

ANNUAL REPORT 2003
Year Ended March 31, 2003



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.

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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"

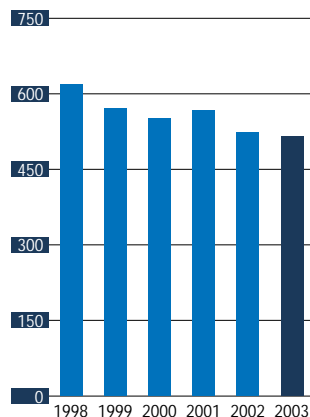
Consolidated Six-Year Summary

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

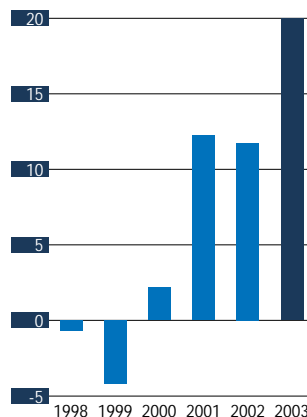
Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥120.20 = U.S.\$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

Net Sales



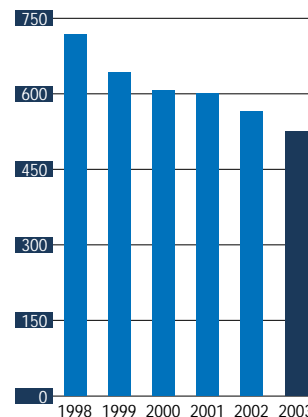
Billions of yen Years ended March 31

Operating Profit (Loss)



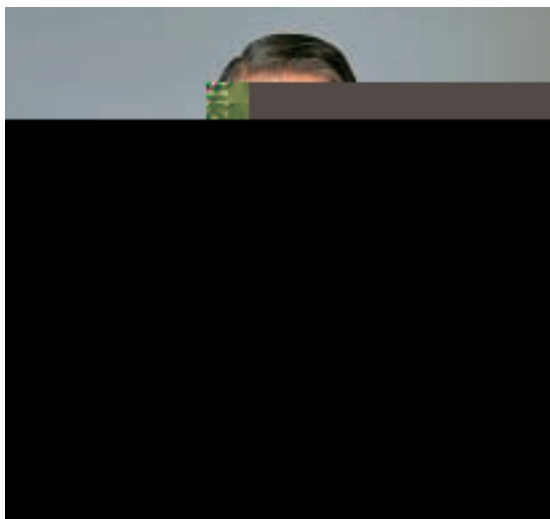
Billions of yen Years ended March 31

Total Assets



Billions of yen As of March 31

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.



Special Feature

President's Interview

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A.

A.



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



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.



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



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.

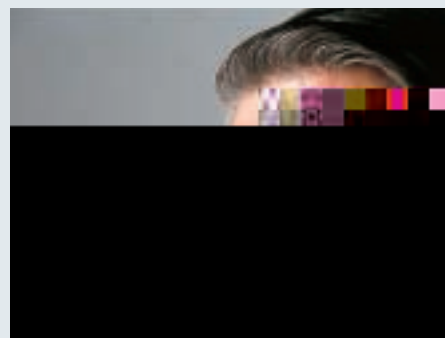


What is the situation with organizational initiatives and specific results in the areas of new product development and new business creation?



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)

NLM Group Topics

The Introduction of FLEXCAST Continuous Caster

The logo for FLEXCAST, featuring the word "FLEXCAST" in a bold, sans-serif font. The letters "E" and "A" are stylized with a curved, metallic appearance. The logo is set against a dark background with a white border.

NLM Enters the Market for Automotive Materials

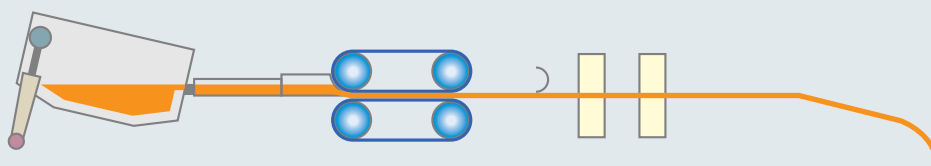
To enter new market segments, primarily that for automotive applications, NLM has decided to introduce a FLEXCASTER continuous casting line the Kambara Complex, Shizuoka prefecture. Capital investment for the project amounts to ¥3 billion.

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.



fitting from a recovery in the number of medium-duty truck

Financial Review

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

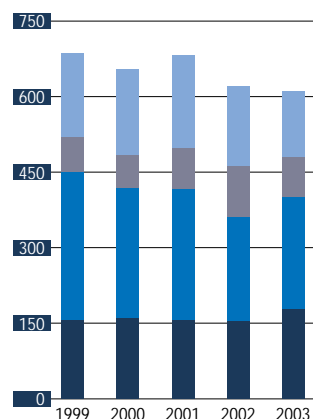
In these circumstances, consolidated net sales of the NLM Group were ¥514.0 billion (\$4,277million), having decreased 1.5% or ¥7.8 billion from the previous fiscal year, reflecting a decline in selling prices due to deflationary pressure and lower volumes. Please refer to the Review of Operations (Pages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

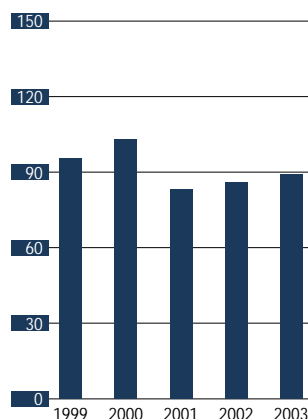


*Including intersegment transactions

Billions of yen Years ended March 31

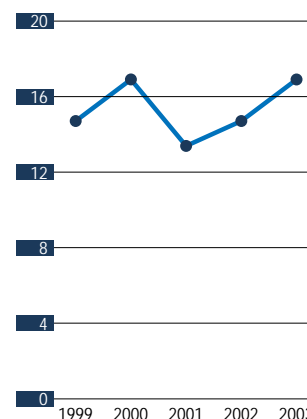
- Aluminum Ingot and Chemicals
- Aluminum Sheet and Extrusions
- Fabricated Products and Others
- Building Materials

Total Shareholders' Equity



Billions of yen As of March 31

Equity Ratio



% As of March 31

Consolidated Balance Sheets

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

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2003	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





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	9,694	81,177

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Notes to the Consolidated Financial Statements

Nippon Light Metal Company, Ltd. and its statements

'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

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
	2002	2003	U.S. dollars
Cash and deposits	¥48,755	¥45,227	\$376,265

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

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

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

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 ...\$24,421 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

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.

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%)

Toyol 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

Toyol 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



Nippon Light Metal Company, Ltd.

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