Consolidated Financial Statements

Toho Zinc Co., Ltd.
and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011
with Report of Independent Auditors

Independent Auditor's Report

The Board of Directors
Toho Zinc Co., Ltd.

We have audited the accompanying consolidated financial statements of Toho Zinc Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toho Zinc Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2012
Tokyo, Japan

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and time deposits *(Note 15)*	¥ **16,550**	¥ 12,739	$ **201,362**
Notes and accounts receivable, trade *(Notes 3 and 15)*	**15,997**	16,746	**194,634**
Inventories *(Note 4)*	**31,534**	27,867	**383,671**
Advance payment	**1,179**	1,674	**14,344**
Deferred tax assets *(Note 12)*	**492**	2,317	**5,986**
Other current assets	**1,752**	734	**21,316**
Less: Allowance for doubtful accounts	**(12)**	(24)	**(146)**
Total current assets	**67,492**	62,055	**821,170**
Property, plant and equipment:			
Buildings and structures *(Note 8)*	**23,735**	21,400	**288,782**
Machinery and equipment *(Note 8)*	**72,503**	58,390	**882,138**
Land *(Notes 5 and 8)*	**16,959**	16,959	**206,338**
Leased assets	**183**	175	**2,226**
Construction in progress	**830**	7,954	**10,098**
	114,211	104,881	**1,389,597**
Less: Accumulated depreciation	**(62,351)**	(58,982)	**(758,620)**
Net property, plant and equipment	**51,860**	45,898	**630,977**
Investments and other assets:			
Investment securities *(Notes 8, 15 and 16)*	**4,542**	4,982	**55,262**
Investments in non-consolidated subsidiaries *(Note 7)*	**389**	389	**4,732**
Deferred tax assets *(Note 12)*	**804**	789	**9,782**
Goodwill	**501**	571	**6,095**
Mining right *(Note 6)*	**23,238**	24,433	**282,735**
Other assets *(Note 7)*	**1,756**	2,669	**21,365**
Less: Allowance for doubtful accounts	**(782)**	(781)	**(9,514)**
Total investments and other assets	**30,450**	33,053	**370,483**
Total assets	¥ **149,803**	¥ 141,007	$ **1,822,642**

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable, trade *(Notes 3 and 15)*	**¥ 7,589**	¥ 7,321	**$ 92,334**
Short-term borrowings *(Notes 8 and 15)*	**22,478**	22,509	**273,488**
Current portion of long-term debt *(Note 8)*	**3,317**	2,760	**40,357**
Commercial papers *(Note 8)*	**2,000**	2,000	**24,333**
Lease obligations *(Note 8)*	**104**	209	**1,265**
Accrued income taxes	**240**	1,906	**2,920**
Accrued expenses	**2,220**	3,246	**27,010**
Accrued directors' bonus	**25**	30	**304**
Reserve for loss on disaster	**0**	368	**0**
Other current liabilities *(Notes 3)*	**6,012**	10,704	**73,147**
Total current liabilities	**43,987**	51,056	**535,186**
Long-term liabilities:			
Long-term debt *(Notes 8 and 15)*	**33,307**	17,086	**405,243**
Lease obligations *(Note 8)*	**131**	232	**1,593**
Deferred tax liabilities related to land revaluation *(Note 5)*	**5,061**	5,779	**61,576**
Accrued employees' pension and severance costs *(Note 9)*	**2,444**	2,669	**29,735**
Accrued directors' and statutory auditors' retirement benefits	**52**	52	**632**
Accrued environmental measures	**151**	168	**1,837**
Asset retirement obligations *(Note 10)*	**1,144**	763	**13,918**
Other long-term liabilities	**2,640**	3,101	**32,120**
Total long-term liabilities	**44,934**	29,854	**546,708**
Total liabilities	**88,921**	80,911	**1,081,895**
Net assets			
Shareholders' equity:			
Common stock:			
Authorized – 264,000,000 shares			
Issued – 135,855,217 shares in 2012 and 135,855,217 shares in 2011	**14,630**	14,630	**178,002**
Capital surplus	**9,876**	9,876	**120,160**
Retained earnings	**27,803**	27,748	**338,277**
Less: Treasury stock, at cost – 55,951 shares in 2012 and 55,228 shares in 2011	**(23)**	(23)	**(279)**
Total shareholders' equity	**52,287**	52,232	**636,172**
Accumulated other comprehensive income:			
Net unrealized gains on other securities	**680**	899	**8,273**
Loss on deferred hedges	**(237)**	(2,371)	**(2,883)**
Surplus from land revaluation *(Note 5)*	**8,290**	7,572	**100,863**
Foreign currency translation adjustments	**(139)**	1,763	**(1,691)**
Total accumulated other comprehensive income	**8,594**	7,864	**104,562**
Total net assets	**60,882**	60,096	**740,747**
Total liabilities and net assets	**¥ 149,803**	¥ 141,007	**$ 1,822,642**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales	**¥ 105,914**	¥ 103,628	**$ 1,288,648**
Cost of sales	**95,428**	87,620	**1,161,065**
Gross profit	**10,486**	16,007	**127,582**
Selling, general and administrative expenses:			
Transportation expense	**4,222**	3,801	**51,368**
Salaries and wages	**1,394**	1,143	**16,960**
Pension and severance costs	**52**	61	**632**
Directors' bonus	**25**	30	**304**
Provision of allowance for doubtful accounts	**(7)**	7	**(85)**
Depreciation	**77**	102	**936**
Research and development costs	**237**	249	**2,883**
Other	**1,682**	2,113	**20,464**
	7,683	7,510	**93,478**
Operating income	**2,802**	8,497	**34,091**
Other income (expenses):			
Interest and dividend income	**229**	293	**2,786**
Interest expenses	**(486)**	(682)	**(5,913)**
Foreign exchange gains, net	**123**	939	**1,496**
Investment losses on equity method	**–**	(153)	**–**
Gain (loss) on valuation of derivatives, net	**106**	(224)	**1,289**
Loss on disposal of property, plant and equipment	**(269)**	(303)	**(3,272)**
Impairment loss on fixed assets *(Note 6)*	**(11)**	(130)	**(133)**
Gain on sales of investment securities, net	**29**	35	**352**
Write-down of investment securities	**(4)**	–	**(48)**
Gain on step acquisitions	**–**	2,266	**–**
Gain on redemption of investment securities	**–**	3,213	**–**
Gain on sales of mining right	**1,008**	–	**12,264**
Loss on disaster *(Note 6)*	**(763)**	(1,379)	**(9,283)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**–**	(6)	**–**
Other, net	**248**	110	**3,017**
	212	3,978	**2,579**
Income before income taxes and minority interests	**3,014**	12,476	**36,671**
Income taxes:			
Current	**795**	3,107	**9,672**
Deferred	**1,214**	1,823	**14,770**
	2,009	4,930	**24,443**
Income before minority interests	**1,005**	7,545	**12,227**
Net income	**¥ 1,005**	¥ 7,545	**$ 12,227**
	(Yen)		*(U.S. dollars) (Note 2)*
Per share:			
Net income – basic	**¥ 7.40**	¥ 55.57	**$ 0.09**
Cash dividends	**¥ 7.00**	¥ 7.00	**$ 0.08**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Income before minority interests	**¥ 1,005**	¥ 7,545	**$ 12,227**
Other comprehensive income *(Note 20)*:			
Net unrealized losses on other securities	**(219)**	(1,754)	**(2,664)**
Gain (loss) on deferred hedges	**2,133**	(2,194)	**25,952**
Surplus from land revaluation	**718**	–	**8,735**
Foreign currency translation adjustments	**(1,902)**	1,763	**(23,141)**
Share of other comprehensive income of associates accounted for using equity method	**–**	640	**–**
Total other comprehensive income	**730**	(1,544)	**8,881**
Comprehensive income	**¥ 1,736**	¥ 6,001	**$ 21,121**
Comprehensive income attributable to:			
Owners of the parent	**¥ 1,736**	¥ 6,001	**$ 21,121**
Minority interests	**–**	–	**–**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock (*)	Net unrealized gains (losses) on other securities	Gain (loss) on deferred hedges	Surplus from land revaluation	Foreign currency translation adjustments	Total net assets
	(Thousands)					*(Millions of yen)*				
Balance at April 1, 2010	135,855	¥ 14,630	¥ 9,876	¥ 21,153	¥ (23)	¥ 2,663	¥ (176)	¥ 7,572	¥ (649)	¥ 55,046
Dividends from surplus	–	–	–	(950)	–	–	–	–	–	(950)
Net income	–	–	–	7,545	–	–	–	–	–	7,545
Acquisition of treasury stock	–	–	–	–	(0)	–	–	–	–	(0)
Other	–	–	0	–	0	–	–	–	–	0
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(1,763)	(2,194)	–	2,413	(1,544)
Balance at March 31, 2011	135,855	14,630	9,876	27,748	(23)	899	(2,371)	7,572	1,763	60,096
Dividends from surplus	–	–	–	**(950)**	–	–	–	–	–	**(950)**
Net income	–	–	–	**1,005**	–	–	–	–	–	**1,005**
Acquisition of treasury stock	–	–	–	–	**(0)**	–	–	–	–	**(0)**
Other	–	–	–	–	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–	**(219)**	**2,133**	**718**	**(1,902)**	**730**
Balance at March 31, 2012	**135,855**	**¥ 14,630**	**¥ 9,876**	**¥ 27,803**	**¥ (23)**	**¥ 680**	**¥ (237)**	**¥ 8,290**	**¥ (139)**	**¥ 60,882**

