

MITSUI KINZOKU Integrated Report 2022

For the year ended March 31, 2022



FTSE Blossom Japan Sector Relative Index

FTSE Russell confirms that Mitsui Mining & Smelting Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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2022



Sampo Sustainability Index



2022
 健康経営優良法人
 Health and productivity



MITSUI KINZOKU

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About Mitsui Kinzoku Integrated Report 2022

This report describes how Mitsui Kinzoku Group will create economical and social value through the management in our value creation process, focusing on the 22 Medium-Term Management Plan which began in FY2022.

We have edited this report referring to the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC), the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” developed by the Ministry of Economy, Trade and Industry, and the GRI Sustainability Reporting Standards (GRI Standards).

You can find detailed financial information in our Securities Report and detailed governance information in our Corporate Governance Report.

[Coverage]

This report focuses on figures for FY2021 (April 2021 – March 2022). It also contains details of initiatives prior to that period, and initiatives that are underway for FY2022.

[Scope]

This report covers Mitsui Kinzoku (non-consolidated), as well as consolidated domestic/overseas subsidiaries. If we include a non-consolidated group company, there are details on its scope of application in the explanatory note for each item.

[Caution concerning forward-looking statements]

In addition to facts about Mitsui Kinzoku Group past and present, this report contains decisions, plans and other forward-looking statements based on information available at the time of writing. Please bear in mind that social situations in the future, and the actual results of our business activities, may vary from the forward-looking statements contained herein.

[Securities Report] only available in Japanese

<https://www.mitsui-kinzoku.com/toushi/lib/youka/>

[Corporate Governance Report] only available in Japanese

<https://www.mitsui-kinzoku.com/toushi/management/governance/>

We use the SDG icons in this report in accordance with the UN SDG guidelines.

<https://www.un.org/sustainabledevelopment/>

References and citations

• Ambidexterity

Iriyama Akie (2019) “*Global Standard Management Theory*”, DIAMOND, INC.

• Programmatic M&A

Chris Bradley, Martin Hirt, Sven Smit, Nozaki Daisuke (Translation) (2019) “*Strategy Beyond the Hockey Stick: People, Probabilities, and Big Moves to Beat the Odds*”, TOYO KEIZAI INC.

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MITSUI KINZOKU

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Philosophy of Mitsui Kinzoku Group

Throughout our history, which is approaching 150 years since our company was first founded, Mitsui Kinzoku has experienced many changes and faced many difficulties. The reason why we were able to overcome these obstacles and continue to this day is because we continuously supplied products that are helpful to the world by utilizing our “intelligence” that we have fostered over years as a manufacturer. The central pillar of the business is our corporate philosophy.

We have to enhance our own sustainability in order to fulfill our social responsibility. We advance our business to respond to the expectations of our stakeholders, while keeping our corporate philosophy at the center of our business activities to further strengthen our business base. We will contribute to the realization of a sustainable society through new value creation by enhancing our recognition of environmental and social issues, and driving our unique innovations.

経営理念

創造と前進を旨とし
価値ある商品によって社会に貢献し
社業の永続的発展成長を期す

三井金属鉱業株式会社

Management Philosophy

“With creativity and productivity,
We, Mitsui Kinzoku Group, will explore products of value to society,
and seek an eternal growth of our group.”

Mitsui Kinzoku Group’s mission included in its Management Philosophy

The Management Philosophy was developed and documented in 1984, more than 38 years ago. It declares that the goal of the Group’s business is contribution to society and sustainable growth. Grateful to our predecessors for having had the perspective of sustainability, we will pass on the values they sought to uphold.

In 2022, as values we should share, the Purpose was established to show why Mitsui Kinzoku Group exists and the value we provide.

【Purpose】

探索精神と多様な技術の融合で、
地球を笑顔にする。

We promote the well-being of the world
through a spirit of exploration and diverse technologies.

Why we exist

The Purpose provides our unchanging basis for making judgments, allowing us to respond nimbly and promptly to changes in the world or major shifts in the business environment whenever they occur. While envisioning the world in 2050, our Purpose, our raison d’etre as Mitsui Kinzoku Group is to realize a contribution to both humanity and the environment of the world.

【Corporate Slogan】

Taking full advantage of Material Intelligence

Mitsui Kinzoku in a nutshell

We are a manufacturing company mainly dealing with non-ferrous metal materials and always thinking about what our strengths are, how we can utilize them effectively, and what value we can create. With thinking them thoroughly, we pursue our originality and value.

Code of Conduct [Revision 3rd edition as of July 2016]

This Code of Conduct applies to all the directors, officers and employees of Mitsui Mining & Smelting Co., Ltd. (Mitsui Kinzoku) and its Group companies.

1. Our Social Mission
2. Self-Awareness and Social Responsibility as a Member of our Corporate Group
3. Compliance
4. Fair Business Activities
5. Rejection of Antisocial Forces
6. Proactive Information Disclosure and Comprehensive Information Management
7. Contribution to the Natural Environment
8. Provision of Comfortable Work Environment
9. Demonstration of Leadership by Senior Management

Specific commitment to implementing the Management Philosophy

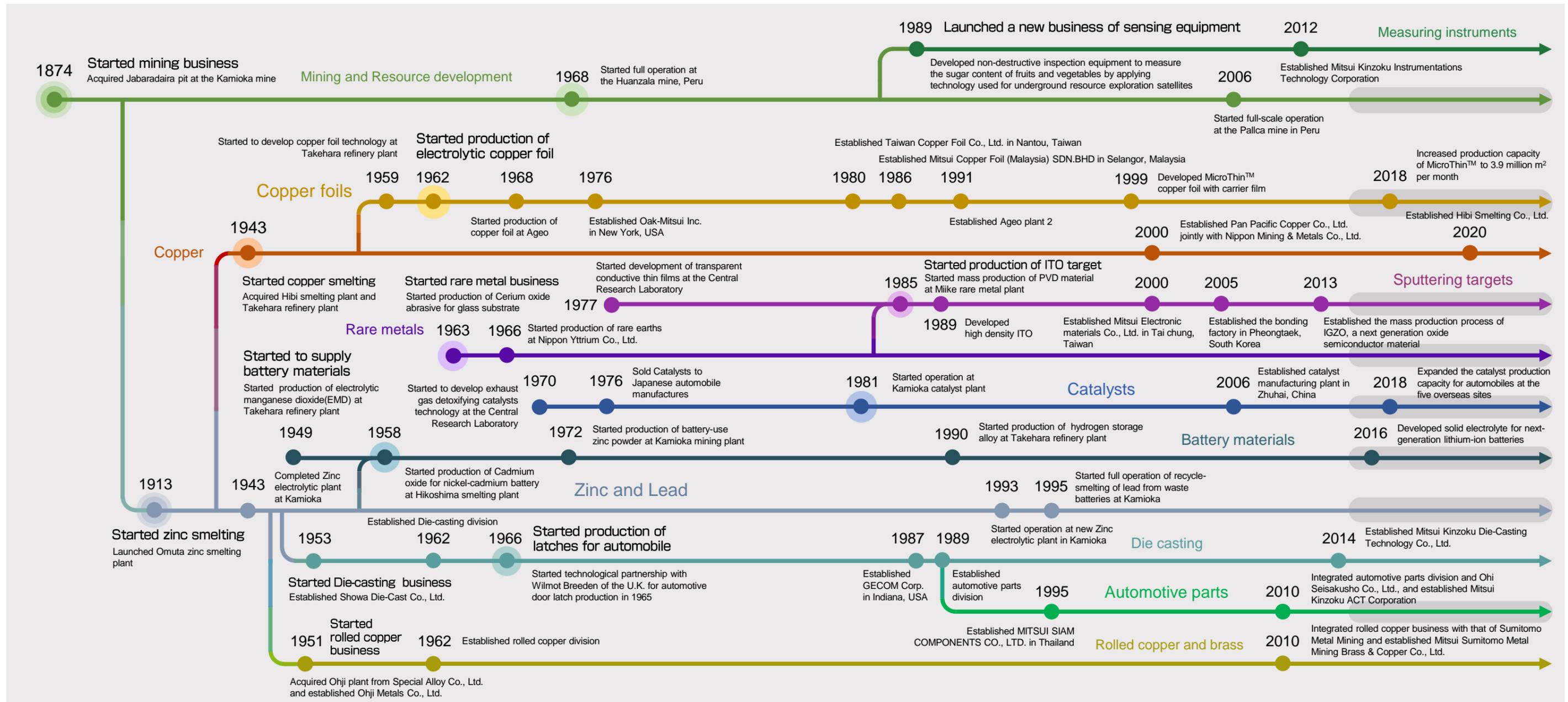
The Code of Conduct defines basic requirements that all executives and employees must comply with in their daily business activities to make them aware of their social responsibilities so that we can grow together with our stakeholders.

https://www.mitsui-kinzoku.com/en/company/c_idea/

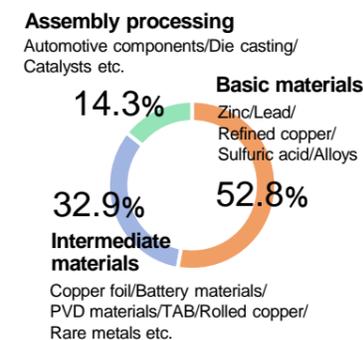
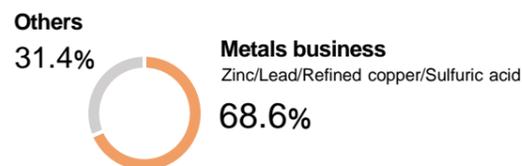
Our History

Our origin is to develop the resources that are blessings from the earth and perform smelting of nonferrous metal. We have continued to provide materials and products that are essential to many industries by giving added value to nonferrous materials through processing and assembly. We will strive to create new value utilizing our core technologies cultivated by our nonferrous metal smelting business, such as in separation and purification, powder control, electrochemistry, and solution chemistry.

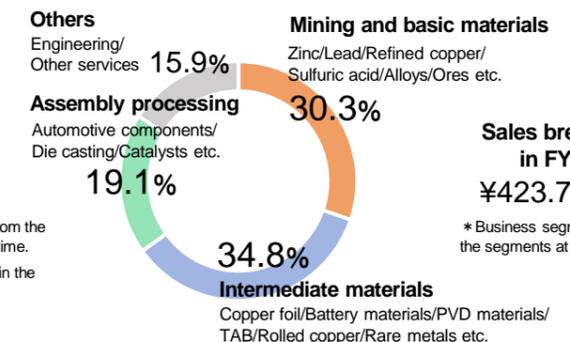
Areas that our current core business domains
* Lists only major events and initiatives.



Sales breakdown in FY1960
¥29.5 billion
* Non-consolidated sales



Sales breakdown in FY1990
¥269.6 billion
* Excludes sales of gold bullion from the financial statement values of that time.
* Business segments are shown in the segments at that time.



Sales breakdown in FY2000
¥423.7 billion
* Business segments are shown in the segments at that time.



My commitment

We have established our Purpose.

We clarified the reason why we exist in order to show the shared values that resonate with individuals working at Mitsui Kinzoku Group, so that we can always respond nimbly and promptly to change, despite the increasing difficulty in forecasting the future.

It reflects my strong desire to present to our stakeholders what our Group can do, and what value we can offer to the world.

President and Representative Director

A handwritten signature in black ink that reads "J. Nou". The signature is written in a cursive, flowing style.

NOU Takeshi

How we approach and how we navigate this time of uncertainty

With recurring rises and falls in the number of infections around the world, the COVID-19 pandemic is unlikely to be contained. While further vaccination in many countries and the development and use of therapeutic drugs are expected, variants that are increasingly more infectious are appearing, which does not allow for much optimism.

In FY2021, our Group continued to thoroughly implement basic infection prevention measures as we were forced to grope our way forward to “living with COVID-19,” including easing some restrictions on movement.

Meanwhile, the Russian military invasion of Ukraine that started in February 2022 is facing uncertain prospects. International sanctions against Russia and retaliation against them are having enormous negative impacts, i.e., rising energy prices and food shortages. We hope this grave situation will end as soon as possible and continue to monitor the impact on our supply chains so as to take prompt measures when needed.

The current global situation has made us keenly aware that we are literally in the age of VUCA (volatility, uncertainty, complexity, and ambiguity). We cannot foresee the future and have extreme difficulty in forecasting it. These circumstances and the times have compelled us to clarify why we exist and confirm what value we can offer to society. We determined that we needed a corporate “value,” as well as an “axis” that could be shared by all individuals working at Mitsui Kinzoku Group and that would help them relate their own values to the corporate value.

In FY2021, we asked ourselves what was the reason for the Group to exist, and from there established our Purpose.

What we realized and became convinced of after continuing to question what is required and what is possible

Changes that may happen in the coming five years, 10 years, and beyond are likely to be much greater than the changes we have experienced so far.

Entering this time of such intense change, Mitsui Kinzoku Group put into words the value that we can offer as our Purpose. Doing so allows us to return to our roots as needed so that we can continue to create value that is welcomed by customers and useful to society.

- 探索精神と多様な技術の融合で、地球を笑顔にする。
- **We promote the well-being of the world through a spirit of exploration and diverse technologies.**

Is it too self-righteous? Will it resonate with stakeholders? In establishing the Purpose, we had internal discussions and thought through the meaning of our existence from diverse perspectives, trying to imagine what the world would look like in 2050.

In two years, we will celebrate the 150th anniversary of our foundation. Over the years, we have acquired many technologies that were cultivated through the pursuit of various businesses centering on non-ferrous metal smelting.

Enthusiasm and aspiration—the sources of our continued development and of our manufacturing of new materials and products—are in our DNA. We express them with the words “a spirit of exploration.”

Our Purpose is a statement of our commitment to contributing to the realization of a sustainable society and to the future, for the next generation and the generations that will follow.

Needless to say, putting our commitment into words does not make it complete. Rather, we must embody the vision that is based on the Purpose. We also understand that we must constantly reaffirm the meaning of our existence in light of changing social needs and take action accordingly.

How to pave a new way forward from an unconventional perspective to an unforeseeable future

We have formulated our new three-year management plan, the 2022–2024 Medium Term Management Plan (shortened as the “22 Mid-Term Plan”)

In conjunction with the plan, we established the Purpose based on the envisaged world of 2050 and the Vision for 2030, which we “backcasted” from that point. Both are aligned with the timeline of the SDGs as universal goals.

The 16 Mid-Term Plan, which started in FY2016, laid the foundation for a new phase of growth. The 19 Mid-Term Plan, which started in FY2019, transformed the growth foundation to achieve the vision for 2024. In developing the 22 Mid-Term Plan, we used a combined process of forecasting from the past (i.e., reflecting on and confirming what we acquired based on our achievements over the past six years) and backcasting from the Purpose and the Vision.

We adopted this new method in order to bring about dynamic changes and produce epoch-making results in the drastically changing business environment. To implement the plan, we will need to undertake a drastic reorganization of our management infrastructure.

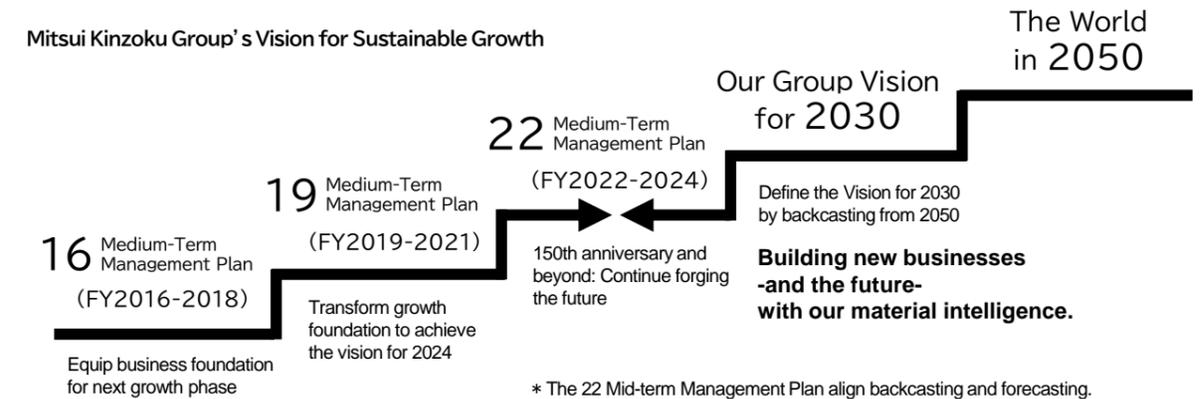
Toughness and flexibility. Chasing after two hares to continue to create solid value

There is a management theory called “ambidexterity,” which refers to management that balances developing existing businesses with forging new businesses. Despite their advantageous technologies, Japanese companies are said to have faced uphill battles in the global competition after the 1990s because they were unable to strike this balance.

The former refers to initiatives called “exploitation,” or digging into existing products and businesses for their improvement. The latter refers to “exploration,” or initiatives to broaden the extent of existing intelligence, by obtaining external existing intelligence through collaboration in new business areas or with new industries and combining it with existing intelligence to bring about innovation.

Setting up new businesses while improving existing businesses. This kind of business portfolio sounds very simple, but the capabilities required for exploitation aimed at improving performance and efficiency are different from the capabilities required for exploration that must create new ideas.

Having the management skills to wield these two completely different capabilities is called “ambidexterity.”



For the exploitation side, we reorganized our existing business lines into three segments, which we call “sectors.” The move was aimed at taking us closer toward our vision through further market-based cooperation between our businesses in order to create new value as a whole that could not be produced by the sum of the parts (individual businesses).

Meanwhile, to reinforce the exploration side, we had set up the Business Creation Sector at the Head Office in 2020. The allocation of management resources on an unprecedented scale to the sector in charge of R&D and market co-creation is covered in the 22 Mid-term Plan. The number of R&D staff will be increased by 1.5 times from the present number and R&D spending will be more than doubled from the previous mid-term plan.

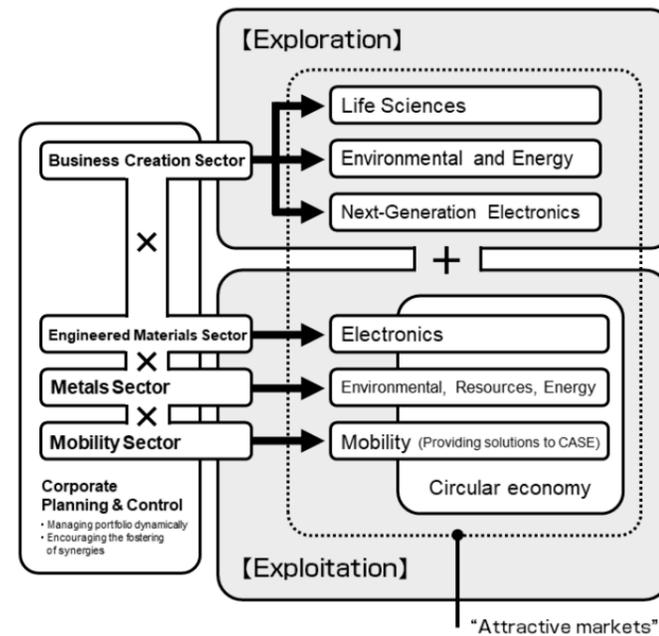
For both exploitation and exploration, we will also actively use M&As.

Unfailingly seizing opportunities and responding risks and taking measures for each with the goal of improving social value

“Safety First” is an abiding principle. Eliminating workplace accidents remains the highest priority among the various issues and initiatives tackled by management. We will provide safe, hygienic, and healthy working environments and practice health management.

In response to climate change, we set the new CO₂ emissions reduction target of a 38% reduction from the FY2013 level by 2030 for the entire Group to achieve carbon neutrality by 2050. For this reduction and as a verification method for the creation of products that contribute to solving environmental and social issues around the world, we are introducing life cycle assessment (LCA) on a group-wide basis. We are also implementing the TCFD scenario analysis in a phased manner and enhancing our information disclosure.

Meanwhile, we will continue to step up our efforts for water management and the reduction and control of substances that impact the environment.



Accelerating ambidexterity

Building an organization that can keep constantly providing value in attractive markets.

These are offensive initiatives that can contribute to the development of a recycling-based society using our Group’s intelligence and technologies. In human rights initiatives, we will continue to implement due diligence and promptly take corrective measures against identified risks. As for supply chain initiatives, the implementation cycle has already been established but we will continue to examine possible risks in our supply chains in terms of the environment, society, and governance and take corrective action.

We will also focus on enhancing and reinforcing our non-financial capital as the driver of the improvement of our Group’s corporate value. “Human capital,” in particular, is the most important of all our capital. Allowing members of a diverse workforce to play active roles is, and will be, the key to strengthening our human capital. To improve the workplace environment, we set up the Diversity, Equity, and Inclusion Office.

The human resources system introduced in FY2022 eliminates seniority and clarifies work roles for a comprehensive merit-based system. The education and training system is being improved to motivate individual employees to think more about their own careers and to support their career and development in light of the 100-year life.

Also, to speed up R&D, achieve smart factories, and comprehensively improve operational efficiency, we are promoting digital transformation (DX), which improves system stability and contributes to accelerating the speed of indicator management, decision-making, and flow of information.

Social value means thinking about how businesses as public institutions should act, and giving back human and other types of capital entrusted to us by society with value added. This understanding is the basis of our measures.

Implementation and practice is all that matters

We developed the new medium-term management plan while also improving the mechanism for its implementation. Whether or not we can implement it as planned over the coming three years is crucial. The process is essential to Mitsui Kinzoku Group’s continued value creation.

To implement the plan, the Purpose and the Vision must be prevailing and shared. We set up a project to raise awareness of them across the Group to ensure implementation of the business plan.

We have completed preparations for “Making the Earth smile” ; we have built our management strategy with financial and social/environmental goals that reinforce one another; and we have shifted to integrated thinking-based management in order to be a sustainable Group in both financial and non-financial terms. As the leader of the management team, I will share information and communicate with stakeholders even more proactively to realize the Vision for 2030 based on the Purpose.

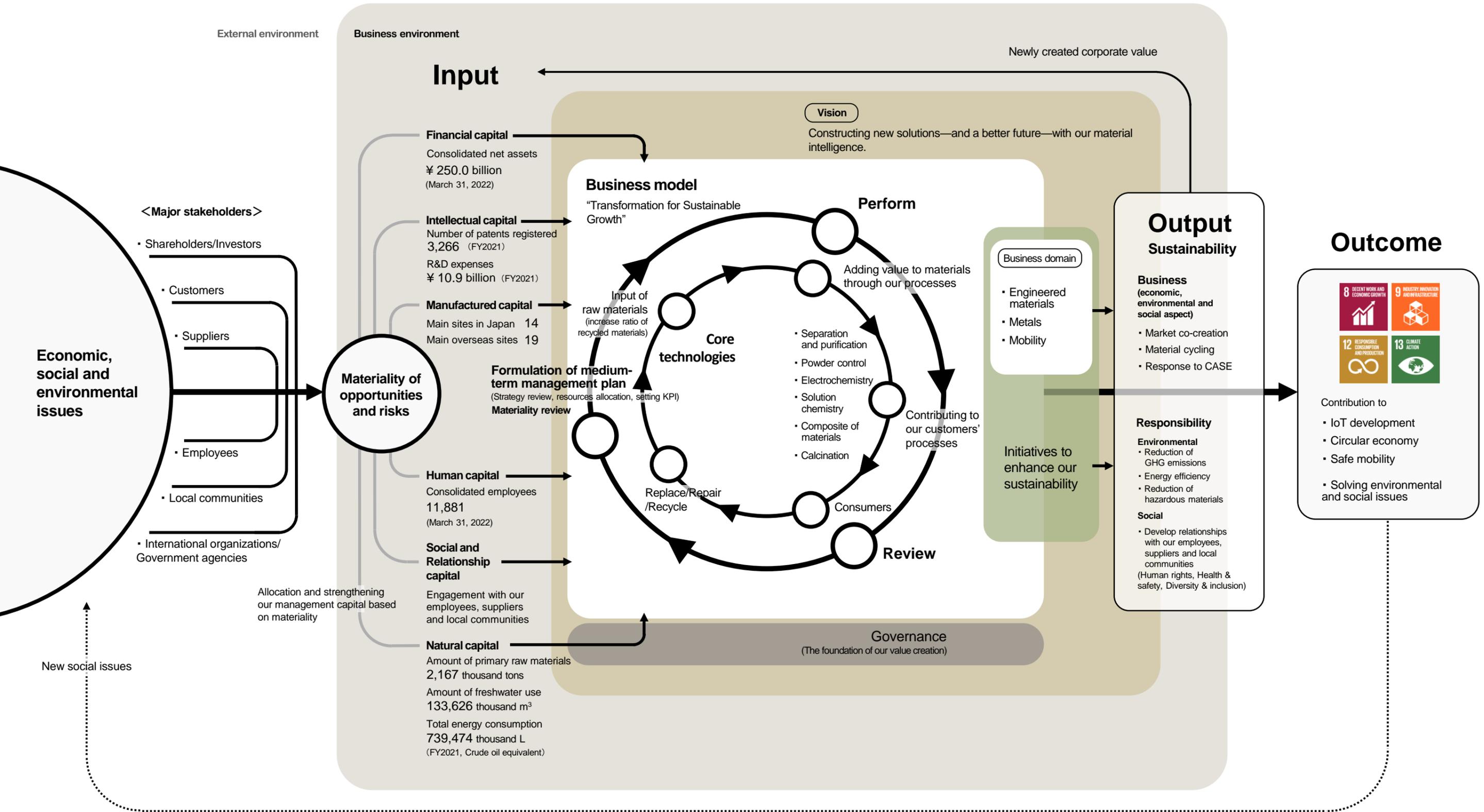
I greatly appreciate your continued support.

(July 2022)



Our value creation process

As a nonferrous metal manufacturer, we have cultivated our technologies and know-how and developed our value chain in our history. "Material Intelligence" — this is the source of our value creation. Based on the newly set Purpose, we will practice integrated thinking-based management to realize the Vision. In the scope of "promoting the well-being of the world", we will implement a business model of exploration (forging new businesses) and exploitation (developing existing businesses) to achieve long-term value creation.



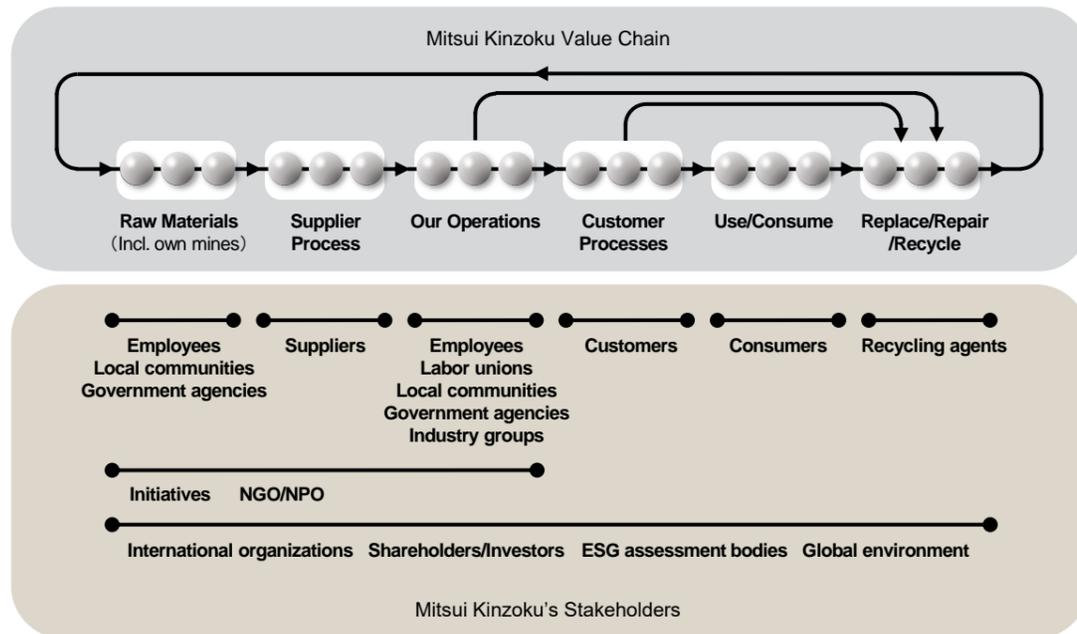
Stakeholders and materiality

Mitsui Kinzoku Group is committed to practicing management that integrates sustainability in order to continue creating value over the long term. We have identified major stakeholders as well as material issues (materiality) to promote the integrated thinking-based management efficiently.

Identification of major stakeholders

Mitsui Kinzoku Group has identified major stakeholders in accordance with the eight criteria of ISO 26000. The major stakeholders are determined as highly likely to be affected by our business activities economically, environmentally, and socially. The earth environment is considered as being one of our major stakeholders. The SDGs indicate the common social and environmental issues which these multiple stakeholders are facing.

Stakeholder mapping along the value chain



Materiality review

Among the various environmental and social issues raised by stakeholders, Mitsui Kinzoku Group selects those with particularly significant impacts on the Group's value chain and identifies them as material issues (materiality).

In FY2019, we reviewed our materiality for 2024 in order to implement our integrated management strategy built on the two pillars of business and social responsibility. The revised materiality comprises three items as opportunities and nine items as risks based on two perspectives: opportunities for our businesses that may help solve the raised issues and ESG risks that may affect us financially which are regarded as initiatives to fulfill our social responsibility. We have also selected six additional items from the capital perspective as initiatives to support the efforts on materiality.

In FY2020, the CSR Committee and relevant departments discussed these items; decided on commitments, targets (KPIs), and annual plans until FY2023; and compiled the results as "Mitsui Kinzoku Group Sustainability Initiatives" (P.64-69) in this report.

FY2019 Materiality Review

We have reviewed the materiality based on the integrated management strategy built on the two pillars of business and social responsibility.

