ANNUAL REPORT 2017

Year ended March 31, 2017

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.

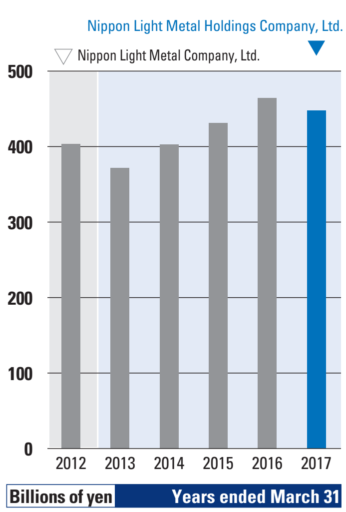
By carrying on development of new applications for aluminum and aluminum materials, the NLM Group is to continue to support customers in wide-ranging industrial sectors and contribute to improving the quality of people's lives and protection of the environment.

NLM Group

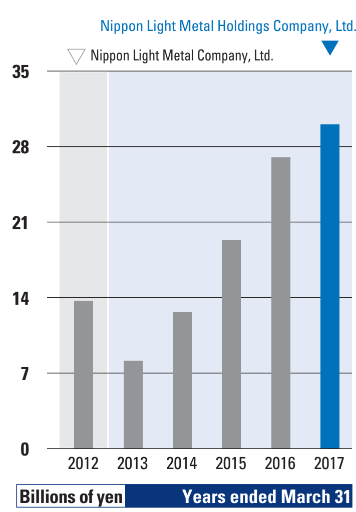
Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries Years ended March 31

	2016	2017	2017
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥464,405	¥448,381	$3,996,622
Operating profit	26,821	30,225	269,409
Profit attributable to owners of parent	15,533	19,520	173,991
At year-end:			
Total assets	452,194	448,623	3,998,779
Net assets	144,419	173,624	1,547,589
Short-term borrowings and long-term debt, including bonds and capital lease obligation	184,989	121,643	1,351,662

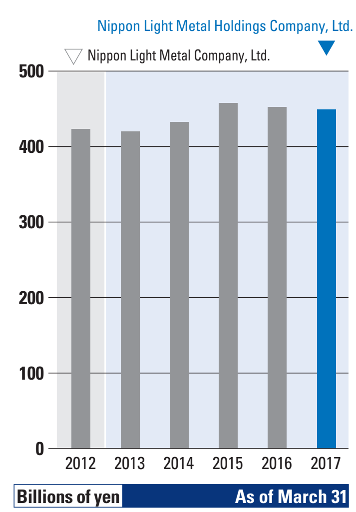
Net Sales



Operating Profit



Total Assets

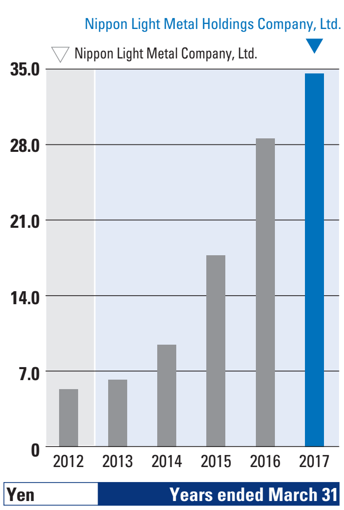


Contents

	2016	2017	2017
	yen		U.S. dollars
Per share data (yen and dollars):			
Net profit —basic	¥ 28.56	¥ **34.58**	$ **0.31**
—diluted	25.10	**31.46**	**0.28**
Cash dividends	6.00	**8.00**	**0.07**
Net assets	239.39	**257.82**	**2.30**
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 237	¥ **291**	$ **2.59**
Low	161	**166**	**1.48**

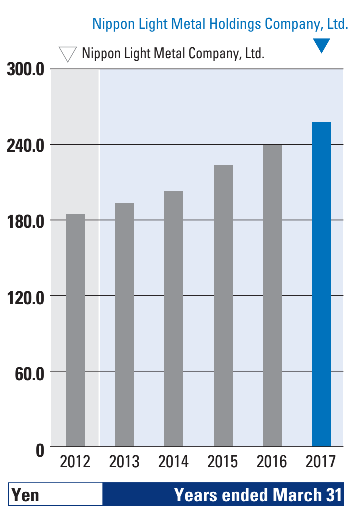
Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥112.19 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

Net profit per Share



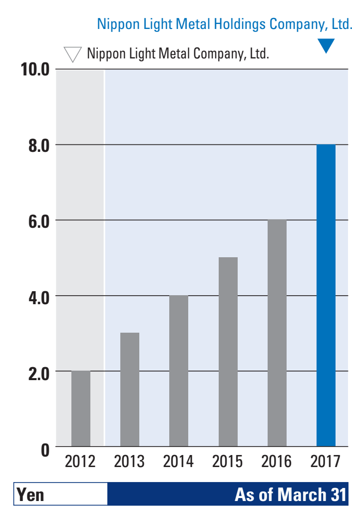
Net Income per Share = (Net Income - Amount not attributable to common shareholders) / Average Number of Shares Outstanding

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



Ichiro Okamoto, *President & CEO*

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

I hereby report on the operating results for Nippon Light Metal Holdings Company, Ltd. ("NLM Holdings") for fiscal 2016 (the year from April 1, 2016 to March 31, 2017).

Business Environment of Fiscal 2016

During the year under review, in the transport industry, demand for cars and trucks were robust, although demand from construction-related fields remained unchanged. As a result, the domestic aluminum industry saw an increase in overall demand. In terms of price, the aluminum ingots market (hereinafter, the "ingots market") experienced a slow downturn until the middle of the fiscal year due in part to the effect of foreign exchange, but was on an upward trend in the latter half.

Mid-Term Management Plan and Its Three Basic Policies

Under such circumstances, the NLM Group (the "Group") formulated the Mid-Term Management Plan, which will last for three years starting from April 2016, and has been striving to maximize consolidated revenue under the following three basic policies.

Under the first basic policy, "create new products and business models by strengthening cooperation within the Group," we pursued creation of added values that leverage originality and distinctiveness, which are produced through cooperation within the Group. As a result, we created a group of new high valued-added products during the year under review by combining extensive business domains, from development of alloys that are used as materials to processing and surface treatment technologies, in the fields of materials related to lithium-ion batteries and materials for smartphones.

With regard to the second basic policy, "business development through strategies by region and by sector," we embarked on the establishment of a marketing base, targeting fields of automobiles, electrical and electronics and food and distribution, where use of aluminum is expected to expand from now on, in North America, which is positioned as an important market. Furthermore, the second factory that had been constructed by a local subsidiary of Nikkei MC Aluminium Co., Ltd., which is engaged in secondary alloy business for automobiles, began operations in Thailand. In India, Toyo Aluminium established a joint venture, which manufactures and sells aluminum paste for paints.

Of the third basic policy, "strengthening of corporate culture," regarding raising of the profitability of struggling businesses such as chemicals and aluminum sheets, profitability improved as a result of cost reduction and other efforts in the alumina business of chemicals, while new orders increased and improvement of the earnings structure is steadily advancing in the aluminum sheet business thanks to focus on highly profitable products and enhancement of cooperation within the Group.

Overview of Consolidated Financial Results

Overall sales volumes increased due to robust performance in the Aluminum Ingot segment, the Aluminum Sheet and Extrusions segment, the truck outfitting business, the Panel System segment, etc. However, net sales of the Group decreased 3.5% year on year, to ¥448.4 billion due to the decline in sales prices in the fields linked to the ingots market. Meanwhile, in terms of profit, in addition to the effects of higher sales volumes and cost cuts, the decline in crude oil prices also contributed to higher profits. Operating profit and ordinary profit increased 12.7% and 7.0% year on year, to ¥30.2 billion and ¥26.3 billion, respectively. Profit attributable to owners of parent increased 25.7% year on year, to ¥19.5 billion.

Year-end dividend payment will be ¥5 per share, which, combined with the interim dividend of ¥3 already paid, will bring annual dividend payment to ¥8 per share (¥2 greater than the annual dividend payment for the previous year).

Overview by Business Segment

Sales in the Alumina, Chemicals and Aluminum Ingot segment decreased 7.3% year on year, to ¥101.8 billion, while operating profit increased 10.8% year on year, to ¥10.1 billion. Regarding alumina-related products, exports of mainstay alumina and aluminum hydroxide products decreased sharply. In the Aluminum Ingot segment, regarding the core secondary alloy products for automotive applications business, sales increased both in Japan and overseas. However, net sales for the segment decreased, greatly affected by the decline in sales prices, which reflected the ingots market. Profits were higher than the previous year due to factors such as the increase in sales volumes and the fall in fuel prices.

Sales in the Aluminum Sheet and Extrusions segment decreased 5.0% year on year, to ¥98.2 billion, while operating profit increased 154.3% year on year, to ¥7.8 billion. Sales volumes of thick plates for semiconductor and LCD manufacturing equipment as well as thick plates for railway cars increased in the Aluminum Sheet segment, while sales for truck outfitting and railway cars also grew in the Aluminum Extrusions segment. However, net sales for the segment decreased compared to the previous year, due to the decline in sales prices of aluminum ingots which reflected conditions of the market. The significant improvement in profitability was mainly due to an increase in sales volumes in both the segments.

Sales in the Fabricated Products and Others segment increased 3.7% year on year, to ¥154.7 billion, and operating profit decreased 6.5% year on year, to ¥10.2 billion. The increase in sales was due to the increased sales in the Transport-Related segment as a result of the robust domestic demand in the truck outfitting business, the brisk sales of anodized aluminum foil for aluminum electrolytic capacitors in the Electronic Materials segment and sales that remained about the same level as the previous year in the Panel System segment. The decline in profitability was due to the increase in cost to cope with a rapid rise in production in the Electronic Materials segment and a sharp decrease in sales volumes of the mainstay products as our customers' industry experienced a decline in earnings as well as the decline in sales prices in the Carbon Product segment.

Sales in the Aluminum Foil, Powder and Paste segment decreased 8.1% year on year to ¥93.7 billion, while operating profit decreased 19.8% year on year, to ¥5.5 billion. Although water-repellent fabricated foil for food products were strong, fabricated foil for pharmaceutical packaging were sluggish and shipments of plain foil for lithium ion battery surfaces also decreased mainly due to the effect of inventory adjustments. With regard to high-purity aluminum foil for electrolytic capacitors, its overall sales volumes decreased from the previous year due to harsh price competition, despite robust sales of new products. As for paste products, mainstay products for automobile paint and home appliances were sluggish. Regarding powder-related products, sales of aluminum nitride products decreased. While orders for new products of functional ink for solar cells were strong, sales of back sheets for solar cells decreased from the previous year due to intensified price competition, in addition to a decline in shipments, reflecting remaining concerns about credit issues among certain users and reduction of subsidies by the Chinese government.

Outlook for Fiscal 2017

With regard to the Japanese economy for fiscal 2017, a gradual recovery is expected to continue, as the tendency of improvements in the employment and income situation is continuing. As for overseas economies, while the economy is expected to be strong in the U.S. and Europe, uncertainty resulting from political situations in various countries is increasing. As a result, the outlook for the world economy lacks optimism.

Under such circumstances, based on the Group's mission (corporate philosophy) of "be forever committed to the development of new applications for aluminum and aluminum-related materials and thereby contribute to the improvement of people's quality of life and environmental protection," the Group will strive to maximize its consolidated revenue, under the slogan of Team NLM "Groundbreaking Innovator of Aluminum and Beyond" and in line with the Mid-Term Management Plan, formulated last year. The next fiscal year is projected to register net sales of ¥470.0 billion, operating profit of ¥30.0 billion, and ordinary profit of ¥28.0 billion on a consolidated basis. I would like to ask for the continuous support of our shareholders in these efforts, just as we would do everything in our power to further develop the Group.

June 2017

I. Okamoto

President & CEO

Ichiro Okamoto

Based on the three-year Mid-Term Management Plan, the first year of which being the fiscal year ended March 31, 2017, the Group shall adopt the following basic policies:

- **(i) Create new products and business models by cooperation within the Group**
- **(ii) Business development through strategies by region and by sector**
- **(iii) Strengthening of corporate culture (strengthening of business foundations)**

Q1 How would you evaluate the financial results, etc. for the fiscal year ended March 31, 2017?

The fiscal year ended March 31, 2017 was the first year of our three-year Mid-Term Management Plan which was announced in May 2016. Compared to the initially planned ¥25.0 billion in ordinary profit for the first year, we made, in actuality, ¥26.3 billion in ordinary profit. In terms of revenue, we are off to a good start.

In terms of sales, we have managed to keep up with the results of the previous fiscal year largely due to the rise in demand in transport-related products, such as automobile-related products, truck outfitting, and railway cars, despite a decline in revenue in certain segments, primarily due to a fall in prices reflecting the climate of the ingots market. We choose to focus more on the profit margins of each product rather than sales; this, I believe, is one of the reasons our Management Plan is starting out favorably.

As a result of the above, we were able to give out an interim dividend in December 2016, for the first time in 24 years counting from its days as Nippon Light Metal Company, Ltd., before its establishment as a holdings company.

Q2 We have seen exponential growth these two years since you have been President. Do you think this growth will continue into the future?

The world has undergone drastic changes in these two years, especially with Brexit and the election of Donald Trump as President of the U.S. It is our belief that we should heed the influx of messages from Japanese citizens that more or less say “we should change our ways in business.” Unstable factors are arising in the Asian region as well, with the stagnation of the Chinese economy and the death of Thailand’s King, Bhumibol Adulyadej.

The business environment that surrounds the Group is of no exception, affected by rapid changes in foreign exchange rates brought about by the aforementioned world events. However, going forward, the Group shall work as one and strive for further growth by implementing various measures.

Q3 How does the business performance stay strong under the rapidly changing business environment?

We believe that the main factor of this is the result of our efforts of over 10 years in "creating new products and business models by cooperation within the Group." In particular, our 2012 efforts in changing into a group-managed company enabled through a holding company structure, with the aim of "strengthening cooperative efforts within the Group," has further flattened the Group structure, facilitating the lateral cooperation among organs, in turn birthing a significant amount of new products and businesses.

Q4 What strategies in particular have you prepared, regarding "creating new products and business models by cooperation within the Group?"

The aluminum industry has been expanding towards a mass-producing, mass-consuming management scale, mainly due to the high demand of aluminum as a result of the recent rise of lightweight automobiles. Meanwhile, our strategy is to thoroughly utilize the advantages of group cooperation and to continue to create products with high added value.

To achieve this, we set "the value of the NLM Group shall be decided by the customers" as our basic stance, and plan to aim for growth while adding on products (including periphery services) and business models to our manufacturing process, based on the perspective of our customers.

Q5 How is the progress of the "business development through strategies by region and by sector?"

When proactively investing in growing business areas, segments where management resources will be invested are selected by considering the combination of region and market segment, in order to maximize the profitability of our investments.

In the previous fiscal year, we invested in the truck outfitting business operated by Nippon Fruehauf Co., Ltd., with the combination of Japan and transportation. Although efforts were made in investing in strengthening the productivity of large freezer cars, van trailer (dry and refrigerator) and containers (for domestic and railway use) in the previous fiscal year, what made vehicle productivity increase exponentially compared to previous years is the full-scale operation of a new production line that started in March 2017.

