11-Year Summary of Selected Financial Data

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

Millions of yen

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Consolidated Financial Highlights												
Net sales		427,191	392,364	446,487	431,058	417,219	441,046	473,274	450,553	436,330	519,215	497,701
Operating income		(27,031)	27,881	30,208	20,903	16,557	25,743	31,835	11,137	38,461	49,529	18,222
Ordinary income		(30,310)	25,639	34,010	19,168	16,194	13,656	21,096	(11,284)	31,047	11,239	17,755
Profit attributable to owners of parent		(67,256)	13,899	21,160	11,531	9,910	3,662	17,237	(20,926)	18,674	(708)	4,691
Capital expenditures		32,424	15,186	21,829	29,226	22,601	27,160	28,906	28,446	37,718	40,509	36,119
Depreciation		32,390	26,119	22,707	22,781	23,952	24,178	25,146	25,066	24,414	26,634	27,964
Research and Development expenditures		8,011	4,941	4,623	4,967	5,867	5,795	6,265	6,575	7,163	8,015	9,523
Cash flows from operating activities		30,038	19,610	22,545	30,992	38,058	38,003	37,245	50,397	24,218	52,436	40,696
Cash flows from investing activities		(36,922)	(17,823)	(26,286)	(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)
Free cash flows		(6,884)	1,787	(3,741)	(47)	(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)
Total assets		410,258	416,541	411,027	413,106	438,072	503,825	538,646	484,800	518,981	518,705	523,315
Net assets		104,631	121,300	134,452	140,175	155,049	169,867	207,106	179,566	184,421	178,652	179,673
Shareholders' equity		107,843	121,375	140,817	148,840	154,397	156,280	170,994	146,469	161,713	157,271	159,207
Interest-bearing debt		202,467	191,514	171,459	169,263	180,372	218,500	210,390	191,733	207,421	208,418	216,878
Per share of common stock												
EPS (Earnings per share) ※	Yen	(1,176.60)	243.20	370.25	201.78	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15
BPS (Net assets per share) ※	Yen	1,647.26	1,948.20	2,203.82	2,306.12	2,565.60	2,816.71	3,449.10	2,968.55	3,046.41	2,945.20	2,977.84
Cash dividends per share ※	Yen	0	30	60	30	30	40	60	60	70	70	70
Dividend payout ratio	%	-	12.3	16.2	14.9	17.3	62.4	19.9	-	21.4	-	85.2
DOE (Dividend on equity ratio)	%	-	1.5	2.6	1.2	1.1	1.5	2.1	2.2	2.6	2.5	2.5
Financial Ratios												
ROE (Return on equity)	%	(48.2)	13.5	17.8	9.0	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8
ROA (Return on assets)	%	(6.8)	6.2	8.2	4.7	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4
Net D/E ratio		1.59	1.34	1.17	1.15	1.13	1.26	0.98	1.03	1.10	1.11	1.15
Equity ratio	%	22.9	26.7	30.6	31.9	33.5	31.9	36.6	35.0	33.5	32.4	32.5

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

Financial Review

The forward-looking statements contained in this section represent the Company's judgment as of March 31, 2019.

Overview of fiscal 2018

On a consolidated basis, the Company's net sales during fiscal 2018, ended March 31, 2019, decreased ¥21.5 billion (4.1%) from the previous fiscal year, to ¥497.7 billion. Operating income decreased ¥31.3 billion (63.2%) from the previous fiscal year, to ¥18.2 billion. This was mainly attributable to recording of a loss on valuation of inventories in line with fluctuations of nonferrous metal prices and the foreign exchange market (hereinafter "inventory factors") in addition to lower sales volumes of the principal products of the Engineered Materials segment, among other factors.

Ordinary income increased by ¥6.5 billion (58.0%) year on year to ¥17.7 billion despite the recording of investment losses on equity method amounting to ¥2.1 billion, primarily because there is no longer an impact from the impairment loss for the Caserones copper mine recorded for the previous fiscal year.

In extraordinary items, the Group recorded extraordinary losses such as a loss on disposal of property, plant and equipment of ¥1.7 billion. After accounting for taxation expenses and profit attributable to non-controlling interests, the profit attributable to owners of parent improved by ¥5.3 billion to ¥4.6 billion.

Financial position

Total assets increased ¥4.6 billion from the previous fiscal year-end to ¥523.3 billion. The change was mainly attributable to increases of ¥12.6 billion in other current assets and ¥6.4 billion in property, plant and equipment, partially offset by decreases of ¥9.2 billion in notes and accounts receivable and ¥1.8 billion in inventories.

Total liabilities increased ¥3.5 billion from the previous fiscal year-end to ¥343.6 billion. This change was mainly attributable to increases of ¥8.4 billion in short- and long-term borrowings, straight bonds and commercial paper, and ¥2.6 billion in debt related to capital investment and procurement debt, despite decreases of ¥5.2 billion in derivative liabilities and ¥3.8 billion in notes and accounts payable, among others.

Total net assets increased ¥1.0 billion from the previous fiscal year-end, to ¥179.6 billion. This increase mainly reflected the recording of ¥4.6 billion in profit attributable to owners of parent, ¥1.3 billion in retained earnings associated with the change in fiscal year-end of a consolidated subsidiary, ¥2.7 billion in deferred gains on hedges, net of tax, ¥3.9 billion in dividends of surplus, ¥2.0 billion in foreign currency translation adjustments, and ¥0.9 billion in net unrealized losses on securities, net of tax.

As a result, the shareholders' equity ratio increased 0.1 of a percentage point from the previous fiscal year-end, to 32.5%.

Cash flows

Net cash provided by operating activities was ¥40.6 billion, a decrease of ¥11.7 billion from the previous fiscal year. This was primarily attributable to cash provided of ¥15.1 billion in profit before income taxes, ¥27.9 billion in depreciation and amortization, and ¥7.7 billion in decrease in notes and accounts receivable. This was partially offset by ¥15.2 billion in income taxes paid.