1 Enumerated a wide range of economic, environmental, and social issues from a long-term perspective

Ref. The SDGs, the United Nations Global Compact, the GRI Standards and ISO 26000 as issues raised by international organization like the UN and NPOs

2 Selected issues that are likely to have a long-term impact on our business and value chains

Ref. The Management Philosophy, the Code of Conduct, the 19 Medium Plan

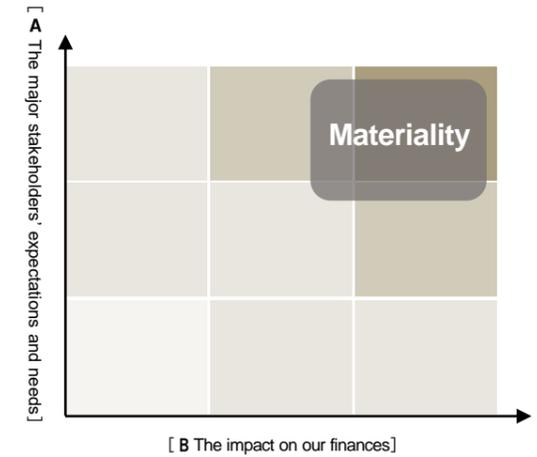
3 Determined the level of materiality for each issue selected in 2 above according to the degree of the major stakeholders' expectations and needs regarding our business and their impacts

Ref. <International organizations> OECD Due Diligence Guidance for Responsible Business Conduct <Investors> The SASB standards, the ESG general standards by Amundi <Industrial initiatives> The RBA Code of Conduct (Customer/Supplier), ICMM 10 Principles, the Charter of Corporate Behavior by Keidanren

4 Determined the level of materiality for each issue selected in 2 above at the CSR Committee according to the degree of impact on our business model and finances

Ref. The 19 Medium Plan, the Code of Conduct, the Environmental Action Plan, the Human Rights Standards, the procurement policy

5 Mapped the issues on the two axes of 3 and 4 above (see the right graph) and identified the ones in the shaded area as material issues

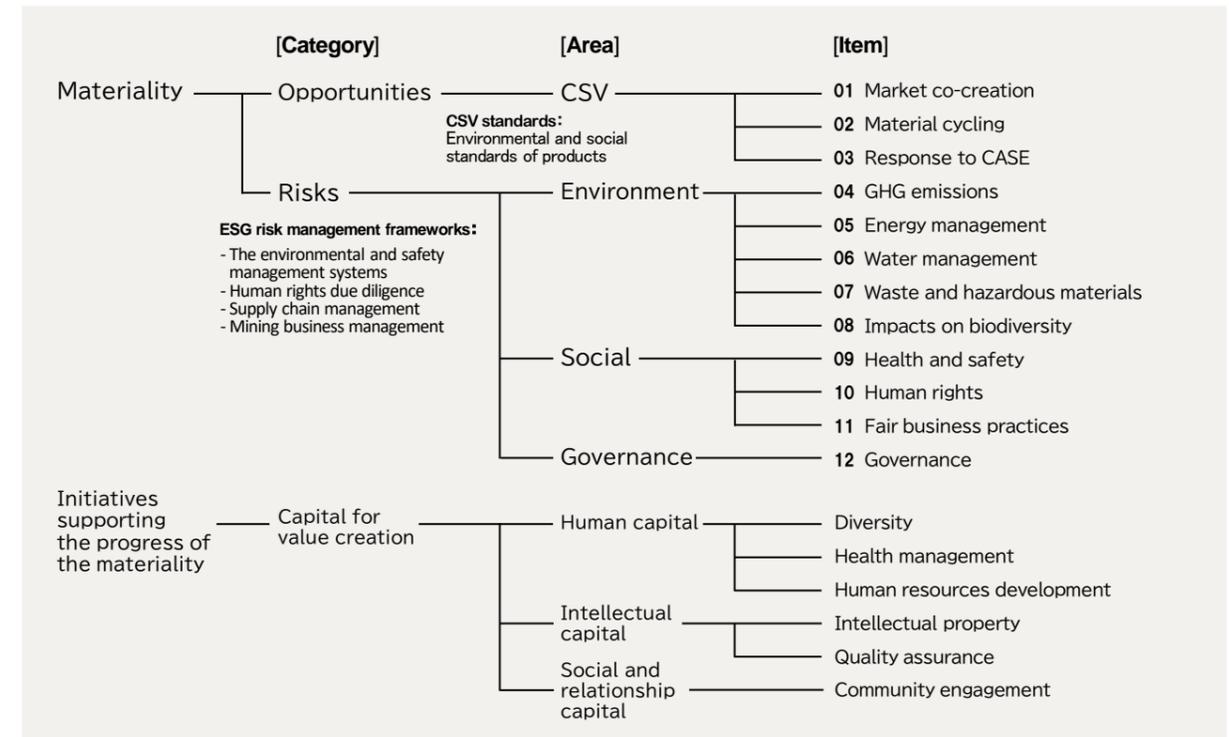


6 Divided the material issues, based on the integrated management strategy of business and social responsibility, into ones that may pose ESG risks (social responsibility) that are likely to affect us financially and into ones that can turn out to be business opportunities

Ref. The International Integrated Reporting Framework, the SASB standards

7 Classified the issues mapped in the lighter-colored parts in the graph into a set of issues that supports the progress on the material issues

8 Received approval from the Board of Directors for the materiality of ESG risks and business opportunities



FY2021 PDCA cycle for the materiality

In FY2021, the departments responsible for each materiality item put plans into practice to achieve the commitments and targets (KPIs) set in the previous fiscal year. By the end of the fiscal year, we confirmed the results of initiatives and plans for FY2022. The progress of the entire Group was gathered and reported at the CSR Committee.

In FY2022, we will run the PDCA cycle and manage the group-wide progress. The progress of each materiality is compiled in "Mitsui Kinzoku Group Sustainability Initiatives" (P.64-69) in this report.

Financial Strategy

Place importance on investment efficiency, coordinating with the business strategies to improve our corporate value



KIBE Hisakazu

Representative Director Senior Managing Director,
Senior Managing Executive Officer,
Senior General Manager of Corporate Planning & Control Sector

In FY2021, the last year of the 19 Mid-Term Plan that started in FY2019, our Group's net sales and profit exceeded the plan and set a new record due to the increase in revenue and profit in the metals business driven by rising metal prices and the underlying depreciation of the yen, as well as strong sales of electronics materials.

In terms of financial targets, most of the results exceeded the plan while some targets were not achieved. We realized the need for more in-depth discussion on management resource allocation and group-wide initiatives to improve our corporate value, with the aim of reducing risks associated with fluctuations in metal prices and exchange rates and creating new growth products and businesses in the increasingly changing business environment.

For FY2024, the last year of the new medium-term management plan starting in FY2022, or the 22 Mid-term Plan, we set a 60 billion yen target for ordinary income, which was "backcasted" from the 80 billion yen target set for FY2030. In FY2022, as the first year of the plan, we expect ordinary income of 40 billion yen.

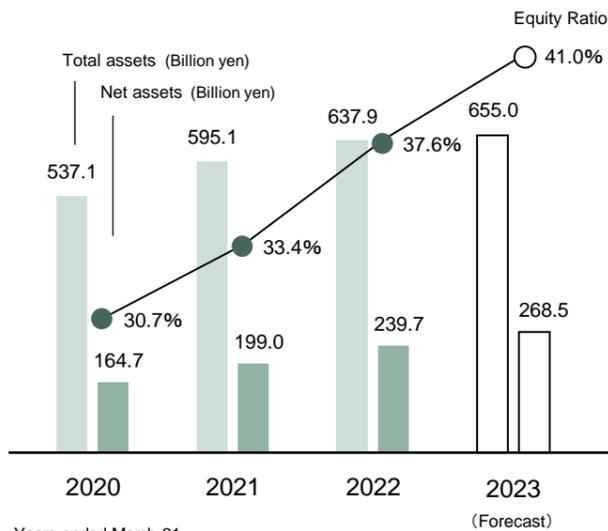
For the realization of the newly set Purpose and Vision, the 22 Mid-term Plan aims to speed up the implementation of integrated thinking-based management so that social/environmental and financial goals reinforce one another for our transformation into a sustainable Group.

Our social and environmental initiatives include our response to global warming, which is of growing concern for the entire world. We will identify financial impacts based on the TCFD scenario analysis and make appropriate investments for strategy implementation to reduce risks and create opportunities.

For the reduction of greenhouse gas emissions from the company's energy consumption, we will introduce an environmental investment promotion system incorporating the Internal Carbon Pricing (ICP) mechanism to move ahead with the selection and implementation of investment projects in consideration of future financial risks.

In managing our portfolio dynamically, which we have started to improve our economic value, we will include rate of return, profitability trend, and earnings stability in our evaluation indicators to identify businesses with growth prospects, using financial indexes for ongoing value improvement.

Trends in consolidated equity ratio



Financing policy

In order to prepare for drastic changes, such as in the market situation as well as the exchange rate and prices for nonferrous metals, we will secure a certain level of liquidity on hand so that we will be able to conduct stable business operations. We have maintained a sufficient level of cash and deposits to be able to respond to significant changes in the business environment caused by COVID-19, which is unlikely to be contained, and the situation in Ukraine.

Meanwhile, in addition to active investments with a focus on business creation and engineered materials, we will strive to procure financing in accordance with our funding needs, considering various factors including the overall financial situation and interest rate levels. This is in line with our 22 Mid-Term Plan, which includes plans for making investments to improve social, environmental, and economic value.

Management that places awareness on capital efficiency

Under the 19 Mid-Term Plan, we strengthened business monitoring by evaluating each segment using ROIC (consolidated return on invested capital). ROE (consolidated return on equity) in FY2021 was 23.8%, exceeding the initial plan.

We will take measures to achieve the target of ROE of 14.0% in the last year of the 22 Mid-Term Plan.

Dividend policy

Our dividend policy is based on the appropriate distribution of profits according to our business performance, while also ensuring that we hold back what is needed for the future of our business foundation.

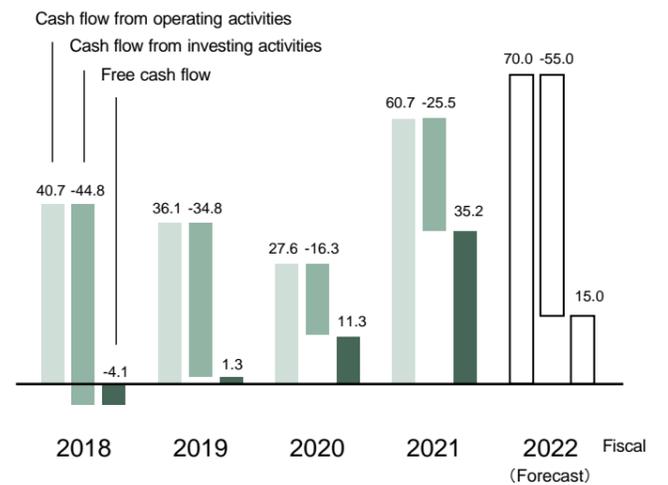
We have aimed at realizing a consolidated payout ratio of 20% and providing dividends at a rate of 2.5% DOE (consolidated dividend on equity) by placing importance on providing continuous and stable dividends. Having clarified our basic policy and considered the improvement in our financial condition, we set a new goal of providing continuous and stable shareholder returns, with a benchmark of 3.0% DOE, starting in FY2022.

In the future, we will review our shareholder return policy in accordance with the level of progress that we achieve in strengthening our management foundation and in improving our financial condition.

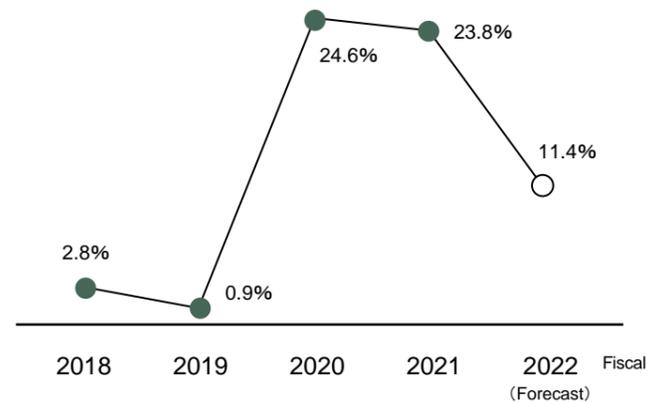
Tax policy

Mitsui Kinzoku Group complies with the laws and regulations of the countries and regions in which we do business, and conduct our business activities in accordance with the tax guidelines published by international organizations such as the OECD (the Organization for Economic Cooperation and Development). If countries and regions have preferential taxation systems, we carefully check the actual situation of our business and the purpose of the systems, use them appropriately, and do not take tax avoidance acts that abuse the systems. When making business decisions, we consider tax matters and position tax strategy as part of our business strategy.

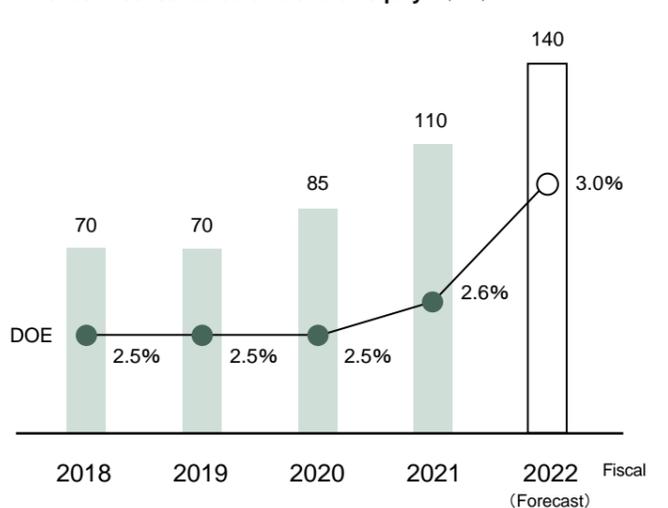
Cash flow (Billion yen)



Trends in ROE



Trends in consolidated dividend on equity (Yen)

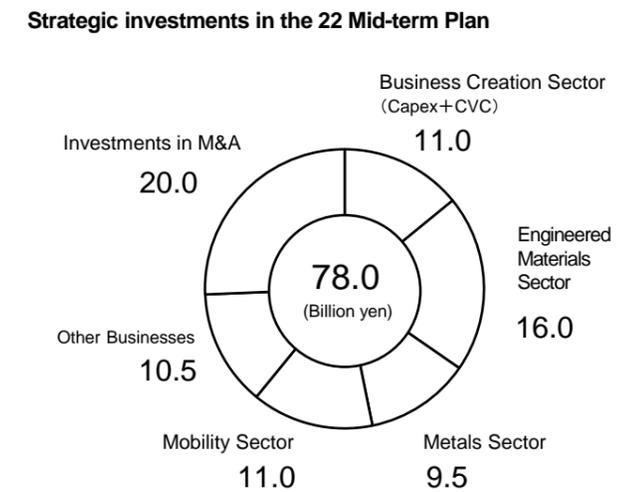
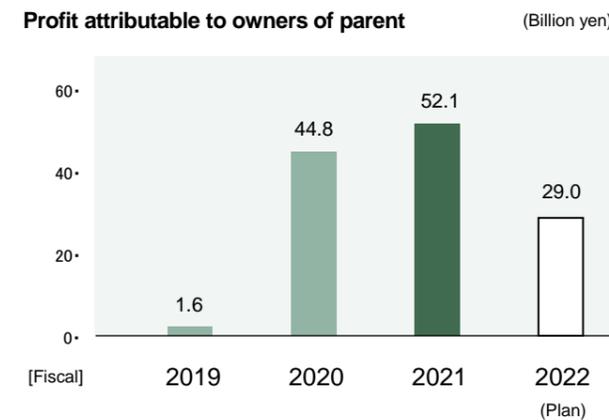
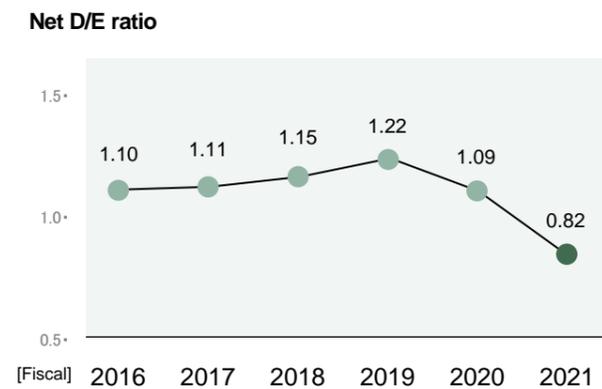
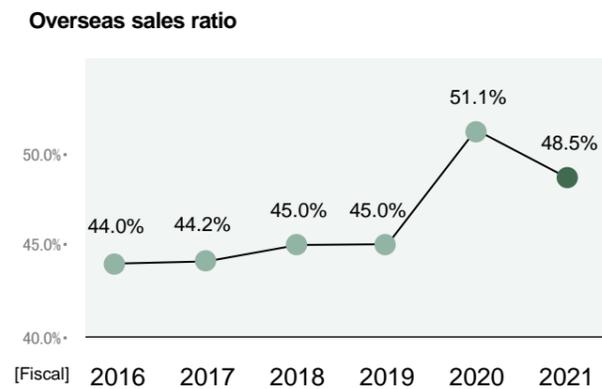
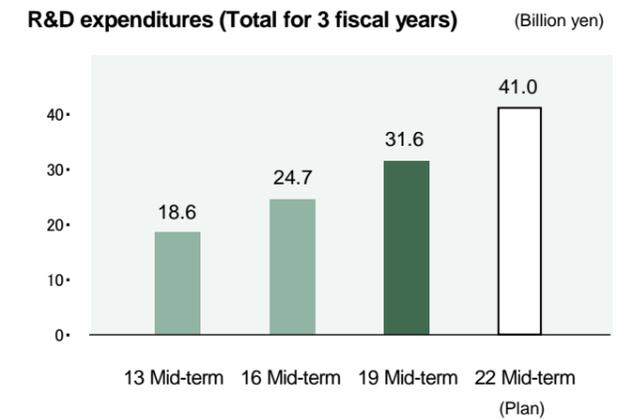
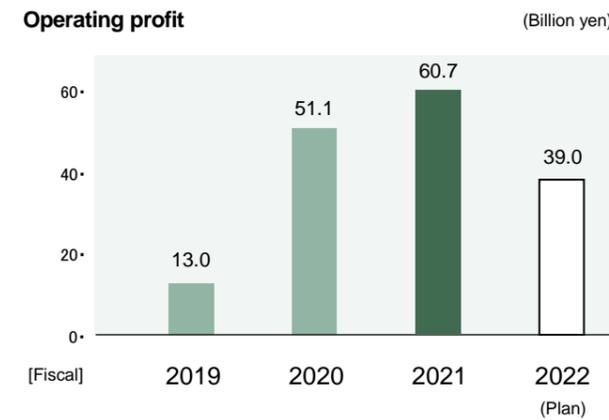
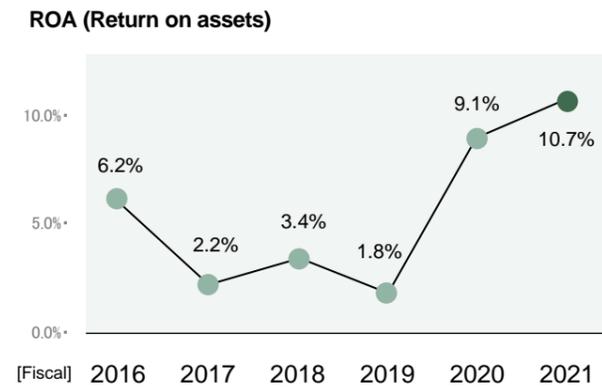
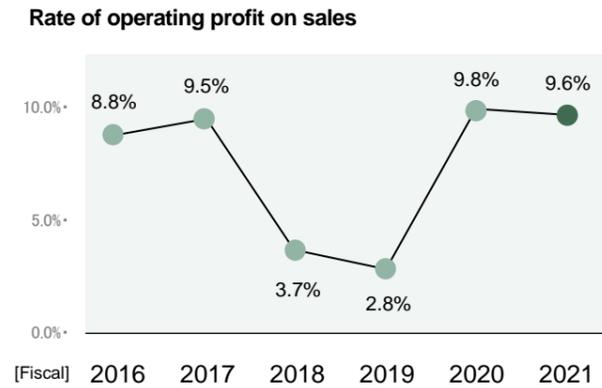
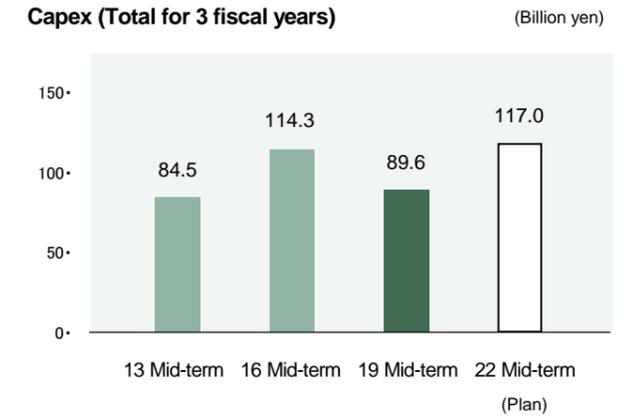
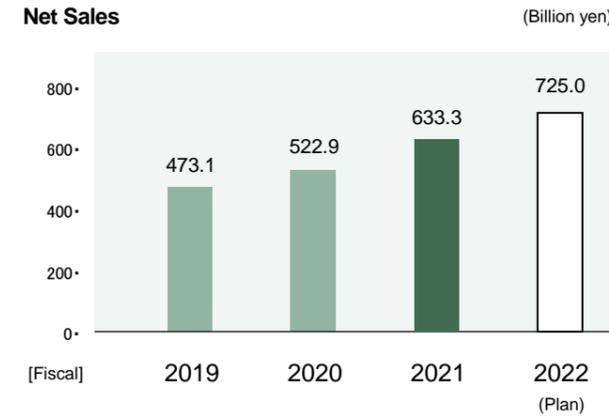
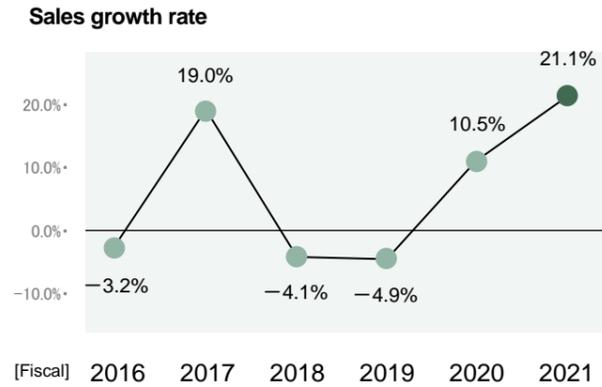


* We executed a 1-for-10 consolidation of shares, which came into force on October 1, 2017.

Financial Highlights

Trends in major financial indexes and the planned values in the “22 Medium -Term Plan”

13 Medium-Term Plan: from FY2013 to FY2015, 16 Medium-Term Plan: from FY2016 to FY2018, 19 Medium-Term Plan: from FY2019 to FY2021, 22 Medium-Term Plan: from FY2022 to FY2024



Highlights of major financial indexes for the past 11 fiscal years are listed on pages 70-71. Please refer to those pages as well.

Defining product/market scopes in 2030

Organizational reform according to the product/market scope

Managing portfolio dynamically

Strategic investments in M&As

We will balance and accelerate the management of “exploitation” and “exploration” and pursue internal and external synergies to continually create financial value and social and environmental values.

To realize the Vision firmly based on our newly established Purpose, we reviewed the Mitsui Kinzoku Group’s product and market scopes. We set the product and market scopes in 2030 as the intersection between attractive markets, which are backcast from the predicted world in 2050, and advantageous markets, which are forecast based on the strengths of our Group.

Mitsui Kinzoku Group will engage in business in six product/market scopes: the environment and energy, resources, life science, electronics, mobility, and circular economy.

According to the scope, we carried out organizational reform, reorganizing business organizations toward 2030.

The design concept in the reorganization had two axes: attractive product/market scopes and allowing continued pursuit of synergies. Traditionally, at Mitsui Kinzoku, each sector has accessed its market and customers. Now, organizations are grouped by product/market scope to be able to constantly provide attractive markets with value. In addition to developing existing businesses in three sectors, the Business Creation Sector will create new businesses to reinforce and accelerate the pursuit of ambidexterity.

“Exploitation” is to develop existing businesses and maximize their potential. “Exploration” is to forge new businesses and to expand knowledge in uncharted areas for creating new businesses. These two will be balanced by the pursuit of ambidexterity. For the advancement of exploitation, we will evaluate the value of existing businesses based on the two axes of business feasibility and business value for portfolio management and effective allocation of management resources.

In starting the medium-term management plan 2022–2024, we made comprehensive judgements on the business units of the Group by considering the evaluation of future feasibility based on objective data and the initiatives and results of the past medium-term management plans for the 2016–2018 period and for the 2019–2021 period.

In highly feasible businesses, we will seek M&As and partnerships to aggressively use external strength, rather than relying for growth only on our own power, to further expand and develop value. That reinforces our growth strategy by combining synergies within our Group, which are brought about by the organizational reform, and synergies outside the Group.

In April 2022, we established the Business Development Office, which is in charge of carrying out the effort, under the Corporate Planning Department. We also decided that the basic M&A policy should be a programmatic method of executing small-scale M&As in a planned manner in areas where the effects of synergies with existing businesses would be high. The method aims to gain the capabilities required for the long-term strategy in a phased manner, accumulate M&A experience, and improve the effect of integration.

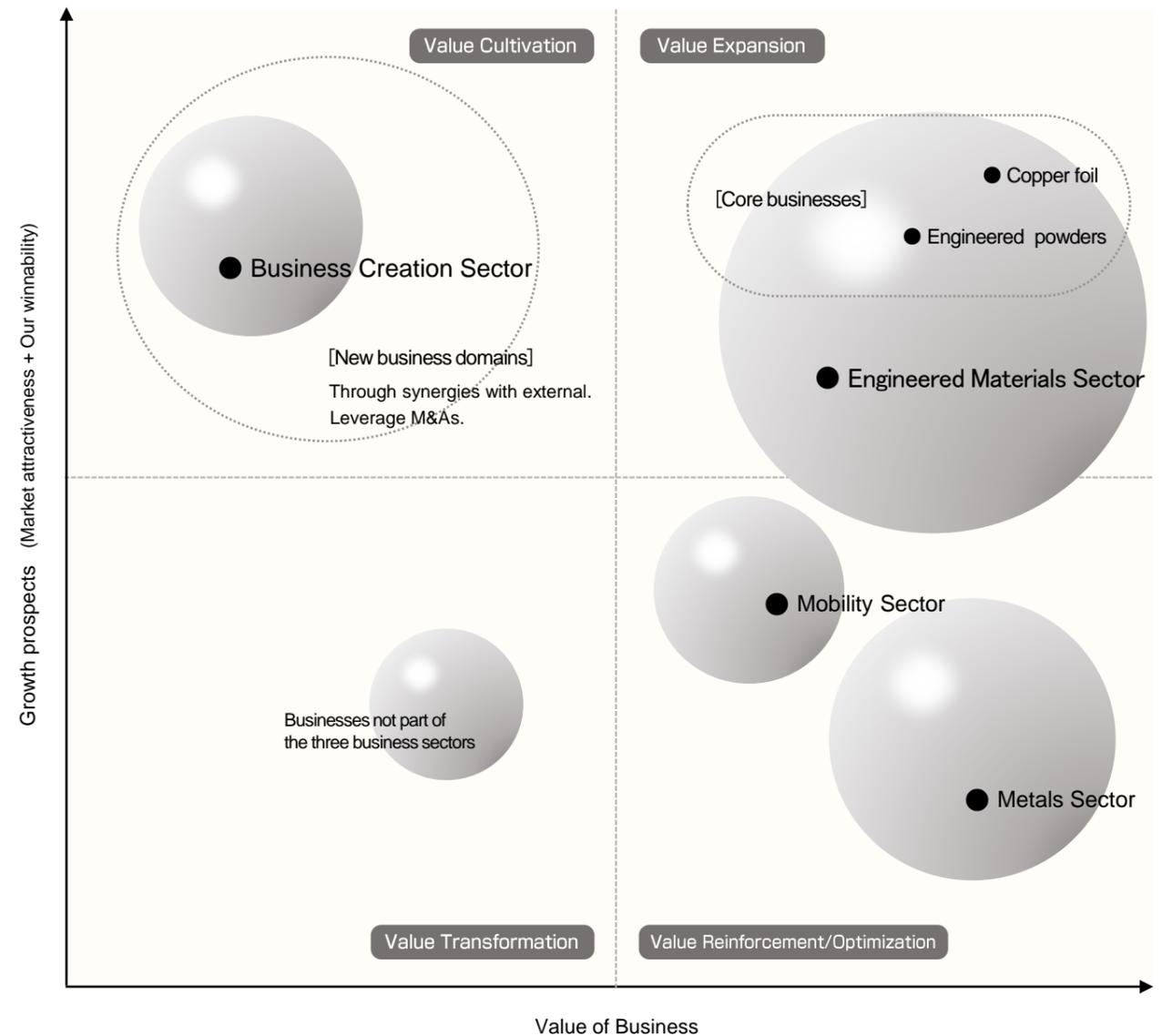
Based on dynamic business portfolio management, we will constantly assess businesses and explore internal and external best owners* for businesses that are categorized for value restructuring.

In the product/market scopes set based on the Purpose, we will continue to bring about innovation by controlling the balance between exploitation and exploration and promote integrated thinking-based management that can continually create financial value and social and environmental values.

* Best owner

“Best owner” refers to the management entity that is expected to make the best use of the management resources of the business to maximize the corporate value in the medium to long term.

Portfolio Matrix Positioning at the start of the 22 Mid-term Plan



Exploring for new businesses

[Business Creation Sector]

Exploration

Value Cultivation

Vision for 2030 (What we should be in 2030)

A team of excited people co-creating value, and exploring the future with material intelligence

“Help build a better future.” By taking on this challenge and making it come true, we will help improve the sustainability of society and enhance the corporate value of Mitsui Kinzoku Group.



Tasked with exploration for the entire Mitsui Kinzoku Group, the Business Creation Sector will provide our stakeholders with exciting value to contribute to improving the corporate value of the Group.

To that end, in the three years of the 22 Mid-Term Plan, we will carry out our regular activities, centering on R&D and market co-creation, but on a larger scale than under the previous 19 Mid-Term Plan.

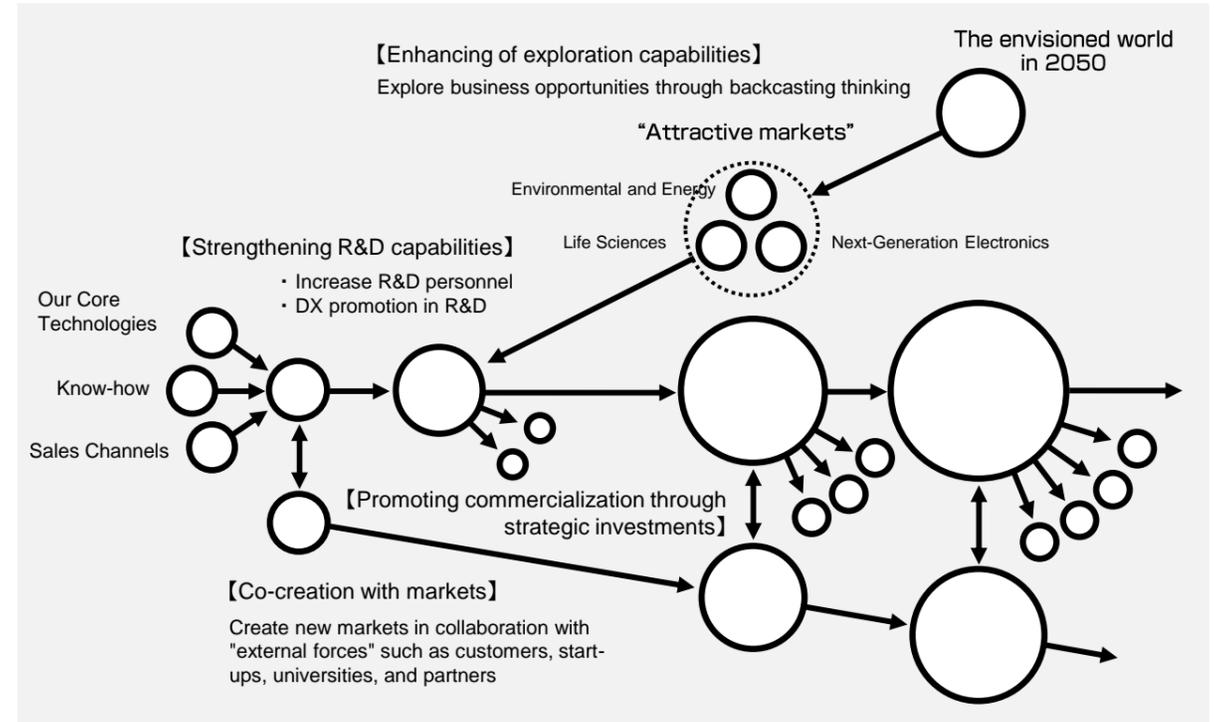
In addition to the three strategies of searching better, strengthening R&D, and strengthening the foundation, we will make active investments to promote the commercialization of existing units.

