





	2007	2008	2008
For the year:			
Net sales .....	¥618,158	1,000,000	\$1,000,000
Operating profit .....	30,519	1,000	1,000
Net income (loss) .....	12,755	(10,10)	(102,00)
At year-end:			
Total assets .....	579,463	0,000	0,000
Net assets .....	142,111	12,000	1,200
Short-term borrowings and long-term debt, including bonds and capital lease obligation .....	222,884	22,000	2,200
Per share data (yen and dollars):			
Net income (loss)—basic .....	¥ 23.56	(1.00)	\$ (0.1)
—diluted .....	22.36		
Cash dividends .....	5.00	.00	0.0
Net assets .....	254.82	22.1	2.2
Stock information (TSE) (yen and dollars):			
Stock price:			
High .....	¥ 399		\$ 2
Low .....	267	1	1.

Note1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥100.19 = U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

Note2: Effective the year ended March 31, 2007, the Company adopted the new accounting standard "Accounting Standard of Presentation of Net Assets in the Balance Sheet". See Note1 (b) of the Consolidated Financial Statements.



¥3.0 billion was recorded, a ¥4.0 billion decrease from operating income recorded for the previous year.

### **Structural Improvement of the Building Materials Operation**

In April of 2008, NLM announced a series of measures to achieve structural improvement of the Building Materials Operation and an operating alliance with Sankyo-Tateyama Holdings, Inc.

Firstly, the management system was overhauled from top to bottom aiming at the forthcoming structure renewal. Secondly, the workforce is being reduced in accordance with the market environment: Shin Nikkei Co., Ltd. plans to downsize 200 of regular employees and 200 of temporary employees, totally 400 of employees. Thirdly, realignment and consolidation are underway at the production sites. Fourthly, various costs are actively being cut notably in the areas of logistics and purchasing. The anticipated effect of above measures will be cost reduction of some ¥3.0 billion through downsizing of the workforce, some ¥4.0 billion through productivity improvements and some ¥3.0 billion through improvements in logistics and procurement. Together with these, the deficit ridden Shin Nikkei Co., Ltd., the key sector for the operation, is to achieve some operating profit in fiscal 2008 and further an ordinary profit in fiscal 2009.

*(For information on the operating alliance with Sankyo-Tateyama Holdings, Inc., please refer to the Special Feature on Page 5.)*

### **The Sale of Improper Products not in Conformity with Fire-resistance Certification Specifications**

In January 2008 NLM announced that NLM and its wholly owned subsidiary Nikkei Panel System Co., Ltd. had sold heat insulation panels that did not conform with fire-retardant materials certification specifications. The products involved are some of heat insulation panels that were

difficult to produce using the then available technology, sold from October 1999 to March 2005. However, since April 2005, only the conforming products have been sold with the certified specifications.

NLM expresses deep regret and apology for the law violation above. NLM Group is to implement group-wide measures to prevent similar incidents from recurring and to further reinforce and advance product safety and quality assurance systems.

### **Outlook for Fiscal 2008**

As the economic deceleration triggered by the subprime loan problem in the U.S. is spreading to Asia and Europe, the anxiety has been increasing about the possibility of a global economic downturn. In the aluminum industry, the current high prices are expected to continue for aluminum ingot, the principal raw material, fuel and various resources. In this adverse business environment, NLM Group plans to achieve consolidated net sales of ¥660.0 billion, operating income of ¥21.5 billion and ordinary income of ¥14.5 billion for Fiscal 2008.

NLM Group has accumulated extensive management resources, centering on aluminum, in areas ranging from materials to processing. We intend to deploy these resources to the maximum effect in pursuit of increased profits in accordance with the Mid-Term Management Plan. I would like to ask for continuing support of our shareholders in years to come.

June 2008

# Activities of the NLM Group and Future Challenges

**Question >>>** One year has passed since you became President and CEO. How is this elapse of days for the corporate performance?

**Answer :**



as the revolutionary one that contributes to weight reduction in cars.

