SUMITOMO METAL MINING CO., LTD.

Annual Report 2002

For The Year Ended March 31, 2002

Corporate Philosophy

In this drastically changing global business environment, Sumitomo Metal Mining Co., Ltd. (SMM) constantly reflects back on its beginnings as the first Sumitomo group company and intends to reaffirm Sumitomo Business Principles, which have been in existence for over 300 years. Backed by Sumitomo Metal Mining Group's Mission, we will apply all of our employees' efforts for elevating and strengthening our business structure.

Sumitomo Business Principles

Article 1. Sumitomo shall conduct its business with integrity and sound management, placing prime importance on trust and reliability as the means toward pursuing the sure flourishing of its business operations.

Article 2. Sumitomo shall manage its business operations with positive foresight and flexibility to cope effectively with changing times. At no time shall the company pursue easy gains or act imprudently.

Sumitomo Metal Mining Group's Mission

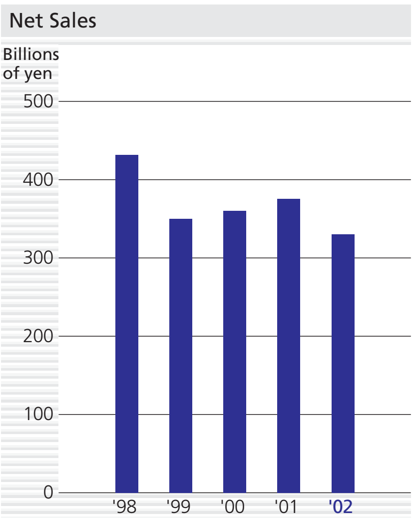
Having Sumitomo Business Principles as its business basics and environmental preservation and safety assurance as its operating basics, SMM shall aim to maximize its corporate value by establishing a global network and providing high-quality materials such as non-ferrous metals and electronics materials.

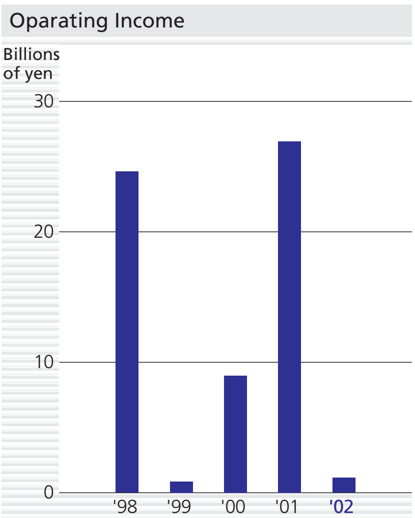
Consolidated Financial Highlights

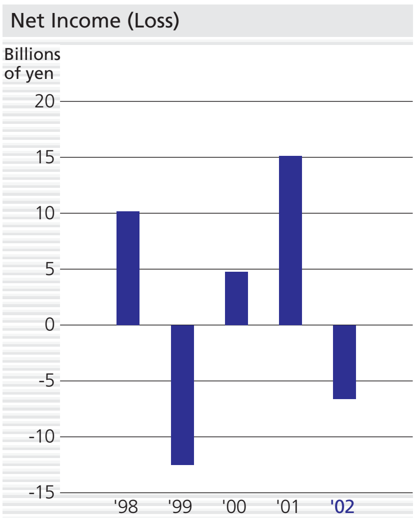
SUMITOMO METAL MINING CO., LTD.

Years ended March 31, 2002, 2001 and 2000	Millions of yen *2002*	2001	2000	Thousands of U.S. dollars *2002*
For the Year :				
Net sales	***¥ 330,194***	¥ 375,352	¥ 360,299	***$2,478,004***
Mineral resources	***23,292***	23,613	26,326	***174,800***
Metallurgy	***197,183***	204,827	195,760	***1,479,798***
Electronics & advanced materials	***110,985***	146,333	130,491	***832,908***
Construction materials & housing	***21,616***	24,880	26,987	***162,221***
Others	***19,986***	15,074	20,399	***149,988***
Operating income	***1,147***	26,930	8,990	***8,608***
Mineral resources	***838***	2,360	1,268	***6,290***
Metallurgy	***3,533***	15,421	6,130	***26,515***
Electronics & advanced materials	***(4,388)***	9,959	1,548	***(32,931)***
Construction materials & housing	***(266)***	(304)	(1,144)	***(1,997)***
Others	***1,826***	334	1,079	***13,703***
Net income (loss)	***(6,611)***	15,103	4,740	***(49,614)***
Net income (loss) per share (¥/$)	***(11.56)***	26.41	8.29	***(0.09)***
Return on assets (%)	—	2.81	0.87	
Return on average shareholders' equity (%)	—	6.39	2.05	
At Year End :				
Total assets	***518,756***	530,080	544,121	***3,893,103***
Shareholders' equity	***236,313***	237,470	235,231	***1,773,456***
Equity ratio (%)	***45.6***	44.8	43.2	

Notes: 1. U.S. dollar figures are translated, for convenience only, at the rate of ¥133.25=U.S. $1, the effective rate of exchange prevailing on March 31, 2002.
2. Net sales and operating income figures in each segment (Mineral resources, Metallurgy, Electronics & advanced materials, Construction materials & housing, Others) include inter-segment transactions.
3. The computation of net income (loss) per share is based on the weighted average number of shares of common stock issued during each fiscal year.







To Our Shareholders

Koichi Fukushima, President

In fiscal year 2002 ending March 2003, Sumitomo Metal Mining Co., Ltd. ("SMM"), initiated its "Mid-term Management Plan," aiming to improve its earning power by achieving a strong and globally competitive corporate structure for the SMM Group. SMM devotes all of its efforts to attaining the Plan's consolidated financial targets—maintaining an equity ratio exceeding 40% and improving ROA (Return on Assets) to 3% or better—by fiscal year 2003.

Consolidated Results for Fiscal Year 2001

In fiscal year 2001 (from April 2001 through March 2002), the non-ferrous metals industry experienced a slump due to the slowdown in the U.S. economy, resulting in an increase in inventories. In the overseas markets, the annual average price of major non-ferrous metals, with the exception of gold, declined from the previous fiscal year, although prices turned upward in the second half of the year. Meanwhile, the yen remained relatively weak throughout the year in spite of temporary revivals. In the electronics-related industries, the worldwide IT recession negatively influenced the sales environment.

In this business environment, both our net sales and operating income declined in fiscal year 2001. Net sales decreased ¥45.2 billion (12.0%) from the previous fiscal year, to ¥330.2 billion, mainly due to a decline in non-ferrous metal prices for nickel and copper, lower sales volume in the Metallurgy segment and a decrease in sales for most products in the Electronics Materials and Advanced Materials segment—a result of the worldwide IT recession.

Operating income in fiscal year 2001 fell sharply, a ¥25.8 billion (95.7%) decrease over the previous fiscal year, to ¥1.1 billion. Ordinary loss was ¥1.5 billion, a decrease of ¥26.6 billion from the previous fiscal year, due to decreased equity in earnings of unconsolidated subsidiaries and affiliated companies.

As a result, the SMM Group posted a net loss of ¥6.6 billion, a decline of ¥21.7 billion from the previous fiscal year, partly due to a decrease in gains on the sale of investment securities. This was despite a decrease in extraordinary losses.

In Mineral Resources segment, net sales fell slightly by ¥0.3 billion (1.4%), to ¥23.3 billion, and operating income decreased significantly 64.5%, to ¥0.8 billion. This was due to a decline in the profits of Sumitomo Metal Mining Arizona Inc. (Arizona, USA), which had been adversely affected by the decrease in copper market prices overseas, as well as the rise in electric power prices in the first half of last year. Higher profits at the Hishikari Mine (Kagoshima) were not sufficient to offset this decrease.

In the Metallurgy segment, net sales stood at ¥197 billion, down ¥7.6 billion (3.7%) over the previous fiscal year. Operating income decreased sharply 77.1%, to ¥3.5 billion, due to unsatisfactory results in the copper and nickel businesses, and at Sumitomo Metal Mining Brass & Copper Co., Ltd. (Tokyo).

In the Electronics Materials and Advanced Materials segment, net sales decreased 24.2% over the previous fiscal year to ¥111 billion, while operating income also fell ¥14.3 billion, resulting in an operating loss of ¥4.4 billion. This was due to a decrease in sales of most products, with the exception of copper-clad polyimide film and nickel hydroxide. This fall in sales was a result of the stagnation in the global semiconductor market and a slump in the optical communication market that was brought on by the economic downturn in the U.S.

Mid-term Management Plan—New Challenges with Wisdom, Energy and Speed

Based on the Corporate Reform Plan created in April 2000, we have been implementing management reforms supported by the concepts of “Reconfirmation and Thorough Execution of the Corporate Philosophy,” “Reinforcement of Corporate Organization” and “Reform of Corporate Culture.” Among the many measures we have implemented, we particularly concentrated our management resources on two core businesses—Mineral Resources and Metallurgy, and Electronics Materials and Advanced Materials—and reduced the number of affiliated companies. However, affected by unexpectedly rapid environmental changes in fiscal year 2001, we were not able to achieve our ROA target of 3%. We recognize that it is vital for us to continue vigorously promoting structural reform to gain a strong and globally competitive corporate structure that will enable us to be profitable even in harsh business environments.

In February 2002, we created a “Mid-term Management Plan” under the slogan “New Challenges with Wisdom, Energy and Speed,” and a management vision stating the goal of becoming “an innovative and vital company creating corporate value on a global scale.” This vision reflects our goal of establishing a stronger corporate structure and improving earning power.

Under the Plan, we are accelerating the “select and focus” strategy within the core businesses. In the Mineral Resources and Metallurgy segment, we focus on nickel, precious metals and copper, and in the Electronic Materials and Advanced Materials segment, we focus on areas closely related to raw materials or materials, with a view to enhancing our earning power.

We are also promoting our environmental business, which has a great deal of potential for growth, by making use of the expertise we have developed in our mineral resources and metallurgy businesses.

As immediate measures to enhance profitability, we will implement cost structure reforms while focusing on three aspects: introduction of a new management information system and enhancement of an administrative department efficiency project; a cost reduction project; and a project to encourage innovation in procurement.

We are also endeavoring to ensure that the new systems introduced under the Corporate Reform Plan are successfully established. By introducing an Executive Officer system in June 2001, we separated the decision-making and supervisory functions from the execution function. We are active in reinforcing both functions and in speeding up our decision-making process by delegating authority to a significant extent.

Also, we are introducing a new performance evaluation system and performance-based reward system in a phased manner beginning with top management. These systems will improve employee motivation and further clarify responsibility and accountability. We began operating a risk management system in August 2001, focusing on legal compliance and other related matters. As of the end of July 2002, 36 offices among our 50 principal domestic offices and affiliated companies have already acquired certification for the ISO14001 environment management system. The number of offices and affiliated companies that have acquired this certification is steadily increasing, bringing us closer to our goal of Group-wide introduction.

Investment Plan

To ensure future strong earning power, we will make active investments in fiscal year 2002, in spite of the Company's severe financial results. We plan to invest ¥34.7 billion—an increase of 37% over the previous year on a consolidated basis—intensively in our core businesses. This investment will consist of ¥7.9 billion—an increase of 182% over the previous year—to Mineral Resources; ¥17.4 billion—an increase of 91%—to Metallurgy; and ¥5.7 billion—a decrease of 49%—to Electronics Materials and Advanced Materials. Having carefully examined profitability and investment efficiency, we have selected projects such as the Copper Production Expansion Project (an investment of ¥2.6 billion), the Coral Bay Nickel Project (¥3.9 billion), the Liese Gold Deposit of the Pogo Project (¥2.4 billion) and the Plant Construction for New Processes in Precious Metals Refining (¥0.7 billion).

In addition, in fiscal year 2003 we intend to continue large-scale investments in Mineral Resources and Metallurgy, such as exploration and the New Nickel Oxide Ore Project. We will invest a total of ¥102 billion during the two-year period from fiscal year 2002 through 2003.

Regrouping of the metal mining companies is progressing worldwide, resulting in a situation in which a few companies dominate the market. In this environment, it is critical for us to secure ore provided by our own mines through direct investment in overseas mines to achieve stable supply of cost competitive products. Based on this perspective, we are actively engaged in new mine development and refining technology development.

To finance these investments, we plan to utilize borrowings from government financial institutions and project finance. In addition, we will sell real estate holdings and marketable securities, as well as securitize trade receivables to further increase asset efficiency.

In fiscal year 2002, on a book value basis, we intend to sell real estate and marketable securities amounting to ¥11 billion and securitize trade receivables amounting to ¥5 billion. In fiscal year 2003, we plan to sell real estate and marketable securities amounting to ¥15 billion.

The outlook of the Japanese economy remains ambiguous, heavily influenced by the instability of the U.S. economy and the exchange rate. We predict that the business environment will continue to be severe in fiscal year 2002. In response, we will cope with such severe circumstances by thoroughly implementing our Mid-term Management Plan and striving to achieve ROA over 3%, while maintaining an equity ratio exceeding 40%. Also, by realizing profits from projects currently in progress, we aim to achieve higher level of financial targets in fiscal year 2005 or later, thereby maximizing our corporate value to meet shareholders' expectations. In the aftermath of the critical accident that occurred in 1999 at the Tokai Plant of JCO Co., Ltd.—a subsidiary of SMM located in Ibaraki—we continue to lend support to JCO to allow it to effectively address safety management, compensation, and other issues.

We very much appreciate your understanding and support for our management policies.

September 2002

K. Fukushima

Koichi Fukushima
President

Special Feature:

Progress of Corporate Reform Plan

Based on the Corporate Reform Plan created in April 2000, SMM has been implementing management reforms supported by the concepts of "Reconfirmation and Thorough Execution of the Corporate Philosophy," "Reinforcement of Corporate Organization" and "Reform of Corporate Culture."

1. Reconfirmation and Thorough Execution of the Corporate Philosophy

To ensure safety management and legal compliance, SMM is promoting the introduction of the ISO14001 environment management system into the entire Group. By March 2003, SMM aims to acquire certification for all Group divisions; the number of offices that have acquired the certification is steadily increasing. As of the end of July 2002, 36 offices (30 domestic and 6 overseas) among our 50 principal domestic offices and affiliated companies have already acquired the certification.

2. Reinforcement of Corporate Organization

1) Reorganization

SMM has been promoting reorganization and a "select and focus" strategy to reinforce its corporate structure. The core concept is to allocate management resources intensively to its two core businesses—the mineral resources and metallurgy business and electronics materials and advanced materials business—and to streamline non-core businesses in which SMM does not have a competitive advantage. We have already decided to reduce the number of affiliated companies from 94 to 68 and are committed to fulfilling this objective.

2) Strategy by Business Segment

Mineral Resources and Metallurgy	• Promote Liese Gold Deposit of the Pogo Project, aiming to start operations in 2004 (already in progress) • Promote Coral Bay Nickel Project to ensure a stable supply of nickel resources (already in progress) • Expand production capacity of Toyo Smelter & Refinery to achieve 450,000 tons of annual copper production (already in progress) • Expand production capacity of the Jinglong Copper Co., Ltd., in China to achieve 150,000 tons of annual copper production
Electronics Materials	• Expand production capacity of paste • Expand production capacity of bonding wire (already in progress)
Advanced Materials	• Expand production capacity of nickel powder • Expand production capacity of copper-clad polyimide films

3) Consolidated Financial Targets

While devising the Corporate Reform Plan, SMM also established the following numerical targets: to maintain an equity ratio of 40% or better and to improve ROA to 3% or better in fiscal year 2001 and to 5% or better in fiscal year 2003.

In fiscal year 2001, although we maintained an equity ratio exceeding 40%, we were not able to achieve our ROA target. We set the ROA target again in the "Mid-term Management Plan," established in February 2002, and continue to strive to reach this target.

4) Establishment of Risk Management

In September 2001, we started operating a risk management system. To develop the system, we clarified approximately 4,000 risks and compiled a database. We continue to maintain and improve this system to ensure complete risk management and thorough legal compliance.

3. Reform of Corporate Culture

To respond to rapid changes in the business environment, we have been promoting reform of corporate culture to ensure clarified accountability, quick decision-making and a clear-cut award and disciplinary code.

1) Implementation of an Executive Officer System

In June 2001, we introduced an Executive Officer system. By separating the decision-making and supervisory functions from the execution function, SMM improved and reinforced both functions, and achieved significant delegation of authority. Through these measures, we aim to speed up our decision-making process.

2) Reinforcement of Strategic Meetings

We reinforced the role of strategic meetings. We are taking advantage of in-depth discussions among meeting participants to improve strategic planning.

3) Remuneration System More Linked to Performance

In accordance with the introduction of an Executive Officer system that clarifies the range of responsibility, we have been introducing a new performance evaluation system and performance-based reward system since July 2001 to further clarify accountability, in a phased manner beginning with top management. By linking performance with evaluation, we can improve employee motivation significantly. In fiscal year 2001, the first year when these systems were in force, they were applied to upper officers, followed by division heads and presidents of subsidiaries. We will continue to extend these systems further.

Special Feature:
Mid-term Management Plan (Fiscal Year 2002-2003)

Our "Mid-term Management Plan," established in February 2002, is designed to improve earning power by forming a strong corporate structure. To be specific, we promote Business Structure Reform by further implementing a "select and focus" strategy within the core businesses—Mineral Resources and Metallurgy, and Electronics Materials and Advanced Materials—as well as Cost Structure Reform, seeking to maintain over 40% of equity ratio and achieve over 3% of ROA in fiscal year 2003, the final year of the Plan.

Business Structure Reform

In Mineral Resources and Metallurgy, we focus on nickel, precious metals and copper. We concentrate our management resources on five main projects (see the next page), including the Coral Bay Nickel Project in the Philippines and the Liese Gold Deposit of the Pogo Project, with a view to enhancing our earning power and expanding our market share of copper and other metals in the growing China market.

In Electronic Materials and Advanced Materials, we focus on areas closely related to raw materials or materials, such as nickel paste and bonding wire, in which we have a competitive edge.

In the zinc operation, we jointly established MS Zinc Co., Ltd. (Tokyo), with Mitsui Mining & Smelting Co., Ltd., in July 2002, in pursuit of stronger global competitiveness with our zinc business.

In April 2002, we spun off the IC packaging materials business, including lead frame, and established Sumitomo Metal Mining Package Materials Co., Ltd. (Tokyo), enabling the new company to control all domestic and overseas businesses and to make the best use of existing networks.

In addition, we intend to reduce affiliated companies to less than 60 by the end of fiscal year 2003 as part of our "select and focus" strategy.

Cost Structure Reform

We aim to reduce administrative department costs of the SMM Group by 30% in and after fiscal year 2004 by introducing a new management information system to promote standardized and efficient operations and shared information. Also, we target cost reductions of approximately ¥1 billion annually by reviewing various systems and customs, and approximately ¥5 billion annually by reviewing materials purchased and procurement methods. As for personnel reduction, we have already reduced approximately 800 employees from Group companies. We plan to further reduce 200 employees from SMM and 300 from Group companies, as well as introduce outsourcing. We will also cut down on remuneration for directors and executive officers by 20 to 30%.

Through these measures, we seek to achieve cost reductions amounting to ¥4 billion in fiscal year 2002 and ¥10 billion in fiscal year 2003.

