

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31,2005

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This Financial Statement is prepared in accordance with accounting principles generally accepted in Japan.

1. Matters relating to prepare quarterly consolidated financial statements

(1) Changes in accounting method : Accounting for the valuation of inventory

(2) Change in scope of consolidation and application of the equity method (a newly consolidated subsidiary)

Consolidated subsidiaries	111	(Japan Energy Corp., Nippon Mining & Metals Co.,Ltd., Nikko Materials Co.,Ltd., Nikko Metal Manufacturing Co.,Ltd., etc.)
Non-consolidated subsidiary accounted for by equity method	1	(N.K.Curex Co.,Ltd.)
Affiliated companies accounted for by equity method	18	(LG-Nikko Copper Inc., Minera Los Pelambres., etc.)
Consolidation (newly included)	19	(Nikko Real Estate Co., Ltd., Golden Pacific Maritime S.A. NMC Pearl River Mouth Oil Development Co., Ltd.)
(Excluded)	1	(Nikko Petrochemicals Co., Ltd.)
Equity method (newly included)	-	
(Excluded)	1	(NMC Pearl River Mouth Oil Development Co., Ltd.)

(3) Quarterly figures are unaudited.

2. Consolidated financial results for the three months period of Fiscal Year 2004 (From April 1, 2004 to June 30, 2004)

(1) Operating results

	Sales		Operating Income		Income before special items	
	millions of yen	%	millions of yen	%	millions of yen	%
Three months ended June 30,2004	555,954	7.7	20,982	92.4	23,830	117.4
Three months ended June 30,2003	516,053	-	10,907	-	10,963	-
Reference) Fiscal Year ended March 31, 2004	2,214,589		50,397		53,737	

	Net Income		Primary EPS		Fully diluted EPS	
	millions of yen	%	yen	sen	yen	sen
Three months ended June 30,2004	14,198	470.4	20	91	-	-
Three months ended June 30,2003	2,489	-	3	67	-	-
Reference) Fiscal Year ended March 31, 2004	14,854		21	71	-	-

Note: 1. Average number of shares issued (consolidated)

For the three-months ended June 30, 2004 : 679,102,849 shares , For the three-months ended June 30, 2003 : 678,945,503 shares

For the year ended March 31, 2004 : 678,928,690 shares

(2) Financial position

	Total Assets		Total Shareholders' Equity	
	millions of yen		millions of yen	
As of June 30, 2004	1,591,885		244,528	
As of June 30, 2003	1,573,989		207,368	
Reference) As of March 31,2004	1,572,529		233,742	

	Net Worth Ratio		Shareholders' Equity Per Share	
	%		yen	sen
As of June 30, 2004	15.4		360	08
As of June 30, 2003	13.2		305	43
Reference) As of March 31,2004	14.9		344	01

Note: Number of shares issued at end of first quarter (consolidated)

For the three-months ended June 30, 2004 : 679,095,111 shares , For the three-months ended June 30, 2003 : 678,940,352 shares

For the year ended March 31, 2004 : 679,125,537 shares

(3) Cash Flows

	Cash flows from operating activities		Cash flows from investing activities	
	millions of yen		millions of yen	
Three months ended June 30,2004	(46,669)		(6,094)	
Three months ended June 30,2003	(3,033)		(6,434)	
Reference) Fiscal Year ended March 31, 2004	106,182		4,530	

	Cash flows from financing activities		Cash and cash equivalents at end of period	
	millions of yen		millions of yen	
Three months ended June 30,2004	28,996		50,324	
Three months ended June 30,2003	(16,523)		50,389	
Reference) Fiscal Year ended March 31, 2004	(115,794)		71,347	

3. Consolidated projection for the six months ending September 30, 2004

	Sales	Income before special items	Net Income
	millions of yen	millions of yen	millions of yen
For the six months ending September 30,2004	1,152,000	49,000	14,500

Projection for the year ending March 31,2005 will be disclosed at the day of disclosure of the second quarter closing.