In other developments, Nikkei Niigata has commenced production of automobile suspension component of “Radius Rod” for Nissan Motor Co., Ltd. For this, NLM has adopted the friction welding method to realize high stability. We are seeking to expand the market for this product.

Toyo Aluminium is enjoying brisk business of the solar cells back sheets, a product for which demand is increasing worldwide. It has decided to invest in the expansion of production capacity at three sites in Japan and overseas.

We have received orders from North America and Europe for Maxus, a specialty aluminum material for use in nuclear fuel storage containers. Currently Nikkei Niigata is expanding its rolling machine facilities, aiming at shipments from December this year.

Nippon Electrode is also enjoying brisk business. The demand is increasing for the bottom carbon of blast furnaces used in the steel industry and for the negative electrode carbon for aluminum smelting.

*1, 2 Please refer to the NLM Group Topics section on Page 7.*

**Question >>> How are the overseas businesses?**

**Answer :** Constructions are going on smoothly with Toyo Aluminium’s paste plant in China and Nikkeikin ACT’s second plant in China (Nikkei (shanghai) Body Parts Co., Ltd.). With regard to Nikkei (shanghai) Body Parts, we receive orders for extruded material for sunroof rails in lots of 100,000 units. In addition to the existing superb plant of NI Nikkei Shenzhen, NLM quality control systems, high productivity, etc. have been favorably evaluated, contributing to gain customers’ trust in us. In China, with sunroofs installed for luxury cars as the standard equip-

ment, the sale of sunroof rail are expected to grow following the start of its full production.

Nikkei Siam Aluminium (Thailand) is also performing well. It aims to improve quality and boost productivity by modifying its cold rolling mill and reinforcing its finishing equipment.

**Question >>> In view of these circumstances in the NLM Group, what is the near-future image of the Group to which you aspire?**

**Answer :** Although the NLM Group is an aggregate of business units that operate in diverse domain identities and differ in business structure and scale, we aim to be an aggregate of highly profitable and independent operations in each domain identity. I would like to make the NLM Group a business group that continues to grow, even in adverse circumstances, by trying to nurture potential seeds in forward-looking spirit.

**Question >>> Finally, what message would you like to send to the shareholders and other stakeholders.**

**Answer :** Business conditions in Japan and around the world are fraught with great uncertainty, and also the harsh business environment for NLM is likely to continue for some time. Nevertheless, the NLM Group always keeps its social mission in mind, seeking to achieve business development through the management in harmony with shareholders, business partners, employees and their families, and local communities. I would like to ask all our stakeholders for the continued support and encouragement as ever.



## Commercial Production Started for the Automobile Body Plate Material of the Honda Acura RL model.

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In 2008, NLM started commercial production of FLEXCAST5000, the world's first automobile body of aluminum alloy plate manufactured by FLEXCASTER\* technology, and commenced shipments to Honda Motor Co., Ltd. The product is used as layer materials of the hood inner for "Acura RL", a model Honda sells in the U.S..

As the strength and high formability are required for the automobile body plate material, FLEXCAST5000 is an accomplishment of joint development with Honda in pursuit of these requirements above.

As the NLM Group has supplied a variety of automotive materials and components, we will continue to meet the needs for weight reduction of automobiles through the development of new technologies and new products.



## Account Audit

Ernst & Young ShinNihon LLC is responsible for accounting audits of NLM for fiscal 2007 based on the Companies Act and the Financial Instruments and Exchange Act of Japan.

## 2. Summary of Implementation of Internal Control Systems

In order to fulfill the Corporate Governance, NLM takes it as another important management issue to develop the Internal Control Systems for all the NLM Group employees for the purpose of risk management, compliance with laws and ordinances, efficient job ongoing and appropriate financing activities in every aspect of NLM business process.

At the Board of Directors meeting held on May 17, 2006, a basic policy was resolved for the implementation of the Internal Control Systems. At the same time, the Internal Control Office was established under the Executive Committee as an organization to develop the infrastructure for the Internal Control Systems.

