks a harmonious coexistence with the natural environment in every aspect of its corporate activities.

These efforts eventually lead to sound corporate activities together with protecting the interests of shareholders, customers, employees and local communities, which are the basis of NLM's existence. We also endeavor, as decent corporate citizens, to realize a truly affluent society through an environment-oriented social contributions.

Action Guidelines

1. **Compliance with Environment-related Laws and Regulations**
   We comply with laws and regulations for the protection of the environment.
2. **Improvement of Energy Efficiency and Reduction of CO2 Emissions**
   We endeavor to improve the energy efficiency and reduce CO2 emissions by improving efficiencies of production processes and equipments raising productivity and rationalizing logistics.
3. **Facilitating Resource Savings and 3R campaign**
   We make efficient use of all production resources including aluminum, and disseminate the 3R (reduction, reuse and recycling) campaign throughout the Group.
4. **Business Activities in Consideration of Environmental Impacts**
   Prior to determining where to build a production facility or what products to develop, we take measures their impacts on the environment based on scientific evaluations. We also make every effort to reduce the environment even in existing business activities.
5. **Development of Technologies Contributing to Environment Protection**
   Our proactive product, process and other technology developments take advantage of aluminum's characteristics to reduce environmental impact. We contribute to environmental preservation by publicizing these results and providing products that incorporate them.

Voluntary Action Plan for Reduction of Greenhouse Gas Emissions / NLM Group

The NLM Group's Voluntary Action Plan to Reduce Greenhouse Gases

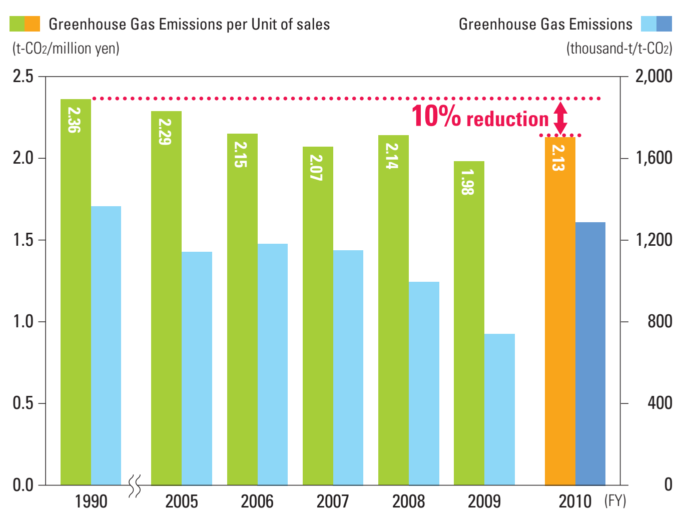
In 2005, the NLM Group formulated an action plan to promote the voluntary and proactive environmental initiatives advocated in the Company's basic policy. Of the several environmental parameters, the voluntary action plan is focused on the reduction of greenhouse gases, which contribute to global warming functioning as a comprehensive indicator.

In fiscal 2009, we reduced our greenhouse gas emissions. Although this reduction was significantly influenced by decrease in manufacturing activities due to the economic recession that continued from late fiscal 2008 into fiscal 2009, our efforts to conserve energy and reduce our carbon footprint also contributed to the reduction. We also improved greenhouse gas emissions per unit of sales.

The NLM Group will continue striving to reduce greenhouse gas emissions and reduce emissions per unit of sales.

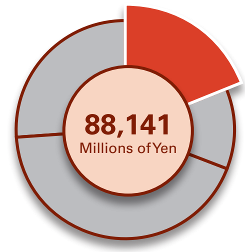
NLM Group Voluntary Action Plan for Reduction of Greenhouse Gas Emissions

Reduce the ratio of greenhouse gas emissions to net sales by 10% by 2010 compared with in1990



* The scope of consolidation has changed due to a transfer of the Group company. Therefore, we have recalculated the previous data corresponding to the changed scope of consolidation.

Consolidated Net Sales

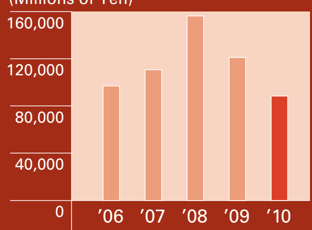


19.1%

Profile *Alumina and Chemicals Operations 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 and Aluminum Alloy Operations manufacture primary and secondary aluminum alloys and enjoy an excellent reputation for the development of high-performance alloys in response to customer requirements. High-purity aluminum manufactured at Japan's only aluminum smelting plant is used as a raw material for electronic materials and other products.*

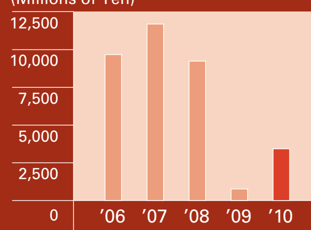
Net Sales

(Millions of Yen)



Consolidated Operating Profit

(Millions of Yen)



Principal Products

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

Overview of results for fiscal 2009

Aluminum Ingot

In the Aluminum Ingot and Chemicals operations, except for some areas showing signs of recovery, such as alumina for electrical machinery and electronics and aluminum hydroxide, shipment remained stagnant nearly in all areas including alumina for fire-retardant materials and aluminum hydroxide for building materials, given the sluggish domestic economy. Meanwhile, exports including those for Korea dropped significantly suffering direct impact of the yen appreciation. In terms of chemicals, some of the products such as caustic soda, organic and inorganic chlorine products were in solid demand, which, however, was not good enough to offset the generally stagnant shipment, resulting in a decrease in sales volume compared to the previous year.

In terms of profits, despite decline in fuel prices including electricity, gas and heavy oil, lower capacity usage resulting from decrease in sales meant heavier burden of fixed expenses. This contributed to a sharp drop in profits year on year.

In the Aluminum Ingot operations, overall sales volume decreased compared to the previous year, although domestic demand for mainstay secondary alloy product for automotive application started to pick up in the latter half of the year after a spell of weak demand since the latter half of 2008, and recovery of overseas demands became evident not least in China.

Despite decrease in sales volume as well as profit-squeezing price increase of scrap used as raw materials for secondary alloy product earnings showed a significant improvement compared to the previous year in which sizable losses on inventory valuation were recorded.

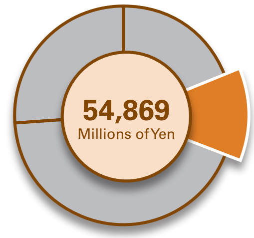
As a result, Aluminum Ingot and Chemicals segment sales decreased 27.0%, or ¥32,584 million year on year, to ¥ 88,141 million, while operating profit increased 357.9%, or ¥2,677 million year on year, to ¥3,425 million.

Sapphire substrate

Aluminum Sheet and Extrusions

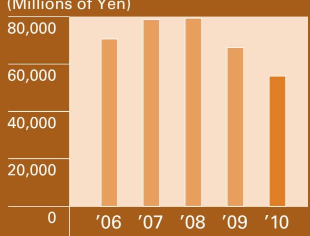
Profile *The NLM Group's aluminum sheet and extrusions are used in a wide range of market sectors, for instance for automotive parts and railway cars in the transport industry and for semiconductor and liquid crystal manufacturing equipment and photosensitive drums in the electrical machinery and electronics 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

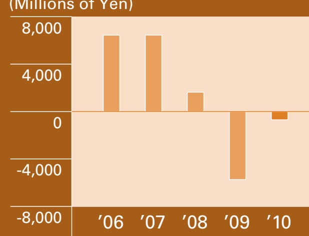


11.9%

Net Sales

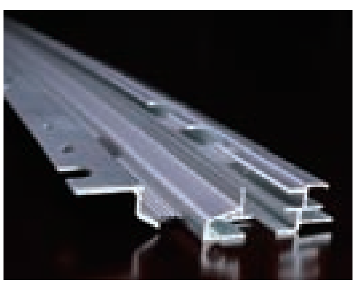


Consolidated Operating Profit



Applications	Principal Products
Automobile	● Automobile suspension parts ● Lead-free cut aluminum alloy ● Quick freezing coagulated powder extruded materials ● High-intensity molded aluminum sheet
Transport	● Large structural materials for railway rolling stock ● Truck body parts
Electronics	● Thick plate for semiconductor and LCD manufacturing equipment, Foil stock ● Photosensitive drum materials
Industrial	● Printing roll ● Industrial materials
Building materials and infrastructure materials	● Aluminum honeycomb panel ● Scaffolding

Overview of results for fiscal 2009



Sunroof Rail

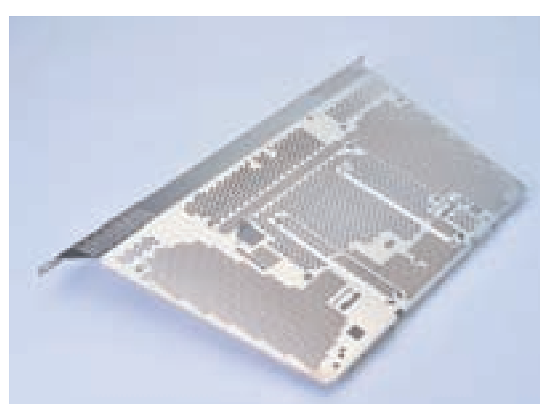
In the Aluminum Sheet operations, shipment of thick plates for semiconductor and LCD manufacturing equipment increased, while production of basic materials for electrical machinery and electronics recovered and remained robust thereafter, which, however, failed to offset significant drop in the shipment of foil stock for Electrolytic Capacitors, resulting in overall sales volume at nearly the same level as the previous year. Meanwhile, product prices, though on a recovery trend, failed to reach the level of the previous year. As a result, sales declined compared to the previous year.

In terms of profits, profitability improved compared to the previous year, thanks to inventory reduction and other streamlining measures, along with stabilized factory utilization which absorbed the burden of fixed expenses.

In the Aluminum Extrusion operations, business in the mainstay transport industry remained robust, thanks to the positive orders from railway car manufacturing industries, along with solid shipment of automotive parts mainly in China, which, however was outweighed by the stagnant shipment of truck body parts especially in the first half of the year, resulting in a decrease in overall sales volume compared to the previous year. In other areas including electrical machinery and electronics industries, sales ended up in a decrease despite the latest trend of recovery in demand.

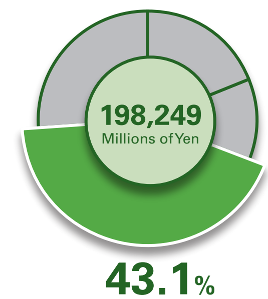
Although the continued high price of fuels and side materials, squeezing profitability of this segment, earnings improved thanks to the robust sales in China along with cost-cutting in various aspects of operation and inventory reduction.

As a result, Aluminum Ingot and Chemicals segment sales decreased 17.8%, or ¥11,897 million, to ¥54,869 million, while ¥5,020 million improvements in operating results proved short of generating income, resulting in an operating loss of ¥717 million.