	Shareholders' equity				Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock (*)	Net unrealized gains (losses) on other securities	Gain (loss) on deferred hedges	Surplus from land revaluation	Foreign currency translation adjustments	Total net assets
					(Thousands of U.S. dollars) (Note 2)				
Balance at March 31, 2011	$ 178,002	$ 120,160	$ 337,607	$ (279)	$ 10,938	$ (28,847)	$ 92,127	$ 21,450	$ 731,183
Dividends from surplus	–	–	**(11,558)**	–	–	–	–	–	**(11,558)**
Net income	–	–	**12,227**	–	–	–	–	–	**12,227**
Acquisition of treasury stock	–	–	–	**(0)**	–	–	–	–	**(0)**
Other	–	–	–	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	**(2,664)**	**25,952**	**8,735**	**(23,141)**	**8,881**
Balance at March 31, 2012	**$ 178,002**	**$ 120,160**	**$ 338,277**	**$ (279)**	**$ 8,273**	**$ (2,883)**	**$ 100,863**	**$ (1,691)**	**$ 740,747**

(*) There were 55,951 shares and 55,228 shares of treasury stock as of March 31, 2012 and 2011, respectively.

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 3,014**	¥ 12,476	**$ 36,671**
Depreciation and amortization	**6,075**	4,160	**73,914**
Impairment loss on fixed assets	**11**	130	**133**
Amortization of goodwill	**36**	17	**438**
Write-down of investments securities	**4**	–	**48**
Gain on redemption of investment securities	**–**	(3,213)	**–**
Decrease in allowance for doubtful accounts	**(11)**	(2)	**(133)**
Decrease in accrued directors' bonus	**(5)**	(9)	**(60)**
Decrease in accrued employees' pension and severance costs	**(224)**	(226)	**(2,725)**
(Decrease) increase in reserve for loss on disaster	**(368)**	368	**(4,477)**
Interest and dividend income	**(229)**	(293)	**(2,786)**
Interest expenses	**486**	682	**5,913**
Investment losses on equity method	**–**	153	**–**
Gain on step acquisitions	**–**	(2,266)	**–**
Loss on disaster	**–**	382	**–**
Gain on sales of mining right	**(1,008)**	–	**(12,264)**
Net loss on sales and disposal of property, plant and equipment	**253**	263	**3,078**
Decrease in notes and accounts receivable, trade	**734**	537	**8,930**
(Increase) decrease in inventories	**(3,721)**	2,719	**(45,273)**
Increase in notes and accounts payable, trade	**795**	1,024	**9,672**
Other, net	**(2,318)**	1,579	**(28,202)**
Subtotal	**3,524**	18,484	**42,876**
Interest and dividend income received	**235**	469	**2,859**
Interest expense paid	**(474)**	(575)	**(5,767)**
Income taxes paid	**(3,478)**	(3,422)	**(42,316)**
Net cash (used in) provided by operating activities	**(193)**	14,954	**(2,348)**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(10,643)**	(7,540)	**(129,492)**
Proceeds from sales of property, plant and equipment	**29**	51	**352**
Payments for purchases of intangible assets	**(3,133)**	(848)	**(38,118)**
Proceeds from sales of mining right	**2,091**	–	**25,441**
Payments for purchases of investment securities	**(32)**	(3,604)	**(389)**
Payments for purchases of investments in subsidiaries resulting in change in scope of consolidation	**–**	(11,993)	**–**
Other, net	**648**	(121)	**7,884**
Net cash used in investing activities	**(11,039)**	(24,057)	**(134,310)**
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings	**(31)**	25	**(377)**
Proceeds from long-term debt	**19,193**	16,950	**233,519**
Repayments of long-term debt	**(2,760)**	(6,031)	**(33,580)**
Redemption of convertible bonds	**–**	(507)	**–**
Cash dividends paid	**(950)**	(950)	**(11,558)**
Other, net	**(226)**	(131)	**(2,749)**
Net cash provided by financing activities	**15,225**	9,354	**185,241**
Effect of exchange rate changes on cash and cash equivalents	**(180)**	280	**(2,190)**
Net increase in cash and cash equivalents	**3,810**	532	**46,356**
Cash and cash equivalents at beginning of year	**12,734**	12,201	**154,933**
Cash and cash equivalents at end of year *(Note 17)*	**¥ 16,545**	¥ 12,734	**$ 201,301**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Toho Zinc Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with International Financial Reporting Standards ("IFRS") or those of their countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

As permitted under the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts as of and for the years ended March 31, 2012 and 2011.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in the accompanying consolidated financial statements for the convenience of readers outside Japan.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries that are controlled by the Company. Under the effective control approach, all significant majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent. All significant intercompany transactions and accounts are eliminated in consolidation.

