11-Year Summary of Selected Financial Data

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

Millions of yen

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consolidated Financial Highlights												
Net sales		417,219	441,046	473,274	450,553	436,330	519,215	497,701	473,109	522,936	633,346	651,965
Operating income		16,557	25,743	31,835	11,137	38,461	49,529	18,222	13,037	51,124	60,737	12,528
Ordinary income		16,194	13,656	21,096	(11,284)	31,047	11,239	17,755	9,318	51,265	65,990	19,886
Profit attributable to owners of parent		9,910	3,662	17,237	(20,926)	18,674	(708)	4,691	1,566	44,771	52,088	8,511
Capital expenditures		22,601	27,160	28,906	28,446	37,718	40,509	36,119	33,999	28,176	27,457	32,515
Depreciation		23,952	24,178	25,146	25,066	24,414	26,634	27,964	28,970	33,882	33,168	33,647
Research and Development expenditures		5,867	5,795	6,265	6,575	7,163	8,015	9,523	10,125	10,571	10,939	12,365
Cash flows from operating activities		38,058	38,003	37,245	50,397	24,218	52,436	40,696	36,107	27,565	60,672	43,009
Cash flows from investing activities		(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)	(16,324)	(25,538)	(31,641)
Free cash flows		(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274	11,241	35,134	11,368
Total assets		438,072	503,825	538,646	484,800	518,981	518,705	523,315	537,119	595,107	637,878	631,894
Net assets		155,049	169,867	207,106	179,566	184,421	178,652	179,673	173,255	210,560	250,048	261,406
Shareholders' equity		154,397	156,280	170,994	146,469	161,713	157,271	159,207	157,296	197,874	241,075	243,360
Interest-bearing debt		180,372	218,500	210,390	191,733	207,421	208,418	216,878	233,070	247,930	225,100	219,249
Per share of common stock												
EPS（Earnings per share）※1	Yen	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43	784.01	912.00	148.99
BPS（Net assets per share）※1	Yen	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	4,434.42
Cash dividends per share ※1	Yen	30	40	60	60	70	70	70	70	85	110	140
Dividend payout ratio	%	17.3	62.4	19.9	-	21.4	-	85.2	255.2	10.8	12.1	94.0
DOE（Dividend on equity ratio）※2	%	1.1	1.5	2.0	2.3	2.5	2.5	2.5	2.5	2.5	2.6	3.3
Financial Ratios												
ROE（Return on equity）	%	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9	24.6	23.8	3.5
ROA（Return on assets）	%	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8	9.1	10.7	3.1
Net D/E ratio		1.13	1.26	0.98	1.03	1.10	1.11	1.15	1.22	1.09	0.82	0.76
Equity ratio	%	33.5	31.9	36.6	35.0	33.5	32.4	32.5	30.7	33.4	37.6	40.1

※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, 2022 and 2023

Millions of yen

	2022	2023
Assets		
Current assets:		
Cash and deposits (Note 6)	¥ 29,615	¥ 26,817
Notes and accounts receivable,		
and contract assets (Notes 3 and 19) :		
Trade	111,496	101,897
Unconsolidated subsidiaries and affiliates	10,731	9,061
Inventories (Note 4)	177,476	176,250
Derivatives (Notes 19 and 20)	1,042	213
Other current assets	28,945	33,072
Less: Allowance for doubtful accounts	(263)	(149)
Total current assets	359,045	347,165
Property, plant and equipment (Note 9)**:**		
Land	31,671	31,796
Buildings and structures	203,320	208,770
Machinery and equipment	497,955	513,103
Leased assets	4,640	5,536
Construction in progress	10,269	11,290
Others	60,500	63,186
	808,356	833,684
Less: Accumulated depreciation	(611,232)	(635,925)
Total property, plant and equipment	197,124	197,758
Investments and other assets:		
Investment securities (Notes 5 and 19):		
Unconsolidated subsidiaries and affiliates	46,731	52,582
Others	9,200	9,282
Loans receivable:		
Unconsolidated subsidiaries and affiliates	—	—
Others	412	405
Deferred tax assets (Note 18)	5,702	5,752
Asset for retirement benefits (Note 21)	7,577	7,631
Others	12,198	11,415
Less: Allowance for doubtful accounts	(114)	(98)
Total investments and other assets	81,708	86,970
Total assets	¥ 637,878	¥ 631,894
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 19):		
Trade	55,727	51,973
Unconsolidated subsidiaries and affiliates	6,431	5,352
Others	18,524	18,512

