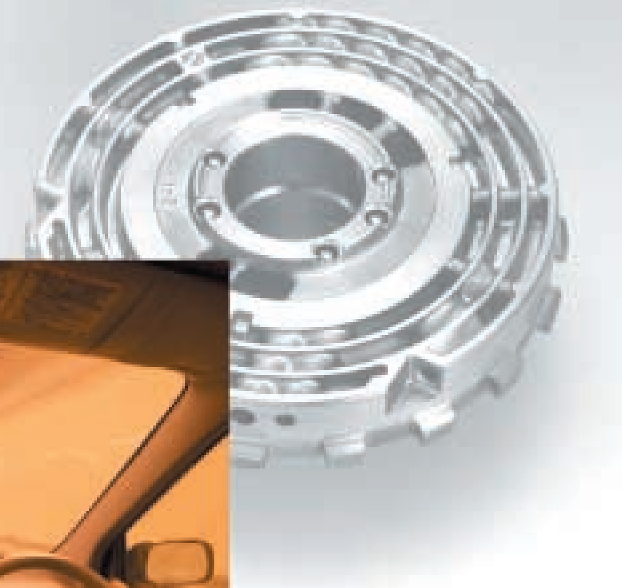
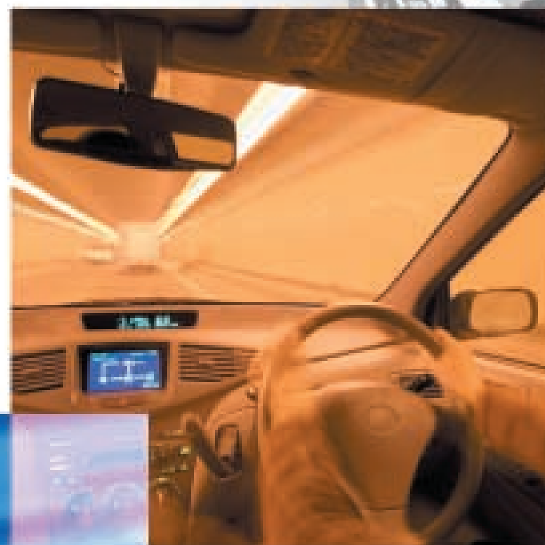




ANNUAL REPORT 2007

Year ended March 31, 2007

NIPPON LIGHT METAL COMPANY, LTD.

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 refining 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 and construction.

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.

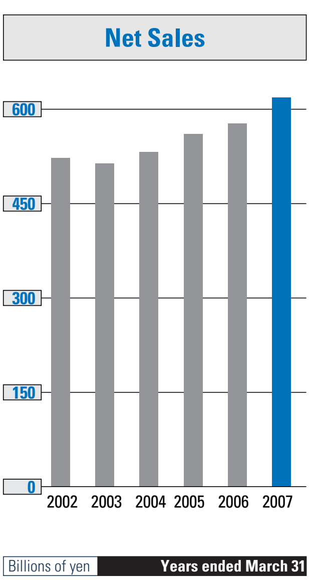
CONSOLIDATED FINANCIAL HIGHLIGHTS

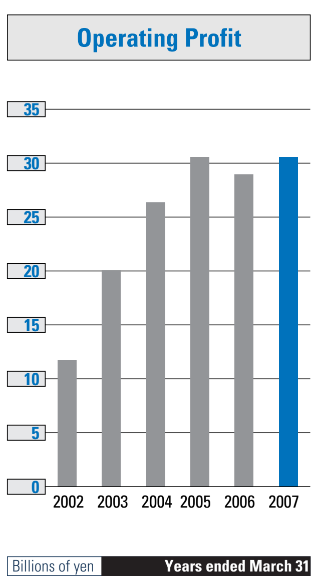
Nippon Light Metal Company, Ltd. and its consolidated subsidiaries
Years ended March 31

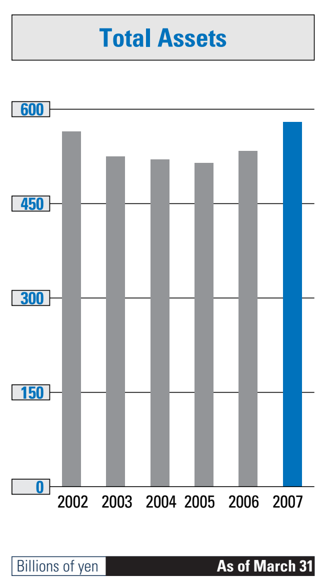
	2006	2007	2007
	Millions of yen		Thousands of U.S. dollars
For the year:			
Net sales	¥577,061	¥618,158	$5,236,408
Operating profit	28,923	30,519	258,526
Net income	9,684	12,755	108,047
At year-end:			
Total assets	533,526	579,463	4,908,623
Net assets	129,988	142,111	1,203,820
Short-term borrowings and long-term debt, including bonds and capital lease obligation	207,818	222,884	1,888,048
Per share data (yen and dollars):			
Net income—basic	¥ 17.79	¥ 23.56	$ 0.20
—diluted	16.89	22.36	0.19
Cash dividends	4.00	5.00	0.04
Net assets	232.54	254.82	2.16
Stock information (TSE) (yen and dollars):			
Stock price:			
High	¥ 363	¥ 399	$ 3.38
Low	251	267	2.26

Note1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥118.05 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

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







We are pleased to report on the operating results for Nippon Light Metal Company, Ltd. and its consolidated group companies for fiscal 2006 (the year from April 1, 2006, to March 31, 2007).

Shigesato Sato *Chairman of the Board of Director,* Takashi Ishiyama *President and CEO*

Overview of Fiscal 2006

During the year under review business developed favorably on the whole for the aluminum industry thanks to active capital investment and robust production in the automotive industry, despite high prices for aluminum ingot, crude oil, and other materials and fuels.

In these circumstances, the NLM Group worked to strengthen the business structure in all its business fields in accordance with the Mid-Term Management Plan (effective from fiscal 2002 through fiscal 2006), pressing ahead with reinforcement of earning power and the construction of a strong business foundation for the future. As a result of these efforts, we achieved almost all the management targets established in the Mid-Term Management Plan.

NLM recorded consolidated net sales of ¥618.2 billion, operating profit of ¥30.5 billion, ordinary profit of ¥25.2 billion, and net income of ¥12.8 billion. Net sales increased for the fourth consecutive year, and ordinary profit increased for the eighth consecutive year.

NLM paid a year-end cash dividend of ¥5.0 per share, an increase of ¥1.0 from the previous year.

Operating Results

Sales in the Aluminum Ingot and Chemicals segment increased 14.0% year on year to ¥110.7 billion, and operating profit rose 21.0% to ¥11.7 billion.

Sales in the Aluminum Sheet and Extrusions segment increased 11.6% year on year to ¥78.9 billion, and operating profit increased slightly, 0.1%, to ¥6.4 billion.

Sales in the Fabricated Products and Others segment increased 7.2% year on year to ¥255.5 billion, while operating profit decreased 10.7% to ¥14.2 billion.

Sales in the Building Materials segment increased 1.3% year on year to ¥173.0 billion, and operating income of ¥1.1 billion was posted following an operating loss of ¥0.2 billion for the previous term.

Announcement of a New Three-Year Mid-Term Management Plan

In April 2007 the NLM Group announced the New Mid-Term Management Plan, a three-year plan that sets out a basic strategy consisting of eight items. Key elements of the strategy include active infusion of management resources into three growth sectors (the automotive sector, the electrical machinery and electronics sector, and the resources and energy sector), further reinforcement of industry-leading businesses, active business development in overseas markets, and structural improvement of the building materials business. We have set aggressive growth targets for fiscal 2009, the final year of the plan, of consolidated net sales of ¥725.0 billion (an increase of 17% from the fiscal 2006 level) and net income of ¥18.0 billion (an increase of 41%).

Expansion of facilities capacity and upgrading of the product mix are essential for realizing this rapid growth and increase in profits. Accordingly, we plan aggressive investment to achieve functional enhancement, higher added value, and capacity expansion in business sectors with growth potential.

Although the amount of investment in the new plan is forecast to greatly exceed depreciation and amortization, we will undertake balanced management by continuing to concentrate on improvement of the financial structure.

Outlook for Fiscal 2007

Although the aluminum industry is expected to experience strong demand in fiscal 2007, NLM is under pressure to respond to sharp increases in prices of aluminum ingot, the principle raw material for our businesses, and of other raw materials, fuel, and other materials.

In these circumstances, the NLM Group will implement a group-wide action plan to achieve the targets in the New Mid-Term Management Plan while striving to secure profit margins to make possible the progress of our businesses amid change in the business environment brought about by sharp increases in the prices of resources.

In fiscal 2007 the NLM Group forecasts an increase in consolidated net sales to ¥680.0 billion attendant on the launch of Nikkei MC Aluminum Co., Ltd. However, due to an increase in the price of ingot stocks and a decline in demand for trucks coupled with higher depreciation and amortization in line with reform of the tax system in Japan, we forecast that operating profit and ordinary profit will decrease to ¥29.0 billion and ¥22.0 billion, respectively.

The forecast profit decrease notwithstanding, the NLM Group has accumulated a formidable array of capabilities encompassing everything from materials to processing and centering on aluminum. We intend to deploy these resources to maximum effect in pursuit of increased profits in accordance with the new management plan.

Shigesato Sato has assumed office as Chairman of the Board of Directors and Takashi Ishiyama has assumed office as President and CEO. We will continue to devote ourselves to the development of the business of the NLM Group and would appreciate the continuing support and understanding of our shareholders in the coming years.

June 2007

Shigesato Sato

Shigesato Sato
Chairman of the Board and Director

Takashi Ishiyama

Takashi Ishiyama
President and CEO

Aiming to Build a Continuously Growing Corporate Group

(Billions of yen)

	Previous Plan Target for Fiscal 2006	Actual Fiscal 2006	New Plan Target for Fiscal 2009
Net sales	590.0	618.2	725.0
Operating profit	32.0	30.5	39.0
Ordinary profit	23.0	25.2	32.0
Net income	—	12.8	18.0
Interest-bearing debt	230.0	223.6	220.0
Net D/E ratio (times)	—	1.3	1.1
ROCE (%)	Higher than 8.0%	9.3%	Higher than 10.0%

<Key Assumptions in the New Mid-Term Management Plan> Market price of aluminum ingot: ¥360 per kilogram, Exchange rate: ¥115 / US$1.00

Nippon Light Metal is implementing the New Mid-Term Management Plan, which went into effect in April 2007. This Special Feature introduces the specifics of the plan.

The results of the previous five-year mid-term management plan, which was concluded in fiscal 2006, show that the Group substantially improved its profitability and financial standing and largely achieved the targets in the action plan. Regrettably, however, the task of rebuilding the Building Materials business remains incomplete. As a result of implementing the plan, profitability was attained for each business unit, and management believes the foundation was put in place for growth and development into a powerful corporate group.

Basic Policies in the New Mid-Term Management Plan

1. Business domain expansion by means of active infusion of management resources into growth sectors
2. Demand creation and earning power improvement in core business sectors
3. Active development of overseas business
4. Enhancement of materials technologies
5. Completion of structural improvement of the Building Materials business
6. Development of human resources to ensure growth
7. Enhancement of corporate governance and fulfillment of corporate social responsibility
8. Improvement of the financial structure and active shareholder return measures

1. Focus on three growth sectors, including the automotive and electrical machinery and electronics markets

In the New Mid-Term Management Plan, the NLM Group has targeted three growth sectors in which its core technologies can be profitably exploited: 1) automotive, 2) electrical machinery and electronics, and 3) the environment, safety, and energy. The Group will aim for focused business expansion by actively infusing management resources into these sectors. The Group intends to raise the contribution to sales from these three growth sectors from an estimated 26% in fiscal 2006 to 36% in fiscal 2009.

In the automotive sector, the Group will expand the scope of business activities in areas such as the supply of developed alloys, fine alumina, high-luminance aluminum paste, and other materials and of parts and components for suspensions and other automotive systems and its response to customer requirements for local procurement of these materials, parts, and components.

In the electrical machinery, electronics, and telecommunications sector, the Group will focus on developing and increasing sales of mainstay products, including chemical foil for capacitors, materials for semiconductor and liquid crystal manufacturing equipment, Toyo Aluminum's carbon aluminum foil, smart cards, and antenna circuits for IC tags, as well as fine aluminum hydroxide, high-grade alumite housings, and aluminum false floors.

In the environment, safety, and energy sector, the Group will increase sales of products including Toyo Aluminium's "Toyal-Solar" aluminum paste for solar cells and backing sheets, the Aluminum Sheet Division's materials for fuel cells and lithium-ion batteries, and Shin Nikkei's "Solar Walls" solar heat collecting outer wall panels and aluminum-resin composite sashes.

In addition, the Group will seek further reinforcement and business extension and expansion in the truck outfitting business, the foil business, and the panel systems business, core businesses in which NLM enjoys market leadership.

2. Active development of overseas business operations

The Group will reinforce overseas business development with the aim of achieving sales in overseas markets of ¥80.0 billion in fiscal 2009, double the fiscal 2006 level. Specifically, to meet the local procurement requirements of automobile manufacturers the Group will expand investment to augment production capacity and improve product quality at existing production bases: for instance, automotive heat exchange materials from Nikkei Siam Aluminium (Thailand), automobile parts from Nikkeikin Act and NI Nikkei Shenzhen, and powder and paste from Toyo Aluminium.