## Establishment of Compliance Committee and Group Compliance Code

In July 2004, NLM established the Compliance Committee to clarify its corporate social responsibility and to effectively implement the Internal Compliance Systems. The President&CEO chairs the committee. On April 1, 2006, NLM also established the Group Compliance Code, which is posted on the Group intranet site, with the code leaflet distributed at the same time for its penetration to every member in the Group companies. Concurrently, a hotline is established as the internal whistle-blower system.

With regard to compliance awareness activities, NLM believes it very important to create an atmosphere that officers and employees can frankly exchange opinions about their compliance fulfillment in the workplace, always with significance of the compliance in mind. Each year NLM holds a total of more than 300 compliance meetings with all the employees participated.

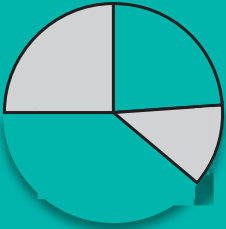
## Establishment of Group Risk Management Regulations

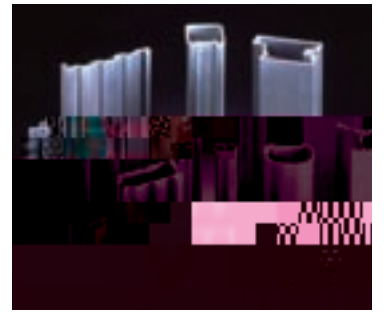
NLM has been developing the risk management system, with The Group Risk Management Regulations established in May 2006 that specifies responsible department for it and risk management guidelines, according to the risk significance level of 1) Product and service defects, 2) Environmental problems, 3) Disasters (natural and accidental) and 4) Information systems problems.

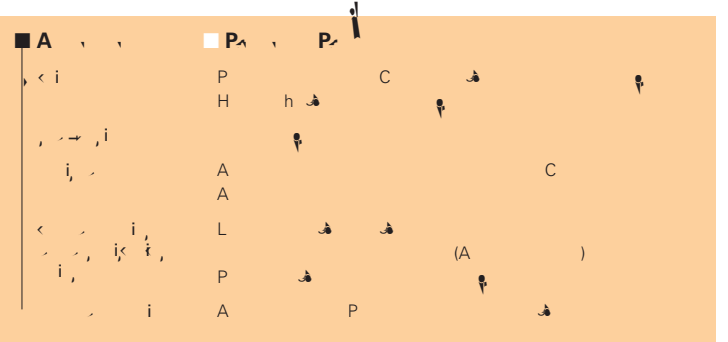
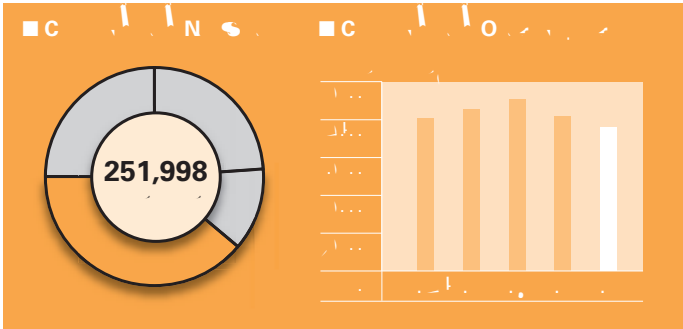
## Establishment of Regulations Concerning the Preservation and Management of Documents containing Important Decisions

