11-Year Summary of Selected Financial Data

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

Millions of yen

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consolidated Financial Highlights												
Net sales		431,058	417,219	441,046	473,274	450,553	436,330	519,215	497,701	473,109	522,936	633,346
Operating income		20,903	16,557	25,743	31,835	11,137	38,461	49,529	18,222	13,037	51,124	60,737
Ordinary income		19,168	16,194	13,656	21,096	(11,284)	31,047	11,239	17,755	9,318	51,265	65,990
Profit attributable to owners of parent		11,531	9,910	3,662	17,237	(20,926)	18,674	(708)	4,691	1,566	44,771	52,088
Capital expenditures		29,226	22,601	27,160	28,906	28,446	37,718	40,509	36,119	33,999	28,176	27,457
Depreciation		22,781	23,952	24,178	25,146	25,066	24,414	26,634	27,964	28,970	33,882	33,168
Research and Development expenditures		4,967	5,867	5,795	6,265	6,575	7,163	8,015	9,523	10,125	10,571	10,939
Cash flows from operating activities		30,992	38,058	38,003	37,245	50,397	24,218	52,436	40,696	36,107	27,565	60,672
Cash flows from investing activities		(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)	(16,324)	(25,538)
Free cash flows		(47)	(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274	11,241	35,134
Total assets		413,106	438,072	503,825	538,646	484,800	518,981	518,705	523,315	537,119	595,107	637,878
Net assets		140,175	155,049	169,867	207,106	179,566	184,421	178,652	179,673	173,255	210,560	250,048
Shareholders' equity		148,840	154,397	156,280	170,994	146,469	161,713	157,271	159,207	157,296	197,874	241,075
Interest-bearing debt		169,263	180,372	218,500	210,390	191,733	207,421	208,418	216,878	233,070	247,930	225,100
Per share of common stock												
EPS（Earnings per share）※1	Yen	201.78	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43	784.01	912.00
BPS（Net assets per share）※1	Yen	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	4,196.37
Cash dividends per share ※1	Yen	30	30	40	60	60	70	70	70	70	85	110
Dividend payout ratio	%	14.9	17.3	62.4	19.9	-	21.4	-	85.2	255.2	10.8	12.1
DOE（Dividend on equity ratio）※2	%	1.2	1.1	1.5	2.0	2.3	2.5	2.5	2.5	2.5	2.5	2.6
Financial Ratios												
ROE（Return on equity）	%	9.0	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9	24.6	23.8
ROA（Return on assets）	%	4.7	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8	9.1	10.7
Net D/E ratio		1.15	1.13	1.26	0.98	1.03	1.10	1.11	1.15	1.22	1.09	0.82
Equity ratio	%	31.9	33.5	31.9	36.6	35.0	33.5	32.4	32.5	30.7	33.4	37.6

※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 2012.

※2 In calculating the DOE (Dividend on Shareholders' Equity), we use the shareholders' equity at the end of the term.

Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Assets		
Current assets:		
Cash and deposits (Note 6)	¥ 30,413	¥ 29,615
Notes and accounts receivable (Note 19):		
Trade	103,687	—
Unconsolidated subsidiaries and affiliates	9,522	—
Notes and accounts receivable,		
and contract assets (Notes 3 and 19) :		
Trade	—	111,496
Unconsolidated subsidiaries and affiliates	—	10,731
Inventories (Note 4)	150,133	177,476
Derivatives (Notes 19 and 20)	968	1,042
Other current assets	19,295	28,945
Less: Allowance for doubtful accounts	(193)	(263)
Total current assets	313,827	359,045
Property, plant and equipment (Note 9)**:**		
Land	31,501	31,671
Buildings and structures	197,675	203,320
Machinery and equipment	483,277	497,955
Leased assets	6,398	4,640
Construction in progress	9,778	10,269
Others	58,474	60,500
	787,106	808,356
Less: Accumulated depreciation	(587,068)	(611,232)
Total property, plant and equipment	200,037	197,124
Investments and other assets:		
Investment securities (Notes 5 and 19):		
Unconsolidated subsidiaries and affiliates	45,882	46,731
Others	11,330	9,200
Loans receivable:		
Unconsolidated subsidiaries and affiliates	—	—
Others	423	412
Deferred tax assets (Note 18)	5,875	5,702
Asset for retirement benefits (Note 21)	7,019	7,577
Others	10,794	12,198
Less: Allowance for doubtful accounts	(83)	(114)
Total investments and other assets	81,242	81,708
Total assets	¥ 595,107	¥ 637,878
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 19):		
Trade	42,338	55,727
Unconsolidated subsidiaries and affiliates	3,972	6,431
Others	19,095	18,524

Millions of yen

	2021	2022
Short-term borrowings and commercial papers (Notes 7 and 19)	¥ 73,613	¥ 64,247
Current portion of long-term debt (Notes 7 and 19)	25,496	40,358
Current portion of lease liabilities	1,186	555
Accrued income taxes	2,891	5,265
Accrued expenses	9,877	10,224
Provision for product warranties	936	716
Provision for loss on construction contracts	0	0
Provision for improvement of business structure	249	—
Provision for loss on disposal of inventories	178	569
Derivative liabilities (Notes 19 and 20)	854	7,139
Other current liabilities (Note 8)	14,505	14,040
Total current liabilities	195,196	223,800
Long-term liabilities:		
Long-term debt (Notes 7 and 19)	148,821	120,495
Lease liabilities	1,790	1,472
Directors' and corporate auditors' retirement benefits	610	515
Deferred tax liabilities (Note 18)	5,618	5,666
Provision for environmental countermeasures	757	734
Provision for preventing environmental pollution		
in mineral, mining, and other operations	705	804
Provision for loss on litigation	116	163
Asset retirement obligations (Note 25)	3,753	4,320
Liability for retirement benefits (Note 21)	26,528	27,331
Other long-term liabilities	647	2,525
Total long-term liabilities	189,349	164,029
Total liabilities	384,546	387,829
Commitments and contingent liabilities (Note 10)		
Net Assets (Note 11)**:**		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2021 and in 2022		
Issued - 57,296 thousand shares in 2021 and 57,310 in 2022	42,129	42,149
Capital surplus	22,631	18,701
Retained earnings	133,739	180,851
Less: Treasury stock		
190 thousand shares in 2021 and 191 thousand shares in 2022	(625)	(626)
Total shareholders' equity	197,874	241,075
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	3,059	2,512
Deferred gains (losses) on hedges, net of tax	(552)	(11,641)
Foreign currency translation adjustments	(2,696)	6,924
Accumulated adjustments for retirement benefit (Note 21)	1,283	821
Total accumulated other comprehensive income	1,093	(1,383)
Non-controlling interests in consolidated subsidiaries	11,591	10,356
Total net assets	210,560	250,048
Total liabilities and net assets	¥ 595,107	¥ 637,878

