



## Annual Report 2002

Year ended 31st March, 2002

**Nippon Mining & Metals**

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# Profile

Nippon Mining & Metals Co., Ltd. was established in April 1992 as a wholly owned subsidiary of Nippon Mining Co., Ltd. (currently Japan Energy Corporation), and commenced operations in November 1992 after acquiring the metals business of Nippon Mining, which had been engaged in the major business lines of metals (mining, smelting and refining, and metal fabrication) and petroleum (upstream and downstream).

Following its establishment as an independent company, and amid drastic changes in the structure of Japanese industry, Nippon Mining & Metals, set management targets expressed in the catch-phrases, “from quantity to quality,” “a thorough technology-oriented approach,” and “becoming a truly international enterprise.” In pursuit of these goals, the Company has worked tirelessly to effect structural reforms needed to shape the Company into a leaner, stronger corporation.

These efforts have resulted in outstanding improvements in the competitiveness and earnings strength of the Company’s two major businesses of copper smelting and metal fabrication, helping Nippon Mining & Metals to more firmly solidify its standing as a corporation specializing in nonferrous metals.

On 27th September, 2002, Nippon Mining & Metals and Japan Energy Corporation will jointly establish Nippon Mining Holdings, Inc., the holding company that will own 100% of their shares. As a core operating company in the Nippon Mining Holdings Group, we will advance our global management and business strategies by effective use of the Group’s management resources, with a view to shaping Nippon Mining & Metals into the world’s leading nonferrous metals company.

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#### Forward-looking statements:

Various forward-looking statements have been included within this Report based on current forecasting and in accordance with anticipated business and corporate expectations, and actual results could potentially differ because of presently unforeseen circumstances.

# Financial Highlights

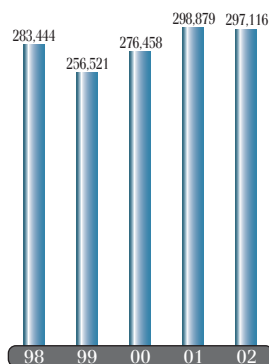
Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries

Years ended 31st March	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>For the Year</b>			
Net sales .....	¥297,116	¥298,879	\$2,285,508
Net income .....	5,653	10,609	43,485
Net income per share (in yen and dollars) .....	24.63	46.22	0.19
<b>At Year-End</b>			
Total assets .....	346,377	324,203	2,664,438
Total shareholders' equity .....	102,137	92,956	785,669

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥130 = US\$1.

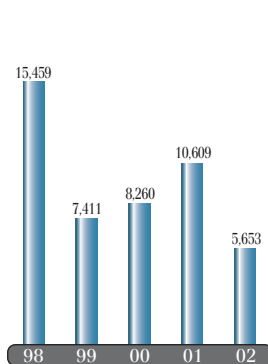
## Net Sales

Millions of Yen



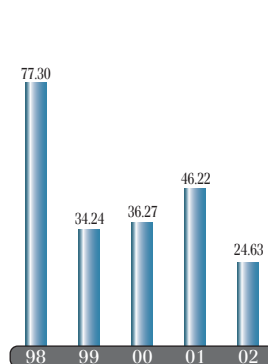
## Net Income

Millions of Yen



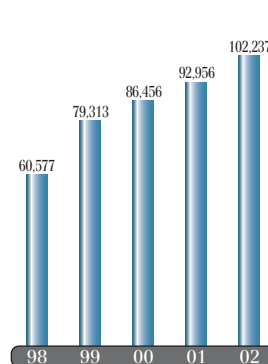
## Net Income per Share

Yen



## Total Shareholders' Equity

Millions of Yen



# Message from the Management



(right)  
Takashi Sakamoto  
*Chairman and Representative Director*

(left)  
Yasuyuki Shimizu  
*Deputy Chairman and Representative Director*

(center)  
Kazuo Oki  
*President and Representative Director*

At the recently held Ordinary General Meeting of Shareholders, the Company received approval of a plan to create a holding company, Nippon Mining Holdings, Inc., jointly with Japan Energy Corporation on 27th September, 2002. As a core operating company in this reorganized structure, Nippon Mining & Metals is determined to achieve further improvements in both its management efficiency and financial performance.

The Japanese economy, against the backdrop of economic recovery in the United States, began to show signs that

its downward slide had hit bottom by the end of the term under review. Unfortunately, stagnant consumer spending and serious declines in capital investments kept harsh economic conditions in place for the duration of the term.

Amid these difficult circumstances, the Nippon Mining & Metals Group worked intensively to strengthen production and sales, while striving to improve efficiency in operations across the board. However, falling sales and market prices for refined copper and a slump in fabricated metal demand led to unavoidable

declines in revenue and earnings.

The following are highlights from the term under review.

In our main copper smelting and refining business, we deepened the Company's ties with Mitsui Mining & Smelting Co., Ltd. and South Korea-based joint venture LG-Nikko Copper Inc. Particularly with Mitsui Mining & Smelting Co., Ltd. we have set a target date of April 2003 for establishing a system in which raw materials procurement, production and sales functions of both companies will be centered on Pan Pacific Copper Co., Ltd., with the

perspective of further bolstering the copper smelting and refining capabilities of both companies (production will be conducted by its parent companies on a toll basis). Stronger business ties like these will allow Nippon Mining & Metals to build a leading copper producing alliance.

At Nippon Mining & Metals, we work hard to ensure stable sources of raw materials for our copper smelting operations and to maintain a favorable return on investment by consistently investing in and financing mines of the highest quality. In the Republic of Chile, operations continue to run smoothly at the Escondida, Collahuasi and Los Pelambres mines, all of which have generated high earnings. Further, in August 2001, we concluded a long-term agreement with Australian gold producer Newcrest Mining, for financing of its Ridgeway mine and the purchase of gold-rich copper concentrate.

Metal fabrication is another key business. Here, the Kurami Works has stepped up its strategic specialization in high value-added products. Specifically, the Kurami Works has intensified its efforts to develop new alloys using innovative sub-micron metallurgy and is already fully engaged in the sale of high-performance phosphor bronze and high-performance titanium copper. The Company is also shifting production of general-purpose products to East Asia. As an initial step, Nippon Mining & Metals and Poongsan Corporation of South Korea have launched a strategic alliance in brass strip manufacturing. On the marketing

side, the Company has also set up a new marketing base in Shanghai. These moves will effectively expand and reinforce the Group's entire operational base.

In the area of research & development, Nippon Mining & Metals together with Mitsui Mining & Smelting is set to begin performance testing of a pilot plant based on a pioneering hydro-metallurgical technique, aiming at early commercialization. And in June 2002, to better research and develop the application of biotechnology to the mining industry, the Company established Bio-Sigma S.A. jointly with Codelco, the world's largest copper producer.

### Business Performance

The Company recorded net sales of ¥297.1 billion on a consolidated basis, down 0.6% from the previous term. Drastic drops in market prices for metals and a demand slump in the fabricated metals business resulted in operating income of ¥9 billion, a year-on-year decline of 57.2%. Despite increased earnings registered by some companies, including LG-Nikko Copper Inc., the aforementioned declines in market prices for metals and sales from fabricated metal products caused income before special items to fall 43.2% year-on-year to ¥12.7 billion, resulting in net income for the term under review of ¥5.7 billion, a year-on-year decline of 46.7%. Return on sales was 3.2 percentage points lower than the previous term at 4.3%, with return on equity (ROE) falling 6 percentage points to end at 5.8%.

### Outlook

In the midst of radical changes in the operating environment, we will strongly commit the Nippon Mining & Metals Group to pushing ahead with enacting quality-focused measures and actively fostering the growth of the Company's business in East Asia. Such are the steps that will prove crucial to forging the Company into an internationally recognized leader in the nonferrous metals business. And building on the management resources of the Nippon Mining Holdings Group, we aim for another great leap forward as a core operating company of the Group.

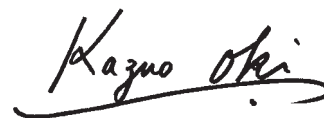
August 2002



Takashi Sakamoto  
*Chairman and Representative Director*



Yasuyuki Shimizu  
*Deputy Chairman and Representative Director*



Kazuo Oki  
*President and Representative Director*

# Strategy for Further Growth in the New Century

**With Sound, Long-Term Business Strategies and a Global Perspective, We are Striving to Lead 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.



## **Nippon Mining & Metals expands copper smelting and refining operation ties with Mitsui Mining & Smelting**

The comprehensive copper business alliance between Nippon Mining & Metals and Mitsui Mining & Smelting, including jointly established sales company Pan Pacific Copper Co., Ltd., has proved fruitful for both companies. To further enhance the effects of this successful tie-up, Pan Pacific Copper will form a comprehensive system to conduct raw materials procurement, production and sales of products, and technology research & development for both companies, scheduled to begin from April 2003.

## **Nippon Mining & Metals joins forces with Mitsui Mining & Smelting and LG-Nikko Copper to form one of the world's premier alliances of copper producers**

The alliance of Nippon Mining & Metals, Mitsui Mining & Smelting and LG-Nikko Copper has resulted in one of the world's leading copper producing groups, and the largest alliance of its kind in Asia. Combined, the companies now produce 1.1 million tons of refined copper annually, a scale that ranks third in the world.

## *Alliance*



## **Nippon Mining & Metals advances its strategic alliance with Poongsan Corporation, South Korea's largest brass mill products manufacturer**

In the fabricated metals business, Nippon Mining & Metals is steadily improving its cooperative relationship with South Korean brass mill products manufacturer Poongsan Corporation. In August 2001, the two established Poongsan-Nikko Tin Plating Corporation, a joint-venture company that will engage in tin-plated copper strip production. This cooperative venture is expected to greatly bolster the competitiveness of both companies in the automobile terminal and connector materials sectors of the East Asian market.

## Resources Procurement

One aspect of the Company's long-term strategy involves active participation in resources development projects that promise stable supplies of raw materials for copper smelting and refining, as well as a good return on investment.

### Los Pelambres Mine operations running smoothly

Nippon Mining & Metals has a 15% equity stake in the Los Pelambres Mine in Chile, where full-scale production is running along smoothly. The mine has generated high earnings since its first year of operation, and continues to yield an excellent return on investment for the Company.

### Gold-rich copper concentrate purchase agreement reached with Newcrest Mining of Australia

Nippon Mining & Metals concluded a long-term agreement with Cadia Holdings Pty., Ltd., a wholly-owned subsidiary of Australian gold producer Newcrest Mining Limited, for financing and the purchase of the gold-rich copper concentrate it produces. With this agreement, raw materials gained from the mines Nippon Mining & Metals finances or invests in, now account for 70% of the ore needed for the Company's copper smelting and refining operations.



### Promoting the advancement of hydro-metallurgical processing technology

Together with Mitsui Mining & Smelting, we have successfully completed copper recovery tests using the new hydro-metallurgical process. We are currently engaged in continuous production testing at a pilot plant.

### Exploration of bio-mining technology with Codelco of Chile

Nippon Mining & Metals is involved in a biotechnology project with the Republic of Chile's state-run Codelco, the world's largest copper producer, to develop mining technologies using microorganisms. A joint company, Bio-Sigma S.A., has been established to carry out the research and development.

## Technology



### Sub-micron metallurgy and copper alloy development

For customers in constant pursuit of thinner, higher performance metals, the Company is actively using sub-micron metallurgy to develop a variety of cutting edge alloys to meet these needs. In this sector, we have already developed and marketed high-performance phosphor bronze and high-performance titanium copper, two metals with much higher functionality than conventional counterparts.

Consolidated net sales decreased 0.6% to ¥297,116 million, and income from operations fell 57.2% to ¥9,015 million. Income before special items declined 43.2% to ¥12,703 million, and net income was down 46.7% to ¥5,653 million.

## Metal Production

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

Despite declining sales of refined copper and a general fall in market prices for metals, sales in this segment rose 11.4% year-on-year to ¥226,890 million, due to increase of sales by Pan Pacific Copper. Income from operations, in spite of improved production costs and a rise in dividends received from the Japan Korea Joint Smelting Co., Ltd., was dragged down primarily by falling prices for copper, zinc and palladium and a worsening sulfuric acid market, ending the term 34.3% lower at ¥6,665 million.

## Metal Fabrication

Major products in this segment are copper alloy 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.

Continuing market stagnation surrounding mobile communication devices, PCs and other products in the information technology sector led to broad declines in the sale of copper alloy and special steel products. As a result, sales in this segment fell 33.9% from the previous term to ¥36,911 million. Income from operations, despite efforts to reduce costs, was deeply affected by a hefty decline in sales and production due to lower domestic and overseas demand. The final result was a year-on-year decline of 84.4% to ¥1,394 million.

## Recycling and Environmental Services

Major business lines in this segment include the detoxification and compacting of industrial waste, the recovery of valuable metals, and the collection of non-ferrous metal scrap.

Falls in industrial waste output and reductions in collectable copper and precious metal scrap caused by lingering economic stagnation drove sales in this segment down 28.8% from the previous term to ¥3,875 million, with income from operations declining 49.5% to ¥643 million.

