

## Consolidated Closing Report for the year ended March 31, 2008 (Fiscal 2007)

### NIPPON MINING HOLDINGS, INC. (URL: <http://www.shinnikko-hd.co.jp/>)

Code No. : 5016 Stock listings : Tokyo, Osaka and Nagoya  
 President and CEO : Mitsunori Takahagi  
 Address of head office : 10-1, Toranomom 2-chome, Minato-ku, Tokyo  
 Contact to : Investor Relations Department Telephone number : +81-3-5573-5123

Date of annual shareholders' meeting: June 26, 2008

Start of cash dividend payments: June 4, 2008

Date of filing of financial report: June 26, 2008

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Japan.

#### 1. Operating results for the year ended March 31, 2008 (the period from April 1, 2007 to March 31, 2008)

##### (1) Operating results (Consolidated basis)

Note: Percentage figures represent changes from the corresponding previous periods.

|  | Sales           |      | Operating income |        | Income before special items |        | Net income      |       |
|--|-----------------|------|------------------|--------|-----------------------------|--------|-----------------|-------|
|  | millions of yen | %    | millions of yen  | %      | millions of yen             | %      | millions of yen | %     |
| For the year ended<br>March 31, 2008 (Fiscal 2007) | 4,339,472       | 14.1 | 103,186          | (22.0) | 192,026                     | (14.4) | 99,299          | (6.7) |
| For the year ended<br>March 31, 2007 (Fiscal 2006) | 3,802,447       | 25.6 | 132,258          | (8.4)  | 224,236                     | 18.8   | 106,430         | 9.8   |

|  | Basic EPS |     | Fully diluted EPS |     | Return on equity | Income(*) to total assets | Operating income to sales |
|--|-----------|-----|-------------------|-----|------------------|---------------------------|---------------------------|
|  | yen       | sen | yen               | sen | %                | %                         | %                         |
| For the year ended<br>March 31, 2008 (Fiscal 2007) | 107       | 14  | 107               | 06  | 15.2             | 8.9                       | 2.4                       |
| For the year ended<br>March 31, 2007 (Fiscal 2006) | 117       | 98  | 117               | 91  | 19.5             | 11.5                      | 3.5                       |

(\*) Income is income before special items.

Reference: Equity in income of non-consolidated subsidiaries and affiliates 91,927 millions of yen (the previous fiscal year 94,895 millions of yen)

##### (2) Financial position (Consolidated basis)

|                                       | Total assets    | Net assets      | Shareholders' equity ratio | Net assets per share |     |
|---------------------------------------|-----------------|-----------------|----------------------------|----------------------|-----|
|                                       | millions of yen | millions of yen | %                          | yen                  | sen |
| As of March 31, 2008<br>(Fiscal 2007) | 2,251,208       | 765,264         | 30.3                       | 735                  | 22  |
| As of March 31, 2007<br>(Fiscal 2006) | 2,056,407       | 701,064         | 30.3                       | 671                  | 56  |

Reference: Total shareholders' equity 681,411 millions of yen (the previous fiscal year 622,476 millions of yen)

##### (3) Cash flows (Consolidated basis)

|  | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--|
|  | millions of yen                      | millions of yen                      | millions of yen                      | millions of yen                            |
| For the year ended<br>March 31, 2008 (Fiscal 2007) | 56,830                               | (114,391)                            | 74,418                               | 62,621                                     |
| For the year ended<br>March 31, 2007 (Fiscal 2006) | 41,200                               | (97,576)                             | 37,401                               | 45,249                                     |

#### 2. Cash dividends

| (Cut-off date)   | Cash dividends per share |          |     |           |     |                 | Total dividends paid<br>( Full year ) | Payout ratio<br>( Consolidated ) | Dividends paid to net<br>assets ( Consolidated ) |
|--|--------------------------|----------|-----|-----------|-----|-----------------|---------------------------------------|----------------------------------|--|
|  | 1st half                 | Year-end |     | Full year |     | millions of yen |                                       |                                  |  |
|  | yen                      | sen      | yen | sen       | yen | sen             |                                       |                                  |  |
| For the year ended<br>March 31, 2007 (Fiscal 2006)               | 8                        | 00       | 8   | 00        | 16  | 00              | 14,842                                | 13.6                             | 2.6  |
| For the year ended<br>March 31, 2008 (Fiscal 2007)               | 8                        | 00       | 8   | 00        | 16  | 00              | 14,840                                | 14.9                             | 2.3  |
| For the year ending<br>March 31, 2009<br>(Fiscal 2008, forecast) | 8                        | 00       | 8   | 00        | 16  | 00              |                                       | 20.6                             |  |

### 3. Forecasts for Fiscal 2008 (April 1, 2008 - March 31, 2009)

Note: Percentage figures represent changes from the corresponding previous periods respectively.

|           | Sales           |     | Operating income |        | Income before special items |        | Net income      |        | Basic EPS |     |
|-----------|-----------------|-----|------------------|--------|-----------------------------|--------|-----------------|--------|-----------|-----|
|           | millions of yen | %   | millions of yen  | %      | millions of yen             | %      | millions of yen | %      | yen       | sen |
| 1st half  | 2,145,000       | 6.7 | 27,000           | (46.4) | 51,000                      | (46.7) | 26,000          | (49.0) | 28        | 05  |
| Full year | 4,560,000       | 5.1 | 89,000           | (13.7) | 145,000                     | (24.5) | 72,000          | (27.5) | 77        | 69  |

