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

<table>
<thead>
<tr>
<th>Group</th>
<th>Principal Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining &amp; Fundamental Materials Group</td>
<td>Zinc, Gold, Silver, Zinc alloy, Geothermal steam</td>
</tr>
<tr>
<td>Intermediate Materials Group</td>
<td>Electrodeposited copper foil, Semiconductor mounting materials (TAB &amp; COF tapes), Battery materials (Hydrogen storage alloy, Lithium Manganese Oxide (LMO), Battery-use zinc, power), Thin-film materials (Sputtering targets), Functional/mental powders (Magnetite, Metal powders), Rare-metal compounds (Cerium oxide based polishing powders, Tantumalum chemistry, Nickelum powders), Ceramics products (Zigp-aluminum lithium foam, Alumina, Silicon carbide ceramics), Perfluoro sulfonic acid, Fibre (filter ads), Heat insulator, 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 crystal.</td>
</tr>
<tr>
<td>Parts Manufacturing &amp; Assembly Group</td>
<td>Functional automotive parts, Zinc/aluminum magnesium die-cast products, Powder metallurgical products, Automotive catalyst, Nondestructive inspection systems</td>
</tr>
<tr>
<td>Environmental Engineering &amp; Metals Recycling Group</td>
<td>Lead, Zinc oxide, Lithium, Perlite (filter ads), Soil improvement materials, Soil contamination surveys, Industrial waste material processing, Expanded shale light weight aggregate</td>
</tr>
<tr>
<td>Engineering Group</td>
<td>Engineering services for diverse manufacturing plants, environmental protection equipment, and automation equipment, Design and implementation services for construction, civil engineering, and other projects, Polishing composite pipes</td>
</tr>
<tr>
<td>Services &amp; Other Group</td>
<td>Marketing of nonferrous metals, electronics materials, etc.; Information processing systems</td>
</tr>
</tbody>
</table>

Looking Statements

This annual report contains statements about Mitsui Kinzoku’s projected future business results that are not based on historical facts and are subject to various risks and uncertainties relating to economic conditions in Mitsui Kinzoku’s business environment, the rate of technological and public sector capital investment, currency exchange rates, competitive pressures in the marketplace, and Mitsui Kinzoku’s ability to continue designing and developing products that will be accepted in markets.

Therefore, it should be noted that elements affecting performance are not limited to the previously mentioned factors. In the report, fiscal 2009 represents the year ended March 31, 2010.
Financial Highlights

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥392,364</td>
<td>¥427,191</td>
<td>¥595,463</td>
<td>$4,216,700</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>27,881</td>
<td>(27,031)</td>
<td>27,993</td>
<td>299,634</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>13,899</td>
<td>(67,256)</td>
<td>7,830</td>
<td>149,371</td>
</tr>
<tr>
<td>Total assets</td>
<td>416,541</td>
<td>410,258</td>
<td>486,238</td>
<td>4,476,528</td>
</tr>
<tr>
<td>Net assets</td>
<td>121,300</td>
<td>104,631</td>
<td>199,545</td>
<td>1,303,600</td>
</tr>
<tr>
<td>Net income (loss) per share (¥, $)</td>
<td>24.32 (117.66)</td>
<td>13.67</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td>Cash dividends per share (¥, $)</td>
<td>3.00 –</td>
<td>12.00</td>
<td>0.03</td>
<td></td>
</tr>
</tbody>
</table>

Note: All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥93.05 to US$1.00, the rate prevailing at March 31, 2010.

Net sales and operating income (loss) to net sales

<table>
<thead>
<tr>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥503.3</td>
<td>¥591.5</td>
<td>¥595.4</td>
<td>¥427.1</td>
<td>¥392.3</td>
</tr>
<tr>
<td>9.0</td>
<td>6.6</td>
<td>4.7</td>
<td>7.1</td>
<td>(6.3)</td>
</tr>
</tbody>
</table>

Note: In accordance with the previous presentation rules, net assets figures for the fiscal 2006 actually represent total shareholders’ equity.
To Our Stakeholders

Sadao Senda
President and Representative Director, Chief Operating Officer

Shimpei Miyamura
Chairman and Representative Director, Chief Executive Officer
In the autumn of 2008, the global economy suffered a major setback when Lehman Brothers collapsed. Thanks to the economic policy cooperation of countries around the world and a recovery, primarily in emerging nations, the worst is behind us. Nevertheless, we have not yet completely returned to the economic state that existed prior to the collapse. Mitsui Kinzoku is not alone in this respect.

Furthermore, the Company witnessed the unexpected retirement of now former president Yoshihiko Takebayashi due to poor physical health at the end of last year. Taking this as an opportunity to dramatically revitalize the Company, Mitsui Kinzoku appointed Sadao Senda to the positions of President and Representative Director as of January 1, 2010. Since then, there has been a major shakeup and revitalization of the organization, from directors and officers to department and section managers, and a structure centered on President Senda has been established. Our goal is to revitalize the Company and achieve a style of management capable of fast and immediate action.

The first issue to be addressed by management under the new system is that of abandoning the chronic low-earnings structure. This requires the laying of a robust high-earnings business foundation. To that end, we must reexamine our existing businesses in a comprehensive manner, and then reinforce, strengthen, combine and restructure them. After that, we must produce and rapidly launch high-earnings businesses. Furthermore, we must take aggressive action, such as forming alliances and implementing mergers and acquisitions (M&A).

The second issue to be addressed is that of creating a stronger financial foundation. We should set specific objectives such as the reduction of loans and the raising of the equity ratio. We should set a minimum goal of achieving an A+ financial ranking as early as possible.

The third issue is that of revamping our corporate culture so that issues are resolved, and R&D and problems are cleared up swiftly along a well-defined timeline. In the past, there were times when we lacked this sense of speed. If we were to behave like that today, in an age of rapid change, we would no longer be able to respond. We are keenly aware of the need to simplify as far as possible to revitalize the Company so that it becomes a highly efficient one.

Under the new structure, management is responsible for quickly solving business problems, building a high-earnings foundation, distributing dividends on a stable continuous basis and satisfying all stakeholders. In the domestic business environment, the fragility of Japan’s economic recovery is but one problem. Around the world, problems are mounting as well. Among these are sovereign risk in EU countries such as Greece, America’s exit strategy on QE, China’s growth strategy and skyrocketing resource costs. When we think of these challenges, to fulfill the above-mentioned responsibilities, we have to assume that equivalent challenges are waiting. But, if these situations are not overcome, the next road to growth cannot open up. Under this young and energetic new structure, we promise that employees will unite, and work cooperatively together to successfully overcome these challenges.

Shimpei Miyajima
Sadao Senda
My name is Sadao Senda. On January 1, 2010, I succeeded Yoshihiko Takebayashi as President and Representative Director of Mitsui Kinzoku. I believe my greatest responsibility as president is to produce the Company’s next growth driver. I therefore ask for the continued support and guidance of all of our shareholders and investors.

Fiscal 2009 Performance

In fiscal 2009, the Japanese economy hit the bottom of an economic recession due to the financial instability that began in the United States in 2008. Although there were negative factors, such as a downturn in capital expenditures and individual consumption, a modest recovery was achieved thanks to higher exports and the effects of economic stimulus policies in Japan and abroad.

Against this backdrop, net sales declined ¥34.8 billion (8.2%) to ¥392.3. Positive contributing factors included, 1) higher metal prices including for zinc and lead in Mining and Smelting, 2) the effects of economic stimulus policies in Japan and abroad in the fields of electronics materials and automotive parts. However, these were outweighed by such negative factors as, 1) the strong yen, 2) lower sales prices for LCD-related materials and 3) a sluggish North American auto market for functional automotive parts.

Meanwhile, operating income increased ¥54.9 billion, reversing the previous fiscal year’s operating loss of ¥27.0 billion into operating income of ¥27.8 billion. Factors contributing to the increase were 1) the consolidation of production facilities in automotive parts operations, 2) a business restructuring review including a sweeping reexamination of the semiconductor mounting materials business (TAB & COF tapes), 3) a zero-base budgeting of personnel cuts, annual salary reductions and budgeting expenses, 4) inventory reductions, and 5) vigorous cost cutting through emergency countermeasures including postponement of capital investments.

As for non-operating income, investment gains on equity method improved substantially thanks to rising metal prices. As a result of posting a reversal of provision for loss on disposal of inventories of ¥1.7 billion, and other income, in addition to posting other expenses including expenses for improvement of business structure of ¥2.9 billion, such as expenses arising from an enhanced early retirement program as well as income taxes,
Milestones in 2009 and 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>July</td>
<td>Increase production of ultra-thin foil with carrier (MicroThin™)</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>Further increase production capacity for MicroThin™</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>Gears up to feasibility study phase in development project of Quechua Copper Deposit in Peru</td>
</tr>
<tr>
<td>2010</td>
<td>February</td>
<td>Make final decision of full-fledged development of Caserones Copper and Molybdenum Deposits in Chile</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Transfer automotive components operations to subsidiary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consolidate rolled copper and zinc fabrication businesses of Mitsui Kinzoku and Sumitomo Metal Mining Co., Ltd.</td>
</tr>
</tbody>
</table>

By key segments, sales in Mining & Fundamental Materials increased ¥5.5 billion year on year to ¥99.0 billion on the back of rising zinc prices. Operating income climbed ¥16.6 billion to ¥7.0 billion thanks primarily to a drop in coke and other energy prices and inventory factors.

Although demand appeared to have made a steady recovery, sales of Intermediate Materials decreased ¥20.9 billion to ¥153.9 billion. In contrast, operating income surged ¥27.4 billion to ¥14.5 billion owing to a sweeping review of inventory factors and the semiconductor mounting materials (TAB & COF tapes) business.

Despite an apparent rally in demand for Parts Manufacturing & Assembly Group, sales dropped off by ¥15.0 billion to ¥104.5 billion. Operating income improved by ¥4.9 billion, reversing the previous fiscal year’s operating loss into operating income of ¥0.9 billion.

In Environmental Engineering & Metals Recycling, sales were down ¥0.5 billion to ¥50.8 billion, while operating income improved by ¥6.3 billion, reversing the previous year’s loss into operating income of ¥3.4 billion, largely due to inventory factors.

And minority interest, net income improved by ¥81.1 billion, reversing the previous year’s net loss into net income of ¥13.8 billion.

Consequently, for the first time in two fiscal years, Mitsui Kinzoku paid a dividend of ¥3 per share.

Review by Segment

With respect to the business environment in 2010, even though the worst of the economic recession is behind us, there are concerns of a double dip and it is believed that a full recovery will require more time. Emerging economies, mainly those in Asia, continue to fare well, but sovereign risk in EU nations such as Greece and a post-Shanghai Expo collapse of the Chinese bubble are major concerns that bear watching. Meanwhile,
deflation, the strong yen, high resource costs and other negative factors are concerns for Japan, which has been slow in recovering.

The business environment surrounding the Mitsui Kinzoku Group is expected to be harsh, with rising raw material prices and energy costs, as well as ongoing product commoditization and price declines. Under these circumstances, we see 2010 as the year for us to complete our restructuring plan, continuously distribute dividends on a stable basis and raise the corporate value of the Mitsui Kinzoku Group. Specifically, we will ensure that management is focused on cash flow and switch to a leaner business structure. At the same time, we will set our sights on increasing sales by accessing markets in emerging nations, new applications, and developing new differentiated products from among our existing business areas, and we will search for growth opportunities.

Through those efforts, we expect to achieve net sales of ¥415.0 billion, operating income of ¥25.3 billion, net income of ¥18.5 billion and dividends of ¥4 per share.

Strategy by Segment

In the copper foil and engineered materials sectors to meet demand, we will expand equipment capacity, raise productivity, change the product mix and further strengthen earning capacity. In copper foil, the first-phase expansion of production capacity at our Malaysia plant is scheduled for completion in 2010. We will also expand production capacity for our ultra-thin foil with carrier (MicroThin™). Taking these steps, we expect to attain one of the world’s top cost-competitive capabilities. However, our competitors are keeping pace with us, so we will continue making steady efforts to reduce costs, raise production efficiency and improve the operating rate.

Furthermore, we will establish an enhanced production system in China and India where demand is expected to rise sharply due to stronger environmental regulations in the area of automobile exhaust catalysts.

As part of a project under the direct control of the Company president, in April 2010, Mitsui Kinzoku started developing next-generation battery materials for electric cars with an eye toward early commercialization leading to full-scale market entry.

