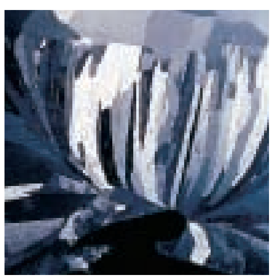
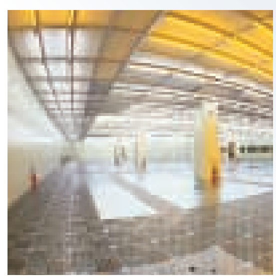
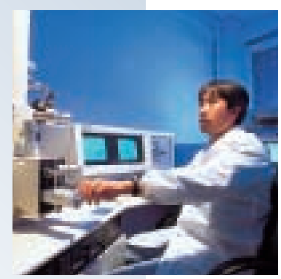
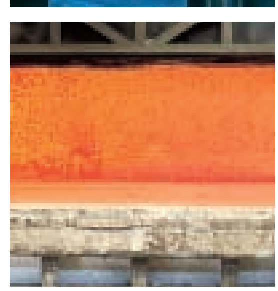
ANNUAL REPORT 2003
Year Ended March 31, 2003





NIPPON LIGHT METAL COMPANY, LTD.

Profile

Since its foundation in 1939, Nippon Light Metal Company, Ltd. has been constantly involved with aluminum. Today, Nippon Light Metal is Japan's sole fully integrated aluminum manufacturer with activities ranging from alumina smelting to fabrication of various products.

Nippon Light Metal comprises four business segments: Aluminum Ingot and Chemicals concerning the production of alumina and related chemicals and aluminum ingot; Aluminum Sheet and Extrusions involving the production of sheets and shapes; Fabricated Products and Others including the production of transportation-related products, electronic materials, foil and powder; and Building Materials covering the production of residential and office building materials. Through these segments, Nippon Light Metal is actively engaged in a wide range of fields such as automobiles and railroads, electric machinery and electronics, industrial products, construction, and living necessities.

The NLM Group—the preeminent source of products and services combining aluminum's excellent characteristics with new functionality and added value that cater to pressing customer needs—delivers customer satisfaction and contributes to environmental protection.

Contents

Cautionary Statement

This annual report contains various projections and estimates. Important factors that could alter these projections and estimates include changes in the balance of aluminum supply and demand, fluctuations in the price of aluminum ingot and foreign exchange rates, as well as shifts in Japanese government policies and regulations. The Company cautions, therefore, that the projections and estimates contained herein involve risk and uncertainty, and that actual results could differ materially from those expressed or implied.

On the Cover:

Top form left: "smelted aluminum" "crystal face of high-purity aluminum" "cleanroom" "etched circuit foil" "scene of analysis", *Middle:* "slab", *Bottom:* "melting furnace"

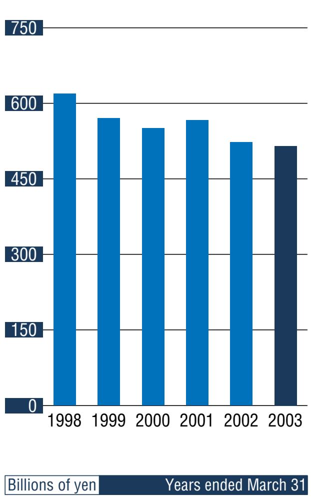
Consolidated Six-Year Summary

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

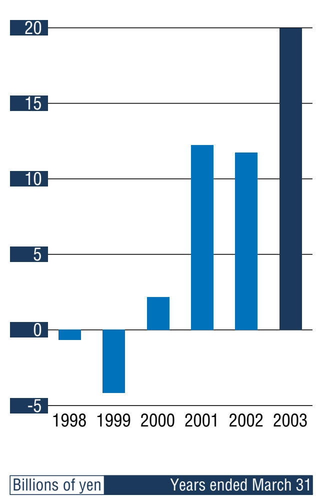
	Millions of yen						Thousands of U.S. dollars
	1998	1999	2000	2001	2002	**2003**	**2003**
For the year:							
Net sales	¥617,595	¥569,036	¥549,194	¥565,223	¥521,861	**¥514,042**	**$4,276,556**
Operating profit (loss)	(574)	(4,153)	2,150	12,205	11,723	**20,086**	**167,105**
Net income (loss)	(11,846)	(19,248)	(14,096)	(21,905)	1,518	**7,116**	**59,201**
At year-end:							
Total assets	716,753	640,989	605,346	600,373	564,287	**525,761**	**4,374,052**
Shareholders' equity	131,836	93,481	100,509	81,478	83,314	**89,346**	**743,311**
Short-term borrowings and long-term debt, including commercial paper	333,052	340,445	310,891	298,256	289,872	**254,759**	**2,119,459**
Per share data (yen and dollars):							
Net income (loss)	(¥ 22.07)	(¥ 40.98)	(¥ 31.01)	(¥ 41.22)	¥ 2.79	**¥ 13.34**	**$ 0.11**
Cash dividends	2.00	2.00	2.00	—	1.50	**2.00**	**0.02**
Shareholders' equity	245.59	232.18	198.45	149.96	153.36	**167.01**	**1.39**
Stock information (TSE) (yen and dollars):							
Stock price:							
High	¥ 480	¥ 199	¥ 199	¥ 116	¥ 147	**¥ 126**	**$ 1.05**
Low	133	112	66	69	59	**72**	**0.60**

Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥120.20 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

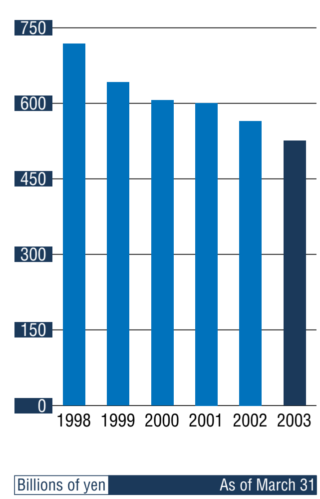
Net Sales



Operating Profit (Loss)



Total Assets



To Our Shareholders

Shigesato Sato *President and CEO*

I am pleased to report on the operating results for Nippon Light Metal Company, Ltd. (NLM) and its consolidated group companies for fiscal 2002, the year from April 1, 2002, to March 31, 2003, and explain the business issues facing the Group.

Operating Results

During the year under review, the aluminum industry saw total demand return to the four million ton level for the first time in two years, fueled by recovery in IT-related demand and increased automobile production volumes in Japan that offset a continuing slump in demand for building materials. Although the Japanese economy continued to show an underlying deflationary trend, and lackluster economic recovery in Japan and overseas brought an adverse business environment, initiatives to develop demand for products that take advantage of the characteristics of aluminum bore fruit.

In these economic circumstances, the NLM Group delivered improved business performance. On a consolidated basis, despite a decrease in net sales of 1.5% year on year to ¥514 billion owing to intensified competition in the deflationary environment and lower metal trading volumes, new product introductions and other sales expansion initiatives coupled with the implementation of groupwide cost cutting measures led to a ¥7.5 billion increase in ordinary profit to ¥12.3 billion. Despite reporting substantial special losses in connection with various streamlining measures, the Group posted a ¥5.6 billion increase in net income to ¥7.1 billion.

NLM declared a ¥0.5 per share increase in the dividend to ¥2.0. Management is aware that the dividend remains at an insufficient level and will continue to work to improve the operating results and meet the expectations of our shareholders.

Specifics of Improvements in Business Performance

The improved business performance during the year under review is proof that the Mid-Term Management Plan the Group formulated and began implementing in November 2001 is steadily delivering results. The plan is aimed at further strengthening strong operations and boldly implementing structural improvements in poorly performing operations to rapidly turn them into profitable businesses.

In fiscal 2002, earnings in the fabricated products category increased at the Group's strong operations during a time of recovery in IT-related demand and increased automobile production volumes in Japan. In the materials category, we increased sales of both aluminum alloy ingots and sheet products in the growing markets such as the automotive and electronics markets, contributing to the increase in earnings.

At the same time, we made great strides forward at problem operations. Rebuilding the Group's building materials operation is an urgent task, and Shin Nikkei Company, Ltd. has moved into profit (on a non-consolidated basis) for the first time in six years on the strength of root-and-branch cost cutting, management streamlining, and profit improvement efforts at its building materials operation.

Progress with Structural Reform

A review of structural reforms being implemented in line with the Mid-Term Management Plan indicates that, as described above, tremendous results are being achieved at Shin Nikkei. In the aluminum extrusion operation as well, during the first half of the year under review we disposed of two extrusion presses and related facilities, eliminating excess extrusion capacity and optimizing capacity for the Group as a whole.

As part of business rationalization measures, the Company spun off several operations and set them up as separate companies. On October 1, 2002, the Company spun off its aluminum extrusion and fabricated products operation as Nikkeikin Aluminum Core Technology Company, Ltd. and its panel systems operation as Nikkei Panel System Company, Ltd. At the same time, we combined the Toyo Aluminum's manufacturing and sales covering aluminum foil, powder, and paste operations in a single business unit by transferring the manufacturing unit from NLM to Toyo Aluminum K.K. The purpose of these moves was to create a business structure that enables each operation to compete more effectively in the marketplace, and the results are already reflected in business performance in fiscal 2002.

A typical example of how we are nurturing strong operations is the introduction of FLEXCAST technology, a continuous casting technology, which revolutionizes the aluminum sheet fabrication process.

A review of cash flows is useful in illustrating progress made with measures implemented to strengthen the Group's financial structure. An increase in cash flows from operating activities and the generation of own funds through the disposal of assets made possible a ¥36.5 billion reduction in interest-bearing debt, resulting in a balance of ¥258.8 billion at fiscal year-end. This has put the Group ahead of schedule for achieving the target of reducing interest-bearing debt to under ¥200 billion at the end of fiscal 2006, the final year of the Mid-Term Management Plan.

Outlook for Fiscal 2003

The current forecast for the coming year is for consolidated net sales of ¥510 billion and consolidated ordinary profit of ¥13 billion. Although management anticipates continuing uncertainty in the overall economic environment on account of deflation and concerns about a global economic slowdown, we intend to increase profitability and deliver higher profits by implementing various cost cutting measures and increasing sales of new products.

I look forward to the continuing support and understanding of our shareholders as we drive toward our goals.

June 2003

Shigesato Sato
President and CEO

President's Interview

Nippon Light Metal Group Today and Tomorrow

President Shigesato Sato answers questions about Nippon Light Metal Group's structural reforms and progress made with the Mid-Term Management Plan.

