ANNUAL REPORT 2011

Year ended March 31, 2011

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.

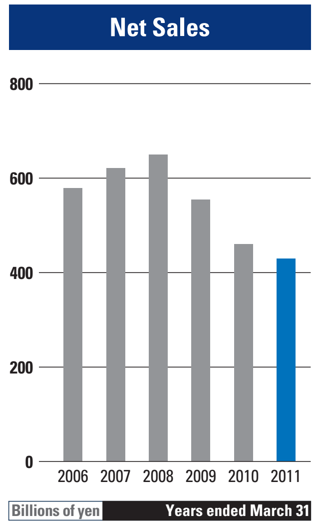
Aluminum has properties that make it a superb industrial material: it is lightweight and has excellent processability, corrosion resistance, thermal conductivity, and recyclability. Nippon Light Metal applies its core strengths — a wealth of knowledge about aluminum and its characteristics and technological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

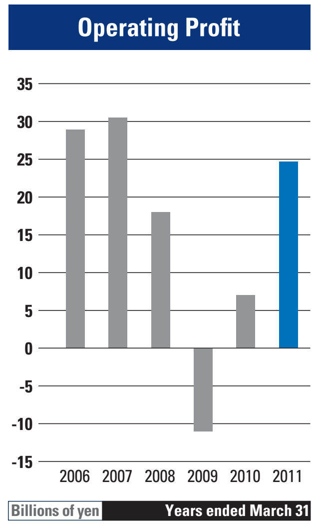
By carrying on development of new applications for aluminum and aluminum materials, the NLM Group is to continue to support customers in wide-ranging industrial sectors and contribute to improving the quality of people's lives and protection of the environment.

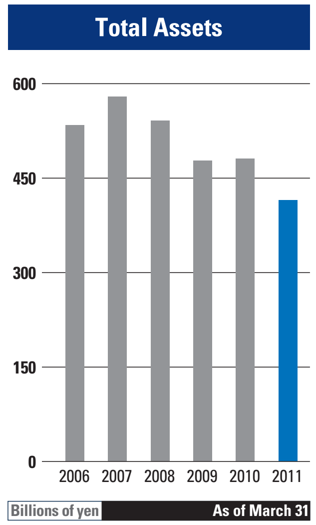
Consolidated Financial Highlight

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

	2010	2011	2011
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥460,681	¥429,433	$5,164,558
Operating profit	7,673	24,724	297,342
Net income	2,084	11,040	132,772
At year-end:			
Total assets	481,022	414,885	4,989,597
Net assets	93,124	104,757	1,259,856
Short-term borrowings and long-term debt, including bonds and capital lease obligation	225,238	193,695	2,329,465







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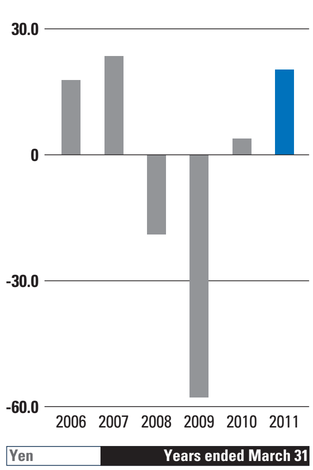
	2010	2011	2011
	yen		U.S. dollars
Per share data (yen and dollars):			
Net income —basic	¥ 3.83	¥ 20.29	$ 0.24
—diluted	3.63	—	—
Cash dividends	—	2.00	0.02
Net assets	163.13	181.51	1.82
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 142	¥ 189	$ 2.27
Low	71	96	1.15

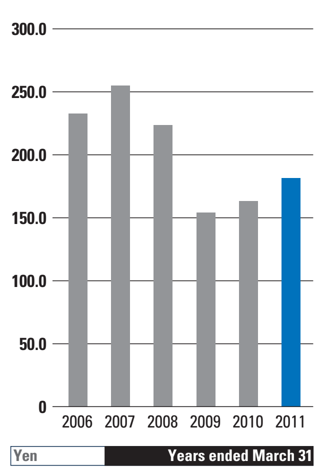
Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥83.15 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

Net Income per Share



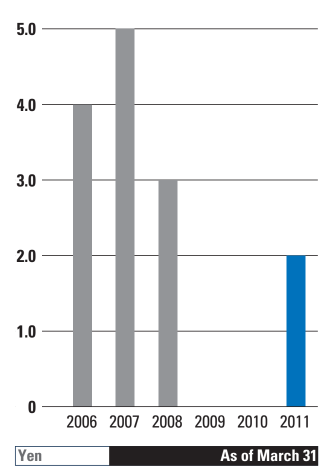
Net Income per Share = (Net Income - Amount not attributable to common shareholders) / Average Number of Shares Outstanding

Net Assets per Share



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

Cash Dividends per Share



To Our Shareholders

Takashi Ishiyama, *President and CEO*

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

I would also like to convey my heartfelt condolences to those affected by the Great East Japan Earthquake. I sincerely hope that the afflicted areas achieve revitalization as soon as possible.

I hereby report on the operating results for Nippon Light Metal Company, Ltd. and its consolidated group companies for fiscal 2010 (the year from April 1, 2010, to March 31, 2011).

Overview of Fiscal 2010

During the year under review, in the domestic aluminum market, demand from our principal domestic customers in the automotive, electrical and electronics industries was strong, thanks mainly to buoyant exports and recovery of corporate performance.

In the overseas markets, exports and domestic demand remained on track for expansion in China, where considerable economic growth has been registered, and in Southeast Asia, including in Thailand, overall demand for aluminum continued its trend toward recovery.

Given these circumstances, the Group strived to further strengthen our earnings base through steady progress in the implementation of strategy based on the Mid-Term Management Plan for the three years commencing from the year under review.

Actions taken under the "Prioritized allocation of management resources to business units in growth sectors" and "Accelerated development of overseas business operations" sections of the Mid-Term Management Plan included decisions on expansion of manufacturing sites for automotive parts in China (Nikkeikin Aluminium Core Technology Co., Ltd.) and on supplying technology to local alloy manufacturers to secure future OEM partners in the alloy business (Nikkei MC Aluminium Co., Ltd.), as well as enhancement of production facility for back-sheets and functional ink for solar cells in the environment, safety and energy sector (Toyo Aluminium K.K.). The production facility for aluminum thin sheets at Nikkei Siam Aluminium Limited, our subsidiary in Thailand, was also enhanced.

In the domestic sphere, in response to recovering demand after the post-Lehman Shock recession, we strived to expand our distribution channels, mainly in the transport and electrical-related sectors, utilizing our strength in proposal-based sales and quality improvement.

As a result of the above, consolidated net sales for the year under review decreased 6.8% year on year, to ¥429.4 billion due to transfer of all shares of Shin Nikkei Co., Ltd. (currently, LIXIL Corporation), which was our subsidiary, to the JS Group Corporation on April 1, 2010. Meanwhile, consolidated operating profit, consolidated ordinary profit, and consolidated net income increased 222.2%, 590.9%, and 429.8% year on year, to ¥24.7 billion, ¥18.5 billion, and ¥11.0 billion, respectively.

I would like to announce that the year-end dividend payment for the year under review will be ¥2 per share, following two consecutive years with no year-end dividend payment, which, to our great regret, caused considerable inconvenience to our shareholders.

Overview by Business Segment

Sales in the Aluminum Ingot and Chemicals segment increased 21.8% year on year, to ¥107.4 billion, while

Progress in Development of Overseas Business

Business Segment	Division/Products	Years	Country	Progress	Remarks
Aluminum Ingot and Chemicals segment	Secondary alloy product business	August, 2010	China	Securing future OEM partners	Supplying technology to Liaoning Shang Yi Metal Resources Co., Ltd.
Aluminum Sheet and Extrusions segment	Sheet products	September, 2010	Thailand	Doubling production capacity of existing subsidiaries	Additional investment of approximately ¥1.4 billion
	Extrusion fabrication	—	China	Expanding manufacturing sites in Shanghai	Increased recruitment among Western automobile manufacturers
Fabricated Products and Others segment	Heat exchanger	May, 2011	Thailand	Constructing a new plant	Scheduled to start production and sales in October 2011
	Panel products	May, 2011	Thailand	Constructing a new plant	Scheduled to start production and sales in July 2012
Aluminum Foil, Powder and Paste segment	Functional ink "Alsolar"	July, 2010	China	Started production in China	Started production in May 2011
Group-wide		January, 2011	China	Set up a sales base in Shanghai	Nikkei (Shanghai) International Trading Co., Ltd.

operating profit increased 98.0%, to ¥6.8 billion. Profit grew significantly due to increased demand in each segment following improvement in the domestic economy.

Sales in the Aluminum Sheet and Extrusions segment increased 18.9% year on year, to ¥69.4 billion, due to steadily sustained demand for automobile-related parts, truck body parts and railway cars. Operating results for this segment improved ¥5.0 billion, achieving a profit of ¥4.6 billion, due mainly to substantially increased sales in the mainstay transport industry.

Sales in the Fabricated Products and Others segment increased 28.3% year on year, to ¥136.1 billion. Operating profit increased 49.1% year on year, to ¥5.7 billion due primarily to buoyancy in the Transport-Related and Electronic Materials sectors and others.

Sales in the Aluminum Foil, Powder and Paste segment increased 26.1% year on year, to ¥116.5 billion. Operating profit increased 99.3% year on year, to ¥10.2 billion due mainly to continuing favorable sales of back-sheets and functional ink for solar cells.

Outlook for Fiscal 2011

The Great East Japan Earthquake caused severe damage to supply chains in the primary industries where demand for our products is greatest, such as the automobile industry, and as a result, supply of the Group's products has been affected. In addition, concerns over the effects of high crude oil prices and the supply of electric power have meant that the business environment surrounding the Group is likely to be even harsher than in fiscal 2010.

The Group has been concentrating on creating production and distribution systems that can cope flexibly with changes in the business environment. Going forward, we will make use of these systems in our efforts to minimize the effects of the earthquake and power supply problems.

At the same time, we will continue pursuing our business expansion strategy in markets such as China and Southeast Asia, where high growth is expected, as opposed to the domestic market, where future demand is unpredictable.

Under such circumstance, the next fiscal year is projected to register net sales of ¥420.0 billion, operating profit of ¥20.0 billion, ordinary profit of ¥14.5 billion and net income of ¥8.5 billion.

Despite the severity of the business environment, we intend to contribute to construction of a sustainable society and environmental preservation through the supply of environmentally friendly products and services.

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

June 2011

Takashi Ishiyama

Takashi Ishiyama
President and CEO

" Looking back on the first year of the Mid-Term Management Plan"

1. What is your assessment of the first year of the Mid-Term Management Plan?

Up until the Great East Japan Earthquake, the first year had been progressing well, both in quantitative and qualitative terms. In quantitative terms, measures were taken to shrink the size of the operation (reducing fixed costs and inventories) in each business section at the beginning of the fiscal year, and so profit margins rose as our capacity usage increased following the recovery of the domestic economy. The target for net sales over the three years of the Mid-Term Management Plan was achieved in the first year, along with an ordinary profit of ¥18.5 billion.

In qualitative terms, the "Develop, produce and sell" initiative bringing together the Sales, Development and Production teams for profit and loss management has become fairly well-established among the employees. With the profit and loss position becoming clearer to all the teams, the following effects were observed: the sales team shifted to more value-added products, the development team created new products, and the production team proposed and executed cost reduction plans. Marginal profit of the entire Company was increased through these activities, creating a virtuous circle.