This projection is based on information available as of August 18, 2004.

The information is subject to change due to changes in the business environment.

【Non-consolidated Basis】

1. Parent co.'s operating results for the three months period of Fiscal Year 2004(From April 1, 2004 to June 30, 2004)

Operating results

	Sales		Operating Income		Income before special items		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Three months ended June 30,2004	3,719	528.5	2,849	-	2,784	-	4,151	-
Three months ended June 30,2003	592	-	56	-	32	-	13	-
Reference) Fiscal Year ended March 31, 2004	6,949		4,102		3,509		4,613	

2. Parent co.'s projection for the six months ending September 30, 2004

	Sales	Income before special items	Net Income
	millions of yen	millions of yen	millions of yen
For the six months ending September 30,2004	4,700	1,700	3,500

Projection for the year ending March 31,2005 will be disclosed at the day of disclosure of the second quarter closing.

This projection is based on information available as of August 18, 2004.

The information is subject to change due to changes in the business environment.

Consolidated Balance Sheet (Unaudited)

Account title	First quarter of fiscal year 2004 (As of June 30, 2004)		Fiscal 2003 (As of March 31, 2004)		Increase (Decrease) millions of yen	First quarter of fiscal year 2003 (As of June 30, 2003)	
	millions of yen	%	millions of yen	%		millions of yen	%
Assets	1,591,885	100.0	1,572,529	100.0	19,356	1,573,989	100.0
<i>Current assets</i>	596,269	37.5	598,834	38.1	(2,565)	560,652	35.6
Cash and time deposits	50,183		71,288		(21,105)	50,914	
Notes and accounts receivable, trade	222,541		240,300		(17,759)	207,388	
Inventories	261,456		218,671		42,785	244,668	
Other current assets	62,089		68,575		(6,486)	57,682	
<i>Fixed assets</i>	995,616	62.5	973,695	61.9	21,921	1,013,337	64.4
Property, plant and equipment	644,587		618,322		26,265	646,104	
Intangible assets	77,596		77,249		347	98,288	
Investments in securities	177,389		174,359		3,030	153,672	
Other long-term assets	96,044		103,765		(7,721)	115,273	
<i>Total assets</i>	1,591,885	100.0	1,572,529	100.0	19,356	1,573,989	100.0
Liabilities	1,306,839	82.1	1,299,727	82.6	7,112	1,328,703	84.4
<i>Current liabilities</i>	751,583	47.2	751,311	47.7	272	767,553	48.8
Notes and accounts payable, trade	208,894		233,439		(24,545)	176,065	
Short-term borrowing	389,264		333,166		56,098	426,074	
Current portion of bonds	1,900		1,000		900	1,000	
Accounts payable, other	84,501		111,408		(26,907)	96,952	
Other current liabilities	67,024		72,298		(5,274)	67,462	
<i>Long-term liabilities</i>	555,256	34.9	548,416	34.9	6,840	561,150	35.6
Bonds	53,600		56,400		(2,800)	56,400	
Long-term debt	371,213		363,461		7,752	379,271	
Other long-term liabilities	130,443		128,555		1,888	125,479	
Minority interest in consolidated subsidiaries	40,518	2.5	39,060	2.5	1,458	37,918	2.4
Shareholders' Equity	244,528	15.4	233,742	14.9	10,786	207,368	13.2
<i>Common stock</i>	40,000	2.5	40,000	2.5	-	40,000	2.5
<i>Capital surplus</i>	145,218	9.1	149,320	9.5	(4,102)	149,307	9.5
<i>Retained earnings</i>	58,602	3.7	43,687	2.8	14,915	28,361	1.8
<i>Surplus from land revaluation</i>	(2,371)	(0.1)	(2,350)	(0.1)	(21)	1,658	0.1
<i>Unrealized gain on marketable securities</i>	26,099	1.6	26,148	1.7	(49)	6,266	0.4
<i>Accumulated translation adjustment</i>	(4,083)	(0.2)	(4,141)	(0.3)	58	745	0.1
<i>Treasury stock, at cost</i>	(18,937)	(1.2)	(18,922)	(1.2)	(15)	(18,969)	(1.2)
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	1,591,885	100.0	1,572,529	100.0	19,356	1,573,989	100.0

