

## [Summary]

Securities identification code: 5706

June 3, 2019

To Shareholders:

**Mitsui Mining and Smelting Co., Ltd.**

1-11-1 Osaki, Shinagawa-ku,  
Tokyo 141-8584, Japan

Keiji Nishida  
President and  
Representative Director

### **Notice of Convocation of the 94th Annual General Meeting of Shareholders**

Dear Shareholders:

Thank you for your patronage. You are cordially invited to attend the 94th Annual General Meeting of Shareholders of Mitsui Mining and Smelting Co., Ltd. The meeting will be held on Thursday, June 27, 2019. Please find below the Notice of Convocation.

Please review the proposals submitted to the General Meeting of Shareholders and the overview of operations for the 94th fiscal year.

Sincerely,

#### **Meeting Particulars**

1. Date and Time: 10:00 a.m. on Thursday, June 27, 2019
2. Place: Gate City Hall, Underground Level 1,  
Gate City Ohsaki-West Tower,  
1-11-1 Osaki, Shinagawa-ku, Tokyo
3. Purpose of the Meeting:  
Matters to be reported
  1. Business Report, Consolidated Financial Statements, and reports from the independent auditor and the Board of Auditors on consolidated financial statements for the 94th fiscal year (from April 1, 2018, to March 31, 2019)
  2. Reports on financial statements for the 94th fiscal year (from April 1, 2018, to March 31, 2019)

Matters to be resolved

Proposals by the Company: Items 1-4

- |             |  |
|-------------|--|
| First Item  | Appropriation of Retained Earnings                 |
| Second Item | Partial amendment of the Articles of Incorporation |
| Third Item  | Election of six (6) Directors                      |

Fourth Item Election of one (1) Corporate Auditor

Proposals by a Shareholder: Items 5-10

Fifth Item Remove All Directors for Unsatisfactory Financial Results

Sixth Item To buy back 6 million shares (approx. 10.5% of 57,107,111 shares issued and outstanding (excluding treasury stock) as of the end of March 2019) by using a portion of retained earnings

Seventh Item Partial Amendment of the Articles of Incorporation (Inclusion of a provision to prevent leakage of confidential matters concerning the Board of Corporate Auditors)

Eighth Item Partial Amendment of the Articles of Incorporation (Disclosure of compensation of individual officers)

Ninth Item Partial Amendment of the Articles of Incorporation (Establishment of a contact point for whistleblowers in the Audit & Supervisory Committee)

Tenth Item Partial Amendment of the Articles of Incorporation (Separating the roles of Chief Executive Officer and Chairperson of the Board of Directors)

Proposals by a Shareholder (Items 5-10) are described in pages 15-21 of the General Meeting of Shareholders' Reference Materials hereafter.

#### 4. Note of Caution in Exercising Voting Rights:

**Proposals by one of the Shareholders** have been presented for this Annual General Meeting of Shareholders as indicated above. While the details are provided hereafter under the Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Items, **the Board of Directors of the Company is opposed to these proposals.**

#### 5. Other Items pertaining to the Convocation of the General Meeting of Shareholders:

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form or by electronic means (Internet, etc.). Please review the attached General Meeting of Shareholders' Reference Materials and exercise your voting rights **by 5:00 p.m. (Japan Time) on Wednesday, June 26, 2019.**

In the case of exercising voting rights both by the voting right exercise form and electronically (Internet, etc.), regardless of the timing of the voting rights submissions, the electronic (Internet, etc.) version will be considered effective.

In the case of exercising voting rights electronically (Internet, etc.) multiple times, the final exercise of voting rights will be considered effective.

- End -

1. When you attend the meeting in person, please submit the voting right exercise form enclosed herewith to the receptionist at the place of the meeting. In addition, please bring with you this Notice of Convocation to assist us in reducing the amount of paper used.
2. In connection with those documents that are required to be provided with this Notice of Convocation, the notes to both consolidated and non-consolidated financial statements are posted on the Company's website and are not attached to this Notice, in accordance with relevant laws, ordinances and the Articles of Incorporation. In addition to the items outlined in the attached documents, notes to both consolidated and non-consolidated financial statements are included in the consolidated and non-consolidated financial reports that corporate auditors and the independent auditing firm audited in order to prepare audit reports and independent auditors' reports, respectively.

3. If there arises the need to make revisions to the General Meeting of Shareholders' Reference Materials or the appended Business Report, Consolidated Financial Statements, and Nonconsolidated Financial Statements, revised items will be posted on the Company's website.
4. In accordance with the stipulations of the Company's Articles of Incorporation, shareholders seeking to exercise voting rights via a proxy will be requested to designate another shareholder with voting rights as the proxy. In addition, please note that only shareholders are eligible to attend the Annual General Meeting of Shareholders.

**The Company's website (<https://www.mitsui-kinzoku.co.jp/>)**

*This is a summary translated from the Japanese-language Notice of Convocation distributed to shareholders in Japan.*

# Guide to Exercising Voting Rights

In the event of your inability to attend, you may exercise your voting rights by either of the methods described below.

## 1. Method of Exercising Voting Rights by Paper Form

Please indicate your approval or disapproval of the agenda items on the enclosed voting rights exercise form and send in the form so that it arrives before the deadline.

Exercise deadline: To arrive no later than 5:00 p.m. (Japan Time) on Wednesday, June 26, 2019

## 2. Method of Exercising Voting Rights Electronically (Internet, Etc.)

### (1) Exercise of Voting Rights Via the Internet

Please access the voting website at <https://www.web54.net> from a personal computer, follow the instructions shown on the screen, and by entering a new password (you may change your password if you wish) using the “voting rights exercise code” and “password” shown on the enclosed voting rights exercise form, you will be able to submit votes of approval or disapproval for each of the agenda items.

Please note that we do not have a designated website to exercise voting rights from mobile phones.

Exercise deadline: Until 5:00 p.m. (Japan Time) on Wednesday, June 26, 2019

#### Exercise of Voting Rights

1. You may exercise your voting rights until 5:00 p.m. (Japan Time) on June 26, 2019 (Wednesday).
2. In cases where voting rights are exercised both by paper form and electronically (Internet, etc.), the electronic (Internet, etc.) version will be considered effective.
3. In cases where voting rights are exercised electronically (Internet, etc.) multiple times, the final exercise of voting rights will be considered effective.

#### Handling of Passwords

1. Passwords are used to confirm that those voting are actually the shareholders with voting rights. Please be sure to keep your password secure. For security reasons, we cannot provide you with password information over the telephone or by other indirect means.
2. If you enter your password incorrectly more than a specified number of times, your account will be locked and become unusable. If you wish to have another password issued, please follow the instructions on the screen.
3. The passwords issued for exercising voting rights are effective for this year’s annual general shareholders’ meeting only.

#### Questions Regarding Personal Computer Operation, Etc.

If you have questions regarding the use of the voting rights exercise website, please contact the following unit.

Sumitomo Mitsui Trust Bank, Limited  
Help Desk for Internet Voting  
Phone Number: +81 0120 (652) 031  
(Available from 9:00 a.m. to 9:00 p.m. (Japan Time))

### (2) Exercising Voting Rights via the Voting Rights Exercise Platform

With regard to institutional investors, shareholders who have registered in advance to use the Voting Rights Exercise Platform may use this platform to exercise their voting rights.

# General Meeting of Shareholders' Reference Materials

## Matters to Be Resolved and Reference Items:

### Proposals by the Company: Items 1-4

#### First Item

##### Appropriation of Retained Earnings

We propose that appropriation of retained earnings be performed as follows.

While ensuring that it retains sufficient internal reserves to fund measures for strengthening operations and promoting future business expansion, the Company has a fundamental policy of seeking to distribute dividends in line with its performance.

Specifically, the Company aims to return profit based on a consolidated dividend payout ratio of approximately 20% and to pay dividends at a consolidated dividend on equity ratio (DOE) of approximately 2.5%, focusing on continuous and stable dividend distribution.

In accordance with this fundamental policy, based on the consideration of the Company's financial condition and its performance in the fiscal year under review, the Company proposes that the year-end dividend applicable to the fiscal year under review be ¥70 per share as described below, unchanged from the previous period.

#### Year-End Dividends

(1) Type of Dividend Asset	Money
(2) Allocation and Total Value of Dividend Assets	¥70 per share of common stock Total value of ¥3,997,481,250
(3) Effective Date of Retained Earnings Distribution	June 28, 2019

**Second Item**

Partial amendment of the Articles of Incorporation

1. Reasons for Amendment

The Company proposes to shorten the term of office of Directors from the current two (2) years to one (1) year and amend Article 21 of the current Article of Incorporation. The purpose is to establish a management structure capable of swiftly responding to change in the business environment and to clarify management responsibilities of Directors and further strengthen corporate governance by increasing opportunities to ascertain shareholders’ confidence in Directors, among others.

2. Details of the Amendment

The details of the amendment are as follows. (Underlined portions are amended.)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER IV DIRECTORS, BOARD OF DIRECTORS AND EXECUTIVE OFFICERS</p> <p>Article 21. Term of office</p> <p>1. The term of office of Directors shall expire at the close of the ordinary General Meeting of Shareholders relating to the last fiscal year ending within <u>two (2) years</u> after their election.</p> <p>2. <u>In the case of election of Directors constituting less than the whole board, the term of office of such Directors shall be for the unexpired balance of the term of office of the other Directors in office.</u></p>	<p>CHAPTER IV DIRECTORS, BOARD OF DIRECTORS AND EXECUTIVE OFFICERS</p> <p>Article 21. Term of office</p> <p>1. The term of office of Directors shall expire at the close of the ordinary General Meeting of Shareholders relating to the last fiscal year ending within <u>one (1) year</u> after their election.</p> <p>2. <u>[Deleted]</u></p>

### Third Item

#### Election of six (6) Directors

The term of office of six (6) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes that six (6) candidates be appointed to the position of Director.

Please note that Morio Matsunaga and Masaharu Miura are candidates for Outside Directors.

Masaharu Miura, currently a Corporate Auditor of the Company, is scheduled to retire from his position as a Corporate Auditor of the Company at the conclusion of this Annual General Meeting of Shareholders.

If the Second Item “Partial Amendment of the Articles of Incorporation” is approved as proposed, the term of office of a Director of the Company will be one (1) year.

The candidates for the position of Director are as follows:

No.	Name	Title/Positions	Number of years served as Corporate Director	Attendance rate at the meetings of the Board of Directors
1	Keiji Nishida Reappointed	President, Representative Director	Eight (8) years	94%
2	Takeshi Nou Reappointed	Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector	Four (4) years	100%
3	Isshi Hisaoka Reappointed	Director, Senior Executive Officer, Chief Environmental Safety Officer	Six (6) years	100%
4	Takashi Oshima Reappointed	Director, Senior Executive Officer, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department	Five (5) years	100%
5	Morio Matsunaga Reappointed Outside Independent	Outside Director	Three (3) years	100%
6	Masaharu Miura Newly Appointed Outside Independent	Outside Corporate Auditor	-	100%

Note: The attendance rate at the meetings of the Board of Directors for Masaharu Miura is for his attendance as an Outside Corporate Auditor.

#### Attributes of the candidates

Reappointed: Candidate as Director for reappointment

Newly Appointed: Candidate as Director for newly-appointment

Outside: The Candidate for Outside Director

Independent: Independent Director as provided for by the Tokyo Stock Exchange, etc.