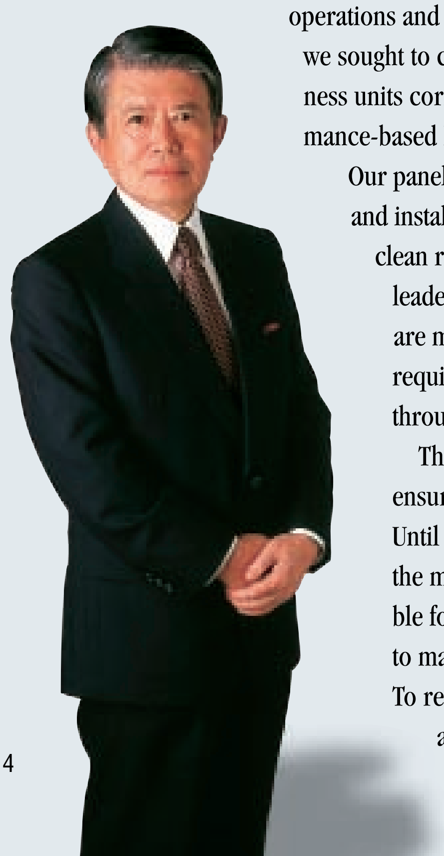
Q. The Mid-Term Management Plan was launched in fiscal 2002. Please describe the basic thinking behind the plan and the measures implemented during the year.

A. First of all, I'd like to briefly explain the contents of the Mid-Term Management Plan. The purpose of the plan is to make the NLM Group a cluster of highly profitable businesses. To realize that objective, I believed it was necessary to make strong businesses stronger, to implement structural reform in poorly performing businesses, to reduce overall costs, to develop new products, and to improve the Group's financial position. We have established action plans and numerical targets to ensure the implementation of these measures.

One important management measure implemented in fiscal 2002 in keeping with these principles was to spin off the aluminum extrusion and fabricated products operation, the panel systems operation, and the Toyo Aluminum's aluminum foil, powder, and paste operations into subsidiaries. The thinking behind all three corporate separations was that creating a structure that enables each operation to compete more effectively in the marketplace, could be better achieved if they were repositioned as independent entities instead of remaining part of NLM, the parent company. As a result, they will be able to take advantage of their distinctive characteristics and fully demonstrate their earning potential.

Q. What will change due to the corporate separations?

A. I'll explain the plan for each operation. With regard to the aluminum extrusion and fabricated products operation, in the stage prior to the spin off we disposed of two extrusion presses and related facilities, resized the workforce, and reduced total costs. We then combined the extrusion and fabricated products operations and established Nikkeikin Aluminum Core Technology Company, Ltd. At that time, we sought to change the corporate culture through such means as the operation of business units corresponding to specific market sectors and the introduction of a performance-based human resources system.



Our panel systems operation is a business that engages in the design, manufacture, sale, and installation of panels for commercial freezers and refrigerators and panels for clean rooms. Although we already have secured a solid position as the industry leader in this business, I thought that to prevail in competition against rivals that are medium-sized enterprises we had to change to an organization adapted to the requirements of the market. For this reason, we decided to operate this business through specialist company Nikkei Panel System Company, Ltd.

The primary objective in spinning off the Toyo Aluminum operation was to ensure efficient operation of the business by combining manufacturing and sales. Until the time of the corporate separation, the business was structured such that the manufacturing unit was a part of NLM and Toyo Aluminum K.K. was responsible for sales and product development. Over the years, this operation has brought to market a succession of advanced aluminum foil, powder and paste materials. To reinforce this strength, we combined product development, manufacturing and sales in a single organization that responds to customer needs.

Q. **What progress has been made with the first of the five action plans: improving Shin Nikkei Company, Ltd.?**

A. The three key points concerning the improvements Shin Nikkei is currently implementing are thoroughgoing cost cutting, increasing customer satisfaction, and enhancement of product competitiveness.

First, let's look at cost reductions. Shin Nikkei's annual sales are about ¥150 billion, and its purchases and outsourcing costs are the highest in the Group. In such circumstances, it is normal business practice to seek to implement sweeping cost cutting. That prompted us to launch the V Project consisting of various cost cutting programs. The results of those programs have without question propped up Shin Nikkei's business performance.

Next, we changed the organization to combine manufacturing and sales into a single business unit. We had previously introduced the business unit operating structure, but the commercial building materials, housing materials, and exterior materials business units were responsible only for sales, and the manufacturing unit was under separate management. While greater efficiency is one aim of the organizational reform, the most important target is enhancement of customer satisfaction. In the market we are engaged in an all-out battle involving product function, quality, delivery time, and cost. I thought that it is precisely the operational and organizational capabilities attained through alignment of development, production, and sales that make it possible to strengthen front-line selling power and enhance customer satisfaction.

I think the importance of product competitiveness goes without saying. In our building materials operation we must compete against numerous rivals. In this business what is important is to introduce highly competitive new products in a timely manner and earn the satisfaction of more customers than the competitors. In product development, Shin Nikkei has advanced technological capabilities in the area of building materials, and we will also take advantage of the technical resources of the Group as a whole. We will utilize these capabilities to create and introduce into the market products that will deliver customer satisfaction.

During the year under review Shin Nikkei moved into profit on a non-consolidated basis for the first time in six years. Although by no means at a satisfactory level, the profits are proof that steady improvement is being made at Shin Nikkei.

Q. **Are the action plans Making Strong Businesses Stronger and Developing Strong Businesses—Creating New Products and Businesses progressing satisfactorily?**

A. Yes, they are. Let's consider areas other than the previously discussed Toyo Aluminum and Nikkei Panel Systems initiatives. In the materials category, the Group is establishing solid positions in the industries in which we are active for the alumina and chemical products operation and the aluminum alloy operation. In the processed products category, we are building strong positions for the van and truck outfitting operation of Nippon Fruehauf Company, Ltd. and the operation of anodized aluminum foil for electrolytic capacitors.

With regard to investments for business expansion, the Group decided to introduce FLEXCASTER, a continuous caster, to produce aluminum sheet product. FLEXCASTER is an innovative technology NLM jointly developed with Alcan International of Canada for more than a decade. This strategic investment enables NLM's aluminum sheet business to enter new market segments, particularly that for automotive applications, which is expected to grow in coming years. This technology also makes it possible to make distinctive products for markets other than the automotive sector. This caster is world-class, technologically superior equipment, and I expect it to become a pillar to support future growth.

Q. What is the situation with organizational initiatives and specific results in the areas of new product development and new business creation?

A. Since 1999 the NLM Group has engaged in lateral activities that enable business operation that cuts across divisional or company boundaries and makes the market the central point of focus. To make these activities organizational initiatives, in April 2001 we established the Strategic Committee for Product Commercialization and Business Development. The purpose of this organization is to integrate the intellectual assets and information collected at various locations in the Group and to develop and commercialize "market-in products" (products to be developed through close and deep involvement in the market), an area in which the Group had been deficient. The lateral activities are currently divided into several project teams: the Automotive Group, the Rail & Road Group, the Architectural Structure Group, and the Electrical & Electronics Group.

In the automotive sector, commercialization of products, mainly suspensions and other underbody products, is progressing. Some products have already been incorporated in automobiles. Regarding aluminum building construction materials, a sector in which we have pioneered the introduction of new products in line with revisions to the law, we have received numerous inquiries about aluminum interior stairways. This product does not involve mere substitution of materials, but utilizes the truss method to realize excellent design characteristics and open interior space. In fiscal 2003 and beyond, we plan to step up the pace and aggressively introduce new products onto the market based on the management policy of "No profit increase without new products."

Five Action Plans

1) Revitalizing Revitalize the Building Materials Products Business (Shin Nikkei)
2) Improving Improve the Structure of the Extrusion Business
3) Reducing Reduce Overall Costs
4) Making Make Strong Businesses Stronger
5) Developing Develop Strong Businesses (Creating New Products and Businesses)

Consolidated Financial Targets for Fiscal 2006

Net sales: ¥590 billion
Operating profit: ¥32 billion
Ordinary profit: ¥23 billion
ROCE (Return on capital employed): Greater than 8%
Interest-bearing debt: ¥200 billion (a reduction of ¥100 billion from September 30, 2001

The Introduction of FLEXCAST Continuous Caster

NLM Enters the Market for Automotive Materials

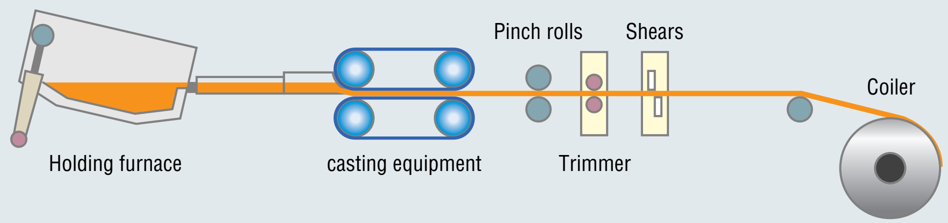
To enter new market segments, primarily that for automotive applications, NLM has decided to introduce a FLEXCASTER continuous casting line the Kambara Complex, Shizuoka prefecture. Capital investment for the project amounts to ¥3 billion.

FLEXCASTER, a technology jointly developed by NLM and Alcan International of Canada, is an extension of Alcan's patented technology. This technology will enable NLM to produce high-quality sheet with excellent characteristics and, moreover, lead to drastic energy saving in the sheet fabrication process. FLEXCASTER is also adaptable for aluminum alloys with high magnesium and high iron content, an application no other continuous casting technology can emulate. NLM will be the only company in the world to possess this groundbreaking aluminum fabrication technology.

FLEXCASTER produces aluminum slab in coil form by pouring molten metal through a gap between two metallic belts. After casting, the coil will be transported to NLM's Nagoya Works for cold mill operation to roll it down to the final gauge and then shipped to NLM's customers.

This project is expected to raise the sales volume of sheet produced at Nagoya Works to 10,000 tons per month in fiscal 2006. Installation of the equipment began in July 2003. Production is scheduled to start in July 2004 by Nikkei Techno Cast Company, Ltd., a wholly owned subsidiary of NLM.

It is forecast that the consumption of aluminum per car will increase in coming years. For this to happen, the aluminum industry will need to find new applications for sheet and extrusion products, particularly for flat sheet. Since issuing a press release on FLEXCASTER in March 2003, NLM has received numerous inquiries. All the indications are that business is poised for expansion.

