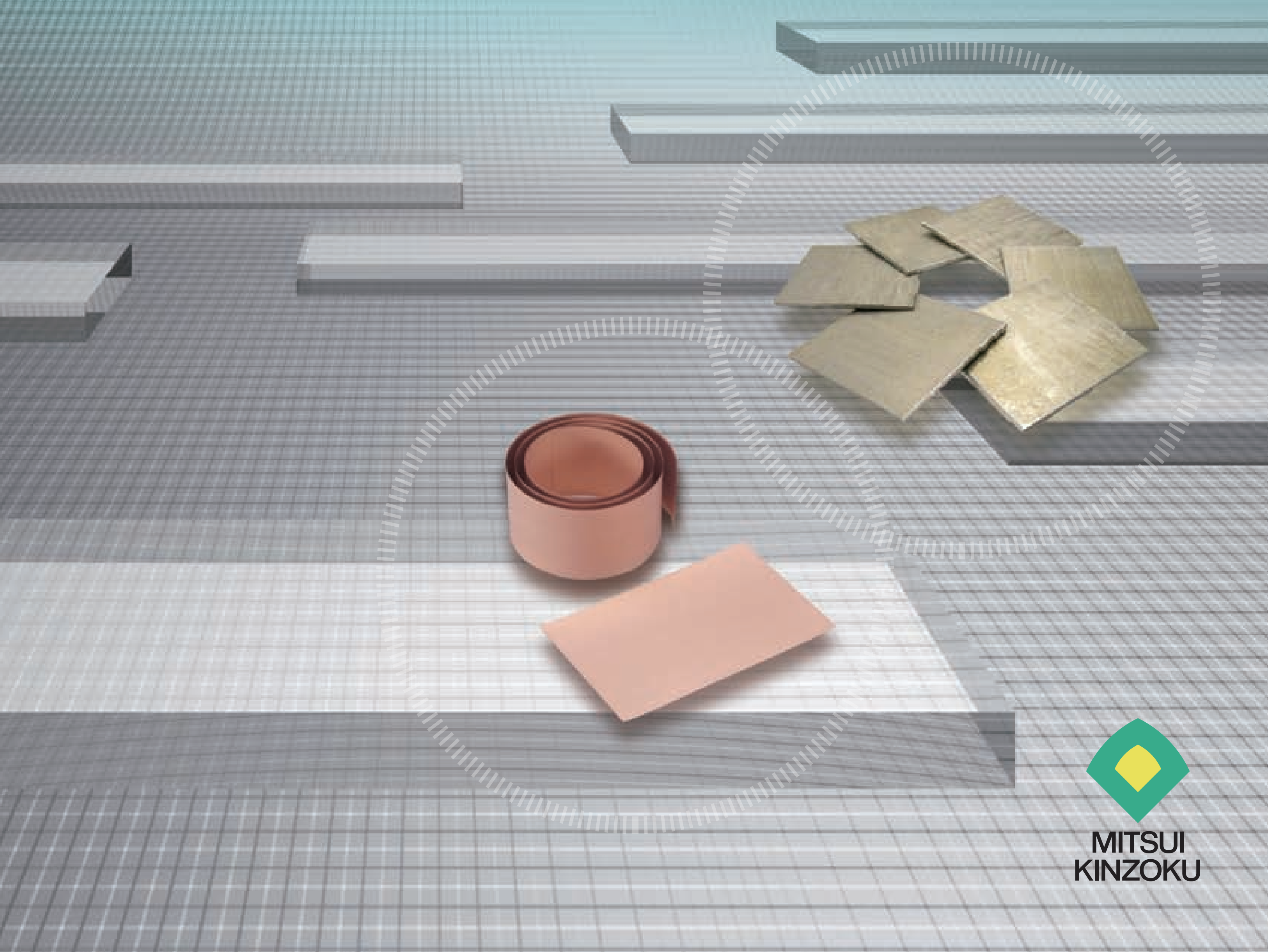
Annual Report 2009

MITSUI MINING AND SMELTING CO., LTD.



MITSUI
KINZOKU

Profile

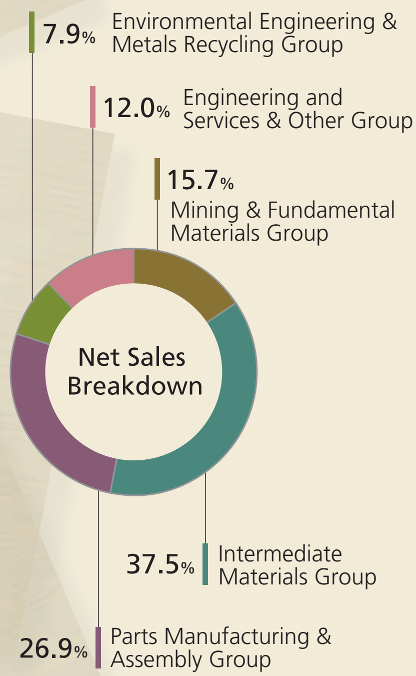
Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku), supplies nonferrous metal intermediates that play key roles in high-tech industries. Since its establishment in 1950, the Company has also been known as a leading supplier of such nonferrous metals as zinc and copper and one of the world's largest 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. In addition, the Company is known as a producer of highly evaluated automobile door-related parts and systems.

Superior quality is the hallmark of Mitsui Kinzoku products and services. A team of nearly 10,000 talented employees strives to ensure this quality and, in doing so, has maintained the integrity of the Mitsui Kinzoku name and its longstanding reputation for innovation.

Principal Businesses of the Mitsui Kinzoku Group

Group	Principal Products/Services
Mining & Fundamental Materials Group	Zinc, Gold, Silver, Zinc alloy, Geothermal steam
Intermediate Materials Group	Electrodeposited copper foil, Semiconductor mounting materials (TAB & COF tapes), Battery materials (Hydrogen storage alloy, Battery-use zinc powder), Thin-film materials (Sputtering targets), Functional metal powders (Magnetite, Metal powders), Rare metal compounds (Cerium oxide based polishing powders, Tantalum pentoxide, Niobium pentoxide), Ceramics products (Liquid aluminum filtration materials, Alumina, Silicon-carbon ceramics), Perlite (Construction materials, Filter aids, Heat insulators), Rolled copper products (Copper and brass sheet, Copper and brass strip), Rolled zinc products (Zinc sheet for printing, Zinc anodes for protection, Zinc sheet for building materials applications), Grinding wheels, Rare earths, Single crystals
Parts Manufacturing & Assembly Group	Functional automotive parts, Zinc/aluminum/magnesium die-cast products, Powdered metallurgical products, Automotive catalysts, Nondestructive inspection systems
Environmental Engineering & Metals Recycling Group	Lead, Zinc oxide, Litharge, Perlite (Filter aids, Soil improvement materials), Soil contamination surveys, Industrial waste material processing, Expanded shale light weight aggregate
Engineering Group	Engineering services for diverse manufacturing plants, environmental protection equipment, and automation equipment; Design and implementation services for construction, civil engineering, and other projects; Polyethylene composite pipes
Services & Other Group	Marketing of nonferrous metals, electronics materials, etc.; Information processing systems



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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains statements about Mitsui Kinzoku's future business plans, strategies, and beliefs. Statements regarding the Company's projected future business results are not based on historical facts and are subject to various risks and uncertainties. These risks and uncertainties relate to economic conditions in Mitsui Kinzoku's business environment, the state of private-sector and public sector capital investment, currency exchange rates, competitive pricing pressures in the marketplace, and Mitsui Kinzoku's ability to continue designing and developing products that will be accepted in markets. However, it should be noted that elements affecting performance are not limited to the previously mentioned factors. In this report, fiscal 2008 represents the year ended March 31, 2009.

Financial Highlights

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

	Millions of yen (Note)			Thousands of U.S. dollars
	2009	2008	2007	2009
Consolidated Performance				
Net sales	¥427,191	¥595,463	¥591,518	$4,348,885
Operating income (loss)	(27,031)	27,993	38,865	(275,180)
Net income (loss)	(67,256)	7,830	31,370	(684,678)
Total assets	410,258	486,238	483,397	4,176,504
Net assets	104,631	199,545	197,890	1,065,163
Net income (loss) per share (¥, $)	(117.66)	13.67	54.77	(1.20)
Cash dividends per share (¥, $)	–	12.00	12.00	–

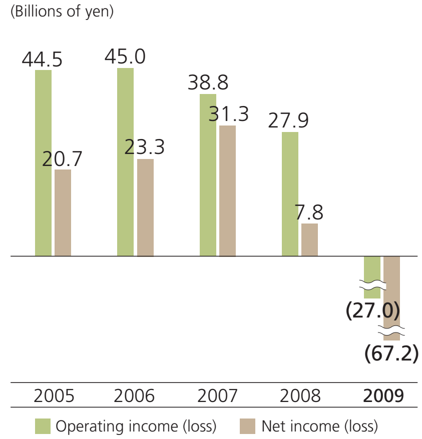
Note: All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥98.23 to US$1.00, the rate prevailing at March 31, 2009

Net sales and operating income (loss) to net sales

(Billions of yen,%)

Operating income (loss) and net income (loss)

(Billions of yen)

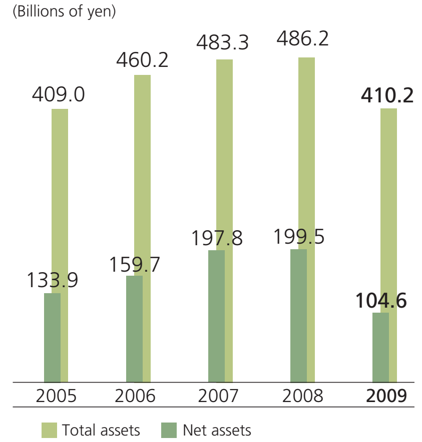


Net income (loss) per share

(Yen)

Total assets / Net assets

(Billions of yen)



Note: In accordance with the previous presentation rules, net assets figures for the fiscal years from fiscal 2005 through fiscal 2006 actually represent total shareholders' equity.

Interview with the President

Yoshihiko Takebayashi
President and Chief Executive Officer

Q. A. 1 Looking back on fiscal 2008, what were the main events for Mitsui Kinzoku?

The global economic downturn led to our most difficult year ever.

Fiscal 2008 was an extremely challenging year for us due to the impact of the global economic slowdown. While there are signs of recovery in some industries, such as electronic materials, the overall picture remains totally unclear, and recovery seems to be still a long way off for key users such as the automotive industry.

Amid this situation, we recorded a 28.3% year-on-year decline in sales to ¥427.1 billion, while the operating account deteriorated to an operating loss of ¥27.0 billion, which compares with operating income of ¥27.9 billion for the previous term. The main reasons for these results were: a fall in nonferrous metal selling prices and the appreciation of the yen impacted our metals operations and our environmental engineering operations, and our electronic materials and electronic components for automobiles were hit by the worldwide slump in demand for both electronic appliances and vehicles. In addition to the deterioration in the operating income/loss account, we posted an impairment loss of ¥11.8 billion for our semiconductor mounting materials business (TAB & COF tapes). An increase was registered in income tax expenses resulting from the reversal of deferred tax assets. As a result, a net loss for the term of ¥67.2 billion was recorded, compared with a net income of ¥7.8 billion for the previous business year.

In view of the rapid deterioration in the Company's business environment, we have decided to halt work on the drafting of a new medium-term management plan, which had been underway, until such time as the situation becomes clearer.

Q. A. 2 What progress have you made in your business rationalization plan?

We are conducting a thorough review of our existing business portfolio with a view to streamlining operations.

We are still in the middle of an unprecedentedly severe operating environment, and our overriding priority at the moment is to create a strong long-term earnings base as soon as possible. To revive the fortunes of Mitsui Kinzoku we must radically revise our operational structure and realize a slimming-down in the Group's workforce and production facilities, as well as a reduction in interest-bearing debt. There are three main points to be noted with regard to the progress of our rationalization plans.

Milestones
in 2008 and 2009

2008	
June	Thinnest embedded capacitor, FaradFlex® developed
August	Electrodeposited copper foil plant in Malaysia to significantly enhance production capacity
October	High capacitance density material developed for use as embedded capacitors
2009	
January	Announcement of plan for rationalization of business operations, including workforce downsizing
March	Conclusion of business tie-up on sale of non-destructive fruit-sugar measurement devices
May	Basic agreement reached with Sumitomo Metal Mining Co., Ltd. on consolidation of copper and copper alloys fabricated products businesses

1. In the area of workforce downsizing, we are on track to meet our targets with a reduction of 4,600 employees by the end of the September 2009. Other cost-cutting initiatives are being applied across the entire Group, under the promotion of an ad hoc management reform committee under my direct supervision. We expect these initiatives to produce a steady stream of achievements.
2. In our TAB & COF tapes operations, we plan to reduce production capacity to 75 million units per month with a 900-strong workforce to improve the operating cash flow and ensure adequate profitability. Orders are currently flowing in at a rate of 60 million units per month.
3. In our automobile door lock business we are implementing a restructuring plan to ensure adequate earnings with annual sales of ¥70 billion. Within the current business year we will reduce the number of our manufacturing facilities worldwide from 13 to 9, which will result in a corresponding workforce reduction.

Q. A. 3 Could you tell your readers something about Mitsui Kinzoku's business strategies over the short to long term?

We are working steadily to revive the growth capabilities of Mitsui Kinzoku through strategies designed to take effect within specified time frames.

Our immediate strategic goals are to complete the plan for rationalization of business operations and achieve a return to the black ink for the fiscal 2009 term. Following this, we will set to work to realize the three points set out below, as part of the Company's basic policy.

1. In the current three core businesses of Mitsui Kinzoku — metals, intermediate materials, and automotive components — we will build a stable earnings base that will enable us to return to the black-ink column at an early date.

