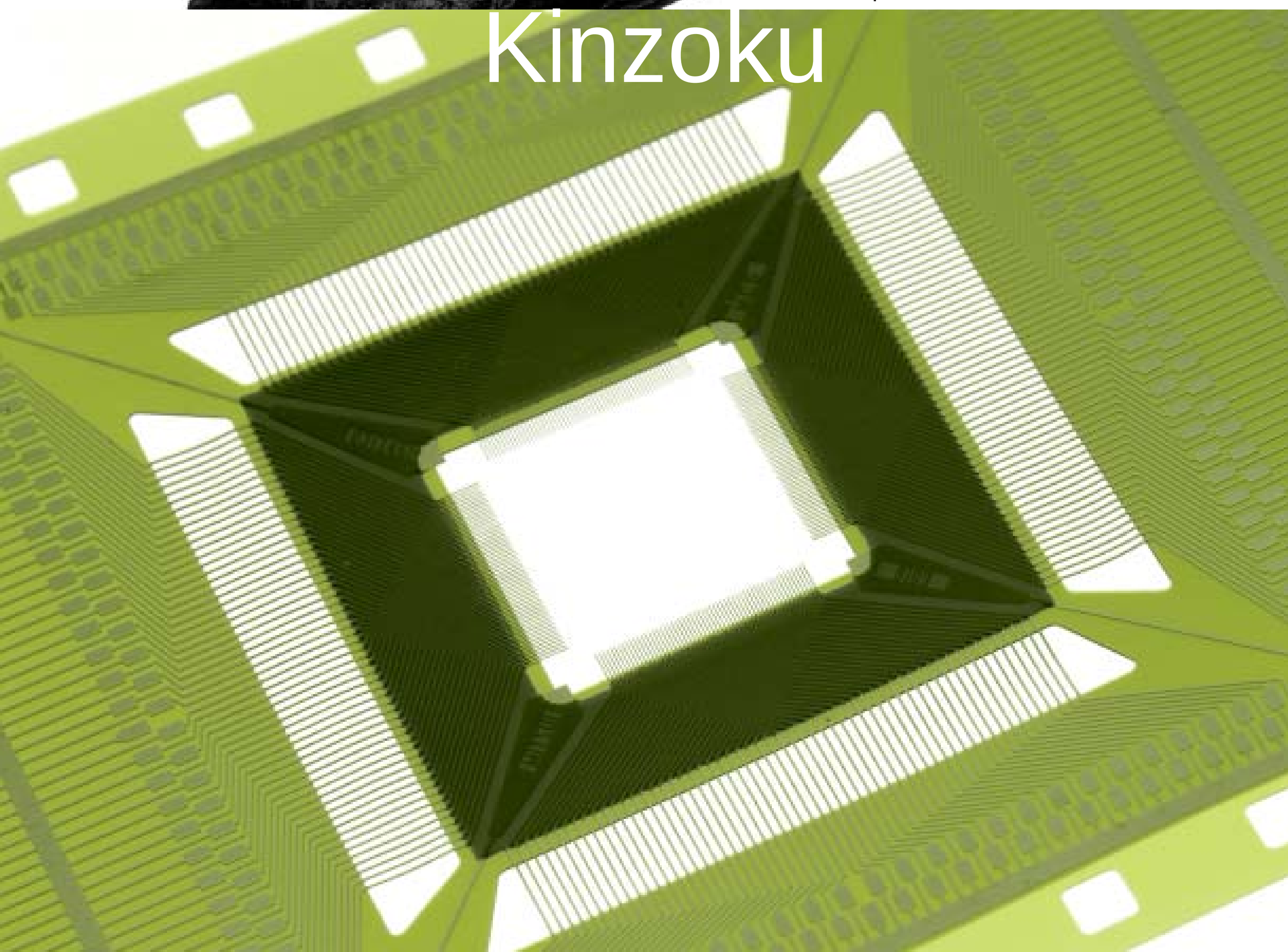
Mitsui Kinzoku

Annual Report **2002**



Profile

Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku), supplies nonferrous metal derivatives that play key roles in high-tech industries. Since its establishment in 1950, the Company has also been known as a leading supplier of such nonferrous metals as zinc and copper and one of the world's largest producers of zinc.

The Company has technological expertise in the production of such electronics-related materials as copper foil and semiconductor packaging tapes, which are presently indispensable for information-related and telecommunications devices. The Company maintains its technological leadership through aggressive R&D accompanied with its "material intelligence" obtained through its extensive background in smelting and refining operations in the nonferrous metals field. Furthermore, Mitsui Kinzoku offers its technological expertise to the world through licensing and its engineering services.

Superior quality is the hallmark of Mitsui Kinzoku products and services. A team of nearly 9,000 talented employees strives to ensure this quality and, in doing so, has maintained the integrity of the Mitsui Kinzoku name and its long-standing reputation for innovation.

Contents

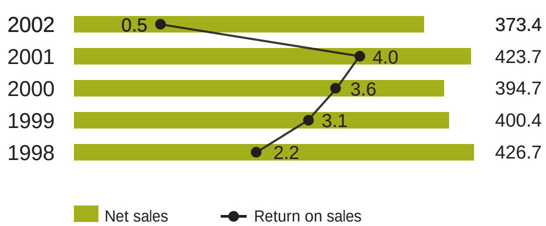
Financial Highlights

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Consolidated Performance				
Net sales	¥373,442	¥423,707	¥394,722	$2,802,566
Net income	1,986	17,012	14,181	14,904
Total assets	393,603	424,829	403,225	2,953,868
Total shareholders' equity	105,219	105,936	76,862	789,636
Net income per share (¥, $)	¥3.55	¥30.86	¥26.80	$0.03
Diluted net income per share (¥, $)	3.44	29.05	24.60	0.03
Cash dividends per share (¥, $)	5.00	6.00	6.00	0.04

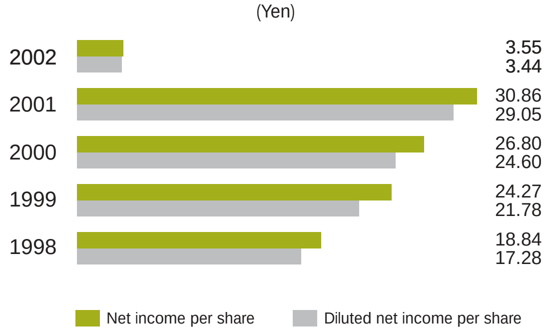
Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥133.25 to US$1.00, the rate prevailing at March 31, 2002.
2. In this report, fiscal 2001 represents the year ended March 31, 2002.

Net Sales and Return on Sales
(Billions of Yen, %)

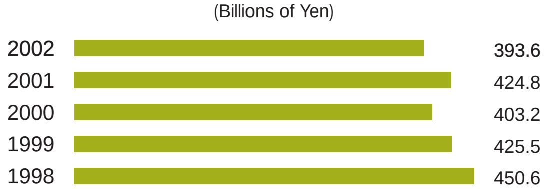


Net Income
(Billions of Yen)

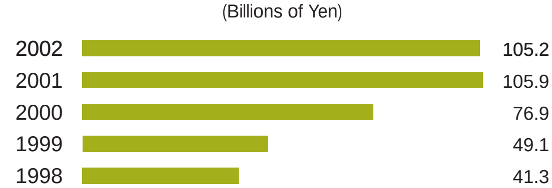
Net Income per Share and Diluted Net Income per Share
(Yen)



Total Assets
(Billions of Yen)



Total Shareholders' Equity
(Billions of Yen)



A Message from the President

Despite exhaustive and immediate measures to combat the drastic changes in its business environment, Mitsui Kinzoku's fiscal 2001 results suffered large setbacks from the historical high of the preceding year, which had been driven by the IT boom, and net income ended barely in the black. However, I believe it worth reporting that, although faced with such difficult conditions, we continued the drive to improve our balance sheet and were yet again able to reduce interest-bearing debt and improve the equity ratio.

In the days after our announcement in March 2001 of the new three-year plan MAP500, which placed electronics-related materials businesses as the keystone of our future growth, demand for electronics-related materials plummeted in relation to the preceding IT boom. In Japan, economic downturns accelerated price decreases, creating a vicious circle, and the terrorist attacks in the United States sent the already-flagging world economy reeling. This, coupled with resultant delays in the reduction of excess inventories and the recovery of demand for electronics-related materials, dealt a blow to our other business sectors. In hindsight, my earlier concern that electronics materials businesses had the inherent risk of violent fluctuations in both demand and prices proved to be true far beyond any expectations.

Nevertheless, I would like to mention that, despite sluggish demand, we are striving to strengthen our operating base. First, we have reaffirmed the primary tenet of manufacturing: "promptly and effectively supplying goods that meet market demand at a competitive price." In so doing, we are proceeding with routing out any and all excesses in our operations and eliminating them. These cost-cutting measures are already helping a great deal in alleviating the impact on our profitability of lackluster demand and the reduction of our product prices.

Second, we amalgamated our environment- and recycling-related businesses into a newly created business sector. This business area is not only promising but also leverages our expertise in mining and metal-smelting technologies. Against this backdrop, it was clear this business area merited the aforementioned amalgamation to utilize the Company's collective strength, thus enhancing its potential to blossom into a major business in the future.

The Company has now adopted the corporate framework of portfolio management, comprising the environmental engineering and recycling business and three other main businesses—electronics materials, nonferrous metals smelting, and parts and components production and assembly. Based on this framework, we will continue to pursue the course of "being selective and focused," to achieve more efficient distribution of management resources and increased profitability.

As a result of the foregoing, we have decided not to use the three-year forecast of MAP500 as the basis of our review in light of the wide divergence in our market assumptions and the present-day realities as well as too many uncertainties in both the Japanese and world economies. For the time being, however, we will concentrate all our efforts to improve the bottom line for fiscal 2002 by implementing the aforementioned measures. In particular, we deem it most important to restore earning power and growth in electrodeposited copper foil, which is one of our core products that has suffered serious setbacks.

We have started to see some signs of bottoming out in demand trends for our products recently but will never cease in our mission to improve our operating base. We look forward to receiving your continued support and guidance.

