
***Sumitomo Light Metal Industries, Ltd.
and Consolidated Subsidiaries***

*Consolidated Financial Statements for the
Years Ended March 31, 2011 and 2010,
and Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sumitomo Light Metal Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Light Metal Industries, Ltd. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Light Metal Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.i to the consolidated financial statements, the Company applied the accounting standard for asset retirement obligations effective April 1, 2010.

As discussed in Note 22.a to the consolidated financial statements, the Company has made an announcement on April 4, 2011 that the Consortium, which is made up of the Company and its joint partners has agreed with BP Company North America Inc. (hereinafter "BP") with respect to the acquisition of 100% of the outstanding shares of ARCO Aluminum Inc., a wholly owned subsidiary of BP serving as a manufacturer and supplier of rolled aluminum sheet.

As discussed in Note 22.b to the consolidated financial statements, the reduction of legal reserves and additional paid-in capital was approved at the Company's shareholders meeting held on June 29, 2011.

As discussed in Note 22.c to the consolidated financial statements, the Company has made decision to issue new shares and offer in accordance with a Board of Directors' resolution on May 19, 2011. The issuance of new shares by way of offering (public offering) was completed on June 7, 2011 and offering by way of over-allotment was completed on June 8, 2011.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2011

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011		2011	2010	2011
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 16)	¥ 7,955	¥ 7,415	\$ 95,670	Short-term borrowings (Notes 6 and 16)	¥ 27,458	¥ 29,850	\$ 330,224
Time deposits (Note 16)	159	172	1,917	Current portion of long-term debt (Notes 6 and 16)	49,909	46,279	600,227
Receivables (Note 16):				Payables (Note 16):			
Trade notes (Note 6)	5,059	5,210	60,839	Trade notes	22,260	20,662	267,713
Trade accounts	30,420	31,942	365,843	Trade accounts	36,897	33,316	443,744
Unconsolidated subsidiaries and associated companies	4,959	4,572	59,644	Unconsolidated subsidiaries and associated companies	782	885	9,397
Other	2,930	3,956	35,234	Other	5,026	8,207	60,445
Allowance for doubtful receivables	(50)	(59)	(596)	Income taxes payable (Note 16)	1,497	498	18,004
Inventories (Note 3)	36,736	34,946	441,806	Deferred tax liabilities (Note 11)	5	2	60
Deferred tax assets (Note 11)	2,902	1,557	34,906	Provision for restructuring loss (Note 13)	955	673	11,488
Prepaid expenses and other current assets	1,434	1,626	17,244	Accrued expenses and other current liabilities (Note 6)	5,030	12,614	60,495
Total current assets	92,504	91,337	1,112,507	Total current liabilities	149,819	152,986	1,801,797
PROPERTY, PLANT AND EQUIPMENT (Note 6):				LONG-TERM LIABILITIES:			
Land (Note 4)	96,168	97,674	1,156,559	Long-term debt (Notes 6 and 16)	97,788	106,639	1,176,043
Buildings and structures	61,530	60,604	739,986	Liability for employees' retirement benefits (Note 7)	5,569	4,882	66,980
Machinery and equipment	123,112	160,350	1,480,604	Deferred tax liabilities (Note 11)	1,249	1,120	15,023
Furniture and fixtures	18,326	19,396	220,398	Deferred tax liabilities for land revaluation (Note 4)	8,248	8,252	99,190
Lease assets	11,408	4,448	137,198	Other	8,708	7,419	104,725
Construction in progress	7,130	9,110	85,752	Total long-term liabilities	121,562	128,312	1,461,961
Total	317,674	351,582	3,820,497	COMMITMENTS AND CONTINGENT LIABILITIES			
Accumulated depreciation	(163,001)	(190,553)	(1,960,324)	(Notes 14, 16, 17 and 19)			
Net property, plant and equipment	154,673	161,029	1,860,173	EQUITY (Note 9):			
INVESTMENTS AND OTHER ASSETS:				Common stock—authorized, 960,000,000 shares; issued, 432,038,867 shares in 2011 and 2010	22,966	22,966	276,205
Investment securities (Notes 5 and 16)	38,302	39,067	460,635	Capital surplus	3,260	3,260	39,209
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 16)	3,094	2,967	37,214	Retained earnings	12,768	5,579	153,554
Long-term loans (Notes 14 and 16)	5,111	3,334	61,463	Treasury stock—at cost, 45,315 shares in 2011 and 31,514 shares in 2010	(5)	(3)	(58)
Deferred tax assets (Note 11)	447	443	5,372	Accumulated other comprehensive income (loss):			
Other assets (Note 6)	12,518	11,721	150,543	Unrealized gains on available-for-sale securities	289	569	3,469
Total investments and other assets	59,472	57,532	715,227	Deferred gains (losses) on derivatives under hedge accounting	(61)	171	(733)
				Land revaluation surplus (Note 4)	9,664	9,661	116,227
				Foreign currency translation adjustments	(14,322)	(14,475)	(172,249)
				Total	34,559	27,728	415,624
				Minority interests	709	872	8,525
				Total equity	35,268	28,600	424,149
TOTAL	¥306,649	¥309,898	\$3,687,907	TOTAL	¥306,649	¥309,898	\$3,687,907

See notes to consolidated financial statements.

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET SALES	¥259,476	¥233,531	\$3,120,580
COST OF SALES	<u>222,774</u>	<u>208,540</u>	<u>2,679,177</u>
Gross profit	36,702	24,991	441,403
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>21,107</u>	<u>19,782</u>	<u>253,847</u>
Operating income	<u>15,595</u>	<u>5,209</u>	<u>187,556</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	496	348	5,970
Interest expense	(4,273)	(4,611)	(51,391)
Losses on sales or disposals of property, plant and equipment	(373)	(231)	(4,491)
Losses on adjustment for changes in the accounting standard for asset retirement obligations (Note 2.i)	(1,156)		(13,908)
Impairment losses (Note 15)	(1,144)	(537)	(13,764)
Foreign exchange gains (losses)	(295)	1,627	(3,545)
Restructuring loss (Note 13)	(633)	(8,322)	(7,608)
Other—net	<u>(38)</u>	<u>98</u>	<u>(458)</u>
Other expenses—net	<u>(7,416)</u>	<u>(11,628)</u>	<u>(89,195)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>8,179</u>	<u>(6,419)</u>	<u>98,361</u>
INCOME TAXES (Note 11):			
Current	1,898	890	22,831
Deferred	<u>(925)</u>	<u>(852)</u>	<u>(11,132)</u>
Total income taxes	<u>973</u>	<u>38</u>	<u>11,699</u>
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	7,206	(6,457)	86,662
MINORITY INTERESTS IN NET INCOME	<u>16</u>	<u>23</u>	<u>195</u>
NET INCOME (LOSS)	<u>¥ 7,190</u>	<u>¥ (6,480)</u>	<u>\$ 86,467</u>

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations Years Ended March 31, 2011 and 2010

PER SHARE OF COMMON STOCK (Notes 2.o and 21):

	Yen		U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Basic net income (loss)	¥16.64	¥(15.96)	\$0.20
Diluted net income	16.64		0.20
	<u>Thousands of Shares</u>		
Weighted average shares	431,999	406,117	

See notes to consolidated financial statements.

