

DOWA MINING CO., LTD.

Semiannual Report 2002

April 1, 2002–September 30, 2002

Message from the Management

During the term under review, the Japanese economy began to show signs of a recovery, including a bottoming-out of demand in some areas of the IT sector and steady performance in the automobile industry. However, concerns regarding a recession have resurfaced as a result of the continuing severe conditions in Japan, such as instability in the financial sector, continuing deflation, and substantial devaluation of the stock market.

Dowa Mining Co., Ltd., has undergone major changes through the Company's three-year Business Structure Reform Plan, which began in April 2000, and has successfully implemented major reforms. As a result, the Company has achieved a well-balanced revenue structure based on four core business areas and is not depending solely on its smelting & refining operations.

One of the major targets of the Business Structure Reform Plan was to improve the Company's financial condition. Such measures as the reduction of interest-bearing debt were put into action ahead of schedule, and progress in this area continues smoothly. Dowa will continue with its efforts to improve its business structure until its targets are met.

In addition, fiscal 2003* marks the commencement of the Business Structure Reform Plan II: Charge² & Expansion.

In this phase, Dowa will continue its "selectivity and concentration" policy and further strengthen its business structure. The Company will aggressively invest in growth sectors with a view to expanding its business as well as augmenting R&D to foster new businesses that will become engines of growth in the future. In addition, the Company will continue with efforts to increase asset efficiency, and in the fiscal year ending March 31, 2006, ordinary income is projected to be ¥22 billion, ROA** will reach 9%, and interest-bearing debt will be reduced to ¥100 billion (down from ¥153 billion as of September 30, 2002).

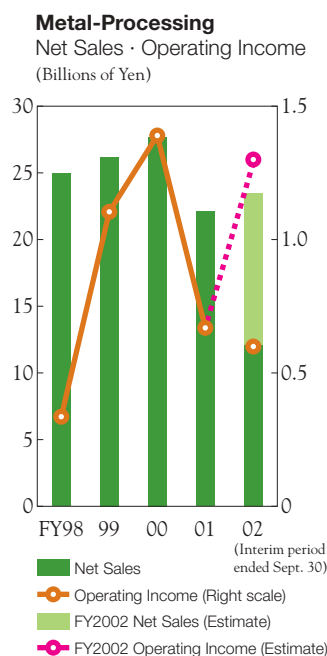
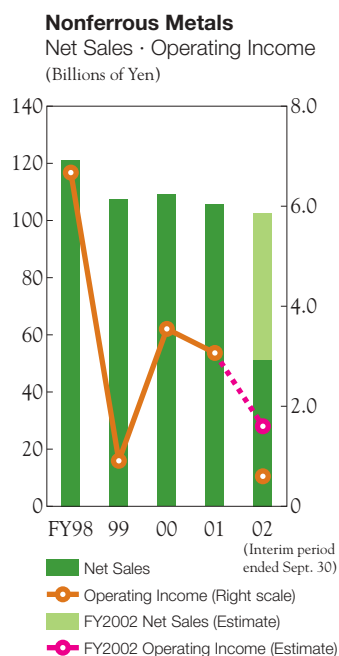
Business Environment and Results

● Nonferrous Metals

Copper and zinc saw a recovery in demand for rolled copper products and increased exports of galvanized steel plates. In addition, sales of silver and platinum rose as a result of higher recycling volumes of these metals. However, prices of copper and zinc fell as a result of falling metal prices overseas, with zinc falling to levels unprecedented in recent years, resulting in declining income in this segment. As a result of the above factors, net sales in the segment were ¥51.1 billion and operating income was ¥0.6 billion.

● Metal-Processing

The Company's main rolled copper products, copper strip, and copper alloy strip products performed well amid strong demand from manufacturers of automobile-use connectors, and unit sales of IT-related connectors rose due to customers easing their cutbacks in production. In addition, as a result of the marketing of new products featuring greater thermal conductivity and strength, better quality control, shorter delivery times, and production in smaller lots, sales and service have improved. As a result, net sales were ¥12.0 billion and operating income was ¥0.6 billion.



*The years stated in the text are for the fiscal year, which runs from April 1 through March 31 of the following year. Thus, fiscal 2003 refers to the year ending March 31, 2004.

**ROA = $\frac{\text{Ordinary Income}}{\text{Total Assets}}$

● **Electronics Materials**

Sales volume increased mainly in products related to PCs and mobile telephones. Sales of such products as LEDs for infrared modules, compound semiconductor wafers for lasers and high-frequency devices, lead frames, silver powder for electric substrate, ferrite powder for motors, and carrier powder for copy machines increased. At the same time, we carried out cost-cutting efforts aimed at improving profitability. As a result, net sales were ¥19.9 billion and operating income was ¥1.9 billion.