We will make efforts to establish our sector's value —“excited, energetic, and thorough”— and take on challenges for the growth of our group and for solving global problems.

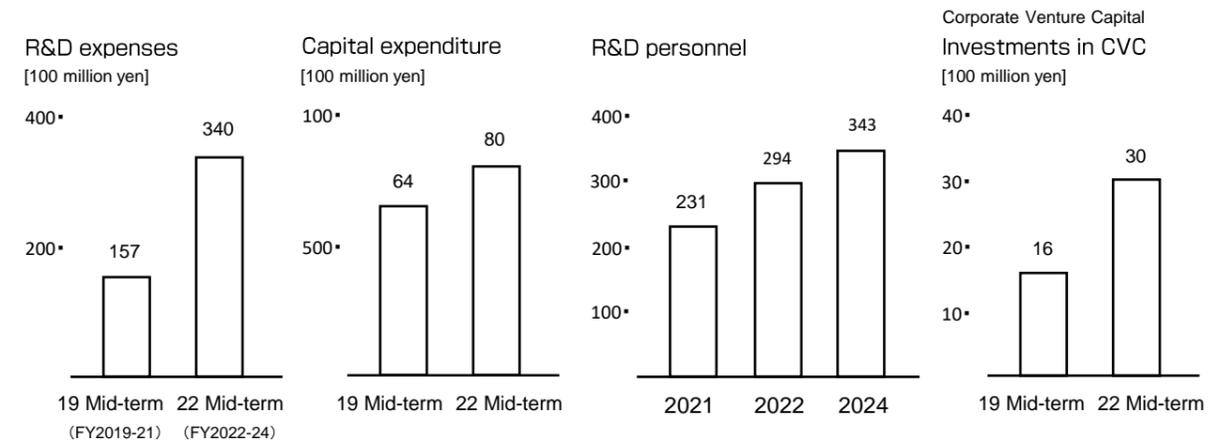
Executive Officer,
Senior General Manager of Business Creation Sector

YASUDA Kiyotaka

Sustainably co-create new businesses



Allocate resources to Business Creation Sector



The Market Co-creation Department drives co-creation with markets and explores and creates business opportunities. The department is working on the creation of potential partnerships that will lead to new businesses by broadening the scope of communication to develop opportunities for co-creation with external contributors.

The R&D Center is responsible for creating new businesses, which will play a core role in the future, through the use of our core technologies and creative research and development (R&D). By conducting R&D activities in line with market trends, the center moves forward with new business creation in a swift and timely manner.

The Production Process Development Department breaks down the new business into highly competitive processes, adopting innovative equipment and production technologies.

We will cooperate with other sectors and the Materials Analysis & Exploration Center to make concerted efforts across the Group for new business creation.

Engineered materials

[Engineered Materials Sector]

Exploitation

Value Expansion

Vision for 2030 (What we should be in 2030)

**FY2030 targets: ¥180 billion net sales,
¥40 billion ordinary income**

More than 70% of newly launched products and more than 50% of sales are green products.



The Engineered Materials Sector explores customer needs in order to create products that will achieve the No. 1 market share in the world, with the goal of becoming an enterprise that embodies competitive advantage. As our vision for 2030, we have set specific targets for net sales, income, and creation of green products, sustainable products.

We aim to contribute to a more prosperous society and world by creating not only economic value but also social and environmental value. To that end, we will transform our organization, developing a highly engaged workforce and making concerted efforts to create business opportunities. To increase earnings, we will launch new products and expand sales of existing products.

Together with customers, employees, and stakeholders, our sector will work vibrantly, cheerfully, and positively to achieve growth.

Director, Senior Executive Officer
Senior General Manager of Engineered Materials Sector

OKABE Masato

Main Business Strategies

Copper foil

- Prepare to expand MicroThin™ market/applications (1) Enter new markets (2) Fully leverage supply capacity
- Develop, launch, and expand sales of high-performance electrolytic foil

Engineered powders

- Maximize profit from existing products (Sales expansion of copper powders for electronics, abrasives)
- Launch new products (copper powders for 3D printers, rare metal solutions)

PVD materials

- Keep decent margins, overhaul production to reduce costs
- Cultivate future products

Ceramics

- Expand sales of new products (e.g. next-generation setters*)

* Calcined ceramic jigs for electronic parts

ESG Initiatives

Work with Head Office to pave way for producing green products and reaching carbon neutrality by 2050

Opportunities and Risks

- Creation of new demand through technological innovation
- Expansion of demand for high-performance products due to increasingly sophisticated market needs
- Increase in demand due to expansion of markets in emerging economies
- Intensifying price competition due to rise of manufacturers in emerging economies
- Sluggish demand due to spread of infection and rise of protectionism
- Increase in geopolitical risks in procurement of raw materials from overseas

Main High-Share Products

Global share **95%**
For semiconductor package substrates
Extremely-thin copper foils with carrier film
Electro-deposited copper foil is used for wiring materials in fine circuits. In particular, Mitsui Kinzoku has a high market share in extremely-thin copper foil. These products contribute to the better performance of electronic products, such as smaller smartphones.

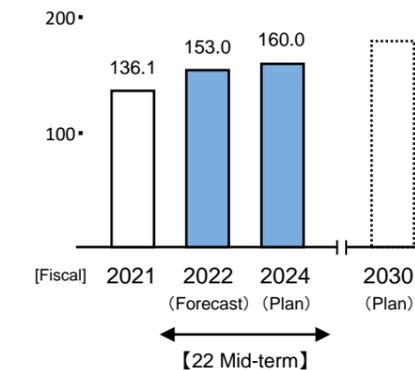
Global share **35%**
For hybrid cars
Battery materials (Hydrogen storage alloys)
Mitsui Kinzoku started providing materials for batteries in the 1940s and started developing materials for rechargeable batteries ahead of many other companies. Since the 1990s, we have been supplying hydrogen storage alloys for batteries used in hybrid cars.

Global share **40%**
For glass substrates
Cerium oxide-based abrasives
These materials are essential for polishing high-performance glass, such as optical lenses, hard disk glass substrates, and liquid crystal glass substrates. Mitsui Kinzoku's strength lies not only in nonferrous metal materials but also in rare-earth products.

Global share **30%**
For MLCCs (multi-layered ceramic capacitors)
Copper powders
Demand for MLCCs has been growing rapidly along with the electrification of automobiles, higher functionality of smartphones, and widespread application of IoT. We contribute to this field by providing materials that help the advancement of MLCCs, such as smaller sizes and larger capacity.

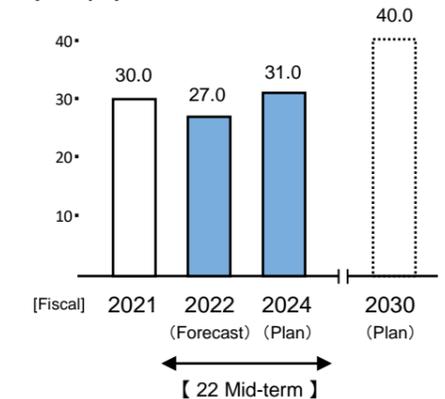
Global share **30%**
For LCDs (liquid crystal displays)
ITO sputtering targets
ITO (indium tin oxide) is an essential material in making transparent conductive films for LCDs. We also supply IGZO sputtering targets for thin film transistors.

Net sales of Engineered Materials Sector [Billion yen]



Note: The figure for FY2021 was calculated retroactively for the new sector.

Ordinary income of Engineered Materials Sector [Billion yen]



Note: The plan for FY2030 does not include the impact of inventory.

Metals Mining and smelting

[Metals Sector]

Exploitation

Value Reinforcement/Optimization

Vision for 2030 (What we should be in 2030)

We are essential in efforts to build a sustainable world.

We strive to further enhance recycling network underpinned by distinctive characteristics, and we continue to explore new mineral resources and renewable energy.



We have continuously improved our smelting and recycling over the years. To respond to a growing need for recycling in line with the development of a recycling-based society, we determined the mission of the Metals Sector to be: provide solutions that help build a sustainable world.

Toward our vision for 2030, we will pursue a more sophisticated recycling network, explore new mining opportunities, reduce CO2 emissions for the development of a decarbonized society, explore renewable energy solutions, and improve digital infrastructures for digital transformation.

While optimizing the characteristics of zinc, lead, and copper smelting networks using diverse processes owned by our Group, mining resources, and renewable energy, we will enhance collaboration and synergies between these to provide unique value.

Senior Managing Director, Senior Managing Executive Officer
Senior General Manager of Metals Sector

TSUNODA Satoshi

Main Business Strategies

Sector-wide

□ Build a sophisticated recycling network based on our diversified smelting assets

Lead & Zinc

- Leverage existing assets to expand business of waste processing
- Improve margins for metals produced from complex ores
- Increase the volume of new lead-based materials being collected and processed to make profit

Copper & Precious Metals

- Improve margins for metals produced from profitable materials
- Reduce costs by improving operations and investing more judiciously

Mineral Resources

- Explore new mining opportunities around Huanzala and Pallca in Peru

ESG Initiatives

To contribute to a decarbonized society, reduce CO2 emissions and explore renewable energy solutions

Opportunities and Risks

- Stable growth of zinc and copper demand in the long run
- Expanding and increasingly complicated needs for resource recycling
- Promotion of the spread of renewable energy
- Fluctuations in market price of metals and exchange rates
- Rise in energy costs
- Accelerated measures to address climate change for carbon neutrality

Main High-Share Products

Domestic share
42%
(Top share)

Zinc
Iron is indispensable to both industry and everyday life. Zinc protects iron from rusting to prolong its life. Zinc is used to plate steel stock and is widely used for rolled copper and die-casting. Zinc is an essential material for society.

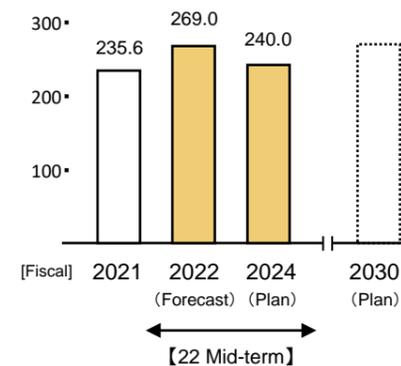
Domestic share
36%
(Second)

Lead
Lead is made from battery scrap and the mineral. Due to its ease of processing, lead is used primarily for lead batteries, as well as solders, lead tube and plates, X-ray shields, and acoustic insulators.

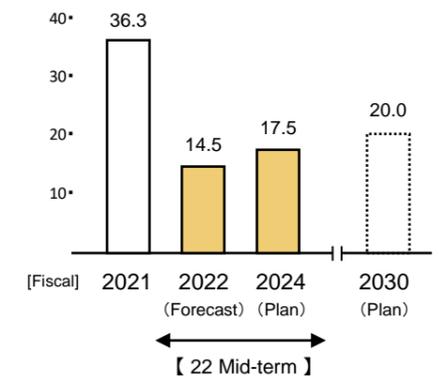
<Main product lineup other than the above>

Electrolytic copper / Zinc base alloy / Antimony trioxide / Gold / Silver / Sulfuric acid / Bismuth / Zinc and lead concentrates / Zinc oxide

Net sales of Metals Sector
[Billion yen]



Ordinary income of Metals Sector
[Billion yen]



Note: The plan for FY2030 does not include the impact of inventory.

Mobility

[Mobility Sector]

Vision for 2030 (What we should be in 2030)

We act as a pioneer of mobility, always making sure of and always creating the best values to be chosen.

New products account for more than 50% of sales, ordinary income trends at ¥20 billion, and there are no product recalls.

Exploitation

Value Reinforcement/Optimization

Recognizing big changes and evolutions in the automotive industry, including CASE, MaaS, and carbon neutrality, as new needs, the Mobility Sector will provide value that serves our customers and contributes to the development of a mobility-based society.

The targets we set for 2030 are: increasing the percentage of new products in net sales, significantly increasing profit, and ensuring that there are no product recalls. To achieve these targets, we will pursue exploitation in technology, manufacturing, and sales; forge new businesses; and pursue synergies over short-, medium-, and long-term cycles.

With the three keywords of enthusiastic “challenge,” “persistence” to make it to the end without giving up, and “speed” of action, we aim to be a mobility pioneer that identifies future value and continues to create it.

Senior Executive Officer
Senior General Manager of Mobility Sector

IGATA Hiroshi



Main Business Strategies

Sector-wide

- Unlock synergies (short-/medium-/long-term)
- Forge new businesses that reflect the changing times

Catalysts

- Keep honing tech prowess to differentiate products
- Streamline production with technology coefficient improvement and DX
- Envisage medium- to long-term scenarios in which we use our strengths to succeed

Mitsui Kinzoku ACT Corporation

- Develop and expand system-related products to shift focus toward systems suppliers
- Make costs more competitive by globally optimizing production and adopting smart factory design

Mitsui Kinzoku Die-Casting Technology Co., Ltd

- Rebuild business, produce optimal profit

ESG Initiatives

Incorporate customers' environmental concerns into our own goals, while trying to reconcile both, develop quantifiable and sustained practices to achieve the goals.

Opportunities and Risks

- Sales expansion of new products through the electrification and automation of automobiles
- Tightening of environmental regulations on fuel efficiency, exhaust gas, etc.
- Rise of new players with changes in the automotive industry
- Decrease in demand and delay in production recovery in the automotive market due to the spread of infection and semiconductor shortage
- Increase in geopolitical risks in procurement of raw materials from overseas

Main High-Share Products

Global share
20%

Door latches for automobiles
Door latches, Mitsui Kinzoku ACT's main products for which it has one of the world's largest market shares, are functional parts that keep doors firmly in place on the vehicle body. They must be strong to ensure passenger safety, as well as ever smaller, lighter, and higher-performance.

Global share
50%

For motorcycles Exhaust gas purifying catalysts
We help keep the global environment clean by detoxifying substances, such as CO and NOx, that can cause air pollution. We are also increasing the supply of catalysts for four-wheeled vehicles in the global market.

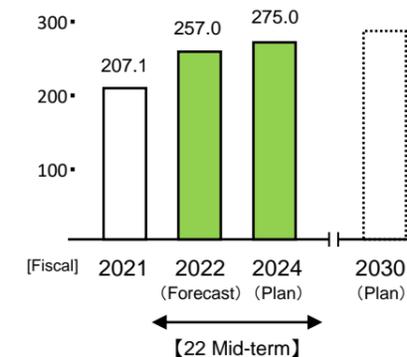
Domestic share
28%

For LED car headlight units Heat sinks
Heat sinks are used for LED headlights to prevent them from losing their brightness because of heat. By ensuring visibility, they contribute to better safety in a wide range of heat sinks, including general die-casting alloys as well as alloys with high thermal conductivity.

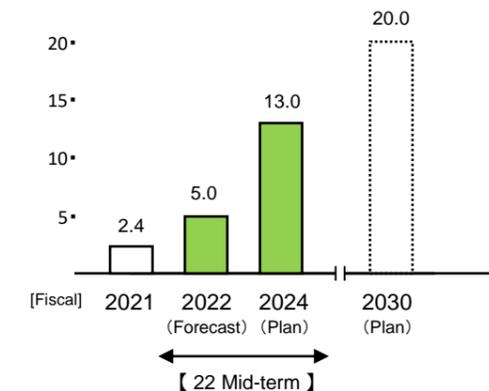
<Main product lineup other than the above>

Automotive functional components / Catalysts for purification of exhaust gases of general-purpose engines / Powder metallurgy products / Metal injection molding products

Net sales of Mobility Sector
[Billion yen]



Ordinary income of Mobility Sector
[Billion yen]



Note: The figure for FY2021 was calculated retroactively for the new sector.

Capital as the source of value creation

In order to improve the corporate value of Mitsui Kinzoku Group by continuously creating growth products and businesses through the implementation of our business model, we make efforts to maintain and strengthen the non-financial capital that is the source of this value.

< TOP Message > Nou Takeshi

We at Mitsui Kinzoku Group have established our management philosophy as "With creativity and productivity, We, Mitsui Kinzoku Group, will explore products of value to society, and seek an eternal growth of our group" and to achieve this, innovation is indispensable.

Recognizing that human resources, as the source of innovation, are the most important management resource, we promote diversity and inclusion as our management strategy to allow the engagement of diverse people and continued improvement of our corporate value.

There are more than 13,000 employees working for Mitsui Kinzoku group around the world. In this age of volatility, uncertainty, complexity and ambiguity (VUCA), where the environment surrounding us can change drastically, in order to be able to respond flexibly to those changes, personnel with diverse values are needed. Mitsui Kinzoku Group seeks to embrace diversity of race, nationality, religion, creed, culture, birthplace, disability, gender, sexual orientation, and gender identity. At the same time, we aim to create a workplace where all members of staff respect the diverse values of their colleagues and where they can put their varied opinions and experiences to use. In short, we seek to create a diverse and inclusive workplace.

As I'm sure you're all aware, diversity and inclusion coincide with a fundamental principle of the SDGs: "Leave no one behind." We also recognize that this is a globally shared issue, and at the same time, indispensable for our sustainability. At the core of this recognition, is identifying diversity as one of the initiatives supporting the progress of Mitsui Kinzoku Group's materiality, and we are making efforts to best use the varied skills, attributes and values of the Group's employees. We are promoting the active involvement of female employees, an area where Japan is lagging many other countries, and establishing systems that give members of our diverse workforce choices about how they work.

To enact innovation in this constantly evolving society where globalization has spread, each and every employee must understand about diversity and inclusion and embrace the values and experience that each has.

To realize our goal of becoming a company that embraces diversity such that all employees can energetically engage in their work, we will establish a Diversity, Equity, and Inclusion Office, and continue to deepen and accelerate our initiatives.

Diverse employees [Human capital]

There are major changes of external environment underway, such as the decline of the working-age population in Japan and the advancement of technologies including AI. In this situation, Mitsui Kinzoku Group has been reforming our workstyle since FY2016 as a means for securing the human resources that will realize value creation of the Group.

Especially, as people's lifestyles are expected to diversify in the future, we offer various options to employees and work on reducing overtime work hours so that even those who face barriers due to child/nursing care, medical treatment, and other reasons can continue to work for a long time.

[Systems to allow flexibility at work]

- Flexible work times with no core hours
- Annual leave that can be taken in half-day increments
- Telework
- Special leave of absence system for spouse transfers
- Comeback system (reemployment of employees who were compelled by personal circumstances to resign)
- Shorter work hours
- Staggered work shifts
- Exemption from overtime work

[Initiatives for reducing overtime work hours]

- Labor-management discussion on measures at Occupational Health and Safety Committee
- Providing time management training
- Visualizing overtime hours with automatic aggregation of PC log-in and log-off times, grasping actual work hours of managers

Active involvement of female employees

[Human capital]

Promoting diverse people to decision-making positions is crucial in terms of making the most of diverse thinking and values. Based on this recognition, we focus first on female employees and have set a target to increase the share of female directors to 10% or more. Meanwhile, for more effective involvement of female employees at the managerial level, KPIs for the number of female employees newly appointed to managerial roles and the number of female employees internally promoted to the same were set as targets to be achieved by the officer in charge of human resources. We are stepping up initiatives for female human resource development, as well as the appointment of female managers through mid-career hiring.

As for employees whose ability to work is temporarily constrained due to life events or other reasons, we ensure merit-based appointment and promotion. We are also making efforts to increase female candidates for executive and managerial roles, such as providing a management strategy course for female executive candidates and candidate training program for female manager candidates.

For realization of diversity & inclusion

[Human capital]

Promoting diversity & inclusion requires more than just the development of a system. Its importance and significance must be understood by individual employees. Therefore, we disseminate information internally and externally and hold diversity training on a group-wide basis.

[Regular information dissemination]

- Externally: Posting President's message on website
- Internally: Posting President's message and Talk between President and HR General Manager on intranet and in internal PR magazine, introducing President's message and diversity & inclusion initiatives during training programs

[Training programs]

- Unconscious Bias Training (for non-managers)
- Diversity Management Training (for managers)

Initiatives to promote diversity & inclusion

[Human capital]

In October 2021, we established the Diversity, Equity, and Inclusion Office dedicated to deepening and accelerating ongoing group-wide initiatives. In April 2022, we also set up the Diversity, Equity, and Inclusion Committee chaired by the President. The committee will regularly discuss and decide policies and measures and report issues and the committee's initiatives to the Board of Directors to facilitate the continued implementation of initiatives in accordance with the Management Policy and establish and instill measures.

Development of human resources who will achieve value creation

[Human capital]

Mitsui Kinzoku Group develops "Employees who have their own will" responsible for realizing value creation of the Group by both OJT training and Off-JT training programs. We are promoting the development and implementation of training programs to enable employees to be self-motivated and learn autonomously, improve their abilities and skills, and demonstrate their strengths, and to support each employee's continuous efforts to build a lifelong career.

We timely update OFF-JT programs. For example, while selecting OJT instructors and providing training to the instructors, we also collect information on training issues such as communication methods between instructors and subordinates. Then, we use the information to prepare new training programs for young employees.

Also, in order to practice the Integrated Thinking-based Management, we are focusing on developing human resources capable of creating businesses based on environmental/social issues. In addition, considering changes in the external environment, we are working to expand and strengthen training programs for SDGs, ESG and CSR.

In FY2022, in conjunction with the reform of the human resources system, we reformed the education system to allow individual self-directed career development and introduced a DX tool, the Mitsui-Kinzoku Learning Platform (MLP), to support it. The new education system offers further reinforced free-choice capacity development programs and a cafeteria-style training system, which provides significantly enhanced learning programs that employees can take freely in addition to rank-based mandatory training programs to develop the capacity required for each rank. We also offer contents aligned with global trends, namely, leadership, anger management, diversity management, and other contents that help managers improve their management skills; learning contents related to workstyle reform, such as DX, AI, and other technologies and psychological safety; and learning contents on sustainability.

* Overview of the Off-JT training programs is on the next page 34.

New human resources system

[Human capital]

In April 2022, we reformed our human resources system, upholding the basic principle of appointing the right people to the right positions based on their performance, regardless of seniority, under the job/role-based system. At the same time, we enhanced initiatives for supporting career development that helps individual employees develop their career according to their own intentions and values.

Through career education, interviews, and other measures, we will consider both employees' wishes and the company's expectations to continue initiatives for supporting the growth of individuals to achieve their career vision. We will also improve the existing internal public recruitment system and consider measures that respect employees' right to choose their career.

Overview of the Off-JT training programs

We renewed our training system in FY2021, supporting employees' autonomous career development through programs centered on cafeteria-type skills development programs. We have also introduced MLP (Mitsui-Kinzoku Learning Platform) as a learning platform, providing an autonomous learning environment for the employees. As one of the new curricula in the training programs, we have introduced ICT training, Mitsui Kinzoku Total Digital Human Resource Development, in order to further improve IT literacy of all employees. Through the continuous implementation of this initiative, we aim to develop human resources capable of creating new business models based on DX.

* Each of the following training program is offered through MLP.

<Type of training>	<Purpose>	<Outline>
● Basic Skill (Mandatory programs)	Acquire the necessary knowledge and skills for each career stage	<ul style="list-style-type: none"> Programs to develop the necessary competencies at each job rank, including management, diversity, IT security, sustainability, finance, intellectual property, quality control, and mental health.
● Skill Up (Recommended programs)	Acquire knowledge and skills useful for each employee's job.	<ul style="list-style-type: none"> Programs helpful for each employee's job widely ranging from business skills to expertise. Selected by each employee based on the work and one's own abilities or recommended by their supervisor.
● Self Development (Programs for self-development)	Improve one's own abilities and skills according to one's own will.	<ul style="list-style-type: none"> Correspondence courses including e-learning. Trainee can choose and take training programs such as business skills and languages.
● Organization-specific training	Strengthen each employee's expertise	<ul style="list-style-type: none"> Provide specialized knowledge necessary for job groups and business lines.
Training for selected employees	<ul style="list-style-type: none"> Special training for corporate manager candidates Interaction with external organizations 	<ul style="list-style-type: none"> External training program for candidates of next-generation managers selected from executive officers and managers. Training program for next-generation and next-next-generation corporate manager candidates selected within the corporate group. Dispatch for rank-based training held by Mitsui Inter-business Research Institute.
Training programs for young employees/ mid-career hired employees	Introduction training for new employees	<ul style="list-style-type: none"> New employee training, follow-up training, first/second/third-year follow-up training. Introduction/ follow-up training for mid-career hired employees.
Career training	Support for self-sustaining career development	<ul style="list-style-type: none"> Training by age group (20s/30s/40s/50s) in order that each employee will develop career vision.

- Cafeteria-type skills development programs

Effective R&D management [Intellectual & Human capital]

The source of continuous growth and the core competence for Mitsui Kinzoku Group is in research and development toward the creation of new businesses. We strategically invest in R&D while also implementing stage-gate management. Research themes that have been narrowed down by considering market needs (including environmental and social issues) and commercialization potential are moved forward into the research stage. Research resources such as human resources are allocated to the selected research in the research stage intensively. We will enhance our opportunities to create new businesses by focusing on the areas that have high potential to proceed steadily from research to development, commercialization, and market launch.



(Business Creation Sector R&D Center)

* Trends in R&D expenses are shown on pages 70–71.

Development of a compliance system in line with the Mitsui Kinzoku Group Quality Assurance Guidelines (QAGL)

[Intellectual & Human capital]

The Group promotes its quality compliance system in accordance with the Mitsui Kinzoku Group Quality Assurance Guidelines (QAGL). In FY2021, all sites in Japan conducted self-inspection on conformity to the guidelines. We have also conducted quality compliance audits by internal third parties, just as we did in FY2020. The internal third parties inspected the status of development of quality compliance systems in 14 domestic as scheduled. One of what we need to work on is the development of systems to ensure data reliability and we have been working on it.

In addition, we launched the expansion of QAGL to overseas sites in FY2021 in order to promote the development of QAGL-based quality compliance system across the globe. We will continue to inspect and improve our quality assurance system for further enhancement.

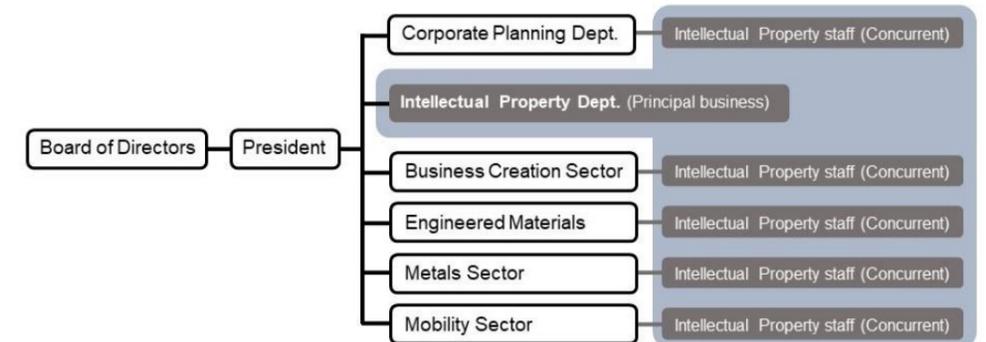
In order that employees of the Group become more aware of quality compliance, we organize a variety of events throughout the quality assurance month (every November) such as conveying top messages to all employees and holding educational activities. We also provide a wide range of programs in order to embed a compliance culture in the Group throughout the year, in line with the Quality Compliance Education System.

Intellectual Property Management

[Intellectual & Human capital]

Recognizing intellectual property as an important management resource, Mitsui Kinzoku Group has set out a basic policy of properly protecting rights, securing advantage in business and using it for new business creation, minimizing risks associated with intellectual property, developing human resources to support implementation of the intellectual property strategy, and establishing respect for intellectual property as part of the corporate culture.

Based on the basic policy, we will implement the intellectual property strategy to maximize our corporate value.



New organization of the Intellectual Property Department

As part of principal business, our dedicated staff members provide diverse, highly specialized services and information. In addition, these staff members conduct IP activities that are closely related to the business operations of the sector/workplace.

Reorganization of IP management structure Balancing consolidation and distribution

The Intellectual Property Department formulated its vision for 2030 and held discussions based on the review of initiatives taken under past medium-term management plans.

Consequently, we reorganized the IP management structure in conjunction with the start of the new management plan, the 22 Mid-term Plan (see the figure below).

The reorganization relocates intellectual property specialists to the department while maintaining cooperation with the respective business operations to make possible diverse services, including sophisticated analysis of intellectual property data using IP landscapes*.

* IP landscapes stands for *Intellectual Property Landscape*, a method used to survey and analyze intellectual properties belonging to the company and others and combine outcomes with information in the market, etc. for use as part of the company's management strategy.

Response to the new missions

Reinforcing dissemination of IP/intangible asset information

To respond to the requirements of the revised Corporate Governance Code of 2021, the Intellectual Property Department will enhance its cooperation with different sectors across the company to provide intellectual property and intangible asset information internally and externally. It has also started an initiative of stepping up its activity for improving the value of intellectual property and intangible assets through dialogues with directors.

- Number of patent applications is shown on page 120.
- Number of patents registered globally is shown on page 120.