In addition, the Group will launch new overseas businesses and strive to increase revenues in overseas growth markets: for instance, sales expansion for developed alloys from Nikkei MC Aluminum in China, Thailand, and the U.S. and market entry in China in the powder and paste business.

Other projects under consideration are construction of an aluminum hydroxide plant in Vietnam, establishment of an NLM Group Shanghai office, construction of a second automobile parts fabrication base in China and a base in the United States, entry into Southeast Asian markets in the panel systems business, and construction of a materials casting plant for automobile parts in Southeast Asia.

3. Expansion of Capital Investment

The New Mid-Term Management Plan calls for total capital investment of ¥90 billion over three years focused on measures to achieve business expansion in growth markets and strengthen earning power in core businesses. This greatly exceeds depreciation and amortization for the period and is 1.5 times the amount invested from fiscal 2004 to 2006. The Group will strive to boost competitive advantage in the areas of cost, quality, and function with an emphasis on investment to increase the functionality and added value of products in the three growth sectors and will implement measures to create new products and businesses and strengthen the business foundation.

4. Structural Improvement of the Building Materials Operation

Shin Nikkei, which posted an ordinary loss in fiscal 2006, will build a business structure that can earn stable profits by implementing rationalization and further cost reductions through renovation of its core systems and intends to adjust prices based on a review of unprofitable trading.

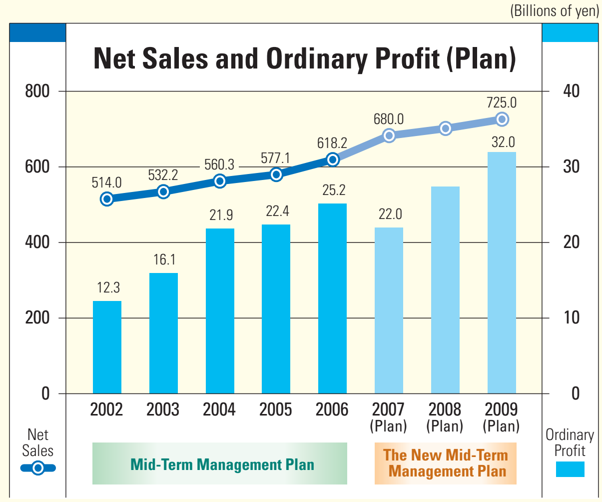
In this way, the Group aims to boost earning power while maintaining sales from this segment at the fiscal 2006 level of ¥171 billion. The Group aims to achieve ordinary profit of ¥2.0 billion from this business in fiscal 2009.

5. Highlights and Numerical Targets in the New Mid-Term Management Plan

Highlights of the New Mid-Term Management Plan

1. Expansion in three growth sectors: automotive; electrical machinery, electronics, and telecommunications; and the environment, safety, and energy
2. Reinforcement of earning power in three core businesses in which NLM enjoys industry leadership: foils, truck outfitting, and panel systems
3. Active development of overseas business Specifically, the Group will consider production capacity augmentation at existing automotive products production sites, a tripolar production system for powder and paste based on Japan, the U.S. and Europe and construction of a plant in China, and the establishment of a second automotive parts fabrication base in China and a base in the United States.
4. Active capital investment focused on three growth sectors
5. Enhancement of materials technologies focused on four high-priority core areas: casting; fine powders; extension materials and surface treatment; and joining
6. Strengthening of collaboration within the Group and increasing added value in products
7. Reinforcement of earning power of Shin Nikkei through rigorous cost reduction, etc.

(Billions of yen)



As a result of these measures, the Group has established numerical targets for fiscal 2009 of net sales of ¥725 billion (an increase of 17.3% from fiscal 2006), net income of ¥18 billion (an increase of 41.1%), and return on capital employed exceeding (ROCE) 10%. The Group will seek to improve its financial structure while achieving business growth.

6. Aiming for a Medium-Term to Long-Term Payout Ratio of 30%

In implementing the New Mid-Term Management Plan, management believes that it is vital to practice fast, agile Group Management to rapidly cope with changes in the management and business environment surrounding the NLM Group and intends to flexibly utilize alliances, mergers, and acquisitions as necessary.

What the NLM Group aims to achieve with the New Mid-Term Management Plan is to win a reputation among customers as a one-stop supplier for their aluminum needs and to become a powerful corporate group of highly profitable businesses. With regard to shareholder returns, although for the time being management will accord priority to improvement of the financial structure, the Company envisages a payout ratio of about 30% over the medium-term to long-term. The Company aims to increase dividends during the three-year period of the New Mid-Term Management Plan. Management requests the continued guidance and support of the Company's shareholders in the coming years.

The Nikkei MC Aluminum Co., Ltd. corporate logo

Newly Launched Nikkei MC Aluminum Co., Ltd. Aims for Consolidated Net Sales of ¥100.0 Billion.

Nikkei MC Aluminum Co., Ltd., with its head office in Tokyo, and led by president Koji Kawakami, started on April 1, 2007. This new NLM subsidiary was formed through the merger of the casting and die-casting aluminum alloy business of Nippon Light Metal Company, Ltd. and M.C. Aluminum Co., Ltd., a subsidiary of Mitsubishi Corporation. The new company forecasts consolidated net sales of ¥92.0 billion in its first year of operation.

The principal business of Nikkei MC Aluminum is the supply of casting and die-casting alloy ingots to automotive manufacturers in Japan and overseas. It is Japan's second largest alloy producer, with a total production capacity of 310,000 tons (190,000 tons in Japan and 120,000 tons overseas).

On the occasion of the start of the new company, President Kawakami expressed his aspirations: "Our aim is to become a highly profitable company through the synergistic combination of the aluminum alloy development and manufacturing capabilities NLM has cultivated over the years with the overseas business development capabilities of Mitsubishi Group. Current combined annual domestic and overseas production capacity is 310,000 tons, and over the medium to long term we aim to increase capacity to about 340,000 to 350,000 tons by maintaining domestic capacity at the current level while expanding overseas capacity. Our objective is to achieve consolidated net sales of about ¥100.0 billion and ordinary income of about ¥2.6 billion in fiscal 2009."

Tokai Aluminum Foil Co., Ltd. to Become a Wholly Owned Subsidiary

On May 15, 2007, Nippon Light Metal Company, Ltd. announced that on October 1 it would make aluminum foil subsidiary Tokai Aluminum Foil Co., Ltd. a wholly owned subsidiary through a share exchange. The share exchange ratio will be one share of Nippon Light Metal Company, Ltd. to one share of Tokai Aluminum Foil Co., Ltd. Subsequently, all shares of Tokai Aluminum Foil Co., Ltd. owned by NLM are to be transferred to NLM's subsidiary Toyo Aluminium K.K., whose head office is in Osaka, and Tokai Aluminum is to be operated as a subsidiary of Toyo Aluminium.

In the aluminum foil business in Japan an adverse business environment is expected to continue over the medium to long term largely as a consequence of the introduction of inexpensive imported products. Therefore, greater speed in management decision making and more efficient utilization of management resources are required. The NLM Group has positioned the aluminum foil business as a core business in the New Mid-Term Management Plan, and Toyo Aluminium will play a central role in the unification of decision making with respect to production, sales, purchasing, and human resources and in the unified formation and implementation of a strategy for promoting optimal capital investment, production allocation, and personnel exchanges.

1. Summary of Corporate Governance

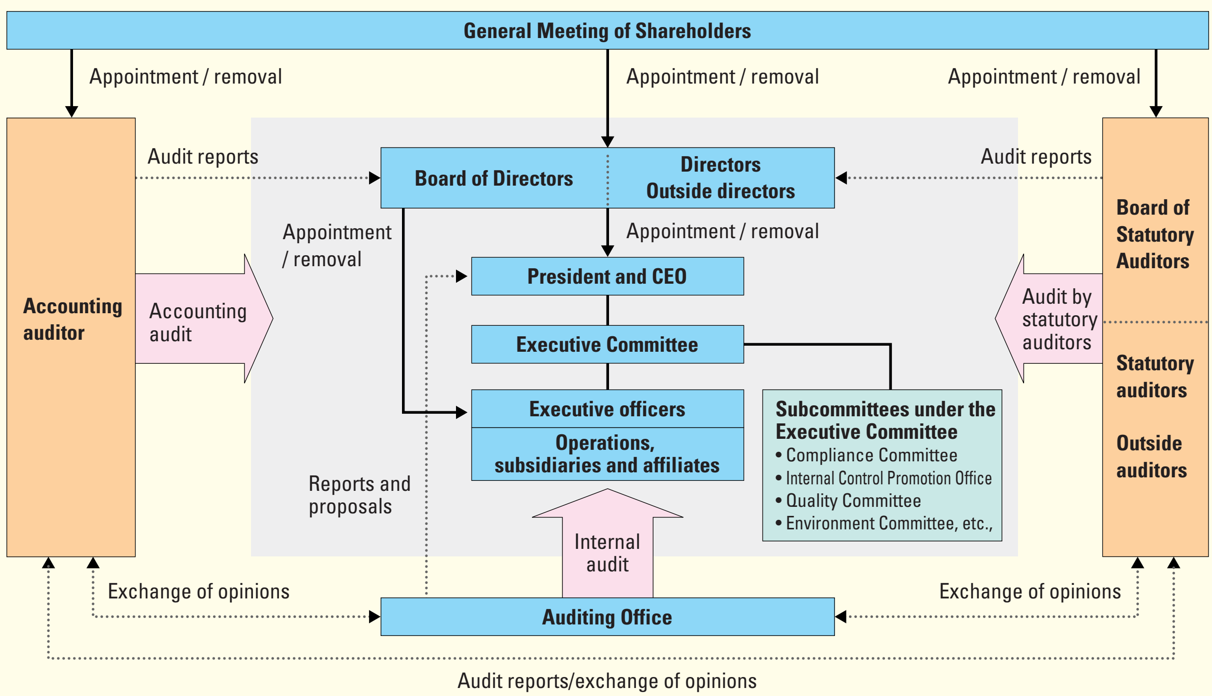
The Company considers the enhancement of corporate governance to be an important management task for the purpose of constructing a management system trusted by shareholders, business partners, employees, local communities, and other stakeholders.

The Company has introduced an executive officer system. The Board of Directors consists of 11 directors, of whom two are outside directors. This management structure makes possible agile management and sufficient deliberation of the Board of Directors. To ensure that the roles and responsibilities of directors and executive officers are clearly defined, their term of office is set at one year. The Board of Directors met 14 times in fiscal 2006.

To ensure the multifaceted examination of important matters that affect the entire Group, the Company has organized under the Board of Directors an Executive Committee consisting of the president and CEO, all executive officers with titles, and all officers of subsidiaries who concurrently serve as NLM directors. The Executive Committee meets at least twice a month.

The Company has introduced a statutory auditor system. The Board of Statutory Auditors consists of five statutory auditors, of whom three are outside auditors. The Board of Statutory Auditors is an independent organization that plays a role in corporate governance, including the attendance of statutory auditors at meetings of the Board of Directors and other important internal meetings.

NLM's CORPORATE GOVERNANCE STRUCTURE



Support Structure for Outside Directors and Outside Statutory Auditors

The Planning Department and the Legal Department jointly serve as the secretariat of the Board of Directors and endeavor to distribute in advance to the outside directors and statutory auditors information regarding matters for discussion by the Board of Directors. They also provide explanations in advance concerning matters of particular importance.

The Auditors Office serves as staff assisting statutory auditors.

Accounting Audits

In accordance with the Corporation Law of Japan and the Securities Exchange Law, the Company had appointed Chuo Aoyama PricewaterhouseCoopers as its accounting auditor. However, as Chuo Aoyama PricewaterhouseCoopers received an order from the Financial Services Agency on May 10, 2006, to suspend its business operations for the two-month period from July 1 to August 31, 2006, it lost its qualification to act as the Company's accounting auditor. Accordingly, at a meeting of the Board of Directors held on July 1, 2006, the Company appointed Ernst & Young ShinNihon as temporary accounting auditor. Ernst & Young ShinNihon was selected as accounting auditor of the Company at the general meeting of shareholders held on June 28, 2007.

2. Summary of Implementation of Internal Control Systems

The Company regards the enhancement of the internal control systems for regulating the job performance of all NLM Group employees for the purpose of ensuring risk management, compliance with laws and ordinances, operating efficiency, and appropriate financing activities concerning the Company's business processes to be important for the enhancement of corporate governance.

At a meeting of the Board of Directors held on May 17, 2006, the Company decided a basic policy on the implementation of internal control systems. On the same day, the Company established the Internal Control Office under the Executive Committee as an organization to implement infrastructure development for internal control systems.

Establishment of the Compliance Code and the Internal Whistle-blower System

In July 2004 the Company established the Compliance Committee to clearly define its corporate social responsibility and ensure the effectiveness of its internal compliance implementation systems. A director who is a senior executive officer chairs the committee. On April 1, 2006, the Company established the Group Compliance Code. On the same day, the Company established a dedicated internal Compliance Hotline (Internal Whistle-blower System) and established the Compliance Office and the Hotline Council for Correction Measures to serve as its administrative office. NLM has completed establishment of a compliance hotline for the entire NLM Group.