Net cash used in investing activities amounted to ¥44.8 billion, an increase of ¥4.4 billion from the previous fiscal year. Expenditures mainly consisted of ¥35.2 billion for the acquisition of property, plant and equipment, and other assets and ¥6.6 billion for increase in short-term loans receivable.

Net cash provided by financing activities totaled ¥2.8 billion, a change of ¥6.9 billion from net cash used in the previous fiscal year. This change was mainly attributable to a ¥8.6 billion increase in short- and long-term borrowings, straight bonds and commercial paper, and a ¥3.9 billion payment for cash dividends.

As a result of the above, cash and cash equivalents, including foreign currency translation adjustments, decreased ¥0.8 billion from the end of the previous fiscal year to ¥21.5 billion.

- Cash flow trends are explained in detail on page 17.
- The changes in major financial indicators are explained in detail on page 17-18.
- See page 20-27 for details on the main business segments.
- Please see page 19 for the forecasts for FY2019 and beyond.

Consolidated Balance Sheets

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

Millions of yen

	2018	2019
Assets		
Current assets:		
Cash and deposits (Notes 5 and 15)	¥ 22,379	¥ 21,536
Notes and accounts receivable (Note 15):		
Trade	94,452	85,387
Unconsolidated subsidiaries and affiliates	6,087	5,885
Inventories (Note 3)	113,645	111,753
Derivatives (Notes 15 and 16)	1,693	841
Other current assets	11,431	24,110
Less: Allowance for doubtful accounts	(154)	(179)
Total current assets	249,536	249,336
Property, plant and equipment (Note 7)**:**		
Land	33,693	33,711
Buildings and structures	175,761	184,982
Machinery and equipment	368,082	385,567
Leased assets	4,263	3,768
Construction in progress	16,436	11,492
Others	56,191	57,249
	654,428	676,772
Less: Accumulated depreciation	(471,059)	(486,914)
Total property, plant and equipment	183,369	189,857
Investments and other assets:		
Investment securities (Notes 4 and 15):		
Unconsolidated subsidiaries and affiliates	52,684	53,529
Others	12,315	10,833
Loans receivable:		
Unconsolidated subsidiaries and affiliates	24	8
Others	458	446
Deferred tax assets (Note 14)	7,268	5,765
Asset for retirement benefits (Note 17)	4,624	4,625
Others	8,578	9,050
Less: Allowance for doubtful accounts	(155)	(137)
Total investments and other assets	85,799	84,121
Total assets	¥ 518,705	¥ 523,315
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 15):		
Trade	38,787	36,334
Unconsolidated subsidiaries and affiliates	4,643	3,258
Others	15,193	16,333
Short-term borrowings and commercial papers (Notes 6 and 15)	45,341	58,098
Current portion of long-term debt (Notes 6 and 15)	¥ 32,708	¥ 36,412
Current portion of lease liabilities	337	324
Accrued income taxes	4,050	2,600
Accrued expenses	9,547	9,022
Provision for product warranties	1,316	1,232
Provision for loss on construction contracts	220	23
Provision for improvement of business structure	36	—
Provision for loss on disposal of inventories	312	327
Derivative liabilities (Notes 15 and 16)	7,442	2,239
Other current liabilities	12,514	14,761
Total current liabilities	172,454	180,969
Long-term liabilities:		
Long-term debt (Notes 6 and 15)	130,369	122,368
Lease liabilities	1,124	1,025
Directors' and corporate auditors' retirement benefits	554	502
Deferred tax liabilities (Note 14)	2,906	2,775
Provision for environmental countermeasures	1,120	878
Provision for preventing environmental pollution		
in mineral, mining, and other operations	1,053	927
Asset retirement obligations (Note 21)	3,065	3,341
Liability for retirement benefits (Note 17)	26,542	26,404
Other long-term liabilities	862	4,447
Total long-term liabilities	167,598	162,672
Total liabilities	340,053	343,641
Commitments and contingent liabilities (Note 8)		
Net Assets (Note 9)**:**		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2019 and in 2018		
Issued - 57,296 thousand shares in 2019 and in 2018	42,129	42,129
Capital surplus	22,648	22,631
Retained earnings	93,113	95,069
Less: Treasury stock		
189 thousand shares in 2019 and 188 thousand shares in 2018	(619)	(622)
Total shareholders' equity	157,271	159,207
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	2,606	1,607
Deferred gains (losses) on hedges, net of tax	(4,696)	(1,976)
Foreign currency translation adjustments	13,532	11,524
Accumulated adjustments for retirement benefit (Note 17)	(519)	(308)
Total accumulated other comprehensive income	10,922	10,847
Non-controlling interests in consolidated subsidiaries	10,459	9,618
Total net assets	178,652	179,673
Total liabilities and net assets	¥ 518,705	¥ 523,315

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

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

Millions of yen

	2018	2019
Net sales (Note 13)	¥ 519,215	¥ 497,701
Cost of sales (Notes 3 and 11)	417,796	424,325
Gross profit	101,419	73,376
Selling, general and administrative expenses (Notes 10 and 11)	51,889	55,153
Operating income	49,529	18,222
Non-operating income (expenses):		
Interest and dividend income	1,824	1,998
Interest expense	(1,392)	(1,605)
Foreign exchange gains (losses)	(853)	875
Investment losses on equity method	(38,044)	(2,194)
Real estate rent	725	718
Other, net	(550)	(259)
	(38,290)	(467)
Ordinary income (Note 13)	11,239	17,755
Extraordinary income (losses):		
Gain on sale of investment securities	128	—
Gain on sale of property, plant and equipment (Note 12)	87	64
Loss on sale and disposal of property, plant and equipment (Note 12)	(1,497)	(1,769)
Loss on impairment of fixed assets (Note 19)	(287)	—
Insurance claim income	30	20
Reversal of provision for environmental countermeasures	6	21
Loss on disaster	(93)	(336)
Environmental expenses	(716)	(156)
Gain on transfer of business	115	—
Custom duties for prior year	(1,098)	—
Other, net (Note 12)	(172)	(438)
	(3,497)	(2,592)
Profit before income taxes	7,741	15,162
Income taxes (Note 14)**:**		
Current	9,562	8,792
Deferred	(2,096)	1,191
	7,466	9,984
Profit	275	5,177
Profit attributable to non-controlling interests	983	486
Profit (loss) attributable to owners of parent	¥ (708)	¥ 4,691

