

NON-CONSOLIDATED FINANCIAL STATEMENTS
TOHO ZINC CO., LTD.
MARCH 31, 2003 AND 2002

Report of Independent Accountants

To the Board of Directors and Shareholders of
Toho Zinc Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Toho Zinc Co., Ltd. as of March 31, 2003 and 2002, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese Yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Toho Zinc Co., Ltd. as of March 31, 2003 and 2002, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

As described in Note 1 (b), effective from the year ended March 31, 2002, Toho Zinc Co., Ltd. has adopted the new Japanese accounting standards for available-for-sale securities.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying non-consolidated financial statements.

ChuoAoyama Audit Corporation
Tokyo, Japan
June 27, 2003

Toho Zinc Co., Ltd.

Non-Consolidated Balance Sheets

	At March 31,		
	2003	2002	2003
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars) (Note 2)
ASSETS			
Current Assets:			
Cash and time deposits	¥ 4,039	¥ 3,652	\$ 33,602
Marketable securities	210	-	1,747
Notes and accounts receivable-trade:			
Subsidiaries	992	1,009	8,253
Other	11,797	11,408	98,145
Allowance for doubtful accounts	(10)	(24)	(83)
	<u>12,779</u>	<u>12,393</u>	<u>106,315</u>
Inventories (Note 3)	12,120	14,344	100,832
Deferred tax assets (Note 6)	607	419	5,050
Other current assets	4,335	4,057	36,065
Total current assets	<u>34,090</u>	<u>34,865</u>	<u>283,611</u>
Investments and Advances:			
Investments in securities (Note 5)	3,378	3,735	28,103
Investments in and advances to subsidiaries	585	585	4,867
Loans to employees	8	10	67
Deferred tax assets (Note 6)	1,414	1,487	11,764
Other investments	220	229	1,830
Total investments and advances	<u>5,605</u>	<u>6,046</u>	<u>46,631</u>
Property, Plant and Equipment			
	(Notes 4 and 5):		
Land	16,212	16,219	134,875
Buildings and structures	16,850	16,615	140,183
Machinery and equipment	52,648	51,606	438,003
Construction in progress	494	1,015	4,110
	<u>86,204</u>	<u>85,455</u>	<u>717,171</u>
Accumulated depreciation	(53,631)	(51,915)	(446,181)
Total property, plant and equipment, net	<u>32,573</u>	<u>33,540</u>	<u>270,990</u>
Other Assets	<u>712</u>	<u>767</u>	<u>5,923</u>
Total assets	<u>¥ 72,980</u>	<u>¥ 75,218</u>	<u>\$607,155</u>

The accompanying notes are an integral part of these statements.

Toho Zinc Co., Ltd.

Non-Consolidated Balance Sheets

	At March 31,		
	2003	2002	2003
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings (Note 5)	¥ 23,222	¥ 26,172	\$ 193,195
Current portion of long-term debt (Note 5)	1,393	7,449	11,589
Notes and accounts payable-trade:			
Subsidiaries and affiliates	119	93	990
Other	3,712	3,309	30,882
	<u>3,831</u>	<u>3,402</u>	<u>31,872</u>
Accrued expenses	1,764	1,921	14,676
Accrued income taxes	13	16	108
Other current liabilities	1,647	1,621	13,701
Total current liabilities	<u>31,870</u>	<u>40,581</u>	<u>265,141</u>
Long-term Liabilities:			
Long-term debt (Note 5)	7,288	533	60,632
Accrued severance indemnities	3,201	3,034	26,631
Deferred tax liabilities related to land revaluation (Notes 4 and 6)	5,694	5,698	47,371
Other long-term liabilities	450	292	3,744
Total long-term liabilities	<u>16,633</u>	<u>9,557</u>	<u>138,378</u>
Shareholders' Equity:			
Common stock, no par value:			
Authorized; 264,000 thousand shares			
Issued; 125,819 thousand shares in 2003 and 2002	10,236	10,236	85,158
Additional paid-in capital	5,486	5,486	45,641
Legal reserve	-	682	-
Retained earnings (Note 8)	1,065	1,177	8,860
Surplus from land revaluation (Note 4)	7,831	7,836	65,150
Unrealized losses on securities	(139)	(337)	(1,156)
Treasury stock	(2)	(0)	(17)
Total shareholders' equity	<u>24,477</u>	<u>25,080</u>	<u>203,636</u>
Total liabilities and shareholders equity	<u>¥ 72,980</u>	<u>¥ 75,218</u>	<u>\$ 607,155</u>

The accompanying notes are an integral part of these statements.

