# ANNUAL REPORT 2013

Year ended March 31, 2013

**Nippon Light Metal Holdings 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.***

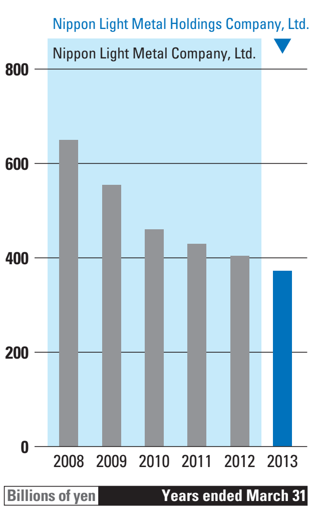
***By carrying on development of new applications for aluminum and aluminum materials, the NLM Group is to continue to support customers in wide-ranging industrial sectors and contribute to improving the quality of people's lives and protection of the environment.***

## Consolidated Financial Highlight

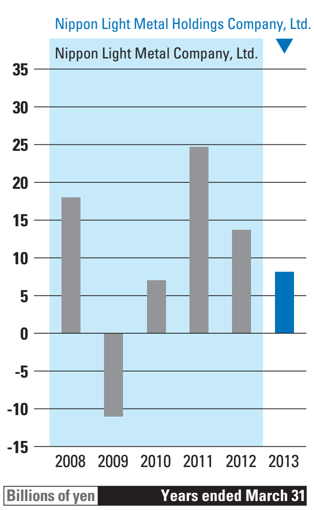
Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries Years ended March 31

| | 2013 | 2013 |
|---|---|---|
| | Millions of yen | Thousands of U.S. dollars |
| For the year: | | |
| Net sales | ¥371,887 | $3,954,141 |
| Operating profit | 8,154 | 86,698 |
| Net income | 3,355 | 35,672 |
| At year-end: | | |
| Total assets | 419,786 | 4,463,434 |
| Net assets | 114,624 | 1,218,756 |
| Short-term borrowings and long-term debt, including bonds and capital lease obligation | 193,883 | 2,061,489 |

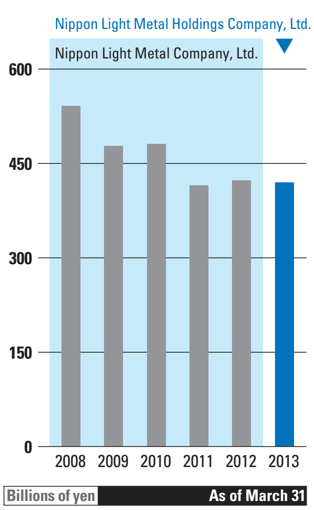
### Net Sales




### Operating Profit




### Total Assets



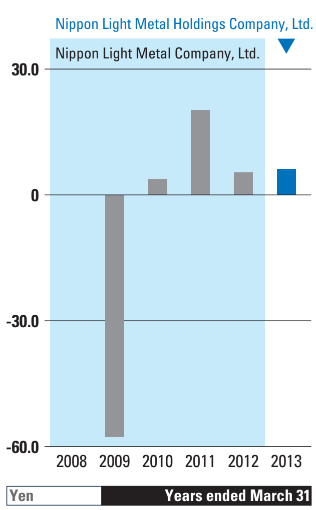
## Contents


Consolidated Financial Highlights ........ C2
To Our Shareholders ........ 2
Special Feature ........ 4
NLM Topics ........ 6
Corporate Governance And Internal Control Systems ........ 8
NLM Group Environmental Activities ........ 10
NLM Group ........ 11
Review Of Operations ........ 12
Consolidated Six-Year Summary ........ 16
Financial Review ........ 18
Consolidated Balance Sheets ........ 20
Consolidated Statements Of Income ........ 22
Consolidated Statements Of Comprehensive Income ........ 23
Consolidated Statements Of Changes In Net Assets ........ 24
Consolidated Statements Of Cash Flows ........ 25
Notes To Consolidated Financial Statements ........ 26
Report Of Independent Auditors ........ 40
Overseas Network ........ 41
Directors And Officers ........ 42
Corporate Data ........ 43


| | 2013 | 2013 |
|---|---|---|
| | yen | U.S. dollars |
| Per share data (yen and dollars): | | |
| Net income —basic | ¥ 6.17 | $ 0.07 |
| —diluted | — | — |
| Cash dividends | 3.00 | 0.03 |
| Net assets | 193.33 | 2.06 |
| Stock information (TSE) (yen and dollars): | | |
| Stock price: | | |
| High | ¥ 118 | $ 1.25 |
| Low | 65 | 0.69 |

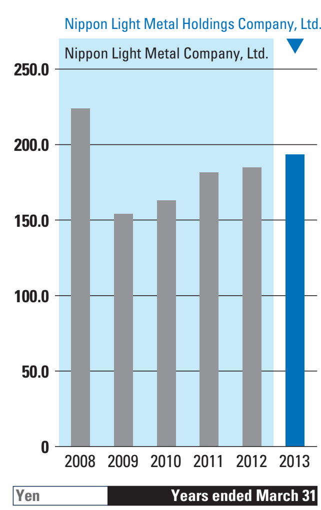
*Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥94.05 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.*

### Net Income per Share



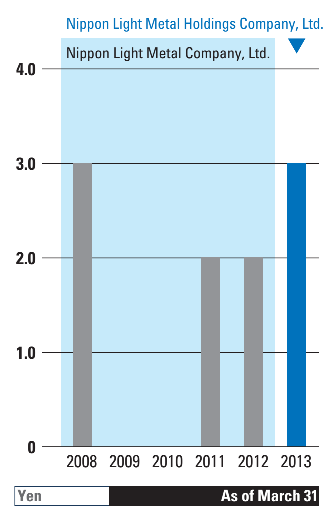

Net Income per Share = (Net Income - Amount not attributable to common shareholders) / Average Number of Shares Outstanding

### 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



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.***

***Nippon Light Metal Holdings Company, Ltd. ("NLM Holdings") was established on October 1, 2012, through a sole-share transfer by Nippon Light Metal Company, Ltd. ("NLM"), as a holding company presiding over the entire Group. The first fiscal year for NLM Holdings is from October 1, 2012 to March 31, 2013; however, the fiscal year under review is from April 1, 2012 to March 31, 2013, because the consolidated financial statements have been prepared by inheriting those of NLM.***

***Furthermore, since shares were transferred through the sole-share transfer method, there is no real change in the scope of consolidation from that under NLM. Therefore, comparisons with the consolidated results for the year ended March 31, 2012 (fiscal 2011) for NLM have been included as a reference for year-on-year comparison.***

## Overview of Fiscal 2012

During the year under review, in the domestic aluminum industry, the demand situation varied from field to field. Transport and construction-related shipments increased, but shipments for electrical and electronics products, along with metal products, remained stagnant. As a result, overall aluminum product demand was roughly equal to that of the previous year.

Given these circumstances, the Group worked to further strengthen the revenue base, based on the policies laid out in the three-year Mid-Term Management Plan (from fiscal 2010 to fiscal 2012) of which the fiscal year under review is the final year. The Group also worked to implement thorough cost reduction measures, and strove to improve business results throughout the Group.

However, flagging sales of solar cell-related products and alumina and chemicals-related products made a large impact, and as a result, consolidated net sales for the year under review decreased 7.7% year on year, to ¥371.9 billion. Consolidated operating profit and consolidated ordinary profit decreased 40.3% and 29.2% year on year, to ¥8.2 billion and ¥6.9 billion, respectively. Consolidated net income increased 17.5% year on year to ¥3.4 billion.

Year-end dividend payment will be ¥3 per share, ¥1 greater than year-end dividend payments for the previous year for NLM.

## Overview by Business Segment

Sales in the Alumina, Chemicals and Aluminum Ingot segment decreased 5.7% year on year, to ¥93.9 billion, while operating profit decreased 37.4% year on year, to ¥3.3 billion. With regards to sales, both domestic demand and exports of alumina-related products flagged. Domestic sales of automobile-related products, the core of the Aluminum Ingot operations, also fell due to the end of "Eco-car" subsidy and other factors, resulting in a drop of revenue. In terms of profits, profits declined due to the impact of increased fuel and electricity costs.

Sales in the Aluminum Sheet and Extrusions segment decreased 10.6% year on year, to ¥63.2 billion, while operating profit increased 6.8% year on year, to ¥1.7 billion. Transport-related shipments increased mainly for van and truck outfitting. However, the slump in electrical and electronics products was reflected in the result of a drop in revenue, but profits rose, in part thanks to the effect of fixed cost reductions by the Aluminum Sheet operations.

Sales in the Fabricated Products and Others segment decreased 1.4% year on year, to ¥126.2 billion, while operating profit increased 9.1% year on year, to ¥7.0 billion. Despite an increase in sales in the van and truck outfitting business due to the earthquake recovery demand and the effect of "Eco-car" subsidy, shipments were weak in the Electronic Materials sector, resulting in net sales roughly in line with those of the previous year. However, profits increased, partly due to the strong performance of the Panel System sector.

Sales in the Aluminum Foil, Powder and Paste segment decreased 15.5% year on year, to ¥88.6 billion, and operating profit and loss was posted as ¥0.8 billion in operating loss, compared to ¥3.4 billion in operating profit in the previous year. Significant sales drop of solar cells-related products reduced revenue. In terms of profits, a dramatic drop in the selling price for solar cell-related products triggered by oversupply, as well as a sizable loss posted following disposal of inventory due to a shift in market trends, also deteriorated profits.

## Key Topics during Fiscal 2012

Overseas, in July 2012, the Group established a heat insulation panel manufacturing plant in Thailand. This will allow us to use the advantages of local production to offer quality and stable delivery times to customers expanding into the area. In addition, the Group will leverage the sales network at our local subsidiary in Vietnam established in October 2011 to expand the business in the Southeast Asian region, where the market is expected to grow in the future.

In September, the Group established CMR Nikkei India Private Ltd., a local joint venture in India, as the site for manufacturing and sales of aluminum alloys in northern India. The Group will carry out expansion of our business in India's aluminum alloy market which is growing rapidly with the development of the automobile industry.

In October, the Group established the Changchun Nikkei Railway Vehicle Equipment Co., Ltd., a local joint venture in China, as the site for manufacturing and sales of parts for transport equipment such as trains. The Group will work to expand our business not only in railway field but in China's transport-related markets as a whole.

In Japan, as of October 1, 2012, Toyo Aluminium K.K. and its subsidiaries acquired all outstanding shares of SUN-ALUMINIUM IND., LTD. (currently Toyo Aluminium Chiba K.K.), an aluminum foil manufacturer. We will enhance our cost competitiveness in order to come out on top in global competition, while stepping up production efficiency and stabilizing supply, in order to reinforce our business competitiveness in the Aluminum Foil segment.

## Outlook for Fiscal 2013

With regard to the Japanese economy for fiscal 2013, although the risk of an economic downturn overseas lingers amid the European debt crisis and other factors, there is rising expectation of an economic recovery within Japan in response to the implementation of proactive monetary easing measures by the new government administration, along with the improved export environment following progress in correction of the strong yen, and rising stock prices.

Demand for aluminum products, which had been on a continuing downward trend, is expected to increase year on year due to a recovery in construction and electrical machinery as well as in exports.

In these circumstances, the next fiscal year is projected to register net sales of ¥390.0 billion, operating profit of ¥14.5 billion, and ordinary profit of ¥12.0 billion.

The Group has formulated a new three-year Mid-Term Management Plan starting in the year ended March 31, 2014. We hope to grow as an even stronger corporate group by taking the transition to a holding company format as an opportunity to strengthen collaboration within the Group and maximize consolidated revenue.

(Please refer to the special feature starting on page 3 for an overview of this Mid-Term Management Plan.)

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

June 2013

Takashi Ishiyama

Takashi Ishiyama
President and CEO

# Striving for ¥22.0 Billion in Ordinary Profit through a Matrix of Community and Market Fields

***NLM Holdings has established a "New Mid-Term Management Plan" for the three-year period beginning in April 2013. This section will examine the contents of this plan.***

## Overview of the New Mid-Term Management Plan

(Billions of yen, until otherwise stated)

| | Fiscal 2012 Results | Fiscal 2013 Forecast | New Mid-Term Fiscal 2015 Targets |
|---|---|---|---|
| Net sales | 371.9 | 390 | 440 |
| Operating profit | 8.2 | 14.5 | 25 |
| Ordinary profit | 6.9 | 12 | 22 |
| Net income | 3.4 | 6.5 | 14 |
| Year-end interest-bearing debt | 188.8 | 185 | 175 |
| Net D/E ratio (times) | 1.5 | 1.4 | 1.1 |
| R O C E (%) | 3.7 | 5.6 | 8.9 |

Under the New Mid-Term Management Plan (from fiscal 2013 to fiscal 2015, hereinafter referred to as the "New Mid-Term Plan"), the Group will strive to increase corporate value and achieve sustainable profit growth for both the Group and our shareholders, based on the management philosophy of "perpetually developing applications for aluminum and aluminum-related materials in order to contribute to improvements in peoples' lives and the conservation of the natural environment." In the New Mid-Term Plan, the Group will strengthen integration between Group companies through the transition to a holding company format so as to maximize consolidated revenue, based on the following basic policies.