● **Environmental Management and Recycling**

This sector expanded as a result of society’s heightened awareness of the environment, resulting in increased recycling activities and favorable business results.

Although waste treatment services felt the effect of the sluggish economy, as a result of the growing need for sound waste treatment, the volume of waste entrusted to Dowo for treatment increased.

In the soil remediation business, due to the expected positive influence on the market of the Soil Contamination Countermeasures Law in February 2003, business is forecast to continue expanding. Recycling business activities began full-scale operations in the recycling of precious metals by a hydrometallurgical plant through Dowo’s new consolidated subsidiary Recycle Systems Japan Co., Ltd. As a result of the above factors, net sales in the segment amounted to ¥16.1 billion and operating income was ¥1.6 billion.

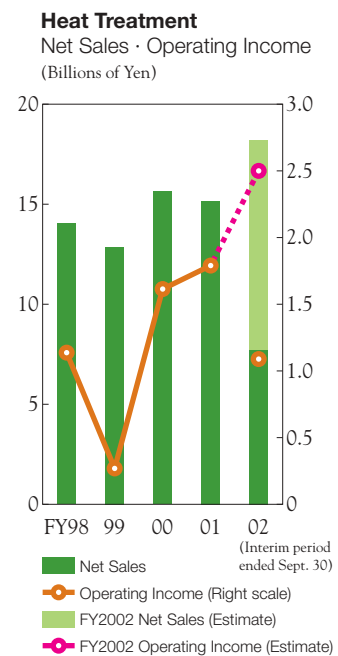
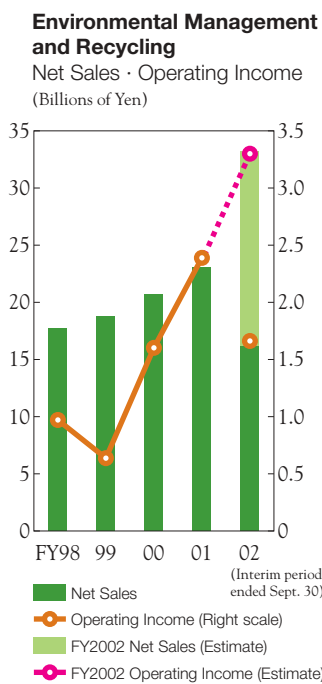
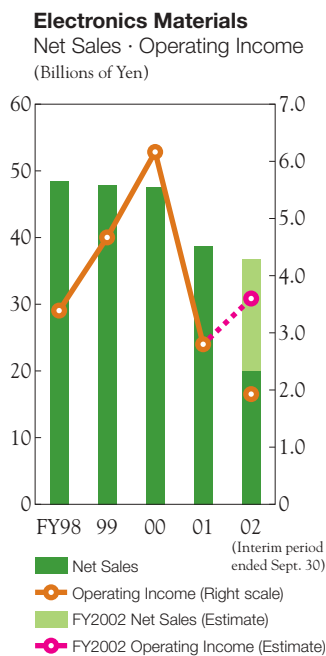
● **Heat Treatment**

As the automobile industry continues to undergo further globalization, demand for the heat treatment of parts for export rose, pushing up sales volumes. In addition, as a result of strong automobile production in North America, Dowo THT America, Inc., showed improved business results.

Sales of industrial furnaces increased due to the aggressive expansion of Japanese automobile manufacturers overseas. In addition, costs declined due to reduced energy use and standardization of parts. As a result, net sales in the segment were ¥7.7 billion and operating income was ¥1.0 billion.

As a result of the above factors, consolidated interim net sales declined 4.4% year on year, to ¥104.3 billion, and operating income increased 9.7%, to ¥6.6 billion. Interim net income skyrocketed 109.7%, to ¥2.3 billion.

An extraordinary loss of ¥1.3 billion was incurred due to losses on structural reforms, amortization of initial transition obligation, and evaluation losses on investment securities and shares of subsidiaries. An extraordinary gain of ¥0.1 billion was realized from the sale of underperforming fixed assets.



The following measures are being implemented during the current fiscal year in line with the Business Structure Reform Plan.

