11-Year Summary of Selected Financial Data

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31

Millions of yen

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consolidated Financial Highlights												
Net sales		392,364	446,487	431,058	417,219	441,046	473,274	450,553	436,330	519,215	497,701	473,109
Operating income		27,881	30,208	20,903	16,557	25,743	31,835	11,137	38,461	49,529	18,222	13,037
Ordinary income		25,639	34,010	19,168	16,194	13,656	21,096	(11,284)	31,047	11,239	17,755	9,318
Profit attributable to owners of parent		13,899	21,160	11,531	9,910	3,662	17,237	(20,926)	18,674	(708)	4,691	1,566
Capital expenditures		15,186	21,829	29,226	22,601	27,160	28,906	28,446	37,718	40,509	36,119	33,999
Depreciation		26,119	22,707	22,781	23,952	24,178	25,146	25,066	24,414	26,634	27,964	28,970
Research and Development expenditures		4,941	4,623	4,967	5,867	5,795	6,265	6,575	7,163	8,015	9,523	10,125
Cash flows from operating activities		19,610	22,545	30,992	38,058	38,003	37,245	50,397	24,218	52,436	40,696	36,107
Cash flows from investing activities		(17,823)	(26,286)	(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)
Free cash flows		1,787	(3,741)	(47)	(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274
Total assets		416,541	411,027	413,106	438,072	503,825	538,646	484,800	518,981	518,705	523,315	537,119
Net assets		121,300	134,452	140,175	155,049	169,867	207,106	179,566	184,421	178,652	179,673	173,255
Shareholders' equity		121,375	140,817	148,840	154,397	156,280	170,994	146,469	161,713	157,271	159,207	157,296
Interest-bearing debt		191,514	171,459	169,263	180,372	218,500	210,390	191,733	207,421	208,418	216,878	233,070
Per share of common stock												
EPS (Earnings per share)※	Yen	243.20	370.25	201.78	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43
BPS (Net assets per share)※	Yen	1,948.20	2,203.82	2,306.12	2,565.60	2,816.71	3,449.10	2,968.55	3,046.41	2,945.20	2,977.84	2,884.68
Cash dividends per share ※	Yen	30	60	30	30	40	60	60	70	70	70	70
Dividend payout ratio	%	12.3	16.2	14.9	17.3	62.4	19.9	-	21.4	-	85.2	255.2
DOE (Dividend on equity ratio)*	%	1.4	2.4	1.2	1.1	1.5	2.0	2.3	2.5	2.5	2.5	2.5
Financial Ratios												
ROE (Return on equity)	%	13.5	17.8	9.0	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9
ROA (Return on assets)	%	6.2	8.2	4.7	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8
Net D/E ratio		1.34	1.17	1.15	1.13	1.26	0.98	1.03	1.10	1.11	1.15	1.22
Equity ratio	%	26.7	30.6	31.9	33.5	31.9	36.6	35.0	33.5	32.4	32.5	30.7

※ The company conducted a share consolidation to change its share unit from 10 shares to 1 share on October 1, 2017. Past figures have been calculated assuming the share consolidation took place in 2009.

* In calculating the DOE (Dividend on Shareholders' Equity), we have changed the shareholders' equity from the average of the term to the shareholders' equity at the end of the term. Along with this, the figures for the previous years have been changed this time.

Financial Review

The forward-looking statements contained in this section represent the Company's judgment as of March 31, 2020.

Overview of fiscal 2019

On a consolidated basis, the Company's net sales during fiscal 2019, ended March 31, 2020, decreased ¥24.5 billion (4.9%) from the previous fiscal year, to ¥473.1 billion. Operating income decreased ¥5.1 billion (28.5%) from the previous fiscal year to ¥13.0 billion. This was mainly because of a decrease in sales volume of core products in each business, despite a favorable factor in the launch of feed-in tariff operation for the hydroelectric power generation service in Kamioka in the Metals Business.

Ordinary income decreased by ¥8.4 billion (47.5%) year on year to ¥9.3 billion. This was mainly attributable to the recording of investment losses on equity method amounting to ¥1.4 billion.

In extraordinary items, the Group recorded extraordinary losses such as a loss on disposal of property, plant and equipment of ¥2.1 billion. After accounting for taxation expenses and profit attributable to non-controlling interests, the profit attributable to owners of parent decreased by ¥3.1 (66.6%) billion to ¥1.5 billion.

Financial position

Total assets increased ¥13.8 billion from the previous fiscal year-end to ¥537.1 billion. The change was mainly attributable to increases of ¥11.1 billion in cash and deposits and ¥9.7 billion in inventories, offset by decreases of ¥7.2 billion in notes and accounts receivable.

Total liabilities increased ¥20.2 billion from the previous fiscal year-end to ¥363.8 billion. This change was mainly attributable to increases of ¥16.1 billion in short- and long-term borrowings, straight bonds and commercial paper, and ¥2.3 billion in notes and accounts payable, among others.

Total net assets decreased ¥6.4 billion from the previous fiscal year-end to ¥173.2 billion. This decrease mainly reflected the recording of ¥1.5 billion in profit attributable to owners of parent and ¥1.8 billion in deferred gains on hedges, net of tax, partially offset by a decrease of ¥3.9 billion in dividends of surplus, ¥4.2 billion in foreign currency translation adjustments and ¥0.9 billion in net unrealized losses on securities, net of tax, among others.

Cash flows

Net cash provided by operating activities was ¥36.1 billion, a decrease of ¥4.5 billion from the previous fiscal year. This was primarily attributable to cash provided of ¥5.7 billion in profit before income taxes, ¥28.9 billion in depreciation and amortization, an increase of ¥10.2 billion in notes and accounts payable and an increase of ¥5.2 billion in income taxes refund. This was partially offset by an increase of ¥12.4 billion in inventories, ¥6.7 billion in income taxes paid, among others.

Net cash used in investing activities amounted to ¥34.8 billion, a decrease of ¥10.0 billion from the previous fiscal year. Expenditures mainly consisted of ¥29.4 billion for the acquisition of property, plant and equipment and other assets and ¥3.3 billion for purchases of investment securities.

Net cash provided by financing activities totaled ¥11.2 billion, an increase of ¥8.3 billion from net cash used in the previous fiscal year. This change was mainly attributable to a ¥17.0 billion increase in short- and long-term borrowings, straight bonds and commercial paper, and a ¥3.9 billion payment for cash dividends. As a result of the above, cash and cash equivalents, including foreign currency translation adjustments, increased 11.1 billion from the end of the previous fiscal year to ¥32.6 billion

- Cash flow trends are explained in detail on page 19.
- The changes in major financial indicators are explained in detail on page 20-21.
- See page 22-29 for details on the main business segments.
- Please see page 21 for the forecasts for FY2020 and FY2021.

Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

Millions of yen

	2019	2020
Assets		
Current assets:		
Cash and deposits (Notes 5 and 15)	¥ 21,536	¥ 32,677
Notes and accounts receivable (Note 15):		
Trade	85,387	78,523
Unconsolidated subsidiaries and affiliates	5,885	5,455
Inventories (Note 3)	111,753	121,514
Derivatives (Notes 15 and 16)	841	2,167
Other current assets	24,110	22,729
Less: Allowance for doubtful accounts	(179)	(212)
Total current assets	249,336	262,856
Property, plant and equipment (Note 7)**:**		
Land	33,711	34,245
Buildings and structures	184,982	187,204
Machinery and equipment	385,567	388,292
Leased assets	3,768	6,031
Construction in progress	11,492	12,067
Others	57,249	55,277
	676,772	683,118
Less: Accumulated depreciation	(486,914)	(493,993)
Total property, plant and equipment	189,857	189,124
Investments and other assets:		
Investment securities (Notes 4 and 15):		
Unconsolidated subsidiaries and affiliates	53,529	9,429
Others	10,833	56,551
Loans receivable:		
Unconsolidated subsidiaries and affiliates	8	—
Others	446	435
Deferred tax assets (Note 14)	5,765	5,174
Asset for retirement benefits (Note 17)	4,625	3,769
Others	9,050	9,855
Less: Allowance for doubtful accounts	(137)	(78)
Total investments and other assets	84,121	85,137
Total assets	¥ 523,315	¥ 537,119
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 15):		
Trade	36,334	38,975
Unconsolidated subsidiaries and affiliates	3,258	2,942
Others	16,333	17,881
Short-term borrowings and commercial papers (Notes 6 and 15)	58,098	69,459