2. We will take steps to grow our new businesses, including environmental businesses such as metals recycling and catalysts for absorbing vehicle exhausts, and alternative energy businesses such as rechargeable batteries and photovoltaic cells.

3. For existing business operations other than the three core operational segments, we will be following a policy of selection and concentration in the allocation of management resources, with the aim of securing an adequate operating cash flow and realizing a reasonable profit return.

Strategies to be realized within specific time frames include the following.

Over the short term, we aim to restructure our operations by slimming down the Group's workforce and production facilities, as well as the reducing interest-bearing debt. This is aimed at lowering our break-even point to achieve a structure that will realize profits, albeit on a modest scale, even if total sales fall to half the level for FY2007, which was an all-time high.

Our medium-term strategy, covering the period FY2010-2011, revolves around the copper foil business as the Company's growth leader for the time being. We will therefore be taking steps to secure the position of our copper foil operations as the world market leader, and at the same time, in our zinc operations we will be raising the proportion of recycled zinc to make more efficient use of total zinc resources. We are confident that, in these ways, we will be able to create an operational structure more strongly resistant to fluctuations in metal market prices.

As long-term strategies, we intend to more actively engage in the lithium-ion battery market with products such as positive electrode materials and SILX (silicon-based anodes). We are aiming at the early commercial start-up of businesses in the fields of catalysts with low precious-metal content, silver-based catalysts, and so on, with applications hopefully not only to motorcycles but also to four-wheelers.

Through the pursuit of these strategies, we intend to restore Mitsui Kinzoku to its former status as an enterprise possessing a solid financial base and capable of continuous growth.

Q. A. 4 Please give us your forecasts for fiscal 2009, and tell us something about the priority issues that the Company faces.

We expect the completion of the plan for rationalization of business operations to result in a major improvement in our profit and loss situation.

For fiscal 2009 we project sales on a consolidated basis of ¥320 billion, for a decline of 25.1% from fiscal 2008, operating income of ¥7.0 billion, and a net loss of ¥5.1 billion. The forecast of a decline in sales is based on weakening metal market prices and a contraction in the metal market volume, as well as the expectation that electronics manufacturers will continue to cut back on production levels. This means that the Mitsui Kinzoku Group's sales will fall to roughly half of the record-high FY2007 level. On the other hand, we also expect progress in cost-cutting efforts to lead to a marked improvement in our profit/loss accounts.

We are seeing slight signs of a resurgence in demand for the Group's products from makers of electronic equipment and automobiles, but we do not expect a full-scale recovery until the start of fiscal 2010 at the earliest. At present, we are undertaking a drastic structural overhaul of our semiconductor mounting materials (TAB and COF tapes) business, including workforce reductions and other exhaustive steps to cut costs, with the goal of reestablishing a solid earnings base for these operations.

Turning to the Mitsui Kinzoku Group's core business segments, the Mining & Fundamental Materials business is expected to suffer a decline in revenues from zinc operations due to low market prices, but we hope to reduce the margin of operating loss by raising the ratio of recycled zinc products used in the smelting of zinc ore, in addition to lower energy costs (particularly for coke procurement) and smaller valuation losses on inventories.

In the Group's Intermediate Materials business, downward production adjustments

will continue for some time to come, with the exception of certain items such as copper foil, and this business will thus post a decline in revenues. In semiconductor mounting materials operations (TAB and COF tapes), we will be closing down some production plants. For products other than TAB/COF tapes, we will be setting up a more flexible production system that will be carefully designed to meet our customers' needs, and will launch new products when market prices regain a reasonable level. In this and other ways, we are doing our best to secure profits.

With regard to our rolled copper operations, we have recently reached a basic agreement with Sumitomo Metal Mining Co., Ltd. to consolidate the copper and copper alloy businesses of the two companies by April 2010. We will continue to pursue an active policy of selection and focus with respect to cash-cow operations other than our three core segments.

In our Parts Manufacturing & Assembly business, a decline in revenues is projected due to the shrinkage of the North American vehicle market, but we intend to counteract this by reducing fixed costs through higher productivity, and by shifting more of our production to facilities in China and Southeast Asia. These measures should narrow the margin of our operating loss on this business.

In our Environmental Engineering & Metals Recycling business, a decline in revenues from the lead recycling business is expected, owing to weak market prices for lead. However, we expect to post an operating income thanks to steps to expand our recycling materials collection and processing operations, and the posting of lower losses on inventory valuation.

In addition to all these ongoing and planned measures to improve the Group's profit/loss situation, during the current term our management strategy will be focused strictly on ensuring adequate operating cash flow, and we will be carrying out a review of our capital investment plans without any preconceptions. Finally, we aim to reduce inventory assets through rigorous inventory management.

Q.A. 5 Please tell the readers about your policy on total shareholder return.

At Mitsui Kinzoku we are devoting our full efforts to satisfying our shareholders by resuming dividend payments as soon as possible.

Our basic policy has always been to pay dividends for every business term, at a stable level, as long as our business performance allows it. This policy remains unchanged, but the business environment is certain to remain severe in fiscal 2009, and at the present time we see no likelihood of being able to pay a dividend. I would like to take this opportunity to apologize to our shareholders and assure them that we are doing our best to realize an improved business performance this term and after, so that we may resume dividend payments at an early date.

Our short-term goal is to move back into the black for fiscal 2009, while our longer-term goal is to get the company firmly on the growth track. I would like to assure all the stakeholders of Mitsui Kinzoku that we are doing our best to realize these goals. I look forward to your continued support and encouragement.

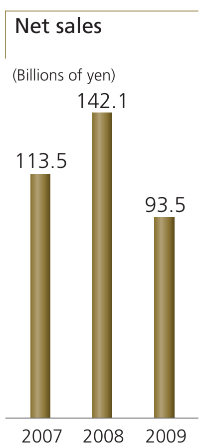
July 2009

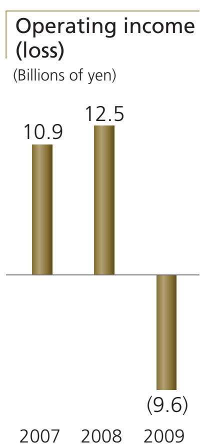
Yoshihiko Takebayashi

Yoshihiko Takebayashi
President and Chief Executive Officer

Mining & Fundamental Materials Group

Operations fall into the red due to slump in zinc market prices and valuation losses on inventory assets





Operations

- **Nonferrous metal smelting** — Mitsui Kinzoku is Japan's leading producer of zinc, producing 240,000 tonnes of zinc at its three smelting plants in Japan.
- **Mining**—Approximately 40% of the zinc ore that Mitsui Kinzoku requires for its smelting operations is purchased from overseas mining companies, while about 20% is obtained from the two mines that the Company operates in Peru, and around 40% from recycled materials in Japan.

Business environment and strategies

Zinc prices, which had held stable at a high level for some years, plunged in the latter half of 2008 as a result of the global credit crunch triggered by the financial sector crisis in the United States.

Zinc ore procurement conditions improved thanks to increased supply following the opening of several large mines during the year, but worsening demand led to the closure of a number of mines, and ore purchasing conditions again deteriorated.

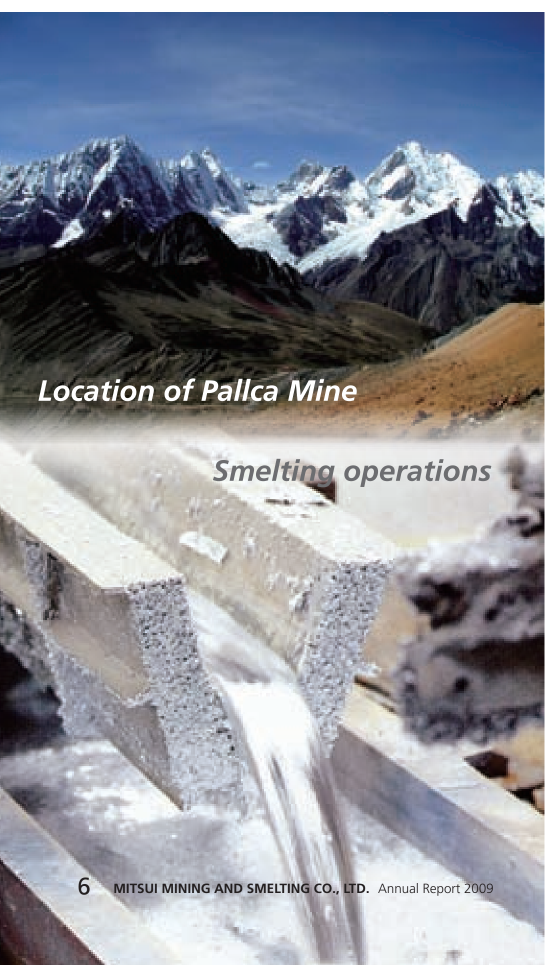
Production of zinc-plated steel sheet, which accounts for the largest proportion of zinc demand in Japan, fell sharply during the reporting period due to production cutbacks by vehicle makers. Against this backdrop, Mitsui Kinzoku focused its marketing efforts on exports to China. Owing to the low level of selling prices — a factor outside the control of the Mitsui Kinzoku Group — we were unable to secure a profit in these operations for the latter half of fiscal 2008 despite our superior smelting technology and excellent competitiveness.

For these reasons, the management of Mitsui Kinzoku has decided that the Company must raise its ratio of ore procurement from its own mines, and consequently, efforts will be made to further exploit the deeper levels of its mines in Peru. We also plan to raise the percentage of zinc oxide from zinc-containing metal scrap used for zinc production, which will help stabilize our raw materials supply and lower the break-even point.

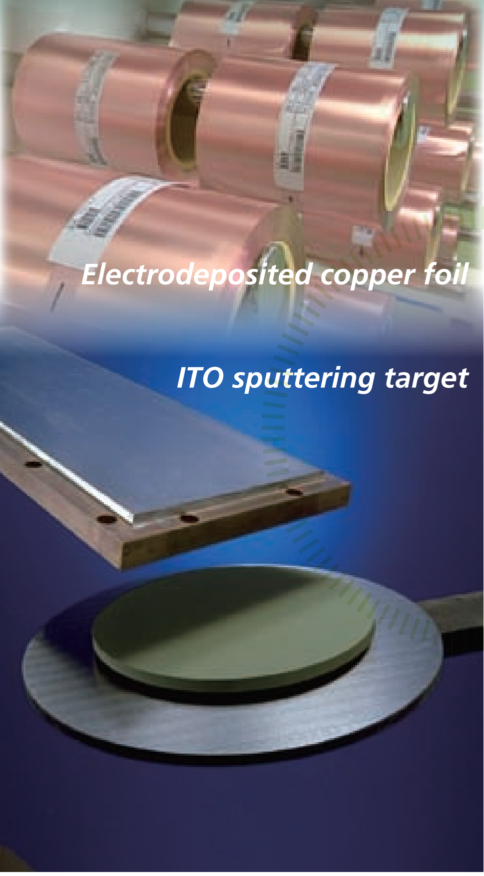
Fiscal 2008 business performance

Major operating loss figures were posted as a result of lower profit margins due to the appreciation of the yen and a steep drop in zinc market prices. Other negative factors were the posting of inventory valuation losses accompanying the fall in prices, and increased energy costs, including coke prices.

Mitsui Kinzoku's copper smelting business is separately reported using the equity method.


Location of Pallca Mine

Smelting operations



Intermediate Materials Group

Radical restructuring of semiconductor mounting materials business

Operations

- **Electronic materials** — This business accounts for the majority of this segment. The main product is electrodeposited copper foil, a crucial element in printed circuit boards, which are essential to all electronic equipment. Mitsui Kinzoku possesses one of the world's most advanced technologies in this field, and the Company is the leading maker in terms of production volume and market share. We also make a variety of other intermediate materials for high-performance electronic components, including metallic powders, sputtering targets, and single crystals. Our semiconductor mounting materials operations (TAB & COF tapes used for mounting driver IC chips for LCD panels and other flat-panel displays) have experienced a sharp deterioration in business performance, and these products have lost their former competitiveness.

- **Other intermediate materials** — Rolled copper, perlite, high-performance industrial ceramics, and other materials essential to core industries such as construction and motor vehicle manufacturing.

Business environment and strategies

In this segment's mainline field of electronic materials, a sharp drop was experienced in the sales volume of electrodeposited copper foil, owing to a steep fall in the capacity utilization rates of Japanese electronics manufacturers from the start of the second half of fiscal 2008. This decline bottomed out in the fourth quarter (Jan.-March 2009), however, and demand in volume terms is now recovering rapidly as customers complete their inventory adjustment processes. The ongoing miniaturization of electronic components means that customers have recently been demanding very thin copper foil, and we expect demand for electrodeposited copper foil to continue growing steadily for the foreseeable future. Mitsui Kinzoku will prepare to meet this growing demand by expanding production capacity in Malaysia. Meanwhile, development efforts on high-performance copper foil will continue in Japan, with the aim of nurturing such products into a leading cash cow and ensuring that the Mitsui Kinzoku Group maintains its No. 1 position in the world market.

The semiconductor mounting materials business (TAB & COF tapes) has hitherto achieved growth on the back of demand from manufacturers of flat panel displays, notably LCD screens. Now, however, we are facing sluggish demand volume and a deterioration in price-competitiveness as rivals increase their production volumes. In addition, an increase in debt resulting from depreciation expenses on production equipment led to the posting of a large red-ink figure for the second straight year. For these reasons, Mitsui Kinzoku recognized impairment losses amounting to ¥10.7 billion at the reporting term-end (impairment losses were also posted at the end of fiscal 2007).