## Basic Policies of New Mid-Term Management Plan

1. Business development through strategies by region and by sector
2. Creation of growth drivers through new products and businesses
3. Strengthening of corporate culture

### 1. Business development through strategies by region and by sector

Reflecting the increasing diversity of market sectors in Japan, China, Southeast Asia, and other regions, the new plan does not concentrate business resources on specific market sectors alone, but instead uses a matrix of regions (domestic and overseas) and market sectors to select fields into which business resources should be invested in order to maximize revenue by region and by market sector.

**<Automotive / Transport>**

| | | | |
|---|---|---|---|
| Japan | Nippon Light Metal Company, Ltd.<br>Nikkeikin Aluminium Core Technology Co., Ltd. | Aluminum Sheet and Extrusions | Strengthen materials and components for use in railway cars |
| | Nippon Fruehauf Co., Ltd. | Truck Outfitting | Strengthen service operations |
| China | Nikkeikin Aluminium Core Technology Co., Ltd. | Fabrication of Shaped Parts | Expand sales of automobile components to Western manufacturers |
| | | | Strengthen components for use in railway cars |
| | Nippon Fruehauf Co., Ltd. | Truck Outfitting | Expand trailer sales, consider van and truck outfitting |
| ASEAN | Nikkei Siam Aluminium Limited | Heat Exchanger Material | Expand sales through collaboration with Japan and China |
| | Nikkei MC Aluminium Co., Ltd. | Secondary Alloy | Enhance competitiveness of Thai site, consider expansion |
| | Nikkeikin Aluminium Core Technology Co., Ltd. | Fabrication of Shaped Parts | Consider creation of new Thai site |
| | Nippon Fruehauf Co., Ltd. | Truck Outfitting | Consider creation of new Thai site |
| Other | Nikkei MC Aluminium Co., Ltd. | Secondary Alloy | Start operations in India, consider creation of new Latin America site |

### Summary of the Previous Mid-Term Management Plan

The previous Mid-Term Management Plan, from fiscal 2010 to fiscal 2012, considered the three-year period as one of "putting the NLM Group's new growth strategy into effect." Numerical targets were not achieved due to the deterioration in the business environment caused by the Great East Japan Earthquake, the flooding in Thailand, the prolonged European financial crisis, and worsening relationship between Japan and China, but several of the plan's measures, such as accelerating overseas business development and strengthening industry-leading business, were steadily implemented.

In addition, NLM Holdings was established as of October 1, 2012, which prepares the way for further improvements of corporate value.

**< Electrical Machinery and Electronics, Information and Telecommunications>**

| | | | |
|---|---|---|---|
| Japan | Toyo Aluminium K.K. | Electrolytic Aluminum Foil | Expand sales of new products |
| ASEAN | Nikkei Siam Aluminium Limited<br>Nikkei Heat Exchanger Company, Ltd. | Heat Exchangers | Expand sales of room air conditioners |
| | Nikkeikin Aluminium Core Technology Co., Ltd. | Fabrication of Shaped Parts | Consider creation of new Thai site |
| Other | Nippon Light Metal Company, Ltd. | Alumina | Expand sales of high value added products (high purity, fine particle) |

**<Environment, Safety, and Energy>**

| | | | |
|---|---|---|---|
| Japan | Nippon Light Metal Company, Ltd.<br>Nikkeikin Aluminium Core Technology Co., Ltd. | Sheets and Fabrication | Lithium ion battery body materials |
| | Nippon Electrode Co., Ltd. | Graphitization Treatment | Lithium ion battery negative electrode materials |
| | Nikkeikin Aluminium Core Technology Co., Ltd.<br>Riken Light Metal Industrial Co., Ltd.<br>NLM ECAL Co., Ltd., etc. | Fabrication of Shaped Parts | Expand sales of solar panel racks |
| | NLM ECAL Co., Ltd. | Plant Packages | Expand sales of power conditioner bodies |

**<Food, Health, and Daily Products>**

| | | | |
|---|---|---|---|
| Japan | Toyo Aluminium K.K. | Fabricated Foil | Expand sales of packaging for new foods and medical products |
| | Nikkei Panel System Co., Ltd. | Insulation Panels | Strengthen food processing plants and distribution at low temperature |
| China | Toyo Aluminium K.K. | Fabricated Foil | Reduce costs and expand sales |
| ASEAN | Nikkei Panel System Co., Ltd. | Insulation Panels | Expand sales of new products tailored to local needs |

## 2. Creation of growth drivers through new products and businesses

Modern times call for the continual development of new products and businesses which offer greater added value. The Group takes a customer-oriented perspective in further deepening and diversifying development activities through Group-wide coordination and creates growth drivers.

| | | |
|---|---|---|
| Automotive / Transport | Nippon Light Metal Company, Ltd. | Aluminum electrical wires for automobiles |
| Electrical Machinery and Electronics | Toyo Aluminium K.K. | Electrolytic Aluminum foil (Toyal Carbo, Toyal Pass, Toyal Titanium), LED circuits, lithium ion battery exterior foil |
| Information and Telecommunications | Nippon Fruehauf Co., Ltd. | Container data centers |
| | NLM ECAL Co., Ltd. | Modular data centers |
| Environment, Safety, and Energy | Nippon Light Metal Company, Ltd.<br>Nikkeikin Aluminium Core Technology Co., Ltd. | Lithium ion battery body materials |
| | Nippon Electrode Co., Ltd. | Lithium ion battery negative electrode materials |
| | Nikkeikin Aluminium Core Technology Co., Ltd.<br>Riken Light Metal Industrial Co., Ltd.<br>NLM ECAL Co., Ltd., etc. | Solar panel racks<br>(Alsol, Alsol Mega) |
| Food, Health, and Daily Products | Toyo Aluminium K.K. | Water-shedding packaging material (Toyal Lotus)<br>Medicinal product package (READ-MAX) |

Takashi Ishiyama,
*President and CEO*

## 3. Strengthening of Corporate Culture

Early recovering of revenue has been a challenge in the following three business sectors, and the Group plans to restructure their production systems, develop high value added products, and enhance coordination with overseas Group companies to rapidly recover revenue.

| | |
|---|---|
| Alumina | Expand sales of high value added products and reduce costs |
| Aluminum Sheet | Increase competitiveness through coordination between Japanese, Chinese, and Thai manufacturing sites |
| Electronic Functional Materials | Restructure manufacturing and sales systems and reduce costs |

Furthermore, by cultivating and effectively utilizing overseas management personnel, next generation executives, and other human resources in the Group, we will further strengthen its corporate culture.

### ● Improvement of Financial Strength and Shareholder Returns

The Group's basic profit allocation policy is "to enhance its financial strength and business foundation, while at the same time taking into consideration the overall consolidated business results from a medium- to long-term perspective and paying dividends to shareholders." In addition, internal reserves will be used not only as capital for reducing interest-bearing debt in order to improve the Group's financial strength, but will also be invested in expanding business operations in growth fields, and creating demand and increasing profitability in core business fields to increase our corporate value.

Under the new Mid-Term Management Plan, the Group plans to raise dividend payments from the current (as of the year ended March 31, 2013) ¥3 per share to ¥5 per share as soon as possible.

The Group will actively and efficiently implement an action plan based on the above Basic Policies, with the entire Group continuing to work as one in the future to increase its corporate value.



## Expanding into Chinese and ASEAN markets through the trilateral structure of Japan, Thailand, and China

### ❶ The Aluminum Sheet business thus far

The aluminum sheet business is one of the main business sectors of Nippon Light Metal Holdings Company, Ltd., and the Group will establish a trilateral supply structure which consists of Japan, Thailand, and China, with the Group subsidiary Nippon Light Metal Company, Ltd. (hereinafter referred to as "Nikkeikin") at its center. In the past, Japan (Nikkeikin Nagoya Plant) and Thailand (Nikkei Siam) have engaged in rolling products business. The Nagoya Plant's main products include foil stock and thick plates, and the plant has an annual production capacity of approximately 100,000 tons. Nikkei Siam, a wholly-owned subsidiary of Nikkeikin, is the only company which possesses the hot rolling mill in Southeast Asia, and has an annual production capacity of approximately 40,000 tons. Its main products include aluminum foil and thin plates for use in automobile heat exchangers.

### ❷ Development of Aluminum Sheet business in China

Nikkeikin received third-party share allocations of Huafon Aluminum Co., Ltd. (hereinafter referred to

#### Company Overview

Trade name : **Huafon Nikkei Aluminum Co., Ltd.**
Location : **Jinshan District, Shanghai city**
President : **You Xiaohua**
Capital : **0.6 billion yuan**
Investment ratio : **Huafon Group Co., Ltd. 54.1%**
: **Nippon Light Metal Co., Ltd. 33.4%**
: **Other shareholders 12.5%**
Number of employees : **426**
Description of business : **Manufacturing and sales of rolled aluminum product**

as "Huafon Aluminum"), based in Shanghai, China, and agreed to acquire 33.4% of the company's shares, changing the name of the company to Huafon Nikkei Aluminum Co., Ltd. (hereinafter referred to as "Huafon Nikkei Aluminum") in March of this year. In April, following the name change, the company was certified by the Shanghai city authorities as a foreign company, so after the investment of additional capital, the company will become a company accounted for using the equity method.

Huafon Aluminum is an aluminum rolling company established by the Huafon Group in 2008. It was known in China for its superior facilities and personnel, and has been recognized as a global supplier by heat exchanger manufacturers in Korea, Europe, and the U.S. This additional funding will be used to pay for the strengthening of installation capacity which will be necessary in the future, outfitting the company with a system which allows the company to supply high-quality products at low cost not only in China but also to Japanese manufacturers and automobile component manufacturers in ASEAN countries. By 2016, the Group plans for the company to have an annual production volume of 100,000 tons, and net sales of ¥31,000 million.

### ❸ Targeting ASEAN markets

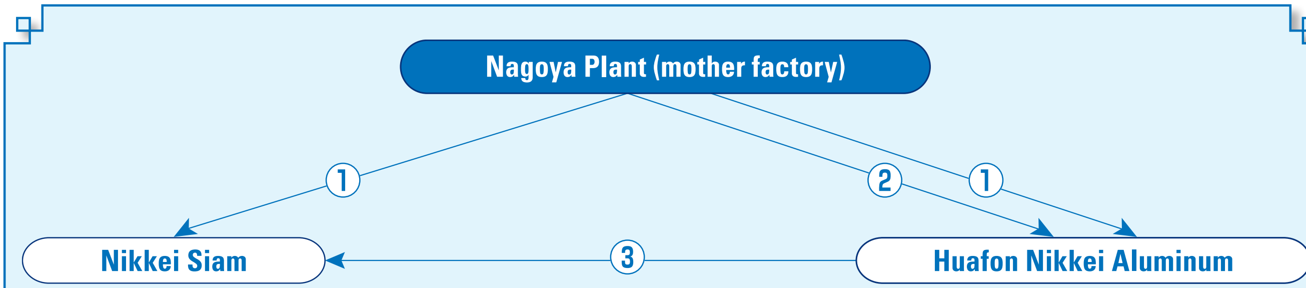
The Group's investments in Huafon Nikkei Aluminum will enable the Group's Aluminum Sheet business to possess three manufacturing sites in Japan (Nagoya Plant), Thailand (Nikkei Siam), and China (Huafon Nikkei Aluminum) for the high-demand markets of ASEAN countries, and will boost expansion of presence in the markets while increasing revenue.

### ❹ Roles of the three manufacturing sites

The Nagoya Plant in Japan aims for expanding production through its high-mix and small-lot approach and rapid turn-around capabilities, and focuses on high value added products made using the Group's strengths in developing products from raw materials. At the same time, it will provide support and transfer of manufacturing technology to the sites in Thailand and China, cultivating global human resources and acting as the Group's mother factory.

Thailand's Nikkei Siam will expand its cold rolling capacity, becoming a core site and supply base for global customers.

China's Huafon Nikkei Aluminum will act as a supply base of competitively priced coils used as base materials for Nikkei Siam, as well as advancing into the growing Chinese automobile heat exchanger market and creating new revenue sources.