Candidate Number: 1	Keiji Nishida (July 13, 1957)	Number of Company's Shares in Possession: 17,900 Number of years served as Corporate Director: Eight (8) years Attendance at the meetings of the Board of Directors: 94% (17/18)
<b>Reappointed</b>	<p>◆Profile; Title and Positions at the Company</p> <p>April 1980      Entered the Company</p> <p>October 2008    General Manager of Finance &amp; Accounting Department</p> <p>June 2010      Executive Officer, General Manager of Finance &amp; Accounting Department</p> <p>June 2011      Director, Senior Executive Officer, CFO, General Manager of Corporate Management Department and Finance &amp; Accounting Department</p> <p>February 2012   Director, Senior Executive Officer, CFO, General Manager of Corporate Management Department</p> <p>April 2014      Representative Director, Senior Managing Director, Senior Managing Executive Officer, CFO, General Manager of Corporate Management Department, Senior General Manager of Copper Business Strategic Division</p> <p>January 2016    Representative Director, Senior Managing Director, Senior Managing Executive Officer, CFO</p> <p>April 2016      President and Representative Director (current positions)</p> <p>◆Important Position Held Concurrently at Other Organizations No significant position held concurrently at other organizations.</p> <p>◆Reasons for the Nomination of the Candidate as Director Mr. Keiji Nishida has a wealth of experience cultivated through his many years of engagement mainly in corporate planning and finance of the Group and is well versed in the Company's business. Serving as the President and Representative Director since 2016, he has been leading the Group with his strong leadership and has reinforced the management bases. In the first fiscal year of the 2019 Mid-term Management Plan, the Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.</p> <p>◆Special Interests between the Candidate and the Company There are no special interests between the candidate and the Company.</p>	



Candidate Number: 2	Takeshi Nou (December 3, 1961)	Number of Company's Shares in Possession: 11,700 Number of years served as Corporate Director: Four (4) years Attendance at the meetings of the Board of Directors: 100% (18/18)
<b>Reappointed</b>	<p>◆ Profile; Title and Positions at the Company</p> <p>April 1986 Entered the Company</p> <p>June 2010 President and Representative Director of Mitsui Copper Foil (Malaysia) Sdn. Bhd.</p> <p>October 2013 General Manager of Recycling Business Promotion Group, Metals, Minerals &amp; Engineering Sector</p> <p>April 2014 Executive Officer, Senior General Manager of Technology Management Division, Metals &amp; Recycling Division, Metals Sector</p> <p>April 2015 Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>June 2015 Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>October 2015 Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>April 2016 Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector (current positions)</p> <p>◆ Important Position Held Concurrently at Other Organizations Outside Director of Powdertech Co., Ltd.</p> <p>◆ Reasons for the Nomination of the Candidate as Director Mr. Takeshi Nou has a wealth of experience cultivated through his many years of involvement in the Group's electronic materials business and engineered materials business and is well versed in the Company's business. He is currently responsible for the Engineered Materials Sector. In the first fiscal year of the 2019 Mid-term Management Plan, the Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.</p> <p>◆ Special Interests between the Candidate and the Company There are no special interests between the candidate and the Company.</p>	

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Candidate Number: 3	<b>Isshi Hisaoka</b> (October 10, 1957)	Number of Company's Shares in Possession: 8,500 Number of years served as Corporate Director: Six (6) years Attendance at the meetings of the Board of Directors: 100% (18/18)
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**Reappointed**

◆Profile; Title and Positions at the Company

April 1980	Entered the Company
January 2010	General Manager of Specialty Foil Division
June 2010	Executive Officer, Deputy Senior General Manager of Copper Foil Sector, General Manager of Specialty Foil Division
November 2010	Executive Officer, Senior General Manager of Copper Foil Sector, General Manager of Specialty Foil Division
June 2011	Senior Executive Officer, Senior General Manager of Electronic Materials Sector, General Manager of Specialty Foil Division
June 2013	Director, Senior Executive Officer, Senior General Manager of Electronic Materials Sector
April 2014	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector
June 2014	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
April 2015	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector
October 2015	Director, Senior Executive Officer, Deputy Senior General Manager of Metals Sector
April 2016	Director, Senior Executive Officer, Senior General Manager of Metals Sector
April 2018	Director, Senior Executive Officer, Senior General Manager of Metals Sector, Chief Environmental Safety Officer
April 2019	Director, Senior Executive Officer, Chief Environmental Safety Officer (current positions)

◆Important Position Held Concurrently at Other Organizations

No significant position held concurrently at other organizations.

◆Reasons for the Nomination of the Candidate as Director

Mr. Isshi Hisaoka has a wealth of experience cultivated through his many years of involvement in the Group's engineered materials business and metals business and is well versed in the Company's business. Currently, he is engaged in the Company's environmental and safety fields as the Chief Environmental Safety Officer and is responsible for such fields as quality assurance, production engineering and intellectual property. In the first fiscal year of the 2019 Mid-term Management Plan, the Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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Candidate Number: 4	<b>Takashi Oshima</b> (October 16, 1958)	Number of Company's Shares in Possession: 7,700 Number of years served as Corporate Director: Five (5) years Attendance at the meetings of the Board of Directors:100% (18/18)
<b>Reappointed</b>	<p>◆Profile; Title and Positions at the Company</p> <p>April 1981      Entered the Company</p> <p>October 2009    President and Representative Director of MCS, Inc.</p> <p>April 2013      Deputy Senior General Manager of Materials &amp; Applications Sector, General Manager of Affiliates Coordination Division</p> <p>June 2013      Executive Officer, Deputy Senior General Manager of Materials &amp; Applications Sector, General Manager of Affiliates Coordination Division</p> <p>April 2014      Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector</p> <p>June 2014      Director, Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector</p> <p>January 2016    Director, Senior Executive Officer, CRO, Senior General Manager of Corporate Planning &amp; Control Sector, General Manager of Corporate Planning Department</p> <p>April 2016      Director, Senior Executive Officer, Senior General Manager of Corporate Planning &amp; Control Sector, General Manager of Corporate Planning Department (current positions)</p> <p>◆Important Position Held Concurrently at Other Organizations No significant position held concurrently at other organizations</p> <p>◆Reasons for the Nomination of the Candidate as Director Mr. Takashi Oshima has a wealth of experience in finance and corporate planning of the Group, including serving as the president of an affiliated company, and is well versed in the Company's business. He is currently responsible for the Corporate Planning &amp; Control Sector. In the first fiscal year of the 2019 Mid-term Management Plan, the Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.</p> <p>◆Special Interests between Candidate and the Company There are no special interests between the candidate and the Company.</p>	

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Candidate Number: 5	<b>Morio Matsunaga</b> (August 7, 1949)	Number of Company's Shares in Possession: 3,800 Number of years served as Corporate Director: Three (3) years Attendance at the meetings of the Board of Directors: 100% (18/18)
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Reappointed

  

Outside

  

Independent

◆Profile; Title and Positions at the Company

August 1977	Postdoctoral fellow, The University of Tennessee
October 1978	Lecturing Professor, Faculty of Engineering, Kyushu Institute of Technology
October 1980	Associate Professor, Faculty of Engineering, Kyushu Institute of Technology
September 1996	Professor, Faculty of Engineering, Kyushu Institute of Technology
April 2003	Professor, Department of applied science for integrated system engineering, Kyushu Institute of Technology
April 2004	Administration officer, Kyushu Institute of Technology
April 2007	Vice president, Kyushu Institute of Technology
April 2010	President, Kyushu Institute of Technology
June 2016	Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology (current position)
June 2016	Chairperson of the Board of Director, Human Media Creation Center/KYUSHU
June 2016	Outside Director (current position)
April 2017	Member of Administrative Council, The University of Kitakyushu (current position)
June 2018	Outside Auditor of KROSAKI HARIMA CORPORATION (current position)

◆Important Positions Held Concurrently at Other Organizations

Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology, Outside Auditor of KROSAKI HARIMA CORPORATION

◆Reasons for the Nomination of the Candidate as Director

Mr. Morio Matsunaga has specialized knowledge of engineering and experience of organizational management as a university professor and the president of a national university corporation. Although he has never been directly involved in management of a company other than serving as an Outside Director or an Outside Corporate Auditor, the Company judges that by utilizing his wealth of experience he can further contribute to the strengthening of the Group's management oversight and supervisory functions and enhancement of the transparency of the Board of Directors, among other matters, and believes he is a suitable person for the position of Outside Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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- Notes: 1. Based on the Company Law Article 427-1, the Company has concluded a contract with Morio Matsunaga regarding liability as defined by the Company Law Article 423-1 to limit total liability to the amount stipulated by the Company Law Article 425-1. If his reappointment is approved, the aforementioned contract will be extended.
2. The Company has notified the Tokyo Stock Exchange that Morio Matsunaga is an Independent Director of the Company.

Candidate Number: 6	Masaharu Miura (May 22, 1948)	Number of Company's Shares in Possession: 2,400 Number of years served as Corporate Director: - Attendance at the meetings of the Board of Directors: 100% (18/18)
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Newly Appointed

Outside

Independent

◆Profile; Title and Positions at the Company

April 1975	Adopted as Prosecutor
August 2002	Chief Prosecutor of Naha District Public Prosecutors Office
September 2004	Director-General of the Immigration Bureau, the Ministry of Justice
June 2007	Chief Prosecutor of Osaka District Public Prosecutors Office
January 2010	Superintending Prosecutor of Fukuoka High Public Prosecutors Office
May 2011	Professional registration in Japan as lawyer
May 2011	With KAWAKAMI Law Office
June 2013	Outside Auditor of Miyasaka Construction Corporation (current position)
June 2013	Outside Corporate Auditor of the Company (current position)
April 2014	Professor, Division of Law, Multimedia Master's Course, Graduate School of Integrated Science and Art, University of East Asia (current position)
April 2014	Special Councillor, Asia Crime Prevention Foundation (current position)
June 2014	Outside Director of OUG Holdings Inc. (current position)
May 2015	Launched GINZA-CHUO Law Office
June 2017	Councilor of Association of Safety and Health Technical Skills Examination (current position)
August 2018	Outside Auditor of Toju Holdings, Ltd (current position)

◆Important Positions Held Concurrently at Other Organizations

Lawyer  
Outside Director of OUG Holdings Inc.

◆Reasons for the Nomination of the Candidate as Director

Mr. Masaharu Miura has a wealth of knowledge and experience in legal circles as a public prosecutor and a lawyer. Although he has never been directly involved in management of a company other than serving as an Outside Director or an Outside Corporate Auditor, the Company judges that by utilizing his wealth of experience he can further contribute to the strengthening of the Group's management oversight and supervisory functions and enhancement of the transparency of the Board of Directors, among other matters, and believes he is a suitable person for the position of Outside Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

- Notes: 1. If the appointment of Masaharu Miura is approved, the Company will arrange a contract with his regarding liability as defined by Company Law Article 423-1 to limit total liability to the figure stipulated by Company Law Article 425-1, based on Company Law Article 427-1.
2. If the election of Masaharu Miura is approved, the Company will notify the Tokyo Stock Exchange of his appointment as an Independent Director of the Company.
3. Masaharu Miura currently serves as Outside Corporate Auditor of the Company, and his term as Outside Corporate Auditor will reach six (6) years at the conclusion of this Annual General Meeting of Shareholders.
4. The attendance at the meetings of the Board of Directors for him is for his attendance as an Outside Corporate Auditor.

#### Fourth Item

##### Election of one (1) Corporate Auditor

At the conclusion of this Annual General Meeting of Shareholders, Corporate Auditor's term of office of Corporate Auditor Masaharu Miura will expire.

Accordingly, the Company proposes one (1) candidate for the position of Corporate Auditor.

Please note that Ms. Keiko Takegawa is a candidate for Outside Corporate Auditor.

The Board of Auditors' approval of this proposal has already been obtained.