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, 2018 and 2019

Millions of yen

	2018	2019
Net income	¥ 275	¥ 5,177
Other comprehensive income:		
Net unrealized losses on securities, net of tax	(80)	(1,056)
Deferred gains (losses) on hedges, net of tax	(1,718)	3,917
Foreign currency translation adjustments	1,108	(2,228)
Remeasurements of defined benefit plans, net of tax	176	243
Share of other comprehensive income		
of associates accounted for using equity method	(826)	(987)
Total other comprehensive income (Note 22)	¥ (1,340)	¥ (111)
Comprehensive income	¥ (1,065)	¥ 5,066
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,054)	4,616
Comprehensive income attributable to non-controlling interests	988	449

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, 2018 and 2019

Millions of yen

2018	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	¥42,129	¥22,557	¥97,633	¥(605)	¥161,713
Cash dividends paid			(3,997)		(3,997)
Loss attributable to owners of parent			(708)		(708)
Acquisition of treasury stock				(13)	(13)
Disposition of treasury stock		0		0	0
Change of scope of consolidation			185		185
Change in ownership interest of parent due to transactions with non-controlling shareholders		91			91
Net changes of items other than shareholders' equity					
Total changes		91	(4,519)	(13)	(4,442)
Balance at March 31, 2018	¥42,129	¥22,648	¥93,113	¥(619)	¥157,271

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2017	¥2,666	¥(3,698)	¥13,982	¥(682)	¥12,268	¥10,439	¥184,421
Cash dividends paid							(3,997)
Loss attributable to owners of parent							(708)
Acquisition of treasury stock							(13)
Disposition of treasury stock							0
Change of scope of consolidation							185
Change in ownership interest of parent due to transactions with non-controlling shareholders							91
Net changes of items other than shareholders' equity	(60)	(998)	(450)	163	(1,346)	19	(1,326)
Total changes	(60)	(998)	(450)	163	(1,346)	19	(1,326)
Balance at March 31, 2018	¥2,606	¥(4,696)	¥13,532	¥(519)	¥10,922	¥10,459	¥178,652

Note: The company conducted a share consolidation to change its share unit from 10 shares to 1 share on October 1, 2017.

Millions of yen

2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥42,129	¥22,648	¥93,113	¥(619)	¥157,271
Cash dividends paid			(3,997)		(3,997)
Profit attributable to owners of parent			4,691		4,691
Effect of changes in accounting period of consolidated subsidiaries			1,324		1,324
Acquisition of treasury stock				(2)	(2)
Change of scope of consolidation			(61)		(61)
Change in ownership interest of parent due to transactions with non-controlling shareholders		(16)			(16)
Net changes of items other than shareholders' equity					
Total changes		(16)	1,956	(2)	(1,936)
Balance at March 31, 2019	¥42,129	¥22,631	¥95,069	¥(622)	¥159,207

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2018	¥2,606	¥(4,696)	¥13,532	¥(519)	¥10,922	¥10,459	¥178,652
Cash dividends paid							(3,997)
Profit attributable to owners of parent							4,691
Effect of changes in accounting period of consolidated subsidiaries							1,324
Acquisition of treasury stock							(2)
Change of scope of consolidation							(61)
Change in ownership interest of parent due to transactions with non-controlling shareholders							(16)
Net changes of items other than shareholders' equity	(998)	2,720	(2,007)	210	(74)	(840)	(915)
Total changes	(998)	2,720	(2,007)	210	(74)	(840)	1,021
Balance at March 31, 2019	¥1,607	¥(1,976)	¥11,524	¥(308)	¥10,847	¥9,618	¥179,673

Consolidated Statements of Cash Flows

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

Millions of yen

	2018	2019
Cash flows from operating activities:		
Profit before income taxes	¥ 7,741	¥ 15,162
Depreciation and amortization	26,634	27,964
Loss on impairment of fixed assets (Note 19)	287	—
Loss (gain) on sale of property, plant and equipment, net（Note 12）	(13)	(2)
Loss on disposal of property, plant and equipment（Note 12）	1,423	1,706
Custom duties for prior year	1,098	—
Foreign exchange losses (gains)	(538)	271
Investment losses on equity method	38,044	2,194
Increase (decrease) in allowance for doubtful accounts	(65)	18
Increase in liability for retirement benefits	797	58
Interest and dividend income	(1,824)	(1,998)
Interest expense	1,392	1,605
Decrease (increase) in notes and accounts receivable	(4,120)	7,764
Decrease (increase) in inventories	(12,977)	2,366
Increase(decrease) in notes and accounts payable	1,000	(2,764)
Other, net	1,713	(644)
Subtotal	60,593	53,705
Interest and dividend received	2,394	2,875
Interest paid	(1,388)	(1,623)
Income taxes paid	(9,726)	(15,268)
Income taxes refund	120	582
Other, net	443	425
Net cash provided by operating activities	52,436	40,696
Cash flows from investing activities:		
Purchases of investment securities	(469)	(1,339)
Proceeds from sale of investment securities	302	—
Acquisition of property, plant and equipment and other assets	(40,450)	(35,280)
Proceeds from sale of property, plant and equipment	162	260
Payments for retirement of property, plant and equipment and other assets	(1,047)	(1,313)
Decrease (increase) in short-term loans receivable, net	39	(6,645)
Other, net	1,085	(525)
Net cash used in investing activities	(40,376)	(44,843)

