

The logo for Nippon Mining & Metals, featuring the company name in a bold, orange, sans-serif font. The background is a dark blue gradient with several dark blue spheres of varying sizes scattered across it.

# **Nippon Mining & Metals**

Annual Report 2001

Year ended 31st March, 2001

# Profile

Nippon Mining & Metals Co., Ltd., established in April 1992, commenced operations in November 1992 after taking over the metals business of Nippon Mining Co., Ltd. (currently Japan Energy Corporation) which had been engaged in the major business lines of metals (mining, smelting and refining, and metal fabrication) and petroleum (development and refining).

Following its establishment as an independent company, and amid drastic changes in the structure of Japanese industry, Nippon Mining & Metals set the management targets expressed in the catchphrases, “From quantity to quality,” “a thorough technology-oriented approach,” and “becoming a truly international enterprise.” In pursuit of these goals, the Company worked vigorously to effect structural reform and thereby create a leaner and stronger corporation. These efforts bore fruit in the form of remarkable improvements in business performance, adding strength to its major businesses of copper smelting and metal fabrication and building a firm foundation for continued growth as a corporation specializing in nonferrous metals.

Armed with innovative technologies and guided by global business strategies, Nippon Mining & Metals will continue to move ahead as a world leader in the nonferrous metals industry.

## Contents

<b>Financial Highlights .....</b>	<b>1</b>
<b>Message from the Management.....</b>	<b>2</b>
<b>Strategy for Further Growth in the New Century.....</b>	<b>4</b>
<b>At a Glance.....</b>	<b>6</b>
<b>Metal Production.....</b>	<b>8</b>
<b>Metal Fabrication .....</b>	<b>14</b>
<b>Recycling &amp; Environmental Services.....</b>	<b>18</b>
<b>Engineering &amp; Consulting and Other Operations.....</b>	<b>20</b>
<b>Technology Development Center .....</b>	<b>21</b>
<b>Global Network .....</b>	<b>22</b>
<b>Board of Directors &amp; Corporate Auditors.....</b>	<b>23</b>
<b>Financial Section.....</b>	<b>24</b>
<b>Group of Companies .....</b>	<b>42</b>
<b>Corporate Data .....</b>	<b>44</b>

# Financial Highlights

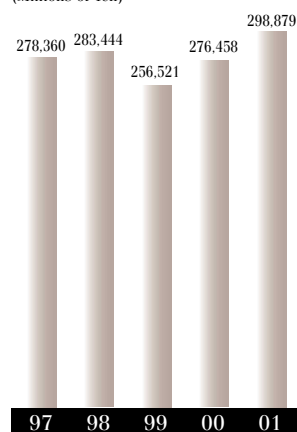
Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries

Years ended 31st March	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
<b>For the Year</b>			
Net sales .....	¥298,879	¥276,458	\$2,391,032
Net income .....	10,609	8,260	84,872
Net income per share (in yen and dollars) .....	46.22	36.27	0.37
<b>At Year-End</b>			
Total assets .....	324,203	311,691	2,593,624
Total shareholders' equity .....	92,956	86,456	743,648

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥125 = US\$1.

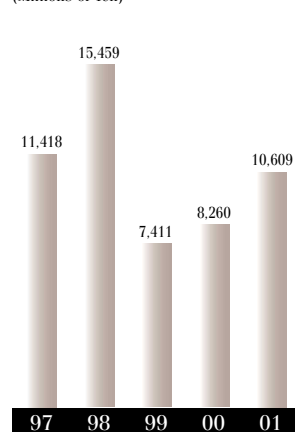
## Net Sales

(Millions of Yen)



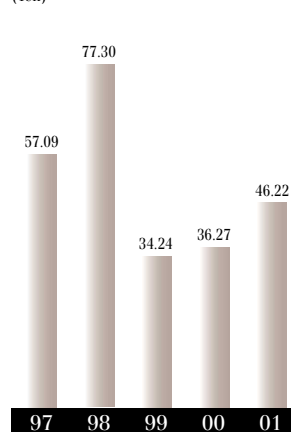
## Net Income

(Millions of Yen)



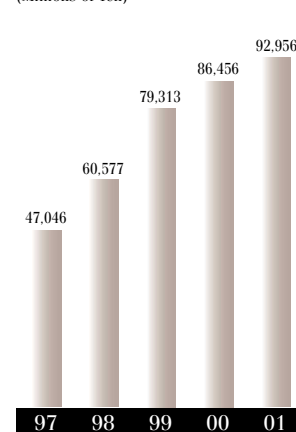
## Net Income per Share

(Yen)



## Total Shareholders' Equity

(Millions of Yen)



# Message from the Management



(left) : Takashi Sakamoto  
*Chairman and Representative Director*

(right): Kazuo Oki  
*President and Representative Director*

Tetsuichi Kagawa resigned in June 2001 due to illness and Kazuo Oki succeeded him as President and Representative Director to share executive duties with Takashi Sakamoto, Chairman and Representative Director. We both pledge to make all-out efforts to ensure further growth and solid achievements for the Company in the 21st century.

During the term under review, the year ended 31st March 2001, the Japanese economy continued on the path of moderate recovery in the first half of the term, bolstered by increasing IT-related demand. In the second half, however, the economy showed signs of stagnation against the backdrop of a decline in exports due to the slowdown in the U.S. economy and a sharp drop-off in IT-related demand.

Copper, a main product of the Nippon Mining & Metals Group, showed promising signs of a recovery in domestic demand, and its price rose. Fabricated metal products held firm during the first half of the term, especially in the copper products area, but demand for special steel products declined markedly in the second half of the term.

In view of these circumstances, the Nippon Mining & Metals Group worked intensively to strengthen production and sales while continuing to improve efficiency in business operations across the board. As a result, the Company succeeded in increasing both revenues and profits, reflecting rising sales of copper and price increases in the metal production business, which more than offset a reduction in sales in the metal fabrication business during the second half of the term.

Following are highlights of the term under review.

In our main copper smelting and refining business, we undertook an operational tie-up with Mitsui Mining & Smelting Co., Ltd., beginning in May of 2000, so as to further reinforce our international competitive strengths. As part of this move, we established two joint firms: a sales company under the name of Pan Pacific Copper Co., Ltd. to market products related to copper smelting and refining operations, and a company under the name of United Copper Resource Co., Ltd., which will act as an agent for the procurement of copper concentrate. Pan Pacific Copper began operations in January 2001, and United Copper Resource launched operations in April of the same year.

Nippon Mining & Metals, Mitsui Mining & Smelting, and LG-Nikko Copper Inc., a South Korea-based joint venture formed by a consortium led by Nippon Mining & Metals and Mitsui Mining & Smelting with the LG Group of South Korea, reached agreement in February 2001 on the promotion of their comprehensive alliance in the copper smelting business. The relationship between the three firms will constitute one of the world's largest alliances of copper producers.

The Los Pelambres Mine in Chile, a copper mine in which Nippon Mining & Metals has an equity stake, began full-scale operations in January 2000. This mine, which provides a reliable source of copper concentrate, has contributed to the Company's earnings

since its initial fiscal year of production.

Metal Fabrication is another key segment that underpins the Company's business. Here, the Kurami Works in Kanagawa Prefecture stepped up its strategic specialization in high value-added products. We succeeded in significantly enhancing the performance of phosphor bronze used in electronic components and equipment, and began marketing the product in February 2001.

The Company is shifting production of general-purpose products to East Asia, where many current and potential customers are located. As an initial step, Nippon Mining & Metals and Poongsan Corporation, the largest manufacturer of fabricated copper and copper alloy products in South Korea, have launched a strategic alliance in brass strip manufacturing.

Turning to the technological development area, Nippon Mining & Metals, working jointly with Mitsui Mining & Smelting, is developing a practical application of hydro-metallurgical processes for primary sulfide ore in cooperation with governmental and academic institutions.

In May 2001, the Company established the Executive Office to form a direct link to the Board of Directors in an effort to further enhance strategic management capabilities.

### **Business Performance**

The Company recorded a remarkable upswing in profits. On a consolidated basis, net sales rose 8.1% year-on-year to ¥298.9 billion. Income from operations increased 13.2% to ¥21.1 billion. Income before special items climbed 42.8% to ¥22.4 billion, an increase that is partially attributable to the excellent business performance of Minera Los Pelambres, as well as an upsurge in profits by Nippon Mining & Metals. Net income rose 28.4% to ¥10.6 billion. Return on sales stood at 7.5%, up 1.8 percentage point year on year. Return on equity (ROE) rose to 11.8%, up 1.8 percentage point on the year.

### **Outlook**

The business environment is forecast to remain severe for a long time. In view of this, the Company will

reaffirm its commitment to policies that emphasize profitability.

In the copper smelting and refining business, we are working to maximize the benefits of our alliance with Mitsui Mining & Smelting and LG-Nikko Copper so as to achieve tangible results as soon as possible. In addition, we are attempting to perfect current pyro-metallurgical process techniques as well as to commercialize hydro-metallurgical processes, which are expected to be superior in terms of the environment and efficiency.

Meanwhile, we are moving aggressively to take advantage of opportunities to invest in promising resource development projects with the objectives of ensuring reliable sources of copper concentrate and securing appropriate return on investment.

In metal fabrication, we are reorganizing the Kurami Works into a slim and efficient plant specializing in high value-added products.

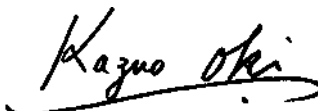
Meanwhile, we will accelerate the pace of overseas tie-ups, including OEM alliances, for general-purpose products. Here we are further enhancing our presence and competitive strengths in the East Asian market.

The Nippon Mining & Metals Group will continue to fulfill its social responsibilities as a natural resource-based firm by operating in keeping with its managerial motto: "innovation in the productive use of resources." By making forward-looking moves and grappling boldly with crucial issues, Nippon Mining & Metals will become an internationally recognized leader in the nonferrous materials business.

August 2001



Takashi Sakamoto, *Chairman and Representative Director*



Kazuo Oki, *President and Representative Director*

# Strategy for Further Growth in the New Century

**With our sound, long-term business strategy and global perspective, we are moving ahead as a world leader in the nonferrous metals industry.**

We believe the key factors in success in the nonferrous metals business are the formation of an alliance with strong competitive power, the procurement of superior mining interests, and the development of pioneering technology. Achieving these three conditions will put us well on the road to becoming the world's strongest manufacturer of nonferrous metals.

## Alliance

May 2000

**Nippon Mining & Metals begins talks with Mitsui Mining & Smelting regarding tie-up in copper smelting and refining operations**



To meet the intensifying international competition in the copper smelting and refining operations, Nippon Mining & Metals decided to create a comprehensive business alliance covering various fields of copper smelting business with Mitsui Mining & Smelting Co., Ltd. As part of this tie-up, the two companies jointly established a sales company – Pan Pacific Copper Co., Ltd. – to sell the products of their copper smelting operations, principally copper and sulfuric acid. The company began operation in January of 2001.



February 2001

**Nippon Mining & Metals constructs one of the world's premier copper production alliances through tie-up with Mitsui Mining & Metals and LG-Nikko Copper**

In February 2001, Nippon Mining & Metals, Mitsui Mining & Smelting, and LG-Nikko Cooper Co., Ltd. agreed to advance a comprehensive alliance covering various aspects of the copper smelting business. This agreement allowed the three companies to form one of the world's leading alliances of copper producers (producing approximately 30% of East Asia's refined copper, making it the world's second-largest producer).

April 2001

**Nippon Mining & Metals establishes a strategic alliance with Poongsan Corporation, the largest manufacturer of fabricated copper and copper alloy products in South Korea**

In April 2001, Nippon Mining & Metals and Poongsan Corporation entered into a strategic alliance through which they constructed a cooperative relationship for their brass strip manufacturing and established a joint-venture company, Poongsan-Nikko Tin Plating Corporation, in South Korea, to engage in producing tin-plated copper strips. Through this cooperation in the fabricated metal business, the two companies will jointly strengthen their competitiveness in the East Asian market for automobile terminal and connector materials.



# Resources procurement



One aspect of the Company's long-term strategy involves active participation in resource development projects that promise both stable supplies of ore for copper smelting and refining and a good return on investment.

January 2000

## **Los Pelambres Mine begins full-scale operation**

The Los Pelambres Mine in Chile, a mine in which Nippon Mining & Metals has an equity stake, began full-scale production. The mine generated high earnings during its first year of operation, contributing an excellent return on capital to the company.