The candidate for the position of Corporate Auditor is as follows:

Candidate	Keiko Takegawa (April 23, 1958)	Number of Company's Shares in Possession: 0 Number of years served as Corporate Auditor: - Attendance at the meetings of the Board of Directors: - Attendance at the meetings of the Board of Auditors: -
Newly Appointed Outside Independent	◆ Profile; Title and Positions	
	April 1981	Entered Prime Minister's Office (Presently Cabinet Office)
	July 2008	Deputy Director General for Policies on Cohesive Society, Cabinet Office
	July 2009	Deputy Director General for Gender Equality Bureau, Cabinet Office
	December 2012	Director, Public Relations Office, Cabinet Office
	July 2014	Director General, Gender Equality Bureau
	July 2018	Counsellor for Scientific Research Organizations, Policy Planning Division, Secretariat of the Science Council of Japan
April 2019	Professor, Showa Women's University (current position)	
	◆ Important Position Held Concurrently at Other Organizations	Professor, Showa Women's University
	◆ Reasons for the Nomination of the Candidate as Corporate Auditor	Ms. Keiko Takegawa served as Director, Public Relations Office and Director General, Gender Equality Bureau at the Cabinet Office and has a wealth of knowledge and experience through her engagement in formulation and implementation of policies such as promotion of women's participation and advancement. Although she has never been directly involved in management of a company, the Company judges that she can utilize her wealth of experience in auditing of the Company and believes she is a suitable person for the position of Corporate Auditor.
	◆ Special Interests between the Candidate and the Company	There are no special interests between the candidate and the Company.

Notes: 1. If the appointment of Ms. Keiko Takagawa is approved, the Company will arrange a contract with her regarding liability as defined by Company Law Article 423-1 to limit total liability to the figure stipulated by Company Law Article 425-1, based on Company Law Article 427-1.

2. If the election of Ms. Keiko Takegawa is approved, the Company will notify the Tokyo Stock Exchange of her appointment as an Independent Auditor of the Company.

## **Proposals by a Shareholder: Items 5-10**

### **Proposals made by a single shareholder (possessing 301 voting rights)**

Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Items concern proposals made by a single shareholder (possessing 301 voting rights).

Details of these proposals and reasons for them have been translated from the Japanese version of the document that is restated verbatim from the notification received by the Company from the shareholder making the proposals, including literal errors, omitted letters and recognition of facts.

### **What is a proposal by a shareholder?**

The Company Law provides shareholders with rights to make proposals provided certain requirements are satisfied.

Regarding these proposals, companies are required to post the proposals, regardless of the content, except in the case of a violation of laws and regulations or the Articles of Incorporation.

On this occasion, the six proposals made by a single shareholder are being posted; however, the Board of Directors is **opposed** to all of these proposals.

You are requested to study the opinions of the Board of Directors of the Company on the following pages and exercise your voting rights.

## Proposals by a Shareholder

### Fifth Item

#### Remove All Directors for Unsatisfactory Financial Results

##### 1. Reasons for Proposal

The Company's net sales have been stable during the last five fiscal years in the range from ¥436.3 billion to ¥522.0 billion. However, ordinary income, which is a more important performance indicator, has fluctuated from a loss of ¥11.2 billion to ¥41.0 billion. Unfortunately, net income for the fiscal year ended March 31, 2019 was unsatisfactory at ¥4.0 billion.

This proves that management is causing repeated, large losses.

The Company needs to tackle the situation in earnest, clarify who is responsible, and earn the trust of shareholders by removing all Directors.

### Opinion of the Board of Directors of the Company

The Board of Directors is opposed to this proposal, for the reasons given as follows.

The Company's Directors were nominated by the Nomination Advisory Committee chaired by an Outside Director as candidates with the capabilities, knowledge, character, and other attributes necessary for carrying out management, and they received the approval at the General Meeting of Shareholders and assumed office. Each Director gathers the information necessary for making the optimum decisions regarding the Company's management and participates in decision-making by the Board of Directors, which conducts sufficient deliberation.

Currently, the Company is implementing the 2019 Mid-term Management Plan with the aim of achieving the Group's Vision in 2024—"The Company that continues to create growth products and businesses and enhance value based on the three core businesses: engineered materials, metals, and automotive parts and components."

Therefore, the Board of Directors is opposed to this proposal to remove all the Directors.

Although this proposal states "ordinary income has fluctuated from a loss of ¥11.2 billion to ¥41.0 billion," the Company's ordinary income was as presented in the table below.

	Millions of yen					
	2013	2014	2015	2016	2017	2018
Ordinary income	13,656	21,096	△11,284	31,047	11,239	17,755



## **Sixth Item**

To buy back 6 million shares (approx. 10.5% of 57,107,111 shares issued and outstanding (excluding treasury stock) as of the end of March 2019) by using a portion of retained earnings

### **1. Reasons for Proposal**

The Company has exceptionally low earnings per share (EPS) and return on equity (ROE) relative to its size based on net sales, operating income, invested capital, etc. As a result, the market does not assess the Company's stock favorably and the Company's share price continues to falter. Most Japanese companies target ROE of 10% or higher and strive to become blue-chip companies with ROE of 15% or higher.

Management should consider investment in growth and shareholder return and establish a capital policy that seeks a high payout ratio. The Company should buy back a certain number of shares as part of measures to strengthen shareholder return and, also in view of the shareholders' equity ratio, to contribute to the improvement of capital efficiency ratios, such as EPS and ROE, and ultimately contribute to the interest of shareholders.

### **2. Funds for Share Buyback**

It is difficult to forecast what the share price will be at the time of the buyback, but the Company should use ¥18.0 billion out of retained earnings (approximately 14.8% of retained earnings) to finance the action. The Company should purchase approximately 6 million shares from the market at a cost not exceeding ¥18.0 billion.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

Since ROE and EPS are among the key performance indicators, the Company pays close attention to them. On the other hand, the Company recognizes the need to strengthen its financial position as the Company's shareholders' equity ratio as of March 31, 2019 was 32.5%. Use of retained earnings for share buyback will result in a decrease in shareholders' equity and is contrary to the Company's policy. Moreover, it is necessary to strengthen the management foundation in order to strengthen the financial position and it is indispensable to continue capital investment and R&D investment with a view to future growth.

The Company considers that the Company is now at the stage of working to strengthen the management foundation and improve the financial position so as to enhance corporate value by appropriately implementing the 2019 Mid-term Management Plan.

Therefore, the Board of Directors believes it would be inappropriate for the Company to conduct share buybacks as proposed at present.

## **Seventh Item**

Partial Amendment of the Articles of Incorporation (Inclusion of a provision to prevent leakage of confidential matters concerning the Board of Corporate Auditors)

### **1. Reasons for Proposal**

The Company Law stipulates the following responsibilities of directors: 1) obligations as a director and 2) responsibility as a director with respect to transactions that constitute competition with the company, a conflict of interest, etc. The Company's Articles of Incorporation provides the limitation of liability for the Company's Directors and Corporate Auditors. However, provisions generally lack specificity and are ambiguous from the perspective of individual shareholders.

The Company needs a policy to swiftly and assertively counter any communication regarding environmental issues that may severely impact society. The Company should establish rules for management etc. to prevent the leakage of confidential matters.

The Company needs a policy to swiftly and assertively counter any communication regarding environmental issues that may severely impact society. The Company should establish rules for management etc. to prevent the leakage of confidential matters.

### **2. Details of Proposal**

The Company should establish rules regarding confidential information through "Provisions for Document Management" and "Document Management Manual." "Highly confidential information" means matters whose leakage could negatively impact the safety and interest of the Company and that should only be shared with a limited group of people.

"Confidential information" means matters that are only to be disclosed to certain individuals even within the Company.

"Information confidential to external parties" means matters that could lead to a negative outcome if disclosed to the public.

#### **Security Level**

- 1) Level 1: Boundaries of highly confidential information: Information relating to pollution, joint venture/special projects, undisclosed accounting information
- 2) Level 2: Boundaries of confidential information: Important contracts, new products, cost information, HR files
- 3) Level 3: Boundaries of information confidential to external parties: Meeting minutes, customer lists, sales presentations, quotations
- 4) Level 4: Boundaries of information for disclosure: Internal company newsletters, sales reports Utilizing the above rules, the Company will categorize and indicate the security level of confidential documents and clarify the principle that good work will be rewarded and wrongdoing will be punished for effective management.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

The Board of Directors is aware of the importance of information management and as described in the Systems for Ensuring Appropriate Business Operations and Overview of the Status of Operations of Such Systems on Page 36 of the Business Report, the Company has systems in place for storing and safekeeping of information related to the execution of the duties of the Directors.

Regarding information management, there is a need to respond to various digital devices and data formats in a highly advanced information society and the Company thinks that it is necessary to implement appropriate information management in a timely manner. For this purpose, the Company has established "Information Management Rules" and other internal rules and is implementing strict information management in accordance with the materiality of information.

Therefore, the Board of Directors believes it is unnecessary to include the provisions mentioned in this proposal in the Articles of Incorporation.

## **Eighth Item**

Partial Amendment of the Articles of Incorporation (Disclosure of compensation of individual officers)

### 1. Reasons for Proposal

It is proposed to add the following provisions to the Articles of Incorporation.

“The Company shall disclose the amount of compensation paid to each Director and the details thereof in the annual business report and securities report.”

### 2. Details of Proposal

From the standpoint of maximizing shareholder return, disclosure of the amount of compensation paid to each Director and the details thereof is important for enabling shareholders to check whether compensation is appropriate. Disclosure will not inconvenience investors. Rather, it will be easier for investors to assess the cost benefit if compensation for each Director is disclosed. A similar proposal was supported by 48.47% of voters at HOYA Corporation’s 2011 General Meeting of Shareholders.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

Compensation, etc. for Directors is determined by the Compensation Committee chaired by an Outside Director and composed mainly of the President, the Director in charge of Human Resources, and the Outside Corporate Auditors as advisors based on the compensation determination standards, within the limit approved at the Annual General Meeting of Shareholders.

Compensation, etc. for Directors consists of base compensation and performance-linked compensation. Base compensation is calculated based on the base compensation for the President and by applying the ratio according to the title, taking into consideration the Company’s performance, the general level in Japan, and other factors comprehensively. Performance-linked compensation is calculated by using consolidated ordinary income as the performance indicator and is determined by the evaluation corresponding to the performance of the business for which the Director is responsible. Outside Directors who are uninvolved in business execution do not receive performance-linked compensation.

Regarding disclosure, the total amount of compensation for Directors and that for Corporate Auditors as well as the number of recipients are disclosed appropriately in the Business Report and Securities Report, in accordance with laws and regulations. Procedures for determination and the method of disclosure are implemented appropriately.

Therefore, the Board of Directors believes it is unnecessary to include the provisions mentioned in this proposal in the Articles of Incorporation.

\*For the total compensation paid to Directors and Corporate Auditors, the compensation determination policy, and the composition, please refer to Pages 33-35.

## **Ninth Item**

Partial Amendment of the Articles of Incorporation (Establishment of a contact point for whistleblowers in the Audit & Supervisory Committee)

### **1. Details of Proposal**

It is proposed to add the following provisions to the Articles of Incorporation.

“The Company shall establish a contact point within the Audit & Supervisory Committee for internal and external whistleblowers for issues concerning the Company’s Directors, Executive Officers, and employees, and also share the implementation process within and outside the Company. Internal Directors, Executive Officers, and any employees who are under the command of internal Directors or Executive Officers shall not interfere with the whistleblowing process and consequent action.”

### **2. Reasons for Proposal**

Although the Board of Corporate Auditors and Outside Directors are established to supervise the execution of internal duties, it is hard to deny collusion among the Board of Corporate Auditors and Outside Directors. Compliance should not be limited to literal legal compliance, but should encompass conformance with social norms/standards and responding to the needs of society.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

The Corporate Governance Code (hereinafter referred to as the “CG Code”) specified by the Tokyo Stock Exchange requires establishment of appropriate systems for whistleblowing and supervision of the situation of operation by the Board of Directors. In this regard, the Company has established a whistleblowing system, which is operated appropriately in accordance with the “Regulations for Operation of the Hotline,” the Compliance Guidebook, and other internal rules, and the status of operation is reported to the Board of Directors periodically. Through such measures, the Board of Directors has confirmed that the Company’s whistleblowing system is being operated in an appropriate manner.

