MITSUI MINING & SMELTING CO., LTD.

Annual Report 2017

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 2016 represents the year ended March 31, 2017.

Financial Highlights

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

	2016	2017	
Net Sales	¥450.5 billion	¥436.3 billion	(3.2)%
Operating Income	¥11.1 billion	¥38.4 billion	245.3%
Profit (Loss) Attributable to Owners of Parent	¥(20.9)billion	¥18.6 billion	–
Net Assets	¥179.5 billion	¥184.4 billion	2.7%
Interest-Bearing Debt	¥191.7 billion	¥207.4 billion	8.1%
Shareholders' Equity Ratio	35.0%	33.5%	(1.5) percentage points
Earnings per Share	¥(36.6)	¥32.7	–

Financial Summary

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

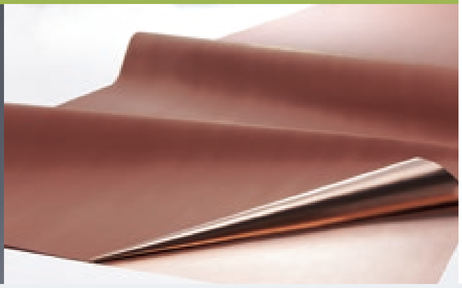
	2008	2009	2010	2011
Net sales	¥595,463	¥427,191	¥392,364	¥446,487
Operating income (loss)	27,993	(27,031)	27,881	30,208
Profit (loss) attributable to owners of parent	7,830	(67,256)	13,899	21,160
Research & development expenses	8,616	8,232	5,105	4,942
Depreciation and amortization	27,361	32,281	26,023	22,690
EBITDA	53,069	(19,801)	50,388	55,170
Total assets	486,238	410,258	416,541	411,027
Total shareholders' equity (Note 2)	184,995	94,145	111,341	125,947
Interest-bearing debt	151,924	202,468	191,515	171,460
Shareholders' equity ratio (%)	38.0	22.9	26.7	30.6
Net cash from operating activities	41,657	30,038	19,610	22,545
Net cash from investing activities	(38,049)	(36,922)	(17,823)	(26,286)
Net cash from financing activities	(744)	42,367	(13,188)	(13,569)
Operating income to total assets (%) (Note 3)	5.8	(6.0)	6.7	7.3
Profit (Loss) to total shareholders' equity (%) (Note 3)	4.2	(48.2)	13.5	17.8
Operating income to net sales (%)	4.7	(6.3)	7.1	6.8
Earnings per share (¥)	13.6	(117.6)	24.3	37.0
Cash dividends per share (¥)	12.0	—	3.0	6.0

Notes: 1. All U.S. dollar figures are translated from Japanese yen amounts, for convenience only, at the rate of ¥112.19 to US$1.00, the rate prevailing at March 31, 2017.
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.

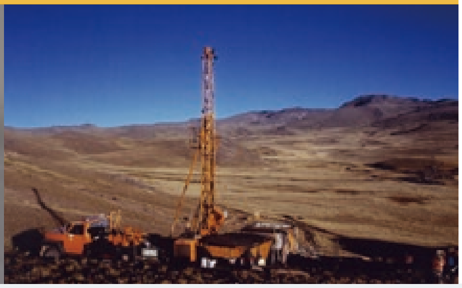
Millions of yen						Thousands of U.S. dollars (Note 1)
2012	2013	2014	2015	2016	2017	2017
¥431,058	¥417,219	¥441,046	¥473,274	¥450,553	¥436,330	$3,889,205
20,903	16,557	25,743	31,835	11,137	38,461	342,820
11,531	9,910	3,662	17,237	(20,926)	18,674	166,449
5,247	5,867	5,795	6,265	6,575	7,163	63,847
22,781	23,952	24,178	25,146	25,060	24,414	217,612
41,699	40,866	35,782	51,671	14,307	51,843	462,100
413,106	438,072	503,825	538,646	484,800	518,981	4,625,911
131,717	146,535	160,872	196,986	169,537	173,982	1,550,779
169,263	180,372	218,500	210,391	191,733	207,421	1,848,836
31.9	33.4	31.9	36.6	35.0	33.5	
30,992	38,058	38,003	37,245	50,397	24,218	215,865
(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(341,385)
(6,969)	4,829	33,933	(12,814)	(21,925)	12,061	107,505
5.1	3.9	5.5	6.1	2.2	6.2	
9.0	7.1	2.4	9.6	(11.4)	10.9	
4.8	4.0	5.8	6.7	2.5	8.8	
20.1	17.3	6.4	30.1	(36.6)	32.7	0.29
3.0	3.0	4.0	6.0	6.0	7	0.36

Mitsui Kinzoku Group at a Glance

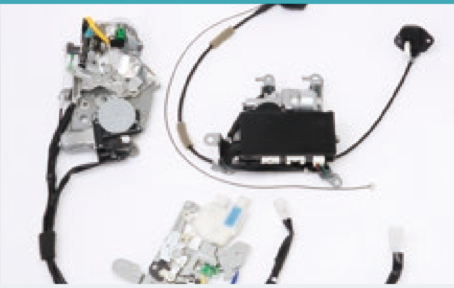
Business segment	Major products
Engineered Materials	• Battery materials • Catalysts • Copper foil • Physical vaper deposition (PVD) materials • Engineered powders • Ceramics

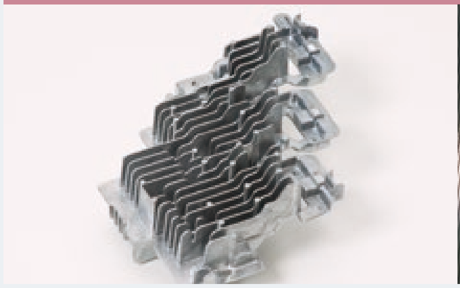
Business segment	Major products
Metals	• Zinc smelting • Zinc mining • Lead smelting • Metals recycling • Copper mining and smelting

Business segment	Major products
Automotive Parts & Components	• Automotive parts and components

Business segment	Major products
Affiliates Coordination	• Perlite • Die-casting • Rolled copper • Engineering • Other



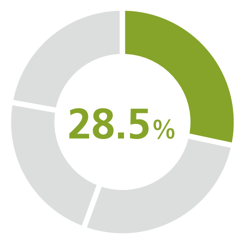

(Main applications)

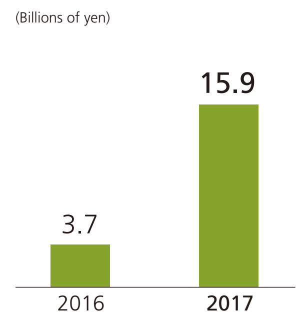
Net sales breakdown

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)

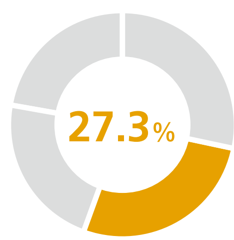
¥145.7 billion

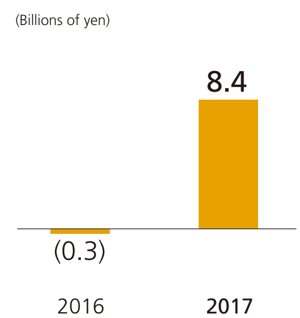




(galvanized steel, die-casting)
(car batteries, inorganic chemicals)
(electric wire, rolled copper and brass)

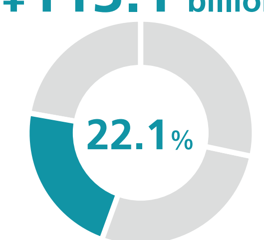
¥139.6 billion

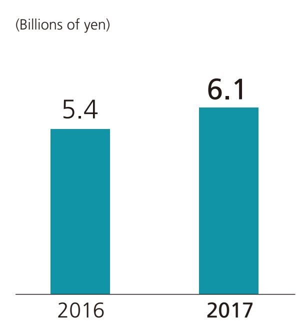




(door latches, power slide door systems)

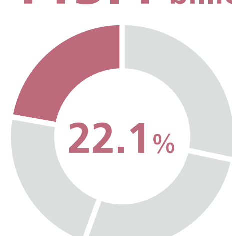
¥113.1 billion

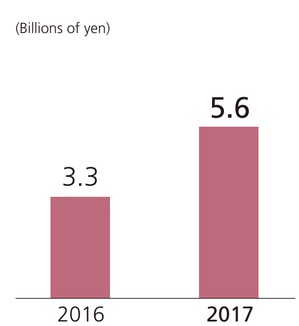




(construction, liquid filtration)
(automobiles, machines, home electronics)
(electric parts, electrodes, roofs of buildings)

¥113.4 billion





Message from the President

Fiscal 2016 Performance

In fiscal 2016, the global economy continued to gradually recover overall, despite some soft spots amid concerns about the impact of Brexit and the new U.S. administration's economic policy on China and emerging economies as well as the equity market, forex market, and financial markets in general.

Against this backdrop, the Mitsui Kinzoku Group saw nonferrous metals prices rise for zinc, lead, and copper but fall for indium. In addition, the yen swiftly weakened in the second half of fiscal 2016, after trending strongly for the first half. Demand was strong for ultra-thin copper foil with carrier, electrodeposited copper foil for printed wiring boards, and sputtering targets.

In this climate, we launched the 2016 Medium-Term Management Plan in April 2016. With an eye to our vision for the Group 10 years from now, it sets out to "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 fiscal 2016, the plan's first year, we made a particular effort to reinforce the basic structure of existing businesses, a key initiative. Specifically, we worked on starting up operations at overseas sites for automotive exhaust detoxifying catalysts, expanding applications for ultra-thin copper foil with carrier, strengthening recycling business, making improvements to help establish a structure enabling stable operations at the Caserones copper mine, and bolstering overseas bases for automotive parts. In addition, we invested in the hydroelectric power business as a strategic step for the future.

As a result, net sales in fiscal 2016 totaled ¥436.3 billion, down ¥14.2 billion (3.2%) year on year. Operating income grew ¥27.3 billion (245.3%) from the previous fiscal year to ¥38.4 billion. Growth drivers included a turn to positive impact from the valuation of outstanding inventories (hereinafter "inventory valuation factors"), reflecting fluctuation in forex and nonferrous metals markets, as well as higher sales volumes for core products in the engineered materials segment. Ordinary income came to ¥31.0 billion, improving ¥42.3 billion year on year. This largely reflects the end of the impact of impairment loss on the Caserones copper mine posted in the previous fiscal year, which offset investment losses on equity method of ¥6.3 billion. In extraordinary items, the Group recorded extraordinary income, including a gain on sale of investment securities amounting to ¥0.5 billion, and extraordinary losses, including a ¥2.8 billion loss on disposal of property, plant and equipment and a ¥2.0 billion impairment loss. After accounting for taxation expenses and profit attributable to non-controlling interests, profit attributable to owners of parent improved ¥39.6 billion to a profit of ¥18.6 billion.

Review by Segment

➤ Engineered Materials

In battery materials, the market for environmentally-friendly vehicles such as hybrid and electric cars was strong. Nevertheless, overall sales volumes declined, mainly due to a change in the main raw materials used in lithium-ion batteries.

Catalysts for detoxifying motorcycle exhaust emissions saw a temporary decline in sales in India in the second half of fiscal 2016 due to the impact from a switchover in high-denomination notes of the local currency, but grew year on year for the full fiscal year. The Indian subsidiary Mitsui Kinzoku Components India Pvt. Ltd. recorded higher sales than in the previous fiscal year. This reflects the consolidation of 15 months of earnings due to the subsidiary's change in fiscal year end to March 31 as of fiscal 2016.

In ultra-thin copper foil with carrier, sales volumes rose on higher-spec smartphones in China and stronger demand. In addition, electrodeposited copper foil for printed wiring boards saw sales volume expand, led by smartphone and communications infrastructure applications.

