MITSUI KINZOKU

MITSUI MINING & SMELTING CO., LTD.

Annual Report 2014

Contents

- Financial Highlights 1
- Financial Summary 2
- Mitsui Kinzoku Group at a Glance 4
- Message from the President 6
- Corporate Governance 10
- Review of Operations 12
- Directors, Auditors, and Executive Officers 16
- Financial Section 17
- Investor Information 53
- Corporate Data 54
- Worldwide Operations 55

Profile

Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku), supplies nonferrous metal intermediates that play key roles in high-tech industries. Since its establishment in 1950, the Company has also been known as a leading supplier of such nonferrous metals as zinc and copper and one of the world's largest producers of zinc.

The Company has technological expertise in the production of such electronics-related materials as copper foil and semiconductor packaging tapes, which are presently indispensable for information-related and telecommunications devices. The Company maintains its technological leadership through aggressive R&D accompanied with its "material intelligence" obtained through its extensive background in smelting and refining operations in the nonferrous metals field. In addition, the Company is known as a producer of highly evaluated automobile door-related parts and systems.

Superior quality is the hallmark of Mitsui Kinzoku products and services. A team of nearly 10,000 talented employees strives to ensure this quality and, in doing so, has maintained the integrity of the Mitsui Kinzoku name and its longstanding reputation for innovation.

Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains statements about Mitsui Kinzoku's future business plans, strategies, and beliefs. Statements regarding the Company's projected future business results are not based on historical facts and are subject to various risks and uncertainties. These risks and uncertainties relate to economic conditions in Mitsui Kinzoku's business environment, the state of private-sector and public sector capital investment, currency exchange rates, competitive pricing pressures in the marketplace, and Mitsui Kinzoku's ability to continue designing and developing products that will be accepted in markets. However, it should be noted that elements affecting performance are not limited to the previously mentioned factors. In this report, fiscal 2013 represents the year ended March 31, 2014.

Financial Highlights

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

	2013	2014	
Net Sales	¥417.2 billion	¥441.0 billion	5.7%
Operating Income	¥16.5 billion	¥25.7 billion	55.5%
Net Income	¥9.9 billion	¥3.6 billion	(63.0)%
Net Assets	¥155.0 billion	¥169.8 billion	9.5%
Interest-bearing Debt	¥180.3 billion	¥218.5 billion	21.1%
Shareholders' Equity Ratio	33.4%	31.9%	(1.5)point
Net Income per Share	¥17.3	¥6.4	–

Financial Summary

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

	2005	2006	2007	2008
Net sales	¥438,143	¥503,370	¥591,518	¥595,463
Operating income (loss)	44,515	45,052	38,865	27,993
Net income (loss)	20,780	23,374	31,370	7,830
Research & developments expenses	6,502	6,351	7,359	8,616
Depreciation and amortization	22,345	24,686	25,617	27,361
EBITDA	64,425	65,738	77,446	53,069
Total assets	409,019	460,225	483,397	486,238
Total shareholder's equity (Note 2)	133,963	159,772	185,513	184,995
Interest-bearing debt	147,125	151,834	143,220	151,924
Shareholder's equity ratio (%)	32.8	34.7	38.4	38.0
Net cash from operating activities	44,016	44,800	34,077	41,657
Net cash from investing activities	(25,792)	(43,039)	(30,021)	(38,049)
Net cash from financing activities	(14,947)	(1,278)	(4,744)	(744)
Operating income to total assets (%) (Note 3)	11.1	10.4	8.2	5.8
Net income to total shareholder's equity (%) (Note 3)	16.7	15.9	18.2	4.2
Operating income to net sales (%)	10.2	9.0	6.6	4.7
Net income per share (¥)	36.0	40.5	54.7	13.6
Cash dividends per share (¥)	7.0	10.0	12.0	12.0

Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥102.88 to US$1.00, the rate prevailing at March 31, 2014.
2. Total net assets - minority interests from 2007.
3. Total assets and total shareholder's equity are average of beginning and end of the year.

Millions of yen						Thousands of U.S. dollars (Note 1)
2009	2010	2011	2012	2013	2014	2014
¥427,191	¥392,364	¥446,487	¥431,058	¥417,219	¥441,046	$4,286,995
(27,031)	27,881	30,208	20,903	16,557	25,743	250,224
(67,256)	13,899	21,160	11,531	9,910	3,662	35,595
8,232	5,105	4,942	5,247	5,867	5,795	56,328
32,281	26,023	22,690	22,781	23,952	24,178	235,012
(19,801)	50,388	55,170	41,699	40,866	35,782	347,803
410,258	416,541	411,027	413,106	438,072	503,825	4,897,210
94,145	111,341	125,947	131,717	146,535	160,872	1,563,686
202,468	191,515	171,460	169,263	180,372	218,500	2,123,834
22.9	26.7	30.6	31.9	33.4	31.9	31.9
30,038	19,610	22,545	30,992	38,058	38,003	369,392
(36,922)	(17,823)	(26,286)	(31,039)	(47,208)	(72,128)	(701,089)
42,367	(13,188)	(13,569)	(6,969)	4,829	33,933	329,831
(6.0)	6.7	7.3	5.1	3.9	5.5	
(48.2)	13.5	17.8	9.0	7.1	2.4	
(6.3)	7.1	6.8	4.8	4.0	5.8	
(117.6)	24.3	37.0	20.1	17.3	6.4	0.06
—	3.0	6.0	3.0	3.0	4.0	0.04

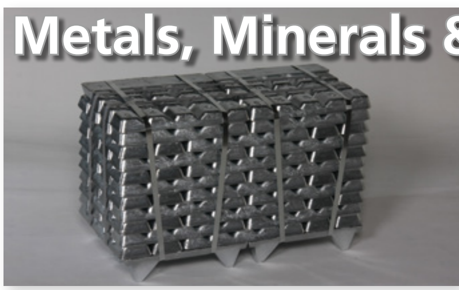
Mitsui Kinzoku Group at a Glance

Business segment	Major products

Engineered Materials

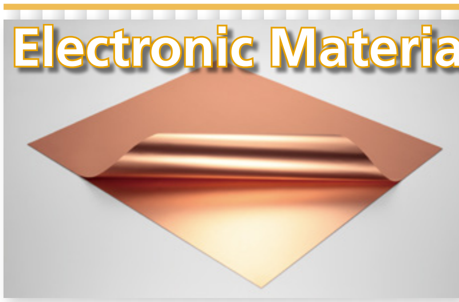

- Battery materials
- Catalysts
- Engineered powders
- Rare metals
- Single crystals

Metals, Minerals & Environmental Engineering



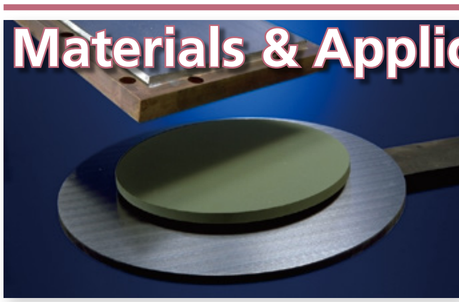

- Zinc smelting
- Zinc mining
- Lead smelting
- Metals recycling
- Copper mining and smelting

Electronic Materials



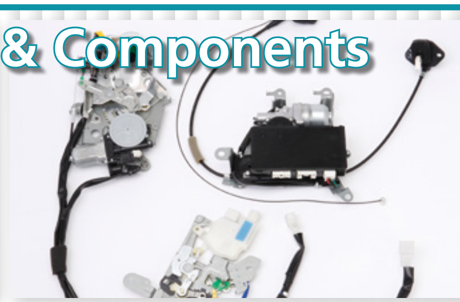

- Copper foil
- Metal powders

Materials & Applications

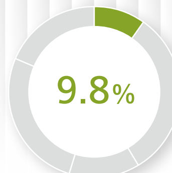
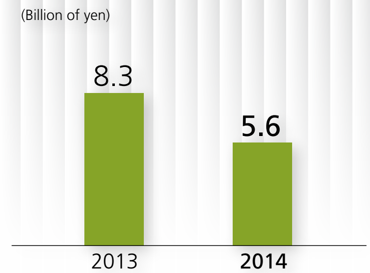
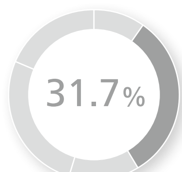
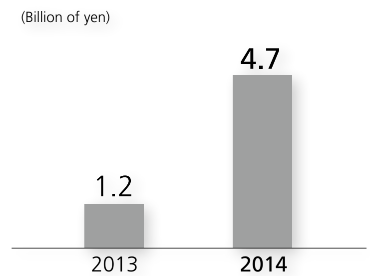
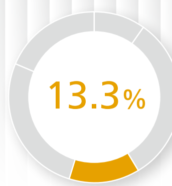
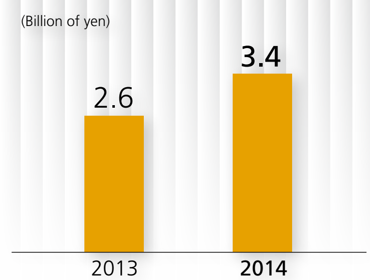
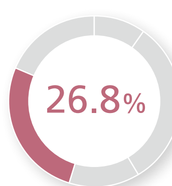
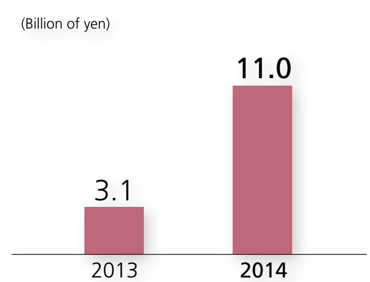
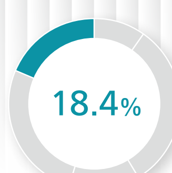
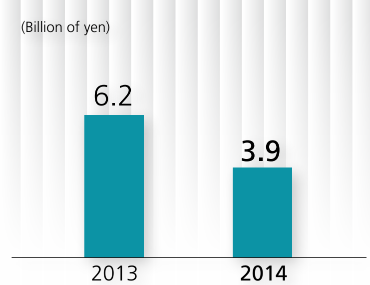



- PVD materials
- Perlite
- Ceramics
- Die-casting
- Rolled copper and zinc products
- Trading
- Engineering

Automotive Parts & Components

- Automotive parts and components

(Main applications)	Net sales breakdown	Ordinary income
(dry batteries, hybrid powered vehicles) (exhaust gas detoxifiers) (electronics, toner for copiers) (electronics, glass polishing, optical lenses) (scintillators, optical lenses)	¥48.0 billion 	
(galvanized steel, die-casting) (galvanized steel, die-casting) (car batteries, inorganic chemicals)	¥155.4 billion 	
(printed wiring boards) (electronics, toner for copiers)	¥65.5 billion 	
(flat panel displays, magnetic data storage) (construction, liquid filtration) (furnace refractory, melted metal filtration) (automobiles, machines, home electronics) (electric parts, electrodes, roofs of buildings)	¥131.4 billion 	
(door latches, power slide door systems)	¥90.0 billion 	

Message from the President

Sadao Senda

President and Representative Director, Chief Executive Officer

Fiscal 2013 Performance

In fiscal 2013, even with slower growth in China and emerging countries, the Japanese economy moved along amid continuing signs of economic recovery, mainly in developed nations, including a strong U.S. economy driven largely by consumer spending, a modest economic recovery in Europe, and other factors. At the same time, despite mounting upward pressure on costs, such as the price of imported goods caused by the weak yen and energy costs, the yen depreciated and the economic stimulus package began gaining momentum, and we saw signs of rising consumer spending due to last-minute demand prior to the consumption tax rate increase.

In these economic conditions, the business environment surrounding the Mitsui Kinzoku Group in the first half of fiscal 2013 was one of weak metal prices, but demand for high-performance copper foil used in smartphones and PVD materials remained firm. Entering the second half, metal prices recovered and the yen continued to depreciate and, as in the first half, demand for high-performance copper foil used in smartphones and PVD materials remained firm. Due to these circumstances, the Group drew up the 2013 Medium-Term Management Plan, a three-year plan beginning in fiscal 2013, and started implementing it during the consolidated fiscal year under review. The Group maintained its approach to business areas in which it is strong and will lead to growth, and further reinforced its business foundation. Specifically, we added capacity to our facilities in the battery materials business, expanded our catalyst business into emerging countries, beefed up our recycling business, and invested in mining. Further, we took a number of steps to upgrade our global production system in the automotive parts and components sector.

As a result, net sales in fiscal 2013 came to ¥441.0 billion, up 5.7% year on year. This was attributable to substantially higher sales of metals and resources due to the weak yen and other factors, even though sales of engineered materials and electronic materials declined. Operating income increased 55.5% year on year, despite lower profits from decreased sales of automotive parts and components and rising costs, to ¥25.7 billion on higher profit from increased sales of ultra-thin copper foil and PVD materials, the effects of cost-cutting measures, and inventory effects caused by the weak yen. Net income decreased 63.0%, to ¥3.6 billion as a result of recording an impairment loss from the Caserones copper mine in Chile.

Review by Segment

Engineered Materials

Lithium manganese oxide (LMO) battery materials found a new application for use in electric vehicles and as a result demand rose and sales increased. The sales volume of hydrogen storage alloy battery materials were strong due to continued brisk sales of environment-friendly vehicles such as hybrid cars thanks to rising global environmental awareness. In addition, despite increased sales of catalysts for detoxifying exhaust emissions in motorcycles, our core product caused by growing demand from stricter emission controls in emerging countries, sales of automotive exhaust catalysts deceased due to the move to catalysts that save precious metals. As a result, segment sales were down 15.2% year on year, to ¥48.0 billion, while ordinary income fell 31.4% to ¥5.6 billion.

Metals, Minerals & Environmental Engineering

Although demand for zinc was brisk due to an increase in public-sector investment projects, zinc prices on the London Metal Exchange (LME) were weak in the first half when the European sovereign debt crisis flared up again, and were down slightly for the full year compared to the previous fiscal year, even though prices recovered in the second half. Nevertheless, sales increased from the yen's low exchange rate throughout the year. In the metals recycling business, although zinc prices were largely unchanged from the previous fiscal year, sales were up year on year due to strong demand for automotive batteries in Japan caused by the introduction of new car models by automakers and last-minute demand prior to the consumption tax rate increase. As a result, sales climbed 8.7% year on year, to ¥155.4 billion, while ordinary income jumped 287.0% to ¥4.7 billion on the yen's depreciation, cost-cutting effects, and other factors.

Electronic Materials

In keeping with the growing market for mobile devices such as smartphones, demand for the ultra-thin copper foil used in high-performance applications was robust. In contrast, demand remained weak for electrodeposited copper foil and resin-coated copper foil. As a result, sales dipped 7.9% year on year, to ¥65.5 billion, while ordinary income rose 31.9% to ¥3.4 billion due to increased sales volume of ultra-thin copper foil and improvements made to the product mix.