## Engineering and Consulting Operations

Engineering and consulting are the major business lines in this segment.

Although revenues from engineering activities and material sales at Nikko Polytech Co., Ltd. declined, increased revenues from the drilling business at Nikko Exploration and Development Co., Ltd. kept performance in this segment virtually unchanged from the previous term, with sales ending at ¥14,170 million and income from operations at ¥129 million.

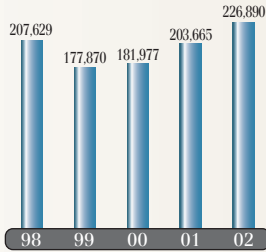
## Other Operations

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

In this segment, the transfer of a portion of business activities to Pan Pacific Copper from Nikko Logistics Partners and other factors caused sales to decline 23.2% year-on-year to ¥15,270 million, with income from operations dropping 70.5% to end at ¥184 million.

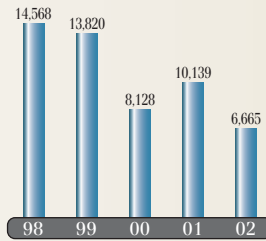
### Net Sales

Millions of Yen



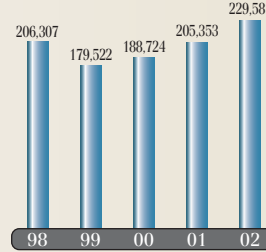
### Operating Income

Millions of Yen



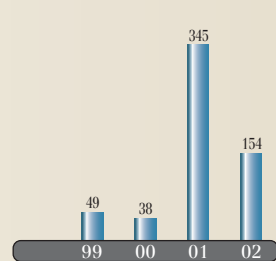
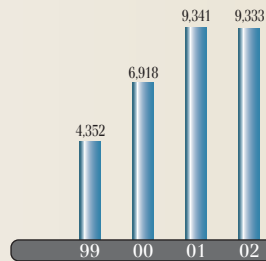
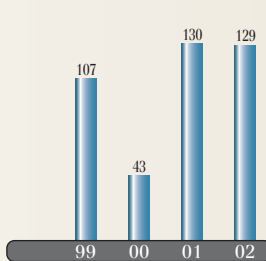
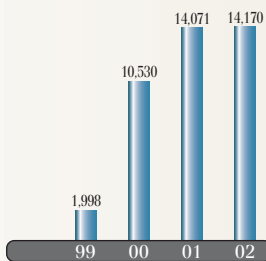
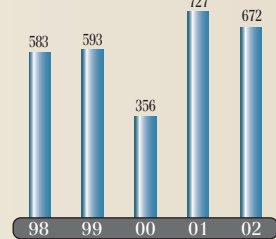
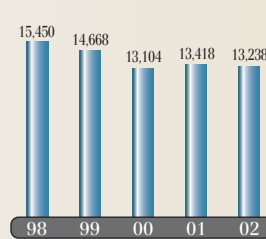
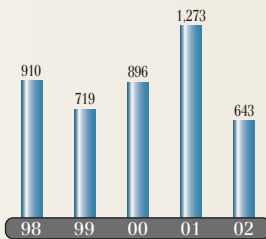
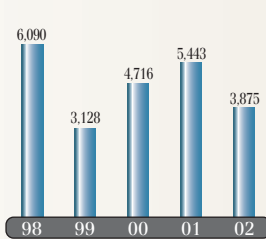
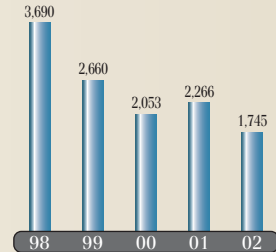
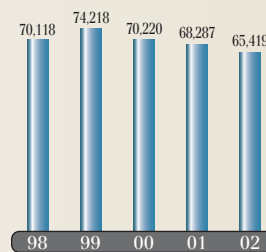
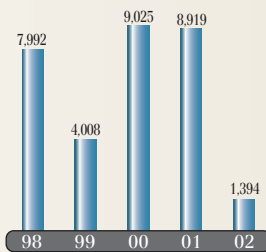
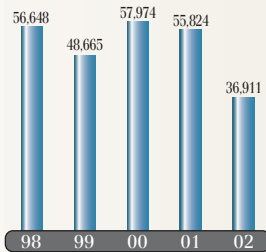
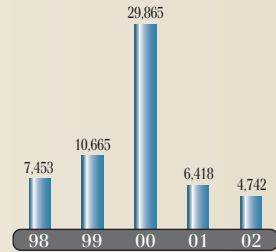
### Assets

Millions of Yen

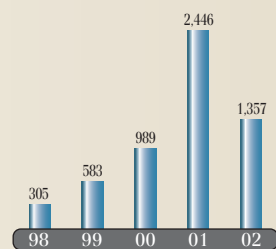
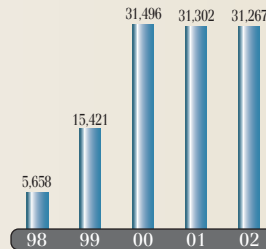
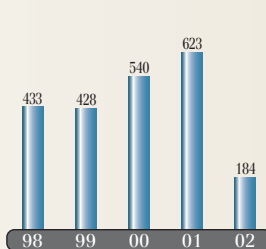
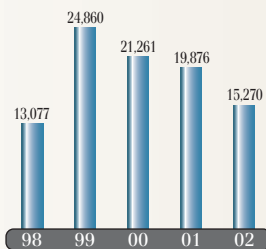


### Capital Expenditure, Investment and Advance

Millions of Yen



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



## Ensuring the Long-Term, Stable Procurement of Raw Materials Pursuing a Favorable Return on Investment

### Copper

The Los Pelambres Mine in Chile (15% equity) commenced production in January 2000 and has been operating smoothly ever since, proving to be a highly profitable mine. For the term ended December 2001, 374,000 tons of copper contained in concentrate had been produced at the mine, up 20.8% from the previous year.

In August 2001, we concluded an agreement with Cadia Holdings Pty., Ltd., a wholly-owned subsidiary of Australian gold producer Newcrest Mining Limited, for the financing of Ridgeway Mine and long-term purchase of gold-rich copper concentrate produced by Cadia Holdings. The mine began full-scale operations in March 2002.

This agreement, in conjunction with the Los Pelambres Mine, the Collahuasi Mine (3.6% equity), and the Escondida Mine (2% equity), has helped Nippon Mining & Metals to establish a stable, long-term resource supply system that in the process has allowed the Company to secure access to 70% of the raw materials needed for its operations from mines in which the Company provides financing or has invested.

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

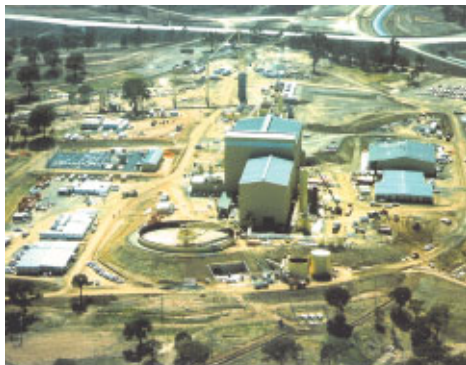
### Zinc, Lead and Gold-Bearing Silica

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% equity). The Toyoha Mine produced 66,000 tons of zinc concentrate and 9,000 tons of lead concentrate during fiscal 2001. All the zinc concentrate is shipped to Akita Zinc Co., Ltd., for refining, while the lead concentrate is refined by other companies. The McArthur River Mine produced 337,000 tons of zinc/lead bulk concentrate during the 2001 calendar year. Together, these two mines supply 44,000 tons of zinc to the Company's toll refining operations annually.

Kagoshima-based Kasuga Mines Co., Ltd. (100% equity) supplied 122,000 tons of gold-bearing silica ore during the term under review.



Los Pelambres Mine (Chile)



Concentrator, Cadia Hill (Australia)



Collahuasi Mine (Chile)

**Performance of Company Mines in Chile  
(2001 Calendar Year)**

Year ended 31st December, 2001	Millions of U.S. Dollars		
	Escondida (2% equity)	Los Pelambres (15% equity)	Collahuasi (3.6% equity)
Sales	1,220	564	674
Income before special items	244	102	90
Net income	192	81	72



**Domestic Mines**



**Foreign Investment and advance**



**Active Involvement in the Global Mining Initiative**

How best can the mining and minerals industry contribute to the transition to sustainable development? With this challenging theme in mind, a group of major mining companies started a number of activities that aim to ensure that an industry which is so essential to the well-being of a changing world is responsive to global needs and challenges. Called the Global Mining Initiative (GMI), it has been supported by many of the world's largest mining and minerals companies, and successfully concluded in May

2002 clarifying many challenges to the industry and its stakeholders in the transition to sustainable development.

Nippon Mining & Metals recognizes the vital importance of the issues expressed in the GMI, which is why the Company has been an active participant in the Initiative and an ardent supporter of its activities. We believe the GMI to be an indispensable step in pursuit of our corporate ideal – to achieve, through sustainable development, “innovation in the productive use of resources.”

## Building a World-Leading Alliance of Copper Producers

### Copper

Throughout the term ended March 2002, we deepened Nippon Mining & Metals' operational alliance with Mitsui Mining & Smelting and LG-Nikko Copper (36.8% equity), and moved decisively to develop innovative next-generation refining technologies. These moves further bolstered the Company's competitive strengths, ensuring a prominent presence in the East Asian market and allowing it to build a world-leading alliance of copper producers.

In Japan, Nippon Mining & Metals has two copper production facilities: the Saganoseki Smelter & Refinery in Oita Prefecture and the Hitachi Works in Ibaraki Prefecture. Both are world-class facilities in terms of technology and scale, with a copper smelting capacity of 470,000 tons and a combined copper refining capacity of 450,000 tons annually.

Operations at LG-Nikko Copper are running smoothly, with 473,000 tons (a 1.1% year-on-year increase) of refined copper for the term ended December 2001. As of May 2002, the company's refined copper production capacity per annum had increased to 510,000 tons.

The Company sells all refined copper to Pan Pacific Copper Co., Ltd. (Tokyo, 66% equity), established as part of a business tie-up with Mitsui Mining & Smelting Co., Ltd. During the term under review, the Company sold 393,000 tons of refined copper, a

year-on-year decrease of 11.6%.

Tatsuta Electric Wire and Cable Co., Ltd. (Osaka, 31.05% equity), a major group company, sold 36,000 tons of electric wires and cables during the term, an increase of 2.6% from the previous term. Japan Copper Casting Co., Ltd. (Tokyo, 55% equity), produced 54,000 tons of copper cakes and billets, a 32.5% drop from the previous year.

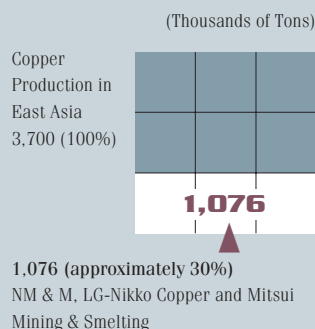
Operations at the wire rod plant of Changzhou Jinyuan Copper Co., Ltd., in Changzhou, China, in which the Company, along with Tatsuta Electric Wire and Cable Co., Ltd. holds a 43% equity stake, continue to move along well. The company sold 125,000 tons of copper wire rods in the year ended December 2001, up 3.3% from the previous year.

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

Year ended 31st December, 2001	Tons		
	Total volume (a)	Equity stake (b)	Volume controlled by Nippon Mining & Metals (a) x (b)
Nippon Mining & Metals	432,000	—	432,000
LG-Nikko Copper	473,000	36.8%	174,000
Others*	—	—	16,000
<b>Total</b>			<b>622,000</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.



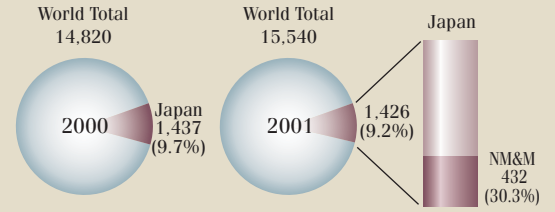
### Rankings of World's Leading Makers of Refined Copper

	Company (country)	Thousands of Tons
1	Codelco (Chile)	1,507
2	Phelps Dodge (U.S.A.)	1,156
3	Nippon Mining & Metals	448
	LG-Nikko Copper	473
	Mitsui Mining & Smelting	155
		1,076
4	Grupo Mexico (Mexico)	902
5	Norddeutsche Aff. (Germany)	539

(Source: Brook Hunt Copper Metal Service 1st Quarter 2002)

### Global Production of Refined Copper

(Thousand Tons)



(Source: WBMS July 2002)



Saganoseki Smelter & Refinery (Oita, Japan)



Copper Cakes and Billets



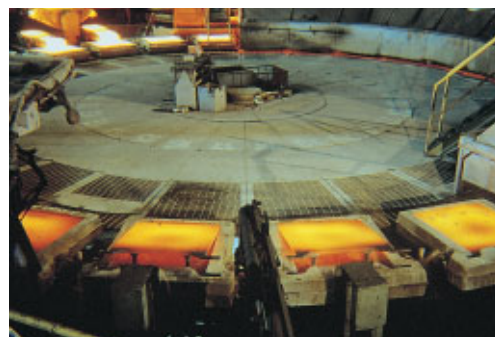
Copper Cables



Refined Copper



Anode Furnace



Anode Casting Wheel (Part of Flash Smelting Facility), LG-Nikko Copper Inc. (South Korea)

# Metal Production



Hydro-metallurgical Plant

## Precious and Rare Metals

During the term ended March 2002, the Company sold 29 tons of gold, a year-on-year decrease of 5.9%, and 269 tons of silver, an 18.8% decline from the previous year.