In sputtering targets, sales volume grew on robust demand for mainstay indium tin oxide (ITO) due to shifts to larger LCD panels in China and Taiwan. However, sales value declined year on year, owing to lower sales prices due to a drop in prices for indium—a key raw material for ITO.

As a result, segment sales grew ¥1.7 billion (1.2%) to ¥145.7 billion. Ordinary income surged ¥12.1 billion (322.3%) to ¥15.9 billion, fueled by sales volume growth for core products and inventory valuation factors turning to a positive impact.

➤ Metals

Demand for zinc-plated steel sheets in Japan declined, mainly reflecting lackluster demand for use in automobiles.

In contrast, zinc sales increased from the previous fiscal year as higher prices on the London Metal Exchange (LME) led to higher prices in Japan as well.

Gold and silver sales were slightly lower year on year as prices rose in the international market but were flat in Japan due to yen appreciation.

Demand for lead storage batteries in Japan grew, underpinned by solid replacement demand. Further, as prices for lead rose on the LME and in Japan, sales increased year on year.

As a result, segment sales grew ¥9.8 billion (7.6%) to ¥139.6 billion. Ordinary income improved ¥8.8 billion to a profit of ¥8.4 billion, thanks to a turn to positive impact from inventory valuation factors that outweighed the impact of slow progress in establishing a framework enabling stable operation of the Caserones copper mine.

➤ Automotive Parts & Components

In door locks and other automotive parts, the domestic market was sluggish, primarily due to a hike in the light vehicle tax. However, the U.S. market was strong and the China market was firm, largely due to tax incentives for compact vehicles. For mainstay side door latches, sales volume increased but sales prices decreased.

As a result, segment sales declined ¥1.2 billion (1.1%) to ¥113.1 billion. However, ordinary income rose ¥0.7 billion (14.3%) year on year to ¥6.1 billion, buoyed by cost improvements from an increase in local procurement and cost-cutting initiatives.

Medium- to Long-Term Growth Strategy

As the second year of the 2016 Medium-Term Management Plan, we regard fiscal 2017 as an important year for gauging the plan's outcome. In each business segment, we will steadfastly implement key measures as follows.

In the engineered materials segment, the copper foil business is now likely to see quicker expansion of applications for ultra-thin copper foil with carrier than previously envisioned, so we will increase production capacity accordingly. At the same time, we will focus our efforts in the exhaust detoxifying catalyst business on maintaining market share for use in motorcycles and on earnings contributions from automotive applications.

In the metals segment, we will concentrate in particular on measures to increase the processing volume of recycled materials. Additionally, we will steadily invest in the hydroelectric power business, which we plan to have contributing to profit from fiscal 2019. For the Caserones copper mine, we will work to help establish a structure enabling stable operations.

In the Automotive Parts & Components segment, we will keep working to lower costs to bolster our competitiveness at overseas bases and our earnings at domestic bases. Along with that, we will aggressively expand sales in the Chinese and North American markets as an initiative looking forward to fiscal 2019 and beyond.

In addition to these measures, we will work to steadily improve our financial structure, emphasizing cash flow, and promote accurate business judgements even more than we have done to date. In doing so, we will strive to increase our corporate value by realizing a transformation to a corporate structure that is swift and competitive.

Outlook for Fiscal 2017

In fiscal 2017, the global economy appears set to stay on a recovery trajectory with the U.S. and Chinese economies picking up. On the other hand, global conditions are highly uncertain with protectionism expanding in Europe and the U.S. The Japanese economy is also likely to continue modestly expanding as capital investment recovers and the world economy regains momentum, but growing geopolitical risk is a concern.

In this business environment, the Group should benefit from strong nonferrous metals markets but also faces risks including rising energy costs and raw material prices.

Under these circumstances, the Group will execute measures for increasing its corporate value based on the 2016 Medium-Term Management Plan.

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

Keiji Nishida

President, Representative Director

Promoting CSR Activities

Mitsui Kinzoku began full-scale CSR initiatives in 2016. But even before that we recognized that social responsibilities are to be fulfilled through business and conducted initiatives at our various sites in each of our businesses. Last year, we organized a system for engaging in CSR activities and established basic CSR policies for Mitsui Kinzoku to further accelerate CSR initiatives for the Group as a whole.

Our basic approach to CSR is itself the practice of the Mitsui Kinzoku Group's Management Philosophy, which has guided us for many years. Our Management Philosophy, which was formulated over 30 years ago, declares our commitment to explore products of value to society and seek the eternal growth of our Group. The philosophy is very much in line with an approach based on solving social issues and helping build a sustainable society. Together with our Corporate Slogan and Code of Conduct, which supplement the philosophy and provide added detail, the three have been repositioned as the basic CSR policies of Mitsui Kinzoku. Each and every executive and employee of the Mitsui Kinzoku Group will promote CSR initiatives throughout the Group on the firm foundation of these basic policies.

We publish CSR Report every year to update our progress on CSR activities for our stakeholders and to report on the website. The PDF version of CSR Report can be downloaded from our website.

➤ *http://www.mitsui-kinzoku.co.jp/en/csr/*

Our Basic CSR Policies

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

The Precise Mission of Mitsui Kinzoku

We established and documented our management philosophy in 1984.

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

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

Code of Conduct

Management Philosophy

Corporate Slogan

Specific Commitments to Follow Our Management Philosophy

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

Words that Represent the Identity of Mitsui Kinzoku

The basis of Mitsui Kinzoku is manufacturing.

Our business domain centers on non-ferrous metal materials.

We are always thinking about where we excel, how we should leverage our strengths, and what added value we can create.

We are pursuing our distinctiveness by thinking along these lines.

Defining Materiality for CSR Initiatives

From October to December 2016 Mitsui Kinzoku worked to specify key issues and define materiality for CSR initiatives to be conducted on a priority basis. To define materiality, we identified candidate issues through an analysis of global guidelines, SRI survey items, and stakeholder opinions and expectations. The relative importance of each identified candidate issues was then comprehensively assessed based on two perspectives, importance to stakeholders and importance in the management of the Mitsui Kinzoku Group, and 28 items specified as key CSR issues. We established a medium-term target for each key issue and created a roadmap for achieving the targets over the three years to fiscal 2019. As a company with global operations, we will fulfill our social responsibilities, work to solve social issues and create value through our mainstay business of manufacturing.

Initiatives Plan for Solving Social Issues and Creating Value through Business

(For details, please refer to our CSR Report 2017)

Engineered Materials	Co-creation in Markets for New Functional Material Products
Fiscal 2017	We will strengthen our R&D system, more actively search for market opportunities, and promote collaboration and alliances with outside companies.
Fiscal 2018	While continuing to actively search for market opportunities we will strengthen collaboration and alliances with outside companies, including joint development in the area of R&D.
From fiscal 2019	As the active search for market opportunities becomes more fully established, we will pursue evolution into a market co-creation-based R&D structure and strive to generate concrete results from collaborations and alliances.

Metals	Recycling-based Smelting: Promoting Material Stewardship
Fiscal 2017	We will work to enhance our smelting network and increase valuable metal processing and recovery volumes for base metals, precious metals, and rare metals.
Fiscal 2018	We will develop recycling-based smelting processes for the processing of raw materials, including new valuable metals.
From fiscal 2019	By organically connecting the new processes to our smelting network, we will promote the acquisition and increased processing of a greater variety of recyclable materials.

Automobile Parts	Contributed Provisions of Products for Sustainable Mobility
Fiscal 2017	Among quality, cost, delivery, diversity and scalability (QCDDS), we will work in particular to reinforce quality and improve the assessment of customers on a global basis, and also establish a system and foundation for realizing the highest possible quality.
Fiscal 2018	Based on a global development and marketing system that enables us to closely accommodate customer needs, we will develop new products with added value such as lightness, compactness, and safety and comfort functions, and propose and provide them to customers (global OEM).
From fiscal 2019	We will continue to carry out planning and development of unique products, efficiently supply high-quality products on a global basis underpinned by highly specialized core technologies and systems, and expand sales into new markets. We will steadily move forward toward consolidated sales of ¥200.0 billion and consolidated ordinary income of ¥15.0 billion, as stated in our Ten-Year Vision.

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

The Board of Corporate Auditors consists of all the Corporate Auditors, and ensures the soundness of business through its oversight of the execution of the Directors' duties, based on a full understanding of the special nature of the Company's business.

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

Accounting Auditor

The Company has entered into an audit agreement with KPMG AZSA LLC, and undergoes accounting audits based on the provisions stated in 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.

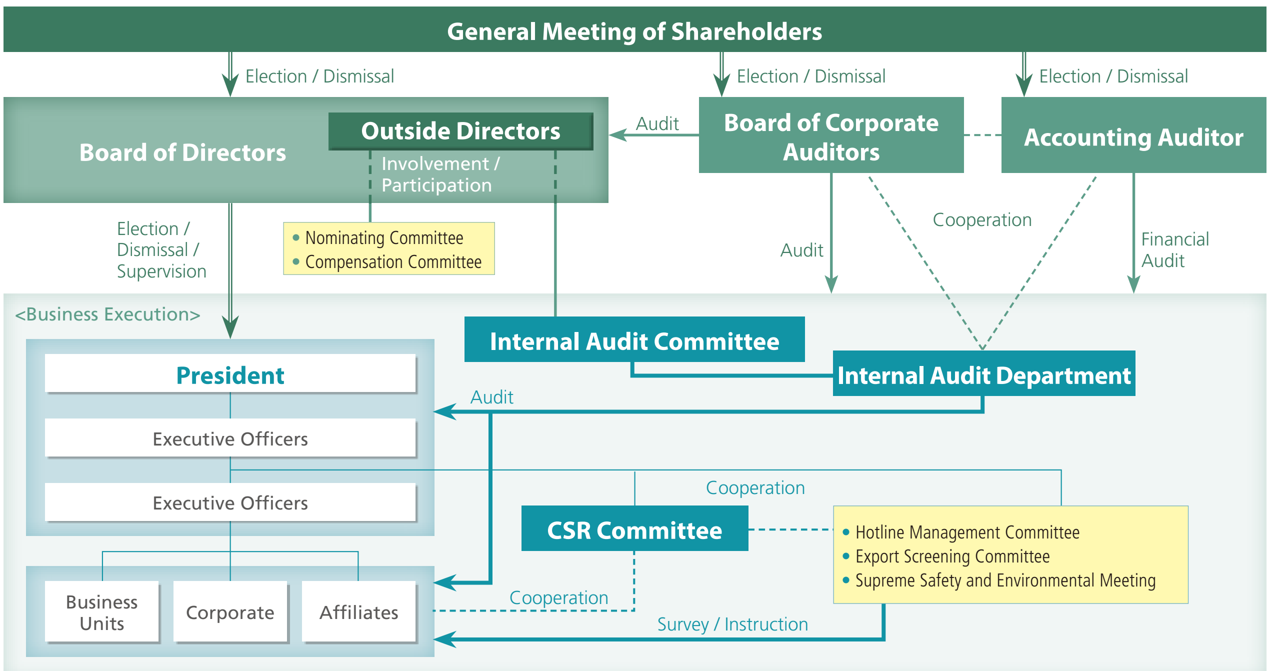
Basic Approach to Internal Control Systems

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.

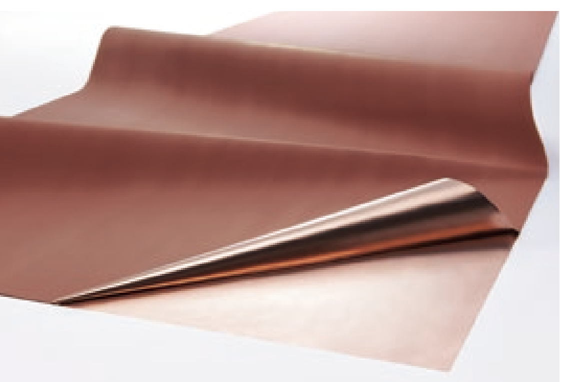
The Company will continue working to further strengthen the structure for excluding antisocial forces and/or organizations.