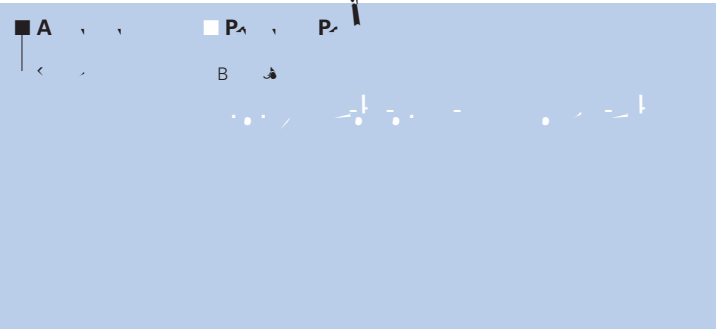
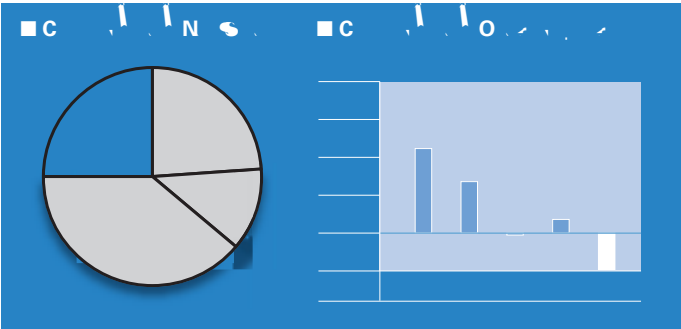
In accordance with the corporate regulations, NLM appropriately preserves and manages information on duty executions of directors, which is occasionally disclosed to the statutory auditors upon their request. On May 29, 2006, NLM established Regulations Concerning the Preservation and Management of Documents containing Important Decisions, which lays down the criteria for the preservation and management of documents at each NLM Group company, including those of Executive Committee decisions, miscellaneous committee minutes and the departmental decisions (approval applications, the data and annex included).