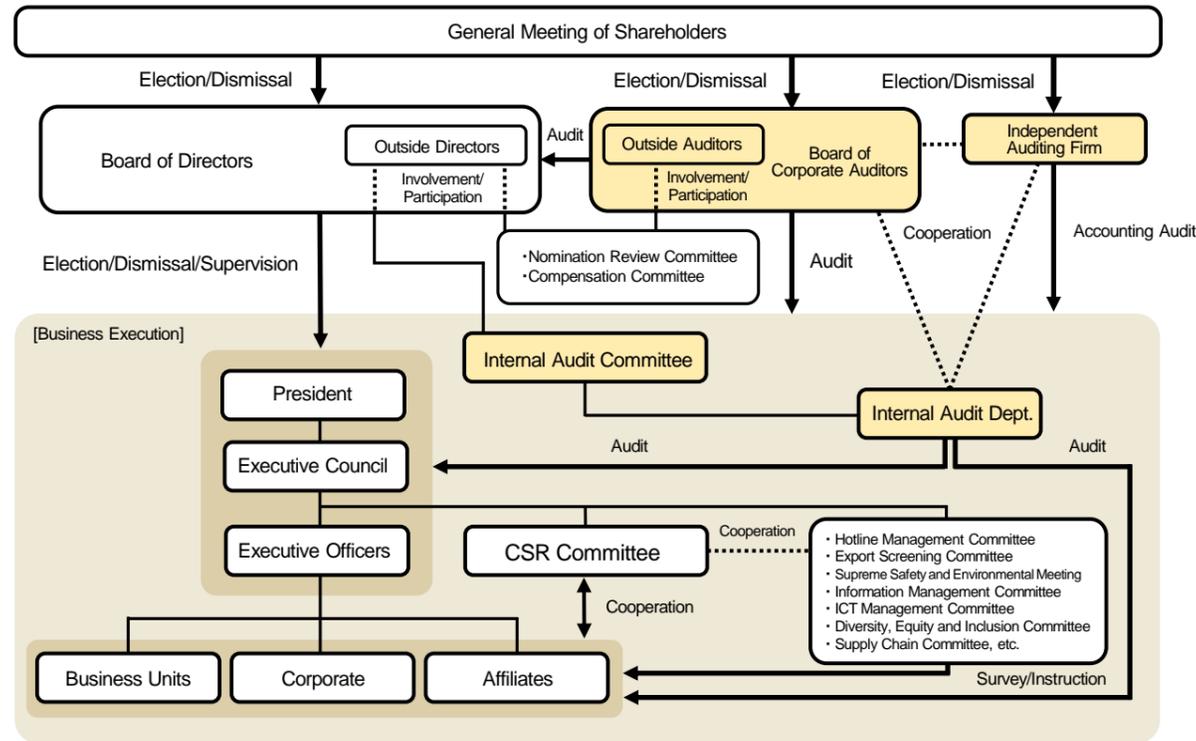
The foundation of our value creation

Mitsui Kinzoku views corporate governance as one of its most important managerial tasks that Mitsui Kinzoku shall strive to improve organizational structures and systems for management, and implement various measures as necessary, based on the recognition that corporate governance is a system for making fair and transparent decisions in a rapid and decisive manner, taking into consideration the positions of the stakeholders, including shareholders, customers, employees and local communities in order to achieve Our Vision based on Our Purpose under Our Management Philosophy. Corporate governance is the foundation for sustaining the long-term value creation of Mitsui Kinzoku Group.

Corporate Governance System

Along with the supervision of business execution by the Board of Directors including Outside Directors, Mitsui Kinzoku has a system to audit the decision-making process of the board and the execution of the duties by Directors through the three-pillar collaborative audit.

Corporate Governance System of Mitsui Kinzoku



Notes: Our auditors and auditors of the Affiliate have taken cooperation effectively and timely.

Directors and Board of Directors

We reinforce the governance system so that the Board of Directors can effectively supervise initiatives to address medium- to long-term management issues and speed up the decision-making process. Three Outside Directors, including one female Director, have been elected with consideration of their independence and reflection of various stakeholders' perspectives. As of June 29, 2022, an Outside Director chairs the board, in order to promote separation between business supervision and execution as well as to strengthen the board's function to supervise business execution. The term of the Directors, as stated in our articles of incorporation, is one year.

The Corporate Governance Guidelines defining our fundamental principles regarding corporate governance is available on our website.

<https://www.mitsui-kinzoku.com/en/toushi/management/governance/>

Executive Officers

The President and Representative Director assumes not only executive management responsibilities, but also executive responsibilities for business operations of Mitsui Kinzoku Group. Representative Directors and Executive Directors also serve as Executive Officers of Mitsui Kinzoku.

Internal Audit Committee and Internal Audit Dept.

Mitsui Kinzoku has an Internal Audit Committee chaired by an Outside Director, which reports directly to the board. The Internal Audit Dept. conducts internal audits. The Internal Audit Committee evaluates the results of internal audits and checks the progress of corrective measures for concerns raised by the audits. The committee reports audit results to the Board of Directors via the Internal Audit Dept.

Board of Corporate Auditors and Independent Auditing Firm

Corporate Auditors perform audits on the execution of the duties by Directors in accordance with the auditing plan determined by the Board of Corporate Auditors. Corporate Auditors strengthen its cooperation with Independent Auditing Firm by receiving accounting audit plans and audit results, as well as exchanging opinions regularly.

Organization structure

(As of June 29, 2022 - Number of female Directors: 1 ; Number of female Corporate Auditors: 0)

Name	Position	Board of Directors	Board of Corporate Auditors	Nomination Review Committee	Compensation Committee	Executive Council	Internal Audit Committee
NOU Takeshi	President and Representative Director	○ (100%)		○	○	◎	
KIBE Hisakazu	Representative Director Senior Managing Director	○ (100%)				○	
TSUNODA Satoshi	Senior Managing Director	○ (100%)				○	
OKABE Masato	Director	○ (—%)※1				○	○
MIYAJI Makoto	Director	○ (100%)					
MATSUNAGA Morio	Outside Director	○ (100%)		○	◎		○
TOIDA Kazuhiko	Outside Director	◎ (100%)		◎	○		○
TAKEGAWA Keiko	Outside Director	○ (100%)		○	○		◎
KUTSUNAI Akira	Corporate Auditor		◎ (100%)				
FUKUMOTO Hiroto	Corporate Auditor		○ (—%)※1				
ISHIDA Toru	Outside Corporate Auditor		○ (93%)	○	○		
INOUE Hiroshi	Outside Corporate Auditor		○ (100%)	○	○		
IGATA Hiroshi	Senior Executive Officer					○	
YAMASHITA Masashi	Senior Executive Officer			○	○	○	

◎ = Chairperson ○ = Member of Committee (Chairperson of the Board of Directors is elected from among the Directors.)

() = Attendance rate in FY2021 ※ 1 Not listed since being newly appointed

* Corporate Auditors attend at the board meetings.

* The Nomination Review Committee includes the Senior Executive Officer in charge of human resources not serving as a Director.

* The Compensation Committee includes the Senior Executive Officer in charge of human resources not serving as a Director.

* Members of the Executive Council also include the Senior Executive Officers not serving as Directors.

* The Internal Audit Committee includes the general manager of the Internal Audit Dept. as a member and Corporate and Outside Corporate Auditors as observers.

Election policy of Directors and Corporate Auditors

Mitsui Kinzoku establishes a Nomination Review Committee chaired by an Outside Director as an optional organization. The Committee reviews candidates to serve as Directors and/or Corporate Auditors by their capabilities, knowledge and personalities. Based on the result of the review, those who are deemed capable of satisfactorily fulfilling the responsibilities are named as candidates for nomination by the board. In FY2021, Mitsui Kinzoku reviewed the skills required for Directors and/or Corporate Auditors and revised the skills matrix to ensure diversity on the board based on the Corporate Governance Code.

Skills Matrix of Director and Corporate Auditor

The skills shown in the skills matrix below have been selected by the Nomination Review Committee as the skills necessary for promoting the Purpose, Vision, and executing the new Mid-term Management Plan.

(1) Reason selected as necessary skill and sufficient condition

Skills	Reason for selecting skill	Sufficient condition
Corporate management	Competence, experience and leadership enabling the formulation of strategies and the implementation of integrated thinking-based management and ambidexterity are necessary for execution of the 22 Mid-term Management Plan looking towards the Purpose and Vision.	<ul style="list-style-type: none"> • Management experience as a director at a listed company or equivalent entity • Director or Executive Officer responsible for the corporate planning
Business strategies	Knowledge and experience enabling the formulation and implementation of strategies for establishing a competitive advantage are necessary for realizing sustainable business growth.	<ul style="list-style-type: none"> • Experience of having achieved certain results through the formulation and implementation of business strategies for the engineered materials business, metals business or mobility business
Finance/Accounting	Knowledge and experience of finance and accounting are necessary to establish financial strategies that will bolster growth investment and shareholder returns to increase the resilience of the financial base underpinning management and to achieve sustainable improvement in corporate value.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for financial management, accounting or fundraising operations or equivalent experience
Technological/R&D/DX	The creation of new products and businesses and the strengthening of existing businesses are necessary to drive company growth, and development based on unique technologies and improvement of efficiency through sophisticated production technologies and DX are essential.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for R&D operations or equivalent experience • Director or Executive Officer responsible for production technology or DX operations or equivalent experience • Academic expert
Sales/Marketing	A good familiarity with the business environment and relationships between the Company and its customers and other stakeholders as well as knowledge and experience enabling the formulation and implementation of product planning and sales strategies are necessary.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for sales and marketing operations or equivalent experience
HR/HR development	The attraction, retention and development of talent, a company's most valuable resource, improvement of job satisfaction to increase engagement, and promotion of diversity are directly linked to performance.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for personnel operations or equivalent experience • Experience working in government or other public offices, or academic expert
Legal affairs / Risk management	Legal knowledge and experience are necessary to implement appropriate corporate governance, compliance and risk management in business activities as well as to increase the effectiveness of management supervision within the Board of Directors.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for legal operations or equivalent experience • Person with experience working in the legal profession or persons with legal qualifications • Experience working in government or other public offices, or academic expert
Internationality	An in-depth understanding of and respect for each country's culture and diversity are necessary for survival as a global enterprise.	<ul style="list-style-type: none"> • Executive experience or business experience at an overseas company • Overseas academic expert
Sustainability/Economic Security	Consideration for the environment, adherence to fair business practices and action to address economic security concerns are needed in order to continue being regarded as necessary by society, and high levels of knowledge including about business-related matters, a long-term perspective and adaptability are required.	<ul style="list-style-type: none"> • Director or Executive Officer responsible for business operations, executive responsible for ESG/CSR operations or equivalent experience • Experience working in government or other public offices, or academic expert • Consultant

(2) Skills Matrix of Each Director and Corporate Auditor

Name	Title/Positions	Corporate management		Finance and accounting		Sales Marketing		Legal affairs and risk management		Sustainability/Economic Security	
		Business strategies		Technological research/development		HR/HR development		Internationality			
NOU Takeshi	President and Representative Director	◎	○	◎						○	◎
KIBE Hisakazu	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Corporate Planning & Control	◎	○	◎			○	○	◎	◎	
TSUNODA Satoshi	Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Metals Sector		◎			◎				○	○
OKABE Masato	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector		◎			◎				◎	○
MIYAJI Makoto	Director, Executive Officer, Chief Environmental Officer, Chief Health and Safety Officer		○	◎			○			○	
MATSUNAGA Morio	Outside Director			◎			○			○	○
TOIDA Kazuhiko	Outside Director	◎	○			◎				○	○
TAKEGAWA Keiko	Outside Director						◎	○	◎		
KUTSUNAI Akira	Corporate Auditor			◎						○	○
FUKUMOTO Hirotooshi	Corporate Auditor		○	○						○	◎
ISHIDA Toru	Outside Corporate Auditor							◎		○	◎
INOUE Hiroshi	Outside Corporate Auditor						○	◎			◎

○ indicates skills possessed by the Directors and Corporate Auditors, while ◎ indicates skills the Company expects Directors and Corporate Auditors to demonstrate in particular.

Compensation for Directors and Corporate Auditors

(1) Revision of the compensation system for Directors

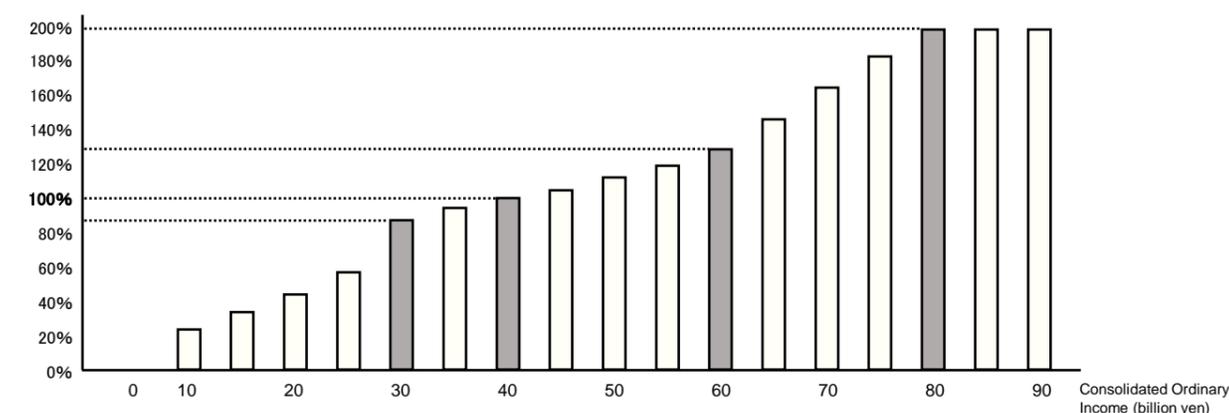
With respect to compensation, etc. for Directors (excluding Outside Directors), the Compensation Committee verified performance indicators for performance-linked compensation and decided through deliberation to increase the percentage of stock compensation. From FY2022, compensation shall be designed as follows.

Performance-linked compensation shall be strongly linked to consolidated ordinary income to make it work more effectively as an incentive.

More specifically, ¥40 billion, in other words, 130% of ¥30 billion, which is average consolidated ordinary income over the past 10 years, excluding the impact of impairment of Caserones Copper Mine, shall be used as a benchmark (for the compensation percentage in the system design).

The Compensation Committee also set ¥60 billion, higher than the largest-ever recorded profit of ¥56.5 billion, as a target, and set an upper limit of ¥80 billion in the event that the target is exceeded, to ensure that performance-linked compensation serves as an appropriate incentive.

Linkage of compensation to each consolidated ordinary income when performance-linked compensation at the benchmark (¥40 billion) is 100



The stock compensation percentage shall be increased from 5% under the current system design to 10% in the event of consolidated ordinary income of ¥40 billion, to further enhance value-sharing with shareholders.

As a result of the review of policies on performance-linked compensation and stock compensation, compensation percentages for Directors (excluding Outside Directors) under the system design shall be as follows: base compensation: 55%, performance-linked compensation: 35%, and stock compensation: 10%.

However, since performance-linked compensation shall fluctuate depending on company performance, the percentages of base compensation, performance-linked compensation and stock compensation shall fluctuate within the following ranges.

Consolidated ordinary income	~ ¥0	¥30 billion	¥40 billion	¥60 billion	¥80 billion ~
Base compensation	85%	59%	55%	51%	42%
Performance-linked compensation	0%	31%	35%	40%	51%
Stock compensation	15%	10%	10%	9%	7%

(2) Determination of the amount of compensation

The amounts of Directors' compensation are determined by the Compensation Committee chaired by an Outside Director, to which the decision is entrusted by the Board of Directors, through discussion based on the compensation criteria within the limits set by the resolution at the shareholders meeting*1. Outside Directors, who are independent from business execution, only receive base compensation. If the Board of Directors resolves a correction to the financial results post-announcement due to material accounting error or fraud, the Compensation Committee shall deliberate on adjustments to performance-linked compensation and restrict its payment, or even demand pay back of compensation, when deemed necessary. Corporate Auditors' compensation is determined by the conference of Corporate Auditors, and the total volume of Corporate Auditors' compensation falls in the range approved at the Annual General Meeting of Shareholders*2.

* 1 At the 96th Annual General Meeting of Shareholders held on June 29, 2021, shareholders approved a limit on compensation paid to Directors of ¥720 million per year (not including compensation for their services as employees). At the time of this resolution, there were eight (8) Directors.

* 2 At the 96th Annual General Meeting of Shareholders held on June 29, 2021, shareholders approved a limit on compensation paid to Corporate Auditors of ¥180 million per year. At the time of this resolution, there were four (4) Corporate Auditors.

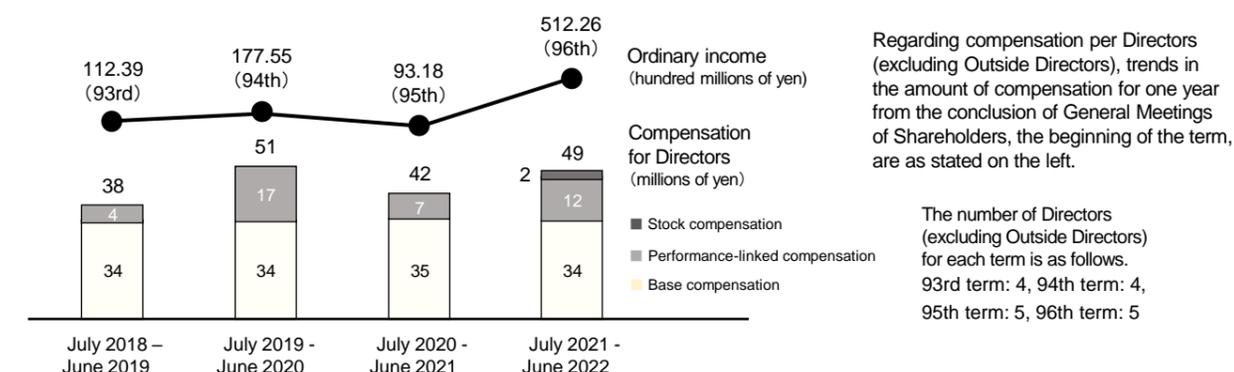
(3) Results

Total compensation paid to Directors and Corporate Auditors (April 2021 - March 2022)

Classification	Total Compensation (millions of yen)	Total amount of Compensation by type (millions of yen)			Number
		Base compensation	Performance-linked compensation	Stock compensation*	
Director (excluding Outside Director)	241	173	57	10	7
Corporate Auditor (excluding Outside Corporate Auditor)	50	50	—	—	2
Outside Director/Outside Corporate Auditor	68	68	—	—	6

* At the 96th Annual General Meeting of Shareholders held on June 29, 2021, shareholders approved a resolution on stock compensation for Directors to the effect that the total amount of compensation shall be within ¥36 million per year and the total amount of the Company's common stock to be allocated shall be within 12,600 shares per year (stock shall not be delivered to Outside Directors). Shareholders also resolved that when allocating such stock, the Company shall conclude a contract for allocation of restricted stock with the Eligible Directors.

Linkage between the amount of compensation per Director (excluding Outside Directors) and ordinary income



Internal control system

A summary of the decisions made at the meetings of the Board of Directors, regarding the business structure for the appropriate business operation of Mitsui Kinzoku Group in compliance with laws and regulations and the corporate ethics, is available on our website.

<https://www.mitsui-kinzoku.com/en/toushi/management/governance/>

Effectiveness Assessment of the Board of Directors

We assess the effectiveness of the Board of Directors every year to ensure the continuous enhancement of the board's function. In FY2021, we conducted the assessment of Directors and Corporate Auditors through individual interviews using the questionnaires prepared by the Secretariat of the Board of Directors.

(1) Overall response to the revised Corporate Governance Code

The results showed that all members of the Board of Directors took generally appropriate responses: progress made in response to the revised Corporate Governance Code to a certain extent, including election of one female independent Outside Director, and separation of positions of Chairperson of the Board of Directors and President; deepened information sharing and discussion on promoting diversity, and setting CO₂ emissions reduction target, etc. by holding multiple meetings, including board meetings, of board members; and regular reporting to the Board of Directors on the progress of DX.

(2) Enhanced discussion on management strategy, etc.

In FY2021, Mitsui Kinzoku set the Purpose as the basis for decision-making, as well as the Vision for 2030, and developed the 22 Mid-term Management Plan to build a mechanism for improving corporate value for sustainable growth by practicing the Integrated Thinking-based Management, which aims to achieve both financial value and social and environmental value.

In that process, multiple meetings, including board meetings, of board members were held for information sharing and discussion. In light of the discussion on the business portfolio, organizational reform was carried out. These results showed that all board members got more involved in the discussions on management strategy, etc. at board meetings.

(3) Further improvement of effectiveness

Mitsui Kinzoku's Board of Directors will aim higher to continue to improve its effectiveness.

Effectiveness Assessment of the Board of Corporate Auditors

We conducted self-assessment of the effectiveness of the Board of Corporate Auditors. The main aims are to assess their audit activities, reflect assessment results in the audit plan of the following fiscal year and improve the quality of audits. While the effectiveness of the Board of Corporate Auditors was found to be maintained, some issues were also identified. We will further improve its effectiveness by incorporating the identified issues in the audit plan for the next fiscal year, etc. The assessment results have been reported to the board.

(1) Main assessment items

- Effectiveness of the three-pillar audits
- Effectiveness of the way they respond to misconduct, such as material legal violation and inappropriate accounting practices
- Effectiveness of the ICT governance and company structure for information technology systems

(2) Assessment method

All the Corporate Auditors discussed and checked the effectiveness of the board based on a self-assessment questionnaire survey filled out by each Corporate Auditor.

(3) Identified issues

- Monitoring of the effect of ICT investment
- Confirmation of adequacy of ESG- and SDGs-related disclosure

Status of cross-held stocks

Mitsui Kinzoku assesses the appropriateness of holding listed stocks held for purposes such as maintaining medium- to long-term business relationships with trading partners (“cross-held stocks”) and sells any such stocks when no rational reason for holding them any longer exists. Every year, the Board of Directors conducts a comprehensive assessment of these individual stocks by examining the purposes of holding them, the associated benefits and risks, their relationships with the cost of capital, etc.

Cross-held stocks: Number of companies and the amount recorded on the balance sheet

Classification		FY2019	FY2020	FY2021
Number of companies	Unlisted	34	32	30
	Listed	15	11	10
	Total	49	43	40
Amount recorded on the balance sheet (millions of yen)	Unlisted	4,495	3,253	3,188
	Listed	3,276	5,951	3,927
	Total	7,771	9,204	7,115

ICT governance

Mitsui Kinzoku has been developing internal rules on ICT-related matters and operating the group-wide CSIRT in order to reinforce its ICT governance system. In FY2021, we moved forward with the SOC establishment and the risk assessment of the corporate group-wide infrastructure system, aiming to further strengthen our ICT security system.

Directors

(as of June 29, 2022)



President and Representative Director
NOU Takeshi

Mr. NOU Takeshi has a wealth of experience cultivated through his many years of involvement in the Group's electronic materials business and engineered materials business and is well versed in the Company's business.



Representative Director Senior Managing Director
KIBE Hisakazu

Mr. KIBE Hisakazu possesses a wide range of experience and knowledge in finance and corporate planning of the Group, including serving as officers of affiliated companies, and is well versed in the Company's business.



Senior Managing Director
TSUNODA Satoshi

Mr. TSUNODA Satoshi possesses a wide range of experience and knowledge in metals business and corporate planning of the Group, including serving as officers of affiliated companies, and is well versed in the Company's business.



Director
OKABE Masato

Mr. OKABE Masato has good knowledge of business strategy and sales and marketing gained through extensive sales and planning experience in the Group's electronic materials business and engineered materials business, and is well versed in the Company's business.



Director
MIYAJI Makoto

Mr. MIYAJI Makoto has a wealth of experience cultivated through his many years of involvement in the Group's engineered materials business and is well versed in the Company's business.



Outside Director
MATSUNAGA Morio

Mr. MATSUNAGA Morio has specialized knowledge of engineering and experience of organizational management as a university professor and the president of a national university corporation.



Outside Director
TOIDA Kazuhiko

Mr. TOIDA Kazuhiko has experience as a business executive, having been engaged in a wide range of work at Nissan Motor Co., Ltd., including product planning, sales promotion, and launch of a sales company, with a focus on the sales division. In addition, he has experience at FALTEC Co., Ltd. as Representative Director and President.



Outside Director
TAKEGAWA Keiko

Ms. TAKEGAWA Keiko served as Director, Public Relations Office and Director General, Gender Equality Bureau at the Cabinet Office and has a wealth of knowledge and administrative experience through her engagement in formulation and implementation of policies such as promotion of women's participation and advancement.

Corporate Auditors



Corporate Auditor
KUTSUNAI Akira

Mr. KUTSUNAI Akira has a wealth of experience gained over many years, centered around areas including finance, public relations, and corporate planning of the Group, and is well versed in the Company's business.



Corporate Auditor
FUKUMOTO Hirotohi

Mr. FUKUMOTO Hirotohi has a wealth of experience cultivated through his many years of involvement in the Group's R&D, manufacturing and corporate planning. He is well versed in the Company's business and management, following management experience at a subsidiary in Malaysia.



Outside Corporate Auditor
ISHIDA Toru

Mr. ISHIDA Toru has a wealth of administrative experience in planning and implementing trade and industrial policies, as well as experience and expertise in holding important positions that contribute to the enhancement of commerce and industry.



Outside Corporate Auditor
INOUE Hiroshi

Mr. INOUE Hiroshi has a wealth of knowledge and experience in legal circles as a public prosecutor and a lawyer.

* Profiles of Directors and Corporate Auditors are listed on pages 114-115.

Interview with Outside Corporate Auditors

I used to have an image of Mitsui Kinzoku as a long-established, serious company. Having served as an Outside Corporate Auditor for four years, I recently realized that the Company is not staid and conservative but broad-minded and dynamic.

Although the Company started with smelting, it has diversified its business by using knowledge of materials in the business areas of nonferrous metals, engineered materials, and automotive parts, creating a good mix. Even with the COVID-19 pandemic and dramatic changes in the business environment, the Company is generating profits. That may be attributable to the diversification of the Company.

I also recognize the flexibility of the Company; It promptly switched to teleworking without confusion and reviewed the Head Office space in a timely manner. A traditional company soon to celebrate the 150th anniversary since its foundation seems to have the power to change itself by promptly responding to the environment.

Mitsui Kinzoku Group has formulated a very challenging Purpose and Medium Term Management Plan. How the Group will yield results is yet to be seen but it appears to be steering in a good direction appropriate to the times and changes in the business environment.

The Group’s initiatives for carbon neutrality are also heading in the right direction, setting reduction targets in the medium to long term and making group-wide efforts. Particularly at Mitsui Kinzoku, the core business, including nonferrous metal smelting and electrolytic copper foil, is highly energy-consumptive. Unless the Group overcomes the challenge of how to achieve decarbonization, its future may be significantly limited.

To take the example of the smelting process, the goal of carbon neutrality is a bar too high to cross without at least one very innovative technological development. And expecting to develop innovative technology by ourselves alone is unreasonable. It is indispensable to involve other companies or the government in the form of a public-private or cross-industrial initiative. The Group will seriously consider working with outside entities.

When I worked for the Ministry of Economy, Trade and Industry, I was in charge of US-Japan trade friction. Even now, I am serving as a councilor at the International Chamber of Commerce, which is an international organization having a membership of chambers of commerce around the world. So, I think I know how people outside Japan see this country and what are international issues. I may provide my opinion about geopolitical risks and economic security as immediate, growing concerns.

Auditing used to primarily deal with financial data, but is now giving greater importance to nonfinancial data, which is not easy to evaluate. I would like to focus more on this aspect as a Corporate Auditor.

Achieving growth while solving social issues is the essence of integrated thinking-based management. The current Cabinet of Japan set out the vision of “new capitalism,” which advocates the same thing: A country must grow while solving social issues. Like the proverb of “running after two hares,” achieving growth while solving social issues seems to be the best scenario, as well as the difficult but right path to choose, not only for countries but also for companies.

I highly appreciate Mitsui Kinzoku Group’s commitment to pursuing the Purpose and integrated thinking-based management and expect the Group to make all-out efforts.



Outside Corporate Auditor

ISHIDA Toru

Mr. Ishida joined the Ministry of International Trade and Industry (presently the Ministry of Economy, Trade and Industry) in 1975. He served as Director-General of the Trade and Economic Cooperation Bureau and Director-General of the Industrial Science and Technology Policy and Environment Bureau before being appointed Commissioner of the Agency for Natural Resources and Energy in 2008, from which he retired in 2010. He has served as President of the Japan Chamber of Commerce and Industry (JCCI) since 2015. He has been serving as Outside Corporate Auditor of the Company since June 2018.

One year has passed since I became an Outside Corporate Auditor.

For Mitsui Kinzoku Group, the past year has been notable: developing the Purpose, creating the Vision, and based on these formulating the new Medium Term Management Plan. Discussions for the future were held at each layer of the Company. Directors and Executive Officers exchanged their views on many occasions. Different people put forth their opinions for the direction of development. The process was shared.

At a speed that cannot be experienced in an ordinary year, I was able to deepen my understanding of Mitsui Kinzoku. I had the privilege to be appointed as a Corporate Auditor at the right time.

I entered the world of the judiciary right after graduating from university, and worked at the Ministry of Justice (MOJ) and the Public Prosecutors Office for 35 years.

At the MOJ, I felt the cycle of one year with the making and use of the budget and the Diet session. I knew what I should do when, as well as when and what I should look to. Over the past year, I became able to understand the right timing for voicing my opinion as a Corporate Auditor.

What can I do to stimulate corporate growth? I am still learning about it. But I assume that, in terms of ESG, I may use my knowledge and experience for Mitsui Kinzoku in the areas of society and governance, i.e., establishing the system for governance and compliance responses.

Since retiring from public service and becoming a lawyer, I have worked for third-party committees and special investigation committees on corporate scandals and frauds. As the Fraud Triangle Theory suggests, I have realized that frauds tend to take place because of several factors, not one.

It is crucial that everyone has an antenna for risks. Young people, called the Millennial Generation or Generation Z, seem to have a strong resistance to frauds. I feel that the world is becoming less tolerant to cover-ups. Mitsui Kinzoku has recently introduced the “one-on-one meeting” between a superior and a subordinate, which may help avoid risks in various ways.

In performing internal audit and accounting audit to reduce frauds, scandals, and their risks, it is important to carefully see the situations of each company and each site of the Group in a comprehensive manner. And it is essential to have mechanisms for early detection and early intervention in the event of a fraud.

I find Mitsui Kinzoku Group’s Hotline is functioning well. I receive a monthly report on the content of the reports received, and confirmed that each report was appropriately handled. If anything goes wrong, we can use the hotline and they will respond well and unfailingly investigate the case—once employees’ trust in the hotline is established, it will be one of the most effective mechanisms for early detection. Therefore, I hope the hotline will be continued.

As for the entire supply chain, maintaining the status that is clear, or as unclouded as possible, with regard to human rights initiatives, conflict minerals, and so on is required for blue-chip companies.

I expected the serious Purpose from Mitsui Kinzoku as a metal smelting company. However, the phrase, “Making the Earth smile” is very soft, symbolic, and well thought out. I am looking forward to seeing the Purpose becoming flesh and blood and being incorporated into management decisions and initiatives across the Group.



Outside Corporate Auditor

INOUE Hiroshi

Mr. Inoue was appointed Public Prosecutor in 1985. He served in the Ministry of Justice as Counselor of the Criminal Affairs Bureau, Assistant Vice-Minister, and Director-General of the Immigration Bureau. He was appointed Director-General of the Inspection and Guidance Department of the Supreme Public Prosecutors Office in 2017. He served as Chief Prosecutor of the Sapporo High Public Prosecutors Office and Chief Prosecutor of the Fukuoka High Public Prosecutors Office before he retired in June 2020. He has been Outside Corporate Auditor of the Company since June 2021.

Risk management

Mitsui Kinzoku Group is strengthening its response to risks related to business that could threaten the continuation of its operations and corporate survival. In order to identify risks and eliminate or minimize their impact, we are working to improve the Group's risk management and operate it effectively.

Risk management system

Mitsui Kinzoku Group has built its risk management system based on its Risk Management Rules. We have appointed the Senior Managing Executive Officer in charge of the General Affairs Department as the person with the highest responsibility for risk management. We have also designated a department in charge of risk and crisis management at the Head Office to serve as the Secretariat and identified departments in charge of each risk category, under which relevant units and sites are positioned.

