MITSUI KINZOKU

MITSUI MINING & SMELTING CO., LTD.

Annual Report 2018

Contents

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 electronics-related materials, 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 automotive door-related parts and components.

Superior quality is the hallmark of Mitsui Kinzoku products and services. A team of more than 10,000 talented employees strives to ensure this quality and, in doing so, has maintained the integrity of the Mitsui Kinzoku name and its long-standing 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 capital investment in the private and public sectors, 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 2017 represents the year ended March 31, 2018.

Financial Highlights

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

	2017	2018	Change
Net Sales	¥436.3 billion	¥519.2 billion	19.0%
Operating Income	¥38.4 billion	¥49.5 billion	28.8%
Profit (Loss) Attributable to Owners of Parent	¥18.6 billion	¥(0.7) billion	—
Net Assets	¥184.4 billion	¥178.6 billion	(3.1)%
Interest-Bearing Debt	¥207.4 billion	¥208.4 billion	0.4%
Shareholders' Equity Ratio	33.5%	32.2%	(1.3) percentage points
Earnings per Share	¥32.7	¥(12.4)	—

Financial Summary

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

	2009	2010	2011	2012
Net sales	¥427,191	¥392,364	¥446,487	¥431,058
Operating income (loss)	(27,031)	27,881	30,208	20,903
Profit (loss) attributable to owners of parent	(67,256)	13,899	21,160	11,531
Research & development expenses	8,232	5,105	4,942	5,247
Depreciation and amortization	32,281	26,023	22,690	22,781
EBITDA	(19,801)	50,388	55,170	41,699
Total assets	410,258	416,541	411,027	413,106
Total shareholders' equity (Note 2)	94,145	111,341	125,947	131,717
Interest-bearing debt	202,468	191,515	171,460	169,263
Shareholders' equity ratio (%)	22.9	26.7	30.6	31.9
Net cash from operating activities	30,038	19,610	22,545	30,992
Net cash from investing activities	(36,922)	(17,823)	(26,286)	(31,039)
Net cash from financing activities	42,367	(13,188)	(13,569)	(6,969)
Operating income to total assets (%) (Note 3)	(6.0)	6.7	7.3	5.1
Profit (Loss) to total shareholders' equity (%) (Note 3)	(48.2)	13.5	17.8	9.0
Operating income to net sales (%)	(6.3)	7.1	6.8	4.8
Earnings per share (¥) (Note 4)	(117.6)	24.3	37.0	20.1
Cash dividends per share (¥) (Note 4)	—	3.0	6.0	3.0

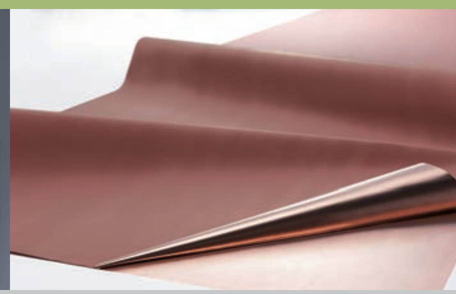
Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥106.25 to US$1.00, the rate prevailing at March 31, 2018.
2. Total net assets – non-controlling interests.
3. Total assets and total shareholders' equity are averages of beginning and end of the year.
4. Effective October 1, 2017, the Company implemented a change in the number of shares per unit (from 1,000 shares to 100 shares) and the consolidation of shares (10 shares into one).

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2013	2014	2015	2016	2017	2018	2018
	¥417,219	¥441,046	¥473,274	¥450,553	¥436,330	¥519,215	$4,886,729
	16,557	25,743	31,835	11,137	38,461	49,529	466,155
	9,910	3,662	17,237	(20,926)	18,674	(708)	(6,663)
	5,867	5,795	6,265	6,575	7,163	8,015	75,435
	23,952	24,178	25,146	25,060	24,414	26,634	250,672
	40,866	35,782	51,671	14,307	51,843	33,548	315,745
	438,072	503,825	538,646	484,800	518,981	522,418	4,916,875
	146,535	160,872	196,986	169,537	173,982	168,193	1,582,993
	180,372	218,500	210,391	191,733	207,421	208,419	1,961,598
	33.4	31.9	36.6	35.0	33.5	32.2	—
	38,058	38,003	37,245	50,397	24,218	52,436	493,515
	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(380,009)
	4,829	33,933	(12,814)	(21,925)	12,061	(4,114)	(38,720)
	3.9	5.5	6.1	2.2	7.7	9.5	
	7.1	2.4	9.6	(11.4)	10.9	(0.4)	
	4.0	5.8	6.7	2.5	8.8	9.5	
	17.3	6.4	30.1	(36.6)	32.7	(12.4)	(0.11)
	3.0	4.0	6.0	6.0	7.0	70.0	0.65

Mitsui Kinzoku Group at a Glance

Business segment	Major products

Engineered Materials

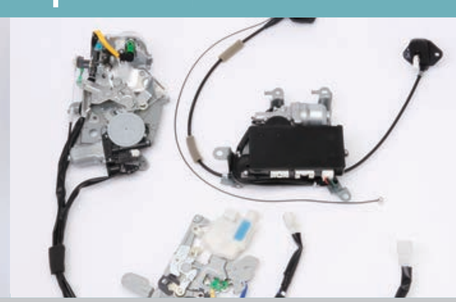



- Battery materials
- Catalysts
- Copper foil
- Physical vaper deposition (PVD) materials
- Engineered powders
- Ceramics

Metals

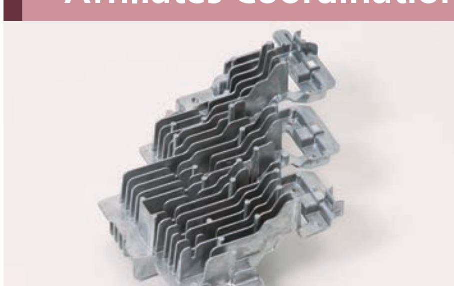

- Zinc smelting
- Zinc mining
- Lead smelting
- Metals recycling
- Copper mining and smelting

Automotive Parts & Components

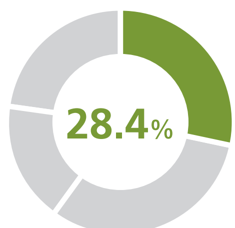
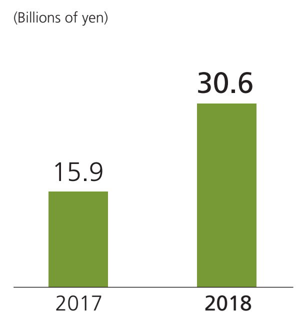
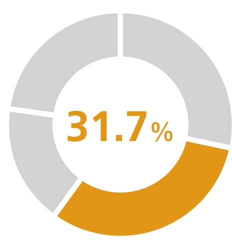
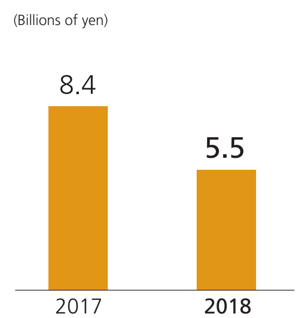
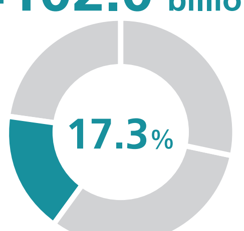
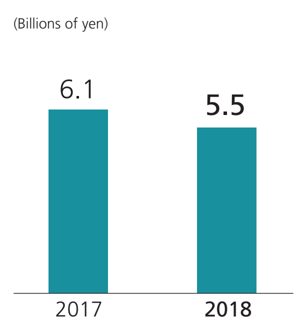
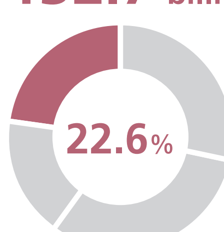
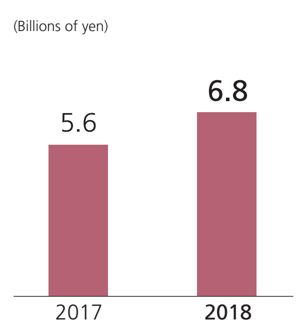



- Automotive parts and components

Affiliates Coordination




- Perlite
- Die-casting
- Rolled copper
- Engineering
- Other

(Main applications)	Net sales breakdown	Ordinary income
(dry batteries, hybrid-powered vehicles) (exhaust gas detoxifiers) (printed wiring boards) (flat panel displays) (electronics, toner for copiers) (furnace refractory, melted metal filtration)	¥167.2 billion 	
(galvanized steel, die-casting) (car batteries, inorganic chemicals) (electric wire, rolled copper and brass)	¥186.5 billion 	
(door latches, power slide door systems)	¥102.0 billion 	
(construction, liquid filtration) (automobiles, machines, home electronics) (electric parts, electrodes, roofs of buildings)	¥132.7 billion 	

Message from the President

Fiscal 2017 Performance

In fiscal 2017, the global economy trended firmly on the whole, supported in part by improving employment conditions and increased capital investment in developed countries, amid concerns about growing protectionism in Europe and North America and rising geopolitical risk. The U.S. economy continued to expand gradually, led by solid consumer spending reflecting strong employment conditions. In China, economic conditions held firm, owing to an increase in exports as well as robust internal demand, despite concerns about a slower economic recovery. Meanwhile, the Japanese economy remained on a gradual recovery path, supported by signs of an upturn in consumer spending, as capital investment increased and employment conditions improved against the backdrop of a rebound in corporate earnings.

Looking at the operating environment of the Mitsui Kinzoku Group, nonferrous metals prices for zinc, lead, and copper rose, while indium prices were sluggish through the first half of fiscal 2017, before starting to increase in the second half. In addition, the foreign exchange market had remained largely stable, but the yen appreciated sharply from the beginning of 2018. Applications for ultra-thin copper foil with carrier increased and demand was strong for sputtering targets for displays and exhaust gas detoxifying catalysts.

In this environment, fiscal 2017 was the second year of the 2016 Medium-Term Management Plan, which seeks to realize our vision for the Group 10 years from now: "Establish a structure that will continue to create growth products and businesses based on the three core businesses: engineered materials, metals and automotive parts and components." As the plan's second year, fiscal 2017 was positioned as an important year for gauging the plan's outcome. Specifically, we implemented various measures such as increasing production capacity in step with expanding applications for ultra-thin copper foil with carrier, generating earnings contributions from automotive exhaust gas detoxifying catalysts, strengthening the recycling business, establishing stable operations at the Caserones copper mine in Chile, and bolstering overseas bases for automotive parts. In addition, we invested in the hydroelectric power business, which is scheduled to begin contributing to earnings in fiscal 2019.

As a result, Mitsui Kinzoku's net sales in fiscal 2017, ended March 31, 2018, totaled ¥519.2 billion, up ¥82.8 billion (19.0%) from the previous fiscal year. Operating income increased ¥11.0 billion (28.8%) from the previous fiscal year, to ¥49.5 billion. The main growth drivers were the rise in the nonferrous metals market and an increase in the sales volumes of mainstay products in the engineered materials segment, despite decrease factors such as the large-scale periodic maintenance project of zinc smelting equipment in the metals segment. Ordinary income decreased ¥19.8 billion (63.8%) year on year to ¥11.2 billion. This decrease mainly reflected the recording of investment losses on equity method of ¥38.0 billion, including a ¥34.6 billion impairment loss on the Caserones copper mine in Chile. In extraordinary items, the Group recorded a ¥1.4 billion loss on disposal of property, plant and equipment, custom duties for prior periods of ¥1.0 billion and certain other items as extraordinary losses. After accounting for taxation expenses and profit attributable to non-controlling interests, the profit attributable to owners of parent worsened ¥19.3 billion from profit recorded in the previous fiscal year to a loss of ¥0.7 billion.

Medium- to Long-Term Growth Strategy

Fiscal 2018 is the final year of the 2016 Medium-Term Management Plan and a period to lay the groundwork for the next medium-term management plan. Accordingly, we will steadfastly implement the following key measures.

In the engineered materials segment, we will continue to bolster the copper foil business and the catalyst business. Specifically, in the copper foil business, the market for ultra-thin copper foil with carrier is expanding mainly as a result of the application of this product to smartphone motherboards. In response, we will increase production capacity and establish new production lines for ultra-thin copper foil with carrier. In the catalyst business, we will focus our efforts on maintaining market share for use in motorcycles and on establishing a production structure and deriving earnings contributions from automotive applications. In addition to bolstering these existing businesses, we will step up efforts to transform ourselves into a market co-creation-based enterprise (an enterprise that creates products and services together with customers as well as universities, research institutions and other partners), as we strive to create growth products and businesses.

In the metals segment, we will continue to concentrate in particular on measures to increase the processing volume of recycled materials.

For the Caserones copper mine, we will work to help establish a structure enabling stable operations and efficient production. Additionally, we expect the hydroelectric power business to start contributing to profit in fiscal 2019. With investments in the hydroelectric power business proceeding as planned, we will work to steadily start up this business.

In the automotive parts & components business, where our core product is door locks, we will keep working to lower costs to bolster our competitiveness at overseas bases and our earnings at domestic bases. In parallel, we will endeavor to win orders for the adoption of our products in new models, with the aim of expanding sales in the North American and Chinese markets.

In addition to these measures, we will work to steadily improve our financial structure, emphasizing cash flow, as we seek to make even more accurate business judgments than before. In doing so, we will strive to increase our corporate value by realizing a transformation to a corporate structure that is swift and competitive.

Outlook for Fiscal 2018

In fiscal 2018, the global economy is expected to remain on an expansionary path. However, protectionist trade policies in the U.S. and developments in countries affected by those policies must be watched closely. The Japanese economy is expected to see firm consumer spending and a gradual recovery in capital investment, while continuing to face geopolitical risks.

In the Group's business environment, the risks of a rise in energy costs and surging raw material prices still remain in place, along with the risk of fluctuations in nonferrous metals prices.

In these circumstances, the Group will execute measures to increase its corporate value.

Basic Policy on Distribution of Profits and Dividends in Fiscal 2017 and Fiscal 2018

Mitsui Kinzoku's basic policy on shareholder returns is to distribute profits appropriately according to business performance in conjunction with securing the internal reserves it will need for the Group's future business development and corporate structure. Amid major upheaval in the business environment, the Group will use internal reserves to fund investments that will be effective in implementing its global strategy by bolstering its R&D and production structures to meet market needs, along with achieving even greater cost competitiveness than before. In addition, the Group will seek to enhance its financial position by working to reduce interest-bearing debt.

In light of the Group's financial condition, business performance in fiscal 2017 and certain other factors, the Group has decided to pay year-end dividends of surplus of ¥70 per share, the same amount of dividends per share as in fiscal 2016 after conversion at the ratio of the consolidation of shares implemented on October 1, 2017.

