



ANNUAL REPORT 2018

Year ended March 31, 2018



■ 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.

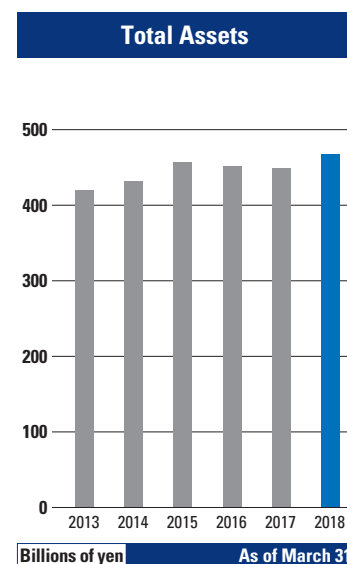
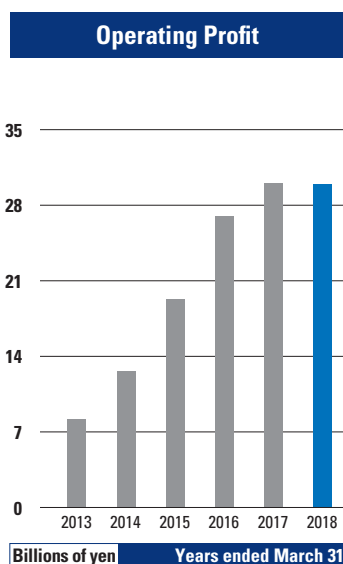
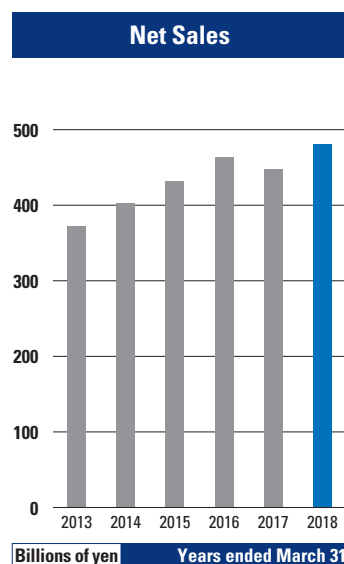
Aluminum has properties that make it a superb industrial material: it is lightweight and has excellent processability, corrosion resistance, thermal conductivity, and recyclability. Nippon Light Metal applies its core strengths — a wealth of knowledge about aluminum and its characteristics and technological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

	2017	2018	2018
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥448,381	¥481,439	\$4,531,617
Operating profit	30,225	29,893	281,372
Profit attributable to owners of parent	19,520	18,012	169,541
At year-end:			
Total assets	448,623	467,300	4,398,532
Net assets	173,624	189,322	1,782,022
Short-term borrowings and long-term debt, including bonds and capital lease obligation	151,643	141,494	1,331,834



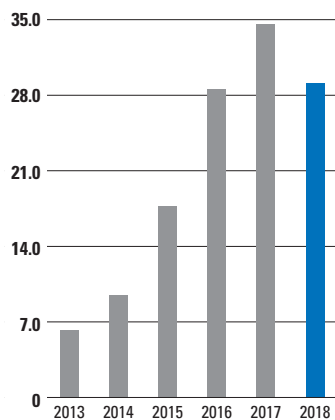
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	2017	2018	2018
	yen		U.S. dollars
Per share data (yen and dollars):			
Net profit—basic	¥ 34.58	¥ 29.09	\$ 0.27
—diluted	31.46	—	—
Cash dividends	8.00	8.00	0.08
Net assets	257.82	280.93	2.64
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 291	¥ 353	\$ 3.32
Low	166	228	2.15

Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥106.24= U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

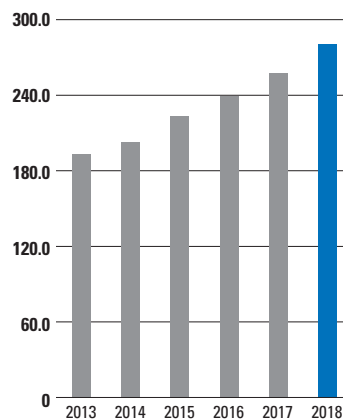
Net profit per Share



Yen Years ended March 31

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

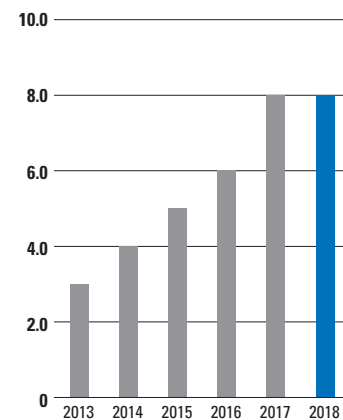
Net Assets per Share



Yen Years ended March 31

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

Cash Dividends per Share



Yen As of March 31



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 2017 (the year from April 1, 2017 to March 31, 2018).

Business Environment of Fiscal 2017

During the fiscal year under review, the domestic aluminum industry saw an increase in overall demand for aluminum products compared with the previous year, led by robust demand for products for use in cars and trucks in the transport industry and products for use in semiconductor and LCD manufacturing equipment in the machinery industry. Prices trended upward partly owing to the impact of decreased production in China, a key producing country.

Three Basic Policies in the Mid-Term Management Plan and Initiatives in Fiscal 2017

Under such circumstances, the NLM Group (the “Group”) steadily and surely delivered results in the second year of the Mid-Term Management Plan, which covers the period from fiscal 2016 to fiscal 2018.

Under the first basic policy in the Mid-Term Management Plan, “create new products and business models by strengthening cooperation within the Group,” we created many new high value-added products in fields where innovation is progressing. Specifically, mindful that weight reduction and heat dissipation in electric automobiles are increasingly important considerations, we commenced sales of battery cooling plates that combine the Group’s design, alloy development, and processing technologies. In addition, we created a wide range of new products that leverage the Group’s distinctive strengths related to lithium-ion batteries and semiconductors.

In implementing the second basic policy in the Mid-Term Management Plan, “business development through strategies by region and by sector,” we channeled management resources into fields selected in view of the matrix of regions and markets and strove to maximize return on investment. To cite specific examples, in Japan we increased the number of production lines for CFC-free thermal insulated incombustible panels and also increased production capacity in the aluminum sheet business step by step through the improvement of facilities. Overseas, we actively pursued business expansion in regions other than China and Southeast Asia, establishing a marketing base in North America and commencing manufacture of aluminum paste for paints at a joint venture company established in India in fiscal 2016.

Improving the profitability of struggling businesses is a key element of the third basic policy in the Mid-Term Management Plan, “strengthening of corporate culture

(strengthening of business foundations).” First of all, profitability has improved in the trailer business in China and the truck business in Thailand, which are unprofitable overseas businesses, through the introduction of new products and strengthening of sales networks. In Japan, earnings significantly improved at Toyo Rikagaku Kenkyusho, which achieved progress in the improvement of non-defective rate and production system streamlining, supported by the Group. The business foundation of the alumina business was also strengthened as a result of efforts to improve the product mix and revise product prices, despite factors that reduced profits, such as soaring raw material and fuel prices.

Overview of Consolidated Financial Results

As a result of the initiatives described above coupled with an increase in the market prices of aluminum ingots, an indicator of sales prices in the Aluminum Ingot segment, Aluminum Sheet segment and Aluminum Extrusions segment, net sales increased 7.4% year on year to ¥481.4 billion. In terms of profit, operating profit decreased 1.1% year on year to ¥29.9 billion, partly owing to higher prices of raw materials and fuels. Ordinary profit increased 12.5% year on year to ¥29.5 billion partly due to an increase in equity in earnings of affiliates and a decline in foreign exchange losses. However, profit attributable to owners of parent decreased 7.7% year on year to ¥18.0 billion, reflecting the recording of special losses such as a litigation settlement in the fiscal year under review, and also because the Company recorded special gains in the previous year, including gain on sales of investment securities.

Year-end dividend payment will be ¥4 per share, which, combined with the interim dividend of ¥4 already paid, will bring annual dividend payment to ¥8 per share (the same amount as the previous year).

Overview by Business Segment

Net sales in the Aluminum Ingot and Chemicals segment increased 9.1% year on year, to ¥111,100 million, while operating profit decreased 11.6% year on year to ¥8,954 million. Regarding alumina-related products, although exports of mainstay alumina and aluminum hydroxide products decreased, domestic sales were robust. In the Aluminum Ingot segment, regarding the core secondary alloy products for automotive applications business, sales increased in line with the start of operation of a new factory in Thailand. Net sales of this segment increased, affected by

the increase in sales prices, which reflected the ingots market. Profits decreased owing to higher raw material and fuel prices in both segments as well as intensifying price competition in the Aluminum Ingot segment.

Net sales in the Aluminum Sheet and Extrusions segment increased 9.0% year on year to ¥106,955 million, and operating profit increased 25.6% year on year to ¥9,767 million. In the Aluminum Sheet segment, in addition to brisk demand for thick plates for semiconductor and LCD manufacturing equipment and related parts, shipments of products for lithium-ion batteries and for PC and tablet cases were robust. In the Aluminum Extrusions segment, demand for products for truck outfitting and for industrial tools and machinery was at a high level. Profits increased owing to the increase in sales prices in both segments, reflecting conditions of the aluminum ingots market, coupled with the increase in the percentage of high value-added products in the Aluminum Sheet segment and improvement of the profitability of the sheet fabrication business.

Net sales in the Fabricated Products and Others segment increased 9.3% year on year to ¥169,019 million, while operating profit decreased 4.5% year on year to ¥9,783 million. In the truck outfitting business, amid continuing high domestic demand, sales increased as a result of increasing production capacity by introducing a rotating shift system. Regarding capacitors for air conditioners, sales of new products for electric vehicles increased favorably in addition to robust sales of products for mini vehicles in Japan, the mainstay market. Sales of shaped parts exceeded the previous year's level thanks to an increase in the number of automobiles manufactured in Japan and brisk exports to China. In the Panel System segment, in addition to favorable sales in industrial refrigerator and freezer sector, where sales of panel systems for low-temperature distribution warehouses increased greatly, and demand for panel systems for use in clean rooms was robust. In the Carbon Product segment, sales of our major products including carbon blocks for blast furnaces and electric furnaces, and cathodes increased. Factors contributing to the decrease in profit were higher materials prices and a rise in expenses in line with the implementation of a rotating shift system in the truck outfitting business.

Net sales in the Aluminum Foil, Powder and Paste segment increased 0.7% year on year to ¥94,365 million, while operating profit decreased 11.4% year on year to ¥4,856 million. With regard to high-purity aluminum foil for electrolytic capacitors, sales of high value-added products

were robust. Although sales of some standard foil products declined, sales of water-repellent fabricated foil for food products and plain foil for lithium-ion battery surfaces were brisk. Although sales of products for home appliances and food packaging materials for ink decreased, sales of mainstay products for automobile paint increased, mainly in overseas markets. As for powder products, sales of aluminum nitride for heat dissipation substrate were buoyant. In the Solar segment, although sales of mainstay products of back sheets for solar cells were lower than the previous year's level due to intensifying price competition and curtailment of sales to certain users who pose creditworthiness concerns, sales of new functional ink for solar cells increased favorably.

Outlook for Fiscal 2018

Whereas improvement in corporate earnings and the employment and income situation is progressing and the moderate recovery of the Japanese economy is expected to continue, there is concern that heightening of trade friction resulted from the U.S. administration's implementation of policy, the prospects for the U.K.'s Brexit negotiations, the situation in the Middle East and North Korea, and other political and geopolitical risks will be a drag on economic expansion.

Meanwhile, demand for aluminum products is expected to remain robust owing to such factors as progress in conversion of components to aluminum in line with the rise of lightweight automobiles and increased use of aluminum in semiconductor and LCD manufacturing equipment.

Under such circumstances, the Company projects net sales of ¥510.0 billion, operating profit of ¥32.0 billion, and ordinary profit of ¥31.0 billion in fiscal 2018. The NLM Group aims to achieve steady growth in the final year of the Mid-Term Management Plan under the slogan of Team NLM "Groundbreaking Innovator of Aluminum and Beyond."

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 2018



President & CEO
Ichiro Okamoto

Based on the three-year Mid-Term Management Plan, whose final year is the fiscal year ending March 31, 2019, the Group has adopted 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)**



What is your assessment of the financial results for the fiscal year ended March 31, 2018, the second year of the Mid-Term Management Plan?

Ordinary profit for the fiscal year under review was ¥29.5 billion, compared to a forecast of ¥28.0 billion. I see positive signs that we have developed into a strong corporate group by pursuing Group-wide cooperation and offering proposals that anticipated customer wants. In terms of individual businesses, we achieved solid results in materials for semiconductor manufacturing equipment, products for the transport sector, and the panel system business.

As a result of the above, we paid an interim dividend for a second consecutive year and declared an annual dividend of ¥8 per share.



Profits have increased during the three years since you became president. Do you expect this trend to continue?

During the past few years, although the business environment has changed drastically as indicated by wild fluctuations in aluminum ingot prices, Brexit, the North Korea issue, and moves by the U.S. administration to raise tariffs on steel products and aluminum products, the trend for the NLM Group as a whole has been toward higher profit.

I think this is an outcome of the Group's active promotion of internal cooperation and the ability of R&D, production, and sales to come together to systematically engage in "the creation of value that delights customers."

However, I am not satisfied with the status quo and am managing with a sense of urgency to ensure that the NLM Group continues to grow from now on.



What does “managing with a sense of urgency” involve?

The NLM Group must be a business group that constantly creates the ultimate in value for customers. Customers will only gravitate to us if we bring broad and deep expertise to the projects on which they are concentrating their efforts and resources, and since business is essentially a competitive endeavor, we have to respond swiftly.

In addition, the Group must have manifold strengths. Even if a market is growing, we cannot enter it unless the Group has strengths that it can leverage in that market. To sell technology in the form of products, we must have sales capabilities, production infrastructure, a service system, and distribution, and we can prevail in competition only if we have expertise and the necessary organizational structure to back it up.