The Mid-Term Management Plan — Targets

(Billions of yen)

	At the Start Fiscal 2009 (Actual)	First Year Fiscal 2010 (Actual)	Fiscal 2012 (Target)
Net sales	460.7*	429.4	430.0
Operating profit	7.7	24.7	27.0
Ordinary profit	2.7	18.5	20.0
Net income	2.1	11.0	12.0
Interest-bearing debt	221.2	190.8	197.0
Net D/E ratio (times)	2.0	1.5	1.4
ROCE (%)	2.2	8.4	9.1

[Basis of calculation] Aluminum ingot market price : ¥250,000/ton　　Exchange rate : ¥90/USD
*Net sales, excluding those of Shin Nikkei Co., Ltd. sold on April 1, 2010 were ¥344.1 billion.

The 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

2. What about the Group's overseas business development in fiscal 2010?

There were substantial developments, such as increased production of electrode ink for solar cells in China, securing OEM partners in the alloy business, and investment to double the production capacity of sheet business in Thailand.

In addition, after January of this year, we strengthened the support structure for overseas business. Specifically, we set up a sales base in Shanghai, and a Group Overseas Business Support Office, which provides assistance to overseas business development. At the sales base in Shanghai, the business sections strive to beef up sales force while actively exchanging information with each other.

The Group Overseas Business Support Office is intended to provide administrative support for increasing business advancement overseas, including the Group companies. We hope to secure local human resources through the creation of long-term relationships with local universities which can coordinate employment with our companies.

In May 2011, we announced that a new production base is going to be established in Thailand for heat exchangers for air conditioners, and panel products for clean rooms, refrigerators, and freezers. The plant designated for heat exchanger production is already under construction and the first shipment is scheduled in October 2011. As for panel products, construction of a plant has been decided, and we aim to commence sales of the products in July 2012. (For more details, please see "Topics" on page 9).

3. How are you progressing with "Development of applications by integrating key technologies and creation of new products"?

I would like to talk about three products.

First we have the "Circuit base plate combined cooler for power modules," which was co-developed with Dowa Metaltech Co., Ltd. By combining a ceramics base plate and aluminum heat sink, we increased the heat transmission performance more than 50% compared to previous methods. We aim to put it into mass production in 2013.

Next, there is the "Aluminum floor slab for road bridges*," a first for Japan, announced in April 2011. Aluminum prefabricated products bonded through a technology called friction stir welding (FSW) are pretty light; for example, they are one fifth the weight of concrete products, and half the weight of steel, and so only small-sized heavy equipment is needed for construction. Replacing old floor slabs with this product can dramatically reduce the burden placed on existing bridge girders and bridge piers. Although the unit price of this product is marginally higher than steel, overall costs would be more or less the same considering that it does not require any ongoing maintenance, the construction period is short, and earthquake resistance is improved.

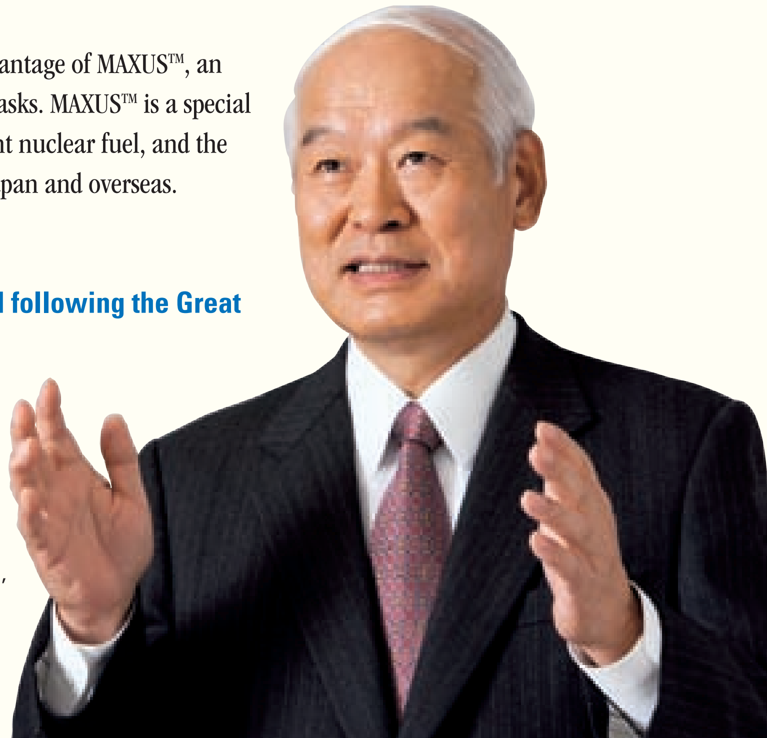
Thirdly, I would like to emphasize the growing technological advantage of MAXUS™, an already developed aluminum material used for spent nuclear fuel casks. MAXUS™ is a special sheet material that continues absorbing neutrons emitted from spent nuclear fuel, and the demand for casks to store spent nuclear fuel is increasing both in Japan and overseas.

**the floor section of a bridge, which directly bears the load, e.g. cars*

4. Will the management direction of NLM be altered following the Great East Japan Earthquake of March 11, 2011?

I would like to extend my heartfelt sympathy to the people who have been affected by the earthquake.

Reduced production in the automobile and truck sectors had a big impact on us, and, for the time being, we are waiting for those sectors to recover.



Takashi Ishiyama,
President and CEO

I believe that the Japanese-style "just-in-time production system" will remain in use. Trading partners may be diversified following the earthquake; however, from a management viewpoint, it is more advantageous to run a business without holding inventory. I also believe that most of the Japanese companies that have been affected by the earthquake will be able to survive internationally by developing new products. So will we, and we will continue our efforts.

5. Dividend payment was resumed for fiscal 2010 at ¥2 per share. What is the possibility of increasing it next year? How will you be able to both secure funds for capital investment and improve your financial position at the same time?

The next fiscal year is expected to register a decrease in both net sales and profit, and therefore at this stage we announced, with regret, the same dividend payment of ¥2 per share for the next fiscal year.

With reference to improvement of our financial position, we aimed to reduce the balance of interest-bearing debt to ¥197.0 billion by the end of fiscal 2012, and that has already been reduced to ¥190.8 billion at the end of the fiscal year under review. During the next fiscal year, we basically plan to carry out investment within the range of available cash flow and further improve our financial position.

6. How about "Development and deployment of human resources"?

With regard to "Development and deployment of human resources," I believe that the most important issue is whether the employees think in terms of the profit and loss management of each business unit, and run operations keeping in mind the idea of "develop, produce and sell." I believe that the very essence of management responsibility resides in that concept.

I have constantly conveyed this message to the employees: "We should always rigorously question whether or not we are making an actual profit, and if not, what we should do, whether we should increase the prices, or reduce the costs, or if we should develop new products. Then we should act." I feel that they are responding to this message.

7. Having completed the first year, is there any possibility that you will amend the targets of the Mid-Term Management Plan? What is your current growth strategy?

Although the results of fiscal 2010 exceeded the Plan, there is no amendment to the targets and basic policies of the current Mid-Term Management Plan. However, as core part of our growth strategy, the "overseas sales ratio to achieve 20% in fiscal 2012" has been revised to 30%.

The NLM Group has accumulated extensive technology and knowledge related to aluminium, ranging from materials to processing. We are going to strive to build a corporate group with higher enterprise value through the united efforts of all our employees including myself, combining our technology and knowledge to expand the range of aluminum applications and to develop new products for the next generation. We would appreciate your kind understanding and support for our efforts.

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

This segment is a new category from fiscal 2010. The core company in this segment is Toyo Aluminium K.K. Aluminum foils, powder and paste produced by Toyo Aluminum K.K. have achieved a leading industry market share and are being used in a wide range of areas, from daily necessities to energy, electrical and electronics, and automobiles. Expanding into new fields based on our own technology, we are marketing various kinds and types of materials and products of high functionality in both domestic and overseas markets.

(Note) Numbers used for past fiscal years in the graphs above have been revised according to the current segment categories.

Construction of plant for room air conditioner heat exchangers in Thailand

The Company is currently constructing a plant to produce heat exchangers for room air conditioners, located in an industrial complex in Thailand populated by many Japanese home appliance makers. Shipments will begin in October of this year.

Exterior of new plant

Demand for household room air conditioners is expected to expand rapidly worldwide, following on economic growth in emerging countries, mainly in the BRICs. However, the heat exchanger, which is a key part, has traditionally used caulked construction, in which a copper pipe is inserted thr

l-aluminum parallel flow model heat exchangers, with an aluminum fin brazed to aluminum pipe, far surpassing previous models both in terms of energy saving performance and miniaturization technology. By applying to household room air conditioners the technology developed in production of heat exchangers for automobiles, we will further enhance our competitive advantage in the industry.

In the mid-term management plan, the NLM Group has set the “environment, safety, and energy market” as one of four strategic markets for prioritized allocation of management resources. With the start of production of room air conditioner heat exchangers in Thailand, we are developing the Heat Exchanger Business* as one of the core supporting operations of the Group.

**Heat Exchanger Business: A joint venture of the American MODINE MANUFACTURING CO. and NLM, being developed around Nikkei Heat Exchanger Co., Ltd.*

Nikkei Panel System begins Insulation Panel Business in Southeast Asia

Construction of new plant announced along with establishment of locally incorporated company

In May of this year, Nikkei Panel System Co., Ltd. (hereinafter Nikkei Panel), a 100%-owned subsidiary of the Company, decided to expand operations into the Southeast Asia region where demand is expected to grow.

Nikkei Panel has approximately half a century of history in the Insulation Panel Business, and is one of the industry leaders in the NLM Group, which dominates the field in terms of domestic market share.

The company’s insulation panel products are indispensable in the food products cold chain, from primary industries such as agriculture and fishing, to secondary industries such as food processing, and tertiary industries such as low temperature distribution warehouses and general retailers. In addition, the company makes clean rooms, handling the entire process from design to manufacture and construction, for leading domestic manufacturers of semi-conductors, liquid crystal panels, and precision instruments.

In the past, Nikkei Panel exported products made in Japan to Southeast Asia and other areas, but has decided to construct a new plant in Thailand in order to provide the same level of quality as Japan-made products on a stable delivery schedule in Southeast Asia.

Furthermore, Nikkei Panel System Vietnam Co. Ltd. (tentative name) is scheduled to be set up in Vietnam in October of this year, mainly for the purpose of selling insulation panels. This company will strengthen sales to Southeast Asian countries other than Thailand, and will also act as an international procurement center for the purpose of procuring materials used in domestic Japanese plants and in the new plant in Thailand.

The NLM Group will continue to vigorously pursue overseas expansion, and strive to reinforce its industry-leading business.

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 11 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. 12 Board of Directors meetings were held in fiscal 2010.

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.