① Nagoya Plant will act as a center for human resource cultivation, transferring the technologies possessed by the NLM Group
② Huafon Nikkei Aluminum will receive various materials from Nagoya Plant and process them to local specifications
③ Nikkei Siam will receive aluminum materials (semimanufactured goods) from Huafon Nikkei Aluminum, and will expand its own production capabilities

## 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 12 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 2012.

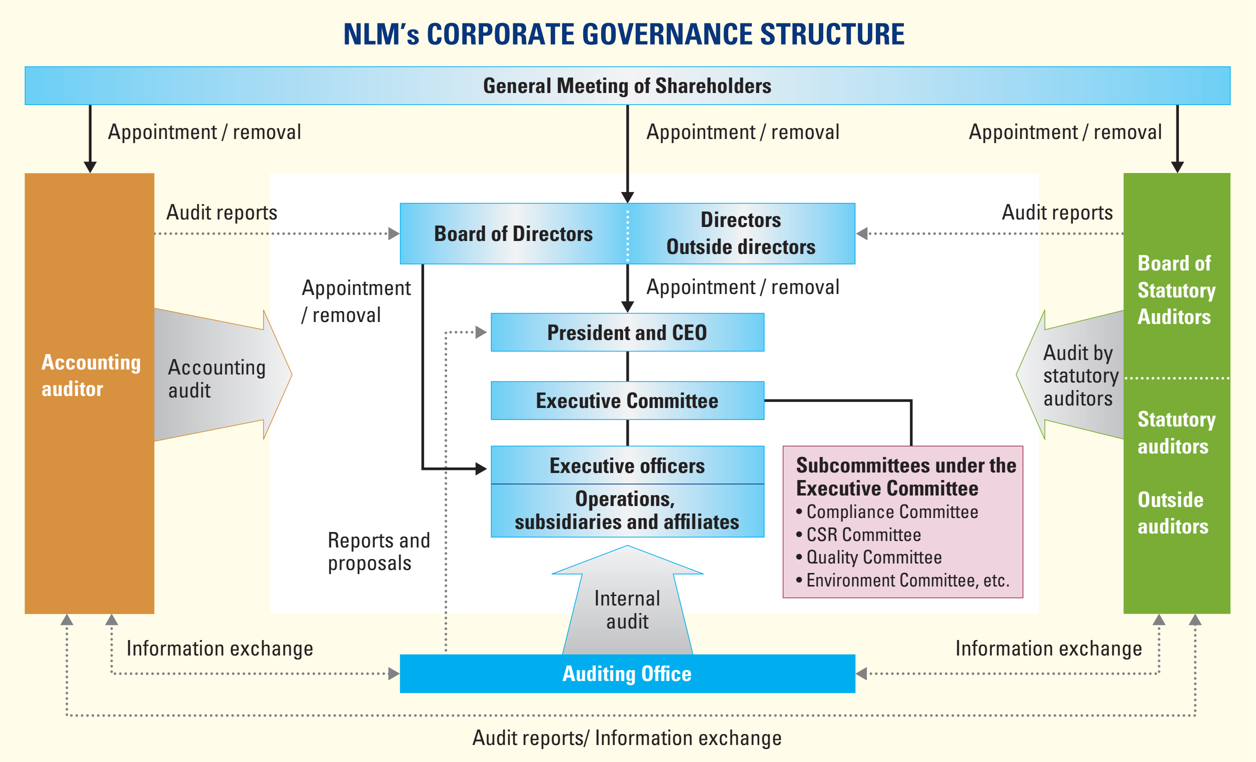
To examine important matters that affect the entire Group from multiple perspectives, NLM has set up an Executive Committee under the Board of Directors. This committee consists of the president and CEO, senior executives and executive officers and directors of subsidiaries who concurrently serve as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

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

### *Support Systems for Outside Directors and Outside Statutory Auditors*

The Planning Department and the Legal Department, which jointly serve as the secretariat for the Board of Directors, circulate preparatory handouts to directors and auditors. The secretariat also elaborates on issues of particular importance prior to meetings.

The Auditors Office provides staff to assist the auditors.



### *Accounting Audits*

In fiscal 2012, 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

The Group shall comply not only with the laws and regulations of the countries and regions in which it operates but also with relevant international standards and their spirit, doing business in a fair and transparent manner.

*The Group's management policies reflect the recognition that initiatives to tackle global environmental issues are vital.*

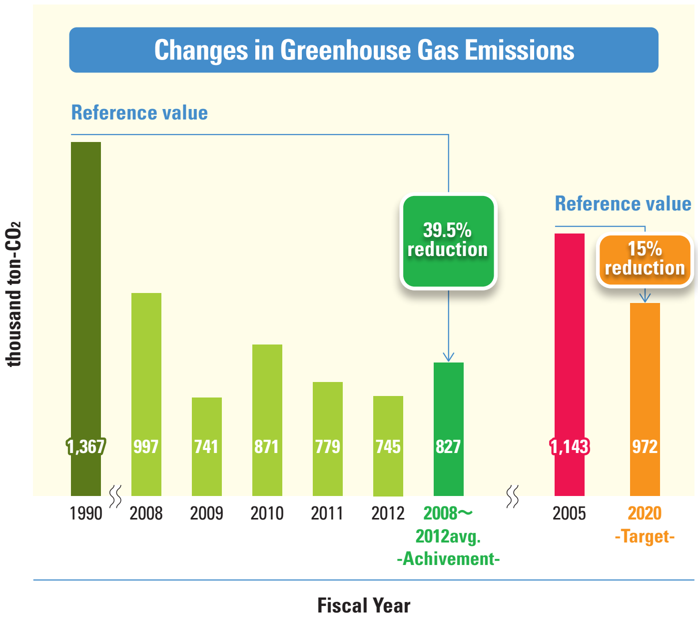
### Basic Policy for Environmental Issues

Environmental issues are no longer regional issues; they are having a wider impact and carry grave consequences, influencing our global environment, and even threatening our very existence. Consequently, national governments, local governments, citizens, and businesses are now expected to make efforts to develop an environmentally friendly, sustainable, resource-circulating society. It is with this understanding that Nippon Light Metal Group proactively seeks to remain in harmony with the environment across all of our corporate activities. Harmony with the environment will lead to protecting the interests of shareholders, business partners, employees and local communities, the reason for Nippon Light Metal Group's existence, and lead to healthy corporate activities. Nippon Light Metal Group, as a good corporate citizen, endeavors to contribute to the realization of a truly enriched society through our environmental social contributions.

### Action Guidelines

1. **Compliance with Environmental Laws and Regulations**
   Nippon Light Metal Group complies with environmental laws and regulations
2. **Improvement of Energy Efficiency and Reduction of $CO_2$ Emissions**
   Nippon Light Metal Group strives to improve energy efficiency and reduce $CO_2$ emissions through improved efficiency of production processes and facilities, enhanced productivity and streamlining logistics.
3. **Reduced Resource Consumption and Promotion of the 3Rs**
   Nippon Light Metal Group pursues efficient use of all resources used by the Group, not just aluminum, and promotes the three Rs (Reduce, Reuse, Recycle).
4. **Conducting Business with Consideration of Environmental Impact**
   Nippon Light Metal Group conducts scientific assessments of environmental impact prior to constructing production sites and prior to the development of new products. The Group accordingly undertakes measures to conserve biodiversity. Additionally, in the course of conducting business the Group makes every effort to minimize environmental impact.
5. **Development of Technologies that Contributed to Environmental Conservation**
   Using aluminum's inherent characteristics, Nippon Light Metal Group proactively develops products, processes, and other technologies that have minimal environmental impact. The Group then discloses and provides the end results of this work to society in order to be utilized in environmental conservation.

### Voluntary Action Plan for reduction of Greenhouse Gas Emissions / NLM Group




With regard to reduction of greenhouse gas emissions, we have greatly completed our target of reducing by fiscal 2012 so that the average level from fiscal 2008 to 2012 is reduced by 6% compared to fiscal 1990 levels.

For fiscal 2012, the level was 39.5 %( 540 thousand tons-$CO_2$ emissions).

Then, we have set a next target of reducing greenhouse gas emissions by fiscal 2020 so that the average level from fiscal 2018 to 2022 is reduced by 15% compared to fiscal 2005 levels.

*Nippon Light Metal Group consists of 79 subsidiaries and 21 affiliates (as of March 31, 2013).*
*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 Holdings Company, Ltd.

### Aluminum Ingot and Chemicals

**(Manufacture and Sales)**
- ● Nippon Light Metal Company, Ltd.
- ● Aluminium Wire Rod Co., Ltd.
- ● Nikkei MC Aluminium Co., Ltd.
- ● Nikkei MC Aluminum America Inc.
- ● Nikkei MC Aluminum (Thailand) Co., Ltd.
- ● Nikkei MC 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)**
- ● Nippon Light Metal Company, Ltd.
- ● Nikkei Extrusions Co., Ltd.
- ● Nikkeikin Aluminium Core Technology Co., Ltd.
- ● Shandong Nikkei Conglin Automotive Parts Co., Ltd.
- ● Nikkei (Shanghai) Body Parts 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)**
- ● Nippon Light Metal Company, Ltd.
- ● NLM ECAL Co., Ltd.
- ● Nikkei Sangyo Co., Ltd.
- ● Nikkei Panel System Co., Ltd.
- ● Nikkei Matsuo Co., Ltd.
- ● Nippon Electrode Co., Ltd.
- ● Nippon Fruehauf Co., Ltd.
- ● Shandong Conglin Fruehauf Automobile 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.

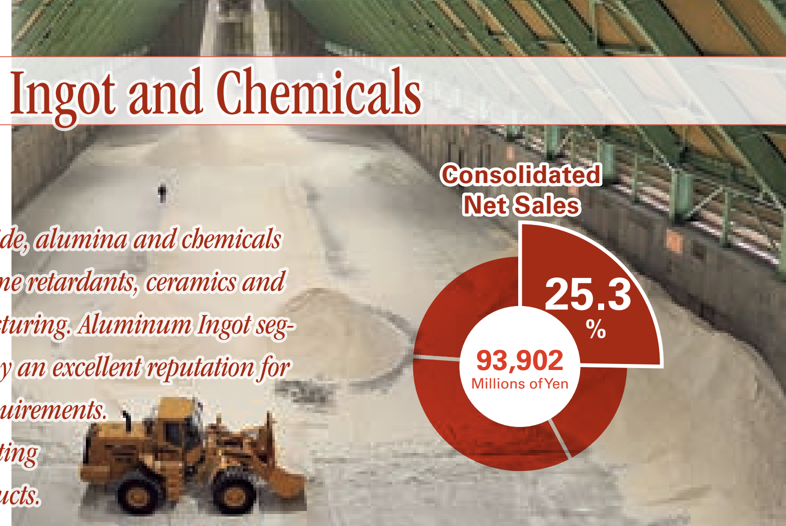
### Aluminum Foil, Powder and Paste

**(Manufacture and Sales)**
- ● Toyo Aluminium K.K.
- ● Hunan Ningxiang JiWeiXin 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.
- ● Toyo Aluminium Chiba K.K.
- ● Sam-A Aluminium Co., Ltd.

## CUSTOMER

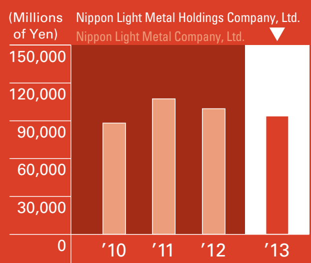
● Consolidated subsidiaries: 73 companies ● Affiliates accounted for by the equity method: 14 companies (As of March 31, 2013)

# Aluminum Ingot and Chemicals

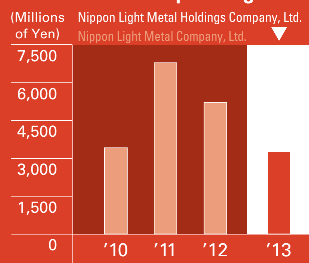



**Profile** *Alumina and Chemicals segment produce aluminum hydroxide, alumina and chemicals used in various fields. These products are used as raw materials for flame retardants, ceramics and other products and as industrial materials in paper and pulp manufacturing. Aluminum Ingot segment manufacture primary and secondary aluminum alloys and enjoy an excellent reputation for the development of high-performance alloys in response to customer requirements. High-purity aluminum manufactured at Japan's only aluminum smelting plant is used as a raw material for electronic materials and other products.*

### Net Sales




### 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 2012

In the Alumina and Chemicals segment, with regard to alumina-related products, sales for the mainstay alumina and aluminum hydroxide products were down due to factors including sluggish domestic demand and intensifying competition in overseas markets. As a result, sales fell far below the level of the previous year.

In terms of chemicals, although shipments of caustic soda and inorganic chlorine products were strong, sales of organic chlorine products declined substantially, causing sales to fall below the level of the previous year.

As a result, overall sales for the segment fell far below those of the previous year. In terms of profits, despite efforts to reduce fixed costs, the drop in sales volume combined with the impact of rising fuel and electricity costs led to results significantly below those of the previous year.

The project to switch the raw material used by the Alumina and Chemicals segment from bauxite to aluminum hydroxide was completed in October 2012. On this new business foundation, we will work to expand sales of alumina and aluminum hydroxide, and to develop high value added products.

Aluminum Billet

In the Aluminum Ingot segment, sales of the mainstay secondary alloy products for automotive applications were robust in Southeast Asian and North American markets. However, sales volume in Japan, which had been solid during the first half of the year, took a downturn in the latter half due to factors including the end of the "Eco-car" subsidy, resulting in a decrease in sales for the segment overall compared to the previous year.

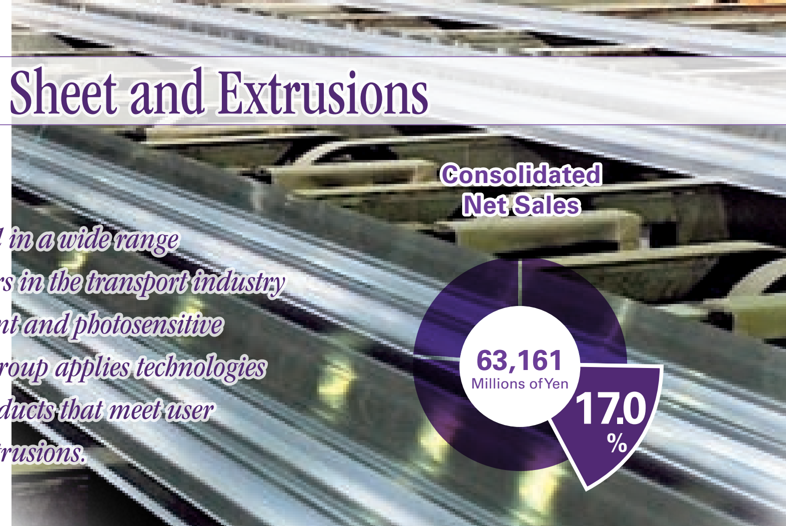
In terms of profits, in addition to the fierce price competition with imported goods caused by the yen appreciation that persisted until the end of last year, the price of raw material scrap also continued to rise. These and other factors led to results below those of the previous year.