Therefore, the Board of Directors believes it is unnecessary to include the provisions mentioned in this proposal in the Articles of Incorporation.

Incidentally, the Company is a company with the Board of Corporate Auditors and does not have the Audit & Supervisory Committee or Executive Officers, which are institutions pursuant to the Company Law, mentioned in this proposal.

## **Tenth Item**

Partial Amendment of the Articles of Incorporation (Separating the roles of Chief Executive Officer and Chairperson of the Board of Directors)

### **1. Details of Proposal**

It is proposed to disallow the same person to concurrently hold the position of CEO and Chairperson of the Board of Directors in principal and require an Outside Director to serve as the Chairperson of the Board of Directors. In the special circumstances that a person holds two roles concurrently, a written explanation describing how the arrangement will maximize the interest of shareholders shall be provided to shareholders in the notice of convocation of a General Meeting of Shareholders or in the reference materials.”

### **2. Reasons for Proposal**

The CEO has authority over internal resources and human resources, among other matters, and should be subject to the most oversight. Thus, and in the interest of promoting corporate governance, the Company should avoid the concurrent appointment of the same person as both CEO and Chairperson of the Board of Directors as much as possible, since it deviates from internationally accepted practices. At present, it appears that executive employees for whom the Representative Executive Officer, etc. have authority over issues including personnel affairs could have a substantially strong influence over the selection of information for decision-making by the Board of Directors and each committee; the Chairperson of the Board of Directors, who operates at arm’s length distance from the CEO, should undertake the task.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

The Company continuously examines and verifies whether the Board of Directors is functioning effectively and appropriate corporate governance is ensured in accordance with the Company Law, the CG Code, etc. The Company recognizes that there is a view that a non-executive outside director serving as the chairperson of the Board of Directors is effective for corporate governance to a certain extent. The Company, however, does not consider that such a structure is indispensable for the Company at this time.

At present, for meetings of the Company’s Board of Directors, the meeting agenda is distributed to Directors in advance and each Director examines the content of the meeting agenda, receives explanation in advance and gathers information, as necessary, before attending the meeting of the Board of Directors. Sufficient time is provided for deliberation of the meeting agenda at a meeting of the Board of Directors and the optimum decision is made following thorough discussion. Moreover, two out of six Directors are Outside Directors and, from an independent position without being involved in business execution, they supervise management from the viewpoints of enhancement of corporate value and protection of the interest of shareholders, and they ask appropriate questions and state their opinions in a timely manner at meetings of the Board of Directors. Regarding the evaluation of effectiveness of the Board of Directors specified by the CG Code, the Company believes the role and responsibility of the Board of Directors are sufficiently fulfilled.

Therefore, the Board of Directors believes it is unnecessary to include the provisions mentioned in this proposal in the Articles of Incorporation.

Incidentally, the Company is a company with the Board of Corporate Auditors and does not have the committees or the representative Executive Officer, which are institutions under the Company Law, mentioned in this proposal.

# Business Report

(From April 1, 2018, to March 31, 2019)

## 1. Current State of the Mitsui Kinzoku Group

### (1) Business Operations and Results

#### Economic Overview

During fiscal 2018, the world economy generally remained on a moderate recovery track, led by the U.S. economy, albeit the pace of growth slowed, while there were concerns about the impacts of trade friction owing to the protectionist trade policies of the U.S., the issue of Brexit, etc. The moderate growth of the U.S. economy continued as personal consumption and capital investment remained robust against the backdrop of the brisk labor market and also the positive impact of tax reductions. The Chinese economy showed a trend towards slowdown owing mainly to lackluster personal consumption centering on automotive sales in China and little growth of capital investment. Meanwhile, the Japanese economy stayed on a moderate recovery track, as evidenced by a pick-up in personal consumption, among other factors, in line with the improvement in the labor market and personal incomes against the backdrop of robust corporate earnings.

#### The Mitsui Kinzoku Group's Business Environment

The business environment for Mitsui Mining & Smelting Co., Ltd. and its consolidated subsidiaries (the Mitsui Kinzoku Group) was as follows. With regard to nonferrous metal markets, although prices of zinc, lead, and copper started to decline from the second quarter, they began increasing in 2019. On the other hand, prices of indium remained on a downward trend from the beginning of fiscal 2018. Meanwhile, the foreign exchange market was generally stable.

In the Engineered Materials Business segment, although demand for MicroThin™ and metal powders for electronic materials decreased owing to shrinkage of the smartphone market worldwide, there was steady demand for exhaust detoxifying catalysts.

#### The Group's Initiatives

In these circumstances, fiscal 2018 was the third year of the Group's 2016 Mid-Term Management Plan launched in 2016 with the goal of realizing the Group's Vision in 2024—"The Company that continues to create growth products and businesses and enhance value based on the three core businesses: engineered materials, metals, and automotive parts and components." Having positioned fiscal 2018 as a year for completing the 2016 Mid-Term Management Plan and a preparatory period for the next Mid-Term Management Plan, the Group implemented key measures, that is, "Producing results for measures implemented in the 2013 Plan," "Reinforcing the basic structure of existing businesses," and "Taking strategic steps for the future" in each business segment.

To be specific, we worked on the following measures: enhancement of production systems for MicroThin™; establishment of production systems for exhaust detoxifying catalysts for automobiles and ensuring those systems contribute to profit; reinforcement of the recycling business; support for establishing systems to enable stable operation and efficient production at the Caserones copper mine in Chile; and cost reduction of automotive parts and components to improve profit. The Group completed large-scale refurbishment of the Kamioka hydroelectric power generation service, which is expected to contribute to the Group's profits from fiscal 2019 onward.

#### Fiscal 2018 Results

As a result, net sales in fiscal 2018 decreased by ¥21,513 million compared with the previous fiscal year to ¥497,701 million. Operating income decreased by ¥31,307 million compared with the previous fiscal year to ¥18,222 million because of the 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 Business, among other factors.

Ordinary income increased by ¥6,515 million compared with the previous fiscal year to ¥17,755 million despite the recording of investment losses on equity method amounting to ¥2,194 million, primarily because

there is no longer an impact from the impairment loss for the Caserones copper mine, which was recorded for the previous fiscal year.

In extraordinary items, the Group recorded extraordinary losses, including a ¥1,706 million loss on disposal of property, plant and equipment. After accounting for income taxes and profit attributable to non-controlling interests, profit attributable to owners of parent in fiscal 2018 amounted to ¥4,691 million, an improvement of ¥5,399 million from the loss attributable to owners of parent recorded in the previous fiscal year.

	2018	2017	Change from the Previous Year	
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Percentage)
Net sales	¥497,701	¥519,215	(¥21,513)	(4.1)%
Operating income	18,222	49,529	(31,307)	(63.2)
Ordinary income	17,755	11,239	6,515	58.0
Profit (loss) attributable to owners of parent	4,691	(708)	5,399	–

## Operating Environment and Results by Each Group

### Engineered Materials Group

[Principal Products/Services (As of March 31, 2019)]

Battery materials (Hydrogen storage, etc.), Catalysts, Engineered powders (Metal powders for electronic materials, High-purity tantalum pentoxide, etc.), Copper foil (MicroThin™, Electro-deposited foil for printed wiring boards, etc.), Sputtering targets (ITO, etc.), Ceramics products

In the Engineered Materials Group, sales volumes of exhaust detoxifying catalysts for automobiles increased mainly because of the establishment of production systems and recipient of new orders. Sales volumes of metal powders for electronic materials and of MicroThin™ decreased because of sluggish demand for smartphone motherboards, among other factors.

As a result, sales of the Engineered Materials Group decreased 1.0 % year on year to ¥165,474 million. Ordinary income decreased 45.7% year on year to ¥16,608 million, owing mainly to lower sales volumes of the principal products.

### Metals Group

[Principal Products/Services (As of March 31, 2019)]

Zinc, Lead, Copper, Gold, Silver, Resource recycling

In the Metals Group, whereas demand for zinc for highly corrosion-resistant steel sheets in Japan was robust, demand for zinc for steel sheets was sluggish. Moreover, Zinc prices in Japan decreased in line with the downward trend of zinc prices on the London Metal Exchange.

As a result, sales of the Metal Group decreased 10.7% year on year to ¥166,640 million. An ordinary loss amounted to ¥6,039 million, a deterioration of ¥11,569 million from ordinary income recorded for the previous year, owing to the recording of a loss on evaluation of inventories in addition to a decrease in nonferrous metal prices.

### Automotive Parts & Components Group

[Principal Products/Services (As of March 31, 2019)]

Automobile Door Locks

In the Automotive Parts & Components Group, sales volume of side door latches, the mainstay products, increased in Japan and Southeast Asia. In contrast, in China, sales volume of side door latches decreased,

reflecting the abolition of a tax reduction measure for compact cars, among other factors.

As a result, sales of the Automotive Parts & Components Group increased 1.9% year on year to ¥104,026 million. Ordinary income decreased 15.0% year on year to ¥4,689 million, mainly owing to cost increases reflecting higher prices of steel materials, among other factors.

#### Affiliates Coordination Group

[Principal Products/Services (As of March 31, 2019)]

Engineering services for various industrial plants, Die-cast products, Powdered metallurgical products, Rolled copper products, Perlite products, etc.

In the Affiliates Coordination Group, sales volume mainly of die-cast products increased. However, demand for orders concerning industrial plant projects in Japan and overseas remained sluggish. In addition, revenue recognized based on the percentage of completion method for projects for hydroelectric power generation facilities decreased.

As a result, sales of the Affiliates Coordination Group decreased 4.4% year on year to ¥126,904 million. Ordinary income decreased 28.6% year on year to ¥4,881 million.

Net sales and ordinary income (loss) by each group are the following:

[Net Sales]

Group	2018	2017	2016	2015
	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)
Engineered Materials Group	¥165,474	¥167,216	¥145,779	¥144,065
Metals Group	166,640	186,518	139,647	129,786
Automotive Parts & Components Group	104,026	102,039	113,199	114,448
Affiliates Coordination Group	126,904	132,747	113,469	107,230
Adjustment Amount	(65,345)	(69,307)	(75,765)	(44,977)
Total	¥497,701	¥519,215	¥436,330	¥450,553

Note: Intersegment sales are deducted by means of Adjustment Amount items.

[Ordinary Income (Loss)]

Group	2018	2017	2016	2015
	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)
Engineered Materials Group	¥16,608	¥30,611	¥15,925	¥3,771
Metals Group	(6,039)	5,530	8,477	(366)
Automotive Parts & Components Group	4,689	5,513	6,188	5,415
Affiliates Coordination Group	4,881	6,833	5,684	3,324
Adjustment Amount	(2,385)	(37,250)	(5,228)	(23,429)
Total	¥17,755	¥11,239	¥31,047	(¥11,284)

Notes: 1. Intersegment transactions are deducted by means of Adjustment Amount items.

2. Adjustment Amount in fiscal 2017 includes a ¥34,603 million impairment loss for the Caserones copper mine.



## (2) Capital Investment

The Mitsui Kinzoku Group invested a total of ¥36,119 million, mainly for the following purposes by each group:

Group	Capital Investment (Millions of Yen)	Contents and Purposes
Engineered Materials Group	¥14,395	Boosting production capacity for MicroThin™ and enhancement of production systems for exhaust detoxifying catalysts for automobiles, etc.
Metals Group	12,054	Large-scale renovation of hydroelectric power generation facilities, etc.
Automotive Parts & Components Group	5,013	Boosting productivity of facilities, conserving energy, etc.
Affiliates Coordination Group	2,841	Maintaining and renovating facilities, etc.
Other Group	1,814	
Total	¥36,119	

Note: Unrealized profit on intersegment transactions is deducted by means of Other Group item.