### 4. Other

(1) Important changes in scope of consolidation during period: None

(2) Changes in accounting policies, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements

1. Changes associated with changes in accounting standards: Yes

2. Other changes: None

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)

As of March 31, 2008 (Fiscal 2007): 928,462,002 As of March 31, 2007 (Fiscal 2006): 928,462,002

2. Number of treasury stock outstanding

As of March 31, 2008 (Fiscal 2007): 1,649,131 As of March 31, 2007 (Fiscal 2006): 1,552,704

\* The aforementioned forecasts are based on the information available as of April 30, 2008. The actual results are subject to change due to changes in the business environment.

## Consolidated Balance Sheets

| Account title                                   | Fiscal 2006<br>(As of March 31, 2007) |              | Fiscal 2007<br>(As of March 31, 2008) |              | Increase<br>(decrease) |
|---|---------------------------------------|--------------|---------------------------------------|--------------|------------------------|
|   | millions of yen                       | %            | millions of yen                       | %            | millions of yen        |
| <b>Assets</b>                                   | <b>2,056,407</b>                      | <b>100.0</b> | <b>2,251,208</b>                      | <b>100.0</b> | <b>194,801</b>         |
| Current assets                                  | 996,793                               | 48.5         | 1,157,158                             | 51.4         | 160,365                |
| Cash and time deposits                          | 46,475                                |              | 63,807                                |              | 17,332                 |
| Notes and accounts receivable, trade            | 371,539                               |              | 420,069                               |              | 48,530                 |
| Inventories                                     | 494,954                               |              | 562,893                               |              | 67,939                 |
| Other current assets                            | 84,971                                |              | 111,472                               |              | 26,501                 |
| Less: Allowance for doubtful accounts           | (1,146)                               |              | (1,083)                               |              | 63                     |
| Fixed assets                                    | 1,059,614                             | 51.5         | 1,094,050                             | 48.6         | 34,436                 |
| Property, plant and equipment                   | 649,901                               |              | 685,727                               |              | 35,826                 |
| Buildings and structures                        | 133,528                               |              | 143,020                               |              | 9,492                  |
| Machinery and equipment, other                  | 183,833                               |              | 253,323                               |              | 69,490                 |
| Land  | 281,591                               |              | 277,826                               |              | (3,765)                |
| Construction in progress                        | 50,949                                |              | 11,558                                |              | (39,391)               |
| Intangible assets                               | 92,754                                |              | 89,897                                |              | (2,857)                |
| Investments and other long-term assets          | 316,959                               |              | 318,426                               |              | 1,467                  |
| Investments in securities                       | 263,062                               |              | 274,977                               |              | 11,915                 |
| Long-term loans                                 | 10,175                                |              | 5,030                                 |              | (5,145)                |
| Deferred tax assets                             | 11,237                                |              | 8,252                                 |              | (2,985)                |
| Other   | 33,522                                |              | 31,143                                |              | (2,379)                |
| Less: Allowance for doubtful accounts           | (1,037)                               |              | (976)                                 |              | 61                     |
| <b>Total assets</b>                             | <b>2,056,407</b>                      | <b>100.0</b> | <b>2,251,208</b>                      | <b>100.0</b> | <b>194,801</b>         |
| <b>Liabilities</b>                              | <b>1,355,343</b>                      | <b>65.9</b>  | <b>1,485,944</b>                      | <b>66.0</b>  | <b>130,601</b>         |
| Current liabilities                             | 973,495                               | 47.3         | 1,058,571                             | 47.0         | 85,076                 |
| Notes and accounts payable, trade               | 253,935                               |              | 314,828                               |              | 60,893                 |
| Short-term borrowings                           | 447,635                               |              | 404,174                               |              | (43,461)               |
| Commercial paper                                | 26,000                                |              | 126,000                               |              | 100,000                |
| Accounts payable, other                         | 137,670                               |              | 111,241                               |              | (26,429)               |
| Accrued income taxes                            | 29,713                                |              | 19,955                                |              | (9,758)                |
| Other current liabilities                       | 78,542                                |              | 82,373                                |              | 3,831                  |
| Long-term liabilities                           | 381,848                               | 18.6         | 427,373                               | 19.0         | 45,525                 |
| Bonds   | -                                     |              | 15,000                                |              | 15,000                 |
| Long-term debt                                  | 215,802                               |              | 250,726                               |              | 34,924                 |
| Deferred tax liabilities                        | 62,739                                |              | 64,227                                |              | 1,488                  |
| Allowance for retirement benefits               | 61,304                                |              | 58,037                                |              | (3,267)                |
| Allowance for periodic repair works             | 14,569                                |              | 13,630                                |              | (939)                  |
| Other long-term liabilities                     | 27,434                                |              | 25,753                                |              | (1,681)                |
| <b>Net assets</b>                               | <b>701,064</b>                        | <b>34.1</b>  | <b>765,264</b>                        | <b>34.0</b>  | <b>64,200</b>          |
| Shareholders' equity                            | 578,371                               | 28.1         | 662,322                               | 29.4         | 83,951                 |
| Common stock                                    | 73,920                                | 3.6          | 73,920                                | 3.3          | -                      |
| Capital surplus                                 | 226,762                               | 11.0         | 226,759                               | 10.0         | (3)                    |
| Retained earnings                               | 278,259                               | 13.5         | 362,360                               | 16.1         | 84,101                 |
| Less: Treasury stock, at cost                   | (570)                                 | (0.0)        | (717)                                 | (0.0)        | (147)                  |
| Valuation and translation adjustment            | 44,105                                | 2.2          | 19,089                                | 0.9          | (25,016)               |
| Unrealized gain on marketable securities        | 35,987                                | 1.8          | 23,241                                | 1.0          | (12,746)               |
| Deferred hedge gain (loss)                      | 1,528                                 | 0.1          | 16                                    | 0.0          | (1,512)                |
| Surplus from land revaluation                   | (3,355)                               | (0.2)        | (3,088)                               | (0.1)        | 267                    |
| Accumulated translation adjustment              | 9,945                                 | 0.5          | (1,080)                               | (0.0)        | (11,025)               |
| Stock acquisition rights                        | 181                                   | 0.0          | 361                                   | 0.0          | 180                    |
| Minority interests in consolidated subsidiaries | 78,407                                | 3.8          | 83,492                                | 3.7          | 5,085                  |
| <b>Total liabilities and net assets</b>         | <b>2,056,407</b>                      | <b>100.0</b> | <b>2,251,208</b>                      | <b>100.0</b> | <b>194,801</b>         |