Summary of Mid-term Management Plan

Business Structure Reform

Core Business
- Mineral Resources and Metallurgy, Electronic Materials and Advanced Materials, Environmental Business

Alliance
- Zinc operation (with Mitsui Mining & Smelting Co., Ltd.)

Reform of Organization
- Streamline Electronics Division
- Spin off IC packaging materials business from Electronics Division

Cost Structure Reform—Three Projects etc.

Management Information System and Administrative Department Efficiency Project
- Reduce administrative department costs by 30%

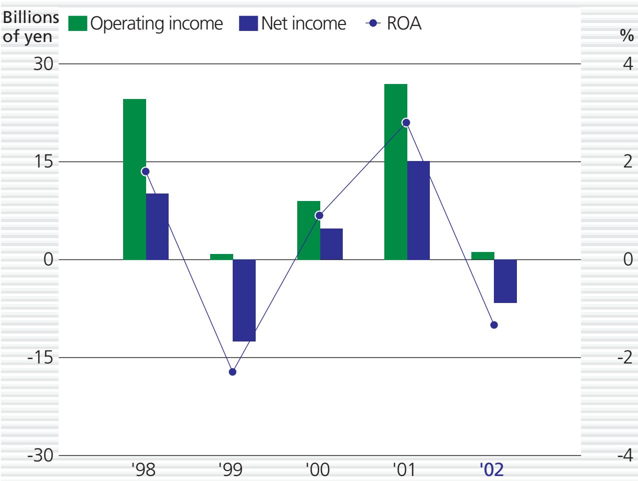
Cost Reduction Project
- Reduce approximately ¥1 billion annually

Procurement Innovation Project
- Reduce approximately ¥5 billion annually

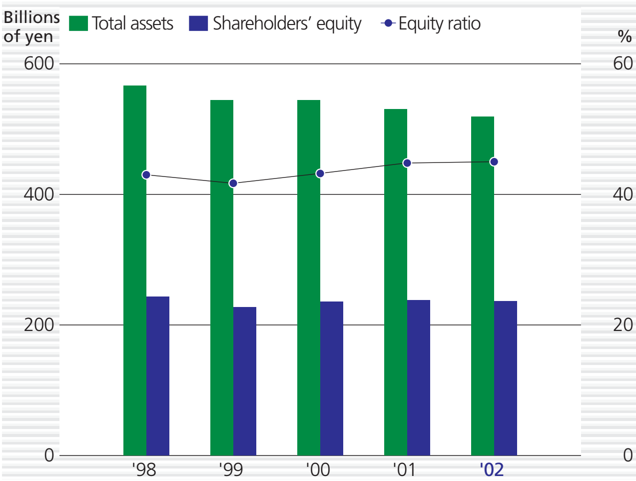
Personnel reduction

Cut down on remuneration for directors and executive officers

Operating Income, Net Income and ROA



Total Assets, Shareholders' Equity and Equity Ratio



Special Feature:

Investment Plan—Five Main Projects

Based on our "Mid-term Management Plan," we plan to invest ¥102 billion in total mainly in our Mineral Resources and Metallurgy segments during a two-year period spanning fiscal year 2002 and 2003. In particular, ¥45 billion in investments—¥16 billion in the Mineral Resources and ¥29 billion in the Metallurgy—are focused on the following five main projects.

Investment Plan in Fiscal Year 2002 and 2003

Mineral resources	¥ 21 billion
Metallurgy	51 billion
Electronics & advanced materials	20 billion
Others	10 billion
Total	¥102 billion

Liese Gold Deposit of the Pogo Project (Mineral Resources)

The Liese Deposit of the Pogo project in Alaska, USA, is a joint venture with Teck Cominco of Canada and SC Minerals America (a U.S. subsidiary of Sumitomo Corporation). Annual gold production is expected to be approximately 12 tons. SMM plans to invest ¥7 billion in the two-year period from fiscal year 2002 through 2003. Currently, the project is in the process of acquiring environmental certification.

Exploration (Mineral Resources)

To ensure stable supply of copper concentrates and meet annual copper production capacity of 450,000 tons, it is vital for us to secure concentrates provided by our own mines through direct investments in overseas mines. We plan to invest ¥9.1 billion during the two-year period in new mine development, such as the Tropico Copper–Platinum Group Metal Project in Sinaloa, Mexico. The exploration team of SMM continues to pursue global exploration opportunities.

Copper Production Expansion (Metallurgy)

We plan to invest ¥11 billion during the two-year period to increase annual copper production capacity at the Toyo Smelter & Refinery from the current 270,000 tons to 450,000 tons.
By enhancing cost competitiveness through economies of scale, we focus on expanding our share in Asian markets, such as the rapidly growing China market. At the Toyo Smelter & Refinery, we have already acquired enough space to enable us to expand capacity effectively. We aim to achieve 300,000 tons of annual production capacity during fiscal year 2003. The production capacity then will be increased to 450,000 tons in response to later growth in demand.

Coral Bay Nickel Project (Metallurgy)

In the Coral Bay Nickel Project, we plan to construct a plant in the southern part of Palawan Island, the Philippines, and produce an intermediary product of the nickel refining process from laterite low-grade nickel oxide ore.

We maintain leadership of the project with a 54% share. By securing future material for nickel production and establishing laterite processing technology through this project, we aim to take an initiative in the global nickel refining business. Total investment of the project amounts to approximately US$170 million (¥21 billion), and we plan to invest ¥9.9 billion during the two-year period.

New Nickel Oxide Ore Project (Metallurgy)

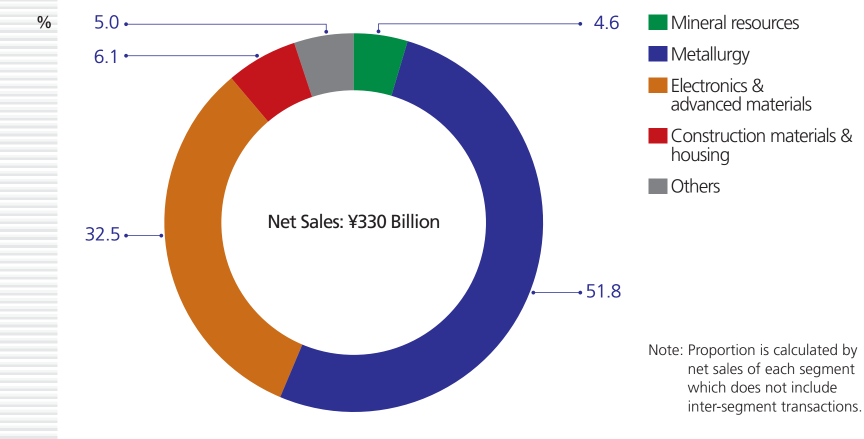
We are in negotiation with Inco in Canada, a world-class nickel manufacturer, to participate in the Goro Project in New Caledonia. This large-scale project receives worldwide attention with its HPAL (High Pressure Acid Leach) process. Total investment amounts to approximately US$1.4 billion (¥175 billion). We have been negotiating for 25% capital participation with other partners for several years. We have developed a cooperative relationship with Inco, including capital participation in P.T. Inco (Indonesia).

Through the Coral Bay Nickel Project, we aim to achieve stable supply to meet an expected increase in demand from domestic metal alloy manufacturers. In addition to this project, we seek to establish a stable supply of stainless steel materials to meet not only domestic but also overseas demand—especially in Southeast Asia, by achieving participation in the Goro Project.

Liese Gold Deposit of the Pogo Project

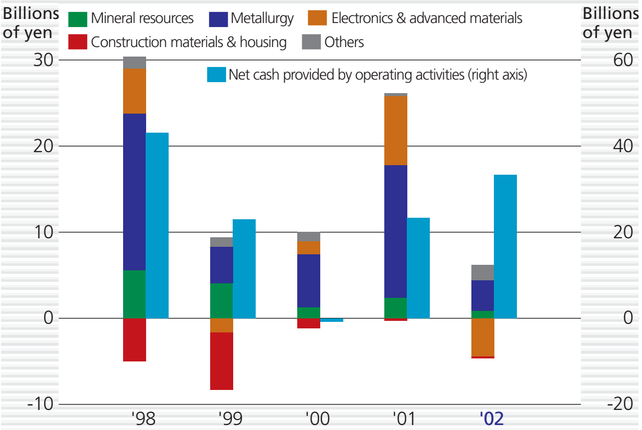
Review of Operations:
At a Glance

Net Sales by Segment (Consolidated)



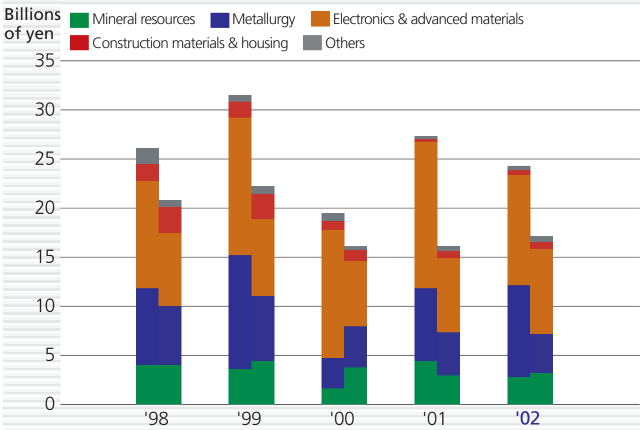
Note: Proportion is calculated by net sales of each segment which does not include inter-segment transactions.

Operating Income and Net Cash Provided by Operating Activities



Note: Operating income of Advanced Materials prior to fiscal year ended March 1999 is included in Metallugy.

Capital Expenditures (left) and Depreciation (right)



Note: Capital expenditures and depreciation of Advanced Materials prior to fiscal year ended March 1999 is included in Metallugy.

Business Profile

Business Segment	Principal Activities	Main Products
Mineral Resources	• Exploration, development, production, and sales of non-ferrous metal resources, domestically and overseas • Geological consulting utilizing mineral resource developing techniques	Gold and silver ore, Copper concentrates
Metallurgy	• Refining and sales of base metals such as copper, nickel, and precious metals	Copper, Nickel, Zinc, Lead, Precious metals such as gold, silver, platinum, etc.
Electronics Materials	• Manufacturing, processing and sales of IC packaging materials, electronics materials, crystal materials, etc. • Manufacturing and sales of optical communication materials and components, devices, connectors, switches, photo conductive cells, silicon photodiode, TV frames, etc.	Lead frame, TAB tape, Bonding wire, Nickel paste, Crystal material (GaP: Gallium Phosphide, LN: Lithium Niobate, LT: Lithium Tantalate), Printed Wiring Board (PWB), Optical components (Faraday Rotator, Optical Isolator and High frequency device).
Advanced Materials	• Manufacturing, processing, and sales of metal powders (nickel, palladium), circuit board materials, materials for batteries, materials for magnets, lubricant, etc.	Nickel powder, Copper-clad polyimide film, Materials for rechargeable batteries (nickel hydroxide, lithium cobaltate), Rare earth metal bonded magnets

Review of Operations:

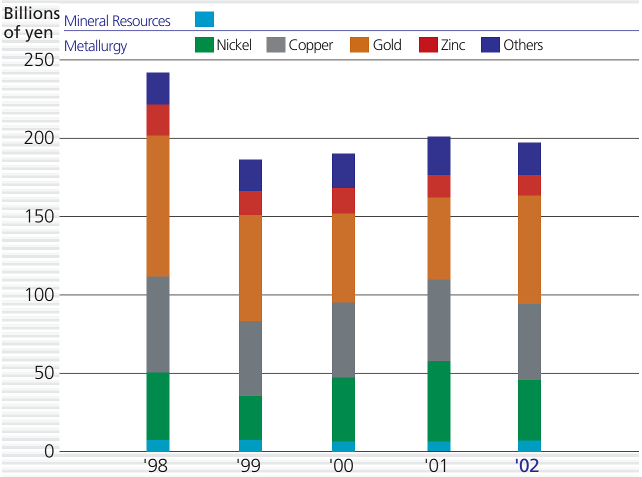
Mineral Resources and Metallurgy

Results of Mineral Resources Segment and Metallurgy Segment in Fiscal Year 2001

The Mineral Resources segment posted net sales of ¥23.3 billion, the same level as the previous fiscal year, and operating income of ¥0.8 billion, a 64.5% decrease from the previous fiscal year. This was mainly due to the decline in overseas copper prices. The annual average copper price fell from ¢82.3/lb in calendar 2000 to ¢71.6/lb in calendar 2001.

The Metallurgy segment posted net sales of ¥197.2 billion, the same level as the previous fiscal year, and operating income of ¥3.5 billion, a 77.1% decrease from the previous year. This was mainly due to the decline in the sales volume of nickel, which had benefited from favorable demand for use as electronics material in the previous fiscal year. This sales decline was due to the severe slowdown in IT-related demand and the fall of nickel's market price overseas.

Net Sales by Product (Non-consolidated)



Focus on Nickel, Precious Metals and Copper to Enhance Profitability

The Mineral Resources and Metallurgy segments have consistently been our core business, accounting for 60% of entire sales. Regrouping of the metal mining companies is progressing worldwide, resulting in oligopolistic situation of the market. In this environment, to achieve stable supply of cost competitive products, it is vital for us to secure ore provided by our own mines through direct investments in overseas mines.

In the "Mid-term Management Plan," we position nickel, precious metal and copper as core businesses and aim to further strengthen an integrated production system encompassing everything from mineral resources development to refining on a global basis and enhance competitiveness worldwide.

Core Business

In the middle to long term, nickel demand is expected to expand steadily for use in stainless steel and electronics materials. SMM aims to further reinforce its nickel business as a comprehensive nickel manufacturer providing various nickel products, including electrolytic nickel and ferro-nickel. To ensure stable supply of nickel resources, we are engaged in the Coral Bay Nickel Project (former Rio Tuba Project) in the Philippines.

Although domestic copper market is regarded as having matured, we see a growing demand for copper in the Asian markets. Among the many companies making inroads in the China market, SMM has the competitive edge with its almost 50% of ore supplied from its own mines, which ensures stable procurement, and its accumulated business experience in China. In copper production, SMM plans to raise production capacity at the Toyo Smelter & Refinery located in Ehime, to achieve a capacity of 450,000 tons per year. The Jinglong Copper Co., Ltd. (China), in which SMM is investing, also plans to increase in production capacity from the current 100,000 tons per year to 150,000 tons, and to 300,000 tons in the long term. In mineral exploration, SMM decided to participate in the Tropico Copper–Platinum Group Metal Project in Sinaloa, Mexico, in October 2001.

In precious metals, SMM continues its stable operation of the Hishikari Mine, one of the world highest gold grade mine. SMM also promotes the Liese Gold Deposit of the Pogo Project in Alaska, USA, aiming to start operation in 2004. Furthermore, SMM plans to introduce a new process for the refining of precious metals in fiscal year 2003 to enhance efficiency. This new process enables it to more efficiently collect gold, silver, platinum, palladium and rhodium, as well as rare/precious metals such as iridium and ruthenium that are normally difficult to be recovered through conventional processes.

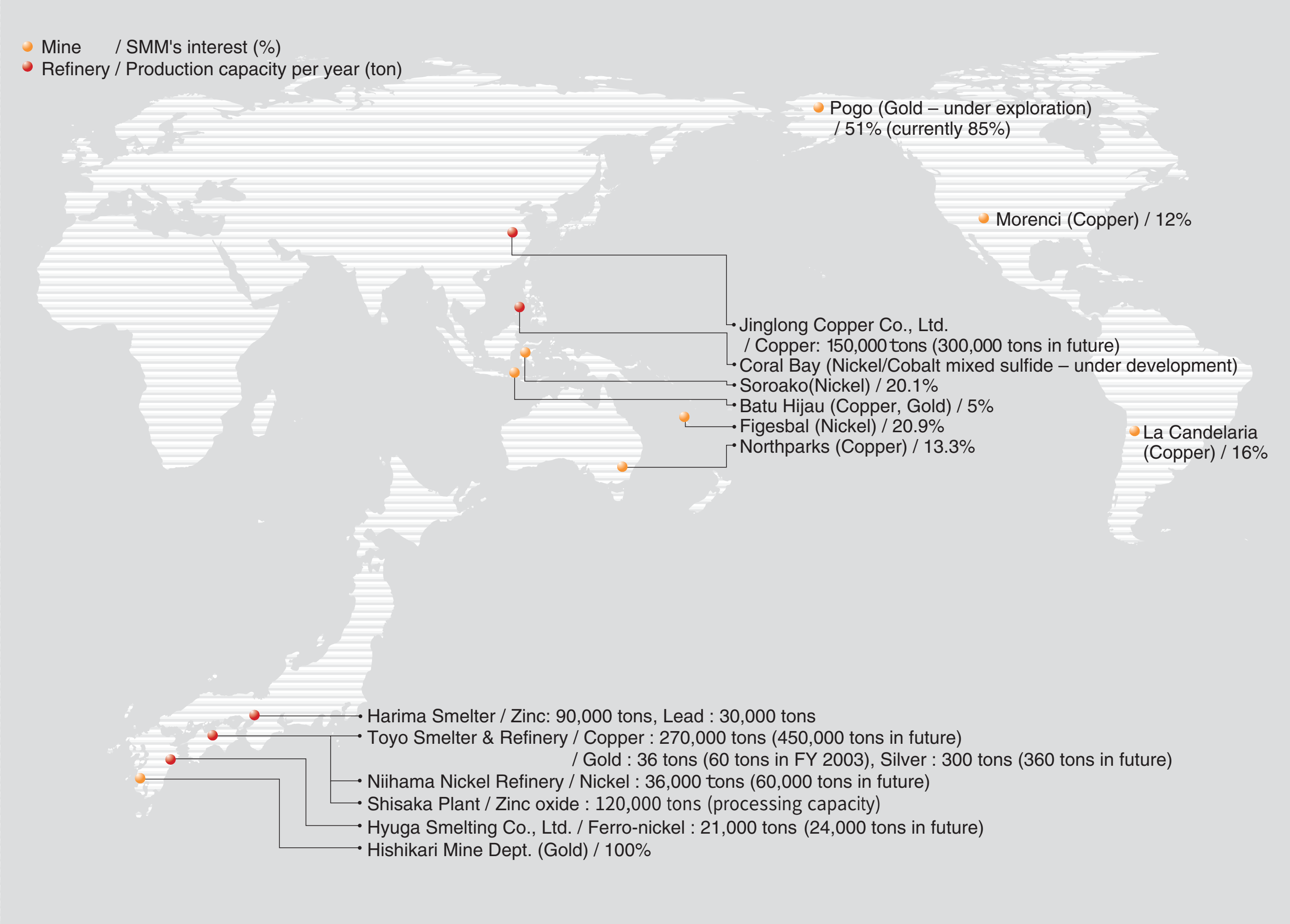
Alliance

In zinc operation, SMM established MS Zinc Co., Ltd. (Tokyo), with Mitsui Mining & Smelting Co., Ltd., in July 2002. Through various joint operations at MS Zinc, ranging from procurement to product sales, technology development and mineral resources development, we strengthen the global competitiveness of our zinc business.