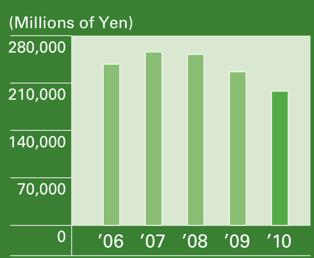
Shaped sheet product

Consolidated Net Sales

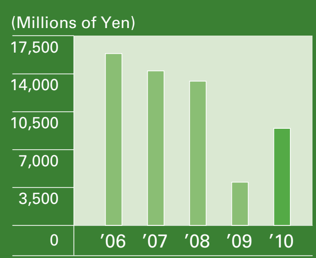


Profile *The NLM Group includes a number of companies that handle distinctive fabricated products. In particular, Toyo Aluminium's aluminum foil and aluminum powder and paste, Nippon Freuhauf's van and truck bodies and Nikkei Panel System's commercial refrigerator and freezer panels enjoy an excellent reputation for quality and are market share leaders in their respective fields. In addition, the Group provides familiar consumer products, including anodized aluminum foil for aluminum electrolytic capacitors, automotive parts, landscaping products, containers and packaging materials.*

Net Sales



Consolidated Operating Profit



Applications	Principal Products
Automobile	• Powder and paste • Cast and forged parts for automobiles • Heat exchangers for automobiles
Transport	• Van truck bodies and trailers
Electronics	• Aluminum foil for electrolytic capacitors • Clean rooms • Anodized foil for electrolytic capacitors
Building materials and infrastructure materials	• Landscape engineering products • Solid truss structural materials (Aluminum truss) • Plant package for communication base stations
Food and lifestyle	• Aluminum foil • Panels for commercial refrigerators and freezers

Overview of results for fiscal 2009

Following is a summary of the major sectors in the Fabricated Products and Others operations.

In the Aluminum Foil, Powder and Paste sector, aluminum foil business has been solid thanks to the ongoing recovery trend in the shipment of high-purity aluminum foil for electrolytic capacitors, which bottomed out in the previous year, as well as the favorable shipment of solar cell back-sheets, which are in great demand in China. Yet on annual basis, these positive elements could not offset the decline in sales volume recorded in the first half of the year, resulting in lower sales compared to the previous year. In the Aluminum Powder Products sector, exports for China, Korea and India, as well as North America were favorable, while domestic shipments of aluminum paste used for automobile paint were lower compared to the previous year. Meanwhile, functional ink for solar cells sales were higher compared to the previous year, thanks to the new orders from China and Taiwan, along with recovery in demand both at home and abroad.

In terms of profits, this sector was boosted by the favorable sales of back-sheets and functional ink for solar cells, which overwhelmed the price-cutting pressure for some of our products associated with the declining raw materials prices, resulting in a sizable increase in income. In the Transport-Related sector, sales in the van and truck outfitting business fell by a sharp drop in demand for vans and trucks, as a result of stagnant logistic activities and capital expenditure under the current economic recession.

In the area of capacitors for car air conditioners, shipments of capacitors used in mini vehicles were largely solid, while general demand was on a recovery trend from the second half of the year, which, however, was outweighed by the slow recovery in sales of the types of cars primarily for export, resulting in overall lower sales compared to the previous year.

In the Shaped Parts sector, despite an increase in sales of parts for environmentally friendly or fuel-economy cars, including hybrid cars, overall sales proved short of the level achieved in the previous year, resulting in a slight drop compared to the previous year.

In the Electronic Materials sector, while demand for anodized aluminum foil for electrolytic capacitors used for the digital appliances was in a recovery trend thanks to the growing demand for electrical machinery and electronics equipment in Asian markets, recovery in demand for those used for the manufacturing equipment was slow, resulting in overall lower sales compared to the previous year.

In the Panel System sector, sales of clean rooms and industrial refrigerators and freezers registered resulted in lower sales compared to the previous year because of the still stagnant capital expenditure. Profitability also suffered in this sector as we were forced to accept less profitable orders under increasingly competitive market environment.

In the Fabricated Products and Others segment, sales of containers managed to maintain the previous year's level, thanks to the robust shipment of commercial washing containers for beer servers, offsetting the significant drop in the shipment of mainstay aluminum kegs due do a decrease in demand for beer, reflecting unstable weather in last summer, as well as a shift of consumer preference for beer-like alcoholic beverages as money saving alterative in an effort to cope with economic recession.

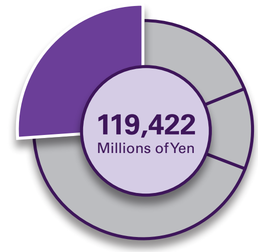
In landscaping products, while sales of mainstay aluminum railings remained at roughly the previous year's level, shipments of brazed honeycomb panels declined along with reduction in public investment, resulting in overall lower sales compared to the previous year.

As a result, sales in the Fabricated Products and Others operations declined 12.5%, or ¥28,294 million, to ¥198,249 million. Operating profit increased 125.0%, or ¥4,971 million, to ¥8,947 million.

Review of Operations • Building Materials

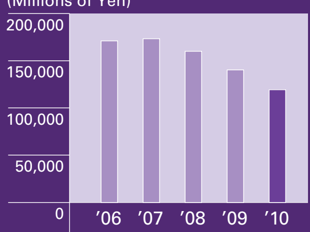
Profile *Shin Nikkei played a central role in providing high-quality aluminum building materials, operating in accordance with the basic concept of placing importance on the preferences of residents and users. Products included everything from building construction materials such as curtain walls, to window sashes, front doors, and other housing materials as well as gates-fences, and other exterior products. Also, Shin Nikkei was developing products adapted to wideranging user needs for energy conservation, environmental coexistence, universal design, and security enhancement.*

Consolidated Net Sales

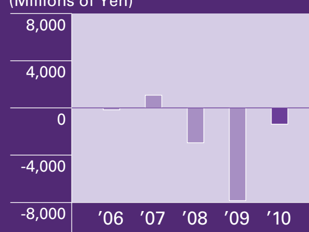


25.9%

■ Net Sales



■ Consolidated Operating Profit



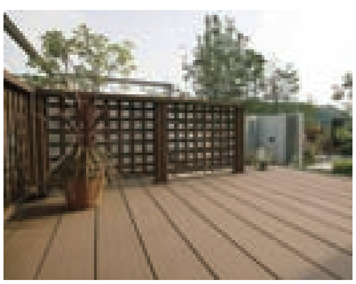
■ Applications

- Building

■ Principal Products

- Building materials
- Housing materials
- Exterior products

Overview of results for fiscal 2009



Deck fences

In the Building Materials operations, demand for single family houses as well as condominiums remained stagnant as individual motivation for ownership of housing has waned under economic uncertainty and concern over job and income security, while reduction in private capital expenditure as well as public investment exerted obvious adverse impact, making the business environment in this sector as severe as it was in the previous year.

Given these circumstances, we have been focused on enhancing our competitiveness through thorough cost-cutting exercise, along with structural reform including workforce rationalization, and realignment and consolidation of manufacturing sites, in an effort to establish an operational structure that enables survival in the shrinking market.

Given such continuously contracting market riddled with weak demand, Building Materials sales decreased 14.7%, or ¥20,638 million, to ¥119,422 million. In terms of profits, operating results made ¥6,491 million improvement thanks to the aforementioned efforts, which, however, proved short of generating profit, resulting in a ¥1,379 million operating loss.

On April 1, 2010, the Company transferred all shares of Shin Nikkei Co., Ltd. to the JS Group Corporation, and as a result the Shin Nikkei Co., Ltd. ceased to be the Company's subsidiary, significantly reducing sales of the building materials products within the Group from the next fiscal year. Nonetheless, the Group is determined to ensure that the Group companies handling building materials, such as Riken Light Metal Industrial Co., Ltd. and Nikkei Kenzai Kogyo Co., Ltd. further reinforce their efforts to promote sales of unique and profitable products.

Insulated front doors

NLM Group

Nippon Light Metal Group consists of 113 subsidiaries and 42 affiliates,
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.

Nippon Light Metal Company, Ltd. (Manufacture and Sales)

Aluminum Ingot and Chemicals

(Manufacture and Sales)
- ● Aluminium Wire Rod Co., Ltd.
- ● Nikkei MC Aluminium Co., Ltd.
- ● Nikkei MC Aluminum America Inc.
- ● Nikkei MC Aluminum (Thailand) Co., Ltd.
- ● Nikkei M.C. Aluminum (Kunshan) Co., Ltd.
- ● Ihara Nikkei Chemical Industry Co., Ltd.

(Sales and Others)
- ● Nikkei Sangyo Co., Ltd.
- ● Tamai Steamship Co., Ltd.

Aluminum Sheet and Extrusions

(Manufacture and Sales)
- ● Nikkei Extrusions Co., Ltd.
- ● Nikkeikin Aluminium Core Technology Co., Ltd.
- ● Nikkei Siam Aluminium Ltd.
- ● Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.

(Sales and Others)
- ● Nikkei Sangyo Co., Ltd.

Fabricated Products and Others

(Manufacture and Sales)
- ● NLM ECAL Co., Ltd.
- ● Toyo Aluminium K.K.
- ● Toyal Zhaoqing Co., Ltd.
- ● Tokai Aluminum Foil Co., Ltd.
- ● Toyal America Inc.
- ● Toyal Europe S.A.S.U.
- ● Toyo Aluminium Ekco Products Co., Ltd.
- ● Nikkei Sangyo Co., Ltd.
- ● Nikkei Panel System Co., Ltd.
- ● Nikkei Matsuo Co., Ltd.
- ● Nippon Electrode Co., Ltd.
- ● Nippon Fruehauf Co., Ltd.
- ● Sam-A Aluminium Co., Ltd.
- ● Nikkei Heat Exchanger Co., Ltd.

(Sales and Others)
- ● Nikkei Information System Co., Ltd.
- ● Nikkei Logistics Co., Ltd.
- ● Sumikei Nikkei Engineering Co., Ltd.
- ● Toho Earthtech Inc.

Building Materials

(Manufacture and Sales)
- ● Shin Nikkei Co., Ltd.
- ● Riken Light Metal Industrial Co., Ltd.
- ● Nikkei Kenzai Kogyo Co., Ltd.

(Sales and Others)
- ● Nikkei Sangyo Co., Ltd.

Customer

● Consolidated subsidiaries: 106 companies
● Affiliates accounted for by the equity method: 18 companies

→ Flow of products and raw materials
⋯→ Flow of services

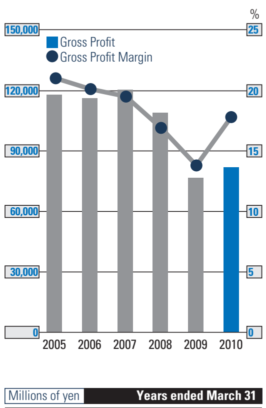
(As of March 31, 2010)

Note : Shin Nikkei Co., Ltd. ceased to be a subsidiary of the Company on April 1, 2010.