Consolidated Statements of Income (Unaudited)

Account title	For the three months ended June 30, 2004		For the three months ended June 30, 2003		Increase (Decrease) millions of yen	Fiscal 2003 (from April 1, 2003 to March 31, 2004)	
	millions of yen	%	millions of yen	%		millions of yen	%
Operating income							
Net sales	555,954	100.0	516,053	100.0	39,901	2,214,589	100.0
Cost of sales	488,337	87.8	458,492	88.9	29,845	1,974,059	89.1
Selling, general and administrative expenses	46,635	8.4	46,654	9.0	(19)	190,133	8.6
<i>Operating Income</i>	<i>20,982</i>	<i>3.8</i>	<i>10,907</i>	<i>2.1</i>	<i>10,075</i>	<i>50,397</i>	<i>2.3</i>
Other income	8,280	1.5	5,207	1.0	3,073	25,891	1.1
Interest and dividend income	847		788		59	3,180	
Amortization of consolidation adjustment account	1,170		1,142		28	4,623	
Equity in income of non-consolidated subsidiary and affiliates	5,406		1,999		3,407	10,976	
Other	857		1,278		(421)	7,112	
Other loss	5,432	1.0	5,151	1.0	281	22,551	1.0
Interest expenses	3,317		3,679		(362)	14,643	
Other	2,115		1,472		643	7,908	
<i>Income before special items</i>	<i>23,830</i>	<i>4.3</i>	<i>10,963</i>	<i>2.1</i>	<i>12,867</i>	<i>53,737</i>	<i>2.4</i>
Special profit	3,933	0.7	182	0.1	3,751	15,754	0.7
Gain on sales of fixed assets	1,397		90		1,307	3,697	
Gain on maturities of investments in securities	-		-		-	8,454	
Gain on sales of investments in securities	2,041		-		2,041	2,431	
Other	495		92		403	1,172	
Special loss	1,652	0.3	5,156	1.0	(3,504)	47,886	2.3
Loss on disposal of fixed assets	1,136		734		402	11,909	
Loss on write-down of investments in securities	4		603		(599)	1,090	
Reorganization and restructuring costs	445		3,506		(3,061)	28,030	
Loss on write-down of goodwill	-		-		-	3,182	
Provision for allowance for doubtful accounts	-		-		-	1,122	
Other	67		313		(246)	2,553	
<i>Income before income taxes</i>	<i>26,111</i>	<i>4.7</i>	<i>5,989</i>	<i>1.2</i>	<i>20,122</i>	<i>21,605</i>	<i>1.0</i>
Income taxes	3,188	0.6	3,386	0.7	(198)	15,800	0.7
Deferred income tax	6,251	1.1	(438)	(0.1)	6,689	(12,938)	(0.6)
Minority interest in net earnings of consolidated subsidiaries	(2,474)	(0.4)	(552)	(0.1)	(1,922)	(3,889)	(0.2)
<i>Net income</i>	<i>14,198</i>	<i>2.6</i>	<i>2,489</i>	<i>0.5</i>	<i>11,709</i>	<i>14,854</i>	<i>0.7</i>

Consolidated Statement of Retained Earnings (Unaudited)

(millions of yen)