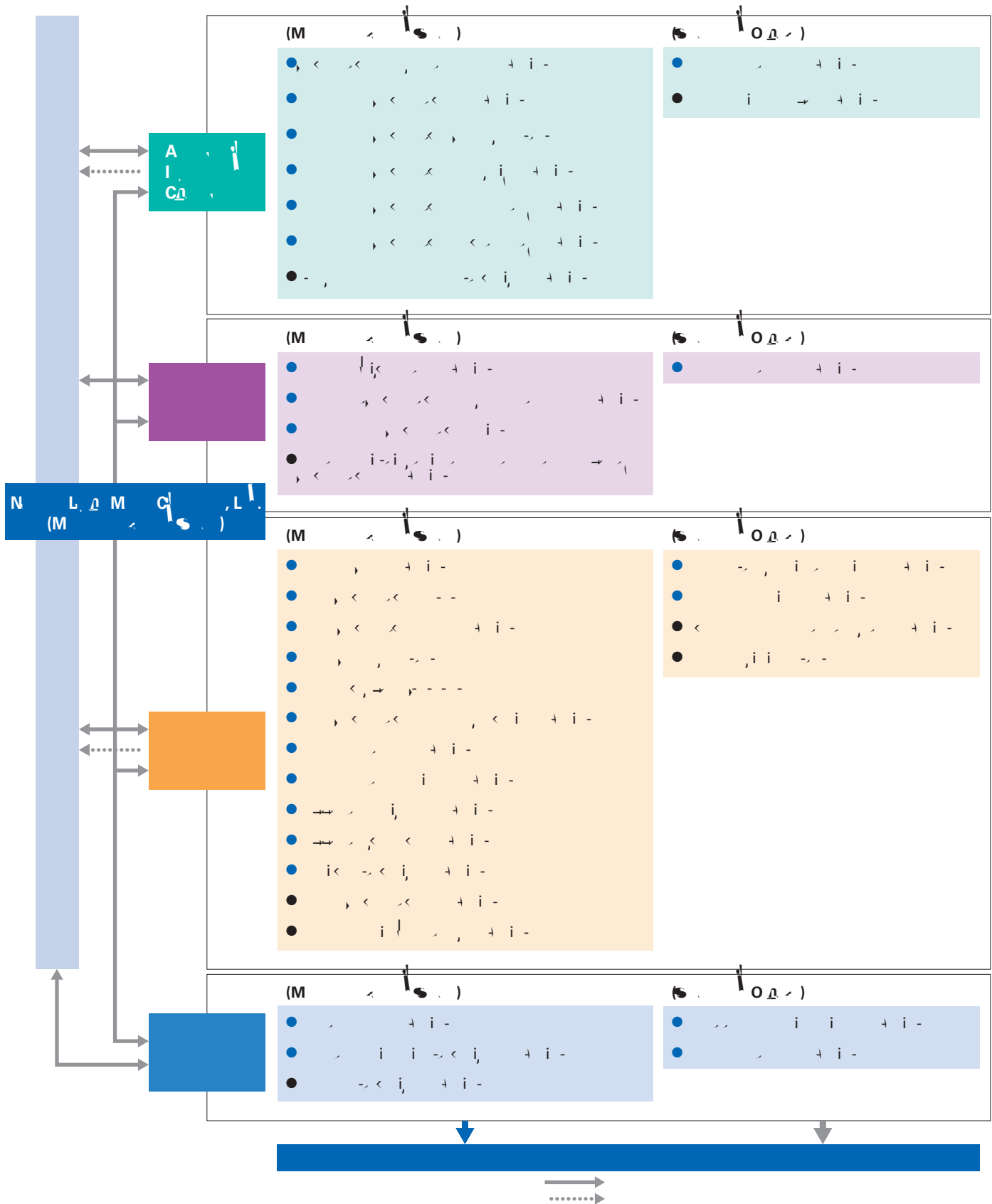




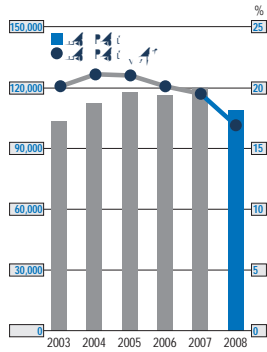






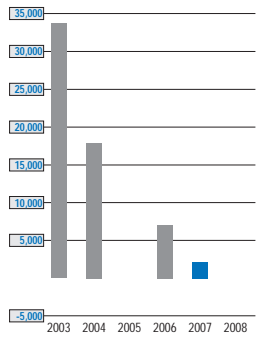


### Gross Profit and Gross Profit Margin



Years ended March 31

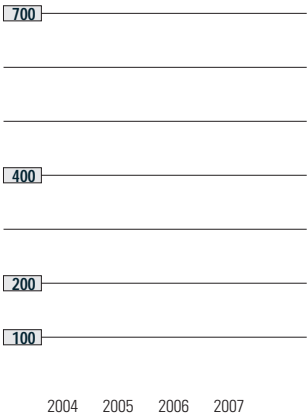
### Free Cash Flows



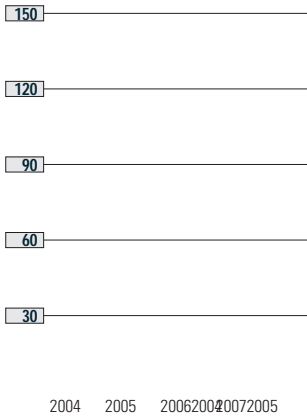
Years ended March 31



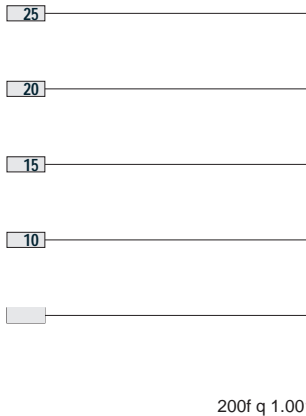
### Net Sales By Segment



### Total Net Assets



### Equity Ratio



Years ended March 31

- Aircraft Sales & Leasing
- Financial Products
- Business Materials

As of March 31

% As of March 31





	31,	
	2007	2008
	( 1 )	( 2 )

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	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedges	Revaluation surplus (Note 10)	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006 .....	¥39,085	¥24,569	¥56,385	¥(320)	¥5,629	¥—	¥145	¥501	¥3,994	¥129,988
Net income .....			12,755							12,755
Cash dividends (Note 9) .....			(2,167)							(2,167)