## (3) Funding

For the purpose of redeeming commercial paper, the Company issued its No. 18 issuance of unsecured domestic straight bonds amounting to ¥10.0 billion in November 2018.

## (4) Research & Development and Resource Development

### Research and Development

The Group is creating innovative products by utilizing its core technologies, such as electrochemistry, powder processing, and composite material processing. The Group is also promoting R&D while strengthening industry-academia collaboration. Specifically, the Group is mainly engaged in R&D of next-generation energy conversion materials and electronic device related materials, such as fuel-cell materials for vehicles, solid electrolytes for all-solid-state lithium-ion secondary batteries, next-generation fine circuit materials, and fine metal powders. Specifically, the Group is mainly engaged in R&D of next-generation energy conversion materials and electronic device related materials, such as fuel-cell materials for vehicles, solid electrolytes for all-solid-state lithium-ion secondary batteries, next-generation fine circuit materials, and fine metal powders.

### Resource Development

The Group explored mining possibilities mainly in the vicinity of Huanzala mine and Pallca mine in Peru. The Group also carried out an exploration and boring project in Canada jointly with other companies.

(5) Changes in Operating Performance and Financial Position of the Mitsui Kinzoku Group and the Company

Year ended March 31		91st (2015)	92nd (2016)	93rd (2017)	94th (2018)
Net sales	(Millions of yen)	¥450,553	¥436,330	¥519,215	¥497,701
Ordinary income (loss)	(Millions of yen)	(11,284)	31,047	11,239	17,755
Profit (loss) attributable to owners of parent	(Millions of yen)	(20,926)	18,674	(708)	4,691
Total assets	(Millions of yen)	484,800	518,981	518,705	523,315
Total net assets	(Millions of yen)	179,566	184,421	178,652	179,673
Free cash flow	(Millions of yen)	24,001	(14,081)	12,060	(4,147)
Capital investment	(Millions of yen)	28,446	37,718	40,509	36,119
ROE (Return on equity)	(%)	(11.4)	10.9	(0.4)	2.8
ROA (Return on assets)	(%)	(2.2)	6.2	2.2	3.4
Shareholders' equity ratio	(%)	35.0	33.5	32.4	32.5
D/E ratio	(Times)	1.13	1.19	1.24	1.28
Earnings (losses) per share	(Yen)	(366.42)	326.98	(12.40)	82.15
Total net assets per share	(Yen)	2,968.55	3,046.43	2,945.20	2,977.84
Dividend per share	(Yen)	60.00	70.00	70.00	70.00

Notes: 1. Earnings (loss) per share is calculated based on the average number of issued and outstanding shares during the term.

2. Every ten shares of the Company's common stock were consolidated into one share on October 1, 2017. Accordingly, earnings (losses) per share, total net assets per share, and dividend per share are calculated, assuming that the said reverse share split was conducted at the beginning of the 91st fiscal year.

3. The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) from the beginning of the fiscal 2018. Total assets, ROA (Return on assets) and Shareholder's equity ratio for fiscal 2017 are presented after retrospectively applying above accounting standard, etc.

## (6) Important Challenges Ahead

### Economic outlook

In fiscal 2019, despite the continuing recovery of the world economy, the pace of growth is expected to slow owing to the diminishing positive impact of the tax reductions in the U.S. and the stagnation of the Chinese economy, among other factors. Moreover, medium- to long-term risks are persisting, such as the protectionist trade policies of the U.S., Brexit, and the economic slowdown in China.

With regard to the Group's business environment, there still remain risks such as fluctuation in nonferrous metal prices, rise in energy costs and sharp increases in raw material prices.

### Review of the 2016 Mid-Term Management Plan

The Group implemented the 2016 Mid-Term Management Plan with the aim of reinforcing management bases for further growth in accordance with the Group's Vision in 2024—"The Company that continues to create growth products and businesses and enhance value based on the three core businesses: engineered materials, metals, and automotive parts and components." However, quantitative targets were unattained due to a decline in the facility utilization rate for processing of collected recycling materials, in addition to external factors that affected the Metals Business segment, such as deterioration in the ore purchase conditions and soaring prices of raw coke. Furthermore, impairment loss for the Caserones copper mine was recorded for the fourth time in fiscal 2017.

Despite the above results, the Group implemented key measures for "Producing results for measures implemented in the 2013 Plan" and "Reinforcing the basic structure of existing businesses," such as initiatives to deal with the expanding MicroThin™ market, completion of the full-scale ramp-up of production of exhaust detoxifying catalysts for automobiles, reinforcement of the nonferrous metal recycling business, and initiatives to increase competitiveness of overseas plants in the Automotive Parts & Components Business segment. In addition, as for "Taking strategic steps for the future," the Group invested in the hydroelectric power generation service in Kamioka and strengthened initiatives to create new businesses.

### Initiatives under the 2019 Mid-Term Management Plan

Based on the above recognition, in April 2019, the Group formulated the 2019 Mid-Term Management Plan, which covers three years from fiscal 2019. The Group's Vision for 2024 stated in the 2016 Plan remains unchanged and the Group aims to transform its foundation for growth in order to realize the Vision for 2024 by implementing measures, namely, "Build on accomplishments of 2016-2018 and 2013-2015," "Implement the 2019-2021 Plan's growth strategy," and "Spearhead reforms to prepare for the future."

In the Engineered Materials Business segment, the Group will continue to expand sales of MicroThin™ in 5G<sup>\*1</sup>-related markets, etc. as well as broaden the sales channels of exhaust detoxifying catalyst for automobiles, which was bolstered in the 2016 Plan. In addition, as part of the initiative for creating new businesses through the Market Co-creation approach, the Group will continue to focus on development of materials for all-solid-state batteries and development of next-generation materials for the formation of ultra-fine circuits (HRDP®), among others.

In the Metals Business segment, the Company will work to achieve the volume increase of recycling materials as well as stable operation. Regarding the hydroelectric power generation service in Kamioka, the Company will implement operation control so as to ensure profit contribution from fiscal 2019.

Regarding the Caserones copper mine, the Group will continue to provide support for further improvement of its operation.

In the Automotive Parts & Components Business segment, a substantial decline is expected at the start of the 2019 Plan, reflecting sharp deterioration in the Chinese automotive market. However, the Group seeks to realize further improvement of earnings by continuing to boost cost competitiveness and aims to win new orders from fiscal 2022 onward by strengthening development capabilities.

As "Strategic steps for the future" to facilitate transformation, the Group will continue to promote work style reform while at the same time implementing reform based on information and communication technology (ICT) in view of digital transformation<sup>\*2</sup>. Regarding ICT-based reform, the Group will focus on integration of the backbone system and strengthening of infrastructure and security in light of the emerging Society 5.0<sup>\*3</sup>.

Through steady implementation of the measures in each segment, the Group aims to achieve the following performance targets in the fiscal year ending March 31, 2022, the final year of the 2019 Plan: ordinary income of ¥37,000 million, the shareholders' equity ratio of 40%, and ROE of 10%.

Remaining true to the corporate slogan, "Material Intelligence," the Group will strive to continue to be a

source of new growth products and businesses by capitalizing on its unique technology and experience with a view to achieving “Sustainable growth of society” and “Enhancement of corporate value over the medium to long term.”

- Notes: 1. 5G: Short for 5th Generation. 5G is the fifth-generation communication system that will realize large-capacity high-speed communication. Full-scale launch of 5G in Japan is scheduled for 2020 or later.  
 2. Digital transformation: To reestablish management styles and business processes by fully leveraging digital technologies  
 3. Society 5.0: Advocated by the Japanese government in the 5th Science and Technology Basic Plan as a future society to which Japan should aspire. A human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.

## (7) Principal Business Offices, Plants, and Laboratories (As of March 31, 2019)

### 1. Mitsui Kinzoku

Head office	1-11-1, Osaki, Shinagawa-ku, Tokyo
Plants	Miike Rare Metals Plant (Omuta-shi, Fukuoka), Ageo Copper Foil Plant (Ageo-shi, Saitama), Miike Thin-film Materials Plant (Omuta-shi, Fukuoka), Omuta Ceramics Plant (Omuta-shi, Fukuoka), Takehara Refinery (Takehara-shi, Hiroshima), Hibi Smelter (Tamano-shi, Okayama), Kitakata Perlite Plant (Kitakata-shi, Fukushima), Osaka Perlite Plant (Kaizuka-shi, Osaka)
Laboratory	R&D Center (Ageo-shi, Saitama) Materials Analysis & Exploration Center (Ageo-shi, Saitama)

Note: Kamioka Mining & Smelting Co., Ltd., a wholly-owned subsidiary of the Company, succeeded the Kamioka Catalyst Plant by an absorption-type company split on April 1, 2018.

### 2. Consolidated Subsidiaries

Japan	Kamioka Mining & Smelting Co., Ltd. (Hida-shi, Gifu), Hachinohe Smelting Co., Ltd. (Shinagawa-ku, Tokyo), Hikoshima Smelting Co., Ltd. (Shimonoseki-shi, Yamaguchi), Okuaizu Geothermal Co., Ltd. (Yanaizu-cho, Fukushima), Mitsui Kinzoku ACT Corporation (Yokohama-shi, Kanagawa), Mitsui Kinzoku Trading Co., Ltd. (Sumida-ku, Tokyo), MESCO, Inc. (Sumida-ku, Tokyo),
Overseas	Taiwan Copper Foil Co., Ltd. (Taiwan), Mitsui Copper Foil (Malaysia) Sdn. Bhd. (Malaysia), Mitsui Electronic Materials Co., Ltd. (Taiwan), GECOM Corp. (U.S.A.), Mitsui Siam Components Co., Ltd. (Thailand), Mitsui Components Guangdong Limited (China), Mitsui Kinzoku ACT (Shanghai) Management Co., Ltd.

## (8) Condition of Principal Subsidiaries of Mitsui Kinzoku (As of March 31, 2019)

	Paid-in Capital (Millions)	Equity Stake of the Company (%)	Principal Operations
Taiwan Copper Foil Co., Ltd.	NT\$800	95.0	Production and sale of Electro-deposited foil for printed wiring boards
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM330	100.0	Production and sale of Electro-deposited foil for printed wiring boards
Mitsui Electronic Materials Co., Ltd.	NT\$600	100.0	Production and sale of Sputtering targets
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0	Smelting of zinc and lead and production of metal powders, exhaust detoxifying catalysts, and others
Hachinohe Smelting Co., Ltd.	¥4,795	85.5	Smelting of zinc and lead
Hikoshima Smelting Co., Ltd.	¥460	100.0	Smelting of zinc and production of metal powders, battery materials, and others
Okuaizu Geothermal Co., Ltd.	¥100	100.0	Sale of geothermal steam for power generation
Mitsui Kinzoku ACT Corporation	¥3,000	100.0	Production and sale of functional automotive door locks
GECOM Corp.	US\$15.750	100.0	Production and sale of functional automotive door locks
Mitsui Siam Components Co., Ltd.	Bh210	100.0	Production and sale of functional automotive door locks
Mitsui Components Guangdong Limited	RMB71.212	100.0	Production and sale of functional automotive door locks
Mitsui Kinzoku ACT (Shanghai) Management Co., Ltd.	RMB13.234	100.0	Sale of functional automotive door locks
Mitsui Kinzoku Trading Co., Ltd.	¥240	100.0	Sale of nonferrous metals and electronic materials, etc.
MESCO, Inc.	¥1,085	63.4	Engineering services for various industrial plants as well as the production, sale, and construction of polyethylene compound pipes

## (9) Employees (As of March 31, 2019)

## 1. Number of Mitsui Kinzoku Group Employees

Group	Number of Employees	
Engineered Materials Group	3,744	(600)
Metals Group	1,635	(293)
Automotive Parts & Components Group	5,207	(113)
Affiliates Coordination Group	1,661	(183)
Other Group	251	(24)
Total	12,498	(1,213)

Notes: 1. The numbers of employees represent the numbers of employees actually working, and the numbers of temporary employees are shown separately in parentheses.