Toho Zinc Co., Ltd.

Non-Consolidated Statements of Income

	Year ended March 31,		
	2003	2002	2003
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥ 46,342	¥ 45,187	\$ 385,540
Cost of sales	40,500	37,972	336,938
Gross profit	<u>5,842</u>	<u>7,215</u>	<u>48,602</u>
Selling, general and administrative expenses	<u>4,908</u>	<u>5,135</u>	<u>40,832</u>
Operating income	934	2,080	7,770
Other income (expenses):			
Interest and dividends income	231	261	1,922
Interest expenses	(388)	(323)	(3,228)
Loss on sale or disposal of property, plant and equipment, net	(142)	(136)	(1,181)
Loss on sale of securities	-	(123)	-
Write-down of investments in securities	(686)	(358)	(5,707)
Foreign exchange loss	(8)	(34)	(67)
Derivative loss	(149)	(102)	(1,240)
Additional employee termination benefits	(28)	(144)	(233)
Amortization of net transaction amount on accrued severance indemnities	(245)	(245)	(2,038)
Other, net	(119)	(71)	(990)
	<u>(1,534)</u>	<u>(1,275)</u>	<u>(12,762)</u>
Income (loss) before income taxes	(600)	805	(4,992)
Income taxes (Note 6)			
Current	92	287	765
Deferred	(270)	89	(2,246)
	<u>(178)</u>	<u>376</u>	<u>(1,481)</u>
Net income (loss)	<u>¥ (422)</u>	<u>¥ 429</u>	<u>\$ (3,511)</u>
	<u>Yen</u>		<u>U.S. dollar (Note 2)</u>
Per share :			
Net income (loss)-basic	¥ (3.35)	¥ 3.41	\$ (0.03)
-diluted	-	2.87	-
Cash dividends applicable to the year	3.00	3.00	0.02

The accompanying notes are an integral part of these statements.

Toho Zinc Co., Ltd.
Non-Consolidated Statements of Shareholders' Equity

	Number of shares of common stock (Thousands)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings (Millions of yen)	Surplus from land revaluation	Unrealized losses on securities	Treasury stock
Balance at March 31, 2001	125,819	¥ 10,236	¥ 5,486	¥ 642	¥ 1,167	¥ 7,852	¥ -	¥ 0
Net income	-	-	-	-	429	-	-	-
Cash dividends	-	-	-	-	(379)	-	-	-
Transfer to legal reserve	-	-	-	40	(40)	-	-	-
Revaluation of land	-	-	-	-	-	(16)	-	-
Adoption of new accounting standard (Note 1-(b))	-	-	-	-	-	-	(337)	-
Net change in treasury stock	-	-	-	-	-	-	-	(0)
Balance at March 31, 2002	125,819	10,236	5,486	682	1,177	7,836	(337)	(0)
Net loss	-	-	-	-	(422)	-	-	-
Cash dividends	-	-	-	-	(377)	-	-	-
Reclassification of legal reserve	-	-	-	(682)	682	-	-	-
Reclassification of surplus from land revaluation	-	-	-	-	5	(5)	-	-
Net change in unrealized losses	-	-	-	-	-	-	198	-
Net change in treasury stock	-	-	-	-	-	-	-	(2)
Balance at March 31, 2003	125,819	¥ 10,236	¥ 5,486	¥ -	¥ 1,065	¥ 7,831	¥ (139)	¥ (2)

(Thousands of U.S. dollars) (Note 2)

Balance at March 31, 2002	\$85,158	\$ 45,641	\$ 5,674	\$ 9,792	\$ 65,191	\$ (2,803)	\$ (0)
Net loss	-	-	-	(3,511)	-	-	-
Cash dividends	-	-	-	(3,136)	-	-	-
Reclassification of legal reserve	-	-	(5,674)	5,674	-	-	-
Reclassification of surplus from land revaluation	-	-	-	41	(41)	-	-
Net change in unrealized losses	-	-	-	-	-	1,647	-
Net change in treasury stock	-	-	-	-	-	-	(17)
Balance at March 31, 2003	\$85,158	\$ 45,641	\$ -	\$ 8,860	\$ 65,150	\$ (1,156)	\$ (17)

The accompanying notes are an integral part of these statements.