## Consolidated Statements of Income

| Account title   | Fiscal 2006<br>(from April 1, 2006<br>to March 31, 2007) |       | Fiscal 2007<br>(from April 1, 2007<br>to March 31, 2008) |       | Increase<br>(decrease) |
|---|--|-------|--|-------|------------------------|
|   | millions of yen  | %     | millions of yen  | %     | millions of yen        |
| Net sales   | 3,802,447  | 100.0 | 4,339,472  | 100.0 | 537,025                |
| Cost of sales   | 3,485,283  | 91.7  | 4,038,589  | 93.1  | 553,306                |
| <i>Gross profit</i>   | 317,164  | 8.3   | 300,883  | 6.9   | (16,281)               |
| Selling, general and administrative expenses  | 184,906  | 4.8   | 197,697  | 4.5   | 12,791                 |
| <i>Operating income</i>   | 132,258  | 3.5   | 103,186  | 2.4   | (29,072)               |
| <b>Other income</b>   | 112,484  | 3.0   | 109,435  | 2.5   | (3,049)                |
| Interest income   | 2,805  |       | 2,657  |       | (148)                  |
| Dividend income   | 1,751  |       | 1,929  |       | 178                    |
| Exchange gain   | 5,133  |       | 5,016  |       | (117)                  |
| Amortization of negative goodwill   | 1,837  |       | 1,403  |       | (434)                  |
| Equity in income of non-consolidated subsidiaries and affiliates                          | 94,895   |       | 91,927   |       | (2,968)                |
| Other   | 6,063  |       | 6,503  |       | 440                    |
| <b>Other expenses</b>   | 20,506   | 0.6   | 20,595   | 0.5   | 89                     |
| Interest expenses   | 13,102   |       | 13,058   |       | (44)                   |
| Other   | 7,404  |       | 7,537  |       | 133                    |
| <i>Income before special items</i>  | 224,236  | 5.9   | 192,026  | 4.4   | (32,210)               |
| <b>Special profit</b>   | 17,453   | 0.5   | 13,291   | 0.3   | (4,162)                |
| Gain on sales of property, plant and equipment  | 2,108  |       | 3,869  |       | 1,761                  |
| Gain on sales of investments in securities, net   | 13,629   |       | 3,407  |       | (10,222)               |
| Reversal of reserve for loss on business liquidation                                      | -  |       | 2,187  |       | 2,187                  |
| Compensation income for expropriation   | -  |       | 2,111  |       | 2,111                  |
| Other   | 1,716  |       | 1,717  |       | 1                      |
| <b>Special loss</b>   | 21,607   | 0.6   | 17,022   | 0.4   | (4,585)                |
| Loss on sales of property, plant and equipment  | 260  |       | 156  |       | (104)                  |
| Loss on disposal of property, plant and equipment   | 5,077  |       | 5,262  |       | 185                    |
| Impairment losses   | 1,877  |       | 2,678  |       | 801                    |
| Loss on write-down of investments in securities   | 1,256  |       | 447  |       | (809)                  |
| Reorganization and restructuring costs  | 5,204  |       | -  |       | (5,204)                |
| Provision for allowance for environmental remediation                                     | 2,710  |       | 4,087  |       | 1,377                  |
| Provision for allowance for costs of disposal of unutilized property, plant and equipment | 4,465  |       | 494  |       | (3,971)                |
| Provision for allowance for restoration and rehabilitation costs of a closed mining site  | -  |       | 2,394  |       | 2,394                  |
| Other   | 758  |       | 1,504  |       | 746                    |
| <i>Income before income taxes and minority interests</i>                                  | 220,082  | 5.8   | 188,295  | 4.3   | (31,787)               |
| Income taxes  | 66,661   | 1.8   | 55,152   | 1.3   | (11,509)               |
| Deferred income tax   | 18,739   | 0.5   | 10,641   | 0.2   | (8,098)                |
| Minority interests in earnings of consolidated subsidiaries                               | 28,252   | 0.7   | 23,203   | 0.5   | (5,049)                |
| <i>Net income</i>   | 106,430  | 2.8   | 99,299   | 2.3   | (7,131)                |

## Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2007

(millions of yen)

|   | Shareholders' equity |                 |                   |                |          | Valuation and translation adjustment     |                            |                               |                                    | Stock acquisition rights | Minority interests in consolidated subsidiaries | Total net assets |
|---|----------------------|-----------------|-------------------|----------------|----------|--|----------------------------|-------------------------------|------------------------------------|--------------------------|---|------------------|
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total    | Unrealized gain on marketable securities | Deferred hedge gain (loss) | Surplus from land revaluation | Accumulated translation adjustment |                          |   |                  |
| <b>Balance at March 31, 2006</b>                                  | 40,000               | 192,948         | 192,148           | (430)          | 424,666  | 39,471                                   | -                          | (3,340)                       | 6,682                              | -                        | 46,027  | 513,506          |
| Issuance of stock   | 33,920               | 33,818          |                   |                | 67,738   |  |                            |                               |                                    |                          |   | 67,738           |
| Cash dividends paid   |                      |                 | (20,137)          |                | (20,137) |  |                            |                               |                                    |                          |   | (20,137)         |
| Bonuses to directors  |                      |                 | (449)             |                | (449)    |  |                            |                               |                                    |                          |   | (449)            |
| Net income  |                      |                 | 106,430           |                | 106,430  |  |                            |                               |                                    |                          |   | 106,430          |
| Acquisition of treasury stock                                     |                      |                 |                   | (152)          | (152)    |  |                            |                               |                                    |                          |   | (152)            |
| Disposition of treasury stock                                     |                      | 4               |                   | 4              | 8        |  |                            |                               |                                    |                          |   | 8                |
| Grant of treasury stock with exercise of stock acquisition rights |                      | (8)             |                   | 8              | 0        |  |                            |                               |                                    |                          |   | 0                |
| Reclassification with surplus from land revaluation               |                      |                 | 15                |                | 15       |  |                            |                               |                                    |                          |   | 15               |
| Increase arising from changes of consolidation, net               |                      |                 | 252               |                | 252      |  |                            |                               |                                    |                          |   | 252              |
| Net changes of net assets other than shareholders' equity         |                      |                 |                   |                |          | (3,484)                                  | 1,528                      | (15)                          | 3,263                              | 181                      | 32,380  | 33,853           |
| <b>Total changes</b>  | 33,920               | 33,814          | 86,111            | (140)          | 153,705  | (3,484)                                  | 1,528                      | (15)                          | 3,263                              | 181                      | 32,380  | 187,558          |
| <b>Balance at March 31, 2007</b>                                  | 73,920               | 226,762         | 278,259           | (570)          | 578,371  | 35,987                                   | 1,528                      | (3,355)                       | 9,945                              | 181                      | 78,407  | 701,064          |

For the year ended March 31, 2008

(millions of yen)

|   | Shareholders' equity |                 |                   |                |          | Valuation and translation adjustment     |                            |                               |                                    | Stock acquisition rights | Minority interests in consolidated subsidiaries | Total net assets |
|---|----------------------|-----------------|-------------------|----------------|----------|--|----------------------------|-------------------------------|------------------------------------|--------------------------|---|------------------|
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total    | Unrealized gain on marketable securities | Deferred hedge gain (loss) | Surplus from land revaluation | Accumulated translation adjustment |                          |   |                  |
| <b>Balance at March 31, 2007</b>                                  | 73,920               | 226,762         | 278,259           | (570)          | 578,371  | 35,987                                   | 1,528                      | (3,355)                       | 9,945                              | 181                      | 78,407  | 701,064          |
| Cash dividends paid   |                      |                 | (14,841)          |                | (14,841) |  |                            |                               |                                    |                          |   | (14,841)         |
| Net income  |                      |                 | 99,299            |                | 99,299   |  |                            |                               |                                    |                          |   | 99,299           |
| Acquisition of treasury stock                                     |                      |                 |                   | (204)          | (204)    |  |                            |                               |                                    |                          |   | (204)            |
| Disposition of treasury stock                                     |                      | 12              |                   | 30             | 42       |  |                            |                               |                                    |                          |   | 42               |
| Grant of treasury stock with exercise of stock acquisition rights |                      | (15)            |                   | 24             | 9        |  |                            |                               |                                    |                          |   | 9                |
| Increase due to the change of the interest of an affiliate        |                      |                 |                   | 3              | 3        |  |                            |                               |                                    |                          |   | 3                |
| Reclassification with surplus from land revaluation               |                      |                 | (283)             |                | (283)    |  |                            |                               |                                    |                          |   | (283)            |
| Decrease arising from changes of consolidation, net               |                      |                 | (74)              |                | (74)     |  |                            |                               |                                    |                          |   | (74)             |
| Net changes of net assets other than shareholders' equity         |                      |                 |                   |                |          | (12,746)                                 | (1,512)                    | 267                           | (11,025)                           | 180                      | 5,085   | (19,751)         |
| <b>Total changes</b>  | -                    | (3)             | 84,101            | (147)          | 83,951   | (12,746)                                 | (1,512)                    | 267                           | (11,025)                           | 180                      | 5,085   | 64,200           |
| <b>Balance at March 31, 2008</b>                                  | 73,920               | 226,759         | 362,360           | (717)          | 662,322  | 23,241                                   | 16                         | (3,088)                       | (1,080)                            | 361                      | 83,492  | 765,264          |