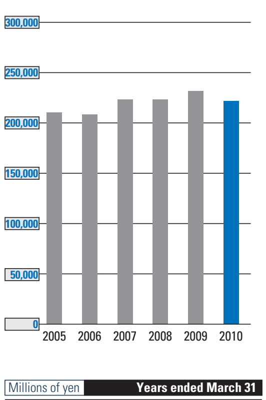
CONSOLIDATED SIX-YEAR SUMMARY

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

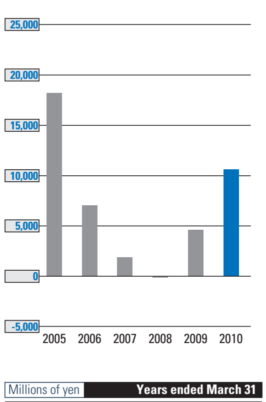
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



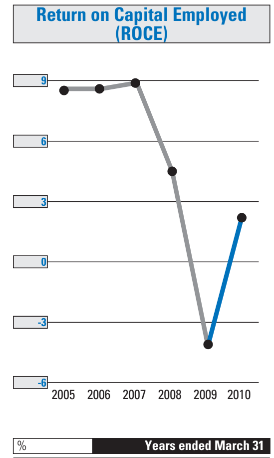
	2005	2006
	(Millions of yen)	
Financial Results		
Net Sales	¥560,284	¥577,061
Gross Profit	117,741	116,078
Gross Profit Margin (%)	21.0	20.1
Operating Profit (Loss)	30,560	28,923
Ordinary Profit (Loss)	21,857	22,353
Net Income (Loss)	13,488	9,684
Segment Information		
Net Sales:		
Aluminum Ingot and Chemicals	92,948	97,077
Aluminum Sheet and Extrusions	72,824	70,714
Fabricated Products and Others	219,802	238,422
Building Materials	174,710	170,848
Total	560,284	577,061
Operating Profit (Loss):		
Aluminum Ingot and Chemicals	8,866	9,640
Aluminum Sheet and Extrusions	5,785	6,435
Fabricated Products and Others	14,883	15,848
Building Materials	4,068	(163)
Elimination or corporate items	(3,042)	(2,837)
Total	30,560	28,923
Financial Position		
Current Assets	285,252	294,331
Property, plant and equipment	179,614	185,005
Intangible assets	3,895	5,261
Investments and other assets	46,020	48,929
Current liabilities	266,212	281,505
Long-term liabilities	129,237	122,033
Shareholders' equity (Note 3)	112,068	119,719
Valuation and translation adjustments (Note 3)	3,214	6,275
Minority interests in consolidated Subsidiaries (Note 3)	4,050	3,994
Interest-bearing Debt (Note 2)	210,368	208,817
Cash Flows		
Cash Flows from Operating Activities	32,345	26,779
Depreciation and Amortization	16,591	17,315
Cash Flows from Investing Activities	(14,131)	(19,724)
Capital Expenditures	16,973	19,819
Cash Flows from Financing Activities	(22,702)	(9,862)
Per Share Data (yen and dollars)		
Net Income (Loss) - basic	¥ 24.78	¥ 17.79
- diluted	23.83	16.89
Net Assets (Note 3)	212.63	232.54
Cash Dividends	3.5	4.0
Indices		
Return on Capital Employed (ROCE)(%)	8.6	8.6
Return on Equity (ROE)(%)	12.4	8.0
Equity Ratio (%)	22.4	23.6
Others		
Number of Shares Outstanding (thousands)	543,350	543,350
R&D Expenditures	¥ 5,538	¥ 5,133
Number of Employees	12,927	13,492

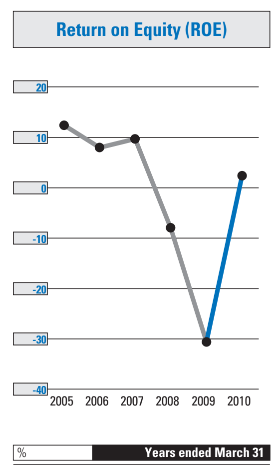
Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥93.04 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

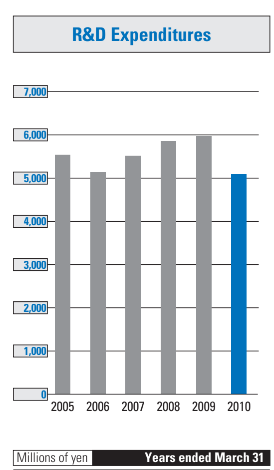
Note 2: Interest-bearing Debt = Long-term debt and Short-term borrowings, excluding capital lease obligations + Notes discounted + Notes endorsed

Note 3: Effective the year ended March 31, 2007, the Company adopted the new accounting standard "Accounting Standard for Presentation of Net Assets in the Balance Sheet".

2007	2008	2009	2010	2010
(Millions of yen)				(Thousands of U.S. dollars) (Note1)
¥618,158	¥647,846	¥554,094	¥460,681	$4,951,429
120,345	108,946	76,720	81,885	880,105
19.5	16.8	13.8	17.8	
30,519	17,998	(11,892)	7,673	82,470
25,248	11,222	(16,936)	2,682	28,826
12,755	(10,310)	(31,442)	2,084	22,399
110,667	156,189	120,725	88,141	947,345
78,929	79,375	66,766	54,869	589,736
255,514	251,998	226,543	198,249	2,130,793
173,048	160,284	140,060	119,422	1,283,555
618,158	647,846	554,094	460,681	4,951,429
11,667	9,172	748	3,425	36,812
6,443	1,630	(5,737)	(717)	(7,706)
14,156	13,212	3,976	8,947	96,163
1,073	(2,976)	(7,870)	(1,379)	(14,822)
(2,820)	(3,040)	(3,009)	(2,603)	(27,977)
30,519	17,998	(11,892)	7,673	82,470
340,897	311,083	257,386	258,839	2,782,018
184,070	179,243	176,231	165,612	1,780,009
5,969	6,189	5,005	5,147	55,320
48,527	43,958	39,949	51,424	552,709
287,436	270,545	264,386	249,184	2,678,246
149,916	140,931	125,404	138,714	1,490,907
130,176	118,294	85,170	87,245	937,715
7,770	3,465	(1,255)	1,507	16,197
4,165	7,238	4,866	4,372	46,991
223,607	223,660	231,686	221,720	2,383,061
21,397	25,018	26,674	26,388	283,620
17,481	20,160	22,113	20,717	222,668
(19,514)	(25,051)	(22,086)	(15,792)	(169,733)
20,702	25,263	24,997	14,197	152,590
12,483	(9,028)	6,422	(8,880)	(95,443)
¥ 23.56	¥ (19.00)	¥ (57.77)	¥ 3.83	$ 0.04
22.36	—	—	3.63	0.04
254.82	223.61	154.22	163.13	1.75
5.0	3.0	—	—	—
9.3	4.5	(4.1)	2.2	2.2
9.7	(7.9)	(30.6)	2.4	2.4
23.8	22.5	17.5	18.5	18.5
543,350	545,126	545,126	545,126	545,126
¥ 5,504	¥ 5,858	5,972	5,085	$ 54,654
13,493	14,084	13,678	12,854	12,854







Overview

The Japanese economy during fiscal 2009 (year ended March 31, 2010) remained stagnant as seen in the general corporate behavior such as inventory adjustment and restraint in capital expenditure, along with prolonged slump in private consumption due to concern over the further deterioration of employment/income environment, although some sector of the economy started to show signs of recovery.

Domestic aluminum industry as a whole was on track for improvement, as there were signs of recovery linked with the progress in inventory adjustment in the core markets such as automotive, electrical and electronics industries, while demand further cooled down in the building related markets. But such improvement proved short of achieving the level of business as attained prior to the current economic recession, and aggregate demand for aluminum products declined compared to the previous year.

Earnings and Expenses

Under such circumstances, the NLM Group's consolidated net sales decreased 16.9% year on year, to ¥460.7 billion ($4,951 million). For sales and other financial performance by business segment, please see the Review of Operation in page 11 to 14.

The cost of goods sold decreased 20.7% year on year, to ¥378.8 billion ($4,071 million), while the cost to sales ratio improved 4.0 percentage points year on year, to 82.2%. Selling, and general administrative expenses decreased 16.3% year on year, to ¥74.2 billion ($798 million). As a result, operating profit/loss transitioned from an operating loss of ¥11.9 billion in the previous year to an operating profit of ¥7.7 billion ($82 million) in the year under review.

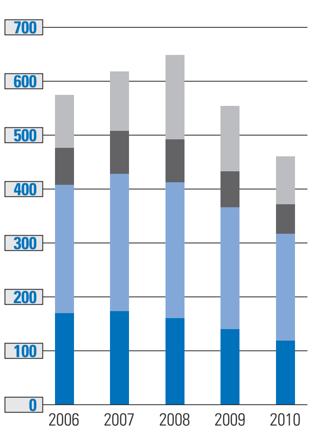
Non-operating income decreased 1.2% year on year, to ¥4.5 billion ($48 million), while non-operating expenses shrank 1.1% year on year, to ¥9.5 billion ($102million). There is no significant difference in non-operating profit/loss from the previous year. As a result, ordinary profit/loss transitioned from a loss of ¥16.9 billion in the previous year to a profit of ¥2.7 billion ($29 million) in the year under review.

As special gains, ¥0.7 billion ($7 million) gains on reversal of accrued special retirement expenses were recorded.

Special losses totaled ¥9.2 billion ($99 million), as a result of recording ¥4.5 billion ($48 million) provision for loss on sales of subsidiaries and affiliates' stocks and ¥4.1 billion ($44 million) loss on transfer of subsidiaries and affiliates' stocks upon transfer of shares in Shin Nikkei Co., Ltd., along with ¥0.4 billion ($4 million) repair and other costs related to resin sashes as cost of corrective measures for product defects.