Nonferrous Metals

- Akita Works spun off and Akita Zinc Solutions Co., Ltd., established to increase cost-competitiveness (April 2002)
- Basic agreement of business alliance with Mitsubishi Materials Corporation in the field of zinc marketing and processing (December 2002)
- Basic agreement of business alliance with Sumitomo Metal Mining Co., Ltd., in the field of sulfuric acid marketing and manufacturing (December 2002)
- Expansion of facilities for the reprocessing of precious metals from mobile telephones and used electronic circuit boards (begun in fiscal 2000 at Kosaka Smelting & Refining Co., Ltd.)
- Expansion of facilities to recover platinum group metals from 450 to 800 tons of used honeycomb automobile catalysts per month (Nippon PGM Co., Ltd., May 2002)
- Recovery of valuable metals from automobile shredder residue and full-scale operation of incinerator that uses recovered steam in the process, thereby recycling both metals and steam (4,400 tons per month at Kosaka Smelting & Refining)

Metal-Processing

- Increase ratio of connector materials within sector and boost profitability
- Establishment of Dowa Advanced Materials Shanghai Co., Ltd., (November 2002) in China to conduct slitting and plating of rolled copper products
- Installation of shredding slitter in January 2003 and a plating production line in April 2003

Electronics Materials

- Merge domestic manufacturing sites of ferrite powder
- Withdrawal from rare earth magnet business
- Sale of Dowa Calfine Co., Ltd., which handles calcium carbonate and lime operations, to management via management buyout (September 2002)
- Discontinue domestic manufacturing of lead frames and concentrate production overseas (Dowa Hightech Philippines, Inc.)
- Decision taken to withdraw from barium compound business (tentatively by March 2003)

Environmental Management and Recycling

- Commencement of construction of landfill (capacity of 2.7 million cubic meters, Kosaka Smelting & Refining)
- Commencement of full-fledged operations of West Japan Plant of Recycle Systems Japan Co., Ltd., to recycle silver, gold, and other metals from electronics materials scrap
- Consideration of China-related recycling business
- Expansion of soil remediation business in advance of enforcement of the Soil Contamination Countermeasures Law
- Expand soil remediation capabilities of Hanaoka Mining Co., Ltd. (not only for heavy metals but also for oil and VOC)
- Consideration of business alliances and other measures to strengthen business network

Heat Treatment

- Expansion of heat treatment facilities at Dowa THT America, Inc.'s Ohio Plant
- Development and introduction of new high-efficiency furnaces for processing of CVT parts, etc.

Others

- Opening of office in Shanghai
- Sale of Doyu Supermarket Co.
- Downsizing, withdrawal from, and selling-off of underperforming businesses
- Reduction of assets through various measures, including selling-off of underperforming real estate
- Decision taken to spin off construction subsidiary Dowa Engineering Co., Ltd.

In addition to continuing with measures in line with the Business Structure Reform Plan, Dowa Mining is also looking forward to its next three-year management plan and implementing measures aimed at achieving the goals set out in the Business Structure Reform Plan II.

Overview of Business Structure Reform Plan II for the Following Interim Term

In line with the next three-year business plan, the Business Structure Reform Plan II, Dowa will stay on course with its policy of selectivity and concentration. The Company will concentrate investment activities in growth sectors and sectors wherein it is able to leverage its strengths to improve performance. Dowa has budgeted ¥55 billion for investment (excluding R&D costs) over the three-year period covered by the Business Structure Reform Plan II. This is by far the most aggressive investment stance Dowa has ever taken. Environmental Management and Recycling and Electronics Materials have been allotted ¥25 billion and ¥12 billion, respectively, in an effort to expand business in these sectors.

Management Plan

- Transforming DOWA into a technology company
- Breathing new life into DOWA by combining tradition with the concepts of “speed” and “dismantling and rebuilding”

Business Structure Reform Plan II (Fiscal 2003–2005)

Basic Plan

- Continue with policy of “selectivity and concentration” and attain profitability
- Concentrate investment of assets in growth fields and expand scale of business

Slogan

- Charge² & Expansion

Charge²: Steadily build the Company’s business base today

Expansion: Achieve rapid progress and expansion tomorrow

● Targets for March 2006

	March 2003 Estimate	March 2006 Target
Net Sales	¥220	¥250
Operating Income	14	24
Ordinary Income	11.5	22
Total Assets	270	240
Interest-bearing Debt	145	100
ROA (%)	4.3	9

Investment of approximately ¥55 billion from FY2003-2005, not including R&D expenditures

Nonferrous Metals

Dowa will implement a radical restructuring program in this segment, including substantial cost-cutting and the more efficient leveraging of assets. As a result, ROA in this segment will reach 5% and cash flow will expand significantly.

Environmental Management and Recycling

Dowa’s Environmental Management and Recycling business is one of Dowa’s rapidly expanding segments. In line with its policy of selectivity and concentration, the Company plans to expand business in this key growth sector with an investment of ¥25 billion. This will enable Dowa to become the top company in Japan in the areas of waste treatment, soil remediation, and the recycling of metals as well as a leading company in the Environmental Management and Recycling industry.