Nippon Mining & Metals is the world's second largest producer of indium. The Company sold 23 tons of indium during the term, a decrease of 23.4% compared with the previous term.

## Zinc

The Company's zinc production is carried out by external smelters including Akita Zinc Co., Ltd. (Tokyo, 24% equity), and Hachinohe Smelting Co., Ltd. (Tokyo, 27.81% equity). In the

term under review, the Company sold 98,000 tons of zinc, down 5.6% from the previous term.

## Sulfuric Acid

During the term under review, Nippon Mining & Metals sold 989,000 tons of sulfuric acid to Pan Pacific Copper Co., Ltd., a year-on-year decrease of 32.1%.

## 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, and ceramic materials for electronics (high-purity titanium oxides, fine

powdered nickel). It sold 12,500 tons of titanium metals during the term ended March 2002, an increase of 34.7% over the previous term.



Silver Dendrites



Gold Casting Operations,  
Saganoseki Smelter &  
Refinery



Gold Ingot and Shot



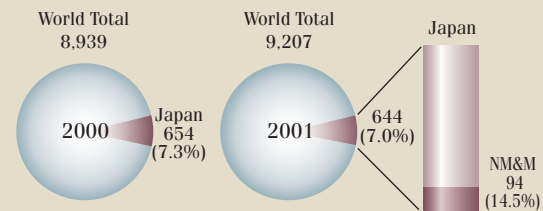
Titanium Sponge Manufacturing  
(Toho Titanium Co., Ltd.)



Rare Metals (Indium, Selenium,  
Bismuth, Tellurium)

### Global Production of Refined Zinc

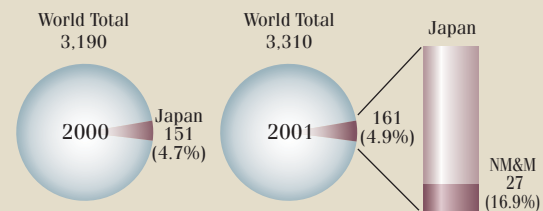
(Thousand Tons)



(Source: ILZSG)

### Global Production of Gold

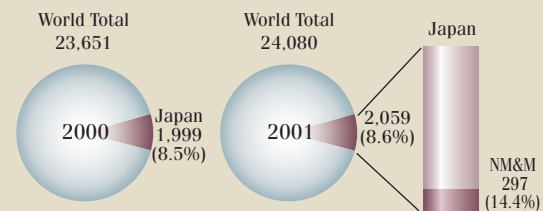
(Tons)



(Source: GFMS 2002)

### Global Production of Silver

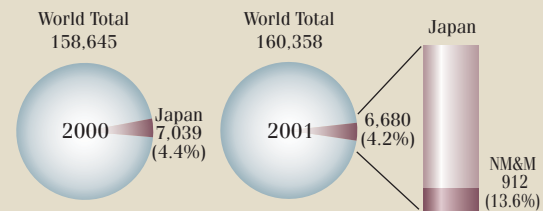
(Tons)



(Source: World Silver Survey 2002 by Silver Institute)

### Global Production of Sulfuric Acid

(Thousand Tons)



(Source: IFA)

# Metal Fabrication

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



Slitter, Kurami Works



Continuous Bright Annealing Line, Kurami Works



Finishing Rolling Mill, Kurami Works

### Fabricated Metal Products

The Nippon Mining & Metals Group is stepping up its program of strategic specialization in metal fabrication by focusing its efforts on offering products with higher added-value and profit margins. At the Kurami Works in Kanagawa Prefecture, we have successfully applied the cutting-edge sub-micron metallurgy to the development of innovative new alloys like high-performance phosphor bronze and high-performance titanium copper, two products already marketed and sold by the Company.

We are also expanding operations in East Asia, the source of much demand for our products and services. As one vital step, Nippon Mining & Metals and Poongsan Corporation, the largest brass mill products manufacturer in

South Korea, entered into a cooperative alliance in brass strip manufacturing and also established a joint venture company to handle the production of tin-plated copper strips.

Additionally, we are planning to further broaden the Company's business base in East Asian markets, particularly in emerging economic giant China. To that end, in June 2001, we established Nippon Mining Shanghai Co., Ltd. (China, 100% group equity), equipped to function as a coil center for the Company in that important Chinese city.

During the term under review, sales of fabricated metal products amounted to 45,000 tons, a year-on-year decline of 30.1%, reflecting a slowdown in demand for IT-related products.

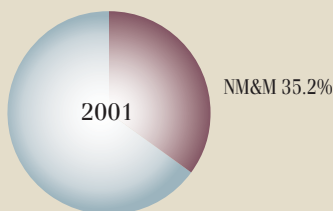


Onsan Plant, Poongsan Corporation (South Korea)



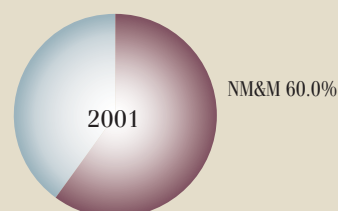
High-Performance Phosphor Bronze

#### Phosphor Bronze Production in Japan



(Source: Japan Copper & Brass Association)

#### Wrought Copper Foil Production in Japan

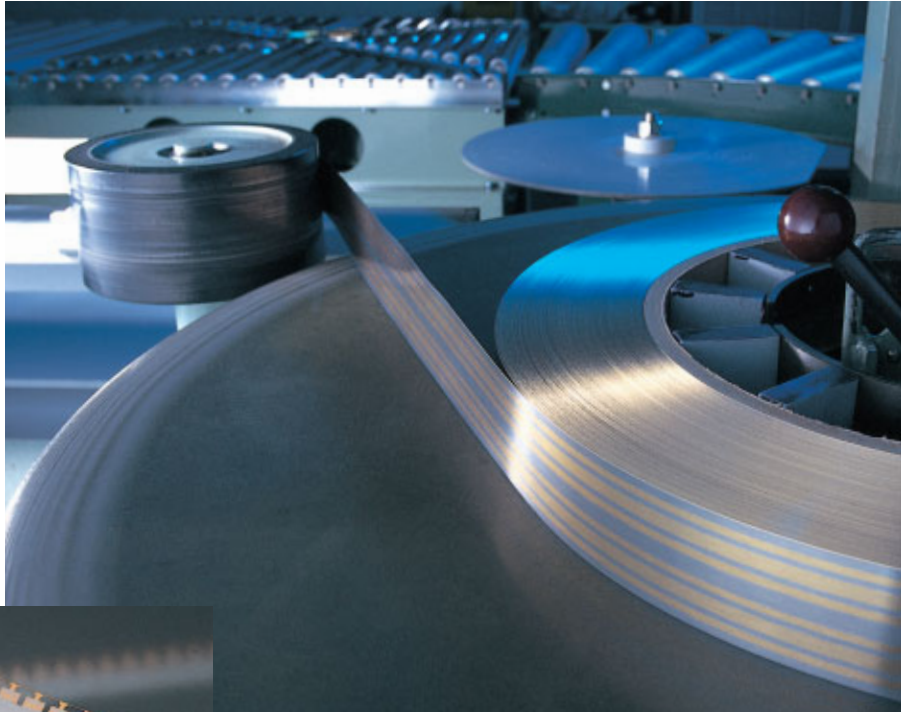


(Source: estimated by the Company)

# Metal Fabrication

## Surface Treatment

In October 2001, the Company transferred its business in high-quality, high-precision gold-plated strips for electronic components to Fuji Electronics Co., Ltd. (Ibaraki, 91.93% equity). Through this transfer, the Company streamlined operations in this business and completed the formation of a business structure that improves delivery time, quality and product development – leading directly to an enhanced level of service for our customers.



High-Precision Gold-Plated Strips



Electron Gun Parts for CRTs



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



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

### Precision Electronic Components

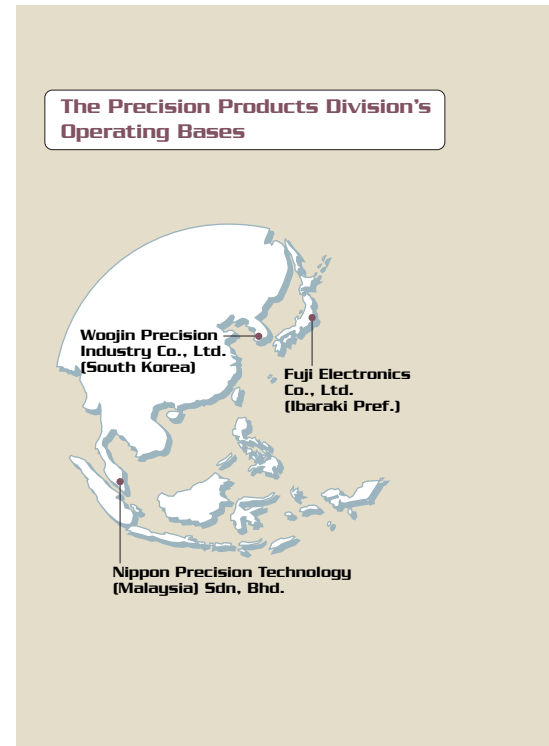
The Nippon Mining & Metals Group produces and markets electron gun parts for CRTs (cathode-ray tubes) and other precision electronic components through its affiliated companies Fuji Electronics Co., Ltd., Woojin Precision Industry Co., Ltd. (South Korea, 85.46% equity), and Nippon Precision Technology (Malaysia) Sdn. Bhd. (79.29% equity). While Woojin Precision Industry performed favorably during the term under review, performance at the other two companies was lackluster for the term.

The Group has a large number of clients in rapidly emerging Southeast Asia, Taiwan and South Korea. On the road ahead, Nippon Mining Singapore

Pte. Ltd. (100% group equity), Nippon Mining Taiwan Co., Ltd. (100% group equity) and newly established Nippon Mining Shanghai are set to become increasingly important processing and marketing bases for the fabricated metal product needs of overseas customers in this increasingly prominent region.



Nippon Precision Technology (Malaysia) Sdn. Bhd.



### Bolstering Business Foundations in East Asian Markets

The Nippon Mining & Metals Group counts many overseas customers in fast-growing markets such as Southeast Asian countries, 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 in June 2001. To further strengthen its business foundations in this key region, the Company's metal fabrication and sales centers in East Asia have been consolidated under the management of the Group's main trading arm, Nikko Shoji Co., Ltd. (Tokyo, 100% equity), since August 2001.

#### Poongsan Tie-up & Coil Center Establishment



# Recycling & Environmental Services

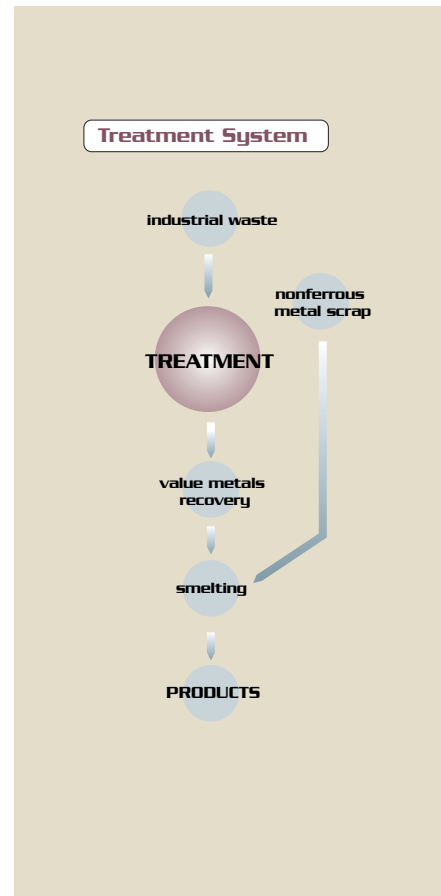
## Promoting Resource Recycling to Protect the Global Environment

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 were carried out at the Hitachi Works, the Saganoseki Smelter & Refinery, Tomakomai

Chemical Co., Ltd. (Hokkaido, 100% group equity), Nikko Tsuruga Recycle Co., Ltd. (Fukui, 100% group equity), and Nikko Mikkaichi Recycle Co., Ltd. (Toyama, 100% equity).

In a bid to further expand the operational scope of recycling & environmental services, improve management efficiency and bolster competitiveness, the Company restructured operations in this business, transferring all industrial waste treatment activities to newly established subsidiary Nikko Environmental Services Co., Ltd. (Ibaraki, 100% equity). In line with this move, we also transferred all stocks of both Tomakomai Chemical Co. and Nikko Tsuruga Recycle Co. to Nikko Environmental Services Co., effectively unifying the Group's industrial waste treatment system. Similarly, the non-ferrous metal scrap collection business was transferred to the Metals Division of Nippon Mining & Metals.