Similarly, we invested in the new factory of Nikkei MC Aluminium Co., Ltd., used for secondary alloys, with the combination of Thailand and the automotive segment. Our existing factory in Thailand is located in the center of the country, and has long been in full production. In March 2017, a new factory is established in Si Racha, Chonburi Prefecture, Southern Thailand. The new factory produces 18,000 tons annually, and together with the existing factory, produces 58,000 tons per year.

*For more details on these two investments, please refer to the "NLM Topics" on page 6.

Q6 How successful was the third basic policy, "strengthening of corporate culture?"

We implemented two measures to improve our financial structure.

Firstly, all stock acquisition rights affixed to yen-denominated convertible bonds with stock acquisition rights due 2018 issued in December 2013 were converted to shares through the exercise of said rights because the Company's stock price continued to be higher than the conversion prices during fiscal 2016. As a result, loans decreased while equity increased.

Secondly, through exercising all the aforementioned stock acquisition rights and converting them into shares, an amount of ¥10.0 billion in hybrid finances (subordinated loans and bonds) recorded in March 2012 were repaid in advance or redeemed early by means of funds on hand, external loans, etc., thus improving our financial structure.

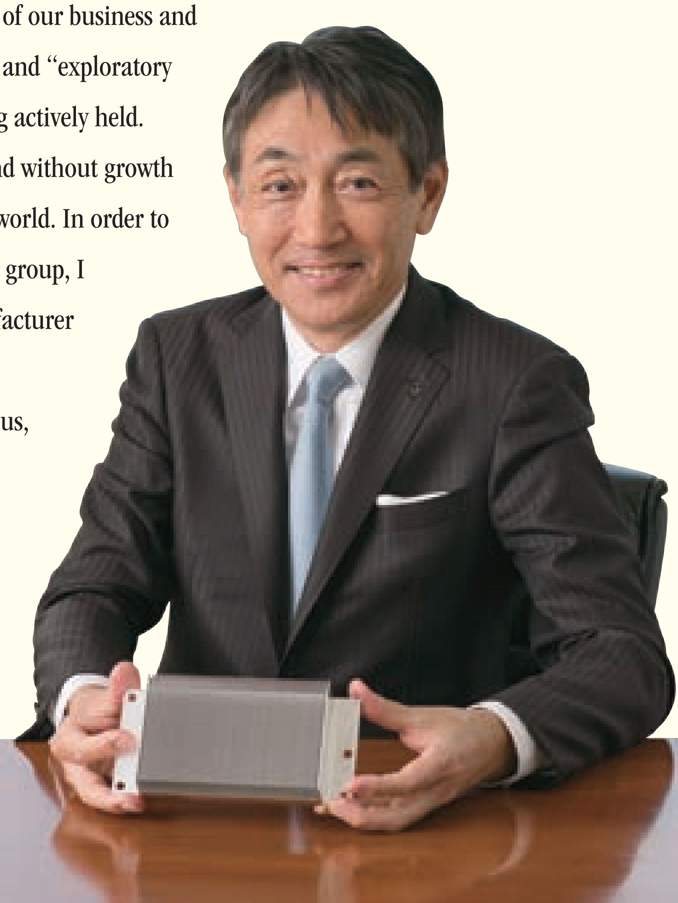
As a result of the above, our equity ratio has improved significantly from 28.8% at the end of the previous fiscal year to 35.6%.

Q7 Please give our shareholders and other stakeholders a message.

I believe the efforts of proactive investments made during the last three years under the previous Mid-Term Management Plan have paid off, and this is linked to the successful performance of fiscal 2016. The concept of fighting together as "Team NLM" beyond the borders of our business and the Group has also reached every one of our employees, and "exploratory activities" aimed at creating new products are also being actively held.

The Company is constantly amidst competition, and without growth the Company will have no chance of survival in such a world. In order to make the NLM Group a continuously growing corporate group, I wish to live out our strength as a fully integrated manufacturer of aluminum-based raw materials, continue to provide customers with new values that they would expect from us, and become a company that customers would like to choose to work with.

I would like to ask for the continuous support of our shareholders and other stakeholders towards the NLM Group.



Ichiro Okamoto *President and CEO*

Two-fold Increase in Large-size Refrigerator Truck Productivity After Introduction of New Lines at Nippon Fruehauf Co., Ltd.

~ Vehicles that used to take two years to manufacture now take only one ~

In 2016, Nippon Fruehauf Co., Ltd., a subsidiary of the Company, made efforts to enhance the productivity of large-size refrigerator trucks "The Refrigerator Trucks," van trailers (dry and refrigerator) and containers (for domestic and railway use), but the official operation of the new production line began in March 2017.

The Refrigerator Trucks

The new line's land and buildings were built on an area of approximately 3,300 m2 near the Company's factory (Atsugi City, Kanagawa Prefecture). The heavy-load operations of the above mentioned products, which used to be done by flexible production, were relocated to a new dedicated production line. This new line boasts high productivity in large-size refrigerator bodies (insulation material injected, foaming type), with 40 trucks per month, and van trailer and containers, with a total of 20 trucks per month. Both of these are, compared with the past, doubled in production volume.

The domestic demand for large-sized cargo trucks is steadily expanding due to factors such as the replacement demand of vehicles that meet exhaust emission regulations and the need for larger vehicles. Nippon Fruehauf Co., Ltd. has also received a lot of orders from customers. The large-size refrigerator trucks, van trailers and containers mentioned above used to take two years to manufacture, but with the recent enhancement of our production lines, we foresee that we can shorten this period by around a year.

Van trailer

New Factory for secondary alloys established in Thailand

~ Productivity increased by around 45% ~

In March 2017, the Company and its subsidiary, Nikkei MC Aluminium Co., Ltd., established a new factory used for secondary alloys in the Si Racha, Chonburi Prefecture, Southern Thailand. The new factory produces 18,000 tons annually.

New Thai factory began operation in March 2017 (Chonburi Prefecture)

Secondary alloys are made using die-casting and casting methods on raw materials such as scrap aluminum, and are widely used in making vehicle wheels and engines. The existing Nikkei MC Aluminium Co., Ltd. factory in Thailand is located at Well Grow Industrial Estate, Chachoengsao Prefecture, and after the productivity enhancement efforts made in 2014 it now produces 40,000 tons annually. Since it has always been continuously in full production, the new factory will help increase productivity, while at the same time act as a backup factory in times of natural disasters such as floods. The two factories together produce 58,000 tons per year.

With the introduction of facilities such as energy saving melting furnaces that reuses waste heat, we produce alloys for automobile parts, thereby serving mainly Japanese manufacturers of automobile parts.

In 2012, Thailand reduced taxes to encourage the purchasing of new cars, but its resale restriction period ends in 2017, so we foresee the demand for buying replacements. At the same time, we also foresee the expansion of automobile exports from Thailand to other parts of Southeast Asia.

The new factory is able to utilize scrap aluminum, which has a low content of aluminum, and also provide a range of high-quality products at a low price, attending to a wide range of needs from Japanese and also overseas manufacturers.

NLM Holdings Holds Company Tour for Families of Employees

In August 2016, NLM Holdings held the "Tour of the Company for Families 2016" at its head office in Tennozu Isle, Tokyo, with the aim of allowing the Group's employees to show their family members what they do at work with pride.

This is the first time the event was held, and 14 families or a total of 43 people (23 adults, 20 children) participated, consisting mainly of elementary school children visiting their parents' workplaces. Upon seeing a side of their parents that they would not usually see, the children responded with comments such as "That's cool!" and "Wow, my mom/dad knows so much!" The other family members who were adults also gave positive responses, such as "I'm glad he/she is working in a good environment," and "This was a good chance to show the kids what rush hour trains are like and how their Dad works at the company." Among the employees, there were opinions such as "I'm glad my kids started to become interested in aluminum."

NLM Holdings places importance on corporate social responsibility (CSR) activities. Going forward, we will continue creating a working environment where employees of the Group can dedicate themselves both to work and their families to the best of their abilities, and thereby create a company that employees are proud of.

Schedule of "Family Visit to the Company 2016"

1. Introduction to the Company
2. Exchanging of business cards with the President
3. Visit to workplaces of the children's parents
4. Lunch at the company's canteen
5. Learning session on aluminum, etc.

Group photo

Participating in a learning activity

CORPORATE GOVERNANCE

Introduction

Nippon Light Metal Holdings Company, Ltd. ("NLM Holdings") is a holding company listed on the First Section of the Tokyo Stock Exchange. It has formed the "NLM Group" which consists of 73 consolidated subsidiaries, with Nippon Light Metal Company, Ltd. ("NLM") and Toyo Aluminium K.K. as the core business companies, and 17 affiliates accounted for by the equity method. The NLM Group engages in businesses revolving around the manufacture and sale of aluminum products and related products. (See page 15 for more details.)

Governance Structure

The Board of Directors of the Company consists of 12 directors, of whom three are outside directors (including two independent officers*). 13 Board of Directors meetings were held in fiscal 2016. To ensure agile management and sufficient deliberation by the Board of Directors, an executive officer system has been adopted to separate the tasks of management and execution.

From the viewpoint of maintaining the institutional independence of the auditing function, the Company has established a Board of Statutory Auditors, which consists of six statutory auditors, of whom three are outside auditors. 12 Board of Statutory Auditors meetings were held in fiscal 2016. Also, there is an employee designated to exclusively provide assistance for auditing duties.

* *"An outside director/auditor who is unlikely to have conflicts of interest with general shareholders," as stipulated by Tokyo Stock Exchange, Inc.*

Governance of the Group

The NLM Group's basic approach to management is systematized in the Group management policy, which consists of three pillars and 13 basic policies.

▶ http://www.nikkeikinholdings.com/company/keiei.html

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

Internal Control System

The Company's Board of Directors has resolved the Basic Policy on the Implementation of Internal Control Systems, and strives to enforce it thoroughly.

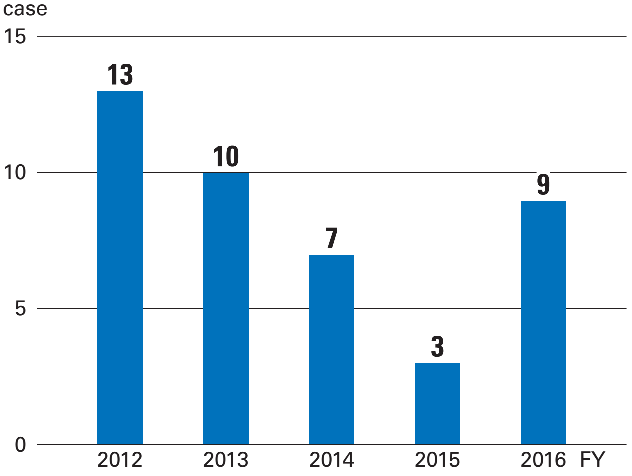
Compliance Program

The Compliance Committee, made up of the Company's directors and chaired by the President and CEO, formulates the Compliance Promotion Plan. It also receives reports on the implementation status of the plan as well as on whistle-blowing cases, and monitors the status of compliance promotion activities.

The NLM Group's code of conduct is summarized in the Group Compliance Code, which has various requirements for all directors and employees of the Group, including compliance with laws and regulations, corporate ethics and business etiquette, sensible conduct, and active communication with stakeholders. To ensure the thorough dissemination of this code, the Group Compliance Code is published as a handbook that is distributed to all employees, which allows them to carry it around with them at all times.

Furthermore, to thoroughly disseminate the code and facilitate its understanding, compliance meetings are held twice a year at each workplace, where the repetitive learning method is employed. Opinions are exchanged on topics including problems at one's workplace and compliance violation cases in other departments, with a total of more than 2,000 meetings held each year, and around 20,000 participants (participation rate of about 92%) in fiscal 2016.

Figure 1 Trend in number of cases reported to the NLM Hotline deemed as compliance violation cases



Besides setting up an internal whistle-blower system at major companies, the "NLM Hotline" has also been established as a common whistle-blowing channel for the Group. The NLM Hotline receives reports of about 20 cases each year.

Risk Management System

The NLM Group's risk management system responds to risks classified into three categories: strategic risks related to business strategies, market and economic fluctuations, regulatory reforms, etc.; operational risks related to product and service defects, environmental accidentals, etc.; and hazard risks related to natural and accidental disasters. In particular, major risks are specified, with a focus on operational risks. In order to respond flexibly to each type of risk, a central corporate department is set up to work with each business department in handling the risks.

The Company's Board of Directors receives reports regarding the status of risk management overall twice a year, evaluates the status of risk management, and issues necessary instructions.

In fiscal 2016, various initiatives were implemented, such as the strengthening of information management throughout the Group, formulation of personal information protection rules for the Group in line with regulatory reforms, and promotion of the formulation of business continuity plans.

Internal Control over Financial Reporting

To ensure financial reporting is conducted appropriately, an internal control system related to financial reporting (J-SOX) has been set up and put into operation. Accordingly, each company and department in the Group has designated a person in charge of internal control promotion and an internal control facilitator, to encourage the appropriate establishment and usage of controls. These efforts are evaluated by an auditing department with a certain minimum level of auditing capabilities and whose independence is secured. The status of design, operation and evaluation is reported to the statutory auditors, the accounting auditor, and the Company's Board of Directors, after which necessary adjustments are made. The results are released as a Report on Internal Control. (Located at the end of the Securities Report
▶ http://www.nikkeikinholdings.co.jp/ir/ir-data/p6.html)

Corporate Social Responsibility

The NLM Group has systematized its mission towards the environment and society as its corporate social responsibility (CSR), using international standards such as ISO26000 and SDGs as references. CSR activities are carried out based on the promotional plan adopted by the CSR Committee (Chairman: President and CEO of NLM Holdings). The status of the activities is published on the Company's website, as well as in the CSR Report released every year.
(▶ http://www.nikkeikinholdings.com/csr/index.html)

The Company was selected as a constituent of the MSCI Japan ESG Select Leaders Index, one of the ESG indices selected by the Government Pension Investment Fund (GPIF), in July 2017.

ENVIRONMENT

Environmental Management System

The NLM Group has introduced and is employing an environmental management system based on ISO14001 at each site. In addition, an Environment Committee has been established to implement environmental conservation initiatives for the entire Group. Besides formulating the environmental policy and plans to promote environmental conservation activities, the Environment Committee also monitors the implementation of these activities at each site.

Material Balance

The areas in which the NLM Group's business activities have the greatest impact on the environment are greenhouse gases, recycling, water, and biodiversity. The main inputs are water, energy, and aluminum. The main outputs are water, greenhouse gases, and waste materials.