The workforce in Japan employed in this segment's operations was reduced during the reporting term from 3,000 to 900 as part of our radical restructuring plan, under which production facilities are being progressively consolidated. As a result, assuming matters proceed according to schedule, we expect these operations to reach the break-even point in the second half of fiscal 2009 or soon thereafter.

Mitsui Kinzoku's other electronic materials, including metal powders, have suffered a steep decline in sales revenues owing to weaker demand for digital electronic appliances. However, as these products are likely to maintain their high share in niche markets, the Company will continue making efforts to realize an earnings recovery.

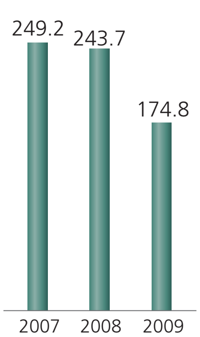
In our rolled copper products operations, we have concluded a basic agreement with Sumitomo Metal Mining Co., Ltd. regarding copper and copper alloy fabricated products, so as to ensure business continuity. Current plans call for the establishment of a joint company to take over the copper fabrication operations of both investing companies, with consolidation scheduled for April 2010. Details are still under discussion.

Fiscal 2008 business performance

For this segment, we posted a record-high operating loss for fiscal 2008 owing to a sharp decline in demand in the latter half of the term, a worsening of the deficit recorded by the TAB & COF tapes business, and the posting of losses on valuation of indium tin oxide (ITO) sputtering target inventories.

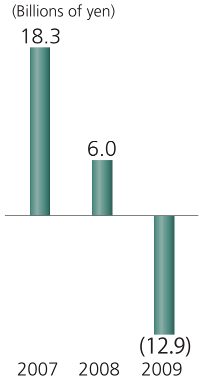
Net sales

(Billions of yen)



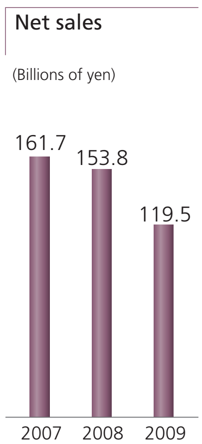
Operating income (loss)

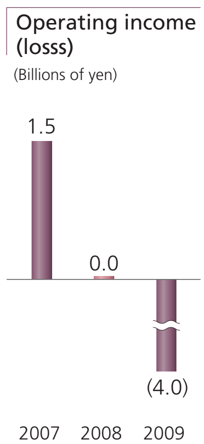
(Billions of yen)



Parts Manufacturing & Assembly Group

Supplying vital components for the automotive industry





Operations

- **High-performance vehicle components** — these products are the mainstay of this segment. Mitsui Kinzoku operates automotive component factories in five major vehicle-producing countries — Japan, the United States, Thailand, China, and the United Kingdom. Our factories principally manufacture door-related parts, including locks, for which the Company has a global market share of 20%. These products are supplied mainly to Japan-affiliated automakers.

- **Others** — Mitsui Kinzoku has a long history of manufacturing die-cast products for the automotive and electric appliance industries, and in recent years we have recorded strong growth in sales of aluminum die-cast products to meet automakers' rising needs for lightweight components. In addition to sales to Japanese automakers of catalysts for detoxifying vehicle exhaust emissions (mainly for use in minicars), demand from overseas makers of motorcycles is rising against the backdrop of increasingly strict emissions regulations. To serve these customers, Mitsui Kinzoku operates production facilities in India, Thailand, and southern China (Zhuhai). We have developed a silver-based catalyst for diesel-engine exhausts as a less expensive alternative to platinum-based catalysts, and the commercial launch of this product is planned in the near future.

Business environment and strategies

The automobile markets, which have been growing for many years, have recently performed a turnaround, and the global market is contracting rapidly, particularly in North America. Over the medium-to-long term, however, growth is expected in the emerging economies, notably in East and South Asia. Amid these circumstances, we aim to leverage the advantages of scale that Mitsui Kinzoku enjoys as the leading maker of vehicle door locks to maintain and if possible further improve the Company's cost-competitiveness. For this purpose, we have concentrated door lock production operations at a number of plants in Thailand and China, to be ready to expand sales once the vehicle market starts to recover.

Fiscal 2008 business performance

The worldwide decline in the number of vehicles sold, particularly in the North American market, has led to a major fall in sales of our mainstay door-lock products, resulting in the posting of an operating loss. For this reason, we have decided to consolidate a number of production facilities, review our product mix, and achieve cost reductions through strict management of our global manufacturing operations. We have already begun work on these and other restructuring measures, and will maintain our efforts to recover profitability.

Environmental Engineering & Metals Recycling Group

Contributing to the preservation of natural resources through product reuse and recycling


Used batteries

Operations

- **Metals recycling** — We use smelting plants in Japan to recover precious metals from recyclable electronic equipment and components, lead from vehicle batteries, and zinc from steelmakers' electric arc furnace dust.

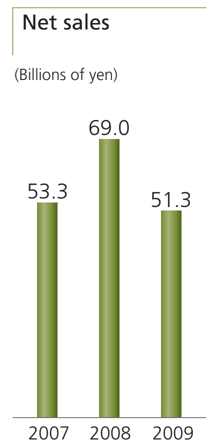
Business environment and strategies

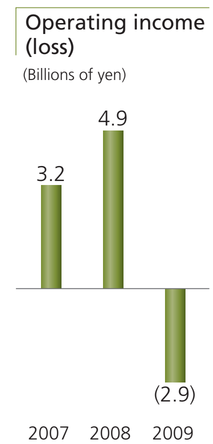
Amid rising concern over environmental preservation, there is now a growing need to recycle and reuse products and materials that had previously been disposed of in various ways, so as to reduce the exploitation of raw natural resources. Mitsui Kinzoku positions this recycling business as a valuable extension of its metal smelting operations and a means of securing a stable supply of raw materials.

We intend to use our proprietary mining and smelting know-how to make a valuable contribution to the protection of the Earth's natural environment.

Fiscal 2008 business performance

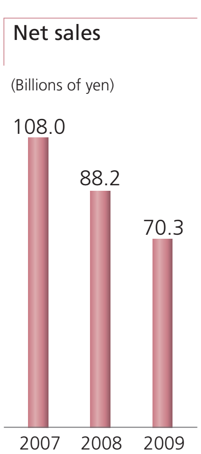
Business operations of this segment recorded a substantial operating loss as a result of a fall in the market prices of zinc, lead, and precious metals, losses on inventory valuation, and higher energy costs.

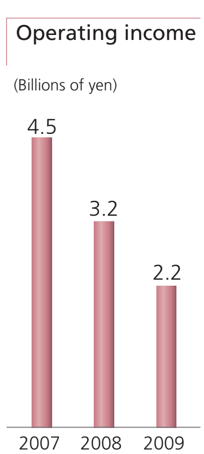




Engineering and Services & Other Group

Providing Support for Mitsui Kinzoku Group Companies





Operations

- **Engineering** — Our Engineering Group provides design and engineering execution services for customers within and outside the Mitsui Kinzoku Group. The sophisticated manufacturing facilities designed by the Engineering Group are one of Mitsui Kinzoku's greatest strengths.

- **Services** — The Services Group supports Mitsui Kinzoku Group companies by providing services in the fields of trading and information processing.

The Information Processing Department's excellent capabilities are shown by its effective customization of SAP R/3, a well-known enterprise resource planning software package, for use within the Mitsui Kinzoku Group. The advantages of the customizing programs used were so well-received that they are now being marketed to other companies as a template.

Directors, Auditors, and Executive Officers (As of June 26, 2009)

Board of Directors

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

Tomoharu Jogo
Representative Director,
Senior Managing Executive Officer,
Metals, Minerals & Environmental Engineering Sector

Kazuo Hirano
Director, Senior Executive Officer,
Parts Production Sector

Mitsuhiko Hasuo
Director, Senior Executive Officer,
Engineered Materials Sector

Osamu Higuchi
Director, Senior Executive Officer,
Chief Risk Management Officer

Toru Higuchi
Director, Senior Executive Officer,
Chief Financial Officer

Sadao Senda
Director, Senior Executive Officer,
Copper Foil Sector

Shimpei Miyamura
Director, Senior Adviser

Hiromichi Shibata
Outside Director

Corporate Auditors

Tatsuhiko Takai

Akira Osano

Yoshiro Kamata
(Outside Auditor)

Junya Sato
(Outside Auditor)

Senior Executive Officers

Shigeru Mitsumori
Chief Technology Officer

Mitsuru Uekawa
Metals, Minerals & Environmental Engineering Sector

Executive Officers

Wakaba Sakurai

Hideo Kuroda

Makoto Fukuda

Takashi Sato

Kosuke Watanabe

Hiroshi Sumida

Jun Fujii

Takao Shibue

Harufumi Sakai

Shinichi Sumi

Junichiro Tanaka

Masahisa Morita

Hiromichi Nakamura

Seiichi Harakawa

Hajime Myoi

Financial Section

Five-Year Summary

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

	Millions of yen				
	2009	2008	2007	2006	2005
For the year:					
Net sales	**¥427,191**	¥595,463	¥591,518	¥503,370	¥438,143
Cost of sales	**405,253**	510,085	500,734	412,003	350,565
Gross profit	**21,937**	85,378	90,784	91,366	87,578
Selling, general and administrative expenses	**48,969**	57,384	51,918	46,314	43,062
Operating income (loss)	**(27,031)**	27,993	38,865	45,052	44,515
Income (loss) before income taxes and minority interests	**(55,114)**	22,655	49,133	38,636	35,914
Net income (loss)	**(67,256)**	7,830	31,370	23,374	20,780
At year-end:					
Total current assets	**¥181,415**	¥227,923	¥218,436	¥208,754	¥172,912
Total assets	**410,258**	486,238	483,397	460,225	409,019
Total current liabilities	**152,542**	154,782	160,847	162,170	139,369
Long-term liabilities	**153,084**	131,911	124,658	126,558	125,022
Net assets*	**104,631**	199,545	197,890	159,772	133,963
Per share data:					
Net income (loss) (¥)	**¥(117.66)**	¥13.67	¥54.77	¥40.52	¥36.05
Cash dividends applicable to the year (¥)	**—**	12.00	12.00	10.00	7.00
Number of employees	**11,189**	11,369	10,403	9,965	9,701

Note: In accordance with the previous presentation rules, net assets figures for the fiscal years from fiscal 2005 through fiscal 2006 actually represent total shareholders' equity.

Financial Review

References to the future reflect the Company's expectations as of March 31, 2009.

Net sales

On a consolidated basis, the Company's net sales during fiscal 2008, ended March 31, 2009, registered a year-on-year decline of ¥168.2 billion (28.3%), to ¥427.1 billion.

Owing to the fall in nonferrous metal prices and the appreciation of the yen, net sales declines of ¥48.5 billion and ¥17.7 billion were recorded for the Mining & Fundamental Materials Group and the Environmental Engineering & Metals Recycling Group, respectively.

Additionally, the global falloff in demand for electronic equipment and automobiles caused net sales declines of ¥68.9 billion for the Intermediate Materials Group and ¥34.2 billion for the Parts Manufacturing & Assembly Group.

Selling, general and administrative expenses

Declines in retirement benefit expenses and research and development expenses pulled down SG&A expenses by ¥8.4 billion from the previous year, to ¥48.9 billion.

Operating income (loss)

Operating income (loss) worsened by ¥55.0 billion, to an operating loss of ¥27.0 billion. This breaks down as follows. A deterioration of ¥22.2 billion in the operating income (loss) account for the Mining & Fundamental Materials Group was recorded due to the fall in market prices of nonferrous metals and the impact of the stronger yen, in addition to losses on write-down of inventories resulting from the fall in metal prices. The same factors caused the Environmental Engineering & Metals Recycling Group to record a ¥7.8 billion deterioration in the operating income (loss) account. Lower sales caused by weaker demand caused deteriorations of ¥18.9 billion for the Intermediate Materials Group and ¥4.0 billion for the Parts Manufacturing & Assembly Group.

Other income (expenses)

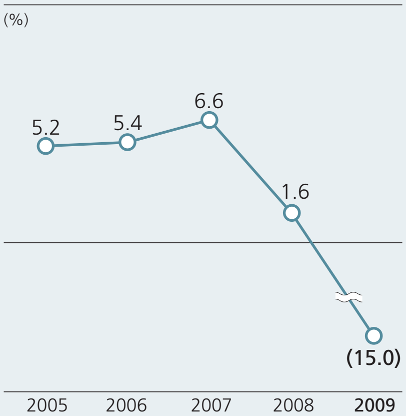
The Company posted net other expenses of ¥28.0 billion, representing an increase of ¥22.7 billion from the previous term. This breaks down into a deterioration of ¥12.7 billion in investment gains (losses) on equity method, a loss on write-down of inventories of ¥4.7 billion, and provision for loss on disposal of inventories in the amount of ¥2.5 billion.

Income taxes

As a result of the complete reversal of deferred tax assets posted on a non-consolidated basis for the previous business term, after careful consideration of the likely recoverability of deferred tax assets on the basis of a significant deterioration of business performance, taxation expenses came to ¥12.3 billion, for an increase of ¥0.3 billion over the previous term.

ROE
(Net income (loss) to average owner's equity and valuation, translation adjustments, and others)

ROA
(Net income (loss) to average total assets)



Note: In accordance with the previous presentation rules, net income (loss) to net asset figures for the fiscal years from fiscal 2005 through fiscal 2006 actually represent net income (loss) to total shareholders' equity.

Net loss

As a result of the ¥55.0 billion deterioration in the operating income (loss) account, the ¥22.7 billion deterioration in the other income (expenses) account, the ¥0.3 billion increase in income taxes, and the ¥3.0 billion deterioration in income (loss) from minority interests, net income (loss) worsened by ¥75.0 billion, to a net loss of ¥67.2 billion.

