

# MITSUI KINZOKU Integrated Report 2021

For the year ended March 31, 2021

## 2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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2021



Sampo Sustainability Index



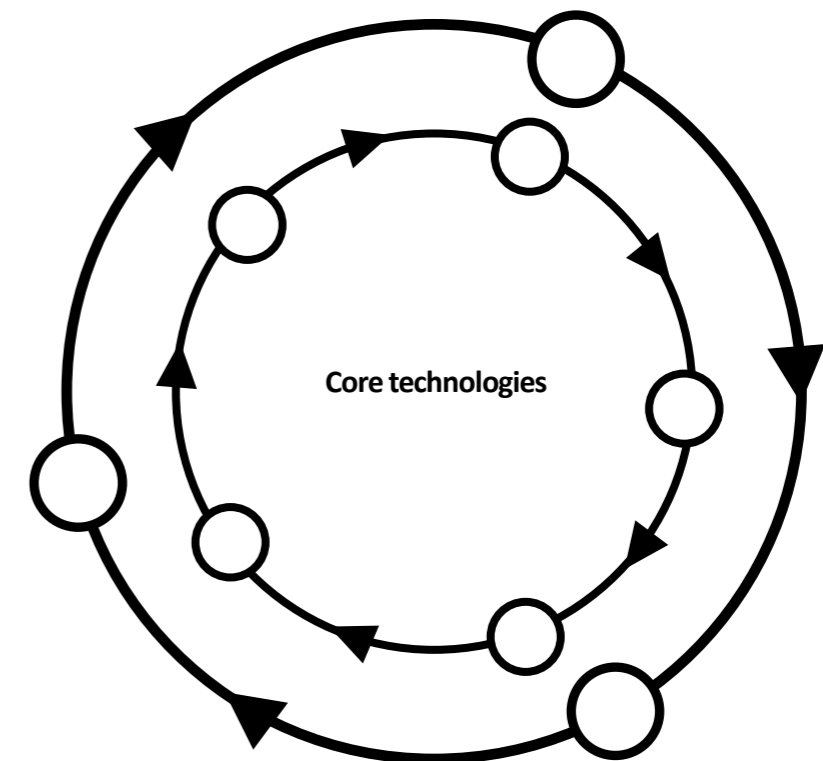
2021  
健康経営優良法人  
Health and productivity



MITSUI  
KINZOKU

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"Transformation for Sustainable Growth"

## About Mitsui Kinzoku Integrated Report 2021

This report describes how Mitsui Kinzoku Group will create economical and social value through the management in our value creation process, focusing on the 19 Medium-Term Management Plan which began in FY2019.

We have edited this report referring to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC), the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation" developed by the Ministry of Economy, Trade and Industry, and the GRI Sustainability Reporting Standards (GRI Standards).

You can find detailed financial information in our Securities Report and detailed governance information in our Corporate Governance Report.

### [Coverage]

This report focuses on figures for FY2020 (April 2020 – March 2021). It also contains details of initiatives prior to that period, and initiatives that are underway for FY2021.

### [Scope]

This report covers Mitsui Kinzoku (non-consolidated), as well as consolidated domestic/overseas subsidiaries. If we include a non-consolidated group company, there are details on its scope of application in the explanatory note for each item.

### [Caution concerning forward-looking statements]

In addition to facts about Mitsui Kinzoku Group past and present, this report contains decisions, plans and other forward-looking statements based on information available at the time of writing. Please bear in mind that social situations in the future, and the actual results of our business activities, may vary from the forward-looking statements contained herein.

[Securities Report] only available in Japanese  
<https://www.mitsui-kinzoku.com/toushi/lib/youka/>

[Corporate Governance Report] only available in Japanese  
<https://www.mitsui-kinzoku.com/toushi/management/governance/>

We use the SDG icons in this report in accordance with the UN SDG guidelines.  
<https://www.un.org/sustainabledevelopment/>

# CONTENTS

## Integrated Report 2021

mitsui kinzoku

<b>04</b>	<b>Philosophy of Mitsui Kinzoku Group</b>	<b>34</b>	<b>Capitals as the source of value creation</b>
<b>06</b>	<b>Our History</b>	<b>36</b>	<b>Corporate governance</b> Risk management Interview with Outside Directors
<b>08</b>	<b>My commitment</b> President and Representative Director NOU Takeshi <b>Defining our purpose</b> Creating value that meets the needs of the times, leveraging our own strengths. Through this value, we will contribute to solving environmental and social problems in the world. Through this value, we will ensure our sustainable growth.	<b>44</b>	<b>Occupational health and safety</b>
<b>14</b>	<b>Our value creation process</b> As a nonferrous metal manufacturer, we have cultivated our technologies and know-how and developed our value chain in our history. "Material Intelligence" — this is the source of our value creation.	<b>46</b>	<b>Initiatives for environmental issues</b>
<b>16</b>	<b>Pursuing sustainability through business</b>	<b>52</b>	<b>Compliance</b>
<b>18</b>	<b>Stakeholders and materiality</b>	<b>53</b>	<b>Respect for human rights</b>
<b>20</b>	<b>Financial strategy</b>	<b>54</b>	<b>Supply chain management</b>
<b>22</b>	<b>Financial highlights</b>	<b>56</b>	<b>Mining business</b>
<b>24</b>	<b>Creating new businesses steadily and swiftly</b> [Business Creation Sector]	<b>58</b>	<b>Mitsui Kinzoku Group Sustainability Initiatives</b>
<b>26</b>	<b>FY2020 results by business segment</b>	<b>66</b>	<b>11-Year Summary of Selected Financial Data</b>
<b>28</b>	<b>Business strategy</b> [Engineered Materials Sector]	<b>68</b>	<b>Financial Section</b>
<b>30</b>	<b>Business strategy</b> [Metals Sector]	<b>106</b>	<b>ESG data</b>
<b>32</b>	<b>Business strategy</b> [Automotive Parts & Components = Mitsui Kinzoku ACT Corporation ]	<b>114</b>	<b>Corporate profile and Stock information</b>
		<b>115</b>	<b>Independent Practitioner's Assurances Report</b>

## Philosophy of Mitsui Kinzoku Group

Throughout our history, which is approaching 150 years since our company was first founded, Mitsui Kinzoku has experienced many changes and faced many difficulties. The reason why we were able to overcome these obstacles and continue to this day is because we continuously supplied products that are helpful to the world by utilizing our “intelligence” that we have fostered over years as a manufacturer. The central pillar of the business is our corporate philosophy.

We have to enhance our own sustainability in order to fulfill our social responsibility. We advance our business to respond to the expectations of our stakeholders, while keeping our corporate philosophy at the center of our business activities to further strengthen our business base. We will contribute to the realization of a sustainable society through new value creation by enhancing our recognition of environmental and social issues, and driving our unique innovations.

# 経営理念

創造と前進を旨とし  
価値ある商品によって社会に貢献し  
社業の永続的発展成長を期す

## 三井金属鉱業株式会社

### Management Philosophy

“With creativity and productivity,  
We, Mitsui Kinzoku Group, will explore products of value to society,  
and seek an eternal growth of our group.”

### Mitsui Kinzoku Group's mission included in its Management Philosophy

The Management Philosophy was developed and documented in 1984, more than 37 years ago. It declares that the goal of the Group's business is contribution to society and sustainable growth. Grateful to our predecessors for having had the perspective of sustainability, we will pass on the values they sought to uphold.

【Corporate Slogan】

## Taking full advantage of Material Intelligence

### Mitsui Kinzoku in a nutshell

We are a manufacturing company mainly dealing with non-ferrous metal materials and always thinking about what our strengths are, how we can utilize them effectively, and what value we can create. With thinking them thoroughly, we pursue our originality and value.

## Code of Conduct

This Code of Conduct applies to all the directors, officers and employees of Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku) and its Group companies.

### 1. Our Social Mission

We shall contribute to society by providing valuable products.

### 2. Self-Awareness and Social Responsibility as a Member of our Corporate Group

We shall always be mindful of our role as a member of the Mitsui Kinzoku Group and act with dignity and responsibility, while positively conducting social action programs by facilitating communication with all stakeholders.

### 3. Compliance

We shall comply with domestic and international laws and regulations as well as our company's regulations, and shall act in accordance with the conscience of our society.

### 4. Fair Business Activities

We shall conduct appropriate business activities based on free and fair competition. We shall also maintain healthy and transparent relationships with political parties and factions, the government, and business partners, while making sure not to get involved in corruption.

### 5. Rejection of Antisocial Forces

We shall resolutely confront antisocial forces and organizations and thoroughly prohibit all relationships with them.

### 6. Proactive Information Disclosure and Comprehensive Information Management

We shall proactively and fairly disclose corporate information and comprehensively protect and manage confidential information, including personal and customer information.

### 7. Contribution to the Natural Environment

We shall address environmental issues to help realize a sustainable society.

### 8. Provision of Comfortable Work Environment

We shall provide a safe and comfortable work environment that respects the human rights, personalities, and uniqueness of our employees, while providing a place where a diverse range of human resources can play an active role.

### 9. Demonstration of Leadership by Senior Management

Top management shall recognize that it is their responsibility to realize the spirit of this code, and act on their own responsibility while demonstrating leadership.

[Revision 3rd edition as of July 2016]

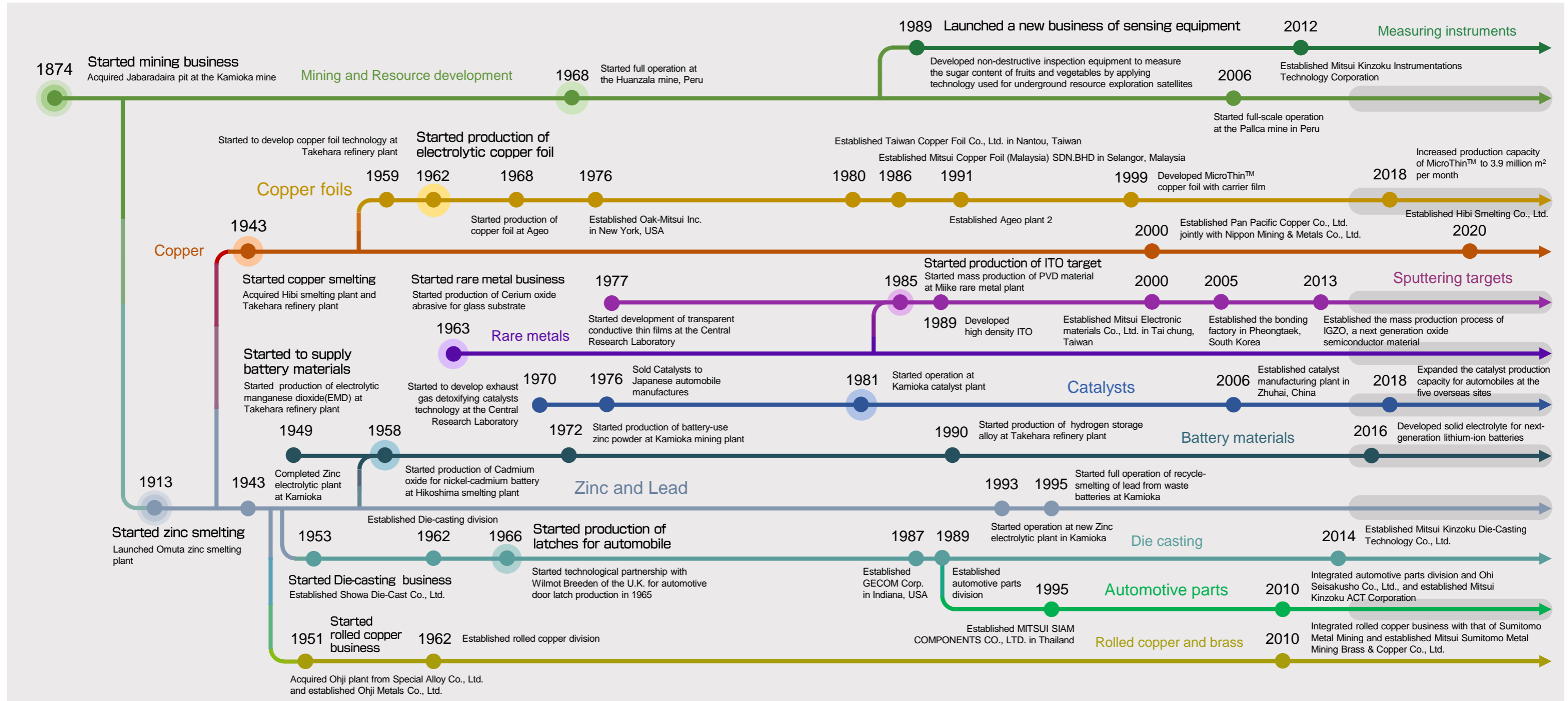
### Specific commitment to implementing the Management Philosophy

The Code of Conduct defines basic requirements that all executives and employees must comply with in their daily business activities to make them aware of their social responsibilities so that we can grow together with our stakeholders.

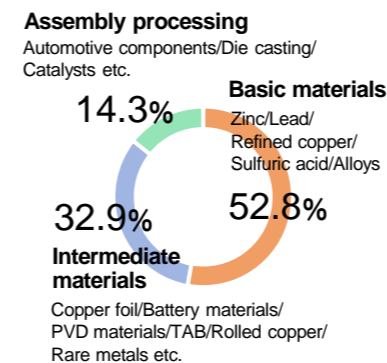
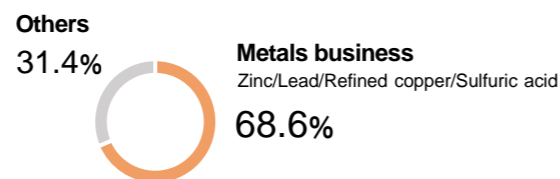
# Our History

Our origin is to develop the resources that are blessings from the earth and perform smelting of nonferrous metal. We have continued to provide materials and products that are essential to many industries by giving added value to nonferrous materials through processing and assembly. We will strive to create new value utilizing our core technologies cultivated by our nonferrous metal smelting business, such as in separation and purification, powder control, electrochemistry, and solution chemistry.

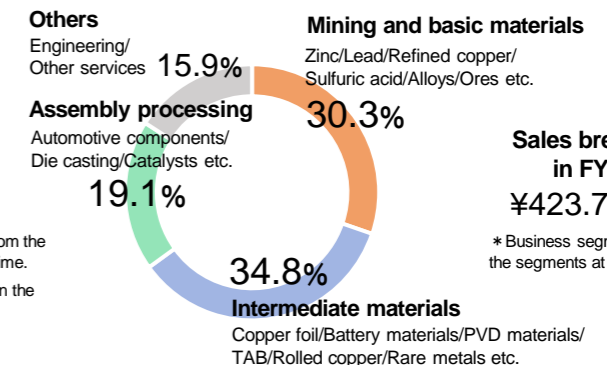
Areas that our current core business domains  
\* Lists only major events and initiatives.



**Sales breakdown in FY1960**  
¥29.5 billion  
\* Non-consolidated sales



**Sales breakdown in FY1990**  
¥269.6 billion  
\* Excludes sales of gold bullion from the financial statement values of that time.  
\* Business segments are shown in the segments at that time.



**Sales breakdown in FY2000**  
¥423.7 billion  
\* Business segments are shown in the segments at that time.



My commitment

## Defining our purpose

Creating value that meets the needs of the times,  
leveraging our own strengths.

Through this value, we will contribute to solving  
environmental and social issues in the world.

Through this value,  
we will ensure our sustainable growth.

We will move forward with our reform through integrated thinking-  
based management, striving to become a resilient enterprise not only  
in the COVID-19 pandemic but also in future crises.

President and Representative Director

Handwritten signature of J. Nou in black ink.

NOU Takeshi <Profile>

1986 Joined Mitsui Kinzoku

2015 Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector

2016 Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector

2020 Vice President, Representative Director, Executive Vice President, Senior General Manager of Business Creation Sector

2021 President and Representative Director

I would first like to extend my sincere condolences to those who have lost loved ones due to COVID-19, as well as my heartfelt sympathy to everyone affected by the pandemic. I would also like to express my gratitude and respect to the healthcare workers and many others who are dedicated to preventing infections, as well as essential workers who support our daily lives.

At Mitsui Kinzoku Group, we have promptly taken emergency measures at all of our sites and throughout our supply chain to ensure the continuity of our operations, while placing the highest priority on protecting the lives, health, and safety of our employees and their families. I would like to express my deep appreciation once again to all our stakeholders, including our customers, suppliers, and employees, for understanding our emergency measures and supporting us in minimizing the impact on our business.

The global pandemic is not over yet, and we continue to need infection prevention and control measures while balancing them with economic activities. Meanwhile, we are also facing increasingly devastating natural disasters and global environmental problems, as well as conflict between China and major developed countries. Considering such business environment surrounding the Group, we are still in a challenging situation in terms of business management.

**The final year of the 2019 Medium-Term Management Plan**

“By 2024, we want to be a company that continually creates and develops growth products and businesses in our three core business segments (Engineered Materials, Metals, and Automotive Parts).” In 2016, Mitsui Kinzoku Group set this vision for 2024, the year marking the 150th anniversary of the Group. Striving to achieve this vision, we have implemented seamless plans, including the 2016 Medium-Term Management Plan from FY2016 and the 2019 Medium-Term Management Plan from FY2019.

In FY2021, the final year of the 2019 Medium-Term Management Plan, we have been able to implement our initiatives as planned to create both economic and social value through our businesses, under the policy aiming for “autonomous and independent” management systems where each sector can think and act on its own.

In the copper foil business, demand exceeded the plan for the extremely-thin copper foil with carrier called MicroThin™, mainly used for 5G and other high-speed communication devices, and for copper foil for high-frequency communication. In the automotive parts business, we have been steadily expanding through the development of products that can help enhance convenience in society and solve environment problems. Examples of such products include new door systems compatible with CASE\*1/MaaS\*2, for which we have received large orders, and catalysts to detoxify exhaust gases in line with environmental regulations in different countries.

In the metals sector, some of the Group’s growing core businesses help build a sound material-cycle society as well as addressing environmental and social issues. For example, we engage in hydropower generation, taking advantage of geographic conditions around the Kamioka mine. We also have a well-coordinated network of smelters owned by the Group, through which we have been increasing the processing of recycled raw materials.

As for initiatives on CSR and ESG issues, we have been making full-scale efforts, which started in 2016 when we formulated the basic CSR policy and established the CSR Committee headed by the president. These initiatives have started to show effects in reducing risks throughout the Group and its supply chain, also leading to better evaluations being given by ESG rating agencies.

\* 1 CASE  
Connected, Autonomous, Shared & Services, and Electric, which are the four technologies to support the automotive industry and next-generation mobility.

\* 2 MaaS  
Mobility as a Service. The idea to see mobility itself as a service. It aims to enable people to use various types of mobility services, including not only automobiles but also public transportation such as trains and buses, through a unified gateway according to demand.

**Accelerating ambidextrous management**

For sustainable growth and medium- to long-term improvement in the corporate value of Mitsui Kinzoku Group, it is essential that we swiftly create new products and services that help solve environmental and social issues while also generating profits. In order to accelerate ambidextrous management, which involves both exploring new businesses and intensifying existing businesses, in April 2020, we separated the former mission from the Engineered Materials Sector and established the Business Creation Sector as a headquarters function. This new system allows us to further devote management resources and to pursue large-scale business opportunities. As for the intensifying of existing businesses, we will continue to have business sectors with autonomous and independent management systems, allowing them to make swift and flexible business decisions on such matters as the enhancement of cost competitiveness through DX and the development of new products as an extension of expansion strategies.

**Practice of integrated thinking-based management**

Meanwhile, we have also established a department responsible for CSR promotion, aiming to incorporate efforts to address carbon neutrality and other ESG issues that are rapidly gaining increasing importance, into our business strategy. As an extension of this effort, the Sustainability Department was established in April 2021. Within the department, we have a team to address climate change to make Group-wide efforts on this issue in a cross-sectional manner.

By building an ambidextrous management strategy balancing economic and social value, we will accelerate our transformation to incorporate integrated thinking-based management, striving to become a sustainable company from both financial and non-financial perspectives.

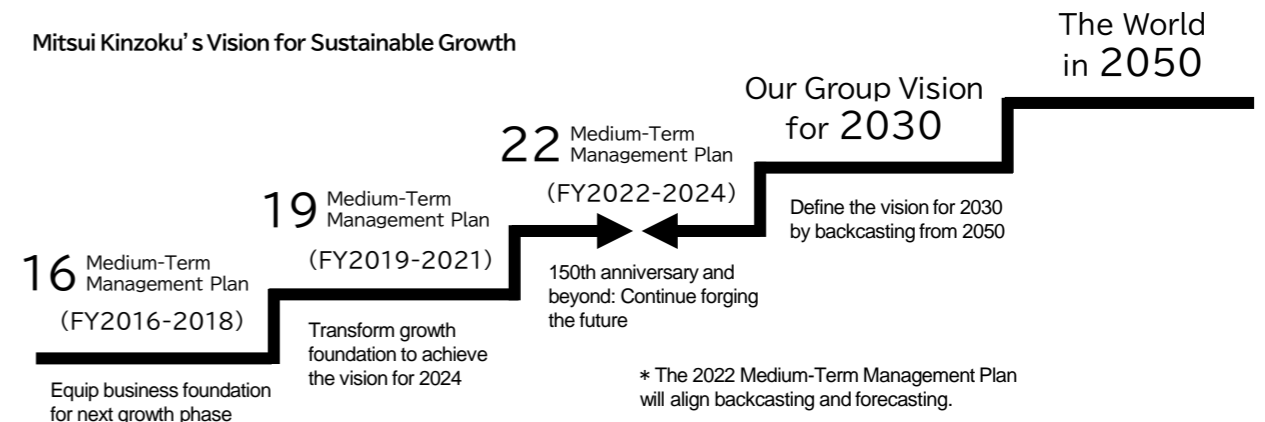
**Defining our purpose to become a more sustainable company**

Along with changes in social conditions and further progress in the autonomy and independence of each business sector, we are facing new business opportunities, risks, and agenda. We therefore need to promptly reexamine our corporate management to address these issues.

As the conventional factors for success no longer work, we need management decisions that can adapt to changes in a flexible and speedy manner based on the assumption that our future is uncertain. These numerous changes are expected to be entangled, making our decisions even more complex.

Looking ahead to 2050 while facing these circumstances, we strongly feel the need for Mitsui Kinzoku Group’s “raison d'être (purpose),” which will serve as the foundation for every decision we make. We are currently in the process of deciding it.

We will envision 2030 by backcasting from the purpose that fits with the times. Also, as we develop the next medium-term management plan which will start next fiscal year, we will show our clear direction, including what value we can and should create.



### Integrating the efforts to achieve the vision for 2024

Along with the definition of our purpose aiming for 2050, we are also preparing the 2022 Medium-Term Management Plan, which will start next fiscal year. While it will take some time before the details of the plan become available to the public, the following summarizes the direction of each business sector over the next three years.

In the Business Creation Sector, we have established business promotion units in the headquarters to commercialize products under three themes. This initiative started during the period covered by the 2019 Medium-Term Management Plan. We are committed to launching these products and realizing growth and expansion in the period covered by the next medium-term management plan. Moreover, in addition to co-creation with the market, we will also focus our efforts on creating businesses to address societal needs, such as environmental issues, by further strengthening activities for value creation brought by the synergy of the Group's technologies and assets.

In the Engineered Materials Sector, we will take advantage of the market growth arising from enablers of Society5.0<sup>\*3</sup> such as 5G and IoT, CASE, and MaaS; and help solve environmental problems by differentiating our eco-friendly technologies, including GPFs<sup>\*4</sup> for automobiles. We will also capture new business opportunities by creating technological synergy in the fields of powders, circuit materials, and formed and fabricated materials.

In the Metals Sector, we have a variety of processes in zinc and lead smelting. By adding copper smelting (at Hibi Smelter) in 2020, we will strengthen our smelting network to address increasingly complex recycling needs in a coordinated manner.

In the automotive parts and components business, we will focus our resources on the development and supply of door system products that are compatible with CASE/MaaS. We will also expand the digitized

manufacturing system, which has been built at the Kyushu plant, to major overseas sites in order to enhance our quality and cost competitiveness.

Also, we have started operating the environmental contribution products system as a Group-wide initiative. We will create new products and businesses that promote recycling and conservation of energy and resources not only within our company but also in the process involving customers and consumers.

### Initiatives for carbon neutrality

While Mitsui Kinzoku Group provides a steady supply of various products such as nonferrous metals, it also consumes a significant amount of resources and energy to supply such products. In other words, our business comes with CO<sub>2</sub> emissions. Aiming to reduce environmental impacts and to enhance our own competitiveness, we have long been working to conserve energy.

In 2020, we joined the "Challenge Zero" initiative by Keidanren (Japan Business Federation) and have been actively working on four specific themes. By leveraging our technologies and exploring collaboration with various partners through Challenge Zero, we strive to contribute to the reduction of greenhouse gas (GHG) emissions and the achievement of carbon neutrality. Also in 2020, we began TCFD scenario analysis with support from the Ministry of the Environment. Having completed the analysis on the metals business, we are currently working on the analysis of the engineered materials business. We will have a thorough understanding of how climate change affects the Group's business activities, incorporate that knowledge in our risk management, and integrate it with the management strategy. We will also continue to disclose information in accordance with the TCFD recommendations.

The Japanese government has made further commitments regarding the reduction of GHG emissions, including carbon neutrality by 2050 and a

46% reduction in emissions by 2030 compared with the 2013 level. In line with these commitments, the Group also aims to achieve carbon neutrality by 2050.

At this point, we expect to achieve our former target for FY2030, to reduce CO<sub>2</sub> emissions through business activities by 26% compared with the FY2013 level. In response to the new targets set by the Japanese government, we have established a new system where we discuss strategies for further reduction, aiming to reinforce energy conservation through process improvement and to promote active environmental investment. These strategies will be incorporated in the 2022 Medium-Term Management Plan as concrete measures.

### Building a mechanism to maximize corporate value

Under the policy of autonomy and independence, each business sector has begun its own measures to enhance its functions. Within the sectors, we have set targets for profit and efficiency for each business unit, and made progress on the reallocation of management resources.

Based on our purpose, we will further build our collective strengths (unifying power) to maximize the entire Group's value through, for example, the Group-wide reallocation of management resources and the pursuit of synergy.

Meanwhile, as each business sector moves forward with the transition to autonomy and independence, we have also begun to find the direction we should take in human resources strategy. For example, we see changes in how to recruit talents, including mid-career hiring, and an increasing need for diverse work styles.

We will make further efforts to build a system so that people from diverse backgrounds can feel that Mitsui Kinzoku provides attractive, motivating, and fulfilling workplaces. Then, we will also explore a personnel system to ensure meaningful work for all employees, with a particular focus on millennials and Generation Z who will play a core role in the organization.

Other areas we will work on include information sharing, enhancement of information management systems, and development of smart factories. In April 2020, we established the ICT Department, through which we have built a system to integrate the development of Group-wide ICT strategies and the corporate group's ICT management processes as well as to promote a timely digital transformation. By executing the Group-wide ICT strategy, we will boost our competitiveness in R&D and manufacturing, and will also acquire the human resources necessary to achieve DX.

### Message to stakeholders

We are living in extremely uncertain and volatile times. Companies can survive and grow only if they are able to adapt to the challenges they present. With the spirit of embracing these changes, we will move forward with business management with a full understanding of the opportunities to take and risks to reduce. While leveraging the unique technologies the Group has developed over the years, we will newly define our purpose that fits with the times, with a clear vision of how we can create value from a long-term perspective and how we should contribute to a sustainable society.

The year 2024 will mark the 150th anniversary of our foundation. We are ready to go beyond and committed to managing our business far into the future together with our stakeholders. We greatly appreciate your continued support for Mitsui Kinzoku Group.

Thank you.

(July 2021)

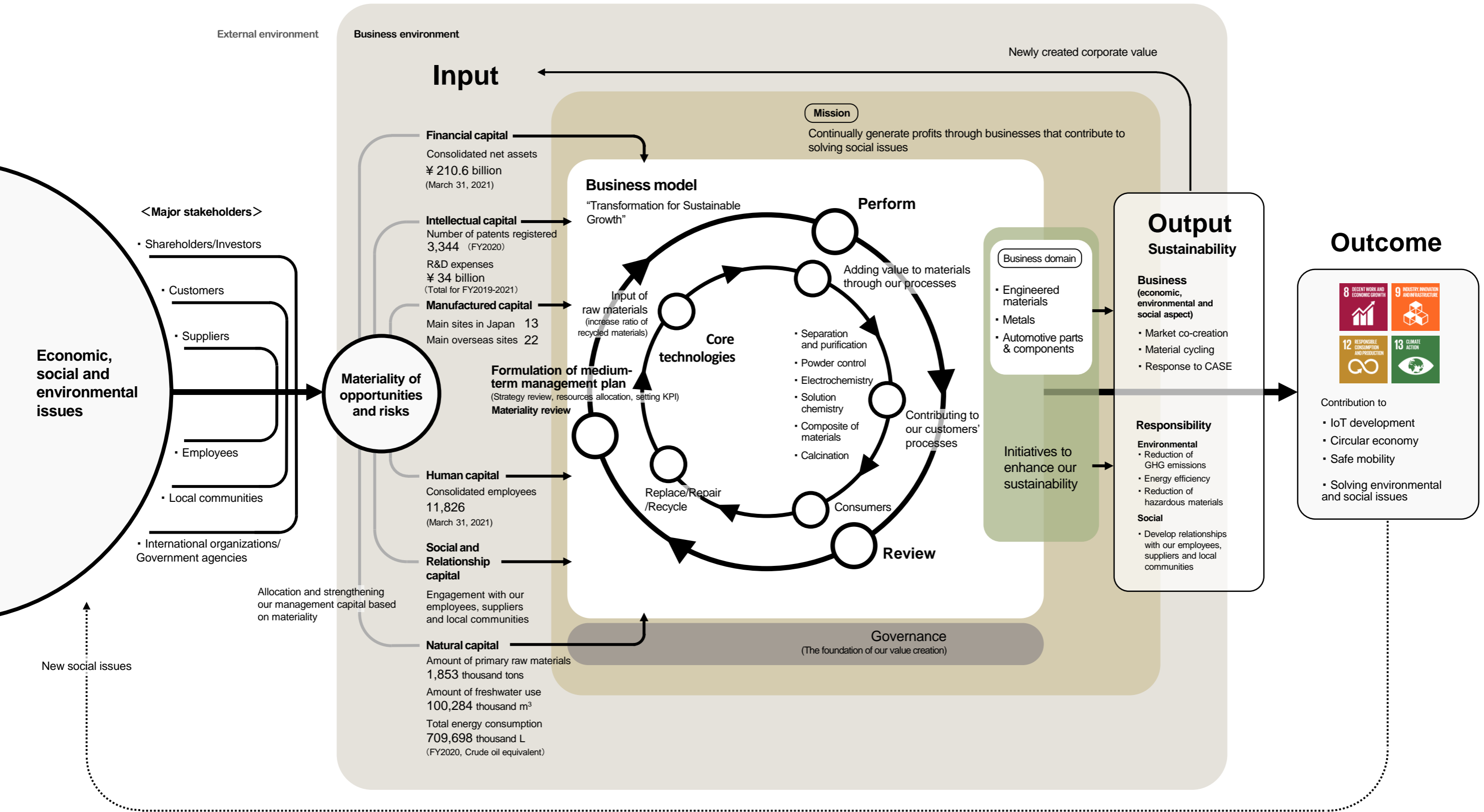


\*3 Society 5.0  
The concept proposed in the 5th Science and Technology Basic Plan as a future society that Japan should aspire to. It aims to build a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.

\*4 GPF  
Gasoline Particulate Filter. A cleaning function to meet European and US regulations on gas emissions from automobiles, and catalysts for filters with that function.

# Our value creation process

As a nonferrous metal manufacturer, we have cultivated our technologies and know-how and developed our value chain in our history. "Material Intelligence" — this is the source of our value creation. We establish overwhelming core competence to create growth products and business to help solve environmental and social issues. We realize long-term value creation by the integrated management strategy of business and responsibility.





# Pursuing sustainability through business

Our management philosophy has been to contribute to society by providing new value through our businesses and products. In other words, through business, we are to create not only economic but also environmental and social value for all stakeholders, including the industries our customers are in. We are committed to further integrating sustainability into our businesses to help solve various issues, such as those mentioned in the SDGs.

## [Applications / Customer industries]

### Engineered Materials

#### Copper foils



#### Exhaust gas purifying catalysts for motorcycles and four-wheeled vehicles



#### Metal powders



#### Battery materials



#### Abrasive materials



#### ITO sputtering target



#### Ceramic filter



### Metals

#### Zinc



#### Hydropower generation



#### Geothermal heat supply



### Automotive Parts & Components

#### Door latches for automobiles



### Affiliates Coordination

#### Heat sinks



#### For semiconductor package substrates

Electro-deposited copper foil is used for wiring materials in fine circuits. In particular, Mitsui Kinzoku has a high market share in extremely-thin copper foil. These products contribute to the better performance of electronic products, such as smaller smartphones.

#### For motorcycles

We help keep the global environment clean by detoxifying substances, such as CO and NOx, that can cause air pollution. We are also increasing the supply of catalysts for four-wheeled vehicles in the global market.

#### For MLCCs (multi-layered ceramic capacitors)

Demand for MLCCs has been growing rapidly along with the electrification of automobiles, higher functionality of smartphones, and widespread application of IoT. We contribute to this field by providing materials that help the advancement of MLCCs, such as smaller sizes and larger capacity.

#### For hybrid cars

Mitsui Kinzoku started providing materials for batteries in the 1940s and started developing materials for rechargeable batteries ahead of many other companies. Since the 1990s, we have been supplying hydrogen storage alloys for batteries used in hybrid cars.

#### For glass substrates

These materials are essential for polishing high-performance glass, such as optical lenses, hard disk glass substrates, and liquid crystal glass substrates. Mitsui Kinzoku's strength lies not only in nonferrous metal materials but also in rare-earth products.

#### For LCDs (liquid crystal displays)

ITO (indium tin oxide) is an essential material in making transparent conductive films for LCDs. We also supply IGZO sputtering targets for thin film transistors.

#### For tubular filtration systems for molten aluminum

They are used in the aluminum rolling sector as filters to remove non-metallic inclusions from molten aluminum. We accommodate individual customer needs by offering a wide variety of mesh sizes.

#### Anti-corrosive coating on steel sheets

These products are mainly used to protect iron from corrosion. We offer not only standardized products across the world, including high-grade zinc and distilled zinc, but also customized products such as formulated zinc.

#### Renewable energy generation (hydropower)

We engage in hydropower generation, taking advantage of geographic conditions around our mines. Kamioka Mining and Smelting has 10 hydropower plants, of which the oldest one started operating in 1917. The Huanzala mine and the Pallca mine, both in Peru, also have hydropower plants and supply some of the electricity to neighboring villages free of charge.

#### Renewable energy generation (geothermal steam)

Since 1995, we have been supplying geothermal steam to the Yanaizu-Nishiyama Geothermal Power Station, which is operated by Tohoku Electric Power Co., Inc. Geothermal power plants use the underground resource of natural steam to rotate turbines.

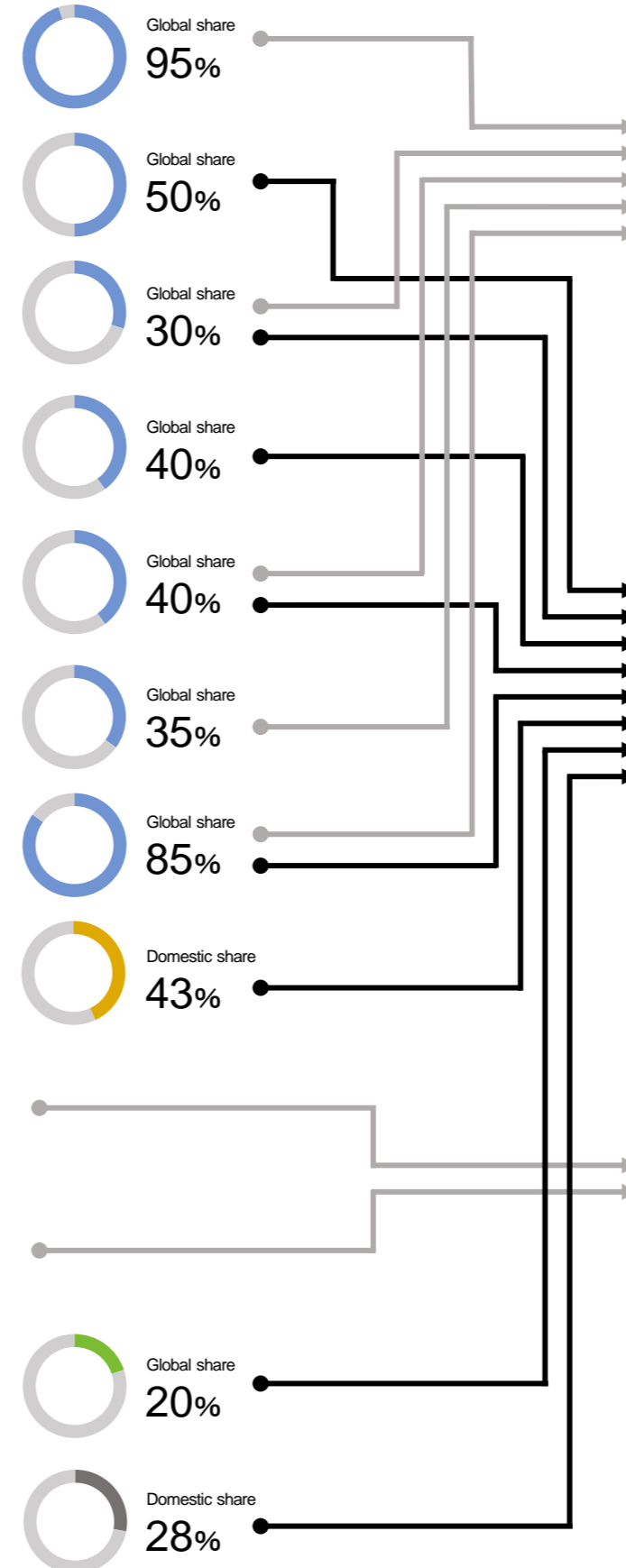
#### For automobiles

These functional parts keep the doors firmly in place on the vehicle body, playing an essential role in ensuring passenger safety. Our development efforts focus on smaller and lighter products as well as high-performance products such as sliding door systems.