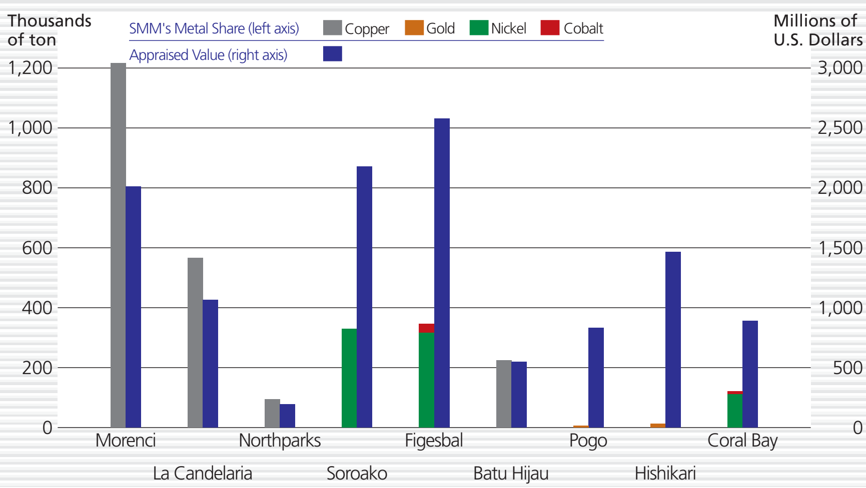
Reform of Organization

The Metallurgy segment reformed its organization in October 2001 and introduced a new system reorganizing sectors by product line—"Copper and Precious Metals," "Nickel" and "Zinc and Lead." This new system enables us to clarify authority and responsibility in each sector and to reinforce organization to further improve cost competitiveness of each product.

SMM's Worldwide Mines and Refineries

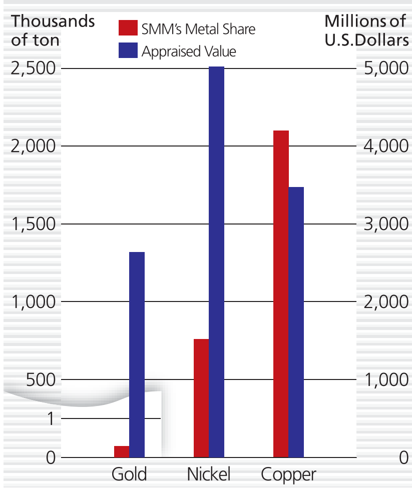


SMM's Metal Share and Value by Mine



Notes: 1. Only the Company's own mines are covered.
2. SMM's metal share = Ore reserves (ton) x Metal grade x SMM's interest of mine (%)
3. Appraised value = SMM's metal share (ton) x Standard metal price
4. Standard metal price = Gold:290$/toz, Nickel:3.00$/lb, Copper:75¢/lb, Cobalt:7.5$/lb

SMM's Metal Share and Value by Metal



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Nickel

In fiscal year 2001, SMM's sales of nickel, which showed favorable results in the previous fiscal year, decreased due to a slowdown in IT-related demand and lower prices. However, from a middle- to long-term perspective, demand for nickel is expected to expand, because nickel is indispensable for stainless steel and electronics materials.

SMM is the only domestic manufacturer of electrolytic nickel. Also, it manufactures ferro-nickel, raw material of stainless steel. In our "Mid-term Management Plan," we aim to expand production capacity of electrolytic nickel from 36,000 tons per year to 60,000 tons and ferro-nickel from 21,000 tons to 24,000 tons in the long term, by ensuring stable raw material supply overseas.

In procurement, SMM has capital participation in P.T. Inco (Indonesia) and has a long-term matte purchase agreement with WMC (Australia), to establish a stable supply network for nickel. Furthermore, SMM is promoting the Coral Bay Nickel Project to ensure stable procurement for the future.

Coral Bay Nickel Project

The Coral Bay Nickel Project employs the HPAL (High Pressure Acid Leach) method, which produces nickel/cobalt mixed sulfide (MS), an intermediary product in the nickel refining process, from laterite low-grade nickel oxide ore. The project is planned to construct processing plant at Rio Tuba in southern part of Palawan Island, the Philippines, and process10,000 tons of nickel and 700 tons of cobalt annually. SMM will purchase all of the MS produced there and refine it to create the final product at a nickel refinery in Ehime.

To advance the project, in July 2002, SMM concluded a joint venture agreement to establish Coral Bay Nickel Co., Ltd. in the Philippines with Mitsui & Co., Ltd., Nissho Iwai Corporation and Rio Tuba Nickel Mining Corporation (the Philippines). Also, in July, we acquired the Environmental Compliance Certificate required to initiate the project from the Philippines government, and started full-fledged plant construction.

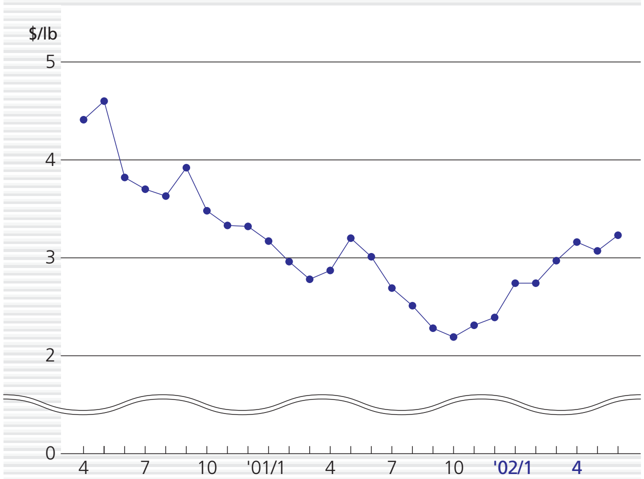
The Coral Bay Nickel Project has great significance for us. This is a large-scale overseas project in which we can take leadership with our non-ferrous refining operation. By establishing laterite processing technology, we aim to take initiative in the global nickel refining business.

Unlike the conventional nickel production using nickel sulfide ore or high-grade nickel oxide ore (Garnierite), the recently developed HPAL method enables us to realize low-cost production by using laterite. There is a wide and abundant supply of laterite in the Philippines, Indonesia, Australia, Africa, and Central and South America. Successful establishment of laterite processing technology is the key to securing future material for nickel production.

Total investment of the project amounts to approximately US$170 million. Operations are planned to last almost 20 years. By acquiring know-how of the HPAL method through this project, SMM will seek further opportunities to challenge itself with larger scale projects.

Furthermore, this project is expected to generate demand for sulfuric acid—a by-product of our copper refining process—totaling approximately 260,000 tons per year. This will facilitate us to reinforce copper production capacity, providing a solid consumption of its by-product.

Nickel Price (LME)



Copper

Asian countries such as China, Taiwan and South Korea are promising markets for copper that are likely to generate solid demand.

In particular, in China, where economic growth calls for rapid improvement in infrastructure, consumption of copper for use in electric wire, brass products and other applications is expanding. However, local smelters in China are unable to enhance production capacity in response to the growing demand, enlarging the supply-demand gap. Domestic copper demand in China is expected to grow to approximately 2.5 million tons in ten years, 1.3 million tons of which will be filled by imports. Reflecting this trend, our exports to China have been expanding, increasing our export ratio from approximately 40% in fiscal year 2001, to over 50% in fiscal year 2002.

To respond to growing needs for copper in Asian countries, SMM focuses on expansion of copper production capacity. At the Toyo Smelter & Refinery in Ehime, we are implementing phased expansion of its capacity from the current 270,000 tons per year to 450,000 tons per year in the future. During fiscal year 2003, we aim to achieve production of 300,000 tons. The Jinglong Copper Co., Ltd. (China), in which SMM is investing, also plans to achieve production of 150,000 tons per year in fiscal year 2002, and further expand to 300,000 tons in the future.

In January 2002, we decided to reduce our copper production temporarily by 30,000 tons per year from 270,000 tons per year, in light of the currently stagnant copper prices and unfavorable conditions for material procurement due to considerably reduced production at major copper mines overseas. We are convinced that, under these circumstances, it is important first and foremost to seek an upturn in price by reducing production. Meanwhile, we continue to apply our basic strategies to establish a supply network in Asian markets capable of meeting expanding demand in the region, including China. We promote our capacity expansion scheme in the middle- to long-term, flexibly responding to changes in the business environment.

The copper refining process produces large amounts of sulfuric acid as a by-product. The Toyo Smelter & Refinery produces 700,000 tons of sulfuric acid annually. Selling it effectively in Japan and neighboring countries is the key to increasing copper production.

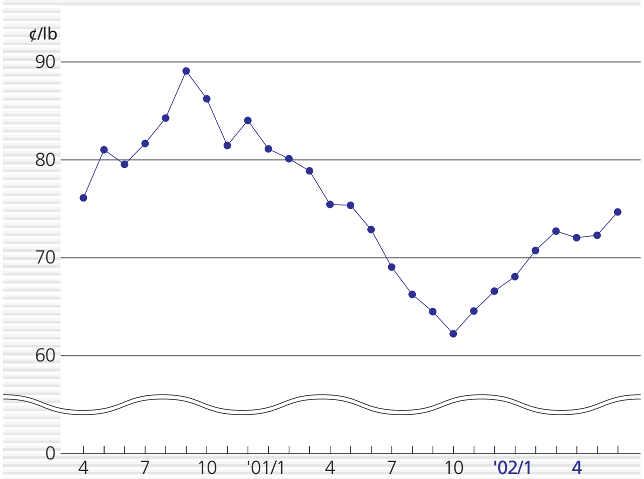
The Coral Bay Nickel Project, a nickel refining project, is expected to consume approximately 260,000 tons of sulfuric acid. In addition, we are endeavoring to attract new customers for sulfuric acid in Asia. Particularly in China, rapid growth of the fertilizer industry is expected to absorb the surplus amount of sulfuric acid in Japan within a few years. We are strengthening our sales network by developing transportation that will reach inland China.

Tropico Copper - Platinum Group Metal Project

In September 2001, SMM decided to participate in the copper and precious metals exploration project in the state of Sinaloa, Mexico, called Tropico Project, in which the Canadian companies Santoy Resources Ltd. and Almaden Minerals Ltd. jointly hold interest.

SMM acquires 51% of the interest with the commitment to fund totaling US$3 million over three years. Also, the agreement permits SMM to increase its interest up to 70%.

Copper Price (LME)



Gold

The Hishikari Mine, which is famous for one of the world's highest-grade gold, will maintain annual gold production in the range of 7 to 8 tons. The Liese Gold Deposit of the Pogo Project in Alaska, USA, a joint venture with Teck Cominco of Canada and SC Minerals America (a U.S. subsidiary of Sumitomo Corporation) in which SMM holds a majority interest, is expected to start operations within 2004. The Liese deposit, the main ore body at the Pogo, is expected to hold ore reserves of 9.7 million tons, an average gold grade of 18.0g per ton, gold reserves of 174 tons and gold output of approximately 12 tons per year. Currently, this project is in the process of acquiring environmental certification.

New Process for Precious Metals Refining

Precious metals such as gold, silver and the platinum group are collected in the copper refining process. In line with expansion of copper production, we need to increase the refining capacity of these precious metals. SMM plans to introduce a new process for the refining of precious metals in fiscal year 2003 to enhance both capacity and efficiency. This process was developed by SMM after 20 years of development efforts. Unlike conventional processes in which gold and other valuable metals are collected at the final stage of the process, our new process enables us to collect these metals first. This allows us to shorten the collection period for gold from one and a half months to one week, and thus reduce our production costs, including cost of working capital. In addition to gold, silver, platinum, palladium and rhodium, this new process facilitates the collection of rare/precious metals such as iridium and ruthenium that are normally difficult to recover in conventional processes. By introducing this process, our annual refining capacity of gold is expected to increase from 36 tons to 60 tons, and that of silver from 300 tons to 360 tons.

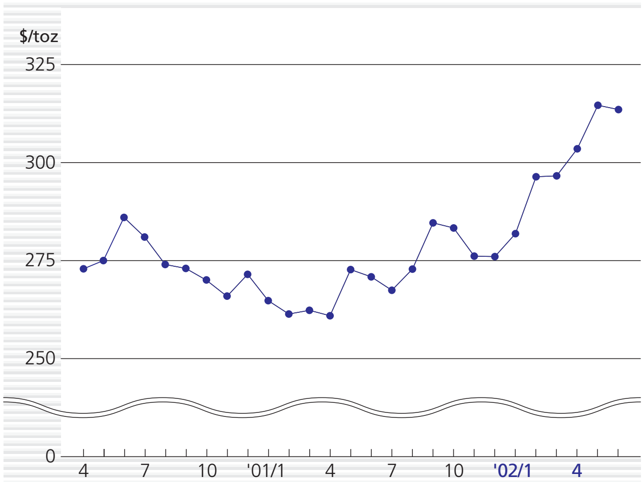
Zinc

New Joint Venture in Zinc Operation

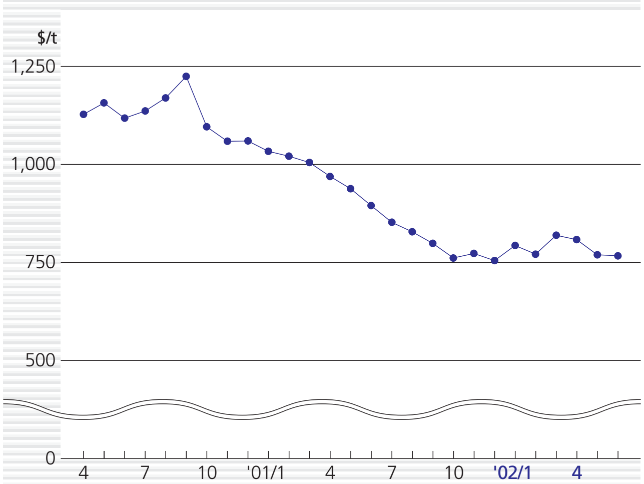
In January 2002, SMM and the Mitsui Mining & Smelting Co., Ltd. agreed to a business alliance that will align their zinc operations, and jointly established MS Zinc Co., Ltd. in July.

The domestic zinc business is faced with severe price competition, since more and more low-priced products are imported from neighboring countries such as China and South Korea. To cope with this situation, we decided to merge operations of both companies to achieve larger scale of business and maximize cost reduction effects. At the new company, we aim to establish a solid business structure that will enable us to overcome intense global competition, through wide-ranging cooperation in everything from materials procurement to distribution, sales, technology development and mineral resources development. We expect ¥1.5 billion of integration effects annually.

Gold Price (COMEX)



Zinc Price (LME)



Review of Operations:
Electronics Materials and Advanced Materials

Results of Electronics Materials and Advanced Materials Segment in Fiscal Year 2001

During fiscal year 2001, the semiconductor market entered a decline, although it had been favorable in the previous fiscal year. In addition, the optical communication market slumped due to the pullback of excessive investment in backbone systems in the U.S., despite rapid growth in the previous fiscal year. The overall economic downturn in the U.S. also exerted a negative effect.

In this environment, net sales in the Electronics Materials and Advanced Materials segment decreased 24.2% over the previous fiscal year, to ¥110 billion. Operating income also fell substantially from a profit of ¥10 billion in the previous year to a loss of ¥44 billion.

In the electronics materials business, most products—with the exception of thin film materials—saw decreases in sales. In the advanced materials business, nickel hydroxide used for the batteries in hybrid cars and copper-clad polyimide films for wiring materials in liquid crystal displays doubled sales. Sm-Fe-N (Samarium Ferrous Nitrogen) products—a magnetic material made from rare earth metal—also boosted sales. However, metal powders including nickel powder—the Company's core product—and lithium cobaltate saw lower sales.

"Select and Focus" Strategy to Reinforce Business Structure

In our "Mid-term Management Plan," we aim to further reinforce the business structure by implementing a "select and focus" strategy within the core businesses.

In the electronics materials business, we will concentrate on areas closely related to raw materials or materials, capitalizing on our technological strengths. Specifically, these materials will include (1) paste, a material used in chip components such as resistors and multilayer ceramic capacitors; (2) bonding wire, a material used for semiconductor packaging; and (3) telecommunication devices, an optical telecommunications component.

In the advanced materials business, we will emphasize metal powders such as nickel powder for multilayer ceramic capacitors and copper-clad polyimide films for liquid crystal drivers as core areas and focus allocation of management resources in these areas.

Electronics Materials Business Strategy

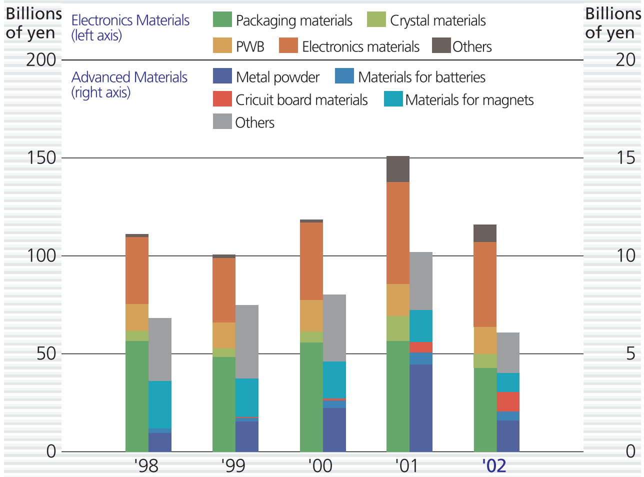
We restructured the IC packaging materials business to make the changes necessitated by intensifying price competition.

In lead frame, a material for IC packaging, we discontinued the plating process at domestic production facilities and eliminated personnel in overseas subsidiaries, as part of the Company's emergency countermeasures intended to address its stagnant performance. As a result, we achieved cost reduction effects totaling ¥2.3 billion.

Recently, the main battlefield in the fight for dominance of the lead frame business is shifting from Southeast Asia to China. To implement our strategies in East Asia, including China, swiftly and dynamically, in April 2002 we established Sumitomo Metal Mining Package Materials Co., Ltd. (Tokyo) by spinning off our IC packaging materials business, including lead frame and tape materials. The new company is responsible for the entire IC packaging materials business. On the other hand, Sumitomo Metal Mining Asia Pacific Pte. Ltd. in Singapore is responsible for all domestic and overseas lead frame operations in the drive to develop a business centered on overseas markets.

To streamline the structure of the Electronics Division, in April 2002 we abolished the conventional division system and reallocated departments by product line directly under the Division. This new system enables us to delegate more authority and responsibilities to the head of departments and to achieve focused allocation of management resources with prompt decision-making.