March 2001

## **Nippon Mining & Metals cooperates with Mitsui Mining and Smelting Co., Ltd. to establish an agency for procurement of copper concentrate**

In March 2001, we established our second joint-venture company, United Copper Resource Co., Ltd. in cooperation with Mitsui Mining and Smelting Co., Ltd. as a result of the comprehensive business alliance. The new company acts as an agent for the procurement of copper concentrate, and it commenced operations in April 2001.

# Technology



October 2000

## **We are engaged in development of copper smelting and refining technology utilizing hydro-metallurgical processes**

Jointly with Mitsui Mining & Smelting, and with the cooperation of governmental and academic institutions, Nippon Mining & Metals has started to develop a practical hydro-metallurgical process for primary sulfide ore.



February 2001

## **Nippon Mining & Metals augments production capacity for copper smelting and copper refining**

In February 2001, Nippon Mining & Metals augmented its annual production capacity for anode and refined copper from 450,000 tons to 470,000 tons and from 420,000 tons to 450,000 tons respectively. Arising primarily from technical improvements, the capacity expansion enhanced the competitiveness of the company's production system.

February 2001

## **Nippon Mining & Metals develops high-performance phosphor bronze**

Improvements in the production process enabled our development of a new high-performance phosphor bronze alloy that greatly enhances the performance of phosphor bronze for electronic component and electronic device applications. We began marketing of the alloy in February 2001.

Consolidated net sales increased 8.1% to ¥298,879 million (US\$2,391,032 thousand), and income from operations rose 13.2% to ¥21,084 million (US\$168,672 thousand). Income before special items rose 42.8% to ¥22,364 million (US\$178,912 thousand), and net income increased 28.4% to ¥10,609 million (US\$84,872 thousand).

## Metal Production

Major products in this segment are refined copper, sulfuric acid, precious metals such as gold and silver, zinc, and rare metals such as indium.

Net sales grew 11.9% to ¥203,665 million due to a rise in sales of refined copper, accompanied by expansion in copper smelting and refining capacity, as well as rising market prices of metals, and the addition of Pan Pacific Copper Co., Ltd. as a consolidated subsidiary. Income from operations rose 24.7% to ¥10,139 million. This was mainly attributable to an increase in sales of refined copper, increased sales of precious metals in line with the enlargement of recovery facilities for precious and rare metals, and cutting production costs, as well as sales expansion of metal products by Nikko Shoji Co., Ltd.

## Metal Fabrication

Major products in this segment are rolled copper products (strips of phosphor bronze, brass, and nickel-silver and copper foils), special steel products (strips of invar, mild steel, stainless steel and titanium), and electronics components.

Despite a rise in sales centering on rolled copper products in the first half, net sales decreased 3.7% to ¥55,824 million due to deterioration of demand for special steel products in the second half. Income from operations was flat from the previous term, at ¥8,919 million, as a decline in the Company's sales was offset by growth in sales of high-performance and high value-added products, as well as cost reductions, sales increases at Woojin Precision Industry Co., Ltd. and other consolidated subsidiaries.

## Recycling and Environmental Services

Major business lines in this segment include the detoxification and compacting of industrial waste, the recycling of valuable metals, and the collection of nonferrous metal scrap.

Net sales gained 15.4% to ¥5,443 million thanks to an increase in collection of industrial waste, as well as copper and precious metal scrap by Tomakomai Chemical Co., Ltd. and Nikko Tsuruga Recycle Co., Ltd. and the accompanying rise in processing volume. Income from operations rose 42.1% to ¥1,273 million.

## Engineering and Consulting Operations

Major business lines in this segment are engineering and consulting operations.

Net sales in this segment rose 33.6% to ¥14,071 million, helped by growth in engineering operations and promotion of joint purchasing for the Group by Nikko Polytech Co., Ltd. as well as the start-up of an outsourcing business for general administrative services by Nikko Corporate Services Center Co., Ltd. Income from operations soared 202.3% to ¥130 million.

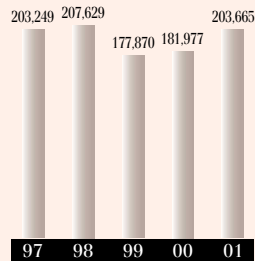
## Other Operations

Other operations comprise the distribution operations of subsidiaries including Nikko Logistics Partners Co., Ltd. and Nippon Marine Co., Ltd.

Net sales fell 6.5% to ¥19,876 million as a result of the transfer of a part of the operations of Nikko Logistics Partners Co., Ltd. to Pan Pacific Copper Co., Ltd. Income from operations, however, rose 15.4% to ¥623 million.

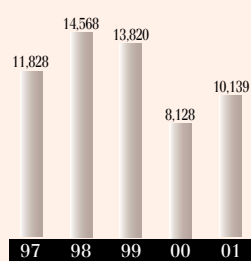
### Net Sales

Millions of Yen



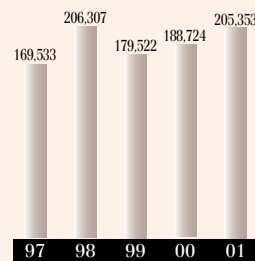
### Operating Income

Millions of Yen



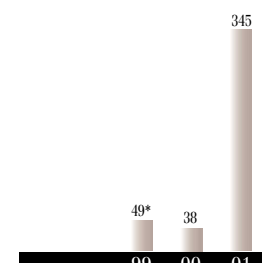
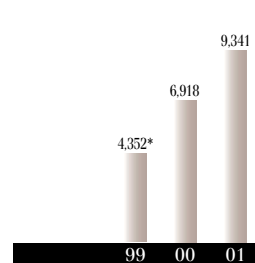
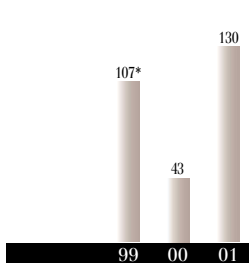
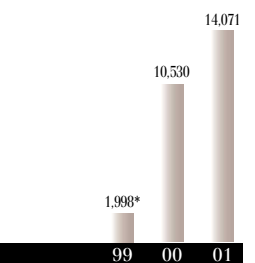
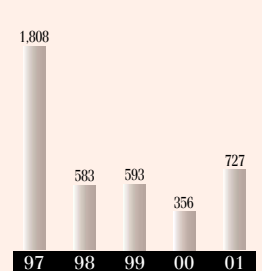
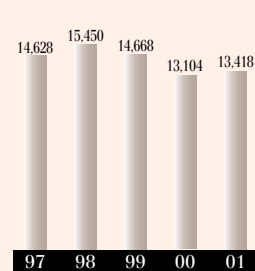
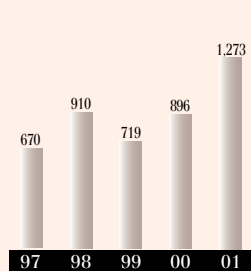
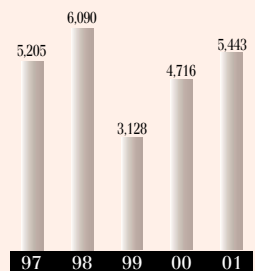
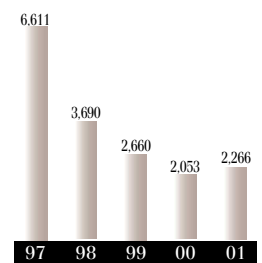
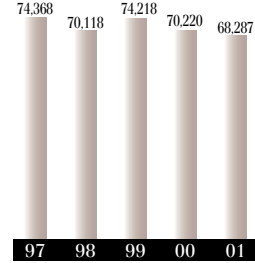
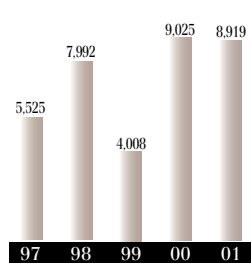
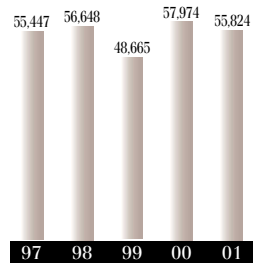
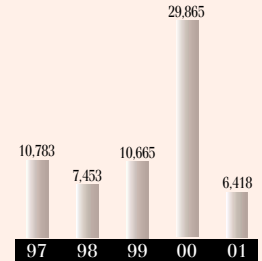
### Assets

Millions of Yen

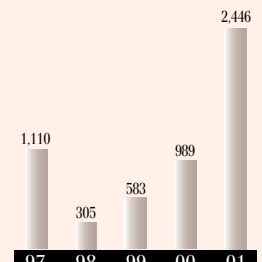
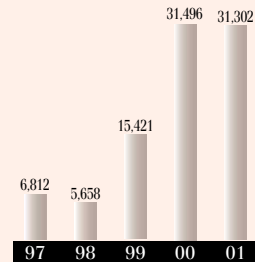
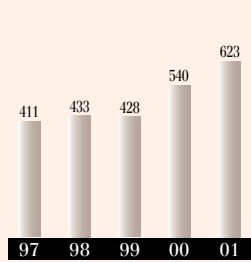
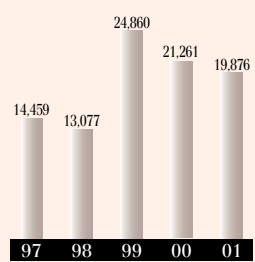


### Capital Expenditure, Investment and Advance

Millions of Yen



\* Figures were extracted from Other Operations in 1999 for comparison purposes.



## Building an Alliance of the World's Top Copper Producers



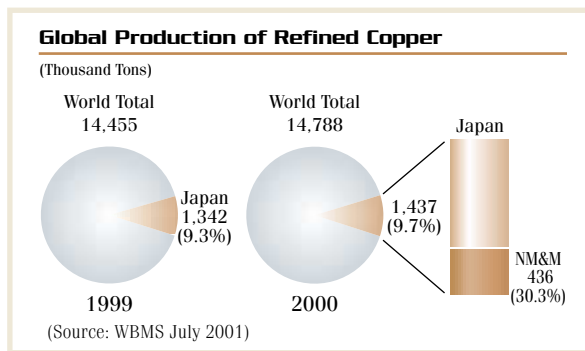
Anode Furnace and Anode Casting Wheels, Saganoseki Smelter & Refinery



Saganoseki Smelter & Refinery



Onsan Plant, LG-Nikko Copper Inc.



## Copper

Throughout the term ended March 2001, Nippon Mining & Metals moved decisively to further step up copper production capacity, advance the operational alliance with Mitsui Mining & Smelting and LG-Nikko Copper, and develop innovative next-generation refining technologies. These moves had beneficial effects, resulting in bolstering the Company's competitive strengths still further, ensuring a prominent presence in the East Asian market, and building a world-leading alliance of copper producers.

The Company has two copper production facilities in Japan: the Saganoseki Smelter & Refinery in Oita Prefecture and the Hitachi Works in Ibaraki Prefecture. Expansion work completed in February 2001 boosted the production capacity of both facilities, resulting in a combined annual capacity of 470,000 tons in copper smelting and 450,000 tons in copper refining.

Overseas operations also registered favorable results. LG-Nikko Copper Inc., a joint copper smelting and refining venture in South Korea, produced 468,000 tons of copper in the year ended December 2000.

The annual production capacity of this company is slated to be raised to 510,000 tons around October 2002.

Sales of copper have been handled since January 2001 entirely by Pan Pacific Copper Co., Ltd., which was established as part of the tie-up with Mitsui Mining & Smelting Co., Ltd. During the term under review, the Company sold 445,000 tons of refined copper, a year-on-year increase of 3.8%.

A major group company, Tatsuta Electric Wire and Cable Co., Ltd. (Osaka, 30.95% equity) sold 35,000 tons of electric wires and cables during the year, an increase of 11.6% from the previous year. Japan Copper Casting Co., Ltd. (Tokyo, 55% equity), produced 80,000 tons of copper cakes and billets, an increase of 18.8% over the previous year.

In addition, the wire rod plant of Changzhou Jinyuan Copper Co., Ltd., in Changzhou, China, in which the Company, along with Tatsuta Electric Wire and Cable Co., Ltd. holds an 18% equity stake, sold 121,000 tons of copper wire rods in the year ended December 2000, up 75.4% on the year.