As a result, Alumina, Chemicals and Aluminum Ingot segment sales decreased 5.7%, or ¥5,658 million year on year, to ¥93,902 million (¥99,560 million for the previous year), while operating profit decreased 37.4%, or ¥1,954 million year on year, to ¥3,273 million (¥5,227 million for the previous year).

In September 2012, the Group established CMR Nikkei India Private Ltd., a local joint venture in Haryana Province, India, as the site for manufacturing and sales of aluminum alloys in northern India. In addition to expanding our business in India's aluminum alloy market which is growing rapidly with the development of the automobile industry, this facility will also function as a supply base of development alloys for customers expanding into the area.

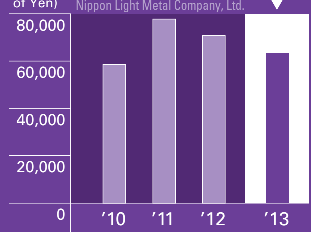
## Review of Operations

# Aluminum Sheet and Extrusions

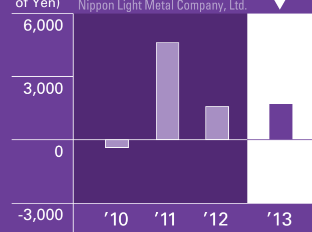



**Profile** *The NLM Group's aluminum sheet and extrusions are used in a wide range of market sectors, for instance for automotive parts and railway cars in the transport industry and for semiconductor and liquid crystal manufacturing equipment and photosensitive drums in the electrical machinery and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

### 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 2012

In the Aluminum Sheet segment, transport-related shipments increased mainly for van and truck outfitting. However, the slump in electrical machinery and electronics-related fields was reflected in results including a significant drop in shipments of thick plates for semiconductor and LCD manufacturing equipment, and in shipments of foil stock for capacitors. Consequently, overall sales volume fell below that of the previous year. Furthermore, the price of Aluminum Ingots, which is an indicator in terms of price, stagnated and the unit selling price dropped, leading to sales levels far below those of the previous year.

Aluminum Sheet

In terms of profits, although they improved compared to the previous year thanks to the effect of fixed cost reductions and other factors, the segment did not post a profit mainly because fuel prices were rising while the unit selling price was falling.

In the Aluminum Extrusions segment, demand related to building materials was up, and the transport-related shipments for railway cars were strong, while truck outfitting also performed favorably. However, electrical machinery and electronics-related fields were weak, and automobile shipments that had been robust during the first half of the year fell dramatically in the latter half amid the adverse effect of worsening relationship between Japan and China. These and other factors led to sales levels below those of the previous year for the segment as a whole, and a decline in profits as well.

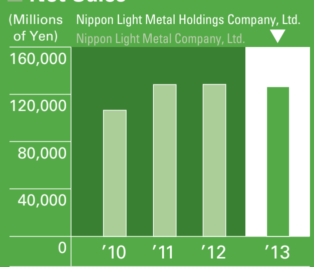
As a result, Aluminum Sheet and Extrusion segment sales decreased 10.6%, or ¥7,457 million, to ¥63,161 million (¥70,618 million for the previous year). Operating profit increased 6.8%, or ¥106 million, to ¥1,675 million (¥1,569 million for the previous year).

In October 2012, the Group established the Changchun Nikkei Railway Vehicle Equipment Co., Ltd., a local joint venture, in the Jilin Province, China, as the site for manufacturing and sales of parts for transport equipment such as trains. Rapid progress is being made in the enhancement of China's railway network amid growing demand for transportation driven by economic development. We will leverage our technological superiority in the railway field and work to expand our business not only in railways but in China's transport-related markets as a whole.

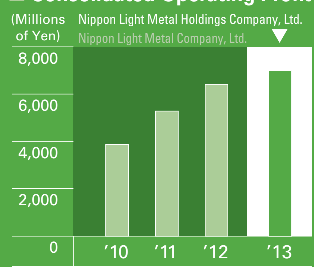
# Fabricated Products and Others

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


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

## Overview of results for fiscal 2012

In the Transport-Related segment, sales in the truck outfitting business exceeded those of the previous year as a result of factors including a rise in demand for trucks associated with reconstruction after the earthquake, the impact of the "Eco-car" subsidy program during the first half of the year, and the emergence of demand for replacement of vehicles purchased at the time of tightening of emissions regulations in the latter half of the year.

In the area of capacitors for car air conditioners, demand rose in the first half of the year, and sales were strong for some export products during the latter half as well. Along with other factors, these resulted in sales levels exceeding those of the previous year.

The Shaped Parts segment saw robust demand during the first half of the year. In the latter half, however, worsening relationship between Japan and China led to a drop in the number of automobile units manufactured, which, along with retroaction to the end of the "Eco-car" subsidy, etc., led to sluggish demand and resulted in sales below those of the previous year.

In the Electronic Materials segment, although demand for anodized aluminum foil for aluminum electrolytic capacitors is expected to grow in the future in fields such as renewable energy-related field, sales continued to be slack for both consumer and manufacturing equipment against the backdrop of the slowdown in the global economy, and sales fell far below those of the previous year.

In the Panel System segment, as the pace of new convenience store openings picked up in response to an expanded customer base due to the earthquake, demand for industrial refrigerators and freezers grew not only for stores, but also for related plants that process food products. In particular, demand for low temperature distribution warehouses increased considerably, backed by the spread of online sales and a stronger home delivery business in the restaurant industry. With regard to clean rooms as well, although demand was sluggish for semiconductors and precision equipment, an increase in demand in the medical and bio fields led to overall segment sales far exceeding those of the previous year.

In July 2012, the Group established a heat insulation panel manufacturing plant in Thailand. This will allow us to use the advantages of local production to offer quality and stable delivery times to customers expanding into the area. In addition, the Group will leverage the sales network at our local subsidiary in Vietnam established in October 2011 to expand the business in the Southeast Asian region, where the market is expected to grow in the future.

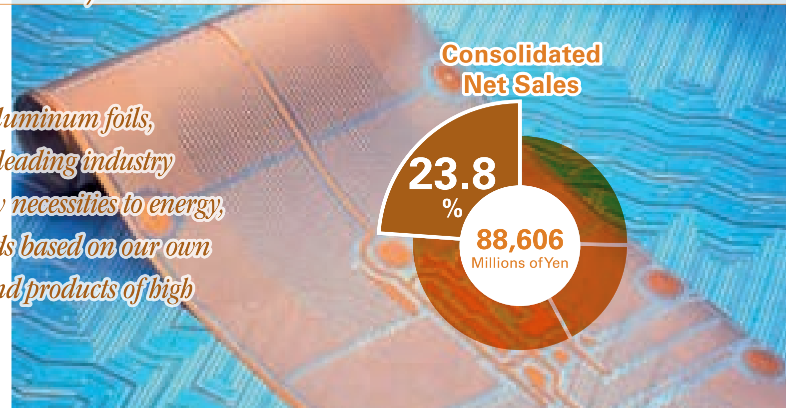
In the Carbon Product segment, the slowdown in the economy overseas led to stagnant sales for the sector's major products, cathodes and carbon blocks for blast furnaces and electric furnaces for the steel and aluminum smelters. However, sales were on par with the levels of the previous year, mainly due to an increase in sales of unshaped materials for electrodes.

As a result, sales in the Fabricated Products and Others segment decreased 1.4%, or ¥1,754 million, to ¥126,218 million (¥127,972 million for the previous year). Operating profit increased 9.1%, or ¥582 million, to ¥6,974 million (¥6,392 million for the previous year).

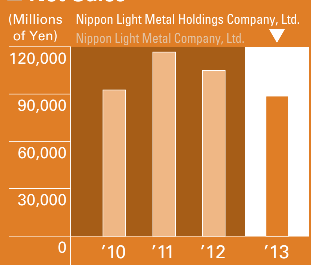
# Review of Operations

# Aluminum Foil, Powder and Paste

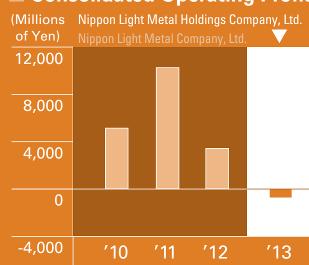
**Profile** *The core company in this segment is Toyo Aluminium K.K. Aluminum foils, powder and paste produced by Toyo Aluminum K.K. have achieved a leading industry market share and are being used in a wide range of areas, from daily necessities to energy, electrical and electronics, and automobiles. 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.*




## 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

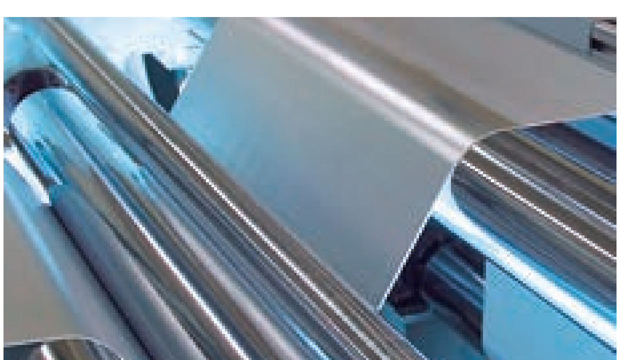
## Principal Products

- 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 2012

In the Aluminum Foil segment, although new products were increasingly adopted for food products and PCs, production adjustments by customers led to stagnant shipments of high-purity aluminum foil for electrolytic capacitors. Sales of standard foil, such as plain foil for lithium ion battery surfaces grew during the first half of the year, but stalled in the latter half. This and other factors resulted in overall sales for the sector falling below those of the previous year.

In the Paste segment, shipments were robust for inks used for food and beverage containers and for pigments used in newly-introduced cosmetics. With regard to mainstay aluminum paste for use in automobile paint, shipments of high-bright products and glass flakes rose in spite of sluggish domestic demand, and exports to North America also performed favorably. As a result, sales exceeded those for the previous year.



Aluminum Foil

In the Electronic Functional Materials segment, the business environment was even harsher than the previous year with regard to sales of mainstay back-sheets and functional ink for solar cells, amid a continuing decline in solar panel production volume in the main producing areas of China and Taiwan caused by shrinkage in our principal European markets for solar cell-related products. Consequently, overall sales for the sector fell far below those of the previous year despite increased shipments for other functional materials such as powder products and circuit products.

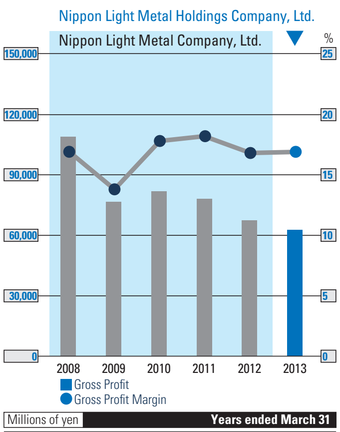
As a result, sales in the Aluminum Foil, Powder and Paste segment decreased 15.5%, or ¥16,253 million, to ¥88,606 million (¥104,859 million for the previous year.) Operating profit and loss decreased by ¥4,173 million to a loss of ¥771 million (¥3,402 million in profit for the previous year), reflecting harsh business conditions particularly in the Electronic Functional Materials segment due to a dramatic drop in the selling price for solar cell-related products triggered by oversupply, as well as a sizable loss posted following disposal of inventory due to a shift in market trends.

As of October 1, 2012, Toyo Aluminium K.K. and its subsidiaries acquired all outstanding shares of SUN-ALUMINIUM IND., LTD. (currently Toyo Aluminium Chiba K.K.), an aluminum foil manufacturer. By making Toyo Aluminium K.K. a subsidiary, we will work to enhance our cost competitiveness in order to come out on top in global competition, while stepping up production efficiency and stabilizing supply, in order to reinforce our business competitiveness in the Aluminum Foil Segment.