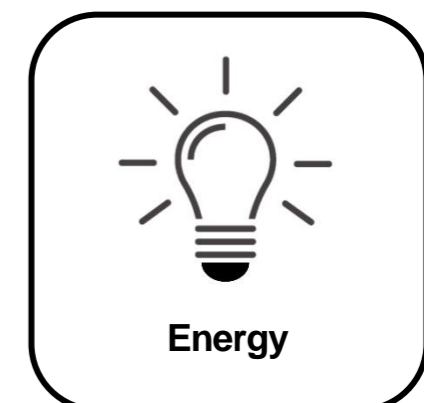
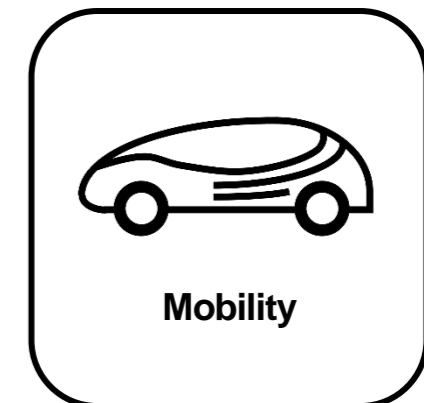
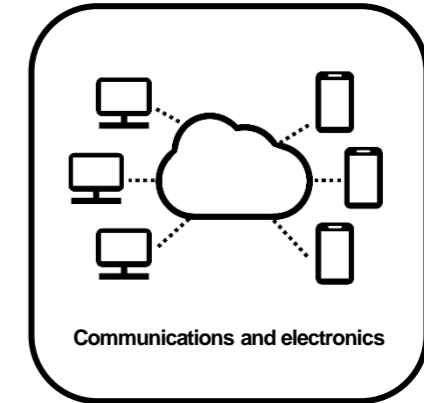
#### For LED car headlight units

Heat sinks are used for LED headlights to prevent them from losing their brightness because of heat. By ensuring visibility, they contribute to better safety in a wide range of heat sinks, including general die-casting alloys as well as alloys with high thermal conductivity.

## [Market share]



## [Markets where our business and products can contribute]



Take zinc metal for example. Zinc-coated steel sheets are primarily used for building materials. We also supply copper, a material for electric wire that is essential in communication. Mitsui Kinzoku Group offers various other products and services to help build urban infrastructure, develop industries, and improve quality of life.

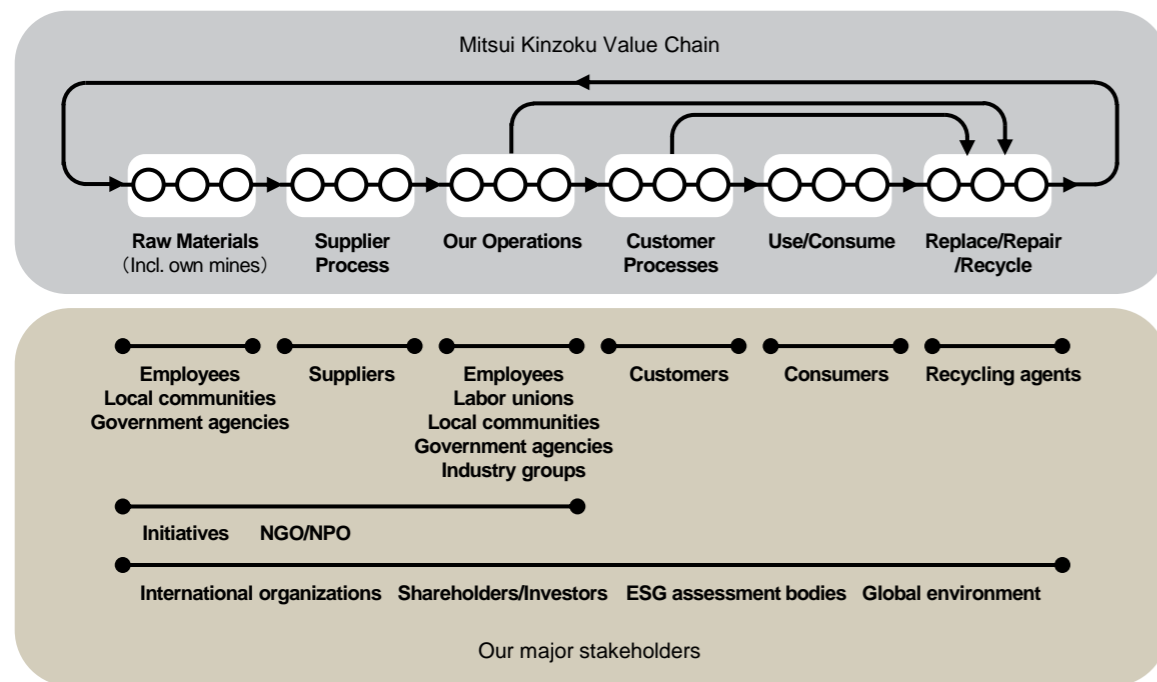
# Stakeholders and materiality

Mitsui Kinzoku Group is committed to practicing management that integrates sustainability in order to continue creating value over the long term. We have identified major stakeholders as well as material issues (materiality) to promote the integrated thinking-based management efficiently.

## Identification of major stakeholders

Mitsui Kinzoku Group has identified major stakeholders in accordance with the eight criteria of ISO 26000. The major stakeholders are determined as highly likely to be affected by our business activities economically, environmentally, and socially. The earth environment is considered as being one of our major stakeholders. The SDGs indicate the common social and environmental issues which these multiple stakeholders are facing.

## Stakeholder mapping along the value chain



## Materiality review

Among the various environmental and social issues raised by stakeholders, Mitsui Kinzoku Group selects those with particularly significant impacts on the Group's value chain and identifies them as material issues (materiality).

In FY2019, we reviewed our materiality for 2024 in order to implement our integrated management strategy built on the two pillars of business and social responsibility. The revised materiality comprises three items as opportunities and nine items as risks based on two perspectives: opportunities for our businesses that may help solve the raised issues and ESG risks that may affect us financially which are regarded as initiatives to fulfill our social responsibility. We have also selected six additional items from the capital perspective as initiatives to support the efforts on materiality.

In FY2020, the CSR Committee and relevant departments discussed these items; decided on commitments, targets (KPIs), and annual plans until FY2023; and compiled the results as "Mitsui Kinzoku Group Sustainability Initiatives" (P.58-65) in this report.

## FY2019 Materiality Review

We have reviewed the materiality based on the integrated management strategy built on the two pillars of business and social responsibility.

**1** Enumerated a wide range of economic, environmental, and social issues from a long-term perspective

Ref. The SDGs, the United Nations Global Compact, the GRI Standards and ISO 26000 as issues raised by international organization like the UN and NPOs

**2** Selected issues that are likely to have a long-term impact on our business and value chains

Ref. The Management Philosophy, the Code of Conduct, the 19 Medium Plan

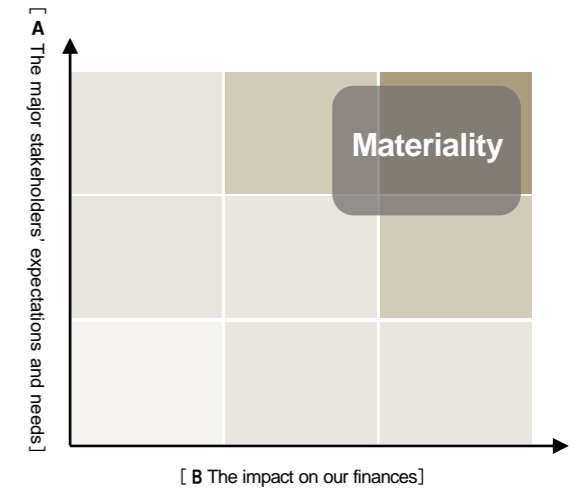
**3** Determined the level of materiality for each issue selected in 2 above according to the degree of the major stakeholders' expectations and needs regarding our business and their impacts

Ref. <International organizations> OECD Due Diligence Guidance for Responsible Business Conduct <Investors> The SASB standards, the ESG general standards by Amundi <Industrial initiatives> The RBA Code of Conduct (Customer/Supplier), ICMM 10 Principles, the Charter of Corporate Behavior by Keidanren

**4** Determined the level of materiality for each issue selected in 2 above at the CSR Committee according to the degree of impact on our business model and finances

Ref. The 19 Medium Plan, the Code of Conduct, the Environmental Action Plan, the Human Rights Standards, the procurement policy

**5** Mapped the issues on the two axes of 3 and 4 above (see the right graph) and identified the ones in the shaded area as material issues

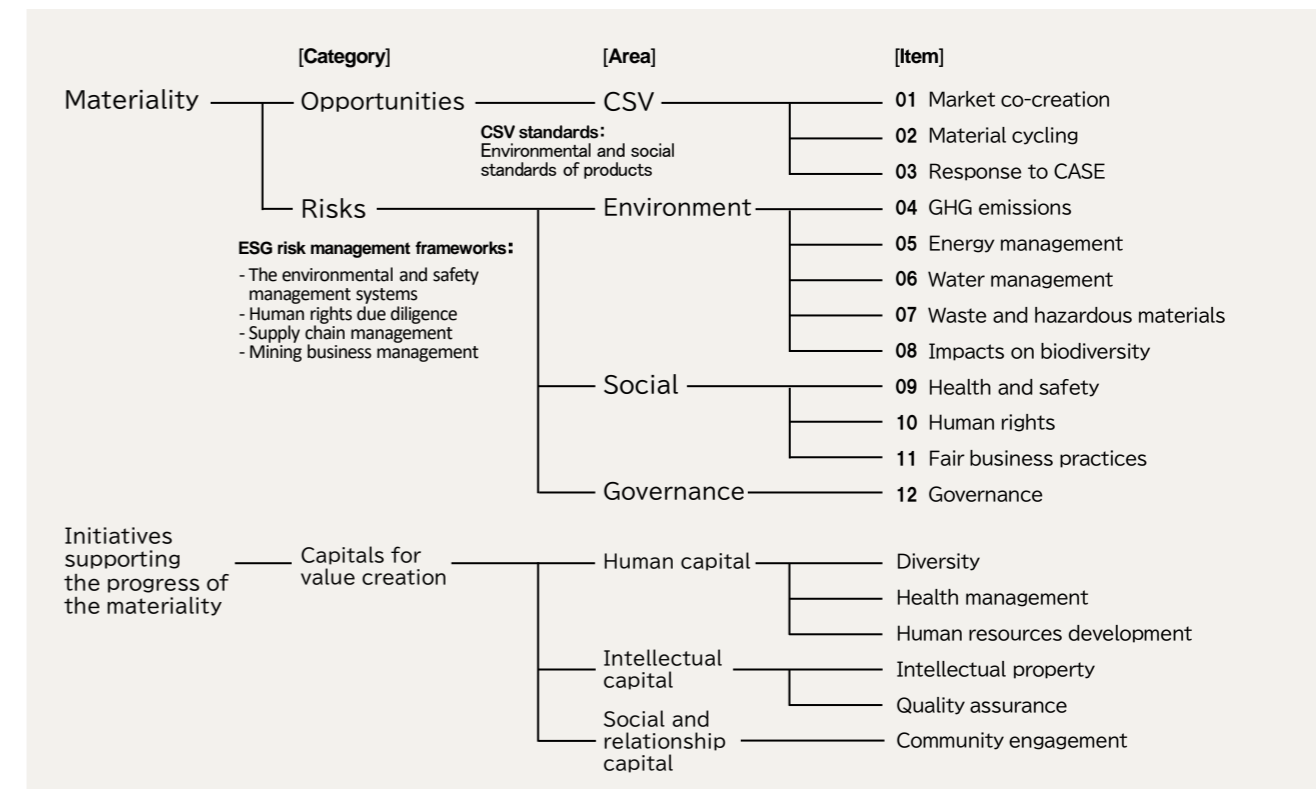


**6** Divided the material issues, based on the integrated management strategy of business and social responsibility, into ones that may pose ESG risks (social responsibility) that are likely to affect us financially and into ones that can turn out to be business opportunities

Ref. The International Integrated Reporting Framework, the SASB standards

**7** Classified the issues mapped in the lighter-colored parts in the graph into a set of issues that supports the progress on the material issues

**8** Received approval from the Board of Directors for the materiality of ESG risks and business opportunities



## FY2020 Formulation of commitments, targets (KPIs), and plans on each materiality item

In FY2020, we discussed commitments, targets (KPIs), and plans of each materiality item. At the departments responsible for each materiality item, we developed respective lists of issues surrounding the items, examined stakeholders' expectations and requirements based on the approximately 750 issues selected in Step 2 and the mapping in Step 5. Then, we discuss the Group's visions for 2024 and incorporated into our commitments and set targets (KPIs) as the indicators to achieve them. The annual plans until FY2023 define more details on how to achieve these targets. The CSR Committee discussed these results brought by the departments and compiled them in "Mitsui Kinzoku Group Sustainability Initiatives" (P.58-65) in this report. Starting in FY2021, we will run the PDCA cycle and manage the group-wide progress annually.

## Financial Strategy

# Place importance on investment efficiency, coordinating with the business strategies to improve our corporate value



### KIBE Hisakazu

Representative Director Senior Managing Director,  
Senior Managing Executive Officer,  
Senior General Manager of Corporate Planning & Control Sector

Mitsui Kinzoku Group upholds the vision of becoming by 2024 a “company that continually creates and develops growth products and businesses in our three core business segments (Engineered Materials, Metals, and Automotive Components).” As a step toward realizing this vision, during the period of the “16 Medium-Term Plan,” we actively made investments with a focus on the Engineered Materials business where there is a strong need for new product development.

In the current “19 Medium-Term Plan,” we are sticking to this policy and continuing to invest in growth products and businesses.

Meanwhile, our corporate group is heavily affected by changes in currency exchange rates and nonferrous metal prices. Another factor greatly impacting us is the trend in the electronic materials market. These materials are used for such products as smartphones, which see a high turnover in product cycles and dynamic fluctuations in market conditions. Consequently, we recognize the reinforcement of our financial structure as one of the top management issues.

In FY2020, we transferred our interests in the Caserones and Collahuasi copper mines in Chile, based on the conclusion that redirecting the management resources to other businesses would contribute to further enhancement of our corporate value from the viewpoint of business portfolio optimization. Also, the company’s head office, owned by its subsidiary, was sold as part of the efforts to increase asset efficiency through the effective use of management resources and to improve our financial position.

The consolidated equity ratio at the end of FY2020 was 33.4%, marking an improvement from the previous year (30.7%). We strive to achieve a consolidated equity ratio of 40%, which is one of our management goals for FY2021, by maintaining our financial discipline, while also strengthening our management foundation by reaping the benefits of the initiatives we have implemented and by executing our growth strategy.

### Financing policy

In order to prepare for drastic changes, such as in the market situation as well as the exchange rate and prices for nonferrous metals, we will secure a certain level of liquidity on hand so that we will be able to conduct stable business operations.

We have maintained the level of cash and deposits that we increased in the previous fiscal year in order to be able to respond to the significant changes in the environment caused by the impact of COVID-19, and we are further increasing our liquidity on hand.

Meanwhile, as our 19 Medium-Term Plan includes plans for making active equipment investments with a focus on the engineered materials business, we will strive toward the advantageous financing in a timely manner in accordance with funding needs, while taking consideration of various factors including the financial situation and the interest rate levels.

### Management that places awareness on capital efficiency

As we strive toward “Transform the growth foundation to achieve the vision for 2024” which is the slogan in the 19 Medium-Term Plan, we are strengthening business monitoring by not only using the traditional management index, but also evaluating each segment using ROIC (consolidated return on invested capital).

ROE (consolidated return on equity) for FY2020 exceeded the initial plan. We will continue to take measures to achieve the target of ROE 10% for FY2021.

### Dividend policy

Our dividend policy is based on the appropriate distribution of profits according to our business performance, while also ensuring that we hold back what is needed for the future of our business foundation.

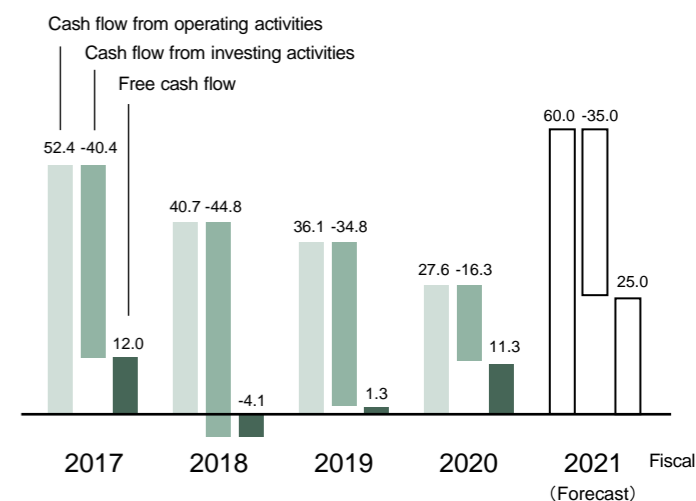
Specifically, while we will return profits with the aim of realizing a consolidated payout ratio of 20% in accordance with the company’s dividend policy that was announced on May 9, 2018, we will also place importance on providing continuous and stable dividends. As such, we aim to provide dividends at a rate of 2.5% DOE (consolidated dividend on equity).

In the future, we will review our shareholder return policy in accordance with the level of progress that we achieve in strengthening our management foundation and in improving our financial condition.

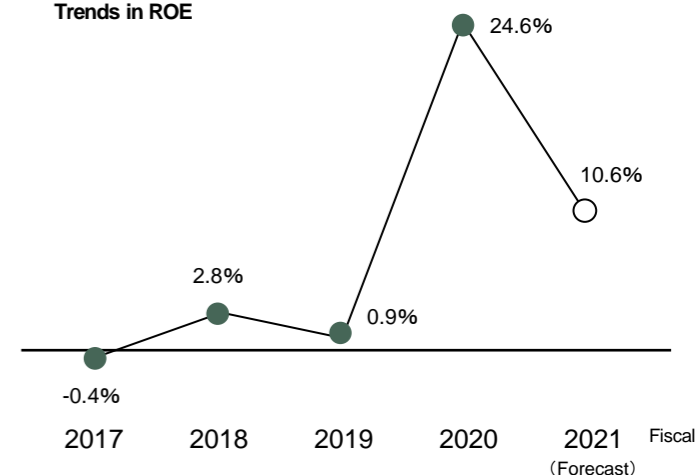
### Tax policy

Mitsui Kinzoku Group complies with the laws and regulations of the countries and regions in which we do business, and conduct our business activities in accordance with the tax guidelines published by international organizations such as the OECD (the Organization for Economic Cooperation and Development). If countries and regions have preferential taxation systems, we carefully check the actual situation of our business and the purpose of the systems, use them appropriately, and do not take tax avoidance acts that abuse the systems. When making business decisions, we consider tax matters and position tax strategy as part of our business strategy.

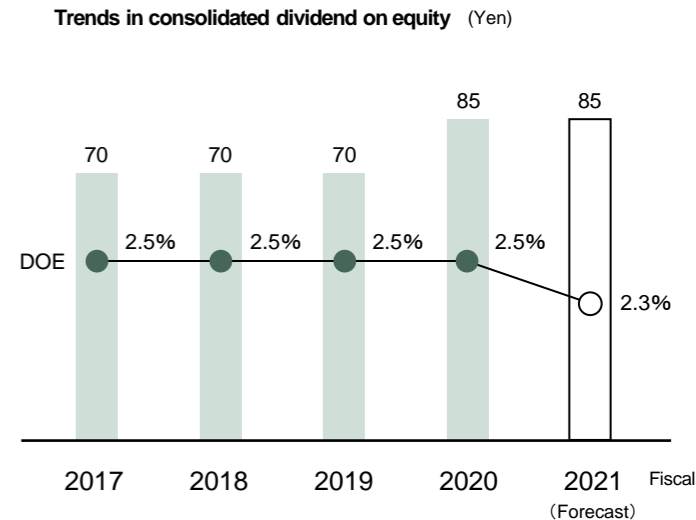
### Cash flow (Billion yen)



### Trends in ROE

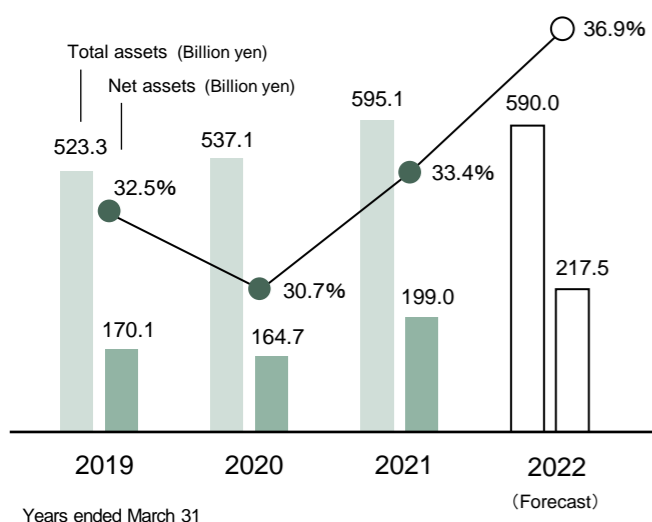


### Trends in consolidated dividend on equity (Yen)



※ We executed a 1-for-10 consolidation of shares, which came into force on October 1, 2017.

### Trends in consolidated equity ratio

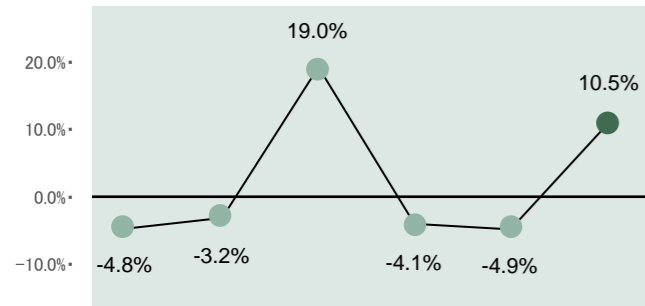


## Financial Highlights

Trends in major financial indexes in the “13 Medium -Term Plan” and the “16 Medium -Term Plan,” and the planned values in the “19 Medium -Term Plan”

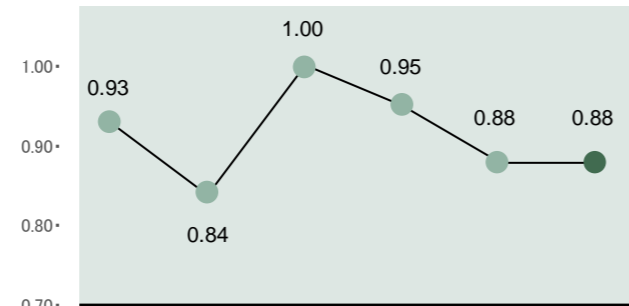
13 Medium-Term Plan: from FY2013 to FY2015, 16 Medium-Term Plan: from FY2016 to FY2018, 19 Medium-Term Plan: from FY2019 to FY2021

**Sales growth rate**



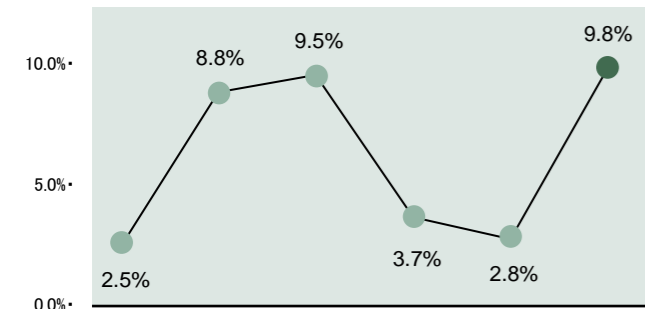
[Fiscal] 2015 2016 2017 2018 2019 2020

**Total asset turnover ratio**



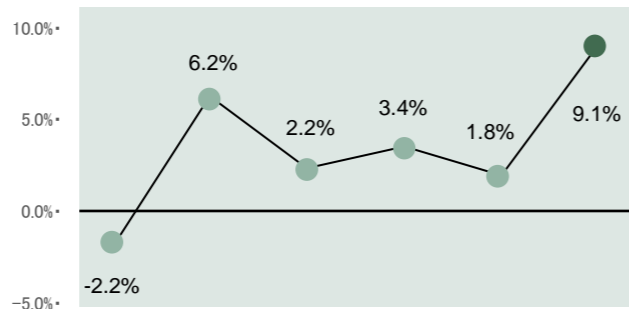
[Fiscal] 2015 2016 2017 2018 2019 2020

**Rate of operating profit on sales**



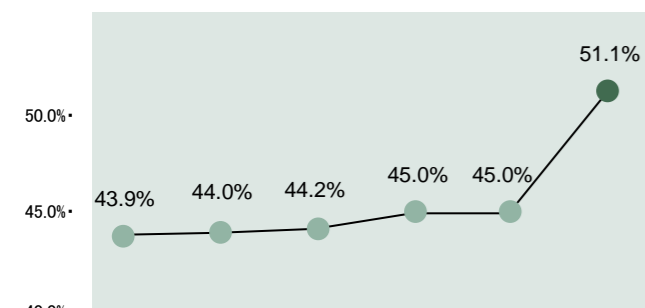
[Fiscal] 2015 2016 2017 2018 2019 2020

**ROA (Return on assets)**



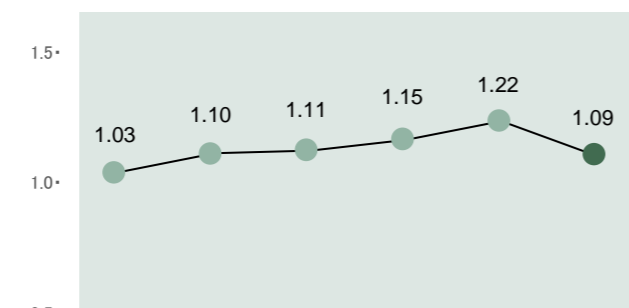
[Fiscal] 2015 2016 2017 2018 2019 2020

**Overseas sales ratio**



[Fiscal] 2015 2016 2017 2018 2019 2020

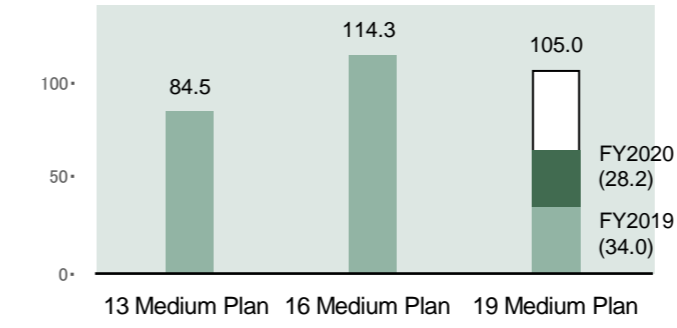
**Net D/E ratio**



[Fiscal] 2015 2016 2017 2018 2019 2020

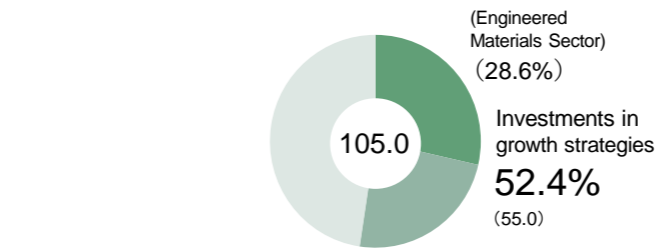
**Capex (Total for 3 fiscal years)**

(Billion yen)



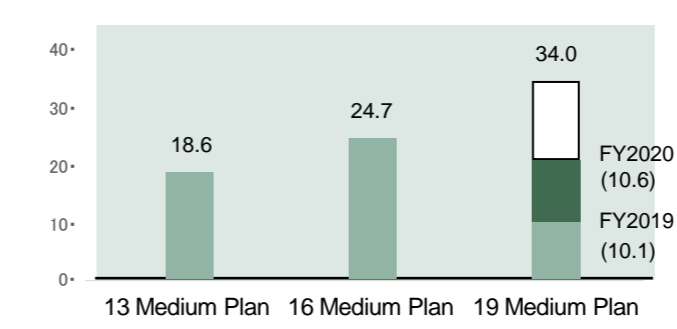
**Capex in the 19 Medium Plan**

(Billion yen)



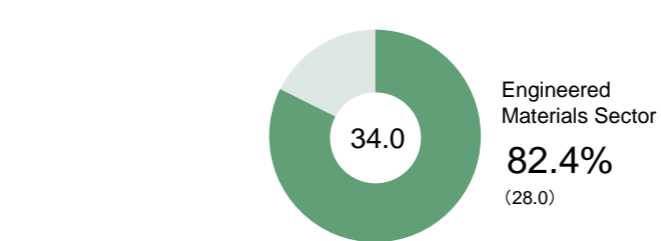
**R&D expenditures (Total for 3 fiscal years)**

(Billion yen)



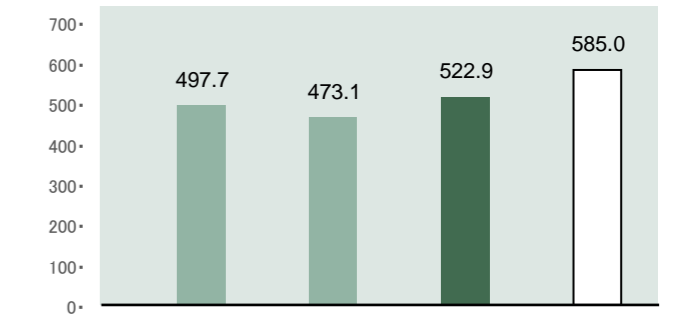
**R&D expenditures in the 19 Medium Plan**

(Billion yen)



**Net Sales**

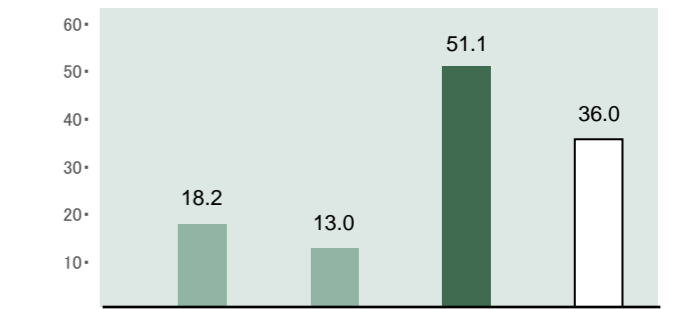
(Billion yen)



[Fiscal] 2018 2019 2020 2021 (Plan)

**Operating profit**

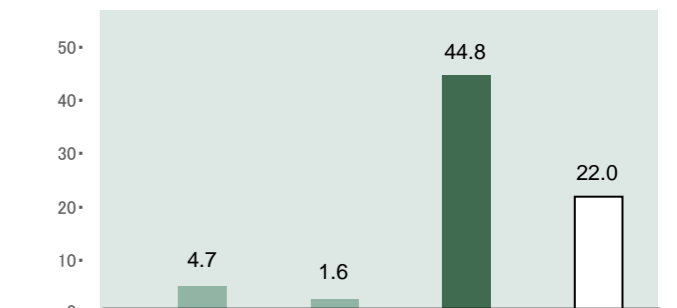
(Billion yen)



[Fiscal] 2018 2019 2020 2021 (Plan)

**Profit attributable to owners of parent**

(Billion yen)



[Fiscal] 2018 2019 2020 2021 (Plan)

Highlights of major financial indexes for the past 11 fiscal years are listed on pages 66-67. Please refer to those pages as well.

Other figures of each business segment in the 19 Medium-Term Management Plan are listed on pages 28-33.

# Creating new businesses steadily and swiftly

[Business Creation Sector]

“Help build a better future.” By taking on this challenge and making it come true, we will help improve the sustainability of society and enhance the corporate value of Mitsui Kinzoku Group.

We see the process of creating new businesses through market co-creation as the following.

- 1) Cultivating opportunities for co-creation by combining our technologies and external strengths, through communication and joint activities with external contributors such as partners, customers, startups, universities, and research institutions
- 2) Materializing new products through innovative technologies by leveraging and advancing our core technologies and know-how, and building a supply chain by taking full advantage of the sales channels we have cultivated

We have defined the following factors as the keys to the creation of new businesses through this process, and organized departments accordingly within the sector.

- i Co-creating markets
- ii Creation of new technologies
- iii Development of human resources capable of creating new businesses

The Market Co-creation Department drives the first key factor, co-creation with the market, as well as exploring and creating business opportunities. The department is currently working on the creation of potential partnerships that will lead to new businesses by broadening the scope of communication, mainly in the fields of the environment and energy such as battery materials and catalyst materials. Through these efforts, we aim to develop opportunities for co-creation with external contributors.

The R&D Center is responsible for creating new businesses, that will play a core role in the future, through creative research and development (R&D) of our core technologies.

By conducting R&D activities in line with market trends, we move forward with new business creation in a swift and timely manner. Specifically, R&D themes are grouped according to their stage of progress. We select those nearing commercialization as new priority themes, for which we introduce equipment for mass production, establish operational requirements, build a quality assurance system, and establish a supply system. The latest theme we are working on is solid electrolyte for all-solid-state batteries.

The Production Process Development Department breaks down the new business into highly competitive processes, adopting innovative equipment and production technologies.

By engaging in themes from the beginning, including not only R&D but also the cultivation of opportunities for co-creation, we can ensure that key mass-production technologies are incorporated in the processes. Through these efforts, we will swiftly develop mass-production technologies that can demonstrate the intended function, while also ensuring our competitiveness.

The department is already playing this critical role in our new themes: solid electrolyte for all-solid-state batteries (ASSBs) and special glass carrier for next-gen semiconductor chip mounting HRDP®.



Executive Officer,  
Senior General Manager of Business Creation Sector

## YASUDA Kiyotaka

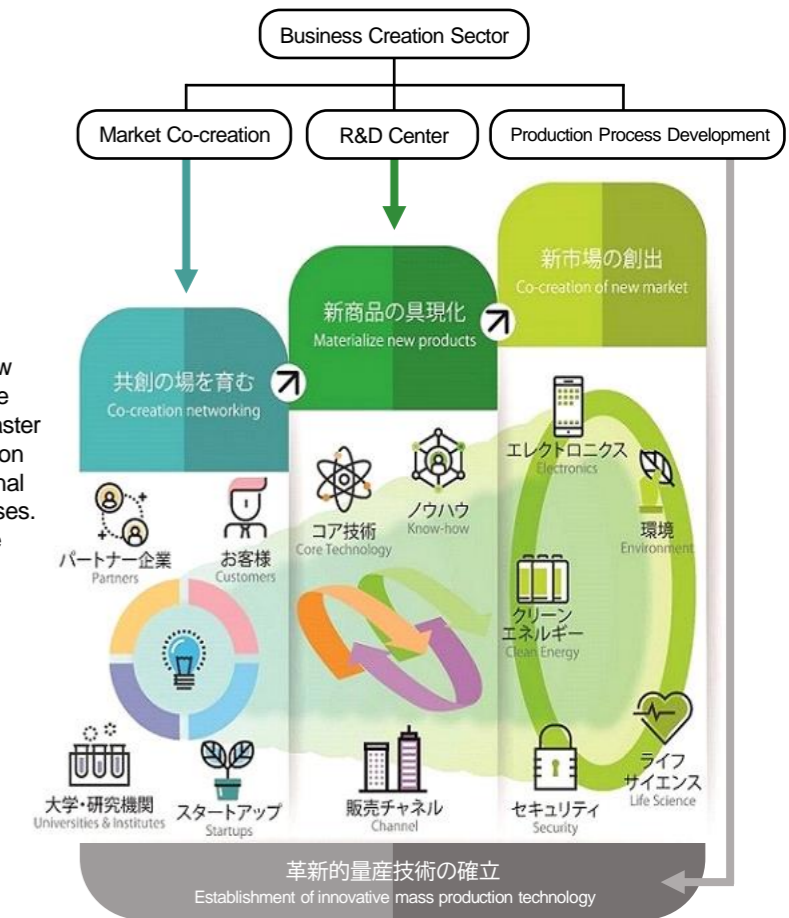
One year has passed since the Business Creation Sector was established under Corporate. Under the sector's mission to create profitable new products and businesses steadily and swiftly, we play a key role in “exploring new businesses” in the Group-wide efforts for ambidextrous management.

## Road to creation of new businesses

While it takes considerable time to commercialize new materials and technologies, one thing is certain: In the next 10 years, the world will change drastically and faster than ever. We will further accelerate market co-creation activities, combining our core technologies and external strengths in an innovative manner, to create businesses. By striving to build a better future and making it come true, we will improve the sustainability of society and help enhance the corporate value of Mitsui Kinzoku.

[Figure on the right]

Creation of new businesses through market co-creation and the structure of the Business Creation Sector



## Final year of the 2019 Medium-Term Management Plan

Our three priorities to accomplish in FY2021

### 1 Launching products on new priority themes

We are moving forward with sales and customer evaluation of solid electrolyte for all-solid-state batteries and HRDP® products. We will take steady steps toward their commercialization.

### 2 Preparing for the creation of future large-scale business opportunities

While we are making solid progress in acceleration of R&D and transformation to become a business creator, we can do much more in terms of large-scale themes for the future. This year, we will focus on societal needs, including environmental issues, work together as the entire sector to envision the future, and work on R&D and identification of new business themes to create large-scale business opportunities that can also contribute to the sustainability of Mitsui Kinzoku.

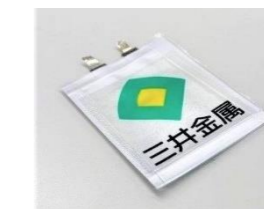
### 3 Completing the establishment of an autonomous and independent system and transformation to become committed individuals/organization

We will enhance our system in driving commercialization, particularly in the development of mass-production processes. We will also strengthen our network with universities and external research institutions to develop human resources capable of creating new businesses.