With a view to achieving sustainable growth, we are endeavoring to identify “what is required in order to continue creating new value for customers” and “what we need to do so that customers can perceive and experience value unique to the NLM Group.”



In March 2018, the “Team NLM HINT-BOX” showroom opened on the third floor of the head office. What is the showroom’s mission?

I believe that the key to “creating value for customers” is to discover “what customers want and need.” However, that is not a simple task. I think we must begin by making sure customers are fully informed about the Group’s products and “the strengths (technologies, human resources, networks, etc.)” we can deploy.

First, as a way of facilitating a deeper understanding of the Group, we launched a project team whose goal was to prepare a venue that, unlike typical showrooms, was conceived and designed “to inspire customers.” At the resulting showroom, “Team NLM HINT-BOX,” we start with the unique approach of attaching a tagline to each product so that visitors will wonder, “What’s this?” Then, we explain the features and strengths of the products, encourage visitors to handle the actual products, and present a narrative on the making of each product. Conjuring up an “Aha!” revelatory moment increases the likelihood of positive associations of NLM becoming embedded in the customer’s mind. In this way, the showroom serves as “a reminder that NLM is a fascinating company,” becoming the “catalyst” to motivate customers to contact us when they encounter a challenge, and helping them find what they are seeking. We opened the showroom and named it “Team NLM HINT-BOX” because we hope to directly obtain “hints (direct feedback)” from customers visiting the showroom. I hope that many people will visit the showroom and experience the NLM Group “up close.”



What challenges is the NLM Group tackling in the final year of the Mid-Term Management Plan?

I think there are three key challenges. The first is to “refine strengths while focusing on the customer’s perspective,” which I mentioned earlier. The second is to “look to the future and consider the possibility of increasing profitability in ways that transcend existing frameworks.” The third is to “increase the quality of human resources,” the people who tackle those challenges.

What links these three challenges is the slogan I constantly repeat: Team NLM “Groundbreaking Innovator of Aluminum and Beyond.” Based on the 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 NLM Group will work to achieve its targets for the final year of the Mid-Term Management Plan.

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



Ichiro Okamoto President & CEO

(Photo taken at the “Team NLM HINT-BOX” showroom)

NLM Group Topics

Feature: Selection as ESG Stock by the GPIF and CSR Activities of the NLM Group

The Company's stock was selected as an ESG stock by the GPIF

For the two consecutive years of 2017 and 2018, the Company's stock was selected as one of the 251 stocks of the MSCI Japan ESG Select Leaders Index, which is one of the ESG indices selected by the GPIF.

Reason for selection as an ESG stock

We believe that the Company's stock was selected as an ESG stock based on a favorable evaluation for the NLM Group's management efforts from the three perspectives of environment, society, and governance. These efforts include the improvement of safety and

ways of working of our employees as human assets, the promotion of diversity including the active participation of women, ensuring human rights in the supply chains and activities for protecting the environment and preserving biodiversity, not to mention ensuring compliance.

CSR activities of the NLM Group

The NLM Group commenced CSR activities in full scale in 2011. As we have promoted such activities by ensuring consistency between international goals with our own issues by referring to ISO26000, an international standard, the number of items for the action plan, which was initially 98, has increased to 138 at present, and Group initiatives are becoming more proactive every year.

Based on organizational governance and compliance, the NLM Group conducts CSR activities in line with the following three frameworks:

- (1) Activities that lead to the happiness and pride of employees
- (2) Activities that lead to the profits of our stakeholders
- (3) Activities that can help overcome social issues or contribute to the public interest

Shown below are typical examples of our CSR initiatives.



Meeting of environmental practitioners (Thailand)

Scene of presentation of improvement case by a team

the Conference for Presentation of Improvement Cases, which aims at developing human assets for manufacturing sites and promoting improvement activities, gathering participants from different sites including overseas bases.

ENVIRONMENT

Meeting of the Group's environmental practitioners held overseas (Thailand) for the first time

The NLM Group aims to create a sustainable society that coexists in harmony with the global environment. Viewing the development of human assets as one of the critical issues of the environmental conservation department, we are promoting various educational initiatives on environmental conservation according to the business operations of each site (Note). In October 2016, we held a meeting of environmental practitioners, which is a part of such activities, for the first time at an overseas venue. Given the rising need for environmental management overseas, to respond to this situation in a group-wide manner, we held the meeting in Thailand, where we have many sites and where a large number of environmental initiatives are promoted.

The NLM Group will continue to hold meetings of environmental managers in our efforts to reduce domestic and overseas environmental risks.

(Note) Scope of application of the environmental management system and the unit thereof

SOCIAL

Nikkei Siam Aluminium Ltd. participated in the Group's Conference for Presentation of Improvement Cases

The NLM Group promotes the development of human assets who can play active roles globally. As one of these initiatives, we hold

GOVERNANCE

We make efforts to communicate with our shareholders and investors

The Company values communication with shareholders and investors and makes efforts to facilitate such communication. For example, since nine years ago, we have been using videos and narrations at the general meetings of shareholders to facilitate an understanding of the agenda items and business topics. In addition, we disclose information on the internet at an early stage and allow our shareholders to exercise their voting rights on the internet. Furthermore, responding to an increase in foreign shareholders, in 2017, we began issuing an English version of the notice of convocation of the general meeting of shareholders.

Quality assurance system

The NLM Group is pushing ahead with strengthening the quality assurance system in order for us to allow customers to use our products that combine the technologies and expertise of group companies with a sense of security. As one of these initiatives, we conduct quality audits of our domestic and overseas bases every year. In fiscal 2016, we checked the methods of the management and assurance of inspection equipment used in the processes, in addition to the existing audit items, and confirmed that none of the 64 bases have any problems.

Also, since fiscal 2014, the NLM Group has been conducting independent studies of quality (Hinshitsu Jishuken), which are aimed at improving the quality assurance level of the overall group. Through this program, we strive to foster human assets who can play the leading role in quality assurance.

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 76 consolidated subsidiaries, with Nippon Light Metal Company, Ltd. (“NLM”) and Toyo Aluminium K.K. as the core business companies, and 15 affiliates accounted for by the equity method. The NLM Group engages in business revolving around the manufacture and sale of aluminum products and related products.

Governance Structure

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

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

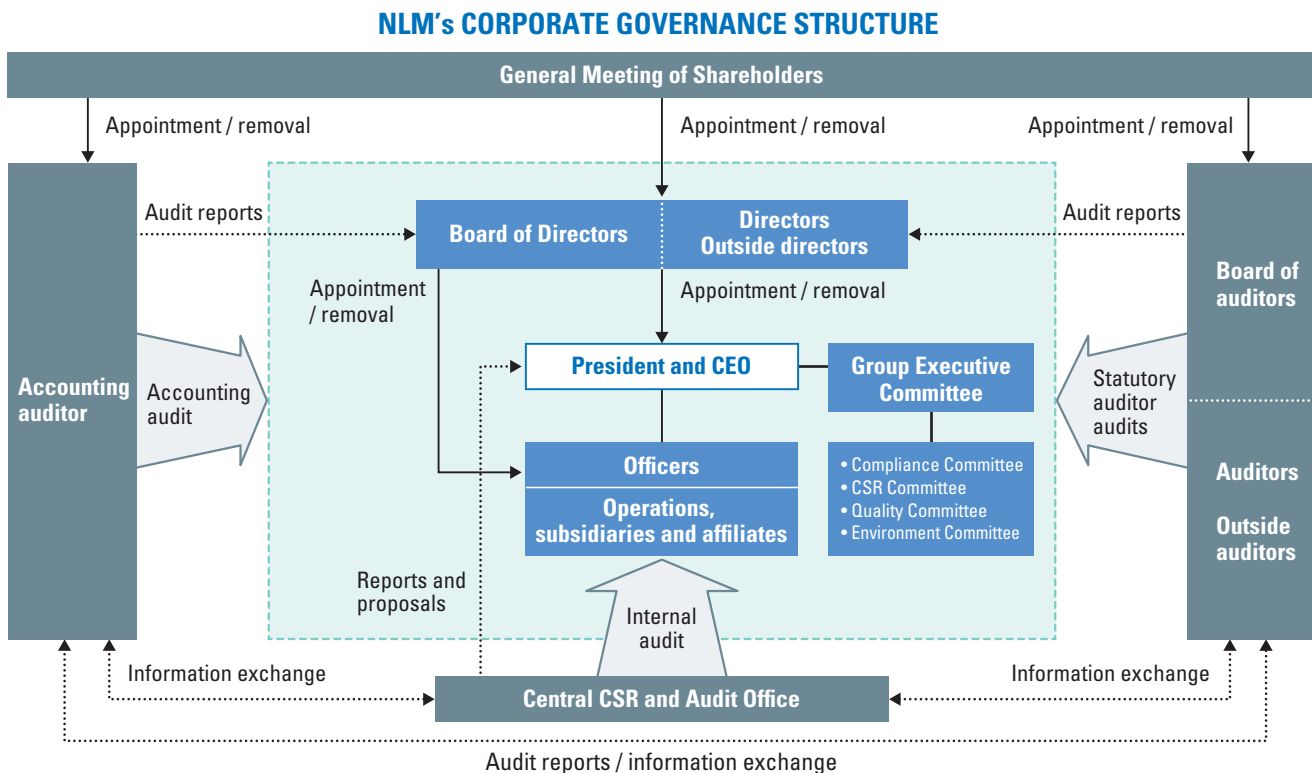
members including the Company’s directors makes decisions after examining an issue from multiple perspectives. Among such issues, matters of particular importance are deliberated and determined at Board of Directors meetings.

The Board of Directors of the Company consists of 13 directors, of whom four are outside directors (including three independent officers*). 12 Board of Directors meetings were held in fiscal 2017. 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. 11 Board of Statutory Auditors meetings were held in fiscal 2017. 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.

Figure 1 Governance Structure



Communication with Stakeholders

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

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

Internal Control System

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

Compliance Program

The Company’s Compliance Committee is made up of the Company’s directors and chaired by the President and CEO. The Committee’s policies are embodied in the Compliance Promotion Plan, and the implementation status of the plan is reported to the Committee every quarter.

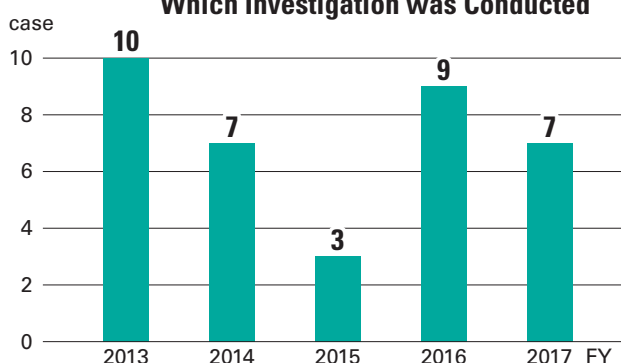
The NLM Group’s code of conduct is summarized as the Group Compliance Code, which has various requirements for all directors

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

Furthermore, to thoroughly disseminate the Compliance 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 compliance problems at one’s workplace and compliance violation cases in one’s and other workplaces. In fiscal 2017, a total of 2,102 meetings were held, and a total of 20,237 employees participated in such meetings (participation rate of 92%).

Besides setting up the NLM Group’s whistle-blower system at major companies, the “NLM Hotline” has also been established as a common whistle-blowing channel for the Group. Under these systems, whistle-blowers are thoroughly protected so that they can report any misconduct and illegal act without fear of retaliation. The NLM Hotline receives consultations and reports of about 20 cases each year.

Figure 2 Trend in Number of Cases Reported to And Consulted with the NLM Hotline for Which Investigation was Conducted



Risk Management

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 that arises, NLM Holdings’ central risk supervisory department works with business companies and departments in handling the risks.

The Company's Board of Directors receives reports regarding the status of risk management every half-year, evaluates it, and issues necessary instructions. What provides the basis of this step is audits of more than 250 cases a year conducted within the NLM Group for 76 companies by a central supervisory department for each risk of NLM Holdings. There is an audit team for each field including quality assurance, environmental conservation, labor management, information system, accounting and duties, and internal control. Each audit team implements the audit plan, and results of the audits, along with adjustments, are reported to the officer in charge of risk issues, the President and CEO of NLM Holdings, and the Company's Board of Directors.

Internal Control over Financial Reporting

To ensure financial reporting is conducted appropriately, an internal control system related to financial reporting has been set up and put into operation. These efforts are evaluated by an auditing department with the necessary auditing capabilities and whose independence is secured. The status of design, operation and evaluation is reported to the statutory auditors, the accounting auditor, and the Company's Board of Directors, after which adjustments are made as necessary.

In fiscal 2017, it was confirmed that the NLM Group's internal control continued to be effective.

CSR INITIATIVES

Introduction

The CSR activities of the NLM Group are carried out based on the CSR Promotional Plan adopted by the CSR Committee (Chairman: President and CEO of NLM Holdings), and the status of the activities is reported in the CSR Report every year, as well as published on the Company's website, etc.

The NLM Group's CSR initiatives have also been valued by investors, and the Company was selected as a constituent of the MSCI Japan ESG Select Leaders Index of the Government Pension Investment Fund (GPIF) in July 2017, and as a constituent of the SNAM Sustainable Investment of Sompo Japan Nipponkoa Asset Management Co., Ltd. in June 2018.



ENVIRONMENT

Environmental Management System

The NLM Group has established the Environment Committee, chaired by the President and CEO, to implement environmental conservation initiatives for the entire Group. Besides formulating the environmental policy and plans to promote environmental conservation activities, the Group 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 at sites in Japan are water (23 million m³), energy (9.8 PJ of electric power, 5.0 PJ of fuel), and aluminum (174 kilotons). The main outputs at sites in Japan are water (28.2 million m³), greenhouse gases (802 kilotons-CO₂), and waste materials (32.4 kilotons of recycled/reduced, 2.2 kilotons of land fill).