June 2002

Shimpei Miyamura

Shimpei Miyamura
President, Chief Executive Officer
and Chief Operating Officer

Highlights of 2001–2002

2001

April	Executive officer system introduced
April	Environmental Policy announced (See below.)
June	Mining operations at the Kamioka Mine discontinued
July	Mitsui Copper Foil (Guangdong) Co., Ltd., established in the People's Republic of China to process and deliver electrodeposited copper foil
September	Gifu Die & Mold Engineering Co., Ltd., and its subsidiaries sold
December	Environmental Engineering Sector established to integrate environmental engineering and recycling businesses

2002

January	Development of chip-on-film (COF) tapes with 30µm pitch patterns announced
January	Agreement reached with Sumitomo Metal Mining Co., Ltd., to cooperate in zinc-smelting business

Mitsui Kinzoku Group Companies Environmental Policy

Principles

Environmental protection is an integral management principle of Mitsui Kinzoku Group Companies. We conduct our business by keeping respect and management of the environment always in mind.

Our Environmental Policy

1. We comply with environmental laws and regulations, and where necessary, set our own standards voluntarily always striving to reduce and prevent environmental degradation.
2. We actively develop organizations and systems in every unit of Mitsui Kinzoku Group Companies, to help promote environmental protection.
3. We set environmental targets to combat global warming, and to reduce industrial wastes and other environmental pollutants.
4. We actively promote the development of environmentally friendly technologies, materials and products.
5. We conduct audits on a regular basis to ensure continuous improvements of environment management systems.
6. We communicate to all of our employees, contractors through education and training the importance of environmental protection and preservation.

All employees and contractors of Mitsui Kinzoku Group Companies throughout the world are bound by the requirements of this policy.

April 1, 2001
Shimpei Miyamura, President, CEO & COO
Mitsui Kinzoku

Reaffirming the Primary Tenet of Manufacturing—Laying

As described in last year's annual report, the Company announced the MAP500 medium-term management plan in March 2001, a time when IT industries were still in a mood of feverish growth. MAP500 calls for concentrating more corporate resources in electronics materials businesses considered to be promising growth businesses. Contrarily, demand for electronics materials plunged soon afterward. The excessive product inventories that had accumulated in the market accentuated the effects of the drop in demand and protracted the period of its impact.

To illustrate the seriousness of the drop, a case in point is the market situation surrounding electrodeposited copper foil, which is one of Mitsui Kinzoku's main electronics materials products. The total volume of global electrodeposited copper foil shipments dropped by more than 50% in just months. Naturally, when an industry's supply capabilities outstrip demand by more than 200%, price competition will tend to become fierce. Such competition reduced the profitability of electrodeposited copper foil business. Although this business had been expected to be an important impetus behind our growth, it actually presented us with the difficult challenge of coping with the sharp drop in demand.

With the exception of some products that were only mildly impacted due to the sustained strength of demand associated with LCDs, most of Mitsui Kinzoku's other electronics materials products faced similar market situations.

In light of these developments, it is clear that market conditions in fiscal 2001 diverged considerably from the premises of MAP500. We have had to respond to the changing operating environment by adjusting our strategic course and posture.

Thorough Streamlining of Operations to Reduce Annual Costs by Roughly ¥10 Billion

In line with its slogan "reaffirming the primary tenet of manufacturing," Mitsui Kinzoku has redoubled its efforts to meet customer needs by developing the products they need more quickly and supplying those products at even more competitive prices.

Not expecting large surges in demand in the near future, we are placing particular emphasis on proceeding with steps to eliminate any and all excesses in our operations. For example, we are concentrating our general-use copper foil manufacturing operations at our plants in Taiwan and Malaysia, which are recognized as our most cost-competitive. As a result, we can reduce the scale and workforces of our copper foil plants in Japan and the United States.

At the same time, we are striving to boost manufacturing yields and efficiency as well as adjust wage payments to levels that are more appropriate in view of business conditions. Through such measures, we anticipate that we will offset the recent deterioration of our operating profitability by ¥10 billion or more during the current fiscal year.

Besides restraining the decline in profitability that has resulted from the drop in demand, these kinds of initiatives will further strengthen our profitability when demand resurges.

Four-Part Business Portfolio

Next, to increase our performance stability and growth potential, we are giving higher priority than ever to important business fields that are unrelated to electronics materials and contributing to our overall profitability.

Specifically, we are creating a four-part business portfolio that includes three existing strategic fields—electronics materials, nonferrous metals smelting, and parts and components production and assembly—as well as a fourth field, environmental engineering and recycling. We expect growing demand for products and services in this new field.

The main strategic issues in the four business fields are as follows.

• Electronics Materials
—Improving Profitability and Developing New Products and Applications

Slack demand and falling prices are reducing the profitability of electronics-related materials except for certain products, such as tape-automated-bonding (TAB) tapes and sputtering targets. Besides enhancing profitability through marketing-promotion and cost-reduction campaigns, we are emphasizing programs for developing new products and expanding the applications of existing products.

The most important focus of our countermeasures in this field is the copper foil product business, because the profitability of this business had greatly deteriorated. We are boosting our competitiveness in this field by concentrating general-use copper foil manufacturing in Taiwan and Malaysia. This strategy will enable us to survive intense price competition and increase our share of thinner copper foil markets, which offer higher profit margins.

Our copper foil manufacturing facilities in Japan, the United States, and Europe will specialize in developing and producing special copper foil products tailored to customer needs in each market. In the near future, we expect demand increases in certain

a Solid Foundation for Future Growth during Fiscal 2002

fields—such as high-frequency circuit boards, flexible printed circuit boards, and semiconductor packages. We are therefore working to expand the applications of our products in such fields. Our efforts to develop copper foil products appropriate for each field have been highly appreciated by customers, and we are making steady progress in this regard.

Other strategically important electronics products include such TAB tape products as chip-on-film (COF) and two-metal-technology products as well as such single-crystal products as crystals for lenses used in new types of steppers for semiconductor patterning. We are preparing promising products in such fields, where we are confident that our R&D capabilities will generate robust growth and profitability.

• Nonferrous Metals Smelting
—Strengthening Operations through Alliances

A growing number of metal producers throughout the world are pursuing economies of scale through M&A activities. As Mitsui Kinzoku is a relatively small-scale company, the arrangement of alliances should prove to be an effective way to maintain the Company's competitiveness.

By fiscal 2001, Mitsui Kinzoku and another domestic metal-smelting company, Nippon Mining & Metals Co., Ltd., arranged an alliance that calls for the partners to integrate their raw material procurement and product-marketing operations related to copper smelting. To further increase the benefits of the alliance, the partners have agreed to control cooperatively all their copper-smelting business activities, including production operations.

This year, Mitsui Kinzoku agreed with another domestic metal-smelting company, Sumitomo Metal Mining Co., Ltd., to integrate the two companies' distilled zinc operations. This cooperation is expected to help reduce the cost of raw material processing and expand recycling operations.

Mitsui Kinzoku is confident that it can strengthen and maintain the profitability and competitiveness of its smelting operations through such corporate alliances. Smelting operations remain an important and fundamental component of our business portfolio.

• Environmental Engineering and Recycling
—Developing Soil Purification Technologies

In December 2001, Mitsui Kinzoku established a new division—the Environmental Engineering Sector, which has the task of using the Company's sophisticated mining and smelting technologies to develop innovative soil purification technologies.

Our various divisions have separately undertaken various environmental survey and waste processing activities, including such metal recycling businesses as the extraction of zinc from steel mill dust, lead from automobile batteries, and precious metals from electronic circuit boards. All of these operations have now been consolidated within the Environmental Engineering Sector. As resource recycling will inevitably become increasingly emphasized as a means of protecting the natural environment, the Mitsui Kinzoku Group intends to leverage its diverse capabilities to build a strong business base in this field.

Annual net sales of the Environmental Engineering Sector are currently slightly higher than ¥10 billion, and plans call for doubling that figure within three years.

• Parts and Components Production and Assembly
—Building Optimal Manufacturing Systems

Mitsui Kinzoku's mainstay products in this field are automobile door latches. Having effectively responded to increasing pressures to reduce the prices of such mechanisms by cutting costs, we have maintained profitability and a relatively high level of capital employment efficiency.

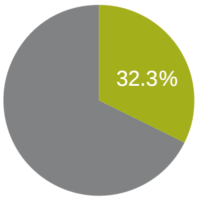
To further reduce costs, we are seeking to optimize the distribution of tasks among our manufacturing facilities in five countries. We have decided to establish an additional facility in China, which offers cost advantages, as well as start exporting from the new base to Japan and elsewhere.

Unflagging Efforts to Strengthen the Company's Financial Position

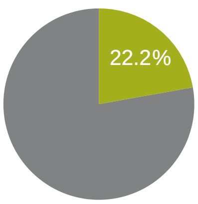
Although its profitability diverged considerably from the target figures of MAP500 during fiscal 2001, Mitsui Kinzoku was still able to make further progress toward its strategically emphasized goals of reducing interest-bearing debt and boosting the equity ratio. We are restraining the level of capital investment in line with market conditions, disposing of subsidiaries that are not likely to generate synergies, and otherwise progressively streamlining our asset structure.

We believe that we can reduce interest-bearing debt by an additional ¥10 billion or more during fiscal 2002. To lower fund procurement costs, we are striving to strengthen our financial position sufficiently to obtain an A+ long-term bond rating.

Review of Operations



Group sales as a share of the Company's consolidated net sales



Group operating income as a share of the Company's consolidated operating income

Mining & Fundamental Materials Group

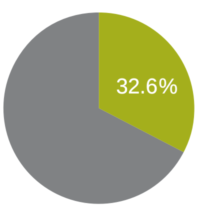
—Lower Metal Prices Depress Net Sales

While domestic demand for zinc associated with zinc-plated steel sheet decreased, Mitsui Kinzoku overcame this challenge through marketing-promotion activities and boosted its zinc sales volume from the level in the previous fiscal year. Despite the progressive depreciation of the yen, however, a large drop in zinc prices on the London Metal Exchange (LME) caused domestic zinc prices to fall. Consequently, the Company's net sales of zinc were approximately 13% below the level in the previous fiscal year.