## Progress on the new priority themes

### Solid electrolyte for all-solid-state batteries (ASSBs)

- [Market development]
- Now shipping small ASSB samples to Maxell, Ltd.
  - Now shipping world-class ASSB samples to Hitachi Zosen Corporation
- [Mass production]
- Established a mass-production system on the existing production line and started shipping products
  - Completed scale-up mass-production test equipment, and working to establish mass-production technologies

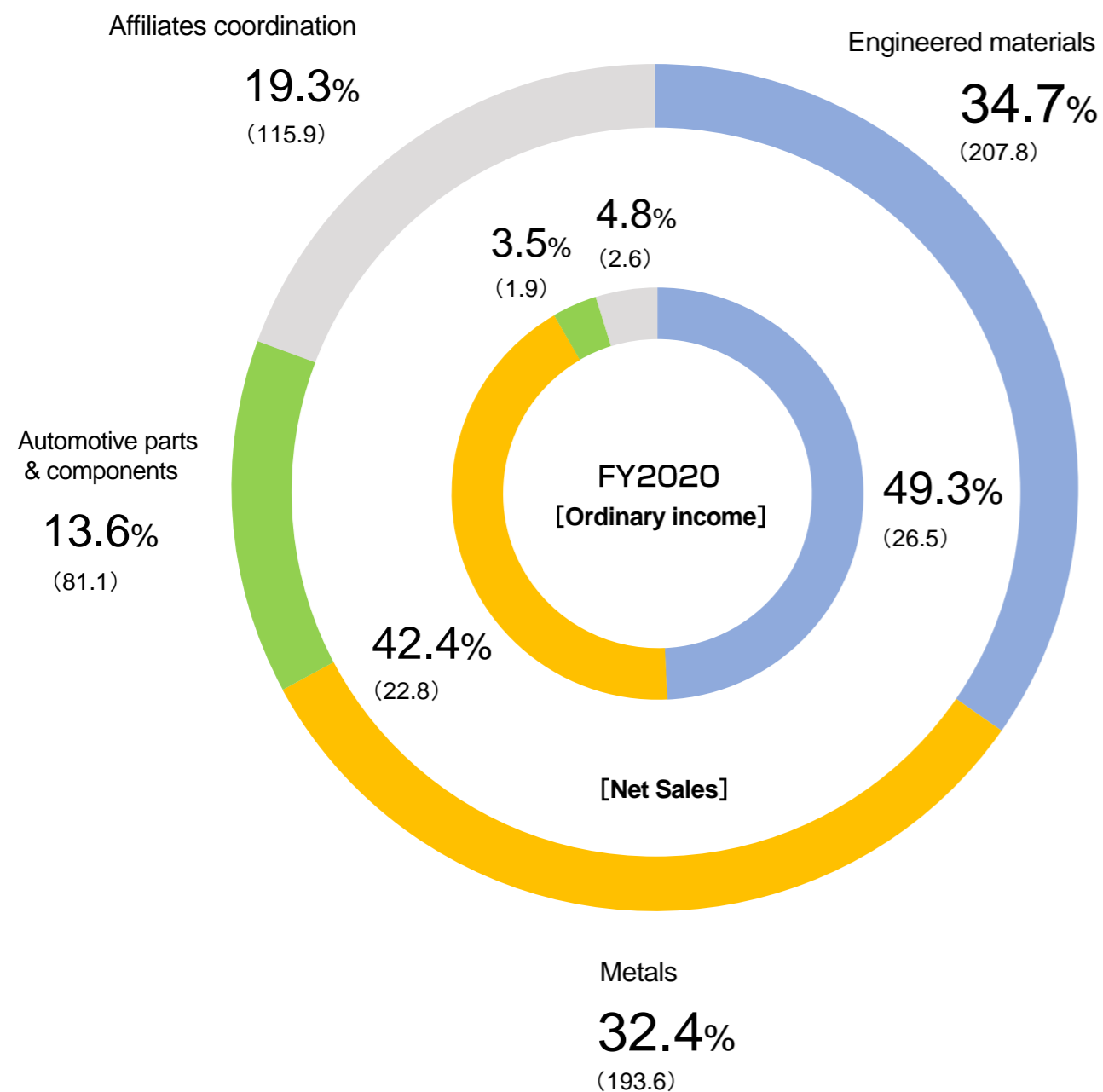


### Special glass carrier for next-gen semiconductor chip mounting HRDP®

- [Market development]
- Started shipping products to composite chip module manufacturers in Japan
  - Will start mass production for major overseas mount manufacturers in FY2021
- [Mass production]
- Established a mass-production system with Geomatec Co., Ltd. and started shipping products



## FY2020 results by business segment: Breakdown and summary



\* In billion yen, before consolidated adjustments

### ● Engineered materials

**[Copper foil]** The sales volume of the extremely-thin copper foil with carrier MicroThin™ increased despite a delay in South Korea and China to introduce the product in HDI (high density interconnect) boards for smartphones, thanks to solid demand for the product for semiconductor package substrates. We are seeing 5G-related demand for high-end copper foil, that brings a great added value, growing faster than we planned.

**[Catalysts]** Although we had expected higher unit sales of catalysts for motorcycles along with the adoption of the new emission norms (BS6) in India, COVID-19 kept them flat year-on-year. While the virus also slowed the market for automobiles, sales in this segment were generally in line with the initial plan owing to new orders received in Japan and India.

**[Functional powders]** The sales volume increased from the previous year thanks to the steady growth in demand for copper powders for electronic materials, that are used in smartphones, and for high-purity tantalum oxide for the Chinese market.

**[PVD materials]** The sales volume of our main product, ITO sputtering targets for displays, decreased due to weak demand in the Japanese and Chinese markets. We are working to improve the business in this area by shifting our focus from increasing market share to earning profits.

Overall sales of engineered materials were 207.8 billion yen, an increase of 39.9 billion yen (23.8%) from the previous year. Ordinary income increased by 13.1 billion yen (98.0%) to 26.5 billion yen due to the growing sales of major products and higher prices of precious metals used for catalysts.

### ● Metals

The sales volume of zinc metal for galvanized steel dropped in Japan because of sluggish demand for automobiles and building materials due to the COVID-19 pandemic. A downward trend was also seen in the sales volume of lead due to weak domestic demand for lead storage batteries used in automobiles and industrial products. While the prices of zinc and lead at the LME (London Metal Exchange) showed an upward trend, the overall LME prices and the average domestic prices remained at the same level as in the previous year, resulting in a decrease in sales. In contrast, sales of gold and silver went up because of the rise in international market prices. Moreover, two copper smelting companies, Hibi Smelting Co., Ltd. and Hibi Kyodo Smelting Co., Ltd. became consolidated subsidiaries in FY2020. As a result of these, total sales in the metals business amounted to 193.6 billion yen, an increase of 32.5 billion yen (20.1%) from the previous year. Ordinary income totaled 22.8 billion yen, an increase of 24.3 billion yen compared with the previous year (loss of 1.5 billion yen).

### ● Automotive parts & components

While the automotive market slowed down globally due to the COVID-19 pandemic, demand has been gradually recovering since the second quarter of FY2020. The sales volume of our main products, side door latches for automobiles, increased in China but declined overall from the previous year due to weak demand in other regions. As a result, sales in the automotive parts & components business dropped by 9.5 billion yen (10.5%) year-on-year to 81.1 billion yen. Meanwhile, ordinary income increased by 1.4 billion yen (308.0%) year-on-year to 1.9 billion yen despite a decrease in the sales volume of the main products, owing to the global efforts to strengthen cost competitiveness.

### ● Affiliates coordination

Although sales dropped for most of the products due to weak demand associated with the COVID-19 pandemic, there was an increase in completed large-scale projects for domestic group companies and overseas in the industrial plant engineering business. Overall sales in this area therefore totaled 115.9 billion yen, an increase of 6.0 billion yen (5.5%) from the previous year, and ordinary income was 2.6 billion yen, an increase of 1.1 billion yen (77.4%).

\* As some subsidiaries reorganized their business segments in FY2020, the segment breakdown is also changed for that year. However, the data for FY2019 correspond to the segments before the reorganization.

# Engineered materials

[ Engineered Materials Sector ]

## Vision for 2024

Transform ourselves into an enterprise of market co-creation, taking full advantage of material intelligence, developing new markets, and creating new products and businesses.

## Mission Basic policy of the sector

Continually improve the profitability of each business and develop and launch new products by creating technological synergy in the fields of powders, circuit materials, and formed and fabricated materials.

## Analysis of the current business environment

### [Opportunities/Threats]

- Creation of new demand through technological innovation
- Expansion of demand for high-performance products
- Procurement of raw materials from overseas, rise of manufacturers in developing countries

### [Strengths]

- High-performance products underpinned by excellent technology and quality
- Global production/supply systems and sales channels
- Development of a BCP system with multiple production sites

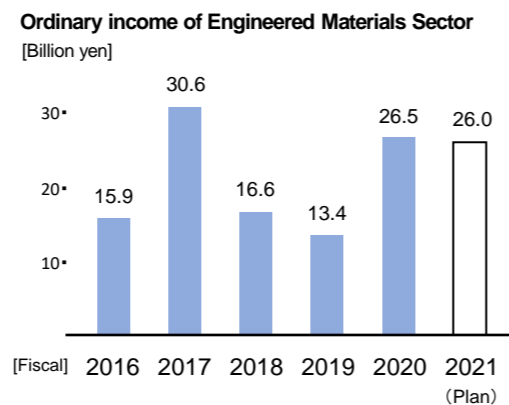
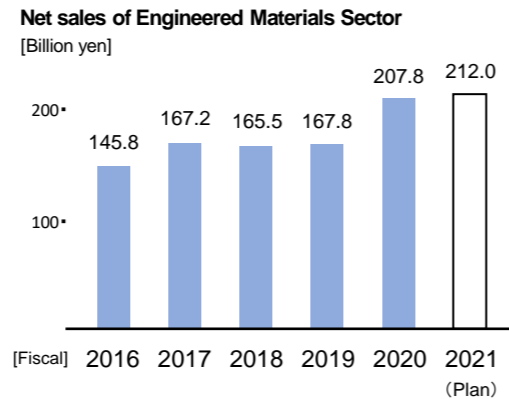
### [Basic strategies as solutions]

- Develop a timely and flexible mass-production and supply system for high-performance products
- Develop new products and create new markets by leveraging the core technologies of the engineered materials business and external networks
- Strengthen our growth strategy and corporate function by improving marketing capability, promoting digitization, and enhancing management



**OKABE Masato**

Senior Executive Officer, Engineered Materials Sector



## FY2021 outlook

and strategies to achieve the 2019 Medium-Term Management Plan

Along with the growth of 5G, IoT, CASE, and MaaS that help realize Society 5.0, related markets are also expanding. We therefore expect to see further growth in such areas as copper foil and functional powders. Taking this opportunity, we will accelerate our efforts to expand sales and to develop new products. In the catalysts business, we will maintain our share for motorcycles and expand sales for automobiles. We will also improve profitability in the PVD materials business. Through these efforts, we will work to achieve the Medium-Term Management Plan. Meanwhile, we strive to further expand our business by allocating management resources while paying attention to capital efficiency.

## Initiatives to achieve the vision for 2024

The business environment has been going through unprecedentedly drastic changes. In order to adapt to it while looking beyond 2024, we aim to continually create engineered materials with the top global share and become an enterprise contributing to society. In addition to the value optimization of our existing businesses, we are also committed to creating new products and businesses that help solve social problems.

## Strategies for each business

### [Copper foil]

We will continue to work to expand the sales of 5G products, including MicroThin™ for smartphones and external memories and high-end copper foil for high-frequency communication. We will also move forward with our efforts for optimal production sites and for smart plants to enhance price competitiveness and improve a BCP system.

### [Catalysts]

We will sustain the top market share in products for motorcycles by adapting to stricter emission norms in different countries and reducing the use of precious metals. In the automotive market, with more electrification forthcoming, we will recover our investment in GPF catalysts, while also focusing on more robust technological development for differentiation and on sales expansion.

### [Engineered powders]

We strive to expand sales of copper powder for MLCCs, other 5G products, and abrasives by further improving their quality and price competitiveness. Taking account of ever-changing market demand and product life cycle, we will also upgrade the system so that we can constantly launch new products.

### [PVD materials]

We will build a business system for better profitability through development of a flexible and global production system with price competitiveness as well as optimization of sales prices.

### [Ceramics]

We will enhance our sales activities for our main products, including tubular filtration systems for molten aluminum, and improve productivity through automation and digitization at plants.

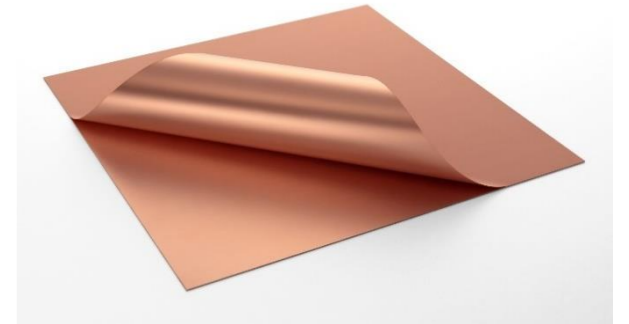
## Topics for FY2020-2021

### License agreement with Circuit Foil Luxembourg on copper foil

Mitsui Kinzoku has entered into a non-exclusive patent license agreement with Circuit Foil Luxembourg Sarl (Wiltz, Luxembourg) for a fine line PCB fabrication process called MSAP (Modified Semi Additive Process), which extensively uses our extremely-thin copper foil with carrier MicroThin™. This agreement will help increase the awareness of our right to the MSAP method and increase sales of our extremely-thin copper foil with carrier.

### Mass production of extremely-thin copper foil with carrier for 5G and IoT devices

We have started mass producing and shipping MT-GN, a new product of our extremely-thin copper foil with carrier MicroThin™. This launch has various potential benefits for 5G and IoT products with higher speed communication and for circuit boards using the MSAP method, which is advancing with finer circuits. Examples of such benefits include the improvement of signal integrity by reducing transmission loss and the enhancement of fine circuit formability by reducing etching amount.



Copper foil with carrier film, MicroThin™

### Decision to end production and sales at Mitsui Kinzoku Korea

Mitsui Kinzoku has decided to end production and sales activities at Mitsui Kinzoku Korea Co., Ltd. around the end of June 2021 due to a decline in demand for its core product, ITO targets, in the domestic market of South Korea. The production conducted by Mitsui Kinzoku Korea will be transferred to the Miike target plant (Omuta, Fukuoka, Japan) and Mitsui Electronic Materials Co., Ltd. (Taichung, Taiwan). Sales activities in South Korea will be taken over by the sales department of the PVD Materials Division. We strive to further strengthen our business structure through this decision to select and concentrate our management resources.

# Metals Mining and smelting

[ Metals Sector ]

## Vision for 2024

Our vision is to keep creating value to realize a sustainable society, by continuously improving our smelting and recycling technology and by developing resources and energy to take advantage of our network of smelters and mines.

## Mission Basic policy of the sector

Our mission is to acknowledge social recycling demands and to achieve our sustainable growth through development for a sound material-cycle society with our smelting and mining assets.

## Analysis of the current business environment

### [Opportunities/Threats]

- Stable growth of zinc and copper demand, both globally and in the long run
- Global expansion of the recycle raw materials market due to the enhancement of environmental awareness
- Promotion of the spread of renewable energy worldwide

### [Strengths]

- Know-how of operation of our own zinc mine in Peru over a long period of time
- Network of 8 smelters (Zinc, Lead, Copper and Precious Metals)
- Possession of renewable energy (hydropower) facility using local backgrounds

### [Basic strategies as solutions]

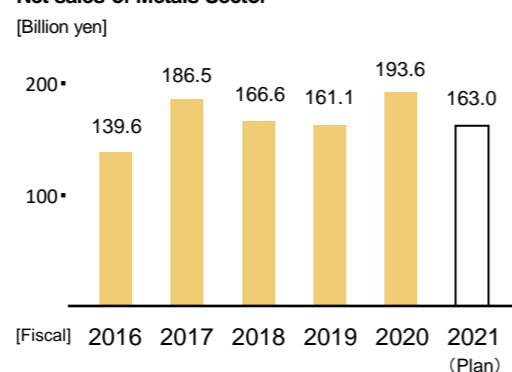
- Promote the development of a sound material-cycle society (promote materials stewardship)
- Shift the business structure to the smelting of recycled materials



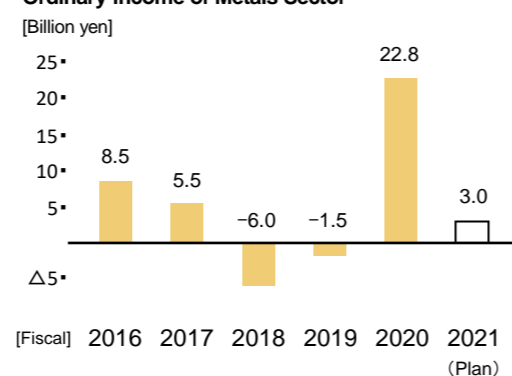
**TSUNODA Satoshi**

Director, Senior Executive Officer, Metals Sector

### Net sales of Metals Sector



### Ordinary income of Metals Sector



## FY2021 outlook

and strategies to achieve the 2019 Medium-Term Management Plan

In the zinc business, we expect the metal price stays relatively high throughout FY2021, whilst terms of concentrates are worsening for smelters and the effect of gain from inventory revaluation will also be smaller compared with the previous year. In FY2021, we therefore expect to see a decrease in profit from FY2020, although we should perform better than the goals set in the 2019 Medium-Term Management Plan.

As a common initiative across our smelters, we will promote stable operations. In lead and zinc business, we will process more recycled raw materials including zinc oxide and lead complexed materials. In the copper and precious metals business, we will promote effective use of resources by recovering more valuable metals, maximizing our copper utilization rate. As for the mining business, we will properly respond to the COVID-19 pandemic in Peru, aiming to maintain operations and ensure a profit.

## Initiatives to achieve the vision for 2024

We will continue to work on stable operations and processing of more recycled raw materials.

Also, by creating synergy through the integration of the Lead and Zinc division and the Copper & Precious Metals Division as one smelting network, we will improve efficiency in recovering valuable metals. By fully utilizing resources, we will contribute to a sound material-cycle society.

As for the Huanzala mine in Peru, we will make preparations to resume full operations while taking thorough measures against the COVID-19 pandemic. Discussions will also be held on energy sources, such as hydropower generation at Kamioka Mining and Smelting and geothermal power in Okuaizu, to improve the efficiency of power generation and explore new possibilities.

## Strategies for each business

### [Lead & Zinc]

In the zinc business, we strive both to process more recycled raw materials and to maintain productivity. We will expand sales of tailored zinc while capturing the recovery of demand after the pandemic. In the lead business, we aim to increase profit by processing more recycled raw materials with blast furnaces and recovering more byproducts. Efforts will also be made to improve its financial structure while containing the intermediate product inventory.

### [Copper & Precious Metals]

Since the reorganization of the copper smelting business, we have worked to develop a system that enables smooth business operations. Our smelting network has been rebuilt through the addition of the Hibi Corporate Group, which has enabled us to increase the volume of profitable materials being collected and processed. Leveraging this strength, we will enhance the competitiveness and value of the Hibi Corporate Group. We will continue to study further measures to strengthen the smelting network.

### [Mineral resources]

We aim to maximize the business value of the Huanzala mine by introducing a flexible operational methodology in accordance with surrounding factors.

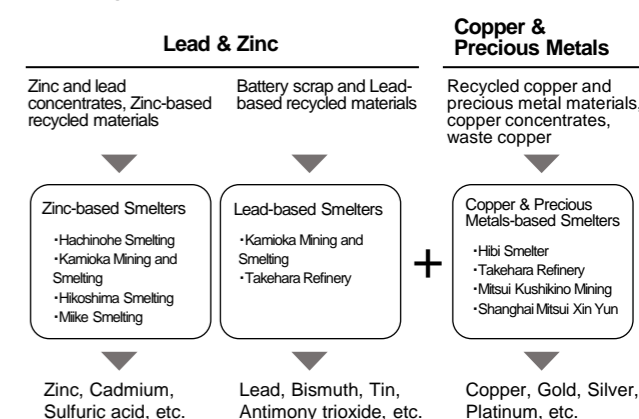
## Topics for FY2020-2021

### Further enhancement of the smelting network

With the reorganization of the copper smelting business in April 2020, we have established a system that enables Mitsui Kinzoku to directly handle the operation and improve its competitiveness and values of Hibi Group, including its production bases such as Hibi Smelting Co., Ltd. and Hibi Kyodo Smelting Co., Ltd. The strengths of our Group's metals business include the smelting technologies we have accumulated and the smelting network that enables the recovery of various elements through the smelting of zinc, lead, copper, and precious metals. We strive to further enhance this network.

For reference, production processes of zinc, lead, copper, and precious metals are all different from each other and they have each individual pros and cons. We will make them complement each other, thereby improving the recovery rate of metals and processing recycled raw material that have been difficult to handle. Through these efforts, we will create and expand synergy between these two businesses and further boost our competitiveness.

### Our Group's Network of Smelters



### Copper mines in the Republic of Chile: Transfer of interests

Based on an examination of the copper smelting and mining businesses from the viewpoint of business portfolio optimization, we have concluded to proceed divestiture of these investment, which we hope to raise our corporate value. We have therefore transferred interests in the Caserones copper mine, owned through Nippon Caserones Resources Co., Ltd., to JX Nippon Mining & Metals Corporation. Another transfer of interests was made in the Collahuasi copper mine, which had been jointly owned with Mitsui & Co., Ltd. through Japan Collahuasi Resources (JCR) for 25 years since 1996. Through this transfer, Mitsui & Co., Ltd. has acquired all of our interests comprising 8.08% of the JCR equity (0.97% interest in the mine).

### Procurement of recycled raw materials and increase in their processing

In FY2020, the procurement of recycled lead materials from overseas dropped due to the COVID-19 pandemic. Still, we maintained a high ratio of recycled raw materials in total, including zinc and precious metals.

By effectively coordinating this initiative and the copper smelting process introduced in FY2020, we will continue and enhance the procurement and processing of various recycled raw materials.



# Automotive parts & components

[ Mitsui Kinzoku ACT Corporation ]

## Vision for 2024

Take full advantage of manufacturing intelligence and become a company that can keep offering safety, comfort, and amazing performance.

Build the ACT brand and customer confidence.

## Mission Basic policy of the sector

Continue to offer value by proposing new products, focusing on functional components that offer greater safety and comfort for automobiles, at the cutting edge of the changing times where environmental and technological changes occur on a daily basis.

## Analysis of the current business environment

### [Opportunities/Threats]

- Increased sales opportunities for European and American OEMs
- Sales expansion of new products through the electrification and automation of automobiles
- Slowdown in the automotive market and the rise of new customers/competitors

### [Strengths]

- Technological abilities as a manufacturer specializing in components for the door area
- Integrated production, from parts production to assembly, at our major production sites within and outside Japan
- Long-standing partnerships with excellent Japanese OEMs

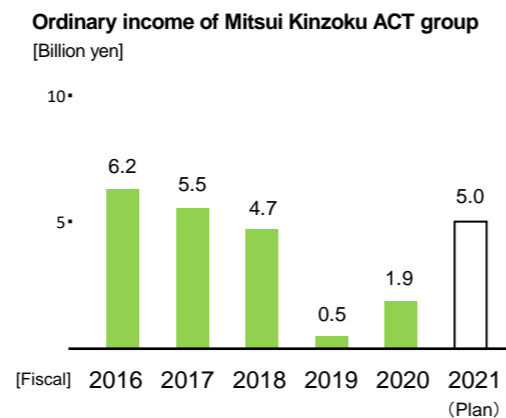
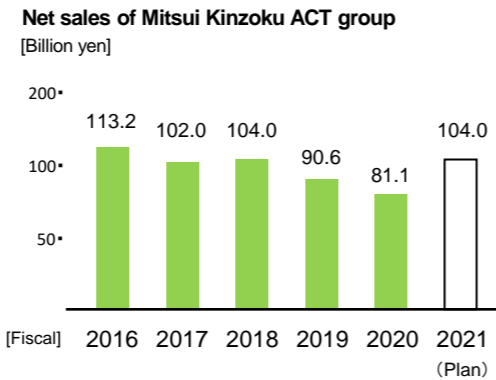
### [Basic strategies as solutions]

- Continually enhance quality and cost competitiveness = Improve productivity and mass-production quality through a shift to smart factories
- Expand sales by strategically winning large orders = Develop and propose door systems compatible with CASE



**IGATA Hiroshi**

Senior Executive Officer of Mitsui Kinzoku,  
President and Representative Director  
of Mitsui Kinzoku ACT Corporation



## FY2021 outlook

and strategies to achieve the 2019 Medium-Term Management Plan

In FY2020, automotive production dropped significantly across the world because of the US-China trade friction and the COVID-19 pandemic. Anticipating a gradual recovery in the market from FY2021 and onward, Mitsui Kinzoku ACT expects to see a slight increase in sales in FY2021 from the previous year.

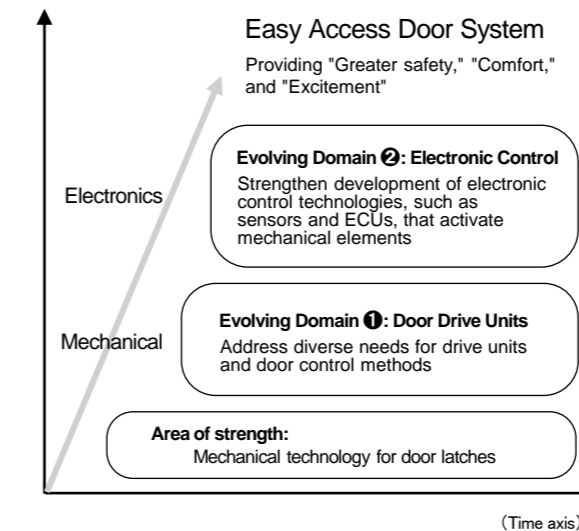
In order to respond to market changes, we will reduce costs beyond the targets set in the 2019 Medium-Term Management Plan, thereby maintaining and further enhancing our cost competitiveness with leaner management. We will also introduce ICT for the shift to smart factories, aiming to enhance productivity and mass-production quality as well as to reduce costs.

## Initiatives to achieve the vision for 2024

CASE, an emerging trend in the automotive industry, should fuel demand for door systems, including electric/automatic doors. By focusing efforts on combining our electronic control technology with our latch technology accumulated at Mitsui Kinzoku ACT over the years, we will offer new products as a door system supplier and promote CASE-compatible mobility applications.

## Mitsui Kinzoku ACT "Evolution of Door Systems"

(Evolution of Technology)



## Topics for FY2020-2021

### Moroccan plant starting door latch assembly and production

Our Moroccan plant (Tangier, northern Morocco), which opened in January 2020, started the assembly and production of door latches in February 2021. In FY2021, we will fully start supplying door latches in the European market.



MITSUI KINZOKU ACT TANGER MAROC SARL (MKAT)

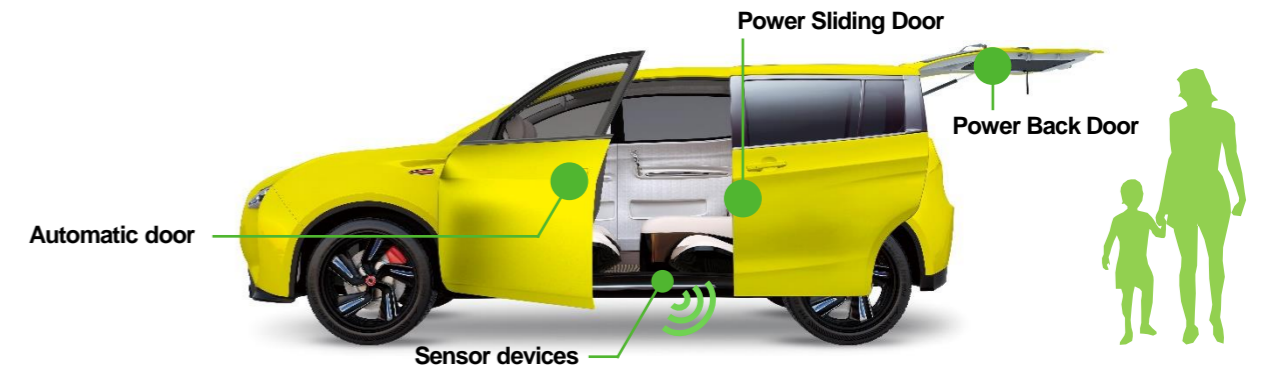
### Customer awards for our manufacturing sites

(Part of the results in FY2020 and no particular order)

- Toyota Motor Thailand Co., Ltd.  
"Winner of 2020 Outstanding Quality Performance"
- Nissan Motor (Thailand) Co., Ltd.  
"Regional Supplier Quality Award Finalist 2020"
- Honda Cars India Ltd.  
"Kaizen Competition - Grand Prize at the North India Competition, Quality Category"
- PT. Honda Prospect Motor  
"2020 Supplier Award Excellence in Quality"
- Honda Automobile (Thailand) Co., Ltd.  
"Quality Award in 97Ki"

## Easy Access Door System

A system that provides safety, comfort, and amazing performance to everyone. It allows the elderly and young children alike to get in and out of the car safely and comfortably.



# Capitals as the source of value creation

In order to improve the corporate value of Mitsui Kinzoku Group by continuously creating growth products and businesses through the implementation of our business model, we make efforts to maintain and strengthen the non-financial capital that is the source of this value.

## Workstyle reform (human capital)

There are major changes of external environment underway, such as the decline of the working-age population in Japan and the advancement of technologies including AI. In this situation, Mitsui Kinzoku Group has been reforming our workstyle since FY2016 as a means for securing the human resources that will realize value creation of the Group. This workstyle reform aims to create a work environment where diverse talents can participate actively, regardless of age, gender, nationality or other attributes. As people's lifestyles are expected to diversify in the future, we offer various options to employees so that even those who face barriers due to child/nursing care, medical treatment, and other reasons can continue to work for a long time. Specifically, we have been working on measures to make working hours and work styles more flexible, such as flexible work hours without core hours, telework, and Premium Friday, as well as systems for leave of absence and return to work for employees who have left the company to accommodate individual circumstances and life events.

In addition, after a telework trial in the head office, the Osaka office, and part of the Ageo area in FY2019, the telework system was fully introduced in FY2020. The new work style has been embedded in our corporate system, particularly at the headquarters and the Osaka office where employees mainly work from home now. This has enhanced convenience for employees and led to a significant progress in retention of employees facing challenges due to various personal and family reasons.

## Development of human resources who will achieve value creation (human capital)

Mitsui Kinzoku Group develops "Employees who have their own will" responsible for realizing value creation of the Group by OJT training and Off-JT training programs. We are promoting the development and implementation of training programs to enable employees to be self-motivated and learn autonomously, improve their abilities and skills, and demonstrate their strengths, and to support each employee's continuous efforts to build a lifelong career. Especially, with regard to the OJT training for new employees, we appoint OJT instructors and give regular trainings to the instructors. We also offer Off-JT training program to supplement the OJT. In Off-JT training, we are also focusing on developing human resources capable of creating businesses based on environmental/social issues. In addition, considering changes in the external environment, we are working to expand and strengthen CSR training, including responses to ESG and SDGs.

Since the end of FY2019, online training utilizing ICT tools has been developed in line with new ways of working, such as telework, to address the prevention of the spread of COVID-19 infection. We have completely shifted our training programs to the online format, including the FY2020 training for new employees. This shift has a number of advantages, removing geographic barriers to participation, enhancing discussion by forming various teams, and allowing trainees to study before and after the session with videos. By leveraging these benefits, we strive to further enhance the effectiveness of our training programs.

In addition, Mitsui Kinzoku places great importance on the autonomous career development of its employees which leads to business creation and corporate value creation. We have introduced age-specific career training and launched a career support website in FY2020.



Online training on Unconscious Bias



New employee training at home

## Overview of the Off-JT training programs

Type of training	Purpose	Outline
Rank-based training	Acquire the necessary knowledge and skills for each career stage	<ul style="list-style-type: none"> <li>Programs in line with respective ranks, combining various subjects such as management, leadership, career development, and CSR</li> <li>Information on business conditions and company status</li> </ul>
Career training	Support for self-sustaining career development	<ul style="list-style-type: none"> <li>Career training for employees in their 20s, 30s, 40s, and 50s</li> </ul>
Free-choice training with specific theme	Strengthen each employee's expertise	<ul style="list-style-type: none"> <li>Programs of various themes, such as on equipment maintenance skills, calculating statistics, intellectual property, and on sales skill-up</li> <li>These programs are reviewed annually in accordance with the changes in external environment</li> </ul>
Training for selected employees	<ul style="list-style-type: none"> <li>Special training for corporate manager candidates</li> <li>Interaction with external organizations</li> </ul>	<ul style="list-style-type: none"> <li>External training program for candidates of next-generation managers selected from executive officers and managers</li> <li>Training program for next-generation and next-next-generation corporate manager candidates selected within the corporate group</li> <li>Dispatch for Rank-based training held by Mitsui Inter-business Research Institute</li> </ul>
Self-development support	Self-sustaining career development of employees	<ul style="list-style-type: none"> <li>Correspondence courses including e-learning</li> <li>Support foreign languages learning</li> </ul>

## Effective R&D management (intellectual & human capitals)

The source of continuous growth and the core competence for Mitsui Kinzoku Group is in research and development toward the creation of new businesses. We strategically invest in R&D while also implementing stage-gate management. Research themes that have been narrowed down by considering market needs (including environmental and social issues) and commercialization potential are moved forward into the research stage. Research resources such as human resources are allocated to the selected research in the research stage intensively. We will enhance our opportunities to create new businesses by focusing on the areas that have high potential to proceed steadily from research to development, commercialization, and market launch.

\* Trends in R&D expenses are shown on page 23.

## Promotion of online training on intellectual property (intellectual & human capital)

In FY2020, Mitsui Kinzoku switched the format of training on intellectual property and held all the programs online. In the online training programs, we took creative measures to help trainees deepen their understanding by introducing small-group sessions, interactive Q&A-style exercises, and group discussion. We hosted 11 online training programs over the past year, attended by 124 trainees in total. Two additional special lecture sessions were also held, attended by a total of 401 employees, where outside experts spoke about trade secrets.



Instructors giving remote lectures



A total of 124 trainees attended online training on intellectual property

## Development of a compliance system in line with the Mitsui Kinzoku Group Quality Assurance Guidelines (QAGL) (intellectual & human capital)

The Group promotes its quality compliance system in accordance with the Mitsui Kinzoku Group Quality Assurance Guidelines (QAGL).

In FY2020, each site in Japan conducted self-inspection on conformity to the guidelines. We have also started remote quality compliance audits by internal third parties. Inspections were conducted at 13 sites in Japan on the development of a quality compliance system. In order to promote the development of a QAGL-based quality compliance system across the globe, we are planning to start preparation for the expansion of QAGL to overseas sites in FY2021. We will continue to inspect and improve our quality assurance system for further enhancement.

In the efforts to raise awareness of quality compliance, we organize a variety of events throughout the quality assurance month (November) every year, such as top messages to all employees and educational activities. We also provide a wide range of programs throughout the year, in line with the quality compliance education system, to embed a compliance culture.

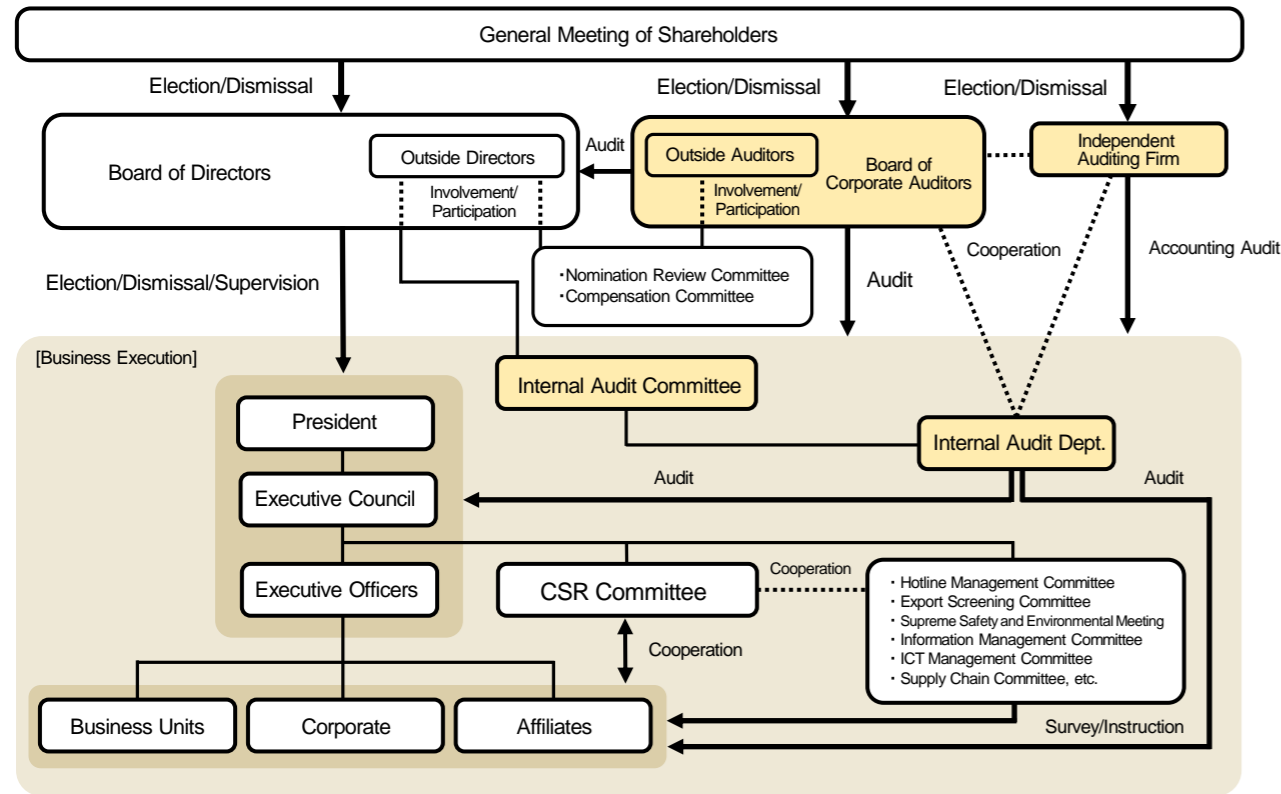
# The foundation of our value creation

Mitsui Kinzoku views corporate governance as one of its most important managerial tasks that Mitsui Kinzoku shall strive to improve organizational structures and systems for management, and implement various measures as necessary, based on the recognition that corporate governance is a system for making fair and transparent decisions in a rapid and decisive manner, taking into consideration the positions of the stakeholders, including shareholders, customers, employees and local communities in order to realize its management philosophy. Corporate governance is the foundation for sustaining the long-term value creation of Mitsui Kinzoku Group.

### Corporate Governance System

Along with the supervision of business execution by the Board of Directors including Outside Directors, Mitsui Kinzoku has a system to audit the decision-making process of the board and the execution of the duties by Directors through the three-pillar collaborative audit.

Corporate Governance System of Mitsui Kinzoku



Notes: Our auditors and auditors of the Affiliate have taken cooperation effectively and timely.