In metals, minerals and environmental engineering, the Company is promoting the diversification of raw materials by raising the ratio of the zinc oxide from zinc containing metal scrap (recycled material). It is also strengthening efforts to conserve energy and reduce CO2 emissions. Prices for base metal resources are skyrocketing in line with the economic growth of emerging nations. In light of the fact that these resources are becoming more difficult to obtain every year, in fiscal 2009 we officially decided to
develop a copper mine in Chile through Pan Pacific Copper Co., Ltd., a joint venture company formed with Nippon Mining & Metals Co., Ltd. and the Company. In 2010, we are also planning to decide on whether to develop a copper mine in Peru with the same company. With Zinc mines as well, our policy is to strengthen our own exploration activities.

On July 1, 2010, automotive components operations, whose main product is door locks, was spun off and business operations were consolidated into a new company, Mitsui Kinzoku ACT Corporation. This company will become an independent and self-sustaining parts manufacturing specialist that will make timely decisions that further accelerate its shift to Asia so as not to miss out on such business opportunities as the sharp increase in auto production in emerging countries.

The Next Medium-Term Plan

Starting from next fiscal year, with "Monozukuri is Our Strength" as our slogan, we will establish a vision for the future and an organization capable of its realization, and reflect this in the next medium-term plan starting in 2010.

As a specific strategy and vision, Mitsui Kinzoku will focus on the materials business that utilize "knowledge of materials" and enhance selection and concentration. In addition, we will actively adopt methods such as mergers and acquisitions (M&A) and business tie-ups in the simultaneous pursuit of growth and improved financial standing.

Business domains to be targeted are mineral resources, environment, energy and recycling. Individual businesses to be given special focus include mineral resources, battery materials, catalysts and recycling.

We seek to build an organization capable of achieving the strategy and vision as well as simultaneously pursing greater business unit independence and a stronger Companywide unity.

Having set our sights on this attainment, Mitsui Kinzoku will continue to improve both its financial standing and growth, promote the selection and concentration of business and make every possible effort to raise corporate value.
Corporate Governance

1. Basic Approach

Mitsui Kinzoku’s business philosophy is “Dedicated to creation and advancement, we contribute to society by providing products with value and aim for the constant development and growth of the Company’s business.”

Mitsui Kinzoku views corporate governance as the building of a business organizational structure and mechanism for turning its business philosophy into reality with the goal of continuous survival for the Company and increasing corporate value through contributions to society based on the creation of products with value. Mitsui Kinzoku regards this as one of its most important business challenges.

Specifically, Mitsui Kinzoku seeks to contribute to all stakeholders, and is implementing the four policies noted below throughout the entire business group.

1. Stable and continuous dividend payments and appropriate information disclosure to all shareholders
2. Supply of products with value to all customers
3. Harmonious and mutually prosperous relations with local communities
4. Achievement of a satisfying working environment and working conditions for all employees

As institutional support to enable business activities that are both fair and of value, the Company is implementing the following three policies.

1. Institution of internal rules and regulations including a code of ethics
2. Appointment of outside directors and auditors
3. Introduction of an internal audit system and notification system

2. Matters Pertaining to the Function of Business Execution, Audit/Oversight, Appointments, and Compensation Decisions

(Directors and Business Execution)

Directors discuss important business matters at the Board of Directors’ meeting (held once a month and thereafter as needed) and oversee the execution of business duties. To properly and efficiently fulfill the oversight function, the Board of Directors consists of directors that are knowledgeable of Company business in addition to outside directors.

Regarding the execution of the business affairs of the Company, an executive officer system has been introduced. Important matters regarding business execution are discussed in the Management Policy Council (held twice a month and thereafter as needed), which consists of high-ranking executive officers. The business affairs of the Company are executed under the leadership of executive officers based on the results of these discussions.

Among executive officers, the Chief Executive Officer (CEO) and Chief Operating Officer (COO), as well as the Chief Financial Officer (CFO) and Chief Risk Management Officer (CRO), in supporting roles to the CEO and COO, have been appointed to the committee, thereby raising its level of expertise in the areas of finance and risk management. Based on the view that it is necessary to swiftly and thoroughly implement the Company’s business strategy at the site where business is executed, as well as be familiar with actual business conditions when making business decisions, the CEO and the Managing Director at Mitsui Kinzoku serve concurrently as high-ranking executive officers who are in charge of the entire company, or more specifically, all business and functional divisions, and as members of the Management Policy Council.
(Corporate Auditor)
The Board of Corporate Auditors, which consists of half full-time corporate auditors with experience in the execution of business matters at Mitsui Kinzoku and half part-time outside auditors, ensures the soundness of business through its oversight of the execution of directors’ duties based on a full understanding of the special nature of the Company’s business.

Corporate auditors oversee the execution of directors’ duties following an audit plan decided on by the Board of Corporate Auditors. The Independent Auditing Firm collaborates with corporate auditors by explaining the accounting audit plan and reporting the audit results.

The Board of Corporate Auditors meeting is held one or more times per month.

(Independent Auditing Firm)
Mitsui Kinzoku has appointed the firm KPMG AZSA & Co. as its accounting audit firm. Two Certified Public Accountants (CPAs) who are designated employees and managing members of said firm perform accounting audits for Mitsui Kinzoku. Assisting the two CPAs in the accounting audit are 10 CPAs and 24 other assistants.

(Compensation Decisions)
Mitsui Kinzoku set up the Compensation Committee to decide the compensation and bonus payments to each director based on their individual performance.

The Compensation Committee consists of the Chairman, the President, the director in charge of human resources, and one outside director, in addition to two outside directors as advisors.
Mining & Fundamental Materials Group

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 50% 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 30% from recycled materials in Japan.

Business environment and strategies

Zinc prices, which had plunged in 2008, continued to rise throughout fiscal 2009 in response to the recovering economic environment.

Production of zinc-plated steel sheet, which accounts for the largest proportion of zinc demand in Japan, recovered, and sales volume remained strong.

Zinc ore treatment and refining charge (TC/RC) contract terms were more or less the same as in fiscal 2008. Though present supply and demand is mostly in balance, increased demand, especially from newly emerging countries, is expected to negatively impact TC/RC settlements going forward.

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 centered on further exploiting 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 2009 business performance

We returned to the black as a result of increased profit margins resulting from a rise in zinc market prices. Other positive influences included inventory valuation factors, and falling coke prices.

Mitsui Kinzoku’s copper smelting business is separately reported using the equity method.
**Intermediate Materials Group**

Returned to profitability due to a rapid rise in capacity utilization rates

### 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, essential to all electronic equipment. Mitsui Kinzoku possesses one of the world’s most advanced technologies in this field, and the Company is the sector leader in 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.

- **Battery materials** — This division is involved in the manufacture of materials used in different kinds of batteries, including hydrogen-storing alloys (MH alloys) for nickel hydride batteries which are primarily used in hybrid cars, and Lithium Manganese Oxide (LMO) for use in lithium-ion batteries.

- **Other intermediate materials** — Rolled copper, semiconductor mounting materials (TAB & COF tapes), perlite, high-performance industrial ceramics, and other materials essential to core industries such as construction and vehicle manufacturing.

### Business environment and strategies

In this segment’s mainline field of electronic materials, electrodeposited copper has rapidly recovered from a significant fall in demand in the second half of fiscal 2008, and currently sales are strong. The ongoing miniaturization of electronic components means that customers have 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 demand trend 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.

Demand for Mitsui Kinzoku’s other electronic materials, including metallic powders, has been steady. We aim to maintain their high share in niche markets, and will continue making efforts to improve earnings.

In our battery materials division, sales of hydrogen-storing alloys remain steady due to hybrid car demand. Sales are growing for LMO as it has been adopted for use in power tools, and are expected to expand significantly going forward in line with growing demand for lithium-ion batteries in electric cars.

Additionally, to ensure business continuity in our rolled copper products operations, a new joint company was established in July, 2010 to take over our copper fabrication operations and those of Sumitomo Metal Mining Co., Ltd.

### Fiscal 2009 business performance

For this segment, we returned to the black owing to improved capacity utilization rates due to a recovery in demand, and inventory valuation factors in rolled cooper operations.
**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**

Global demand in automobile markets is recovering due to the various economic stimulus measures implemented by countries around the world. Over the medium-to-long term, growth is expected in newly emerging markets, including Asia. Amid these circumstances, we plan to split the division in July 2010 and create a subsidiary company, leaving us with a structure better suited to rapid strategic response to changes in the business environment, while enabling us to consolidate our position as a leading maker of vehicle door locks, which are vital for safe driving.

**Fiscal 2009 business performance**

Though sales declined year-on-year, demand is gradually recovering. Due to the success of the restructuring to date, including consolidation of a number of production facilities, a review of our product mix, and cost reductions through strict management of our global manufacturing operations, this segment returned to profitability for the second half of the fiscal year.
Environmental Engineering & Metals Recycling Group

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

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 global environment.

Fiscal 2009 business performance

Business operations of this segment recorded increased earnings as a result a rise in the market prices of zinc, lead, and precious metals, and inventory valuation factors.

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 July 1, 2010)

Board of Directors

Shimpei Miyamura
Chairman and Representative Director, Chief Executive Officer

Sadao Senda
President and Representative Director, Chief Operating Officer

Corporate Auditors

Tatsuhiko Takai
Akira Osano
Junya Sato (Outside Auditor)
Ryuhei Wakasugi (Outside Auditor)

Senior Executive Officers

Masahisa Morita
Engineered Materials Sector
Hajime Myoi
Corporate R&D Center

执行役員

Takashi Sato
Kosuke Watanabe
Jun Fujii
Takao Shibue
Seiichi Harakawa
Kanji Sato
Masayuki Koyata
Isshi Hisaoka
Toshiki Mori
Minoru Mori
Shinichi Machida
Keiji Nishida
Akira Yoshida

MITSUI MINING AND SMELTING CO., LTD.
Annual Report 2010
# Five-Year Summary

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

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥392,364</td>
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<td>¥503,370</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>325,492</td>
<td>405,253</td>
<td>510,085</td>
<td>500,734</td>
<td>412,003</td>
</tr>
<tr>
<td>Gross profit</td>
<td>66,871</td>
<td>21,937</td>
<td>85,378</td>
<td>90,784</td>
<td>91,366</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>38,990</td>
<td>48,969</td>
<td>57,384</td>
<td>51,918</td>
<td>46,314</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>27,881</td>
<td>(27,031)</td>
<td>27,993</td>
<td>38,865</td>
<td>45,052</td>
</tr>
<tr>
<td>Income (loss) before income taxes and minority interests</td>
<td>21,555</td>
<td>(55,114)</td>
<td>22,655</td>
<td>49,133</td>
<td>38,636</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>13,899</td>
<td>(67,256)</td>
<td>7,830</td>
<td>31,370</td>
<td>23,374</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At year-end:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>¥194,834</td>
<td>¥181,415</td>
<td>¥227,923</td>
<td>¥218,436</td>
<td>¥208,754</td>
</tr>
<tr>
<td>Total assets</td>
<td>416,541</td>
<td>410,258</td>
<td>486,238</td>
<td>483,397</td>
<td>460,225</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>145,565</td>
<td>152,542</td>
<td>154,782</td>
<td>160,847</td>
<td>162,170</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>149,675</td>
<td>153,084</td>
<td>131,911</td>
<td>124,658</td>
<td>126,558</td>
</tr>
<tr>
<td>Net assets*</td>
<td>121,300</td>
<td>104,631</td>
<td>199,545</td>
<td>197,890</td>
<td>159,772</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Per share data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss) (¥)</td>
<td>¥24.32</td>
<td>¥(117.66)</td>
<td>¥13.67</td>
<td>¥54.77</td>
<td>¥40.52</td>
</tr>
<tr>
<td>Cash dividends applicable to the year (¥)</td>
<td>3.00</td>
<td>—</td>
<td>12.00</td>
<td>12.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Number of employees</td>
<td>9,851</td>
<td>11,189</td>
<td>11,369</td>
<td>10,403</td>
<td>9,965</td>
</tr>
</tbody>
</table>

Note: In accordance with the previous presentation rules, net assets figures for the fiscal 2006 actually represent total shareholders’ equity.
Net sales

On a consolidated basis, the Company’s net sales during fiscal 2009, ended March 31, 2010, registered a year-on-year decline of ¥34.8 billion (down 8.2%), to ¥392.3 billion.

Owing to the rise in nonferrous metal prices, a net sales increase of ¥5.5 billion was recorded in the Mining & Fundamental Materials Group. Meanwhile, despite a rally in demand for electronics materials and automobiles, orders did not fully recover to their peaks, resulting in net sales declines of ¥20.9 billion and ¥15.0 billion in the Intermediate Materials Group and the Parts Manufacturing & Assembly Group, respectively.

Net sales were also down ¥0.5 billion for the Environmental Engineering & Metals Recycling Group and ¥7.2 billion for the Engineering Group.