With regard to compliance awareness activities, the Company believes an atmosphere that ensures officers and employees are aware of compliance in their ordinary work activities and can frankly exchange opinions about compliance in the workplace is important. Each year NLM holds a total of more than 300 meetings at which all employees in the workplace participate.

Establishment of Group Risk Management Regulations

The Group Risk Management Regulations established in May 2006 specifies responsible organizations and risk management policies for forms of risk requiring high-priority countermeasures, including 1) Product and service defects, 2) Environmental problems, 3) Disasters (natural disasters and accident disasters), 4) Information systems problems. In accordance with the Group Risk Management Regulations, NLM has established systems for each category of risk by reviewing rules or formulating new rules for dealing with risk requiring high-priority countermeasures.

Establishment of Regulations Concerning the Retention and Management of Documents Involving Important Decisions

The Company appropriately retains and manages information concerning the execution of duties on the part of directors in accordance with company regulations and provides that information as needed upon the request of the statutory auditors. On May 29, 2006, the Company established Regulations Concerning the Retention and Management of Documents Involving Important Decisions, which set forth criteria for the retention and management of NLM Group approval documents (including related information and data) such as Executive Committee decisions, committee meeting minutes, and decisions taken on departmental authority (applications for approval).

We shall comply with relevant laws and ordinances and shall furthermore take action independently and actively based on the awareness that initiatives to tackle global environmental problems are essential tasks for a company.

NLM Group's management policies reflect the recognition that initiatives to tackle global environmental problems are vital.

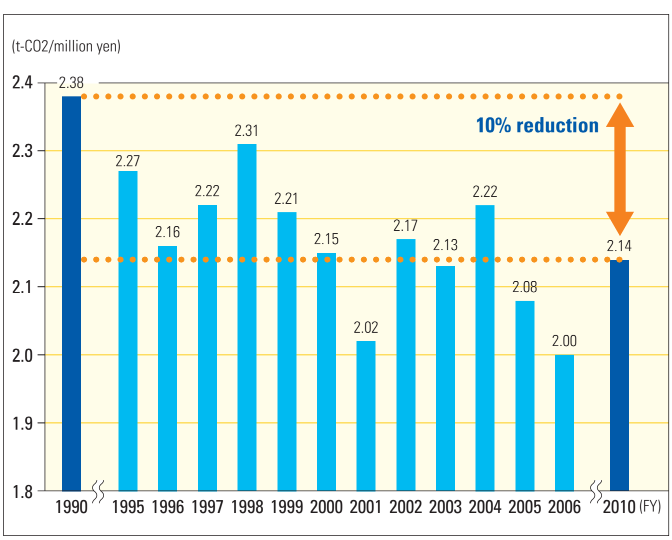
Basic Policy for Environmental Issues

Environmental issues are no longer local; they have already become very influential for the environment of the entire Earth and the existence of humankind.Establishment of a sustainable, recycling-oriented economy and society capable of coexisting with the Earth is one of the major tasks to be tackled by the national government, local governments, citizens and companies. Keenly aware of this mission, the Nippon Light Metal Group aims at harmonious coexistence with the environment by making group-wide efforts.Such efforts are directly linked to protecting the interests of shareholders, clients, employees and local communities, which are the basis of NLM's existence, and to ensuring sound corporate activities. We also endeavor, as a good corporate citizen, to realize a truly affluent society through environment-related social contributions.

Action Guidelines

1. **Compliance with Environment-related Laws and Regulations**
   We comply with environment-related laws and regulations.
2. **Improvement of Energy Efficiency and Reduction of CO2 Emissions**
   We endeavor to improve energy efficiency and reduce CO2 emissions by improving the efficiency of production processes and equipment, enhancing productivity, and rationalizing logistics.
3. **Promotion of Resource Saving and the 3 Rs**
   We make efficient use of all resources, including aluminum, and promote the 3 Rs (reduction, reuse and recycling).
4. **Business Activities Reflecting Consideration of Environmental Impacts**
   Prior to determining where to build a production facility or what product to develop, we evaluate any possible influence of such facility or product on the environment from a scientific perspective and take appropriate precautions if necessary. We also promote the reduction of environmental loads associated with routine business activities.
5. **Development of Technologies Contributing to Environmental Protection**
   We are actively engaged in technology development such as the development of products and processes with lighter environmental loads by exploiting the advantages of aluminum, and disclose and provide the results of such efforts to society to help protect the environment.

NLM Group Voluntary Action Plan for Reduction of Greenhouse Gas Emissions



The NLM Group has formulated a voluntary action plan to vigorously promote the environmental initiatives mentioned in its management policies. The Group's action plan focuses on reduction of greenhouse gas emissions. From among several environment-related themes, such as the atmosphere and water quality, we selected greenhouse gas emissions because they provide an indicator of the Group's overall environmental activities and in view of the Kyoto Protocol that came into effect in February 2005.

As shown in the graph, despite fluctuations, there has been a downward trend of greenhouse gas emissions over the long term. We are working to promote reduction of the ratio of greenhouse gas emissions to net sales.

NLM Group Voluntary Action Plan for Reduction of Greenhouse Gas Emissions

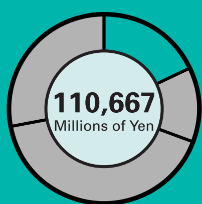
Reduce the ratio of greenhouse gas emissions to net sales by 10% by 2010 compared with 1990

Aluminum Ingot and Chemicals

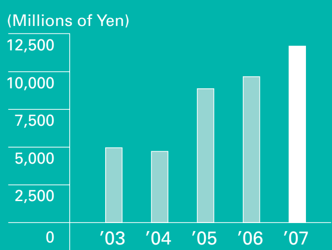
Profile

Alumina and Chemicals Operations produces aluminum hydroxide, alumina, and chemicals used in various fields. These products are used as raw materials for flame retardants, ceramics, and other products and as industrial materials in paper and pulp manufacturing. Aluminum and Aluminum Alloy Operations manufactures primary and secondary aluminum alloys and enjoys an excellent reputation for the development of high-performance alloys in response to customer requirements. High-purity aluminum manufactured at Japan's only aluminum smelting plant is used as a raw material for electronic materials and other products.

Consolidated Net Sales



Consolidated Operating profit



• Principal Products

- Aluminum
- Aluminum hydroxide
- Chemicals (chemical products)
- Caustic soda
- Chlorinated chemical products
- Aluminum ingot
- Aluminum alloys

Overview of results for fiscal 2006

In Alumina and Chemicals Operations, sales of low-soda alumina for semiconductors and electronics materials increased as a result of a recovery of demand in the electrical machinery and electronics sector, and shipments of alumina for flame retardants and other aluminum hydroxide and alumina products were strong on the whole. Shipments of caustic soda and other products for which the supply situation is tight developed favorably, and sales of inorganic and organic chlorine products increased from the previous year. As a result of these developments, overall sales increased year on year.

Despite high prices of heavy oil and bauxite, profits increased year on year as a result of higher sales of high-value-added products and cost reduction measures such as the conversion of plant fuel from heavy oil to gas.

The Company began a feasibility study concerning a joint project with Sojitz Corporation and a Vietnamese company to build in Vietnam a plant to manufacture aluminum hydroxide for chemical applications. The plant would be the largest of its kind in Asia.

In Aluminum and Aluminum Alloy Operations, although shipments to the electric cable sector decreased as a result of the impact of a slump in capital investment at electric power companies, sales of automotive products remained upbeat due to brisk business conditions in related industries.

As the selling prices of aluminum and aluminum alloy products are largely linked to market prices for aluminum ingot and aluminum scrap, sales increased sharply during a year of high market prices for these raw materials. Furthermore, profits rose sharply year on year due to higher sales of high-value-added products and cost reduction benefits from factors such as the development of new aluminum scrap suppliers.

On April 1, 2007, NLM split off its casting and die-casting aluminum alloy manufacturing and sales operation, a component of the Company's Aluminum and Aluminum Alloy Operations, to M.C. Aluminum Co., Ltd., a wholly owned subsidiary of Mitsubishi Corporation. As a result, M.C. Aluminum Company became a subsidiary of the Company and changed its name to Nikkei MC Aluminum Co., Ltd. The new company aims to increase corporate value by fusing the NLM Group's aluminum alloy development capabilities and manufacturing technology capabilities with the Mitsubishi Corporation Group's business development capabilities in Japan and overseas in order to achieve synergy.

As a result of these developments, sales in the Aluminum Ingot and Chemicals segment increased 14.0% year on year to ¥110,667 million, and operating profit rose 21.0% to ¥11,667 million.

High-purity aluminum products

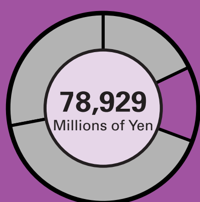
Abrasive products

Aluminum Sheet and Extrusions

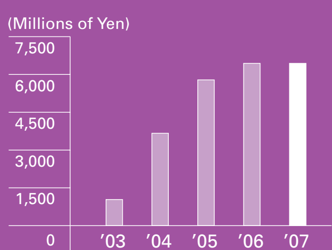
Profile

The NLM Group's aluminum sheet and extrusions are used in a wide range of market sectors, for instance for automotive parts and railway cars in the transport industry and for semiconductor and liquid crystal manufacturing equipment and photosensitive drums in the electrical machinery and electronics industries. The Group applies technologies and expertise accumulated over many years to actively develop products that meet user needs and provides customers with high-performance sheets and extrusions.

Consolidated Net Sales



Consolidated Operating profit



Overview of results for fiscal 2006

In Aluminum Sheet Operations, shipments of aluminum foil stock for capacitors rose as a result of a recovery of demand in related industries, while sales of aluminum plates for semiconductor and liquid crystal manufacturing equipment benefited from an upturn as demand recovered following a slump in the previous term. However, a sharp decrease in exports, particularly of printing plates, resulted in overall shipments at the previous-year level. Nevertheless, sales increased year on year owing to selling price adjustments reflecting the increase in the price of aluminum ingot. A delay in accounting for the impact on costs of the increase in the price of aluminum ingot boosted profits for the term.

In Aluminum Extrusion Operations, sales increased as shipments of extruded products for trucks and rolling stock developed favorably, and moreover, the introduction of new products in the automotive products sector and other sectors had a favorable impact. Although active efforts to adjust selling prices in response to the rise in the price of aluminum ingot resulted in an increase in sales year on year, profits were hard to come by mainly owing to sharply rising prices of fuels and secondary materials.

As a result of these developments, sales in the Aluminum Sheet and Extrusions segment increased 11.6% year on year to ¥78,929 million, and operating profit rose 0.1% to ¥6,443 million.

Applications

- **Principal Products**

Automobile

- Automobile suspension parts
- Lead-free cut aluminum alloy
- Quick freezing coagulated powder extruded materials
- High-intensity molded aluminum sheet

Transport

- Large structural materials for railway rolling stock
- Truck body parts

Electronics

- Thick plate for semiconductor and LCD manufacturing equipment, Foil stock
- Photosensitive drum materials

Industrial

- Printing roll
- Industrial materials

Building materials and infrastructure materials

- aluminum honeycomb panel
- Scaffolding

Aluminum cylinder for gravure printing (printing roll)

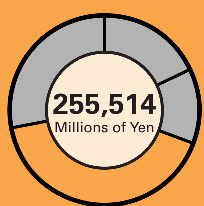
Lithium-ion battery case

Fabricated Products and Others

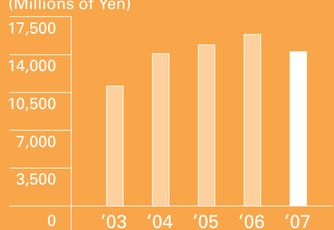
Profile

The NLM Group includes a number of companies that handle distinctive fabricated products.In particular, Toyo Aluminum's aluminum foil and aluminum powder and paste, Nippon Freuhauf's van and truck bodies, and Nikkei Panel System's commercial refrigerator and freezer panels enjoy an excellent reputation for quality and are market share leaders in their respective fields. In addition, the Group provides familiar consumer products, including anodized aluminum foil for aluminum electrolytic capacitors, automotive parts, landscaping products, containers, and packaging materials.

Consolidated Net Sales



Consolidated Operating profit



Applications

• Principal Products

Automobile
- Powder and paste
- Cast and forged parts for automobiles
- Heat exchangers for automobiles

Transport
- Van truck bodies and trailers

Electronics
- Aluminum foil for electrolytic capacitors
- Anodized foil for electrolytic capacitors
- Clean rooms

Building materials and infrastructure materials
- Landscape engineering products
- Solid truss structural materials (Aluminum truss)
- Plant package for communication base stations

Food and lifestyle
- Aluminum foil
- Panels for commercial refrigerators and freezers

Overview of results for fiscal 2006

An overview of key operations in this business segment follows.

In Aluminum Foil and Aluminum Powder and Paste Operations, sales of aluminum foil increased year on year. Demand for high-purity aluminum foil for electrolytic capacitors recovered while sales of plain foil and processed foil for food products and pharmaceuticals packaging developed favorably. Shipments of electronics materials such as IC tags and antennas for smart cards also increased.

In the aluminum powder and paste sector, sales decreased slightly year on year. Although shipments of some general-purpose aluminum paste products increased, shipments of high-value-added products for plastic coatings and automotive paint slumped. Shipments of functional products fell as a result of the impact of decreased production of ink for solar cells because of users' raw materials shortages. Profits fell year on year as efforts to implement price adjustments in light of an increase in the price of aluminum ingot were unable to fully compensate for the uptrend in costs.