(c) Foreign currency translation

(1) Foreign currency transaction

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

(2) Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date. Revenue and expense accounts are translated at the current exchange rate prevailing at the balance sheet date. Foreign currency translation adjustments are included in net assets.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hands, bank deposits withdrawable on demand and short-term investments with original maturity of three months or less and minor risk for the fair value fluctuation.

(e) Inventories

Merchandise, finished goods, semi-finished goods, work in process and raw materials are stated at the lower of cost or net selling value, for which cost is primarily determined by the first-in first-out method. Supplies are stated at the lower of cost or net selling value, for which cost is determined by the moving average method.

(f) Financial instruments

(1) Investment securities

Marketable securities classified as other securities are carried at fair value based on the average of market price during the last month of the fiscal year with any changes in unrealized gains or losses, net of income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(2) Derivatives

The Company has entered into various derivative transactions, including forward exchange contracts, interest rate swaps and commodity futures, in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices.
All derivatives are recognized in the balance sheet at fair value, with changes in fair value included in net income for the period in which they arise, except for derivatives that are designated as “hedging instruments” (see Note 1. (f) (3) Hedge accounting below).

(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 income in the period during which the gains and losses on the hedged items or transactions are recognized.

Hedging instruments are derivative transactions including forward exchange contracts, commodity futures and interest rate swaps. The related hedged items are receivables and payables denominated in foreign currency in connection with raw materials and finished goods, finished goods and long-term debt, respectively.
The Company has a policy to utilize the above hedging instruments in order to reduce the Company’s exposure to the risks of the currency, price and interest rate fluctuations.

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 transactions. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet specific criteria.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, except for leased assets, are stated at cost and have been mainly depreciated by the straight-line method over the estimated useful lives of respective assets.

(h) Intangible assets and amortization

Mining right is mainly amortized by using the unit-of-production method. Goodwill, software for internal use and other assets are amortized by using the straight-line method. Amortization period of goodwill is determined on a reasonable basis within 20 years. Software for internal use is amortized over estimated useful lives (5 years).

(i) Leases

Leased assets which are under finance leases and capitalized are primarily the storage equipments (structures) in Smelting business and depreciated over the lease terms of the respective assets by the straight-line method with no residual value.

Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee continue to be accounted for as operating leases.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of the estimated uncollectible amounts with respect to specific receivables plus an amount based on historical experience of bad debt with respect to other receivables.

(k) Accrued directors' bonus

Accrued directors' bonus at the balance sheet date is based on an estimate of the amount to be paid as bonuses for services rendered by that date.

(l) Accrued employees' pension and severance costs

Accrued employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The expected retirement benefit is attributed to each period by the straight-line method over the estimated years of service of the employees.

Actuarial gain and loss are amortized by the straight-line method over a certain period (10 years), which is within the average remaining years of service of the employees at the time when the gain or loss arises, from the year following the year in which it arises.

Prior service cost is amortized as incurred by the straight-line method over a certain period (10 years) which is within the average remaining years of service of the employees at the time when it arises.

(m) Accrued directors' and statutory auditors' retirement benefits

In order to prepare for the disbursements of the directors' and statutory auditors' retirement benefits, the Companies record an amount required to be paid out as at the end of the fiscal year which is calculated based on internal rules.

Note that the Company discontinued the system for directors' and statutory auditors' retirement benefits in accordance with a resolution by the board of directors held on May 22, 2007, and hence the balance as at the end of this consolidated fiscal year is the amount based on the periods in which the directors and statutory auditors served prior to June 2007.

(n) Accrued environmental measures

Accrued environmental measures are estimated and recorded to provide for future potential costs related to disposal of polychlorinated biphenyl waste.

(o) Reserve for loss on disaster

In order to prepare for future payments of restoration costs on disaster, the Companies provide a reserve at an amount which is reasonably estimated to be incurred in subsequent periods.

(p) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(q) Recognition of revenues

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated as the cost incurred to the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

(r) 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.

(s) Net income per share

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

(t) Asset retirement obligations

Asset retirement obligations are calculated based on the estimated exploration period from commencement of operation, which is deemed as estimated usable period, using discount rate of 3% and 5% for the years ended March 31, 2012 and 2011, respectively. The amount presents mainly the obligations of CBH Resources Ltd. ("CBH") to restore its mine sites at Endeavor Mine and Rasp Mine to original states upon closure.

(u) Accounting changes

Effective April 1, 2011, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and notes are included solely for the convenience of readers outside Japan, at the prevailing exchange rate of ¥82.19 to U.S.$1 on March 30, 2012. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

3. Notes Receivable and Notes Payable Maturing at Fiscal Year-End

March 31, 2012 was a bank holiday, however notes maturing on that day were accounted for as if they were settled on their maturity date. The settled amounts of notes receivable and notes payable maturing on March 31, 2012 were as follows:

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes receivable	**¥ 169**	¥ –	**$ 2,056**
Notes payable	**249**	–	**3,029**
Notes payable - equipment	**110**	–	**1,338**

4. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	**¥ 9,001**	¥ 4,548	**$ 109,514**
Work in process	**8,219**	10,541	**100,000**
Raw materials and supplies	**14,313**	12,776	**174,145**
Total	**¥ 31,534**	¥ 27,867	**$ 383,671**

5. Land Revaluation

In accordance with the Land Revaluation Law, 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 land and the total book value after revaluation of land at March 31, 2012 and 2011 were ¥6,496 million ($79,036 thousand) and ¥6,116 million, respectively.

The tax effect 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 net assets.