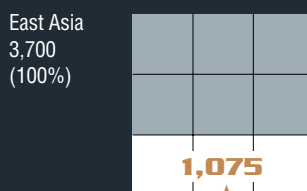
### Production of Refined Copper under the Control of Nippon Mining & Metals

Year ended 31st December, 2000	Tons		
	Total volume (a)	Equity stake (b)	Volume controlled by Nippon Mining & Metals (a) x (b)
Nippon Mining & Metals	436,000	—	436,000
LG-Nikko Copper	468,000	36.8%	172,000
Others*	—	—	13,000
<b>Total</b>			<b>621,000</b>

\* "Others" includes SX-EW copper produced at the Collahuasi Mine and the Escondida Mine in Chile, and refined copper produced at the Gresik Smelter & Refinery in Indonesia

### Copper Production by Nippon Mining & Metals, Mitsui Mining & Smelting and LG-Nikko Copper Inc.

#### Copper Production in East Asia (Thousands of Tons)



NM & M, LG-Nikko Copper and Mitsui Mining & Smelting 1,075 (approximately 30%)

#### Rankings of World's Leading Makers of refined Copper

Company (country)	Thousands of Tons
<b>1</b> Codelco (Chile)	1,421
<b>2</b> Nippon Mining & Metals LG-Nikko Copper Mitsui Mining & Smelting	449 468 158 <b>1,075</b>
<b>3</b> Phelps Dodge (U.S.A.)	1,045
<b>4</b> Grupo Mexico (Mexico)	908
<b>5</b> Norddeutsche Aff. (Germany)	551

(Source: Brook Hunt Copper Metal Service 1<sup>st</sup> Quarter 2001)



Gold Casting Operations, Saganoseki Smelter & Refinery



Gold Ingot and Shot



Rare Metals (Indium, Selenium, Bismuth, Tellurium)



Titanium Sponge Manufacturing (Toho Titanium Co., Ltd.)

## Precious and Rare Metals

The Company sold 31 tons of gold during fiscal 2000, a 1.4% increase over the previous year, and 332 tons of silver, an 18.1% increase over the previous year.

The Company is the world's second largest producer of indium. It sold 30 tons of indium during fiscal 2000, a decrease of 13.0% from the previous year.

## Zinc

The Company's zinc production is carried out on a toll basis by the Akita Zinc Co., Ltd. (Tokyo, 24% equity), and the Hachinohe Smelting Co., Ltd. (Tokyo, 27.81% equity). In the year under review, the Company sold 103,000 tons of zinc, down 3.9% from the previous year.

## Sulfuric Acid

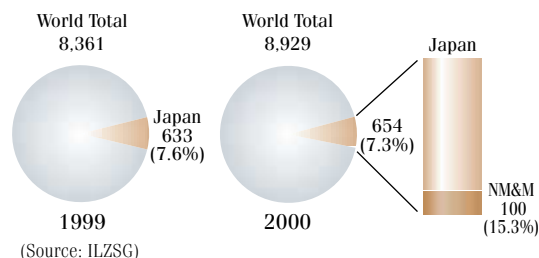
During the term under review, the Company sold 1,456,000 tons of sulfuric acid, a year-on-year decrease of 21.9%. Since January 2001, Pan Pacific Copper Co., Ltd. has also handled all sales of sulfuric acid.

## Titanium and Other Materials

A major Group company, Toho Titanium Co., Ltd. (Kanagawa, 37.51% equity), manufactures and sells titanium metals (titanium sponge, titanium ingots, etc.), catalysts for propylene polymerization, electronic ceramics materials (high-purity titanium oxides, fine powdered nickel). It sold 9,300 tons of titanium metals during fiscal 2000, a decrease of 15.4% from the previous term.

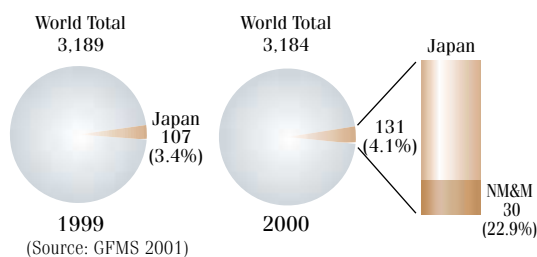
### Global Production of Refined Zinc

(Thousand Tons)



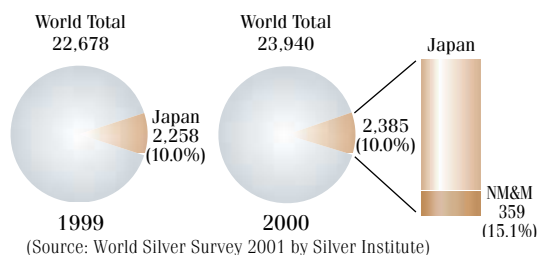
### Global Production of Gold

(Tons)



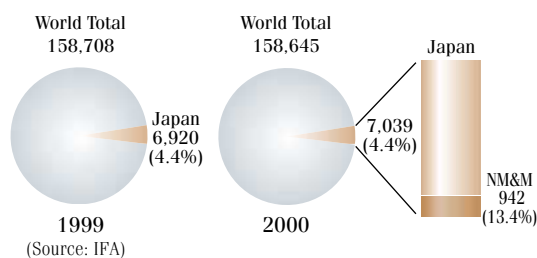
### Global Production of Silver

(Tons)



### Global Production of Sulfuric Acid

(Thousand Tons)



**Ensuring the long-term, stable procurement of raw materials**  
**Pursuing return on investment in the development of resources**



Los Pelambres Mine (Chile)



Collahuasi Mine (Chile)



McArthur River Mine (Australia)



Escondida Mine (Chile)

## Copper

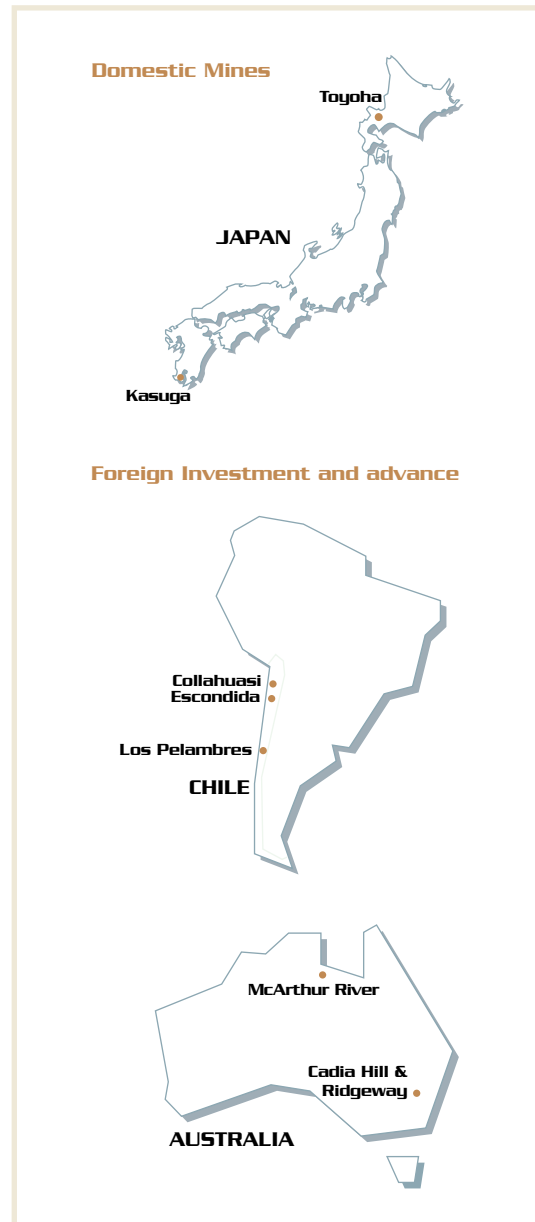
The Los Pelambres Mine in Chile (15% equity), which commenced production in January 2000, has been operating smoothly, and it has proved to be a highly profitable mine. It produced 310,000 tons of copper contained in concentrate in the year ended December 2000. We now are in a position to procure 60% of the raw materials we need from mines in which we have invested, including the Los Pelambres Mine, the Collahuasi Mine (3.6% equity), and the Escondida Mine (2% equity).

Aside from securing raw materials, we actively seek the best return on investment in the development of resources. Thus we are working to secure new mining interests by vigorously taking part in the most promising exploration projects throughout the world.

Furthermore, the Company has entered into certain agreements with Cadia Holdings Pty. Ltd., an Australian corporation, which is a wholly owned subsidiary of Newcrest Mining Limited, a leading gold mining company in Australia, regarding the loan facility of construction funds of Cadia Holdings' Ridgeway Mine now under construction (full-scale operation is expected to start in 2002) and the long-term purchase of gold-rich copper concentrate produced by Cadia Holdings.

## Zinc, Lead and Gold-Bearing Silica

The Company obtains the majority of its zinc and lead concentrate from the Toyoha Mine in Hokkaido (100% equity) and the McArthur River Mine in Australia (15% group equity). The Toyoha Mine produced 71,000 tons of zinc concentrate and 10,000 tons of lead concentrate during fiscal 2000. All the zinc concentrate is shipped to Akita Zinc Co., Ltd., for refining, while the lead concentrate is refined on a toll basis by other companies. The McArthur River Mine produced 350,000 tons of zinc/lead bulk concentrate during fiscal 2000. Together, these two mines supply 50,000 tons of zinc to the Company's toll refining operations annually. Kagoshima-based Kasuga Mines Co., Ltd. (100% equity) supplied 117,000 tons of gold-bearing silica ore during the term under review.



### Business Performance of the Three Nippon Mining & Metals-Affiliated Chilean Copper Mines

Year ended 31st December, 2000	Millions of U.S. Dollars		
	Escondida (2% equity)	Los Pelambres (15% equity)	Collahuasi (3.6% equity)
Net sales	1,631	604	823
Income before special items	528	165	183
Net income	444	139	155

## Moving Ahead with Strategic Specialization in High Added-Value Products



Slitter, Kurami Works



Finishing Rolling Mill, Kurami Works



Continuous Bright Annealing Line, Kurami Works



Onsan Plant, Poongsan Corporation (South Korea)

## Fabricated Metal Products

The Nippon Mining & Metals Group is stepping up its program of strategic specialization in metal fabrication operations by concentrating on products offering high added-value and margins. Having succeeded in developing high-performance phosphor bronze, the Kurami Works in Kanagawa Prefecture has been marketing this product since February 2001. This product is expected to enjoy great demand as it outperforms conventional phosphor bronze in terms of yield strength, elastic limit of spring, fatigue strength, and stampability.

At the same time, we are expanding our production of general-purpose products in East Asia, where many sources of demand are located. As part of this process, Nippon Mining & Metals and Poongsan Corporation, the largest manufacturer of fabricated copper and copper alloy products in South Korea, have launched a strategic alliance by agreeing to cooperate in brass strip manufacturing, and establishing a joint venture company to handle the production of tin-plated copper strips.

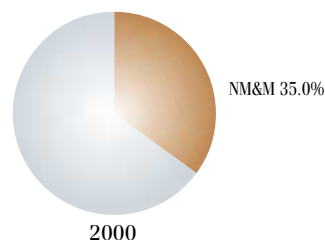
During the term under review, sales of fabricated metal products amounted to 64,000 tons, a year-on-year decline of 1.4%, reflecting the slowdown in demand for IT-related products in the second half of the term.

## Surface Treatment

During the term under review, the Company sold 30 million meters (up 4.0% on the year) of high-quality, high-precision gold-plated strips, which are used in electronic components. These products are produced at the Hitachi Works.

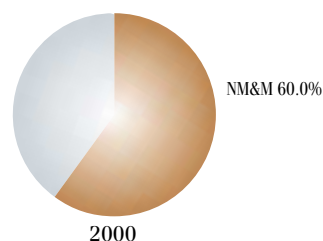
Furthermore, the Company will transfer its surface treatment business, including marketing functions, to Fuji Electronics Co., Ltd. (Ibaraki, 91.93% equity), in October 2001. The Company has determined that the transfer of its surface treatment business to Fuji

### Phosphor Bronze Production in Japan



(Source: Japan Copper & Brass Association)

### Wrought Copper Foil Production in Japan



(Source: estimated by the Company)

Electronics will contribute to setting up the best structure to serve more aptly the interests of its customers in such areas as delivery time, quality, product development.



High-Precision Gold-Plated Strips, Hitachi Works



Nippon Precision Technology (Malaysia) Sdn. Bhd.



