SHAPING THE FUTURE WITH CREATIVE SYNERGY

Annual Report 2003 *For the year ended March 31, 2003*

NIPPON MINING HOLDINGS, INC.

At a Glance

Japan Energy Corporation and Nippon Mining & Metals Co., Ltd. established Nippon Mining Holdings, Inc., a joint holding company, on September 27, 2002, thereby getting off to a fresh start as the Nippon Mining Holdings Group. Through this action, Nippon Mining Holdings, Inc. will effectively utilize management resources and develop growth strategy more actively than ever before.

Contents

Opinions stated in this Annual Report about future performance and other matters are based on information available as of June 2003. The information is subject to change due to changes in the business environment, and Nippon Mining Holdings, Inc. does not guarantee its accuracy.

Overview of Business

Petroleum (Japan Energy Group)

Operating extensively from the upstream to the downstream in the field of petroleum exploration and development, refining, petroleum product sales, LP gas, lubricating oils and petrochemicals, the Japan Energy Group continuously strives to provide a stable supply of energy. At the Mizushima Oil Refinery, which is one of the largest, high-tech facilities in the country, the Group is going all-out to reinforce cost competitiveness as it manufactures petrochemical products, lubricants and other high-value-added items. In the area of sales, the Group offers JOMO-brand products through its network of about 4,300 service stations across the

Non-ferrous Metals (Nippon Mining & Metals Group)

In the copper business, the Nippon Mining & Metals Group's principal business line, the Group has one of the highest levels of cost competitiveness and productivity in the world, built on robust technological capability. Based on business tie-ups with Mitsui Mining & Smelting Co., Ltd. and LG-Nikko Copper Inc., the South Korean copper smelting and refining joint venture, the Group has established a world-class copper production consortium in terms of both quality and quantity. To secure high-quality ore as a raw material in stable, long-term arrangements, the Group is actively participating in promising resource development projects in Chile, Australia and other countries. In metal fabrication, the

Electronic Materials (Nikko Materials Group)

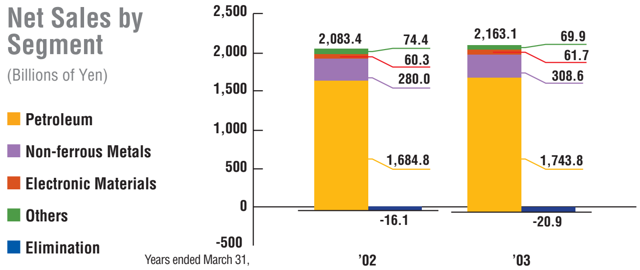
Using highly advanced fabrication technology for non-ferrous metals, the Nikko Materials Group handles a variety of electronic materials. As such, it has a top-class global market share for the copper foil used in printed circuit boards for electronic equipment such as computers and mobile phones, as well as sputtering targets (thin-film formation materials) required in the manufacturing of semiconductors, flat panel displays and recording components. In addition, the Group has one of the highest global market shares in compound semiconductor materials

Others (Independent Operating and Functional Support Companies)

In addition to its core businesses of petroleum, non-ferrous metals and electronic materials, the Nippon Mining Holdings Group has a number of enterprises engaged in separate business areas, including a convenience store chain (am/pm Japan Co., Ltd.) and an information service

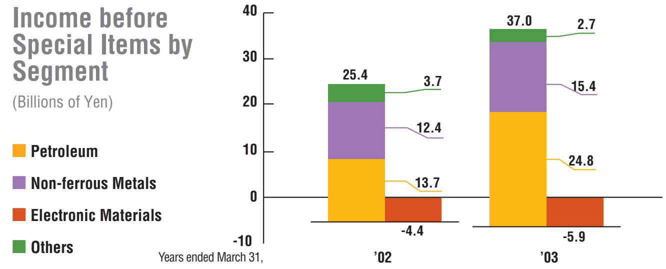
Net Sales by Segment

(Billions of Yen)



Income before Special Items by Segment

(Billions of Yen)



■ Products/Services

country. Currently, with further improvement of its ability to attract customers as top priority, the Group is working to further strengthen its sales capability, while enhancing the brand value of JOMO. This is being done through the promotion of the "Value 5" concept, which provides guidelines for conversion to self-service stations and for supporting comfortable driving. Also, to reduce environmental loads, the Group is dealing with the development of GTL fuel ("natural gas to liquid" fuel—synthetic fuels free from sulfur, nitrogen, etc. as they are manufactured from natural gas), fuels for fuel cells, and other clean fuels.

- **Exploration and drilling for oil resources**
- **Gasoline, naphtha, kerosene, gas oil, crude oil, LP gas, lubricants and other petroleum products**
- **Normal paraffin, paraxylene and other petrochemical products, etc.**

Group is producing metal products such as connector materials for use in electronic equipment and wrought copper foil for flexible printed circuit boards. Among steps coordinated with product upgrading are the development of products and technologies that meet future market needs and strategic specialization in high-value-added products, particularly those that are thinner and of higher performance. In response to the shifting of users' production bases overseas, the Group is actively developing business in East Asia, particularly in China.

Note: The metal fabrication business is scheduled to begin to be operated by the Nikko Metal Manufacturing Group in October 2003.

[Resources/Non-ferrous Metals]

- **Development, exploration and mining for non-ferrous metal resources**
- **Copper, zinc, gold, silver, electrical wires, titanium, sulfuric acid**
- **Industrial waste treatment**

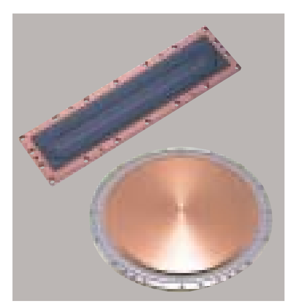
[Metal Fabrication]

- **Phosphor bronze, wrought copper foil and other copper alloy products**
- **Special steel products**
- **Electronics components, etc.**

for light-emitting/receiving devices used in the optical communication networks expected to expand greatly in the future.

Because of rapid progress in the downsizing and density intensification of electronic equipment in recent years, market needs are further upgrading. In close coordination with customers, the Group is focusing its efforts on improving and developing products. Aiming to become a "preferred first vendor," the Group is strengthening its business system.

- **Electro-deposited copper foil**
- **Treated rolled copper foil**
- **Sputtering targets**
- **Compound semiconductor materials, etc.**



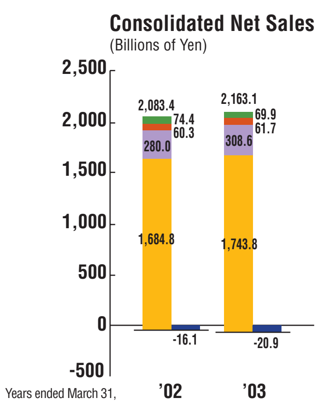
(Central Computer Services Co., Ltd.). Common business activities for these operations, such as fund procurement, office service and environmental management, are handled by functional support companies, a concentration that enhances management efficiency.

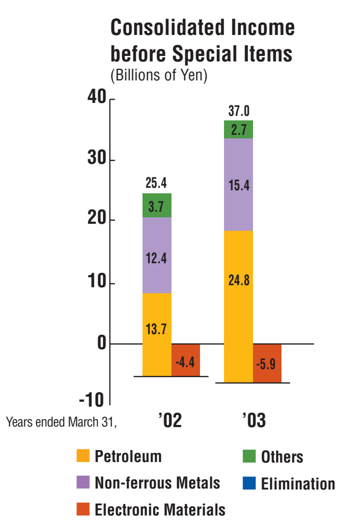
- **Convenience stores**
- **Information service**
- **Common group activities, including fund procurement**

Message from the Management

President and representative director
Yasuyuki Shimizu

Chairman and representative director
Akihiko Nomiyama





Establishment of Nippon Mining Holdings, Inc. and New Start of Nippon Mining Holdings Group

Nippon Mining Holdings, Inc. was established in September 2002 as a joint holding company by Japan Energy Corporation and Nippon Mining & Metals Co., Ltd. by way of share transfer. Under this holding company, Nippon Mining Holdings Group (the Group) has made a fresh start with petroleum (Japan Energy Group), non-ferrous metals (Nippon Mining & Metals Group) and electronic materials (Nikko Materials Group) as its core operations. The Group will utilize our group management resources for a more dynamic and aggressive growth strategy in order to improve the competitiveness and profitability of each core operation to maximize the corporate value of the Group, and at the same time to fulfill our mission as reliable suppliers of "resources and energy" to meet the needs of society.

In June 2003, Akihiko Nomiyama assumed the posts of chairman and representative director, and Yasuyuki Shimizu of president and representative director, of Nippon Mining Holdings, Inc. to lead the Group to further progress and growth. In order to maintain flexible management and operation according to the characteristics of its respective business areas, each core business company of the Group basically concentrates on its specialized field. Accordingly, as a part of the Group's reorganization, Japan Energy Corporation was established in April 2003 (a split-off of the petroleum business from the former Japan Energy Corporation), and the electronic materials business will be integrated into Nikko Materials Co., Ltd. in October 2003. Also in October 2003, the metal fabrication business of Nippon Mining & Metals Co., Ltd. will be split off and transferred to newly established Nikko Metal Manufacturing Co., Ltd. Nikko Metal Manufacturing Co., Ltd. will become a wholly owned company of Nippon Mining Holdings, Inc., which specializes in the metal fabrication business. As a result of these measures, the Group will be reorganized to include four core business companies: Japan Energy Corporation (petroleum), Nippon Mining & Metals Co., Ltd. (resources and non-ferrous metals), Nikko Materials Co., Ltd. (electronic materials) and Nikko Metal Manufacturing Co., Ltd. (metal fabrication).

These four core business companies will seek more efficient management and higher profitability, based on their own business strategies that conform to the characteristics of their respective business areas.

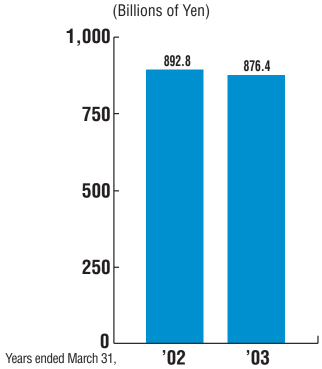
Business Review for the Year Ended March 31, 2003

The domestic economy in the fiscal year ended March 31, 2003 showed partial improvements in exports and production activities. However, the overall business environment remained severe throughout the period, with continuing deflation and concerns about financial systems, persistently high unemployment rates and stagnating consumption in the private sector, in addition to concerns for the outlook of the world economy and sluggish stock prices that arose in the second half of fiscal 2003.

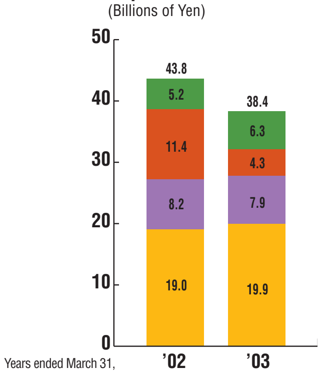
In spite of such difficult conditions, the Group achieved an increase in its consolidated net sales and income before special items to ¥2,163.1 billion and ¥37.0 billion respectively (3.8% and 45.5% respectively) from the previous fiscal year, mainly due to increases in net sales and revenues in the petroleum business. Consolidated net income amounted to ¥3.7 billion as a result of recording special losses such as loss on revaluation of listed securities and loss on disposals of fixed assets.

For the petroleum business, the aggregate sales volume of fuel oil, including gasoline, naphtha, kerosene, gas oil and heavy fuel oil, exceeded that of the previous fiscal year due to increases in kerosene and heavy fuel oil, and product prices rose, affected by the steep jump in the price of crude oil. As regards petrochemical products, the sales volume increased, and the overall product price rose from the previous fiscal year. Sales of lique-

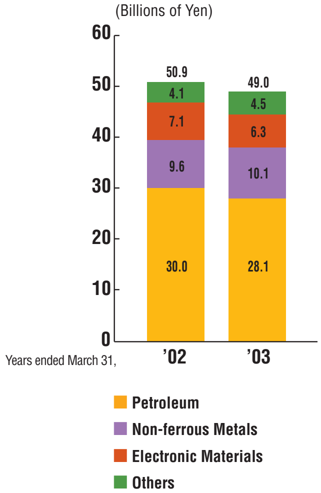
Interest-bearing Liabilities
(Billions of Yen)



Capital Investment
(Billions of Yen)



Depreciation & Amortization
(Billions of Yen)



fied petroleum gas were down compared with the previous fiscal year, while the price went up. As a result, net sales of the petroleum business increased by 3.5% to ¥1,743.8 billion from the previous fiscal year. Income before special items increased by 81.3% to ¥24.8 billion.

As regards the non-ferrous metals business, its mainline copper smelting and refining business was surrounded by an ongoing severe economic environment, which brought deteriorated trading conditions derived from the tight market for copper ore as well as from stagnating domestic demand. On the other hand, the metal fabrication business enjoyed the recovery of IT-related demand, mainly for mobile communication devices and personal computers, and achieved a drastic increase in its sales volume, especially of wrought copper foils. As regards the equity-method affiliated companies, Minera Los Pelanbres (a copper mine company in Chile) and LG-Nikko Copper Inc. (a copper smelting and refining joint venture in South Korea) have been operating smoothly. Under such circumstances, the non-ferrous metals business marked a 10.2% increase in net sales to ¥308.6 billion compared with the previous fiscal year, as well as a rise in income before special items by 23.8% to ¥15.4 billion.

In the electronic materials business, the demand for electro-deposited copper foils in the Southeast Asia market showed a trend of recovery. However, due to weak demand in Europe and the U.S.A., its overall sales volume stagnated. In addition, the product prices stayed at low levels, though recovering modestly in the second half of fiscal 2003. On the other hand, treated rolled copper foils and materials for thin films (for semiconductors, FPDs and recording components) performed well in sales volumes, affected by brisk demand for mobile phones, digital cameras and liquid crystal televisions, while the overall product prices dropped. As a result, net sales of the electronic materials business increased by 2.3% to ¥61.7 billion from the previous fiscal year, while the loss before special items increased to ¥5.9 billion from ¥4.4 billion in the previous fiscal year.

OUR FUTURE VISION

As the business environment of the Group is expected to become more severe, we set our management priorities on "quality rather than quantity" and "emphasis on the profitability," and we are taking measures to enhance our corporate value.

In the Group's medium-term management plan for fiscal years 2004 to 2006, we imposed two major tasks on ourselves: to strengthen the core business profitability, mainly through continuous promotion of reforms of business structures, pursuit of business synergies and promotion of strategic business alliances, and to improve the financial structure, mainly through reduction of interest-bearing liabilities and improvement of the equity ratio. At the same time, we will aggressively pursue new business opportunities that will lead us to the management innovation and growth, for the continuous progress of the Group in the future.

We look forward to the continuing support and understanding of our shareholders.

August 2003

Akihiko Nomiyama
Chairman and representative director

Yasuyuki Shimizu
President and representative director

Organization System of Nippon Mining Holdings Group

(As of October 2003)

Nippon Mining Holdings, Inc.

- **Japan Energy Corporation (Petroleum)**
  - Kashima Oil Co., Ltd.
  - Nikko Petrochemicals Co., Ltd.
  - Retail Marketing Companies (JOMO Net)
  - JOMO Support System Co., Ltd.
  - Others
- **Nippon Mining & Metals Co., Ltd. (Resources and Non-ferrous Metals)**
  - Japan Korea Joint Smelting Co., Ltd.
  - Pan Pacific Copper Co., Ltd.
  - Nippon LP Resources B.V.
  - Nikko Shoji Co., Ltd.
  - Others
- **Nikko Materials Co., Ltd. (Electronic Materials)**
  - Nikko Materials U.S.A.
  - GNF (Philippines) Inc.
  - Others
- **Nikko Metal Manufacturing Co., Ltd. (Metal Fabrication)**
  - Fuji Electronics Co., Ltd.
  - Woojin Precision Industry Co., Ltd.
  - Nippon Precision Technology (Malaysia) Sdn. Bhd.
  - Others
- **Independent Operating Companies**
  - am/pm Japan Co., Ltd.
  - Central Computer Services Co., Ltd.
  - Others
- **Functional Support Companies**
  - Nippon Mining Finance Co., Ltd.
  - Nippon Mining Business Support Co., Ltd.
  - Nippon Mining Ecomanagement, Inc.
  - Nippon Mining Research & Technology Co., Ltd.
  - Others

Core Operating Companies

NIPPON MINING HOLDINGS GROUP

Japan Energy Corporation and Nippon Mining & Metals Co., Ltd. established Nippon Mining Holdings, Inc., a joint holding company, on September 27, 2002, thereby launching the Nippon Mining Holdings Group, which mainly operates in the core business fields of petroleum, non-ferrous metals and electronic materials.