6. Impairment Loss on Fixed Assets

The Companies have recognized impairment losses on the assets group for the years ended March 31, 2012 and 2011 as follows:

Year ended March 31, 2012			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Location	Use	Category		
Fujioka City, Gunma	Idle assets	Machinery and equipment	**¥ 10**	**$ 121**
		Other	**0**	**0**
			¥ 11	**$ 133**

Year ended March 31, 2011			*(Millions of yen)*
Location	Use	Category	
Annaka City, Gunma *(Note*)*	Idle assets	Buildings and structures	¥ 217
		Machinery and equipment	163
		Other	0
			382
Iwaki City, Fukushima	Idle assets	Buildings and structures	10
		Machinery and equipment	4
		Other	0
			15
Western Australia, Australia	Resource assets	Mining right	114
			¥ 512

Business assets of the Company are grouped based on the categories used for its managerial accounting. With respect to idle assets, each asset is treated as an individual unit to apply the accounting for the impairment.

The Company recognized impairment losses for entire book value of idle assets on the ground that they were projected to generate no future cash inflows and were not readily salable either.

*Note** Impairment loss on idle assets at Annaka City, Gunma, amounting to ¥382 million was included in loss on disaster for the year ended March 31, 2011.

The Company recognized loss on disaster for the years ended March 31, 2012 and 2011 as follows:

	Year ended March 31,					
	2012		2011		**2012**	
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Disaster restoration costs	**¥**	**118**	¥	–	**$**	**1,435**
Provision for loss on disaster		**–**		368		**–**
Impairment loss on fixed assets and loss on inventories		**–**		722		**–**
Fixed costs during idle period and other expenses		**645**		288		**7,847**
Loss on disaster, total	**¥**	**763**	¥	1,379	**$**	**9,283**

7. Investments in Non-Consolidated Subsidiaries and Affiliates

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2012 and 2011 are summarized as follows:

	March 31,					
	2012		2011		**2012**	
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Subsidiaries	**¥**	**389**	¥	389	**$**	**4,732**
Affiliates		**94**		94		**1,143**
	¥	**484**	¥	484	**$**	**5,888**

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt at March 31, 2012 and 2011 consisted of the following:

	March 31,				
	2012			2011	**2012**
	Amount	Weighted average interest rate	Last due on	Amount	Amount
	(Millions of yen)			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Short-term borrowings	**¥ 22,478**	**0.8%**		¥ 22,509	**$ 273,488**
Commercial papers	**2,000**	**0.1**		2,000	**24,333**
Current portion of long-term debt	**3,317**	**1.0**		2,760	**40,357**
Current portion of lease obligations	**104**	**–**		209	**1,265**
Long-term debt	**33,307**	**0.8**	**2013.4 – 2023.10**	17,086	**405,243**
Lease obligations	**131**	**–**	**2013.4 – 2025.3**	232	**1,593**
Total	**¥ 61,338**			¥ 44,798	**$ 746,295**

Average interest rates are calculated by using weighted-average interest rates as at March 31, 2012. Average interest rates on lease obligations are not provided because interest equivalents included in the total lease payments are allocated to each applicable fiscal year on a straight-line basis.

The maturities of long-term debt and lease obligations outstanding as at March 31, 2012 were as follows:

Year ending March 31,	Long-term debt	Lease obligations	Long-term debt	Lease obligations
	(Millions of yen)		*(Thousands of U.S. dollars)*	
2013	**¥ 3,317**	**¥ 104**	**$ 40,357**	**$ 1,265**
2014	**2,897**	**18**	**35,247**	**219**
2015	**11,024**	**14**	**134,128**	**170**
2016	**7,331**	**10**	**89,195**	**121**
2017	**6,458**	**9**	**78,574**	**109**
Thereafter	**5,596**	**78**	**68,086**	**949**
Total	**¥ 36,625**	**¥ 235**	**$ 445,613**	**$ 2,859**

Assets pledged as collateral for the long-term debt, including the current portion, at March 31, 2012 and 2011 were as follows:

Pledged assets	March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Land (*1)	**¥ 13,792**	¥ 13,792	**$ 167,806**
Buildings and structures (*1)	**4,924**	4,752	**59,909**
Machinery and equipment (*1)	**7,900**	8,605	**96,118**
Investment securities(*2)	**160**	155	**1,946**
Total	**¥ 26,778**	¥ 27,305	**$ 325,806**

(*1) For the above assets, a revolving mortgage is set at the maximum amount of ¥1 million ($12 thousand) with one bank at March 31, 2012 and 2011.

(*2) This assets are pledged for the long-term debt, including the current portion, of ¥56 million ($681 thousand) and ¥47 million at March 31, 2012 and 2011, respectively.

9. Employees' Pension and Severance Costs

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit corporate pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and conditions under which termination occurs.

The funded status of retirement benefit obligations at March 31, 2012 and 2011 were as follows:

	March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligations	**¥ 3,911**	¥ 4,182	**$ 47,584**
Plan assets at fair value	**(1,575)**	(1,675)	**(19,162)**
Unfunded status	**2,335**	2,506	**28,409**
Unrecognized actuarial loss	**(125)**	(110)	**(1,520)**
Unrecognized prior service costs	**233**	272	**2,834**
Accrued employees' pension and severance costs	**¥ 2,444**	¥ 2,669	**$ 29,735**

The compositions of employees' pension and severance costs for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	**¥ 191**	¥ 193	**$ 2,323**
Interest cost	**79**	85	**961**
Expected return on plan assets	**(33)**	(34)	**(401)**
Amortization of actuarial loss	**75**	93	**912**
Amortization of prior service costs	**(38)**	(38)	**(462)**
Total	**¥ 274**	¥ 298	**$ 3,333**

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,	
	2012	2011
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%

10. Asset Retirement Obligations

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	**¥ 763**	¥ 28	**$ 9,283**
Additional provisions associated with the purchases of property, plant and equipment	**412**	105	**5,012**
Reconciliation associated with the passage of time	**21**	15	**255**
Increase due to newly consolidated subsidiary	**–**	549	**–**
Foreign currency translation adjustments	**(52)**	64	**(632)**
Balance at end of year	**¥ 1,144**	¥ 763	**$ 13,918**

11. Net Assets

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

12. Income Taxes

At March 31, 2012 and 2011, significant components of deferred tax assets and liabilities were as follows:

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued employees' pension and severance costs	**¥ 905**	¥ 1,086	**$ 11,011**
Asset retirement obligations	**334**	220	**4,063**
Property, plant and equipment	**230**	252	**2,798**
Accrued employees' bonus	**194**	277	**2,360**
Net loss carried forward	**183**	741	**2,226**
Inventories write-off	**170**	80	**2,068**
Loss on deferred hedges	**145**	1,627	**1,764**
Elimination of intercompany profits	**101**	122	**1,228**
Accrued enterprise tax	–	163	–
Reserve for loss on disaster	–	149	–
Other	**1,012**	1,245	**12,312**
Gross deferred tax assets	**3,279**	5,965	**39,895**
Less: Valuation allowance	**(516)**	(682)	**(6,278)**
Total deferred tax assets	**2,763**	5,283	**33,617**
Deferred tax liabilities:			
Mining right	**(833)**	(1,262)	**(10,135)**
Unrealized gains on other securities	**(361)**	(606)	**(4,392)**
Special tax-purpose reserve for reduction entry of tangible assets	**(17)**	(19)	**(206)**
Asset retirement obligations	**(7)**	(8)	**(85)**
Other	**(247)**	(278)	**(3,005)**
Total deferred tax liabilities	**(1,467)**	(2,176)	**(17,848)**
Net deferred tax assets	**¥ 1,296**	¥ 3,106	**$ 15,768**
Deferred tax liabilities:			
Deferred tax liabilities related to land revaluation	**¥ 5,061**	¥ 5,779	**$ 61,576**

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2012 was as follows:

	Year ended March 31, 2012
Statutory tax rate	**40.7%**
Increase (decrease) due to:	
Entertainment and other non-deductible expenses	**0.6**
Dividend income and other non-taxable income	**(5.0)**
Effect on elimination of the dividend income from consolidated subsidiaries	**4.4**
Inhabitants' per capita taxes	**0.9**
Reversal of deferred tax assets of foreign consolidated subsidiaries	**21.4**
Elimination of the intercompany profits	**3.4**
Reduction of deferred tax assets due to change in income tax rate	**1.7**
Change in valuation allowance	**(3.2)**
Other	**1.8**
Effective tax rate	**66.7%**

The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2011 is not shown because the difference was less than 5% of the statutory tax rate.

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate income tax rate will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the statutory tax rate to calculate deferred tax assets and liabilities was changed from 40.7% to 38.0% for temporary differences expected to reverse during the periods from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.6% for temporary differences expected to reverse from the fiscal years beginning on or after April 1, 2015, respectively.
As a result of this change, the net amount of deferred tax assets decreased by ¥85 million ($1,034 thousand) and income taxes – deferred, net unrealized gains (losses) on other securities and gain (loss) on deferred hedges increased by ¥127 million ($1,545 thousand), ¥51 million ($620 thousand) and ¥10 million ($121 thousand), respectively. Deferred tax liabilities related to land revaluation decreased by ¥718 million ($8,735 thousand), and surplus from land revaluation increased by the same amount accordingly.

13. Leases

As lessees:

As described in Note 1 (i), the Company and domestic consolidated subsidiaries accounted for finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee as operating leases.

The following pro forma amounts represent the acquisition cost (including the interest portion thereon), accumulated depreciation and net book value of the leased assets at March 31, 2012 and 2011 which would be reflected in the consolidated balance sheets if these lease transactions were accounted for as finance leases:

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition cost of machinery and equipment	**¥ 106**	¥ 125	**$ 1,289**
Accumulated depreciation of machinery and equipment	**(86)**	(88)	**(1,046)**
Net book value	**¥ 20**	¥ 37	**$ 243**
Acquisition cost of furniture and fixtures	**¥ 6**	¥ 46	**$ 73**
Accumulated depreciation of furniture and fixtures	**(4)**	(40)	**(48)**
Net book value	**¥ 2**	¥ 5	**$ 24**

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2013	**¥ 14**	**$ 170**
2014 and thereafter	**8**	**97**
Total	**¥ 22**	**$ 267**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 totaled ¥20 million ($243 thousand) and ¥28 million, respectively. The pro forma depreciation of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2012 and 2011 amounted to ¥20 million ($243 thousand) and ¥28 million, respectively. The pro forma depreciation is computed by the straight-line method over the lease term with no residual value.

There were no impairment losses allocated to leased assets for the years ended March 31, 2012 and 2011.

14. Commitments and Contingent Liabilities

The Companies were contingently liable as guarantors for loans of other companies in the aggregate amount of ¥365 million ($4,440 thousand) and ¥463 million at March 31, 2012 and 2011, respectively.

The Company has entered into loan commitment agreements amounting to ¥5,600 million ($68,134 thousand) and ¥5,600 million with two financial institutions at March 31, 2012 and 2011, respectively. The loans payable outstanding was zero, and therefore, the unused balance was ¥5,600 million ($68,134 thousand) and ¥5,600 million under the credit facilities as of March 31, 2012 and 2011, respectively.

The Company has repurchase obligations of ¥559 million ($6,801 thousand) and ¥688 million in connection with securitization as of March 31, 2012 and 2011, respectively.

15. Financial Instruments

Overview

(1) Policy for financial instruments

The Companies raise funds mainly through bank borrowings in consideration of their business plans. The Companies invest their temporary surplus funds in highly liquid financial assets and raise short-term operating capital through bank borrowings and issuances of commercial papers. The Companies use derivatives to avoid after-mentioned risks and do not enter into derivatives for speculative or trading purposes.

(2) Descriptions of financial instruments and related risks

Trade receivables—notes and accounts receivable, trade—are exposed to customer credit risk. Trade receivables denominated in foreign currencies which are derived from foreign operations are exposed to foreign currency risk, and such risk is hedged by forward foreign exchange contracts.

Investment securities are mainly composed of equity securities of companies with business relationship and exposed to market risk.

Trade payables—notes and accounts payable, trade—are mostly due within two months or less. Trade payables denominated in foreign currencies are exposed to foreign currency risk, and such risk is hedged by forward foreign exchange contracts.

Trade receivables and payables in connection with Smelting business are exposed to commodity price fluctuation risk of London Metal Exchange ("LME"), and such risk is hedged by metal futures contracts.

Long-term debt is principally for the purpose of making capital investments, and due up to 11 years from the consolidated balance sheet date. Certain long-term debt is exposed to interest rate fluctuation risk, and such risk is hedged by derivatives (interest rate swaps).

As for derivatives, the Companies have entered into forward foreign exchange contracts to hedge the foreign currency risk arising from the trade receivables and payables denominated in foreign currencies, metal futures contracts to hedge commodity price fluctuation risk of LME arising from the trade receivables and payables on Smelting business and interest rate swaps to hedge fluctuation risk deriving from interest payment of long-term debt. See Note 1. (f) (3) for information about the method of hedge accounting, hedging instruments and hedged items, hedging policy, and assessment of hedge effectiveness.

(3) Risk management for financial instruments

(a) Management of credit risk (risk of default by customers or counterparties)

In accordance with the internal rules of the Company, sales departments of each division of the Companies periodically monitor creditworthiness of their main customers and manage due dates and outstanding balances by customer. In addition, the Companies are making efforts to identify uncollectibility in the earlier stage and mitigate risks of bad debts, due to customers with financial difficulties.