With regard to dividends of surplus for fiscal 2018, in addition to the foregoing basic policy, the Group aims to return 20% of consolidated earnings as dividends to shareholders. At the same time, with the aim of delivering sustained and stable dividends, the Group is targeting a dividend on equity (DOE) of 2.5%. Accordingly, the Group plans to pay dividends of ¥90 per share in fiscal 2018.

Going forward, we will revise our shareholder returns policy according to progress on measures to strengthen our business foundation and improve our financial position.

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

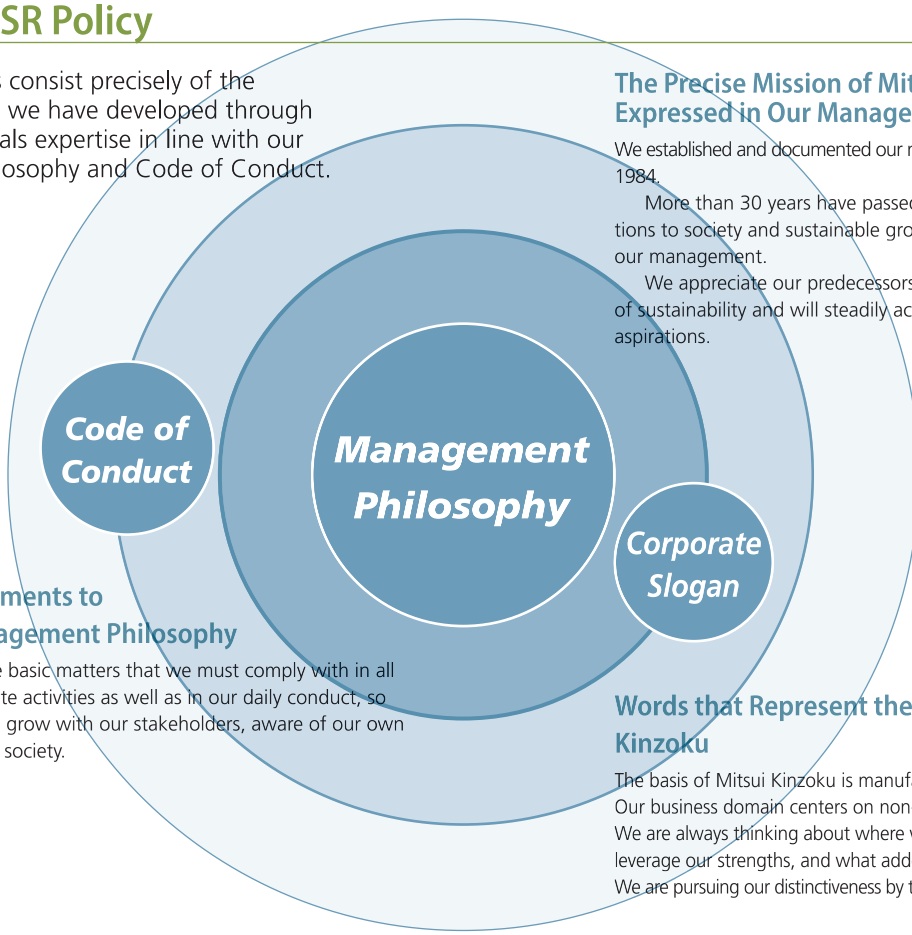
Keiji Nishida

President, Representative Director

Promoting CSR Activities

Our Basic CSR Policy

Our CSR activities consist precisely of the business activities we have developed through leveraging materials expertise in line with our Management Philosophy and Code of Conduct.



The Precise Mission of Mitsui Kinzoku Expressed in Our Management Philosophy

We established and documented our management philosophy in 1984.

More than 30 years have passed since we started contributions to society and sustainable growth as essential aspects of our management.

We appreciate our predecessors for their past perspective of sustainability and will steadily achieve their goals and aspirations.

Specific Commitments to Follow Our Management Philosophy

We have identified the basic matters that we must comply with in all aspects of our corporate activities as well as in our daily conduct, so that we will be able to grow with our stakeholders, aware of our own responsibilities toward society.

Words that Represent the Identity of Mitsui Kinzoku

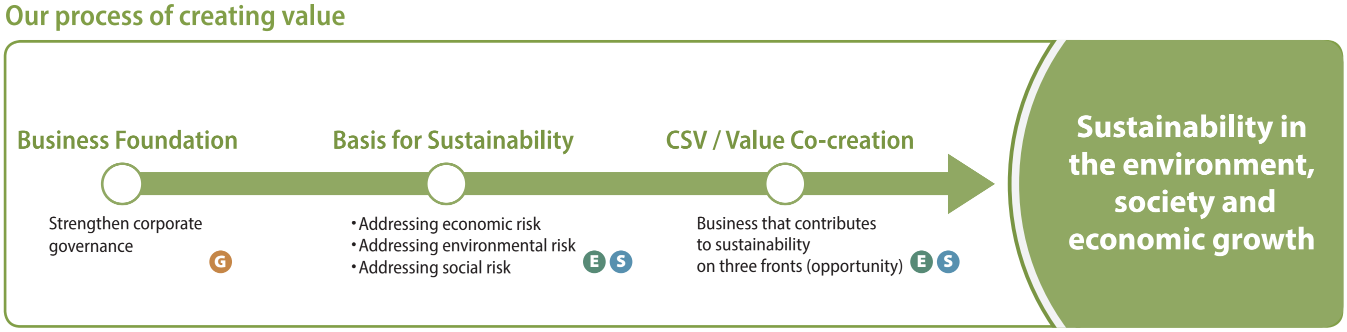
The basis of Mitsui Kinzoku is manufacturing.
Our business domain centers on non-ferrous metal materials.
We are always thinking about where we excel, how we should leverage our strengths, and what added value we can create.
We are pursuing our distinctiveness by thinking along these lines.

Vision for Value Creation and Sustainability

The Mitsui Kinzoku Group has developed a value creation process that facilitates sustainability in the environment, society and economic growth, based on a long-term vision for CSR initiatives derived from its Basic CSR Policy. The first pillar of CSR is corporate governance that strengthens our management foundation. The second pillar is our approach to managing risk in the economy, environment and society (i.e., the triple bottom line), the cornerstone of sustainability. From a foundation based on these two pillars, we eye opportunities in our aim to create businesses that also generate value for the economy, environment and society (i.e., create shared value (CSV)). The culmination of the Mitsui Kinzoku Group's CSR activities and management strategies represents one step beyond our business toward sustainability in the environment, society and economic growth on a global scale.

In accordance with this value creation process, Mitsui Kinzoku will further integrate CSR into its management strategies during the formulation of medium-term management plans from 2019 onward and reviews of materiality based on its medium-term management plan.

Our process of creating value



Referenced concepts: Triple bottom line (GRI, DJSI, etc.), creating shared value (CSV), opportunities and risks in ESG

Materiality Assessment

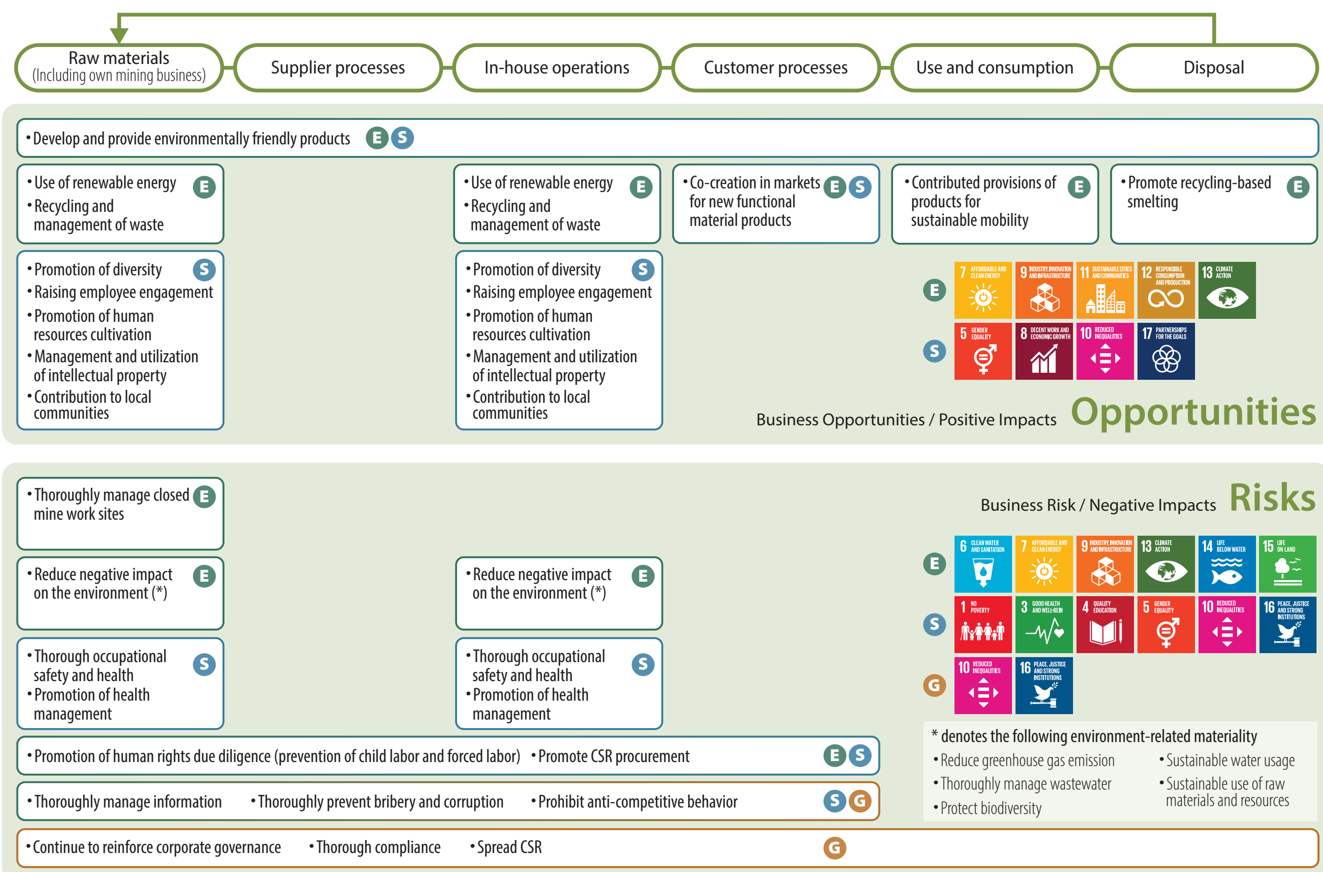
In fiscal 2016, the Mitsui Kinzoku Group defined 28 items as materiality issues that pertain to the opinions and expectations of specific stakeholders. In fiscal 2017, we conducted a materiality assessment in order set out a course for integrating our CSR activities (i.e., initiatives for the 28 materiality items) with our management strategy in preparation for formulating a medium-term management plan for 2019 onward and reviewing materiality based on our medium-term management plan. We then reevaluated the 28 identified materiality issues from the standpoint of their impact on management.

In our assessment from the standpoint of investors, a key stakeholder for the Group, we based our evaluation on growth, earnings (i.e., financial impact), risks and opportunities, while referring to evaluation methods for ESG investment, or investment behavior that takes the long view with consideration also paid to the environment and society. Since the goal of ESG investment is to create a sustainable economic system with consideration given to the environment, society and corporate governance, this methodology serves as a guide for integrating corporate CSR activities and management strategies.

Materiality assessment from an ESG standpoint is based on the following two axes for evaluating opportunities and risks in the value creation process. The value chain loop is on the horizontal axis, which represents materiality to various stakeholders at different stages. Materiality is assessed in terms of its impact on parts of the value chain and whether its scope is narrow or broad.

Risks and opportunities are situated along the vertical axis, as materiality that represents a management risk that must be mitigated or as one that shows potential for business opportunities.

As a standard for defining what is an opportunity and what is a risk for the management of the Mitsui Kinzoku Group, we referred to the United Nations' targets for 2030 embodied in the 17 Sustainable Development Goals (SDGs) for the world. As a common language for the entire world, these SDGs help steer the course of management in the right direction while setting definitions for this direction in order to avoid confusion.



For more information about our CSR activities, please read the CSR Report on the Company's website.
https://www.mitsui-kinzoku.co.jp/en/csr/environment/

Corporate Governance

Fundamental Principles regarding Corporate Governance

The Company considers corporate governance to be the system for making transparent, fair, prompt, and bold decisions by taking into account the views of stakeholders, such as shareholders, customers, employees and local communities. The Company develops business organizational structures and systems and takes the measures necessary to realize its management philosophy of, "With creativity and productivity, we, the Mitsui Kinzoku Group, will explore products of value to society, and seek the eternal growth of our Group." The Group views corporate governance as one of its most important managerial tasks.

Pursuing its objective of "making a contribution to all stakeholders," the Company executes policies throughout the business groups by focusing on the following:

- Providing shareholders with payments of sound dividends consistent with the Company's performance, and disclosing information in an appropriate manner.
- Providing customers with high-value products.
- Establishing harmonious and mutually prosperous relationships with local communities.
- Creating a rewarding working environment and working conditions for employees.

Moreover, as an institutional foundation that enables the Company to carry out fair and valuable business activities, the Company has been taking the following measures and others.

- Establishing various company regulations and rules, including the Code of Ethics
- Electing an Outside Director and Outside Corporate Auditors
- Introducing various audit systems and whistle-blowing 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.

In order to reinforce the functions of the Board of Directors, the Compensation Committee and Nominating Committee, consisting of the President, the Director in charge of the Personnel Department, Outside Directors, etc., have been established.

Regarding the execution of 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.

There are Executive Officers who also serve concurrently as Directors. The President and Representative Director assumes the highest management responsibilities in planning, deciding, and promoting the management plans of the Mitsui Kinzoku Group, as well as the highest business executive responsibilities in running the businesses of the Mitsui Kinzoku Group.

■ Corporate Auditors

The Company has adopted the corporate auditor system, and as of June 29, 2017, it has four Corporate Auditors, including two full-time Internal Corporate Auditors with experience in running the Company's business and two part-time Outside Corporate Auditors. Corporate Auditors primarily audit the Directors and the performance of their duties based on audit plans decided by the Board of Corporate Auditors.

The Board of Corporate Auditors consists of all the Corporate Auditors, and ensures 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.

The Board of Corporate Auditors is convened at least once a month. In addition, the Company has established a Corporate Auditor Office with five staff members (a concurrent position) to support the Corporate Auditors.

■ Accounting Auditor

The Company has entered into an audit agreement with KPMG AZSA LLC, and undergoes accounting audits based on the provisions stated in law. The accounting audits of the Company were executed by three Certified Public Accountants (CPAs) who are designated limited liability partners and the managing partners of KPMG AZSA LLC. There are 8 CPAs and 13 other assistants who help with the accounting audit operations performed by the CPAs.