Reduction in Greenhouse Gas Emissions

The NLM Group's initiatives to reduce greenhouse gas emissions at sites in Japan began in fiscal 2005. A 36% reduction, equivalent to 496 kilotons, from fiscal 1990 levels was achieved in fiscal 2010. (First phase of reduction plan)

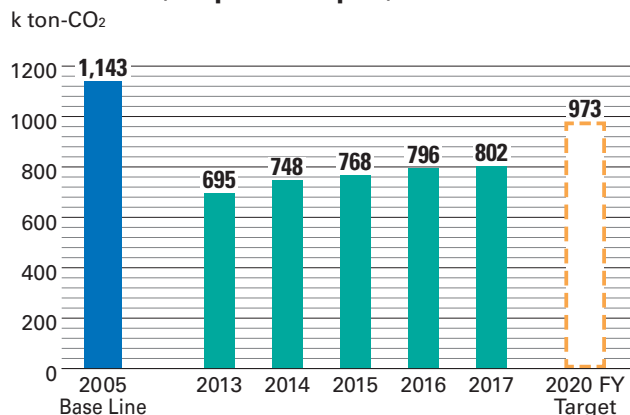
The second phase of the reduction plan, which began in fiscal 2013, has a goal of achieving a 15% reduction from 2005 levels and reducing emissions to 973 kilotons or less by fiscal 2020.

In fiscal 2017, greenhouse gas emissions were 802 kilotons, a 0.8% increase year on year, as reduction efforts continued to be offset by an increase in emissions mainly due to increased production since fiscal 2014.

Meanwhile, as the achievement of the goal for fiscal 2020 (second phase of the reduction plan) is now in sight, we have formulated the third phase of the reduction plan. The new voluntary action plan aims for "reducing Scope 1 and Scope 2 greenhouse gas emissions intensity per unit of sales to 1.82 tons-CO₂ per million yen by fiscal 2030 at the NLM Group's sites in Japan."

Total emissions of the NLM Group, including overseas locations, were 930 kilotons, a 0.4% decrease year on year, in fiscal 2017. As emissions from overseas locations are expected to continue increasing mainly due to increased production and number of locations, we plan to continue implementing efforts to reduce emissions by utilizing energy-saving expertise cultivated in Japan.

Figure 3 Greenhouse Gas Emissions (Scope 1 + Scope 2)



Recycling

The NLM Group implements aluminum recycling initiatives through business. Locations with melting processes use scrap collected from Group companies and customers as the main raw material.

Meanwhile, Nikkei MC Aluminium Co., Ltd. handles secondary alloy business, which uses scrap purchased from the market as the main raw material, in and outside of Japan. This scrap aluminum is collected from 22 countries around the world and totals 176 kilotons a year (fiscal 2017 result). By using scrap as raw material, 2,390 Gwh of electricity can be saved compared to the amount of electricity required for producing the same amount of aluminum by refining. This is equivalent to 1,266 kilotons in greenhouse gas emissions (end-use CO₂ emission intensity: 0.516).

Since scrap has a high value, is easily remelted and widely used in areas such as construction, automobiles, and daily necessities, it is considered to be well suited for recycling. Our secondary alloy business initiatives also contribute to saving resources and energy.

Water

In fiscal 2017, the NLM Group took in 23.0 million m³ of water (excluding seawater) and discharged 28.2 million m³ of water annually in Japan.

Environmental Audit

The Company implements environmental audits conducted by NLM Holdings' central supervisory department, 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.

PEOPLE AND SOCIETY

Human Rights

The NLM Group conducts human right protection activities within the scope of its influence. Regarding human right protection activities within the Group, we conducted a fact-finding survey on Group employees in fiscal 2017, and confirmed that children under the age of 15 did not work in any of the Group businesses.

Each year, NLM also conducts research on more than 300 companies which are its transactional business partners regarding CSR procurement, and confirms their approval of the CSR Procurement Policy including the NLM Group Human Rights policies.

Furthermore, we check for human rights violations through on-site visits and interviews to the management at manufacturing and factory sites of partners. Also, regarding aluminum virgin ingots, the Group's main raw material, we have obtained the signature of consent to the Group's Human Rights Policy from each of the smelting manufacturers in the world.

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 staff of NLM Holdings' central supervisory department through labor audits which cover 335 items. In fiscal 2017, problems concerning long working hours were taken up, and a review of the 36 Agreement* as well as visualization of overtime hours, among other things, were carried out.

* Provisions under Article 36 of the Labor Standards Act. A labor-management agreement that enables workers to work overtime, and has an effect of limiting maximum overtime hours.

Fair Operating Practices

The NLM Group aims to conduct fair and transparent business activities while adhering to laws and regulations of each country and region as well as international laws and regulations. In fiscal 2017, to prevent unfair competition and corrupt practices, we revised the Guidelines on the Prevention of Cartels and Collusions, formulated anti-bribery rules,

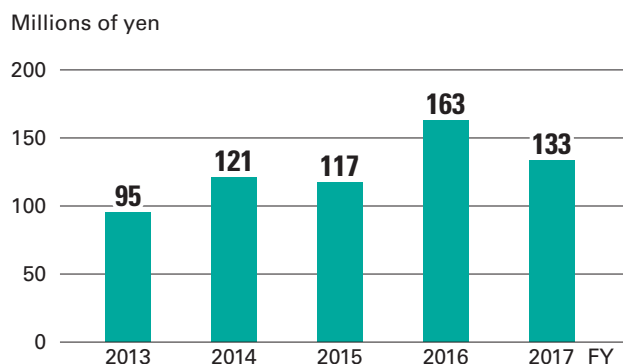
and require all officers and employees to follow them. The dissemination and entrenchment of the guidelines and rules are advanced through the compliance-oriented programs.

Involvement with Regional Communities

The NLM Group conducts its business activities in 178 regions of 10 countries. In each region, we aim to be a respectable corporation by conducting fair and transparent business activities and harmonious management while adhering to local as well as international laws and regulations.

We are also actively involved in the development of regional societies and make contributions in accordance with the Social Contribution Policy of the NLM Group. In fiscal 2017, the NLM Group participated in 282 community programs, and made community investments of ¥133 million.

Figure 4 Trend in Amount of Expenditure for Social Contributions



Data Section : ESG Related Data

Item	Scope of Calculation	FY2015	FY2016	FY2017	Unit		
Environment							
Amount of greenhouse gas emissions (Scope 1 and Scope 2)	Consolidated (Japan)	768	796	★ 802	Ktons-CO ₂		
	Consolidated (besides Japan)*1	—	138	128	Ktons-CO ₂		
Greenhouse gas emission intensity per unit of sales	Consolidated (Japan)	2.09	2.19	2.09	Tons-CO ₂ /million yen		
Breakdown of Scope 3 emissions**2	Category 1 Purchased goods and services**3	1,858	1,962	★ 1,926	Ktons		
	Category 2 Capital goods	17	21	22	Ktons		
	Category 3 Fuel and energy not included in Scope 1 or 2	34	33	28	Ktons		
	Category 4 Upstream transportation and distribution	11	11	11	Ktons		
	Category 5 Waste generated in operation	3	4	4	Ktons		
	Category 6 Business travel	0	0	0	Ktons		
	Category 7 Employee commuting	3	3	3	Ktons		
Energy consumption	Electricity	8.5	9.5	9.8	PJ		
	Fuels	4.9	4.9	5.0	PJ		
Energy consumption intensity per unit of sales	Consolidated (Japan)	36.5	39.6	38.4	GJ/million yen		
Weight of raw materials used in production	Consolidated (Japan)	678	618	576	Ktons		
Amount of SO _x emissions	Consolidated (Japan)	312	339	389	Tons		
Amount of NO _x emissions	Consolidated (Japan)	437	388	375	Tons		
Total volume of water intake**4	Consolidated (Japan)	22.6	23.7	23.0	million m ³		
Total volume of water discharged	Consolidated (Japan)	26.1	30.5	28.2	million m ³		
Amount of COD emissions	Consolidated (Japan)	92	109	89	Tons		
Amount of waste and byproducts discharged	Recycled/Reduced	33.2	33.5	32.4	Ktons		
	Disposed (landfill)	2.4	2.9	2.2	Ktons		
Environmental accounting	Environmental conservation cost: Investment	1,612	2,009	1,983	million yen		
	Environmental conservation cost: Expenses	5,517	5,847	5,247	million yen		
	Economic effect of environmental conservation activities: Gains	383	397	486	million yen		
	Economic effect of environmental conservation activities: Increases/decreases in expenses**5**6	3,174	2,770	(1,440)	million yen		
Number of cases of lawsuits, penalties, or forfeitures concerning the environment	Consolidated	0	0	0	cases		
Number of accidents concerning the environment**7	Consolidated	2	3	0	cases		
Number of complaints concerning the environment**8	Consolidated	11	4	10	cases		
Employees**9							
Number of employees	Full-time officers	Consolidated	Male	170	187	190	employees
		Consolidated	Female	0	0	0	employees
Employees (Managerial positions)		Consolidated	Male	1,506	1,529	1,540	employees
		Consolidated	Female	67	73	90	employees
Employees (General positions)		Consolidated	Male	8,258	8,385	8,295	employees
		Consolidated	Female	2,270	2,278	2,083	employees
Employees		Consolidated	Total	12,101	12,265	12,008	employees

Data Section : ESG Related Data

Item	Scope of Calculation		FY2015	FY2016	FY2017	Unit	
Employees*9							
Number of employees by country/region	Japan	Consolidated	Male	7,109	7,173	7,361	employees
		Consolidated	Female	961	980	1,048	employees
	Asia	Consolidated	Male	2,419	2,506	2,243	employees
		Consolidated	Female	1,337	1,331	1,089	employees
	U.S. and Europe	Consolidated	Male	236	235	231	employees
		Consolidated	Female	39	40	36	employees
Number of new hires*10	Total	Consolidated (Japan)	—	—	596	employees	
	Percentage to employees	Consolidated (Japan)	—	—	7.1	%	
Number of new graduates who were recruited*10		Consolidated (Japan)	—	—	197	employees	
Number of those who left the company*10	Total	Consolidated (Japan)	—	—	401	employees	
	Percentage to employees	Consolidated (Japan)	—	—	3.5	employees	
Fixation rate at least 3 years in the company*10*11		Consolidated (Japan)	—	—	88.4	%	
Number of those who were re-employed after retirement		Non-consolidated (Nippon Light Metal Co., Ltd.)	17	26	8	employees	
Labor Union participation rate		Non-consolidated (Nippon Light Metal Co., Ltd.)	100	100	100	%	
Average age*10		Consolidated	Male	—	—	39.1	years of age
		Consolidated	Female	—	—	36.9	years of age
Average years of service*10		Consolidated	Male	—	—	11.5	years
		Consolidated	Female	—	—	7.7	years
Average number of working hours per year*10		Consolidated (Japan)	Male	—	—	2,146	hours/employee
		Consolidated (Japan)	Female	—	—	1,974	hours/employee
Average number of overtime hours per year*10		Consolidated (Japan)	Male	—	—	324	hours/employee
		Consolidated (Japan)	Female	—	—	161	hours/employee
Average number of days of annual leave taken*10		Consolidated	Male	—	—	9.9	days
		Consolidated	Female	—	—	9.7	days
Average rate of annual leave taken*10		Consolidated	Male	—	—	52.5	%
		Consolidated	Female	—	—	71.6	%
Number of employees who newly took childcare leave*10		Consolidated (Japan)	Male	—	—	1	employees
		Consolidated (Japan)	Female	—	—	55	employees
Number of employees who newly took nursing care leave*10		Consolidated (Japan)	Male	—	—	2	employees
		Consolidated (Japan)	Female	—	—	1	employees
Number of employees who used reduced working hour system*10		Consolidated (Japan)	Male	—	—	0	employees
		Consolidated (Japan)	Female	—	—	61	employees
Number of employees on leave due to mental health issues*10		Consolidated (Japan)	Male	—	—	34	employees
		Consolidated (Japan)	Female	—	—	2	employees
Average education/training expenses per year*10		Consolidated	—	—	29.2	thousand yen/employee	
Employment rate of people with disabilities*12*13		Non-consolidated (Nippon Light Metal Co., Ltd.)	2.41	2.47	2.59	%	
		Non-consolidated (Toyo Aluminium K.K.)	2.12	2.05	2.03	%	
Number of workplace injuries*14	Lost-time injuries	Consolidated (Japan)	13	9	12	cases	
		Consolidated (besides Japan)	7	8	8	cases	
	Non-lost-time injury	Consolidated (Japan)	56	43	65	cases	
		Consolidated (besides Japan)	4	9	5	cases	
Frequency rate of lost-time injuries*14*15		Consolidated	0.70	0.46	0.56		
		Non-consolidated (Nippon Light Metal Co., Ltd.)	0.59	0.00	0.27		
Compliance							
Number of cases reported to the NLM Hotline for which investigation was conducted		Consolidated	3	9	7	cases	
Compliance meetings	Number of meetings held	Consolidated	2,038	2,230	2,102	times	
	Number of participants	Consolidated	19,600	19,991	20,237	Total number of participants	
Number of patent publications*14		Consolidated	180	126	182	cases	
Number of patent registrations*14		Consolidated	93	143	107	cases	
Quality assurance							
Number of legal violations in the delivery of products/services		Consolidated	0	0	0	cases	
Number of reports of quality issues		Consolidated	8	10	6	cases	
Number of recalls		Consolidated	3	4	2	cases	
Community							
Amount of expenditure for social contributions		Consolidated	117	163	133	million yen	
Governance							
Interim and year-end dividend per share		Consolidated	6	8	8	yen	