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	<u>2011</u>	<u>2011</u>
NET INCOME BEFORE MINORITY INTERESTS	¥7,206	\$86,662
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):		
Unrealized loss on available-for-sale securities	(282)	(3,387)
Deferred losses on derivatives under hedge accounting	(232)	(2,791)
Land revaluation surplus	4	48
Foreign currency translation adjustments	<u>65</u>	<u>784</u>
Total other comprehensive loss	<u>(445)</u>	<u>(5,346)</u>
COMPREHENSIVE INCOME (Note 20)	<u>¥6,761</u>	<u>\$81,316</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO (Note 20):		
Owners of the parent	¥6,833	\$82,184
Minority interests	(72)	(868)

See notes to consolidated financial statements.

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

**Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010**

	Thousands	Millions of Yen											
		Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Minority Interests	Total Equity
							Unrealized Gains on Available- for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2009	367,568	¥20,211	¥5,902	¥ 6,036	¥(77)	¥(1,232)	¥ (875)	¥9,784	¥(21,821)	¥17,928	¥1,007	¥18,935	
Net loss				(6,480)						(6,480)		(6,480)	
Issuances of common stock (Note 10)	58,000	2,755	2,755							5,510		5,510	
Share exchange (Note 10)	6,471		505		76					581		581	
Transfer from capital surplus to retained earnings			(5,902)	5,902									
Reversal of land revaluation surplus				123						123		123	
Reserve for employees' welfare fund				(2)						(2)		(2)	
Purchases of treasury stock					(2)					(2)		(2)	
Net change in the year						1,801	1,046	(123)	7,346	10,070	(135)	9,935	
BALANCE, MARCH 31, 2010	432,039	22,966	3,260	5,579	(3)	569	171	9,661	(14,475)	27,728	872	28,600	
Net income				7,190						7,190		7,190	
Reserve for employees' welfare fund				(1)						(1)		(1)	
Purchases of treasury stock					(2)					(2)		(2)	
Net change in the year						(280)	(232)	3	153	(356)	(163)	(519)	
BALANCE, MARCH 31, 2011	<u>432,039</u>	<u>¥22,966</u>	<u>¥3,260</u>	<u>¥12,768</u>	<u>¥ (5)</u>	<u>¥ 289</u>	<u>¥ (61)</u>	<u>¥9,664</u>	<u>¥(14,322)</u>	<u>¥34,559</u>	<u>¥ 709</u>	<u>¥35,268</u>	

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Minority Interests	Total Equity
					Unrealized Gains on Available- for-Sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments			
BALANCE, MARCH 31, 2010	\$276,205	\$39,209	\$ 67,099	\$(42)	\$6,841	\$2,061	\$116,178	\$(174,084)	\$333,467	\$10,492	\$343,959
Net income			86,467						86,467		86,467
Reserve for employees' welfare fund			(12)						(12)		(12)
Purchases of treasury stock				(16)					(16)		(16)
Net change in the year					(3,372)	(2,794)	49	1,835	(4,282)	(1,967)	(6,249)
BALANCE, MARCH 31, 2011	<u>\$276,205</u>	<u>\$39,209</u>	<u>\$153,554</u>	<u>\$(58)</u>	<u>\$3,469</u>	<u>\$ (733)</u>	<u>\$116,227</u>	<u>\$(172,249)</u>	<u>\$415,624</u>	<u>\$ 8,525</u>	<u>\$424,149</u>

See notes to consolidated financial statements.

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 8,179	¥ (6,419)	\$ 98,361
Adjustments for:			
Income taxes—paid	(947)	(677)	(11,390)
Depreciation and amortization	10,742	10,982	129,191
Restructuring losses	633	8,322	7,608
Amortization of negative goodwill	(197)	(284)	(2,367)
Foreign exchange losses	150	463	1,809
Equity in earnings of unconsolidated subsidiaries and an associated company	(319)	(415)	(3,839)
Changes in assets and liabilities:			
Decrease (increase) in trade accounts receivable	1,152	(5,819)	13,853
Decrease (increase) in inventories	(1,985)	11,942	(23,874)
Increase in trade accounts payable	5,220	3,016	62,776
Increase in liability for retirement benefits	688	289	8,269
Decrease in guarantee deposits received	(8,381)		(100,798)
Other—net	554	(3,556)	6,679
Total adjustments	<u>7,310</u>	<u>24,263</u>	<u>87,917</u>
Net cash provided by operating activities	<u>15,489</u>	<u>17,844</u>	<u>186,278</u>
INVESTING ACTIVITIES:			
Payments into time deposits	(2,149)	(1,395)	(25,850)
Proceeds from withdrawal of time deposits	2,158	1,565	25,956
Proceeds from sales of property, plant and equipment	3,989	14,423	47,970
Purchases of property, plant and equipment	(8,181)	(10,132)	(98,385)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	15	24	183
Acquisition of shares of consolidated subsidiaries		(63)	
Payments of long-term loans receivable	(2,317)	(2,412)	(27,865)
Other—net	(41)	(340)	(493)
Net cash provided by (used in) investing activities	<u>(6,526)</u>	<u>1,670</u>	<u>(78,484)</u>
FORWARD	<u>¥ 8,963</u>	<u>¥19,514</u>	<u>\$107,794</u>

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
FORWARD	<u>¥ 8,963</u>	<u>¥19,514</u>	<u>\$107,794</u>
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(2,402)	(18,538)	(28,885)
Proceeds from long-term debt	35,630	54,374	428,503
Repayments of long-term debt	(47,956)	(60,441)	(576,740)
Proceeds from sale and lease back transactions	6,594	422	79,304
Decrease in commercial paper		(3,000)	
Proceeds from issuances of common stock		5,432	
Other—net	<u>(8)</u>	<u>(29)</u>	<u>(100)</u>
Net cash used in financing activities	<u>(8,142)</u>	<u>(21,780)</u>	<u>(97,918)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(281)</u>	<u>587</u>	<u>(3,384)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	540	(1,679)	6,492
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,415</u>	<u>9,094</u>	<u>89,178</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 7,955</u>	<u>¥ 7,415</u>	<u>\$ 95,670</u>

See notes to consolidated financial statements.

Sumitomo Light Metal Industries, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net income (loss) before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 consolidated financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Sumitomo Light Metal Industries, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation**—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its significant 25 (23 in 2010) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in two (three in 2010) unconsolidated subsidiaries and one (one in 2010) associated company are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are amortized on a straight-line basis over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the statements of operations where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained.
- c. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
- Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.
- d. Inventories**—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.
- e. Property, Plant and Equipment**—Property, plant and equipment are stated at cost except for land (see Note 4). Depreciation is computed principally by the straight-line method for buildings and machinery and principally by the declining-balance method for other assets except for lease assets, based on the estimated useful lives for the assets. Lease assets are depreciated by the straight-line method over the respective lease periods.

