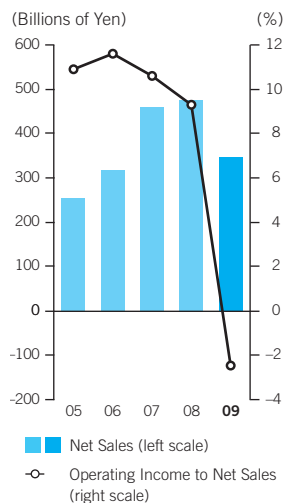


Financial Review

Years ended March 31

Net Sales and Operating Income to Net Sales



Results of Operations

During the first half of the fiscal year ended March 31, 2009, the Japanese economy was supported by solid exports despite the effects of a stronger yen and high oil prices. However, a credit crunch that spread rapidly from the United States in the middle of the fiscal year affected real economies worldwide. The Japanese economy consequently experienced a severe contraction.

Looking at the business environment for Nonferrous Metals, market prices of gold, silver, and copper were generally high in the first half of the fiscal year but plunged from their peak in July because of the withdrawal of speculative funds and declining actual demand. In the second half of the year, prices were low. Prices of zinc and lead continued to decline virtually throughout the fiscal year, although they recovered slightly during certain periods. In the Electronic Materials, Metal Processing and Heat Treatment sectors, exports of automobile and construction machinery components were favorable, and sales of electronic components for IT products and office automation equipment were strong in the first half. In the second half, however, production declined in almost all industries. In Environmental Management & Recycling, the distribution of waste and recycled materials plummeted as both production and consumption fell. The domestic soil remediation business contracted.

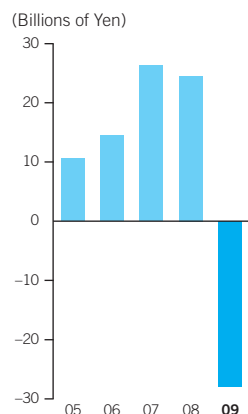
In this environment, the Group bolstered its existing businesses through acquisitions and made improvements to its production facilities. The Group also invested actively in growth fields in the fiscal year under review, the final year of its three-year medium-term business plan, Business Structure Reform Plan III—Jump up to the New Stage. Meanwhile, in response to the deteriorating business environment, the Group took action to improve earnings and engaged in vigorous cost cutting. However, the Group posted a large loss from sharp declines in the selling prices of products associated with plummeting metal prices.

On a consolidated basis, sales in the fiscal year under review amounted to ¥346,885 million, down 27% year on year. The Group posted an operating loss of ¥8,497 million, falling ¥52,816 million from operating income recorded a year ago. The ordinary loss was ¥13,350 million, a decrease of ¥58,239 million from ordinary income posted a year ago. In addition to the operating loss, the ordinary loss reflected a drop-off in earnings of the equity method affiliates and an exchange loss in relation to claims in foreign currency because of a stronger yen in non-operating expenses. The Group posted a net loss of ¥28,138 million, a fall of ¥52,658 million from net income a year ago, attributable to the withdrawal from underperforming operations and the posting of expenses for structural reform, including the consolidation of plants and a loss on revaluation of investments in securities in extraordinary losses.

On a non-consolidated basis, sales amounted to ¥16,052 million, up 10% year on year. Operating income stood at ¥9,255 million, rising 12%, and ordinary income was ¥9,411 million, increasing 4%. Net income was ¥1,798 million, down 79%, reflecting the posting of a loss on revaluation of investments in securities associated with the sharp falls in the stock market.

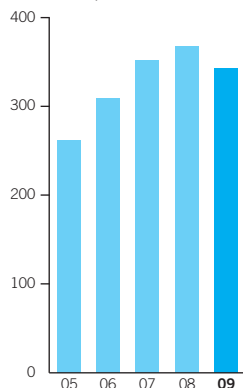
The Group acquired all shares outstanding of Modern Asia Environmental Holdings Inc., which is developing a waste treatment business at four facilities in three countries in Southeast Asia, and made it a consolidated subsidiary in the fiscal year under review (February 2009). However, since the Group consolidated only the balance sheet, the consolidation had no impact on the Group's earnings for the fiscal year under review.

Net Income



Total Assets

(Billions of Yen)

**Forecast for next fiscal year**

(Millions of yen)

| | Net sales | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
|-----------------------------------|-----------|-------------------------|------------------------|-------------------|
| Fiscal year ending March 31, 2010 | 240,000 | 5,000 | 3,000 | 1,000 |
| Fiscal year ended March 31, 2009 | 346,885 | (8,497) | (13,350) | (28,138) |
| Change | (106,885) | (13,497) | 16,350 | 29,138 |
| (Percentage change) | (30.8)% | -% | -% | -% |

Management expects business conditions to remain extremely challenging in the fiscal year ending March 31, 2010 with continued uncertainty about the outlook for demand because of the global economic slowdown. This uncertain operating environment presents downside risks to earnings, notably in relation to potential developments in the currency markets and price trends for metals.