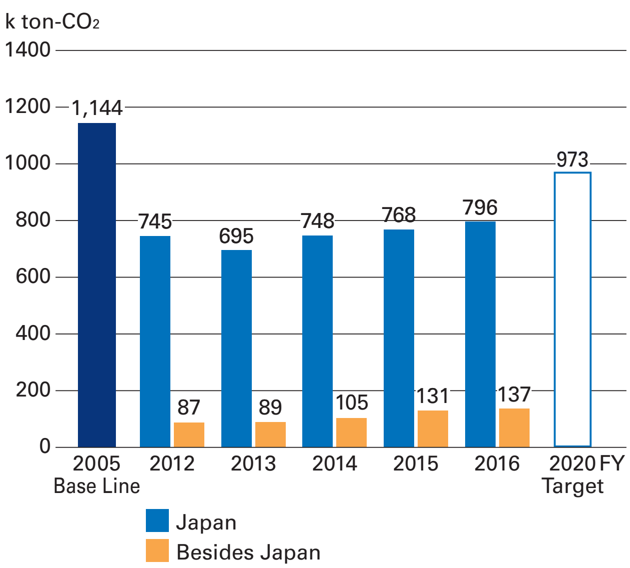
Reduction in Greenhouse Gas Emissions

The NLM Group's initiatives to reduce greenhouse gas emissions began in fiscal 2005. A 13% reduction from 1990 levels was achieved in fiscal 2010, exceeding the goal of a 10% reduction. (First phase of reduction plan)

The second phase of the reduction plan began in fiscal 2013, with a goal of achieving a 15% reduction from 2005 levels by fiscal 2020. In fiscal 2016, greenhouse gas emissions were 796 kilotons, a 3.7% increase year on year, as reduction efforts continued to be offset by an increase in emissions due to an increased number of plants and increased production.

Total emissions of the NLM Group, including overseas locations, were 933 kilotons in fiscal 2016. As emissions from overseas locations are expected to continue increasing, we plan to implement efforts to reduce emissions, focusing on energy-saving initiatives.

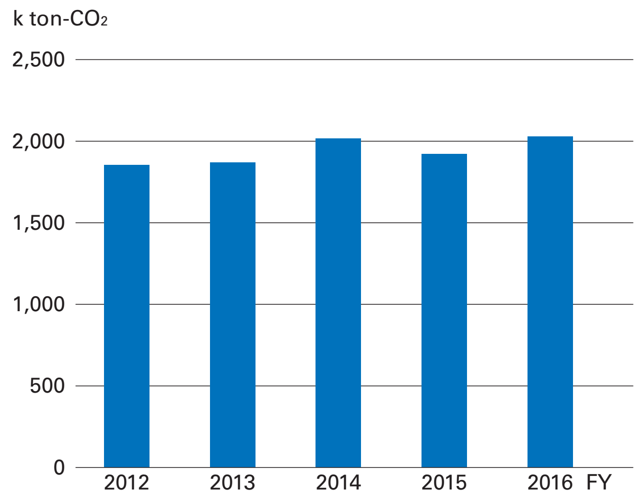
Figure 2
Greenhouse Gas Emissions (Scope 1 and 2 only)



Note Reduction targets for emission amounts outside of Japan are undecided.

Data on emission amounts outside of Japan were collected at 12 sites in fiscal 2012, 10 sites in fiscal 2013-2014, 14 sites in fiscal 2015, and 17 sites in fiscal 2016.

Figure 3
Greenhouse Gas Emissions (Scope 3)



Recycling

The NLM Group conducts aluminum recycling that is efficient in terms of both energy and value. Each melting process is based on closed-loop recycling, while the business of secondary alloy manufacturing based on open-loop recycling is handled in and outside of Japan by Nikkei MC Aluminium Co., Ltd. The percentage of aluminum reused through open-loop recycling, or the recycling rate of aluminium , is 32.7%. Accordingly, this removes the need to use 1.4 TWh of electricity in the aluminum refining process which is equivalent to a reduction of 977 k-tons* in greenhouse gas emissions.

** Estimated value based on the basic unit (9.22 Tons-CO2/Tons-Al) indicated in the Carbon Footprint Communication Program*

Water

The NLM Group takes in 23.7 million m^3 of water (excluding seawater) and discharges 30.4 million m^3 of water annually in Japan.

Environmental Audit

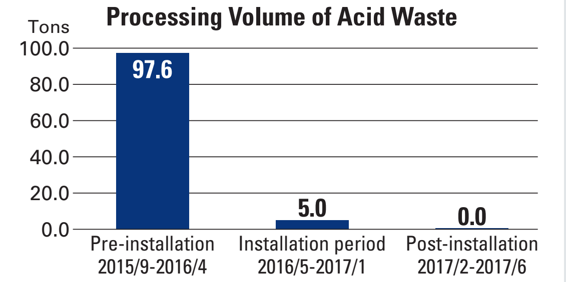
The Company implements environmental audits conducted by the corporate staff, in order to monitor the environmental conservation efforts of each site and make adjustments as necessary. Results of the audits are reported to the officer in charge of environmental issues, and shared with the Executive Committee, Environment Committee, etc. of the Company.

Topics

Reducing Sulfuric Acid Waste to Zero

In May 2016, Nikkei Niigata Co., Ltd. installed equipment for collecting and reusing sulfuric acid waste generated in the aluminum surface treatment process. The equipment employs pressure dialysis, a new method in the field of surface treatment, which can reduce the processing volume of industrial waste generated from about 100 tons of sulfuric acid waste per month to zero.

Processing Volume of Acid Waste



PEOPLE AND SOCIETY

Human Rights

In addition to protecting human rights within the Group, the NLM Group also conducts human right protection activities within the scope of its influence.

Each year, NLM conducts research on more than 300 companies which are its transactional business partners regarding CSR procurement, and obtains their agreement on the NLM Group Human Rights Policy in the process. Furthermore, as part of the human rights due diligence program, we check for cases of human rights violations through on-site visits and interviews to the management at manufacturing and factory sites. Also, we have obtained the signature of consent to our Human Rights Policy from each of the smelting companies of aluminum, our main raw material.

Labor Practices

The NLM Group positions its employees as its most important stakeholders. We strive to create a safe working environment where all employees can find joy and meaning in their work. Such efforts revolve around realizing a workplace with zero work accidents, that allows for good health and health improvement, and is free of discrimination and harassment. To achieve goals including the promotion of diversity and realization of work-life balance, we promote participation of women in the workplace, expand the employment of people with disabilities, and endeavor to reduce long working hours.

The status of these activities is monitored by the corporate staff through labor audits. 335 items are checked, including adherence to laws and regulations, and adjustments are made as necessary.

Fair Operating Practices

To prevent unfair competition, the NLM Group has formulated the Group Guidelines on the Prevention of Cartels and Collusions, and requires all officers and employees to follow it. The dissemination and entrenchment of the guidelines are advanced through the Compliance Program, while the education of managers and persons-in-charge is conducted through individual programs designed for each business structure.

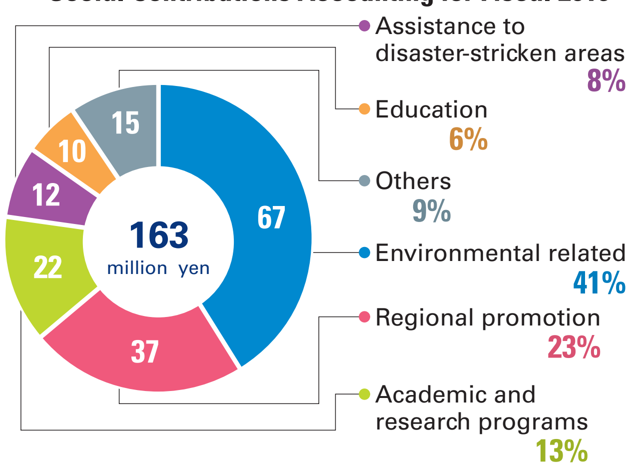
Community

The NLM Group conducts its business activities in 178 regions of 11 countries. In each region, we aim to be a respectable corporation by conducting fair and transparent business activities and harmonious management while adhering to local as well as international laws and regulations.

Our involvement with regional societies are summarized in the Social Contribution Policy of the NLM Group (CSR Report 2017 ▶ http://www.nikkeikinholdings.com/csr/download/), and we will continue contributing to the development of regional societies.

The NLM Group participates in 255 community programs, and made community investments of ¥163 million in fiscal 2016.

Figure 4
Social Contributions Accounting for Fiscal 2016



■ ESG Related Data : *Data Section* (▶ ; Non-Consolidated Data, ● ; Japan only)

		Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2020 Target
Environment								
● Energy consumption		PJ	14.0	12.9	12.7	13.4	14.4	12.0
Quantity of raw materials used in production		K tons	559	543	640	678	618	—
● Total volume of water intake		million m^3	—	—	—	22.6	23.7	—
● Total volume of water discharged		million m^3	29.0	27.9	26.3	26.1	30.4	27.0
Amount of greenhouse gas emissions								
• Japan	SCOPE 1	Ktons-CO_2	346	310	308	287	285	—
	SCOPE 2	Ktons-CO_2	399	386	440	481	512	—
	Total Japan	Ktons-CO_2	745	695	748	768(*1)	796(*1)	973
• Besides Japan	SCOPE 1	Ktons-CO_2	53	54	60	66	77	—
	SCOPE 2	Ktons-CO_2	34	35	45	65	60	—
	Total Besides Japan	Ktons-CO_2	87	89	105	131	137	—
• Total SCOPE 1		Ktons-CO_2	399	364	368	354	361	—
• Total SCOPE 2		Ktons-CO_2	433	421	485	546	572	—
• SCOPE 3		Ktons-CO_2	—	—	2,020	1,927	2,035	—
• Total amount of Greenhouse Gus emissions		Ktons-CO_2	—	—	2,872	2,826	2,968	—
● Amount of SOx emissions		Tons	372	379	402	312	339	350
● Amount of NOx emissions		Tons	380	396	496	437	388	370
● Amount of COD emissions		Tons	101	110	93	108	131	110
● Amount of waste and byproducts discharged: Recycled/Reduced		Ktons	28.6	34.3	38.9	33.2	33.5	29.0
● Amount of waste and byproducts discharged: Disposed (Land fill)		Ktons	3.5	2.2	2.0	2.4	2.9	3.0
● Amount of emissions of substances controlled under the PRTR								
• 243_dioxins	Emission	mg-TEQ	753	822	1,345	1,036	1,049	—
	Transfer	mg-TEQ	18	6	19	21	16	—
• 309_nickel compounds	Emission	kg	70	7	0	0	0	—
	Transfer	kg	839	839	552	904	722	—
• 411_formaldehyde	Emission	kg	0	0	0	0	0	—
	Transfer	kg	66	66	0	0	0	—
● Environmental accounting(*2)								
• Environmental conservation cost: Investment		million yen	1,615	1,014	1,526	1,612	2,009	—
• Environmental conservation cost: Expenses		million yen	6,643	5,903	4,925	5,517	5,847	—
• Economic effect: Gains		million yen	382	357	433	383	397	—
• Economic effect: Increases/decreases in expenses(*3)		million yen	(246)	(350)	(415)	3,174	2,770	—
Number of cases of lawsuits, penalties or forfeitures concerning the environment		cases	0	0	0	0	0	0
Number of accidents related to the environment		cases	3	1	1	2	3	0
Number of complaints related to the environment from outside		cases	5	7	7	11	4	0
Governance								
• Attendance rate of directors	All	%	96.4	97.2	100.0	99.3	97.0	
	Outside directors only	%	85.7	91.7	100.0	100.0	88.9	
• Attendance rate of statutory auditor	All	%	97.6	94.4	97.2	95.8	92.3	
	Outside auditor only	%	95.2	88.9	94.4	91.7	84.6	
• Total remuneration of directors	All	million yen	76	166	173	165	168	
	Outside directors only	million yen	4	8	8	10	15	
• Total remuneration of statutory auditors	All	million yen	24	48	48	51	52	
	Outside auditor only	million yen	6	12	12	15	16	
● Compliance								
Reports to NLM Hotline(*4)		cases	13	10	7	3	9	—
Compliance meetings								
• Total number of meetings held		times	1,435	1,623	1,874	2,038	2,230	—
• Total number of participants		employees	15,354	17,136	18,547	19,600	19,991	—
• Meeting participation ratio		%	—	—	—	93	92	100
Quality								
Number of legal violations in the delivery of products/services		cases	0	0	0	0	0	—
Number of reports of quality issues		cases	14	5	8	8	10	0
Number of recalls		cases	4	0	1	3	4	0
People								
Full-time officers (Male)			—	—	175	170	187	—
Full-time officers (Female)			—	—	0	0	0	—
Employees								
• Total		employees	10,392	10,438	13,335	13,674	13,126	—
• Managerial positions (Male)		employees	}1,458	}1,494	1,520	1,506	1,529	—
• Managerial positions (Female)		employees			56	67	73	—
• General positions (Male)		employees	7,650	7,512	9,301	9,764	9,091	—
• General positions (Female)		employees	1,284	1,432	2,458	2,337	2,433	—
▶ Employment rate of people with disabilities (*5)	Nippon Light Metal	%	2.07	1.92	1.91	1.89	2.41	over 2.0
	Toyo Aluminium	%	1.94	2.09	2.05	2.06	2.12	over 2.0
▶ Fixation rate (at least 3 years in company)	Nippon Light Metal	Entry year	Apr-2010	Apr-2011	Apr-2012	Apr-2013	Apr-2014	
		%	97.1	93.2	92.9	98.1	93.7	100.0
Number of cases of absence from work due to accidents(*6)(*7)		cases	22	12	18	20	17	0
Frequency rate of absence from work due to accidents(*6)		(*8)	1.17	0.87	0.96	0.70	0.46	0.0
Community								
Amount of expenditure for social contributions		million yen	71	95	121	117	163	—

**1 Guaranteed by an independent third party (KPMG AZSA Sustainability Co., Ltd.). (For more details, please refer to the CSR Report 2017.) *2 Calculated in accordance with the Environmental Accounting Guidelines (2005 Edition) *3 Calculation formula: Cost increase/decrease = previous fiscal year's expenses – current fiscal year's expenses. Therefore, a negative figure represents an increase in expenses. *4 Cases reported where a compliance violation was suspected and the matters were investigated and resolved *5 As of June 1 each year. The statutory employment rate is 2.0%. *6 Calendar year basis *7 Accidents requiring at least a day of absence from work (excluding accidents that occurred while commuting to work) *8 Number of people who died or injured due to work accidents for every 1,000,000 hours worked*

NLM Group

Nippon Light Metal Group consists of 77 subsidiaries and 23 affiliates (as of March 31, 2017).
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 Co., Ltd.
- Aluminium Wire Rod Co., Ltd.
- Nikkei MC Aluminium Co., Ltd.
- Nikkei MC Aluminum America, Inc.
- Nikkei MC Aluminium (Thailand) Co., Ltd.
- Nikkei MC Aluminium (Kunshan) Co., Ltd.
- Ihara Nikkei Chemical Industry Co., Ltd.
- Guangxi Zhengrun Nikkei High Purity Aluminium Technology Co., Ltd.
- CMR Nikkei India Private Ltd.

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

Aluminum Sheet and Extrusions

(Manufacture and Sales)
- Nippon Light Metal Co., Ltd.
- Toyo Rikagaku Kenkyusho Co., Ltd.
- Toyo Precision Appliance (Kunshan) Co., 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 Industry Co., Ltd.
- Huafon Nikkei Aluminium Co., Ltd.
- Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.

(Sales and Others)
- Nikkeikin Kakoh Kaihatsu Holdings Co., Ltd.
- Nikkei Sangyo Co., Ltd.

Fabricated Products and Others

(Manufacture and Sales)
- Nippon Light Metal Co., 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.
- Fruehauf Mahajak 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.
- Toyal America, Inc.
- Toyal Europe S.A.S.U.
- Toyo Aluminium Ekco Products Co., Ltd.
- Sam-A Aluminium Co., Ltd.