Selling, general and administrative expenses

Declines in labor costs, transportation expenses and research and development expenses caused SG&A expenses to decrease by ¥9.9 billion from the previous year, to ¥38.9 billion.

Operating income (loss)

A ¥54.9 billion increase in operating income reversed last year’s operating loss into operating income of ¥27.8 billion.

The Mining & Fundamental Materials Group and the Environmental Engineering & Metals Recycling Group recorded increased operating income of ¥16.6 billion and ¥6.3 billion, respectively. This was mainly due to falling coke and other energy prices and due to temporary factors (hereafter, “inventory valuation factors”) that raised inventory proceeds caused by rising metal prices. In addition, operating income for the Intermediate Materials Group rose ¥27.4 billion largely as the result of inventory valuation factors and a drastic restructuring of the semiconductor mounting materials business. Operating income for the Parts Manufacturing & Assembly Group climbed ¥4.9 billion thanks to cost-cutting effects from the relocation of the Automotive Parts & Components Division’s production facilities.

Other income (expenses)

The Company posted net other expenses of ¥6.3 billion, representing a decrease of ¥21.7 billion from the previous term. This was attributable to a ¥2.8 billion increase in investment gains on equity method, a ¥1.7 billion reversal of the provision for loss on disposal of inventories, a ¥11.1 billion reduction in loss on impairment of fixed assets and a ¥4.7 billion reduction in loss on write-down of inventories.

Income taxes

As a result of posting an increase in income taxes — current due to earnings recovery, and income taxes at overseas subsidiaries in the prior periods, meanwhile the complete reversal of ¥10.7 billion in deferred tax assets on a non-consolidated basis for the previous business term, total taxation expenses came to ¥7.2 billion, a decrease of ¥5.0 billion over the previous term.
Net income

As a result of a ¥54.9 billion increase in operating income, a ¥21.7 billion improvement in other income (expenses), a ¥5.0 billion decrease in income taxes, and a ¥0.6 billion decrease in income from minority interests, net income improved by ¥81.1 billion, reversing last year’s net loss into net income of ¥13.8 billion.

Financial position

Total assets

Total assets on a consolidated basis increased by ¥6.2 billion from the previous term-end, to ¥416.5 billion. Notes and accounts receivable and inventories increased following a rise in nonferrous metal prices and a pickup in demand while investment securities surged due to a rise in the market value of stocks and improved gains on equity method. Meanwhile, property, plant and equipment decreased on the back of reduced capital expenditures, and cash and deposits, which had been increased in the previous fiscal year so as to ensure liquidity on hand, diminished.

Net assets

Net assets jumped by ¥16.6 billion to ¥121.3 billion mainly as a result of posting net income of ¥13.8 billion and unrealized gains on hedging derivatives (net of tax). The Company’s equity ratio consequently increased by 3.8 percentage points, to 26.7%.

Interest-bearing debt

The total (short- and long-term) interest-bearing debt came to ¥191.5 billion, a decrease of ¥10.9 billion over the previous term-end.

Cash flows

Net cash provided by operating activities declined by ¥10.4 billion from the previous term, to ¥19.6 billion. This was because inflow factors including ¥21.5 billion in income before income taxes and minority interests, ¥26.1 billion in depreciation and amortization, a ¥9.4 billion increase in notes and accounts payable more than offset the outflow factors, including the posting of a ¥25.1 billion increase in notes and accounts receivable, a ¥5.1 billion decrease in allowance for employees’ retirement benefits and a ¥3.5 billion increase in inventories.

Net cash used in investing activities amounted to ¥17.8 billion, down ¥19.0 billion from the previous term. Expenditures mainly consisted of ¥13.4 billion for the acquisition of property, plant and equipment and other assets.

Net cash used in financing activities amounted to ¥13.1 billion, an increase of ¥55.5 billion from the previous term. This was the result of a ¥11.9 billion decrease in short- and long-term borrowings as well as in the balance of straight bonds and commercial paper.
## Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2010 and 2009

<table>
<thead>
<tr>
<th>Assets</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
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<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and deposits (Note 5)</td>
<td>¥ 42,351</td>
<td>¥ 52,915</td>
<td>$ 455,142</td>
<td></td>
</tr>
<tr>
<td>Notes and accounts receivable (Note 7):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>72,797</td>
<td>46,945</td>
<td>782,342</td>
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</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>499</td>
<td>588</td>
<td>5,362</td>
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<tr>
<td><strong>Loans receivable:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>1,544</td>
<td>1,069</td>
<td>16,593</td>
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<tr>
<td>Others</td>
<td>3</td>
<td>7</td>
<td>32</td>
<td></td>
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<tr>
<td>Inventories (Notes 3 and 7)</td>
<td>67,883</td>
<td>63,976</td>
<td>729,532</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 12)</td>
<td>1,211</td>
<td>1,138</td>
<td>13,014</td>
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</tr>
<tr>
<td>Other current assets</td>
<td>9,415</td>
<td>15,274</td>
<td>101,182</td>
<td></td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(872)</td>
<td>(500)</td>
<td>(9,371)</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>194,834</td>
<td>181,415</td>
<td>2,093,863</td>
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</tr>
<tr>
<td><strong>Investments and other assets:</strong></td>
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<td></td>
</tr>
<tr>
<td>Investment securities (Notes 4 and 7):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>37,298</td>
<td>32,353</td>
<td>400,838</td>
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<tr>
<td>Others</td>
<td>11,627</td>
<td>10,498</td>
<td>124,954</td>
<td></td>
</tr>
<tr>
<td>Loans receivable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>177</td>
<td>175</td>
<td>1,902</td>
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<tr>
<td>Others</td>
<td>557</td>
<td>604</td>
<td>5,986</td>
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<tr>
<td>Deferred tax assets (Note 12)</td>
<td>6,064</td>
<td>7,236</td>
<td>65,169</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9,392</td>
<td>9,301</td>
<td>100,934</td>
<td></td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(417)</td>
<td>(628)</td>
<td>(4,481)</td>
<td></td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>64,699</td>
<td>59,542</td>
<td>695,314</td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment (Note 7):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>34,115</td>
<td>34,464</td>
<td>366,630</td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>148,508</td>
<td>147,658</td>
<td>1,596,002</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>365,829</td>
<td>364,470</td>
<td>3,931,531</td>
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</tr>
<tr>
<td>Lease assets</td>
<td>4,863</td>
<td>4,842</td>
<td>52,262</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,361</td>
<td>5,716</td>
<td>79,108</td>
<td></td>
</tr>
<tr>
<td><strong>Less: Accumulated depreciation</strong></td>
<td>560,678</td>
<td>557,152</td>
<td>6,025,556</td>
<td></td>
</tr>
<tr>
<td>(403,671)</td>
<td>(387,852)</td>
<td>(4,338,216)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment (Note 7):</strong></td>
<td>157,007</td>
<td>169,299</td>
<td>1,687,340</td>
<td></td>
</tr>
</tbody>
</table>

¥416,541 ¥410,258 $4,476,528

See accompanying notes.
### Liabilities and Net Assets

#### Current liabilities:
- **Short-term borrowings (Note 6)**
  - 2010: ¥53,693
  - 2009: ¥70,831
  - 2010 in U.S. dollars: $577,033
- **Current portion of long-term debt (Note 6)**
  - 2010: ¥25,491
  - 2009: ¥20,493
  - 2010 in U.S. dollars: $273,949

#### Notes and accounts payable:
- **Trade**
  - 2010: ¥35,942
  - 2009: ¥25,682
- **Unconsolidated subsidiaries and affiliates**
  - 2010: ¥797
  - 2009: ¥1,313
- **Others**
  - 2010: ¥9,037
  - 2009: ¥8,619

#### Long-term debt (Note 6)
- 2010: ¥112,329
- 2009: ¥111,142
- 2010 in U.S. dollars: $1,207,189

#### Other long-term liabilities
- 2010: ¥1,578
- 2009: ¥608
- 2010 in U.S. dollars: $16,958

### Commitments and contingent liabilities (Note 9)

### Net Assets (Note 10):

#### Shareholders’ equity:
- **Common stock**:
  - Authorized — 1,944,000 thousand shares
  - Issued — 572,966 thousand shares
- **Capital surplus**
- **Retained earnings**
- **Less: Treasury stock**
- **Total shareholders’ equity**
  - 2010: ¥121,375
  - 2009: ¥107,843
  - 2010 in U.S. dollars: $1,304,406

#### Valuation, translation adjustments and others:
- **Net unrealized gains on securities, net of tax**
- **Unrealized gains (losses) on hedging derivatives, net of tax**
- **Foreign currency translation adjustments**
- **Total valuation, translation adjustments and others**
  - 2010: ¥416,541
  - 2009: ¥410,258
  - 2010 in U.S. dollars: $4,476,528

### Notes and accounts payable (cont.)

#### Other current liabilities
- 2010: ¥7,068
- 2009: ¥10,599
- 2010 in U.S. dollars: $75,959

#### Total current liabilities
- 2010: ¥145,565
- 2009: ¥152,542
- 2010 in U.S. dollars: $1,564,373

#### Long-term debt
- 2010: ¥112,329
- 2009: ¥111,142
- 2010 in U.S. dollars: $1,207,189

#### Employees’ retirement benefits (Note 15)
- 2010: ¥23,539
- 2009: ¥28,655
- 2010 in U.S. dollars: $252,971

#### Directors’ and corporate auditors’ retirement benefits
- 2010: ¥728
- 2009: ¥677
- 2010 in U.S. dollars: $7,823

#### Deferred tax liabilities (Note 12)
- 2010: ¥5,224
- 2009: ¥4,362
- 2010 in U.S. dollars: $56,141

#### Provision for loss on business of subsidiaries and affiliates
- 2010: ¥2
- 2009: —
- 2010 in U.S. dollars: $21

#### Provision for environmental countermeasures
- 2010: ¥2,329
- 2009: ¥2,577
- 2010 in U.S. dollars: $25,029

#### Other long-term liabilities
- 2010: ¥1,578
- 2009: ¥608
- 2010 in U.S. dollars: $16,958

#### Commitments and contingent liabilities (Note 9)

#### Total shareholders’ equity and other long-term liabilities
- 2010: ¥121,375
- 2009: ¥107,843
- 2010 in U.S. dollars: $1,304,406

#### Total net assets
- 2010: ¥121,375
- 2009: ¥107,843
- 2010 in U.S. dollars: $1,304,406
## Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries

Years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales (Note 11)</strong></td>
<td>¥392,364</td>
<td>$4,216,700</td>
</tr>
<tr>
<td><strong>Cost of sales (Note 8)</strong></td>
<td>325,492</td>
<td>3,498,033</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>66,871</td>
<td>718,656</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses (Note 8)</strong></td>
<td>38,990</td>
<td>419,022</td>
</tr>
<tr>
<td><strong>Operating income (loss) (Note 11)</strong></td>
<td>27,881</td>
<td>299,634</td>
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</tbody>
</table>

### Other income (expenses):

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>408</td>
<td>2,050</td>
<td>4,384</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(2,810)</td>
<td>(3,032)</td>
<td>(30,198)</td>
</tr>
<tr>
<td>Loss on sale and disposal of property, plant and equipment, net</td>
<td>(610)</td>
<td>(636)</td>
<td>(6,555)</td>
</tr>
<tr>
<td>Write-down of marketable securities and investments</td>
<td>(912)</td>
<td>(1,119)</td>
<td>(9,801)</td>
</tr>
<tr>
<td>Foreign exchange gain (loss)</td>
<td>(565)</td>
<td>(936)</td>
<td>(6,072)</td>
</tr>
<tr>
<td>Indemnity</td>
<td>(114)</td>
<td>(154)</td>
<td>(1,225)</td>
</tr>
<tr>
<td>Investment gains (losses) on equity method</td>
<td>1,609</td>
<td>(1,277)</td>
<td>17,291</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>96</td>
<td>109</td>
<td>1,031</td>
</tr>
<tr>
<td>Loss on suspension of operation</td>
<td>(766)</td>
<td>(470)</td>
<td>(8,232)</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets (Note 17)</td>
<td>(674)</td>
<td>(11,831)</td>
<td>(7,243)</td>
</tr>
<tr>
<td>Loss on write-down of inventories</td>
<td>—</td>
<td>(4,728)</td>
<td>—</td>
</tr>
<tr>
<td>Reversal of provision for loss on disposal of inventories</td>
<td>1,752</td>
<td>—</td>
<td>18,828</td>
</tr>
<tr>
<td>Business structure improvement expenses</td>
<td>(2,901)</td>
<td>(1,777)</td>
<td>(31,176)</td>
</tr>
<tr>
<td>Compensation income</td>
<td>392</td>
<td>—</td>
<td>4,212</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1,230)</td>
<td>(4,276)</td>
<td>(13,218)</td>
</tr>
</tbody>
</table>