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Net sales (Notes 16 and 17)	¥ 522,936	¥ 633,346
Cost of sales (Notes 4 and 13)	420,717	510,782
Gross profit	102,219	122,564
Selling, general and administrative expenses (Notes 12 and 13)	51,094	61,826
Operating income	51,124	60,737
Non-operating income (expenses):		
Interest and dividend income	3,141	1,229
Interest expense	(1,670)	(1,852)
Foreign exchange gains	1,013	2,060
Investment gains (losses) on equity method	(1,673)	4,541
Real estate rent	508	511
Other, net	(1,179)	(1,237)
	140	5,252
Ordinary income (Note 17)	51,265	65,990
Extraordinary income (losses):		
Gain on sale of property, plant and equipment (Note 14)	8,350	245
Loss on sale and disposal of property, plant and equipment (Note 14)	(2,227)	(2,918)
Gain on sale of investment securities	9,666	900
Gain on sales of shares of subsidiaries and associates (Note 27)	13,450	—
Loss on impairment of fixed assets (Note 23)	(329)	(412)
Loss on step acquisitions	(1,500)	—
Loss on Transfer of Interest in the Copper Mine (Note 28)	(20,482)	—
Loss on warranty claims related to the automotive parts	(2,926)	—
Gain on reversal of customs duty for prior periods	—	1,141
Other, net (Notes 14)	(550)	(431)
	3,449	(1,475)
Profit before income taxes	54,714	64,514
Income taxes (Note 18)**:**		
Current	5,611	10,612
Deferred	2,909	1,031
	8,521	11,643
Profit	46,193	52,871
Profit attributable to non-controlling interests	1,421	782
Profit (loss) attributable to owners of parent	¥ 44,771	¥ 52,088
Amounts per share of common stock:	Yen	Yen
Basic earnings per share (Note 22)	¥ 784.01	¥ 912.00
Cash dividends applicable to the year	85.00	110.02

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, 2021 and 2022

Millions of yen

	2021	2022
Profit	¥ 46,193	¥ 52,871
Other comprehensive income:		
Net unrealized gains (losses) on securities, net of tax	2,342	(532)
Deferred losses on hedges, net of tax	(182)	(7,971)
Foreign currency translation adjustments	5,156	10,129
Remeasurements of defined benefit plans, net of tax	1,569	(430)
Share of other comprehensive income (loss)		
of associates accounted for using equity method	(15,069)	(3,140)
Total other comprehensive income (Note 26)	(6,184)	(1,945)
Comprehensive income	¥ 40,008	¥ 50,925
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 38,429	¥ 49,610
Comprehensive income attributable to non-controlling interests	1,579	1,314

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, 2021 and 2022

Millions of yen

2021	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	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						
Balance at March 31, 2021	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 11)
Balance at April 1, 2020	¥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)
Balance at March 31, 2021	¥3,059	¥(552)	¥(2,696)	¥1,283	¥1,093	¥11,591	¥210,560

See accompanying notes to consolidated financial statements.

Millions of yen

2022	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	57,296	¥42,129	¥22,631	¥133,739	¥(625)	¥197,874
Cumulative effects of changes in accounting policy				(122)		(122)
Restated balance		42,129	22,631	133,617	(625)	197,752
Cash dividends paid				(4,853)		(4,853)
Profit attributable to owners of parent				52,088		52,088
Acquisition of treasury stock					(1)	(1)
Share-based payments with transfer restrictions		20	20			40
Change in ownership interest of parent due to						
transactions with non-controlling shareholders			(3,950)			(3,950)
Net changes of items other than						
shareholders' equity						
Balance at March 31, 2022	57,310	¥42,149	¥18,701	¥180,851	¥(626)	¥241,075

	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 11)
Balance at April 1, 2021	¥3,059	¥(552)	¥(2,696)	¥1,283	¥1,093	¥11,591	¥210,560
Cumulative effects of changes in accounting policy							(122)
Restated balance	3,059	(552)	(2,696)	1,283	1,093	11,591	210,438
Cash dividends paid							(4,853)
Profit attributable to owners of parent							52,088
Acquisition of treasury stock							(1)
Share-based payments with transfer restrictions							40
Change in ownership interest of parent due to							
transactions with non-controlling shareholders							(3,950)
Net changes of items other than							
shareholders' equity	(546)	(11,089)	9,620	(462)	(2,477)	(1,235)	(3,713)
Balance at March 31, 2022	¥2,512	¥(11,641)	¥6,924	¥821	¥(1,383)	¥10,356	¥250,048

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, 2021 and 2022

	Millions of yen	
	2021	**2022**
Cash flows from operating activities:		
Profit before income taxes	¥ 54,714	¥ 64,514
Depreciation and amortization	33,882	33,167
Loss on impairment of fixed assets (Note 23)	329	412
Gain and loss on sale of investment securities	(9,665)	(900)
Gain on sales of shares of subsidiaries and associates (Note 27)	(13,450)	—
Loss (gain) on sale of property, plant and equipment, net（Note 14）	(8,086)	(192)
Loss on disposal of property, plant and equipment（Note 14）	1,963	2,865
Gain on reversal of customs duty for prior periods	—	(1,141)
Increase (decrease) in allowance for doubtful accounts	(34)	76
Increase (decrease) in liability for retirement benefits	465	512
Interest and dividend income	(3,141)	(1,229)
Interest expense	1,670	1,852
Foreign exchange losses (gains)	(503)	(1,485)
Investment losses (gains) on equity method	1,673	(4,541)
Loss on transfer of interest in the copper mine (Note 28)	20,482	—
Loss on step acquisitions	1,500	—
Decrease (increase) in notes and accounts receivable	(25,287)	—
Increase in notes and accounts receivables and contract assets	—	(2,738)
Decrease (increase) in inventories	(23,565)	(21,815)
Increase(decrease) in notes and accounts payable	1,064	9,008
Other, net	(3,091)	(9,531)
Subtotal	30,919	68,834
Interest and dividend received	3,411	1,919
Interest paid	(1,692)	(1,868)
Income taxes paid	(6,571)	(9,190)
Income taxes refund	717	813
Other, net	782	165
Net cash provided by operating activities	27,565	60,672
Cash flows from investing activities:		
Purchases of investment securities	(187)	(528)
Proceeds from sale of investment securities	11,033	2,406
Proceeds from sales of shares of subsidiaries and associates	13,700	—
Purchase of shares of subsidiaries resulting		
in change in scope of consolidation (Note 6)	(2,786)	—
Acquisition of property, plant and equipment and other assets	(28,573)	(25,488)
Proceeds from sale of property, plant and equipment	15,934	678
Payments for retirement of property, plant and equipment and other assets	(1,264)	(2,068)
Decrease (increase) in short-term loans receivable, net	8,597	(49)
Payments for transfer of interest in the copper mine	(32,836)	—
Other, net	57	(488)
Net cash used in investing activities	(16,324)	(25,538)

	Millions of yen	
	2021	**2022**
Cash flows from financing activities：		
Net change in short-term borrowings and commercial papers	(3,566)	(11,686)
Proceeds from long-term debt	31,378	6,588
Repayment of long-term debt	(27,836)	(20,294)
Repayment of lease liabilities	(716)	(1,248)
Issuance of straight bonds	10,000	10,000
Redemption of straight bonds	(20,000)	(10,000)
Cash dividends paid	(3,997)	(4,853)
Dividends paid to non-controlling interests	(432)	(333)
Purchase of shares of consolidated subsidiary	—	(5,645)
Other, net	(68)	(47)
Net cash provided by (used in) financing activities	(15,240)	(37,521)
Effect of exchange rate changes on cash and cash equivalents	1,014	1,599
Net increase (decrease) in cash and cash equivalents	(2,984)	(788)
Cash and cash equivalents at beginning of year	32,666	30,402
Effect of changes in accounting period of consolidated subsidiaries	720	—
Cash and cash equivalents at end of year (Note 6)	¥30,402	¥29,614

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, 2021 and 2022

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 foreign subsidiaries are prepared in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the U.S., 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, 2022, which was ¥122.41 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 52 significant subsidiaries (the "Companies"). One subsidiary was excluded from the scope of consolidation from the fiscal year ended March 31, 2022 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 have influence on their financial and operating decision-making in material extent, 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 in five years. Negative goodwill is recognized as profit on the acquisition date.