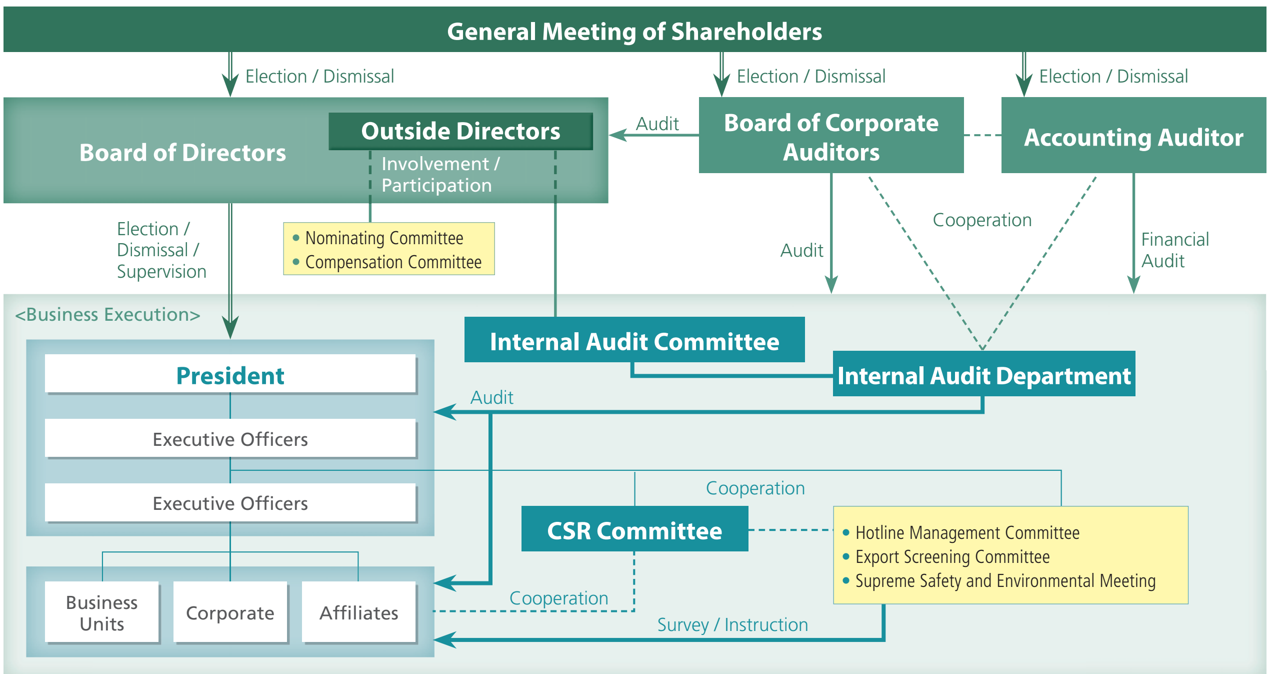
Basic Approach to Internal Control Systems

The Company believes that conducting fair business activities that observe corporate ethics and comply with laws and regulations is essential if the Company is to achieve long-term development and sustained growth.

Based on this belief, the Company's Board of Directors has made a resolution about the development of a structure to ensure that the Mitsui Kinzoku Group conducts operations in an appropriate manner. The outline of the resolution is as follows:

1. Systems for ensuring that the execution of duties by the Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations and the Company's Articles of Incorporation
2. Systems for storing and safekeeping of information related to the execution of the duties of the Directors
3. Regulations and systems concerning the management of losses and hazards of the Company and its subsidiaries
4. Systems to ensure that the Directors of the Company and its subsidiaries execute their duties efficiently

Corporate Governance System of the Mitsui Kinzoku Group



(Note) Corporate Auditors and the auditors of each affiliate cooperate whenever necessary.

5. Systems for reporting to the Company of matters related to the execution of duties by Directors of the Company's subsidiaries
6. Matters concerning employees who are to assist the duties of Corporate Auditors when Corporate Auditors request assignment of such employees, and matters related to ensuring the independence of such employees from Directors and effectiveness of instructions given by Corporate Auditors to such employees
7. Systems for Directors and employees to report to the Corporate Auditors; systems for Directors, Corporate Auditors, and employees of the Company's subsidiaries and for persons who received reporting from such persons to report to the Corporate Auditors; and other systems regarding reporting to the Corporate Auditors
8. Systems to ensure that persons who reported to the Corporate Auditors will not receive detrimental treatment because of the reporting
9. Matters concerning procedures for advance payment or reimbursement of fees arising in connection with the execution of duties by the Corporate Auditors and other policies regarding handling costs or obligations arising in connection with the execution of such duties
10. Other systems to ensure that audits by the Corporate Auditors are performed effectively

The whistle-blowing system (the Mitsui Kinzoku hotline) has been applied throughout the Mitsui Kinzoku Group to ensure the practical effectiveness of these regulations and to prevent and accurately detect internal fraud at an early stage.

The Company has been strengthening its internal control functions by organizing an Internal Audit Committee, with an Outside Director serving as the Chairman, which is directly supervised by the Company's Board of Directors. The Company has also established the Internal Audit Department to carry out internal audits, and has the Corporate Auditors and Accounting Auditor carry out audits.

In addition, the Company takes a number of measures to ensure the soundness of its corporate activities, including the implementation of audits related to environmental preservation and safety assurance by the Environment and Safety Department and other parties.

Basic Approach towards 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 everyone must firmly stand against antisocial forces and/or organizations, and hold no relationships whatsoever with these parties.

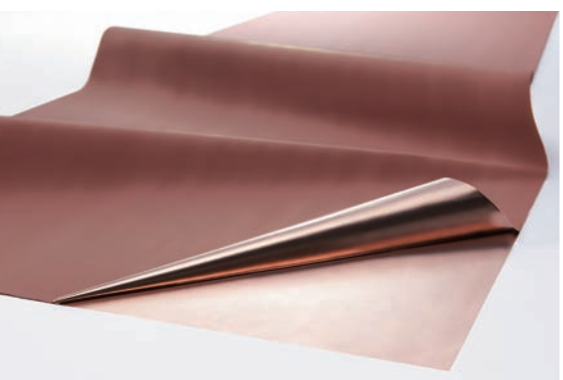
The Company will continue working to further strengthen the structure for excluding antisocial forces and/or organizations.

Review of Operations

Engineered Materials Segment

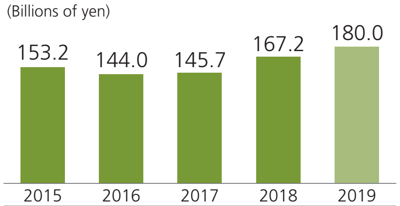
Cutting-edge materials and technologies that support electronics and environment-friendly society

Automotive exhaust detoxifying catalysts

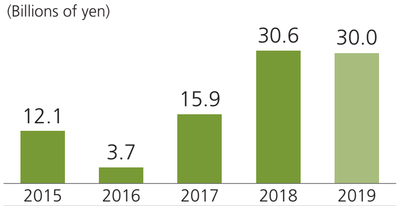


Copper foil

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Operations

- Exhaust gas detoxifying catalysts — From its eight production facilities in the seven countries of India, Indonesia, Thailand, Vietnam, China, the United States and Japan, Mitsui Kinzoku manufactures exhaust catalysts for motorcycles and automobiles. Mitsui Kinzoku is the world's leading manufacturer of this product for motorcycles.
- Electrodeposited copper foil — This mainstay product is essential to the printed circuit boards used in electronic equipment. The Company is the market leader in copper foil from commodity to high-end products, in terms of both broad product range and development capability. Particularly in high-end copper foil, Mitsui Kinzoku is the world's top manufacturer in terms of technological superiority, production capabilities and market share.
- Battery materials — This division is involved in the manufacture of hydrogen storage alloys for nickel hydride batteries which are primarily used in hybrid cars, and lithium manganese oxide for use in lithium-ion batteries.
- PVD materials — This division produces target materials including indium tin oxide, a material for transparent conductive film mainly for use on LCD panels.
- Other engineered materials — This division produces copper powder, silver powder, high-purity tantalum oxide, cerium polishing materials and single crystals.

Business environment

- Exhaust gas detoxifying catalysts — Sales volume of catalysts for detoxifying motorcycle exhaust gas increased due to firm demand, mainly reflecting stricter environmental regulations in Asian countries. Automotive exhaust detoxifying catalysts saw an increase in sales volume atop solid demand for models fitted with these catalysts in the U.S. As a result, sales increased year on year.
- Electrodeposited copper foil — Sales volume of ultra-thin copper foil with carrier increased, mainly due to growth in applications for smartphone motherboards. Electrodeposited copper foil for printed wiring boards saw a decrease in sales volume as production was shifted to ultra-thin copper foil with carrier. However, the overall sales of copper foil increased year on year.
- Battery materials — The market for environmentally friendly vehicles such as hybrid and electric cars was strong. Nevertheless, overall sales volumes declined, mainly due to a change in the main raw materials used in lithium-ion batteries. As a result, sales decreased year on year.
- PVD materials — Sales volumes of mainstay sputtering targets for displays increased owing to firm demand led by the shift to larger LCD panels in China and Taiwan. However, sales prices declined. As a result, sales declined year on year.
- Engineered powders — Sales volume of high-purity tantalum oxide decreased, mainly due to production adjustments by major customers, despite firm overall demand for use in smartphones. Meanwhile, sales volume of metallic powders for electronic materials rose due to increased demand for use in automobiles, where vehicle electrification is advancing, and in IoT, in addition to demand for use in smartphones. As a result, sales increased year on year.

Fiscal 2017 business performance

Segment sales increased ¥21.4 billion (14.7%) to ¥167.2 billion. Ordinary income rose ¥14.6 billion (92.2%) to ¥30.6 billion, mainly due to sales volume growth for core products.

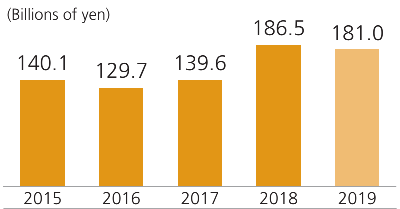
Metals Segment

Expand earnings by restructuring the resource business and making a structural transition to recycling-based smelting

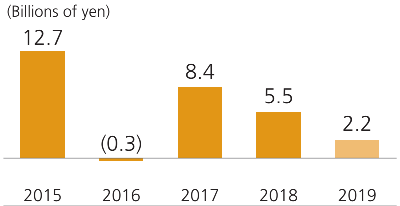
Lead from vehicle batteries

Smelting operations

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Operations

- Zinc smelting & metals recycling — 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. We use smelting plants in Japan to contribute to the recycling of resources by recovering precious metals from the substrates of recyclable electronic equipment and components, such as lead from vehicle batteries and zinc from steelmakers' electric furnace dust.
- Mining — Approximately 10% of the zinc ore that Mitsui Kinzoku requires for its smelting operations is obtained from the Huanzala mine that the Company operates in Peru, while about 40% is obtained from recycled materials. The remaining zinc ore is purchased from overseas mining companies.
- Copper division — We established Pan Pacific Copper Co., Ltd. through a joint investment with JX Nippon Mining & Metals Corporation and are developing our domestic copper smelting business and the commercial production of copper ores at the Caserones copper mine in Chile.

Business environment

- Zinc — Sales volumes of zinc increased mainly atop firm demand for use in highly corrosion-resistant galvanized steel sheets, despite sluggish demand for use in zinc-plated steel sheets in Japan. Additionally, zinc sales increased from the previous fiscal year as higher prices on the London Metal Exchange (LME) led to higher prices in Japan as well.
- Gold and silver — Gold and silver sales increased year on year, mainly due to higher sales volume reflecting firm prices in the international market.
- Lead — Demand for lead storage batteries in Japan grew, underpinned by solid demand for battery replacements in automobile repairs. Further, as prices for lead rose on the LME and in Japan, sales increased year on year.

Going forward, we will continue to concentrate in particular on measures to increase the processing volume of recycled materials. For the Caserones copper mine, we will work to help establish a structure enabling stable operations and efficient production. Additionally, we expect the hydroelectric power business to start contributing to profit in fiscal 2019. With investments in the hydroelectric power business proceeding as planned, we will work to steadily start up this business.

Fiscal 2017 business performance

Segment sales grew ¥46.8 billion (33.6%) to ¥186.5 billion. Ordinary income decreased ¥2.9 billion (34.8%) to ¥5.5 billion. This decline was mainly due to a negative impact on earnings from the large-scale periodic maintenance project of zinc smelting equipment, despite a rise in nonferrous metals prices.

Automotive Parts & Components Segment

Enjoying global reputations and trust in the field of automotive parts

Door latches

Power drive units

Operations

- High-performance automotive parts and components — Mitsui Kinzoku operates automotive component factories in eight major vehicle-producing countries — Japan, the United States, Thailand, China, the United Kingdom, Mexico, India and Indonesia. Our factories principally manufacture door-related parts, including latches, for which the Company has a global market share of 15%. These products are supplied mainly to Japanese automakers.

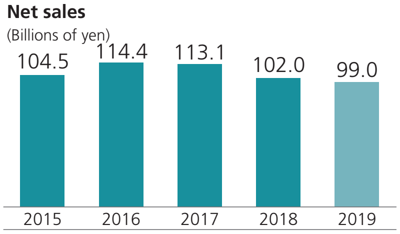
Business environment

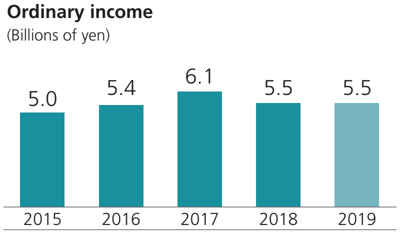
The domestic automobile market showed signs of recovery. However, the Chinese market saw a deceleration in growth and the U.S. market was sluggish. Sales volume of side door latches declined in Japan mainly due to production adjustments by major customers. In China, sales volume increased atop firm demand for sport utility vehicles, but sales prices decreased, leading to a decrease in sales value. Ordinary income decreased mainly due to higher costs in line with rising steel prices.

Looking ahead, we will keep working to lower costs to bolster our competitiveness at overseas bases and our earnings at domestic bases. In parallel, we will endeavor to win orders for the adoption of our products in new models, with the aim of expanding sales in the North American and Chinese markets.