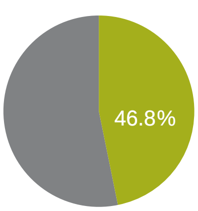
Weakness in Japanese demand for copper associated with electric wire and electronics applications was only partially compensated for by increased exports. A large drop in LME copper prices more than offset the effect of the yen depreciation, depressing domestic copper prices. This caused an approximate 19% drop in the Company's net sales of copper.

Net sales of other Mining & Fundamental Materials Group products were also down, reflecting falls in sales volumes and market prices.

Owing to these factors, sales by the Mining & Fundamental Materials Group decreased ¥13.5 billion, or 9.1%, to ¥134.3 billion. However, the group offset this decrease through cost cuts and was able to increase its operating income ¥0.6 billion, or 12.7%, to ¥5.4 billion.



Group sales as a share of the Company's consolidated net sales



Group operating income as a share of the Company's consolidated operating income

Intermediate Materials Group

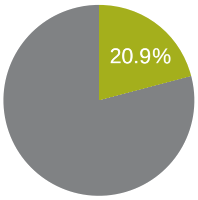
—Large Drop in Demand Related to Electronics Products

The sharp downturn in demand from the IT and communications equipment industries along with related inventory adjustments, caused an across-the-board drop in sales volumes and prices. This drop was particularly rapid in the case of electrodeposited copper foil.

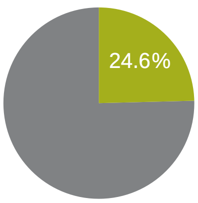
Net sales were generally lower for other Intermediate Materials Group products, particularly products that recorded large growth in net sales during the previous fiscal year.

Although demand for TAB materials dropped considerably during the first half of fiscal 2001, a recovery in demand associated with LCD monitor applications during the latter half of the year kept net sales of TAB materials approximately the same as in the previous year.

As a result, sales by the Intermediate Materials Group fell ¥34.5 billion, or 20.3%, to ¥135.3 billion, and the group's operating income plunged ¥22.6 billion, or 66.3%, to ¥11.5 billion.



Group sales as a share of the Company's consolidated net sales



Group operating income as a share of the Company's consolidated operating income

Parts Manufacturing & Assembly Group

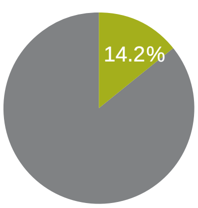
—Steady Business Expansion and Profit Growth

Regarding Mitsui Kinzoku's automobile door latches and other mainstay automobile parts, domestic orders decreased and price competition was severe. However, the Company's overseas bases recorded strong sales, causing overall net sales of automobile parts to increase.

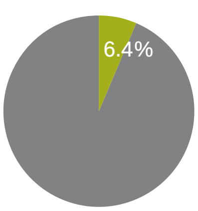
Demand for magnesium die-cast products used in electronics products fell, as it did for aluminum die-cast products used in automobiles, causing downward pressure on aluminum die-cast product prices. Accordingly, the Company's sales of die-cast products declined.

Sales of catalysts for detoxifying motor vehicle exhaust emissions and sensors for the nondestructive testing of fruit quality both increased.

Reflecting these factors as well as the sale of subsidiaries, net sales of the Parts Manufacturing & Assembly Group decreased ¥6.4 billion, or 6.9%, to ¥86.7 billion. However, the group's operating income advanced ¥0.8 billion, or 14.8%, to ¥6.1 billion.



Groups' sales as a share of the Company's consolidated net sales



Groups' operating income as a share of the Company's consolidated operating income

Engineering and Real Estate & Services Groups

—Sustaining Support for Group Companies Despite Drop in Profits

The Engineering Group's net sales dropped ¥14.8 billion, or 34.5%, to ¥28.0 billion, reflecting a decrease in sales to Mitsui Kinzoku Group companies. The group's operating income declined ¥0.3 billion, or 16.8%, to ¥1.4 billion.

Net sales of the Real Estate & Services Group fell ¥3.8 billion, or 11.0%, to ¥30.9 billion, and the group's operating income was down ¥0.2 billion, or 53.5%, to ¥0.2 billion.

Five-Year Summary

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2002	2001	2000	1999	1998
Consolidated Performance					
For the year:					
Net sales	¥373,442	¥423,707	¥394,722	¥400,399	¥426,724
Cost of sales	310,474	333,140	318,654	323,062	345,076
Gross profit	62,968	90,566	76,068	77,337	81,648
Selling, general and administrative expenses	38,075	43,813	40,593	42,041	42,755
Operating income	24,893	46,752	35,474	35,295	38,893
Income before income taxes and minority interests	10,789	30,644	25,684	22,207	20,428
Net income	1,986	17,012	14,181	12,344	9,581
At year-end:					
Total current assets	¥155,238	¥180,557	¥176,602	¥177,689	¥199,561
Total assets	393,603	424,829	403,225	425,484	450,553
Total current liabilities	167,004	184,771	177,335	206,896	249,480
Long-term liabilities	110,820	124,107	140,119	162,598	154,019
Total shareholders' equity	105,219	105,936	76,862	49,061	41,330
Per share data:					
Net income (¥)	¥3.55	¥30.86	¥26.80	¥24.27	¥18.84
Diluted net income (¥)	3.44	29.05	24.60	21.78	17.28
Cash dividends applicable to the year (¥)	5.00	6.00	6.00	5.00	5.00
Number of employees	8,619	9,542	9,379	10,256	10,076

Financial Review

Net Sales

On a consolidated basis, the Company's net sales during fiscal 2001, ended March 31, 2002, decreased 11.9%, or ¥50.3 billion, to ¥373.4 billion (US$2,802.6 million).

The Mining & Fundamental Materials Group's net sales declined 9.1%, or ¥13.5 billion, to ¥134.3 billion (US$1,007.8 million), as copper and zinc prices were considerably lower than in the previous fiscal year.

The global downturn in the IT and communications equipment industries depressed sales of most products of the Intermediate Materials Group, with a particularly sharp drop in sales of copper foils, but recovery in demand related to LCD monitors kept sales of TAB materials approximately unchanged. Thus, the group's net sales dropped 20.3%, or ¥34.5 billion, to ¥135.3 billion (US$1,015.0 million).

The Parts Manufacturing & Assembly Group increased its sales of automobile components, catalysts, and sensors. However, sales of die-cast products used in electronics products and automobiles fell. Thus, the group's net sales decreased 6.9%, or ¥6.4 billion, to ¥86.7 billion (US$650.4 million).

Net sales by the Engineering Group amounted to ¥28.0 billion (US$210.1 million), down 34.5%, or ¥14.8 billion, from the previous year, and net sales by the Real Estate & Services Group totaled ¥30.9 billion (US$232.2 million), down 11.0%, or ¥3.8 billion.

The Company's overseas sales decreased 5.8%, or ¥5.1 billion, to ¥83.5 billion (US$626.7 million), while the ratio of overseas sales to consolidated net sales rose to 22.4%, from 20.9%.

Costs, Expenses, and Earnings

Cost of sales decreased 6.8%, or ¥22.7 billion, to ¥310.5 billion (US$2,330.0 million). The rate of decrease in cost of sales was slower than that in net sales, causing the ratio of cost of sales to net sales to rise to 83.1%, from 78.6%. Consequently, gross profit amounted to ¥63.0 billion (US$472.6 million), down 30.5%, or ¥27.6 billion, and the gross profit margin decreased to 16.9%, from 21.4%.

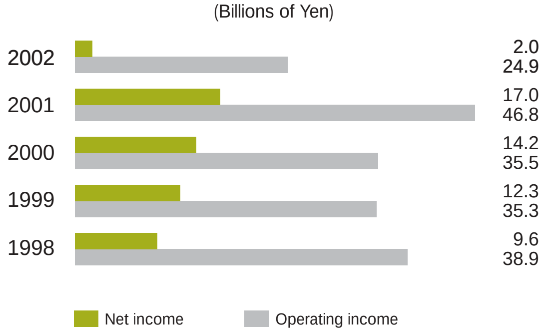
Reflecting the Company's ongoing restructuring and cost-cutting programs, selling, general and administrative (SGA) expenses were reduced 13.1%, or ¥5.7 billion, to ¥38.1 billion (US$285.7 million). In line with the Company's emphasis on new product development, R&D expenses included in SGA expenses increased to ¥2.3 billion, from ¥2.1 billion. SGA expenses represented 10.2% of net sales, down from 10.3% in the previous year.

As a result of the above factors, operating income dropped 46.8%, or ¥21.9 billion, to ¥24.9 billion (US$186.8 million). This drop reflected a large fall in the profitability of Intermediate Materials operations involving electronics materials, which was partially offset by increased profitability in Mining & Fundamental Materials and Parts Manufacturing & Assembly operations.

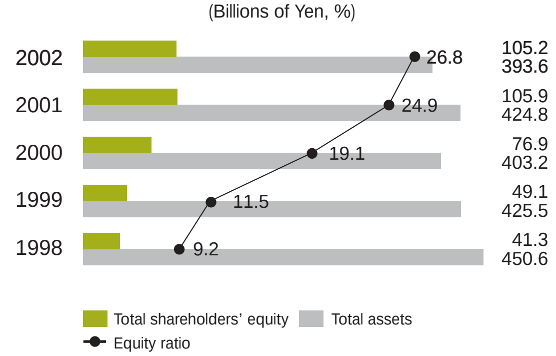
Other expenses, net, decreased 12.4%, or ¥2.0 billion, to ¥14.1 billion (US$105.8 million). Reflecting the low level of domestic interest rates and the Company's efforts to reduce interest-bearing debt, interest expense decreased ¥1.2 billion, to ¥4.6 billion.

In line with the Company's strategy of disposing of subsidiaries not likely to generate synergies, shareholdings in four consolidated subsidiaries were sold during the period, and a gain of ¥2.1 billion was recorded on those sales. Loss on write-down of marketable securities and investments edged down to ¥1.2 billion, while foreign exchange loss fell ¥1.8 billion, to ¥0.4 billion. The expense of amortizing the net transition

Net Income and Operating Income
(Billions of Yen)



Total Shareholders' Equity, Total Assets, and Equity Ratio
(Billions of Yen, %)



obligation resulting from the adoption of a new accounting standard for retirement benefits decreased ¥0.3 billion, to ¥4.1 billion, but ¥1.6 billion in expense for additional retirement benefits was recorded.