### Directors and Board of Directors

We reinforce the governance system so that the Board of Directors can effectively supervise initiatives to address medium- to long-term management issues and speed up the decision-making process. Three Outside Directors, including one female Director, have been elected with consideration of their independence and reflection of various stakeholders' perspectives. As of June 29, 2021, the board is chaired by a Director not serving as President and Representative Director, in order to promote separation between business supervision and execution as well as to strengthen the board's function to supervise business execution. The term of the Directors, as stated in our articles of incorporation, is one year.

The Corporate Governance Guidelines defining our fundamental principles regarding corporate governance is available on our website.

<https://www.mitsui-kinzoku.com/en/toushi/management/governance/>

### Executive Officers

The President and Representative Director assumes not only executive management responsibilities, but also executive responsibilities for business operations of Mitsui Kinzoku Group. Representative Directors and Executive Directors also serve as Executive Officers of Mitsui Kinzoku, except for the Executive Director responsible for the Internal Audit Dept.

### Internal Audit Committee and Internal Audit Dept.

Mitsui Kinzoku has an Internal Audit Committee chaired by an Outside Director, which reports directly to the board. The Internal Audit Dept. conducts internal audits. The Internal Audit Committee evaluates the results of internal audits and checks the progress of corrective measures for concerns raised by the audits. The committee reports audit results to the Board of Directors via the Internal Audit Dept. Starting in FY2021, the Executive Director responsible for the Internal Audit Dept. does not serve as an Executive Officer in order to enhance audit objectivity.

### Board of Corporate Auditors and Independent Auditing Firm

Corporate Auditors perform audits on the execution of the duties by Directors in accordance with the auditing plan determined by the Board of Corporate Auditors. Corporate Auditors strengthen its cooperation with Independent Auditing Firm by receiving accounting audit plans and audit results, as well as exchanging opinions regularly.

### Organization structure

(As of June 29, 2021 - Number of female Directors: 1 ; Number of female Corporate Auditors: 0)

Name	Position	Board of Directors	Board of Corporate Auditors	Nomination Review Committee	Compensation Committee	Executive Council	Internal Audit Committee
NOU Takeshi	President and Representative Director	○ (100%)		○	○	◎	
KIBE Hisakazu	Representative Director Senior Managing Director	○ (100%)		○	○	○	
OSHIMA Takashi	Senior Managing Director	◎ (100%)					○
TSUNODA Satoshi	Director	○ (—%) ※1				○	
MIYAJI Makoto	Director	○ (—%) ※1					
MATSUNAGA Morio	Outside Director	○ (87%)		○	◎		○
TOIDA Kazuhiko	Outside Director	○ (100%)		◎	○		○
TAKEGAWA Keiko	Outside Director	○ (100%) ※2		○	○		◎
MISAWA Masayuki	Corporate Auditor		◎ (100%) ※3				
KUTSUNAI Akira	Corporate Auditor		○ (100%) ※3				
ISHIDA Toru	Outside Corporate Auditor		○ (93%)	○	○		
INOUE Hiroshi	Outside Corporate Auditor		○ (—%) ※1	○	○		

◎= Chairperson ○=Member of Committee (Chairperson of the Board of Directors is elected from among the Directors.)

( )=Attendance rate in FY2020 ※1 Not listed since being newly appointed ※2 Attendance rate as Outside Corporate Auditor

※3 For MISAWA Masayuki and KUTSUNAI Akira (Corporate Auditors), the attendance rates are the rates for the period since they assumed their positions at the Annual General Meeting of Shareholders on June 26, 2020.

\* Corporate Auditors attend at the board meetings.

\* Members of the Executive Council also include the Senior Executive Officers not serving as Directors.

\* The Internal Audit Committee includes the general manager of the Internal Audit Dept. as a member and Corporate and Outside Corporate Auditors as observers.

### Election policy of Directors and Corporate Auditors

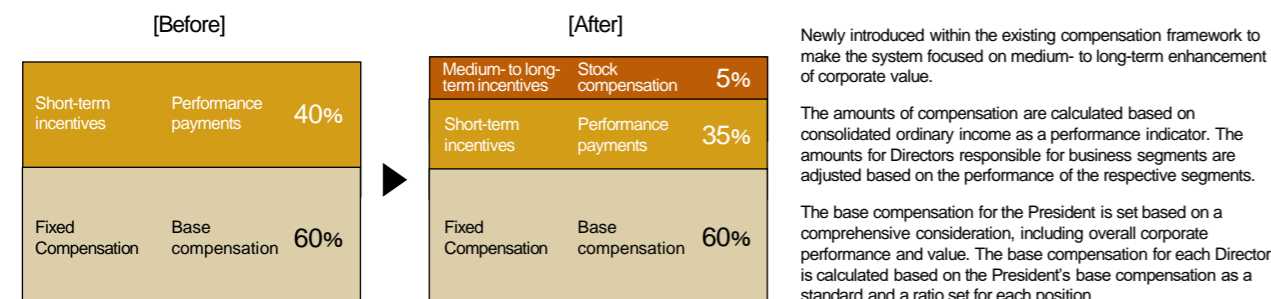
Mitsui Kinzoku establishes a Nomination Review Committee as an optional organization. The Committee reviews candidates to serve as Directors or Corporate auditors by their capabilities, knowledge and personalities. Based on the result of the review, those who are deemed capable of satisfactorily fulfilling the responsibilities are named as candidates for nomination by the board.

## Compensation for Directors and Corporate Auditors

### (1) Revision of the compensation system for Directors

In 2021, Mitsui Kinzoku partially revised its compensation system for Directors. A restricted stock compensation plan has been introduced for Directors (excluding Outside Directors), aiming to provide an incentive for eligible Directors to strive for continuous growth in corporate value and to further promote value-sharing with shareholders. Under the new system, compensation for Directors (excluding Outside Directors) consists of base compensation, performance payments, and stock compensation, respectively constituting approximately 60%, 35%, and 5% of the total. We have set these proportions by referring to the trends of benchmark companies, which are obtained from the compensation survey data from external experts.

Since the actual performance payments may vary depending on consolidated ordinary income and other factors, the proportions of these three may also change. We will consider increasing the proportion of stock compensation after examining the effect of its introduction.



Note: The percentages of base compensation and performance payments before the revision are also shown as the percentages in the system design.

### (2) Determination of the amount of compensation

The amounts of Directors' compensation are determined by the Compensation Committee, to which the decision is entrusted by the Board of Directors, through discussion based on the compensation criteria within the limits set by the resolution at the shareholders meeting\*1. Outside Directors, who are independent from business execution, only receive base compensation. Corporate Auditors' compensation is determined by the conference of Corporate Auditors, and the total volume of Corporate Auditors' compensation falls in the range approved at the Annual General Meeting of Shareholders\*2.

\*1 At the 96th Annual General Meeting of Shareholders held on June 29, 2021, shareholders approved a limit on compensation paid to Directors of ¥720 million per year (not including compensation for their services as employees). At the time of this resolution, there were eight (8) Directors.

\*2 At the 96th Annual General Meeting of Shareholders held on June 29, 2021, shareholders approved a limit on compensation paid to Corporate Auditors of ¥180 million per year. At the time of this resolution, there were four (4) Corporate Auditors.

### (3) Result

#### Total compensation paid to Directors and Corporate Auditors (April 2020 - March 2021)

Classification	Total Compensation (millions of yen)	Total amount of Compensation by type (millions of yen)		Number
		Base compensation	Performance payments	
Director (excluding Outside Director)	213	168	44	5
Corporate Auditor (excluding Outside Corporate Auditor)	50	50	—	4
Outside Director/Outside Corporate Auditor	63	63	—	5

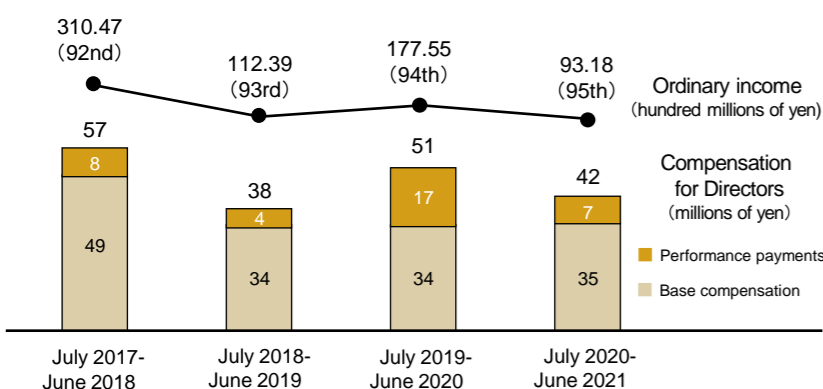
#### Notes:

1. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Directors of ¥60 million per month (not including compensation for their services as employees).

2. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Corporate Auditors of ¥15 million per month.

3. At the time of resolution regarding above Notes 1 and 2, there were eleven (11) Directors and four (4) Corporate Auditors.

#### Linkage between the amount of compensation per Director (excluding Outside Directors) and ordinary income



Regarding Directors' (excluding Outside Directors) compensation, trends in the amount of compensation for one year from the conclusion of General Meetings of Shareholders, the beginning of the term, are as stated on the left.

• The ratio of base compensation to performance payments was changed in July 2018.

• The number of Directors (excluding Outside Directors) for each term is as follows.

92nd term: 4, 93rd term: 4, 94th term: 4, 95th term: 5

### Internal control system

A summary of the decisions made at the meetings of the Board of Directors, regarding the business structure for the appropriate business operation of Mitsui Kinzoku Group in compliance with laws and regulations and the corporate ethics, is available on our website.

<https://www.mitsui-kinzoku.com/en/toushi/management/governance/>

### Effectiveness Assessment of the Board of Directors

We assess the effectiveness of the Board of Directors every year to ensure the continuous enhancement of the board's function. In FY2020, we had an independent organization conduct the assessment of Directors and Corporate Auditors. We also revised the assessment items, aiming to enable the board to deepen its discussions on medium- to long-term issues and to enhance its supervisory function in the work toward integrated thinking-based management. The board will have detailed discussions on confirmed issues and continue its efforts to enhance its function.

#### (1) Main assessment items (themes)

- Review of last fiscal year's assessment
- Issues to address in order to enhance the governance system
  - Discussion on and monitoring of the Medium-Term Management Plan, business portfolio, etc.
  - Involvement of the board in risk management, DX, ESG, TCFD, etc.
  - Ideal board composition (Directors' diversity, skills, etc. that are essential for the Company)
- Other matters related to operation of the board

#### (2) Assessment method

Interviews were conducted by an independent organization.

#### (3) Assessment results

The results confirmed the enhanced discussions held by the Board of Directors, mainly on the Medium-Term Management Plan, and fairer processes through the addition of Outside Corporate Auditors in the Nomination Review Committee and the Compensation Committee. Improvements were also found in several initiatives such as risk management and DX. These results showed the effective function of the Board of Directors to a certain extent.

#### (4) Identified issues

- Methods of further enhancing discussions on detailed management strategies, etc.
- Further discussions on the skills and diversity of Directors including the lack of female Directors\*1
- Continuous information sharing and enhancement of discussions on initiatives related to DX, ESG, TCFD, etc.

\*1 One female Director was elected at the 96th Annual General Meeting of Shareholders on June 29, 2021.

### Effectiveness Assessment

#### of the Board of Corporate Auditors

We conducted self-assessment of the effectiveness of the Board of Corporate Auditors. The main aims are to assess their audit activities, reflect assessment results in the audit plan of the following fiscal year and improve the quality of audits. While the effectiveness of the Board of Corporate Auditors was found to be maintained, some issues were also identified. We will further improve its effectiveness by incorporating the identified issues in the audit plan for the next fiscal year, etc. The assessment results have been reported to the board.

#### (1) Main assessment items

- Effectiveness of the three-pillar audits
- Effectiveness of the way they respond to misconduct, such as material legal violation and inappropriate accounting practices
- Effectiveness of the ICT governance and company structure for information technology systems

#### (2) Assessment method

All the Corporate Auditors discussed and checked the effectiveness of the board based on a self-assessment questionnaire survey filled out by each Corporate Auditor.

#### (3) Identified issues

- Establishment of an ICT risk management system
- Enhancement of the three-pillar audits and strengthening collaboration with Corporate Auditors of Mitsui Kinzoku Group, etc.

#### Status of cross-held stocks

Mitsui Kinzoku assesses the appropriateness of holding listed stocks held for purposes such as maintaining medium- to long-term business relationships with trading partners ("cross-held stocks") and sells any such stocks when no rational reason for holding them any longer exists. Every year, the Board of Directors conducts a comprehensive assessment of these individual stocks by examining the purposes of holding them, the associated benefits and risks, their relationships with the cost of capital, etc.

#### Cross-held stocks: Number of companies and the amount recorded on the balance sheet

Classification		FY2018	FY2019	FY2020
		Number of companies	Unlisted	36
	Listed	16	15	11
	Total	52	49	43
Amount recorded on the balance sheet (millions of yen)	Unlisted	4,686	4,495	3,253
	Listed	4,319	3,276	5,951
	Total	9,005	7,771	9,204

#### ICT governance

Since FY2019, Mitsui Kinzoku has been developing internal rules on ICT-related matters in order to reinforce its ICT governance system. In FY2020, the Group-wide CSIRT and SOC were launched. We also moved forward with the risk assessment of the corporate group-wide infrastructure system, aiming to further strengthen our ICT security system.



President and Representative Director  
**NOU Takeshi**

Mr. NOU Takeshi has a wealth of experience cultivated through his many years of involvement in the Group's electronic materials business and engineered materials business and is well versed in the Company's business.



Representative Director Senior Managing Director  
**KIBE Hisakazu**

Mr. KIBE Hisakazu possesses a wide range of experience and knowledge in finance and corporate planning of the Group, including serving as officers of affiliated companies, and is well versed in the Company's business.



Senior Managing Director  
**OSHIMA Takashi**

Mr. OSHIMA Takashi possesses a wide range of experience and knowledge in finance, corporate planning, risk management, and CSR of the Group, and is well versed in the Company's business.



Director  
**TSUNODA Satoshi**

Mr. TSUNODA Satoshi possesses a wide range of experience and knowledge in metals business and corporate planning of the Group, including serving as officers of affiliated companies, and is well versed in the Company's business.



Director  
**MIYAJI Makoto**

Mr. MIYAJI Makoto has a wealth of experience cultivated through his many years of involvement in the Group's engineered materials business and is well versed in the Company's business.



Outside Director  
**MATSUNAGA Morio**

Mr. MATSUNAGA Morio has specialized knowledge of engineering and experience of organizational management as a university professor and the president of a national university corporation.



Outside Director  
**TOIDA Kazuhiko**

Mr. TOIDA Kazuhiko has experience as a business executive, having been engaged in a wide range of work at Nissan Motor Co., Ltd., including product planning, sales promotion, and launch of a sales company, with a focus on the sales division. In addition, he has experience at FALTEC Co., Ltd. as Representative Director and President.



Outside Director  
**TAKEGAWA Keiko**

Ms. TAKEGAWA Keiko served as Director, Public Relations Office and Director General, Gender Equality Bureau at the Cabinet Office and has a wealth of knowledge and administrative experience through her engagement in formulation and implementation of policies such as promotion of women's participation and advancement.

**Expertise possessed by the Directors**

Name	Title/Positions	Corporate management	Business strategies	Finance and accounting	Technological research/development	Sales Marketing	HR/ HR development	Legal affairs and risk management	Internationality
NOU Takeshi	President and Representative Director	●	●		●				●
KIBE Hisakazu	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Corporate Planning & Control Sector	●	●	●					●
OSHIMA Takashi	Senior Managing Director	●	●	●			●	●	
TSUNODA Satoshi	Director, Senior Executive Officer, Senior General Manager of Metals Sector		●			●			●
MIYAJI Makoto	Director, Executive Officer, Chief Environmental Safety Officer		●		●		●		●
MATSUNAGA Morio	Outside Director				●		●		●
TOIDA Kazuhiko	Outside Director	●	●			●			●
TAKEGAWA Keiko	Outside Director						●	●	●



Corporate Auditor  
**MISAWA Masayuki**

Mr. MISAWA Masayuki has experience as a manager responsible for quality assurance, safety environment, sales, and overseas bases for many years in the Group's engineered materials business and is well versed in the Company's business.



Corporate Auditor  
**KUTSUNAI Akira**

Mr. KUTSUNAI Akira has a wealth of experience gained over many years, centered around areas including finance, public relations, and corporate planning of the Group, and is well versed in the Company's business.



Outside Corporate Auditor  
**ISHIDA Toru**

Mr. ISHIDA Toru has a wealth of administrative experience in planning and implementing trade and industrial policies, as well as experience and expertise in holding important positions that contribute to the enhancement of commerce and industry.



Outside Corporate Auditor  
**INOUE Hiroshi**

Mr. INOUE Hiroshi has a wealth of knowledge and experience in legal circles as a public prosecutor and a lawyer.

\* Profiles of Directors and Corporate Auditors are listed on pages 106-107.

Corporate governance

Risk management

Mitsui Kinzoku Group is strengthening its response to business risks that could threaten the continuation of its operations and corporate survival. In order to identify business risks and eliminate or minimize their impact, we are working to improve the Group's risk management system and operate it effectively.

Risk management system

We have identified the Senior Managing Executive Officer in charge of the General Affairs Dept. as the person with the highest responsibility for risk management. As part of our risk management system, we have identified a department in charge of risk and crisis management at the head office and departments in charge of each risk category, and under which relevant units and sites are positioned. The Board of Directors also reviews risk management initiatives once a year and as needed.

In FY2020, we rebuilt our risk management system. The system covers identifying business risks (including risk map analysis), planning and implementing countermeasures, and review. We have also revised our Risk Management Rules. In order to identify business risks, we comprehensively reviewed risks, including those from an ESG perspective, and in particular those that are most likely to threaten the continuation of business and the survival of the company.

In FY2021, we will update the Group's risk map based on the risk survey for all sites, which will lead to identifying business risks and the planning of measures to deal with the identified risks.

Business risk categories/subcategories

[Risks that are highly urgent when they become apparent]

- Large-scale epidemic of infectious diseases
- Large-scale natural disasters
- Information security

[Financial risks]

- Market fluctuations
- Exchange rate fluctuations
- Fund procurement
- Pension asset management

[Risk in each segment]

- Engineered Materials Segment (Decrease or stagnation in product market share)
- Metal Segment (Market and exchange rate fluctuations, operational problems)
- Automotive Parts & Components Segment (deterioration in market conditions)

[Cross-segment risks]

- Product quality
- Alliances with third parties
- Country risk
- Shortage of labor force

[ESG risks that could affect our business performance\*1]

- Environment
- Social
- Governance

\*1 We have incorporated nine ESG risks from our materiality (P.19) into business risks as ESG risks that could affect our business performance.

Responding to emergent risks

In implementing risk management, we conduct BCM activities such as periodically verifying the effectiveness of BCPs and other countermeasures and reviewing them as appropriate. When a risk emerges, we will implement BCPs, placing the highest priority on protecting human lives, to protect assets, maintain the supply chain, and quickly restore and continue operations in accordance with the Rules for Handling Emergencies. The followings describes the risks that emerged in FY2020 that had a particularly significant impact on our business and how we responded to them.

Topics1: COVID-19 (large-scale epidemic of infectious diseases)

As in FY2019, we continued to respond to COVID-19, led by a task force headed by the President. Based on the basic policy of placing the highest priority on human life, we presented internal response standards, including infection prevention measures for the employees during commuting, restrictions on movement, and other measures, and worked to thoroughly implement them. Based on the internal response standards, each of the Group's sites took measures according to the alert level in each country to minimize the impact on their operations.

Topics2: Heavy rainfall in July 2020 (large-scale natural disasters)

Due to the torrential rains in July 2020, which caused major damage in the Kyushu region, part of the plant in the Miike area (Omuta City, Fukuoka Pref.) was flooded. Each of our sites in the Miike area immediately took steps to check the status of employees and ensure their safety. We implemented the IMP and BCP in accordance with the Business Continuity Manual. In particular, the smelting plant of Miike Smelting Co., Ltd. suffered damage to electrical equipment and other facilities. We confirmed that there would be no secondary damage and timely disclosed the damage and operational status to the relevant authorities and business partners. Although some production lines were shut down, we completed the restoration and resumed operations in early August 2020.

Interview with Outside Directors

Go see what's happening on the front lines as much as possible. That is my principle.

No matter where I was, working in the sales field or serving as president in the manufacturing field, I visited various work sites and gained a variety of valuable insights. Indeed, that has been my style, and it is truly unfortunate that the COVID-19 pandemic has hindered us from seeing operations from the ground over the last year since I joined Mitsui Kinzoku.

Meanwhile, I have had a number of opportunities to attend online meetings. At one of such meetings, I had a discussion with officers on the next medium-term management plan. The main topics were job satisfaction and human resources management systems. These topics were important, of course. Yet, from the perspective of a business manager, naturally, I suggested the importance of the business portfolio. It would be such a waste if the benefits of excellent employees and excellent technologies created by them stopped at the individual business level.

Also, while each agenda item is thoroughly prepared and discussed, including working materials for meetings, I believe the company should set clearer priorities as the entire Mitsui Kinzoku from a business management perspective.

When I worked for an automotive manufacturer, there was a time when the sales department blamed poor products while the manufacturing department blamed the sales department. There was too much sectionalism while both of them are part of the same company from the customer's perspective. Since we wouldn't be able to find solutions through such a system, we launched cross-functional teams to address this problem. These teams brought about a series of successful outcomes.

Mitsui Kinzoku is capable of creating new materials, covering the entire stream from the research and development of materials to end users. The company should be able to make better use of this strength. They can think beyond individual businesses and start thinking cross-sectionally. It can be horizontal, and it can also be vertical from the upstream to the downstream. Since Mitsui Kinzoku has had an open culture from the beginning, they should be able to further demonstrate their potential with this flexible business matrix.

For example, let us look at the automotive parts supplied by Mitsui Kinzoku ACT. Customers do not see the company just as a parts manufacturer; they see it as part of Mitsui Kinzoku. In response to such customer expectations, Mitsui Kinzoku ACT also proposes solid-state batteries and catalysts to customers, which means the company already practices cross-functional work in a horizontal manner. Such horizontal teamwork will lead customers to see more width and depth in the company.

As you may know, the automotive industry is currently going through a major transformation. The industry is being entered by companies from different and previously unthinkable fields. Likewise, in the parts business, existing technologies and the same old isolated efforts alone will be insufficient for survival. I am confident that Mitsui Kinzoku can have unique strengths by leveraging their various resources and integrating them.

My motto, "Change yourself in response to changes around you," is also very applicable to companies. A symbolic example is the current COVID-19 pandemic. We have all sorts of crises every decade. I have had firsthand experience of making changes in response to such crises and seen how it could help strengthen companies. Be flexible to change, be hungry for change, and be willing to change. I am certain that Mitsui Kinzoku, with its great potential, will continue to grow further if they demonstrate the ability to respond to changes.



Outside Director **TOIDA Kazuhiko**

Mr. TOIDA joined Nissan Motor Co., Ltd. in 1975; became Senior Vice President there in 2001; and served as Representative Director, President, and CEO of FALTEC Co., Ltd. from 2010.

He has been Outside Director of Mitsui Kinzoku since June 2020. He has also been Chairperson of the Board at Rikkyo Educational Corporation since September 2020.

Things looked quite different back when I was in college and looking for a job. Even if I wanted to work for a certain company, I was not even certain if it would hire any female college graduates. Companies had different pay tables and retirement ages for men and women. This was before the Equal Employment Opportunity Act was enacted.

When I was in junior high school, excessive rote learning was a problem in urban areas. Yet, the public school I attended in a small town rather faced an opposite challenge, probably because the community had not fully recovered from the confusion after the Second World War. With a firm belief that the door is open to everyone in this country and that children should learn this fact, I decided to become a public servant and work in the field of educational administration. In fact, I joined the Prime Minister's Office (presently Cabinet Office) in 1981. I spent the next 38 years at the Office until retirement, for about a third of which I was engaged in public administration on gender equality.

Since ancient times, Japan seems to have had a unique culture where women would hold high positions. However, with the influence of other countries gradually sinking in, the Japanese government failed to make spontaneous efforts to improve the status of women in the modern period. After the war, the country started adopting international values and standards while leveraging the United Nations' Convention on the Elimination of All Forms of Discrimination Against Women and other resources. That is the history of Japanese policies on women. Having started with equality under the law in the public sector, the efforts have expanded to antidiscrimination as private individuals (e.g., employment at for-profit companies) and societal support for what had been believed to be individual and family responsibilities (e.g., child/nursing care). In 2015, the Act on the Promotion of Female Participation became effective, calling on employers to take positive action on this issue. Since the beginning of this century, the United Nations and other organizations have also increasingly pushed companies and investors to play a role as responsible members of society in order to resolve global problems. In line with this trend, corporate governance codes in our country have also started to call for gender diversity not only among officers but also in core human resources.

Facing this social and political trend, I believe Mitsui Kinzoku has invited me in recognition of my experience in the promotion of female participation as Director General of the Gender Equality Bureau at the Cabinet Office. In this sense, I am truly honored to be given this opportunity.

I have kept arguing that companies can grow stronger if they promote female participation. Yet, I am also aware of such comments as, "Just having more women is not enough." In order to go beyond the number and to make truly effective use of diversity, I have always stressed the importance of developing mechanisms including systematic human resource development, training for both males and females, and the promotion of work-life balance across the company. Mitsui Kinzoku seems to have many talented female employees willing take on challenges. Since an enabling environment is gradually being developed, the company should look quite different before long.

"Collective genius" means that we can do better than one genius if we work together and successfully bring out the strengths of various members. In order to enable each member to demonstrate their full potential, it is important to embrace diverse work styles and values with empathy. If members of the company are to work together as one, they need to share and understand its organizational goals. I am determined to fulfill my expected role in the promotion of female participation within Mitsui Kinzoku.

The Corporate Governance Code was revised this June, where the bar is set higher in various areas such as diversity in human resources, demonstration of functions by the Board of Directors, and efforts for sustainability issues. The increasing role of internal audits is also included in the Code. As Internal Audit Committee Chair, I am also determined to address this issue as well.



Outside Director **TAKEGAWA Keiko**

Ms. TAKEGAWA joined the Prime Minister's Office in 1981. After serving as Deputy Director General and Director of the Public Relations Office at the Cabinet Office, she became Director General of the Gender Equality Bureau in 2014.

She became Outside Corporate Auditor of Mitsui Kinzoku in June 2019 and has been serving as Outside Director of the company since June 2021. She is also a specially appointed professor at Showa Women's University.

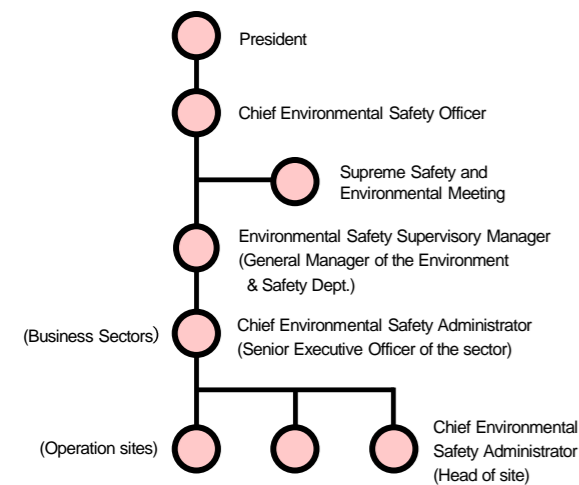
# Occupational health and safety

Mitsui Kinzoku Group holds that occupational health and safety is essential for business continuity. We provide a safe worksite environment not only for our employees but also for cooperative companies, contractors, and visitors to plants.

## Policy and management system

Mitsui Kinzoku Group is committed to creating a safe and comfortable work environment. This is based on our Basic Policy on Health and Safety, in which it states that "ensuring the health and safety of all people working for Mitsui Kinzoku Group is the most important element for conducting business activities." We also believe that the development of a corporate culture that places health and safety first will lead to increasing productivity and reducing operational and business risks, and even to strengthening our relationship of trust with employees and solidifying our business foundation in the medium to long term.

## Environmental and Safety Management System



### Message from the Chief Environmental Safety Officer (Upon assuming the post, June 2021)

Having reviewed occupational accidents in recent years, we have determined that our top priority should be to avoid severe accidents and prevent the recurrence of accidents that are similar to those we have already suffered. To this end, we believe it important to build a system of preventive management that allows us to learn from past accidents and formulate and implement measures to reduce the risks of similar accidents occurring. We will rigorously enforce such system for preventive management.

In response to numerous pressing environmental challenges, including decarbonization, the reduction of waste and hazardous materials and the conservation of biodiversity, we are steadily improving our operations to achieve the Environmental Action Plan, which we formulated to conserve the global environment, with a view to creating a safe and secure environment.

## Health and safety management system

In FY2020, all major sites of Mitsui Kinzoku Group completed the transition to the occupational health and safety management system, ISO 45001. For small-sized sites, we developed an internal certification system. At each site we work to realize an upward spiral motion by going through the PDCA cycle in accordance with the management system. Improvements to the issues identified by the review are incorporated into measures such as risk assessments and health and safety training.

We implement internal safety audits both in Japan and overseas in order to confirm the operational situation of the management system at the manufacturing sites. The internal safety auditing body checks for compliance with laws and regulations, such as regarding the notifications, inspections, and measurements, in addition to pointing out hazardous places and following up on improvements made.

In FY2020, we implemented safety audits in a remote format in areas with travel restrictions due to COVID-19. We are taking advantages of remote auditing, so that we can reduce the burden on the target sites, increase the number of sites to be audited and have an increased number of expert auditors participate in the audits. In addition, areas that cannot be checked remotely are checked intensively during on-site inspections after the lifting of travel restrictions.

## Health and safety training

Mitsui Kinzoku Group conducts health and safety training for employees regularly to increase their level of awareness of health and safety, ensure thorough compliance with health and safety regulations, and cultivate a corporate culture that places health and safety first.

### Health and safety trainings provided in FY2020

Purposes	Major training programs
Expand knowledge on health and safety across the Group (Knowledge required for each position, key initiatives in the year, good practices, latest trends)	<ul style="list-style-type: none"> <li>New employee training</li> <li>Rank-based safety training</li> <li>Laws and regulations lecture</li> <li>Lecture by an external expert</li> </ul>
* Conducted remotely	
Promote compliance with safety rules and improve risk perception at manufacturing sites	<ul style="list-style-type: none"> <li>"Kiken Yochi" activity (hazard prediction)</li> <li>Experiential risk training</li> <li>Risk assessment training</li> <li>Safety communication activity</li> <li>PPE training</li> <li>Emergency training (fire/earthquake)</li> </ul>
* Conducted face-to-face with measures for COVID-19	

\* Hands-on training at other companies, which was held in previous years and required face-to-face implementation, was cancelled due to COVID-19 in FY2020.

## Promotion of the lockout system

Mitsui Kinzoku Group defines the "President's policy on important health and safety issues" every year that raises key initiatives for the following year. The President's policy for 2019-2021 gives priority to preventative management. As one of the actions to achieve this, a lockout system has been introduced within the Group.

Occupational accidents could occur caused by human errors, such as accidentally switching on a machine whose operation has been suspended for cleanup, refueling, inspection, repair, adjustment, construction, or other work. The lockout system is a system that shuts off and locks the power source of mechanical devices to prevent occupational accidents that could occur due to erroneous operation and protects the safety of workers.

In FY2020, we introduced lockout kits at each site for power breakers for machinery and equipment, and started full-scale operation in line with the Mitsui Kinzoku's Lockout Standards. From FY2021 onward, while continuing to ensure the effective operation of the system and conducting periodic reviews, we endeavor to expand the scope of the system through examining the lockout of machines related to control of pressure, temperature and fluid.



Operation and review of the lockout system

## Safety management initiatives for senior employees

Mitsui Kinzoku has raised the mandatory retirement age to 65 since FY2021. In addition, as the age range of our employees is expected to rise along with the aging of Japanese society, we are developing a safety management system for senior employees so that they can work safely and with peace of mind for an extended period of time.

In FY2020, we implemented a variety of onsite programs designed for senior employees, including thorough education on safety knowledge, assessment of labor accident risks, management of duties in consideration of their characteristics, improvement of working conditions and monitoring of their health and physical strength. From FY2021, we will implement safety trainings for managers and senior employees.

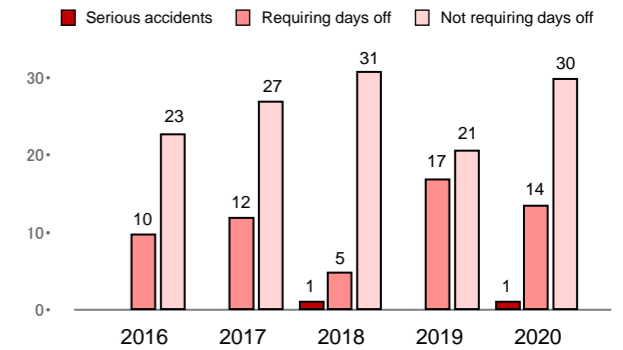
## Safety performance in 2020

Mitsui Kinzoku and domestic consolidated affiliates showed improvement in both the frequency rate of accidents and the severity rate of accidents. However, both the rates deteriorated significantly at overseas consolidated affiliates, resulting in a year-on-year decline for the Group as a whole. Both the two rates of the entire Group exceeded the average for the manufacturing industry as also for the non-ferrous metal manufacturing industry. We are analyzing the causes of accidents and taking measures for recurrence prevention.

## Safety performance in 2020

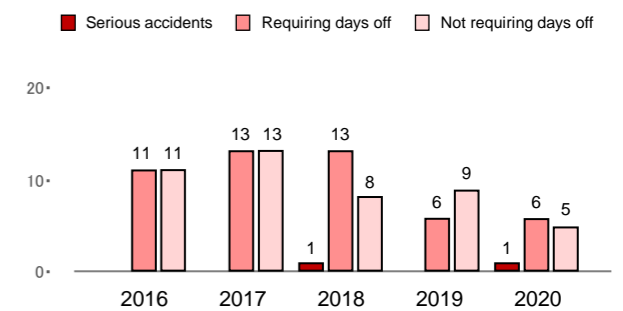
### Trends in the number of accidents in sites in Japan

※ Including accidents that occurred in cooperative companies and contractors



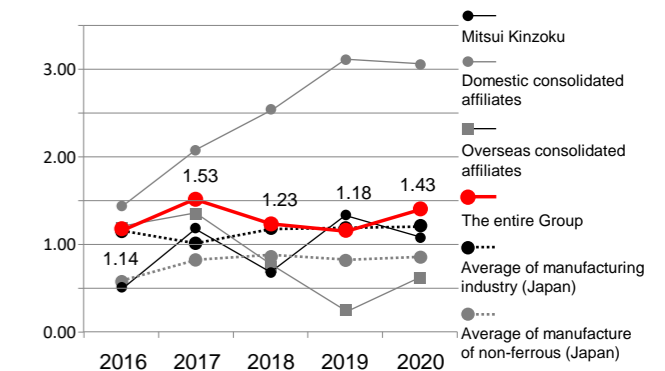
### Trends in the number of accidents in overseas sites

※ Including accidents that occurred in cooperative companies and contractors



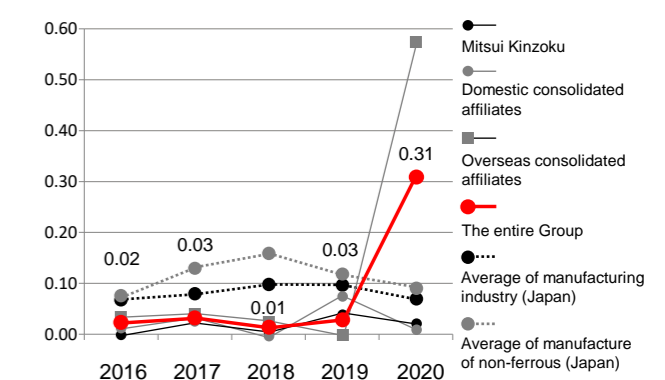
### Frequency rate of accidents

※ Not including accidents that occurred in cooperative companies and contractors



### Severity rate of accidents

※ Not including accidents that occurred in cooperative companies and contractors



The values shown in the graph are for the entire Mitsui Kinzoku Group as a whole

# Initiatives for environmental issues

**Changes in the Earth's environment would affect Mitsui Kinzoku Group's business. We strive to reduce the negative impact on the environment brought about by our business activities because we recognize that it constitutes a great risk to our business.**

## Environmental management

Mitsui Kinzoku Group has established the Supreme Safety and Environmental Meeting as a place to deliberate and determine the most important matters related to safety and the environment. Guidelines and action plans determined at the Meeting are spread to each site by the Environmental Safety Supervisory Manager (General manager of the Environment & Safety Dept.) under the direction of the Chief Environmental Safety Officer. Each site that operates under ISO 14001 has a chief person that serves as the person responsible for managing environment and safety, and who makes sure that the required actions are being reliably executed.

## The Basic Environmental Policy and the Environmental Action Plan

In 2001, Mitsui Kinzoku Group established the Basic Environmental Policy\* and the Environmental Action Plan. In response to the Paris Agreement as well as the expansion of ESG investment, we revised the basic policy and the action plan in 2018, in order to strengthen our Group's efforts to address environmental issues. In the action plan, we have assessed the negative impacts of our business activities on stakeholders in our value chains and set targets for activities with significant impacts, on which we will focus our efforts to reduce their environmental footprint. We are incorporating the targets set in the Environmental Action Plan into the plans of each of our sites, and promoting activities to achieve them.

\* The Basic Environmental Policy is available on our website.

<https://www.mitsui-kinzoku.com/en/csr/environment/environmental-policy>

## Response to climate change

Mitsui Kinzoku Group considers climate change as an important change in our external environment which would affect the continuity of our business. As our businesses include non-ferrous smelting, electrolytic copper foil, and other businesses with high energy consumption, we are well aware of the impacts of energy consumption and greenhouse gas (GHG) emissions from business activities on climate change. In order to reduce these impacts, we have identified climate change-related issues as the materiality, including reduction of GHG emissions and energy management, and make efforts to accomplish them.