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

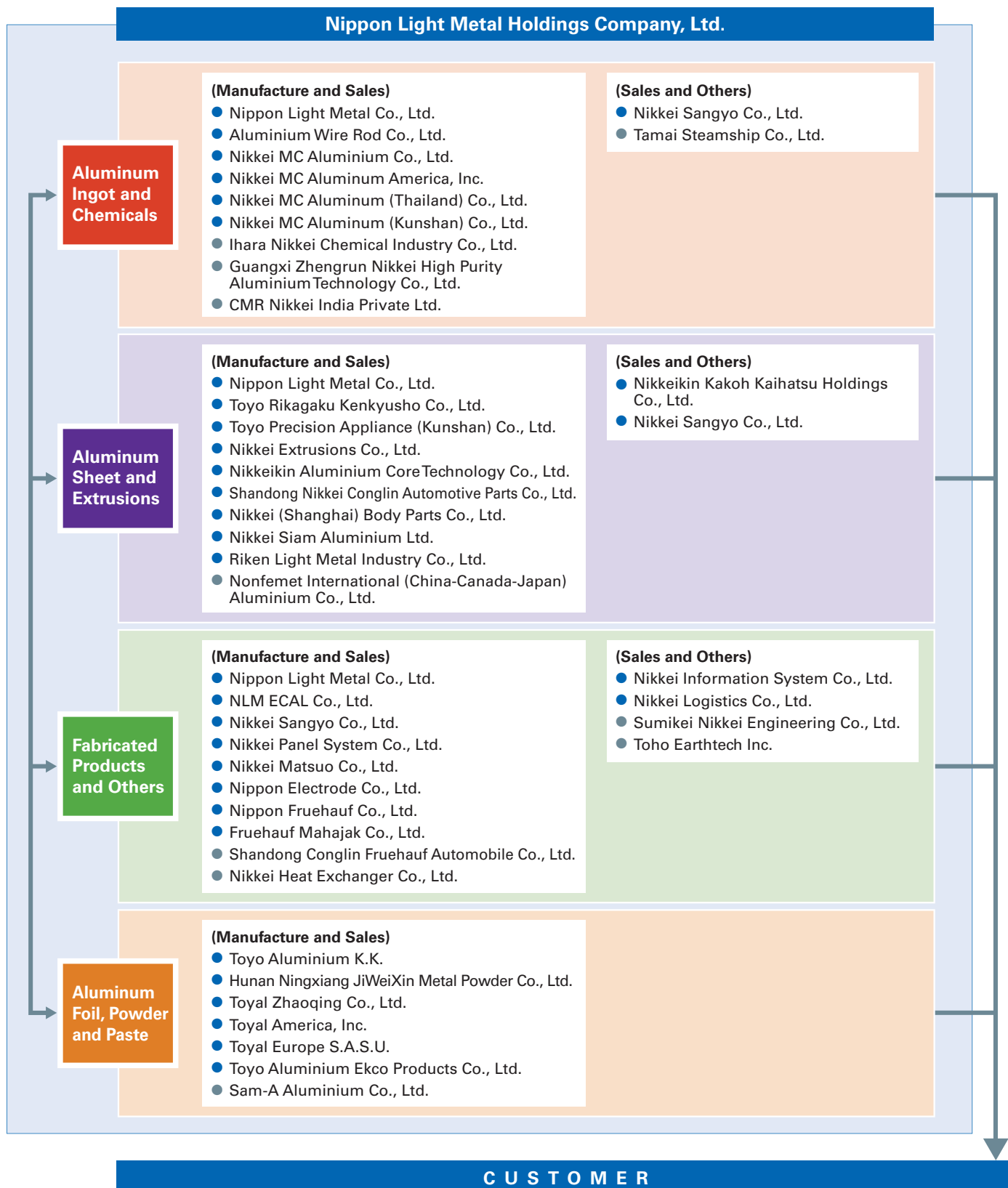
*1. From fiscal 2017, the amount of CO₂ emissions related to electricity is calculated by using CO₂ emission factors by country included in "CO₂ emission from fuel combustion 2017" released by the IEA. The figures for fiscal 2016 have been restated accordingly. *2. The emissions are calculated by multiplying the activity amount by the CO₂ emission factor published by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. *3. The Scope 3 Category 1 emissions are calculated based on the volume of purchase of the top three items in terms of purchase volume. Of the items, the aluminum ingots are those purchased by Nippon Light Metal Co., Ltd. *4. The seawater intake quantity is not included. *5. Changes in expenditure are calculated using the following formula: Changes in expenditure = expenditure incurred during a base period (fiscal 2016) – expenditure incurred during the current year (fiscal 2017)

*6. - (minus) indicates an increase in expenditure. *7. Environmental problems that affect external parties (such as the leakage of oil or chemicals) *8. Number of petitions from external parties (such as those regarding smell and noise) *9. Contract employee (full-time) is not included. *10. Starting from fiscal 2017, consolidated figures are reported. *11. Percentage of employees who are still at the company as of April 1 in the year that is three years after they joined the company. *12. During the calendar year (from January to December). *13. Injuries that resulted in one or more days' absence from work (excluding commuting injuries). *14. As of June 1 immediately after the end of each fiscal year. The statutory employment rate is 2.2% (2.0% on and before March 31, 2018).

NLM Group

Nippon Light Metal Group consists of 79 subsidiaries and 22 affiliates (as of March 31, 2018).

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.

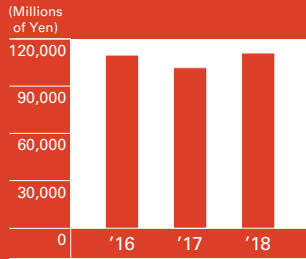


Aluminum Ingot and Chemicals

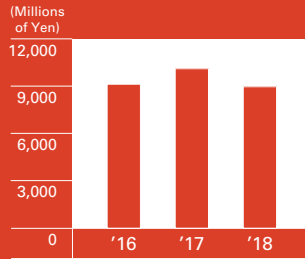
Profile Alumina and Chemicals segment produce aluminum hydroxide, alumina and chemicals used in various fields. These products are used as raw materials for flame retardants, ceramics and other products and as industrial materials in paper and pulp manufacturing. Aluminum Ingot segment manufacture various 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 2018

In the Alumina and Chemicals segment, with regard to the mainstay alumina and aluminum hydroxide products among alumina-related products, despite a decrease in exports, mainly of those to Korea, domestic sales of products for coagulants and refractory materials were robust. In terms of chemicals, whereas demand for organic chlorides decreased, sales of coagulants and inorganic chlorides increased. As a result,

overall sales of this segment exceeded the previous year's levels, but sharp increases in prices of raw materials and fuels lowered profits. Despite the shift to a product mix emphasizing profitability, revision of product prices, and other efforts, profits decreased.

In the Aluminum Ingot segment, regarding the mainstay secondary alloy products for automotive applications, the domestic sales volume was unchanged from the previous year, but sales overseas increased in line with the start of operation of a new factory in Thailand. Sales of this segment exceeded the previous year's level because sales prices of aluminum ingots increased, reflecting market conditions. Meanwhile, profits decreased owing to intensifying price competition in addition to higher prices of raw materials and fuels.

As a result, in the Alumina, Chemicals and Aluminum Ingot segment, net sales increased 9.1% year on year to ¥111,100 million, but operating profit decreased 11.6% year on year to ¥8,954 million.

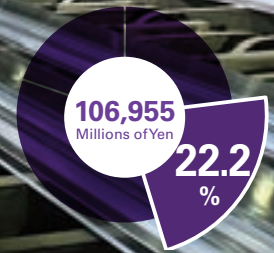


Aluminum Billet

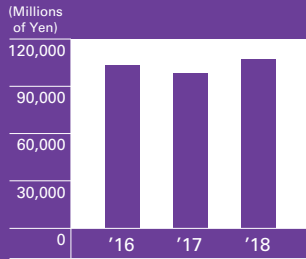
Aluminum Sheet and Extrusions

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

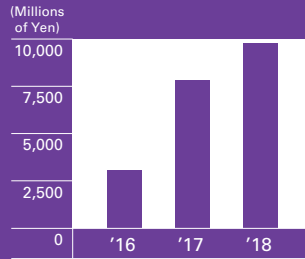
Consolidated
Net Sales



Net Sales



Consolidated Operating Profit



Applications

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

Principal Products

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

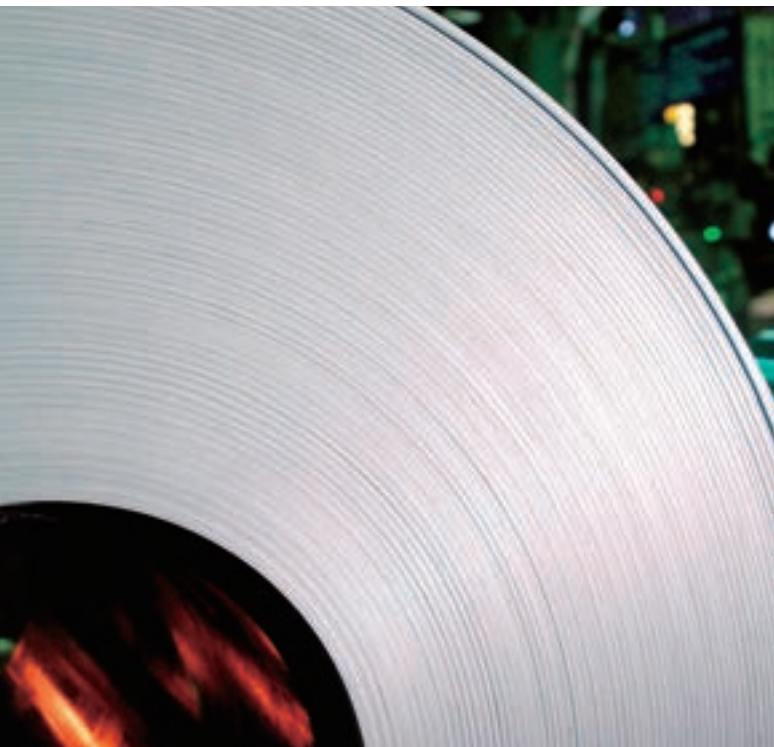
Overview of results for fiscal 2018

In the Aluminum Sheet segment, in addition to brisk demand for thick plates for semiconductor and LCD manufacturing equipment and related parts, shipments of sheet materials for lithium-ion batteries and truck outfitting as well as fabricated sheet products for PC and tablet cases were robust. Sales of this segment exceeded the previous year's level owing to the increase in sales prices, reflecting conditions of the aluminum

ingot market. In terms of profits, due to the increase in the percentage of high value-added products and improvement of the profitability of the sheet fabrication business, profits of this segment increased.

In the Aluminum Extrusions segment, sales of products for automobiles were sluggish in Japan and in certain countries overseas, affected by a slump in sales of the automobile models they can be installed on. Nonetheless, sales of products for automobiles in other overseas countries were brisk. In addition, demand for products for truck outfitting and for industrial tools and machinery was at a high level. Sales of this segment exceeded the previous year's level owing to the increase in sales prices, reflecting conditions of the aluminum ingot market. Profits of this segment also increased.

As a result, in the Aluminum Sheet and Extrusion segment, net sales increased 9.0% year on year to ¥106,955 million and operating profit increased 25.6% year on year to ¥9,767 million.

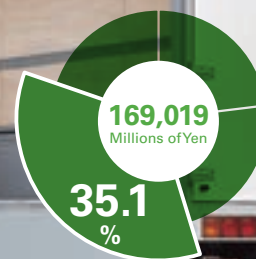


Fabricated Products and Others

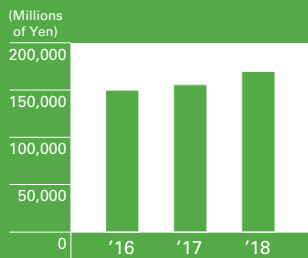
Profile *The NLM Group includes several companies that handle distinctive fabricated products. In particular, Nippon Fruehauf's truck bodies and Nikkei Panel System's commercial refrigerators and freezer panels enjoy an excellent reputation for quality, and are market share leaders in their respective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



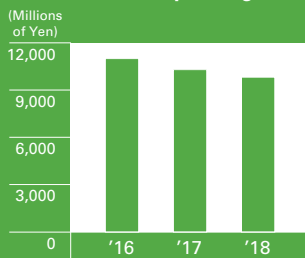
Consolidated
Net Sales



Net Sales



Consolidated Operating Profit



Applications

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

Principal Products

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

Overview of results for fiscal 2018

In the Transport-Related segment, the truck outfitting business achieved an increase in sales from the previous year, reflecting higher production capacity as a result of the introduction of a rotating shift system (two shifts), in addition to the continuing high domestic demand, but profits decreased owing to higher materials prices and a rise in expenses in line with the implementation of two shifts.

Sales of capacitors for air conditioners increased markedly from the previous year as sales of new products for electric automobiles increased favorably in addition to robust sales of existing products for mini vehicles in Japan, the mainstay market, reflecting an increase in demand.

Sales of shaped parts exceeded the previous year's level owing to robust order-taking, reflecting an increase in the number of automobiles manufactured in Japan, and brisk exports to China.

In the Electronic Materials segment, regarding anodized aluminum foil for aluminum electrolytic capacitors, sales surpassed the previous year's level, owing to an increase in demand, reflecting expansion of investment for factory automation and the progress of electrification and motorization of automobiles, but profits were unchanged from the previous

year mainly because of intensifying competition from products manufactured overseas.

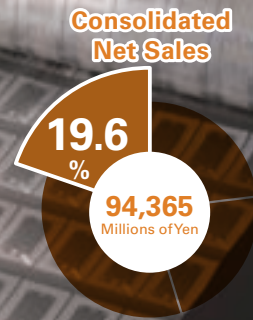
In the Panel System segment, regarding products for industrial refrigerators and freezers, demand for panel systems for plants that process food products was robust and demand for panel systems for low-temperature distribution warehouses increased greatly in line with the expansion of online sales of fresh produce. With regard to clean rooms, demand related to semiconductor devices, such as flash memory, remained firm and demand related to generic drugs also increased. As a result, sales of the Panel System segment were high, exceeding the previous year's level.