Millions of yen

	2018	2019
Cash flows from financing activities:		
Net change in short-term borrowings and commercial papers	(4,231)	12,805
Proceeds from long-term debt	30,600	18,504
Repayment of long-term debt	(25,006)	(22,699)
Repayment of lease liabilities	(426)	(403)
Issuance of bonds	10,000	10,000
Redemption of straight bonds	(10,000)	(10,000)
Cash dividends paid	(3,997)	(3,997)
Dividends paid to non-controlling interests	(987)	(1,147)
Other, net	(64)	(188)
Net cash provided by (used in) financing activities	(4,114)	2,873
Effect of exchange rate changes on cash and cash equivalents	126	(567)
Net increase (decrease) in cash and cash equivalents	8,072	(1,840)
Cash and cash equivalents at beginning of year	13,952	22,377
Effect of addition of consolidated subsidiaries	353	—
Effect of exclusion of consolidated subsidiaries	—	(2)
Effect of changes in accounting period of consolidated subsidiaries	—	990
Cash and cash equivalents at end of year (Note 5)	¥ 22,377	¥ 21,524

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, 2018 and 2019

1. Basis of Presenting Consolidated Financial Statements

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥111.00 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, 2019 due to a decrease of its materiality to the consolidated financial statements. All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the 10 significant affiliates which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

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

The balance sheet date of the 14 significant subsidiaries is December 31. As the difference between their balance sheet date and the consolidated balance sheet date does not exceed three months, they are consolidated on the basis of their financial statements for the fiscal year ended December 31. We have made necessary adjustments for significant transactions that have occurred in the period between their balance sheet date and the consolidated balance sheet date.

In addition previously, other 5 subsidiaries were consolidated on the basis of their financial statements for the fiscal year ended December 31. From the fiscal year ended March 31, 2019, these subsidiaries provided financial statements based on provisional settlement of accounts as of March 31, for the purpose of a more appropriate disclosure.

The impact of the above changes on profit and loss for 3 months from January 1, 2018 to March 31, 2018 was reflected directly to retained earnings in the fiscal year ended March 31, 2019. As a result, retained earnings increased by ¥1,324 million ($11,927 thousand).

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

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

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

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

(e) Derivative transactions and hedge accounting

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

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

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

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

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

(f) Inventories

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

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

(g) Property, plant and equipment

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

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

(h) Allowance for doubtful accounts

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

(i) Provision for product warranties

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

(j) Provision for improvement of business structure

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

(k) Provision for loss on disposal of inventories

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

(l) Employees' retirement benefits

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

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

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

(m) Directors' and corporate auditors' retirement benefits

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

(n) Provision for environmental countermeasures

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

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

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

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

(p) Research and development expenses

Research and development expenses are charged to expenses when incurred.

(q) Accounting for revenues on construction contracts

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

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

Other construction contracts: Completion-of-contract method

(r) Income taxes

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

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

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

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

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

Diluted earnings per share is not presented as there were no shares with dilutive effects in 2019 and 2018.

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

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the 2019 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(u) Accounting of consumption tax

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

(Standards and guidance not yet adopted)

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

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

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

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Adoption date

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

(3) Effects of the application of the standards

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

(Changes in presentation)

(1) Consolidated statements of operations

" Insurance claim income", "Reversal of provision for environmental countermeasures" and "Loss on disaster" that had been included in "Other, net" under "Extraordinary income (losses)" in the previous fiscal year increased in importance, and have therefore been presented separately in the current fiscal year. The presentation for the year ended March 31, 2018 was reclassified to reflect this change to the comparative information.

As a result, ¥(229) million that was presented as "Other, net" under "Extraordinary income (losses)" in the consolidated statements of operations for the previous fiscal year has been restated as "Insurance claim income" of ¥30 million, "Reversal of provision for environmental countermeasures" of ¥6 million, "Loss on disaster" of ¥(93) million and "Other, net" of ¥(172) million.

(2) Consolidated statements of cash flows

"Decrease (increase) in short-term loans receivable, net" that had been included in "Other, net" under "Cash flows from investing activities" in the previous fiscal year increased in importance, and has therefore been presented separately in the current fiscal year. The presentation for the year ended March 31, 2018 was reclassified to reflect this change to the comparative information.

As a result, ¥1,124 million that was presented as "Other, net" under "Cash flows from investing activities" in the consolidated statements of cash flows for the previous fiscal year has been restated as "Decrease (increase) in short-term loans receivable, net" of ¥39 million and "Other, net" of ¥1,085 million.

(3) Changes associated with adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of investments and other assets and long-term liabilities, respectively.

As a result, ¥4,965 million that was presented as "Deferred tax assets" under "Current assets" in the consolidated balance sheets for the previous fiscal year has been included under "Deferred tax assets" of ¥7,268 under "Investments and other assets". Meanwhile, ¥2 million that was presented as "Deferred tax liabilities" under "Current liabilities" has been included under "Deferred tax liabilities" of ¥2,906 million under "Long-term liabilities".

Furthermore, deferred tax assets and deferred tax liabilities of the same tax filing entity have been offset in presentation, so that total assets for the previous fiscal year have decreased by ¥3,712 million compared with before the change.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

3. Inventories

Inventories at March 31, 2018 and 2019 consisted of the following:

	Millions of yen	
	2018	2019
Merchandise and finished goods	¥36,175	¥36,061
Work in process	31,155	30,392
Raw materials and supplies	46,314	45,299
Total	¥113,645	¥111,753

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, 2018 and 2019 respectively as follows:

	Millions of yen	
	2018	2019
Cost of sales	¥404	¥1,648
Total	¥404	¥1,648

4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2018 and 2019 were as follows:

			Millions of yen
Year ended March 31, 2018	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥5,717	¥1,979	¥3,737
Subtotal	5,717	1,979	3,737
Securities whose book value does not exceed acquisition cost:			
Stocks	1,162	1,201	(39)
Subtotal	1,162	1,201	(39)
Total	¥6,879	¥3,181	¥3,698

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

(b) Available-for-sale securities sold for the years ended March 31, 2018 and 2019 were as follows:

		Millions of yen	
		2018	2019
Total sale amount	Stocks	¥307	¥ –
Gains	Stocks	128	–
Losses	Stocks	105	–

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2018 and 2019 were reconciled with cash and deposits as follows:

	Millions of yen	
	2018	2019
Cash and deposits	¥22,379	¥21,536
Time deposits with maturities exceeding three months from the date of deposit	(1)	(11)
Total : Cash and cash equivalents	¥22,377	¥21,524

