MITSUI KINZOKU

MITSUI MINING & SMELTING CO., LTD.

Annual Report 2016

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 2015 represents the year ended March 31, 2016.

Financial Highlights

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

	2015	2016	
Net Sales	¥473.2 billion	¥450.5 billion	(4.8)%
Operating Income	¥31.8 billion	¥11.1 billion	(65.0)%
Profit (loss) Attributable to Owners of Parent	¥17.2 billion	¥(20.9) billion	–
Net Assets	¥207.1 billion	¥179.5 billion	(13.2)%
Interest-Bearing Debt	¥210.3 billion	¥191.7 billion	(8.8)%
Shareholders' Equity Ratio	36.6%	35.0%	(1.6) percentage points
Earnings per Share	¥30.1	¥(36.6)	–

Financial Summary

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

	2007	2008	2009	2010
Net sales	¥591,518	¥595,463	¥427,191	¥392,364
Operating income (loss)	38,865	27,993	(27,031)	27,881
Profit (loss) attributable to owners of parent	31,370	7,830	(67,256)	13,899
Research & development expenses	7,359	8,616	8,232	5,105
Depreciation and amortization	25,617	27,361	32,281	26,023
EBITDA	77,446	53,069	(19,801)	50,388
Total assets	483,397	486,238	410,258	416,541
Total shareholders' equity (Note 2)	185,513	184,995	94,145	111,341
Interest-bearing debt	143,220	151,924	202,468	191,515
Shareholders' equity ratio (%)	38.4	38.0	22.9	26.7
Net cash from operating activities	34,077	41,657	30,038	19,610
Net cash from investing activities	(30,021)	(38,049)	(36,922)	(17,823)
Net cash from financing activities	(4,744)	(744)	42,367	(13,188)
Operating income to total assets (%) (Note 3)	8.2	5.8	(6.0)	6.7
Profit (Loss) to total shareholders' equity (%) (Note 3)	18.2	4.2	(48.2)	13.5
Operating income to net sales (%)	6.6	4.7	(6.3)	7.1
Earnings per share (¥)	54.7	13.6	(117.6)	24.3
Cash dividends per share (¥)	12.0	12.0	—	3.0

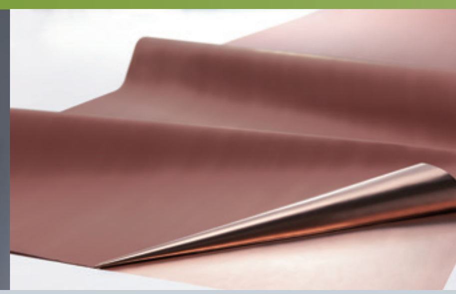
Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥112.62 to US$1.00, the rate prevailing at March 31, 2016.
2. Total net assets – non-controlling interests for FY2007.
3. Total assets and total shareholders' equity are averages of beginning and end of the year.

Millions of yen						Thousands of U.S. dollars (Note 1)
2011	2012	2013	2014	2015	2016	2016
¥446,487	¥431,058	¥417,219	¥441,046	¥473,274	¥450,553	$4,000,648
30,208	20,903	16,557	25,743	31,835	11,137	98,890
21,160	11,531	9,910	3,662	17,237	(20,926)	(185,810)
4,942	5,247	5,867	5,795	6,265	6,575	58,382
22,690	22,781	23,952	24,178	25,146	25,060	222,571
55,170	41,699	40,866	35,782	51,671	14,307	127,037
411,027	413,106	438,072	503,825	538,646	484,800	4,304,741
125,947	131,717	146,535	160,872	196,986	169,537	1,505,389
171,460	169,263	180,372	218,500	210,391	191,733	1,702,477
30.6	31.9	33.4	31.9	36.6	35.0	
22,545	30,992	38,058	38,003	37,245	50,397	447,496
(26,286)	(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	234,372
(13,569)	(6,969)	4,829	33,933	(12,814)	(21,925)	194,681
7.3	5.1	3.9	5.5	6.1	2.2	
17.8	9.0	7.1	2.4	9.6	(11.4)	
6.8	4.8	4.0	5.8	6.7	2.5	
37.0	20.1	17.3	6.4	30.1	(36.6)	0.33
6.0	3.0	3.0	4.0	6.0	6.0	0.05

Mitsui Kinzoku Group at a Glance

Business segment	Major products

Engineered Materials

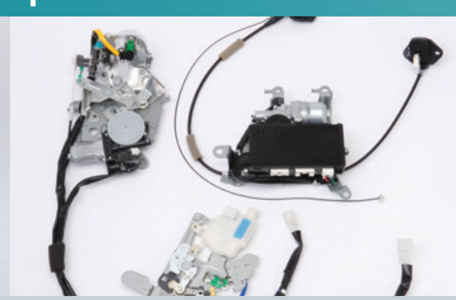



- Battery materials
- Catalysts
- Copper foil
- Physical vaper deposition (PVD) materials
- Engineered powders
- Ceramics

Metals

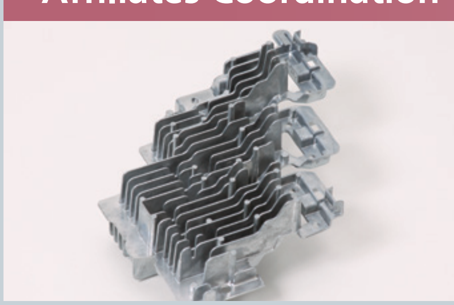

- Zinc smelting
- Zinc mining
- Lead smelting
- Metals recycling
- Copper mining and smelting

Automotive Parts & Components

- Automotive parts and components

Affiliates Coordination

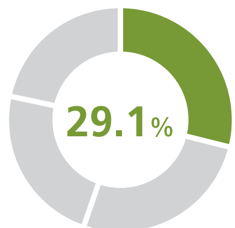


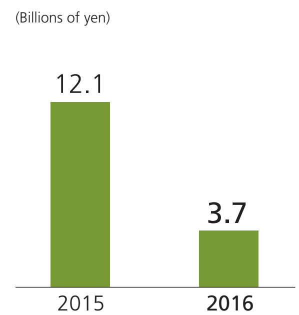

- Perlite
- Die-casting
- Rolled copper
- Engineering
- Other

(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)

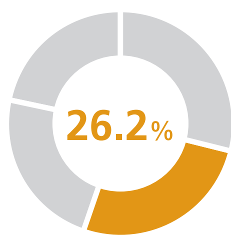
¥144.0 billion

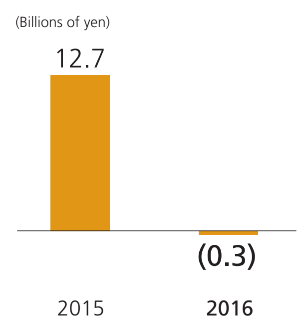




(galvanized steel, die-casting)
(car batteries, inorganic chemicals)
(electric wire, rolled copper and brass)

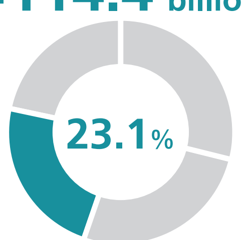
¥129.7 billion

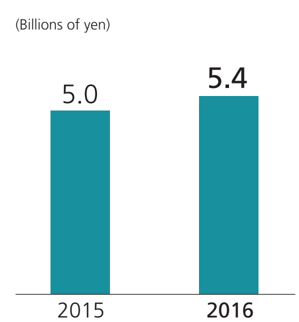




(door latches, power slide door systems)

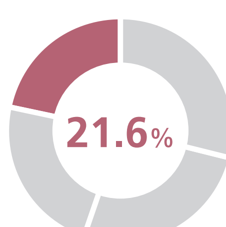
¥114.4 billion

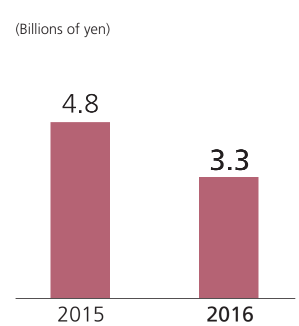




(construction, liquid filtration)
(automobiles, machines, home electronics)
(electric parts, electrodes, roofs of buildings)

¥107.2 billion





Message from the President

Fiscal 2015 Performance

In fiscal 2015, the world economy remained on a moderate recovery path on the whole, underpinned by a strong U.S. economy driven by internal demand centered on personal consumption, although the pace of economic growth in China and other emerging markets slowed. Meanwhile, the Japanese economy also progressed along a moderate recovery path in the first half of fiscal 2015 due to sustained improvement in corporate earnings and the labor market. However, in the second half of fiscal 2015, the economic recovery stalled mainly on account of the yen's rapid appreciation and falling stock prices, along with lackluster personal consumption. In this environment, concerns emerged about downside risks to the global economy, including the deceleration of China and other emerging-market economies. As a result, the global economic outlook was shrouded in uncertainty.

Under these economic conditions, the business environment surrounding the Mitsui Kinzoku Group in the first half of fiscal 2015 saw a downturn in demand for battery materials and electrolytic copper foil due to production adjustments by major customers, despite strong demand for functional automotive parts in the North American market. In addition, the nonferrous metals market saw a declining trend. In the second half of fiscal 2015, the nonferrous metals market temporarily declined further. From midway through the second half, the prices of zinc, indium and other metals in Japan softened as the yen rapidly appreciated.

In these circumstances, the Group entered the final year of the 2013 Medium-Term Management Plan, a three-year plan launched in fiscal 2013. The Group implemented a range of measures including expanding the automotive exhaust detoxifying catalyst business in North America. In the copper foil business, we shifted to high-end copper foil products in overseas markets, primarily in Asia. We also approved a resolution on carrying out large-scale renovations of hydroelectric power stations. Other measures included expanding the metals recycling business in Asia and establishing a global production structure for the automotive parts and components business.

As a result, net sales in fiscal 2015 came to ¥450.5 billion, down ¥22.7 billion (4.8%) year on year. Operating income decreased ¥20.6 billion (65.0%) from the previous fiscal year to ¥11.1 billion. Ordinary income decreased ¥32.3 billion to a loss of ¥11.2 billion, due to the recording of ¥22.3 billion in investment losses on equity method, including a ¥19.2 billion impairment loss on the Caserones copper mine in Chile, in response to the impact of sluggish copper prices. In extraordinary items, the Group recorded extraordinary profits, including a gain on sale of investment securities amounting to ¥1.4 billion, and extraordinary losses, including a ¥1.4 billion loss on disposal of property, plant and equipment and ¥0.6 billion in environmental countermeasure expenses. After accounting for taxation expenses, and profit attributable to owners of parent decreased ¥38.1 billion to a loss of ¥20.9 billion.

Review by Segment

➥ Engineered Materials

In catalysts, sales volume of mainstay catalysts for detoxifying motorcycle exhaust emissions declined, owing to generally lackluster demand reflecting decelerating growth in emerging markets and other factors. However, net sales increased year on year due to the impact of the yen's depreciation. In copper foil, demand was soft for the ultra-thin copper foil used in high-performance applications due to slowing growth of the market for mobile devices such as smartphones. In overseas markets centered on Asia, profitability improved as we focused on shifting to high-end copper foil. However, overall sales volume and net sales of copper foil both decreased year on year. In battery materials, sales volume of hydrogen storage alloy materials (MH alloys) increased, while sales volume of lithium manganese oxide (LMO) declined mainly due to a shift in the main raw materials used in lithium-ion batteries.

In PVD materials, net sales decreased year on year due to the fall in the sales price of indium, the main ingredient of indium tin oxide (ITO). As a result, segment sales decreased ¥9.1 billion (6.0%) year on year to ¥144.0 billion. Ordinary income decreased ¥8.4 billion (69.0%) to ¥3.7 billion, mainly owing to inventory valuation factors for PVD materials in connection with the fall in the sales price of indium, despite improvement in the profitability of electrolytic copper foil.

➥ Metals

Demand for zinc-plated steel sheets in Japan decreased, reflecting weak demand for use in construction materials and automobiles. Moreover, zinc sales decreased from the previous fiscal year, mainly reflecting lackluster domestic zinc prices in line with an overall declining trend in zinc prices on the London Metal Exchange (LME). In addition, demand for lead storage batteries in Japan saw firm replacement demand, but demand for use in new car models declined due to the impact of sluggish sales volumes of new car models. Furthermore, lead sales decreased year on year, due to soft domestic lead prices in line with an overall declining trend in lead prices on the LME. As a result, segment sales decreased ¥10.3 billion (7.4%) to ¥129.7 billion. Ordinary income decreased ¥13.1 billion from the previous fiscal year to a loss of ¥0.3 billion, primarily due to inventory valuation factors in connection with a decline in the price of nonferrous metals, as well as delays in operating at full capacity at the Caserones copper mine, despite positive factors supported by the effects of the yen's depreciation.