In Transport-Related Operations, full-year sales from the van and truck outfitting business fell slightly year on year as the robust truck demand of the first half reflecting the strengthening of exhaust regulations slowed in the second half. Profitability came under pressure owing to continuing increases in prices of aluminum materials, stainless steel, wood, plastic parts, and other materials.

Sales of air-conditioning capacitors for automotive applications rose year on year owing to higher shipments of existing products for subcompact cars, despite a delay in the start of shipments of new products.

Regarding shaped parts, efforts to increase sales, such as the introduction of brake calipers, engine mount parts and other new products, compensated for a decrease in shipments of scrolls and other wrought aluminum products, fueling a sharp year-on-year increase in sales.

In Electronic Materials Operations, shipments of anodized aluminum foil for electrolytic capacitors rose sharply due to higher demand for digital-appliance applications and also increased demand for industrial-equipment applications reflecting robust capital investment. Although prices were affected by falling prices of finished products in which electrode foil is used, increased sales of electrode foil for high-voltage aluminum electrolytic capacitors, a high-value-added product, brought about an improvement in profitability.

Although sales from Panel Systems Operations decreased year on year amid declining demand for commercial freezers and refrigerators, profitability improved as a result of focusing on the securing of profitable orders. Shipments for clean rooms were upbeat, supported by investment in the upgrading of facilities in the electronic components and devices sector, and overall sales increased year on year.

With regard to other fabricated products and related businesses, overall sales of containers operations increased year on year. Although shipments of aluminum mini-kegs for beer fell sharply as a result of lower demand for beer mainly due to unseasonable summer weather and higher shipments of alcoholic beverages that resemble beer, sales of containers for washing business-use beer servers and other beer-related containers rose sharply.

With regard to landscaping products, NLM focused on measures to curtail expenditures and strengthen quality control, for example by bringing production in-house of mainstay products such as aluminum railings and aluminum movable covers for water purification plants and aggressively working to increase sales of differentiated products such as brazed honeycomb panels. Nevertheless, sales decreased year on year as these efforts failed to compensate for the impact of a decrease in the number of major projects resulting from contraction of public works spending.

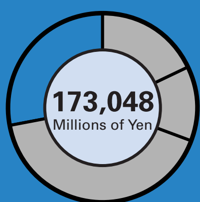
As a result of these developments, sales in the Fabricated Products and Others segment increased 7.2% year on year to ¥255,514 million, while operating profit fell 10.7% to ¥14,156 million.

Building Materials

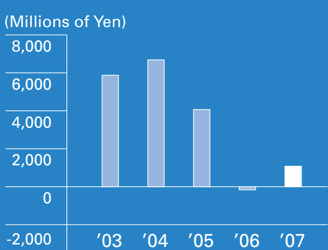
■ Profile

Shin Nikkei plays a central role in providing high-quality aluminum building materials, operating in accordance with the basic concept of placing importance on the preferences of residents and users. Products include everything frombuilding construction materials such as curtain walls, to window sashes, front doors, and other housing materials as well as gates, fences, and other exterior products. Also, Shin Nikkei is developing products adapted to wideranging user needs for energy conservation, environmental coexistence, universal design, and security enhancement.

■ Consolidated Net Sales



■ Consolidated Operating profit



Applications

• Principal Products

Building

- Building materials
- Housing materials
- Exterior products

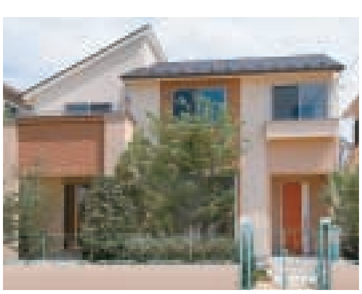
■ Overview of results for fiscal 2006

In Building Materials Operations, although new housing starts and construction of private-sector non-residential buildings increased year on year against a backdrop of business expansion, overall demand for sashes remained at the prior-year level. Furthermore, amid intensifying sales competition the business environment was adverse as already high prices of aluminum ingot and other raw materials rose further.

In these circumstances, the NLM Group strove to adjust selling prices in response to sharp increases in prices of raw materials related to construction of housing and commercial buildings and implemented various profit improvement measures such as moving forward with productivity improvement, quality improvement, and the reconstruction of basic infrastructure systems and profit management activities covering development, production, and marketing. At the same time, the Group introduced new products and differentiated products in an effort to secure profits and boost market competitiveness. As a result of these measures, sales remained at nearly the previous-year level and profitability improved, owing in part to the impact of price adjustments despite continued downward pressure on profits from high raw materials prices.

As a result of these developments, sales in the Building Materials segment increased 1.3% year on year to ¥173,048 million, and an operating profit of ¥1,073 million was recorded following an operating loss of ¥163 million for the previous term.

Facing louver "Sky-Fit"



Residential gate and fence

Nippon Light Metal Group consists of 115 subsidiaries and 51 affiliates,
The Group's major operations and the business relations between the Company, major consolidated subsidiaries and affiliates accounted for by the equity method are shown in the diagram below.

Nippon Light Metal Company, Ltd.
(Manufacture and Sales)

Aluminum Ingot and Chemicals

(Manufacture and Sales)
- ● Aluminium Wire and Rod Co., Ltd. (blue)
- ● Daiki Nikkei Thai Co., Ltd.
- ● Ihara Nikkei Chemical Industry Co., Ltd.

(Sales and Others)
- ● Nikkei Sangyo Co., Ltd. (blue)
- ● Tamai Steamship Co., Ltd.

Aluminum Sheet and Extrusions

(Manufacture and Sales)
- ● Nikkei Extrusions Co., Ltd. (blue)
- ● Nikkeikin Aluminium Core Technology Co., Ltd. (blue)
- ● Nikkei Siam Aluminium Ltd. (blue)
- ● Nonfemet International(China-Canada-Japan) Aluminum Co., Ltd.

(Sales and Others)
- ● Nikkei Sangyo Co., Ltd. (blue)

Fabricated Products and Others

(Manufacture and Sales)
- ● NLM ECAL Co., Ltd. (blue)
- ● Tokai Aluminum Foil Co., Ltd. (blue)
- ● Toyo Aluminium K.K. (blue)
- ● Toyal America Inc. (blue)
- ● Toyal Europe S.A.S.U. (blue)
- ● Toyo Aluminium Ekco Products Co., Ltd. (blue)
- ● Nikkei Sangyo Co., Ltd. (blue)
- ● Nikkei Panel System Co., Ltd. (blue)
- ● Nippon Electrode Co., Ltd. (blue)
- ● Nippon Fruehauf Co., Ltd. (blue)
- ● Matsuo Industry Co., Ltd. (blue)
- ● Sam-a Aluminium Co., Ltd.
- ● Nikkei Heat Exchanger Co., Ltd.

(Sales and Others)
- ● Nikkei Information System Co., Ltd. (blue)
- ● Nikkei Logistics Co., Ltd. (blue)
- ● Sumikei Nikkei Engineering Co., Ltd.
- ● Toho Earthtech Inc.

Building Materials

(Manufacture and Sales)
- ● Shin Nikkei Co., Ltd. (blue)
- ● Riken Light Metal Industrial Co., Ltd. (blue)
- ● Cosmo Industry Co., Ltd.

(Sales and Others)
- ● Shinnikkei Best System Co., Ltd. (blue)
- ● Nikkei Sangyo Co., Ltd. (blue)

Customer

● (blue) Consolidated subsidiaries··········106companies
● Affiliates accounted for by the equity method···22companies

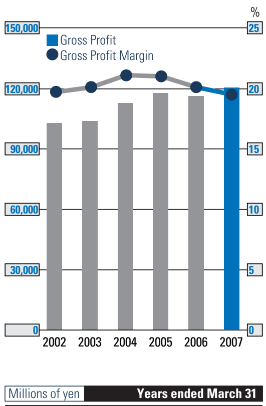
→ Flow of products and raw materials
········▶ Flow of services

(As of March 31, 2007)

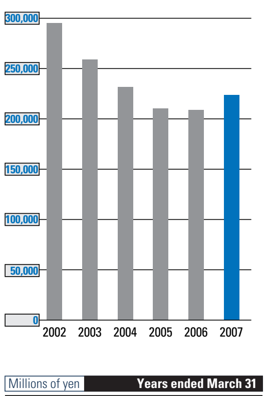
CONSOLIDATED SIX-YEAR SUMMARY

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

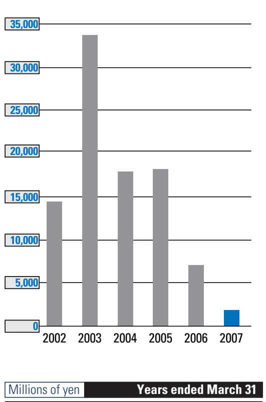
Gross Profit and Gross Profit Margin



Interest-bearing Debt



Free Cash Flows



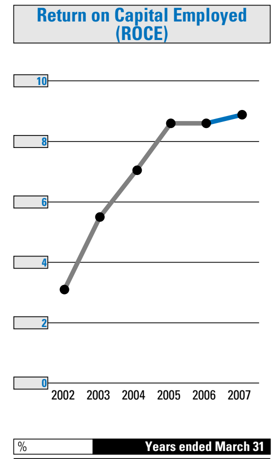
	2002	2003
	(Millions of yen)	
Financial Results		
Net Sales	¥521,861	¥514,042
Gross Profit Margin (%)	19.7	20.1
Operating Profit	11,723	20,086
Ordinary Profit	4,805	12,325
Net Income	1,518	7,116
Segment Information		
Net Sales:		
Aluminum Ingot and Chemicals	84,775	81,495
Aluminum Sheet and Extrusions	54,239	58,374
Fabricated Products and Others	207,652	204,171
Building Materials	175,195	170,002
Total	521,861	514,042
Operating Profit (Loss):		
Aluminum Ingot and Chemicals	5,589	4,946
Aluminum Sheet and Extrusions	(620)	1,027
Fabricated Products and Others	9,524	11,069
Building Materials	328	5,875
Elimination or corporate items	(3,098)	(2,831)
Total	11,723	20,086
Financial Position		
Current Assets	305,813	287,083
Property, plant and equipment	196,681	184,506
Intangible assets	3,941	4,414
Investments and other assets	57,852	49,758
Current liabilities	334,732	294,637
Long-term liabilities	141,870	138,623
Shareholders' equity (Note 3)	83,075	88,598
Valuation and translation adjustments (Note 3)	239	748
Minority interests in consolidated Subsidiaries (Note 3)	4,371	3,155
Interest-bearing Debt (Note 2)	295,255	258,831
Cash Flows		
Cash Flows from Operating Activities	26,685	33,507
Depreciation and Amortization	18,542	17,128
Cash Flows from Investing Activities	(12,250)	224
Capital Expenditures	14,947	13,501
Cash Flows from Financing Activities	(9,416)	(36,504)
Per Share Data (yen and dollars)		
Net Income(loss) - basic	¥ 2.79	¥ 13.34
- diluted	—	—
Net Assets (Note3)	153.36	167.01
Cash Dividends	1.5	2.0
Indices		
Return on Capital Employed (ROCE) (%)	3.1	5.5
Return on Equity (ROE) (%)	1.8	8.2
Equity Ratio (%)	14.8	17.0
Others		
Number of Shares Outstanding (thousands)	543,350	543,350
R&D Expenditures	¥ 4,686	¥ 4,427
Number of Employees	12,705	12,328

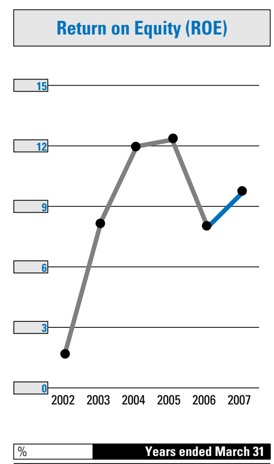
Note1: U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥118.05 = U.S.$1.00. See Note 2 of the Notes to the Consolidated Financial Statements.

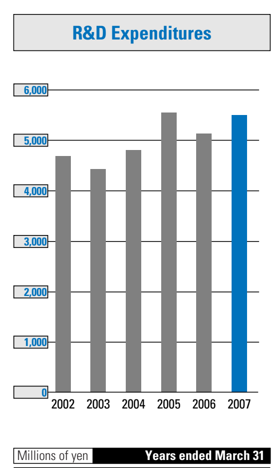
Note2: Interest-bearing Debt = Long-term debt and Short-term borrowings, excluding capital lease obligations + Notes discounted + Notes endorsed

Note3: Effective the year ended March 31, 2007, the Company has adopted the new accounting standard "Accounting Standard for Presentation of Net Assets in the Balance Sheet". See Note1 (b) of the Notes to the Consolidated Financial Statements.