Fuji Electronics Co., Ltd. (Ibaraki, Japan)

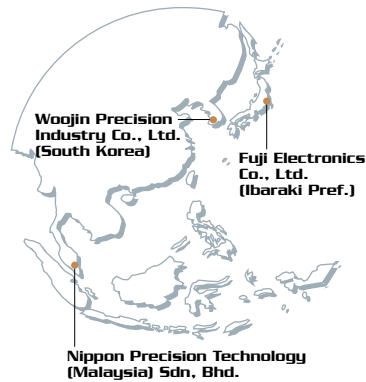


Woojin Precision Industry Co., Ltd. (South Korea)

## Precision Electronic Components

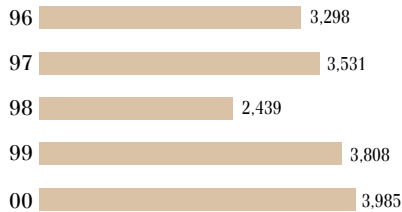
The Nippon Mining & Metals Group produces and markets precision electronic parts, such as electron gun parts for CRTs (cathode-ray tubes), through its affiliated companies Fuji Electronics Co., Ltd., Woojin Precision Industry Co., Ltd. (South Korea, 82.9% equity), and Nippon Precision Technology (Malaysia) Sdn. Bhd. (78.04% equity). Although Woojin Precision Industry performed favorably during the term under review, the performance of the other two companies unfortunately weakened.

### The Precision Products Division's Operating Bases



### Surface Treatment Sales

(Millions of Yen)



## Bolstering Our Business Foundations in East Asian Markets

The Nippon Mining & Metals Group counts many overseas customers in fast-growing markets such as Southeast Asia, Taiwan, and South Korea. Our wholly-owned subsidiary Nippon Mining Singapore Pte. Ltd. and 100%-owned Nippon Mining Taiwan Co., Ltd. play important roles as key centers for metal fabrication and sales to overseas customers. Alert to the excellent growth prospects for copper and copper alloy products in China, the Nippon Mining & Metals Group established a metal fabrication and sales center in Shanghai. Beginning in October 2001, the Company's metal fabrication and sales centers in the East Asian region will come under the management of Nikko Shoji Co., Ltd. (Tokyo, 100% equity), the Group's main trading arm, so as to reinforce its business foundations in this key region.

### Building a Network to Meet Future Demand in East Asia



Launch of a strategic alliance with Poongsan Corporation and establishment of business foundations in the East Asian region

# Recycling & Environmental Services

**Committed to the protection of the global environment by promoting resource recycling**



Incineration Plant, Hitachi Works

## Total Waste Treatment Volume at Incineration Plant

(Tons)



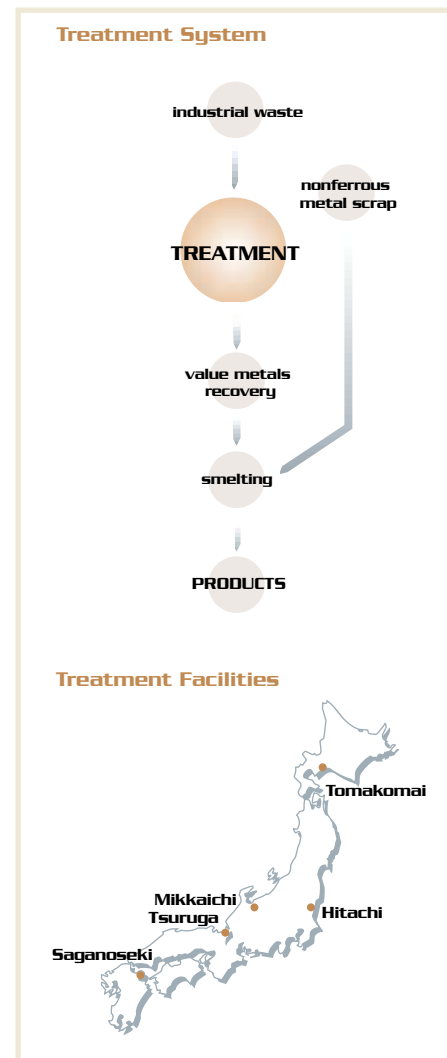
The Nippon Mining & Metals Group has long been involved in extensive efforts to recycle resources and protect the global environment, using the technical expertise and experience it has accumulated in the course of its mining and smelting operations. Ongoing efforts include treatment of industrial waste (detoxification and volume reduction) and the recovery of valuable metals.

These operations are carried out at the Hitachi Works, the Saganoseki Smelter & Refinery, Tomakomai Chemical Co., Ltd. (Hokkaido, 100% equity), Nikko Tsuruga Recycle Co., Ltd. (Fukui, 100% equity), and Nikko Mikkaichi Recycle Co., Ltd. (Toyama, 100% equity). The Nippon Mining & Metals Group will continue to provide optimal solutions to various environmental issues to benefit local communities and the global environment.

## Nationwide Network

The five treatment facilities mentioned above, together with the sales offices and used material collection points in Tokyo, Osaka, Nagoya and Kyushu, form the Nippon Mining & Metals Group's network for the efficient operation of its resource recycling throughout the nation.

Most of these environmental treatment-related facilities have already acquired ISO 14001 certification.



Nikko Tsuruga Recycle Co., Ltd.  
(Fukui, Japan)



Tomakomai Chemical Co., Ltd.  
(Hokkaido, Japan)



Nikko Mikkaichi Recycle Co., Ltd.  
(Toyama, Japan)

## Innovation in the Productive Use of Resources

Under the motto, “innovation in the productive use of resources,” and armed with technical expertise based on accumulated experience in the industry, the Nippon Mining & Metals Group will continue to maximize yield

and recovery, and minimize repetitive processes in manufacturing metal products. By doing so, we intend to fulfill our social responsibility as a resource-based corporation.

## Involvement in the Global Mining Initiative

A major initiative started by some major mining companies in 1998 is now proceeding on a global scale. Called the Global Mining Initiative (GMI), it involves discussing the many challenges the mining and minerals industries face, such as environmental conservation, relations with local communities, and economic issues. Through the GMI, the industry is seeking ways

to contribute to the world’s transition to sustainable development.

Nippon Mining & Metals, sharing the view underlying the GMI, has been taking part in the GMI and supporting its activities. We are pursuing the goal of “innovation in the productive use of resources” in pursuit of sustainable development.

## Further Reinforcing Business Strategy Capabilities

Further to the reform of the managerial system in April 1999, in which management was clearly separated from operations, the Company reorganized the Head office and set up an Executive Office, in May 2001, which reports directly to the Board of

Directors. Making use of this new framework, we will aim at the formulation of better business strategies and their swift implementation, and at the effective use of human resources and information to increase the Group’s overall competitiveness.

### Integration of the Group’s Support Functions

Nikko Corporate Services Center (Tokyo, 100% equity) started provision of a cash management service to Nippon Mining & Metals and its 20 Group companies in November 2000, using a computerized system which enables efficient management of cash flows and clear credits and liabilities among Group companies. Nikko Corporate Services Center, as the “in-house bank” of the Group, has been achieving greater efficiency in cash management.

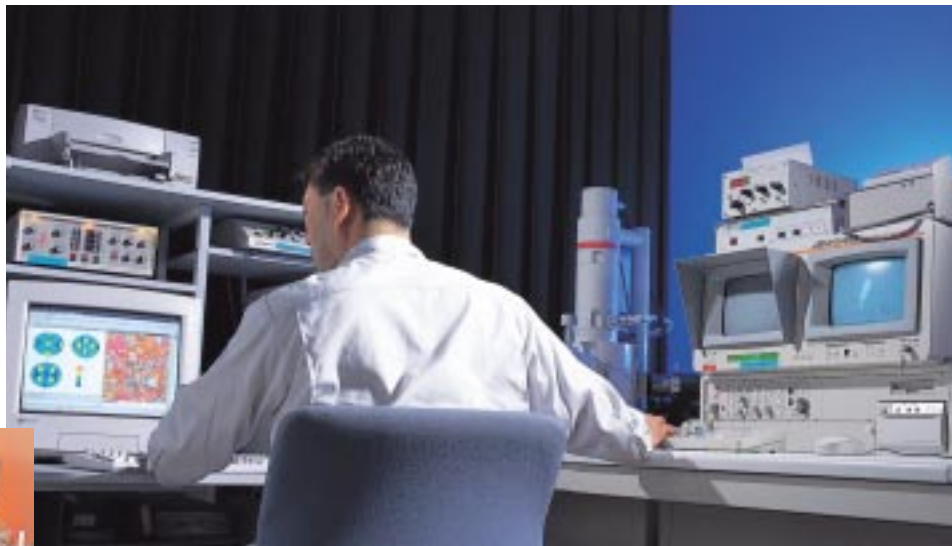
Nikko Techno Service carries out market surveys and research in the field of non-ferrous metals, and acts as a consultant on such matters as protection of intellectual property rights, legal affairs, acquisition of ISO certifications, and so on. By facilitating the sharing of know-how across the whole group and utilizing its high-level skills to provide feedback to each member, the company is making a valuable contribution to the efficiency of the entire group.



## Moving Ahead with the Development of Innovative Technologies and Products



Transmission Electron Microscope



Electron Backscattering Pattern



Glow Discharge Mass Spectrometer

Alert to the future, the Nippon Mining & Metals Group is working constantly to develop innovative technologies and products. During the term under review, the Company commenced development of next-generation hydro-metallurgical processes for smelting.

In the area of metal fabrication, we not only developed but also moved ahead with the commercialization of high-performance copper alloy products for connectors, such as high-performance phosphor bronze and high-performance titanium. Collaboration with Japan Steel Works, Ltd. to improve the quality of invar and raise the efficiency of the invar manufacturing process has already succeeded in the commercialization of certain products.

In the surface treatment area, we scored advances in the development of technology to improve the productivity of the plating process and boost yields.

In the area of recycling and environmental services, we developed techniques to further enhance the efficiency of processes to treat industrial waste as well as processes to separate metals from other substances, then to treat and recover them. Our subsidiary Nikko Mikkaichi Recycle Co., Ltd. is developing an innovative gasification melting and reduction process designed to ensure the safe disposal of industrial waste. The heat generated in the process is used to recover valuable metals such as copper from scrap.

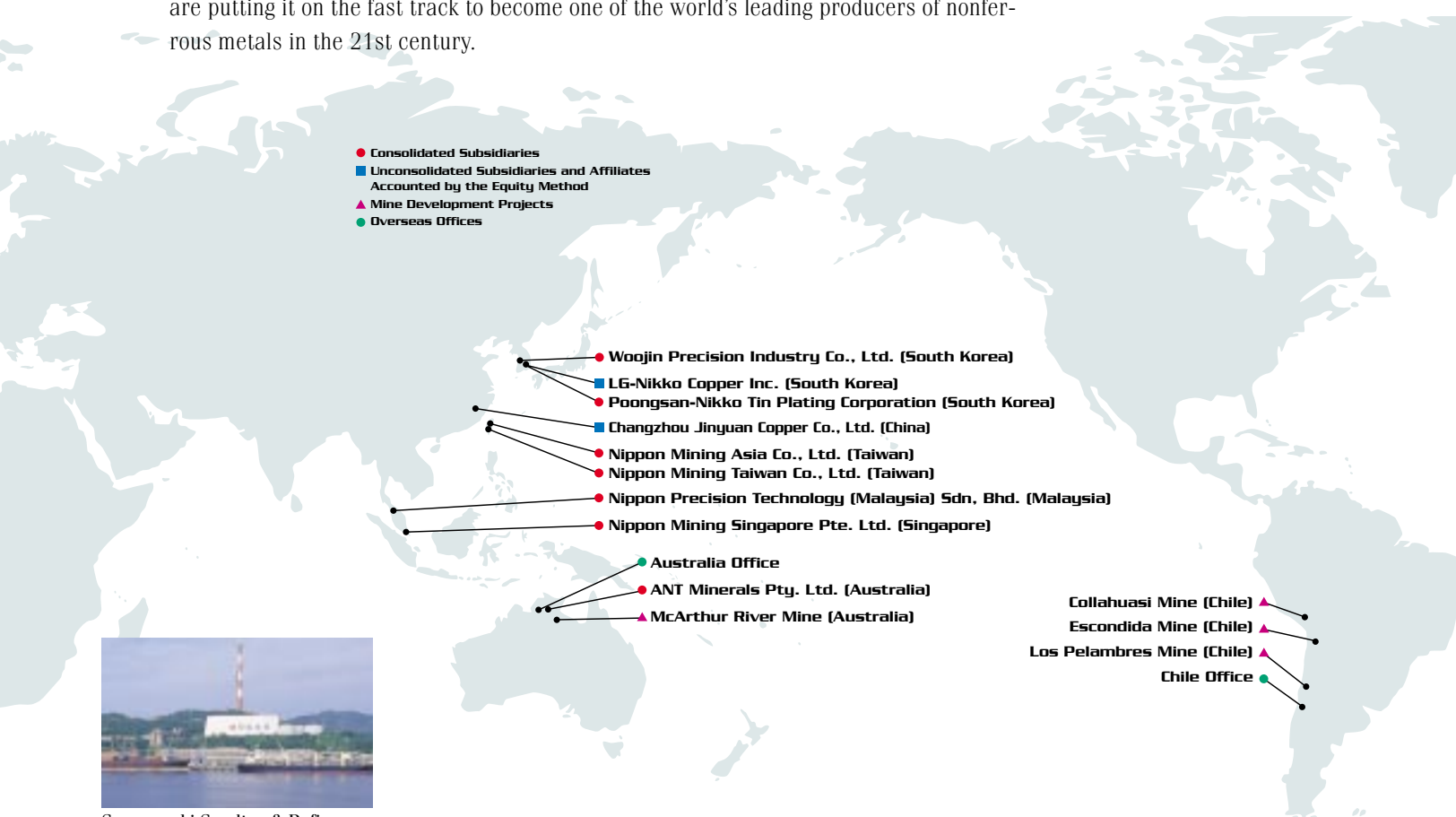
### Next-Generation Copper Smelting Technology Project Inaugurated