### Income (loss) before income taxes and minority interests

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income (loss) before income taxes and minority interests</strong></td>
<td>21,555</td>
<td>(55,114)</td>
<td>231,649</td>
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</table>

### Income taxes (Note 12):

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>3,332</td>
<td>4,853</td>
<td>35,808</td>
</tr>
<tr>
<td>Prior periods</td>
<td>2,766</td>
<td>—</td>
<td>29,725</td>
</tr>
<tr>
<td>Deferred</td>
<td>1,190</td>
<td>7,528</td>
<td>12,788</td>
</tr>
</tbody>
</table>

| Minority interests                | 365        | (240)      | 3,922      |

### Net income (loss)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>¥13,899</td>
<td>¥(67,256)</td>
<td>$149,371</td>
</tr>
</tbody>
</table>

### Amounts per share of common stock:

<table>
<thead>
<tr>
<th>Description</th>
<th>Yen</th>
<th>U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss) (Note 16)</td>
<td>¥24.32</td>
<td>$0.26</td>
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<tr>
<td>Cash dividends applicable to the year</td>
<td>3.00</td>
<td>0.03</td>
</tr>
</tbody>
</table>

See accompanying notes.
### Consolidated Statements of Changes in Net Assets

**Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries**
**Years ended March 31, 2010 and 2009**

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>Millions of yen</th>
<th>(Note 9)</th>
<th>Note 1</th>
<th>Note 1</th>
<th>Note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders’ equity</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares of common stock issued</td>
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</tr>
<tr>
<td>Common stock</td>
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</tr>
<tr>
<td>Capital surplus</td>
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</tr>
<tr>
<td>Retained earnings (Note 6)</td>
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<td></td>
<td></td>
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<tr>
<td>Treasury stock</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains (losses) on securities, net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains (losses) on hedging derivatives, net of tax</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total valuation, translation adjustments and others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests in consolidated subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets at April 1, 2009</strong></td>
<td>572,966</td>
<td>¥42,129</td>
<td>¥22,557</td>
<td>¥43,659</td>
<td>¥(503)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>13,899</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Acquisition of treasury stock</strong></td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Decrease due to change in consolidated subsidiaries</strong></td>
<td>(363)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net changes during the year</strong></td>
<td>1,207</td>
<td>4,387</td>
<td>(1,931)</td>
<td>3,663</td>
<td>(526)</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2010</strong></td>
<td>572,966</td>
<td>¥42,129</td>
<td>¥22,557</td>
<td>¥57,195</td>
<td>¥(506)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>Millions of yen</th>
<th>(Note 9)</th>
<th>Note 1</th>
<th>Note 1</th>
<th>Note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at April 1, 2008</strong></td>
<td>572,966</td>
<td>¥42,129</td>
<td>¥22,557</td>
<td>¥117,548</td>
<td>¥(131)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>13,899</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Acquisition of treasury stock</strong></td>
<td>(3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Decrease due to change in consolidated subsidiaries</strong></td>
<td>(363)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net changes during the year</strong></td>
<td>1,207</td>
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<td>(526)</td>
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<td><strong>Balance at March 31, 2009</strong></td>
<td>572,966</td>
<td>¥42,129</td>
<td>¥22,557</td>
<td>¥57,195</td>
<td>¥(506)</td>
</tr>
</tbody>
</table>

See accompanying notes.
## Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2010 and 2009

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010 U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (loss) before income taxes and minority interests</td>
<td>¥21,555</td>
<td>¥(55,114)</td>
<td>$231,649</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>26,134</td>
<td>32,331</td>
<td>280,859</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets (Note 17)</td>
<td>674</td>
<td>11,831</td>
<td>7,243</td>
</tr>
<tr>
<td>Gain on sale of securities</td>
<td>—</td>
<td>(0)</td>
<td>—</td>
</tr>
<tr>
<td>Write-down of marketable securities and investments</td>
<td>912</td>
<td>1,119</td>
<td>9,801</td>
</tr>
<tr>
<td>Loss on sale and disposal of property, plant and equipment, net</td>
<td>610</td>
<td>636</td>
<td>6,555</td>
</tr>
<tr>
<td>Indemnity</td>
<td>114</td>
<td>154</td>
<td>1,225</td>
</tr>
<tr>
<td>Loss on provision for environmental countermeasure</td>
<td>394</td>
<td>977</td>
<td>4,234</td>
</tr>
<tr>
<td>Foreign exchange loss (gain)</td>
<td>(110)</td>
<td>99</td>
<td>(1,182)</td>
</tr>
<tr>
<td>Investment losses (gains) on equity method</td>
<td>(1,609)</td>
<td>1,277</td>
<td>(17,291)</td>
</tr>
<tr>
<td>Increase (Decrease) in allowance for doubtful accounts</td>
<td>165</td>
<td>339</td>
<td>1,773</td>
</tr>
<tr>
<td>Increase (Decrease) in employees’ retirement benefits</td>
<td>(5,125)</td>
<td>(4,573)</td>
<td>(55,077)</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(408)</td>
<td>(2,050)</td>
<td>(4,384)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,810</td>
<td>3,032</td>
<td>30,198</td>
</tr>
<tr>
<td>Decrease (Increase) in notes and accounts receivable</td>
<td>(25,188)</td>
<td>46,114</td>
<td>(270,693)</td>
</tr>
<tr>
<td>Decrease (Increase) in inventories</td>
<td>(3,519)</td>
<td>25,384</td>
<td>(37,818)</td>
</tr>
<tr>
<td>Increase in short-term loans receivable, net</td>
<td>9,463</td>
<td>(2,706)</td>
<td>101,698</td>
</tr>
<tr>
<td>Other, net</td>
<td>(4,199)</td>
<td>(3,072)</td>
<td>(45,126)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>22,673</td>
<td>35,784</td>
<td>243,664</td>
</tr>
<tr>
<td><strong>Interest and dividend received</strong></td>
<td>726</td>
<td>5,504</td>
<td>7,802</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(2,788)</td>
<td>(2,900)</td>
<td>(29,962)</td>
</tr>
<tr>
<td><strong>Indemnity paid</strong></td>
<td>(114)</td>
<td>(154)</td>
<td>(1,225)</td>
</tr>
<tr>
<td><strong>Payments for extra retirement payments</strong></td>
<td>(2,253)</td>
<td>—</td>
<td>(24,212)</td>
</tr>
<tr>
<td><strong>Income taxes paid</strong></td>
<td>(3,215)</td>
<td>(8,191)</td>
<td>(34,551)</td>
</tr>
<tr>
<td><strong>Income taxes refund</strong></td>
<td>4,605</td>
<td>—</td>
<td>49,489</td>
</tr>
<tr>
<td><strong>Other, net</strong></td>
<td>(22)</td>
<td>(3)</td>
<td>(236)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>19,610</td>
<td>30,038</td>
<td>210,746</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |        |        |                           |
| Purchases of securities | (2,977) | (2,389) | (31,993)                  |
| Purchases of securities in subsidiaries | (677)  | —      | (7,275)                   |
| Proceeds from sale of securities | —      | 102    | —                          |
| Acquisition of property, plant and equipment and other assets | (14,290) | (34,733) | (153,573)                 |
| Proceeds from sale of property, plant and equipment | 730    | 449    | 7,845                      |
| Proceeds from sale of mining rights | 392    | 502    | 4,212                      |
| Increase in short-term loans receivable, net | (477)  | (562)  | (5,126)                    |
| Disbursement for long-term loans receivable | (110)  | (9)    | (1,182)                    |
| Collection of long-term loans receivable | 155    | 143    | 1,665                      |
| Other, net | (569)  | (425)  | (6,114)                    |
| **Net cash used in investing activities** | (17,823) | (36,922) | (191,542)                 |

| **Cash flows from financing activities:** |        |        |                           |
| Increase (Decrease) in short-term borrowings, net | (18,214) | 30,340 | (195,744)                 |
| Proceeds from long-term debt | 17,046  | 32,594 | 183,191                   |
| Repayment of long-term debt | (10,787) | (10,301) | (115,926)                 |
| Repayment of lease liability | (1,168)  | (1,377) | (12,552)                   |
| Issuance of bonds | 10,000  | 10,000 | 107,469                   |
| Redemption of straight bonds | (10,000) | (10,000) | (107,469)                 |
| Payment for cash dividends to the Company’s shareholders | —      | (6,872) | —                          |
| Payment for cash dividends to minority interests | (111)  | (1,324) | (1,192)                    |
| Other, net | 47     | (691)  | 505                        |
| **Net cash provided by (used in) financing activities** | (13,188) | 42,367 | (141,730)                 |

| **Effect of exchange rate changes on cash and cash equivalents** | 560    | (3,213) | 6,018                      |
| **Net increase (decrease) in cash and cash equivalents** | (10,840) | 32,270 | (116,496)                 |
| **Cash and cash equivalents at beginning of year** | 52,915  | 20,645 | 568,672                    |
| **Effect of addition of consolidated subsidiaries** | 280    | —      | 3,009                      |
| **Effect of exclusion of consolidated subsidiaries** | (5)    | —      | (53)                       |
| **Cash and cash equivalents at end of year (Note 5)** | ¥42,348 | ¥ 52,915 | $455,110                  |

See accompanying notes.
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. The accounts of consolidated overseas subsidiaries 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) 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, 2010, which was ¥93.05 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 the unconsolidated subsidiaries and the significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, 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 fiscal year ended March 31, 2008, 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 and ¥126 million, 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 the 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 and qualified for hedge accounting. Gains and losses on derivative financial instruments held by certain consolidated foreign subsidiaries are still charged to profit and loss 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.

All of derivative contracts are based on actual demand and not for trading in the short term or for speculation.

For currency swap and option contracts, interest rate swap and option contracts and metal forward contracts, the Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments.

The hedge effectiveness is skipped for currency forward contracts that are believed to have high hedge effectiveness, such as in cases where hedging instruments and hedged items share the same important characteristics.

(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 and ¥12,769 million, respectively.

In addition, the Company's divisions and consolidated subsidiaries in Japan which had applied, up to the fiscal year ended March 31, 2008, 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.

**(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 subsidiaries, 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 fiscal year ended March 31, 2008, 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 and ¥175 million, 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 and ¥2,017 million, respectively.

**(h) Allowance for doubtful accounts**

The Company and consolidated 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 which is reliably measurable or the amounts computed by the ratio of actual repair costs which is corresponding 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 fiscal year ended March 31, 2008, 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.

**(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.

**(Changes in accounting policy)**

Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the
“Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (Accounting Standards Board of Japan (“ASBJ”) Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

(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 loss on business of subsidiaries and affiliates
Provision for loss on business of subsidiaries and affiliates is provided to accrue estimated losses on business of unconsolidated subsidiaries and affiliates in view of their financial standing.

(o) 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.

(p) 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.

(q) 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 sheet date.

(r) Research and development expenses
Research and development expenses are charged to expenses.

(s) Recognition of revenues and related costs
(1) Recognition of net sales and cost of sales of completed construction contracts
Construction contracts whose outcome can be estimated reliably:
- Percentage-of-completion method
Other construction contracts:
- Completed-contract method

(Changes in accounting policy)
Up to the previous fiscal year, the revenue from construction contracts whose amount is ¥2,000 million or more and whose duration is of more than one year is recorded with the percentage-of-completion method, and the revenue from the other contracts is recorded with the completed-contract method.

Effective April 1, 2009, the Company and consolidated subsidiaries in Japan adopted the new accounting standard “Accounting Standard for Construction Contracts” (Statement No.15, issued by the Accounting Standards Board of Japan (“ASBJ”) on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (Guidance No.18, issued by the ASBJ on December 27, 2007). The percentage-of-completion method has been applied for construction contracts whose outcome can be estimated reliably, and the completed-contract method was applied for all other contracts.

This change had effect of increasing net sales ¥751 million ($8,070 thousand) and increasing operating income and income before income taxes and minority interests ¥84 million ($902 thousand), respectively.

(t) 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.

(u) 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 2010 and 2009.
Cash dividends per share represent the historical amount applicable to the respective year.

(v) Reclassification
Certain prior year amounts have been reclassified to conform to the 2010 presentation. These changes had no impact on previously reported results of operations or shareholders’ equity.