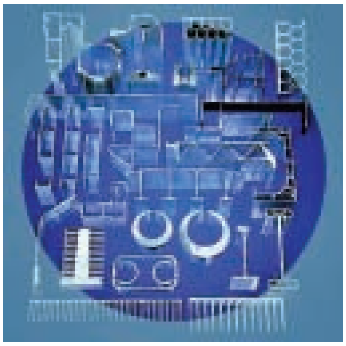


Aluminum Ingot and Chemicals

Shipments of many items of Alumina and Chemicals Operations were firm: demand for general-purpose products such as alumina and aluminum hydroxide for flame retardants was particularly robust, and volumes of low-soda alumina used as a base material for electro-ceramics and white aluminum hydroxide used in artificial marble were also favorable. Nevertheless, intensified competition brought sharp declines in selling prices, and sales declined. Sales of chemicals decreased. Although shipments of fluoride increased, demand for coagulants and soda chloride used in the paper industry and at water treatment plants fell. Sales of organochloride also fell year on year affected by imports in the agricultural chemicals, pharmaceuticals and resins sectors as well as fire at the dichlorobenzene plant. As a result, sales of alumina and chemicals operations declined 7.0% year on year to ¥25.6 billion. In fiscal 2002, a sudden jump in prices of heavy oil, the principal fuel of these operations, caused a marked increase in production costs. Despite all-out implementation of cost cutting measures by means of improvements in transport and distribution and in productivity, the higher fuel costs greatly reduced profitability. In Aluminum and Aluminum Alloy Operations, strong exports of automobiles to North America fueled an increase in shipments to the mainstay automotive sector. However, shipments to Southeast Asia fell sharply due to the disposition of joint venture businesses in Thailand and Malaysia. Consequently, sales fell 2.4% year on year to ¥55.9 billion.

As a result of these developments, sales in the Aluminum Ingot and Chemicals Segment declined 3.9% year on year to ¥81.5 billion, and operating profit fell 11.5% to ¥4.9 billion.

Aluminum Sheet and Extrusions



In Aluminum Sheet Operations, a falloff in shipments of printing plates was offset by a recovery in demand from IT-related industries that fueled strong shipments of aluminum foil stock for capacitors and aluminum plate for liquid crystal manufacturing equipment and a sharp year-on-year increase in sales in the transport sector due to heightened needs for light-weight materials. As a result, sales of aluminum sheets increased.

In Aluminum Extrusion Operations, slumping demand led to lower sales of building materials, the largest source of demand. However, a recovery in IT-related demand brought an increase in shipments of pipe stock. This, coupled with efforts to increase sales of highly processed truck and automobile components, led to an increase in sales.

As a result, sales in the Aluminum Sheet and Extrusions Segment rose 7.6% year on year to ¥58.4 billion. Profitability also improved, and an operating profit of ¥1.0 billion was posted.

Fabricated Products and Others

In Aluminum Foil, Aluminum Powder and Paste Operations, a recovery in demand from IT-related industries during the first quarter brought about a sharp increase in sales of high-purity aluminum foil for capacitors, and volumes of general-purpose foil also developed favorably centering on applications for food products. Shipments of aluminum paste for automobile paints rose owing to increased demand for metallic colors and higher sales of new colors, contributing to a sales increase of aluminum powder and paste.

In Transportation-Related Operations, sales from the van and trailer equipping business increased year on year, benefiting from a recovery in the number of medium-duty truck registrations from the second half onward due to diesel engine exhaust regulations in Tokyo and the three surrounding prefectures. Sales of automobile-related components rose year on year, supported by buoyant shipments of air conditioner capacitors (Parallel from condensers with integrated receivers) due to strong sales of compact cars. In the shaped parts business, although focused effort to acquire new orders led to an increase in sales of automotive products, shipments of mainstay brake calipers and scroll compressors for air conditioners slumped and sales fell slightly from the prior-year level. Nevertheless, higher shipments of highly profitable parts for two-wheeled vehicles and reductions in fixed costs resulted in a sharp improvement in profits.

Regarding Electronic Materials Operations, anodized aluminum foil for electrolytic capacitors is used as a principal material in aluminum electrolytic capacitors, a multipurpose component in electronics products. NLM manufactures anodized aluminum foil at the Kambara Complex, which is equipped with hydroelectric power generation facilities. During fiscal 2002, the product demand staged a rapid recovery as a result of the completion of the large-scale inventory adjustment in the IT-related sector in the previous year that, coupled with aggressive customer satisfaction enhancement activities such as greater ability to meet delivery date requirements, led to a sharp increase in sales year on year.

Sales of Panel Systems Operations fell. Although sales of panels for commercial freezers and refrigerators for convenience stores developed favorably, a decline in capital investment propensity among users in a deflationary recession brought lower overall shipments to other sectors. Also, continued lackluster demand coupled with the effect of overseas relocation on the part of some users brought a sharp year-on-year decrease in sales of clean rooms.

Regarding other fabricated products and related businesses, sales of containers (aluminum mini-kegs for beer) increased year on year despite harsh business conditions occasioned by the continuing increase in the sales ratio of low-malt beer. During fiscal 2002 NLM introduced into the market a new product that takes advantage of proprietary technologies it nurtured over the years as the pioneer of aluminum mini-kegs for beer for people who want to drink genuine draft beer at home. The beer mini-keg and dedicated server for *Kirin Tarunama System* an innovative product that features a beer extraction and head formation structure comparable to that of servers for commercial use. The introduction of this product contributed greatly to the increase in container sales.

Overall sales decreased in the temporary construction and industrial materials category. Amid a continuing slump in demand from the railway car and truck transport sector, our marketing activities that responded to the social need for low-weight materials to promote increased fuel efficiency bore fruit and we achieved sales at the same level as the year before. However, slumping demand in the civil engineering and construction sector brought lower sales.

Sales of other products were sluggish overall owing to price deterioration amid the business recession and deflationary trend.

As a result of these factors, sales in the Fabricated Products and Others Segment fell 1.7% year on year to ¥204.2 billion. Operating profit decreased by 16.2% year on year to ¥11.1 billion.

Building Materials

In the Building Materials Segment, although new starts of rental housing increased during fiscal 2002, starts of owner-occupied homes and condominiums declined. Housing starts were below 1.15 million, down 2.4% at 1.146 million, the third consecutive year of decline. In this operating environment, we bolstered our "market-in" business framework that combines manufacture and sales and implemented cost reduction measures. Cost cutting was achieved by means of savings in the areas of purchasing and physical distribution and through quality improvements. At the same time, in the housing construction materials sector we worked to increase sales of differentiated products with competitive advantage. In the commercial building construction materials sector we implemented measures to boost profitability, such as aggressively engaging in profit-oriented sales activities.

The impact of lower sales volumes and selling price deterioration in connection with slumping demand resulted in a 3.0% decrease year on year in sales in the building materials segment to ¥170.0 billion. We achieved a dramatic improvement in operating profit, which increased 17.9 times over the prior-year level to ¥5.9 billion.

Overview

During the first half of fiscal 2002, the year ended March 31, 2003, the Japanese economy exhibited a modest recovery led by foreign demand thanks to robust exports to the United States and Asia. However, in the second half, the economic outlook became increasingly uncertain due to weak stock prices in Japan, concern about the slowing U.S. economy and the rising tension over Iraq.

For the aluminum industry, although the business environment remained challenging in the construction-related and certain other fields, total demand surpassed the level of the previous fiscal year, because greater use of aluminum in automotive and other transport-related fields together with a sharp recovery in IT-related demand pushed shipments higher.

Earnings and Expenses

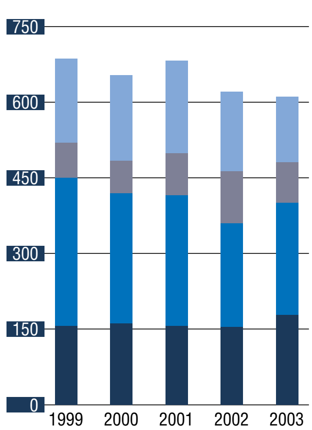
In these circumstances, consolidated net sales of the NLM Group were ¥514.0 billion ($4,277million), having decreased 1.5% or ¥7.8 billion from the previous fiscal year, reflecting a decline in selling prices due to deflationary pressure and lower volumes. Please refer to the Review of Operations (Pages 8 and 9) for an overview of the results of operations.

The cost of sales decreased 2.1% or ¥8.7 billion from the previous fiscal year to ¥410.4 billion ($3,415 million), and the cost of sales ratio decreased 0.5 percentage points to 79.8%. Cutting of overall costs, including logistics costs and labor costs, led to a 8.2% or ¥7.4 billion decline in selling, general and administrative expenses to ¥83.5 billion ($695 million). As a result, operating profit surged 71.3% or ¥8.4 billion from the previous fiscal year to ¥20.1 billion ($167 million).

Non-operating income increased 7.1% or ¥591 million to ¥8.9 billion ($74 million). Non-operating expenses rose 9.4% or ¥1.4 billion to ¥16.7 billion ($139 million) due to a ¥1.0 billion increase in the loss on disposal of inventories.

As a result, ordinary profit jumped 156.5% or ¥7.5 billion from the previous fiscal year to ¥12.3 billion ($103 million). The Company reported a gain on sale of fixed assets amounting to ¥2.3 billion ($19 million), due to sale of the former Osaka Plant site, as a special gain. On the other hand, special losses amounted to ¥8.0 billion ($66 million), having increased by ¥7.5 billion from ¥463 million recorded in the previous fiscal year. Special losses included additional retirement allowance for early retirement program amounting to ¥3.4 billion, as well as a ¥2.2 billion loss on disposal of fixed assets, a ¥2.0 billion loss on

Net Sales By Segment

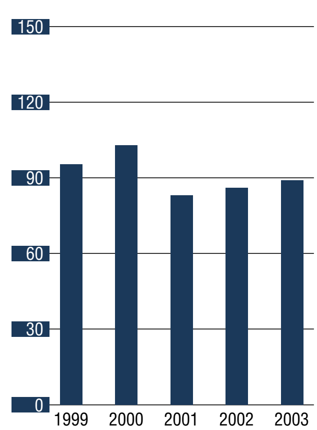


*including intersegment transactions

Billions of yen | Years ended March 31

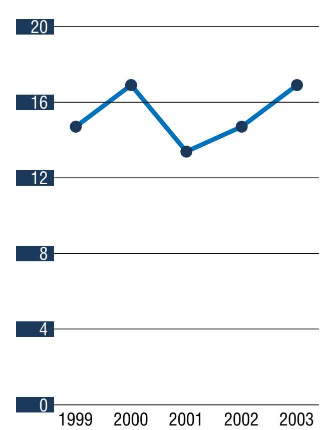
- *Aluminum Ingot and Chemicals*
- *Aluminum Sheet and Extrusions*
- *Fabricated Products and Others*
- *Building Materials*

Total Shareholders' Equity



Billions of yen | As of March 31

Equity Ratio



% | As of March 31

devaluation of investment securities, and a ¥0.5 billion prior year severance costs for directors and statutory auditors.