The Company is vigorously working on more environmentally friendly, more efficient next-generation technologies such as hydro-metallurgical processes for copper smelting. In collaboration with Mitsui Mining & Smelting, we are working on a practical application of hydro-metallurgical processes for primary sulfide ore based on leaching technology by the Intec Copper Process. This project has begun receiving cooperation from the government and academic circles.

# Global Network

Every aspect of Nippon Mining & Metals' businesses is globally oriented, from resources development through production to marketing. Our current overseas activities are focused on South America, and Australia – areas rich in mineral resources – as well as East Asia, where the economy is growing rapidly.

Going global in search of resources and markets, Nippon Mining & Metals' strategies are putting it on the fast track to become one of the world's leading producers of nonferrous metals in the 21st century.



Saganoseki Smelter & Refinery (Oita Pref., Japan)



Hitachi Works (Ibaraki Pref., Japan)



Kurami Works (Kanagawa Pref., Japan)



LG-Nikko Copper Inc. (South Korea)



Woojin Precision Industry Co., Ltd. (South Korea)



Nippon Precision Technology (Malaysia) Sdn, Bhd.



Changzhou Jinyuan Copper Co., Ltd. (China)



McArthur River Mine (Australia)



Escondida Mine (Chile)

# Board of Directors & Corporate Auditors



(Sitting from left) Ichiro Endo, Kazuo Oki, Takashi Sakamoto, Kazuharu Nogami  
(Standing from left) Hideoki Yamamoto, Toru Kihara, Saburo Miyazawa, Takeshi Kurushima, Keiichi Sato

---

**Chairman of the Board & Representative Director**

---

TAKASHI SAKAMOTO

---

**President & Representative Director**

---

KAZUO OKI

---

**Senior Managing Director**

---

SABURO MIYAZAWA

---

**Managing Directors**

---

KAZUHARU NOGAMI  
ICHIRO ENDO

---

**Directors**

---

TAKESHI KURUSHIMA  
*(President, Pan Pacific Copper Co., Ltd.  
President, United Copper Resource Co., Ltd.)*  
TORU KIHARA  
KEIICHI SATO  
HIDEOKI YAMAMOTO

---

**Corporate Auditors**

---

SOTA KOBAYASHI  
KENJI UEDA  
ITARU IKEDA  
MITSUNORI TAKAHAGI

(As of 26th June, 2001)

# Financial Review

## Operating Results

Net sales rose ¥22,421 million, or 8.1%, to ¥298,879 million (US\$2,391 million). Cost of sales rose ¥19,171 million, or 8.1%, to ¥255,459 million (US\$2,044 million). The ratio of costs to net sales leveled off at 85.5%. Selling, general, and administrative expenses rose ¥798 million, or 3.7%, to ¥22,336 million (US\$179 million). The ratio of SG&A expenses to net sales fell 0.3 percentage point to 7.5%. Income from operations rose ¥2,452 million, or 13.2%, to ¥21,084 million (US\$169 million). Income before special items rose ¥6,707 million, or 42.8%, to ¥22,364 million (US\$179 million) mainly reflecting a strong business performance by the Los Pelambres Mine, an equity-method affiliate, in addition to an increase in income by the Company. Consequently, net income rose ¥2,349 million, or 28.4%, to ¥10,609 million (US\$85 million), while return on equity rose 1.8 percentage point to 11.8%. Net income per share (basic) rose ¥9.95 to ¥46.22 (US\$0.37).

## Financial Position

Total assets rose ¥12,512 million, or 4.0%, to ¥324,203 million (US\$2,594 million). Current assets increased ¥8,167 million, or 6.8%, to ¥127,424 million (US\$1,019 million).

Investment and advance increased ¥6,897 million, or 9.7%, to ¥77,931 million (US\$623 million). Property, plant and equipment fell ¥91 million, or 0.1%, to ¥103,314 million (US\$827 million).

Current liabilities fell ¥4,077 million, or 2.9%, to ¥138,295 million (US\$1,106 million). Long-term liabilities increased ¥3,037 million, or 3.8%, to ¥82,248 million (US\$658 million).

Shareholders' equity rose ¥6,500 million, or 7.5%, to ¥92,956 million (US\$744 million), while the equity ratio rose 1.0 percentage point to 28.7%.

## Cash Flows

Net cash provided by operating activities came to ¥23,943 million (US\$192 million), due mainly to ¥19,872 million in income before income taxes and minority interest reflecting firm sales.

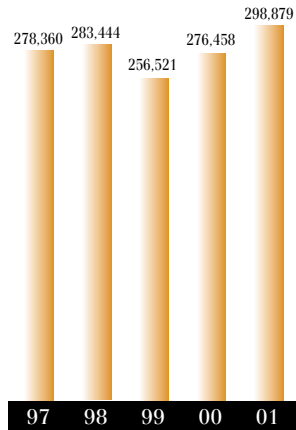
Net cash used in investing activities stood at ¥8,415 million (US\$67 million), mainly reflecting a cash outflow of ¥9,429 million for purchase of property, plant and equipment. By comparison, net cash of ¥31,679 million was provided by investing activities in the previous term, due mainly to investment and advance to LG-Nikko Copper Inc.

Net cash used in financing activities came to ¥14,775 million (US\$118 million), due to a net cash outflow of ¥13,167 million, by proceeds from and repayment of long-term debt.

As a result, the term-end balance of cash and cash equivalents, including the effect of exchange rate changes and adjustments of newly consolidated subsidiaries' balance at the beginning of the term, rose ¥1,351 million to ¥6,806 million (US\$54 million).

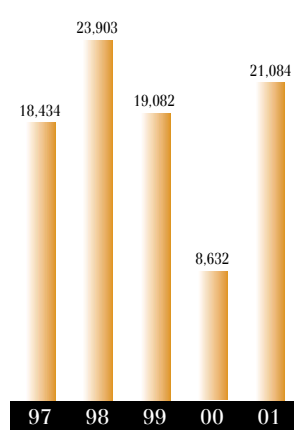
### Net Sales

(Millions of Yen)



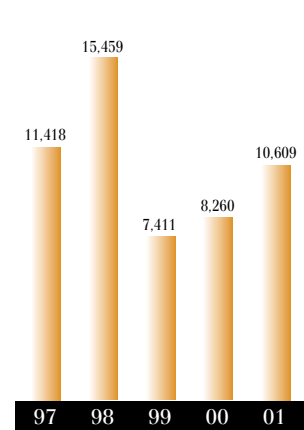
### Income from Operations

(Millions of Yen)



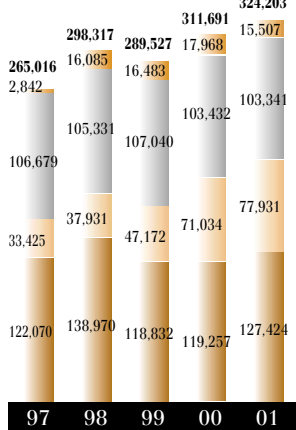
### Net Income

(Millions of Yen)



### Total Assets

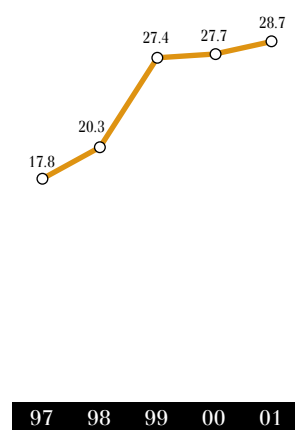
(Millions of Yen)



- Current Assets
- Investments and Advances
- Property, Plant and Equipment
- Other Assets

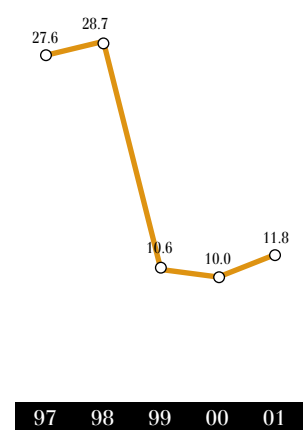
### Shareholders' Equity Ratio

(%)



### Return on Equity

(%)



# Consolidated Balance Sheets

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
As at 31st March, 2001 and 2000

<b>Assets</b>	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
<b>Current Assets:</b>			
Cash in hand and at banks (Notes 4 and 7).....	¥ 6,085	¥ 5,455	\$ 48,680
Marketable securities (Note 5).....	1,856	12	14,848
Notes and accounts receivable .....	43,967	44,911	351,736
Less: allowance for doubtful accounts .....	(313)	(308)	(2,504)
	<u>43,654</u>	<u>44,603</u>	<u>349,232</u>
Inventories .....	66,716	62,451	533,728
Deferred income taxes (Note 8).....	1,542	557	12,336
Other current assets .....	7,571	6,179	60,568
	<u>127,424</u>	<u>119,257</u>	<u>1,019,392</u>
<b>Investments and Advances:</b>			
Investments in securities (Notes 6 and 7) .....	58,757	49,764	470,056
Long-term loans .....	15,419	16,530	123,352
Other investments (Note 7) .....	3,755	4,740	30,040
	<u>77,931</u>	<u>71,034</u>	<u>623,448</u>
<b>Property, Plant and Equipment (Note 7):</b>			
At cost .....	187,822	179,526	1,502,576
Less: accumulated depreciation .....	(84,481)	(76,094)	(675,848)
	<u>103,341</u>	<u>103,432</u>	<u>826,728</u>
<b>Intangibles and Deferred Charges</b>			
Mining rights .....	12,234	11,172	97,872
Deferred income taxes (Note 8).....	437	173	3,496
Other .....	2,836	2,931	22,688
	<u>15,507</u>	<u>14,276</u>	<u>124,056</u>
Foreign currency translation adjustment.....	—	3,692	—
	<u>¥324,203</u>	<u>¥311,691</u>	<u>\$2,593,624</u>

The accompanying notes are an integral part of the statements.