In October 2003, Nippon Mining & Metals Co., Ltd. will separate the metal fabrication business from its metal operations. The separated business will be operated as Nikko Metal Manufacturing Co., Ltd., to be wholly owned by Nippon Mining Holdings, Inc.

Along with this development, the Nippon Mining Holdings Group will be reorganized into four core business systems: petroleum (Japan Energy Group), resources and non-ferrous metals (Nippon Mining & Metals Group), electronic materials (Nikko Materials Group) and metal fabrication (Nikko Metal Manufacturing Group). Each of these core operating groups will pursue more efficient management in accordance with its business strategy, which is attuned to the character of its operations, thereby further improving profitability.

The Nippon Mining Holdings Group will seek to maximize its corporate group value by implementing the optimum allocation of management resources. It will precisely respond to the rapidly changing management environment, taking full advantage of the characteristics of its various operations, as well as those of business areas at their different growth stages.

Financial Highlights

Years ended March 31,	Millions of Yen (Price per share omitted) 2003	2002	Thousands of U.S.Dollars (Price per share omitted) 2003
Net sales	**¥2,163,088**	**¥2,083,352**	**$18,025,733**
Operating income	**40,256**	**27,748**	**335,467**
Income before special items	**36,968**	**25,405**	**308,067**
Net income	**3,652**	**306**	**30,433**
Net income per share (in yen and U.S.dollars)			
Primary	**5.89**	**0.27**	**0.05**
Fully diluted	**—**	**—**	**—**

Years ended March 31,	Millions of Yen (Price per share omitted) 2003	2002	Thousands of U.S.Dollars (Price per share omitted) 2003
Total assets	**¥1,628,723**	**¥1,695,883**	**$13,572,692**
Shareholders' equity	**204,946**	**181,453**	**1,707,883**
Shareholders' equity per share (in yen and U.S.dollars)	**301.78**	**162.91**	**2.51**
Interest-bearing liabilities	**876,383**	**892,846**	**7,303,191**

Years ended March 31,	Millions of Yen 2003	2002	Thousands of U.S.Dollars 2003
Cash flows from operating activities	**¥ 14,344**	**¥ 129,894**	**$ 119,533**
Cash flows from investing activities	**(15,698)**	**(29,729)**	**(130,817)**
Cash flows from financing activities	**(17,568)**	**(159,346)**	**(146,400)**

Note: Amounts stated in U.S. dollars have been converted at an exchange rate of ¥120 to the dollar, which was the approximate exchange rate on March 31, 2003.

Medium-Term Management Plan

—Aiming to improve capital efficiency and strengthen competitiveness—

Nippon Mining Holdings Group has formulated a medium-term management plan to be effective from fiscal year 2004 to fiscal year 2006. By steadily implementing management strategy and various business measures based on this plan, we will enhance capital efficiency and strengthen competitiveness in each business, thereby increasing the corporate value of the Group.

1. Basic Strategy for Group Management

(1) Business Strategy

1. Strengthening of profitability in core business operations

Setting our management priorities on "quality rather than quantity" and "emphasis on the profitability," we will continually promote structural reform. Through this strategy, we will strengthen the business foundations of each core business company, enhancing profitability.

2. New business development in growth-anticipated areas

We will vigorously promote projects expected to lead to business innovation and growth in promising fields. We will also pursue early establishment of related businesses.

(2) Financial Strategy

By strengthening our profitability and streamlining assets, we will reduce interest-bearing liabilities and significantly improve the financial structure of the Group. We will also strengthen our financial structure by appropriately evaluating our holding shares and assets at the appropriate time.

2. Outline of the Medium-Term Management Plan

(Billions of Yen)

	Actual	Medium-Term Management Plan		
Years ended March 31,	2003	2004	2005	2006
Net sales	**2,163.1**	**2,122.0**	**2,155.0**	**2,194.0**
Operating income	**40.3**	**49.0**	**69.0**	**78.0**
Income before special items	**37.0**	**44.0**	**67.0**	**75.0**
Net income	**3.7**	**7.0**	**28.0**	**40.0**

(1) Income before Special Items

<Plan> (For the year ending March 31, 2006)

Consolidated income before special items	**¥75 billion**
Consolidated income before special items to net sales ratio	**3.4%**

<Envisioned measures>

Petroleum business: Improvement of the sales division and cost reduction in the petroleum refining, sales and administrative divisions

Non-ferrous metals business: Partial integration of smelting processes and increasing of value-added metal fabricated products

Electronic materials business: Improvement of efficiency in electro-deposited copper foil production system and sales expansion of growth products, such as treated rolled copper foil and target materials

(Billions of Yen)

Years ended March 31,		Actual 2003	Planned 2006
Net sales		2,163.1	2,194.0
Income before special items		37.0	75.0
Income before special items by segment	Petroleum (Japan Energy Group)	24.8	34.0
	Non-ferrous Metals (Nippon Mining & Metals Group)	15.4	25.0
	Electronic Materials (Nikko Materials Group)	-5.9	13.0
	Others (Independent Operating Companies and Functional Support Companies)	2.7	3.0
Income before special items to net sales ratio		1.7%	3.4%

(2) Cash Flows and Interest-bearing Liabilities

<Plan>

Reduction of consolidated interest-bearing liabilities

About ¥200 billion (compared with fiscal 2002)

<Envisioned measures>

Free cash flows	**¥156 billion** (Cumulative figures for the period from fiscal 2003 to fiscal 2006)
Steamlining of cash and cash equivalents	**¥44 billion** (Same as above)
Reduction of interest-bearing liabilities	**¥200 billion**

(3) Consolidated Balance Sheets

<Plan>

Consolidated equity ratio 17.4%

(Billions of Yen)

Years ended March 31,	Actual 2003	Planned 2006
Total assets	1,628.7	1,518.0
Interest-bearing liabilities	876.4	693.0
Shareholders' equity	204.9	264.0
Equity ratio	12.6%	17.4%

3. Capital Expenditure, Investment and Advance

With regard to strengthening the financial structure of the Group, we vigorously select investment plans essential to maintaining and reinforcing the profitability of the core businesses, and actively carry out investment in growth fields and projects necessary for structural reform.

(Billions of Yen)

Years ending March 31,	Cumulative total amount 2004–2006
1. Maintenance and enhancement of profitability in existing businesses	58.0
Sales enhancement through investment in service stations	
Response to sulfur content regulations	
Strengthening of competitiveness of oil refineries	
Systems investment	
Partial integration of smelting processes	
Other measures	
2. New business development in growth-anticipated fields	37.0
Natural gas exploration	
Investment in overseas copper and zinc projects	
Metal fabricating business development in China	
Increase of high-value-added in electronic material products	
Increases in rolled copper foil production capacity	
Reinforcement of target material production capacity	
Other measures	
3. Environmental maintenance and conservation investment, etc.	61.0
Total	156.0

Review of Operations

PETROLEUM

Petroleum (Japan Energy Group)

Mitsunori Takahagi, President and representative director, Japan Energy Corporation

(Billions of Yen)

	2002.3	2003.3
Net sales	1,684.8	1,743.8
Income before special items	13.7	24.8
Depreciation & amortization	30.0	28.1
Capital investments	19.0	19.9

From the viewpoint of ensuring a stabilized supply of energy, various regulations related to petroleum import, production and sales were imposed on the Japanese petroleum industry. Along with progress in internationalization of economic society, however, deregulation has been gradually implemented. The abolition of the Special Oil Law in 1996 had particularly great effects. The import of gasoline, kerosene and other petroleum products, which was previously limited to petroleum refining companies, was deregulated, and general trading companies and other companies entered the business, spurring liberalization at a stroke. In parallel with this, latent problems of the petroleum industry, such as excessive refining capacity and service stations, became apparent. Domestic demand declined not only because of intensifying price competition but also due to Japan's economic stagnation and the progress of deflation. Consequently, product prices fell, substantially diminishing both refining and sales margins.

In this severe business environment, the Japan Energy Group has been implementing various structural reforms with an eye to surviving in the industry. By reviewing its sales management structure and alliance with Showa Shell Sekiyu K.K. for rationalization and enhancement of efficiency in the fields of refining and logistics, the Group reduced costs. In June 2001, furthermore, it halted the operation of a topping plant (with a refining capacity of 100,000 barrels/day) and related facilities at the Chita Oil Refinery, thereby actively responding to the problem of excess production capacity.

With regard to other oil companies, some oil refineries have been closed, so that the refining capacity within Japan has been gradually reduced. However, supply still surpasses demand. Thus, the problem of excess supply is unlikely to be solved for the time being.

Domestic demand, on the other hand, is expected to continually follow a downward trend, centered on industrial fuel. The environment surrounding the oil business is projected to remain severe in the years ahead.

The Japan Energy Group intends to strengthen its profitability through the following measures under the Medium-Term Management Plan:

- Reinforcement of cost competitiveness in the supply segment
- Enhancement of JOMO brand value and reform of sales structure in the sales segment
- Streamlining of the administrative and non-sales segment
- Measures to implement promising oil and gas field development

The Group will also actively respond to environmental regulations, such as sulfur content regulations, and thereby further strengthen its business foundations.

Introduction of Business Activities

The Japan Energy Group is fully active in a wide area of the petroleum business, including petroleum exploration and development, refining and product sales, petrochemical, lubricating oil and LP gas production and sales. Thus, the Group is striving to maintain a stable supply of energy.

■ Petroleum Exploration and Development

Since launching its oil field exploration in Akita Prefecture in 1914, the Group has been vigorously pushing for petroleum exploration and development in various domestic and overseas locations. Currently, development activities are mainly conducted through Japan Energy Development Co., Ltd.

Domestically, natural gas, crude oil and iodine are produced at the Nakajo Plant. Overseas,we are promoting crude oil production projects in the Middle East, China and Oceania regions.

In another development, the Japan Energy Group is currently carrying out structural analysis research in its Sanriku Oki natural gas mining area off the coasts of Aomori Prefecture and Iwate Prefecture. Based on the results of this analysis, the Group plans to carry out further natural gas exploration at promising structures.

Mubarraz Oil Field of Abu Dhabi Oil

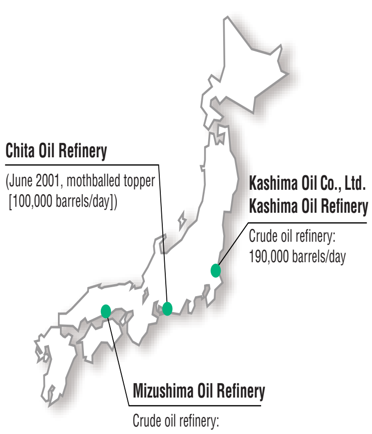
Supply Sector

Oil refineries of the Group, which constitute its production bases, are the Mizushima Oil Refinery, the Chita Oil Refinery and the Kashima Oil Refinery of Kashima Oil Co., Ltd. The Chita Oil Refinery suspended operation of its topping plant in June 2001 and has since been engaged primarily in the manufacturing of petrochemical products. Accordingly, the Group eliminated its excess refining capacity and increased the efficiency of its operations.

Thanks to an alliance with Showa Shell Sekiyu K.K. for refining and logistics and the reinforcement of integrated operations with Kashima Oil Co., Ltd., the Group is enhancing business efficiency and reducing costs. As a result, its competitiveness continues to be among the highest in the industry.

Furthermore, in order to actively respond to environmental issues, the Group started production of sulfur-free high-octane gasoline (with a sulfur content of 10ppm or less) in May 2002 and of low-sulfur gas oil (with a sulfur content of 50ppm or less) in November 2002. In the period ahead, it will continue to vigorously work to desulfurize regular gasoline and gas oil.

Mizushima Oil Refinery (Okayama Prefecture)



[Topics: Implementation of Joint Research on Technologies for Storing and Supplying Hydrogen for Fuel Cells]

In September 2002, the Group began joint research with Professor Masaru Ichikawa at the Catalyst Chemical Research Center of Hokkaido University into technologies for storing and supplying fuel-cell-use hydrogen. Organic hydrides are liquids produced through hydrogen liquefaction in which hydrogen reacts with organic compounds. It is possible to supply hydrogen by simply removing it from an organic hydride with catalysts alone. This process can be applied to fuel cells for stationary use, vehicle use and mobile-phone and equipment use. As such, it is an epoch-making liquid fuel for fuel cells whose use does not generate carbon dioxide. And the liquid left when hydrogen is taken out of organic hydride can be used again through recycling.

Based on this joint research, the Group was able to find a path of entry into the integrated hydrogen business—namely, manufacturing of hydrogen at an oil refinery, safe transport of hydrogen, supply of hydrogen to fuel-cell-powered vehicles at hydrogen stations and supply of hydrogen to stationary fuel cells.

Retail Marketing

The Japan Energy Group is striving to provide products and services that lead to customer satisfaction through about 4,300 JOMO service stations across the nation. With these providing the overall business base for automobile-related products and services, the Group is continuing to improve its sales networks and strengthening its cost competitiveness and selling power. Under the "TACS (top of area for customers' satisfaction) program," which has been implemented for some time, the Group is working to embody the related slogans—"Customer Satisfaction," "Harmony with Local Community and the Environment," "Satisfaction of the Crew" and "High Management Efficiency"—and these efforts are achieving steady results.

The Group is currently working hard to create service stations capable of winning in an intensely competitive market, and to put in place competitive sales systems. Steps being taken for these purposes include pursuing customer satisfaction through an improved staff attitude toward customers and enhanced cleanliness, implementing measures to increase profitability in areas beyond oil product sales, such as car washes, and setting BEP (break-even point) targets to measure the BEP of individual service stations.

Responding to strong customer needs, the Group is actively establishing self-service stations. As of the end of March 2003, the Group had 322 self-service stations across the nation.

Another step in increasing profitability has been enhancing direct sales through the JOMO Net sales subsidiaries. The proportion of gasoline sales by JOMO Net sales subsidiaries has risen to about 30%.

To further promote the ongoing regional reorganization of sales subsidiaries (JOMO Net), the Group plans to accelerate the concentration and reorganization of its subsidiaries in the Tokyo metropolitan and Tohoku areas in October 2003.

In addition, the Group is striving to strengthen its sales potential by reinforcing its customer base and building up a network of JOMO stations—goals that will be achieved by issuing the "JOMO Card Plus" in collaboration with Toyota Finance Corporation and stepping up the "Value Car Inspection" program at JOMO service stations.