Review of Operations

➤ Engineered Materials Segment

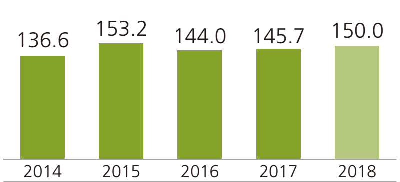
Cutting-edge materials and technologies that support electronics and environment-friendly society

Automotive exhaust detoxifying catalysts

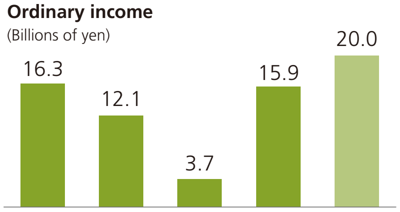


Copper foil

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



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

- Battery materials — The market for environmentally friendly vehicles such as hybrid and electric cars was strong. Nevertheless, overall sales volumes declined, mainly due to a change in the main raw materials used in lithium-ion batteries.
- Exhaust gas detoxifying catalysts — Catalysts for detoxifying motorcycle exhaust gas saw a temporary decline in sales in India in the second half of fiscal 2016 due to the impact from a switchover in high-denomination notes of the local currency, but grew year on year for the full fiscal year. Meanwhile, sales volume decreased, reflecting sluggish demand in China and other emerging countries. Sales volume of automotive exhaust gas detoxifying catalysts increased as production of models fitted with the catalysts in the U.S. ramped up.
- Engineered powders — Sales volume of metal powders for electronic materials and high-purity tantalum pentoxide increased, driven by an increase in higher-spec smartphones and demand growth in China and firm demand for automotive applications amid advances in vehicle electrification. As a result, sales increased year on year.
- Copper foil — In ultra-thin copper foil with carrier (MicroThin™), sales volume rose in tandem with higher-spec smartphones in China and stronger demand. From fiscal 2017, sales of new application HDI (motherboard) products started in earnest, and the Company decided to strengthen the Malaysia Plant in response to increasing adoption of products from fiscal 2018 onward. Electrodeposited copper foil for printed wiring boards also saw an increase in sales volume, mainly for use in smartphones and telecommunications infrastructure. As a result, sales increased year on year.
- Sputtering targets — Sales volume grew on robust demand for mainstay indium tin oxide (ITO) due to shifts to larger LCD panels in China and Taiwan. However, sales value declined year on year, owing to lower sales prices due to a drop in prices for indium—a key raw material for ITO.

Fiscal 2016 business performance

As a result, segment sales grew ¥1.7 billion (1.2%) to ¥145.7 billion. Ordinary income surged ¥12.1 billion (322.3%) to ¥15.9 billion, fueled by sales volume growth for core products and inventory valuation factors turning to a positive impact.

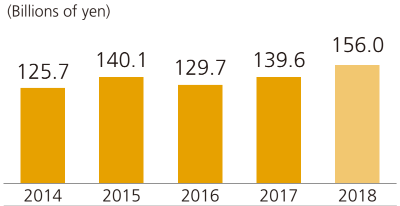
Metals Segment

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

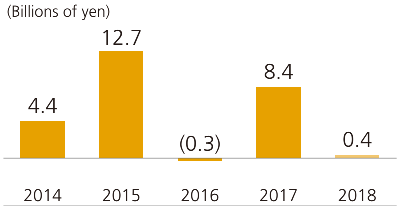
Lead from vehicle batteries

Smelting operations

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Operations

- Zinc smelting & metals recycling — Mitsui Kinzoku is Japan's leading producer of zinc, producing approximately 240,000 tons of zinc per year at its three smelting plants in Japan. We use smelting plants in Japan to contribute to the recycling of resources by recovering precious metals from the substrates of recyclable electronic equipment and components, such as lead from vehicle batteries and zinc from steelmakers' electric furnace dust.
- Mining — Approximately 10% of the zinc ore that Mitsui Kinzoku requires for its smelting operations is obtained from the Huanzala mine that the Company operates in Peru, while about 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

- Zinc — Demand for zinc-plated steel sheets in Japan declined, mainly reflecting lackluster demand for use in automobiles. In contrast, zinc sales increased from the previous fiscal year as higher prices on the London Metal Exchange (LME) led to higher prices in Japan as well.
- Gold and silver — Gold and silver sales were slightly lower year on year as prices rose in the international market but were flat in Japan due to yen appreciation.
- Lead — Demand for lead storage batteries in Japan grew, underpinned by solid replacement demand. Further, as prices for lead rose on the LME and in Japan, sales increased year on year.

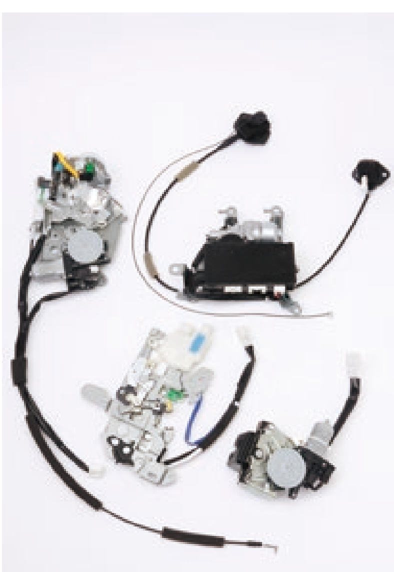
Fiscal 2016 business performance

As a result, segment sales grew ¥9.8 billion (7.6%) to ¥139.6 billion. Ordinary income improved ¥8.8 billion to a profit of ¥8.4 billion, thanks to a turn to positive impact from inventory valuation factors that outweighed the impact of slow progress in establishing a framework enabling stable operation of the Caserones copper mine.

➤ 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.

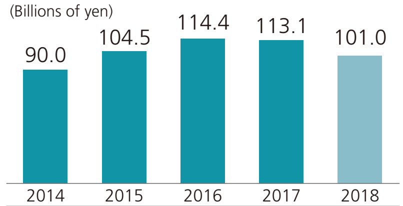
Business environment

- Automotive door locks — The domestic market was sluggish, primarily due to a hike in the light vehicle tax. However, the U.S. market was strong and the Chinese market was firm, largely due to tax incentives for compact vehicles. For mainstay side door latches, sales volume increased but sales prices decreased.

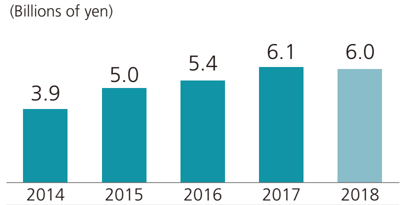
Fiscal 2016 business performance

As a result, segment sales declined ¥1.2 billion (1.1%) to ¥113.1 billion. However, ordinary income rose ¥0.7 billion (14.3%) year on year to ¥6.1 billion, buoyed by cost improvements from an increase in local procurement and cost-cutting initiatives.

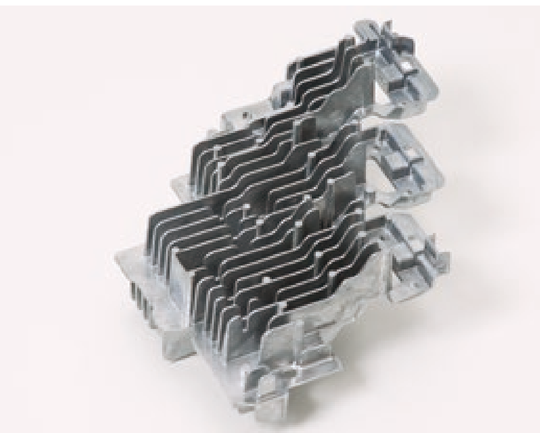
Net sales
(Billions of yen)



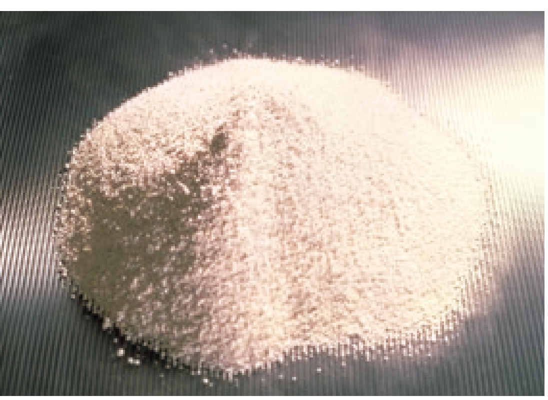
Ordinary income
(Billions of yen)



➤ Affiliates Coordination Segment



Die-casting



Perlite

Operations

- Engineering — This business sector is engaged in an integrated range of activities including planning, project management, instruction of operations and maintenance at our nonferrous metal smelting plants in addition to various industrial plants.
- Die-casting — 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.
- Perlite — This product is an environmentally friendly material made from naturally derived pearlstone or pitchstone, a natural volcanic glass. It is used in a wide range of applications, such as soil improvement material and insulation.

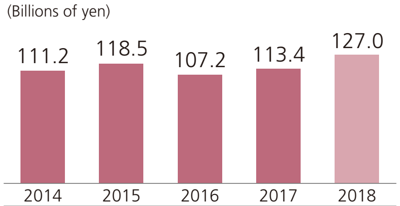
Business environment

- Engineering — In the engineering business, orders were firm due to orders received by Group companies in Japan for hydroelectric power generation facilities, periodic maintenance projects and others, although demand for orders concerning industrial plant projects overseas remained sluggish. Net sales increased, mainly reflecting recording of completion payments based on the project execution standard and a major new building construction project.

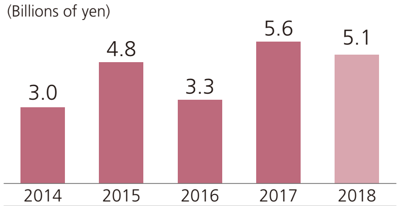
Fiscal 2016 business performance

As a result, segment sales in the Affiliates Coordination segment grew ¥6.2 billion (5.8%) to ¥113.4 billion, and ordinary income surged ¥2.3 billion (71.0%) to ¥5.6 billion.

Net sales
(Billions of yen)



Ordinary income
(Billions of yen)



Directors, Corporate Auditors, and Executive Officers

(As of June 29, 2017)

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

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
Akira Kutsunai
Kiyotaka Yasuda

Senior Executive Officer

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

Fellow

Isamu Yashima

Financial Section

Five-Year Summary

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

	Millions of yen				
	2017	2016	2015	2014	2013
For the year:					
Net sales	**¥436,330**	¥450,553	¥473,274	¥441,046	¥417,219
Cost of sales	**349,051**	388,546	395,695	370,404	357,294
Gross profit	**87,278**	62,007	77,578	70,642	59,925
Selling, general and administrative expenses	**48,817**	50,869	45,742	44,898	43,367
Operating income	**38,461**	11,137	31,835	25,743	16,557
Ordinary income (loss)	**31,047**	(11,284)	21,096	13,656	16,194
Profit (loss) before income taxes	**25,931**	(12,558)	24,534	9,382	14,606
Profit (loss) attributable to owners of parent	**18,674**	(20,926)	17,237	3,662	9,910
Comprehensive income	**8,594**	(23,661)	40,097	17,408	20,639
At year-end:					
Total current assets	**¥229,068**	¥194,923	¥221,153	¥198,392	¥179,263
Total assets	**518,981**	484,800	538,646	503,825	438,072
Total current liabilities	**172,656**	138,442	155,631	159,891	160,661
Long-term liabilities	**161,903**	166,791	175,907	174,066	122,361
Net assets	**184,421**	179,566	207,106	169,867	155,049
Per share data:					
Earnings (loss) per share (¥)	**¥ 32.70**	¥ (36.64)	¥ 30.18	¥ 6.41	¥ 17.35
Cash dividends applicable to the year (¥)	**7.00**	6.00	6.00	4.00	3.00
Number of employees	**11,630**	11,132	10,804	10,802	10,154

Financial Review

The forward-looking statements contained in this section represent the Company's judgment as of March 31, 2017.