Net Sales by Product

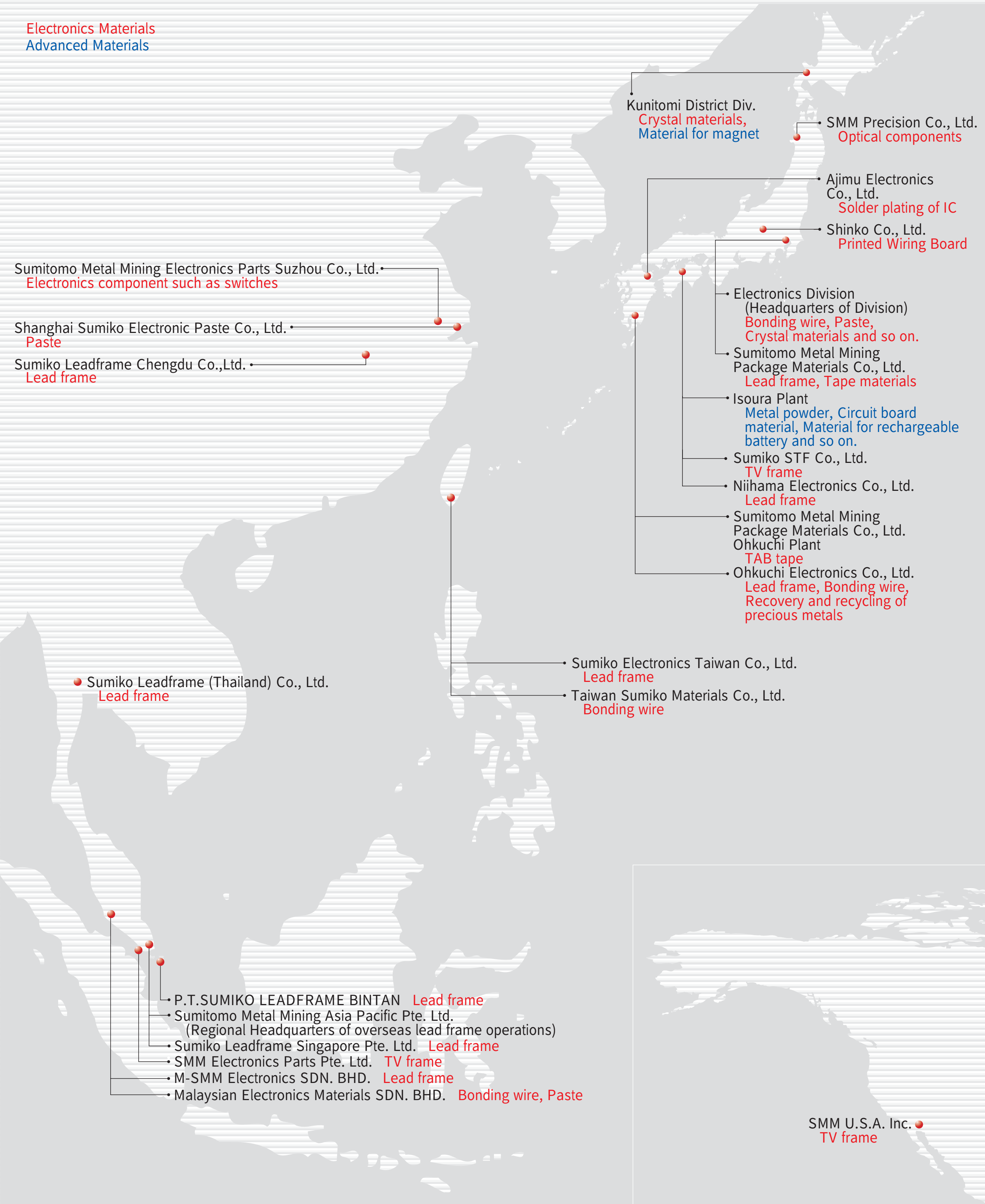


Electronics Materials (Bonding wire, Nickel paste etc.)
PWB (Printed Wiring Board etc.)
Crystal Materials (GaP, Faraday Rotator, Optical Isolator etc.)
Packaging Materials (Lead frame, TAB tape etc.)

Advanced Materials Business Strategy

We expect sales in the advanced materials business amounting to ¥25 billion in fiscal year 2005 and ¥50 billion in fiscal year 2010. We aim to reinforce this profitable area as a core business. Since demand for advanced materials changes rapidly, we need a system that can provide products that meet customer needs in a timely fashion. To reinforce production of nickel powder and copper-clad polyimide films at the Isoura Plant (Ehime), we achieved shortened manufacturing periods which enable us to cope with relatively short product cycles, and established a responsive and flexible supply system at an early stage. In research and development, we aim for faster commercialization through closer cooperation with the Central Research Laboratories (Chiba) and the Niihama Research Laboratories (Ehime).

SMM's Worldwide Production Facilities for Advanced Materials / Electronics Materials



Electronics Materials Business Strategy

Paste

Chip components that use paste are installed in a wide variety of electronic equipment, including home electric appliances and computers. SMM has been highly praised for its outstanding paste production technology, which provides a wide variety of paste products. However, in the near future, competition in the paste market will be intensified as China emerges as a global supply center for electronic components.

SMM aims to improve profitability in its paste business by focusing on nickel paste, an area in which we boast an integrated production system encompassing all steps from materials to the final product.

In the Electronics Division in Tokyo, we completed expanding the plant at the end of 2001, ensuring sufficient production capacity to meet future demand expansion. Through these measures, we strive to be a top supplier of multilayer ceramic capacitor-related materials.

In addition, we seek over 50% share in the Chinese market by capitalizing on our production facility in Shanghai. We are also promoting new product development such as resin paste and lead-free compatible paste.

Paste

Bonding Wire

Bonding wire connects electrodes of semiconductor chips and lead frame. In the medium term, sales volume of bonding wire is expected to expand due to the spread of the BGA (Ball Grid Array) packaging method, which uses a large amount of bonding wire. However, its price is being undercut by low-price products form Korean manufacturers. SMM aims to reinforce cost competitiveness by transferring its domestic production to Malaysia and tripling production capacity there by fiscal year 2004

In Taiwan, we have established a new processing facility that enables us to reduce production costs and improve services for local semiconductor manufacturers. Through these measures, we aim to expand our share of bonding wire for BGA packaging in Taiwan. The facilities in Taiwan will be a foothold leading to further inroads in the growing China market. In addition, we are planning to open a sales office in Shanghai in 2002. Through timely implementation of these strategies, we strive to acquire top share in the growing worldwide markets.

Bonding Wire

Telecommunication Devices

The Optical Isolator, which is necessary for WDM (Wavelength Division Multiplexing) systems for optical fiber, and its main component, the Faraday Rotator, are our core products. The Optical Isolator is necessary for backbone lines that connect cities at 2.5 50 to 10 Gbps. It is predicted that these kind of short- to middle-distance lines will represent the mainstream for telecommunication devices. Taking this trend into account, we focus on products in which we have expertise.

With the Faraday Rotator, we will strengthen technology development and marketing activities, especially for the PDOI (Polarization Dependent Optical Isolator) and the PIOI (Polarization Independent Optical Isolator), making use of our technological expertise in crystal materials. Regarding the Optical Isolator, we pursue cost reductions by introducing auto-assembly and inspection machinery and product differentiation with the launch of new products boasting high performance and low price. Also, we aim to enter the business for high frequency components for backbone line base stations, such as duplexers for wireless base stations.

Advanced Materials Business Strategy

Nickel Powder

Nickel power is a material used for the internal electrodes of MLCCs (multilayer ceramic capacitors), indispensable for all categories of electronic equipment. Although most conventional MLCCs use precious metals such as palladium, demand for nickel as a substitute material rose when the prices of precious metals soared. SMM is highly praised for its integrated production process covering materials to pastes, and all the major MLCC manufacturers worldwide have adopted our product.

In May 2001, we achieved production capacity of 40 tons per month, doubling that of conventional production. In addition, we will market new products of functional powders and seek top share by fiscal year 2005.

Nickel Powder Production Process

Copper-clad Polyimide Film

Copper-clad polyimide film is a flexible board material. Liquid crystal drivers, used in mobile phones and other electronic equipment, mostly adopt the COF (Chip On Film) method, which uses copper-clad polyimide film. Recently, large TFTs (Thin Film Transistors) used for notebook computers are also increasingly employing the COF method, causing our sales of the product to double with a market share of 50%. We aim to acquire a 60% share in the COF market in fiscal year 2003, and become a de facto standard in COF-equipped substrates for liquid crystal drivers.

For this purpose, we completed expansion of production lines in the Isoura Plant in December 2001 and acquired production capacity of 0.6 million square meters per year, 1.5 times capacity than before. Also, we secured space for additional lines to achieve 1.2 million square meters per year in response to future demand growth.

Copper-clad Polyimide Film

Materials for Batteries

Our products include lithium cobaltate and lithium nickel oxide for lithium batteries, and nickel hydroxide for nickel hydrogen batteries. Both nickel hydrogen batteries and lithium batteries are so-called rechargeable batteries. SMM products are used as materials for the positive electrode of these batteries. SMM's strength lies in its ability to ensure stable procurement of raw materials, combined with an integrated production process. As an immediate goal, we aim to acquire over 10% share in each product.

SMM's nickel hydroxide was adopted in batteries for the HEV (Hybrid Electric Vehicle) made by Toyota Motor Corporation and doubled its sales in fiscal year 2001. SMM intends to secure orders from Toyota Motors, since Toyota plans to manufacture 300,000 HEVs in fiscal year 2005, seven times as much as 42,000 in fiscal year 2001.

Also, we will be engaged in developing functional lithium batteries with light-weight and high-volume properties to meet growing demand centered on mobile phones.

Materials for Magnets

Sm-Fe-N (Samarium Ferrous Nitrogen), a functional material for magnets developed by the Company, has tripled its sales volume since fiscal year 2000 when full-fledged sales first started.

Sm-Fe-N is widely used in many kinds of devices, such as portable information devices and automotive components that require light and small-scale materials, because it has stronger magnetic power than other magnets of the same weight.

Application of Sm-Fe-N will be dramatically broadened when it is used for flexible magnets (rubber magnets) and compounded with ferrite magnets. SMM is intensively reinforcing Sm-Fe-N as a strategic product and expanding its business base for this product.

Review of Operations:

Environmental Business

Oil-Contaminated Soil Cleaning Equipment

Dioxin Analyzing

Increasing attention to environmental matters and related government regulations are bringing about an expansion in the environmental business market. We has been involved in many environment-related business fields by making use of the expertise we have developed through our mineral resources and metallurgy businesses. We will further promote recycling business related to SMM Group's products and reinforce the environmental improvement business by offering advanced engineering and services.

In the recycling business, we collect metals from used products and scrap generated in the production process of our customers. For example, in our metallurgy business, we collect zinc from electric arc furnace (EAF) dust, copper and nickel from the effluent in the coating process, and precious metals from electronics materials scrap. Also, Nippon Catalyst Cycle Co., Ltd., our subsidiary, collects molybdic and vanadium from the used catalyst resulting from the oil refining process.

As for the environmental improvement business, we pursue synergistic effects through centralized control of our group companies by our Energy & Environment Business Division. These group companies include, Sumicon Certech Co., Ltd., providing environmental assessment and remediation services for soil and groundwater contamination; Sumiko Eco-engineering Co., Ltd., involved in environment-related engineering for electronic dust collectors and fuel-gas treatment equipment and corrosion prevention for harbor facilities; Sumiko Techno-Research Co., Ltd., focusing on environmental research and analysis; and Japan Irradiation Service Co., Ltd., working in radiation treatment for sterilization of food wrapping materials and medical tools and for use in material reforming. In the rapidly changing environmental business, we focus on technology areas that will ensure our competitiveness.

In our "Mid-term Management Plan," we position our environment-related business as an area to actively promote. We aim to achieve ¥24 billion in sales in fiscal year 2003, an increase from ¥16 billion in fiscal year 2001. The targeted sales comprise ¥12 billion from the recycling business and another ¥12 billion from the environmental improvement business.

Launch of Oil-Contaminated Soil Cleaning Business at Sumicon Certech

In fiscal year 2002, Sumicon Certech Co., Ltd., and SMM jointly launched an oil-contaminated soil cleaning business using "Cer-washing Oil" cleaning equipment, which has been adopted by the New Energy and Industrial Technology Development Organization (NEDO) as their research and development project, "Development of Soil Remediation Technology as Environmental Improvement."

This equipment contributes to substantial cost reductions with its ability to process as much as 100 tons of contaminated soil per day, separating 70% of cleaned soil from contaminated soil and bringing it back to the site.

Sumicon Certech is the only specialized company in Japan providing total solutions for soil and groundwater contamination, covering every step from research, implementation and monitoring. Sumicon Certech is also highly praised for its development of a cyanide contamination treatment process using biotechnologies, which was the first in the world. With these advantages, Sumicon Certech, in cooperation with SMM, expands its business by further strengthening its technical capability.

Sumiko Techno-Research accredited as Dioxin Analysis Laboratory

In February 2002, Sumiko Techno-Research Co., Ltd. was accredited with laboratory accreditation ISO/IEC17025 as an environmental analysis laboratory for dioxins research.

This accreditation testifies to Sumiko Techno-Research's high-level technologies, because only approximately ten companies in Japan have acquired accreditation in the environmental analysis area.

Demand for environmental research and analysis is expected to grow, centering on soil and groundwater contamination research, indoor environmental research, dioxins and environmental hormones measurement and analysis, and other assessments.

Sumiko Techno-Research plans to expand its facilities, such as high resolution spectrometer (HRGC/HRMS) to measure minimal quantities of chemical substances.

Financial Section:

Management's Discussion and Analysis

Introduction

Business enterprises at Sumitomo Metal Mining Co., Ltd. (SMM), include the Company, 70 subsidiaries and 12 affiliate companies. Operations consist of three core segments and two peripheral segments.

The three core segments are (1) Mineral Resources, which pertains to metal mining for gold, silver and copper; (2) Metallurgy, which involves the smelting business centered on gold, copper, nickel and zinc, and the metal processing business, which manufactures copper elongation products; and (3) Electronics Materials and Advanced Materials, pertaining to the advanced materials business—which manufactures IC packaging materials, crystal materials, printed circuit boards and electronic components—and the electronics materials business, which manufactures powders from nickel and palladium, and battery and magnetic materials. The two peripheral segments are (1) Construction Materials & Housing, involved with the manufacturing of Siporex (autoclaved lightweight concrete, or ALC) and the construction of residential buildings, and the Others segment, pertaining to nuclear engineering operations. Consolidated results described in this Annual Report are the consolidated results of the Company, 39 domestic and overseas consolidated subsidiaries and five affiliates accounted for by the equity method.

Consolidated Statements of Income

Net Sales

Net sales in fiscal year 2001 (the year ended March 31, 2002) decreased ¥45,158 million (12.0%) from the previous fiscal year, to ¥330,194 million (US$2,478 million). The Metallurgy segment accounted for 59.7% of net sales. The core enterprise of this segment is smelting; however, this business is heavily affected by foreign exchange rates and trends in non-ferrous metal prices. In the first half of fiscal year 2001, prices of non-ferrous metals declined, with the exception of gold in overseas markets. Although prices rose in the second half of the year, the annual average price of major non-ferrous metals such as copper and nickel declined from the previous fiscal year. Meanwhile, the yen was temporarily strong after the September 11, 2001, terrorist attacks in the U.S., but weakened throughout the year.

As a result, in the Metallurgy segment the decline in non-ferrous metal prices such as nickel and copper and the lower sales volume—caused by the severe decline in IT- related materials—led to reduced sales. Furthermore, in the Electronics Materials and Advanced Materials segment, there were decreases in sales for most products due to the negative influence of the worldwide IT recession on the sales environment.

Cost and Expenses

Cost of sales in fiscal year 2001 fell ¥19,938 million (6.4%) from the previous fiscal year, to ¥292,042 million (US$2,192 million). However, due to the larger decline in net sales, the gross margin decreased from 16.9%, to 11.6%.

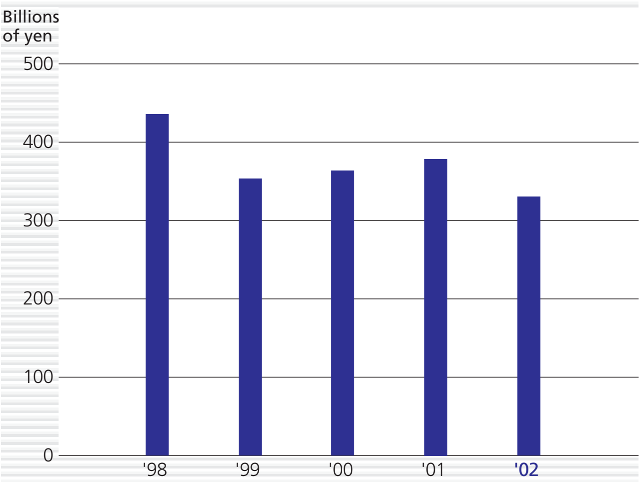
Sales, general and administrative (SGA) expenses rose ¥563 million from the previous fiscal year, to ¥37,005 (US$278 million).

Sales, transportation and overhead expenses, which accounted for 31.4% of SGA expenses, were approximately the same as the previous fiscal year. Research and development (R&D) expenses, which accounted for 11.4% of SGA expenses, rose 21.6% from the previous fiscal year, mainly due to the increase in research materials expenses.

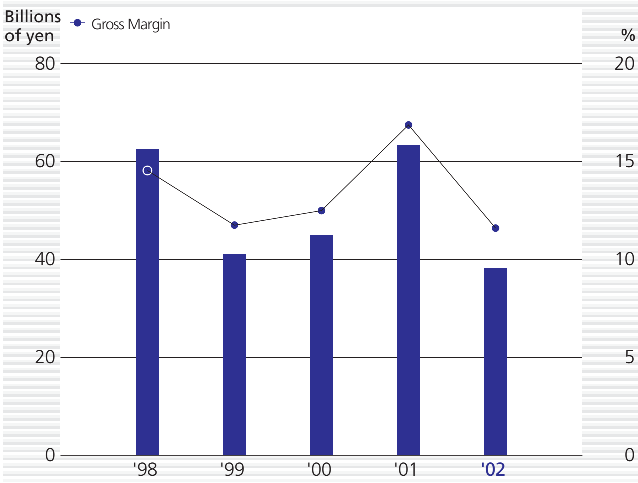
Operating Income

Operating income in fiscal year 2001 fell sharply 95.7% over the previous fiscal year, to ¥1,147 million (US$9 million). The Metallurgy segment fell substantially due to deterioration in the metal business of the Company. The main factor was lower volume in nickel sales and a drop in price, which had been favorable in the previous fiscal year. In the Electronics Materials and the Advanced Materials segment, the Electronics Materials business changed to substantial negative growth, in contrast to the previous fiscal year. Although demand for bonding wire and pastes gradually recovered from the middle of the fiscal year, demand for most products fell throughout the period, except for thin film materials. In the Advanced Materials business, although adoption for the large-sized TFT liquid crystals helped net sales of copper-clad polyimide films double, the sale of metal pow-

Net Sales



Gross Profit



ders—including nickel powder—substantially decreased. With the exception of the Other segment and Construction Materials & Housing segment, all three core segments—Mineral Resources, Metallurgy, and Electronics Materials and Advanced Materials—resulted in decreased profitability.

Other Income (Expenses)

In other income (expenses) in fiscal year 2001, the deficit amount rose from the previous fiscal year by ¥2,376 million (20.9%), resulting in a loss of ¥13,735million (US$103 million). There were several factors involved in these changes. First, in fiscal year 2001, the Company posted a shortfall of ¥5,858 million (US$44 million) in pension funds, which was written off as a one-time charge, this liability having arisen when new accounting standards for calculating retirement benefits were introduced in fiscal 2001. The previous fiscal year also saw losses related to a nuclear fuel reprocessing accident at subsidiary JCO Co., Ltd., totaling ¥2,328 million (US$17 million). Fiscal year 2001 had no similar losses. However, gain on the sale of investment securities fell from ¥6,112 million (US$46 million) in the previous fiscal year, to ¥1,094 million (US$8 million) in the fiscal year under review. Further, valuation losses on investment securities totaled ¥8,431 million (US$63 million), ¥5,016 million more than in the previous fiscal year. Finally, additional expenses related to streamlining amounted to ¥3,434 million (US$26 million) in the fiscal year under review.