Total assets

Total assets on a consolidated basis declined by ¥75.9 billion from the previous term-end, to ¥410.2 billion. Although cash and time deposits increased as a result of fund-raising activities, a collapse of nonferrous metal prices and weaker demand caused notes and accounts receivable and inventories to decline. The value of property, plant and equipment also declined, due primarily to impairment.

Net assets

Net assets declined by ¥94.9 billion to ¥104.6 billion as a result of a decline of ¥6.8 billion in dividend payments and a net loss figure of ¥67.2 billion. Other contributing factors were unrealized loss on hedging derivatives (net of tax) and foreign currency translation adjustments, and a decline in minority interests. The Company's equity ratio consequently declined by 15.1 percentage points, to 22.9%.

Interest-bearing debt

The total (short- and long-term) interest-bearing debt came to ¥202.4 billion, for an increase of ¥50.5 billion over the previous term-end.

Cash flows

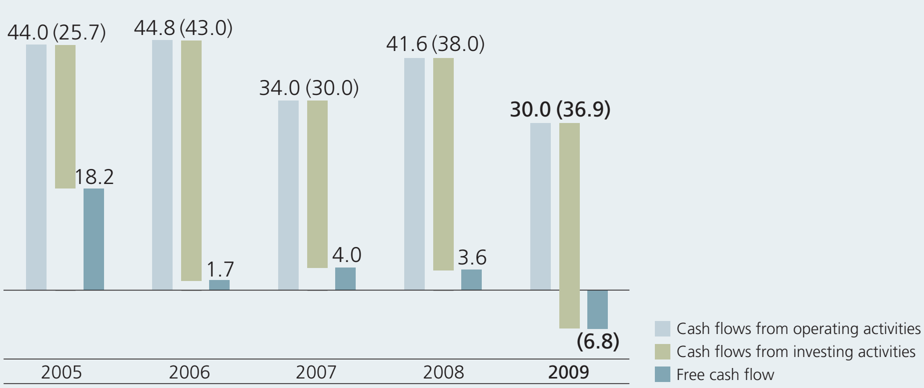
Net cash provided by operating activities declined by ¥11.6 billion from the previous term, to ¥30.0 billion. This was because inflow factors including ¥32.3 billion in depreciation and amortization, a decline of ¥46.1 billion in notes and accounts receivable, and a decline of ¥25.3 billion in inventories more than offset the outflow factors, including the posting of a ¥27.0 billion in operating loss and a decline of ¥22.7 billion in notes and accounts payable.

Net cash used in investing activities amounted to ¥36.9 billion, down ¥1.1 billion from the previous term. Expenditures mainly consisted of ¥34.7 billion for the acquisition of property, plant and equipment and other assets.

Net cash provided by financing activities amounted to ¥42.3 billion, with an improvement of ¥43.1 billion from the previous term. This was the result of the procurement of ¥52.6 billion through long- and short-term borrowings as well as the issuance of straight bonds and commercial paper, which more than offset an expenditure of ¥6.8 billion for the payment of dividends.

Cash flows

(Billions of yen)



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Assets			
Current assets:			
Cash and time deposits (Note 4)	¥ 52,915	¥ 20,645	$ 538,684
Notes and accounts receivable (Note 6):			
Trade	46,945	96,925	477,908
Unconsolidated subsidiaries and affiliates	588	1,224	5,985
Loans receivable:			
Unconsolidated subsidiaries and affiliates	7	500	71
Others	1,069	10	10,882
Inventories (Note 6)	63,976	92,719	651,287
Deferred tax assets (Note 11)	1,138	3,755	11,585
Other current assets	15,274	12,782	155,492
Less: Allowance for doubtful accounts	(500)	(640)	(5,090)
Total current assets	181,415	227,923	1,846,839
Investments and other assets:			
Investment securities (Notes 3 and 6):			
Unconsolidated subsidiaries and affiliates	32,353	41,867	329,359
Others	10,498	13,785	106,871
Loans receivable:			
Unconsolidated subsidiaries and affiliates	175	255	1,781
Others	604	659	6,148
Deferred tax assets (Note 11)	7,236	8,490	73,663
Others	9,301	9,277	94,685
Less: Allowance for doubtful accounts	(628)	(188)	(6,393)
	59,542	74,146	606,148
Property, plant and equipment (Note 6):			
Land	34,464	34,527	350,850
Buildings and structures	147,658	151,010	1,503,186
Machinery and equipment	364,470	368,986	3,710,373
Lease assets	4,842	—	49,292
Construction in progress	5,716	6,604	58,189
	557,152	561,128	5,671,912
Less: Accumulated depreciation	(387,852)	(376,959)	(3,948,406)
	169,299	184,168	1,723,495
	¥410,258	¥486,238	$4,176,504

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 70,831**	¥ 42,118	**$ 721,072**
Current portion of long-term debt (Note 5)	**20,493**	20,054	**208,622**
Notes and accounts payable:			
Trade	**25,682**	52,105	**261,447**
Unconsolidated subsidiaries and affiliates	**1,313**	847	**13,366**
Others	**8,619**	13,399	**87,743**
Current portion of lease liability	**1,159**	—	**11,798**
Accrued income taxes	**1,032**	4,652	**10,505**
Accrued expenses	**7,185**	8,533	**73,144**
Deferred tax liabilities (Note 11)	**213**	69	**2,168**
Provision for product warranties	**1,637**	2,681	**16,664**
Provision for improvement of business structure	**440**	—	**4,479**
Provision for loss on disposal of inventories	**2,543**	—	**25,888**
Derivative liabilities	**789**	1,146	**8,032**
Other current liabilities	**10,599**	9,173	**107,899**
Total current liabilities	**152,542**	154,782	**1,552,906**
Long-term debt (Note 5)	**111,142**	89,750	**1,131,446**
Lease liability	**2,357**	—	**23,994**
Employees' retirement benefits (Note 14)	**28,655**	33,382	**291,713**
Directors' and corporate auditors' retirement benefits	**677**	724	**6,891**
Deferred tax liabilities (Note 11)	**4,362**	1,777	**44,405**
Provision for environmental countermeasures	**2,577**	2,559	**26,234**
Provision for preventing environmental pollution in mineral, mining, and other operations	**960**	1,114	**9,772**
Provision for mine closure expenses	**1,619**	1,582	**16,481**
Goodwill	**122**	245	**1,241**
Other long-term liabilities	**608**	773	**6,189**
Commitments and contingent liabilities (Notes 8 and 12)			
Net Assets (Note 9):			
Common stock:			
Authorized — 1,944,000 thousand shares			
Issued — 572,966 thousand shares	**42,129**	42,129	**428,881**
Capital surplus	**22,557**	22,557	**229,634**
Retained earnings	**43,659**	117,548	**444,456**
Less: Treasury stock	**(503)**	(131)	**(5,120)**
Shareholders' equity	**107,843**	182,103	**1,097,862**
Net unrealized gains on securities, net of tax	**842**	2,743	**8,571**
Unrealized gains (loss) on hedging derivatives, net of tax	**(4,370)**	2,354	**(44,487)**
Foreign currency translation adjustments	**(10,169)**	(2,206)	**(103,522)**
Valuation, translation adjustments and others	**(13,697)**	2,891	**(139,438)**
Minority interests in consolidated subsidiaries	**10,485**	14,550	**106,739**
Total net assets	**104,631**	199,545	**1,065,163**
	¥410,258	¥486,238	**$4,176,504**

Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 10)	¥427,191	¥595,463	$4,348,885
Cost of sales (Note 7)	405,253	510,085	4,125,552
Gross profit	21,937	85,378	223,322
Selling, general and administrative expenses (Note 7)	48,969	57,384	498,513
Operating income (loss) (Note 10)	(27,031)	27,993	(275,180)
Other income (expenses):			
Interest and dividend income	2,050	1,961	20,869
Interest expense	(3,032)	(3,053)	(30,866)
Gain on sale of securities	0	274	0
Loss on sale and disposal of property, plant and equipment, net	(636)	(1,713)	(6,474)
Write-down of marketable securities and investments	(1,119)	(17)	(11,391)
Foreign exchange gain (loss)	(936)	—	(9,528)
Indemnity	(154)	(150)	(1,567)
Investment gains (losses) on equity method	(1,277)	11,601	(13,000)
Amortization of goodwill	109	2,971	1,109
Loss on impairment of fixed assets (Note 16)	(11,831)	(18,514)	(120,441)
Gain on sale of mining rights	—	3,660	—
Loss on write-down of inventories	(4,728)	—	(48,131)
Other, net	(6,523)	(2,357)	(66,405)
	(28,082)	(5,338)	(285,880)
Income (loss) before income taxes and minority interests	(55,114)	22,655	(561,070)
Income taxes (Note 11):			
Current	4,853	10,114	49,404
Deferred	7,528	1,927	76,636
	12,382	12,041	126,051
Minority interests	(240)	2,783	(2,443)
Net income (loss)	¥ (67,256)	¥ 7,830	$ (684,678)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (loss) (Note 15)	¥(117.66)	¥13.67	$(1.20)
Cash dividends applicable to the year	—	12.00	—

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	(Thousands)	Millions of yen										
		Shareholders' equity					Valuation, translation adjustments and others					
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings (Note 9)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Unrealized gains (loss) on hedging derivatives, net of tax	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2008	572,966	¥42,129	¥22,557	¥117,548	¥(131)	¥182,103	¥2,743	¥ 2,354	¥ (2,206)	¥ 2,891	¥14,550	¥199,545
Increase due to change in accouting policy of foreign consolidated subsidiaries				238		238						238
Cash dividends				(6,872)		(6,872)						(6,872)
Net loss				(67,256)		(67,256)						(67,256)
Acquisition of treasury stock					(371)	(371)						(371)
Net changes during the year							(1,900)	(6,724)	(7,963)	(16,588)	(4,064)	(20,653)
Balance at March 31, 2009	572,966	¥42,129	¥22,557	¥ 43,659	¥(503)	¥107,843	¥ 842	¥(4,370)	¥(10,169)	¥(13,697)	¥10,485	¥104,631

	(Thousands)	Millions of yen										
		Shareholders' equity					Valuation, translation adjustments and others					
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings (Note 9)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Unrealized gains (loss) on hedging derivatives, net of tax	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2007	572,966	¥42,129	¥22,557	¥117,181	¥(116)	¥181,752	¥5,081	¥(1,160)	¥ (160)	¥3,760	¥12,377	¥197,890
Cash dividends				(6,872)		(6,872)						(6,872)
Bonuses to employees				(15)		(15)						(15)
Net income				7,830		7,830						7,830
Acquisition of treasury stock					(15)	(15)						(15)
Decrease due to change in consolidated subsidiaries				(411)		(411)						(411)
Restatement accompanying a provision to the reserve for expenses related to the closure of mines of foreign consolidated subsidiary				(164)		(164)						(164)
Net changes during the year							(2,337)	3,514	(2,046)	(869)	2,172	1,303
Balance at March 31, 2008	572,966	¥42,129	¥22,557	¥117,548	¥(131)	¥182,103	¥2,743	¥ 2,354	¥(2,206)	¥2,891	¥14,550	¥199,545

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Valuation, translation adjustments and others					
	Common stock	Capital surplus	Retained earnings (Note 9)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Unrealized gains (loss) on hedging derivatives, net of tax	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2008	$428,881	$229,634	$1,196,660	$(1,333)	$1,853,843	$27,924	$ 23,964	$ (22,457)	$ 29,430	$148,121	$2,031,405
Increase due to change in accouting policy of foreign consolidated subsidiaries			2,422		2,422						2,422
Cash dividends			(69,958)		(69,958)						(69,958)
Net loss			(684,678)		(684,678)						(684,678)
Acquisition of treasury stock				(3,776)	(3,776)						(3,776)
Net changes during the year						(19,342)	(68,451)	(81,064)	(168,868)	(41,372)	(210,251)
Balance at March 31, 2009	$428,881	$229,634	$ 444,456	$(5,120)	$1,097,862	$ 8,571	$(44,487)	$(103,522)	$(139,438)	$106,739	$1,065,163

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	¥(55,114)	¥22,655	$(561,070)
Depreciation and amortization	32,331	27,467	329,135
Loss on impairment of fixed assets (Note 16)	11,831	18,514	120,441
Gain on sale of securities	(0)	(274)	(0)
Write-down of marketable securities and investments	1,119	17	11,391
Gain on sale of mining rights	—	(3,660)	—
Loss on sale and disposal of property, plant and equipment, net	636	1,713	6,474
Indemnity	154	150	1,567
Loss on provision for environmental countermeasure	977	156	9,946
Foreign exchange loss	99	59	1,007
Investment losses (gains) on equity method	1,277	(11,601)	13,000
Increase (Decrease) in allowance for doubtful accounts	339	(22)	3,451
Increase (Decrease) in employees' retirement benefits	(4,573)	3,279	(46,554)
Interest and dividend income	(2,050)	(1,961)	(20,869)
Interest expense	3,032	3,053	30,866
Decrease (Increase) in notes and accounts receivable	46,114	(6,210)	469,449
Decrease (Increase) in inventories	25,384	(4,479)	258,413
Increase (Decrease) in notes and accounts payable	(22,706)	1,128	(231,151)
Other, net	(3,072)	1,825	(31,273)
Subtotal	35,784	51,811	364,287
Interest and dividend received	5,504	6,477	56,031
Interest paid	(2,900)	(2,946)	(29,522)
Indemnity paid	(154)	(150)	(1,567)
Income taxes paid	(8,191)	(13,533)	(83,385)
Other, net	(3)	—	(30)
Net cash provided by operating activities	30,038	41,657	305,792
Cash flows from investing activities:			
Purchases of securities	(2,389)	(1,760)	(24,320)
Proceeds from sale of securities	102	372	1,038
Acquisition of property, plant and equipment and other assets	(34,733)	(39,985)	(353,588)
Proceeds from sale of property, plant and equipment	449	1,640	4,570
Proceeds from sale of mining rights	502	3,936	5,110
Increase in short-term loans receivable, net	(562)	(674)	(5,721)
Disbursement for long-term loans receivable	(9)	(462)	(91)
Collection of long-term loans receivable	143	159	1,455
Other, net	(425)	(1,276)	(4,326)
Net cash used in investing activities	(36,922)	(38,049)	(375,872)
Cash flows from financing activities:			
Increase in short-term borrowings, net	30,340	4,751	308,866
Proceeds from long-term debt	32,594	17,414	331,813
Repayment of long-term debt	(10,301)	(23,543)	(104,866)
Repayment of lease liability	(1,377)	—	(14,018)
Issuance of bonds	10,000	10,000	101,801
Redemption of straight bonds	(10,000)	(1,000)	(101,801)
Payment for cash dividends to the Company's shareholders	(6,872)	(6,872)	(69,958)
Payment for cash dividends to minority interests	(1,324)	(1,344)	(13,478)
Other, net	(691)	(150)	(7,034)
Net cash provided by (used in) financing activities	42,367	(744)	431,304
Effect of exchange rate changes on cash and cash equivalents	(3,213)	149	(32,708)
Net increase in cash and cash equivalents	32,270	3,012	328,514
Cash and cash equivalents at beginning of year	20,645	17,304	210,170
Effect of addition of consolidated subsidiaries	—	328	—
Cash and cash equivalents at end of year (Note 4)	¥ 52,915	¥20,645	$ 538,684

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As stated in Note 2(u), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009, are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets) from the consolidated financial statements of Mitsui Mining and Smelting Company, Limited ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments 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 consolidated 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 outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S. $1. 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 such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time when the Company acquired control of the respective subsidiaries.