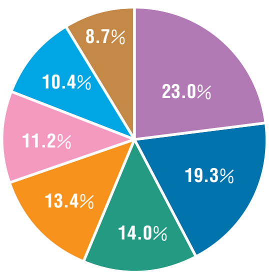
Trends of Service Station Numbers

For the years ended March 31,	1999	2000	2001	2002	2003
Company-owned	1,406	1,377	1,328	1,284	1,229
Independently owned	3,811	3,575	3,318	3,192	3,067
Total	5,217	4,952	4,646	4,476	4,296

Trends of Self-service Station Numbers

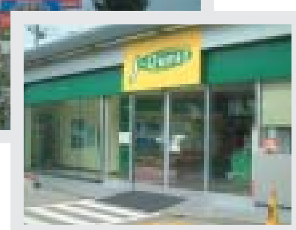
For the years ended March 31,	1999	2000	2001	2002	2003
Company-owned	0	0	1	105	227
Independently owned	5	9	18	59	95
Total	5	9	19	164	322

Shares of Gasoline Sales
(Year ended March 2003)



- Nippon Oil
- Exxon Mobil
- Idemitsu Kosan
- Showa Shell
- Cosmo Oil
- Japan Energy
- Others

Data: Petroleum Association of Japan

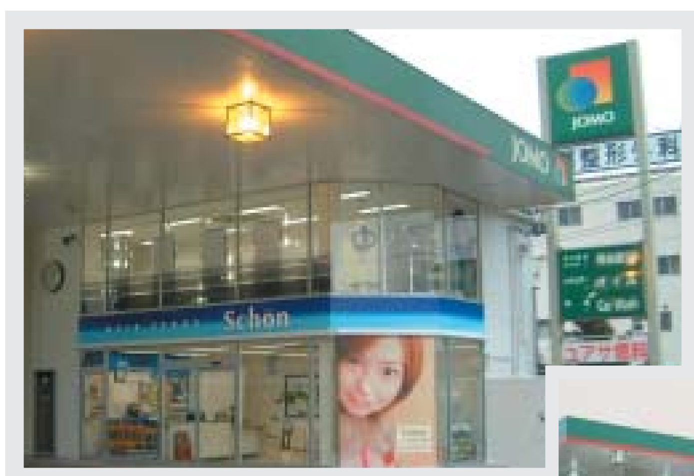


Service Stations at Shopping Malls Being Promoted with J-Quest Inc.

The Japan Energy Corporation established J-Quest Inc., a subsidiary to operate service stations at 21 locations purchased from BP Japan K.K. This subsidiary started operation in August 2002.

All of these are self-service stations, which are attached to shopping malls. To emphasize this characteristic, Japan Energy has created a new design sub-brand, incorporating the J-Quest logo, while retaining the familiar JOMO colors. The self-service operation know-how accumulated by J-Quest will be made use of at all JOMO service stations in order to increase their sales capabilities.

Service station with beauty salon



NON-FERROUS METALS

Non-ferrous Metals (Nippon Mining & Metals Group)

Kazuo Oki, President and representative director, Nippon Mining & Metals Co., Ltd.

(Billions of Yen)

	2002.3	2003.3
Net sales	280.0	308.6
Income before special items	12.4	15.4
Depreciation & amortization	9.6	10.1
Capital investments	8.2	7.9

In this era of increasingly rigorous international competition, the Nippon Mining & Metals Group, based on its farsighted management strategy, is steadily progressing toward excellent international enterprise centered on non-ferrous metal materials business.

It is true that, in the copper smelting and refining business, which is the main line of its operations, there is expected to be a continuing severe business environment characterized by declining domestic demand, stagnating prices, deteriorating copper concentrate purchasing conditions and a worsening sulfuric acid market. Even so, the Group is striving to establish a strong business foundation and to raise the profitability level. “Building a Consortium with Strong Competitiveness,” “Securing Excellent Mining Interests” and “Pace-Setting High Technological Resources,” are its key targets. Efforts are particularly focused on alliances with powerful companies inside and outside Japan—including Mitsui Mining & Smelting Co., Ltd. and LG-Nikko Copper Inc.—on active participation in promising resource development projects, and on early development of next-generation hydro-metallurgical process smelting technologies.

In the metal fabrication business, the Group is seeking to upgrade the product line-up at its Kurami Works. At the same time, it is engaged in profitable operations as it manufacturers high-performance, high-margin products, based on its advanced technology, at low cost in East Asia, particularly in China. To satisfy user needs for thin products (foils) and other high-performance products, the Group is grappling with the development of new alloys utilizing sub-micron metallurgy. To increase the specialization and concentration of metal fabrication and to conduct more flexible management than before, the Group decided to separate the metal fabrication business in October 2003, with Nikko Metal Manufacturing Co., Ltd., a new concern, taking it over.

In the field of recycling & environmental services, Nikko Environmental Services Co., Ltd. and other companies will continue to engage in resource recycling and complete detoxification treatment of industrial wastes by utilizing the technologies accumulated over years of non-ferrous metal smelting. Thus, global environmental protection and resource recycling will be promoted simultaneously.

The Nippon Mining & Metals Group will vigorously conduct these business activities and pursue technological rationality and efficiency in accordance with the basic management theme, “Resource Productivity Reform,” thus working to make more effective use of valuable metal resources.

Introduction of Business Activities

Resource Development Businesses

In order to maintain international competitiveness in the metal smelting & refining business, the Nippon Mining & Metals Group considers it very important to secure stable, long-term access to high-quality copper resources. For this reason, the Group has been actively participating in excellent resource development projects overseas, particularly in Chile and Australia, since their development stages.

With regard to copper mines, the Group has invested in the Escondida Mine—the world's largest open-pit mine, which began producing copper in December 1990—the Collahuasi Mine and the Los Pelambres Mine, recording high profits in all cases, as mining operations have proceeded smoothly. As for the Ridgeway Mine, Nippon Mining & Metals Co., Ltd. has concluded with Cadia Holdings Pty. Ltd., which holds the Ridgeway, a long-term financing and copper purchasing agreement for Nippon Mining's long-term purchase of gold-rich copper concentrate produced by Cadia Holdings. It began commercial production in March 2002. At present, volume of copper raw materials the Group is to procure from mines in which it invested or financed accounts for 70% of its required volume.

Performance of Company Mines in Chile (2002.1–2002.12)

	Escondia (2% equity)	Los Pelambres (15% equity)	Collahuasi (3.6% equity)
Volume of Copper Sales (Cu in concentrate) *	622	328	377
Sales**	1,197	577	691
Income before special items**	171	138	144
Net income**	144	114	120

* Thousands of Tons
** Millions of U.S. dollars

Los Pelambres Mine

As for zinc and lead mines, the Group is enjoying long-term stable procurement from the Toyoha Mine in Hokkaido, the only zinc and lead mine in Japan, and the McArthur River Mine in Australia. Ore from the Toyoha Mine contains rare metals, such as indium. The McArthur River Mine is one of the world's largest zinc and lead mines, developed jointly with MIM Holdings Ltd., a major mining company in Australia (recently acquired by Xstrata Plc.). Production at this mine was started in 1995.

The Nippon Mining & Metals Group provides financing and investment related to high-quality mines not only to ensure a stable supply of metal smelting and refining materials but also to secure returns on development investment. In particular, the Los Pelambres Mine began yielding a high profit soon after the start of its production, and the Group is receiving the intended investment return from this mine.

The Group will take advantage of appropriate opportunities for investment and financing for promising resources development projects in the future.

Production Volume by Mine

(Thousands of Tons)

	Products	2002	2003
Toyoha	Zinc concentrate	66	78
	Lead concentrate	9	10
McArthur River	Zinc concentrate	344	364
Kasuga	Gold-bearing silica ore	122	131

Metal Business (Copper, Zinc Businesses and Others)

The Nippon Mining & Metals Group is executing a strategy to build up a “consortium of highly competitive copper producers” in order to secure an advantageous position in the global market.

Based on this strategy, the Group is promoting an extensive copper smelting and refining business alliance with Mitsui Mining & Smelting Co., Ltd. As part of the collaboration, the companies founded Pan Pacific Copper Co., Ltd., their joint concern for sales of copper smelting- and refining-related products. Taking the development further, at present, this joint venture is operating under an integrated system in which it purchases copper ore, entrusts smelting and refining of the ore to both parents and sells the products itself.

Furthermore, Nippon Mining & Metals and Mitsui Mining & Smelting are stepping up the formation of comprehensive business tie-ups between the Japan Korea Joint Smelting Co., Ltd. established chiefly by the two companies, and LG-Nikko Copper Inc., their joint venture with the LG Group of South Korea. LG-Nikko Copper, the only copper smelting and refining company in South Korea, has a refined copper production capacity of 510,000 tons per year and features high cost competitiveness.

Through these business tie-ups, the Nippon Mining & Metals Group has built up one of the world’s largest alliances of copper producers in terms of both quality and quantity. The Group is seeking to maximize the tie-up effects.

Under its high technological capabilities, the copper smelting and refining business of the Nippon Mining & Metals Group has cost competitiveness and productivity that are among the best in the world. Its current annual copper smelting production capacity is 470,000 tons (Saganoseki Smelter & Refinery), and its electrolytic copper production capacity is 450,000 tons per year (Saganoseki Smelter & Refinery and Hitachi Works). The copper smelting capacity of the Saganoseki Smelter & Refinery is the largest in the world as a single furnace. Its smelting and refining costs are also among the lowest in the world. Furthermore, the Group introduced the permanent cathode method (ISA process) in the copper refining process of its Hitachi Works in December 2002, thereby achieving a stable method of high-quality electrolytic copper production. The precious and rare metals recovery facility of the Saganoseki Smelter & Refinery introduced the first hydro-metallurgical process in Japan. Compared with the conventional pyrometallurgical method, the hydro-metallurgical method allows recovery of high-quality products. It enables a shortened gold recovery time and reduced processing cost; therefore, this facility excels in economy and performance. Centering on the Saganoseki Smelter & Refinery and other facilities, the Nippon Mining & Metals Group intends to pursue further concentration and improvement of efficiency across the entire range of processes, from production to logistics, thereby realizing a more-efficient production system.

The zinc production of the Nippon Mining & Metals Group is carried out under a contract by Akita Zinc Co., Ltd. and Hachinohe Smelting Co., Ltd., both affiliates of Nippon Mining & Metals. Further, hot-dip galvanizing is done by Kurobe Nikko Galva Co., Ltd. Hot-dip galvanizing is an advanced anti-rust process for steel, and particularly excels in providing anticorrosion capability and economy. It is used in a wide variety of fields, including civil engineering works, construction, roads, railways, bridges and in telecommunications.

Saganoseki Smelter & Refinery (Oita prefecture)

Onsan Smelter & Refinery (South Korea) Operated by LG-Nikko Copper

Ranking of World’s Leading Makers of Refined Copper

(Thousands of Tons)

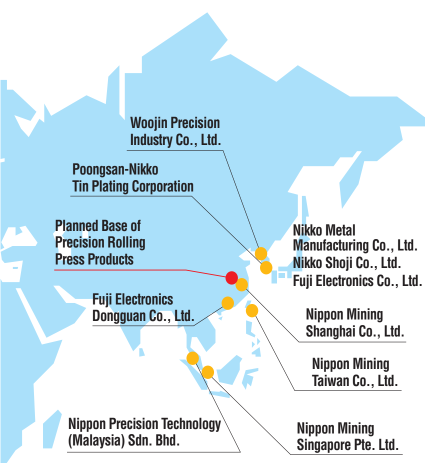
	Company (country)	Volume
1.	Codelco (Chile)	1,502
2.	Nippon Mining & Metals	426
	LG-Nikko	497
	Mitsui Mining & Smelting	140
		1,063
3.	Phelps Dodge (U.S.A.)	893
4.	Grupo Mexico (Mexico)	656
5.	Norddeutsche Aff (Germany)	545

(Source: Brook Hunt Copper Metal Service 1st Quarter 2003)

Sales Volume by Product (2002.4–2003.3)

Electrolytic copper	386 (thousand) t
Gold	30 t
Silver	244 t
Zinc	94 (thousand) t
Sulfuric acid	1,110 (thousand) t

East-Asian Locations of Metal Fabrication Businesses



Metal Fabrication

The metal fabrication business is scheduled to be separated from the overall business of Nippon Mining & Metals on October 1, 2003. The spin-off will be named Nikko Metal Manufacturing Co., Ltd.

In this business operation, the Nippon Mining & Metals Group has always promoted product development and technological advancement to meet future market needs. Currently, in response to the need for smaller and lower-priced electronic components, it is striving to shift to "thin products (foils) and other high-performance products." In particular, the Group holds top domestic market shares of wrought copper foil—used in flexible printed circuit boards for mobile phones—and phosphor bronze used in electronic connectors. Wrought copper foil will see further gains as the Group intends to introduce new rolling mill and increase production capacity in the first half of fiscal 2004.

The Group is endeavoring to develop new alloys based on its sub-micron metallurgy. Its "High-performance Alloys," which greatly surpass the performance of conventional alloys in terms of strength, spring characteristic, fatigue strength, bend formability and stamp capability, are receiving high market reputation.

In regard to production, the Group is aiming to shift manufacturing to East Asia, where many current and potential users are located. As part of this shift, the Group has established a collaborative relationship with Poongsan Corporation, the largest manufacturer of wrought copper and copper alloy products in South Korea, in the field of brass strip manufacturing. The Group also founded jointly with Poongsan Corporation a company for tin plating of copper alloy strips and other products—Poongsan-Nikko Tin Plating Co., Ltd. Furthermore, the Group is actively pursuing the establishment of production bases for precision rolling and precision press business operations in China. On the sales front, the Group has sales bases for overseas users—Nippon Mining Singapore Pte. Ltd., Nippon Mining Taiwan Co., Ltd. and Nippon Mining Shanghai, Co., Ltd., all of which have coil center functions. Thus, the Group is ready to meet increases in demand for fabricated metal products in China and other East Asian regions, where substantial demand growth can be expected.

In addition, the Group is carrying out surface treatment operations (processing and production of gold-plated strips, etc.) and precision parts processing activities (manufacturing and sales of various kinds of precision electronic parts, including parts for cathode-ray tube electronic guns) through subsidiaries or affiliated companies in Japan and overseas. Among these group companies are Fuji Electronics Co., Ltd., Woojin Precision Industry Co., Ltd. of South Korea, Fuji Electronics Dongguan Co., Ltd. of China and Nippon Precision Technology (Malaysia) Sdn. Bhd. These operations are highly evaluated by electronic component manufacturers in the Asian market, which is continuing to develop at a remarkable pace.

Main Products and Principal Uses

Main Products		Principal Uses
[Wrought copper and copper alloy products]	Phosphor bronze*	Connectors, switch contacts and springs for electronic components, etc.
	Brass	Terminals, connectors, etc.
	Nickel silver	Quartz oscillator casings, springs for electronic components, etc.
	Corson alloy	Semiconductor lead frames
	Titanium copper*	High-class connectors, etc.
[Special steel products]	Stainless steel*	Electron guns for CRTs, springs for electronic components, etc.
	High-nickel alloy	CRT shadow masks
	Mild steel	Parts for electron guns, etc.
[Wrought foil products]	Copper foil	Flexible printed-circuit boards, etc.
	Copper alloy foil	Flexible printed-circuit boards, Harddisk drive suspensions, etc.
	Stainless steel foil	Mobile phone switches LCD backlight reflectors, etc.
	High-nickel alloy foil	Organic EL metal masks, etc.
	Nickel foil	Sensor parts, etc.
	Titanium foil	Corrosion resistance parts, etc.
[Plating products]	Gold plating	High-class connectors, etc.
[Press products]	Stainless, wrought copper products	CRT electron guns, automotive connectors, etc.

Products marked with "★" are hyper materials with improved functionality.

Continuous Bright Annealing Line at Kurami Works (Kanagawa prefecture)

Recycling and Environmental Services

Recognition of the need for global environmental protection is rising, as evidenced by movements for building a zero emission-oriented society to prevent global warming and save resources. It has become essential to promote effective utilization of resources if sustained economic development is to be maintained.

The Group has been a leader in addressing these issues, using the technology and achievements accumulated over a long period in the course of mine, smelter and refinery operations.

At present, the environmental business of the Group is mainly conducted by Nikko Environmental Services Co., Ltd., established in April 2002, and by Tomakomai Chemical Co., Ltd., Nikko Mikkaichi Recycle Co., Ltd., Nikko Tsuruga Recycle Co., Ltd. and Saganoseki Smelter & Refinery. The Group has constructed a nationwide network made up of these five works plus sales offices and raw material collection bases in Tokyo, Osaka, Nagoya and Kyushu. The business foundation will be expanded through sharing of market and technological information and improvement of cargo collection and technological solution capability. Also, Kamine Clean Service Co., Ltd. is engaged in the operation control of a waste disposal plant in the city of Hitachi, Ibaraki Prefecture.