In the Carbon Product segment, sales of our mainstay products, including carbon blocks for blast furnaces and electric furnaces and cathodes, increased, as earnings of our customers in the steel and aluminum smelting industry recovered. Consequently, sales of the Carbon Product segment substantially exceeded the previous year's level and profits also greatly improved

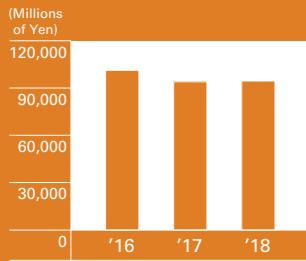
As a result, in the Fabricated Products and Others segment, net sales increased 9.3% year on year to ¥169,019 million, while operating profit decreased 4.5% year on year to ¥9,783 million.

Aluminum Foil, Powder and Paste

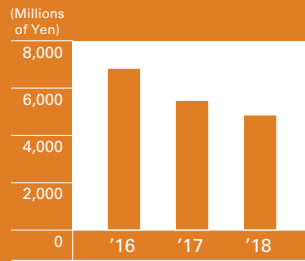
Profile *The core company in this segment is Toyo Aluminium K.K. The company has established its position as the leading manufacturer by using the features of aluminum to develop a wide range of products beneficial to society, industry and daily life, including packaging for food and pharmaceutical products, 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 2018

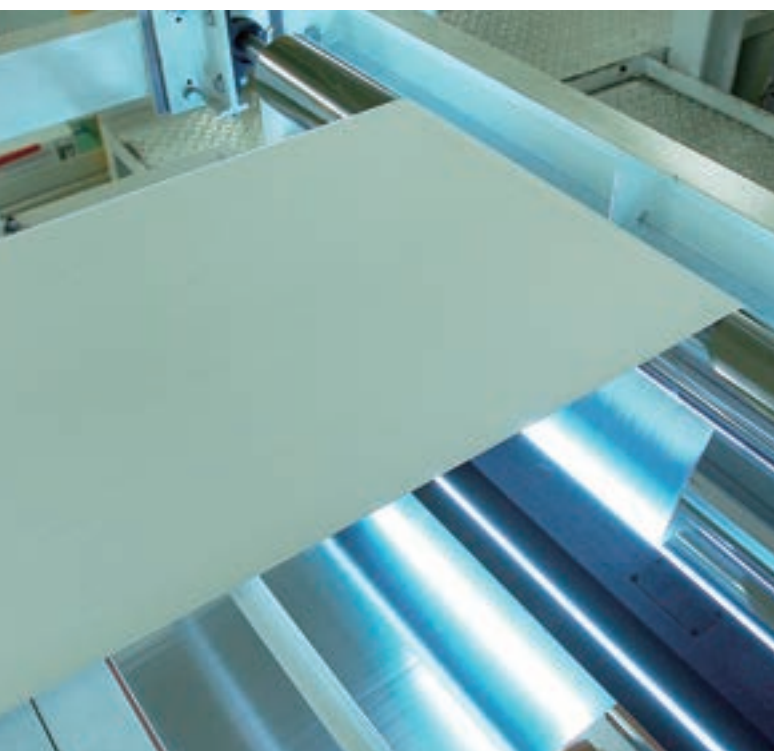
In the Aluminum Foil segment, with regard to high-purity aluminum foil for electrolytic capacitors, sales of high value-added products were robust. Regarding standard foil, whereas sales of antenna circuit foil for IC cards declined and demand for fabricated foil for pharmaceutical packaging was sluggish, sales of water-repellent fabricated foil for food products and plain foil for lithium-ion battery surfaces were brisk.

Accordingly, sales of the Aluminum Foil segment exceeded the previous year's level.

In the Powder and Paste segment, whereas sales of paste products for home appliances and food packaging materials for ink decreased, sales of mainstay paste products for automobile paint increased, reflecting greater adoption of Colored Alpaste mainly in overseas markets. As for powder products, sales of aluminum nitride for heat dissipation substrate were buoyant. As a result, sales of the Powder and Paste segment exceeded the previous year's level.

In the Solar segment, although sales of new functional ink products for solar cells increased favorably, sales of the Solar segment were lower than the previous year's level because of a decrease in demand for mainstay products of back sheets for solar cells owing to the reduction of subsidies by the Chinese government and intensifying price competition, and also because we curtailed sales to certain users who pose creditworthiness concerns.

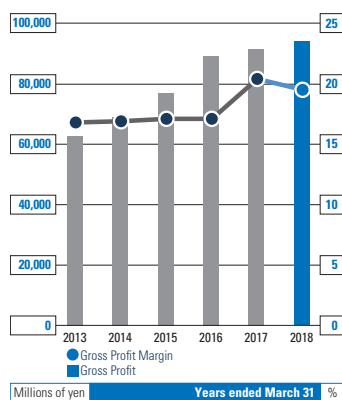
As a result, in the Aluminum Foil, Powder and Paste segment, net sales increased 0.7% year on year to ¥94,365 million, but operating profit decreased 11.4% year on year to ¥4,856 million.



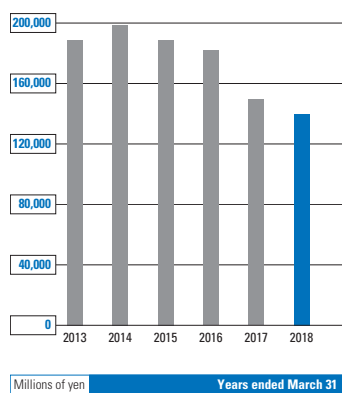
Consolidated Six-Year Summary

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

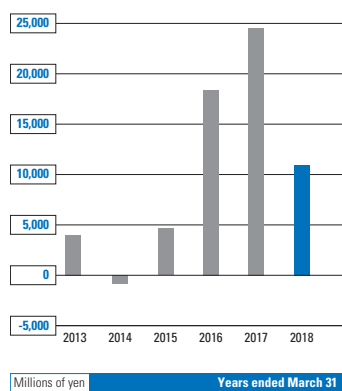
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



2013 2014

(Millions of yen)

Financial Results

Net Sales	¥371,887	¥402,829
Gross Profit	62,715	69,003
Gross Profit Margin (%)	16.9	17.1
Operating Profit (Loss)	8,154	12,617
Ordinary Profit (Loss)	6,873	12,730
Profit attributable to owners of parent	3,355	5,128

Segment Information

Net Sales:		
Aluminum Ingot and Chemicals	93,902	105,488
Aluminum Sheet and Extrusions	63,161	71,274
Fabricated Products and Others	126,218	132,261
Aluminum foil, powder and paste	88,606	93,806
Total	371,887	402,829

Operating Profit (Loss):

Aluminum Ingot and Chemicals	3,273	2,917
Aluminum Sheet and Extrusions	1,675	2,668
Fabricated Products and Others	6,974	7,224
Aluminum foil, powder and paste	(771)	2,889
Elimination or corporate items	(2,997)	(3,081)
Total	8,154	12,617

Financial Position

Current Assets	217,648	226,807
Property, plant and equipment	153,238	150,901
Intangible assets	6,338	5,022
Investments and other assets	42,562	49,808
Current liabilities	182,173	181,520
Long-term liabilities	122,989	129,824
Shareholders' equity (Note 3)	102,297	105,787
Total accumulated other comprehensive income (Note 3)	2,851	4,629
Non-controlling interests (Note 3)	9,476	10,778
Interest-bearing Debt (Note 2)	188,844	198,668

Cash Flows

Cash Flows from Operating Activities	18,030	18,148
Depreciation and Amortization	16,259	16,435
Cash Flows from Investing Activities	(14,025)	(18,998)
Capital Expenditures	17,121	14,001
Cash Flows from Financing Activities	(5,175)	5,762

Per Share Data (yen and dollars)

Net Profit (Loss) - basic	¥ 6.17	¥ 9.43
- diluted	—	—
Net Assets (Note 3)	193.33	203.03
Cash Dividends	3.00	4.00

Indices

Return on Capital Employed (ROCE)(%)	3.7	5.8
Return on Equity (ROE)(%)	3.3	4.8
Equity Ratio (%)	25.0	25.5

Others

Number of Shares Outstanding (thousands)	545,126	545,126
R&D Expenditures	5,063	4,984
Number of Employees	10,392	10,438

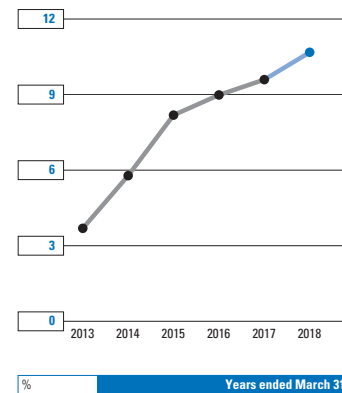
Note 1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥106.24 = U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

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.

2015	2016	2017	2018	2018
(Millions of yen)				(Thousands of U.S. dollars) (Note 1)
¥431,477	¥464,405	¥448,381	¥481,439	\$4,531,617
76,987	89,237	91,564	94,035	885,119
17.8	19.2	20.4	19.5	19.5
19,305	26,821	30,225	29,893	281,372
20,600	24,526	26,252	29,533	277,984
9,645	15,533	19,520	18,012	169,541
114,339	109,844	101,840	111,100	1,045,745
82,823	103,340	98,165	106,955	1,006,730
138,088	149,220	154,684	169,019	1,590,917
96,227	102,001	93,692	94,365	888,225
431,477	464,405	448,381	481,439	4,531,617
6,069	9,138	10,126	8,954	84,281
4,230	3,058	7,775	9,767	91,933
7,704	10,958	10,245	9,783	92,084
4,183	6,829	5,478	4,856	45,708
(2,881)	(3,162)	(3,399)	(3,467)	(32,634)
19,305	26,821	30,225	29,893	281,372
248,906	247,363	246,394	267,059	2,513,733
153,235	152,183	151,231	154,002	1,449,567
4,543	3,328	3,190	3,187	29,998
50,593	49,320	47,808	43,052	405,234
202,220	186,881	184,277	191,729	1,804,677
117,672	120,894	90,722	86,249	811,833
111,791	124,884	154,600	167,115	1,572,995
9,631	5,300	5,053	6,842	64,402
15,963	14,235	13,971	15,365	144,625
188,990	182,207	149,835	139,997	1,317,743
11,780	37,770	36,488	25,868	243,486
16,406	16,356	16,602	17,126	161,201
(7,119)	(19,419)	(11,887)	(14,948)	(140,700)
15,869	18,861	19,908	21,077	198,390
(17,581)	(10,708)	(24,432)	(17,040)	(160,392)
¥ 17.74	¥ 28.56	¥ 34.58	¥ 29.09	\$ 0.27
15.59	25.10	31.46	—	—
223.27	239.39	257.82	280.93	2.64
5.00	6.00	8.00	8.00	0.08
8.2	9.0	9.6	10.7	
8.3	12.3	13.5	10.8	
26.6	28.8	35.6	37.2	
545,126	545,126	619,937	619,937	
4,495	4,794	4,939	5,177	\$ 48,729
13,335	12,961	13,126	12,855	

Return on Capital Employed (ROCE)



Years ended March 31

%

Years ended March 31

%

Years ended March 31

%

Years ended March 31

%

Years ended March 31

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Years ended March 31

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Overview

During fiscal year 2017 (the year ended March 31, 2018) the Japanese economy remained on a moderate recovery track, reflecting improvement in corporate earnings and the employment and income situation. The world economy also generally recovered at a modest pace, as the recovery of the U.S. economy continued and the performance of the Chinese and Thai economies improved.

The domestic aluminum industry saw an increase in overall demand for aluminum products compared with the previous year, led by robust demand for products for use in cars and trucks in the transport industry and products for use in semiconductor and LCD manufacturing equipment in the machinery industry. Prices trended upward partly owing to the impact of decreased production in China, a key producing country.

Under such circumstances, the Group steadily and surely delivered results in the second year of the Mid-Term Management Plan (fiscal 2016 to fiscal 2018) (hereinafter, the “Mid-Term Plan”).

Although net sales exceeded the previous year’s level as a result of brisk sales in the Aluminum Sheet segment, Aluminum Extrusions segment, and Panel System segment coupled with an increase in the market prices of aluminum ingots, an indicator of sales prices in the Aluminum Ingot segment, Aluminum Sheet segment and Aluminum Extrusions segment, operating profit was virtually unchanged from

Overview of Consolidated Business Performance

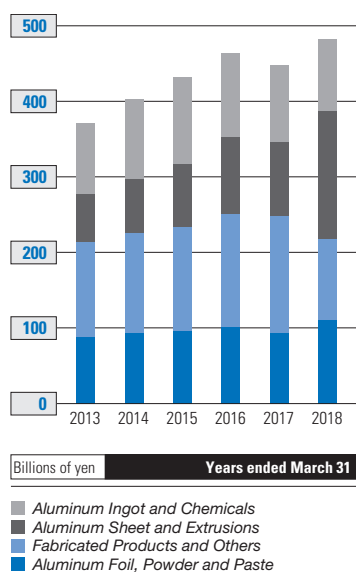
	(Millions of yen)		
	Fiscal year under review The year ended March 31, 2018	Previous fiscal year The year ended March 31, 2017	Changes in Comparison (Decrease in brackets) Changes [Percent changes]
Net sales	481,439	448,381	33,058 [7.4%]
Operating profit	29,893	30,225	(332) [(1.1%)]
Ordinary profit	29,533	26,252	3,281 [12.5%]
Profit attributable to owners of parent	18,012	19,520	(1,508) [(7.7%)]
Net income per share (Yen)	29.09	34.58	(5.49) [(15.9%)]

the previous year, partly owing to higher prices of raw materials and fuels. Ordinary profit increased from the previous year partly due to an increase in equity in earnings of affiliates and a decline in foreign exchange losses. However, profit attributable to owners of parent was lower than the previous year’s level, reflecting the recording of special losses such as a litigation settlement in the fiscal year under review, and also because the Company recorded special gains in the previous year, including gain on sales of investment securities.