Account Title	For the three months ended June 30,2004	For the three months ended June 30,2003	Fiscal 2003 (from April 1, 2003 to March 31, 2004)
Capital Surplus:			
Balance at beginning of year	149,320	149,307	149,307
Increase in capital surplus	1	-	13
Gain on disposition of treasury stock	1	-	13
Decrease in capital surplus	4,103	-	-
Cash dividends paid	4,079	-	-
Bonuses to directors	24	-	-
Balance at end of year	145,218	149,307	149,320
Retained Earnings:			
Balance at beginning of year	43,687	(21,406)	(21,406)
Increase in retained earnings	15,012	53,220	68,546
Net income	14,198	2,489	14,854
Increase arising from change of consolidated subsidiaries	793	-	35
Increase arising from change of affiliates accounted for by equity method	-	1,013	1,440
Increase arising from merger of consolidated subsidiaries	-	-	156
Reclassification with surplus from land revaluation *	21	49,718	52,061
Decrease in retained earnings	97	3,453	3,453
Cash dividends paid	-	2,720	2,720
Bonuses to directors	97	54	54
Decrease arising from change of consolidated subsidiaries	-	679	679
Balance at end of year	58,602	28,361	43,687

*The contents are as follows.

This resulted from the establishment of Japan Energy corporation (a split-off of the petroleum business from the former Japan Energy Corporation.)

Consolidated Statement of Cash Flows (Unaudited)

Account title	For the three months ended June 30,2004	For the three months ended June 30,2003	Fiscal 2003 (from April 1, 2003 to March 31, 2004)
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income before income taxes	26,111	5,989	21,605
Depreciation and amortization	11,742	11,695	45,862
Amortization of consolidation adjustment account	(1,092)	(958)	(4,040)
Interest and dividend income	(847)	(788)	(3,180)
Interest expenses	3,317	3,679	14,643
Equity in income of non-consolidated subsidiaries and affiliates	(5,406)	(1,999)	(10,976)
Gain on maturities and sales of investments in securities	(2,041)	-	(10,885)
Loss on write-down of investments in securities	4	603	1,090
Gain (loss) on disposal of property, plant and equipment	(261)	644	8,212
Reorganization and restructuring costs	445	3,506	28,030
Decrease (increase) in trade receivables	17,534	26,176	(10,952)
Increase in inventories	(40,074)	(22,578)	(3,320)
Decrease (increase) in trade payables	(36,378)	(21,444)	47,129
Other	(5,039)	1,212	399
Subtotal	(31,985)	5,737	123,617
Interest and dividends received	1,210	781	9,593
Interest paid	(2,950)	(3,155)	(14,824)
Payment for special retirement benefit	-	-	(2,631)
Income taxes paid	(12,944)	(6,396)	(9,573)
Net cash provided by (used in) operating activities	(46,669)	(3,033)	106,182
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment	(9,685)	(4,432)	(28,098)
Proceeds from sales of property, plant and equipment	3,573	627	10,576
Payments for acquisition of intangible fixed assets	(402)	(1,484)	(4,017)
Payments for acquisition of investments in securities	(2,236)	(206)	(1,172)
Proceeds from maturities or sales of investments in securities	2,375	67	21,461
Decrease (increase) in short-term loans	(876)	(492)	2,638
Payments for lending of long-term loans	(1,542)	(167)	(3,803)
Collection of long-term loans	2,984	983	7,602
Other	(285)	(1,330)	(657)
Net cash provided by (used in) investing activities	(6,094)	(6,434)	4,530
Cash flows from financing activities			
Increase (decrease) in short-term borrowing	62,897	32,800	(8,084)
Proceeds from long-term debt	698	14,532	101,067
Payments for repayment on long-term debt	(26,300)	(60,947)	(206,019)
Payments for redemption of bonds	(1,900)	-	-
Cash dividends paid	(4,079)	(2,720)	(2,720)
Other	(2,320)	(188)	(38)
Net cash provided by (used in) financing activities	28,996	(16,523)	(115,794)
Effect of exchange rate changes on cash and cash equivalents	(38)	(20)	(1,042)
Net decrease in cash and cash equivalents	(23,805)	(26,010)	(6,124)
Cash and cash equivalents at beginning of period	71,347	76,294	76,294
Increase due to subsidiaries newly included consolidation	2,782	105	1,177
Cash and cash equivalents at end of period	50,324	50,389	71,347