Nikko Environmental Services Co., Ltd. has a rotary incinerator designed to completely burn industrial wastes, including waste oil and other liquids, and render them harmless. And it has a recycling furnace for detoxification treatment of industrial wastes and recycling of resources. The company has built up a waste treatment system that eliminates generation of secondary wastes, effectively using the combination of the incinerator and furnace.

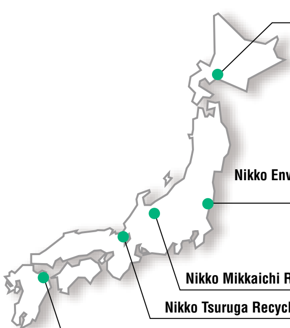
Tomakomai Chemical Co., Ltd. treats a wide range of industrial wastes, including industrial wastes subject to special control, with a 50-meter long rotary kiln combined with hydro-metallurgical treatment equipment. The company also operates various types of equipment for pretreatment of scraps containing precious metals, and thus engages in resource recycling.

Nikko Mikkaichi Recycle Co. Ltd. put a gasification melting furnace into operation in December 2000, and started the incineration and melting of industrial wastes, such as shredder dust and waste liquids, for detoxification treatment and resource recycling.

Nikko Tsuruga Recycle Co. Ltd. is engaged in detoxification treatment by incineration of industrial wastes, such as waste liquids and sludge, by means of a fluidized bed roaster, and the neutralization of liquid industrial wastes with a hydro-metallurgical treatment facility. Moreover, the company carries out pretreatment of scrap containing copper, precious metals and other valuable metals using a stationary furnace.

In order to enhance the effectiveness of its environmental protection activities, the Nippon Mining & Metals Group emphasizes the acquisition of ISO14001 certification, the environment management system standard. Already, all operating units of Nippon Mining & Metals have acquired certification, and the principal affiliated companies expect to receive certification by the end of March 2004.

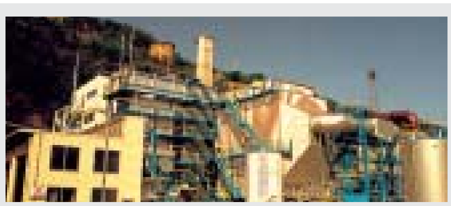
Network of Recycling and Environmental Services



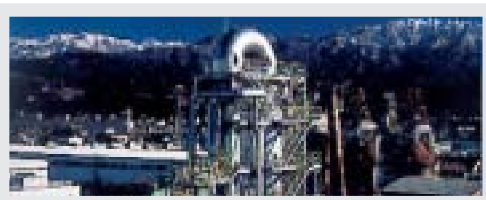
Major Treatment Objects and Treatment Volume in Fiscal 2003

(Thousands of Tons)

Gold and silver residual slag	28.3
Copper and copper alloy scrap	41.2
Copper residual slag	1.7
Waste acid	18.6
Waste alkali	37.2
Automobile shredder residue	6.1
Waste oil	38.0
Disused office automation	3.3
Precious metal scrap	20.3
Sludge	58.7
Total	253.4



The rotary incinerator at Nikko Environmental Services Co.,Ltd. (Ibaraki prefecture)



Gasification melting facility at Nikko Mikkaichi Recycle Co.,Ltd. (Toyama prefecture)

Review of Operations

ELECTRONIC MATERIALS

Electronic Materials (Nikko Materials Group)

Masanori Okada, President and representative director, Nikko Materials Co., Ltd.

(Billions of Yen)

	2002.3	2003.3
Net sales	60.3	61.7
Income before special items	(4.4)	(5.9)
Depreciation & amortization	7.1	6.3
Capital investments	11.4	4.3

The Nikko Materials Group produces and sells a variety of electronic materials using advanced fabrication technologies related to non-ferrous metals. Electronic materials produced by the Group can be broadly divided into three groups: copper foil, sputtering targets and compound semiconductor materials. Many products in these groups hold the largest or second-largest shares of their world markets. They are processed into parts or intermediary materials for primary applications such as printed circuit boards. They are ultimately incorporated in mobile phones, personal computers and various other kinds of electronic equipment. Thus the Group's products have become essential for the electronics industries of the world.

The pace of development in the electronics industry around the world has accelerated in recent years, in step with the increasing sophistication of society in terms of information and telecommunications technologies. For the Group, involved in an industry where rapid changes are the order of the day, the key to business development is to continually monitor the market and promptly respond to new market needs. Based on this view, the Group has formulated the basic strategies described hereafter.

Becoming the first vendor

The Group is striving to have many products with top shares, even if the market size is small, or they are niche items; in other words, to become the first vendor for these products. By becoming the first vendor, it will be possible to promptly learn user needs. This will also enable the Group to develop products for the next generation ahead of other companies, thereby securing the number-one position for next-generation products.

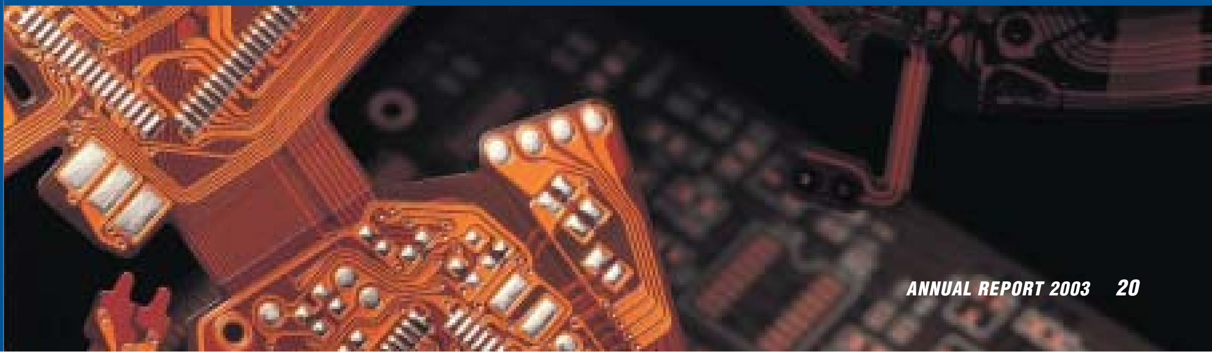
Thoroughly committed to being an electronic materials manufacturer

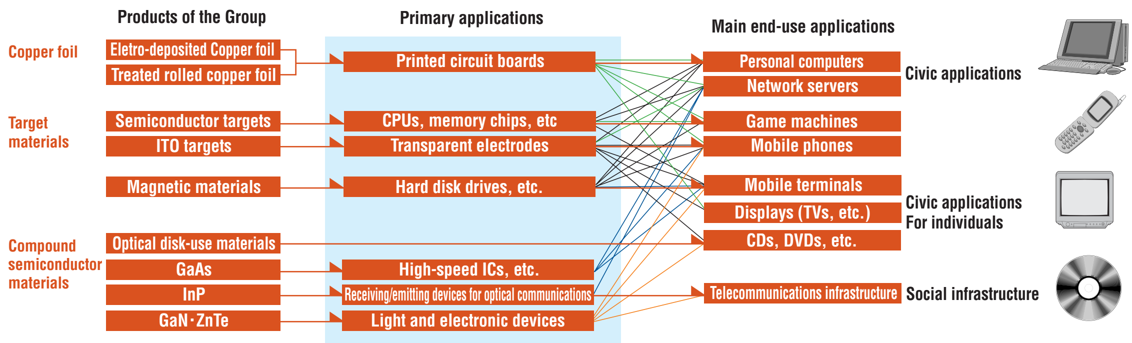
The core technologies of the Nikko Materials Group concern high purification, crystal control, surface treatment and so forth—technologies related to non-ferrous metals that were cultivated through the years. The Group intends to expand its business by deepening these core technologies.

Direct business as guiding principle

In order to closely address customer needs, the Group is fundamentally committed to the principle of direct business, in which transactions are carried out without the use of a trading company. The export ratio of the products of the Group surpasses one-third, and many products are manufactured and sold overseas. By using sales bases established with its own capital, the Group conducts overseas business in an arrangement closely linked to customers overseas, similar to the way it is carried out in Japan.

The Group will strive to become a first vendor attractive to customers by building up worldwide sales and service networks with an eye to responding appropriately to changes in the market structure.





Copper Foil

Copper foil is incorporated in printed circuit boards used in electronic equipment, such as computers and mobile phones. The Nikko Materials Group produces and sells two categories of copper foil: electro-deposited copper foil and treated rolled copper foil.

Electro-deposited copper foil is used for rigid circuit boards, while treated rolled copper foil is used for flexible circuit boards.

Electro-deposited Copper Foil

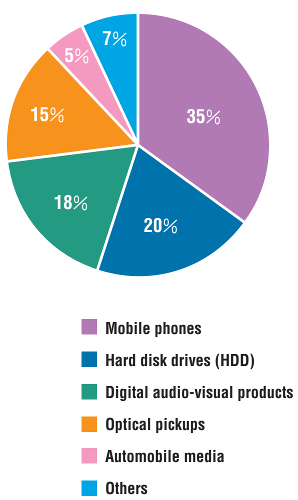
The Nikko Materials Group is the top manufacturer of electro-deposited copper foil, with a global share of about 25%. One strength is the high quality of its thin foil products, which can be adapted to user needs for higher density or finer patterning of printed circuit boards. Maintaining production bases in the United States, Germany, the Philippines and Japan, the Group is capable of supplying products worldwide.

Treated Rolled Copper Foil

Treated rolled copper foil has excellent bendability, so it is used in flexible printed circuit boards in digital equipment, and there is an increasing requirement for them to be light, thin, short and small. Flexible printed circuit boards are used in the hinge connection parts of clamshell-type (folding) mobile phones, main boards of telephone receivers, digital cameras, hard disk drives and so forth.

Copper ingots are produced at the Saganoseki Smelter & Refinery of Nippon Mining & Metals Co., Ltd., while wrought copper foil is manufactured at the Kurami Works of Nippon Mining & Metals. Surface treatment is carried out at the GNF Works of Nikko Materials Co., Ltd. Integrated production of rolled copper foil is a feature that sets the Group apart from the competition, and the Group supplies about 80% of world demand, an overwhelming share of the global market. With the market expected to expand further in the future, the Group plans to increase its production capacity from approximately 2.5 million meters/month to about 5 million meters/month in 2004.

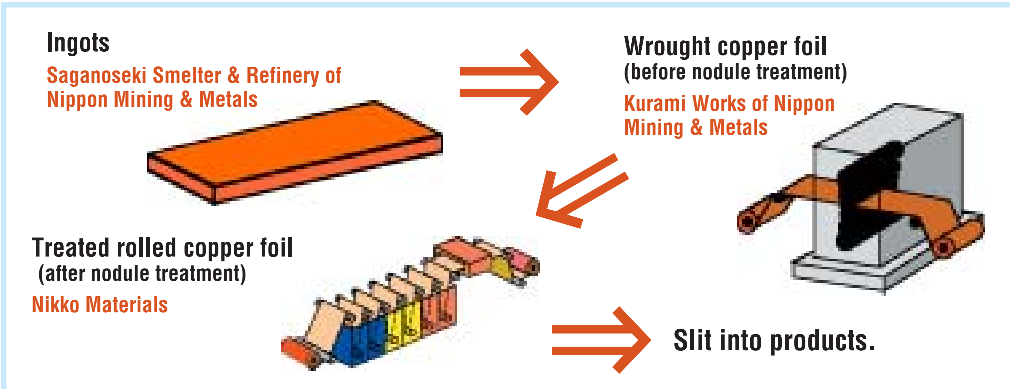
Main Applications for Treated Rolled Copper Foil



(Estimate of Nikko Materials)

Integrated Treated Rolled Copper Foil Production System at the Nippon Mining Holdings Group

Saganoseki Smelter & Refinery of Nippon Mining & Metals → Kurami Works of Nippon Mining & Metals → Nikko Materials



Sputtering Targets

Sputtering targets are thin-film forming materials used in semiconductors, flat panel displays, storage components, etc. The Nikko Materials Group mainly produces and sells targets for semiconductors and flat panel displays.

Semiconductor Targets

As a result of rapid advances in the scale of integration and increased speeds of devices in recent years, increasingly strict quality and other characteristics are demanded of semiconductor targets. The Group provides a wide variety of targets, including molybdenum, tungsten, copper, titanium, tantalum, cobalt and other targets used in semiconductor circuit elements and electronic wiring. The Group commands the world's top share of about 40% in this segment.

Copper sputtering target for semiconductor

[Topics: PQS prize received from Intel]

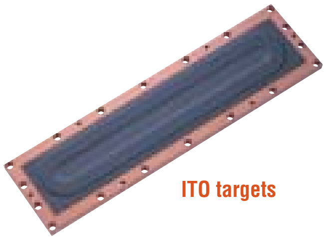
Nikko Materials Co., Ltd. received the PQS (Preferred Quality Supplier) Prize from Intel Corporation, the world's largest semiconductor manufacturer, in March 2003. This was because Intel recognized that sputtering targets supplied by the Company have greatly contributed to the business achievements of Intel.

The PQS Prize is given as part of Intel's SCQI (Supplier Continuous Quality Improvement) program. One of the qualifications for receiving the Prize is that attainment and ability evaluation in terms of price, quality, ability, time of delivery, technology and speed of reply must be 80% or more of the target values. Another requirement is that the company concerned must carry out challenging improvement plans and quality system assessments in accomplishing its goals as a supplier.

The recent award of the Prize was a great honor for Nikko Materials Co., Ltd., which provides high-quality products and services to Intel. On this occasion, the Company pledged to work for more comprehensive customer satisfaction than ever before.

Targets for Flat Panel Displays (ITO targets)

The Nikko Materials Group is engaged in the production of sputtering target materials for LCDs, plasma displays (PDPs), electroluminescence displays (ELDs), and so on. Because of recent trends toward larger and finer panel displays, high quality has become essential, as has strict quality management. The Group is supporting the development of the display industry on the strength of its rich know-how, such as advanced molding technology and sintering technology.



ITO targets

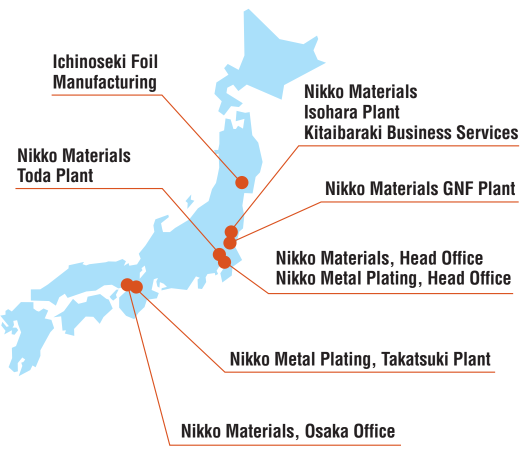
As for market share, the Group proudly holds about 50% of the world market.

Compound Semiconductor Materials (InP Single-crystal Wafer)

Compound semiconductor materials are semiconductors composed of two or more elements. Unlike single-element semiconductors, they feature excellent optical and electrical characteristics, so they are used in various special-function devices. The Nikko Materials Group has established integrated supply systems to provide high-purity metals, which are raw materials for semiconductors, single crystal wafers, and epitaxial wafers.

Indium-phosphorous (InP) semiconductors, a kind of compound semiconductor, are incorporated in light-receiving/-emitting elements used in optical fiber communications. The size of the indium-phosphorus market is still small compared with the gallium arsenide market, but explosive growth is anticipated for indium-phosphorus as optical communications proliferate in the future.

Compound semiconductor materials (InP single-crystal wafers)



Principal production/sales bases

As of October 31, 2003

Review of Operations

OTHERS

Others (independent operating and functional support companies)

(Billions of Yen)

	2002.3	2003.3
Net sales	74.4	69.9
Income before special items	3.7	2.7
Depreciation & amortization	4.1	4.5
Capital investments	5.2	6.3

While engaging in such core business areas as oil, non-ferrous metals and electronic materials, the Nippon Mining Holdings Group has independent operating companies, as well as functional support companies handling common administrative activities for the Group.