## Consolidated Statements of Cash Flows

| Account title  | Fiscal 2006<br>(from April 1, 2006<br>to March 31, 2007) | Fiscal 2007<br>(from April 1, 2007<br>to March 31, 2008) | Increase<br>(decrease) |
|--|--|--|------------------------|
|  | millions of yen  | millions of yen  | millions of yen        |
| Cash flows from operating activities   |  |  |                        |
| Income before income taxes and minority interests                              | 220,082  | 188,295  |                        |
| Depreciation and amortization  | 48,808   | 60,303   |                        |
| Impairment losses  | 1,877  | 2,678  |                        |
| Amortization of goodwill   | 2,787  | 2,560  |                        |
| Amortization of negative goodwill  | (1,837)  | (1,403)  |                        |
| Interest and dividend income   | (4,556)  | (4,586)  |                        |
| Interest expenses  | 13,102   | 13,058   |                        |
| Equity in income of non-consolidated subsidiaries and affiliates               | (94,895)   | (91,927)   |                        |
| Gain on sales of investments in securities, net                                | (13,629)   | (3,407)  |                        |
| Loss on write-down of investments in securities                                | 1,256  | 447  |                        |
| Loss on sales and disposal of property, plant and equipment, net               | 3,229  | 1,549  |                        |
| Reorganization and restructuring costs   | 5,204  | -  |                        |
| Increase in trade receivables  | (36,331)   | (51,906)   |                        |
| Increase in inventories  | (42,631)   | (65,842)   |                        |
| Increase (decrease) in trade payables  | (23,951)   | 40,015   |                        |
| Increase in accrued consumption tax  | 12,979   | 8,558  |                        |
| Other, net   | (28,029)   | (33,783)   |                        |
| Subtotal   | 63,465   | 64,609   | 1,144                  |
| Receipts of interest and dividends   | 68,762   | 70,476   |                        |
| Payments for Interest  | (13,331)   | (14,017)   |                        |
| Payments for special retirement benefit  | (1,378)  | (163)  |                        |
| Payments for Income taxes  | (76,318)   | (64,075)   |                        |
| Net cash provided by operating activities                                      | 41,200   | 56,830   | 15,630                 |
| Cash flows from investing activities   |  |  |                        |
| Decrease (increase) in time deposits, net                                      | 186  | (2)  |                        |
| Proceeds from sales of securities  | 1  | -  |                        |
| Payments for acquisition of investments in securities                          | (1,083)  | (20,131)   |                        |
| Proceeds from sales or maturities of investments in securities                 | 14,758   | 9,260  |                        |
| Net payments for acquisition of business assets                                | (22,338)   | -  |                        |
| Net payments for acquisition of investments in newly consolidated subsidiaries | (14,013)   | -  |                        |
| Payments for acquisition of property, plant and equipment                      | (78,056)   | (103,735)  |                        |
| Proceeds from sales of property, plant and equipment                           | 4,335  | 6,126  |                        |
| Payments for acquisition of intangible assets                                  | (7,995)  | (8,273)  |                        |
| Payments for long-term prepaid expenses  | (1,888)  | (1,064)  |                        |
| Decrease (increase) in short-term loans, net                                   | 1,028  | (462)  |                        |
| Payments for lending of long-term loans  | (279)  | (1,092)  |                        |
| Collection of long-term loans  | 7,423  | 6,747  |                        |
| Other, net   | 345  | (1,765)  |                        |
| Net cash used in investing activities  | (97,576)   | (114,391)  | (16,815)               |
| Cash flows from financing activities   |  |  |                        |
| Increase (decrease) in short-term borrowings, net                              | 58,679   | (7,530)  |                        |
| Increase (decrease) in commercial paper, net                                   | (15,000)   | 100,000  |                        |
| Proceeds from borrowings of long-term bank loans and other                     | 29,702   | 105,185  |                        |
| Repayments of long-term bank loans and other                                   | (82,819)   | (106,147)  |                        |
| Proceeds from issuance of bonds  | -  | 15,000   |                        |
| Proceeds from issuance of stock  | 67,738   | -  |                        |
| Proceeds from issuance of stock to minority shareholders                       | 13,090   | 1,534  |                        |
| Proceeds from third-party share allotment of consolidated subsidiary           | 4,000  | -  |                        |
| Cash dividends paid  | (20,137)   | (14,841)   |                        |
| Cash dividends paid to minority shareholders                                   | (17,369)   | (18,448)   |                        |
| Other, net   | (483)  | (335)  |                        |
| Net cash provided by financing activities                                      | 37,401   | 74,418   | 37,017                 |
| Effect of exchange rate changes on cash and cash equivalents                   | (135)  | 432  | 567                    |
| Net increase (decrease) in cash and cash equivalents                           | (19,110)   | 17,289   | 36,399                 |
| Cash and cash equivalents at beginning of period                               | 63,857   | 45,249   | (18,608)               |
| Increase due to subsidiaries newly included consolidation                      | 502  | 83   | (419)                  |
| Cash and cash equivalents at end of period                                     | 45,249   | 62,621   | 17,372                 |