### Total Waste Treatment Volume at Incineration Plant

(Tons)



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



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



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



Incineration Plant, Nikko Environmental Services Co., Ltd.

## 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 efficient network employed by the Nippon Mining & Metals Group for its resource recycling operations throughout Japan.

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



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



Glow Discharge Mass Spectrometer

Mindful of future growth, the Nippon Mining & Metals Group is working constantly to develop innovative technologies and products.

In smelting and refining, the Company collaborates with Mitsui Mining & Smelting, and works on the practical application of hydro-metallurgical processes for primary copper sulfide concentrates based on leaching technology, known as the Intech Copper Process, which the Company participated in developing. During the term under review, we made significant strides in developing a leaching technology and a purification technology for copper and precious metals. We also began development of technology to improve the efficiency of selenium, tellurium and platinum recovery processes.

In metal fabrications, Nippon

Mining & Metals is deeply involved in sub-micron metallurgy and applying the technology to the development of copper and copper alloys. Here, we made advances in the development of high-performance ultra-thin foils as well as those for specialized use as connectors. In its collaboration with Japan Steel Works, Ltd. to improve the quality of invar and raise the efficiency of the invar manufacturing process, the Company has already achieved its objectives. The success of this collaboration can now be witnessed in the number of new products we have already begun to manufacture and market.

In the area of recycling and environmental services, we are currently at work developing technology to facilitate the recovery of valuable metals from discarded office equipment.



Bacteria Culturing Apparatus

### Launch of the bio-mining technology development project

Nippon Mining & Metals reached an agreement with Chile's state-run copper company Codelco to start activities to develop and to introduce biotechnology to mining, and established in June 2002 Bio-Sigma S.A. (Chile, 33% equity) for the promotion of this project. With the support of the Chilean government, this project will conduct research in the areas of genomics, proteomics and bio-informatics to explore the viability of using microorganisms for specific mining industry applications. Such technology would be useful not simply in the mining of low-grade primary ore, but also holds promise for resource recycling applications.

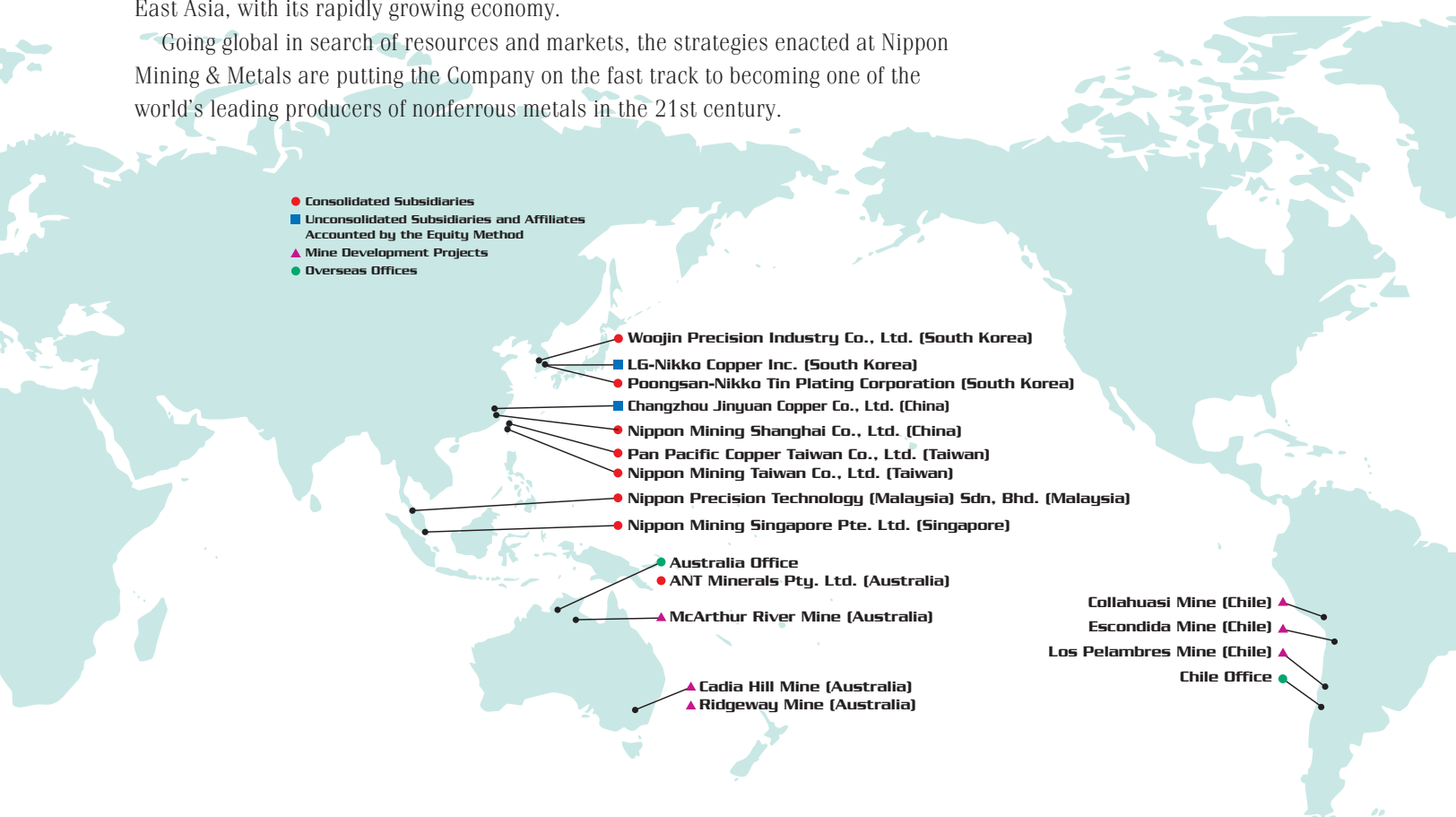


Chuquicamata Mine,  
Codelco Inc. (Chile)

# Global Network

From resources development and production to marketing, every facet of business at Nippon Mining & Metals is globally oriented. Our current overseas activities are focused on South America, and Australia – areas rich in mineral resources – as well as East Asia, with its rapidly growing economy.

Going global in search of resources and markets, the strategies enacted at Nippon Mining & Metals are putting the Company on the fast track to becoming 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)



Changzhou Jinyuan Copper Co., Ltd.  
(China)



Escondida Mine (Chile)

# Nippon Mining Holdings Group

## Efficient management and growth strategies centered on Nippon Mining Holdings

In September 2002, Nippon Mining & Metals and Japan Energy Corporation will jointly establish a holding company, Nippon Mining Holdings, Inc. Nippon Mining & Metals will aggressively pursue its growth strategies, taking advantage of the management resources of the Nippon Mining Holdings Group.

### A Firm Vision Pushing Group Management Forward

The Nippon Mining Holdings Group will strive to maximize corporate and shareholder value by advancing fast, efficient and highly transparent management, and positioning “resources and energy” at the center of its business field.

Paying due attention to global environmental concerns the Group intends to actively pursue development and more efficient use of natural resources.

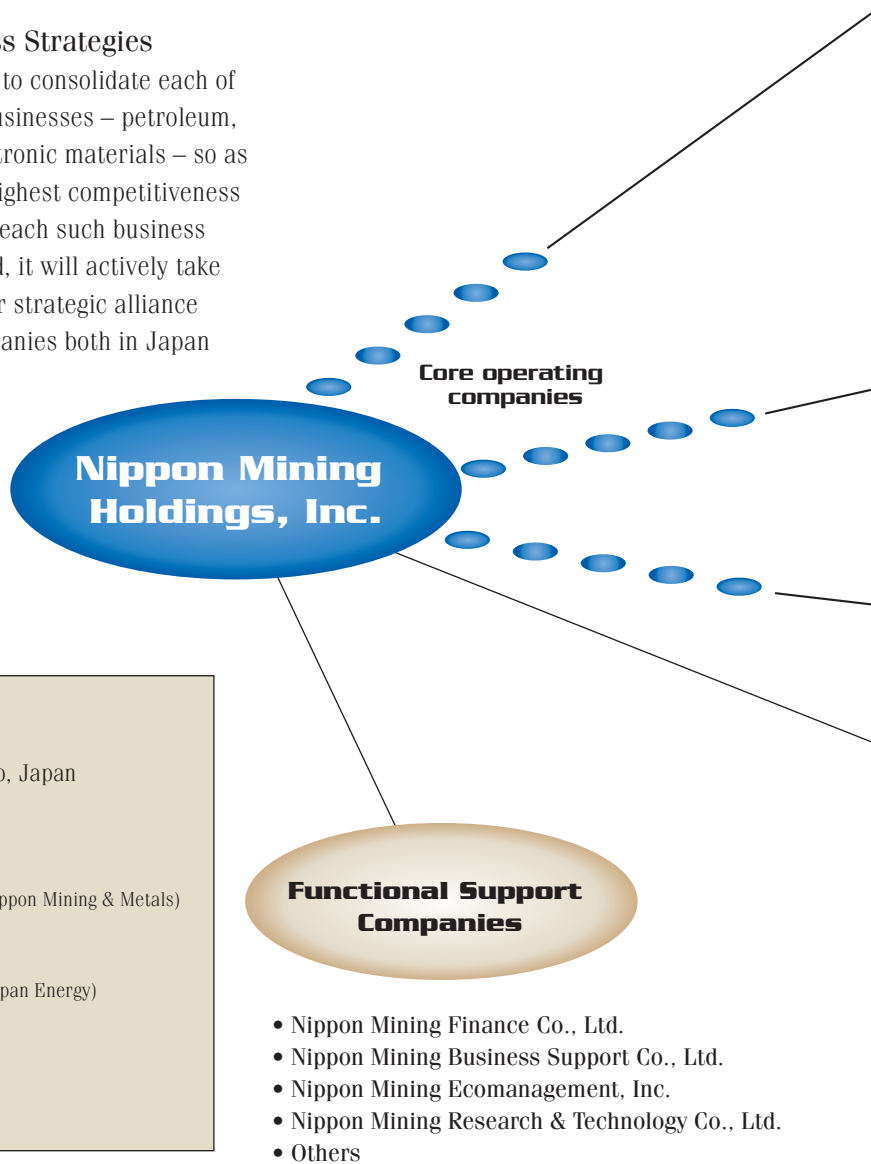
As a group of companies operating in a uniquely diverse range of business areas, it also intends to develop distinctive business models and technology and thereby contribute to economic growth and the development of society.

### Clear Business Strategies

The Group aims to consolidate each of its three core businesses – petroleum, metals and electronic materials – so as to achieve the highest competitiveness and earnings in each such business field. To this end, it will actively take opportunities for strategic alliance with other companies both in Japan

and overseas.

The Group will also improve its overall return on capital through timely and intensive investment in growth areas.



### Outline of the Holding Company

Name	Nippon Mining Holdings, Inc.
Group name	Nippon Mining Holdings Group
Head office	10-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan
Representatives	
<i>Chairman and Representative Director:</i>	
	Takashi Sakamoto (currently Chairman and Representative Director, Nippon Mining & Metals)
<i>President and Representative Director:</i>	
	Akihiko Nomiya (currently Chairman and Representative Director, Japan Energy)
Capital	40 billion yen
Fiscal year end	31st March
Stock Exchange Listings	Tokyo, Osaka, Nagoya

**Nippon Mining & Metals Co., Ltd.**  
Nonferrous Metal Business

- Tatsuta Electric Wire and Cable Co., Ltd.
- Toho Titanium Co., Ltd.
- Japan Korea Joint Smelting Co., Ltd.
- Pan Pacific Copper Co., Ltd.
- Nippon LP Resources B.V.
- Nikko Shoji Co., Ltd.
- Nippon Marine Co., Ltd.
- Others



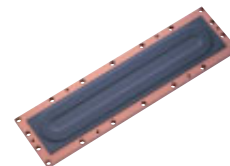
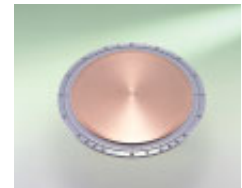
**Japan Energy Co., Ltd.**  
Petroleum Business

- Kashima Oil Co., Ltd.
- Nikko Petrochemicals Co., Ltd.
- Petroleum Retail Marketing Companies (JOMO-NET)
- JOMO Support System Co., Ltd.
- Others



**Nikko Materials Co., Ltd.**  
Electronic Materials Business

- Gould Electronics Inc.
- GNF (Philippines) Inc.
- Others



**Independent Operating Companies**

- am/pm JAPAN Co., Ltd.
- JAPAREN Co., Ltd.
- Central Computer Services Co., Ltd.
- Others

# Board of Directors & Corporate Auditors

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***Chairman of the Board & Representative Director***

---

TAKASHI SAKAMOTO

---

***Deputy Chairman & Representative Director***

---

YASUYUKI SHIMIZU

---

***President & Representative Director***

---

KAZUO OKI

---

***Directors***

---

SATOSHI UNO  
TAKESHI KURUSHIMA  
TORU KIHARA  
KEIICHI SATO  
HIDEOKI YAMAMOTO  
YUJI SHIMIZU

---

***Corporate Auditors***

---

SOTA KOBAYASHI  
KENJI UEDA  
ITARU IKEDA

(As of 25th June, 2002)

# Financial Section

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Consolidated Statements of Shareholders' Equity .....	31
Consolidated Statements of Cash Flows .....	32
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## Operating Results

Net sales fell ¥1,763 million, or 0.6%, to ¥297,116 million (US\$2,286 million).