2004	2005	2006	**2007**	**2007**
(Millions of yen)				(Thousands of U.S. dollars) (Note1)
¥532,201	¥560,284	¥577,061	**¥618,158**	**$5,236,408**
21.1	21.0	20.1	**19.5**	**19.5**
26,355	30,560	28,923	**30,519**	**258,526**
16,092	21,857	22,353	**25,248**	**213,875**
11,525	13,488	9,684	**12,755**	**108,047**
82,851	92,948	97,077	**110,667**	**937,459**
64,860	72,824	70,714	**78,929**	**668,606**
215,461	219,802	238,422	**255,514**	**2,164,456**
169,029	174,710	170,848	**173,048**	**1,465,887**
532,201	560,284	577,061	**618,158**	**5,236,408**
4,727	8,866	9,640	**11,667**	**98,831**
3,667	5,785	6,435	**6,443**	**54,578**
14,071	14,883	15,848	**14,156**	**119,915**
6,687	4,068	(163)	**1,073**	**9,089**
(2,797)	(3,042)	(2,837)	**(2,820)**	**(23,888)**
26,355	30,560	28,923	**30,519**	**258,526**
290,625	285,252	294,331	**340,897**	**2,887,734**
182,562	179,614	185,005	**184,070**	**1,559,254**
3,935	3,895	5,261	**5,969**	**50,563**
43,463	46,020	48,929	**48,527**	**411,072**
291,799	266,212	281,505	**287,436**	**2,434,867**
122,593	129,237	122,033	**149,916**	**1,269,936**
99,618	112,068	119,719	**130,176**	**1,102,719**
2,840	3,214	6,275	**7,770**	**65,819**
3,735	4,050	3,994	**4,165**	**35,282**
231,807	210,368	208,817	**223,607**	**1,894,172**
23,448	32,345	26,779	**21,397**	**181,254**
16,504	16,591	17,315	**17,481**	**148,081**
(5,556)	(14,131)	(19,724)	**(19,514)**	**(165,303)**
17,516	16,973	19,819	**20,702**	**175,366**
(27,703)	(22,702)	(9,862)	**12,483**	**105,743**
¥ 21.24	¥ 24.78	¥ 17.79	**¥ 23.56**	**$ 0.20**
—	23.83	16.89	**22.36**	**0.19**
188.84	212.63	232.54	**254.82**	**2.16**
2.5	3.5	4.0	**5.0**	**0.04**
7.0	8.6	8.6	**9.3**	**9.3**
12.0	12.4	8.0	**9.7**	**9.7**
19.7	22.4	23.6	**23.8**	**23.8**
543,350	543,350	543,350	**543,350**	**543,350**
¥ 4,804	¥ 5,538	¥ 5,133	**¥ 5,504**	**$ 46,624**
12,598	12,927	13,492	**13,493**	**13,493**







Overview

During fiscal 2006 (the year ended March 31, 2007), despite weakness in personal consumption, the Japanese economy maintained moderate yet persisting growth underpinned by rising capital investment reflecting a high level of corporate earnings.

In the aluminum industry in Japan, although prices of raw materials and fuel, notably those of aluminum ingot and crude oil, remained high, the business was relatively buoyant due to robust capital investment and vigorous demand from the automotive and electric and electronics sectors.

Earnings and Expenses

In these circumstances, consolidated net sales of the NLM Group increased 7.1% year on year to ¥618.2 billion ($5,236 million). Please refer to the Review of Operations (Pages 11 to 14) for an overview of the results of operations.

The cost of sales increased 8.0% from the previous fiscal year to ¥497.8 billion ($4,217 million) and the cost of sales ratio increased 0.6 percentage points to 80.5%. Selling, general and administrative expenses amounted to ¥89.8 billion ($761 million), an increase of 3.1%. As a result, operating profit rose 5.5% to ¥30.5 billion ($259 million).

Non-operating income surged 20.7% to ¥3.8 billion ($32 million). This was mainly due to an increase in equity in earnings of affiliates. Non-operating expenses decreased 6.6% to ¥9.1 billion ($77 million). This decrease was mainly attributable to the fact that whereas equity in losses of associates was reported for the previous year, no such item is reported for the year under review, and also owing to a decrease in the loss on write-down of investment securities included in other non-operating expenses. As a result, ordinary profit increased 13.0% year on year to ¥25.2 billion ($214 million).

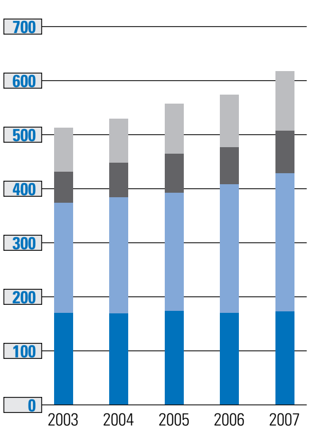
Special gains were virtually unchanged from the previous fiscal year at ¥357 million ($3 million). Special losses decreased from ¥3.0 billion for the previous fiscal year to ¥1.4 billion ($12 million). This was attributable to a decrease in an impairment loss and the fact that no charges on sale of aluminum foil were reported for the year under review, whereas such charges were reported for the previous year.

The total amount of current income taxes increased ¥2.9 billion from the previous fiscal year to ¥11.5 billion ($97 million), owing mainly to the fact that the Company's deficit carried forward concerning local taxes had been eliminated in the previous fiscal year.

Deferred income taxes for the fiscal year under review amounted to ¥0.5 billion ($4 million), which were credited to income mainly attributable to an increase in deductible temporary differences, whereas deferred income taxes for the previous fiscal year were ¥0.9 billion, which were charged to income mainly attributable to reversal of deferred tax assets because the deficit carried forward concerning local taxes was appropriated.

Consequently, consolidated net income soared 31.7% from the previous fiscal year to ¥12.8 billion ($108

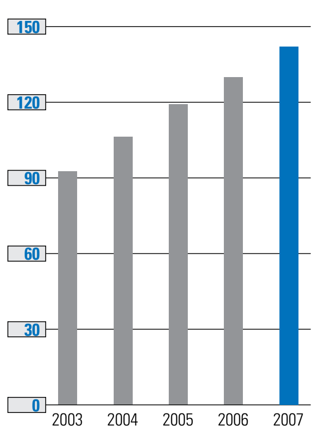
Net Sales By Segment



Billions of yen | Years ended March 31

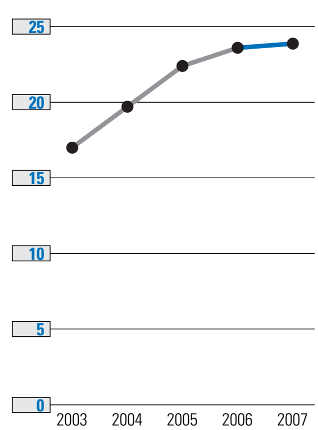
- Aluminum Ingot and Chemicals
- Aluminum Sheet and Extrusions
- Fabricated Products and Others
- Building Materials

Total Net Assets



Billions of yen | As of March 31

Equity Ratio



% | As of March 31

million). The average number of shares outstanding during the fiscal year decreased from 541,742,151 shares in fiscal 2005 to 541,475,859 shares in fiscal 2006. As a result, basic net income per share of common stock was ¥23.56 ($0.20), 32.4% higher than for the previous fiscal year. Diluted net income per share was ¥22.36. Payment of cash dividends of ¥5.0 per share of common stock, ¥1.0 higher than for the previous fiscal year, was approved by the resolution of the ordinary general meeting of shareholders of the Company held on June 28, 2007.

Assets, Liabilities and Shareholders' Equity

Total assets increased 8.6% from the end of the previous fiscal year to ¥579.5 billion ($4,909 million). This increase was attributable to an increase in cash and deposits, a sharp rise in ingot prices, and an increase in outstanding notes and accounts receivable-trade because the fiscal year-end fell on a holiday.

Total liabilities increased 8.4% from the end of the previous fiscal year to ¥437.4 billion ($3,705 million), mainly owing to increases in borrowings and debt, a sharp rise in ingot prices, and an increase in outstanding notes and accounts payable-trade because the fiscal year-end fell on a holiday.

Interest-bearing debt increased ¥14.8 billion from the previous fiscal year to ¥223.6 billion, attributable to the issuance in July 2006 of zero-coupon convertible bonds amounting to ¥20.0 billion.

Total net assets increased 9.3% year on year to ¥142.1 billion ($1,204 million), reflecting an increase in retained earnings as a result of the higher net income. Net Assets per share of common stock was ¥254.82 ($2.16), an increase of 9.6%. The equity ratio was 23.8%, an increase of 0.2 percentage points.

Cash Flows

Cash and cash equivalents at March 31, 2007, were ¥42.1 billion ($357 million), ¥14.4 billion or 52.1% higher than at the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥21.4 billion ($181 million), ¥5.4 billion or 20.1% lower. This decrease was attributable to increases in notes and accounts receivable-trade, income taxes paid and other payments.

Net cash used for investing activities amounted to ¥19.5 billion ($165 million), virtually unchanged from the previous fiscal year. The main item was payments for purchase of fixed assets amounting to ¥18.4 billion.

Net cash provided by financing activities was ¥12.5 billion ($106 million), compared with net cash used for financing activities amounting to ¥9.9 billion for the previous fiscal year. This was mainly attributable to the issuance of zero-coupon convertible bonds amounting to ¥20.0 billion.

Outlook for Fiscal 2007

The Japanese economy is expected to maintain moderate growth due to rising capital investment and firm personal consumption underpinned by brisk corporate earnings and an upturn in the labor market. However, the trend of crude oil and materials prices and the outlook of the U.S. economy and the economy of China are a source of concern. Although demand is expected to be robust in fiscal 2007, there is an urgent need for the aluminum industry in Japan to deal with sharp increases in prices of aluminum ingot, the principle raw material, prices of other raw materials and fuel, as well as prices of other materials. In these circumstances, in accordance with the New Mid-Term Management Plan covering the period from fiscal 2007 to 2009, the NLM Group will make vigorous capital investment to achieve further growth. We will endeavor to expand our business in growth sectors, strengthen the core business, and develop international business. For details of the New Mid-Term Management Plan, please refer to the Special Feature (Pages 4 to 6).

For fiscal 2006, management forecasts consolidated net sales of ¥680 billion in view of the establishment of Nikkei MC Aluminum Co., Ltd. Profits are expected to decrease due to a special factor, that is, an increase in depreciation in line with the taxation reform in fiscal 2007, in addition to adverse impacts of an increase in the prices of ingot inventories and a decrease in the demand for trucks. Management forecasts operating profit of ¥29.0 billion, ordinary profit of ¥22.0 billion, and net income of ¥12.5 billion on a consolidated basis. Net income per share of common stock is expected to be ¥23.09. Cash dividends are expected to be ¥5.0 per share of common stock, unchanged from fiscal 2006.

CONSOLIDATED BALANCE SHEETS

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	March 31,		
	2006	**2007**	**2007**
ASSETS	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Current assets:			
Cash and deposits (Notes 3 and 6)	¥ 28,122	**¥ 42,433**	**$ 359,449**
Notes and accounts receivable—trade	172,100	**194,207**	**1,645,125**
Inventories (Note 4)	76,020	**86,235**	**730,496**
Deferred tax assets (Note 8)	5,057	**5,405**	**45,786**
Other current assets	15,315	**15,532**	**131,571**
Allowance for doubtful accounts	(2,283)	**(2,915)**	**(24,693)**
Total current assets	294,331	**340,897**	**2,887,734**
Property, plant and equipment (Note 6):			
Land	64,890	**64,195**	**543,795**
Buildings and structures	142,457	**144,475**	**1,223,846**
Machinery and equipment	294,964	**293,560**	**2,486,743**
Construction-in-progress	3,829	**4,007**	**33,943**
Accumulated depreciation	(321,135)	**(322,167)**	**(2,729,073)**
	185,005	**184,070**	**1,559,254**
Intangible assets:			
Goodwill	948	**872**	**7,387**
Other intangible assets	4,313	**5,097**	**43,176**
	5,261	**5,969**	**50,563**
Investments and other assets:			
Investment securities (Notes 5 and 6)	35,346	**35,360**	**299,534**
Deferred tax assets (Note 8)	6,156	**5,881**	**49,818**
Other assets	10,047	**9,416**	**79,763**
Allowance for doubtful accounts	(2,620)	**(2,130)**	**(18,043)**
	48,929	**48,527**	**411,072**
Total assets	¥533,526	**¥579,463**	**$4,908,623**

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	March 31, 2006 (Millions of yen)	2007 (Millions of yen)	2007 (Thousands of U.S. dollars) (Note 2)
Current liabilities:			
Short-term borrowings (Note 6)	¥ 82,512	**¥ 81,588**	**$ 691,131**
Current portion of long-term debt (Note 6)	41,140	**28,531**	**241,686**
Notes and accounts payable—trade	112,362	**129,608**	**1,097,908**
Income taxes payable	5,596	**7,005**	**59,339**
Other current liabilities	39,895	**40,704**	**344,803**
Total current liabilities	281,505	**287,436**	**2,434,867**
Long-term liabilities:			
Long-term debt (Note 6)	84,166	**112,765**	**955,231**
Accrued pension and severance costs:			
Employees (Note 7)	27,829	**27,857**	**235,976**
Directors and statutory auditors	1,186	**1,124**	**9,521**
Deferred tax liabilities on land revaluation surplus (Notes 8 and 10)	522	**522**	**4,422**
Other long-term liabilities (Notes 6 and 8)	8,330	**7,648**	**64,786**
Total long-term liabilities	122,033	**149,916**	**1,269,936**
Total liabilities	403,538	**437,352**	**3,704,803**
Net assets (Note 1(b)):			
Shareholders' equity:			
Common stock:			
Authorized: 1,600,000,000 shares			
Issued: 543,350,370 shares in 2006 and 2007	39,085	**39,085**	**331,088**
Additional paid-in capital	24,569	**24,569**	**208,124**
Retained earnings	56,385	**66,928**	**566,946**
Treasury stock, at cost (1,723,444 shares in 2006 and 2,006,054 shares in 2007)	(320)	**(406)**	**(3,439)**
Total shareholders' equity	119,719	**130,176**	**1,102,719**
Valuation and translation adjustments:			
Net unrealized gains on securities (Note 5)	5,629	**5,449**	**46,158**
Net unrealized gains on hedges (Note 1(n))	—	**619**	**5,244**
Revaluation surplus (Note 10)	145	**145**	**1,228**
Foreign currency translation adjustments	501	**1,557**	**13,189**
Total valuation and translation adjustments	6,275	**7,770**	**65,819**
Minority interests in consolidated subsidiaries	3,994	**4,165**	**35,282**
Total net assets	129,988	**142,111**	**1,203,820**
Contingent liabilities (Note 14)			
Total liabilities and net assets	¥533,526	**¥579,463**	**$4,908,623**