Millions of yen

	2019	2020
Current portion of long-term debt (Notes 6 and 15)	¥ 36,412	¥ 28,727
Current portion of lease liabilities	324	485
Accrued income taxes	2,600	1,986
Accrued expenses	9,022	8,785
Provision for product warranties	1,232	1,147
Provision for loss on construction contracts	23	80
Provision for improvement of business structure	—	2
Provision for loss on disposal of inventories	327	321
Derivative liabilities (Notes 15 and 16)	2,239	1,423
Other current liabilities	14,761	13,820
Total current liabilities	180,969	186,040
Long-term liabilities:		
Long-term debt (Notes 6 and 15)	122,368	134,883
Lease liabilities	1,025	2,652
Directors' and corporate auditors' retirement benefits	502	598
Deferred tax liabilities (Note 14)	2,775	1,260
Provision for environmental countermeasures	878	803
Provision for preventing environmental pollution		
in mineral, mining, and other operations	927	722
Provision for loss on litigation	—	116
Asset retirement obligations (Note 21)	3,341	3,727
Liability for retirement benefits (Note 17)	26,404	26,776
Other long-term liabilities	4,447	6,281
Total long-term liabilities	162,672	177,823
Total liabilities	343,641	363,863
Commitments and contingent liabilities (Note 8)		
Net Assets (Note 9)**:**		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2020 and in 2019		
Issued - 57,296 thousand shares in 2020 and in 2019	42,129	42,129
Capital surplus	22,631	22,631
Retained earnings	95,069	93,159
Less: Treasury stock		
190 thousand shares in 2020 and 189 thousand shares in 2019	(622)	(623)
Total shareholders' equity	159,207	157,296
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	1,607	659
Deferred gains (losses) on hedges, net of tax	(1,976)	(174)
Foreign currency translation adjustments	11,524	7,275
Accumulated adjustments for retirement benefit (Note 17)	(308)	(322)
Total accumulated other comprehensive income	10,847	7,436
Non-controlling interests in consolidated subsidiaries	9,618	8,522
Total net assets	179,673	173,255
Total liabilities and net assets	¥ 523,315	¥ 537,119

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Net sales (Note 13)	¥ 497,701	¥ 473,109
Cost of sales (Notes 3 and 11)	424,325	403,460
Gross profit	73,376	69,648
Selling, general and administrative expenses (Notes 10 and 11)	55,153	56,611
Operating income	18,222	13,037
Non-operating income (expenses):		
Interest and dividend income	1,998	1,643
Interest expense	(1,605)	(1,749)
Foreign exchange gains (losses)	875	(2,241)
Investment losses on equity method	(2,194)	(1,429)
Real estate rent	718	708
Other, net	(259)	(651)
	(467)	(3,719)
Ordinary income (Note 13)	17,755	9,318
Extraordinary income (losses):		
Gain on sale of investment securities	—	(812)
Gain on sale of property, plant and equipment (Note 12)	64	175
Loss on sale and disposal of property, plant and equipment (Note 12)	(1,769)	(2,286)
Insurance claim income	20	484
Other, net (Note 12 and 19)	(909)	(1,084)
	(2,592)	(3,523)
Profit before income taxes	15,162	5,794
Income taxes (Note 14)**:**		
Current	8,792	5,267
Deferred	1,191	(1,185)
	9,984	4,082
Profit	5,177	1,712
Profit attributable to non-controlling interests	486	146
Profit (loss) attributable to owners of parent	¥ 4,691	¥ 1,566
Amounts per share of common stock:	Yen	Yen
Basic earnings (loss) per share (Note 18)	¥ 82.15	¥ 27.43
Cash dividends applicable to the year	70.00	70.00

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Net income	¥ 5,177	¥ 1,712
Other comprehensive income:		
Net unrealized losses on securities, net of tax	(1,056)	(898)
Deferred gains (losses) on hedges, net of tax	3,917	1,757
Foreign currency translation adjustments	(2,228)	(4,346)
Remeasurements of defined benefit plans, net of tax	243	(36)
Share of other comprehensive income		
of associates accounted for using equity method	(987)	(63)
Total other comprehensive income (Note 22)	¥ (111)	(3,588)
Comprehensive income	¥ 5,066	¥ (1,875)
(Breakdown)		
Comprehensive income attributable to owners of parent	4,616	¥ (1,844)
Comprehensive income attributable to non-controlling interests	449	(31)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

Millions of yen

2019	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	57,296	¥42,129	¥22,648	¥93,113	¥(619)	¥157,271
Cash dividends paid				(3,997)		(3,997)
Profit attributable to owners of parent				4,691		4,691
Effect of changes in accounting period						
of consolidated subsidiaries				1,324		1,324
Acquisition of treasury stock					(2)	(2)
Change of scope of consolidation				(61)		(61)
Change in ownership interest of parent due to						
transactions with non-controlling shareholders			(16)			(16)
Net changes of items other than						
shareholders' equity						
Balance at March 31, 2019	57,296	¥42,129	¥22,631	¥95,069	¥(622)	¥159,207

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2018	¥2,606	¥(4,696)	¥13,532	¥(519)	¥10,922	¥10,459	¥178,652
Cash dividends paid							(3,997)
Profit attributable to owners of parent							4,691
Effect of changes in accounting period							
of consolidated subsidiaries							1,324
Acquisition of treasury stock							(2)
Change of scope of consolidation							(61)
Change in ownership interest of parent due to							
transactions with non-controlling shareholders							(16)
Net changes of items other than							
shareholders' equity	(998)	2,720	(2,007)	210	(74)	(840)	(915)
Balance at March 31, 2019	¥1,607	¥(1,976)	¥11,524	¥(308)	¥10,847	¥9,618	¥179,673

Millions of yen

2020	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	57,296	¥42,129	¥22,631	¥95,069	¥(622)	¥159,207
Cumulative effects of changes in accounting policy				155		155
Restated balance		42,129	22,631	95,224	(622)	159,363
Cash dividends paid				(3,997)		(3,997)
Profit attributable to owners of parent				1,566		1,566
Effect of changes in accounting period						
of consolidated subsidiaries				366		366
Acquisition of treasury stock					(1)	(1)
Change in ownership interest of parent due to						
transactions with non-controlling shareholders			(0)			(0)
Net changes of items other than						
shareholders' equity						
Balance at March 31, 2020	57,296	¥42,129	¥22,631	¥93,159	¥(623)	¥157,296

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2019	¥1,607	¥(1,976)	¥11,524	¥(308)	¥10,847	¥9,618	¥179,673
Cumulative effects of changes in accounting policy							155
Restated balance	1,607	(1,976)	11,524	(308)	10,847	9,618	179,829
Cash dividends paid							(3,997)
Profit attributable to owners of parent							1,566
Effect of changes in accounting period							366
of consolidated subsidiaries							
Acquisition of treasury stock							(1)
Change in ownership interest of parent due to							
transactions with non-controlling shareholders							(0)
Net changes of items other than							
shareholders' equity	(948)	1,801	(4,249)	(13)	(3,410)	(1,096)	(4,507)
Balance at March 31, 2020	¥659	¥(174)	¥7,275	¥(322)	¥7,436	¥8,522	¥173,255

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Cash flows from operating activities:		
Profit before income taxes	¥ 15,162	¥ 5,794
Depreciation and amortization	27,964	28,970
Loss on impairment of fixed assets (Note 19)	—	363
Loss (gain) on sale of property, plant and equipment, net (Note 12)	(2)	(43)
Loss on disposal of property, plant and equipment (Note 12)	1,706	2,154
Foreign exchange losses (gains)	271	262
Investment losses on equity method	2,194	1,429
Increase (decrease) in allowance for doubtful accounts	18	36
Increase (decrease) in liability for retirement benefits	58	755
Interest and dividend income	(1,998)	(1,643)
Interest expense	1,605	1,749
Decrease (increase) in notes and accounts receivable	7,764	1,540
Decrease (increase) in inventories	2,366	(12,416)
Increase (decrease) in notes and accounts payable	(2,764)	10,286
Other, net	(644)	(2,657)
Subtotal	53,705	36,580
Interest and dividend received	2,875	2,131
Interest paid	(1,623)	(1,762)
Income taxes paid	(15,268)	(6,772)
Income taxes refund	582	5,221
Other, net	425	708
Net cash provided by operating activities	40,696	36,107
Cash flows from investing activities:		
Purchases of investment securities	(1,339)	(3,315)
Proceeds from sale of investment securities	—	39
Proceeds from sales of shares of subsidiaries resulting		
in change in scope of consolidation	—	1,136
Acquisition of property, plant and equipment and other assets	(35,280)	(31,412)
Proceeds from sale of property, plant and equipment	260	624
Payments for retirement of property, plant and equipment and other assets	(1,313)	(1,319)
Decrease (increase) in short-term loans receivable, net	(6,645)	(40)
Other, net	(525)	(546)
Net cash used in investing activities	(44,843)	(34,833)

Millions of yen

	2019	2020
Cash flows from financing activities:		
Net change in short-term borrowings and commercial papers	12,805	12,269
Proceeds from long-term debt	18,504	31,271
Repayment of long-term debt	(22,699)	(26,479)
Repayment of lease liabilities	(403)	(714)
Issuance of bonds	10,000	10,000
Redemption of straight bonds	(10,000)	(10,000)
Cash dividends paid	(3,997)	(3,997)
Dividends paid to non-controlling interests	(1,147)	(1,064)
Other, net	(188)	(51)
Net cash provided by (used in) financing activities	2,873	11,232
Effect of exchange rate changes on cash and cash equivalents	(567)	(584)
Net increase (decrease) in cash and cash equivalents	(1,840)	11,923
Cash and cash equivalents at beginning of year	22,377	21,524
Effect of exclusion of consolidated subsidiaries	(2)	—
Effect of changes in accounting period of consolidated subsidiaries	990	(781)
Cash and cash equivalents at end of year (Note 5)	¥ 21,524	¥32,666

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2019 and 2020

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified four items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui Mining and Smelting Company, Limited ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been rounded down in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen shown herein do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.81 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 51 significant subsidiaries (the "Companies"). One subsidiary was excluded from the scope of consolidation from the fiscal year ended March 31, 2020 due to a decrease of its materiality to the consolidated financial statements. All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the 10 significant affiliates which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

The consolidation difference between acquisition cost and net assets at the date of acquisition is shown as goodwill and amortized mainly over five years. Negative goodwill is recognized as profit on the acquisition date.