6. Short-Term Borrowings and Long-Term Debt

Inventories at March 31, 2018 and 2019 consisted of the following:

	Millions of yen	
	2018	2019
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.300% to 8.350% and from 0.310% to 9.432% at March 31, 2018 and 2019, respectively.	¥37,841	¥51,598
Commercial paper with interest at annual rate of (0.01)% and (0.01)% at March 31, 2018 and 2019, respectively.	7,500	6,500
	¥45,341	¥58,098

Long-term debt at March 31, 2018 and 2019 consisted of the following:

	Millions of yen	
	2018	2019
0.20 % yen unsecured straight bonds due in 2023	¥ –	¥10,000
0.20 % yen unsecured straight bonds due in 2022	10,000	10,000
0.20 % yen unsecured straight bonds due in 2021	10,000	10,000
0.39 % yen unsecured straight bonds due in 2020	10,000	10,000
0.27 % yen unsecured straight bonds due in 2019	10,000	10,000
0.76 % yen unsecured straight bonds due in 2020	10,000	10,000
0.79 % yen unsecured straight bonds due in 2018	10,000	–
Banks, insurance companies and other financial institutions, maturing through 2026 at interest rates ranging from 0.200% to 10.850% at March 31, 2019:		
Secured	900	900
Unsecured	100,381	96,714
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2019:		
Secured	1,797	1,166
Unsecured	–	–
	163,078	158,780
Less: Current portion	32,708	36,412
	¥130,369	¥122,368

The aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

Year ending March 31,	Millions of yen
2020	¥36,412
2021	28,522
2022	25,366
2023	38,445
2024	26,244
Thereafter	3,790
Total	¥158,780

The 0.76% yen unsecured straight bonds due in 2020 were issued on November 28, 2013 by the Company.
The 0.27% yen unsecured straight bonds due in 2019 were issued on December 16, 2014 by the Company.
The 0.39% yen unsecured straight bonds due in 2020 were issued on December 15, 2015 by the Company.
The 0.20% yen unsecured straight bonds due in 2021 were issued on November 28, 2016 by the Company.
The 0.20% yen unsecured straight bonds due in 2022 were issued on November 28, 2017 by the Company.
The 0.20% yen unsecured straight bonds due in 2023 were issued on November 29, 2018 by the Company.

7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2018 and 2019 were as follows:

	Millions of yen	
	2018	2019
Property, plant and equipment, net book value	¥8,406	¥7,846
	¥8,406	¥7,846

8. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2019 were as follows:

Millions of yen

	2018	2019
Notes receivable discounted	¥251	¥270
Notes and accounts receivable securitized with recourse	499	584
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	127,089	116,820
Others	398	343
	¥128,237	¥118,019

9. Net Assets

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

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

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

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

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2018 and 2019 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2017	572,966	1,865
Increase during the year	−	11
Decrease during the year	515,669	1,687
Balance at March 31 and April 1, 2018	57,296	188
Increase during the year	−	0
Decrease during the year	−	−
Balance at March 31, 2019	57,296	189

Note: The company conducted a share consolidation to change its share unit from 10 shares to 1 share on October 1, 2017.

(b) Dividends

Dividends paid for the year ended March 31, 2019 were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 28, 2018	¥3,997
Total	¥3,997

Dividends included in the retained earnings at March 31, 2019 and to be paid in subsequent periods were as follows:

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

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	2018	2019
Freightage related expenses	¥9,856	¥9,758
Salaries	9,442	10,046
Bonus and retirement pay	2,108	2,401
Provision for bonuses	1,759	1,610
Provision for directors' and corporate auditors' bonuses	38	31
Retirement benefit expenses	1,320	1,307
Provision for directors' and corporate auditors' retirement benefits	137	120
Provision for product warranties	104	72
Depreciation expense	2,054	2,028
Research and development/Exploration expenses	6,942	8,232

11. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥8,015million and ¥9,523million for the years ended March 31, 2018 and 2019, respectively.

12. Explanatory notes on extraordinary profit and loss

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

Millions of yen

	2018	2019
Buildings and structures	¥20	¥4
Machinery and equipment	26	20
Land	29	−
Others	10	39
Total	¥87	¥64

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

Millions of yen

	2018	2019
Buildings and structures	¥0	¥3
Machinery and equipment	62	46
Others	11	12
Total	¥74	¥62

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

Millions of yen

	2018	2019
Buildings and structures	¥290	¥655
Machinery and equipment	968	963
Others	163	87
Total	¥1,423	¥1,706

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

Millions of yen

	2018	2019
Provision for allowance for doubtful accounts	¥−	¥21

13. Segment Information

The operations of the Companies for the years ended March 31, 2018 and 2019 were summarized as follows:

(a) Overview of reportable segments

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

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

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

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

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

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

Segment information as of and for the fiscal year ended March 31, 2018, which was restated in conformity with reorganization, was as follows:

Year ended March 31, 2018	Reported segments: Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustment	Millions of yen Consolidated
Sales:							
Outside customers	¥160,293	¥158,165	¥102,039	¥90,880	¥511,380	¥7,834	¥519,215
Inter-segment	6,922	28,352	−	41,866	77,141	(77,141)	−
Total	167,216	186,518	102,039	132,747	588,522	(69,307)	519,215
Segment profit	30,611	5,530	5,513	6,833	48,489	(37,250)	11,239
Segment assets	149,940	210,397	56,763	95,446	512,549	6,156	518,705
Depreciation expense	10,083	8,712	3,824	2,520	25,140	1,493	26,634
Amortization of goodwill and negative goodwill	−	3	−	−	3	1	4
Interest income	138	158	75	119	491	(297)	194
Interest expense	424	1,105	117	216	1,864	(472)	1,392
Investment gains (losses) on equity method	436	(5,434)	−	1,556	(3,441)	(34,602)	(38,044)
Investment for companies accounted for using the equity method	3,590	33,472	−	14,466	51,529	62	51,592
Increase in property, plant and equipment, and intangible assets	13,163	18,074	4,821	2,474	38,534	1,974	40,509

Notes：

(a) Amounts of adjustment are as follows::

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

Adjustment to segment profit, which amounted to ¥(37,250) million, consists mainly of ¥(2,131) million for Company-wide costs that do not belong to any reportable segments, ¥(34,603) million for impairment loss on asset relating to a copper mine at a subsidiary of an affiliate and ¥1,278 million for difference from converting the income and expenses of overseas subsidiaries into Japanese currency.