The total amount of current and deferred income taxes decreased by ¥4.9 billion from the previous fiscal year. This decrease was the result of lower income tax payments in line with adoption of the Japanese consolidated taxation system and increased deferred tax assets as a result of calculation of lump-sum taxes for all the companies subject to consolidated taxation. Consequently, consolidated net income soared 368.8% or ¥5.6 billion ($47 million) from the previous fiscal year to ¥7.1 billion ($59 million). The average number of shares outstanding during the fiscal year decreased from 543,320,940 shares in fiscal 2001 to 530,380,188 shares in fiscal 2002. As a result, net income per share of common stock was ¥13.34 ($0.11), having increased 378.1% or ¥10.55 from the previous fiscal year. Payment of cash dividends of ¥2.0 per share of common stock, ¥0.5 higher than for the previous fiscal year, was approved by resolution of the general meeting of shareholders of the Company held on June 27, 2003.

Assets, Liabilities and Shareholders' Equity

Total assets were ¥525.8 billion ($4,374 million), 6.8% or ¥38.5 billion less than at the end of the previous fiscal year. The decline were mainly attributable to the fact that the last day of the previous fiscal year fell on a holiday, which was not so in the case of the fiscal year under review, and to disposal of two extrusion presses and related facilities at Kambara Complex.

Total liabilities were ¥433.3 billion ($3,604 million), 9.1% or ¥43.3 billion less than at the end of the previous fiscal year. This decrease was also attributable to the fact that the last day of the previous fiscal year fell on a holiday as mentioned above, and to a decrease in corporate bonds due to redemption. As a result, interest-bearing debt decreased 12.1% or ¥35.1billion to ¥254.8 billion ($2,119 million).

Minority interest in consolidated subsidiaries was ¥3.2 billion ($26 million), 27.8% or ¥1.2 billion lower than at the end of the previous fiscal year. Shareholders' equity rose 7.2% or ¥6.0 billion ($50 million) to ¥89.3 billion ($743 million). This rise was due to an increase in retained earnings because the Company recorded net income. Shareholders' equity per share of common stock amounted to ¥167.01 ($1.39), up ¥13.65 from the end of the previous fiscal year. The equity ratio was 17.0%, an improvement of 2.2 percentage points.

Cash Flows

Cash and cash equivalents at the end of the fiscal year were ¥44.7 billion ($371 million), down 6.2% or ¥2.9 billion from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥33.5 billion ($279 million), having increased by 25.6% or ¥6.8 billion. Cash flows from investing activities experienced a turnaround from the outflow in the previous fiscal year to an inflow, and net cash provided by investing activities totaled ¥224 million, compared with net cash used for investing activities amounting to ¥12.3 billion in the previous fiscal year. This upturn was attributable to reporting of proceeds from sale of fixed assets and from liquidation of an affiliated company. Net cash used for financing activities amounted to ¥36.5 billion ($304 million). This figure is 287.7% or ¥27.1 billion greater than the figure for the previous fiscal year. This was due to the fact that there was a positive net balance of ¥16.2 billion between the proceeds from long-term debt and payments of long-term debt as well as redemption of corporate bonds amounting to ¥47.0 billion.

Prospects for Fiscal 2003

Adhering to our management policy of "No profit increase without new products," we are accelerating the introduction of new product and the development of new businesses intended to become the driving force for sustainable growth. We intend to pursue growth by bringing all our resources into full play. For fiscal 2003, on a consolidated basis we forecast net sales of ¥510.0 billion, ordinary profit of ¥13.0 billion and net income of ¥9.0 billion. Net income per share of common stock is expected to be ¥16.83. We plan to pay out year-end cash dividends of ¥2.5 per share of common stock, ¥0.5 higher than for fiscal 2002.

Consolidated Balance Sheets

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
As of March 31, 2002 and 2003

ASSETS	Millions of yen 2002	Millions of yen 2003	Thousands of U.S. dollars (Note 2) 2003
Current assets:			
Cash and deposits (Notes 3 and 6)	¥ 48,755	¥ 45,227	$ 376,265
Notes and accounts receivable—trade (Notes 6 and 14)	172,598	157,189	1,307,729
Inventories (Note 4)	73,381	68,027	565,948
Deferred income taxes (Note 8)	4,324	5,472	45,524
Other current assets (Note 3)	10,644	13,653	113,586
Allowance for doubtful accounts	(3,889)	(2,485)	(20,674)
Total current assets	305,813	287,083	2,388,378
Fixed assets:			
Property, plant and equipment (Note 6)—			
Buildings and structures	136,737	134,158	1,116,123
Machinery and equipment	302,900	271,071	2,255,166
Land	64,784	66,101	549,925
Construction-in-progress	2,800	3,082	25,641
Accumulated depreciation	(310,540)	(289,906)	(2,411,863)
	196,681	184,506	1,534,992
Intangible fixed assets	3,941	4,414	36,722
Investments and other assets:			
Investment securities (Notes 5 and 6)	38,515	32,153	267,496
Deferred income taxes (Note 8)	8,237	9,495	78,993
Other assets	19,143	12,782	106,339
Allowance for doubtful accounts	(8,043)	(4,672)	(38,868)
	57,852	49,758	413,960
Total fixed assets	258,474	238,678	1,985,674
Total assets	¥ 564,287	¥ 525,761	$4,374,052

The accompanying notes are an integral part of these statements.

LIABILITIES, MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2003	2003
Current liabilities:			
Short-term borrowings (Note 6)	¥103,630	¥ 99,403	$ 826,980
Current portion of long-term debt (Note 6)	75,677	48,714	405,274
Notes and accounts payable—trade	112,569	97,953	814,917
Other current liabilities (Note 8)	42,856	48,567	404,052
Total current liabilities	334,732	294,637	2,451,223
Long-term liabilities:			
Long-term debt (Note 6)	110,565	106,642	887,205
Accrued pension and severance costs—			
for Employees (Note 7)	20,042	23,897	198,810
for Directors and statutory auditors	—	1,444	12,013
Negative goodwill	5,240	1,314	10,932
Other long-term liabilities (Note 8)	6,023	5,326	44,310
Total long-term liabilities	141,870	138,623	1,153,270
Minority interest in consolidated subsidiaries	4,371	3,155	26,248
Shareholders' equity:			
Common stock—			
Authorized: 1,600,000,000 shares			
Issued: 543,350,370 shares	39,085	39,085	325,166
Additional paid-in capital	24,569	24,680	205,325
Retained earnings (Note 9)	19,428	25,697	213,785
Revaluation surplus (Note 10)	493	510	4,243
Net unrealized gains on securities	324	743	6,181
Foreign currency translation adjustment	(578)	(505)	(4,201)
Treasury stock, at cost			
(82,000 shares in 2002 and 8,621,823 shares in 2003)	(7)	(864)	(7,188)
Total shareholders' equity	83,314	89,346	743,311
Contingent liabilities (Note 14)			
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	¥564,287	¥525,761	$4,374,052

Consolidated Statements of Income

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
For the years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2003	2003
Net sales	¥ 521,861	¥514,042	$4,276,556
Cost of sales (Note 13)	419,189	410,449	3,414,717
Gross profit	102,672	103,593	861,839
Selling, general and administrative expenses (Note 13)	90,949	83,507	694,734
Operating profit	11,723	20,086	167,105
Non-operating income:			
Interest income	156	122	1,015
Amortization of negative goodwill	3,926	4,386	36,489
Equity in earnings of affiliated companies	—	987	8,211
Other	4,243	3,421	28,461
Total non-operating income	8,325	8,916	74,176
Non-operating expenses:			
Interest expense	6,257	6,157	51,223
Equity in losses of affiliated companies	141	—	—
Amortization of transition obligation for employees retirement benefits (Note 7)	2,797	2,187	18,195
Loss on disposal of inventories	—	1,706	14,193
Other	6,048	6,627	55,133
Total non-operating expenses	15,243	16,677	138,744
Ordinary profit	4,805	12,325	102,537
Special gains:			
Gain on sale of fixed assets	924	2,287	19,027
Gain on sale of investment securities	810	—	—
Total special gains	1,734	2,287	19,027
Special losses:			
Additional retirement allowance for early retirement program (Note 7)	—	3,364	27,987
Loss on disposal of fixed assets	—	2,158	17,953
Loss on devaluation of investment securities	463	1,966	16,356
Prior year severance costs for directors and statutory auditors	—	482	4,010
Total special losses	463	7,970	66,306
Income before income taxes and minority interest	6,076	6,642	55,258
Income taxes (Note 8)—current	2,916	2,350	19,551
—deferred	1,163	(3,140)	(26,123)
	4,079	(790)	(6,572)
Minority interest in income of consolidated subsidiaries	479	316	2,629
Net income	¥ 1,518	¥ 7,116	$ 59,201

	Yen		U.S. dollars (Note 2)
Per share of common stock:			
Net income	¥ 2.79	¥ 13.34	$ 0.11
Cash dividends	¥ 1.50	¥ 2.00	$ 0.02

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
For the years ended March 31, 2002 and 2003

	Number of shares issued	Millions of yen						
		Common stock	Additional paid-in capital	Retained earnings	Revaluation surplus	Net unrealized gains on securities	Foreign currency translation adjustment	Treasury stock
Balance at March 31, 2001:	543,350,370	¥39,085	¥32,300	¥10,032	¥493	¥ —	(¥432)	(¥ 0)
Net income				1,518				
Directors' and statutory auditors' bonuses				(42)				
Transfer from additional paid-in capital to retained earnings			(7,731)	7,731				
Inclusion in consolidation of unconsolidated subsidiaries				189				
Net unrealized gains on securities (Note 5)						324		
Foreign currency translation adjustment							(146)	
Net increase in treasury stock								(7)
Balance at March 31, 2002:	543,350,370	39,085	24,569	19,428	493	324	(578)	(7)
Net income				7,116				
Cash dividends				(815)				
Directors' and statutory auditors' bonuses				(29)				
Equity on revaluation gain for land of an affiliated company				(3)	17			
Net unrealized gains on securities (Note 5)						419		
Foreign currency translation adjustment							73	
Net increase in treasury stock								(857)
Gain on sale of treasury stock			111					
Balance at March 31, 2003	**543,350,370**	**¥39,085**	**¥24,680**	**¥25,697**	**¥510**	**¥743**	**(¥505)**	**(¥864)**