The balance sheet date of the 7 significant subsidiaries is December 31. As the difference between their balance sheet date and the consolidated balance sheet date does not exceed three months, they are consolidated on the basis of their financial statements for the fiscal year ended December 31. We have made necessary adjustments for significant transactions that have occurred in the period between their balance sheet date and the consolidated balance sheet date.

In addition previously, other 7 subsidiaries were consolidated on the basis of their financial statements for the fiscal year ended December 31. From the fiscal year ended March 31, 2020, these subsidiaries provided financial statements based on provisional settlement of accounts as of March 31, for the purpose of a more appropriate disclosure.

The impact of the above changes on profit and loss for 3 months from January 1, 2019 to March 31, 2019 was reflected directly to retained earnings in the fiscal year ended March 31, 2020. As a result, retained earnings increased by ¥366 million ($3,363 thousand).

(b) Foreign currency translation

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Monetary claims and liabilities denominated in foreign currencies are generally translated into each reporting currency at the rates of foreign exchange prevailing at the balance sheet dates and the resulting translation gains or losses are included in earnings.

All assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the rates prevailing at their balance sheet dates and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates prevailing during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments," a component of net assets.

(c) Cash and cash equivalents

In the accompanying consolidated statements of cash flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition which have high liquidity and negligible risk of price fluctuation.

(d) Marketable securities, investment securities and investments in unconsolidated subsidiaries and affiliates other than those accounted for by the equity method

Securities owned by the Companies are classified into:(1) securities intended to be held to maturity (hereafter, "held-to-maturity securities"), (2) equity securities issued by subsidiaries and affiliated companies, or (3) all other securities that are not classified as trading securities or in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are mainly stated at average cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as a component of net assets. Realized gains and losses on sale of such securities are computed using average cost or moving-average cost. Other available-for-sale securities with no available fair market value are mainly stated at average cost

(e) Derivative transactions and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless they are used for hedging purposes and qualified for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, gains or losses resulting from changes in their fair value are generally deferred as a component of accumulated other comprehensive income in the consolidated balance sheet, and charged to income when the related gains or losses on the hedged items are recognized.

All derivative contracts are based on actual demand and not for trading in the short term or for speculation.

For currency swap contracts, interest rate swap contracts, metal forward contracts and fuel forward contracts, the Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments.

The evaluation of effectiveness is skipped for currency forward contracts that are believed to have high hedge effectiveness, such as in cases where hedging instruments and hedged items share the same important characteristics.

(f) Inventories

Inventories are stated primarily at lower of cost or net selling value based on the following methods:

The Company:
Metals Sector, Catalysts Division
Subsidiaries:
Mitsui Kinzoku ACT Corporation, Kamioka Mining & Smelting Co., Ltd. (except for the metal powders factory), Hachinohe Smelting Co., Ltd. and others
: First-in, first-out method
The Company:
Copper Foil Division
: Moving average method
The Company:
Engineered Materials Sector (except for Catalysts Division and Copper Foil Division), Affiliates Coordination Strategic Sector
Subsidiaries:
The metal powders factory of Kamioka Mining & Smelting Co., Ltd., Nippon Yttrium Co., Ltd., Mitani Shindo Co., Ltd. and others
: Average method
Overseas subsidiaries
: Average method or first-in, first-out method

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated durable years of these depreciable assets, except the straight-line method is applied to:(1) buildings, excluding building fixtures, acquired since April 1, 1998, and building fixtures and structures, which were acquired since April 1, 2016. (2) certain plant facilities of the Company and (3) property, plant and equipment of certain consolidated subsidiaries. The durable years of these assets generally range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

Leased assets used under finance leases and capitalized, are depreciated over the lease terms of respective assets by the straight-line method.

(h) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide an allowance for doubtful accounts in an amount sufficient to cover probable losses on collection by estimating individually uncollectible amounts and applying a percentage based on historical data to the remaining accounts.

(i) Provision for product warranties

Reserve for product warranties is provided to accrue estimated costs of repairing products free of charge, based on individually estimated amounts which are reliably measurable or the amounts computed by the ratio of actual repair costs which correspond to net sales.

(j) Provision for improvement of business structure

Provision for improvement of business structure is provided to accrue estimated costs of improvement of business structure by consolidating production facilities and other measures.

(k) Provision for loss on disposal of inventories

Provision for loss on disposal inventories is provided to accrue estimated costs of disposal of inventories, such as by-products and other materials.

(l) Employees' retirement benefits

The Companies provided employees' retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date. The liabilities and expenses for employees' retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

Prior service costs are amortized by the straight-line method over periods of 1 to 5 years which are within the average remaining years of service of the employees.

Actuarial differences are amortized primarily from the year in which the actuarial differences are incurred by the straight-line method over periods of 1 to 12 years which are within the average remaining years of service of the employees.

(m) Directors' and corporate auditors' retirement benefits

Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. Their retirement benefits are accrued at the amount required to be paid in accordance with the internal rules if the directors and corporate auditors retired at the balance sheet date.

(n) Provision for environmental countermeasures

With enactment of the legislation about special measures concerning the proper treatment of PCB (polychlorinated biphenyl) waste, the Company and its domestic subsidiaries provide for environmental countermeasures to accrue estimated cost of disposal of PCB waste.

Furthermore, estimated cost of soil improvement and preventing environmental pollution is charged to this account.

(o) Provision for preventing environmental pollution in mineral, mining, and other operations

Provision for preventing environmental pollution in mineral, mining, and other operations is provided to accrue estimated cost of preventing the environmental pollution following the termination of use of mineral, mining, and other facilities.

(p) Research and development expenses

Research and development expenses are charged to expenses when incurred.

(q) Accounting for revenues on construction contracts

Recognition of net sales and cost of sales of completed construction contracts

Construction contracts whose outcome can be estimated reliably: Percentage-of-completion method

Other construction contracts: Completion-of-contract method

(r) Income taxes

The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain adjustments required for consolidation and tax purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The Company has adopted the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system

Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(s) Earnings per share, diluted earnings per share and cash dividends per share

Earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the respective fiscal year.

Diluted earnings per share is not presented as there were no shares with dilutive effects in 2019 and 2020.

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

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the 2020 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(u) Accounting of consumption tax

Consumption tax generally withheld upon sale, as well as that paid for purchases of goods or services, is recorded as a liability or an asset, and is excluded from the relevant revenue, costs or expenses.

(Changes in accounting policy)

Certain consolidated subsidiaries overseas which apply U.S. GAAP have adopted Accounting Standards Update ("ASU") No.2014-09, "Revenue from Contracts with Customers" from the beginning of the fiscal year ending March 31, 2020.

ASU No. 2014-09 calls for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Certain consolidated subsidiaries overseas adopted the method by which the cumulative effect of retrospectively applying this standard was recognized at the date of initial application.

The impact of applying this standard on consolidated financial statements is immaterial.

(Standards and guidance not yet adopted)

The following standard and guidance were issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 31, 2020)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Adoption date

The Company will adopt the above standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

Following accounting standards and guidance are those issued but not yet adopted.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

Additionally "Implementation Guidance on Disclosures about Faire Value of Financial Instruments" was revised and it established new notes of the breakdowns of every fair value of financial instruments and other.

(2) Adoption date

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(3) Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(1) Overview
The objective is to present an overview of accounting principles and procedures used when a relevant accounting standard is unclear.

(2) Effective date
The standards will be effective for the end of annual periods ending on or after March 31, 2021.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020)

(1) Overview
The objective is to present financial statement users with information to understand the details of accounting estimate items in financial statements for the current fiscal year that have a material risk on financial statements for the following fiscal year.

(2) Effective date
The standards will be effective for the end of annual periods ending on or after March 31, 2021.

(Changes in presentation)
(1) Consolidated statements of income
"Reversal of provision for environmental countermeasures" that had been included separately under "Extraordinary income (losses)" in the previous fiscal year did not exceed ten percent of the total amount of extraordinary income, and has therefore been presented under "Other, net" under "Extraordinary income (losses)" in the current fiscal year.
"Environmental expenses" and "Loss on disaster" that had been included separately under "Extraordinary income (losses)" in the previous fiscal year did not exceed ten percent of the total amount of extraordinary losses, and has therefore been presented under "Other, net" under "Extraordinary income (losses)" in the current fiscal year.
The presentation for the year ended March 31, 2019 was reclassified to reflect this change to the comparative information.
As a result, ¥21 million that was presented as "Reversal of allowance for environmental countermeasures" and ¥(156) million that was presented as "Environmental expenses" and ¥(336) million that had been presented as "Loss on disaster" and ¥(438) million that had been presented as "Other, net" under "Extraordinary income (losses)" in the consolidated statements of income for the year ended March 31, 2019 has been restated as "Other, net" of ¥(909) million.