➥ Automotive Parts & Components

In the domestic market, demand declined for functional automotive parts such as door latches primarily due to a hike in the light vehicle tax. However, the North American market was strong, underpinned by the recovery of the U.S. economy and the consistently low price of gasoline. As a result, segment sales rose ¥9.9 billion (9.5%) to ¥114.4 billion. Ordinary income increased ¥0.3 billion (7.4%) year on year to ¥5.4 billion, mainly due to the impact of cost improvements underpinned by the results of cost-cutting initiatives.

➥ Affiliates Coordination

Although the environment surrounding orders for overseas plant construction work was weak, order volume for various industrial plant projects held firm overall mainly due to orders received for renovation work on hydroelectric power stations in Japan. Net sales decreased year on year, reflecting the completion of regular repair work for a Group company in the previous fiscal year. As a result, segment sales declined ¥11.2 billion (9.5%) year on year to ¥107.2 billion and ordinary income decreased ¥1.5 billion (31.4%) year on year to ¥3.3 billion.

Medium- to Long-Term Growth Strategy

Under the 2013 Medium-Term Management Plan, which entered its final year in fiscal 2015, our performance fell significantly short of the plan's targets mainly owing to delays in operating at full capacity at the Caserones copper mine and the fall in the price of copper. However, we have sought to put a self-reliant and autonomous operating structure in place at each business segment under the 2013 Medium-Term Management Plan. Under this structure, in conjunction with exploring new growth opportunities that will lead to the creation of new businesses, we have implemented various measures. These include expanding business by developing the automotive exhaust detoxifying catalyst business overseas, bolstering the competitiveness of ultra-thin copper foil and ramping up its production capacity, and implementing a structural transition to smelting focused on nonferrous metals recycling. In the Automotive Parts & Components segment, we are addressing the global production systems of automakers with particular emphasis on newly emerging markets.

With this in mind, we have formulated the 2016 Medium-Term Management Plan, a three-year plan launched in fiscal 2016. Considering our vision for the Group ten years from now, we have set our basic policy for the 2016 Medium-Term Management Plan as "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." In line with the basic policy of the 2016 Medium-Term Management Plan, we will pursue the following key initiatives in each segment: Reap results from measures implemented in the 2013 Plan, Reinforce the basic structure of existing businesses, and Take strategic steps for the future.

Outlook for Fiscal 2016

In fiscal 2016, the global economy is being shaped by concern about a downturn in business conditions, against the backdrop of factors including a fall in the price of resources such as crude oil, the deceleration of the Chinese economy, and diminished expectations of interest rate hikes in the U.S. Meanwhile, in the Japanese economy, there is an uncertain outlook for business conditions mainly based on deterioration of the export environment and sluggish personal consumption, reflecting the stronger yen and lower stock prices since the beginning of 2016.

Despite lower energy costs reflecting the fall in the price of crude oil, the business environment surrounding the Group is expected to be pressured by factors such as the yen's appreciation and the lackluster nonferrous metals market, along with shorter product life cycles and intensifying price competition.

Under these circumstances, the Group will implement various measures aimed at enhancing its corporate value.

At present, the Group is forecasting net sales of ¥433.0 billion, operating income of ¥21.0 billion, ordinary income of ¥14.0 billion, and profit attributable to owners of parent of ¥4.0 billion in fiscal 2016.

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

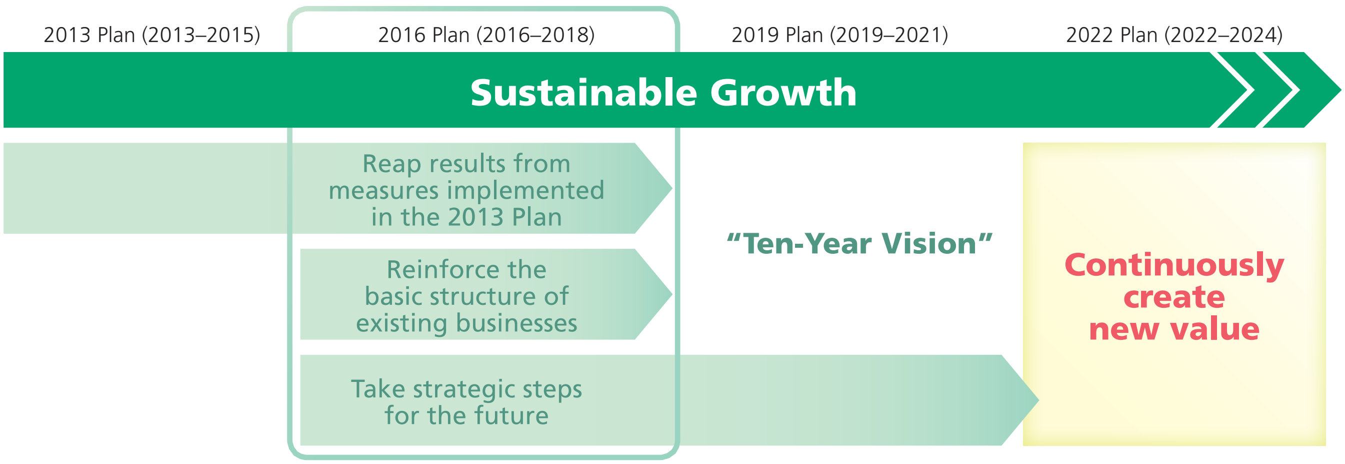
Keiji Nishida

President, Representative Director

2016 Medium-Term Management Plan

The Mitsui Kinzoku Group has formulated the 2016 Medium-Term Management Plan covering the three-year period starting from fiscal 2016.

Positioning of the 2016 Medium-Term Management Plan



Basic Policy for the 2016 Medium-Term Management Plan

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

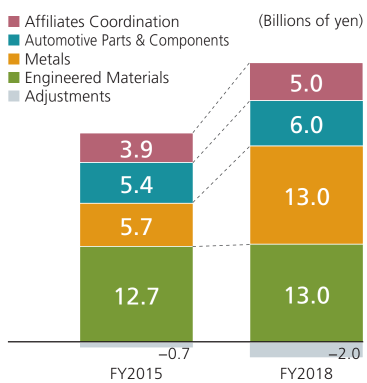
2016 Plan Objectives

	Objectives for FY2018
Ordinary income	¥35.0 billion
Equity capital ratio	37%
Metal prices & forex	
Zn LME ($/t)	2,200
Cu LME (¢/lb)	250
Forex (Yen/US$)	110

	Reap results from measures implemented in the 2013 Plan	Reinforce the basic structure of existing businesses	Take strategic steps for the future
Engineered Materials	**[Catalysts]** — New automotive production base and development of new customers **[Copper foil]** — Expand sales of ultra-thin copper foil with carrier (MicroThin™)	**[Catalysts]** — Maintain market share in the motorcycle market **[Copper foil]** — Maintain top share of ultra-thin copper foil in package market **[Other]** — Tantalum oxide for single crystals	**[Catalysts]** — Develop new catalyst materials for the automotive sector **[Copper foil]** — Develop next-generation products **[Other]** — Strengthen efforts to create new products and new businesses
Metals	• Increase collection and processing of raw materials for recycling • Expand overseas collection of raw materials for recycling	• Enhance smelting plant network • Operate the Caserones copper mine at full capacity	• Develop a smelting process for recycling • Invest in hydroelectric power generation business in Kamioka
Automotive Parts & Components	• Develop overseas bases • Expand sales to the United States	• Make the Mexico Plant a main manufacturing base • Promote automated operations • Improve profitability of operations in Japan	• Expand sales to the Big Three in the United States • Expand sales to Chinese automakers • Develop production technology

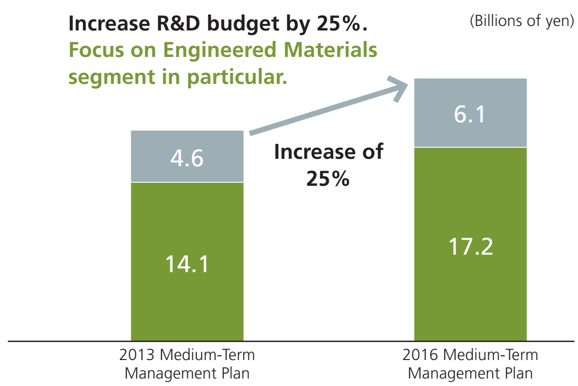
Ordinary Income by Segment (excluding special factors)

	Results for FY2015
Ordinary income	–11.3 billion yen
(Impairment loss on the Caserones copper mill)	(–19.3 billion yen)
(Inventory valuation factors)	(–15.6 billion yen)
(Retirement benefit obligations)	(–3.4 billion yen)
Ordinary income (excl. special factors)	27.0 billion yen



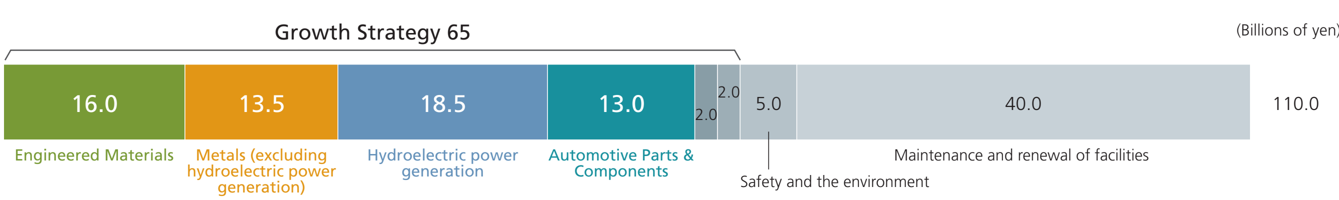
Research and Development Expenses for the Medium-Term Management Plans

Increase R&D budget by 25%.
Focus on Engineered Materials segment in particular.



Capital Expenditure for the Medium-Term Management Plan

Invest ¥65 billion over three years to implement growth strategies.



Main Initiatives to Implement Growth Strategies

Engineered Materials	Metals	Automotive Parts & Components
• Catalyst business for automobiles • MicroThin™ • Tantalum oxide, etc.	• Measures for more feeding of materials • Measures for collection of valuable metals • Strengthening the capability to handle impurities, etc. • Hydroelectric power generation business in Kamioka	• Preparation for sales expansion • Investment for taking various cost reduction measures • Promotion of automated operations, etc.

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 other measures.

- 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, 2016, 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 the law. The accounting audits of the Company were executed by three Certified Public Accountants (CPAs) who are the 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.

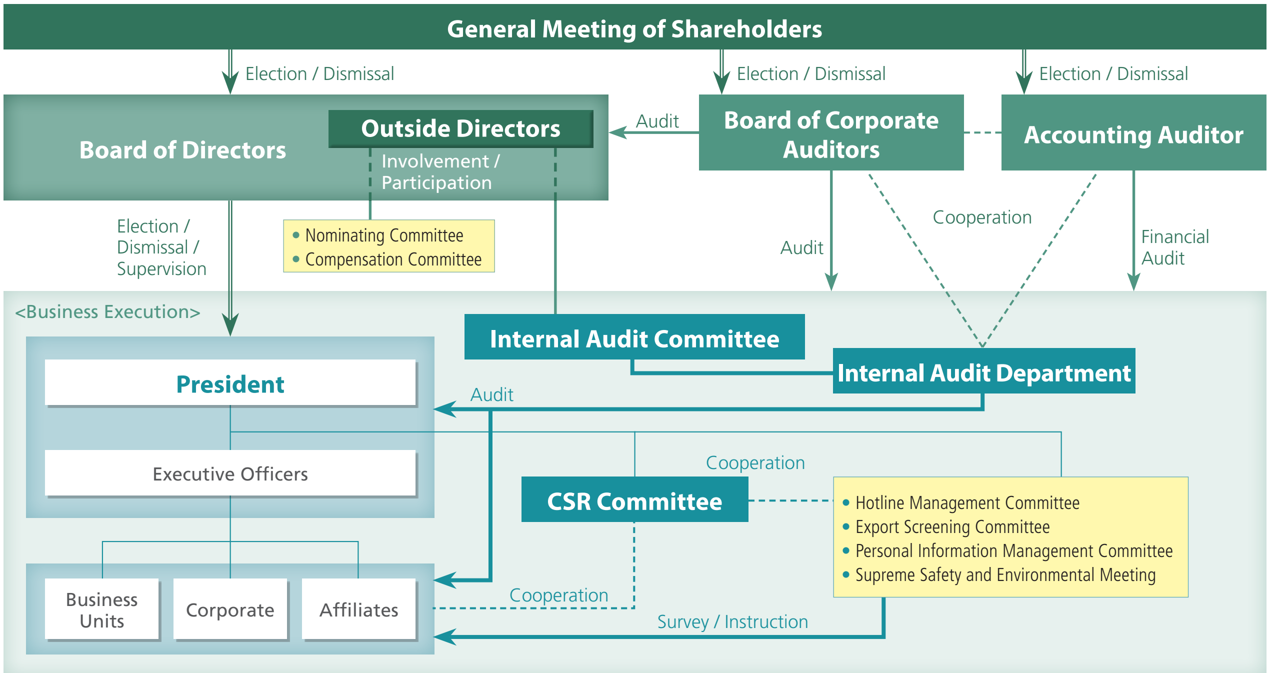
Basic Approach to Internal Control Systems

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 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 have cooperated 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.