	2007	2008	2008
--	------	------	------

Income (loss) before income taxes and minority interests .....	¥24,165	(2,121)	\$ (21,1 )
Depreciation and amortization .....	17,481	20,1 0	201,21
Gain on changes in equity interest in affiliates .....	—	(1,101)	(10, )
Gain on insurance settlement .....	—	( 1 )	( ,1 )
Gain on sales of fixed assets .....	(357)		
Loss on impairment of fixed assets .....	502	11,	11 ,1
Additional retirement allowance for early retirement program .....	—	2, 00	22,
Cost of corrective measures for product defects .....	—	1,	1 ,
Land restoration expense .....	547		
Loss on disposal of fixed assets .....	391		
Decrease in allowance for doubtful accounts .....	—	(1,0 )	(10,211)
(Decrease) increase in accrued pension and severance costs .....	(33)	0	,0
Interest and dividend income .....	(514)	( )	( , )
Interest expense .....	3,677		,2
Equity in earnings of affiliates .....	(476)	( 0)	( , )
(Increase) decrease in notes and accounts receivable - trade .....	(22,217)	22,2 2	222,2
(Increase) decrease in inventories .....	(9,703)	,2	2,
Increase (decrease) in notes and accounts payable - trade .....	18,456	(1 , 1)	(1 , 0 )
Other .....	3,879	(2,01 )	(20, 1)
Subtotal .....	35,798	0,2	01, 2
Interest and dividend income received .....	614	1,0	10, 0
Interest paid .....	(3,679)	( , 1)	( , 1)
Insurance proceeds received for disasters .....	—	0	,0
Payments for corrective measures for product defects .....	—	( )	( , 1)
Payments for charges on sales of aluminum foil (Note 18) .....	(1,061)		
Income taxes paid .....	(10,275)	(12, 1)	(12 , )



*(i) Property, plant and equipment and depreciation*

(p) Appropriation of retained earnings

At the beginning of the year	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
Net income	5,500,000	5,500,000	5,500,000	5,500,000
Dividends	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
Retained earnings at the end of the year	\$ 9,900,000	\$ 9,900,000	\$ 9,900,000	\$ 9,900,000



6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

	2007	2008	2008
	(百万円)		(百万円)
2007 2016			
0.80% 4.51%:	¥ 36,411		\$
	73,106		
2008 2017			
0.75% 7.74%:	—	2, 2	2, 01
	—	—	—
3.06% 1, 2007,	708	—	—
4.00% 1, 2017,	—	—	—
30, 2009 (*1)	10,024	—	—
30, 2016 (*2)	20,092	20,0	200, 1
2007 2029			
6.52% 7.20%	955		
2008 2029			
6.52% 7.41%	—		—
	141,296	1, 100	1, 0
	(28,531)	(2, 0)	(2, )
	¥112,765	10,	\$1,0 ,

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

	5	
	350	
	10,050	
		As of 9, 2004 16, 2009

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

	5	
	406	
	20,100	
		As of 4, 2006 16, 2016

	2008	2008
	(百万円)	(百万円)
31, 2008		
	11	\$ 110
	0, 0	0, 00
		2
31,		
2009	2, 0	\$ 2,
2010		1,
2011	1,	1, 10
2012	12, 0	12,
2013	11,	11,
	2, 2	2 2, 2
	1 0, 0	\$1, 0,