Independent Operating Companies

am/pm Japan Co., Ltd. (convenience store chain) is expanding its store network principally in urban areas. As of the end of March 2003, its chain stores totaled 1,365. In November 2002, 10% of the shares of the company were transferred to Mitsubishi Corporation.

Central Computer Services Co., Ltd. (information services) is working to strengthen its business base.

Functional Support Companies

Following the inauguration of the Nippon Mining Holdings Group, common administrative activities in the Group, such as fund procurement, office work services and environmental control, were concentrated in the following functional support companies in October 2002, for accelerated efficiency enhancement.

Nippon Mining Finance Co., Ltd.	Fund procurement
Nippon Mining Business Support Co., Ltd.	Office work services
Nippon Mining Ecomanagement Inc.	Environmental management
Nippon Mining Research & Technology Co., Ltd.	Research, consulting

Corporate Governance

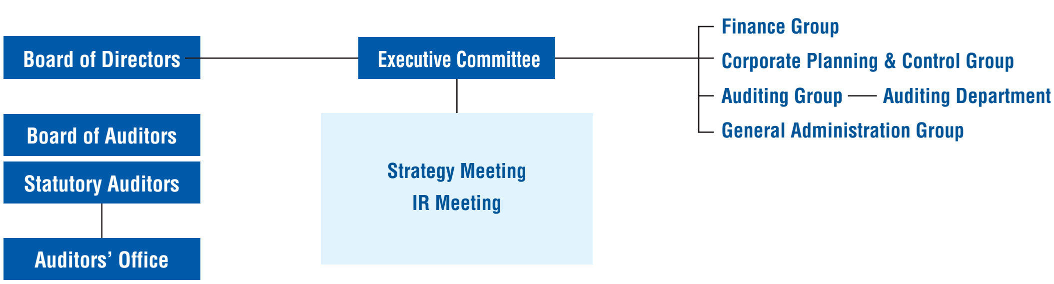
— Seeking Enhancement of Corporate Group Value —

Under the holding company system, the Nippon Mining Holdings Group has shifted to a new management system in which individual business companies carry out operations in a way that matches their individual characteristics, and thus enhance their individual corporate value.

Carrying out improvement of a corporate governance system in which management enhancement is accelerated, accountability is maintained, and operational transparency is promoted, Nippon Mining Holdings Group is continually striving to increase corporate group value.

■ Business Execution and Supervision Mechanism

As the holding company of the Nippon Mining Holdings Group, Nippon Mining Holdings, Inc. basically pursues efficient management of the entire Group. It ensures the Group's growth opportunities by formulating management visions, planning management strategies and implementing optimum allocation of management resources. From this fundamental position, and in accordance with basic agreements with the core operating companies, Nippon Mining Holdings executes management control of the Group.



■ Internal Control and Auditing Mechanism

Corporate auditors, including outside auditors, make up the Board of Auditors. While monitoring directors' business execution, by attending all meetings of the Board of Directors and taking all other necessary steps, they maintain close collaborative relations with the Auditing Group, an internal audit unit, and corporate auditors of the Company's subsidiaries, and implement effective auditing.

To coordinate auditing plans, exchange information and share audit results among individual auditing units, a liaison meeting is held regularly among the Board of Corporate Auditors, the external account auditing office and internal auditing units.

The Nippon Mining Holdings Group is determined to remain fair to its stakeholders, including shareholders, customers, suppliers and employees, and to continually endeavor to maintain excellent corporate ethics and sound management.

Financial Section

[MANAGEMENT'S DISCUSSION AND ANALYSIS]

Major Consolidated Management Indicators

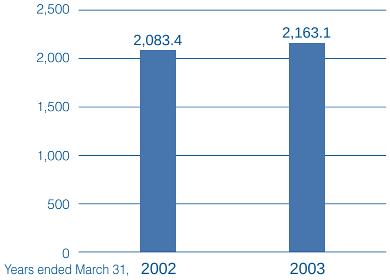
Nippon Mining Holdings, Inc. and its consolidated subsidiaries

	Millions of Yen (Price per share omitted)	
Years ended March 31,	2002	2003
Net sales	¥2,083,352	¥2,163,088
Operating income	27,748	40,256
Income before special items	25,405	36,968
Net income	306	3,652
Net income per share (in yen)		
Primary	0.27	5.89
Fully diluted	—	—

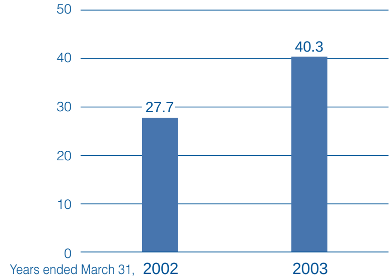
	Millions of Yen (Price per share omitted)	
Years ended March 31,	2002	2003
Total assets	¥1,695,883	¥1,628,723
Shareholders' equity	181,453	204,946
Shareholders' equity per share (in yen)	162.91	301.78
Interest-bearing liabilities	892,846	876,383

	Millions of Yen	
Years ended March 31,	2002	2003
Cash flows from operating activities	¥ 129,894	¥ 14,344
Cash flows from investing activities	(29,729)	(15,698)
Cash flows from financing activities	(159,346)	(17,568)

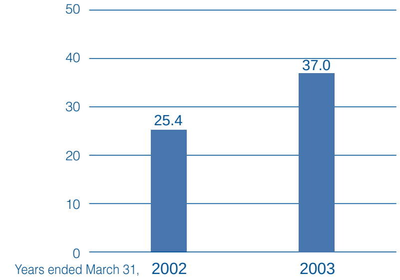
Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Income before Special Items
(Billions of Yen)



Net Sales, Income before Special Items and Net Income

The economy in the fiscal year ended March 31, 2003 showed partial improvements in exports and production activities, but the overall business environment remained severe, with continuing deflation and concerns about financial systems, the persistently high unemployment rate and stagnating consumption in the private sector. In spite of such difficult conditions, the Company achieved an increase in consolidated net sales and income before special items to ¥2,163.1 billion and ¥37.0 billion respectively, growth of 3.8% and 45.5% respectively from the previous fiscal year, mainly due to increases in net sales and revenues in the petroleum business. Net income amounted to ¥3.7 billion as a result of recording special losses such as loss on revaluation of listed securities and loss on disposals of fixed assets.

Petroleum (Japan Energy Group)

The aggregate sales volume of fuel oil, including gasoline, naphtha, kerosene, gas oil and heavy fuel oil, outperformed that of the previous fiscal year due to increases in kerosene and heavy fuel oil, and product prices rose, affected by the steep jump in the price of crude oil. As regards petrochemical products, the sales volume increased, and the overall product price rose from the previous fiscal year. Sales of liquefied petroleum gas were down compared with the previous fiscal year, but the decrease in the sales volume was covered by price rises. As a result, net sales of the petroleum business increased by 3.5% to ¥1,743.8 billion from the previous fiscal year. Income before special items drastically increased, by 81.3% to ¥24.8 billion, largely affected by revaluation of inventories to reflect the sharp rise in the crude oil price.

Non-ferrous Metals (Nippon Mining & Metals Group)

Copper smelting & refining, the main business of this segment, was surrounded by an ongoing, severe economic environment, which brought a deterioration of trading conditions due to the tight market for copper ore, as well as from stagnating domestic demand. On the other hand, the metal fabrication business enjoyed the recovery of IT-related demand mainly for mobile-communication devices, and achieved a drastic increase in its sales volume especially of rolled copper foils. As regards the equity-method affiliated companies, Minera Los Pelambres (a copper mine company in Chile) and LG-Nikko Copper (a copper smelting and refining joint venture in South Korea) have been operating smoothly. Under such circumstances, the non-ferrous metals business marked a 10.2% increase in net sales to ¥308.6 billion compared with the previous fiscal year, as well as a rise in income before special items by 23.8% to ¥15.4 billion.

Electronic Materials (Nikko Materials Group)

The aggregate sales volume of electro-deposited copper foils stagnated, mainly due to weak demand in the European and American markets, and in addition, the product prices stayed at low levels. As regards rolled copper foils and materials for thin films (targets for semiconductors, LCDs and recording components), the sales volume increased, mainly due to a brisk market for mobile communication devices, while the overall product price dropped. As a result, net sales of the electronic materials business increased by 2.3% to ¥61.7 billion from the previous fiscal year, while the loss before special items increased to ¥5.9 billion from ¥4.4 billion in the previous fiscal year.

Other Businesses (Independent Operating Companies and Functional Support Companies)

Regarding other businesses, which include am/pm Japan Co., Ltd. (convenience store business), Japaren Co., Ltd. (rent-a-car and car leasing business), Central Computer Services Co., Ltd. (information service business) and Nippon Mining Finance Co., Ltd (financing business), the consolidated net sales and income before special items decreased by 6.0% and 28.5% respectively, to ¥69.9 billion and ¥2.6 billion from the previous fiscal year.

The consolidated net sales of business segments described above includes an intersegment sales total of ¥20.9 billion (as compared to ¥16.1 billion in the previous fiscal year).

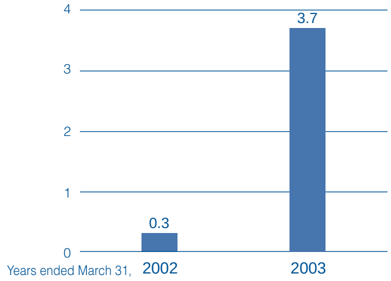
Balance Sheet

As a result of continuous efforts for shrinking of assets and reduction of interest-bearing liabilities, consolidated total assets declined by ¥67.2 billion to ¥1,628.7 billion, while interest-bearing liabilities decreased by ¥16.5 billion to ¥876.4 billion compared with the previous fiscal year. Shareholders' equity increased by ¥23.5 billion to ¥204.9 billion, mainly due to stock transfer.

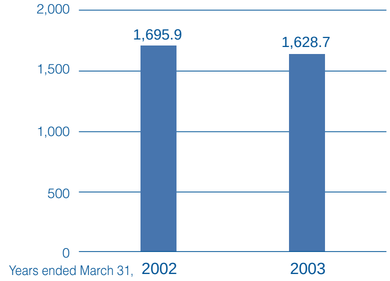
Cash Flows

Net cash provided by operating activities amounted to only ¥14.3 billion, mainly because the previous fiscal year's balance sheet date fell on a holiday for financial institutions, which brought a decrease in trade payables, and also due to an increase in trade receivables caused by the rise of crude oil prices. Net cash used in investment activities was ¥15.7 billion, mainly due to acquisition of tangible fixed assets, and net cash used in financial activities was ¥17.6 billion, primarily due to repayment and redemption of interest-bearing liabilities. As a result, the fiscal year-end balance of cash and cash equivalents decreased by ¥15.1 billion to ¥76.3 billion from the previous fiscal year.

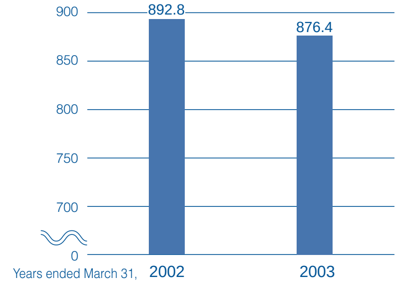
Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



Interest-bearing Liabilities
(Billions of Yen)



[CONSOLIDATED BALANCE SHEETS]

Nippon Mining Holdings, Inc. and its consolidated subsidiaries

March 31, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S.Dollars (Note1-A) 2003
Current Assets:			
Cash and cash equivalents	**¥ 76,294**	¥ 91,409	**$ 635,783**
Securities (Note 2)	**1,252**	4,441	**10,433**
Trade receivables:			
Notes and accounts, less allowance for doubtful accounts	**231,441**	222,747	**1,928,675**
Inventories	**223,240**	222,583	**1,860,333**
Other current assets, less allowance for doubtful accounts	**63,855**	72,794	**532,126**
Total current assets	**596,082**	613,974	**4,967,350**
Investments and Long-term Loans:			
Investments in securities (Notes 2 and 5)	**56,591**	65,381	**471,592**
Investments in non-consolidated subsidiaries and affiliates (Note 3)	**92,502**	101,358	**770,850**
Long-term loans, less allowance for doubtful accounts	**36,733**	44,352	**306,108**
Other investments	**52,334**	54,470	**436,117**
Total investments and long-term loans	**238,160**	265,561	**1,984,667**
Property, Plant and Equipment (Note 5):			
Land (Note 4)	**311,589**	307,027	**2,596,575**
Buildings and structures	**438,055**	438,012	**3,650,458**
Machinery and equipment	**648,506**	657,314	**5,404,217**
Construction in progress	**14,363**	17,632	**119,692**
	1,412,513	1,419,985	**11,770,942**
Less: Accumulated depreciation	**(761,682)**	(753,728)	**(6,347,350)**
Net property, plant and equipment	**650,831**	666,257	**5,423,592**
Intangible Assets and Deferred Charges	**105,117**	111,278	**875,975**
Deferred Tax Assets (Note 8)	**38,533**	38,813	**321,108**
Total Assets	**¥ 1,628,723**	¥ 1,695,883	**$ 13,572,692**

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

LIABILITIES, MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S.Dollars (Note1-A) 2003
Current Liabilities:			
Short-term borrowing (Note 6)	**¥ 427,834**	¥ 345,245	**$ 3,565,283**
Trade payables:			
Notes and accounts	**194,079**	205,827	**1,617,325**
Excise tax	**57,609**	81,771	**480,075**
Accrued income taxes	**9,832**	8,477	**81,933**
Other current liabilities	**100,357**	105,330	**836,309**
Total current liabilities	**789,711**	746,650	**6,580,925**
Long-term Liabilities:			
Long-term debt (Note 6)	**448,549**	547,601	**3,737,908**
Allowance for retirement benefits (Note 7)	**61,517**	57,643	**512,642**
Allowance for periodic repair works	**13,453**	14,152	**112,108**
Deferred tax liabilities related to land revaluation (Note 4)	**34,072**	35,211	**283,933**
Negative goodwill	**11,489**	11,285	**95,742**
Other long-term liabilities	**27,403**	36,014	**228,359**
Total long-term liabilities	**596,483**	701,906	**4,970,692**
Minority Interest in Consolidated Subsidiaries	**37,583**	65,874	**313,192**
Shareholders' Equity:			
Common stock:			
Authorized—3,000,000 thousand shares			
Issued—848,462 thousand shares in 2003	**40,000**	—	**333,333**
Authorized—2,000,000 thousand shares			
Issued—1,113,881 thousand shares in 2002	**—**	87,583	**—**
Capital surplus	**149,307**	47,021	**1,244,225**
Accumulated deficit	**(21,406)**	(19,826)	**(178,383)**
Surplus from land revaluation (Note 4)	**51,413**	58,733	**428,442**
Unrealized gain on marketable securities	**3,467**	2,974	**28,891**
Accumulated translation adjustment	**1,131**	4,977	**9,425**
Less:Treasury stock, at cost	**(18,966)**	(9)	**(158,050)**
Total shareholders' equity	**204,946**	181,453	**1,707,883**
Commitments and Contingent Liabilities (Note 9)			
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	**¥ 1,628,723**	¥1,695,883	**$ 13,572,692**

[CONSOLIDATED STATEMENTS OF INCOME]