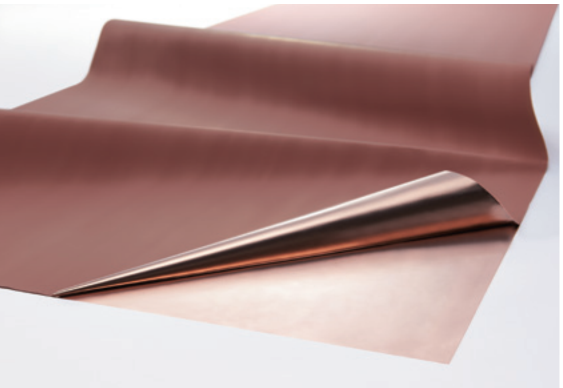
The Company will continue working to further strengthen the structure for excluding antisocial forces and/or organizations.

Review of Operations

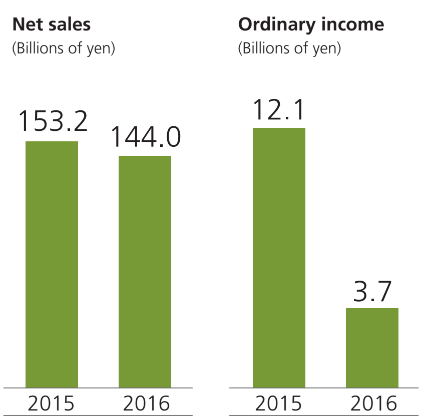
Engineered Materials Segment

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

Automotive exhaust detoxifying catalysts



Copper foil



Operations

- Automotive exhaust 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, cerium polishing materials and single crystals.

Business environment and strategies

With the exception of strong performance in India, sales volume of automotive exhaust detoxifying catalysts declined as a consequence of sluggish overall demand, due mainly to economic growth slowing in the emerging markets. However, monetary sales increased because of the yen's depreciation. Mitsui Kinzoku is expanding this business, including with the commencement in July 2015 of mass production at its first plant in the United States for manufacturing automotive exhaust detoxifying catalysts.

In electrodeposited copper foil, profitability improved after the Company shifted emphasis to high-value-added products such as high-performance products for flexible printed circuit boards. These measures were implemented to avoid price competition overseas in commodity products, particularly in Asia. Mitsui Kinzoku will cement its leading position in the global market for high-end copper foil by increasing its overseas production ratio, expanding sales of ultra-thin copper foil with carrier (MicroThin™) and developing copper foil for the even higher end of the market.

In battery materials, sales volume of hydrogen storage alloys increased, while sales volume of lithium manganese oxide declined, mainly due to a changeover in the main raw material used in lithium-ion batteries, despite strong performance in the market for environmentally friendly vehicles.

In physical vapor deposition (PVD) materials, sales volume of indium tin oxide increased as a result of efforts to expand sales overseas, particularly in China. However, sales prices declined as a consequence of the fall in price of the main raw material, indium.

For other engineered materials, we will continue to improve our costs while maintaining high market shares in niche markets.

Fiscal 2015 business performance

Net sales in the Engineered Materials segment declined from the previous fiscal year. This was mainly attributable to stagnation in demand as a result of major customers adjusting their output and a fall in the price of indium, the main raw material for producing indium tin oxide.

Metals Segment

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

Huanzala mine

Smelting operations

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 30% is obtained from recycled materials.
- 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 and strategies

Market conditions for non ferrous metals deteriorated following a rapid appreciation of the yen in the second half of the year. This resulted in a downtrend in the domestic price of zinc, lead and other non ferrous metals.

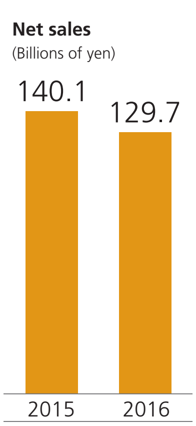
However, zinc smelting operations saw strong sales volumes, mainly of zinc-plated steel sheets for automobiles.

Mitsui Kinzoku plans to expand earnings by increasing the recovery volume of valuable metals. We will continually increase the collection and processing volume of recycled materials such as discarded circuit boards, discarded batteries, and steelmakers' furnace dust.

Meanwhile, Mitsui Kinzoku will continue to strengthen its supervision of the Caserones copper mine through Pan Pacific Copper Co., Ltd. We aim to maintain an accurate grasp of the operating status of the mine and to bring it up to full operation as soon as possible.

Fiscal 2015 business performance

Net sales in the Metals segment declined from the previous fiscal year. This was due to the price of zinc and lead falling and the yen's appreciation pushing the price of those metals even lower in Japan. Ordinary income declined from the previous fiscal year. This was mainly due to inventory valuation factors following a fall in non ferrous metal prices and delays in bringing the Caserones copper mine up to full operation.



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 and strategies

In the Japanese automotive market, demand fell following a hike in the light vehicle tax. In contrast, conditions in the North American automotive market remained strong, buoyed by continued low gasoline prices and underpinned by a recovery in the U.S. economy.

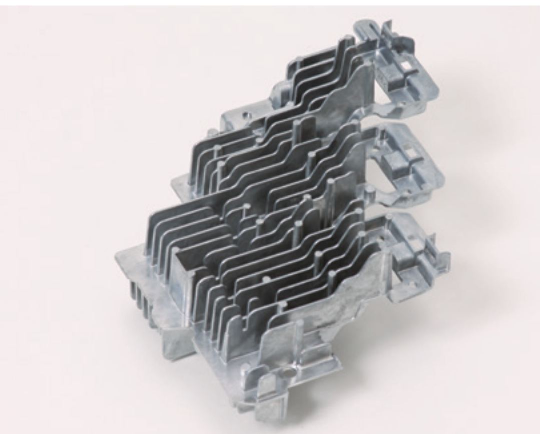
Mitsui Kinzoku plans to enhance and establish its cost reduction capability by stabilizing operations at the Mexico Plant and making it profitable, and bolstering cost-cutting initiatives throughout the Company.

Going forward, we will further enhance our position as the leading maker of vehicle door latches, which are one of the vital components for safe driving.

Fiscal 2015 business performance

Net sales in the Automotive Parts & Components segment increased from the previous fiscal year on the back of strong business performance in the North American market. Ordinary income also increased, mainly due to cost improvements resulting from cost reduction activities.

Affiliates Coordination Segment



Die-casting

Perlite

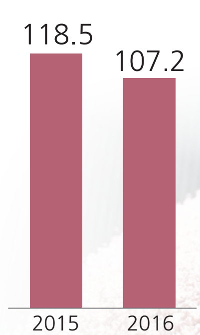
Operations

- 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.
- Die-casting — Mitsui Kinzoku Die-Casting Technology Co., Ltd. offers magnesium, aluminium and zinc die-cast products that are used in a broad range of areas, including consumer equipment, industrial machinery and automotive components.
- 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.
- 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.

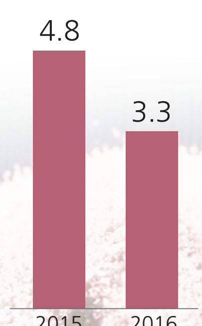
Fiscal 2015 business performance

In the engineering business, sales declined year on year, mainly reflecting a downswing after completing periodic repairs at a Group company in the previous fiscal year. However, orders received in the business increased as the Company booked orders in Japan for a hydroelectric power generation facility among other engineering projects, despite a sluggish turn in plant engineering orders overseas.

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Directors, Corporate Auditors, and Executive Officers

(As of June 29, 2016)

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

Toshiki Mori

Takashi Kadowaki

Masaharu Miura
Outside Auditor

Tetsuhiro Hosono
Outside Auditor

Senior Executive Officer

Hisakazu Kibe
Affiliates Coordination Strategic Sector,
Metals Sector,
Copper Business Strategic Division

Executive Officers

Akira Yoshida

Satoshi Tsunoda

Shigeo Hirayama

Yoshihiro Sera

Makoto Miyaji

Kouichi Kanbayashi

Masayuki Misawa

Hiroshi Mozumi

Makoto Yamagata

Kazuhiko Aoki

Noriyuki Maruyama

Masato Okabe

Financial Section

Five-Year Summary

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

	Millions of yen				
	2016	2015	2014	2013	2012
For the year:					
Net sales	¥450,553	¥473,274	¥441,046	¥417,219	¥431,058
Cost of sales	388,546	395,695	370,404	357,294	369,715
Gross profit	62,007	77,578	70,642	59,925	61,342
Selling, general and administrative expenses	50,869	45,742	44,898	43,367	40,439
Operating income	11,137	31,835	25,743	16,557	20,903
Ordinary income (loss)	(11,284)	21,096	13,656	16,194	19,168
Profit (loss) before income taxes	(12,558)	24,534	9,382	14,606	16,207
Profit (loss) attributable to owners of parent	(20,926)	17,237	3,662	9,910	11,531
Comprehensive income	(23,661)	40,097	17,408	20,639	11,070
At year-end:					
Total current assets	¥194,923	¥221,153	¥198,392	¥179,263	¥184,462
Total assets	484,800	538,646	503,825	438,072	413,106
Total current liabilities	138,442	155,631	159,891	160,661	143,210
Long-term liabilities	166,791	175,907	174,066	122,361	129,719
Net assets	179,566	207,106	169,867	155,049	140,175
Per share data:					
Earnings (loss) per share (¥)	¥ (36.64)	¥ 30.18	¥ 6.41	¥ 17.35	¥ 20.18
Cash dividends applicable to the year (¥)	6.00	6.00	4.00	3.00	3.00
Number of employees	11,132	10,804	10,802	10,154	10,113

Financial Review

The forward-looking statements contained in this section represent the Company's judgment as of March 31, 2016.

Net sales

On a consolidated basis, the Company's net sales during fiscal 2015, ended March 31, 2016, decreased ¥22.7 billion (4.8%) from the previous fiscal year to ¥450.5 billion.

In the Engineered Materials segment, net sales decreased ¥9.1 billion mainly due to the fall in the price of indium, the main ingredient of indium tin oxide, and a downturn in demand primarily reflecting production adjustments by major customers. In the Metals segment, net sales declined ¥10.3 billion owing mainly to a declining trend in the nonferrous metals market. In the Automotive Parts & Components segment, net sales increased ¥9.9 billion, because of firm sales in the North American market. In the Affiliates Coordination segment, net sales decreased ¥11.2 billion, primarily due to a decline in net sales from completed construction contracts in the engineering business sector.

Selling, general and administrative expenses

Selling general and administrative expenses increased ¥5.1 billion from the previous fiscal year, to ¥50.8 billion, primarily because actuarial differences were expensed in connection with a change in the discount rate used to calculate retirement benefit obligations, in response to trends in the interest rate market.

Operating income

Operating income decreased ¥20.6 billion (65.0%) from the previous fiscal year to ¥11.1 billion.

This decrease was mainly attributable to the valuation effect of outstanding inventories from the decline in the nonferrous metals market (hereinafter "inventory valuation factors"), and an increase in retirement benefit costs, despite positive factors such as improvement in the profitability of electrodeposited copper foil and the effects of the yen's depreciation.