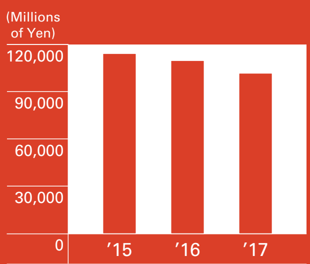
CUSTOMER

● Consolidated subsidiaries: 73 companies ● Affiliates accounted for by the equity method: 17 companies (As of March 31, 2017)

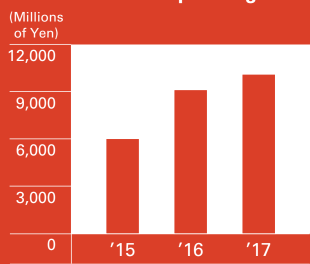
Aluminum Ingot and Chemicals

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

Net Sales



Consolidated Operating Profit



Principal Products

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

Overview of results for fiscal 2016

In the Alumina and Chemicals segment, with regard to the mainstay alumina and aluminum hydroxide products among alumina-related products, despite robust domestic sales of products for coagulants and refractory materials, sales fell from the previous year's levels, due to a large decrease in exports, mainly of those to Korea. In terms of chemicals, sales of coagulants and inorganic chlorides were robust, and the sales volume of organic chlorides also increased, although it was subject to customers' fluctuating demand. As a result, overall sales for the segment fell short of the previous year's levels due to the decrease in sales of alumina-related products, but profits improved owing to cost reduction and other efforts.

In the Aluminum Ingot segment, sales volumes increased, as sales of the mainstay secondary alloy products for automotive applications rose in Japan backed by a robust demand, while overseas, new customers were acquired in the U.S., and shipments of molten aluminum, which does not require remelting and has the effect of suppressing carbon dioxide emissions, increased in China. However, sales were lower than that of the previous year, as they were heavily affected by the decline in sales prices of aluminum ingots which reflected conditions of the market. Meanwhile, profits improved owing to higher sales volumes and lower fuel prices.

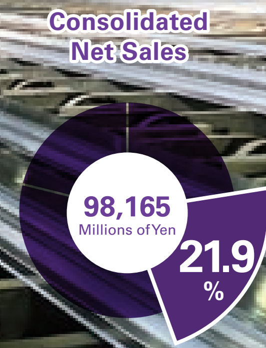
In addition, the second factory of Nikkei MC Aluminium (Thailand) Co., Ltd., a company engaged in the business of secondary alloy products for automotive applications in Thailand, which had been under construction, began operations in March 2017.

As a result, the Alumina, Chemicals and Aluminum Ingot segment sales decreased 7.3% year on year to ¥101,840 million, operating profit increased 10.8% year on year to ¥10,126 million.

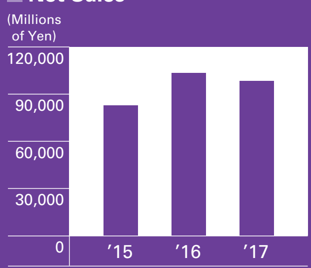
Aluminum Billet

Aluminum Sheet and Extrusions

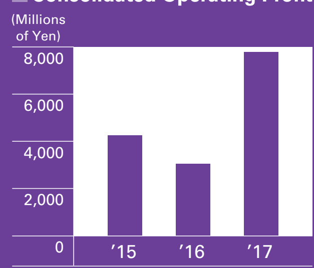
Profile *The NLM Group's aluminum sheet and extrusions are used in a wide range of market sectors, for instance for automotive parts and railway cars in the transport industry and for semiconductor and liquid crystal manufacturing equipment and photosensitive drums in the electrical machinery and electronics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



Net Sales



Consolidated Operating Profit



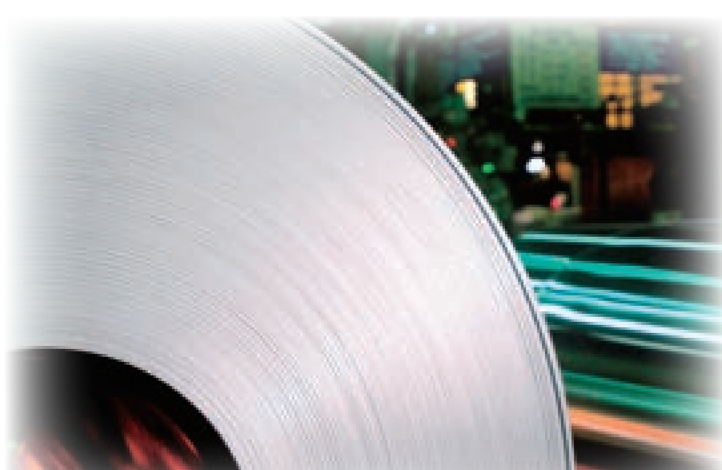
Applications	Principal Products
Automobile	• Automobile suspension parts • Lead-free cut aluminum alloy • Quick freezing coagulated powder extruded materials • High-intensity molded aluminum sheet
Transport	• Large structural materials for railway rolling stock • Flap for trucks
Electronics	• Thick plate 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 2016

In the Aluminum Sheet segment, sales volumes increased, as sales of thick plates for semiconductor and LCD manufacturing equipment as well as sales of thick plates for railway cars were robust, on top of an increase in sales of sheet materials for PC and tablet cases, and sales of sheet materials for truck outfitting. However, sales of the segment decreased compared to the previous year, due to the decline in sales prices of aluminum ingots which reflected conditions of the market. In terms of profits, due to the increase in sales volumes, the decrease in fuel prices, and an increase in the percentage of highly profitable products sold, profits increased significantly compared to the previous year.

In the Aluminum Extrusions segment, sales of solar panel racks were sluggish, and shipments of products for automobiles were slow at some locations in China, affected by a slump in sales of the automobile models they can be installed on. Nonetheless, owing to robust sales for truck outfitting and railway cars, as well as effects of launching new products for automobiles in Japan and increased sales of nuclear energy-related products in the second half of the fiscal year, sales volumes of the segment increased year on year. Accordingly, although sales were on par with the previous year due to the decline in sales prices of aluminum ingots which reflected conditions of the market, profits improved significantly.

As a result, while Aluminum Sheet and Extrusion segment sales decreased 5.0% to ¥98,165 million, operating profit increased 154.3% to ¥7,775 million.

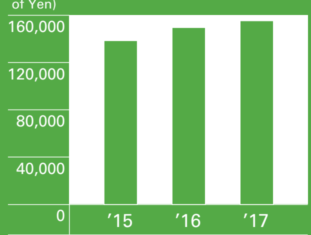


Aluminum Sheet

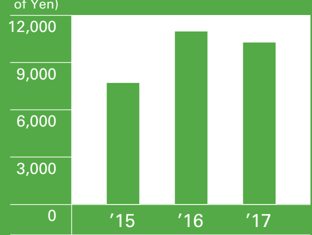
Fabricated Products and Others

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

Net Sales



Consolidated Operating Profit



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

Overview of results for fiscal 2016

In the Transport-Related segment, revenue increased in the truck outfitting business, as logistics activities increased, corporate sentiment of logistics-related companies towards investment was favorable on the back of low fuel prices, and domestic demand continued to stay at a high level due to a rise in replacement needs related to emissions regulations. Profits were also notably higher than last year, as a result of efforts to improve manufacturing productivity and reduce processing fees.

In the area of capacitors for air conditioners, in the mainstay market for mini vehicles in Japan, sales decreased markedly in the first half of the year due to the sluggish demand caused by the mini vehicle tax hike, but became robust in the second half due in part to the launch of new automobile models. Coupled with an increase in sales volumes of products for room air conditioners in Thailand and neighboring ASEAN countries, on the whole, sales were higher than the previous year's levels.

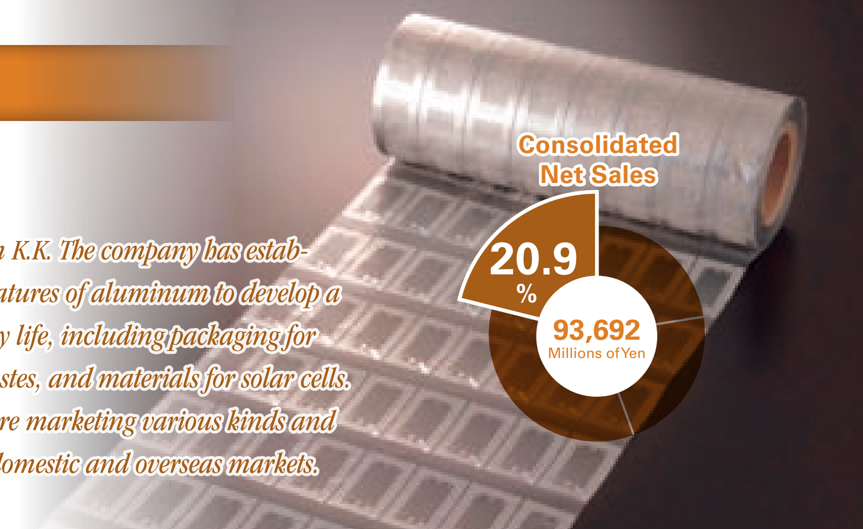
In the Shaped Parts segment, amid a recovery in the number of automobiles manufactured in Japan, sales of related parts for environmentally-friendly automobiles increased in the first half of the year, but demand in the North American market and sales of luxury vehicles decreased in the second half, leading to sales levels that were slightly lower than the previous year.

In the Electronic Materials segment, regarding anodized aluminum foil for aluminum electrolytic capacitors, sales significantly surpassed the previous year's levels, as capacitor manufacturers who are our customers had higher sales, owing to robust demand for condensers used in areas including home appliances, renewable energy, and devices installed on automobiles. In terms of profits, as there was an increase in costs and other effects arising from the sudden increase in production, profits were lower than the previous year.

In the Panel System segment, with regard to shipments of industrial refrigerators and freezers, on the back of higher food safety awareness, the trend of robust demand of large systems for plants that process food products continued from the previous year, and demand for small systems for stores also remained strong. With regard to clean rooms, investments related to flash memory and organic electroluminescent displays, as well as demand related to the pharmaceutical and bio field centering on generic drugs were robust, and sales were maintained at the previous year's levels. As a result, overall segment sales exceeded levels of the previous year.

In the Carbon Product segment, demand of our major products, including carbon blocks for blast furnaces and electric furnaces, cathodes, and unshaped materials for electrodes, decreased significantly as our customers in the steel and aluminum smelter industry experienced a decline in earnings. Consequently, in addition to a sharp reduction in sales volumes, sales prices also dropped, resulting in a severely unfavorable situation.

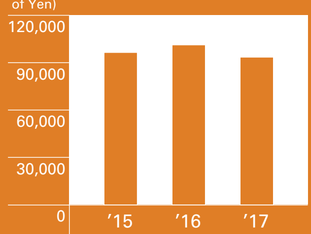
As a result, Fabricated Products and Others segment sales increased 3.7% to ¥154,684 million, while operating profit decreased 6.5% to ¥10,245 million.



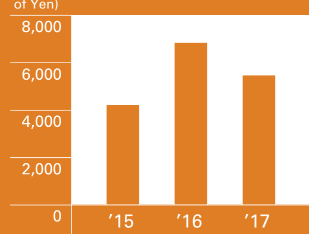
Aluminum Foil, Powder and Paste

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

Net Sales



Consolidated Operating Profit



Applications

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

Principal Products

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

● Overview of results for fiscal 2016

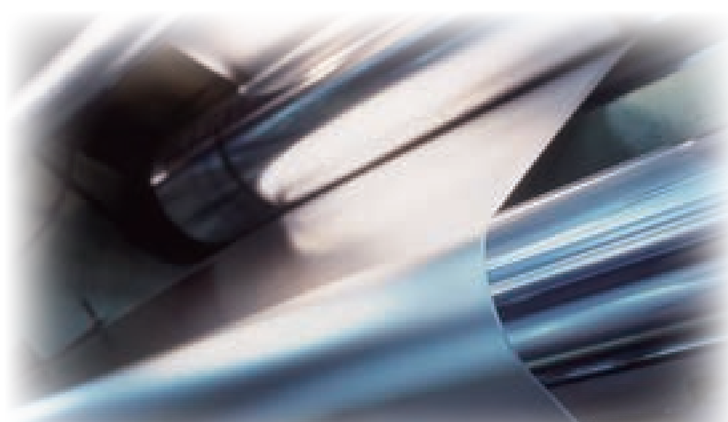
In the Aluminum Foil segment, sales volumes of high-purity aluminum foil for electrolytic capacitors decreased compared to the previous year due to fiercer price competition, despite strong sales of new products and the recovering trend of overall demand. Regarding standard foil, while sales of water-repellent fabricated foil for food products were strong, sales of fabricated foil for pharmaceutical packaging were sluggish, and shipments of plain foil for lithium ion battery surfaces decreased as they were affected by inventory adjustments. Accordingly, sales for the overall segment fell short of the previous year's levels.

In the Powder and Paste segment, regarding paste products, sales of food packaging materials for inks were robust, and sales of the new products Colored Alpaste and glass flakes were also strong. However, sales of the mainstay products for automobile paint were sluggish, and sales of products for home appliances decreased. As for powder products, sales of the mainstay product aluminum nitride decreased, and sales of the overall segment decreased compared to the previous year.

In May 2016, we established TOYAL MMP INDIA PRIVATE LIMITED as a joint venture with a local company, to conduct the manufacturing and sales of aluminum paste for general paints in India. This marks our fifth manufacturing base in addition to Japan, the U.S., France, and China. We will continue our efforts to expand our sales channels in India, as well as in the ASEAN, Middle East, and African regions.

In the Solar segment, regarding functional ink for solar cells, we received a healthy order volume as we launched new products before other companies did. However, for the mainstay products of back sheets for solar cells, shipments decreased due to credit issues among certain users and a reduction in subsidies granted by the Chinese government, and along with intensified price competition, overall segment sales decreased year on year.

As a result, Aluminum Foil, Powder and Paste segment sales decreased 8.1% to ¥93,692 million, and operating profit decreased 19.8% to ¥5,478 million.

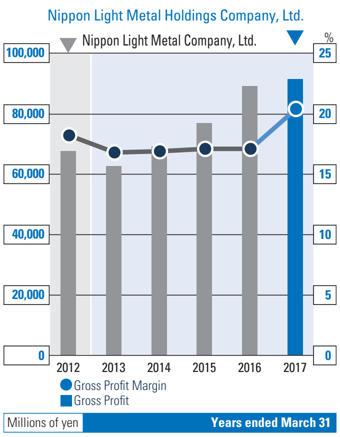


Aluminum Foil

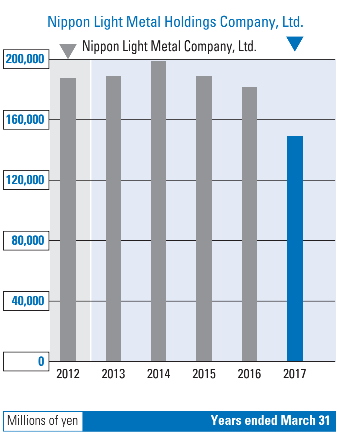
Consolidated Six-Year Summary

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

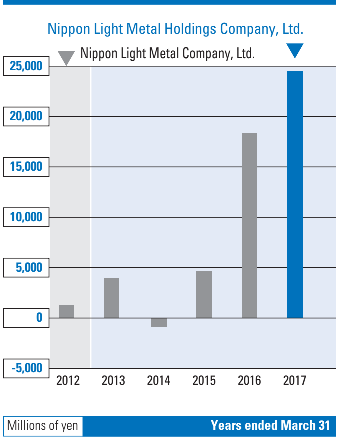
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



Nippon Light Metal Company, Ltd.