The consolidation difference between acquisition cost and net assets at the date of acquisition is shown as the goodwill and amortized mainly over five years.

(b) Foreign currency translation

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Monetary claims 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 and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the rates prevailing at their balance sheet dates and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates prevailing during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments," a component of net assets.

(Changes in accounting policy)

Up to the previous fiscal year, revenues and expenses of consolidated foreign subsidiaries have been translated into Japanese yen at the rates prevailing at their balance sheet dates. Effective from the year ended March 31, 2009, translation is made at the average exchange rates prevailing during the year. This change has been made in reflection of the increased materiality of the Company's foreign subsidiaries, and to enable a more accurate reflection of profits and losses recorded for the entire accounting period in the consolidated financial statements.

This change had the effect of reducing operating loss and loss before income taxes and minority interests ¥277 million ($2,819 thousand) and ¥126 million ($1,282 thousand), respectively.

(c) Cash and cash equivalents

In the accompanying consolidated 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 negligible 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

Securities owned by Companies are classified into: (1) securities intended to be held to maturity (hereafter, "held-to-maturity securities"), (2) equity securities issued by subsidiaries and affiliated companies, or (3) all other securities that are not classified as trading securities or in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are mainly stated at average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as a component of net assets. Realized gains and losses on sale of such securities are computed using average cost or moving-average cost. Other available-for-sale securities with no available fair market value are mainly stated at 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 they are used for hedging purposes. Gains and losses on derivative financial instruments held by certain consolidated foreign 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 their fair value until the related gains or losses on the hedged items are recognized.

(f) Inventories

Inventories are stated primarily at lower of cost or net selling value based on the following methods:

The Company:
Metals, Minerals & Environmental Engineering Sector, Parts Production Sector, Instrumentation System Division
Subsidiaries:
MCS, Inc., Kamioka Mining & Smelting Co., Ltd. (except for the engineered metal powders factory), Hachinohe Smelting Co., Ltd. and others
: First-in, first-out method
The Company: Copper Foil Division
: Moving average method
The Company:
Engineered Materials Sector, Ceramics Division, Perlite Division, Rolled Copper & Zinc Division
Subsidiaries:
The engineered metal powders factory of Kamioka Mining & Smelting Co., Ltd., Mitani Rolled Copper Co., Ltd., Ohi Seisakusho Co., Ltd. and others
: Average method
Overseas subsidiaries
: Lower of market or cost using average method or first-in, first-out method

(Changes in accounting policy)

Effective April 1, 2008, the Company and consolidated subsidiaries in Japan adopted the new accounting standard "Accounting Standards for Measurement of Inventories" (Statement No.9, issued by the ASBJ on July 5, 2006). As permitted under the superseded accounting standard, the Company and consolidated subsidiaries in Japan previously stated inventories at cost unless market value of inventories declined significantly and not deemed recoverable, in such cases costs were reduced to such recoverable amounts. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

This change had the effect of increasing operating loss and loss before income taxes and minority interests ¥8,041 million ($81,858 thousand) and ¥12,769 million ($129,990 thousand), respectively.

In addition, the Company's divisions and consolidated subsidiaries in Japan which had applied, up to the previous fiscal year, the last-in, first-out method to the valuation of inventories, changed the method, effective April 1, 2008, to the first-in, first-out method or average method. This change has been made to remedy the fact that major fluctuations in nonferrous metal prices in recent years have caused a sharp deviation between the values shown on the balance sheets and current market prices. The decision to make the change also took into account trends in international accounting standards toward more accurate reflection of market prices in inventory amounts shown on the balance sheets, enabling a more accurate representation of the Company's financial position.

This change had the effect of increasing operating loss and loss before income taxes and minority interests ¥6,649 million ($67,688 thousand).

(g) 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 durable years 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 durable years of these assets generally range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

Lease assets used under finance leases and capitalized, are depreciated over the lease terms of respective assets by the straight-line method.

(Changes in accounting policy)

Up to the previous fiscal year, depreciation of property, plant and equipment used by Ohi Seisakusho Co., Ltd. and Akita-ohi Co., Ltd. (consolidated domestic subsidiaries) had been performed by the declining-balance method. Buildings, excluding building fixtures, acquired after March 31, 1998 and metal molds had been depreciated on a straight-line basis. Effective from the year ended March 31, 2009, however, these assets are depreciated by the straight-line method. This change in accounting policy has been made in consideration of plans to fully integrate the operations of the Company's Automotive Parts & Components Division with the operations of the above-named two subsidiaries, in line with the Division's long-term business strategy. From the reporting period, the two subsidiaries have been operating effectively as the production arms of the Automotive Parts & Components Division, and to reflect the closer relationship between the parent company and the subsidiaries, the Company deemed it advisable to unify accounting policies.

This change had the effect of reducing operating loss and loss before income taxes and minority interests ¥174 million ($1,771 thousand) and ¥175 million ($1,781 thousand), respectively.

(Additional information)

Effective from the year ended March 31, 2009, the Company and consolidated subsidiaries in Japan, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery and equipment, reflecting the actual usage of machinery and equipment.

This change had the effect of increasing operating loss and loss before income taxes and minority interests ¥2,013 million ($20,492 thousand) and ¥2,017 million ($20,533 thousand), respectively.

(h) Allowance for doubtful accounts

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

(i) Provision for product warranties

Reserve for product warranties is provided to accrue estimated costs of repairing products free of charge, based on individually estimated amounts, when feasible, and the ratio of actual repair costs incurred to net sales.

(j) Provision for improvement of business structure

Provision for improvement of business structure is provided to accrue estimated costs of improvement of business structure by consolidating production facilities and other measures.

(k) Provision for loss on disposal of inventories

Provision for loss on disposal inventories is provided to accrue estimated costs of disposal of inventories, such as by-products and other materials.

(Additional information)

Up to the previous fiscal year, losses from the disposal of inventories such as by-products and other materials were recognized as incurred, but in recognition of the increased significance of amounts involved, effective from the year ended March 31, 2009, the Companies have recognized estimated losses as provisions for losses on disposal of inventories.

This change had the effect of increasing loss before income taxes and minority interests ¥2,543 million ($25,888 thousand).

(l) Employees' retirement benefits

The Companies provided employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date. The liabilities and expenses for employees' retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

(m) Directors' and corporate auditors' retirement benefits

Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. Their retirement benefits are accrued at the amount required to pay in accordance with the internal rules if the directors and corporate auditors had retired at the balance sheet date.

The Company abolished directors' and corporate auditors' retirement benefits system as a result of the action by the Board of Directors held on April, 27, 2005. Consequently, the Company provided their retirement benefits corresponding to the tenure before June, 2005.

(n) Provision for environmental countermeasure

With enactment of the legislation about special measures concerning the proper treatment of PCB (polychlorinated biphenyl) waste, the Company and its domestic subsidiaries provide for environmental countermeasure to accrue estimated cost of disposal of PCB waste.

Furthermore, estimated cost of soil improvement and preventing environmental pollution is charged to this account.

(o) Provision for preventing environmental pollution in mineral, mining, and other operations

Provision for preventing environmental pollution in mineral, mining, and other operations is provided to accrue estimated cost of preventing the environmental pollution following the termination of use of mineral, mining, and other facilities.

(p) Provision for mine closure expenses

Provision for mine closure expenses is provided by Compania Minera Santa Luisa S.A., as required by the Peruvian Mine Closure Law, to accrue estimated cost of mine closure expenses after the end of zinc ore mining at the balance sheets date.

(q) Research and development expenses

Research and development expenses are charged to expenses.

(r) Income taxes

The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain adjustments required for consolidation and tax purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(s) 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 not presented as there were no shares with dilutive effects in 2009 and 2008.

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

(t) Accounting standard for lease transaction as lessee

Up to the previous fiscal year, the Company and consolidated subsidiaries in Japan account for finance leases which do not transfer the ownership of the leased property to the lessee as operating leases. Effective from the year ended March 31, 2009, the Company and consolidated subsidiaries in Japan adopted the new accounting standard "Accounting Standard for Lease Transactions" (Statement No.13 issued by the ASBJ revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16 issued by the ASBJ revised on March 30, 2007), and capitalized assets used under leases, except for certain immaterial or short-term finance lease, which are accounted for as operating leases.

This change had no effect on operating loss and loss before income taxes and minority interests.

(u) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective from the year ended March 31, 2009, the Company adopted the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18 ("PITF No.18") issued by the ASBJ on May 17, 2006) and adjusted items required in the consolidation process. PITF No.18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No.18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(1) Goodwill not subjected to amortization
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
(5) Retrospective treatment of a change in accounting policies
(6) Accounting for net income attributable to minority interests

This change had the effect of increasing operating loss ¥184 million ($1,873 thousand) and increasing loss before income taxes and minority interests ¥822 million ($8,368 thousand).

(v) Reclassification

Certain prior year amounts have been reclassified to conform to the 2009 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(w) Accounting of consumption tax

All figures exclude consumption tax.

3. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2009 and 2008 were as follows:

	Millions of yen		
Year ended March 31, 2009	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥2,058	¥3,884	¥1,825
Bonds	25	82	57
Subtotal	2,084	3,967	1,883
Securities whose book value does not exceed acquisition cost:			
Stocks	1,023	700	(323)
Subtotal	1,023	700	(323)
Total	¥3,107	¥4,667	¥1,559

	Millions of yen		
Year ended March 31, 2008	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥2,780	¥7,368	¥4,587
Bonds	25	87	61
Subtotal	2,806	7,456	4,649
Securities whose book value does not exceed acquisition cost:			
Stocks	380	326	(53)
Subtotal	380	326	(53)
Total	¥3,186	¥7,782	¥4,596

Year ended March 31, 2009	Thousands of U.S.dollars (Note 1) Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$20,950	$39,539	$18,578
Bonds	254	834	580
Subtotal	21,215	40,384	19,169
Securities whose book value does not exceed acquisition cost:			
Stocks	10,414	7,126	(3,288)
Subtotal	10,414	7,126	(3,288)
Total	$31,629	$47,510	$15,870

Losses on write-downs of available-for-sale securities with fair value amounted to ¥86 million ($875 thousand) for the year ended March 31, 2009.

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

(b) Available-for-sale securities sold for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Total sale amount	¥102	¥372	$1,038
Gains	0	274	0
Losses	—	—	—

(c) Book values of available-for-sale securities with no available fair value as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Available-for-sale securities:			
Unlisted equity securities	¥5,590	¥5,763	$56,907
Nonpublic domestic bonds	240	240	2,443

(d) Maturities of available-for-sale securities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Bonds:			
Within one year	¥ —	¥ —	$ —
Over one year but within five years	—	—	—
Over five years	240	240	2,443

4. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2009 and 2008 were reconciled with cash and time deposits as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Cash and time deposits	¥52,915	¥20,645	$538,684
Time deposits with maturities exceeding three months from the date of deposit	(0)	(0)	(0)
Total: Cash and cash equivalents	¥52,915	¥20,645	$538,684

5. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.750% to 11.000% and from 0.841% to 7.250% at March 31, 2009 and 2008, respectively	¥50,831	¥42,118	$517,469
Commercial paper with interest at annual rates ranging from 0.400% to 0.671% at March 31, 2009	20,000	—	203,603
	¥70,831	¥42,118	$721,072

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
1.61% yen unsecured straight bonds due in 2013	¥ 10,000	¥ —	$ 101,801
1.45% yen unsecured straight bonds due in 2012	10,000	10,000	101,801
1.71% yen unsecured straight bonds due in 2011	10,000	10,000	101,801
1.11% yen unsecured straight bonds due in 2010	10,000	10,000	101,801
0.93% yen unsecured straight bonds due in 2009	10,000	10,000	101,801
0.6% yen unsecured straight bonds due in 2008	—	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2018 at interest rates ranging from 0.960% to 6.966% at March 31, 2009:			
Secured	1,560	3,526	15,881
Unsecured	74,599	52,117	759,431
Government-owned banks and government agencies, maturing through 2024 at interest rates ranging from 1.1% to 7.0% at March 31, 2009:			
Secured	5,476	4,162	55,746
Unsecured	—	—	—
	131,636	109,805	1,340,079
Less: Current portion	20,493	20,054	208,622
	¥111,142	¥ 89,750	$1,131,446

The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S.dollars (Note 1)
2010	¥ 20,493	$ 208,622
2011	25,132	255,848
2012	22,018	224,147
2013	25,296	257,518
2014	35,722	363,656
Thereafter	2,972	30,255
Total	¥131,636	$1,340,079

The 0.93% yen unsecured straight bonds due in 2009 were issued on May 27, 2004 by the Company.