(Additional information)
Mitsui Kinzoku Group continued business activities while implementing strict measures following the COVID-19 outbreak, but impacts such as decreased net sales are expected as a result of halted operations at some overseas bases and other factors.
The COVID-19 outbreak will have wide-reaching effects on economies and business activities, and it is difficult to predict such factors as how it will spread and how long it will take to get under control. Therefore, in estimating the recoverability of deferred tax assets and other, the Company will consider such things as external information available as of the end of the current fiscal year and assume that the impact of COVID-19 will continue for a certain period of the year ending March 31, 2021.

3. Inventories
Inventories at March 31, 2019 and 2020 consisted of the following:

Millions of yen

	2019	2020
Merchandise and finished goods	¥36,061	¥41,081
Work in process	30,392	29,536
Raw materials and supplies	45,299	50,897
Total	¥111,753	¥121,514

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, are included in the cost of sales for the fiscal years ended March 31, 2019 and 2020 respectively as follows:

Millions of yen

	2019	2020
Cost of sales	¥1,648	¥1,202
Total	¥1,648	¥1,202

4. Securities
(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2019 and 2020 were as follows:

Millions of yen

Year ended March 31, 2019	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥4,348	¥2,007	¥2,341
Subtotal	4,348	2,007	2,341
Securities whose book value does not exceed acquisition cost:			
Stocks	1,030	1,238	(208)
Subtotal	1,030	1,238	(208)
Total	¥5,379	¥3,246	¥2,133

Year ended March 31, 2020	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥2,579	¥1,370	¥1,209
Subtotal	2,579	1,370	1,209
Securities whose book value does not exceed acquisition cost:			
Stocks	1,586	1,870	(284)
Subtotal	1,586	1,870	(284)
Total	¥4,166	¥3,240	¥925

(b) Available-for-sale securities sold for the years ended March 31, 2019 and 2020 were as follows:

Millions of yen

		2019	2020
Total sale amount	Stocks	¥ –	¥39
Gains	Stocks	–	23
Losses	Stocks	–	–

5. Amounts of Cash and Cash Equivalents
Amounts of cash and cash equivalents at March 31, 2019 and 2020 were reconciled with cash and deposits as follows:

Millions of yen

	2019	2020
Cash and deposits	¥21,536	¥32,677
Time deposits with maturities exceeding three months from the date of deposit	(11)	(11)
Total : Cash and cash equivalents	¥21,524	¥32,666

6. Short-Term Borrowings and Long-Term Debt

Inventories at March 31, 2019 and 2020 consisted of the following:

	2019	2020
		Millions of yen
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.310% to 9.432% and from 0.230% to 9.632% at March 31, 2019 and 2020, respectively.	¥51,598	¥44,459
Commercial paper with interest at annual rate of (0.01)% and 0.05% at March 31, 2019 and 2020, respectively.	6,500	25,000
	¥58,098	¥69,459

Long-term debt at March 31, 2019 and 2020 consisted of the following:

	2019	2020
		Millions of yen
0.22 % yen unsecured straight bonds due in 2024	¥ –	¥10,000
0.20 % yen unsecured straight bonds due in 2023	10,000	10,000
0.20 % yen unsecured straight bonds due in 2022	10,000	10,000
0.20 % yen unsecured straight bonds due in 2021	10,000	10,000
0.39 % yen unsecured straight bonds due in 2020	10,000	10,000
0.27 % yen unsecured straight bonds due in 2019	10,000	–
0.76 % yen unsecured straight bonds due in 2020	10,000	10,000
Banks, insurance companies and other financial institutions, maturing through 2026 at interest rates ranging from 0.200% to 10.220% at March 31, 2020:		
Secured	900	621
Unsecured	96,714	102,282
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2020:		
Secured	1,166	708
Unsecured	–	–
	158,780	163,611
Less: Current portion	36,412	28,727
	¥122,368	¥134,883

The aggregate annual maturities of long-term debt at March 31, 2020 were as follows:

Year ending March 31,	Millions of yen
2021	¥28,727
2022	25,657
2023	40,140
2024	27,776
2025	38,612
Thereafter	2,696
Total	¥163,611

The 0.76% yen unsecured straight bonds due in 2020 were issued on November 28, 2013 by the Company.
The 0.39% yen unsecured straight bonds due in 2020 were issued on December 15, 2015 by the Company.
The 0.20% yen unsecured straight bonds due in 2021 were issued on November 28, 2016 by the Company.
The 0.20% yen unsecured straight bonds due in 2022 were issued on November 28, 2017 by the Company.
The 0.20% yen unsecured straight bonds due in 2023 were issued on November 29, 2018 by the Company.
The 0.22% yen unsecured straight bonds due in 2024 were issued on November 28, 2019 by the Company.

7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2019 and 2020 were as follows:

	2019	2020
		Millions of yen
Property, plant and equipment, net book value	¥7,846	¥7,339
	¥7,846	¥7,339

8. Contingent Liabilities

Contingent liabilities at March 31, 2019 and 2020 were as follows:

	2019	2020
		Millions of yen
Notes receivable discounted	¥270	¥219
Notes and accounts receivable securitized with recourse	584	427
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	116,820	107,863
Others	343	289
	¥118,019	¥108,798

9. Net Assets

Under the Japanese Company Law, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

The Japanese Company Law provides that an amount equal to 10 % of cash dividends and other cash appropriations of retained earnings must be set aside as a legal earnings reserve included in retained earnings until the total amount of capital surplus and the legal earnings reserve equals 25% of common stock.

The excess of the total amount of capital surplus and the legal earnings reserve over 25% of common stock can be transferred to retained earnings by a resolution of the shareholders, which may be available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Company Law.

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2019 and 2020 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2018	57,296	188
Increase during the year	–	0
Decrease during the year	–	–
Balance at March 31 and April 1, 2019	57,296	189
Increase during the year	–	0
Decrease during the year	–	–
Balance at March 31, 2020	57,296	190

(b) Dividends

Dividends paid for the year ended March 31, 2020 were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 27, 2019	¥3,997
Total	¥3,997

Dividends included in the retained earnings at March 31, 2020 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 26, 2020	¥3,997
Total	¥3,997

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2019 and 2020 were as follows:

	2019	2020
Freightage related expenses	¥9,758	¥9,794
Salaries	10,046	10,070
Bonus and retirement pay	2,401	2,188
Provision for bonuses	1,610	1,703
Provision for directors' and corporate auditors' bonuses	31	–
Retirement benefit expenses	1,307	2,114
Provision for directors' and corporate auditors' retirement benefits	120	124
Provision for product warranties	72	17
Depreciation expense	2,028	2,166
Research and development/Exploration expenses	8,232	8,508

11. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥9,523 million and ¥10,125 million ($93,052 thousand) for the years ended March 31, 2019 and 2020, respectively.

12. Explanatory notes on extraordinary profit and loss

(a) Gain on sale of property, plant and equipment

	Millions of yen	
	2019	2020
Buildings and structures	¥4	¥2
Machinery and equipment	20	58
Land	–	67
Others	39	47
Total	¥64	¥175

(b) Loss on sale of property, plant and equipment

	Millions of yen	
	2019	2020
Buildings and structures	¥3	¥ –
Machinery and equipment	46	59
Land	–	36
Others	12	35
Total	¥62	¥132

(c) Loss on disposal of property, plant and equipment

	Millions of yen	
	2019	2020
Buildings and structures	¥655	¥283
Machinery and equipment	963	1,256
Others	87	614
Total	¥1,706	¥2,154

(d) Provisions included in other, net of extraordinary losses

	Millions of yen	
	2019	2020
Provision for allowance for doubtful accounts	¥21	¥ –

13. Segment Information

The operations of the Companies for the years ended March 31, 2019 and 2020 were summarized as follows:

(a) Overview of reportable segments

"The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company has business sectors categorized by products and services in head office, and each business sector plans business strategies comprehensively and operates business activities domestically and internationally.

As a result, the Company reports four segments: Engineered Materials, Metals, Automotive Parts & Components, and Affiliates Coordination, based on business sectors categorized by products and services."

(b) Basis for Calculating amounts of net sales, profit or loss, assets, and other items by reported segments

Accounting procedure for reported segments, excluding the handling treatment for converting the income, expenses and assets of overseas subsidiaries into Japanese currency, is mostly the same as procedures indicated in 2. Summary of Significant Accounting Policies. The handling treatment for converting the income, expenses and assets of overseas subsidiaries into Japanese currency is mainly based on anticipated exchange rates at the time budgets were formulated. Profit for reported segments is based on ordinary income. Sales for inter-segment are based on actual market prices.