Estimated useful lives are as follows:

Buildings and structures —Principally 15 to 50 years
Machinery and equipment—Principally 7 years

- f. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- g. Investment Securities**—All investment securities listed on stock exchanges are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Gains and losses arising from changes in fair value are shown as "Unrealized gains on available-for-sale-securities" under accumulated other comprehensive income in a separate component of equity.

- h. Employees' Retirement Benefits**—The Company has a contributory, funded defined benefit pension plan and unfunded retirement benefit plans for its employees which cover approximately 70% and 30%, respectively, of their benefits. Certain domestic consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥24,563 million (\$295,406 thousand), determined as of April 1, 2000, is being amortized over 15 years.

- i. Asset Retirement Obligations**—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥32 million (\$386 thousand) and income before income taxes and minority interests by ¥1,188 million (\$14,294 thousand).

- j. Lease**—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

- k. *Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- l. *Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.
- m. *Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" and include "Minority interests" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the exchange rates at the balance sheet date.

- n. *Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates, raw material prices and selling prices of finished goods. Foreign exchange forward contracts are utilized to reduce foreign currency exchange rate risks. Interest rate swaps and options are utilized by the Group to reduce interest rate risks. Commodity futures are utilized by the Group to reduce the risk of fluctuation in raw material prices and selling prices of finished goods.

The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of operations, and (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are employed to hedge foreign exchange exposures from the sale of finished goods to overseas customers and in the procurement of raw materials from overseas suppliers. Trade receivables and payables, including forecasted transactions denominated in foreign currencies, are translated at contracted rates if the forward contracts qualify for hedge accounting. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value and unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Other interest rate swaps, options and commodity futures which qualify for hedge accounting are also measured at market value at the balance sheet date, and the unrealized gains or losses are shown as "Deferred gains (losses) on derivatives under hedge accounting" in a separate component of equity.

- o. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted net income per share is not disclosed because of the Company's net loss position for the year ended March 31, 2010.

p. New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Finished products	¥13,786	¥11,498	\$ 165,802
Work in process	16,159	16,303	194,331
Raw materials and supplies	<u>6,791</u>	<u>7,145</u>	<u>81,673</u>
Total	<u>¥36,736</u>	<u>¥34,946</u>	<u>\$441,806</u>

4. LAND REVALUATION

Under the "Law of Land Revaluation," the Company and certain subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2001 (Nippon Aluminium Co., Ltd. ("NAL"), Nippon Aluminium Shiga Co., Ltd. and Sumikei techno Anjo Co., Ltd.) and 2000 (the Company).

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As of March 31, 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥9,733 million (\$117,061 thousand).

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Non-current—Marketable equity securities	¥6,843	¥7,813	\$82,300

Included in the above marketable securities were stock lending transactions of ¥1,853 million (\$22,283 thousand) and ¥2,446 million at March 31, 2011 and 2010, respectively.

The cost and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	<u>Cost</u>	<u>Millions of Yen</u>		<u>Fair Value</u>
		<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
<u>March 31, 2011</u>				
Securities classified as available-for-sale—Equity securities	¥6,355	¥1,368	¥880	¥6,843
<u>March 31, 2010</u>				
Securities classified as available-for-sale—Equity securities	¥6,831	¥1,530	¥548	¥7,813

<u>March 31, 2011</u>	<u>Thousands of U.S. Dollars</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Securities classified as available-for-sale—Equity securities	\$76,427	\$16,458	\$10,585	\$82,300

The information of available-for-sale securities which were sold during the years ended March 31, 2011 and 2010 was as follows:

<u>March 31, 2011</u>	<u>Millions of Yen</u>		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale—Equity securities	¥417	¥85	¥67
<u>March 31, 2010</u>			
Available-for-sale—Equity securities	¥677	¥241	¥5

<u>March 31, 2011</u>	<u>Thousands of U.S. Dollars</u>		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale—Equity securities	\$5,011	\$1,020	\$800

The impairment losses on available-for-sale equity securities for the year ended March 31, 2011 were ¥208 million (\$2,507 thousand).

6. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND INTEREST-BEARING LIABILITIES

Short-term borrowings at March 31, 2011 and 2010 principally consisted of notes to banks, bank overdrafts and cash collateral with respect to lending stock. The annual interest rates applicable to the short-term borrowings ranged from 0.58% to 4.77% and 0.80% to 5.06% at March 31, 2011 and 2010, respectively.

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

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Unsecured 0.0% yen convertible bonds, convertible into common stock at ¥338 per share, due 2011	¥ 5	¥ 5	\$ 60
Loans from banks and other financial institutions, due serially through 2016 with interest rates ranging from 0.850% to 4.309% (2011) and from 0.957% to 4.309% (2010):			
Collateralized	309	1,543	3,724
Unsecured	137,405	147,790	1,652,492
Obligations under finance leases	9,978	3,580	119,994
Total	147,697	152,918	1,776,270
Less current portion	(49,909)	(46,279)	(600,227)
Long-term debt, less current portion	<u>¥ 97,788</u>	<u>¥106,639</u>	<u>\$1,176,043</u>

Annual maturities of long-term debt, excluding finance leases (see Note 14) at March 31, 2011 were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2012	¥ 45,973	\$ 552,897
2013	51,675	621,471
2014	30,012	360,939
2015	6,184	74,366
2016	<u>3,875</u>	<u>46,603</u>
Total	<u>¥137,719</u>	<u>\$1,656,276</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥780 million (\$9,381 thousand) and the above collateralized long-term debt at March 31, 2011 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Trade notes	¥ 90	\$ 1,083
Property, plant and equipment— net of accumulated depreciation	3,077	37,002
Other assets	<u>4</u>	<u>48</u>
Total	<u>¥3,171</u>	<u>\$38,133</u>

Other interest-bearing liabilities consisted of deposits received of ¥117 million (\$1,255 thousand) included in other current liabilities as of March 31, 2011. The annual interest rate applicable to the deposits received is 0.980% at March 31, 2011.

7. EMPLOYEES' RETIREMENT BENEFITS

The Company and certain of its domestic consolidated subsidiaries have severance payment plans for employees.

Employees whose service with the Company or certain domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to the employee's basic rates of pay at the time of termination, length of service and conditions under which the termination occurred. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to a greater payment than in the case of voluntary termination.