Millions of yen

	2022	2023
Short-term borrowings and commercial papers (Notes 7 and 19)	¥ 64,247	¥ 64,667
Current portion of long-term debt (Notes 7 and 19)	40,358	28,538
Current portion of lease liabilities	555	642
Accrued income taxes	5,265	1,787
Accrued expenses	10,224	9,963
Provision for product warranties	716	548
Provision for loss on construction contracts	0	57
Provision for loss on disposal of inventories	569	562
Derivative liabilities (Notes 19 and 20)	7,139	2,390
Other current liabilities (Note 8)	14,040	13,799
Total current liabilities	223,800	198,795
Long-term liabilities:		
Long-term debt (Notes 7 and 19)	120,495	126,043
Lease liabilities	1,472	1,571
Directors' and corporate auditors' retirement benefits	515	389
Deferred tax liabilities (Note 18)	5,666	8,034
Provision for environmental countermeasures	734	1,275
Provision for preventing environmental pollution		
in mineral, mining, and other operations	804	839
Provision for loss on litigation	163	—
Asset retirement obligations (Note 25)	4,320	3,726
Liability for retirement benefits (Note 21)	27,331	28,394
Other long-term liabilities	2,525	1,416
Total long-term liabilities	164,029	171,691
Total liabilities	387,829	370,487
Commitments and contingent liabilities (Note 10)		
Net Assets (Note 11)**:**		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2022 and in 2023		
Issued - 57,310 thousand shares in 2022 and 57,329 thousand shares in 2023	42,149	42,178
Capital surplus	18,701	18,729
Retained earnings	180,851	183,080
Less: Treasury stock		
191 thousand shares in 2022 and 191 thousand shares in 2023	(626)	(628)
Total shareholders' equity	241,075	243,360
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	2,512	3,362
Deferred gains (losses) on hedges, net of tax	(11,641)	(4,098)
Foreign currency translation adjustments	6,924	10,682
Accumulated adjustments for retirement benefit (Note 21)	821	64
Total accumulated other comprehensive income	(1,383)	10,010
Non-controlling interests in consolidated subsidiaries	10,356	8,035
Total net assets	250,048	261,406
Total liabilities and net assets	¥ 637,878	¥ 631,894

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

Millions of yen

	2022	2023
Net sales (Notes 16 and 17)	¥ 633,346	¥ 651,965
Cost of sales (Notes 4 and 13)	510,782	572,628
Gross profit	122,564	79,337
Selling, general and administrative expenses (Notes 12 and 13)	61,826	66,808
Operating income	60,737	12,528
Non-operating income (expenses):		
Interest and dividend income	1,229	1,560
Interest expense	(1,852)	(2,011)
Foreign exchange gains	2,060	1,543
Investment gains (losses) on equity method	4,541	5,726
Real estate rent	511	508
Other, net	(1,237)	30
	5,252	7,358
Ordinary income (Note 17)	65,990	19,886
Extraordinary income (losses):		
Gain on sale of property, plant and equipment (Note 14)	245	129
Loss on sale and disposal of property, plant and equipment (Note 14)	(2,918)	(2,605)
Loss on valuation of shares of subsidiaries and associates	—	(1,096)
Gain on sale of investment securities	900	25
Gain on liquidation of shares of subsidiaries and associates	—	86
Insurance claim income	53	84
Reversal of allowance for doubtful accounts	—	52
Environmental expenses	(140)	(745)
Gain on reversal of customs duty for prior periods	1,141	—
Others, net (Notes 14 and 23)	(757)	(626)
	(1,475)	(4,697)
Profit before income taxes	64,514	15,189
Income taxes (Note 18)**:**		
Current	10,612	6,022
Deferred	1,031	2,514
	11,643	8,536
Profit	52,871	6,653
Profit (loss) attributable to non-controlling interests	782	(1,858)
Profit attributable to owners of parent	¥ 52,088	¥ 8,511
Amounts per share of common stock:	Yen	Yen
Basic earnings per share (Note 22)	¥ 912.00	¥ 148.99
Cash dividends applicable to the year	110.02	140.00

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2022 and 2023

Millions of yen

	2022	2023
Profit	¥ 52,871	¥ 6,653
Other comprehensive income:		
Net unrealized gains (losses) on securities, net of tax	(532)	845
Deferred losses on hedges, net of tax	(7,971)	5,262
Foreign currency translation adjustments	10,129	3,881
Remeasurements of defined benefit plans, net of tax	(430)	(755)
Share of other comprehensive income (loss)		
of entities accounted for using equity method	(3,140)	2,291
Total other comprehensive income (Note 26)	(1,945)	11,524
Comprehensive income	¥ 50,925	¥ 18,177
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 49,610	¥ 19,906
Comprehensive income attributable to non-controlling interests	1,314	(1,728)

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, 2022 and 2023

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	¥133,648	¥(625)	¥197,874
Cumulative effects of changes in accounting policy				(31)		(31)
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
Changes in capital surplus 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	¥210,470
Cumulative effects of changes in accounting policy							(31)
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
Changes in capital surplus 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.

Millions of yen

2023	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	57,310	¥42,149	¥18,701	¥180,851	¥(626)	¥241,075
Cash dividends paid				(6,283)		(6,283)
Profit attributable to owners of parent				8,511		8,511
Acquisition of treasury stock					(1)	(1)
Share-based payments with transfer restrictions		28	28			57
Changes in capital surplus due to transactions						
with non-controlling shareholders			(0)			(0)
Net changes of items other than						
shareholders' equity						
Balance at March 31, 2023	57,329	¥42,178	¥18,729	¥183,080	¥(628)	¥243,360

	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, 2022	¥2,512	¥(11,641)	¥6,924	¥821	¥(1,383)	¥10,356	¥250,048
Cash dividends paid							(6,283)
Profit attributable to owners of parent							8,511
Acquisition of treasury stock							(1)
Share-based payments with transfer restrictions							57
Changes in capital surplus due to transactions							
with non-controlling shareholders							(0)
Net changes of items other than							
shareholders' equity	8494	7,543	3,758	(757)	11,394	(2,320)	9,073
Balance at March 31, 2023	¥3,362	¥(4,098)	¥10,682	¥64	¥10,010	¥8,035	¥261,406