The Companies believe that the credit risk of derivatives is insignificant as they enter into derivative transactions only with financial institutions with high credit ratings.

(b) Management of market risks (risks of fluctuations in foreign exchange rates, commodity prices, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the foreign currency risk of the Company identified by currency on a monthly basis is hedged by forward foreign exchange contracts. In order to mitigate commodity price fluctuation risks of LME for trade receivables and payables on Smelting business, the Company has entered into metal futures contracts. In addition, the Company has entered into interest rate swap transactions to mitigate the interest rate fluctuation risk for interest payment of long-term debt.

For investment securities, the Companies periodically monitor the fair values and financial position of the issuers and continuously review the holding status taking into account market conditions and relationships with the issuers.

Derivative transactions are conducted and managed by treasury personnel including directors and each division, and risk management is sufficiently conducted by making reports to management every time transactions are executed as well as on a periodical basis.

(c) Management of liquidity risk on funding (risk of default at due dates)

Based on the report from each department and affiliates, the department in charge of the Company prepares and updates its cash flow plan on a timely basis and manages liquidity risk by maintaining liquid funds.

(d) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on market price if available. When there is no market price available, fair value is reasonably calculated. Since various assumptions and factors are reflected in the calculation of fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18 *Derivative Transactions* are not indicative of the market risk involved in derivative transactions.

Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 and fair value are shown in the following table. Financial instruments whose fair value is extremely difficult to determine are not included in the following table (Please refer to *Note 2* below).

	March 31, 2012		
	Carrying value	Fair value	Difference
		(Millions of yen)	
(1) Cash and time deposits	**¥ 16,550**	**¥ 16,550**	**¥ –**
(2) Notes and accounts receivable, trade	**15,997**	**15,997**	**–**
(3) Investment securities	**3,629**	**3,629**	**–**
Total assets	**36,177**	**36,177**	**–**
(1) Notes and accounts payable, trade	**7,589**	**7,589**	**–**
(2) Short-term borrowings	**22,478**	**22,478**	**–**
(3) Long-term debt (*1)	**36,625**	**36,714**	**89**
Total liabilities	**66,692**	**66,781**	**89**
Derivatives (*2)	**¥ (383)**	**¥ (383)**	**¥ –**

	March 31, 2011		
	Carrying value	Fair value	Difference
		(Millions of yen)	
(1) Cash and time deposits	¥ 12,739	¥ 12,739	¥ –
(2) Notes and accounts receivable, trade	16,746	16,746	–
(3) Investment securities	4,068	4,068	–
Total assets	33,555	33,555	–
(1) Notes and accounts payable, trade	7,321	7,321	–
(2) Short-term borrowings	22,509	22,509	–
(3) Long-term debt (*1)	19,846	19,843	(2)
Total liabilities	49,677	49,674	(2)
Derivatives (*2)	¥ (4,106)	¥ (4,106)	¥ –

	March 31, 2012		
	Carrying value	Fair value	Difference
		(Thousands of U.S. dollars)	
(1) Cash and time deposits	**$ 201,362**	**$ 201,362**	**$ –**
(2) Notes and accounts receivable, trade	**194,634**	**194,634**	**–**
(3) Investment securities	**44,153**	**44,153**	**–**
Total assets	**440,163**	**440,163**	**–**
(1) Notes and accounts payable, trade	**92,334**	**92,334**	**–**
(2) Short-term borrowings	**273,488**	**273,488**	**–**
(3) Long-term debt (*1)	**445,613**	**446,696**	**1,082**
Total liabilities	**811,436**	**812,519**	**1,082**
Derivatives (*2)	**$ (4,659)**	**$ (4,659)**	**$ –**

(*1) Current portion of long-term debt is included in long-term debt at March 31, 2012 and 2011.

(*2) The value of assets and liabilities arising from derivatives is shown at net value, and the net liability position is shown in parenthesis.

Notes:

1. Methods to calculate the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) *Cash and time deposits* and (2) *Notes and accounts receivable, trade*

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) *Investment securities*

The fair value of equity securities is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 16 *Investment Securities*.

Liabilities

(1) *Notes and accounts payable, trade* and (2) *Short-term borrowings*

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) *Long-term debt*

For long-term debt with floating interest rates, its carrying value approximates fair value since the debt reflects the market interest rates in a short period of time and the credit conditions of the Company does not change significantly after the debt is executed. For long-term debt with fixed interest rates, the fair value is based upon the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions

Please refer to Note 18 *Derivative Transactions*.

2. Financial instruments whose fair value is extremely difficult to determine

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities	**¥ 1,004**	¥ 1,005	**$ 12,215**

These are not included in (3) Investment securities in the above table because there were no market prices available and it was extremely difficult to determine the fair value.

3. Redemption schedule for monetary receivables at March 31, 2012

	March 31, 2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash and time deposits	¥ **16,542**	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	**15,997**	–	–	–
Total	¥ **32,540**	¥ –	¥ –	¥ –

	March 31, 2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and time deposits	$ **201,265**	$ –	$ –	$ –
Notes and accounts receivable, trade	**194,634**	–	–	–
Total	$ **395,911**	$ –	$ –	$ –

4. The redemption schedule for long-term debt is disclosed in Note 8 *Short-Term Borrowings and Long-Term Debt*.

16. Investment Securities

Investment securities held by the Companies are all classified as other securities.

The aggregate cost and fair value (carrying value) of marketable securities classified as other securities at March 31, 2012 and 2011 were as follows:

	March 31, 2012		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
	(Millions of yen)		
Securities whose fair value exceeds their cost:			
Equity securities	¥ **1,567**	¥ **2,805**	¥ **1,237**
Securities whose fair value does not exceed their cost:			
Equity securities	**982**	**824**	**(158)**
Total	¥ **2,549**	¥ **3,629**	¥ **1,079**

	March 31, 2011		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 1,690	¥ 3,353	¥ 1,662
Securities whose fair value does not exceed their cost:			
Equity securities	857	714	(143)
Total	¥ 2,548	¥ 4,068	¥ 1,519

	March 31, 2012		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their cost:			
Equity securities	**$ 19,065**	**$ 34,128**	**$ 15,050**
Securities whose fair value does not exceed their cost:			
Equity securities	**11,947**	**10,025**	**(1,922)**
Total	**$ 31,013**	**$ 44,153**	**$ 13,128**

As at March 31, 2012 and 2011, unlisted equity securities amounting to ¥912 million ($11,096 thousand) and ¥913 million, respectively, are not included in the above table because there were no market prices available and it was extremely difficult to determine the fair value.