The Company has a contributory, funded defined benefit pension plan and unfunded retirement benefit plans for its employees which cover approximately 70% and 30%, respectively, of their benefit. Certain domestic consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Projected benefit obligation	¥23,179	¥23,749	\$ 278,758
Fair value of plan assets	(8,465)	(8,788)	(101,802)
Unrecognized prior service cost	265	321	3,188
Unrecognized actuarial loss	(3,607)	(3,087)	(43,373)
Unrecognized transitional obligation	(6,002)	(7,540)	(72,179)
Prepaid benefit costs	<u>199</u>	<u>227</u>	<u>2,388</u>
Net liability	<u>¥ 5,569</u>	<u>¥ 4,882</u>	<u>\$ 66,980</u>

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
			<u>2011</u>
Service cost	¥1,240	¥1,411	\$ 14,915
Interest cost	519	568	6,237
Expected return on plan assets	(182)	(155)	(2,192)
Amortization of prior service cost	(50)	(41)	(596)
Recognized actuarial loss	545	633	6,558
Amortization of transitional obligation	<u>1,508</u>	<u>1,508</u>	<u>18,135</u>
Net periodic benefit costs	<u>¥3,580</u>	<u>¥3,924</u>	<u>\$ 43,057</u>

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	2.0%–2.2%	2.0%–2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost	13 years	13 years
Recognition period of actuarial gain/loss	9–13 years	9–13 years
Amortization period of transitional obligation	15 years	15 years

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of</u>
	<u>2011</u>	<u>U.S. Dollars</u>
		<u>2011</u>
Balance at beginning of year	¥1,242	\$ 14,941
Reconciliation associated with passage of time	16	195
Reduction associated with meeting asset retirement obligations	<u>(98)</u>	<u>(1,181)</u>
Balance at end of year	<u>¥1,160</u>	<u>\$ 13,955</u>

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. SIGNIFICANT CHANGES IN EQUITY

(1) *Share Exchange*

A share exchange was implemented between the Company and its subsidiary, NAL, on July 31, 2009 resulting in the Company owning all shares of NAL. As a result, additional paid-in capital and other capital surplus (both are components of capital surplus) of the Company increased by ¥471 million and ¥34 million for the year ended March 31, 2010, respectively.

(2) *Issuance of Common Stock*

The Company issued 58,000,000 shares of common stock to Sumitomo Corporation, Sumitomo Mitsui Banking Corporation, and five other companies, on September 17, 2009. As a result, common stock and additional paid-in capital (a component of capital surplus) of the Company increased by ¥2,755 million and ¥2,755 million for the year ended March 31, 2010, respectively.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.5% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Deferred tax assets:			
Accrued employees' bonuses	¥ 161	¥ 163	\$ 1,938
Employees' retirement benefits	2,252	1,907	27,082
Tax loss carryforwards	11,069	12,754	133,126
Other	2,797	2,614	33,632
Less valuation allowance	<u>(11,812)</u>	<u>(14,519)</u>	<u>(142,061)</u>
Total	<u>4,467</u>	<u>2,919</u>	<u>53,717</u>
Deferred tax liabilities:			
Unrealized gains on inventories	1,195	958	14,372
Unrealized gains on investment securities	210	404	2,520
Other	<u>967</u>	<u>679</u>	<u>11,630</u>
Total	<u>2,372</u>	<u>2,041</u>	<u>28,522</u>
Net deferred tax assets	<u>¥ 2,095</u>	<u>¥ 878</u>	<u>\$ 25,195</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Normal effective statutory tax rate	40.5%	(40.5)%
Net increase in valuation allowance	(33.2)	45.7
Expenses not deductible for income tax purposes	1.1	1.1
Elimination of intercompany balances and transactions	4.0	
Effect of liquidation of a consolidated subsidiary		(3.7)
Equity in earnings (losses) of unconsolidated subsidiaries and an associated company	(1.5)	(2.6)
Reconciliation of undistributed foreign earnings	1.5	
Other—net	<u>(0.5)</u>	<u>0.6</u>
Actual effective tax rate	<u>11.9%</u>	<u>0.6 %</u>

At March 31, 2011, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥28,035 million (\$337,162 thousand) which are available to be offset against taxable income of the Company and subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2014	¥ 241	\$ 2,897
2015		
2016	8,101	97,428
2017 and thereafter	<u>19,693</u>	<u>236,837</u>
Total	<u>¥28,035</u>	<u>\$337,162</u>

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,130 million (\$25,612 thousand) and ¥2,056 million for the years ended March 31, 2011 and 2010, respectively.

13. RESTRUCTURING LOSS

A loss of ¥8,322 million for the year ended March 31, 2010 represents the relevant cost of business restructuring with respect to the aluminum extruded products business and the aluminum processed goods business of the Company and its consolidated subsidiaries.

With respect to this loss, a provision is set out for estimated costs for the year ended March 31, 2010.

A loss of ¥633 million (\$7,608 thousand) for the year ended March 31, 2011 was an extra provision for soil contamination.

14. LEASES

The Group principally leases production facilities.

Total rental expense including lease payments under finance leases for the years ended March 31, 2011 and 2010 was ¥5,443 million (\$65,462 thousand) and ¥5,122 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2011		2011	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥3,936	¥1,744	\$ 47,330	\$20,972
Due after one year	<u>6,042</u>	<u>4,357</u>	<u>72,664</u>	<u>52,396</u>
Total	<u>¥9,978</u>	<u>¥6,101</u>	<u>\$119,994</u>	<u>\$73,368</u>

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen							
	2011				2010			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥6,729	¥589	¥371	¥7,689	¥6,795	¥634	¥477	¥7,906
Accumulated depreciation	4,753	401	312	5,466	3,966	316	352	4,634
Accumulated impairment losses	<u>47</u>	—	—	<u>47</u>	<u>69</u>	—	—	<u>69</u>
Net leased property	<u>¥1,929</u>	<u>¥188</u>	<u>¥ 59</u>	<u>¥2,176</u>	<u>¥2,760</u>	<u>¥318</u>	<u>¥125</u>	<u>¥3,203</u>

	Thousands of U.S. Dollars			
	2011			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	\$80,928	\$7,085	\$4,459	\$92,472
Accumulated depreciation	57,166	4,826	3,747	65,739
Accumulated impairment losses	<u>566</u>	—	—	<u>566</u>
Net leased property	<u>\$23,196</u>	<u>\$2,259</u>	<u>\$ 712</u>	<u>\$26,167</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥1,537	¥1,165	\$18,489
Due after one year	<u>686</u>	<u>2,107</u>	<u>8,244</u>
Total	<u>¥2,223</u>	<u>¥3,272</u>	<u>\$26,733</u>

An allowance for impairment loss on leased property of ¥47 million (\$566 thousand) as of March 31, 2011 and ¥69 million as of March 31, 2010, is not included in the obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥1,004 million (\$12,069 thousand) and ¥1,321 million for the years ended March 31, 2011 and 2010, respectively.

15. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010. As a result, the Group recognized impairment losses of ¥1,144 million (\$13,764 thousand) and ¥537 million for the years ended March 31, 2011 and 2010, respectively, for a certain investment property group. Due to a continuous operating loss at that unit, the carrying amount of the relevant investment properties such as land, buildings and structures, furniture and fixtures was written down to the recoverable amount. The recoverable amount of that investment property group was measured at its net selling price as determined by quotation from a third-party vendor.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans, convertible bonds and lease obligations. Cash surpluses, if any, are invested in low-risk financial assets, such as short-term bank deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts.

Investment securities are all equity instruments of customers and suppliers of the Group, and are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the positions are hedged by using forward foreign currency contracts.

Maturities of bank loans, convertible bonds and lease obligations are less than five years after the balance sheet date. Although a portion of such bank loans, convertible bonds and lease obligations are exposed to market risks from changes in variable interest rates, those risks are partly mitigated by using derivatives of interest rate swaps and options.