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, 2022 and 2023

Millions of yen

	2022	2023
Cash flows from operating activities:		
Profit before income taxes	¥ 64,514	¥ 15,189
Depreciation and amortization	33,167	33,646
Loss on impairment of fixed assets (Note 23)	412	34
Gain and loss on sale of investment securities	(900)	(25)
Loss (gain) on sale of property, plant and equipment, net（Note 14）	(192)	26
Loss on disposal of property, plant and equipment（Note 14）	2,865	2,450
Gain on reversal of customs duty for prior periods	(1,141)	—
Increase (decrease) in allowance for doubtful accounts	76	(132)
Increase (decrease) in liability for retirement benefits	512	494
Interest and dividend income	(1,229)	(1,560)
Interest expense	1,852	2,011
Foreign exchange losses (gains)	(1,485)	(438)
Investment losses (gains) on equity method	(4,541)	(5,726)
Loss on valuation of shares of subsidiaries and associates	—	1,096
Increase (decrease) in notes and accounts receivables and contract assets	(2,738)	13,633
Increase (decease) in inventories	(21,815)	3,649
Increase (decrease) in notes and accounts payable	9,008	(7,793)
Other, net	(9,531)	(2,378)
Subtotal	68,834	54,177
Interest and dividend received	1,919	2,680
Interest paid	(1,868)	(1,976)
Income taxes paid	(9,190)	(12,595)
Income taxes refund	813	190
Other, net	165	532
Net cash provided by operating activities	60,672	43,009
Cash flows from investing activities:		
Purchases of investment securities	(528)	(310)
Proceeds from sale of investment securities	2,406	35
Acquisition of property, plant and equipment and other assets	(25,488)	(31,150)
Proceeds from sale of property, plant and equipment	678	392
Payments for retirement of property, plant and equipment and other assets	(2,068)	(1,811)
Decrease (increase) in short-term loans receivable, net	(49)	(263)
Other, net	(488)	1,467
Net cash used in investing activities	(25,538)	(31,641)

Millions of yen

	2022	2023
Cash flows from financing activities:		
Net change in short-term borrowings and commercial papers	(11,686)	(744)
Proceeds from long-term debt	6,588	29,138
Repayment of long-term debt	(20,294)	(35,485)
Repayment of lease liabilities	(1,248)	(673)
Issuance of straight bonds	10,000	10,000
Redemption of straight bonds	(10,000)	(10,000)
Cash dividends paid	(4,853)	(6,283)
Dividends paid to non-controlling interests	(333)	(591)
Purchase of shares of consolidated subsidiary	(5,645)	—
Other, net	(47)	(44)
Net cash provided by (used in) financing activities	(37,521)	(14,683)
Effect of exchange rate changes on cash and cash equivalents	1,599	518
Net increase (decrease) in cash and cash equivalents	(788)	(2,797)
Cash and cash equivalents at beginning of year	30,402	29,614
Cash and cash equivalents at end of year (Note 6)	¥29,614	¥26,816

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, 2022 and 2023

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or 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 consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million Japanese yen have been rounded down in the presentation of the accompanying consolidated financial statements. As a result, the totals in Japanese 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, 2023, which was ¥133.54 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, 2023 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 mainly 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 statements of cash flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition which have high liquidity and negligible risk of price fluctuation.

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

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

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

(e) Derivative transactions and hedge accounting

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

If derivative financial instruments are used as hedges and meet certain hedging criteria, gains or losses resulting from changes in their fair value are generally deferred as a component of 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, Mobility Sector
Subsidiaries:
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
Subsidiaries:
Mitsui Kinzoku ACT Corporation
: Moving average method
The Company:
Engineered Materials Sector (except for Copper Foil Division)
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 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Research and development expenses
Research and development expenses are charged to expenses when incurred.

(p) 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, Mobility, and Other business 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.

The Companies engage in product sales involving transactions performed with the Companies serving as an agent who arrange for the product to be provided to a customer by another party. Under those circumstances, the Companies recognize revenue as the anticipated amount of remuneration or fees it is to receive in exchange for it having arranged to have another party provide the product (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.

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

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 anticipated 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 regarding 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 reduced 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.

(q) 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.

(r) 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 2022 and 2023.

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

(s) Reclassification
Certain prior year amounts have been reclassified to conform to the 2023 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(t) 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, 2023

Merchandise and finished goods	¥62,056 million ($464,699 thousand)
Work in progress	¥39,276 million ($294,114 thousand)
Raw materials and supplies	¥74,918 million ($561,015 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, 2023
Deferred tax assets ¥5,752 million ($43,073 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.

(Changes in Accounting Policies)
1. Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement
The Company and its subsidiaries apply "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) since the year ended March 31, 2022, and prospectively apply the new accounting policies under ASBJ Guidance No. 31 in accordance with the transitional provision set out in paragraph 27-2 of ASBJ Guidance No. 31.
This change has no impact on the consolidated financial statements.

2. Change in inventory valuation method
Effective from the current fiscal year, Mitsui Kinzoku ACT Corporation, the Company's consolidated subsidiary, has changed its inventory valuation method from first-in, first-out method to the moving-average method.
This change has been made due to modification of the ERP system, and has not been retrospectively applied to the previous fiscal years because the effect of the change in the accounting policy is immaterial.

(Accounting standards and guidance not yet adopted)
Following accounting standards and guidance are those issued but not yet adopted.
- "Accounting Standard for Current Income Taxes" (ASBJ Statement No.27, October 28, 2022, ASBJ)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, October 28, 2022, ASBJ)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No.28, October 28, 2022, ASBJ)

(1) Overview
These accounting standards and guidance determined the categories in which income tax expense should be recorded in case taxes are imposed on other comprehensive income and tax effects associated with sales of shares of subsidiaries etc. when the group taxation regime is applied.