Cost of sales rose ¥9,277 million, or 3.6%, to ¥264,686 million (US\$2,036 million).

The ratio of costs to net sales increased 3.6 percentage points to 89.1%. Selling, general, and administrative expenses rose ¥1,079 million, or 4.8%, to ¥23,415 million (US\$180 million).

The ratio of SG&A expenses to net sales rose 0.4 percentage points to 7.9%.

Income from operations fell ¥12,069 million, or 57.2%, to ¥9,015 million (US\$69 million) due to factors such as decline in metal prices and sluggish demand of fabricated copper from the metal processing industry.

Income before special items fell ¥9,661 million, or 43.2%, to ¥12,703 million (US\$98 million) due primarily to the above-mentioned decline in prices and sales amounts of fabricated metal products,

although income from LG-Nikko Copper Inc. increased income from operations.

As a result, net income fell ¥4,956 million, or 46.7%, to ¥5,653 million (US\$43 million), and return on equity fell 6.0 percentage points to 5.8%. Earnings per share (before dilution) fell ¥21.59 to ¥24.63 (US\$0.19).

## Financial Position

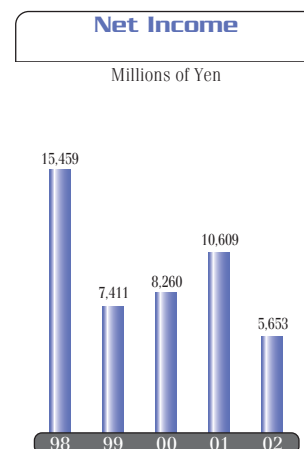
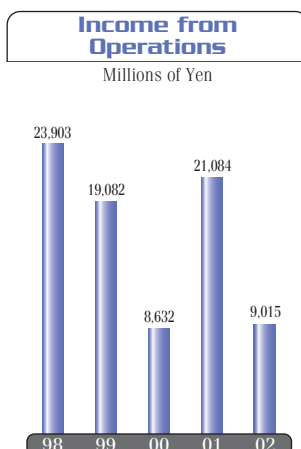
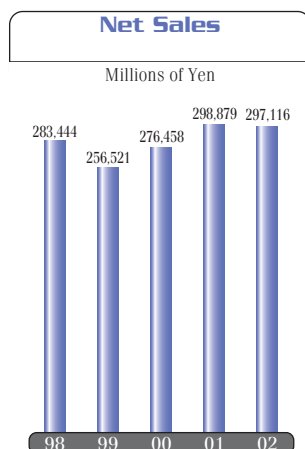
During the term, total assets rose ¥22,174 million, or 6.8%, to ¥346,377 million (US\$2,664 million).

Current assets increased ¥2,328 million, or 1.8%, to ¥129,752 million (US\$998 million).

Investments and advances increased ¥15,542 million, or 19.7%, to ¥94,237 million (US\$724 million).

Property, plant and equipment rose ¥1,413 million, or 1.4%, to ¥104,754 million (US\$806 million).

Current liabilities increased ¥5,526 million, or



4.0%, to ¥143,821 million (US\$1,106 million). Long-term liabilities increased ¥4,854 million, or 5.9%, to ¥87,102 million (US\$670 million).

Shareholders' equity rose ¥9,181 million, or 9.9%, to ¥102,137 million (US\$786 million), while the equity ratio rose 0.8 percentage points to 29.5%. Shareholders' equity per share increased ¥40.00 or 9.9% to ¥444.96.

### Cash Flows

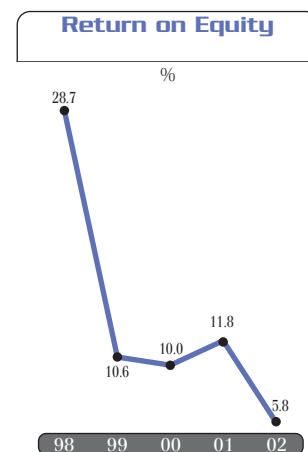
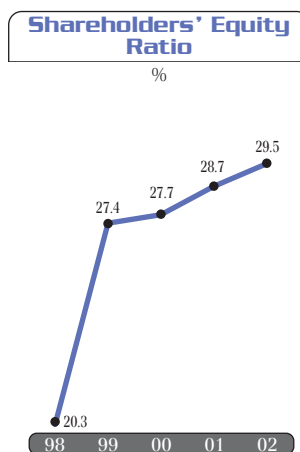
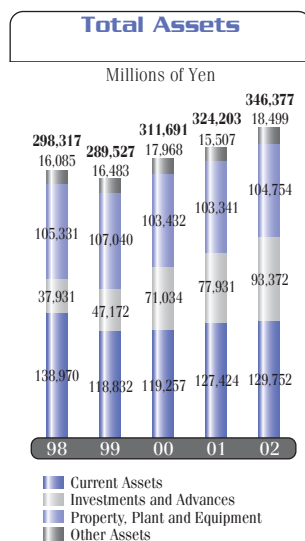
Net cash provided by operating activities amounted to ¥19,300 million (US\$148 million), due mainly to ¥11,278 million in income before income taxes and minority interests, reflecting decline in operating income despite decrease of notes and accounts receivable.

Net cash used in investing activities came to ¥15,357 million (US\$118 million), mainly due to ¥8,139 million in payments for the purchase of property, plant and equipment, and a ¥9,716 million

increase in long-term loans receivable.

Net cash provided by financing activities came to ¥414 million (US\$3 million).

As a result, cash and cash equivalents, including the effect of foreign exchange translation and inclusion of newly consolidated subsidiaries, rose ¥5,979 million during the term and stood at ¥12,785 million (US\$98 million) at the term end.



# Consolidated Balance Sheets

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
As at 31st March, 2002 and 2001

<b>Assets</b>	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Current Assets:</b>			
Cash in hand and at banks (Notes 4 and 6).....	¥ 12,284	¥ 6,085	\$ 94,492
Marketable securities (Note 5).....	501	1,856	3,854
Notes and accounts receivable .....	36,228	43,967	278,677
Less: allowance for doubtful accounts .....	(340)	(313)	(2,616)
	<u>35,888</u>	<u>43,654</u>	<u>276,061</u>
Inventories .....	66,742	66,716	513,400
Deferred income taxes (Note 7).....	2,107	1,542	16,208
Other current assets .....	12,230	7,571	94,077
	<u>129,752</u>	<u>127,424</u>	<u>998,092</u>
<b>Investments and Advances:</b>			
Investment securities (Notes 5 and 6).....	67,052	58,757	515,785
Long-term loans .....	20,994	15,419	161,492
Other investments (Note 6) .....	5,326	3,755	40,969
	<u>93,372</u>	<u>77,931</u>	<u>718,246</u>
<b>Property, Plant and Equipment (Note 6):</b>			
At cost.....	198,955	187,822	1,530,423
Less: accumulated depreciation .....	(94,201)	(84,481)	(724,623)
	<u>104,754</u>	<u>103,341</u>	<u>805,800</u>
<b>Intangibles and Deferred Charges:</b>			
Mining rights.....	14,934	12,234	114,877
Deferred income taxes (Note 7).....	542	437	4,169
Other .....	3,023	2,836	23,254
	<u>18,499</u>	<u>15,507</u>	<u>142,300</u>
	<u>¥346,377</u>	<u>¥324,203</u>	<u>\$2,664,438</u>

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

<b>Liabilities, Minority Interest and Shareholders' Equity</b>	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Current Liabilities:</b>			
Short-term debt (Note 6) .....	¥ 97,031	¥ 92,788	\$ 746,392
Notes and accounts payable .....	32,761	29,714	252,008
Accrued income taxes (Note 7) .....	1,943	5,932	14,946
Other current liabilities .....	12,086	9,861	92,969
	<u>143,821</u>	<u>138,295</u>	<u>1,106,315</u>
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 6) .....	77,553	73,373	596,561
Deferred income taxes (Note 7) .....	2,813	2,646	21,638
Accrued retirement benefits .....	5,578	4,596	42,908
Other long-term liabilities .....	1,158	1,633	8,908
	<u>87,102</u>	<u>82,248</u>	<u>670,015</u>
<b>Contingent Liabilities (Note 11)</b>			
<b>Minority Interest in Consolidated Subsidiaries .....</b>	<b>13,317</b>	<b>10,704</b>	<b>102,439</b>
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized: 800,000,000 shares at 31st March, 2002 and 2001			
Issued: 229,544,206 shares at 31st March, 2002 and 2001 .....	34,997	34,997	269,208
Additional paid-in capital .....	9,405	9,405	72,346
Retained earnings (Note 14 (1)) .....	53,874	50,556	414,415
Unrealized gain on securities .....	1,185	—	9,115
Foreign currency translation adjustment .....	2,676	(2,002)	20,585
	<u>102,137</u>	<u>92,956</u>	<u>785,669</u>
Less: treasury stock .....	(0)	(0)	(0)
	<u>102,137</u>	<u>92,956</u>	<u>785,669</u>
	<u>¥346,377</u>	<u>¥324,203</u>	<u>\$2,664,438</u>

# Consolidated Statements of Income

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
Net Sales .....	¥297,116	¥298,879	\$2,285,508
Cost of Sales .....	264,686	255,459	2,036,046
Gross profit .....	32,430	43,420	249,462
Selling, General and Administrative Expenses.....	23,415	22,336	180,116
Income from operations.....	9,015	21,084	69,346
<b>Other Income (Expenses):</b>			
Interest and dividend income.....	1,721	1,887	13,238
Interest expense.....	(3,146)	(3,619)	(24,200)
Equity in earnings of unconsolidated subsidiaries and affiliates .....	5,522	3,732	42,477
Other — net.....	(409)	(720)	(3,146)
Income before special items .....	12,703	22,364	97,715
<b>Special Profit (Loss):</b>			
Loss on sales or disposal of property, plant and equipment.....	512	(80)	3,939
Loss on write-down of investment securities .....	(548)	—	(4,215)
Profit on sale of investment securities.....	601	11	4,623
Compensation for moving of facilities .....	604	—	4,646
Loss on liquidation of affiliates .....	—	(270)	—
Loss on sale and write-down of other investments .....	(82)	(492)	(631)
Provision for retirement benefits.....	(1,071)	(1,071)	(8,238)
Additional benefits for employees' early retirement.....	(705)	(454)	(5,423)
Exchange loss.....	—	(134)	—
Loss resulting from bad debts .....	(494)	—	(3,800)
Other — net.....	(242)	(2)	(1,862)
Income before income taxes and minority interest .....	11,278	19,872	86,754
<b>Income Taxes (Note 7):</b>			
Current.....	4,937	8,944	37,977
Deferred.....	(1,100)	(1,611)	(8,462)
	3,837	7,333	29,515
Minority Interest in Earnings of Consolidated Subsidiaries.....	1,788	1,930	13,754
Net income .....	¥ 5,653	¥ 10,609	\$ 43,485
		Yen	U.S. Dollars (Note 3)
<b>Per Share (Note 2 (12)):</b>			
Net income			
Basic .....	¥ 24.63	¥ 46.22	\$ 0.19
Diluted .....	¥ 23.63	¥ 44.46	\$ 0.18
Cash dividends			
Per common share .....	¥ 10.00	¥ 10.00	\$ 0.08

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

# Consolidated Statements of Shareholders' Equity

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2002 and 2001

	Millions of Yen							
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustment	Treasury stock	
<b>Balance at 31st March, 2000</b> .....	229,544,206	¥34,997	¥9,405	¥42,054	¥ —	¥ —	¥(0)	
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 adjustment .....	—	—	—	—	—	(2,002)	—	
<b>Balance at 31st March, 2001</b> .....	229,544,206	¥34,997	¥9,405	¥50,556	¥ —	¥(2,002)	¥(0)	
Net income for the year .....	—	—	—	5,653	—	—	—	
Cash dividends paid .....	—	—	—	(2,295)	—	—	—	
Bonuses to directors .....	—	—	—	(40)	—	—	—	
Unrealized gain on securities .....	—	—	—	—	1,185	—	—	
Foreign currency translation adjustment .....	—	—	—	—	—	4,672	—	
<b>Balance at 31st March, 2002</b> .....	<u>229,544,206</u>	<u>¥34,997</u>	<u>¥9,405</u>	<u>¥53,874</u>	<u>¥1,185</u>	<u>¥ 2,676</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	Unrealized gain on securities	Foreign currency translation adjustment	Treasury stock	
<b>Balance at 31st March, 2001</b> .....	229,544,206	\$269,208	\$72,346	\$388,892	\$ —	\$(15,400)	\$(0)	
Net income for the year .....	—	—	—	43,485	—	—	—	
Cash dividends paid .....	—	—	—	(17,654)	—	—	—	
Bonuses to directors .....	—	—	—	(308)	—	—	—	
Unrealized gain on securities .....	—	—	—	—	9,115	—	—	
Foreign currency translation adjustment .....	—	—	—	—	—	35,985	—	
<b>Balance at 31st March, 2002</b> .....	<u>229,544,206</u>	<u>\$269,208</u>	<u>\$72,346</u>	<u>\$414,415</u>	<u>\$9,115</u>	<u>\$ 20,585</u>	<u>\$(0)</u>	