Derivatives mainly include forward foreign currency contracts, interest rate swaps, interest rate options and commodity futures, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in interest rates of bank loans, raw material prices and selling prices of finished goods. Please see Note 17 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of customers to identify the default risk of customers, in the early stages.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps and options are used to manage exposure to market risks from changes in interest rates of loan payables.

Investment securities (marketable equity securities) are managed by monitoring market values on a quarterly basis.

Basic principles of derivative transactions have been managed by each business administration department based on internal guidelines.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also please see Note 17 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

<u>March 31, 2011</u>	<u>Millions of Yen</u>		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Cash and cash equivalents	¥ 7,955	¥ 7,955	
Time deposits	159	159	
Receivables	43,168	43,168	
Investment securities	6,843	6,843	
Investments in and advances to unconsolidated subsidiaries and associated companies	599	602	¥ 3
Long-term loans	<u>5,311</u>	<u>5,311</u>	
Total	<u>¥ 64,035</u>	<u>¥ 64,038</u>	<u>¥ 3</u>
Short-term borrowings	¥ 27,458	¥ 27,458	
Payables	64,965	64,965	
Income taxes payable	1,497	1,497	
Long-term debt	<u>147,697</u>	<u>147,345</u>	¥352
Total	<u>¥241,617</u>	<u>¥241,265</u>	<u>¥352</u>
Derivative transactions	<u>¥ (6)</u>	<u>¥ (6)</u>	

<u>March 31, 2010</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Cash and cash equivalents	¥ 7,415	¥ 7,415	
Time deposits	172	172	
Receivables	45,483	45,483	
Investment securities	7,813	7,813	
Investments in and advances to unconsolidated subsidiaries and associated companies	611	614	¥ 3
Long-term loans	<u>3,510</u>	<u>3,510</u>	<u>—</u>
Total	<u>¥ 65,004</u>	<u>¥ 65,007</u>	<u>¥ 3</u>
Short-term borrowings	¥ 29,850	¥ 29,850	
Payables	63,070	63,070	
Income taxes payable	498	498	
Long-term debt	<u>152,918</u>	<u>152,526</u>	<u>¥392</u>
Total	<u>¥246,336</u>	<u>¥245,944</u>	<u>¥392</u>
Derivative transactions	<u>¥ 334</u>	<u>¥ 334</u>	<u>—</u>

<u>March 31, 2011</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Cash and cash equivalents	\$ 95,670	\$ 95,670	
Time deposits	1,917	1,917	
Receivables	519,153	519,153	
Investment securities	82,300	82,300	
Investments in and advances to unconsolidated subsidiaries and associated companies	7,208	7,243	\$ 35
Long-term loans	<u>63,870</u>	<u>63,870</u>	<u>—</u>
Total	<u>\$ 770,118</u>	<u>\$ 770,153</u>	<u>\$ 35</u>
Short-term borrowings	\$ 330,224	\$ 330,224	
Payables	781,299	781,299	
Income taxes payable	18,004	18,004	
Long-term debt	<u>1,776,270</u>	<u>1,772,034</u>	<u>\$4,236</u>
Total	<u>\$2,905,797</u>	<u>\$2,901,561</u>	<u>\$4,236</u>
Derivative transactions	<u>\$ (75)</u>	<u>\$ (75)</u>	<u>—</u>

Cash and Cash Equivalents, Time Deposits and Receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

The foreign currency forward contracts are employed to hedge foreign exchange exposures in the sales of finished goods to overseas customers and in the procurement of raw materials from overseas suppliers. Certain trade receivables denominated in foreign currencies are translated at contracted rates if the forward contracts qualify for hedge accounting. In addition, the fair value of such forward contracts is included in that of the trade receivable.

Investment Securities

The fair values of investment securities are measured at the quoted market prices from the applicable stock exchange for equity instruments. Information on the fair value of marketable and investment securities by classification is included in Note 5.

Investments in and Advances to Unconsolidated Subsidiaries and Associated Companies, and Long-Term Loans

The fair values of investments in and advances to unconsolidated subsidiaries and associated companies and long-term loans are determined by discounting the cash flows related to the loan at the Group's assumed rate.

The current portion of long-term loans is included in long-term loans as indicated in the above.

Short-Term Borrowings, Payables and Income Taxes Payable

The carrying values of short-term borrowings, payables and income taxes payable approximate fair value because of their short maturities.

The foreign currency forward contracts are employed to hedge foreign exchange exposures in the sales of finished goods to overseas customers and in the procurement of raw materials from overseas suppliers. Certain trade payables denominated in foreign currencies are translated at contracted rates if the forward contracts qualify for hedge accounting. In addition, the fair value of such forward contracts is included in that of the trade payables.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed refinance rates.

Certain interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in long-term debt.

The current portion of long-term debt is included in long-term debt as indicated in the above.

Derivatives

The information of the fair value for derivatives is included in Note 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of
	2011	2010	U.S. Dollars
			2011
Investments in equity instruments which do not have a quoted market price in an active market	¥31,459	¥31,254	\$378,335
Investments in and advances to unconsolidated subsidiaries which do not have a quoted market price in an active market	2,400	2,378	28,868

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

		Millions of Yen		
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
<u>March 31, 2011</u>				Due after 10 Years
Cash and cash equivalents	¥ 7,955			
Time deposits	159			
Receivables	43,168			
Investments in and advances to unconsolidated subsidiaries and associated companies	114	¥ 478	¥ 7	
Long-term loans	<u>178</u>	<u>2,888</u>	<u>2,245</u>	
Total	<u>¥51,574</u>	<u>¥3,366</u>	<u>¥2,252</u>	

		Thousands of U.S. Dollars		
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
<u>March 31, 2011</u>				Due after 10 Years
Cash and cash equivalents	\$ 95,670			
Time deposits	1,917			
Receivables	519,153			
Investments in and advances to unconsolidated subsidiaries and associated companies	1,371	\$ 5,747	\$ 90	
Long-term loans	<u>2,137</u>	<u>34,737</u>	<u>26,996</u>	
Total	<u>\$620,248</u>	<u>\$40,484</u>	<u>\$27,086</u>	

Please see Note 6 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

17. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts and options to manage its interest rate exposures on certain liabilities. In addition, the Group enters into commodity futures to hedge the risk of fluctuations in the selling prices of finished goods, raw material prices associated with inventories and trade payables.