Materials & Applications

Sales volume of indium tin oxide (ITO), a core PVD material, increased due to solid demand for LCD TVs, as well as burgeoning demand for mobile devices including tablet PCs. Demand for ceramic products was generally strong, while demand for perlite and die-cast products was weak. As a result, sales were up 5.8% year on year, to ¥131.4 billion, and ordinary income jumped 247.4% to ¥11.0 billion.

Automotive Parts & Components

Demand for functional automotive parts such as door locks decreased as the subsidy scheme for environment-friendly vehicles came to an end. On the other hand, the impact of last-minute demand prior to the consumption tax rate increase, a recovery of Japanese automobile sales in China, and a strong North American market contributed to a sales increase of 1.3% year on year, to ¥90.0 billion. Ordinary income decreased 36.0% to ¥3.9 billion due to a temporary rise in costs caused by the shift of production to Asia.

Medium- to Long-Term Growth Strategy

Despite the expected negative impact of the consumption tax rate increase, the Japanese economy, buoyed by public-sector investment due to the supplementary spending budget, should remain generally strong.

Under these circumstances, the 2013 Medium-Term Management Plan, a three-year plan drawn up last year, will further strengthen the foundation of our business through its steady execution in fiscal 2014, the plan's second year.

Above all, to further speed up previous initiatives, we will carry out Companywide reorganization and speed up our initiatives to develop and market new products while maintaining and increasing earnings in our existing business, by boldly concentrating and reviewing our management resources.

Specifically, the Engineered Materials Sector will increase the scale of its business by shifting from three divisions to six divisions with the addition of the Copper Foil Division, the Metal Powders Division, the PVD Materials Division, and the Ceramics Division. At the same time, we will reorganize to form a structure that is capable of bringing out the synergistic effects of "powders," "circuit materials," and "material forming technologies," our technological strengths, and we will integrate the Corporate Research Center's R&D functions into this sector.

In the Metals Sector, we established a three-division structure comprised of the Metals & Recycling Division, the Mineral Resources Division, and the Copper Business Strategic Division. In the Metals & Recycling Division, we will recombine the facilities and technologies owned by each refining and smelting facility and make a structural shift to refining and smelting centered on recycling. The Mineral Resources Division will seek to increase profitability and profit-making investments. Copper Business Strategic Division closely participates in the operation of Pan Pacific Copper Co., Ltd., a jointly financed project with JX Nippon Mining & Metals Corporation.

Mitsui Kinzoku ACT Corporation operates business in manner appropriate to its business culture and will specialize more than before in the automotive parts and components business.

The head office fulfills a role that only the head office can and it will take measures to deal with further globalization. The Company emphasizes these growth strategies along with cash flow and will push more forcefully ahead with reducing assets, implementing efficient production methods, and making proper business decisions. We will shift to a fast-moving and more competitive corporate structure.

We will continue to improve our ongoing approach to growth fields, the basic strategy of the 2013 Medium-Term Management Plan, and strengthen our self-propelled systems. We will execute a well-modulated offense and defense and make the maximum effort to raise corporate value.

Outlook for Fiscal 2014

In fiscal 2014, despite concerns that consumer spending will rebound poorly following the consumption tax rate increase, the economic environment is expected to remain generally strong due a number of factors including the weak yen and high stock prices, which should continue for some time, and the support provided by economic measures based on the supplementary spending budget, and corporate capital investments. Meanwhile, concerns of a global economic slowdown remain due to political problems in Russia and behind-the-scenes banking problems in China, making for future uncertainty.

Under these circumstances, the Mitsui Kinzoku Group will carry out a Companywide reorganization beginning from fiscal 2014. Specifically, business units will reorganize into three sectors: the Engineered Materials Sector, the Metals Sector, and Mitsui Kinzoku ACT Corporation. To achieve the 2013 Medium-Term Management Plan, we will further accelerate and evolve "Establishing business units with large demarcations that work independently towards growth," "Continuously exploring new business seeds of growth," and "Striving for superb Monodukuri." The Engineered Materials Sector will increase sales of battery materials and ramp up production and sales in response to increased demand in emerging countries for automotive exhaust catalysts. It will also increase sales in response to burgeoning demand for high-performance mobile terminals such as copper foil for smartphones. The Metals Sector will further improve the ratio of recycled materials, advance mining development, and accelerate the deployment of a global production system for automotive parts and components. The Group will also promote its Companywide growth strategies and strengthen its earnings base.

As a result of these initiatives, we expect net sales of ¥447.0 billion, operating income of ¥24.0 billion, ordinary income of ¥25.0 billion, and net income of ¥15.0 billion in fiscal 2014.

We would like to thank our stakeholders for their continued understanding and support.

Sadao Senda

President and Representative Director, Chief Executive Officer

Corporate Governance

Fundamental Principles of Corporate Governance

Mitsui Kinzoku's management philosophy is "With creativity and productivity, We, MMS Group, will explore products of value to society, and seek an eternal growth of our group."

Mitsui Kinzoku views the corporate governance as one of the most important managerial tasks because we believe that the corporate governance facilitates business organizational structures and systems and it also realizes our management philosophy, which aims for the ever-lasting existence of our company and the maximization of corporate value by contributing to society by providing valuable products.

Specifically, under the objective of "making a contribution to all stakeholders", Mitsui Kinzoku executes policies focusing on the following throughout the business group.

- For shareholders, stable and successive payment of dividend and appropriate information disclosure
- For customers, provision of our high-valued products
- For local communities, harmonious and mutually prosperous relations
- For employees, realization of rewarding working environment and working conditions

Items including the followings have been implemented to provide a system which enables us to conduct fair and valuable business activities.

- Establishment of various company regulations and rules including the Code of Ethics
- Election of Outside Director and Outside Corporate Auditors
- Introduction of whistle-blowing system and various internal audit systems

Current Status of Corporate Governance

Directors and Business Execution

Directors discuss important business matters at the Board of Directors meetings which are convened once a month and as needed and supervise the execution of business activities. To properly and efficiently fulfill the supervision function, the Board of Directors consists of Internal Directors who are experienced and knowledgeable of the Company's businesses and an Outside Director.

Regarding the execution of the business activities, the Executive Officer system has been introduced. Important matters regarding business execution are discussed twice a month and as needed at the Executive Council which consists of high-ranking Executive Officers. The business affairs of the company are executed under the leadership of Executive Officers based on the results of these discussions.

The Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the roles that support them [the Chief Financial Officer (CFO) and the Chief Risk Management Officer (CRO)] are elected from amongst the executive officers, thereby raising their expertise in the areas of finance and risk management.

The Company believes that it is necessary to swiftly and thoroughly implement the company's business strategy at the site where business is executed, as well as be deeply knowledgeable about actual business conditions when making business decisions. For this reason, the Representative Director and the Executive Directors serve concurrently as high-ranking Executive Officers who are in charge of either the entire company, a business department or a functional division, and are members of the Executive Council.

Corporate Auditors

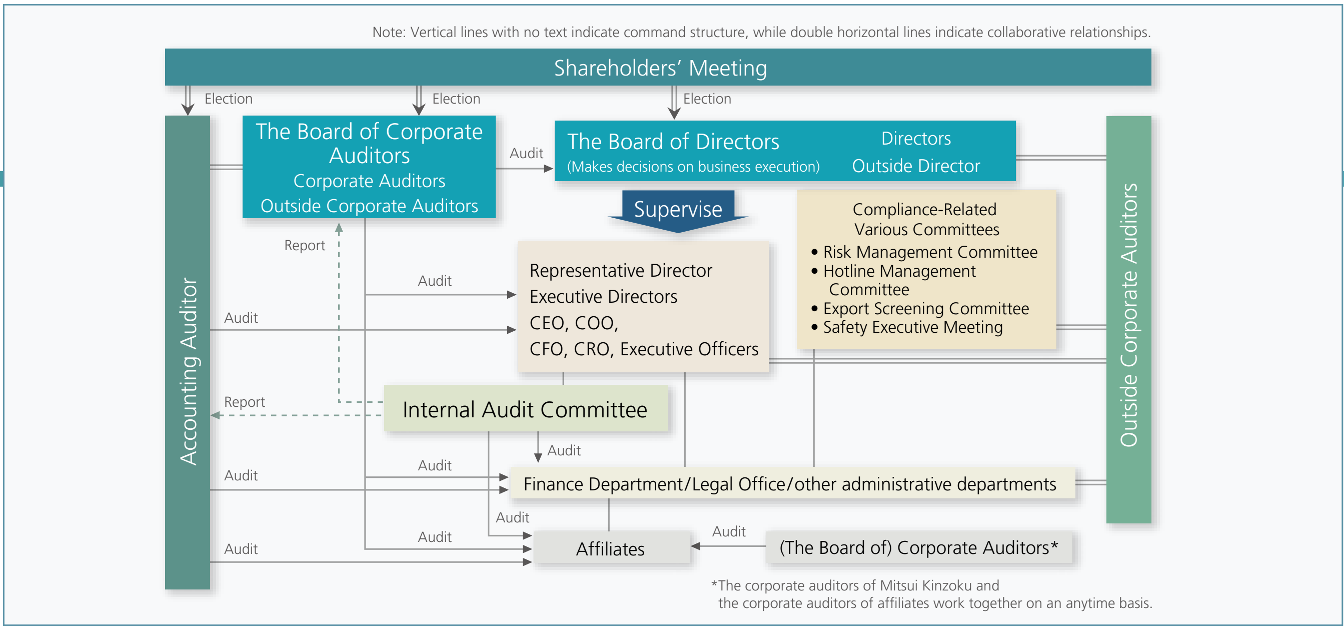
There are two full-time auditors with experience in execution of the Company's business, and two part-time outside auditors. Corporate Auditors audit directors' execution of duties based on audit plans decided at the Board of Corporate Auditors.

The Accounting Auditor collaborates with the Corporate Auditors by explaining the accounting audit plan and reporting the audit results.

The Board of Corporate Auditors, which consists of all Corporate Auditors, meet at least once a month to ensure the soundness of business through its oversight of the execution of the directors' duties, based on a full understanding of the special nature of the Company's business.

Accounting Auditors

Mitsui Kinzoku has appointed the firm KPMG AZSA LLC as its Accounting Auditor. Three Certified Public Accountants (CPAs) who are designated employees and managing members of said firm perform accounting audits for Mitsui Kinzoku. In additions, 15 CPAs and 17 other assistants are assisting the three CPAs in each accounting audit.



Basic Approach to Internal Control Systems

Mitsui Kinzoku believes that conducting fair business activities that adhere to corporate ethics and comply with laws and regulations is essential if the company is to achieve long-term development and sustained growth. To do this, Mitsui Kinzoku is establishing and revising all of its internal regulations to ensure the proper and efficient execution of duties. The internal regulations identify the duties and authority of the officers and employees, and define procedures for making decisions. Based on laws and internal regulations, the Company is engaged in the creation, storage, and maintenance of information. The internal regulations also stipulate the procedures for managing the business of subsidiaries and reporting and other disclosure of information to the Corporate Auditors.

Mitsui Kinzoku has defined a Code of Conduct to be followed by every officer and employee to ensure that the Company's business practices are fair. The company has also stipulated specific regulations in our internal regulations that concern the control of internal information, prevention of insider trading, exportation of products, etc. To ensure the practical effectiveness of these regulations throughout the organization, Mitsui Kinzoku has established a group-wide internal hot-line to prevent and detect internal fraud at an early stage. Furthermore, in addition to audits by the Corporate Auditors and the Accounting Auditor, the Company has organized a structure to deal with internal affairs including an Internal Audit Committee and a Risk Management Committee.

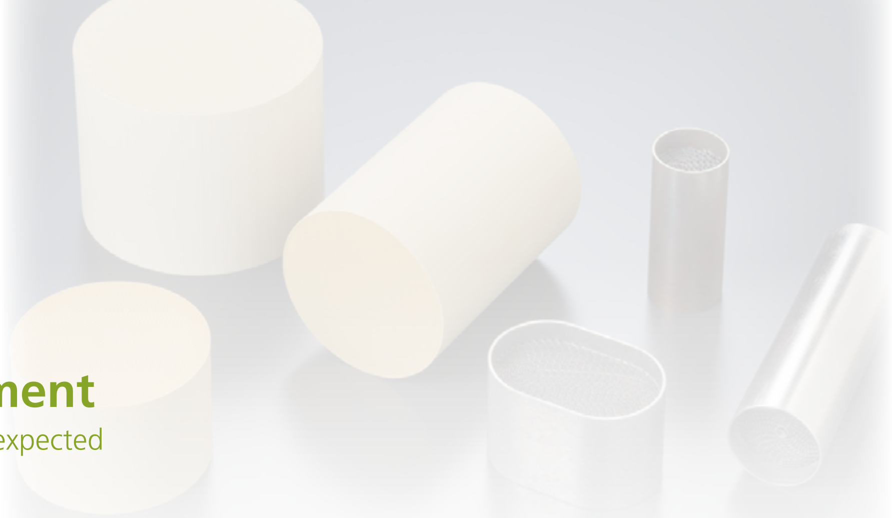
The Internal Audit Committee serves to sustain and improve the soundness of all financial practices and rationalize the workflows for the Mitsui Kinzoku Group. These activities are carried out through auditors appointed by the Committee from among the employees. Said auditors perform visiting audits on the head offices of each division and each business unit/branch/affiliate located in and outside of Japan to assess their management environment, progress of internal control, and accounting practices. Internal audit results are reported to the Board of Corporate Auditors without delay in addition to timely reports to the Accounting Auditor.

The purpose of the Risk Management Committee is to manage risks so as to minimize their impact on the Company's assets and profits. The Committee ascertains and assesses risks, determines risk management policy, and takes counteractive measures when risks occur. Also, the Company has appointed a CRO (Chief Risk Management Officer) to strengthen the corporate risk management structure and has created the Corporate Risk Management Department which conducts risk management activities for the entire organization.

Basic Approach toward Excluding Antisocial Forces and Organizations

The Code of Conduct, which specifies the values and standards of conduct shared by all officers and employees in the Mitsui Kinzoku Group, stipulates that no one is to have any dealings with antisocial forces and/or organizations in any way. The Legal & Administrative Department currently heads Mitsui Kinzoku's efforts to exclude antisocial forces and/or organizations. The following measures shall also be taken, in conjunction with outside organizations specialized in these matters, to augment and strengthen these efforts: appointment of personnel in charge of preventing undue claims against Mitsui Kinzoku Group at each department, division, business unit, branch or suchlike and in the corporate group, preparation of a manual for handling antisocial forces; inclusion in basic transactions agreements of a clause that excludes gangster organizations; establishment of an information database on antisocial forces, and education and training.