CONSOLIDATED STATEMENTS OF INCOME

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	Year ended March 31,		
	2006	**2007**	**2007**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥577,061	**¥618,158**	**$5,236,408**
Cost of sales (Note 13)	460,983	**497,813**	**4,216,967**
Gross profit	116,078	**120,345**	**1,019,441**
Selling, general and administrative expenses (Notes 13 and 15)	87,155	**89,826**	**760,915**
Operating profit	28,923	**30,519**	**258,526**
Non-operating income:			
Interest income	87	**153**	**1,296**
Equity in earnings of affiliates	—	**476**	**4,032**
Rental income	792	**719**	**6,090**
Royalty income	395	**322**	**2,728**
Other	1,896	**2,157**	**18,272**
Total non-operating income	3,170	**3,827**	**32,418**
Non-operating expenses:			
Interest expense	3,554	**3,677**	**31,148**
Equity in losses of affiliates	241	**—**	**—**
Amortization of transition obligation for employees' retirement benefits (Note 7)	2,132	**2,137**	**18,102**
Other	3,813	**3,284**	**27,819**
Total non-operating expenses	9,740	**9,098**	**77,069**
Ordinary profit	22,353	**25,248**	**213,875**
Special gains:			
Gain on sales of fixed assets	298	**357**	**3,024**
Total special gains	298	**357**	**3,024**
Special losses:			
Land restoration expense	—	**547**	**4,634**
Loss on impairment of fixed assets	1,964	**502**	**4,252**
Loss on disposal of fixed assets	—	**391**	**3,312**
Charges on sale of aluminum foil (Note 17)	1,069	**—**	**—**
Total special losses	3,033	**1,440**	**12,198**
Income before income taxes and minority interests	19,618	**24,165**	**204,701**
Income taxes (Note 8):			
Current	8,589	**11,476**	**97,213**
Deferred	939	**(466)**	**(3,947)**
	9,528	**11,010**	**93,266**
Minority interests in net income of consolidated subsidiaries	406	**400**	**3,388**
Net income	¥ 9,684	**¥ 12,755**	**$ 108,047**

	(Yen)		(U.S. dollars) (Note 2)
Per share of common stock (Note 16):			
Net income:			
Basic	¥ 17.79	**¥ 23.56**	**$ 0.20**
Diluted	16.89	**22.36**	**0.19**
Cash dividends	4.00	**5.00**	**0.04**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedges	Revaluation surplus (Note 10)	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
	(Millions of yen)									
Balance at March 31, 2005	¥39,085	¥24,569	¥48,651	¥(237)	¥3,017	¥ —	¥145	¥ 52	¥4,050	¥119,332
Net income			9,684							9,684
Cash dividends (Note 9)			(1,897)							(1,897)
Directors' and statutory auditors' bonuses (Note 15)			(53)							(53)
Net increase in treasury stock				(83)						(83)
Net unrealized gains on securities (Note 5)					2,612					2,612
Foreign currency translation adjustments								449		449
Net decrease in minority interests in consolidated subsidiaries									(56)	(56)
Balance at March 31, 2006	39,085	24,569	56,385	(320)	5,629	—	145	501	3,994	129,988
Net income			12,755							12,755
Cash dividends (Note 9)			(2,167)							(2,167)
Directors' and statutory auditors' bonuses (Note 15)			(45)							(45)
Net increase in treasury stock				(86)						(86)
Net unrealized losses on securities (Note 5)					(180)					(180)
Net unrealized gains on hedges (Note 1(n))						619				619
Foreign currency translation adjustments								1,056		1,056
Net increase in minority interests in consolidated subsidiaries									171	171
Balance at March 31, 2007	¥39,085	¥24,569	¥66,928	¥(406)	¥5,449	¥619	¥145	¥1,557	¥4,165	¥142,111

	Shareholders' equity				Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedges	Revaluation surplus (Note 10)	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
	(Thousands of U.S. dollars) (Note 2)									
Balance at March 31, 2006	$331,088	$208,124	$477,637	$(2,711)	$47,683	$ —	$1,228	$ 4,244	$33,833	$1,101,126
Net income			108,047							108,047
Cash dividends (Note 9)			(18,357)							(18,357)
Directors' and statutory auditors' bonuses (Note 15)			(381)							(381)
Net increase in treasury stock				(728)						(728)
Net unrealized losses on securities (Note 5)					(1,525)					(1,525)
Net unrealized gains on hedges (Note 1(n))						5,244				5,244
Foreign currency translation adjustments								8,945		8,945
Net increase in minority interests in consolidated subsidiaries									1,449	1,449
Balance at March 31, 2007	$331,088	$208,124	$566,946	$(3,439)	$46,158	$5,244	$1,228	$13,189	$35,282	$1,203,820

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nippon Light Metal Company, Ltd. and consolidated subsidiaries

	Year ended March 31,		
	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities			
Income before income taxes and minority interests	¥19,618	¥24,165	$204,701
Depreciation and amortization	17,315	17,481	148,081
Land restoration expense	—	547	4,634
Loss on impairment of fixed assets	1,964	502	4,252
Loss on disposal of fixed assets	—	391	3,312
Charges on sale of aluminum foil (Note 17)	1,069	—	—
Gain on sales of fixed assets	(298)	(357)	(3,024)
Increase (decrease) in accrued pension and severance costs	1,197	(33)	(280)
Interest and dividend income	(318)	(514)	(4,354)
Interest expense	3,554	3,677	31,148
Equity in losses (earnings) of affiliates	241	(476)	(4,032)
Decrease (increase) in notes and accounts receivable—trade	2,965	(22,217)	(188,200)
Increase in inventories	(6,967)	(9,703)	(82,194)
Increase in notes and accounts payable—trade	580	18,456	156,341
Other	(2,398)	3,879	32,859
Subtotal	38,522	35,798	303,244
Interest and dividend income received	437	614	5,201
Interest paid	(3,629)	(3,679)	(31,165)
Payment of charges on sale of aluminum foil (Note 17)	—	(1,061)	(8,987)
Income taxes paid	(8,551)	(10,275)	(87,039)
Net cash provided by operating activities	26,779	21,397	181,254
Cash flows from investing activities			
Net decrease in time deposits	137	118	1,000
Payments for purchases of investment securities	(274)	(83)	(703)
Proceeds from sales of investment securities	176	153	1,296
Payments for purchases of fixed assets	(18,252)	(18,407)	(155,926)
Proceeds from sales of fixed assets	306	628	5,320
Net decrease in long-term loans receivable	44	45	381
Cash received from acquisitions, net of acquisition costs (Note 3)	876	—	—
Decrease resulting from exclusion of a consolidated subsidiary from consolidation as a result of its sale	(367)	—	—
Other	(2,370)	(1,968)	(16,671)
Net cash used in investing activities	(19,724)	(19,514)	(165,303)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	198	(1,013)	(8,581)
Proceeds from long-term debt	24,463	57,367	485,955
Repayment of long-term debt	(32,027)	(41,392)	(350,631)
Cash dividends paid	(1,893)	(2,157)	(18,272)
Cash dividends paid to minority interests	(342)	(223)	(1,889)
Other	(261)	(99)	(839)
Net cash (used in) provided by financing activities	(9,862)	12,483	105,743
Effect of exchange rate changes on cash and cash equivalents	170	63	534
Net (decrease) increase in cash and cash equivalents	(2,637)	14,429	122,228
Cash and cash equivalents at beginning of year	30,333	27,696	234,612
Cash and cash equivalents at end of year (Note 3)	¥27,696	¥42,125	$356,840

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Light Metal Company, Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. The notes to the consolidated financial statements include financial information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information. The accompanying consolidated financial statements include certain reclassifications for the purpose of presenting them in a form familiar to readers outside Japan.

(b) Accounting Standard for Presentation of Net Assets in the Balance Sheet

On December 9, 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet," and ASBJ Guidance No. 8, "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet." Effective the year ended March 31, 2007, the Company has adopted this new accounting standard and guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

(c) Principles of consolidation and accounting for investments in affiliates

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

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

On October 31, 2003, the Business Accounting Council issued "Accounting Standard for Business Combinations" and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted these new accounting standards.

(d) 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 net income for the year.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Income statement accounts for the year are translated into Japanese yen using the average exchange rates during the year. The resulting translation adjustments are accounted for as foreign currency translation adjustments, except for the minority interest portion, which is allocated to minority interests in consolidated subsidiaries.

(e) Cash and cash equivalents

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

(f) Inventories

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

(g) Investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into held-to-maturity securities or available-for-sale securities.

Held-to-maturity securities are stated at amortized cost. Available-for-sale securities for which market quotations are available are stated at fair value with net unrealized gains or losses being included in net assets, net of the related taxes. Available-for-sale securities for which market quotations are not available are stated at cost. Realized gains and losses on sales are determined using the average cost method and are included in net income for the year.

In cases where the fair value of held-to-maturity securities or available-for-sale securities has declined significantly and such impairment is other than temporary, such securities are written down to fair value and the resulting losses are charged to income for the year.

(h) Allowance for doubtful accounts
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-collectible receivables is provided on an individual account basis.

(i) 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, ranging from 2 years to 60 years for buildings and structures, and from 2 years to 22 years for machinery and equipment.

(j) Intangible assets
Intangible assets are amortized by the straight-line method over their respective estimated useful lives. 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 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.

(k) Accrued pension and severance costs
Accrued pension and severance costs for employees represent the projected benefit obligations in excess of the fair value of the plan assets, except for unrecognized transition obligation and unrecognized actuarial gain or loss. Unrecognized transition obligation is amortized by the straight-line method over 12 years and unrecognized actuarial gain or loss is amortized by the declining-balance method over 12 years from the year following that in which they arise, except for unrecognized costs with respect to employees who retired under the early retirement program which were fully amortized at the time of the employees' retirement.

Accrued pension and severance costs for directors and statutory auditors represent the estimated amount to be paid if all directors and statutory auditors of certain consolidated subsidiaries retired at the balance sheet date, based on the consolidated subsidiaries' internal retirement rules.

The Company's retirement benefit plan for directors and statutory auditors was abolished effective the date of the ordinary general meeting of shareholders held on June 29, 2005. The amount of accrued retirement benefits to directors and statutory auditors calculated based on the Company's internal rules for their services up to that date is included in other long-term liabilities in the accompanying consolidated balance sheets.

(l) Lease transactions
Under Japanese accounting practices, finance leases without options to transfer ownership of the leased assets to the lessee may be accounted for as operating leases subject to appropriate footnote disclosure. Therefore, the Company and its consolidated subsidiaries charge or credit periodic lease payments and receipts related to finance leases to income as incurred.

(m) Income taxes
The 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 use the Japanese consolidated taxation system.

The Company and its consolidated subsidiaries apply the deferred tax accounting method. Deferred tax assets and liabilities are determined using the asset and liability approach, and recognized for temporary differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements.

(n) Derivatives
All derivatives are stated at fair value with changes in fair value being included in net income of the year in which they arise, except for derivatives designated as hedging instruments.

The Company and its consolidated subsidiaries use derivatives to reduce their exposure to fluctuation in foreign exchange rates, interest rates, and the prices of aluminum ingot in the market. Derivatives designated as hedging instruments are principally forward foreign exchange contracts, interest rate swap contracts and aluminum ingot forward contracts. The underlying hedged items are trade accounts receivable and payable, long-term bank loans and sales or purchases of aluminum ingot.

Gains or losses arising from changes in fair value of derivatives designated as hedging instruments are deferred and included in net income in the same period in which the gains and losses on the underlying hedged items or transactions are recognized. The Company and its consolidated subsidiaries 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 in interest expense over the term of the agreements.

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted ASBJ Statement No. 5 and ASBJ Guidance No. 8 (see Note 1.(b), "Accounting Standard for Presentation of Net Assets in the Balance Sheet"). Prior to April 1, 2006, gains or losses arising from changes in fair value of derivatives designated as hedging instruments were deferred as an asset or a liability until they were recognized in income. Under the new accounting standard, such gains or losses are recorded as net unrealized gains on hedges in net assets, net of the related taxes.

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(o) Research and development costs
Research and development costs are charged to income as incurred.

(p) Appropriation of retained earnings
Appropriation of retained earnings is reflected in the consolidated financial statements for the year in which the appropriation is approved at an ordinary general meeting of shareholders.