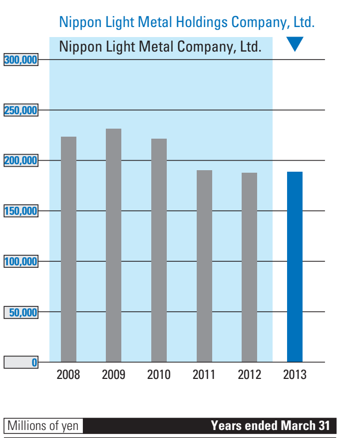
# Consolidated Six-Year Summary

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

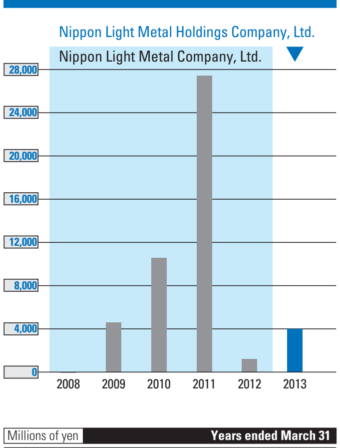
### Gross Profit and Gross Profit Margin




### Interest-bearing Debt




### Free Cash Flows




| | Nippon Light Metal Company, Ltd. | |
|---|---|---|
| | 2008 | 2009 |
| | (Millions of yen) | |
| **Financial Results** | | |
| Net Sales | ¥647,846 | ¥554,094 |
| Gross Profit | 108,946 | 76,720 |
| Gross Profit Margin (%) | 16.8 | 13.8 |
| Operating Profit (Loss) | 17,998 | (11,892) |
| Ordinary Profit (Loss) | 11,222 | (16,936) |
| Net Income (Loss) | (10,310) | (31,442) |
| **Segment Information** | | |
| Net Sales: | | |
| Aluminum Ingot and Chemicals | 156,189 | 120,725 |
| Aluminum Sheet and Extrusions | 79,375 | 66,766 |
| Fabricated Products and Others | 251,998 | 226,543 |
| Building Materials | 160,284 | 140,060 |
| Aluminum foil, powder and paste | — | — |
| Total | 647,846 | 554,094 |
| **Operating Profit (Loss):** | | |
| Aluminum Ingot and Chemicals | 9,172 | 748 |
| Aluminum Sheet and Extrusions | 1,630 | (5,737) |
| Fabricated Products and Others | 13,212 | 3,976 |
| Building Materials | (2,976) | (7,870) |
| Aluminum foil, powder and paste | — | — |
| Elimination or corporate items | (3,040) | (3,009) |
| Total | 17,998 | (11,892) |
| **Financial Position** | | |
| Current Assets | 311,083 | 257,386 |
| Property, plant and equipment | 179,243 | 176,231 |
| Intangible assets | 6,189 | 5,005 |
| Investments and other assets | 43,958 | 39,949 |
| Current liabilities | 270,545 | 264,386 |
| Long-term liabilities | 140,931 | 125,404 |
| Shareholders' equity (Note 3) | 118,294 | 85,170 |
| Total accumulated other comprehensive income (Note 3) | 3,465 | (1,255) |
| Minority interests in consolidated Subsidiaries (Note 3) | 7,238 | 4,866 |
| Interest-bearing Debt (Note 2) | 223,660 | 231,686 |
| **Cash Flows** | | |
| Cash Flows from Operating Activities | 25,018 | 26,674 |
| Depreciation and Amortization | 20,160 | 22,113 |
| Cash Flows from Investing Activities | (25,051) | (22,086) |
| Capital Expenditures | 25,263 | 24,997 |
| Cash Flows from Financing Activities | (9,028) | 6,422 |
| **Per Share Data (yen and dollars)** | | |
| Net Income (Loss) - basic | ¥ (19.00) | ¥ (57.77) |
| - diluted | — | — |
| Net Assets (Note 3) | 223.61 | 154.22 |
| Cash Dividends | 3.0 | — |
| **Indices** | | |
| Return on Capital Employed (ROCE) (%) | 4.5 | (4.1) |
| Return on Equity (ROE) (%) | (7.9) | (30.6) |
| Equity Ratio (%) | 22.5 | 17.5 |
| **Others** | | |
| Number of Shares Outstanding (thousands) | 545,126 | 545,126 |
| R&D Expenditures | ¥ 5,858 | 5,972 |
| Number of Employees | 14,084 | 13,678 |

*Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥94.05 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.*

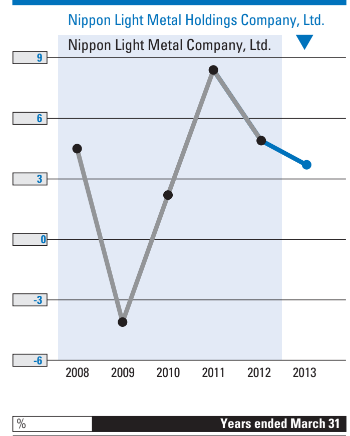
*Note 2: Interest-bearing Debt = Long-term debt and Short-term borrowings, excluding capital lease obligations + Notes discounted + Notes endorsed*

*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".*

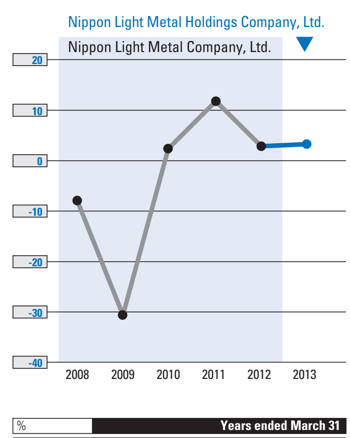
*Note 4: Numbers used for the year ended March 2010 have been revised according to the current segment categories.*

| Nippon Light Metal Company, Ltd. | | | Nippon Light Metal Holdings Company, Ltd. | |
|---|---|---|---|---|
| 2010 | 2011 | 2012 | **2013** | **2013** |
| (Millions of yen) | | | | (Thousands of U.S. dollars) (Note 1) |
| ¥460,681 | ¥429,433 | ¥403,009 | **¥371,887** | **$3,954,141** |
| 81,885 | 78,166 | 67,559 | **62,715** | **666,826** |
| 17.8 | 18.2 | 16.8 | **16.9** | **16.9** |
| 7,673 | 24,724 | 13,665 | **8,154** | **86,698** |
| 2,682 | 18,529 | 9,709 | **6,873** | **73,076** |
| 2,084 | 11,040 | 2,856 | **3,355** | **35,672** |
| | | | | |
| 88,141 | 107,397 | 99,560 | **93,902** | **998,426** |
| 58,399 | 69,458 | 70,618 | **63,161** | **671,568** |
| 106,060 | 136,095 | 127,972 | **126,218** | **1,342,031** |
| 115,680 | — | — | **—** | **—** |
| 92,401 | 116,483 | 104,859 | **88,606** | **942,116** |
| 460,681 | 429,433 | 403,009 | **371,887** | **3,954,141** |
| | | | | |
| 3,425 | 6,783 | 5,227 | **3,273** | **34,801** |
| (362) | 4,604 | 1,569 | **1,675** | **17,810** |
| 3,849 | 5,738 | 6,392 | **6,974** | **74,152** |
| (1,776) | — | — | **—** | **—** |
| 5,140 | 10,245 | 3,402 | **(771)** | **(8,198)** |
| (2,603) | (2,646) | (2,925) | **(2,997)** | **(31,867)** |
| 7,673 | 24,724 | 13,665 | **8,154** | **86,698** |
| | | | | |
| 258,839 | 221,956 | 225,200 | **217,648** | **2,314,172** |
| 165,612 | 143,767 | 149,919 | **153,238** | **1,629,325** |
| 5,147 | 4,458 | 6,601 | **6,338** | **67,390** |
| 51,424 | 44,704 | 40,951 | **42,562** | **452,547** |
| 249,184 | 182,703 | 192,070 | **182,173** | **1,936,979** |
| 138,714 | 127,425 | 121,752 | **122,989** | **1,307,699** |
| 87,245 | 98,272 | 100,033 | **102,297** | **1,087,687** |
| 1,507 | 463 | 434 | **2,851** | **30,314** |
| 4,372 | 6,022 | 8,382 | **9,476** | **100,755** |
| 221,720 | 190,760 | 187,697 | **188,844** | **2,007,910** |
| | | | | |
| 26,388 | 26,479 | 19,537 | **18,030** | **191,707** |
| 20,717 | 15,831 | 17,040 | **16,259** | **172,876** |
| (15,792) | 964 | (18,289) | **(14,025)** | **(149,123)** |
| 14,197 | 15,363 | 23,167 | **17,121** | **182,041** |
| (8,880) | (30,726) | (6,915) | **(5,175)** | **(55,024)** |
| | | | | |
| ¥ 3.83 | ¥ 20.29 | ¥ 5.25 | **¥ 6.17** | **$ 0.07** |
| 3.63 | — | — | **—** | **—** |
| 163.13 | 181.51 | 184.71 | **193.33** | **2.06** |
| — | 2.00 | 2.00 | **3.00** | **0.03** |
| | | | | |
| 2.2 | 7.9 | 4.9 | **3.7** | **3.7** |
| 2.4 | 11.8 | 2.9 | **3.3** | **3.3** |
| 18.5 | 23.8 | 23.8 | **25.0** | **25.0** |
| | | | | |
| 545,126 | 545,126 | 545,126 | **545,126** | **545,126** |
| 5,085 | 4,798 | 4,902 | **5,063** | **$ 53,833** |
| 12,854 | 9,739 | 10,041 | **10,392** | **10,392** |

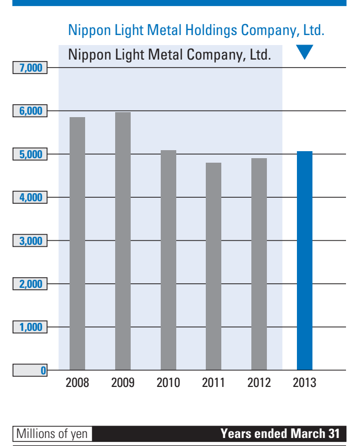
### Return on Capital Employed (ROCE)




### Return on Equity (ROE)




### R&D Expenditures



***NLM Holdings was established on October 1, 2012, through a sole-share transfer by NLM as a holding company presiding over the entire Group. The first fiscal year for NLM Holdings is from October 1, 2012 to March 31, 2013; however, the fiscal year under review is from April 1, 2012 to March 31, 2013, because the consolidated financial statements have been prepared by inheriting those of NLM.***

***Furthermore, since shares were transferred through the sole-share transfer method, there is no real change in the scope of consolidation from that under NLM. Therefore, comparisons with the consolidated results for the year ended March 31, 2012 for NLM have been included as a reference for year-on-year comparison.***

## Overview

The Japanese economy during fiscal 2012 (the year ended March 31, 2013) saw an increase in public investment accompanied by signs of recovery in personal spending. However, the impact of sluggish growth in the economies of emerging nations and deteriorating relations between Japan and China led to a decline in exports, which, coupled with a drop of capital investment mainly in the manufacturing industry, meant that conditions continued to be severe.

With regards to domestic demand for aluminum, the demand situation varied from field to field. Shipments of transport-related products such as automobiles and of construction-related products rose, but shipments of electrical and electronics-related products stagnated. Shipments of metal products such as foil stock continued to flag.

Given these circumstances, the Group worked to further strengthen the revenue base and to increase its competitiveness based on the policies laid out in the Mid-Term Management Plan (from fiscal 2010 to fiscal 2012), a three-year plan of which the fiscal year under review is the final year.

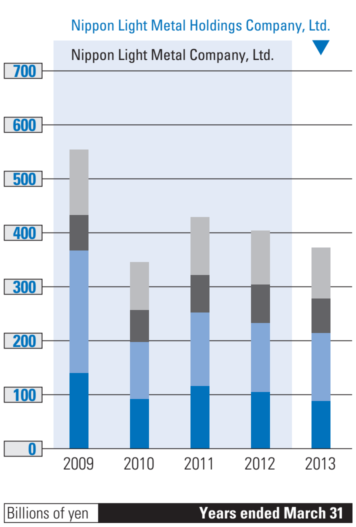
That is, the Group vigorously engaged in making existing products high-value added and launching new products by pressing ahead with fusion and deep cultivation of the technologies built up at each Group company. Furthermore, in order to respond to technical innovation by our customers, each segment steadily carried out collaborative research and development activities.

**Overview of Consolidated Business Performance** (Millions of yen)

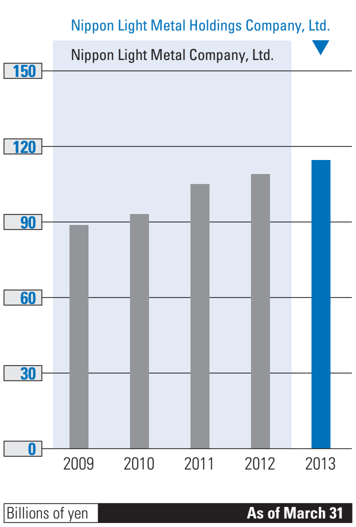
| | NLM Holdings The year ended March 31, 2013 | (Reference) NLM The year ended March 31, 2012 | Changes in Comparison (Decrease in brackets) Changes | [Percent changes] |
|---|---|---|---|---|
| Net sales | 371,887 | 403,009 | (31,122) | [(7.7)%] |
| Operating profit | 8,154 | 13,665 | (5,511) | [(40.3)%] |
| Ordinary profit | 6,873 | 9,709 | (2,836) | [(29.2)%] |
| Net income | 3,355 | 2,856 | 499 | [17.6%] |
| Net income per share(Yen) | 6.17 | 5.25 | 0.92 | [17.5%] |

In addition, the Group established a new company, a local joint venture in China where the railway network is undergoing

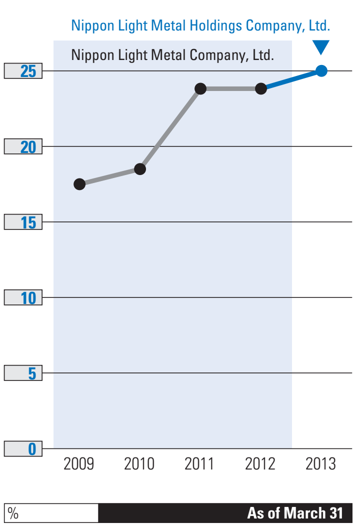
### Net Sales By Segment




### Total Net Assets




### Equity Ratio




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

*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.*

development, for manufacturing and sale of railway-related parts. In India, where demand expansion is anticipated, the Group also launched an aluminum alloy business with a local company. In this way, by deploying our domestically superior business model overseas, we implemented measures to solidify the Group's advantageous position. Furthermore, we took multiple steps to enhance the revenue structure for the Group as a whole, such as implementing measures of thoroughgoing cost reduction and expansion of sales volume.