For the year ended March 31, 2012, the Companies recognized ¥3 million ($36 thousand) of impairment losses for marketable securities classified as other securities. In the case that the market value at the end of the year declines by 50% or more from its cost, the Companies recognize the difference between the market value and the cost as an impairment loss, and in the case that the decline ranges between 30% and 50%, the Companies recognize an impairment loss for the necessary amount after taking into consideration factors such as the materiality and recoverability of the amount.

Information about sales of securities classified as other securities for the years ended March 31, 2012 and 2011 was as follows:

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	**¥ 38**	¥ 69	**$ 462**
Aggregate gain	**29**	41	**352**
Aggregate loss	**–**	5	**–**

17. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2012 and 2011 were composed of the followings:

	March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	**¥ 16,550**	¥ 12,739	**$ 201,362**
Less:			
Time deposits with maturities in excess of three months	**(5)**	(5)	**(60)**
Cash and cash equivalents	**¥ 16,545**	¥ 12,734	**$ 201,301**

18. Derivative Transactions

(1) Summarized below are the notional amounts and the fair value of derivative instruments outstanding at March 31, 2012 and 2011, for which hedge accounting has not been applied.

(a) Currency-related transactions

	March 31, 2012			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	**¥ 5**	**¥ –**	**¥ (0)**	**¥ (0)**
Total	**¥ 5**	**¥ –**	**¥ (0)**	**¥ (0)**

	March 31, 2011			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	¥ 13	¥ –	¥ (0)	¥ (0)
Total	¥ 13	¥ –	¥ (0)	¥ (0)

Note: The calculation of fair value is based on prices obtained from financial institutions and others.

	March 31, 2012			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Thousands of U.S. dollars)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	**$ 60**	**$ –**	**$ (0)**	**$ (0)**
Total	**$ 60**	**$ –**	**$ (0)**	**$ (0)**

(b) Commodity-related transactions

There were no commodity-related transactions as of March 31, 2012.

	March 31, 2011			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Commodity futures contracts				
Sell:				
Metals	¥ 691	¥ –	¥ (107)	¥ (107)
Total	¥ 691	¥ –	¥ (107)	¥ (107)

Note: The calculation of fair value is based on prices obtained from counterparties and others.

(2) Summarized below are the notional amounts and the fair value of derivative instruments outstanding at March 31, 2012 and 2011, for which hedge accounting has been applied.

(a) Interest-related transactions

	March 31, 2012		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	**¥ 8,865**	**¥ 7,925**	***(Note)***
Total	**¥ 8,865**	**¥ 7,925**	

	March 31, 2011		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	¥ 6,992	¥ 6,541	*(Note)*
Total	¥ 6,992	¥ 6,541	

Note: Interest rate swaps to which exceptional treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

	March 31, 2012		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Thousands of U.S. dollars)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	**$ 107,859**	**$ 96,422**	***(Note)***
Total	**$ 107,859**	**$ 96,422**	

(b) Commodity-related transactions

	March 31, 2012		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Commodity futures contracts, accounted for as part of raw materials and finished goods:			
Sell: Metals	**¥ 10,867**	**¥ –**	**¥ (382)**
Total	**¥ 10,867**	**¥ –**	**¥ (382)**

	March 31, 2011					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Millions of yen)					
Commodity futures contracts, accounted for as part of raw materials and finished goods:						
Sell: Metals	¥	10,910	¥	–	¥	(3,998)
Total	¥	10,910	¥	–	¥	(3,998)

Note: The calculation of fair value is based on prices obtained from counterparties and others.

	March 31, 2012					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Thousands of U.S. dollars)					
Commodity futures contracts, accounted for as part of raw materials and finished goods:						
Sell: Metals	**$**	**132,218**	**$**	–	**$**	**(4,647)**
Total	**$**	**132,218**	**$**	–	**$**	**(4,647)**

19. Related Party Transactions

There were no related party transactions for the year ended March 31, 2012.

The Company owned 25.9% of outstanding shares of CBH which operates mining business for the year ended March 31, 2011.

The transactions and account balances with CBH were as follows:

- Transactions

	Year ended March 31, 2011
	(Millions of yen)
Redemption of bonds	
Redemption proceeds	¥ 7,517
Gain on redemption	3,213
Interests	66

- Account balances
  There were no account balances as of March 31, 2011.

Notes 1. CBH, which was an affiliate accounted for using the equity method for the year ended March 31, 2010, became a consolidated subsidiary due to the Company's acquisition of additional shares during the year ended March 31, 2011. Therefore, the above table only includes the information for the period when CBH was an affiliate.

2. Convertible bonds to CBH were redeemed before their maturities during the year ended March 31, 2011. Interest rate of such convertible bonds to CBH whose repayment period was 5 years was determined in consideration of market interest rate.

20. Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 were as follows:

	Year ended March 31, 2012	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net unrealized losses on other securities:		
Losses arising during the year	¥ (435)	$ (5,292)
Reclassification adjustments	(25)	(304)
Amount before tax effect	(461)	(5,608)
Tax effect	242	2,944
	(219)	(2,664)
Gain on deferred hedges:		
Gains arising during the year	1,785	21,717
Reclassification adjustments	1,830	22,265
Amount before tax effect	3,615	43,983
Tax effect	(1,481)	(18,019)
	2,133	25,952
Surplus from land revaluation:		
Tax effect	718	8,735
	718	8,735
Foreign currency translation adjustments:		
Adjustments arising during the year	(1,902)	(23,141)
	(1,902)	(23,141)
Total other comprehensive income	¥ 730	$ 8,881

21. Segment Information

(1) Overview of reportable segments

The Company defines reportable segments as components of the Company for which separate financial information is available and whose operating results are regularly evaluated by the board of directors to make decisions about how resources are allocated and assess its performance.

Operating departments of the Company are organized according to products and services, and each department plans comprehensive domestic and overseas strategies for its products and services and develops business activities through the Company and its consolidated subsidiaries. Thus, reportable segments of the Company are determined based on such operating departments; namely, “Smelting,” “Electronic Components and Materials” and “Environment and Recycling,” and “Mineral Resource” organized based on CBH, a consolidated subsidiary.

The Company previously had three reportable segments: Smelting, Electronic Components and Materials, and Environment and Recycling. Effective October 1, 2010, a new reportable segment of Mineral Resource has been added to by the acquisition of full ownership of CBH.

- Smelting segment engages in sales and production of zinc and lead products, electric silver and sulfuric.
- Mineral Resource segment engages in exploration, development and production of non-ferrous metal resources and sales of their output.
- Electronic Components and Materials segment engages in sales and production of electronic parts, electrolytic iron, plating and machine parts.
- Environment and Recycling segment engages in sales and production of zinc oxide and recycling of waste materials.

(2) Basis of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of each reportable segment are generally consistent to those described in Note 1. Summary of Significant Accounting Policies. The segment profit is based on operating income, and intersegment sales and transfers are based on actual market prices.