The 1.11% yen unsecured straight bonds due in 2010 were issued on October 27, 2005 by the Company.

The 1.71% yen unsecured straight bonds due in 2011 were issued on August 3, 2006 by the Company.

The 1.45% yen unsecured straight bonds due in 2012 were issued on May 22, 2007 by the Company.

The 1.61% yen unsecured straight bonds due in 2013 were issued on May 23, 2008 by the Company.

6. Pledged Assets

Assets pledged as collateral for short-term bank loans, long-term debt and third party loans at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Notes and accounts receivable	¥ 1,125	¥ 3,062	$ 11,452
Inventories	1,897	2,026	19,311
Investment securities	1,732	3,239	17,632
Property, plant and equipment, net book value	22,566	31,912	229,726
	¥27,320	¥40,240	$278,122

7. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥8,011 million ($81,553 thousand) and ¥8,314 million for the years ended March 31, 2009 and 2008, respectively.

8. Contingent Liabilities

Contingent liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Notes receivable discounted	¥ 424	¥ 614	$ 4,316
Notes receivable endorsed	21	87	213
Notes receivable securitized with recourse	1,154	3,007	11,747
Loans guaranteed			
Unconsolidated subsidiaries and affiliates	36,215	48,148	368,675
Others	1,521	1,989	15,484
	¥39,337	¥53,847	$400,458

9. Net Assets

The Japanese Company Law provides that an amount equal to 10% of cash dividends and other cash appropriations of retained earnings must be set aside as a legal earnings reserve included in retained earnings until the total amount of capital surplus and the legal earnings reserve equals 25% of common stock.

The excess of the total amount of capital surplus and the legal earnings reserve over 25% of common stock can be transferred to retained earnings by a resolution of the shareholders, which may be available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Company Law.

10. Segment Information

The operations of the Companies for the years ended March 31, 2009 and 2008 were summarized by business segment, geographic segment and sales outside Japan by the Companies as follows.

(a) Business segment information

	Millions of yen							
	Mining & Fundamental Materials	Intermediate Materials	Parts Manufacturing & Assembly	Environmental Engineering & Metals Recycling	Engineering	Services	Elimination or corporate	Consolidated
Year ended March 31, 2009								
Sales:								
Outside customers	¥ 66,936	¥160,009	¥115,080	¥33,951	¥13,332	¥37,881	¥ —	¥427,191
Inter-segment	26,596	14,837	4,454	17,371	11,444	7,672	(82,377)	—
Total	93,532	174,847	119,535	51,323	24,776	45,553	(82,377)	427,191
Operating expenses	103,152	187,753	123,554	54,233	24,142	43,983	(82,596)	454,223
Operating income (loss)	¥ (9,619)	¥ (12,906)	¥ (4,019)	¥ (2,910)	¥ 634	¥ 1,570	¥ 219	¥ (27,031)
Identifiable assets	¥113,023	¥128,575	¥ 99,349	¥39,402	¥16,364	¥41,832	¥(28,288)	¥410,258
Depreciation expense	8,064	14,388	6,902	2,760	182	237	(145)	32,390
Loss on impairment of fixed assets	—	10,790	870	1	—	168	—	11,831
Capital expenditures	6,708	16,581	8,827	3,795	178	821	(149)	36,762

	Millions of yen							
	Mining & Fundamental Materials	Intermediate Materials	Parts Manufacturing & Assembly	Environmental Engineering & Metals Recycling	Engineering	Services	Elimination or corporate	Consolidated
Year ended March 31, 2008								
Sales:								
Outside customers	¥109,657	¥223,511	¥150,211	¥47,895	¥14,002	¥50,185	¥ —	¥595,463
Inter-segment	32,462	20,261	3,610	21,197	13,592	10,494	(101,618)	—
Total	142,120	243,772	153,821	69,092	27,594	60,680	(101,618)	595,463
Operating expenses	129,537	237,682	153,747	64,152	26,301	58,740	(102,692)	567,469
Operating income	¥ 12,582	¥ 6,090	¥ 73	¥ 4,939	¥ 1,293	¥ 1,939	¥ 1,073	¥ 27,993
Identifiable assets	¥139,698	¥180,762	¥111,518	¥41,199	¥19,714	¥27,568	¥ (34,224)	¥486,238
Depreciation expense	6,068	17,095	6,113	1,844	147	225	(1,161)	30,333
Loss on impairment of fixed assets	7	17,819	10	67	—	610	—	18,514
Capital expenditures	10,216	18,771	6,834	3,323	96	11	(5)	39,248

	Thousands of U.S.dollars (Note 1)							
	Mining & Fundamental Materials	Intermediate Materials	Parts Manufacturing & Assembly	Environmental Engineering & Metals Recycling	Engineering	Services	Elimination or corporate	Consolidated
Year ended March 31, 2009								
Sales:								
Outside customers	$ 681,421	$1,628,921	$1,171,536	$345,627	$135,722	$385,635	$ —	$4,348,885
Inter-segment	270,752	151,043	45,342	176,840	116,502	78,102	(838,613)	—
Total	952,173	1,779,975	1,216,888	522,477	252,224	463,738	(838,613)	4,348,885
Operating expenses	1,050,106	1,911,361	1,257,803	552,102	245,770	447,755	(840,842)	4,624,076
Operating income (loss)	$ (97,923)	$ (131,385)	$ (40,914)	$ (29,624)	$ 6,454	$ 15,982	$ 2,229	$ (275,180)
Identifiable assets	$1,150,595	$1,308,917	$1,011,391	$401,119	$166,588	$425,857	$(287,977)	$4,176,504
Depreciation expense	82,093	146,472	70,263	28,097	1,852	2,412	(1,476)	329,736
Loss on impairment of fixed assets	—	109,844	8,856	10	—	1,710	—	120,441
Capital expenditures	68,288	168,797	89,860	38,633	1,812	8,357	(1,516)	374,244

Notes: (a) As stated in note 2(f), effective April 1, 2008, the Company and consolidated subsidiaries in Japan adopted the new accounting standard "Accounting Standards for Measurement of Inventories" (Statement No.9, issued by the ASBJ on July 5, 2006).

As a result, operating expenses increased by ¥800 million ($8,144 thousand) in the "Mining & Fundamental Materials" segment, ¥6,411 million ($65,265 thousand) in the "Intermediate Materials" segment, ¥201 million ($2,046 thousand) in the "Parts Manufacturing & Assembly" segment, ¥608 million ($6,189 thousand) in the "Environmental Engineering & Metals Recycling" segment, and operating loss increased by the same amount, while operating expense increased by ¥19 million ($193 thousand) in the "Engineering" segment, and operating income decreased by the same amount.

In addition, the Company's divisions and consolidated subsidiaries in Japan which had applied, up to the previous fiscal year, the last-in, first-out method to the valuation of inventories, changed the method, effective April 1, 2008, to the first-in, first-out method or average method.

As a result, operating expenses decreased by ¥198 million ($2,015 thousand) in the "Intermediate Materials" segment, and operating loss decreased by the same amount, operating expenses increased by ¥5,925 million ($60,317 thousand) in the "Mining & Fundamental Materials" segment, ¥218 million ($2,219 thousand) in the "Parts Manufacturing & Assembly" segment, ¥704 million ($7,166 thousand) in the "Environmental Engineering & Metals Recycling" segment, and operating loss increased by the same amount, and operating expenses decreased by ¥0 million ($0 thousand) in the "Engineering" segment, and operating income increased by the same amount.

(b) As stated in note 2(g), up to the previous fiscal year, depreciation of property, plant and equipment used by Ohi Seisakusho Co., Ltd. and Akita-ohi Co., Ltd. (consolidated domestic subsidiaries) had been performed by the declining-balance method. Buildings, excluding building fixtures, acquired after March 31, 1998 and metal molds had been depreciated on a straight-line basis. Effective from the year ended March 31, 2009, however, these assets are depreciated by the straight-line method.

As a result, operating expenses decreased by ¥174 million ($1,771 thousand) in the "Parts Manufacturing & Assembly" segment, and operating loss decreased by the same amount.

(Additional information)

Effective from the year ended March 31, 2009, the Company and consolidated subsidiaries in Japan, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery and equipment, reflecting the actual usage of machinery and equipment.

As a result, operating expenses increased by ¥773 million ($7,869 thousand) in the "Mining & Fundamental Materials" segment, ¥524 million ($5,334 thousand) in the "Intermediate Materials" segment, ¥167 million ($1,700 thousand) in the "Parts Manufacturing & Assembly" segment, ¥496 million ($5,049 thousand) in the "Environmental Engineering & Metals Recycling" segment, and operating loss increased by the same amount, and operating expenses increased by ¥0 million ($0 thousand) in the "Engineering" segment, ¥51 million ($519 thousand) in the "Services" segment, and operating income decreased by the same amount.

(c) As stated in note 2(b), up to the previous fiscal year, revenues and expenses of consolidated foreign subsidiaries have been translated into Japanese yen at the rates prevailing at their balance sheet dates. Effective from the year ended March 31, 2009, translation is made at the average exchange rates prevailing during the year.

As a result, operating expenses decreased by ¥468 million ($4,764 thousand) in the "Parts Manufacturing & Assembly" segment, and operating loss decreased by the same amount, and operating expenses increased by ¥145 million ($1,476 thousand) in the "Mining & Fundamental Materials" segment, ¥62 million ($631 thousand) in the "Intermediate Materials" segment, and operating loss increased by the same amount, and operating expenses decreased by ¥17 million ($173 thousand) in the "Services" segment, and operating loss increased by the same amount.

(d) As stated in note 2(r), effective from the year ended March 31, 2009, the Company adopted the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18 ("PITF No. 18") issued by the ASBJ on May 17, 2006) and adjusted items required in the consolidation process.

As a result, operating expenses decreased by ¥1 million ($10 thousand) in the "Parts Manufacturing & Assembly" segment, and operating loss decreased by the same amount, and operating expenses increased by ¥186 million ($1,893 thousand) in the "Intermediate Materials" segment, and operating loss increased by the same amount, and operating expenses increased by ¥0 million ($0 thousand) in the "Services" segment, and operating income increased by the same amount.

(b) Geographic segment information

	Millions of yen					
	Japan	Asia	North America	Other Areas	Elimination or corporate	Consolidated
Year ended March 31, 2009						
Sales:						
Outside customers	¥328,733	¥59,187	¥31,175	¥ 8,095	¥ —	¥427,191
Inter-segment	28,599	26,055	196	1,997	(56,849)	—
Total	357,333	85,242	31,372	10,093	(56,849)	427,191
Operating expenses	386,775	80,731	34,084	10,654	(58,022)	454,223
Operating income (loss)	¥ (29,442)	¥ 4,511	¥ (2,712)	¥ (561)	¥ 1,172	¥ (27,031)
Identifiable assets	¥371,146	¥59,601	¥16,693	¥ 9,235	¥(46,420)	¥410,258

	Millions of yen					
	Japan	Asia	North America	Other Areas	Elimination or corporate	Consolidated
Year ended March 31, 2008						
Sales:						
Outside customers	¥457,953	¥ 81,280	¥44,460	¥11,769	¥ —	¥595,463
Inter-segment	44,165	31,370	365	6,166	(82,066)	—
Total	502,118	112,650	44,825	17,935	(82,066)	595,463
Operating expenses	486,406	104,384	44,512	12,760	(80,594)	567,469
Operating income	¥ 15,712	¥ 8,265	¥ 313	¥ 5,174	¥ (1,472)	¥ 27,993
Identifiable assets	¥425,281	¥ 75,538	¥21,735	¥16,603	¥(52,919)	¥486,238

	Thousands of U.S.dollars (Note 1)					
	Japan	Asia	North America	Other Areas	Elimination or corporate	Consolidated
Year ended March 31, 2009						
Sales:						
Outside customers	$3,346,564	$602,534	$317,367	$ 82,408	$ —	$4,348,885
Inter-segment	291,143	265,244	1,995	20,329	(578,733)	—
Total	3,637,717	867,779	319,372	102,748	(578,733)	4,348,885
Operating expenses	3,937,442	821,856	346,981	108,459	(590,674)	4,624,076
Operating income (loss)	$ (299,725)	$ 45,922	$ (27,608)	$ (5,711)	$ 11,931	$ (275,180)
Identifiable assets	$3,778,336	$606,749	$169,937	$ 94,014	$(472,564)	$4,176,504

Notes: (a) As stated in note 2(f), effective April 1, 2008, the Company and consolidated subsidiaries in Japan adopted the new accounting standard "Accounting Standards for Measurement of Inventories" (Statement No.9, issued by the ASBJ on July 5, 2006).

As a result, operating expenses increased by ¥8,041 million ($81,858 thousand) in the "Japan" segment, and operating loss increased by the same amount.