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

(2) Adjustment to segment assets, which amounted to ¥6,156 million, consists of ¥(14,737) million for offset of receivables to the corporate administrative department, ¥(20,570) million for offset of inter-segment receivables and ¥42,143 million for Company-wide assets that do not belong to any reportable segments.

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

(3) Adjustment to investment gains (losses) on equity method, which amounted to ¥(34,602) million, consists mainly of ¥(34,603) million for impairment loss on asset relating to a copper mine at a subsidiary of an affiliate.

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

Segment information as of and for the fiscal year ended March 31, 2019 was as follows:

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

Notes：

(a) Amounts of adjustment are as follows::

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

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

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

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

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

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

【Related information】

Information by area:

Millions of yen

Year ended March 31, 2018	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Sales	¥289,742	¥67,747	¥103,450	¥41,556	¥16,719	¥519,215

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

Year ended March 31, 2018	Japan	Asia	North America	Other Areas	Consolidated
Property, plant and equipment	¥133,135	¥38,259	¥6,219	¥5,754	¥183,369

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

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

Millions of yen

Year ended March 31, 2018	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination・Corporate	Consolidated
Loss on impairment of fixed assets	¥−	¥−	¥287	¥−	¥−	¥287

Year ended March 31, 2019
Not applicable.

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

Millions of yen

Year ended March 31, 2018	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination・Corporate	Consolidated
Amortization of goodwill	¥−	¥4	¥−	¥−	¥−	¥4
Balance at end of fiscal year	−	−	−	−	−	−

Year ended March 31, 2019
Not applicable.

【Information on gain on negative goodwill by reported segment】

Year ended March 31, 2018
Not applicable.

Year ended March 31, 2019
Not applicable.

14. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 30.7% and 30.5% for the fiscal years ended March 31, 2018 and 2019, respectively.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

	2018	2019	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 102	¥ 84	
Excess accrued bonuses to employees	1,545	1,451	
Excess product warranties	249	253	
Liability for retirement benefits	8,019	8,058	
Provision for environmental countermeasures	333	258	
Loss on impairment of fixed assets	2,773	2,449	
Depreciation in excess of limit	2,046	1,802	
Enterprise taxes accrued	333	129	
Unrealized profits and losses	3,082	3,299	
Operating loss carryforward for tax purposes (b)	6,321	9,695	
Net unrealized losses on securities	23	70	
Deferred losses on hedges	2,273	684	
Other	6,767	6,425	
Subtotal	33,871	34,662	
Valuation allowance for operating loss carryforward for tax purposes (b)	−	(8,452)	
Valuation allowance for deductible temporary differences	−	(14,770)	
Valuation allowance-total (a)	(19,234)	(23,222)	
Total deferred tax assets	¥ 14,637	¥ 11,439	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (1,119)	¥ (679)	
Deferred gains on hedges	(498)	(252)	
Retained earnings of foreign subsidiaries	(5,198)	(4,016)	
Asset for retirement benefits	(1,441)	(1,460)	
Other	(2,017)	(2,040)	
Total deferred tax liabilities	(10,274)	(8,449)	
Net deferred tax assets (liabilities)	¥ 4,362	¥ 2,989	

(a) Valuation allowance increased by ¥3,988 million, because the Company recognized valuation allowance of ¥3,763 million for operating loss carryforward for tax purposes in the fiscal year.

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

Millions of yen

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

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

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, 2018 and 2019.

	2018	2019
Statutory effective tax rate	30.7 %	30.5 %
Permanent difference due to non-deductible expense	4.4	1.7
Permanent difference due to non-taxable income	(73.6)	(109.7)
Effect of elimination of intercompany dividends received	70.3	111.8
Investment losses on equity method	150.9	4.4
Valuation allowance	(87.8)	29.1
Adjustment of deferred tax assets at end of year due to tax rate change	2.0	−
Others	(0.4)	(2.1)
Tax rate calculated based on the Companies' consolidated financial statements	96.4 %	65.8 %

15. Financial Instruments

(a) Qualitative information on financial instruments

1. Policy of financial instruments management

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

2. Description of financial instruments and risk

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

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

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

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

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

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

3. Description of risk management system for financial instruments

Management system for credit risk

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

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

Management system for market risk

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

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

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

Management system for liquidity risk of financing

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

4. Supplementary explanation regarding fair value of financial instruments
The fair value of financial instruments is measured based on the market price, if available, or reasonably estimated value if a market price is not available. As reasonably estimated value is estimated based on certain assumptions, it might differ if different assumptions are used.
In addition, the contract amount of the derivative transactions described below in "Notes to Consolidated Financial Statements - 16.Derivative Transactions" does not represent the market risk of the derivative transactions.

(b) Fair value of financial instruments
The carrying amounts of book value, fair value, and differences as of March 31, 2018 and 2019 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "Notes 2. Financial instruments whose fair value is extremely difficult to measure").