(c) Information on amounts of net sales, profit or loss, assets, and other items by reported segments

Segment information as of and for the fiscal year ended March 31, 2019, which was restated in conformity with reorganization, was as follows:

	Reported segments						Millions of yen
Year ended March 31, 2019	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥158,950	¥142,796	¥104,026	¥89,825	¥495,599	¥2,102	¥497,701
Inter-segment	6,524	23,843	–	37,079	67,447	(67,447)	–
Total	165,474	166,640	104,026	126,904	563,047	(65,345)	497,701
Segment profit	16,608	(6,039)	4,689	4,881	20,140	(2,385)	17,755
Segment assets	158,160	205,482	59,321	94,536	517,500	5,815	523,315
Depreciation expense	10,991	9,191	4,183	2,508	26,876	1,088	27,964
Amortization of goodwill and negative goodwill	–	–	–	–	–	–	–
Interest income	201	279	101	136	719	(419)	299
Interest expense	769	1,122	184	215	2,292	(686)	1,605
Investment gains (losses) on equity method	369	(3,349)	–	753	(2,225)	31	(2,194)
Investment for companies accounted for using the equity method	3,862	29,139	–	14,446	47,447	(40)	47,407
Increase in property, plant and equipment, and intangible assets	14,395	12,054	5,013	2,841	34,305	1,814	36,119

Notes：

(a) Amounts of adjustment are as follows:

(1) Adjustments of sales to outside customers is the difference mainly in the conversion process to the Japanese currency of sales of overseas subsidiaries.(The difference between the anticipated exchange rates at the time budgets were formulated and the average exchange rates during the year)

Adjustment to segment profit, which amounted to ¥(2,385) million, consists mainly of ¥(2,084) million for Company-wide costs that do not belong to any reportable segments, ¥895 million for adjustment of inventories and ¥(1,802) million for adjustment of fixed assets.

Company-wide costs are mainly general and administrative expenses and research expenses that do not belong to any reportable segments.

(2) Adjustment to segment assets, which amounted to ¥5,815 million, consists of ¥(14,642) million for offset of receivables to the corporate administrative department, ¥(18,432) million for offset of inter-segment receivables, ¥47,822 million for Company-wide assets that do not belong to any reportable segments and ¥(8,932) million for other adjustment.

Company-wide assets are mainly assets in head office that do not belong to any reportable segments.

(b) Segment profit (loss) is adjusted to be consistent with ordinary income (loss) shown on the consolidated statements of operations.

Segment information as of and for the fiscal year ended March 31, 2020 was as follows:

	Reported segments						Millions of yen
Year ended March 31, 2020	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥160,673	¥139,850	¥90,581	¥82,405	¥473,510	¥(400)	¥473,109
Inter-segment	7,153	21,273	–	27,510	55,937	(55,937)	–
Total	167,826	161,123	90,581	109,916	529,447	(56,338)	473,109
Segment profit	13,394	(1,472)	469	1,445	13,837	(4,519)	9,318
Segment assets	183,389	186,665	56,628	89,956	516,639	20,480	537,119
Depreciation expense	11,221	9,504	4,308	2,609	27,643	1,326	28,970
Amortization of goodwill and negative goodwill	–	–	–	–	–	–	–
Interest income	248	496	70	145	960	(514)	446
Interest expense	989	703	181	216	2,090	(341)	1,749
Investment gains (losses) on equity method	380	(1,935)	–	288	(1,266)	(163)	(1,429)
Investment for companies accounted for using the equity method	4,145	27,154	–	14,336	45,636	(200)	45,436
Increase in property, plant and equipment, and intangible assets	14,929	9,494	4,017	3,230	31,672	2,326	33,999

Notes：

(a) Amounts of adjustment are as follows:

(1) Adjustments of sales to outside customers is the difference mainly in the conversion process to the Japanese currency of sales of overseas subsidiaries. (The difference between the anticipated exchange rates at the time budgets were formulated and the average exchange rates during the year)

Adjustment to segment profit, which amounted to ¥(4,519) million, consists mainly of ¥(3,437) million for Company-wide costs that do not belong to any reportable segments, ¥(676) million for adjustment of inventories and ¥(535) million for adjustment of fixed assets.

Company-wide costs are mainly general and administrative expenses and research expenses that do not belong to any reportable segments.

(2) Adjustment to segment assets, which amounted to ¥20,480 million, consists of ¥(12,403) million for offset of receivables to the corporate administrative department, ¥(14,073) million for offset of inter-segment receivables, ¥50,547 million for Company-wide assets that do not belong to any reportable segments and ¥(3,590) million for other adjustment.

Company-wide assets are mainly assets in head office that do not belong to any reportable segments.

(b) Segment profit (loss) is adjusted to be consistent with ordinary income (loss) shown on the consolidated statements of operations.

【Related information】

Information by area:

Millions of yen

Year ended March 31, 2019	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Sales	¥273,724	¥69,893	¥94,734	¥41,790	¥17,559	¥497,701

Year ended March 31, 2020	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Sales	¥260,353	¥60,193	¥95,655	¥38,502	¥18,404	¥473,109

Year ended March 31, 2019	Japan	Asia	North America	Other Areas	Consolidated
Property, plant and equipment	¥137,488	¥38,598	¥6,577	¥7,192	¥189,857

Year ended March 31, 2020	Japan	Asia	North America	Other Areas	Consolidated
Property, plant and equipment	¥137,576	¥38,217	¥5,148	¥8,182	¥189,124

【Information on loss on impairment of fixed assets by reported segments】

Millions of yen

Year ended March 31, 2019
Not applicable.

Year ended March 31, 2020	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination・Corporate	Consolidated
Loss on impairment of fixed assets	¥64	¥153	¥145	¥−	¥−	¥363

【Information on amortization of goodwill and amortized balance by reported segments】

Year ended March 31, 2019
Not applicable.

Year ended March 31, 2020
Not applicable.

【Information on gain on negative goodwill by reported segment】

Year ended March 31, 2019
Not applicable.

Year ended March 31, 2020
Not applicable.

14. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 30.5% for the fiscal years ended March 31, 2019 and 2020.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2019 and 2020 were as follows:

	2019	2020	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 84	¥ 76	
Excess accrued bonuses to employees	1,451	1,473	
Excess product warranties	253	241	
Liability for retirement benefits	8,058	8,220	
Provision for environmental countermeasures	258	235	
Loss on impairment of fixed assets	2,449	2,419	
Depreciation in excess of limit	1,802	1,474	
Enterprise taxes Accrued	129	183	
Unrealized profits and losses	3,299	3,392	
Operating loss carryforward for tax purposes (b)	9,695	8,894	
Net unrealized losses on securities	70	117	
Deferred losses on hedges	684	416	
Other	6,425	6,839	
Subtotal	34,662	33,984	
Valuation allowance for operating loss carryforward for tax purposes (b)	(8,452)	(6,576)	
Valuation allowance for deductible temporary differences	(13,027)	(12,842)	
Valuation allowance-total (a)	(21,479)	(19,418)	
Total deferred tax assets	¥ 13,182	¥ 14,566	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (679)	¥ (350)	
Deferred gains on hedges	(252)	(662)	
Retained earnings of foreign subsidiaries	(4,016)	(4,379)	
Asset for retirement benefits	(1,460)	(1,238)	
Excess depreciation for tax purposes	(2,129)	(2,347)	
Other	(1,653)	(1,675)	
Total deferred tax liabilities	(10,192)	(10,653)	
Net deferred tax assets (liabilities)	¥ 2,989	¥ 3,913	

(a) Valuation allowance decreased by ￥2,061 million. The main reasons for the decrease were decreases in valuation allowance of ￥1,704 million due to Oak-Mitsui, Inc., which had been a consolidated subsidiary in the previous fiscal year but was excluded from consolidation in the current fiscal year.

(b) Operating loss carryforward for tax purposes and its deferred tax assets by expiration periods.

Millions of yen

(2019)	2020	2021	2022	2023	2024	2025 and beyond	Total
Operating loss carryforward for tax purposes (1)	¥1,173	¥317	¥1,184	¥153	¥678	¥6,187	¥9,695
Valuation allowance	(1,132)	(310)	(821)	(153)	(676)	(5,357)	(8,452)
Net deferred tax assets	40	7	362	−	2	829	1,243

(1) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

Millions of yen

(2020)	2021	2022	2023	2024	2025	2026 and beyond	Total
Operating loss carryforward for tax purposes (1)	¥302	¥1,208	¥143	¥136	¥1,321	¥5,783	¥8,894
Valuation allowance	(171)	(372)	(142)	(130)	(429)	(5,329)	(6,576)
Net deferred tax assets	130	835	0	5	891	453	2,317

(1) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

2. The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements for the fiscal years ended March 31, 2019 and 2020.

	2019	2020
Statutory effective tax rate	30.5 %	30.5 %
Permanent difference due to non-deductible expense	1.7	4.8
Permanent difference due to non-taxable income	(109.7)	(51.9)
Effect of elimination of intercompany dividends received	111.8	52.1
Investment losses on equity method	4.4	7.5
Valuation allowance	29.1	23.6
Others	(2.1)	3.7
Tax rate calculated based on the Companies' consolidated financial statements	65.8 %	70.4 %

15. Financial Instruments

(a) Qualitative information on financial instruments

1. Policy of financial instruments management

The Companies raise funds primarily through bank loans and the issuance of commercial paper and bonds. The Companies manage surplus funds utilizing financial assets with high degrees of safety. The Companies use derivatives to reduce risk as described below and do not enter into speculative trading.

2. Description of financial instruments and risk

Trade receivables-notes and accounts receivable are exposed to the credit risks of customers. As the Companies are expanding their business globally, certain foreign currency denominated trade receivables are exposed to foreign currency exchange rate fluctuation risk. For this risk, currency forward contracts are used on a certain portion of the amount of foreign currency denominated trade receivables less the amount of respective foreign currency denominated trade payable. Investment securities are mainly stocks issued by companies that have business relationships, and are exposed to stock market fluctuation risk.