In addition, the Company's divisions and consolidated subsidiaries in Japan which had applied, up to the previous fiscal year, the last-in, first-out method to the valuation of inventories, changed the method, effective April 1, 2008, to the first-in, first-out method or average method.

As a result, operating expenses increased by ¥6,649 million ($67,688 thousand) in the "Japan" segment, and operating loss increased by the same amount.

(b) As stated in note 2(g), up to the previous fiscal year, depreciation of property, plant and equipment used by Ohi Seisakusho Co., Ltd. and Akita-ohi Co., Ltd. (consolidated domestic subsidiaries) had been performed by the declining-balance method. Buildings, excluding building fixtures, acquired after March 31, 1998 and metal molds had been depreciated on a straight-line basis. Effective from the year ended March 31, 2009, however, these assets are depreciated by the straight-line method.

As a result, operating expenses decreased by ¥174 million ($1,771 thousand) in the "Japan" segment, and operating loss decreased by the same amount.

(Additional information)

Effective from the year ended March 31, 2009, the Company and consolidated subsidiaries in Japan, accompanying the revision of the Corporate Income Tax Law, changed the durable years of machinery and equipment, reflecting the actual usage of machinery and equipment.

As a result, operating expenses increased by ¥2,013 million ($20,492 thousand) in the "Japan" segment, and operating loss increased by the same amount.

(c) As stated in note 2(b), up to the previous fiscal year, revenues and expenses of consolidated foreign subsidiaries have been translated into Japanese yen at the rates prevailing at their balance sheet dates. Effective from the year ended March 31, 2009, translation is made at the average exchange rates prevailing during the year.

As a result, operating expenses increased by ¥67 million ($682 thousand) in the "North America" segment, and ¥73 million ($743 thousand) in the "Other Areas" segment, and operating loss increased by the same amount, and operating expenses decreased by ¥418 million ($4,255 thousand) in the "Asia" segment, and operating income increased by the same amount.

(d) As stated in note 2(r), effective from the year ended March 31, 2009, the Company adopted the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18 ("PITF No.18") issued by the ASBJ on May 17, 2006) and adjusted items required in the consolidation process.

As a result, operating expenses increased by ¥184 million ($1,873 thousand) in the "Asia" segment, and operating loss increased by the same amount.

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

	Millions of yen			
	Asia	North America	Other Areas	Total
Year ended March 31, 2009				
Overseas sales	¥90,597	¥32,824	¥11,427	¥134,850
Consolidated net sales	—	—	—	427,191
Ratio of overseas sales to consolidated net sales	21.21%	7.68%	2.68%	31.57%
Year ended March 31, 2008				
Overseas sales	¥114,193	¥46,481	¥18,054	¥178,729
Consolidated net sales	—	—	—	595,463
Ratio of overseas sales to consolidated net sales	19.18%	7.81%	3.03%	30.02%

	Thousands of U.S.dollars (Note 1)			
	Asia	North America	Other Areas	Total
Year ended March 31, 2009				
Overseas sales	$922,294	$334,154	$116,329	$1,372,798
Consolidated net sales	—	—	—	4,348,885

11. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 40.4% for the years ended March 31, 2009 and 2008.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	**2009**
Deferred tax assets:			
Unrealized profits and losses	**¥ 1,825**	¥ 2,077	**$ 18,578**
Operating loss carryforward for tax purposes	**22,008**	4,709	**224,045**
Retirement benefits	**11,276**	13,360	**114,791**
Excess bad debt expenses	**224**	704	**2,280**
Excess accrued bonuses to employees	**1,756**	2,203	**17,876**
Excess product warranties	**547**	711	**5,568**
Enterprise taxes accrued	**60**	426	**610**
Loss on impairment of fixed assets	**13,026**	9,852	**132,607**
Provision for environmental countermeasures	**1,163**	1,034	**11,839**
Reserve for losses of affiliated companies	**—**	95	**—**
Net unrealized losses on securities	**125**	—	**1,272**
Unrealized loss on hedging derivatives	**4**	462	**40**
Other	**10,006**	8,554	**101,862**
Subtotal	**62,025**	44,192	**631,426**
Valuation allowance	**(51,799)**	(20,747)	**(527,323)**
Total deferred tax assets	**10,226**	23,444	**104,102**
Deferred tax liabilities:			
Net unrealized gains on securities	**(737)**	(1,832)	**(7,502)**
Unrealized gain on hedging derivatives	**(217)**	(484)	**(2,209)**
Retained earnings of foreign subsidiaries	**(1,895)**	(6,434)	**(19,291)**
Deferral of capital gain related to certain sale of property, plant and equipment	**(1,524)**	(2,297)	**(15,514)**
Other	**(2,051)**	(1,996)	**(20,879)**
Total deferred tax liabilities	**(6,426)**	(13,045)	**(65,417)**
Net deferred tax assets	**¥ 3,799**	¥10,398	**$ 38,674**

The net deferred tax assets at March 31, 2009 and 2008 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	**2009**
Deferred tax assets — current	**¥1,138**	¥3,755	**$11,585**
Deferred tax assets — noncurrent	**7,236**	8,490	**73,663**
Deferred tax liabilities — current	**(213)**	(69)	**(2,168)**
Deferred tax liabilities — noncurrent	**(4,362)**	(1,777)	**(44,405)**

The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements for the year ended March 31, 2008.

No information for differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements is required for the year ended March 31, 2009, as loss before income taxes and minority interests was reported.

	2008
Statutory effective tax rate	40.40%
Effect of elimination of intercompany dividends received	16.01
Permanent difference due to non-deductible expense	1.80
Investment gains on equity method	(20.69)
Permanent difference due to non-taxable income	(12.18)
Amortalization of goodwill	(5.30)
Valuation allowance	40.13
Others	(7.02)
Tax rate calculated based on the Companies' consolidated financial statements	53.15%

12. Lease Transactions

(a) As lessees

(1) Information on non-capitalized finance leases for the year ended March 31, 2008 is as follows:

Acquisition cost equivalents, accumulated depreciation equivalents and net book value equivalents of leased properties

	Millions of yen		
Year ended March 31, 2008	Acquisition cost equivalents	Accumulated depreciation equivalents	Net book value equivalents
Machinery and equipment	¥9,567	¥4,969	¥4,598

Lease obligations, lease expenses and depreciation equivalents

	Millions of yen
	2008
Lease obligations due:	
Within one year	¥1,401
Over one year	3,199
Total	¥4,601
Lease expenses	¥1,454
Depreciation equivalents	1,454

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

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(2) Information on operating leases for the year ended March 31, 2008 is as follows:

	Millions of yen
	2008
Lease obligations due:	
Within one year	¥17
Over one year	13
Total	¥30

(b) As lessors

Information on non-capitalized finance leases for the year ended March 31, 2008 is as follows:

	Millions of yen
	2008
Lease receivables due:	
Within one year	¥0
Over one year	1
Total	¥2

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.

13. 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 currency 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, 2009 and 2008 of derivative transactions for which hedge accounting had not been applied.

Currency-related derivatives

			Millions of yen		Thousands of U.S.dollars (Note 1)
Type			2009	2008	2009
Forward contracts:					
	Selling U.S. dollars:	Contract amounts	¥900	¥ —	$9,162
		Due over one year	—	—	—
		Market value	890	—	9,060
		Net unrealized gains	9	—	91
	Selling Euros:	Contract amounts	¥ —	¥ 130	$ —
		Due over one year	—	—	—
		Market value	—	126	—
		Net unrealized gains	—	4	—
	Buying U.S. dollars:	Contract amounts	¥ —	¥1,201	$ —
		Due over one year	—	—	—
		Market value	—	1,199	—
		Net unrealized losses	—	(1)	—
	Buying Japanese yen:	Contract amounts	¥504	¥ —	$5,130
		Due over one year	—	—	—
		Market value	499	—	5,079
		Net unrealized losses	(4)	—	(40)

Market values of forward currency contracts are based on future exchange rates or prices provided by financial institutions.

14. Employees' Retirement Benefits

The Company and its consolidated domestic subsidiaries 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.

Employees' retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Projected benefit obligation	¥36,727	¥37,973	$373,887
Plan assets at fair value	7,012	(4,022)	71,383
Projected benefit obligation in excess of plan assets	29,715	33,951	302,504
Less: Unrecognized actuarial differences	(1,032)	(447)	(10,505)
Less: Unrecognized prior service costs	(26)	(141)	(264)
Payment on delivery plan expense	—	(21)	—
Employees' retirement benefits	¥28,655	¥33,382	$291,713

The employees' retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Service costs — benefits earned during the year	¥2,571	¥2,160	$26,173
Interest cost on projected benefit obligation	736	580	7,492
Expected return on plan assets	(118)	(157)	(1,201)
Amortization of actuarial differences	855	3,547	8,704
Amortization of prior service costs	192	145	1,954
Additional retirement benefits	1,424	—	14,496
Employees' retirement benefit costs	¥5,662	¥6,276	$57,640

The actuarial assumptions for calculating the projected benefit obligation for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
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	1.7%-2.4%	1.7%-2.4%
Expected return on plan assets	Mainly 3.9%	Mainly 4.5%
Period to amortize prior service costs	1-5 years	1-5 years
Period to amortize the actuarial differences	1-3 years	1-3 years

15. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009

	Net income (loss) (Millions of yen)	Weighted-average shares (Thousands)	Net income (loss) per share (Yen)	Net income (loss) per share (U.S.dollars (Note 1))
Net income (loss) available to common shareholders	¥(67,256)	571,635	¥(117.66)	$(1.20)

Year ended March 31, 2008

	Net income (loss) (Millions of yen)	Weighted-average shares (Thousands)	Net income (loss) per share (Yen)
Net income (loss) available to common shareholders	¥7,830	572,695	¥13.67

16. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the years ended March 31, 2009 and 2008 consisted of the following.

Year ended March 31, 2009

Location	Major use	Asset category	Millions of yen	Thousands of U.S.dollars (Note 1)
Shimonoseki City,	Production facilities	Buildings and structures	¥4,289	$43,662
Yamaguchi Prefecture, others		Machinery	5,558	56,581
		Others	1,454	14,801
Kita-ku, Tokyo, others	Idle assets	Buildings and structures	334	3,400
		Land	194	1,974

The Company and its consolidated subsidiaries have grouped assets used for business activities by the units of the factory distinction and of the product distinction based on management accounting. Idle assets and lease assets that have a sign of impairment are assessed on an individual basis.

As for production facilities, there were no future cash flows expected since the serious deterioration in the market conditions had weakend profitability. Consequently, the book values of these assets were reduced to zero.

As for Idle assets, the book values of the assets were reduced to zero in case that sale of these assets was extremely improbable. The book value of salable lands was reduced to net realizable value based on the fair value, provided by a real estate appraiser.

Year ended March 31, 2008

Location	Major use	Asset category	Millions of yen
Shimonoseki City,	Production facilities	Buildings and structures	¥6,462
Yamaguchi Prefecture, others		Machinery	8,607
		Others	2,699
Takehara City,	Lease assets	Buildings and structures	15
Hiroshima Prefecture, others		Land	209
Kita-ku, Tokyo, others	Idle assets	Land, others	519

The Company and its consolidated subsidiaries have grouped assets used for business activities by the units of the factory distinction and of the product distinction based on management accounting. Idle assets and lease assets that have a sign of impairment are assessed on an individual basis.

As for production facilities, the serious deterioration in the market conditions had weakened profitability, and moreover, sale of these assets was extremely improbable. Consequently, the book values of these assets were lowered to the amount deemed to be recoverable estimated from the value of these assets in use.

As for lease assets, the book values of these assets were lowered to the amount deemed to be recoverable estimated from the value of these assets in use.

As for Idle assets, the book values of the assets were reduced to zero in case that sale of these assets was extremely improbable. The book value of salable lands was reduced to net realizable value based on the fair value, provided by a real estate appraiser.

In computing the recoverable value estimated from the value of the assets in use, the rate for discounting future cash flows is 3.73%.

17. Related Party Transactions

(Additional information)
In this fiscal year, the Company adopted the new accounting standard, "Accounting Standard for Related Party Disclosures" (Statement No.11 Issued by the ASBJ on October 17, 2006) and "Implementation Guidance on Accounting Standard for Related Party Disclosures "(the Financial Accounting Standard Implementation Guidance No.13 issued by the ASBJ on October 17, 2006).

As a result, from the fiscal year under review, note about significant related party is disclosed additionally.

1. Related party transactions

(a) The Company owns 34% of outstanding shares of Pan Pacific Copper Co., Ltd., which sells products related to copper refining and smelting business.

The transactions amount for the years ended March 31, 2009 and 2008, and account balances as of March 31, 2009 and 2008 with Pan Pacific Copper Co., Ltd. were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Guarantees of bank loans	¥25,414	¥37,821	$258,719

(b) Nikko Smelting and Refining Co., Ltd. is affiliate of Pan Pacific Copper Co., Ltd.

The transactions amount for the years ended March 31, 2009 and 2008, and account balances as of March 31, 2009 and 2008 with Nikko Smelting and Refining Co., Ltd. were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2009	2008	2009
Guarantees of bank loans	¥6,916	¥8,077	$70,406

(c) The Company owns 50% of outstanding shares of MS Zinc Co., Ltd., which produces and sells products related to zinc refining and smelting business.

The transactions amount for the year ended March 31, 2008, and account balances as of March 31, 2008 with MS Zinc Co., Ltd. were as follows:

	Millions of yen
	2008
Cost of sales (Mainly purchasing of zinc metals)	¥39,474
Notes and account payable	6,830

Terms of transactions:
Terms of purchase by MS Zinc Co., Ltd. are determined under general market conditions.