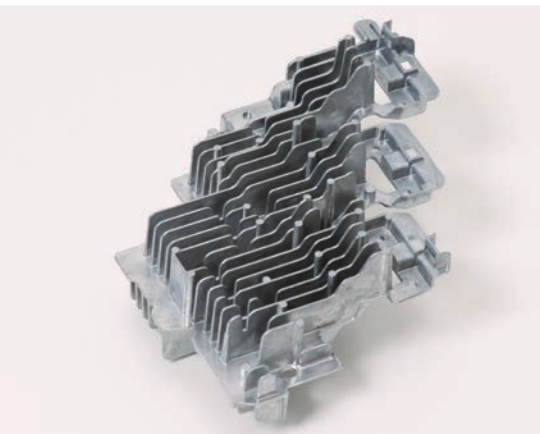
Fiscal 2017 business performance

Segment sales declined ¥11.1 billion (9.9%) to ¥102.0 billion. Ordinary income decreased ¥0.6 billion (10.9%) year on year to ¥5.5 billion.





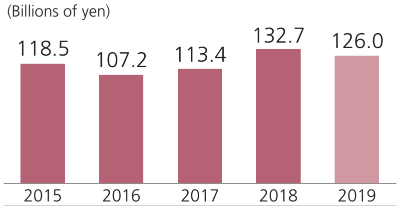
Affiliates Coordination Segment



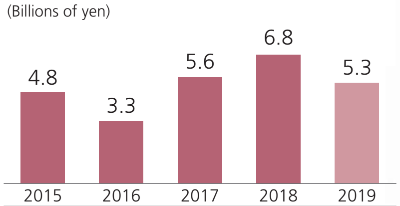
Die-casting

Perlite

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Operations

- Industrial plant engineering — This business sector is engaged in an integrated range of activities including planning, project management, instruction of operations and maintenance at our nonferrous metal smelting plants in addition to various industrial plants.
- Die-casting — This division produces magnesium, aluminum and zinc die-cast products.
- Rolled copper — This division is currently operated by Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd., that offers plates and coils made using copper, copper alloys, and brass, which is an alloy of copper and zinc, as well as various other rolled copper products. Our rolled copper products are used in various applications centered around automotive terminals and consumer device terminals.
- Perlite — This product is an environmentally friendly material made from naturally derived pearlstone or pitchstone, a natural volcanic glass. It is used in a wide range of applications, such as soil improvement material and insulation.

Business environment

- Industrial plant engineering — Demand for orders concerning industrial plant projects overseas were sluggish. However, net sales increased, mainly reflecting the recording of completion payments for hydroelectric power generation facilities based on the project execution standard and a large-scale metals fabrication plant construction project.

Fiscal 2017 business performance

Segment sales in the Affiliate Coordination segment grew ¥19.2 billion (17.0%) to ¥132.7 billion, and ordinary income rose ¥1.1 billion (20.2%) to ¥6.8 billion. The main contributing factors were an increase in sales volumes of die-cast products and other items, and a rise in nonferrous metals prices, along with industrial plant engineering.

Directors, Corporate Auditors and Executive Officers

(As of June 28, 2018)

Board of Directors

Keiji Nishida

President, Representative Director

Takeshi Nou

Representative Director, Managing Director,
Senior Executive Officer, Engineered Materials Sector

Isshi Hisaoka

Director, Senior Executive Officer,
Metals Sector

Takashi Oshima

Director, Senior Executive Officer,
Corporate Planning & Control Sector

Junya Sato

Outside Director

Morio Matsunaga

Outside Director

Corporate Auditors

Akira Yoshida

Takashi Kadowaki

Masaharu Miura
Outside Auditor

Toru Ishida
Outside Auditor

Executive Officers

Satoshi Tsunoda
Shigeo Hirayama
Yoshihiro Sera
Makoto Miyaji
Kouichi Kanbayashi
Masayuki Misawa
Hiroshi Mozumi
Makoto Yamagata
Noriyuki Maruyama
Masato Okabe
Akira Kutsunai
Kiyotaka Yasuda
Masashi Yamashita
Yun Tan

Senior Executive Officers

Hisakazu Kibe
Affiliates Coordination Strategic Sector

Hiroshi Igata
President and Representative Director,
Mitsui Kinzoku ACT Corporation

Fellow

Isamu Yashima

Financial Section

Five-Year Summary

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

	Millions of yen				
	2018	2017	2016	2015	2014
For the year:					
Net sales	**¥519,215**	¥436,330	¥450,553	¥473,274	¥441,046
Cost of sales	**417,796**	349,051	388,546	395,695	370,404
Gross profit	**101,419**	87,278	62,007	77,578	70,642
Selling, general and administrative expenses	**51,889**	48,817	50,869	45,742	44,898
Operating income	**49,529**	38,461	11,137	31,835	25,743
Ordinary income (loss)	**11,239**	31,047	(11,284)	21,096	13,656
Profit (loss) before income taxes	**7,741**	25,931	(12,558)	24,534	9,382
Profit (loss) attributable to owners of parent	**(708)**	18,674	(20,926)	17,237	3,662
Comprehensive income	**(1,065)**	8,594	(23,661)	40,097	17,408
At year-end:					
Total current assets	**¥254,501**	¥229,068	¥194,923	¥221,153	¥198,392
Total assets	**522,418**	518,981	484,800	538,646	503,825
Total current liabilities	**172,456**	172,656	138,442	155,631	159,891
Long-term liabilities	**171,309**	161,903	166,791	175,907	174,066
Net assets	**178,652**	184,421	179,566	207,106	169,867
Per share data:					
Earnings (loss) per share (¥)	**¥ (12.40)**	¥ 32.70	¥ (36.64)	¥ 30.18	¥ 6.41
Cash dividends applicable to the year (¥)	**70.00**	70.00	60.00	60.00	40.00
Number of employees	**12,276**	11,630	11,132	10,804	10,802

Financial Review

The forward-looking statements contained in this section represent the Company's judgment as of March 31, 2018.

Overview of fiscal 2017

On a consolidated basis, the Company's net sales during fiscal 2017, ended March 31, 2018, increased ¥82.8 billion (19.0%) from the previous fiscal year, to ¥519.2 billion. Operating income increased ¥11.0 billion (28.8%) from the previous fiscal year, to ¥49.5 billion. This increase was mainly attributable to a rise in the nonferrous metals market and an increase in the sales volume of mainstay products in the Engineered Materials segment, despite decrease factors such as the large-scale periodic maintenance project of zinc smelting equipment in the Metals segment. The Company's ordinary income decreased ¥19.8 billion (63.8%) year on year, to ¥11.2 billion. This reflected the recording of ¥38.0 billion in investment losses on equity method, including an impairment loss of ¥34.6 billion on the Caserones copper mine in Chile. In extraordinary items, the Group recorded extraordinary losses that included a ¥1.4 billion loss on disposal of property, plant and equipment, and custom duties for prior periods of ¥1.0 billion. After accounting for taxation expenses and profit attributable to non-controlling interests, the profit attributable to owners of parent worsened ¥19.3 billion to a loss of ¥0.7 billion.

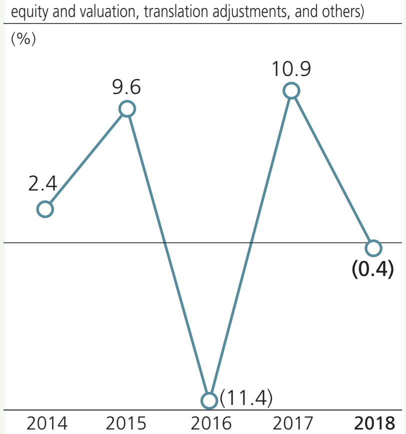
Financial position

Total assets increased ¥3.4 billion from the previous fiscal year-end to ¥522.4 billion. This change was mainly attributable to increases of ¥13.9 billion in property, plant and equipment, ¥13.5 billion in inventories, and ¥7.0 billion in cash and deposits, despite the fact that investment securities decreased ¥40.0 billion.

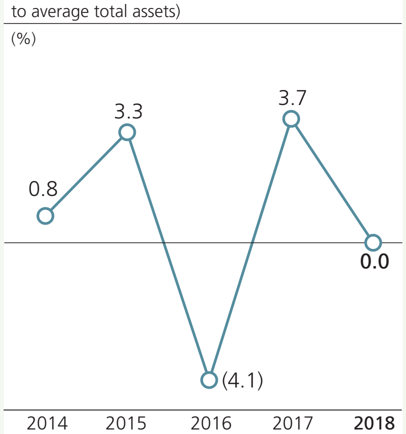
Total liabilities increased ¥9.2 billion from the previous fiscal year-end to ¥343.7 billion. This change was mainly attributable to increases of ¥4.1 billion for capital investment and notes and accounts payable, ¥0.9 billion in short- and long-term borrowings, straight bonds and commercial paper, and ¥2.2 billion in derivative liabilities.

Total net assets decreased ¥5.7 billion from the previous fiscal year-end, to ¥178.6 billion. This decline mainly reflected decreases due to the recording of ¥0.7 billion as a loss attributable to owners of parent, of ¥3.9 billion owing to the payment of dividends, and an increase of ¥0.9 billion in deferred losses on hedges, net of tax. As a result, the shareholders' equity ratio decreased 1.3 percentage points from the previous fiscal year-end, to 32.2%.

ROE
(Profit (loss) attributable to owners of parent to average owners' equity and valuation, translation adjustments, and others)



ROA
(Profit (loss) attributable to owners of parent to average total assets)



Cash flows

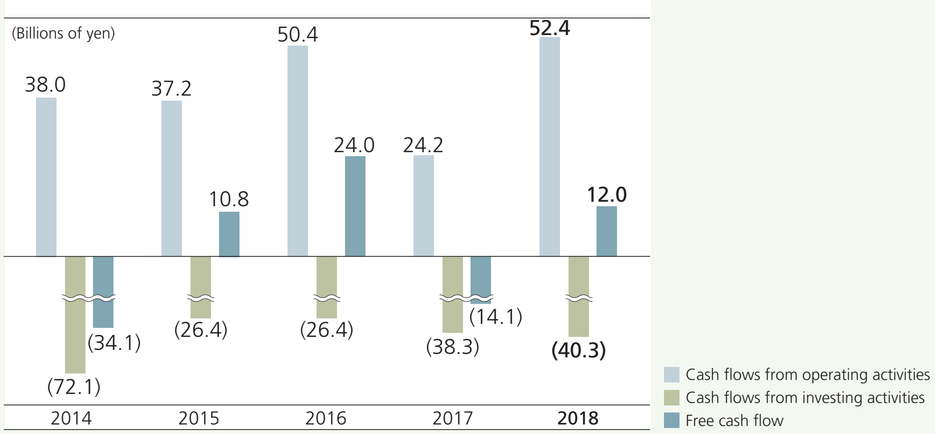
Net cash provided by operating activities was ¥52.4 billion, an increase of ¥28.2 billion from the previous fiscal year. This was primarily attributable to cash provided of ¥7.7 billion in profit before income taxes, ¥26.6 billion in depreciation and amortization, and ¥38.0 billion in investment losses on equity method, which was partially offset by cash used including a ¥12.9 billion increase in inventories and ¥9.7 billion in income taxes paid.

Net cash used in investing activities amounted to ¥40.3 billion, an increase of ¥2.0 billion from the previous fiscal year. Expenditures mainly consisted of ¥40.4 billion for the acquisition of property, plant and equipment, and other assets.

Net cash used in financing activities totaled ¥4.1 billion, a change of ¥16.1 billion from ¥12.0 billion provided in the previous fiscal year. This change was mainly attributable to a ¥1.3 billion increase in short- and long-term borrowings, straight bonds and commercial paper, and a ¥3.9 billion payment for cash dividends

As a result of the above, cash and cash equivalents, including foreign currency translation adjustments, increased ¥8.4 billion from the end of the previous fiscal year to ¥22.3 billion.

Cash flows



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets			
Current assets:			
Cash and deposits (Notes 5 and 15)	¥ 22,379	¥ 15,304	$ 210,625
Notes and accounts receivable (Note 15):			
Trade	94,452	88,707	888,960
Unconsolidated subsidiaries and affiliates	6,087	6,801	57,289
Inventories (Note 3)	113,645	100,089	1,069,600
Deferred tax assets (Note 14)	4,965	4,349	46,729
Derivatives (Notes 15 and 16)	1,693	1,477	15,934
Other current assets	11,431	12,537	107,585
Less: Allowance for doubtful accounts	(154)	(199)	(1,449)
Total current assets	254,501	229,068	2,395,303
Investments and other assets:			
Investment securities (Notes 4 and 15):			
Unconsolidated subsidiaries and affiliates	52,684	92,357	495,849
Others	12,315	12,732	115,905
Loans receivable:			
Unconsolidated subsidiaries and affiliates	24	40	225
Others	458	467	4,310
Deferred tax assets (Note 14)	6,015	2,715	56,611
Asset for retirement benefits (Note 17)	4,624	3,939	43,520
Others	8,578	8,438	80,734
Less: Allowance for doubtful accounts	(155)	(174)	(1,458)
Total investments and other assets	84,546	120,515	795,727
Property, plant and equipment (Note 7):			
Land	33,693	33,746	317,110
Buildings and structures	175,761	167,307	1,654,221
Machinery and equipment	368,082	344,783	3,464,301
Leased assets	4,263	4,190	40,122
Construction in progress	16,436	15,609	154,691
Others	56,191	53,614	528,856
	654,428	619,252	6,159,322
Less: Accumulated depreciation	(471,059)	(449,855)	(4,433,496)
Total property, plant and equipment	183,369	169,397	1,725,825
Total assets	¥ 522,418	¥ 518,981	$ 4,916,875

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and commercial papers (Notes 6 and 15)	¥ 45,341	¥ 49,908	$ 426,738
Current portion of long-term debt (Notes 6 and 15)	32,708	35,006	307,840
Notes and accounts payable (Note 15):			
Trade	38,787	37,755	365,054
Unconsolidated subsidiaries and affiliates	4,643	4,576	43,698
Others	15,193	13,483	142,992
Current portion of lease liabilities	337	392	3,171
Accrued income taxes	4,050	3,896	38,117
Accrued expenses	9,547	8,129	89,854
Deferred tax liabilities (Note 14)	2	27	18
Provision for product warranties	1,316	1,185	12,385
Provision for loss on construction contracts	220	241	2,070
Provision for improvement of business structure	36	129	338
Provision for loss on disposal of inventories	312	375	2,936
Derivative liabilities (Notes 15 and 16)	7,442	5,211	70,042
Other current liabilities	12,514	12,335	117,778
Total current liabilities	172,456	172,656	1,623,115
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	130,369	122,507	1,227,002
Lease liabilities	1,124	1,326	10,578
Directors' and corporate auditors' retirement benefits	554	537	5,214
Deferred tax liabilities (Note 14)	6,616	5,191	62,268
Provision for environmental countermeasures	1,120	1,239	10,541
Provision for preventing environmental pollution in mineral, mining, and other operations	1,053	1,237	9,910
Asset retirement obligations (Note 21)	3,065	3,224	28,847
Liability for retirement benefits (Note 17)	26,542	25,923	249,807
Other long-term liabilities	862	716	8,112
Total long-term liabilities	171,309	161,903	1,612,320
Total liabilities	343,765	334,560	3,235,435
Commitments and contingent liabilities (Note 8)			
Net Assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized – 190,000 thousand shares in 2018 and 1,944,000 thousand shares in 2017			
Issued – 57,296 thousand shares in 2018 and 572,966 thousand shares in 2017	42,129	42,129	396,508
Capital surplus	22,648	22,557	213,157
Retained earnings	93,113	97,633	876,357
Less: Treasury stock 188 thousand shares in 2018 and 1,865 thousand shares in 2017	(619)	(605)	(5,825)
Total shareholders' equity	157,271	161,713	1,480,197
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of tax	2,606	2,666	24,527
Deferred gains (losses) on hedges, net of tax	(4,696)	(3,698)	(44,197)
Foreign currency translation adjustments	13,532	13,982	127,360
Accumulated adjustments for retirement benefit (Note 17)	(519)	(682)	(4,884)
Total accumulated other comprehensive income	10,922	12,268	102,795
Non-controlling interests in consolidated subsidiaries	10,459	10,439	98,437
Total net assets	178,652	184,421	1,681,430
Total liabilities and net assets	¥522,418	¥518,981	$4,916,875

Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net sales (Note 13)	¥519,215	¥436,330	$4,886,729
Cost of sales (Notes 3 and 11)	417,796	349,051	3,932,197
Gross profit	101,419	87,278	954,531
Selling, general and administrative expenses (Notes 10 and 11)	51,889	48,817	488,367
Operating income	49,529	38,461	466,155
Non-operating income (expenses):			
Interest and dividend income	1,824	2,049	17,167
Interest expense	(1,392)	(1,497)	(13,101)
Foreign exchange losses	(853)	(1,623)	(8,028)
Investment losses on equity method	(38,044)	(6,303)	(358,061)
Real estate rent	725	692	6,823
Other, net	(550)	(730)	(5,176)
	(38,290)	(7,413)	(360,376)
Ordinary income (Note 13)	11,239	31,047	105,778
Extraordinary income (losses):			
Gain on sale of investment securities	128	573	1,204
Gain on sale of property, plant and equipment (Note 12)	87	62	818
Loss on sale and disposal of property, plant and equipment (Note 12)	(1,497)	(2,998)	(14,089)
Loss on impairment of fixed assets (Note 19)	(287)	(2,044)	(2,701)
Environmental expenses	(716)	(274)	(6,738)
Gain on transfer of business	115	—	1,082
Custom duties for prior year	(1,098)	—	(10,334)
Other, net (Note 12)	(229)	(435)	(2,155)
	(3,497)	(5,116)	(32,912)
Profit before income taxes	7,741	25,931	72,856
Income taxes (Note 14):			
Current	9,562	7,933	89,995
Deferred	(2,096)	(1,607)	(19,727)
	7,466	6,325	70,268
Profit	275	19,605	2,588
Profit attributable to non-controlling interests	983	931	9,251
Profit (loss) attributable to owners of parent	¥ (708)	¥ 18,674	$ (6,663)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings (loss) per share (Note 18)	¥(12.40)	¥326.98	$(0.11)
Cash dividends applicable to the year (Note 9)	70.00	7.00	0.65

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit	¥ 275	¥ 19,605	$ 2,588
Other comprehensive income:			
Net unrealized (losses) gains on securities, net of tax	(80)	937	(752)
Deferred losses on hedges, net of tax	(1,718)	(6,585)	(16,169)
Foreign currency translation adjustments	1,108	(3,111)	10,428
Remeasurements of defined benefit plans, net of tax	176	(131)	1,656
Share of other comprehensive income of associates accounted for using equity method	(826)	(2,119)	(7,774)
Total other comprehensive income (Note 22)	(1,340)	(11,011)	(12,611)
Comprehensive income	¥(1,065)	¥ 8,594	$(10,023)
(Breakdown)			
Comprehensive income attributable to owners of parent	¥(2,054)	¥ 7,874	$(19,331)
Comprehensive income attributable to non-controlling interests	988	719	9,298

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	(Thousands)	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	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	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2017	572,966	¥42,129	¥22,557	¥97,633	¥(605)	¥161,713	¥2,666	¥(3,698)	¥13,982	¥(682)	¥12,268	¥10,439	¥184,421
Cash dividends paid				(3,997)		(3,997)							(3,997)
Loss attributable to owners of parent				(708)		(708)							(708)
Acquisition of treasury stock					(13)	(13)							(13)
Disposition of treasury stock			0		0	0							0
Change of scope of consolidation				185		185							185
Change in treasury shares of parent arising from transactions with non-controlling shareholders			91			91							91
Net changes of items other than shareholders' equity							(60)	(998)	(450)	163	(1,346)	19	(1,326)
Balance at March 31, 2018	57,296	¥42,129	¥22,648	¥93,113	¥(619)	¥157,271	¥2,606	¥(4,696)	¥13,532	¥(519)	¥10,922	¥10,459	¥178,652

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

	(Thousands)	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	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	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2016	572,966	¥42,129	¥22,557	¥82,385	¥(603)	¥146,469	¥1,705	¥ 2,489	¥19,434	¥(561)	¥ 23,067	¥10,029	¥179,566
Cash dividends paid				(3,426)		(3,426)							(3,426)
Profit attributable to owners of parent				18,674		18,674							18,674
Acquisition of treasury stock					(2)	(2)							(2)
Change of scope of consolidation						—							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(0)			(0)							(0)
Net changes of items other than shareholders' equity							961	(6,187)	(5,452)	(121)	(10,799)	409	(10,389)
Balance at March 31, 2017	572,966	¥42,129	¥22,557	¥97,633	¥(605)	¥161,713	¥2,666	¥(3,698)	¥13,982	¥(682)	¥ 12,268	¥10,439	¥184,421

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	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	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2017	$396,508	$212,301	$918,898	$(5,694)	$1,522,004	$25,091	$(34,804)	$131,595	$(6,418)	$115,463	$98,249	$1,735,727
Cash dividends paid			(37,618)		(37,618)							(37,618)
Loss attributable to owners of parent			(6,663)		(6,663)							(6,663)
Acquisition of treasury stock				(122)	(122)							(122)
Disposition of treasury stock		0		0	0							0
Change of scope of consolidation			1,741		1,741							1,741
Change in treasury shares of parent arising from transactions with non-controlling shareholders		856			856							856
Net changes of items other than shareholders' equity						(564)	(9,392)	(4,235)	1,534	(12,668)	178	(12,480)
Balance at March 31, 2018	$396,508	$213,157	$876,357	$(5,825)	$1,480,197	$24,527	$(44,197)	$127,360	$(4,884)	$102,795	$98,437	$1,681,430

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 7,741	¥ 25,931	$ 72,856
Depreciation and amortization	26,634	24,414	250,672
Loss on impairment of fixed assets (Note 19)	287	2,044	2,701
(Gain) loss on sale of property, plant and equipment, net (Note 12)	(13)	94	(122)
Loss on disposal of property, plant and equipment (Note 12)	1,423	2,840	13,392
Custom duties for prior year	1,098	—	10,334
Foreign exchange (gain) loss	(538)	886	(5,063)
Investment losses on equity method	38,044	6,303	358,061
Decrease in allowance for doubtful accounts	(65)	(97)	(611)
Increase in liability for retirement benefits	797	441	7,501
Interest and dividend income	(1,824)	(2,049)	(17,167)
Interest expense	1,392	1,497	13,101
Increase in notes and accounts receivable	(4,120)	(19,261)	(38,776)
Increase in inventories	(12,977)	(19,968)	(122,136)
Increase in notes and accounts payable	1,000	5,470	9,411
Other, net	1,713	454	16,122
Subtotal	60,593	29,002	570,287
Interest and dividend received	2,394	2,217	22,531
Interest paid	(1,388)	(1,526)	(13,063)
Income taxes paid	(9,726)	(6,918)	(91,538)
Income taxes refund	120	1,213	1,129
Other, net	443	229	4,169
Net cash provided by operating activities	52,436	24,218	493,515
Cash flows from investing activities:			
Purchases of investment securities	(469)	(594)	(4,414)
Proceeds from sale of investment securities	302	709	2,842
Acquisition of property, plant and equipment and other assets	(40,450)	(36,073)	(380,705)
Proceeds from sale of property, plant and equipment	162	417	1,524
Payments for retirement of property, plant and equipment and other assets	(1,047)	(1,827)	(9,854)
Other, net	1,124	(932)	10,578
Net cash used in investing activities	(40,376)	(38,300)	(380,009)
Cash flows from financing activities:			
Net change in short-term borrowings and commercial papers	(4,231)	15,964	(39,821)
Proceeds from long-term debt	30,600	20,381	288,000
Repayment of long-term debt	(25,006)	(19,910)	(235,350)
Repayment of lease liabilities	(426)	(585)	(4,009)
Issuance of bonds	10,000	10,000	94,117
Redemption of straight bonds	(10,000)	(10,000)	(94,117)
Cash dividends paid	(3,997)	(3,426)	(37,618)
Dividends paid to non-controlling interests	(987)	(307)	(9,289)
Other, net	(64)	(54)	(602)
Net cash (used in) provided by financing activities	(4,114)	12,061	(38,720)
Effect of exchange rate changes on cash and cash equivalents	126	(675)	1,185
Net increase (decrease) in cash and cash equivalents	8,072	(2,696)	75,971
Cash and cash equivalents at beginning of year	13,952	16,649	131,312
Effect of addition of consolidated subsidiaries	353	—	3,322
Cash and cash equivalents at end of year (Note 5)	¥ 22,377	¥ 13,952	$ 210,607

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

1. Basis of Presenting Consolidated Financial Statements

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018, which was ¥106.25 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 53 significant subsidiaries (the "Companies"). All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the 10 significant affiliates which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

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

The balance sheet date of the 19 significant subsidiaries is December 31. As the difference between their balance sheet date and the consolidated balance sheet date does not exceed three months, they are consolidated on the basis of their financial statements for the fiscal year ended December 31. We have made necessary adjustments for significant transactions that have occurred in the period between their balance sheet date and the consolidated balance sheet date.

Mitsui Kinzoku Korea Co., Ltd. was newly included in the scope of consolidation from the fiscal year ended March 31, 2018 due to an increase of its materiality to the consolidated financial statements.

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

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

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

(f) Inventories

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated durable years of these depreciable assets, except the straight-line method is applied to: (1) buildings, excluding building fixtures, acquired after March 31, 1998, and building fixtures and structures, which were acquired since April 1, 2016, (2) certain plant facilities of the Company and (3) property, plant and equipment of certain consolidated subsidiaries. The durable years of these assets generally range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

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

(h) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide an allowance for doubtful accounts in an amount sufficient to cover probable losses on collection by estimating individually uncollectible amounts and applying a percentage based on 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 are reliably measurable or the amounts computed by the ratio of actual repair costs which correspond to net sales.

(j) Provision for improvement of business structure

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

(k) Provision for loss on disposal of inventories

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

(l) Employees' retirement benefits

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

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

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

(m) Directors' and corporate auditors' retirement benefits

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

(n) Provision for environmental countermeasures

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

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

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

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

(p) Research and development expenses

Research and development expenses are charged to expenses.

(q) Recognition of revenues and related costs

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

(r) Income taxes

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

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

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

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

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

Diluted earnings per share is not presented as there were no shares with dilutive effects in 2018 and 2017.

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

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the 2018 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(u) Accounting of consumption tax

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

(Standards and guidance not yet adopted)

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

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

(1) Overview

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

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5; Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Adoption date

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

(3) Effects of the application of the standards

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

(Change in presentation)

Consolidated Statements of Cash Flows – Net changes in short-term loans receivable was presented as a line item in the cash flow from investing activities section of the consolidated statements of cash flows for the year ended March 31, 2017. In the consolidated statement of cash flows for the year ended March 31, 2018, the said amount was immaterial and then included in other, net item in the same section. The presentation for the year ended March 31, 2017 was reclassified to reflect this change to the comparative information.

As a result, net decrease in short-term loans receivable of ¥11 million was included in the other, net item in the cash flows from investing activities, which was amounting to ¥(932) million, of the consolidated statements of cash flows for the year ended March 31, 2017.

3. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Merchandise and finished goods	¥ 36,175	¥ 29,609	$ 340,470
Work in process	31,155	26,653	293,223
Raw materials and supplies	46,314	43,826	435,896
Total	¥113,645	¥100,089	$1,069,600

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, are included in the cost of sales for the fiscal years ended March 31, 2018 and 2017 respectively as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cost of sales	¥404	¥(1,587)	$3,802
Total	¥404	¥(1,587)	$3,802

4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2018 and 2017 were as follows:

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

	Millions of yen		
Year ended March 31, 2017	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥5,996	¥2,127	¥3,869
Subtotal	5,996	2,127	3,869
Securities whose book value does not exceed acquisition cost:			
Stocks	1,142	1,211	(68)
Subtotal	1,142	1,211	(68)
Total	¥7,139	¥3,338	¥3,800

	Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2018	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$53,807	$18,625	$35,171
Subtotal	53,807	18,625	35,171
Securities whose book value does not exceed acquisition cost:			
Stocks	10,936	11,303	(367)
Subtotal	10,936	11,303	(367)
Total	$64,743	$29,938	$34,804

(b) Available-for-sale securities sold for the years ended March 31, 2018 and 2017 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2018	2017	2018
Total sale amount	Stocks	¥307	¥746	$2,889
Gains	Stocks	128	573	1,204
Losses	Stocks	105	0	988

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2018 and 2017 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash and deposits	¥22,379	¥15,304	$210,625
Time deposits with maturities exceeding three months from the date of deposit	(1)	(1,352)	(9)
Total: Cash and cash equivalents	¥22,377	¥13,952	$210,607

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.300% to 8.350% and from 0.300% to 8.100% at March 31, 2018 and 2017, respectively.	¥37,841	¥31,908	$356,150
Commercial paper with interest at annual rate of (0.01)% and (0.00)% at March 31, 2018 and 2017, respectively.	7,500	18,000	70,588
	¥45,341	¥49,908	$426,738

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
0.20% yen unsecured straight bonds due in 2022	¥ 10,000	¥ —	$ 94,117
0.20% yen unsecured straight bonds due in 2021	10,000	10,000	94,117
0.39% yen unsecured straight bonds due in 2020	10,000	10,000	94,117
0.27% yen unsecured straight bonds due in 2019	10,000	10,000	94,117
0.76% yen unsecured straight bonds due in 2020	10,000	10,000	94,117
0.79% yen unsecured straight bonds due in 2018	10,000	10,000	94,117
0.74% yen unsecured straight bonds due in 2017	—	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2026 at interest rates ranging from 0.200% to 10.850% at March 31, 2018:			
Secured	900	900	8,470
Unsecured	100,381	94,076	944,762
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2017:			
Secured	1,797	2,538	16,912
Unsecured	—	—	—
	163,078	157,514	1,534,851
Less: Current portion	32,708	35,006	307,840
	¥130,369	¥122,507	$1,227,002

The aggregate annual maturities of long-term debt at March 31, 2018 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2019	¥ 32,708	$ 307,840
2020	36,372	342,324
2021	28,037	263,877
2022	23,976	225,656
2023	37,055	348,752
Thereafter	4,928	46,381
Total	¥163,078	$1,534,851

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.
The 0.27% yen unsecured straight bonds due in 2019 were issued on December 16, 2014 by the Company.
The 0.39% yen unsecured straight bonds due in 2020 were issued on December 15, 2015 by the Company.
The 0.20% yen unsecured straight bonds due in 2021 were issued on November 28, 2016 by the Company.
The 0.20% yen unsecured straight bonds due in 2022 were issued on November 21, 2017 by the Company.