The Company's retained earnings consist of unappropriated retained earnings and a legal reserve as required by the Corporation Law of Japan. The Corporation Law of Japan provides that an amount equal to 10% of distributions from unappropriated retained earnings paid by the Company and its Japanese subsidiaries be appropriated to the legal reserve. Such appropriations are no longer required when the total amount of additional paid-in capital and the legal reserve equals 25% of their respective stated capital.

Under the Corporation Law of Japan, the Company is permitted to transfer to unappropriated retained earnings the portion of statutory reserve (additional paid-in capital and the legal reserve) in excess of 25% of common stock upon approval at a shareholders' meeting. Any such transferred portion is available for dividend distribution.

(q) Net income per share
Basic net income per share of common stock, presented in the accompanying consolidated statements of income, is computed based on the weighted average number of shares outstanding during each year.

Diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for the related interest expense on a net of tax basis.

(r) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform them to the current year's classifications.

2. U.S. DOLLAR AMOUNTS
The rate of ¥118.05 = U.S.$1, the approximate exchange rate prevailing on March 31, 2007, has been used for the purpose of presenting the U.S. dollar amounts in the accompanying consolidated financial statements. These amounts are included solely for the convenience of the reader. Accordingly, they should not be construed as representations that yen amounts actually represent, or have been or could be readily converted, realized or settled in U.S. dollars at that rate.

3. CASH AND CASH EQUIVALENTS
A reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and deposits disclosed in the consolidated balance sheets at March 31, 2006 and 2007 is summarized as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥28,122	**¥42,433**	**$359,449**
Time deposits with maturities in excess of 3 months	(426)	**(308)**	**(2,609)**
Cash and cash equivalents	¥27,696	**¥42,125**	**$356,840**

During the year ended March 31, 2006, the Company additionally acquired shares of common stock of Tokai Aluminum Foil Co., Ltd. and newly consolidated it and its subsidiaries. At the time of acquisition, assets and liabilities and net cash and cash equivalents acquired, less cash payments for acquisition were as follows:

	2006
	(Millions of yen)
Assets and liabilities of Tokai Aluminum Foil Group at the time of acquisition (May 1, 2005):	
Current assets	¥8,369
Fixed assets	4,579
Goodwill	1,280
Current liabilities	(6,125)
Long-term liabilities	(7,057)
Minority interests in consolidated subsidiaries	(4)
Subtotal	1,042
Carrying amount of the investment in Tokai Aluminum Foil Group accounted for by the equity method prior to acquisition (negative amount)	258
Acquisition cost	¥1,300
Cash and cash equivalents held by Tokai Aluminum Foil Group	¥2,176
Net cash and cash equivalents acquired, less cash payments for acquisition	¥ 876

4. INVENTORIES

Inventories at March 31, 2006 and 2007 comprised the following:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	¥27,359	**¥32,348**	**$274,020**
Work-in-process, including costs related to construction-type contracts	33,703	**37,850**	**320,627**
Raw materials and supplies	14,958	**16,037**	**135,849**
	¥76,020	**¥86,235**	**$730,496**

5. INVESTMENT SECURITIES

(a) Available-for-sale securities with available market quotations

The aggregate cost, carrying amount and gross unrealized gains and losses of available-for-sale securities comprising equity securities with available market quotations at March 31, 2006 and 2007 were as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Cost	¥ 3,924	**¥ 3,932**	**$ 33,308**
Unrealized gains	9,381	**9,013**	**76,349**
Unrealized losses	(18)	**(34)**	**(288)**
Carrying amount	¥13,287	**¥12,911**	**$109,369**

(b) Sales of available-for-sale securities

The realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2006 and 2007 were as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Sales proceeds	¥176	**¥153**	**$1,296**
Realized gains on sales	79	**41**	**347**
Realized losses on sales	6	**—**	**—**

(c) Held-to-maturity securities and available-for-sale securities without available market quotations

The carrying amounts of held-to-maturity securities and available-for-sale securities without available market quotations at March 31, 2006 and 2007 were as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Held-to-maturity securities:			
Privately offered domestic debt securities	¥ 105	**¥ 93**	**$ 788**
Available-for-sale securities:			
Equity investments in non-public companies	11,217	**11,268**	**95,451**
Other	81	**84**	**712**
	¥11,403	**¥11,445**	**$96,951**

(d) Maturities of debt securities

Maturities of debt securities at March 31, 2006 and 2007 were as follows:

	2006			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Debt securities:				
Government and municipal bonds	¥12	¥48	¥25	¥10
Corporate debt securities	10	—	—	—
Other	—	25	—	—
	¥22	¥73	¥25	¥10

	2007			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Millions of yen)			
Debt securities:				
Government and municipal bonds	¥ 7	¥54	¥14	¥ 8
Corporate debt securities	—	10	—	—
Other	—	25	—	—
	¥ 7	¥89	¥14	¥ 8

	2007			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
	(Thousands of U.S. dollars)			
Debt securities:				
Government and municipal bonds	$59	$457	$119	$68
Corporate debt securities	—	85	—	—
Other	—	212	—	—
	$59	$754	$119	$68

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 bore interest at annual rates ranging from 0.39% to 4.75% and mainly consisted of bank loans and short-term notes maturing at various dates within one year.

Long-term debt at March 31, 2006 and 2007 comprised the following:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks and insurance companies due from 2006 to 2016 with interest rates ranging from 0.80% to 7.92%:			
Secured	¥ 73,178	¥ —	$ —
Unsecured	31,454	—	—
Loans, principally from banks and insurance companies due from 2007 to 2016 with interest rates ranging from 0.80% to 4.51%:			
Secured	—	36,411	308,437
Unsecured	—	73,106	619,280
Secured 1.25% bonds due July 20, 2006, redeemable before due date	9,000	—	—
Unsecured 3.06% bonds due June 1, 2007, redeemable before due date	705	708	5,998
Zero coupon convertible bonds due September 30, 2009 (*1)	10,000	10,024	84,913
Zero coupon convertible bonds due September 30, 2016 (*2)	—	20,092	170,199
Capital lease obligations due from 2006 to 2029 with interest rates ranging from 6.50% to 7.20%	969	—	—
Capital lease obligations due from 2007 to 2029 with interest rates ranging from 6.50% to 7.20%	—	955	8,090
	125,306	141,296	1,196,917
Less: portion due within one year	(41,140)	(28,531)	(241,686)
Total long-term debt	¥ 84,166	¥112,765	$ 955,231

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

Stock type to be issued:	Common stock
Issue price per stock acquisition right:	None
Initial exercise price:	¥350 per share
Total issue price:	¥10,050 million
Exercisable period of stock acquisition rights:	From August 9, 2004 to September 16, 2009

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

Stock type to be issued:	Common stock
Issue price per stock acquisition right:	None
Initial exercise price:	¥406 per share
Total issue price:	¥20,100 million
Exercisable period of stock acquisition rights:	From August 4, 2006 to September 16, 2016

A summary of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2007 is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥ 6	$ 51
Property, plant and equipment	102,338	866,904
Investment securities	322	2,728

The aggregate annual maturities of long-term debt outstanding at March 31, 2007 are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 28,531	$ 241,686
2009	24,554	207,997
2010	30,588	259,110
2011	13,838	117,222
2012	10,115	85,684
Thereafter	33,670	285,218
	¥141,296	$1,196,917

On August 11, 2006, the ASBJ issued ASBJ Statement No. 10, "Accounting Standard for Financial Instruments." Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted this new accounting standard. Prior to April 1, 2006, premium on bonds had been recorded as other long-term liabilities in the consolidated balance sheets. Under the new accounting standard, the premium is included in long-term debt or current portion of long-term debt.

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 in Japan. Additional benefits may be granted to employees according to the conditions under which termination of employment occurs. Certain foreign subsidiaries have defined contribution plans.

Accrued pension and severance costs at March 31, 2006 and 2007 are summarized as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(66,856)	¥(65,717)	$(556,688)
Fair value of plan assets	26,198	27,317	231,402
	(40,658)	(38,400)	(325,286)
Unrecognized transition obligation	12,822	10,394	88,048
Unrecognized actuarial loss	7	149	1,262
Accrued pension and severance cost	¥(27,829)	¥(27,857)	$(235,976)

The net pension costs related to retirement benefits for the years ended March 31, 2006 and 2007 are summarized as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥3,706	¥3,646	$30,885
Interest cost	1,363	1,370	11,605
Expected return on plan assets	(466)	(559)	(4,735)
Amortization of transition obligation	2,132	2,137	18,102
Amortization of unrecognized actuarial loss (gain)	441	(25)	(211)
Net pension and severance costs	¥7,176	¥6,569	$55,646

Assumptions used in calculating the above information are summarized as follows:

	2006	2007
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Method of attributing projected benefits to periods of employee service	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial loss (gain)	Mainly 12 years	Mainly 12 years
Amortization of transition obligation	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 the aggregate, indicate a statutory income tax rate of approximately 40.7% for the years ended March 31, 2006 and 2007.

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

Significant components of deferred tax assets and liabilities at March 31, 2006 and 2007 were as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued pension and severance costs	¥11,469	¥11,217	$ 95,019
Tax loss carryforwards	4,587	5,578	47,251
Allowance for doubtful accounts	3,588	3,807	32,249
Accrued bonuses	2,517	2,667	22,592
Loss on disposal of fixed assets	1,479	1,623	13,748
Other	10,936	10,666	90,352
Gross deferred tax assets	34,576	35,558	301,211
Valuation allowance	(19,406)	(19,976)	(169,216)
Total deferred tax assets, net of valuation allowance	15,170	15,582	131,995
Deferred tax liabilities:			
Unrealized gain on securities	(3,789)	(3,507)	(29,708)
Revaluation gain on subsidiaries	(733)	(746)	(6,319)
Other	(473)	(851)	(7,209)
Gross deferred tax liabilities	(4,995)	(5,104)	(43,236)
Net deferred tax assets	¥10,175	¥10,478	$ 88,759

Deferred tax assets and liabilities that comprise net deferred tax assets are included in the accompanying consolidated balance sheets as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets (current assets)	¥5,057	¥5,405	$45,786
Deferred tax assets (investments and other assets)	6,156	5,881	49,818
Other long-term liabilities	(1,038)	(808)	(6,845)

In addition to the above, the Company recorded deferred tax liabilities on land revaluation surplus of ¥522 million ($4,422 thousand) at March 31, 2006 and 2007 separately.

A reconciliation of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2006 and 2007 is summarized as follows:

	2006	2007
Statutory income tax rate	40.7%	**40.7%**
Increase (decrease) in taxes resulting from:		
Increase in valuation allowance	8.1	**2.4**
Permanent non-deductible expenses	2.3	**2.0**
Other	(2.5)	**0.5**
Effective income tax rate	48.6%	**45.6%**

9. APPROPRIATIONS OF RETAINED EARNINGS

The following appropriation was approved at the ordinary general meeting of shareholders of the Company held on June 28, 2007:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends	**¥2,707**	**$22,931**

The Company is required to obtain the approval of shareholders at an ordinary general meeting of shareholders for appropriations of retained earnings in conformity with the Corporation Law of Japan. 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 year after shareholders' approval has been obtained.

10. REVALUATION SURPLUS

A consolidated subsidiary of the Company revalued its land used for business purposes in accordance with the Land Revaluation Law, when it was an affiliate. As a result of this revaluation, the Company recognized its portion of the affiliate's revaluation surplus and the related deferred tax liabilities.

11. LEASE TRANSACTIONS

The Company and its consolidated subsidiaries 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 ¥2,146 million and ¥1,920 million ($16,264 thousand), and receipts under finance lease contracts totaled ¥132 million and ¥144 million ($1,220 thousand) for the years ended March 31, 2006 and 2007, respectively. Future lease payments and receipts under finance leases and non-cancelable operating leases, including interest, at March 31, 2006 and 2007 are summarized as follows:

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments:			
Due within one year	¥2,060	**¥3,130**	**$26,514**
Due after one year	6,383	**4,455**	**37,738**
	¥8,443	**¥7,585**	**$64,252**
Lease receipts:			
Due within one year	¥ 116	**¥ 66**	**$ 559**
Due after one year	38	**9**	**76**
	¥ 154	**¥ 75**	**$ 635**

Leased assets under finance leases, where lessors retain ownership of leased assets, are accounted for as operating leases. If such leases had been capitalized, then the cost of the assets, and the related accumulated depreciation and impairment loss at March 31, 2006 and 2007 would have been as follows:

	2006			
	Cost	Accumulated depreciation	Accumulated impairment loss	Net amount
	(Millions of yen)			
Buildings and structures	¥ 26	¥ 18	¥ —	¥ 8
Machinery and equipment	13,907	5,617	1,834	6,456
Intangible assets	197	86	5	106
	¥14,130	¥5,721	¥1,839	¥6,570

	2007				
	Cost	Accumulated depreciation	Accumulated impairment loss	Net amount	Net amount
	(Millions of yen)				(Thousands of U.S. dollars)
Buildings and structures	¥ 26	¥ 23	¥ —	¥ 3	$ 25
Machinery and equipment	13,194	5,750	1,464	5,980	50,657
Intangible assets	217	89	3	125	1,059
	¥13,437	¥5,862	¥1,467	¥6,108	$51,741

Depreciation for these leased assets computed using the straight-line method over the respective lease periods would have been ¥2,146 million and ¥1,920 million ($16,264 thousand) for the years ended March 31, 2006 and 2007, respectively.