Thus, income before income taxes and minority interests fell 64.8%, or ¥19.9 billion, to ¥10.8 billion (US$81.0 million). Income taxes amounted to ¥8.2 billion (US$61.8 million), down 33.7%, or ¥4.2 billion, and net income dropped 88.3%, or ¥15.0 billion, to ¥2.0 billion (US$14.9 million).

Net income per share fell 88.5%, or ¥27.31, to ¥3.55 (US$0.03), and cash dividends applicable to the year were reduced ¥1.00, to ¥5.00 (US$0.04) per share.

Financial Position

The Company's total assets decreased 7.4%, or ¥31.2 billion, during the period, amounting to ¥393.6 billion (US$2,953.9 million) at fiscal year-end.

Total current assets decreased ¥25.3 billion, to ¥155.2 billion (US$1,165.0 million). The fall in current assets reflected drops of ¥5.5 billion in cash, time deposits, and marketable securities and ¥20.1 billion in trade receivables, which were partially offset by a ¥2.9 billion rise in inventories.

Investments and long-term receivables decreased ¥3.1 billion, to ¥34.2 billion (US$256.5 million). This was the result of a ¥3.6 billion decline in investment securities that reflected the sale of securities of four consolidated subsidiaries.

Net property, plant and equipment edged down ¥2.0 billion, to ¥199.4 billion (US$1,496.2 million). The predepreciation value of fixed assets rose ¥12.4 billion, to ¥505.6 billion (US$3,794.7 million).

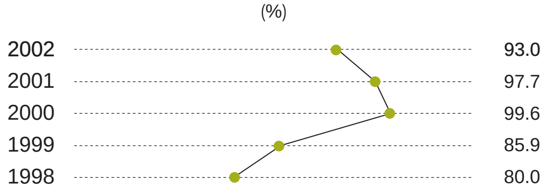
Total liabilities dropped 10.1%, or ¥31.1 billion, to ¥277.8 billion (US$2,085.0 million). Of this, short- and long-term interest-bearing debt fell ¥14.8 billion, to ¥198.1 billion (US$1,486.9 million). Total current liabilities decreased ¥17.8 billion, to ¥167.0 billion (US$1,253.3 million), mainly reflecting a drop of ¥15.6 billion in short-term bank loans and payables and a ¥5.3 billion decrease in accrued income taxes, which were partially offset by a ¥3.8 billion rise in the current portion of long-term debt. Long-term debt, less the current portion, dropped ¥13.9 billion, to ¥90.3 billion (US$677.7 million).

Total shareholders' equity edged down 0.7%, or ¥0.7 billion, to ¥105.2 billion (US$789.6 million), reflecting a ¥1.3 billion fall in net unrealized gains on securities and a ¥2.1 billion decrease in the deduction for foreign currency translation adjustments. The Company's equity ratio increased to 26.7%, from 24.9% at the previous year-end.

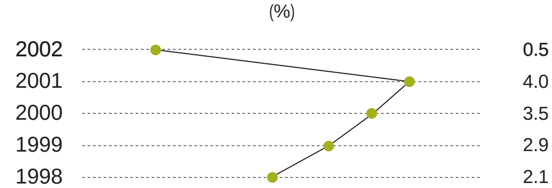
Cash Flows

Net cash provided by operating activities totaled ¥28.6 billion (US$214.5 million), mainly reflecting ¥10.8 billion in income before income taxes and minority interests and the adjustment for ¥27.3 billion in depreciation and amortization. Net cash inflow from decreases in receivables and payables amounted to ¥7.7 billion, while an increase in inventories led to ¥4.2 billion of cash outflow.

Current Ratio
(%)



Return on Total Assets
(%)



Net cash used in investing activities amounted to ¥18.3 billion (US$137.5 million). Sales and purchases of property, plant and equipment resulted in a net cash outflow of ¥23.8 billion, while sales of securities of consolidated subsidiaries caused a cash inflow of ¥5.3 billion.

Net cash used in financing activities totaled ¥15.8 billion (US$118.9 million). This was principally because proceeds from and repayment of long-term debt resulted in a net cash outflow of ¥10.9 billion. A net decrease in short-term bank loans led to a net cash outflow of ¥2.3 billion, and payments for cash dividends led to an outflow of ¥3.6 billion.

As net cash used in investing and financing activities was not completely covered by net cash provided by operating activities, cash and cash equivalents at end of year declined ¥5.5 billion, to ¥11.2 billion (US$84.3 million).

Forward-Looking Statement

Decreases in demand and price levels—particularly in electronics materials markets—have reduced the Group's profitability. In response to this situation, the Company is implementing various countermeasures with the theme of "reaffirming the primary tenet of manufacturing." These countermeasures include the following.

a) To increase the stability of its profit base, the Company is undertaking business portfolio management that focuses on operations in four core fields—electronics materials, nonferrous metals smelting, parts and components production and assembly, and environmental engineering and recycling.

b) The Company is taking diverse measures to reduce costs and increase production efficiency.

c) In addition to further enhancing product quality to ensure that customer needs are satisfied, the Company is expediting its development of new products and product applications so that it can stimulate additional demand.

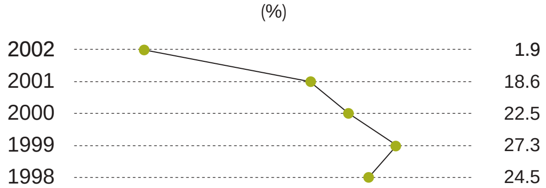
These strategies are expected to consolidate the Company's basis for improved performance in the future.

Regarding fiscal 2002 performance projections, assuming that the current harshness of the environment surrounding demand continues, the Company anticipates that its performance will continue to be weak. While demand for some of the Company's products has begun to recover during the early part of fiscal 2002, it remains extremely difficult to forecast trends in domestic and overseas demand for the Company's products.

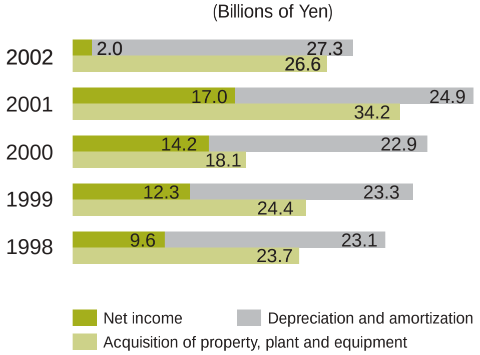
Specifically, the Company projects that its consolidated net sales in fiscal 2002 will amount to ¥353.0 billion, down 5.5% from the level in fiscal 2001, and that net income in fiscal 2002 will total ¥2.0 billion, approximately the same level as in fiscal 2001. The Company also expects to reduce its interest-bearing debt by approximately ¥10 billion during fiscal 2002, to a balance of ¥190.0 billion at the end of the fiscal year.

These projections were made by the Group based on information currently available, and they are subject to change due to various potential risks and uncertain elements. Accordingly, if events do not correspond to some of the many assumptions made by the Company to provide a basis for the projections, actual performance may be considerably different from projected performance.

Return on Total Shareholders' Equity
(%)



Free Cash Flow
(Billions of Yen)



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Assets			
Current assets:			
Cash and time deposits (Note 4)	¥ 11,178	¥ 16,647	$ 83,887
Marketable securities (Note 3)	52	84	390
Notes and accounts receivable (Note 8):			
Trade	64,509	84,559	484,120
Unconsolidated subsidiaries and affiliates	4,895	5,151	36,735
Loans:			
Unconsolidated subsidiaries and affiliates	554	776	4,157
Others	18	19	135
Inventories (Note 8)	63,489	60,565	476,465
Deferred tax assets (Note 13)	2,890	2,364	21,688
Other current assets	8,571	11,049	64,322
Less: Allowance for doubtful accounts	(921)	(663)	(6,911)
Total current assets	155,238	180,557	1,165,013
Investments and long-term receivables:			
Investment securities (Notes 3 and 8)	14,263	17,910	107,039
Unconsolidated subsidiaries and affiliates	9,740	9,507	73,095
Deferred tax assets (Note 13)	7,836	6,143	58,806
Others (Note 8)	5,623	6,913	42,198
Less: Allowance for doubtful accounts	(3,290)	(3,228)	(24,690)
	34,172	37,247	256,450
Property, plant and equipment (Note 8):			
Land	36,512	36,186	274,011
Buildings and structures	149,705	147,706	1,123,489
Machinery and equipment	316,519	303,550	2,375,377
Construction in progress	2,906	5,840	21,808
	505,644	493,283	3,794,701
Less: Accumulated depreciation	(306,279)	(291,954)	(2,298,529)
	199,364	201,329	1,496,165
Other assets	4,827	5,694	36,225
	¥393,603	¥424,829	$2,953,868

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 79,325	¥ 83,979	$ 595,309
Current portion of long-term debt (Note 7)	28,506	24,747	213,928
Notes and accounts payable:			
Trade	25,892	35,589	194,311
Unconsolidated subsidiaries and affiliates	2,053	2,036	15,407
Others	8,953	10,228	67,189
Commercial paper (Note 7)	3,000	2,000	22,514
Accrued income taxes (Note 13)	3,604	8,952	27,046
Accrued expenses	8,641	9,893	64,848
Deferred tax liabilities (Note 13)	11	25	82
Other current liabilities	7,014	7,317	52,637
Total current liabilities	167,004	184,771	1,253,313
Long-term debt (Note 7)	90,303	104,196	677,696
Allowance for employees' retirement benefits (Note 16)	14,767	13,886	110,821
Allowance for directors' and statutory auditors' retirement benefits	842	988	6,318
Deferred tax liabilities (Note 13)	2,000	1,362	15,009
Other long-term liabilities	2,906	3,674	21,808
Minority interests in consolidated subsidiaries	10,559	10,013	79,242
Commitments and contingent liabilities (Notes 10 and 14)			
Shareholders' equity (Notes 7 and 11):			
Common stock:			
Authorized—1,944,000 thousand shares			
Issued—559,305 thousand shares—2002 and 2001	42,129	42,129	316,165
Capital surplus	18,570	18,570	139,362
Retained earnings	45,975	47,481	345,028
Net unrealized gains on securities	415	1,727	3,114
Foreign currency translation adjustments	(1,867)	(3,970)	(14,011)
Less: Treasury stock	(4)	(1)	(30)
Total shareholders' equity	105,219	105,936	789,636
	¥393,603	¥424,829	$2,953,868

Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net sales (Note 12)	¥373,442	¥423,707	$2,802,566
Cost of sales (Note 9)	310,474	333,140	2,330,011
Gross profit	62,968	90,566	472,555
Selling, general and administrative expenses (Note 9)	38,075	43,813	285,741
Operating income (Note 12)	24,893	46,752	186,814
Other income (expenses):			
Interest and dividends income	614	627	4,607
Interest expense	(4,616)	(5,812)	(34,641)
Gain on sale of securities	33	127	247
Gain on sale of securities of consolidated subsidiaries	2,091	—	15,692
Gain (loss) on sale and disposal of property, plant and equipment	(75)	77	(562)
Write-down of marketable securities and investments	(1,218)	(1,268)	(9,140)
Foreign exchange loss	(444)	(2,255)	(3,332)
Write-off and provision for doubtful accounts	(431)	(201)	(3,234)
Indemnity	(1,379)	(1,005)	(10,348)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(31)	1,048	(232)
Amortization of net transition obligation resulting from the adoption of new accounting standard for retirement benefits (Note 16)	(4,061)	(4,376)	(30,476)
Additional retirement benefits (Note 16)	(1,626)	—	(12,202)
Other, net	(2,956)	(3,068)	(22,183)
	(14,103)	(16,108)	(105,838)
Income before income taxes and minority interests	10,789	30,644	80,968
Income taxes (Note 13):			
Current	9,466	14,856	71,039
Deferred	(1,231)	(2,430)	(9,238)
	8,234	12,425	61,793
Minority interests	568	1,207	4,262
Net income	¥ 1,986	¥ 17,012	$ 14,904

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	¥3.55	¥30.86	$0.03
Diluted net income	3.44	29.05	0.03
Cash dividends applicable to the year	5.00	6.00	0.04

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Number of shares of common stock issued (Thousands)	Millions of yen					
		Common stock	Capital surplus	Retained earnings (Note 11)	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	539,532	¥36,602	¥13,044	¥33,842	¥ —	¥(6,626)	¥(0)
Net income				17,012			
Cash dividends				(3,237)			
Bonuses to directors				(92)			
Bonuses to employees				(15)			
Decrease due to change in consolidation subsidiaries				(27)			
Shares issued upon the conversion of convertible bonds	19,773	5,526	5,526				
Net unrealized gains on securities					1,727		
Foreign currency translation adjustments						2,655	
Increase in treasury stock							(1)
Balance at March 31, 2001	559,305	42,129	18,570	47,481	1,727	(3,970)	(1)
Net income				1,986			
Cash dividends				(3,355)			
Bonuses to directors				(113)			
Bonuses to employees				(23)			
Decrease in net unrealized gains on securities					(1,312)		
Foreign currency translation adjustments						2,103	
Increase in treasury stock							(2)
Balance at March 31, 2002	559,305	¥42,129	¥18,570	¥45,975	¥ 415	¥(1,867)	¥(4)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings (Note 11)	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$316,165	$139,362	$356,330	$12,960	$(29,793)	$ (7)
Net income			14,904			
Cash dividends			(25,178)			
Bonuses to directors			(848)			
Bonuses to employees			(172)			
Decrease in net unrealized gains on securities				(9,846)		
Foreign currency translation adjustments					15,782	
Increase in treasury stock						(15)
Balance at March 31, 2002	$316,165	$139,362	$345,028	$ 3,114	$(14,011)	$(30)

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes and minority interests	¥10,789	¥30,644	$ 80,968
Depreciation and amortization	27,307	24,888	204,930
Write-down of marketable securities and investments	1,218	1,268	9,140
Gain on sale of securities	(33)	(127)	(247)
Gain on sale of securities of consolidated subsidiaries (Note 6)	(2,091)	—	(15,692)
Loss (gain) on sale and disposal of property, plant and equipment, net	75	(77)	562
Indemnity	1,379	1,005	10,348
Write-off and provision for (reversal of) doubtful accounts	405	(228)	3,039
Amortization of net transition obligation resulting from the adoption of new accounting standard for retirement benefits (Note 16)	4,061	4,376	30,476
Additional retirement benefits	1,626	—	12,202
Foreign exchange loss	465	2,571	3,489
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	31	(1,048)	232
Increase (decrease) in allowance for retirement benefits	(2,787)	458	(20,915)
Interest and dividends income	(614)	(627)	(4,607)
Interest expense	4,616	5,812	34,641
Decrease in notes and accounts receivable	17,191	3,471	129,013
Increase in inventories	(4,176)	(2,095)	(31,339)
Decrease in notes and accounts payable	(9,493)	(1,065)	(71,242)
Other, net	57	(1,445)	427
Subtotal	50,030	67,781	375,459
Interest and dividends received	666	686	4,998
Interest paid	(4,776)	(5,814)	(35,842)
Indemnity paid	(1,379)	(1,005)	(10,348)
Payment for dissolution of discontinued business	—	(457)	—
Payment of additional retirement benefits	(1,221)	—	(9,163)
Income taxes paid	(14,731)	(12,444)	(110,551)
Net cash provided by operating activities	28,587	48,745	214,536
Cash flows from investing activities:			
Purchases of securities	(657)	(1,632)	(4,930)
Sale of securities	560	358	4,202
Sale of securities of consolidated subsidiaries (Note 6)	5,333	—	40,022
Acquisition of property, plant and equipment	(26,604)	(34,182)	(199,654)
Sale of property, plant and equipment	2,779	3,894	20,855
Decrease in short-term loans receivable, net	271	407	2,033
Disbursement for long-term loans receivable	(122)	(332)	(915)
Collection of long-term loans receivable	295	3,051	2,213
Acquisition of newly consolidated subsidiaries (Note 5)	—	(6,213)	—
Other, net	(175)	(50)	(1,313)
Net cash used in investing activities	(18,319)	(34,699)	(137,478)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	(2,347)	12,364	(17,613)
Increase in commercial paper, net	1,000	2,000	7,504
Proceeds from long-term debt	19,067	23,786	143,091
Repayment of long-term debt	(29,996)	(49,803)	(225,110)
Payment for cash dividends to the Company's shareholders	(3,355)	(3,237)	(25,178)
Payment for cash dividends to minority interests	(248)	(339)	(1,861)
Other, net	33	5	247
Net cash used in financing activities	(15,846)	(15,224)	(118,919)
Effect of exchange rate changes on cash and cash equivalents	117	(19)	878
Net decrease in cash and cash equivalents	(5,461)	(1,197)	(40,983)
Cash and cash equivalents at beginning of year	16,692	17,663	125,268
Effect of additions of consolidated subsidiaries	—	227	—
Cash and cash equivalents at end of year (Note 4)	¥11,230	¥16,692	$ 84,277

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

1. Basis of Presenting Financial Statements

Mitsui Mining and Smelting Company, Limited (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the Prime Minister as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

Amounts less than one million yen have been rounded down in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen shown herein do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the "Companies"). All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in certain significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, other than consolidated subsidiaries, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from those unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends therefrom.

(b) Foreign currency translation and foreign currency financial statements

Revenues and expenses are translated at the rates of exchange prevailing when translations are made. Assets and liabilities denominated in foreign currencies are generally translated into each reporting currency at the rates of foreign exchange prevailing at the balance sheet dates and the resulting translation gains or losses are included in earnings.

All assets, liabilities, revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the rates prevailing at their balance sheet dates for consolidation. The resulting translation adjustments are shown as “Foreign currency translation adjustments,” a separate component of shareholders’ equity.

(c) Cash and cash equivalents

In the accompanying statements of cash flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition which have high liquidity and low risk of price fluctuation.

(d) Marketable securities, investment securities and investments in unconsolidated subsidiaries and affiliates other than those accounted for by the equity method

Equity securities issued by subsidiaries and affiliated companies are stated at average cost. Available-for-sale securities with fair market value are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains on sale of such securities are computed using the average cost.

(e) Derivative transactions and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. Gains and losses of derivative financial instruments held by certain foreign consolidated subsidiaries are still charged to income as settled.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies generally defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

(f) Allowance for doubtful accounts

The Company and its domestic subsidiaries adopted the policy of providing the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

(g) Inventories

Inventories are determined by the following methods:

Metals & Minerals Sector—Precious metals and
a certain subsidiary (MCS, Inc.): first-in, first-out cost

Copper Foil Division: moving average cost

Others: principally last-in, first-out cost

In the year ended March 31, 2002, the Company changed the method of accounting for inventories in the Copper Foil Division from the last-in, first-out cost method to the moving average cost method.

The sales price of copper foil, which used to be dependent upon material prices, is now dependent upon increasing demand for electronic products such as semiconductor products. Since there is no corresponding relationship between sales prices and material prices, the last-in, first-out cost method cannot maintain an appropriate relationship between cost and revenue.

Therefore, this change was made for the purpose of maintaining an appropriate relationship between cost and revenue by leveling fluctuations of material prices.

As a result of this change, cost of sales for the year ended March 31, 2002 decreased by ¥44 million ($330 thousand). Operating income and income before income taxes and minority interests increased by the same amount.

As to the effect of this change on segment information, see note 12 (a) and (b).

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated useful lives of these depreciable assets, except the straight-line method is applied to (1) buildings, excluding building fixtures, acquired after March 31, 1998, (2) certain plant facilities of the Company and (3) property, plant and equipment of certain consolidated subsidiaries. The useful lives of these assets range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

In the year ended March 31, 2002, the Company changed its depreciation method for property, plant and equipment in a portion of the Copper Foil Division, Plant No. 3, from the straight-line method to the declining-balance method.

This change was made for the purpose of charging investment costs to income on an accelerated basis, corresponding with accelerated obsolescence of plant facilities from an economic viewpoint under the condition of the rapid growth of the electronics industry, which requires high-quality manufacturing techniques for products.