Tax-effect accounting has been applied since fiscal year 1999, and a negative tax adjustment of ¥5,968 million (US$45 million) was posted. Net financial expenses decreased ¥354 million, to ¥1,775 million (US$13 million), compared to ¥2,129 (US$16 million) million in the previous fiscal year.

Net Income (Loss)

In fiscal year 2001, the SMM Group posted a net loss of ¥6,611 million (US$50 million), a substantial decline of ¥21,714 million (143.8%), from ¥15,103 million (US$113 million) in the previous fiscal year. Net loss per share in fiscal year 2001 was ¥11.56 (US$0.09), as opposed to net income of ¥26.41 (US$0.20) in the previous fiscal year.

Impact of Exchange Rate Fluctuations

Non-ferrous metal operations are closely linked to foreign exchange rates, which affect the entire process, from the procurement of ores to the sale of finished products. Although a weak yen brings with it the disadvantage that SMM must pay higher prices for the procurement of ores, the yen-denominated selling prices of finished products rose as well. In general, a weak yen is a positive factor in SMM’s earnings, mainly due to the fact that smelting margins, which are calculated in U.S. dollars, rise when translated into yen. The average exchange rate in fiscal year 2001 was ¥125.13 to the U.S. dollar, compared to ¥110.58 in the previous fiscal year. The yen was weak throughout the fiscal year. The Company has announced that the weakening of the Japanese currency by ¥1 against the U.S. dollar contributes to an upturn of ¥350 million, in terms of gross income, operating profit, and recurring profit, on a non-consolidated basis.

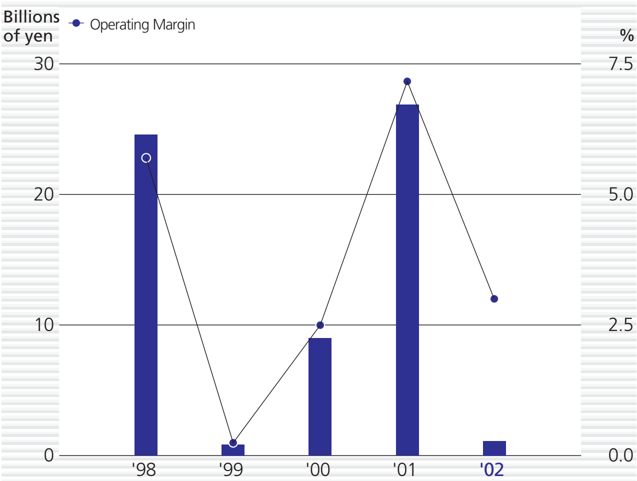
Results by Business Segment

The following results are based on segment information, and net sales and operating income in each field include inter-segment transactions.

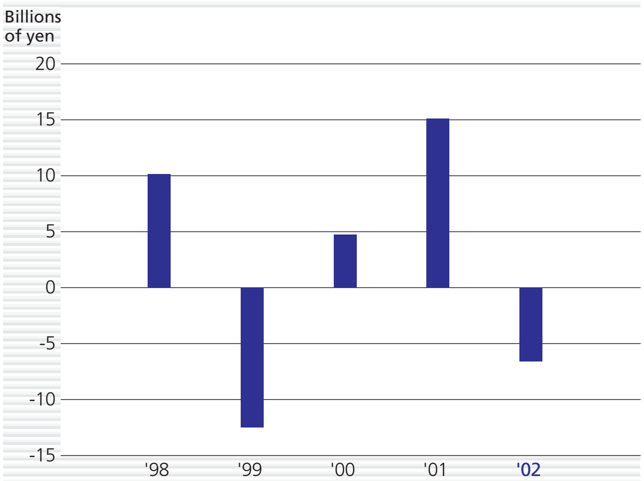
Mineral Resources

Despite sales increases in the Hishikari Mine and Sumitomo Metal Mining Oceania Pty. Ltd., net sales in this segment fell ¥321 million (1.4%), to ¥23,292 million (US$175 million), due to the withdrawal of Sumiko Development and Construction Co., Ltd., from the urban civil engineering business and decreased orders for geological surveys at Sumiko Consultants Co., Ltd. Despite the increase in sales at the Hishikari Mine, operating income in Mineral Resources decreased ¥1,522 million (64.5%), to ¥838 million (US$6 million), mainly due to the declining profits of Sumitomo Metal Mining Arizona Inc. Although Sumitomo Metal Mining Arizona completed the switchover to the solvent extraction/electrowinning (SX-EW) process in March 2001 and was able to launch the operation smoothly, it was adversely

Oparating Income



Net Income (loss)



affected by the decrease in copper market prices overseas, as well as the rise in electric power prices in the first half of last year.

Metallurgy

Net sales stood at ¥197,183 million (US$1,480 million), down ¥7,644 million (3.7%) over the previous fiscal year. Operating income decreased sharply ¥11,888 million (77.1%), to ¥3,533 million (US$27 million). This decrease was due to unfavorable sales of copper and nickel, and unsatisfactory results at Sumitomo Metal Mining Brass & Copper Co., Ltd. The main cause of the decrease in operating income was deterioration in the metal business. In particular, the sales volume of nickel, which was favorable in the previous fiscal year, decreased due to the severe slowdown in IT-related demand. The market price of nickel also reduced overseas.

Electronics Materials and Advanced Materials

(This section includes results of the advanced materials business, which became an independent segment in June 2000.)

Net sales in this segment decreased ¥35,348 million (24.2%) over the previous fiscal year, to ¥110,985 million (US$833 million). Operating income also fell substantially ¥14,347 million (144.06%), resulting in an operating loss of ¥4,388 million (US$33 million). The major factors were the stagnation in the global semiconductor market during fiscal year 2001; a slump in the optical communication market caused by the rebound of excessive investment in mission-critical systems in the U.S., which had grown rapidly in the previous fiscal year, as well as overall economic downturn in the U.S. In this market environment, demand for most products decreased over the year with the exception of thin film materials, although there were signs of recovery in demand for bonding wire and paste in the middle of the fiscal year.

Sales of metal powders, including nickel powder for multilayer ceramic capacitors—the core product in Advanced Material segment—decreased sharply. Also, sales of lithium cobaltate used for batteries of electric portable devices decreased substantially.

Meanwhile, sales of nickel hydroxide doubled with the growing use of batteries in hybrid cars. Sales of copper-clad polyimide film used in the wiring material of liquid crystal displays also doubled, due to its full-fledged application in large-sized TFT liquid crystal displays. Sales of SFN (Samarium Ferrous Nitrogen)—rare earth materials—also increased. However, the Company and most of its subsidiaries posted decreased sales and operating income.

Construction Materials & Housing

Igeta Heim Co., Ltd., completed the reduction plan for its heavy-weight steel-frame housing business. Sumiko Tatsumi Construction Materials Co., Ltd., was affected by the sluggish demands of construction aggregates. As a result, net sales decreased ¥3,264 million (13.1%), to ¥21,616 million (US$162 million). At Sumitomo Metal Mining Siporex Co., Ltd., ALC (autoclaved lightweight concrete) faced a more severe sales environment than in the previous fiscal year. However, its net sales were maintained at the same level as the previous fiscal year, and operating income achieved a turnaround due to efforts to expand sales and reduce costs.

Capital Expenditures and Depreciation

Capital expenditures for fiscal year 2001 amounted to ¥25,379 million (US$190 million), of which Electronics Materials and Advanced Materials accounted for ¥11,236 million (44.3%) and Metallurgy for ¥9,336 million (36.8%).

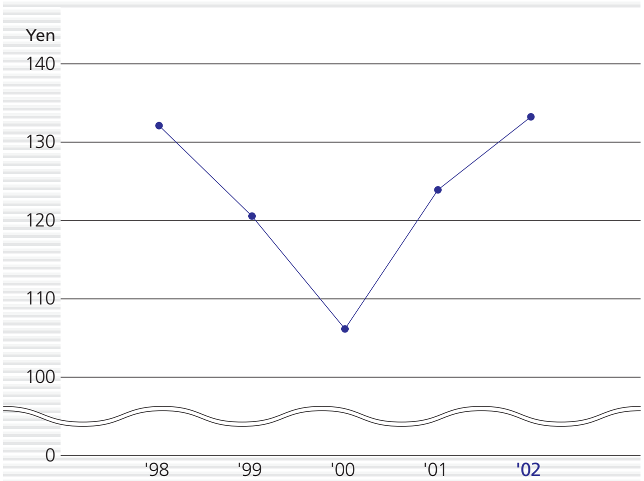
Major construction completed during the year included the expansion and renewal of production facilities for nickel powder and copper-clad polyimide film in the Electronics Materials and Advanced Materials segment, and the expansion, renewal and rationalization of copper smelting facilities in the Metallurgy segment.

Depreciation increased ¥1,048 million (6.2%), to ¥17,822 million (US$134 million).

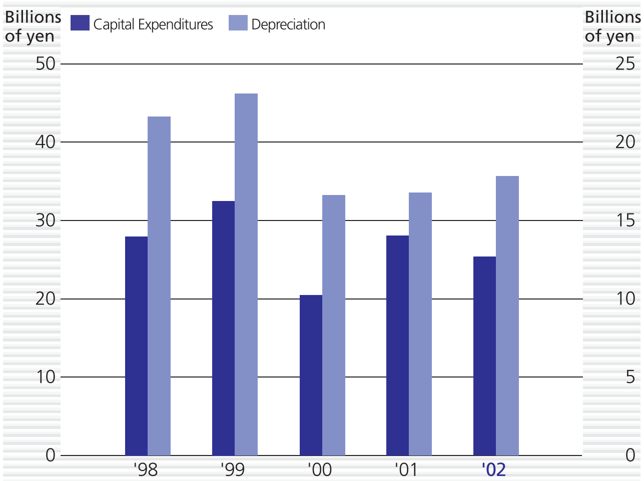
Research and Development Expenses

Research and development expenses for fiscal year 2001 were ¥4,237 million (US$32 million). The Mineral Resources segment

Yen-Dollar Exchange Rate (Year-End)



Capital Expenditures and Depreciation



As of March 31	2002		2001		2000	
					Millions of yen	
Short-term Interest-bearing debt due after one year	***¥ 93,105***	***(17.9)***	¥ 93,159	(17.6)	¥ 90,358	(16.6)
Long-term Interest-bearing debt due after one year	***73,972***	***(14.3)***	83,839	(15.8)	107,266	(19.7)
Total Shareholders' equity	***236,313***	***(45.6)***	237,470	(44.8)	235,231	(43.2)
Total assets	***¥518,756***	***(100.0)***	¥530,080	(100.0)	¥544,121	(100.0)

*Percentage to Total assets = 100.

developed a concentration process for non-ferrous raw material ores and various types of leaching technology. The Metallurgy segment focused mainly on the development of non-ferrous smelting and electrolysis technology. The Electronics Materials and Advanced Materials segment concentrated on developing technology in electronics materials, principally new semiconductor packaging materials. The Construction Materials & Housing segment focused on developing new product processing technologies and new products such as long-lasting Siporex technology.

Financial Position and Liquidity

Financial Position

Total assets as of March 31, 2002 stood at ¥518,756 million (US$3,893 million), down ¥11,324 million (2.1%) from the end of the previous fiscal year. Current assets fell ¥13,276 million (6.6%), to ¥187,048 million (US$1,404 million). Trade notes and accounts receivable fell by ¥19,643 million, in line with the decrease in net sales.

Net property, plant and equipment stood at ¥179,541 million (US$1,347 million), up ¥4,789 million from the end of the previous fiscal year, due to a ¥6,570 million increase in machinery and equipment. This was despite a ¥3,373 million decrease in construction in progress.

Investments and long-term receivables stood at ¥143,329 million (US$1,076 million), down ¥5,264 million. The reason for this was a ¥3,819 million decrease in the balance due to repayment of long-term loans.

Meanwhile, current liabilities decreased ¥3,388 million (2.0%) from the end of the previous fiscal year, to ¥163,677 million (US$1,228 million). The major factors for this decline were the ¥2,500 million decrease in the outstanding amount of commercial paper and the ¥1,554 million fall in short-term bank loans. By contrast, corporate bonds due within one year increased ¥4,000 million. As a result, the working capital ratio decreased from 1.20 to 1.14 times.

Long-term debts due after one year decreased ¥9,867 million from the end of the previous fiscal year, to ¥73,972 million (US$555 million). This was mainly the result of efforts to transfer to corporate bonds due within one year and to reduce interest-bearing liabilities. Consequently, total liabilities excluding minority interest decreased ¥10,492 million to ¥276,004 million (US$2,071 million).

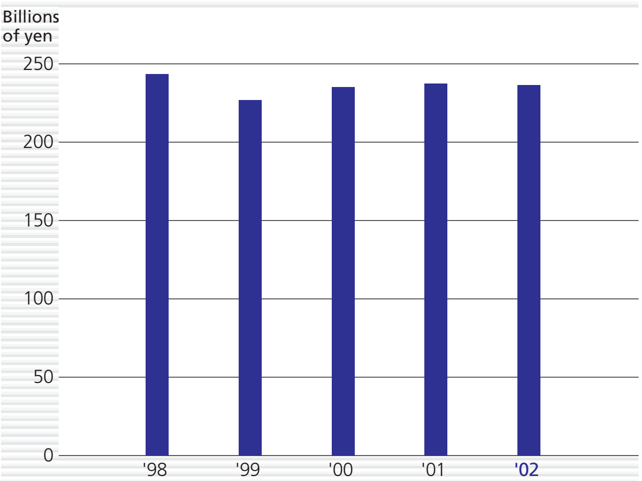
Total shareholders' equity decreased ¥1,157 million (0.5%) from the end of the previous fiscal year, to ¥236,313 million (US$1,773 million). This resulted from a ¥10,081 million decrease in retained earnings, most of which was accounted for by the ¥6,611 million net loss in the period under review. As a result, the equity ratio rose from 44.8% in the previous fiscal year, to 45.6%.

Consolidated Statement of Cash Flows

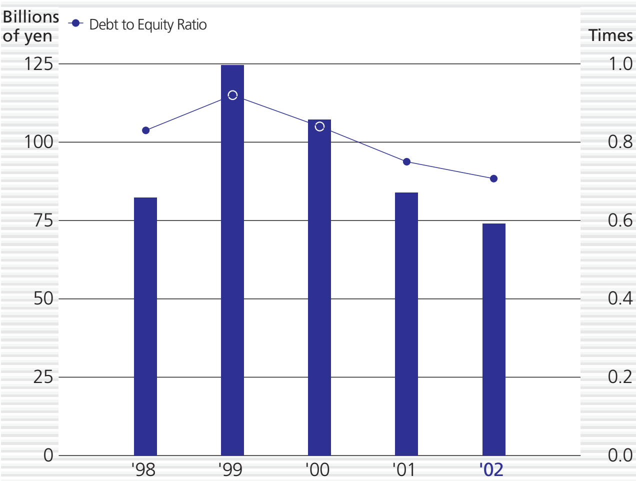
Cash and cash equivalents, including the effect of changes in the foreign exchange rate, stood at ¥22,763 million (US$171 million) at the end of the year, up ¥ 3,957 million (21.0%) from the beginning of the year.

Net cash flows from operating activities in fiscal year 2001 improved by ¥10,031 million over the previous fiscal year, reaching ¥33,370 million (US$250 million). This can be attributed to a

Shareholders' Equity



Long-Term Debt Due After One Year



¥19,756 million increase in collection of receivables, as well as a decrease in indemnity payments and in restructuring costs that resulted in a ¥4,485 million improvement, despite the impact of a sharp decline in consolidated operating income.

Net cash flows from investing activities saw outflows totaling ¥16,246 million (US$122 million), a ¥11,998 million increase in expenditures over the previous fiscal year. Net cash outflows stemmed from the use of ¥2,856 million (US$21 million) in cash for the acquisition of property, plant and equipment, and also a decrease of ¥9,410 million (US$71 million) in dividend income due to the sale of investment securities.

Net cash outflows from financing activities decreased ¥11,822 million from the previous fiscal year, to net outflow of ¥14,267 million (US$107 million), mainly due to a ¥8,161 million increase in long-term bank loans and a ¥2,000 million increase due to the difference between issuance price and redemption price of bonds.

As a result, cash and cash equivalents at year end, including the effect of changes in the foreign exchange rate and a new consolidated subsidiary, increased ¥3,957 million from the beginning of the year to a year-end balance of ¥22,763 million (US$171 million).

Risk Management

The operations of SMM are exposed to various risks such as fluctuations in metal prices, exchange rates, and interest rates. To effectively hedge against these risks, SMM engages in financial derivatives transactions. In commodities, forward contracts are used to hedge against fluctuations in ingot prices; forward foreign exchange contracts and currency swaps are used to hedge currency fluctuations, and interest rate swaps are used to hedge interest rate fluctuations. Whatever the case, we carry out derivative transactions within limits based on real demand in production and sales activities, and on actual amount payable or receivable, and do not engage in transactions for speculative purposes.

Further, in view of the accident at JCO Co., Ltd., we are acutely aware of the importance of risk management, and as a central mechanism for mitigating and managing risk, we set up a Risk Management Committee in July 2000 to spearhead risk management. Since then, we have been examining a framework for risk mitigation and management throughout the group. We started operating a risk management system, which acts as a guideline for thorough compliance, in August 2001.

At the same time, SMM is aiming to go back to the basics of manufacturing, while addressing the issues of safety and the environment. As part of these initiatives, SMM is carrying out an ISO 14001 environment management system for the whole group and building an environmental management system, which is becoming increasingly important.

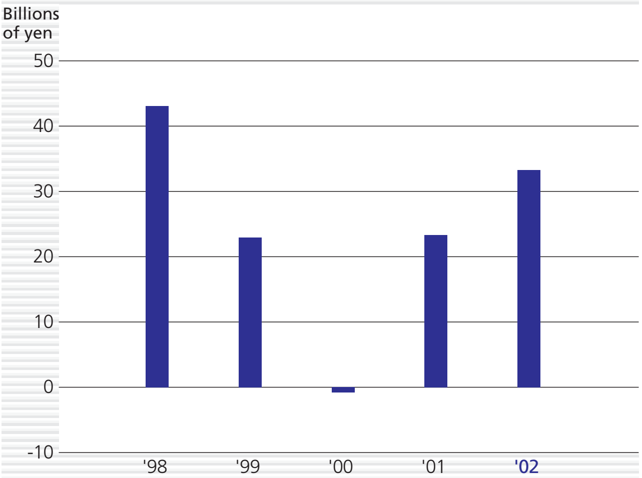
Accounting for Financial Instruments

Accounting for Financial Instruments, one of the new accounting standards in Japan, has been applied to the following procedures since fiscal year 2000: standards for write-off of allowance for doubtful accounts, changes in accounting procedures for derivative transactions, arrangements for the holding purpose of marketable securities, and revised standards for accounting procedure governing foreign currency transactions and others.

Since fiscal year 2001, accounting for financial instruments has been applied to available-for-sale securities, which are measured by fair market value; prices will be adjusted to reflect market value at the end of the fiscal year.