<b>Liabilities, Minority Interests and Shareholders' Equity</b>	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
<b>Current Liabilities:</b>			
Short-term debt (Note 7) .....	¥ 92,788	¥105,379	\$ 742,304
Notes and accounts payable .....	29,714	24,396	237,712
Accrued income taxes (Note 8) .....	5,932	4,211	47,456
Other current liabilities .....	9,861	8,386	78,888
	<u>138,295</u>	<u>142,372</u>	<u>1,106,360</u>
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 7) .....	73,373	70,707	586,984
Deferred income taxes (Note 8) .....	2,646	3,012	21,168
Accrued retirement benefits .....	4,596	3,554	36,768
Other long-term liabilities .....	1,633	1,938	13,064
	<u>82,248</u>	<u>79,211</u>	<u>657,984</u>
<b>Contingent liabilities (Note 12)</b>			
<b>Minority Interest in Consolidated Subsidiaries .....</b>	<b>10,704</b>	<b>3,652</b>	<b>85,632</b>
<b>Shareholders' Equity:</b>			
Common stock, par value ¥50 per share:			
Authorized: 800,000,000 shares at 31st March, 2001 and 2000			
Issued: 229,544,206 shares at 31st March, 2001 and 2000 .....	34,997	34,997	279,976
Additional paid-in capital .....	9,405	9,405	75,240
Retained earnings (Note 13) .....	50,556	42,054	404,448
Foreign currency translation adjustment .....	(2,002)	—	(16,016)
	<u>92,956</u>	<u>86,456</u>	<u>743,648</u>
Less: treasury stock .....	(0)	(0)	(0)
	<u>92,956</u>	<u>86,456</u>	<u>743,648</u>
	<u>¥324,203</u>	<u>¥311,691</u>	<u>\$2,593,624</u>

# Consolidated Statements of Income

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Net Sales .....	¥298,879	¥276,458	\$2,391,032
Cost of Sales .....	255,459	236,288	2,043,672
Gross profit .....	43,420	40,170	347,360
Selling, General and Administrative Expenses.....	22,336	21,538	178,688
Income from operations.....	21,084	18,632	168,672
<b>Other Income (Expenses):</b>			
Interest and dividends income .....	1,887	951	15,096
Interest expenses .....	(3,619)	(2,673)	(28,952)
Equity in earnings of unconsolidated subsidiaries and affiliates .....	3,732	(507)	29,856
Other — net .....	(720)	(746)	(5,760)
Income before special items .....	22,364	15,657	178,912
<b>Special Profit (Loss):</b>			
Loss on sales and disposals of property, plant and equipment.....	(80)	(526)	(640)
Loss on write-down of investments in securities .....	—	(87)	—
Profit on sale of investments in securities .....	11	19	88
Compensation of moving of facilities.....	—	234	—
Loss on liquidation of affiliates .....	(270)	(564)	(2,160)
Loss on sales and write-down of other investments.....	(492)	—	(3,936)
Provision for retirement benefit .....	(1,071)	—	(8,568)
Additional benefits for employee's early retirement.....	(454)	—	(3,632)
Exchange loss.....	(134)	—	(1,072)
Other — net .....	(2)	—	(16)
Income before income taxes and minority interest .....	19,872	14,733	158,976
<b>Income Taxes (Note 8):</b>			
Current.....	8,944	6,836	71,552
Deferred.....	(1,611)	(519)	(12,888)
	7,333	6,317	58,664
Minority Interests in Earnings of Consolidated Subsidiaries .....	1,930	156	15,440
Net income .....	¥ 10,609	¥ 8,260	\$ 84,872
		Yen	U.S. Dollars (Note 3)
<b>Per Share (Note 2 (13)):</b>			
Net income			
Basic .....	¥46.22	¥36.27	\$0.37
Diluted .....	¥44.46	¥35.30	\$0.36
Cash dividends			
Common shares.....	¥10.00	¥8.00	\$0.08

The accompanying notes are an integral part of the statements.

# Consolidated Statements of Shareholders' Equity

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2001 and 2000

	Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Treasury stock
<b>Balance at 31st March, 1999</b> .....	225,000,000	¥33,325	¥7,737	¥38,251	¥ —	¥—
Cumulative effect of change in adoption of deferred tax accounting.....	—	—	—	(2,156)	—	—
Net income for the year .....	—	—	—	8,260	—	—
Cash dividends paid.....	—	—	—	(2,265)	—	—
Bonuses to directors.....	—	—	—	(54)	—	—
Increase due to inclusion in consolidation of additional subsidiaries .....	—	—	—	32	—	—
Increase due to application of equity method to additional subsidiaries and affiliates .....	—	—	—	7	—	—
Decrease due to application of equity method to additional subsidiaries and affiliates .....	—	—	—	(21)	—	—
Conversion of convertible notes to common stock...	4,544,206	1,672	1,668	—	—	—
Purchase of treasury stock.....	—	—	—	—	—	(0)
<b>Balance at 31st March, 2000</b> .....	<u>229,544,206</u>	<u>34,997</u>	<u>9,405</u>	<u>42,054</u>	<u>—</u>	<u>(0)</u>
Net income for the year .....	—	—	—	10,609	—	—
Cash dividends paid.....	—	—	—	(2,065)	—	—
Bonuses to directors.....	—	—	—	(40)	—	—
Decrease due to inclusion in consolidation of additional subsidiaries .....	—	—	—	(2)	—	—
Purchase of treasury stock.....	—	—	—	—	—	(0)
Foreign currency translation adjustments (Note 2 (4)) .....	—	—	—	—	(2,002)	—
<b>Balance at 31st March, 2001</b> .....	<u>229,544,206</u>	<u>¥34,997</u>	<u>¥9,405</u>	<u>¥50,556</u>	<u>¥(2,002)</u>	<u>¥(0)</u>

	Thousands of U.S. Dollars (Note 3)					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Treasury stock
<b>Balance at 31st March, 2000</b> .....	229,544,206	\$279,976	\$75,240	\$336,432	\$ —	\$(0)
Net income for the year .....	—	—	—	84,872	—	—
Cash dividends paid.....	—	—	—	(16,520)	—	—
Bonuses to directors.....	—	—	—	(320)	—	—
Decrease due to inclusion in consolidation of additional subsidiaries .....	—	—	—	(16)	—	—
Purchase of treasury stock.....	—	—	—	—	—	(0)
Foreign currency translation adjustments (Note 2 (4)) .....	—	—	—	—	(16,016)	—
<b>Balance at 31st March, 2001</b> .....	<u>229,544,206</u>	<u>\$279,976</u>	<u>\$75,240</u>	<u>\$404,448</u>	<u>\$(16,016)</u>	<u>\$(0)</u>

The accompanying notes are an integral part of the statements.

# Consolidated Statements of Cash Flows

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interest .....	¥19,872	¥14,733	\$158,976
Adjustments for:			
Depreciation and amortization .....	10,264	9,770	82,112
Provision for retirement benefits.....	1,230	233	9,840
Interest and dividend income.....	(1,887)	(951)	(15,096)
Interest expenses .....	3,619	2,673	28,952
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(3,732)	507	(29,856)
Decrease (Increase) in notes and accounts receivables.....	1,018	(6,627)	8,144
(Increase) Decrease in inventories.....	(4,203)	1,987	(33,624)
Increase in notes and accounts payable .....	5,197	1,645	41,576
Other .....	780	1,117	6,240
Sub total.....	32,158	25,087	257,264
Interest and dividends income received.....	2,596	1,688	20,768
Interest expenses paid .....	(3,514)	(3,144)	(28,112)
Income taxes paid .....	(7,297)	(4,723)	(58,376)
Net cash provided by operating activities .....	23,943	18,908	191,544
<b>Cash Flows from Investing Activities:</b>			
Payments for purchase of property, plant and equipment.....	(9,429)	(6,589)	(75,432)
Payments for purchase of investments in securities.....	(2,171)	(15,196)	(17,368)
Decrease (Increase) in long-term loans receivable.....	2,443	(10,348)	19,544
Other .....	742	454	5,936
Net cash used in investing activities.....	(8,415)	(31,679)	(67,320)
<b>Cash Flows from Financing Activities:</b>			
Increase (Decrease) in short-term debt (net) .....	407	(4,048)	3,256
Decrease in commercial paper (net) .....	—	(2,000)	—
Proceeds from long-term debt .....	9,600	21,279	76,800
Repayment of long-term debt.....	(22,767)	(16,149)	(182,136)
Proceeds from issuance of convertible notes .....	—	10,000	—
Cash dividends paid.....	(2,065)	(2,265)	(16,520)
Cash dividends paid to minorities .....	(44)	(37)	(352)
Proceeds from issuance of common stock by minority shareholders.....	91	1,800	728
Other .....	3	(325)	24
Net cash provided (used) by financing activities.....	(14,775)	8,255	(118,200)
Effect of Exchange Rate Changes on Cash and Cash Equivalents ...	214	(403)	1,712
Net Increase (Decrease) in Cash and Cash Equivalents .....	967	(4,919)	7,736
Cash and Cash Equivalents at Beginning of Year .....	5,455	9,725	43,640
Adjustments of New Consolidated Subsidiaries on Cash and Cash Equivalents.....	384	649	3,072
Cash and Cash Equivalents at End of Year.....	¥ 6,806	¥ 5,455	\$ 54,448

The accompanying notes are an integral part of the statements.

# Notes to the Consolidated Financial Statements

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries

## 1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by NIPPON MINING & METALS COMPANY, LIMITED (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

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

The Company is a majority-owned subsidiary of Japan Energy Corporation ("JEC"), a public-owned company in Japan. The Company's transactions/account balances of material nature with JEC are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
31st March,			
Transaction:			
Sales of products .....	<u>¥6,922</u>	<u>¥6,438</u>	<u>\$55,376</u>
Purchase of raw materials.....	<u>¥ 604</u>	<u>¥ 875</u>	<u>\$ 4,832</u>
Account balance:			
Accounts receivable.....	<u>¥ 475</u>	<u>¥ 598</u>	<u>\$ 3,800</u>
Accounts payable.....	<u>¥ 2</u>	<u>¥ 79</u>	<u>\$ 16</u>

Any other transactions of the Company with JEC are not significant.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

As at 31st March, 2001, the consolidated financial statements include the accounts of the Company and its 28 significant subsidiaries (21 domestic subsidiaries and 7 overseas subsidiaries). All significant intercompany accounts and transactions and unrealized profit among the Companies, if any, have been eliminated in consolidation.

The unconsolidated subsidiaries would have no material effect on the Consolidated Financial Statements of the Companies and therefore, excluded consolidation.

### (2) Investments in Unconsolidated Subsidiaries and Affiliates

The investments in 1 unconsolidated subsidiary and 16 major affiliates (influencing companies) are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost or less, due to their insignificant effect on the Consolidated Financial Statements of the Companies.

### (3) Remeasurement of Assets and Liabilities of the Subsidiaries

Full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

### (4) Translation of Foreign Currency

Until the year ended 31st March, 2000, assets and liabilities denominated in foreign currencies are translated into yen at the historical rate of exchange.

In translating the financial statements of subsidiaries or affiliates stated in foreign currencies into yen, for purposes of consolidation with the Company or for application of equity method, all assets and liabilities are translated at the current exchange rates, while capital stock and the balance of retained earnings are translated at historical rates. All revenue and expense items for the year are translated at the current rates.

The difference arising from translation of the foreign currency financial statements is shown as "Foreign Currency Translation Adjustment" in the assets.

Effective from the year ended 31st March, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after 1st April, 2000. Under the new standard, 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 profit or loss for the period. The adoption of the new method had no material impact on the accompanying consolidated financial statements.

The new standard also amended the method of translating foreign currency financial statements of foreign subsidiaries and affiliates into Japanese yen. Under the new standard, assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss amounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "Foreign Currency Translation Adjustment" in the shareholders' equity. The effect of adopting the new accounting standard on the accompanying consolidated financial statements was immaterial.

**(5) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

**(6) Allowance for Doubtful Accounts**

The allowance for doubtful accounts is provided in amounts considered sufficient to cover possible losses on collection.

**(7) Inventories**

Inventories are valued at cost as determined by the following methods:

Copper ore and related products.....	Mainly, last-in, first-out method
Gold and silver.....	Mainly, first-in, first-out method
Other inventories .....	Mainly, last-in, first-out method

**(8) Property, Plant and Equipment**

Property, plant and equipment are mainly depreciated using the straight-line method.

The estimated useful lives for depreciation purposes range as follows:

Buildings and Structures.....	2 to 50 years
Machinery and equipment.....	2 to 12 years

Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred.

**(9) Financial Instruments**

Until the year ended 31st March, 2000, the policy on accounting for financial instruments were as follows:

Marketable securities (current) and investments in securities (non-current) with market quotation on the stock exchanges are valued at the lower of moving-average cost or market method. Securities in current and non-current portfolio without market quotations on stock exchanges are valued at the moving average cost. Derivatives are stated at cost.

Effective from the year ended 31st March, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after 1st April, 2000. However, mark-to-market accounting for other securities will be effective for period beginning on and after 1st April, 2001. As a result of adoption of the new standard, income before income taxes for the year ended 31st March, 2001 has increased by 15 million yen, as compared with the amount which would have been reported if the previous standard had been applied consistently.

