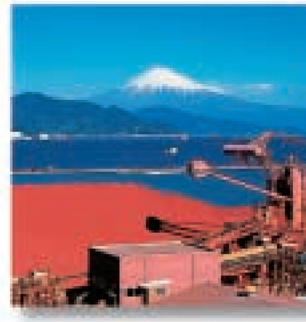
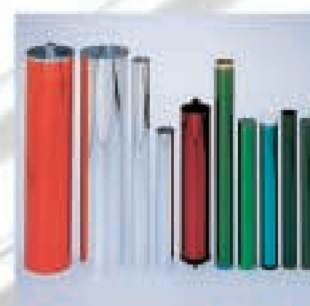


ANNUAL REPORT 2004
Year Ended March 31, 2004



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:

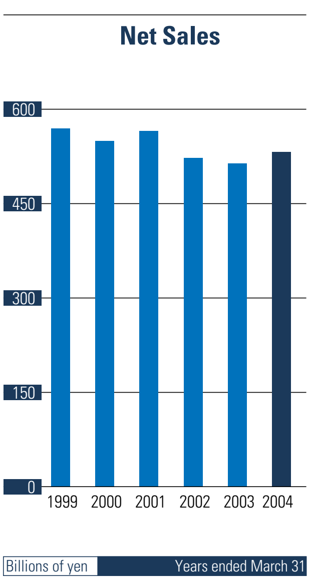
From top to bottom: Mt. Fuji viewed from the bauxite yard of Shimizu Plant, a rolling machine at Nagoya Plant, photosensitive drum materials, an aluminum truss at Miyazaki Agricultural Experiment Station

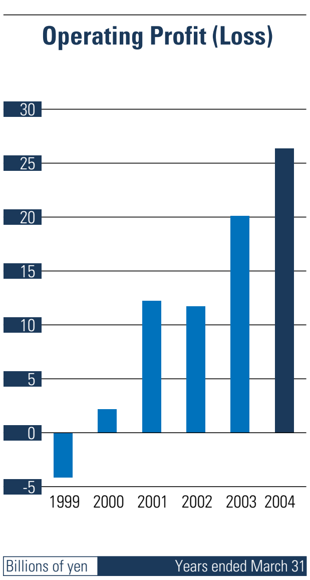
CONSOLIDATED SIX-YEAR SUMMARY

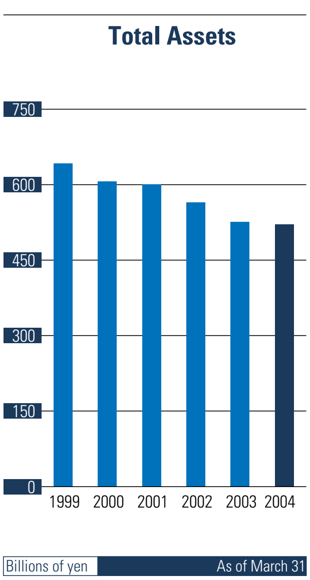
Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
Years ended March 31

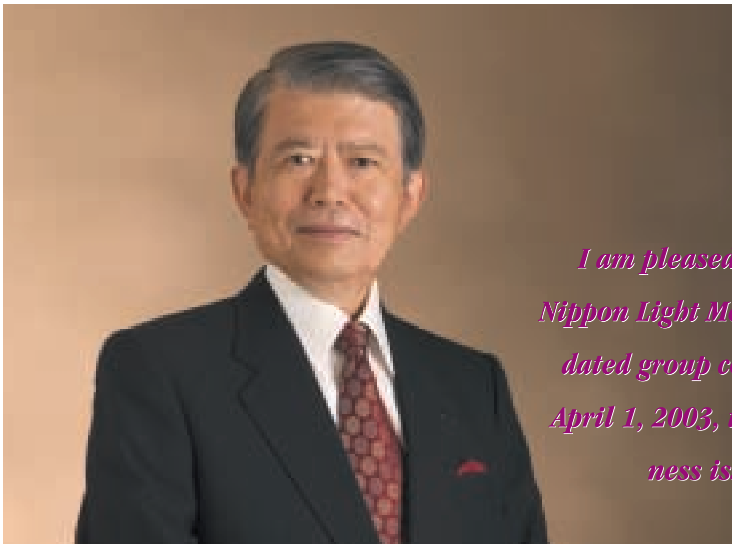
	Millions of yen						Thousands of U.S. dollars
	1999	2000	2001	2002	2003	**2004**	**2004**
For the year:							
Net sales	¥569,036	¥549,194	¥565,223	¥521,861	¥514,042	**¥532,201**	**$5,035,490**
Operating profit (loss)	(4,153)	2,150	12,205	11,723	20,086	**26,355**	**249,361**
Net income (loss)	(19,248)	(14,096)	(21,905)	1,518	7,116	**11,525**	**109,045**
At year-end:							
Total assets	640,989	605,346	600,373	564,287	525,761	**520,585**	**4,925,584**
Shareholders' equity	93,481	100,509	81,478	83,314	89,346	**102,458**	**969,420**
Short-term borrowings and long-term debt	340,445	310,891	298,256	289,872	254,759	**229,682**	**2,173,167**
Per share data (yen and dollars):							
Net income (loss)	(¥ 40.98)	(¥ 31.01)	(¥ 41.22)	¥ 2.79	¥ 13.34	**¥ 21.24**	**$ 0.20**
Cash dividends	2.00	2.00	—	1.50	2.00	**2.50**	**0.02**
Shareholders' equity	232.18	198.45	149.96	153.36	167.01	**188.84**	**1.79**
Stock information (TSE) (yen and dollars):							
Stock price:							
High	¥ 199	¥ 199	¥ 116	¥ 147	¥ 126	**¥ 293**	**$ 2.77**
Low	112	66	69	59	72	**105**	**0.99**

Note: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥105.69 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.









I am pleased to report on the operating results for Nippon Light Metal Company, Ltd. (NLM) and its consolidated group companies for fiscal 2003, the year from April 1, 2003, to March 31, 2004, and explain the business issues confronting the NLM Group.

Shigesato Sato *President and CEO*

Operating Results

During the year under review, it became apparent that a modest recovery of the Japanese economy was afoot. Although the continuing harsh employment and income situation led to sluggish personal consumption, strong private-sector capital spending and exports underpinned the modest recovery. In the aluminum industry, growth in sales of food-related products such as aluminum for cans was lackluster owing to the unusually cool summer. However, sales in the transportation sector and other demand sectors were generally strong, and total product demand exceeded the previous year's level.

In these trading conditions, the NLM Group steadily improved its business performance. Consolidated net sales increased 3.5% year on year to ¥532,201 million. Consolidated ordinary profit increased by ¥3,767 million to ¥16,092 million. Net income rose sharply by ¥4,409 million to ¥11,525 million as the Company booked special gains of ¥4,930 million on the sale of investment securities and the sale of the site of the former Osaka Plant and a special loss of ¥1,914 million on devaluation of investment securities such as shares of Nippon Asahan Aluminium Company, the investment vehicle for an Indonesian smelting project.

NLM declared a ¥0.5 per share increase in the dividend to ¥2.5. 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.

Discussion of Business Performance

The year under review was the second year of the NLM Group Mid-Term Management Plan (effective from fiscal 2002 through fiscal 2006). On the basis of action plans incorporated in the management plan, the NLM Group worked to increase enterprise value by enhancing competitiveness through initiatives to improve business efficiency and develop businesses that have good potential for growth.

Among noteworthy developments during the year under review, the van and truck outfitting business performed strongly, fueled by robust truck replacement demand owing to the tightening of emissions regulations for diesel vehicles in the Tokyo Metropolitan area. Also, sales of aluminum plate products increased and contributed to the higher earnings; shipments of plate for semiconductor and liquid crystal manufacturing equipment developed favorably owing to a recovery in demand for digital appliances and other IT-related products.