All derivative transactions are entered into to hedge price, interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

<u>March 31, 2010</u>	Millions of Yen			
	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Commodity futures—Selling	¥563		¥(4)	¥(4)

Derivative Transactions to Which Hedge Accounting Is Applied

<u>March 31, 2011</u>	<u>Hedged Item</u>	Millions of Yen		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling U.S. dollar	Receivables	¥1,642		¥ (16)
Selling Thailand baht	Receivables	84		(3)
Selling Hong Kong dollar	Receivables	3		
Selling Malaysia ringgit	Payables	204		1
Selling Chinese yuan	Payables	314		1
Buying U.S. dollar	Payables	2,442		(9)
Buying Hong Kong dollar	Payables	2		
Commodity futures—Buying	Purchases of raw material	6,104		154
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	4,000	¥3,500	(135)

<u>March 31, 2010</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling U.S. dollar	Receivables	¥1,840		¥ (54)
Selling Thailand baht	Receivables	110		(6)
Selling Malaysia ringgit	Payables	183		(4)
Selling Chinese yuan	Payables	326		(10)
Buying U.S. dollar	Payables	32		1
Commodity futures:				
Selling	Sales	1,303		(71)
Buying	Purchases of raw material	3,942		498
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	4,907	¥2,000	(110)

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Selling U.S. dollar	Receivables	\$19,752		\$ (189)
Selling Thailand baht	Receivables	1,008		(38)
Selling Hong Kong dollar	Receivables	35		(1)
Selling Malaysia ringgit	Payables	2,457		13
Selling Chinese yuan	Payables	3,774		16
Buying U.S. dollar	Payables	29,361		(113)
Buying Hong Kong dollar	Payables	28		
Commodity futures—Buying	Purchases of raw material	73,412		1,857
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	48,106	\$42,093	(1,620)

The foreign currency forward contracts noted below are employed to hedge foreign exchange exposures in the sale of finished goods to overseas customers and in the procurement of raw materials from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at contracted rates if the forward contracts qualify for hedge accounting.

In addition, the fair value of such foreign currency forward contracts is included in that of the hedged items (receivable and payable).

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Foreign currency forward contracts:			
Selling U.S. dollar	Receivables	¥1,645	
Selling Thailand baht	Receivables	388	
Selling Hong Kong dollar	Receivables	4	
Buying U.S. dollar	Payables	599	

<u>March 31, 2010</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Foreign currency forward contracts:			
Selling U.S. dollar	Receivables	¥1,639	
Selling Thailand baht	Receivables	397	
Selling Hong Kong dollar	Receivables	6	
Buying U.S. dollar	Payables	247	

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Foreign currency forward contracts:			
Selling U.S. dollar	Receivables	\$19,787	
Selling Thailand baht	Receivables	4,664	
Selling Hong Kong dollar	Receivables	52	
Buying U.S. dollar	Payables	7,205	

The interest rate swaps noted below which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of the hedged items (long-term debt).

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	¥62,962	¥42,382

<u>March 31, 2010</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	¥64,576	¥49,818

<u>March 31, 2011</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>	
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>
Interest rate swaps—Fixed rate payment, floating rate receipt	Long-term debt	\$757,213	\$509,699

The fair values of derivative transactions are measured at the quoted price obtained from trading firms (commodity futures) and financial institutions (foreign currency forward contracts and interest rate swaps).

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

18. CONTINGENT LIABILITIES

At March 31, 2011, the Group had the following contingent liabilities:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Trade notes discounted	¥748	\$ 8,998
Trade notes endorsed	499	6,004
Export drafts discounted	440	5,288
Guarantees and similar items of bank loans	955	11,487

19. COMMITMENTS

Raw Material Purchase Commitments

At March 31, 2011, the Company had a number of raw material purchase commitments. However, purchase prices are contingent upon fluctuations of market prices.

20. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	<u>Millions of Yen 2010</u>
Total comprehensive income attributable to:	
Owners of the parent	¥3,590
Minority interests	<u>44</u>
Total comprehensive income	<u>¥3,634</u>

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	<u>Millions of Yen 2010</u>
Other comprehensive income (loss):	
Unrealized gains on available-for-sale securities	¥ 1,807
Deferred gains on derivatives under hedge accounting	1,046
Land revaluation surplus	(123)
Foreign currency translation adjustments	<u>7,361</u>
Total other comprehensive income	<u>¥10,091</u>

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2011 is as follows:

<u>Year Ended March 31, 2011</u>	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
	<u>Net Income</u>	<u>Weighted- Average Shares</u>		<u>EPS</u>
Basic EPS—Net income available to common shareholders	¥7,190	431,999	<u>¥16.64</u>	<u>\$0.20</u>
Effect of dilutive securities— Convertible bonds	_____	<u>15</u>		
Diluted EPS—Net income for computation	<u>¥7,190</u>	<u>432,014</u>	<u>¥16.64</u>	<u>\$0.20</u>

22. SUBSEQUENT EVENTS

a. Agreement to Acquire Shares in the U.S. Rolled Aluminum Sheet Manufacturer and Supplier

The Company has been pleased to announce on April 4, 2011 that the Consortium, which is made up of the Company and its joint partners,* has agreed with BP Company North America Inc. (headquartered in Houston, Texas, USA; Steven Bray, President; hereinafter "BP") with respect to the acquisition of 100% of the outstanding shares of ARCO Aluminum Inc. (headquartered in Louisville, Kentucky, USA; hereinafter "ARCO"), a wholly owned subsidiary of BP serving as a manufacturer and supplier of rolled aluminum sheet.

* The joint partners (hereinafter, together with the Company, collectively "the Partners") are:

- Furukawa-Sky Aluminum Corp. (hereinafter "Furukawa-Sky");
- Sumitomo Corporation (hereinafter "Sumitomo Corp");
- ITOCHU Corporation (hereinafter "ITOCHU"); and
- ITOCHU Metals Corporation (hereinafter "IMC").

(1) *Rationale for the acquisition of shares*

ARCO owns an approximate 45% interest in the aggregate assets in an aluminum rolling mill in Logan County, Kentucky, USA (hereinafter "Logan Mill") that supplies aluminum sheet to beverage can makers and also owns 60% stake in Logan Aluminum Inc. (headquartered in Russellville, Kentucky, USA; hereinafter "Logan"), the operator of Logan Mill. The other owner of interests in Logan and Logan Mill is Novelis Corporation (headquartered in Atlanta, Georgia, USA; hereinafter "Novelis"). ARCO and Novelis supplies its own primary metal inputs to Logan Mill for processing and owns and markets its own share of output. ARCO and Novelis are parties to a series of joint venture agreements governing Logan and Logan Mill.

Based on the joint acquisition of all shares in ARCO from BP at a cost of US\$680 million, the Company intends to enhance production and distribution of aluminum can materials in North America, the largest market in the world, through participation in management of ARCO and technological support to ARCO. In addition, the Company also envisages a plan to expand its business volume in Latin America, a promising market with great growth potential.

As for the management and control of ARCO, the Partners have set up a special purpose vehicle in the U.S. owning a whole stake in ARCO. This special purpose vehicle will urge the Partners to make important decisions through consultation.

The Company determined to participate in the deal jointly with Furukawa-Sky, Sumitomo Corp, ITOCHU and IMC instead of taking independent action in consideration of the scale of participation in the management of the North American manufacturer, which has world-class rolled aluminum sheet manufacturing facilities. On that basis, the Company will promote business activities so as to secure a presence in the North American and Latin American markets and according to enhance the influential power in the global market accordingly.