**(a) Derivatives**

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

**(b) Securities**

Securities held by the Company and its subsidiaries are, under the new standard, classified into two categories:

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

Other securities for which market quotations are available or unavailable are valued at the moving-average cost, except as stated in the paragraph below.

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

**(c) Hedge Accounting**

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally interest rate swaps, forward exchange contracts and commodity futures transactions. The related hedged items are trade accounts receivable and payable, long-term bank loans, and inventories.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuations. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedge.

**(10) Income Taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

**(11) Retirement Plan**

**(a) Retirement Benefits to Employees**

Until the year ended 31st March, 2000, the balance of accrued employees' retirement benefits in the accompanying consolidated balance sheets represent the amount mainly equivalent to 40 per cent. of such retirement payments the Company and subsidiaries would have been required to pay, if all eligible employees had retired at the year-end date (as allowed deduction for tax purpose).

In addition to the unfunded lump-sum severance payments described above, eligible employees of the company is covered by non-contributory trusted pension plan. Eligible employees of 1 consolidated subsidiary are covered by contributory trusted pension plan.

Effective from the year ended 31st March, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after 1st April, 2000. In accordance with the new standard, the reserve for retirement benefits as at 31st March, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥5,354 million at 1st April, 2000 (the beginning of year) and the unrecognized prior service cost are amortized on a straight-line basis over 5 years, and unrecognized actuarial differences are amortized on a straight-line bases over the period of 5 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended 31st March, 2001 has increased by ¥1,665 million and income before income taxes has decreased by ¥1,665 million as compared with the amounts which would have been reported if the previous standard had been applied consistently.

**(b) Retirement Benefits to Directors and Corporate Auditors**

The Company and subsidiaries have provided for accrued cost for retirement benefits to Directors and Corporate Auditors in an amount equivalent to 100 per cent. of such benefits the Company and subsidiaries would be required to pay, had all eligible Directors and Corporate Auditors retired at the year-end date.

The balance of "Accrued Retirement Benefits" account in the accompanying consolidated balance sheets include the accrual for retirement benefits to Directors and Corporate Auditors, which amounted to ¥838 million (\$6,704 thousand), ¥1,026 million at 31st March, 2001 and 2000, respectively.

**(12) Accounting for Finance Leases**

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that used for ordinary operating leases.

However, all finance leases relating to the overseas consolidated subsidiaries are recognized as sales/purchases of assets on installments payments.

**(13) Earnings per Share**

The computation of basic net income per common stock is based on the weighted average number of outstanding shares of common stock. The average number of shares used in the computation was 229,544,000 and 227,732,735 for the years ended 31st March, 2001 and 2000, respectively.

The diluted net income per share assumes full conversion of outstanding convertible note at the beginning of the year (or at the time of issuance, if after beginning of the year) with an applicable adjustment for related net-of-tax interest expense, and full exercise of outstanding warrants at the end of the year. The average number of shares used in the computation was 238,605,442 for the year ended 31st March, 2001.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

**3. United States Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥125=U.S. \$1, the approximate rate of exchange prevailing at 31st March, 2001 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

#### 4. Cash and Cash Equivalents

Cash and Cash Equivalents as at 31st March, 2001 and 2000 consisted of:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Cash in hand and at banks.....	¥6,085	¥5,455	\$48,680
Marketable securities.....	721	—	5,768
Cash and cash equivalents.....	<u>¥6,806</u>	<u>¥5,455</u>	<u>\$54,448</u>

#### 5. Marketable Securities

Marketable securities as at 31st March, 2001 and 2000 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Debt securities due within one year* .....	¥1,135	¥—	\$ 9,080
Bonds and others .....	721	12	5,768
	<u>¥1,856</u>	<u>¥12</u>	<u>\$14,848</u>
*Market value of listed equity securities and bonds .....	<u>¥1,187</u>	<u>¥—</u>	<u>\$ 9,496</u>

#### 6. Investments in Securities

Investments in securities as at 31st March, 2001 and 2000 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Listed equity securities and bonds*.....	¥ 7,066	¥ 7,535	\$ 56,528
Unlisted equity securities and bonds .....	3,851	1,710	30,808
Investments in unconsolidated subsidiaries and affiliates .....	47,840	40,519	382,720
	<u>¥58,757</u>	<u>¥49,764</u>	<u>\$470,056</u>
*Market value of listed equity securities and bonds .....	<u>¥10,265</u>	<u>¥21,698</u>	<u>\$ 82,120</u>

#### 7. Short-term Debt and Long-term Debt

Short-term debt consists principally of bank overdraft, bearing interest at annual rates ranging from 0.1 per cent. to 7.8 per cent. and from 0.6 per cent. to 11.5 per cent. as at 31st March, 2001 and 2000, respectively.

Short-term debt as at 31st March, 2001 and 2000 was as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Bank:			
Collateralized.....	¥ 80	¥ 121	\$ 640
Unsecured .....	84,989	84,541	679,912
Current portion of long-term debt.....	7,719	20,717	61,752
	<u>¥92,788</u>	<u>¥105,379</u>	<u>\$742,304</u>

Long-term debt as at 31st March, 2001 and 2000 was as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Payable to banks, insurance companies and others, with interest rates shown below (*1)			
Collateralized.....	¥40,874	¥69,992	\$326,992
Unsecured .....	33,558	14,772	268,464
	<u>74,432</u>	<u>84,764</u>	<u>595,456</u>
Zero coupon unsecured convertible notes due 2003 with provision shown below (*2) .....	6,660	6,660	53,280
Less: Amounts due within one year .....	(7,719)	(20,717)	(61,752)
	<u>¥73,373</u>	<u>¥70,707</u>	<u>\$586,984</u>

For the year ended 31st March,	<b>2001</b>	<b>2000</b>
(*1) Interest rates	1.8 per cent. to 7.4 per cent.	0.6 per cent. to 6.4 per cent.
(*2) Conversion into shares of common stock through 16th September, 2003 at the current conversion price per share of ¥735 (\$5.9) (subject to adjustment in certain circumstances)		

Annual maturities of long-term loans are as follows:

Year ending on 31st March,	Millions of Yen	Thousands of U.S. Dollars
2002.....	¥ 7,719	\$ 61,752
2003.....	13,873	110,984
2004.....	15,126	121,008
2005.....	11,534	92,272
2006 and thereafter .....	26,180	209,440
	<u>¥74,432</u>	<u>\$595,456</u>

Assets pledged as collateral for short-term debt, long-term debt and guarantee as at 31st March, 2001 and 2000 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Cash at banks.....	¥ 274	¥ 25	\$ 2,192
Investments in securities .....	13,498	12,246	107,984
Property, plant and equipment (at net book value) .....	65,757	66,480	526,056
Other investments.....	—	151	—
	<u>¥79,529</u>	<u>¥78,902</u>	<u>\$636,232</u>

## 8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 41.7% for the years ended 31st March, 2001 and 2000. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Significant components of deferred tax assets and liabilities as at 31st March, 2001 and 2000 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred tax assets:			
Accrued enterprise tax .....	¥ 498	¥ 361	\$ 3,984
Accrued bonuses to employees .....	422	267	3,376
Accrued retirement benefits to directors and corporate auditors.....	343	425	2,744
Accrued retirement benefits to employees.....	849	265	6,792
Other.....	2,089	997	16,712
Total gross deferred tax assets .....	4,201	2,315	33,608
Less valuation allowance.....	(786)	(434)	(6,288)
Net deferred tax assets.....	3,415	1,881	27,320
Deferred tax liabilities:			
Reserve for tax purpose.....	(3,553)	(3,655)	(28,424)
Other.....	(545)	(508)	(4,360)
Total gross deferred tax liabilities.....	(4,098)	(4,163)	(32,784)
Net deferred tax liabilities.....	<u>¥ (683)</u>	<u>¥(2,282)</u>	<u>\$ (5,464)</u>

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion will not be realized. The ultimate realization of deferred tax assets is entirely dependent on the generation of future taxable income in specific tax jurisdictions during the periods in which those temporary differences become deductible. Although realization is not assured, management considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not the Company will realize the benefit of these deductible differences, net of the existing valuation allowances as at 31st March 2001.

Reconciliation between the effective tax rate and the statutory tax rate for the year ended 31st March, 2001 was as follows:

	2001
Statutory tax rate.....	41.7%
Add (Deduct):	
Equity in earning of unrecognized subsidiaries and affiliates .....	(7.8)
Valuation allowance recognized on current losses of subsidiaries.....	2.8
Other .....	0.2
Effective rate .....	<u>36.9%</u>

At 31st March, 2000, the difference between the effective tax rate and the statutory tax rate was insignificant.

## 9. Leases

The Companies use certain machinery and equipment and other under the finance lease contracts. Total lease payments were ¥256 million (\$2,048 thousand) and ¥231 million for the years ended 31st March, 2001 and 2000, respectively.

Pro forma information regarding the leased property such as acquisition cost, accumulated depreciation and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee for the years ended 31st March, 2001 and 2000 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition cost	Accumulated depreciation	Balance as at 31st March, 2001	Balance as at 31st March, 2001
<b>2001</b>				
Machinery and equipment.....	¥ 934	¥479	¥455	\$3,640
Other .....	612	301	311	2,488
	<u>¥1,546</u>	<u>¥780</u>	<u>¥766</u>	<u>\$6,128</u>

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Balance as at 31st March, 2000
2000			
Machinery and equipment.....	¥ 752	¥315	¥437
Other .....	612	400	212
	<u>¥1,364</u>	<u>¥715</u>	<u>¥649</u>

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
31st March,			
The scheduled maturities of future lease payments, which included the portion of interest thereon, on such lease contracts as at 31st March, 2001 and 2000 were as follows:			
Due within one year.....	¥229	¥199	\$1,832
Due over one year.....	¥537	450	4,296
	<u>766</u>	<u>¥649</u>	<u>\$6,128</u>
Lease rental expenses for the year.....	<u>¥256</u>	<u>¥231</u>	<u>\$2,048</u>

The amounts of acquisition costs and future minimum lease payments under finance leases included the imputed interest expense portion.

Depreciation expense, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method, would be ¥256 million (\$2,048 thousand) and ¥231 million for the years ended 31st March, 2001 and 2000, respectively.

## 10. Retirement Benefit Plan

The Company and consolidated domestic subsidiaries have adopted a non-contributory defined benefit pension plan and lump-sum payments plan. Additional employees' retirements benefits which are not required under the current plans would be paid in certain circumstances. Certain consolidated overseas subsidiaries have adopted lump-sum payments plan.

The reserve for retirement benefits as at 31st March, 2001 is analyzed as follows:

31st March, 2001	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligations .....	¥(11,735)	\$(93,880)
Plan assets.....	3,730	29,840
	(8,005)	(64,040)
Unrecognized transition amount.....	4,283	34,264
Unrecognized prior service cost .....	127	1,016
Unrecognized actuarial differences.....	(163)	(1,304)
	(3,758)	(30,064)
Prepaid pension cost.....	—	—
	<u>¥ (3,758)</u>	<u>\$(30,064)</u>

Net pension expense related to the retirement benefits for the year ended 31st March, 2001 was as follows:

2001	Millions of Yen	Thousands of U.S. Dollars
Service cost.....	¥ 815	\$ 6,520
Interest cost.....	249	1,992
Expected return on plan assets .....	(74)	(592)
Amortization of transition amount .....	1,071	8,568
Amortization of prior service cost.....	2	16
Amortization of actuarial differences.....	—	—
	<u>¥2,063</u>	<u>\$16,504</u>

\*Additional benefits for employees' early retirement amounting to ¥454 million (\$3,632 thousand) were excluded.

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

As at 31st March, 2001

Discount rate .....	Mainly, 3.0%
Expected rate of return on plan assets .....	Mainly, 3.0%
Method of attributing the projected benefits to periods of services .....	straight-line basis
Amortization of unrecognized prior service cost.....	5 years
Amortization of unrecognized actuarial differences.....	5 years
Amortization of transition amount.....	(effectively from next fiscal year)
	5 years

## 11. Derivative and Hedging Activities

The Companies use forward currency exchange contracts to hedge against the exchange rate risk associated with monetary receivables and payables denominated in foreign currencies. Interest rate swap transactions are used in order to minimize the risk of fluctuation in interest rates on borrowings. The Companies use commodity futures transactions to hedge against changes in the prices of inventories.