Review of Operations

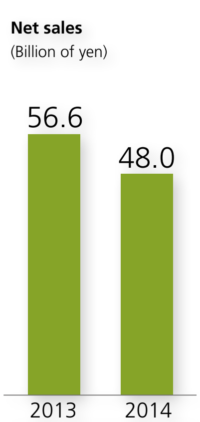


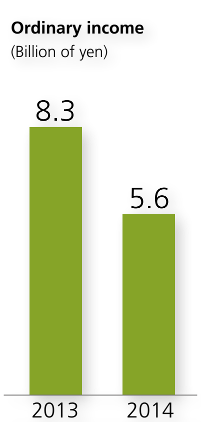
Engineered Materials Segment

Growth based on energy and the environment expected

Automotive exhaust detoxifying catalysts

Hydrogen Storage Alloy (MH),
Lithium Manganese Oxide (LMO)





Operations

- Battery materials — This division is involved in the manufacture of materials used in different kinds of batteries, including hydrogen storage alloys (MH alloys) for nickel hydride batteries which are primarily used in hybrid cars, and lithium manganese oxide (LMO) for use in lithium-ion batteries.
- Automotive exhaust detoxifying catalysts — From its six production facilities in India, Indonesia, Thailand, Vietnam, China and Japan, Mitsui Kinzoku manufactures exhaust catalysts mainly for motorcycles and for light vehicles in Japan.
- Other engineered materials — This division produces cerium polishing materials and single crystals.

Business environment and strategies

The sales volume of battery materials remained strong due to brisk sales of hybrid cars. Although operating at less than full capacity for lithium manganese oxide, revenue improved as sales of electric vehicles gradually increased.

The sales volume of catalysts for detoxifying automotive exhaust emissions increased substantially after opening the new plant in Indonesia. Sales in this business are expected to increase amid growing motorcycle sales and stricter environmental regulations in Asia. The new plant built in Vietnam began mass-production in April 2014 and a second facility in India is scheduled to commence operation in fiscal 2015.

We seek to increase earnings for other products by maintaining a high market share in niche markets.

Fiscal 2013 business performance

Although sales of our mainstay battery materials and catalysts remained strong, profits decreased mainly due to the absence of the temporary profits resulting from the rise in rare metal prices recorded in the previous fiscal year and lower shipment volumes of polishing materials.

Metals, Minerals & Environmental Engineering Segment

Ensuring stable profits through expansion of mining interests and improvement of materials composition

Huanzala mine

Operations

- Nonferrous metal smelting — Mitsui Kinzoku is Japan's leading producer of zinc, producing approximately 240,000 tons of zinc per year at its three smelting plants in Japan.
- Mining — Approximately 10% of the zinc ore that Mitsui Kinzoku requires for its smelting operations is obtained from the zinc mines that the Company operates in Peru, while about 30% is obtained from recycled materials in Japan, and the remainder is purchased from overseas mining companies.
- Environmental Engineering & Metals Recycling — We use smelting plants in Japan to recover precious metals from the substrates of recyclable electronic equipment and components, lead from vehicle batteries, and zinc from steelmakers' electric arc furnace dust.

Smelting operations

Business environment and strategies

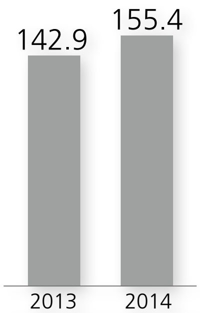
In zinc smelting operations, sales were brisk, with zinc-plated steel sheets for automobiles performing particularly well.

Zinc ore purchasing terms are affected by changing supply and demand. The Company's ratio of ore procurement from its own mines is low; therefore it will focus on exploring competitive mines, in particular the mines in Peru, in order to improve its position, which is greatly affected by supply and demand. We also plan to raise the percentage of zinc oxide (raw material recycled from steel dust, etc.), which will help stabilize our raw materials supply and lower the break-even point.

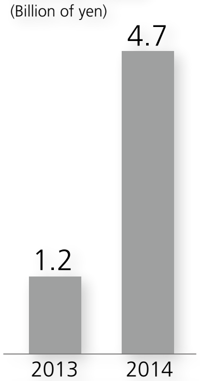
Mitsui Kinzoku has positioned the Environmental Engineering and Metals Recycling Group as a valuable extension of its metal smelting operations and a means of securing a stable supply of raw materials.

Going forward we intend to continue making a valuable contribution to the protection of the global environment through our recycling business in which we apply our proprietary mining and smelting technologies.

Net sales
(Billion of yen)



Ordinary income
(Billion of yen)



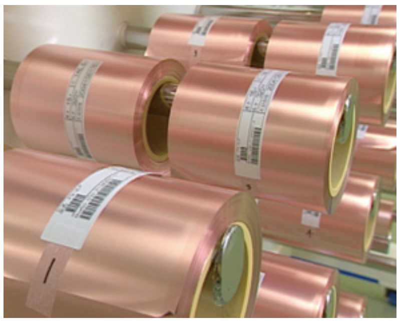
Fiscal 2013 business performance

Despite the absence of profits resulting from inventory factors recorded in the previous fiscal year, revenue increased substantially year on year due to rising zinc prices and the yen's depreciation.

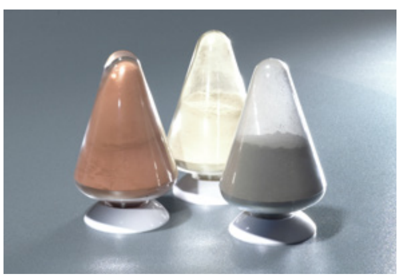
Mitsui Kinzoku's copper smelting business is separately reported using the equity method.

Electronic Materials Segment

Aiming for higher profitability by shifting to high-end copper foil



Electrodeposited copper foil



Metal powders

Operations

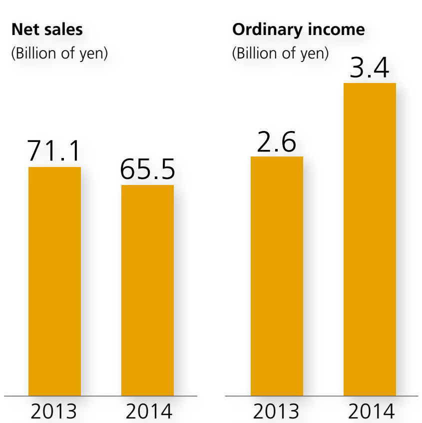
- Electrodeposited copper foil — This mainstay product is essential to printed circuit boards used in electronic equipment. Mitsui Kinzoku is the world's leading manufacturer of this product in terms of technological superiority, production capabilities and market share.
- Metal powders — Mitsui Kinzoku manufactures atomized powders (copper/zinc), super-fine powders (copper/nickel/silver) and other powders that are used in a wide range of electronics devices.

Business environment and strategies

In electrodeposited copper foil, amid growing demand for thinner copper foil accompanying the spread of smartphones and tablet devices, sales of high-performance products such as ultra-thin copper foil with carrier (MicroThin™) and those for flexible printed circuit (FPC) boards are increasing. On the other hand, demand for general-purpose copper foil used in PCS and other products continues to decline. Going forward, Mitsui Kinzoku will solidify its leading position in the global market for high-end copper foil by increasing its overseas production ratio of high-performance copper foil, expanding sales of MicroThin™ and developing more high-end copper foil.

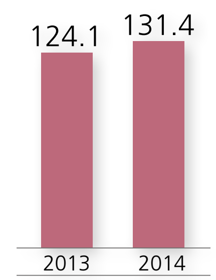
Fiscal 2013 business performance

Although sales of general-purpose copper foil in Asia were weak, profits were up year on year due to the effects of transferring some high-performance copper foil production from Japan to Asia, the steady increase in sales volume of high-performance copper foil including MicroThin™ used in smartphones and other products, and other factors.

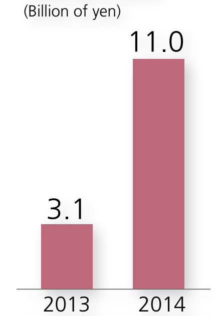


Materials & Applications Segment

Net sales
(Billion of yen)



Ordinary income
(Billion of yen)



Operations

- PVD materials — This division produces target materials including indium tin oxide (ITO), a material for transparent conductive film for use on LCD panels.
- Ceramics — This division produces ceramic products including firing furnace material lining and liquid aluminum filtration materials for removing impurities.
- Die-casts — This division produces magnesium, aluminum and zinc die-cast products.

Business environment and strategies

The sales volume of PVD materials was robust due to our development of new markets and market growth for touch panels.

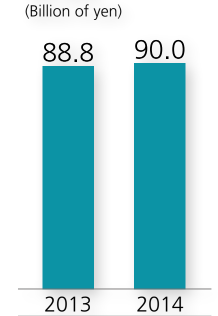
Fiscal 2013 business performance

In PVD materials, profits rose sharply year on year due to the significant impact of inventory factors caused by substantially higher indium prices and increased sales volumes.

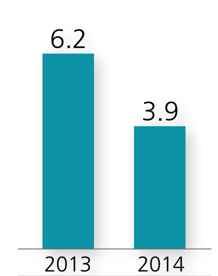
Automotive Parts & Components Segment

Supplying vital components to the automotive market

Net sales
(Billion of yen)



Ordinary income
(Billion of yen)



Operations

- High-performance automotive components — Mitsui Kinzoku operates automotive component factories in six major vehicle-producing countries — Japan, the United States, Thailand, China, the United Kingdom, and Mexico. Our factories principally manufacture door-related parts, including locks, for which the Company has a global market share of 20%. These products are supplied mainly to Japanese automakers.

Business environment and strategies

In the automotive market, over the medium- to long-term, growth is expected in newly emerging markets, particularly Asia. Under these conditions we will take the following steps, 1) consolidate our bases in Japan, 2) win emerging market demand in Asia by setting up a production system centered on China and Thailand and, 3) supply competitive products. In addition, as further growth is expected in North America and Central America, a new factory in Mexico began operation in July 2013. We will continue to further enhance our position as the leading maker of vehicle door locks, which are one of the vital components for safe driving.

Fiscal 2013 business performance

Although market conditions were not adverse, profits were down because of the time it will take to mass produce products that were transferred from Japan to Asia following the shift of production to Asia.

Directors, Auditors, and Executive Officers (As of June 27, 2014)

Board of Directors

Sadao Senda
President and Representative Director,
Chief Executive Officer,
Chief Operating Officer

Mitsuhiko Hasuo
Representative Director,
Executive Vice President,
Deputy Chief Operating Officer,
Metals Sector, Metals & Recycling Div.

Keiji Nishida
Representative Director,
Senior Managing Executive Officer,
Chief Financial Officer,
Corporate Management Dept.,
Metals Sector,
Copper Business Strategic Div.

Harufumi Sakai
Director, Senior Executive Officer,
Mitsui Kinzoku ACT Corporation

Masahisa Morita
Director, Senior Executive Officer,
Engineered Materials Sector

Isshi Hisaoka
Director, Senior Executive Officer,
Engineered Materials Sector

Toshiki Mori
Director, Senior Executive Officer,
Chief Risk Management Officer

Yutaka Hirabayashi
Director, Senior Executive Officer,
Metals Sector,
Mineral Resources Div.

Takashi Oshima
Director,
Senior Executive Officer,
Affiliates Coordination Strategic Sector

Hiromichi Shibata
Outside Director

Junya Sato
Outside Director

Corporate Auditors

Tatsuhiko Takai

Akira Osano

Ryuhei Wakasugi
(Outside Auditor)

Masaharu Miura
(Outside Auditor)

Executive Officers

Akira Yoshida

Shuji Chikujo

Katsuhiko Yoshimaru

Satoshi Tsunoda

Shigeo Hirayama

Yoshihiro Sera

Hisakazu Kibe

Makoto Miyaji

Kouichi Kanbayashi

Takeshi Nou

Financial Section

Five-Year Summary

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

	Millions of yen				
	2014	2013	2012	2011	2010
For the year:					
Net sales	**¥441,046**	¥417,219	¥431,058	¥446,487	¥392,364
Cost of sales	**370,629**	357,294	369,715	376,155	325,492
Gross profit	**70,417**	59,925	61,342	70,332	66,871
Selling, general and administrative expenses	**44,673**	43,367	40,439	40,123	38,990
Operating income	**25,743**	16,557	20,903	30,208	27,881
Ordinary income	**13,656**	16,194	19,168	34,010	25,639
Income before income taxes and minority interests	**9,382**	14,606	16,207	29,771	21,555
Net income	**3,662**	9,910	11,531	21,160	13,899
Comprehensive income	**17,408**	20,639	11,070	17,353	—
At year-end:					
Total current assets	**¥198,392**	¥179,263	¥184,462	¥185,646	¥194,834
Total assets	**503,825**	438,072	413,106	411,027	416,541
Total current liabilities	**159,891**	160,661	143,210	136,503	145,565
Long-term liabilities	**174,066**	122,361	129,719	140,071	149,675
Net assets	**169,867**	155,049	140,175	134,452	121,300
Per share data:					
Net income (¥)	**¥ 6.41**	¥ 17.35	¥ 20.18	¥ 37.03	¥ 24.32
Cash dividends applicable to the year (¥)	**4.00**	3.00	3.00	6.00	3.00
Number of employees	**10,802**	10,154	10,113	9,810	9,851

References to the future reflect the Company's expectations as of March 31, 2014.

Net sales

On a consolidated basis, the Company's net sales during fiscal 2013, ended March 31, 2014, increased ¥23.8 billion (5.7%) from the previous fiscal year, to ¥441.0 billion.

In the Engineered Materials segment, net sales decreased ¥8.6 billion due to lower sales of such products as rare metal and engineered powders, despite firm demand for battery materials. In the Metals, Minerals & Environmental Engineering segment, net sales increased ¥12.4 billion, owing mainly to the effects of the depreciation of the yen. In the Electronic Materials segment, net sales dropped ¥5.5 billion due to lower sales of metal powders, despite higher sales of copper foil owing to an increase in sales of ultra-thin copper foil, etc. In the Materials & Applications segment, net income rose ¥7.2 billion. In the Automotive Parts & Components segment, net sales increased ¥1.1 billion, largely because of a recovery in the sales of Japanese cars in the Chinese market and strong sales in the North American market.

Selling, general and administrative expenses

SG&A expenses increased ¥1.3 billion from the previous fiscal year, to ¥44.6 billion, primarily due to higher selling direct costs.

Operating income

Operating income increased ¥9.1 billion (55.5%) from the previous fiscal year, to ¥25.7 billion.

This increase was mainly attributable to higher sales of ultra-thin copper foil and PVD materials, the effects of cost cuts by individual segments, the effects of the depreciation of the yen and inventory asset effects stemming from the depreciation of the yen (hereinafter "inventory valuation factors"). This result occurred despite lower sales of automobile-related products due to the lapse of the effects of the eco-car subsidy and a temporary increase in costs due to the shift to Asia in the Automotive Parts & Components segment, among others.