2. Temporary employee figures include temporary laborers, part-time employees, and temporary contract employees but exclude temporary employees dispatched by personnel agencies.

## 2. Number of the Company Employees

Group	Number of Employees	
Engineered Materials Group	1,273	(213)
Metals Group	323	(35)
Automotive Parts & Components Group	–	(–)
Affiliates Coordination Group	108	(20)
Other Group	239	(24)
Total	1,943	(292)

Number of Employees	Average Age (Years)	Average Length of Employment (Years)	Average annual salary (Thousands of Yen)
1,943	42.1	14.8	7,515

- Notes: 1. The numbers of employees represent the number of employees actually working, and the numbers of temporary employees are shown separately in parentheses.  
2. Temporary employee figures include temporary laborers, part-time employees, and temporary contract employees but exclude temporary employees dispatched by personnel agencies.  
3. Average annual salary includes bonus and extra wages.

## (10) Major Lenders (As of March 31, 2019)

	Amount of Borrowings (Millions of Yen)
Sumitomo Mitsui Banking Corporation	¥24,739
Sumitomo Mitsui Trust Bank, Ltd.	18,072
Mizuho Bank, Ltd.	9,553
MUFG Bank, Ltd.	9,522
The Yamaguchi Bank, Ltd.	5,950

## 2. Mitsui Kinzoku Group and the Company Outline

### (1) Common Stock (As of March 31, 2019)

1. Authorized: 190,000 thousand
2. Issued and outstanding: 57,296,616
3. Number of shareholders: 36,706 (up 3,710 from the previous fiscal year)
4. Major shareholders (Top 10):

	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Held in trust account)	5,747	10.06
The Master Trust Bank of Japan, Ltd. (Held in trust account)	5,678	9.94
Japan Trustee Services Bank, Ltd. (Held in trust account 9)	2,138	3.74
JP MORGAN CHASE BANK 385632	1,390	2.43
JP MORGAN CHASE BANK 385635	1,067	1.86
Japan Trustee Services Bank, Ltd. (Held in trust account 5)	1,046	1.83
The Employees' Shareholding Association	1,005	1.76
Japan Trustee Services Bank, Ltd. (Held in trust account 4)	926	1.62
JP MORGAN CHASE BANK 385151	848	1.48
DFA INTL SMALL CAP VALUE PORTFOLIO	732	1.28

Note: Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 189,741 shares in treasury).

### Distribution of Shares by Type of Shareholder (Reference)

Classification	Number of shares held (Thousands)	Composition of shareholders (%)
Financial institutions	21,350	37.26
Securities firms	4,003	6.99
Other Japanese corporations	2,914	5.09
Overseas corporations, etc.	13,926	24.31
Individuals and others	14,911	26.02
Treasury stock	189	0.33

(2) Directors and Corporate Auditors

1. Directors and Corporate Auditors (As of March 31, 2019)

Position	Name	Duties and Major Occupation	Important Positions Held Concurrently at Other Organizations
President Representative Director	Keiji Nishida		
Representative Director Managing Director	Takeshi Nou	Senior Executive Officer, Senior General Manager of Engineered Materials Sector	Outside Director of Powdertech Co., Ltd.
Director	Isshi Hisaoka	Senior Executive Officer, Senior General Manager of Metals Sector Chief Environmental Safety Officer	
Director	Takashi Oshima	Senior Executive Officer, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department	
Outside Director	Junya Sato		Lawyer Outside Director of Nikki Co., Ltd. Outside Auditor of Sapporo Holdings Limited Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd.
Outside Director	Morio Matsunaga		Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology Outside Auditor of KROSAKI HARIMA CORPORATION
Corporate Auditor	Akira Yoshida		
Corporate Auditor	Takashi Kadowaki		Outside Auditor of Nakabohtech Co., Ltd.
Outside Corporate Auditor	Masaharu Miura		Lawyer Outside Director of OUG Holdings Inc.
Outside Corporate Auditor	Toru Ishida		President, The Japan Chamber of Commerce and Industry President, The Tokyo Chamber of Commerce and Industry Outside Auditor, Tokyo Small and Medium Business Investment & Consultation CO., LTD., Outside Director, Tokyo Ryutsu Center Inc.

Notes: 1. Corporate Auditor Takashi Kadowaki has for many years been responsible for the Company's bookkeeping operations and has considerable knowledge regarding finance and accounting.

2. Personal Changes for Corporate Auditor and Outside Corporate Auditor Positions on June 28, 2018.



- (1) Corporate Auditors Toshiki Mori and Tetsuhiro Hosono retired due to resignation.
- (2) Akira Yoshida and Toru Ishida were appointed to new auditor positions.
3. Outside Director Morio Matsunaga assumed the post of Outside Auditor of KROSAKI HARIMA CORPORATION on June 28, 2018.

## 2. Summary of Contracts for Limitation of Liability

Based on Company Law Article 427-1, the Company has concluded contracts with Outside Directors and Outside Corporate Auditors regarding liability as defined by Company Law Article 423-1 to limit total liability to the figure stipulated by Company Law Article 425-1.

## 3. Total Compensation Paid to Directors and Corporate Auditors

Classification	Number	Total Compensation (Millions of Yen)
Directors	6	¥204
Corporate Auditors	6	78
<b>Total</b>	<b>12</b>	<b>¥282</b>

- Notes: 1. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Directors of ¥60 million per month (not including compensation for their services as employees).
2. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Corporate Auditors of ¥15 million per month.
3. At the time of resolution regarding above Notes 1 and 2, there were eleven (11) Directors and four (4) Corporate Auditors.
4. At the meeting of the Board of Directors held on April 22, 2014, it was resolved to discontinue the system of bonuses for Directors and to calculate the Directors' compensation by adding performance payments linked to results in addition to a fixed base compensation. This does not apply to the Outside Directors to whom the Company will pay the base compensation only, without the addition of a performance payment. The total volume of Directors' compensation would be within the limit already approved at the 80th Annual General Meeting of Shareholders held on June 29, 2005. The total amount of Directors' compensation will be determined by the Compensation Committee chaired by an Outside Director and composed mainly of the President, the Director in charge of Human Resources, and the Outside Corporate Auditors as advisors.

#### 4. Matters Related to Outside Directors and Outside Corporate Auditors

##### (a) Important Positions Held Concurrently at Other Organizations

Please refer to “1. Directors and Corporate Auditors.” The Company has no special relationship with any of the entities.

##### (b) Principal Activities during the Fiscal Year under Review

Position	Name	Attendance rate at the meetings of the Board of Directors (%)	Attendance rate at the meetings of the Board of Auditors (%)	Principal Activities
Director	Junya Sato	100	-	Attended all 18 meetings of the Board of Directors during the fiscal year. Primarily from his perspective as a lawyer, he made comments regarding the Company's compliance systems as well as appropriate and necessary comments on proposals and discussions.
Director	Morio Matsunaga	100	-	Attended all 18 meetings of the Board of Directors during the fiscal year. Based on his specialized knowledge of engineering and a wealth of experience gained through many years of engagement in university education, he made appropriate and necessary comments on proposals and discussions.
Corporate Auditor	Masaharu Miura	100	100	Attended all 18 meetings of the Board of Directors and all 12 meetings of the Board of Auditors. From his perspective as a person with experience and expertise in legal circles as a public prosecutor and a lawyer, he made appropriate and necessary comments on proposals and discussions.
Corporate Auditor	Toru Ishida	85	80	Attended 12 out of 14 meetings of the Board of Directors and 8 out of 10 meetings of the Board of Auditors during the fiscal year after assuming his position. Based on his many years of experience and responsibilities in key positions, in which he has contributed to development of commerce and industry, he made appropriate and necessary comments on proposals and discussions from a wide perspective.

(c) Total Compensation Paid to Outside Directors and Outside Corporate Auditors

	Number	Total Compensation, Etc. (Millions of Yen)
Total amount of compensation, etc., paid to Outside Directors and Outside Corporate Auditors	5	¥57

(d) Notification of Independent Directors and Independent Corporate Auditors

None of the Company's Outside Directors and Outside Corporate Auditors has interests with any particular party from the Company, including its management, and none of them has conflicts of interest with general shareholders. The Company has notified the Tokyo Stock Exchange that all four of its Outside Directors (Junya Sato and Morio Matsunaga) and Outside Corporate Auditors (Masaharu Miura and Toru Ishida) are Independent Directors and Independent Corporate Auditors of the Company.

(3) Matters Related to the Independent Auditing Firm

1. Name of the firm: KPMG AZSA LLC

2. Total compensation, etc., paid to the firm

Classification	Compensation based on audit and attestation services (Millions of Yen)	Compensation based on non-audit services (Millions of Yen)	Amount
The Company	¥113	¥1	¥115
The Company's subsidiaries	55	-	55
Amount	¥168	¥1	¥170

Notes: 1. Since the contract between the Company and the auditing firm does not distinguish between the audit required under Japan's Company Law and the audit required under the Financial Instruments and Exchange Law, the above figures also include the cost of the audit required under the Financial Instruments and Exchange Law.

2. The Board of Corporate Auditors of the Company reviewed the independent auditing firm's audit plan for fiscal 2017, the status of performance of duties in the previous fiscal year, the basis of calculation of the estimated amount of compensation, etc. by means of necessary documents obtained from the independent auditing firm and relevant internal departments as well as interviews. As a result, the Board of Corporate Auditors gave consent pursuant to Article 399, Paragraph 1 of the Company Law with regard to compensation, etc. for the independent auditing firm for fiscal 2017.

3. Among the Company's material subsidiaries, the following were legally audited by a certified public accountant or accounting firm, other than the Company's audit firm, with the corresponding qualifications in a foreign country: Taiwan Copper Foil Co., Ltd.; Mitsui Copper Foil (Malaysia) Sdn. Bhd.; Mitsui Electronic Materials Co., Ltd.; GECOM Corp.; Mitsui Siam Components Co., Ltd.; Mitsui Components Guangdong Limited; and Mitsui Kinzoku ACT (Shanghai) Management Co., Ltd.

3. Details of Non-audit Services

The Company entrusts the independent auditing firm with "the preparation of a comfort letter associated with the issuance of corporate bonds," which is a service outside the professional responsibilities provided under Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit service).

4. Policy regarding decisions related to dismissal and non-renewal of contract with the independent auditing firm

When the provisions of Article 340-1 of Company Law are deemed to be applicable to the auditing firm, the Board of Auditors may dismiss the firm with the consent of all the Corporate Auditors. The Board of Auditors determines the content of a proposal to be submitted to a General Meeting of Shareholders concerning non-renewal of the contract with the auditing firm at the Company's convenience. In addition, when it is deemed that the Company cannot continue the contract with the

auditing firm for reasons attributable to the auditing firm, the Board of Auditors determines the content of a proposal to be submitted to a General meeting of Shareholders concerning dismissal or non-reappointment of the auditing firm.

In either case, the Board of Auditors determines the content of a proposal to be submitted to a General Meeting of Shareholders concerning selection of a new independent auditing firm.

#### **(4) Systems for Ensuring Appropriate Business Operations and Overview of the Status of Operation of Such Systems**

The decisions as to the Company's systems for ensuring that the execution of duties by the Directors is in compliance with relevant laws and regulations and the Company's Articles of Incorporation and other systems for ensuring the proper conduct of the Group's activities and the status of operation of such systems are outlined below.