Net sales

On a consolidated basis, the Company's net sales during fiscal 2016, ended March 31, 2017, decreased ¥14.2 billion (3.2%) from the previous fiscal year, to ¥436.3 billion.

In the Engineered Materials segment, net sales increased ¥1.7 billion, mainly due to the increase in the sales volume of major products. In the Metals segment, net sales increased ¥9.8 billion, owing mainly to a rise in the nonferrous metals market. In the Automotive Parts & Components segment, net sales decreased ¥1.2 billion, mainly due to a decline in sales prices, despite an increase in sales volume due to firm sales in the U.S. and Chinese markets. In the Affiliates Coordination segment, net sales increased ¥6.2 billion, primarily due to an increase in net sales from completed construction contracts in the engineering business sector.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased ¥2.0 billion from the previous fiscal year to ¥48.8 billion, primarily due to a decrease in the expensing of actuarial differences related to retirement benefits from the previous fiscal year.

Operating income

Operating income increased ¥27.3 billion (245.3%) from the previous fiscal year, to ¥38.4 billion.

This increase was mainly attributable to an increase in the sales volume of mainstay products in the Engineered Materials segment following an improvement in inventory valuation factors due to a rise in the nonferrous metals market in addition to decrease in retirement benefit.

Non-operating income (expenses)

Net non-operating expenses improved ¥15.0 billion year on year, to ¥7.4 billion. This was due mainly to a decrease of ¥16.0 billion in investment losses on equity method, including the end of the impact of the impairment loss on the Caserones copper mine in Chile, despite an increase of ¥0.9 billion in foreign exchange losses.

Ordinary income (loss)

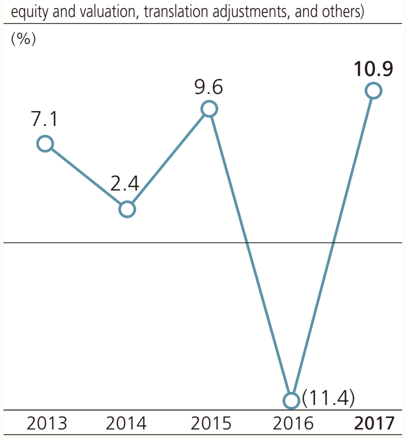
On a consolidated basis, the Company's ordinary income improved ¥42.3 billion year on year, to ¥31.0 billion. This reflected the ¥27.3 billion increase in operating income and the ¥15.0 billion improvement in net non-operating expenses.

In the Engineered Materials segment, ordinary income increased ¥12.1 billion (322.3%) year on year, to ¥15.9 billion, due to an increase in the sales volume of mainstay products, as well as an improvement in the inventory valuation factors. In the Metals segment, ordinary income improved ¥8.8 billion year on year, to ¥8.4 billion, mainly due to an improvement in the inventory valuation factors, despite delays in establishing a stable operation at the Caserones copper mine. In the Automotive Parts & Components segment, ordinary income increased ¥0.7 billion (14.3%) to ¥6.1 billion, mainly due to improvements in costs resulting from the expansion of cost-cutting initiatives and local procurement of components. In the Affiliates Coordination segment, ordinary income increased ¥2.3 billion (71.0%) to ¥5.6 billion.

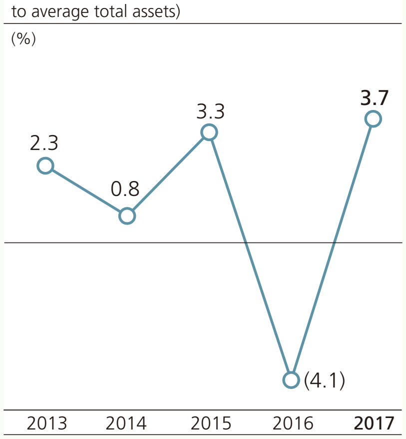
Extraordinary income (loss)

The Company posted a net extraordinary loss of ¥5.1 billion, a deterioration of ¥3.8 billion compared to the previous fiscal year. This was primarily attributable to increases in loss on disposal of property, plant and equipment and loss on impairment of fixed assets, in addition to a decrease in gain on sale of investment securities under extraordinary income.

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)



Income taxes

Taxation expenses amounted to ¥6.3 billion, down ¥1.3 billion year on year. This decrease mainly reflected the impact of income taxes – deferred, despite an increase in income taxes – current.

Profit (loss) attributable to owners of parent

Profit attributable to owners of parent improved ¥36.6 billion, to ¥18.6 billion, reflecting the ¥42.3 billion increase in ordinary income, a deterioration of ¥3.8 billion in net extraordinary loss, a ¥1.3 billion decrease in taxation expenses, and a ¥0.2 billion increase in profit attributable to non-controlling interests.

Financial position

Total assets

Total assets on a consolidated basis increased ¥34.1 billion from the previous fiscal year-end to ¥518.9 billion.

Notes and accounts receivable increased ¥17.4 billion and inventories increased ¥19.0 billion.

Net assets

Total net assets increased ¥4.8 billion from the previous fiscal year-end, to ¥184.4 billion. This increase mainly reflected an increase due to the recording of profit attributable to owners of parent of ¥18.6 billion, offset by decreases of ¥3.4 billion owing to the payment of dividends, ¥5.4 billion in foreign currency translation adjustments, and ¥6.1 billion in deferred gains (losses) on hedges, net of tax. As a result, the shareholders' equity ratio decreased 1.5 percentage points from the previous fiscal year-end, to 33.5%.

Interest-bearing debt

The total (short- and long-term) interest-bearing debt amounted to ¥207.4 billion, an increase of ¥15.6 billion from the previous fiscal year-end.

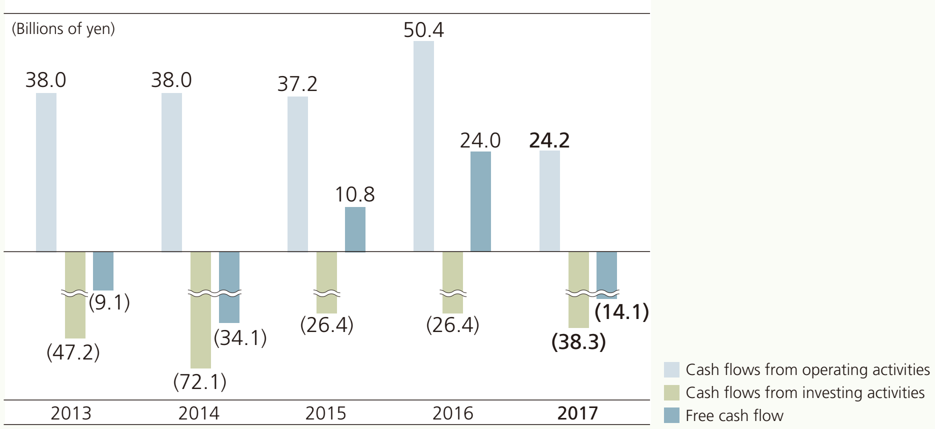
Cash flows

Net cash provided by operating activities was ¥24.2 billion, a decrease of ¥26.1 billion from the previous fiscal year. This was primarily attributable to cash provided by ¥25.9 billion in profit before income taxes, ¥24.4 billion in depreciation and amortization, and ¥6.3 billion in investment losses on equity method, which was partially offset by cash used including a ¥19.2 billion increase in notes and accounts receivable, a ¥19.9 billion increase in inventories, and ¥6.9 billion in income taxes paid.

Net cash used in investing activities amounted to ¥38.3 billion, an increase of ¥11.9 billion from the previous fiscal year. Expenditures mainly consisted of ¥35.4 billion for the acquisition of property, plant and equipment, and other assets.

Net cash provided by financing activities totaled ¥12.0 billion, a change of ¥33.9 billion from ¥21.9 billion used in the previous fiscal year. This change was mainly attributable to a ¥16.4 billion increase in short- and long-term borrowings, straight bonds and commercial paper, offset by a ¥3.4 billion payment for cash dividends.

Cash flows



Consolidated Balance Sheets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets			
Current assets:			
Cash and deposits (Notes 5 and 15)	¥ 15,304	¥ 16,983	$ 136,411
Notes and accounts receivable (Note 15):			
Trade	88,707	73,483	790,685
Unconsolidated subsidiaries and affiliates	6,801	4,551	60,620
Inventories (Note 3)	100,089	81,011	892,138
Deferred tax assets (Note 14)	4,349	2,475	38,764
Derivatives (Notes 15 and 16)	1,477	4,329	13,165
Other current assets	12,537	12,214	111,747
Less: Allowance for doubtful accounts	(199)	(125)	(1,773)
Total current assets	229,068	194,923	2,041,786
Investments and other assets:			
Investment securities (Notes 4 and 15):			
Unconsolidated subsidiaries and affiliates	92,357	101,014	823,219
Others	12,732	11,099	113,486
Loans receivable:			
Unconsolidated subsidiaries and affiliates	40	56	356
Others	467	487	4,162
Deferred tax assets (Note 14)	2,715	2,183	24,200
Asset for retirement benefits (Note 17)	3,939	3,298	35,110
Others	8,438	9,165	75,211
Less: Allowance for doubtful accounts	(174)	(359)	(1,550)
Total investments and other assets	120,515	126,945	1,074,204
Property, plant and equipment (Note 7):			
Land	33,746	33,998	300,793
Buildings and structures	167,307	166,513	1,491,282
Machinery and equipment	344,783	334,815	3,073,206
Leased assets	4,190	4,999	37,347
Construction in progress	15,609	7,288	139,130
Others	53,614	51,886	477,885
	619,252	599,501	5,519,671
Less: Accumulated depreciation	(449,855)	(436,569)	(4,009,760)
Total property, plant and equipment	169,397	162,931	1,509,911
Total assets	¥ 518,981	¥ 484,800	$ 4,625,911

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and commercial papers (Notes 6 and 15)	¥ 49,908	¥ 34,550	$ 444,852
Current portion of long-term debt (Notes 6 and 15)	35,006	29,738	312,024
Notes and accounts payable (Note 15):			
Trade	37,755	30,850	336,527
Unconsolidated subsidiaries and affiliates	4,576	8,019	40,787
Others	13,483	11,856	120,180
Current portion of lease liabilities	392	541	3,494
Accrued income taxes	3,896	2,329	34,726
Accrued expenses	8,129	7,704	72,457
Deferred tax liabilities (Note 14)	27	—	240
Provision for product warranties	1,185	1,098	10,562
Provision for loss on construction contracts	241	27	2,148
Provision for improvement of business structure	129	121	1,149
Provision for loss on disposal of inventories	375	269	3,342
Derivative liabilities (Notes 15 and 16)	5,211	203	46,447
Other current liabilities	12,335	11,131	109,947
Total current liabilities	172,656	138,442	1,538,960
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	122,507	127,444	1,091,960
Lease liability	1,326	1,574	11,819
Directors' and Corporate Auditors' retirement benefits	537	581	4,786
Deferred tax liabilities (Note 14)	5,191	5,261	46,269
Provision for environmental countermeasures	1,239	1,354	11,043
Provision for preventing environmental pollution in mineral, mining, and other operations	1,237	835	11,025
Provision for loss on litigation (Note 8)	—	470	—
Asset retirement obligations (Note 21)	3,224	3,015	28,736
Liability for retirement benefits (Note 17)	25,923	25,470	231,063
Other long-term liabilities	716	783	6,382
Total long-term liabilities	161,903	166,791	1,443,114
Total liabilities	334,560	305,233	2,982,083
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	375,514
Capital surplus	22,557	22,557	201,060
Retained earnings	97,633	82,385	870,246
Less: Treasury stock 1,865 thousand shares in 2017 and 1,855 thousand shares in 2016	(605)	(603)	(5,392)
Total shareholders' equity	161,713	146,469	1,441,420
Accumulated other comprehensive income			
Net unrealized gains on securities, net of tax	2,666	1,705	23,763
Deferred gains (losses) on hedges, net of tax	(3,698)	2,489	(32,961)
Foreign currency translation adjustments	13,982	19,434	124,627
Accumulated adjustments for retirement benefit (Note 17)	(682)	(561)	(6,078)
Total accumulated other comprehensive income	12,268	23,067	109,350
Non-controlling interests in consolidated subsidiaries	10,439	10,029	93,047
Total net assets	184,421	179,566	1,643,827
Total liabilities and net assets	¥518,981	¥484,800	$4,625,911