As a result, investment securities increased ¥4,230 million, while ¥2,403 million in net unrealized holding gains (losses) on available-for-sale securities, ¥1,827 million in deferred tax liabilities and ¥0 in minority interests were posted.

Net Cash Provided by Operating Activities



Eleven-Year Summary

SUMITOMO METAL MINING CO., LTD.

For the Year:	*2002*	2001	2000	1999
Net sales	***¥330,194***	¥375,352	¥360,299	¥350,288
Gross profit	***38,152***	63,372	45,061	41,190
Operating income	***1,147***	26,930	8,990	858
Other income (expense)	***(13,735)***	(11,359)	(4,342)	(12,932)
Net income (loss)	***(6,611)***	15,103	4,740	(12,495)
Net income (loss) per share (¥)	***(11.56)***	26.41	8.29	(21.85)
Dividends per share (¥)	***4.00***	6.00	5.00	3.00
Return on average shareholders' equity (%)	**—**	6.39	2.05	—
Net cash provided by (used in) operating activities	***33,370***	23,339	(800)	22,912
Capital expenditures	***25,379***	28,078	20,490	32,499
Depreciation	***17,822***	16,774	16,611	23,095
For the Year:				
Total assets	***¥518,756***	¥530,080	¥544,121	¥544,519
Shareholders' equity	***236,313***	237,470	235,231	226,795
Equity ratio (%)	***45.6***	44.8	43.2	41.7
Long-term debt due after one year	***73,972***	83,839	107,266	124,535
Total debt	***167,077***	176,998	197,624	207,821
Debt to equity ratio (times)	***0.71***	0.75	0.84	0.92
Working capital	***23,371***	33,259	38,910	50,518
Working capital ratio (times)	***1.14***	1.20	1.23	1.31

Note: "N/A" indicates that figures have not been disclosed.

						Millions of yen
1998	1997	1996	1995	1994	1993	1992
¥431,950	¥525,076	¥511,887	¥464,843	¥446,712	¥507,951	¥539,122
62,641	57,836	55,904	40,262	28,914	45,018	55,344
24,622	21,665	19,947	5,169	(3,934)	8,550	20,330
(3,605)	(4,294)	(7,553)	(2,384)	3,543	2,377	(2,635)
10,157	12,884	10,683	1,292	1,902	6,197	10,141
17.77	22.65	19.18	2.32	3.49	12.33	20.22
6.00	6.00	6.00	5.00	5.00	7.00	7.00
4.22	5.56	4.95	0.62	0.97	3.45	5.76
43,056	43,135	6,100	721	17,780	23,684	38,155
27,968	24,730	25,722	N/A	N/A	N/A	N/A
21,638	20,702	19,889	20,917	20,522	N/A	N/A

¥566,088	¥586,948	¥624,419	¥591,446	¥594,982	¥616,672	¥670,519
243,436	238,056	225,296	205,940	210,902	179,926	178,919
43.0	40.6	36.1	34.8	35.4	29.2	26.7
82,356	117,021	171,596	197,884	228,255	221,926	214,195
201,515	224,736	285,871	277,289	281,073	321,131	371,093
0.83	0.94	1.27	1.35	1.33	1.78	2.07
26,529	62,726	104,854	101,110	131,644	105,878	126,651
1.13	1.31	1.53	1.63	2.02	1.58	1.52

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD.

ASSETS	Millions of yen		Thousands of U.S. dollars (Note1)
As of March 31, 2002 and 2001	***2002***	2001	***2002***
Current assets:			
Cash and cash equivalents (Note 13)	***¥ 22,763***	¥ 18,806	***$ 170,829***
Time deposits	***342***	5	***2,567***
Marketable securities (Note 3)	—	102	—
Receivables:			
Notes and accounts receivable (Notes 6 and 13) :			
Trade	***62,182***	81,178	***466,657***
Non-consolidated subsidiaries and affiliated companies	***360***	1,007	***2,702***
Loans and others:			
Non-consolidated subsidiaries and affiliated companies	***3,274***	3,434	***24,570***
Others	***5,821***	4,306	***43,685***
Allowance for doubtful accounts	***(673)***	(1,059)	***(5,051)***
Inventories (Note 5)	***77,700***	73,927	***583,114***
Deferred tax assets (Note 7)	***4,480***	3,363	***33,621***
Other current assets	***10,799***	15,255	***81,043***
Total current assets	***187,048***	200,324	***1,403,737***
Investments and long-term receivables:			
Investment securities (Notes 3 and 6):			
Non-consolidated subsidiaries and affiliated companies	***64,833***	59,656	***486,552***
Others	***75,120***	82,135	***563,752***
Allowance for losses on investments	***(1,068)***	—	***(8,015)***
Loans:			
Non-consolidated subsidiaries and affiliated companies	***419***	3,737	***3,144***
Others	***704***	1,205	***5,283***
Other long-term receivables	***4,820***	4,311	***36,173***
Allowance for doubtful accounts	***(1,499)***	(2,451)	***(11,250)***
	143,329	148,593	***1,075,639***
Property, plant and equipment (Note 6):			
Land	***32,243***	30,695	***241,974***
Buildings and structures	***130,421***	127,029	***978,769***
Machinery and equipment	***268,890***	254,282	***2,017,936***
Construction in progress	***2,680***	6,053	***20,113***
	434,234	418,059	***3,258,792***
Accumulated depreciation	***(254,693)***	(243,307)	***(1,911,392)***
Net property, plant and equipment	***179,541***	174,752	***1,347,400***
Deferred tax assets (Note 7)	***4,228***	2,117	***31,730***
Other assets	***4,610***	4,294	***34,597***
	¥ 518,756	¥ 530,080	***$3,893,103***

The accompanying notes are an integral part of those balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note1)
As of March 31, 2002 and 2001	***2002***	2001	***2002***
Current liabilities:			
Bank loans (Note 6)	***¥ 62,684***	¥ 64,333	***$ 470,424***
Commercial paper	***—***	2,500	***—***
Long-term debt due within one year (Note 6)	***30,421***	26,326	***228,300***
Notes and accounts payable:(Note 13)			
Trade	***28,338***	29,936	***212,668***
Non-consolidated subsidiaries and affiliated companies	***1,791***	992	***13,441***
Others	***4,828***	7,071	***36,233***
Accrued income taxes (Note 7)	***1,048***	1,484	***7,865***
Accrued expenses	***4,460***	5,653	***33,471***
Advances received	***884***	5,522	***6,634***
Deferred tax liabilities (Note 7)	***25***	14	***187***
Other current liabilities	***29,198***	23,234	***219,122***
Total current liabilities	***163,677***	167,065	***1,228,345***
Long-term debt (Note 6)	***73,972***	83,839	***555,139***
Deferred tax liabilities (Note 7)	***533***	1,435	***4,000***
Accrued retirement benefits (Note 8)	***23,104***	22,127	***173,388***
Accrued restructuring charges	***2,491***	2,823	***18,694***
Accrued indemnification of damages caused by a consolidated subsidiary	***1,329***	1,771	***9,974***
Accrued liquidation of subsidiaries	***1,724***	1,347	***12,938***
Accrued realignment of operations	***3,108***	—	***23,324***
Other long-term liabilities	***6,066***	6,089	***45,522***
Total long-term liabilities	***112,327***	119,431	***842,979***
Minority interest	***6,439***	6,114	***48,323***
Contingent liabilities (Note 12)			
Shareholders' equity (Note 11):			
Common stock			
Authorized - 1,000,000,000 shares			
Issued - 571,872,794 shares	***88,355***	88,355	***663,077***
Additional paid-in capital	***81,184***	81,184	***609,261***
Retained earnings (Note 10)	***67,856***	77,937	***509,238***
Net unrealized holding gains (losses) on available-for-sale securities	***2,344***	(48)	***17,591***
Foreign currency translation adjustments	***(3,391)***	(9,956)	***(25,448)***
	236,348	237,472	***1,773,719***
Treasury stock, at cost	***(35)***	(2)	***(263)***
Total shareholders' equity	***236,313***	237,470	***1,773,456***
	¥ 518,756	¥ 530,080	***$3,893,103***

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD.

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2002, 2001 and 2000	***2002***	2001	2000	***2002***
Net sales (Note 14)	***¥330,194***	¥375,352	¥360,299	***$2,478,004***
Costs and expenses (Note 14):				
Cost of sales	***292,042***	311,980	315,238	***2,191,685***
Selling, general and administrative (Note 9)	***37,005***	36,442	36,071	***277,711***
	329,047	348,422	351,309	***2,469,396***
Operating income (Note 14)	***1,147***	26,930	8,990	***8,608***
Other income (expenses):				
Interest and dividend income	***1,700***	2,241	2,383	***12,758***
Interest expense	***(3,475)***	(4,370)	(4,875)	***(26,079)***
Gain on sale of marketable securities	***—***	—	7,817	***—***
Gain on sale of investment securities	***958***	5,867	12,866	***7,189***
Write-down of investment securities	***(8,431)***	(3,415)	(1,627)	***(63,272)***
Write-down of subsidiary securities	***(335)***	—	—	***(2,514)***
Gain (Loss) on sale and disposal of property, plant and equipment	***3,370***	5,153	(1,201)	***25,291***
Gain on insurance	***—***	1,000	—	***—***
Loss on liquidation of subsidiaries	***(1,341)***	(1,045)	(163)	***(10,064)***
Provision for doubtful account	***(510)***	(1,433)	(3,462)	***(3,827)***
Loss on investments	***(424)***	—	—	***(3,182)***
Restructuring charges	***(857)***	(8,195)	(1,356)	***(6,432)***
Loss from realignment of operations	***(3,434)***	—	—	***(25,771)***
Loss from indemnification of damages caused by a consolidated subsidiary	***—***	(2,328)	(13,908)	***—***
Loss from suspension of operating activity of a consolidated subsidiary	***(1,144)***	(1,621)	(1,620)	***(8,585)***
Loss from disposal of inventories	***(777)***	—	—	***(5,831)***
Casualty loss	***(442)***	—	—	***(3,317)***
Amortization of net transition obligation (Note 8)	***—***	(5,858)	—	***—***
Loss on penalty for specific contracts of a consolidated subsidiary	***—***	(665)	—	***—***
Amortization of consolidation difference	***129***	131	98	***968***
Equity in earnings of unconsolidated subsidiaries and affiliated companies	***1,535***	4,078	2,406	***11,520***
Other, net	***(257)***	(899)	(1,700)	***(1,929)***
	(13,735)	(11,359)	(4,342)	***(103,077)***
Income (Loss) before income taxes	***(12,588)***	15,571	4,648	***(94,469)***
Income taxes (Note 7)**:**				
Current	***437***	945	797	***3,280***
Deferred	***(5,968)***	(694)	(484)	***(44,788)***
	(5,531)	251	313	***(41,508)***
	(7,057)	15,320	4,335	***(52,961)***
Minority interest in net income of consolidated subsidiaries	***446***	(217)	405	***3,347***
Net income (loss)	***¥ (6,611)***	¥ 15,103	¥ 4,740	***$ (49,614)***

	Yen			U.S. dollars (Note1)
Amounts per share of common stock:				
Net income (loss)	***¥ (11.56)***	¥ 26.41	¥ 8.29	***$ (0.09)***
Cash dividends applicable to the year	***4.00***	6.00	5.00	***0.03***

The accompanying notes are an integral part of those statements.

Consolidated Statements of Shareholders' Equity

SUMITOMO METAL MINING CO., LTD.

Years ended March 31, 2002, 2001 and 2000	Shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding losses on securities	Foreign currency translation adjustments	Treasury stock
							Millions of yen
Balance at March 31, 1999	571,873	¥ 88,355	¥ 81,184	¥ 57,258	¥ —	¥ —	¥(2)
Net income				4,740			
Cumulative effect of adopting deferred income tax accounting (Note 7)				3,695			
Treasury stock							1
Balance at March 31, 2000	571,873	88,355	81,184	65,693	—	—	(1)
Net income				15,103			
Adjustments from translation of foreign currency financial statements						(9,956)	
Adoption of new accounting standard for financial instruments					(48)		
Treasury stock							(1)
Cash dividends paid (¥5.00 per share)				(2,859)			
Balance at March 31, 2001	571,873	88,355	81,184	77,937	(48)	(9,956)	(2)
Decrease due to change in consolidation of subsidiaries				(39)			
Net income				(6,611)			
Adjustments from translation of foreign currency financial statements						6,565	
Adoption of new accounting standard for financial instruments					2,392		
Treasury stock							(33)
Cash dividends paid (¥6.00 per share)				(3,431)			
Balance at March 31, 2002	***571,873***	***¥ 88,355***	***¥ 81,184***	***¥ 67,856***	***¥ 2,344***	***¥(3,391)***	***¥(35)***

Years ended March 31, 2002, 2001 and 2000	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding losses on securities	Foreign currency translation adjustments	Treasury stock
						Thousands of U.S. dollars (Note 1)
Balance at March 31, 2001	$663,077	$609,261	$584,893	$ (360)	$(74,716)	$ (15)
Decrease due to change in consolidation of subsidiaries			(293)			
Net income			(49,613)			
Adjustments from translation of foreign currency financial statements					49,268	
Adoption of new accounting standard for financial instruments				17,951		
Treasury stock						(248)
Cash dividends paid ($0.05 per share)			(25,749)			
Balance at March 31, 2002	***$663,077***	***$609,261***	***$509,238***	***$17,591***	***$(25,448)***	***$(263)***

The accompanying notes are an integral part of those statements.

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD.

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2002, 2001 and 2000	***2002***	2001	2000	***2002***
Cash flows from operating activities:				
Income (Loss) before income taxes	***¥(12,588)***	¥15,571	¥ 4,648	***$(94,469)***
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	***17,822***	16,774	16,611	***133,749***
Gain on sale of marketable securities	—	—	(7,817)	—
Loss (Gain) on sale and disposal of property, plant and equipment	***(3,370)***	(5,153)	1,201	***(25,291)***
Gain on sale of investment securities	***(958)***	(5,867)	(12,866)	***(7,189)***
Write-down of investment securities	***8,431***	3,415	1,627	***63,272***
Write-down of investments in subsidiaries	***1,403***	—	—	***10,529***
Provision for (Reversal of) doubtful accounts	***(1,338)***	(391)	3,445	***(10,041)***
Increase in retirement benefits	***1,180***	6,278	923	***8,856***
Interest and dividend income	***(1,700)***	(2,241)	(2,383)	***(12,758)***
Interest expense	***3,475***	4,370	4,875	***26,079***
Equity in earnings of non-consolidated subsidiaries and affiliated companies	***(1,535)***	(4,078)	(2,406)	***(11,520)***
Loss from realignment of operations	***3,434***	—	—	***25,771***
Restructuring charges	***315***	8,830	—	***2,364***
Casualty loss	***442***	—	—	***3,317***
Loss from indemnification of damages caused by a consolidated subsidiary	***247***	2,328	13,908	***1,854***
Loss from suspension of operating activity of a consolidated subsidiary	***1,144***	1,621	1,620	***8,585***
Loss on liquidation of subsidiaries	***2,280***	2,481	163	***17,110***
Decrease (Increase) in trade receivables	***17,018***	(2,738)	(17,883)	***127,715***
Decrease (Increase) in inventories	***(3,280)***	(5,921)	5,356	***(24,615)***
Increase (Decrease) in trade payables	***3,249***	(3,300)	4,468	***24,383***
Others	***1,877***	(246)	3,410	***14,085***
Sub total	***37,548***	31,733	18,900	***281,786***
Proceeds from interest and dividend income	***3,001***	3,559	3,016	***22,522***
Payments for interest paid	***(3,649)***	(4,446)	(4,408)	***(27,385)***
Payments for additional retirement benefits by realignment of operations	***(326)***	—	—	***(2,447)***
Payments for suspension of operating activity in a consolidated subsidiary	***(1,075)***	(1,525)	(1,156)	***(8,068)***
Payments for restructuring charges	***(315)***	(975)	(4,609)	***(2,364)***
Payments for recovery costs	***(442)***	—	—	***(3,317)***
Payments for indemnification of damages caused by a consolidated subsidiary	***(247)***	(4,072)	(12,131)	***(1,854)***
Payments for income taxes	***(905)***	(881)	(412)	***(6,792)***
Other	***(220)***	(54)	—	***(1,649)***
Net cash provided by (used in) operating activities	***33,370***	23,339	(800)	***250,432***
Cash flows from investing activities:				
Payments for purchases of marketable securities	***¥ —***	¥ —	¥ (583)	***$ —***
Proceeds from sale of marketable securities	***53***	267	16,812	***398***
Payments for acquisition of property, plant and equipment	***(26,778)***	(23,922)	(20,882)	***(200,961)***
Proceeds from sale of property, plant and equipment	***5,080***	9,388	4,339	***38,124***
Payments for purchases of investment securities	***(456)***	(84)	(14,933)	***(3,422)***
Proceeds from sale of investment securities	***4,198***	13,608	20,038	***31,505***
Payments for acquisition of newly consolidated subsidiary's stock	—	(481)	—	—
Increase in loans receivable	***(2,633)***	(5,014)	(2,732)	***(19,760)***
Collection of loans receivable	***4,894***	3,300	1,878	***36,728***
Other	***(604)***	(1,310)	206	***(4,533)***
Net cash provided by (used in) investing activities	***(16,246)***	(4,248)	4,143	***(121,921)***
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	***12,264***	4,103	5,600	***92,038***
Repayments of long-term debt	***(11,134)***	(9,604)	(13,873)	***(83,557)***
Net decrease in bank loans	***(1,807)***	(428)	(517)	***(13,561)***
Net increase (decrease) in commercial paper	***(2,500)***	(7,500)	10,000	***(18,762)***
Proceeds from issuance of bonds	—	—	—	—
Payments for redemption of bonds	***(18,000)***	(10,000)	(10,000)	***(135,084)***
Proceeds from issuance of bonds	***10,000***	—	—	***75,047***
Increase in treasury stocks	***(33)***	(1)	—	***(248)***
Cash dividends paid	***(3,434)***	(2,866)	(6)	***(25,771)***
Other	***377***	207	(290)	***2,829***
Net cash provided by (used in) financing activities	***(14,267)***	(26,089)	(9,086)	***(107,069)***
Effect of changes in exchange rate on cash and cash equivalents	***686***	945	(885)	***5,147***
Net increase (decrease) in cash and cash equivalents	***3,543***	(6,053)	(6,628)	***26,589***
Cash and cash equivalents at beginning of year	***18,806***	24,859	31,487	***141,133***
Increase in cash due to change in consolidated subsidiaries	***414***	—	—	***3,107***
Cash and cash equivalents at end of year	***¥ 22,763***	¥18,806	¥24,859	***$170,829***

The accompanying notes are an integral part of those statements.

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD.

1. Basis of presenting consolidated financial statements

The Company, a Japanese corporation, and its consolidated domestic subsidiaries maintain their accounts and records 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,. The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity for 2002, 2001 and 2000 have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133.25 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation—The consolidated financial statements include the accounts of the Company and its significant subsidiaries (39 subsidiaries in 2002 and 2001 and 38 subsidiaries in 2000). All significant intercompany balances and transactions have been eliminated.

Investments in significant affiliated companies (5 affiliated companies in 2002, 2001 and 2000) are accounted for using the equity method. Investments in non-consolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The consolidation difference between the cost of an investment and the underlying equity in its net assets at the date of acquisition is being amortized over five years with minor exceptions.