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

# Consolidated Statements of Cash Flows

Nippon Mining & Metals Company, Limited and Consolidated Subsidiaries  
For the years ended 31st March, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interest .....	¥11,278	¥19,872	\$ 86,754
Adjustments for:			
Depreciation and amortization .....	10,526	10,264	80,969
Provision for retirement benefits.....	1,036	1,230	7,969
Interest and dividend income.....	(1,721)	(1,887)	(13,238)
Interest expense.....	3,146	3,619	24,200
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(5,522)	(3,732)	(42,477)
Decrease in notes and accounts receivable .....	8,281	1,018	63,700
Decrease / (Increase) in inventories.....	294	(4,203)	2,262
Increase in notes and accounts payable .....	2,639	5,197	20,300
Other .....	(2,672)	780	(20,554)
Sub total.....	27,285	32,158	209,885
Interest and dividend income received .....	4,094	2,596	31,492
Interest paid.....	(3,120)	(3,514)	(24,000)
Income taxes paid .....	(8,959)	(7,297)	(68,916)
Net cash provided by operating activities .....	19,300	23,943	148,461
<b>Cash Flows from Investing Activities:</b>			
Payment for purchase of property, plant and equipment .....	(8,139)	(9,429)	(62,608)
Proceeds from sale of property, plant and equipment.....	1,930	161	14,846
Proceeds from sale of investment securities.....	1,225	540	9,423
Payment for purchase of investment securities .....	(1,588)	(2,171)	(12,215)
Proceeds from redemption of investment securities .....	1,200	—	9,231
Decrease / (Increase) in long-term loans receivable.....	(9,597)	2,443	(73,823)
Other .....	(388)	41	(2,985)
Net cash used in investing activities.....	(15,357)	(8,415)	(118,131)
<b>Cash Flows from Financing Activities:</b>			
Decrease / (Increase) in short-term debt (net) .....	(6,174)	407	(47,492)
Proceeds from extension of long-term debt.....	19,085	9,600	146,808
Repayment of long-term debt.....	(8,537)	(22,767)	(65,669)
Cash dividends paid.....	(2,295)	(2,065)	(17,654)
Cash dividends paid to minorities .....	(661)	(44)	(5,085)
Proceeds from issuance of common stock by minority shareholders.....	—	91	—
Other .....	(1,004)	3	(7,723)
Net cash provided by (used in) financing activities.....	414	(14,775)	3,185
Effect of Exchange Rate Changes on Cash and Cash Equivalents ...	346	214	2,662
Net Increase in Cash and Cash Equivalents .....	4,703	967	36,177
Cash and Cash Equivalents at Beginning of Year .....	6,806	5,455	52,354
Adjustment for the Effect of Newly Consolidated Subsidiaries on Cash and Cash Equivalents .....	1,276	384	9,815
Cash and Cash Equivalents at End of Year.....	¥12,785	¥ 6,806	\$ 98,346

The accompanying notes are an integral part of these financial 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 and the Securities and Exchange Law of Japan, 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 the 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 publicly-owned company in Japan. Transactions or account balances of a material nature that the Company has with JEC are summarized below:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Transactions:			
Sale of products.....	<u>¥3,259</u>	<u>¥6,922</u>	<u>\$25,069</u>
Purchase of raw materials.....	<u>¥ 30</u>	<u>¥ 604</u>	<u>\$ 231</u>
Account balances:			
Accounts receivable.....	<u>¥ 384</u>	<u>¥ 475</u>	<u>\$ 2,954</u>
Accounts payable.....	<u>¥ 5</u>	<u>¥ 2</u>	<u>\$ 38</u>

All other transactions between the Company and JEC are in significant.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

As at 31st March, 2002, the consolidated financial statements include the accounts of the Company and its 30 significant subsidiaries (21 domestic subsidiaries and 9 overseas subsidiaries). All significant intercompany accounts and transactions and unrealized profit among the Companies, if any, have been eliminated on consolidation.

The remaining unconsolidated subsidiaries would have no material effect on the consolidated financial statements of the Companies if they were consolidated, so have therefore been excluded.

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

The investments in 1 unconsolidated subsidiary and 15 major affiliates (companies in which the Company exercises influence) have been accounted for using 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) Revaluation of the Assets and Liabilities of Subsidiaries

All of the assets and liabilities of subsidiaries were marked to fair value as of the acquisition date on the commencement control.

### (4) Cash and Cash Equivalents

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

(5) **Allowance for Doubtful Accounts**

An allowance for doubtful accounts is provided at an amount considered sufficient to cover possible losses on collection.

(6) **Inventories**

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

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

In the year ended 31st March, 2002, the Company changed its inventory valuation method for platinum and palladium from the last-in first-out method to the first-in, first-out method. The reason for this change was that increase-in-quantity stable production of these products was checked from transition of the production situation by the end of a pre-connection fiscal year, it is carried out by adjusting other precious metals (gold and silver) and evaluation methods in order to calculate the cost price which suited the actual condition more, and in order to effect on improvement in internal management, and a means of comparison with other companies in the same trade.

As a result of this change, "Inventories" have increased by ¥589 million (\$4,531 thousand) and "Income before income taxes and minority interest" for this fiscal year has increased by the same amount, as compared with the amounts which would have been reported if the previous method had been applied consistently.

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

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

The estimated useful lives for depreciation purposes fall into the following ranges:

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.

(8) **Financial Instruments**

(a) **Derivatives**

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

(b) **Securities**

Securities held by the Company and its subsidiaries are classified into two categories:

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

'Other securities' for which market quotations are available are stated at fair value, and net unrealized gains or losses on these securities are reported as a separate item within, "Shareholders' equity" at a net-of-tax amount.

Until the year ended 31st March, 2001, 'Other securities' for which market quotations were available were valued at moving-average cost. However effective from the year ended 31st March, 2002, the Company and its subsidiaries adopted the new Japanese accounting standard financial instrument effective for periods beginning on or after 1st April, 2001. Under the standard, as a result of adopting of the new standard, unrealized gains on securities increased by ¥1,185 million (\$9,115 thousand), as compared with the amount which would have been reported if the previous standard had been applied consistently, but there was no impact on the consolidated statements of income.

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

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or 'Other securities' has declined significantly, and such impairment of value is not deemed temporary, such securities are written-down to 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 the fair value of derivatives designated as “hedging instruments” are deferred as an asset or liability and included in net profit or loss in the same period in which the gains and losses on the hedged items or transactions are recognized.

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

The Company has a policy of utilizing 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 hedging instruments are limited to, at maximum, the amount of the hedged items.

The Company evaluates the 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.

**(9) Income Taxes**

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

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

**(10) Retirement Plan**

(a) **Retirement Benefits to Employees**

The reserve for retirement benefits provided for by the Company and its subsidiaries as of 31st March, 2002 and 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except for the unrecognized transition amount arising from adopting the new Japanese accounting standard for retirement benefits, effective for periods beginning on or after 1st April, 2000, of ¥5,354 million at 1st April, 2000 (the beginning of the year), and the unrecognized prior service cost which are being amortized on a straight-line basis over 5 years, and unrecognized actuarial differences which are being amortized on a straight-line basis over a period of 5 years from the year following that in which they arise.

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

The Company and its subsidiaries have provided an accrual for retirement benefits payable to Directors and Corporate Auditors at an amount equivalent to 100 percent of the benefits that the Company and its subsidiaries would have been required to pay, had all eligible Directors and Corporate Auditors retired at the year-end date.

“Accrued Retirement Benefits” in the accompanying consolidated balance sheets includes an accrual for retirement benefits to Directors and Corporate Auditors, of ¥747 million (\$5,746 thousand) and ¥838 million at 31st March, 2002 and 2001, respectively.

**(11) Accounting for Finance Leases**

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

However, all the finance leases of overseas consolidated subsidiaries are recognized as sales/purchases of assets in installment payments.

**(12) 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 229,543,391 and 229,544,000 for the years ended 31st March, 2002 and 2001, respectively.

Diluted net income per share assumes full conversion of outstanding convertible notes at the beginning of the year (or at the time of issuance, if after the beginning of the year) with an applicable adjustment for the 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 239,236,985 and 238,605,442 for the year ended 31st March, 2002 and 2001.

Cash dividends per share shown in the consolidated 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 ¥130=U.S.\$1, the approximate rate of exchange prevailing at 31st March, 2002 was used for 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 or any other rate.

### 4. Cash and Cash Equivalents

"Cash and Cash equivalents" as at 31st March, 2002 and 2001 consisted of:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash in hand and at banks.....	¥12,284	¥6,085	\$94,492
Marketable securities.....	501	721	3,854
Cash and cash equivalents .....	<u>¥12,785</u>	<u>¥6,806</u>	<u>\$98,346</u>

### 5. Marketable Securities and Investment Securities

A comparison of the aggregate cost and fair value of 'Other securities' for which market quotations are available at 31st March, 2002 is as follows:

	Millions of Yen			
	Cost	Fair value (Carrying value)	Net unrealized gains	Net unrealized losses
Equity securities .....	¥6,464	¥8,414	¥2,630	¥680
Debt securities.....	—	—	—	—
Other.....	—	—	—	—
	<u>¥6,464</u>	<u>¥8,414</u>	<u>¥2,630</u>	<u>¥680</u>

	Thousands of U.S. Dollars			
	Cost	Fair value (Carrying value)	Net unrealized gains	Net unrealized losses
Equity securities .....	¥49,723	¥64,723	¥20,231	¥5,231
Debt securities.....	—	—	—	—
Other.....	—	—	—	—
	<u>¥49,723</u>	<u>¥64,723</u>	<u>¥20,231</u>	<u>¥5,231</u>

Proceeds from sale of 'Other securities' were ¥1,225 million (\$9,423 thousand) and ¥26 million for the year ended 31st March, 2002 and 2001, respectively. Gross realized gains on these sales computed on the moving-average cost basis, were ¥601 million (\$4,623 thousand) and ¥11 million for the year ended 31st March, 2002 and 2001, respectively.

The aggregate carrying value of 'Other securities' for which market quotations are not available was ¥4,267 million (\$32,823 thousand) and ¥4,598 million as at 31st March, 2002 and 2001, respectively.

Investments in unconsolidated subsidiaries and affiliates amounted is ¥54,872 million (\$422,092 thousand) and ¥47,840 million as at 31st March, 2002 and 2001, respectively.

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

Short-term debt consists principally of bank overdrafts, bearing interest at annual rates ranging from 0.3 percent to 7.8 percent and from 0.1 percent to 7.8 percent as at 31st March, 2002 and 2001, respectively.

Short-term debt as at 31st March, 2002 and 2001 was as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Bank:			
Collateralized.....	¥ —	¥ 80	\$ —
Unsecured .....	78,895	84,989	606,885
Current portion of long-term debt.....	18,136	7,719	139,508
	<u>¥97,031</u>	<u>¥92,788</u>	<u>\$746,392</u>

Long-term debt as at 31st March, 2002 and 2001 was as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Payable to banks, insurance companies and others, with interest rates as shown in (*1) below			
Collateralized.....	¥36,218	¥40,874	\$ 278,600
Unsecured .....	52,811	33,558	406,238
	89,029	74,432	684,838
Zero coupon unsecured convertible notes due 2003 with provision as shown in (*2) below .....	6,660	6,660	51,231
Less: Amounts due within one year .....	(18,136)	(7,719)	(139,508)
	<u>¥77,553</u>	<u>¥73,373</u>	<u>\$ 596,561</u>

For the years ended 31st March, 2002 2001

(\*1) Interest rates 0.6 per cent. to 6.8 per cent. 1.8 per cent. to 7.4 per cent.