(b) Foreign currency translation

Revenues and expenses are translated at the foreign exchange rates prevailing when transactions are made. Monetary claims and liabilities denominated in foreign currencies are generally translated into each reporting currency at the foreign exchange rates 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 foreign exchange 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," in a component of net assets.

(c) Cash and cash equivalents

In the accompanying consolidated statement 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 other comprehensive income in the consolidated statement of comprehensive income, 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 policy for recognition of significant revenues and expenses
The Companies recognize revenue through the following five 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.

The Companies mainly engage in businesses related to the four segments Engineered Materials, Metals, Automotive Parts & Components, and Affiliates Coordination, thereby handling a wide range of products in those realms.

In selling such products, the Companies recognize revenue mainly upon delivery of a product because it deems that the customer generally has gained control of the product upon its delivery, thereby satisfying the performance obligation.

In domestic sales, the Companies recognize revenue either upon delivery or upon shipment of a product in cases where the normal time has elapsed from the time of product shipment until the time when control of the product has been transferred to the customer.

In export sales, the Companies recognize revenue mainly upon having transferred the burden of risk to the customer pursuant to the terms of trade stipulated under the Incoterms or other similar terms.

In product sales where the Companies are determined to be acting as an agent to make arrangements to have the another parties provide the product to a customer, the Companies recognize revenue in the expected amount of remuneration or fees which they receive in exchange for their making arrangement to provide the product by the another parties (or the net amount of the consideration received in exchange for the products provided by the another parties and payments to the another parties).

Engineering services and other businesses have long-term construction contracts, and it is determined that the performance obligations in such contracts are satisfied over time. Revenue is therefore recognized based on the progress towards complete satisfaction of the performance obligation. The progress is measured on the basis of the construction costs incurred by the end of each reporting period relative to the total expected construction costs.

The Companies recognize revenue at the point in time when the performance obligation has been fully satisfied, rather than recognizing revenue over a certain period of time, in cases where a very short time has elapsed from the transaction initiation date under a contract until the expected point in time when a performance obligation is to be fully satisfied.

Revenue is measured by deducting discounts, rebates, product returns, etc., from consideration promised under contracts with customers.

In cases where consideration includes variable consideration such as discounts and provisional unit price, the Companies estimate the sum of variable consideration using a method that enlists mode values. When uncertainty for the amount of variable consideration is subsequently resolved, the Companies include in its transaction price only the portion that the revenue is highly unlikely to be reducted significantly by the time of removal of the uncertainty.

The consideration is primarily received within one year of satisfying performance obligations and does not contain a significant financing component.

(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.

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system since the year ending March 31, 2023. 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), however, the Company and its domestic consolidated subsidiaries do not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but apply 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. "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the year ending March 31, 2023.

(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 2021 and 2022.

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 2022 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, 2022

Merchandise and finished goods	¥63,379 million ($517,759 thousand)
Work in progress	¥39,983 million ($326,631 thousand)
Raw materials and supplies	¥74,112 million ($605,440 thousand)

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

Inventories are stated at the acquisition cost, however, if the net realizable value or replacement cost is 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. The net realizable values used in valuation of inventories are calculated based on the most recent actual unit selling prices and the actual selling costs, which reflect the influences of changes in quoted market prices of nonferrous metals on actual unit selling prices. Quoted market prices of nonferrous metals are determined based on listed prices on the London Metal Exchange ("LME") and other international markets (hereinafter, these prices are referred to as the "LME or other market prices"). The LME or other market prices fluctuate under the influences of various factors such as the international supplydemand balance, global political and economic conditions, and speculative trading. Accordingly, any failure in calculating accurate net realizable values reflecting the LME or other market prices, which are used for the valuation of inventories, may have significant effect on valuation of inventories.

2. Recoverability of deferred tax assets

(1) Deferred tax assets recorded in the consolidated financial statements for the year ended March 31, 2022

Deferred tax assets ¥5,702 million ($46,581 thousand)

(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.

(Changes in Accounting Policies)

1. Adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance

The Company and its subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and other relevant standards and guidance effective from the beginning of the current fiscal year. Revenue is accordingly recognized at the expected amount to be received in exchange for promised goods or services at the point in time when control of the promised goods or services has been transferred to the customer.

Prior to the change, in cases where another party was involved in providing goods or services to a customer, revenue had been recognized in the total amount of expected consideration to which the entity would be entitled in exchange for providing goods or services. With this change in method of revenue recognition, in cases where the contracts with customers are deemed as a performance obligation to make arrangements to have the another party provide goods or services, the Companies recognize revenue at the expected amount of remuneration or fees to be received in exchange for having made arrangements to have the other party provide the goods or services (or the net amount of the considerations received in exchange for the good or service provided by that another party and payments to the another parties). In addition, in export sales we have changed our method of revenue recognition such that revenue is recognized mainly upon having transferred the risk burden to the customer pursuant to the terms of trade stipulated under the Incoterms or other similar terms, rather than recognizing revenue mainly upon shipment, as was previously the case.

In adopting the Accounting Standard for Revenue Recognition and other relevant standards and guidance, new accounting policy has been applied to the beginning balances of the current fiscal year in accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of applying retrospectively the new accounting policy from the beginning of the current fiscal year has been added to or deducted from the beginning balance of retained earnings of the current fiscal year.

Furthermore, "notes and accounts receivable" presented under "current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "notes and accounts receivable - trade, and contract assets" from the current fiscal year. Meanwhile, "decrease (increase) in notes and accounts receivable" previously presented under "cash flows from operating activities" in the consolidated statements of cash flows, have been included in "decrease (increase) in notes receivable, accounts receivable, and contract assets" from the current fiscal year. However, the previous fiscal year has not been reclassified using the new presentation method, in accordance with the transitional treatment prescribed in Article 89-2 of the Accounting Standard for Revenue Recognition.

As a result, in comparison with the amounts prior to adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance, notes receivable, accounts receivable, and contract assets decreased by ¥584 million, merchandise and finished goods increased by ¥396 million, and retained earnings decreased by ¥130 million in the consolidated balance sheet for the current fiscal year. In the consolidated statement of income for the current fiscal year, net sales decreased by ¥15,293 million, cost of sales decreased by ¥15,150 million, and operating income, ordinary income, and profit before income taxes each decreased by ¥143 million.

In the consolidated statement of cash flows for the current fiscal year, profit before income taxes decreased by ¥143 million, decrease (increase) in notes receivable, accounts receivable, and contract assets increased by ¥211 million, and decrease (increase) in inventories decreased by ¥68 million.

The beginning balance of retained earnings on the consolidated statement of comprehensive income decreased by ¥31 million due to the cumulative effect to the beginning balance of net assets for the current fiscal year.

The effects of these changes on per-share data are described in the relevant section of this report.

The notes do not provide information on "Revenue Recognition" pertaining to the previous fiscal year, in accordance with the transitional treatment prescribed in Article 89-3 of the Accounting Standard for Revenue Recognition.

2. Adoption of the Accounting Standard for Fair Value Measurement and other relevant standards and guidance

The Company and its subsidiaries have adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and other relevant standards and guidance from the beginning of the current fiscal year. The Companies prospectively apply new accounting policies under the Accounting Standard for Fair Value Measurement and other relevant standards and guidance, in accordance with the transitional set out in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the "Accounting Standard for Financial Instruments". (ASBJ Statement No.10, July 4, 2019). Corporate bonds and other bonds conventionally regarded as financial instruments whose fair value is extremely difficult to measure had been presented on the consolidated balance sheets at their acquisition cost, but are now presented on the consolidated balance sheets at fair value measured using unobservable inputs based on the best available information, even in cases where data on observable inputs is unavailable.