Cash and cash equivalents and cash flow statements—For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries classify cash on hand, readily-available bank deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase as cash and cash equivalents.

Allowance for doubtful accounts—The Company and its consolidated domestic subsidiaries provide a general allowance for doubtful accounts. Calculation of this allowance is based on actual collection losses incurred in the past. Additionally, for accounts receivable considered at risk (bankruptcy, companies under rehabilitation plan), an allowance is booked based on an estimation of the uncollectible amount, on a case by case basis.

Marketable securities and investment securities—Effective from the year ended 31, 2002, the Company adopted new accounting standards for financial instruments prospectively, recorded ¥2,403 million ($ 18,034 thousand) of net unrealized losses on available–for-sale securities as a separate component of shareholders' equity on a net of tax basis. Under the new standards, unrealized gains and losses on securities classified as available-for-sale with readily-determinable fair values, are reported in a separate component of shareholders' equity, net of applicable income taxes.

Securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving average costs.

Prior to April 1, 2001, securities were stated at moving average cost.

Derivatives and hedge accounting—The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative transactions at fair value and to recognize changes in the fair value as gains or losses unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its domestic consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company evaluates hedge effectiveness monthly by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Foreign currency translation—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company. Prior to April 1, 2000, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated income statement of adopting the Revised Accounting Standard is a decrease in income before income taxes by ¥129 million compared with what would have been recorded under the previous accounting standard..

Due to the Revised Accounting Standard adopted from the year ended March 31, 2001, the Company and its domestic subsidiaries have reported foreign currency translation adjustments in the shareholders' equity and minority interests. The amounts prior to the year ended March 31, 2000, which are included in assets, are not reclassified.

Inventories—

(1) Merchandise, finished products, semi-finished products, work in process and raw materials— Merchandise, finished products, semi-finished products, work in process and raw materials of precious metals and of electronics materials are stated at cost based on the first-in, first-out (FIFO) method. Others are stated at cost based on the last-in, first-out (LIFO) method.

(2) Supplies—Supplies are stated at the weighted average cost.

Property, plant and equipment—Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of the assets.

Retirement benefits —Under the terms of the Company's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of retirement benefits is, in general, based on the length of service, base salary at the time of retirement or severance and the cause thereof. Prior to April 1, 2000, the Company provided for the full amount (40% of the amount which was required if all eligible employees voluntarily retired as of the balance sheet date in case of consolidated domestic subsidiaries) which would be required to be paid if all eligible employees voluntarily retired as of the balance sheet date less the estimated amount of the Company's trusted pension assets.

The Company and some consolidated domestic subsidiaries also have a non-contributory funded pension plan, which covers substantially all employees. Prior to April 1, 2000, annual contributions, which consisted of normal contribution and amortization of prior service cost , were charged to income when paid.

The Company and its consolidated domestic subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥5,858 million. The entire net transition obligation arising from adoption of the new accounting standard for employees' severance and retirement benefits issued by the Business Accounting Deliberation Council effective April 1, 2000, was fully recognized in expenses in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥5,426 million and income before income taxes decreased by ¥5,523 million compared with what would have been recorded under the previous accounting standard.

Retirement benefits in the consolidated balance sheets also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors.

Research and development—Research and development costs are charged to income as incurred.

Bond issue expense—Bond issue expense is charged to income as incurred.

Accounting for certain lease transactions—Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Income taxes—The Company and its consolidated domestic subsidiaries provided income taxes at the amounts currently payable for the year ended March 31, 1999. Effective April 1, 1999, the Company and its consolidated domestic subsidiaries adopted the new accounting standard, which recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1999 is reflected as an adjustment of ¥3,695 million to the retained earnings brought forward from the previous year.

The effect for the year ended March 31, 2000 was to increase net income by ¥484 million and retained earnings by ¥4,179 million compared with what would have been recorded under the previous accounting standard.

Sales—Sales of merchandise and finished products are recognized when the products are shipped to customers.

Bonuses to directors and corporate auditors—Bonuses to directors and corporate auditors, which are subject to shareholders' approval at the annual shareholders' meeting under the Commercial Code of Japan, are accounted for as an appropriation of retained earnings.

Amounts per share of common stock—Net income per share is computed based on the weighted average number of shares of common stock in issue during each fiscal year.

Cash dividends per share represent the actual amount applicable to the respective fiscal year.

Reclassifications—Certain prior year amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations or shareholders’ equity.

3. Securities

Marketable securities and investment securities at March 31, 2002 and 2001 consisted of available–for-sale securities. Available-for-sale securities are recorded at fair value, with net unrealized holding gains and losses excluded from income and included as a component of stockholders’ equity, net of applicable income taxes.

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2002 (This disclosure has been required from fiscal year 2002):

Available-for-sale securities
Securities with book values exceeding acquisition costs

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥26,862	¥36,938	¥10,076	$201,590	$277,208	$75,618
Bonds	16	16	0	120	120	0
Total	¥26,878	¥36,954	¥10,076	$201,710	$277,328	$75,618

Other securities

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥37,648	¥31,839	¥(5,809)	$282,537	$238,942	$(43,595)
Others	102	65	(37)	765	488	(277)
Total	¥37,750	¥31,904	¥(5,846)	$283,302	$239,430	$(43,872)

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2002 and 2001:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2002	2001	Book value
Non marketable equity securities	¥6,067	¥6,189	$45,531
Non marketable foreign bonds	—	550	—

(3) Available-for-sale securities with maturities are as follows:

As of March 31, 2002

				Millions of yen
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Bonds	¥—	¥16	¥—	¥16
Others		—	65	65
Total	¥—	¥16	¥65	¥81

				Thousands of U.S. dollars
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Bonds	$—	$120	$ —	$120
Others		—	488	488
Total	$—	$120	$488	$608

As of March 31, 2001

				Millions of yen
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Bonds	¥ —	¥66	¥—	¥ 66
Others	102	—	10	112
Total	¥102	¥66	¥10	¥178

(4) Total sales of available-for-sale securities sold in the year ended March 31, 2002 amounted to ¥4,188 million ($31,430 thousand) and the related gains and losses amounted to ¥1,097 million ($8,233 thousand) and ¥131 million ($983 thousand), respectively.

Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥13,845 million and the related gains and losses amounted to ¥5,842 million and ¥218 million, respectively.

4. Derivative transactions

Status of derivative transactions—The Company and its consolidated subsidiaries utilize derivative transactions in order to hedge various risks, such as fluctuation of metal prices, exchange rates and interest rates, in the normal course of business; such as futures contracts for hedging fluctuation of international price of metals, forward foreign exchange contracts and currency swaps for hedging fluctuation of exchange rates, and interest swaps for hedging fluctuation of interests of floating-rate bonds and term loans payable.

Derivative transactions of the Company and its consolidated subsidiaries cause market risk and credit risk. Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in the market value. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuation of market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if the counterparties made default on their obligation. The derivative transactions are solely made with highly rated financial institutions, their subsidiaries or LME brokers guaranteed by banks, so that the Company and its consolidated subsidiaries might reduce the risk of default on an obligation.

Each department of the Company and its consolidated subsidiaries involving derivative transactions have their own rules for derivative transactions which stipulate purposes and scope of using derivatives, standards for choosing transaction counterparties, and procedures of reporting and administration. The derivative transactions are subject to approval by the General Manager of the department in charge after consulting with related departments. Based on these rules, the person in charge sets up the position. Then, the results are reported to the Directors monthly.

The derivative positions are confirmed semi-annually with the transaction counterparties. Also, the internal audit department of the Company regularly examines derivative transactions.

The Company and its consolidated subsidiaries are not exposed to market risk arising from commodity derivative transactions, because the risk of fluctuation of market prices, that is caused by time lag between purchase and sale of materials and products, is hedged by the corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge market risk of exchange rates or interest rates. Taking receivables and payables denominated in foreign currencies into account, the Company and its consolidated subsidiaries are not exposed to market risk.

The contracted amount of interest swap is the notional amount only, and not to be considered as an index for measuring market risk or credit risk of the Company and its consolidated subsidiaries.

The following tables summarize market value information as of March 31, 2002 and 2001 of derivative transactions for which hedge accounting has not been applied:

								Millions of yen
	2002				2001			
	Contracted amount		Market value	Recognized gains (losses)	Contracted amount		Market value	Recognized gains (losses)
	Total	Over one year			Total	Over one year		
Currency:								
Forward contracts:								
Sell position -								
U.S. dollars	***¥ 51***	***¥—***	***¥ 52***	***¥(1)***	¥ 37	¥ —	¥ 38	¥ (1)
Buy position -								
U.S. dollars	***2,410***	***—***	***2,434***	***24***	2,108	—	2,214	106
	¥2,461	***¥—***		***¥23***	¥2,145	¥ —		¥105
Interest:								
Pay fixed , receive variable:	***¥ —***	***¥—***		***¥—***	¥2,539	¥2,116	¥ 6	¥ 6

	Thousands of U.S. dollars			
	2002			
	Contracted amount		Market value	Recognized gains (losses)
	Total	Over one year		
Currency:				
Forward contracts:				
Sell position -				
U.S. dollars	***$ 383***	***$—***	***$ 390***	***$ (7)***
Buy position -				
U.S. dollars	***18,086***	***—***	***18,266***	***180***
	$18,469	***$—***		***$173***
Interest:				
Pay fixed, receive variable:	***$ —***	***$—***	***$ —***	***$ —***

5. Inventories

Inventories at March 31, 2002 and 2001consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	***2002***
Merchandise	***¥ 888***	¥ 1,266	***$ 6,664***
Finished products	***19,352***	18,768	***145,231***
Semi-finished products and work in process	***34,055***	12,779	***255,572***
Raw materials and supplies	***23,405***	41,114	***175,647***
	¥77,700	¥73,927	***$583,114***

6. Bank loans and long-term debt following:

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual rates of 0.43% to 5.11% and 0.38% to 8.30% at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	***2002***
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2007 at interest rates of 0.8425% to 7.79%:			
Secured	***¥ 4,630***	¥ 7,843	***$ 34,747***
Unsecured	***18,717***	10,167	***140,465***
Government owned banks and government agencies, maturing through 2015 at interest rates of 1.15% to 7.04%:			
Secured	***12,801***	15,810	***96,068***
Unsecured	***245***	345	***1,839***
3.0% domestic bonds due in 2001	—	10,000	—
2.4% domestic bonds due in 2002	—	8,000	—
1.75% domestic bonds due in 2002	***7,000***	7,000	***52,533***
2.2% domestic bonds due in 2004	***6,000***	6,000	***45,028***
1.825% domestic bonds due in 2002	***15,000***	15,000	***112,571***
2.225% domestic bonds due in 2004	***10,000***	10,000	***75,047***
2.0% domestic bonds due in 2005	***10,000***	10,000	***75,047***
1.6% domestic bonds due in 2003	***10,000***	10,000	***75,047***
0.88% domestic bonds due in 2006	***10,000***	—	***75,047***
	104,393	110,165	***783,439***
Amount due within one year	***(30,421)***	(26,326)	***(228,300)***
	¥ 73,972	¥ 83,839	***$555,139***

The 3.0% and 2.4% domestic bonds were redeemed during the year ended March 31, 2002.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥30,421	$228,300
2004	20,100	150,844
2005	18,980	142,439
2006	11,636	87,325
2007	21,383	160,473
Thereafter	¥ 1,873	$ 14,058

Assets pledged as collateral for bank loans and long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable		
Trade	¥ 953	$ 7,152
Investment securities		
Subsidiaries	131	983
Other	9,839	73,839
Property, plant and equipment, at net book value	42,640	320,000
	¥53,563	$401,974

7. Income taxes

Income taxes in the accompanying statement of operations comprise corporation tax, inhabitants taxes and enterprise tax. The aggregate statutory tax rate in Japan was approximately 42.1% for the year ended March 31, 2002, 2001 and 2000.

Consolidated overseas subsidiaries are subject to income taxes of the countries in which they domicile.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the year ended March 31 2001 and 2000:

	2001	2000
Statutory tax rate	42.1 %	42.1 %
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(9.8)	(20.5)
Effect of elimination of counterparty dividends received	3.8	11.0
Difference in tax rates among the Company and its consolidated subsidiaries	(0.6)	(2.4)
Permanently nondeductible expenses	1.9	4.8
Permanently nontaxable dividends received	(6.0)	(12.1)
Per capita inhabitant tax	0.6	1.9
Decrease in valuation allowance	(29.3)	(24.9)
Others	(1.1)	6.8
Effective tax rate	1.6 %	6.7 %

The Company has not recorded the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for the year ended March 31, 2002 because it has incurred a loss before income taxes and minority interests.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	***2002***
Deferred tax assets:			
Net operating loss carry forwards	***¥10,310***	¥ 8,726	***$ 77,373***
Retirement benefits	***6,798***	6,459	***51,017***
Write-off of investment securities	***2,186***	—	***16,405***
Accrued realignment loss of operations	***1,304***	—	***9,786***
Allowance for bonus payable	***1,078***	—	***8,090***
Depreciation	***1,051***	1,008	***7,888***
Accrued restructuring charges	***1,042***	1,160	***7,820***
Accrued loss on downsizing affiliates	***726***	—	***5,448***
Accrued indemnification loss of damages caused by a consolidated subsidiary	***525***	739	***3,940***
Allowance for doubtful accounts	—	482	—
Others	***2,536***	4,077	***19,032***
Gross deferred tax assets	***27,556***	22,651	***206,799***
Less valuation allowance	***(7,293)***	(7,184)	***(54,732)***
Deferred tax assets-less valuation allowance	***20,263***	15,467	***152,067***
Deferred tax liabilities:			
Net unrealized holding gain on available-for-sales securities	***(1,827)***	—	***(13,711)***
Reserve for losses on overseas investment	***(355)***	(380)	***(2,664)***
Accrual for special depreciation of fixed assets	***(172)***	(251)	***(1,291)***
Deferred gains on properties for tax purpose	***(3,926)***	(3,386)	***(29,463)***
Reserve for explorations	***(977)***	(1,212)	***(7,332)***
Depreciation	***(2,404)***	(2,706)	***(18,041)***
Allowance for doubtful accounts	***(968)***	(1,807)	***(7,265)***
Accumulated earnings of overseas subsidiaries	***(1,166)***	(1,325)	***(8,750)***
Others	***(318)***	(369)	***(2,387)***
Deferred tax liabilities	***(12,113)***	(11,436)	***(90,904)***
Net deferred tax assets	***¥ 8,150***	¥ 4,031	***$ 61,163***

8. Retirement benefits and pension costs

As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Company and its domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	***2002***
Projected benefit obligation	***¥(45,566)***	¥(41,488)	***$(341,959)***
Fair value of pension assets	***17,390***	17,139	***130,507***
Excess of projected benefit obligation over pension assets	***¥(28,176)***	¥(24,349)	***$(211,452)***
Unrecognized actuarial differences	***5,362***	2,703	***40,240***
Net pension liability recognized in the consolidated balance sheet	***¥(22,814)***	¥(21,646)	***$(171,212)***
Prepaid pension expenses	***30***	18	***225***
Retirement benefits	***¥(22,844)***	¥(21,664)	***$(171,437)***

Retirement benefits in the consolidated balance sheets as of March 31, 2002 and 2001 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors (¥260million ($1,951 thousand) and ¥463 million, respectively.).

Included in the consolidated statement of income for the year ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	***2002***
Service cost–benefits earned during the year	***¥2,573***	¥2,212	***$19,310***
Interest cost on projected benefit obligation	***1,055***	982	***7,917***
Expected return on plan assets	***(481)***	(507)	***(3,610)***
Amortization of actuarial differences	***270***	—	***2,026***
Amortization of entire net transition obligation	***—***	5,858	***—***
	¥3,417	¥8,545	***$25,643***

The discount rate and the rate of expected return on plan assets used by the Company are primarily 2.5 % in fiscal 2002 (3.0% in 2001) and 3.5 %, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method in ten years.

Prior to April 1, 2000, the charges to income with respect to retirement benefits and pension costs amounted to ¥4,078 million, for the year ended March 31, 2000.

9. Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2002, 2001 and 2000 were ¥4,237 million ($31,797 thousand), ¥3,484 million and ¥4,830 million, respectively.

10. Special reserves

For the purpose of obtaining tax benefits, the Company and some consolidated subsidiaries have set up special reserves mainly for losses on overseas investments and explorations in accordance with the Special Taxation Measures Law of Japan.

Such reserves included in retained earnings at March 31, 2002 and 2001 were ¥7,331million ($55,017 thousand) and ¥6,213 million, respectively.

11. Shareholders' equity

The diluted net income per share for the years ended March 31, 2002 and 2001 are not calculated because there were no securities with dilutive effect. For calculating diluted net income per share, the number of shares outstanding were adjusted by assuming full conversion of the outstanding convertible bonds and full exercise of the outstanding warrants.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

Under the Code, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distributions by the resolution of the shareholders' meeting. The legal reserve is included in the retained earnings.

At the June 26, 1998 annual meeting, the Company's shareholders approved certain changes in the articles of incorporation of the Company including an article of treasury stock purchase program, so that the Company could retire its own shares acquired in a timely manner by offsetting the cost of the treasury stock against retained earnings within the maximum limit of 57,100 thousand shares by resolution of the Board of Directors. There was no acquisition of treasury stock for this purpose during the year ended March 31,2001.

At the June 27,2002 annual meeting, the Company's shareholders approved the deletion of this clause in accordance with the abolition of the related law.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Code.

12. Contingent liabilities

Contingent liabilities at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes receivable discounted	¥ 2,129	$ 15,977
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	7,002	52,548
Other	4,813	36,120
	¥13,944	$104,645

13. Effect of bank holiday on March 31, 2002

As financial institutions in Japan were closed on March 31, 2002 and 2001 due to holidays amounts that would normally be settled on March 31, 2002 and 2001 were collected or paid on the following business day, April 1, 2002 and April 2, 2001 and the company and its consolidated subsidiaries accounted for accordingly. The effects of the settlements on April 1 and April 2 as compared with what would have been settled on March 31 are summarized below:

	2002	2001
Cash and cash equivalents	***Decreased by ¥97 million ($728 thousand)***	Decreased by ¥403 million
Notes receivable trade	***Increased by ¥1,751 million ($ 13,141 thousand)***	Increased by ¥2,091 million
Notes payable trade	***Increased by ¥1,313 million ($ 9,854 thousand)***	Increased by ¥1,634 million
Notes payable other	***Increased by ¥341 million ($ 2,559 thousand)***	Increased by ¥54 million
Notes receivable discounted	***Increased by ¥434 million ($ 3,257 thousand)***	Increased by ¥692 million

14. Segment information

Business segment information—The primary business segments of the Company and its consolidated subsidiaries include mineral resources, metallurgy, electronics and advanced materials, construction materials & housing and others.

(Change in the business segment information)

In the year ended March 31, 2002, the Company and its consolidated subsidiaries changed the grouping of business segments due to the change of the business operation. The Company and its consolidated subsidiaries converted advanced materials from metallurgy to electronics materials which was changed its name to electronics & advanced materials.

The change was made for better presentation of segment information in line with the current business operation.