	2012	2013
	(Millions of yen)	
Financial Results		
Net Sales	¥403,009	¥371,887
Gross Profit	67,559	62,715
Gross Profit Margin (%)	16.8	16.9
Operating Profit (Loss)	13,665	8,154
Ordinary Profit (Loss)	9,709	6,873
Profit attributable to owners of parent	2,856	3,355
Segment Information		
Net Sales:		
Aluminum Ingot and Chemicals	99,560	93,902
Aluminum Sheet and Extrusions	70,618	63,161
Fabricated Products and Others	127,972	126,218
Aluminum foil, powder and paste	104,859	88,606
Total	403,009	371,887
Operating Profit (Loss):		
Aluminum Ingot and Chemicals	5,227	3,273
Aluminum Sheet and Extrusions	1,569	1,675
Fabricated Products and Others	6,392	6,974
Aluminum foil, powder and paste	3,402	(771)
Elimination or corporate items	(2,925)	(2,997)
Total	13,665	8,154
Financial Position		
Current Assets	225,200	217,648
Property, plant and equipment	149,919	153,238
Intangible assets	6,601	6,338
Investments and other assets	40,951	42,562
Current liabilities	192,070	182,173
Long-term liabilities	121,752	122,989
Shareholders' equity (Note 3)	100,033	102,297
Total accumulated other comprehensive income (Note 3)	434	2,851
Non-controlling interests (Note 3)	8,382	9,476
Interest-bearing Debt (Note 2)	187,697	188,844
Cash Flows		
Cash Flows from Operating Activities	19,537	18,030
Depreciation and Amortization	17,040	16,259
Cash Flows from Investing Activities	(18,289)	(14,025)
Capital Expenditures	23,167	17,121
Cash Flows from Financing Activities	(6,915)	(5,175)
Per Share Data (yen and dollars)		
Net Profit (Loss) - basic	¥ 5.25	¥ 6.17
- diluted	—	—
Net Assets (Note 3)	184.71	193.33
Cash Dividends	2.00	3.00
Indices		
Return on Capital Employed (ROCE) (%)	4.9	3.7
Return on Equity (ROE) (%)	2.9	3.3
Equity Ratio (%)	23.8	25.0
Others		
Number of Shares Outstanding (thousands)	545,126	545,126
R&D Expenditures	4,902	5,063
Number of Employees	10,041	10,392

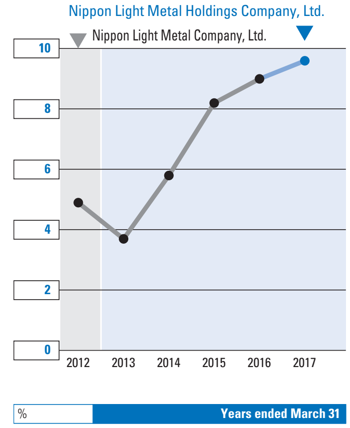
Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥112.19 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

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

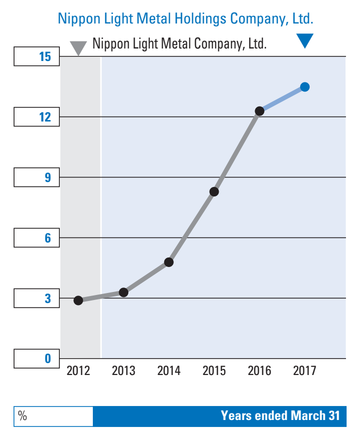
Note 3: Numbers used for the year ended March 2010 have been revised according to the current segment categories.

Nippon Light Metal Holdings Company, Ltd.				
2014	2015	2016	**2017**	**2017**
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)
¥402,829	¥431,477	¥464,405	**¥448,381**	**$3,996,622**
69,003	76,987	89,237	**91,564**	**816,151**
17.1	17.8	19.2	**20.4**	**20.4**
12,617	19,305	26,821	**30,225**	**269,409**
12,730	20,600	24,526	**26,252**	**233,996**
5,128	9,645	15,533	**19,520**	**173,991**
105,488	114,339	109,844	**101,840**	**907,746**
71,274	82,823	103,340	**98,165**	**874,989**
132,261	138,088	149,220	**154,684**	**1,378,768**
93,806	96,227	102,001	**93,692**	**835,119**
402,829	431,477	464,405	**448,381**	**3,996,622**
2,917	6,069	9,138	**10,126**	**90,258**
2,668	4,230	3,058	**7,775**	**69,302**
7,224	7,704	10,958	**10,245**	**91,318**
2,889	4,183	6,829	**5,478**	**48,828**
(3,081)	(2,881)	(3,162)	**(3,399)**	**(30,297)**
12,617	19,305	26,821	**30,225**	**269,409**
226,807	248,906	247,363	**246,394**	**2,196,221**
150,901	153,235	152,183	**151,231**	**1,347,990**
5,022	4,543	3,328	**3,190**	**28,434**
49,808	50,593	49,320	**47,808**	**426,134**
181,520	202,220	186,881	**184,277**	**1,642,544**
129,824	117,672	120,894	**90,722**	**808,646**
105,787	111,791	124,884	**154,600**	**1,378,019**
4,629	9,631	5,300	**5,053**	**45,040**
10,778	15,963	14,235	**13,971**	**124,530**
198,668	188,990	182,207	**149,835**	**1,335,546**
18,148	11,780	37,770	**36,488**	**325,234**
16,435	16,406	16,356	**16,602**	**147,981**
(18,998)	(7,119)	(19,419)	**(11,887)**	**(105,954)**
14,001	15,869	18,861	**19,908**	**177,449**
5,762	(17,581)	(10,708)	**(24,432)**	**(217,773)**
¥ 9.43	¥ 17.74	¥ 28.56	**¥ 34.58**	**$ 0.31**
—	15.59	25.10	**31.46**	**0.28**
203.03	223.27	239.39	**257.82**	**2.30**
4.00	5.00	6.00	**8.00**	**0.07**
5.8	8.2	9.0	**9.6**	
4.8	8.3	12.3	**13.5**	
25.5	26.6	28.8	**35.6**	
545,126	545,126	545,126	**619,937**	
4,984	4,495	4,794	**4,939**	**$ 44,024**
10,438	13,335	12,961	**13,126**	

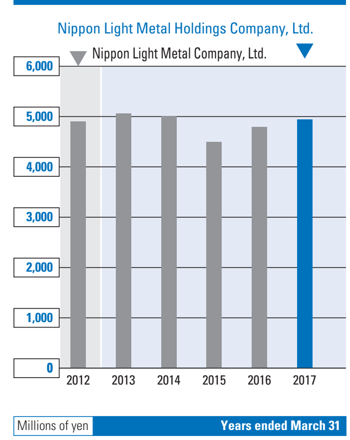
Return on Capital Employed (ROCE)



Return on Equity (ROE)



R&D Expenditures



Overview

Although the Japanese economy during fiscal 2016 (the year ended March 31, 2017) experienced appreciation of yen and the stagnation of export and production until the middle of the fiscal year, yen turned to a depreciation trend in the latter half, thereby improving indicators. In addition, the Japanese economy showed a gradual recovery trend backed by strong corporate earnings with improvements in the employment and income environment in progress.

In the transport industry, demand for cars and trucks were robust, although demand from construction-related fields remained unchanged. As a result, the domestic aluminum industry saw an increase in overall demand compared to the previous year. Meanwhile, in terms of price, the aluminum ingots market experienced a slow downturn until the middle of the fiscal year due in part to the effect of foreign exchange, but was on an upward trend in the latter half, both affecting product prices.

Under such circumstances, fiscal year ended March 31, 2017 was the first year of the Group's Mid-Term Management Plan (fiscal 2016 to fiscal 2018) (hereinafter, the "Mid-Term Plan"). Although net sales decreased, profits increased favorably, as stated below.

Overview of Consolidated Business Performance (Millions of yen)

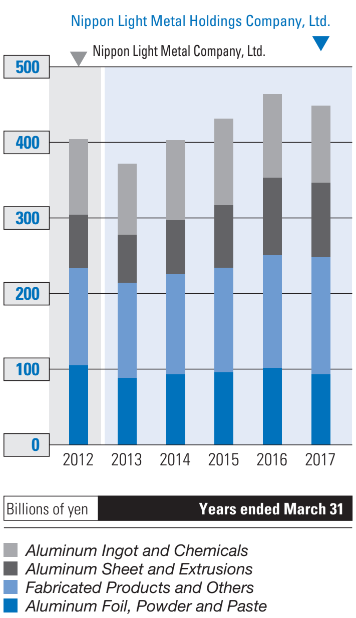
	Fiscal year under review The year ended March 31, 2017	Previous fiscal year The year ended March 31, 2016	Changes in Comparison (Decrease in brackets) Changes [Percent changes]
Net sales	448,381	464,405	(16,024) [(3.5%)]
Operating profit	30,225	26,821	3,404 [12.7%]
Ordinary profit	26,252	24,526	1,726 [7.0%]
Profit attributable to owners of parent	19,520	15,533	3,987 [25.7%]
Net income per share (Yen)	34.58	28.56	6.02 [21.1%]

Overall sales volumes increased due to robust performance in the Aluminum Ingot segment, the Aluminum Sheet and Extrusions segment, the truck outfitting business, the Panel System segment, etc. However, net sales decreased due to the decline in sales prices in the fields linked to the aluminum ingots market. Meanwhile, in terms of profit, in addition to the effects of higher sales volumes and cost cuts, the decline in crude oil prices also contributed to significantly higher profits than the previous year's levels.

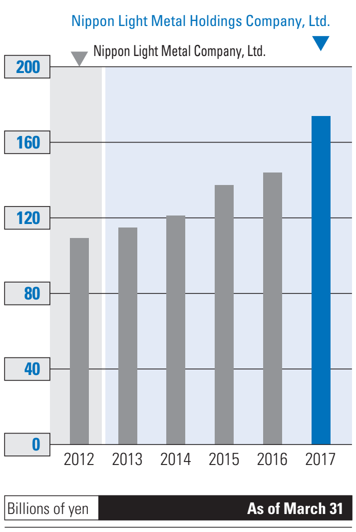
Earnings and Expenses

NLM Holdings' consolidated net sales for the fiscal year under review decreased 3.5% year on year to ¥448.4 billion ($3,997 million). For

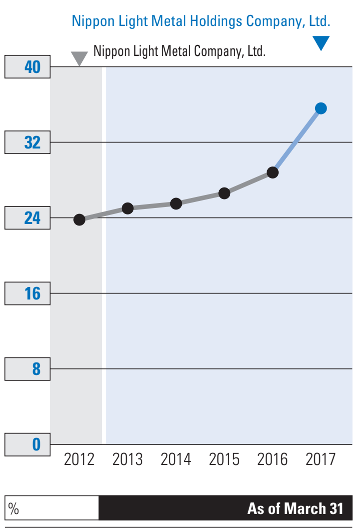
Net Sales By Segment



Total Net Assets



Equity Ratio



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

sales and other financial performance by business segment, please see the Review of Operations on pages • to •.

The cost of sales was ¥356.8 billion ($3,180million), and the cost of sales ratio was 79.6%. Selling, general and administrative expenses were ¥61.3 billion ($547 million). As a result, operating profit increased 12.7% year on year to ¥30.2 billion ($269 million).

Non-operating income totaled ¥3.8 billion ($34million) during the year under review. Equity in earnings of affiliates decreased 86.0% year on year to ¥0.1 billion ($1.3 million) and dividend income fell 26.2% year on year to ¥0.3 billion ($2.7 million). Non-operating expenses were ¥7.8 billion ($69.7 million). As a result, ordinary profit rose 7.0% year on year to ¥26.3 billion ($234.0 million).

Special gains totaled ¥3.2 billion ($29 million), and special losses were ¥1.2 billion ($11million). Special gains include gain on sales of investment securities of ¥2.8 billion ($25 million), and all the amounts of special losses were loss on impairment of fixed assets.

As a result, profit before income taxes during the period under review was ¥28.3 billion ($252 million). Corporate, inhabitant and business taxes amounted to ¥5.3 billion ($47million) and deferred income taxes during the fiscal year under review were ¥2.5 billion ($23 million). Profit was ¥20.5 billion ($183 million).

As a result of the above, profit attributable to owners of parent in the fiscal year under review increased 25.7% year on year to ¥19.5 billion ($174 million). The average number of shares outstanding rose from 543,826 thousand in the previous year to 564,497 thousand. Accordingly, net income per share rose from ¥28.6 in the previous year to ¥34.6 ($0.3). The annual cash dividend per share increased by ¥2.0 year on year to ¥8.0 ($0.07), by resolution at the General Meeting of Shareholders held on June 27, 2017.

Overview of Consolidated Balance Sheets (Millions of yen)

	March 31, 2017	March 31, 2016	Changes in Comparison
Total assets	448,623	452,194	(3,571)
Total liabilities	274,999	307,775	(32,776)
Net assets	173,624	144,419	29,205
Equity ratio (%)	35.6	28.8	6.8

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2017 decreased ¥3.6 billion year on year to ¥448.6 billion ($3,999 million). Total liabilities decreased ¥32.8 billion year on year to ¥275.0 billion ($2,451 million). This was due to exercising of advance repayment and early redemption of an amount of ¥10.0 billion in hybrid finances (subordinated loans and bonds) recorded in March 2012. Interest-bearing debt decreased ¥32.4 billion year on year to ¥149.8 billion.

Total net assets increased ¥29.2 billion year on year to ¥173.6 billion ($1,548 million), thanks primarily to an increase in retained earnings due to the recording of profit in the fiscal year under review as well as increase in shareholders' equity due to share conversion of convertible bonds with stock acquisition rights. Net assets per share increased ¥18.43 year on year to ¥257.82 ($2.30), while the equity ratio rose 6.8 percentage point year on year to 35.6%.

Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2017 fell ¥0.2 billion to ¥36.3 billion ($323million).

Net cash provided by operating activities totaled ¥36.5 billion ($325 million). Net cash used in investing activities was ¥11.9 billion ($106 million). The main outflows were payments for purchases of fixed assets. Net cash used in financing activities totaled ¥24.4 billion ($218 million). The main inflows were ¥18.6 billion ($166 million) in proceeds from long-term debt, and the main outflows were ¥32.2 billion ($287 million) in repayments of long-term debt.

Outlook for Fiscal 2017

With regard to the Japanese economy, a gradual recovery is expected, as the tendency of improvements in the employment and income environment is continuing. As for overseas economies, while the economic slowdown in China seems to have bottomed out, we cannot forecast rapid expansion and rapid growth in the overall economies in the emerging countries. While the economy is expected to be strong in the U.S. and Europe, there are uncertain factors affected by policies of the new U.S. administration and Brexit.

Meanwhile, the demand for aluminum products is expected to rise steadily, thanks to the further demand of lightweight automobiles and expansion of use in materials for trucks in the transport industry and in industrial devices.