In addition, fair value information of financial instruments by level are disclosed in the notes of "Financial Instruments". However, following the transitional treatment in paragraph 4-7 of "Implementation Guidance on Disclosures about Faire Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous fiscal year is not provided.

3. Changes in method of recording research and development expenses, etc.

Effective from the current fiscal year, Mitsui Kinzoku ACT Corporation (hereafter, "Mitsui Kinzoku Act"), the Company's consolidated subsidiary, records certain research and development expenses and costs of indirect operations as selling, general and administrative expenses rather than as cost of sales, as previously recorded prior to the change.

Mitsui Kinzoku ACT has been focusing on development and marketing of door system products suited to the mobility-oriented society of the future, amid an environment surrounding the automotive industry marked by increasingly sophisticated next-generation technology aligned with the era of CASE and MaaS, along with an accelerating pace of information and communications technology adoption. Meanwhile, in the automotive parts and components business, we have been strengthening our role to control whole of the automotive parts and components business including foreign subsidiaries because we have transferred the domestic production function to overseas. Against that backdrop, we have redefined roles of each division of Mitsui Kinzoku ACT and have accordingly changed its organizational structure and overhauled its operations.

This change in accounting policy has been undertaken with the aim of revising the scope of cost of sales and selling, general and administrative expenses in a manner that better reflects such changes to Mitsui Kinzoku ACT's organizational structure and overhaul of its operations.

(Changes in presentation)

Consolidated statement of income

"Loss on impairment of fixed assets" that had been presented under "Others, net" under "Extraordinary income (losses)" in the previous fiscal year exceeded ten percent of the total amount of extraordinary losses, and has therefore been presented separately under "Extraordinary income (losses)" in the current fiscal year.

To reflect this change, Consolidated statement of income in the previous fiscal year has been reclassified.

As a result, ¥(880) million that was presented as "Other, net" under "Extraordinary income (losses)" in the consolidated statement of income for the year ended March 31, 2021 have been restated as "Loss on impairment of fixed assets" of ¥(329) million and "Other, net" of ¥(550) million.

3. Receivables and contract assets from contracts with customers

The amounts of receivables and contract assets from contracts with customers included in notes and accounts receivable, and contract assets as of March 31, 2022 were as follows:

Millions of yen

	2022
Receivables from contracts with customers	
Notes receivable	¥8,443
Accounts receivable	112,816
Contract assets	966

4. Inventories

Inventories at March 31, 2021 and 2022 consisted of the following:

Millions of yen

	2021	2022
Merchandise and finished goods	¥53,598	¥63,379
Work in process	35,138	39,983
Raw materials and supplies	61,396	74,112
Total	¥150,133	¥177,476

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, 2021 and 2022 respectively as follows:

Millions of yen

	2021	2022
Cost of sales	¥(2,792)	¥1,736
Total	¥(2,792)	¥1,736

5. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2021 and 2022 were as follows:

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

Year ended March 31, 2022	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥4,935	¥1,764	¥3,170
Subtotal	4,935	1,764	3,170
Securities whose book value does not exceed acquisition cost:			
Stocks	9	11	(2)
Bonds	234	240	(5)
Subtotal	243	251	(8)
Total	¥5,178	¥2,016	¥3,161

(b) Available-for-sale securities sold for the years ended March 31, 2021 and 2022 were as follows:

Millions of yen

		2021	2022
Total sale amount	Stocks	¥11,034	¥2,474
Gains	Stocks	9,666	900
Losses	Stocks	0	—

6. Consolidated Statement of Cash Flows

(a) Amounts of cash and cash equivalents

Amounts of cash and cash equivalents at March 31, 2021 and 2022 were reconciled with cash and deposits as follows:

Millions of yen

	2021	2022
Cash and deposits	¥30,413	¥29,615
Time deposits with maturities exceeding three months from the date of deposit	(11)	(1)
Total : Cash and cash equivalents	¥30,402	¥29,614

(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 in previous year. 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 were 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

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2021 and 2022 consisted of the following:

Millions of yen

	2021	2022
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.270% to 6.900% from 0.270% to 5.350% and at March 31, 2021 and 2022, respectively.	¥52,613	¥46,247
Commercial paper with interest at annual rate of (0.08)% and (0.01)% at March 31, 2021 and 2022, respectively.	21,000	18,000
	¥73,613	¥64,247

Long-term debt at March 31, 2021 and 2022 consisted of the following:

Millions of yen

	2021	2022
0.43 % yen unsecured straight bonds due in 2027	¥ —	¥10,000
0.16 % yen unsecured straight bonds due in 2026	10,000	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	—
Banks, insurance companies and other financial institutions, maturing through 2027 at interest rates ranging from 0.000% to 10.220% at March 31, 2022:		
Secured	740	552
Unsecured	123,228	110,067
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 1.300% to 2.100% at March 31, 2022:		
Secured	348	234
Unsecured	—	—
	174,317	160,854
Less: Current portion	25,496	40,358
	¥148,821	¥120,495

The aggregate annual maturities of long-term debt at March 31, 2022 were as follows:

Year ending March 31,	Millions of yen
2023	¥40,358
2024	28,598
2025	39,505
2026	32,690
2027	16,001
Thereafter	3,700
Total	¥160,854

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.
The 0.43% yen unsecured straight bonds due in 2027 were issued on March 3, 2022 by the Company.

8. Contract Liabilities

The amount of contract liabilities included in other current liabilities as of March 31, 2022 was as follows:

Millions of yen

	2022
Contract Liabilities	¥3,298

9. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2021 and 2022 were as follows:

Millions of yen

	2021	2022
Property, plant and equipment, net book value	¥6,565	¥6,418
	¥6,565	¥6,418

10. Contingent Liabilities

Contingent liabilities at March 31, 2021 and 2022 were as follows:

Millions of yen

	2021	2022
Notes receivable discounted	¥14	¥63
Notes and accounts receivable securitized with recourse	549	262
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	56,117	74,545
Others	257	240
	¥56,938	¥75,111

11. Net Assets

Under the Japanese Companies Act, 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 Act 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 Companies Act.

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2021 and 2022 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2020	57,296	190
Increase during the year	—	0
Decrease during the year	—	—
Balance at March 31 and April 1, 2021	57,296	190
Increase during the year	13	0
Decrease during the year	—	—
Balance at March 31, 2022	57,310	191

(b) Dividends

Dividends paid for the year ended March 31, 2022 were as follows:

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

Dividends included in the retained earnings at March 31, 2022 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2022	¥6,283
Total	¥6,283

12. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were as follows:

	2021	2022
Freightage related expenses	¥10,248	¥11,865
Salaries	9,833	11,858
Bonus and retirement pay	1,927	2,739
Provision for bonuses	1,812	2,078
Retirement benefit expenses	(382)	594
Provision for directors' and corporate auditors' retirement benefits	110	85
Provision for product warranties	279	274
Depreciation expense	2,313	2,633
Research and development/Exploration expenses	8,765	9,775

13. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥10,571 million and ¥10,939million ($89,363 thousand) for the years ended March 31, 2021 and 2022, respectively.