Rebuilding the Group's extrusion operations and building materials operations has been an urgent priority since the Mid-term Management Plan was formulated in 2001. Nikkeikin Aluminium Core Technology Company, Ltd., spun off in October 2002 and responsible for the Group's extrusion operations, recorded ordinary profit for the year under review that greatly exceeded the target. Following restoration of profitability in fiscal 2002 for the first time in six years on a non-consolidated basis, Shin Nikkei Company, Ltd., a subsidiary responsible for building materials operations, posted its first net income in nine years in fiscal 2003 on a consolidated basis, owing to thorough reduction of costs, rationalization of operations, and the launch of the chemical blast-treated CB Series of window sashes, doors, etc. in the housing construction materials sector.

Business Issues Facing the Group

The NLM Group is steadily implementing management measures aimed at achieving the targets in the Mid-term Management Plan. Management considers it important to continue to address the medium- to long-term issues the Group will face after completion of the Mid-term Management Plan in order to prevail against increasingly fierce global competition and to continue to achieve higher earnings.

In fiscal 2004 management will draw up plans outlining a vision for a future NLM Group comprising a greater number of powerful products and powerful businesses and commence the basic research, materials development, product development, process development, and human resources development necessary to make the vision a reality.

Furthermore, to achieve continuous corporate growth and increase enterprise value, we will fulfill our corporate social responsibility with respect to the environment, quality assurance, workplace safety, and disaster prevention. We recognize that enhancing corporate governance is an important management issue, and will further strengthen systems to ensure that our business activities are in compliance with the law and informed by sound corporate ethics.

Outlook for Fiscal 2004

The current forecast for fiscal 2004 is for consolidated net sales of ¥540 billion and consolidated ordinary profit of ¥17 billion. Although an unstable business environment is expected to continue for some time on account of runaway growth in raw materials prices and geopolitical risk factors, notably the situation in the Middle East, we intend to increase profitability and deliver higher revenue and earnings by implementing various cost-cutting measures, developing new products, and expanding sales.

I would greatly appreciate the continuing support and understanding of our shareholders in the coming years.

June 2004

Shigesato Sato

Shigesato Sato
President and CEO

Business Performance in Fiscal 2003 and Profile of the Future NLM

To achieve the targets in the Mid-term Management Plan, NLM made strong businesses stronger while raising the profitability of less dynamic businesses

The great strength of NLM lies in the accumulation in a single business group of expertise spanning everything in the world of aluminum from materials to fabrication. By taking full advantage of this expertise and creating synergy, the Group aims to make strong businesses stronger, to create new products and new businesses more efficiently and more rapidly than competitors can, and to effect a transformation to a more profitable business structure.

In fiscal 2003 the Group achieved results that far exceeded initial plans. In this Special Feature we provide an overview of achievements in fiscal 2003 and report on the NLM Group's initiatives to establish a business structure geared to achieving the objectives in the Mid-term Management Plan and its efforts to increase profits.

Nippon Fruehauf and Toyo Aluminium Drive Revenue Increases

Benefiting from the tightening of emissions regulations for diesel vehicles, the van and truck outfitting business of Nippon Fruehauf Company, Ltd. increased its market share amid an overall increase in demand in the market. Strengthening alliances with chassis manufacturers Nissan Diesel Motor Co., Ltd. and Isuzu Motors Ltd. made it possible to increase the proportion of vehicles outfitted by Nippon Fruehauf, and this subsidiary posted business results that substantially exceeded the previous year's level and initial targets.

The aluminum foil operation of Toyo Aluminium K.K. posted a year-on-year increase in net sales owing to favorable sales of high-purity aluminum foil for capacitors, general-purpose foil for food products and pharmaceuticals packaging applications, and newly developed products such as antenna coil for smart card and shielding material of electromagnetic–interference for plasma display panels. In aluminum powder and paste operations, profits increased owing to favorable sales in Japan and overseas of aluminum paste for automobile paints and higher sales of aluminum paste for cellular phones and home appliances and new products such as aluminum pigments for chrome-like finishes and functional aluminum ink for crystalline silicon solar cells.

High Profits Achieved in All Business Segments

The NLM Group delivered a high level of profitability in all business segments. Consolidated operating profit in fiscal 2003 increased by ¥6.3 billion year on year from ¥20.1 billion to ¥26.4 billion.

In the Aluminum Ingot and Chemicals Segment, although sales remained at the previous year's level, profits decreased slightly. The fall in profits was due to a combination of factors such as a downward trend in selling prices of alloy ingots, an increase in raw materials (scrap) prices, high prices of heavy oil, and soaring ocean freight charges for bauxite. Nevertheless, the Group offset these factors through increased sales of high value-added products and factory cost reductions and recorded operating profit of ¥4.7 billion.

In the Aluminum Sheet and Extrusions Segment, although aluminum sheet operations experienced lower demand for foil stock and exports slumped, a recovery in demand in the electronics equipment industry fueled sales of heavy plate for semiconductor and liquid crystal manufacturing equipment. The Group also secured an increase in unit selling prices in negotiations with customers to return roll margins (processing charges) to previous levels, thus achieving a profit increase. In extrusion operations (business results for Nikkeikin Aluminium Core Technology Company, Ltd., which was spun off and is responsible for sheet and extrusion fabricated products), although growth in sales of building materials and industrial materials was sluggish, sales of truck components and automobile components were favorable, and recovery in demand brought about increased sales of pipe stock and printing rolls. As a result, the Group achieved a sharp increase in profit for this segment: operating income rose 3.7-fold to ¥3.7 billion.

In the Fabricated Products and Others Segment, as mentioned previously Nippon Fruehauf and Toyo Aluminium's aluminum foil, powder, and paste operations continued to deliver higher revenues and earnings. Operating income for the segment increased for the third consecutive year, surging 27% to ¥14.1 billion.

Consolidated Basis	Result for fiscal 2003	Planned for fiscal 2006
Net sales	¥ 532billion	¥ 590billion
Operating profit	¥ 26billion	¥ 32billion
Ordinary profit	¥ 16billion	¥ 23billion
ROCE (Return on capital employed)	7.0%	Greater than 8%
Interest-bearing debt	¥ 232billion	¥ 200billion

In the Building Materials Segment, although the number of housing starts increased for the first time in four years, business conditions remained generally adverse. In the housing construction materials sector, sales increased owing to reinforcement of the direct sales structure targeting leading local construction contractors and new products such as the CB Series—an application of the Group's superb surface treatment technology—and insulated front entrance doors that provide enhanced security. In the commercial building construction materials sector, the Group steadily completed work on major projects in Tokyo and elsewhere, while working to increase sales and profits by engaging in sales activities that emphasize profitability. Furthermore, we implemented cost-cutting projects, focusing on Shin Nikkei, and worked to improve quality and delivery times. As a result, operating profit from this segment increased 14% year on year to ¥6.7 billion.

The Group also greatly exceeded its initial targets with respect to the balance of interest-bearing debt, reducing debt by ¥27.0 billion from the fiscal 2002 year-end to ¥231.8 billion.

Continuation of the Upward Trend in Profit in Fiscal 2004

Two years have passed since the start of the NLM Group Mid-Term Management Plan. The building materials operations and extrusion operations, businesses targeted for increased profitability when the plan was formulated, have already moved into profit. We have also increased the competitiveness of the aluminum foil, powder, and paste operations, businesses that enjoy competitive advantage in the market and were targeted for expansion as profit-making operations. These and other measures have greatly improved overall profitability for the Group. These achievements notwithstanding, management recognizes that sales expansion through the creation of new products and new businesses is an important issue and a necessary condition for the NLM Group to continue to develop as a highly profitable business group. In fiscal 2004 the Group will accelerate the launch of new products and new businesses that are intended to fuel continuous growth and sustain the upward trend in profits.

Profile of the NLM Group after Completion of the Mid-Term Management Plan

As we have seen, the NLM Group plans to steadily achieve the objectives in the Mid-term Management Plan by developing and commercializing a number of new products and creating new businesses.