**Notes to Consolidated Financial Statements**  
Nippon Mining Holdings, Inc. (the "Company") and its consolidated subsidiaries

**1. Scope of consolidation**

Consolidated subsidiaries : 115

(Newly included)

3 ( Nikko Materials Korea Co., Ltd.  
Compania Minera Quechua S.A., Nippon Mining IT Co., Ltd.)

(Excluded)

2 ( Nikko Metal Plating Co., Ltd., Regalito Copper Corp.)

**2. Application of equity method**

Affiliated companies accounted for by equity method : 15

**3. Fiscal year ends of consolidated subsidiaries**

- The accompanying consolidated financial statements include the accounts of consolidated subsidiaries that have fiscal year ends other than March 31. The fiscal year ends of such subsidiaries are principally December 31, and the accounts of these subsidiaries have been used for consolidation purposes, with adjustments being made for significant transactions taking place in the intervening period.
- Nikko Materials Philippines Inc., Nikko Materials Taiwan Co., Ltd. and the other company changed their fiscal year ends from March 31 to December 31, respectively.
- Nikko Materials USA, Inc., Gould Electronics GmbH and other five companies changed their fiscal year ends from February 29 to December 31, respectively.

**4. Accounting standards**

**(1) Valuation basis and valuation method for significant assets**

**Investment securities**

**Other securities**

Other securities with readily determinable market values are carried at market values as of each respective balance sheet date, and associated unrealized gains and losses, net of taxes, are reported as a separate component of net assets.

Other securities that do not have readily determinable market values are stated at cost.

**Inventories**

With respect to domestic subsidiaries:

Petroleum inventories are stated at the lower of cost or market using the average cost method.

Metals inventories are stated at the lower of cost or market using the first-in first-out method.

Inventories held by the Company's foreign consolidated subsidiaries are primarily stated at the lower of cost or market using the first-in, first-out method.

**(2) Depreciation method for fixed assets**

**Property, plant and equipment :**

Depreciation of property, plant and equipment is primarily calculated based on the straight-line method.

Changes in accounting policies :

Effective for Fiscal 2007, the Company and its domestic consolidated subsidiaries applied the depreciation method for property, plant and equipment acquired on and after April 1, 2007, prescribed in the revised Corporate Tax Law in line with the 2007 Tax Reform. As a result, in comparison to the previous depreciation method, depreciation costs increased by 766 million yen and operating income decreased by 727 million yen, and income before special items and income before income taxes and minority interests decreased by 728 million yen respectively for Fiscal 2007.

Concurrently, the Company and its domestic consolidated subsidiaries also applied the depreciation method for property, plant and equipment acquired before April 1, 2007, which allowed them to depreciate those assets to 1 yen of the residual value using the straight-line method evenly over a period of five years after they reach the depreciable limits. Due to this additional depreciation, depreciation costs increased by 5,755 million yen, operating income decreased by 5,396 million yen and income before special items and income before income taxes and minority interests decreased by 5,404 million yen respectively for Fiscal 2007, as compared with the case in which the previous method were applied.

**Intangible assets :**

Amortization of intangible assets is primarily computed using the straight-line method.

**(3) Allowances**

**Allowance for doubtful accounts**

The allowance for doubtful accounts is calculated based on the aggregate amount of individually estimated credit losses for doubtful receivables plus an amount calculated using historical write-off experience over a certain period for receivables other than doubtful receivables .

**Allowance for retirement benefits**

The reserve for employee retirement benefits, which is provided for future pension and severance paid at retirement, is recorded at the amount actually computed based on the projected benefit obligation and the estimated fair value of pension plan assets at the end of fiscal year.

Unrecognized net obligation at the date of initial application of the accounting standard for retirement benefits has been amortized on a straight-line basis over a period of ten years.

Unrecognized actuarial gains or losses and unrecognized prior service cost are recognized as income or expenses for the fiscal year of occurrence, except for certain consolidated subsidiaries which have elected to amortize them over the average remaining service period of participating employees.

**Allowance for periodic repair works**

The Company Group has an allowance for periodic repair works in an amount equal to the estimated cost of periodically required repairs for oil tanks and machinery and equipment of oil refineries, which is accrued evenly over a period to the next scheduled repairs.