Electronics Materials

Dowa plans to invest an additional ¥17 billion, including R&D, to expand new businesses and businesses related to this sector as well as conduct a reassessment aimed at increasing profitability.

Metal-Processing

Dowa will continue with its shift toward such value-added products as automobile parts and accelerate business development efforts in China.

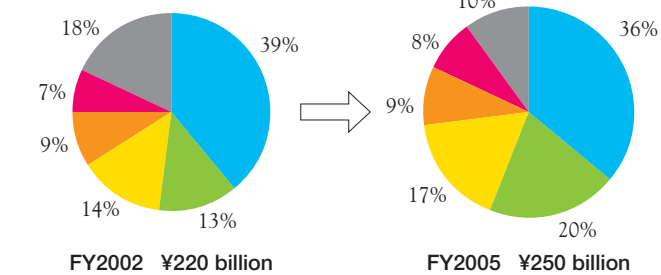
Heat Treatment

Dowa will increase cost-competitiveness and develop businesses strategically positioned to take advantage of the developing automobile industries in Japan, North America, and China.

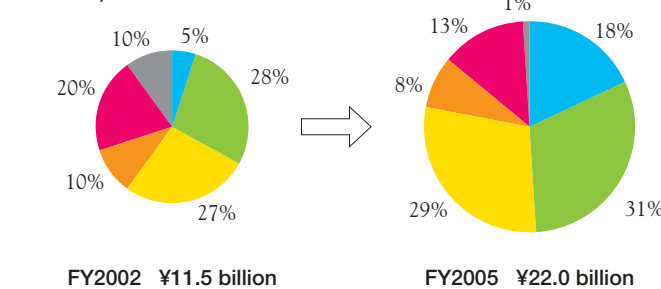
Others

Dowa will continue with efforts to increase asset efficiency, including the sale of stock and land as well as the liquidation of claims credit. Moreover, we will concentrate management resources on core businesses by selling off, withdrawing from, and downsizing non-core businesses.

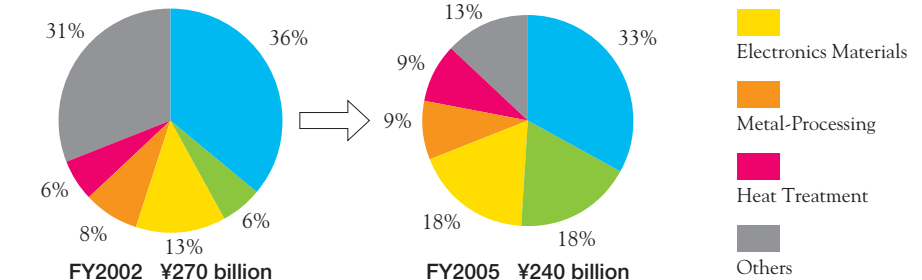
Net Sales



Ordinary Income



Total Assets



DOWA MINING CO., LTD. & ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2002 and 2001

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Current Assets:			
Cash and time deposits (Note 6)	¥ 7,059	¥ 13,099	\$ 57,581
Marketable securities (Notes 6 and 7)	10	47	83
Notes and accounts receivable:			
Trade	40,360	45,263	329,199
Non-consolidated subsidiaries and affiliates	3,365	1,867	27,444
Others	4,935	4,581	40,249
	48,660	51,711	396,892
Inventories	54,885	57,742	447,674
Deferred income taxes	2,650	1,143	21,619
Other current assets	3,133	4,827	25,554
Allowance for doubtful accounts	(2,199)	(396)	(17,934)
Total current assets	114,198	128,173	931,469
Property, Plant and Equipment, at Cost:			
Land	24,885	26,079	202,978
Buildings and structures	83,416	85,774	680,387
Machinery and equipment	142,697	149,009	1,163,925
Construction in progress	5,685	2,467	46,372
	256,683	263,329	2,093,662
Accumulated depreciation	(154,154)	(156,404)	(1,257,374)
	102,529	106,925	836,288
Investments and Other Assets:			
Investments in securities (Note 7)	20,333	29,580	165,849
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 7)	23,287	26,473	189,945
Long-term loans	458	712	3,735
Deferred income taxes	6,070	2,374	49,507
Other assets	4,564	5,732	37,224
Allowance for doubtful accounts	(907)	(648)	(7,396)
Total investments and other assets	53,805	64,223	438,864
Total assets	¥270,532	¥299,321	\$2,206,621