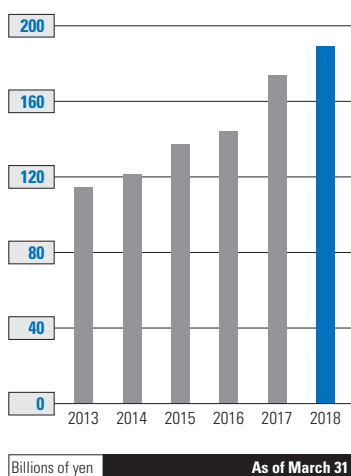
Earnings and Expenses

NLM Holdings’ consolidated net sales for the fiscal year under review increased 7.4% year on year to ¥481.4 billion (\$4,532 million). For sales and other aspects of financial performance by business segment,

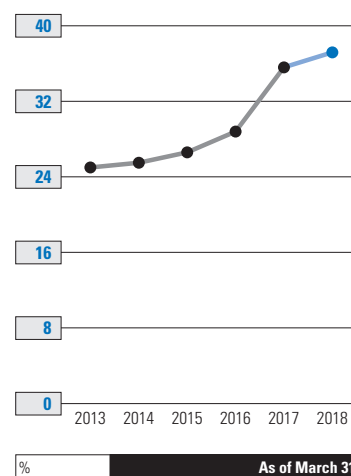
Net Sales By Segment



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 from the Building Materials segment.

please see the Review of Operations on pages 16 to 19.

The cost of sales was ¥387.4 billion (\$3,646 million), and the cost of sales ratio was 80.5%. Selling, general and administrative expenses were ¥64.1 billion (\$604 million). As a result, operating profit decreased 1.1% year on year to ¥29.9 billion (\$281 million).

Non-operating income increased 9.2% year on year to ¥4.2 billion (\$40 million). Equity in earnings of affiliates increased 707.8% year on year to ¥1.0 billion (\$9 million) and dividend income increased 218.2% year on year to ¥0.7 billion (\$6 million). Non-operating expenses decreased 41.7% year on year to ¥4.6 billion (\$43 million). As a result, ordinary profit rose 12.5% year on year to ¥29.5 billion (\$278 million).

Special gains totaled ¥0.3 billion (\$3 million), and special losses were ¥3.1 billion (\$29 million). Special losses included a litigation settlement amounting to ¥2.0 billion (\$19 million).

As a result, profit before income taxes during the fiscal year under review was ¥26.8 billion (\$252 million). Corporate, inhabitant and business taxes amounted to ¥4.9 billion (\$46 million) and deferred income taxes during the fiscal year under review were ¥1.8 billion (\$17 million). Profit was ¥20.0 billion (\$188 million).

As a result of the above, profit attributable to owners of parent in the fiscal year under review decreased 7.7% year on year to ¥18.0 billion (\$170 million). The average number of shares outstanding rose from 564,497 thousand in the previous year to 619,227 thousand. Accordingly, net income per share decreased from ¥34.6 in the previous year to ¥29.1 (\$0.27). The annual cash dividend per share was unchanged from the previous year at ¥8.0 (\$0.08), by resolution at the General Meeting of Shareholders held on June 26, 2018.

Overview of Consolidated Balance Sheets

(Millions of yen)

	March 31, 2018	March 31, 2017	Changes in Comparison
Total assets	467,300	448,623	18,677
Total liabilities	277,978	274,999	2,979
Net assets	189,322	173,624	15,698
Equity ratio (%)	37.2	35.6	1.6

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2018 increased ¥18.7 billion year on year to ¥467.3 billion (\$4,399 million). Total liabilities increased ¥3.0 billion year on year to ¥278.0 billion (\$2,617 million). This was mainly 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 and repayments of long-term

debt. Interest-bearing debt decreased ¥9.8 billion year on year to ¥140.0 billion.

Total net assets increased ¥15.7 billion year on year to ¥189.3 billion (\$1,782 million), thanks primarily to an increase in retained earnings due to the recording of profit in the fiscal year under review as well as an increase in shareholders' equity due to share conversion of convertible bonds with stock acquisition rights. Net assets per share increased ¥23.11 year on year to ¥280.93 (\$2.64), while the equity ratio rose 1.6 percentage points year on year to 37.2%.

Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2018 decreased ¥5.8 billion year on year to ¥30.5 billion (\$287 million).

Net cash provided by operating activities totaled ¥25.9 billion (\$243 million). Net cash used in investing activities was ¥14.9 billion (\$141 million). The main outflows were payments for purchases of fixed assets. Net cash used in financing activities totaled ¥17.0 billion (\$160 million). The main inflows were ¥15.3 billion (\$144 million) in proceeds from long-term debt, and the main outflows were ¥21.2 billion (\$199 million) in repayments of long-term debt.

Outlook for Fiscal 2018

Whereas improvement in corporate earnings and the employment and income situation is progressing and the moderate recovery of the Japanese economy is expected to continue, there is concern that heightening of trade friction resulted from the U.S. administration's implementation of policy, the prospects for the U.K.'s Brexit negotiations, the situation in the Middle East and North Korea, and other political and geopolitical risks will be a drag on economic expansion.

Meanwhile, demand for aluminum products is expected to remain robust owing to such factors as progress in conversion of components to aluminum in line with the rise of lightweight automobiles and increased use of aluminum in semiconductor and LCD manufacturing equipment.

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

Our forecasts for the year ending March 31, 2019 are net sales of ¥510.0 billion, ordinary profit of ¥31.0 billion, and profit attributable to owners of parent of ¥20.0 billion. We expect net income per share to total ¥32.30 and cash dividend per share of ¥8.0.

Consolidated Balance Sheets

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	March 31,		
	2017	2018	2018
Assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and deposits (Notes 4 and 7)	¥ 36,346	¥ 30,722	\$ 289,175
Notes and accounts receivable – trade (Note 7)	135,955	154,785	1,456,937
Finished products	24,305	28,276	266,152
Work-in-progress, including costs related to construction-type contracts ..	16,112	17,675	166,369
Raw material and supplies	18,803	20,690	194,748
Deferred tax assets (Note 10)	5,487	4,388	41,303
Other current assets	10,731	11,612	109,300
Allowance for doubtful accounts	(1,345)	(1,089)	(10,251)
Total current assets	246,394	267,059	2,513,733
Property, plant and equipment (Note 6):			
Land	54,535	54,659	514,486
Buildings and structures	134,450	138,620	1,304,782
Machinery and equipment	279,999	284,029	2,673,466
Tools, furniture and fixtures	31,404	33,219	312,679
Construction-in-progress	5,104	7,242	68,166
Accumulated depreciation	(354,261)	(363,767)	(3,424,012)
Total property, plant and equipment	151,231	154,002	1,449,567
Intangible assets:			
Other intangible assets (Note 6)	3,190	3,187	29,998
Total intangible assets	3,190	3,187	29,998
Investments and other assets:			
Investment securities (Notes 5, 6 and 7)	35,818	32,276	303,803
Deferred tax assets (Note 10)	4,845	3,501	32,954
Other assets	7,556	7,530	70,877
Allowance for doubtful accounts	(411)	(255)	(2,400)
Total investments and other assets	47,808	43,052	405,234
Total assets	¥ 448,623	¥ 467,300	\$ 4,398,532

	March 31,		
	2017	2018	2018
Liabilities and net assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 60,161	¥ 56,148	\$ 528,502
Current portion of long-term debt (Notes 6 and 7)	22,311	20,185	189,994
Notes and accounts payable – trade (Note 7)	67,300	78,630	740,117
Income taxes payable	2,909	2,110	19,861
Other current liabilities	31,596	34,656	326,203
Total current liabilities	184,277	191,729	1,804,677
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	69,171	65,161	613,338
Liabilities for retirement benefits (Note 9)	20,583	19,775	186,135
Other long-term liabilities (Notes 6, 7 and 10)	968	1,313	12,360
Total long-term liabilities	90,722	86,249	811,833
Total liabilities	274,999	277,978	2,616,510
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 2,000,000,000 shares			
Issued: 619,937,500 shares	46,525	46,525	437,924
Additional paid-in capital	19,064	19,064	179,443
Retained earnings	89,076	101,593	956,259
Treasury stock, at cost (706,127 shares in 2017 and 714,480 shares in 2018) ..	(65)	(67)	(631)
Total shareholders' equity	154,600	167,115	1,572,995
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities (Note 5)	4,229	4,181	39,354
Net unrealized gains (losses) on hedges (Note 13)	74	(144)	(1,355)
Land revaluation surplus (Note 12)	145	145	1,365
Foreign currency translation adjustments	1,875	3,111	29,283
Remeasurements of defined benefits plans	(1,270)	(451)	(4,245)
Total accumulated other comprehensive income	5,053	6,842	64,402
Non-controlling interests	13,971	15,365	144,625
Total net assets	173,624	189,322	1,782,022
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥448,623	¥467,300	\$4,398,532

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,		
	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥448,381	¥481,439	\$4,531,617
Cost of sales (Note 14)	356,817	387,404	3,646,498
Gross profit	91,564	94,035	885,119
Selling, general and administrative expenses (Note 14)	61,339	64,142	603,747
Operating profit	30,225	29,893	281,372
Non-operating profit:			
Interest income	101	90	847
Dividend income	307	670	6,306
Equity in earnings of affiliates	141	998	9,394
Rental income	747	758	7,135
Technical support fee	363	432	4,066
Other	2,189	1,254	11,804
Total non-operating profit	3,848	4,202	39,552
Non-operating expenses:			
Interest expense	1,782	1,363	12,829
Loss on disposal of fixed assets	546	564	5,309
Rental expense	576	599	5,638
Other	4,917	2,036	19,164
Total non-operating expenses	7,821	4,562	42,940
Ordinary profit	26,252	29,533	277,984
Special gains:			
Gain on bargain purchase	—	300	2,824
Gain on sales of investment securities	2,821	—	—
Gain on sales of fixed assets	409	—	—
Total special gains	3,230	300	2,824
Special losses:			
Settlement package	—	2,029	19,098
Loss on impairment of fixed assets (Note 16)	1,192	933	8,782
Loss on step acquisitions	—	117	1,101
Total special losses	1,192	3,079	28,981
Profit before income taxes	28,290	26,754	251,827
Income taxes (Note 10):			
Current	5,280	4,932	46,423
Deferred	2,529	1,819	17,122
Net profit	7,809	6,751	63,545
Profit attributable to non-controlling interests	961	1,991	18,741
Profit attributable to owners of parent	¥ 19,520	¥ 18,012	\$ 169,541
Per share of common stock (Note 17):			
	(Yen)		(U.S. dollars) (Note 3)
Net assets	¥ 257.82	¥ 280.93	\$ 2.64
Net profit	34.58	29.09	0.27
Cash dividends	8.00	8.00	0.08

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

Consolidated Statements of Comprehensive Income

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

	Years ended March 31,		
	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net profit	¥20,481	¥20,003	\$188,281
Other comprehensive income			
Net unrealized gains (losses) on securities	1,365	(14)	(132)
Net unrealized gains (losses) on hedges	179	(218)	(2,052)
Foreign currency translation adjustments	(1,247)	900	8,471
Remeasurements of defined benefit plans	223	782	7,361
Equity of other comprehensive income (losses) of affiliates	(1,170)	459	4,321
Total other comprehensive income (losses) (Note 8)	(650)	1,909	17,969
Comprehensive income	¥19,831	¥21,912	\$206,250
Attributable to:			
owners of parent	¥19,273	¥19,801	\$186,380
non-controlling interests	558	2,111	19,870
	¥19,831	¥21,912	\$206,250

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

	2017											
	Shareholders' equity				Accumulated other comprehensive income						Profit attributable to non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans			
	(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)	(15)	
Change of scope of consolidation											—	
Purchase of treasury stock				(1)							(1)	
Disposal of treasury stock		70		49							119	
Net unrealized gains (losses) 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	

	2018											
	Shareholders' equity				Accumulated other comprehensive income						Profit attributable to non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans			
	(Millions of yen)											
Balance at April 1, 2017	¥ 46,525	¥ 19,064	¥ 89,076	¥ (65)	¥ 4,229	¥ 74	¥ 145	¥ 1,875	¥ (1,270)	¥ 13,971	¥ 173,624	
Issuance of new shares exercise of subscription rights to shares											—	
Cash dividends			(5,575)								(5,575)	
Profit attributable to owners of parent			18,012								18,012	
Changes in a parent's ownership interest due to transactions with non-controlling interests ...											—	
Change of scope of consolidation			80								80	
Purchase of treasury stock				(2)							(2)	
Disposal of treasury stock											—	
Net unrealized gains (losses) on securities					(48)						(48)	
Net unrealized gains (losses) on hedges						(218)					(218)	
Foreign currency translation adjustments								1,236			1,236	
Remeasurements of defined benefits plans									819		819	
Net increase in profit attributable to non-controlling interests										1,394	1,394	
Balance at March 31, 2018	¥46,525	¥19,064	¥101,593	¥(67)	¥4,181	¥(144)	¥145	¥3,111	¥(451)	¥15,365	¥189,322	

	2018											
	Shareholders' equity				Accumulated other comprehensive income						Profit attributable to non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedges	Revaluation surplus (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefits plans			
	(Millions of yen)											
Balance at April 1, 2017	\$ 437,924	\$ 179,443	\$ 838,441	\$ (612)	\$ 39,806	\$ 697	\$ 1,365	\$ 17,649	\$ (11,954)	\$ 131,504	\$ 1,634,263	
Issuance of new shares exercise of subscription rights to shares											—	
Cash dividends			(52,476)								(52,476)	
Profit attributable to owners of parent			169,541								169,541	
Changes in a parent's ownership interest due to transactions with non-controlling interests ...											—	
Change of scope of consolidation			753								753	
Purchase of treasury stock				(19)							(19)	
Disposal of treasury stock											—	
Net unrealized gains (losses) on securities					(452)						(452)	
Net unrealized gains (losses) on hedges						(2,052)					(2,052)	
Foreign currency translation adjustments								11,634			11,634	
Remeasurements of defined benefits plans									7,709		7,709	
Net increase in profit attributable to non-controlling interests										13,121	13,121	
Balance at March 31, 2018	\$437,924	\$179,443	\$956,259	\$ (631)	\$39,354	\$ (1,355)	\$1,365	\$29,283	\$ (4,245)	\$144,625	\$1,782,022	