##### **1. Systems for ensuring that the execution of duties by the Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations and the Company's Articles of Incorporation**

- 1) To ensure that the conduct of business activities by the Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations and the Company's Articles of Incorporation, the Company clarifies and promotes its compliance system by instituting its "Code of Conduct," which Directors and employees are required to observe, and internal regulations.
- 2) The Company clearly defines the authority of the Directors through the issuance of internal regulations, including "Regulations for the Board of Directors (Torishimariyaku-kai kisoku)." Also, by appointing Outside Directors who have a high degree of independence, the Company increases transparency and creates a framework to ensure that the Directors execute their duties appropriately.
- 3) In addition, the Company conducts periodic internal audits of accounting, tax affairs, legal affairs, safety, quality, facilities, the environment, and hygiene to maintain their soundness, etc.

[Overview of the status of operation]

In order to thoroughly communicate the "Code of Conduct" worldwide, which specifies values and action guidelines that ought to be shared by everyone in the Group, it is translated into various languages, and training by using the Compliance Guidebook is continued at all bases, including overseas bases, to ensure adherence to the Code of Conduct. Each Executive Director reports important matters at the meetings of the Board of Directors, which includes two highly independent Outside Directors. Outside Directors have been appointed the chairperson of the Nomination Advisory Committee and of the Compensation Committee, respectively, thereby enhancing independence and objectiveness in these committees. The Internal Audit Committee directly reports to the Board of Directors, and has an Outside Director appointed as the chairman of the committee. The Internal Audit Committee determines the policy and annual plan for internal audits, and the Internal Audit Department conducts audits based on that policy and plan. The Internal Audit Committee evaluates the results of audits conducted by the Internal Audit Department after the end of each fiscal year and confirms the status of corrective measures in response to the findings

##### **2. Systems for storing and safekeeping of information related to the execution of the duties of the Directors**

For information related to the execution of the duties of the Directors, the Company has prepared, stores, and keeps in custody such information according to laws and regulations, the "Regulations for the Board of Directors (Torishimariyaku-kai kisoku)," "Information Management Rules (Jouhou kanri kisoku)," "Regulations Regarding Documentation (Bunsho kisoku)," and other internal regulations.

[Overview of the status of operation]

Information materials on agenda of meetings of the Board of Directors and their minutes are retained permanently, whereas the statutory retention period for such documents is 10 years. Documents of important meetings related to business execution are retained for 10 years or permanently depending upon the meeting bodies.

##### **3. Regulations and systems concerning the management of losses and hazards of the Company and its subsidiaries**

To prevent the materialization of risks related to the execution of business activities of the Company and its subsidiaries and to respond to risks that have already materialized, based on its "Risk

Management Regulations (Risk management kisoku),” the Company designates organizational units in charge of each type of risk to monitor and evaluate the risks that may arise in the business activities of the Company and subsidiaries, decides on policies for risk management, and implements measures to deal with risks when they materialize.

The Company establishes “Regulations for Emergency Responses (Kinkyu-jitai hasseiji no taiou ni kansuru kisoku)” to protect human lives and assets and to swiftly recover and continue business in the event of a large disaster.

[Overview of the status of operation]

In fiscal 2018, the Group made preparations for a major earthquake and conducted drills based on the risk surveys.

Moreover, the Group conducted training for incident management in the event of an emergency and improved various manuals.

#### **4. Systems to ensure that the Directors of the Company and its subsidiaries execute their duties efficiently**

As the basis for systems that ensure the Directors execute their duties efficiently, the Board of Directors holds a regular meeting once a month, and at other times as necessary. In addition, the Company determines assignment of responsibilities for management and clarifies the approving authorities including those of subsidiaries to enhance the efficiency of decision-making. Also, through the introduction of the Executive Officer system, the Company endeavors to accelerate the execution of business activities.

[Overview of the status of operation]

In fiscal 2018, ordinary meetings of the Board of Directors were held once every month and six extraordinary meetings of the Board of Directors were held in April, May, August, September and November 2018 and in February 2019. In accordance with the approving authorities that stipulate the assignment of responsibilities for management, the Board of Directors deliberated and made decision on necessary important matters.

Meetings were held between Outside Directors and the Accounting Auditor to exchange views. Also, monitoring of the status of business execution by Executive Officers was conducted.

#### **5. Systems for reporting to the Company of matters related to the execution of duties by Directors of the Company’s subsidiaries**

Directors, Corporate Auditors, and the responsible department shall receive reports on the status of execution of duties by Directors of the Company’s subsidiaries in accordance with the “Regulations for the Management of Subsidiaries and Affiliates (Kankei-gaisha kanri kisoku )” etc.

[Overview of the status of operation]

Directors of the Company’s subsidiaries report the status of execution of their duties in accordance with the “Regulations for the Management of Subsidiaries and Affiliates” at periodic meetings of business units.

Units of the head office report to Corporate Auditors, as necessary, about the information they obtained on the status of execution of duties by Directors of the Company’s subsidiaries.

#### **6. Matters concerning employees who are to assist the duties of Corporate Auditors when Corporate Auditors request assignment of such employees and matters related to ensuring the independence of such employees from Directors and effectiveness of instructions given by Corporate Auditors to such employees**

- 1) Under the Company’s “Regulations for Company Organization Systems (Kaisha shokusei kisoku),” the Company establishes an Auditor Office and assigns employees to assist the Corporate Auditors in the execution of their duties. In addition, the selection of these employees is made with reference to the opinions of the Corporate Auditors.
- 2) The employees who are assigned to assist the duties of Corporate Auditors shall assist Corporate Auditors in accordance with the “Regulations for Company Organization Systems.” At the meetings of the Board of Auditors, such employees shall receive instructions from Corporate Auditors, and also shall report on the progress of matters that they were instructed to address, and provide information.

[Overview of the status of operation]

Regarding employees who are to assist the duties of Corporate Auditors, staff of the Auditor Office are selected from head office organizations in reference to the opinions of the Corporate Auditors. Auditors Office Liaison Meetings are held monthly for which the Auditor Office serves as the secretariat and where the staff of the Auditor Office receive instructions from Corporate Auditors and provide Corporate Auditors with information on the progress of matters that they were instructed to address and other information.

**7. Systems for Directors and employees to report to the Corporate Auditors; systems for Directors, Corporate Auditors, and employees of the Company's subsidiaries and for persons who received reporting from such persons to report to the Corporate Auditors; and other systems regarding reporting to the Corporate Auditors**

- 1) When the Directors and employees of the Company and Directors, Corporate Auditors, and employees of the Company's subsidiaries discover facts that may cause serious losses to the Company, or when other events occur concerning the matters requiring reporting specified by the Board of Auditors, they shall report to Corporate Auditors.
- 2) Upon auditing of subsidiaries by the Corporate Auditors, Directors, Corporate Auditors, and employees of the Company's subsidiaries shall report the status of operations and other matters required by the Corporate Auditors.
- 3) Details of the reporting made via the whistleblowing system shall be periodically reported to the Corporate Auditors.

[Overview of the status of operation]

For full-time Corporate Auditors, in addition to their attendance at the meetings of the Board of Directors, opportunities are ensured for them to attend important meetings related to business execution. Through these meetings, matters are reported and information is provided to Corporate Auditors. Full-time Corporate Auditors and Outside Corporate Auditors also visit the Company's subsidiaries to conduct auditing whenever necessary, and receive reports on the status of operation as well as matters requested by the Corporate Auditors.

Details of the reporting made via the whistleblowing system are periodically reported to the Corporate Auditors and briefed at the meetings of the Board of Directors, after taking necessary measures in accordance with the Company's "Regulations for Operation of the Hotline (Hot line unei kisoku)" so that the person who made the report and the related worksites are not identified.

**8. Systems to ensure that persons who reported to the Corporate Auditors will not receive detrimental treatment because of the reporting**

The Company shall prohibit detrimental treatment of the Directors and employees of the Company and Directors, Corporate Auditors, and employees of the Company's subsidiaries who reported to the Corporate Auditors because of the reporting.

[Overview of the status of operation]

It is announced on the Company's website and stated in the Compliance Guidebook that persons who reported to the Corporate Auditors will not receive detrimental treatment because of the reporting. The policy that persons who reported to the Corporate Auditors will not receive detrimental treatment because of the reporting is also communicated in internal training and on other occasions.

**9. Matters concerning procedures for advance payment or reimbursement of fees arising in connection with the execution of duties by the Corporate Auditors and other policies regarding handling costs or obligations arising in connection with the execution of such duties**

When the Corporate Auditors request advance payment or reimbursement of expenses for their execution of duties, based on deliberation by the responsible department the Company shall make advance payment of or reimburse such expenses swiftly except in the case that such expenses or obligations are proved to be unnecessary for the execution of duties by such Corporate Auditors.

[Overview of the status of operation]

At the beginning of each fiscal year, the Company sets aside a budget for expenses to be incurred based on the action plan of the Corporate Auditors for the year. The Company has established a rule that allows the Corporate Auditors to request additional budget if expenditures exceeding the predetermined budget for expenses are necessary.

**10. Other systems to ensure that audits by the Corporate Auditors are performed effectively**

The Representative Directors and Corporate Auditors meet periodically to exchange opinions. The Corporate Auditors may attend important meetings to exchange information with Directors and employees thoroughly.

[Overview of the status of operation]

During fiscal 2018, meetings to exchange opinions were held twice between the Representative Directors and Corporate Auditors. Corporate Auditors held meetings nine times to exchange opinions with Executive Directors, Executive Officers and other management executives. Outside Directors and Corporate Auditors also held meetings and they also interviewed the Accounting Auditor as necessary.

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\* In this Business Report, the monetary amounts and the number of shares have been rounded down to the nearest unit.

## Consolidated Balance Sheet

(As of March 31, 2019)

	Millions of yen	
	2018	2017 (Reference)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	¥21,536	¥22,379
Notes and accounts receivable	91,273	100,540
Merchandise and finished goods	36,061	36,175
Work in process	30,392	31,155
Raw materials and supplies	45,299	46,314
Others	24,952	13,124
Allowance for doubtful accounts	(179)	(154)
Total current assets	249,336	249,536
<b>Fixed assets:</b>		
Tangible fixed assets:		
Buildings and structures	184,982	175,761
Machinery and automotive equipment	385,567	368,082
Land	33,711	33,693
Lease assets	3,768	4,263
Construction in progress	11,492	16,436
Others	57,249	56,191
Accumulated depreciation	(486,914)	(471,059)
Total tangible fixed assets	189,857	183,369
Intangible fixed assets	4,613	4,172
Investments and other assets:		
Investment securities	64,363	65,000
Long-term loans	454	482
Net defined benefit asset	4,625	4,624
Deferred tax assets	5,765	7,268
Others	4,437	4,406
Allowance for doubtful accounts	(137)	(155)
Total investments and other assets	79,508	81,627
Total fixed assets	273,978	269,169
<b>Total assets</b>	523,315	¥518,705



English Translation of Financial Statements Originally Issued in the Japanese Language

	Millions of yen	
	2018	2017 (Reference)
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	¥39,043	¥42,913
Short-term debt	78,010	60,549
Commercial paper	6,500	7,500
Current portion of straight bonds	10,000	10,000
Current portion of lease liability	324	337
Accrued income taxes	2,600	4,050
Consumption taxes payable	1,488	931
Provision for bonus	5,098	5,390
Provision for Directors' bonus	31	38
Provision for product warranties	1,232	1,316
Provision for loss on construction contracts	23	220
Business structure improvement expenses	-	36
Provision for loss on disposal of inventories	327	312
Others	36,287	38,856
<b>Total current liabilities</b>	<b>180,969</b>	<b>172,454</b>
<b>Long-term liabilities:</b>		
Straight bonds	50,000	50,000
Long-term debt	72,368	80,369
Lease liability	1,025	1,124
Deferred tax liabilities	2,775	2,906
Directors' and corporate auditors' retirement benefits	502	554
Provision for environmental countermeasures	878	1,120
Provision for preventing environmental pollution in mineral, mining, and other operations	927	1,053
Net defined benefit liability	26,404	26,542
Asset retirement obligations	3,341	3,065
Others	4,447	862
<b>Total long-term liabilities</b>	<b>162,672</b>	<b>167,598</b>
<b>Total Liabilities</b>	<b>343,641</b>	<b>340,053</b>
<b>Net assets</b>		
Common stock	42,129	42,129
Capital surplus	22,631	22,648
Retained earnings	95,069	93,113
Treasury stock	(622)	(619)
<b>Shareholders' equity</b>	<b>159,207</b>	<b>157,271</b>
Net unrealized gains on securities, net of tax	1,607	2,606
Unrealized gains (losses) on hedging derivatives, net of tax	(1,976)	(4,696)
Foreign currency translation adjustments	11,524	13,532
Remeasurements of defined benefit plans	(308)	(519)
<b>Accumulated other comprehensive income</b>	<b>10,847</b>	<b>10,922</b>
<b>Non-controlling interests</b>	<b>9,618</b>	<b>10,459</b>
<b>Total net assets</b>	<b>179,673</b>	<b>178,652</b>
<b>Total liabilities and net assets</b>	<b>¥523,315</b>	<b>¥518,705</b>

Note: Figures are rounded down to the nearest million yen.