	Number of shares issued	Thousands of U.S. dollars (Note 2)						
		Common stock	Additional paid-in capital	Retained earnings	Revaluation surplus	Net unrealized gains on securities	Foreign currency translation adjustment	Treasury stock
Balance at March 31, 2002:	543,350,370	$325,166	$204,401	$161,630	$4,102	$2,695	($4,808)	($ 58)
Net income				59,201				
Cash dividends				(6,780)				
Directors' and statutory auditors' bonuses				(241)				
Equity on revaluation gain for land of an affiliated company				(25)	141			
Net unrealized gains on securities (Note 5)						3,486		
Foreign currency translation adjustment							607	
Net increase in treasury stock								(7,130)
Gain on sale of treasury stock			924					
Balance at March 31, 2003	**543,350,370**	**$325,166**	**$205,325**	**$213,785**	**$4,243**	**$6,181**	**($4,201)**	**($7,188)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
For the years ended March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2003	2003
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 6,076	¥ 6,642	$ 55,258
Depreciation and amortization	18,542	17,128	142,496
Amortization of negative goodwill	(3,926)	(4,386)	(36,489)
Loss on disposal of fixed assets	—	2,158	17,953
Gain on sale of fixed assets, net	(924)	(2,287)	(19,027)
Gain on sale of investment securities	(810)	—	—
Loss on devaluation of investment securities	463	1,966	16,356
Increase in accrued pension and severance costs	1,376	3,919	32,604
Interest and dividend income	(462)	(347)	(2,887)
Interest expense	6,257	6,157	51,223
Equity in (earnings) losses of affiliated companies	141	(987)	(8,211)
Decrease in notes and accounts receivable—trade	24,811	21,517	179,010
Decrease in inventories	4,842	5,318	44,243
Decrease in notes and accounts payable—trade	(22,479)	(14,050)	(116,889)
Other	1,454	(617)	(5,133)
Sub total	35,361	42,131	350,507
Interest and dividend income received	661	892	7,421
Interest paid	(6,389)	(6,274)	(52,196)
Income taxes paid	(2,948)	(3,242)	(26,972)
Net cash provided by operating activities	26,685	33,507	278,760
Cash flows from investing activities:			
Decrease in time deposits	8	389	3,236
Payments for purchase of investment securities	(611)	(2,156)	(17,937)
Proceeds from redemption of investment securities	—	2,002	16,656
Proceeds from sale of investment securities	2,977	232	1,930
Payments for purchase of fixed assets	(15,235)	(12,577)	(104,634)
Proceeds from sale of fixed assets	1,259	9,526	79,251
(Increase) decrease in long-term loans receivable	(289)	201	1,672
Payments for purchase of securities of consolidated subsidiaries	—	(1,187)	(9,875)
Proceeds from liquidation of an affiliated company	—	2,887	24,019
Proceeds from capital reduction of affiliated companies	—	1,189	9,892
Other	(359)	(282)	(2,346)
Net cash provided by (used for) investing activities	(12,250)	224	1,864
Cash flows from financing activities:			
Decrease in short-term borrowings	(2,724)	(4,214)	(35,058)
Proceeds from long-term debt	41,678	49,490	411,730
Payments of long-term debt	(47,575)	(80,310)	(668,136)
Proceeds from sale of treasury stock	15	—	—
Cash dividends paid by the Company	(2)	(813)	(6,764)
Cash dividends paid to minority interest	(395)	(471)	(3,919)
Other	(413)	(186)	(1,547)
Net cash used for financing activities	(9,416)	(36,504)	(303,694)
Effect of exchange rate changes on cash and cash equivalents	156	(170)	(1,414)
Net increase (decrease) in cash and cash equivalents	5,175	(2,943)	(24,484)
Cash and cash equivalents at beginning of year	41,683	47,594	395,957
Cash and cash equivalents of newly consolidated subsidiaries	736	—	—
Cash and cash equivalents at end of year (Note 3)	¥47,594	¥ 44,651	$ 371,473

The accompanying notes are an integral part of these statements.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presenting financial statements —

The accompanying consolidated financial statements of Nippon Light Metal Company, Ltd. (''the Company'') and its consolidated subsidiaries (together ''the Companies'') are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards. The notes to the consolidated financial statements include financial information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. In addition, the consolidated statements of shareholders' equity are not required in Japan, but are presented herein as additional information. The accompanying consolidated financial statements include certain reclassifications and modifications for the purpose of presenting them in a form more familiar to readers outside Japan.

(b) Consolidation and investments in affiliated companies —

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

Investments in significant companies where the Company has significant influence over management are stated at cost plus the Company's share of undistributed earnings.

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

Negative goodwill, recognized on the integration of a subsidiary company, Shin Nikkei Company, Ltd. for the year ended March 31, 2001, is being amortized on a straight-line basis over a 3-year period.

(c) Translation of foreign currencies —

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

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. The resulting translation adjustments are accounted for as a component of ''Shareholders' equity'', except for the minority interest portion which is allocated to ''Minority interest in consolidated subsidiaries''.

(d) Cash and cash equivalents —

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

(e) Inventories —

Inventories are principally stated at cost, determined by the moving-average method, except for costs related to construction-type-contracts which are specifically identified.

(f) Financial Instruments —

i) Derivatives:

All derivatives are stated at fair value with changes in fair value being included in the net profit or loss of the year in which they arise, except for derivatives designated as hedging instruments (see iii) Hedge accounting).

ii) Securities:

Securities held by the Companies are classified into 'Held-to-maturity debt securities', 'Investments in equity securities issued by unconsolidated subsidiaries and affiliates' and 'Other securities'.

'Held-to-maturity debt securities', that the Companies intend to hold to maturity are stated at cost, after accounting for any premium or discount on acquisition which is amortized over the period to maturity.

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

'Other securities' for which market quotations are available are stated at fair value as of the end of the year with net unrealized gains or losses being included as a separate component of shareholders' equity, net of related taxes. Realized gains and losses on sales are determined using the average cost method and are included in the net profit or loss for the period.

‘Other securities’ for which market quotations are not available are stated at cost, except as stated in the paragraph below.

In cases where the fair value of ‘Held-to-maturity debt securities’, ‘Investments in equity securities issued by unconsolidated subsidiaries and affiliates’ or ‘Other securities’ has declined significantly and such impairment of value is not temporary, such securities are written-down to fair value and the resulting losses are included in the net profit or loss for the period.

iii) Hedge accounting:

The Companies use derivatives to reduce the Companies’ exposure to the risk of fluctuations in foreign exchange rates, interest rates, and the price of aluminum ingot in the market. Derivatives designated as hedging instruments by the Companies are principally forward exchange contracts, interest rate swap contracts and aluminum ingot forward contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans, debt securities issued by the Companies, and sales or purchases of aluminum ingot. Thus, the Companies’ purchases of hedging instruments are limited to, at maximum, the amounts of the hedged items.

Gains or losses arising from changes in the fair value of the derivatives designated as ‘hedging instruments’ are deferred as an asset or liability and included in net profit or loss in the same period in which the gains and losses on the hedged items or transactions are recognized. The Companies use interest rate swaps to hedge their interest rate risk exposure. The related interest differentials paid or received under the interest rate swap agreements are recognized over the terms of the agreements in interest expense.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(g) Allowance for doubtful accounts —

The allowance for doubtful accounts is estimated by applying the average percentage of actual bad debts in the past to the balance of receivables. In addition, an amount deemed necessary to cover non-collectable receivables is provided on an individual account basis.

(h) Property, plant and equipment and depreciation —

Property, plant and equipment are stated at cost. Depreciation is computed principally using the straight-line method at rates based on the estimated useful lives of the respective assets.

(i) Accrued pension and severance costs —

“Accrued pension and severance costs for employees” represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, except for the unrecognized transition amount and unrecognized actuarial differences. The unrecognized transition amount is being amortized on a straight-line basis over 12 years and the unrecognized actuarial differences are being amortized on a declining-balance basis over 12 years from the year following that in which they arise, except for these unrecognized costs in respect of retired employees to whom the early retirement program applied, which were fully amortized at the time of their retirement.

Until the year ended March 31, 2002, ‘severance costs for directors and statutory auditors’ were accounted for on a cash basis with the approval of a general meeting of shareholders. Effective from the year ended March 31, 2003, the Company and some consolidated subsidiaries changed their method of accounting for severance costs for directors and statutory auditors to an accrual basis, so that “Accrued pension and severance costs for directors and statutory auditors” represents the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date, based on the Company retirement rules, in order to more appropriately reflect their costs and liabilities. While the Company and some consolidated subsidiaries have no legal obligation, it is a customary practice in Japan to make lump-sum payments to directors or statutory auditors upon retirement with the approval of a general meeting of shareholders, and it is general in Japan to credit “Accrued pension and severance costs for directors and statutory auditors”. The effects of this change for the year ended March 31, 2003, was to decrease “Ordinary profit” by ¥94 million ($782 thousand) and to decrease “Income before income taxes and minority interest” by ¥576 million($4,792 thousand), compared with the amounts which would have been reported if the previous method had been applied consistently.

(j) Lease transactions —

Under Japanese accounting practices, finance leases are capitalized in principle. However, finance leases without an option to transfer ownership of the leased assets to the lessee may be accounted for as operating leases subject to appropriate footnote disclosure. Therefore, the Companies charge or credit periodic lease payments and receipts to income as incurred.

(k) Income taxes —

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Effective from the year ended March 31, 2003, the Company and its wholly-owned domestic subsidiaries adopted the Japanese consolidated taxation system. The Company and its subsidiaries adopt the deferred tax accounting method. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(l) Research and development expenses and computer software —
Research and development expenses are charged to income as incurred. Expenditure relating to computer software developed for internal use is charged to income as incurred, except in cases where it contributes to the generation of income or to future cost savings. In these cases it is capitalized and amortized using the straight-line method over its estimated useful life, which is no longer than 5 years.