14. Extraordinary profit and loss

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

Millions of yen

	2021	2022
Buildings and structures	¥557	¥37
Machinery and equipment	43	148
Land	7,740	23
Others	9	36
Total	¥8,350	¥245

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

Millions of yen

	2021	2022
Buildings and structures	¥0	¥6
Machinery and equipment	36	27
Land	0	4
Others	227	14
Total	¥264	¥53

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

Millions of yen

	2021	2022
Buildings and structures	¥329	¥344
Machinery and equipment	1,420	2,322
Others	212	199
Total	¥1,963	¥2,865

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

Millions of yen

	2021	2022
Provision for allowance for doubtful accounts	¥0	¥52
Provision for allowance for improvement of business structure	233	—
Provision for loss on litigation	—	46

15. Lease

Future lease payments under noncancellable operating leases at March 31, 2021 and 2022 were as follows:

Millions of yen

	2021	2022
Due within one year	¥484	¥465
Due after one year	1,532	1,108
	¥2,016	¥1,574

16. Net Sales

Disaggregation of revenue and relationship with each reportable segment for the year ended March 31, 2022 was summarized as follows:

Millions of yen

	Reportable segment						
Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Consolidated
Major product/services							
Engineered Powders	¥29,598	¥—	¥—	¥—	¥29,598	¥—	¥29,598
Catalyst for exhaust-gas purification	112,419	—	—	—	112,419	—	112,419
Copper Foil	79,817	—	—	—	79,817	—	79,817
Zinc and Lead	—	159,133	—	—	159,133	—	159,133
Copper and Precious metals	—	60,825	—	—	60,825	—	60,825
Automobile Door Lock	—	—	78,830	—	78,830	—	78,830
Products of Affiliates Coordination	—	—	—	117,276	117,276	—	117,276
Engineering services, other	—	—	—	23,481	23,481	—	23,481
Others	31,631	13,056	—	—	44,687	—	44,687
Subtotal	253,465	233,016	78,830	140,758	706,070	—	706,070
Adjustments	(13,484)	(44,348)	—	(32,548)	(90,381)	17,658	(72,723)
External revenue	239,981	188,667	78,830	108,209	615,688	17,658	633,346
Revenue from contracts with customers	240,054	188,294	78,830	108,266	615,445	17,658	633,103
Other revenue	(72)	372	—	(56)	243	—	243

Notes:

Other revenue includes revenue, etc. generated from derivative transactions pursuant to the "Accounting Standard for Financial Instruments".

(a) Basic information to understand Revenue from contracts with customers

It is described in Note 2. "Summary of Significant Accounting Policies (q) Accounting policy for recognition of significant revenues and expenses".

(b) Information about the relationship between satisfaction of performance obligations pursuant to contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers prevailing as of the end of the current fiscal year

(1) Outstanding balance of contract assets and contract liabilities, etc.

It is described in Note 3 "Receivables and contract assets from contracts with customers" and Note 8 "Contract Liabilities".

(2) Transaction price allocated to remaining performance obligations

Because there are no significant transactions for which an estimated contract period initially exceeds one year, the practical expedient is applied and information on remaining performance obligations has been omitted.

In addition, consideration to be received from contracts with customers does not comprise any significant amounts not included in transaction prices.

17. Segment Information

The operations of the Companies for the years ended March 31, 2021 and 2022 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 reportable segments, excluding the handling treatment for converting the income, expenses and assets of overseas subsidiaries into Japanese currency, is mostly the same as procedures described in Note 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 reportable segments is based on ordinary income. Sales for inter-segment are based on actual market prices.

(c) Adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance

As described in Note2 “Changes in accounting policies”, the Company and its subsidiaries changed accounting treatment for revenue recognition by adopting the Revenue Recognition Standards from the consolidated financial statements of the current fiscal year, and accordingly changed the measurement methods for profits or losses of operating segments in the same manner.

Due to such a change, in comparison with the previous method, sales and profit of “Engineered Materials” segment in the current fiscal year decreased by ￥205 million ($1,674 thousand) and ￥123 million ($1,004 thousand), respectively.

In addition, sales of “Metals” segment decreased by ￥6,260 million ($51,139 thousand), and sales and profit of “Affiliates Coordination” segments decreased by ￥8,827 million ($72,110 thousand) and ￥19 million ($155 thousand), respectively.

(d) 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, 2021 was as follows:

	Reported segments						Millions of yen
Year ended March 31, 2021	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Consolidated
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 external customers are the difference mainly derived from the conversion process of sales of overseas subsidiaries to the Japanese currency. (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 is not allocated to any reportable segments, ¥(948) million for adjustment of inventories and ¥(733) million for adjustment of fixed assets.

Company-wide costs consists mainly of general and administrative expenses and research expenses that is not allocated to any reportable segments.

(2) Adjustment to segment assets, which amounted to ¥14,487 million, consists of ¥(24,383) million for offset of receivables against the corporate administrative department, ¥(19,931) million for offset of inter-segment receivables, ¥57,404 million for Company-wide assets that are not allocated to any reportable segments and ¥1,397 million for other adjustment.

Company-wide assets are mainly the ones in head office that are not allocated to any reportable segments.

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

Segment information as of and for the fiscal year ended March 31, 2022 was as follows:

	Reported segments						Millions of yen
Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥239,981	¥188,667	¥78,830	¥108,209	¥615,688	¥17,658	¥633,346
Inter-segment	13,484	44,348	―	32,548	90,381	(90,381)	―
Total	253,465	233,016	78,830	140,758	706,070	(72,723)	633,346
Segment profit	27,653	35,414	521	3,143	66,733	(742)	65,990
Segment assets	213,052	233,654	57,785	99,134	603,627	34,250	637,878
Depreciation expense	10,550	14,201	3,809	2,464	31,025	2,142	33,167
Amortization of goodwill and negative goodwill	―	140	―	―	140	―	140
Interest income	103	145	28	98	376	(256)	119
Interest expense	1,251	446	100	140	1,938	(86)	1,852
Investment gains (losses) on equity method	277	2,247	―	2,051	4,575	(34)	4,541
Investment for companies accounted for using the equity method	4,325	20,259	―	16,328	40,913	(167)	40,745
Increase in property, plant and equipment, and intangible assets	10,215	8,503	2,954	2,958	24,633	2,823	27,456

Notes：

(a) Amounts of adjustment are as follows:

(1) Adjustments of sales to external customers are the difference mainly derived from the conversion process of sales of overseas subsidiaries to the Japanese currency. (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 ¥(742) million ($(6,061) thousand), consists mainly of ¥(2,464) million ($(20,129) thousand) for Company-wide costs that is not allocated to any reportable segments.

Company-wide costs consists mainly of general and administrative expenses and research expenses that is not allocated to any reportable segments.

(2) Adjustment to segment assets, which amounted to ¥34,250 million ($279,797 thousand), consists of ¥(22,295) million ($(182,133) thousand) for offset of receivables against the corporate administrative department, ¥(20,657) million ($(168,752) thousand) for offset of inter-segment receivables, ¥60,494 million ($494,191 thousand) for Company-wide assets that are not allocated to any reportable segments and ¥16,709 million ($136,500 thousand) for other adjustment.

Company-wide assets are mainly the ones in head office that are not allocated to any reportable segments.

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

【Related information】

Information by area:

Millions of yen

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, 2022	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥326,291	¥87,975	¥61,959	¥105,626	¥32,045	¥19,449	¥633,346

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

Year ended March 31, 2022	Japan	Asia	North America	Other Areas	Consolidated
Property, plant and equipment	¥141,328	¥43,033	¥4,528	¥8,232	¥197,124

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

Millions of yen

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

Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination・Corporate	Consolidated
Loss on impairment of fixed assets	¥113	¥—	¥298	¥—	¥—	¥412

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

Millions of yen

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

Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination・Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	422	—	—	—	422

【Information on gain on negative goodwill by reported segment】

Year ended March 31, 2021
Not applicable.