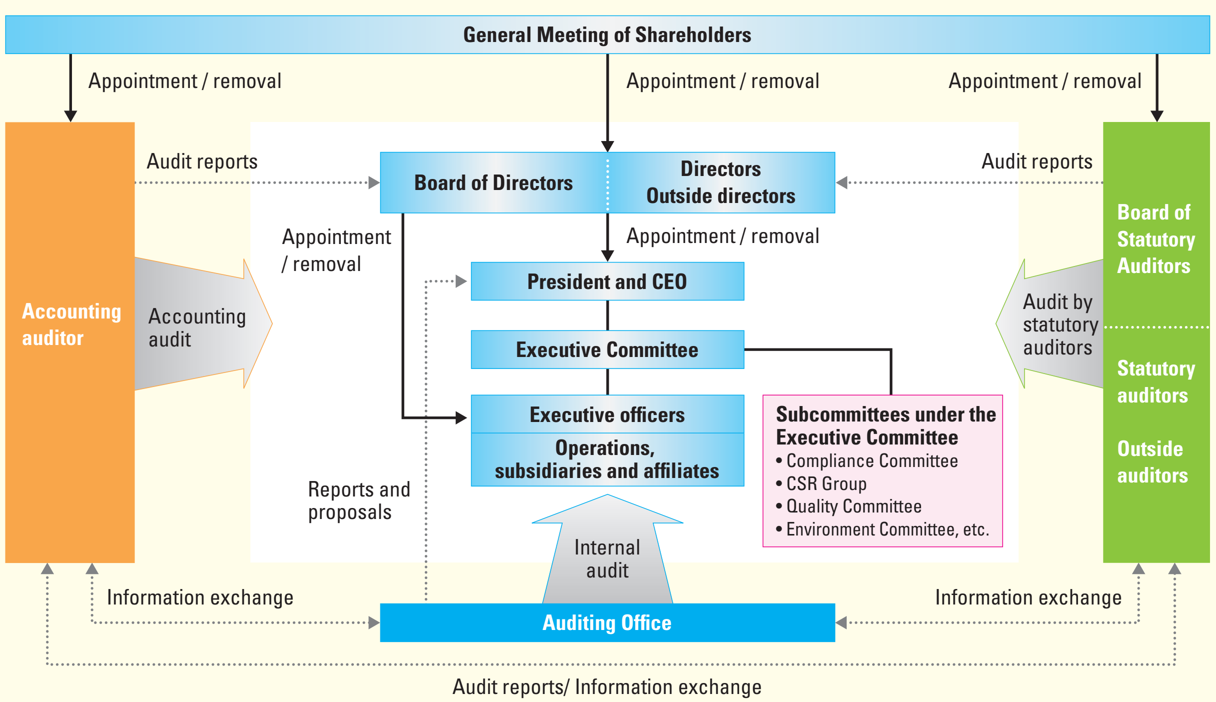
NLM has also adopted a statutory auditor system. The Board of Statutory Auditors consists of five statutory auditors, of whom three are outside auditors. Auditors are independent and play a key role in corporate governance by attending Board of Directors and other important internal meetings.

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.

NLM's CORPORATE GOVERNANCE STRUCTURE



Accounting Audits

In fiscal 2010, 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 issues.

NLM Group's management policies reflect the recognition that initiatives to tackle global environmental issues 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 CO_2 Emissions**
   We endeavor to improve the energy efficiency and reduce CO_2 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

Provisional targets	Maintain greenhouse gas emissions per unit of sales equivalent to the fiscal 2008 to fiscal 2012 average, a reduction of 13% versus fiscal 1990

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, a comprehensive indicator of contribution to global warming.

We succeeded in achieving our goal of reducing greenhouse gas emissions per unit of sales by 10% until fiscal 2010 compared to fiscal 1990 levels.

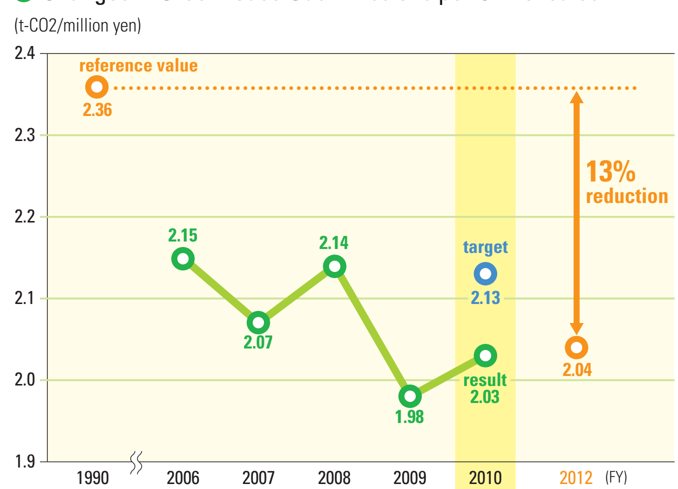
Given that there is still no post-Kyoto Protocol international agreement, and the likelihood that Japan's Basic Energy Plan will be revised due to the effect of the Great East Japan Earthquake, we have postponed drawing up our next mid-term targets as of fiscal 2011, and set provisional targets until fiscal 2012.

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% until 2010 compared to1990

Changes in Greenhouse Gas Emissions per Unit of sales

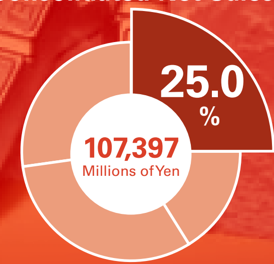


*5 year average for the period from 2008 to 2012. The following CO_2 emissions conversion factors have been used:
Electricity: CO_2 emissions intensity in the previous year, announced by the Federation of Electric Power Companies of Japan (FEPC) (For 2009 and 2010, post-credit units were used). For 2011 and 2012, 0.351kg-CO_2/kWh (2010) was used.
Fuel: In accordance with the Ordinance for the Enforcement of the Law Concerning the Promotion of Measures to Cope with Global Warming, effective on April, 2010

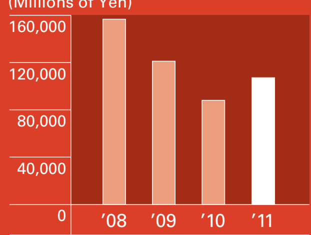
Aluminum Ingot and Chemicals

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.*

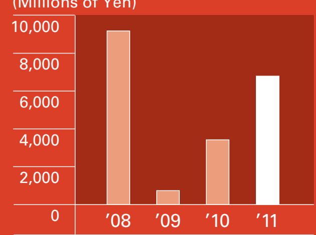
Consolidated Net Sales



Net Sales



Consolidated Operating Profit



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

Principal Products

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

Overview of results for fiscal 2010

In the Aluminum Ingot and Chemicals operations, sudden appreciation of the yen meant that exports of alumina continued to stagnate as in the previous year. Within the domestic market, however, shipments of products such as alumina for fire-retardant materials, alumina for electrical machinery and electronics, and aluminum hydroxide increased thanks to recovery of the domestic economy, resulting in substantially improved sales compared to the previous year.

In terms of chemicals, shipments of soda products such as caustic soda and hydrochloric acid, and organic and inorganic chlorine products remained generally steady.

Sapphire substrate

As a result, overall sales were significantly higher compared to the previous year, and in terms of profits, there was an increase compared to the previous year, due primarily to increased shipments accompanied by recovery of plant capacity usage.

In the Aluminum Ingot operations, overall sales volume exceeded that of the previous year, thanks to recovery of domestic demand for mainstay secondary alloy products for automotive applications. This was due to improvements in the domestic economy and the government's economic measures; strong overseas demand, especially in the markets in China, was also a factor. In addition, the sales unit price rose thanks to the increased market price of aluminum ingots, resulting in higher sales compared to the previous year.

In terms of profits, despite profit-squeezing factors such as the gradual price increase of raw materials for secondary alloy products, and the rapid increase in side materials prices in the latter half of the year, results improved substantially compared to the previous year due mainly to strong overseas demand.

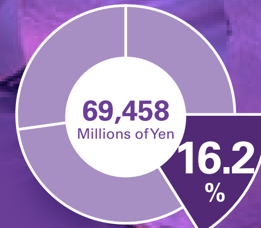
As a result, Aluminum Ingot and Chemicals segment sales increased 21.8%, or ¥19,256 million year on year, to ¥107,397 million (¥88,141 million for the previous year), while operating profit increased 98.0%, or ¥3,358 million year on year, to ¥6,783 million (¥3,425 million for the previous year).

Aluminum Ingot

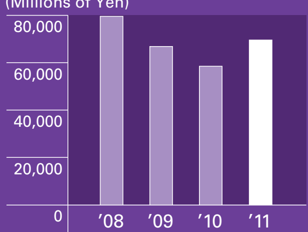
Aluminum Sheet and Extrusions

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

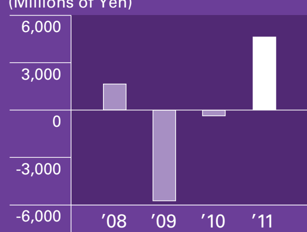
■ Consolidated Net Sales ■



■ Net Sales



■ Consolidated Operating Profit



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

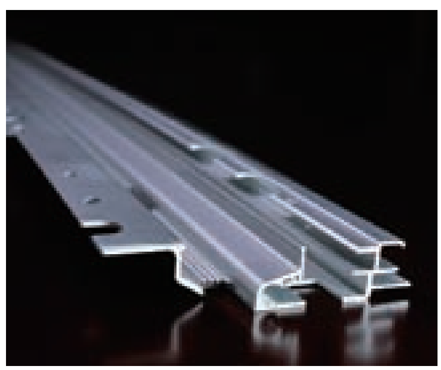
■ Applications	■ Principal Products
Automobile	● Automobile suspension parts ● Lead-free cut aluminum alloy ● Quick freezing coagulated powder extruded materials ● High-intensity molded aluminum sheet
Transport	● Large structural materials for railway rolling stock ● Flap for trucks
Electronics	● Thick 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 ● Building materials

Overview of results for fiscal 2010

In the Aluminum Sheet operations, despite the difficulty experienced mainly in building materials-related sectors, shipments of foil stock for Electrolytic Capacitors recovered after the stagnation of the previous year, and shipments of thick plates for semiconductor and LCD manufacturing equipment, as well as basic materials for electrical machinery and electronics, increased. As a result, overall sales volume significantly exceeded that of the previous year. At the same time, product prices rose in line with the increase in aluminum alloy prices, which is regarded as an index, resulting in substantially higher sales compared to the previous year.

In terms of profits, profitability improved considerably compared to the previous year, thanks to stabilized capacity usage and the resulting improvement in production efficiency following the significant increase in shipment volume, along with efforts made to reduce costs.

In the Extrusions operations, the transport industry saw solid shipments of automotive parts both in the domestic market and overseas, thanks mainly to the effect of the governmental "Eco-car" tax reduction. In addition, increase in demand for trucks following the strengthened exhaust emission regulations substantially expanded the shipment volume of truck body parts. Shipments of railway cars also remained robust. Sales volume of building materials exceeded the previous year's level due to a slight, although not lasting, recovery of demand in comparison to the previous year. As a result of these factors, overall sales significantly exceeded the previous year's level.



Sunroof Rail

In terms of profits, although rising prices of raw materials and side materials caused a reduction in profit, overall profit increased significantly compared to the previous year due to the substantial sales increase in the mainstay transport industry that had been enjoying continued success.

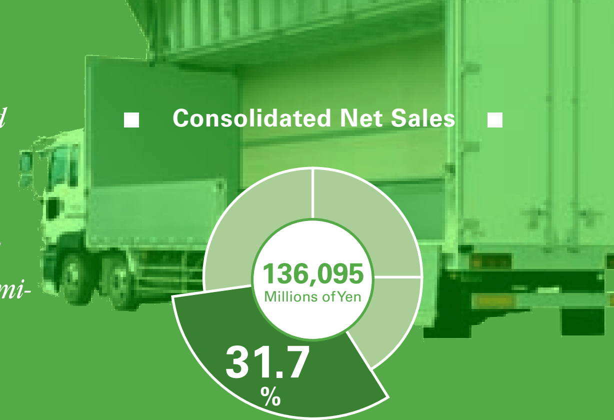
As a result, Aluminum Sheet and Extrusion segment sales increased 18.9%, or ¥11,059 million, to ¥69,458 million (¥58,399 million for the previous year), while operating results improved ¥4,966 million from the previous year, to an operating income of ¥4,604 million (an operating loss of ¥362 million for the previous year).

On March 1, 2011, in order to achieve comprehensive business management in the Extrusions and Extrusion Fabrications sector, we incorporated Nikkeikin Kakoh Kaihatsu Holdings Company, Ltd., to act as an immediate holding company, supervising the Group's subsidiaries that run the businesses concerned.