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,		
	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Cash flows from operating activities			
Profit before income taxes	¥ 28,290	¥ 26,754	\$ 251,827
Depreciation and amortization	16,602	17,126	161,201
Gain on bargain purchase	—	(300)	(2,824)
Settlement Package	—	2,029	19,098
Loss on impairment of fixed assets	1,192	933	8,782
Loss on step acquisitions	—	117	1,101
Gain on sales of investment securities	(2,821)	—	—
Gain on sales of fixed assets	(409)	—	—
Increase (decrease) in allowance for doubtful accounts	180	(417)	(3,925)
Increase in liability for retirement benefit	456	413	3,887
Interest and dividend income	(408)	(760)	(7,154)
Interest expense	1,782	1,363	12,829
Equity in earnings of affiliates	(141)	(998)	(9,394)
Increase in notes and accounts receivable – trade	(1,066)	(18,327)	(172,506)
Decrease (increase) in inventories	476	(7,075)	(66,595)
(Decrease) increase in notes and accounts payable – trade	(478)	10,594	99,718
Other	469	(24)	(224)
Subtotal	44,124	31,428	295,821
Interest and dividend income received	1,100	1,332	12,538
Interest paid	(1,750)	(1,349)	(12,698)
Income taxes paid	(6,986)	(5,543)	(52,175)
Net cash provided by operating activities	36,488	25,868	243,486
Cash flows from investing activities			
Payments for purchases of fixed assets	(17,039)	(19,395)	(182,558)
Proceeds from sales of fixed assets	2,116	816	7,681
Proceeds from sales of investment securities	3,330	4,096	38,554
Other	(294)	(465)	(4,377)
Net cash used in investing activities	(11,887)	(14,948)	(140,700)
Cash flows from financing activities			
Net decrease in short-term borrowings	(640)	(4,176)	(39,307)
Proceeds from long-term debt	18,613	15,294	143,957
Repayments of long-term debt	(32,184)	(21,174)	(199,303)
Proceeds from issuance of bonds	—	665	6,259
Redemption of bonds	(3,200)	(665)	(6,259)
Cash dividends paid	(4,912)	(5,578)	(52,504)
Cash dividends paid to non-controlling interests	(680)	(687)	(6,466)
Other	(1,429)	(719)	(6,769)
Net cash used in financing activities	(24,432)	(17,040)	(160,392)
Effect of exchange rate changes on cash and cash equivalents	(368)	293	2,758
Net decrease in cash and cash equivalents	(199)	(5,827)	(54,848)
Cash and cash equivalents at beginning of the year	36,485	36,286	341,547
Increase in cash and cash equivalents from newly consolidated subsidiary	—	58	547
Cash and cash equivalents at end of the year (Note 4)	¥ 36,286	¥ 30,517	\$ 287,246

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

Notes to Consolidated Financial Statements

Nippon Light Metal Holdings Company, Ltd. and consolidated subsidiaries

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Light Metal Holdings Company, Ltd. (the “Company”) and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects 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 statutory reserve (additional paid-in capital and the legal reserve) 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 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.

(r) Accounting standards issued but not yet effective

Implementation Guidance on Tax Effect Accounting and Implementation Guidance on Recoverability of Deferred Tax Assets On February 16, 2018, the ASBJ issued "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28) and "Implementation Guidance on Recoverability of Deferred Tax Assets" (revised 2018) (ASBJ Guidance No. 26).

(1) Overview

The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements was modified. In addition, the accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified.

(2) Scheduled date of adoption

The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of the adoption of implementation guidance

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

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

2. ACCOUNTING CHANGE

Not applicable.

3. U.S. DOLLAR AMOUNTS

The rate of ¥106.24 = U.S.\$1, the approximate exchange rate prevailing at March 31, 2018, 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, 2017 and 2018 is summarized as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥ 36,346	¥ 30,722	\$ 289,176
Time deposits with maturities in excess of 3 months	(60)	(205)	(1,930)
Cash and cash equivalents	¥ 36,286	¥ 30,517	\$ 287,246

Supplemental Disclosure of Non-Cash Transactions

Information on the convertible bonds during the years ended March 31, 2017 and 2018 is summarized as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Increase in common stock due to conversion of convertible bonds	¥ 7,440	¥ —	\$ —
Increase in additional paid-in capital due to conversion of convertible bonds	7,510	—	—
Decrease in treasury stock, at cost due to conversion of convertible bonds	49	—	—
Decrease in bonds due to conversion of convertible bonds	¥ 15,000	¥ —	\$ —

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, 2017 and 2018 was as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Cost	¥ 3,787	¥ 3,824	\$ 35,994
Unrealized gains	5,788	5,799	54,584
Unrealized losses	(8)	(4)	(37)
Carrying amount	¥ 9,567	¥ 9,619	\$ 90,540

Notes to Consolidated Financial Statements

(b) Sales of available-for-sale securities

The realized gains on sales of available-for-sale securities for the years ended March 31, 2017 and 2018 was as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥ 3,330	¥26	\$ 245
Realized gains on sales	2,842	14	132
Realized losses on sales	—	—	—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2018 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, 2017 and 2018 comprised the following:

	2017	2018	2018
	(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	¥ 2,084	¥ 1,377	\$ 12,961
Unsecured	86,917	81,835	770,284
Unsecured 1.50% bonds due June 1, 2017, redeemable before due date	673	—	—
Unsecured 1.65% bonds due June 1, 2027, redeemable before due date	—	637	5,996
Capital lease obligations due from 2017 to 2029 with interest rates ranging from 1.15% to 7.20%	1,808	1,497	14,092
	91,482	85,346	803,332
Less: portion due within one year	(22,311)	(20,185)	(189,994)
Total long-term debt	¥ 69,171	¥ 65,161	\$ 613,338

A summary of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2017 and 2018 as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Property, plant and equipment	¥ 4,729	¥ 1,114	\$ 10,486
Investment securities	6	9	85

The aggregate annual maturities of long-term debt outstanding at March 31, 2018 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2019	¥ 20,185	\$ 189,994
2020	12,494	117,602
2021	7,340	69,089
2022	3,246	30,553
2023	6,902	64,966
Thereafter	35,179	331,128
	¥ 85,346	\$ 803,332

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, 2017 and 2018 and estimated fair value is as follows:

	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	—

*1 Liabilities are shown in parenthesis.

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

Notes to Consolidated Financial Statements

	2018		
	Carrying Value '1	Estimated Fair Value '1	Difference
	(Millions of yen)		
(1) Cash and deposits	¥ 30,722	¥ 30,722	¥ —
(2) Notes and accounts receivable – trade	154,785	154,785	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	4,014	1,763	(2,251)
Other securities	9,619	9,619	—
(4) Notes and accounts payable – trade	(78,630)	(78,630)	—
(5) Short-term borrowings *2	(56,148)	(56,148)	—
(6) Current portion of bonds	—	—	—
(7) Bonds	(637)	(637)	—
(8) Long-term borrowings *2	(83,212)	(83,991)	(779)
(9) Derivative transactions			
for which hedge accounting has not been applied	24	24	—
for which hedge accounting has been applied	(181)	(181)	—

	2018		
	Carrying Value '1	Estimated Fair Value '1	Difference
	(Thousands of U.S. dollars)		
(1) Cash and deposits	\$ 289,175	\$ 289,175	\$ —
(2) Notes and accounts receivable – trade	1,456,937	1,456,937	—
(3) Investment securities			
Stocks of subsidiaries and affiliates	37,782	16,595	(21,188)
Other securities	90,540	90,540	—
(4) Notes and accounts payable – trade	(740,117)	(740,117)	—
(5) Short-term borrowings *2	(528,502)	(528,502)	—
(6) Current portion of bonds	—	—	—
(7) Bonds	(5,996)	(5,996)	—
(8) Long-term borrowings *2	(783,245)	(790,578)	(7,332)
(9) Derivative transactions			
for which hedge accounting has not been applied	226	226	—
for which hedge accounting has been applied	(1,704)	(1,704)	—

*1 Liabilities are shown in parenthesis.

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

Notes

- Method for determining the estimated fair value of financial instruments and other matters related to securities and derivative transactions
 - 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.
 - 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 ¥22,486 million and ¥18,643 million (\$175,480 thousand) as of March 31, 2017 and 2018 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, 2017 and 2018 are as follows:

	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	¥ —	¥ —

	2018			
	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	¥ 30,661	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	154,785	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	2	4	—	—
	¥ 185,448	¥ 4	¥ —	¥ —

Notes to Consolidated Financial Statements

	2018			
	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	\$ 288,601	\$ —	\$ —	\$ —
Notes and accounts receivable – trade	1,456,937	—	—	—
Investment securities				
Held-to-maturity securities				
Government and municipal bonds	19	38	—	—
	\$ 1,745,557	\$ 38	\$ —	\$ —

4. The redemption schedule for bonds and long-term borrowings at March 31, 2017 and 2018 are as follows:

	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

	2018		
	Due within one year	Due after one year but within five years	Due after five years
	(Millions of yen)		
Bonds	¥ —	¥ —	¥ 637
Long-term borrowings	19,363	29,384	34,199
	¥ 19,363	¥ 29,384	¥ 34,836

	2018		
	Due within one year	Due after one year but within five years	Due after five years
	(Thousands of U.S. dollars)		
Bonds	\$ —	\$ —	\$ 5,996
Long-term borrowings	182,257	276,581	321,903
	\$ 182,257	\$ 276,581	\$ 327,899

5. The fair value of derivatives at March 31, 2017 and 2018 are as follows:

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

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)

Currency-related transactions

	2018		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Millions of yen)		
Currency swap contracts			
U.S. dollars payment / Yen receipt	¥ 452	¥ 452	¥ 24

	2018		
	Notional amount	Maturity over 1 year	Fair value (*)
	(Thousands of U.S. dollars)		
Currency swap contracts			
U.S. dollars payment / Yen receipt	\$ 4,255	\$ 4,255	\$ 226

*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.

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

Currency-related transactions

	Hedge item	2017		
		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

	Hedge item	2017		
		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	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.

Notes to Consolidated Financial Statements

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)
	Accounts payable	1,952	—	136

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

Currency-related transactions

	2018			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
(Millions of yen)				
Forward foreign exchange				
Deferred hedge method	Accounts receivable	¥ 214	¥ —	¥ 6
	Accounts payable	1,731	—	(23)
Net Valuation method using forward foreign exchange contracts	Accounts receivable	1,973	—	(*)
	Accounts payable	373	—	(*)

(*) 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

	2018			
	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	¥ 1,077	¥ 185	¥ 1
	Short-cut method of interest rate swap transactions	23,208	21,604	(*)
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	1,094	656	(*)

(*) 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

	2018			
	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	¥ 547	¥ —	¥ 29
	Accounts payable	2,081	—	¥ (194)

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

Currency-related transactions

	2018			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
(Thousands of U.S. dollars)				
Forward foreign exchange				
Deferred hedge method	Accounts receivable	\$ 2,014	\$ —	\$ 56
	Accounts payable	16,293	—	(216)
Net Valuation method using forward foreign exchange contracts	Accounts receivable	18,571	—	(*)
	Accounts payable	3,511	—	(*)

(*) 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

	2018			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
(Thousands of U.S. dollars)				
Interest rate swap				
Fixed rate payment / Floating rate receipt				
Deferred hedge method	Long-term borrowings	\$ 10,137	\$ 1,741	\$ 9
	Short-cut method of interest rate swap transactions	Long-term borrowings	218,449	203,351
Integral accounting method of interest rate and currency swap transactions	Long-term borrowings	10,297	6,175	(*)

(*) 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

	2018			
	Hedge item	Notional amount	Maturity over 1 year	Fair value (*)
(Thousands of U.S. dollars)				
Aluminum ingot forward contracts and others				
Fair value hedge accounting	Accounts receivable	\$ 5,149	\$ —	\$ 273
	Accounts payable	19,588	—	(1,826)

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

Notes to Consolidated Financial Statements

8. OTHER COMPREHENSIVE INCOME

Each component of other comprehensive income for the year ended March 31, 2017 and 2018 were as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized gains (losses) on securities:			
Amount arising during the year	¥ 1,973	¥ 13	\$ 122
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	(21)	(14)	(131)
Before-tax amount	1,952	(1)	(9)
Tax benefit	(587)	(13)	(122)
Net-of-tax amount	1,365	(14)	(131)
Unrealized gains (losses) on hedges:			
Amount arising during the year	203	(494)	(4,650)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	49	198	1,864
Before-tax amount	252	(296)	(2,786)
Tax benefit	(73)	78	734
Net-of-tax amount	179	(218)	(2,052)
Foreign currency translation adjustments:			
Amount arising during the year	(1,247)	923	8,688
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	—	(23)	(217)
Before-tax amount	(1,247)	900	8,471
Tax benefit	—	—	—
Net-of-tax amount	(1,247)	900	8,471
Remeasurements of defined benefit plans:			
Amount arising during the year	(38)	964	9,074
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	295	319	3,003
Before-tax amount	257	1,283	12,076
Tax benefit	(34)	(501)	(4,715)
Net-of-tax amount	223	782	7,361
Equity of other comprehensive income (loss) of affiliates:			
Amount arising during the year	(1,170)	362	3,406
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	—	97	913
Before-tax amount	(1,170)	459	4,320
Tax benefit	—	—	—
Net-of-tax amount	(1,170)	459	4,320
Total other comprehensive income	¥ (650)	¥ 1,909	\$ 17,969

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, 2017 and 2018 are as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 38,242	¥ 38,413	\$ 361,568
Service cost	1,827	1,764	16,604
Interest cost	393	384	3,614
Actuarial gain or loss	248	(300)	(2,824)
Retirement benefits paid	(2,332)	(1,813)	(17,065)
Others	35	35	330
Balance at the end of the year	¥ 38,413	¥ 38,483	\$ 362,227