Toho Zinc Co., Ltd.
Notes to Non-Consolidated Financial Statements

1. Significant Accounting Policies

(a) Basis of presenting the non-consolidated financial statements

The accompanying non-consolidated financial statements have been prepared based on the accounts maintained by Toho Zinc Co., Ltd. (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code and the Japanese Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the non-consolidated financial statements submitted to the Direction of Kanto Financial Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see 1-(b)-(3) Hedge accounting below).

(2) Securities

Securities held by the Company are classified into three categories;

Held-to-maturity debt securities, that the Company has intent to hold to maturity, are stated at cost with amortized premium or discount on acquisition.

Investments of the Company in unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Effective from the year ended March 31, 2002, under the new Japanese accounting standard, other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. As a result of adoption of new standard, at March 31, 2002, unrealized loss on securities of ¥ 337 million was recognized, investments in securities has decreased by ¥ 583 million, and deferred tax assets has increased by ¥ 245 million, as compared with the amount which would have been reported if the previous standard had been applied consistently.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost.

(3) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments held by the Company are commodities futures. The related hedged items are commodities.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of the price fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedging transaction.

(c) Inventories

Inventories are stated at cost, which is mainly determined by the last-in first-out method.

(d) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant renewals and additions, is stated at cost and has been depreciated by the straight-line method over the estimated useful lives.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the estimated amount of uncollectable receivable at the balance sheet date.

(f) Reserve for retirement benefits

The Company has employee severance indemnities and a pension plan covering substantially all of its employees. The Company is funding a portion of the payments under the non-contributory pension plan for employees covered by the pension plan.

The reserve for retirement benefits, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the standard, the unrecognized transition amount arising from adopting the

standard of ¥1,229 million at April 1, 2000 (the beginning of the fiscal year) is amortized on a straight-line basis over 5 years, and the unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise.

The annual provision for the pension plan includes current service cost, interest cost, and amortization of the transition amount and the actuarial differences.

(g) Income taxes

Income taxes of the Company consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(h) Translation of foreign currency accounts

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(i) Appropriation of retained earnings

Cash dividends and transfers to legal reserve are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved at the shareholders' meeting.

(j) Net income (loss) per share

In computing basic net income (loss) per share, the average number of shares outstanding during each year has been used. Diluted net income (loss) per share has been computed considering the number of shares that would be issued upon conversion or exercise of all convertible debentures and warrants outstanding at the beginning of the year or at time of debt issuance, if later. Cash dividends per share represent the dividends declared as applicable to the respective year.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 120.20=U.S. \$1, the rate of exchange on March 31, 2003 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

3. Inventories

Inventories at March 31, 2003 and 2002, consisted of the following:

	At March 31,		
	2003 (Millions of yen)	2002 (Millions of yen)	2003 (Thousands of U.S. dollars)
Finished goods	¥ 3,630	¥ 4,949	\$ 30,200
Work in process	3,910	3,947	32,529
Raw materials and supplies	4,580	5,448	38,103
Total	<u>¥ 12,120</u>	<u>¥ 14,344</u>	<u>\$ 100,832</u>

4. Land Revaluation

In accordance with the Land Revaluation Law dated March 31, 1998 and the revision of its law on March 31, 1999, the Company's land used for its business operations was revalued as follows:

Date of revaluation: March 31, 2000

The difference between total fair value of the land at March 31, 2003 and the total book value after revaluation of the land:

¥ 1,851 million
(\$15,399 thousand)

The taxable portion of the excess on revaluation is recorded as "Deferred tax liabilities related to land revaluation" which is included in liabilities, and the remainder, net of income taxes portion of the excess on revaluation is presented as "Surplus from land revaluation" which is included in shareholders' equity.

5. Short-term Borrowings and Long-term Debt

Short-term borrowings are represented by bank overdrafts and short-term notes, bearing interest at annual rates ranging from 0.58 per cent. to 1.425 per cent. at March 31, 2003.