Nippon Mining Holdings, Inc. and its consolidated subsidiaries

Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S.Dollars (Note1-A)
	2003	2002	**2003**
Net Sales	**¥ 2,163,088**	¥ 2,083,352	**$ 18,025,733**
Cost of Sales	**1,928,839**	1,860,747	**16,073,658**
Gross profit	**234,249**	222,605	**1,952,075**
Selling, General and Administrative Expenses	**193,993**	194,857	**1,616,608**
Operating income	**40,256**	27,748	**335,467**
Other Income (Expenses):			
Interest and dividends income	**3,717**	7,523	**30,975**
Interest expenses	**(16,690)**	(19,500)	**(139,083)**
Exchange gain	**66**	1,384	**550**
Equity in gain of non-consolidated subsidiaries and affiliates	**7,922**	6,387	**66,017**
Amortization of negative goodwill	**4,154**	3,713	**34,617**
Other, net	**(2,457)**	(1,850)	**(20,476)**
Income before special items	**36,968**	25,405	**308,067**
Special Profit (Loss):			
Gain on sales of investments in securities, net	**837**	1,456	**6,975**
Gain on sales of investment in consolidated subsidiaries	**3,857**	—	**32,142**
Gain on sales of pharmaceutical business divisions	**1,102**	—	**9,183**
Gain on transfer of substitutional portion of pension plan	**1,912**	—	**15,933**
Amortization of prior service cost	**—**	1,286	**—**
Loss on sales and disposal of property, net	**(6,012)**	(4,799)	**(50,100)**
Loss on write-down of investments in securities	**(13,831)**	(4,965)	**(115,258)**
Loss on structural reform measures related	**(10,340)**	(8,361)	**(86,167)**
Other, net	**(1,059)**	(1,202)	**(8,825)**
Income before income taxes	**13,434**	8,820	**111,950**
Income Taxes:			
Current	**8,721**	11,227	**72,675**
Deferred	**(4,065)**	(8,750)	**(33,875)**
Minority Interest in Earnings of Consolidated Subsidiaries	**(5,126)**	(6,037)	**(42,717)**
Net income	**¥ 3,652**	¥ 306	**$ 30,433**

	Yen		U.S.Dollars (Note1-A)
	2003	2002	**2003**
Net Income per Share:			
Basic	**¥ 5.89**	¥ 0.27	**$ 0.05**
Diluted	**—**	—	**—**

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

[CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY]

Nippon Mining Holdings, Inc. and its consolidated subsidiaries

Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S.Dollars (Note1-A)
	2003	2002	**2003**
Common Stock:			
Balance at beginning of year (2003—1,113,881 thousand shares; 2002—1,113,881 thousand shares)	**¥ 87,583**	¥ 87,583	**$ 729,858**
Reclassification with capital surplus according to stock transfer	**(47,583)**	—	**(396,525)**
Balance at end of year (2003—848,462 thousand shares; 2002—1,113,881 thousand shares)	**¥ 40,000**	¥ 87,583	**$ 333,333**
Capital Surplus:			
Balance at beginning of year	**¥ 47,021**	¥ 47,021	**$ 391,842**
Reclassification with common stock according to stock transfer	**47,583**	—	**396,525**
Transfer from common stock, capital surplus and the portion which belonged to the minority interest among retained earnings of Nippon Mining & Metals Co., Ltd.	**54,703**	—	**455,858**
Balance at end of year	**¥ 149,307**	¥ 47,021	**$1,244,225**
Accumulated Deficit:			
Balance at beginning of year	**¥ (19,826)**	¥ (18,268)	**$ (165,217)**
Net income	**3,652**	306	**30,433**
Cash dividends paid	**(3,341)**	(3,341)	**(27,842)**
Stock transfer payments	**(2,714)**	—	**(22,617)**
Bonuses to directors	**(59)**	(80)	**(492)**
Increase arising from change of consolidated subsidiaries	**(173)**	(1,654)	**(1,442)**
Increase arising from change of affiliates accounted for by equity method	**(555)**	(630)	**(4,624)**
Increase arising from merger of consolidated subsidiaries	**—**	(22)	**—**
Decrease arising from change of consolidated subsidiaries	**(638)**	(948)	**5,318**
Decrease arising from change of affiliates accounted for by equity method	**(361)**	1,620	**3,008**
Decrease arising from merger of consolidated subsidiaries	**—**	218	**—**
Reclassification with surplus from land revaluation	**611**	1,077	**5,092**
Balance at end of year	**¥ (21,406)**	¥ (19,826)	**$ (178,383)**
Surplus from Land Revaluation:			
Balance at beginning of year	**¥ 58,733**	¥ 58,874	**$ 489,442**
Reclassification with accumulated deficit	**(611)**	(1,077)	**(5,092)**
Adjustment in consolidation procedure	**—**	1,548	**—**
Reclassification with deferred tax liabilities related to land revaluation according to change of effective tax rate	**1,112**	—	**9,267**
Decrease arising from change of affiliates accounted for by equity method	**(8,825)**	—	**(73,542)**
Minority interest	**—**	(612)	**—**
Reclassification with minority interest according to stock transfer	**1,004**	—	**8,367**
Balance at end of year	**¥ 51,413**	¥ 58,733	**$ 428,442**
Unrealized Gain on Marketable Securities:			
Balance at beginning of year	**¥ 2,974**	¥ 8,744	**$ 24,783**
Unrealized gain (loss) on marketable securities arising during period	**493**	(5,770)	**4,108**
Balance at end of year	**¥ 3,467**	¥ 2,974	**$ 28,891**
Accumulated Translation Adjustment:			
Balance at beginning of year	**¥ 4,977**	¥ (2,712)	**$ 41,475**
Translation adjustment	**(3,846)**	7,689	**(32,050)**
Balance at end of year	**¥ 1,131**	¥ 4,977	**$ 9,425**
Treasury Stock, at Cost:			
Balance at beginning of year	**¥ (9)**	¥ (0)	**$ (75)**
Increase arising from purchases from shareholders or sales to market, net	**(18,957)**	(9)	**(157,975)**
Balance at end of year	**¥ (18,966)**	¥ (9)	**$ (158,050)**

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

[CONSOLIDATED STATEMENTS OF CASH FLOWS]

Nippon Mining Holdings, Inc. and its consolidated subsidiaries

Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S.Dollars (Note1-A)
	2003	2002	**2003**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 13,434**	¥ 8,820	**$ 111,950**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**48,962**	50,876	**408,017**
Equity in gain of non-consolidated subsidiaries and affiliates	**(7,922)**	(6,387)	**(66,017)**
Gain on sales of investments in securities	**(837)**	(1,456)	**(6,975)**
Loss on write-down of investments in securities	**13,831**	4,965	**115,258**
Gain on sales of investment in consolidated subsidiaries	**(3,857)**	—	**(32,142)**
Loss on sales and disposal of property, plant and equipment	**6,012**	4,799	**50,100**
Loss on structural reform measures related	**10,340**	8,361	**86,167**
Other,net	**(3,729)**	(4,829)	**(31,075)**
Changes in operating assets and liabilities:			
Trade receivables	**(8,089)**	84,264	**(67,408)**
Inventories	**556**	20,490	**4,633**
Trade payables	**(46,951)**	(16,643)	**(391,258)**
Accrued consumption tax	**1,403**	(4,593)	**11,692**
Other, net	**(566)**	3,024	**(4,717)**
Payment for income taxes	**(7,172)**	(19,438)	**(59,767)**
Payment for special retirement benefit	**(1,071)**	(2,359)	**(8,925)**
Net cash provided by operating activities	**14,344**	129,894	**119,533**
Cash Flows from Investing Activities:			
Payments for acquisition of securities	**(1,387)**	(2,833)	**(11,558)**
Proceeds from sales or maturities of securities	**4,568**	17,105	**38,067**
Payments for acquisition of investments in securities	**(10,370)**	(4,258)	**(86,417)**
Proceeds from sales or maturities of investments in securities	**6,089**	9,998	**50,742**
Proceeds from sales of investment in consolidated subsidiaries	**4,050**	—	**33,750**
Payments for acquisition of property, plant and equipment	**(33,542)**	(43,201)	**(279,517)**
Proceeds from sales of property, plant and equipment	**8,767**	8,213	**73,058**
Decrease in short-term loans	**4,451**	3,468	**37,092**
Payments for lending of long-term loans	**(1,000)**	(16,637)	**(8,333)**
Collection of long-term loans	**6,414**	3,428	**53,450**
Other	**(3,738)**	(5,012)	**(31,151)**
Net cash used in investing activities	**¥ (15,698)**	¥ (29,729)	**$ (130,817)**

	Millions of Yen 2003	2002	Thousands of U.S.Dollars (Note1-A) 2003
Cash Flows from Financing Activities:			
Increase (Decrease) in short-term borrowing	**¥ 32,395**	¥ (79,684)	**$ 269,958**
Proceeds from borrowing of long-term debt	**109,068**	66,454	**908,900**
Repayments of long-term debt	**(125,949)**	(136,433)	**(1,049,575)**
Proceeds from issue of new bond	**—**	32,500	**—**
Payments for redemption of bond	**(26,360)**	(36,054)	**(219,667)**
Cash dividends paid by parent company	**(3,341)**	(3,341)	**(27,842)**
Cash dividends paid to minority interest	**(1,584)**	(1,742)	**(13,200)**
Stock transfer payments	**(2,714)**	—	**(22,617)**
Other	**917**	(1,046)	**7,643**
Net cash used in financing activities	**(17,568)**	(159,346)	**(146,400)**
Effect of exchange rate changes on cash and cash equivalents	**(1,411)**	4,611	**(11,758)**
Net Decrease in Cash and Cash Equivalents	**(20,333)**	(54,570)	**(169,442)**
Cash and Cash Equivalents at Beginning of Year	**91,409**	141,718	**761,742**
Increase in cash and cash equivalents related to subsidiaries newly included in consolidation	**5,218**	4,062	**43,483**
Increase in cash and cash equivalents related to merger of consolidated subsidiaries	**—**	199	**—**
Cash and Cash Equivalents at End of Year	**¥ 76,294**	¥ 91,409	**$ 635,783**

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

Nippon Mining Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2003 and 2002

Note 1-SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounting records maintained by NIPPON MINING HOLDINGS, INC. ("the Company") and its consolidated subsidiaries in accordance with the provisions of the Japanese Regulation of Consolidated Financial Statements and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain accounts reported in the consolidated financial statements filed with the Financial Services Agency in Japan have been reclassified for the convenience of readers outside Japan.

On September 27, 2002, the Company was established by Japan Energy Corporation and its consolidated subsidiary Nippon Mining & Metals Co., Ltd. by way of stock transfer. As a result of this transaction, both Japan Energy Corporation and Nippon Mining & Metals Co., Ltd. became wholly-owned subsidiaries of the Company.

Consolidation Procedure of this transaction was in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfer" (The Japanese Institute of Certified Public Accountants Accounting Committee Research Report No.6). Since this transaction occurred between parent company and its consolidated subsidiary, this doesn't correspond to "Business Combination". Thus, upon the consolidation, Japan Energy Corporation was accounted for with the pooling of interest method, and Nippon Mining & Metals Co., Ltd. was accounted for as additional acquisition of interest from minority interest.

Consolidated financial statements as of March 31, 2003 is succeeding those as of March 31, 2002 of Japan Energy Corporation. Certain 2002 figures have been reclassified to conform with the 2003 presentation.

Amounts in U.S. dollars are presented solely as reference for readers. In the accompanying financial statements, the rate of 120 yen = 1 US dollar, the approximate current rate of exchange at the end of this fiscal year, has been used in translation.

B) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled significant subsidiaries (hereinafter referred to "the Company Group"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

C) Investments in Non-Consolidated Subsidiaries and Affiliates

Investments in non-consolidated subsidiaries and affiliates are accounted for by the equity method.

On an exception basis, investments in non-consolidated subsidiaries and affiliates are stated at cost or less, because the effect of adoption of the equity method would be immaterial.

D) The Differences between Acquisition Costs of Subsidiaries and Affiliates and Their Net Assets

The differences between acquisition costs and the fair value of net assets of subsidiaries and affiliates acquired are recorded as goodwill and are being amortized over 5 years using the straight-line method.

E) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date.

All asset and liability accounts of foreign consolidated subsidiaries are translated into yen at the current exchange rates as of their balance sheet date, and all income and expense accounts are translated at the average annual exchange rates. The difference arising from translation are included in shareholders' equity as "Accumulated translation adjustment".

F) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits in banks and investments with maturities of three months or less.

G) Allowance for Doubtful Accounts

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

H) Inventories

Petroleum inventories of domestic subsidiaries are stated at cost, using the average method, metal inventories except for gold, silver, platinum and palladium of consolidated domestic subsidiaries are stated at cost, using the last-in first-out method, while gold, silver, platinum and palladium inventories of them are stated at cost, using the first-in first-out method. Other inventories of them are mainly stated at cost, using the last-in first-out method.

Inventories of overseas subsidiaries are stated at lower of cost or market, using the first-in first-out method.

I) Securities

Marketable securities are stated at fair market value. Securities other than marketable securities are stated at cost or less. Cost is determined by the moving average method. Net unrealized gains (losses) on these securities, net of taxes, are reported as a separate item in shareholders' equity.

J) Property, Plant and Equipment

Property, plant and equipment, including significant renewals and additions, are carried at cost, and are depreciated primarily using the straight-line method.

Maintenance and repairs, minor renewals and betterments, and small purchases of equipment are expensed when incurred.

K) Allowance for Periodic Repair Works

The Company Group has an allowance for periodic repair works in amount equal to the estimated cost of periodically required repairs for oil tanks and machinery and equipment of oil refineries.

L) Leases

Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases by the Company and its consolidated domestic subsidiaries.

The fees for such lease contracts are charged to income when incurred.

M) Income Taxes

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

Deferred income taxes are provided for temporary difference between the tax basis of assets and liabilities and those as reported in the financial statements.

N) Allowance for Retirement Benefits

Allowance for retirement benefits represents the estimated present value of the projected benefit obligation in excess of the fair value of the plan assets, less unrecognized transition liabilities, unrecognized prior service cost, and unrecognized actuarial losses.

O) Appropriation of Retained Earnings

Cash dividends and bonuses to directors are recorded in the fiscal year in which a proposed appropriation is approved by a general meeting of the shareholders.

P) Net Income per Share

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

Q) Derivatives and Hedging Accounting

Derivative financial instruments are utilized by the Company Group principally to manage risks of the exposure to the fluctuations in interest rates, foreign currency exchange rates and commodity prices.

The Company Group has established policies and procedures for risk assessments and for the approval process and monitoring of transactions involving derivative financial instruments. The Company Group does not possess derivative financial instruments for trading purposes.

Note 2-MARKET VALUE OF SECURITIES

Market value of securities as of March 31, 2003 and 2002 was as follows:

Listed equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Acquisition cost	**¥25,153**	¥36,882	**$ 209,608**
Market value	**29,823**	41,674	**248,525**
Gross unrealized gain	**¥ 4,670**	¥ 4,792	**$ 38,917**

Bonds and others

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Amortized cost	**¥ 1,396**	¥ 2,854	**$ 11,633**
Market value	**1,413**	2,896	**11,775**
Gross unrealized gain	**¥ 17**	¥ 42	**$ 142**

Note 3-INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Listed equity securities	**¥19,055**	¥18,782	**$ 158,792**
Unlisted equity securities	**72,358**	81,110	**602,983**
Others	**1,089**	1,466	**9,075**
	¥92,502	¥101,358	**$ 770,850**

Note 4-LAND REVALUATION

Pursuant to the Law for Land Revaluation, several group companies in Japan revalued their land used for business activities at March 31, 2000. The excess of the revalued carrying amount over the book value before the revaluation, net of taxes, is recorded as "Surplus from land revaluation" in shareholders' equity of the accompanying balance sheets.

The land value for the revaluation was determined based on the market prices in the official notice of the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, with reasonable adjustments to the market price made by the Company Group. The revaluation is permitted only one time.

Deferred tax liability related to the revaluation of land is recorded in long-term liabilities.