(m) Appropriation of retained earnings —
The Japanese Commercial Code provides that appropriations of retained earnings require the approval of shareholders at an ordinary general meeting. Appropriations of retained earnings are, therefore, not reflected in the consolidated financial statements for the year to which they relate but are recorded in the consolidated financial statements in the subsequent fiscal year after shareholders' approval has been obtained.

(n) Accounting standard for 'Treasury Stock and Reversal of Additional Paid-in Capital' —
Effective from the year ended March 31, 2003, the Company and its domestic subsidiaries adopted the Statement of Financial Accounting Standard No. 1 "Accounting for Treasury Stock and Reversal of Additional Paid-in Capital" issued by the Accounting Standards Board of Japan. However, the effect on net income for the period of adopting this new statement was immaterial.

(o) Net income and dividends per share —
Net income per share of common stock, shown in the accompanying consolidated statements of income, is computed based on the weighted average number of shares outstanding during the respective year. Effective from the year ended March 31, 2003, the Company and its domestic subsidiaries adopted the Statement of Financial Accounting Standard No.2 "Earnings per Share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, earnings per share were calculated based on the "Net income" shown on the consolidated statements of income. However, in calculation of earnings per share, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors to be recognized as an appropriation of retained earnings. Earnings per share for the year ended March 31, 2002 calculated using the previous method and under the new statement are ¥2.79 and ¥2.89, respectively.
Cash dividends per share, shown in the accompanying consolidated statements of income, represents dividends declared as applicable to the respective fiscal year.

(p) Reclassifications —
Certain reclassifications of previously reported amounts have been made to conform with current classifications.

2. U.S. DOLLAR AMOUNTS:
The rate of ¥120.20 = U.S.$1, the approximate current rate prevailing on March 31, 2003, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These amounts are included solely for convenience and should not be construed as representations that the yen amounts actually represent, or have been or could be readily converted, realized or settled in U.S.dollars at that rate or at any other rate. The amounts shown in U.S. dollars are not intended to be computed in accordance with generally accepted translation procedures.

3. CASH AND CASH EQUIVALENTS:
A reconciliation of "Cash and cash equivalents" to the accounts disclosed on the balance sheets at March 31, 2002 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Cash and deposits	¥48,755	**¥45,227**	**$376,265**
Time deposits with maturity in excess of 3 months	(1,271)	**(726)**	**(6,040)**
Commercial paper included in "Other current assets"	110	**150**	**1,248**
Cash and cash equivalents	¥47,594	**¥44,651**	**$371,473**

4. INVENTORIES:
Inventories at March 31, 2002 and 2003 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Finished products	¥25,340	**¥22,854**	**$190,133**
Work-in-process, including costs related to construction-type-contracts	36,001	**34,100**	**283,694**
Raw materials and supplies	12,040	**11,073**	**92,121**
	¥73,381	**¥68,027**	**$565,948**

5. INVESTMENT SECURITIES:

(a) 'Held-to-maturity debt securities' with available market value —

The aggregate carrying amount, market value and gross unrealized gains and losses of 'Held-to-maturity debt securities' with available market values at March 31, 2002 was as follows:

	Millions of yen			
	2002			
	Carrying amount	Unrealized gains	Unrealized losses	Market value
Corporate bonds	¥2,000	¥ —	¥62	¥1,938

At March 31, 2003, there were no 'Held-to-maturity debt securities' with available market values.

(b) 'Other securities' with available market value —

The aggregate cost, carrying amount and gross unrealized gains and losses of 'Other securities' with available market values at March 31, 2002 and 2003 were as follows:

	Millions of yen			
	2002			
	Cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	¥6,848	¥1,888	¥1,011	¥7,725
Other	209	—	75	134
	¥7,057	¥1,888	¥1,086	¥7,859

	Millions of yen			
	2003			
	Cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	**¥4,950**	**¥1,688**	**¥383**	**¥6,255**
Other	**100**	**0**	**—**	**100**
	¥5,050	**¥1,688**	**¥383**	**¥6,355**

	Thousands of U.S. dollars			
	2003			
	Cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	**$41,181**	**$14,043**	**$3,186**	**$52,038**
Other	**832**	**0**	**—**	**832**
	$42,013	**$14,043**	**$3,186**	**$52,870**

(c) Sale of 'Other securities' —

The realized gains and losses on sale of 'Other securities' during the years ended March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Selling amount	¥614	¥232	$1,930
Realized gains on sale	105	70	582
Realized losses on sale	44	23	191

(d) 'Held-to-maturity securities' and 'Other securities' without available market values —

The carrying amounts of 'Held-to-maturity securities' and 'Other securities' without available market values at March 31, 2002 and 2003, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(1) 'Held-to-maturity securities'			
Domestic debt securities privately offered	¥ 135	¥ 133	$ 1,107
(2) 'Other securities'			
Equity investments in non-public companies	11,454	13,217	109,958
Other	59	57	474
	¥11,648	¥13,407	$111,539

(e) Maturity of debt securities —

The redemption schedules for maturity of debt securities at March 31, 2002 and 2003 were as follows:

	Millions of yen			
	2002			
	Due within one year	Due after one year, but within five years	Due after five years, but within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	¥110	¥ —	¥—	¥125
Corporate debt securities	—	2,010	—	—
Other	—	235	2	—
	¥110	¥2,245	¥ 2	¥125

	Millions of yen			
	2003			
	Due within one year	Due after one year, but within five years	Due after five years, but within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	¥ 2	¥ 7	¥ 9	¥105
Corporate debt securities	—	10	—	—
Other	1	127	—	—
	¥ 3	¥144	¥ 9	¥105

	Thousands of U.S. dollars			
	2003			
	Due within one year	Due after one year, but within five years	Due after five years, but within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	$17	$ 58	$75	$874
Corporate debt securities	—	83	—	—
Other	8	1,057	—	—
	$25	$1,198	$75	$874

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

"Short-term borrowings" at March 31, 2003 bore interest at annual rates ranging from 0.580% to 3.944% and generally represented bank loans or short-term notes maturing at various dates within one year.

"Long-term debt" at March 31 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Loans, principally from banks and insurance companies due from 2002 to 2014 with interest rates ranging from 0.800% to 8.020%:			
Secured	¥ 40,648	¥ —	$ —
Unsecured	59,594	—	—
Loans, principally from banks and insurance companies due from 2003 to 2014 with interest rates ranging from 0.799% to 8.020%:			
Secured	—	36,641	304,833
Unsecured	—	79,715	663,186
Unsecured 2.90% Bonds due November 7, 2002, redeemable before due date	10,000	—	—
Unsecured 2.75% Bonds due December 5, 2002, redeemable before due date	10,000	—	—
Unsecured 2.65% Bonds due February 10, 2004, redeemable before due date	10,000	10,000	83,195
Unsecured 2.40% Bonds due February 10, 2003, redeemable before due date	10,000	—	—
Unsecured 2.45% Bonds due July 25, 2003, redeemable before due date	10,000	10,000	83,195
Unsecured 2.675% Bonds due August 20, 2004, redeemable before due date	10,000	10,000	83,195
Unsecured 2.175% Bonds due September 11, 2002, redeemable before due date	10,000	—	—
Unsecured 2.40% Bonds due July 19, 2002, redeemable before due date	7,000	—	—
Unsecured 1.25% Bonds due July 20, 2006, redeemable before due date	9,000	9,000	74,875
	186,242	155,356	1,292,479
Less: portion due within one year	(75,677)	(48,714)	(405,274)
Total long-term debt	¥110,565	¥106,642	$ 887,205

Differences between the issue price and the principal amount are credited or charged to income at the time of issue.

A summary of assets pledged as collateral for "Short-term borrowings" and "Long-term debt" at March 31, 2003 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 82	$ 682
Notes and accounts receivable—trade	48	399
Property, plant and equipment	75,697	629,759
Investment securities	432	3,594

The aggregate annual maturities of "Long-term debt" beyond March 31, 2003 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 48,714	$ 405,274
2005	40,875	340,058
2006	23,911	198,927
2007	26,290	218,719
2008	12,978	107,970
Thereafter	2,588	21,531
	¥155,356	$1,292,479

7. RETIREMENT BENEFIT PLANS:

The Company and its domestic subsidiaries have defined benefit tax qualified pension plans and a non-contributory plan covering substantially all employees. Additional benefits may be granted to employees according to the conditions under which termination occurs. Certain foreign subsidiaries have defined contribution plans.

"Accrued pension and severance costs" as of March 31, 2002 and 2003 can be analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Projected benefit obligations	(¥70,936)	**(¥67,810)**	**($564,143)**
Fair value of plan assets	21,279	**16,863**	**140,291**
	(49,657)	**(50,947)**	**(423,852)**
Unrecognized transition amount	22,308	**18,813**	**156,514**
Unrecognized actuarial differences	7,343	**8,237**	**68,528**
	(20,006)	**(23,897)**	**(198,810)**
Prepaid pension expenses	36	**—**	**—**
Accrued pension and severance costs	(¥20,042)	**(¥23,897)**	**($198,810)**

The net pension cost related to retirement benefits for the years ended March 31, 2002 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Service cost	¥4,141	**¥3,801**	**$31,622**
Interest cost	1,748	**1,516**	**12,612**
Expected return on plan assets	(568)	**(468)**	**(3,893)**
Amortization of transition amount	*1 2,797	**3,495**	**29,077**
Amortization of unrecognized actuarial differences	*2 455	**1,581**	**13,153**
Net pension and severance cost	¥8,573	**¥9,925**	**$82,571**

*1 *The above figures include an amount of ¥546 million and ¥1,308 million ($10,882 thousand) for the years ended March 31, 2002 and 2003, respectively, in respect of employees who retired during the respective fiscal years under the early retirement program. These amounts were fully amortized at the time of employees' retirement.*

*2 *The above figure includes an amount of ¥404 million ($3,361 thousand) for the years ended March 31, 2003 in respect of employees who retired during the fiscal year under the early retirement program.*

This amount was fully amortized at the time of employees' retirement.

*3 *In addition to *1 and *2 above, additional benefits of ¥1,652 million ($13,744 thousand) under the early retirement program were granted for the year ended March 31, 2003. The total amount of all these costs is disclosed within special losses as "Additional retirement allowance for early retirement program" for the year ended March 31, 2003.*

Assumptions used in calculation of the above information were as follows:

	2002	**2003**
Discount rate	2.5%	**2.5%**
Expected rate of return on plan assets	3.0%	**2.5%**
Method of attributing the projected benefits to periods of employee service	Straight-line basis	**Straight-line basis**
Amortization of unrecognized actuarial differences	Mainly 12 years	**Mainly 12 years**
Amortization of transition amount	12 years	**12 years**

8. INCOME TAXES:

The Company and its domestic subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate a statutory effective tax rate of approximately 42% for the years ended March 31, 2002 and 2003.