At the same time, management regards fiscal 2004 as an important year for grappling with medium- to long-term management issues in preparation for the period after completion of the Mid-term Management Plan; we consider fiscal 2004 to be a year for laying the groundwork for growth and transformation of the NLM Group into a much more powerful enterprise after achievement of the management plan. During fiscal 2004 management will draw up a profile of the powerful enterprise we envisage and begin work on the basic research, materials development, product development, process development, and human resources development necessary to transform the NLM Group into that enterprise. We are determined to ensure that the NLM Group will be a source of continuing growth in the coming years.

BASIC STANCE ON CORPORATE GOVERNANCE

NLM is striving to establish a management system that wins the confidence of its shareholders, business partners, employees, local communities and all other stakeholders by ensuring transparency and fairness in its business activities satisfying international standards and to respond to changes in Japan and overseas precisely and swiftly amid ongoing globalization of the economy and society.

NLM's corporate governance structure and improvement of the internal control system

1) In June 2000, NLM introduced an executive officer system with the aim of separating execution and supervision, and clarified the responsibilities of executive officers concerning execution of operations. At the same time, we are committed to achieving a swift response to critical issues concerning execution of operations by convening the management committee consisting of senior executive officers and higher echelons at least twice a month.

2) The board of director's meeting is held once a month and is responsible for major decision-making on management items and supervision of execution of operations. At present, the board of directors consists of 11 directors of whom four are outside directors (two of the outside directors satisfy the requirement for outside directors provided for in Article 188, Paragraph 2, Item 7-2 of the Commercial Code of Japan) to ensure fair management in the interest of shareholders. Although no staff are assigned exclusively to provide support for outside directors, the Auditing Office, the General Affairs Dept., Legal Dept., Corporate Planning Dept. and other relevant organizations provide support, as necessary.
   At the general meeting of shareholders held in June 2003, a resolution was made to effect revisions to the articles of incorporation so as to reduce the tenure of a director from two years to one year, thereby ensuring greater responsibility of directors by providing an opportunity to elect directors every year.

3) NLM has established the auditors committee as a system for auditing execution of operations. NLM has four auditors of whom two are outside auditors provided for in Article 18, Paragraph 1 of the Law for Special Exceptions to the Commercial Code concerning Audit etc. of Joint-stock Companies. We have established a system that enables stringent audit practices in which auditors check compliance and appropriateness of business execution from their neutral positions.

Risk control system

In a bid to strengthen the system for ensuring compliance, in November 2003 we held a seminar that included a training session led by outside instructors for management of the NLM Group companies. Also, we established the Compliance Committee chaired by a senior executive officer in July 2004.

NLM and ITOCHU Corporation Jointly Devise Scheme for Flexible Retail Store Construction

Nippon Light Metal Company Ltd., jointly with ITOCHU Corporation, has developed a scheme for flexible retail store construction that utilizes the new Matching Build Construction Method. ITOCHU has been considering establishing a flexible store construction business for franchise chains, and has now reached the stage of launching operations owing to the availability of this new construction method developed by NLM. We have already delivered stores constructed using the method for FamilyMart, a major convenience store chain, and for Gulliver International, a leading used-car dealer.

The Matching Build Construction Method is a retail store construction method based on the use of panel units. The product (building materials) is supplied in modular panels, simplifying and greatly reducing the time required for store construction and dismantling. The product structure accommodates differences in the size and shape of franchise chain stores through different combinations of modules.

The average life of a franchise chain store, now estimated to be about ten years, is decreasing year by year. Furthermore, the disposal of scrap and waste material generated in connection with the demolition of buildings has become a pressing social problem that has led to enactment of the Construction Materials Recycling Law. In order to contribute to the realization of a recycling society, NLM is moving forward with the development of mechanisms for reusing the building materials collected when retail stores are dismantled to make way for the construction of new stores.

NLM is engaged in discussions with franchise chains in various industries and business categories to ascertain demand trends and aims to obtain orders for between 50 and 100 stores per year to be constructed using the Matching Build Construction Method.

NLM Develops the World's First Ultra-Hard Metallic Color Surface Treatment Technology

Nippon Light Metal Company Ltd. has developed the world's first ultra-hard metallic color surface treatment technology. The technology is a combination of a special surface treatment for aluminum and an independently developed hard coating. The technology is an evolution of Nikkei Super Hard Coat developed in 1995, which was the first aluminum coating material to realize coating film scratch hardness* of 7H and has delivered a solid record of performance in train car interior applications.

The technology can be used with all metallic colors applied to aluminum material and combines impact resistance and bending workability unavailable from previous hard coats with stain resistance and UV resistance. These outstanding properties greatly expand the scope of application for aluminum materials, particularly for outdoor use.

NLM and NLM Group companies plan to apply this metallic ultra-hard surface treatment technology in a broad range of applications, including railcars, interior and exterior decoration, electrical products, and furniture.

** Scratch hardness: JIS K5600. A scale for indicating coating hardness corresponding to pencil hardness/softness ratings*

Aluminum Ingot and Chemicals

In Alumina and Chemicals Operations, overall sales of alumina and aluminum hydroxide increased as favorable shipments of products for use in flame retardants and for export to China and buoyant sales of differentiated products such as low-soda alumina used for semiconductors and electronic materials and white aluminum hydroxide used in artificial marble offset slumping exports to South Korea and shipments of products for use in coagulants.

Sales of chemicals decreased year on year. Although shipments of general-purpose products such as sodium chloride and hydrochloric acid developed favorably, shipments of chloride decreased owing to a temporary production stoppage due to a fire that broke out in August 2002 at the dichlorobenzene plant in the Kambara Complex. Shipments of hydrofluoric acid, primarily shipments to major users, fell sharply.

As a result of these developments, sales for Alumina and Chemicals Operations were roughly the same as the previous year. However, high prices of heavy oil, soaring ocean freight charges for bauxite and other factors resulted in higher manufacturing costs, and downward pressure on profitability continued.

In Aluminum and Aluminum Alloy Operations, intensification of competition among Japanese producers to secure sales volume in the mainstay automotive sector brought about sluggish growth in sales volumes and continuation of the downward trend in selling prices. In addition, an unexpectedly deep slump in demand in the electric cable sector resulted in lower sales volume. Consequently, we were unable to avoid a sharp year-on-year decrease in revenues from these two market sectors. Implementation of aggressive measures to expand sales in the iron and steel sector enabled us to achieve overall sales on a par with the previous year's level. Nevertheless, profits remained elusive as the upward trend in raw material prices continued, due in part to a tight supply situation brought about by increased demand for Japanese scrap against a backdrop of high raw materials costs worldwide. Although the Company strove to reduce factory costs, the reductions did not keep pace with the increase in raw materials prices.

As a result, sales in the Aluminum Ingot and Chemicals Segment increased 1.7% year on year to ¥82,851 million. Profits fell from the previous year's level.

Aluminum Sheet and Extrusions

In Aluminum Sheet Operations, sales increased year on year. Although demand for foil stock and exports slumped, sales of printing plates recovered and sales of aluminum plate for semiconductor and liquid crystal manufacturing equipment increased thanks to an increase in capital spending-driven demand from those industries. In addition, revenues from the transport sector increased, supported by robust demand from the truck industry in connection with diesel truck emission regulations.

During the year under review Nikkei Siam Aluminium Ltd. became a consolidated subsidiary.

The Group achieved its sales target for Aluminum Extrusion Operations. Although stagnant market conditions led to sluggish growth in sales of building materials and industrial materials, sales of truck components surged as tightening of emissions regulations for diesel vehicles spurred demand. Sales of pipe stock, automobile components, and printing rolls also developed favorably.

As a result, sales in the Aluminum Sheet and Extrusions Segment increased 11.1% year on year to ¥64,860 million. Profits rose substantially from the previous year, in part due to the effect of a return to prior levels for roll margins (processing charges).

Fabricated Products and Others

An overview of principal operations in the Fabricated Products and Others Segment is as follows.

In Aluminum Foil Operations, sales of high-purity aluminum foil for capacitors and general-purpose foil for food products and pharmaceuticals packaging applications developed favorably, fueling a year-on-year increase in sales of aluminum foil. In Aluminum Powder and Paste Operations, sales rose year on year owing to favorable sales in Japan and overseas of aluminum paste for automobile paints, strong sales of aluminum paste for home appliances, and buoyant exports and robust sales of new products.