As a result, the loss before income taxes and minority interests during the period under review was ¥5.8 billion ($62 million). Corporate, inhabitant and business taxes increased ¥1.2 billion year on year, to ¥2.3 billion ($25 million). Meanwhile, deferred income taxes during the period under review were decreased by ¥9.7 billion, as a result of recording deferred tax assets in respect of part of the hitherto valuation

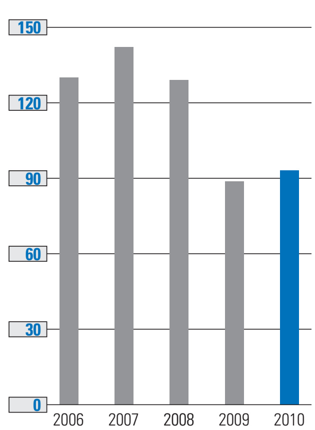
Net Sales By Segment



Billions of yen | Years ended March 31

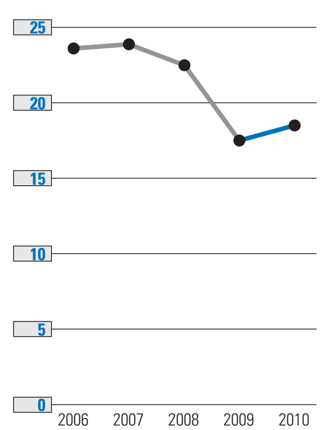
- Aluminum Ingot and Chemicals
- Aluminum Sheet and Extrusions
- Fabricated Products and Others
- Building Materials

Total Net Assets



Billions of yen | As of March 31

Equity Ratio



% | As of March 31

losses on shares in affiliated companies concerning Shin Nikkei Co., Ltd..

As a result of the above, net income/loss transitioned from ¥31.4 billion net loss in the previous year to ¥2.1 billion ($22 million) net income in the period under review. The average number of shares outstanding decreased from 544,306,000 in the previous year to 544,094,000 in the year under review. Therefore, net income/loss per share transitioned from ¥57.77 net loss in the previous year to ¥3.83 ($0.04) net income in the period under review. There is no cash dividend per share, which is on par with the previous year, in accordance with a resolution at the General Meeting of Shareholders held on June 29, 2010.

Assets, Liabilities and Shareholders' Equity

Total assets increased 0.5% year on year, to ¥481.0 billion ($5,170 million), resulting primarily from the influence of an increase in the balance of notes and accounts receivable–trade as well as in deferred tax assets in investments and other assets, while inventories and property, plant and equipment decreased.

Total liabilities decreased 0.5% year on year, to ¥387.9 billion ($4,169 million), as a result of redemption of bonds and a decrease in short-term borrowings, while notes and accounts payable-trade increased.

Interest-bearing debt decreased ¥10.0 billion year on year, to ¥221.7 billion, thanks primarily to the redemption of bonds.

Net assets increased 4.9% year on year, to ¥93.1 billion ($1,001 million), thanks primarily to an increase in retained earnings due to record net income in the period under review, as well as the influence of an increase in valuation and translation adjustments. Net assets per share increased 5.8%, to ¥163.13 ($1.8), while the equity ratio improved 1.0 percentage point, to 18.5%.

Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2010 increased ¥1.6 billion (up 3.7%) year on year, to ¥45.6 billion ($491 million).

Net cash provided by operating activities decreased ¥0.3 billion (down 1.1%) year on year, to ¥26.4 billion ($284 million), which is nearly the same amount as the previous year.

Net cash used in investing activities decreased ¥6.3 billion (down 28.5%) year on year, to ¥15.8 billion ($170 million), thanks primarily to a decrease in payments for purchase of fixed assets.

In the fiscal year under review, ¥8.9 billion ($95 million) net cash was used in financing activities, compared with ¥6.4 billion net cash provided by the same activities in the previous year, reflecting mainly the redemption of bonds and repayment of borrowings during the year.

Outlook for Fiscal 2010

Whereas the outlook of the global economy riddled with critical issues including the current credit crisis in Greece, is likely to remain in the balance, leaving no room for optimism, it is expected to get on a track for moderate recovery, thanks primarily to the growth in emerging economies not least China. Meanwhile, the Japanese economy is also expected to move towards recovery albeit at a gradual pace, driven primarily by the exporting sector supported by the solid external demand.

In such circumstance, the NLM Group developed three-year Mid-Term Management Plan starting in the fiscal year ending March 2011, with the strategic purposes to strengthen our management base for sustainable growth as well as to engineer significant leap forward in business development in the recovery phase expected to arrive later. Under the plans, we aim at enhancing earning power through focused allocation of management resources to the business units targeting growing markets, further strengthening of the business areas where we dominate as market leader and accelerated development of overseas business, along with development of new products and businesses using integrated strength of the Group based on a wealth of expertise in aluminum built up over the years, on top of the technological capabilities that fully exploit aluminum and other raw materials, let alone contribution to conservation and protection of the global environment involving such new products and businesses.

Referring to the outlook of the NLM Group's business performance in fiscal 2010*, although the sales is bound to be significantly reduced to ¥380.0 billion as a result of the transfer of all of its shares in Shin Nikkei Co., Ltd to the JS Group Corporation on April 1, 2010, we are projecting, thanks primarily to expected increase in sales at each business segment, ¥16.0 billion operating profit, ¥10.0 billion ordinary profit and ¥5.5 billion net income, along with ¥10.11 net income per share while cash dividends per share is to be determined later.

(Note) Figures are as of May 14, 2010, the date of announcement.*

	March 31,		
	2009	2010	2010
Assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 44,223	¥ 45,843	$ 492,723
Notes and accounts receivable – trade	124,230	136,644	1,468,659
Finished products	26,732	22,751	244,529
Work-in-progress, including costs related to construction-type contracts	28,947	23,570	253,332
Raw material and supplies	19,395	17,220	185,082
Deferred tax assets (Note 8)	6,629	4,159	44,701
Other current assets	9,838	10,124	108,813
Allowance for doubtful accounts	(2,608)	(1,472)	(15,821)
Total current assets	257,386	258,839	2,782,018
Property, plant and equipment (Note 5):			
Land	63,076	60,720	652,623
Buildings and structures	146,260	140,116	1,505,976
Machinery and equipment	295,524	289,607	3,112,715
Construction-in-progress	5,736	4,391	47,195
Accumulated depreciation	(334,365)	(329,222)	(3,538,500)
Total property, plant and equipment	176,231	165,612	1,780,009
Intangible assets:			
Goodwill	1,376	1,354	14,553
Other intangible assets	3,629	3,793	40,767
Total intangible assets	5,005	5,147	55,320
Investments and other assets:			
Investment securities (Notes 4 and 5)	25,317	28,075	301,752
Deferred tax assets (Note 8)	6,548	17,427	187,307
Other assets	10,590	9,320	100,172
Allowance for doubtful accounts	(2,506)	(3,398)	(36,522)
Total investments and other assets	39,949	51,424	552,709
Total assets	¥478,571	¥481,022	$5,170,056

Liabilities and net assets	March 31, 2009 (Millions of yen)	2010 (Millions of yen)	2010 (Thousands of U.S. dollars) (Note 2)
Current liabilities:			
Short-term borrowings (Note 5)	¥108,851	¥100,202	$1,076,978
Current portion of long-term debt (Note 5)	34,090	19,440	208,942
Notes and accounts payable – trade	78,063	86,300	927,558
Income taxes payable	854	1,737	18,669
Allowance for loss on sales of subsidiaries and affiliates' stocks	—	4,457	47,904
Other current liabilities	42,528	37,048	398,195
Total current liabilities	264,386	249,184	2,678,246
Long-term liabilities:			
Long-term debt (Note 5)	91,070	105,596	1,134,953
Accrued pension and severance costs (Note 7)	27,163	26,770	287,726
Deferred tax liabilities on land revaluation surplus (Notes 8 and 10)	522	522	5,610
Other long-term liabilities (Notes 5 and 8)	6,649	5,826	62,618
Total long-term liabilities	125,404	138,714	1,490,907
Total liabilities	389,790	387,898	4,169,153
Net assets :			
Shareholders' equity:			
Common stock:			
Authorized: 1,600,000,000 shares			
Issued: 545,126,049 shares	39,085	39,085	420,088
Additional paid-in capital	25,420	25,420	273,216
Retained earnings	20,835	22,919	246,335
Treasury stock, at cost			
(984,847 shares in 2009 and 1,071,652 shares in 2010)	(170)	(179)	(1,924)
Total shareholders' equity	85,170	87,245	937,715
Valuation and translation adjustments:			
Net unrealized gains on securities (Note 4)	374	1,590	17,089
Net unrealized gains (losses) on hedges (Note 1(n))	(991)	158	1,698
Revaluation surplus (Note 10)	145	145	1,559
Foreign currency translation adjustments	(783)	(386)	(4,149)
Total valuation and translation adjustments	(1,255)	1,507	16,197
Minority interests in consolidated subsidiaries	4,866	4,372	46,991
Total net assets	88,781	93,124	1,000,903
Contingent liabilities (Note 14)			
Total liabilities and net assets	¥478,571	¥481,022	$5,170,056

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

	Year ended March 31, 2009 (Millions of yen)	2010 (Millions of yen)	2010 (Thousands of U.S. dollars) (Note 2)
Net sales	¥554,094	¥460,681	$4,951,429
Cost of sales (Note 13)	477,374	378,796	4,071,324
Gross profit	76,720	81,885	880,105
Selling, general and administrative expenses (Note 13)	88,612	74,212	797,635
Operating profit (loss)	(11,892)	7,673	82,470
Non-operating income:			
Interest income	147	120	1,290
Equity in earnings of affiliates	1,001	1,218	13,091
Rental income	766	654	7,029
Royalty income	407	276	2,966
Other	2,215	2,212	23,775
Total non-operating income	4,536	4,480	48,151
Non-operating expenses:			
Interest expense	3,750	3,593	38,618
Amortization of transition obligation for employees' retirement benefits (Note 7)	2,025	1,886	20,271
Other	3,805	3,992	42,906
Total non-operating expenses	9,580	9,471	101,795
Ordinary profit (loss)	(16,936)	2,682	28,826
Special gains:			
Gain on reversal of accrued special retirement expenses	—	695	7,470
Total special gains	—	695	7,470
Special losses:			
Provision for loss on sales of subsidiaries and affiliates' stocks	—	4,457	47,904
Loss on transfer of subsidiaries and affiliates' stocks (Note 15)	—	4,056	43,594
Cost of corrective measures for product defects	1,859	387	4,160
Additional retirement allowance for early retirement program	5,047	191	2,053
Loss on impairment of fixed assets (Note 15)	5,245	99	1,064
Restructuring loss	2,461	—	—
Loss on disposal of fixed assets	437	—	—
Total special losses	15,049	9,190	98,775
Loss before income taxes and minority interests	(31,985)	(5,813)	(62,479)
Income taxes (Note 8):			
Current	1,110	2,291	24,624
Deferred	457	(9,684)	(104,084)
	1,567	(7,393)	(79,460)
Minority interests in net loss of consolidated subsidiaries	(2,110)	(504)	(5,418)
Net income (loss)	¥(31,442)	¥ 2,084	$ 22,399

	(Yen)		(U.S. dollars) (Note 2)
Per share of common stock (Note 16):			
Net income (loss):			
Basic	¥ (57.77)	¥ 3.83	$ 0.04
Diluted	—	3.63	0.04
Cash dividends	—	—	—