As of 11, 2006, A B 55, A B 10, A 5, 31, 2007, A 1, 2006, 31,



7. RETIREMENT BENEFIT PLANS

	2007	2008	2008
Ass. S.S. X	( )	( )	( )
Ass. S.S. A	¥(65,717)	( , )	\$( , 2 )
Ass. S.S. S	27,317	2,0	20,2
Ass. S.S. S	(38,400)	( , 10)	( , )
Ass. S.S. S	10,394	,100	0, /
Ass. S.S. S	149	, /	, /
Ass. S.S. X	¥(27,857)	(2,1 )	\$(20,1 )
Ass. S.S. X	¥3,646	, 0	\$ , /
Ass. S.S. S	1,370	1,	1, /
Ass. S.S. S	(559)	( )	( , )
Ass. S.S. S	2,137	2,0 0	20, / 1
Ass. S.S. S	(25)	( )	( 0)
Ass. S.S. X	¥6,569	, 20	\$ , 0
Ass. S.S. X	2.5%	2. %	
Ass. S.S. S	Mainly 2.5%	2. %	
Ass. S.S. S	Straight-line basis		
Ass. S.S. S	Mainly 12 years	12	
Ass. S.S. S	12 years	12	

8. INCOME TAXES

	2007	2008
Ass. S.S. X	40.7%	
Ass. S.S. X	31,2007	2008.
Ass. S.S. X	(608)10( )- 3. 8	100170.8659973399.7649994,
Ass. S.S. X		1 1181 2.386 . . 1 837 , 599s(4 , 4 141 34.0



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2007	2008	2008
	( ¥ )	( ¥ )	( \$ )
.....	¥5,405	1	\$ 0
.....	5,881	,	1
.....	(808)	( 0 )	( 0 )
31, 2007	522	( 5,210 )	

As of 31, 2007

	2007
.....	40.7%
.....	2.4
.....	2.0
.....	0.5
.....	45.6%

As of 31, 2008

9. APPROPRIATIONS OF RETAINED EARNINGS

	2008	2008
	( ¥ )	( \$ )
.....	1	\$ 1, 0

10. REVALUATION SURPLUS

As of 31, 2008

11. LEASE TRANSACTIONS

	2007	2008	2008
	( ¥ )	( ¥ )	( \$ )
.....	¥3,130	¥1, 0	\$ 1, 0
.....	4,455	,	1
.....	¥7,585	¥,	\$,
.....	¥ 66	¥ 112	\$ 1, 1
.....	9	4	
.....	¥ 75	¥ 1	\$ 1, 0



... 5 55 5 ... 5 5, ... 55 5 ... 5 ... 5 55 5, ... 5 ... 5 5. 5, ... 5 5 ... 5 5 5 ... 5 5 5, ... 5 5, ... ( ... ), ... 55 ... 31, 2007 2008, ... 5 ... 5:

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## 18. CHARGES ON SALES OF ALUMINUM FOIL

● On March 11, 2005, the Company sold 55% of its aluminum foil business to Alcoa, Inc. (Alcoa), for \$48 million. The Company received \$2 million in cash and \$46 million in Alcoa common stock. The Company also received \$3 million in cash from Alcoa for the sale of its aluminum foil business. The Company's net income for the year ended March 31, 2007, was \$18 million.

## 19. BUSINESS COMBINATION

● On April 1, 2007, the Company acquired 55% of the equity of Alcoa's aluminum foil business. The Company paid \$48 million for the acquisition. The Company's net income for the year ended March 31, 2007, was \$18 million.

2008						
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
AS:						
SS	1,1		21,	10,2		
SS	,1	,11	,20	,010	(12,02)	
	2,20	112,1	2,1	1,2	(12,02)	
SS	2,	111,0	2,20	1,20	(1,02) <sup>*1</sup>	2,
(SS)	,12	1,0	1,212	(2,)	(,00)	1,
SS	11,		220,2	12,	(11,1) <sup>*2</sup>	0,
		2,	,2		0	20,10
SS			0	11,		11,
	,2	,1			2	2,2

\*1 Corporate items of ¥3,040 million are included.

\*2 Corporate items of ¥23,096 million are included.