In Transportation-related Operations, sales from the van and truck outfitting business rose sharply year on year, fueled by robust truck replacement demand stemming from the tightening of emissions regulations for diesel vehicles. In the automotive components sector, shipments of air conditioner capacitors for light motor vehicles increased substantially and shipments of those for trucks increased owing to the tightening of emissions regulations. However, delays in the start-up of mass production of products for model changeovers at mainstay customers and sluggish growth in shipments for export resulted in a year-on-year decrease in sales. With regard to the shaped parts business, sales of mainstay brake calipers increased sharply in line with minor changes to models in which they are installed, and shipments of automobile engine components also developed favorably. As for forged products, shipments of scroll compressors for automobile air conditioners increased in line with increases in automobile production volumes. As a result, overall sales of the shaped parts business substantially exceeded the previous year's level.

Regarding Electronic Materials Operations, volumes of anodized aluminum foil for electrolytic capacitors turned upward during the second quarter, fueled by increased demand for digital appliances and robust production of electronic and electrical equipment owing to strong capital spending for infrastructure development in China. However, full-year sales fell short of the previous year's level, having been dealt a severe blow by the weaker demand for electronic and electrical equipment and electronic components from fiscal 2002 into the first quarter of the year.

In Panel Systems Operations, although sales of panels for commercial freezers and refrigerators for small projects increased during the first half, reductions in capital spending continued and sales for major projects fell below the previous year's level. During the second half, liberalization of liquor sales licenses did not lead to the anticipated surge in demand from convenience stores and supermarkets, and price competition for major projects and intensification of competition to win orders that continued throughout the year caused sales to fall below the previous year's level. Full-year sales of clean rooms increased year on year; although sales fell short of the previous year's level during the first half, the second half brought signs of a partial recovery of demand in the electric equipment and pharmaceuticals sectors, and liquid crystal and plasma display projects in particular spurred sales.

Regarding other fabricated products and related businesses, sales of 2-liter and 3-liter mini-kegs for beer fell sharply below the previous year's level as beer shipments plummeted owing to an increase in the proportion of sales accounted for by low-malt beer and the record unusually cool summer. Following the pattern of the previous year, shipments of mini-kegs and beer servers for Kirin Tarunama System were buoyant during the first half, but unavoidably fell during the second half.

Regarding landscaping products, sales of mainstay aluminum bridge railings decreased in an adverse trading environment characterized by contracting demand associated with public works projects. However, an increase in shipments of the brazed honeycomb panels used for the roofs of shelters outside train stations coupled with the effect of launching new aluminum moveable covers used as anti-terror devices at water purification plants brought sales to nearly the previous year's level.

As a result, sales in the Fabricated Products and Others Segment increased 5.5% year on year to ¥215,461 million. Profits rose sharply year on year.

Building Materials

In the Building Materials Segment, business conditions in the housing construction materials sector improved owing to last-minute demand prior to the expiration of preferential tax treatment that spurred construction of owner-occupied homes and condominiums. The surge in demand contributed to housing starts of 1.17 million units in fiscal 2003, the first increase in four years. The development of new products and differentiated products and aggressive sales & marketing activities aimed at winning new customers resulted in a solid sales performance for housing materials. Notable among these products are the CB Series, the result of a new surface treatment technology, and insulated front entrance doors that provide enhanced security. In the commercial building construction materials sector, the Company coped with a decrease in the number of large-scale redevelopment projects by working to increase sales by successfully completing large-scale projects that took advantage of NLM's high technical capabilities.

As a result, sales in the Building Materials Segment were ¥169,029 million, roughly the same level as the previous year. Profits improved from the previous year owing to sales & marketing that emphasized profitability in the commercial building construction materials sector, continuation of cost reduction projects, and the implementation of measures to achieve improvements in quality and delivery times, curtail purchasing costs, and reduce overheads.

Overview

During fiscal 2003 (the year ended March 31, 2004), although personal consumption remained sluggish in view of the persisting harsh employment and income situation, strong private-sector capital spending and exports supported a modest recovery of the Japanese economy.

In the aluminum industry, growth in sales of food-related products such as aluminum for cans was lackluster owing to the unusually cool summer, but sales in the transportation sector and other demand sectors were generally strong. As a result, total product demand exceeded the previous fiscal year's level.

Earnings and Expenses

In these circumstances, consolidated net sales of the NLM Group were ¥532.2 billion ($5,035 million), having increased 3.5% from the previous fiscal year. Please refer to the Review of Operations (Pages 8 and 9) for an overview of the results of operations.

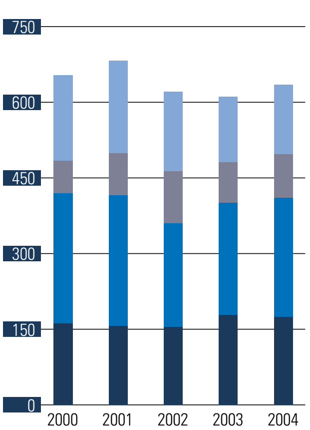
The cost of sales increased 2.3% from the previous fiscal year to ¥419.9 billion ($3,973 million), and the cost of sales ratio decreased 0.9 percentage points to 78.9%. Selling, general and administrative expenses increased 2.9% to ¥85.9 billion ($813 million). As a result, operating profit soared 31.2% to ¥26.4 billion ($249 million).

Non-operating income fell 40.8% to ¥5.3 billion ($50 million). This was mainly due to the fact that amortization of negative goodwill associated with the acquisition of 100% of the equity of Shin Nikkei Company, Ltd. in August 2000 by means of exchange of shares was completed in July 2003 and the amount of amortization decreased from ¥4.4 billion for the previous fiscal year to ¥1.4 billion. Non-operating expenses were 6.8% lower at ¥15.5 billion ($147 million) mainly due to the decrease in interest expense as a result of redemption of corporate bonds and the decrease in the loss on disposal of inventories.

As a result, ordinary profit increased 30.6% from the previous fiscal year to ¥16.1 billion ($152 million).

Similar to the previous fiscal year, the Company reported a gain on sale of fixed assets amounting to ¥3.7 billion ($35 million), mainly attributable to sale of the former Osaka Plant site, and a gain on sale of investment securities amounting to ¥1.2 billion ($12 million) as special gains. On the other hand, special losses decreased greatly from ¥8.0 billion for the previous fiscal year to ¥1.9 billion ($18 million). This decrease was attributable to the fact that, whereas additional retirement allowance for the early retirement program, loss on disposal of fixed assets and prior year severance costs for directors and statutory auditors were recorded as special losses in the previous fiscal year, no such items were recorded in the fiscal year under review, and a loss on devaluation of investment securities was about the same level as for the previous fiscal year. Specifically, the loss on devaluation of investment securities amounting to ¥1.9 billion relates to devaluation of shares of Nippon Asahan Aluminium Company Limited, the

Net Sales By Segment

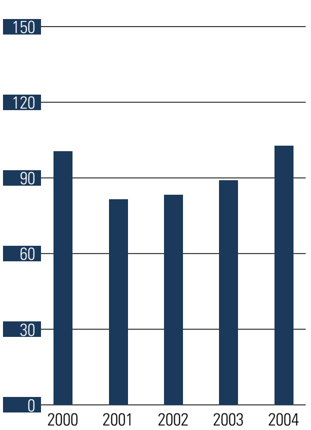


*including intersegment transactions

Billions of yen — Years ended March 31

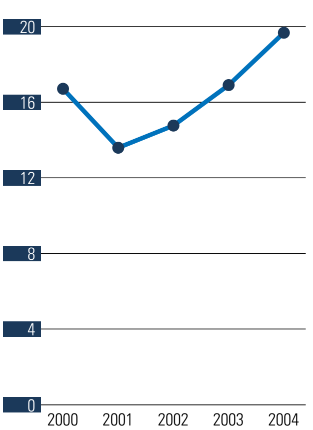
Aluminum Ingot and Chemicals
Aluminum Sheet and Extrusions
Fabricated Products and Others
Building Materials

Total Shareholders' Equity



Billions of yen — As of March 31

Equity Ratio



% — As of March 31

investment vehicle for an Indonesian smelting project.