Non-operating income (expenses)

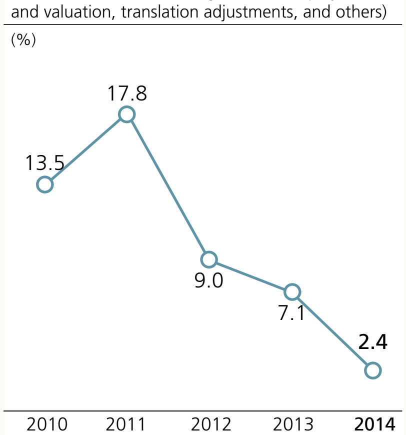
Non-operating expenses worsened ¥11.7 billion year on year, to ¥12.0 billion. This was due mainly to the recording of ¥12.2 billion in investment losses on equity method, including an impairment loss on Caserones Copper Mine in Chile, despite ¥1.1 billion in dividend income and ¥1.2 billion in foreign exchange gains.

Ordinary income

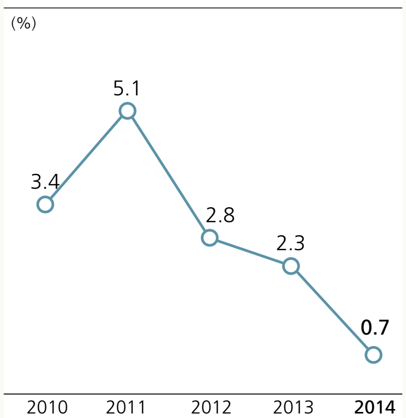
On a consolidated basis, the Company's ordinary income decreased ¥2.5 billion (15.7%) year on year, to ¥13.6 billion, because of the ¥11.7 billion decrease in non-operating expenses and despite the ¥9.1 billion increase in operating income.

In the Engineered Materials segment, despite brisk sales of battery materials and catalysts for exhaust gas, ordinary income decreased ¥2.6 billion due to weak rare metal compound sales prices. In the Metals, Minerals & Environmental Engineering segment, ordinary income increased ¥3.4 billion, thanks largely to the effects of the depreciation of the yen and cost cuts. In the Electronic Materials segment, ordinary income increased ¥0.8 billion owing to higher sales of ultra-thin copper foil and improvements in the product mix and other factors. In the Materials & Applications segment, ordinary income rose ¥7.8 billion thanks to higher sales and inventory valuation factors of PVD materials. In the Automotive Parts & Components segment, ordinary income declined ¥2.2 billion, largely due to a temporary increase in costs due to the shift to Asia.

ROE
(Net income (loss) to average owner's equity and valuation, translation adjustments, and others)



ROA
(Net income (loss) to average total assets)



Extraordinary profit (loss)

The Company posted an extraordinary loss of ¥4.2 billion, ¥2.6 billion greater than the loss of the previous fiscal year. This was primarily attributable to a decrease in gain on sales of property, plant and equipment recorded under extraordinary profit and loss on impairment of fixed assets and an increase in business structure improvement costs recorded under extraordinary loss.

Income taxes

Taxation expenses amounted to ¥5.2 billion, up ¥1.6 billion year on year, due to higher income taxes—current.

Net income

Net income decreased ¥6.2 billion (63.0%), to ¥3.6 billion, reflecting the ¥2.5 billion decrease in ordinary income, ¥2.6 billion worsening in extraordinary loss, ¥1.6 billion rise in taxation expenses, and ¥0.6 billion decrease in profit on minority interests.

Financial position

Total assets

Total assets on a consolidated basis increased ¥65.7 billion from the previous fiscal year end, to ¥503.8 billion.

This increase reflects a ¥4.6 billion rise in notes and accounts receivable, a ¥12.7 billion rise in inventories, a ¥4.3 billion rise in property plant and equipment, and a ¥40.9 billion rise in investment securities mainly used to finance the development of the Caserones Copper Mine in Chile.

Net assets

Net assets increased ¥14.8 billion from the previous fiscal year end, to ¥169.8 billion, primarily due to the posting of net income totaling ¥3.6 billion as well as increases in foreign currency translation adjustment of ¥12.3 billion and minority interests of ¥0.4 billion. This result occurred despite decreases due to dividend payments of ¥1.7 billion. As a result, the Company's equity ratio decreased 1.5 percentage points from the previous fiscal year end, to 31.9%.

Interest-bearing debt

The total (short- and long-term) interest-bearing debt amounted to ¥218.5 billion, an increase of ¥38.1 billion from the previous fiscal year-end.

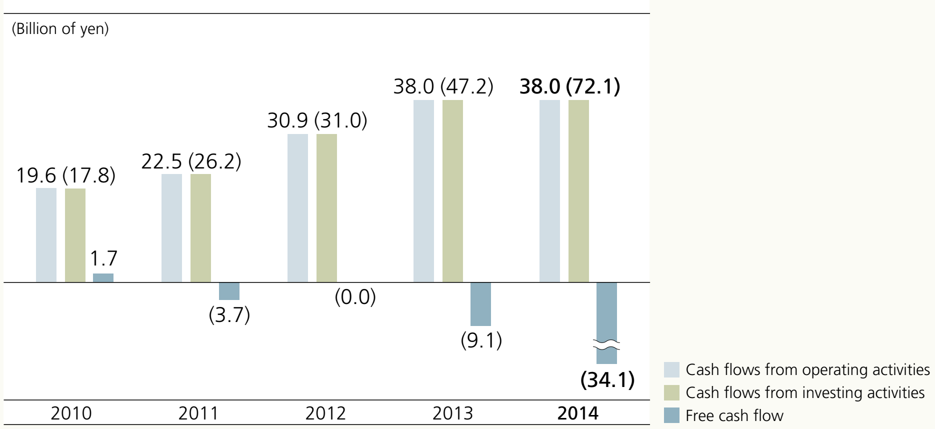
Cash flows

Net cash provided by operating activities was ¥38.0 billion, the same as the previous fiscal year. This was attributable to inflows including ¥9.3 billion in income before income taxes and minority interests and ¥24.1 billion in depreciation and amortization as well as ¥12.2 billion in investment gains in equity method and a ¥2.3 billion increase in trade payables. These inflows more than offset outflows including a ¥10.8 billion increase in inventories, the payment of ¥3.9 billion in income taxes and ¥2.3 billion in interest expenses paid.

Net cash used in investing activities amounted to ¥72.1 billion, an increase of ¥24.9 billion from the previous fiscal year. Expenditures mainly consisted of ¥25.8 billion for the acquisition of property, plant and equipment and ¥46.8 billion for the purchase of securities.

Net cash provided by financing activities totaled ¥33.9 billion, an increase of ¥29.1 billion from the previous fiscal year. Despite a ¥1.7 billion payment of cash dividends, this change is mainly attributable to a ¥36.7 billion increase in short- and long-term borrowings, straight bonds and commercial paper.

Cash flows



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Assets			
Current assets:			
Cash and deposits (Note 5)	**¥ 15,290**	¥ 15,202	**$ 148,619**
Notes and accounts receivable:			
Trade	**75,946**	71,980	**738,199**
Unconsolidated subsidiaries and affiliates	**6,636**	5,957	**64,502**
Inventories (Note 3)	**85,316**	72,571	**829,276**
Deferred tax assets (Note 12)	**3,926**	2,319	**38,160**
Derivatives	**426**	814	**4,140**
Other current assets	**10,984**	10,594	**106,765**
Less: Allowance for doubtful accounts	**(133)**	(177)	**(1,292)**
Total current assets	**198,392**	179,263	**1,928,382**
Investments and other assets:			
Investment securities (Notes 4 and 7):			
Unconsolidated subsidiaries and affiliates	**124,128**	84,345	**1,206,531**
Others	**10,208**	9,065	**99,222**
Loans receivable:			
Unconsolidated subsidiaries and affiliates	**—**	14	**—**
Others	**501**	472	**4,869**
Deferred tax assets (Note 12)	**2,231**	1,760	**21,685**
Asset for retirement benefits (Note 15)	**2,830**	—	**27,507**
Others	**9,522**	11,281	**92,554**
Less: Allowance for doubtful accounts	**(387)**	(157)	**(3,761)**
Total investments and other assets	**149,035**	106,781	**1,448,629**
Property, plant and equipment (Note 7):			
Land	**33,226**	33,973	**322,958**
Buildings and structures	**155,615**	150,486	**1,512,587**
Machinery and equipment	**306,122**	295,515	**2,975,524**
Lease assets	**3,708**	4,675	**36,041**
Construction in progress	**9,536**	6,578	**92,690**
Others	**48,426**	44,643	**470,703**
	556,634	535,873	**5,410,517**
Less: Accumulated depreciation	**(400,237)**	(383,846)	**(3,890,328)**
Total property, plant and equipment	**156,397**	152,027	**1,520,188**
Total assets	**¥503,825**	¥438,072	**$4,897,210**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings (Note 6)	¥ 55,150	¥ 48,200	$ 536,061
Current portion of long-term debt (Note 6)	23,934	42,262	232,639
Notes and accounts payable:			
Trade	31,872	28,327	309,797
Unconsolidated subsidiaries and affiliates	13,705	9,839	133,213
Others	10,980	11,939	106,726
Current portion of lease liability	532	584	5,171
Accrued income taxes	2,320	1,338	22,550
Accrued expenses	7,303	7,462	70,985
Deferred tax liabilities (Note 12)	24	0	233
Provision for product warranties	1,189	1,188	11,557
Provision for improvement of business structure	501	—	4,869
Provision for loss on disposal of inventories	331	319	3,217
Derivative liabilities	129	365	1,253
Other current liabilities	11,916	8,832	115,824
Total current liabilities	159,891	160,661	1,554,150
Long-term liabilities:			
Long-term debt (Note 6)	139,416	89,909	1,355,132
Lease liability	1,356	1,644	13,180
Employees' retirement benefits (Note 15)	—	22,086	—
Directors' and corporate auditors' retirement benefits	548	538	5,326
Deferred tax liabilities (Note 12)	4,715	2,572	45,830
Provision for environmental countermeasures	1,146	1,319	11,139
Provision for preventing environmental pollution in mineral, mining, and other operations	836	820	8,125
Provision for loss on business of subsidiaries and affiliates	27	—	262
Asset retirement obligations (Note 19)	2,344	2,458	22,783
Liability for retirement benefits (Note 15)	22,784	—	221,461
Other long-term liabilities	890	1,010	8,650
Commitments and contingent liabilities (Note 9)			
Net Assets (Note 10)**:**			
Shareholders' equity:			
Common stock:			
Authorized — 1,944,000 thousand shares			
Issued — 572,966 thousand shares	42,129	42,129	409,496
Capital surplus	22,557	22,557	219,255
Retained earnings	92,190	90,302	896,092
Less: Treasury stock	(596)	(592)	(5,793)
Total shareholders' equity	156,280	154,397	1,519,051
Accumulated other comprehensive income			
Net unrealized gains on securities, net of tax	1,653	767	16,067
Deferred gains (losses) on hedges, net of tax	(205)	219	(1,992)
Foreign currency translation adjustments	3,531	(8,849)	34,321
Accumulated adjustments for retirement benefit	(388)	—	(3,771)
Total accumulated other comprehensive income	4,591	(7,861)	44,624
Minority interests in consolidated subsidiaries	8,994	8,514	87,422
Total net assets	169,867	155,049	1,651,117
Total liabilities and net assets	¥503,825	¥438,072	$4,897,210

Consolidated Income Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 11)	¥441,046	¥417,219	$4,286,994
Cost of sales (Note 8)	370,629	357,294	3,602,536
Gross profit	70,417	59,925	684,457
Selling, general and administrative expenses (Note 8)	44,673	43,367	434,224
Operating income	25,743	16,557	250,223
Non-operating income (expenses):			
Interest and dividend income	1,305	803	12,684
Interest expense	(2,222)	(2,307)	(21,597)
Foreign exchange gains	1,229	532	11,945
Investment gains (losses) on equity method	(12,298)	422	(119,537)
Real estate rent	999	970	9,710
Other, net	(1,101)	(784)	(10,701)
	(12,087)	(363)	(117,486)
Ordinary income (Note 11)	13,656	16,194	132,737
Extraordinary profit (loss):			
Gain on sale of property, plant and equipment	730	1,330	7,095
Loss on sale and disposal of property, plant and equipment	(1,008)	(1,159)	(9,797)
Loss on impairment of fixed assets (Note 17)	(769)	(168)	(7,474)
Business structure improvement expenses	(1,167)	(724)	(11,343)
Compensation income	—	202	—
Provision for product warranties	(79)	(430)	(767)
Indemnity	(1,076)	(64)	(10,458)
Other, net	(904)	(575)	(8,786)
	(4,273)	(1,587)	(41,533)
Income before income taxes and minority interests	9,382	14,606	91,193
Income taxes (Note 12):			
Current	5,493	3,285	53,392
Deferred	(207)	374	(2,012)
	5,285	3,660	51,370
Income before minority interests	4,096	10,945	39,813
Minority interests	434	1,035	4,218
Net income	¥ 3,662	¥ 9,910	$ 35,594

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (Note 16)	¥6.41	¥17.35	$0.06
Cash dividends applicable to the year	4.00	3.00	0.04

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥ 4,096	¥10,945	$ 39,813
Other comprehensive income			
Net unrealized gains on securities, net of tax	843	273	8,194
Deferred gains on hedges, net of tax	1	195	9
Foreign currency translation adjustments	6,828	6,305	66,368
Share of other comprehensive income of associates accounted for using equity method	5,637	2,918	54,791
Total other comprehensive income (Note 20)	13,311	9,693	129,383
Comprehensive income	¥17,408	¥20,639	$169,206
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥16,502	¥19,136	$160,400
Comprehensive income attributable to minority interests	905	1,502	8,796

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	(Thousands)	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings (Note 10)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Deferred gains (losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2013	572,966	¥42,129	¥22,557	¥90,302	¥(592)	¥154,397	¥ 767	¥ 219	¥(8,849)	¥ —	¥(7,861)	¥8,514	¥155,049
Cash dividends				(1,713)		(1,713)							(1,713)
Net income				3,662		3,662							3,662
Acquisition of treasury stock					(4)	(4)							(4)
Change of scope of consolidation				(60)		(60)							(60)
Net changes of items other than shareholders' equity							886	(425)	12,381	(388)	12,453	480	12,934
Balance at March 31, 2014	572,966	¥42,129	¥22,557	¥92,190	¥(596)	¥156,280	¥1,653	¥(205)	¥ 3,531	¥(388)	¥ 4,591	¥8,994	¥169,867

	(Thousands)	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings (Note 10)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Deferred gains (losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2012	572,966	¥42,129	¥22,557	¥84,743	¥(590)	¥148,840	¥524	¥(313)	¥(17,334)	¥—	¥(17,122)	¥8,458	¥140,175
Cash dividends				(1,713)		(1,713)							(1,713)
Net income				9,910		9,910							9,910
Acquisition of treasury stock					(1)	(1)							(1)
Change of scope of consolidation				(2,637)		(2,637)							(2,637)
Net changes of items other than shareholders' equity							242	533	8,485	—	9,260	55	9,316
Balance at March 31, 2013	572,966	¥42,129	¥22,557	¥90,302	¥(592)	¥154,397	¥767	¥ 219	¥ (8,849)	¥—	¥ (7,861)	¥8,514	¥155,049