**(4) Translations of foreign currency transactions and accounts**

Foreign currency transactions are generally translated using the foreign exchange rates prevailing at the respective transaction dates.

All assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Foreign exchange gains and losses are charged to income.

Revenues and expenses of foreign consolidated subsidiaries are translated into Japanese Yen using the average exchange rates for the period. Assets and liabilities are translated into Japanese Yen using the foreign exchange rates prevailing at the balance sheet dates, and equity accounts are translated using historical rates. The resultant difference is presented as "Accumulated translation adjustment" and "Minority interests in consolidated subsidiaries" in a separate component of net assets.

**(5) Leases**

Finance leases, other than those under which the ownership of the leased assets is transferred to the lessee or those contracts that have bargain purchase provisions, are accounted for in the same manner as operating leases.

Foreign consolidated subsidiaries account for finance lease as assets and obligations as if they bought assets.

**5. Valuation of assets and liabilities of consolidated subsidiaries**

The assets and liabilities of a newly consolidated subsidiary are marked to fair value at the time.

**6. Amortization of goodwill and negative goodwill**

Goodwill and negative goodwill are generally amortized over 5 years.

**7. Cash and cash equivalents**

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

**8. Change in accounting policies pertaining to preparation of consolidated financial statements**

In accordance with the revision of "Practical Guidelines of Accounting for Deferred Income Taxes in the Consolidated Financial Statements"

(Accounting Committee Report No.6, issued by Japanese Institute of Certified Public Accountants) on March 29, 2007, the Company charged off the deferred tax assets related to the elimination of unrealized gains on intercompany transactions from transfers of subsidiaries' and affiliates' stocks.

Deferred income tax increased by 3,966 million yen and net income decreased by the same amount for Fiscal 2007.

## Segment Information

### 1. Segment information summarized by product group

As of and for the year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

(millions of yen)

|   | Petroleum | Metals    | Other Operations | Total     | Eliminations or Corporate | Consolidated |
|---|-----------|-----------|------------------|-----------|---------------------------|--------------|
| Sales, operating income and income before special items:                                      |           |           |                  |           |                           |              |
| Sales   |           |           |                  |           |                           |              |
| (1) Outside customers   | 2,750,827 | 1,021,563 | 30,057           | 3,802,447 | -                         | 3,802,447    |
| (2) Inter-group   | 4,877     | 2,525     | 35,640           | 43,042    | (43,042)                  | -            |
| Total   | 2,755,704 | 1,024,088 | 65,697           | 3,845,489 | (43,042)                  | 3,802,447    |
| Operating costs and expenses  | 2,679,793 | 971,757   | 62,280           | 3,713,830 | (43,641)                  | 3,670,189    |
| Operating income  | 75,911    | 52,331    | 3,417            | 131,659   | 599                       | 132,258      |
| Income before special items   | 81,918    | 134,050   | 7,590            | 223,558   | 678                       | 224,236      |
| Identifiable assets, depreciation and amortization impairment losses and capital expenditures |           |           |                  |           |                           |              |
| Assets  | 1,236,312 | 780,669   | 474,402          | 2,491,383 | (434,976)                 | 2,056,407    |
| Depreciation and amortization   | 29,054    | 21,996    | 514              | 51,564    | 31                        | 51,595       |
| Impairment losses   | 1,610     | 127       | -                | 1,737     | 140                       | 1,877        |
| Capital expenditures  | 62,257    | 85,453    | 791              | 148,501   | 118                       | 148,619      |

Breakdown of Metals segment

(millions of yen)

|                                    | Resources and Metals | Electronic Materials | Metal Manufacturing | Eliminations | Metals Total |
|------------------------------------|----------------------|----------------------|---------------------|--------------|--------------|
| Sales                              |                      |                      |                     |              |              |
| (1) Outside customers              | 844,795              | 124,218              | 52,550              | -            | 1,021,563    |
| (2) Inter-group                    | 42,241               | 5,333                | 17,846              | (62,895)     | 2,525        |
| Total                              | 887,036              | 129,551              | 70,396              | (62,895)     | 1,024,088    |
| Operating costs and expenses       | 841,897              | 130,294              | 64,320              | (64,754)     | 971,757      |
| Operating income (loss)            | 45,139               | (743)                | 6,076               | 1,859        | 52,331       |
| Income (loss) before special items | 127,762              | (2,198)              | 6,627               | 1,859        | 134,050      |

As of and for the year ended March 31, 2008 (from April 1, 2007 to March 31, 2008)