3. Inventories
Inventories at March 31, 2010 and 2009 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>¥19,340</td>
<td>¥17,264</td>
</tr>
<tr>
<td>Work in process</td>
<td>24,915</td>
<td>19,185</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>23,626</td>
<td>27,526</td>
</tr>
<tr>
<td>Total</td>
<td>¥67,883</td>
<td>¥63,976</td>
</tr>
</tbody>
</table>

4. Securities
(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Security</th>
<th>Year ended March 31, 2010</th>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Millions of yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities whose book value exceeds acquisition cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>5,933</td>
<td>¥2,221</td>
<td>¥3,711</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>81</td>
<td>25</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>6,014</td>
<td>2,247</td>
<td>3,767</td>
<td></td>
</tr>
<tr>
<td>Securities whose book value does not exceed acquisition cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>671</td>
<td>864</td>
<td>(192)</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>671</td>
<td>864</td>
<td>(192)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥6,686</td>
<td>¥3,111</td>
<td>¥3,574</td>
<td></td>
</tr>
</tbody>
</table>

Year ended March 31, 2009

<table>
<thead>
<tr>
<th>Security</th>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities whose book value exceeds acquisition cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>3,884</td>
<td>¥2,058</td>
<td>¥1,825</td>
</tr>
<tr>
<td>Bonds</td>
<td>82</td>
<td>25</td>
<td>57</td>
</tr>
<tr>
<td>Subtotal</td>
<td>3,967</td>
<td>2,084</td>
<td>1,883</td>
</tr>
<tr>
<td>Securities whose book value does not exceed acquisition cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>700</td>
<td>1,023</td>
<td>(323)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>700</td>
<td>1,023</td>
<td>(323)</td>
</tr>
<tr>
<td>Total</td>
<td>¥4,667</td>
<td>¥3,107</td>
<td>¥1,559</td>
</tr>
</tbody>
</table>

Year ended March 31, 2010

<table>
<thead>
<tr>
<th>Security</th>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities whose book value exceeds acquisition cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>$63,761</td>
<td>$23,868</td>
<td>$39,881</td>
</tr>
<tr>
<td>Bonds</td>
<td>870</td>
<td>268</td>
<td>591</td>
</tr>
<tr>
<td>Subtotal</td>
<td>64,631</td>
<td>24,148</td>
<td>40,483</td>
</tr>
<tr>
<td>Securities whose book value does not exceed acquisition cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>7,211</td>
<td>9,285</td>
<td>(2,063)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>7,211</td>
<td>9,285</td>
<td>(2,063)</td>
</tr>
<tr>
<td>Total</td>
<td>$71,853</td>
<td>$33,433</td>
<td>$38,409</td>
</tr>
</tbody>
</table>

(w) Accounting of consumption tax
Consumption tax generally withheld upon sale, as well as that paid for purchases of goods or services, are recorded as a liability or an asset, and are excluded from the relevant revenue, costs or expenses.
(b) Available-for-sale securities sold for the years ended March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Total sale amount</td>
<td>¥—</td>
<td>¥102</td>
</tr>
<tr>
<td>Gains</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td>Losses</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(c) Securities written-down for the years ended March 31, 2010 were as follows:

Losses on write-downs of securities amounted to ¥902 million ($9,693 thousand) (¥902 million ($9,693 thousand) for stocks of available-for-sale securities) for the year ended March 31, 2010.

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.

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2010 and 2009 were reconciled with cash and deposits as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥42,351</td>
<td>¥52,915</td>
</tr>
<tr>
<td>Time deposits with maturities exceeding three months from the date of deposit</td>
<td>(2)</td>
<td>(0)</td>
</tr>
<tr>
<td>Total: Cash and cash equivalents</td>
<td>¥42,348</td>
<td>¥52,915</td>
</tr>
</tbody>
</table>

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2010 and 2009 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.615% to 6.000% and from 0.750% to 11.000% at March 31, 2010 and 2009, respectively.</td>
<td>¥43,693</td>
<td>¥50,831</td>
</tr>
<tr>
<td>Commercial paper with interest at annual rates ranging from 0.130% to 0.131% and from 0.400% to 0.671% at March 31, 2010 and 2009, respectively.</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>¥53,693</td>
<td>¥70,831</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Short-term bank loans</td>
<td>$469,564</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>107,469</td>
</tr>
<tr>
<td>Total</td>
<td>$577,033</td>
</tr>
</tbody>
</table>
Long-term debt at March 31, 2010 and 2009 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.15% yen unsecured straight bonds due in 2014</td>
<td>¥ 10,000</td>
<td>¥ —</td>
<td>$107,469</td>
</tr>
<tr>
<td>1.61% yen unsecured straight bonds due in 2013</td>
<td>10,000</td>
<td>10,000</td>
<td>107,469</td>
</tr>
<tr>
<td>1.45% yen unsecured straight bonds due in 2012</td>
<td>10,000</td>
<td>10,000</td>
<td>107,469</td>
</tr>
<tr>
<td>1.71% yen unsecured straight bonds due in 2011</td>
<td>10,000</td>
<td>10,000</td>
<td>107,469</td>
</tr>
<tr>
<td>1.11% yen unsecured straight bonds due in 2010</td>
<td>10,000</td>
<td>10,000</td>
<td>107,469</td>
</tr>
<tr>
<td>0.93% yen unsecured straight bonds due in 2009</td>
<td>—</td>
<td>10,000</td>
<td>—</td>
</tr>
<tr>
<td>Banks, insurance companies and other financial institutions, maturing through 2018 at interest rates ranging from 0.960% to 5.600% at March 31, 2010:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>1,433</td>
<td>1,560</td>
<td>15,400</td>
</tr>
<tr>
<td>Unsecured</td>
<td>79,525</td>
<td>74,599</td>
<td>854,648</td>
</tr>
<tr>
<td>Government-owned banks and government agencies, maturing through 2025 at interest rates ranging from 0.900% to 3.400% at March 31, 2010:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>6,863</td>
<td>5,476</td>
<td>73,756</td>
</tr>
<tr>
<td>Unsecured</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>137,821</td>
<td>131,636</td>
<td>1,481,149</td>
</tr>
<tr>
<td></td>
<td>25,491</td>
<td>20,493</td>
<td>273,949</td>
</tr>
<tr>
<td>Total</td>
<td>¥112,329</td>
<td>¥111,142</td>
<td>$1,207,189</td>
</tr>
</tbody>
</table>

The aggregate annual maturities of long-term debt at March 31, 2010 were as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>¥ 25,491</td>
<td>$ 273,949</td>
</tr>
<tr>
<td>2012</td>
<td>22,451</td>
<td>241,278</td>
</tr>
<tr>
<td>2013</td>
<td>28,390</td>
<td>305,104</td>
</tr>
<tr>
<td>2014</td>
<td>38,978</td>
<td>418,893</td>
</tr>
<tr>
<td>2015</td>
<td>18,839</td>
<td>202,461</td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,669</td>
<td>39,430</td>
</tr>
<tr>
<td>Total</td>
<td>¥137,821</td>
<td>$1,481,149</td>
</tr>
</tbody>
</table>

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.
The 1.15% yen unsecured straight bonds due in 2014 were issued on December 17, 2009 by the Company.

7. Pledged Assets

Assets pledged as collateral for short-term bank loans, long-term debt and third party loans at March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts receivable</td>
<td>¥ 1,921</td>
<td>¥ 1,125</td>
<td>$20,644</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,634</td>
<td>1,897</td>
<td>17,560</td>
</tr>
<tr>
<td>Investment securities</td>
<td>2,309</td>
<td>1,732</td>
<td>24,814</td>
</tr>
<tr>
<td>Property, plant and equipment, net book value</td>
<td>7,592</td>
<td>22,566</td>
<td>81,590</td>
</tr>
<tr>
<td>Total</td>
<td>¥13,458</td>
<td>¥27,320</td>
<td>$144,631</td>
</tr>
</tbody>
</table>

Annual Report 2010  MITSUI MINING AND SMELTING CO., LTD.  29
8. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥4,941 million ($53,100 thousand) and ¥8,011 million for the years ended March 31, 2010 and 2009, respectively.

9. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Notes receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>discounted</td>
<td>¥353</td>
<td>¥424</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td>endorsed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes receivable</td>
<td>1,458</td>
<td>1,154</td>
</tr>
<tr>
<td>securitized with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recourse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans guaranteed</td>
<td>44,578</td>
<td>36,215</td>
</tr>
<tr>
<td>Unconsolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsidiaries and</td>
<td>1,234</td>
<td>1,521</td>
</tr>
<tr>
<td>affiliates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥47,624</td>
<td>¥39,337</td>
</tr>
<tr>
<td></td>
<td></td>
<td>¥511,810</td>
</tr>
</tbody>
</table>

10. 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.

11. Segment Information

The operations of the Companies for the years ended March 31, 2010 and 2009 were summarized by business segment, geographic segment and sales outside Japan by the Companies as follows.

(a) Business segment information
### Year ended March 31, 2009

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

### Year ended March 31, 2010

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S.dollars (Note 1)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mining &amp; Fundamental Materials</td>
<td>Intermediate Materials</td>
<td>Parts Manufacturing &amp; Assembly</td>
<td>Environmental Engineering &amp; Metals Recycling</td>
<td>Engineering</td>
<td>Services</td>
<td>Elimination or corporate</td>
<td>Consolidated</td>
<td></td>
</tr>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside customers</td>
<td>$718,097</td>
<td>$1,569,919</td>
<td>$1,059,709</td>
<td>$345,040</td>
<td>$132,573</td>
<td>$391,337</td>
<td>$ —</td>
<td>$4,216,700</td>
<td></td>
</tr>
<tr>
<td>Inter-segment</td>
<td>346,491</td>
<td>84,416</td>
<td>63,610</td>
<td>200,902</td>
<td>55,346</td>
<td>70,048</td>
<td>(820,838)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,064,599</td>
<td>1,654,347</td>
<td>1,123,331</td>
<td>545,943</td>
<td>187,920</td>
<td>461,386</td>
<td>(820,838)</td>
<td>4,216,700</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>988,973</td>
<td>1,498,237</td>
<td>1,113,637</td>
<td>508,694</td>
<td>186,093</td>
<td>445,115</td>
<td>(823,718)</td>
<td>3,917,055</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$75,615</td>
<td>$156,098</td>
<td>9,682</td>
<td>37,248</td>
<td>1,816</td>
<td>16,260</td>
<td>(280,698)</td>
<td>$299,634</td>
<td></td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>$1,314,379</td>
<td>$1,434,916</td>
<td>$1,000,537</td>
<td>$419,903</td>
<td>$160,214</td>
<td>$470,531</td>
<td>(323,976)</td>
<td>$4,476,528</td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>79,838</td>
<td>103,202</td>
<td>65,308</td>
<td>29,457</td>
<td>1,676</td>
<td>2,568</td>
<td>(1,364)</td>
<td>280,698</td>
<td></td>
</tr>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>—</td>
<td>354</td>
<td>644</td>
<td>247</td>
<td>—</td>
<td>5,986</td>
<td>7,243</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>39,806</td>
<td>70,317</td>
<td>38,430</td>
<td>14,089</td>
<td>408</td>
<td>612</td>
<td>(494)</td>
<td>163,202</td>
<td></td>
</tr>
</tbody>
</table>

Note: As stated in note 2(s), effective April 1, 2009, the Company and consolidated subsidiaries in Japan adopted the new accounting standard “Accounting Standard for Construction Contracts” (Statement No.15, issued by the ASBJ on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (Guidance No.18, issued by the ASBJ on December 27, 2007).