Fabricated Products and Others

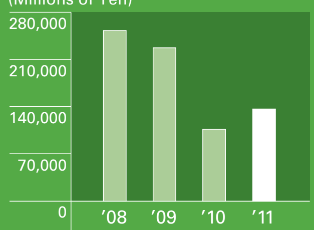
Profile *The NLM Group includes several companies that handle distinctive fabricated products. In particular, Nippon Fruehauf's truck bodies and Nikkei Panel System's commercial refrigerators and freezer panels enjoy an excellent reputation for quality, and are market share leaders in their respective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

■ Consolidated Net Sales ■



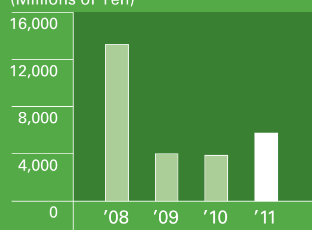
■ Net Sales

(Millions of Yen)



■ Consolidated Operating Profit

(Millions of Yen)



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

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

Overview of results for fiscal 2010

In the Transport-Related sector, overall sales in the van and truck outfitting business showed a significant improvement over the previous year, accompanied by a considerable hike in profit. This resulted from the combination of increased sales volume of vans and trucks in the first half owing to last-minute demand following the governmental "Eco-car" tax reduction, and the stronger exhaust emission regulations imposed on large-sized vehicles, as well as continued growth in shipments of newly modified cars in compliance with tougher exhaust emission regulations in the latter half of the year.

In the area of capacitors for car air conditioners, performance was good during the first half thanks to buoyant shipments of capacitors following the strong demand for automobiles. This offset the decline in the latter half due to decreased demand after economic stimulus measures such as the "Eco-car" subsidy program ended; as a result, sales were higher overall compared to the previous year.

In the Shaped Parts sector, thanks mainly to the impact of the governmental "Eco-car" tax reduction, demand for parts for environmentally friendly or fuel-economy cars, including hybrid cars, was strong and sales exceeded figures for the previous year.

Van truck bodies

In the Electronic Materials sector, while demand for anodized aluminum foil for aluminum electrolytic capacitors appeared to be affected partly by inventory adjustments during the latter half, demand for digital appliances grew following the government's economic stimulus measures. This, together with recovering demand for manufacturing equipment, resulted in significantly higher sales compared to the previous year.

In the Panel System sector, while demand for industrial refrigerators and freezers was showing signs of recovery, demand for clean rooms was slow because of stagnant corporate capital expenditure. Despite an increasingly competitive market environment, both sales and profit results were up compared to the previous year thanks to efforts made to expand distribution channels and reduce costs.

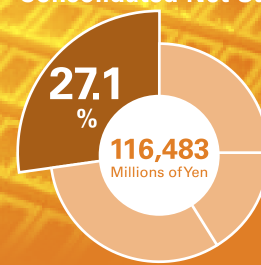
In the Carbon Product sector, exports of our mainstay cathode block for aluminum electrolysis and carbon blocks for blast furnaces and electric furnaces decreased considerably due to low demand. In addition, sales prices decreased because of the rising yen, and as a result, both sales and profit results were considerably lower than the previous year.

As a result, sales in the Fabricated Products and Others operations increased 28.3%, or ¥30,035 million, to ¥136,095 million (¥106,060 million for the previous year). Operating profit increased 49.1%, or ¥1,889 million, to ¥5,738 million (¥3,849 million for the previous year).

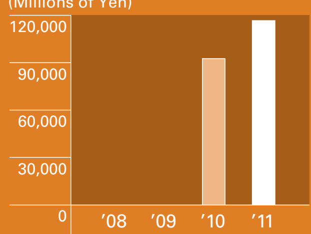
Aluminum Foil, Powder and Paste

Profile *This segment is a new category from fiscal 2010. The core company in this segment is Toyo Aluminium K.K. Aluminum foils, powder and paste produced by Toyo Aluminum K.K. have achieved a leading industry market share and are being used in a wide range of areas, from daily necessities to energy, electrical and electronics, and automobiles. Expanding into new fields based on our own technology, we are marketing various kinds and types of materials and products of high functionality in both domestic and overseas markets.*

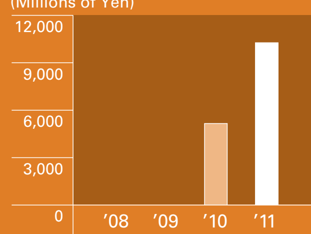
Consolidated Net Sales



Net Sales



Consolidated Operating Profit



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

Applications

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

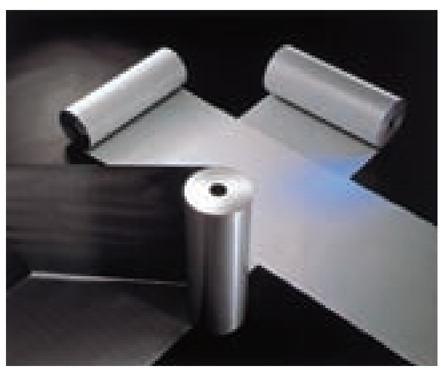
Principal Products

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

Overview of results for fiscal 2010

In the Aluminum Foil sector, the overall market situation was strong, thanks to substantial recovery in demand for high-purity aluminum foil for electrolytic capacitors, despite inventory adjustments in products used for personal computers. Sales in the aluminum foil business were higher than the previous year due to continued buoyant shipments of fabricated foil for pharmaceutical packaging, mainly for generic pharmaceuticals, and increased sales volume of plain foil for lithium ion battery surfaces.

In the Paste sector, shipments increased during the first half in the business of our mainstay aluminum paste used for automobile paint, as well as aluminum paste for electrical appliances, and plastic paint. However, due mainly to slowing domestic demand following the waning effect of the governmental economic package, stagnating growth of exports to China, and reduced demand in Korea because of inventory adjustments during the latter half, sales remained at the previous year's level.


High-purity aluminum foil

In the Electronic Functional Materials sector, our mainstay back-sheets and functional ink for solar cells registered strong demand through the year, not only in domestic markets but also in markets in China and Taiwan. Demand for other functional materials, mainly powder products, recovered, especially for environmentally friendly cars and LCD televisions, and consequently sales were substantially higher than the previous fiscal year.

As a result, sales in the Aluminum Foil, Powder and Paste sector increased 26.1%, or ¥24,082 million, to ¥116,483 million (¥92,401 million for the previous year). Operating profit increased 99.3%, or ¥5,105 million, to ¥10,245 million (¥5,140 million for the previous year).


Solar Panel

Nippon Light Metal Group consists of 80 subsidiaries and 22 affiliates (as of March 31, 2011). 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.
- ● Riken Light Metal Industrial Co., Ltd.
- ● Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.

(Sales and Others)

- ● Nikkeikin Kakoh Kaihatsu Holdings Company, Ltd.
- ● Nikkei Sangyo Co., Ltd.

Fabricated Products and Others

(Manufacture and Sales)

- ● NLM ECAL Co., Ltd.
- ● Nikkei Kenzai Kogyo Co., Ltd.
- ● Nikkei Sangyo Co., Ltd.
- ● Nikkei Panel System Co., Ltd.
- ● Nikkei Matsuo Co., Ltd.
- ● Nippon Electrode Co., Ltd.
- ● Nippon Fruehauf 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.

Aluminum Foil, Powder and Paste

(Manufacture and Sales)

- ● Toyo Aluminium K.K.
- ● Hunan NingXiang JiweXin Metal Powder Co., Ltd.
- ● Toyal Zhaoqing Co., Ltd.
- ● Tokai Aluminum Foil Co., Ltd.
- ● Toyal America Inc.
- ● Toyal Europe S.A.S.U.
- ● Toyo Aluminium Ekco Products Co., Ltd.
- ● Sam-A Aluminium Co., Ltd.

CUSTOMER

● Consolidated subsidiaries: 74 companies
● Affiliates accounted for by the equity method: 13 companies

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

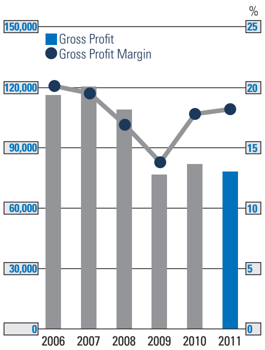
(As of March 31, 2011)

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

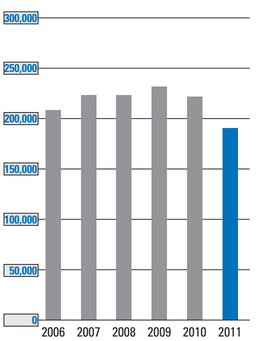
CONSOLIDATED SIX-YEAR SUMMARY

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

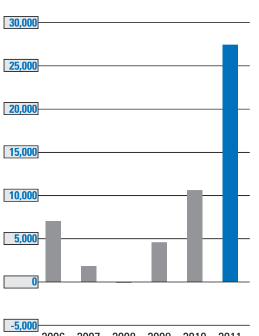
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



	2006	2007
	(Millions of yen)	
Financial Results		
Net Sales	¥577,061	¥618,158
Gross Profit	116,078	120,345
Gross Profit Margin (%)	20.1	19.5
Operating Profit (Loss)	28,923	30,519
Ordinary Profit (Loss)	22,353	25,248
Net Income (Loss)	9,684	12,755
Segment Information		
Net Sales:		
Aluminum Ingot and Chemicals	97,077	110,667
Aluminum Sheet and Extrusions	70,714	78,929
Fabricated Products and Others	238,422	255,514
Building Materials	170,848	173,048
Aluminum foil, powder and paste	—	—
Total	577,061	618,158
Operating Profit (Loss):		
Aluminum Ingot and Chemicals	9,640	11,667
Aluminum Sheet and Extrusions	6,435	6,443
Fabricated Products and Others	15,848	14,156
Building Materials	(163)	1,073
Aluminum foil, powder and paste	—	—
Elimination or corporate items	(2,837)	(2,820)
Total	28,923	30,519
Financial Position		
Current Assets	294,331	340,897
Property, plant and equipment	185,005	184,070
Intangible assets	5,261	5,969
Investments and other assets	48,929	48,527
Current liabilities	281,505	287,436
Long-term liabilities	122,033	149,916
Shareholders' equity (Note 3)	119,719	130,176
Total accumulated other comprehensive income (Note 3)	6,275	7,770
Minority interests in consolidated Subsidiaries (Note 3)	3,994	4,165
Interest-bearing Debt (Note 2)	208,817	223,607
Cash Flows		
Cash Flows from Operating Activities	26,779	21,397
Depreciation and Amortization	17,315	17,481
Cash Flows from Investing Activities	(19,724)	(19,514)
Capital Expenditures	19,819	20,702
Cash Flows from Financing Activities	(9,862)	12,483
Per Share Data (yen and dollars)		
Net Income (Loss) - basic	¥ 17.79	¥ 23.56
- diluted	16.89	22.36
Net Assets (Note 3)	232.54	254.82
Cash Dividends	4.0	5.0
Indices		
Return on Capital Employed (ROCE) (%)	8.6	9.3
Return on Equity (ROE) (%)	8.0	9.7
Equity Ratio (%)	23.6	23.8
Others		
Number of Shares Outstanding (thousands)	543,350	543,350
R&D Expenditures	¥ 5,133	¥ 5,504
Number of Employees	13,492	13,493

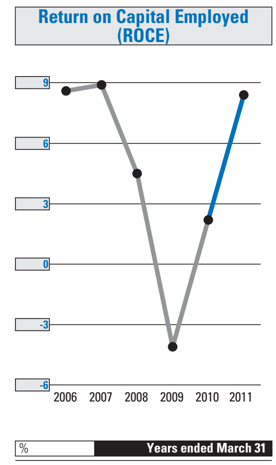
Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥83.15 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

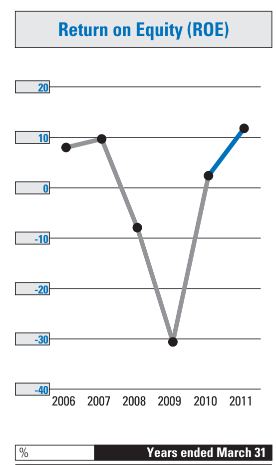
Note 2: Interest-bearing Debt = Long-term debt and Short-term borrowings, excluding capital lease obligations + Notes discounted + Notes endorsed

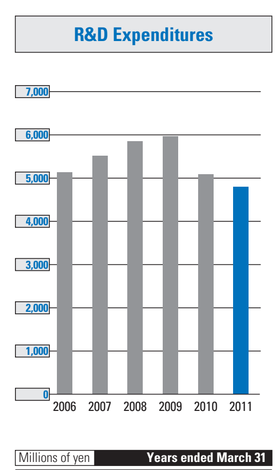
Note 3: Effective the year ended March 31, 2007, the Company adopted the new accounting standard "Accounting Standard for Presentation of Net Assets in the Balance Sheet".