As a result of this change, depreciation expenses for the year ended March 31, 2002 increased by ¥310 million ($2,326 thousand) and operating income and income before income taxes and minority interests decreased by the same amount.

As to the effect of the change on segment information, see note 12 (a) and (b).

(i) Directors' and statutory auditors' retirement benefits

Directors and statutory auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. Their retirement benefits are charged to income as incurred.

(j) Lease transactions

Finance leases which do not transfer the ownership of the leased assets to the lessee ("non-capitalized finance leases") are accounted for in the same manner as operating leases.

(k) Research and development expenses

Research and development expenses are charged to income as incurred.

(l) Income taxes

The Companies are subject to corporation tax, inhabitants tax and enterprise tax, which are based on taxable income. The Companies provide for income taxes on the basis of current tax liabilities and reflect the tax effects of the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

(m) Bonuses to directors

Bonuses to directors, which are subject to shareholders' approval at the annual shareholders' meeting under the Commercial Code of Japan, are accounted for as an appropriation of retained earnings.

(n) Net income, diluted net income and cash dividends per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during the respective fiscal year.

Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during the respective fiscal year assuming all convertible bonds were converted to common stock.

Cash dividends per share represent the historical amount applicable to the respective year.

3. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2002 and 2001 were as follows:

	Millions of yen		
Year ended March 31, 2002	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥1,746	¥3,939	¥ 2,193
Bonds	2	2	0
Subtotal	1,748	3,941	2,193
Securities whose book value does not exceed acquisition cost:			
Stocks	5,465	4,031	(1,433)
Subtotal	5,465	4,031	(1,433)
Total	¥7,213	¥7,973	¥ 759

	Millions of yen		
Year ended March 31, 2001	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥2,842	¥ 6,564	¥3,721
Bonds	4	4	0
Subtotal	2,847	6,568	3,721
Securities whose book value does not exceed acquisition cost:			
Stocks	5,609	4,837	(772)
Others	6	4	(1)
Subtotal	5,615	4,841	(773)
Total	¥8,462	¥11,410	¥2,947

	Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2002	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$13,103	$29,560	$ 16,457
Bonds	15	15	0
Subtotal	13,118	29,575	16,457
Securities whose book value does not exceed acquisition cost:			
Stocks	41,013	30,251	(10,754)
Subtotal	41,013	30,251	(10,754)
Total	$54,131	$59,834	$ 5,696

For the year ended March 31, 2002, losses on write-downs of available-for-sale securities with fair value amounted to ¥1,090 million ($8,180 thousand).

The Companies write down securities when their fair value declines from their cost by 50 per cent. or more. In case that the decline ranges from 30 per cent. and over to less than 50 per cent., the Companies determine whether the decline is temporary. If such decline is judged to be other than temporary, securities are written down to their fair value.

(b) Available-for-sale securities sold for the year ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Total sale amount	¥559	¥329	$4,195
Gains	35	130	262
Losses	1	2	7

(c) Book values of available-for-sale securities without fair value as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Non-listed equity securities	¥6,049	¥6,259	$45,395
Non-listed overseas bonds	52	82	390
Non-listed domestic bonds	240	240	1,801

(d) Maturities of available-for-sale securities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Bonds:			
Within one year	¥ 54	¥ 84	$ 405
Over one year but within five years	—	2	—
Over five years	240	240	1,801

4. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2002 and 2001 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash and time deposits	¥11,178	¥16,647	$83,887
Time deposits with maturities exceeding three months from the date of acquisition	—	(37)	—
Debt securities with maturities of three months or less from the date of acquisition	52	82	390
Total: Cash and cash equivalents	¥11,230	¥16,692	$84,277

5. Cash Disbursements for the Acquisition of Newly Consolidated Subsidiaries

The Companies acquired the subsidiaries Oak-Mitsui Inc. and Oak-Mitsui Partnership in the year ended March 31, 2001. The fair values of assets and liabilities, acquisition costs and cash disbursements for the acquisition of these subsidiaries are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥3,267	$24,517
Long-term assets	6,816	51,151
Consolidation difference (included in other assets)	2,750	20,637
Current liabilities	(1,503)	(11,279)
Long-term liabilities	(155)	(1,163)
The Companies' investments in subsidiaries	(3,939)	(29,560)
Acquisition costs of newly consolidated subsidiaries	7,236	54,303
Cash and cash equivalents of newly consolidated subsidiaries	(1,022)	(7,669)
Cash disbursements for acquisition of newly consolidated subsidiaries	¥6,213	$46,626

6. Cash Proceeds from the Sale of Consolidated Subsidiaries

The Companies sold the securities of consolidated subsidiaries Gifu Die and Mold Engineering Company, Limited, Kata Systems Company, EGS Company, Limited and Kamioka SEIKI Company, Limited in the year ended March 31, 2002. The book values of assets and liabilities, sales price and cash proceeds from the sale of these subsidiaries are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥5,802	$43,542
Long-term assets	4,674	35,076
Net unrealized gains on securities	(23)	(172)
Current liabilities	(4,771)	(35,804)
Long-term liabilities	(2,411)	(18,093)
Gain on sale of securities of consolidated subsidiaries	2,091	15,692
Sales price	5,362	40,240
Cash and cash equivalents of the sold consolidated subsidiaries	(29)	(217)
Cash proceeds from sale of consolidated subsidiaries	¥5,333	$40,022

7. Short-Term Bank Loans, Commercial Paper and Long-Term Debt

Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.474 per cent. to 7.3 per cent. and from 0.5653 per cent. to 7.55 per cent. at March 31, 2002 and 2001, respectively.

Commercial paper bore interest at an annual rate of 0.5307 per cent. and 0.08498 per cent. at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
2.75 per cent. yen unsecured straight bonds due 2003	¥ 5,000	¥ 5,000	$ 37,523
1.9 per cent. yen secured straight bonds due 2005	—	350	—
0.4 per cent. yen unsecured convertible bonds due 2003	13,371	13,371	100,345
Banks, insurance companies and other financial institutions, maturing through 2022 at interest rates ranging from 0.53 per cent. to 8.28 per cent. at March 31, 2002:			
Secured	37,207	46,330	279,227
Unsecured	51,286	47,088	384,885
Government-owned banks and government agencies, maturing through 2017 at interest rates ranging from zero per cent. to 7.3 per cent. at March 31, 2002:			
Secured	11,230	15,840	84,277
Unsecured	714	964	5,358
	118,810	128,944	891,632
Less: Current portion	28,506	24,747	213,928
	¥ 90,303	¥104,196	$677,696

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2003	¥28,506	$213,928
2004	36,386	273,065
2005	17,947	134,686
2006	11,387	85,455
2007	9,097	68,270
Thereafter	15,483	116,195

The 0.4 per cent. yen unsecured convertible bonds due 2003 issued on May 23, 1996 are convertible into shares of common stock at the option of the holders at a conversion price of ¥485.80 ($3.64) per share, subject to adjustment in certain circumstances. These bonds are redeemable in whole or in part at the option of the Company from October 1, 2000 to September 29, 2003. At the current conversion price, 27,523 thousand shares of common stock were issuable on full conversion of the outstanding convertible bonds at March 31, 2002.

The conversion price of the convertible bonds due 2003 was adjusted from ¥487.20 ($3.65) to ¥485.80 ($3.64) on October 8, 1999.

The 1.9 per cent. yen secured straight bonds due 2005 were issued by Gifu Die and Mold Engineering Company, Limited. This company was transferred to a third party in the year ended March 31, 2002.

8. Pledged Assets

Assets pledged as collateral for bank loans and long-term debt at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Notes and accounts receivable	¥ 2,605	¥ 3,313	$ 19,549
Inventories	—	309	—
Investment securities	2,159	5,123	16,202
Other investments	302	—	2,266
Property, plant and equipment, net book value	119,193	125,031	894,506
	¥124,261	¥133,778	$932,540

9. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses amounted to ¥2,288 million ($17,170 thousand) and ¥2,082 million for the years ended March 31, 2002 and 2001, respectively.

10. Contingent Liabilities

Contingent liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
As endorser of notes receivable discounted	¥ 317	¥ 412	$ 2,378
As endorser of notes receivable endorsed	253	642	1,898
As guarantor for loans of:			
Unconsolidated subsidiaries and affiliates	1,473	786	11,054
Others	8,869	8,796	66,559
As quasi-guarantor for loans of unconsolidated subsidiaries and affiliates	225	231	1,688
	¥11,139	¥10,868	$83,594

11. Shareholders' Equity

The Company is subject to the Japanese Commercial Code (the “Code”) to which certain amendments became effective as from October 1, 2001.

Prior to October 1, 2001, the Code provided that an amount equal to at least 10 per cent. of cash dividends and other cash appropriations of retained earnings must be set aside as a legal reserve in retained earnings until such reserve equals 25 per cent. of common stock.

Effective October 1, 2001, the revised Code provided that an amount equal to at least 10 per cent. of cash dividends and other cash appropriations of retained earnings must be set aside as a legal reserve in retained earnings until the total amount of capital surplus and legal reserve equals 25 per cent. of common stock.

The revised Code also provided that the total amount of capital surplus and legal reserve which exceeds 25 per cent. of common stock can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends.