2008						
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
AS:						
SS						





■ Certified Public Accountants  
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Chiyoda-ku, Tokyo, Japan 100-0011  
C.P.O. Box 1196, Tokyo, Japan 100-0641

■ Tel: 03-3503-1100  
Fax: 03-3503-1197

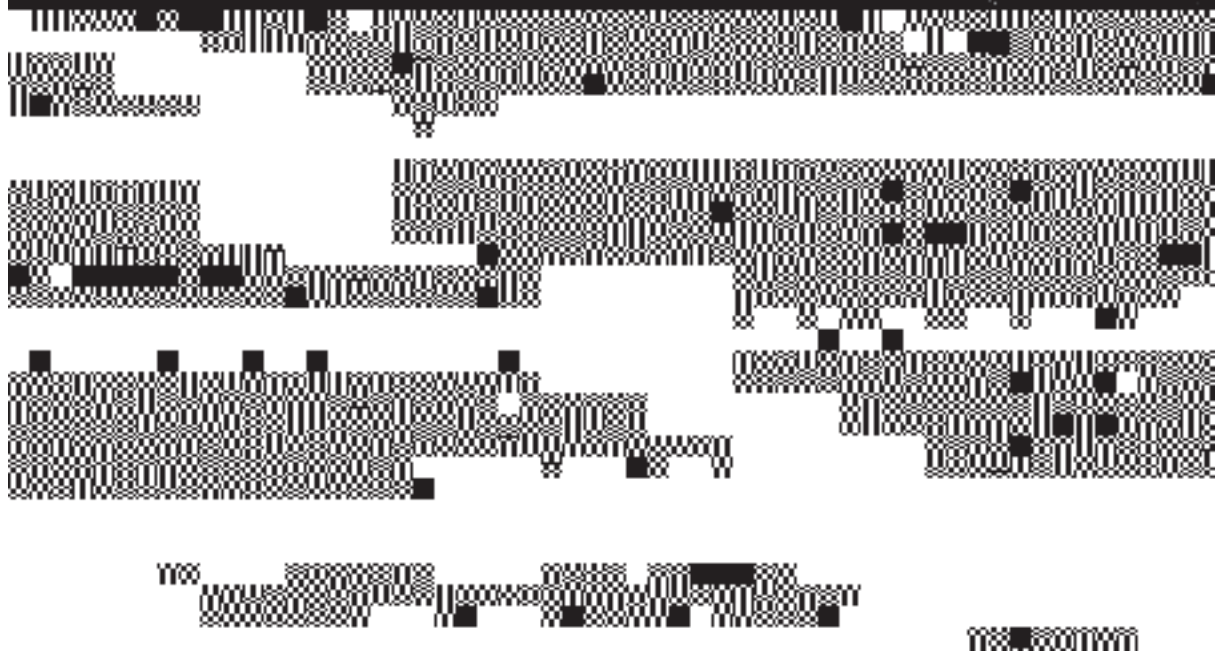
Report of Independent Auditors

The Board of Directors  
Nippon Light Metal Company, Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Light Metal Company, Ltd. and consolidated subsidiaries as of March 31, 2007, 2006, and also, and related consolidated statements of operations, changes in net assets, and cash flows for the years ended March 31, 2007 and 2006.

The preparation of the financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit





## **Directors**

*Chairman*

*Representative Director*

Shigesato Sato

*President*

*Representative Director*

Takashi Ishiyama

*Director*

Makoto Fujioka

Akira Kato

Mitsuru Ishihara

Mitsuaki Asano

Masao Imasu

Tsuyoshi Nakajima

Yoshinobu Hiki

Hidetane Iijima\*

Kuniya Sakai\*

\* Outside Director

## **Auditors**

*Standing Statutory Auditor*

Yoshihiko Hamabe

Hideki Nakamura

*Outside Statutory Auditor*

Yuzuru Fujita

Katsuo Wajiki

Yasuo Yuki

## **Officers**

*Chairman*

Shigesato Sato

*President*

*Chief Executive Officer*

Takashi Ishiyama

Supervision of Strategic Committee  
for Product Commercialization and  
Business Development

*Senior Executive Officer*

Makoto Fujioka