## Outline of the Environmental Action Plan

### 1 Establishment and improvement of environmental management system

Establishment and improvement of environmental management system at each site according to the form and scale of business

### 2 Reduction of environmental footprint

- Prevention of global warming
- Effective resource utilization and waste reduction
- Reduction of emissions of environmental pollutants
- Utilization of renewable energy
- Appropriate utilization and management of water resources
- Biodiversity conservation
- Thorough management of mine & plant closure

### 3 Development and provision of environmental contribution products

Development of environmental contribution products and market expansion

### 4 Emergency measures

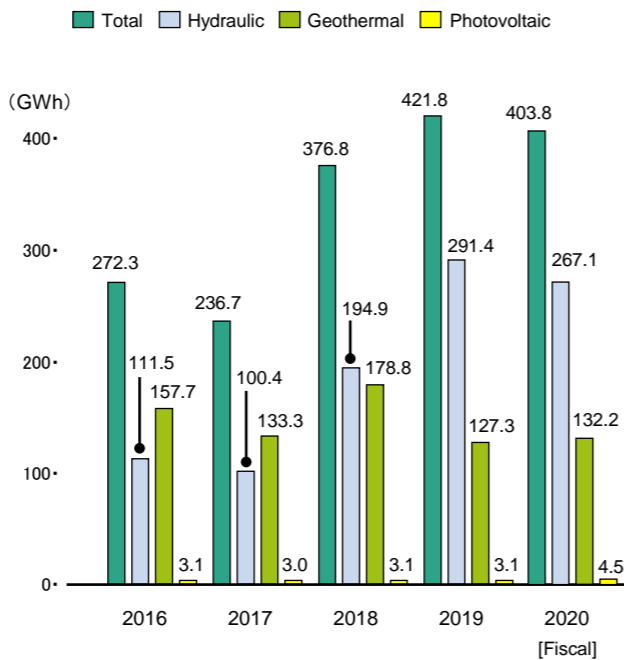
Preparation of well-organized emergency manuals for disasters and accidents and continuous improvements of them

### 5 Education/public relations/social contribution activities

- Strengthening environmental education
- Disclosure of environmental information
- Dialogue with stakeholders

(Revised in April 2018)

## Total power generation using renewable energy

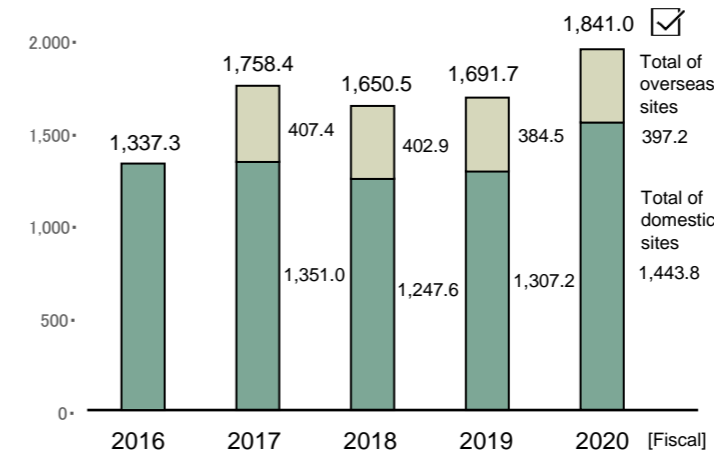


Mitsui Kinzoku Group strives for energy conservation activities, including the improvement of operations in each process through further improving energy efficiency in the smelting and electrolytic processes, the introduction of advanced facilities and enhancement of the efficiency in logistics. In addition, in order to increase the ratio of renewable energy, we are promoting the stable operation of existing power generation facilities, such as hydroelectric and solar, as well as expanding the introduction of new facilities. We are also proactively working to develop environmental contribution products and innovative technologies, which help resolve the environmental challenges faced by society, including GHG emissions reduction.

In April 2021, we established a Climate Action Team in the Corporate Planning & Control Sector. The Climate Action Team will collaborate with the Energy-Saving Committee, which is a group-wide cross-sectional organization promoting energy conservation activities, the Supreme Safety and Environmental Meeting, the CSR Committee, and each business unit, to examine group-wide policies and strategies related to climate change, and to promote initiatives in line with the TCFD\* recommendations.

\* Task Force on Climate-related Financial Disclosures

## CO2 emissions from energy consumption (thousand t-CO2)



※ Emission amounts from overseas sites have been added to the total amount starting FY2017.

※ Figures for CO2 emissions from energy consumption were calculated using emission factors derived in a manner conforming to the "Act on Promotion of Global Warming Countermeasures." CO2 emissions derived from purchased electricity in Japan were calculated using the latest basic emission factors of electric power suppliers. For emission factors overseas, the per-country emission factors "Electricity emission factors" reported by the Greenhouse Gas Protocol Initiative were used.

※ We have received an independent practitioner's assurance for the figures for FY2020 in this information to which  is attached.

※ Emissions increased in FY2020 due to the increase in the number of sites to be reported.

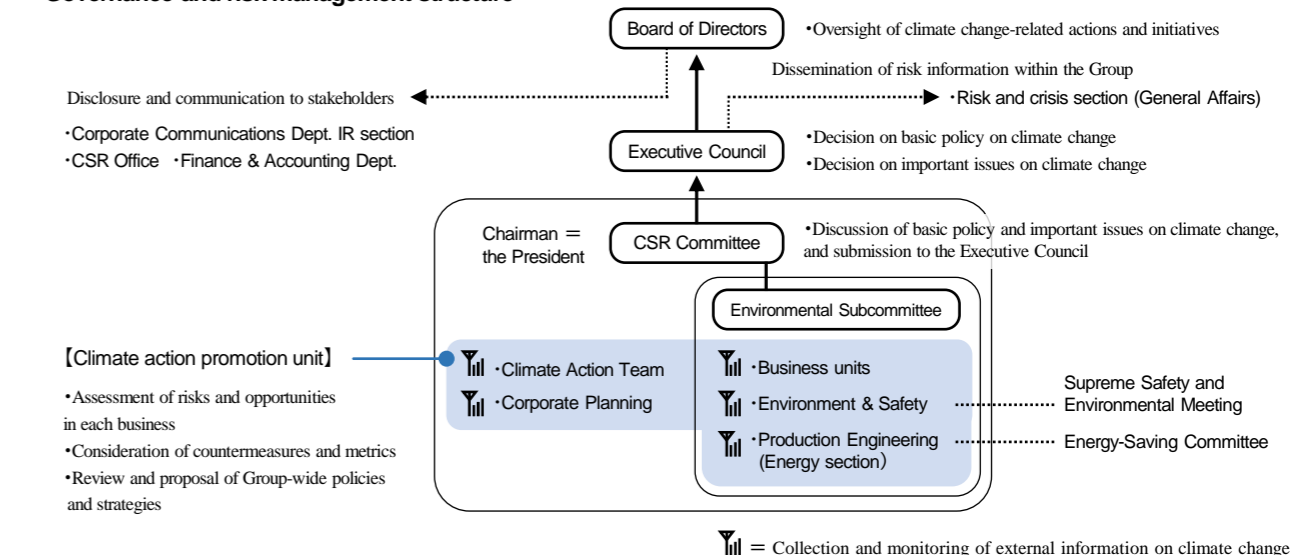
## Disclosure of climate-related information in line with the TCFD recommendations

In FY2020, we participated in the support project for scenario analysis of climate risks/opportunities in line with TCFD guidance of the Ministry of the Environment of Japan. With this support, we have started the scenario analysis and are currently working on the following framework in accordance with the TCFD recommendations.

## Governance

Mitsui Kinzoku Group's basic policy and important issues to address climate change are discussed by the CSR Committee, which is chaired by the President, and then deliberated and decided by the Executive Council. The Executive Council is comprised of representative directors and executive directors, deliberating from a management perspective. Decisions are reported to the Board of Directors for monitoring and oversight.

## Governance and risk management structure





## Risk management

Mitsui Kinzoku Group has multiple businesses with different business models. The Climate Action Team assesses and identifies risks and opportunities related to climate change in collaboration with each business unit, including scenario analysis, based on the findings of internal and external surveys and in accordance with the framework of the TCFD recommendations.

The results of the scenario analysis are reported to top management at the Executive Council. Each business unit is responsible for promoting countermeasures based on the results, while the Climate Action Team is tasked with monitoring the progress of the countermeasures. In line with the achievements, the team evaluates and identifies risks and opportunities afresh for the next cycle, in cooperation with the business units. By constantly implementing this risk management cycle, we formulate and promote business strategies with a view to addressing climate change.

## Metrics and targets

Mitsui Kinzoku Group recognizes that GHG emissions from energy-intensive business activities, such as non-ferrous smelting and electrolytic copper foil, are a significant risk to climate change. We have set a target of GHG emissions reduction in Scope 1 and 2, including the usage of renewable energy, by 26% from FY2013 level by FY2030.

In response to the carbon neutrality declarations made by Japan and other countries, we are currently developing our vision for FY2050 and reviewing our targets for FY2030 through backcasting, in order to reduce the risks of climate change and capture opportunities.

## Strategy/Scenario analysis

In FY2020, we participated in the support project for scenario analysis of climate risks/opportunities in line with the TCFD guidance of the Ministry of the Environment of Japan. With this support, we performed a scenario analysis on the Metals Sector, which accounts for about 30% and 60% of net sales and GHG emissions of the Group respectively. We will conduct the scenario analysis on other sectors in a phased manner and expand the information disclosure of the analysis results. With respect to the Metals Sector, we will continue monitoring the external environment, conduct in-depth analysis and incorporate the sector's result into the Group's analysis.

## Scenario Analysis of the Metals Sector

Assumed period	2030s	
Scenario definition	4°C scenario	4°C scenario 3.2 - 5.4 °C higher than pre-Industrial Revolution levels if no additional measures against global warming are taken  Over 2°C (2.7°C - 4°C) scenario 2.7 - 4.0°C higher than pre-Industrial Revolution levels if no additional measures against global warming are taken
	2°C scenario	0.9 - 2.3°C higher than pre-Industrial Revolution levels if strict measures are taken

## Transition risks and opportunities

Subcategory	Predicted impact on business <Risks>	Predicted impact on business <Opportunities>
<b>Increase in carbon pricing</b>	<ul style="list-style-type: none"> <li>The introduction of carbon taxes or increases in the coal tax rate could increase costs for raw material procurement, product manufacturing, and logistics</li> <li>The nonferrous metal industry is at risk of incurring a larger cost burden than other industries as it consumes a large amount of energy for mining, ore processing, and melting</li> </ul>	<ul style="list-style-type: none"> <li>We can establish low-coke smelting technology through methods such as developing beneficiation techniques to improve metal grades</li> </ul>
<b>Changes in energy costs</b>	<ul style="list-style-type: none"> <li>Electricity prices and energy prices from crude oil and similar are predicted to increase due to changes in the supply-demand balance</li> <li>It will be necessary to make investments toward increasing energy efficiency in the manufacturing process for nonferrous metals which have particularly high energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>The company can gain an advantage in terms of total energy output level by increasing the ratio of recycled materials and eliminating the process from mining to concentration (beneficiation)</li> <li>We can reduce the price of energy by strengthening the demand response of the electrolytic process as a means to level out the large fluctuations in renewable energy</li> </ul>
<b>Changes in product prices/demand</b>	<ul style="list-style-type: none"> <li>Tighter regulations on mining for metals with increased demand due to trends toward electrification and renewable energy may lead to increases in response costs</li> <li>Higher market prices due to increased costs for mining raw materials will accelerate the substitution of other products in place of Mitsui Kinzoku's, resulting in lower sales</li> </ul>	<ul style="list-style-type: none"> <li>Demand for zinc, platinum, copper, nickel, lithium, and cobalt may increase due to progress in electrification, etc.</li> <li>Demand will increase for the following materials in the following areas: zinc/platinum for automobiles, copper for energy-related facilities and equipment, lithium/cobalt/nickel for battery materials</li> <li>Demand for copper used in renewable energy-related facilities and equipment will grow with the spread of renewable energy over society as a whole</li> </ul>
<b>Changes in reputation with customers</b>	<ul style="list-style-type: none"> <li>Increased interest from client companies in environmental measures such as RE100 will lead to a preference for companies who have made advances in such measures. Because of this, additional response costs will be incurred due to the need to make manufacturing processes low-carbon, and PL/BS will be impacted as a result</li> </ul>	<ul style="list-style-type: none"> <li>Proactive efforts to address ESG issues can be expected to lead to enhanced competitiveness and a stronger advantage for the company</li> <li>We can strengthen competitiveness from increased collection and use of environmentally friendly raw materials and switching to a product lineup with high added value from an environmental perspective</li> </ul>

## Physical risks and opportunities

Subcategory	Predicted impact on business <Risks>	Predicted impact on business <Opportunities>
<b>Extreme weather conditions</b>	<ul style="list-style-type: none"> <li>Extreme weather could have a significant impact on production sites and supply chains, leading to shutdowns, suspension of logistics functions, and increased response costs</li> <li>Extreme weather may affect tailings dams and lead to violations of laws and regulations due to spillage of hazardous substances</li> <li>Insurance premiums for weather insurance will increase</li> </ul>	<ul style="list-style-type: none"> <li>Other sites may be substituted into BCP plans for other plants even if a certain site has been damaged by leveraging the strengths of having multiple sites (zinc/lead)</li> <li>We can use permits for industrial waste treatment to contribute toward local communities and the company's revenue through active initiatives toward disposing waste from natural disasters</li> <li>Processing costs may be reduced if demand is secured for slag as a construction material for seawalls and breakwaters</li> </ul>
<b>Increase in average temperatures</b>	<ul style="list-style-type: none"> <li>Increased heat stress and an increase in infectious diseases may lead to lower productivity for workers, as well as accidents</li> <li>Higher temperatures may cause forest fires that damage infrastructure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>We could differentiate itself from domestic and overseas competitors by using IOT and Digital Transformation initiatives to improve working environments, enhance productivity, and maintain stable operations</li> </ul>

\* Only items with a "high" impact rating have been listed.

## Direction for countermeasures

Impact estimation items	4°C scenario	2°C scenario	Countermeasures corresponding to risks and opportunities
<b>Increases in carbon pricing</b>	Carbon tax is not introduced in the 4°C scenario	▼ ▼ ▼	<ul style="list-style-type: none"> <li>Risk: Implementation of ambitious target settings (e.g. SBT targets)</li> <li>Risk: Introduction of internal carbon pricing</li> <li>Risk: Development of low-coke, carbon-free smelting technology and creation of industry rules</li> <li>Op: Development of carbon-absorbing technology such as blue carbon</li> </ul>
<b>Changes in energy cost</b>	Loss ▼ ▼	▼	<ul style="list-style-type: none"> <li>Risk: Establishment of target figures for renewable energy introduction rates</li> <li>Risk: Establishment of long-term targets for the reduction of energy used</li> <li>Op: Improvement of the rate of recycled materials (energy conservation)</li> <li>Op: Strengthening of demand response measures</li> <li>Op: Introduction of renewable energy generation equipment to the roofs of plant buildings and unused company land</li> <li>Op: Development toward off-grid buildings with hydrogen storage alloys</li> </ul>
<b>Changes in demand for copper, lead and zinc</b>	Profit ▲	▲	<ul style="list-style-type: none"> <li>Op: Investment toward developing products using copper and other metals</li> <li>Op: Recycling of metal scrap collected from customers</li> <li>Op: Improvement of the rate of recycled materials (collection of lithium and other valuable metals)</li> <li>Op./ Risk: Reevaluation of portfolios in consideration of multiple scenarios</li> </ul>
<b>Extreme weather conditions</b>	▼ ▼	▼	<ul style="list-style-type: none"> <li>Risk: Company-wide systemization of spare parts management aimed toward swift recovery after incurring damages</li> <li>Risk: Construction work toward disaster preparedness at closed mines</li> <li>Risk: Development of low-environmental burden/low-cost processing technologies at closed mines</li> <li>Risk: BCP sophistication, including verification of the cost-effectiveness of disaster prevention measures</li> <li>Op: Strengthened processing of waste from natural disasters</li> <li>Op: Formulation of product sales strategies tailored to national land resilience needs</li> </ul>
<b>Increased average temperatures</b>	▼	▼	<ul style="list-style-type: none"> <li>Risk: Implementation of FA operations at high-temperature work sites in the smelters</li> <li>Risk: Development of a system for remote control of mining machinery</li> </ul>

\* Countermeasures to address each item include those already underway and those still under consideration.

## Environmental contribution products

Mitsui Kinzoku Group believes that in order to realize a sustainable society, it is important to provide products and develop businesses to reducing environmental footprint, in addition to the initiatives for reducing GHG emissions and waste. We assess the environmental impacts of our products throughout their life cycle from raw materials to disposal (life cycle assessment (LCA)\*) and define the products that can contribute to reducing energy consumption, effective resource utilization, reducing environmental footprint and solving social issues, as "environmental contribution products."

In FY2020, we began to build an internal system for implementing LCA and operate a system to certify environmental contribution products. By actively developing and releasing the environmental contribution products, we aim to deliver social value while enhancing our corporate value.

\* LCA = Life Cycle Assessment

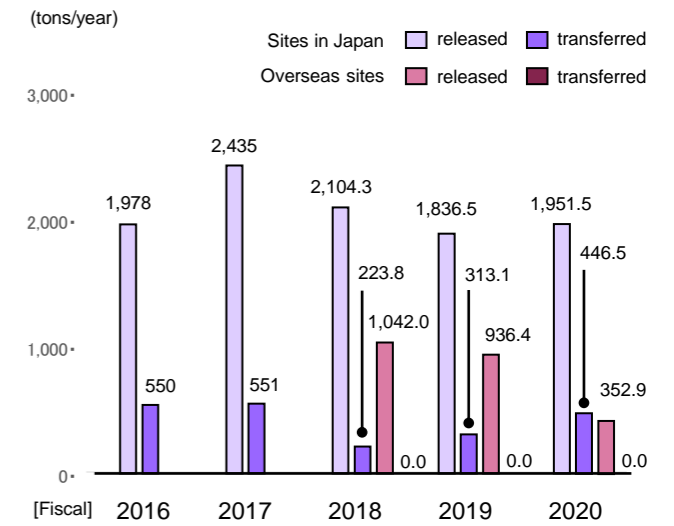
A method of measuring the use of resources and the emissions and assessing their impacts on the environment for the entire life cycle of a product from the procurement of raw materials to production, distribution, use and disposal.

**Appropriate utilization and management of water**  
Mitsui Kinzoku Group strives to reduce and recycle water used in the business operations. We are also implementing countermeasures by assessing risks from multiple perspectives, including physical risks such as drying up of water resources and lack of sufficient amounts of water, as well as regulatory risks related to water use. To date, no water risk has emerged that would affect our business activities.

**Prevent air and water pollution**  
Each manufacturing site of Mitsui Kinzoku Group monitors the following in accordance with laws, regulations and ordinances and voluntary standards: Sulfur oxide (SOx) emissions produced on the combustion of fossil fuels containing sulfur, nitrogen oxide (NOx) emissions from boilers, incinerators and other combustion equipment, and particulate matter, as well as water quality including BOD and COD which indicate the level of organic material in wastewater. We work on gathering and managing the monitoring results from each site and sharing the initiatives and the technologies within the Group.

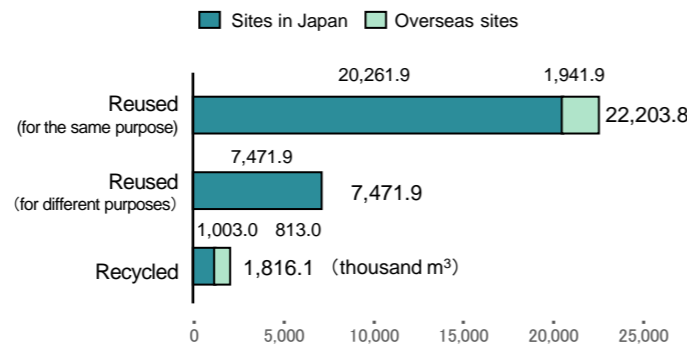
**Reduction of chemical substance emissions**  
Each manufacturing site of the Group files the release and the transfer amount of chemical substances to the government under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register [PRTR]). The management of hazardous chemical substances contained in products has become an essential requirement. We also respond to the guidelines for chemical substances contained in products, such as the RoHS Directive and the REACH regulations required by customers.  
We aim to reduce the emission amount of environmental pollutants in accordance with the Environmental Action Plan, including our overseas sites. We continuously strive to collect and replace chemical substances that may cause environmental pollution. Thus we focus on reducing and removing use of such chemical substances from our products.

**Volume of chemical substances released and transferred**

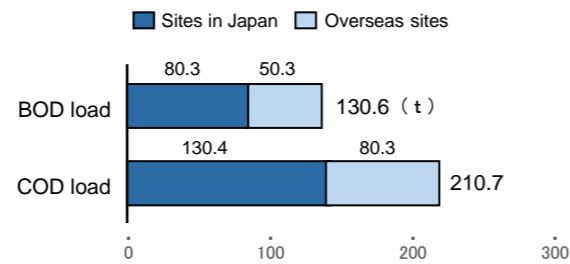


\* Added the amounts of overseas sites from FY2018.  
\* Revised the values for FY2019 disclosed last year.

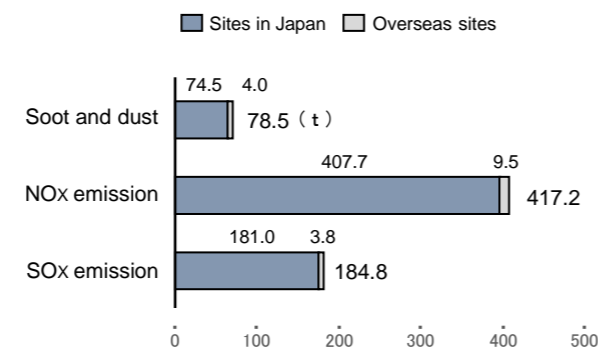
**Amount of circulated water usage (FY2020)**



**Emissions to the water (FY2020)**



**Emissions to the atmosphere (FY2020)**



**Initiatives to reduce waste**

We strive to reduce the amount of waste generated in our business activities, and also conduct efforts to develop technology toward reusing and recycling.  
In the Environmental Action Plan revised in 2018, we are committed to reducing the generation of waste throughout the Group and set a target basic at each business site.  
Of the amount of byproducts in FY2020, 51% within Japan and 16% overseas were recycled and used either within or outside of our Group.

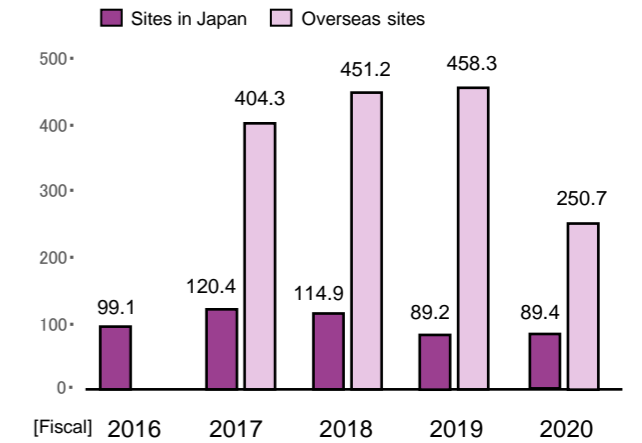
**Use of recycled raw materials**

Mitsui Kinzoku Group works on the recycling of waste by using resources as effectively as possible. During this process, it is essential that we establish and improve separation and purification technologies in accordance with the materials, as well as make technological improvements and renew existing manufacturing equipment for each production process. At the same time, we develop and intensify a network for collecting recycled raw materials.

**Topic Efforts for 3R in Kyushu Miike Area**

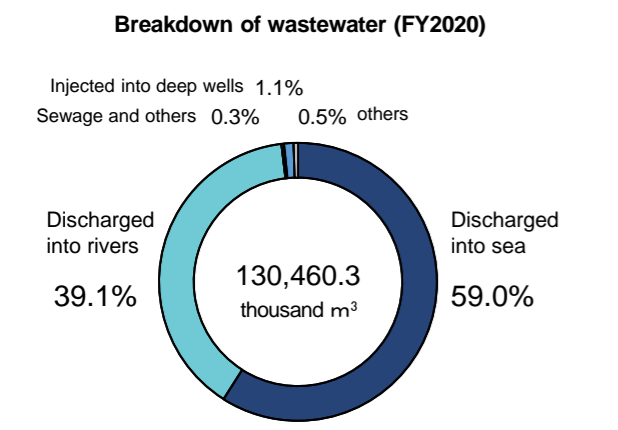
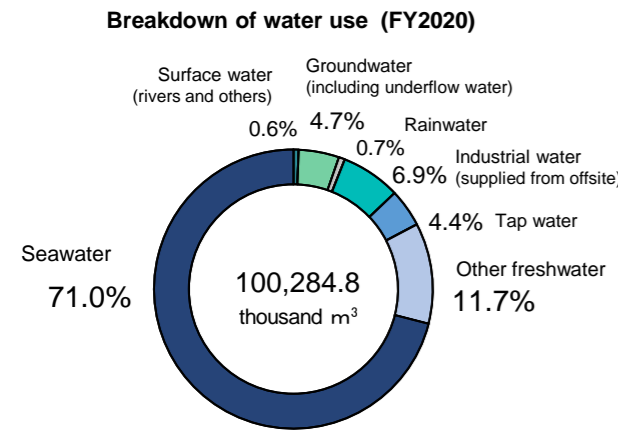
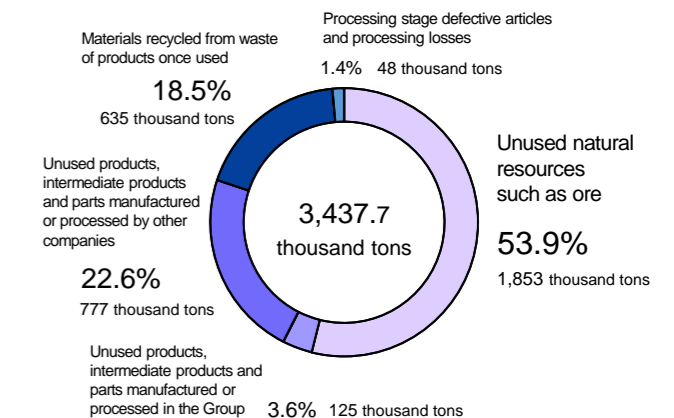
In FY2020, the Miike Rare Metal Plant of the Engineered Powders Division of Mitsui Kinzoku and Miike Smelting Co., Ltd. established a process to effectively utilize byproduct chloride compounds, in cooperation with local companies.  
Hydrochloric acid produced as a byproduct in another company's manufacturing process was previously disposed of by a waste disposal operator. The Miike Rare Metal Plant uses the byproduct in its material melting process and has subsequently reduced the amount of hydrochloric acid purchased for use in the process. The chlorine solution byproduct of this process had been neutralized and discharged as wastewater. However, by reusing it for neutralizing exhaust gas and in the washing process at Miike Smelting, we have reduced the amount of neutralizer and wastewater. This initiative has enabled us and the local companies to effectively utilize the byproduct chloride compounds. Going forward, we will further increase the rate of reuse, thereby promoting our 3R activities.

**Amount of waste generation (thousand tons)**



\* Added the amounts of overseas sites from FY2017.  
\* The major waste of overseas sites is tailings generated from mines.  
\* Revised the values for sites in Japan for FY2019 disclosed last year.

**Breakdown of usage by type of raw material (FY2020)**



\* In FY2020, the total amount and breakdown of water use, wastewater, and raw materials used changed due to the increase in the number of sites to be reported.

# Compliance

## Compliance management system

Mitsui Kinzoku Group identifies Senior General Manager of Corporate Planning & Control Sector as the person with the highest responsibility for compliance. The Legal Dept., the division in charge of compliance, plays a central role in enhancing compliance among officers and employees.

In addition, under the Internal Audit Committee, which reports directly to the Board of Directors, the Internal Audit Dept. audits the status of compliance. The results of the audits are reported by the Internal Audit Dept. to and shared by the Board of Directors.

## Code of Conduct

We understand that compliance is not limited to observing laws and regulations, but also includes observing social norms, corporate ethics, common sense and morals, and other matters expected by society even if they are not explicitly stated.

We have established the Code of Conduct as a set of values and a code of conduct to be shared by all directors and employees, including those at overseas sites. We have translated it into local languages and distributed it to all sites. The Compliance Guidebook, which explains the key actions, has been translated into local languages in cooperation with local staff to reflect the unique risks assumed from local business practices and cultural backgrounds. We are gradually rolling it out to overseas sites. In FY2020, we produced the Compliance Guidebook in Malay and English together with local staff at MITSUI COPPER FOIL (MALAYSIA) SDN. BHD. (MCF), and they held a briefing session for MCF's employees to deploy the guidebook.

## Compliance trainings

We provide compliance programs for rank-based training including new employee training, as well as executive management training for newly appointed directors of affiliated companies. We also conduct compliance trainings for local staff at overseas sites. We conduct compliance-related seminars specialized for specific topics as needed. Although in FY2020, we had to postpone our original plan in overseas due to COVID-19, in Japan, we conducted online trainings.

## Internal and external whistle-blowing system

We have established a whistle-blowing system for both internal and external stakeholders. The system covers concerns about any violations of laws and regulations, including but not limited to unfair competition and bribery/corruption, as well as social and environmental risks, including but not limited to human rights, in business activities and the workplace.

In order to thoroughly protect the whistleblower, the system ensures anonymity and strictly prohibits any disadvantageous treatment of the whistleblower. The details of the reports made via the whistleblowing system are shared promptly with the Corporate Auditors. The Board of Directors also receives the details of reports on a regular basis.

We have Mitsui Kinzoku Hotline (MHL) for all officers and employees of the Group as an internal contact point and a third-party contact point (a law firm). We also have a Chinese-language hotline for our sites in China as a contact point at a Chinese law firm. We widely disseminate the contact points among officers and employees through compliance trainings and the Compliance Guidebook. In FY2020, we have made the whistle-blowing system a multi-line system. In the event of critical issues, the chairperson of the Internal Audit Committee will decide to establish an internal investigation committee independent of management.

We have set up "Compliance Consultation Desk" specialized for compliance and "Environmental and Social Risks Consultation Desk" on our official website for external stakeholders to report concerns at any time.

## Initiatives to prevent anti-competitive practices and bribery/corruption

Article 4 of the Group's Code of Conduct states "Fair Business Activities." In the Compliance Guidebook, we require all officers and employees to engage in appropriate activities based on free and fair competition. The guidebook specifically states that proper activities include (i) establishment of compliance system and thorough compliance with competition law, (ii) proper procurement activities and subcontracting transactions, (iii) maintenance of fair and transparent relationships, and (iv) prohibition of bribery and corruption. We have not received any legal action for anti-competitive practices or bribery/corruption in FY2020.

# Respect for Human Rights

## The Human Rights Policy and the Human Rights Standards

Mitsui Kinzoku Group approaches human rights issues based on our Human Rights Policy. We identify major human rights risks and stakeholders that can be particularly affected by the Group's business activities. We formulate the "Human Rights Standards" as guidelines for our due diligence. We conduct due diligence in order to evaluate the practices of the standards and to correct findings. In our due diligence process, we especially focus on the Group's employees, supply chain and mining business that have been identified as high risk.

[Human Rights Policy] [Human Rights Standards]

<https://www.mitsui-kinzoku.com/en/csr/society/humanrights/>

[Supply chain management] Pages 54-55

[Mining business] Pages 56-57

## Human rights due diligence

Since we identified target sites in the Mitsui Kinzoku Group in FY2016, we have been conducting human rights due diligence and we have completed the process at 54% of the target sites within and outside Japan by FY2020.

In FY2020, we conducted human rights due diligence at eight sites including one overseas site. As a result, we did not find any major risks, including any forced labor or child labor risks. For areas that were found to require improvements, we provided feedback and implemented corrective measures.

In FY2021, we will continue to conduct human rights due diligence at sites within and outside Japan. Based on the past results, we will also reevaluate risks and identify human rights issues the Group should start addressing. For the newly identified issues, we will develop individual policies and procedures to build systems to address them properly. When conducting human rights due diligence, we use a self-check sheet (SAQ) with regard to all employees, including non-regular employees and indirect employees. The SAQ will be revised, taking account of these human rights issues, to ensure the effectiveness of the measures for human rights.

## <Main areas that were improved>

- Improvement in the labor-management agreement on payroll deductions (Japanese sites)
- Improvement in the ways to track and manage working hours of managers (Japanese sites)

## Human rights training

We are conducting human rights training to increase awareness of our Group's Human Rights Policy and promote the correct understanding of human rights. In FY2020, we conducted training within Japan in the rank-based training. Due to COVID-19, we had to postpone the training at overseas sites. In FY2021, we plan to provide the program at major Asian sites. We will systematically review the formats and content of our human rights training.

## Labor relations

Mitsui Kinzoku Group respects freedom of association and collective bargaining. Mitsui Kinzoku and major affiliates in Japan have a respective labor unions under the Mitsui Mining & Smelting Workers Union. Based on the union shop agreement, all general employees become members of the labor unions. About 70% of the other consolidated affiliates in Japan have labor unions.

In FY2020, there was one case of a strike lasting more than a week at an operation site in Peru, which was resolved through labor-management consultation. No lockouts occurred during the year.

	Sites in Japan	Overseas	Total
Employees covered by collective bargaining agreements	4,215	3,276	7,491
Total employees	6,402	6,587	12,989
Coverage rate	66%	50%	58%

※ Information on labor unions at several sites is unavailable due to legal requirements.

# Supply chain management

## Responsibility for our supply chain

Mitsui Kinzoku Group recognizes that the impact of its business activities extends throughout the value chain. In particular, we believe that negative social and environmental impacts in our supply chain may pose risks for our business. We will fulfill our responsibility by implementing initiatives for sustainability in the supply chain according to the globally recognized codes and guidance such as the United Nations Global Compact, and requests from our stakeholders.

We have formulated the Mitsui Kinzoku Group procurement policy in which we declare to fulfill legal compliance and our social responsibilities in human rights and labor, health & safety, ethics, and on the environment in our supply chain. The procurement policy consists of the basic procurement policy as our commitment and the procurement guidelines that give specific instructions for executing the policy. The guidelines follow the objectives of the RBA\*1 Code of Conduct.

We have established a group-wide supply chain management system to manage risks and to implement our procurement policy in our supply chain. The senior executive officer in charge of our procurement is appointed as the person with the highest responsibility for our supply chain. The Supply Chain Committee of the Group has been organized, which consists of the representatives of each department.

## Supply chain due diligence

Since FY2018, we have conducted supplier due diligence as part of its supply chain management, aiming to identify and address risks in its supply chain.

Within the Group, we hold SCM trainings for those in charge of procurement to ensure that they put our procurement policy into practice. We also evaluated implementation of the procurement policy in the framework of the internal human rights due diligence.

As for our supply chain, we request our tier 1 suppliers to implement the procurement policy and to manage their own suppliers. For the critical suppliers\*2, we obtain their signed agreement forms to the policy and ask them to complete SAQ\*3 to evaluate their policy implementation.

\* 1 RBA : The Responsible Business Alliance

\* 2 The critical suppliers : We have identified 784 critical suppliers as those having a major impact on the Group's business. They include 244 non-production goods suppliers such as temporary staff agencies, contractors, and service providers (e.g., transport, warehousing, and equipment). The critical suppliers of raw materials or products manufactures have been identified based on one of the following criteria.

- (1) Top 80% suppliers of amount procured
- (2) Suppliers supplying materials/products that have no alternatives or strategically important materials/products
- (3) Suppliers operating in regions in which CSR risk is considered high

\* 3 SAQ (Self-Assessment Questionnaire) : A questionnaire with 46 questions prepared in line with our procurement guidelines

## (1) Performance in the first cycle (FY2018-2020)

### Medium- and long-term target

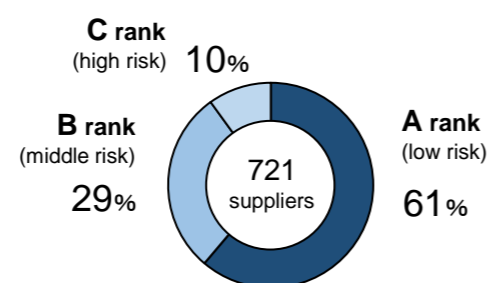
Implementation rate of SAQ to the critical suppliers :

**100%**

### Performance

Implementation rate as of March 31, 2021 :

**92% (721/784)**



Result of supplier SAQ for the critical suppliers

Having defined the first cycle as the three years starting in FY2018, we have worked toward achieving the medium- and long-term target. We have identified 784 critical suppliers among the tier 1 suppliers and requested them to complete SAQ. Although we failed to reach the target rate (100%), 92% (721 suppliers) cooperated in this initiative. It was particularly difficult to approach suppliers outside Japan due to the COVID-19.

Among the 721 suppliers, 10% were C-ranked (at high risk). The scores were particularly low in the items on ethics, followed by those on the environment. We will focus our efforts on these sections when engaging with them and taking corrective actions.

We engaged with one of the C-ranked suppliers to discuss the identified risks and ways to improve them. We had the supplier identify high-priority items and make an improvement plan. We will regularly follow up on their progress according to the plan.

## (2) Performance in FY2020 (single year)

Scope	Measures	Performance
All suppliers	Request to implement the procurement policy	3,032
Critical suppliers	Receipt signed agreement form	174
	Implement SAQ (fraction of 721)	266
C-ranked suppliers	Engagement & corrective actions	1
New suppliers	Use select standards (agreement form & SAQ)	14

## (3) Initiatives in the second cycle (FY2021-2023)

In FY2020, along with the review of materiality, we also discussed our vision for 2024 of supply chain management.

### Commitment (FY2024) :

Effectively implement supplier due diligence and reduce critical risks in the supply chain

### Targets (KPIs) :

Achieve the 100% annual SAQ implementation rate for the target suppliers  
Achieve the 100% engagement rate for corrective actions with C-ranked suppliers

### Plans for FY2021 :

1) Have target suppliers identified through risk assessment complete SAQ  
- Temporary staff agencies  
- Top 80% suppliers of amount procured in contractors and outsourced services  
- Top 80% suppliers of duplicated suppliers based on the Group's amount procured  
2) Take corrective actions for the C-ranked during the first cycle  
We will also promote initiatives for new suppliers such as request to implement our procurement policy, obtaining signed agreements form, and having them complete SAQ.

## Responsible minerals sourcing

As a corporate group in the minerals supply chain, Mitsui Kinzoku Group promotes responsible minerals sourcing. Along with the heightened global interest in responsible minerals sourcing, relevant risks are expanding. The scope of target risks is expanding to environment and human rights issue, target areas are widening to CAHRAs\*4 and other minerals such as cobalt, silver, copper, zinc and lead are included as target minerals. Mitsui Kinzoku Group has developed its management system in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We are working in close partnership with international initiatives such as the RMI\*5, LBMA\*6, and the LME\*7.