The changes in plan assets during the years ended March 31, 2017 and 2018 are as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 24,450	¥ 24,593	\$ 231,485
Expected return on plan assets	386	300	2,824
Actuarial gain or loss	210	664	6,250
Employer contributions	1,197	1,278	12,029
Retirement benefits paid	(1,697)	(1,122)	(10,561)
Others	47	44	415
Balance at the end of the year	¥ 24,593	¥ 25,757	\$ 242,442

The changes in liability for retirement benefits on the simplified method during the years ended March 31, 2017 and 2018 are as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 6,572	¥ 6,763	\$ 63,658
Increase by acquisition of a consolidated subsidiary	—	25	235
Retirement benefit expenses	1,032	968	9,111
Retirement benefits paid	(563)	(426)	(4,010)
Contributions for the plans	(278)	(281)	(2,644)
Balance at the end of the year	¥ 6,763	¥ 7,049	\$ 66,350

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2018 for the defined benefit plans:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥ 46,027	¥ 46,386	\$ 436,615
Fair value of plan assets	(27,920)	(29,263)	(275,442)
Unfunded retirement benefit obligation	18,107	17,123	161,173
Net liability for retirement benefits in the consolidated balance sheets	¥ 20,583	¥ 19,775	\$ 186,135
Liability for retirement benefits	¥ 20,583	¥ 19,775	\$ 186,135
Net liability for retirement benefits in the consolidated balance sheets	¥ 20,583	¥ 19,775	\$ 186,135

Notes to Consolidated Financial Statements

The components of retirement benefit expenses for the years ended March 31, 2017 and 2018 are as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,827	¥ 1,764	\$ 16,604
Interest cost	393	384	3,614
Expected return on plan assets	(386)	(300)	(2,824)
Amortization of unrecognized actuarial gain or loss	313	333	3,134
Amortization of prior service cost	(27)	(20)	(187)
Retirement benefit expenses on the simplified method	1,032	968	9,111
Retirement benefit expenses on the defined benefit plan	¥ 3,152	¥ 3,129	\$ 29,452

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2018 are as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ 28	¥ 20	\$ 188
Actuarial gain or loss	(285)	(1,303)	(12,265)
Total	¥ (257)	¥ (1,283)	\$ (12,077)

Remeasurements of defined benefits plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2018 as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ (200)	¥ (180)	\$ (1,694)
Unrecognized actuarial gain or loss	2,262	959	9,027
Total	¥ 2,062	¥ 779	\$ 7,333

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2018 as follows:

	2017	2018
General account	34%	34%
Domestic bonds	23%	24%
Foreign stocks	14%	14%
Domestic stocks	11%	11%
Foreign bonds	9%	9%
Others	9%	8%
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, 2017 and 2018 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:

	2017	2018
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, 2017 and 2018 as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Required contribution	¥ 7	¥ 7	\$ 66

10. INCOME TAXES

Significant components of deferred tax assets and liabilities at March 31, 2017 and 2018 were as follows:

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Tax loss carry forwards	¥ 8,632	¥ 7,576	\$ 71,310
Net defined benefit liabilities	6,223	6,165	58,029
Unrealized intercompany loss	1,962	1,962	18,468
Accrued bonuses	1,839	1,972	18,562
Allowance for doubtful accounts	1,682	1,591	14,976
Loss on disposal of fixed assets	722	698	6,570
Other	9,056	8,411	79,169
Total deferred tax assets	30,116	28,375	267,084
Valuation allowance	(14,452)	(14,941)	(140,634)
Total deferred tax assets, net of valuation allowance	15,664	13,434	126,450
Deferred tax liabilities:			
Undistributed retained earnings of subsidiaries and associates	(1,567)	(1,376)	(12,952)
Unrealized gain on securities	(1,515)	(1,548)	(14,571)
Revaluation gain on subsidiaries	(974)	(974)	(9,168)
Unrealized intercompany profit	(907)	(907)	(8,537)
Other	(879)	(1,066)	(10,034)
Total deferred tax liabilities	(5,842)	(5,871)	(55,262)
Net deferred tax assets	¥ 9,822	¥ 7,563	\$ 71,188

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

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (current assets)	¥ 5,487	¥ 4,388	\$ 41,303
Deferred tax assets (investments and other assets)	4,845	3,501	32,954
Other current liabilities (current liabilities)	(102)	—	—
Other long-term liabilities	(408)	(326)	(3,069)

Notes to Consolidated Financial Statements

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2017 and 2018 was summarized as follows:

	2017	2018
Statutory income tax rate	30.9%	30.9%
Increase (decrease) in taxes resulting from:		
Valuation allowance	(6.0)	(2.5)
Equity in earnings of affiliates	(0.2)	(1.2)
Effect of tax rate difference of foreign subsidiaries	(0.4)	(0.4)
Undistributed retained earnings of subsidiaries and associates	1.4	(0.1)
Inhabitant taxes per capital	0.6	0.6
Permanently non-deductible expenses	0.7	0.4
Other	0.6	(2.5)
Effective income tax rate	27.6%	25.2%

11. APPROPRIATIONS OF RETAINED EARNINGS

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 26, 2018:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends	¥2,478	\$23,325

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, 2017 and 2018 was ¥(216) million and ¥(416) million (\$3,916 thousand), respectively which is included in cost of sales.

Selling, general and administrative expenses

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Freight charges	¥11,958	¥12,508	\$117,733
Salaries, allowances and bonuses	18,362	19,373	182,351

Research and Development

Research and development costs charged to cost of sales and selling, general and administrative expenses for the years ended March 31, 2017 and 2018 was ¥4,939 million and ¥5,177 (\$48,729 thousand), respectively.

Gain on sales of fixed assets

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Land	¥409	—	—

15. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2018 amounted to ¥1,529 million (\$14,392 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 ¥1,192 million 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)
Tomakomai City, Hokkaido Prefecture	Operating assets	Buildings and structures	¥740
		Machinery and equipment	1
Total			¥741

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 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 ¥933 million (\$8,782 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, 2018 were as follows:

2018				
Location	Major use	Asset category	(Millions of yen)	(Thousands of U.S. dollars)
Jiangsu, China	Operating assets	Machinery and equipment	¥451	\$4,245
		Tools, furniture and fixtures	2	19
Total			¥453	\$4,264

Since the operating assets in Jiangsu, China have become idle and show signs of impairment, the consolidated subsidiaries recognized an impairment loss of ¥453 million (\$4,264 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.

Notes to Consolidated Financial Statements

17. AMOUNTS PER SHARE

Net profit and net assets per share for the years ended and as of March 31, 2017 and 2018 were summarized as follows:

1. Number of shares

	2017	2018
	(Thousands of shares)	
Weighted average number of shares	564,498	619,227
Effect of convertible bonds	55,881	—
Diluted number of shares	620,379	619,227

2. Net profit per share

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Net profit	¥ 19,520	¥ 18,012	\$ 169,541
	2017	2018	2018
	(yen)		(U.S. dollars)
Net profit per share	¥ 34.58	¥ 29.09	\$ 0.27
Diluted net profit per share	¥ 31.46	¥ —	\$ —

3. Net asset per share

	2017	2018	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Total net assets	¥173,624	¥ 189,322	\$ 1,782,021
Non-controlling interests	(13,971)	(15,365)	(144,625)
Net assets attributable to shares of common stock	¥159,653	¥ 173,957	\$ 1,637,396
	2017	2018	2018
	(yen)		(U.S. dollars)
Net assets per share	¥ 257.82	¥ 280.93	\$ 2.64

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 necessities, 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, 2017 and 2018 was as follows:

	2017					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Millions of yen)					
Net sales						
Customers	¥ 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

(Note 1). Adjustments amounts are as follows.

- 1) Adjustments of ¥(3,399) million in segment profit are general corporate expenses.
- 2) Adjustments of ¥(18,124) million in segment assets include ¥(39,543) million in the elimination of transactions between segments and ¥21,419 million in corporate assets.
- 3) Adjustments of ¥207 million in depreciation and amortization expenses have primarily to do with corporate assets.
- 4) Adjustments of ¥214 million for capital expenditures are the increase in corporate assets.

Notes to Consolidated Financial Statements

	2018					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Millions of yen)					
Net sales						
Customers	¥111,100	¥106,955	¥169,019	¥ 94,365	¥ —	¥ 481,439
Intersegment	46,714	24,997	12,344	510	(84,565)	—
Total	157,814	131,952	181,363	94,875	(84,565)	481,439
Operating profit	¥ 8,954	¥ 9,767	¥ 9,783	¥ 4,856	¥ (3,467)	¥ 29,893
Segment assets	¥122,686	¥117,781	¥156,789	¥ 97,821	¥ (27,777)	¥ 467,300
Depreciation and amortization	¥ 3,886	¥ 5,187	¥ 3,814	¥ 4,046	¥ 193	¥ 17,126
Loss on impairment of fixed assets	¥ 6	¥ 602	¥ 244	¥ 81	¥ —	¥ 933
Investment in equity-method affiliates ...	¥ 4,442	¥ 2,262	¥ 5,912	¥ 3,140	¥ —	¥ 15,756
Capital expenditures	¥ 5,914	¥ 5,414	¥ 4,624	¥ 5,001	¥ 124	¥ 21,077

	2018					
	The reportable segments				Adjustment (Note 1)	Consolidated
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Aluminum foil, powder and paste		
	(Thousands of U.S. dollars)					
Net sales						
Customers	\$ 1,045,745	\$ 1,006,730	\$ 1,590,917	\$ 888,225	\$ —	\$ 4,531,617
Intersegment	439,703	235,289	116,190	4,800	(795,981)	—
Total	1,485,448	1,242,019	1,707,107	893,025	(795,981)	4,531,617
Operating profit	\$ 84,281	\$ 91,933	\$ 92,084	\$ 45,708	\$ (32,634)	\$ 281,372
Segment assets	\$ 1,154,800	\$ 1,108,631	\$ 1,475,800	\$ 920,755	\$ (261,455)	\$ 4,398,532
Depreciation and amortization	\$ 36,578	\$ 48,823	\$ 35,900	\$ 38,084	\$ 1,817	\$ 161,201
Loss on impairment of fixed assets	\$ 56	\$ 5,666	\$ 2,297	\$ 762	\$ —	\$ 8,782
Investment in equity-method affiliates ...	\$ 41,811	\$ 21,291	\$ 55,648	\$ 29,556	\$ —	\$ 148,306
Capital expenditures	\$ 55,666	\$ 50,960	\$ 43,524	\$ 47,073	\$ 1,167	\$ 198,390

(Note 1). Adjustments amounts are as follows.

- 1) Adjustments of ¥(3,467) million (\$ (32,634) thousands) in segment profit are general corporate expenses.
- 2) Adjustments of ¥(27,777) million (\$ (261,455) thousands) in segment assets include ¥(46,117) million (\$ (434,083) thousands) in the elimination of transactions between segments and ¥18,340 million (\$ (172,628) thousands) in corporate assets.
- 3) Adjustments of ¥193 million (\$ (1,817) thousands) in depreciation and amortization expenses have primarily to do with corporate assets.
- 4) Adjustments of ¥124 million (\$ (1,167) thousands) for capital expenditures are the increase in corporate assets.

Geographical sales for the years ended March 31, 2017 and 2018 were summarized as follows:

2017			2018			2018		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥363,394	¥84,987	¥448,381	¥383,889	¥97,550	¥481,439	\$3,613,413	\$918,204	\$4,531,617

Geographical property, plant and equipment for the year ended March 31, 2017 and 2018 were summarized as follows:

2017			2018			2018		
Japan	Other	Total	Japan	Other	Total	Japan	Other	Total
(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
¥130,433	¥20,798	¥151,231	¥134,835	¥19,167	¥154,002	\$1,269,155	\$180,412	\$1,449,567



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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Nippon Light Metal Holdings Company, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, 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, 2018, 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 26, 2018
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 Aluminum (Kunshan) Co., Ltd.

Kunshan, China
Phone: 86-512-5763-1946
Aluminum alloys
(85%)

Nikkei (Shanghai) Body Parts Co., Ltd.

Suzhou Plant
Suzhou, China
Phone: 86-512-6571-0550
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: 86-755-8999-1058
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 Aluminum (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%)



Directors And Officers

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.

Sho Adachi

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

Yoshihiro Tomioka

Kotaro Yasuda

Toshikazu Tanaka

Masato Ono^{*1}

Ryoichi Hayashi^{*1}

Haruo Ito^{*1}

Toshihito Hayano^{*1}

^{*1} Outside Director

Audit & Supervisory Board Member

Nobuo Matsumoto

Takayuki Tsuchida

Koji Fukui

Yuzuru Fujita^{*2}

Koji Yasui^{*2}

Shintaro Kawai^{*2}

^{*2} Outside Member

Officers

Takashi Hara

Masamichi Ueda

Minoru Sotoike

Hideki Amimura

Kazuto Sanada

Masato Saotome

Masakazu Ichikawa

(As of June 26, 2018)

Head Office

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

53,010

Stock Exchange Listings

Tokyo

Transfer Agent of Common Stock

Sumitomo Mitsui Trust Bank, Ltd.

Last Shareholders' Meeting

June 26, 2018

Major Shareholders

(Ratio of Stock Holding)

Japan Trustee Services Bank, Ltd.
(trust accounts) (8.3%)

The Master Trust Bank of Japan, Ltd.
(trust accounts) (8.3%)

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

Japan Trustee Services Bank, Ltd
(trust accounts 9) (2.7%)

Nikkei-Keiyu-Kai
(2.6%)

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

Asahi Mutual Life Insurance Co.
(2.1%)

Mizuho Bank, Ltd.
(1.8%)

Japan Trustee Services Bank, Ltd
(trust accounts 5) (1.8%)

Trust & Custody Services Bank, Ltd
(securities investment trust account) (1.8%)

(As of March 31, 2018)

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>



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