12. Segment Information

(a) Industry segment information

	Millions of yen						
	Mining & Fundamental Materials	Intermediate Materials	Parts Manufacturing & Assembly	Engineering	Real Estate & Services	Elimination	Consolidated
Year ended March 31, 2002							
Sales:							
Outside customers	¥123,558	¥126,719	¥85,935	¥12,058	¥25,171	¥ —	¥373,442
Intergroup	10,736	8,533	728	15,939	5,774	(41,712)	—
Total	134,294	135,252	86,664	27,997	30,946	(41,712)	373,442
Operating costs and expenses	128,844	123,757	80,609	26,626	30,734	(42,023)	348,549
Operating income	¥ 5,449	¥ 11,495	¥ 6,054	¥ 1,371	¥ 211	¥ 310	¥ 24,893
Identifiable assets	¥149,415	¥168,371	¥56,433	¥16,797	¥37,945	¥(35,360)	¥393,603
Depreciation expense	8,465	13,753	3,325	315	493	(70)	26,283
Capital expenditures	7,840	16,365	2,977	287	6	(508)	26,969
Year ended March 31, 2001							
Sales:							
Outside customers	¥130,338	¥160,371	¥91,833	¥13,556	¥27,607	¥ —	¥423,707
Intergroup	17,429	9,396	1,277	29,211	7,173	(64,489)	—
Total	147,768	169,768	93,111	42,767	34,780	(64,489)	423,707
Operating costs and expenses	142,933	135,681	87,836	41,118	34,326	(64,942)	376,954
Operating income	¥ 4,834	¥ 34,087	¥ 5,274	¥ 1,648	¥ 454	¥ 453	¥ 46,752
Identifiable assets	¥150,869	¥188,937	¥65,127	¥18,849	¥33,762	¥(32,716)	¥424,829
Depreciation expense	8,233	11,207	4,092	323	525	(153)	24,228
Capital expenditures	8,772	21,507	4,744	334	38	(552)	34,844

	Thousands of U.S. dollars (Note 1)						
	Mining & Fundamental Materials	Intermediate Materials	Parts Manufacturing & Assembly	Engineering	Real Estate & Services	Elimination	Consolidated
Year ended March 31, 2002							
Sales:							
Outside customers	$ 927,264	$ 950,986	$644,915	$ 90,491	$188,900	$ —	$2,802,566
Intergroup	80,570	64,037	5,463	119,617	43,332	(313,035)	—
Total	1,007,834	1,015,024	650,386	210,108	232,240	(313,035)	2,802,566
Operating costs and expenses	966,934	928,757	604,945	199,819	230,649	(315,369)	2,615,752
Operating income	$ 40,893	$ 86,266	$ 45,433	$ 10,288	$ 1,583	$ 2,326	$ 186,814
Identifiable assets	$1,121,313	$1,263,572	$423,512	$126,056	$284,765	$(265,365)	$2,953,868
Depreciation expense	63,527	103,212	24,953	2,363	3,699	(525)	197,245
Capital expenditures	58,836	122,814	22,341	2,153	45	(3,812)	202,393

Note: As described in Note 2 (g), the Company changed the method of accounting for inventories in the Copper Foil Division from the last-in, first-out cost method to the moving average cost method in the year ended March 31, 2002.

As a result of this change, operating costs and expenses decreased in the Intermediate Materials segment by ¥44 million ($330 thousand), and operating income increased by the same amount.

As described in Note 2 (h), the Company changed its depreciation method from the straight-line method to the declining-balance method for property, plant and equipment in a portion of the Copper Foil Division, Plant No. 3, in the year ended March 31, 2002.

As a result of this change, operating costs and expenses increased in the Intermediate Materials segment by ¥310 million ($2,326 thousand), and operating income decreased by the same amount.

(b) Geographic segment information

	Millions of yen			
	Japan	Other Areas	Elimination	Consolidated
Year ended March 31, 2002				
Sales:				
Outside customers	¥314,633	¥58,809	¥ —	¥373,442
Intergroup	9,539	4,255	(13,795)	—
Total	324,173	63,065	(13,795)	373,442
Operating costs and expenses	300,101	63,123	(14,675)	348,549
Operating income (loss)	¥ 24,071	¥ (58)	¥ 880	¥ 24,893
Identifiable assets	¥347,065	¥68,037	¥(21,499)	¥393,603
Year ended March 31, 2001				
Sales:				
Outside customers	¥357,906	¥65,800	¥ —	¥423,707
Intergroup	17,644	6,743	(24,388)	—
Total	375,551	72,544	(24,388)	423,707
Operating costs and expenses	339,759	62,108	(24,913)	376,954
Operating income	¥ 35,791	¥10,435	¥ 525	¥ 46,752
Identifiable assets	¥378,510	¥68,696	¥(22,378)	¥424,829

	Thousands of U.S. dollars (Note 1)			
	Japan	Other Areas	Elimination	Consolidated
Year ended March 31, 2002				
Sales:				
Outside customers	$2,361,223	$441,343	$ —	$2,802,566
Intergroup	71,587	31,932	(103,527)	—
Total	2,432,818	473,283	(103,527)	2,802,566
Operating costs and expenses	2,252,165	473,718	(110,131)	2,615,752
Operating income (loss)	$ 180,645	$ (435)	$ 6,604	$ 186,814
Identifiable assets	$2,604,615	$510,596	$(161,343)	$2,953,868

Note: As described in Note 2 (g), the Company changed the method of accounting for inventories in the Copper Foil Division from the last-in, first-out cost method to the moving average cost method in the year ended March 31, 2002.

As a result of this change, operating costs and expenses decreased in the Japan segment by ¥44 million ($330 thousand), and operating income increased by the same amount.

As described in Note 2 (h), the Company changed its depreciation method from the straight-line method to the declining-balance method for property, plant and equipment in a portion of the Copper Foil Division, Plant No. 3, in the year ended March 31, 2002.

As a result of this change, operating costs and expenses increased in the Japan segment by ¥310 million ($2,326 thousand), and operating income decreased by the same amount.

(c) Sales outside Japan by the Company and its consolidated subsidiaries

	Millions of yen		
	Asia	Other Areas	Total
Year ended March 31, 2002			
Overseas sales	¥37,239	¥46,269	¥ 83,509
Consolidated net sales			373,442
Ratio of overseas sales to consolidated net sales	9.97%	12.39%	22.36%
Year ended March 31, 2001			
Overseas sales	¥50,174	¥38,471	¥ 88,646
Consolidated net sales			423,707
Ratio of overseas sales to consolidated net sales	11.84%	9.08%	20.92%

	Thousands of U.S. dollars (Note 1)		
	Asia	Other Areas	Total
Year ended March 31, 2002			
Overseas sales	$279,467	$347,234	$ 626,709
Consolidated net sales			2,802,566

Asia: Mainly Taiwan, South Korea, China, Malaysia, Singapore and Thailand
Other areas: Mainly U.S.A., Germany, England, France, Belgium, Poland and Peru

13. Income Taxes

The Company and its domestic subsidiaries were subject to a number of income taxes, which, in the aggregate, indicate a statutory effective tax rate of the Company of approximately 41.7 per cent. for the years ended March 31, 2002 and 2001.

Its foreign subsidiaries were subject to the income taxes of the countries in which they operate.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Deferred tax assets:			
Unrealized profits and losses	¥ 4,001	¥ 3,929	$ 30,026
Operating loss carryforward for tax purposes	1,765	2,611	13,245
Excess bad debt expenses	493	251	3,699
Excess accrued bonuses to employees	1,356	1,269	10,176
Enterprise taxes	340	706	2,551
Retirement benefits	5,014	4,226	37,628
Other	2,393	2,207	17,958
Subtotal	15,364	15,202	115,302
Valuation allowance	(1,917)	(2,820)	(14,386)
Total deferred tax assets	13,446	12,381	100,908
Deferred tax liabilities:			
Net unrealized gains on securities	(325)	(1,235)	(2,439)
Deferral of capital gain related to certain sales of property, plant and equipment	(1,290)	(1,341)	(9,681)
Retained earnings of foreign subsidiaries	(1,076)	(1,305)	(8,075)
Other	(2,038)	(1,378)	(15,294)
Total deferred tax liabilities	(4,730)	(5,260)	(35,497)
Net deferred tax assets	¥ 8,715	¥ 7,120	$ 65,403

The net deferred tax assets at March 31, 2002 and 2001 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Deferred tax assets—current	¥2,890	¥2,364	$21,688
Deferred tax assets—non-current	7,836	6,143	58,806
Deferred tax liabilities—current	11	25	82
Deferred tax liabilities—non-current	2,000	1,362	15,009

The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Companies' consolidated financial statements for the year ended March 31, 2002.

Statutory effective tax rate	41.7%
Permanent difference due to non-deductible expense	4.3
Permanent difference due to non-deductible income	(2.3)
Effect of elimination of intercompany dividends received	10.1
Temporary differences of consolidated subsidiaries which are unable to recognize tax-effect accounting	21.3
Effect of selling the securities of consolidated subsidiaries	11.1
Tax credit	(4.5)
Others	(5.4)
Tax rate calculated based on the Companies' consolidated financial statements	76.3%

The difference between the statutory effective tax rate and the tax rate calculated based on the Companies' consolidated financial statements for the year ended March 31, 2001 was immaterial and undisclosed.

14. Lease Transactions

(a) As lessees

(1) Information on non-capitalized finance leases for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Lease obligations due:			
Within one year	¥1,217	¥1,245	$ 9,133
More than one year	2,207	2,285	16,562
Total	¥3,425	¥3,530	$25,703
Annual lease payments	¥1,068	¥1,389	$ 8,015

Since the amounts of lease obligations were relatively small, amounts shown above are inclusive of interest.

(2) Information on operating leases for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Lease obligations due:			
Within one year	¥ 616	¥ 347	$ 4,622
More than one year	1,230	1,030	9,230
Total	¥1,847	¥1,378	$13,861

(b) As lessors

Information on non-capitalized finance leases for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Lease receivables due:			
Within one year	¥14	¥ 40	$105
More than one year	23	126	172
Total	¥37	¥167	$277

All transactions of the Companies as lessors were subleases to third parties. The Companies subleased to lessees on the same terms that the Companies originally signed. The whole amount was included in the amount of lease obligations shown in (a).

Since the amounts of lease receivables were relatively small, amounts shown above are inclusive of interest.

15. Derivative Transactions

The Companies used currency forward contracts and options to hedge transactions, such as sales of commodities (mainly basic metals) and purchases of inventories (mainly imported materials), and to hedge its assets and liabilities denominated in foreign currencies against foreign exchange risk.

The Companies also entered into interest rate swaps to hedge their loans payable against interest rate risk. Further, the Companies utilized metal forward contracts to reduce the Companies' exposure to fluctuations in metal prices. All of these contracts were based on actual demand and not for trading in the short-term or for speculation. In particular, the Companies prohibited selling options in accordance with their respective internal transaction management rules.

"Contract amounts" shown in the tables below are notional amounts in derivative contracts. These amounts do not represent the Companies' market risk or credit risk incurred in derivative transactions.