Effective from the year ended 31st March, 2001, gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized. The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

The Companies have established a control environment, which includes policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to certain market risks arising from their forward exchange contracts and swap agreements. The Companies are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Companies do not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high credit ratings.

At 31st March, 2001, there is no derivative contracts outstanding other than hedging accounting.

## 12. Contingent Liabilities

As at 31st March, 2001, the Companies are contingently liable for guarantee as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans from banks .....	¥8,878	\$71,024
Note receivable discounted.....	88	704
Note receivable endorsed .....	204	1,632
Others .....	27	216

## 13. Subsequent Event

The appropriation of retained earnings of the Company, including cash dividends applicable to the year ended 31st March, 2001, which was proposed by the Board of Directors and approved at the shareholders' meeting held on 26th June, 2001, was for the purpose of paying cash dividends to shareholders of records at 31st March, 2001, in the aggregate amount of ¥1,147 million (\$9,176 thousand) (¥5 per share) and bonuses to directors in the aggregate amount of ¥40 million (\$320 thousand).

## 14. Segment Information

### (1) Industry Segment Information

The operation of the Company and its consolidated subsidiaries for the years ended 31st March, 2001 and 2000 were summarized by product group as follows:

Industry Segment	Millions of Yen						
	For the year ended 31st March, 2001						
	Metal production	Metal fabrication	Recycling and environmental services	Engineering and consulting	Other	Elimination or common assets*	Consolidated total
Sales							
Sales to outside customers	¥203,665	¥55,824	¥ 5,443	¥14,071	¥19,876	¥ —	¥298,879
Inter-segment sales	8,047	437	26,418	10,276	13,677	(58,855)	—
Total	211,712	56,261	31,861	24,347	33,553	(58,855)	298,879
Operating costs and expenses	201,573	47,342	30,588	24,217	32,930	(58,855)	277,795
Operating income	¥ 10,139	¥ 8,919	¥ 1,273	¥ 130	¥ 623	¥ —	¥ 21,084
Assets	¥205,353	¥68,287	¥13,418	¥ 9,341	¥31,302	¥(3,498)	¥324,203
Depreciation	¥ 5,920	¥ 3,138	¥ 574	¥ 174	¥ 458	¥ —	¥ 10,264
Capital expenditure	¥ 4,614	¥ 2,266	¥ 727	¥ 345	¥ 1,945	¥ —	¥ 9,897
	For the year ended 31st March, 2000						
Sales							
Sales to outside customers	¥181,977	¥57,974	¥ 4,716	¥10,530	¥21,261	¥ —	¥276,458
Inter-segment sales	8,250	303	22,983	11,093	11,557	(54,186)	—
Total	190,227	58,277	27,699	21,623	32,818	(54,186)	276,458
Operating costs and expenses	182,099	49,252	26,803	21,580	32,278	(54,186)	257,826
Operating income	¥ 8,128	¥ 9,025	¥ 896	¥ 43	¥ 540	¥ —	¥ 18,632
Assets	¥188,724	¥70,220	¥13,104	¥ 6,918	¥31,496	¥ 1,229	¥311,691
Depreciation	¥ 5,239	¥ 2,814	¥ 580	¥ 65	¥ 1,072	¥ —	¥ 9,770
Capital expenditure	¥ 4,061	¥ 2,017	¥ 356	¥ 38	¥ 717	¥ —	¥ 7,189

Thousands of U.S. Dollars							
For the year ended 31st March, 2001							
Industry Segment	Metal production	Metal fabrication	Recycling and environmental services	Engineering and consulting	Other	Elimination or common assets*	Consolidated total
Sales							
Sales to outside customers	\$1,629,320	\$446,592	\$ 43,544	\$112,568	\$159,008	\$ —	\$2,391,032
Inter-segment sales	64,376	3,496	211,344	82,208	109,416	(470,840)	—
Total	1,693,696	450,088	254,888	194,776	268,424	(470,840)	2,391,032
Operating costs and expenses	1,612,584	378,736	244,704	193,736	263,440	(470,840)	2,222,360
Operating income	\$ 81,112	\$ 71,352	\$ 10,184	\$ 1,040	\$ 4,984	\$ —	\$ 168,672
Assets	\$1,642,824	\$546,296	\$107,344	\$ 74,728	\$250,416	\$(27,984)	\$2,593,624
Depreciation	\$ 47,360	\$ 25,104	\$ 4,592	\$ 1,392	\$ 3,664	\$ —	\$ 82,112
Capital expenditure	\$ 36,912	\$ 18,128	\$ 5,816	\$ 2,760	\$ 15,560	\$ —	\$ 79,176

\* Amounts shown in column "Elimination or common assets" in the above table for the year ended 31st March, 2000 of ¥3,692 million are represented by "Foreign Currency Translation Adjustment."

\*\* Effective from the year ended 31st March, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after 1st April, 2000.

As a result of adopting the new standard, operating income for the year ended 31st March, 2001 decreased by ¥300 million (\$2,400 thousand) in Metal production, ¥207 million (\$1,656 thousand) in Metal fabrication, ¥40 million (\$320 thousand) in Recycling and environmental services, ¥19 million (\$152 thousand) in Engineering and consulting, ¥28 million (\$224 thousand) in Other, as compared with the amounts which would have been reported if the previous method had been applied.

## (2) Geographic Segment information

Segment information classified by geographic area\*\*\* was omitted because a majority of the Companies' operation were performed in Japan.

## (3) Export sales and sales by overseas subsidiaries

Millions of Yen							
For the year ended 31st March, 2001	Asia	North America	Europe	Oceania	South America	Africa	Total
Overseas sales .....	¥62,409	¥2,007	¥1,154	¥83	¥188	¥30	¥ 65,871
Consolidated sales.....	—	—	—	—	—	—	¥298,879
Ratio .....	20.9%	0.7%	0.4%	0.0%	0.1%	0.0%	22.0%
For the year ended 31st March, 2000	Asia	North America	Europe	Oceania	South America	Africa	Total
Overseas sales .....	¥61,133	¥1,743	¥1,677	¥51	¥99	¥45	¥ 64,748
Consolidated sales.....	—	—	—	—	—	—	¥276,458
Ratio .....	22.1%	0.6%	0.6%	0.0%	0.0%	0.0%	23.4%

Thousands of U.S. Dollars							
For the year ended 31st March, 2001	Asia	North America	Europe	Oceania	South America	Africa	Total
Overseas sales .....	\$499,272	\$16,056	\$9,232	\$664	\$1,504	\$240	\$ 526,968
Consolidated sales.....	—	—	—	—	—	—	\$2,391,032

\*\*\*Asia                   China, Korea, Singapore, Taiwan, Indonesia  
North America       U.S.A.  
Europe                 France  
Oceania               Australia  
South America       Chile  
Africa                 Namibia

## 15. Related Party Transactions


Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended 31st March, 2001 and 2000 were as follows:

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the Company	Description of the Company's transactions	Transactions		Resulting Accounting Balance		
					For the year ended 31st March,		Account	At 31st March,	
					2001	2000		2001	2000
ANT Minerals pty. ltd. (Australia)	A\$19,200 thousands	Investments in McArthur River Mine	50%	Loans made	¥— (\$ —)	¥ —	Long-term loans	¥6,705 (\$53,640)	¥6,705
Compania Minela Los Pelambres (Chile)	\$348 millions	Mining of copper	25%	Guarantees of project finance for development of mine	¥— (\$ —)	¥15,062	—	—	—

The term and conditions of the above transactions are on an arm's-length basis.

# Report of Independent Accountants

**ChuoAoyama Audit Corporation**

**PRICEWATERHOUSECOOPERS** 

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

The Board of Directors  
NIPPON MINING & METALS COMPANY, LIMITED

We have audited the accompanying consolidated balance sheets of NIPPON MINING & METALS COMPANY, LIMITED and its consolidated subsidiaries as of 31st March, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of NIPPON MINING & METALS COMPANY, LIMITED and its consolidated subsidiaries as of 31st March, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Notes 2 (4), (9) and (11), effective from the year ended 31st March, 2001, NIPPON MINING & METALS COMPANY, LIMITED and its consolidated subsidiaries have adopted new Japanese accounting standards for financial instruments, retirement benefits and foreign currency translation.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

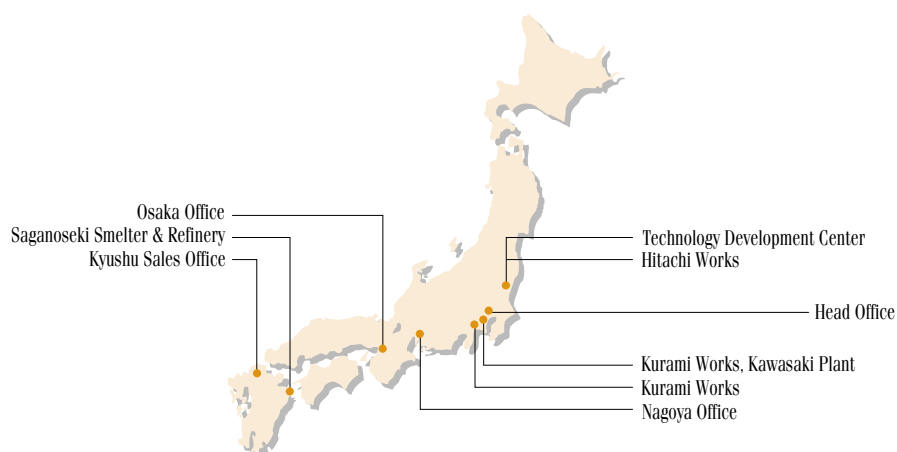
*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation

Tokyo, Japan  
26th June, 2001

# Corporate Data

<p>FOUNDED 26th December, 1905</p> <p>CAPITAL ¥34,997 million (As of 31st March, 2001)</p> <p>NUMBER OF EMPLOYEES 1,533 (As of 31st March, 2001)</p>	<p>DOMESTIC OPERATING UNITS</p> <p><b>Hitachi Works</b> 3453, Miyata-cho, Hitachi-shi, Ibaraki 317-0055 Tel 0294 (23) 7130</p> <p><b>Saganoseki Smelter &amp; Refinery</b> 3-3382, Seki, Saganoseki-cho, Kitaamabe-gun, Oita 879-2201 Tel 097 (575) 3310</p> <p><b>Kurami Works</b> 3, Kurami, Samukawa-cho, Koza-gun, Kanagawa 253-0101 Tel 0467 (75) 0611</p> <p><b>Kurami Works, Kawasaki Plant</b> 301, Tsukagoshi 4-chome, Saiwai-ku, Kawasaki-shi, Kanagawa 210-0924 Tel 044 (511) 2441</p>
<p>MAIN BUSINESS Resources Development, Smelting, Refining and Recycling of Nonferrous Metals, Nonferrous Metal and Special Alloy Fabrication and Environmental Services</p>	<p>OVERSEAS OFFICES</p> <p><b>Australia Office</b> 34A Bishop St., Stuart Park, N.T. 0820, Australia Tel [61-8] (8943) 2810</p> <p><b>Chile Office</b> San Sebastián 2807 Of. 313, Las Condes, Santiago, Republic of Chile Tel [56-2] (234) 1842</p>
<p>HEAD OFFICE 10-1, Toranomon 2-chome, Minato-ku, Tokyo 105-0001 Tel 03 (5573) 7200</p>	
<p>TECHNOLOGY DEVELOPMENT CENTER 1-1-2, Shirogane-cho, Hitachi-shi, Ibaraki 317-0056 Tel 0294 (23) 7282</p>	
<p>DOMESTIC OFFICES</p> <p><b>Osaka Office</b> Aqua Dojima Bldg. 8F, 12F, 4-4, Dojima Hama 1-chome, Kita-ku, Osaka-shi, Osaka 530-0004 Tel 06 (6345) 6131</p> <p><b>Nagoya Office</b> Yanagibashi-Sanshin Bldg. 7F, 16-28, Meieki-Minami 1-chome, Nakamura-ku, Nagoya-shi, Aichi 450-0003 Tel 052 (586) 2421</p> <p><b>Kyushu Sales Office</b> Kyuden-Fudosan Bldg. 5F, 13-8, Yakuin 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka 810-0022 Tel 092 (732) 0511</p>	





 **NIPPON MINING & METALS CO.,LTD.**

10-1, Toranomom 2-chome, Minato-ku, Tokyo 105-0001 Tel. 03 (5573) 7200  
<http://www.nikko-metal.co.jp/>