Note 4: Numbers used for the year ended March 2010 have been revised according to the current segment categories.

2008	2009	2010	2011	2011
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)
¥647,846	¥554,094	¥460,681	¥429,433	$5,164,558
108,946	76,720	81,885	78,166	940,060
16.8	13.8	17.8	18.2	18.2
17,998	(11,892)	7,673	24,724	297,342
11,222	(16,936)	2,682	18,529	222,838
(10,310)	(31,442)	2,084	11,040	132,772
156,189	120,725	88,141	107,397	1,291,605
79,375	66,766	58,399	69,458	835,334
251,998	226,543	106,060	136,095	1,636,741
160,284	140,060	115,680	—	—
—	—	92,401	116,483	1,400,878
647,846	554,094	460,681	429,433	5,164,558
9,172	748	3,425	6,783	81,575
1,630	(5,737)	(362)	4,604	55,370
13,212	3,976	3,849	5,738	69,008
(2,976)	(7,870)	(1,776)	—	—
—	—	5,140	10,245	123,211
(3,040)	(3,009)	(2,603)	(2,646)	(31,822)
17,998	(11,892)	7,673	24,724	297,342
311,083	257,386	258,839	221,956	2,669,344
179,243	176,231	165,612	143,767	1,729,008
6,189	5,005	5,147	4,458	53,614
43,958	39,949	51,424	44,704	537,631
270,545	264,386	249,184	182,703	2,197,270
140,931	125,404	138,714	127,425	1,532,471
118,294	85,170	87,245	98,272	1,181,864
3,465	(1,255)	1,507	463	5,569
7,238	4,866	4,372	6,022	72,423
223,660	231,686	221,720	190,760	2,294,167
25,018	26,674	26,388	26,479	318,449
20,160	22,113	20,717	15,831	190,391
(25,051)	(22,086)	(15,792)	964	11,594
25,263	24,997	14,197	15,363	184,762
(9,028)	6,422	(8,880)	(30,726)	(369,525)
¥ (19.00)	¥ (57.77)	¥ 3.83	¥ 20.29	$ 0.24
—	—	3.63	—	—
223.61	154.22	163.13	181.51	2.18
3.0	—	—	2.00	0.02
4.5	(4.1)	2.2	7.9	7.9
(7.9)	(30.6)	2.4	11.8	11.8
22.5	17.5	18.5	23.8	23.8
545,126	545,126	545,126	545,126	545,126
¥ 5,858	5,972	5,085	4,798	$ 57,703
14,084	13,678	12,854	9,739	9,739







Overview

The Japanese economy during fiscal 2010 (year ended March 31, 2011) showed signs of recovery in corporate capital expenditure and in the employment climate; however, after the Great East Japan Earthquake that occurred on March 11 of this year, ongoing economic trends have become impossible to predict.

In this environment, domestic demand for aluminum from principal domestic customers in the automotive, electrical and electronics industries was robust, given the favorable export situation, recovery in corporate performance, and other factors. Demand for aluminum was also expanding overseas, in Southeast Asian countries including China and Thailand, and other areas of marked economic growth.

At the same time, the NLM Group strived to strengthen its earnings base, with the three-year Mid-Term Management Plan commencing from the year under review. Under the plan, we strengthened our business foundation mainly in areas of growth, through "Prioritized allocation of management resources to business units in growth sectors" and "Accelerated development of overseas business operations centering on China and Southeast Asia." Specifically, we reinforced manufacturing facilities for back-sheets for solar cells in the environment, safety and energy sector (Toyo Aluminium K.K.), in addition to enhancing manufacturing sites for automotive parts in China (Nikkeikin Aluminium Core Technology Co., Ltd.). A variety of other projects were also undertaken in Thailand, including reinforcement of manufacturing facilities for aluminum thin sheets at Nikkei Siam Aluminium Limited, our subsidiary.

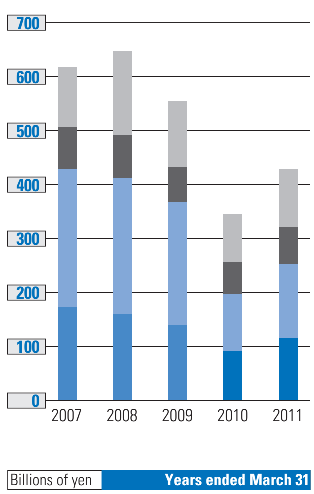
Earnings and Expenses

Under such circumstances, the NLM Group's consolidated net sales for the year under review decreased 6.8% year on year, to ¥429.4 billion ($5,165 million) due to transfer of all shares of Shin Nikkei Co., Ltd. (currently, LIXIL Corporation), which was our subsidiary, to the JS Group Corporation on April 1, 2010. 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 7.3% year on year, to ¥351.3 billion ($4,224 million), while the cost to sales ratio improved 0.4 percentage points year on year, to 81.8%. Selling, general and administrative expenses decreased 28.0% year on year, to ¥53.4 billion ($643 million). As a result, operating profit increased 222.2% year on year, to ¥24.7 billion ($297 million).

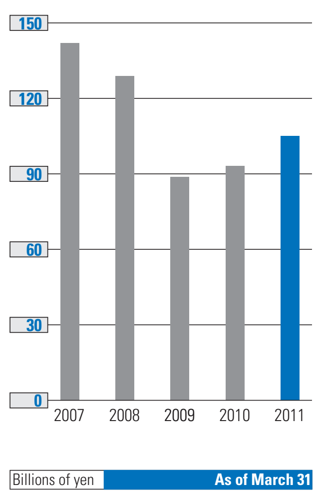
Non-operating income decreased 34.5% year on year, to ¥2.9 billion ($35 million). This resulted from a decrease in equity in earnings of affiliates and other factors. Non-operating expenses shrank 3.6% year on year, to ¥9.1 billion ($110 million). There is no significant difference in non-operating expenses from the previous year. As a result,

Net Sales By Segment

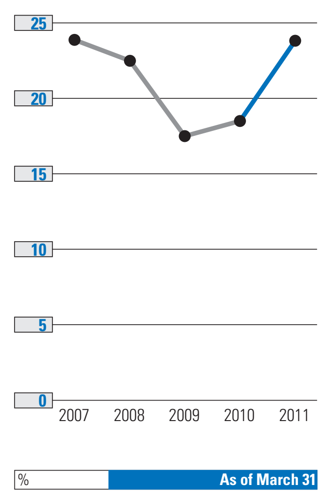


Aluminum Ingot and Chemicals
Aluminum Sheet and Extrusions
Fabricated Products and Others
Building Materials
Aluminum Foil, Powder and Paste

Total Net Assets



Equity Ratio



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

ordinary profit was ¥18.5 billion ($223 million), 6.9 times greater than the previous year.

There were no special gains, but special losses of ¥2.1 billion ($25 million) were recorded. This was a result of recording ¥1.0 billion ($13 million) loss on valuation of investments securities due to a drop in stock prices and ¥0.8 billion ($10 million) loss on disposal of non-current assets accompanying the change in main raw materials used in alumina products at our Shimizu Plant, as well as other factors.

As a result, the income before income taxes and minority interests of ¥16.5 billion ($198 million) was recorded for the period under review. Corporate, inhabitant and business taxes increased ¥1.0 billion year on year, to ¥3.3 billion ($40 million). Meanwhile, deferred income taxes during the period under review were ¥1.0 billion ($13 million).

As a result of the above, net income in the period under review was ¥11.0 billion ($133 million), 5.3 times greater than the previous year. The average number of shares outstanding decreased from 544,094,000 in the previous year to 544,013,000 in the year under review. Therefore, net income per share increased from ¥3.8 in the previous year to ¥20.3 ($0.24) in the period under review. Payment of annual cash dividend of ¥2.0 ($0.02) per share was approved by the resolution at the General Meeting of Shareholders held on June 29, 2011.

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2011 decreased ¥66.1 billion (down 13.7%) year on year, to ¥414.9 billion ($4,990 million), resulting primarily from the transfer of all shares of Shin Nikkei Co., Ltd., which was our subsidiary, to the JS Group Corporation on April 1, 2010.

Total liabilities decreased ¥77.8 billion (down 20.0%) year on year, to ¥310.1 billion ($3,730 million), as a result of the above share transfer of Shin Nikkei Co., Ltd. and other factors.

Interest-bearing debt decreased ¥30.4 billion year on year, to ¥190.8 billion, thanks primarily to repayment of borrowings to cover funding for operating activities at Shin Nikkei Co., Ltd. accompanying the share transfer of the said company.

Net assets increased ¥11.6 billion (up 12.5%) year on year, to ¥104.8 billion ($1,260 million), thanks primarily to an increase in retained earnings due to the recording of net income in the period under review. Net assets per share as of March 31, 2011 increased 11.3% year on year, to ¥181.51 ($2.2), while the equity ratio improved 5.3 percentage points, to 23.8%.

Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2011 decreased ¥3.5 billion (down 7.7%) year on year, to ¥42.1 billion ($507 million).

Net cash provided by operating activities increased ¥0.1 billion (up 0.3%) year on year, to ¥26.5 billion ($318 million). This was because non-cash profit/loss items such as depreciation and amortization as well as income before income taxes and minority interests were greater than the increase in working capital.

In the fiscal year under review, ¥1 billion net cash was provided by investing activities, compared with ¥15.8 billion net cash used in the same activities in the previous year, thanks primarily to the collection of loans receivable amounting to ¥20.1 billion from Shin Nikkei Co., Ltd.

Net cash used in financing activities was ¥30.7 billion ($370 million), 3.5 times greater than the previous year. This was mainly a result of an increase in repayment of borrowings during the year.

Outlook for Fiscal 2011

In fiscal 2011, economic growth is expected to continue in China and other Asian countries, and European and American economies are predicted to be relatively robust. In Japan, however, economic stagnation is expected to continue for a while, as it is believed that the supply chain for parts will take some time to normalize after the effects of the Great East Japan Earthquake.

The NLM Group anticipates continued expansion in overseas sales, mainly in China and Southeast Asia, while forecasting a decline in domestic sales figures mainly in the first half of the year due to the Great East Japan Earthquake.

Furthermore, although it is difficult to measure the effect on Japan's economic activities resulting from concerns about nationwide electricity shortages, based on as much information as we can obtain at this time, the NLM Group's business performance for the next fiscal year is predicted as follows. For fiscal 2011, we expect sales of ¥420.0 billion, operating profit of ¥20.0 billion, ordinary profit of ¥14.5 billion, and net income of ¥8.5 billion. Net income per share is predicted to be ¥15.62, while a cash dividend per share of ¥2.0 is anticipated.