As a result, net sales increased by ¥69 million ($741 thousand) in the “Environmental Engineering & Metals Recycling” segment, ¥682 million ($7,329 thousand) in the “Engineering” segment, and operating income increased by ¥9 million ($96 thousand) in the “Environmental Engineering & Metals Recycling” segment, ¥75 million ($806 thousand) in the “Engineering” segment.
(b) Geographic segment information

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Asia</th>
<th>North America</th>
<th>Other Areas</th>
<th>Elimination or corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year ended March 31, 2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside customers</td>
<td>¥303,565</td>
<td>¥57,382</td>
<td>¥24,611</td>
<td>¥6,804</td>
<td>¥—</td>
<td>¥392,364</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>27,039</td>
<td>18,001</td>
<td>129</td>
<td>1,379</td>
<td>(46,550)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>330,605</td>
<td>75,383</td>
<td>24,741</td>
<td>8,184</td>
<td>(46,550)</td>
<td>392,364</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>310,151</td>
<td>68,887</td>
<td>24,992</td>
<td>6,149</td>
<td>(45,698)</td>
<td>364,482</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>¥ 20,453</td>
<td>¥ 6,496</td>
<td>¥ (251)</td>
<td>¥ 2,035</td>
<td>¥ (852)</td>
<td>¥ 27,881</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>¥381,288</td>
<td>¥66,482</td>
<td>¥16,005</td>
<td>¥10,240</td>
<td>¥(57,475)</td>
<td>¥416,541</td>
</tr>
</tbody>
</table>

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

Note: As stated in note 2(s), effective April 1, 2009, the Company and consolidated subsidiaries in Japan adopted the new accounting standard “Accounting Standard for Construction Contracts” (Statement No.15, issued by the ASBJ on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (Guidance No.18, issued by the ASBJ on December 27, 2007). As a result, net sales increased by ¥751 million ($8,070 thousand) in the “Japan” segment, and operating income increased by ¥84 million ($902 thousand) in the “Japan” segment.
(c) Sales outside Japan by the Company and its consolidated subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>Asia</th>
<th>North America</th>
<th>Other Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2010</td>
<td>¥94,583</td>
<td>¥26,303</td>
<td>¥11,296</td>
<td>¥132,183</td>
</tr>
<tr>
<td>Overseas sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>392,364</td>
</tr>
<tr>
<td>Ratio of overseas sales to consolidated net sales</td>
<td>24.11%</td>
<td>6.70%</td>
<td>2.88%</td>
<td>33.69%</td>
</tr>
<tr>
<td>Year ended March 31, 2009</td>
<td>¥90,597</td>
<td>¥32,824</td>
<td>¥11,427</td>
<td>¥134,850</td>
</tr>
<tr>
<td>Overseas sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>427,191</td>
</tr>
<tr>
<td>Ratio of overseas sales to consolidated net sales</td>
<td>21.21%</td>
<td>7.68%</td>
<td>2.68%</td>
<td>31.57%</td>
</tr>
</tbody>
</table>

Thousands of U.S. dollars (Note 1)

<table>
<thead>
<tr>
<th></th>
<th>Asia</th>
<th>North America</th>
<th>Other Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2010</td>
<td>$1,016,475</td>
<td>$282,675</td>
<td>$121,397</td>
<td>$1,420,558</td>
</tr>
<tr>
<td>Overseas sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,216,700</td>
</tr>
</tbody>
</table>

12. 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, 2010 and 2009.

Significant components of the Companies’ deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized profits and losses</td>
<td>¥ 1,800</td>
<td>¥ 1,825</td>
<td>$ 19,344</td>
</tr>
<tr>
<td>Operating loss carryforward</td>
<td>22,062</td>
<td>22,008</td>
<td>237,098</td>
</tr>
<tr>
<td>for tax purposes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>9,342</td>
<td>11,276</td>
<td>100,397</td>
</tr>
<tr>
<td>Excess bad debt expenses</td>
<td>358</td>
<td>224</td>
<td>3,847</td>
</tr>
<tr>
<td>Excess accrued bonuses to</td>
<td>1,618</td>
<td>1,756</td>
<td>17,388</td>
</tr>
<tr>
<td>employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess product warranties</td>
<td>308</td>
<td>547</td>
<td>3,310</td>
</tr>
<tr>
<td>Enterprise taxes accrued</td>
<td>165</td>
<td>60</td>
<td>1,773</td>
</tr>
<tr>
<td>Loss on impairment of fixed</td>
<td>10,063</td>
<td>13,026</td>
<td>108,146</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for environmental</td>
<td>945</td>
<td>1,163</td>
<td>10,155</td>
</tr>
<tr>
<td>countermeasures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized losses on</td>
<td>76</td>
<td>125</td>
<td>816</td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on hedging</td>
<td>114</td>
<td>4</td>
<td>1,225</td>
</tr>
<tr>
<td>derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>6,881</td>
<td>10,006</td>
<td>73,949</td>
</tr>
<tr>
<td>Subtotal</td>
<td>53,736</td>
<td>62,025</td>
<td>577,495</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(45,419)</td>
<td>(51,799)</td>
<td>(488,113)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>¥ 8,316</td>
<td>¥10,226</td>
<td>$ 89,371</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized gains on</td>
<td>¥ (1,499)</td>
<td>¥ (737)</td>
<td>$ (16,109)</td>
</tr>
<tr>
<td>securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on hedging</td>
<td>(242)</td>
<td>(217)</td>
<td>(2,600)</td>
</tr>
<tr>
<td>derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings of foreign</td>
<td>(2,021)</td>
<td>(1,895)</td>
<td>(21,719)</td>
</tr>
<tr>
<td>subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferral of capital gain</td>
<td>(1,509)</td>
<td>(1,524)</td>
<td>(16,217)</td>
</tr>
<tr>
<td>related to certain sale of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(1,232)</td>
<td>(2,051)</td>
<td>(13,240)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>¥ (6,504)</td>
<td>¥ (6,426)</td>
<td>$ (69,897)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>¥ 1,812</td>
<td>¥ 3,799</td>
<td>$ 19,473</td>
</tr>
</tbody>
</table>
The net deferred tax assets at March 31, 2010 and 2009 were contained in the consolidated balance sheets as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets — current</td>
<td>¥1,211</td>
<td>$13,014</td>
</tr>
<tr>
<td>Deferred tax assets — noncurrent</td>
<td>6,064</td>
<td>65,169</td>
</tr>
<tr>
<td>Deferred tax liabilities — current</td>
<td>(238)</td>
<td>(2,557)</td>
</tr>
<tr>
<td>Deferred tax liabilities — noncurrent</td>
<td>(5,224)</td>
<td>(56,141)</td>
</tr>
</tbody>
</table>

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, 2010.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory effective tax rate</td>
<td>40.4%</td>
</tr>
<tr>
<td>Effect of elimination of intercompany dividends received</td>
<td>8.1</td>
</tr>
<tr>
<td>Permanent difference due to non-deductible expense</td>
<td>1.2</td>
</tr>
<tr>
<td>Investment gains on equity method</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Permanent difference due to non-taxable income</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Income taxes for prior periods</td>
<td>12.8</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(20.1)</td>
</tr>
<tr>
<td>Others</td>
<td>2.6</td>
</tr>
<tr>
<td>Tax rate calculated based on the Company’s consolidated financial statements</td>
<td>33.8%</td>
</tr>
</tbody>
</table>

13. Financial Instruments

(a) Qualitative information on financial instruments

1. Policy of financial instruments management
   The Companies raise funds primarily through bank loans and the issuance of commercial paper and bonds. The Companies manage surplus funds utilizing financial assets with high degrees of safety. The Companies use derivatives to reduce risk as described below and do not enter into speculative trading.

2. Description of financial instruments and risk
   Trade receivables-notes and accounts receivable are exposed to the credit risks of customers. As the Companies are expanding their business globally, certain foreign currency denominated trade receivables are exposed to foreign currency exchange rate fluctuation risk. For this risk, currency forward contracts are used on a certain portion of the amount of foreign currency denominated trade receivables less the amount of respective foreign currency denominated trade payable.

   Investment securities are mainly stocks issued by companies that have relations on business, and are exposed to stock market fluctuation risk.

   The majority of trade payables-notes and accounts payable have payment due dates of less than one year. A portion of foreign currency denominated trade payable-notes and accounts are denominated in foreign currencies in association with the import of raw materials and others are thus exposed to foreign currency exchange rate fluctuation risks. For this risk, currency forward contracts are used on a certain portion of the positions that are, as a general rule, net amount of trade payables denominated in the respective foreign currencies.

   Short-term borrowings are raised mainly for operating activities while long-term debt (in principle within 5 years) are raised mainly for capital investments. Loans with floating interest are exposed to interest rate fluctuation risk, for those long-term debt with floating interest, derivative transactions (interest rate swap contracts) are used for certain
long-term loans in each loan agreement in order to hedge the risk of fluctuating interest rate and to make interest expenses fixed.

Regarding derivative transactions, the Companies used currency forward contracts, swaps and options to hedge transactions, such as future sales of commodities (mainly basic metals) and future purchases of inventories (mainly imported materials) in foreign currencies, and to hedge their foreign currency denominated assets and liabilities against foreign currency exchange risk. For those transactions, the Companies apply the deferred hedge method or the matching treatment method as hedge accounting methods except for transactions held by certain foreign subsidiaries, and for certain transactions to hedge its assets and liabilities denominated in foreign currencies against foreign currency exchange risk.

The Companies also entered into interest rate swap contracts and options to hedge their loans payable against interest rate fluctuation risk. For those transactions, the Companies apply the deferred hedge method or the exceptional accrual method for interest rate swap as hedge accounting methods except for transactions held by certain foreign subsidiaries.

Further, the Companies utilized metal forward contracts to reduce the Companies’ exposure to fluctuations in metal prices. For those transactions, the Companies apply the deferred hedge method as hedge accounting methods except for transactions held by certain foreign subsidiaries.

With regard to hedging instruments, hedged items, hedging policies and evaluation of hedge effectiveness, please refer to “Notes to Consolidated Financial Statements — 2. Summary of Significant Accounting Policies — (e) Derivative transactions and hedge accounting.”

Derivative transactions are exposed to market risks form fluctuations in fair value and to credit risks from breach of contract due to counter parties’ insolvency or other reasons. Market risks of the Companies’ currency forward and swap contracts, interest rate swap and option contracts and metal forward contracts refer to the risks from fluctuations in exchange rates, interest rates and metal prices.

3. Description of risk management system for financial instruments

Management system for credit risk

With regard to the credit risk for trade receivables-notes and accounts receivable, due dates and balances are managed for each customer and the credit status of major customers is kept track of on a semiannual basis.

In order to mitigate credit risk for derivative transactions, the Companies conduct business only with highly rated financial institutions and trading companies.

Management system for market risk

For foreign currency exchange rate risk from foreign currency denominated trade receivables, currency forward contracts are used on a certain portion of the positions that are, as a general rule, net amount of foreign currency denominated trade receivables.

For foreign currency exchange rate risk from foreign currency denominated trade payables, currency forward contracts are used on a certain portion of the positions that are, as a general rule, net amount of foreign currency denominated trade payables. Moreover, the Companies also entered into interest rate swaps and options to hedge their loans payable against interest rate risk.

For stock market fluctuation risk of investment securities, the Companies keep track of the market prices and investees’ (business partners) financial condition and review continuously the possession situation of stocks in view of the relationship with business partners.

Derivative transactions entered into by the Companies are implemented and controlled based on the Company’s internal policies.

Management system for liquidity risk of financing

The Company’s Finance & Accounting Department manages the risk through the preparation of the Companies’ financial plans with group financing.

4. Supplementary explanation regarding fair value of financial instruments

The fair value of financial instruments is measured based on the market price, if available, or reasonably estimated value if a market price is not available. As reasonably estimated value is estimated based on certain assumptions, it might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in “Notes to Consolidated Financial Statements 13. Derivative Transactions” does not represent the market risk of the derivative transactions.
(b) Fair value of financial instruments

The carrying amounts of book value, fair value, and differences as of March 31, 2010 are as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please refer to “Notes 2. Financial instruments whose fair value is extremely difficult to measure”)

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Cash and deposits:</td>
<td>¥ 42,351</td>
<td>¥ 42,351</td>
<td>¥ —</td>
</tr>
<tr>
<td>(b) Notes and accounts receivable:</td>
<td>73,297</td>
<td>73,297</td>
<td>—</td>
</tr>
<tr>
<td>(c) Investment securities:</td>
<td>10,010</td>
<td>8,923</td>
<td>(1,086)</td>
</tr>
<tr>
<td>Total:</td>
<td>125,658</td>
<td>124,571</td>
<td>(1,086)</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Notes and accounts payable:</td>
<td>36,437</td>
<td>36,437</td>
<td>—</td>
</tr>
<tr>
<td>(b) Short-term borrowings:</td>
<td>53,693</td>
<td>53,693</td>
<td>—</td>
</tr>
<tr>
<td>(c) Current portion of long-term debt:</td>
<td>25,491</td>
<td>25,549</td>
<td>58</td>
</tr>
<tr>
<td>(d) Long-term debt:</td>
<td>112,329</td>
<td>113,572</td>
<td>1,243</td>
</tr>
<tr>
<td>Total:</td>
<td>227,952</td>
<td>229,253</td>
<td>1,301</td>
</tr>
<tr>
<td>Derivative transactions:</td>
<td>¥ 155</td>
<td>¥ 155</td>
<td>¥ —</td>
</tr>
</tbody>
</table>

Note: Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Book value</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Cash and deposits:</td>
<td>$ 455,142</td>
<td>$ 455,142</td>
<td>$ —</td>
</tr>
<tr>
<td>(b) Notes and accounts receivable:</td>
<td>787,716</td>
<td>787,716</td>
<td>—</td>
</tr>
<tr>
<td>(c) Investment securities:</td>
<td>107,576</td>
<td>95,894</td>
<td>(11,671)</td>
</tr>
<tr>
<td>Total:</td>
<td>1,350,435</td>
<td>1,338,753</td>
<td>(11,671)</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Notes and accounts payable:</td>
<td>391,585</td>
<td>391,585</td>
<td>—</td>
</tr>
<tr>
<td>(b) Short-term borrowings:</td>
<td>577,033</td>
<td>577,033</td>
<td>—</td>
</tr>
<tr>
<td>(c) Current portion of long-term debt:</td>
<td>273,949</td>
<td>274,572</td>
<td>623</td>
</tr>
<tr>
<td>(d) Long-term debt:</td>
<td>1,207,189</td>
<td>1,220,548</td>
<td>13,358</td>
</tr>
<tr>
<td>Total:</td>
<td>2,449,779</td>
<td>2,463,761</td>
<td>13,981</td>
</tr>
<tr>
<td>Derivative transactions:</td>
<td>$ 1,665</td>
<td>$ 1,665</td>
<td>$ —</td>
</tr>
</tbody>
</table>

Note: Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

Notes:

1. Method of estimating fair value of financial instruments

   - **Assets:**
     - (a) Cash and deposits and (b) Notes and accounts receivable:
       Regarding Cash and deposits and Notes and accounts receivable, book value is used as fair value. Because these instruments have the short maturity so that fair value approximates book value.