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings (Note 10)	Treasury stock	Total shareholders' equity	Net unrealized gains on securities, net of tax	Deferred gains (losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Net assets at April 1, 2013	$409,496	$219,255	$877,741	$(5,754)	$1,500,748	$ 7,455	$ 2,128	$(86,012)	$ —	$(76,409)	$82,756	$1,507,085
Cash dividends			(16,650)		(16,650)							(16,650)
Net income			35,594		35,594							35,594
Acquisition of treasury stock				(38)	(38)							(38)
Change of scope of consolidation			(583)		(583)							(583)
Net changes of items other than shareholders' equity						8,611	(4,131)	120,344	(3,771)	121,043	4,665	125,719
Balance at March 31, 2014	$409,496	$219,255	$896,092	$(5,793)	$1,519,051	$16,067	$(1,992)	$ 34,321	$(3,771)	$ 44,624	$87,422	$1,651,117

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 9,382	¥14,606	$ 91,193
Depreciation and amortization	24,314	24,070	236,333
Loss on impairment of fixed assets (Note 17)	769	168	7,474
Gain on sale of property, plant and equipment, net	(633)	(1,285)	(6,152)
Loss on disposal of property, plant and equipment	911	1,113	8,854
Foreign exchange loss (gain)	184	(706)	1,788
Investment losses (gains) on equity method	12,298	(422)	119,537
Increase (Decrease) in allowance for doubtful accounts	197	(491)	1,914
Increase in employees' retirement benefits	—	852	—
Increase in liability for retirement benefits	619	—	6,016
Interest and dividend income	(1,305)	(803)	(12,684)
Interest expense	2,222	2,307	21,597
Decrease in notes and accounts receivable	72	5,699	699
Decrease (Increase) in inventories	(10,892)	3,037	(105,870)
Increase (Decrease) in notes and accounts payable	2,383	(4,737)	23,162
Other, net	26	(1,187)	252
Subtotal	40,549	42,222	394,138
Interest and dividend received	2,184	1,631	21,228
Interest paid	(2,328)	(2,317)	(22,628)
Income taxes paid	(3,929)	(6,554)	(38,190)
Income taxes refund	1,420	2,513	13,802
Other, net	106	562	1,030
Net cash provided by operating activities	38,003	38,058	369,391
Cash flows from investing activities:			
Purchases of securities	(46,849)	(26,334)	(455,375)
Purchases of securities in subsidiaries	(96)	(1,023)	(933)
Acquisition of property, plant and equipment and other assets	(26,261)	(22,257)	(255,258)
Proceeds from sale of property, plant and equipment	1,999	1,300	19,430
Decrease in short-term loans receivable, net	2	994	19
Disbursement for long-term loans receivable	(53)	(1)	(515)
Collection of long-term loans receivable	24	43	233
Other, net	(894)	1,069	(8,689)
Net cash used in investing activities	(72,128)	(47,208)	(701,088)
Cash flows from financing activities:			
Increase in short-term borrowings, net	5,952	6,346	57,853
Proceeds from long-term debt	55,525	21,705	539,706
Repayment of long-term debt	(34,697)	(18,892)	(337,256)
Repayment of lease liability	(597)	(780)	(5,802)
Issuance of bonds	20,000	10,000	194,401
Redemption of straight bonds	(10,000)	(10,000)	(97,200)
Payment for cash dividends to the Company's shareholders	(1,713)	(1,713)	(16,650)
Payment for cash dividends to minority interests	(449)	(1,789)	(4,364)
Other, net	(86)	(47)	(835)
Net cash provided by financing activities	33,933	4,829	329,830
Effect of exchange rate changes on cash and cash equivalents	1,138	908	11,061
Net Increase (Decrease) in cash and cash equivalents	946	(3,410)	9,195
Cash and cash equivalents at beginning of year	15,202	17,670	147,764
Effect of addition of consolidated subsidiaries	29	944	281
Effect of exclusion of consolidated subsidiaries	(890)	(1)	(8,650)
Cash and cash equivalents at end of year (Note 5)	¥15,288	¥15,202	$148,600

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

1. Basis of Presenting Consolidated Financial Statements

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.88 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the "Companies"). All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the unconsolidated subsidiaries and the significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

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

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

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

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

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

(e) Derivative transactions and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless they are used for hedging purposes and qualified for hedge accounting. Gains and losses on derivative financial instruments held by certain consolidated foreign subsidiaries are still charged to profit and loss as settled.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies generally defer recognition of gains or losses resulting from changes in their fair value until the related gains or losses on the hedged items are recognized.

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

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

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

(f) Inventories

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

The Company:
  Metals, Minerals & Environmental Engineering Sector, Catalysts Strategic Division, Die-Casting Division
Subsidiaries:
  Mitsui Kinzoku ACT Corporation, Kamioka Mining & Smelting Co., Ltd. (except for the metal powders factory), Hachinohe Smelting Co., Ltd. and others
    : First-in, first-out method
The Company:
  Electronic Materials Sector (except for Metal Powders Division)
    : Moving average method
The Company:
  Engineered Materials Sector (except for Catalysts Strategic Division), Materials & Applications Sector (except for Die-Casting Division), Metal Powders Division
Subsidiaries:
  The metal powders factory of Kamioka Mining & Smelting Co., Ltd., Nippon Yttrium Co., Ltd., Mitani Shindo Co., Ltd. and others
    : Average method
Overseas subsidiaries
    : Lower of market or cost using average method or first-in, first-out method

<Change in accounting estimates>

(Change in estimates related to evaluation of inventories)
The Company and its consolidated subsidiary, Mitsui Electronic Materials Co., Ltd., reported the amount of inventories of thin film material products returned by customers when they were not used after delivery based on the actual quantity of the products returned at the time of the return thereof, because it was impossible to estimate the quantity of the products that would be returned. However, from the current fiscal year, we report the estimated amount of inventories of thin film material products that may be returned by customers based on the ratio of returns in the past at the time of the delivery thereof.

We made the above change in reporting because the amount of inventories of those products that may be returned can be estimated owing to the introduction of the new production management system.

Following the above change, we reported a ¥2,348 million ($22,822 thousand) decrease in cost of goods sold and ¥2,348 ($22,822 thousand) million increases in operating income, ordinary income and income before income taxes and minority interests, respectively, for the current fiscal year.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated durable years of these depreciable assets, except the straight-line method is applied to: (1) buildings, excluding building fixtures, acquired after March 31, 1998, (2) certain plant facilities of the Company and (3) property, plant and equipment of certain consolidated subsidiaries. The durable years of these assets generally range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

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

(h) Allowance for doubtful accounts

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

(i) Provision for product warranties

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

(j) Provision for improvement of business structure

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

(k) Provision for loss on disposal of inventories

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

(l) Employees' retirement benefits

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

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

Actuarial differences are amortized primarily from the year in which the actuarial differences are incurred by the straight-line method over periods of 1 to 3 years which are within the average remaining years of service of the employees.

<Change in accounting policies>

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, a liability for retirement benefits in the amount of ¥22,784 million ($221,461 thousand) and an asset for retirement benefits in the amount of ¥2,830 million ($27,507 thousand) have been recognized, accumulated other comprehensive income has decreased by ¥388 million ($3,771 thousand) and minority interests in consolidated subsidiaries increased by ¥12 million ($116 thousand), at the end of the current fiscal year.

<Accounting standards not yet applied>

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

The Accounting Standards for Retirement Benefits has been revised mainly focusing on how actuarial gains and losses and past service costs should be accounted for, how retirement benefit obligations and current service costs should be determined and enhancement of disclosures.

(2) Effective dates

Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(3) Effect of application of the standard

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

(m) Directors' and corporate auditors' retirement benefits

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

(n) Provision for environmental countermeasure

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

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

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

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

(p) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates is provided to accrue estimated losses on business of unconsolidated subsidiaries and affiliates in view of their financial standing.

(q) Research and development expenses

Research and development expenses are charged to expenses.

(r) Recognition of revenues and related costs

(1) Recognition of net sales and cost of sales of completed construction contracts

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

Other construction contracts:
Completed-contract method

(s) Income taxes

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

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

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

(t) Net income, diluted net income and cash dividends per share

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

Diluted net income per share is not presented as there were no shares with dilutive effects in 2014 and 2013.

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

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the 2014 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(v) Accounting of consumption tax

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

3. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Merchandise and finished goods	¥26,026	¥22,129	$252,974
Work in process	27,716	25,696	269,401
Raw materials and supplies	31,573	24,745	306,891
Total	¥85,316	¥72,571	$829,276

4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2014 and 2013 were as follows:

	Millions of yen		
Year ended March 31, 2014	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥4,709	¥1,815	¥2,893
Subtotal	4,709	1,815	2,893
Securities whose book value does not exceed acquisition cost:			
Stocks	706	866	(159)
Subtotal	706	866	(159)
Total	¥5,416	¥2,681	¥2,734

	Millions of yen		
Year ended March 31, 2013	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥3,810	¥2,041	¥1,768
Subtotal	3,810	2,041	1,768
Securities whose book value does not exceed acquisition cost:			
Stocks	478	635	(156)
Subtotal	478	635	(156)
Total	¥4,288	¥2,676	¥1,612

	Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2014	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$45,771	$17,641	$28,120
Subtotal	45,771	17,641	28,120
Securities whose book value does not exceed acquisition cost:			
Stocks	6,862	8,417	(1,545)
Subtotal	6,862	8,417	(1,545)
Total	$52,643	$26,059	$26,574

(b) Available-for-sale securities sold for the years ended March 31, 2014 and 2013 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2014	2013	2014
Total sale amount	Stocks	¥—	¥358	$—
Gains	Stocks	—	49	—
Losses	Stocks	—	41	—

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2014 and 2013 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash and deposits	¥15,290	¥15,202	$148,619
Time deposits with maturities exceeding three months from the date of deposit	(1)	—	(9)
Total: Cash and cash equivalents	¥15,288	¥15,202	$148,600

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.436% to 10.250% and from 0.460% to 6.750% at March 31, 2014 and 2013, respectively.	¥45,150	¥38,200	$438,860
Commercial paper with interest at annual rates of 0.090% and ranging from 0.105% to 0.111% at March 31, 2014 and 2013, respectively.	10,000	10,000	$97,200
	¥55,150	¥48,200	$536,061

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
0.76 % yen unsecured straight bonds due in 2020	¥ 10,000	¥ —	$ 97,200
0.79 % yen unsecured straight bonds due in 2018	10,000	—	97,200
0.74 % yen unsecured straight bonds due in 2017	10,000	10,000	97,200
0.76 % yen unsecured straight bonds due in 2016	10,000	10,000	97,200
0.80 % yen unsecured straight bonds due in 2015	10,000	10,000	97,200
1.15 % yen unsecured straight bonds due in 2014	10,000	10,000	97,200
1.61 % yen unsecured straight bonds due in 2013	—	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2021 at interest rates ranging from 0.430% to 6.100% at March 31, 2014:			
Secured	950	1,009	9,234
Unsecured	97,525	75,509	947,949
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.700% to 2.200% at March 31, 2014:			
Secured	4,875	5,653	47,385
Unsecured	—	—	—
	163,350	132,172	1,587,772
Less: Current portion	23,934	42,262	232,639
	¥139,416	¥ 89,909	$1,355,132

The aggregate annual maturities of long-term debt at March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥ 23,934	$ 232,639
2016	20,849	202,653
2017	28,521	277,225
2018	33,112	321,850
2019	30,098	292,554
Thereafter	26,834	260,828
Total	¥163,350	$1,587,772

The 1.15% yen unsecured straight bonds due in 2014 were issued on December 17, 2009 by the Company.
The 0.80% yen unsecured straight bonds due in 2015 were issued on December 16, 2010 by the Company.
The 0.76% yen unsecured straight bonds due in 2016 were issued on November 29, 2011 by the Company.
The 0.74% yen unsecured straight bonds due in 2017 were issued on November 29, 2012 by the Company.
The 0.79% yen unsecured straight bonds due in 2018 were issued on June 4, 2013 by the Company.
The 0.76% yen unsecured straight bonds due in 2020 were issued on November 28, 2013 by the Company.

7. Pledged Assets

Assets pledged as collateral for short-term bank loans, long-term debt and third party loans at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Investment securities	**¥ 1,608**	¥ 1,445	**$ 15,629**
Property, plant and equipment, net book value	**14,542**	14,653	**141,349**
	¥16,151	¥16,099	**$156,988**

8. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥5,795 million ($56,327 thousand) and ¥5,867 million for the years ended March 31, 2014 and 2013, respectively.

9. Contingent Liabilities

(a) Contingent liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Notes receivable discounted	**¥ 412**	¥ 422	**$ 4,004**
Notes receivable endorsed	**79**	115	**767**
Notes receivable securitized with recourse	**580**	607	**5,637**
Loans guaranteed			
Unconsolidated subsidiaries and affiliates	**99,294**	99,125	**965,143**
Others	**613**	672	**5,958**
	¥100,981	¥100,943	**$981,541**

(b) Matters regarding the system for supporting the health management of residents in the area along the Jinzu River
The Company announced the institution of the system for supporting the health management of residents in the area along the Jinzu River on December 17, 2013. The system provides a health management support lump sum payment of ¥600,000 per capita to support the health management of people who have lived for a certain amount of time in the area contaminated with cadmium along the Jinzu River and who are diagnosed as having their kidney function (the kidney's proximal convoluted tubule function) affected by cadmium to a certain extent (payment is made once for each person entitled thereto).

In the first year under the system, the fiscal year 2014, applications for health management support lump sum payments will be accepted from April 1, 2014 to February 28, 2015. Eligibility to receive the payments will be confirmed in March 2015, and the health management support lump sum payments will be made in April 2015. Annual payments under the system will be made according to the same procedures from the fiscal year 2015.

10. Net Assets

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

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

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

11. Segment Information

The operations of the Companies for the years ended March 31, 2014 and 2013 were summarized as follows.

(a) Overview of reportable segments

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

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

As a result, the Company reports five segments, such as Engineered Materials, Metals, Minerals & Environmental Engineering, Electronic Materials, Materials & Applications, and Automotive Parts & Components based on business sectors categorized by products and services.

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

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

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

Segment information as of and for the fiscal year ended March 31, 2014 was as follows:

	Millions of yen							
	Reported segments							
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Total	Adjustment	Consolidated
Year ended March 31, 2014								
Sales:								
Outside customers	¥46,049	¥115,231	¥62,332	¥104,530	¥89,987	¥418,131	¥ 22,915	¥441,046
Inter-segment	1,967	40,252	3,254	26,883	71	72,428	(72,428)	—
Total	48,017	155,484	65,586	131,413	90,059	490,560	(49,513)	441,046
Segment profit	¥ 5,691	¥ 4,705	¥ 3,492	¥ 11,043	¥ 3,975	¥ 28,908	¥(15,252)	¥ 13,656
Segment assets	¥42,122	¥211,085	¥52,351	¥115,033	¥44,211	¥464,804	¥ 39,021	¥503,825
Depreciation expense	2,499	7,081	4,500	3,872	3,300	21,254	2,923	24,178
Amortization of goodwill and negative goodwill	—	23	34	(0)	—	58	4	62
Interest income	94	199	26	93	16	431	(277)	153
Interest expense	211	1,197	490	417	75	2,391	(169)	2,222
Investment gains (losses) on equity method	309	479	—	934	41	1,765	(14,064)	(12,298)
Investment for companies accounted for using the equity method	2,490	69,100	—	12,577	564	84,732	522	85,254
Increase in property, plant and equipment, and intangible assets	3,900	6,878	4,442	4,093	4,200	23,516	3,485	27,001

Notes:

(a) Amounts of adjustment are as follows.