Liabilities, Minority Interests and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Current Liabilities:			
Short-term borrowings	¥ 64,149	¥ 71,426	\$ 523,237
Current maturities of long-term debt.....	27,249	23,277	222,256
Notes and accounts payable:			
Trade	12,306	15,630	100,377
Non-consolidated subsidiaries and affiliates	978	1,775	7,976
Others.....	4,848	4,809	39,542
	18,132	22,214	147,895
Accrued expenses.....	5,702	6,352	46,512
Accrued income taxes.....	2,133	1,786	17,402
Metal loans.....	4,812	5,091	39,247
Other current liabilities	3,107	3,267	25,342
Total current liabilities	125,284	133,413	1,021,891
Long-Term Debt.....	57,120	72,794	465,902
Reserves for Employees' Retirement Benefits	7,808	6,834	63,689
Reserves for Directors' and Corporate Auditors' Retirement Benefits	556	648	4,540
Other Long-Term Liabilities	2,355	2,340	19,209
Minority Interests.....	4,241	4,085	34,591
Contingent Liabilities (Note 5)			
Shareholders' Equity:			
Common stock:			
Authorized: 795,073 thousand shares;			
Issued: 303,791 thousand shares			
at September 30, 2002 and 2001	36,437	36,437	297,199
Additional paid-in capital.....	26,377	26,377	215,147
Retained earnings.....	13,095	12,726	106,812
Unrealized gain (loss) on available-for-sale securities.....	(84)	4,203	(683)
Foreign currency translation adjustments.....	(502)	(536)	(4,095)
	75,323	79,207	614,380
Treasury stock, at cost.....	(2,155)	(0)	(17,581)
Total shareholders' equity	73,168	79,207	596,799
Total liabilities, minority interests and shareholders' equity.....	¥270,532	¥299,321	\$2,206,621

DOWA MINING CO., LTD. & ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the six months ended September 30, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2001	2000	2002
Net Sales	¥104,328	¥109,151	¥113,040	\$850,965
Cost of Sales	85,026	89,896	93,377	693,528
Gross profit	19,302	19,255	19,663	157,437
Selling, General and Administrative Expenses	12,673	13,215	12,907	103,368
Operating income	6,629	6,040	6,756	54,069
Other Income (Expenses):				
Interest and dividend income.....	249	317	405	2,028
Interest expenses.....	(962)	(1,279)	(1,434)	(7,843)
Gain (loss) on sale and disposal of non-current assets, net	(50)	295	2,193	(406)
Gain on sale of available-for-sale securities	39	16	7	320
Exchange loss.....	(30)	(302)	(116)	(248)
Write-down and loss on liquidation of marketable and investment securities	(248)	(312)	—	(2,023)
Equity in earnings (loss) of affiliates	405	(1,232)	290	3,306
Amortization of initial transition obligation	(523)	(539)	(539)	(4,269)
Loss on reorganization.....	(390)	—	—	(3,182)
Other, net	(680)	(269)	(698)	(5,542)
	(2,190)	(3,305)	108	(17,859)
Income before income taxes and minority interests	4,439	2,735	6,864	36,210
Income Taxes:				
Current	1,962	1,570	2,933	16,004
Deferred	89	27	(252)	725
	2,051	1,597	2,681	16,729
Minority Interests	(77)	(35)	(168)	(631)
Net income	¥ 2,311	¥ 1,103	¥ 4,015	\$ 18,850
		Yen		U.S. Dollars (Note 1)
Per Share (Note 4):				
Primary net income	¥ 7.70	¥ 3.65	¥ 14.49	\$ 0.06
Fully diluted net income.....	—	—	—	—
Cash dividends.....	—	—	—	—

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the six months ended September 30, 2002, 2001 and 2000