7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Property, plant and equipment, net book value	¥8,406	¥8,622	$79,115
	¥8,406	¥8,622	$79,115

8. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Notes receivable discounted	¥ 251	¥ 178	$ 2,362
Notes and accounts receivable securitized with recourse	499	560	4,696
Loans guaranteed			
Unconsolidated subsidiaries and affiliates	127,089	110,033	1,196,131
Others	398	405	3,745
	¥128,237	¥111,176	$1,206,936

9. 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.

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2018 and 2017 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2016	572,966	1,855
Increase during the year	—	9
Decrease during the year	—	—
Balance at March 31 and April 1, 2017	572,966	1,865
Increase during the year	—	11
Decrease during the year	515,669	1,687
Balance at March 31, 2018	57,296	188

Note: The company conducted a share consolidation to change its share unit from 10 shares to 1 share on October 1, 2017. The amount of "Cash dividends applicable to the year" presented in amounts per share of common stock of the Consolidated Statements of Operations for the year ended March 31, 2017 was calculated based on the number of shares before the share consolidation.

(b) Dividends

Dividends paid for the year ended March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 29, 2017	¥3,997	$37,618
Total	¥3,997	$37,618

Dividends included in the retained earnings at March 31, 2018 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 28, 2018	¥3,997	$37,618
Total	¥3,997	$37,618

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Freightage related expenses	¥9,856	¥9,353	$92,762
Salaries	9,442	8,932	88,865
Bonus and retirement pay	2,108	1,798	19,840
Provision for bonuses	1,759	1,571	16,555
Provision for directors' and corporate auditors' bonuses	38	42	357
Retirement benefit expenses	1,320	1,213	12,423
Provision for directors' and corporate auditors' retirement benefits	137	159	1,289
Provision for product warranties	104	193	978
Depreciation expense	2,054	1,965	19,331
Research and development/Exploration expenses	6,942	6,060	65,336

11. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥8,015 million ($75,435 thousand) and ¥7,163 million for the years ended March 31, 2018 and 2017, respectively.

12. Explanatory Notes on Extraordinary Profit and Loss

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Buildings and structures	¥20	¥ 4	$188
Machinery and equipment	26	37	244
Land	29	—	272
Others	10	21	94
Total	¥87	¥62	$818

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Buildings and structures	¥ 0	¥ —	$ 0
Machinery and equipment	62	50	583
Land	—	4	—
Others	11	102	103
Total	¥74	¥157	$696

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Buildings and structures	¥ 290	¥ 750	$ 2,729
Machinery and equipment	968	1,594	9,110
Others	163	495	1,534
Total	¥1,423	¥2,840	$13,392

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Provision for improvement of business structure	¥—	¥116	$—

13. Segment Information

The operations of the Companies for the years ended March 31, 2018 and 2017 were summarized as follows:

(a) Overview of reportable segments

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

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

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

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

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

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

Segment information as of and for the fiscal year ended March 31, 2018 was as follows:

	Millions of yen						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Total	Adjustment	Consolidated
Year ended March 31, 2018							
Sales:							
Outside customers	¥160,293	¥158,165	¥102,039	¥ 90,880	¥511,380	¥ 7,834	¥519,215
Inter-segment	6,922	28,352	—	41,866	77,141	(77,141)	—
Total	167,216	186,518	102,039	132,747	588,522	(69,307)	519,215
Segment profit	30,611	5,530	5,513	6,833	48,489	(37,250)	11,239
Segment assets	149,940	210,403	57,084	95,401	512,831	9,586	522,418
Depreciation expense	10,083	8,712	3,824	2,520	25,140	1,493	26,634
Amortization of goodwill and negative goodwill	—	3	—	—	3	1	4
Interest income	138	158	75	119	491	(297)	194
Interest expense	424	1,105	117	216	1,864	(472)	1,392
Investment gains (losses) on equity method	436	(5,434)	—	1,556	(3,441)	(34,602)	(38,044)
Investment for companies accounted for using the equity method	3,590	33,472	—	14,466	51,529	62	51,592
Increase in property, plant and equipment, and intangible assets	13,163	18,074	4,821	2,474	38,534	1,974	40,509

Notes:

(a) Amounts of adjustment are as follows:

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

Adjustment to segment profit, which amounted to ¥(37,250) million ($(350,588) thousand), consists mainly of ¥(2,131) million ($(20,056) thousand) for Company-wide costs that do not belong to any reportable segments, ¥(34,603) million ($(325,675) thousand) for impairment loss on asset relating to a copper mine at a subsidiary of an affiliate and ¥1,278 million ($12,028 thousand) for difference from converting the income and expenses of overseas subsidiaries into Japanese currency.

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

(2) Adjustment to segment assets, which amounted to ¥9,586 million ($90,221 thousand), consists of ¥(14,737) million ($(138,701) thousand) for offset of receivables to the corporate administrative department, ¥(20,570) million ($(193,600) thousand) for offset of inter-segment receivables and ¥45,573 million ($428,922 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.

(3) Adjustment to investment gains (losses) on equity method, which amounted to ¥(34,602) million ($(325,665) thousand), consists mainly of ¥(34,603) million ($(325,675) thousand) for impairment loss on asset relating to a copper mine at a subsidiary of an affiliate.

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

Segment information as of and for the fiscal year ended March 31, 2017, which was restated in conformity with reorganization, was as follows:

	Millions of yen						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Total	Adjustment	Consolidated
Year ended March 31, 2017							
Sales:							
Outside customers	¥139,836	¥123,388	¥113,199	¥ 76,454	¥452,879	¥(16,549)	¥436,330
Inter-segment	5,942	16,258	—	37,015	59,216	(59,216)	—
Total	145,779	139,647	113,199	113,469	512,095	(75,765)	436,330
Segment profit	15,925	8,477	6,188	5,684	36,276	(5,228)	31,047
Segment assets	133,436	239,777	65,755	94,539	533,509	(14,527)	518,981
Depreciation expense	9,401	7,851	4,292	2,523	24,069	344	24,414
Amortization of goodwill and negative goodwill	—	24	—	—	24	(3)	20
Interest income	273	120	86	136	617	(352)	264
Interest expense	458	1,009	236	241	1,946	(448)	1,497
Investment gains (losses) on equity method	391	(7,608)	—	1,018	(6,198)	(104)	(6,303)
Investment for companies accounted for using the equity method	3,242	73,705	—	13,405	90,352	525	90,877
Increase in property, plant and equipment, and intangible assets	13,164	16,846	5,152	2,316	37,479	238	37,718

Notes:

(a) Amounts of adjustment are as follows:

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

Adjustment to segment profit, which amounted to ¥(5,228) million, consists mainly of ¥(1,596) million for Company-wide costs that do not belong to any reportable segments and ¥(2,141) million for difference from converting the income and expenses of overseas subsidiaries into Japanese currency.

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

(2) Adjustment to segment assets, which amounted to ¥(14,527) million, consists of ¥(19,096) million for offset of receivables to the corporate administrative department, ¥(22,690) million for offset of inter-segment receivables, ¥43,256 million for Company-wide assets that do not belong to any reportable segments and ¥(15,997) million for other adjustment.

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

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

	Thousands of U.S. dollars (Note 1)						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Total	Adjustment	Consolidated
Year ended March 31, 2018							
Sales:							
Outside customers	**$1,508,640**	**$1,488,611**	**$960,367**	**$ 855,341**	**$4,812,988**	**$ 73,731**	**$4,886,729**
Inter-segment	**65,148**	**266,842**	**—**	**394,032**	**726,032**	**(726,032)**	**—**
Total	**1,573,797**	**1,755,463**	**960,367**	**1,249,383**	**5,539,030**	**(652,301)**	**4,886,729**
Segment profit	**288,103**	**52,047**	**51,887**	**64,310**	**456,367**	**(350,588)**	**105,778**
Segment assets	**1,411,200**	**1,980,263**	**537,261**	**897,891**	**4,826,644**	**90,221**	**4,916,875**
Depreciation expense	**94,898**	**81,995**	**35,990**	**23,717**	**236,611**	**14,051**	**250,672**
Amortization of goodwill and negative goodwill	**—**	**28**	**—**	**—**	**28**	**9**	**37**
Interest income	**1,298**	**1,487**	**705**	**1,120**	**4,621**	**(2,795)**	**1,825**
Interest expense	**3,990**	**10,400**	**1,101**	**2,032**	**17,543**	**(4,442)**	**13,101**
Investment gains (losses) on equity method	**4,103**	**(51,143)**	**—**	**14,644**	**(32,385)**	**(325,665)**	**(358,061)**
Investment for companies accounted for using the equity method	**33,788**	**315,030**	**—**	**136,150**	**484,978**	**583**	**485,571**
Increase in property, plant and equipment, and intangible assets	**123,887**	**170,108**	**45,374**	**23,284**	**362,672**	**18,578**	**381,261**

[Related information]

Information by area

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

	Millions of yen					
	Japan	China	Asia (Except China)	North America	Other areas	Consolidated
Year ended March 31, 2017						
Sales	¥244,462	¥57,143	¥77,428	¥42,705	¥14,590	¥436,330

	Thousands of U.S. dollars (Note 1)					
	Japan	China	Asia (Except China)	North America	Other areas	Consolidated
Year ended March 31, 2018						
Sales	**$2,726,983**	**$637,618**	**$973,647**	**$391,115**	**$157,355**	**$4,886,729**

	Millions of yen				
	Japan	Asia	North America	Other areas	Consolidated
As of March 31, 2018					
Property, plant and equipment	**¥133,135**	**¥38,259**	**¥6,219**	**¥5,754**	**¥183,369**

	Millions of yen				
	Japan	Asia	North America	Other areas	Consolidated
As of March 31, 2017					
Property, plant and equipment	¥122,938	¥34,690	¥6,613	¥5,155	¥169,397

	Thousands of U.S. dollars (Note 1)				
	Japan	Asia	North America	Other areas	Consolidated
As of March 31, 2018					
Property, plant and equipment	**$1,253,035**	**$360,084**	**$58,531**	**$54,155**	**$1,725,825**

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

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2018						
Loss on impairment of fixed assets	**¥—**	**¥—**	**¥287**	**¥—**	**¥—**	**¥287**

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2017						
Loss on impairment of fixed assets	¥1,927	¥20	¥96	¥—	¥—	¥2,044

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2018						
Loss on impairment of fixed assets	**$—**	**$—**	**$2,701**	**$—**	**$—**	**$2,701**

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

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2018						
Amortization of goodwill	¥—	¥ 4	¥—	¥—	¥—	¥ 4
Balance at end of fiscal year	—	—	—	—	—	—

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2017						
Amortization of goodwill	¥—	¥20	¥—	¥—	¥—	¥20
Balance at end of fiscal year	—	4	—	—	—	4

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates coordination	Elimination/ corporate	Consolidated
Year ended March 31, 2018						
Amortization of goodwill	$—	$37	$—	$—	$—	$37
Balance at end of fiscal year	—	—	—	—	—	—

[Information on gain on negative goodwill by reported segment]
Year ended March 31, 2018
Not applicable.

Year ended March 31, 2017
Not applicable.

14. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 30.7% and 30.7% for the fiscal years ended March 31, 2018 and 2017, respectively.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deferred tax assets:			
Excess bad debt expenses	¥ 102	¥ 86	$ 960
Excess accrued bonuses to employees	1,545	1,419	14,541
Excess product warranties	249	215	2,343
Liability for retirement benefits	8,019	7,862	75,472
Provision for environmental countermeasures	333	380	3,134
Loss on impairment of fixed assets	2,773	2,843	26,098
Depreciation in excess of limit	2,046	2,904	19,256
Enterprise taxes accrued	333	344	3,134
Unrealized profits and losses	3,082	2,584	29,007
Operating loss carryforward for tax purposes	6,321	11,059	59,491
Net unrealized losses on securities	23	28	216
Deferred losses on hedges	2,273	1,606	21,392
Other	6,767	6,140	63,689
Subtotal	33,871	37,476	318,785
Valuation allowance	(19,234)	(26,901)	(181,025)
Total deferred tax assets	14,637	10,574	137,760
Deferred tax liabilities:			
Net unrealized gains on securities	(1,119)	(1,163)	(10,531)
Deferred gains on hedges	(498)	(450)	(4,687)
Retained earnings of foreign subsidiaries	(5,198)	(3,598)	(48,922)
Asset for retirement benefits	(1,441)	(1,214)	(13,562)
Other	(2,017)	(2,302)	(18,983)
Total deferred tax liabilities	(10,274)	(8,728)	(96,696)
Net deferred tax assets (liabilities)	¥ 4,362	¥ 1,846	$ 41,054

The net deferred tax assets at March 31, 2018 and 2017 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Deferred tax assets – current	¥ 4,965	¥ 4,349	$ 46,729
Deferred tax assets – non-current	6,015	2,715	56,611
Deferred tax liabilities – current	(2)	(27)	(18)
Deferred tax liabilities – non-current	(6,616)	(5,191)	(62,268)

2. The following table summarizes the significant differences between the statutory effective tax rate and the tax rate calculated based on the Company's consolidated financial statements for the fiscal years ended March 31, 2018 and 2017.

	2018	2017
Statutory effective tax rate	30.7%	30.7%
Permanent difference due to non-deductible expense	4.4	0.7
Permanent difference due to non-taxable income	(73.6)	(17.2)
Effect of elimination of intercompany dividends received	70.3	17.0
Investment gains on equity method	150.9	7.5
Valuation allowance	(87.8)	(11.1)
Upward adjustment of deferred tax assets at end of year due to tax rate change	2.0	(0.1)
Others	(0.4)	(3.0)
Tax rate calculated based on the Companies' consolidated financial statements	96.4%	24.4%

3. Adjustment of deferred tax assets and liabilities for enacted changes in tax rates
On December 22, 2017, tax reform legislation in the United States was signed into law. Based on the law, the federal corporate income tax rate which is applied to subsidiaries in the United States was reduced from 35% to 21% after January 1, 2018.
Due to these changes in the statutory corporate tax rate, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥152 million ($1,430 thousand) as of March 31, 2018, and deferred income tax recognized for the fiscal year ended March 31, 2018 increased by ¥152 million ($1,430 thousand).