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

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 10)	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
	(Millions of yen)									
Balance at March 31, 2008	¥39,085	¥25,420	¥53,911	¥(122)	¥2,219	¥308	¥145	¥ 793	¥7,238	¥128,997
Net loss			(31,442)							(31,442)
Cash dividends (Note 9)			(1,634)							(1,634)
Net increase in treasury stock				(48)						(48)
Net unrealized losses on securities (Note 4)					(1,845)					(1,845)
Net unrealized losses on hedges						(1,299)				(1,299)
Foreign currency translation adjustments								(1,576)		(1,576)
Net decrease in minority interests in consolidated subsidiaries									(2,372)	(2,372)
Balance at March 31, 2009	39,085	25,420	20,835	(170)	374	(991)	145	(783)	4,866	88,781
Net income			2,084							2,084
Net increase in treasury stock				(9)						(9)
Net unrealized gains on securities (Note 4)					1,216					1,216
Net unrealized gains on hedges						1,149				1,149
Foreign currency translation adjustments								397		397
Net decrease in minority interests in consolidated subsidiaries									(494)	(494)
Balance at March 31, 2010	**¥39,085**	**¥25,420**	**¥22,919**	**¥(179)**	**¥1,590**	**¥158**	**¥145**	**¥(386)**	**¥4,372**	**¥ 93,124**

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedges	Revaluation surplus (Note 10)	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
	(Thousands of U.S. dollars) (Note 2)									
Balance at March 31, 2009	$420,088	$273,216	$223,936	$(1,827)	$ 4,020	$(10,652)	$1,559	$(8,416)	$52,301	$ 954,225
Net income			22,399							22,399
Net increase in treasury stock				(97)						(97)
Net unrealized gains on securities (Note 4)					13,069					13,069
Net unrealized gains on hedges						12,350				12,350
Foreign currency translation adjustments								4,267		4,267
Net decrease in minority interests in consolidated subsidiaries									(5,310)	(5,310)
Balance at March 31, 2010	**$420,088**	**$273,216**	**$246,335**	**$(1,924)**	**$17,089**	**$ 1,698**	**$1,559**	**$(4,149)**	**$46,991**	**$1,000,903**

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

	Year ended March 31,		
	2009	**2010**	**2010**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities			
Loss before income taxes and minority interests	¥ (31,985)	**¥(5,813)**	**$(62,479)**
Depreciation and amortization	22,113	**20,717**	**222,668**
Provision for loss on sales of subsidiaries and affiliates' stocks	—	**4,457**	**47,904**
Loss on transfer of subsidiaries and affiliates' stocks	—	**4,056**	**43,594**
Cost of corrective measures for product defects	1,859	**387**	**4,160**
Additional retirement allowance for early retirement program	5,047	**191**	**2,053**
Loss on impairment of fixed assets	5,245	**99**	**1,064**
Restructuring loss	2,461	**—**	**—**
Loss on disposal of fixed assets	437	**—**	**—**
Gain on reversal of accrued special retirement expenses	—	**(695)**	**(7,470)**
Increase (Decrease) in allowance for doubtful accounts	1,131	**(244)**	**(2,623)**
Decrease in accrued pension and severance costs	(934)	**(402)**	**(4,321)**
Interest and dividend income	(552)	**(325)**	**(3,493)**
Interest expense	3,750	**3,593**	**38,618**
Equity in earnings of affiliates	(1,001)	**(1,218)**	**(13,091)**
(Increase) Decrease in notes and accounts receivable – trade	47,229	**(11,677)**	**(125,505)**
Decrease in inventories	11,239	**11,361**	**122,109**
Increase (Decrease) in notes and accounts payable – trade	(28,345)	**7,474**	**80,331**
Other	(1,858)	**2,075**	**22,302**
Subtotal	35,836	**34,036**	**365,821**
Interest and dividend income received	685	**506**	**5,439**
Interest paid	(3,734)	**(3,679)**	**(39,542)**
Payments for additional retirement payments	(2,469)	**(2,764)**	**(29,708)**
Payments for corrective measures for product defects	(675)	**(1,149)**	**(12,350)**
Payments for business restructuring	—	**(312)**	**(3,353)**
Income taxes paid	(2,969)	**(250)**	**(2,687)**
Net cash provided by operating activities	26,674	**26,388**	**283,620**
Cash flows from investing activities			
Net decrease in time deposits	47	**19**	**204**
Payments for purchases of fixed assets	(22,567)	**(15,043)**	**(161,683)**
Proceeds from sales of fixed assets	490	**290**	**3,117**
Payments for purchases of investment securities	(48)	**(38)**	**(408)**
Proceeds from sales of investment securities	65	**346**	**3,719**
Purchase of stocks of subsidiaries and affiliates	—	**(797)**	**(8,566)**
Proceeds from sales of stocks of subsidiaries and affiliates	849	**269**	**2,891**
Net increase in long-term loans receivable	(401)	**(7)**	**(75)**
Other	(521)	**(831)**	**(8,932)**
Net cash used in investing activities	(22,086)	**(15,792)**	**(169,733)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	16,122	**(8,654)**	**(93,014)**
Proceeds from long-term debt	19,104	**31,005**	**333,244**
Repayment of long-term debt	(26,497)	**(24,405)**	**(262,307)**
Proceeds from issuance of bonds	—	**1,970**	**21,174**
Redemption of bonds	—	**(9,950)**	**(106,943)**
Proceeds from sale and lease-back transactions	—	**2,000**	**21,496**
Cash dividends paid	(1,611)	**(16)**	**(172)**
Cash dividends paid to minority interests	(283)	**(13)**	**(140)**
Other	(413)	**(817)**	**(8,781)**
Net cash provided by (used in) financing activities	6,422	**(8,880)**	**(95,443)**
Effect of exchange rate changes on cash and cash equivalents	(34)	**(74)**	**(796)**
Net increase in cash and cash equivalents	10,976	**1,642**	**17,648**
Cash and cash equivalents at beginning of year	33,006	**44,003**	**472,947**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	21	**—**	**—**
Cash and cash equivalents at end of year (Note 3)	¥ 44,003	**¥45,645**	**$490,595**

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Light Metal 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 as to 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.

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 gains and losses are included in net loss 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 for the year 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 and 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, except that the specific identification method is applied to costs related to construction-type contracts. In addition, the amount of Balance Sheet is calculated by write-down method based on descent of profitability.

On July 5, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." Effective April 1, 2008, the Company adopted this accounting standard. The net book value of inventories held for sale in the ordinary course of business is written down when their net realizable values decline. The effect of this change for the year ended March 31, 2009, was to increase operating loss, ordinary loss, and loss before income taxes and minority interests by ¥7,596 million, and increase net loss by ¥4,873 million as compared to the amounts which would have been recorded under the previous method. In addition, in accordance with the change, devaluation on inventories, which was previously recorded as non-operating expenses, has been changed to be recorded as cost of sales. The effect of this change for the year ended March 31, 2009, was to increase operating loss by ¥2,159 million.

(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 the 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 average cost method and are included in net 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) Allowance for loss on sales of subsidiaries and affiliates' stocks
In accordance with the decision to transfer all stocks of Shin Nikkei Co., Ltd, to JS Group Corporation, the amount of the estimated loss is recorded as "Allowance for loss on sales of subsidiaries and affiliates' stocks" during the year ended March 31, 2010.

(i) Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost. Depreciation is computed principally using the straight-line method at rates based on 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.

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries have changed their useful life of machinery and equipment stimulated by the revision made to the Corporate Tax Law which went into effect on April 1, 2008. The effect of this change for the year ended March 31, 2009 was to increase operating loss, ordinary loss, and loss before income taxes and minority interests by ¥2,127 million , and increase net loss by ¥1,439 million as compared to the amounts which would have been recorded under the previous method.

(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) Accrued pension and severance costs
Accrued pension and severance costs for employees represent the projected benefit obligation in excess of the fair value of the plan assets, except for unrecognized transition obligation and unrecognized actuarial gain or loss. Unrecognized transition obligation is amortized by the straight-line method over a period of 12 years and 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, except for unrecognized costs with respect to employees who retired under the early retirement program which were fully amortized at the time of the employees' retirement.

Effective April 1, 2009, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." There is no effect of this change for the year ended March 31, 2010.

(l) Lease transactions
Effective April 1, 2008, the Company adopted the accounting standard, ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16 "Guidance on Accounting Standard for Lease Transactions." released on March 30, 2007. Under this accounting standard, 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 without options to transfer ownership of the leased assets to the lessee before April 1, 2008 are permitted to be accounted for as operating leases. In addition, 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. The effect of this change for the year ended March 31, 2009 was insignificant.

(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 income 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 in the market. Derivatives designated as hedging instruments are principally forward foreign exchange contracts, interest rate swap contracts and aluminum ingot forward contracts. The underlying hedged items are trade accounts receivable and payable, long-term bank loans and sales or purchases of aluminum ingot.

Gains and losses arising from changes in fair value of derivatives designated as hedging instruments are deferred and included in net income 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 to hedge their interest 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 evaluate 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 an ordinary general meeting of shareholders.

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

Under the Corporation Law, the Company is permitted to transfer to unappropriated retained earnings the portion of its statutory reserve (additional paid-in capital and the legal reserve) in excess of 25% of common stock upon approval at a shareholders' meeting. Any such transferred portion is available for dividend distribution.

(q) Net income (loss) per share

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

Diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Diluted net income 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) Reclassifications

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

(s) Unification of Accounting Policies

On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." Effective April 1, 2008, the Company adopted this accounting standard and made modification on consolidation accounting. The effect of this change for the year ended March 31, 2009 was insignificant.

(t) Construction Contracts

Until the year ended March 31, 2009, the Company and its consolidated subsidiaries applied the percentage-of-completion method to construction contract whose contract amount was more than 1 billion yen and the projected schedule longer than 1 year, while the completed-contract method was applied to other construction.

Effective April 1, 2009, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts" released on December 27, 2007. Under this accounting standard, the Company and its consolidated subsidiaries apply the percentage-of-completion method to the construction contract whose degree of progress at the balance sheet date can be estimated reliably, while the completed-contract method is applied to construction contract where the outcome cannot be reliably estimated.

The effect of this change for the year ended March 31, 2010 was insignificant.

(u) Transfer of Subsidiaries' Stocks

On March 9, 2010, the Company resolved to transfer all stocks of Shin Nikkei Co., Ltd. ("SNC"), a subsidiary of the Company, to JS Group Corporation ("JS Group"), and transferred them on April 1, 2010. The reason for the stock transfer was that the Company judged that SNC corporate value would be improved by leaving management of SNC with the JS Group, which has a stable management foundation that can maintain the SNC brand and ensure the employment of employees. SNC engages in the production, sale, and construction of aluminum sashes, curtain walls, and other building materials. The JS Group engages in managing companies operating the housing and urban environmental management business. The number of SNC shares held by the Company and the subsidiary before the transfer was 65,400,000, which became zero after the transfer of all the shares. The amount of the transfer was ¥1 per 100 shares, totaling ¥654,000.