(2) Effective date
The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance
The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

(Changes in presentation)
Consolidated statement of income
"Insurance claim income" that had been presented under "Others, net" under "Extraordinary income (losses)" in the previous fiscal year has exceeded ten percent of the total amount of extraordinary income, and has therefore been presented separately under "Extraordinary income (losses)" in the current fiscal year.
"Environmental expenses" that had been presented under "Others, net" under "Extraordinary income (losses)" in the previous fiscal year has 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.
"Loss on impairment of fixed assets" that had been included separately under "Extraordinary income (losses)" in the previous fiscal year has not exceed ten percent of the total amount of extraordinary losses, and has therefore been presented under "Others, net" under "Extraordinary income (losses)" in the current fiscal year.
To reflect these changes, Consolidated statement of income in the previous fiscal year has been reclassified.
As a result, ¥(412) million that was presented as "Loss on impairment of fixed assets" and ¥(431) million that was presented as "Others, net" under "Extraordinary income (losses)" in the consolidated statement of income for the year ended March 31, 2022 have been restated as "Insurance claim income" of ¥53 million, "Environmental expenses" of ¥(140) million and "Others, net" of ¥(757) 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, 2023 were as follows:

	Millions of yen
	2023
Receivables from contracts with customers	
Notes receivable	¥9,013
Accounts receivable	100,714
Contract assets	1,231

4. Inventories
Inventories at March 31, 2022 and 2023 consisted of the following:

	Millions of yen	
	2022	2023
Merchandise and finished goods	¥63,379	¥62,056
Work in process	39,983	39,276
Raw materials and supplies	74,112	74,918
Total	¥177,476	¥176,250

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, 2022 and 2023 respectively as follows:

	Millions of yen	
	2022	2023
Cost of sales	¥1,736	¥5,523
Total	¥1,736	¥5,523

5. Securities
(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2022 and 2023 were as follows:

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

Year ended March 31, 2023	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥6,192	¥1,783	¥4,408
Subtotal	6,192	1,783	4,408
Securities whose book value does not exceed acquisition cost:			
Stocks	6	7	(1)
Bonds	230	240	(9)
Subtotal	236	247	(11)
Total	¥6,429	¥2,031	¥4,397

(b) Available-for-sale securities sold for the years ended March 31, 2022 and 2023 were as follows:

		Millions of yen	
		2022	2023
Total sale amount	Stocks	¥2,474	¥35
Gains	Stocks	900	25
Losses	Stocks	—	—

(c) Securities written-down for the year ended March 31, 2023 were as follows:

Losses on write-downs of securities amounted to ¥1,096 million ($8,207 thousand) (¥1,096 million ($8,207 thousand) for shares of subsidiaries and affiliates) for the year ended March 31, 2023.

As for write-downs of securities, the securities without market prices whose net asset value are significantly decreased due to the deterioration of financial position of their issuing companies are written-down to the amount needed considering the recoverability of the net asset value.

6. Consolidated Statement of Cash Flows

(a) Amounts of cash and cash equivalents

Amounts of cash and cash equivalents at March 31, 2022 and 2023 were reconciled with cash and deposits as follows:

	Millions of yen	
	2022	2023
Cash and deposits	¥29,615	¥26,817
Time deposits with maturities exceeding three months from the date of deposit	(1)	(1)
Total : Cash and cash equivalents	¥29,614	¥26,816

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2022 and 2023 consisted of the following:

	Millions of yen	
	2022	2023
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.270% to 5.350% and from 0.352% to 7.950% at March 31, 2022 and 2023, respectively.	¥46,247	¥46,667
Commercial paper with interest at annual rate of (0.01)% and (0.00)% at March 31, 2022 and 2023, respectively.	18,000	18,000
	¥64,247	¥64,667

Long-term debt at March 31, 2022 and 2023 consisted of the following:

	Millions of yen	
	2022	2023
0.58 % yen unsecured straight bonds due in 2027	¥ —	¥10,000
0.43 % yen unsecured straight bonds due in 2027	10,000	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	—
Banks, insurance companies and other financial institutions, maturing through 2028 at interest rates ranging from 0.000% to 10.220% at March 31, 2023:		
Secured	552	860
Unsecured	110,067	103,586
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 1.300% to 1.800% at March 31, 2022:		
Secured	234	134
Unsecured	—	—
	160,854	154,581
Less: Current portion	40,358	28,538
	¥120,495	¥126,043

The aggregate annual maturities of long-term debt at March 31, 2023 were as follows:

Year ending March 31,	Millions of yen
2024	¥28,538
2025	39,727
2026	33,114
2027	21,501
2028	31,700
Thereafter	—
Total	¥154,581

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.
The 0.58% yen unsecured straight bonds due in 2027 were issued on November 29, 2022 by the Company.