Consolidated Statements of Operations

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales (Note 13)	¥436,330	¥450,553	$3,889,205
Cost of sales (Notes 3 and 11)	349,051	388,546	3,111,248
Gross profit	87,278	62,007	777,948
Selling, general and administrative expenses (Notes 10 and 11)	48,817	50,869	435,127
Operating income	38,461	11,137	342,820
Non-operating income (expenses):			
Interest and dividend income	2,049	1,666	18,263
Interest expense	(1,497)	(1,799)	(13,343)
Foreign exchange losses	(1,623)	(628)	(14,466)
Investment losses on equity method	(6,303)	(22,372)	(56,181)
Real estate rent	692	694	6,168
Other, net	(730)	18	(6,506)
	(7,413)	(22,421)	(66,075)
Ordinary income (loss) (Note 13)	31,047	(11,284)	276,735
Extraordinary income (losses):			
Gain on sale of investment securities	573	1,487	5,107
Gain on sale of property, plant and equipment (Note 12)	62	99	552
Loss on sale and disposal of property, plant and equipment (Note 12)	(2,998)	(1,603)	(26,722)
Loss on impairment of fixed assets (Note 19)	(2,044)	(305)	(18,219)
Gain on change in equity of affiliates	—	408	—
Environmental expenses	(274)	(646)	(2,442)
Refunded custom duties	—	314	—
Provision for loss on litigation (Note 8)	—	(470)	—
Other, net (Note 12)	(435)	(558)	(3,877)
	(5,116)	(1,274)	(45,601)
Profit (loss) before income taxes	25,931	(12,558)	231,134
Income taxes (Note 14):			
Current	7,933	6,053	70,710
Deferred	(1,607)	1,631	(14,323)
	6,325	7,685	56,377
Profit (loss)	19,605	(20,244)	174,748
Profit attributable to non-controlling interests	931	681	8,298
Profit (loss) attributable to owners of parent	¥ 18,674	¥ (20,926)	$ 166,449

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Basic earnings (loss) per share (Note 18)	¥32.70	¥(36.64)	$0.29
Cash dividends applicable to the year	7.00	6.00	0.06

See accompanying notes.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Profit (loss)	**¥ 19,605**	¥(20,244)	**$174,748**
Other comprehensive income (losses)			
Net unrealized gains (losses) on securities, net of tax	**937**	(888)	**8,351**
Deferred (losses) gains on hedges, net of tax	**(6,585)**	4,005	**(58,695)**
Foreign currency translation adjustments	**(3,111)**	(6,132)	**(27,729)**
Remeasurements of defined benefit plans, net of tax	**(131)**	(325)	**(1,167)**
Share of other comprehensive loss of associates accounted for using equity method	**(2,119)**	(74)	**(18,887)**
Total other comprehensive loss (Note 22)	**(11,011)**	(3,416)	**(98,146)**
Comprehensive income (loss)	**¥ 8,594**	¥(23,661)	**$ 76,602**
(Breakdown)			
Comprehensive income (loss) attributable to owners of parent	**¥ 7,874**	¥(23,850)	**$ 70,184**
Comprehensive income attributable to non-controlling interests	**719**	189	**6,408**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

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

	(Thousands)	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 (Note 9)
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 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, 2016	$375,514	$201,060	$734,334	$(5,374)	$1,305,544	$15,197	$ 22,185	$173,223	$(5,000)	$205,606	$89,392	$1,600,552
Cash dividends paid			(30,537)		(30,537)							(30,537)
Profit attributable to owners of parent			166,449		166,449							166,449
Acquisition of treasury stock				(17)	(17)							(17)
Change of scope of consolidation					—							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(0)			(0)							(0)
Net changes of items other than shareholders' equity						8,565	(55,147)	(48,596)	(1,078)	(96,256)	3,645	(92,601)
Balance at March 31, 2017	$375,514	$201,060	$870,246	$(5,392)	$1,441,420	$23,763	$(32,961)	$124,627	$(6,078)	$109,350	$93,047	$1,643,827

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 25,931	¥(12,558)	$ 231,134
Depreciation and amortization	24,414	25,066	217,612
Loss on impairment of fixed assets (Note 19)	2,044	305	18,219
Loss on sale of property, plant and equipment, net	94	13	837
Loss on disposal of property, plant and equipment	2,840	1,490	25,314
Foreign exchange loss	886	360	7,897
Investment losses on equity method	6,303	22,372	56,181
Gain on change in equity of affiliates	—	(408)	—
Decrease in allowance for doubtful accounts	(97)	(70)	(864)
Increase in liability for retirement benefits	441	1,874	3,930
Interest and dividend income	(2,049)	(1,666)	(18,263)
Interest expense	1,497	1,799	13,343
(Increase) decrease in notes and accounts receivable	(19,261)	11,028	(171,681)
(Increase) decrease in inventories	(19,968)	10,237	(177,983)
Increase (decrease) in notes and accounts payable	5,470	(3,828)	48,756
Other, net	454	348	4,046
Subtotal	29,002	56,364	258,507
Interest and dividend received	2,217	2,079	19,761
Interest paid	(1,526)	(1,807)	(13,601)
Income taxes paid	(6,918)	(8,194)	(61,663)
Income taxes refund	1,213	1,465	10,812
Other, net	229	489	2,041
Net cash provided by operating activities	24,218	50,397	215,865
Cash flows from investing activities:			
Purchases of investment securities	(594)	(1,228)	(5,294)
Proceeds from sale of investment securities	709	2,043	6,319
Acquisition of property, plant and equipment and other assets	(36,073)	(28,677)	(321,534)
Proceeds from sale of property, plant and equipment	417	625	3,716
Payments for retirement of property, plant and equipment and other assets	(1,827)	(1,142)	(16,284)
Decrease in short-term loans receivable, net	11	303	98
Proceeds from liquidation of subsidiaries and associates	—	606	—
Other, net	(943)	1,072	(8,405)
Net cash used in investing activities	(38,300)	(26,395)	(341,385)
Cash flows from financing activities:			
Net change in short-term borrowings and commercial papers	15,964	(14,973)	142,294
Proceeds from long-term debt	20,381	9,009	181,665
Repayment of long-term debt	(19,910)	(11,046)	(177,466)
Repayment of lease liability	(585)	(1,037)	(5,214)
Issuance of bonds	10,000	10,000	89,134
Redemption of straight bonds	(10,000)	(10,000)	(89,134)
Cash dividends paid	(3,426)	(3,426)	(30,537)
Dividends paid to non-controlling interests	(307)	(399)	(2,736)
Other, net	(54)	(50)	(481)
Net cash provided by (used in) financing activities	12,061	(21,925)	107,505
Effect of exchange rate changes on cash and cash equivalents	(675)	(1,360)	(6,016)
Net (decrease) increase in cash and cash equivalents	(2,696)	716	(24,030)
Cash and cash equivalents at beginning of year	16,649	15,926	148,400
Effect of addition of consolidated subsidiaries	—	6	—
Cash and cash equivalents at end of year (Note 5)	¥ 13,952	¥ 16,649	$ 124,360

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

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 ¥1 million 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, 2017, which was ¥112.19 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 52 significant subsidiaries (the "Companies"). All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the 10 significant affiliates which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

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

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

Because the balance sheet date of 2 subsidiaries, Automotive Components Technology India Pvt. Ltd. and Mitsui Kinzoku Components India Pvt. Ltd., was changed from December 31 to March 31, they are consolidated on the basis of their financial statements in which the accounting period is 15 months. The impact of the above changes on Consolidated Statements of Operations for this fiscal year was as follows, Net sales: ¥2,417 million ($21,543 thousand), Operating income: ¥361 million ($3,217 thousand), Ordinary income: ¥367 million ($3,271 thousand) and Profit before income taxes: ¥366 million ($3,262 thousand).

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

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

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

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

(e) Derivative transactions and hedge accounting

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

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

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

For currency swap contracts, interest rate swap contracts 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, and building fixtures and structures, which were acquired since April 1, 2016, (2) certain plant facilities of the Company and (3) property, plant and equipment of certain consolidated subsidiaries. The durable years of these assets generally range from 7 to 50 years for buildings, 3 to 60 years for structures and 2 to 20 years for machinery and equipment.

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

(h) Allowance for doubtful accounts

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

(i) Provision for product warranties

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

(j) Provision for improvement of business structure

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

(k) Provision for loss on disposal of inventories

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

(l) Employees' retirement benefits

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

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

Actuarial differences are amortized primarily from the year in which the actuarial differences are incurred by the straight-line method over periods of 1 to 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 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 provision for possible losses arising from litigation and other disputes in the future, in light of the risks involved in each dispute.

Former employees and their associates appealed a case they brought against the Company and its subsidiary to the Nagoya High Court. The case sought restitution for alleged work-related health damages. The Company provisionally paid the plaintiffs ¥378 million ($3,369 thousand) in damages together with a certain amount of late charges, which was to be paid by February 12, 2016 in accordance with the ruling handed down by the high court. The Company filed an appeal against the high court ruling with the Supreme Court of Japan on February 3, 2016. However, the appeal was rejected on March 15, 2017. Accordingly, the suspense payment and the provision for loss on litigation, which were provisionally recorded for damages and the related litigation, were reversed.

(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 2017 and 2016.

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 2017 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)

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No. 32, June 17, 2016) from the current fiscal year and changed the depreciation method for building fixtures and structures, which were acquired since April 1, 2016, from the declining balance method to the straight line method.

The impact of the above changes on Consolidated Statements of Operations for this fiscal year was immaterial.

(Additional information)

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

3. Inventories

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Merchandise and finished goods	¥ 29,609	¥24,517	$263,918
Work in process	26,653	24,551	237,570
Raw materials and supplies	43,826	31,941	390,640
Total	¥100,089	¥81,011	$892,138

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, are included in the cost of sales for the fiscal years ended March 31, 2017 and 2016 respectively as following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cost of sales	¥(1,587)	¥2,074	$(14,145)
Total	¥(1,587)	¥2,074	$(14,145)

4. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2017 and 2016 were as follows:

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

	Millions of yen		
Year ended 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

	Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2017	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$53,445	$18,958	$34,486
Subtotal	53,445	18,958	34,486
Securities whose book value does not exceed acquisition cost:			
Stocks	10,179	10,794	(606)
Subtotal	10,179	10,794	(606)
Total	$63,633	$29,753	$33,871

(b) Available-for-sale securities sold for the years ended March 31, 2017 and 2016 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2017	2016	2017
Total sale amount	Stocks	¥746	¥1,278	$6,649
Gains	Stocks	573	1,170	5,107
Losses	Stocks	0	17	0

5. Amounts of Cash and Cash Equivalents

Amounts of cash and cash equivalents at March 31, 2017 and 2016 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash and deposits	¥15,304	¥16,983	$136,411
Time deposits with maturities exceeding three months from the date of deposit	(1,352)	(334)	(12,050)
Total: Cash and cash equivalents	¥13,952	¥16,649	$124,360

6. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.300% to 8.100% and from 0.310% to 9.750% at March 31, 2017 and 2016, respectively.	¥31,908	¥31,550	$284,410
Commercial paper with interest at annual rate of (0.00)% and 0.00% at March 31, 2017 and 2016, respectively.	18,000	3,000	160,442
	¥49,908	¥34,550	$444,852

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
0.20% yen unsecured straight bonds due in 2021	¥10,000	¥ —	$ 89,134
0.39% yen unsecured straight bonds due in 2020	10,000	10,000	89,134
0.76% yen unsecured straight bonds due in 2020	10,000	10,000	89,134
0.27% yen unsecured straight bonds due in 2019	10,000	10,000	89,134
0.79% yen unsecured straight bonds due in 2018	10,000	10,000	89,134
0.74% yen unsecured straight bonds due in 2017	10,000	10,000	89,134
0.76% yen unsecured straight bonds due in 2016	—	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2026 at interest rates ranging from 0.200% to 10.850% at March 31, 2017:			
Secured	900	900	8,022
Unsecured	94,076	92,982	838,541
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 0.900% to 2.200% at March 31, 2017:			
Secured	2,538	3,299	22,622
Unsecured	—	—	—
	157,514	157,182	1,403,993
Less: Current portion	35,006	29,738	312,024
	¥122,507	¥127,444	$1,091,960

The aggregate annual maturities of long-term debt at March 31, 2017 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2018	¥ 35,006	$ 312,024
2019	32,720	291,648
2020	35,666	317,907
2021	26,001	231,758
2022	22,037	196,425
Thereafter	6,080	54,193
Total	¥157,514	$1,403,993

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.
The 0.20% yen unsecured straight bonds due in 2021 were issued on November 28, 2016 by the Company.

7. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Property, plant and equipment, net book value	**¥8,622**	¥10,386	**$76,851**
	¥8,622	¥10,386	**$76,851**

8. Contingent Liabilities

Contingent liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Notes receivable discounted	**¥ 178**	¥ 466	**$ 1,586**
Notes receivable securitized with recourse	**560**	484	**4,991**
Loans guaranteed			
Unconsolidated subsidiaries and affiliates	**110,033**	104,933	**980,773**
Others	**405**	470	**3,609**
	¥111,176	¥106,355	**$990,961**

9. Net Assets

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

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

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

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2017 and 2016 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2015	572,966	1,842
Increase during the year	—	12
Decrease during the year	—	—
Balance at March 31 and April 1, 2016	572,966	1,855
Increase during the year	**—**	**9**
Decrease during the year	**—**	**—**
Balance at March 31, 2017	**572,966**	**1,865**

(b) Dividends

Dividends paid for the year ended March 31, 2017 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**	**$30,537**
Total	**¥3,426**	**$30,537**

Dividends included in the retained earnings at March 31, 2017 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, 2017	**¥3,997**	**$35,627**
Total	**¥3,997**	**$35,627**

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Freightage related expenses	**¥9,353**	¥9,119	**$83,367**
Salaries	**8,932**	8,995	**79,614**
Bonus and retirement pay	**1,798**	1,537	**16,026**
Provision for bonuses	**1,571**	1,589	**14,003**
Provision for directors' and corporate auditors' bonuses	**42**	32	**374**
Retirement benefit expenses	**1,213**	4,479	**10,812**
Provision for directors' and corporate auditors' retirement benefits	**159**	161	**1,417**
Provision for product warranties	**193**	241	**1,720**
Depreciation expense	**1,965**	1,875	**17,514**
Research and developing/Exploration expenses	**6,060**	5,845	**54,015**

11. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥7,163 million ($63,847 thousand) and ¥6,575 million for the years ended March 31, 2017 and 2016, 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)
	2017	2016	2017
Buildings and structures	¥ 4	¥18	$ 35
Machinery and equipment	37	24	329
Others	21	56	187
Total	¥62	¥99	$552

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Buildings and structures	¥ —	¥ 1	$ —
Machinery and equipment	50	103	445
Land	4	0	35
Others	102	7	909
Total	¥157	¥113	$1,399

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Buildings and structures	¥ 750	¥ 470	$ 6,685
Machinery and equipment	1,594	974	14,208
Others	495	45	4,412
Total	¥2,840	¥1,490	$25,314

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Provision for allowance for doubtful accounts	¥ —	¥ 0	$ —
Provision for product warranties	—	142	—
Provision for improvement of business structure	116	121	1,033

13. Segment Information

The operations of the Companies for the years ended March 31, 2017 and 2016 were summarized as follows:

(a) Overview of reportable segments

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

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

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

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

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

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

Segment information as of and for the fiscal year ended March 31, 2017 was as follows:

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

Notes:

(a) Amounts of adjustment are as follows:

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

Adjustment to segment profit, which amounted to ¥(5,228) million ($(46,599) thousand), consists mainly of ¥(1,596) million ($(14,225) thousand) for Company-wide costs that do not belong to any reportable segments and ¥(2,141) million ($(19,083) thousand) for difference from converting the income and expenses of overseas subsidiaries into Japanese currency.

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

(2) Adjustment to segment assets, which amounted to ¥(14,527) million ($(129,485) thousand), consists of ¥(19,096) million ($(170,211) thousand) for offset of receivables to the corporate administrative department, ¥(22,690) million ($(202,246) thousand) for offset of inter-segment receivables, ¥43,256 million ($385,560 thousand) for Company-wide assets that do not belong to any reportable segments and ¥(15,997) million ($(142,588) thousand) for other adjustment.

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

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

(d) Change the balance sheet date of overseas subsidiaries

Because the balance sheet date of 2 subsidiaries, Automotive Components Technology India Pvt. Ltd. and Mitsui Kinzoku Components India Pvt. Ltd., was changed from December 31 to March 31, they are consolidated on the basis of their financial statements which accounting period is 15 months. The impact of the above changes on Consolidated Statements of Operations for this fiscal year was as follows, Net sales of Engineered Materials: ¥2,442 million ($21,766 thousand), Net sales of Automotive Parts & Components: ¥360 million ($3,208 thousand), Segment profit (loss) of Engineered Materials: ¥494 million ($4,403 thousand) and Segment profit (loss) of Automotive Parts & Components: ¥(67) million ($(597) thousand).

Segment information as of and for the fiscal year ended March 31, 2016, 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
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, consists mainly of ¥(4,337) million for Company-wide costs that do not belong to any reportable segments and an impairment loss of ¥(19,278) 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 ¥(3,995) million, consists of ¥(16,927) million for offset of receivables to the corporate administrative department, ¥(15,985) million for offset of inter-segment receivables, ¥43,149 million for Company-wide assets that do not belong to any reportable segments and ¥(14,231) million for other adjustment.

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

(3) Adjustment to investment gains (losses) on equity method, which amounted to ¥(19,402) million, consists mainly of an impairment loss of ¥(19,278) million 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.

	Thousands of U.S. dollars (Note 1)						
	Reported segments						
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Total	Adjustments	Consolidated
Year ended March 31, 2017							
Sales:							
Outside customers	$1,246,421	$1,099,812	$1,008,993	$ 681,468	$4,036,714	$(147,508)	$3,889,205
Inter-segment	52,963	144,914	—	329,931	527,818	(527,818)	—
Total	1,299,393	1,244,736	1,008,993	1,011,400	4,564,533	(675,327)	3,889,205
Segment profit	$ 141,946	$ 75,559	$ 55,156	$ 50,664	$ 323,344	$ (46,599)	$ 276,735
Segment assets	$1,189,375	$2,137,240	$ 586,103	$ 842,668	$4,755,406	$(129,485)	$4,625,911
Depreciation expense	83,795	69,979	38,256	22,488	214,537	3,066	217,612
Amortization of goodwill and negative goodwill	—	213	—	—	213	(26)	178
Interest income	2,433	1,069	766	1,212	5,499	(3,137)	2,353
Interest expense	4,082	8,993	2,103	2,148	17,345	(3,993)	13,343
Investment gains (losses) on equity method	3,485	(67,813)	—	9,073	(55,245)	(926)	(56,181)
Investment for companies accounted for using the equity method	28,897	656,965	—	119,484	805,348	4,679	810,027
Increase in property, plant and equipment, and intangible assets	117,336	150,155	45,922	20,643	334,067	2,121	336,197

[Related information]

Information by area

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

	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

	Thousands of U.S. dollars (Note 1)					
	Japan	China	Asia (Except China)	North America	Other Areas	Consolidated
Year ended March 31, 2017						
Sales	**$2,178,999**	**$509,341**	**$690,150**	**$380,648**	**$130,047**	**$3,889,205**

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

	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

	Thousands of U.S. dollars (Note 1)				
	Japan	Asia	North America	Other Areas	Consolidated
As of March 31, 2017					
Property, plant and equipment	**$1,095,801**	**$309,207**	**$58,944**	**$45,948**	**$1,509,911**

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

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

	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

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination· Corporate	Consolidated
Year ended March 31, 2017						
Loss on impairment of fixed assets	**$17,176**	**$178**	**$855**	**$—**	**$—**	**$18,219**

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

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

	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

	Thousands of U.S. dollars (Note 1)					
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination· Corporate	Consolidated
Year ended March 31, 2017						
Amortization of goodwill	**$—**	**$178**	**$—**	**$—**	**$—**	**$178**
Balance at end of fiscal year	**—**	**35**	**—**	**—**	**—**	**35**

[Information on gain on negative goodwill by reported segment]
Year ended March 31, 2017
Not applicable.

Year ended March 31, 2016
Not applicable.

14. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 30.7% and 32.8% for the fiscal years ended March 31, 2017 and 2016, respectively.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deferred tax assets:			
Excess bad debt expenses	¥ 86	¥ 101	$ 766
Excess accrued bonuses to employees	1,419	1,326	12,648
Excess product warranties	215	241	1,916
Liability for retirement benefits	7,862	7,661	70,077
Provision for environmental countermeasures	380	405	3,387
Loss on impairment of fixed assets	2,843	2,387	25,340
Depreciation in excess of limit	2,904	4,260	25,884
Enterprise taxes accrued	344	131	3,066
Unrealized profits and losses	2,584	2,193	23,032
Operating loss carryforward for tax purposes	11,059	13,854	98,573
Net unrealized losses on securities	28	133	249
Deferred losses on hedges	1,606	58	14,315
Other	6,140	5,877	54,728
Subtotal	37,476	38,632	334,040
Valuation allowance	(26,901)	(29,984)	(239,780)
Total deferred tax assets	10,574	8,648	94,250
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (1,163)	¥ (901)	$ (10,366)
Deferred gains on hedges	(450)	(1,323)	(4,011)
Retained earnings of foreign subsidiaries	(3,598)	(3,780)	(32,070)
Asset for retirement benefits	(1,214)	(1,013)	(10,820)
Other	(2,302)	(2,232)	(20,518)
Total deferred tax liabilities	(8,728)	(9,250)	(77,796)
Net deferred tax assets (liabilities)	¥ 1,846	¥ (601)	$ 16,454

The net deferred tax assets at March 31, 2017 and 2016 were contained in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deferred tax assets—current	¥ 4,349	¥ 2,475	$ 38,764
Deferred tax assets—non-current	2,715	2,183	24,200
Deferred tax liabilities—current	(27)	—	(240)
Deferred tax liabilities—non-current	(5,191)	(5,261)	(46,269)

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, 2017.

	2017	2016
Statutory effective tax rate	30.7%	—%
Permanent difference due to non-deductible expense	0.7	—
Permanent difference due to non-taxable income	(17.2)	—
Effect of elimination of intercompany dividends received	17.0	—
Investment gains on equity method	7.5	—
Valuation allowance	(11.1)	—
Upward adjustment of deferred tax assets at end of year due to tax rate change	(0.1)	—
Others	(3.0)	—
Tax rate calculated based on the Companies' consolidated financial statements	24.4%	—%

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, 2017, 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 were changed.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting deferred tax liabilities) increased by ¥21 million ($187 thousand) as of March 31, 2017, deferred income tax recognized for the fiscal year ended March 31, 2017 decreased by ¥21 million ($187 thousand).