The shares will be subscribed by the Partners with the following ownership ratio:

the Company: 40%; Furukawa-Sky: 35%; Sumitomo Corp: 20%; ITOCHU: 2% and IMC: 3%

(2) *Profile of ARCO*

Company name: ARCO Aluminum Inc.
Establishment: 1984
Headquarters' address: Louisville, Kentucky, USA
Registered capital: US\$1,000
Main business: Manufacturing and distribution of aluminum products
Annual turnover: Approximately US\$900 million (in 2010)
Annual sales volume: Approximately 300,000 tons (in 2010)
Number of employees: 32 (in March 2011)

(3) *Profile of joint holding company*

Company name: ARROW Aluminum Holding Inc.
Headquarters' address: Wilmington, Delaware, USA
Registered capital: US\$5,000 (as of March 31, 2011)
Main business: Holding equity of ARCO

(4) *Schedule*

Between July and September 2011: Closing of the share acquisition (planned)

Note, however, that the closing date is subject to change depending on circumstances, such as the approval by competition authorities.

b. Reduction in Reserves

The following reduction of legal reserves and additional paid-in capital was approved at the Company's shareholders meeting held on June 29, 2011:

(1) *The purpose of the reduction of legal reserves and additional paid-in capital*

In order to compensate for accumulated deficit of the Company.

(2) *Amount of reduction*

Amount of legal reserves to be reduced: ¥3,225,604,016 (\$38,792,592)
Amount of additional paid-in capital to be reduced: ¥3,260,203,911 (\$39,208,706)

(3) *Schedule of the reduction in reserves*

Resolution of the Board of Directors:	May 13, 2011
Resolution of the Company's shareholders meeting:	June 29, 2011
The effective date of reduction in reserves:	June 29, 2011

c. *Share Issuance and Offering*

- (a) In accordance with a Board of Directors' resolution on May 19, 2011, the Company has made decision to issue new shares and offer. The issuance of new shares by way of offering (public offering) was completed on June 7, 2011. The outline of transaction is as follows:

(1) Purpose of capital increase

The Company aims to build up a global distribution service towards the global aluminum can market, which is prospected market to expand, by acquiring entire share of ARCO Aluminum Inc. (hereinafter "ARCO"), an entity of manufacturer and supplier of rolled aluminum sheet in North America. In order to acquire the entire share of ARCO, the Company and its joint partners have established a joint holding company, ARROW Aluminum Holding Inc. (hereinafter "ARROW").

(The specifics for acquisition of share, refer to the Note 22.a, "Agreement to acquire shares in the U.S. rolled aluminum sheet manufacturer and supplier.")

As a result of consideration for funding the amount to invest for ARROW, since the usage of the amount collected through funding is to acquire shares of ARCO, which is a strategy of growth for the Group and to enforce and establish the financial basis of the Group that leads to improve the value of company and shareholders, funding shall be made through capital increase.

(2) Class and number of new shares to be issued

Common stock: 130,000,000 shares

(3) Issue price: ¥73.48 (\$0.88) per share

(4) Total issue price: ¥9,552 million (\$114,882 thousand)

(5) Amount capitalized: ¥4,776 million (\$57,441 thousand)

(6) Use of the proceeds

The proceeds shall be spent for the payment of investment to the ARROW, which is established for acquiring the shares of ARCO. The payment is expected to be completed between July and September 2011. However, if any of the amount remains from the investment or in the case when the payment due date has to be changed or the acquisition of the shares shall not be completed due to the change in condition of approval by competition authorities or the external circumstances, the remaining amount of investment or the whole amount of funding is planned to be used for a portion of repayment in the long-term loans from financial institutions, which the settlement date arrives before March 2012.

- (b) In accordance with a Board of Directors' resolution on May 19, 2011, the Company has made decision to offer new shares of the Company by way of third party allotment to SMBC Nikko Securities Inc. in connection with the over-allotment offering, which may be performed by SMBC Nikko Securities Inc. (Offering 19,500,000 common stocks borrowed from the Company's shareholders. Refer to * for further information.)

* Offering by way of over-allotment was completed on June 8, 2011.

- (1) Purpose of capital increase

As to purpose of capital increase, refer to (a)(1) purpose of capital increase.

- (2) Class and number of new shares to be issued

Common stock: 19,500,000 shares (maximum)

- (3) Issue price: ¥73.48 (\$0.88) per share

- (4) Total issue price: ¥1,432 million (\$17,232 thousand) (maximum)

- (5) Amount capitalized: ¥716 million (\$8,616 thousand) (maximum)

- (6) Allottee: SMBC Nikko Securities Inc.

- (7) Subscription date: July 5, 2011

- (8) Payment date: July 6, 2011

- (9) Use of proceeds

As to use of proceeds, refer to (a)(6) use of the proceeds.

- (10) Others

SMBC Nikko Securities Inc. is planning to accept the number of new shares of the Company's common stock as for the third party allotment, which are issued (19,500,000 shares) via over-allotment and excluding the number of shares purchased through syndicate cover transactions and stabilization in order to return borrowed shares. Accordingly, all or a part of the new shares issued via over-allotment may not be subscribed for, resulting in a decrease in the number of new shares or in the cancellation of the entire issuance due to forfeiture.

23. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors, in order to make decisions on the allocation of business resources and to evaluate the business performance of the respective segments.

The Group manufactures and sells rolled and fabricated non-ferrous metal (e.g., aluminum, copper, etc.) and defines its reportable segments as "Aluminum Rolling Products Division," "Copper Tubes Division" and "Aluminum and Copper Related Business Division" because the Group evaluates the performance of and makes decisions on business investments for each of these reportable segments.

The Aluminum Rolling Products Division manufactures and sells aluminum sheets and extrusions. The Copper Tubes Division manufactures and sells copper tubes, copper joints and titanium tubes. The Aluminum and Copper Related Business Division manufactures and sells aluminum and copper fabricated products, contracting civil engineering work related to these fabricated products and transporting cargo related to the Group's business.

(2) Methods of measurement of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of Yen					
	2011					
	Reportable Segment			Total	Reconciliations	Consolidated
Aluminum Rolling Products Division	Copper Tubes Division	Aluminum and Copper Related Business Division				
Sales:						
Sales to external customers	¥174,365	¥45,011	¥40,100	¥259,476		¥259,476
Intersegment sales or transfers	<u>1,081</u>	<u>924</u>	<u>63</u>	<u>2,068</u>	¥(2,068)	
Total	<u>¥175,446</u>	<u>¥45,935</u>	<u>¥40,163</u>	<u>¥261,544</u>	<u>¥(2,068)</u>	<u>¥259,476</u>
Segment profit	¥ 17,733	¥ 328	¥ 492	¥ 18,553	¥(2,958)	¥ 15,595
Segment assets	222,394	36,229	28,085	286,708	19,941	306,649
Other:						
Depreciation	7,669	1,182	563	9,414	26	9,440
Investments accounted for by the equity-method		128	1,045	1,173		1,173
Increase in property, plant and equipment and intangible assets	3,468	849	399	4,716	17	4,733
Asset impairment losses	287			287	857	1,144