(1) Adjustment to segment profit, which amounted to ¥(15,252) million ($(148,250) thousand), consists mainly of ¥(2,629) million ($(25,554) thousand) for company-wide costs that do not belong to any reportable segments, ¥1,319 million ($12,820 thousand) for difference from converting the income and expenses of overseas subsidiaries into Japanese currency, and an impairment loss of ¥(13,634) million ($(132,523) thousand) on a copper ore development project at a subsidiary of an affiliate accounted for by the equity method.

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

(2) Adjustment to segment assets, which amounted to ¥39,021 million ($379,286 thousand), consist of ¥(11,992) million ($(116,562) thousand) for offset of receivables to corporate administrative department and ¥44,096 million ($428,615 thousand) for company-wide assets that do not belong to any reportable segments.

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

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

(c) From the consolidated fiscal year ended March 31, 2014, Mitsui Mining & Smelting Co., Ltd. and its consolidated subsidiary, Mitsui Electronic Materials Co., Ltd., have changed their method for estimates for the valuation of inventories of thin-film material products. Accordingly, with the new method, segment profit for the fiscal year ended March 31, 2014 increased ¥2,348 million ($22,822 thousand) in the Materials & Applications segment when compared to the previous method.

Segment information as of and for the fiscal year ended March 31, 2013 was as follows:

	Millions of yen							
	Reported segments							
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Total	Adjustment	Consolidated
Year ended March 31, 2013								
Sales:								
Outside customers	¥54,107	¥101,180	¥67,599	¥103,884	¥88,742	¥415,513	¥ 1,705	¥417,219
Inter-segment	2,523	41,805	3,581	20,281	153	68,344	(68,344)	—
Total	56,630	142,985	71,181	124,165	88,895	483,858	(66,638)	417,219
Segment profit	¥ 8,302	¥ 1,215	¥ 2,647	¥ 3,178	¥ 6,213	¥ 21,557	¥ (5,363)	¥ 16,194
Segment assets	¥42,532	¥171,772	¥52,966	¥105,981	¥38,172	¥411,425	¥26,647	¥438,072
Depreciation expense	2,636	7,436	4,574	4,006	3,236	21,890	2,061	23,952
Amortization of goodwill and negative goodwill	—	17	34	(0)	—	52	0	53
Interest income	65	250	29	105	22	472	(344)	128
Interest expense	268	1,052	552	513	64	2,452	(144)	2,307
Investment gains (losses) on equity method	177	(48)	—	708	29	866	(444)	422
Investment for companies accounted for using the equity method	2,232	53,091	—	11,960	431	67,715	(435)	67,279
Increase in property, plant and equipment, and intangible assets	3,540	6,233	3,436	3,821	3,197	20,229	2,371	22,601

Notes:

(a) Amounts of adjustment are as follows.

(1) Adjustment to segment profit, which amounted to ¥(5,363) million, consists mainly of ¥(4,906) million for company-wide costs that do not belong to any reportable segments.

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

(2) Adjustment to segment assets, which amounted to ¥26,647 million, consist of ¥(9,758) million for offset of receivables to corporate administrative department and ¥38,899 million for company-wide assets that do not belong to any reportable segments.

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

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

	Thousands of U.S. dollars (Note 1)							
	Reported segments							
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Total	Adjustment	Consolidated
Year ended March 31, 2014								
Sales:								
Outside customers	$447,599	$1,120,052	$605,870	$1,016,038	$874,679	$4,064,259	$ 222,735	$4,286,994
Inter-segment	19,119	391,251	31,629	261,304	690	704,004	(704,004)	—
Total	466,728	1,511,314	637,500	1,277,342	875,379	4,768,273	(481,269)	4,286,994
Segment profit	$ 55,316	$ 45,732	$ 33,942	$ 107,338	$ 38,637	$ 280,987	$(148,250)	$ 132,737
Segment assets	$409,428	$2,051,759	$508,854	$1,118,127	$429,733	$4,517,923	$ 379,286	$4,897,210
Depreciation expense	24,290	68,827	43,740	37,636	32,076	206,590	28,411	235,011
Amortization of goodwill and negative goodwill	—	223	330	(0)	—	563	38	602
Interest income	913	1,934	252	903	155	4,189	(2,692)	1,487
Interest expense	2,050	11,634	4,762	4,053	729	23,240	(1,642)	21,597
Investment gains (losses) on equity method	3,003	4,655	—	9,078	398	17,155	(136,702)	(119,537)
Investment for companies accounted for using the equity method	24,202	671,656	—	122,249	5,482	823,600	5,073	828,674
Increase in property, plant and equipment, and intangible assets	37,908	66,854	43,176	39,784	40,824	228,576	33,874	262,451

[Related information]

Information by area

	Millions of yen					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2014						
Sales	**¥268,797**	**¥49,157**	**¥69,374**	**¥39,028**	**¥14,687**	**¥441,046**

	Millions of yen					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2013						
Sales	¥264,782	¥43,404	¥64,785	¥31,010	¥13,236	¥417,219

	Thousands of U.S. dollars (Note 1)					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2014						
Sales	**$2,612,723**	**$477,809**	**$674,319**	**$379,354**	**$142,758**	**$4,286,994**

<Changes in presentation>

"China," which was classified into the category of "Asia" in the previous fiscal year, is now independently categorized as "China," because Sales to "China" accounts for over 10% of the Company's consolidated net sales.

	Millions of yen				
	Japan	Asia	North America	Other Areas	Consolidated
Year ended March 31, 2014					
Property, plant and equipment	**¥109,855**	**¥36,557**	**¥5,542**	**¥4,442**	**¥156,397**

	Millions of yen				
	Japan	Asia	North America	Other Areas	Consolidated
Year ended March 31, 2013					
Property, plant and equipment	¥110,709	¥33,216	¥4,665	¥3,436	¥152,027

	Thousands of U.S. dollars (Note 1)				
	Japan	Asia	North America	Other Areas	Consolidated
Year ended March 31, 2014					
Property, plant and equipment	**$1,067,797**	**$355,336**	**$53,868**	**$43,176**	**$1,520,188**

[Information on loss on impairment of fixed assets by reported segments]

	Millions of yen						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2014							
Loss on impairment of fixed assets	**¥—**	**¥12**	**¥—**	**¥756**	**¥—**	**¥—**	**¥769**

	Millions of yen						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2013							
Loss on impairment of fixed assets	¥—	¥34	¥—	¥130	¥—	¥3	¥168

	Thousands of U.S. dollars (Note 1)						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2014							
Loss on impairment of fixed assets	**$—**	**$116**	**$—**	**$7,348**	**$—**	**$—**	**$7,474**

[Information on amortization of goodwill and amortized balance by reported segments]

	Millions of yen						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2014							
Amortization of goodwill	¥—	¥27	¥34	¥—	¥—	¥—	¥62
Balance at end of fiscal year	—	90	8	—	—	—	99

	Millions of yen						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2013							
Amortization of goodwill	¥—	¥18	¥34	¥ 0	¥—	¥—	¥ 53
Balance at end of fiscal year	—	95	43	—	—	—	139

	Thousands of U.S. dollars (Note 1)						
	Engineered Materials	Metals, Minerals & Environmental Engineering	Electronic Materials	Materials & Applications	Automotive Parts & Components	Elimination · Corporate	Consolidated
Year ended March 31, 2014							
Amortization of goodwill	$—	$262	$330	$—	$—	$—	$602
Balance at end of fiscal year	—	874	77	—	—	—	962

[Information on gain on negative goodwill by reported segment]
Year ended March 31, 2014
Not applicable.

Year ended March 31, 2013
Not applicable.

12. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 37.7% for the fiscal years ended March 31, 2014 and 2013.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets:			
Excess bad debt expenses	¥ 133	¥ 73	$ 1,292
Excess accrued bonuses to employees	1,476	1,488	14,346
Excess product warranties	242	348	2,352
Retirement benefits	—	7,674	—
Liability for retirement benefits	7,448	—	72,395
Provision for environmental countermeasures	394	550	3,829
Loss on impairment of fixed assets	2,749	3,243	26,720
Enterprise taxes accrued	164	184	1,594
Unrealized profits and losses	2,070	1,933	20,120
Operating loss carryforward for tax purposes	10,480	10,585	101,866
Net unrealized losses on securities	119	120	1,156
Deferred losses on hedges	61	110	592
Other	6,359	4,773	61,809
Subtotal	31,700	31,087	308,125
Valuation allowance	(22,855)	(23,435)	(222,152)
Total deferred tax assets	¥ 8,845	¥ 7,652	$ 85,973
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (1,020)	¥ (617)	$ (9,914)
Deferred gains on hedges	(151)	(306)	(1,467)
Retained earnings of foreign subsidiaries	(3,295)	(2,410)	(32,027)
Deferral of capital gain related to certain sale of property, plant and equipment	(439)	(1,165)	(4,267)
Other	(2,521)	(1,644)	(24,504)
Total deferred tax liabilities	¥ (7,427)	¥ (6,144)	$ (72,190)
Net deferred tax assets	¥ 1,417	¥ 1,507	$ 13,773

The net deferred tax assets at March 31, 2014 and 2013 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets — current	¥3,926	¥2,319	$38,160
Deferred tax assets — noncurrent	2,231	1,760	21,685
Deferred tax liabilities — current	(24)	(0)	(233)
Deferred tax liabilities — noncurrent	(4,715)	(2,572)	(45,830)

2. The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements for the fiscal years ended March 31, 2014 and 2013.

	2014	2013
Statutory effective tax rate	37.7%	37.7%
Permanent difference due to non-deductible expense	6.6	4.0
Permanent difference due to non-taxable income	(31.6)	(20.8)
Effect of elimination of intercompany dividends received	31.0	20.5
Investment gains on equity method	54.7	(1.1)
Income taxes for prior periods	—	4.7
Valuation allowance	(41.7)	(13.5)
Downward adjustment of deferred tax assets at end of year due to tax rate change	(2.9)	—
Others	2.4	(6.4)
Tax rate calculated based on the Companies' consolidated financial statements	56.3%	25.1%

3. Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 35.3% for years beginning on or after April 1, 2014. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2014 are 35.3% as of March 31, 2014.

Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥268 million ($2,604 thousand) and unrealized losses on hedging derivatives, net of tax increased by ¥8 million ($77 thousand) as of March 31, 2014. Moreover, income taxes-deferred increased by ¥276 million ($2,682 thousand) recognized for the year ended March 31, 2014.

13. Financial Instruments

(a) Qualitative information on financial instruments

1. Policy of financial instruments management

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

2. Description of financial instruments and risk

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

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

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

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

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

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

3. Description of risk management system for financial instruments

Management system for credit risk

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

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

Management system for market risk

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

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

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

Management system for liquidity risk of financing

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

4. Supplementary explanation regarding fair value of financial instruments

The fair value of financial instruments is measured based on the market price, if available, or reasonably estimated value if a market price is not available. As reasonably estimated value is estimated based on certain assumptions, it might differ if different assumptions are used.

In addition, the contract amount of the derivative transactions described below in "Notes to Consolidated Financial Statements — 14. Derivative Transactions" does not represent the market risk of the derivative transactions.

(b) Fair value of financial instruments

The carrying amounts of book value, fair value, and differences as of March 31, 2014 and 2013 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "Notes 2. Financial instruments whose fair value is extremely difficult to measure").

	Millions of yen		
	Book value	Fair value	Difference
Year ended March 31, 2014			
Assets:			
(a) Cash and deposits	¥ 15,290	¥ 15,290	¥ —
(b) Notes and accounts receivable	82,582	82,582	—
(c) Investment securities	9,826	8,899	(926)
Total	107,698	106,772	(926)
Liabilities:			
(a) Notes and accounts payable	56,558	56,558	—
(b) Short-term borrowings	55,150	55,150	—
(c) Current portion of long-term debt	23,934	24,168	234
(d) Long-term debt	139,416	140,461	1,045
Total	275,058	276,338	1,280
Derivative transactions	¥ 225	¥ 225	¥ —

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

	Millions of yen		
	Book value	Fair value	Difference
Year ended March 31, 2013			
Assets:			
(a) Cash and deposits	¥ 15,202	¥ 15,202	¥ —
(b) Notes and accounts receivable	77,937	77,937	—
(c) Investment securities	8,244	6,923	(1,321)
Total	101,385	100,064	(1,321)
Liabilities:			
(a) Notes and accounts payable	50,106	50,106	—
(b) Short-term borrowings	48,200	48,200	—
(c) Current portion of long-term debt	42,262	42,611	348
(d) Long-term debt	89,909	90,595	686
Total	230,479	231,513	1,034
Derivative transactions	¥ 260	¥ 260	¥ —

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

	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
Year ended March 31, 2014			
Assets:			
(a) Cash and deposits	$ 148,619	$ 148,619	$ —
(b) Notes and accounts receivable	802,702	802,702	—
(c) Investment securities	95,509	86,498	(9,000)
Total	1,046,831	1,037,830	(9,000)
Liabilities:			
(a) Notes and accounts payable	549,747	549,747	—
(b) Short-term borrowings	536,061	536,061	—
(c) Current portion of long-term debt	232,639	234,914	2,274
(d) Long-term debt	1,355,132	1,365,289	10,157
Total	2,673,580	2,686,022	12,441
Derivative transactions	$ 2,187	$ 2,187	$ —

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

Notes:

1. Method of estimating fair value of financial instruments

Assets:

(a) Cash and deposits and (b) Notes and accounts receivable:

Regarding Cash and deposits and Notes and accounts receivable, book value is used as fair value. Because these instruments have the short maturity so that fair value approximates book value.

(c) Investment securities:

Fair value of investment securities equals to quoted market price. Fair value of debt securities equals to quoted market price or provided price by financial institutions. Situation from the point of view of holding purposes, please refer to "Notes to Consolidated Financial Statements — 4. Securities."

Liabilities:

(a) Notes and accounts payable and (b) Short-term borrowings:

Regarding Notes and accounts payable and Short-term borrowings, book value is used as fair value. Because these instruments have the short maturity so that fair value approximates book value.