(3) Information about net sales, profit or loss, assets and other items

Year ended March 31, 2012

	Reportable segment: Smelting	Mineral Resource	Electronic Compon-ents and Materials	Environ-ment and Recycling	Total	Other *(Note 1)*	Total	Reconcili-ation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	**¥ 76,137**	**¥ 6,138**	**¥ 7,075**	**¥ 2,989**	**¥ 92,340**	**¥ 13,573**	**¥ 105,914**	**¥ -**	**¥ 105,914**
Intersegment	**2,972**	**3,413**	**114**	**2**	**6,502**	**5,297**	**11,799**	**(11,799)**	**-**
Total	**79,109**	**9,551**	**7,189**	**2,992**	**98,843**	**18,871**	**117,714**	**(11,799)**	**105,914**
Segment profit (loss)	**1,059**	**(826)**	**864**	**299**	**1,396**	**1,492**	**2,889**	**(86)**	**2,802**
Segment assets	**63,279**	**36,990**	**10,872**	**6,153**	**117,295**	**7,255**	**124,551**	**25,251**	**149,803**
Other items:									
Depreciation and amortization	**¥ 2,809**	**¥ 2,334**	**¥ 352**	**¥ 341**	**¥ 5,838**	**¥ 132**	**¥ 5,970**	**¥ 104**	**¥ 6,075**
Increase in property, plant and equipment and intangible assets	**3,095**	**10,270**	**279**	**206**	**13,851**	**61**	**13,912**	**31**	**13,944**
Impairment losses on fixed assets	–	–	–	–	–	–	–	**11**	**11**
Amortization of goodwill	–	**36**	–	–	–	–	–	–	**36**
Unamortized balance of goodwill	–	**501**	–	–	–	–	–	–	**501**

Year ended March 31, 2011

	Reportable segment: Smelting	Mineral Resource	Electronic Compon-ents and Materials	Environ-ment and Recycling	Total	Other *(Note 1)*	Total	Reconcili-ation *(Note 2,4)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	¥ 72,921	¥ 3,709	¥ 8,129	¥ 4,848	¥ 89,609	¥ 14,019	¥ 103,628	¥ –	¥ 103,628
Intersegment	3,872	1,644	211	2	5,731	6,217	11,949	(11,949)	–
Total	76,793	5,354	8,341	4,851	95,340	20,236	115,577	(11,949)	103,628
Segment profit (loss)	5,720	(295)	1,050	995	7,470	1,450	8,921	(423)	8,497
Segment assets	61,124	32,893	10,407	5,249	109,676	6,941	116,617	24,390	141,007
Other items:									
Depreciation and amortization	¥ 2,180	¥ 981	¥ 394	¥ 359	¥ 3,916	¥ 135	¥ 4,052	¥ 108	¥ 4,160
Increase in property, plant and equipment and intangible assets	7,100	1,363	165	248	8,879	72	8,952	52	9,004
Impairment losses on fixed assets	–	114	–	–	–	–	–	397	512
Amortization of goodwill	–	17	–	–	–	–	–	–	17
Unamortized balance of goodwill	–	571	–	–	–	–	–	–	571

	Year ended March 31, 2012									
	Reportable segment									
	Smelting	Mineral Resource	Electronic Compon-ents and Materials	Environ-ment and Recycling	Total	Other *(Note 1)*	Total	Reconcili-ation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Thousands of U.S. dollars)								
Net sales:									
External customers	$ 926,353	$ 74,680	$ 86,081	$ 36,366	$ 1,123,494	$ 165,141	$ 1,288,648	$ -	$ 1,288,648
Intersegment	36,160	41,525	1,387	24	79,109	64,448	143,557	(143,557)	-
Total	962,513	116,206	87,468	36,403	1,202,615	229,602	1,432,218	(143,557)	1,288,648
Segment profit (loss)	12,884	(10,049)	10,512	3,637	16,985	18,153	35,150	(1,046)	34,091
Segment assets	769,911	450,054	132,278	74,863	1,427,120	88,271	1,515,403	307,227	1,822,642
Other items:									
Depreciation and amortization	$ 34,176	$ 28,397	$ 4,282	$ 4,148	$ 71,030	$ 1,606	$ 72,636	$ 1,265	$ 73,914
Increase in property, plant and equipment and intangible assets	37,656	124,954	3,394	2,506	168,524	742	169,266	377	169,655
Impairment losses on fixed assets	–	–	–	–	–	–	–	133	133
Amortization of goodwill	–	438	–	–	–	–	–	–	438
Unamortized balance of goodwill	–	6,095	–	–	–	–	–	–	6,095

Notes 1. "Other" represents business segments not belonging to reportable segments and includes sound insulation building materials, civil engineering, construction and plant engineering, transportation, environmental analysis and others.

2. "Reconciliation" included the followings:

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment profit (loss):			
Intersegment elimination	**¥ 11**	¥ 43	**$ 133**
Corporate expense (*)	**(97)**	(467)	**(1,180)**
Total	**¥ (86)**	¥ (423)	**$ (1,046)**

(*) "Corporate expense" presents mainly general and administrative expenses that are not allocated to reportable segments.

	Year ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment assets:			
Corporate assets (*)	**¥ 25,251**	¥ 24,390	**$ 307,227**

(*) "Corporate assets" presents mainly the Company's investments of surplus funds including cash and investment securities and assets relating to administrative divisions.

Other items:	Year ended March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Depreciation and amortization	**¥ 104**	¥ 108	**$ 1,265**
Increase in property, plant and equipment and intangible assets (*)	**31**	52	**377**

(*) "Increase in property, plant and equipment and intangible assets" presents mainly capital expenditures that do not belong to reportable segments.

3. Segment profit or loss is reconciled to operating income on the consolidated statements of income.

4. "Reconciliation" of impairment losses on fixed assets amounting to ¥397 million, of which ¥382 million was included in loss on disaster, presents impairment losses on idle assets that do not belong to reportable segments for the year ended March 31, 2011.

(4) Related information

(a) Information by product and service

Information by product and service has been omitted since similar information is disclosed in segment information described above.

(b) Information by geographical area

Net sales information by geographical area has been omitted since net sales to external customer in Japan exceed 90% of the consolidated sales.
Property, plant and equipment information by geographical area as of March 31, 2012 and 2011 was as follows:

	Year ended March 31, 2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Japan	**¥ 39,130**	¥ 39,247	**$ 476,091**
Australia	**12,729**	6,650	**154,872**
Total	**¥ 51,860**	¥ 45,898	**$ 630,977**

(c) Information by major customers

Information by major customers has been omitted since there were no sales to single external customer accounting for 10% or more of the consolidated sales.