

May 23, 2008

Name of Listed Company: Chugai Mining Co., Ltd.
Representative: Michiaki Ando, CEO and President
(Listed on the Tokyo and Osaka Stock Exchange 2nd Section; Code No. 1491)
Contact: Isao Sakuraba, IR Center
(Telephone No.: (03) 3201-1541)
Website: www.chugaikogyo.co.jp

**Reduction of Capital, Capital Appropriation, and Profit Reserve,
and Appropriation of Retained Earnings**

The Company has decided at the Board of Directors Meeting held today to deliberate matters concerning “the reduction of capital, capital appropriation, and profit reserve, and appropriation of retained earnings” at the 116th Annual Meeting of Stockholders scheduled to be held on June 27, 2008.

1. The purpose of reduction of capital, capital appropriation, and profit reserve

After registering a great deficit in the period ending March 2008, the Company proposes reduction of capital, capital appropriation, and profit reserve to cover the deficit in order to improve the financial standing of the Company.

2. The sum of reduced capital, capital appropriation, and profit reserve

In conformity with the Corporate Law Article 447 Section 1, the Company proposes to transfer 28,377,200,869-yen out of the 41,159,265,753-yen capital as of March 31, 2008 to other capital surplus, making the balance of the capital 12,782,064,884-yen.

In conformity with the Corporate Law Article 448 Section 1, the Company proposes transfer all of the 5,332,247,511-yen capital appropriation to other capital surplus, making the balance of the capital appropriation 0-yen.

The Company proposes to transfer all of the 253,000,000-yen profit reserve to earned surplus carried forward (other capital surplus) to cover the deficit.

3. Method of capital reduction

Capital will be reduced without compensation, and the number of issued stocks will not be changed.

4. Details on appropriation of retained earnings

In conformity with the Corporate Law Article 452, the Company proposes to cover the deficit of earned surplus carried forward using other capital surplus after the transfer from the capital and capital appropriation.

The financing will liquidate the total amount of deficit.

- (1) Item of appropriation of retained earnings to be reduced
Other capital surplus: 35,203,448,380-yen

- (2) Item of appropriation of retained earnings to be increased
Earned surplus carried forward: 35,203,448,380-yen

5. Schedule

- (1) Resolution at the Board of Directors Meeting May 23, 2008
- (2) Resolution at the General Meeting of Stockholders June 27, 2008
- (3) Notification of creditors' objections June 30, 2008
- (4) Final date for notification of creditors' objections July 31, 2008
- (5) Date of entry into force August 1, 2008

6. Future prospects

The transfers described above shall be processed within the account of the net assets section, hence, there will be no change in the Company's net assets section and have no effect on the business performance.

The transfers described above shall be realized under the condition that "the reduction of capital, capital appropriation, and profit reserve, and appropriation of retained earnings" are approved at the 116th Annual Meeting of Stockholders scheduled to be held on June 27, 2008.

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