At March 31, 2003 and 2002, long-term debt consisted of the following:

	At March 31,		
	2003	2002	2003
	(Millions of yen)		(Thousands of U.S. dollars)
0.7% unfunded convertible bond due 2002	¥ -	¥ 5,309	\$ -
0.5% convertible bonds due 2002	-	2,033	-
1.91% bond with warrant due 2004	500	500	4,160
Loans from banks and other financial institutions collateralized, bearing interest ranging from 0.795 % to 6.65% per annum at March 31, 2003	8,181	140	68,061
	8,681	7,982	72,221
Less: Portion within one year	1,393	7,449	11,589
	<u>¥ 7,288</u>	<u>¥ 533</u>	<u>\$ 60,632</u>

The aggregate annual maturities of long-term debt at March 31, 2003 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 1,393	\$ 11,589
2005	1,933	16,081
2006	1,931	16,065
2007	1,930	16,057
2008 and thereafter	1,494	12,429
	<u>¥ 8,681</u>	<u>\$ 72,221</u>

At March 31, 2003, the following assets were pledged as collateral for the aforementioned short-term borrowings and long-term debt:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation:		
Buildings and structures	¥ 4,999	\$ 41,589
Machinery and equipment	9,537	79,343
Land	14,565	121,173
Sub-total	29,101	242,105
Investments in securities	200	1,664
	<u>¥ 29,301</u>	<u>\$ 243,769</u>

6. Income Taxes

At March 31, 2003 and 2002, significant components of deferred tax assets and liabilities were as follows:

	At March 31,		
	2003 (Millions of yen)	2002 (Millions of yen)	2003 (Thousands of U.S. dollars)
Deferred tax assets:			
Accrued severance indemnities	¥ 1,280	¥ 1,251	\$ 10,649
Unrealized losses on securities	95	245	790
Accrued bonus	151	141	1,256
Inventories write-off	208	208	1,730
Operating loss carry forwards for tax purpose	180	-	1,498
Other	179	155	1,490
Gross deferred tax assets	<u>2,093</u>	<u>2,000</u>	<u>17,413</u>
Deferred tax liabilities:			
Special tax-purpose reserve for condensed booking of tangible assets	(72)	(94)	(599)
Gross deferred tax liabilities	<u>(72)</u>	<u>(94)</u>	<u>(599)</u>
Net deferred tax assets	<u>¥ 2,021</u>	<u>¥ 1,906</u>	<u>\$ 16,814</u>
Deferred tax liabilities:			
Deferred tax liabilities related to land revaluation	<u>¥ 5,694</u>	<u>¥ 5,698</u>	<u>\$ 47,371</u>

For the year ended March 31, 2003, the breakdown of the reconciliation of differences between the statutory tax rate and the effective income tax rate was not presented as a result of making loss before income taxes, in accordance with Japanese accounting practices.

At March 31, 2002, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	<u>2002</u>
• Statutory tax rate	42.1%
• Increase (decrease) in taxes resulting from:	
Permanent differences	(4.4)
Per capital levy of local resident income taxes	3.4
Additional tax due based on tax amendments	2.0
Other	3.7
• Effective income tax rate	<u>46.8%</u>

The statutory effective tax rate used to calculate deferred tax assets and liabilities was 42.1% in the fiscal year ended March 31, 2002. Following the enactment of the Law to Partially Amend the Local Tax Law (Law No. 9, 2003) on March 31, 2003, in the fiscal year ended March 31, 2003 the tax rate applicable to temporary differences expected to be settled by March 31, 2004 is

42.1%, while a tax rate of 40.5% will be applied to temporary differences expected to be settled thereafter. As a result, net deferred tax assets at March 31, 2003 decreased ¥49 million (\$408 thousand), while income taxes deferred for the year ended March 31, 2003 and net unrealized losses on available-for-sale securities at March 31, 2003 decreased ¥45 million (\$374 thousand) and ¥3 million (\$25 thousand), respectively.

7. Lease Transaction

The Company has various lease agreements whereby the Company acts as a lessee. Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan. Certain key information on such lease contracts of the Company, such as, assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2003	2002	March 31, 2003
Machinery & equipment	¥ 22	¥ 22	\$ 183
Vehicles	10	10	83
Furniture and fixtures	261	268	2,171
	293	300	2,437
Less: Accumulated depreciation	(232)	(186)	(1,930)
Net book value	¥ 61	¥ 114	\$ 507
Depreciation	¥ 52	¥ 59	\$ 443

Depreciation is based on the straight-line method over the lease term of the lease assets.

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2003	2002	March 31, 2003
The scheduled maturities of future lease rental payments, which included the portion of interest thereon, on such lease contracts as of March 31, 2003 and 2002 were as follows:			
Due within one year	¥ 39	¥ 52	\$ 325
Due over one year	23	62	191
	¥ 62	¥ 114	\$ 516
Lease rental expenses for the year ended March 31	¥ 52	¥ 59	\$ 433

8. Subsequent Event

On June 27, 2003, the shareholders of the Company approved the following appropriations of retained earnings:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends	¥ 377	\$ 3,136