\* 4 CAHRAs : Conflict Affected and High-Risk Areas

\* 5 RMI : The Responsible Minerals Initiative

\* 6 LBMA : London Bullion Market Association

\* 7 LME : The London Metal Exchange

\* 8 RMAP : The Responsible Minerals Assurance Process

\* 9 ITSCI : International Tin Supply Chain Initiative

\* 10 JEITA : Japan Electronics and Information Technology Industries Association

We have formulated the Responsible Mineral Sourcing Policy as a comprehensive policy. In February 2020, we revised the policy after reviewing the at-risk regions and target minerals based on global trends, including the enforcement of EU regulations.

Based on the policy, each smelting business obtains third-party certification as a responsible smelter and renews it every year.

With regards to the tantalum smelting business, based on the RMAP\*8 by the RMI, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformant status. We are also a member of ITSCI\*9, a program for achieving due diligence in the tantalum mineral supply chain and engaging with our suppliers.

In the smelting business of gold or silver, we defined the "Gold and Silver Supply Chain Policy" and are performing initiatives in accordance with the LBMA's guidance. We conduct risk assessment every year, evaluating the suppliers of mineral raw materials as well as checking the areas of origin and transportation routes of mineral raw materials. Based on these evaluation results, an independent auditing company assures that mineral raw materials of our processed gold and silver have been sourced from areas not affected by any conflicts or any other risks. We submit the audit report to LBMA. The assurance reports issued by the auditing company and the report to LBMA are available on our website.

Having formulated the "Responsible Procurement Policy for Copper, Zinc, and Lead Ores," we have also been engaged in activities since January 2021 in line with the LME consultation on responsible sourcing. We conduct risk assessment, evaluating the suppliers of mineral raw materials as well as checking the places of origin and transportation routes of mineral raw materials. Based on these evaluation results, an independent auditing company will assure that mineral raw materials of our base metals registered at the LME are obtained from suppliers and areas of origin not affected by any conflicts and any other risks. We will submit the audit report to the LME, after all processes are completed.

In businesses other than smelting, we conduct supply chain due diligence in line with industry standards, based on customer requests. We participate in the Responsible Minerals Trade Working Group by JEITA\*10 and engage with downstream companies as well as global initiatives such as RMI through JEITA.

# Mining business

We recognize that the mining business has a particularly large impact on the surrounding environment and the local communities.

Based on this recognition, we identify environmental and social issues related to our mining business and implement focused measures.

## The Sustainability Action Plan for Mining Business and the mining business management

In FY2020, we formulated the Sustainability Action Plan for Mining Business. Based on our materiality, we identified risks related to mining pointed out in the basic principles of ICMM and by SASB for each mining site and consolidated those risks into priority initiatives. In the mining business management, we conduct progress control annually in order to achieve the KPIs stipulated in the action plan.

In addition to this progress control, we conduct annual surveys on human rights and environment using a self-assessment check sheet for sites engaged in mining activities at the operating mines for which we hold an investment ratio of more than 50% to manage related risks.

## Grievance mechanism

In Peru, in response to stakeholder requests, we hold meetings with the local government and the community organizations on an as-needed basis to resolve issues. In the event of a conflict between the company and community that could affect the operation of the mines, a discussion with local residents is held with the attendance of a third party, such as the Ministry of Energy and Mines or the Social Disputes Officer in the President's Office. No such conflicts occurred in FY2020.

Item	Targets (KPIs)	Plans for FY2021
Human rights (Peru)	Establishment of a security guard system in accordance with the Human Rights Policy	Examine details of a contract with a security company
Community engagement (Peru)	Identification of impact on local communities	Identify activity results; Start examining what activities should be focused on
Water management (Peru)	(1) Implementation of measures to prevent surface water from permeating (2) Development of a plan to improve water recycling rate	(1) Prepare for comprehensive ground surface investigation (2) Develop a plan to identify amounts of water consumed and discharged
Tailings dam management (Japan and Peru)	(1) Preparation and implementation of a plan to reduce waste based on an analysis of types of waste generated (2) Reinforcement and operation of a stability monitoring system (3) Completion of accident simulations	(1) Sort out waste by type; identify exact volume of waste (2) Evaluate the current monitoring system (3) Develop a plan to respond to accidents
GHG emissions /Energy management (Japan)	(1) Afforestation of the total area of 2,000 m <sup>2</sup> of the Akeshi Mine by 2025 (2) Improvement of soil at the former open-pit mining site of the Kamioka Mine for afforestation (3) Completion of investigations for construction of a hydroelectric power plant	(1) Develop an afforestation plan (2) Add soil and plant trees on a continuous basis (3) Start a feasibility study on underground hydroelectric power generation

Excerpt from the Sustainability Action Plan for Mining Business

## Relationships with the local communities around the mines

Compania Minera Santa Luisa that operates the Huanzala Mine and the Pallca Mine places importance on the engagement with the local communities around the mines, and is continuing to address the needs of the communities, such as by developing infrastructure, providing educational aid, and offering support for agriculture and livestock. In FY2020, the company donated food, masks and disinfectants, disinfectant sprayers, and other items to support local communities affected by COVID-19.



Provision of relief supplies to Huallanca village

## Management of water

The Huanzala Mine and Pallca Mine manage the drainage of water in accordance with the EIA (Estudio Impacto Ambiental = Environmental impact study) and in compliance with the relevant legislation. For the Huanzala Mine, where acidic water is generated in the mine due to an abundance of sulfide of iron in ore, we focus particularly on thorough neutralization treatment of the water. The flotation plant at the Huanzala Mine is also advancing efforts to recycle water and striving to reduce the amount of water being used. The Huanzala Mine has obtained ISO 14001 certification.

## Management of the tailings dam

If an accident were to occur at a tailings dam, where tailings are managed and stored, it could have an enormous impact on the surrounding environment and communities. We regards the leakage incidents of tailings dams as one of the major risks in the mining business and manages tailings dams in accordance with applicable technical guidelines and manuals. In FY2020, earthquake-resistant construction was carried out at one domestic tailings dam.

The amount of tailings reclaimed at overseas mines in FY2020 is 274,656 tons \*1 at the Huanzala Mine.

\*1 Ores mined at the Pallca Mine are being processed at the flotation plant at the Huanzala Mine, and therefore, the amount of tailings at the Huanzala Mine includes the amount originating from the Pallca Mine.

## Closure plan

We have drawn up closure plans of mines subject to applicable laws, and guarantee or accumulate expenses for closure to minimize the environmental impact and risk after closure. In FY2020, we removed sediments from the former waste rock storages and planted grass on the sites as preparatory work for the closure of the Huanzala Mine.

Mine	Closure plan	Amount of guaranteed/accumulated expenses (FY2020)
Huanzala Mine (Peru)	Planned	9.4million US dollars
Pallca Mine (Peru)	Planned	2.4million US dollars
Akeshi Mine (Kagoshima, Japan)	Not planned	252.1million yen *2

\*2 The amount of accumulated funds for the Akeshi Mine indicated in the table is that for a tailings dam located at a refinery related to the mine.

## Management of suspended and closed mines

Even for mines that have been suspended or closed, wastewater processing and disposal management continue to be performed in compliance with the Mine Safety Act and related environmental laws. We are managing the maintenance of the tailings dams and the former mine entrance, conducting neutralization treatment of acid mine drainage that includes heavy metals, and performing the monitoring of water quality. We also visit and check the area, as well as perform environmental audits, on a regular basis in order to make sure that the mines are being properly managed. In FY2020, we reinforced the facilities to prevent torrential rains and sealed off the former mine entrances.

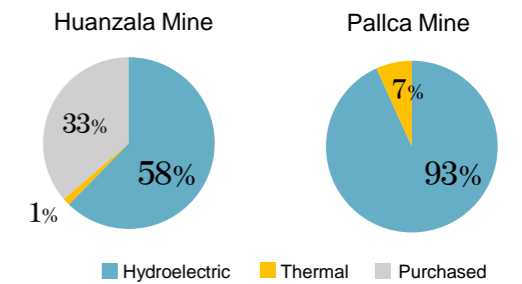
## Initiatives to conserve biodiversity

The areas surrounding the Huanzala Mine and Pallca Mine, which are situated at an elevation of over 3,000 meters, are home to flora and fauna that are unique to that particular environment. In order to minimize the impact of mine development and operations on these flora and fauna, we conduct appropriate treatment of acidic water, environmental baseline surveys, and bi-annual habitat surveys. In addition, training on biodiversity conservation is provided to employees upon joining the company and once a year.

## Use of renewable energy

The Huanzala Mine and Pallca Mine each own one hydroelectric power plant, and use the electricity generated in their operations.

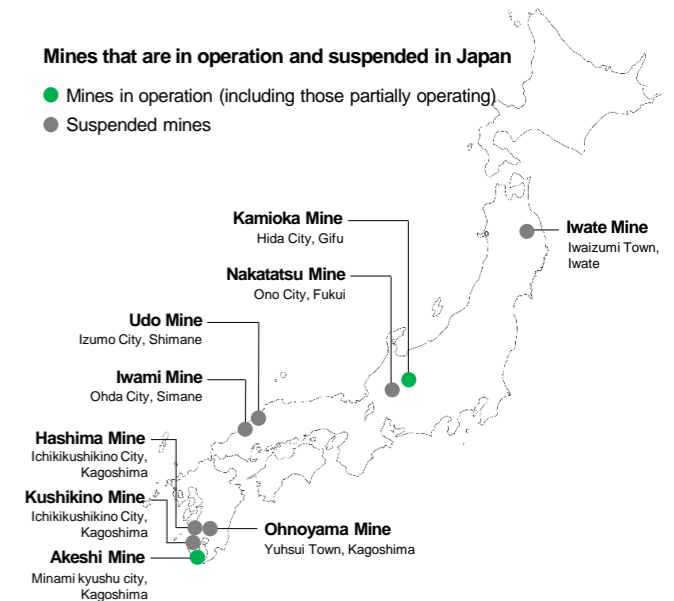
## Breakdown of annual electricity use by type (FY2020)



Water intake of the hydroelectric power plant (near the Pallca Mine)

## Mines that are in operation and suspended in Japan

● Mines in operation (including those partially operating)  
● Suspended mines



# Mitsui Kinzoku Group Sustainability Initiatives

In line with the materiality review (P18-19), we have compiled new commitments, targets (KPIs), and annual plans for each initiative. We have changed the title of this list from "Progress of Materiality" to "Sustainability Initiatives".

\* Since the cells marked with "—" are new items identified by the materiality review, there is no plan for FY2020.  
\* We have changed some plans for FY2020 from the Integrated Report 2020.

Item	Plans for FY2020	Performance in FY2020 and self assessment	[Assessment standards] △: Not achieved as planned ○: Achieved as planned ◎: Achieved more than planned	Commitment (FY2024)	Related SDGs	Targets (KPIs)	Plans for FY2021
<p>CSV standards (opportunities): Environmental and social standards of products</p> <p>The environmental contribution products system</p> <p>Materiality: Business Opportunities (CSV)</p> <p>01 Market co-creation 02 Material cycling 03 Response to CASE</p>	<p>- Set internal standards for LCA - Start training Life Cycle Assessment practitioners</p> <p>(Details are listed on P.24-25) (Details are listed on P.30-31) (Details are listed on P.32-33)</p>	- Conducted as planned	○	Ensure voluntary entries for the system from business units each fiscal year	G9·G11·G12·G13	Make the system work in full-scale	- LCA trial - Start running the system
<p>ESG risk management frameworks</p> <p>The environmental and safety management systems</p>	—	—	—	Continuously improve the management systems in accordance with ISO standards	G8·G9	1. Continuously operate and update the ISO management system at major manufacturing sites 2. Operate and improve the internal management system in accordance with ISO at small and non-manufacturing sites	1. Monitor and improve the management system at major manufacturing sites based on our related policies 2. Disseminate important points of the management system to small and non-manufacturing sites
Human rights due diligence	- Human rights DD at affiliated sites (7 in Japan and 1 overseas)	- Conducted as planned	○	Conduct human rights DD based on the human rights policy, identify risks, and implement effective measures	G1·G4·G5·G8·G10·G11·G16	1. Complete human rights DD for 85% of 56 manufacturing & development sites and affiliated companies which are closely related to those sites 2. Review survey results and improve the survey items	1. Conduct human rights DD at 6 affiliates (3 in Japan and 3 overseas) 2. Improve the questionnaire based on the results of human rights DD and updates of the RBA Code of Conduct
Supply chain management	1. Implement supplier SAQ to meet the medium- to long-term target of the 1 <sup>st</sup> cycle  2. Engage C-ranked suppliers and take corrective actions - Analyze SAQ assessment results and assess risks - Set medium- to long-term targets for FY21-24 - Request suppliers to implement procurement policy and obtain signed agreement form - Introduce new criteria for supplier selection	1. Critical supplier SAQ implementation rate 92%  2. Conducted as planned - One C-ranked supplier	△ (The medium- to long-term target)  ○	Effectively implement supplier DD to reduce critical risks in the supply chain	G1·G8·G12·G16	1. Achieve the 100% annual SAQ implementation rate for the target suppliers  2. Achieve the 100% engagement rate for corrective actions with C-ranked suppliers	1. Have target suppliers identified through risk assessment complete SAQ (Details are listed on P.55) 2. Take corrective actions for the C-ranked during the first cycle
Mining business management	1. Identify initiatives linked to materiality  2. Review the FY19 survey results for mines with a capital ratio of >50%, consider corrective actions, and conduct a survey	1. Conducted as planned. Formulated the Sustainability Action Plan for Mining Business 2. Conducted as planned	○	Reduce ESG risks specific to the mining business through appropriately managing materiality items	G3·G4·G6·G7·G8·G9·G12·G13·G15·G16	1. Implement the Sustainability Action Plan for Mining Business at mining sites (including closed mines) 2. Survey the operating mines with a capital ratio of >50% about human rights and environmental risk of mining business	1. Check the progress of FY21 initiatives and follow up on them. Verify the plan for the next fiscal year 2. Review FY20 survey results and consider corrective actions
<p>Materiality: ESG risk (Environment)</p> <p>04 GHG emissions</p>	1. Initiate TCFD efforts - Discuss governance structure for climate action 2. Consider expanding Scope 3 priority categories 3. Gather information on forest offsetting	1. Conducted as planned - Started in the metal business - Set up Climate action team  2. Conducted as planned  3. Conducted as planned	○	Remain on track to achieve a 26% reduction in GHG emissions by FY30	G13	1. Scope 1,2: Follow reduction targets  2. Scope 3: Reduce emissions in the priority categories  3. Initiate forest offsetting activities	1. Internally deploy TCFD scenario analysis - Disclose TCFD-related information - Incorporate GHG reduction targets into the 22 Medium-Term Management Plan 2. Formulate a medium- to long-term climate action policy including priority categories and reduction measures of GHG emissions 3. Explain about forest offsetting to internal stakeholders and find out about collaborating organization
05 Energy management	1. Monitor the operation of renewable energy facilities  2. Plan new renewable energy generation projects	1. Conducted as planned  2. Conducted as planned. Considered hydroelectric and solar power, and decided on one hydroelectric project	○	1. Investigate the potential for utilizing renewable energy and promote its introduction  2. Further deepen energy conservation by utilizing unused energy (e.g. waste heat)	G7·G9	1. 100% survey of new utilization of renewable energy  2. 100% survey on the potential of unused energy at sites in Japan	1. Survey available land (e.g. vacant land, roofs, water surface) - Disseminate our initiatives and the significance of renewable energy among employees and sites - Investigate the possibility of using renewable energy and cross using among sites 2. Technological study of unused energy

Item	Plans for FY2020	Performance in FY2020 and self assessment	[Assessment standards]				
			Commitment (FY2024)	Related SDGs	Targets (KPIs)	Plans for FY2021	
06 Water management	1. <ul style="list-style-type: none"> <li>- Identify the amount of water withdrawn by water sources</li> <li>- Research impacts of business on the water sources at each site</li> <li>- Aggregate the amount of water recycled and reused</li> <li>- Initiate setting management targets of major manufacturing sites</li> </ul> 2. <ul style="list-style-type: none"> <li>- Identify the amounts of emissions and upper limit regulations by destination and the quality of discharged water</li> <li>- For major sites that have environmental impacts by wastewater, initiate setting management targets for mitigating them according to regional circumstances</li> </ul>	1. Conducted as planned <ul style="list-style-type: none"> <li>- Sites in Japan and overseas</li> <li>- Sites in Japan. Overseas sites in FY21</li> <li>- Discussed management targets</li> </ul> 2. Conducted as planned <ul style="list-style-type: none"> <li>- Discussed management targets</li> </ul>	○	1. Assess water stress at each site, optimize water withdrawn, and minimize consumption 2. Ensure safe treatment of wastewater	G6	1. Reduce water consumption according to the result of the water stress assessment  2. Zero discharge of untreated wastewater into public waters (excluding clean spring water, unpolluted storm water, and discharge to sewerage system)	1. Identify major sites to be prioritized through the water stress assessment and start planning 3R 2. Monitor the latest laws and regulations and technological trends related to water quality control of discharged water, and if necessary, initiate to improve operations and facilities
07 Waste and hazardous materials	<ul style="list-style-type: none"> <li>- Consider setting targets and/or improving the ratio of recycled materials at major manufacturing sites that use recycled materials</li> <li>- Initiate setting targets for reducing the amount of waste or consider setting additional waste reduction targets at major sites</li> </ul>	<ul style="list-style-type: none"> <li>- Conducted as planned</li> </ul>	○	1. Strive to reduce using hazardous chemical substances and treat them appropriately, and minimize their release into the environment  2. Play a role in a resource-cycling society by using recycled materials and reducing waste at each business unit	G12	1. Hazardous chemical substances <ul style="list-style-type: none"> <li>- Identify the amount of emissions and transfers at each major site and set reduction targets</li> </ul> 2. Promote recycling and waste reduction <ul style="list-style-type: none"> <li>- Identify the final disposal volume of waste (not utilized in 3R and thermal recycle) at major sites, and set reduction targets</li> <li>- Identify the ratio of recycled materials and set targets, or improve the ratio at each site</li> <li>- Select good waste disposal companies, and confirm they treat properly</li> </ul>	1. Identify the amount of hazardous chemical substances emitted and transferred at target sites, and decide substances to manage with priority and possible reduction measures (substitution, process improvement) 2. <ul style="list-style-type: none"> <li>- Share Group's good practices of the effective use of waste (3R and thermal recycle)</li> <li>- Continuously aggregate the ratio of recycled materials and if possible, set targets or initiate to improve the ratio</li> </ul>
08 Impacts on biodiversity	<ul style="list-style-type: none"> <li>- Aggregate the survey results of current issues and initiatives at each site</li> <li>- Create action plans by referring to internal and external good practices and guide materials</li> <li>- Protect rare species in the development areas (Peru/Huanzala Mine)</li> </ul>	<ul style="list-style-type: none"> <li>- Conducted as planned</li> </ul>	○	1. Identify impacts of our business activities on biodiversity and prevent environmental damage  2. Effort to restore or offset the ecosystem where we directly developed or we use indirectly	G14•G15	1. Evaluate the impacts on ecosystems at sites and implement countermeasures  2. Offset the ecosystem services used directly or indirectly	1. Conduct assessment about impacts on ecosystems by referring to information provided by public institutions and citizen groups in each region 2. <ul style="list-style-type: none"> <li>- Plan and manage the progress of planting or other restoration on developed land</li> <li>- Develop a list of offset that we can support and participate in</li> </ul>
Materiality: ESG risks (Social) 09 Health and safety	<ul style="list-style-type: none"> <li>- Establish a lockout system</li> <li>- Promote intrinsic safety and enhance management systems to reduce risks leading to serious disasters</li> <li>- Thoroughly implement intrinsic safety and preventive management to avoid repeated accidents</li> </ul>	<ul style="list-style-type: none"> <li>- Confirmed the operation status of the lockout system at each site by the safety and environment audit</li> <li>- Evaluated the potential for serious disasters based on disaster information and shared statistical data with each business unit</li> <li>- Shared information on repeated accidents and discussed countermeasures</li> </ul>	△	1. Maintain a safe, hygienic, and healthy work environment where all employees can work worry free  2. Eliminate serious accidents	G8	1. Safe, hygienic, and healthy workplace <ul style="list-style-type: none"> <li>- Reduce the number of accidents resulting in no lost time or more &lt;30</li> <li>- Reduce the number of occupational accidents/diseases &lt;10. Especially for new (&lt;3 years of employment), young (&lt;25 years old), elderly (&gt;55 years old) employees and employees from foreign countries</li> </ul> 2. Eliminate serious accidents <ul style="list-style-type: none"> <li>- Reduce to zero: the number of serious accidents (fatal accidents)</li> <li>- Reduce to zero: the number of accidents that cause irreversible physical sequelae</li> <li>- Hazard simulation training</li> </ul>	1. <ul style="list-style-type: none"> <li>- Prioritize unskilled workers to participate in hazard awareness training</li> <li>- Test the monitoring of physical condition using biometric sensors</li> <li>- Workplace surveys</li> <li>- Create training materials and work manuals in multiple languages</li> </ul> 2. <ul style="list-style-type: none"> <li>- Expand the sources of hazards covered by the lockout system (residual energy, chemical systems)</li> <li>- Identify hazardous sources of facilities and operations to be removed, substituted, and isolated</li> <li>- Select and install VR equipment</li> </ul>
10 Human rights	1. Develop detailed regulations on Mitsui Kinzoku Group Human Rights Standards 2. Implement human rights training at Japan and the Southeast Asian sites	1. Discussed detailed regulations  2. Conducted some trainings	△	Implement the Group's mitigation measures for human rights risks identified in human rights DD	G1•G4•G5•G8•G10•G11•G16	1. Based on the results of human rights DD, identify priority theme and formulate policies/procedures 2. Design a human rights training program that includes the policies/procedures, and deploy it within the Group	Review the results of human rights DD, identify new issues and develop individual policies/procedures





Item	Plans for FY2020	Performance in FY2020 and self assessment	[Assessment standards]		Commitment (FY2024)	Related SDGs	Targets (KPIs)	Plans for FY2021
			△: Not achieved as planned	○: Achieved as planned				
Human resources development	1. <ul style="list-style-type: none"> <li>- Plan career training and prepare to implement the training</li> <li>- Prepare to launch a career support website for employees</li> <li>- Examine systems for autonomous career development</li> <li>- Train career consultants</li> <li>- Respond to COVID-19, switch from Group training to web-based training, and verify the learning platform</li> <li>- Trial ICT training for new employees</li> <li>- SDGs training for general managers</li> <li>- Training for business creation at research institutes</li> </ul> 2. <ul style="list-style-type: none"> <li>- Expand the scope of selective training to include national staff</li> <li>- Support establishing a training system at sites in China</li> </ul>	1. Conducted as planned  2. Conducted as planned	○		Strengthen the human resource base of the entire Group for value creation through developing employees who have their own will	G4•G8	1. Develop training measures to cultivate and respect employees' wills <ul style="list-style-type: none"> <li>- Build a system for employees' autonomous career development</li> <li>- Provide contents that incorporate sustainability</li> <li>- Implement Group-wide ICT training for ICT literacy</li> </ul> 2. Continue to open each training program to Group-wide employees of affiliates and national staff, enhance the contents, and provide equal learning opportunities	1. Review a human resource development system in line with the new personnel system <ul style="list-style-type: none"> <li>- Conduct career training, open career web site</li> <li>- Discuss the system for autonomous career development</li> <li>- Continue to develop career consultants</li> <li>- Expand the SDGs workshop and provide education on integrated thinking-based Management</li> <li>- Plan Group-wide ICT education</li> </ul> 2. <ul style="list-style-type: none"> <li>- Improve the training plan for national staff</li> <li>- Support local training in China</li> </ul>
Intellectual capital Intellectual property	<ul style="list-style-type: none"> <li>- Support research on new businesses</li> <li>- Apply for patents with high infringement probability</li> <li>- Continuously implement and improve IP training (for teleworkers)</li> <li>- Stably operate the IP management system during telework</li> </ul>	<ul style="list-style-type: none"> <li>- Conducted as planned</li> <li>- Conducted as planned. Percentage of applications for patents with high probability of infringement was equal to or higher than the previous year</li> <li>- Conducted as planned. Objective specific training (Web)</li> <li>- Conducted as planned. Went paperless, established a system for remote management</li> </ul>	○		1. Acquire intellectual property and protect technologies to support business and new initiatives related to environment and energy 2. Build a system for intellectual property activities 3. Develop human resources through intellectual property education that matches the type of job and job class	G4•G9	<ul style="list-style-type: none"> <li>- The number of applications for each business unit should be equal to or greater than that of the previous year. Increase the number of departments that use time stamps</li> <li>- Maintain the number of IP specialists assigned to each department</li> <li>- Implement 100% of planned in-house training</li> </ul>	<ul style="list-style-type: none"> <li>- Continue and improve support for new business research</li> <li>- Pre-survey on the 2022 Medium-Term Management Plan themes related to carbon neutral, energy creation</li> <li>- Promote applications related to the material cycling and CASE</li> <li>- Continuously implement and improve IP education (Web)</li> <li>- Study and promote introducing DX for IP management and research</li> </ul>
Quality assurance	1. Establish a compliance system in line with the Mitsui Kinzoku Group Quality Assurance Guidelines (QAGL)	1. Conducted as planned. Enabled self-checks, conducted internal quality compliance audits (Japan), started preparing for QAGL deployment (overseas)	○		Contribute to society and customers by optimizing the quality of products and services 1. Maintain a compliance system in line with the QAGL  2. Provide customers and society with information on product functions, costs, health and safety, and sustainability (e.g. environmental and social impacts)  3. Start design and development considering function, cost, health and safety, and sustainability 4. Disclose the status of initiatives annually	G3•G6•G8•G9•G12	1. Establish and operate a system for evaluation using the QAGL check sheet at target sites in Japan and overseas: 100%  2. All business units conduct evaluations using the "Information Provision Check Sheet" and implement guidelines: 100%  3. Evaluate all products and services using the Product and Service Design and Development Check Sheet: 100% 4. Disclose the initiatives through the Integrated Report and the website (once a year)	1. Establish a system and confirm through audits (Japan) <ul style="list-style-type: none"> <li>- Disseminate QAGL (overseas)</li> </ul> 2. <ul style="list-style-type: none"> <li>- Research relevant laws and regulations in each country</li> <li>- Develop information provision guidelines and check sheets</li> </ul> 3. Support establishing the environmental contribution product system and participate in its operation 4. Disclose initiatives 1-3 on the integrated report and our website
Social and relationship capital Community engagement	<ul style="list-style-type: none"> <li>- Promote green procurement for office supplies at headquarters</li> </ul>	<ul style="list-style-type: none"> <li>- Conducted as planned</li> </ul>	○		1. Continue current social activities and brush them up through engagement 2. Promote volunteer activities by employees 3. Contribute to sustainable consumption	G12•G13•G17	1. Initiate engagement  2. Provide a platform for volunteer activities  3. <ul style="list-style-type: none"> <li>- Use locally produced foods at cafeterias and in-house stores at the sites</li> <li>- Implement measures to reduce food loss in the cafeterias and the in-house stores</li> <li>- Switch office supplies to green procurement</li> </ul>	1. Survey the actual status of engagement using internal questionnaire 2. Research on possible volunteer activities  3. <ul style="list-style-type: none"> <li>- Survey the actual status of sustainable consumption at each site</li> <li>- Conduct a briefing session on sustainable consumption at each site</li> </ul>

# 11-Year Summary of Selected Financial Data

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

Millions of yen

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Consolidated Financial Highlights</b>												
Net sales		446,487	431,058	417,219	441,046	473,274	450,553	436,330	519,215	497,701	473,109	522,936
Operating income		30,208	20,903	16,557	25,743	31,835	11,137	38,461	49,529	18,222	13,037	51,124
Ordinary income		34,010	19,168	16,194	13,656	21,096	(11,284)	31,047	11,239	17,755	9,318	51,265
Profit attributable to owners of parent		21,160	11,531	9,910	3,662	17,237	(20,926)	18,674	(708)	4,691	1,566	44,771
Capital expenditures		21,829	29,226	22,601	27,160	28,906	28,446	37,718	40,509	36,119	33,999	28,176
Depreciation		22,707	22,781	23,952	24,178	25,146	25,066	24,414	26,634	27,964	28,970	33,882
Research and Development expenditures		4,623	4,967	5,867	5,795	6,265	6,575	7,163	8,015	9,523	10,125	10,571
Cash flows from operating activities		22,545	30,992	38,058	38,003	37,245	50,397	24,218	52,436	40,696	36,107	27,565
Cash flows from investing activities		(26,286)	(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)	(16,324)
Free cash flows		(3,741)	(47)	(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274	11,241
Total assets		411,027	413,106	438,072	503,825	538,646	484,800	518,981	518,705	523,315	537,119	595,107
Net assets		134,452	140,175	155,049	169,867	207,106	179,566	184,421	178,652	179,673	173,255	210,560
Shareholders' equity		140,817	148,840	154,397	156,280	170,994	146,469	161,713	157,271	159,207	157,296	197,874
Interest-bearing debt		171,459	169,263	180,372	218,500	210,390	191,733	207,421	208,418	216,878	233,070	247,930
<b>Per share of common stock</b>												
EPS (Earnings per share) ※1	Yen	370.25	201.78	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43	784.01
BPS (Net assets per share) ※1	Yen	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	3,484.21
Cash dividends per share ※1	Yen	60	30	30	40	60	60	70	70	70	70	85
Dividend payout ratio	%	16.2	14.9	17.3	62.4	19.9	-	21.4	-	85.2	255.2	10.8
DOE (Dividend on equity ratio) ※2	%	2.4	1.2	1.1	1.5	2.0	2.3	2.5	2.5	2.5	2.5	2.5
<b>Financial Ratios</b>												
ROE (Return on equity)	%	17.8	9.0	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9	24.6
ROA (Return on assets)	%	8.2	4.7	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8	9.1
Net D/E ratio		1.17	1.15	1.13	1.26	0.98	1.03	1.10	1.11	1.15	1.22	1.09
Equity ratio	%	30.6	31.9	33.5	31.9	36.6	35.0	33.5	32.4	32.5	30.7	33.4

※1 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 2011.

※2 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.

# Consolidated Balance Sheets

Millions of yen

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

	2020	2021
Millions of yen		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits (Notes 5 and 15)	¥ 32,677	¥ 30,413
Notes and accounts receivable (Note 15):		
Trade	78,523	103,687
Unconsolidated subsidiaries and affiliates	5,455	9,522
Inventories (Note 3)	121,514	150,133
Derivatives (Notes 15 and 16)	2,167	968
Other current assets	22,729	19,295
Less: Allowance for doubtful accounts	(212)	(193)
Total current assets	262,856	313,827
<b>Property, plant and equipment (Note 7):</b>		
Land	34,245	31,501
Buildings and structures	187,204	197,675
Machinery and equipment	388,292	483,277
Leased assets	6,031	6,398
Construction in progress	12,067	9,778
Others	55,277	58,474
	683,118	787,106
Less: Accumulated depreciation	(493,993)	(587,068)
Total property, plant and equipment	189,124	200,037
<b>Investments and other assets:</b>		
Investment securities (Notes 4 and 15):		
Unconsolidated subsidiaries and affiliates	56,551	45,882
Others	9,429	11,330
Loans receivable:		
Unconsolidated subsidiaries and affiliates	—	—
Others	435	423
Deferred tax assets (Note 14)	5,174	5,875
Asset for retirement benefits (Note 17)	3,769	7,019
Others	9,855	10,794
Less: Allowance for doubtful accounts	(78)	(83)
Total investments and other assets	85,137	81,242
<b>Total assets</b>	<b>¥ 537,119</b>	<b>¥ 595,107</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Notes and accounts payable (Note 15):		
Trade	38,975	42,338
Unconsolidated subsidiaries and affiliates	2,942	3,972
Others	17,881	19,095
Short-term borrowings and commercial papers (Notes 6 and 15)	69,459	73,613

	2020	2021
Current portion of long-term debt (Notes 6 and 15)	¥ 28,727	¥ 25,496
Current portion of lease liabilities	485	1,186
Accrued income taxes	1,986	2,891
Accrued expenses	8,785	9,877
Provision for product warranties	1,147	936
Provision for loss on construction contracts	80	0
Provision for improvement of business structure	2	249
Provision for loss on disposal of inventories	321	178
Derivative liabilities (Notes 15 and 16)	1,423	854
Other current liabilities	13,820	14,505
Total current liabilities	186,040	195,196
<b>Long-term liabilities:</b>		
Long-term debt (Notes 6 and 15)	134,883	148,821
Lease liabilities	2,652	1,790
Directors' and corporate auditors' retirement benefits	598	610
Deferred tax liabilities (Note 14)	1,260	5,618
Provision for environmental countermeasures	803	757
Provision for preventing environmental pollution in mineral, mining, and other operations	722	705
Provision for loss on litigation	116	116
Asset retirement obligations (Note 21)	3,727	3,753
Liability for retirement benefits (Note 17)	26,776	26,528
Other long-term liabilities	6,281	647
Total long-term liabilities	177,823	189,349
Total liabilities	363,863	384,546
<b>Commitments and contingent liabilities (Note 8)</b>		
<b>Net Assets (Note 9):</b>		
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	93,159	133,739
Less: Treasury stock		
190 thousand shares in 2020 and 189 thousand shares in 2019	(623)	(625)
Total shareholders' equity	157,296	197,874
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	659	3,059
Deferred gains (losses) on hedges, net of tax	(174)	(552)
Foreign currency translation adjustments	7,275	(2,696)
Accumulated adjustments for retirement benefit (Note 17)	(322)	1,283
Total accumulated other comprehensive income	7,436	1,093
Non-controlling interests in consolidated subsidiaries	8,522	11,591
Total net assets	173,255	210,560
<b>Total liabilities and net assets</b>	<b>¥ 537,119</b>	<b>¥ 595,107</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

Millions of yen

	2020	2021
<b>Net sales</b> (Note 13)	¥ 473,109	¥ 522,936
<b>Cost of sales</b> (Notes 3 and 11)	403,460	420,717
Gross profit	69,648	102,219
<b>Selling, general and administrative expenses</b> (Notes 10 and 11)	56,611	51,094
Operating income	13,037	51,124
<b>Non-operating income (expenses):</b>		
Interest and dividend income	1,643	3,141
Interest expense	(1,749)	(1,670)
Foreign exchange gains (losses)	(2,241)	1,013
Investment losses on equity method	(1,429)	(1,673)
Real estate rent	708	508
Other, net	(651)	(1,179)
	(3,719)	140
Ordinary income (Note 13)	9,318	51,265
<b>Extraordinary income (losses):</b>		
Gain on sale of property, plant and equipment (Note 12)	175	8,350
Loss on sale and disposal of property, plant and equipment (Note 12)	(2,286)	(2,227)
Gain on sale of investment securities	45	9,666
Loss on sales of shares of subsidiaries	(812)	—
Gain on sales of shares of subsidiaries and associates (Note 23)	—	13,450
Loss on step acquisitions	—	(1,500)
Loss on Transfer of Interest in the Copper Mine (Note 24)	—	(20,482)
Loss on warranty claims related to the automotive parts	—	(2,926)
Other, net (Notes 12 and 19)	(645)	(880)
	(3,523)	3,449
<b>Profit before income taxes</b>	5,794	54,714
<b>Income taxes</b> (Note 14):		
Current	5,267	5,611
Deferred	(1,185)	2,909
	4,082	8,521
<b>Profit</b>	1,712	46,193
<b>Profit attributable to non-controlling interests</b>	146	1,421
<b>Profit (loss) attributable to owners of parent</b>	¥ 1,566	¥ 44,771
<b>Amounts per share of common stock:</b>	Yen	Yen
Basic earnings per share (Note 18)	¥ 27.43	¥ 784.01
Cash dividends applicable to the year	70.00	85.00

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, 2020 and 2021

Millions of yen

	2020	2021
<b>Net income</b>	¥ 1,712	¥ 46,193
<b>Other comprehensive income:</b>		
Net unrealized gains (losses) on securities, net of tax	(898)	2,342
Deferred gains (losses) on hedges, net of tax	1,757	(182)
Foreign currency translation adjustments	(4,346)	5,156
Remeasurements of defined benefit plans, net of tax	(36)	1,569
Share of other comprehensive income (loss) of associates accounted for using equity method	(63)	(15,069)
Total other comprehensive income (loss) (Note 22)	(3,588)	(6,184)
<b>Comprehensive income (loss)</b>	¥ (1,875)	¥40,008
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	¥ (1,844)	¥38,429
Comprehensive income (loss) attributable to non-controlling interests	(31)	1,579

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, 2020 and 2021

Millions of yen

2020	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2019</b>	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						
<b>Balance at March 31, 2020</b>	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)
<b>Balance at April 1, 2019</b>	¥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 of consolidated subsidiaries							366
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)
<b>Balance at March 31, 2020</b>	¥659	¥(174)	¥7,275	¥(322)	¥7,436	¥8,522	¥173,255

See accompanying notes to consolidated financial statements.