Segment Information (Unaudited)

1. Segment Information summarized by product group

For the three months ended June 30, 2004 (from April 1, 2004 to June 30, 2004) (millions of yen)

	Petroleum	Resources and Non-ferrous Metals	Electronic Materials	Metal Fabrication	Other Operations	Total	Eliminations or corporate	Consolidated
Sales								
(1) Outside customers	421,188	89,375	22,216	12,186	10,989	555,954	-	555,954
(2) Inter-group	1,733	5,555	699	2,135	2,201	12,323	(12,323)	-
Total	422,921	94,930	22,915	14,321	13,190	568,277	(12,323)	555,954
Operating costs and expenses	409,833	90,933	19,924	11,002	15,915	547,607	(12,635)	534,972
Operating Income	13,088	3,997	2,991	3,319	(2,725)	20,670	312	20,982
Income before special items	10,920	9,324	2,658	3,261	(2,622)	23,541	289	23,830

For the three months ended June 30, 2003 (from April 1, 2003 to June 30, 2003) (millions of yen)

	Petroleum	Resources and Non-ferrous Metals	Electronic Materials	Metal Fabrication	Other Operations	Total	Eliminations or corporate	Consolidated
Sales								
(1) Outside customers	413,612	63,941	15,562	9,367	13,571	516,053	-	516,053
(2) Inter-group	1,079	3,638	627	1,208	2,340	8,892	(8,892)	-
Total	414,691	67,579	16,189	10,575	15,911	524,945	(8,892)	516,053
Operating costs and expenses	403,945	67,309	16,133	8,969	17,767	514,123	(8,977)	505,146
Operating Income	10,746	270	56	1,606	(1,856)	10,822	85	10,907
Income before special items	10,229	1,275	(572)	1,567	(1,814)	10,685	278	10,963

For the year ended March 31, 2004 (from April 1, 2003 to March 31, 2004) (millions of yen)

	Petroleum	Resources and Non-ferrous Metals	Electronic Materials	Metal Fabrication	Other Operations	Total	Eliminations or corporate	Consolidated
Sales								
(1) Outside customers	1,745,635	295,571	71,192	41,721	60,470	2,214,589	-	2,214,589
(2) Inter-group	5,365	18,439	2,648	5,850	5,721	38,023	(38,023)	-
Total	1,751,000	314,010	73,840	47,571	66,191	2,252,612	(38,023)	2,214,589
Operating costs and expenses	1,713,241	308,968	73,408	40,249	67,382	2,203,248	(39,056)	2,164,192
Operating Income	37,759	5,042	432	7,322	(1,191)	49,364	1,033	50,397
Income before special items	35,957	13,798	(2,601)	7,283	(1,428)	53,009	728	53,737

Note 1. Main products for each group are the following:

- Petroleum : gasoline, naphtha, kerosene, gas oil, heavy fuel oil, liquefied petroleum gas, petrochemicals, lubricating oil, etc.
- Resources and Non-ferrous Metals : resource development, copper, gold, silver, zinc, sulfuric acid, etc.
- Electronic Materials : copper foils, sputtering targets, compound semiconductor materials, etc
- Metal Fabrication : wrought copper and copper alloy products, special steel products, precision products, etc
- Other Operations : convenience store, information service

Note 2. Accounting changes

Valuation of metal inventories except for gold, silver, platinum and palladium , and of electronic materials inventories

Effective April 1, 2004, several consolidated subsidiaries changed the valuation method of metal inventories except for gold, silver, platinum and palladium , and of electronic materials inventories from the last-in, first-out method to the first-in, first-out method.

The main reason for this change is that the first-in, first-out method is considered to generate more appropriate cost of sales in the consolidated financial statement.

As a result of this change, inventories as of June 30, 2004 have increased by ¥ 1,853 million, income before income taxes for the first quarter of this fiscal year has increased by the same amount as compared with the amounts which would have been reported if the previous method had been applied consistently.