The total amount of current income taxes rose by ¥2.2 billion from the previous fiscal year to ¥4.6 billion ($43 million). This rise was attributable to the increase in taxable income because consolidated subsidiaries for which the consolidated taxation system is not adopted recorded better financial results than for the previous year. Deferred income tax increased by ¥5.4 billion from the previous fiscal year to ¥2.3 billion (¥22 million). For the previous fiscal year, deferred income tax amounting to ¥3.1 billion had a positive impact on income taxes because the valuation allowance provided for accumulated deficit decreased and the deferred tax assets increased. On the contrary, for the fiscal year under review, deferred income tax amounting to ¥2.3 billion had a negative impact on income taxes because reversal of deferred tax assets was recorded in connection with offsetting of taxable income of the consolidated subsidiaries which have adopted the consolidated taxation system with accumulated deficit. Consequently, consolidated net income surged 62.0% from the previous fiscal year to ¥11.5 billion ($109 million). The average number of shares outstanding during the fiscal year increased from 530,380,188 shares in fiscal 2002 to 540,507,663 shares in fiscal 2003. As a result, net income per share of common stock was ¥21.24 ($0.20), having increased 59.2% from the previous fiscal year. Payment of cash dividends of ¥2.5 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 29, 2004.

Assets, Liabilities and Shareholders' Equity

Total assets were ¥520.6 billion ($4,926 million), 1.0% less than at the end of the previous fiscal year. Current assets increased 1.2% to ¥290.6 billion ($2,750 million), mainly due to the increases in notes and accounts receivable—trade in line with the higher net sales. Fixed assets decreased 3.7% to ¥230.0 billion ($2,176 million) as a result of the Company's efforts to reduce assets through sale of the former Osaka Plant site and investment securities as well as the decrease in deferred tax assets as mentioned above.

Total liabilities were ¥414.4 billion ($3,921 million), 4.4% less than at the end of the previous fiscal year. This decrease was attributable to repayment of interest-bearing debts, including redemption of bonds. Interest-bearing debt decreased 9.8% to ¥229.7 billion ($2,173 million).

Minority interest in consolidated subsidiaries was ¥3.7 billion ($35 million), 18.4% higher than at the end of the previous fiscal year. Shareholders' equity rose 14.7% to ¥102.5 billion ($969 million). This rise was attributable to an increase in retained earnings because the Company recorded net income. Shareholders' equity per share of common stock amounted to ¥188.84 ($1.79), having increased 13.1% from the end of the previous fiscal year. The equity ratio was 19.7%, an improvement of 2.7 percentage points.

Cash Flows

Cash and cash equivalents at March 31, 2004, were ¥34.8 billion ($329 million), 22.1% lower than at the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥23.4 billion ($222 million), having decreased by 30.0% due to the increase in working capital in line with the higher net sales.

Net cash used for investing activities totaled ¥5.6 billion ($53 million), compared with net cash provided by investing activities amounting to ¥0.2 billion in the previous fiscal year. This downturn was mainly owing to the decrease in proceeds from sale of fixed assets.

Net cash used for financing activities amounted to ¥27.7 billion ($262 million), having decreased by 24.1%. This decrease was partly due to the decrease in the amount of redemption of corporate bonds compared with the previous fiscal year.

Outlook for Fiscal 2004

An unstable business environment is expected to continue for some time on account of runaway growth in raw materials prices and geopolitical risk factors, notably the situation in the Middle East. However, there are also some positive signs, such as the upturn of capital investment in certain industries in Japan in the context of the recovery of corporate earnings. We are determined to achieve the goals set for the third year of the Mid-Term Management Plan. At the same time we will accelerate the commercialization of new products and the development of new businesses, the driving forces of sustainable growth, from the medium- to long-term perspective and sharpen our focus on implementation of the growth strategy to make the best possible use of our resources.

For fiscal 2004, on a consolidated basis we forecast net sales of ¥550.0 billion, ordinary profit of ¥18.5 billion and net income of ¥11.0 billion. Net income per share of common stock is expected to be ¥22.29. We plan to pay out year-end cash dividends of ¥3.0 per share of common stock, ¥0.5 higher than for fiscal 2003.

Note: The above forecasts were revised and announced on August 3, 2004.

CONSOLIDATED BALANCE SHEETS

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
As of March 31, 2003 and 2004

ASSETS	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 2) 2004
Current assets:			
Cash and deposits (Notes 3 and 6)	¥ 45,227	¥ 35,564	$ 336,493
Notes and accounts receivable—trade (Notes 6 and 14)	157,189	169,184	1,600,757
Inventories (Note 4)	68,027	69,236	655,086
Deferred income taxes (Note 8)	5,472	5,413	51,216
Other current assets (Note 3)	13,653	13,347	126,284
Allowance for doubtful accounts	(2,485)	(2,119)	(20,049)
Total current assets	287,083	290,625	2,749,787
Fixed assets:			
Property, plant and equipment (Note 6)—			
Buildings and structures	134,158	136,784	1,294,200
Machinery and equipment	271,071	274,458	2,596,821
Land	66,101	64,722	612,376
Construction-in-progress	3,082	2,819	26,672
Accumulated depreciation	(289,906)	(296,221)	(2,802,734)
	184,506	182,562	1,727,335
Intangible fixed assets	4,414	3,935	37,231
Investments and other assets—			
Investment securities (Notes 5 and 6)	32,153	29,466	278,796
Deferred income taxes (Note 8)	9,495	6,385	60,413
Other assets	12,782	11,576	109,528
Allowance for doubtful accounts	(4,672)	(3,964)	(37,506)
	49,758	43,463	411,231
Total fixed assets	238,678	229,960	2,175,797
Total assets	¥ 525,761	¥ 520,585	$4,925,584

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)
	2003	2004	2004
Current liabilities:			
Short-term borrowings (Note 6)	¥ 99,403	¥ 96,628	$ 914,259
Current portion of long-term debt (Note 6)	48,714	43,257	409,282
Notes and accounts payable—trade	97,953	104,437	988,144
Other current liabilities	48,567	47,477	449,210
Total current liabilities	294,637	291,799	2,760,895
Long-term liabilities:			
Long-term debt (Note 6)	106,642	89,797	849,626
Accrued pension and severance costs—			
for Employees (Note 7)	23,897	25,039	236,910
for Directors and statutory auditors	1,444	1,416	13,398
Negative goodwill	1,314	480	4,541
Other long-term liabilities (Note 8)	5,326	5,861	55,455
Total long-term liabilities	138,623	122,593	1,159,930
Minority interest in consolidated subsidiaries	3,155	3,735	35,339
Shareholders' equity:			
Common stock—			
Authorized: 1,600,000,000 shares			
Issued: 543,350,370 shares	39,085	39,085	369,808
Additional paid-in capital	24,680	24,569	232,463
Retained earnings (Note 9)	25,697	36,097	341,536
Revaluation surplus (Note 10)	510	508	4,806
Net unrealized gains on securities (Note 5)	743	2,621	24,799
Foreign currency translation adjustment	(505)	(289)	(2,734)
Treasury stock, at cost			
(8,621,823 shares in 2003 and 1,028,654 shares in 2004)	(864)	(133)	(1,258)
Total shareholders' equity	89,346	102,458	969,420
Contingent liabilities (Note 14)			
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	¥525,761	¥520,585	$4,925,584