Facing such conditions, in fiscal 2009 the Group plans to focus investment on competitive businesses. At the same time, the Group will lower its break-even point through structural reforms in each business segment and will create a strong business structure that is able to generate profits even if demand is weak.

For the fiscal year ending March 31, 2010, the Group forecasts net sales of ¥240 billion, operating income of ¥5 billion, ordinary income of ¥3 billion and net income of ¥1 billion. These figures assume average U.S. dollar exchange rates of ¥95, and metal prices for copper and zinc of \$4,200/ton and \$1,350/ton, respectively.

* Disclaimer: The above forecasts are based on assumptions, projections and plans relating to future performance that were accurate at the time of this report's publication. Actual performance could differ materially from these forecasts due to risks associated with changes in global economic conditions, the competitive climate and exchange rates, among other factors not subject to the Group's control.

Analysis of Financial Position**Analysis of assets, liabilities and equity**

Total assets at the end of the fiscal year under review fell ¥24,722 million from the end of the previous fiscal year, to ¥343,208 million. Current assets declined ¥25,312 million, and fixed assets rose ¥590 million.

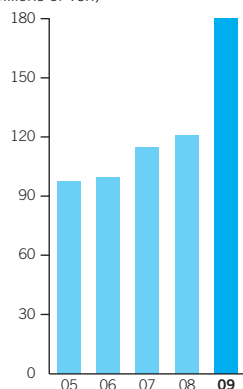
In current assets, the Group deliberately increased cash and time deposits in preparation for unforeseen circumstances, considering the current financial situation. In contrast, notes and accounts receivables fell ¥42,586 million, reflecting declines in metal prices and a decrease in sales associated with the economic slump, and inventories dropped ¥29,074 million. The reasons for the decline in inventories include a drastic reduction of inventory and falls in metal prices. The rise in fixed assets reflects the fact that declines in investments in securities and investments in and advances to non-consolidated subsidiaries and affiliates of ¥19,327 million, attributable to an impairment loss on shares owned because of the stock market slump, was more than offset by a rise in property, plant and equipment of ¥4,691 million associated with capital expenditure to expand operations, mainly in the Environmental Management & Recycling division.

Liabilities increased ¥21,729 million, with a decrease in notes and accounts payables of ¥26,796 million and a fall in accrued income taxes of ¥12,600 million countered by an increase of ¥59,543 million in interest-bearing debt to provide funds for a rise in cash and time deposits, tax payments, and the payment of dividends.

Equity declined ¥46,451 million. The primary factors for the decrease were a net loss of ¥28,138 million, a fall of ¥37,207 million in shareholders' equity because of cash dividends paid and other factors, and a slip of ¥8,429 million in adjustments for valuation, foreign currency

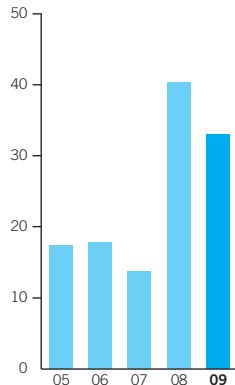
Interest-bearing Debt

(Billions of Yen)



Cash Flows from Operating Activities

(Billions of Yen)



translation and others due to the estimated fair value of derivative transactions at the end of the period. As a result, the equity ratio fell 10.5% from the end of the previous fiscal year, to 28.7%.

Analysis of cash flows

Consolidated cash and cash equivalents (“cash”) rose ¥46,387 million from the end of the previous fiscal year to ¥50,681 million at the end of the fiscal year under review.

Net cash provided by operating activities was ¥33,593 million (down ¥6,804 million year on year) with a loss before income taxes and minority interests of ¥30,608 million (down ¥71,738 million) and other losses more than offset by adjustments of non-financial expenses, including depreciation and amortization of ¥18,612 million, a loss on the valuation of investment securities of ¥9,295 million, a loss on the liquidation of business, a loss on impairment, and a decrease in inventories of ¥29,719 million, among other factors.

Net cash used in investing activities was ¥36,477 million (up ¥2,661 million), primarily reflecting capital expenditures of ¥24,989 million, mainly in the Environmental Management & Recycling business, and purchases of shares of ¥10,561 million for expanding operations.

Net cash provided by financial activities was ¥49,303 million (up ¥51,123 million) with cash dividends paid of ¥7,029 million and the purchase of treasury stock of ¥3,003 million among other factors more than offset by the rise in interest-bearing debt.