Under such circumstances, based on our Mid-Term Management Plan which will last for three years ending in fiscal 2018, we will strive to maximize consolidated revenue by expanding sales of new products, strengthening cooperation within the Group and enhancing profitability of overseas bases.

Our forecasts for the year ending March 31, 2018 are net sales of ¥470.0 billion, operating profit of ¥30.0 billion, ordinary profit of ¥28.0 billion, and profit attributable to owners of parent of ¥18.0 billion. We expect net income per share to total ¥29.07 and dividend per share of ¥8.0.

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

Assets	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	2017 (Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and deposits (Notes 4 and 7)	¥ 36,875	¥ 36,346	$ 323,968
Notes and accounts receivable – trade (Note 7)	135,357	135,955	1,211,828
Finished products	25,270	24,305	216,641
Work-in-progress, including costs related to construction-type contracts	16,459	16,112	143,614
Raw material and supplies	18,294	18,803	167,600
Deferred tax assets (Note 10)	5,396	5,487	48,908
Other current assets	10,742	10,731	95,650
Allowance for doubtful accounts	(1,030)	(1,345)	(11,988)
Total current assets	247,363	246,394	2,196,221
Property, plant and equipment (Note 6):			
Land	54,910	54,535	486,095
Buildings and structures	132,114	134,450	1,198,413
Machinery and equipment	275,101	279,999	2,495,757
Tools, furniture and fixtures	31,070	31,404	279,918
Construction-in-progress	6,500	5,104	45,495
Accumulated depreciation	(347,512)	(354,261)	(3,157,688)
Total property, plant and equipment	152,183	151,231	1,347,990
Intangible assets:			
Goodwill	45	—	—
Other intangible assets (Note 6)	3,283	3,190	28,434
Total intangible assets	3,328	3,190	28,434
Investments and other assets:			
Investment securities (Notes 5, 6 and 7)	35,993	35,818	319,262
Deferred tax assets (Note 10)	8,105	4,845	43,186
Other assets	5,781	7,556	67,349
Allowance for doubtful accounts	(559)	(411)	(3,663)
Total investments and other assets	49,320	47,808	426,134
Total assets	¥ 452,194	¥ 448,623	$ 3,998,779

Liabilities and net assets	March 31, 2016 (Millions of yen)	March 31, 2017 (Millions of yen)	2017 (Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 60,802	¥ 60,161	$ 536,242
Current portion of long-term debt (Notes 6 and 7)	25,894	22,311	198,868
Notes and accounts payable – trade (Note 7)	67,943	67,300	599,875
Income taxes payable	3,684	2,909	25,929
Other current liabilities	28,558	31,596	281,630
Total current liabilities	186,881	184,277	1,642,544
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	98,293	69,171	616,552
Liabilities for retirement benefits (Note 9)	20,364	20,583	183,466
Deferred tax liabilities on land revaluation surplus (Notes 10 and 12)	50	—	—
Other long-term liabilities (Notes 6, 7 and 10)	2,187	968	8,628
Total long-term liabilities	120,894	90,722	808,646
Total liabilities	307,775	274,999	2,451,190
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000,000 shares			
Issued: 619,937,500 shares	39,085	46,525	414,698
Additional paid-in capital	11,460	19,064	169,926
Retained earnings	74,452	89,076	793,974
Treasury stock, at cost (1,303,047 shares in 2016 and 706,127 shares in 2017)	(113)	(65)	(579)
Total shareholders' equity	124,884	154,600	1,378,019
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities (Note 5)	2,892	4,229	37,695
Net unrealized gains (losses) on hedges (Note 13)	(105)	74	660
Land revaluation surplus (Note 12)	145	145	1,292
Foreign currency translation adjustments	3,871	1,875	16,713
Remeasurements of defined benefits plans	(1,503)	(1,270)	(11,320)
Total accumulated other comprehensive income	5,300	5,053	45,040
Non-controlling interests	14,235	13,971	124,530
Total net assets	144,419	173,624	1,547,589
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥452,194	¥448,623	$3,998,779

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

Consolidated Statements of Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31, 2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥464,405	¥448,381	$3,996,622
Cost of sales (Note 14)	375,168	356,817	3,180,471
Gross profit	89,237	91,564	816,151
Selling, general and administrative expenses (Note 14)	62,416	61,339	546,742
Operating profit	26,821	30,225	269,409
Non-operating income:			
Interest income	97	101	900
Dividend income	416	307	2,737
Equity in earnings of affiliates	1,008	141	1,257
Rental income	648	747	6,658
Other	1,874	2,552	22,747
Total non-operating income	4,043	3,848	34,299
Non-operating expenses:			
Interest expense	2,139	1,782	15,884
Other	4,199	6,039	53,828
Total non-operating expenses	6,338	7,821	69,712
Ordinary profit	24,526	26,252	233,996
Special gains:			
Gain on sales of investment securities	—	2,821	25,145
Gain on sales of fixed assets	—	409	3,645
Total special gains	—	3,230	28,790
Special losses:			
Loss on impairment of fixed assets (Note 16)	678	1,192	10,625
Loss on removal cost of fixed assets	332	—	—
Total special losses	1,010	1,192	10,625
Profit before income taxes	23,516	28,290	252,161
Income taxes (Note 10):			
Current	5,835	5,280	47,063
Deferred	1,180	2,529	22,542
	7,015	7,809	69,605
Net profit	16,501	20,481	182,556
Profit attributable to non-controlling interests	968	961	8,565
Profit attributable to owners of parent	¥ 15,533	¥ 19,520	$ 173,991
	(Yen)		(U.S. dollars) (Note 3)
Per share of common stock (Note 17):			
Net asset	¥ 239.39	¥ 257.82	$ 2.30
Net income	28.56	34.58	0.31
Cash dividends	6.00	8.00	0.07

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

Consolidated Statements of Comprehensive Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31,		
	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net profit	¥16,501	¥20,481	$182,556
Other comprehensive income			
Net unrealized gains (losses) on securities	(532)	1,365	12,167
Net unrealized gains (losses) on hedges	(80)	179	1,596
Foreign currency translation adjustments	(2,358)	(1,247)	(11,115)
Remeasurements of defined benefit plans	(1,413)	223	1,988
Equity of other comprehensive income (losses) of affiliates	(727)	(1,170)	(10,430)
Total other comprehensive income (losses) (Note 8)	(5,110)	(650)	(5,794)
Comprehensive income	¥11,391	¥19,831	$176,762
Attributable to:			
owners of parent	¥11,202	¥19,273	$171,789
non-controlling interests	189	558	4,973
	¥11,391	¥19,831	$176,762

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

2016

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Profit attributable to non-controlling interests	Total net assets
	(Millions of yen)										
Balance at April 1, 2015	¥ 39,085	¥ 11,179	¥ 61,639	¥(112)	¥ 3,493	¥ (25)	¥ 145	¥ 6,198	¥ (180)	¥ 15,963	¥ 137,385
Issuance of new shares exercise of subscription rights to shares											
Cash dividends			(2,720)								(2,720)
Profit attributable to owners of parent			15,533								15,533
Changes in a parent's ownership interest due to transactions with non-controlling interests		281								(1,452)	(1,171)
Disposal of treasury stock											—
Purchase of treasury stock				(1)							(1)
Net unrealized gains (losses) on securities					(601)						(601)
Net unrealized gains (losses) on hedges						(80)					(80)
Foreign currency translation adjustments								(2,327)			(2,327)
Remeasurements of defined benefits plans									(1,323)		(1,323)
Net increase in profit attributable to non-controlling interests										(276)	(276)
Balance at March 31, 2016	¥ 39,085	¥ 11,460	¥ 74,452	¥(113)	¥ 2,892	¥ (105)	¥ 145	¥ 3,871	¥ (1,503)	¥ 14,235	¥ 144,419

2017

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Profit attributable to non-controlling interests	Total net assets
	(Millions of yen)										
Balance at April 1, 2016	¥ 39,085	¥ 11,460	¥ 74,452	¥ (113)	¥ 2,892	¥(105)	¥ 145	¥ 3,871	¥ (1,503)	¥ 14,235	¥ 144,419
Issuance of new shares exercise of subscription rights to shares	7,440	7,440									14,880
Cash dividends			(4,896)								(4,896)
Profit attributable to owners of parent			19,520								19,520
Changes in a parent's ownership interest due to transactions with non-controlling interests		94								(249)	(155)
Disposal of treasury stock		70		49							119
Purchase of treasury stock				(1)							(1)
Net unrealized gains on securities					1,337						1,337
Net unrealized gains (losses) on hedges						179					179
Foreign currency translation adjustments								(1,996)			(1,996)
Remeasurements of defined benefits plans									233		233
Net increase in profit attributable to non-controlling interests										(15)	(15)
Balance at March 31, 2017	**¥46,525**	**¥19,064**	**¥89,076**	**¥ (65)**	**¥4,229**	**¥ 74**	**¥145**	**¥ 1,875**	**¥ (1,270)**	**¥13,971**	**¥173,624**

2017

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Profit attributable to non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 3)										
Balance at April 1, 2016	$ 348,382	$ 102,148	$ 663,623	$ (1,007)	$ 25,778	$ (936)	$ 1,292	$ 34,504	$ (13,397)	$ 126,883	$ 1,287,270
Issuance of new shares exercise of subscription rights to shares	66,316	66,316									132,632
Cash dividends			(43,640)								(43,640)
Profit attributable to owners of parent			173,991								173,991
Changes in a parent's ownership interest due to transactions with non-controlling interests		838								(2,219)	(1,381)
Disposal of treasury stock		624		437							1,061
Purchase of treasury stock				(9)							(9)
Net unrealized gains on securities					11,917						11,917
Net unrealized gains (losses) on hedges						1,596					1,596
Foreign currency translation adjustments								(17,791)			(17,791)
Remeasurements of defined benefits plans									2,077		2,077
Net increase in profit attributable to non-controlling interests										(134)	(134)
Balance at March 31, 2017	**$414,698**	**$169,926**	**$793,974**	**$ (579)**	**$37,695**	**$ 660**	**$ 1,292**	**$ 16,713**	**$ (11,320)**	**$124,530**	**$1,547,589**

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

Consolidated Statements of Cash Flows

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31, 2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Cash flows from operating activities			
Profit before income taxes	¥ 23,516	¥ 28,290	$ 252,162
Depreciation and amortization	16,356	16,602	147,981
Gain on sales of investment securities	–	(2,821)	(25,145)
Gain on sales of fixed assets	–	(409)	(3,645)
Loss on impairment of fixed assets	678	1,192	10,625
Increase (decrease) in allowance for doubtful accounts	90	180	1,604
Increase (decrease) in liability for retirement benefit	(266)	456	4,065
Interest and dividend income	(513)	(408)	(3,637)
Interest expense	2,139	1,782	15,884
Equity in (earnings) losses of affiliates	(1,008)	(141)	(1,257)
(Increase) decrease in notes and accounts receivable – trade	(2,776)	(1,066)	(9,502)
(Increase) decrease in inventories	6,399	476	4,243
Increase (decrease) in notes and accounts payable – trade	646	(478)	(4,261)
Other	(3,060)	469	4,180
Subtotal	42,201	44,124	393,297
Interest and dividend income received	1,010	1,100	9,805
Interest paid	(2,130)	(1,750)	(15,599)
Income taxes paid	(3,311)	(6,986)	(62,269)
Net cash provided by operating activities	37,770	36,488	325,234
Cash flows from investing activities			
Payments into time deposits	(19,081)	(17,039)	(151,876)
Proceeds from sales of fixed assets	176	2,116	18,861
Payments for purchases of investment securities	173	3,330	29,682
Other	(687)	(294)	(2,621)
Net cash used in investing activities	(19,419)	(11,887)	(105,954)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(8,292)	(640)	(5,705)
Proceeds from long-term debt	28,914	18,613	165,906
Repayments of long-term debt	(25,938)	(32,184)	(286,870)
Redemption of bonds	—	(3,200)	(28,523)
Cash dividends paid	(2,709)	(4,912)	(43,783)
Cash dividends paid to non-controlling interests	(516)	(680)	(6,061)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,094)	—	—
Other	(1,073)	(1,429)	(12,737)
Net cash used in financing activities	(10,708)	(24,432)	(217,773)
Effect of exchange rate changes on cash and cash equivalents	(591)	(368)	(3,281)
Net increase (decrease) in cash and cash equivalents	7,052	(199)	(1,774)
Cash and cash equivalents at beginning of the year	29,433	36,485	325,207
Cash and cash equivalents at end of the year (Note 4)	¥ 36,485	¥ 36,286	$ 323,433

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 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 profit 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) Retirement benefits

1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.
2) Prior service cost is 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 profit for the year in which they arise, except for derivatives designated as hedging instruments.

The Company and its consolidated subsidiaries use derivatives to reduce their exposure to fluctuation in foreign exchange rates, interest rates, and the prices of aluminum ingot and others in the market. Derivatives designated as hedging instruments are principally forward foreign exchange contracts, interest rate swap contracts, interest rate and currency swap contracts and aluminum ingot and others forward contracts. The underlying hedged items are trade accounts receivable and payable, long-term bank loans and sales or purchases of aluminum ingot and others.

Gains and losses arising from changes in fair value of derivatives designated as hedging instruments are deferred and included in net profit in the same period in which the corresponding gains and losses on the underlying hedged items or transactions are recognized. The Company and its consolidated subsidiaries use interest rate swaps and interest rate and currency swaps to hedge their interest rate 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 profit per share

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

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

(q) Reclassification

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

2. ACCOUNTING CHANGE

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 were changed from the declining-balance method to the straight-line method.

The effect on operating income, ordinary income and profit before income taxes is immaterial.

3. U.S. DOLLAR AMOUNTS

The rate of ¥112.19 = U.S.$1, the approximate exchange rate prevailing at March 31, 2017, 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.

4. CASH AND CASH EQUIVALENTS

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows to cash and deposits disclosed in the accompanying consolidated balance sheets at March 31, 2016 and 2017 is summarized as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥36,875	¥36,346	$323,968
Time deposits with maturities in excess of 3 months	(390)	(60)	(535)
Cash and cash equivalents	¥36,485	¥36,286	$323,433

Supplemental Disclosure of Non-Cash Transactions

Information on the convertible bonds during the years ended March 31, 2017 and 2016 is summarized as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Increase in common stock due to conversion of convertible bonds	¥ —	¥ 7,440	$ 66,316
Increase in additional paid-in capital due to conversion of convertible bonds	—	7,510	66,940
Decrease in treasury stock, at cost due to conversion of convertible bonds	—	49	437
Decrease in bonds due to conversion of convertible bonds	¥ —	¥15,000	$133,693

5. 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, 2016 and 2017 was as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Cost	¥3,909	¥3,787	$33,755
Unrealized gains	3,836	5,788	51,591
Unrealized losses	(65)	(8)	(70)
Carrying amount	¥7,680	¥9,567	$85,276

(b) Sales of available-for-sale securities

The realized gains on sales of available-for-sale securities for the years ended March 31, 2016 and 2017 was as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥173	¥3,330	$29,682
Realized gains on sales	102	2,842	25,332
Realized losses on sales	—	—	—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2017 bore interest at annual rates ranging from 0.08% to 5.22% and mainly consisted of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2016 and 2017 comprised the following:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks and insurance companies due from 2018 to 2027 with interest rates ranging from 0.20% to 4.75%:			
Secured	¥ 5,346	¥ 2,084	$ 18,576
Unsecured	97,183	86,917	774,730
Convertible bonds due December 10, 2018 (*1)	15,000	—	—
Unsecured 2.51% bonds due March 29, 2072, redeemable before due date	3,200	—	—
Unsecured 1.50% bonds due June 1, 2017, redeemable before due date	676	673	5,999
Capital lease obligations due from 2017 to 2029 with interest rates ranging from 1.15% to 7.20%	2,782	1,808	16,115
	124,187	91,482	815,420
Less: portion due within one year	(25,894)	(22,311)	(198,868)
Total long-term debt	¥ 98,293	¥ 69,171	$ 616,552

(*1) The details of the convertible bonds due December 10, 2018 are summarized as follows:

Stock type to be issued:	Common stock
Issue price per stock acquisition right:	None
Initial exercise price:	¥198.9 per share
Total issue price:	¥15,000 million
Exercisable period of stock acquisition rights:	From December 23, 2013 to November 26, 2018

* The conversion price of the convertible bonds due December 10, 2018 was adjusted to ¥198.9 ($1.77) from ¥200 ($1.78) after June 25, 2016 pursuant to the terms and conditions of the bonds because the ordinary general meeting of Shareholders held on June 24, 2016 approved the payment of a year-end dividend of ¥6 ($0.05) per share and an annual dividend of ¥6 ($0.05) per share.