2. Note about significant related party
In this fiscal year, Pan Pacific Copper Co., Ltd., is recognized as significant related party and the summary of its financial statements were as follows:

	Millions of yen	Thousands of U.S.dollars (Note 1)
	2009	2009
Total current assets	¥130,879	$1,332,373
Total fixed assets	62,117	632,362
Total current liabilities	121,053	1,232,342
Total long-term liabilities	4,894	49,821
Total net assets	67,048	682,561
Net sales	576,146	5,865,275
Income before income taxes	2,290	23,312
Net income	1,153	11,737

18. Subsequent Events

(a) Invitations to union-member employees to take voluntary early retirement

On January 20, 2009, the Board of Directors of the Company approved a plan for the rationalization of the Company's business operations, including workforce downsizing.

As part of the plan, the Company implemented invitation to union-member employees to take voluntary early retirement.

Outline is as follows:

1. Targeted number of employees
   Approximately 10% of all employees who belong to the Company's labor union
2. Eligibility for applicants
   Employee who belong to the Company's labor union
3. Period of availability of early retirement plans
   From April 15, 2009 to April 24, 2009
4. Retirement date
   June 30, 2009
5. Retirement plan incentives
   A special lump-sum retirement payment to be made in addition to the existing one-time retirement benefit
6. The number of applicants
   305

A special lump-sum retirement payment of ¥1,395 million ($14,201 thousand) will be recognized as an business structure improvement expenses and included among extraordinary losses for year ending March 31, 2010.

(b) Valuation of investment securities

On June 12, 2009, the Company received notification from an unlisted company in whose equity the Company had invested (stocks held as investment securities), in the form of financial reports attached to the notice of convocation of the company's annual general meeting of shareholders, to the effect that the company's financial position has deteriorated.

In consequence, the Company has conducted a valuation of the said investment securities, and will post an extraordinary loss on the evaluation of these securities in the amount of ¥899 million ($9,151 thousand) for year ending March 31, 2010.

Independent Auditors' Report

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 and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Mining and Smelting Company, Limited and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2008, Mitsui Mining and Smelting Company, Limited and consolidated subsidiaries in Japan adopted the new accounting standards for Measurement of Inventories.
In addition, effective April 1, 2008, divisions of Mitsui Mining and Smelting Company, Limited and consolidated subsidiaries in Japan which had applied last-in, first-out method changed to first-in, first-out or average method in their ways of inventries valuation.
(2) As discussed in Note 18 to the consolidated financial statements, on January 20, 2009, as part of the plan for the rationalization of the Company's business operations, Mitsui Mining and Smelting Company, Limited and consolidated subsidiaries implemented invitaion to union-member employees to take voluntary early retirement.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 26, 2009

Investor Information (As of March 31, 2009)

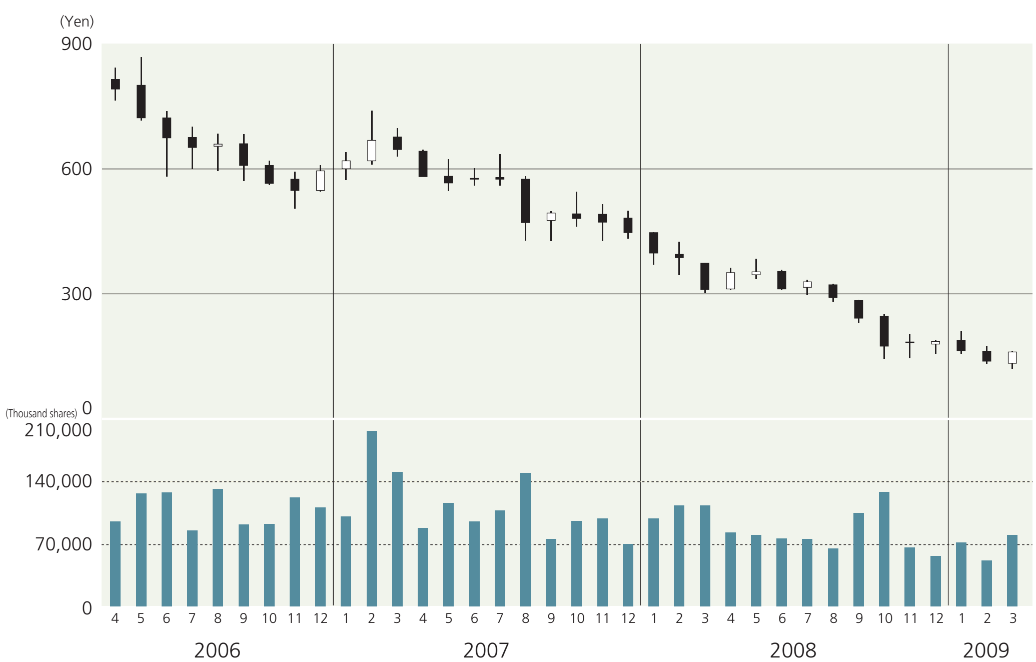
Number of shareholders: 65,596

Major shareholders:

	Investment in the company	
	Number of shares held (Thousands)	Percentage of total shares issued(%)
Japan Trustee Services Bank, Ltd. (Held in trust account 4G)	38,924	6.81
Japan Trustee Services Bank, Ltd. (Held in trust account)	36,144	6.32
The Master Trust Bank of Japan, Ltd. (Held in trust account)	23,370	4.08
The Employees' Shareholding Association	8,189	1.43
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	8,086	1.41
Mitsui Life Insurance Company, Limited	7,981	1.39
Japan Trustee Services Bank, Ltd. (Held in trust account 4)	7,884	1.37
IRISOHYAMA Inc.	7,287	1.27
SSBT OD05 OMNIBUS ACCOUNT CHINA TREATY CLIENTS	5,483	0.95
Citibank Hong Kong S/A Fund 115	4,985	0.87

Notes: 1. Percentages of total shares issued are calculated based on the total number of shares issued outstanding (excluding 1,443,018 shares in treasury).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:



Corporate Data (As of March 31, 2009)

Established: May 1, 1950

Authorized capital: 1,944 million shares

Shares issued: 572,966,166 shares

Paid-in capital: ¥42,129 million

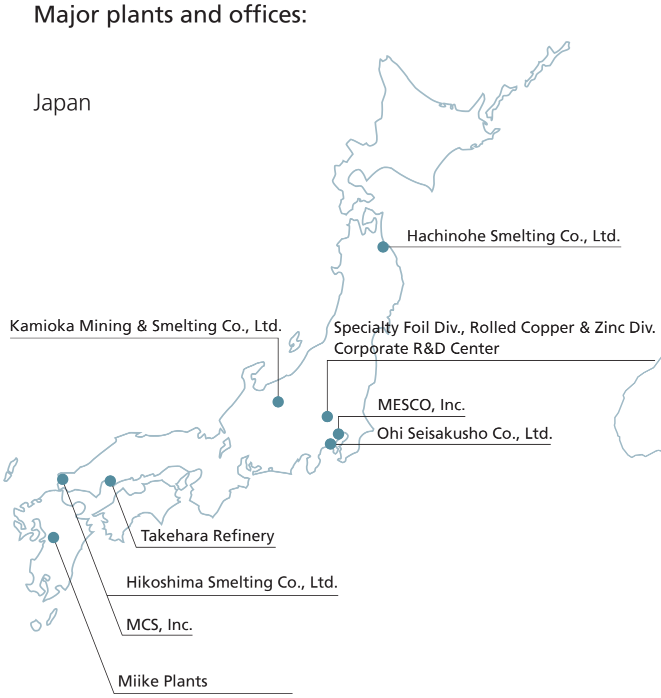
Stock listings: Common stock is listed on the Tokyo Stock Exchange and Osaka Securities Exchange

Principal subsidiaries:

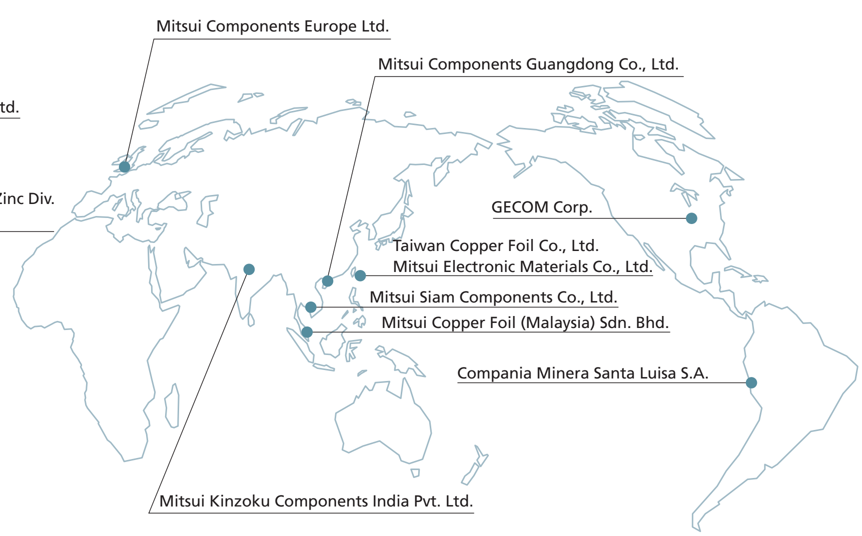
	Paid-in capital (Millions)	Equity stake of the company (%)
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0
Hachinohe Smelting Co., Ltd.	¥4,795	85.5
Hikoshima Smelting Co., Ltd.	¥460	100.0
Okuaizu Geothermal Co., Ltd.	¥100	100.0
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM50	90.0
MCS, Inc.	¥450	100.0
Mitsui Electronic Materials Co., Ltd.	NT$600	100.0
Ohi Seisakusho Co., Ltd.	¥2,766	100.0
GECOM Corp.	US$15.75	100.0
Mitsui Siam Components Co., Ltd.	Bh210	75.0
MESCO, Inc.	¥1,085	63.3
Mitsui Kinzoku Trading Co., Ltd.	¥240	100.0

Major plants and offices:

Japan



Overseas



Worldwide Operations (As of March 31, 2009)

	Japan	Asia	Americas and Europe
Offices/ Laboratories	Head Office (Shinagawa, Tokyo) Osaka Branch (Osaka, Osaka) Corporate R&D Center (Ageo, Saitama)	Mitsui Kinzoku Trading (Shanghai) Co., Ltd. (Shanghai, China) Mitsui Kinzoku (Shanghai) Management Co., Ltd. (Shanghai, China)	Mitsui Mining & Smelting Co., Ltd., Sucursal del Perú (Lima, Perú) Oak-Mitsui Technologies LLC (New York, U.S.A.)
Electronics-Related Materials	Takehara Refinery (Takehara, Hiroshima) Ageo Copper Foil Plant (Ageo, Saitama) Miike Thin-film Materials Plant (Omuta, Fukuoka) Miike Rare Matals Plant (Omuta, Fukuoka) MCS, Inc. (Shimonoseki, Yamaguchi) NIHON KESSHO KOUGAKU Co., Ltd. (Tatebayashi, Gunma)	Taiwan Copper Foil Co., Ltd. (Nantou, Taiwan) Mitsui Copper Foil (Malaysia) Sdn. Bhd. (Selangor Darul Ehsan, Malaysia) Mitsui Copper Foil (Hong Kong) Co., Ltd. (Hong Kong, China) Mitsui Copper Foil (Suzhou) Co., Ltd. (Jiangsu, China) Mitsui Copper Foil (Guangdong) Co., Ltd. (Guangdong, China) Mitsui Electronic Materials Co., Ltd. (Taichung, Taiwan) Mitsui Kinzoku Korea Co., Ltd. (Pyeongtaek-si, Korea) Mitsui Micro Circuits Taiwan Co., Ltd. (Taichung, Taiwan)	Oak-Mitsui Inc. (New York, U.S.A.) Mitsui Zinc Powder LLC (Pennsylvania, U.S.A.)
Metals and Environmental Services	Kamioka Mining & Smelting Co., Ltd. (Hida, Gifu) Hachinohe Smelting Co., Ltd. (Shinagawa, Tokyo) Hikoshima Smelting Co., Ltd. (Shimonoseki, Yamaguchi) MS Zinc Co., Ltd. (Minato, Tokyo) Pan Pacific Copper Co., Ltd. (Minato, Tokyo) Okuaizu Geothermal Co., Ltd. (Yanaizu, Fukushima)	Shanghai Mitsui Xin Yun Precious and Rare Metal Recycle Co., Ltd. (Shanghai, China)	Compania Minera Santa Luisa S.A. (Lima, Perú)
Automotive Parts	Nirasaki Parts & Components Manufacturing Plant (Nirasaki, Yamanashi) Kamioka Catalyst Plant (Hida, Gifu) Ohi Seisakusho Co., Ltd. (Yokohama, Kanagawa)	Mitsui Siam Components Co., Ltd. (Rayong, Thailand) Mitsui-Huayang Automotive Components Co., Ltd. (Guizhou, China) Mitsui Components Guangdong Co., Ltd. (Guangdong, China) Wuxi Da Chong Industry Co., Ltd. (Jiangsu, China) Mitsui Kinzoku Components India Pvt. Ltd. (Haryana, India) Mitsui Kinzoku Catalyst Zhuhai Co., Ltd. (Guangdong, China)	GECOM Corp. (Indiana, U.S.A.) Mitsui Components Europe Ltd. (Wales, U.K.)
Other	Ageo Rolled Copper & Zinc Plant (Ageo, Saitama) Omuta Ceramics Plant (Omuta, Fukuoka) Kitakata Perlite Plant (Kitakata, Fukushima) Osaka Perlite Plant (Kaizuka, Osaka) MESCO, Inc. (Sumida, Tokyo)	Mitsui Grinding Technology (Thailand) Co., Ltd. (Chonburi, Thailand)	

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