(For reference) Cash flow-related indicator trends

| | Fiscal year ended March 31, 2005 | Fiscal year ended March 31, 2006 | Fiscal year ended March 31, 2007 | Fiscal year ended March 31, 2008 | Fiscal year ended March 31, 2009 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Equity ratio | 36.2 | 37.9 | 38.8 | 39.2 | 28.7 |
| Market price-based equity ratio | 82.9 | 136.2 | 102.0 | 48.1 | 31.0 |
| Interest-bearing debt-to-cash flow ratio | 5.6 | 5.6 | 8.4 | 3.0 | 5.4 |
| Interest coverage ratio | 12.2 | 13.6 | 8.6 | 19.5 | 14.0 |

(Notes) 1. Equity ratio: shareholders' equity / total assets

Market price-based equity ratio: market capitalization / total assets

Interest-bearing debt-to-cash flow ratio: interest bearing debt / cash flows

Interest coverage ratio: cash flows / total interest paid

2. Each ratio is calculated on a consolidated basis.

3. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.

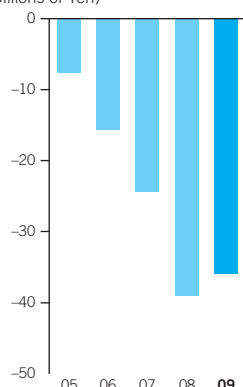
4. Cash flows are the cash flows from operating activities on the consolidated statements of cash flows.

5. Interest-bearing debt includes all liabilities bearing interest posted on the consolidated balance sheets.

The total interest paid is the interest expenses paid on the consolidated statements of cash flows.

Cash Flows from Investing Activities

(Billions of Yen)



Basic Dividend Policy and Dividends for the Fiscal Year Under Review and Next Fiscal Year

The Company views the payment of dividends to shareholders as a key management issue. The Company's policy is to pay a dividend commensurate with performance, having appropriated sufficient retained earnings to bolster the Group's business position and support future business development.

As previously stated, the Group posted a net loss. The loss is linked with temporary factors such as sharply falling metal prices, asset impairment, a loss on the liquidation of business, and expenses for structural reform. Given this, the Company will pay a dividend per share of ¥10 for the fiscal year under review, as already announced.

The dividend for the next term has yet to be determined. This is to allow the Company more time to consider its likely results and financial position, given great uncertainty about future demand.

Business Risks

The Group faces a variety of risks such as those described below that could potentially and adversely impact its operating results, stock price and financial position. Forward-looking statements among the risk items that follow reflect the opinion of the Group as of March 31, 2009.

Economic conditions

The Group's business performance and financial condition may be negatively affected by economic recessions in its principal markets, which include Japan, North America, Asia, and Europe, or by shrinking demand accompanying such changes.

Metal and currency markets

Among its products, the Group handles gold, silver, copper, and zinc, the prices for which are set by international markets. The unprocessed ore for these metals is also procured from overseas. For these reasons, the Group is confronted with risks due to changes in international market conditions and fluctuations in currency exchange rates. The Group employs a variety of hedging measures, including nonferrous metal commodity forward contracts and forward exchange contracts, in an attempt to mitigate these risks.

Public regulations

The Group is subject to a variety of legal regulations. In Japan, these include laws pertaining to the environment and recycling, as well as anti-trust laws. Overseas, the Group must comply with legal regulations present in the countries where it operates, for example regulations regarding customs, imports and exports, and laws concerning the control of foreign currency. The Group, for its part, takes every legal precaution to protect its rights with respect to these laws. Nevertheless, business performance may be adversely affected if Group business operations are restricted as a result of mandates stipulated by the establishment of presently unforeseen regulations.

Stock price fluctuations

The Group is subject to risks due to fluctuations in stock prices stemming from the approximately ¥13.3 billion in marketable securities it held as of March 31, 2009. These securities primarily represent stock held in Group business partners. While the market value of these securities was estimated to contain ¥6.3 billion in unrealized value as of the fiscal year-end, this figure is contingent upon future stock price trends and will change. Similarly, the Group faces the risk that a fall in stock prices could erode the value of pension assets, causing shortfalls in the reserve for retirement benefits and leading to a substantial increase in retirement benefit expenses.

Interest rate fluctuations

As of March 31, 2009, the Group's balance of interest-bearing debt was ¥180.4 billion, with external fund procurement accounting for 53% of total assets. Consequently, a sharp rise in interest rates could adversely affect business performance.

Disasters and power outages

The Group conducts disaster prevention and equipment inspections at all of its facilities in an attempt to minimize any possible negative effects that could result from sudden production line stoppages. Nevertheless, the Group may experience a dramatic decline in production capacity should a disaster, power outage, or other type of interruption occur at its production facilities.