Non-operating income (expenses)

Net non-operating expenses worsened ¥11.6 billion year on year to ¥22.4 billion. This was due mainly to an increase of ¥11.8 billion in investment losses on equity method, including an impairment loss on the Caserones copper mine in Chile, despite a decrease of ¥0.4 billion in foreign exchange losses.

Ordinary income (loss)

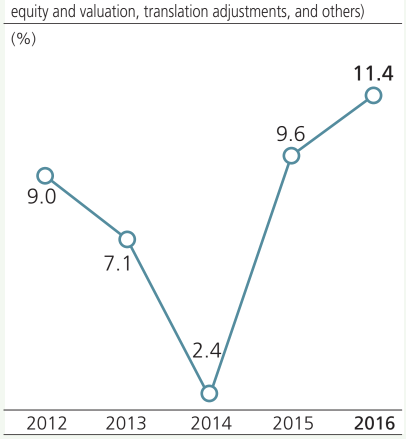
On a consolidated basis, the Company's ordinary income decreased ¥32.3 billion year on year to a loss of ¥11.2 billion, because of the ¥11.6 billion deterioration in net non-operating expenses, in addition to the ¥20.6 billion decrease in operating income.

In the Engineered Materials segment, ordinary income decreased ¥8.4 billion (69.0%) year on year to ¥3.7 billion, mainly owing to inventory valuation factors for PVD materials in connection with the fall in the price of indium, despite improvement in the profitability of electrodeposited copper foil. In the Metals segment, ordinary income deteriorated ¥13.1 billion to a loss of ¥0.3 billion, primarily due to inventory valuation factors in connection with a decline in the price of nonferrous metals, as well as delays in operating at full capacity at the Caserones copper mine, despite positive factors supported by the effects of the yen's depreciation. In the Automotive Parts & Components segment, ordinary income increased ¥0.3 billion (7.4%) to ¥5.4 billion, mainly due to the impact of cost improvements underpinned by the results of cost-cutting initiatives. In the Affiliates Coordination segment, ordinary income declined ¥1.5 billion (31.4%) to ¥3.3 billion.

Extraordinary income (loss)

The Company posted a net extraordinary loss of ¥1.2 billion, a deterioration of ¥4.7 billion compared to the previous fiscal

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)

year. This was primarily attributable to an increase in environmental countermeasure expenses and the recording of a provision for loss on litigation under extraordinary loss, in addition to a decline in gain on change in equity of affiliates.

Income taxes

Taxation expenses amounted to ¥7.6 billion, up ¥1.2 billion year on year. This increase mainly reflected the impact of income taxes—deferred, despite a decrease in income taxes—current.

Profit (loss) attributable to owners of parent

Profit attributable to owners of parent decreased ¥38.1 billion to a loss of ¥20.9 billion, reflecting the ¥32.3 billion decrease in ordinary income, deterioration of ¥4.7 billion in net extraordinary loss, a ¥1.2 billion rise in taxation expenses, and a ¥0.2 billion decrease in profit attributable to non-controlling interests.

Financial position

Total assets

Total assets on a consolidated basis decreased ¥53.8 billion from the previous fiscal year-end to ¥484.8 billion.

Notes and accounts receivable decreased ¥14.3 billion, inventories decreased ¥11.4 billion, and investment securities decreased ¥24.5 billion.

Net assets

Total net assets decreased ¥27.5 billion from the previous fiscal year-end to ¥179.5 billion. This decline mainly reflected a decrease due to the recording of loss attributable to owners of parent of ¥20.9 billion, as well as a decrease of ¥3.4 billion owing to the payment of dividends, a ¥5.2 billion decrease in foreign currency translation adjustments, and an increase of ¥3.5 billion in deferred gains (losses) on hedges, net of tax. As a result, the shareholders' equity ratio decreased 1.6 percentage points from the previous fiscal year-end to 35.0%.

Interest-bearing debt

Total (short- and long-term) interest-bearing debt amounted to ¥191.7 billion, a decrease of ¥18.6 billion from the previous fiscal year-end.

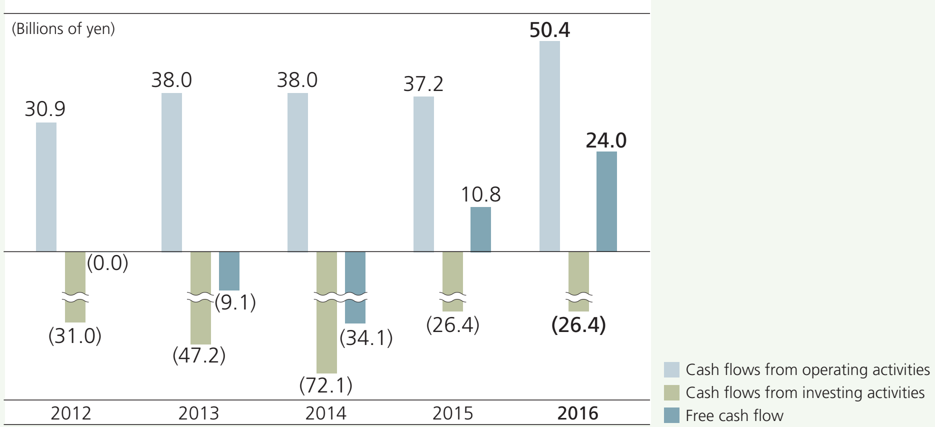
Cash flows

Net cash provided by operating activities was ¥50.3 billion, an increase of ¥13.1 billion from the previous fiscal year. The main contributing factors were ¥25.2 billion in depreciation and amortization, ¥22.3 billion in investment losses on equity method, a ¥11.0 billion decrease in notes and accounts receivable, and a ¥10.2 billion decrease in inventories, which were partially offset by factors reducing cash including ¥12.5 billion in loss before income taxes, a ¥3.8 billion decrease in notes and accounts payable, and ¥8.1 billion in income taxes paid.

Net cash used in investing activities amounted to ¥26.3 billion, largely unchanged from the previous fiscal year. Expenditures mainly consisted of ¥28.6 billion for the acquisition of property, plant and equipment and other assets.

Net cash used in financing activities totaled ¥21.9 billion, an increase of ¥9.1 billion from the previous fiscal year. This increase was mainly attributable to ¥17.0 billion used in the repayment of short- and long-term borrowings, straight bonds and commercial paper and a ¥3.4 billion payment for cash dividends.

Cash flows



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (Notes 5 and 15)	¥ 16,983	¥ 16,404	$ 150,799
Notes and accounts receivable (Note 15):			
Trade	73,483	86,583	652,486
Unconsolidated subsidiaries and affiliates	4,551	5,775	40,410
Inventories (Note 3)	81,011	92,472	719,330
Deferred tax assets (Note 14)	2,475	5,451	21,976
Derivatives (Notes 15 and 16)	4,329	1,163	38,438
Other current assets	12,214	13,463	108,453
Less: Allowance for doubtful accounts	(125)	(162)	(1,109)
Total current assets	194,923	221,153	1,730,802
Investments and other assets:			
Investment securities (Notes 4, 7 and 15):			
Unconsolidated subsidiaries and affiliates	101,014	125,327	896,945
Others	11,099	11,351	98,552
Loans receivable:			
Unconsolidated subsidiaries and affiliates	56	72	497
Others	487	478	4,324
Deferred tax assets (Note 14)	2,183	2,268	19,383
Asset for retirement benefits (Note 17)	3,298	4,071	29,284
Others	9,165	10,281	81,379
Less: Allowance for doubtful accounts	(359)	(416)	(3,187)
Total investments and other assets	126,945	153,434	1,127,197
Property, plant and equipment (Note 7):			
Land	33,998	34,256	301,882
Buildings and structures	166,513	162,995	1,478,538
Machinery and equipment	334,815	329,644	2,972,962
Leased assets	4,999	5,184	44,388
Construction in progress	7,288	9,383	64,713
Others	51,886	51,013	460,717
	599,501	592,478	5,323,219
Less: Accumulated depreciation	(436,569)	(428,420)	(3,876,478)
Total property, plant and equipment	162,931	164,058	1,446,732
Total assets	¥ 484,800	¥ 538,646	$ 4,304,741

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and commercial paper (Notes 6 and 15)	¥ 34,550	¥ 51,073	$ 306,783
Current portion of long-term debt (Notes 6 and 15)	29,738	20,823	264,056
Notes and accounts payable (Note 15):			
Trade	30,850	36,555	273,930
Unconsolidated subsidiaries and affiliates	8,019	10,147	71,204
Others	11,856	12,114	105,274
Current portion of lease liability	541	996	4,803
Accrued income taxes	2,329	3,322	20,680
Accrued expenses	7,704	7,902	68,407
Deferred tax liabilities (Note 14)	—	24	—
Provision for product warranties	1,098	1,308	9,749
Provision for improvement of business structure	121	77	1,074
Provision for loss on disposal of inventories	269	399	2,388
Derivative liabilities (Notes 15 and 16)	203	2,020	1,802
Other current liabilities	11,158	8,865	99,076
Total current liabilities	138,442	155,631	1,229,284
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	127,444	138,494	1,131,628
Lease liability	1,574	1,920	13,976
Directors' and Corporate Auditors' retirement benefits	581	558	5,158
Deferred tax liabilities (Note 14)	5,261	5,917	46,714
Provision for environmental countermeasures	1,354	997	12,022
Provision for preventing environmental pollution in mineral, mining, and other operations	835	894	7,414
Provision for loss on litigation (Note 8)	470	—	4,173
Asset retirement obligations (Note 21)	3,015	3,018	26,771
Liability for retirement benefits (Note 17)	25,470	23,234	226,158
Other long-term liabilities	783	872	6,952
Total long-term liabilities	166,791	175,907	1,481,006
Total liabilities	305,233	331,539	2,710,291
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized — 1,944,000 thousand shares			
Issued — 572,966 thousand shares	42,129	42,129	374,080
Capital surplus	22,557	22,557	200,293
Retained earnings	82,385	106,908	731,530
Less: Treasury stock 1,855 thousand shares in 2016 and 1,842 thousand shares in 2015	(603)	(601)	(5,354)
Total shareholders' equity	146,469	170,994	1,300,559
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of tax	1,705	2,613	15,139
Deferred gains (losses) on hedges, net of tax	2,489	(1,032)	22,100
Foreign currency translation adjustments	19,434	24,719	172,562
Accumulated adjustments for retirement benefits (Note 17)	(561)	(308)	(4,981)
Total accumulated other comprehensive income	23,067	25,992	204,821
Non-controlling interests in consolidated subsidiaries	10,029	10,120	89,051
Total net assets (Note 9)	179,566	207,106	1,594,441
Total liabilities and net assets	¥484,800	¥538,646	$4,304,741

Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 13)	¥450,553	¥473,274	$4,000,648
Cost of sales (Notes 3 and 11)	388,546	395,695	3,450,062
Gross profit	62,007	77,578	550,586
Selling, general and administrative expenses (Notes 10 and 11)	50,869	45,742	451,687
Operating income	11,137	31,835	98,890
Non-operating income (expenses):			
Interest and dividend income	1,666	2,582	14,793
Interest expense	(1,799)	(1,990)	(15,974)
Foreign exchange losses	(628)	(1,100)	(5,576)
Investment losses on equity method	(22,372)	(10,550)	(198,650)
Real estate rent	694	1,010	6,162
Other, net	18	(690)	159
	(22,421)	(10,739)	(199,085)
Ordinary income (loss) (Note 13)	(11,284)	21,096	(100,195)
Extraordinary income (losses):			
Gain on sale of investment securities	1,487	372	13,203
Gain on sale of property, plant and equipment (Note 12)	99	257	879
Loss on sale and disposal of property, plant and equipment (Note 12)	(1,603)	(1,193)	(14,233)
Loss on impairment of fixed assets (Note 19)	(305)	(93)	(2,708)
Gain on change in equity of affiliates	408	3,596	3,622
Environmental expenses	(646)	(68)	(5,736)
Loss on liquidation of subsidiaries and affiliates	—	(284)	—
Gain on other capital surplus reduction of shares of subsidiaries and affiliates	—	643	—
Refunded custom duties	314	—	2,788
Provision for loss on litigation (Note 8)	(470)	—	(4,173)
Other, net (Note 12)	(558)	208	(4,954)
	(1,274)	3,437	(11,312)
Profit (loss) before income taxes	(12,558)	24,534	(111,507)
Income taxes (Note 14):			
Current	6,053	6,763	53,747
Deferred	1,631	(368)	14,482
	7,685	6,394	68,238
Profit (loss)	(20,244)	18,139	(179,754)
Profit attributable to non-controlling interests	681	902	6,046
Profit (loss) attributable to owners of parent	¥ (20,926)	¥ 17,237	$ (185,810)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings (loss) per share (Note 18)	¥(36.64)	¥30.18	$(0.33)
Cash dividends applicable to the year	6.00	6.00	0.05