Note 5-ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Investments in securities	**¥ 26,316**	¥ 30,920	**$ 219,300**
Property, plant and equipment			
(at net book value)	**378,171**	396,923	**3,151,425**
Other	**135**	264	**1,125**
	¥ 404,622	¥ 428,107	**$ 3,371,850**

Note 6-SHORT-TERM BORROWING AND LONG-TERM DEBT

Short-term borrowing consists principally of bank overdrafts, bearing interest at annual rates from 0.1% to 4.21% as of March 31, 2003. Short-term borrowing as of March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Banks, insurance companies and others	**¥ 231,566**	¥ 199,272	**$ 1,929,717**
Current portion of long-term debt	**196,268**	145,973	**1,635,566**
	¥ 427,834	¥ 345,245	$ **3,565,283**

Long-term debt as of March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Convertible bonds issued by a consolidated subsidiary due 2003 convertible currently at ¥662 per share	**¥ —**	¥ 5,660	**$ —**
Bonds issued by consolidated subsidiary due 2002–2007, with fixed interest rates of 3.0%–3.61% issued under the Euro Medium Term Note Programme	**19,900**	32,600	**165,833**
Bonds issued by consolidated subsidiary due 2006, with fixed interest rates of AUS $4.5% issued under the Euro Medium Term Note Programme	**5,000**	5,000	**41,667**
Bonds issued by consolidated subsidiary due 2002-2008, interest rates 1.53%–2.4%	**32,500**	40,500	**270,833**
Payable to banks, insurance companies and others, with interest rates at 0.1% to 8.36% maturing serially through 2017:			
Collateralized	**161,134**	187,883	**1,342,783**
Unsecured	**426,283**	421,931	**3,552,358**
	644,817	693,574	**5,373,474**
Less: Amounts due within one year	**(196,268)**	(145,973)	**(1,635,566)**
	¥ 448,549	¥ 547,601	**$ 3,737,908**

Annual maturities of long-term debt are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 196,268	$ 1,635,566
2005	115,463	962,192
2006	91,465	762,208
2007	87,036	725,300
2008	91,418	761,817
2009 and thereafter	63,167	526,391
	¥ 644,817	$ 5,373,474

Note 7-RETIREMENT BENEFITS

The Company Group has defined benefit retirement plans covering substantially all employees.

1. Allowance for retirement benefits as of March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥(114,347)**	¥(125,767)	**$ (952,892)**
Plan assets at fair value	**31,742**	53,984	**264,517**
Projected benefit obligation, net of plan assets	**(82,605)**	(71,783)	**(688,375)**
Unrecognized net transition liability	**7,700**	9,807	**64,167**
Unrecognized net actuarial losses	**13,226**	4,199	**110,216**
Unrecognized prior service cost	**162**	134	**1,350**
Liability recognized in consolidated balance sheets	**¥ (61,517)**	¥ (57,643)	**$ (512,642)**

2. Net retirement benefit expenses for the year ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥ 5,627**	¥ 4,958	**$ 46,891**
Interest cost on projected obligation	**4,319**	4,181	**35,992**
Expected return on plan assets	**(2,909)**	(2,881)	**(24,242)**
Amortization of unrecognized net transition liability	**1,226**	1,226	**10,217**
Amortization of unrecognized net actuarial loss	**1,645**	261	**13,708**
Amortization of unrecognized prior service cost	**57**	(1,261)	**475**
Net retirement benefit expenses	**¥ 9,965**	¥ 6,484	**$ 83,041**
Gain on transfer of substitutional portion of pension plan	**(1,912)**	—	**(15,933)**
Retirement benefit expenses–total	**¥ 8,053**	¥ 6,484	**$ 67,108**

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

	%	
	2003	2002
Discount rate for obligations	**2.5–6.75** (mainly **2.5**)	3.0–7.3 (mainly 3.0)
Expected return on plan assets	**1.0–9.0** (mainly **3.5**)	1.5–9.0 (mainly 3.5)
Net transition liability, net actuarial loss and prior service cost are being amortized over periods ranging from 5 to 15 years.		

Transfer of substitutional portion of employee pension plan to the government.

The retirement plan of the Company Group substitutes certain portion of the Japanese government pension plan in addition to the retirement benefit plan of the Company Group. In June 2001, the Contributed Benefit Pension Plan Law was enacted and allows a company to transfer its substitutional portion of pension plan to the government thereby eliminating the company's liability for the benefits related to future employee service. In order to transfer the substitutional portion, the company must obtain approval form the Minister of Health, Labor and Welfare for the exemption from the payment of the benefits related to future employee service. In addition, the company must obtain approval from the same body for separation of the remaining benefit obligation of the substitutional portion which relates to past employee services. On obtaining approval, the remaining benefit obligation of the substitutional portion (that amount earned by past services) as well as government-specified portion of the plan assets will be transferred to the government.

One of the Company Group's consolidated subsidiaries applied for exemption the payment of the benefits related to future employee service and received approval from the Minister of Health, Labor and Welfare on February 25, 2003. Based on the transitional treatment of "Practical Guideline for Accounting for Retirement Benefits (Interim Report)" (The Japanese Institute of Certified Public Accountants Accounting Committee Research Report No. 13), the subsidiary records it as if the payment of the benefits related to employee service of substitutional portion were exempted and the government-specified portion of plan assets were transferred to the government on that day. The amount of the government-specified portion of plan assets to be transferred to the government is ¥13,239 million ($110,325 thousand) as of March 31, 2003.

Note 8-INCOME TAXES

1. The components of deferred tax assets and liabilities other than deferred tax liability related to land revaluation as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Net operating loss carryforward	**¥ 27,958**	¥ 26,646	**$ 232,983**
Retirement benefit obligation	**23,377**	21,335	**194,808**
Eliminations of intercompany transactions	**11,818**	11,807	**98,483**
Securities	**3,714**	3,369	**30,950**
Property, plant and equipment	**2,173**	2,202	**18,108**
Allowance for periodic repair works	**2,621**	2,074	**21,842**
Other investments	**1,767**	1,986	**14,725**
Accrued bonuses to employees	**2,347**	1,734	**19,558**
Other	**22,736**	23,080	**189,468**
Subtotal	**¥ 98,511**	¥ 94,233	**$ 820,925**
Valuation allowance	**(40,570)**	(38,787)	**(338,083)**
Total deferred tax assets	**¥ 57,941**	¥ 55,446	**$ 482,842**
Property, plant and equipment	**¥ (3,044)**	¥ (4,847)	**$ (25,367)**
Unrealized gain on marketable securities	**(1,362)**	(1,414)	**(11,350)**
Difference between market value and cost of assets and liabilities of consolidated subsidiaries	**(6,318)**	(6,491)	**(52,650)**
Reserve for losses on overseas investments	**(3,005)**	(3,171)	**(25,042)**
Other	**(1,585)**	(1,081)	**(13,208)**
Total deferred tax liabilities	**¥ (15,314)**	¥ (17,004)	**$ (127,617)**
Net deferred tax assets	**¥ 42,627**	¥ 38,442	**$ 355,225**

2. Reconciliation of statutory tax rate and the effective income tax rate for the year ended March 31, 2003 and 2002 was as follows:

2003	
Statutory tax rate	**42.0%**
Increase (Decrease) in taxes resulting from:	
Eliminations of dividends income	**21.2**
Equity gain of non-consolidated subsidiaries and affiliates	**(24.8)**
Adjustment of valuation allowance	**18.9**
Amortization of goodwill	**(10.6)**
Revision of US Tax Law	**(9.1)**
Other	**(2.9)**
Effective income tax rate	**34.7%**

2002	
Statutory tax rate	42.0%
Increase (Decrease) in taxes resulting from:	
Equity gain of non-consolidated subsidiaries and affiliates	(30.5)
Adjustment of valuation allowance	25.4
Amortization of goodwill	(14.1)
Other	5.3
Effective income tax rate	28.1%

Note 9-COMMITMENTS AND CONTINGENT LIABILITIES

The Company Group was contingently liable for trade notes receivable discounted at banks or endorsed to suppliers in the amount of ¥134million ($1,117thousand)at March 31, 2003.

The Company Group guaranteed outstanding indebtedness at March 31, 2003 and 2002, as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Non-consolidated subsidiaries and affiliates	**¥ 33,217**	¥ 33,166	**$ 276,808**
Other companies	**6,171**	7,547	**51,425**
	¥ 39,388	¥ 40,713	**$ 328,233**

Note 10-LEASE

Financing lease transactions whose ownership are not to be transferred were as follows:

	Millions of Yen		
Year ended March 31, 2003	Purchase cost	Accumulated depreciation	Book value
Machinery and equipment	**¥ 34,292**	**¥ 14,255**	**¥ 20,037**
Others	**6,448**	**1,799**	**4,649**
	¥ 40,740	**¥ 16,054**	**¥ 24,686**

	Millions of Yen		
Year ended March 31, 2002	Purchase cost	Accumulated depreciation	Book value
Machinery and equipment	¥ 29,042	¥ 12,643	¥ 16,399
Others	3,836	1,302	2,534
	¥ 32,878	¥ 13,945	¥ 18,933

	Thousands of U.S. Dollars		
Year ended March 31, 2003	Purchase cost	Accumulated depreciation	Book value
Machinery and equipment	**$ 285,767**	**$ 118,792**	**$ 166,975**
Others	**53,733**	**14,991**	**38,742**
	$ 339,500	**$ 133,783**	**$ 205,717**

Lease obligations as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥ 6,345**	¥ 4,960	**$ 52,875**
Due after one year	**18,341**	13,973	**152,842**
	¥ 24,686	¥ 18,933	**$ 205,717**

Note 11-UNREALIZED GAINS (LOSSES) ON DERIVATIVES

Unrealized gains (losses) on derivatives as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Currency-related transactions	**¥ (6)**	¥ (25)	**$ (50)**
Interest rate-related transactions	**(44)**	144	**(367)**
Total-unrealized gains (losses)	**¥ (50)**	¥ 119	**$ (417)**

The amount is presented except for transactions under the hedge accounting at balance sheet date.

Note 12-SEGMENT INFORMATION

The operations of the Company Group for the years ended March 31, 2003 and 2002 were summarized by product group as follows:

	Millions of Yen						
Year ended March 31, 2003	Petroleum (Japan Energy Group)	Non-ferrous Metals (Nippon Mining & Metals Group)	Electronic Materials (Nikko Materials Group)	Other (Independent Operating Companies and Functional Support Companies)	Total	Eliminations or Corporate	Consolidated
Sales:							
Outside customers	**¥1,738,809**	**¥301,149**	**¥ 60,829**	**¥ 62,301**	**¥2,163,088**	**¥ —**	**¥2,163,088**
Inter-group	**5,017**	**7,434**	**868**	**7,616**	**20,935**	**(20,935)**	**—**
Total	**1,743,826**	**308,583**	**61,697**	**69,917**	**2,184,023**	**(20,935)**	**2,163,088**
Operating costs and expenses	**1,711,491**	**299,990**	**64,383**	**67,951**	**2,143,815**	**(20,983)**	**2,122,832**
Operating Income	**32,335**	**8,593**	**(2,686)**	**1,966**	**40,208**	**48**	**40,256**
Income before special items	**¥ 24,767**	**¥ 15,385**	**¥ (5,890)**	**¥ 2,624**	**¥ 36,886**	**¥ 82**	**¥ 36,968**
Identifiable assets, depreciation and capital expenditures							
Assets	**¥1,030,101**	**¥336,445**	**¥126,705**	**¥236,604**	**¥1,729,855**	**¥(101,132)**	**¥1,628,723**
Depreciation and amortization	**28,123**	**10,097**	**6,288**	**4,572**	**49,080**	**(118)**	**48,962**
Capital expenditures	**19,860**	**7,921**	**4,276**	**6,259**	**38,316**	**86**	**38,402**

	Millions of Yen						
Year ended March 31, 2002	Petroleum (Japan Energy Group)	Non-ferrous Metals (Nippon Mining & Metals Group)	Electronic Materials (Nikko Materials Group)	Other (Independent Operating Companies and Functional Support Companies)	Total	Eliminations or Corporate	Consolidated
Sales:							
Outside customers	¥1,681,431	¥274,093	¥ 60,132	¥ 67,696	¥2,083,352	¥ —	¥2,083,352
Inter-group	3,369	5,886	163	6,708	16,126	(16,126)	—
Total	1,684,800	279,979	60,295	74,404	2,099,478	(16,126)	2,083,352
Operating costs and expenses	1,665,882	271,141	63,580	71,127	2,071,730	(16,126)	2,055,604
Operating Income	18,918	8,838	(3,285)	3,277	27,748	—	27,748
Income before special items	¥ 13,663	¥ 12,425	¥ (4,352)	¥ 3,669	¥ 25,405	¥ —	¥ 25,405
Identifiable assets, depreciation and capital expenditures							
Assets	¥1,082,598	¥340,026	¥130,728	¥228,193	¥1,781,545	¥ (85,662)	¥1,695,883
Depreciation and amortization	30,042	9,604	7,137	4,093	50,876	—	50,876
Capital expenditures	18,987	8,225	11,361	5,229	43,802	—	43,802

Year ended March 31, 2003	Petroleum (Japan Energy Group)	Non-ferrous Metals (Nippon Mining & Metals Group)	Electronic Materials (Nikko Materials Group)	Other (Independent Operating Companies and Functional Support Companies)	Total	Eliminations or Corporate	Consolidated
	Thousands of U.S. Dollars						
Sales:							
Outside customers	**$14,490,075**	**$2,509,575**	**$ 506,908**	**$ 519,175**	**$18,025,733**	**$ —**	**$18,025,733**
Inter-group	**41,808**	**61,950**	**7,233**	**63,467**	**174,458**	**(174,458)**	**—**
Total	**14,531,883**	**2,571,525**	**514,141**	**582,642**	**18,200,191**	**(174,458)**	**18,025,733**
Operating costs and expenses	**14,262,425**	**2,499,917**	**536,525**	**566,257**	**17,865,124**	**(174,858)**	**17,690,266**
Operating Income	**269,458**	**71,608**	**(22,384)**	**16,385**	**335,067**	**400**	**335,467**
Income before special items	**$ 206,392**	**$ 128,208**	**$ (49,083)**	**$ 21,867**	**$ 307,384**	**$ 683**	**$ 308,067**
Identifiable assets, depreciation and capital expenditures							
Assets	**$ 8,584,175**	**$2,803,708**	**$1,055,875**	**$1,971,700**	**$14,415,458**	**$(842,766)**	**$13,572,692**
Depreciation and amortization	**234,358**	**84,142**	**52,400**	**38,100**	**409,000**	**(983)**	**408,017**
Capital expenditures	**165,500**	**66,008**	**35,633**	**52,158**	**319,299**	**717**	**320,016**

Note 13-SUBSEQUENT EVENTS

Appropriation of Retained Earnings

On June 25, 2003, the General Shareholders' Meeting of the Company approved the following appropriation of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥4.0 per share)	**¥ 3,392**	**$ 28,267**

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

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

Report of Independent Auditors

To the Board of Directors of
Nippon Mining Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nippon Mining Holdings, Inc. (formerly Japan Energy Corporation) and its subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Nippon Mining Holdings, Inc. and its subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

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

ChuoAoyama Audit Corporation

Tokyo, Japan
June 25, 2003

Corporate Data

Board of Directors & Auditors

(As of June 25, 2003)

Chairman and Representative Director
Akihiko Nomiyama

President and Representative Director
Yasuyuki Shimizu

Managing Directors
Satoshi Uno
Norio Matsushita

Directors
Takeshi Inoue
Toru Kihara
Fumio Ito
Mitsunori Takahagi
Kazuo Oki
Masanori Okada

Auditors
Tsuyoshi Tsuji (full-time)
Sota Kobayashi (full-time)
Chizuru Yamaguchi (full-time)
Takaaki Fuchita

Senior Officers
Kiyonobu Sugiuchi
Yukio Uchida
Nobuyuki Yamaki

[CORPORATE HISTORY]

1905 Fusanosuke Kuhara opens Hitachi Mine

1908 Smelting and refining plants built in Hitachi (now, Nippon Mining & Metals Co., Ltd., Hitachi Works)

1912 Kuhara Mining Co. established to incorporate previous activities

1914 The Company expands into oil field exploration

1916 Saganoseki Smelter and Refinery [now, Nippon Mining & Metals Co., Ltd., Saganoseki Smelter & Refinery (Oita, Japan)]

1928 Incorporation of other companies, Kuhara Mining Co. establishes Nippon Sangyo Co.

1929 Nippon Mining Co. established within NISSAN, a continuation of the reorganization of Kuhara Mining Co.

1939 Oil refining business added with the purchase of Funakawa Oil Refinery (now, JAPAN ENERGY Corporation, Funakawa Works)

1950 Metal fabrication launched at Kawaski Plant (now, Nikko Metal Manufacturing Co., Ltd., Kurami Works, Kawasaki Plant, Kanagawa)

1959 Production of natural gas commences at Nakajo Gas Field [now, JAPAN ENERGY Development Co., Ltd., Nakajo Plant (Niigata, Japan)]

1961 Operation begins at Mizushima Oil Refinery (now, JAPAN ENERGY Corporation, Mizushima Oil Refinery)

1964 Brass mill operation inaugurated at Kurami Works (now, Nikko Metal Manufacturing Co., Ltd., Kurami Works)

1965 Kyodo Oil Co., Ltd. established

1969 Sodegaura Lubricants Plant (now, JAPAN ENERGY Corporation, Sodegaura Plant) begins operation

1979 Chita Oil Co. (formerly Toa Kyoseki) acquired

1983 Business of Chita Oil Co. transferred to Nippon Mining Co.

1992 Nippon Mining & Metals Co., Ltd. established

1992 Nippon Mining and Kyodo Oil merge to create Nikko Kyodo Co., Ltd.

1993 Nikko Kyodo changes its name to Japan Energy Corporation

1998 Nippon Mining & Metals listed on the First Section of the Tokyo Stock Exchange

1999 Kashima Oil Co., Ltd. becomes subsidiary of Japan Energy

1999 Nikko Materials Co., Ltd. established

2002 Nippon Mining Holdings, Inc. established

2003 Nippon Mining & Metals Co., Ltd. separated metal fabrication from metal operations, established Nikko Metal Manufacturing Co., Ltd.