	Number of Shares of Common Stock (Thousands)	Millions of Yen					
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2000	278,893	¥31,099	¥20,685	¥ 9,912	¥ —	¥ —	¥ (0)
Net income	—	—	—	4,016	—	—	—
Cash dividends paid	—	—	—	(837)	—	—	—
Bonuses to directors	—	—	—	(41)	—	—	—
Equity in accumulated deficit of subsidiaries newly consolidated at beginning of year	—	—	—	(15)	—	—	—
Prior years' tax effect of affiliates accounted for by the equity method	—	—	—	(402)	—	—	—
Retirement of treasury stock	(2,061)	—	(578)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	(488)	—
Purchase of treasury stock	—	—	—	—	—	—	(0)
Balance at September 30, 2000	276,832	¥31,099	¥20,107	¥12,633	¥ —	¥(488)	¥ (0)
Balance at March 31, 2001	290,278	¥33,761	¥23,233	¥13,132	¥ —	¥(561)	¥ (1)
Net income	—	—	—	1,103	—	—	—
Cash dividends paid	—	—	—	(1,451)	—	—	—
Bonuses to directors	—	—	—	(58)	—	—	—
Exercise of warrants	13,513	2,676	3,144	—	—	—	—
Unrealized gain on available-for-sale securities	—	—	—	—	4,203	—	—
Foreign currency translation adjustments	—	—	—	—	—	25	—
Purchase of treasury stock	—	—	—	—	—	—	1
Balance at September 30, 2001	303,791	¥36,437	¥26,377	¥12,726	¥4,203	¥(536)	¥ (0)
Balance at March 31, 2002	303,791	¥36,437	¥26,377	¥11,921	¥1,979	¥(586)	¥ (2)
Net income	—	—	—	2,311	—	—	—
Cash dividends paid	—	—	—	(1,519)	—	—	—
Bonuses to directors	—	—	—	(30)	—	—	—
Increase due to equity of subsidiaries newly consolidated at beginning of year	—	—	—	33	—	—	—
Increase due to new affiliates accounted for by the equity method	—	—	—	379	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	—	(2,063)	—	—
Foreign currency translation adjustments	—	—	—	—	—	84	—
Treasury stock held by affiliates (Note 3)	—	—	—	—	—	—	(2,151)
Purchase of treasury stock	—	—	—	—	—	—	(2)
Balance at September 30, 2002	303,791	¥36,437	¥26,377	¥13,095	¥ (84)	¥(502)	¥(2,155)

	Thousands of U.S. Dollars (Note 1)					
Balance at March 31, 2002	\$297,199	\$215,147	\$ 97,237	\$16,142	\$(4,783)	\$ (18)
Net income	—	—	18,850	—	—	—
Cash dividends paid	—	—	(12,389)	—	—	—
Bonuses to directors	—	—	(246)	—	—	—
Increase due to equity of subsidiaries newly consolidated at beginning of year	—	—	267	—	—	—
Increase due to new affiliates accounted for by the equity method	—	—	3,093	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	(16,825)	—	—
Foreign currency translation adjustments	—	—	—	—	688	—
Treasury stock held by affiliates (Note 3)	—	—	—	—	—	(17,545)
Purchase of treasury stock	—	—	—	—	—	(18)
Balance at September 30, 2002	\$297,199	\$215,147	\$106,812	\$ (683)	\$(4,095)	\$(17,581)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended September 30, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2001	2000	2002
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 4,439	¥ 2,735	¥ 6,864	\$36,210
Adjustments for:				
Depreciation	5,139	5,411	5,610	41,916
Gain (loss) on sales and disposal of property, plant and equipment, net.....	50	(230)	(2,248)	406
Reversal of allowances for bad debts	(22)	(28)	(1)	(181)
Equity in loss (earnings) of affiliates	(405)	1,232	(290)	(3,306)
Change in liability for retirement benefits	581	454	1,024	4,739
Interest and dividend income	(249)	(317)	(405)	(2,028)
Interest expenses	962	1,279	1,434	7,843
Increase (decrease) in trade receivables	3,234	10,483	(102)	26,376
Increase in inventories	(1,103)	(1,464)	(2,533)	(8,996)
Increase (decrease) in trade payables	(3,930)	(6,148)	929	(32,051)
Other, net	564	1,132	(509)	4,600
Subtotal	9,260	14,539	9,773	75,528
Interest and dividend income received	263	376	516	2,142
Interest expenses paid	(976)	(1,560)	(1,619)	(7,959)
Income taxes paid	(2,432)	(4,380)	(570)	(19,833)
Net cash provided by operating activities	6,115	8,975	8,100	49,878
Cash Flows from Investing Activities:				
Proceeds from sales of marketable and investment securities	144	47	711	1,171
Acquisition of property, plant and equipment	(5,229)	(4,336)	(3,531)	(42,647)
Decrease in investments in securities	(110)	(688)	(1,672)	(897)
Increase (decrease) in investments in associates	(353)	(273)	209	(2,879)
Proceeds from disposal of non-current assets	105	1,120	2,438	855
Other, net	1,012	(489)	(284)	8,257
Net cash used in investing activities	(4,431)	(4,619)	(2,129)	(36,140)
Cash Flows from Financing Activities:				
Increase (decrease) in short-term bank loans, net	(101)	4,299	(3,835)	(824)
Increase (decrease) in metal loans, net	136	101	(572)	1,112
Increase in long-term debt	7,704	4,670	3,117	62,839
Repayment of long-term debt	(11,820)	(25,465)	(9,065)	(96,415)
Cash dividends paid	(1,651)	(1,469)	(852)	(13,467)
Capital increase	—	5,338	—	0
Sales (purchases) of treasury stock, net	(2)	1	(577)	(18)
Net cash used in financing activities	(5,734)	(12,525)	(11,784)	(46,773)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4	29	19	36
Net Decrease in Cash and Cash Equivalents	(4,046)	(8,140)	(5,794)	(32,999)
Cash and Cash Equivalents at Beginning of Year	10,430	20,697	21,029	85,071
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	475	—	0	3,871
Cash and Cash Equivalents at End of Period	¥ 6,859	¥12,557	¥15,235	\$55,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**1. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements have been prepared from the accounts maintained by DOWA MINING CO., LTD. (the Company) and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, 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 items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥122.60=US\$1, the rate of exchange on September 30, 2002, has been used in translation.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Investments in non-consolidated subsidiaries have not been accounted for by the equity method, but carried at cost, since the Company's equity in their combined earnings in aggregate does not have a material effect on the consolidated financial statements.