CONSOLIDATED BALANCE SHEETS

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	March 31, 2010	March 31, 2011	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 45,843	¥ 42,073	$ 505,989
Notes and accounts receivable – trade	136,644	115,204	1,385,496
Finished products	22,751	22,455	270,054
Work-in-progress, including costs related to construction-type contracts	23,570	12,246	147,276
Raw material and supplies	17,220	18,303	220,120
Deferred tax assets (Note 8)	4,159	5,367	64,546
Other current assets	10,124	7,681	92,375
Allowance for doubtful accounts	(1,472)	(1,373)	(16,512)
Total current assets	258,839	221,956	2,669,344
Property, plant and equipment (Note 5):			
Land	60,720	53,735	646,242
Buildings and structures	140,116	116,515	1,401,263
Machinery and equipment	289,607	251,224	3,021,335
Construction-in-progress	4,391	4,676	56,236
Accumulated depreciation	(329,222)	(282,383)	(3,396,068)
Total property, plant and equipment	165,612	143,767	1,729,008
Intangible assets:			
Goodwill	1,354	896	10,776
Other intangible assets	3,793	3,562	42,838
Total intangible assets	5,147	4,458	53,614
Investments and other assets:			
Investment securities (Notes 4 and 5)	28,075	24,008	288,731
Deferred tax assets (Note 8)	17,427	15,227	183,127
Other assets	9,320	5,996	72,111
Allowance for doubtful accounts	(3,398)	(527)	(6,338)
Total investments and other assets	51,424	44,704	537,631
Total assets	¥481,022	¥414,885	$4,989,597

Liabilities and net assets	March 31, 2010 (Millions of yen)	2011 (Millions of yen)	2011 (Thousands of U.S. dollars) (Note 2)
Current liabilities:			
Short-term borrowings (Note 5)	¥100,202	¥ 67,423	$ 810,860
Current portion of long-term debt (Note 5)	19,440	17,634	212,075
Notes and accounts payable – trade	86,300	67,268	808,996
Income taxes payable	1,737	2,550	30,667
Allowance for loss on sales of subsidiaries and affiliates' stocks	4,457	—	—
Other current liabilities	37,048	27,828	334,672
Total current liabilities	249,184	182,703	2,197,270
Long-term liabilities:			
Long-term debt (Note 5)	105,596	108,638	1,306,530
Accrued pension and severance costs (Note 7)	26,770	16,438	197,691
Deferred tax liabilities on land revaluation surplus (Notes 8 and 10)	522	516	6,206
Other long-term liabilities (Notes 5 and 8)	5,826	1,833	22,044
Total long-term liabilities	138,714	127,425	1,532,471
Total liabilities	387,898	310,128	3,729,741
Net assets :			
Shareholders' equity:			
Common stock:			
Authorized: 1,600,000,000 shares			
Issued: 545,126,049 shares	39,085	39,085	470,054
Additional paid-in capital	25,420	11,179	134,444
Retained earnings	22,919	48,200	579,675
Treasury stock, at cost (1,071,589 shares in 2010 and 1,162,058 shares in 2011)	(179)	(192)	(2,309)
Total shareholders' equity	87,245	98,272	1,181,864
Accumulated other comprehensive income:			
Net unrealized gains on securities (Note 4)	1,590	980	11,786
Net unrealized gains on hedges (Note 1(n))	158	61	734
Revaluation surplus (Note 10)	145	145	1,744
Foreign currency translation adjustments	(386)	(723)	(8,695)
Total accumulated other comprehensive income	1,507	463	5,569
Minority interests in consolidated subsidiaries	4,372	6,022	72,423
Total net assets	93,124	104,757	1,259,856
Contingent liabilities (Note 14)			
Total liabilities and net assets	¥481,022	¥414,885	$4,989,597

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

	Year ended March 31,		
	2010	**2011**	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥460,681	¥429,433	$5,164,558
Cost of sales (Note 13)	378,796	351,267	4,224,498
Gross profit	81,885	78,166	940,060
Selling, general and administrative expenses (Note 13)	74,212	53,442	642,718
Operating profit	7,673	24,724	297,342
Non-operating income:			
Interest income	120	97	1,166
Equity in earnings of affiliates	1,218	290	3,488
Rental income	654	719	8,647
Royalty income	276	255	3,067
Other	2,212	1,575	18,942
Total non-operating income	4,480	2,936	35,310
Non-operating expenses:			
Interest expense	3,593	2,815	33,854
Amortization of transition obligation for employees' retirement benefits (Note 7)	1,886	1,113	13,385
Other	3,992	5,203	62,575
Total non-operating expenses	9,471	9,131	109,814
Ordinary profit	2,682	18,529	222,838
Special gains:			
Gain on reversal of accrued special retirement expenses	695	—	—
Total special gains	695	—	—
Special losses:			
Loss on valuation of investments securities	—	1,046	12,580
Loss on disposal of non-current assets	—	838	10,078
Loss on impairment of fixed assets (Note 15)	99	106	1,275
Loss on adjustments for adoption of accounting standard for asset retirement obligations	—	89	1,070
Provision for loss on sales of subsidiaries and affiliates' stocks	4,457	—	—
Loss on transfer of subsidiaries and affiliates' stocks (Note 15)	4,056	—	—
Cost of corrective measures for product defects	387	—	—
Additional retirement allowance for early retirement program	191	—	—
Total special losses	9,190	2,079	25,003
Income (loss) before income taxes and minority interests	(5,813)	16,450	197,835
Income taxes (Note 8):			
Current	2,291	3,285	39,507
Deferred	(9,684)	1,042	12,531
	(7,393)	4,327	52,038
Income before minority interests	1,580	12,123	145,797
Minority interests in net income (loss) of consolidated subsidiaries	(504)	1,083	13,025
Net income	¥ 2,084	¥ 11,040	$ 132,772

Per share of common stock (Note 16):	(Yen)		(U.S. dollars) (Note 2)
Net income:			
Basic	¥ 3.83	¥ 20.29	$ 0.24
Diluted	3.63	—	—
Cash dividends	—	2.00	0.02

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	Year ended March 31,		
	2010	**2011**	**2011**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Income before minority interests	¥1,580	**¥12,123**	**$145,797**
Other comprehensive income			
Net unrealized gains (losses) on securities	1,184	**(618)**	**(7,432)**
Net unrealized gains (losses) on hedges	1,150	**(97)**	**(1,167)**
Foreign currency translation adjustments	63	**(361)**	**(4,342)**
Equity of other comprehensive income of affiliates	349	**(126)**	**(1,515)**
Total other comprehensive income	2,746	**(1,202)**	**(14,456)**
Comprehensive income	¥4,326	**¥10,921**	**$131,341**
Attributable to:			
Shareholders of the parent	¥4,846	**¥ 9,996**	**$120,217**
Minority interests	(520)	**925**	**11,124**
	¥4,326	**¥10,921**	**$131,341**

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

	Shareholders' equity				Accumulated other comprehensive income					
	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, 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
Deficit disposition		(14,241)	14,241							—
Net income			11,040							11,040
Net increase in treasury stock				(13)						(13)
Net unrealized losses on securities (Note 4)					(610)					(610)
Net unrealized losses on hedges						(97)				(97)
Foreign currency translation adjustments								(337)		(337)
Net increase in minority interests in consolidated subsidiaries									1,650	1,650
Balance at March 31, 2011	¥39,085	¥11,179	¥48,200	¥(192)	¥980	¥ 61	¥145	¥(723)	¥6,022	¥104,757

	Shareholders' equity				Accumulated other comprehensive income					
	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, 2010	$470,054	$305,713	$275,634	$(2,153)	$19,123	$1,901	$1,744	$(4,642)	$52,579	$1,119,953
Deficit disposition		(171,269)	171,269							—
Net income			132,772							132,772
Net increase in treasury stock				(156)						(156)
Net unrealized losses on securities (Note 4)					(7,337)					(7,337)
Net unrealized losses on hedges						(1,167)				(1,167)
Foreign currency translation adjustments								(4,053)		(4,053)
Net increase in minority interests in consolidated subsidiaries									19,844	19,844
Balance at March 31, 2011	$470,054	$134,444	$579,675	$(2,309)	$11,786	$ 734	$1,744	$(8,695)	$72,423	$1,259,856

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	Year ended March 31, 2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥(5,813)	¥16,450	$197,835
Depreciation and amortization	20,717	15,831	190,391
Loss on valuation of investment securities	—	1,046	12,580
Loss on disposal of non-current assets	—	838	10,078
Loss on impairment of fixed assets	99	106	1,275
Loss on adjustment for adoption of accounting standard for asset retirement obligations	—	89	1,070
Provision for loss on sales of subsidiaries and affiliates' stocks	4,457	—	—
Loss on transfer of subsidiaries and affiliates' stocks	4,056	—	—
Cost of corrective measures for product defects	387	—	—
Additional retirement allowance for early retirement program	191	—	—
Gain on reversal of accrued special retirement expenses	(695)	—	—
Increase (decrease) in allowance for doubtful accounts	(244)	538	6,470
Increase (decrease) in accrued pension and severance costs	(402)	399	4,799
Interest and dividend income	(325)	(311)	(3,740)
Interest expense	3,593	2,815	33,854
Equity in earnings of affiliates	(1,218)	(290)	(3,488)
Increase in notes and accounts receivable – trade	(11,677)	(3,959)	(47,613)
(Increase) decrease in inventories	11,361	(4,622)	(55,586)
Increase in notes and accounts payable – trade	7,474	1,104	13,277
Other	2,075	1,009	12,135
Subtotal	34,036	31,043	373,337
Interest and dividend income received	506	535	6,434
Interest paid	(3,679)	(2,814)	(33,842)
Payments for additional retirement payments	(2,764)	(127)	(1,527)
Payments for corrective measures for product defects	(1,149)	(35)	(421)
Payments for business restructuring	(312)	—	—
Income taxes paid	(250)	(2,123)	(25,532)
Net cash provided by operating activities	26,388	26,479	318,449
Cash flows from investing activities			
Payments into time deposits	(100)	(61)	(734)
Proceeds from withdrawal of time assets	119	69	830
Payments for purchases of fixed assets	(15,043)	(13,444)	(161,684)
Proceeds from sales of fixed assets	290	232	2,790
Payments for purchases of investment securities	(38)	(205)	(2,465)
Proceeds from sales of investment securities	346	177	2,129
Purchase of stocks of subsidiaries and affiliates	(797)	—	—
Proceeds from sales of stocks of subsidiaries and affiliates	269	69	830
Payments of loans receivable	(268)	(15)	(180)
Collection of loans receivable	261	20,085	241,551
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	(4,627)	(55,646)
Other	(831)	(1,316)	(15,827)
Net cash provided by (used in) investing activities	(15,792)	964	11,594
Cash flows from financing activities			
Net decrease in short-term borrowings	(8,654)	(32,359)	(389,164)
Proceeds from long-term debt	31,005	23,561	283,355
Repayment of long-term debt	(24,405)	(21,072)	(253,422)
Proceeds from issuance of bonds	1,970	—	—
Redemption of bonds	(9,950)	—	—
Proceeds from sale and lease-back transactions	2,000	—	—
Cash dividends paid	(16)	(7)	(84)
Cash dividends paid to minority interests	(13)	(77)	(926)
Other	(817)	(772)	(9,284)
Net cash used in financing activities	(8,880)	(30,726)	(369,525)
Effect of exchange rate changes on cash and cash equivalents	(74)	(236)	(2,839)
Net increase (decrease) in cash and cash equivalents	1,642	(3,519)	(42,321)
Cash and cash equivalents at beginning of year	44,003	45,645	548,948
Cash and cash equivalents at end of year (Note 3)	¥45,645	¥42,126	$506,627

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.