[CORPORATE PROFILE]

(As of March 31, 2003)

Corporate Profile

Corporate Name	Nippon Mining Holdings, Inc.
Head Office	2-10-1, Toranomon, Minato-ku, Tokyo, Japan 105-0001
Founded	September 27, 2002
Capital	¥40.0 billion

Group Overview

Net Sales	¥2,163.1 billion (Fiscal 2003)
Total Assets	¥1,628.7 billion (Fiscal 2003)

Number of Group Companies

115
(Consolidated subsidiaries and equity method affiliated companies)

Employees (Consolidated)

10,383

Share Information

Number of Shares to Be Issued	848,462,002
Number of Shareholders	117,765

Major Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Issued Shares (%)
Fuji Oil Co., Ltd.	51,820	(7.7)
Japan Trustee Services Bank, Ltd. (Held in trust account)	42,085	(6.3)
The Master Trust Bank of Japan, Ltd. (Held in trust account)	41,044	(6.1)
Mizuho Corporate Bank, Ltd.	25,093	(3.7)
UFJ Trust Bank Ltd. (Held in trust account A)	22,507	(3.3)
Teikoku Oil Co., Ltd.	14,477	(2.2)
Sompo Japan Insurance Inc.	13,982	(2.1)
The Chuo Mitsui Trust and Banking Co., Ltd.	11,152	(1.7)
Sumitomo Mitsui Banking Corporation	11,065	(1.6)
Nomura Trust Bank Co., Ltd.	10,068	(1.5)

Note: Other than the above description, a subsidiary of Nippon Mining Holdings, Inc., Japan Energy Corporation (which changed its trade name to JAPAN ENERGY Electronic Materials Inc. on April 1, 2003) owns 168,165,593 shares of Nippon Mining Holdings, Inc. as a major shareholder, but without voting rights.

Group Companies

(As of October 1, 2003)

Petroleum (Japan Energy Group)

	JAPAN ENERGY CORPORATION	100.0%
	JAPAN ENERGY Development Co., Ltd.	100.0%
☆	Abu Dhabi Oil Co., Ltd.	25.6%
☆	United Petroleum Co., Ltd.	35.0%
	Kashima Oil Co., Ltd.	53.5%
	JOMO-NET Sapporo Co., Ltd.	100.0%
	JOMO-NET Tohoku Co., Ltd.	100.0%
	JOMO-NET Kitakanto Co., Ltd.	100.0%
	JOMO-NET Nishitokyo Co., Ltd.	100.0%
	JOMO-NET Higashitokyo Co., Ltd.	100.0%
	JOMO-NET Minamikanto Co., Ltd.	100.0%
	JOMO-NET Tokai Co., Ltd.	100.0%
	JOMO-NET Kyoto Co., Ltd.	100.0%
	JOMO-NET Kansai Co., Ltd.	100.0%
	JOMO-NET Sanyo Co., Ltd.	100.0%
	JOMO-NET Kyushu Co., Ltd.	100.0%
	J-Quest Co., Ltd.	100.0%
	JOMO Retail Service Co., Ltd.	100.0%
	JOMO Sun Energy Co., Ltd.	100.0%
	JAPAN ENERGY (Singapore) PTE. LTD	100.0%
	Nikko Liquefied Gas Co., Ltd.	51.0%
	Kyo-Pro Co., Ltd.	100.0%
	JOMO-Pro Kanto Co., Ltd.	100.0%
	Nikko Petrochemicals Co., Ltd.	100.0%
	Petrocokes, Ltd.	70.0%
	Nissho Shipping Co., Ltd.	72.0%
	Nippon Tanker Co., Ltd.	87.5%
	NICHIYO ENGINEERING Corporation	100.0%
	JOMO Enterprise Co., Ltd.	100.0%
	JOMO Suport System Co., Ltd.	100.0%
	Irvine Scientific Sales Co., Ltd.	100.0%

Resources and Non-ferrous Metals (Nippon Mining & Metals Group)

	Nippon Mining & Metals Co., Ltd.	100.0%
☆	Tatsuta Electric Wire and Cable Co., Ltd.	33.0%
☆	Toho Titanium Co., Ltd.	37.8%
	Toyoha Mines Co., Ltd.	100.0%
	Kasuga Mines Co., Ltd.	100.0%
	Nikko Exploration and Development Co., Ltd.	100.0%
☆	Minera Los Pelambres	25.0%
	ANT Minerals Pty. Ltd.	60.0%
☆	JECO Corporation	20.0%
☆	Japan Escondida Finance Corporation	20.0%
☆	Japan Collahuasi Resources B.V.	30.0%
☆	COFCO Ltd.	30.0%
	Nippon Mining of Netherlands B.V.	100.0%
	Nippon LP Resources B.V.	60.0%
☆	Industrial Finance Ltd.	25.0%
	Pan Pacific Copper Co., Ltd.	66.0%
	Japan Korea Joint Smelting Co., Ltd.	80.0%
☆	LG-Nikko Copper Inc.	46.0%
	Japan Copper Casting Co., Ltd.	55.0%
	Pan Pacific Copper Shanghai Co., Ltd.	100.0%
	Pan Pacific Copper Taiwan Co., Ltd.	100.0%
☆	Changzhou Jinyuan Copper Co., Ltd.	40.0%
☆	Hitachi Wire Rod Co., Ltd.	20.0%
	Nissho Kou-un Co., Ltd.	100.0%
	Circum Pacific Navigation Co., Ltd.	70.0%
	Kurobe Nikko Galva Co., Ltd.	88.8%
☆	Hachinohe Smelting Co., Ltd.	27.8%
☆	Akita Zinc Co., Ltd.	24.0%
	Nikko Environmental Services Co., Ltd.	100.0%
	Nikko Mikkaichi Recycle Co., Ltd.	100.0%
	Tomakomai Chemical Co., Ltd.	100.0%
	Nikko Tsuruga Recycle Co., Ltd.	100.0%
	Kamine Clean Service Co., Ltd.	100.0%
	Nikko Shoji Co., Ltd.	100.0%
	Nippon Marine Co., Ltd.	100.0%
	Nikko Logistics Partners Co., Ltd.	75.0%
	Nikko Polytech Co., Ltd.	60.0%
	Nikko Art & Craft Co., Ltd.	100.0%

Metal Fabrication (Nikko Metal Manufacturing Group)

	Nikko Metal Manufacturing Co., Ltd.	100.0%
	Fuji Electronics Co., Ltd.	91.9%
	Woojin Precision Industry Co., Ltd.	86.7%
	Nippon Precision Technology (Malaysia) Sdn. Bhd.	80.5%
☆	Poongsan-Nikko Tin Plating Corporation	40.0%
	Nikko Shoji Co., Ltd.	100.0%
	Nikko Coil Center Co., Ltd.	100.0%
	Nippon Mining Singapore Pte. Ltd.	100.0%
	Nippon Mining Taiwan Co., Ltd.	100.0%
	Nippon Mining Shanghai Co., Ltd.	100.0%

Electronic Materials (Nikko Materials Group)

	Nikko Materials Co., Ltd.	100.0%
	NIKKO GOULD FOIL (H.K.) LTD.	100.0%
	Shuzou Nikko Materials Co., Ltd.	100.0%
	Nikko Materials Taiwan Co., Ltd.	100.0%
	GNF(PHILLIPINES) Inc.	100.0%
	Nikko Materials Singapore Pte. Ltd.	100.0%
	Nikko Materials USA Inc.	100.0%
	Nikko Materials Europe GmbH	100.0%
	Jada Electronics Ltd.	37.5%
	Nikko Metal Plating Co., Ltd.	100.0%
	Ichinoseki Foil Manufacturing Co., Ltd.	100.0%
	KITAIBARAKI PRECISION CO., LTD.	50.3%
	Kitaibaraki Business Service Co., Ltd.	100.0%

Others (Independent Operating Companies and Functional Support Companies)

	am/pm JAPAN Co., Ltd.	87.8%
	Central Computer Services Co., Ltd.	95.5%
	Automax Co., Ltd.	100.0%
	Nippon Mining Finance Co., Ltd.	100.0%
	Nippon Mining Research & Technology Co., Ltd.	100.0%
	Nippon Mining Business Support Co., Ltd.	100.0%
	Nippon Mining Ecomanagement, Inc.	100.0%
	Japan Energy Insurance Services Co., Ltd.	100.0%
☆	Maruwn Corporation	49.9%

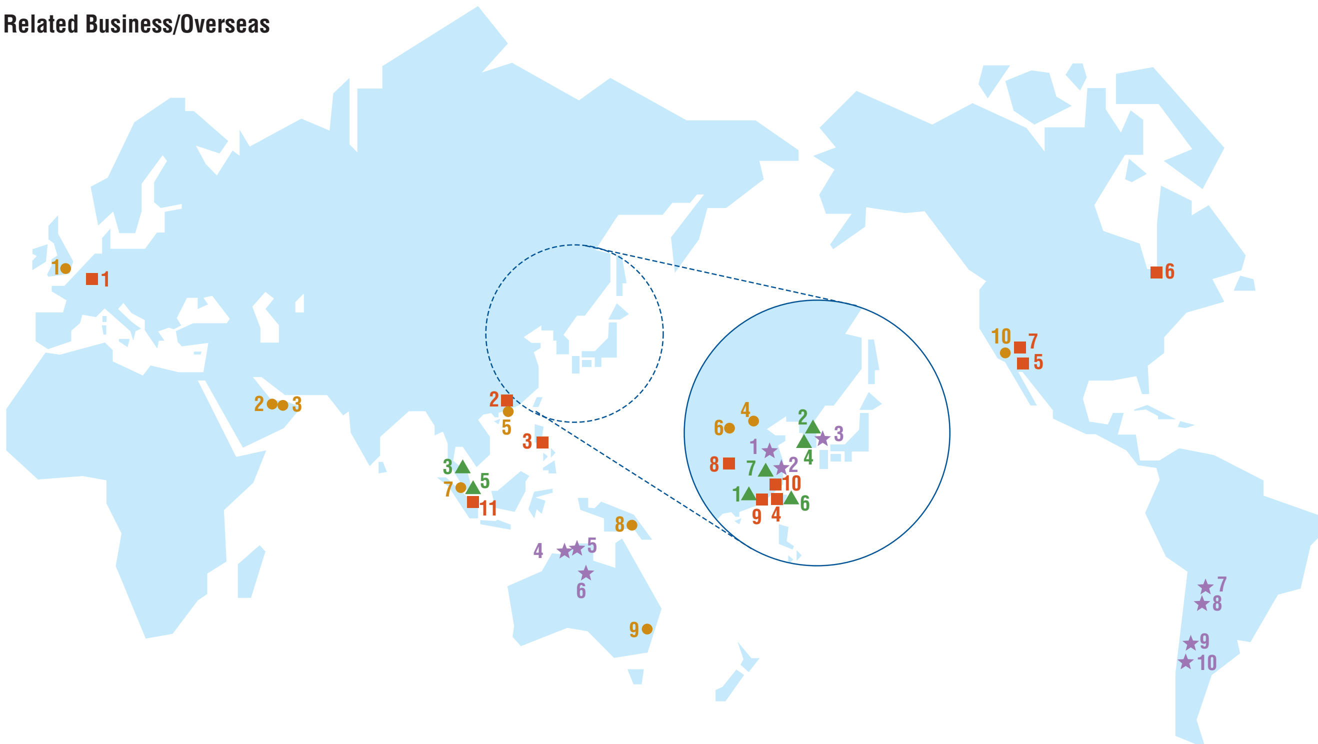
☆ Equity-method Affiliated Company

% Including indirect investment percentage

Global Network

The majority of the businesses owned by the Nippon Mining Holdings Group are active on the global stage. In fact, almost all of the crude oil and copper ore, which serve as raw materials for our core businesses are procured from overseas. The Nippon Mining Group actively pursues a global strategy for the development of these resources. Also, we expect a huge growth in production and sales, in anticipation of which we have been vigorously shifting our production overseas and establishing sales bases in overseas areas where our customers are located. The group is promoting alliances throughout the world with companies of excellent standing and building a solid business foundation.

Related Business/Overseas



● Petroleum
(Japan Energy Group)

1. JAPAN ENERGY (U.K.) Ltd.
2. Abu Dhabi Oil Co., Ltd.
3. United Petroleum Development Co., Ltd.
4. JAPAN ENERGY CORPORATION Beijing Office
5. NMC Pearl River Mouth Oil Development Co., Ltd.
6. SHANXI JAPAN ENERGY LUBRICANTS CO., LTD.
7. JAPAN ENERGY (SINGAPORE) PTE. LTD.
8. Southern Highlands Petroleum Co., Ltd.
9. Japan Energy Oceania Pty., Ltd.
10. Irvine Scientific Sales Co., Ltd.

★ Non-ferrous Metals
(Nippon Mining & Metals Group)

1. Changzhou Jinyuan Copper Co., Ltd.
2. Nippon Mining & Metals Co., Ltd. Shanghai Office
3. LG-Nikko Copper Inc.
4. Nippon Mining & Metals Co., Ltd. Australia Office
5. ANT Minerals Pty. Ltd.
6. McArthur River Mine
7. Collahuasi Mine
8. Escondida Mine
9. Los Pelambres Mine
10. Nippon Mining & Metals Co., Ltd. Chile Office

■ Electronic Materials
(Nikko Materials Group)

1. Nikko Materials Europe GmbH
2. Nikko Gould Foil (H.K.) Ltd.
3. GNF (Philippines) Inc.
4. Nikko Materials (Taiwan) Co., Ltd.

5. 6. 7. Nikko Materials U.S.A. Inc.

8. Shuzou Nikko Materials Co., Ltd.
9. Jada Electronics Ltd.
10. Jada Electronics Shanghai Office
11. Nikko Materials Singapore Pte. Ltd.

▲ Metal Fabrication
(Nikko Metal Manufacturing Group)

1. Fuji Electronics Dongguan Co., Ltd.
2. Woojin Precision Industry Co., Ltd.
3. Nippon Precision Technology (Malaysia) Sdn. Bhd.
4. Poongsan-Nikko Tin Plating Corporation
5. Nippon Mining Singapore Pte. Ltd.
6. Nippon Mining Taiwan Co., Ltd.
7. Nippon Mining Shanghai Co., Ltd.

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