Tax losses can be carried forward for a five-year period for offset against future taxable income.

Effective from the year ended March 31, 2003, the Company and its wholly-owned domestic subsidiaries adopted the Japanese consolidated taxation system.

Significant components of deferred tax assets and liabilities at March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Deferred tax assets:			
Tax loss carry forwards	¥26,890	**¥21,710**	**$180,616**
Accrued pension and severance costs	6,472	**8,678**	**72,196**
Allowance for doubtful accounts	2,895	**1,997**	**16,614**
Loss on disposal of fixed assets	1,731	**1,851**	**15,399**
Accrued bonuses	—	**1,649**	**13,719**
Loss on devaluation of investment securities	1,849	**—**	**—**
Others	7,056	**8,418**	**70,033**
Total gross deferred tax assets	46,893	**44,303**	**368,577**
Valuation allowance	(34,043)	**(28,068)**	**(233,511)**
Total deferred tax assets, net of valuation allowance	12,850	**16,235**	**135,066**
Deferred tax liabilities:			
Valuation gain on subsidiaries	—	**(545)**	**(4,534)**
Unrealized gains on securities	—	**(524)**	**(4,359)**
Depreciation	(80)	**—**	**—**
Others	(516)	**(296)**	**(2,463)**
Total gross deferred tax liabilities	(596)	**(1,365)**	**(11,356)**
Net deferred tax assets	¥12,254	**¥14,870**	**$123,710**

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2002 and 2003 is as follows:

	2002	2003
Statutory tax rate	42.0%	**42.0%**
Increase (decrease) in taxes resulting from:		
Permanently non-deductible expenses	7.3	**7.0**
Amortization of negative goodwill	(27.1)	**(27.7)**
Equity in earnings of affiliated companies	—	**(6.3)**
Equalization inhabitants taxes	9.4	**—**
Increase(decrease) in valuation allowance	37.2	**(30.0)**
Decrease in deferred income taxes with tax-rates change	—	**4.7**
Other	(1.7)	**(1.6)**
Effective income tax rate	67.1%	**(11.9%)**

On March 31, 2003, Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. Under the basic enterprise tax rate for the income based component has decreased. As a result of this amendment, the tax rate to be applied to temporary differences between the carrying amount and tax basis of assets and liabilities that are expected to reverse in the years beginning April 1, 2004 decreased as at March 31, 2003. This resulted in a reduction in deferred tax assets at March 31, 2003 by ¥297 million ($2,471 thousand), compared with the assets that would have been recognized had the previous tax rate been fully applied to all temporary differences. Net income for the year ended March 31, 2003 decreased by ¥309 million ($2,571 thousand) as a result of these changes in local enterprise tax regulations.

9. APPROPRIATIONS OF RETAINED EARNINGS:

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 27, 2003.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,085	$ 9,027

10. REVALUATION SURPLUS:

An equity affiliate of the Company revalued its land used for business purposes in accordance with the Land Revaluation Law. As a result of this revaluation, the Company recognized its portion of the affiliate's revaluation surplus net of related taxes.

11. LEASE TRANSACTIONS:

The Companies charge or credit to income periodic lease payments and receipts for finance leases that do not have options to transfer ownership of the leased assets to the lessee. Such periodic lease payments under finance lease contracts totaled ¥1,961 million and ¥1,830 million ($15,225 thousand), and receipts under finance lease contracts totaled ¥101 million and ¥101 million ($840 thousand), for the years ended March 31, 2002 and 2003, respectively. Future lease payments and receipts under the Companies' finance leases and non-cancelable operating leases, including amounts representing interest, at March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Lease payments:			
Due within one year	¥1,757	¥1,797	$14,950
Due beyond one year	2,134	4,917	40,907
	¥3,891	¥6,714	$55,857
Lease receipts:			
Due within one year	¥ 236	¥ 143	$ 1,190
Due beyond one year	163	60	499
	¥ 399	¥ 203	$ 1,689

Leased assets under the Companies' finance leases, where lessors retain ownership of leased assets, are accounted for as operating leases by the Companies. If such leases had been capitalized, then the cost of the assets and the related accumulated depreciation at March 31, 2002 and 2003 would have been as follows:

	Millions of yen		
	2002		
	Cost	Accumulated depreciation	Net amount
Buildings and structures	¥ 26	¥ 13	¥ 13
Machinery and equipment	7,561	4,504	3,057
Intangible fixed assets	155	86	69
	¥7,742	¥4,603	¥3,139

	Millions of yen			Thousands of U.S. dollars
	2003			2003
	Cost	Accumulated depreciation	Net amount	Net amount
Buildings and structures	¥ 41	¥ 18	¥ 23	$ 191
Machinery and equipment	9,785	3,523	6,262	52,097
Intangible fixed assets	263	175	88	732
	¥10,089	¥3,716	¥6,373	$53,020

The depreciation amount for these leased assets computed on the straight-line method over the period of the leases would have been ¥1,961 million and ¥1,830 million ($15,225 thousand) for the years ended March 31, 2002 and 2003, respectively.

Fixed assets, excluding sub-leased assets, which are leased to other companies under finance leases without options to transfer ownership of the leased assets to the lessee at March 31, 2002 and 2003, were as follows:

	Millions of yen		
	2002		
	Cost	Accumulated depreciation	Net amount
Machinery and equipment	¥147	¥96	¥51

	Millions of yen			Thousands of U.S. dollars
	2003			2003
	Cost	Accumulated depreciation	Net amount	Net amount
Machinery and equipment	**¥140**	**¥97**	**¥43**	**$358**

The depreciation amount for these leased assets computed on the straight-line method over the period of the leases would have been ¥90 million and ¥64 million ($532 thousand) for the years ended March 31, 2002 and 2003, respectively.

12. DERIVATIVES:

In the normal course of business, the Companies enter into various derivative financial instruments in order to manage the exposure resulting from fluctuations in foreign currency exchange rates, interest rates and the prices of aluminum ingot in the market. The Companies do not hold or issue derivative financial instruments for trading purposes.

The following are the interest rate swap contracts at March 31, 2002 that have been recognized as a suspension of hedges. Accordingly, the net unrealized gain was credited to income.

	Millions of yen		
	2002		
	Contract amount	Estimated fair value	Unrealized gain/(loss)
Interest rate swap agreements:			
Variable-rate into fixed-rate obligations	¥11,000*1	¥298*2	¥141
Fixed-rate into variable-rate obligations	11,000*1	(84)*2	(73)

**1 The "Contract amount" represents the nominal amount of the interest rate swap contracts.*
**2 The fair values of the interest rate swap contracts were estimated using quotes from brokers, and represent the discounted amounts of net future cash flows.*

Any derivatives to which hedge accounting is applied are excluded from the above table.

At March 31, 2003, there were no derivative financial instruments, except those instruments to which hedge accounting is applied.

13. RESEARCH AND DEVELOPMENT EXPENSES:

Research and development expenses charged to "Cost of sales" and "Selling, general and administrative expenses" for the years ended March 31, 2002 and 2003 were ¥4,686 million and ¥4,427 million ($36,830 thousand), respectively.

14. CONTINGENT LIABILITIES:

Contingent liabilities at March 31, 2003 for loans guaranteed and other guarantees given in the ordinary course of business amounted to ¥23,734 million ($197,454 thousand), including ¥5,157 million ($42,903 thousand) shared by other joint guarantors, and ¥4,045 million ($33,652 thousand) for notes discounted and ¥27 million ($225 thousand) for notes endorsed.

15. SUBSEQUENT EVENT:

On May 23, 2003, the board of directors of the Company decided to sell the former site of Osaka Plant to Ito-Yokado Company, Ltd. The sale amount is ¥3,659 million ($30,441 thousand) and "Gain on sale of fixed assets" is approximately ¥2,600 million ($21,631 thousand), which will be credited as a special gain for the year ended March 31, 2004.

16. SEGMENT INFORMATION:

The Companies operate within four distinct industry segments, mainly in Japan: "Aluminum ingot and chemicals", "Aluminum sheet and extrusions", "Fabricated products and others" and "Building materials".

The "Aluminum ingot and chemicals" segment supplies aluminum primary and remelted ingot used for various industrial materials, and produces a wide spectrum of aluminas and alumina hydrates ranging from raw materials to basic materials for ceramic compounds.

The "Aluminum sheet and extrusions" segment produces sheet, coil, and extrusion products consisting primarily of shapes, tubes and rods.

The "Fabricated products and others" segment produces a variety of products which include, among others, aluminum foil, aluminum powder, wing bodies for transport vehicles, automobile components and electronic materials.

The "Building materials" segment produces a wide range of materials including sashes, curtain walls, and doors and fences for commercial and residential construction.

"Corporate items" includes general and administrative expenses and other expenses not specifically related to business segments.

Export sales and operations outside Japan are insignificant.