(millions of yen)

|   | Petroleum | Metals    | Other Operations | Total     | Eliminations or Corporate | Consolidated |
|---|-----------|-----------|------------------|-----------|---------------------------|--------------|
| Sales, operating income and income before special items:                                      |           |           |                  |           |                           |              |
| Sales   |           |           |                  |           |                           |              |
| (1) Outside customers   | 3,189,776 | 1,116,736 | 32,960           | 4,339,472 | -                         | 4,339,472    |
| (2) Inter-group   | 4,158     | 2,909     | 43,578           | 50,645    | (50,645)                  | -            |
| Total   | 3,193,934 | 1,119,645 | 76,538           | 4,390,117 | (50,645)                  | 4,339,472    |
| Operating costs and expenses  | 3,131,472 | 1,084,748 | 70,701           | 4,286,921 | (50,635)                  | 4,236,286    |
| Operating income (loss)   | 62,462    | 34,897    | 5,837            | 103,196   | (10)                      | 103,186      |
| Income (loss) before special items  | 67,847    | 113,395   | 11,254           | 192,496   | (470)                     | 192,026      |
| Identifiable assets, depreciation and amortization impairment losses and capital expenditures |           |           |                  |           |                           |              |
| Assets  | 1,409,106 | 769,690   | 677,197          | 2,855,993 | (604,785)                 | 2,251,208    |
| Depreciation and amortization   | 35,725    | 26,506    | 519              | 62,750    | 113                       | 62,863       |
| Impairment losses   | 1,892     | 759       | 10               | 2,661     | 17                        | 2,678        |
| Capital expenditures  | 68,773    | 33,749    | 645              | 103,167   | 487                       | 103,654      |

Breakdown of Metals segment

(millions of yen)

|                                    | Resources and Metals | Electronic Materials | Metal Manufacturing | Eliminations | Metals Total |
|------------------------------------|----------------------|----------------------|---------------------|--------------|--------------|
| Sales                              |                      |                      |                     |              |              |
| (1) Outside customers              | 947,620              | 116,241              | 52,875              | -            | 1,116,736    |
| (2) Inter-group                    | 51,895               | 5,086                | 20,836              | (74,908)     | 2,909        |
| Total                              | 999,515              | 121,327              | 73,711              | (74,908)     | 1,119,645    |
| Operating costs and expenses       | 965,601              | 125,804              | 68,266              | (74,923)     | 1,084,748    |
| Operating income (loss)            | 33,914               | (4,477)              | 5,445               | 15           | 34,897       |
| Income (loss) before special items | 114,438              | (6,449)              | 5,391               | 15           | 113,395      |

## Segment Information

Note 1 : Main products for each group are the following:

|                  |  |
|------------------|--|
| Petroleum        | resource development, gasoline, naphtha, kerosene, gas oil, heavy fuel oil, petrochemicals, liquefied petroleum gas, lubricating oil, ship transport, etc.   |
| Metals           | <Resources and Metals><br>resource development, copper, gold, silver, sulfuric acid, ship transport, etc.<br><Electronic Materials ><br>copper foils, sputtering targets, compound semiconductor materials, etc.<br><Metal Manufacturing ><br>wrought copper and copper alloy products, special steel products, precision products, etc. |
| Other Operations | information service, engineering, electric wires, cables, titanium, land transport, common group administrative activities such as fund procurement, etc.  |

Note 2 : Changes in accounting policy

As noted in "Notes to Consolidated Financial Statements 4 (2)," effective for Fiscal 2007, the Company and its domestic consolidated subsidiaries applied the depreciation method prescribed in the revised Corporate Tax Law in line with the 2007 Tax Reform for property, plant and equipment acquired on and after April 1, 2007.

As a result of this application, in Fiscal 2007, as for Petroleum segment, depreciation costs increased by 504 million yen, accordingly, operating costs and expenses increased by 498 million yen and operating income and income before special items decreased by the same amount, while assets decreased by 497 million yen. As for Metals segment, depreciation costs increased by 245 million yen, operating costs and expenses increased by 214 million yen, operating income decreased by the same amount and income before special items decreased by 215 million yen, while assets decreased by 214 million yen. As for Other Operations segment, there was only a slight impact.

Concurrently, the Company and its domestic consolidated subsidiaries applied the depreciation method for property, plant and equipment acquired before April 1, 2007, which allowed them to depreciate those assets to 1 yen of the residual value using the straight-line method evenly over a period of five years after they reach the depreciable limits.

As a result of this application, in Fiscal 2007, as for Petroleum segment, depreciation costs increased by 4,740 million yen, operating costs and expenses increased by 4,451 million yen and operating income and income before special items decreased by the same amount, while assets decreased by 4,443 million yen. As for Metal segment, depreciation costs increased by 991 million yen, operating costs and expenses increased by 933 million yen, operating income decreased by the same amount, income before special items decreased by 941 million yen, while assets decreased by 937 million yen. As for Other Operations segment, there was only a slight impact.

### 2. Segment information summarized by region

For the fiscal year and the previous fiscal year, operations in Japan have over 90% share of the total sales and assets.

### 3. Overseas sales

For the year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

|                                  | Asia    | Others | Total     |
|----------------------------------|---------|--------|-----------|
| Overseas sales (millions of yen) | 511,582 | 50,327 | 561,909   |
| Total sales (millions of yen)    | -       | -      | 3,802,447 |
| Overseas to total sales (%)      | 13.5    | 1.3    | 14.8      |

For the year ended March 31, 2008 (from April 1, 2007 to March 31, 2008)

|                                  | Asia    | Others | Total     |
|----------------------------------|---------|--------|-----------|
| Overseas sales (millions of yen) | 604,336 | 52,522 | 656,858   |
| Total sales (millions of yen)    | -       | -      | 4,339,472 |
| Overseas to total sales (%)      | 13.9    | 1.2    | 15.1      |