CONSOLIDATED STATEMENTS OF INCOME

Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
For the years ended March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Net sales	¥ 514,042	**¥532,201**	**$5,035,490**
Cost of sales (Note 13)	410,449	**419,908**	**3,973,015**
Gross profit	103,593	**112,293**	**1,062,475**
Selling, general and administrative expenses (Note 13)	83,507	**85,938**	**813,114**
Operating profit	20,086	**26,355**	**249,361**
Non-operating income:			
Interest income	122	**80**	**757**
Amortization of negative goodwill	4,386	**1,409**	**13,332**
Equity in earnings of associates	987	**304**	**2,876**
Other	3,421	**3,484**	**32,964**
Total non-operating income	8,916	**5,277**	**49,929**
Non-operating expenses:			
Interest expense	6,157	**5,438**	**51,452**
Amortization of transition obligation for employees retirement benefits (Note 7)	2,187	**2,130**	**20,153**
Loss on disposal of inventories	1,706	**1,292**	**12,224**
Other	6,627	**6,680**	**63,204**
Total non-operating expenses	16,677	**15,540**	**147,033**
Ordinary profit	12,325	**16,092**	**152,257**
Special gains:			
Gain on sale of fixed assets	2,287	**3,699**	**34,999**
Gain on sale of investment securities (Note 5)	—	**1,231**	**11,647**
Total special gains	2,287	**4,930**	**46,646**
Special losses:			
Loss on devaluation of investment securities	1,966	**1,914**	**18,110**
Additional retirement allowance for early retirement program (Note 7)	3,364	**—**	**—**
Loss on disposal of fixed assets	2,158	**—**	**—**
Prior years severance costs for directors and statutory auditors	482	**—**	**—**
Total special losses	7,970	**1,914**	**18,110**
Income before income taxes and minority interest	6,642	**19,108**	**180,793**
Income taxes (Note 8)—current	2,350	**4,562**	**43,164**
—deferred	(3,140)	**2,309**	**21,847**
	(790)	**6,871**	**65,011**
Minority interest in income of consolidated subsidiaries	316	**712**	**6,737**
Net income	¥ 7,116	**¥ 11,525**	**$ 109,045**

Per share of common stock:	Yen		U.S. dollars (Note 2)
Net income	¥ 13.34	**¥ 21.24**	**$ 0.20**
Cash dividends	¥ 2.00	**¥ 2.50**	**$ 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, 2003 and 2004

		Millions of yen						
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Revaluation surplus	Net unrealized gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
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 associate				(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)
Net income				11,525				
Cash dividends				(1,085)				
Directors' and statutory auditors' bonuses				(40)				
Equity on revaluation gain for land of an associate					(2)			
Net unrealized gains on securities (Note 5)						1,878		
Foreign currency translation adjustment							216	
Net decrease in treasury stock								731
Gain on sale of treasury stock			345					
Reversal of gain on sales of treasury stock recorded by an associate due to the sale of its shares			(456)					
Balance at March 31, 2004	543,350,370	¥39,085	¥24,569	¥36,097	¥508	¥2,621	(¥289)	(¥133)

		Thousands of U.S. dollars (Note 2)						
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Revaluation surplus	Net unrealized gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
Balance at March 31, 2003:	543,350,370	$369,808	$233,513	$243,136	$4,825	$ 7,030	($4,778)	($8,175)
Net income				109,045				
Cash dividends				(10,266)				
Directors' and statutory auditors' bonuses				(379)				
Equity on revaluation gain for land of an associate					(19)			
Net unrealized gains on securities (Note 5)						17,769		
Foreign currency translation adjustment							2,044	
Net decrease in treasury stock								6,917
Gain on sale of treasury stock			3,264					
Reversal of gain on sales of treasury stock recorded by an associate due to the sale of its shares			(4,314)					
Balance at March 31, 2004	543,350,370	$369,808	$232,463	$341,536	$4,806	$24,799	($2,734)	($1,258)

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 6,642	¥ 19,108	$ 180,793
Depreciation and amortization	17,128	16,504	156,155
Amortization of negative goodwill	(4,386)	(1,409)	(13,331)
Loss on disposal of fixed assets	2,158	—	—
Gain on sale of fixed assets, net	(2,287)	(3,699)	(34,999)
Gain on sale of investment securities	—	(1,231)	(11,647)
Loss on devaluation of investment securities	1,966	1,914	18,109
Increase in accrued pension and severance costs	3,919	1,145	10,834
Interest and dividend income	(347)	(281)	(2,659)
Interest expense	6,157	5,438	51,452
Equity in earnings of associates	(987)	(304)	(2,876)
(Increase) decrease in notes and accounts receivable—trade	21,517	(11,479)	(108,610)
(Increase) decrease in inventories	5,318	(264)	(2,498)
Increase (decrease) in notes and accounts payable—trade	(14,050)	4,829	45,690
Other	(617)	957	9,055
Sub total	42,131	31,228	295,468
Interest and dividend income received	892	403	3,813
Interest paid	(6,274)	(5,409)	(51,178)
Income taxes paid	(3,242)	(2,774)	(26,247)
Net cash provided by operating activities	33,507	23,448	221,856
Cash flows from investing activities:			
(Increase) decrease in time deposits	389	(182)	(1,722)
Payments for purchase of investment securities	(2,156)	(335)	(3,170)
Proceeds from redemption of investment securities	2,002	—	—
Proceeds from sale of investment securities	232	3,538	33,475
Payments for purchase of fixed assets	(12,577)	(13,571)	(128,404)
Proceeds from sale of fixed assets	9,526	5,556	52,569
Decrease in long-term loans receivable	201	176	1,665
Proceeds from purchase of consolidated subsidiary (Note 3)	—	1,346	12,736
Payments for purchase of securities of consolidated subsidiaries	(1,187)	—	—
Proceeds from liquidation of an associate	2,887	—	—
Proceeds from capital reduction of an associate	1,189	—	—
Other	(282)	(2,084)	(19,718)
Net cash provided by (used for) investing activities	224	(5,556)	(52,569)
Cash flows from financing activities:			
Decrease in short-term borrowings	(4,214)	(2,775)	(26,256)
Proceeds from long-term debt	49,490	28,380	268,521
Payments of long-term debt	(80,310)	(51,627)	(488,476)
Cash dividends paid by the Company	(813)	(1,082)	(10,237)
Cash dividends paid to minority interest	(471)	(186)	(1,760)
Other	(186)	(413)	(3,907)
Net cash used for financing activities	(36,504)	(27,703)	(262,115)
Effect of exchange rate changes on cash and cash equivalents	(170)	(59)	(558)
Net decrease in cash and cash equivalents	(2,943)	(9,870)	(93,386)
Cash and cash equivalents at beginning of year	47,594	44,651	422,471
Cash and cash equivalents at end of year (Note 3)	¥44,651	¥ 34,781	$ 329,085

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The notes to the consolidated financial statements include financial information, which is not required under accounting principles and practices 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.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Consolidation and investments in associates —

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 (associates) 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 associates 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, was 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 income for the period.

Assets and liabilities of foreign subsidiaries and associates 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 income 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 associates' 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 associates' are accounted for using the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and associates 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 income 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 associates' 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 charged to income 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 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 income 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, principally, ranging from 2 years up to 60 years for buildings and structures, and from 2 years up to 22 years for machinery and equipment.

(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.

"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 balance sheet date, based on the Company retirement rules.

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. 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 record "Accrued pension and severance costs for directors and statutory auditors". Accordingly, 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 in order to more appropriately reflect their costs and liabilities. The effects of this change for the year ended March 31, 2003, was to decrease "Ordinary profit" by ¥94 million and to decrease "Income before income taxes and minority interest" by ¥576 million, 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. The Company and its wholly-owned domestic subsidiaries adopt 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 costs and computer software —
Research and development costs 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 company is required to obtain the approval of shareholders at an ordinary general meeting for the appropriations of retained earnings in conformity with the Japanese Commercial Code. 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) 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.

Cash dividends per share, shown in the accompanying consolidated statements of income, represents dividends declared as applicable to the respective fiscal year.

(o) Accounting standard for impairment of fixed assets —

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005 and an earlier adoption is permitted. The Company has not adopted the standard for the years ended March 31, 2003 and 2004.