(c) Current portion of long-term debt and (d) Long-term debt:

Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity. For certain long-term debt for which interest swap contracts are used to hedge the interest risk, fair value of derivative financial instrument is included in fair value of the long-term debt as hedged items. And the fair value of those long-term debt is based on the present value of future cash flows treated in combination with the respective interest swaps and discounted using the current borrowing rate for similar debt of a comparable maturity (Please refer to "Notes to Consolidated Financial Statements — 14. Derivative Transactions").

Fair value of corporate bonds is based on the present value of future cash flows discounted using the indicated rate in secondary market.

Derivative transactions:

(a) Contract amount, fair value, unrealized gain or loss, and others are described in "Notes to Consolidated Financial Statements — 14. Derivative Transactions."

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

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
Classification	2014	2013	2014
Unlisted equity securities	¥88,759	¥69,295	$862,743
Investments in other securities of subsidiaries and affiliates	35,511	15,630	345,169
Nonpublic domestic bonds	240	240	2,332

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

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

	Millions of yen			
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2019	April 1, 2019 to March 31, 2024	April 1, 2024 and thereafter
Year ended March 31, 2014				
(a) Cash and deposits	¥15,290	¥—	¥—	¥ —
(b) Notes and accounts receivable	82,582	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥97,872	¥—	¥—	¥240

	Millions of yen			
	April 1, 2013 to March 31, 2014	April 1, 2014 to March 31, 2018	April 1, 2018 to March 31, 2023	April 1, 2023 and thereafter
Year ended March 31, 2013				
(a) Cash and deposits	¥15,202	¥—	¥—	¥ —
(b) Notes and accounts receivable	77,937	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥93,140	¥—	¥—	¥240

	Thousands of U.S. dollars (Note 1)			
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2019	April 1, 2019 to March 31, 2024	April 1, 2024 and thereafter
Year ended March 31, 2014				
(a) Cash and deposits	$148,619	$—	$—	$ —
(b) Notes and accounts receivable	802,702	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds (domestic government and municipal bonds)	—	—	—	2,332
Total	$951,321	$—	$—	$2,332

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

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

14. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2014 and 2013 were as follows:

Currency-related derivatives

Type		Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Forward contracts:				
Selling:				
U.S. dollars:	Contract amounts	¥1,445	¥2,447	$14,045
	Due over one year	—	—	—
	Fair value	(5)	(62)	(48)
	Net unrealized losses	(5)	(62)	(48)
Buying:				
Japanese yen:	Contract amounts	¥ —	¥ 155	$ —
	Due over one year	—	—	—
	Fair value	—	(3)	—
	Net unrealized losses	—	(3)	—

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

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2014 and 2013 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Type		Hedged items		Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Forward contracts:						
Selling:		Accounts receivable				
U.S. dollars:			Contract amounts	¥10,758	¥10,393	$104,568
			Due over one year	—	—	—
			Fair value	22	4	213
Buying:		Accounts payable				
U.S. dollars:			Contract amounts	¥ 137	¥ 653	$ 1,331
			Due over one year	—	—	—
			Fair value	11	73	106
Euros:			Contract amounts	¥ 60	¥ 23	$ 583
			Due over one year	—	—	—
			Fair value	5	0	48
Swiss franc:			Contract amounts	¥ —	¥ 1	$ —
			Due over one year	—	—	—
			Fair value	—	(0)	—
Malaysia ringgit:			Contract amounts	¥ 132	¥ 107	$ 1,283
			Due over one year	—	—	—
			Fair value	(5)	(3)	(48)
Swap contracts:		Long-term debt				
Receive	U.S. dollars		Contract amounts	¥ 720	¥ 3,673	$ 6,998
Pay	Malaysia ringgit		Due over one year	360	2,326	3,499
			Fair value	(43)	(163)	(417)

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

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

Type	Hedged items	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Forward contracts:				
Selling:	Accounts receivable			
U.S. dollars:	Contract amounts	**¥133**	¥—	**$1,292**
	Due over one year	**—**	—	**—**
	Fair value	**(Note b)**	(Note b)	**(Note b)**

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

Interest rate-related derivatives

Interest rate-related derivatives for which hedge accounting had been applied

Type		Hedged items	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Swap contracts:		Interest for long-term debt			
Receive	Float	Contract amounts	**¥3,080**	¥1,874	**$29,937**
Pay	Fix	Due over one year	**2,396**	1,874	**23,289**
		Fair value	**(28)**	(32)	**(272)**

Notes:
(a) The deferred hedge method is applied as hedge accounting methods.
(b) Fair value of interest swap contracts is present value based on rates provided by financial institutions.

Interest rate-related derivatives for which exceptional accrual method had been applied

Type		Hedged items	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Swap contracts:		Interest for long-term debt			
Receive	Float	Contract amounts	**¥6,203**	¥32,290	**$60,293**
Pay	Fix	Due over one year	**65**	6,203	**631**
		Fair value	**(Note b)**	(Note b)	**(Note b)**

Notes:
(a) The exceptional accrual method for interest rate swap is applied as hedge accounting methods.
(b) For certain long-term debt for which interest swap contracts are used to hedge the interest risk, fair value of derivative financial instrument is included in fair value of the long-term debt as hedged items, because those interest swaps are treated in combination with the respective long-term debt with the exceptional accrual method for interest rate swap.

Commodities-related derivatives

Type	Hedged items		Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Forward contracts:	Raw materials and finished goods				
Selling:					
Zinc:		Contract amounts	¥10,830	¥6,459	$105,268
		Due over one year	—	—	—
		Fair value	205	509	1,992
Lead:		Contract amounts	¥ 1,427	¥1,412	$ 13,870
		Due over one year	—	—	—
		Fair value	23	84	223
Gold:		Contract amounts	¥ —	¥ 84	$ —
		Due over one year	—	—	—
		Fair value	—	(3)	—
Silver:		Contract amounts	¥ 690	¥1,178	$ 6,706
		Due over one year	—	—	—
		Fair value	18	40	174
Copper:		Contract amounts	¥ —	¥ 20	$ —
		Due over one year	—	—	—
		Fair value	—	(0)	—
Buying:					
Zinc:		Contract amounts	¥ 4,265	¥3,886	$ 41,456
		Due over one year	—	—	—
		Fair value	21	(183)	204
Lead:		Contract amounts	¥ 106	¥ 10	$ 1,030
		Due over one year	—	—	—
		Fair value	(0)	(0)	(0)
Silver:		Contract amounts	¥ 38	¥ —	$ (369)
		Due over one year	—	—	—
		Fair value	1	—	9
Copper:		Contract amounts	¥ —	¥ 7	$ —
		Due over one year	—	—	—
		Fair value	—	(0)	—

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

15. Employees' Retirement Benefits

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

Employees' retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥36,450
Plan assets at fair value	15,720
Projected benefit obligation in excess of plan assets	20,729
Less: Unrecognized actuarial differences	(285)
Less: Unrecognized prior service costs	(24)
Total Net liability (asset) for retirement benefits at the end of the fiscal year	20,418
Prepaid pension cost	1,668
Employees' retirement benefits	¥22,086

The employees' retirement benefit costs for the fiscal years ended March 31, 2013 were as follows:

	Millions of yen
	2013
Service costs — benefits earned during the year	¥1,868
Interest cost on projected benefit obligation	612
Expected return on plan assets	(0)
Amortization of actuarial differences	2,621
Amortization of prior service costs	(103)
Employees' retirement benefit costs	¥4,998

The actuarial assumptions for calculating the projected benefit obligation for the fiscal years ended March 31, 2013 were as follows:

	2013
Attribution of benefits to periods of service	Benefit / years-of-service approach
Discount rate used to determine the projected benefit obligation	1.0%-2.3%
Expected return on plan assets	Mainly 0.0%
Period to amortize prior service costs	1-5 years
Period to amortize the actuarial differences	1-3 years

Defined benefit plans

(a) Movement in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at the beginning of the fiscal year	¥36,450	$354,296
Service cost	2,038	19,809
Interest cost	419	4,072
Actuarial loss (gain)	564	5,482
Benefits paid	(2,211)	(21,491)
Past service costs	(3)	(29)
Other	157	1,526
Balance at the end of the fiscal year	¥37,415	$363,676

(b) Movements in plan assets

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at the beginning of the fiscal year	¥15,720	$152,799
Expected return on plan assets	267	2,595
Actuarial loss (gain)	728	7,076
Contributions paid by the employer	1,474	14,327
Benefits paid	(732)	(7,115)
Other	2	19
Balance at the end of the fiscal year	¥17,461	$169,722

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Funded retirement benefit obligations	¥15,043	$146,218
Plan assets	(17,461)	(169,722)
	(2,417)	(23,493)
Unfunded retirement benefit obligations	22,371	217,447
Total Net liability (asset) for retirement benefits at the end of the fiscal year	19,953	193,944
Liability for retirement benefits	22,784	221,461
Asset for retirement benefits	(2,830)	(27,507)
Total Net liability (asset) for retirement benefits at the end of the fiscal year	¥19,953	$193,944

(d) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Service cost	¥2,038	$19,809
Interest cost	419	4,072
Expected return on plan assets	(267)	(2,595)
Net actuarial loss amortization	(163)	(1,584)
Past service costs amortization	(3)	(29)
Total retirement benefit costs for the fiscal years ended March 31, 2014	¥2,022	$19,653

(e) Accumulated adjustments for retirement benefit

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Prior service costs that are yet to be recognized	¥152	$1,477
Actuarial gains and losses that are yet to be recognized	216	2,099
Total balance at the end of the fiscal year	¥368	$3,576

(f) Plan assets

1. Plan assets comprise:

	2014
Bonds	33%
Equity securities	28
General insurance funds	36
Other	3
Total	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(g) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 follow:

	2014
Discount rate	1.0%-2.3%
Long-term expected rate of return	Mainly 1.9 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥106 million ($1,030 thousand) for the years ended March 31, 2014.

16. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2014 and 2013 were as follows:

	Net income (Millions of yen)	Weighted-average shares (Thousands)	Net income per share (Yen)	Net income per share (U.S. dollars (Note 1))
Year ended March 31, 2014				
Net income available to common shareholders	**¥3,662**	**¥571,141**	**¥6.41**	**$0.06**

	Net income (Millions of yen)	Weighted-average shares (Thousands)	Net income per share (Yen)
Year ended March 31, 2013			
Net income available to common shareholders	¥9,910	¥571,157	¥17.35

17. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the fiscal years ended March 31, 2014 and 2013 consisted of the following.

Year ended March 31, 2014

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars (Note 1)
Nirasaki City,	Production facilities	Buildings and structures	**¥145**	**$1,409**
Yamanashi Prefecture		Machinery	**243**	**2,361**
		Land	**217**	**2,109**
		Others	**128**	**1,244**
Nirasaki City,	Idle assets	Machinery	**¥ 20**	**$ 194**
Yamanashi Prefecture, others		Land	**12**	**116**
		Others	**0**	**0**

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

Lease assets and idle assets that show signs of impairment are assessed on an individual asset basis for the purposes of impairment recognition.

At production facilities where serious deterioration in market conditions significantly undermines profitability, those facilities that planned to stay in business reduced their book value to the collectible value and shortfalls were recorded as impairment losses under extraordinary losses. The collectible value is measured by its value in use, and is calculated by discounting future cash flows by 1.62%.

Among production facilities, at those facilities that planned to withdraw unprofitable products following production system restructuring, the book value of said assets were recorded as an impairment loss under extraordinary losses.

For idle assets with very low sales potentiality, book values have been reduced to zero and impairment losses duly recognized. In the case of idle assets with some prospect of sale, when net salable prices reasonably estimated by real estate appraisers are exceeded by book values, the shortfalls are recorded as extraordinary losses (loss on impairment of fixed assets).

Year ended March 31, 2013

Location	Major use	Asset category	Millions of yen
Shimonoseki City,	Production facilities	Machinery	¥20
Yamaguchi Prefecture, others		Others	28
Kita-ku, Tokyo, others	Idle assets	Machinery	¥70
		Land	34
		Others	14

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

Lease assets and idle assets that show signs of impairment are assessed on an individual asset basis for the purposes of impairment recognition.

As for production facilities, in cases where no future cash inflows are expected due to serious deterioration in market conditions undermining profitability, asset book values are reduced to zero. For production facilities with changed uses as a result of production system restructuring, if net selling prices reasonably estimated using the cost approach are exceeded by book values, the shortfalls are recorded as extraordinary losses (loss on impairment of fixed assets).

For idle assets with very low sales potentiality, book values have been reduced to zero and impairment losses duly recognized. In the case of idle assets with some prospect of sale, when net salable prices reasonably estimated by real estate appraisers are exceeded by book values, the shortfalls are recorded as extraordinary losses (loss on impairment of fixed assets).

18. Related Party Transactions

(a) Related party transactions

1. The Company owns 34% of outstanding shares of Pan Pacific Copper Co., Ltd., which produces and sells products related to copper refining and smelting business.

The transaction amount for the fiscal years ended March 31, 2014 and 2013 with Pan Pacific Copper Co., Ltd. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Guarantees of bank loans	¥50,398	¥54,779	$489,871
Underwriting of capital increase	25,459	10,697	247,463

2. The Company owns 50% of outstanding shares of MS Zinc Co., Ltd., which produces and sells products related to zinc refining and smelting business.

The transaction amount for the fiscal years ended March 31, 2014 and 2013, and account balance as of March 31, 2014 and 2013 with MS Zinc Co., Ltd. were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cost of sales (Mainly purchasing of zinc metals)	¥9,043	¥12,594	$87,898
Accounts payable	6,419	4,625	62,393

Terms of transactions:

Terms of purchase by MS Zinc Co., Ltd. are determined under general market conditions.

3. The company holds a stake of 34% in MFN Investment LLC, which invests in a Netherlands corporation set up for the purpose of financing SCM Minera Lumina Copper Chile, which operates the Caserones mine in Chile.

The transaction amount for the fiscal years ended March 31, 2014 and 2013 with MFN Investment LLC was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Underwriting of investment	¥19,881	¥15,630	$193,244

4. SCM Minera Lumina Copper Chile is an affiliate of Pan Pacific Copper Co., Ltd.

The transaction amount for the fiscal years ended March 31, 2014 and 2013 with SCM Minera Lumina Copper Chile was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Guarantees of bank loans	¥38,709	¥35,372	$376,253

5. Caserones Finance Netherlands B.V. is an affiliate of Pan Pacific Copper Co., Ltd.

The transaction amount for the fiscal years ended March 31, 2014 and 2013 with Caserones Finance Netherlands B.V. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Guarantees of bank loans	¥7,870	¥7,191	$76,496

(b) Note about significant related party

In the fiscal year ended March 31, 2014, Pan Pacific Copper Co., Ltd., was recognized as significant related party and the summary of its financial statements was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Total current assets	¥201,222	¥205,183	$1,955,890
Total fixed assets	210,661	144,027	2,047,638
Total current liabilities	193,084	190,612	1,876,788
Total long-term liabilities	2,111	5,923	20,519
Total net assets	216,688	152,674	2,106,220
Net sales	621,809	591,508	6,044,022
Income (loss) before income taxes and minority interests	(7,404)	2,575	(71,967)
Net income (loss)	(9,489)	1,496	(92,233)

19. Asset Retirement Obligations

Year ended March 31, 2014 and 2013

Asset retirement obligations that are recorded in the consolidated balance sheet

(a) Overview of asset retirement obligations

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

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

(Mines)

Compania Minera Santa Luisa S.A. has recognized asset retirement obligations in accordance with International Financial Reporting Standards, by estimating closure costs based on mine closure plans under mine closure legislation and regulations in Peru. With regard to estimation of asset retirement obligations, a discount rate of 3.03% is used, and the estimated period up to payment is based on number of recoverable years from launch of operations (average of 37 years).