15. Financial Instruments

(a) Qualitative information on financial instruments

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

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

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

Regarding derivative transactions, the Companies used currency forward contracts and swaps to hedge transactions, such as future sales of commodities (mainly basic metals) and future purchases of inventories (mainly imported materials) in foreign currencies, and to hedge their foreign currency denominated assets and liabilities against foreign currency exchange risk. For those transactions, the Companies apply the deferred hedge method or the matching treatment method as hedge accounting methods except for transactions held by certain foreign subsidiaries, and for certain transactions to hedge 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 hedge accounting methods except for transactions held by certain foreign subsidiaries. With regard to hedging instruments, hedged items, hedging policies and evaluation of hedge effectiveness, please refer to "Notes to Consolidated Financial Statements—2. Summary of Significant Accounting Policies—(e) Derivative transactions and hedge accounting."

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

3. Description of risk management system for financial instruments

Management system for credit risk

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

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

Management system for market risk

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

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

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

Management system for liquidity risk of financing

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

4. Supplementary explanation regarding fair value of financial instruments

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

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

(b) Fair value of financial instruments

The carrying amounts of book value, fair value, and differences as of March 31, 2017 and 2016 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included (Please refer to "Notes 2. Financial instruments whose fair value is extremely difficult to measure").

	Millions of yen		
	Book value	Fair value	Difference
Year ended March 31, 2017			
Assets:			
(a) Cash and deposits	¥ 15,304	¥ 15,304	¥ —
(b) Notes and accounts receivable	95,509	95,509	—
(c) Investment securities	12,524	12,718	193
Total	¥123,338	¥123,532	¥ 193
Liabilities:			
(a) Notes and accounts payable	55,815	55,815	—
(b) Short-term borrowings and commercial papers	49,908	49,908	—
(c) Current portion of long-term debt	35,006	35,153	147
(d) Long-term debt	122,507	123,462	955
Total	¥263,238	¥264,340	¥1,103
Derivative transactions	¥ (3,734)	¥ (3,734)	¥ —

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

	Millions of yen		
	Book value	Fair value	Difference
Year ended 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 papers	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 net basis. Items that are net liabilities are shown in parenthesis.

	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
Year ended March 31, 2017			
Assets:			
(a) Cash and deposits	$ 136,411	$ 136,411	$ —
(b)Notes and accounts receivable	851,314	851,314	—
(c) Investment securities	111,632	113,361	1,720
Total	$1,099,367	$1,101,096	$1,720
Liabilities:			
(a) Notes and accounts payable	497,504	497,504	—
(b) Short-term borrowings and commercial papers	444,852	444,852	—
(c) Current portion of long-term debt	312,024	313,334	1,310
(d) Long-term debt	1,091,960	1,100,472	8,512
Total	$2,346,358	$2,356,181	$9,831
Derivative transactions	$ (33,282)	$ (33,282)	$ —

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

Notes:

1. Method of estimating fair value of financial instruments

Assets:

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

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

(c) Investment securities:

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

Liabilities:

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

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

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

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

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

Derivative transactions:

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

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

	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
Classification	2017	2016	2017
Unlisted equity securities	¥56,765	¥65,240	$505,972
Investments in other securities of subsidiaries and affiliates	35,559	35,559	316,953
Nonpublic domestic bonds	240	240	2,139

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

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

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

	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
Year ended 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 date				
Bonds (domestic government and municipal bonds)	—	—	—	240
Total	¥95,018	¥—	¥—	¥240

	Thousands of U.S. dollars (Note 1)			
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2022	April 1, 2022 to March 31, 2027	April 1, 2027 and thereafter
Year ended March 31, 2017				
(a) Cash and deposits	$136,411	$—	$—	$ —
(b) Notes and accounts receivable	851,314	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	—	—	—	2,139
Total	$987,726	$—	$—	$2,139

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

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

16. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2017 and 2016 were as follows:

Currency-related derivatives

		Millions of yen		Thousands of U.S. dollars (Note 1)
Type		2017	2016	2017
Forward contracts:				
Selling:				
U.S. dollars:	Contract amounts	¥1,547	¥1,243	$13,789
	Due over one year	—	—	—
	Fair value	25	36	222
	Net unrealized gains (losses)	25	36	222
Buying:				
U.S. dollars:	Contract amounts	¥ —	¥ 6	$ —
	Due over one year	—	—	—
	Fair value	—	(0)	—
	Net unrealized losses	—	(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, 2017 and 2016 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

			Millions of yen		Thousands of U.S. dollars (Note 1)
Type	Hedged items		2017	2016	2017
Forward contracts:					
Selling:	Accounts receivable				
U.S. dollars:		Contract amounts	¥51,491	¥44,760	$458,962
		Due over one year	16,009	11,205	142,695
		Fair value	751	2,348	6,694
Malaysia ringgit:		Contract amounts	¥ 58	¥ —	$ 516
		Due over one year	—	—	—
		Fair value	0	—	0
Buying:	Accounts payable				
U.S. dollars:		Contract amounts	¥ 3,034	¥ 1,520	$ 27,043
		Due over one year	—	136	—
		Fair value	(13)	(37)	(115)
Euros:		Contract amounts	¥ 45	¥ 23	$ 401
		Due over one year	—	—	—
		Fair value	(0)	(1)	(0)
Malaysia ringgit:		Contract amounts	¥ —	¥ 8	$ —
		Due over one year	—	—	—
		Fair value	—	(0)	—

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

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

Type			Hedged items	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Forward contracts:						
	Selling:		Accounts receivable			
		U.S. dollars:	Contract amounts	¥97	¥101	$864
			Due over one year	—	—	—
			Fair value	(Note b)	(Note b)	(Note b)

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

Interest rate-related derivatives

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

Type			Hedged items	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Swap contracts:			Interest for long-term debt			
	Receive	Float	Contract amounts	¥373	¥1,509	$3,324
	Pay	Fix	Due over one year	—	377	—
			Fair value	0	(2)	0

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

Commodities-related derivatives

Type			Hedged items		Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Forward contracts:			Raw materials and finished goods				
	Selling:						
		Zinc:		Contract amounts	¥38,488	¥22,397	$343,060
				Due over one year	12,314	—	109,760
				Fair value	(4,445)	1,668	(39,620)
		Lead:		Contract amounts	¥ 2,162	¥ 3,053	$ 19,270
				Due over one year	—	—	—
				Fair value	(45)	162	(401)
		Silver:		Contract amounts	¥ 1,502	¥ 766	$ 13,388
				Due over one year	—	—	—
				Fair value	(40)	(0)	(356)
		Copper:		Contract amounts	¥ 244	¥ 248	$ 2,174
				Due over one year	—	—	—
				Fair value	(0)	2	(0)
	Buying:						
		Zinc:		Contract amounts	¥ 2,232	¥ 1,681	$ 19,894
				Due over one year	—	—	—
				Fair value	(47)	13	(418)
		Lead:		Contract amounts	¥ 1,335	¥ 1,046	$ 11,899
				Due over one year	—	—	—
				Fair value	82	(61)	730
		Copper:		Contract amounts	¥ 246	¥ 237	$ 2,192
				Due over one year	—	—	—
				Fair value	(1)	(4)	(8)

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)
	2017	2016	2017
Balance at the beginning of the fiscal year	¥43,867	¥38,865	$391,006
Service cost	2,440	2,183	21,748
Interest cost	145	350	1,292
Actuarial loss	708	3,350	6,310
Benefits paid	(2,238)	(1,757)	(19,948)
Past service costs	100	87	891
Other	101	787	900
Balance at the end of the fiscal year	¥45,125	¥43,867	$402,219

(b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Balance at the beginning of the fiscal year	¥21,695	¥19,702	$193,377
Expected return on plan assets	379	827	3,378
Actuarial gain (loss)	238	(811)	2,121
Contributions paid by the employer	1,558	1,581	13,887
Benefits paid	(796)	(472)	(7,095)
Other	65	868	579
Balance at the end of the fiscal year	¥23,140	¥21,695	$206,257

(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)
	2017	2016	2017
Funded retirement benefit obligations	¥ 19,943	¥ 19,584	$ 177,760
Plan assets	(23,140)	(21,695)	(206,257)
	(3,197)	(2,110)	(28,496)
Unfunded retirement benefit obligations	25,181	24,282	224,449
Net liability for retirement benefits at the end of the fiscal year	¥ 21,984	¥ 22,171	$ 195,953
Liability for retirement benefits	¥ 25,923	¥ 25,470	$ 231,063
Asset for retirement benefits	(3,939)	(3,298)	(35,110)
Net liability for retirement benefits at the end of the fiscal year	¥ 21,984	¥ 22,171	$ 195,953

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Service cost	¥2,440	¥2,183	$21,748
Interest cost	145	350	1,292
Expected return on plan assets	(379)	(827)	(3,378)
Net actuarial loss (gain) amortization	470	4,161	4,189
Past service costs amortization	100	87	891
Total retirement benefit costs for the fiscal year	¥2,777	¥5,955	$24,752

(e) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Past service costs	¥ (55)	¥ 9	$ (490)
Actuarial gain (loss)	(96)	(448)	(855)
Total remeasurements of defined benefit plans for the fiscal year	¥(151)	¥(438)	$(1,345)

(f) Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Prior service costs that are yet to be recognized	¥155	¥100	$1,381
Net actuarial losses that are yet to be recognized	673	577	5,998
Total balance at the end of the fiscal year	¥828	¥677	$7,380

(g) Plan assets

1. Plan assets comprise:

	2017	2016
Bonds	34%	34%
Equity securities	31	29
General insurance funds	32	35
Other	3	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, 2017 and 2016 are as follows:

	2017	2016
Discount rate	0.0%–0.9%	0.0%–0.9%
Long-term expected rate of return	Mainly 2.0%	Mainly 4.7%

Defined contribution plans

Contributions to defined contribution plans amounted to ¥120 million ($1,069 thousand) and ¥127 million for the years ended March 31, 2017 and 2016, respectively.

18. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2017 and 2016 were as follows:

	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)	Profit per share (U.S. dollars (Note 1))
Year ended March 31, 2017				
Profit attributable to owners of parent	¥18,674	571,105	¥32.70	$0.29

	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit (loss) per share (Yen)
Year ended March 31, 2016			
Profit (loss) attributable to owners of parent	¥(20,926)	571,115	¥(36.64)

19. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the fiscal years ended March 31, 2017 and 2016 consisted of the following.

Year ended March 31, 2017

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars (Note 1)
Takehara City, Hiroshima Prefecture	Buttery material production facilities	Buildings and structures	¥ 969	$ 8,637
		Machinery and equipment	897	7,995
		Others	6	53
		Subtotal	¥1,874	$16,703
Others	Production facilities and idle assets	Machinery and equipment etc	¥ 169	$ 1,506
	Total (5 items)		¥2,044	$18,219

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

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

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

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

Year ended March 31, 2016

Location	Major use	Asset category	Millions of yen
Iruma City, Saitama Prefecture	Idle assets	Buildings and structures	¥132
Republic of Peru	Idle assets	Land	¥132
Others	Production facilities and idle assets	Buildings and structures etc	¥ 40
	Total (5 items)		¥305

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

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

The book value for idle land was written down to the collectible value as there is no prospect for using the land in the future. The collectible value was measured by the net saleable price, and the difference against the book value was recorded as an impairment loss under extraordinary losses. The net saleable price was assessed as zero due to the extremely low likelihood of a sale.

The book value of production facilities included in Others was written down to the collectible value as the investment amount was deemed not to be collectible due to a decline in profitability. The collectible value was measured by value in use, and is calculated by discounting future cashflows at 1.38%.

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

20. Related Party Transactions

(a) Related party transactions

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

The transaction amount for the fiscal years ended March 31, 2017 and 2016 with Pan Pacific Copper Co., Ltd. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Guarantees of bank loans	¥69,601	¥59,656	$620,385

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

MFN Investment LLC is an affiliate of the Company.