Information by industry segment for the years ended March 31, 2002 and 2003 is as follows:

	Millions of yen					
	2002					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
Sales:						
Customers	¥ 84,775	¥54,239	¥207,652	¥175,195	¥ —	¥521,861
Intersegment	44,795	24,849	18,713	3,179	(91,536)	—
Total	129,570	79,088	226,365	178,374	(91,536)	521,861
Operating expenses	123,981	79,708	216,841	178,046	(88,438)*1	510,138
Operating profit (loss)	¥ 5,589	(¥ 620)	¥ 9,524	¥ 328	(¥ 3,098)	¥ 11,723
Identifiable assets	¥ 95,847	¥78,617	¥201,230	¥184,200	¥ 4,393 *2	¥564,287
Depreciation	¥ 2,921	¥ 3,007	¥ 5,632	¥ 6,901	¥ 81	¥ 18,542
Capital expenditures	¥ 2,984	¥ 2,437	¥ 5,610	¥ 3,856	¥ 60	¥ 14,947

**1 Netting of corporate items ...¥3,063 million* **2 Netting of corporate items ...¥32,080 million*

	Millions of yen					
	2003					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
Sales:						
Customers	**¥81,495**	**¥58,374**	**¥204,171**	**¥170,002**	**¥ —**	**¥514,042**
Intersegment	**47,749**	**21,922**	**19,008**	**6,781**	**(95,460)**	**—**
Total	**129,244**	**80,296**	**223,179**	**176,783**	**(95,460)**	**514,042**
Operating expenses	**124,298**	**79,269**	**212,110**	**170,908**	**(92,629)*1**	**493,956**
Operating profit (loss)	**¥ 4,946**	**¥ 1,027**	**¥ 11,069**	**¥ 5,875**	**(¥ 2,831)**	**¥ 20,086**
Identifiable assets	**¥ 97,424**	**¥68,997**	**¥188,840**	**¥174,199**	**(¥ 3,699)*2**	**¥525,761**
Depreciation	**¥ 2,878**	**¥ 2,232**	**¥ 5,050**	**¥ 6,881**	**¥ 87**	**¥ 17,128**
Capital expenditures	**¥ 3,303**	**¥ 1,714**	**¥ 4,300**	**¥ 4,101**	**¥ 83**	**¥ 13,501**

**1 Netting of corporate items ...¥2,825 million* **2 Netting of corporate items ...¥29,139 million*

	Thousands of U.S. dollars					
	2003					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
Sales:						
Customers	**$ 677,995**	**$485,641**	**$1,698,594**	**$1,414,326**	**$ —**	**$4,276,556**
Intersegment	**397,246**	**182,379**	**158,136**	**56,415**	**(794,176)**	**—**
Total	**1,075,241**	**668,020**	**1,856,730**	**1,470,741**	**(794,176)**	**4,276,556**
Operating expenses	**1,034,093**	**659,476**	**1,764,642**	**1,421,864**	**(770,624)*1**	**4,109,451**
Operating profit (loss)	**$ 41,148**	**$ 8,544**	**$ 92,088**	**$ 48,877**	**($ 23,552)**	**$ 167,105**
Identifiable assets	**$ 810,516**	**$574,019**	**$1,571,048**	**$1,449,243**	**($ 30,774)*2**	**$4,374,052**
Depreciation	**$ 23,944**	**$ 18,569**	**$ 42,013**	**$ 57,246**	**$ 724**	**$ 142,496**
Capital expenditures	**$ 27,479**	**$ 14,260**	**$ 35,774**	**$ 34,118**	**$ 690**	**$ 112,321**

**1 Netting of corporate items ...$23,502 thousand* **2 Netting of corporate items ...$242,421 thousand*

As discussed in Note 1 (i), effective from the year ended March 31, 2003, the Company and some consolidated subsidiaries changed their method of accounting for severance costs for directors and statutory auditors.

The effect of this change for the year ended March 31, 2003 was to decrease "Operating profit" by ¥37 million ($308 thousand) in the "Building materials" segment, and to increase "Operating loss" by ¥57 million ($474 thousand) in the "Elimination or corporate items" column.

Report of Independent Auditors

PRICEWATERHOUSECOOPERS

June 27, 2003

To the Board of Directors of
Nippon Light Metal Company, Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and of cash flows, expressed in Japanese yen, present fairly in all material respects the financial position of Nippon Light Metal Company, Ltd. and its consolidated subsidiaries at March 31, 2002 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Japan, which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 1(i) to the accompanying consolidated financial statements, effective from the year ended March 31, 2003, the Company and some consolidated subsidiaries changed their method of accounting for severance costs for directors and statutory auditors.

In addition, as described in Note 15 to the accompanying consolidated financial statements, on May 23, 2003, the board of directors of the Company decided to sell the former site of Osaka Plant.

The U.S. dollar amounts shown in the accompanying consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers

Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position and the results of operations and of cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and of cash flows and their utilization are not designed for those who are not informed about Japanese accounting principles, procedures and practices.

The standards, procedures and practices utilized in Japan to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Japan.

Overseas Network

Overseas Subsidiaries and Affiliates

North America

Nikkei North America Aluminum Inc.
Ohio, U.S.A.
Phone: 1-330-463-5565
Trading and marketing
(100%)

Toyal America Inc.
Illinois, U.S.A.
Phone: 1-815-740-3037
Aluminum powder and paste
(100%)

Alcan Nikkei Asia Holdings Ltd.
Bermuda
Phone: 1-441-295-3550
Holding company for investment with Alcan in Southeast Asia and China
(40%)

Europe

Toyal Europe Société Anonyme
Accous, France
Phone: 33-5-59-983535
Aluminum powder and paste
(100%)

East Asia

Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.
Shenzhen, China
Phone: 86-755-661-1569
Extrusion [1]

Alcan Nikkei China Limited
Hong Kong, SAR, China
Phone: 852-2522-3001
Trading and marketing
(51%)

Nippon Light Metal (Hong Kong) Limited
Hong Kong, SAR, China
Phone: 852-2541-5563
Building materials
(100%)

Southeast Asia

Alcan Nikkei Asia Company Limited
Malaysia
Phone: 60-3-7954-5286
Management of invested companies in Southeast Asia
(40%)

Alcan Nikkei Siam Limited
Thailand
Phone: 66-2-529-0136
Aluminum sheet, foil [2]

Aluminium Company of Malaysia Bhd.
Malaysia
Phone: 60-3-3341-2311
Aluminum sheet, foil [3]

Alcom Nikkei Specialty Coatings Sdn. Bhd.
Malaysia
Phone: 60-3-3342-2234
Pre-coated finstock [4]

Amalgamated Aluminium and Alloys Sdn. Bhd.
Malaysia
Phone: 60-3-341-9500
Aluminum alloys
(35%)

Nikkei Singapore Aluminium Pte. Ltd.
Singapore
Phone: 65-222-8991
Trading and marketing
(100%)

Daiki Nikkei Thai Co., Ltd.
Thailand
Phone: 66-3821-4631
Aluminum alloys
(35%)

1 45%; Interest held by Alcan Nikkei Asia Holdings Limited (ANAH)
2 100%; Interest held by ANAH
3 59.15%; Interest held by ANAH
4 51%; Interest held by Aluminium Company of Malaysia Bhd.
49%; Interest held by ANAH

(As of March 31, 2003)

Directors and Officers

Directors

Shigesato Sato
President
Representative Director

Yoshisato Hiratsuka
Akihiko Hayashi
Takashi Ishiyama
Shigeru Kohmura
Takamichi Sakai
Kazuyuki Hasegawa
Masao Imasu
Yasuo Noda
Glen R. Lucas

Auditors

Hideaki Nagaoka
Hajime Hosokawa
Yasuyuki Wakahara
Seiichi Takeda

Officers

Shigesato Sato
President
Chief Executive Officer

Yoshisato Hiratsuka
Executive Vice President
Senior Executive Officer

Shigeru Kohmura
Senior Executive Officer

Takashi Ishiyama
Senior Executive Officer

Motoi Kobayashi
Executive Officer

Yoshinobu Hiki
Executive Officer

Takamichi Sakai
Senior Executive Officer

Tsuyoshi Nakajima
Executive Officer

Teruo Miyashita
Koji Kawakami
Toshikazu Wasa
Mitsuru Ishihara
Yoshiaki Kurihara
Akira Kato
Tadakazu Miyauchi
Koji Ueno

(As of June 27, 2003)

Corporate Data

Head Office
NYK Tennoz Building
2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan
http://www.nikkeikin.co.jp
Phone: 03-5461-9333
Fax: 03-5461-9344
E-mail: nlmmaster@nikkeikin.co.jp

Established
March 30, 1939

Paid-In Capital
¥39,085 million

Shares of Common Stock
Authorized: 1,600,000,000
Issued: 543,350,370

Number of Shareholders
54,705

Stock Exchange Listings
Tokyo, Osaka and three other domestic stock exchanges

Transfer Agent of Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.

Last Shareholders' Meeting
June 27, 2003

Major Shareholders
(Percentage of Total Voting right)

Mizuho Corporate Bank, Ltd.
(5.2%)

The Dai-ichi Mutual Life Insurance Co.
(5.2%)

Alcan Nikkei Asia Holdings Ltd.
(–%)

The Master Trust Bank of Japan, Ltd. (trust accounts)
(3.7%)

Asahi Mutual Life Insurance Co.
(2.9%)

The Light Metal Educational Foundation, Inc.
(2.9%)

Namekawa Aluminum Co., Ltd.
(2.8%)

Nikkei-Keiyu-Kai
(2.4%)

UFJ Trust Bank, Ltd. (trust accounts)
(2.3%)

Mizuho Bank, Ltd.
(2.3%)

Major Domestic Affiliated Companies

Shin Nikkei Company, Ltd.
Aluminum sashes, construction materials *1

Nippon Fruehauf Co., Ltd.
Aluminum vans, trucks, trailers, containers
(66%)

Toyo Aluminium K.K
Aluminum foil, powder and paste
(100%)

Riken Light Metal Industrial Co., Ltd.
Aluminum construction materials *2

Nippon Electrode Co., Ltd.
Carbon for iron and steel blast furnaces and for aluminum smelting, and other types of carbon
(100%)

Nikkei Sangyo Co., Ltd.
Aluminum welding rods, various kinds of contract work
(98.6%)

Nikkei Information System Co., Ltd.
Development, maintenance and operation of computer software
(100%)

Nikkei Logistics Co., Ltd.
Transport, warehousing *3

Nikkei Products Co., Ltd.
Household utensils
(100%)

Nikkei Extrusions Co., Ltd.
Aluminum extruded products
(100%)

Nikkei Aluminum Core Technology Co., Ltd.
Aluminum extrusions and fabricated products
(100%)

Nikkei Panel System Co., Ltd.
Panel for pre-fabricated freezer/refrigerator and cleanroom
(100%)

Nikkei ECAL Co., Ltd.
Housing for cellular and mobile telecommunications base stations
(100%)

Aluminum Wire and Rod Co., Ltd.
Aluminum rough drawing wire
(58.3%)

Matsuo Industry Co., Ltd.
Aluminum castings and forgings *4

*1 98%; Direct interest by NLM
2%; Interest held by Nikkei Sangyo Co., Ltd.
*2 98.5%; Direct interest by NLM
1.5%; Interest held by Nikkei Logistics Co., Ltd.
*3 46%; Direct interest by NLM
44%; Interest held by Shin Nikkei Co., Ltd.
10%; Interest held by Nippon Fruehauf Co., Ltd.
*4 99.1%; Direct interest by NLM
0.1%; Interest held by Nikkei Sangyo Co., Ltd.

(As of March 31, 2003)

Nippon Light Metal Company, Ltd.

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Shinagawa-ku, Tokyo 140-8628, Japan
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