15. Financial Instruments

(a) Qualitative information on financial instruments

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

2. Description of financial instruments and risk
Trade receivables – notes and accounts receivable are exposed to the credit risks of customers. As the Companies are expanding their business globally, certain foreign currency denominated trade receivables are exposed to foreign currency exchange rate fluctuation risk. For this risk, currency forward contracts are used on a certain portion of the amount of foreign currency denominated trade receivables less the amount of respective foreign currency denominated trade payable. Investment securities are mainly stocks issued by companies that have business relationships, and are exposed to stock market fluctuation risk.
The majority of trade payables – notes and accounts payable have payment due dates of less than one year. A portion of foreign currency denominated trade payables – notes and accounts are denominated in foreign currencies in association with the import of raw materials and others and are thus exposed to foreign currency exchange rate fluctuation risk. For this risk, currency forward contracts are used on a certain portion of the positions that are, as a general rule, the net amount of trade payables denominated in the respective foreign currencies. Short-term borrowings and commercial papers are raised mainly for operating activities while long-term debt (in principle within 5 years) is raised mainly for capital investments. Loans with floating interest are exposed to interest rate fluctuation risk, for long-term debt with floating interest, derivative transactions (interest rate swap contracts) are used for certain long-term loans in each loan agreement in order to hedge the risk of fluctuating interest rates and to make interest expenses fixed.
Regarding derivative transactions, the Companies used currency forward contracts and swaps to hedge transactions, such as future sales of commodities (mainly basic metals) and future purchases of inventories (mainly imported materials) in foreign currencies, and to hedge their foreign currency denominated assets and liabilities against foreign currency exchange risk. For those transactions, the Companies apply the deferred hedge method or the matching treatment method as hedge accounting methods except for transactions held by certain foreign subsidiaries, and for certain transactions to hedge assets and liabilities denominated in foreign currencies against foreign currency exchange risk.
The Companies also entered into interest rate swap contracts to hedge their loans payable against interest rate fluctuation risk. For those transactions, the Companies apply the deferred hedge method or the exceptional accrual method for interest rate swaps as hedge accounting methods except for transactions held by certain foreign subsidiaries.
Further, the Companies utilized metal forward contracts and fuel forward contracts to reduce the Companies' exposure to fluctuations in 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, the net amount of foreign currency denominated trade receivables. For foreign currency exchange rate risk from foreign currency denominated trade payables, currency forward contracts are used on a certain portion of the positions that are, as a general rule, the net amount of foreign currency denominated trade payables. Moreover, the Companies also entered into interest rate swaps to hedge their loans payable against interest rate risk.

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

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

Management system for liquidity risk of financing

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

4. Supplementary explanation regarding fair value of financial instruments

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

In addition, the contract amount of the derivative transactions described below in "Notes to Consolidated Financial Statements – 16. Derivative Transactions" does not represent the market risk of the derivative transactions.

(b) Fair value of financial instruments

The carrying amounts of book value, fair value, and differences as of March 31, 2018 and 2017 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "Note 2. Financial instruments whose fair value is extremely difficult to measure").

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

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, 2017			
Assets:			
(a) Cash and deposits	¥ 15,304	¥ 15,304	¥ —
(b) Notes and accounts receivable	95,509	95,509	—
(c) Investment securities	12,524	12,718	193
Total	¥123,338	¥123,532	¥ 193
Liabilities:			
(a) Notes and accounts payable	¥ 55,815	¥ 55,815	¥ —
(b) Short-term borrowings and commercial papers	49,908	49,908	—
(c) Current portion of long-term debt	35,006	35,153	147
(d) Long-term debt	122,507	123,462	955
Total	¥263,238	¥264,340	¥1,103
Derivative transactions	¥ (3,734)	¥ (3,734)	¥ —

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, 2018			
Assets:			
(a) Cash and deposits	$ 210,625	$ 210,625	$ —
(b) Notes and accounts receivable	946,258	946,258	—
(c) Investment securities	119,040	132,272	13,223
Total	$1,275,943	$1,289,176	$13,223
Liabilities:			
(a) Notes and accounts payable	$ 551,745	$ 551,745	$ —
(b) Short-term borrowings and commercial papers	426,738	426,738	—
(c) Current portion of long-term debt	307,840	308,508	658
(d) Long-term debt	1,227,002	1,231,341	4,329
Total	$2,513,345	$2,518,343	$ 4,988
Derivative transactions	$ (54,108)	$ (54,108)	$ —

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 short maturity so that fair value approximates book value.

(c) Investment securities:

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

Liabilities:

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

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

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

Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

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

Derivative transactions:

(a) Contract amount, fair value, unrealized gain or loss, and others are described in “Notes to Consolidated Financial Statements – 16. Derivative Transactions.”

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

Classification	Consolidated balance sheet amount: Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Unlisted equity securities	¥16,544	¥56,765	$155,708
Investments in other securities of subsidiaries and affiliates	35,566	35,559	334,738
Nonpublic domestic bonds	240	240	2,258

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

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

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

	Millions of yen			
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2022	April 1, 2022 to March 31, 2027	April 1, 2027 and thereafter
Year ended March 31, 2017				
(a) Cash and deposits	¥ 15,304	¥—	¥—	¥ —
(b) Notes and accounts receivable	95,509	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥110,813	¥—	¥—	¥240

	Thousands of U.S. dollars (Note 1)			
	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2023	April 1, 2023 to March 31, 2028	April 1, 2028 and thereafter
Year ended March 31, 2018				
(a) Cash and deposits	$ 210,625	$—	$—	$ —
(b) Notes and accounts receivable	946,258	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds (domestic government and municipal bonds)	—	—	—	2,258
Total	$1,156,894	$—	$—	$2,258

4. The redemption schedule for corporate bonds, long-term debt, and other interest-bearing debt with maturity dates subsequent to the consolidated balance sheets date
Please refer to "Notes to Consolidated Financial Statements – 6. Short-Term Borrowings and Long-Term Debt."

16. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2018 and 2017 were as follows:

Currency-related derivatives

Type			Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Forward contracts:					
Selling:					
	U.S. dollars:	Contract amounts	¥2,525	¥1,547	$23,764
		Due over one year	—	—	—
		Fair value	39	25	367
		Net unrealized gains (losses)	39	25	367

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, 2018 and 2017 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Type		Hedged items		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Forward contracts:						
Selling:		Accounts receivable				
	U.S. dollars:		Contract amounts	¥37,566	¥51,491	$353,562
			Due over one year	4,574	16,009	43,049
			Fair value	759	751	7,143
	Malaysia ringgit:		Contract amounts	¥ —	¥ 58	$ —
			Due over one year	—	—	—
			Fair value	—	0	—
Buying:		Accounts payable				
	U.S. dollars:		Contract amounts	¥ 2,580	¥ 3,034	$ 24,282
			Due over one year	—	—	—
			Fair value	17	(13)	160
	Euros:		Contract amounts	¥ 254	¥ 45	$ 2,390
			Due over one year	13	—	122
			Fair value	6	(0)	56
	Malaysia ringgit:		Contract amounts	¥ 30	¥ —	$ 282
			Due over one year	—	—	—
			Fair value	0	—	0

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

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

Type		Hedged items		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Forward contracts:						
Selling:		Accounts receivable				
	U.S. dollars:		Contract amounts	¥236	¥97	$2,221
			Due over one year	—	—	—
			Fair value	(Note b)	(Note b)	(Note b)
Buying:		Accounts payable				
	U.S. dollars:		Contract amounts	¥ 2	¥—	$ 18
			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 a hedge accounting method.

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

Interest rate-related derivatives

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

Type			Hedged items		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Swap contracts:			Interest for long-term debt				
	Receive	Float		Contract amounts	¥—	¥373	$—
	Pay	Fix		Due over one year	—	—	—
				Fair value	—	0	—

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

Commodities-related derivatives

Type			Hedged items		Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Forward contracts:			Raw materials and finished goods				
	Selling:						
		Zinc:		Contract amounts	¥45,699	¥38,488	$430,108
				Due over one year	16,473	12,314	155,040
				Fair value	(6,538)	(4,445)	(61,534)
		Lead:		Contract amounts	¥ 1,495	¥ 2,162	$ 14,070
				Due over one year	—	—	—
				Fair value	52	(45)	489
		Silver:		Contract amounts	¥ 1,498	¥ 1,502	$ 14,098
				Due over one year	—	—	—
				Fair value	54	(40)	508
		Copper:		Contract amounts	¥ 177	¥ 244	$ 1,665
				Due over one year	—	—	—
				Fair value	(2)	(0)	(18)
	Buying:						
		Zinc:		Contract amounts	¥ 1,718	¥ 2,232	$ 16,169
				Due over one year	—	—	—
				Fair value	1	(47)	9
		Lead:		Contract amounts	¥ 2,404	¥ 1,335	$ 22,625
				Due over one year	—	—	—
				Fair value	(142)	82	(1,336)
		Copper:		Contract amounts	¥ 1,523	¥ 246	$ 14,334
				Due over one year	—	—	—
				Fair value	(2)	(1)	(18)
		Coal:		Contract amounts	¥ 38	¥ —	$ 357
				Due over one year	—	—	—
				Fair value	3	—	28

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

17. Employees' Retirement Benefits

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

Defined benefit plans

(a) Changes in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at the beginning of the fiscal year	¥45,125	¥43,867	$424,705
Service cost	2,573	2,440	24,216
Interest cost	149	145	1,402
Actuarial loss	849	708	7,990
Benefits paid	(2,467)	(2,238)	(23,218)
Past service costs	11	100	103
Increase by newly consolidated subsidiaries	42	—	395
Other	(19)	101	(178)
Balance at the end of the fiscal year	¥46,264	¥45,125	$435,425

(b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at the beginning of the fiscal year	¥23,140	¥21,695	$217,788
Expected return on plan assets	431	379	4,056
Actuarial gain (loss)	504	238	4,743
Contributions paid by the employer	1,008	1,558	9,487
Benefits paid	(742)	(796)	(6,983)
Increase by newly consolidated subsidiaries	33	—	310
Other	(29)	65	(272)
Balance at the end of the fiscal year	¥24,346	¥23,140	$229,138

(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)
	2018	2017	2018
Funded retirement benefit obligations	¥ 20,437	¥ 19,943	$ 192,348
Plan assets	(24,346)	(23,140)	(229,138)
	(3,908)	(3,197)	(36,781)
Unfunded retirement benefit obligations	25,826	25,181	243,068
Net liability for retirement benefits at the end of the fiscal year	¥ 21,918	¥ 21,984	$ 206,287
Liability for retirement benefits	¥ 26,542	¥ 25,923	$ 249,807
Asset for retirement benefits	(4,624)	(3,939)	(43,520)
Net liability for retirement benefits at the end of the fiscal year	¥ 21,918	¥ 21,984	$ 206,287

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Service cost	¥2,619	¥2,440	$24,649
Interest cost	149	145	1,402
Expected return on plan assets	(431)	(379)	(4,056)
Net actuarial loss (gain) amortization	454	470	4,272
Past service costs amortization	101	100	950
Total retirement benefit costs for the fiscal year	¥2,892	¥2,777	$27,218

(e) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Past service costs	¥ 89	¥ (55)	$ 837
Actuarial gain (loss)	109	(96)	1,025
Total remeasurements of defined benefit plans for the fiscal year	¥199	¥(151)	$1,872

(f) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Prior service costs that are yet to be recognized	**¥ 65**	¥155	**$ 611**
Net actuarial losses that are yet to be recognized	**564**	673	**5,308**
Total balance at the end of the fiscal year	**¥629**	¥828	**$5,920**

(g) Plan assets

1. Plan assets comprise:

	2018	2017
Bonds	**35%**	34%
Equity securities	**30%**	31%
General insurance funds	**31%**	32%
Other	**4%**	3%
Total	**100%**	100%

2. Long-term expected rate of return

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

(h) Actuarial assumptions

The principal actuarial assumptions at March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	**0.0%–0.9%**	0.0%–0.9%
Long-term expected rate of return	**Mainly 1.7%**	Mainly 2.0%

Defined contribution plans

Contributions to defined contribution plans amounted to ¥419 million ($3,943 thousand) and ¥120 million for the years ended March 31, 2018 and 2017, respectively.

18. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2018 and 2017 were as follows:

	Profit (loss) (Millions of yen)	Weighted-average shares (Thousands)	Profit (loss) per share (Yen)	Profit (loss) per share (U.S. dollars (Note 1))
Year ended March 31, 2018				
Profit (loss) attributable to owners of parent	**¥(708)**	**57,108**	**¥(12.40)**	**$(0.11)**

	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit (loss) per share (Yen)
Year ended March 31, 2017			
Profit attributable to owners of parent	¥18,674	57,110	¥326.98

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

19. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

Year ended March 31, 2018

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars (Note 1)
Yokohama City,	Idle assets	Land	¥219	$2,061
Kanagawa Prefecture		Intangible fixed assets	67	630
		Subtotal	287	2,701
	Total (1 item)		¥287	$2,701

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

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

Year ended March 31, 2017

Location	Major use	Asset category	Millions of yen
Takehara City,	Battery material	Buildings and structures	¥ 969
Hiroshima Prefecture	production facilities	Machinery and equipment	897
		Others	6
		Subtotal	1,874
Others	Production facilities	Machinery and equipment, etc.	
	and idle assets		169
	Total (5 items)		¥2,044

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

The book value of the asset group containing battery material production facilities has been written down to the collectible value as the investment amount was deemed not to be collectible due to a decline in profitability. The collectible value was measured by the value in use; however, as no future cash flows are expected, the entire book value was recorded as an impairment loss under extraordinary losses.

The book value of production facilities included in Others was written down to the collectible value as the investment amount was deemed not to be collectible due to a decline in profitability. The collectible value was measured by value in use, and is calculated by discounting future cashflows at 16.00%. If no future cashflows are expected, the value in use is assessed as zero.

The book value of idle assets was written down to the collectible value as there is no prospect of usage and the market price has been decreasing. The collectible value was measured by the net saleable price, calculated based on the value assessed for property tax purposes, among other factors.

20. Related Party Transactions

(a) Related party transactions

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

The transaction amount for the fiscal years ended March 31, 2018 and 2017 with Pan Pacific Copper Co., Ltd. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Guarantees of bank loans	¥90,902	¥69,601	$855,548

2. SCM Minera Lumina Copper Chile is an affiliate of MFN Investment LLC.

MFN Investment LLC is an affiliate of the Company.