## Earnings and Expenses

However, flagging sales of solar cell-related products and alumina and chemicals related products made a large impact, and as a result, NLM Holdings' consolidated net sales for the fiscal year under review decreased 7.7% year on year to ¥371.9 billion ($3,954 million). For sales and other financial performance by business segment, please see the Review of Operation in pages 12 to 15.

The cost of sales was ¥309.2 billion ($3,287 million), while the cost to sales ratio was 83.1%. Selling, general and administrative expenses was ¥54.6 billion ($580 million). As a result, operating profit decreased 40.3% year on year to ¥8.2 billion ($87 million).

Non-operating income was ¥4.0 billion ($43 million). During the fiscal year under review, technical support fee and foreign exchange gains were recorded as income. Non-operating expenses were ¥5.3 billion ($56 million). As a result, ordinary profit decreased 29.2% year on year to ¥6.9 billion ($73 million).

For special gains, ¥6.3 billion ($67 million) was recorded as gain on sales of fixed assets. This was a result of selling land. As for special losses, a loss on impairment of fixed assets was recorded for bauxite equipment that became unused following the change in the manufacturing process.

As a result, income before income taxes and minority interests of ¥9.4 billion ($100 million) was recorded for the fiscal year under review. Corporate, inhabitant and business taxes amounted to ¥2.6 billion ($28 million), and deferred income taxes during the fiscal year under review were ¥2.4 billion ($25 million).

**Overview of Consolidated Balance Sheets** (Millions of yen)(%)

| | NLM Holdings March 31, 2013 | (Reference) NLM March 31, 2012 | Changes in comparison (Decrease in brackets) |
|---|---|---|---|
| Total assets | 419,786 | 422,671 | (2,885) |
| Total liabilities | 305,162 | 313,822 | (8,660) |
| Total net assets | 114,624 | 108,849 | 5,775 |
| Equity ratio (%) | 25.0 | 23.8 | 1.2 |

As a result of the above, net income in the fiscal year under review increased 17.5% year on year to ¥3.4 billion ($36 million). The average number of shares outstanding decreased from 543,934 thousand shares in the previous year to 543,889 thousand shares in the fiscal year under review. Therefore, net income per share increased from ¥5.3 in the previous year to ¥6.2 ($0.07) in the fiscal year under review. Payment of annual cash dividend of ¥3.0 ($0.03) per share was approved by the resolution at the General Meeting of Shareholders held on June 27, 2013.

## Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2013 decreased ¥2.9 billion year on year to ¥419.8 billion ($4,463 million). Total liabilities decreased ¥8.7 billion year on year to ¥305.2 billion ($3,245 million). Interest-bearing debt increased ¥1.1 billion year on year to ¥188.8 billion.

Total net assets increased ¥5.8 billion year on year to ¥114.6 billion ($1,219 million), thanks primarily to an increase in retained earnings due to the recording of net income in the fiscal year under review. Net assets per share as of March 31, 2013 increased ¥8.62 year on year to ¥193.33 ($18,182.69), while the equity ratio improved 1.2 percentage point year on year to 25.0%.

## Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2013 decreased ¥0.5 billion year on year to ¥36.0 billion ($383 million).

Net cash provided by operating activities was ¥18.0 billion ($192 million). This was primarily due to items such as income before income taxes and minority interests, and depreciation and amortization.

In the fiscal year under review, ¥14.0 billion ($149 million) net cash was used in investing activities. This was primarily due to payments for purchases of fixed assets. Net cash used in financing activities was ¥5.2 billion ($55 million).

## Outlook for Fiscal 2013

With regard to the Japanese economy for fiscal 2013, although the risk of an economic downturn overseas lingers amid the European debt crisis and other factors, there is rising expectation of an economic recovery within Japan in response to the implementation of proactive monetary easing measures by the new government administration, along with the improved export environment following progress in correction of the strong yen, and rising stock prices.

Regarding demand for aluminum products, which had been on a continuing downward trend, recovery is forecast in construction and electrical machinery as well as in exports.

With the formulation of its three-year Mid-Term Management Plan starting in the year ending March 31, 2014, the Group hopes to grow as an even stronger corporate group by taking the opportunity of the transition to a holding company. For the year ending March 31, 2014, we expect net sales of ¥390.0 billion, operating profit of ¥14.5 billion, ordinary profit of ¥12.0 billion, and net income of ¥6.5 billion. Net income per share is predicted to be ¥11.95, while cash dividends per share are predicted to be ¥4.0.

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

| | March 31, | |
|---|---|---|
| | 2013 | 2013 |
| **Assets** | (Millions of yen) | (Thousands of U.S. dollars) (Note 2) |
| Current assets: | | |
| Cash and deposits (Note 3) | ¥ 36,027 | $ 383,062 |
| Notes and accounts receivable – trade | 114,906 | 1,221,754 |
| Finished products | 22,114 | 235,130 |
| Work-in-progress, including costs related to construction-type contracts | 15,202 | 161,637 |
| Raw material and supplies | 17,516 | 186,241 |
| Deferred tax assets (Note 9) | 4,312 | 45,848 |
| Other current assets | 8,884 | 94,461 |
| Allowance for doubtful accounts | (1,313) | (13,961) |
| Total current assets | 217,648 | 2,314,172 |
| Property, plant and equipment (Note 5): | | |
| Land | 54,610 | 580,649 |
| Buildings and structures | 126,061 | 1,340,362 |
| Machinery and equipment | 254,487 | 2,705,869 |
| Tools, furniture and fixtures | 28,333 | 301,255 |
| Construction-in-progress | 3,934 | 41,829 |
| Accumulated depreciation | (314,187) | (3,340,639) |
| Total property, plant and equipment | 153,238 | 1,629,325 |
| Intangible assets: | | |
| Goodwill | 1,944 | 20,670 |
| Other intangible assets (Note 5) | 4,394 | 46,720 |
| Total intangible assets | 6,338 | 67,390 |
| Investments and other assets: | | |
| Investment securities (Notes 4 and 5) | 26,369 | 280,372 |
| Deferred tax assets (Note 9) | 11,385 | 121,053 |
| Other assets | 5,262 | 55,949 |
| Allowance for doubtful accounts | (454) | (4,827) |
| Total investments and other assets | 42,562 | 452,547 |
| Total assets | ¥419,786 | $4,463,434 |

| | March 31, | |
|---|---|---|
| | 2013 | 2013 |
| **Liabilities and net assets** | (Millions of yen) | (Thousands of U.S. dollars) (Note 2) |
| Current liabilities: | | |
| Short-term borrowings (Note 5) | ¥ 64,689 | $ 687,815 |
| Current portion of long-term debt (Note 5) | 25,251 | 268,485 |
| Notes and accounts payable – trade | 62,266 | 662,052 |
| Income taxes payable | 1,802 | 19,160 |
| Other current liabilities (Note 5) | 28,165 | 299,467 |
| Total current liabilities | 182,173 | 1,936,979 |
| | | |
| Long-term liabilities: | | |
| Long-term debt (Note 5) | 103,943 | 1,105,189 |
| Accrued pension and severance costs (Note 8) | 16,981 | 180,553 |
| Deferred tax liabilities on land revaluation surplus (Notes 9 and 11) | 452 | 4,806 |
| Other long-term liabilities (Notes 5 and 9) | 1,613 | 17,151 |
| Total long-term liabilities | 122,989 | 1,307,699 |
| Total liabilities | 305,162 | 3,244,678 |
| | | |
| Net assets : | | |
| Shareholders' equity: | | |
| Common stock: | | |
| Authorized: 2,000,000,000 shares | | |
| Issued: 545,126,049 shares | 39,085 | 415,577 |
| Additional paid-in capital | 11,179 | 118,862 |
| Retained earnings | 52,137 | 554,354 |
| Treasury stock, at cost (1,247,069 shares in 2013) | (104) | (1,106) |
| Total shareholders' equity | 102,297 | 1,087,687 |
| Accumulated other comprehensive income: | | |
| Net unrealized gains on securities (Note 4) | 1,504 | 15,992 |
| Net unrealized gains on hedges (Note 1(m)) | (23) | (245) |
| Revaluation surplus (Note 11) | 145 | 1,542 |
| Foreign currency translation adjustments | 1,225 | 13,025 |
| Total accumulated other comprehensive income | 2,851 | 30,314 |
| Minority interests in consolidated subsidiaries | 9,476 | 100,755 |
| Total net assets | 114,624 | 1,218,756 |
| Contingent liabilities (Note 14) | | |
| Total liabilities and net assets | ¥419,786 | $4,463,434 |

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

# Consolidated Statements Of Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

| | Year ended March 31, 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) (Note 2) |
|---|---|---|
| Net sales | ¥371,887 | $3,954,141 |
| Cost of sales (Note 13) | 309,172 | 3,287,315 |
| Gross profit | 62,715 | 666,826 |
| Selling, general and administrative expenses (Note 13) | 54,561 | 580,128 |
| Operating profit | 8,154 | 86,698 |
| Non-operating income: | | |
| Interest income | 69 | 734 |
| Dividend income | 257 | 2,733 |
| Equity in earnings of affiliates | 489 | 5,199 |
| Foreign exchange gains | 861 | 9,155 |
| Rental income | 730 | 7,762 |
| Technical support fee | 446 | 4,742 |
| Other | 1,170 | 12,438 |
| Total non-operating income | 4,022 | 42,763 |
| Non-operating expenses: | | |
| Interest expense | 2,881 | 30,633 |
| Other | 2,422 | 25,752 |
| Total non-operating expenses | 5,303 | 56,385 |
| Ordinary profit | 6,873 | 73,076 |
| Special gains: | | |
| Gain on sales of fixed assets | 6,274 | 66,709 |
| Total special gains | 6,274 | 66,709 |
| Special losses: | | |
| Environmental expenses | 2,060 | 21,903 |
| Loss on impairment of fixed assets (Note 15): | 1,319 | 14,024 |
| Loss on corrective measures for product defects | 326 | 3,466 |
| Total special losses | 3,705 | 39,393 |
| Income before income taxes and minority interests | 9,442 | 100,392 |
| Income taxes (Note 9): | | |
| Current | 2,642 | 28,091 |
| Deferred | 2,368 | 25,178 |
| | 5,010 | 53,269 |
| Income before minority interests | 4,432 | 47,123 |
| Minority interests in net income of consolidated subsidiaries | 1,077 | 11,451 |
| Net income | ¥ 3,355 | $ 35,672 |

| | (Yen) | (U.S. dollars) (Note 2) |
|---|---|---|
| Per share of common stock (Note 16): | | |
| Net income | ¥ 6.17 | $ 0.07 |
| Cash dividends | 3.00 | 0.03 |

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

# Consolidated Statements Of Comprehensive Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

| | Year ended March 31, 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) (Note 2) |
|---|---|---|
| Income before minority interests | ¥4,432 | $47,123 |
| Other comprehensive income | | |
| Net unrealized gains on securities | 350 | 3,721 |
| Net unrealized losses on hedges | (26) | (276) |
| Foreign currency translation adjustments | 1,899 | 20,191 |
| Equity of other comprehensive income of affiliates | 572 | 6,082 |
| Total other comprehensive income (Note 7) | 2,795 | 29,718 |
| Comprehensive income | ¥7,227 | $76,841 |
| Attributable to: | | |
| Shareholders of the parent | ¥5,772 | $61,371 |
| Minority interests | 1,455 | 15,470 |
| | ¥7,227 | $76,841 |

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

# Consolidated Statements Of Changes In Net Assets

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

**2013**

| | 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 11) | Foreign currency translation adjustments | Minority interests in consolidated subsidiaries | Total net assets |
| | (Millions of yen) | | | | | | | | | |
| Balance at April 1,2012 | ¥39,085 | ¥11,179 | ¥49,968 | ¥(199) | ¥1,092 | ¥ 3 | ¥145 | ¥(806) | ¥8,382 | ¥108,849 |
| Net income | | | 3,355 | | | | | | | 3,355 |
| Cash dividends | | | (1,088) | | | | | | | (1,088) |
| Disposal of treasury stock | | | (98) | 98 | | | | | | — |
| Net increase in treasury stock | | | | (3) | | | | | | (3) |
| Net unrealized gains on securities (Note 4) | | | | | 412 | | | | | 412 |
| Net unrealized losses on hedges | | | | | | (26) | | | | (26) |
| Foreign currency translation adjustments | | | | | | | | 2,031 | | 2,031 |
| Net increase in minority interests in consolidated subsidiaries | | | | | | | | | 1,094 | 1,094 |
| Balance at March 31, 2013 | **¥39,085** | **¥11,179** | **¥52,137** | **¥(104)** | **¥1,504** | **¥(23)** | **¥145** | **¥1,225** | **¥9,476** | **¥114,624** |

**2013**

| | 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 11) | Foreign currency translation adjustments | Minority interests in consolidated subsidiaries | Total net assets |
| | (Thousands of U.S. dollars) (Note 2) | | | | | | | | | |
| Balance at April 1,2012 | $415,577 | $118,862 | $531,292 | $(2,116) | $11,611 | $ 32 | $1,542 | $ (8,570) | $ 89,123 | $1,157,353 |
| Net income | | | 35,672 | | | | | | | 35,672 |
| Cash dividends | | | (11,568) | | | | | | | (11,568) |
| Disposal of treasury stock | | | (1,042) | 1,042 | | | | | | — |
| Net increase in treasury stock | | | | (32) | | | | | | (32) |
| Net unrealized gains on securities (Note 4) | | | | | 4,381 | | | | | 4,381 |
| Net unrealized losses on hedges | | | | | | (277) | | | | (277) |
| Foreign currency translation adjustments | | | | | | | | 21,595 | | 21,595 |
| Net increase in minority interests in consolidated subsidiaries | | | | | | | | | 11,632 | 11,632 |
| Balance at March 31, 2013 | **$415,577** | **$118,862** | **$554,354** | **$(1,106)** | **$15,992** | **$(245)** | **$1,542** | **$13,025** | **$100,755** | **$1,218,756** |