The transaction amount for the fiscal years ended March 31, 2017 and 2016 with SCM Minera Lumina Copper Chile was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Guarantees of bank loans	¥31,717	¥35,755	$282,707

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, 2017 and 2016 with Caserones Finance Netherlands B.V. was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Guarantees of bank loans	¥7,635	¥8,105	$68,054

(b) Note about significant related parties

In the fiscal year ended March 31, 2017, 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)
	2017	2016	2017
Total current assets	¥279,527	¥242,488	$2,491,550
Total non-current assets	141,780	131,148	1,263,748
Total current liabilities	276,231	269,926	2,462,171
Total long-term liabilities	35,335	850	314,956
Total net assets	109,741	102,860	978,170
Net sales	638,649	633,986	5,692,566
Profit (loss) before income taxes	8,945	(81,019)	79,730
Profit (loss)	5,880	(86,381)	52,411

MFN Investment LLC

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Total current assets	¥ 6,397	¥ 14,905	$ 57,019
Total non-current assets	185,855	163,639	1,656,609
Total current liabilities	6,378	14,896	56,849
Total long-term liabilities	81,270	59,054	724,396
Total net assets	104,603	104,593	932,373
Net sales	—	—	—
Profit before income taxes	6	4	53
Profit	3	1	26

21. Asset Retirement Obligations

Years ended March 31, 2017 and 2016

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

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

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

(Mines)
Compania Minera Santa Luisa S.A. has recognized asset retirement obligations in accordance with International Financial Reporting Standards, by estimating closure costs based on mine closure plans under mine closure legislation and regulations in Peru. With regard to estimation of asset retirement obligations, a discount rate of 2.45% is used, and the estimated period up to payment is based on number of recoverable years from launch of operations (average of 41 years).

In addition, during the fiscal year ended March 31, 2017, the company revised its estimate of mine closure costs, no longer using the 2.27% discount rate used in the previous fiscal year. As a result, ¥200 million ($1,782 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 31 years depending on each asset. The companies use rates between 0.64% and 2.30% as a discount rate to estimate the amount of asset retirement obligations.

(Real estate lease agreements)
The Companies reasonably estimate the amount of lease deposits from real estate lease agreements that they cannot expect to finally recover, and record the portion of this amount allocated to the fiscal year ended March 31, 2017 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 ¥88 million ($784 thousand) in the fiscal year ended March 31, 2017.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2017 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Balance at the beginning of the fiscal year	**¥3,015**	¥3,018	**$26,874**
Adjustments due to the passage of time	**55**	58	**490**
Decrease from execution of asset retirement obligations	**(18)**	(80)	**(160)**
Increase from changes of estimates	**200**	391	**1,782**
Impact of foreign currency translation	**(28)**	(372)	**(249)**
Balance at the end of the fiscal year	**¥3,224**	¥3,015	**$28,736**

22. Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net unrealized gains (losses) on securities:			
Increase (decrease) during the year	¥ 1,724	¥(1,042)	$ 15,366
Reclassification adjustments	(523)	(131)	(4,661)
Subtotal, before tax	1,200	(1,174)	10,696
Tax (expense) or benefit	(263)	285	(2,344)
Subtotal, net of tax	937	(888)	8,351
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	(11,205)	7,061	(99,875)
Reclassification adjustments	3,384	(2,124)	30,163
Subtotal, before tax	(7,821)	4,936	(69,712)
Tax (expense) or benefit	1,235	(931)	11,008
Subtotal, net of tax	(6,585)	4,005	(58,695)
Foreign currency translation adjustments:			
Increase (decrease) during the year	(3,111)	(5,992)	(27,729)
Reclassification adjustments	—	(140)	—
Subtotal, net of tax	(3,111)	(6,132)	(27,729)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(302)	(534)	(2,691)
Reclassification adjustments	151	96	1,345
Subtotal, before tax	(151)	(438)	(1,345)
Tax (expense) or benefit	19	113	169
Subtotal, net of tax	(131)	(325)	(1,167)
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	(3,244)	2,015	(28,915)
Reclassification adjustments	1,124	(2,089)	10,018
Subtotal, net of tax	(2,119)	(74)	(18,887)
Total other comprehensive income	¥(11,011)	¥(3,416)	$(98,146)

23. Subsequent Events

Change in share unit and consolidation of shares

At the Board of Directors meeting held on May 18, 2017, the Company resolved to submit a proposal for change in share unit and share consolidation to its 92nd Ordinary General Meeting of Shareholders to be held on June 29, 2017. Both proposals were approved at the Ordinary General Meeting of Shareholders.
Details are as follows:

(a) Change in share unit

1. Reason for change in share unit
   Based on the Action Plan for Consolidating Trading Units, the Japanese Stock Exchanges seek to standardize the trading units (share units) for common shares issued by all listed domestic corporations at 100 shares by October 1, 2018. As a corporation listed on the Tokyo Stock Exchange, the Company respects the purport of this plan and decided to change its share unit from 1,000 shares to 100 shares.

2. Details of change in share unit
   The Company changes its share unit from 1,000 shares to 100 shares.

(b) Share consolidation

1. Reason for share consolidation
   As 1. above, correspondence with the Action Plan for Consolidating Trading Units by the Japanese Stock Exchanges, the Company decided to conduct a share consolidation to change its share unit from 1,000 shares to 100 shares. Purpose of share consolidation is to maintain and adjust the investment unit to an appropriate level (¥50,000 to ¥500,000) which is desirable for the Japanese Stock Exchanges.

2. Details of the share consolidation
   (1) Class of shares to be consolidated
   Common shares
   (2) Consolidation method and ratio
   Every 10 shares held by shareholders recorded in the register of shareholders as of the end of September 30, 2017 will be consolidated into one share on October 1, 2017.
   (3) Decrease in number of shares due to consolidation

Number of shares outstanding before share consolidation (as of March 31, 2017)	572,966,166
Decrease in number of shares due to share consolidation	515,669,550
Number of shares outstanding after share consolidation	57,296,616

Note: "Decrease in number of shares due to share consolidation" and "Number of shares outstanding after share consolidation" are theoretical figures calculated based on the number of shares outstanding before share consolidation and the consolidation ratio.

   (4) Handling of fractional shares less than one share
   If a fraction of less than one share is created due to the share consolidation, all such fractional shares will be sold together in accordance with Article 235 of the Companies Act, and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of fractional shares.

(c) Date

Board of Directors meeting	May 18, 2017
Ordinary General Meeting of Shareholders	June 29, 2017
Effective	October 1, 2017

(d) Effect on Earnings per Share of Common Stock

Assuming that the share consolidation had taken place at the start of the previous period, Earnings per Share of Common Stock for the years ended March 31, 2017 and 2016 would be as follows:

	Yen		U.S. dollars
As of years ended March 31	**2017**	2016	**2017**
Earnings per Share of Common Stock	**¥326.98**	¥(366.42)	**$2.91**

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, 2017 and 2016, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsui Mining and Smelting Company, Limited and its consolidated subsidiaries as at March 31, 2017 and 2016, 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, 2017 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, 2017
Tokyo, Japan

Investor Information (As of March 31, 2017)

Number of shareholders: 39,776

Major shareholders:

	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Held in trust account)	62,221	10.89
The Master Trust Bank of Japan, Ltd. (Held in trust account)	46,495	8.14
The Employees' Shareholding Association	12,205	2.13
BBH BOSTON CUSTODIAN FOR JAPAN VALUE EQUITY CONCENTRATED FUND A SERIES OF 620135	10,657	1.86
Japan Trustee Services Bank, Ltd. (Held in trust account 5)	10,457	1.83
Trust & Custody Services Bank, Ltd. (Held in collateral on unit trust account)	10,118	1.77
Japan Trustee Services Bank, Ltd. (Held in trust account 9)	7,909	1.38
JPMCB: CREDIT SUISSE SECURITIES EUROPE-JPY 1007760	7,738	1.35
Japan Trustee Services Bank, Ltd. (Held in trust account 1)	7,676	1.34
Trust & Custody Services Bank, Ltd. (Held in securities investment trust account)	7,652	1.33

Notes: 1. Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 1,865,050 treasury shares).
2. Figures are rounded down to the nearest thousand shares.

Stock price range:

Corporate Data (As of March 31, 2017)

Established: May 1, 1950

Authorized capital: 1,944 million shares

Shares issued: 572,966,166 shares

Paid-in capital: ¥42,129 million

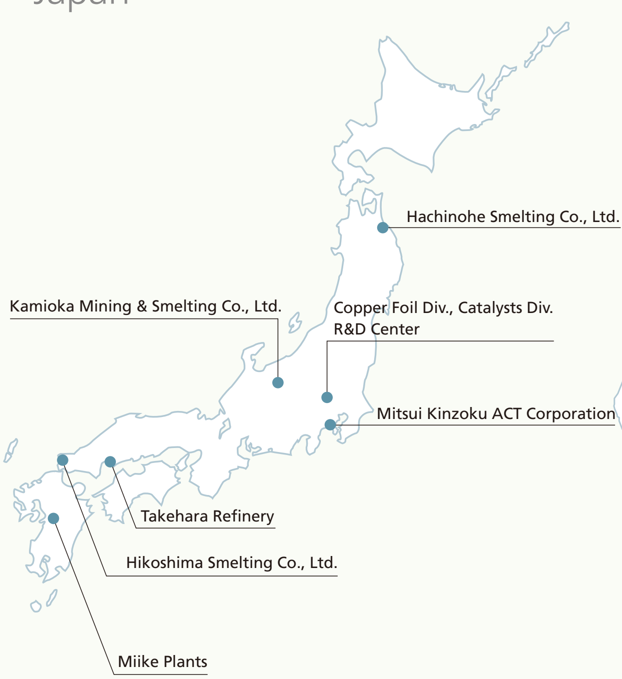
Stock listings: Common stock is listed on the Tokyo Stock Exchange

Principal subsidiaries:

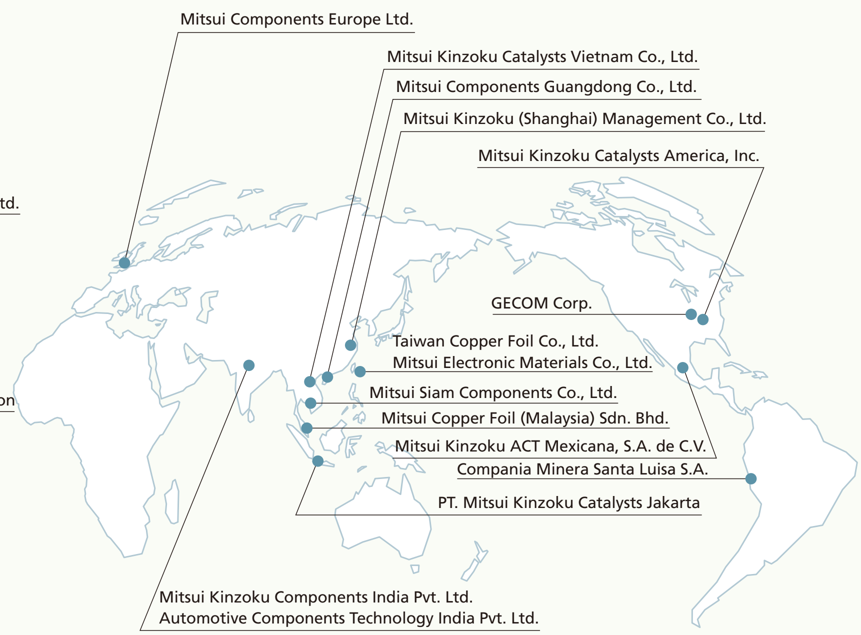
	Paid-in capital (Millions)	Equity stake of the Company (%)
Taiwan Copper Foil Co., Ltd.	NT$800	95.0
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM330	100.0
Mitsui Electronic Materials Co., Ltd.	NT$600	100.0
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0
Hachinohe Smelting Co., Ltd.	¥4,795	85.5
Hikoshima 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 Limited	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, 2017)

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

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

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