Effective April 1, 2010, the Company and its consolidated subsidiaries adopted the accounting standard, the Accounting Standards Board of Japan ("ASBJ") Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" released on March 10, 2008 and made the necessary adjustments on the consolidated financial statements. The effect of this change for the year ended March 31, 2011 was insignificant.

(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.

(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, 2010, the Company has changed its method of accounting for depreciation of property, plant and equipment (excluding buildings) of the Shimizu Plant, the Kambara Chemical Plant, the Nagoya Plant, the Container Department of the Niigata Plant, and certain leased assets for which the declining-balance method had been used in prior years, to the straight-line method. In addition, effective April 1, 2010, certain of its domestic consolidated subsidiaries have also changed their method of accounting for depreciation from the declining-balance method to the straight-line method.

The Company has undertaken an investment to make significant enhancements to the manufacturing process at the Shimizu Plant. The Company took this opportunity to review facility characteristics and equipment usage on a company-wide basis in accordance with changes in the economic environment in recent years. As a result of this review, the Company judged that the straight-line method provides for a more accurate allocation of depreciation, because property, plant and equipment are expected to be utilized stably over their estimated useful lives, and operating levels are not expected to change drastically. Therefore, the Company and its consolidated subsidiaries have changed the method of accounting for depreciation for these assets from the declining-balance method to the straight-line method in order to realize a more appropriate periodic allocation of costs.

The effect of this change for the year ended March 31, 2011 was to increase operating profit, ordinary profit, and income before income taxes and minority interests by ¥1,148 million ($13,806 thousand) 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. Prior service cost is being amortized as incurred mainly by the straight-line method over the period of 15 years which is shorter than the average remaining number of years of service of the employees. 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.

(l) Lease transactions

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.

(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 per share

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

Diluted net 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) Asset retirement obligations

Effective April 1, 2010, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" released on March 31, 2008.

The effect of this change for the year ended March 31, 2011 was nothing for operating profit and ordinary profit, and was to decrease income before income taxes and minority interests by ¥89 million ($1,070 thousand) as compared to the amounts which would have been recorded under the previous method.

(t) Business combinations

Effective April 1, 2010, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 21, "Accounting Standard for Business Combinations," ASBJ Statement No. 22 "Accounting Standard for Consolidated Financial Statements," ASBJ Statement No. 23, "Partial amendments to Accounting Standard for Research and Development Costs," ASBJ Statement No. 7 (Revised 2008), "Revised Accounting Standard for Business Divestitures," ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments," and ASBJ Guidance No. 10 (Revised 2008) "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" released on December 26, 2008.

Effective April 1, 2010, the Company and its consolidated subsidiaries have changed their method for evaluation of assets and liabilities of consolidated subsidiaries from partial fair value method to full fair value method. The effect of this change at March 31, 2011 was to increase "Land" by ¥961 million ($11,557 thousand), increase "Accrued pension and severance costs" by ¥35 million ($421 thousand), increase "Other long-term liabilities" by ¥376 million ($4,522 thousand), and increase "Minority interests in consolidated subsidiaries" by ¥550 million ($6,615 thousand) as compared to the amounts which would have been recorded under the previous method.

(u) Comprehensive income

Effective April 1, 2010, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income" released on June 30, 2010. "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" at March 31, 2010 on the consolidated balance sheets were presented as "Valuation and translation adjustments" and "Total valuation and translation adjustments" under the previous method.

2. U.S. DOLLAR AMOUNTS

The rate of ¥83.15 = U.S.$1, the approximate exchange rate prevailing on March 31, 2011, 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, 2010 and 2011 is summarized as follows:

	2010	**2011**	**2011**
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥45,843	**¥42,073**	**$505,989**
Time deposits with maturities in excess of 3 months	(198)	**(113)**	**(1,359)**
MMF included in "Other current assets"	—	**166**	**1,997**
Cash and cash equivalents	¥45,645	**¥42,126**	**$506,627**

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, 2010 and 2011 were as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Cost	¥3,592	**¥2,842**	**$34,179**
Unrealized gains	2,829	**1,966**	**23,644**
Unrealized losses	(137)	**(272)**	**(3,271)**
Carrying amount	¥6,284	**¥4,536**	**$54,552**

(b) Sales of available-for-sale securities

The realized gains on sales of available-for-sale securities for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥346	**¥177**	**$2,129**
Realized gains on sales	212	**1**	**12**
Realized losses on sales	0	**—**	**—**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2011 bore interest at annual rates ranging from 0.30% to 9.36% and mainly consisted of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2010 and 2011 comprised the following:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
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	**¥ —**	**$ —**
Unsecured	77,736	**—**	**—**
Loans, principally from banks and insurance companies due from 2011 to 2018 with interest rates ranging from 0.84% to 6.45%:			
Secured	—	**16,620**	**199,880**
Unsecured	—	**84,164**	**1,012,195**
Unsecured 1.03% bonds due September 30, 2014, redeemable before due date	2,000	**2,000**	**24,053**
Unsecured 1.50% bonds due June 1, 2017, redeemable before due date	558	**499**	**6,001**
Zero coupon convertible bonds due September 30, 2016 (*1)	20,063	**20,054**	**241,178**
Capital lease obligations due from 2010 to 2029 with interest rates ranging from 1.97% to 7.20%	3,995	**—**	**—**
Capital lease obligations due from 2011 to 2029 with interest rates ranging from 1.45% to 7.20%	—	**2,935**	**35,298**
	125,036	**126,272**	**1,518,605**
Less: portion due within one year	(19,440)	**(17,634)**	**(212,075)**
Total long-term debt	¥105,596	**¥108,638**	**$1,306,530**

*(*1) 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, 2011 is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥ 11	$ 132
Property, plant and equipment	41,621	500,553
Investment securities	79	950
Other intangible assets	35	421

The aggregate annual maturities of long-term debt outstanding at March 31, 2011 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 17,634	$ 212,074
2013	21,641	260,265
2014	21,556	259,242
2015	21,341	256,657
2016	13,532	162,742
Thereafter	30,512	366,951
	¥126,216	$1,517,931

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 sheets as of March 31, 2010 and 2011 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.*

	2011		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 42,073	¥ 42,073	¥ —
(2) Notes and accounts receivable-trade	115,204	115,204	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	3,070	1,464	(1,606)
Other securities	4,370	4,370	—
(4) Notes and accounts payable-trade	(67,268)	(67,268)	—
(5) Short-term borrowings *2	(67,423)	(67,423)	—
(6) Bonds	(22,553)	(21,213)	1,340
(7) Long-term borrowings *2	(100,784)	(101,519)	(735)
(8) Derivatives	101	101	—

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

	2011		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Thousands of U.S. dollars)		
(1) Cash and deposits	$ 505,989	$ 505,989	$ —
(2) Notes and accounts receivable-trade	1,385,496	1,385,496	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	36,921	17,607	(19,314)
Other securities	52,556	52,556	—
(4) Notes and accounts payable-trade	(808,996)	(808,996)	—
(5) Short-term borrowings *2	(810,860)	(810,860)	—
(6) Bonds	(271,232)	(255,117)	16,115
(7) Long-term borrowings *2	(1,212,075)	(1,220,914)	(8,839)
(8) Derivatives	1,215	1,215	—

**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 of ¥7,642 million and ¥6,555 million ($78,833 thousand) as of March 31,2010 and 2011 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 of ¥11,128 million and ¥10,013 million ($120,421 thousand) as of March 31, 2010 and 2011 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 and 2011 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

	2011			
	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	¥ 41,991	¥—	¥—	¥—
Notes and accounts receivable-trade	115,204	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	13	12	9	1
Corporate debt securities	10	—	—	—
	¥157,218	¥ 12	¥ 9	¥ 1

	2011			
	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	$ 505,003	$ —	$ —	$—
Notes and accounts receivable-trade	1,385,496	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	156	144	108	12
Corporate debt securities	120	—	—	—
	$1,890,775	$144	$108	$12

5. The redemption schedule for bonds and long-term borrowings at March 31, 2010 and 2011 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	¥—

	2011			
	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	¥20,553	¥—
Long-term borrowings	16,979	74,566	9,239	—
	¥16,979	¥76,566	¥29,792	¥—

	2011			
	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	$ —	$ 24,053	$247,180	$—
Long-term borrowings	204,197	896,765	111,112	—
	$204,197	$920,818	$358,292	$—

7. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit tax-qualified pension plans, defined benefit corporate 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.

In addition, from April 1, 2010, the Company and some its domestic consolidated subsidiaries have changed defined benefit tax-qualified pension plans into defined benefit corporate pension plans.

Accrued pension and severance costs at March 31, 2010 and 2011 are summarized as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(52,124)	¥(37,392)	$(449,693)
Fair value of plan assets	20,033	16,634	200,048
	(32,091)	(20,758)	(249,645)
Unrecognized transition obligation	3,414	1,112	13,373
Unrecognized actuarial loss	2,110	3,667	44,101
Unrecognized prior service cost	(203)	(459)	(5,520)
Accrued pension and severance cost	¥(26,770)	¥(16,438)	$(197,691)

The net pension and severance costs related to retirement benefits for the years ended March 31, 2010 and 2011 are summarized as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥3,042	¥2,230	$26,819
Interest cost	1,151	683	8,214
Expected return on plan assets	(403)	(358)	(4,305)
Amortization of transition obligation *1	2,243	1,113	13,385
Amortization of unrecognized actuarial gain	922	614	7,384
Amortization of prior service costs	—	(56)	(673)
Net pension and severance costs	¥6,955	¥4,226	$50,824

**1 The above figures include ¥357 million for the year ended March 31, 2010, in respect of employees who retired during the year ended March 31, 2010. This amount was fully amortized at the time of employees' retirement.*

**2 In addition to *1 above, additional benefits of ¥679 million under the early retirement program were granted for the year ended March 31, 2010. The total amounts of all these costs are included within special losses as "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:

	2010	2011
Discount rate	2.5%	2.0%
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 prior service costs	—	Mainly 15 years
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, 2010 and 2011.

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, 2010 and 2011 were as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carryforwards	¥28,537	¥21,495	$258,509
Accrued pension and severance costs	10,193	5,945	71,497
Accrued bonuses	2,255	2,220	26,699
Allowance for doubtful accounts	3,347	2,168	26,073
Loss on disposal of fixed assets	1,310	1,932	23,235
Loss on impairment of fixed assets	5,882	—	—
Other	10,548	10,502	126,302
Total deferred tax assets	62,072	44,262	532,315
Valuation allowance	(38,589)	(19,482)	(234,299)
Total deferred tax assets, net of valuation allowance	23,483	24,780	298,016

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax liabilities:			
Negative Goodwill	—	(1,844)	(22,177)
Revaluation gain on subsidiaries	(900)	(1,276)	(15,346)
Unrealized gain on securities	(1,048)	(709)	(8,527)
Other	(520)	(915)	(11,004)
Total deferred tax liabilities	(2,468)	(4,744)	(57,054)
Net deferred tax assets	¥21,015	¥20,036	$240,962

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

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (current assets)	¥ 4,159	¥ 5,367	$ 64,546
Deferred tax assets (investments and other assets)	17,427	15,227	183,127
Other long-term liabilities	(571)	(558)	(6,711)

In addition to the above, the Company recorded deferred tax liabilities on land revaluation surplus of ¥522 million and ¥516 million ($6,206 thousand) at March 31, 2010 and 2011 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 year ended March 31, 2010 have been omitted.