## Consolidated Statement of Operations

(April 1, 2018 to March 31, 2019)

	Millions of yen	
	2018	2017 (Reference)
<b>Net sales</b>	¥497,701	¥519,215
<b>Cost of sales</b>	424,325	417,796
<b>Gross profit</b>	73,376	101,419
Selling, general and administrative expenses	55,153	51,889
<b>Operating income</b>	18,222	49,529
<b>Non-operating income:</b>		
Interest income	299	194
Dividend income	1,698	1,630
Other income	2,517	1,606
	4,515	3,431
<b>Non-operating expenses:</b>		
Interest expense	1,605	1,392
Investment losses on equity method	2,194	38,044
Other expenses	1,182	2,285
	4,982	41,721
<b>Ordinary income</b>	17,755	11,239
<b>Extraordinary profits:</b>		
Gain on sales of property, plant and equipment	64	87
Gain on sales of investment securities	-	128
Gain on transfer of business Gain on change in equity	-	115
Others	68	96
	132	428
<b>Extraordinary losses:</b>		
Loss on sales of property, plant and equipment	62	74
Loss on disposal of property, plant and equipment	1,706	1,423
Loss on impairment of fixed assets	-	287
Environmental expenses	156	716
Loss on disaster	336	93
Customs duties of prior periods	-	1,098
Others	463	233
	2,725	3,925
<b>Profit before income taxes</b>	15,162	7,741
<b>Income taxes:</b>		
Current	8,792	9,562
Deferred	1,191	(2,096)
<b>Net income</b>	5,177	275
Profit attributable to non-controlling interests	486	983
<b>Profit (loss) attributable to owners of parent</b>	¥4,691	(¥708)

Note: Figures are rounded down to the nearest million yen.

English Translation of Financial Statements Originally Issued in the Japanese Language

## Consolidated Statement of Changes in Net Assets

(April 1, 2018 to March 31, 2019)

Millions of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of period	42,129	22,648	93,113	(619)	157,271
Changes of items during period					
Dividends from surplus			(3,997)		(3,997)
Profit attributable to owners of parent			4,691		4,691
Adjustments due to the changes in fiscal year-end of consolidated subsidiaries			1,324		1,324
Purchase of treasury stock				(2)	(2)
Change of scope of consolidation			(61)		(61)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(16)			(16)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(16)	1,956	(2)	1,936
Balance at end of period	42,129	22,631	95,069	(622)	159,207

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total of accumulated other comprehensive income		
Balance at beginning of period	2,606	(4,696)	13,532	(519)	10,922	10,459	178,652
Changes of items during period							
Dividends from surplus							(3,997)
Profit attributable to owners of parent							4,691
Adjustments due to the changes in fiscal year-end of consolidated subsidiaries							1,324
Purchase of treasury stock							(2)
Change of scope of consolidation							(61)
Change in treasury shares of parent arising from 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 of items during period	(998)	2,720	(2,007)	210	(74)	(840)	1021
Balance at end of period	1,607	(1,976)	11,524	(308)	10,847	9,618	179,673

Note: Figures are rounded down to the nearest million yen.

## Balance Sheet

(As of March 31, 2019)

	Millions of yen	
	2018	2017 (Reference)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	¥1,778	¥871
Notes receivable	1,289	1,244
Accounts receivable	41,298	48,325
Merchandise and finished goods	20,058	22,064
Work in process	14,541	14,973
Raw materials and supplies	24,739	27,647
Advances payments	1,259	68
Prepaid expenses	434	435
Short-term loans	40,353	12,263
Other accounts receivable	10,622	4,388
Payment for others	3,021	3,235
Derivative assets	513	1,325
Others	58	32
Allowance for doubtful accounts	(1)	(0)
<b>Total current assets</b>	<b>159,967</b>	<b>136,875</b>
<b>Fixed assets:</b>		
<b>Tangible fixed assets:</b>		
Buildings	41,441	40,595
Structures	13,085	12,723
Machinery and equipment	117,210	115,105
Automotive equipment	529	507
Tools, equipment and furniture	9,046	8,334
Land used for mining operations	175	175
Land	15,701	15,684
Lease assets	971	1,542
Construction in progress	2,599	1,939
Accumulated depreciation	(152,346)	(148,701)
<b>Total tangible fixed assets</b>	<b>48,413</b>	<b>47,907</b>
<b>Intangible fixed assets:</b>		
Rights of utilization	1,623	1,451
<b>Total intangible fixed assets</b>	<b>1,623</b>	<b>1,451</b>
<b>Investments and other assets:</b>		
Investment securities	9,245	10,766
Stock of subsidiaries and affiliates	126,236	126,236
Investments in other securities of subsidiaries and affiliates	6,637	6,230
Investments in capital of subsidiaries and affiliates	2,997	2,862
Long-term loans	61,661	52,577
Deferred tax assets	135	883
Others	2,953	3,031
Allowance for doubtful accounts	(349)	(719)
<b>Total investments and other assets</b>	<b>209,518</b>	<b>201,869</b>
<b>Total fixed assets</b>	<b>259,554</b>	<b>251,229</b>
<b>Total assets</b>	<b>¥419,521</b>	<b>¥388,104</b>

English Translation of Financial Statements Originally Issued in the Japanese Language

	Millions of yen	
	2018	2017 (Reference)
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	¥18,742	¥20,617
Short-term debt	31,417	25,593
Commercial paper	6,500	7,500
Current portion of long-term loans payable	25,170	22,328
Current portion of straight bonds	10,000	10,000
Current portion of lease liability	63	73
Accrued payments	9,751	8,295
Accrued expenses	872	942
Accrued income taxes	26	765
Advances received	264	188
Deposits received	23,694	23,696
Provision for bonus	2,061	2,185
Provision for loss on construction contracts	0	-
Derivative liabilities	1,760	4,800
Others	0	0
Total current liabilities	130,325	126,987
<b>Long-term liabilities:</b>		
Straight bonds	50,000	50,000
Long-term debt	71,448	78,918
Lease obligations	91	116
Employees' retirement benefits	15,411	15,407
Provision for environmental countermeasures	829	970
Provision for preventing environmental pollution in mineral, mining, and other operations	245	243
Asset retirement obligations	125	125
Others	152	156
Total long-term liabilities	138,304	145,939
<b>Total liabilities</b>	<b>268,630</b>	<b>272,927</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
<b>Common stock</b>	42,129	42,129
<b>Capital surplus:</b>		
Legal capital surplus	22,557	22,557
Other capital surplus	0	0
Total capital surplus	22,557	22,557
<b>Retained earnings:</b>		
Legal retained earnings	2,406	2,406
Other retained earnings	84,767	50,481
General reserve	-	7,000
Retained earnings brought forward	84,767	43,481
Total retained earnings	87,173	52,887
<b>Treasury stock</b>	(622)	(619)
<b>Total shareholders' equity</b>	<b>151,237</b>	<b>116,954</b>
<b>Valuation and translation adjustments</b>	<b>(346)</b>	<b>(1,777)</b>
Net unrealized gains on securities, net of tax	1,057	2,107
Unrealized gains (losses) on hedging derivatives, net of tax	(1,403)	(3,885)
<b>Total net assets</b>	<b>150,891</b>	<b>115,177</b>
<b>Total liabilities and net assets</b>	<b>¥419,521</b>	<b>¥388,104</b>

Note: Figures are rounded down to the nearest million yen.

English Translation of Financial Statements Originally Issued in the Japanese Language

## Statement of Operations

(April 1, 2018 to March 31, 2019)

	Millions of yen	
	2018	2017 (Reference)
<b>Net sales</b>	¥240,679	¥260,719
<b>Cost of sales</b>	220,524	218,603
<b>Gross profit</b>	20,155	42,115
Selling, general and administrative expenses	28,284	26,332
<b>Operating income (loss)</b>	(8,129)	15,782
<b>Non-operating income:</b>		
Interest and dividend income	49,365	16,332
Other income	1,411	1,031
	50,777	17,363
<b>Non-operating expenses:</b>		
Interest expense	1,108	1,171
Other expenses	703	1,205
	1,812	2,376
<b>Ordinary income</b>	40,835	30,770
<b>Extraordinary profits:</b>		
Gain on sales of investment securities	–	128
Reversal of allowance for doubtful accounts	391	454
Other profits	30	48
	421	631
<b>Extraordinary expenses:</b>		
Loss on sales and disposal of property, plant and equipment	191	166
Loss on disaster	317	2
Loss on valuation of investments in other securities of subsidiaries and affiliates	–	29,594
Other expenses	190	221
	698	29,984
<b>Profit before income taxes</b>	40,557	1,417
<b>Income taxes:</b>		
Current	771	1,969
Deferred	1,463	(354)
<b>Net income (loss)</b>	¥38,323	(¥197)

Note: Figures are rounded down to the nearest million yen.

English Translation of Financial Statements Originally Issued in the Japanese Language

## Statement of Changes in Net Assets

(April 1, 2018 to March 31, 2019)

Millions of yen

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of period	42,129	22,557	0	22,557	2,406	7,000	43,481	52,887	(619)	116,954
Changes of items during period										
Dividends from surplus							(3,997)	(3,997)		(3,997)
Net income							38,323	38,323		38,323
Reversal of general reserve						(7,000)	7,000	-		-
Purchase of treasury stock									(2)	(2)
Decrease by corporate division							(39)	(39)		(39)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	(7,000)	41,285	34,285	(2)	34,282
Balance at end of period	42,129	22,557	0	22,557	2,406	-	84,767	87,173	(622)	151,237



	Valuation and translation adjustments			Total net assets
	Net unrealized gains on securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Total valuation and translation adjustments	
Balance at beginning of period	2,107	(3,885)	(1,777)	115,177
Changes of items during period				
Dividends from surplus				(3,997)
Net income				38,323
Reversal of general reserve				–
Purchase of treasury stock				(2)
Decrease by corporate division				(39)
Net changes of items other than shareholders' equity	(1,050)	2,481	1,431	1,431
Total changes of items during period	(1,050)	2,481	1,431	35,714
Balance at end of period	1,057	(1,403)	(346)	150,891

Note: Figures are rounded down to the nearest million yen.