The majority of trade payables-notes and accounts payable have payment due dates of less than one year. A portion of foreign currency denominated trade payables-notes and accounts are denominated in foreign currencies in association with the import of raw materials and others and are thus exposed to foreign currency exchange rate fluctuation risk. For this risk, currency forward contracts are used on a certain portion of the positions that are, as a general rule, the net amount of trade payables denominated in the respective foreign currencies. Short-term borrowings and commercial papers are raised mainly for operating activities while long-term debt (in principle within 5 years) is raised mainly for capital investments. Loans with floating interest are exposed to interest rate fluctuation risk, for long-term debt with floating interest, derivative transactions (interest rate swap contracts) are used for certain long-term loans in each loan agreement in order to hedge the risk of fluctuating interest rates and to make interest expenses fixed.

Regarding derivative transactions, the Companies used currency forward contracts and swaps to hedge transactions, such as future sales of commodities (mainly basic metals) and future purchases of inventories (mainly imported materials) in foreign currencies, and to hedge their foreign currency denominated assets and liabilities against foreign currency exchange risk. For those transactions, the Companies apply the deferred hedge method or the matching treatment method as hedge accounting methods except for transactions held by certain foreign subsidiaries, and for certain transactions to hedge assets and liabilities denominated in foreign currencies against foreign currency exchange risk.

The Companies also entered into interest rate swap contracts to hedge their loans payable against interest rate fluctuation risk. For those transactions, the Companies apply the deferred hedge method or the exceptional accrual method for interest rate swaps as hedge accounting methods except for transactions held by certain foreign subsidiaries.

Further, the Companies utilized metal forward contracts and fuel forward contracts to reduce the Companies' exposure to fluctuations in material prices. For those transactions, the Companies apply the deferred hedge method as hedge accounting methods except for transactions held by certain foreign subsidiaries. With regard to hedging instruments, hedged items, hedging policies and evaluation of hedge effectiveness, please refer to “Notes to Consolidated Financial Statements - 2.Summary of Significant Accounting Policies - (e) Derivative transactions and hedge accounting.”

Derivative transactions are exposed to market risks from fluctuations in fair value and to credit risks from breach of contract due to counter parties' insolvency or other reasons. Market risks of the Companies' currency forward and swap contracts, interest rate swap contracts and metal forward contracts refer to the risks from fluctuations in exchange rates, interest rates and metal prices.

3. Description of risk management system for financial instruments

Management system for credit risk

With regard to the credit risk for trade receivables-notes and accounts receivable, due dates and balances are managed for each customer and the credit status of major customers is kept track of on a semiannual basis.

In order to mitigate credit risk for derivative transactions, the Companies conduct business only with highly rated financial institutions and trading companies.

Management system for market risk

For foreign currency exchange rate risk from foreign currency denominated trade receivables, currency forward contracts are used on a certain portion of the positions that are, as a general rule, the net amount of foreign currency denominated trade receivables. For foreign currency exchange rate risk from foreign currency denominated trade payables, currency forward contracts are used on a certain portion of the positions that are, as a general rule, the net amount of foreign currency denominated trade payables. Moreover, the Companies also entered into interest rate swaps to hedge their loans payable against interest rate risk.

For stock market fluctuation risk of investment securities, the Companies keep track of the market prices and investees' (business partners) financial condition and review continuously the possession situation of stocks in view of the relationship with business partners.

Derivative transactions entered into by the Companies are implemented and controlled based on the Company's internal policies.

Management system for liquidity risk of financing

The Company's Finance & Accounting Department manages the risk through the preparation of the Companies' financial plans with group financing.

4. Supplementary explanation regarding fair value of financial instruments

The fair value of financial instruments is measured based on the market price, if available, or reasonably estimated value if a market price is not available. As reasonably estimated value is estimated based on certain assumptions, it might differ if different assumptions are used.

In addition, the contract amount of the derivative transactions described below in "Notes to Consolidated Financial Statements - 16.Derivative Transactions" does not represent the market risk of the derivative transactions.

(b) Fair value of financial instruments

The carrying amounts of book value, fair value, and differences as of March 31, 2019 and 2020 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "Notes 2. Financial instruments whose fair value is extremely difficult to measure").

Millions of yen

Year ended March 31, 2019	Book value	Fair value	Difference
Assets:			
(a) Cash and deposits	¥ 21,536	¥ 21,536	¥ −
(b) Notes and accounts receivable	91,273	91,273	−
(c) Investment securities	11,441	10,912	(529)
Total	¥ 124,251	¥ 123,721	¥ (529)
Liabilities:			
(a) Notes and accounts payable	55,926	55,926	−
(b) Short-term borrowings and commercial papers	58,098	58,098	−
(c) Current portion of long-term debt	36,412	36,550	138
(d) Long-term debt	122,368	122,762	393
Total	¥ 272,805	¥ 273,337	¥ 532
Derivative transactions	¥ (1,398)	¥ (1,398)	¥ −

Notes: Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

Year ended March 31, 2020	Book value	Fair value	Difference
Assets:			
(a) Cash and deposits	¥ 32,677	¥ 32,677	¥ −
(b) Notes and accounts receivable	83,979	83,979	−
(c) Investment securities	10,544	10,295	(248)
Total	¥ 127,201	¥ 126,953	¥ (248)
Liabilities:			
(a) Notes and accounts payable	59,799	59,799	−
(b) Short-term borrowings and commercial papers	69,459	69,459	−
(c) Current portion of long-term debt	28,727	28,807	80
(d) Long-term debt	134,883	135,030	147
Total	¥ 292,870	¥ 293,097	¥ 227
Derivative transactions	¥ 744	¥ 744	¥ −

Notes: Derivative assets and liabilities are on net basis. Items that are net liabilities are shown in parenthesis.

Notes:

1. Method of estimating fair value of financial instruments

Assets:

(a) Cash and deposits and (b) Notes and accounts receivable:

Regarding Cash and deposits and Notes and accounts receivable, book value is used as fair value, because these instruments have short maturity so that fair value approximates book value.

(c) Investment securities:

Fair value of investment securities equals quoted market price. Fair value of debt securities equals quoted market price or provided price by financial institutions. For the situation from the point of view of holding purposes, please refer to "Notes to Consolidated Financial Statements - 4. Securities."

Liabilities:

(a) Notes and accounts payable and (b) Short-term borrowings and commercial papers:

Regarding Notes and accounts payable and Short-term borrowings and commercial papers, book value is used as fair value, because these instruments have short maturity so that fair value approximates book value.

(c) Current portion of long-term debt and (d) Long-term debt:

Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Fair value of corporate bonds is based on the present value of future cash flows discounted using the indicated rate in secondary markets.

Derivative transactions:

(a) Contract amount, fair value, unrealized gain or loss, and others are described in "Notes to Consolidated Financial Statements - 16. Derivative Transactions."

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

Consolidated balance sheet amount — Millions of yen

Classification	2019	2020
Unlisted equity securities	¥ 52,681	¥ 55,196
Nonpublic domestic bonds	240	240

Above are not included in "(c) Investment securities" because there is no market value and it is extremely difficult to measure the fair value.

3. The redemption schedule for money claim and held-to-maturity debt securities with maturity dates subsequent to the consolidated balance sheets date

Millions of yen

Year ended March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2024	April 1, 2024 to March 31, 2029	April 1, 2029 and thereafter
(a) Cash and deposits	¥ 21,536	¥ –	¥ –	¥ –
(b) Notes and accounts receivable	91,273	–	–	–
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	–	–	–	240
Total	¥ 112,809	¥ –	¥ –	¥ 240

Year ended March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2025	April 1, 2025 to March 31, 2030	April 1, 2030 and thereafter
(a) Cash and deposits	¥ 32,677	¥ –	¥ –	¥ –
(b) Notes and accounts receivable	83,979	–	–	–
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	–	–	–	240
Total	¥ 116,657	¥ –	¥ –	¥ 240

4. The redemption schedule for corporate bonds, long-term debt, and other interest-bearing debt with maturity dates subsequent to the consolidated balance sheets date

Please refer to "Notes to Consolidated Financial Statements - 6. Short-Term Borrowings and Long-Term Debt."

16. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2019 and 2020 were as follows:

Currency-related derivatives

Millions of yen

Type			2019	2020
Forward contracts:				
Selling:				
	U.S. dollars:	Contract amounts	¥1,498	¥1,356
		Due over one year	-	-
		Fair value	(10)	(22)
		Net unrealized gains (losses)	(10)	(22)

Notes: Fair values of currency forward contracts are based on future exchange rates or prices provided by financial institutions.