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2011 is summarized as follows:

	2011
Statutory income tax rate	40.7%
Increase (decrease) in taxes resulting from:	
Decrease of valuation allowance	(11.9)
Permanent non-deductible expenses	1.3
Other	(3.8)
Effective income tax rate	26.3%

9. APPROPRIATIONS OF RETAINED EARNINGS

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 29, 2011:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends	¥1,088	$13,085

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 to income periodic lease payments 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 ¥842 million and ¥355 million ($4,269 thousands) for the years ended March 31, 2010 and 2011, respectively. Future lease payments under finance leases and non-cancelable operating leases, including interest, at March 31, 2010 and 2011 are summarized as follows:

	2010	2011	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments:			
Due within one year	¥ 905	¥475	$ 5,713
Due after one year	1,109	463	5,568
	¥2,014	¥938	$11,281

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, 2010 and 2011 would have been as follows:

	2010			
	Cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net amount
	(Millions of yen)			
Machinery and equipment	¥4,230	¥2,373	¥7	¥1,850
Intangible assets	426	298	—	128
	¥4,656	¥2,671	¥7	¥1,978

	2011				
	Cost	Accumulated depreciation/ amortization	Accumulated impairment loss	Net amount	Net amount
	(Millions of yen)				(Thousands of U.S. dollars)
Machinery and equipment	¥2,079	¥1,188	¥0	¥891	$10,716
Intangible assets	64	47	—	17	204
	¥2,143	¥1,235	¥0	¥908	$10,920

Depreciation (amortization) for these leased assets computed using the straight-line method over the respective lease periods would have been ¥842 million and ¥355 million ($4,269 thousand) for the years ended March 31, 2010 and 2011, respectively.

Depreciation for assets leased to other companies computed using the straight-line method over the respective lease periods would have been ¥38 million for the year ended March 31, 2010.

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.

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, 2010 and 2011 were ¥5,085 million and ¥4,798 million ($57,703 thousand), respectively.

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 amounted to ¥379 million ($4,558 thousand) for loans guaranteed and other guarantees given in the ordinary course of business, including ¥9 million ($108 thousand) shared by other joint guarantors.

15. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries recognized ¥2,814 million 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)
Funabashi City, Chiba Prefecture	Idle property	Land	¥1,520
Tochigi City, Tochigi Prefecture	Plant site	Land	741
		Buildings and structures	352

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 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 of loss on impairment.

16. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net loss per share for the years ended March 31, 2010 and 2011 is summarized as follows:

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

	2011			
	Net income	Weighted average number of shares	Net income per share	
	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
Net income	**¥11,040**			
Basic net income	**¥11,040**	**¥544,012**	**¥20.29**	**$0.24**

17. 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 year ended March 31, 2010 was as follows:

	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.*

As more than 90% of sales for the year ended March 31, 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, 2010 were summarized as follows:

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

Effective April 1, 2010, the Company and its consolidated subsidiaries adopted the accounting standard, ASBJ Statement No. 17, "Disclosures about Segments of an Enterprise and Related information" released on March 21, 2008 and ASBJ Guidance No. 20, "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" released on March 21, 2008.

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

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

The "Aluminum ingot and chemicals" segment supplies aluminum 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 wing bodies for transport vehicles, automobile components and electronic materials. The "Aluminum foil, powder and paste" segment produces aluminum foil and aluminum powder used for various fields, such as daily necessaries, energy, electronics and automobile. "Corporate items" includes unallocated operating expenses and corporate assets not specifically related to reportable segments.

Information by reportable segment for the years ended March 31, 2010 and 2011 was as follows:

	2010						
	The reportable segments						
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste	Building materials	Adjustment (Note)	Consolidated
	(Millions of yen)						
Net sales							
Customers	¥ 88,141	¥58,399	¥106,060	¥92,401	¥115,680	¥ —	¥460,681
Intersegment	41,552	19,026	15,003	602	725	(76,908)	—
Total	129,693	77,425	121,063	93,003	116,405	(76,908)	460,681
Operating profit (loss)	¥ 3,425	¥ (362)	¥ 3,849	¥ 5,140	¥ (1,776)	¥ (2,603)	¥ 7,673
Segment assets	¥104,610	¥65,208	¥127,689	¥96,539	¥ 76,623	¥ 10,353	¥481,022
Depreciation and amortization	¥ 4,744	¥ 4,546	¥ 3,898	¥ 4,637	¥ 2,801	¥ 91	¥ 20,717
Amortization of goodwill	¥ —	¥ —	¥ —	¥ 616	¥ —	¥ —	¥ 616
Loss on impairment of fixed assets	¥ 99	¥ —	¥ —	¥ —	¥ 2,814	¥ —	¥ 2,913
Capital expenditures	¥ 4,287	¥ 2,577	¥ 1,823	¥ 3,992	¥ 1,444	¥ 74	¥ 14,197

(Note). Adjustments amounts are as follows.

1) Adjustments of ¥(2,603) million in segment profit are corporate expenses.
2) Adjustments of ¥10,353 million in segment assets include ¥(22,616) million in the elimination of transactions between segments and ¥32,969 million in corporate assets.
3) Adjustments of ¥91 million in depreciation and amortization expenses have primarily to do with corporate assets.
4) Adjustments of ¥74 million for capital expenditures are the increase in corporate assets.

	2011					
	The reportable segments					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste	Adjustment (Note 1)	Consolidated
	(Millions of yen)					
Net sales						
Customers	¥107,397	¥69,458	¥136,095	¥116,483	¥ —	¥429,433
Intersegment	45,504	19,873	8,728	698	(74,803)	—
Total	152,901	89,331	144,823	117,181	(74,803)	429,433
Operating profit (loss)	¥ 6,783	¥ 4,604	¥ 5,738	¥ 10,245	¥ (2,646)	¥ 24,724
Segment assets	¥104,354	¥70,818	¥121,057	¥104,279	¥ 14,377	¥414,885
Depreciation and amortization	¥ 3,506	¥ 3,694	¥ 3,812	¥ 4,749	¥ 70	¥ 15,831
Amortization of goodwill	¥ —	¥ —	¥ —	¥ 442	¥ —	¥ 442
Loss on impairment of fixed assets	¥ 106	¥ —	¥ —	¥ —	¥ —	¥ 106
Capital expenditures	¥ 3,374	¥ 3,358	¥ 2,465	¥ 6,062	¥ 104	¥ 15,363

	2011					
	The reportable segments					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste	Adjustment (Note 1)	Consolidated
	(Thousands of U.S. dollars)					
Net sales						
Customers	$1,291,605	$ 835,334	$1,636,741	$1,400,878	$ —	$5,164,558
Intersegment	547,252	239,002	104,967	8,394	(899,615)	—
Total	1,838,857	1,074,336	1,741,708	1,409,272	(899,615)	5,164,558
Operating profit (loss)	$ 81,575	$ 55,370	$ 69,008	$ 123,211	$ (31,822)	$ 297,342
Segment assets	$1,255,009	$ 851,690	$1,455,887	$1,254,107	$ 172,904	$4,989,597
Depreciation and amortization	$ 42,165	$ 44,426	$ 45,845	$ 57,114	$ 842	$ 190,391
Amortization of goodwill	$ —	$ —	$ —	$ 5,316	$ —	$ 5,316
Loss on impairment of fixed assets	$ 1,275	$ —	$ —	$ —	$ —	$ 1,275
Capital expenditures	$ 40,577	$ 40,385	$ 29,645	$ 72,904	$ 1,251	$ 184,762

(Note 1). Adjustments amounts are as follows.

1) Adjustments of ¥(2,646) million ($(31,822) thousands) in segment profit are corporate expenses.

2) Adjustments of ¥14,377 million ($172,904 thousands) in segment assets include ¥(15,828) million ($(190,355) thousands) in the elimination of transactions between segments and ¥30,205 million ($363,259 thousands) in corporate assets.

3) Adjustments of ¥70 million ($842 thousands) in depreciation and amortization expenses have primarily to do with corporate assets.

4) Adjustments of ¥104 million ($1,251 thousands) for capital expenditures are the increase in corporate assets.

(Note 2). Effective April 1, 2010, the Company and its consolidated subsidiaries have abolished the "Building materials" segment, because this segment became insignificant as a result of the transfer of all stocks of Shin Nikkei Co., Ltd. to JS Group Corporation. Therefore, Riken Light Metal Industrial Co., Ltd. and Nikkei Kenzai Kogyo Co., Ltd. which had been included in the "Building materials" segment are included in the "Aluminum sheet and extrusions" segment and the "Fabricated products and others" segment, respectively.

Geographical sales for the year ended March 31, 2011 were summarized as follows:

2011		
Japan	Other	Total
(Millions of yen)		
¥349,321	¥80,112	¥429,433

2011		
Japan	Other	Total
(Thousands of U.S. dollars)		
$4,201,094	$963,464	$5,164,558

As more than 90% of property, plant and equipment at March 31, 2011 were in Japan, the disclosure of geographical property, plant and equipment information has been omitted.

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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, 2010 and 2011, and the related consolidated statements of income, 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, 2010 and 2011, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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, 2011 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%)

Nikkei (Shanghai) International Trading Co., Ltd.
Shanghai, China
Phone: 86-21-6236-9658
Sales and marketing bases
(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, 2011)

Directors

President
Representative Director
Takashi Ishiyama

Directors
Tsuyoshi Nakajima
Makoto Fujioka
Mitsuru Ishihara
Tadakazu Miyauchi
Ichiro Okamoto
Atsushi Inoue
President and Representative Director of Nikkeikin Kakoh Kaihatsu Holdings Company, Ltd.
Hiroshi Yamamoto
President and CEO of Toyo Aluminium K.K.
Koji Ueno
President and CEO of Nippon Fruehauf Co., Ltd.
Hidetane Iijima*
Kuniya Sakai*

* Outside Director

Auditors

Standing Statutory Auditors
Hideki Nakamura
Tadashi Asahi

Outside Statutory Auditors
Yuzuru Fujita
Katsuo Wajiki
Yasuo Yuki

Officers

President
Chief Executive Officer
Takashi Ishiyama

Executive vice president
Tsuyoshi Nakajima
Supervision of General Affairs Dept., IR & Public Relations, Accounting & Finance Dept., Group Metal Center and Purchasing & Logistics Dept.

Senior Executive Officers
Makoto Fujioka
General Manager of CSR Group, In Charge of Compliance, Supervision of Auditing Office and Legal Dept., In Charge of Environment and Specific Projects for Group Sales, Supervision of Osaka/Nagoya Regional Office

Mitsuru Ishihara
Supervision of Chemicals Div. and Rolled Product Div.

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

Executive Officers
Ichiro Okamoto
General Manager of Technology & Development Group, Supervision of Strategic Committee for Product Commercialization and Business Development, General Manager of Central Product Safety & Quality Assurance Div.

Toshihide Murakami
Supervision of Kambara Complex, Divisional Manager of Capacitor Foil, Supervision of Landscape Products Div.

Hiroyasu Hiruma
General Manager of Personnel Dept., In Charge of Safety, Supervision of Panel Products Dept.

Officers
Takashi Hara
Divisional Manager of Metal & Alloy and Shaped Parts

Yasunori Okamoto
General Manager of Planning Dept., In Charge of Overseas Strategy, Supervision of Tomakomai Complex

Hirokazu Takatoku
General Manager of Legal Dept., Deputy General Manager of CSR Group, General Manager of Compliance Office, CSR Group

Kotaro Yasuda
Divisional Manager of Chemicals

Minoru Sotoike
General Manager of Accounting & Finance 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.

Takayuki Tsuchida
General Manager of Group Technology Center of Technology & Development Group

(As of July 1, 2011)

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NYK Tennoz Building
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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
56,201

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent of Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.

Last Shareholders' Meeting
June 29, 2011

Major Shareholders
(Ratio of Stock Holding)

Japan Trustee Services Bank, Ltd.
(trust accounts)
(7.8%)

The Master Trust Bank of Japan, Ltd.
(trust accounts)
(4.5%)

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
(2.6%)

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, 2011)

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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