(\*2) Conversion into shares of common stock through 16th September, 2003 at the current conversion price per share of ¥662 (\$5.1) (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
2003.....	¥18,136	\$139,508
2004.....	19,806	152,354
2005.....	13,719	105,531
2006.....	9,259	71,223
2007 and thereafter .....	28,109	216,222
	<u>¥89,029</u>	<u>\$684,838</u>

Assets pledged as collateral for short-term debt, long-term debt and guarantees as at 31st March, 2002 and 2001 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash at banks.....	¥ —	¥ 274	\$ —
Investment securities .....	13,017	13,498	100,131
Property, plant and equipment (at net book value) .....	61,782	65,757	475,246
Other investments.....	161	—	1,238
	<u>¥74,960</u>	<u>¥79,529</u>	<u>\$ 576,615</u>

## 7. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in aggregate, resulted in statutory tax rates of approximately 41.7% for the years ended 31st March, 2002 and 2001. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

Significant components of deferred tax assets and liabilities as at 31st March, 2002 and 2001 were as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Accrued enterprise tax .....	¥ —	¥ 498	\$ —
Accrued bonuses to employees .....	427	422	3,284
Accrued retirement benefits to directors and corporate auditors .....	280	343	2,154
Accrued retirement benefits to employees .....	1,155	849	8,885
Net operating loss carryforwards .....	7,514	—	57,800
Other .....	1,633	2,089	12,561
Total gross deferred tax assets .....	¥11,009	4,201	84,684
Less: valuation allowance .....	(6,528)	(786)	(50,215)
Net deferred tax assets .....	4,481	3,415	34,469
Deferred tax liabilities:			
Reserve for tax purposes .....	(3,355)	(3,553)	(25,808)
Unrealized gain on marketable securities .....	(814)	—	(6,261)
Other .....	(820)	(545)	(6,308)
Total gross deferred tax liabilities .....	(4,989)	(4,098)	(38,377)
Net deferred tax liabilities .....	¥ (508)	¥ (683)	\$ (3,908)

In assessing the realizability of deferred tax assets, management of the Company considers whether it is more likely than not that some portion of them 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 therefore assured, management has considered the Company's projected future taxable income in making its assessment, and believes that it is more likely than not that the Company will realize the benefit of these deductible differences, net of the existing valuation allowances as at 31st March, 2002 and 2001.

A reconciliation between the effective tax rate and the statutory tax rate for the years ended 31st March, 2002 and 2001 is as follows:

	2002	2001
Statutory tax rate .....	41.7%	41.7%
Add / (Deduct):		
Equity in earnings of unrecognized subsidiaries and affiliates .....	(20.4)	(7.8)
Valuation allowance recognized on current losses of subsidiaries .....	5.0	2.8
Influence of eliminating dividend income .....	9.1	—
Other .....	(1.4)	0.2
Effective rate .....	<u>34.0%</u>	<u>36.9%</u>

## 8. Leases

The Companies use certain machinery and equipment and other assets under finance lease contracts. Total lease payments were ¥241 million (\$1,854 thousand) and ¥256 million for the years ended 31st March, 2002 and 2001, respectively.

Proforma information regarding the leased property, such as the acquisition cost, accumulated depreciation and future minimum lease payments, under these finance leases that do not transfer the ownership of the leased property to the lessee, for the years ended 31st March, 2002 and 2001 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition cost	Accumulated depreciation	Balance as at 31st March, 2002	Balance as at 31st March, 2002
<b>2002</b>				
Machinery and equipment.....	¥ 945	¥557	¥388	\$2,985
Other .....	527	271	256	1,969
	<u>¥1,472</u>	<u>¥828</u>	<u>¥644</u>	<u>\$4,954</u>

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Balance as at 31st March, 2001
<b>2001</b>			
Machinery and equipment.....	¥ 934	¥479	¥455
Other .....	612	301	311
	<u>¥1,546</u>	<u>¥780</u>	<u>¥766</u>

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>31st March,</b>			
The scheduled maturities of future lease payments, including the portion of interest thereon, on such lease contracts as at 31st March, 2002 and 2001 were as follows:			
Due within one year.....	¥228	¥229	\$1,754
Due after more than one year .....	416	537	3,200
	<u>¥644</u>	<u>¥766</u>	<u>\$4,954</u>
Lease rental expenses for the year.....	<u>¥241</u>	<u>¥256</u>	<u>\$1,854</u>

The acquisition cost, and future minimum lease payment figures shown above included the imputed interest expense portion.

Depreciation, which has not been reflected in the accompanying consolidated statements of income, if computed by the straight-line method, would have been ¥241 million (\$1,854 thousand) and ¥256 million for the year ended 31st March, 2002 and 2001, respectively.

## 9. Retirement Benefit Plan

The Company and its consolidated domestic subsidiaries have adopted non-contributory defined benefit pension plans and lump-sum payment plans. Additional employee retirement benefits, which are not required under the current plans, may be paid in certain circumstances. Certain consolidated overseas subsidiaries have adopted lump-sum payment plans.

The reserve for retirement benefits as at 31st March, 2002 and 2001 can be analyzed as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligations.....	¥(11,155)	¥(11,735)	\$(85,808)
Plan assets .....	3,077	3,730	23,669
	(8,078)	(8,005)	(62,139)
Unrecognized transition amount .....	3,212	4,283	24,708
Unrecognized prior service cost.....	134	127	1,031
Unrecognized actuarial differences.....	(99)	(163)	(762)
	(4,831)	(3,758)	(37,162)
Prepaid pension cost .....	—	—	—
	¥ (4,831)	¥ (3,758)	\$(37,162)

The net pension expense relating to retirement benefits for the year ended 31st March, 2002 and 2001 was as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost.....	¥ 841	¥ 815	\$ 6,469
Interest cost .....	210	249	1,615
Expected return on plan assets .....	(70)	(74)	(538)
Amortization of transition amount .....	1,071	1,071	8,239
Amortization of prior service cost.....	25	2	192
Amortization of actuarial differences .....	(33)	—	(254)
	¥2,044	¥2,063	\$15,723

\*Additional benefits for employees' early retirement amounting to ¥705 million (\$5,423 thousand) are excluded from the above figures.

The assumptions used in the calculation of the above information were as follows:

As at 31st March,	2002	2001
Discount rate.....	Mainly, 3.0%	Mainly, 3.0%
Expected rate of return on plan assets .....	Mainly, 3.0%	Mainly, 3.0%
Method of attributing the projected benefits to periods of service.....	straight-line basis	straight-line basis
Amortization of unrecognized prior service cost .....	5 years	5 years
Amortization of unrecognized actuarial differences.....	5 years (effective from next fiscal year)	5 years (effective from next fiscal year)
Amortization of transition amount .....	5 years	5 years

## 10. Derivatives 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 fluctuations in interest rates on borrowings. The Companies use commodity future transactions to hedge against changes in inventory prices.

Gains or losses arising from changes in the fair value of derivatives designated as "hedging instruments" are deferred as an asset or liability, and included in net profit or loss in the same period in which the gains and losses on the hedged items or transactions are recognized. The Company evaluates the 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 assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company's purchasers of hedging instruments are limited to, at maximum, the amount 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 counterparties. However, the Companies do not anticipate non-performance by any counterparties, since all of them are financial institutions with high credit ratings.

At 31st March, 2002 and 2001, there were no derivative contracts outstanding other than hedging accounting.

## 11. Contingent Liabilities

As at 31st March, 2002 and 2001, the Companies were contingently liable for guarantees as follows:

31st March,	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Guarantees for loans from banks .....	¥9,619	¥8,878	\$73,992
Notes receivable-discounted .....	276	88	2,123
Notes receivable-endorsed.....	92	204	708
Other .....	8	27	62

## 12. Segment Information

### (1) Industry Segment Information

The operation of the Company and its consolidated subsidiaries for the years ended 31st March, 2002 and 2001 can be summarized by product group as follows:

Millions of Yen							
For the year ended 31st March, 2002							
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	¥226,890	¥36,911	¥ 3,875	¥14,170	¥15,270	¥ —	¥297,116
Inter-segment sales	9,663	79	22,231	11,550	10,700	(54,223)	—
Total	236,553	36,990	26,106	25,720	25,970	(54,223)	297,116
Operating costs and expenses	229,888	35,596	25,463	25,591	25,786	(54,223)	288,101
Operating income	¥6,665	¥ 1,394	¥ 643	¥ 129	¥ 184	¥ —	¥ 9,015
Assets	¥229,581	¥65,419	¥13,238	¥ 9,333	¥31,267	¥(2,461)	¥346,377
Depreciation	¥ 6,039	¥ 3,153	¥ 608	¥ 194	¥ 532	¥ —	¥ 10,526
Capital expenditure	¥ 4,742	¥ 1,745	¥ 672	¥ 154	¥ 1,357	¥ —	¥ 8,670
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	¥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
Thousands of U.S. Dollars							
For the year ended 31st March, 2002							
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	\$1,745,307	\$283,931	\$ 29,808	\$ 109,000	\$ 117,462	\$ —	\$2,285,508
Inter-segment sales	74,331	607	171,007	88,846	82,309	(417,100)	—
Total	1,819,638	284,538	200,815	197,846	199,771	(417,100)	2,285,508
Operating costs and expenses	1,768,369	273,815	195,869	196,854	198,355	(417,100)	2,216,162
Operating income	\$ 51,269	\$ 10,723	\$ 4,946	\$ 992	\$ 1,416	\$ —	\$ 69,346
Assets	\$1,766,008	\$503,223	\$101,831	\$ 71,792	\$240,515	\$(18,931)	\$2,664,438
Depreciation	\$ 46,454	\$ 24,254	\$ 4,677	\$ 1,492	\$ 4,092	\$ —	\$ 80,969
Capital expenditure	\$ 36,477	\$ 13,423	\$ 5,169	\$ 1,185	\$ 10,438	\$ —	\$ 66,692

\*As described in Note 2. (6), during the year ended 31st March, 2002, the Company changed its inventory valuation method for platinum and palladium from the last-in first-out method to the first-in first-out method.

As a result of this change, "Operating income" for the year ended 31st March, 2002 in the "Metal production" segment increased by ¥589 million (\$4,351 thousand) and "Assets" increased by the same amount as compared with the previous method.

(2) **Geographic Segment Information**

Segment information classified by geographic area has been omitted because the majority of the Companies' operations are performed in Japan.

(3) **Export Sales and Sales by Overseas Subsidiaries**

Millions of Yen							
For the year ended 31st March, 2002	Asia	North America	Europe	Oceania	South America	Africa	Total
Overseas sales .....	¥66,924	¥3,644	¥54	¥18	¥480	¥541	¥ 71,661
Consolidated sales.....	—	—	—	—	—	—	297,116
Ratio .....	22.5%	1.2%	0.0%	0.0%	0.2%	0.2%	24.1%
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%

Thousands of U.S. Dollars							
For the year ended 31st March, 2002	Asia	North America	Europe	Oceania	South America	Africa	Total
Overseas sales .....	\$514,800	\$28,031	\$415	\$138	\$3,692	\$4,162	\$ 551,238
Consolidated sales.....	—	—	—	—	—	—	2,285,508

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

**13. Related Party Transactions**

Material transactions between the Company and its related companies and individuals, excluding transactions with consolidated subsidiaries which have been eliminated in the consolidated financial statements, and other than those disclosed elsewhere in these financial statements, for the years ended 31st March, 2002 and 2001 were as follows:

Name of related company	Paid-in capital	Principal business	Equity ownership percentage by the Company	Description of the Company's transactions	Millions of Yen / Thousands of U.S. Dollars				
					Transactions		Resulting accounting balance		
					For the years ended 31st March,		Account	At 31st March,	
2002	2001	2002	2001						
ANT Minerals Pty. Ltd. (Australia)	A\$185,998 thousand	Investment in McArthur River Mine	60%	Loans made	¥— (\$ —)	¥—	Long-term loans	¥— (\$ —)	¥6,705

ANT Minerals Pty. Ltd. has been included in the consolidated financial statements effective from the year ended 31st March, 2002, because of the increase in the equity ownership percentage by the Company from 50% to 60%.

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

## 14. Subsequent Events

### (1) Appropriation of Retained Earnings

The appropriation of retained earnings of the Company, including cash dividends applicable to the year ended 31st March, 2002, which was proposed by the Board of Directors and approved at the shareholders' meeting held on 25th June, 2002, was for the purpose of paying cash dividends to shareholders on the register at 31st March, 2002, in the aggregate amount of ¥1,147 million (\$8,823 thousand) (¥5 per share) and bonuses to directors in the aggregate amount of ¥40 million (\$308 thousand).

### (2) Establishment of a Joint Holding Company

The Company and Japan Energy Corporation have been approved the establishment of a joint holding company using the share transfer method, by each company's General Shareholders' Meeting. The outlines are as follows.

#### Purpose

In the face of the rapidly globalizing economy, Japanese corporations are required to restructure its management structure in order to be able to respond swiftly and appropriately to changing circumstances.

The two companies will establish a joint holding company (the Holding Company) to meet this challenge. The two companies, under supervision of the Holding Company, will pursue its growth strategy independently and more actively than before, building on the group's management resources, through conducting a range of business with the Petroleum, Non-ferrous metals and Electronic materials industries as its core business.

#### Name of the Holding Company

Nippon Mining Holdings, Inc.

#### Location of Head Office

10-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan

#### Number of Shares to be Issued

848 million shares

#### Allotment Ratios for Share Transfer

The number of the Holding Company's shares that will be allotted to the shareholders of each company in connection with the share transfer will be as follows:

1.27 Holding Company's share to one the Company share

0.5 Holding Company's shares to one Japan Energy Corporation share

#### Share Transfer Delivery Consideration

The Holding Company plans to pay a share transfer delivery consideration of ¥5 to each share of the Company, and ¥2 to each share of Japan Energy Corporation held by the shareholders registered on each company's final list of shareholders as of the date immediately before the date the share transfer should be made.