Dealing market value was computed as a fair value based on the price shown by banking facilities or trading companies. These market values were presented for evaluations of derivatives, and they do not represent the amounts that the Companies pay or receive in the future.

The following tables summarize market value information as of March 31, 2002 and 2001 of derivative transactions for which hedge accounting had not been applied:

(a) Currency-related derivatives

				Millions of yen		Thousands of U.S. dollars (Note 1)
Type				2002	2001	2002
Forward contracts:						
	Selling U.S. dollars:		Contract amounts	¥1,579	¥6,501	$11,849
			Due more than one year	—	362	—
			Market value	1,622	6,858	12,172
			Net unrealized losses	(43)	(356)	(322)
	Buying U.S. dollars:		Contract amounts	¥4,864	¥8,498	$36,502
			Due more than one year	—	—	—
			Market value	4,932	8,772	37,013
			Net unrealized gains	67	274	502
	Buying Japanese yen:		Contract amounts	¥ 822	¥ 120	$ 6,168
			Due more than one year	—	—	—
			Market value	762	109	5,718
			Net unrealized losses	(60)	(10)	(450)
Swaps:	Receive	Pay				
	U.S. dollars	Japanese yen	Contract amounts	¥ 514	¥ 686	$ 3,857
			Due more than one year	514	686	3,857
			Market value	90	26	675
			Net unrealized gains	90	26	675

Market value of forward contracts was based on future exchange rates provided by financial institutions.

(b) Interest rate-related derivatives

				Millions of yen		Thousands of U.S. dollars (Note 1)
Type				2002	2001	2002
Swaps:	Receive	Pay				
	Float	Fix	Contract amounts	¥ —	¥2,230	$ —
			Due more than one year	—	2,230	—
			Market value	—	94	—
			Net unrealized gains	—	94	—
Swaps:	Receive	Pay				
	Float	Float	Contract amounts	¥6,597	¥5,737	$49,508
			Due more than one year	6,597	5,737	49,508
			Market value	(753)	(413)	(5,651)
			Net unrealized losses	(753)	(413)	(5,651)

Market value of swaps was present value based on rates provided by financial institutions.

(c) Commodities-related derivatives

Type			Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Forward contracts:					
	Selling metal	Contract amounts	¥ 190	¥ 174	$ 1,425
		Due more than one year	—	—	—
		Market value	191	151	1,433
		Net unrealized gains (losses)	(0)	22	(0)
	Buying metal	Contract amounts	¥3,017	¥5,430	$22,641
		Due more than one year	—	1,317	—
		Market value	2,741	5,294	20,570
		Net unrealized losses	(275)	(136)	(2,063)

Market value of metal forward contracts was based on forward prices provided by trading companies.

16. Employees' Retirement Benefits

The Companies provide two retirement benefit plans for employees, an unfunded retirement plan and a funded retirement plan, under which all eligible employees are entitled to benefits based on their length of service and basic rate of pay at the time of termination.

The Companies sold the securities of the consolidated subsidiaries Gifu Die and Mold Engineering Company, Limited and its subsidiaries and also a certain subsidiary liquidated in the year ended March 31, 2002. As a result, the number of the Companies' retirement benefit plans for employees decreased by five.

The Companies provided allowance for employees' retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. The allowance and expenses for employees' retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The excess of the projected benefit obligation over the plan assets at fair value as of April 1, 2000 and the liabilities for employees' retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥18,969 million ($142,356 thousand). The net transition obligation will be recognized as expense in equal amounts mainly over five years, commencing with the year ended March 31, 2001.

As a result of the aforementioned decrease in the number of the Companies' retirement benefit plans for employees, the amount of the net transition obligation decreased from ¥21,656 million to ¥18,969 million ($142,356 thousand) for the year ended March 31, 2002.

Allowance for employees' retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Projected benefit obligation	¥28,842	¥33,130	$216,450
Plan assets at fair value	(2,003)	(1,633)	(15,031)
Projected benefit obligation in excess of plan assets	26,839	31,496	201,418
Less: Unrecognized net transition obligation	(11,348)	(17,280)	(85,163)
Less: Unrecognized prior service costs	(389)	(223)	(2,919)
Less: Unrecognized actuarial differences	(337)	(109)	(2,529)
Prepaid pension cost	3	2	22
Allowance for employees' retirement benefits	¥14,767	¥13,886	$110,821

The employees' retirement benefit costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Service costs—benefits earned during the year	¥1,936	¥2,254	$14,529
Interest cost on projected benefit obligation	792	890	5,943
Expected return on plan assets	(19)	(18)	(142)
Amortization of net transition obligation	4,061	4,376	30,476
Amortization of prior service costs	119	41	893
Amortization of actuarial differences	(784)	2,453	(5,883)
Additional retirement benefits	1,626	—	12,202
Employees' retirement benefit costs	¥7,733	¥9,999	$58,033

The actuarial assumptions for calculating the projected benefit obligation for the years ended March 31, 2002 and 2001 were as follows:

	2002	2001
Attribution of benefits to periods of service	Benefit/years-of-service approach	Benefit/years-of-service approach
Discount rate used to determine the projected benefit obligation	2.4%–3.0%	Mainly 3.0%
Expected return on plan assets	Mainly 1.0%	Mainly 1.0%
Period to amortize net transition obligation	Mainly 5 years	Mainly 5 years
Period to amortize prior service costs	1–5 years	1–5 years
Period to amortize the actuarial differences	1–3 years	1–3 years

17. Subsequent Events

On June 27, 2002, at the shareholders' meeting, the following appropriations were approved:

(1) payment of cash dividends to shareholders of record on March 31, 2002 of ¥5.00 ($0.04) per share totaling ¥2,796 million ($20,983 thousand), and

(2) payment of bonuses to directors totaling ¥50 million ($375 thousand).

18. Related Party Transactions

The Company owns 34 per cent. of outstanding shares of Pan Pacific Copper Company, Limited, which sells products related to copper refining and smelting business.

The transactions and account balances with Pan Pacific Copper Company, Limited as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net sales	¥37,770	¥11,297	$283,452
Due from unconsolidated subsidiaries and affiliates	3,397	4,475	25,493

Terms of transactions:

Terms of sales to Pan Pacific Copper Company, Limited are determined under general market conditions.

Report of Independent Public Accountants

To the Board of Directors of
Mitsui Mining and Smelting Company, Limited:

We have audited the accompanying consolidated balance sheets of Mitsui Mining and Smelting Company, Limited (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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 Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except for the changes in the method of accounting for inventories and property, plant and equipment made in the year ended March 31, 2002, with which we concur, as described in Note 2 (g) and Note 2 (h).

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

Directors, Executive Officers, and Auditors

(As of July 1, 2002)

Board of Directors

President and Representative Director,
Chief Executive Officer and
Chief Operating Officer

Shimpei Miyamura

Executive Vice President and
Representative Director,
Deputy Chief Operating Officer

Hiroshi Makihara

Senior Managing Director and
Representative Director,
Senior Managing Executive Officer

Motonori Takahashi

Director,
Senior Executive Officer

Harunobu Matsunaga

Director,
Senior Executive Officer

Hiroe Takahara

Director,
Senior Executive Officer

Ei Omoto

Director,
Senior Executive Officer

Tatsuo Sunaga

Director,
Senior Executive Officer

Yoshihiko Takebayashi

Director,
Senior Executive Officer

Muneo Saida

Director,
Senior Executive Officer

Haruo Ito

Executive Officers

Ryuzo Kuroda
Yasuo Yokoo
Masakazu Miyake
Kunio Yanai
Takao Hironaka
Toshio Kodama
Yoshiaki Kitagawa
Naoaki Ogawa
Tomoharu Jogo
Shoji Onoue
Shuzo Takahashi
Masao Omura
Masanobu Matsufuji
Takashi Sujino
Toshihiko Saito
Masachika Hashiuchi
Satoru Kobayashi
Shin'ichi Ishii
Masashi Kawasaki
Yoshihiro Tsuchiya

Corporate Auditors

Seishi Shimano
Koshi Senoguchi
Takashi Hasegawa
Toshiaki Tanabe

Corporate Data

(As of March 31, 2002)

Established: May 1, 1950

Authorized capital: 1,944 million shares

Shares issued: 559,305,791 shares

Paid-in capital: ¥42,129,466 thousand

Stock listings: Common stock is listed on the Tokyo, Osaka, and three other domestic stock exchanges.

Number of shareholders: 48,997

Principal shareholders:

	Investment in the Company	
	Number of shares held (Thousands)	Percentage of total voting rights (%)
Japan Trustee Services Bank, Ltd. (Held in trust account)	51,589	9.25%
The Mitsubishi Trust and Banking Corporation (Held in trust account)	43,171	7.74
UFJ Trust Bank Ltd. (Held in trust account A)	26,295	4.71
The Nomura Trust and Banking Co., Ltd. (Held in investment trust account)	16,291	2.92
Sumitomo Mitsui Banking Corporation	12,943	2.32
The Chase Manhattan Bank, N.A. London	10,109	1.81
State Street Bank and Trust Company 505041	9,812	1.76
Euroclear Bank S.A./N.V.	9,234	1.65
Japan Trustee Services Bank, Ltd. (Held in trust account 4G)	8,555	1.53
Mitsui Mutual Life Insurance Company	8,541	1.53

Principal subsidiaries:

	Paid-in capital (Millions)	Share (%)
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0%
Hibi Kyodo Smelting Co., Ltd.	¥4,700	63.5
Hachinohe Smelting Co., Ltd.	¥4,795	57.7
Hikoshima Smelting Co., Ltd.	¥460	100.0
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM50	(90.0)
Oak-Mitsui Inc.	US$3.068	(100.0)
MCS, Inc.	¥450	100.0
GECOM Corp.	US$15.75	100.0
Okuaizu Geothermal Co., Ltd.	¥1,000	68.9
MESCO, Inc.	¥1,085	63.4

Note: Parentheses around figures for percentage owned by Mitsui Kinzoku indicate indirect ownership.

Directory

(As of July 1, 2002)

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Plants

Hibi/Takehara/Omuta/Ageo/
Nirasaki/Kitakata

Laboratory

Corporate R&D Center

Overseas Branches and Offices

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