The transaction amount for the fiscal years ended March 31, 2018 and 2017 with SCM Minera Lumina Copper Chile was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Guarantees of bank loans	¥27,442	¥31,717	$258,277

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

The transaction amount for the fiscal years ended March 31, 2018 and 2017 with Caserones Finance Netherlands B.V. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Guarantees of bank loans	¥6,625	¥7,635	$62,352

(b) Note about significant related parties

In the fiscal year ended March 31, 2018, Pan Pacific Copper Co., Ltd., MFN Investment LLC and MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD. were recognized as significant related parties and the summaries of their financial statements were as follows:

Pan Pacific Copper Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Total current assets	¥327,000	¥279,527	$3,077,647
Total non-current assets	149,359	141,780	1,405,731
Total current liabilities	315,194	276,231	2,966,531
Total long-term liabilities	50,322	35,335	473,618
Total net assets	110,842	109,741	1,043,218
Net sales	690,313	638,649	6,497,063
Profit before income taxes	225	8,945	2,117
(Loss) profit	(961)	5,880	(9,044)

MFN Investment LLC

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Total current assets	¥ 9,850	¥ 6,397	$ 92,705
Total non-current assets	101,387	185,855	954,230
Total current liabilities	9,821	6,378	92,432
Total long-term liabilities	83,998	81,270	790,569
Total net assets	17,418	104,603	163,934
Net sales	—	—	—
(Loss) profit before income taxes	(87,188)	6	(820,592)
(Loss) profit	(87,191)	3	(820,621)

MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Total current assets	¥30,125	¥24,911	$283,529
Total non-current assets	6,372	6,029	59,971
Total current liabilities	11,678	7,928	109,910
Total long-term liabilities	2,181	2,262	20,527
Total net assets	22,637	20,749	213,054
Net sales	60,881	47,608	572,997
Profit before income taxes	3,953	2,236	37,204
Profit	2,734	1,549	25,731

21. Asset Retirement Obligations

Years ended March 31, 2018 and 2017

Asset retirement obligations that are recorded in the consolidated balance sheet
(a) Overview of asset retirement obligations

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

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

(Mines)

Compania Minera Santa Luisa S.A. has recognized asset retirement obligations in accordance with International Financial Reporting Standards, by estimating closure costs based on mine closure plans under mine closure legislation and regulations in Peru. With regard to estimation of asset retirement obligations, a discount rate of 2.40% is used, and the estimated period up to payment is based on number of recoverable years from launch of operations (average of 41 years).

In addition, during the fiscal year ended March 31, 2018, the company revised its estimate of mine closure costs, no longer using the 2.45% discount rate used in the previous fiscal year. As a result, there was a decrease of ¥101 million ($950 thousand) in the balance of asset retirement obligations compared with before the change.

(Asbestos)

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

(Real estate lease agreements)

The companies reasonably estimate the amount of lease deposits from real estate lease agreements that they cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2018 as expenses, instead of recording them as asset retirement obligations under liabilities.

The companies use periods of time between 4 and 21 years from the date of occupancy to estimate the amount of the expenses.

The companies estimate the uncollectible amount of lease deposits as ¥83 million ($781 thousand) in the fiscal year ended March 31, 2018.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2018 and March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Balance at the beginning of the fiscal year	¥3,224	¥3,015	$30,343
Adjustments due to the passage of time	73	55	687
Decrease from execution of asset retirement obligations	(139)	(18)	(1,308)
Increase from changes of estimates	(101)	200	(950)
Impact of foreign currency translation	8	(28)	75
Balance at the end of the fiscal year	¥3,065	¥3,224	$28,847

22. Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2017

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)
	2018	2017	2018
Net unrealized gains (losses) on securities:			
Increase (decrease) during the year	¥ (14)	¥ 1,724	$ (131)
Reclassification adjustments	(128)	(523)	(1,204)
Subtotal, before tax	(143)	1,200	(1,345)
Tax (expense) or benefit	62	(263)	583
Subtotal, net of tax	(80)	937	(752)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	(7,745)	(11,205)	(72,894)
Reclassification adjustments	5,716	3,384	53,797
Subtotal, before tax	(2,029)	(7,821)	(19,096)
Tax (expense) or benefit	310	1,235	2,917
Subtotal, net of tax	(1,718)	(6,585)	(16,169)
Foreign currency translation adjustments:			
Increase (decrease) during the year	1,108	(3,111)	10,428
Reclassification adjustments	—	—	—
Subtotal, net of tax	1,108	(3,111)	10,428
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(13)	(302)	(122)
Reclassification adjustments	212	151	1,995
Subtotal, before tax	199	(151)	1,872
Tax (expense) or benefit	(22)	19	(207)
Subtotal, net of tax	176	(131)	1,656
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	(2,797)	(3,244)	(26,324)
Reclassification adjustments	1,971	1,124	18,550
Subtotal, net of tax	(826)	(2,119)	(7,774)
Total other comprehensive income	¥(1,340)	¥(11,011)	$(12,611)

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, 2018 and 2017, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, 2018 and 2017, 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, 2018 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 28, 2018
Tokyo, Japan

Investor Information (As of March 31, 2018)

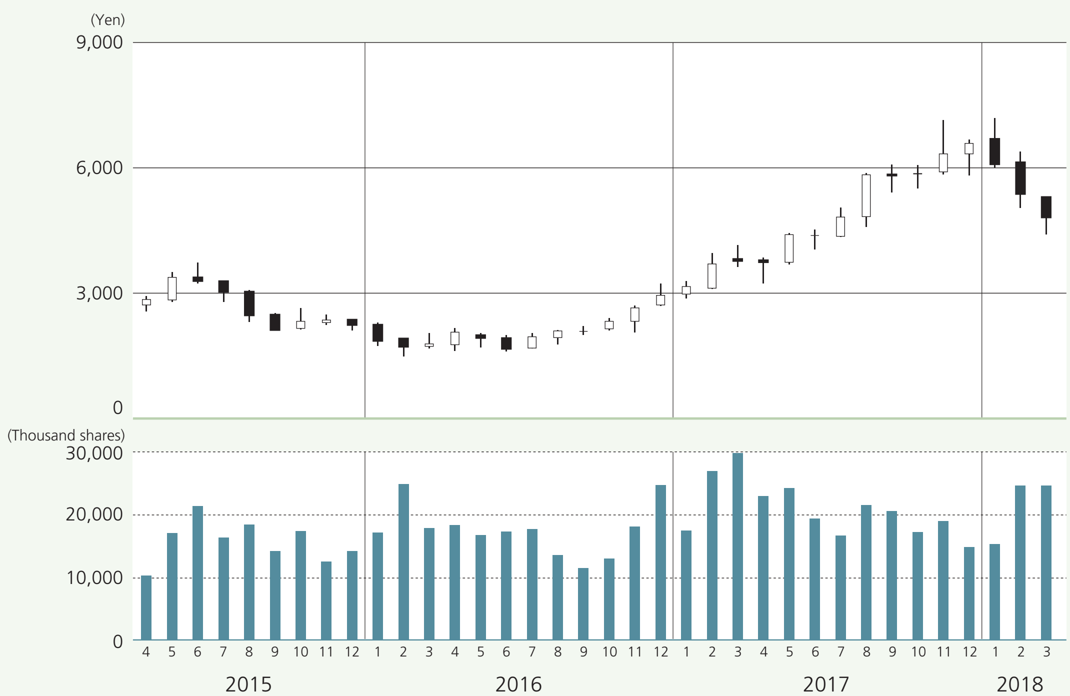
Number of shareholders: 32,996

Major shareholders:

	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Held in trust account)	5,407	9.46
The Master Trust Bank of Japan, Ltd. (Held in trust account)	5,367	9.39
Japan Trustee Services Bank, Ltd. (Held in trust account 9)	1,383	2.42
Japan Trustee Services Bank, Ltd. (Held in trust account 5)	1,019	1.78
The Employees' Shareholding Association	935	1.63
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	889	1.55
Japan Trustee Services Bank, Ltd. (Held in trust account 1)	753	1.31
Japan Trustee Services Bank, Ltd. (Held in trust account 2)	751	1.31
JP MORGAN CHASE BANK 385151	738	1.29
GOLDMAN, SACHS & CO. REG	671	1.17

Notes: 1. Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 188,958 treasury shares).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:



* Effective October 1, 2017, the Company implemented a change in the number of shares per unit (from 1,000 shares to 100 shares) and the consolidation of shares (10 shares into one).

Corporate Data (As of March 31, 2018)

Established: May 1, 1950

Authorized capital: 190 million shares

Shares issued: 57,296,616 shares

Paid-in capital: ¥42,129 million

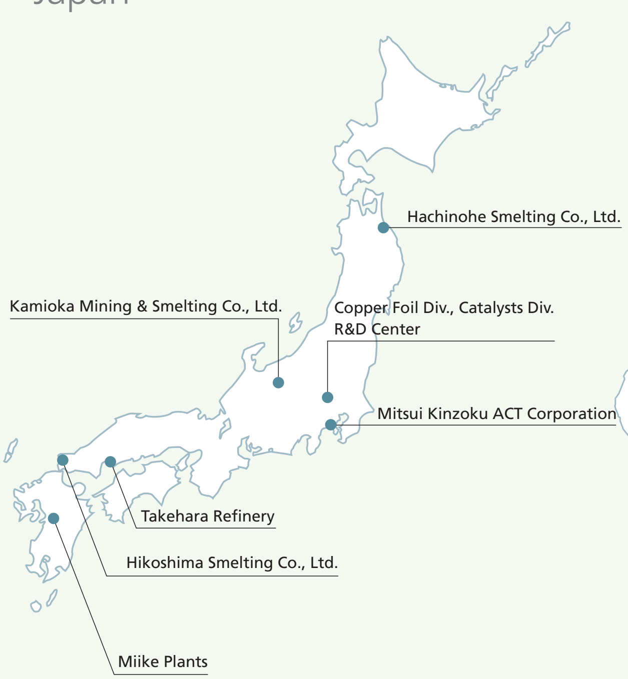
Stock listings: Common stock is listed on the Tokyo Stock Exchange

Principal subsidiaries:

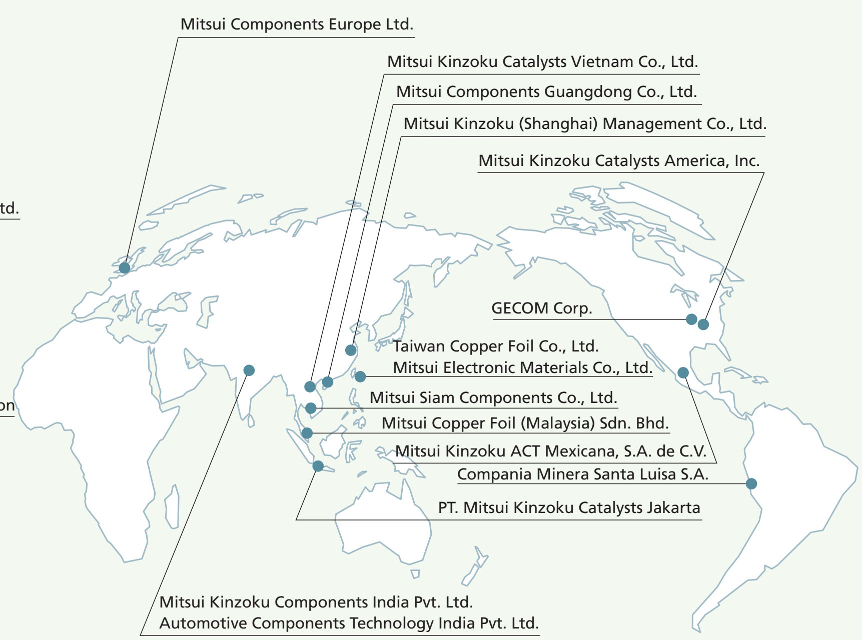
	Paid-in capital (Millions)	Equity stake of the Company (%)
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM330	100.0
Mitsui Electronic Materials Co., Ltd.	NT$600	100.0
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0
Hachinohe Smelting Co., Ltd.	¥4,795	85.5
Hikoshima Smelting Co., Ltd.	¥460	100.0
Okuaizu Geothermal Co., Ltd.	¥100	100.0
Mitsui Kinzoku ACT Corporation	¥3,000	100.0
GECOM Corp.	US$15.75	100.0
Mitsui Siam Components Co., Ltd.	Bh210	100.0
Mitsui Components Guangdong Co., Ltd.	RMB71.212	100.0
Mitsui Kinzoku Trading Co., Ltd.	¥240	100.0
MESCO, Inc.	¥1,085	63.4

Major plants and offices:

Japan



Overseas



Worldwide Operations (As of March 31, 2018)

	Japan	Asia	Americas and Europe
Offices/ Laboratories	Head Office (Shinagawa, Tokyo) 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) Ageo Copper Foil Plant (Ageo, Saitama) Miike PVD Materials Plant (Omuta, Fukuoka) Omuta Ceramics Plant (Omuta, Fukuoka) NIHON KESSHO KOGAKU Co., Ltd. (Tatebayashi, Gunma)	Mitsui Kinzoku Components India Pvt. Ltd. (Haryana, India) Mitsui Kinzoku Catalysts Zhuhai Co., Ltd. (Guangdong, China) PT. Mitsui Kinzoku Catalysts Jakarta (Karawang, Indonesia) Mitsui Kinzoku Catalysts (Thailand) Co., Ltd. (Rayong, Thailand) Mitsui Kinzoku Catalysts Vietnam Co., Ltd. (Hanoi, Vietnam) 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) Mitsui Electronic Materials Co., Ltd. (Taichung, Taiwan) Mitsui Kinzoku Korea Co., Ltd. (Pyeongtaek-si, Korea) Mitsui Kinzoku Advanced Ceramics (Suzhou) Co., Ltd. (Jiangsu, China)	Mitsui Kinzoku Catalysts America, Inc. (Kentucky, U.S.A.) Oak-Mitsui Inc. (New York, U.S.A.)
Metals	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)
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) Automotive Components Technology India Pvt. Ltd. (Chennai, India) PT. Mitsui Kinzoku ACT Indonesia (Karawang, Indonesia)	GECOM Corp. (Indiana, U.S.A.) Mitsui Kinzoku ACT Mexicana, S.A. de C.V. (Guanajuato, Mexico) Mitsui Components Europe Ltd. (Wales, U.K.)
Affiliates Coordination	Mitsui Kinzoku Die-Casting Technology Co., Ltd. (Nirasaki, Yamanashi) Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd. (Ageo, Saitama) MESCO, Inc. (Sumida, Tokyo)	Mitsui Grinding Technology (Thailand) Co., Ltd. (Chonburi, Thailand)	

MITSUI
KINZOKU

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