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Profit (loss)	¥(20,244)	¥18,139	$(179,754)
Other comprehensive income:			
Net unrealized gains (losses) on securities, net of tax	(888)	950	(7,884)
Deferred gains (losses) on hedges, net of tax	4,005	(1,364)	35,562
Foreign currency translation adjustments	(6,132)	8,073	(54,448)
Remeasurements of defined benefit plans, net of tax	(325)	111	(2,885)
Share of other comprehensive income of associates accounted for using the equity method	(74)	14,186	(657)
Total other comprehensive income (Note 22)	(3,416)	21,958	(30,332)
Comprehensive income	¥(23,661)	¥40,097	$(210,095)
(Breakdown)			
Comprehensive income attributable to owners of parent	¥(23,850)	¥38,637	$(211,774)
Comprehensive income attributable to non-controlling interests	189	1,460	1,678

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	(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 benefits	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2015	572,966	¥42,129	¥22,557	¥106,908	¥(601)	¥170,994	¥2,613	¥(1,032)	¥24,719	¥(308)	¥25,992	¥10,120	¥207,106
Cash dividends paid				(3,426)		(3,426)							(3,426)
Loss attributable to owners of parent				(20,926)		(20,926)							(20,926)
Acquisition of treasury stock					(2)	(2)							(2)
Change of scope of consolidation				(169)		(169)							(169)
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(0)			(0)							(0)
Net changes of items other than shareholders' equity							(908)	3,522	(5,285)	(252)	(2,924)	(90)	(3,014)
Balance at March 31, 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

	(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 losses on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2014	572,966	¥42,129	¥22,557	¥ 92,190	¥(596)	¥156,280	¥1,653	¥ (205)	¥ 3,531	¥(388)	¥ 4,591	¥ 8,994	¥169,867
Cumulative effects of changes in accounting policies				(825)		(825)							(825)
Restated balance		42,129	22,557	91,365	(596)	155,455	1,653	(205)	3,531	(388)	4,591	8,994	169,042
Cash dividends paid				(2,284)		(2,284)							(2,284)
Profit attributable to owners of parent				17,237		17,237							17,237
Acquisition of treasury stock					(4)	(4)							(4)
Change of scope of consolidation				590		590							590
Net changes of items other than shareholders' equity							959	(826)	21,187	79	21,400	1,125	22,525
Balance at March 31, 2015	572,966	¥42,129	¥22,557	¥106,908	¥(601)	¥170,994	¥2,613	¥(1,032)	¥24,719	¥(308)	¥25,992	¥10,120	¥207,106

	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 benefits	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 9)
Balance at April 1, 2015	$374,080	$200,293	$949,280	$(5,336)	$1,518,327	$23,201	$ (9,163)	$219,490	$(2,734)	$230,793	$89,859	$1,838,980
Cash dividends paid			(30,420)		(30,420)							(30,420)
Loss attributable to owners of parent			(185,810)		(185,810)							(185,810)
Acquisition of treasury stock				(17)	(17)							(17)
Change of scope of consolidation			(1,500)		(1,500)							(1,500)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(2)			(2)							(2)
Net changes of items other than shareholders' equity						(8,062)	31,273	(46,927)	(2,237)	(25,963)	(799)	(26,762)
Balance at March 31, 2016	$374,080	$200,293	$731,530	$(5,354)	$1,300,559	$15,139	$22,100	$172,562	$(4,981)	$204,821	$89,051	$1,594,441

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Profit (loss) before income taxes	¥(12,558)	¥ 24,534	$(111,507)
Depreciation and amortization	25,260	25,287	224,294
Loss on impairment of fixed assets (Note 19)	305	93	2,708
Loss (gain) on sale of property, plant and equipment, net	13	(226)	115
Loss on disposal of property, plant and equipment	1,490	1,161	13,230
Foreign exchange loss	360	641	3,196
Investment losses on equity method	22,372	10,550	198,650
Gain on change in equity of affiliates	(408)	(3,596)	(3,622)
Increase (decrease) in allowance for doubtful accounts	(70)	17	(621)
Increase (decrease) in liability for retirement benefits	1,874	(254)	16,640
Interest and dividend income	(1,666)	(2,582)	(14,793)
Interest expense	1,799	1,990	15,974
Decrease (increase) in notes and accounts receivable	11,028	(5,170)	97,922
Decrease (increase) in inventories	10,237	(5,160)	90,898
Decrease in notes and accounts payable	(3,828)	(1,153)	(33,990)
Other, net	154	(5,847)	1,367
Subtotal	56,364	40,286	500,479
Interest and dividends received	2,079	7,323	18,460
Interest paid	(1,807)	(2,017)	(16,045)
Income taxes paid	(8,194)	(8,087)	(72,757)
Income taxes refund	1,465	540	13,008
Other, net	489	(799)	4,342
Net cash provided by operating activities	50,397	37,245	447,496
Cash flows from investing activities:			
Purchases of investment securities	(1,228)	(292)	(10,903)
Proceeds from sale of investment securities	2,043	519	18,140
Acquisition of property, plant and equipment and other assets	(28,677)	(26,583)	(254,635)
Proceeds from sale of property, plant and equipment	625	432	5,549
Decrease in short-term loans receivable, net	303	75	2,690
Disbursement for long-term loans receivable	(30)	(81)	(266)
Collection of long-term loans receivable	37	32	328
Proceeds from liquidation of subsidiaries and associates	606	—	5,380
Other, net	(75)	(520)	(665)
Net cash used in investing activities	(26,395)	(26,418)	(234,372)
Cash flows from financing activities:			
Net change in short-term borrowings and commercial paper	(14,973)	(4,833)	(132,951)
Proceeds from long-term debt	9,009	9,465	79,994
Repayment of long-term debt	(11,046)	(14,319)	(98,082)
Repayment of lease liability	(1,037)	(591)	(9,207)
Issuance of bonds	10,000	10,000	88,794
Redemption of straight bonds	(10,000)	(10,000)	(88,794)
Cash dividends paid	(3,426)	(2,284)	(30,420)
Dividends paid to non-controlling interests	(399)	(214)	(3,542)
Other, net	(50)	(36)	(443)
Net cash used in financing activities	(21,925)	(12,814)	(194,681)
Effect of exchange rate changes on cash and cash equivalents	(1,360)	1,834	(12,076)
Net increase (decrease) in cash and cash equivalents	716	(151)	6,357
Cash and cash equivalents at beginning of year	15,926	15,288	141,413
Effect of addition of consolidated subsidiaries	6	790	53
Cash and cash equivalents at end of year (Note 5)	¥ 16,649	¥ 15,926	$ 147,833

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

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, 2016, which was ¥112.62 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

There was no significant change in the scope of consolidation during the year ended March 31, 2016.

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

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

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

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

(e) Derivative transactions and hedge accounting

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

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

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

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

The 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, (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 15 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 pay in accordance with the internal rules as if the Directors and Corporate Auditors have 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) Provision for loss on litigation

A rational estimate of the loss on litigation has been recorded to provide for possible losses arising from litigation and other disputes in the future, in light of the risks involved in each dispute.

(q) Research and development expenses

Research and development expenses are charged to expenses.

(r) 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

(s) Income taxes

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

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

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

(t) 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 2016 and 2015.

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

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the 2015 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(v) Accounting of consumption tax

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

(Change in accounting policies)

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition-related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts for prior years were reclassified to conform to such changes in the current year's presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively. The effects on the consolidated financial statements were immaterial.

(Accounting standards not yet applied)

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26"))

(1) Overview
Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:
a) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
b) Criteria for types 2 and 3;
c) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
d) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
e) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of Guidance No. 26
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

3. Inventories

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Merchandise and finished goods	¥24,517	¥27,035	$217,696
Work in process	24,551	30,754	217,998
Raw materials and supplies	31,941	34,683	283,617
Total	¥81,011	¥92,472	$719,330

Write-downs of inventories for the years ended March 31, 2016 and 2015 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cost of sales	¥2,074	¥62	$18,415
Total	¥2,074	¥62	$18,415

4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2016 and 2015 were as follows:

	Millions of yen		
As of March 31, 2016	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥4,998	¥2,026	¥2,971
Subtotal	4,998	2,026	2,971
Securities whose book value does not exceed acquisition cost:			
Stocks	1,106	1,445	(339)
Subtotal	1,106	1,445	(339)
Total	¥6,104	¥3,472	¥2,632

	Millions of yen		
As of March 31, 2015	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥5,915	¥2,117	¥3,798
Subtotal	5,915	2,117	3,798
Securities whose book value does not exceed acquisition cost:			
Stocks	308	437	(128)
Subtotal	308	437	(128)
Total	¥6,224	¥2,554	¥3,670

	Thousands of U.S. dollars (Note 1)		
As of March 31, 2016	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$44,379	$17,989	$26,380
Subtotal	44,379	17,989	26,380
Securities whose book value does not exceed acquisition cost:			
Stocks	9,820	12,830	(3,010)
Subtotal	9,820	12,830	(3,010)
Total	$54,199	$30,829	$23,370

(b) Available-for-sale securities sold for the years ended March 31, 2016 and 2015 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2016	2015	2016
Total sale amount	Stocks	¥1,278	¥520	$11,347
Gains	Stocks	1,170	385	10,388
Losses	Stocks	17	13	150

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2016 and 2015 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash and deposits	¥16,983	¥16,404	$150,799
Time deposits with maturities exceeding three months from the date of deposit	(334)	(478)	(2,965)
Total: Cash and cash equivalents	¥16,649	¥15,926	$147,833

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.310% to 9.750% and from 0.410% to 10.250% at March 31, 2016 and 2015, respectively	¥31,550	¥47,073	$280,145
Commercial paper with interest at annual rate of 0.00% and 0.09% at March 31, 2016 and 2015, respectively	3,000	4,000	26,638
	¥34,550	¥51,073	$306,783

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
0.39% yen unsecured straight bonds due in 2020	¥ 10,000	¥ —	$ 88,794
0.76% yen unsecured straight bonds due in 2020	10,000	10,000	88,794
0.27% yen unsecured straight bonds due in 2019	10,000	10,000	88,794
0.79% yen unsecured straight bonds due in 2018	10,000	10,000	88,794
0.74% yen unsecured straight bonds due in 2017	10,000	10,000	88,794
0.76% yen unsecured straight bonds due in 2016	10,000	10,000	88,794
0.80% yen unsecured straight bonds due in 2015	—	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2025 at interest rates ranging from 0.250% to 10.850% at March 31, 2016:			
Secured	900	900	7,991
Unsecured	92,982	94,331	825,625
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2016:			
Secured	3,299	4,086	29,293
Unsecured	—	—	—
	157,182	159,317	1,395,684
Less: Current portion	29,738	20,823	264,056
	¥127,444	¥138,494	$1,131,628

The aggregate annual maturities of long-term debt at March 31, 2016 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2017	¥ 29,739	$ 264,064
2018	35,059	311,303
2019	32,322	287,000
2020	33,421	296,759
2021	24,340	216,125
Thereafter	2,302	20,440
Total	¥157,182	$1,395,684

The 0.76% yen unsecured straight bonds due in 2016 were issued on November 29, 2011 by the Company.
The 0.74% yen unsecured straight bonds due in 2017 were issued on November 29, 2012 by the Company.
The 0.79% yen unsecured straight bonds due in 2018 were issued on June 4, 2013 by the Company.
The 0.76% yen unsecured straight bonds due in 2020 were issued on November 28, 2013 by the Company.
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.

7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Investment securities	**¥ —**	¥ 1,862	**$ —**
Property, plant and equipment, net book value	**10,386**	11,088	**92,221**
	¥10,386	¥12,950	**$92,221**

8. Contingent Liabilities

(a) Contingent liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Notes receivable discounted	**¥ 466**	¥ 368	**$ 4,137**
Notes receivable endorsed	**—**	41	**—**
Notes receivable securitized with recourse	**484**	623	**4,297**
Loans guaranteed:			
Unconsolidated subsidiaries and affiliates	**104,933**	116,036	**931,743**
Others	**470**	526	**4,173**
	¥106,355	¥117,596	**$944,370**

(b) Material cases of litigation
Former employees and their associates had appealed the case they brought against the Company and its subsidiary to the Nagoya High Court. The case is seeking restitution for alleged work-related health damages. The high court handed down a ruling on January 21, 2016 in which the defendants were ordered to pay the plaintiffs ¥378 million ($3,356 thousand) in damages and a certain amount of late charges.