2. U.S. DOLLAR AMOUNTS

The rate of ¥93.04 = U.S.$1, the approximate exchange rate prevailing on March 31, 2010, has been used for the purpose of presenting the U.S. dollar amounts in the accompanying consolidated financial statements. These amounts are included solely for the convenience of the reader. 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.

3. 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, 2009 and 2010 is summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥44,223	¥45,843	$492,723
Time deposits with maturities in excess of 3 months	(220)	(198)	(2,128)
Cash and cash equivalents	¥44,003	¥45,645	$490,595

4. INVESTMENT SECURITIES

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

The aggregate cost, carrying amount and gross unrealized gains and losses of available-for-sale securities comprising equity securities with available market quotations at March 31, 2009 and 2010 were as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Cost	¥3,754	¥6,284	$67,541
Unrealized gains	1,277	2,829	30,406
Unrealized losses	(436)	(137)	(1,472)
Carrying amount	¥4,595	¥8,976	$96,475

(b) Sales of available-for-sale securities

The realized gains on sales of available-for-sale securities for the years ended March 31, 2009 and 2010 were as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥65	¥346	$3,719
Realized gains on sales	34	212	2,279
Realized losses on sales	6	0	0

(c) Held-to-maturity securities and available-for-sale securities without available market quotations

The carrying amounts of held-to-maturity securities and available-for-sale securities without available market quotations at March 31, 2009 were as follows:

	2009
	(Millions of yen)
Held-to-maturity securities:	
Privately offered domestic debt securities	¥ 73
Available-for-sale securities:	
Equity investments in non-public companies	11,058
Other	21
	¥11,152

(d) Maturities of debt securities

Maturities of debt securities at March 31, 2009 were as follows:

	2009			
	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)			
Debt securities:				
Government and municipal bonds	¥15	¥34	¥9	¥5
Corporate debt securities	—	10	—	—
Other	10	—	—	—
	¥25	¥44	¥9	¥5

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 bore interest at annual rates ranging from 0.53% to 5.84% and mainly consisted of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2009 and 2010 comprised the following:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks and insurance companies due from 2009 to 2018 with interest rates ranging from 0.90% to 7.00%:			
Secured	¥ 16,327	¥ —	$ —
Unsecured	75,510	—	—
Loans, principally from banks and insurance companies due from 2010 to 2018 with interest rates ranging from 0.90% to 5.94%:			
Secured	—	20,684	222,313
Unsecured	—	77,736	835,512
Unsecured 1.03% bonds due September 30, 2014, redeemable before due date	—	2,000	21,496
Unsecured 1.50% bonds due June 1, 2017, redeemable before due date	589	558	5,997
Zero coupon convertible bonds due September 30, 2009 (*1)	9,955	—	—
Zero coupon convertible bonds due September 30, 2016 (*2)	20,073	20,063	215,638
Capital lease obligations due from 2009 to 2029 with interest rates ranging from 3.40% to 7.20%	2,706	—	—
Capital lease obligations due from 2010 to 2029 with interest rates ranging from 1.97% to 7.20%	—	3,995	42,939
	125,160	125,036	1,343,895
Less: portion due within one year	(34,090)	(19,440)	(208,942)
Total long-term debt	¥ 91,070	¥105,596	$1,134,953

*(*1) The details of the zero coupon convertible bonds due September 30, 2009 are summarized as follows:*

Stock type to be issued:	Common stock
Issue price per stock acquisition right:	None
Initial exercise price:	¥350 per share
Total issue price:	¥10,050 million
Exercisable period of stock acquisition rights:	From August 9, 2004 to September 16, 2009

*(*2) The details of the zero coupon convertible bonds due September 30, 2016 are summarized as follows:*

Stock type to be issued:	Common stock
Issue price per stock acquisition right:	None
Initial exercise price:	¥406 per share
Total issue price:	¥20,100 million
Exercisable period of stock acquisition rights:	From August 4, 2006 to September 16, 2016

A summary of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2010 is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥ 16	$ 172
Property, plant and equipment	50,118	538,672
Other intangible assets	41	441
Investment securities	79	849

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 19,440	$ 208,942
2012	16,711	179,611
2013	21,432	230,353
2014	17,294	185,877
2015	16,380	176,053
Thereafter	33,716	362,382
	¥124,973	$1,343,218

6. FINANCIAL INSTRUMENTS

(a) Overview

1. Policy for financial instruments

The Company and its consolidated subsidiaries (the "Group") strive to diversify financing methods by managing temporary cash surpluses primarily through short-term deposits, and 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, and forward trading in aluminum ingots 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 are exposed to credit risk in relation to customers. The Group manages the risks by controlling the due dates and outstanding balances by individual customers. Accounts receivable-trade denominated in foreign currencies are exposed to risk of exchange fluctuations and are hedged by utilizing forward foreign exchange contracts. Stocks of investment securities, which are exposed to market fluctuations, are mainly those of other 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 raised mainly in connection with business activities, and long-term borrowings are taken out principally for the purpose of making capital investments. Variable rate borrowings are exposed to interest rate fluctuation risk. However, in order to reduce such risk and fix interest expenses, the Group utilizes interest rate swap transactions as a hedging instrument for each individual contract. Assessment of the effectiveness of hedging activities, which meets the requirements for special treatment of interest rate swaps, is omitted.

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

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," are not necessarily indicative of the actual market risk involved in the derivative transactions.

(b) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2010 and estimated fair value are as follows:

	2010		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 45,843	¥ 45,843	¥ —
(2) Notes and accounts receivable-trade	136,644	136,644	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	3,021	1,366	(1,655)
Other securities	6,284	6,284	—
(4) Notes and accounts payable-trade	(86,300)	(86,300)	—
(5) Short-term borrowings *2	(100,202)	(100,202)	—
(6) Bonds	(22,621)	(20,256)	2,365
(7) Long-term borrowings *2	(98,420)	(98,204)	216
(8) Derivatives	269	269	—

**1 Liabilities are shown in parenthesis.*
**2 The current portion of long-term borrowings is included in long-term borrowings.*

	2010		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Thousands of U.S. dollars)		
(1) Cash and deposits	$ 492,723	$ 492,723	$ —
(2) Notes and accounts receivable-trade	1,468,659	1,468,659	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	32,470	14,682	(17,788)
Other securities	67,541	67,541	—
(4) Notes and accounts payable-trade	(927,558)	(927,558)	—
(5) Short-term borrowings *2	(1,076,978)	(1,076,978)	—
(6) Bonds	(243,132)	(217,713)	25,419
(7) Long-term borrowings *2	(1,057,825)	(1,055,503)	2,322
(8) Derivatives	2,891	2,891	—

**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
   Since these items are settled in a short period of time, their carrying value approximates fair value.
   (3) Investment securities
   The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, refer to Note 4 "Investment Securities."
   (4) Notes and accounts payable-trade, (5) Short-term borrowings
   Since these items are settled in a short period of time, their carrying value approximates fair value.
   (6) Bonds
   The fair value of bonds is based on the present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk. In addition, zero coupon convertible bonds due September 30, 2016 are included in Bonds.
   (7) Long-term borrowings
   The fair value of long-term borrowings is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.
   (8) Derivatives
   Refer to Note 12, "Derivatives" of the notes the consolidated financial statements.
2. Stocks of subsidiaries and affiliates (¥7,642 million ($82,137 thousand)) without market prices are not included in "(3) Investment securities" because forward cash flows cannot be estimated, and it is extremely difficult to determine the fair value.
3. Unlisted stocks (¥11,128 million ($119,604 thousand)) are not included in "(3) Investment securities" because no quoted market prices are available, forward cash flows cannot be estimated, and it is extremely difficult to measure the fair value.
4. The redemption schedule for receivables and marketable securities with maturities at March 31, 2010 is as follows:

	2010			
	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	¥ 45,772	¥—	¥—	¥—
Notes and accounts receivable-trade	136,644	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	13	23	9	3
Corporate debt securities	—	10	—	—
	¥182,429	¥ 33	¥ 9	¥ 3

	2010			
	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	$ 491,960	$ —	$ —	$ —
Notes and accounts receivable-trade	1,468,659	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	140	247	97	32
Corporate debt securities	—	108	—	—
	$1,960,759	$355	$ 97	$ 32

5. The redemption schedule for bonds and long-term borrowings at March 31, 2010 is as follows:

	2010			
	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)			
Bonds	¥ —	¥ 2,000	¥20,558	¥ —
Long-term borrowings	18,406	67,697	12,317	—
	¥18,406	¥69,697	¥32,875	¥ —

	2010			
	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)			
Bonds	$ —	$ 21,496	$220,959	$ —
Long-term borrowings	197,829	727,612	132,384	—
	$197,829	$749,108	$353,343	$ —

Effective April 1, 2009, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Disclosures about Fair Value of Financial Instruments" released on March 10, 2008.

7. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit tax-qualified pension plans and a non-contributory plan covering substantially all employees in Japan. Additional benefits may be granted to employees according to the conditions under which termination of employment occurs. Certain foreign subsidiaries have defined contribution pension plans.

Accrued pension and severance costs at March 31, 2009 and 2010 are summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(57,684)	¥(52,124)	$(560,232)
Fair value of plan assets	19,376	20,033	215,316
	(38,308)	(32,091)	(344,916)
Unrecognized transition obligation	5,657	3,414	36,694
Unrecognized actuarial loss	5,488	2,110	22,678
Unrecognized prior service cost	—	(203)	(2,182)
Accrued pension and severance cost	¥(27,163)	¥(26,770)	$(287,726)

The net pension and severance costs related to retirement benefits for the years ended March 31, 2009 and 2010 are summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥3,453	¥3,042	$32,696
Interest cost	1,289	1,151	12,371
Expected return on plan assets	(575)	(403)	(4,332)
Amortization of transition obligation *1	2,443	2,243	24,108
Amortization of unrecognized actuarial gain *2	918	922	9,910
Net pension and severance costs	¥7,528	¥6,955	$74,753

**1 The above figures include ¥418 million and ¥357 million ($3,837 thousand) for the year ended March 31, 2009 and 2010, in respect of employees who retired during each year. This amount was fully amortized at the time of employees' retirement.*

**2 The above figures include an amount of ¥317 million for the years ended March 31, 2009 in respect of employees who retired during the year ended March 31, 2009 under the early retirement program. This amount was fully amortized at the time of employees' retirement.*

**3 In addition to *1 and *2 above, additional benefits of ¥4,312 million and ¥679 million ($7,298 thousand) under the early retirement program were granted for the year ended March 31, 2009 and 2010. The total amounts of all these costs are included within special losses as "Additional retirement allowance for early retirement program" for the year ended March 31, 2009, "Loss on transfer of subsidiaries and affiliates' stocks" and "Additional retirement allowance for early retirement program" for the year ended March 31, 2010.*

Assumptions used in calculating the above information are summarized as follows:

	2009	2010
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Method of attributing projected benefits to periods of employee service	Straight-line basis	Straight-line basis
Period of amortization of unrecognized actuarial gain	Mainly 12 years	Mainly 12 years
Period of amortization of transition obligation	12 years	12 years

8. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in the aggregate, indicate a statutory income tax rate of approximately 40.7% for the years ended March 31, 2009 and 2010.