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2019 and 2020 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Millions of yen

Type		Hedged items	2019	2020
Forward contracts:				
Selling:		Accounts receivable		
	U.S. dollars:	Contract amounts	¥15,007	¥15,546
		Due over one year	2,568	228
		Fair value	(137)	0
Buying:		Accounts payable		
	U.S. dollars:	Contract amounts	¥1,610	¥1,298
		Due over one year	-	-
		Fair value	17	4
	Euros:	Contract amounts	¥33	¥26
		Due over one year	-	-
		Fair value	(0)	(0)
	Thailand bhat:	Contract amounts	¥ -	¥826
		Due over one year	-	68
		Fair value	-	(33)
	Indonesia rupiah:	Contract amounts	¥ -	¥356
		Due over one year	-	-
		Fair value	-	(50)
	Malaysia ringgit:	Contract amounts	¥ -	¥353
		Due over one year	-	-
		Fair value	-	2

Notes:

(a) The deferred hedge method is applied as a hedge accounting method.

(b) Fair values of currency forward contracts and currency swap contracts are based on future exchange rates or prices provided by financial institutions.

Currency-related derivatives for which exceptional accrual method had been applied

Type			Hedged items		Millions of yen 2019	2020
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥230	¥174
				Due over one year	-	-
				Fair value	(Note b)	(Note b)
	Buying:		Accounts payable			
		U.S. dollars:		Contract amounts	¥2	¥1
				Due over one year	-	-
				Fair value	(Note b)	(Note b)

Notes:

(a) The exceptional accrual method for currency-related derivatives is applied as a hedge accounting method.
(b) For certain accounts receivable for which currency forward contracts are used to hedge the foreign currency exchange rate fluctuation risk, fair value of derivative financial instruments is included in fair value of the accounts receivable as hedged items, because those currency forwards contracts are treated in combination with the respective accounts receivable with the exceptional accrual method for currency forward contracts.

Commodities-related derivatives

Type			Hedged items		Millions of yen 2019	2020
Forward contracts:			Raw materials and finished goods			
	Selling:					
		Zinc:		Contract amounts	¥23,222	¥7,906
				Due over one year	7,494	-
				Fair value	(1,648)	2,009
		Lead:		Contract amounts	¥1,576	¥803
				Due over one year	-	-
				Fair value	31	(5)
		Silver:		Contract amounts	¥635	¥ -
				Due over one year	-	-
				Fair value	19	-
		Copper:		Contract amounts	¥17	¥225
				Due over one year	-	-
				Fair value	0	(17)
	Buying:					
		Zinc:		Contract amounts	¥2,354	¥1,621
				Due over one year	-	-
				Fair value	185	(85)
		Lead:		Contract amounts	¥2,225	¥2,474
				Due over one year	-	-
				Fair value	(19)	(215)
		Copper:		Contract amounts	¥5,813	¥4,170
				Due over one year	3,296	1,615
				Fair value	163	(710)
		Coal:		Contract amounts	¥ -	¥971
				Due over one year	-	450
				Fair value	-	(132)

Notes:

(a) The deferred hedge method is applied as a hedge accounting method.
(b) Fair value of metal forward contracts is based on forward prices provided by trading companies.

17. Employees' Retirement Benefits

The Company and its consolidated domestic subsidiaries provide two retirement benefit plans for employees, an unfunded retirement plan and a funded retirement plan, under which all eligible employees are entitled to benefits based on their length of service and basic rate of pay at the time of termination.

Defined benefit plans

(a) Changes in retirement benefit obligations

Millions of yen

	2019	2020
Balance at the beginning of the fiscal year	¥46,264	¥46,633
Service cost	2,606	3,026
Interest cost	148	149
Actuarial loss (gain)	(152)	108
Benefits paid	(2,081)	(2,139)
Past service costs (benefits)	(0)	3
Decrease by exclusion of consolidated subsidiaries	(58)	(1,249)
Other	(93)	(17)
Balance at the end of the fiscal year	¥46,633	¥46,514

(b) Changes in plan assets

	2019	2020
Balance at the beginning of the fiscal year	¥24,346	¥24,854
Expected return on plan assets	637	692
Actuarial gain (loss)	(505)	(1,475)
Contributions paid by the employer	999	1,030
Benefits paid	(648)	(656)
Decrease by exclusion of consolidated subsidiaries	–	(912)
Other	26	(25)
Balance at the end of the fiscal year	¥24,854	¥23,507

(c) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	2019	2020
Funded retirement benefit obligations	¥20,941	¥20,410
Plan assets	(24,854)	(23,507)
	(3,913)	(3,096)
Unfunded retirement benefit obligations	25,692	26,103
Net liability for retirement benefits at the end of the fiscal year	21,779	23,006
Liability for retirement benefits	26,404	26,776
Asset for retirement benefits	(4,625)	(3,769)
Net liability for retirement benefits at the end of the fiscal year	¥21,779	¥23,006

(d) Retirement benefit costs

	2019	2020
Service cost	¥2,606	¥3,026
Interest cost	148	149
Expected return on plan assets	(637)	(692)
Net actuarial loss (gain) amortization	568	1,464
Past service costs amortization	63	6
Total retirement benefit costs for the fiscal year	¥2,748	¥3,952

(e) Remeasurements of defined benefit plans

Millions of yen

	2019	2020
Past service costs	¥63	¥2
Actuarial gain (loss)	215	(78)
Total remeasurements of defined benefit plans for the fiscal year	¥278	¥(76)

(f) Accumulated adjustments for retirement benefit

	2019	2020
Prior service costs that are yet to be recognized	¥2	¥ −
Net actuarial losses that are yet to be recognized	348	427
Total balance at the end of the fiscal year	¥351	¥427

(g) Plan assets

1. Plan assets comprise:

	2019	2020
Bonds	34%	36%
Equity securities	31%	26%
General insurance funds	31%	33%
Other	4%	5%
Total	100%	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions at March 31, 2019 and 2020 are as follows:

	2019	2020
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 3.0 %	Mainly 3.4 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥792 million and ¥907 million for the years ended March 31, 2019 and 2020, respectively.

18. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2019 and 2020 were as follows:

Year ended March 31, 2019	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥4,691	57,107	¥82.15

Year ended March 31, 2020	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥1,566	57,106	¥27.43

Regarding diluted earnings per share, no figures for diluted earnings per share have been disclosed because no latent shares existed.

19. Loss on impairment of fixed assets

The Company recognized impairment losses on the manufacturing facilities and the idle assets as extraordinary losses for the fiscal years ended March 31, 2019 and 2020 as follows:

Year ended March 31, 2019
Not applicable.

Year ended March 31, 2020

Location	Major use	Asset category	Millions of yen
Ohta City,	Manufacturing facilities	Buildings and structures	¥112
Shimane Prefecture		Machinery and equipment	40
		Other	0
		Subtotal	153
Ishikawa District	Idle assets	Buildings and structures	69
Fukushima Prefecture		Land	52
		Intangible fixed Assets	23
		Subtotal	145
Others	Idle assets	Machinery and equipment etc.	64
Total			¥363

Grouping of assets used for business purposes is based on plant- and product-specific units based on management accounting classifications. And idle assets are grouped by individual assets. The Company planned to restructure and discontinue the operations relevant to the impaired manufacturing facilities due to the reduce in profitability, and reduced their book values to the recoverable amounts, which were measured at memorandum value since it is difficult to continue to use them for other operations or to sell them.

The book value of the idle assets held to sale were reduced to net realizable value, which were measured at the estimated sales price. Further, the book values of the other idle assets were reduced to the recoverable amounts, which were measured at memorandum value since it is difficult to continue to use them for other operations or to sell them.

20. Related Party Transactions

(a) Related party transactions

1. The Company owns 32.2% of outstanding shares of Pan Pacific Copper Co., Ltd., which produces and sells products related to copper refining and smelting business.

The transaction amount for the fiscal years ended March 31, 2019 and 2020 and account balance as of March 31, 2020 with Pan Pacific Copper Co., Ltd. was as follows:

Millions of yen

	2019	2020
Guarantees of bank loans	¥90,302	¥85,864
Increase in short -term loans receivable, net	¥6,575	¥129
Short term loans receivable	¥6,575	¥6,445

2. SCM Minera Lumina Copper Chile is an affiliate of MFN Investment LLC.

MFN Investment LLC is an affiliate of the Company.

The transaction amount for the fiscal years ended March 31, 2019 and 2020 with SCM Minera Lumina Copper Chile was as follows:

Millions of yen

	2019	2020
Guarantees of bank loans	¥25,135	¥21,218

(b) Note about significant related parties

In the fiscal year ended March 31, 2020, Pan Pacific Copper Co., Ltd. was recognized as significant related party and the summary of its financial statements was as follows:

Pan Pacific Copper Co., Ltd.

Millions of yen

	2019	2020
Total current assets	¥308,844	¥266,113
Total non-current assets	194,686	200,353
Total current liabilities	330,690	268,170
Total long-term liabilities	58,280	82,281
Total net assets	114,560	116,014
Net sales	733,965	713,696
Profit before income taxes	10,003	3,337
Profit (loss)	6,782	1,602

21.Asset Retirement Obligations

Years ended March 31, 2019 and 2020

Asset retirement obligations that are recorded in the consolidated balance sheet

(a) Overview of asset retirement obligations

- Obligation to restore a closed mine to its original state required by the Mine Closure Law overseas
- Obligation to eliminate asbestos caused by dismantling a building (business asset) under the Act on Asbestos Health Damage Relief
- Obligation to restore a vacated office or other facility to its original state based on a real estate lease agreement

(b) Basis for calculating amounts of the asset retirement obligations

(Mines)

Compania Minera Santa Luisa S.A. has recognized asset retirement obligations in accordance with International Financial Reporting Standards, by estimating closure costs based on mine closure plans under mine closure legislation and regulations in Peru. With regard to estimate of asset retirement obligations, a discount rate of 1.92% is used, and the expected period up to payment is based on number of recoverable years from launch of operations and estimated between 3 and 21 years from the next fiscal year.