In addition, during the fiscal year ended March 31, 2014, the company revised its estimate of mine closure costs(change of estimates of mine closure costs and new recognition of obligation related to mineral exploration), no longer using the 1.9% discount rate used in the previous fiscal year. As a result, ¥350 million ($3,402 thousand) were deducted from the balance of asset retirement obligations compared with before the change.

(Asbestos)

The expected periods of time before removal expenses at the time of dismantling is estimated between 2 and 32 years depending on each asset. The companies use rates between 0.64% and 2.30% as a discount rate to estimate the amount of asset retirement obligations.

(Real estate lease agreements)

The companies reasonably estimate the amount of lease deposits from real estate lease agreements that it cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2014 as expenses, instead of recording them as asset retirement obligations under liabilities.

The companies use periods of time between 3 and 21 years from the date of occupancy to estimate the amount of the expenses.

The companies estimate the uncollectible amount of lease deposits as ¥91 million ($884 thousand) in the fiscal year ended March 31, 2014.

(c) Changes in the total amount of these asset retirement obligations in the fiscal year ended March 31, 2014 and March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Balance at the beginning of the fiscal year	**¥2,458**	¥1,445	**$23,891**
Adjustments due to the passage of time	**41**	41	**398**
Decrease from execution of asset retirement obligations	**(35)**	(35)	**(340)**
Increase (decrease) from changes of estimates	**(350)**	702	**(3,402)**
Impact of foreign currency translation	**230**	304	**2,235**
Balance at the end of the fiscal year	**¥2,344**	¥2,458	**$22,783**

20. Consolidated Statements of Comprehensive Income

Year ended March 31, 2014 and 2013

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net unrealized gains (losses) on securities:			
Increase (decrease) during the year	¥ 1,247	¥ 329	$ 12,120
Reclassification adjustments	—	(8)	—
Sub-total, before tax	1,247	321	12,120
Tax (expense) or benefit	(403)	(47)	(3,917)
Sub-total, net of tax	843	273	8,194
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	(252)	(408)	(2,449)
Reclassification adjustments	87	810	845
Sub-total, before tax	(164)	401	(1,594)
Tax (expense) or benefit	166	(206)	1,613
Sub-total, net of tax	1	195	9
Foreign currency translation adjustments:			
Increase (decrease) during the year	6,742	6,305	65,532
Reclassification adjustments	86	—	835
Sub-total, net of tax	6,828	6,305	66,368
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	4,893	(841)	47,560
Reclassification adjustments	743	3,760	7,222
Sub-total, net of tax	5,637	2,918	54,791
Total other comprehensive income	¥13,311	¥9,693	$129,383

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 27, 2014
Tokyo, Japan

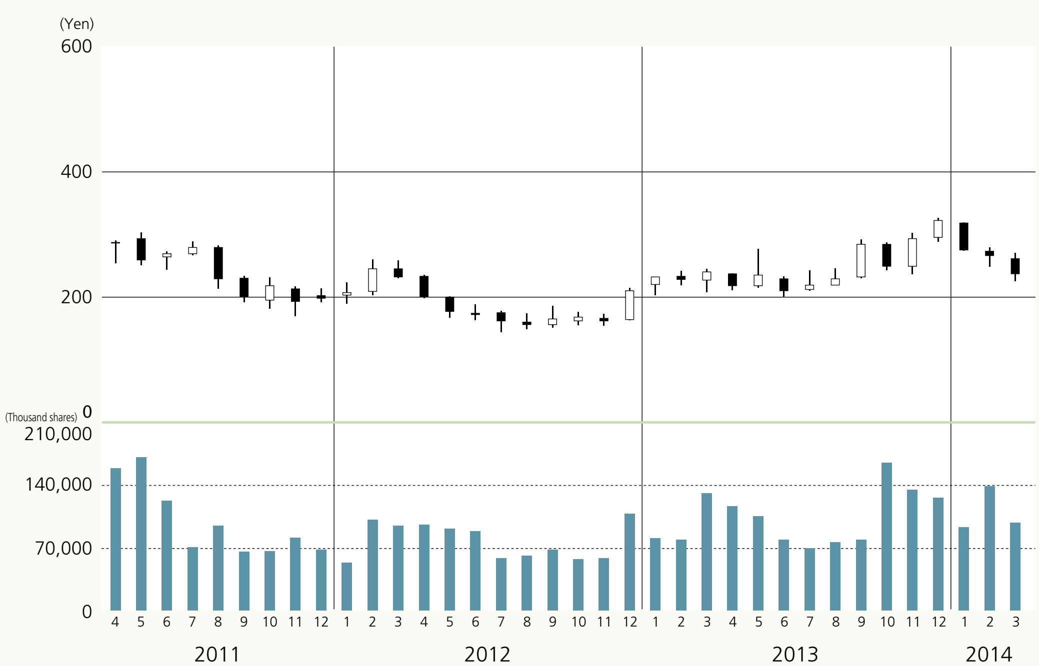
Number of shareholders: 48,015

Major shareholders:

	Investment in the company	
	Number of shares held (Thousands)	Percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Held in trust account)	43,955	7.69
The Master Trust Bank of Japan, Ltd. (Held in trust account)	40,241	7.04
National Mutual Insurance Federation of Agricultural Cooperatives	23,291	4.07
CBNY – ORBIS SICAV	20,924	3.66
The Employees' Shareholding Association	11,937	2.09
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	11,852	2.07
The Nomura Trust and Banking Co., Ltd. (Trust Account)	6,930	1.21
Japan Trustee Services Bank, Ltd. (Held in trust account 1)	6,786	1.18
BBH BOSTON CUSTODIAN FOR GMO INTL INTRINSIC VALUE FUND	6,296	1.10
Trust & Custody Services Bank, Ltd. (Held in securities investment trust account)	6,003	1.05

Notes: 1. Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 1,832,185 shares in treasury).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:



Corporate Data (As of March 31, 2014)

Established: May 1, 1950

Authorized capital: 1,944 million shares

Shares issued: 572,966,166 shares

Paid-in capital: ¥42,129 million

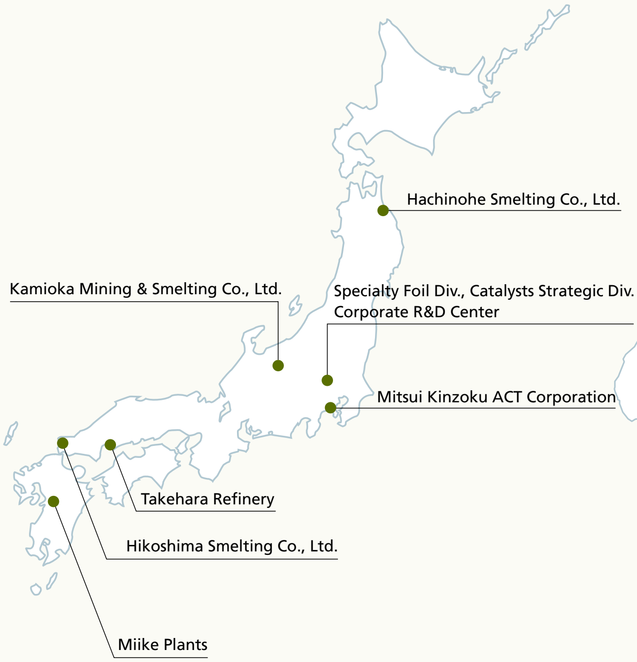
Stock listings: Common stock is listed on the Tokyo Stock Exchange

Principal subsidiaries:

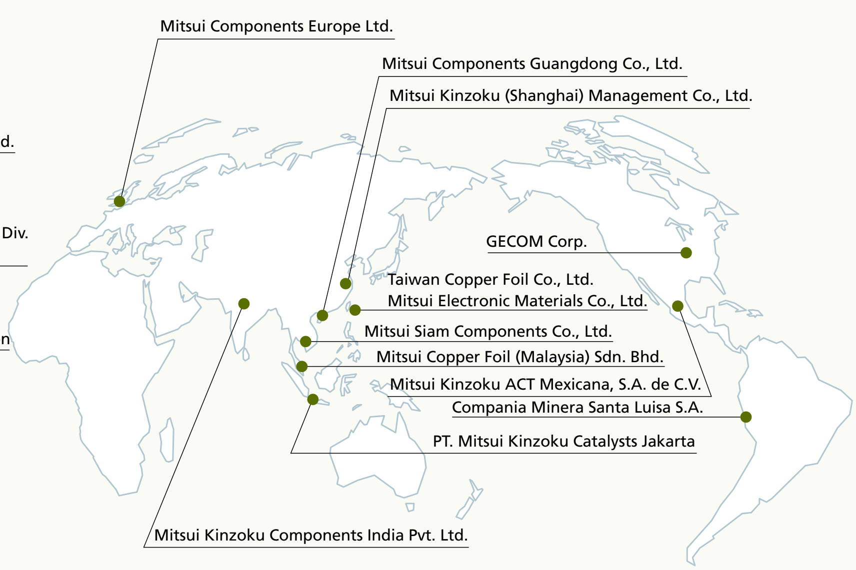
	Paid-in capital (Millions)	Equity stake of the company (%)
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0
Hachinohe Smelting Co., Ltd.	¥4,795	85.5
Hikoshima Smelting Co., Ltd.	¥460	100.0
Okuaizu Geothermal Co., Ltd.	¥100	100.0
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM160	100.0
Mitsui Electronic Materials Co., Ltd.	NT$600	100.0
Mitsui Kinzoku Trading Co., Ltd.	¥240	100.0
MESCO, Inc.	¥1,085	63.4
Mitsui Kinzoku ACT Corporation	¥3,000	100.0
GECOM Corp.	US$15.75	100.0
Mitsui Siam Components Co., Ltd.	Bh210	100.0

Major plants and offices:

Japan



Overseas



Worldwide Operations (As of March 31, 2014)

	Japan	Asia	Americas and Europe
Offices/ Laboratories	Head Office (Shinagawa, Tokyo) Osaka Branch (Osaka, Osaka) Corporate R&D Center (Ageo, Saitama)	Mitsui Kinzoku Trading (Shanghai) Co., Ltd. (Shanghai, China) Mitsui Kinzoku (Shanghai) Management Co., Ltd. (Shanghai, China)	Mitsui Mining & Smelting Co., Ltd., Sucursal del Perú (Lima, Peru) Oak-Mitsui Technologies LLC (New York, U.S.A.)
Engineered Materials	Takehara Battery Materials Plant (Takehara, Hiroshima) Kamioka Catalyst Plant (Hida, Gifu) Miike Rare Metals Plant (Omuta, Fukuoka) NIHON KESSHO KOUGAKU Co., Ltd. (Tatebayashi, Gunma)	Mitsui Kinzoku Components India Pvt. Ltd. (Haryana, India) Mitsui Kinzoku Catalyst Zhuhai Co., Ltd. (Guangdong, China) PT. Mitsui Kinzoku Catalysts Jakarta (Jawa Barat, Indonesia) Mitsui Kinzoku Catalysts (Thailand) Co., Ltd. (Rayong, Thailand) Mitsui Kinzoku Catalysts Vietnam Co., Ltd. (Hanoi, Vietnam)	Mitsui Kinzoku Catalysts America Inc. (Kentucky, U.S.A.)
Metals, Minerals & Environmental Engineering	Takehara Refinery (Takehara, Hiroshima) Kamioka Mining & Smelting Co., Ltd. (Hida, Gifu) Hachinohe Smelting Co., Ltd. (Hachinohe, Aomori) Hikoshima Smelting Co., Ltd. (Shimonoseki, Yamaguchi) MS Zinc Co., Ltd. (Minato, Tokyo) Pan Pacific Copper Co., Ltd. (Chiyoda, Tokyo) Okuaizu Geothermal Co., Ltd. (Yanaizu, Fukushima)	Shanghai Mitsui Xin Yun Precious and Rare Metal Recycle Co., Ltd. (Shanghai, China)	Compania Minera Santa Luisa S.A. (Lima, Peru)
Electronic Materials	Ageo Copper Foil Plant (Ageo, Saitama)	Taiwan Copper Foil Co., Ltd. (Nantou, Taiwan) Mitsui Copper Foil (Malaysia) Sdn. Bhd. (Selangor Darul Ehsan, Malaysia) Mitsui Copper Foil (Hong Kong) Co., Ltd. (Hong Kong, China) Mitsui Copper Foil (Suzhou) Co., Ltd. (Jiangsu, China)	Oak-Mitsui Inc. (New York, U.S.A.)
Materials & Applications	Miike PVD Materials Plant (Omuta, Fukuoka) Omuta Ceramics Plant (Omuta, Fukuoka) Nirasaki Die-Casting Plant (Nirasaki, Yamanashi) Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd. (Ageo, Saitama) MESCO, Inc. (Sumida, Tokyo)	Mitsui Electronic Materials Co., Ltd. (Taichung, Taiwan) Mitsui Kinzoku Korea Co., Ltd. (Pyeongtaek-si, Korea) Mitsui Grinding Technology (Thailand) Co., Ltd. (Chonburi, Thailand) Mitsui Kinzoku Advanced Ceramics (Suzhou) Co., Ltd (Jiangsu, China)	
Automotive Parts & Components	Mitsui Kinzoku ACT Corporation (Yokohama, Kanagawa) Monodukuri Technical Center (Nirasaki, Yamanashi) Kyushu Plant (Miyako, Fukuoka)	Mitsui Siam Components Co., Ltd. (Rayong, Thailand) Mitsui-Huayang Automotive Components Co., Ltd. (Guizhou, China) Mitsui Components Guangdong Co., Ltd. (Guangdong, China) Wuxi Dachong Industry Co., Ltd. (Jiangsu, China)	GECOM Corp. (Indiana, U.S.A.) Mitsui Kinzoku ACT Mexicana, S.A. de C.V. (Guanajuato, Mexico) Mitsui Components Europe Ltd. (Wales, U.K.)

MITSUI MINING & SMELTING CO., LTD.
1-11-1, Osaki, Shinagawa-ku,
Tokyo 141-8584, Japan
Tel: 81-3-5437-8028
Fax: 81-3-5437-8029
URL: http://www.mitsui-kinzoku.co.jp/
E-mail: PR@mitsui-kinzoku.co.jp

Waterless Printing. Naturally
VEGETABLE OIL INK
Printed in Japan