Our Risk Management Rules define risks that we need to respond to. We manage our risk control status through yearly PDCA activities implemented over a three-year operation cycle aligned with the periods of the Medium-Term Management Plan.

More specifically, we conduct a triennial risk survey for all sites and review and evaluate risks to create a risk map and plan countermeasures. Every year, we implement the countermeasures and review their progress and then update the risk map based on the current status. The Board of Directors reviews these initiatives once a year and as needed.

In FY2021, we conducted interviews and on-site surveys as needed in addition to a written risk survey targeting all sites. Based on the results, we evaluated risks as to impact on business and probability of occurrence and created a risk map for each sector. Furthermore, we checked the progress of risk countermeasures and took improvement measures for issues identified. We reported these efforts to the Board.

Risk survey cycles

First and second years of the Medium-Term Management Plan

- ① Check the status of risk control at each site based on the risk map managed at the Head Office
- ② Update the risk map, incorporating the check results as needed (rolling)

Last year of the Medium-Term Management Plan

- ③ Head Office sends the survey sheet to each sector
- ④ Each sector/site returns its response
- ⑤ Analyze risk control status at each site based on the response
- ⑥ Incorporate the aggregate results into the risk map, formulate a new plan, and incorporate it into the next Medium-Term Management Plan

Extracted risk categories/classifications

<Risks that are highly urgent when they become apparent>

- Large-scale epidemic of infectious diseases
- Large-scale natural disasters
- Information security

<Financial risks>

- Market fluctuations
- Exchange rate fluctuations
- Fund procurement
- Pension asset management

<Risk in each segment>

- Engineered Materials Segment (Decrease or stagnation in product market share)
- Metal Segment (Market and exchange rate fluctuations, operational problems)
- Automotive Parts & Components Segment (deterioration in market conditions)

<Cross-Segment Risks>

- Product quality
- Alliances with third parties
- Country risk
- Shortage of labor force

<ESG risks that may affect business results*1>

- Environment
- Social
- Governance

* 1 We have incorporated nine environmental, social, and governance risks from our materiality (P.17) into risks related to business as ESG risks that could affect our business performance.

Emergency response

To protect assets and make efforts for early recovery and business continuity while placing the highest priority on saving lives, Mitsui Kinzoku Group has set out rules for emergency response to be followed in an emergency. Moreover, we have built a system for possible emergencies and conduct business continuity management (BCM), under which we implement the PDCA cycle each fiscal year.

Each sector creates business continuity manuals, including an incident management plan (IMP) for incident response and business continuity plan (BCP) for supply continuity and resumption of production. In the event of an emergency, we will take appropriate measures based on the business continuity manuals to prevent the situation from spreading and causing secondary accidents. To make these plans more effective, we roll out simulation training to our major sites in a phased manner.

Respect for Human Rights

The Human Rights Policy and the Human Rights Standards

Mitsui Kinzoku Group approaches human rights issues based on our Human Rights Policy. We identify major human rights risks and stakeholders that can be particularly affected by the Group's business activities. We formulate the "Human Rights Standards" as guidelines for our due diligence. We conduct due diligence in order to evaluate the practices of the standards and to correct findings. In our due diligence process, we especially focus on the Group's employees, supply chain and mining business that have been identified as high risk.

[Human Rights Policy] [Human Rights Standards]
<https://www.mitsui-kinzoku.com/en/csr/society/humanrights/>

[Supply chain management] Pages 60-61
 [Mining business] Pages 62-63

Human rights due diligence

Since we identified target sites in the Mitsui Kinzoku Group in FY2016, we have been conducting human rights due diligence and we have completed the process at 59% of the target sites within and outside Japan by FY2021.

In FY2021, we conducted human rights due diligence at three sites including one overseas site. As a result, we did not find any major risks, including any forced labor or child labor risks. For areas that were found to require improvements, we provided feedback and implemented corrective measures.

In FY2022, we will continue to conduct human rights due diligence at sites within and outside Japan. Based on the past results, we will also reevaluate risks and identify human rights issues the Group should start addressing. For the newly identified issues, we will develop individual policies and procedures to build systems to address them properly. When conducting human rights due diligence, we use a self-check sheet (SAQ) with regard to all employees, including non-regular employees and indirect employees. The SAQ will be revised, taking account of these human rights issues, to ensure the effectiveness of the measures for human rights.

<Main areas that were improved>

- Improvement in the labor-management agreement on payroll deductions (Japanese sites)

Human rights training

We are conducting human rights training to increase awareness of our Group's Human Rights Policy and promote the correct understanding of human rights. In FY2021, we conducted training within Japan in the rank-based training and online training for three sites in Thailand. In FY2022, we plan to provide the program at major Asian sites. We will systematically review the formats and content of our human rights training.

Labor relations

Mitsui Kinzoku Group respects freedom of association and collective bargaining. Mitsui Kinzoku and major affiliates in Japan have a respective labor unions under the Mitsui Mining & Smelting Workers Union. Based on the union shop agreement, all general employees become members of the labor unions. About 70% of the other consolidated affiliates in Japan have labor unions. Labor unions are organized in 13 of the overseas consolidated companies. Labor-management council meetings and labor-management roundtables are held regularly to provide a forum for communication with workers.

In FY2021, there was one case of a strike lasting more than a week at an operation site in Peru, which was resolved through labor-management consultation. No lockouts occurred during the year.

	Sites in Japan	Overseas	Total
Employees covered by collective bargaining agreements	4,374	3,276	7,650
Total employees	6,519	6,471	12,990
Coverage rate	67%	51%	59%

※ Information on labor unions at several sites is unavailable due to legal requirements.

Compliance

Compliance management system

Mitsui Kinzoku Group identifies Senior General Manager of Corporate Planning & Control Sector as the person with the highest responsibility for compliance. The Legal Dept., the division in charge of compliance, plays a central role in enhancing compliance among officers and employees.

In addition, under the Internal Audit Committee, which reports directly to the Board of Directors, the Internal Audit Dept. audits the status of compliance. The results of the audits are reported by the Internal Audit Dept. to and shared by the Board of Directors.

Code of Conduct

We understand that compliance is not limited to observing laws and regulations, but also includes observing social norms, corporate ethics, common sense and morals, and other matters expected by society even if they are not explicitly stated.

We have established the Code of Conduct as a set of values and a code of conduct to be shared by all directors and employees. We have translated it into local languages and distributed it to all sites. The Compliance Guidebook, which explains the key actions, has been translated into local languages in cooperation with local staff to reflect the unique risks assumed from local business practices and cultural backgrounds. We are gradually rolling it out to overseas sites. In FY2021, we began editing the Indonesian version of the Guidebook at our site in Indonesia.

Compliance training

At our sites in Japan, we provide compliance training as part of rank-based training, including new employee training, and executive management training for directors and auditors of all affiliates. We also conduct compliance training for local staff at overseas sites.

In addition, we provide seminars on specific topics as needed. In FY2021, we provided online compliance training for our sites in Japan and China. In Japan, we provided more than 600 participants with training on topics such as trade secret management, the Antimonopoly Act, the Foreign Exchange Act (security export control), and harassment. More than 70 employees in China participated in training on topics such as trade secret management, embezzlement, bribery, and accounting fraud.

Internal and external whistle-blowing system

We have established a whistle-blowing system for both internal and external stakeholders. The system covers concerns about any violations of laws and regulations, including but not limited to unfair competition and bribery/corruption, as well as social risks, including but not limited to human rights, and environmental risks, in business activities and the workplace.

In order to thoroughly protect the whistleblower, the system ensures anonymity and strictly prohibits any disadvantageous treatment of the whistleblower. The details of the reports made via the whistle-blowing system are shared promptly with the Corporate Auditors. The Board of Directors also receives the details of reports on a regular basis.

We have Mitsui Kinzoku Hotline (MHL) for all officers and employees of the Group as an internal contact point and a third-party contact point (a law firm). We also have a Chinese-language hotline for our sites in China as a contact point at a Chinese law firm. We widely disseminate the contact points among officers and employees through compliance training and the Compliance Guidebook. In FY2020, we have made the whistle-blowing system a multi-line system. As a result of these activities, our employees recognition of the whistle-blowing system is improving, and the number of cases reported in FY2021 increased by 44% from the previous year.

We have set up "Compliance Consultation Desk" specialized for compliance and "Environmental and Social Risks Consultation Desk" on our website for external stakeholders to report concerns at any time.

Initiatives to prevent anti-competitive practices and bribery/corruption

Article 4 of the Group's Code of Conduct states "Fair Business Activities". In the Compliance Guidebook, we require all officers and employees to engage in appropriate activities based on free and fair competition. The guidebook specifically states that proper activities include (i) establishment of compliance system and thorough compliance with competition law, (ii) proper procurement activities and subcontracting transactions, (iii) maintenance of fair and transparent relationships, and (iv) prohibition of bribery and corruption. We have not received any legal action for anti-competitive practices or bribery/corruption in FY2021.

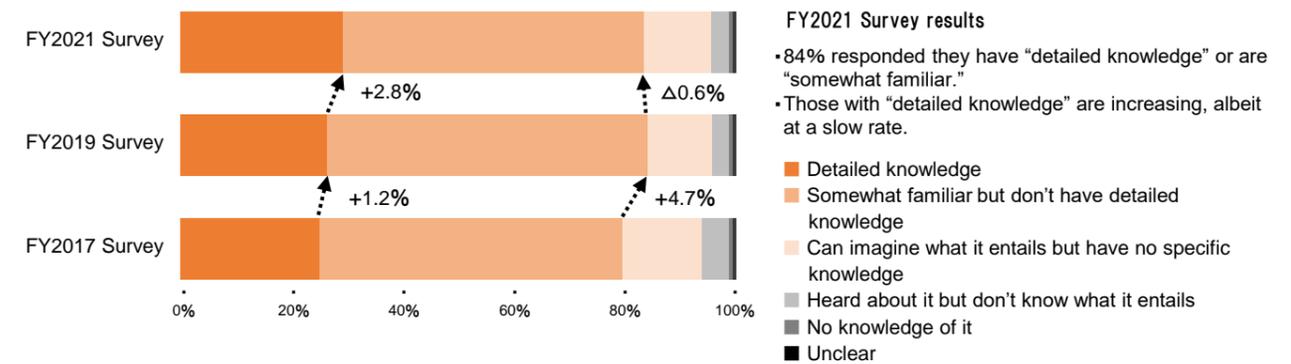
Compliance awareness survey

To measure the effectiveness of compliance initiatives, we have conducted biennial compliance awareness surveys with employees of Mitsui Kinzoku and consolidated subsidiaries since FY2017.

In FY2021, we surveyed approximately 7,000 employees on three items: recognition of compliance, dissemination of the Code of Conduct, and reliability of the whistle-blowing system (MHL). Compared with the results of the previous two surveys, we saw improvement for all items. Meanwhile, recognizing that improving the reliability of the MHL is a future challenge, we will continue to improve the system.

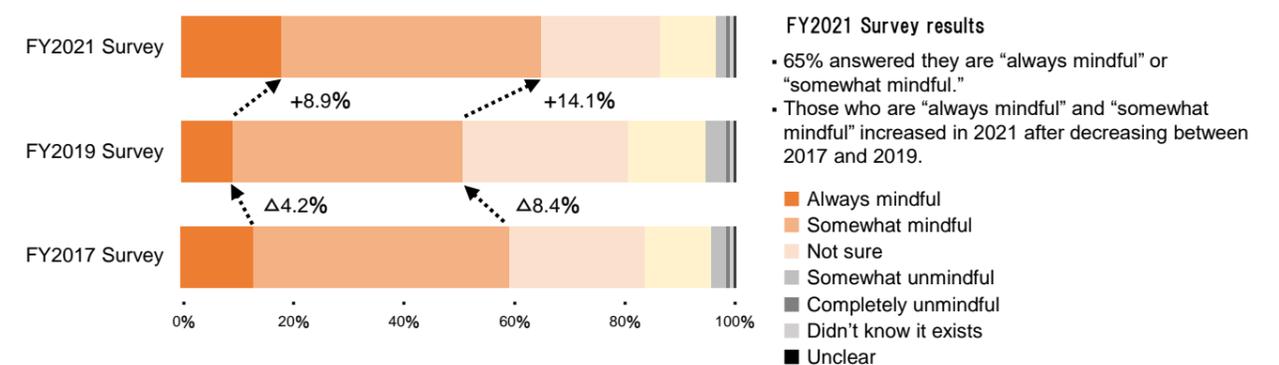
Recognition of compliance

Q. How familiar are you with "Compliance" ?



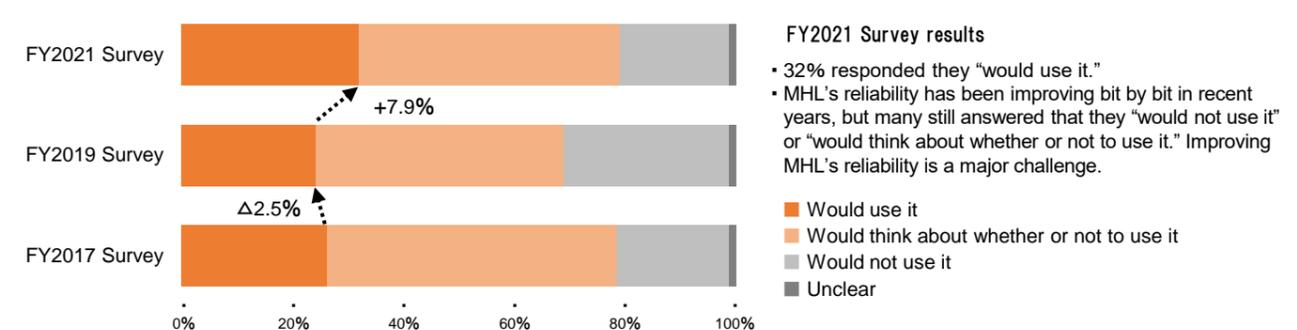
Dissemination of the Code of Conduct

Q. To what degree are you usually mindful of Mitsui Kinzoku Group's Code of Conduct?



Reliability of the internal whistle-blowing system (MHL)

Q. Would you use the MHL if you saw or heard about a compliance violation?



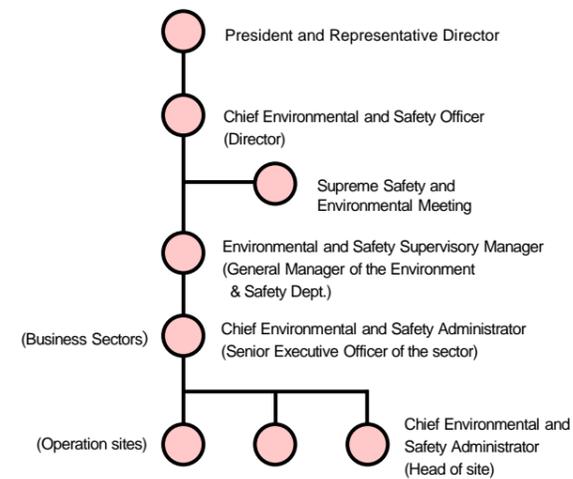
Occupational health and safety

Mitsui Kinzoku Group holds that occupational health and safety is essential for business continuity. We provide a safe worksite environment not only for our employees but also for cooperative companies, contractors, and visitors to plants. We are also improving occupational health and safety initiatives, including responses to COVID-19, global implementation of the initiatives, and reinforcing measures in line with the Mitsui Kinzoku human resources system reform.

Policy and management system

Mitsui Kinzoku Group is committed to creating a safe and comfortable work environment. This is based on our Basic Policy on Health and Safety, in which it states that "ensuring the health and safety of all people working for Mitsui Kinzoku Group is the most important element for conducting business activities." We also believe that the development of a corporate culture that places health and safety first will lead to increasing productivity and reducing operational and business risks, and even to strengthening our relationship of trust with employees and solidifying our business foundation in the medium to long term.

Environmental and Safety Management System



Health and safety management system

All major sites of Mitsui Kinzoku Group manage occupational health and safety in accordance with ISO 45001. For small-sized sites, we developed an internal certification system. At each site we work to realize an upward spiral motion by going through the PDCA cycle in accordance with the management system. Improvements to the issues identified by the review are incorporated into measures such as risk assessments and health and safety training.

Safety audit

We implement periodic internal safety audits to confirm the operational situation of the management system at each site. The internal safety auditing body checks for compliance with laws and regulations as well as the Mitsui Kinzoku Group's voluntary standards, in addition to pointing out hazardous places and following up on improvements made.

In areas with travel restrictions due to COVID-19, we implement safety audits in a remote format using ICT. Details that cannot be verified remotely are intensively checked during onsite inspections after the travel restrictions are lifted.



(Internal safety audit)

Health and safety training

Mitsui Kinzoku Group conducts health and safety training for employees regularly to increase their level of awareness of health and safety, ensure thorough compliance with health and safety regulations, and cultivate a corporate culture that places health and safety first.

We provide training materials in multiple languages and make them available on our corporate intranet for employees to review or reference at any time.

Health and safety training provided in FY2021

Purposes	Major training programs
Expand knowledge on health and safety across the Group (Knowledge required for each position, key initiatives in the year, good practices, latest trends)	<ul style="list-style-type: none"> New employee training Job-rank-based safety training Laws and regulations lecture Lecture by an external expert
* Conducted remotely	
Promote compliance with safety rules and improve risk perception at manufacturing sites	<ul style="list-style-type: none"> "Kiken Yochi" activity (hazard prediction) Experiential risk training Risk assessment training Safety communication activity PPE training Emergency training (fire/earthquake)
* Conducted face-to-face with measures for COVID-19	

* More information on occupational health and safety is available on our website. <https://www.mitsui-kinzoku.com/en/csr/society/occupational/>

Accident prevention initiatives

1. Promotion of the lockout system

Occupational accidents could occur caused by human errors, such as accidentally switching on a machine whose operation has been suspended for cleanup, refueling, inspection, repair, adjustment, construction, or other work. The lockout system is a system that shuts off and locks the power source of mechanical devices to prevent occupational accidents that could occur due to erroneous operation and protects the safety of workers. We launched this system in Japan in FY2019, and along with reviewing the operation of it, we started full-scale implementation at all our overseas sites in FY2021. In FY2022, we will consider introducing this system to shut off pressure, temperature and liquid, and will work to increase the number of facilities to which lockout can be applied.

2. Establishment of new safety standards

In FY2021, Mitsui Kinzoku Group newly established a Mitsui Kinzoku Forklift Equipment Standard and a Mitsui Kinzoku Disc Grinder Use Standard to prevent accidents caused by erroneous operation of machines and equipment. The standards were prepared with reference to internal and external accidents and were developed as group-wide standards for the installation and operation of machinery and equipment. Both standards and explanatory materials are available in Japanese, English and Chinese, and are now in use at all sites around the globe. We will review the status of operation through internal safety audits beginning in FY2022.

3. Safety initiatives for senior employees

Mitsui Kinzoku has raised the mandatory retirement age to 65 since FY2021. In addition, as the age range of our employees is expected to rise along with the aging of Japanese society, we are developing a safety management system for senior employees so that they can work safely and with peace of mind for an extended period of time.

Aging tends to reduce some physical functions, which may be a factor that increases the incidence of occupational accidents among senior employees. In FY2021, we implemented safety training for managers and senior employees. In addition, based on risk assessments, we worked to create a comfortable work environment by improving lighting, eliminating steps, and taking measures against heat, as well as reviewing some of the work manuals to ensure that even senior employees can operate equipment safely. We plan to pursue these activities going forward.

Safety performance in 2021

With the exception of domestic consolidated affiliates, the frequency rate of accidents in each of the categories was significantly lower than both the manufacturing average and the non-ferrous metal manufacturing average. And in each category, the severity rate of accidents was lower than the industry average.

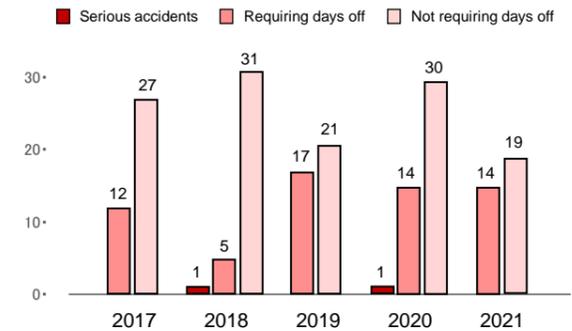
We will continue to analyze the causes of the accidents and take measures to prevent recurrence.

* Figures for the years 2017 to 2022 revised in this report due to an error in the frequency rate of accidents.

Safety performance in 2021

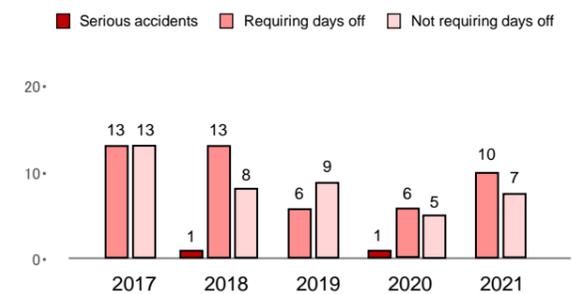
Trends in the number of accidents in sites in Japan

※ Including accidents that occurred in cooperative companies and contractors



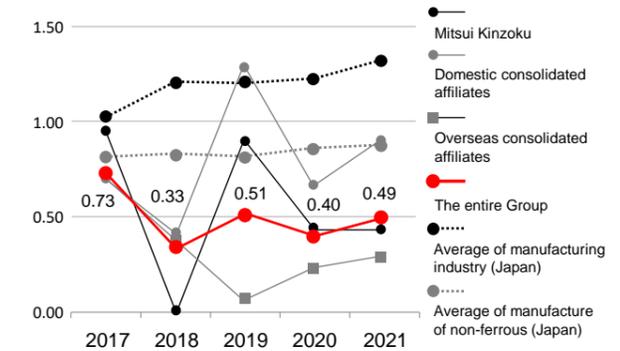
Trends in the number of accidents in overseas sites

※ Including accidents that occurred in cooperative companies and contractors



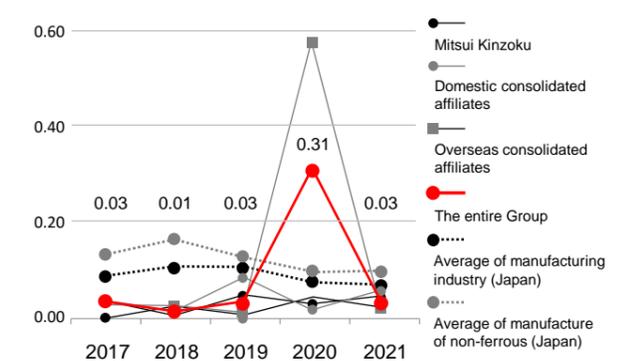
Frequency rate of accidents

※ Not including accidents that occurred in cooperative companies and contractors



Severity rate of accidents

※ Not including accidents that occurred in cooperative companies and contractors



The values shown in the graph are for the entire Mitsui Kinzoku Group as a whole

Initiatives for environmental issues

Mitsui Kinzoku Group recognizes the negative environmental impact of its operations as a great business risk and strives to reduce it.

Environmental management

Mitsui Kinzoku Group has established the Supreme Safety and Environmental Meeting as a place to deliberate and determine the most important matters related to safety and the environment. At this Meeting, guidelines and action plans are determined by the Chief Environmental and Safety Officer (also a director) as chairman and business line heads as members. The decisions made are then spread to each site by the Environmental and Safety Supervisory Manager (General manager of the Environment & Safety Dept.) under the direction of the Chief Environmental and Safety Officer. Each site that operates under ISO 14001 has a chief person that serves as the person responsible for managing environment and safety, and who makes sure that the required actions are being reliably executed. The Chief Environmental and Safety Officer reports to the Board of Directors on important environmental and safety issues, including the operation of the management system, and receives guidance and supervision from the Board of Directors.

The Basic Environmental Policy and the Environmental Action Plan

In 2001, Mitsui Kinzoku Group established the Basic Environmental Policy* and the Environmental Action Plan. In response to the Paris Agreement as well as the expansion of ESG investment, we revised the basic policy and the action plan in 2018, in order to strengthen our Group's efforts to address environmental issues. In the action plan, we have assessed the negative impacts of our business activities on stakeholders in our value chains and set targets for activities with significant impacts, on which we will focus our efforts to reduce their environmental footprint. We are incorporating the targets set in the Environmental Action Plan into the plans of each of our sites, and promoting activities to achieve them.

The Purpose and the Vision for 2030

In 2021, Mitsui Kinzoku Group established its Group's Purpose: We promote the well-being of the world through a spirit of exploration and diverse technologies. We aim to make life easier and greener to help address environmental and social issues around the world and build a sustainable society. Our Group's Vision for 2030, which was set based on the Philosophy and the Purpose, promotes manufacturing with low environmental impact and the construction of recycling-based services. The 22 Medium-Term Management Plan, which we developed for the Vision for 2030, makes clear that each business will be evaluated from the perspective of improving our environmental and social value, including environmental impacts, and that sustainability will be considered when making business decisions.

* The Basic Environmental Policy is available on our website.
<https://www.mitsui-kinzoku.com/en/csr/environment/environmental-policy>

Outline of the Environmental Action Plan

1 Establishment and improvement of environmental management system

Establishment and improvement of environmental management system at each site according to the form and scale of business

2 Reduction of environmental footprint

- Prevention of global warming
- Effective resource utilization and waste reduction
- Reduction of emissions of environmental pollutants
- Utilization of renewable energy
- Appropriate utilization and management of water resources
- Biodiversity conservation
- Thorough management of mine & plant closure

3 Development and provision of environmental contribution products

Development of environmental contribution products and market expansion

4 Emergency measures

Preparation of well-organized emergency manuals for disasters and accidents and continuous improvements of them

5 Education/public relations/social contribution activities

- Strengthening environmental education
- Disclosure of environmental information
- Dialogue with stakeholders

(Revised in April 2018)

Response to climate change

Mitsui Kinzoku Group considers climate change as an important change in our external environment which would affect the continuity of our business.

As our businesses include non-ferrous smelting, electrolytic copper foil, and other businesses with high energy consumption, we are well aware of the impacts of energy consumption and greenhouse gas (GHG) emissions from business activities on climate change. In order to reduce these impacts, we have identified climate change-related issues as the materiality, including reduction of GHG emissions and energy management, and make efforts to accomplish them. In the 22 Medium-Term Management Plan, we have formulated a response to climate change as a key strategy in enhancing the Group's environmental and social value.

* Task Force on Climate-related Financial Disclosures

Support for the TCFD* recommendations

We recognize that climate change and the social and economic changes surrounding it pose risks to our business. However, we also recognize that an appropriate response can lead to enhanced competitiveness and new business opportunities.

In FY2020, we started to analyze the medium-and long-term risks and opportunities posed by climate change based on the TCFD recommendations and to incorporate the results of this analysis into our business strategies. In March 2022, we also announced our support for the TCFD recommendations.

Disclosure items recommended by the TCFD are indicated with TCFD.

Metrics and targets TCFD

Medium- and long-term CO2 emissions reduction targets

In March 2022, Mitsui Kinzoku Group revised its medium-term and long-term CO2 emissions reduction targets for energy-derived CO2 emissions in Scope 1 and 2. To achieve these targets, we promote energy-saving activities, increase renewable energy use, as well as create environmental contribution products and develop innovative technologies actively.

Medium-term CO2 emissions reduction target

Reducing CO2 emissions by 38% globally by FY2030 (compared to the FY2013 level)

Long-term CO2 emissions reduction target

Achieving carbon neutrality (net zero emissions) by FY2050

We are also aware of GHG emissions in the value chains, including raw materials used in manufacturing processes, transportation of raw materials, as well as use and disposal of products. Our group has multiple business models, and we are currently working to identify GHG emissions in the value chain of each of our businesses.

In FY2021, we initiated a Scope 3 survey of the current status of the Ageo Plant, which is a core location of our copper foil business. From FY2022, we will ascertain the Scope 3 emissions of the entire Group and consider them as an indicator for reducing GHG emissions as well.

Promoting energy conservation activities

The Group is committed to energy conservation activities, including operational improvements in each process, such as further energy efficiency improvements in production activities and the introduction of advanced equipment.

From 2019 to 2021, Hachinohe Smelting Co., Ltd. used subsidies to introduce advanced facilities, including low power consumption industrial water pumps, an oxygen concentration control system, and monitors in the instrument panel room, while making efforts to improve related operational processes. The company also improved maintenance of its hot blast stoves currently in use. These multiple initiatives have led to greater energy savings than in the past.

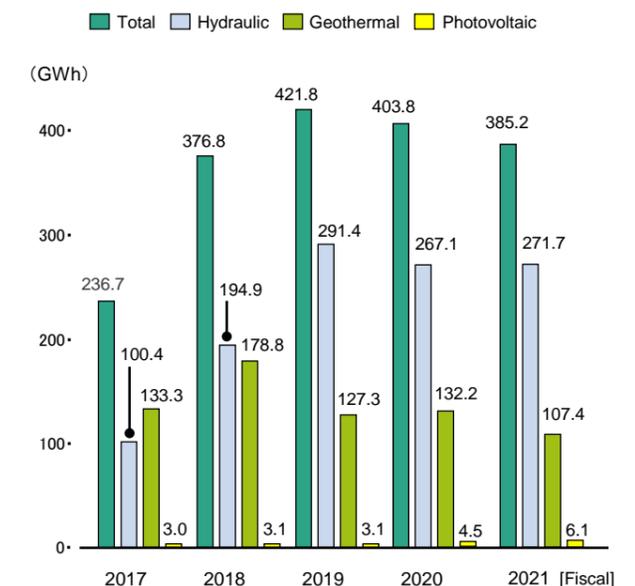
Taiwan Copper Foil Co., Ltd. reviewed its heat source system for air-conditioning in the copper foil production process. With the use of a water cooler, the company reduced its annual electricity consumption by 37.5%.

Expanding renewable energy use

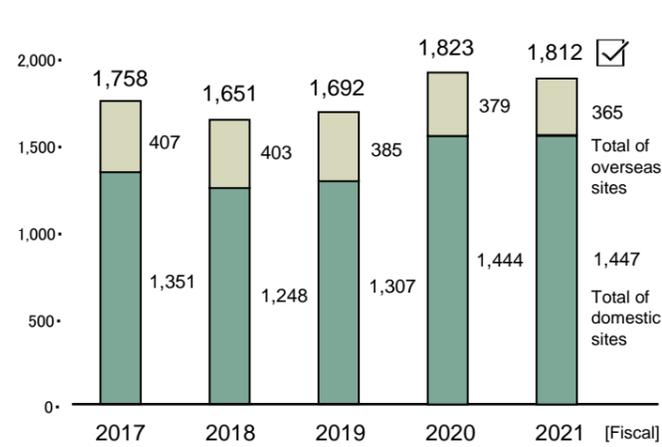
In order to increase the ratio of renewable energy, we are expanding the introduction of new renewable energy generation facilities as well as operating existing hydroelectric, solar, and other power generation facilities stably.

We are also working to procure electricity derived from renewable energy sources. In FY2021, GECOM Corporation purchased 43% of its electricity from wind and hydroelectric sources. The company plans to continue to scale up the use of hydroelectric and other renewable energy sources next year and beyond.