Millions of yen

Year ended March 31, 2018	Book value	Fair value	Difference
Assets:			
(a) Cash and deposits	¥ 22,379	¥ 22,379	¥ –
(b) Notes and accounts receivable	100,540	100,540	–
(c) Investment securities	12,648	14,054	1,405
Total	¥ 135,569	¥ 136,975	¥ 1,405
Liabilities:			
(a) Notes and accounts payable	58,623	58,623	–
(b) Short-term borrowings and commercial papers	45,341	45,341	–
(c) Current portion of long-term debt	32,708	32,779	70
(d) Long-term debt	130,369	130,830	460
Total	¥ 267,043	¥ 267,574	¥ 530
Derivative transactions	¥ (5,749)	¥ (5,749)	¥ –

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

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

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

Notes:
1. Method of estimating fair value of financial instruments
Assets:
(a) Cash and deposits and (b) Notes and accounts receivable:
Regarding Cash and deposits and Notes and accounts receivable, book value is used as fair value, because these instruments have short maturity so that fair value approximates book value.
(c) Investment securities:
Fair value of investment securities equals quoted market price. Fair value of debt securities equals quoted market price or provided price by financial institutions. For the situation from the point of view of holding purposes, please refer to "Notes to Consolidated Financial Statements - 4. Securities."
Liabilities:
(a) Notes and accounts payable and (b) Short-term borrowings and commercial papers:
Regarding Notes and accounts payable and Short-term borrowings and commercial papers, book value is used as fair value, because these instruments have short maturity so that fair value approximates book value.
(c) Current portion of long-term debt and (d) Long-term debt:
Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.
Fair value of corporate bonds is based on the present value of future cash flows discounted using the indicated rate in secondary markets.
Derivative transactions:
(a) Contract amount, fair value, unrealized gain or loss, and others are described in "Notes to Consolidated Financial Statements - 16. Derivative Transactions."

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

Consolidated balance sheet amount — Millions of yen

Classification	2018	2019
Unlisted equity securities	¥ 52,111	¥ 52,681
Nonpublic domestic bonds	240	240

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

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

Millions of yen

Year ended March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2023	April 1, 2023 to March 31, 2028	April 1, 2028 and thereafter
(a) Cash and deposits	¥ 22,379	¥ –	¥ –	¥ –
(b) Notes and accounts receivable	100,540	–	–	–
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	–	–	–	240
Total	¥ 122,920	¥ –	¥ –	¥ 240

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

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

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

16. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2018 and 2019 were as follows:

Currency-related derivatives

Millions of yen

Type			2018	2019
Forward contracts:				
Selling:				
	U.S. dollars:	Contract amounts	¥2,525	¥1,498
		Due over one year	-	-
		Fair value	39	(10)
		Net unrealized gains (losses)	39	(10)

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

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2018 and 2019 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Millions of yen

Type			Hedged items		2018	2019
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥37,566	¥15,007
				Due over one year	4,574	2,568
				Fair value	759	(137)
	Buying:		Accounts payable			
		U.S. dollars:		Contract amounts	¥2,580	¥1,610
				Due over one year	-	-
				Fair value	17	17
		Euros:		Contract amounts	¥254	¥33
				Due over one year	13	-
				Fair value	6	(0)
		Malaysia ringgit:		Contract amounts	¥30	¥ -
				Due over one year	-	-
				Fair value	0	-

Notes:

(a) The deferred hedge method is applied as a hedge accounting method.
(b) Fair values of currency forward contracts and currency swap contracts are based on future exchange rates or prices provided by financial institutions.

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

Type			Hedged items		2018	2019
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:		Contract amounts	¥236	¥230
				Due over one year	-	-
				Fair value	(Note b)	(Note b)
	Buying:		Accounts payable			
		U.S. dollars:		Contract amounts	¥2	¥2
				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		2018	2019
Forward contracts:			Raw materials and finished goods			
	Selling:					
		Zinc:		Contract amounts	¥45,699	¥23,222
				Due over one year	16,473	7,494
				Fair value	(6,538)	(1,648)
		Lead:		Contract amounts	¥1,495	¥1,576
				Due over one year	-	-
				Fair value	52	31
		Silver:		Contract amounts	¥1,498	¥635
				Due over one year	-	-
				Fair value	54	19
		Copper:		Contract amounts	¥177	¥17
				Due over one year	-	-
				Fair value	(2)	0
	Buying:					
		Zinc:		Contract amounts	¥1,718	¥2,354
				Due over one year	-	-
				Fair value	1	185
		Lead:		Contract amounts	¥2,404	¥2,225
				Due over one year	-	-
				Fair value	(142)	(19)
		Copper:		Contract amounts	¥1,523	¥5,813
				Due over one year	-	3,296
				Fair value	(2)	163
		Coal:		Contract amounts	¥38	¥ -
				Due over one year	-	-
				Fair value	3	-

Notes:

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

17. Employees' Retirement Benefits

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

Defined benefit plans

(a) Changes in retirement benefit obligations

Millions of yen

	2018	2019
Balance at the beginning of the fiscal year	¥45,125	¥46,264
Service cost	2,573	2,606
Interest cost	149	148
Actuarial loss (gain)	849	(152)
Benefits paid	(2,467)	(2,081)
Past service costs (benefits)	11	(0)
Increase by newly consolidated subsidiaries	42	−
Decrease by exclusion of consolidated subsidiaries	−	(58)
Other	(19)	(93)
Balance at the end of the fiscal year	¥46,264	¥46,633

(b) Changes in plan assets

	2018	2019
Balance at the beginning of the fiscal year	¥23,140	¥24,346
Expected return on plan assets	431	637
Actuarial gain (loss)	504	(505)
Contributions paid by the employer	1,008	999
Benefits paid	(742)	(648)
Increase by newly consolidated subsidiaries	33	−
Other	(29)	26
Balance at the end of the fiscal year	¥24,346	¥24,854

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

	2018	2019
Funded retirement benefit obligations	¥20,437	¥20,941
Plan assets	(24,346)	(24,854)
	(3,908)	(3,913)
Unfunded retirement benefit obligations	25,826	25,692
Net liability for retirement benefits at the end of the fiscal year	21,918	21,779
Liability for retirement benefits	26,542	26,404
Asset for retirement benefits	(4,624)	(4,625)
Net liability for retirement benefits at the end of the fiscal year	¥21,918	¥21,779

(d) Retirement benefit costs

	2018	2019
Service cost	¥2,619	¥2,606
Interest cost	149	148
Expected return on plan assets	(431)	(637)
Net actuarial loss (gain) amortization	454	568
Past service costs amortization	101	63
Total retirement benefit costs for the fiscal year	¥2,892	¥2,748

(e) Remeasurements of defined benefit plans

Millions of yen

	2018	2019
Past service costs	¥89	¥63
Actuarial gain (loss)	109	215
Total remeasurements of defined benefit plans for the fiscal year	¥199	¥278

(f) Accumulated adjustments for retirement benefit

	2018	2019
Prior service costs that are yet to be recognized	¥65	¥2
Net actuarial losses that are yet to be recognized	564	348
Total balance at the end of the fiscal year	¥629	¥351

(g) Plan assets

1. Plan assets comprise:

	2018	2019
Bonds	35%	34%
Equity securities	30%	31%
General insurance funds	31%	31%
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, 2018 and 2019 are as follows:

	2018	2019
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 1.7 %	Mainly 3.0 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥419 million and ¥792 million for the years ended March 31, 2018 and 2019, respectively.

18. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2018 and 2019 were as follows:

Year ended March 31, 2018	Profit (loss) (Millions of yen)	Weighted-average shares (Thousands)	Profit (loss) per share (Yen)
Profit (loss) attributable to owners of parent	¥(708)	57,108	¥(12.40)

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

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

Note: Due to a share consolidation from 10 shares to 1 share on October 1, 2017, profit (loss) per share was calculated based on assumption that the share consolidation had taken place at the beginning of the year ended March 31, 2018.

19. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the fiscal years ended March 31, 2018 and 2019 consisted of the following:

Year ended March 31, 2018

Location	Major use	Asset category	Millions of yen
Yokohama City, Kanagawa Prefecture	Idle assets	Land	¥219
		Intangible fixed Assets	67
		Subtotal	287
Total (1 item)			¥287

Year ended March 31, 2019
Not applicable.

Grouping of assets used for business purposes is based on plant- and product-specific units based on management accounting classifications.

The book value for idle assets was written down to the recoverable value as the investment amount was deemed not to be recoverable due to a decline in profitability. The collectible value was measured by the net saleable price, and the difference against the book value was recorded as an impairment loss under extraordinary losses. The net saleable price was calculated based on the value assessed by real estate appraisal, among other factors.

20. Related Party Transactions

(a) Related party transactions

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

The transaction amount for the fiscal years ended March 31, 2018 and 2019 and account balance as of March 31, 2019 with Pan Pacific Copper Co., Ltd. was as follows:

Millions of yen

	2018	2019
Guarantees of bank loans	¥90,902	¥90,302
Increase in short -term loans receivable, net	¥ -	¥6,575
Short term loans receivable	¥ -	¥6,575

2. SCM Minera Lumina Copper Chile is an affiliate of MFN Investment LLC.
MFN Investment LLC is an affiliate of the Company.
The transaction amount for the fiscal years ended March 31, 2018 and 2019 with SCM Minera Lumina Copper Chile was as follows:

Millions of yen

	2018	2019
Guarantees of bank loans	¥27,442	¥25,135

3. Caserones Finance Netherlands B.V. is an affiliate of Pan Pacific Copper Co., Ltd.
The transaction amount for the fiscal years ended March 31, 2018 and 2019 with Caserones Finance Netherlands B.V. was as follows:

Millions of yen

	2018	2019
Guarantees of bank loans	¥6,625	¥ -

(b) Note about significant related parties
In the fiscal year ended March 31, 2019, 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

	2018	2019
Total current assets	¥327,000	¥308,844
Total non-current assets	149,359	194,686
Total current liabilities	315,194	330,690
Total long-term liabilities	50,322	58,280
Total net assets	110,842	114,560
Net sales	690,313	733,965
Profit before income taxes	225	10,003
Profit (loss)	(961)	6,782

21.Asset Retirement Obligations

Years ended March 31, 2018 and 2019

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 2.69% is used, and the estimated period up to payment is based on number of recoverable years from launch of operations (average of 41 years). In addition, during the fiscal year ended March 31, 2019, the company revised its estimate of mine closure costs, no longer using the 2.40% discount rate used in the previous fiscal year. As a result, there was a increase of ¥538million ($4,846 thousand) in the balance of asset retirement obligations compared with before the change.

(Asbestos)
The expected periods of time before removal expenses at the time of dismantling is estimated between 2 and 31 years depending on each asset. The companies use rates between 0.64% and 2.30% as a discount rate to estimate the amount of asset retirement obligations.

(Real estate lease agreements)
The companies reasonably estimate the amount of lease deposits from real estate lease agreements that they cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2019 as expenses, instead of recording them as asset retirement obligations under liabilities. The companies use periods of time between 4 and 21 years from the date of occupancy to estimate the amount of the expenses. The companies estimate the uncollectible amount of lease deposits as ¥83 million in the fiscal year ended March 31, 2019.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2018 and March 31, 2019

Millions of yen

	2018	2019
Balance at the beginning of the fiscal year	¥ 3,224	¥ 3,065
Adjustments due to the passage of time	73	66
Decrease from execution of asset retirement obligations	(139)	(156)
Increase from changes of estimates	(101)	538
Impact of foreign currency translation	8	(171)
Balance at the end of the fiscal year	¥ 3,065	¥ 3,341

22.Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2019

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	
	2018	2019
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥(14)	¥(1,542)
Reclassification adjustments	(128)	–
Subtotal, before tax	(143)	(1,542)
Tax (expense) or benefit	62	485
Subtotal, net of tax	(80)	(1,056)
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	(7,745)	3,626
Reclassification adjustments	5,716	772
Subtotal, before tax	(2,029)	4,398
Tax (expense) or benefit	310	(481)
Subtotal, net of tax	(1,718)	3,917
Foreign currency translation adjustments:		
Increase(decrease) during the year	1,108	(2,228)
Reclassification adjustments	–	–
Subtotal, net of tax	1,108	(2,228)
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	(13)	76
Reclassification adjustments	212	202
Subtotal, before tax	199	278
Tax (expense) or benefit	(22)	(35)
Subtotal, net of tax	176	243
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(2,797)	(2,035)
Reclassification adjustments	1,971	1,048
Subtotal, net of tax	(826)	(987)
Total other comprehensive income	¥(1,340)	¥(111)

KPMG

Independent Auditor's Report

To the Board of Directors of Mitsui Mining and Smelting Company, Limited:

We have audited the accompanying consolidated financial statements of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

June 27, 2019
Tokyo, Japan