(p) Reclassifications —

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

2. U.S. DOLLAR AMOUNTS:

The rate of ¥105.69= U.S.$1, the approximate current rate prevailing on March 31, 2004, 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, 2003 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Cash and deposits	¥45,227	**¥35,564**	**$336,493**
Time deposits with maturity in excess of 3 months	(726)	**(903)**	**(8,544)**
Commercial paper included in "Other current assets"	150	**120**	**1,136**
Cash and cash equivalents	¥44,651	**¥34,781**	**$329,085**

For the year ended March 31 2004, the Company acquired a share of Alcan Nikkei Siam Aluminium Limited (which changed the company name to Nikkei Siam Aluminium Limited on December 1, 2003), which became a newly consolidated subsidiary. At the time of consolidation, the assets and liabilities and the proceeds from the purchase of the consolidated subsidiary were as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	**2004**
Current assets	**¥ 2,821**	**$26,691**
Fixed assets	**1,227**	**11,609**
Current liabilities	**(819)**	**(7,749)**
Long-term liabilities	**(220)**	**(2,081)**
Negative goodwill	**(575)**	**(5,440)**
Acquisition cost	**¥ 2,434**	**$23,030**
Payment in kind of investment securities for the acquisition	**(¥ 2,434)**	**($23,030)**
Cash and cash equivalents held by a newly consolidated subsidiary ("proceeds from purchase of consolidated subsidiary")	**¥ 1,346**	**$12,736**

4. INVENTORIES:

Inventories at March 31, 2003 and 2004 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Finished products	¥22,854	**¥21,945**	**$207,636**
Work-in-process, including costs related to construction-type-contracts	34,100	**35,346**	**334,431**
Raw materials and supplies	11,073	**11,945**	**113,019**
	¥68,027	**¥69,236**	**$655,086**

5. INVESTMENT SECURITIES:

(a) '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, 2003 and 2004 were as follows:

	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

	Millions of yen			
	2004			
	Cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	**¥3,661**	**¥4,437**	**¥36**	**¥8,062**
	¥3,661	**¥4,437**	**¥36**	**¥8,062**

	Thousands of U.S. dollars			
	2004			
	Cost	Unrealized gains	Unrealized losses	Carrying amount
Equity securities	**$34,639**	**$41,981**	**$340**	**$76,280**
	$34,639	**$41,981**	**$340**	**$76,280**

(b) Sale of 'Other securities' —

The realized gains and losses on sale of 'Other securities' during the years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Selling amount	¥232	**¥2,857**	**$27,032**
Realized gains on sale	70	**1,231**	**11,647**
Realized losses on sale	23	**—**	**—**

(c) '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, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
(1) 'Held-to-maturity securities'			
Domestic debt securities privately offered	¥ 133	¥ 130	$ 1,230
(2) 'Other securities'			
Equity investments in non-public companies	13,217	11,339	107,285
Other	57	49	464
	¥13,407	¥11,518	$108,979

(d) Maturity of debt securities —

The redemption schedules for maturity of debt securities at March 31, 2003 and 2004 are as follows:

	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

	Millions of yen			
	2004			
	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	¥13	¥45	¥49	¥14
Corporate debt securities	—	10	—	—
Other	13	15	—	—
	¥26	¥70	¥49	¥14

	Thousands of U.S. dollars			
	2004			
	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	$123	$426	$464	$132
Corporate debt securities	—	94	—	—
Other	123	142	—	—
	$246	$662	$464	$132

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

"Short-term borrowings" at March 31, 2004 bore interest at annual rates ranging from 0.589% to 3.000% 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
	2003	2004	2004
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	¥ —	$ —
Unsecured	79,715	—	—
Loans, principally from banks and insurance companies due from 2004 to 2015 with interest rates ranging from 0.660% to 5.700%:			
Secured	—	109,155	1,032,785
Unsecured	—	3,845	36,380
Secured 1.25% Bonds due July 20, 2006, redeemable before due date	—	9,000	85,155
Unsecured 2.65% Bonds due February 10, 2004, redeemable before due date	10,000	—	—
Unsecured 2.45% Bonds due July 25, 2003, redeemable before due date	10,000	—	—
Unsecured 2.675% Bonds due August 20, 2004, redeemable before due date	10,000	10,000	94,616
Unsecured 1.25% Bonds due July 20, 2006, redeemable before due date	9,000	—	—
Capital lease obligations due from 2004 to 2029 with interest rates ranging from 1.900% to 7.200%	—	1,054	9,972
	155,356	133,054	1,258,908
Less: portion due within one year	(48,714)	(43,257)	(409,282)
Total long-term debt	¥106,642	¥ 89,797	$ 849,626

A summary of assets pledged as collateral for "Short-term borrowings" and "Long-term debt" at March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 60	$ 568
Notes and accounts receivable—trade	4	38
Property, plant and equipment	106,094	1,003,822
Investment securities	373	3,529

The aggregate annual maturities of "Long-term debt" beyond March 31, 2004 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 43,257	$ 409,282
2006	29,332	277,528
2007	32,339	305,980
2008	18,755	177,453
2009	7,081	66,998
Thereafter	2,290	21,667
	¥133,054	$1,258,908

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, 2003 and 2004 can be analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Projected benefit obligations	(¥67,810)	(¥65,500)	($619,737)
Fair value of plan assets	16,863	19,333	182,922
	(50,947)	(46,167)	(436,815)
Unrecognized transition amount	18,813	16,683	157,848
Unrecognized actuarial differences	8,237	4,445	42,057
Accrued pension and severance costs	(¥23,897)	(¥25,039)	($236,910)

The net pension cost related to retirement benefits for the years ended March 31, 2003 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Service cost	¥ 3,801	¥ 3,420	$32,359
Interest cost	1,516	1,420	13,435
Expected return on plan assets	(468)	(368)	(3,482)
Amortization of transition amount	*1 3,495	*1 2,130	20,153
Amortization of unrecognized actuarial differences	*2 1,581	1,531	14,486
Net pension and severance cost	¥ 9,925	¥ 8,133	$76,951

*1 *The above figures include an amount of ¥1,308 million and ¥38 million ($360 thousand) for the years ended March 31, 2003 and 2004, 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 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 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:

	2003	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	Mainly 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 42.0% for the years ended March 31, 2003 and 2004.

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

Significant components of deferred tax assets and liabilities at March 31, 2003and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred tax assets:			
Tax loss carry forwards	¥21,710	¥11,339	$107,285
Accrued pension and severance costs	8,678	9,511	89,990
Accrued bonuses	1,649	2,383	22,547
Loss on disposal of fixed assets	1,851	1,828	17,296
Allowance for doubtful accounts	1,997	1,499	14,183
Others	8,418	8,929	84,483
Total gross deferred tax assets	44,303	35,489	335,784
Valuation allowance	(28,068)	(21,561)	(204,003)
Total deferred tax assets, net of valuation allowance	16,235	13,928	131,781
Deferred tax liabilities:			
Unrealized gains on securities	(524)	(1,677)	(15,867)
Valuation gain on subsidiaries	(545)	(708)	(6,699)
Others	(296)	(399)	(3,775)
Total gross deferred tax liabilities	(1,365)	(2,784)	(26,341)
Net deferred tax assets	¥14,870	¥11,144	$105,440

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2003and 2004 is as follows:

	2003	2004
Statutory tax rate	42.0%	42.0%
Increase (decrease) in taxes resulting from:		
Permanently non-deductible expenses	7.0	3.6
Amortization of negative goodwill	(27.7)	(3.1)
Equity in earnings of associates	(6.3)	—
Decrease in valuation allowance	(30.0)	(4.7)
Decrease in deferred income taxes with tax-rates change	4.7	—
Other	(1.6)	(1.8)
Effective income tax rate	(11.9%)	36.0%

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, the 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, 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 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 29, 2004.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,356**	**$12,830**

10. REVALUATION SURPLUS:

An equity associate 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 associate'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 ¥ 1,830 million and ¥1,777 million ($16,813 thousand), and receipts under finance lease contracts totaled ¥ 101 million and ¥76 million ($719 thousand), for the years ended March 31, 2003 and 2004, respectively. Future lease payments and receipts under the Companies' finance leases and non-cancelable operating leases, including amounts representing interest, at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Lease payments:			
Due within one year	¥1,797	**¥1,759**	**$16,643**
Due beyond one year	4,917	**4,925**	**46,599**
	¥6,714	**¥6,684**	**$63,242**
Lease receipts:			
Due within one year	¥ 143	**¥ 73**	**$ 690**
Due beyond one year	60	**19**	**180**
	¥ 203	**¥ 92**	**$ 870**