Total power generation using renewable energy



CO2 emissions from energy consumption (thousand t-CO₂)



* Emission amounts from overseas sites have been added to the total amount starting FY2017
 * Part of the data for previous fiscal years have been revised due to a review of the calculation results.
 * Figures for CO₂ emissions from energy consumption were calculated using emission factors derived in a manner conforming to the Act on Promotion of Global Warming Countermeasures. CO₂ emissions from purchased electricity in Japan were calculated using the latest adjusted emission factors of electric power suppliers (basic emission factors were used until FY2019). For overseas emission factors, we used the per-country emission factors, the CO₂ Emission Factors from Electricity for 2021 reported by IEA (Until FY2020, the Electricity Emission Factors reported by GHG PROTOCOL were used).
 * We have received an independent practitioner's assurance for the figures for FY2021 in this information to which is attached.

CO2 emissions results

Mitsui Kinzoku Group has been improving energy consumption per unit of production through energy conservation activities and increased use of renewable energy. As a result of fluctuations in energy consumption due to variations in production volume, CO₂ emissions have increased or decreased. The increase in total emissions for the Group after FY2020 is due to the consolidation of Hibi Smelter. To achieve our medium- and long-term targets, we review our actions while checking our progress.

Governance TCFD

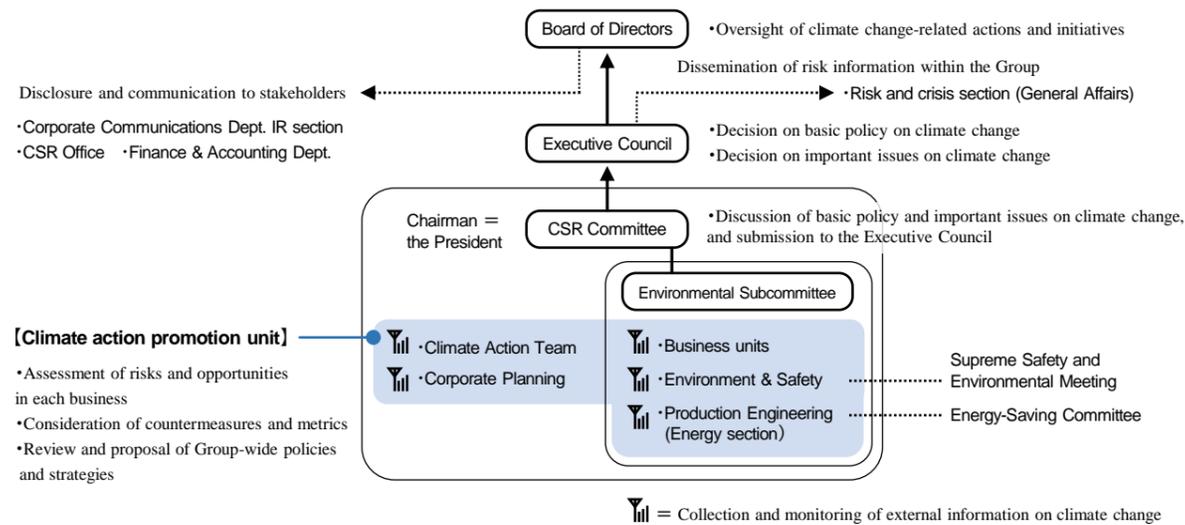
Mitsui Kinzoku Group's basic policy and important issues to address climate change are discussed by the CSR Committee, which is chaired by the President, and then deliberated and decided by the Executive Council. The Executive Council is comprised of representative directors and executive directors, deliberating from a management perspective. Decisions are reported to the Board of Directors for monitoring and oversight.

Risk management TCFD

Mitsui Kinzoku Group has multiple businesses with different business models. The Climate Action Team identifies and assesses risks and opportunities related to climate change in collaboration with each business unit, including scenario analysis, based on the findings of internal and external surveys and in accordance with the framework of the TCFD recommendations.

The results of the scenario analysis are reported to top management at the Executive Council. Each business unit is responsible for promoting countermeasures based on the results, while the Climate Action Team is tasked with monitoring the progress of the countermeasures. In line with the achievements, the team evaluates and identifies risks and opportunities afresh for the next cycle, in cooperation with the business units. By constantly implementing this risk management cycle, we formulate and promote business strategies with a view to addressing climate change.

Governance and risk management structure



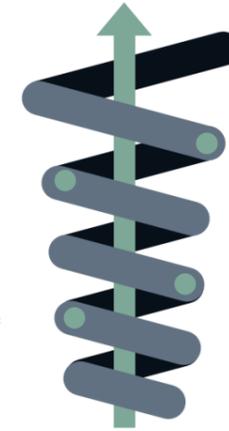
Risk Management Process / Integration of scenario analysis and business strategy

3 Review of countermeasure implementation

- Confirm the results and enhancements of the medium-term management plan and business strategies
- Review of response to physical risks

1 Identification of key risks and opportunities, and consideration of countermeasures

- Information gathering on climate change
- Business analysis and identification/assessment of risks and opportunities
- Consideration of climate-related group-wide direction and business strategies
- Consideration of group-wide direction for physical risk response



4 Review key risks and opportunities, and reconsider countermeasures

- Update climate-related information
- Review risks and opportunities
- Revise group-wide direction and business strategies as necessary
- Improve group-wide BCP

2 Implementation of countermeasures

- Incorporate countermeasures into the medium-term management plan and business strategies
- Formulate and promote group-wide BCP in response to physical risks

(Important issues at each step are determined by the Executive Council.)

Strategy/Scenario analysis TCFD

Mitsui Kinzoku Group operates many businesses globally and recognizes that climate-related risks and opportunities differ between businesses. Therefore, we conduct scenario analysis starting with businesses that are relatively likely to be affected by climate change. Specifically, we rank businesses from these perspectives: amount of CO₂ emissions, magnitude of change in the business environment due to climate change, and amount of sales. We work on scenario analysis by deepening our understanding of the climate-related risks and opportunities of the target business and focusing on the integration of analysis and business strategy.

Scenario definition

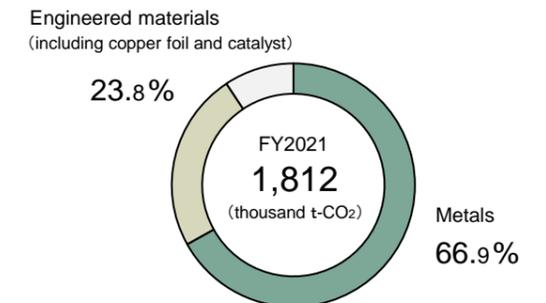
Assumed period	2030s	
Scenario definition	4°C scenario	4°C scenario 3.2 - 5.4 °C higher than pre-Industrial Revolution levels if no additional measures against global warming are taken.
	Over 2°C (2.7°C - 4°C) scenario	Over 2°C (2.7°C - 4°C) scenario 2.7 - 4.0°C higher than pre-Industrial Revolution levels if no additional measures against global warming are taken.
	2°C scenario	0.9 - 2.3°C higher than pre-Industrial Revolution levels if strict measures are taken (1.5°C scenario partially adopted).

In FY2020, we conducted a scenario analysis of the metals business, which accounts for about 70% of our total CO₂ emissions, and in FY2021, we analyzed our copper foil business, which is the second largest CO₂ emitter after the metals business, and the catalyst business, which provides automotive exhaust gas purification catalysts that are affected by the shift to electric vehicles.

The main risks under the 2°C scenario are higher operating costs due to the introduction of carbon taxes and higher energy prices, shift to more environmentally friendly products in line with society's growing interest in decarbonization, and lower demand for products for fossil fuel-dependent commodities such as automobiles with internal combustion engines. The main opportunities are to be the growth in demand for products for a decarbonized society.

Under the 4°C scenario, physical risks such as severe extreme weather events and water shortages are assumed, but the impacts are not expected to be significant in relative terms.

Breakdown of CO2 emissions



* The engineered materials unit was calculated based on the organization in FY2021.
 * Details of the breakdown for each business are on page 121.

Summary of scenario analysis results for copper foil and catalyst businesses

Impact estimation items	Risks	Opportunities	4°C	2°C	Countermeasures
Increase in carbon pricing and energy costs	<ul style="list-style-type: none"> Increasing operating costs due to institutionalization of carbon pricing, such as carbon taxes and emissions trading Increasing operating costs due to rising fossil fuel prices 	—	Loss ▼	▼	<ul style="list-style-type: none"> Promote energy conservation activities in manufacturing processes Expand installation of renewable energy power generation facilities and use of renewable energy-derived electricity Reduction of GHG emissions through purchase of non-fossil certificates
Raw materials	<ul style="list-style-type: none"> Raw material costs and supply instability due to growing demand for materials related to renewable energy for decarbonization Increasing competition due to demand for technologies to reduce the weight of raw materials 	—	—	▼	<ul style="list-style-type: none"> Seek appropriate procurement conditions by monitoring medium-term price trends of Cu and metals for anti-corrosion treatment Efforts to reduce the amount of precious metals used as raw materials in catalyst products
Changes in demand for key products	<ul style="list-style-type: none"> Demand for emission gas purification catalyst products will decline as sales of internal combustion engine vehicles (ICEVs) decrease due to stricter fuel efficiency regulations 	<ul style="list-style-type: none"> Increasing catalyst products used in HEVs, PHEVs, etc. Growing markets for new catalyst-related products for decarbonization applications 	▼	▼	<ul style="list-style-type: none"> Shift to development and supply of catalyst products optimized for HEVs, PHEVs, etc. Develop new catalyst products and create new businesses for the decarbonized society
Changes in customer reputation and needs	<ul style="list-style-type: none"> Customers with advanced decarbonization initiatives will preferentially use raw materials and components from RE100 or SBT-certified companies, and will not use those with high GHG emissions. 	—	▼	▼	<ul style="list-style-type: none"> Reduce GHG emissions intensity in manufacturing processes and shift to products that contribute to GHG emissions reduction in customer processes (e.g., provide copper foil Micro Thin™ with thinner carrier)
Water shortages (Physical risk)	<ul style="list-style-type: none"> Restrictions on production activities due to water shortage (some overseas sites) 	—	▼	▼	<ul style="list-style-type: none"> Improvement of operation system in preparation for power supply restrictions Study of efficient use of water to prepare for drought conditions, construction of related installations

Incorporating the scenario analysis into the management plan

Based on the results of the scenario analysis, we are studying and promoting countermeasures to minimize the decline in earnings caused by risks and to realize opportunities through the creation of new products and new businesses. Many of these actions are expected to be taken from a long-term perspective, and we have incorporated them into our medium-term management plan that started in FY2022 and are steadily working on them.

The Metals Sector has made CO₂ emissions reduction its top priority based on the scenario analysis conducted in FY2020. In FY2021, a carbon-neutral preparatory project was initiated in the sector. In this project, we examined measures to reduce CO₂ emissions, ranked their effects and degree of certainty, and incorporated them into the 22 Medium-Term Management Plan.

Appropriate use and management of water

Water is an essential resource of the earth and essential to the production process of our Group. The Mitsui Kinzoku Group's Environmental Action Plan calls for appropriate management of water intake, wastewater discharge, and wastewater quality at each site. We are committed to making proper use of water resources and conserving the aquatic environment, as well as reducing water use and recycling.

At our manufacturing sites, we monitor water use, wastewater discharge, and reuse/recycling volumes to ensure efficient water use. In particular, at smelting sites that use a large amount of water, we promote the reuse of ore dressing water and cooling water, as well as the use, reuse, and recycling of seawater and rainwater.

Reduction of water pollutants

Each manufacturing site monitors the status of its wastewater, including BOD and COD, which indicate the amount of organic matter in the wastewater, under stricter voluntary standards to ensure compliance with laws, regulations and ordinances. Mitsui Kinzoku Group also collects and manages the monitoring results from each site on a group-wide basis as well as shares emission reduction efforts and technologies.

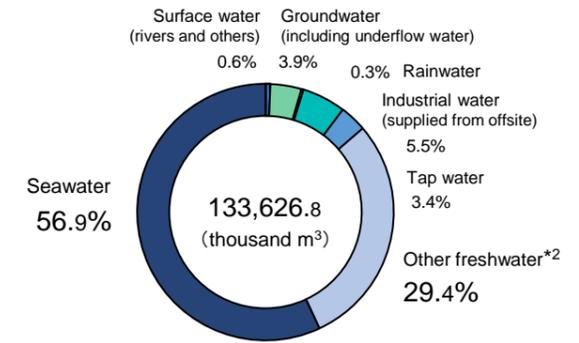
Survey of water stressed areas and impacts on business

Mitsui Kinzoku Group uses World Resources Institute (WRI)'s AQUEDUCT Water Risk Atlas to assess water withdrawals in water-stressed areas for each manufacturing site in Japan and overseas. The sites with water stress rated as Extremely High (>80%) and High (40-80%) are primarily auto component manufacturing sites with low water withdrawals and a manageable impact on the business. We will continue to promote activities such as improving water use efficiency.

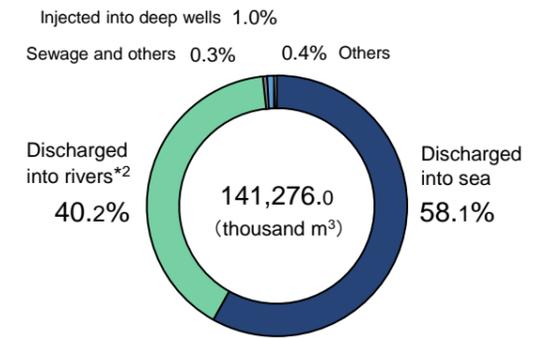
Although water shortages are anticipated in the future at some of our overseas locations based on the TCFD scenario analysis, the impact on our business is not expected to be significant at this time.

We will continue monitoring and work to conserve water resources and minimize the impact on our business.

Breakdown of water withdrawal*1 (FY2021)



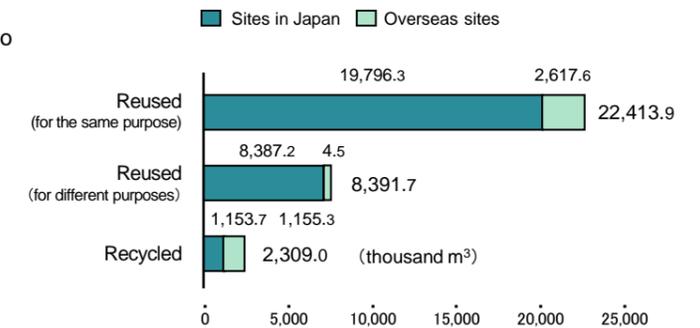
Breakdown of wastewater (FY2021)



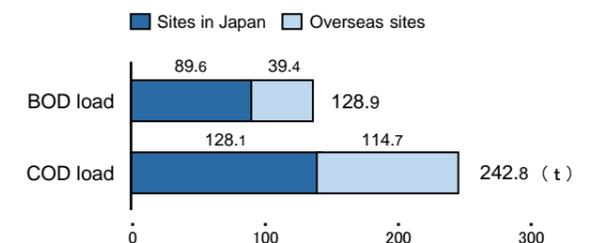
*1 Changed to Water Withdrawal from FY2022, recorded as Water Use by FY2021

*2 Other freshwater includes spring water generated from mines in domestic mining areas (26,042.1 thousand m³, 19.5% of total water withdrawal). The water is not used for production purposes and discharged into rivers under the control of the Group. Before FY2021, it was not accounted for water withdrawal, but only for wastewater discharge.

Amount of circulated water usage (FY2021)



Emissions to the water (FY2021)



Toward a recycling-based society

Along with global economic growth, demand for resources and energy is expanding. As a result, the amount of waste is increasing and environmental problems are becoming more serious. Accordingly, there is a growing need to shift from the conventional Linear Economy based on mass-production, mass-consumption, mass-disposal to a Circular Economy over the medium to long term. Mitsui Kinzoku Group is committed to effective use of resources, reduction of waste and environmental pollutants, as well as introduction of environmental contribution products to meet the demands of society and achieve sustainable growth.

Effective use of resources

Mitsui Kinzoku Group strives to manufacture products by recycling waste and other recycled raw materials in order to make effective use of resources.

During this process, it is essential that we establish and improve separation and purification technologies in accordance with the materials, as well as make technological improvements and renew existing manufacturing equipment for each production process. At the same time, we develop and intensify a network* for collecting recycled raw materials.

The Environmental Action Plan includes group-wide efforts to increase the use of reused and recycled raw materials.

Waste reduction

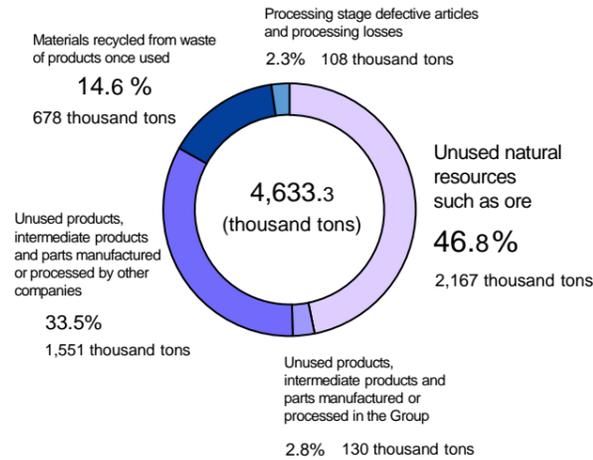
Each manufacturing site of the Group strives to reduce waste through minimization and efficiency of resources used. We work to reduce the final disposal volume by improving the recovery rate of valuable resources, promoting the 3Rs of packaging materials, and improving the yield rate of manufacturing processes. The Environmental Action Plan calls for setting a Waste Intensity Target at each site and group-wide efforts to reduce waste generation.

Of the amount of byproducts in FY2021, 55% within Japan and 12% overseas were recycled and used either within or outside of our Group.

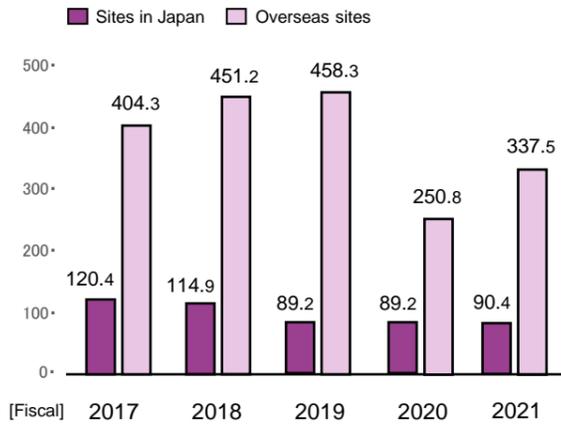
The major waste of overseas sites is tailings generated from mines. In FY2020, mining-related production declined due to COVID-19, resulting in a decrease in mining waste generated. In FY2021, production partially recovered, resulting in an increase in mining waste.

* Network for collecting raw materials: P.28-29 (initiatives of the Metals Sector)

Breakdown of usage by type of raw material (FY2021)



Amount of waste generation (thousand tons)



* Waste generation excluding reuse, recycling and heat utilization.
 * Revised the values for sites in Japan for FY2020 disclosed last year.
 * The major waste of overseas sites is tailings generated from mines.

Reduction of chemical substance emissions

Each manufacturing site of the Group files the release and the transfer amount of chemical substances to the government under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register [PRTR]). The management of hazardous chemical substances contained in products has become an essential requirement. We also respond to the guidelines for chemical substances contained in products, such as the RoHS Directive and the REACH regulations required by customers.

We aim to reduce the emission amount of environmental pollutants in accordance with the Environmental Action Plan, including our overseas sites. We continuously strive to collect and replace chemical substances that may cause environmental pollution. Thus we focus on reducing and removing use of such chemical substances from our products.

Prevent air pollution

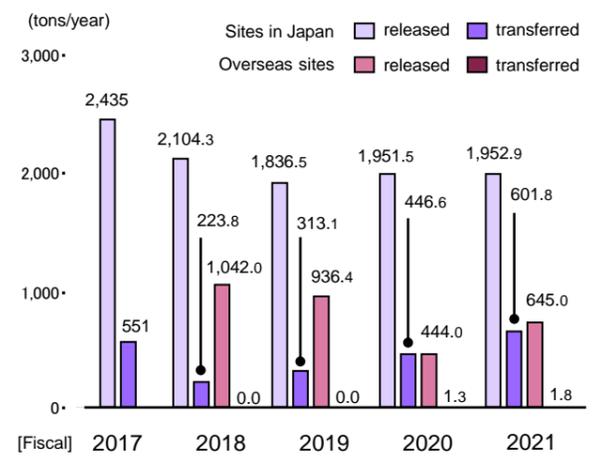
Mitsui Kinzoku Group monitors sulfur oxides (SOx), nitrogen oxides (NOx), and soot and dust emissions into the atmosphere at each manufacturing site and facility according to stricter voluntary standards in accordance with laws and regulations.

SOx is generated during the combustion of sulfur-containing fossil fuels such as oil and coal, and NOx from combustion equipment such as boilers and incinerators. We also collect and manage these monitoring results from each site across the Group and share emission reduction efforts and technologies.

Plastic emissions reduction

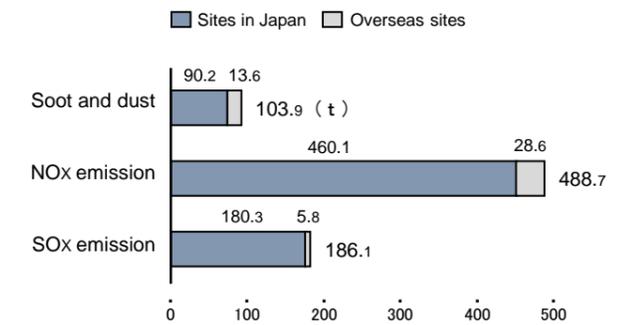
Plastic waste is having an increasingly serious impact on the environment around the world. Mitsui Kinzoku Group is striving to reduce the amount of plastic waste generated through measures including reducing the use of plastic in manufacturing processes, promoting the 3Rs of plastic packaging materials, and purchasing plastic products based on the perspective of emission control. In addition, we promote recycling and reuse of plastic waste generated. 71% of plastic waste was effectively utilized by various recycling methods in FY2021. We will further analyze the plastic use and disposal situation to consider further reduction and recycling.

Volume of chemical substances released and transferred



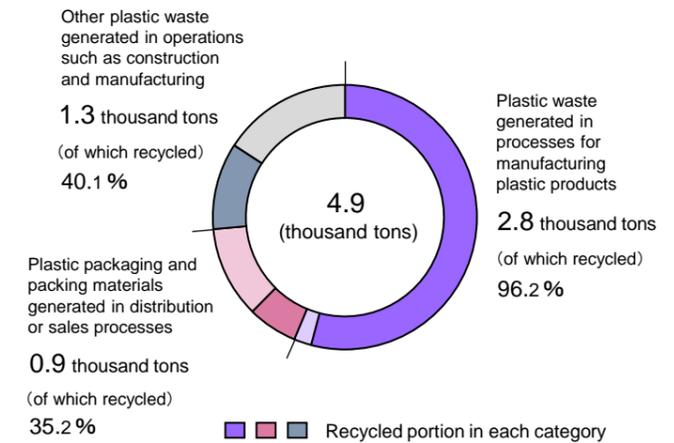
* Added the amounts of overseas sites from FY2018.
 * Revised the values for FY2020 disclosed last year.

Emissions to the atmosphere (FY2021)

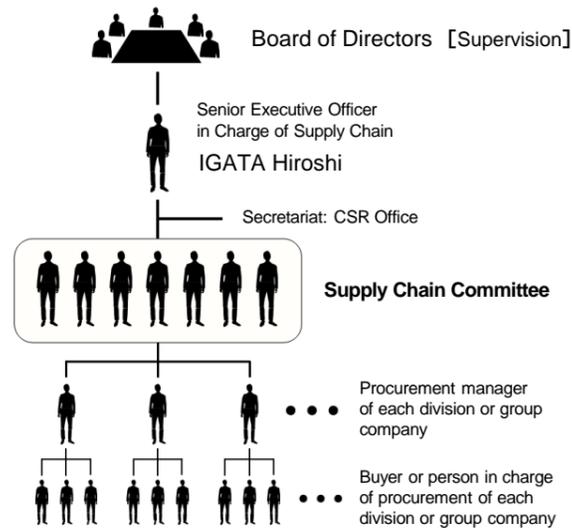


Amount of plastic waste generated (FY2021)

Breakdown and percentage of recycling



Supply chain management



Supply chain due diligence

Since FY2018, we have conducted supplier due diligence as part of its supply chain management, aiming to identify and address risks in its supply chain.

Within the Group, we hold SCM training for those in charge of procurement to ensure that they put our procurement policy into practice. We also evaluated implementation of the procurement policy in the framework of the internal human rights due diligence.

As for our supply chain, we request our tier 1 suppliers to implement the procurement policy and to manage their own suppliers. In addition, for the critical suppliers*2 that have been evaluated as having a particularly large impact on the Group's business, we request that they submit their signed agreement forms to the policy and complete SAQ (Self-Assessment Questionnaire) consisting of 50 questions in five sections (Labor, Health and Safety, Environment, Ethics, and General) in accordance with procurement guidelines in order to assess the implementation status of the policy.

(1) Initiatives in the second cycle (FY2021-2023)

Commitment (FY2024):

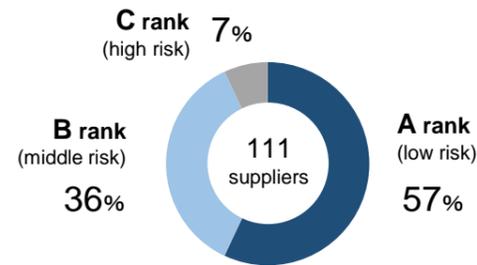
Effectively implement supplier due diligence and reduce critical risks in the supply chain

Targets (KPIs)

- Achieve the 100% annual SAQ implementation rate for the target suppliers
- Achieve the 100% engagement rate for corrective actions with C-ranked suppliers

(2) Performance in FY2021

Having defined the second cycle as the three years starting from FY2021 to FY2023, we have promoted supply chain management initiatives. In FY2021, we requested target suppliers identified through risk assessment, which are comprised of: (1) temporary staff agencies, (2) top 80% suppliers of amount procured in contractors and outsourced services, and (3) top 80% suppliers of duplicated suppliers based on total amount procured across all sectors of the Group, to complete SAQ. We collected responses from 111 suppliers, so that the implementation rate as a KPI was 86%. According to the SAQ result, 7% of all suppliers were C-ranked (at high risk). By supplier category, the scores were low among contractors and outsourced services. Among five sections, the scores were low in the items on the environment. We engaged with C-ranked suppliers to discuss risks and ways to improve them based on the analysis results. When risks are identified, improvement plans will be developed to take corrective actions.



Result of supplier SAQ for the critical suppliers in FY2021

We identified critical suppliers that were subject to SAQ in FY2021 as follows;

- (1) Temporary staff agencies
- (2) Top 80% suppliers of amount procured in contractors and outsourced services
- (3) Top 80% suppliers of duplicated suppliers based on the Group's amount procured

Performance in FY2021 (single year)

Measures	Number of supplier responses*3
Request to implement the procurement policy	981
Receipt signed agreement form	194
Implement SAQ	169

Initiative in the Group	Participants
In-house briefing about the procurement policy	130

We also engaged with four suppliers ranked C as a result of SAQ in the first cycle (FY2018-2020). After discussing the identified risks and checking the current initiatives, we had the suppliers with identified risks determine high-priority items and make improvement plans. We will regularly follow up on their progress according to their improvement plans and provide opportunities for dialogue when needed. Meanwhile, as we did in the first cycle, we requested implementation of the procurement policy, collected signed agreement forms from critical suppliers, and asked new suppliers, as well as suppliers whose responses were not collected in the first cycle, to complete SAQ.

Responsible minerals sourcing

As a corporate group in the minerals supply chain, Mitsui Kinzoku Group promotes responsible minerals sourcing. Along with the heightened global interest in responsible minerals sourcing, relevant risks are expanding. The scope of target risks is expanding to environment and human rights issue, target areas are widening to CAHRAs*4 and other minerals such as cobalt, silver, copper, zinc and lead are included as target minerals.

Mitsui Kinzoku Group has developed its management system in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We are working in close partnership with international initiatives such as the RMI*5, LBMA*6, and the LME*7.

We have formulated the Responsible Mineral Sourcing Policy as a comprehensive policy. In February 2020, we revised the policy after reviewing the at-risk regions and target minerals based on global trends, including the enforcement of EU regulations.

Based on the policy, each smelting business obtains third-party certification as a responsible smelter and renews it every year.

With regards to the tantalum smelting business, based on the RMAP*8 by the RMI, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformant status. We are also a member of ITSCI*9, a program for achieving due diligence in the tantalum mineral supply chain.

In the smelting business of gold or silver, we defined the "Gold and Silver Supply Chain Policy" and are performing initiatives in accordance with the LBMA's guidance. We conduct risk assessment every year, evaluating the suppliers of mineral raw materials as well as checking the areas of origin and transportation routes of mineral raw materials. Based on these evaluation results, an independent auditing company assures that mineral raw materials of our processed gold and silver have been sourced from areas not affected by any conflicts or any other risks. We submit the audit report to LBMA. The assurance reports issued by the auditing company and the report to LBMA are available on our website.

Having formulated the "Responsible Procurement Policy for Copper, Zinc, and Lead Ores," we will conduct risk assessment, evaluating the suppliers of mineral raw materials as well as checking the places of origin and transportation routes of mineral raw materials in line with the LME consultation on responsible sourcing. Based on these evaluation results, an independent auditing company will assure that mineral raw materials of our base metals registered at the LME are obtained from suppliers and areas of origin not affected by any conflicts and any other risks. We will submit the audit report to the LME after all audit processes are completed. We will also timely disclose the assurance report issued by the independent auditing company and the report to the LME on our website.

In businesses other than smelting, we conduct supply chain due diligence in line with industry standards, based on customer requests. We participate in the Responsible Minerals Trade Working Group by JEITA*10 and engage with downstream companies as well as global initiatives such as RMI through JEITA.

* 1 RBA : The Responsible Business Alliance

* 2 The critical suppliers : We have identified suppliers that meet any of the following criteria as critical suppliers.

They include non-production material suppliers of staffing, contracting/outsourcing, and service companies (transportation, warehousing, equipment, etc.).

- (1) Top 80% suppliers of amount procured
- (2) Suppliers supplying materials/products that have no alternatives or strategically important materials/products
- (3) Suppliers operating in regions in which CSR risk is considered high
- (4) Supplier group identified by other risk assessments

* 3 Including all existing/new suppliers that were not implemented in the first cycle (FY2018-2020).

The number of "Implement SAQ" includes 111 suppliers that were subject to SAQ in FY2021.

* 4 CAHRAs : Conflict Affected and High-Risk Areas

* 5 RMI : The Responsible Minerals Initiative

* 6 LBMA : London Bullion Market Association

* 7 LME : The London Metal Exchange

* 8 RMAP : The Responsible Minerals Assurance Process

* 9 ITSCI : International Tin Supply Chain Initiative

* 10 JEITA : Japan Electronics and Information Technology Industries Association

Mining business

We recognize that the mining business has a particularly large impact on the surrounding environment and the local communities.