8. Contract Liabilities

The amount of contract liabilities included in other current liabilities as of March 31, 2023 was as follows:

	Millions of yen
	2023
Contract Liabilities	¥3,935

9. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Property, plant and equipment, net book value	¥6,418	¥6,349
	¥6,418	¥6,349

10. Contingent Liabilities

Contingent liabilities at March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Notes receivable discounted	¥63	¥82
Notes and accounts receivable securitized with recourse	262	230
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	74,545	85,317
Others	240	204
	¥75,111	¥85,834

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, 2022 and 2023 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2021	57,296	190
Increase during the year	13	0
Decrease during the year	—	—
Balance at March 31 and April 1, 2022	57,310	191
Increase during the year	19	0
Decrease during the year	—	—
Balance at March 31, 2023	57,329	191

(b) Dividends

Dividends paid for the year ended March 31, 2023 were as follows:

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

Dividends included in the retained earnings at March 31, 2023 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2023	¥7,999
Total	¥7,999

12. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2022 and 2023 were as follows:

	2022	2023
Freightage related expenses	¥11,865	¥11,821
Salaries	11,858	12,958
Bonus and retirement pay	2,739	2,742
Provision for bonuses	2,078	2,124
Retirement benefit expenses	594	754
Provision for directors' and corporate auditors' retirement benefits	85	87
Provision for product warranties	274	50
Depreciation expense	2,633	3,466
Research and development/Exploration expenses	9,775	11,359

13. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥10,939million and ¥12,365million ($92,593 thousand) for the years ended March 31, 2022 and 2023, respectively.

14. Extraordinary profit and loss

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

	Millions of yen	
	2022	2023
Buildings and structures	¥37	¥27
Machinery and equipment	148	86
Land	23	0
Others	36	14
Total	¥245	¥129

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

	Millions of yen	
	2022	2023
Buildings and structures	¥6	¥39
Machinery and equipment	27	88
Land	4	6
Others	14	21
Total	¥53	¥155

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

	Millions of yen	
	2022	2023
Buildings and structures	¥344	¥336
Machinery and equipment	2,322	1,956
Others	199	157
Total	¥2,865	¥2,450

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

	Millions of yen	
	2022	2022
Provision for allowance for doubtful accounts	¥52	¥0
Provision for loss on litigation	46	—

15. Lease

Future lease payments under noncancellable operating leases at March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Due within one year	¥465	¥489
Due after one year	1,108	818
	¥1,574	¥1,307

16. Net Sales

Disaggregation of revenue and relationship with each reportable segment for the year ended March 31, 2023 was summarized as follows:

Year ended March 31, 2023	Reportable segment						Millions of yen
	Engineered Materials	Metals	Mobility	Other Businesses	Total	Adjustment	Consolidated
Major product/services							
Engineered Powders	¥24,994	¥—	¥—	¥—	¥24,994	¥—	¥24,994
Copper Foil	63,427	—	—	—	63,427	—	63,427
Zinc and Lead	—	190,588	—	—	190,588	—	190,588
Copper and Precious metals	—	56,166	—	—	56,166	—	56,166
Catalyst for exhaust-gas purification	—	—	113,045	—	113,045	—	113,045
Automobile Door Lock	—	—	86,015	—	86,015	—	86,015
Products of other businesses	—	—	—	104,134	104,134	—	104,134
Engineering services, other	—	—	—	23,973	23,973	—	23,973
Others	24,109	9,646	17,408	—	51,164	—	51,164
Subtotal	112,531	256,401	216,468	128,108	713,511	—	713,511
Adjustments	(6,546)	(52,515)	(2,346)	(26,224)	(87,633)	26,087	(61,545)
External revenue	105,985	203,886	214,121	101,884	625,877	26,087	651,965
Revenue from contracts with customers	106,729	205,460	214,121	101,884	628,196	26,087	654,283
Other revenue	(743)	(1,573)	—	(0)	(2,318)	—	(2,318)

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, 2022 and 2023 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, Mobility, and Other Businesses, based on business sectors categorized by products and services.

(Changes in reportable segments)

As a result of Company-wide organizational reforms that took place on April 1, 2022, the Company has changed its categorization of the reporting segments from the consolidated fiscal year ended March 31, 2023, changing from the Engineered Material segment, Metals segment, Automotive Parts & Components segment, and the Affiliates Coordination segment to Engineered Materials segment, Metals segment, Mobility segment, and Other Businesses segment.

Segment information for the previous fiscal year has been restated to reflect the changes in reportable segments.

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

Segment information as of and for the year ended March 31, 2022, which was restated in conformity with reorganization, was as follows:

Year ended March 31, 2022	Reportable segment						Millions of yen
	Engineered Materials	Metals	Mobility	Other Businesses	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥127,246	¥194,099	¥203,601	¥90,741	¥615,688	¥17,658	¥633,346
Inter-segment	8,867	46,816	3,510	27,919	87,114	(87,114)	—
Total	136,114	240,915	207,111	118,661	702,802	(69,455)	633,346
Segment profit	29,963	36,285	2,436	3,866	72,551	(6,561)	65,990
Segment assets	108,024	238,607	174,883	88,678	610,194	27,683	637,878
Depreciation expense	6,511	14,344	7,001	1,459	29,315	3,851	33,167
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140
Interest income	44	146	86	103	381	(262)	119
Interest expense	165	450	1,137	138	1,891	(38)	1,852
Investment gains (losses) on equity method	—	2,247	—	2,328	4,575	(34)	4,541
Investment for entities accounted for using the equity method	—	20,259	—	20,653	40,913	(167)	40,745
Increase in property, plant and equipment, and intangible assets	6,845	8,710	6,090	1,384	23,030	4,425	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 ¥(6,561) million, consists mainly of ¥(8,273) million for Companywide 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 ¥27,683 million, consists of ¥(21,913) million for offset of receivables against the corporate administrative department, ¥(20,657) million for offset of inter-segment receivables, ¥67,320 million for Company-wide assets that are not allocated to any reportable segments and ¥2,933 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, 2023 was as follows:

Millions of yen

Year ended March 31, 2023	Reportable segment						
	Engineered Materials	Metals	Mobility	Other Businesses	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥105,985	¥203,886	¥214,121	¥101,884	¥625,877	¥26,087	¥651,965
Inter-segment	6,546	52,515	2,346	26,224	87,633	(87,633)	—
Total	112,531	256,401	216,468	128,108	713,511	(61,545)	651,965
Segment profit	10,706	9,082	3,200	736	23,725	(3,838)	19,886
Segment assets	105,306	236,120	174,007	87,375	602,810	29,083	631,894
Depreciation expense	7,032	13,026	7,405	1,397	28,861	4,784	33,646
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140
Interest income	82	138	168	67	457	(220)	237
Interest expense	422	546	937	123	2,029	(18)	2,011
Investment gains on equity method	—	4,223	—	1,483	5,707	19	5,726
Investment for entities accounted for using the equity method	—	26,738	—	21,045	47,783	(77)	47,706
Increase in property, plant and equipment, and intangible assets	8,137	11,852	5,696	1,479	27,165	5,349	32,515

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 ¥(3,838) million ($(28,740) thousand), consists mainly of ¥(8,075) million ($(60,468) thousand) for Company-wide costs that are not allocated to any reportable segments, ¥1,615 million ($12,093 thousand) for adjustment of inventories, and ¥1,492 million ($11,172 thousand) for foreign currency translation differences from the conversion of revenue and expenses of overseas subsidiaries and related entities to Japanese yen.

(2) Adjustment to segment assets, which amounted to ¥29,083 million ($217,784 thousand), consists of ¥(13,801) million ($(103,347) thousand) for offset of receivables against the corporate administrative department, ¥(19,841) million ($(148,577) thousand) for offset of inter-segment receivables, ¥67,869 million ($508,229 thousand) for Company-wide assets that are not allocated to any reportable segments and ¥(5,142) million ($38,505 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, 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, 2023	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥306,746	¥81,472	¥85,804	¥117,344	¥33,429	¥27,167	¥651,965

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

Year ended March 31, 2023	Japan	Asia	North America	Other Areas	Consolidated
Property, plant and equipment	¥142,104	¥42,955	¥4,353	¥8,344	¥197,758

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

Millions of yen

Year ended March 31, 2022	Engineered Materials	Metals	Mobility	Other Businesses	Elimination・Corporate	Consolidated
Loss on impairment of fixed assets	¥113	¥—	¥298	¥—	¥—	¥412

Year ended March 31, 2023	Engineered Materials	Metals	Mobility	Other Businesses	Elimination・Corporate	Consolidated
Loss on impairment of fixed assets	¥—	¥—	¥—	¥34	¥—	¥34

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

Millions of yen

Year ended March 31, 2022	Engineered Materials	Metals	Mobility	Other Businesses	Elimination・Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	422	—	—	—	422

Year ended March 31, 2023	Engineered Materials	Metals	Mobility	Other Businesses	Elimination・Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	281	—	—	—	281

【Information on gain on negative goodwill by reportable segments】

Year ended March 31, 2022
Not applicable.

Year ended March 31, 2023
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, 2022 and 2023.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2022 and 2023 were as follows:

	2022	2023	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 105	¥ 97	
Excess accrued bonuses to employees	1,776	1,701	
Excess product warranties	145	104	
Liability for retirement benefits	8,330	8,676	
Provision for environmental countermeasures	214	229	
Loss on impairment of fixed assets	2,309	2,300	
Depreciation in excess of limit	660	730	
Enterprise taxes accrued	493	118	
Unrealized profits and losses	3,914	3,386	
Operating loss carryforward for tax purposes (b)	23,006	27,330	
Net unrealized losses on securities	7	3	
Deferred losses on hedges	2,727	907	
Other	9,287	10,456	
Subtotal	52,979	56,043	
Valuation allowance for operating loss carryforward for tax purposes (b)	(21,727)	(26,434)	
Valuation allowance for deductible temporary differences	(15,740)	(16,408)	
Valuation allowance-total (a)	(37,467)	(42,843)	
Total deferred tax assets	¥ 15,511	¥ 13,200	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (889)	¥ (1,294)	
Deferred gains on hedges	(330)	(66)	
Retained earnings of foreign subsidiaries	(6,484)	(7,331)	
Asset for retirement benefits	(2,343)	(2,389)	
Excess depreciation for tax purposes	(2,664)	(2,858)	
Other	(2,763)	(1,542)	
Total deferred tax liabilities	(15,475)	(15,482)	
Net deferred tax assets (liabilities)	¥ 35	¥ (2,281)	

(a) Valuation allowance increased by ¥5,375 million. The main reasons for the increase were increases in valuation allowance of ¥1,113 million for operating loss carryforward.

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

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.

Millions of yen

(2023)	2024	2025	2026	2027	2028	2029 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥180	¥391	¥81	¥473	¥—	¥26,204	¥27,330
Valuation allowance	(162)	(386)	(81)	(263)	—	(25,540)	(26,434)
Net deferred tax assets	17	4	—	210	—	663	896

(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, 2022 and 2023.

	2022	2023
Statutory effective tax rate	30.5 %	30.5 %
Permanent difference due to non-deductible expense	0.8	1.4
Permanent difference due to non-taxable income	(6.7)	(35.5)
Effect of elimination of intercompany dividends received	6.9	35.4
Investment losses on equity method	(2.2)	(11.5)
Valuation allowance	(7.9)	(35.8)
Tax credit	(2.8)	(0.1)
Others	(0.6)	(0.0)
Tax rate calculated based on the Companies' consolidated financial statements	18.0 %	56.1 %

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

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, 2022 and 2023 were as follows.