Tax losses can be carried forward for a seven-year period to be offset against future taxable income.

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2010 were as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carryforwards	¥16,129	¥28,537	$306,718
Accrued pension and severance costs	10,384	10,193	109,555
Loss on impairment of fixed assets	6,676	5,882	63,220
Allowance for doubtful accounts	3,661	3,347	35,974
Devaluation on inventories	3,209	—	—
Accrued bonuses	2,313	2,255	24,237
Loss on disposal of fixed assets	1,374	1,310	14,079
Other	13,223	10,548	113,371
Total deferred tax assets	56,969	62,072	667,154
Valuation allowance	(40,611)	(38,589)	(414,757)
Total deferred tax assets, net of valuation allowance	16,358	23,483	252,397

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax liabilities:			
Revaluation gain on subsidiaries	(887)	(900)	(9,673)
Unrealized gain on securities	(442)	(1,048)	(11,264)
Other	(2,146)	(520)	(5,589)
Total deferred tax liabilities	(3,475)	(2,468)	(26,526)
Net deferred tax assets	¥12,883	¥21,015	$225,871

Deferred tax assets and liabilities that comprise net deferred tax assets are included in the accompanying consolidated balance sheets as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (current assets)	¥6,629	¥ 4,159	$ 44,701
Deferred tax assets (investments and other assets)	6,548	17,427	187,307
Other long-term liabilities	(294)	(571)	(6,137)

In addition to the above, the Company recorded deferred tax liabilities on land revaluation surplus of ¥522 million ($5,610 thousand) at March 31, 2009 and 2010 separately.

Due to the recording of loss before income taxes and minority interests, the reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2009 and 2010 have been omitted.

9. APPROPRIATIONS OF RETAINED EARNINGS

No cash dividends were proposed and approved at the ordinary general meeting of shareholders of the Company held on June 29, 2010.

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 reflected in the consolidated financial statements for the year to which they relate but are recorded in the consolidated financial statements in the subsequent year after shareholders' approval has been obtained.

10. REVALUATION SURPLUS

A consolidated subsidiary of the Company revalued its land used for business purposes in accordance with the Land Revaluation Law, when it was an affiliate. As a result of this revaluation, the Company recognized its portion of the affiliate's revaluation surplus and the related deferred tax liabilities.

11. LEASE TRANSACTIONS

The Company and its consolidated subsidiaries charge or credit to income periodic lease payments and receipts for finance leases that do not have options to transfer ownership of the leased assets to the lessee. Such periodic lease payments under finance lease contracts totaled ¥1,108 million and ¥842 million ($9,050 thousand), and receipts under finance lease contracts totaled ¥112 million and ¥45 million ($484 thousand) for the years ended March 31, 2009 and 2010, respectively. Future lease payments and receipts under finance leases and non-cancelable operating leases, including interest, at March 31, 2009 and 2010 are summarized as follows:

	2009	2010	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments:			
Due within one year	¥1,010	¥ 905	$ 9,727
Due after one year	2,076	1,109	11,920
	¥3,086	¥2,014	$21,647
Lease receipts:			
Due within one year	¥ 45	¥ —	$ —
Due after one year	—	—	—
	¥ 45	¥ —	$ —

Leased assets under finance leases, where lessors retain ownership of the leased assets, are accounted for as operating leases. If such leases had been capitalized, then the cost of the assets, and the related accumulated depreciation (amortization), accumulated impairment loss and net amount at March 31, 2009 and 2010 would have been as follows:

	2009			
	Cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net amount
	(Millions of yen)			
Machinery and equipment	¥5,497	¥2,665	¥26	¥2,806
Intangible assets	548	308	—	240
	¥6,045	¥2,973	¥26	¥3,046

	2010				
	Cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net amount	Net amount
	(Millions of yen)				(Thousands of U.S. dollars)
Machinery and equipment	**¥4,230**	**¥2,373**	**¥7**	**¥1,850**	**$19,884**
Intangible assets	**426**	**298**	**—**	**128**	**1,376**
	¥4,656	**¥2,671**	**¥7**	**¥1,978**	**$21,260**

Depreciation (amortization) for these leased assets computed using the straight-line method over the respective lease periods would have been ¥1,108 million and ¥842 million ($9,050 thousand) for the years ended March 31, 2009 and 2010, respectively.

Fixed assets, which are leased to other companies under finance leases without options to transfer ownership of the leased assets to the lessee at March 31, 2009, are summarized as follows:

	2009		
	Cost	Accumulated depreciation	Net amount
	(Millions of yen)		
Machinery and equipment	¥166	¥128	¥38

Depreciation for these leased assets computed using the straight-line method over the respective lease periods would have been ¥93 million and ¥38 million ($408 thousand) for the years ended March 31, 2009 and 2010, respectively.

12. DERIVATIVES

In the normal course of business, the Company and its consolidated subsidiaries utilize various derivative financial instruments in order to manage the exposure resulting from 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.

At March 31, 2009, there were no derivative financial instruments, except for those instruments to which hedge accounting was applied.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to cost of sales and selling, general and administrative expenses for the years ended March 31, 2009 and 2010 were ¥5,972 million and ¥5,085 million ($54,654 thousand), respectively.

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2010 amounted to ¥3,104 million ($33,362 thousand) for loans guaranteed and other guarantees given in the ordinary course of business, including ¥600 million ($6,449 thousand) shared by other joint guarantors, ¥457 million ($4,912 thousand) for notes discounted, and ¥20 million ($215 thousand) for notes endorsed.

15. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries recognized ¥5,245 million of loss on impairment of fixed assets, of which the significant items for the year ended March 31, 2009, are presented below:

2009			
Location	Major use	Asset category	(Millions of yen)
Funabashi City, Chiba Prefecture	Manufacturing facilities which are planned to be out of use	Buildings and structures	¥1,951
		Machinery and equipment	1,088

In accordance with withdrawal from material producing department of Funabashi factory as part of summary and reorganization of production bases, which aims to respond to severe business environment and increasingly intense competition of building material segment, the Company and its consolidated subsidiaries recognized ¥3,039 million of the impairment loss. The facilities have been written down to memorandum value, since they are planned to be out of use.

The Company and its consolidated subsidiaries recognized ¥2,814 million ($30,245 thousand) of loss on impairment of fixed assets as "Loss on transfer of subsidiaries and affiliates' stocks," of which the significant items for the year ended March 31, 2010, are presented below:

2010				
Location	Major use	Asset category	(Millions of yen)	(Thousands of U.S. dollars)
Funabashi City, Chiba Prefecture	Idle property	Land	¥1,520	$16,337
Tochigi City, Tochigi Prefecture	Plant site	Land	741	7,964
		Buildings and structures	352	3,784

Since land for the company housing in Funabashi City, Chiba Prefecture has become idle and shows signs of impairment, the Company and its consolidated subsidiaries recognized ¥1,520 million ($16,337 thousand) of loss on impairment, upon deeming such assets to be impaired. In addition, since a plant site in Tochigi City, Tochigi Prefecture is planned to be reduced and its redundant building is to be leased out in accordance with the change of business environment, it shows signs of impairment. Therefore, the Company and its consolidated subsidiaries recognized ¥1,093 million ($11,748 thousand) of loss on impairment.

16. NET INCOME (LOSS) PER SHARE

A reconciliation of the differences between basic and diluted net loss per share for the years ended March 31, 2009 and 2010 is summarized as follows:

	2009		
	Net loss	Weighted average number of shares	Net loss per share
	(Millions of yen)	(Thousands of shares)	(Yen)
Net loss	¥31,442		
Basic net loss	31,442	544,306	¥57.77
Effect of convertible bonds	—	—	
Diluted net loss	¥31,442	544,306	¥ —

	2010			
	Net income	Weighted average number of shares	Net income per share	
	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
Net income	¥2,084			
Basic net income	2,084	544,094	¥3.83	$0.04
Effect of convertible bonds	(3)	28,571		
Diluted net income	¥2,081	572,665	¥3.63	$0.04

Due to the recording of net loss, diluted net loss per share was not presented for the years ended March 31, 2009.

17. SUBSEQUENT EVENTS

The meeting of shareholders on June 29, 2010 duly approved a resolution for a reduction in legal capital surplus and an appropriation of surplus, which had been approved at the meeting of the Board of Directors on May 14, 2010.

The objectives of reducing the legal capital surplus and the appropriation of surplus are to cancel the loss carried forward in order to allow for dividend resources and enable the payment of a cash dividend. The reduction in legal capital surplus is, based on Article 448-1 of the Corporate Law of Japan, to implement a partial reversal of legal capital surplus and its transfer to other capital surplus. Accordingly, the amount of legal capital surplus was reduced by ¥4,241 million ($45,583 thousand). The appropriation of surplus is, based on Article 452 of the Corporate Law of Japan, a reduction of the total amount of other capital surplus after the above transfer of ¥14,241 million ($153,063 thousand) and the reserve for advanced depreciation of noncurrent assets of ¥26 million ($279 thousand), resulting in an increase of retained earnings brought forward by ¥14,267 million ($153,342 thousand) in order to cancel out the same amount of loss carried forward.

The schedule for the reduction in legal capital surplus and appropriation of other capital surplus is as follows:

(1) Date of resolution of the Board of Directors	May 14, 2010
(2) Meeting of shareholders	June 29, 2010
(3) Effective date	June 29, 2010

18. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate within four distinct business segments mainly in Japan: "Aluminum ingot and chemicals," "Aluminum sheet and extrusions," "Fabricated products and others" and "Building materials."

The "Aluminum ingot and chemicals" segment supplies aluminum primary and remelted ingot used for various industrial materials, and produces a wide spectrum of aluminas 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 aluminum foil, aluminum powder, wing bodies for transport vehicles, automobile components and electronic materials. The "Building materials" segment produces a wide range of materials including sashes, curtain walls, and doors and fences for commercial and residential construction. "Corporate items" include unallocated operating expenses and corporate assets not specifically related to business segments.