Millions of yen

2021	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2020</b>	57,296	¥42,129	¥22,631	¥93,159	¥(623)	¥157,296
Cash dividends paid				(3,997)		(3,997)
Profit attributable to owners of parent				44,771		44,771
Effect of changes in accounting period of consolidated subsidiaries				(195)		(195)
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						
<b>Balance at March 31, 2021</b>	57,296	¥42,129	¥22,631	¥133,739	¥(625)	¥197,874

	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)
<b>Balance at April 1, 2020</b>	¥659	¥(174)	¥7,275	¥(322)	¥7,436	¥8,522	¥173,255
Cash dividends paid							(3,997)
Profit attributable to owners of parent							44,771
Effect of changes in accounting period of consolidated subsidiaries							(195)
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	2,400	(377)	(9,971)	1,606	(6,342)	3,069	(3,272)
<b>Balance at March 31, 2021</b>	¥3,059	¥(552)	¥(2,696)	¥1,283	¥1,093	¥11,591	¥210,560

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2021

Millions of yen

	2020	2021
<b>Cash flows from operating activities:</b>		
Profit before income taxes	¥ 5,794	¥ 54,714
Depreciation and amortization	28,970	33,882
Loss on impairment of fixed assets (Note 19)	363	329
Gain and loss on sale of investment securities	777	(9,665)
Gain on sales of shares of subsidiaries and associates (Note 23)	—	(13,450)
Loss (gain) on sale of property, plant and equipment, net (Note 12)	(43)	(8,086)
Loss on disposal of property, plant and equipment (Note 12)	2,154	1,963
Increase (decrease) in allowance for doubtful accounts	36	(34)
Increase (decrease) in liability for retirement benefits	755	465
Interest and dividend income	(1,643)	(3,141)
Interest expense	1,749	1,670
Foreign exchange losses (gains)	262	(503)
Investment losses (gains) on equity method	1,429	1,673
Loss on transfer of interest in the copper mine (Note 24)	—	20,482
Loss on step acquisitions	—	1,500
Decrease (increase) in notes and accounts receivable	1,540	(25,287)
Decrease (increase) in inventories	(12,416)	(23,565)
Increase(decrease) in notes and accounts payable	10,286	1,064
Other, net	(3,273)	(3,091)
Subtotal	36,741	30,919
Interest and dividend received	2,131	3,411
Interest paid	(1,762)	(1,692)
Income taxes paid	(6,772)	(6,571)
Income taxes refund	5,221	717
Other, net	547	782
<b>Net cash provided by operating activities</b>	<b>36,107</b>	<b>27,565</b>
<b>Cash flows from investing activities:</b>		
Purchases of investment securities	(3,315)	(187)
Proceeds from sale of investment securities	39	11,033
Proceeds from sales of shares of subsidiaries and associates	—	13,700
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,786)
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	(31,412)	(28,573)
Proceeds from sale of property, plant and equipment	624	15,934
Payments for retirement of property, plant and equipment and other assets	(1,319)	(1,264)
Decrease (increase) in short-term loans receivable, net	(40)	8,597
Payments for transfer of interest in the copper mine	—	(32,836)
Other, net	(546)	57
<b>Net cash used in investing activities</b>	<b>(34,833)</b>	<b>(16,324)</b>

Millions of yen

	2020	2021
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings and commercial papers	12,269	(3,566)
Proceeds from long-term debt	31,271	31,378
Repayment of long-term debt	(26,479)	(27,836)
Repayment of lease liabilities	(714)	(716)
Issuance of bonds	10,000	10,000
Redemption of straight bonds	(10,000)	(20,000)
Cash dividends paid	(3,997)	(3,997)
Dividends paid to non-controlling interests	(1,064)	(432)
Other, net	(51)	(68)
<b>Net cash provided by (used in) financing activities</b>	<b>11,232</b>	<b>(15,240)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(584)</b>	<b>1,014</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,923</b>	<b>(2,984)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>21,524</b>	<b>32,666</b>
<b>Effect of exclusion of consolidated subsidiaries</b>	<b>—</b>	<b>—</b>
<b>Effect of changes in accounting period of consolidated subsidiaries</b>	<b>(781)</b>	<b>720</b>
<b>Cash and cash equivalents at end of year (Note 5)</b>	<b>¥32,666</b>	<b>¥30,402</b>

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, 2020 and 2021

## 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, 2021, which was ¥110.71 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 53 significant subsidiaries (the "Companies"). One subsidiary was excluded from the scope of consolidation from the fiscal year ended March 31, 2021 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 7 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.

Previously, the 7 significant subsidiaries were consolidated on the basis of their financial statements for the fiscal year ended December 31. From the fiscal year ended March 31, 2021, 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, 2020 to March 31, 2020 was reflected directly to retained earnings in the fiscal year ended March 31, 2021. As a result, retained earnings decreased by ¥195 million (\$1,761 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 2020 and 2021.

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 2021 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.

**(Significant accounting estimates)****1. Valuation of inventories****(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2021**

Merchandise and finished goods	¥53,598 million (\$484,129 thousand)
Work in progress	¥35,138 million (\$317,387 thousand)
Raw materials and supplies	¥61,396 million (\$554,565 thousand)

**(2) Information on the nature of significant accounting estimates for identified items**

Inventories are measured at the acquisition cost, however, if the net realizable value or replacement cost are lower than the acquisition costs at the end of the year, inventories are measured at the net realizable value or replacement cost, and the difference from the acquisition cost is recorded as an expense for the period. In addition, the carrying amounts of slow-moving and obsolete inventories are written down to the estimated disposal value. If the market environment deteriorates and the net realizable value declines significantly, a loss could arise.

**2. Recoverability of deferred tax assets****(1) Deferred tax assets recorded in the consolidated financial statements for the year ended March 31, 2021**

Deferred tax assets	¥5,875 million (\$53,066 thousand)
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**(2) Information on the nature of significant accounting estimates for identified items**

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which future deductible temporary differences, etc. can be utilized.

Deferred tax assets are recognized based on the estimated timing and amount of taxable income based on future business plans. The estimates could be affected by factors such as changes in uncertain future economic conditions. If the estimates differ from the actual timing and amount of taxable income, this could have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

Regarding COVID-19 impact, Mitsui Kinzoku Group continues business activities while implementing strict measures in response to the pandemic. However, the pandemic has wide-reaching effects on economic and business activities, and it is difficult to predict factors such 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 considers the external information available as of the end of the fiscal year.

**(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, 2021)

**(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 Fair 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 Fair Value of Financial Instruments" was revised and it established new notes of the breakdowns of every fair value of financial instruments and other.

#### (2) Effective 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 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.

#### (Changes in presentation)

##### (1) Consolidated statements of income

"Gain on sale of Investment securities" that had been presented under "Other, net" under "Extraordinary income (losses)" in the previous fiscal year exceeded ten percent of the total amount of extraordinary income, and has therefore been presented separately under "Extraordinary income (losses)" in the current fiscal year.

"Insurance claim income" 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.

The presentation for the year ended March 31, 2020 was reclassified to reflect this change to the comparative information.

As a result, ¥484 million that was presented as "Insurance claim income" and ¥(1,084) million that was presented as "Other, net" under "Extraordinary income (losses)" in the consolidated statements of income for the year ended March 31, 2020 have been restated as "Gain on sale of investment securities" of ¥45 million and "Other, net" of ¥(645) million..

##### (2) Consolidated Statements of Cash Flows

"Gain on sale of investment securities" that had been presented under "Other, net" in the cash flow from operating activities section of the consolidated statements of cash flows in the previous fiscal year become more important, and has therefore been presented separately under "Other, net" in the current fiscal year.

"Loss on disaster" that had been presented under "Other, net" on the subtotal in the cash flow from operating activities section of the consolidated statements of cash flows in the previous fiscal year become more important, and has therefore been reclassified to "Other, net" under the subtotal in the cash flow from operating activities section of the consolidated statements of cash flows in the current fiscal year. The presentation for the year ended March 31, 2020 was reclassified to reflect this change to the comparative information.

As a result, ¥(2,657) million that was presented as "Other, net" and ¥708 million that was presented as "Other, net" under the subtotal in the cash flow from operating activities section of the consolidated statements of cash flows in the previous fiscal year have been restated as "Gain on sale of investment securities" of ¥777 million, "Other, net" on the subtotal in the cash flow from operating activities section of ¥(3,273) million and "Other, net" under the subtotal in the cash flow from operating activities section of ¥547 million.

##### (Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company and its subsidiaries adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

### 3. Inventories

Inventories at March 31, 2020 and 2021 consisted of the following:

	Millions of yen	
	2020	2021
Merchandise and finished goods	¥41,081	¥53,598
Work in process	29,536	35,138
Raw materials and supplies	50,897	61,396
Total	¥121,514	¥150,133

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, 2020 and 2021 respectively as follows:

	Millions of yen	
	2020	2021
Cost of sales	¥1,202	¥(2,792)
Total	¥1,202	¥(2,792)

### 4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2020 and 2021 were as follows:

	Millions of yen		
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

	Millions of yen		
Year ended March 31, 2021	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥6,832	¥2,757	¥4,074
Subtotal	6,832	2,757	4,074
Securities whose book value does not exceed acquisition cost:			
Stocks	247	251	(3)
Subtotal	247	251	(3)
Total	¥7,079	¥3,008	¥4,070

(b) Available-for-sale securities sold for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Total sale amount	Stocks ¥39	¥11,034
Gains	Stocks 23	9,666
Losses	Stocks -	0

### 5. Amounts of Cash and Cash Equivalents

(a) Amounts of cash and cash equivalents

Amounts of cash and cash equivalents at March 31, 2020 and 2021 were reconciled with cash and deposits as follows:

	Millions of yen	
	2020	2021
Cash and deposits	¥32,677	¥30,413
Time deposits with maturities exceeding three months from the date of deposit	(11)	(11)
Total : Cash and cash equivalents	¥32,666	¥30,402

(b) Breakdown of the main assets and liabilities of companies that newly became consolidated subsidiaries by the acquisition of shares

Hibi Smelting Co., Ltd. and its subsidiary, Hibi Kyodo Smelting Co., Ltd., were newly consolidated through the acquisition of their shares. The breakdown of acquired assets and assumed liabilities and the relationship between the acquisition cost of shares and the expenditures (net) due to the acquisition are as follows:

	Millions of yen	
	2021	
Current assets	¥10,114	
Fixed assets	27,835	
Goodwill	703	
Current liabilities	(32,578)	
Non-controlling interests	(1,923)	
Acquisition cost of shares	4,152	
Fair value of common shares held by the Company before the acquisition date	(1,352)	
Cash and cash equivalents	(13)	
Considerations of the acquisition, net	2,786	

## 6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2020 and 2021 consisted of the following:

	Millions of yen	
	2020	2021
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.230% to 9.632% and from 0.270% to 6.900% at March 31, 2020 and 2021, respectively.	¥44,459	¥52,613
Commercial paper with interest at annual rate of 0.05% and (0.08)% at March 31, 2020 and 2021, respectively.	25,000	21,000
	¥69,459	¥73,613

Long-term debt at March 31, 2020 and 2021 consisted of the following:

	Millions of yen	
	2020	2021
0.16 % yen unsecured straight bonds due in 2026	¥ –	¥10,000
0.22 % yen unsecured straight bonds due in 2024	10,000	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	–
0.76 % yen unsecured straight bonds due in 2020	10,000	–
Banks, insurance companies and other financial institutions, maturing through 2027 at interest rates ranging from 0.210% to 10.220% at March 31, 2021:		
Secured	621	740
Unsecured	102,282	123,228
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2021:		
Secured	708	348
Unsecured	–	–
	163,611	174,317
Less: Current portion	28,727	25,496
	¥134,883	¥148,821

The aggregate annual maturities of long-term debt at March 31, 2021 were as follows:

Year ending March 31,	Millions of yen
2022	¥25,496
2023	41,186
2024	28,708
2025	40,061
2026	33,308
Thereafter	5,556
Total	¥174,317

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.  
The 0.16% yen unsecured straight bonds due in 2026 were issued on March 4, 2021 by the Company.

## 7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Property, plant and equipment, net book value	¥7,339	¥6,565
	¥7,339	¥6,565

## 8. Contingent Liabilities

Contingent liabilities at March 31, 2020 and 2021 were as follows:

	Millions of yen	
	2020	2021
Notes receivable discounted	¥219	¥14
Notes and accounts receivable securitized with recourse	427	549
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	107,863	56,117
Others	289	257
	¥108,798	¥56,938

## 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, 2020 and 2021 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2019	57,296	189
Increase during the year	–	0
Decrease during the year	–	–
Balance at March 31 and April 1, 2020	57,296	190
Increase during the year	–	0
Decrease during the year	–	–
Balance at March 31, 2021	57,296	190

**(b) Dividends**

Dividends paid for the year ended March 31, 2021 were as follows:

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

Dividends included in the retained earnings at March 31, 2021 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2021	¥4,853
Total	¥4,853

**10. Selling, General and Administrative Expenses**

Principal items of selling, general and administrative expenses for the years ended March 31, 2020 and 2021 were as follows:

	2020	2021
Freightage related expenses	¥9,794	¥10,248
Salaries	10,070	9,833
Bonus and retirement pay	2,188	1,927
Provision for bonuses	1,703	1,812
Retirement benefit expenses	2,114	(382)
Provision for directors' and corporate auditors' retirement benefits	124	110
Provision for product warranties	17	279
Depreciation expense	2,166	2,313
Research and development/Exploration expenses	8,508	8,765

**11. Research and Development Expenses**

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥10,125 million and ¥10,571 million (\$95,483 thousand) for the years ended March 31, 2020 and 2021, respectively.

**12. Explanatory notes on extraordinary profit and loss****(a) Gain on sale of property, plant and equipment**

	Millions of yen	
	2020	2021
Buildings and structures	¥2	¥557
Machinery and equipment	58	43
Land	67	7,740
Others	47	9
Total	¥175	¥8,350

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

	Millions of yen	
	2020	2021
Buildings and structures	¥-	¥0
Machinery and equipment	59	36
Land	36	0
Others	35	227
Total	¥132	¥264

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

	Millions of yen	
	2020	2021
Buildings and structures	¥283	¥329
Machinery and equipment	1,256	1,420
Others	614	212
Total	¥2,154	¥1,963

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

	Millions of yen	
	2020	2021
Provision for allowance for doubtful accounts	¥-	¥0
Provision for allowance for improvement of business structure	2	233

**13. Segment Information**

The operations of the Companies for the years ended March 31, 2020 and 2021 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, 2020, which was restated in conformity with reorganization, was as follows:

Year ended March 31, 2020	Reported segments				Total	Adjustment	Consolidated
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination			
Sales:							
Outside customers	¥163,059	¥139,850	¥90,581	¥80,019	¥473,510	¥(400)	¥473,109
Inter-segment	6,134	25,091	-	30,686	61,912	(61,912)	-
Total	169,194	164,941	90,581	110,705	535,423	(62,313)	473,109
Segment profit	12,782	(1,472)	469	2,057	13,837	(4,519)	9,318
Segment assets	183,227	187,046	56,628	90,537	517,439	19,680	537,119
Depreciation expense	11,329	9,504	4,308	2,500	27,643	1,326	28,970
Amortization of goodwill and negative goodwill	-	-	-	-	-	-	-
Interest income	249	496	70	144	960	(514)	446
Interest expense	985	703	181	219	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	14,702	9,494	4,017	3,457	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 ¥19,680 million, consists of ¥(12,403) million for offset of receivables to the corporate administrative department, ¥(14,768) million for offset of inter-segment receivables, ¥50,547 million for Company-wide assets that do not belong to any reportable segments and ¥(3,695) 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, 2021 was as follows:

Year ended March 31, 2021	Reported segments				Total	Adjustment	Consolidated
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination			
Sales:							
Outside customers	¥197,730	¥161,724	¥81,079	¥86,792	¥527,327	¥(4,390)	¥522,936
Inter-segment	10,029	31,858	—	29,128	71,015	(71,015)	—
Total	207,760	193,582	81,079	115,920	598,342	(75,406)	522,936
Segment profit	26,522	22,824	1,912	2,564	53,824	(2,559)	51,265
Segment assets	210,132	217,228	58,686	94,571	580,619	14,487	595,107
Depreciation expense	10,942	14,921	4,115	2,586	32,565	1,316	33,882
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140
Interest income	277	280	52	67	677	(383)	293
Interest expense	1,172	488	80	159	1,901	(231)	1,670
Investment gains (losses) on equity method	81	(2,904)	—	982	(1,840)	167	(1,673)
Investment for companies accounted for using the equity method	4,129	21,031	—	15,199	40,360	(77)	40,283
Increase in property, plant and equipment, and intangible assets	9,501	11,632	2,326	2,311	25,773	2,402	28,176

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 ¥(2,559) million, consists mainly of ¥(1,080) million for Company-wide costs that do not belong to any reportable segments, ¥(948) million for adjustment of inventories and ¥(733) 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 ¥14,487 million, consists of ¥(24,383) million for offset of receivables to the corporate administrative department, ¥(19,931) million for offset of inter-segment receivables, ¥57,404 million for Company-wide assets that do not belong to any reportable segments and ¥1,397 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:

Year ended March 31, 2020	Reported segments						Consolidated
	Japan	China	India	Other Asian areas	North America	Other Areas	
Sales	¥260,353	¥60,193	¥27,211	¥68,444	¥38,502	¥18,404	¥473,109
Year ended March 31, 2021	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥255,975	¥71,269	¥53,710	¥83,019	¥26,326	¥32,634	¥522,936
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		
Year ended March 31, 2021	Japan	Asia	North America	Other Areas	Consolidated		
Property, plant and equipment	¥148,727	¥39,218	¥4,654	¥7,436	¥200,037		

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

Year ended March 31, 2020	Reported segments					Consolidated
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	
Loss on impairment of fixed assets	¥64	¥153	¥145	¥—	¥—	¥363
Year ended March 31, 2021	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	Consolidated
Loss on impairment of fixed assets	¥325	¥4	¥—	¥—	¥—	¥329

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

Year ended March 31, 2021	Reported segments					Consolidated
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	563	—	—	—	563

#### 【Information on gain on negative goodwill by reported segment】

Year ended March 31, 2020  
Not applicable.

Year ended March 31, 2021  
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, 2020 and 2021.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2020 and 2021 were as follows:

	2020	2021	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 76	¥ 67	
Excess accrued bonuses to employees	1,473	1,632	
Excess product warranties	241	169	
Liability for retirement benefits	8,220	8,076	
Provision for environmental countermeasures	235	221	
Loss on impairment of fixed assets	2,419	2,338	
Depreciation in excess of limit	1,474	962	
Enterprise taxes Accrued	183	315	
Unrealized profits and losses	3,392	3,801	
Operating loss carryforward for tax purposes (b)	8,894	28,292	
Net unrealized losses on securities	117	4	
Deferred losses on hedges	416	240	
Other	6,839	8,388	
Subtotal	33,984	54,509	
Valuation allowance for operating loss carryforward for tax purposes (b)	(6,576)	(27,132)	
Valuation allowance for deductible temporary differences	(12,842)	(13,583)	
Valuation allowance-total (a)	(19,418)	(40,716)	
Total deferred tax assets	¥ 14,566	¥ 13,793	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (350)	¥ (1,195)	
Deferred gains on hedges	(662)	(315)	
Retained earnings of foreign subsidiaries	(4,379)	(4,879)	
Asset for retirement benefits	(1,238)	(2,136)	
Excess depreciation for tax purposes	(2,347)	(2,511)	
Other	(1,675)	(2,498)	
Total deferred tax liabilities	(10,653)	(13,536)	
Net deferred tax assets (liabilities)	¥ 3,913	¥ 256	

(a) Valuation allowance increased by ¥21,779 million. The main reasons for the increase were increases in valuation allowance of ¥19,322 million for operating loss carryforward.

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

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.

Millions of yen

(2021)	2022	2023	2024	2025	2026	2027 and beyond	Total
Operating loss carryforward for tax purposes (1)	¥1,193	¥120	¥137	¥1,292	¥99	¥25,447	¥28,292
Valuation allowance	(1,009)	(120)	(131)	(1,130)	(99)	(24,642)	(27,132)
Net deferred tax assets	183	0	6	162	—	805	1,159

(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, 2020 and 2021.

	2020	2021
Statutory effective tax rate	30.5 %	30.5 %
Permanent difference due to non-deductible expense	4.8	0.4
Permanent difference due to non-taxable income	(51.9)	(6.4)
Effect of elimination of intercompany dividends received	52.1	6.1
Investment losses on equity method	7.5	0.9
Effect of exclusion of equity method affiliated companies	—	(52.3)
Valuation allowance	23.6	37.4
Others	3.7	(1.0)
Tax rate calculated based on the Companies' consolidated financial statements	70.4 %	15.6 %

## 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, 2020 and 2021 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, 2020	Book value	Fair value	Difference
<b>Assets:</b>			
(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)
<b>Total</b>	<b>¥ 127,201</b>	<b>¥ 126,953</b>	<b>¥ (248)</b>
<b>Liabilities:</b>			
(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
<b>Total</b>	<b>¥ 292,870</b>	<b>¥ 293,097</b>	<b>¥ 227</b>
Derivative transactions	¥ 744	¥ 744	¥ -

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

Millions of yen			
Year ended March 31, 2021	Book value	Fair value	Difference
<b>Assets:</b>			
(a) Cash and deposits	¥ 30,413	¥ 30,413	¥ -
(b) Notes and accounts receivable	113,209	113,209	-
(c) Investment securities	13,628	15,076	1,448
<b>Total</b>	<b>¥ 157,252</b>	<b>¥ 158,700</b>	<b>¥ 1,448</b>
<b>Liabilities:</b>			
(a) Notes and accounts payable	65,406	65,406	-
(b) Short-term borrowings and commercial papers	73,613	73,613	-
(c) Current portion of long-term debt	25,496	25,528	32
(d) Long-term debt	148,821	148,886	65
<b>Total</b>	<b>¥ 313,337</b>	<b>¥ 313,435</b>	<b>¥ 97</b>
Derivative transactions	¥ 177	¥ 177	¥ -

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**

Classification	Consolidated balance sheet amount		Millions of yen
	2020	2021	
Unlisted equity securities	¥ 55,196	¥ 43,344	
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**

Year ended March 31, 2020	Millions of yen			
	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	-	-	-
<b>(c) Investment securities:</b>				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)				
	-	-	-	240
<b>Total</b>	<b>¥ 116,657</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ 240</b>

Year ended March 31, 2021	Millions of yen			
	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2026	April 1, 2026 to March 31, 2031	April 1, 2031 and thereafter
(a) Cash and deposits	¥ 30,413	¥ -	¥ -	¥ -
(b) Notes and accounts receivable	113,209	-	-	-
<b>(c) Investment securities:</b>				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)				
	-	-	-	240
<b>Total</b>	<b>¥ 143,623</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ 240</b>

**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, 2020 and 2021 were as follows:**

Currency-related derivatives		Millions of yen	
		2020	2021
<b>Type</b>			
<b>Forward contracts:</b>			
Selling:			
U.S. dollars:	Contract amounts	¥1,356	¥1,117
	Due over one year	-	-
	Fair value	(22)	(64)
	Net unrealized gains (losses)	(22)	(64)

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, 2020 and 2021 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Type	Hedged items	Millions of yen	
		2020	2021
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
	Contract amounts	¥15,546	¥6,518
	Due over one year	228	-
	Fair value	0	(87)
Buying:			
U.S. dollars:	Accounts payable		
	Contract amounts	¥1,298	¥4,719
	Due over one year	-	-
	Fair value	4	99
Euros:	Contract amounts	¥26	¥22
	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	-
Australian dollars:	Contract amounts	¥ -	¥53
	Due over one year	-	-
	Fair value	-	4

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	
		2020	2021
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
	Contract amounts	¥174	¥200
	Due over one year	-	-
	Fair value	(Note b)	(Note b)
Buying:			
U.S. dollars:	Accounts payable		
	Contract amounts	¥1	¥ -
	Due over one year	-	-
	Fair value	(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	
		2020	2021
Forward contracts:			
Raw materials and finished goods			
Selling:			
Zinc:	Contract amounts	¥7,906	¥15,206
	Due over one year	-	2,970
	Fair value	2,009	(410)
Lead:	Contract amounts	¥803	¥263
	Due over one year	-	-
	Fair value	(5)	2
Copper:	Contract amounts	¥225	¥ -
	Due over one year	-	-
	Fair value	(17)	-
Buying:			
Zinc:	Contract amounts	¥1,621	¥6,880
	Due over one year	-	92
	Fair value	(85)	31
Lead:	Contract amounts	¥2,474	¥1,644
	Due over one year	-	-
	Fair value	(215)	44
Copper:	Contract amounts	¥4,170	¥1,644
	Due over one year	1,615	-
	Fair value	(710)	684
Coal:	Contract amounts	¥971	¥1,128
	Due over one year	450	-
	Fair value	(132)	(125)

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	
	2020	2021
Balance at the beginning of the fiscal year	¥46,633	¥46,514
Service cost	3,026	2,878
Interest cost	149	101
Actuarial loss (gain)	108	364
Benefits paid	(2,139)	(2,277)
Past service costs (benefits)	3	(1,729)
Decrease by exclusion of consolidated subsidiaries	(1,249)	-
Other	(17)	153
Balance at the end of the fiscal year	¥46,514	¥46,004

**(b) Changes in plan assets**

	2020	2021
Balance at the beginning of the fiscal year	¥24,854	¥23,507
Expected return on plan assets	692	546
Actuarial gain (loss)	(1,475)	2,061
Contributions paid by the employer	1,030	996
Benefits paid	(656)	(700)
Decrease by exclusion of consolidated subsidiaries	(912)	—
Other	(25)	84
Balance at the end of the fiscal year	¥23,507	¥26,495

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

	2020	2021
Funded retirement benefit obligations	¥20,410	¥19,932
Plan assets	(23,507)	(26,495)
	(3,096)	(6,563)
Unfunded retirement benefit obligations	26,103	26,072
Net liability for retirement benefits at the end of the fiscal year	23,006	19,508
Liability for retirement benefits	26,776	26,528
Asset for retirement benefits	(3,769)	(7,019)
Net liability for retirement benefits at the end of the fiscal year	¥23,006	¥19,508

**(d) Retirement benefit costs**

	2020	2021
Service cost	¥3,026	¥2,878
Interest cost	149	101
Expected return on plan assets	(692)	(546)
Net actuarial loss (gain) amortization	1,464	(1,414)
Past service costs amortization	6	(168)
Total retirement benefit costs for the fiscal year	¥3,952	¥850

**(e) Remeasurements of defined benefit plans**

Millions of yen

	2020	2021
Past service costs	¥2	¥1,561
Actuarial gain (loss)	(78)	285
Total remeasurements of defined benefit plans for the fiscal year	¥(76)	¥1,847

**(f) Accumulated adjustments for retirement benefit**

	2020	2021
Prior service costs that are yet to be recognized	¥—	¥(1,561)
Net actuarial losses that are yet to be recognized	427	141
Total balance at the end of the fiscal year	¥427	¥(1,419)

**(g) Plan assets**

1. Plan assets comprise:

	2020	2021
Bonds	36%	36%
Equity securities	26%	30%
General insurance funds	33%	30%
Other	5%	4%
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, 2020 and 2021 are as follows:

	2020	2021
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 3.4 %	Mainly 2.5 %

## Defined contribution plans

Contributions to defined contribution plans amounted to ¥907 million and ¥921 million for the years ended March 31, 2020 and 2021, respectively.

**18. Earnings per Share of Common Stock**

Earnings per share of common stock at March 31, 2020 and 2021 were as follows:

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

Year ended March 31, 2021	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥44,771	57,106	¥784.01

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, 2020 and 2021 as follows:

Year ended March 31, 2020			
Location	Major use	Asset category	Millions of yen
Ohta City, Shimane Prefecture	Manufacturing facilities	Buildings and structures	¥112
		Machinery and equipment	40
		Other	0
Subtotal			153
Ishikawa District Fukushima Prefecture	Idle assets	Buildings and structures	69
		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.



Year ended March 31, 2021			
Location	Major use	Asset category	Millions of yen
Pyeongtaek-shi, Gyeonggi-do, Republic of Korea	Manufacturing facilities	Buildings and structures	¥244
		Machinery and equipment	37
		Other	2
		Subtotal	284
Others	Idle assets, Common assets	Buildings and structures	44
Total			¥329

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.

Due to a decline in demand in the domestic market of South Korea, the Company decided to end production and sales activities. Therefore, the Company reduced the carrying amount of the manufacturing facilities to zero and recognized an impairment loss as an extraordinary loss.

The carrying amounts of idle assets included in others 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. The amount of the reduction was recorded as an impairment loss in an extraordinary loss.

The carrying amounts of the common assets held to sale were reduced to net realizable value, which were measured at the estimated sales price.

## 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, 2020 and 2021 and account balance as of March 31, 2021 with Pan Pacific Copper Co., Ltd. was as follows:

	2020	2021	Millions of yen
Guarantees of bank loans	¥85,864	¥54,976	
Increase in short-term loans receivable, net	¥129	(6,445)	
Short term loans receivable	¥6,445	-	

2. Nippon Caserones Resources Co., Ltd. is no longer recognized as a related party due to the sale of all shares of this company in the year ended March 31, 2021. For this reason, the transaction amount is shown for the period during which Nippon Caserones Resources Co., Ltd. was a related party.

Of the funds required to operate the Caserones Copper Mine, the Company has loaned the additional amount of funds that it is obligated to bear as a condition for the transfer of rights and interests in the mine.

The relevant loans receivable has been transferred to JX Nippon Mining & Metals Corporation (JX).

The transaction amount for the years ended March 31, 2021 and account balance as of March 31, 2021 with Nippon Caserones Resources Co., Ltd. was as follows:

	2020	2021	Millions of yen
Loan of short-term loans receivable,	¥ -	¥6,266	
Collection of loans receivable	-	(6,266)	
Transfer of loan receivable	-	33,465	
Short term loans receivable	-	-	

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

MFN Investment LLC is no longer recognized as a related party due to the sale of all shares of this company in the year ended March 31, 2021.

For this reason, the transaction amount for the years ended March 31, 2021 and account balance as of March 31, 2021 with SCM Minera Lumina Copper Chile was as follows:

	2020	2021	Millions of yen
Guarantees of bank loans	¥21,218	¥ -	

### (b) Note about significant related parties

In the year ended March 31, 2021, 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.	2020	2021	Millions of yen
Total current assets	¥266,113	¥354,016	
Total non-current assets	200,353	2,889	
Total current liabilities	268,170	291,378	
Total long-term liabilities	82,281	278	
Total net assets	116,014	65,249	
Net sales	713,696	783,936	
Profit before income taxes	3,337	1,207	
Profit (loss)	1,602	627	

## 21. Asset Retirement Obligations

### Years ended March 31, 2020 and 2021

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 0.92% is used, and the expected period up to payment is based on number of recoverable years from launch of operations and estimated between 2 and 20 years from the next fiscal year.

In addition, during the fiscal year ended March 31, 2021, the company revised its estimate of mine closure costs, no longer using the 1.92% discount rate used in the previous fiscal year. As a result, there was an increase of ¥488 million (\$4,407 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 year ended March 31, 2021, 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 ¥24 million (\$216 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, 2021 as expenses, instead of recording them as asset retirement obligations under liabilities.

The companies use periods of time between 4 and 15 years from the date of occupancy to estimate the amount of the expenses.

The companies estimate the uncollectible amount of lease deposits as ¥294 million (\$2,655 thousand) in the fiscal year ended March 31, 2021.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2020 and 2021

	Millions of yen	
	2020	2021
Balance at the beginning of the fiscal year	¥ 3,341	¥ 3,816
Adjustments of the beginning balance due to the accounting period change	–	(141)
Increase due to acquisition of property, plant and equipment	0	–
Adjustments due to the passage of time	83	47
Decrease from execution of asset retirement obligations	(249)	(194)
Increase from changes of estimates	629	512
Impact of foreign currency translation	11	(217)
Balance at the end of the fiscal year	¥ 3,816	¥ 3,823

## 22. Consolidated Statements of Comprehensive Income

### Years ended March 31, 2020 and 2021

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	
	2020	2021
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥(1,211)	¥3,234
Reclassification adjustments	(21)	22
Subtotal, before tax	(1,233)	3,256
Tax (expense) or benefit	334	(914)
Subtotal, net of tax	(898)	2,342
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	3,383	1,756
Reclassification adjustments	(1,226)	(2,282)
Subtotal, before tax	2,157	(525)
Tax (expense) or benefit	(400)	343
Subtotal, net of tax	1,757	(182)
Foreign currency translation adjustments:		
Increase(decrease) during the year	(5,007)	5,156
Reclassification adjustments	660	–
Subtotal, net of tax	(4,346)	5,156
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	(104)	1,803
Reclassification adjustments	28	44
Subtotal, before tax	(76)	1,847
Tax (expense) or benefit	39	(278)
Subtotal, net of tax	(36)	1,569
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(590)	(2,454)
Reclassification adjustments	527	(12,614)
Subtotal, net of tax	(63)	(15,069)
Total other comprehensive income	¥(3,588)	¥(6,184)

## 23. Gain on sales of shares of subsidiaries and associates

The Company approved a resolution to make JX Metals Smelting Co., Ltd. (JX Smelting) a wholly owned subsidiary of JX Nippon Mining & Metals Corporation (JX) 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, transfers a part of its operations to 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 Smelting exchanges its shares with JX for cash consideration. These transactions were executed on April 1, 2020. The reason for the transaction is described in "Note25. Business Combinations."

As a result of the above transactions, the shares of JX Smelting held by the Company were transferred to JX with cash consideration and the Company recorded a gain on sales of shares of subsidiaries and associates of ¥13,450 million (\$121,488 thousand) for the year ended March 31, 2021.

## 24. Loss on Transfer of Interest in the Copper Mine

The Company approved a resolution to transfer all of its interest in the Caserones Copper Mine to JX Nippon Mining & Metals Corporation (JX) at a meeting of the Board of Directors held on November 9, 2020, and executed the transfer on February 5, 2021.

The Company had discussed the future position of the Caserones Copper Mine from the prospective of optimizing its business portfolio. As a result, the Company concluded that the transfer of the management resources allocated to the Caserones Copper Mine business were transferred into other businesses of the Company would contribute to improve the Company's corporate value, and so the Company executed the transfer of the interest.

As a result of the above transfer of interest, the Company recorded loss on transfer of interest in the copper mine of ¥20,482 million (\$185,005 thousand).

Details are as follows.

### 1. Net loss on sales of shares of subsidiaries and associates

Based on the resolution of the meeting of the Board of Directors held on November 9, 2020, MFN Investment LLC (hereinafter "MFI") and Nippon Caserones Resources Co., Ltd. (hereinafter "NCR") exchanged their shares with JX for cash consideration. As a result, MFI and NCR became wholly owned subsidiaries of JX.

As a result of the above share exchange, the Company transferred its shares of MFI and NCR to JX and received cash consideration from JX, and the Company therefore recorded net loss on sales of shares of subsidiaries and associates.

(1) Name of the company from which the Company received cash consideration  
JX Nippon Mining & Metals Corporation

(2) Date of the share exchange  
February 5, 2021

(3) Name and business of the company whose shares were transferred  
(i) MFN Investment LLC  
Business operations: Investment in a company whose purpose is to provide loans to Caserones copper and molybdenum mine

(ii) Nippon Caserones Resources Co., Ltd.  
Business operations: Business related to the Caserones copper and molybdenum mine

(4) Number of shares transferred, consideration, gain or loss, and ownership ratio after the transfer  
(i) MFN Investment LLC  
a. Number of shares transferred : 34 shares  
b. Consideration (cash) : ¥0 million  
c. Gain (loss) : ¥0 million (\$0 thousand) (gain)  
d. Ownership ratio after the transfer : –%

(ii) Nippon Caserones Resources Co., Ltd.  
a. Number of shares transferred : 3,220 shares  
b. Consideration (cash) : ¥0 million  
c. Gain (loss) : ¥(2,083) million (\$18,814 thousand) (loss)  
d. Ownership ratio after the transfer : –%

## 2. Loss on transfer of loan receivable

Based on a resolution of the meeting of the Board of Directors held on November 9, 2020, as a condition of the transfer of interest in the Caserones Copper Mine, the Company was required to lend to NCR the amount incurred for the mine operation that the Company should additionally bear and transfer the receivable to JX. As a result, the Company recorded a loss on the transfer of loan receivable.

(1) Name of company to be transferred loan receivable  
JX Nippon Mining & Metals Corporation

(2) Date of transfer  
February 5, 2021

(3) Consideration of transfer and loss (gain)  
a. Consideration of transfer ¥0 million  
b. Loss (gain) ¥18,399 million (\$166,190 thousand) (loss)

Note: The amount the Company lend to NCR additionally was 33,465 million yen (\$ 302,276 thousand).

## 25. Business Combinations

### 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) Accounting period of the acquired companies included in the consolidated financial statements

From April 1, 2020 to March 31, 2021

(3) 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

(4) Difference between the acquisition cost of the acquired company and the total amount of the consideration transferred for the acquisition

Loss on step acquisitions: ¥1,500 million

(5) Acquisition-related costs

Remuneration and fees for advisory and other services ¥10 million

(6) Amount of goodwill recognized, the factors that making up goodwill recognized, amortization method and useful life

1) Amount of goodwill recognized

¥703 million

2) The factors that making up goodwill recognized

It is mainly prospective excess earning power in the future acquired by the business development of Hibi Smelting.

3) Amortization method and useful life

The straight-line method for 5 years

(7) Amounts recognized as of the acquisition date for each major class of the assets acquired and the liabilities

Current assets: ¥10,114 million

Fixed assets: ¥27,835 million

Total assets: ¥37,950 million

Current liabilities: ¥32,578 million

Total liabilities: ¥32,578 million



## 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, 2021 and 2020, 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 and 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, 2021 and 2020, and its consolidated financial performance and its consolidated 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Appropriateness of the amount of loss recognized on the transfer of interest in the copper mine

The key audit matter	How the matter was addressed in our audit
MITSUI MINING & SMELTING CO., LTD. (the "Company") recognized a loss on the transfer of interest in the copper mine of ¥20,482 million as an extraordinary loss in the consolidated statement of income for the year ended March 31, 2021. As described in Note 24 to the consolidated financial statements, "Loss on Transfer of Interest in	<p>The primary procedures we performed to assess whether the amount of loss recognized on the transfer of interest in the copper mine was appropriate included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to</p>

the Copper Mine", the loss included net loss on sales of shares of subsidiaries and associates of ¥2,083 million and a loss on the transfer of loan receivable of ¥18,399 million.

The Company invested in the Caserones Copper Mine in the Republic of Chile jointly with JX Nippon Mining & Metals Corporation ("JX") through its investments in MFN Investment LLC. ("MFI") and Nippon Caserones Resources Co., Ltd. ("NCR"), which were the Company's affiliates, accounted for using the equity method. MFI and NCR became wholly-owned subsidiaries of JX as a result of a share exchange for cash consideration in February 2021. Accordingly, the Company recognized a net loss on sales of shares of subsidiaries and associates. In addition, as a condition of the transfer of interest in the Caserones Copper Mine, the Company was required to lend to NCR the amount incurred for the mine operation that the Company should additionally bear and transfer the receivable to JX. The Company recognized a loss on the transfer of loan receivable as a result of the transaction executed in February 2021.

Since the transfer of the interest in the Caserones Copper Mine consists of several non-recurring transactions, such as the termination of the equity relationship and the transfer of loan receivable, and the carrying amount of the asset to be transferred is material, any errors in the analysis of the substance of the transactions and the related accounting treatment may have a significant effect on the consolidated financial statements.

We, therefore, determined that our assessment of the appropriateness of the amount of loss recognized on the transfer of interest in the copper mine was of the most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.

the loss on the transfer of interest in the copper mine, which was a non-recurring transaction. In this assessment, we focused our testing on controls designed to prevent and/or detect inappropriate accounting treatments through the assessment and approval by several persons with sufficient experience and knowledge.