Of this, the Company had made a suspense payment of ¥343 million for the damages and late charges to the plaintiffs on July 7, 2014, following a first ruling by the Gifu District Court on June 27, 2014.

Meanwhile, to discontinue compulsory execution of the declaration of provisional execution attached to the high court ruling, the Company made a suspense payment of ¥35 million ($310 thousand) for the remaining damages and late charges to the plaintiffs on February 12, 2016. The Company filed an appeal against the ruling with the Supreme Court of Japan on February 3, 2016.

A rational estimate of the loss on litigation has been recorded in the consolidated financial statements.

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 the number of shares issued and outstanding during the year ended March 31, 2016 and 2015 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2014	572,966	1,832
Increase during the year	—	10
Decrease during the year	—	—
Balance at March 31 and April 1, 2015	572,966	1,842
Increase during the year	—	12
Decrease during the year	—	—
Balance at March 31, 2016	572,966	1,855

(b) Dividends

Dividends paid for the year ended March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 26, 2015	¥3,426	$30,420
Total	¥3,426	$30,420

Dividends included in retained earnings at March 31, 2016 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 29, 2016	¥3,426	$30,420
Total	¥3,426	$30,420

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Freightage-related expenses	¥9,119	¥8,954	$80,971
Salaries	8,995	8,993	79,870
Bonus and retirement pay	1,537	1,497	13,647
Provision for bonuses	1,589	1,580	14,109
Provision for Directors' and Corporate Auditors' bonuses	32	40	284
Retirement benefit expenses	4,479	395	39,770
Provision for Directors' and Corporate Auditors' retirement benefits	161	173	1,429
Provision for product warranties	241	189	2,139
Depreciation expense	1,875	1,742	16,648
Research and developing/Exploration expenses	5,845	5,980	51,900

11. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥6,575 million ($58,382 thousand) and ¥6,265 million for the years ended March 31, 2016 and 2015, 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)
	2016	2015	2016
Buildings and structures	¥18	¥ 30	$159
Machinery and equipment	24	83	213
Land	—	121	—
Others	56	22	497
Total	¥99	¥257	$879

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Buildings and structures	¥ 1	¥ 4	$ 8
Machinery and equipment	103	14	914
Land	0	—	0
Others	7	13	62
Total	¥113	¥31	$1,003

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Buildings and structures	¥ 470	¥ 180	$ 4,173
Machinery and equipment	974	938	8,648
Others	45	42	399
Total	¥1,490	¥1,161	$13,230

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Provision for allowance for doubtful accounts	¥ 0	¥50	$ 0
Provision for product warranties	142	—	1,260
Provision for improvement of business structure	121	—	1,074

13. Segment Information

The operations of the Companies for the years ended March 31, 2016 and 2015 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 reportable segments

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

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

Segment information as of and for the fiscal year ended March 31, 2016 was as follows:

	Millions of yen						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustments	Consolidated
As of/Year ended March 31, 2016							
Sales:							
Outside customers	¥138,408	¥118,164	¥114,448	¥ 80,164	¥451,186	¥ (633)	¥450,553
Inter-segment	5,656	11,621	—	27,065	44,344	(44,344)	—
Total	144,065	129,786	114,448	107,230	495,531	(44,977)	450,553
Segment profit (loss)	¥ 3,771	¥ (366)	¥ 5,415	¥ 3,324	¥ 12,145	¥(23,429)	¥ (11,284)
Segment assets	¥130,800	¥202,950	¥ 66,855	¥ 88,189	¥488,795	¥ (3,995)	¥484,800
Depreciation expense	9,698	7,245	4,354	2,464	23,762	1,303	25,066
Amortization of goodwill and negative goodwill	—	31	—	—	31	(1)	30
Interest income	249	170	77	195	692	(425)	266
Interest expense	599	1,173	268	311	2,352	(553)	1,799
Investment gains (losses) on equity method	300	(3,279)	(1)	9	(2,970)	(19,402)	(22,372)
Investment for companies accounted for using the equity method	2,927	81,986	—	12,418	97,332	2,161	99,493
Increase in property, plant and equipment and intangible assets	6,865	11,413	4,976	2,418	25,673	3,164	28,837

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 (loss), which amounted to ¥(23,429) million ($(208,035) thousand), consists mainly of ¥(4,337) million ($(38,510) thousand) for Company-wide costs that do not belong to any reportable segments and an impairment loss of ¥(19,278) million ($(171,177) thousand) on a copper ore development project at a subsidiary of an affiliate accounted for by the equity method.

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

(2) Adjustment to segment assets, which amounted to ¥(3,995) million ($(35,473) thousand), consists of ¥(16,927) million ($(150,301) thousand) for offset of receivables to the corporate administrative department, ¥(15,985) million ($(141,937) thousand) for offset of inter-segment receivables, ¥43,149 million ($383,137 thousand) for Company-wide assets that do not belong to any reportable segments and ¥(14,231) million ($(126,362) thousand) for other adjustment.

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

(3) Adjustment to investment gains (losses) on equity method, which amounted to ¥(19,402) million ($(172,278) thousand), consists mainly of an impairment loss of ¥(19,278) million ($(171,177) thousand) on a copper ore development project at a subsidiary of an affiliate accounted for by the equity method.

(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, 2015, which was restated in conformity with reorganization, was as follows:

	Millions of yen						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustments	Consolidated
As of/Year ended March 31, 2015							
Sales:							
Outside customers	¥147,090	¥124,199	¥104,490	¥ 90,169	¥465,950	¥ 7,324	¥473,274
Inter-segment	6,113	15,958	10	28,358	50,441	(50,441)	—
Total	153,203	140,158	104,500	118,528	516,391	(43,116)	473,274
Segment profit	¥ 12,184	¥ 12,769	¥ 5,044	¥ 4,849	¥ 34,848	¥(13,751)	¥ 21,096
Segment assets	¥141,510	¥216,180	¥ 54,880	¥ 91,192	¥503,763	¥ 34,882	¥538,646
Depreciation expense	9,467	7,409	3,979	2,504	23,360	1,785	25,146
Amortization of goodwill and negative goodwill	8	29	—	0	38	0	38
Interest income	169	178	68	169	586	(380)	205
Interest expense	658	1,334	170	317	2,480	(489)	1,990
Investment gains (losses) on equity method	259	1,584	19	762	2,626	(13,177)	(10,550)
Investment for companies accounted for using the equity method	2,689	100,097	315	12,832	115,935	7,179	123,114
Increase in property, plant and equipment and intangible assets	9,717	9,510	5,618	2,501	27,349	1,556	28,906

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 ¥(13,751) million, consists mainly of ¥(1,236) million for Company-wide costs that do not belong to any reportable segments and an impairment loss of ¥(12,703) million on a copper ore development project at a subsidiary of an affiliate accounted for by the equity method.

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

(2) Adjustment to segment assets, which amounted to ¥34,882 million, consists of ¥(13,545) million for offset of receivables to the corporate administrative department and ¥47,319 million for Company-wide assets that do not belong to any reportable segments.

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

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

	Thousands of U.S. dollars (Note 1)						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustments	Consolidated
As of/Year ended March 31, 2016							
Sales:							
Outside customers	$1,228,982	$1,049,227	$1,016,231	$711,809	$4,006,268	$ (5,620)	$4,000,648
Inter-segment	50,221	103,187	—	240,321	393,748	(393,748)	—
Total	1,279,213	1,152,424	1,016,231	952,139	4,400,026	(399,369)	4,000,648
Segment profit (loss)	$ 33,484	$ (3,249)	$ 48,082	$ 29,515	$ 107,840	$(208,035)	$ (100,195)
Segment assets	$1,161,427	$1,802,077	$ 593,633	$783,066	$4,340,214	$ (35,473)	$4,304,741
Depreciation expense	86,112	64,331	38,660	21,878	210,992	11,569	222,571
Amortization of goodwill and negative goodwill	—	275	—	—	275	(8)	266
Interest income	2,210	1,509	683	1,731	6,144	(3,773)	2,361
Interest expense	5,318	10,415	2,379	2,761	20,884	(4,910)	15,974
Investment gains (losses) on equity method	2,663	(29,115)	(8)	79	(26,371)	(172,278)	(198,650)
Investment for companies accounted for using the equity method	25,990	727,987	—	110,264	864,251	19,188	883,439
Increase in property, plant and equipment and intangible assets	60,957	101,340	44,183	21,470	227,961	28,094	256,055

[Related information]

Information by area

	Millions of yen					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2016						
Sales	¥252,626	¥61,029	¥77,036	¥45,303	¥14,556	¥450,553

	Millions of yen					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2015						
Sales	¥278,906	¥55,970	¥82,218	¥42,450	¥13,728	¥473,274

	Thousands of U.S. dollars (Note 1)					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2016						
Sales	$2,243,171	$541,901	$684,034	$402,264	$129,248	$4,000,648

	Millions of yen				
	Japan	Asia	North America	Other Areas	Consolidated
As of March 31, 2016					
Property, plant and equipment	¥114,337	¥36,135	¥6,916	¥5,541	¥162,931

	Millions of yen				
	Japan	Asia	North America	Other Areas	Consolidated
As of March 31, 2015					
Property, plant and equipment	¥110,757	¥40,704	¥6,859	¥5,736	¥164,058

	Thousands of U.S. dollars (Note 1)				
	Japan	Asia	North America	Other Areas	Consolidated
As of March 31, 2016					
Property, plant and equipment	$1,015,245	$320,857	$61,410	$49,200	$1,446,732

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

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination· Corporate	Consolidated
Year ended March 31, 2016						
Loss on impairment of fixed assets	¥—	¥139	¥—	¥165	¥(0)	¥305

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination· Corporate	Consolidated
Year ended March 31, 2015						
Loss on impairment of fixed assets	¥—	¥39	¥—	¥54	¥—	¥93

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination· Corporate	Consolidated
Year ended March 31, 2016						
Loss on impairment of fixed assets	$—	$1,234	$—	$1,465	$(0)	$2,708

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

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination·Corporate	Consolidated
Year ended March 31, 2016						
Amortization of goodwill	**¥—**	**¥30**	**¥—**	**¥—**	**¥—**	**¥30**
Balance at end of fiscal year	**—**	**27**	**—**	**—**	**—**	**27**

	Millions of yen					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination·Corporate	Consolidated
Year ended March 31, 2015						
Amortization of goodwill	¥ 8	¥29	¥—	¥ 0	¥—	¥38
Balance at end of fiscal year	—	64	—	—	—	64

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination·Corporate	Consolidated
Year ended March 31, 2016						
Amortization of goodwill	**$—**	**$266**	**$—**	**$—**	**$—**	**$266**
Balance at end of fiscal year	**—**	**239**	**—**	**—**	**—**	**239**

[Information on gain on negative goodwill by reportable segments]

Year ended March 31, 2016

Not applicable.

Year ended March 31, 2015

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 32.8% and 35.2% for the fiscal years ended March 31, 2016 and 2015, respectively.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Excess bad debt expenses	¥ 101	¥ 150	$ 896
Excess accrued bonuses to employees	1,326	1,454	11,774
Excess product warranties	241	320	2,139
Liability for retirement benefits	7,661	7,291	68,025
Provision for environmental countermeasures	405	303	3,596
Loss on impairment of fixed assets	2,387	2,516	21,195
Depreciation in excess of limit	4,260	3,658	37,826
Enterprise taxes accrued	131	271	1,163
Unrealized profits and losses	2,193	2,123	19,472
Operating loss carryforward for tax purposes	13,854	13,651	123,015
Net unrealized losses on securities	133	43	1,180
Deferred losses on hedges	58	663	515
Other	5,877	6,989	52,184
Subtotal	38,632	39,437	343,029
Valuation allowance	(29,984)	(28,653)	(266,240)
Total deferred tax assets	¥ 8,648	¥ 10,784	$ 76,789
Deferred tax liabilities:			
Net unrealized gains on securities	(901)	(1,225)	(8,000)
Deferred gains on hedges	(1,323)	(383)	(11,747)
Retained earnings of foreign subsidiaries	(3,780)	(3,870)	(33,564)
Asset for retirement benefits	(1,013)	(1,297)	(8,994)
Other	(2,232)	(2,229)	(19,818)
Total deferred tax liabilities	¥ (9,250)	¥ (9,005)	$ (82,134)
Net deferred tax assets (liabilities)	¥ (601)	¥ 1,778	$ (5,336)

Net deferred tax assets and liabilities at March 31, 2016 and 2015 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets — current	¥ 2,475	¥ 5,451	$ 21,976
Deferred tax assets — noncurrent	2,183	2,268	19,383
Deferred tax liabilities — current	—	(24)	—
Deferred tax liabilities — noncurrent	(5,261)	(5,917)	(46,714)

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, 2016 and 2015.