Information by business segment for the years ended March 31, 2009 and 2010 was as follows:

	2009					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Millions of yen)					
Sales:						
Customers	¥120,725	¥66,766	¥226,543	¥140,060	¥ —	¥554,094
Intersegment	71,242	25,734	15,640	3,262	(115,878)	—
Total	191,967	92,500	242,183	143,322	(115,878)	554,094
Operating expenses	191,219	98,237	238,207	151,192	(112,869)*1	565,986
Operating profit (loss)	¥ 748	¥(5,737)	¥ 3,976	¥ (7,870)	¥ (3,009)	¥(11,892)
Total assets	¥107,119	¥58,920	¥200,747	¥109,283	¥ (2,502)*2	¥478,571
Depreciation and amortization	¥ 4,965	¥ 4,271	¥ 8,879	¥ 3,906	¥ 92	¥ 22,113
Loss on impairment of fixed assets	¥ 534	¥ 4	¥ 514	¥ 4,193	¥ —	¥ 5,245
Capital expenditures	¥ 5,662	¥ 5,322	¥ 11,065	¥ 2,853	¥ 95	¥ 24,997

**1 Corporate items of ¥3,009 million are included.* **2 Corporate items of ¥22,886 million are included.*

	2010					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Millions of yen)					
Sales:						
Customers	¥ 88,141	¥54,869	¥198,249	¥119,422	¥ —	¥460,681
Intersegment	41,552	18,424	14,544	1,941	(76,461)	—
Total	129,693	73,293	212,793	121,363	(76,461)	460,681
Operating expenses	126,268	74,010	203,846	122,742	(73,858)*1	453,008
Operating profit (loss)	¥ 3,425	¥ (717)	¥ 8,947	¥ (1,379)	¥ (2,603)	¥ 7,673
Total assets	¥104,610	¥60,821	¥211,683	¥ 94,618	¥ 9,290 *2	¥481,022
Depreciation and amortization	¥ 4,744	¥ 4,280	¥ 8,497	¥ 3,105	¥ 91	¥ 20,717
Loss on impairment of fixed assets	¥ 99	¥ —	¥ —	¥ 2,814	¥ —	¥ 2,913
Capital expenditures	¥ 4,287	¥ 2,362	¥ 5,812	¥ 1,662	¥ 74	¥ 14,197

**1 Corporate items of ¥2,603 million are included.* **2 Corporate items of ¥32,969 million are included.*

	2010					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Thousands of U.S. dollars)					
Sales:						
Customers	$ 947,345	$589,736	$2,130,793	$1,283,555	$ —	$4,951,429
Intersegment	446,604	198,022	156,320	20,862	(821,808)	—
Total	1,393,949	787,758	2,287,113	1,304,417	(821,808)	4,951,429
Operating expenses	1,357,137	795,464	2,190,950	1,319,239	(793,831)*1	4,868,959
Operating profit (loss)	$ 36,812	$ (7,706)	$ 96,163	$ (14,822)	$ (27,977)	$ 82,470
Total assets	$1,124,355	$653,708	$2,275,183	$1,016,960	$ 99,850 *2	$5,170,056
Depreciation and amortization	$ 50,989	$ 46,002	$ 91,326	$ 33,373	$ 978	$ 222,668
Loss on impairment of fixed assets	$ 1,064	$ —	$ —	$ 30,245	$ —	$ 31,309
Capital expenditures	$ 46,077	$ 25,387	$ 62,468	$ 17,863	$ 795	$ 152,590

**1 Corporate items of $27,977 thousand are included.* **2 Corporate items of $354,353 thousand are included.*

As more than 90% of sales for the years ended March 31, 2009 and 2010 were made in Japan, the disclosure of geographical segment information has been omitted.

Export sales and operations outside Japan for the year ended March 31, 2009 and 2010 were summarized as follows:

2009		
Export sales and operations outside Japan	Consolidated net sales	Percentage of consolidated net sales
(Millions of yen)		
¥58,497	¥554,094	10.6%

2010		
Export sales and operations outside Japan	Consolidated net sales	Percentage of consolidated net sales
(Millions of yen)		
¥56,269	¥460,681	12.2%

2010		
Export sales and operations outside Japan	Consolidated net sales	Percentage of consolidated net sales
(Thousands of U.S. dollars)		
$604,783	$4,951,429	12.2%

ERNST & YOUNG

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Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Nippon Light Metal Company, Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Light Metal Company, Ltd. and consolidated subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Light Metal Company, Ltd. and consolidated subsidiaries at March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 1(u) to the consolidated financial statements, on March 9, 2010, the Company resolved to transfer all stocks of Shin Nikkei Co., Ltd, a subsidiary of the Company, to JS Group Corporation, and transferred them on April 1, 2010.

As described in Note 17 to the consolidated financial statements, the meeting of shareholders on June 29, 2010 duly approved a resolution for a reduction in legal capital surplus and an appropriation of surplus, which had been approved at the meeting of the Board of Directors on May 14, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 29, 2010 Ernst & Young ShinNihon LLC

OVERSEAS SUBSIDIARIES AND AFFILIATES

North America

Nikkei MC Aluminum America Inc.
Indiana, U.S.A.
Phone: 1-812-342-1141
Aluminum alloys
(60%)

Toyal America Inc.
Illinois, U.S.A.
Phone: 1-815-740-3037
Aluminum powder and paste
(100%)

Europe

Toyal Europe Société par Actions Simplifiée Unipersonnelle
Accous, France
Phone: 33-5-59-983-535
Aluminum powder and paste
(100%)

East Asia

Nikkei M.C. Aluminum (Kunshan) Co., Ltd.
Kunshan, China
Phone: 86-512-5763-1946
Aluminum alloys
(85%)

Nikkei (Shanghai) Body Parts Co., Ltd.
Shanghai, China
phone: 86-21-5986-9388
Automobile components
(100%)

NI Nikkei Shenzhen Co., Ltd.
Shenzhen, China
Phone: 86-755-2650-5656
Automobile components
(55%)

Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.
Shenzhen, China
Phone: 86-755-2661-1569
Extrusion
(18%)

Toyal Zhaoqing Co., Ltd.
Zhaoqing, China
Phone: 86-758-3602-080
Aluminum paste
(90%)

Toyo Aluminium Ekco Shoji (Shanghai) Co., Ltd.
Shanghai, China
Phone: 86-21-6125-0578
Trading and marketing
(100%)

Sam-A Aluminium Co., Ltd.
Seoul, Korea
Phone: 86-2-3458-0600
Aluminum foil, paste
(33%)

Southeast Asia

Nikkei MC Aluminum (Thailand) Co., Ltd.
Thailand
Phone: 66-38-522296
Aluminum alloys
(79%)

Nikkei Siam Aluminium Limited
Thailand
Phone: 66-2-529-0136
Aluminum sheet, foil
(100%)

Nikkei Singapore Aluminium Pte. Ltd.
Singapore
Phone: 65-6222-8991
Trading and marketing
(100%)

Thai Nikkei Trading Co., Ltd.
Thailand
Phone: 66-2726-9001
Aluminum alloys, scrap
(100%)

(As of July 31, 2010)

Directors

President
Representative Director
Takashi Ishiyama

Directors
Tsuyoshi Nakajima
Makoto Fujioka
Mitsuru Ishihara
Tadakazu Miyauchi
Ichiro Okamoto
Masao Imasu
Yoshinobu Hiki
Hidetane Iijima*
Kuniya Sakai*

* Outside Director

Auditors

Standing Statutory Auditors
Yoshihiko Hamabe
Hideki Nakamura

Outside Statutory Auditors
Yuzuru Fujita
Katsuo Wajiki
Yasuo Yuki

Officers

President
Chief Executive Officer
Takashi Ishiyama

Senior Executive Officers

Tsuyoshi Nakajima
In Charge of Overseas Strategy, Supervision of Strategic Committee for Product Commercialization and Business Development, Accounting Dept., Purchasing &Logistics Dept. and Group Metal Center

Makoto Fujioka
General Manager of Internal Control Office, In Charge of Compliance, Supervision of Auditing Office and Legal Dept., In charge of Environment and Specific Projects for Group Sales

Mitsuru Ishihara
Supervision of Rolled Product Div., Chemicals Div. and Capacitor Foil Div.

Executive Officers

Tadakazu Miyauchi
Supervision of Heat exchanger Div., Metal & Alloy Div., Shaped Parts Div., Kambara Complex and Group Casting Center

Koji Ueno
Supervision of Personnel Dept., General Affairs Dept. and IR & Public Relations, In Charge of Safety

Atsushi Inoue
General Manager of Sheet & Extrusion Fabricated Products Controlling Dept., Supervision of Panel Products and Landscape Products Dept.

Ichiro Okamoto
General Manager of Technology & Development Group, Group Technology Center of Technology & Development Group and Central Product Safety & Quality Assurance Div.

Officers

Tadashi Asahi
In Charge of Group Sales Promotion, General Manager of Osaka/Nagoya Regional Office

Toshihide Murakami
General Manager of Kambara Complex, Divisional Manager of Capacitor Foil

Takashi Hara
Divisional Manager of Shaped Parts and Metal & Alloy

Hiroyasu Hiruma
General Manager of Personnel Dept.

Yasunori Okamoto
General Manager of Planning Dept., In charge of China and Southeast Asia, Supervision of Tomakomai Complex

Hirokazu Takatoku
General Manager of Legal Dept. and Compliance Office

Kotaro Yasuda
Divisional Manager of Chemicals

Minoru Sotoike
General Manager of Accounting Dept.

Yasuhiro Sai
Divisional Manager of Rolled Products

Shinichi Shinohara
Divisional Manager of Heat Exchanger

Hideki Amimura
General Manager of Group Metal Center and Purchasing & Logistics Dept.

(As of June 29, 2010)

Head Office

NYK Tennoz Building
2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan
http://www.nikkeikin.co.jp
Phone: 81-3-5461-9211
Fax: 81-3-5461-9344

Established

March 30, 1939

Paid-In Capital

¥39,085 million

Shares of Common Stock

Authorized: 1,600,000,000
Issued: 545,126,049

Number of Shareholders

58,268

Stock Exchange Listings

Tokyo, Osaka

Transfer Agent of Common Stock

The Chuo Mitsui Trust & Banking Co., Ltd.

Last Shareholders' Meeting

June 29, 2010

Major Shareholders

(Ratio of Stock Holding)

Japan Trustee Services Bank, Ltd.
(trust accounts)
(5.8%)

The Master Trust Bank of Japan, Ltd.
(trust accounts)
(5.0%)

The Dai-ichi Mutual Life Insurance Co.
(3.7%)

Asahi Mutual Life Insurance Co.
(2.8%)

The Light Metal Educational
Foundation, Inc.
(2.7%)

Nikkei-Keiyu-Kai
(2.5%)

Namekawa Aluminium Co., Ltd.
(2.3%)

Mizuho Corporate Bank, Ltd.
(2.1%)

Retirement Benefit Trust in
Mizuho Trust & Banking Co., Ltd.
Mizuho Corporate Bank, Ltd. account;
Trust & Custody Services Bank, Ltd.
as a Trustee of Retrust
(1.6%)

Japan Trustee Services Bank, Ltd.
(CMTB Equity Investments Co., Ltd. Trust
Account re-entrusted by Chuo Mitsui
Asset Trust and Banking Company, Ltd.)
(1.5%)

(As of March 31, 2010)

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.

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