Millions of Yen						
2010						
Reportable Segment						
	Aluminum Rolling Products Division	Copper Tubes Division	Aluminum and Copper Related Business Division	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥153,849	¥40,239	¥39,443	¥233,531		¥233,531
Intersegment sales or transfers	<u>1,512</u>	<u>671</u>	<u>1,839</u>	<u>4,022</u>	¥(4,022)	
Total	<u>¥155,361</u>	<u>¥40,910</u>	<u>¥41,282</u>	<u>¥237,553</u>	<u>¥(4,022)</u>	<u>¥233,531</u>
Segment profit (loss)	¥ 8,442	¥ (224)	¥ (265)	¥ 7,953	¥(2,744)	¥ 5,209
Segment assets	226,722	35,971	31,293	293,986	15,912	309,898
Other:						
Depreciation	7,925	1,152	723	9,800	25	9,825
Investments accounted for by the equity-method	29	170	824	1,023		1,023
Increase in property, plant and equipment and intangible assets	4,279	648	331	5,258	4	5,262
Asset impairment losses	4,191		1,250	5,441	1	5,442

Thousands of U.S. Dollars						
2011						
Reportable Segment						
	Aluminum Rolling Products Division	Copper Tubes Division	Aluminum and Copper Related Business Division	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	\$2,097,000	\$541,319	\$482,261	\$3,120,580		\$3,120,580
Intersegment sales or transfers	<u>12,997</u>	<u>11,113</u>	<u>758</u>	<u>24,868</u>	\$ (24,868)	
Total	<u>\$2,109,997</u>	<u>\$552,432</u>	<u>\$483,019</u>	<u>\$3,145,448</u>	<u>\$ (24,868)</u>	<u>\$3,120,580</u>
Segment profit	\$ 213,265	\$ 3,950	\$ 5,912	\$ 223,127	\$ (35,571)	\$ 187,556
Segment assets	2,674,622	435,705	337,762	3,448,089	239,818	3,687,907
Other:						
Depreciation	92,232	14,214	6,777	113,223	316	113,539
Investments accounted for by the equity-method		1,536	12,574	14,110		14,110
Increase in property, plant and equipment and intangible assets	41,703	10,214	4,796	56,713	199	56,912
Asset impairment losses	3,460			3,460	10,304	13,764

Notes: 1. The components of "Reconciliations" for the years ended March 31, 2011 and 2010 are as follows:

- (1) Reconciliations to segment profit or loss of ¥2,958 million (\$35,571 thousand) in 2011 and ¥2,744 million in 2010 include adjustments to inventories of ¥3 million (\$41 thousand) (negative amount) and ¥7 million (negative amount), intersegment eliminations of ¥401 million (\$4,824 thousand) (positive amount) and ¥365 million (positive amount), and unallocated corporate expenses of ¥3,356 million (\$40,354 thousand) (negative amount) and ¥3,102 million (negative amount), respectively. Corporate expenses are the Company's administrative expenses.
- (2) Reconciliations to segment assets of ¥19,941 million (\$239,818 thousand) in 2011 and ¥15,912 million in 2010 include adjustments to inventories of ¥27 million (\$330 thousand) (negative amount) and ¥24 million (negative amount), intersegment eliminations of ¥3,749 million (\$45,085 thousand) (negative amount) and ¥7,650 million (negative amount), and unallocated corporate assets of ¥23,717 million (\$285,233 thousand) (positive amount) and ¥23,586 million (positive amount), respectively. Corporate assets are the Company's investment securities and assets.
- (3) Reconciliations to segment depreciation of ¥26 million (\$316 thousand) in 2011 and ¥25 million in 2010 represent depreciation on general corporate assets.
- (4) Reconciliations to segment asset impairment losses of ¥857 million (\$10,304 thousand) in 2011 and ¥1 million in 2010 are impairment losses on general corporate assets.
- (5) Reconciliations to segment increase in property, plant and equipment and intangible assets of ¥17 million (\$199 thousand) and ¥4 million represent increases in general corporate assets.

2. Segment profit or loss is adjusted to operating income in the consolidated statement of operations.

(4) Information related to reportable segment

a. Information about Geographical Areas

Sales

Millions of Yen				
2011				
<u>Japan</u>	<u>Asia</u>	<u>America and Europe</u>	<u>Other</u>	<u>Total</u>
¥202,713	¥43,943	¥9,327	¥3,493	¥259,476

Thousands of U.S. Dollars				
2011				
<u>Japan</u>	<u>Asia</u>	<u>America and Europe</u>	<u>Other</u>	<u>Total</u>
\$2,437,921	\$528,479	\$112,174	\$42,006	\$3,120,580

Note: Sales are classified in countries or regions based on the location of customers.

b. Information about Major Customers

<u>Name of Customers</u>	<u>Millions of Yen</u>	
	<u>Sales</u>	<u>2011 Related Segment Name</u>
Sumitomo Corporation	¥65,222	Aluminum Rolling Products Division, Copper Tubes Division, Aluminum and Copper Related Business Division

<u>Name of Customers</u>	<u>Thousands of U.S. Dollars</u>	
	<u>Sales</u>	<u>2011 Related Segment Name</u>
Sumitomo Corporation	\$784,392	Aluminum Rolling Products Division, Copper Tubes Division, Aluminum and Copper Related Business Division

c. Information of Amortized Cost and Unamortized Amount of Goodwill

The amortized cost and unamortized amount of negative goodwill which arose from the business combination made before March 31, 2010 has not been allocated to each reportable segment.

The amount of amortized cost and unamortized amount of negative goodwill which has not been allocated to each reportable segment is ¥196 million (\$2,357 thousand) and ¥482 million (\$5,797 thousand), respectively.

For the Year Ended March 31, 2010

The Company and subsidiaries operate in only one segment, which manufacture and sell rolled and fabricated non-ferrous metal (e.g., aluminum, copper, etc.). Accordingly, information about the industry segments of the Company and its subsidiaries is not disclosed.

Information about geographical segments and sales to foreign customers of the Company and subsidiaries for the year ended March 31, 2010 is as follows:

(1) Geographical Segments

The geographical segments of the Company and its subsidiaries for the year ended March 31, 2010 are summarized as follows:

	<u>Millions of Yen</u>				
	<u>2010</u>				<u>Consolidated</u>
	<u>Japan</u>	<u>Australia</u>	<u>Other</u>	<u>Eliminations/ Corporate</u>	
Sales to customers	¥214,956	¥ 4,306	¥14,269		¥233,531
Interarea transfer	<u>10,157</u>	<u>5,341</u>	<u>452</u>	<u>¥(15,950)</u>	
Total sales	225,113	9,647	14,721	(15,950)	233,531
Operating expenses	<u>219,482</u>	<u>10,409</u>	<u>14,536</u>	<u>(16,105)</u>	<u>228,322</u>
Operating income (loss)	<u>¥ 5,631</u>	<u>¥ (762)</u>	<u>¥ 185</u>	<u>¥ 155</u>	<u>¥ 5,209</u>
Total assets	<u>¥257,647</u>	<u>¥45,388</u>	<u>¥10,605</u>	<u>¥ (3,742)</u>	<u>¥309,898</u>

Sales are summarized by geographic area based on the countries where the subsidiaries are located.

(2) ***Sales to Foreign Customers***

Sales to foreign customers for the year ended March 31, 2010 amounted to ¥58,996 million.

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