	2016	2015
Statutory effective tax rate	—%	35.2%
Permanent difference due to non-deductible expense	—	1.3
Permanent difference due to non-taxable income	—	(44.3)
Effect of elimination of intercompany dividends received	—	24.0
Investment gains on equity method	—	10.0
Income taxes for prior periods	—	(0.1)
Valuation allowance	—	12.7
Downward adjustment of deferred tax assets at end of year due to tax rate change	—	0.6
Taking over tax loss carryforwards from liquidation of subsidiaries	—	(19.4)
Others	—	6.2
Tax rate calculated based on Company's consolidated financial statements	—%	26.1%

The note for the fiscal years ended March 31, 2016 is omitted because of loss before income taxes.

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

On March 31, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 31.9% to 30.7% and 30.4%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥49 million ($435 thousand) as of March 31, 2016, accumulated adjustments for retirement benefits decreased by ¥1 million ($8 thousand), deferred income tax recognized for the fiscal year ended March 31, 2016 increased by ¥142 million ($1,260 thousand), net unrealized gains on securities, net of tax increased by ¥45 million ($399 thousand), deferred gains (losses) on hedges, net of tax increased by ¥49 million ($435 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 paper 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 to reduce the Companies' exposure to fluctuations in metal prices. For those transactions, the Companies apply the deferred hedge method as the hedge accounting method 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, respectively.

3. Description of risk management system for financial instruments

Management system for credit risk

With regard to the credit risk for trade receivables, due dates and balances are managed for each customer and the credit status of major customers is monitored 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, 2016 and 2015 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "2. Financial instruments whose fair value is extremely difficult to measure" in the notes below).

	Millions of yen		
	Book value	Fair value	Difference
As of March 31, 2016			
Assets:			
(a) Cash and deposits	¥ 16,983	¥ 16,983	¥ —
(b) Notes and accounts receivable	78,034	78,034	—
(c) Investment securities	11,073	9,812	(1,261)
Total	¥106,091	¥104,830	¥(1,261)
Liabilities:			
(a) Notes and accounts payable	50,726	50,726	—
(b) Short-term borrowings and commercial paper	34,550	34,550	—
(c) Current portion of long-term debt	29,738	29,856	118
(d) Long-term debt	127,444	128,824	1,379
Total	¥242,460	¥243,959	¥ 1,497
Derivative transactions	¥ 4,118	¥ 4,118	¥ —

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

	Millions of yen		
	Book value	Fair value	Difference
As of March 31, 2015			
Assets:			
(a) Cash and deposits	¥ 16,404	¥ 16,404	¥ —
(b) Notes and accounts receivable	92,359	92,359	—
(c) Investment securities	10,881	9,870	(1,011)
Total	¥119,646	¥118,634	¥(1,011)
Liabilities:			
(a) Notes and accounts payable	58,817	58,817	—
(b) Short-term borrowings and commercial paper	51,073	51,073	—
(c) Current portion of long-term debt	20,823	21,181	357
(d) Long-term debt	138,494	139,134	640
Total	¥269,208	¥270,207	¥ 998
Derivative transactions	¥ (874)	¥ (874)	¥ —

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

	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
As of March 31, 2016			
Assets:			
(a) Cash and deposits	$ 150,799	$ 150,799	$ —
(b) Notes and accounts receivable	692,896	692,896	—
(c) Investment securities	98,321	87,124	(11,196)
Total	$ 942,026	$ 930,829	$(11,196)
Liabilities:			
(a) Notes and accounts payable	450,417	450,417	—
(b) Short-term borrowings and commercial paper	306,783	306,783	—
(c) Current portion of long-term debt	264,056	265,103	1,047
(d) Long-term debt	1,131,628	1,143,882	12,244
Total	$2,152,903	$2,166,213	$ 13,292
Derivative transactions	$ 36,565	$ 36,565	$ —

Note: Derivative assets and liabilities are on a 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 maturities so fair value approximates book value.

(c) Investment securities:

Fair value of investment securities equals quoted market prices. Fair value of debt securities equals quoted market prices or prices provided 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 paper:

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

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

Fair value of long-term bank loans is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity. For certain long-term debt for which interest swap contracts are used to hedge the interest risk, fair value of derivative financial instruments is included in the fair value of the long-term debt as hedged items. And the fair value of long-term debt is based on the present value of future cash flows treated in combination with the respective interest rate swap and discounted using the current borrowing rate for similar debt of a comparable maturity (Please refer to "Notes to Consolidated Financial Statements — 16. Derivative Transactions").

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:

Contract amount, fair value, unrealized gain or loss, and others are described in "Notes to Consolidated Financial Statements — 16. Derivative Transactions."

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

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
Classification	2016	2015	2016
Unlisted equity securities	¥65,240	¥89,998	$579,293
Investments in other securities of subsidiaries and affiliates	35,559	35,558	315,743
Nonpublic domestic bonds	240	240	2,131

Above amounts 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 claimed and held-to-maturity debt securities with maturity dates subsequent to the consolidated balance sheet date

	Millions of yen			
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2021	April 1, 2021 to March 31, 2026	April 1, 2026 and thereafter
As of March 31, 2016				
(a) Cash and deposits	¥16,983	¥—	¥—	¥ —
(b) Notes and accounts receivable	78,034	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity dates				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥95,018	¥—	¥—	¥240

	Millions of yen			
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2020	April 1, 2020 to March 31, 2025	April 1, 2025 and thereafter
As of March 31, 2015				
(a) Cash and deposits	¥ 16,404	¥—	¥—	¥ —
(b) Notes and accounts receivable	92,359	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity dates				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥108,764	¥—	¥—	¥240

	Thousands of U.S. dollars (Note 1)			
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2021	April 1, 2021 to March 31, 2026	April 1, 2026 and thereafter
As of March 31, 2016				
(a) Cash and deposits	$150,799	$—	$—	$ —
(b) Notes and accounts receivable	692,896	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity dates				
Bonds (domestic government and municipal bonds)	—	—	—	2,131
Total	$843,704	$—	$—	$1,997

4. The redemption schedule for corporate bonds, long-term debt, and other interest-bearing debt with maturity dates subsequent to the consolidated balance sheet 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, 2016 and 2015 were as follows:

Currency-related derivatives

Type			Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Forward contracts:					
Selling:					
U.S. dollars:		Contract amounts	¥1,243	¥1,908	$11,037
		Due over one year	—	—	—
		Fair value	36	(21)	319
		Net unrealized gains (losses)	36	(21)	319
Selling:					
U.S. dollars:		Contract amounts	¥ 6	¥ —	$ 53
		Due over one year	—	—	—
		Fair value	(0)	—	(0)
		Net unrealized losses	(0)	—	(0)

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, 2016 and 2015 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Type		Hedged items		Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Forward contracts:						
Selling:		Accounts receivable				
U.S. dollars:			Contract amounts	¥44,760	¥14,342	$397,442
			Due over one year	11,205	—	99,493
			Fair value	2,348	(1,883)	20,848
Buying:		Accounts payable				
U.S. dollars:			Contract amounts	¥ 1,520	¥ 196	$ 13,496
			Due over one year	136	—	1,207
			Fair value	(37)	0	(328)
Euros:			Contract amounts	¥ 23	¥ 47	$ 204
			Due over one year	—	—	—
			Fair value	(1)	(3)	(8)
Malaysian ringgit:			Contract amounts	¥ 8	¥ —	$ 71
			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

		Millions of yen		Thousands of U.S. dollars (Note 1)
Type	Hedged items	2016	2015	2016
Forward contracts:				
Selling:	Accounts receivable			
U.S. dollars:	Contract amounts	**¥101**	¥124	**$896**
	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 the derivative financial instrument is included in fair value of the accounts receivable as hedged items, because those currency forward 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

		Millions of yen		Thousands of U.S. dollars (Note 1)
Type	Hedged items	2016	2015	2016
Swap contracts:	Interest for long-term debt			
Receive Float	Contract amounts	**¥1,509**	¥2,807	**$13,399**
Pay Fix	Due over one year	**377**	1,604	**3,347**
	Fair value	**(2)**	(18)	**(17)**

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.

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

		Millions of yen		Thousands of U.S. dollars (Note 1)
Type	Hedged items	2016	2015	2016
Swap contracts:	Interest for long-term debt			
Receive Float	Contract amounts	**¥—**	¥65	**$—**
Pay Fix	Due over one year	**—**	—	**—**
	Fair value	**—**	(Note b)	**—**

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

Commodities-related derivatives

Type	Hedged items		Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Forward contracts:	Raw materials and finished goods				
Selling:					
Zinc:		Contract amounts	¥22,397	¥13,342	$198,872
		Due over one year	—	—	—
		Fair value	1,668	1,076	14,810
Lead:		Contract amounts	¥ 3,053	¥ 1,770	$ 27,108
		Due over one year	—	—	—
		Fair value	162	(35)	1,438
Silver:		Contract amounts	¥ 766	¥ 1,022	$ 6,801
		Due over one year	—	—	—
		Fair value	(0)	0	(0)
Copper:		Contract amounts	¥ 248	¥ 109	$ 2,202
		Due over one year	—	—	—
		Fair value	2	(0)	17
Buying:					
Zinc:		Contract amounts	¥ 1,681	¥ 1,046	$ 14,926
		Due over one year	—	—	—
		Fair value	13	19	115
Lead:		Contract amounts	¥ 1,046	¥ 413	$ 9,287
		Due over one year	—	—	—
		Fair value	(61)	(14)	(541)
Copper:		Contract amounts	¥ 237	¥ 110	$ 2,104
		Due over one year	—	—	—
		Fair value	(4)	5	(35)

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)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥38,865	¥37,415	$345,098
Cumulative effects of changes in accounting policies	—	826	—
Restated balance	38,865	38,242	345,098
Service cost	2,183	1,641	19,383
Interest cost	350	297	3,107
Actuarial loss	3,350	759	29,746
Benefits paid	(1,757)	(2,132)	(15,601)
Past service costs	87	95	772
Other	787	(39)	6,988
Balance at the end of the fiscal year	¥43,867	¥38,865	$389,513

(b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥19,702	¥17,461	$174,942
Expected return on plan assets	827	642	7,343
Actuarial gain (loss)	(811)	742	(7,201)
Contributions paid by the employer	1,581	1,262	14,038
Benefits paid	(472)	(515)	(4,191)
Other	868	109	7,707
Balance at the end of the fiscal year	¥21,695	¥19,702	$192,638

(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)
	2016	2015	2016
Funded retirement benefit obligations	¥ 19,584	¥ 15,927	$ 173,894
Plan assets	(21,695)	(19,702)	(192,638)
	(2,110)	(3,775)	(18,735)
Unfunded retirement benefit obligations	24,282	22,938	215,610
Net liability for retirement benefits at the end of the fiscal year	¥ 22,171	¥ 19,162	$ 196,865
Liability for retirement benefits	¥ 25,470	¥ 23,234	$ 226,158
Asset for retirement benefits	(3,298)	(4,071)	(29,284)
Net liability for retirement benefits at the end of the fiscal year	¥ 22,171	¥ 19,162	$ 196,865

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Service cost	¥2,183	¥1,641	$19,383
Interest cost	350	297	3,107
Expected return on plan assets	(827)	(642)	(7,343)
Net actuarial loss amortization	4,161	22	36,947
Past service costs amortization	87	95	772
Total retirement benefit costs for the fiscal year	¥5,955	¥1,415	$52,876

(e) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Past service costs	¥ 9	¥ 23	$ 79
Actuarial gain (loss)	(448)	122	(3,977)
Total remeasurements of defined benefit plans for the fiscal year	¥(438)	¥145	$(3,889)

(f) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Prior service costs that are yet to be recognized	¥100	¥110	$ 887
Net actuarial losses that are yet to be recognized	577	128	5,123
Total balance at the end of the fiscal year	¥677	¥238	$6,011

(g) Plan assets

1. Plan assets comprise:

	2016	2015
Bonds	34%	34%
Equity securities	29	30
General insurance funds	35	34
Other	2	2
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, 2016 and 2015 are as follows:

	2016	2015
Discount rate	0.0%–0.9%	0.7%–1.0%
Long-term expected rate of return	Mainly 4.7%	Mainly 4.2%

Defined contribution plans

Contributions to defined contribution plans amounted to ¥127 million ($1,127 thousand) and ¥114 million for the years ended March 31, 2016 and 2015, respectively.

18. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2016 and 2015 were as follows:

	Profit (loss) (Millions of yen)	Weighted-average shares (Thousands)	Loss per share (Yen)	Loss per share (U.S. dollars (Note 1))
Year ended March 31, 2016				
Profit (loss) attributable to owners of parent	¥(20,926)	571,115	¥(36.64)	$(0.33)

	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Year ended March 31, 2015			
Profit (loss) attributable to owners of parent	¥17,237	571,127	¥30.18

19. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

Year ended March 31, 2016

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars (Note 1)
Iruma City,	Production facilities	Buildings and structures	¥ 23	$ 204
Saitama Prefecture		Machinery	8	71
		Others	0	0
Iruma City,	Idle assets	Buildings	¥132	$1,172
Saitama Prefecture				
Hida City,	Idle assets	Machinery	¥ 6	$ 53
Gifu Prefecture		Land	0	0
Republic of Peru	Idle assets	Land	¥132	$1,172

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

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

At production facilities where serious deterioration in market conditions significantly undermines profitability, those facilities that planned to stay in business reduced their book value to the collectible value and shortfalls were recorded as impairment losses under extraordinary losses. The collectible value is measured by its value in use, and is calculated by discounting future cash flows by 1.38%.

The Company wrote down the book value of production facilities being undermined in profitability by deteriorating market conditions to a recoverable amount, and recorded the reduction in book value as an extraordinary loss on impairment of fixed assets.

For idle property, plant and equipment that is very unlikely to be sold off, the Company recorded all of the book value as a loss on impairment of fixed assets. For idle property, plant and equipment that can be sold off, the Company determined a net salable price based on the value assessed for property tax purposes, among other factors, and recorded the book value in excess of that price as an extraordinary loss on impairment of fixed assets.

Year ended March 31, 2015

Location	Major use	Asset category	Millions of yen
Iruma City,	Production facilities	Buildings and structures	¥10
Saitama Prefecture		Machinery	5
		Others	0
Takehara City,	Idle assets	Buildings and structures	¥ 6
Hiroshima Prefecture		Machinery	20
		Others	0
Ota City,	Idle assets	Land	¥12
Shimane Prefecture			
Hida City,	Idle assets	Buildings	¥ 0
Gifu Prefecture		Machinery	5
		Others	31

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

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

At production facilities where serious deterioration in market conditions significantly undermines profitability, those facilities that planned to stay in business reduced their book value to the collectible value and shortfalls were recorded as impairment losses under extraordinary losses. The collectible value is measured by its value in use, and is calculated by discounting future cash flows by 1.54%.

The Company wrote down the book value of production facilities being undermined in profitability by deteriorating market conditions to a recoverable amount, and recorded the reduction in book value as an extraordinary loss on impairment of fixed assets.

For idle property, plant and equipment that is very unlikely to be sold off, the Company recorded all of the book value as a loss on impairment of fixed assets. For idle property, plant and equipment that can be sold off, the Company determined a net salable price based on the value assessed for property tax purposes, among other factors, and recorded the book value in excess of that price as an extraordinary loss on impairment of fixed assets.

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 the copper refining and smelting business.

The transaction amount for the fiscal years ended March 31, 2016 and 2015 with Pan Pacific Copper Co., Ltd. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Guarantees of bank loans	¥59,656	¥62,562	$529,710

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

The transaction amount for the fiscal years ended March 31, 2016 and 2015 with SCM Minera Lumina Copper Chile was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Guarantees of bank loans	¥35,755	¥42,548	$317,483

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, 2016 and 2015 with Caserones Finance Netherlands B.V. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Guarantees of bank loans	¥8,105	¥9,013	$71,967

(b) Note about significant related parties

In the fiscal year ended March 31, 2016, Pan Pacific Copper Co., Ltd. and MFN Investment LLC 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)
	2016	2015	2016
Total current assets	¥242,488	¥260,339	$2,153,152
Total non-current assets	131,148	216,048	1,164,517
Total current liabilities	269,926	286,318	2,396,785
Total long-term liabilities	850	1,509	7,547
Total net assets	102,860	188,559	913,336
Net sales	633,986	708,461	5,629,426
Loss before income taxes	(81,019)	(43,269)	(719,401)
Loss	(86,381)	(47,908)	(767,012)

21. Asset Retirement Obligations

Years ended March 31, 2016 and 2015

Asset retirement obligations that are recorded in the consolidated balance sheets

(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 the estimation of asset retirement obligations, a discount rate of 2.27% is used, and the estimated period up to payment is based on the number of recoverable years from launch of operations (average of 37 years).

In addition, during the fiscal year ended March 31, 2016, the Company revised its estimate of mine closure costs, no longer using the 2.17% discount rate used in the previous fiscal year. As a result, ¥391 million ($3,471 thousand) were added to the balance of asset retirement obligations compared with before the change.

(Asbestos)

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

(Real estate lease agreements)

The Companies reasonably estimate the amount of lease deposits from real estate lease agreements that they cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2016 as expenses, instead of recording them as asset retirement obligations under liabilities.

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

The Companies estimate the uncollectible amount of lease deposits as ¥94 million ($834 thousand) in the fiscal year ended March 31, 2016.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2016 and March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥3,018	¥2,344	$26,798
Adjustments due to the passage of time	58	65	515
Decrease from execution of asset retirement obligations	(80)	(90)	(710)
Increase from changes of estimates	391	509	3,471
Impact of foreign currency translation	(372)	189	(3,303)
Balance at the end of the fiscal year	¥3,018	¥3,018	$26,771

22. Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

Amounts reclassified to profit 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)
	2016	2015	2016
Net unrealized gains (losses) on securities:			
Increase (decrease) during the year	¥(1,042)	¥ 1,188	$ (9,252)
Reclassification adjustments	(131)	(14)	(1,163)
Subtotal, before tax	(1,174)	1,174	(10,424)
Tax (expense) or benefit	285	(224)	2,530
Subtotal, net of tax	(888)	950	(7,884)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	7,061	(2,953)	62,697
Reclassification adjustments	(2,124)	1,834	(18,859)
Subtotal, before tax	4,936	(1,119)	43,828
Tax (expense) or benefit	(931)	(244)	(8,266)
Subtotal, net of tax	4,005	(1,364)	35,562
Foreign currency translation adjustments:			
Increase (decrease) during the year	(5,992)	8,073	(53,205)
Reclassification adjustments	(140)	—	(1,243)
Subtotal, net of tax	(6,132)	8,073	(54,448)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(534)	81	(4,741)
Reclassification adjustments	96	63	852
Subtotal, before tax	(438)	145	(3,889)
Tax (expense) or benefit	113	(33)	1,003
Subtotal, net of tax	(325)	111	(2,885)
Share of other comprehensive income of associates accounted for using the equity method:			
Increase during the year	2,015	11,137	17,892
Reclassification adjustments	(2,089)	3,049	(18,549)
Subtotal, net of tax	(74)	14,186	(657)
Total other comprehensive income	¥(3,416)	¥21,958	$(30,332)

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, 2016 and 2015, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries as at March 31, 2016 and 2015, 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, 2016 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 29, 2016
Tokyo, Japan

Investor Information (As of March 31, 2016)

Number of shareholders: 48,286

Major shareholders:

	Number of shares held (Thousands)	Percentage of shares held (%)
CBNY – ORBIS SICAV	31,959	5.59
The Master Trust Bank of Japan, Ltd. (Held in trust account)	31,764	5.56
Japan Trustee Services Bank, Ltd. (Held in trust account)	28,977	5.07
National Mutual Insurance Federation of Agricultural Cooperatives	13,729	2.40
The Employees' Shareholding Association	12,422	2.17
CBNY – ORBIS FUNDS	10,176	1.78
J.P. MORGAN WHITEFRIARS INC. LONDON BRANCH	10,048	1.75
GOLDMAN SACHS INTERNATIONAL	6,949	1.21
Japan Trustee Services Bank, Ltd. (Held in trust account 4)	6,902	1.20
Trust & Custody Services Bank, Ltd. (Held in securities investment trust account)	6,656	1.16

Notes: 1. Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 1,855,397 treasury shares).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:

Corporate Data (As of March 31, 2016)

Established: May 1, 1950

Authorized capital: 1,944 million shares

Shares issued: 572,966,166 shares

Paid-in capital: ¥42,129 million

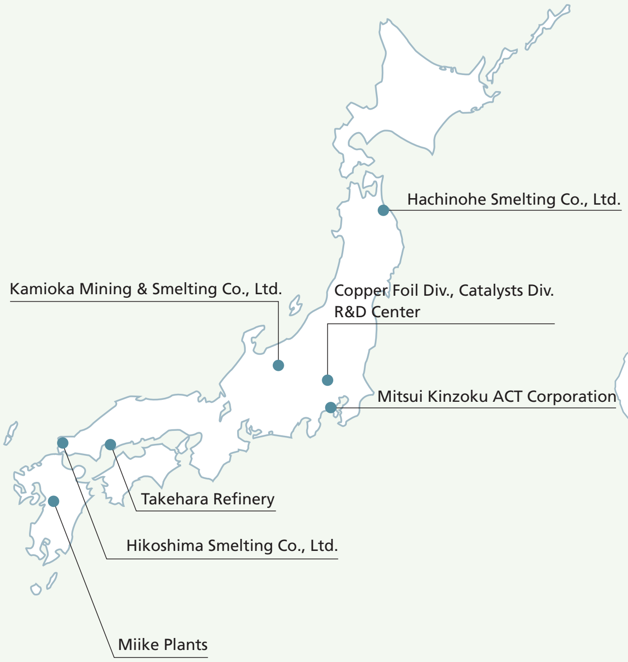
Stock listings: Common stock is listed on the Tokyo Stock Exchange

Principal subsidiaries:

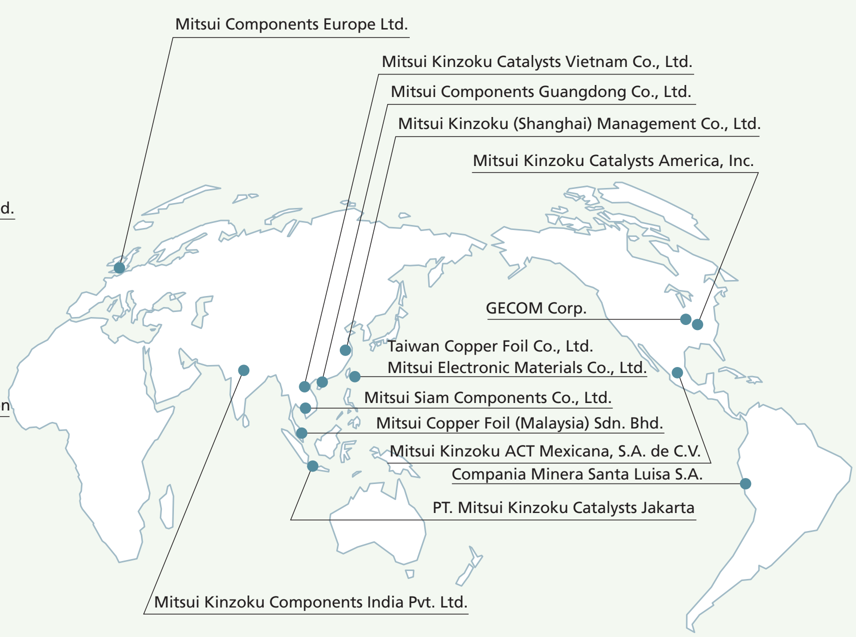
	Paid-in capital (Millions)	Equity stake of the Company (%)
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM330	100.0
Mitsui Electronic Materials Co., Ltd.	NT$600	100.0
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0
Hachinohe Smelting Co., Ltd.	¥4,795	85.5
Hikoshima 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, 2016)

	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) 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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