Based on this recognition, we identify environmental and social issues related to our mining business and implement focused measures.

The Sustainability Action Plan for Mining Business and the mining business management

In FY2020, we formulated the Sustainability Action Plan for Mining Business. Based on our materiality, we identified risks related to mining pointed out in the basic principles of ICMM and by SASB for each mining site and consolidated those risks into priority initiatives. In the mining business management, we conduct progress control annually in order to achieve the KPIs stipulated in the action plan.

In addition to this progress control, we conduct annual surveys on human rights and environment using a self-assessment check sheet for sites engaged in mining activities at the operating mines for which we hold an investment ratio of more than 50% to manage related risks.

Grievance mechanism

In Peru, in response to stakeholder requests, we hold meetings with the local government and the community organizations on an as-needed basis to resolve issues. In the event of a conflict between the company and community that could affect the operation of the mines, a discussion with local residents is held with the attendance of a third party, such as the Ministry of Energy and Mines or the Social Disputes Officer in the President's Office. No such conflicts occurred in FY2021.

Item	Targets(KPIs)	Plans for FY2022
Human rights (Peru)	Establishment of a security guard system in accordance with the Human Rights Policy	Examine details of a contract with a security company
Community engagement (Peru)	Identification of impact on local communities	Identify activity results; Start examining what activities should be focused on
Water management (Peru)	(1) Implementation of measures to prevent surface water from permeating (2) Development of a plan to improve water recycling rate	(1) Study the effectiveness of a comprehensive surface survey, and prepare for the survey (2) Develop a plan to identify amounts of water consumed and discharged
Tailings dam management (Japan and Peru)	(1) Preparation and implementation of a plan to reduce waste based on an analysis of types of waste generated (2) Reinforcement and operation of a stability monitoring system (3) Completion of accident simulations	(1) Develop reduction plans by department and by type of waste (2) Evaluate the current monitoring system (3) Develop a plan to respond to accidents, start simulating accidents
GHG emissions /Energy management (Japan)	(1) Afforestation of the total area of 2,000 m ² of the Akeshi Mine by 2025 (2) Improvement of soil at the former open-pit mining site of the Kamioka Mine for afforestation (3) Completion of investigations for construction of a hydroelectric power plant	(1) Carry out afforestation (280 m ²) (2) Add soil and plant trees on a continuous basis (3) Examine the possibility of hydroelectric power generation

Excerpt from the Sustainability Action Plan for Mining Business

Relationships with the local communities around the mines

Compania Minera Santa Luisa that operates the Huanzala Mine and the Pallca Mine places importance on the engagement with the local communities around the mines, and is continuing to address the needs of the communities, such as by developing infrastructure, providing educational aid, and offering support for agriculture and livestock. In FY2021, the company donated an ambulance, medical oxygen generators and other items to support local communities affected by COVID-19.



Provision of relief supplies (an ambulance) to Huallanca village

Management of water

The Huanzala Mine and Pallca Mine manage the drainage of water in accordance with the EIA (Estudio Impacto Ambiental = Environmental impact study) and in compliance with the relevant legislation. For the Huanzala Mine, where acidic water is generated in the mine due to an abundance of sulfide of iron in ore, we focus particularly on thorough neutralization treatment of the water. The flotation plant at the Huanzala Mine is also advancing efforts to recycle water and striving to reduce the amount of water being used. The Huanzala Mine has obtained ISO 14001 certification.

Management of the tailings dam

If an accident were to occur at a tailings dam, where tailings are managed and stored, it could have an enormous impact on the surrounding environment and communities. We regard the leakage incidents of tailings dams as one of the major risks in the mining business and manage tailings dams in accordance with applicable technical guidelines and manuals. In FY2021, the repair work on the bottom culvert was carried out at one domestic tailings dam.

The amount of tailings reclaimed at overseas mines in FY2021 is 336,241 tons *1 at the Huanzala Mine.

*1 Ores mined at the Pallca Mine are being processed at the flotation plant at the Huanzala Mine, and therefore, the amount of tailings at the Huanzala Mine includes the amount originating from the Pallca Mine.

Closure plan

We have drawn up closure plans of mines subject to applicable laws, and guarantee or accumulate expenses for closure to minimize the environmental impact and risk after closure. In FY2021, we removed sediments from the former waste rock storages and planted grass on the sites as preparatory work for the closure of the Huanzala Mine.

Mine	Closure plan	Amount of guaranteed/accumulated expenses (FY2021)
Huanzala Mine (Peru)	Planned	10.3 million US dollars
Pallca Mine (Peru)	Planned	2.6 million US dollars
Akeshi Mine (Kagoshima, Japan)	Not planned	255.1 million yen *2

*2 The amount of accumulated funds for the Akeshi Mine indicated in the table is that for a tailings dam located at a refinery related to the mine.

Management of suspended and closed mines

Even for mines that have been suspended or closed, wastewater processing and disposal management continue to be performed in compliance with the Mine Safety Act and related environmental laws. We are managing the maintenance of the tailings dams and the former mine entrance, conducting neutralization treatment of acid mine drainage that includes heavy metals, and performing the monitoring of water quality. We also visit and check the area, as well as perform environmental audits, on a regular basis in order to make sure that the mines are being properly managed. In FY2021, we sealed off the former mine entrances.

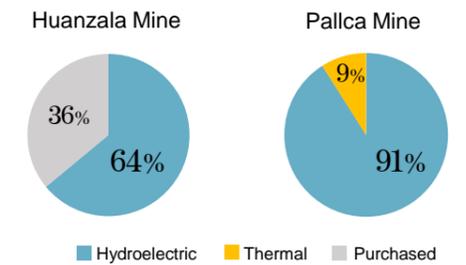
Initiatives to conserve biodiversity

The areas surrounding the Huanzala Mine and Pallca Mine, which are situated at an elevation of over 3,000 meters, are home to flora and fauna that are unique to that particular environment. In order to minimize the impact of mine development and operations on these flora and fauna, we conduct appropriate treatment of acidic water, environmental baseline surveys, and bi-annual habitat surveys. In addition, training on biodiversity conservation is provided to employees upon joining the company and once a year.

Use of renewable energy

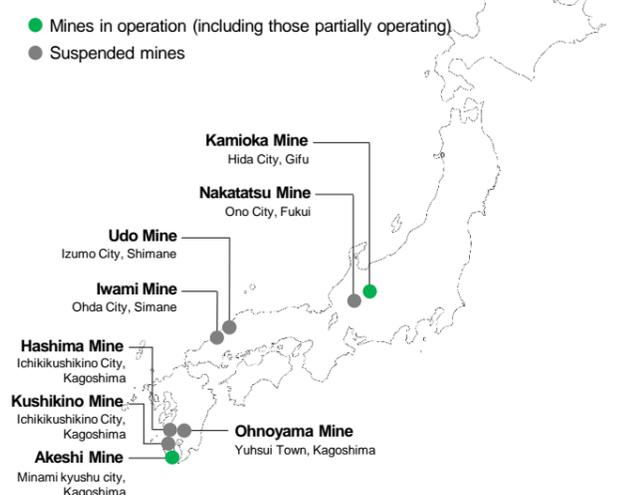
The Huanzala Mine and Pallca Mine each own one hydroelectric power plant, and use the electricity generated in their operations.

Breakdown of annual electricity use by type (FY2021)



Water intake of the hydroelectric power plant (near the Pallca Mine)

Mines that are in operation and suspended in Japan



Mitsui Kinzoku Group Sustainability Initiatives

We have compiled the progress of initiatives based on materiality. We have changed the format of the list used until last year, and reviewed the plans of some items.

[Assessment standards]

- △: Not achieved as planned
- : Achieved as planned
- ◎: Achieved more than planned

[CSV standards \(opportunities\):](#)
[Environmental and social standards of products](#)

The environmental contribution products system

Commitment (FY2024)

Ensure voluntary entries for the system from business units each fiscal year

Targets (KPIs)

Make the system work in full-scale

Related SDGs G9, G11, G12, G13

Plans for FY2021

- LCA trial
- Set up an internal LCA certification organization
- Start to accept applications
- Incorporate into the 22 Mid-Term Management Plan

Performance in FY2021

- Conducted as planned
- Postponed to FY2022 or later due to reorganization
- Same as above
- Conducted as planned for Engineered Materials Sector

Self assessment ○

Plans for FY2022

- Operate LCA at Engineered Materials Sector
- Start introducing LCA to Business Creation Sector
- Set up an internal LCA certification organization
- Start to accept applications

[ESG risk management frameworks](#)

The environmental and safety management systems

Commitment (FY2024)

Continuously improve the management systems in accordance with ISO standards

Targets (KPIs)

- Continuously operate and update the ISO management system at major manufacturing sites
- Operate and improve the internal management system in accordance with ISO at small and non-manufacturing sites

Related SDGs G8, G9

Plans for FY2021

- Monitor and improve the management system at major manufacturing sites based on our related policies
- Disseminate important points of the management system to small and non-manufacturing sites

Performance in FY2021

- Conducted as planned
- Conducted as planned. Set the target and confirmed compliance. Shared topics such as other sites' accidents, legal information and chemical substance management information

Self assessment 1. ○ 2. ○

Plans for FY2022

- Continue monitoring and improving operation management systems at major manufacturing sites
- Identify important issues on environmental protection and occupational health and safety at small and non-manufacturing sites and discuss measures

Human rights due diligence

Commitment (FY2024)

Conduct human rights DD based on the human rights policy, identify risks, and implement effective measures

Targets (KPIs)

- Complete human rights DD for 85% of 56 manufacturing & development sites and affiliated companies which are closely related to those sites
- Review survey results and improve the survey items

Related SDGs

G1, G4, G5, G8, G10, G11, G16

Plans for FY2021

- Conduct human rights DD at 6 affiliates (3 in Japan and 3 overseas)
- Improve the questionnaire based on the results of human rights DD and updates of the RBA Code of Conduct

Performance in FY2021

- Conducting DD at 3 affiliates in Japan. To conduct DD at 3 overseas affiliates in FY22
- Conducted as planned. Completed improving SAQ

Self assessment 1. △ 2. ○

Plans for FY2022

- Conduct DD at 12 affiliates (7 in Japan and 5 overseas, including 3 originally planned for FY21)

Supply chain management

Commitment (FY2024)

Effectively implement supplier DD to reduce critical risks in the supply chain

Targets (KPIs)

- Achieve the 100% annual SAQ implementation rate for the target suppliers
- Achieve the 100% engagement rate for corrective actions with C-ranked suppliers

Related SDGs G8, G12

Plans for FY2021

- (1) Temporary staff agencies, (2) Top 80% suppliers of amount procured in contractors and outsourced services, and (3) Top 80% suppliers of duplicated suppliers based on total amount procured across all sectors of the Group
- Take corrective actions for the C-ranked of FY19-20

Performance in FY2021

- Conducted for 86% of the target suppliers
- Conducted as planned for 4 suppliers

Self assessment 1. △ 2. ○

Plans for FY2022

- (1) Critical suppliers of strategic parts that cannot be substituted
- (2) Top 80% of suppliers by procurement who were not critical suppliers in the first cycle
- Corrective actions for C-ranked suppliers
- Discuss initiatives for supply chain management based on the Purpose

Mining business management

Commitment (FY2024)

Reduce ESG risks specific to the mining business through appropriately managing materiality items

Targets (KPIs)

- Implement the Sustainability Action Plan for Mining Business at mining sites (including closed mines)
- Survey the operating mines with a capital ratio of >50% about human rights and environmental risk of mining business

Related SDGs

G3, G4, G6, G7, G8, G9, G12, G13, G15, G16

Plans for FY2021

- Check the progress of FY21 initiatives and follow up on them. Verify the plan for the next fiscal year
- Review FY20 survey results and consider corrective actions

Performance in FY2021

- Conducted as planned (Akeshi). Identified waste category and quantity as planned. Postponed other to FY22 (Santa Luisa).
- Conducted as planned. Continued to inform local communities of blasting.

Self assessment 1. △ 2. ○

Plans for FY2022

- Start the plan carried over from FY21 early by using a consultant (Santa Luisa)
- Review FY21 results and consider corrective actions (Akeshi, Santa Luisa)

[Materiality: ESG risk \(Environment\)](#)

04 GHG emissions

Commitment (FY2024)

Remain on track to achieve a 38% reduction in GHG emissions by FY30

Targets (KPIs)

- Scope1,2 Follow reduction targets
- Scope3 Reduce emissions in the priority categories
- Initiate forest offsetting activities

Related SDGs G13

Plans for FY2021

- (1) Set up Climate Action Team
- (2) Internally deploy TCFD scenario analysis
- (3) Disclose TCFD-related information
- (4) Incorporate GHG reduction targets into the 22 Mid-Term Management Plan of each business unit
- Narrow down scope for GHG emissions calculation and build a management mechanism
- Explain about forest offsetting to internal stakeholders and find out about collaborating organization

Performance in FY2021

- Conducted as planned
- (2) Created educational materials for analysis. Completed analysis at Catalysis Div. and Copper Foil Div.
- (3) Disclosed analysis results of Metals Sector in the Integrated Report
- Conducted as planned. Trial calculation of GHG emissions at a model site (Copper Foil Div. Ageo Plant). Manual creation underway
- Conducted as planned. Visited a candidate place

Self assessment 1. ○ 2. ○ 3. ○

Plans for FY2022

- (1) Continue TCFD scenario analysis internally
- (2) Continue disclosing TCFD-related information externally

- (3) Manage progress for GHG reduction targets of each sector (under progress management of the Mid-Term Management Plan incorporating the targets)
- Develop and internally operate a mechanism for GHG emissions calculation
- Select a place and launch a pilot project

05 Energy management

Commitment (FY2024)

- Investigate the potential for utilizing renewable energy and promote its introduction
- Further deepen energy conservation by utilizing unused energy

Targets (KPIs)

- 100% survey of new utilization of renewable energy
- 100% survey on the potential of unused energy at sites in Japan

Related SDGs G7, G9

Plans for FY2021

- (1) Survey available land (e.g. vacant land, roofs, water surface)
- (2) Disseminate our initiatives and the significance of renewable energy among employees and sites
- (3) Investigate the possibility of using renewable energy and cross using among sites
- Consider energy use reduction target

Performance in FY2021

- (1) Conducted as planned. Estimated potential of solar power generation
- (2) Supported initiatives at sites as needed
- (3) Postponed study due to untimeliness
- To consider after Energy Saving Act is revised (in June 2022)

Self assessment 1. ○ 2. △

Plans for FY2022

- (1) Provide technical assistance when starting up and follow up
- (2) Follow up on switch to renewable energy at sites
- Create and operate facility guidelines, and enhance measures to reduce energy use

06 Water management

Commitment (FY2024)

- Assess water stress at each site, optimize water withdrawn, and minimize consumption
- Ensure safe treatment of wastewater

Targets (KPIs)

- Reduce water consumption according to the result of the water stress assessment

- Zero discharge of untreated wastewater into public waters (excluding clean spring water, unpolluted storm water, and discharge to sewerage system)

Related SDGs G6

Plans for FY2021

- Identify major sites to be prioritized through the water stress assessment and start planning 3R
- Monitor the latest laws and regulations and technological trends related to water quality control of discharged water, and initiate to improve operations and facilities

Performance in FY2021

- Conducted as planned. Considered, planned, and conducted 3R activities at overseas sites in regions with high water stress (e.g. China, India)
- Conducted as planned. Eliminated environmental impact of discharged water.

Self assessment 1. ○ 2. ○

Plans for FY2022

- Implement water 3R plan at priority sites in a phased manner, and identify reduction effects using the environmental survey sheet for quantitative evaluation
- Thoroughly manage operations and facilities related to quality control of discharged water to prevent incidents

07 Waste and hazardous materials

Commitment (FY2024)

- Strive to reduce using hazardous chemical substances and treat them appropriately, and minimize their release into the environment
- Play a role in a resource-cycling society by using recycled materials and reducing waste at each business unit

Targets (KPIs)

- Hazardous chemical substances Identify the amount of emissions and transfers at each major site and set reduction targets
- Promote recycling and waste reduction (1) Identify the final disposal volume of waste (not utilized in 3R and thermal recycle) at major sites, and set reduction targets (2) Identify the ratio of recycled materials and set targets, or optimize the ratio at each site (3) Select good waste disposal companies, and confirm they treat properly

Related SDGs G12

Plans for FY2021

1. Identify the amount of hazardous chemical substances emitted and transferred at target sites, and decide substances to manage with priority and possible reduction measures (substitution, process improvement)
2. (1) Share Group's good practices of the effective use of waste (3R and thermal recycle) and expand the effective use
(2) Continuously aggregate the ratio of recycled materials

Performance in FY2021

1. Conducted as planned. Identified the amount transferred using the environmental survey sheet and considered future measures
2. Conducted as planned
(1) Implemented measures as a model case for resource recycling through cooperation among 4 sites in Ageo. Information to be shared within the Group
(2) Continued to aggregate/discard the ratio of recycled materials using the environmental survey sheet

Self assessment 1. ○ 2. ○

Plans for FY2022

1. Set reduction targets for substances to manage with priority and manage progress for specific reduction measures at target sites
2. (1) Share Group's good practices of the effective use of waste (3R and thermal recycle) and expand effective use
(2) Continue to aggregate/discard the ratio of recycled materials using the environmental survey sheet

08 Impacts on biodiversity

Commitment (FY2024)

1. Identify impacts of our business activities on biodiversity and prevent environmental damage
2. Effort to restore the ecosystem where we have directly developed

Targets (KPIs)

1. Evaluate the impacts on ecosystems at sites and implement countermeasures
2. Restoration by planting trees on the land we have directly developed

Related SDGs G14, G15

Plans for FY2021

1. Conduct assessment about impacts on ecosystems by referring to information provided by public institutions and citizen groups in each region
2. Plan and manage the progress of planting or other restoration on the land we have directly developed

Performance in FY2021

1. Conducted as planned
2. Conducted as planned

Self assessment 1. ○ 2. ○

Plans for FY2022

1. Decide measures suitable for operations at sites based on the assessed impacts on ecosystems
2. Continue to plan and manage the progress of planting or other restoration on developed land

Materiality: ESG risks (Social)

09 Health and safety

Commitment (FY2024)

1. Maintain a safe, hygienic, and healthy work environment where all employees can work worry free
2. Eliminate serious accidents

Targets (KPIs)

1. Safe, hygienic, and healthy workplace
(1) Reduce the number of accidents resulting in no lost time or more <30
(2) Reduce the number of occupational accidents/diseases <10, especially for new employees (<1 years of employment), senior employees (>60 years old) and employees from foreign countries
2. Eliminate serious accidents
(1) Reduce to zero: the number of serious accidents (fatal accidents)
(2) Reduce to zero: the number of accidents that cause irreversible physical sequelae
(3) Hazard simulation training

Related SDGs G8

Plans for FY2021

1. (1) Test the monitoring of physical condition using biometric sensors
(2) Prioritize unskilled workers to participate in hazard awareness training
(3) Workplace surveys
(4) Create training materials and work manuals in multiple languages
2. (1) Expand the sources of hazards covered by the lockout system (residual energy, liquid chemical)
(2) Identify hazardous sources of facilities and operations to be removed, substituted, and isolated
(3) Select and install VR equipment

Performance in FY2021

1. Conducted as planned
(1) Conducted at a model site
(2) Provided follow-up education for unskilled workers. Reduced the ratio of new employees' work-related accidents
(3) Introduced assistance equipment and toe spring safety shoes. Provided safety education for senior employees. Reduced the ratio of affected senior employees
(4) Created English, simplified Chinese, and Portuguese versions

2. Conducted as planned

- (1) Checked the level of establishment of the lockout system at sites (Japan, overseas) with safety audits. Almost established for electricity systems. Continuing the activity to establish operation for residual energy and liquid chemical and check through audit
(2) Enforced the Mitsui Kinzoku Standards for high-risk facilities. Reviewed the standard for designating sites for special safety reinforcement/guidance. Each site discussed cases of accidents at other companies
(3) Surveyed and selected VR equipment for hazard awareness. Postponed the introduction to FY22 due to COVID-19

Self assessment 1. ○ 2. ○

Plans for FY2022

1. (1) Determine whether to adopt physical condition monitoring using biometric sensors at a model workplace
(2) Prioritize focus workers to participate in hazard awareness training. Regularly conduct interviews by forepersons. Continue dialogue with the head of the sector
(3) Make improvements from the perspective of senior employees based on the results of a workplace survey at a model workplace
(4) Install graphic warning signs. Create training materials and work manuals in the languages used at sites
2. (1) Expand the sources of hazards covered by the lockout system (residual energy, liquid chemical). Conduct lockout training. Check operation status with ISO45001 internal audits and safety audits
(2) Create improvement plan for identified hazardous facilities and operations
(3) Trial use of VR equipment at sites. Create a loan program for hazard awareness VR equipment and launch it

10 Human rights

Commitment (FY2024)

- Implement the Group's mitigation measures for human rights risks identified in human rights DD

Targets (KPIs)

1. Based on the results of human rights DD, identify priority theme and formulate policies /procedures
2. Design a human rights training program that includes the policies/procedures, and deploy it within the Group

Related SDGs G1, G4, G5, G8, G10, G11, G16

Plans for FY2021

1. Review the results of human rights DD, identify new issues and develop individual policies/procedures

Performance in FY2021

1. Conducted as planned. Developed detailed rules for child labor and consideration for religious beliefs

Self assessment 1. ○

Plans for FY2022

1. (1) Identify issues by country/region regarding detailed rules for child labor and consideration for religious beliefs
(2) Establish the two rules above (translate them into other languages)
(3) Consider developing detailed rules for other risks

11 Fair business practices

Commitment (FY2024)

- Establish a global anti-bribery system and a PDCA cycle for fair business practices

Targets (KPIs)

- All Group employees are aware of the prohibition of bribery and fair business practices

Related SDGs G16

Plans for FY2021

1. Anti-bribery agreement with suppliers (Initiate in Indonesia and Malaysia)
2. Training on fair business practices (Antimonopoly Act and Subcontract Act), include CSR provisions to contract forms
3. Legal audits and follow-up

Performance in FY2021

1. Conducted in Vietnam and Indonesia. Completed in Vietnam and ongoing in Indonesia.
2. Provided training on Antimonopoly Act, Subcontract Act, and anti-bribery in China. Completed a form including CSR provisions (Indonesia, India)
3. Postponed to FY22 or later due to COVID-19

Self assessment △

Plans for FY2022

1. Deploy anti-bribery agreement/contracts including CSR provisions (Indonesia, Malaysia)
2. Continue training on fair business practices (Antimonopoly Act and Subcontract Act)

Materiality: ESG risks (Governance)

12 Governance

(including Compliance and ICT Governance)

Commitment (FY2024)

1. Enhance corporate governance
(1) Establish a system that the Board of Directors effectively supervises the initiatives for medium- and long-term issues by the execution
(2) Regular risk assessment to enhance the risk management function
2. Compliance system
(1) Establish a compliance system at all sites
(2) Operate the whistle-blowing system for internal and external stakeholders
3. ICT Governance
Establish an information management system in all sectors

4. Information disclosure and transparency

- Establish a management system for information disclosure

Targets (KPIs)

1. (1) Share information on the status of initiatives for the medium- and long-term issues with Directors, and ensure timely and appropriate discussions of issues at the Board of Directors
(2) Establish a risk management system to identify risks, formulate countermeasures and evaluate them on an annual basis
2. Ensure that all Group employees are aware of compliance
3. Minimize the risk of information leaks due to management weakness
4. Establish disclosure standards and a prompt and fair information disclosure system

Related SDGs G16

Plans for FY2021

1. (1) Appoint Chairman of the Board of Directors and CEO separately, appoint a female director
(2) Respond to the revised CG Code
(3) Evaluate the effectiveness of the Board of Directors
(4) Risk assessment at all sites
(5) Create a risk map based on identified risks
(6) Develop and implement risk reduction activity plans
2. (1) Promote compliance in Indonesia
(2) Compliance awareness survey for employees
(3) Compliance training
3. (1) Build information management system in business units/affiliates
(2) Establish SOC (overseas)
(3) Risk assessment at each site
4. Check the current disclosure process and identify issues

Performance in FY2021

1. Conducted as planned
(2) Disclosed Governance Report responding to the revised CG Code. Organized issues
(5) Analyzed the risk map and compiled FY21 Risk Management Report
(6) Sent, collected, and analyzed survey forms for risk minimization
2. Conducted as planned
(1) Creating Compliance Guidebook for sites in Indonesia
(2) Received about 7,000 responses
(3) Participants totaled more than 600 in Japan and more than 70 in China
- As multiple lines were established for the whistle-blowing system in FY20, the number of reported cases increased by 44% year on year
3. Conducted as planned
(1) Completed Phase 1 of building information management system. Revised the information management trade secret guidelines. Appointed persons in charge of information management at each site
(2) Conducted at half of the target sites
(3) Prepared for risk assessment of individual companies' systems
4. Conducted as planned

Self assessment 1. ○ 2. ○ 3. ○ 4. ○

Plans for FY2022

1. (1) Strengthen responses to individual items of the revised CG Code
(2) Implement operation improvement measures based on the evaluation of the effectiveness of the Board of Directors
(3) Roll out the risk map
(4) Conduct risk reduction activity and check the effects
2. Complete Phase 1 of compliance promotion in Asia. Consider and implement compliance promotion measures in Europe and the Americas (including Peru)
3. (1) Enhance information management system linked with production technology enhancement
(2) Complete SOC establishment (overseas)
(3) Risk assessment of individual companies' system
(4) Build a system-based control mechanism regarding detailed rules for ICT use
4. Identify if there are any new issues and consider measures

Initiatives supporting the progress of the materiality (Capital for value creation)
Human capital

Diversity

Commitment (FY2024)

- Realize a corporate Group in which diverse human resources demonstrate their abilities

Targets (KPIs)

1. Change the human resources system so that diverse human resources demonstrate their abilities, regardless of age, gender, or other personal attributes
2. Create a workplace in which diverse human resources can continue to work
(1) By FY24, increase the percentage of newly hired female employees in Japan to 20% or more, and increase the percentage of female managers to 5% or more
(2) Establish systems to support work-life balance, and disseminate them to employees
(3) Increase the percentage of taking maternity leave for their spouses to 50% or more
3. Establish an internal dissemination system, and share information on a regular basis, and introduce the systematic diversity training plan

Related SDGs G4, G5, G8

Plans for FY2021

1. Design the human resources system and provide briefing sessions
2. (1) Continue recruitment seminars for women and international students
(2) Interviews and issue analysis for increasing female managers
(3) Examine systems for work-life balance and make them known to employees
3. Training for realizing a diverse and inclusive workplace (1) diversity (2) Training on promotion of women's participation and advancement

Performance in FY2021

1. Conducted as planned
2. Conducted as planned
- (3) Reviewed the transfer-related system
3. Conducted as planned
- (1)361 employees participated (2) 14 employees participated

Self assessment 1. 2. 3.

Plans for FY2022

1. Introduce and establish a new human resources system
2. (1) Continue recruitment seminars for women and international students
- (2) Examine and improve systems
- (3) Assess usage of existing systems in the previous year and improve measures
- (4) Set up Diversity, Equity and Inclusion Committee
- (5) Set indexes for transforming job satisfaction and start measurement
3. Start new training for active involvement of female employees as well as unconscious bias training and training for female managers and female manager candidates

Health management

Commitment (FY2024)

Support realizing a workplace and physical and mental health for all employees to work at the forefront as they age

Targets (KPIs)

1. Preventive measures for mental and physical health risks
- (1) Maintain and raise health literacy
- (2) Reduce the ratio of high-stress employees to the average ratio reported by the research company by the end of FY24
- (3) Raise and maintain the Group's specific health guidance implementation rate to 35% or more by the end of FY24
2. Measures for high-risk/high-stress employees
- Introduce a system to support the balancing of treatment and work

Related SDGs G3, G8

Plans for FY2021

1. (1) Disseminate the health management commitment both internally and externally
- (2) Establish an operational system for the health management
- (3) Provide feedback on stress check results to each workplace, select priority workplaces, conduct hearings, and support improving
- (4) Check the training and events conducted at each site, and consider expanding them to the entire company
- (5) Mental health training at all sites
- (6) Review the target for the specific health guidance implementation rate
2. Examine systems to support the balancing of treatment and work

Performance in FY2021

1. Conducted as planned
- (1) Posted on the intranet and the corporate website
- (2) Established the system to be certified as a Health and Productivity Enterprise in FY22
- (5) Conducted at each site. Created contents for group-wide e-learning
- (6) Achieved an implementation rate of 23.2% (target: 20%), and reviewed the target
2. Conducted as planned

Self assessment 1. 2.

Plans for FY2022

1. (1) Disseminate the health management commitment both internally and externally
- (2) Analyze company-wide health checkup data, identify health issues, set health management targets, and make improvement efforts
- (3) Provide feedback on stress check results to each workplace, continue hearing, check of the status of workplace improvement, and support for improving at priority workplaces
- (4) Check the implementation status of training and events conducted at each site. Consider expanding them to the entire company
- (5) Continue mental health training, e.g., self-care and line care, at all sites
- (6) Achieve 35% or higher specific health guidance implementation rate at the Group during the period of the 22 Mid-Term Management Plan
2. Introduce and operate systems to support the balancing of treatment and work

Human resources development

Commitment (FY2024)

Develop employees who have their own will for value creation

1. Support self-motivated career development and capacity development and implement development measures for value creation
2. Provide employees with global and equal learning opportunities

Targets (KPIs)

1. Training measures for value creation
- (1) Build systems for employees' self-motivated career development
- (2) Improve convenience of training to allow equivalent of learning whether in or outside Japan
- (3) Provide learning formats and contents that support self-motivated career development
- (4) Provide contents that incorporate sustainability
- (5) Implement Group-wide ICT training for ICT literacy
2. Continue to open each training program to group-wide employees of affiliates and national staff and enhance the contents

Related SDGs G4, G8

Plans for FY2021

1. (1) Review and introduce a human resource development system for the new human resources system
- (2) Conduct career training, open career web site
- (3) Discuss the system for self-motivated career development
- (4) Continue to develop career consultants
- (5) Conduct the SDGs workshop and provide education on integrated thinking-based Management
- (6) Plan Group-wide ICT education
2. (1) Improve the training plan for national staff
- (2) Support local training in China

Performance in FY2021

1. Conducted as planned
- (3) Introduced LMS
- (4) Appointed two additional career consultants
2. (1) Postponed due to COVID-19
- (2) Conducted as planned. Implemented the Mitsui Kinzoku Next Leader Development Project in China

Self assessment 1. 2.