Segment information for the year ended March 31, 2001 and 2000 have been restated to conform to the 2002 segmentation as follows:

2002 — Millions of yen

	Mineral Resources	Metallurgy	Electronics & advanced materials	Construction materials & housing	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	***¥15,351***	***¥171,150***	***¥107,331***	***¥19,997***	***¥16,365***	***¥ —***	***¥330,194***
Inter segment	***7,941***	***26,033***	***3,654***	***1,619***	***3,621***	***(42,868)***	***—***
Total	***23,292***	***197,183***	***110,985***	***21,616***	***19,986***	***(42,868)***	***330,194***
Costs and expenses	***22,454***	***193,650***	***115,373***	***21,882***	***18,160***	***(42,472)***	***329,047***
Operating income (loss)	***¥ 838***	***¥ 3,533***	***¥ (4,388)***	***¥ (266)***	***¥ 1,826***	***¥ (396)***	***¥ 1,147***
Identifiable assets	***¥54,710***	***¥178,033***	***¥119,151***	***¥19,593***	***¥38,771***	***¥108,498***	***¥518,756***
Depreciation expense	***3,217***	***3,978***	***8,675***	***713***	***549***	***690***	***17,822***
Capital expenditures	***2,794***	***9,336***	***11,236***	***515***	***418***	***1,080***	***25,379***

2001 — Millions of yen

	Mineral Resources	Metallurgy	Electronics & advanced materials	Construction materials & housing	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥16,987	¥177,795	¥143,058	¥24,828	¥12,684	¥ —	¥375,352
Inter segment	6,626	27,032	3,275	52	2,390	(39,375)	—
Total	23,613	204,827	146,333	24,880	15,074	(39,375)	375,352
Costs and expenses	21,253	189,406	136,374	25,184	14,740	(38,535)	348,422
Operating income (loss)	¥ 2,360	¥ 15,421	¥ 9,959	¥ (304)	¥ 334	¥ (840)	¥ 26,930
Identifiable assets	¥57,258	¥173,208	¥128,184	¥25,222	¥45,382	¥100,826	¥530,080
Depreciation expense	2,956	3,953	7,982	746	549	588	16,774
Capital expenditures	4,420	7,387	14,962	243	282	784	28,078

2000 — Millions of yen

	Mineral Resources	Metallurgy	Electronics & advanced materials	Construction materials & housing	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥18,938	¥168,302	¥128,008	¥26,940	¥18,111	¥ —	¥360,299
Inter segment	7,388	27,458	2,483	47	2,288	(39,664)	—
Total	26,326	195,760	130,491	26,987	20,399	(39,664)	360,299
Costs and expenses	25,058	189,630	128,943	28,131	19,320	(39,773)	351,309
Operating income (loss)	¥ 1,268	¥ 6,130	¥ 1,548	¥(1,144)	¥ 1,079	¥ 109	¥ 8,990
Identifiable assets	¥54,899	¥165,796	¥111,885	¥25,064	¥47,437	¥139,040	¥544,121
Depreciation expense	3,764	4,155	6,738	1,091	363	500	16,611
Capital expenditures	1,635	3,121	13,056	856	864	958	20,490

2002							Thousands of U.S. dollars
	Mineral Resources	Metallurgy	Electronics & advanced materials	Construction materials & housing	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	***$115,205***	***$1,284,428***	***$805,486***	***$150,071***	***$122,814***	***$ —***	***$2,478,004***
Inter segment	***59,595***	***195,370***	***27,422***	***12,150***	***27,174***	***(321,711)***	***—***
Total	***174,800***	***1,479,798***	***832,908***	***162,221***	***149,988***	***(321,711)***	***$2,478,004***
Costs and expenses	***168,510***	***1,453,283***	***865,839***	***164,218***	***136,285***	***(318,739)***	***2,469,396***
Operating income (loss)	***$ 6,290***	***$ 26,515***	***$(32,931)***	***$ (1,997)***	***$ 13,703***	***$ (2,972)***	***$ 8,608***
Identifiable assets	***$410,582***	***$1,336,083***	***$894,191***	***$147,039***	***$290,964***	***$814,244***	***$3,893,103***
Depreciation expense	***24,143***	***29,854***	***65,103***	***5,351***	***4,120***	***5,178***	***133,749***
Capital expenditures	***20,968***	***70,064***	***84,323***	***3,865***	***3,137***	***8,105***	***190,462***

(1) Retirement benefits and pension costs (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Companies and its consolidated domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits. The effect of this change on the segment information were to increase operating income of mineral resources, metallurgy, electric and advanced materials and others by ¥15 million, ¥110 million, ¥211 million and ¥76 million and decrease operating income of construction materials & housing by ¥17 million, in the year ended March 31, 2001,respectively.

(2) Financial instruments (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Companies and its consolidated domestic subsidiaries adopted the new accounting standard for financial instrument. The effect of this change on the segment information was to increase identifiable assets of metallurgy by ¥939 million in the year ended March 31, 2001.

(3) Foreign currency translation (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Companies and its consolidated domestic subsidiaries adopted the new accounting standard for foreign currency translation. The effect of this change on the segment information was to decrease identifiable assets of elimination or corporate by ¥10,861 million in the year ended March 31, 2001.

(4) Financial instruments (in the year ended March 31, 2002)
As explained in Note 2 Significant Accounting Policies, effective from the year ended 31, 2002, the Company adopted new accounting standards for financial instruments. The effect of this change on the segment information were to decrease identifiable assets of metallurgy by ¥110 million ($826 thousand) and increase identifiable assets of electronics & advanced materials by ¥19 million ($143 thousand), construction materials & housing by ¥2 million ($15 thousand) and elimination or corporate by ¥4,319 million ($32,412 thousand) in the year ended March 31, 2002.

Geographic segment information—Geographic segment information for the years ended March 31, 2002, 2001 and 2000 are summarized as follows:

2002						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	***¥291,605***	***¥13,504***	***¥17,772***	***¥ 7,313***	***¥ —***	***¥330,194***
Intersegment	***9,225***	***10***	***524***	***1,421***	***(11,180)***	***—***
Total	***300,830***	***13,514***	***18,296***	***8,734***	***(11,180)***	***330,194***
Costs and expenses	***296,322***	***15,717***	***19,353***	***8,861***	***(11,206)***	***329,047***
Operating income	***¥ 4,508***	***¥(2,203)***	***¥(1,057)***	***¥ (127)***	***¥ 26***	***¥ 1,147***
Identifiable assets	***¥360,839***	***¥36,245***	***¥19,118***	***¥13,930***	***¥88,624***	***¥518,756***

2001						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥328,608	¥14,922	¥23,663	¥ 8,159	¥ —	¥375,352
Intersegment	10,334	18	718	1,155	(12,225)	—
Total	338,942	14,940	24,381	9,314	(12,225)	375,352
Costs and expenses	313,854	14,766	23,407	8,711	(12,316)	348,422
Operating income	¥ 25,088	¥ 174	¥ 974	¥ 603	¥ 91	¥ 26,930
Identifiable assets	¥376,180	¥36,099	¥19,900	¥12,095	¥85,806	¥530,080

2000						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥318,397	¥14,066	¥21,216	¥ 6,620	¥ —	¥360,299
Intersegment	2,920	13	781	1,425	(5,139)	—
Total	321,317	14,079	21,997	8,045	(5,139)	360,299
Costs and expenses	312,585	15,253	20,724	7,967	(5,220)	351,309
Operating income	¥ 8,732	¥(1,174)	¥ 1,273	¥ 78	¥ 81	¥ 8,990
Identifiable assets	¥361,881	¥32,605	¥15,299	¥10,912	¥123,424	¥544,121

2002						Thousands of U.S. dollars
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	***$2,188,405***	***$101,343***	***$133,374***	***$ 54,882***	***$ —***	***$2,478,004***
Intersegment	***69,231***	***75***	***3,932***	***10,664***	***(83,902)***	***—***
Total	***2,257,636***	***101,418***	***137,306***	***65,546***	***(83,902)***	***2,478,004***
Costs and expenses	***2,223,805***	***117,951***	***145,239***	***66,499***	***(84,098)***	***2,469,396***
Operating income	***$ 33,831***	***$(16,533)***	***$ (7,933)***	***$ (953)***	***$ 196***	***$ 8,608***
Identifiable assets	***$2,707,985***	***$272,007***	***$143,475***	***$104,540***	***$665,096***	***$3,893,103***

(The effects of changes in accounting policies on segment information)

(1) Retirement benefits and pension costs (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits. The effect of this change on the segment information was to increase operating income of Japan by ¥395 million in the year ended March 31, 2001.

(2) Financial instruments (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for financial instrument. The effect of this change on the segment information was to increase identifiable assets of Japan by ¥939 million in the year ended March 31, 2001.

(3) Foreign currency translation (in the year ended March 31, 2001)
As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Companies and its consolidated domestic subsidiaries adopted the new accounting standard for foreign currency translation. The effect of this change on the segment information was to decrease identifiable assets of elimination or corporate by ¥10,861 million in the year ended March 31,2001.

(4) Financial instruments (in the year ended March 31, 2002)
As explained in Note 2 Significant Accounting Policies, effective from the year ended 31, 2002, the Company adopted new accounting standards for financial instruments. The effect of this change on the segment information were to decrease identifiable assets of domestic by ¥89 million ($668 thousand) and increase identifiable assets of elimination or corporate by ¥4,319 million ($32,412 thousand) in the year ended March 31, 2001.

Information for overseas sales

2002					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	***¥17,158***	***¥17,993***	***¥52,590***	***¥3,770***	***¥ 91,511***
Consolidated net sales	—	—	—	—	***¥330,194***
Share of overseas net sales	***5.2%***	***5.5%***	***15.9%***	***1.1%***	***27.7%***

2001					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥18,736	¥21,681	¥53,258	¥5,278	¥ 98,953
Consolidated net sales	—	—	—	—	¥375,352
Share of overseas net sales	5.0%	5.8%	14.2%	1.4%	26.4%

2000					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥17,240	¥20,021	¥43,271	¥4,191	¥ 84,723
Consolidated net sales	—	—	—	—	¥360,299
Share of overseas net sales	4.8%	5.6%	12.0%	1.1%	23.5%

2002					Thousands of U.S. dollars
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	***$128,765***	***$135,032***	***$394,672***	***$28,293***	***$ 686,762***
Consolidated net sales	—	—	—	—	***$2,478,004***
Share of overseas net sales	***5.2%***	***5.5%***	***15.9%***	***1.1%***	***27.7%***

15. Information for certain leases

As a lessee—A summary of assumed amounts inclusive of interest of acquisition cost, accumulated depreciation and net book value of finance leases accounted for in the same manner as operating leases at March 31, 2002 and 2001 were as follows:

					Millions of yen				Thousands of U.S. dollars
			2002			2001			***2002***
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	***¥2,164***	***¥1,172***	***¥ 992***	¥2,494	¥1,190	¥1,304	***$16,240***	***$ 8,795***	***$7,445***
Others	***334***	***247***	***87***	351	179	172	***2,507***	***1,854***	***653***
Total	***¥2,498***	***¥1,419***	***¥1,079***	¥2,845	¥1,369	¥1,476	***$18,747***	***$10,649***	***$8,098***

Future lease payment, inclusive of interest at March 31, 2002 and 2001, under such leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥ 445**	¥ 517	**$3,340**
Due after one year	**634**	959	**4,758**
Total	**¥1,079**	¥1,476	**$8,098**

Total expenses and assumed depreciation charges for the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31, 2002, 2001 and 2000	**2002**	2001	2000	**2002**
Total expenses	**¥555**	¥591	¥680	**$4,165**
Assumed depreciation charge	**¥555**	¥591	¥680	**$4,165**

As a lessor—A summary of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			**2002**		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥423**	**¥151**	**¥272**	¥510	¥164	¥346	**$3,174**	**$1,133**	**$2,041**
Others	**1**	**0**	**1**	1	0	1	**8**	**0**	**8**
Total	**¥424**	**¥151**	**¥273**	¥511	¥164	¥347	**$3,182**	**$1,133**	**$2,049**

Future lease receipt, inclusive of interest, at March 31, 2002 and 2001 under such lease were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥ 45**	¥ 65	**$ 338**
Due after one year	**246**	301	**1,846**
Total	**¥291**	¥366	**$2,184**

Total revenue and Depreciation charges for the years ended March 31, 2002, 2001, and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2002, 2001 and 2000	**2002**	2001	2000	**2002**
Total revenues	**¥58**	¥51	¥55	**$435**
Depreciation charge	**¥36**	¥24	¥21	**$270**

16. Subsequent events

On June 27, 2002 the shareholders of the Company approved payment of an annual cash dividend of ¥4.0 ($0.03) per share or total of ¥2,287 million ($17,163 thousand) to shareholders of record at March 31, 2002.

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of
Sumitomo Metal Mining Co., Ltd. :

We have audited the accompanying consolidated balance sheets of Sumitomo Metal Mining Co., Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Sumitomo Metal Mining Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, Sumitomo Metal Mining Co., Ltd. and consolidated domestic subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards for financial instruments effective April 1, 2001, for financial instruments, employees’ severance and retirement benefits and foreign currency translation effective April 1, 2000, and for consolidation and income taxes effective April 1, 1999.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

SMM Group

Branches, Divisions & Laboratories

Head Office
11-3, Shimbashi 5-chome
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Phone : 81-6-6223-7718
Facsimile: 81-6-6223-7755

Nagoya Branch
1-6, Higashi-Sakura 1-chome
Higashi-ku, Nagoya 461-0005, Japan
Phone : 81-52-963-2360
Facsimile: 81-52-963-2365

Fukuoka Branch
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Harima-cho, Kako-gun
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Kunitomi District Div.
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Iwanai-gun, Hokkaido
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Electronics Div.
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Central Research Laboratories
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Facsimile: 81-47-372-9133

Niihama Research Laboratories
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Niihama, Ehime 792-0002, Japan
Phone : 81-897-37-7171
Facsimile: 81-897-37-7173

Principal Affiliated Companies

MINERAL RESOURCES
Sumiko Consultants Co., Ltd.*

METALLURGY AND
METAL FABRICATION
Hyuga Smelting Co., Ltd.*
SMM Trading Co., Ltd.*
Sumitomo Metal Mining Brass & Copper Co., Ltd.*
Taihei Metal Industry Co., Ltd.*

ELECTRONICS AND ADVANCED
MATERIALS
Ohkuchi Electronics Co., Ltd.*
Shinko Co., Ltd.*
Sumitomo Metal Mining Package Materials Co., Ltd.*
Niihama Electronics Co., Ltd.*
Ajimu Electronics Co., Ltd.*
Maruzen Industry Co., Ltd.*
Sumiko Tec Co., Ltd.*
Fuji Electronics Industries Co., Ltd.*
Sumico Lubricant Co., Ltd.*
Nittosha Co., Ltd.*

CONSTRUCTION MATERIALS
AND HOUSING
Sumitomo Metal Mining Siporex Co., Ltd.*
Igeta Heim Co., Ltd.*
Sumiko Tatsumi Construction Materials Co., Ltd.*

OTHER SERVICES
Sumiko Eco-engineering Co., Ltd.*
Igeta Auto Industries Co., Ltd.*
Sumiko Technical Service Co., Ltd.*
Sumiko Information Systems Co., Ltd.*
N. E. Chemcat Corporation
Nippon Ketjen Co., Ltd.

Overseas Office

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Shanghai International Trade Center
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Overseas Affiliated Companies

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Sumitomo Metal Mining Arizona Inc.*
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M-SMM Electronics SDN. BHD.*
Lots 7 & 9, Jalan Ragum 15/17
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Malaysian Electronics Materials SDN. BHD.*
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SMM U.S.A.Inc.*
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SMM Electronics Parts Pte. Ltd.*
No. 6 Tuas Avenue 20
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Phone : 65-6863-1123
Facsimile: 65-6863-2062

*Consolidated subsidiaries

Corporate Data/Investor Information

As of March 31, 2002

Corporate Data

FOUNDED
1590

INCORPORATED
1950

HEAD OFFICE
11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

PAID-IN CAPITAL
¥88.3 billion

NUMBER OF EMPLOYEES
2,637

Investor Information

CLOSING DATE
The Company's books are closed on March 31 each year.

REGULAR GENERAL MEETING
The regular general meeting of shareholders is held in June each year. The 2001 regular general meeting was held on June 28.

COMMON STOCK
Number of authorized shares:
1,000,000,000 shares
Number of issued and outstanding shares:
571,872,794 shares

LISTING OF SHARES
Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo stock exchanges

STOCK TRANSACTION UNITS
1,000-share units

STOCK TRANSFER AGENT
The Sumitomo Trust and Banking Company, Limited
Head office:
5-33, Kitahama 4-chome, Chuo-ku, Osaka

Stock Transfer Agency Department:
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo

PUBLIC NOTICES
The Company's public notices appear in the Nihon Keizai Shimbun published in Tokyo, Japan.

INDEPENDENT PUBLIC ACCOUNTANTS
Asahi & Co.
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

PRINCIPAL SHAREHOLDERS

	Number of shares held (thousands)	Percentage of total shares outstanding
The Mitsubishi Trust and Banking Corporation (Trust accounts)	36,267	6.3%
Japan Trustee Services Bank, Ltd. (Trust accounts)	34,516	6.0
UFJ Trust Bank, Limited.(Trust accounts "A")	25,204	4.4
The Sumitomo Mitsui Banking Corporation	20,398	3.6
Separately managed money trustee, Mitsui Asset Trust and Banking Company, Limited "1"	18,026	3.2
Pension trustee, Mitsui Asset Trust and Banking Company, Limited "2"	16,148	2.8
Japan Trustee Services Bank, Ltd./The Sumitomo Trust and Banking Co., Ltd. (Retirement benefit trust account)	14,000	2.4
Sumitomo Life Insurance Company	12,108	2.1
Separately managed money trustee, Mitsui Asset Trust and Banking Company, Limited "B"	11,827	2.1
Separately managed money trustee, Mitsui Asset Trust and Banking Company, Limited "A"	11,000	1.9

Corporate Officers

DIRECTOR
Yuji Yokoyama

DIRECTOR
Nobuto Yamaguchi

DIRECTOR
Takeshi Yamane

REPRESENTATIVE DIRECTOR
Chitsura Arakawa

REPRESENTATIVE DIRECTOR
Koichi Fukushima

DIRECTOR
Hirosuke Chihara

DIRECTORS AND AUDITORS
(As of June 27, 2002)

REPRESENTATIVE DIRECTORS
Koichi Fukushima
Chitsura Arakawa

DIRECTORS
Hirosuke Chihara
Yuji Yokoyama
Nobuto Yamaguchi
Takeshi Yamane

AUDITORS
Isao Shima
Masahide Tsuno
Setsuya Kuroda
Hajime Ohta

EXECUTIVE OFFICERS
(As of August 1, 2002)

PRESIDENT
Koichi Fukushima

SENIOR MANAGING EXECUTIVE OFFICER
Chitsura Arakawa

MANAGING EXECUTIVE OFFICERS
Hirosuke Chihara
Akira Ichinose
Koji Aiba
Yuji Yokoyama
Nobuto Yamaguchi
Takeshi Yamane

EXECUTIVE OFFICERS
Ryoichi Suzuki
Yukio Ishikawa
Takuro Mochihara
Kenji Fujimura
Susumu Makino
Masashi Koike

SUMITOMO METAL MINING CO., LTD.