Fixed 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, 2006 and 2007, are summarized as follows:

	2006		
	Cost	Accumulated depreciation	Net amount
	(Millions of yen)		
Machinery and equipment	¥244	¥135	¥109

	2007			
	Cost	Accumulated depreciation	Net amount	Net amount
	(Millions of yen)			(Thousands of U.S. dollars)
Machinery and equipment	¥204	¥137	¥67	$568

Depreciation for these leased assets computed using the straight-line method over the respective lease periods would have been ¥99 million and ¥112 million ($949 thousand) for the years ended March 31, 2006 and 2007, respectively.

12. DERIVATIVES

In the normal course of business, the Company and its consolidated subsidiaries utilize various derivative financial instruments in order to manage the exposure resulting from fluctuation in foreign currency exchange rates, interest rates and the prices of aluminum ingot in the market. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for trading purposes.

At March 31, 2006 and 2007, there were no derivative financial instruments, except for those instruments to which hedge accounting was 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, 2006 and 2007 were ¥5,133 million and ¥5,504 million ($46,624 thousand), respectively.

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 amounted to ¥12,627 million ($106,963 thousand) for loans guaranteed and other guarantees given in the ordinary course of business, including ¥3,069 million ($25,997 thousand) shared by other joint guarantors, and ¥1,678 million ($14,214 thousand) for notes discounted.

15. DIRECTORS' BONUSES

On November 29, 2005, the ASBJ issued ASBJ Statement No. 4, "Accounting Standard for Directors' bonus." Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted this standard. Prior to April 1, 2006, directors' bonuses had been recorded as a decrease in unappropriated retained earnings by appropriation based on shareholders' approval. Under the new accounting standard, these bonuses are accrued and recorded as an expense. As a result of the adoption of this accounting standard, operating profit and income before income taxes and minority interests decreased by ¥52 million ($440 thousand) from the amounts which would have been recorded under the previous method.

16. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share for the years ended March 31, 2006 and 2007 is summarized as follows:

	2006		
	Net income	Weighted average number of shares	Net income per share
	(Millions of yen)	(Thousands of shares)	(Yen)
Net income	¥9,684		
Amount not allocated to common stock	(45)		
Basic net income	9,639	541,742	¥17.79
Effect of convertible bonds	(6)	28,714	
Diluted net income	¥9,633	570,456	¥16.89

	2007			
	Net income	Weighted average number of shares	Net income per share	
	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
Net income	**¥12,755**			
Amount not allocated to the common stock	**—**			
Basic net income	**12,755**	**541,476**	**¥23.56**	**$0.20**
Effect of convertible bonds	**(6)**	**28,714**		
Diluted net income	**¥12,749**	**570,190**	**¥22.36**	**$0.19**

17. CHARGES ON SALE OF ALUMINUM FOIL

On November 11, 2005, the Japan Fair Trade Commission submitted its findings, based on Article 48, Section 2 of the Antimonopoly Act of Japan, to the Company's consolidated subsidiaries, Toyo Aluminium K.K. and Tokai Aluminium Foil Co., Ltd., that they had violated Article 3 (prohibition of illegal trade limitation) of the Act with respect to sales of aluminum foil. These two companies accepted the findings on November 18, 2005 and paid the charges during the year ended March 31, 2007.

18. SUBSEQUENT EVENT

On April 1, 2007, the Company transferred its domestic and overseas business relating to the production and sale of aluminum for die-cast products to M.C. Aluminium Co., Ltd. ("MCA"), a wholly-owned subsidiary of Mitsubishi Corporation, while MCA issued new shares of common stock to the Company, giving the Company a 55% stake in MCA. MCA became a subsidiary of the Company and changed its name to Nikkei MC Aluminium Co., Ltd.

Through this business integration, the Company intends further growth in its corporate value with the synergy of the Company's manufacturing technology and development capability and MCA's domestic and overseas production bases and business experience.

The Company expects to recognize a gain of ¥1,101 million ($9,327 thousand) due to the change in the carrying amount of such business for the year ending March 31, 2008.

19. SEGMENT INFORMATION

The Company and its consolidated subsidiaries 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 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" include unallocated operating expenses and corporate assets not specifically related to business segments.

Export sales and operations outside Japan are insignificant.

Information by industry segment for the years ended March 31, 2006 and 2007 was as follows:

	2006					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Millions of yen)					
Sales:						
Customers	¥ 97,077	¥ 70,714	¥ 238,422	¥ 170,848	¥ —	¥577,061
Intersegment	67,754	26,503	17,792	4,295	(116,344)	—
Total	164,831	97,217	256,214	175,143	(116,344)	577,061
Operating expenses	155,191	90,782	240,366	175,306	(113,507)*1	548,138
Operating profit (loss)	¥ 9,640	¥ 6,435	¥ 15,848	¥ (163)	¥ (2,837)	¥ 28,923
Total assets	¥111,068	¥ 71,854	¥ 213,615	¥ 153,180	¥ (16,191)*2	¥533,526
Depreciation and amortization	¥ 2,819	¥ 1,809	¥ 6,222	¥ 6,377	¥ 88	¥ 17,315
Loss on impairment of fixed assets	¥ —	¥ 1,715	¥ —	¥ 249	¥ —	¥ 1,964
Capital expenditures	¥ 3,678	¥ 2,849	¥ 7,963	¥ 5,279	¥ 50	¥ 19,819

**1 Corporate items of ¥2,830 million are included.* **2 Corporate items of ¥16,070 million are included.*

	2007					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Millions of yen)					
Sales:						
Customers	¥110,667	¥ 78,929	¥255,514	¥173,048	¥ —	¥618,158
Intersegment	91,044	32,163	17,275	4,508	(144,990)	—
Total	201,711	111,092	272,789	177,556	(144,990)	618,158
Operating expenses	190,044	104,649	258,633	176,483	(142,170)*1	587,639
Operating profit	¥ 11,667	¥ 6,443	¥ 14,156	¥ 1,073	¥ (2,820)	¥ 30,519
Total assets	¥121,300	¥ 81,674	¥225,685	¥162,289	¥ (11,485)*2	¥579,463
Depreciation and amortization	¥ 2,885	¥ 2,004	¥ 6,579	¥ 5,925	¥ 88	¥ 17,481
Loss on impairment of fixed assets	¥ —	¥ —	¥ 17	¥ 485	¥ —	¥ 502
Capital expenditures	¥ 4,125	¥ 2,221	¥ 8,342	¥ 5,963	¥ 51	¥ 20,702

**1 Corporate items of ¥2,820 million are included.* **2 Corporate items of ¥26,340 million are included.*

	2007					
	Aluminum ingot and chemicals	Aluminum sheet and extrusions	Fabricated products and others	Building materials	Elimination or corporate items	Consolidated
	(Thousands of U.S. dollars)					
Sales:						
Customers	$ 937,459	$668,606	$2,164,456	$1,465,887	$ —	$5,236,408
Intersegment	771,232	272,453	146,336	38,187	(1,228,208)	—
Total	1,708,691	941,059	2,310,792	1,504,074	(1,228,208)	5,236,408
Operating expenses	1,609,860	886,480	2,190,877	1,494,985	(1,204,320)*1	4,977,882
Operating profit	$ 98,831	$ 54,579	$ 119,915	$ 9,089	$ (23,888)	$ 258,526
Total assets	$1,027,531	$691,859	$1,911,774	$1,374,748	$ (97,289)*2	$4,908,623
Depreciation and amortization	$ 24,439	$ 16,976	$ 55,731	$ 50,190	$ 745	$ 148,081
Loss on impairment of fixed assets	$ —	$ —	$ 144	$ 4,108	$ —	$ 4,252
Capital expenditures	$ 34,943	$ 18,814	$ 70,665	$ 50,512	$ 432	$ 175,366

**1 Corporate items of $23,888 thousand are included.* **2 Corporate items of $223,126 thousand are included.*

ERNST & YOUNG SHINNIHON

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■ Tel : 03 3503 1100
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Report of Independent Auditors

The Board of Directors
Nippon Light Metal Company, Ltd.

We have audited the accompanying consolidated balance sheet of Nippon Light Metal Company, Ltd. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Nippon Light Metal Company, Ltd. for the year ended March 31, 2006 were audited by other auditors whose report dated June 29, 2006 expressed an unqualified opinion on those statements.

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

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Light Metal Company, Ltd. and consolidated subsidiaries at March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 28, 2007

OVERSEAS SUBSIDIARIES AND AFFILIATES

North America

Nikkei MC Aluminum America Inc.
Indiana, U.S.A.
Phone: 1-812-342-1141
Aluminum alloys
(60%)

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

Europe

Toyal Europe Société par Actions Simplifiée Unipersonnelle
Accous, France
Phone: 33-5-59-983-535
Aluminum powder and paste
(100%)

East Asia

Alcan Nikkei China Limited
Hong Kong, SAR, China
Phone: 852-2522-3001
Trading and marketing
(49%)

M.C. Nikkei Aluminum (Kunshan) Co., Ltd.
Kunshan, China
Phone: 86-512-5763-6120
Secondary aluminum alloy
(85%)

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: 86-755-2661-1569
Extrusion
(18%)

NI Nikkei Shenzhen Co., Ltd.
Shenzhen, China
Phone: 86-755-2650-5656
Automobile components
(55%)

Southeast Asia

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

Nikkei MC Aluminum (Korat) Co., Ltd.
Thailand
Phone: 66-44-327-621
Aluminum alloys
(75%)

Nikkei MC Aluminum (Thailand) Co., Ltd.
Thailand
Phone: 66-38-571-670
(79%)

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%)

Thai Nikkei Trading Co., Ltd.
Thailand
Phone: 66-2726-9001
Aluminum alloy, scrap
(100%)

(As of June 30, 2007)

Directors

Chairman
Representative Director
Shigesato Sato

President
Representative Director
Takashi Ishiyama

Director

Motoi Kobayashi
Tsuyoshi Nakajima
Makoto Fujioka
Akira Kato
Mitsuaki Asano
Masao Imasu
Masato Hironaga
Hidetane Iijima*
Kuniya Sakai*

* Outside Director

Auditors

Standing Statutory Auditor

Shozo Ueda
Yorihiko Hamabe

Outside Statutory Auditor

Seiichi Takeda
Yuzuru Fujita
Katsuo Wajiki

Officers

Chairman
Shigesato Sato

President
Chief Executive Officer
Takashi Ishiyama
Supervision of Strategic Committee For Product Commercialization and Business Development.,

Senior Executive Officer

Motoi Kobayashi
In charge of Group Sales Promotion, General Manager of Osaka / Nagoya Regional Office, Supervision of General Affairs Dept.

Tsuyoshi Nakajima
Supervision of Personnel Dept., Panel Products and Landscape Products Dept., In charge of safety, General Manager of Sheet & Extrusion Fabricated Products Controlling Dept.

Makoto Fujioka
Supervision of Auditing Office, IR & Public Relations and Legal Dept., In charge of Specific Projects for Group Sales, Compliance and Environment, General Manager of Internal Control Office

Executive Officer
Mitsuru Ishihara
Divisional Manager of Chemicals, Supervision of Rolled Products Div.

Yoshiaki Kurihara
Supervision of Group Metal Center, General Manager of Purchasing & Logistics Dept.

Akira Kato
General Manager of Technology & Development Group
Supervision of Capacitor Foil Div.

Tadakazu Miyauchi
Divisional Manager of Metal & Alloy, Supervision of Shaped Parts Div., Heat Exchanger Div. and Kambara Complex

Koji Ueno
General Manager of Planning Dept., In charge of China and Southeast Asia, Supervision of Tomakomai Complex

Mitsuaki Asano
General Manager of Accounting & Finance Dept.

Officer

Yoshitaka Ohtsu
Divisional Manager of Heat Exchanger

Ichiro Okamoto
General Manager of Group Technology Center of Technology & Development Group

Tadashi Asahi
Divisional Manager of Rolled Products

Toshihide Murakami
Divisional Manager of Capacitor Foil

Takashi Hara
Divisional Manager of Shaped Parts

(As of June 30, 2007)

CORPORATE DATA

Head Office
NYK Tennoz Building
2-20, Higashi-Shinagawa 2-chome
Shinagawa-ku, Tokyo 140-8628, Japan
http://www.nikkeikin.co.jp
Phone: 81-3-5461-9211
Fax: 81-3-5461-9344

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
56,697

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Fukuoka,
Sapporo

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

Last Shareholders' Meeting
June 28, 2007

Major Shareholders
(Ratio of Stock Holding)

Japan Trustee Services Bank, Ltd.
(trust accounts)
(4.3%)

The Master Trust Bank of Japan, Ltd.
(trust accounts)
(4.2%)

The Dai-ichi Mutual Life Insurance Co.
(3.7%)

Asahi Mutual Life Insurance Co.
(2.8%)

The Light Metal Educational
Foundation, Inc.
(2.7%)

Nikkei-Keiyu-Kai
(2.1%)

Mizuho Corporate Bank, Ltd.
(2.1%)

Namekawa Aluminium Co., Ltd.
(2.1%)

Morgan Stanley and Company Inc.
(1.6%)

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

(As of March 31, 2007)

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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