A summary of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2016 and 2017 as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Property, plant and equipment	¥ 43,376	¥ 4,729	$ 42,152
Investment securities	60	6	53
Other intangible assets	381	—	—

The aggregate annual maturities of long-term debt outstanding at March 31, 2017 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2018	¥ 22,311	$ 198,868
2019	18,262	162,777
2020	11,732	104,573
2021	6,903	61,530
2022	2,885	25,715
Thereafter	29,140	259,738
	¥ 91,233	$ 813,201

7. 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, forward trading in aluminum ingots and currency swap contracts for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

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

Notes and accounts receivable – trade 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 and some of which denominated in foreign currencies are exposed to risk of exchange fluctuations. However, in order to reduce such risks, the Group utilizes interest rate swap and interest rate and currency swap transactions as a hedging instrument for each individual contract. 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, 2016 and 2017 and estimated fair value is as follows:

	2016		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 36,875	¥ 36,875	¥ —
(2) Notes and accounts receivable – trade	135,357	135,357	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	4,096	1,509	(2,587)
Other securities	7,680	7,680	—
(4) Notes and accounts payable – trade	(67,943)	(67,943)	—
(5) Short-term borrowings *2	(60,802)	(60,802)	—
(6) Current portion of bonds	—	—	—
(7) Bonds	(18,876)	(18,437)	439
(8) Long-term borrowings *2	(102,529)	(102,913)	(384)
(9) Derivative transactions			
for which hedge accounting has not been applied	—	—	—
for which hedge accounting has been applied	(151)	(151)	—

**1 Liabilities are shown in parenthesis.*

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

	2017		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 36,346	¥ 36,346	¥ —
(2) Notes and accounts receivable – trade	135,955	135,955	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	3,765	1,830	(1,935)
Other securities	9,567	9,567	—
(4) Notes and accounts payable – trade	(67,300)	(67,300)	—
(5) Short-term borrowings *2	(60,161)	(60,161)	—
(6) Current portion of bonds	(673)	(673)	—
(7) Bonds	—	—	—
(8) Long-term borrowings *2	(89,001)	(90,116)	(1,115)
(9) Derivative transactions			
for which hedge accounting has not been applied	(8)	(8)	—
for which hedge accounting has been applied	114	114	—

	2017		
	Carrying Value *1	Estimated Fair Value *1	Difference
	(Thousands of U.S. dollars)		
(1) Cash and deposits	$ 323,968	$ 323,968	$ —
(2) Notes and accounts receivable – trade	1,211,828	1,211,828	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	33,559	16,312	(17,248)
Other securities	85,275	85,275	—
(4) Notes and accounts payable – trade	(599,875)	(599,875)	—
(5) Short-term borrowings *2	(536,242)	(536,242)	—
(6) Current portion of bonds	(5,999)	(5,999)	—
(7) Bonds	—	—	—
(8) Long-term borrowings *2	(793,306)	(803,244)	(9,938)
(9) Derivative transactions			
for which hedge accounting has not been applied	(71)	(71)	—
for which hedge accounting has been applied	1,016	1,016	—

**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 5 "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) Current portion of bonds

Since the fair value of floating-rate current portion of bonds reflects market interest rates within a short period of time, their carrying value approximates fair value.

(7) Bonds

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

(8) 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. Interest rate swaps subject to special treatment and integral accounting method of interest rates and currency swaps are used for long-term floating rate borrowings. Principal and interest in which these swaps are embedded, are discounted using the current interest rate, which is estimated reasonably for similar borrowing of a complete maturity.

(9) Derivatives

Refer to Note 13, "Derivatives" of the notes the consolidated financial statements.

2. Unlisted stock of ¥24,217 million and ¥22,486 million ($200,428 thousand) as of March 31, 2016 and 2017 are 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, 2016 and 2017 are as follows:

	2016			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits	¥ 36,830	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	135,357	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	2	7	1	—
	¥ 172,189	¥ 7	¥ 1	¥ —

	2017			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Cash and deposits	¥ 36,279	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	135,955	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	2	6	—	—
	¥172,236	¥ 6	¥ —	¥ —

	2017			
	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	$ 323,371	$ —	$ —	$ —
Notes and accounts receivable – trade	1,211,828	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	18	53	—	—
	$1,535,217	$ 53	$ —	$ —

4. The redemption schedule for bonds and long-term borrowings at March 31, 2016 and 2017 are as follows:

	2016		
	Due within one year	Due after one year but within five years	Due after five years
	(Millions of yen)		
Bonds	¥ —	¥ 15,676	¥ 3,200
Long-term borrowings	25,261	53,147	23,964
	¥ 25,261	¥ 68,823	¥ 27,164

	2017		
	Due within one year	Due after one year but within five years	Due after five years
	(Millions of yen)		
Bonds	¥ 673	¥ —	¥ —
Long-term borrowings	21,107	38,690	28,955
	¥21,780	¥38,690	¥28,955

	2017		
	Due within one year	Due after one year but within five years	Due after five years
	(Thousands of U.S. dollars)		
Bonds	$ 5,999	$ —	$ —
Long-term borrowings	188,136	344,861	260,308
	$194,135	$344,861	$260,308

5. The fair value of derivatives at March 31, 2016 and 2017 are as follows:

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

Currency-related transactions

	2016		
	Notional amount	Maturity over 1 year	Fair value
	(Millions of yen)		
Currency swap contracts			
U.S. dollars payment / Yen receipt	¥ —	¥ —	¥ —

Currency-related transactions

	2017		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)		
Currency swap contracts			
U.S. dollars payment / Yen receipt	¥ 452	¥ 452	¥ (8)

	2017		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)		
Currency swap contracts			
U.S. dollars payment / Yen receipt	$4,029	$ 4,029	$ (71)

**1 Fair value calculation*

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

**2 Currency swap contracts are hedged monetary receivables and payables arising from transactions among consolidated subsidiaries, and designated accounting is applied in non-consolidated financial statements.*

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

Currency-related transactions

	2016			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Forward foreign exchange				
Deferred hedge method	Accounts receivable	¥ 179	¥ —	¥ 0
	Accounts payable	1,810	—	(37)
Net Valuation method using forward foreign exchange contracts	Accounts receivable	790	—	(*)
	Accounts payable	232	—	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. The fair value of currency-related transactions subject to assignment accounting (special treatment for forward foreign exchange contracts) is accounted for together with the underlying trade receivable or trade payable subject to hedging.

Interest-related transactions

	2016			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Interest rate swap				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	¥ 2,089	¥ 1,191	¥ (17)
Short-cut method of interest rate swap transactions	Long-term borrowings	38,932	37,644	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. The fair value of interest rate swaps subject to special treatment and integral accounting method of interest rates and currency swaps embeds in long-term borrowings subject to hedging included in the fair value of the corresponding long-term borrowings.

Commodity-related transactions

	2016			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Aluminum ingot forward contracts and others				
Fair value hedge accounting	Accounts receivable	¥ 657	¥ —	¥ 9
	Accounts payable	2,593	—	(106)

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

Currency-related transactions

	2017			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Forward foreign exchange				
Deferred hedge method	Accounts receivable	¥ 282	¥ —	¥ 5
	Accounts payable	1,210	—	(13)
Net Valuation method using forward foreign exchange contracts	Accounts receivable	1,586	—	(*)
	Accounts payable	473	—	(*)

(*) *The fair value is based on prices quoted from counterparty financial institutions. The fair value of currency-related transactions subject to assignment accounting (special treatment for forward foreign exchange contracts) is accounted for together with the underlying trade receivable or trade payable subject to hedging.*

Interest-related transactions

	2017			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Interest rate swap				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	¥ 1,190	¥ 293	¥ (3)
Short-cut method of interest rate swap transactions	Long-term borrowings	30,682	23,222	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	1,531	1,094	(*)

(*) *The fair value is based on prices quoted from counterparty financial institutions. The fair value of interest rate swaps subject to special treatment and integral accounting method of interest rates and currency swaps embeds in long-term borrowings subject to hedging included in the fair value of the corresponding long-term borrowings.*

Commodity-related transactions

	2017			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		(Millions of yen)		
Aluminum ingot forward contracts and others				
Fair value hedge accounting	Accounts receivable	¥ 446	¥ (12)	¥ (12)
	Accounts payable	1,952	136	136

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

Currency-related transactions

	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		2017		
		(Thousands of U.S. dollars)		
Forward foreign exchange				
Deferred hedge method	Accounts receivable	$ 2,514	$ —	$ 45
	Accounts payable	10,785	—	(116)
Net Valuation method using forward foreign exchange contracts	Accounts receivable	14,137	—	(*)
	Accounts payable	4,216	—	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. The fair value of currency-related transactions subject to assignment accounting (special treatment for forward foreign exchange contracts) is accounted for together with the underlying trade receivable or trade payable subject to hedging.

Interest-related transactions

	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		2017		
		(Thousands of U.S. dollars)		
Interest rate swap				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	$ 10,607	$ 2,612	$ (27)
Short-cut method of interest rate swap transactions	Long-term borrowings	273,482	206,988	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	13,646	9,751	(*)

(*) The fair value is based on prices quoted from counterparty financial institutions. The fair value of interest rate swaps subject to special treatment and integral accounting method of interest rates and currency swaps embeds in long-term borrowings subject to hedging included in the fair value of the corresponding long-term borrowings.

Commodity-related transactions

	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
		2017		
		(Thousands of U.S. dollars)		
Aluminum ingot forward contracts and others				
Fair value hedge accounting	Accounts receivable	$ 3,975	$ (107)	$ (107)
	Accounts payable	17,399	1,212	1,212

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

8. OTHER COMPREHENSIVE INCOME

Each component of other comprehensive income for the year ended March 31, 2016 and 2017 were as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized gains (losses) on securities:			
Amount arising during the year	¥ (866)	¥ 1,973	$ 17,586
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	(100)	(21)	(187)
Before-tax amount	(966)	1,952	(17,399)
Tax benefit	434	(587)	(5,232)
Net-of-tax amount	(532)	1,365	12,167
Unrealized gains (losses) on hedges:			
Amount arising during the year	205	203	1,809
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	(314)	49	437
Before-tax amount	(109)	252	2,246
Tax benefit	29	(73)	(650)
Net-of-tax amount	(80)	179	1,596
Foreign currency translation adjustments:			
Amount arising during the year	(2,358)	(1,247)	(11,115)
Remeasurements of defined benefit plans:			
Amount arising during the year	(2,041)	(38)	(339)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	68	295	2,629
Before-tax amount	(1,973)	257	2,291
Tax benefit	560	(34)	(303)
Net-of-tax amount	(1,413)	223	1,988
Equity of other comprehensive income (loss) of affiliates:			
Amount arising during the year	(727)	(1,170)	(10,430)
Total other comprehensive income	¥ (5,110)	¥ (650)	$ (5,794)

9. RETIREMENT BENEFIT PLANS

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

The changes in the retirement benefit obligation during the years ended March 31, 2016 and 2017 are as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥36,260	¥38,242	$340,868
Service cost	1,980	1,827	16,285
Interest cost	477	393	3,503
Actuarial gain or loss	1,348	248	2,211
Retirement benefits paid	(1,664)	(2,332)	(20,786)
Others	(159)	35	311
Balance at the end of the year	¥38,242	¥38,413	$342,392

The changes in plan assets during the years ended March 31, 2016 and 2017 are as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥23,783	¥24,450	$217,934
Expected return on plan assets	464	386	3,441
Actuarial gain or loss	(693)	210	1,872
Employer contributions	2,098	1,197	10,669
Retirement benefits paid	(1,115)	(1,697)	(15,126)
Others	(87)	47	418
Balance at the end of the year	¥24,450	¥24,593	$219,208

The changes in liability for retirement benefits on the simplified method during the years ended March 31, 2016 and 2017 are as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 6,320	¥ 6,572	$ 58,579
Retirement benefit expenses	960	1,032	9,199
Retirement benefits paid	(413)	(563)	(5,018)
Contributions for the plans	(295)	(278)	(2,478)
Balance at the end of the year	¥ 6,572	¥ 6,763	$ 60,282

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2017 for the defined benefit plans:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 45,714	¥ 46,027	$ 410,259
Fair value of plan assets	(27,665)	(27,920)	(248,863)
	18,049	18,107	161,396
Unfunded retirement benefit obligation	2,315	2,476	22,070
Net liability for retirement benefits in the consolidated balance sheets	¥ 20,364	¥ 20,583	$ 183,466
Liability for retirement benefits	¥ 20,364	¥ 20,583	$ 183,466
Net liability for retirement benefits in the consolidated balance sheets	¥ 20,364	¥ 20,583	$ 183,466

The components of retirement benefit expenses for the years ended March 31, 2016 and 2017 are as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,980	¥ 1,827	$ 16,285
Interest cost	477	393	3,503
Expected return on plan assets	(464)	(386)	(3,441)
Amortization of unrecognized actuarial gain or loss	10	313	2,790
Amortization of prior service cost	(26)	(27)	(241)
Retirement benefit expenses on the simplified method	960	1,032	9,199
Retirement benefit expenses on the defined benefit plan	¥ 2,937	¥ 3,152	$ 28,095

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2017 are as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ 24	¥ 28	$ 250
Actuarial loss	1,949	(285)	(2,540)
Total	¥1,973	¥ (257)	$ (2,290)

Remeasurements of defined benefits plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2017 as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ (228)	¥ (200)	$ (1,783)
Unrecognized actuarial gain or loss	2,547	2,262	20,162
Total	¥2,319	¥ 2,062	$ 18,379

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2017 as follows:

	2016	2017
General account	35%	34%
Domestic bonds	23%	23%
Foreign stocks	13%	14%
Domestic stocks	11%	11%
Foreign bonds	9%	9%
Others	9%	9%
Total	100%	100%

The total fair value of plan assets includes 3% and 3% of the retirement benefit trust set to the corporate pension plan at March 31, 2016 and 2017 separately.