The excess of the purchase price over the underlying equity in the net assets of businesses acquired is amortized on a straight-line basis within 20 years.

Investments in major affiliated companies in which the Company does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for by the equity method.

3. ACCOUNTING FOR TREASURY STOCK AND REVERSAL OF LEGAL RESERVES

Effective with the interim period starting April 1, 2002, the Companies adopted the "Accounting Standard for Treasury Stock and Reversal of Legal Reserves" (Statement of Accounting Standards No.1, issued on February 21, 2002). There was no significant effect on earnings.

Shareholders' equity in the consolidated balance sheet at September 30, 2002 and the consolidated statement of shareholders' equity for the interim period starting April 1, 2002 have been prepared in accordance with the revised regulation concerning semi-annual financial statements.

4. PER SHARE DATA

Effective with the interim period starting April 1, 2002, interim earnings per share were based on the "Accounting Standard for Earnings per Share" (Statement of Accounting Standards No. 2, issued on September 25, 2002). As a result, treasury stocks were not included in the computation of the primary net income per share at September 30, 2002.

5. CONTINGENT LIABILITIES

At September 30, 2002, the Company and its consolidated subsidiaries were contingently liable as guarantor of loans incurred by affiliates and others in the amount of ¥2,143 million (US\$17,481 thousand) and for endorsed notes in the ordinary course of business in the amount of ¥26 million (US\$216 thousand).

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2002 and 2001 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Cash and time deposits.....	¥7,059	¥13,099	\$57,581
Time deposits with deposit terms of over three months	(210)	(578)	(1,721)
Short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value	10	36	83
Cash and cash equivalents.....	¥6,859	¥12,557	\$55,943

7. MARKETABLE SECURITIES AND INVESTMENTS

Marketable securities and investments at September 30, 2002 and 2001 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Investments in non-consolidated subsidiaries and affiliates	¥21,750	¥24,786	\$177,411
Advances to non-consolidated subsidiaries and affiliates	1,537	1,687	12,534
Available-for-sale securities with market quotations	18,101	27,422	147,641
Available-for-sale securities without market quotations:			
Unlisted securities	2,142	2,158	17,475
Free financial funds	10	—	83
Others	90	47	733
	<u>2,242</u>	<u>2,205</u>	<u>18,291</u>
Total	¥46,630	¥56,100	\$355,877

8. SEGMENT INFORMATION

The Company's business segments, which should be separately disclosed pursuant to regulations on consolidated financial statements in Japan, consist of the following:

- (1) Nonferrous metals: Sale of electrolytic copper, zinc, electrolytic lead, electrolytic gold and electrolytic silver
- (2) Metal-processing: Sale of rolled copper and copper alloy products
- (3) Electronics materials: Sale of magnetic materials, semiconductor materials, chemical products, precious metal compounds and chemical synthesis
- (4) Environmental management and recycling: Scrap metal recycling, industrial waste disposal, pollution control facility engineering, soil remediation and transportation business
- (5) Heat treatment: Heat treatment and sale of carburizing furnaces and vacuum furnaces
- (6) Construction and real estate: Construction, rental and sale of real estate
- (7) Commodity sales: Sale of materials in general
- (8) Others: Geothermal business and other

Segment information by business segment as of September 30, 2002, 2001 and 2000 is summarized as follows:

2002	Millions of Yen										
	Nonferrous metals	Metal-processing	Electronics materials	Environmental management and recycling	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations and corporate assets or expenses	Consolidated
Net sales:											
Outside customers	¥42,543	¥11,730	¥18,353	¥ 9,581	¥7,716	¥5,472	¥ 7,892	¥1,041	¥104,328	¥ —	¥104,328
Inter-segment	8,652	333	1,615	6,565	0	1,670	5,394	255	24,484	(24,484)	—
Total	51,195	12,063	19,968	16,146	7,716	7,142	13,286	1,296	128,812	(24,484)	104,328
Operating expenses	50,558	11,463	18,040	14,484	6,626	6,510	13,171	1,223	122,075	(24,376)	97,699
Operating income	¥ 637	¥ 600	¥ 1,928	¥ 1,662	¥1,090	¥ 632	¥ 115	¥ 73	¥ 6,737	¥ (108)	¥ 6,629

2001	Millions of Yen										
	Nonferrous metals	Metal-processing	Electronics materials	Environmental management and recycling	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations and corporate assets or expenses	Consolidated
Net sales:											
Outside customers	¥42,655	¥11,215	¥19,058	¥ 8,262	¥7,187	¥7,252	¥12,413	¥1,109	¥109,151	¥ —	¥109,151
Inter-segment	9,115	211	1,429	2,556	0	1,662	5,930	203	21,106	(21,106)	—
Total	51,770	11,426	20,487	10,818	7,187	8,914	18,343	1,312	130,257	(21,106)	109,151
Operating expenses	50,378	11,159	18,749	9,650	6,469	8,049	18,270	1,313	124,037	(20,926)	103,111
Operating income	¥ 1,392	¥ 267	¥ 1,738	¥ 1,168	¥ 718	¥ 865	¥ 73	¥ (1)	¥ 6,220	¥ (180)	¥ 6,040

2000	Millions of Yen										Consolidated
	Nonferrous metals	Metal-processing	Electronics materials	Environmental management and recycling	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations and corporate assets or expenses	
Net sales:											
Outside customers	¥43,023	¥13,254	¥22,231	¥6,636	¥7,234	¥7,052	¥12,602	¥1,008	¥113,040	¥ —	¥113,040
Inter-segment	10,672	493	1,594	2,632	0	1,818	6,957	133	24,299	(24,299)	—
Total	53,695	13,747	23,825	9,268	7,234	8,870	19,559	1,141	137,339	(24,299)	113,040
Operating expenses	52,249	13,058	20,809	8,592	6,496	8,731	19,438	1,128	130,501	(24,217)	106,284
Operating income	¥ 1,446	¥ 689	¥ 3,016	¥ 676	¥ 738	¥ 139	¥ 121	¥ 13	¥ 6,838	¥ (82)	¥ 6,756

2002	Thousands of U.S. Dollars (Note 1)										Consolidated
	Nonferrous metals	Metal-processing	Electronics materials	Environmental management and recycling	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations and corporate assets or expenses	
Net sales:											
Outside customers	\$347,009	\$95,674	\$149,700	\$ 78,150	\$62,938	\$44,631	\$ 64,375	\$ 8,488	\$ 850,965	\$ —	\$850,965
Inter-segment	70,567	2,718	13,175	53,544	0	13,625	43,999	2,078	199,706	(199,706)	—
Total	417,576	98,392	162,875	131,694	62,938	58,256	108,374	10,566	1,050,671	(199,706)	850,965
Operating expenses	412,383	93,501	147,145	118,135	54,050	53,100	107,435	9,971	995,720	(198,824)	796,896
Operating income.....	\$ 5,193	\$ 4,891	\$ 15,730	\$ 13,559	\$ 8,888	\$ 5,156	\$ 939	\$ 595	\$ 54,951	\$ (882)	\$ 54,069

Segment information by geographic area is not disclosed pursuant to regulations on consolidated financial statements in Japan, since the net sales of the Company and its domestic consolidated subsidiaries, taken as a whole, were more than 90% of consolidated net sales.

Information for overseas sales was not disclosed pursuant to regulations on consolidated financial statements in Japan, since the aggregate of overseas sales of the Company and its domestic subsidiaries and overseas consolidated subsidiaries was less than 10% of consolidated net sales.

9. SUBSEQUENT EVENT

The Company's Board of Directors resolved to entrust the issuance of unsecured straight bonds and conditions of issuance to the Representative Director at the meeting held on August 19, 2002.

The Representative Director decided the terms of the issuance of unsecured straight bonds and conditions of issuance on October 10, 2002 as follows based on the decision of the Board of Directors.

1. Type
Unsecured straight bonds
2. Total amount of issuance of bonds
¥10,000 million (US\$81,103 thousand)
3. Issue price of bonds
100% of the principal amount of bonds
4. Date of issuance and payment
October 24, 2002 (Maturity, October 24, 2007)
5. Interest rate
1.04% per annum
6. Use of proceeds
The net proceeds of the bonds will be applied toward the repayment of bonds.