Year ended March 31, 2022
Not applicable.

18. Income Taxes

The Company and its domestic subsidiaries are imposed some sorts of taxes in Japan on their taxable incomes, and the statutory effective tax rate in aggregate in Japan is approximately 30.5% for the years ended March 31, 2021 and 2022.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

	2021	2022 Millions of yen
Deferred tax assets:		
Excess bad debt expenses	¥ 67	¥ 105
Excess accrued bonuses to employees	1,632	1,776
Excess product warranties	169	145
Liability for retirement benefits	8,076	8,330
Provision for environmental countermeasures	221	214
Loss on impairment of fixed assets	2,338	2,309
Depreciation in excess of limit	962	660
Enterprise taxes accrued	315	493
Unrealized profits and losses	3,801	3,914
Operating loss carryforward for tax purposes (b)	28,292	23,006
Net unrealized losses on securities	4	7
Deferred losses on hedges	240	2,727
Other	8,388	9,287
Subtotal	54,509	52,979
Valuation allowance for operating loss carryforward for tax purposes (b)	(27,132)	(21,727)
Valuation allowance for deductible temporary differences	(13,583)	(15,740)
Valuation allowance-total (a)	(40,716)	(37,467)
Total deferred tax assets	¥ 13,793	¥ 15,511
Deferred tax liabilities:		
Net unrealized gains on securities	¥ (1,195)	¥ (889)
Deferred gains on hedges	(315)	(330)
Retained earnings of foreign subsidiaries	(4,879)	(6,484)
Asset for retirement benefits	(2,136)	(2,343)
Excess depreciation for tax purposes	(2,511)	(2,664)
Other	(2,498)	(2,763)
Total deferred tax liabilities	(13,536)	(15,475)
Net deferred tax assets (liabilities)	¥ 256	¥ 35

(a) Valuation allowance decreased by ¥3,248 million. The main reasons for the decrease were decreases in valuation allowance of ¥4,425 million for operating loss carryforward.

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

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.

Millions of yen

(2022)	2023	2024	2025	2026	2027	2028 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥21	¥45	¥318	¥97	¥490	¥22,032	¥23,006
Valuation allowance	(8)	(40)	(314)	(97)	(490)	(20,775)	(21,727)
Net deferred tax assets	13	4	4	—	—	1,257	1,279

(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, 2021 and 2022.

	2021	2022
Statutory effective tax rate	30.5 %	30.5 %
Permanent difference due to non-deductible expense	0.4	0.8
Permanent difference due to non-taxable income	(6.4)	(6.7)
Effect of elimination of intercompany dividends received	6.1	6.9
Investment losses on equity method	0.9	(2.2)
Effect of exclusion of equity method affiliated companies	(52.3)	—
Valuation allowance	37.4	(7.9)
Tax credit	(0.0)	(2.8)
Others	(1.0)	(0.6)
Tax rate calculated based on the Companies' consolidated financial statements	15.6 %	18.0 %

19. 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 Note 20 "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, 2021 and 2022 were as follows.

Millions of yen

Year ended March 31, 2021	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 13,628	¥ 15,076	¥ 1,448
Total	¥ 13,628	¥ 15,076	¥ 1,448
Liabilities:			
(a) Current portion of bonds payable	10,000	10,004	4
(b) Bonds payable	40,000	40,014	14
(c) Current portion of long-term borrowings Notes 4	15,496	15,523	27
(d) Long-term borrowings	108,821	108,872	50
Total	¥ 174,317	¥ 174,415	¥ 97
Derivative transactions	¥ 177	¥ 177	¥ ―

Year ended March 31, 2022	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 11,931	¥ 11,659	¥ (272)
Total	¥ 11,931	¥ 11,659	¥ (272)
Liabilities:			
(a) Current portion of bonds payable	10,000	9,998	(1)
(b) Bonds payable	40,000	39,898	(101)
(c) Current portion of long-term borrowings Notes 4	30,358	30,370	11
(d) Long-term borrowings	80,495	80,325	(169)
Total	¥ 160,854	¥ 160,592	¥ (261)
Derivative transactions	¥ (7,893)	¥ (7,893)	¥ ―

Notes:

1. Cash and deposits, Notes and accounts receivable, Notes and accounts payable, and Short-term borrowings and commercial papers are not included in the table above. This is because their carrying amounts are reasonably considered as fair values, as they are expected to be settled shortly.

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

Millions of yen

Classification	Consolidated balance sheet amount 2021
Unlisted equity securities	¥ 43,344
Nonpublic domestic bonds	240

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

3. Equity securities without market prices, and investments in partnerships and other similar entities recorded at the net amount equivalent to the equity interest are not included in "(a)Investment securities".

The carrying amounts of these financial instruments as follows.

Millions of yen

Classification	Consolidated balance sheet amount 2022
Unlisted equity securities	¥ 42,192
Investments in partnerships and others	1,807

4. "(a)Current portion of bonds payable" and "(c)Current portion of long-term borrowings" are included in Current portion of long-term debt in the consolidated balance sheet. "(b)Bonds payable" and "(d)Long-term borrowings" are included in Long-term debt in the consolidated balance sheet.

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

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

Millions of yen

Year ended March 31, 2021	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	―	―	―
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	―	―	―	240
Total	¥ 143,623	¥ ―	¥ ―	¥ 240

Year ended March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2027	April 1, 2027 to March 31, 2032	April 1, 2032 and thereafter
(a) Cash and deposits	¥ 29,615	¥ ―	¥ ―	¥ ―
(b) Notes and accounts receivable	121,260	―	―	―
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	―	―	―	234
Total	¥ 150,876	¥ ―	¥ ―	¥ 234

7. 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 Note 7 "Short-Term Borrowings and Long-Term Debt".

(c) Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and significance of the inputs used in the fair value measurement.

Level 1 fair value:
Fair value measured by quoted prices in active markets for identical assets or liabilities

Level 2 fair value:
Fair value measured using observable inputs other than Level 1

Level 3 fair value:
Fair value measured using unobservable inputs

Fair value is categorized at the level with the lowest priority in the fair value measurement from among the levels to which the respective inputs belong, in cases involving use of multiple inputs that have a material effect on fair value measurement.

(1) Financial instruments recorded in the consolidated balance sheet at fair value

Millions of yen

Year ended March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 4,944	¥ ─	¥ ─	¥ 4,944
Bonds(domestic government and municipal bonds)	─	─	234	234
Derivative Transactions				
Currency-related derivatives	─	246	─	246
Commodities-related derivatives	─	838	─	838
Total Assets	¥ 4,944	¥ 1,084	¥ 234	¥ 6,263
Derivative Transactions				
Currency-related derivatives	─	2,547	─	2,547
Commodities-related derivatives	─	6,430	─	6,430
Total Liabilities	¥ ─	¥ 8,978	¥ ─	¥ 8,978

(2) Financial instruments other than financial instruments recorded in the consolidated balance sheet at fair value

Millions of yen

Year ended March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Shares of subsidiaries and associates	¥ 6,481	¥ ─	¥ ─	¥ 6,481
Total Assets	¥ 6,481	─	─	¥ 6,481
Bonds payable	─	49,897	─	49,897
Long-Term Borrowings	─	110,695	─	110,695
Total Liabilities	¥ ─	¥ 160,592	¥ ─	¥ 160,592

Notes: Explanation of valuation techniqus and inputs used in fair value measurement

Investment securities
Fair value of equities is categorized as Level 1 fair value measured at the market price. Fair value of bonds is categorized as Level 3 fair value, calculated by discounting the future cash flows at an interest rate on similar bonds, taking into account the debt repayment record of the issuing local government body.