   - (c) Investment securities:
     Fair value of investment securities equals to quoted market price. Fair value of debt securities equals to quoted market price or provided price by financial institutions.
     Situation from the point of view of holding purposes, please refer to “Notes to Consolidated Financial Statements 3. Securities.”
Liabilities:
(a) Notes and accounts payable and (b) Short-term borrowings:
Regarding Notes and accounts payable and Short-term borrowings, book value is used as fair value.
Because these instruments have the short maturity so that fair value approximates book value.
(c) Current portion of long-term debt and (d) Long-term debt:
Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity. For certain long-term debt for which interest swap contracts are used to hedge the interest risk, fair value of derivative financial instrument is included in fair value of the long-term debt as hedged items. And the fair value of those long-term debt is based on the present value of future cash flows treated in combination with the respective interest swaps and discounted using the current borrowing rate for similar debt of a comparable maturity. (Please refer to “Notes to Consolidated Financial Statements 13. Derivative Transactions”).
Fair value of corporate bonds is based on the present value of future cash flows discounted using the indicated rate in secondary market.

Derivative transactions:
(a) Contract amount, fair value, unrealized gain or loss, and others are described in “Notes to Consolidated Financial Statements 13. Derivative Transactions.”

2. Financial instruments whose fair value is extremely difficult to measure

<table>
<thead>
<tr>
<th>Classification</th>
<th>Consolidated balance sheet amount</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted equity securities</td>
<td>¥38,675</td>
<td>$415,636</td>
<td></td>
</tr>
<tr>
<td>Nonpublic domestic bonds</td>
<td>240</td>
<td>2,579</td>
<td></td>
</tr>
</tbody>
</table>

Above are not included in “(c) Investment securities” because there is no market value and it is extremely difficult to measure the fair value.

3. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Millions of yen</th>
<th>Thousands of U.S.dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Cash and deposits:</td>
<td>¥42,351</td>
<td>$—</td>
</tr>
<tr>
<td>(b) Notes and accounts receivable:</td>
<td>73,297</td>
<td>$—</td>
</tr>
<tr>
<td>(c) Investment securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities with maturity date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds (domestic government and municipal bonds)</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td>¥115,648</td>
<td>¥240</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Cash and deposits:</td>
<td>$455,142</td>
<td>$—</td>
</tr>
<tr>
<td>(b) Notes and accounts receivable:</td>
<td>787,716</td>
<td>$—</td>
</tr>
<tr>
<td>(c) Investment securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale securities with maturity date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds (domestic government and municipal bonds)</td>
<td>2,579</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td>$1,242,858</td>
<td>$2,579</td>
</tr>
</tbody>
</table>
4. The redemption schedule for corporate bonds, long-term debt, and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date

Please refer to “Notes to Consolidated Financial Statements 5. Short-Term Borrowings and Long-Term Debt.”

(Additional information)

14. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Currency-related derivatives</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Forward contracts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Selling:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract amounts</td>
<td>¥809</td>
<td>¥900</td>
<td>$8,694</td>
</tr>
<tr>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fair value</td>
<td>(19)</td>
<td>9</td>
<td>(204)</td>
</tr>
<tr>
<td>Net unrealized gains (losses)</td>
<td>(19)</td>
<td>9</td>
<td>(204)</td>
</tr>
<tr>
<td>Japanese yen:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract amounts</td>
<td>¥290</td>
<td>¥ —</td>
<td>$3,116</td>
</tr>
<tr>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fair value</td>
<td>11</td>
<td>—</td>
<td>118</td>
</tr>
<tr>
<td>Net unrealized gains</td>
<td>11</td>
<td>—</td>
<td>118</td>
</tr>
<tr>
<td><strong>Buying:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese yen:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract amounts</td>
<td>¥ —</td>
<td>¥504</td>
<td>$ —</td>
</tr>
<tr>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fair value</td>
<td>—</td>
<td>(4)</td>
<td>—</td>
</tr>
<tr>
<td>Net unrealized losses</td>
<td>—</td>
<td>(4)</td>
<td>—</td>
</tr>
</tbody>
</table>

Note: Fair values of currency forward contracts are based on future exchange rates or prices provided by financial institutions.
(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2010 were as follows:

### Currency-related derivatives

<table>
<thead>
<tr>
<th>Type</th>
<th>Hedged items</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forward contracts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling: U.S. dollars:</td>
<td>Accounts receivable</td>
<td>¥5,524</td>
<td>$59,365</td>
</tr>
<tr>
<td></td>
<td>Contract amounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(91)</td>
<td>(977)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling: Singapore dollars:</td>
<td>Contract amounts</td>
<td>¥110</td>
<td>$1,182</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(2)</td>
<td>(21)</td>
</tr>
<tr>
<td>Buying: U.S. dollars:</td>
<td>Accounts payable</td>
<td>¥1,359</td>
<td>$14,605</td>
</tr>
<tr>
<td></td>
<td>Contract amounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>48</td>
<td>515</td>
</tr>
<tr>
<td>Buying: Japanese yen:</td>
<td>Contract amounts</td>
<td>¥305</td>
<td>$3,277</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(9)</td>
<td>(96)</td>
</tr>
<tr>
<td>Buying: Euros:</td>
<td>Contract amounts</td>
<td>¥113</td>
<td>$1,214</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(6)</td>
<td>(64)</td>
</tr>
<tr>
<td>Buying: Swiss franc:</td>
<td>Contract amounts</td>
<td>¥1</td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Buying: Thailand baht:</td>
<td>Contract amounts</td>
<td>¥6</td>
<td>$64</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Hedged items</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Swap contracts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive U.S. dollars</td>
<td>Pay Malaysia ringgit</td>
<td>Contract amounts</td>
<td>¥1,956</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>1,956</td>
<td>21,020</td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(160)</td>
<td>(1,719)</td>
</tr>
</tbody>
</table>

**Swap contracts: Long-term debt**

**Interest rate-related derivatives**

<table>
<thead>
<tr>
<th>Type</th>
<th>Hedged items</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Swap contracts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive float</td>
<td>Pay fix</td>
<td>Contract amounts</td>
<td>¥58,996</td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>49,973</td>
<td>537,055</td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(Note c)</td>
<td>(Note c)</td>
</tr>
</tbody>
</table>

**Notes:**

(a) The deferred hedge method is applied as hedge accounting methods.

(b) Fair values of currency forward contracts and currency swap contracts are based on future exchange rates or prices provided by financial institutions.

(c) For certain long-term debt for which interest swap contracts are used to hedge the interest risk, fair value of derivative financial instrument is included in fair value of the long-term debt as hedged items, because those interest swaps are treated in combination with the respective long-term debt with the exceptional accrual method for interest rate swap.
Commodities-related derivatives

<table>
<thead>
<tr>
<th>Type</th>
<th>Hedged items</th>
<th>2010</th>
<th>2010</th>
<th>2010</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zinc:</td>
<td>Contract amounts</td>
<td>¥2,472</td>
<td>$26,566</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>28</td>
<td>300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead:</td>
<td>Contract amounts</td>
<td>¥1,217</td>
<td>$13,078</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>16</td>
<td>171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold:</td>
<td>Contract amounts</td>
<td>¥134</td>
<td>$1,440</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(4)</td>
<td>(42)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Silver:</td>
<td>Contract amounts</td>
<td>¥1,273</td>
<td>$13,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(30)</td>
<td>(322)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buying:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zinc:</td>
<td>Contract amounts</td>
<td>¥5,116</td>
<td>$54,981</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>256</td>
<td>2,751</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead:</td>
<td>Contract amounts</td>
<td>¥307</td>
<td>$3,299</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>(6)</td>
<td>(64)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper:</td>
<td>Contract amounts</td>
<td>¥1,011</td>
<td>$10,865</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Due over one year</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>124</td>
<td>1,332</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(a) The deferred hedge method is applied as hedge accounting methods.
(b) Fair value of metal forward contracts is based on forward prices provided by trading companies.

15. 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, 2010 and 2009 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>2010</th>
<th>2009</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation</td>
<td>¥34,922</td>
<td>2010</td>
<td>2009</td>
<td>$375,303</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>11,156</td>
<td>2010</td>
<td>2009</td>
<td>$119,892</td>
</tr>
<tr>
<td>Projected benefit obligation in excess of plan assets</td>
<td>23,766</td>
<td>2010</td>
<td>2009</td>
<td>$255,411</td>
</tr>
<tr>
<td>Less: Unrecognized actuarial differences</td>
<td>(301)</td>
<td>2010</td>
<td>2009</td>
<td>(3,234)</td>
</tr>
<tr>
<td>Less: Unrecognized prior service costs</td>
<td>(23)</td>
<td>2010</td>
<td>2009</td>
<td>(247)</td>
</tr>
<tr>
<td>Prepaid pension cost</td>
<td>98</td>
<td>2010</td>
<td>2009</td>
<td>1,053</td>
</tr>
<tr>
<td>Employees’ retirement benefits</td>
<td>¥23,539</td>
<td>2010</td>
<td>2009</td>
<td>$252,971</td>
</tr>
</tbody>
</table>
The employees’ retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Service costs — benefits earned during the year</td>
<td>¥2,191</td>
<td>¥2,571</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>688</td>
<td>736</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(132)</td>
<td>(118)</td>
</tr>
<tr>
<td>Amortization of actuarial differences</td>
<td>496</td>
<td>855</td>
</tr>
<tr>
<td>Amortization of prior service costs</td>
<td>2</td>
<td>192</td>
</tr>
<tr>
<td>Additional retirement benefits</td>
<td>2,015</td>
<td>1,424</td>
</tr>
<tr>
<td>Employees’ retirement benefit costs</td>
<td>¥5,261</td>
<td>¥5,662</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>$23,546</td>
<td>$7,393</td>
</tr>
<tr>
<td></td>
<td>(1,418)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,330</td>
<td></td>
</tr>
<tr>
<td></td>
<td>21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>21,655</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$56,539</td>
<td></td>
</tr>
</tbody>
</table>

The actuarial assumptions for calculating the projected benefit obligation for the years ended March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Attribution of benefits to periods of service</th>
<th>Benefit / years-of-service approach</th>
<th>Benefit / years-of-service approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate used to determine the projected benefit obligation</td>
<td>1.7%-2.4%</td>
<td>1.7%-2.4%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>Mainly 1.8%</td>
<td>Mainly 3.9%</td>
</tr>
<tr>
<td>Period to amortize prior service costs</td>
<td>1-5 years</td>
<td>1-5 years</td>
</tr>
<tr>
<td>Period to amortize the actuarial differences</td>
<td>1-3 years</td>
<td>1-3 years</td>
</tr>
</tbody>
</table>

16. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2010 and 2009 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Net income available to common shareholders</th>
<th>¥13,899</th>
<th>571,515</th>
<th>¥24.32</th>
<th>$0.26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2009</td>
<td>Net income (loss) available to common shareholders</td>
<td>¥(67,256)</td>
<td>571,635</td>
<td>¥(117.66)</td>
<td></td>
</tr>
</tbody>
</table>

17. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the years ended March 31, 2010 and 2009 consisted of the following.