In addition, during the fiscal year ended March 31, 2020, the company revised its estimate of mine closure costs, no longer using the 2.69% discount rate used in the previous fiscal year. As a result, there was a increase of ¥93 million ($854 thousand) in the balance of asset retirement obligations compared with before the change.

(Asbestos)

The expected periods of time before removal expenses at the time of dismantling is estimated between 1 and 31 years depending on each asset. The companies use rates between (0.13)% and 2.30% as a discount rate to estimate the amount of asset retirement obligations.

In the fiscal year ended March 31, 2020, the Company gained the ability to reasonably estimate future removal expenses for asbestos building materials, as it obtained new information about these removal expenses. Accordingly, the Company has derived a new estimate of these removal expenses and has recorded the expenses as asset retirement obligations. The resulting increase of ￥535 million ($4,916 thousand) has been added to the balance of asset retirement obligations.

(Real estate lease agreements)

The companies reasonably estimate the amount of lease deposits from real estate lease agreements that they cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2020 as expenses, instead of recording them as asset retirement obligations under liabilities.

The companies use periods of time between 4 and 21 years from the date of occupancy to estimate the amount of the expenses.

The companies estimate the uncollectible amount of lease deposits as ¥85 million ($781 thousand) in the fiscal year ended March 31, 2020.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2019 and March 31, 2020

	Millions of yen	
	2019	2020
Balance at the beginning of the fiscal year	¥ 3,065	¥ 3,341
Increase due to acquisition of property, plant and equipment	–	0
Adjustments due to the passage of time	66	83
Decrease from execution of asset retirement obligations	(156)	(249)
Increase from changes of estimates	538	629
Impact of foreign currency translation	(171)	11
Balance at the end of the fiscal year	¥ 3,341	¥ 3,816

22.Consolidated Statements of Comprehensive Income

Years ended March 31, 2019 and 2020

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen	
	2019	2020
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥(1,542)	¥(1,211)
Reclassification adjustments	–	(21)
Subtotal, before tax	(1,542)	(1,233)
Tax (expense) or benefit	485	334
Subtotal, net of tax	(1,056)	(898)
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	3,626	3,383
Reclassification adjustments	772	(1,226)
Subtotal, before tax	4,398	2,157
Tax (expense) or benefit	(481)	(400)
Subtotal, net of tax	3,917	1,757
Foreign currency translation adjustments:		
Increase(decrease) during the year	(2,228)	(5,007)
Reclassification adjustments	–	660
Subtotal, net of tax	(2,228)	(4,346)
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	76	(104)
Reclassification adjustments	202	28
Subtotal, before tax	278	(76)
Tax (expense) or benefit	(35)	39
Subtotal, net of tax	243	(36)
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(2,035)	(590)
Reclassification adjustments	1,048	527
Subtotal, net of tax	(987)	(63)
Total other comprehensive income	¥(111)	¥(3,588)

23. Subsequent events

1. Business combination by the acquisition of the shares

The Company approved a resolution to acquire all outstanding shares of Hibi Smelting Co., Ltd. (Hibi Smelting) at a meeting of the Board of Directors held on February 12, 2020 with transactions of 1) Pan Pacific Copper Co., Ltd. (PPC), investment in which are accounted for by the equity method as a joint investment company with JX Nippon Mining & Metals Corporation (JX), transfers a part of its operations to Hibi Smelting, which is newly established by PPC through an absorption-type company split, 2) PPC transfers its shares of Hibi Smelting to the Company and JX as dividend in kind, and 3) the Company acquires all shares of Hibi Smelting held by JX. These transactions were executed on April 1, 2020. In addition, Hibi Kyodo Smelting Co., Ltd. (Hibi Kyodo), investment in which had been accounted for by the equity method, became a consolidated subsidiary as Hibi Smelting acquired the shares of Hibi Kyodo previously held by PPC.

(1) Overview of business combination

1) Name and business of acquired company

a. Hibi Smelting Co., Ltd.

Main business operations: Smelting and refining of electric copper and other materials as a consignee and consignor

b. Hibi Kyodo Smelting Co., Ltd.

Main business operations: Smelting and refining of electric copper and other materials as a consignee

2) Primary reasons for business combination
The Company and JX established PPC in October 2000 as a joint sales company for their copper products. Then on April 1, 2006, the two companies transferred their respective copper refining and smelting functions to PPC and integrated their production operations, with the aim to be more competitive through consolidated operation. In doing so, they established in PPC the capability of providing a full range of copper-related services, from resources development and raw materials procurement to smelting and refining and product sales, an arrangement that has continued to the present.

Since the integration of production operations, the Company had been pursuing synergies in its existing lead, zinc, and precious metals smelting and refining network, while JX had been reviewing the role of smelting and refining business as it sought to strengthen downstream business segments. In this manner, the Company and JX had been developing their own separate business strategies in seeking to expand earnings. At this time, the Company and JX have judged that by making independent use of the respective smelting and refining facilities for their own particular business portfolios, the Company and JX, being thoroughly familiar with the distinctive features and nature of each of the facilities, will be better able to make the existing copper smelting and refining functions more competitive.

Accordingly, after April 1, 2020, the Company and JX will separately manage the copper smelting and refining facilities at the subsidiaries owned by each company. Specifically, the Company will manage the Hibi Smelter, a smelting and refining facility previously managed by PPC, and the Hibi Kyodo Tamano Smelter (63.51% previously owned by PPC). Meanwhile, JX will manage the Saganoseki Smelter & Refinery and Hitachi Refinery.

3) Date of business combination
April 1,2020

4) Legal form of business combination
An absorption-type company split in which PPC is the splitting company and Hibi Smelting is the successor company. PPC will transfer the shares of Hibi Smelting as dividends in kind and JX will transfer its shares of Hibi Smelting to the Company.

5) Percentage of voting rights acquired
a. Hibi Smelting Co., Ltd. (established on February 3, 2020)
Percentage of voting rights held before the business combination: 32.20% (indirectly held)
Percentage of additional voting rights acquired on the date of business combination: 67.80%
Percentage of voting rights after the acquisition: 100.00% (directly held)

b. Hibi Kyodo Smelting Co., Ltd.
Percentage of voting rights held before the business combination: 20.45% (indirectly held)
Percentage of additional voting rights acquired on the date of business combination: 43.06% (indirectly held)
Percentage of voting rights after the acquisition: 63.51% (indirectly held)

6) Basis for determining the acquiring company
The Company was determined to be the acquiring company as a result of consideration for the percentage of voting rights held by the Company in Hibi Smelting and Hibi Kyodo .

(2) Acquisition cost and each major class of consideration transferred
Fair value of common shares previously held by the Company on the date of business combination: ￥1,352 million
Cash consideration: ￥2,800 million
Total acquisition cost: ￥4,152 million

(3) Difference between the acquisition cost of the acquired company and the total amount of the consideration transferred for the acquisition
Not yet determined.

(4) Acquisition-related costs
Remuneration and fees for advisory and other services ￥10 million

(5) Amount of goodwill recognized, the factors that making up goodwill recognized, amortization method and useful life
Not yet determined.

(6) Amounts recognized as of the acquisition date for each major class of the assets acquired and the liabilities
Not yet determined.

2. Gains (losses) on sales of investment securities
The Company approved a resolution at a meeting of the Board of Directors held on February 12, 2020 that 1) PPC transfers a part of its operations to JX Metals Smelting Co., Ltd. (JX Smelting), which is newly established by PPC through an absorption-type company split, 2) PPC transfers its shares of JX Smelting to the Company and JX as dividend in kind, and 3) JX and JX Smelting conduct the share exchange with cash consideration so that JX acquires all outstanding shares of JX Smelting. The reasons for this transaction are described in the aforementioned “1. (1) 2) Primary reasons for business combination.”

As a result of the aforementioned share exchange, the shares of JX Smelting held by the Company was transferred to JX and the Company received cash from JX. Accordingly, the Company will record a gains (losses) on sales of investment securities in its consolidated financial statements for the fiscal year ending March 31, 2021.

(1) Name of company to make cash payment to the Company
JX Nippon Mining & Metals Corporation

(2) Date of share exchange
April 1,2020

(3) Name and business of the company whose shares was transferred
JX Metals Smelting Co., Ltd.
Main business operations: Smelting and refining of electric copper, etc. as consignee

(4) Number of shares transferred, cash consideration, gains or losses and percentage of ownership after the share exchange
a. Number of shares transferred
3,220 shares
b. Cash Consideration
￥13,700 million
c. The gains or losses are not determined.
d. Percentage of ownership after share exchange: －%

Independent auditor's report

To the Board of Directors of MITSUI MINING & SMELTING Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of MITSUI MINING & SMELTING Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Miura
Designated Engagement Partner
Certified Public Accountant

Satoshi Hosoya
Designated Engagement Partner
Certified Public Accountant

Terukazu Nagamine
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 26, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.