Derivative Transactions
Fair value of commodity prices and forward exchange contracts is categorized as Level 2 fair value, calculated based on observable inputs such as market prices and exchange rates.

Bonds payable
Fair value of bonds payable is categorized as Level 2 fair value, calculated by discounting future cash flows using the rate quoted in secondary markets.

Long-Term Borrowings
Fair value of long-term borrowings is categorized as Level 2 fair value, calculated by discounting future cash flows at the current borrowing rate for similar debt of a comparable maturity.

20. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2021 and 2022 were as follows:

Currency-related derivatives

Millions of yen

Type				2021	2022
Forward contracts:					
	Selling:				
		U.S. dollars:	Contract amounts	¥1,117	¥1,394
			Due over one year	─	─
			Fair value	(64)	(81)
			Net unrealized gains (losses)	(64)	(81)

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2021 and 2022 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Millions of yen

Type			Hedged items		2021	2022
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥6,518	¥41,819
				Due over one year	─	16,530
				Fair value	(87)	(2,371)
		Euros:		Contract amounts	¥ ─	¥1,374
				Due over one year	─	19
				Fair value	─	(47)
	Buying:		Accounts payable			
		U.S. dollars:		Contract amounts	¥4,719	¥4,773
				Due over one year	─	─
				Fair value	99	153
		Euros:		Contract amounts	¥22	¥7
				Due over one year	─	─
				Fair value	0	0
		Australian dollars:		Contract amounts	¥53	¥486
				Due over one year	─	─
				Fair value	4	46

Notes: The deferred hedge method is applied as a hedge accounting method.

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

Millions of yen

Type			Hedged items		2021	2022
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥200	¥128
				Due over one year	─	─
				Fair value	(Note b)	(Note b)

Notes:

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

Commodities-related derivatives

Type			Hedged items	2021	2022
				Millions of yen	
Forward contracts:			Raw materials and finished goods		
	Selling:				
		Zinc:	Contract amounts	¥15,206	¥21,257
			Due over one year	2,970	6,304
			Fair value	(410)	(6,205)
		Lead:	Contract amounts	¥263	¥1,825
			Due over one year	―	―
			Fair value	2	(50)
		Copper:	Contract amounts	¥ ―	¥156
			Due over one year	―	―
			Fair value	―	12
	Buying:				
		Zinc:	Contract amounts	¥6,880	¥7,860
			Due over one year	92	―
			Fair value	31	458
		Lead:	Contract amounts	¥1,644	¥2,139
			Due over one year	―	―
			Fair value	44	192
		Copper:	Contract amounts	¥1,644	¥144
			Due over one year	―	―
			Fair value	684	―
		Coal:	Contract amounts	¥1,128	¥ ―
			Due over one year	―	―
			Fair value	(125)	―

Notes: The deferred hedge method is applied as a hedge accounting method.

21. 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

	2021	2022
Balance at the beginning of the fiscal year	¥46,514	¥46,004
Service cost	2,878	2,770
Interest cost	101	96
Actuarial loss (gain)	364	186
Benefits paid	(2,277)	(1,414)
Past service costs (benefits)	(1,729)	(183)
Others	153	71
Balance at the end of the fiscal year	¥46,004	¥47,531

(b) Changes in plan assets

	2021	2022
Balance at the beginning of the fiscal year	¥23,507	¥26,495
Expected return on plan assets	546	926
Actuarial gain (loss)	2,061	(122)
Contributions paid by the employer	996	945
Benefits paid	(700)	(531)
Others	84	63
Balance at the end of the fiscal year	¥26,495	¥27,777

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

	2021	2022
Funded retirement benefit obligations	¥19,932	¥20,664
Plan assets	(26,495)	(27,777)
	(6,563)	(7,113)
Unfunded retirement benefit obligations	26,072	26,867
Net liability for retirement benefits at the end of the fiscal year	19,508	19,753
Liability for retirement benefits	26,528	27,331
Asset for retirement benefits	(7,019)	(7,577)
Net liability for retirement benefits at the end of the fiscal year	¥19,508	¥19,753

(d) Retirement benefit costs

	2021	2022
Service cost	¥2,878	¥2,770
Interest cost	101	96
Expected return on plan assets	(546)	(926)
Net actuarial loss (gain) amortization	(1,414)	405
Past service costs amortization	(168)	(807)
Total retirement benefit costs for the fiscal year	¥850	¥1,537

(e) Remeasurements of defined benefit plans

Millions of yen

	2021	2022
Past service costs (benefits)	¥1,561	¥(623)
Actuarial gain (loss)	285	98
Total remeasurements of defined benefit plans for the fiscal year	¥1,847	¥(524)

(f) Accumulated adjustments for retirement benefit

	2021	2022
Prior service costs that are yet to be recognized	¥(1,561)	¥(938)
Net actuarial losses that are yet to be recognized	141	43
Total balance at the end of the fiscal year	¥(1,419)	¥(895)

(g) Plan assets

1. Plan assets comprise:

	2021	2022
Bonds	36%	36%
Equity securities	30%	30%
General insurance funds	30%	30%
Other	4%	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, 2021 and 2022 are as follows:

	2021	2022
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 2.5 %	Mainly 3.7 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥921 million and ¥911 million for the years ended March 31, 2021 and 2022, respectively.

22. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2021 and 2022 were as follows:

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

Year ended March 31, 2022	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥52,088	57,114	¥912.00

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

(b) As stated in "Changes in accounting policy," the "Accounting Standard for Revenue Recognition" and other relevant standards and guidance have been adopted. As a result, earnings per share of the current fiscal year decreased by ¥1.74.

23. 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, 2021 and 2022 as follows:

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

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.

Year ended March 31, 2022

Location	Major use	Asset category	Millions of yen
Yokohama City, Kanagawa Pref.	Idle assets	Land	¥174
		Intangible fixed Assets	124
		Subtotal	298
Omuta City, Fukuoka Pref.	Idle assets	Construction in progress	113
		Total	¥412

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 carrying amounts of idle assets held to sale were reduced to net realizable value, which were measured at the estimated sales price. And the carrying amounts of 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. The amount of the reduction was recorded as an impairment loss in an extraordinary loss.

24. 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, 2021 and 2022 and account balance as of March 31, 2022 with Pan Pacific Copper Co., Ltd. was as follows:

Millions of yen

	2021	2022
Guarantees of bank loans	¥54,976	¥68,653
Increase (decrease) in short -term loans receivable, net	(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:

Millions of yen

	2021	2022
Loan of short -term loans receivable,	¥6,266	¥ ―
Collection of loans receivable	(6,266)	―
Transfer of loan receivable	33,465	―

(b) Note about significant related parties

In the year ended March 31, 2022, Pan Pacific Copper Co., Ltd. was recognized as significant related party and the summary of its financial statements was as follows:

Pan Pacific Copper Co., Ltd.