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Location</th>
<th>Major use</th>
<th>Asset category</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Takehara City, Hiroshima Prefecture</td>
<td>Production facilities</td>
<td>Buildings and structures</td>
<td>¥ 3</td>
<td>$ 32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Machinery</td>
<td>29</td>
<td>311</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Kita-ku, Tokyo, others</td>
<td>Idle assets</td>
<td>Buildings and structures</td>
<td>¥ 15</td>
<td>$ 161</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Machinery</td>
<td>21</td>
<td>225</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Land</td>
<td>604</td>
<td>6,491</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
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 weakened 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, 2009

<table>
<thead>
<tr>
<th>Location</th>
<th>Major use</th>
<th>Asset category</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shimonoseki City,</td>
<td>Production facilities</td>
<td>Buildings and structures</td>
<td>¥4,289</td>
</tr>
<tr>
<td>Yamaguchi Prefecture, others</td>
<td></td>
<td>Machinery</td>
<td>5,558</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>1,454</td>
</tr>
<tr>
<td>Kita-ku, Tokyo, others</td>
<td>Idle assets</td>
<td>Buildings and structures</td>
<td>¥334</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Land</td>
<td>194</td>
</tr>
</tbody>
</table>

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 weakened 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.

### 18. Related Party Transactions

(a) Related party transactions

1. 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, 2010 and 2009, and account balances as of March 31, 2010 and 2009 with Pan Pacific Copper Co., Ltd. were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees of bank loans</td>
<td>¥35,951</td>
<td>¥25,414</td>
<td>$386,362</td>
</tr>
</tbody>
</table>

2. Nikko Smelting and Refining Co., Ltd. is affiliate of Pan Pacific Copper Co., Ltd.

   The transactions amount for the years ended March 31, 2010 and 2009, and account balances as of March 31, 2010 and 2009 with Nikko Smelting and Refining Co., Ltd. were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees of bank loans</td>
<td>¥6,186</td>
<td>¥6,916</td>
<td>$66,480</td>
</tr>
</tbody>
</table>

3. 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, 2010, and account balances as of March 31, 2010 with MS Zinc Co., Ltd. were as follows:
Terms of transactions:
Terms of purchase by MS Zinc Co., Ltd. are determined under general market conditions.

(b) Note about significant related party
In the year ended March 31, 2010 and 2009, Pan Pacific Copper Co., Ltd., is recognized as significant related party and the summary of its financial statements were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of sales (Mainly purchasing of zinc metals)</strong></td>
<td>¥16,438</td>
<td>$176,657</td>
</tr>
<tr>
<td><strong>Accounts payable</strong></td>
<td>5,305</td>
<td>57,012</td>
</tr>
</tbody>
</table>

19. Additional Information

(a) Business combination relating to the copper and copper alloy fabricated business
1. Description of transaction
   The name and descriptions of the combining businesses:
   The name of the business:
   Copper and copper alloy fabricated business
   The description of the business:
   Manufacture and marketing of copper, copper alloy strips and sheets, zinc and other alloy processed products
   The combination date:
   July 1, 2010 (scheduled date)
   Legal structure of the business combination:
   Absorption-type split in which the Company is as splitting company,
   Sumitomo Metal Mining Brass & Copper Co., Ltd. as successor company.
   Name of company after business combination:
   MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD.

Description and purpose of transaction
On March 30, 2010, the Company signed an absorption-type split agreement with Sumitomo Metal Mining Brass & Copper Co., Ltd.
Through this business combination, the Company expects to generate synergies and enhance competitiveness by gaining efficiency in utilization of production facilities and in sales and administrative management, and by combining manufacturing technologies.

2. Method of accounting for business combinations
The Company will account this business combination as an establishment of a jointly controlled entity as based on the accounting standard “Accounting Standard for Business Combinations” (issued by the ASBJ on October 31, 2003) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Guidance No.10, issued by the ASBJ revised on December 26, 2008) for this business combination.
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, 2010 and 2009, 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, 2010 and 2009, 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.

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 inventories valuation.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 29, 2010
Number of shareholders: 63,208

Major shareholders:

<table>
<thead>
<tr>
<th>Investment in the company</th>
<th>Number of shares held (Thousands)</th>
<th>Percentage of total shares issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Held in trust account)</td>
<td>30,212</td>
<td>5.28</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Held in trust account 9)</td>
<td>25,805</td>
<td>4.51</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Held in trust account)</td>
<td>22,517</td>
<td>3.93</td>
</tr>
<tr>
<td>The Employees’ Shareholding Association</td>
<td>8,683</td>
<td>1.51</td>
</tr>
<tr>
<td>Mitsui Life Insurance Company, Limited</td>
<td>7,981</td>
<td>1.39</td>
</tr>
<tr>
<td>IRISOHYAMA Inc.</td>
<td>7,287</td>
<td>1.27</td>
</tr>
<tr>
<td>SSBT ODO5 OMNIBUS ACCOUNT CHINA TREATY CLIENTS</td>
<td>6,613</td>
<td>1.15</td>
</tr>
<tr>
<td>State Street Bank West Client-Treaty</td>
<td>6,470</td>
<td>1.13</td>
</tr>
<tr>
<td>Citibank Hong Kong S/A Fund 115</td>
<td>6,046</td>
<td>1.05</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Held in trust account 4)</td>
<td>5,126</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Notes:
1. Percentages of shares held are calculated based on the total number of shares issued outstanding (excluding 1,458,185 shares in treasury).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:
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:

<table>
<thead>
<tr>
<th>Company</th>
<th>Paid-in capital (Millions)</th>
<th>Equity stake of the company (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamioka Mining &amp; Smelting Co., Ltd.</td>
<td>¥4,600</td>
<td>100.0</td>
</tr>
<tr>
<td>Hachinohe Smelting Co., Ltd.</td>
<td>¥4,795</td>
<td>85.5</td>
</tr>
<tr>
<td>Hikoshima Smelting Co., Ltd.</td>
<td>¥460</td>
<td>100.0</td>
</tr>
<tr>
<td>Okuizu Geothermal Co., Ltd.</td>
<td>¥100</td>
<td>100.0</td>
</tr>
<tr>
<td>Taiwan Copper Foil Co., Ltd.</td>
<td>NT$800</td>
<td>95.0</td>
</tr>
<tr>
<td>Mitsui Copper Foil (Malaysia) Sdn. Bhd.</td>
<td>RM160</td>
<td>100.0</td>
</tr>
<tr>
<td>MCS, Inc.</td>
<td>¥450</td>
<td>100.0</td>
</tr>
<tr>
<td>Mitsui Electronic Materials Co., Ltd.</td>
<td>NT$600</td>
<td>100.0</td>
</tr>
<tr>
<td>Mitsui Kinzoku ACT Corporation</td>
<td>¥3,000</td>
<td>100.0</td>
</tr>
<tr>
<td>GECOM Corp.</td>
<td>US$15.75</td>
<td>100.0</td>
</tr>
<tr>
<td>Mitsui Siam Components Co., Ltd.</td>
<td>Bh210</td>
<td>75.0</td>
</tr>
<tr>
<td>MESCO, Inc.</td>
<td>¥1,085</td>
<td>63.3</td>
</tr>
<tr>
<td>Mitsui Kinzoku Trading Co., Ltd.</td>
<td>¥240</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Major plants and offices:

Japan

- Kamioka Mining & Smelting Co., Ltd.
- Hachinohe Smelting Co., Ltd.
- Hikoshima Smelting Co., Ltd.
- Okuizu Geothermal Co., Ltd.
- Takehara Refinery
- Miike Plants

Overseas

- Hachinohe Smelting Co., Ltd.
- Specialty Foil Div., Catalysts Div., Corporate R&D Center
- MCS, Inc.
- Mitsui Kinzoku ACT Corporation
- Mitsui Components Europe Ltd.
- Mitsui Components Guangdong Co., Ltd.
- GECOM Corp.
- Taiwaan Copper Foil Co., Ltd.
- Mitsui Electronic Materials Co., Ltd.
- Mitsui Siam Components Co., Ltd.
- Mitsui Copper Foil (Malaysia) Sdn. Bhd.
- Compania Minera Santa Luisa S.A.
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

<table>
<thead>
<tr>
<th>Group</th>
<th>Principal Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining &amp; Fundamental Materials Group</td>
<td>Zinc, Gold, Silver, Zinc alloys, Geothermal steam</td>
</tr>
<tr>
<td>Intermediate Materials Group</td>
<td>Deposited copper foil, Semiconductor mounting materials (FAB &amp; COF tapes), Battery materials (hydrogen storage alloy, Lithium Metal Powder (LMP), Battery-use zinc powder), Thin-film materials (spotting targets), Functional/metal powders (Magnesium, Metal-powdered, Rare-metal compounds (Cerium oxide based polishing powders, Tellurium pentoxide, Nicalon fiber), Ceramics products (Zed aluminum filtration materials, Alumina, Silicon-carbon ceramics), Wires (Construction materials, Fiber wires, Heat insulation), 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</td>
</tr>
<tr>
<td>Parts Manufacturing &amp; Assembly Group</td>
<td>Automotive parts, Zinc/aluminum/magnesium die-cast products, Powdered metallurgical products, Automotive catalysts, Nondestructive inspection systems</td>
</tr>
<tr>
<td>Environmental Engineering &amp; Metals Recycling Group</td>
<td>Lead, Zinc oxide, Litharge, Perlite (Fiber wire), Solder improvements materials, Soil contamination surveys, Industrial waste material processing, Expanded shale lightweight aggregate</td>
</tr>
<tr>
<td>Engineering Services Group</td>
<td>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</td>
</tr>
<tr>
<td>Service &amp; Other Group</td>
<td>Marketing of nonferrous metals, electronics materials, etc.; Information processing systems</td>
</tr>
</tbody>
</table>

Worldwide Operations (As of July 1, 2010)

<table>
<thead>
<tr>
<th>Japan</th>
<th>Asia</th>
<th>Americas and Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsui Kinzoku Trading (Shanghai) Co., Ltd. (Shanghai, China)</td>
<td>Mitsui Kinzoku (Shanghai) Management Co., Ltd. (Shanghai, China)</td>
<td>Mitsui Mining &amp; Smelting Co., Ltd., Sucursal del Peru (Lima, Peru)</td>
</tr>
<tr>
<td>Mitsui Kinzoku Trading (Shanghai) Co., Ltd. (Shanghai, China)</td>
<td>Mitsui Kinzoku (Shanghai) Management Co., Ltd. (Shanghai, China)</td>
<td>Oak-Mitsui Technologies LLC (New York, U.S.A.)</td>
</tr>
<tr>
<td>Taiwain Copper Foil Co., Ltd. (Hsinchu, Taiwan)</td>
<td>Mitsui Copper Foil (Japan) Ltd. (Nagoya, Japan)</td>
<td>Oak-Mitsui Inc. (New York, U.S.A.)</td>
</tr>
<tr>
<td>Agio Copper Foil Plant (Aliens, Saitama)</td>
<td>Mihara Copper Foil Plant (Shimanto, Hyogo)</td>
<td>Mitsui Zinc Powder LLC (Pennsylvania, U.S.A.)</td>
</tr>
<tr>
<td>Mike Thin-film Materials Plant (Osawa, Tokyo)</td>
<td>Mitsui Copper Foil (Malaysia) Sdn. Bhd. (Selangor Darul Ehsan, Malaysia)</td>
<td></td>
</tr>
<tr>
<td>Mike Rare Metals Plant (Osawa, Tokyo)</td>
<td>Mihara Copper Foil (Hong Kong) Co., Ltd. (Hong Kong, China)</td>
<td></td>
</tr>
<tr>
<td>MICS, Inc. (Shimanto, Hyogo)</td>
<td>Mitsui Copper Foil (Suzhou) Co., Ltd. (Suzhou, China)</td>
<td></td>
</tr>
<tr>
<td>NIKON KESSHO KOUZAI CO., LTD. (Saitama, Saitama)</td>
<td>Mitsui Copper Foil (Guangdong) Co., Ltd. (Guangdong, China)</td>
<td></td>
</tr>
<tr>
<td>Mitsui Metal Co., Ltd. (Tachagawa, Saitama)</td>
<td>Mitsui Electronic Materials Co., Ltd. (Techagawa, Saitama)</td>
<td></td>
</tr>
<tr>
<td>Mitsui Kinzoku Korea Co., Ltd. (Seoul, South Korea)</td>
<td>Mitsui Micro Circuits Taiwan Co., Ltd. (Techagawa, Saitama)</td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Electric (Guangzhou) Co., Ltd. (Guangzhou, China)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shanghai Mitsubishi Electric Co., Ltd. (Shanghai, China)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Minima Santa Lucita S.A. (Lima, Peru)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cautionary Statement with Respect to Forward-Looking Statements

This report contains forward-looking information in accordance with Japan’s business plans, strategies, and sales. 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 global finance and public sector capital investment, currency exchange rates, competitive 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 the event that actual results differ from those expected, the difference may be significant.