Millions of yen

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 3	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)	¥ —

Year ended March 31, 2023	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 13,401	¥ 12,638	¥ (762)
Total	¥ 13,401	¥ 12,638	¥ (762)
Liabilities:			
(a) Current portion of bonds payable	10,000	10,000	0
(b) Bonds payable	40,000	39,939	(60)
(c) Current portion of long-term borrowings Notes 3	18,538	18,528	(10)
(d) Long-term borrowings	86,043	85,703	(339)
Total	¥ 154,581	¥ 154,172	¥ (409)
Derivative transactions	¥ (2,779)	¥ (2,779)	¥ —

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. 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

	Consolidated balance sheet amount	
Classification	2022	2023
Unlisted equity securities	¥ 42,192	¥ 46,495
Investments in partnerships and others	1,807	1,967

3. "(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.

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

5. 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, 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

Year ended March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028	April 1, 2028 to March 31, 2033	April 1, 2033 and thereafter
(a) Cash and deposits	¥ 26,817	¥ ―	¥ ―	¥ ―
(b) Notes and accounts receivable	109,728	―	―	―
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	―	―	―	230
Total	¥ 136,545	¥ ―	¥ ―	¥ 230

6. 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

	Fair value			
Year ended March 31, 2022	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

	Fair value			
Year ended March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 6,199	¥ ―	¥ ―	¥ 6,199
Bonds(domestic government and municipal bonds)	―	―	230	230
Derivative Transactions				
Currency-related derivatives	―	27	―	27
Commodities-related derivatives	―	191	―	191
Total Assets	¥ 6,199	¥ 219	¥ 230	¥ 6,648
Derivative Transactions				
Currency-related derivatives	―	(2,743)	―	(2,743)
Commodities-related derivatives	―	(254)	―	(254)
Total Liabilities	¥ ―	¥ (2,998)	¥ ―	¥ (2,998)

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

Millions of yen

	Fair value			
Year ended March 31, 2022	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

	Fair value			
Year ended March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities				
Shares of subsidiaries and associates	¥ 6,209	¥ ―	¥ ―	¥ 6,209
Total Assets	¥ 6,209	―	―	¥ 6,209
Bonds payable	―	49,939	―	49,939
Long-Term Borrowings	―	104,232	―	104,232
Total Liabilities	¥ ―	¥ 154,172	¥ ―	¥ 154,172

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, 2022 and 2023 were as follows:

Currency-related derivatives

Millions of yen

Type				2022	2023
Forward contracts:					
	Selling:				
		U.S. dollars:	Contract amounts	¥1,394	¥876
			Due over one year	―	―
			Fair value	(81)	(12)
			Net unrealized gains (losses)	(81)	(12)

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2022 and 2023 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Millions of yen

Type			Hedged items		2022	2023
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥41,819	¥27,524
				Due over one year	16,530	8,375
				Fair value	(2,371)	(2,687)
		Euros:		Contract amounts	¥1,374	¥553
				Due over one year	19	16
				Fair value	(47)	(13)
		Thai baht:		Contract amounts	¥ ―	¥2
				Due over one year	―	―
				Fair value	―	(0)
	Buying:		Accounts payable			
		U.S. dollars:		Contract amounts	¥4,773	¥487
				Due over one year	―	―
				Fair value	153	0
		Euros:		Contract amounts	¥7	¥70
				Due over one year	―	―
				Fair value	0	1
		Australian dollars:		Contract amounts	¥486	¥110
				Due over one year	―	―
				Fair value	46	(3)

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		2022	2023
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥128	¥139
				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

Millions of yen

Type			Hedged items	2022	2023
Forward contracts:			Raw materials and finished goods		
	Selling:				
		Zinc:	Contract amounts	¥21,257	¥7,796
			Due over one year	6,304	2,991
			Fair value	(6,205)	(41)
		Lead:	Contract amounts	¥1,825	¥2,563
			Due over one year	—	—
			Fair value	(50)	(13)
		Copper:	Contract amounts	¥156	¥117
			Due over one year	—	—
			Fair value	12	7
	Buying:				
		Zinc:	Contract amounts	¥7,860	¥3,279
			Due over one year	—	—
			Fair value	458	9
		Lead:	Contract amounts	¥2,139	¥2,092
			Due over one year	—	—
			Fair value	192	(25)
		Copper:	Contract amounts	¥144	¥110
			Due over one year	—	—
			Fair value	—	—

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

	2022	2023
Balance at the beginning of the fiscal year	¥46,004	¥47,531
Service cost	2,770	2,400
Interest cost	96	122
Actuarial gain (loss)	186	(278)
Benefits paid	(1,414)	(1,143)
Past service benefits	(183)	49
Others	71	22
Balance at the end of the fiscal year	¥47,531	¥48,704

(b) Changes in plan assets

	2022	2023
Balance at the beginning of the fiscal year	¥26,495	¥27,777
Expected return on plan assets	926	895
Actuarial loss	(122)	(649)
Contributions paid by the employer	945	431
Benefits paid	(531)	(444)
Others	63	(67)
Balance at the end of the fiscal year	¥27,777	¥27,942