#### Capital

40 billion yen

#### Date of Incorporation

27th September, 2002

#### Representative

Chairman and Representative Director: Takashi Sakamoto

(Currently Chairman and Representative Director, Nippon Mining & Metals Co., Ltd.)

President and Representative Director: Akihiko Nomiyama

(Currently Chairman and Representative Director, Japan Energy Corporation)

# 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, 2002 and 2001, 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, 2002 and 2001, 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, except for the change, with which we concur, made as of 31st March, 2002 in the method of accounting for valuation of platinum and palladium inventories as described in Note 2. (6).

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  
25th June, 2002

# Group of Companies

(As of 1st July, 2002)

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## Metal Production (Resources Development)

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### ◆ TOYOHA MINES CO., LTD.

Line of Business: Mining of lead, zinc and silver

Equity Ownership: 100%

Capital: ¥200 million

Sapporo, Hokkaido

### ◆ KASUGA MINES CO., LTD.

Line of Business: Mining of gold-bearing silica ore

Equity Ownership: 100%

Capital: ¥10 million

Makurazaki, Kagoshima

### ◆ NIPPON MINING OF NETHERLANDS B.V.

Line of Business: Investment in the Collahuasi Mine and the Los Pelambres Mine

Equity Ownership: 100%

Capital: EU10,117 thousand

Amsterdam, Kingdom of the Netherlands

### ◆ NIPPON LP RESOURCES B.V.

Line of Business: Investment in the Los Pelambres Mine

Equity Ownership: 60%

Capital: EU18 thousand

Amsterdam, Kingdom of the Netherlands

### ◆ ANT MINERALS PTY. LTD.

Line of Business: Investment in the McArthur River Mine

Equity Ownership: 60%

Capital: AUD185,998 thousand

Darwin, Northern Territory, Australia

### ■ JAPAN COLLAHUASI RESOURCES B.V.

Line of Business: Investment in the Collahuasi Mine

Equity Ownership: 30%

Capital: EU66,809 thousand

Amsterdam, Kingdom of the Netherlands

### ■ COFCO LTD.

Line of Business: Extending business loans to the Collahuasi Mine

Equity Ownership: 30%

Capital: ¥350 million

Chiyoda-ku, Tokyo

### ■ JAPAN ESCONDIDA FINANCE CORPORATION

Line of Business: Extending business loans to the Escondida Mine

Equity Ownership: 20%

Capital: ¥90 million

Chiyoda-ku, Tokyo

### ■ JECO CORPORATION

Line of Business: Investment in the Escondida Mine

Equity Ownership: 20%

Capital: ¥10 million

Chiyoda-ku, Tokyo

### ■ MINERA LOS PELAMBRES

Line of Business: Mining of copper

Equity Ownership: 15%

Capital: USD373,800 thousand

Santiago, Republic of Chile

### ■ INDUSTRIAL FINANCE LTD.

Line of Business: Procurement of materials and equipment for the Los Pelambres Mine

Equity Ownership: 15%

Capital: None

Cayman Islands, British Territory

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## Metal Production

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### ◆ NIKKO SHOJI CO., LTD.

Line of Business: Trading and marketing of metal products and sulfuric acid

Equity Ownership: 100%

Capital: ¥368 million

Minato-ku, Tokyo

### ◆ JAPAN COPPER CASTING CO., LTD.

Line of Business: Production of copper cakes and billets

Equity Ownership: 55%

Capital: ¥200 million

Minato-ku, Tokyo

### ◆ PAN PACIFIC COPPER CO., LTD.

Line of Business: Purchase of copper ore and Marketing of related products in copper smelting & refining business

Equity Ownership: 66%

Capital: ¥450 million

Minato-ku, Tokyo

### ◆ JAPAN KOREA JOINT SMELTING CO., LTD.

Line of Business: Investment in and financing of joint venture copper smelting operations in Republic of Korea

Equity Ownership: 80%

Capital: ¥6,000 million

Minato-ku, Tokyo

### ◆ PAN PACIFIC COPPER TAIWAN CO., LTD.

Line of Business: Marketing of refined copper and metal products

Equity Ownership: 66%

Capital: TWD20 million

Taipei, Taiwan

### ■ TATSUTA ELECTRIC WIRE AND CABLE CO., LTD.

Line of Business: Manufacture and marketing of coated electric wire and cable

Equity Ownership: 31.05%

Capital: ¥6,676 million

Higashi-Osaka, Osaka

### ■ TOHO TITANIUM CO., LTD.

Line of Business: Manufacture of titanium sponge and ingots

Equity Ownership: 37.51%

Capital: ¥4,812 million

Chigasaki, Kanagawa

### ■ AKITA ZINC CO., LTD.

Line of Business: Production of zinc

Equity Ownership: 24%

Capital: ¥5,000 million

Chiyoda-ku, Tokyo

### ■ HACHINOHE SMELTING CO., LTD.

Line of Business: Production of zinc

Equity Ownership: 27.81%

Capital: ¥4,795 million

Shinagawa-ku, Tokyo

### ■ HITACHI WIRE ROD CO., LTD.

Line of Business: Manufacture and marketing of copper wire rods

Equity Ownership: 20%

Capital: ¥490 million

Chiyoda-ku, Tokyo

### ■ LG-NIKKO COPPER INC.

Line of Business: Smelting and refining of copper

Equity Ownership: 36.8%

Capital: KRW283,204 million

Ulsan, Republic of Korea

### ■ CHANGZHOU JINYUAN COPPER CO., LTD.

Line of Business: Manufacture and marketing of copper wire rods

Equity Ownership: 40%

Capital: RMB100 million

Changzhou, Jiangsu, People's Republic of China

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## Metal Fabrication

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### ◆ FUJI ELECTRONICS CO., LTD.

Line of Business: Manufacture and marketing of electronic parts

Equity Ownership: 91.93%

Capital: ¥300 million

Kita-Ibaraki, Ibaraki

◆ Consolidated Subsidiaries

■ Unconsolidated Subsidiaries and Affiliates Accounted by the Equity Method

("Equity Ownership" indicates the percentage of shares directly or indirectly owned by the Company.)

◆ WOOJIN PRECISION INDUSTRY CO., LTD.

Line of Business: Manufacture and marketing of electronic parts  
Equity Ownership: 85.46%  
Capital: KRW6,000 million  
Koesan-gun, Chungchongbuk-do, Republic of Korea

◆ NIPPON MINING SINGAPORE PTE. LTD.

Line of Business: Fabrication and marketing of metal products  
Equity Ownership: 100%  
Capital: SGD2 million  
Jurong, Republic of Singapore

◆ NIPPON MINING TAIWAN CO., LTD.

Line of Business: Fabrication and marketing of metal products  
Equity Ownership: 100%  
Capital: NTD50 million  
Taipei, Taiwan

◆ NIPPON PRECISION TECHNOLOGY (MALAYSIA) SDN. BHD.

Line of Business: Manufacture and marketing of electronic parts  
Equity Ownership: 79.29%  
Capital: MYR14 million  
Kuantan, Malaysia

◆ NIKKO COIL CENTER CO., LTD.

Line of Business: Fabrication and marketing of metal products  
Equity Ownership: 100%  
Capital: ¥15 million  
Koza-gun, Kanagawa

■ POONGSAN-NIKKO TIN PLATING CORPORATION

Line of Business: Fabrication and marketing of metal products  
Equity Ownership: 40%  
Capital: KRW2,000 million  
Ulsan, Republic of Korea

◆ NIPPON MINING SHANGHAI CO., LTD.

Line of Business: Fabrication and marketing of metal products  
Equity Ownership: 100%  
Capital: USD1,000 thousand  
Shanghai, People's Republic of China

**Recycling and Environmental Services**

◆ NIKKO ENVIRONMENTAL SERVICES CO., LTD.

Line of Business: Processing of industrial waste and valuable nonferrous metal scrap  
Equity Ownership: 100%  
Capital: ¥200 million  
Hitachi, Ibaraki

◆ NIKKO TSURUGA RECYCLE CO., LTD.

Line of Business: Processing of industrial waste and valuable nonferrous metal scrap  
Equity Ownership: 100%  
Capital: ¥50 million  
Tsuruga, Fukui

◆ TOMAKOMAI CHEMICAL CO., LTD.

Line of Business: Processing of industrial waste and valuable nonferrous metal scrap  
Equity Ownership: 100%  
Capital: ¥100 million  
Tomakomai, Hokkaido

■ NIKKO MIKKAICHI RECYCLE CO., LTD.

Line of Business: Processing of industrial waste and valuable nonferrous metal scrap  
Equity Ownership: 100%  
Capital: ¥200 million  
Kurobe, Toyama

**Engineering & Consulting**

◆ NIKKO EXPLORATION AND DEVELOPMENT CO., LTD.

Line of Business: Consulting for surveys and exploration of nonferrous metals, geological surveys  
Equity Ownership: 100%  
Capital: ¥90 million  
Minato-ku, Tokyo

◆ NIKKO TECHNO SERVICES CO., LTD.

Line of Business: Survey, research and consulting services relating to nonferrous metals  
Equity Ownership: 83.33%  
Capital: ¥36 million  
Minato-ku, Tokyo  
In October 2002, this company will be consolidated with JAPAN ENERGY RESEARCH CENTER CO., LTD. to form Nippon Mining Research & Technology Co., Ltd.

◆ NIKKO CORPORATE SERVICES CENTER CO., LTD.

Line of Business: Financing, accounting and other services  
Equity Ownership: 100%  
Capital: ¥50 million  
Minato-ku, Tokyo  
In October 2002, this company will be consolidated with JAPAN ENERGY Accounting Co., Ltd. to form Nippon Mining Business Support Co., Ltd.

◆ NIKKO POLYTECH CO., LTD.

Line of Business: Design, construction supervision, procurement of materials and equipment for construction of facilities  
Equity Ownership: 60%  
Capital: ¥100 million  
Minato-ku, Tokyo

**Other Operations**

◆ NIPPON MARINE CO., LTD.

Line of Business: Marine transportation  
Equity Ownership: 98.83%  
Capital: ¥300 million  
Minato-ku, Tokyo

◆ NIKKO ART & CRAFT CO., LTD.

Line of Business: Marketing of jewelry, precious metals, arts and crafts  
Equity Ownership: 100%  
Capital: ¥20 million  
Minato-ku, Tokyo

◆ KUROBE NIKKO GALVA CO., LTD.

Line of Business: Galvanizing  
Equity Ownership: 88.8%  
Capital: ¥350 million  
Kurobe, Toyama

◆ CIRCUM PACIFIC NAVIGATION CO., LTD.

Line of Business: Marine transportation (Charter of dual-purpose copper concentrate / sulfuric acid carriers)  
Equity Ownership: 70%  
Capital: ¥10 million  
Minato-ku, Tokyo

◆ NIKKO LOGISTICS PARTNERS CO., LTD.

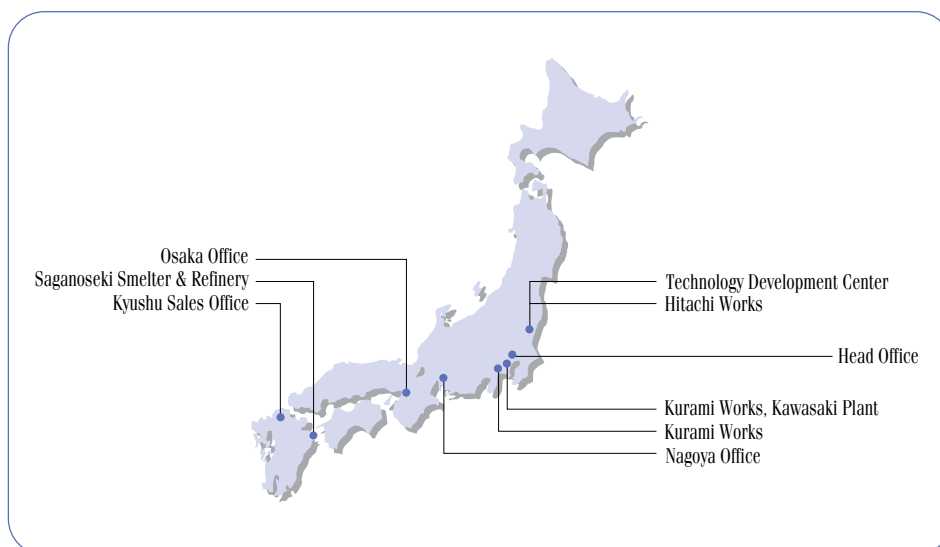
Line of Business: Distribution management  
Equity Ownership: 75%  
Capital: ¥100 million  
Minato-ku, Tokyo

◆ NISSHO KOU-UN CO., LTD.

Line of Business: Harbor stevedoring  
Equity Ownership: 70%  
Capital: ¥20 million  
Kitaamabe-gun, Oita

# Corporate Data

<p>FOUNDED 26th December, 1905</p> <p>CAPITAL ¥34,997 million (As of 31st March, 2002)</p> <p>NUMBER OF EMPLOYEES 1,490 (As of 31st March, 2002)</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> Augusto Leguia Sur 79, Oficina 1701, 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

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