#### (2) Assessment of the appropriateness of accounting treatments

In order to assess whether the amount of loss recognized on the transfer of interest in the copper mine, which is a non-recurring transaction, was appropriate, we primarily:

- assessed the economic rationality of the transaction by inquiring of management regarding the purpose of the transaction and understanding the overview of the transaction including the method of determining the transaction price through inspecting relevant documents such as the minutes of the board of directors' meeting, the materials for the management meeting and major contracts;
- compared the consideration for the shares of MFI and NCR with the letter of intent;
- examined whether the recognized amount of net loss on sales of shares of subsidiaries and associates was accurate by recalculating the carrying amounts of shares of MFI and NCR in the consolidated financial statements;
- compared the amount of the loan to NCR that was transferred to JX and the transaction price received from JX with the letter of intent; and
- examined whether the amount of loss recognized on the transfer of loan receivable was accurate based on the amount of the loan to NCR that was transferred to JX and the transaction price received from JX.

### 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 with regard to 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.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 29, 2021

### 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.

# ESG data

## Governance

### Profile of Directors and Corporate Auditors (As of June 2021)

President and Representative Director

#### NOU Takeshi

April 1986	Entered the Company
June 2010	Mitsui Copper Foil (Malaysia) Sdn.Bhd. Managing Director
October 2013	General Manager of Recycling Business Promotion Group, Metals, Minerals & Engineering Sector
April 2014	Executive Officer, Senior General Manager of Technology Management Division, Metals & Recycling Division, Metals Sector
April 2015	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
June 2015	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
October 2015	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
April 2016	Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector
April 2020	Vice President, Representative Director, Executive Vice President, Senior General Manager of Business Creation Sector
April 2021	President and Representative Director (current positions)

Representative Director Senior Managing Director, Senior Managing Executive Officer

#### KIBE Hisakazu

April 1985	Entered the Company
April 2009	General Manager of Finance & Accounting Department, Automotive Parts & Components Division, Parts Production Sector
October 2013	Director, Senior Executive Officer, Senior General Manager of Planning & Administrative Sector, General Manager of Planning Department, Mitsui Kinzoku ACT Corporation
April 2014	Executive Officer, Assistant to Senior General Manager of Metals Sector
June 2014	Executive Officer of the Company, Director, Executive Officer of Pan Pacific Copper Co., Ltd.
October 2015	Senior Executive Officer, Deputy Senior General Manager of Affiliates Coordination Strategic Sector
January 2016	Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector, General Manager of Copper Business Strategic Division, Metals Sector
April 2018	Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
June 2020	Director, Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
April 2021	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
June 2021	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Corporate Planning & Control Sector (current positions)

Senior Managing Director

#### OSHIMA Takashi

April 1981	Entered the Company
October 2009	President and Representative Director of MCS, Inc.
April 2013	Deputy Senior General Manager of Materials & Applications Sector, General Manager of Affiliates Coordination Division
June 2013	Executive Officer, Deputy Senior General Manager of Materials & Applications Sector, General Manager of Affiliates Coordination Division
April 2014	Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
June 2014	Director, Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
January 2016	Director, Senior Executive Officer, CRO, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department, Corporate Planning & Control Sector
April 2016	Director, Senior Executive Officer, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department, Corporate Planning & Control Sector
April 2021	Director, Senior Managing Executive Officer, Senior General Manager of Corporate Planning & Control Sector
June 2021	Senior Managing Director (current positions)

Director, Senior Executive Officer

#### TSUNODA Satoshi

April 1987	Entered the Company
April 2013	General Manager of Zinc Division, Metals, Minerals & Environmental Engineering Sector, Manager of Sales Department, Zinc Division, Metals, Minerals & Environmental Engineering Sector
June 2013	Executive Officer of the Company, General Manager of Zinc Division, Metals, Minerals & Environmental Engineering Sector
April 2014	Executive Officer of the Company, Deputy General Manager of Metals & Recycling Division, Metals Sector, Manager of Marketing Department, Metals & Recycling Division, Metals Sector
April 2015	Executive Officer of the Company, General Manager of Metals & Recycling Division, Metals Sector, Manager of Marketing department, Metals & Recycling Division, Metals Sector
October 2015	Executive Officer of the Company, Director, Executive Officer of Pan Pacific Copper Co., Ltd.
April 2018	Executive Officer of the Company, Deputy Senior General Manager of Metals Sector, General Manager of Copper Business Strategic Division, Metals Sector
April 2019	Senior Executive Officer, Senior General Manager of Metals Sector
April 2021	Senior Executive Officer, Senior General Manager of Metals Sector, General Manager of Business Planning Group, Metals Sector
June 2021	Director, Senior Executive Officer, Senior General Manager of Metals Sector (current positions)

Director, Executive Officer

#### MIYAJI Makoto

April 1986	Entered the Company
April 2010	General Manager of Technical Department, Battery Materials Division, Engineered Materials Sector
June 2011	General Manager of Battery Materials Strategic Division, Engineered Materials Sector, General Manager of Quality Assurance Department, Battery Materials Strategic Division, Engineered Materials Sector
April 2014	Executive Officer, General Manager of Battery Materials Division, Engineered Materials Sector, General Manager of Manufacture Department, Battery Materials Division, Engineered Materials Sector
April 2015	Executive Officer, General Manager of Catalysts Division, Engineered Materials Sector, General Manager of Manufacture Department, Catalysts Division, Engineered Materials Sector
October 2015	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Catalysts Division, Engineered Materials Sector, General Manager of Manufacture Department, Catalysts Division, Engineered Materials Sector
April 2016	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Engineered Powders Division, Engineered Materials Sector
April 2018	Executive Officer, General Manager of Human Resource Department, Corporate Planning & Control Sector, General Manager of Office of Secretariat, Corporate Planning Department, Corporate Planning & Control Sector
April 2021	Executive Officer, General Manager of Office of Secretariat, Corporate Planning Department, Corporate Planning & Control Sector
June 2021	Director, Executive Officer, Chief Environmental Safety Officer (current positions)

Outside Director

#### MATSUNAGA Morio

August 1977	Postdoctoral fellow, The University of Tennessee
September 1996	Professor, Faculty of Engineering, Kyushu Institute of Technology
April 2003	Professor, Department of applied science for integrated system engineering, Kyushu Institute of Technology
April 2010	President, Kyushu Institute of Technology
June 2016	Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology (current position)
June 2016	Outside Director of the Company (current position)
June 2018	Outside Auditor of KROSAKI HARIMA CORPORATION (current position)

Outside Director

#### TOIDA Kazuhiko

April 1975	Entered Nissan Motor Co., Ltd.
July 1999	General Manager of Domestic Parts Department, Parts Division, Nissan Motor Co., Ltd.
April 2001	Senior Vice President, Global Aftersales Business, Nissan Motor Co., Ltd.
April 2005	Senior Vice President, Japan Marketing & Sales, Chairman of MC-Dealer, Nissan Motor Co., Ltd.
April 2009	Executive Vice President, FALTEC Co., Ltd.
April 2009	Chairman and Board Director, ALTIA Co., Ltd.
April 2010	Representative Director, President and CEO, FALTEC Co., Ltd.
April 2017	Chairman of the Board and Representative Director, FALTEC Co., Ltd.
June 2017	Senior Adviser, FALTEC Co., Ltd.
April 2018	Executive Board Member, Rikkyo Educational Corporation
June 2020	Outside Director of the Company (current position)
September 2020	Chairperson of the Board, Rikkyo Educational Corporation (current position)

Outside Director

#### TAKEGAWA Keiko

April 1981	Entered Prime Minister's Office (Presently Cabinet Office)
July 2008	Deputy Director General for Policies on Cohesive Society, Cabinet Office
July 2009	Deputy Director General for Gender Equality Bureau, Cabinet Office
December 2012	Director, Public Relations Office, Cabinet Office
July 2014	Director General, Gender Equality Bureau
April 2019	Professor, Showa Women's University
June 2019	Outside Corporate Auditor of the Company
June 2019	Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current position)
April 2020	Dean of Faculty of Global Business and Director of Institute of Women's Culture of Showa Women's University (current positions)
April 2021	Specially Appointed Professor, Showa Women's University (current position)
June 2021	Outside Director, Sekisui House, Ltd. (current position)
June 2021	Outside Director of the Company (current position)

Corporate Auditor

#### MISAWA Masayuki

April 1982	Entered the Company
April 2014	General Manager of Copper Foil Division, Engineered Materials Sector
April 2015	Executive Officer, General Manager of Copper Foil Division, Engineered Materials Sector
January 2020	Executive Officer, General Manager of Copper Foil Division, Engineered Materials Sector, General Manager of Business Planning Group, Copper Foil Division, Engineered Materials Sector
June 2020	Corporate Auditor of the Company (current position)

Corporate Auditor

#### KUTSUNAI Akira

April 1984	Entered the Company
February 2012	General Manager of Finance & Accounting Department
June 2014	General Manager of Administration Department, Metals Sector
April 2017	Executive Officer, General Manager of Investor Relations and Corporate Communications Department, Corporate Planning & Control Sector
June 2018	Executive Officer, General Manager of Investor Relations and Corporate Communications Department, Corporate Planning & Control Sector, Finance & Accounting Department, Corporate Planning & Control Sector
April 2020	Executive Officer, General Manager of Corporate Communications Department, Corporate Planning & Control Sector, General Manager of Finance & Accounting Department, Corporate Planning & Control Sector
June 2020	Corporate Auditor of the Company (current position)

Outside Corporate Auditor

#### ISHIDA Toru

April 1975	Entered Ministry of International Trade and Industry (Presently Ministry of Economy, Trade and Industry)
July 2003	Director General for Policy Planning and Coordination, Minister's Secretariat, METI
September 2005	Director-General, Trade and Economic Cooperation Bureau, METI
July 2007	Director-General, Industrial Science and Technology Policy and Environment Bureau, METI
July 2008	Commissioner, Agency for Natural Resources and Energy, METI
January 2011	Advisor, Tokyo Electric Power Company, Incorporated (TEPCO)
June 2013	Director, Japan Alcohol Trading Co., LTD
June 2014	Vice President, Japan Alcohol Trading CO., LTD
December 2015	President, The Japan Chamber of Commerce and Industry (current position)
June 2018	President, The Tokyo Chamber of Commerce and Industry (current position)
June 2018	Outside Corporate Auditor (current position)

Outside Corporate Auditor

#### INOUE Hiroshi

April 1985	Appointed as Public Prosecutor
January 2012	Assistant Vice-Minister of Justice
November 2012	Chief Prosecutor of Nara District Public Prosecutors Office
July 2014	Director-General of the Immigration Bureau, the Ministry of Justice
March 2017	Director-General, Inspection and Guidance Department, Supreme Public Prosecutors Office
June 2017	Chief Prosecutor of Nagoya District Public Prosecutors Office
February 2018	Superintending Prosecutor of Sapporo High Public Prosecutors Office
January 2020	Superintending Prosecutor of Fukuoka High Public Prosecutors Office
October 2020	Professional registration in Japan as lawyer With Momo-o, Matsuo & Namba (current position)
June 2021	Outside Corporate Auditor (current position)

## Employees

### Breakdown of consolidated employees by employment status and employment contract type (as of the end of FY2020)

		Male		Female		Total
		Male	Female	Male	Female	
Open-ended workforce contract	Full-time	8,833	3,525			12,358
	Part-time	7	9			16
	Total	8,840	3,534			12,374
Fixed-term contract	Full-time	488	197			685
	Part-time	56	28			84
	Total	544	225			769
Total		9,384	3,759			13,143
Supervised workers		475	376			851
Total workforce		9,859	4,135			13,994

※ Since the calculation method is different from the one for temporary employees stated in the annual securities report, the total number of employees is not in accord.

### Breakdown of consolidated employees by employment contract (as of the end of FY2020)

	Open-ended workforce contract		Fixed-term contract		Total
	Male	Female	Male	Female	
Japan	5,086	788	472	110	6,456
North America	301	214	0	0	515
South and Central America	567	421	0	1	989
Asia	2,845	2,073	72	114	5,104
Europe	41	38	0	0	79
Total	8,840	3,534	544	225	13,143

### Breakdown of consolidated employees by position (as of the end of FY2020)

	Under 30 years of age		30-49 years old		50 years of age or over		Total
	Male	Female	Male	Female	Male	Female	
Managerial	5	0	709	90	510	28	1,342
Non-managerial	1,892	841	4,506	2,280	1,762	520	11,801
Total	1,897	841	5,215	2,370	2,272	548	13,143

### Percentage of managers holding local nationality in overseas sites (as of the end of FY2020)

North America	48.1%
South and Central America	80.0%
Asia	83.4%
Europe	87.5%
Total	81.2%

### New employee hires by region (as of the end of FY2020)

		Under 30 years of age		30-49 years old		50 years of age or over		Total
		Male	Female	Male	Female	Male	Female	
Japan	New hires	171	28	70	21	23	11	324
	Total employees	799	148	2,919	442	1,846	248	6,402
	Rate of hiring	21.4%	18.9%	2.4%	4.8%	1.2%	4.4%	5.1%
North America	New hires	3	1	13	4	1	2	24
	Total employees	26	8	142	85	120	120	501
	Rate of hiring	11.5%	12.5%	9.2%	4.7%	0.8%	1.7%	4.8%
South and Central America	New hires	89	123	33	61	1	9	316
	Total employees	169	197	278	194	108	31	977
	Rate of hiring	52.7%	62.4%	11.9%	31.4%	0.9%	29.0%	32.3%
Asia	New hires	278	365	144	94	3	8	892
	Total employees	898	487	1,786	1,606	160	94	5,031
	Rate of hiring	31.0%	74.9%	8.1%	5.9%	1.9%	8.5%	17.7%
Europe	New hires	4	1	2	0	0	1	8
	Total employees	10	3	18	8	12	27	78
	Rate of hiring	40.0%	33.3%	11.1%	0.0%	0.0%	3.7%	10.3%
Total	New hires	545	518	262	180	28	31	1,564
	Total employees	1,902	843	5,143	2,335	2,246	520	12,989
	Rate of hiring	28.7%	61.4%	5.1%	7.7%	1.2%	6.0%	12.0%

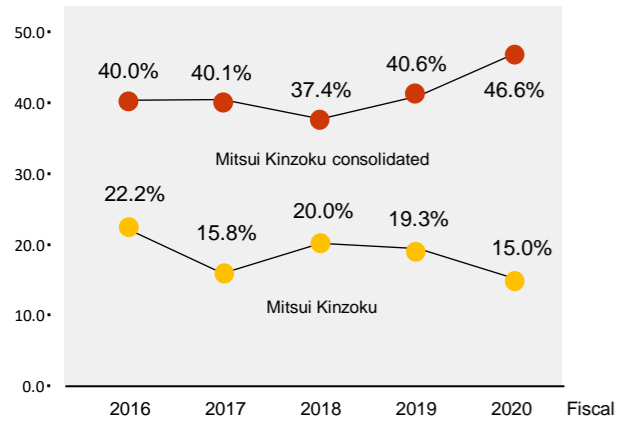
※ Since the calculation method is different from the one for consolidated employees, the total number of employees is not in accord.

### Employee turnover by region (as of the end of FY2020)

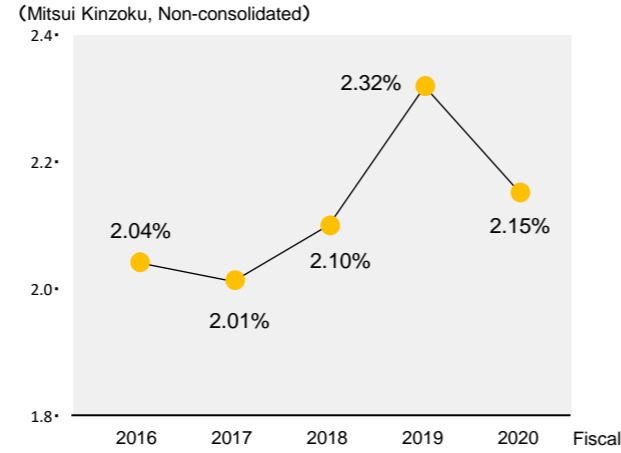
		Under 30 years of age		30-49 years old		50 years of age or over		Total
		Male	Female	Male	Female	Male	Female	
Japan	Departures	53	18	53	18	179	26	347
	Total employees	799	148	2,919	442	1,846	248	6,402
	Turnover rate	6.6%	12.2%	1.8%	4.1%	9.7%	10.5%	5.4%
North America	Departures	10	3	27	21	33	20	114
	Total employees	26	8	142	85	120	120	501
	Turnover rate	38.5%	37.5%	19.0%	24.7%	27.5%	16.7%	22.8%
South and Central America	Departures	100	101	40	45	10	5	301
	Total employees	169	197	278	194	108	31	977
	Turnover rate	59.2%	51.3%	14.4%	23.2%	9.3%	16.1%	30.8%
Asia	Departures	250	319	264	260	29	33	1,155
	Total employees	898	487	1,786	1,606	160	94	5,031
	Turnover rate	27.8%	65.5%	14.8%	16.2%	18.1%	35.1%	23.0%
Europe	Departures	4	0	6	2	1	2	15
	Total employees	10	3	18	8	12	27	78
	Turnover rate	40.0%	0.0%	33.3%	25.0%	8.3%	7.4%	19.2%
Total	Departures	417	441	390	346	252	86	1,932
	Total employees	1,902	843	5,143	2,335	2,246	520	12,989
	Turnover rate	21.9%	52.3%	7.6%	14.8%	11.2%	16.5%	14.9%

※ Since the calculation method is different from the one for consolidated employees, the total number of employees is not in accord. Departures include "retirement at the age limit" and "expiration of contract period".

**Proportion of women as a percentage of new hires**



**Percentage of employees with disabilities**

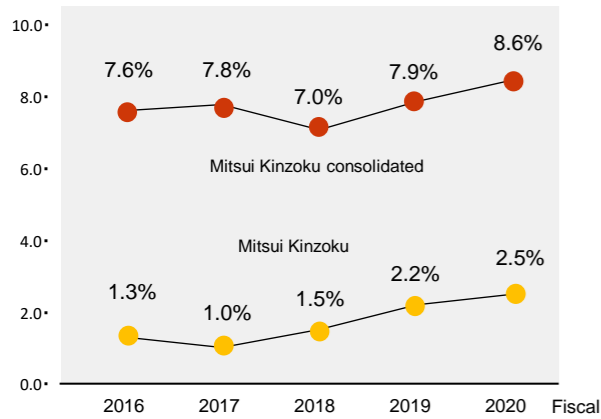


**Parental leave**

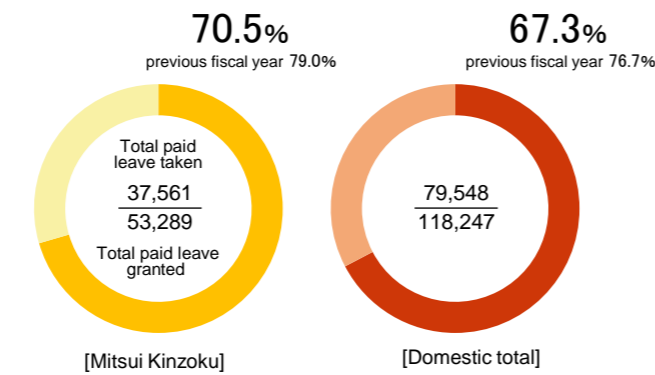
		FY2018		FY2019		FY2020	
		Employees that entitled to leave	Employees that took advantage	Employees that entitled to leave	Employees that took advantage	Employees that entitled to leave	Employees that took advantage
Mitsui Kinzoku	Male	69	2	67	4	57	3
	Female	7	7	8	8	8	8
	Total	76	9	75	12	65	11
Domestic total	Male	130	3	143	13	145	9
	Female	17	17	17	16	17	17
	Total	147	20	160	29	162	26

※ Employees that took advantage: Employees that took parental leave in the relevant fiscal year of those entitled.

**Proportion of women in management positions**



**Rate of taking paid leave**

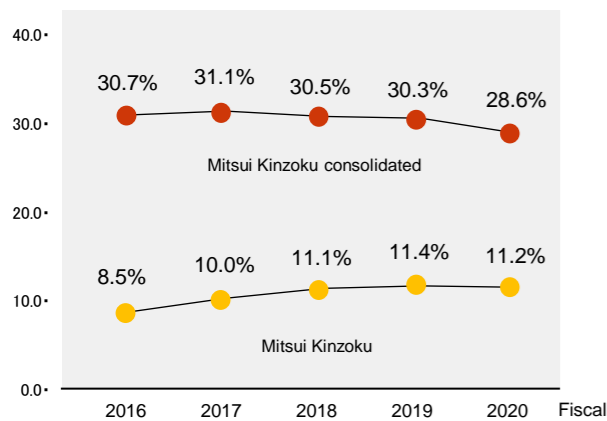


**Return to work and retention rates after parental leave**

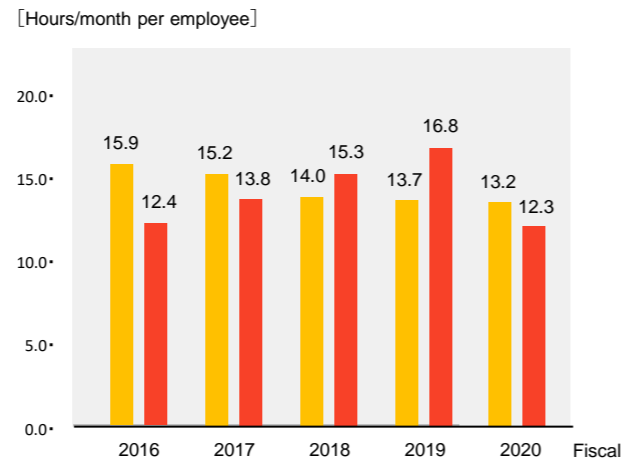
		FY2018			FY2019			FY2020		
		Ended	Returned	Retired	Ended	Returned	Retired	Ended	Returned	Retired
Mitsui Kinzoku	Male	2	2	0	5	5	0	3	3	0
	Female	7	7	0	10	10	0	5	5	0
	Total	9	9	0	15	15	0	5	5	0
Domestic total	Male	4	4	0	13	13	0	9	9	0
	Female	15	15	0	15	15	0	10	10	0
	Total	19	19	0	28	28	0	19	19	0

※ Ended: Employees whose parental leave ended.  
Returned: Employees that returned to work after ended.  
Retired: Employees that separated from employment in twelve months after returning.

**Proportion of women as a percentage of total employees**

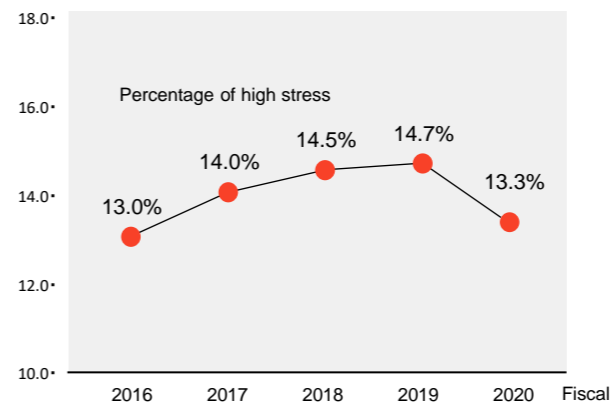


**Overtime hours**



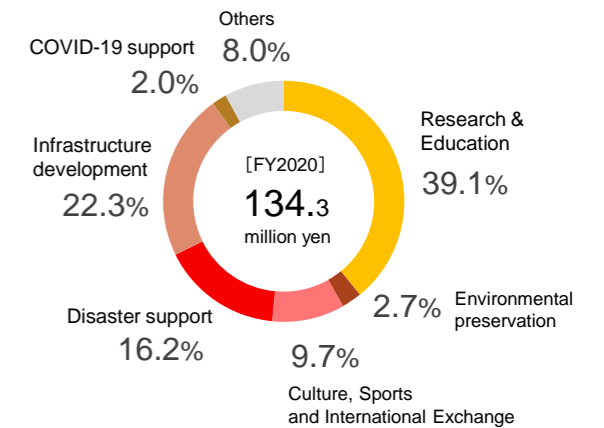
**Results of stress check (Percentage of high stress)**

(Target: Directly hired employees of Mitsui Kinzoku and the domestic consolidated affiliates, including expatriate workers)



**Contributing to communities**

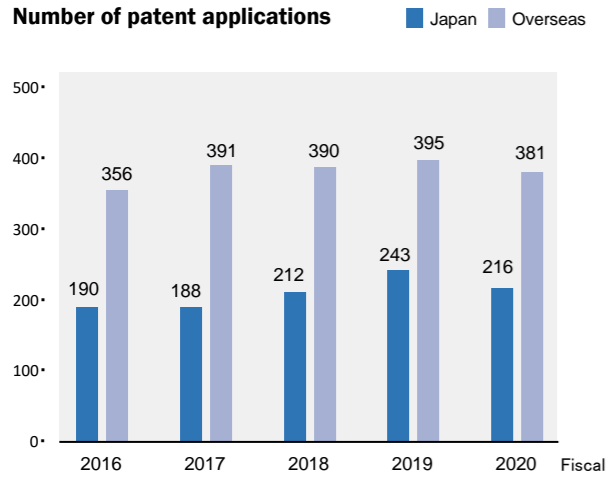
**Mitsui Kinzoku Group breakdown of the amount**



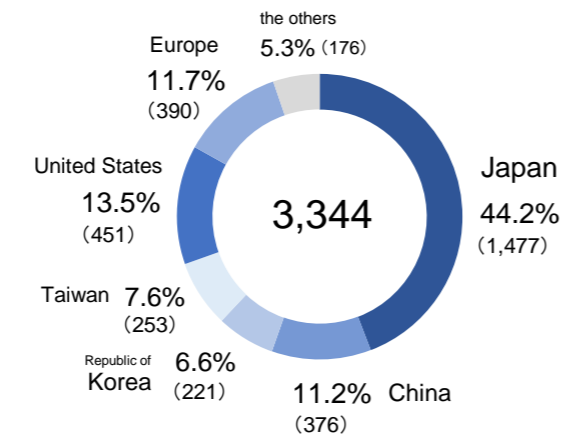


**Intellectual property**

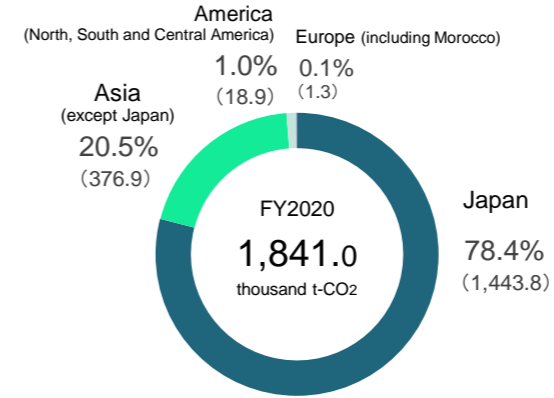
**Number of patent applications**



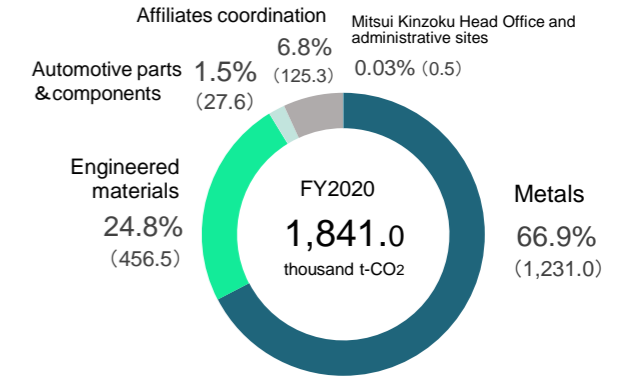
**Number of patents registered globally**



**Breakdown of CO2 emissions by region**

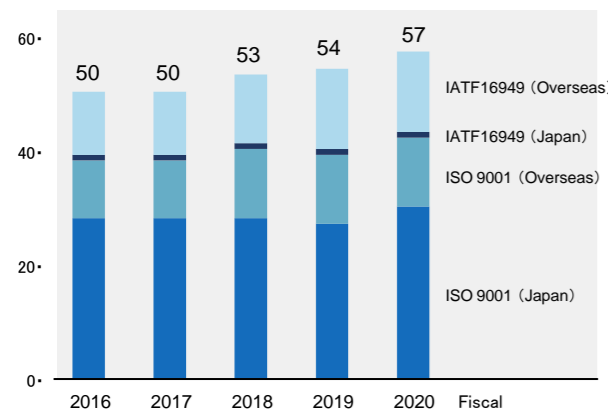


**Breakdown of CO2 emissions by business unit**

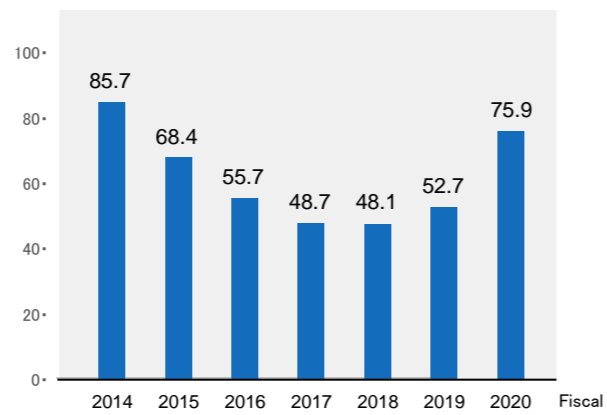


**Quality assurance**

**Number of operating sites with certifications**

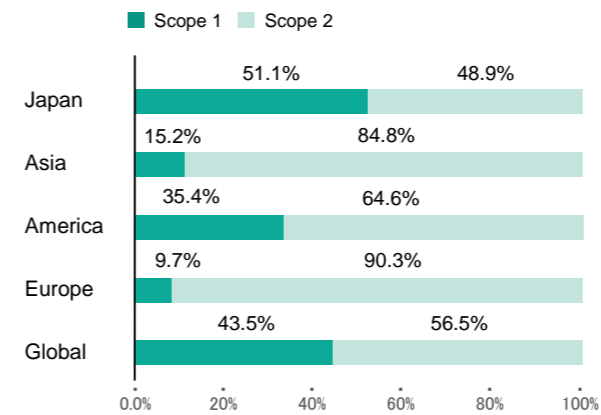


**Number of claims at sites that hold QA meetings**

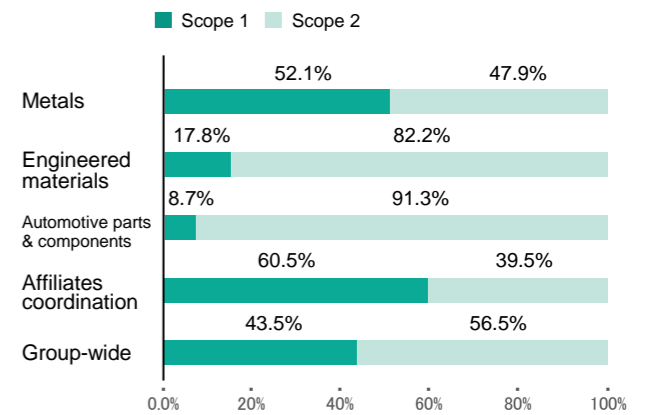


\* The values are expressed as relative values, with the data of FY2013 being 100.

**Breakdown by scope of CO2 emissions by region**

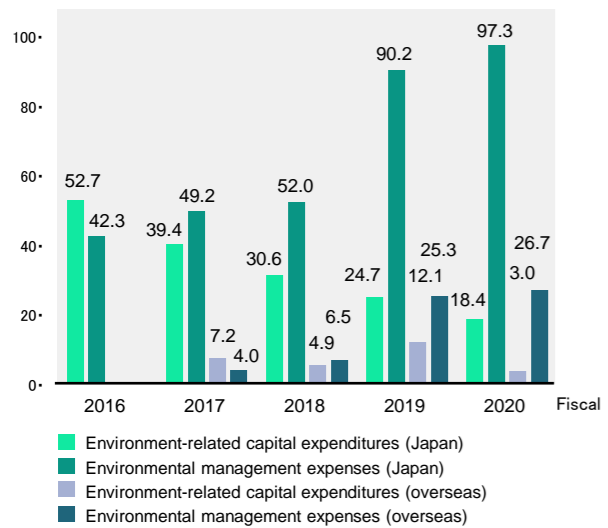


**Breakdown by scope of CO2 emissions by business unit**

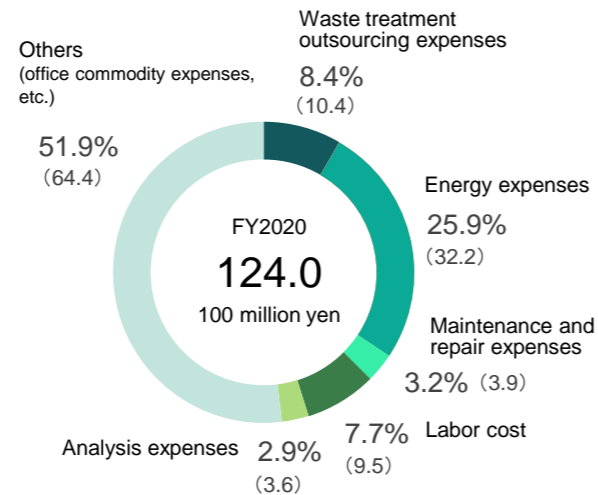


**Environment**

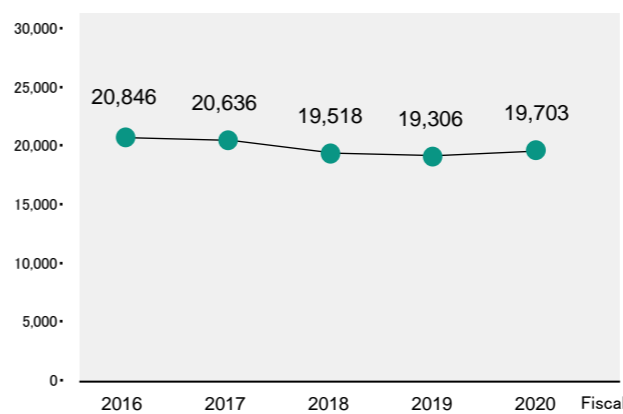
**Environment-related capital expenditures and environmental management expenses (Hundred million yen)**



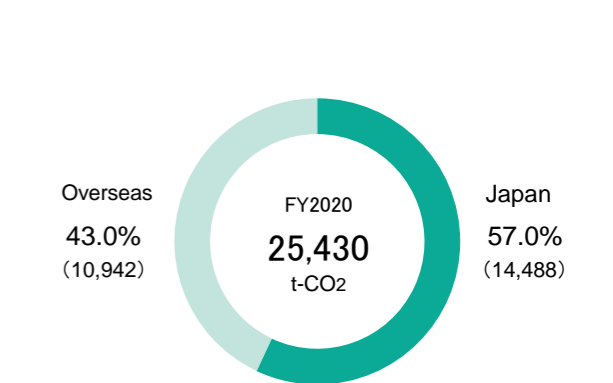
**Break down of environmental management expenses**



**CO2 emissions in logistics (Non-consolidated, t-CO2/year)**



**CO2 emissions by waste treatment (t-CO2/year)**



\* The scope of data calculation covers only the transportations which are designated as Specified Consigner by the Act on the Rational Use of Energy.

\* For the emission factors, the emission intensity database for calculating GHG emissions of organizations throughout the supply chain, Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry (Ver. 2.6 and Ver. 3.0) was referenced.

# Corporate profile and Stock information

(as of March 31, 2021)

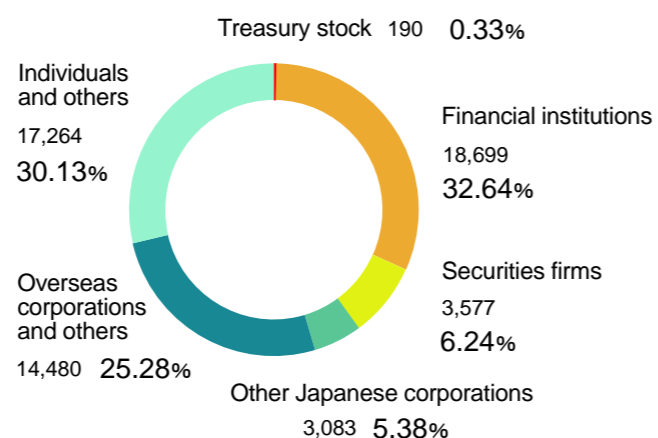
## Corporate profile

<b>Company name</b>	MITSUI MINING & SMELTING CO., LTD.
<b>Established</b>	May 1, 1950
<b>Paid-in capital</b>	42,129 million yen
<b>Employees</b>	Consolidated 11,826 Non-consolidated 2,069
<b>Subsidiaries and affiliates</b>	Subsidiaries 53 Affiliates 7
<b>Head office</b>	1-11-1 Osaki, Shinagawa-ku, Tokyo 141-8584 Japan Telephone +81-3-5437-8000 Facsimile +81-3-5437-8029

## Stock information

<b>Total number of authorized shares</b>	190,000,000 shares
<b>Total number of outstanding shares</b>	57,296,616 shares
<b>Number of shareholders</b>	41,655

**Share breakdown** (Thousands of shares)



## Major shareholders (Top 10)

Shareholder	Number of shares held (Thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Held in trust account)	7,172	12.55
Custody Bank of Japan, Ltd. (Held in trust account)	3,614	6.32
JP MORGAN CHASE BANK 385632	1,480	2.59
Mitsui Kinzoku Employees' Shareholding Association	1,180	2.06
Custody Bank of Japan, Ltd. (Held in trust account 9)	933	1.63
JPMorgan Securities Japan Co., Ltd	898	1.57
Custody Bank of Japan, Ltd. (Held in trust account 5)	817	1.43
Custody Bank of Japan, Ltd. (Held in trust account 6)	725	1.27
JP MORGAN CHASE BANK 385781	718	1.25
Mitsui Kinzoku Business Partners' Shareholding Association	698	1.22

\* Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 190,777 shares in treasury).

# Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

August 13, 2021

Mr. Takeshi Nou,  
President and Representative Director,  
MITSUI MINING & SMELTING CO., LTD.

Masahiko Sugiyama  
Representative Director  
Deloitte Tohmatsu Sustainability Co., Ltd.  
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the CO<sub>2</sub> emissions from energy consumption indicated with  for the year ended March 31, 2021 (the "CO<sub>2</sub> Information") included in the "MITSUI KINZOKU Integrated Report 2021" (the "Report") of MITSUI MINING & SMELTING CO., LTD. (the "Company").

### The Company's Responsibility

The Company is responsible for the preparation of the CO<sub>2</sub> Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO<sub>2</sub> Information included in the Report). CO<sub>2</sub> quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO<sub>2</sub> Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO<sub>2</sub> Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of  
Deloitte Touche Tohmatsu Limited