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

# Consolidated Statements Of Cash Flows

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

| | Year ended March 31, 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) (Note 2) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Income before income taxes and minority interests | ¥ 9,442 | $100,392 |
| Depreciation and amortization | 16,259 | 172,876 |
| Loss on impairment of fixed assets | 1,319 | 14,024 |
| Gain on sales of fixed assets | (6,274) | (66,709) |
| Increase in allowance for doubtful accounts | 11 | 117 |
| Decrease in accrued pension and severance costs | (622) | (6,614) |
| Interest and dividend income | (326) | (3,466) |
| Interest expense | 2,881 | 30,633 |
| Equity in earnings of affiliates | (489) | (5,199) |
| Decrease in notes and accounts receivable – trade | 6,603 | 70,207 |
| Decrease in inventories | 3,612 | 38,405 |
| Decrease in notes and accounts payable – trade | (9,357) | (99,490) |
| Other | 320 | 3,405 |
| Subtotal | 23,379 | 248,581 |
| Interest and dividend income received | 567 | 6,029 |
| Interest paid | (2,903) | (30,867) |
| Income taxes paid | (3,013) | (32,036) |
| Net cash provided by operating activities | 18,030 | 191,707 |
| **Cash flows from investing activities** | | |
| Payments into time deposits | (70) | (744) |
| Proceeds from withdrawal of time deposits | 119 | 1,265 |
| Payments for purchases of fixed assets | (18,297) | (194,545) |
| Proceeds from sales of fixed assets | 6,426 | 68,325 |
| Payments for purchases of investment securities | (572) | (6,082) |
| Proceeds from sales of investment securities | 74 | 787 |
| Payments of loans receivable | (39) | (415) |
| Collection of loans receivable | 34 | 362 |
| Purchase of subsidiaries' share resulting in change in scope of consolidation | 90 | 957 |
| Other | (1,790) | (19,033) |
| Net cash used in investing activities | (14,025) | (149,123) |
| **Cash flows from financing activities** | | |
| Net decrease in short-term borrowings | (3,364) | (35,768) |
| Proceeds from long-term debt | 24,356 | 258,969 |
| Repayments of long-term debt | (23,953) | (254,684) |
| Redemption of bonds | (1,128) | (11,994) |
| Proceeds from sale and lease-back transactions | 1,569 | 16,683 |
| Cash dividends paid | (1,085) | (11,536) |
| Cash dividends paid to minority interests | (280) | (2,977) |
| Other | (1,290) | (13,717) |
| Net cash used in financing activities | (5,175) | (55,024) |
| Effect of exchange rate changes on cash and cash equivalents | 678 | 7,209 |
| Net decrease in cash and cash equivalents | (492) | (5,231) |
| Cash and cash equivalents at beginning of the year | 36,454 | 387,602 |
| Cash and cash equivalents at end of year (Note 3) | ¥35,962 | $382,371 |

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

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

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

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

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

### *(c) Translation of foreign currencies*

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

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

### *(d) Cash and cash equivalents*

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

### *(e) Inventories*

Inventories are principally stated at cost, determined by the moving average method, except that the specific identification method is applied to costs related to construction-type contracts. In addition, the amount of Balance Sheet is calculated by write-down method based on descent of profitability.

### *(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) 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.

### *(i) 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.

### *(j) 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 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.

### *(k) 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 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.

### *(l) 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.

### *(m) 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.

### (n) Research and development costs
Research and development costs are charged to income as incurred.

### (o) 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.

### (p) 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.

### (q) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform them to the current year's classifications.

### (r) Accounting standards issued but not yet effective
On May 17, 2012, the Accounting Standard Board of Japan (the "ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits." Major changes are as follows:

1.Outline of this revised accounting standard

1)Treatment in the consolidated balance sheet

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability or asset.

2)Treatment in the consolidated statement of income and the statements of comprehensive income

Actuarial gains and losses and past service costs that arose in the current period and are yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

2.Effective date

The Company expects to apply the revised accounting standard from the end of the fiscal year ending March 31, 2014. However, the amendment relating to determination of retirement benefit obligations and current service costs will be applied from the beginning of the fiscal year ending March 31, 2015. In addition, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3.The effect of application of this revised accounting standard

The effect of application of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

## 2. U.S. DOLLAR AMOUNTS

The rate of ¥94.05 = U.S.$1, the approximate exchange rate prevailing at March 31, 2013, 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, 2013 is summarized as follows:

| | 2013 | 2013 |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Cash and deposits | ¥36,027 | $383,062 |
| Time deposits with maturities in excess of 3 months | (65) | (691) |
| Cash and cash equivalents | ¥35,962 | $382,371 |

## 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, 2013 was as follows:

| | 2013 | 2013 |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Cost | ¥2,992 | $31,813 |
| Unrealized gains | 2,182 | 23,200 |
| Unrealized losses | (133) | (1,414) |
| Carrying amount | ¥5,041 | $53,599 |

### *(b) Sales of available-for-sale securities*

The realized gains on sales of available-for-sale securities for the year ended March 31, 2013 was as follows:

| | 2013 | 2013 |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Sales proceeds | ¥74 | $787 |
| Realized gains on sales | 9 | 96 |
| Realized losses on sales | 15 | 159 |

## 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 bore interest at annual rates ranging from 0.07% to 8.58% and mainly consisted of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2013 comprised the following:

| | 2013 | 2013 |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Loans, principally from banks and insurance companies due from 2014 to 2072 with interest rates ranging from 0.40% to 6.22%: | | |
| Secured | ¥ 10,901 | $ 115,906 |
| Unsecured | 107,317 | 1,141,063 |
| Unsecured 2.74% bonds due March 29, 2072, redeemable before due date | 3,200 | 34,024 |
| Unsecured 1.03% bonds due September 30, 2014, redeemable before due date | 2,000 | 21,265 |
| Unsecured 1.50% bonds due June 1, 2017, redeemable before due date | 564 | 5,997 |
| Unsecured 1.04% bonds due November 29, 2013, redeemable before due date | 93 | 989 |
| Unsecured 1.14% bonds due November 29, 2013, redeemable before due date | 80 | 851 |
| Capital lease obligations due from 2013 to 2029 with interest rates ranging from 1.45% to 7.93% | 5,039 | 53,579 |
| | 129,194 | 1,373,674 |
| Less: portion due within one year | (25,251) | (268,485) |
| Total long-term debt | ¥103,943 | $1,105,189 |

The aggregate annual maturities of long-term debt outstanding at March 31, 2013 are summarized as follows:

| Years ending March 31, | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| 2014 | ¥ 25,251 | $ 268,485 |
| 2015 | 28,358 | 301,521 |
| 2016 | 23,298 | 247,719 |
| 2017 | 19,101 | 203,094 |
| 2018 | 13,444 | 142,945 |
| Thereafter | 19,742 | 209,910 |
| | ¥129,194 | $1,373,674 |

## 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, 2013 and estimated fair value is as follows:

| | 2013 | | |
|---|---|---|---|
| | Carrying Value *1 | Estimated Fair Value *1 | Difference |
| | (Millions of yen) | | |
| (1) Cash and deposits | ¥ 36,027 | ¥ 36,027 | ¥ — |
| (2) Notes and accounts receivable – trade | 114,906 | 114,906 | — |
| (3) Investment securities | | | |
| Stocks of subsidiaries and affiliates | 3,681 | 1,324 | (2,357) |
| Other securities | 5,041 | 5,041 | — |
| (4) Notes and accounts payable-trade | (62,266) | (62,266) | — |
| (5) Short-term borrowings *2 | (64,689) | (64,689) | — |
| (6) Bonds | (5,937) | (5,953) | (16) |
| (7) Long-term borrowings *2 | (118,218) | (119,134) | (916) |
| (8) Derivatives | (32) | (32) | — |

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

| | 2013 | | |
|---|---|---|---|
| | Carrying Value *1 | Estimated Fair Value *1 | Difference |
| | (Thousands of U.S. dollars) | | |
| (1) Cash and deposits | $ 383,062 | $ 383,062 | $ — |
| (2) Notes and accounts receivable – trade | 1,221,754 | 1,221,754 | — |
| (3) Investment securities | | | |
| Stocks of subsidiaries and affiliates | 39,139 | 14,078 | (25,061) |
| Other securities | 53,599 | 53,599 | — |
| (4) Notes and accounts payable-trade | (662,052) | (662,052) | — |
| (5) Short-term borrowings *2 | (687,815) | (687,815) | — |
| (6) Bonds | (63,126) | (63,296) | (170) |
| (7) Long-term borrowings *2 | (1,256,970) | (1,266,709) | (9,740) |
| (8) Derivatives | (340) | (340) | — |

**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.
   (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. Unlisted stock of ¥17,647 million ($187,634 thousand) as of March 31, 2013 is not included in "(3) Investment securities" because no quoted market prices are available and it is extremely difficult to measure the fair value.

3. The redemption schedule for receivables and marketable securities with maturities at March 31, 2013 is as follows:

| | 2013 | | | |
|---|---|---|---|---|
| | 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 | ¥ 35,976 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable-trade | 114,906 | — | — | — |
| Investment securities | | | | |
| Held-to-maturity securities | | | | |
| Government and municipal bonds | 2 | 7 | 6 | — |
| Corporate debt securities | — | 10 | — | — |
| | ¥150,884 | ¥ 17 | ¥ 6 | ¥ — |

| | 2013 | | | |
|---|---|---|---|---|
| | 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 | $ 382,520 | $ — | $ — | $ — |
| Notes and accounts receivable-trade | 1,221,754 | — | — | — |
| Investment securities | | | | |
| Held-to-maturity securities | | | | |
| Government and municipal bonds | 21 | 74 | 64 | — |
| Corporate debt securities | — | 106 | — | — |
| | $1,604,295 | $180 | $ 64 | $ — |

4. The redemption schedule for bonds and long-term borrowings at March 31, 2013 is as follows:

| | 2013 | | |
|---|---|---|---|
| | Due within one year | Due after one year but within five years | Due after five years |
| | (Millions of yen) | | |
| Bonds | ¥ 173 | ¥ 2,564 | ¥ 3,200 |
| Long-term borrowings | 23,801 | 79,183 | 15,234 |
| | ¥23,974 | ¥81,747 | ¥18,434 |

| | 2013 | | |
|---|---|---|---|
| | Due within one year | Due after one year but within five years | Due after five years |
| | (Thousands of U.S. dollars) | | |
| Bonds | $ 1,839 | $ 27,262 | $ 34,024 |
| Long-term borrowings | 253,068 | 841,925 | 161,978 |
| | $254,907 | $869,187 | $196,002 |

## 7. OTHER COMPREHENSIVE INCOME

Each component of other comprehensive income for the year ended March 31, 2013 was as follows:

| | 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) |
|---|---|---|
| Unrealized gains on securities: | | |
| Amount arising during the year | ¥ 475 | $ 5,051 |
| Reclassification adjustments for gains and losses realized in net income | 7 | 74 |
| Before-tax amount | 482 | 5,125 |
| Tax benefit | (132) | (1,404) |
| Net-of-tax amount | 350 | 3,721 |
| Unrealized losses on hedges: | | |
| Amount arising during the year | (63) | (670) |
| Reclassification adjustments for gains and losses realized in net income | 24 | 255 |
| Before-tax amount | (39) | (415) |
| Tax benefit | 13 | 138 |
| Net-of-tax amount | (26) | (276) |
| Foreign currency translation adjustments: | | |
| Amount arising during the year | 1,899 | 20,191 |
| Equity of other comprehensive income of affiliates: | | |
| Amount arising during the year | 572 | 6,082 |
| Total other comprehensive income | ¥2,795 | $29,718 |

## 8. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have 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.

Accrued pension and severance costs at March 31, 2013 are summarized as follows:

| | 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) |
|---|---|---|
| Projected benefit obligation | ¥(38,311) | $(407,347) |
| Fair value of plan assets | 18,808 | 199,979 |
| | (19,503) | (207,368) |
| Unrecognized actuarial loss | 2,892 | 30,750 |
| Unrecognized prior service cost | (370) | (3,935) |
| Accrued pension and severance cost | ¥(16,981) | $(180,553) |

The net pension and severance costs related to retirement benefits for the year ended March 31, 2013 are summarized as follows:

| | 2013 (Millions of yen) | 2013 (Thousands of U.S. dollars) |
|---|---|---|
| Service cost | ¥2,142 | $22,776 |
| Interest cost | 513 | 5,455 |
| Expected return on plan assets | (237) | (2,520) |
| Amortization of unrecognized actuarial gain | 557 | 5,922 |
| Amortization of prior service costs | (42) | (447) |
| Net pension and severance costs | ¥2,933 | $31,186 |

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

| | 2013 |
|---|---|
| Discount rate | Mainly 1.5% |
| Expected rate of return on plan assets | Mainly 2.0% |
| Method of attributing projected benefits to periods of employee service | Straight-line basis |
| Period of amortization of prior service costs | Mainly 15 years |
| Period of amortization of unrecognized actuarial gain | Mainly 12 years |

## 9. 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 38.0% for the year ended March 31, 2013.

Significant components of deferred tax assets and liabilities at March 31, 2013 were as follows:

| | 2013 (Millions of yen) | 2013 (Thousands o U.S. dollars) |
|---|---|---|
| Deferred tax assets: | | |
| Tax loss carry forwards | ¥20,062 | $213,312 |
| Accrued pension and severance costs | 5,934 | 63,094 |
| Unrealized intercompany loss | 3,254 | 34,599 |
| Allowance for doubtful accounts | 1,893 | 20,128 |
| Accrued bonuses | 1,833 | 19,490 |
| Loss on disposal of fixed assets | 931 | 9,899 |
| Other | 9,076 | 96,501 |
| Total deferred tax assets | 42,983 | 457,023 |
| Valuation allowance | (23,758) | (252,610) |
| Total deferred tax assets, net of valuation allowance | 19,225 | 204,413 |
| Deferred tax liabilities: | | |
| Revaluation gain on subsidiaries | (1,134) | (12,057) |
| Unrealized intercompany profit | (1,061) | (11,281) |
| Negative Goodwill | (842) | (8,953) |
| Unrealized gain on securities | (485) | (5,157) |
| Other | (583) | (6,199) |
| Total deferred tax liabilities | (4,105) | (43,647) |
| Net deferred tax assets | ¥15,120 | $160,766 |

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

| | 2013 | 2013 |
|---|---|---|
| | (Millions of yen) | (Thousands o U.S. dollars) |
| Deferred tax assets (current assets) | ¥ 4,312 | $ 45,848 |
| Deferred tax assets (investments and other assets) | 11,385 | 121,053 |
| Other long-term liabilities | (577) | (6,135) |

In addition to the above, the Company recorded deferred tax liabilities on land revaluation surplus of ¥452 million ($4,806 thousand) at March 31, 2013.