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, 2003 and 2004 would have been as follows:

	Millions of yen		
	2003		
	Cost	Accumulated depreciation	Net amount
Buildings and structures	¥ 41	¥ 18	¥ 23
Machinery and equipment	9,785	3,523	6,262
Intangible fixed assets	263	175	88
	¥10,089	¥3,716	¥6,373

	Millions of yen			Thousands of U.S. dollars
	2004			**2004**
	Cost	Accumulated depreciation	Net amount	Net amount
Buildings and structures	**¥ 36**	**¥ 13**	**¥ 23**	**$ 217**
Machinery and equipment	**10,093**	**3,789**	**6,304**	**59,646**
Intangible fixed assets	**171**	**96**	**75**	**710**
	¥10,300	**¥3,898**	**¥6,402**	**$60,573**

The depreciation amount for these leased assets computed on the straight-line method over the period of the leases would have been ¥ 1,830 million and ¥1,777 million ($16,813 thousand) for the years ended March 31, 2003 and 2004, 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, 2003 and 2004, were as follows:

	Millions of yen		
	2003		
	Cost	Accumulated depreciation	Net amount
Machinery and equipment	¥140	¥97	¥43

	Millions of yen			Thousands of U.S. dollars
	2004			2004
	Cost	Accumulated depreciation	Net amount	Net amount
Machinery and equipment	**¥81**	**¥51**	**¥30**	**$284**

The depreciation amount for these leased assets computed on the straight-line method over the period of the leases would have been ¥ 64 million and ¥38 million ($360 thousand) for the years ended March 31, 2003 and 2004, 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.

At March 31, 2003 and 2004, there were no derivative financial instruments, except those instruments to which hedge accounting is applied.

13. RESEARCH AND DEVELOPMENT COSTS:

Research and development costs charged to "Cost of sales" and "Selling, general and administrative expenses" for the years ended March 31, 2003 and 2004 were ¥4,427 million and ¥4,804 million ($45,454 thousand), respectively.

14. CONTINGENT LIABILITIES:

Contingent liabilities at March 31, 2004 for loans guaranteed and other guarantees given in the ordinary course of business amounted to ¥20,911 million ($197,852 thousand), including ¥4,726 million ($44,716 thousand) shared by other joint guarantors, and ¥3,174 million ($30,031 thousand) for notes discounted and ¥5 million ($47 thousand) for notes endorsed.

15. 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, 2003 and 2004 are as follows:

	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*

	Millions of yen					
	2004					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
Sales:						
Customers	**¥ 82,851**	**¥64,860**	**¥215,461**	**¥169,029**	**¥ —**	**¥532,201**
Intersegment	**52,681**	**22,962**	**19,544**	**5,188**	**(100,375)**	**—**
Total	**135,532**	**87,822**	**235,005**	**174,217**	**(100,375)**	**532,201**
Operating expenses	**130,805**	**84,155**	**220,934**	**167,530**	**(97,578)*1**	**505,846**
Operating profit (loss)	**¥ 4,727**	**¥ 3,667**	**¥ 14,071**	**¥ 6,687**	**(¥ 2,797)**	**¥ 26,355**
Identifiable assets	**¥ 94,899**	**¥71,366**	**¥201,848**	**¥164,674**	**(¥ 12,202)*2**	**¥520,585**
Depreciation	**¥ 2,816**	**¥ 1,702**	**¥ 5,150**	**¥ 6,746**	**¥ 90**	**¥ 16,504**
Capital expenditures	**¥ 3,618**	**¥ 1,657**	**¥ 7,459**	**¥ 4,709**	**¥ 73**	**¥ 17,516**

**1 Netting of corporate items ...¥2,847 million* **2 Netting of corporate items ...¥20,480 million*

	Thousands of U.S. dollars					
	2004					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
Sales:						
Customers	**$ 783,906**	**$613,682**	**$2,038,612**	**$1,599,290**	**$ —**	**$5,035,490**
Intersegment	**498,448**	**217,258**	**184,918**	**49,087**	**(949,711)**	**—**
Total	**1,282,354**	**830,940**	**2,223,530**	**1,648,377**	**(949,711)**	**5,035,490**
Operating expenses	**1,237,629**	**796,244**	**2,090,396**	**1,585,107**	**(923,247)**	**4,786,129**
Operating profit (loss)	**$ 44,725**	**$ 34,696**	**$ 133,134**	**$ 63,270**	**($ 26,464)**	**$ 249,361**
Identifiable assets	**$ 897,899**	**$675,239**	**$1,909,812**	**$1,558,085**	**($115,451)**	**$4,925,584**
Depreciation	**$ 26,644**	**$ 16,104**	**$ 48,727**	**$ 63,828**	**$ 852**	**$ 156,155**
Capital expenditures	**$ 34,232**	**$ 15,678**	**$ 70,574**	**$ 44,555**	**$ 691**	**$ 165,730**

**1 Netting of corporate items ...$26,937 thousand* **2 Netting of corporate items ...$ 193,774 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 in the "Building materials" segment, and to increase "Operating loss" by ¥57 million in the "Elimination or corporate items" column.

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Report of Independent Auditors

June 29, 2004

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

We have audited the accompanying consolidated balance sheets of Nippon Light Metal Company, Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Light Metal Company, Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

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.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

OVERSEAS SUBSIDIARIES AND ASSOCIATES

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%)

Europe

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

East Asia

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%)

Nonfemet International (China-Canada-Japan) Aluminium Co., Ltd.
Shenzhen, China
Phone: 86-755-661-1569
Extrusion
(18%)

Southeast Asia

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

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

Nikkei Siam Aluminium Limited
Thailand
Phone: 66-2-529-0136
Aluminum sheet, foil
(100%)

Nikkei Singapore Aluminium Pte. Ltd.
Singapore
Phone: 65-6222-8991
Trading and marketing
(100%)

(As of March 31, 2004)

Directors

Shigesato Sato
President
Representative Director

Yoshisato Hiratsuka
Takashi Ishiyama
Shigeru Kohmura
Takamichi Sakai
Tsuyoshi Nakajima
Makoto Fujioka
Kazuyuki Hasegawa
Masao Imasu
Yasuo Noda
Hidetane Iijima

Auditors

Shozo Ueda
Koji Tajima
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
Senior Executive Officer

Yoshinobu Hiki
Senior Executive Officer

Takamichi Sakai
Senior Executive Officer

Tsuyoshi Nakajima
Executive Officer

Makoto Fujioka
Executive Officer

Koji Kawakami
Executive Officer

Toshikazu Wasa
Mitsuru Ishihara
Yoshiaki Kurihara
Akira Kato
Tadakazu Miyauchi
Koji Ueno
Mitsuaki Asano

(As of June 29, 2004)

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
48,092

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 29, 2004

Major Shareholders
(Percentage of Total Voting right)

Japan Trustee Services Bank, Ltd. (trust accounts)
(15.3%)

The Master Trust Bank of Japan, Ltd. (trust accounts)
(7.2%)

The Dai-ichi Mutual Life Insurance Company
(3.7%)

Mizuho Corporate Bank, Ltd.
(3.4%)

Asahi Mutual Life Insurance Co.
(2.8%)

The Light Metal Educational Foundation, Inc.
(2.8%)

Namekawa Aluminium Co., Ltd.
(2.7%)

Nikkei-Keiyu-Kai
(2.1%)

Japan Trustee Services Bank, Ltd. (trust accounts for Mitsui Asset Trust and Banking Company, Limited and CMTB Equity Investment Co., Ltd.)
(1.8%)

Mizuho Trust employee pension trust Mizuho Corporate accounts
(1.6%)

Major Domestic Subsidiaries

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

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

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

Aluminium 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, 2004)

Nippon Light Metal Company, Ltd.
NYK Tennoz Building,2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan
http://www.nikkeikin.co.jp

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