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

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

	2016	2017
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.0%	1.0%

Required contribution of the consolidated subsidiaries for the defined contribution pension plans as of March 31, 2016 and 2017 as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Required contribution	¥ 6	¥ 7	$ 62

10. INCOME TAXES

Significant components of deferred tax assets and liabilities at March 31, 2016 and 2017 were as follows:

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carry forwards	¥ 11,216	¥ 8,632	$ 76,941
Net defined benefit liabilities	6,065	6,223	55,468
Unrealized intercompany loss	2,761	1,962	17,488
Accrued bonuses	1,748	1,839	16,392
Allowance for doubtful accounts	1,631	1,682	14,992
Loss on disposal of fixed assets	766	722	6,436
Other	9,947	9,056	80,720
Total deferred tax assets	34,134	30,116	268,437
Valuation allowance	(16,156)	(14,452)	(128,817)
Total deferred tax assets, net of valuation allowance	17,978	15,664	139,620
Deferred tax liabilities:			
Undistributed retained earnings of subsidiaries and associates	(1,178)	(1,567)	(13,967)
Unrealized gain on securities	(1,083)	(1,515)	(13,504)
Revaluation gain on subsidiaries	(974)	(974)	(8,682)
Unrealized intercompany profit	(912)	(907)	(8,084)
Other	(834)	(879)	(7,835)
Total deferred tax liabilities	(4,981)	(5,842)	(52,072)
Net deferred tax assets	¥ 12,997	¥ 9,822	$ 87,548

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

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (current assets)	¥ 5,396	¥5,487	$48,908
Deferred tax assets (investments and other assets)	8,105	4,845	43,186
Other current liabilities (current liabilities)	–	(102)	(909)
Other long-term liabilities	(504)	(408)	(3,637)

In addition to the above, the Company recorded deferred tax liabilities on land revaluation surplus of ¥50 million at March 31, 2016 separately.

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2016 and 2017 was summarized as follows:

	2016	2017
Statutory income tax rate	33.1%	**30.9%**
Increase (decrease) in taxes resulting from:		
Undistributed retained earnings of subsidiaries and associates	4.3	**1.4**
Permanently non-deductible expenses	1.7	**0.7**
Amortization of goodwill	1.4	**0.1**
Inhabitant taxes per capita	0.6	**0.6**
Valuation allowance	(11.7)	**(6.0)**
Equity in earnings of affiliates	(1.5)	**(0.2)**
Other	1.9	**0.1**
Effective income tax rate	29.8%	**27.6%**

The consumption tax increase to 10% was postponed from April 1, 2017 to October 1, 2019 via a tax reform proposal that was passed on November 18, 2016, amending the Act for Partial Amendment of the Consumption Tax Act and Others for the Fundamental Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 85, 2016) and the Act for Partial Amendment of the Local Allocation Tax System and Others for the Fundamental Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 86, 2016). Consequently, the abolishment of the special local corporate tax and restoration of the corporate enterprise tax, revision of the local corporate tax, and revision of the corporation levy for corporate inhabitant taxes have been postponed for the fiscal year starting after April 1, 2017 to the fiscal year starting after October 1, 2019.

There is no change the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities, but the tax rate has been reclassified between national tax and local tax.

The effect of this change is immaterial.

The Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance") from the beginning of the fiscal year ended March 31, 2017.

11. APPROPRIATIONS OF RETAINED EARNINGS

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 27, 2017:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends	**¥3,097**	**$27,605**

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.

12. REVALUATION SURPLUS

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

13. DERIVATIVES

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

14. NOTES TO CONSOLIDATED STATEMENT OF INCOME

Inventories

The amount of inventories written down due to a decline in profitability for the years ended March 31, 2016 and 2017 was ¥354 million and ¥(216) million ($(1,925) thousand), respectively which is included in cost of sales.

Selling, general and administrative expenses

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Freight charges	¥12,279	**¥11,958**	**$106,587**
Salaries, allowances and bonuses	18,290	**18,362**	**163,669**

Research and Development

Research and development costs charged to cost of sales and selling, general and administrative expenses for the years ended March 31, 2016 and 2017 was ¥4,794 million and ¥4,939 ($44,024 thousand), respectively.

Gain on sales of fixed assets

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Land	—	**¥409**	**$3,646**

15. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2017 amounted to ¥1,481 million ($13,201 thousand) for loans guaranteed and other guarantees given in the ordinary course of business.

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

The domestic consolidated subsidiaries recognized ¥678 million ($6,017 thousand) of loss on impairment of fixed assets in the consolidated statements of income, of which the significant items for the year ended March 31, 2016 were as follows:

2016			
Location	Major use	Asset category	(Millions of yen)
Guangdong, China	Operating assets	Buildings and structures	¥228
		Machinery and equipment	195
		Tools, furniture and fixtures	37
		Others	47
Total			¥507

Since the cash flows generated from operating activities resulting from the use of the groups of assets have been continuously negative, the consolidated subsidiaries recognized an impairment loss of ¥507 million ($4,499 thousand) after noting a sign of impairment and evaluating a necessity of the impairment loss.

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

The domestic consolidated subsidiaries recognized ¥1,192 million ($10,625 thousand) of loss on impairment of fixed assets in the consolidated statements of income, of which the significant items for the year ended March 31, 2017 were as follows:

2017				
Location	Major use	Asset category	(Millions of yen)	(Thousands of U.S. dollars)
Tomakomai City, Hokkaido Prefecture	Operating assets	Buildings and structures	¥740	$6,596
		Machinery and equipment	1	9
Total			¥741	$6,605

Since the assets in Tomakomai City, Hokkaido prefecture have become idle and show signs of impairment, the consolidated subsidiaries recognized an impairment loss of ¥741 million ($6,605 thousand) after noting a sign of impairment and evaluating a necessity of the impairment loss.

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

17. AMOUNTS PER SHARE

Net profit and net assets per share for the years ended and as of March 31, 2016 and 2017 were summarized as follows:

1. Number of shares

	2016	2017
	(Thousands of shares)	
Weighted average number of shares	543,826	564,498
Effect of convertible bonds	75,000	55,881
Diluted number of shares	618,826	620,379

2. Net profit per share

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Net profit	¥ 15,533	¥ 19,520	$ 173,991
	2016	2017	2017
	(yen)		(U.S. dollars)
Net profit per share	¥ 28.56	¥34.58	$0.31
Diluted net profit per share	¥ 25.10	¥31.46	$0.28

3. Net asset per share

	2016	2017	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Total net assets	¥144,419	¥ 173,624	$1,547,589
Non-controlling interests	(14,235)	(13,971)	(124,530)
Net assets attributable to shares of common stock	¥130,184	¥ 159,653	$1,423,059
	2016	2017	2017
	(yen)		(U.S. dollars)
Net assets per share	¥ 239.39	¥ 257.82	$2.30

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 remelted ingot used for various industrial materials, and produces a wide spectrum of alumina and alumina hydrates ranging from raw materials to basic materials for ceramic compounds. The "Aluminum sheet and extrusions" segment produces sheet, coil, and extrusion products consisting primarily of shapes, tubes and rods. The "Fabricated products and others" segment produces a variety of products which include wing bodies for transport vehicles, automobile components and electronic materials. The "Aluminum foil, powder and paste" segment produces aluminum foil and aluminum powder used for various fields, such as daily 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, 2016 and 2017 was as follows:

	2016					
	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	¥ 109,844	¥103,340	¥ 149,220	¥ 102,001	¥ —	¥ 464,405
Intersegment	42,426	23,936	12,242	470	(79,074)	—
Total	152,270	127,276	161,462	102,471	(79,074)	464,405
Operating profit	¥ 9,138	¥ 3,058	¥ 10,958	¥ 6,829	¥ (3,162)	¥ 26,821
Segment assets	¥ 107,598	¥112,211	¥ 146,603	¥ 100,732	¥ (14,950)	¥ 452,194
Depreciation and amortization	¥ 3,630	¥ 4,882	¥ 3,533	¥ 4,115	¥ 196	¥ 16,356
Amortization of goodwill	¥ —	¥ —	¥ 384	¥ 564	¥ —	¥ 948
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ 678	¥ —	¥ 678
Investment in equity-method affiliates	¥ 3,804	¥ 8,245	¥ 5,413	¥ 3,076	¥ —	¥ 20,538
Capital expenditures	¥ 2,865	¥ 6,042	¥ 5,391	¥ 4,445	¥ 118	¥ 18,861

(Note 1).Adjustments amounts are as follows.

1)Adjustments of ¥(3,162) million ($(28,062) thousands) in segment profit are general corporate expenses.

2)Adjustments of ¥(14,950) million ($(132,677) thousands) in segment assets include ¥(36,596) million ($(324,778) thousands) in the elimination of transactions between segments and ¥21,646 million ($192,101 thousands) in corporate assets.

3)Adjustments of ¥196 million ($1,739 thousands) in depreciation and amortization expenses have primarily to do with corporate assets.

4)Adjustments of ¥118 million ($1,047 thousands) for capital expenditures are the increase in corporate assets.

	2017					
	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	¥101,840	¥ 98,165	¥154,684	¥ 93,692	¥ —	¥448,381
Intersegment	39,255	23,147	11,681	508	(74,591)	—
Total	141,095	121,312	166,365	94,200	(74,591)	448,381
Operating profit	¥ 10,126	¥ 7,775	¥ 10,245	¥ 5,478	¥ (3,399)	¥ 30,225
Segment assets	¥110,085	¥111,776	¥149,775	¥ 95,111	¥ (18,124)	¥448,623
Depreciation and amortization	¥ 3,746	¥ 5,024	¥ 3,535	¥ 4,090	¥ 207	¥ 16,602
Amortization of goodwill	¥ —	¥ —	¥ —	¥ 45	¥ —	¥ 45
Loss on impairment of fixed assets	¥ —	¥ 437	¥ 755	¥ —	¥ —	¥ 1,192
Investment in equity-method affiliates	¥ 4,096	¥ 6,324	¥ 5,788	¥ 2,880	¥ —	¥ 19,088
Capital expenditures	¥ 4,198	¥ 5,376	¥ 6,074	¥ 4,046	¥ 214	¥ 19,908

	2017					
	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	$ 907,746	$ 874,989	$1,378,768	$ 835,119	$ —	$3,996,622
Intersegment	349,897	206,320	104,118	4,528	(664,863)	—
Total	1,257,643	1,081,309	1,482,886	839,647	(664,863)	3,996,622
Operating profit	$ 90,258	$ 69,302	$ 91,318	$ 48,828	$ (30,297)	$ 269,409
Segment assets	$ 981,237	$ 996,310	$1,335,012	$ 847,767	$ (161,547)	$3,998,779
Depreciation and amortization	$ 33,390	$ 44,781	$ 31,509	$ 36,456	$ 1,845	$ 147,981
Amortization of goodwill	$ —	$ —	$ —	$ 401	$ —	$ 401
Loss on impairment of fixed assets	$ —	$ 3,895	$ 6,730	$ —	$ —	$ 10,625
Investment in equity-method affiliates	$ 36,509	$ 56,369	$ 51,591	$ 25,671	$ —	$ 170,140
Capital expenditures	$ 37,419	$ 47,919	$ 54,140	$ 36,064	$ 1,907	$ 177,449

(Note 1).Adjustments amounts are as follows.

1)Adjustments of ¥(3,399) million ($(30,297) thousands) in segment profit are general corporate expenses.

2)Adjustments of ¥(18,124) million ($(161,547) thousands) in segment assets include ¥(39,543) million ($(352,465) thousands) in the elimination of transactions between segments and ¥21,419 million ($190,918 thousands) in corporate assets.

3)Adjustments of ¥207 million ($1,845 thousands) in depreciation and amortization expenses have primarily to do with corporate assets.

4)Adjustments of ¥214 million ($1,907 thousands) for capital expenditures are the increase in corporate assets.

Geographical sales for the years ended March 31, 2016 and 2017 were summarized as follows:

2016			2017			2017		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥368,004	¥96,401	¥464,405	**¥363,394**	**¥84,987**	**¥448,381**	**$3,239,094**	**$757,528**	**$3,996,622**

Geographical property, plant and equipment for the year ended March 31, 2016 and 2017 were summarized as follows:

2016			2017			2017		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥130,143	¥22,040	¥152,183	**¥130,433**	**¥20,798**	**¥151,231**	**$1,162,608**	**$185,382**	**$1,347,990**

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2017, 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, 2017, 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 3.

Ernst & Young ShinNihon LLC

June 27, 2017
Tokyo, Japan

A member firm of Ernst & Young Global Limited

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: 33-1-34-931020
Aluminum powder and paste
(100%)

East Asia

Nikkei MC Aluminium (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: 86-21-6236-9659
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: 86-758-3602-160
Aluminum paste
(90%)

Sam-A Aluminium Co., Ltd.
Seoul, Korea
Phone: 82-2-3458-0600
Aluminum foil, paste
(33%)

Southeast Asia

Nikkei MC Aluminium (Thailand) Co., Ltd.
Thailand
Phone: 66-3852-2296
Aluminum alloys
(79%)

Nikkei Siam Aluminium Limited
Thailand
Phone: 66-2909-7300
Aluminum sheet, foil
(100%)

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

(As of July 31, 2017)

Directors

President
Representative Director

Ichiro Okamoto
President and CEO of Nippon Light Metal Co., Ltd

Directors

Toshihide Murakami

Yasunori Okamoto

Hiroshi Yamamoto
President and CEO of Toyo Aluminium K.K.

Hiroyasu Hiruma
President and CEO of Nippon Fruehauf Co., Ltd.

Shozo Hamamura

Sho Adachi
President and Representative Director of Nikkeikin Kakoh Kaihatsu Holdings Co., Ltd.

Yoshihiro Tomioka

Kotaro Yasuda

Masato Ono*1

Ryoichi Hayashi*1

Haruo Ito*1

*1 Outside Director

Audit & Supervisory Board Member

Nobuo Matsumoto

Takayuki Tsuchida

Koji Fukui

Yuzuru Fujita*2

Toshihito Hayano*2

Koji Yasui*2

*2 Outside Member

Officers

Takashi Hara

Masamichi Ueda

Hirokazu Takatoku

Minoru Sotoike

Hideki Amimura

Kazuto Sanada

(As of June 27, 2017)

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

¥46,525 million

Shares of Common Stock

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

Number of Shareholders

47,727

Stock Exchange Listings

Tokyo

Transfer Agent of Common Stock

Sumitomo Mitsui Trust Bank, Ltd.

Last Shareholders' Meeting

June 27, 2017

Major Shareholders

The Master Trust Bank of Japan, Ltd.
(trust accounts) (7.4%)

(Ratio of Stock Holding)
Japan Trustee Services Bank, Ltd.
(trust accounts) (7.2%)

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

Nikkei-Keiyu-Kai
(2.6%)

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

Trust & Custody Services Bank,Ltd
(securities investment trust account) (2.2%)

Asahi Mutual Life Insurance Co.
(2.1%)

Japan Trustee Services Bank,Ltd
(trust accounts 9) (2.1%)

Mizuho Bank, Ltd.
(1.8%)

CHASE MANHATTAN BANK GTS CLIENTS
ACCOUNT ESCROW (1.7%)

(As of March 31, 2017)

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.

http://www.nikkeikinholdings.co.jp

Nippon Light Metal Holdings Company, Ltd.
NYK Tennoz Building, 2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan

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