Millions of yen

	2021	2022
Total current assets	¥354,016	¥445,627
Total non-current assets	2,889	5,364
Total current liabilities	291,378	387,907
Total long-term liabilities	278	281
Total net assets	65,249	62,804
Net sales	783,936	936,044
Profit before income taxes	1,207	10,158
Profit	627	6,935

25. Asset Retirement Obligations

Years ended March 31, 2021 and 2022

Asset retirement obligations that are recorded in the consolidated balance sheet

(a) Overview of asset retirement obligations

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

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

(Mines)
Compania Minera Santa Luisa S.A. has recognized asset retirement obligations in accordance with International Financial Reporting Standards, by estimating closure costs based on mine closure plans under mine closure legislation and regulations in Peru. With regard to estimate of asset retirement obligations, a discount rate of 1.51% is used, and the expected period up to payment is based on number of recoverable years from launch of operations and estimated between 1 and 19 years from the next fiscal year.

In addition, during the fiscal year ended March 31, 2022, the Company revised the discount rate and that resulted in increasing of ¥247 million ($2,017 thousand) in the balance of asset retirement obligations.

(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, 2022, 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. As a result, the Company additionally recognized the balance of asset retirement obligations of ¥43 million ($351 thousand).

(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, 2022 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 ($2,401 thousand) in the fiscal year ended March 31, 2022.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2021 and 2022

	Millions of yen	
	2021	2022
Balance at the beginning of the fiscal year	¥ 3,816	¥ 3,823
Adjustments of the beginning balance due to the accounting period change	(141)	—
Adjustments due to the passage of time	47	34
Decrease from execution of asset retirement obligations	(194)	(248)
Increase from changes of estimates	512	290
Impact of foreign currency translation	(217)	420
Balance at the end of the fiscal year	¥ 3,823	¥ 4,320

26.Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2022

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	
	2021	2022
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥3,234	¥(187)
Reclassification adjustments	22	(651)
Subtotal, before tax	3,256	(838)
Tax (expense) or benefit	(914)	305
Subtotal, net of tax	2,342	(532)
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	1,756	(5,964)
Reclassification adjustments	(2,282)	(2,152)
Subtotal, before tax	(525)	(8,116)
Tax (expense) or benefit	343	145
Subtotal, net of tax	(182)	(7,971)
Foreign currency translation adjustments:		
Increase(decrease) during the year	5,156	10,156
Reclassification adjustments	–	(27)
Subtotal, net of tax	5,156	10,129
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	1,803	224
Reclassification adjustments	44	(749)
Subtotal, before tax	1,847	(524)
Tax (expense) or benefit	(278)	94
Subtotal, net of tax	1,569	(430)
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(2,454)	(8,251)
Reclassification adjustments	(12,614)	5,110
Subtotal, net of tax	(15,069)	(3,140)
Total other comprehensive income	¥(6,184)	¥(1,945)

27. 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.

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 for the year ended March 31, 2021.

28. 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.

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 (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 (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 (loss)

Note: The amount the Company lend to NCR additionally was 33,465 million yen.

29. Business Combinations

Transactions under common control, etc.

(a) Overview of transaction
(1) Name and business of entity subject to the business combination
1) Name: MESCO, INC.
2) Description of business
Engineering of various industrial plants, environmental facilities, automation, and energy saving machinery
Design, manufacturing, marketing and sales, construction, and installation of polyethylene complex pipes
Manufacturing, marketing and sales, construction and installation of lead sound insulator and shield materials

(2) Date of business combination
Acquisition through tender offer: February 24, 2022
Acquisition through Demand for Share Cash-Out: March 25, 2022

(3) Legal form of business combination
Acquisition of shares with cash consideration

(4) Name of entity after business combination
Unchanged

(5) Change in ownership ratio of subsidiary shares after the additional acquisition
Ratio of share ownership before business combination: 63.42%
Ratio of share ownership after tender offer: 96.91%
Ratio of share ownership after Demand for Share Cash-Out: 100%

(6) Other matters related to the transaction
The Company made MESCO, Inc. a wholly-owned subsidiary by arranging a tender offer for the remaining MESCO shares. The decision was made after having reached the conclusion that concentrating the Company's business resources will help increase corporate value by creating new business opportunities through integrated operations and further strengthening the Company's ties with MESCO in part as a result of the two companies sharing business resources and expertise.

(b) Overview of accounting treatment applied
The transaction has been accounted for as a transaction under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(c) Breakdown of acquisition cost and consideration for additional acquisition of subsidiary shares by type (including acquisition by Demand for Share Cash-Out)

Consideration for acquisition: Cash (including accounts payable)
¥6,166 million ($50,371 thousand)
Acquisition cost
¥6,166 million ($50,371 thousand)

(d) Matters regarding changes in equity related to transactions with non-controlling interests
(1) Major factor of change in capital surplus
Additional acquisition of subsidiary shares
(2) Decrease in capital surplus due to transactions with non-controlling interests
¥3,950 million ($32,268 thousand)

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, 2022 and 2021, 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, 2022 and 2021, 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.

Accuracy of the calculation of the net realizable values used for the valuation of inventories

The key audit matter

MITSUI MINING & SMELTING CO., LTD. (the "Company") recognized inventories of ¥177,476 million in the consolidated balance sheets as of March 31, 2022. This amount represented 28% of total assets in the consolidated balance sheet.

As described in Note (Significant accounting estimates), 1. Valuation of inventories" to the consolidated financial statements, inventories are stated at the acquisition cost. However, if the net realizable value or the replacement cost is lower than the acquisition cost at the end of the year, inventories are measured at the net realizable value or the replacement cost, and the difference from the acquisition cost is recorded as an expense for the period.

Of these values compared with the acquisition cost in valuation of inventories, net realizable values are calculated based on the most recent actual unit selling prices and the actual selling costs, which reflect the influences of changes in quoted market prices of nonferrous metals on actual unit selling prices. Quoted market prices of nonferrous metals are determined based on listed prices on the London Metal Exchange ("LME") and other international markets (hereinafter, these prices are referred to as the "LME or other market prices"). The LME or other market prices fluctuate under the influences of various factors such as the international supply-demand balance, global political and economic conditions, and speculative trading. Accordingly, any failure in calculating accurate net realizable values reflecting the LME or other market prices, which are used for the valuation of inventories, may have significant effect on valuation of inventories.

We, therefore, determined that our assessment of the accuracy of the calculation of the net realizable values used for the valuation of inventories was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

How the matter was addressed in our audit

The primary procedures we performed to assess the accuracy of the calculation of the net realizable values used for the valuation of inventories are set forth below:

In addition, we requested the independent auditors of the consolidated subsidiaries of the Company to perform an audit, and evaluated the reports of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures performed.

(1) Internal control testing

Test of the design and operating effectiveness of certain of the Company's internal controls relevant to the valuation of inventories, with a greater focus on:

- Controls to completely identify inventories to be evaluated; and
- Controls to calculate net realizable values and recognize valuation losses accurately.

(2) Assessment of the accuracy of the calculation of the net realizable values

Assessment of the accuracy of the calculation of the net realizable values by performing the following procedures:

- Assessment of the appropriateness of the unit of valuation of inventories determined for each of the categories such as zinc, lead, copper, and catalysts in accordance with the requirements of applicable accounting standards;
- Comparison of the LME or other market prices reflected in the most recent actual unit selling prices, which served as the basis for the calculation of the net realizable values, with the published LME or other market prices;
- Assessment as to whether the net realizable values used for the valuation of inventories were accurately calculated through recalculations; and
- Assessment as to whether valuation losses were recognized accurately and completely by comparing the net realizable values with the acquisition costs.

Other Information

The other information comprises the Integrated Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Integrated Report, which is expected to be made available to us after that date. Management is responsible for the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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.

Hiroaki Sugiura
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, 2022

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.