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

	2022	2023
Funded retirement benefit obligations	¥20,664	¥20,723
Plan assets	(27,777)	(27,942)
	(7,113)	(7,218)
Unfunded retirement benefit obligations	26,867	27,981
Net liability for retirement benefits at the end of the fiscal year	19,753	20,762
Liability for retirement benefits	27,331	28,394
Asset for retirement benefits	(7,577)	(7,631)
Net liability for retirement benefits at the end of the fiscal year	¥19,753	¥20,762

(d) Retirement benefit costs

	2022	2023
Service cost	¥2,770	¥2,400
Interest cost	96	122
Expected return on plan assets	(926)	(895)
Net actuarial loss (gain) amortization	405	479
Past service costs amortization	(807)	(830)
Total retirement benefit costs for the fiscal year	¥1,537	¥1,276

(e) Remeasurements of defined benefit plans

Millions of yen

	2022	2023
Past service costs (benefits)	¥(623)	¥(886)
Actuarial loss	98	23
Total remeasurements of defined benefit plans for the fiscal year	¥(524)	¥(862)

(f) Accumulated adjustments for retirement benefit

	2022	2023
Prior service costs that are yet to be recognized	¥(938)	¥(52)
Net actuarial losses that are yet to be recognized	43	19
Total balance at the end of the fiscal year	¥(895)	¥(33)

(g) Plan assets

1. Plan assets comprise:

	2022	2023
Bonds	36%	37%
Equity securities	30%	29%
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, 2022 and 2023 are as follows:

	2022	2023
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 3.7 %	Mainly 3.7 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥911 million and ¥1,060 million for the years ended March 31, 2022 and 2023, respectively.

22. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2022 and 2023 were as follows:

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

Year ended March 31, 2023	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥8,511	57,131	¥148.99

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

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, 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.

Year ended March 31, 2023

Location	Major use	Asset category	Millions of yen
Mikata County, Hyogo Prefecture	Idle assets	Buildings and structures	¥19
		Machinery and Equipment and Transportation equipment	0
		Intangible fixed Asset	15
		Total	¥34

The carrying amounts of 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, 2022 and 2023 and account balance as of March 31, 2023 with Pan Pacific Copper Co., Ltd. was as follows:

Millions of yen

	2022	2023
Mainly purchases of metal products	¥—	¥35,218
Guarantees of bank loans	68,653	79,244

2. Note: 1. Sales and purchases of products and other items are determined by taking into consideration the equivalent market prices for arm’s length transactions.

(b) Note about significant related parties

In the year ended March 31, 2023, 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

	2022	2023
Total current assets	¥445,627	¥513,482
Total non-current assets	5,364	3,636
Total current liabilities	387,907	433,941
Total long-term liabilities	281	284
Total net assets	62,804	82,894
Net sales	936,044	1,133,238
Profit before income taxes	10,158	19,052
Profit	6,935	13,076

25. Asset Retirement Obligations

Years ended March 31, 2022 and 2023

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 4.14～4.73% 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 18 years from the next fiscal year.

In addition, during the fiscal year ended March 31, 2023, the Company revised the discount rate and that resulted in decreasing of ¥(664) million ($(4,972) thousand) in the balance of asset retirement obligations.

(Asbestos)

The expected periods that removal expenses will occur at the time of dismantling the assets are estimated between in 1 to 31 years depending on each asset. The Companies estimate the amount of asset retirement obligations by using the discount rates which are between (0.13%) and 2.30%.

In the year ended March 31, 2023, 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 ¥(14) million ($(104) 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, 2023 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 ¥292 million ($2,186 thousand) in the fiscal year ended March 31, 2023.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Balance at the beginning of the fiscal year	¥ 3,823	¥ 4,320
Adjustments due to the passage of time	34	70
Decrease from execution of asset retirement obligations	(248)	(201)
Increase from changes of estimates	290	(678)
Impact of foreign currency translation	420	286
Balance at the end of the fiscal year	¥ 4,320	¥ 3,796

26.Consolidated Statements of Comprehensive Income

Years ended March 31, 2022 and 2023

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	
	2022	2023
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥(187)	¥1,282
Reclassification adjustments	(651)	(25)
Subtotal, before tax	(838)	1,256
Tax (expense) or benefit	305	(411)
Subtotal, net of tax	(532)	845
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	(5,964)	(1,980)
Reclassification adjustments	(2,152)	7,037
Subtotal, before tax	(8,116)	5,057
Tax (expense) or benefit	145	204
Subtotal, net of tax	(7,971)	5,262
Foreign currency translation adjustments:		
Increase(decrease) during the year	10,156	3,877
Reclassification adjustments	(27)	3
Subtotal, net of tax	10,129	3,881
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	224	(43)
Reclassification adjustments	(749)	(818)
Subtotal, before tax	(524)	(862)
Tax (expense) or benefit	94	106
Subtotal, net of tax	(430)	(755)
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(8,251)	(6,393)
Reclassification adjustments	5,110	8,685
Subtotal, net of tax	(3,140)	2,291
Total other comprehensive income	¥(1,945)	¥11,524

27. Significant Subsequent Events

(Dividends from surplus of an investee)

On June 28, 2023, the Company received dividends from Japan Korea Joint Smelting Co., Ltd., and the Company will record dividend income of approximately ¥6.6 billion as non-operating income in the consolidated financial statements for the year ending March 31 2024.

KPMG

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, 2023 and 2022, 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, 2023 and 2022, 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 ¥176,250 million in the consolidated balance sheets as of March 31, 2023. 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, 2023 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, 2023

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.