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2013 was summarized as follows:

| | 2013 |
|---|---|
| Statutory income tax rate | 38.0% |
| Increase (decrease) in taxes resulting from: | |
| Valuation allowance | 56.0 |
| Amortization of goodwill | 3.4 |
| Permanent non-deductible expenses | 2.2 |
| Inhabitant taxes per capita | 1.6 |
| Effect of unrealized profit | (28.9) |
| Unrealized intercompany profit and loss | (13.9) |
| Equity in earnings of affiliates | (2.0) |
| Non-taxable dividend income | (1.0) |
| Other | (2.3) |
| Effective income tax rate | 53.1% |

## 10. APPROPRIATIONS OF RETAINED EARNINGS

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 27, 2013:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Cash dividends | ¥1,632 | $17,352 |

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.

## 11. 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.

## 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, 2013 was ¥5,063 million ($53,833 thousand).

## 14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013 amounted to ¥322 million ($3,424 thousand) for loans guaranteed and other guarantees given in the ordinary course of business.

## 15. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries recognized ¥1,319 million ($14,024 thousand) of loss on impairment of fixed assets, of which the significant items for the year ended March 31, 2013 were as follows:

| | | 2013 | | |
|---|---|---|---|---|
| Location | Major use | Asset category | (Millions of yen) | (Thousands of U.S. dollars) |
| Higashiomi City, Shiga Prefecture | Operating assets | Buildings and structures | ¥677 | $7,198 |
| | | Machinery and equipment | 3 | 32 |
| Shizuoka City, Shizuoka Prefecture | Operating assets | Machinery and equipment | ¥177 | $1,882 |
| | | Buildings and structures | 175 | 1,861 |
| | | Construction-in-progress | 49 | 521 |
| | | Tools, furniture and fixtures | 0 | 0 |

The Company recognized an impairment loss of ¥680 million ($7,230 thousand) for the operating assets in Higashiomi City, Shiga Prefecture. The recoverable amount of the assets group is measured at net selling price and the net selling price is evaluated by estimated amount of disposal.

The Company recognized an impairment loss of ¥401 million ($4,264 thousand) for the operating assets in Shizuoka City, Shizuoka Prefecture and the carry amounts of the relevant assets were written down to the memorandum value. Because the assets were quiescent due to change to manufacturing process to product aluminum hydroxide and alumina from bauxite as main raw material from manufacturing process to product alumina from aluminum hydroxide as main raw material.

The Company has grouped the operating assets by the independent operating, division who generates cash flows, the rental assets by administrative business division and idle assets by individual asset itself.

## 16. NET INCOME PER SHARE

Net income per share for the years ended March 31, 2011 and 2012 were summarized as follows:

| | 2013 | | | |
|---|---|---|---|---|
| | Net income | Weighted average number of shares | Net income per share | |
| | (Millions of yen) | (Thousands of shares) | (Yen) | (U.S. dollars) |
| Net income | **¥3,355** | **543,889** | **¥6.17** | **$0.07** |

Diluted net income was not presented because there were no bonds to be converted to shares at the year ends.

## 17. BUSINESS COMBINATIONS

Transactions between entities under common control

1) **Outline of transaction**

Nippon Light Metal Holdings Company, Ltd. was incorporated as a holding company on October 1, 2012, following resolutions by the board of directors of Nippon Light Metal Company, Ltd. on May 15, 2012 and the ordinary general meeting of shareholders on June 28, 2012 to incorporate the Company through a sole share transfer.

(1) Name of company conducting business combination and business activities
Name: Nippon Light Metal Company, Ltd.
Business activities: Manufacture and sale of alumina, chemical and aluminum products

(2) Date of business combination
October 1, 2012

(3) Legal format of business combination
Incorporation of Holding Company through Sole Share Transfer

(4) Name of company after business combination
Nippon Light Metal Holdings Company, Ltd.

(5) Purpose of business combination
Looking at Nippon Light Metal Group as a whole, the total sales volume of the Company's consolidated subsidiaries and affiliates is three times larger than that of the Company.
The business scale of its consolidated subsidiaries and affiliates is significantly greater due to a result of the remarkable growth of their overseas businesses in China and Southeast Asia as well as the spin-off of certain of the Company's businesses to subsidiaries and affiliates. This trend is expected to continue in the future.
Under these circumstances, the Company has decided that, in order to achieve sustainable growth and enhance corporate value in the Nippon Light Metal Group, it is necessary to transform from the current structure in which each business requires the involvement of the Company and its consolidated subsidiaries and affiliates to a consolidated management setup that strictly separates management and the execution of business functions. The Company, therefore, resolved to move to a holding company structure.

2) **Outline of accounting treatment applied**

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008), it has been accounted for as a transaction between entities under common control.

## 18. SEGMENT INFORMATION

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.

Reportable segment information for the years ended March 31, 2013 was as follows:

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | ¥ 93,902 | ¥63,161 | ¥126,218 | ¥ 88,606 | ¥ — | ¥371,887 |
| Intersegment | 35,678 | 17,841 | 8,772 | 648 | (62,939) | — |
| Total | 129,580 | 81,002 | 134,990 | 89,254 | (62,939) | 371,887 |
| Operating profit | ¥ 3,273 | ¥ 1,675 | ¥ 6,974 | ¥ (771) | ¥ (2,997) | ¥ 8,154 |
| Segment assets | ¥108,331 | ¥75,412 | ¥127,241 | ¥106,968 | ¥ 1,834 | ¥419,786 |
| Depreciation and amortization | ¥ 3,781 | ¥ 3,905 | ¥ 3,217 | ¥ 5,255 | ¥ 101 | ¥ 16,259 |
| Amortization of goodwill | ¥ — | ¥ — | ¥ — | ¥ 834 | ¥ — | ¥ 834 |
| Loss on impairment of fixed assets | ¥ 406 | ¥ 680 | ¥ 140 | ¥ 93 | ¥ — | ¥ 1,319 |
| Capital expenditures | ¥ 3,955 | ¥ 4,543 | ¥ 3,159 | ¥ 5,175 | ¥ 289 | ¥ 17,121 |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 998,426 | $ 671,568 | $1,342,031 | $ 942,116 | $ — | $3,954,141 |
| Intersegment | 379,351 | 189,697 | 93,270 | 6,890 | (669,208) | — |
| Total | 1,377,777 | 861,265 | 1,435,301 | 949,006 | (669,208) | 3,954,141 |
| Operating profit | $ 34,801 | $ 17,810 | $ 74,152 | $ (8,198) | $ (31,867) | $ 86,698 |
| Segment assets | $1,151,845 | $ 801,829 | $1,352,908 | $1,137,352 | $ 19,500 | $4,463,434 |
| Depreciation and amortization | $ 40,202 | $ 41,520 | $ 34,205 | $ 55,875 | $ 1,074 | $ 172,876 |
| Amortization of goodwill | $ — | $ — | $ — | $ 8,868 | $ — | $ 8,868 |
| Loss on impairment of fixed assets | $ 4,317 | $ 7,230 | $ 1,488 | $ 989 | $ — | $ 14,024 |
| Capital expenditures | $ 42,052 | $ 48,304 | $ 33,588 | $ 55,024 | $ 3,073 | $ 182,041 |

(Note 1). Adjustments amounts are as follows.

1) Adjustments of ¥(2,997) million ($(31,867) thousands) in segment profit are general corporate expenses.
2) Adjustments of ¥1,834 million ($19,500 thousands) in segment assets include ¥(21,127) million ($(224,636) thousands) in the elimination of transactions between segments and ¥22,961 million ($244,136 thousands) in corporate assets.
3) Adjustments of ¥101 million ($1,074 thousands) in depreciation and amortization expenses have primarily to do with corporate assets.
4) Adjustments of ¥289 million ($3,073 thousands) for capital expenditures are the increase in corporate assets.

Geographical sales for the year ended March 31, 2013 was summarized as follows:

| 2013 | | |
|---|---|---|
| Japan | Other | Total |
| (Millions of yen) | | |
| ¥309,449 | ¥62,438 | ¥371,887 |

| 2013 | | |
|---|---|---|
| Japan | Other | Total |
| (Thousands of U.S. dollars) | | |
| $3,290,260 | $663,881 | $3,954,141 |

As more than 90% of property, plant and equipment at March 31, 2013 was in Japan, the disclosure of geographical property, plant and equipment information has been omitted.

ERNST & YOUNG

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 27, 2013 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: 1-630-505-2160
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 MC 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 Tokai Aluminium Hanbai (Shanghai) Co., Ltd.**
Shanghai, China
Phone: 86-21-5257-4116
Trading and marketing
(100%)

**Sam-A Aluminium Co., Ltd.**
Seoul, Korea
Phone: 82-31-6310-031
Aluminum foil, paste
(33%)

### Southeast Asia

**Nikkei MC Aluminum (Thailand) Co., Ltd.**
Thailand
Phone: 66-38-5716-70
Aluminum alloys
(79%)

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

**Nikkei Singapore Aluminium Pte. Ltd.**
Singapore
Phone: 65-6293-3770
Trading and marketing
(100%)

(As of July 31, 2013)

# Directors And Officers

## Directors

*President*

*Representative Director*

Takashi Ishiyama

*Directors*

Ichiro Okamoto

Makoto Fujioka

Mitsuru Ishihara

Toshihide Murakami

Yasunori Okamoto

Mikio Shimizu

President and Representative Director of Nikkeikin Kakoh Kaihatsu Holdings Company, Ltd.

Masao Imasu

Hiroshi Yamamoto

President and CEO of Toyo Aluminium K.K.

Koji Ueno

President and CEO of Nippon Fruehauf Co., Ltd.

Masato Ono*[1]

Ryoichi Hayashi*[1]

*[1] Outside Director

## Audit & Supervisory Board Member

Tadashi Asahi

Nobuo Matsumoto

Toshio Yamagishi

Yuzuru Fujita*[2]

Katsuo Wajiki*[2]

Yasuo Yuki*[2]

*[2] Outside Member

## Officers

Takashi Hara

Masamichi Ueda

Hirokazu Takatoku

Minoru Sotoike

Hideki Amimura

Takayuki Tsuchida

(As of June 27, 2013)

# Corporate Data

## Head Office

NYK Tennoz Building
2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan
http://www.nikkeikinholdings.co.jp
Phone: 81-3-5461-8601
Fax: 81-3-5461-8681

## Established

October 1. 2012

## Paid-In Capital

¥39,085 million

## Shares of Common Stock

Authorized: 2,000,000,000
Issued: 545,126,049

## Number of Shareholders

54,447

## Stock Exchange Listings

Tokyo, Osaka*

## Transfer Agent of Common Stock

The Mitsui Sumitomo Trust & Banking Co., Ltd.

## Last Shareholders' Meeting

June 27, 2013

## Major Shareholders

The Master Trust Bank of Japan, Ltd.
(trust accounts) (4.7%)

(Ratio of Stock Holding)
Japan Trustee Services Bank, Ltd.
(trust accounts) (4.7%)

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

Isao Nasu
(2.9%)

Nikkei-Keiyu-Kai
(2.9%)

Asahi Mutual Life Insurance Co.
(2.8%)

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

Mizuho Corporate Bank, Ltd.
(2.1%)

Namekawa Aluminium Co., Ltd.
(1.7%)

Sumitomo Mitsui Trust Bank, Ltd.
(1.7%)

** Osaka Securities Exchange Co., Ltd. has merged with Tokyo Stock Exchange Group, Inc. as of July 16, 2013.*

(As of March 31, 2013)

**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.

**Nippon Light Metal Holdings Company, Ltd.**
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