Plans for FY2022

1. (1) Start operating a human resource development system for the new human resources system
- (2) Provide career training, and maintain and manage the career support website
- (3) Operate LMS
- (4) Continue to develop career consultants and conduct career consulting
- (5) Provide education on integrated thinking-based management, and continue SDGs training
- (6) Establish an ICT training system
2. Support training at overseas sites

Intellectual capital

Intellectual property

Commitment (FY2024)

1. Build a system for IP activities and IP governance for long-term value creation
2. Acquire IP and protect technologies to support business and new initiatives related to the environment and energy
3. Develop human resources through IP education that matches the type of job and rank

Targets (KPIs)

1. (1) Reorganize and build systems for governance (respond to the revised CG Code)
- (2) Maintain the number of IP specialists assigned to each sector
- (3) Share internal IP information
- (4) Regularly disclose information externally (once a year) through the Integrated Report and the corporate website

2. (1) Practice IPL to support creation of new business opportunities (value) related to material cycle and CASE
- (2) The number of patent applications from each sector should be equal to or greater than that of the previous year. Increase the number of departments that use time stamps
3. Continue group-wide IP education and enhance initiatives to employ and develop IP specialists

Related SDGs G4, G9

Plans for FY2021

1. (1) Consider specific changes in the organization/system for improving the comprehensive strength of the IP management structure
- (2) Develop initiatives to take under the 22 Mid-Term Management Plan
2. (1) Continue and improve support for existing and new business research
- (2) Pre-survey on the 22 Mid-Term Management Plan themes related to carbon neutral, energy creation
- (3) Promote applications related to the material cycling and CASE
- (4) Study and promote introducing DX for IP management and research
3. Continuously implement and improve IP education (Web)

Performance in FY2021

1. Conducted as planned
- (1) Adopted a structure under which all IP specialists belong to IP Dept.
2. (1) Conducted as planned
- (2) Pre-survey on patents related to carbon neutrality
- (3) Changed to an initiative to take under the 22 Mid-Term Management Plan due to reorganization
- (4) Conducted as planned. Started trial of an AI tool
3. Conducted as planned. Shifted to the hybrid system combining on-demand and online group training

Self assessment 1. 2. 3.

Plans for FY2022

1. (1) Organizational change to build an IP governance system
- (2) Consider a mechanism for internal information dissemination
- (3) Examine and announce contents to disclose through the corporate website and the Integrated Report
2. (1) Survey and start analysis on IP-related technical issues (e.g. CN, material cycle, CASE-related) group-wide
- (2) Enhance IPL tools. Consider a system specialized in survey and planning
- (3) Set up a DX promotion project
3. (1) Continue hybrid training
- (2) Consider an education system for IP specialists

Quality assurance

Commitment (FY2024)

Contribute to society and customers by optimizing the quality of products and services

1. Maintain a compliance system in line with the QAGL
2. Provide customers and society with information on product functions, costs, health and safety, and sustainability (e.g. environmental and social impacts)
3. Start design and development considering function, cost, health and safety, and sustainability
4. Disclose the status of initiatives annually

Targets (KPIs)

1. Establish and operate a system for evaluation using the QAGL check sheet at target sites in Japan and overseas: 100%
2. All business units conduct evaluations using the "Information Provision Check Sheet" and implement guidelines: 100%
3. Evaluate all products and services using the Product and Service Design and Development Check Sheet: 100%
4. Disclose the initiatives through the Integrated Report and the corporate website (once a year)

Related SDGs G3, G6, G8, G9, G12

Plans for FY2021

1. (1) Establish a system and confirm through audits (Japan)
- (2) Disseminate QAGL (overseas)
2. (1) Research relevant laws and regulations in each country
- (2) Develop information provision guidelines and check sheets
3. Support establishing the environmental contribution product system and participate in its operation
4. Disclose initiatives 1-3 on the Integrated Report and the corporate website

Performance in FY2021

1. Conducted as planned
- (1) Promoted self inspection and check and improvement of identified issues. Conducted audits (14 sites in Japan)
- (2) QAGL briefing sessions (19 overseas sites)
2. (1) Conducted as planned (2) Postponed to FY22
3. Checked the progress of building the environmental contribution product system at each sector, and exchanged information with Sustainability Promotion Dept.
4. Conducted as planned (the Integrated Report and the corporate website)

Self assessment 1. 2. 3. 4.

Plans for FY2022

1. Establish a system and confirm through audits (Japan, overseas)
2. (1) Complete research on relevant laws and regulations in each country
- (2) Develop and make known information provision guidelines and check sheets
3. Participate in examining the environmental contribution product system
4. Continue to disclose the status of the initiatives and consider disclosure by other means

Social and relationship capital

Community engagement

Commitment (FY2024)

1. Continue current social activities and brush them up through engagement
2. Promote volunteer activities by employees
3. Contribute to sustainable consumption

Targets (KPIs)

1. Initiate engagement
2. Provide a platform for volunteer activities
3. (1) Use locally produced foods at cafeterias and in-house stores at the sites
- (2) Implement measures to reduce food loss in the cafeterias and the in-house stores
- (3) Switch office supplies to green procurement

Related SDGs G12, G13, G17

Plans for FY2021

1. Survey the actual status of engagement using internal questionnaire
2. Research on possible volunteer activities
3. (1) Survey the actual status of sustainable consumption at each site
- (2) Conduct a briefing session on sustainable consumption at each site

Performance in FY2021

1. Conducted as planned
2. Postponed due to COVID-19
3. Conducted as planned
- (1) Surveyed the actual status of corporate forest activity, local production for local consumption, food loss, and green ethical procurement
- (2) Exchanged opinions on future activities with administration depts. at 12 major sites. Sent request for green ethical procurement to sites in Japan. Installed a tea server at the Osaki Office to reduce plastic bottle waste

Self assessment 1. 2. 3.

Plans for FY2022

1. Survey the actual status of engagement using internal questionnaire (second)
2. (1) Check routes for purchasing food to be used at company cafeterias and dormitories
- (2) Start management of green ethical procurement status

11-Year Summary of Selected Financial Data

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

Millions of yen

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Consolidated Financial Highlights												
Net sales		431,058	417,219	441,046	473,274	450,553	436,330	519,215	497,701	473,109	522,936	633,346
Operating income		20,903	16,557	25,743	31,835	11,137	38,461	49,529	18,222	13,037	51,124	60,737
Ordinary income		19,168	16,194	13,656	21,096	(11,284)	31,047	11,239	17,755	9,318	51,265	65,990
Profit attributable to owners of parent		11,531	9,910	3,662	17,237	(20,926)	18,674	(708)	4,691	1,566	44,771	52,088
Capital expenditures		29,226	22,601	27,160	28,906	28,446	37,718	40,509	36,119	33,999	28,176	27,457
Depreciation		22,781	23,952	24,178	25,146	25,066	24,414	26,634	27,964	28,970	33,882	33,168
Research and Development expenditures		4,967	5,867	5,795	6,265	6,575	7,163	8,015	9,523	10,125	10,571	10,939
Cash flows from operating activities		30,992	38,058	38,003	37,245	50,397	24,218	52,436	40,696	36,107	27,565	60,672
Cash flows from investing activities		(31,039)	(47,208)	(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)	(16,324)	(25,538)
Free cash flows		(47)	(9,150)	(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274	11,241	35,134
Total assets		413,106	438,072	503,825	538,646	484,800	518,981	518,705	523,315	537,119	595,107	637,878
Net assets		140,175	155,049	169,867	207,106	179,566	184,421	178,652	179,673	173,255	210,560	250,048
Shareholders' equity		148,840	154,397	156,280	170,994	146,469	161,713	157,271	159,207	157,296	197,874	241,075
Interest-bearing debt		169,263	180,372	218,500	210,390	191,733	207,421	208,418	216,878	233,070	247,930	225,100
Per share of common stock												
EPS (Earnings per share) ※1	Yen	201.78	173.51	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43	784.01	912.00
BPS (Net assets per share) ※1	Yen	2,306.12	2,565.60	2,816.71	3,449.10	2,968.55	3,046.41	2,945.20	2,977.84	2,884.68	3,484.21	4,196.37
Cash dividends per share ※1	Yen	30	30	40	60	60	70	70	70	70	85	110
Dividend payout ratio	%	14.9	17.3	62.4	19.9	-	21.4	-	85.2	255.2	10.8	12.1
DOE (Dividend on equity ratio) ※2	%	1.2	1.1	1.5	2.0	2.3	2.5	2.5	2.5	2.5	2.5	2.6
Financial Ratios												
ROE (Return on equity)	%	9.0	7.1	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9	24.6	23.8
ROA (Return on assets)	%	4.7	3.8	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8	9.1	10.7
Net D/E ratio		1.15	1.13	1.26	0.98	1.03	1.10	1.11	1.15	1.22	1.09	0.82
Equity ratio	%	31.9	33.5	31.9	36.6	35.0	33.5	32.4	32.5	30.7	33.4	37.6

※1 The company conducted a share consolidation to change its share unit from 10 shares to 1 share on October 1, 2017. Past figures have been calculated assuming the share consolidation took place in 2012.

※2 In calculating the DOE (Dividend on Shareholders' Equity), we use the shareholders' equity at the end of the term.

Consolidated Balance Sheets

Millions of yen

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	2021	2022
Assets		
Current assets:		
Cash and deposits (Note 6)	¥ 30,413	¥ 29,615
Notes and accounts receivable (Note 19):		
Trade	103,687	—
Unconsolidated subsidiaries and affiliates	9,522	—
Notes and accounts receivable, and contract assets (Notes 3 and 19) :		
Trade	—	111,496
Unconsolidated subsidiaries and affiliates	—	10,731
Inventories (Note 4)	150,133	177,476
Derivatives (Notes 19 and 20)	968	1,042
Other current assets	19,295	28,945
Less: Allowance for doubtful accounts	(193)	(263)
Total current assets	313,827	359,045
Property, plant and equipment (Note 9):		
Land	31,501	31,671
Buildings and structures	197,675	203,320
Machinery and equipment	483,277	497,955
Leased assets	6,398	4,640
Construction in progress	9,778	10,269
Others	58,474	60,500
	787,106	808,356
Less: Accumulated depreciation	(587,068)	(611,232)
Total property, plant and equipment	200,037	197,124
Investments and other assets:		
Investment securities (Notes 5 and 19):		
Unconsolidated subsidiaries and affiliates	45,882	46,731
Others	11,330	9,200
Loans receivable:		
Unconsolidated subsidiaries and affiliates	—	—
Others	423	412
Deferred tax assets (Note 18)	5,875	5,702
Asset for retirement benefits (Note 21)	7,019	7,577
Others	10,794	12,198
Less: Allowance for doubtful accounts	(83)	(114)
Total investments and other assets	81,242	81,708
Total assets	¥ 595,107	¥ 637,878
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 19):		
Trade	42,338	55,727
Unconsolidated subsidiaries and affiliates	3,972	6,431
Others	19,095	18,524

	2021	2022
Short-term borrowings and commercial papers (Notes 7 and 19)	¥ 73,613	¥ 64,247
Current portion of long-term debt (Notes 7 and 19)	25,496	40,358
Current portion of lease liabilities	1,186	555
Accrued income taxes	2,891	5,265
Accrued expenses	9,877	10,224
Provision for product warranties	936	716
Provision for loss on construction contracts	0	0
Provision for improvement of business structure	249	—
Provision for loss on disposal of inventories	178	569
Derivative liabilities (Notes 19 and 20)	854	7,139
Other current liabilities (Note 8)	14,505	14,040
Total current liabilities	195,196	223,800
Long-term liabilities:		
Long-term debt (Notes 7 and 19)	148,821	120,495
Lease liabilities	1,790	1,472
Directors' and corporate auditors' retirement benefits	610	515
Deferred tax liabilities (Note 18)	5,618	5,666
Provision for environmental countermeasures	757	734
Provision for preventing environmental pollution in mineral, mining, and other operations	705	804
Provision for loss on litigation	116	163
Asset retirement obligations (Note 25)	3,753	4,320
Liability for retirement benefits (Note 21)	26,528	27,331
Other long-term liabilities	647	2,525
Total long-term liabilities	189,349	164,029
Total liabilities	384,546	387,829
Commitments and contingent liabilities (Note 10)		
Net Assets (Note 11):		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2021 and in 2022		
Issued - 57,296 thousand shares in 2021 and 57,310 in 2022	42,129	42,149
Capital surplus	22,631	18,701
Retained earnings	133,739	180,851
Less: Treasury stock		
190 thousand shares in 2021 and 191 thousand shares in 2022	(625)	(626)
Total shareholders' equity	197,874	241,075
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	3,059	2,512
Deferred gains (losses) on hedges, net of tax	(552)	(11,641)
Foreign currency translation adjustments	(2,696)	6,924
Accumulated adjustments for retirement benefit (Note 21)	1,283	821
Total accumulated other comprehensive income	1,093	(1,383)
Non-controlling interests in consolidated subsidiaries	11,591	10,356
Total net assets	210,560	250,048
Total liabilities and net assets	¥ 595,107	¥ 637,878

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Net sales (Notes 16 and 17)	¥ 522,936	¥ 633,346
Cost of sales (Notes 4 and 13)	420,717	510,782
Gross profit	102,219	122,564
Selling, general and administrative expenses (Notes 12 and 13)	51,094	61,826
Operating income	51,124	60,737
Non-operating income (expenses):		
Interest and dividend income	3,141	1,229
Interest expense	(1,670)	(1,852)
Foreign exchange gains	1,013	2,060
Investment gains (losses) on equity method	(1,673)	4,541
Real estate rent	508	511
Other, net	(1,179)	(1,237)
	140	5,252
Ordinary income (Note 17)	51,265	65,990
Extraordinary income (losses):		
Gain on sale of property, plant and equipment (Note 14)	8,350	245
Loss on sale and disposal of property, plant and equipment (Note 14)	(2,227)	(2,918)
Gain on sale of investment securities	9,666	900
Gain on sales of shares of subsidiaries and associates (Note 27)	13,450	—
Loss on impairment of fixed assets (Note 23)	(329)	(412)
Loss on step acquisitions	(1,500)	—
Loss on Transfer of Interest in the Copper Mine (Note 28)	(20,482)	—
Loss on warranty claims related to the automotive parts	(2,926)	—
Gain on reversal of customs duty for prior periods	—	1,141
Other, net (Notes 14)	(550)	(431)
	3,449	(1,475)
Profit before income taxes	54,714	64,514
Income taxes (Note 18):		
Current	5,611	10,612
Deferred	2,909	1,031
	8,521	11,643
Profit	46,193	52,871
Profit attributable to non-controlling interests	1,421	782
Profit (loss) attributable to owners of parent	¥ 44,771	¥ 52,088
Amounts per share of common stock:	Yen	Yen
Basic earnings per share (Note 22)	¥ 784.01	¥ 912.00
Cash dividends applicable to the year	85.00	110.02

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Profit	¥ 46,193	¥ 52,871
Other comprehensive income:		
Net unrealized gains (losses) on securities, net of tax	2,342	(532)
Deferred losses on hedges, net of tax	(182)	(7,971)
Foreign currency translation adjustments	5,156	10,129
Remeasurements of defined benefit plans, net of tax	1,569	(430)
Share of other comprehensive income (loss) of associates accounted for using equity method	(15,069)	(3,140)
Total other comprehensive income (Note 26)	(6,184)	(1,945)
Comprehensive income	¥ 40,008	¥ 50,925
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 38,429	¥ 49,610
Comprehensive income attributable to non-controlling interests	1,579	1,314

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

2021	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	57,296	¥42,129	¥22,631	¥93,159	¥(623)	¥157,296
Cash dividends paid				(3,997)		(3,997)
Profit attributable to owners of parent				44,771		44,771
Effect of changes in accounting period						
of consolidated subsidiaries				(195)		(195)
Acquisition of treasury stock					(1)	(1)
Change in ownership interest of parent due to						
transactions with non-controlling shareholders				(0)		(0)
Net changes of items other than shareholders' equity						
Balance at March 31, 2021	57,296	¥42,129	¥22,631	¥133,739	¥(625)	¥197,874

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 11)
Balance at April 1, 2020	¥659	¥(174)	¥7,275	¥(322)	¥7,436	¥8,522	¥173,255
Cash dividends paid							(3,997)
Profit attributable to owners of parent							44,771
Effect of changes in accounting period							
of consolidated subsidiaries							(195)
Acquisition of treasury stock							(1)
Change in ownership interest of parent due to							
transactions with non-controlling shareholders							(0)
Net changes of items other than shareholders' equity	2,400	(377)	(9,971)	1,606	(6,342)	3,069	(3,272)
Balance at March 31, 2021	¥3,059	¥(552)	¥(2,696)	¥1,283	¥1,093	¥11,591	¥210,560

See accompanying notes to consolidated financial statements.

Millions of yen

2022	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	57,296	¥42,129	¥22,631	¥133,739	¥(625)	¥197,874
Cumulative effects of changes in accounting policy				(122)		(122)
Restated balance		42,129	22,631	133,617	(625)	197,752
Cash dividends paid				(4,853)		(4,853)
Profit attributable to owners of parent				52,088		52,088
Acquisition of treasury stock					(1)	(1)
Share-based payments with transfer restrictions		20	20			40
Change in ownership interest of parent due to						
transactions with non-controlling shareholders				(3,950)		(3,950)
Net changes of items other than shareholders' equity						
Balance at March 31, 2022	57,310	¥42,149	¥18,701	¥180,851	¥(626)	¥241,075

	Net unrealized gains on securities, net of tax	Deferred gains(losses) on hedges, net of tax	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets (Note 11)
Balance at April 1, 2021	¥3,059	¥(552)	¥(2,696)	¥1,283	¥1,093	¥11,591	¥210,560
Cumulative effects of changes in accounting policy							(122)
Restated balance	3,059	(552)	(2,696)	1,283	1,093	11,591	210,438
Cash dividends paid							(4,853)
Profit attributable to owners of parent							52,088
Acquisition of treasury stock							(1)
Share-based payments with transfer restrictions							40
Change in ownership interest of parent due to							
transactions with non-controlling shareholders							(3,950)
Net changes of items other than shareholders' equity	(546)	(11,089)	9,620	(462)	(2,477)	(1,235)	(3,713)
Balance at March 31, 2022	¥2,512	¥(11,641)	¥6,924	¥821	¥(1,383)	¥10,356	¥250,048

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Cash flows from operating activities:		
Profit before income taxes	¥ 54,714	¥ 64,514
Depreciation and amortization	33,882	33,167
Loss on impairment of fixed assets (Note 23)	329	412
Gain and loss on sale of investment securities	(9,665)	(900)
Gain on sales of shares of subsidiaries and associates (Note 27)	(13,450)	—
Loss (gain) on sale of property, plant and equipment, net (Note 14)	(8,086)	(192)
Loss on disposal of property, plant and equipment (Note 14)	1,963	2,865
Gain on reversal of customs duty for prior periods	—	(1,141)
Increase (decrease) in allowance for doubtful accounts	(34)	76
Increase (decrease) in liability for retirement benefits	465	512
Interest and dividend income	(3,141)	(1,229)
Interest expense	1,670	1,852
Foreign exchange losses (gains)	(503)	(1,485)
Investment losses (gains) on equity method	1,673	(4,541)
Loss on transfer of interest in the copper mine (Note 28)	20,482	—
Loss on step acquisitions	1,500	—
Decrease (increase) in notes and accounts receivable	(25,287)	—
Increase in notes and accounts receivables and contract assets	—	(2,738)
Decrease (increase) in inventories	(23,565)	(21,815)
Increase(decrease) in notes and accounts payable	1,064	9,008
Other, net	(3,091)	(9,531)
Subtotal	30,919	68,834
Interest and dividend received	3,411	1,919
Interest paid	(1,692)	(1,868)
Income taxes paid	(6,571)	(9,190)
Income taxes refund	717	813
Other, net	782	165
Net cash provided by operating activities	27,565	60,672
Cash flows from investing activities:		
Purchases of investment securities	(187)	(528)
Proceeds from sale of investment securities	11,033	2,406
Proceeds from sales of shares of subsidiaries and associates	13,700	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6)	(2,786)	—
Acquisition of property, plant and equipment and other assets	(28,573)	(25,488)
Proceeds from sale of property, plant and equipment	15,934	678
Payments for retirement of property, plant and equipment and other assets	(1,264)	(2,068)
Decrease (increase) in short-term loans receivable, net	8,597	(49)
Payments for transfer of interest in the copper mine	(32,836)	—
Other, net	57	(488)
Net cash used in investing activities	(16,324)	(25,538)

Millions of yen

	2021	2022
Cash flows from financing activities:		
Net change in short-term borrowings and commercial papers	(3,566)	(11,686)
Proceeds from long-term debt	31,378	6,588
Repayment of long-term debt	(27,836)	(20,294)
Repayment of lease liabilities	(716)	(1,248)
Issuance of straight bonds	10,000	10,000
Redemption of straight bonds	(20,000)	(10,000)
Cash dividends paid	(3,997)	(4,853)
Dividends paid to non-controlling interests	(432)	(333)
Purchase of shares of consolidated subsidiary	—	(5,645)
Other, net	(68)	(47)
Net cash provided by (used in) financing activities	(15,240)	(37,521)
Effect of exchange rate changes on cash and cash equivalents	1,014	1,599
Net increase (decrease) in cash and cash equivalents	(2,984)	(788)
Cash and cash equivalents at beginning of year	32,666	30,402
Effect of changes in accounting period of consolidated subsidiaries	720	—
Cash and cash equivalents at end of year (Note 6)	¥30,402	¥29,614

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

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 foreign subsidiaries are prepared in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the U.S., with adjustments for the specified four items as applicable.

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.41 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"). One subsidiary was excluded from the scope of consolidation from the fiscal year ended March 31, 2022 due to a decrease of its materiality to the consolidated financial statements. All significant intercompany transactions, accounts and unrealized profits among the Companies have been eliminated in consolidation. Investments in the 7 significant affiliates which the Company and its subsidiaries are able to have influence on their financial and operating decision-making in material extent, are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method because of their immaterial effect on the consolidated financial statements. Such investments, therefore, are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from such unconsolidated subsidiaries and affiliates is recognized only when the Companies receive dividends.

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

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

(b) Foreign currency translation

Revenues and expenses are translated at the foreign exchange rates prevailing when transactions are made. Monetary claims and liabilities denominated in foreign currencies are generally translated into each reporting currency at the foreign exchange rates 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 foreign exchange 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," in a component of net assets.

(c) Cash and cash equivalents

In the accompanying consolidated statement 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.

If derivative financial instruments are used as hedges and meet certain hedging criteria, gains or losses resulting from changes in their fair value are generally deferred as a component of other comprehensive income in the consolidated statement of comprehensive income, and charged to income when the related gains or losses on the hedged items are recognized.

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

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

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

(f) Inventories

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

The Company:
Metals Sector, Catalysts Division
Subsidiaries:
Mitsui Kinzoku ACT Corporation, Kamioka Mining & Smelting Co., Ltd. (except for the metal powders factory), Hachinohe Smelting Co., Ltd. and others
: First-in, first-out method
The Company:
Copper Foil Division
: Moving average method
The Company:
Engineered Materials Sector (except for Catalysts Division and Copper Foil Division), Affiliates Coordination Strategic Sector
Subsidiaries:
The metal powders factory of Kamioka Mining & Smelting Co., Ltd., Nippon Yttrium Co., Ltd., Mitani Shindo Co., Ltd. and others
: Average method
Overseas subsidiaries
: 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 since April 1, 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 historical data to the remaining accounts.

(i) Provision for product warranties

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

(j) Provision for improvement of business structure

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

(k) Provision for loss on disposal of inventories

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

(l) Employees' retirement benefits

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

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

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

(m) Directors' and corporate auditors' retirement benefits

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

(n) Provision for environmental countermeasures

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

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

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

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

(p) Research and development expenses

Research and development expenses are charged to expenses when incurred.

(q) Accounting policy for recognition of significant revenues and expenses

The Companies recognize revenue through the following five steps.

- Step1: Identify contract(s) with customers.
- Step2: Identify the performance obligations in the contract.
- Step3: Determine the transaction price.
- Step4: Allocate the transaction price to the performance obligation in the contract.
- Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Companies mainly engage in businesses related to the four segments Engineered Materials, Metals, Automotive Parts & Components, and Affiliates Coordination, thereby handling a wide range of products in those realms.

In selling such products, the Companies recognize revenue mainly upon delivery of a product because it deems that the customer generally has gained control of the product upon its delivery, thereby satisfying the performance obligation.

In domestic sales, the Companies recognize revenue either upon delivery or upon shipment of a product in cases where the normal time has elapsed from the time of product shipment until the time when control of the product has been transferred to the customer.

In export sales, the Companies recognize revenue mainly upon having transferred the burden of risk to the customer pursuant to the terms of trade stipulated under the Incoterms or other similar terms.

In product sales where the Companies are determined to be acting as an agent to make arrangements to have the another parties provide the product to a customer, the Companies recognize revenue in the expected amount of remuneration or fees which they receive in exchange for their making arrangement to provide the product by the another parties (or the net amount of the consideration received in exchange for the products provided by the another parties and payments to the another parties).

Engineering services and other businesses have long-term construction contracts, and it is determined that the performance obligations in such contracts are satisfied over time. Revenue is therefore recognized based on the progress towards complete satisfaction of the performance obligation. The progress is measured on the basis of the construction costs incurred by the end of each reporting period relative to the total expected construction costs.

The Companies recognize revenue at the point in time when the performance obligation has been fully satisfied, rather than recognizing revenue over a certain period of time, in cases where a very short time has elapsed from the transaction initiation date under a contract until the expected point in time when a performance obligation is to be fully satisfied.

Revenue is measured by deducting discounts, rebates, product returns, etc., from consideration promised under contracts with customers.

In cases where consideration includes variable consideration such as discounts and provisional unit price, the Companies estimate the sum of variable consideration using a method that enlists mode values. When uncertainty for the amount of variable consideration is subsequently resolved, the Companies include in its transaction price only the portion that the revenue is highly unlikely to be reduced significantly by the time of removal of the uncertainty.

The consideration is primarily received within one year of satisfying performance obligations and does not contain a significant financing component.

(r) Income taxes

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

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

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

Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system.

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system since the year ending March 31, 2023. Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), however, the Company and its domestic consolidated subsidiaries do not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the year ending March 31, 2023.

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

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

Diluted earnings per share is not presented as there were no shares with dilutive effects in 2021 and 2022.

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

(t) Reclassification

Certain prior year amounts have been reclassified to conform to the 2022 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(u) Accounting of consumption tax

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

(Significant accounting estimates)

1. Valuation of inventories

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2022

Merchandise and finished goods	¥63,379 million (\$517,759 thousand)
Work in progress	¥39,983 million (\$326,631 thousand)
Raw materials and supplies	¥74,112 million (\$605,440 thousand)

(2) Information on the nature of significant accounting estimates for identified items

Inventories are stated at the acquisition cost, however, if the net realizable value or replacement cost is lower than the acquisition costs at the end of the year, inventories are measured at the net realizable value or replacement cost, and the difference from the acquisition cost is recorded as an expense for the period. In addition, the carrying amounts of slow-moving and obsolete inventories are written down to the estimated disposal value. The net realizable values used in valuation of inventories are calculated based on the most recent actual unit selling prices and the actual selling costs, which reflect the influences of changes in quoted market prices of nonferrous metals on actual unit selling prices. Quoted market prices of nonferrous metals are determined based on listed prices on the London Metal Exchange ("LME") and other international markets (hereinafter, these prices are referred to as the "LME or other market prices"). The LME or other market prices fluctuate under the influences of various factors such as the international supplydemand balance, global political and economic conditions, and speculative trading. Accordingly, any failure in calculating accurate net realizable values reflecting the LME or other market prices, which are used for the valuation of inventories, may have significant effect on valuation of inventories.

2. Recoverability of deferred tax assets

(1) Deferred tax assets recorded in the consolidated financial statements for the year ended March 31, 2022

Deferred tax assets	¥5,702 million (\$46,581 thousand)
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(2) Information on the nature of significant accounting estimates for identified items

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which future deductible temporary differences, etc. can be utilized.

Deferred tax assets are recognized based on the estimated timing and amount of taxable income based on future business plans. The estimates could be affected by factors such as changes in uncertain future economic conditions. If the estimates differ from the actual timing and amount of taxable income, this could have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

Regarding COVID-19 impact, Mitsui Kinzoku Group continues business activities while implementing strict measures in response to the pandemic. However, the pandemic has wide-reaching effects on economic and business activities, and it is difficult to predict factors such as how it will spread and how long it will take to get under control. Therefore, in estimating the recoverability of deferred tax assets and other, the Company considers the external information available as of the end of the fiscal year.

(Changes in Accounting Policies)

1. Adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance

The Company and its subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and other relevant standards and guidance effective from the beginning of the current fiscal year. Revenue is accordingly recognized at the expected amount to be received in exchange for promised goods or services at the point in time when control of the promised goods or services has been transferred to the customer.

Prior to the change, in cases where another party was involved in providing goods or services to a customer, revenue had been recognized in the total amount of expected consideration to which the entity would be entitled in exchange for providing goods or services. With this change in method of revenue recognition, in cases where the contracts with customers are deemed as a performance obligation to make arrangements to have the another party provide goods or services, the Companies recognize revenue at the expected amount of remuneration or fees to be received in exchange for having made arrangements to have the other party provide the goods or services (or the net amount of the considerations received in exchange for the good or service provided by that another party and payments to the another parties). In addition, in export sales we have changed our method of revenue recognition such that revenue is recognized mainly upon having transferred the risk burden to the customer pursuant to the terms of trade stipulated under the Incoterms or other similar terms, rather than recognizing revenue mainly upon shipment, as was previously the case.

In adopting the Accounting Standard for Revenue Recognition and other relevant standards and guidance, new accounting policy has been applied to the beginning balances of the current fiscal year in accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of applying retrospectively the new accounting policy from the beginning of the current fiscal year has been added to or deducted from the beginning balance of retained earnings of the current fiscal year.

Furthermore, "notes and accounts receivable" presented under "current assets" in the consolidated balance sheet for the previous fiscal year, have been included in "notes and accounts receivable - trade, and contract assets" from the current fiscal year. Meanwhile, "decrease (increase) in notes and accounts receivable" previously presented under "cash flows from operating activities" in the consolidated statements of cash flows, have been included in "decrease (increase) in notes receivable, accounts receivable, and contract assets" from the current fiscal year. However, the previous fiscal year has not been reclassified using the new presentation method, in accordance with the transitional treatment prescribed in Article 89-2 of the Accounting Standard for Revenue Recognition.

As a result, in comparison with the amounts prior to adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance, notes receivable, accounts receivable, and contract assets decreased by ¥584 million, merchandise and finished goods increased by ¥396 million, and retained earnings decreased by ¥130 million in the consolidated balance sheet for the current fiscal year. In the consolidated statement of income for the current fiscal year, net sales decreased by ¥15,293 million, cost of sales decreased by ¥15,150 million, and operating income, ordinary income, and profit before income taxes each decreased by ¥143 million.

In the consolidated statement of cash flows for the current fiscal year, profit before income taxes decreased by ¥143 million, decrease (increase) in notes receivable, accounts receivable, and contract assets increased by ¥211 million, and decrease (increase) in inventories decreased by ¥68 million.

The beginning balance of retained earnings on the consolidated statement of comprehensive income decreased by ¥31 million due to the cumulative effect to the beginning balance of net assets for the current fiscal year.

The effects of these changes on per-share data are described in the relevant section of this report.

The notes do not provide information on "Revenue Recognition" pertaining to the previous fiscal year, in accordance with the transitional treatment prescribed in Article 89-3 of the Accounting Standard for Revenue Recognition.

2. Adoption of the Accounting Standard for Fair Value Measurement and other relevant standards and guidance

The Company and its subsidiaries have adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and other relevant standards and guidance from the beginning of the current fiscal year. The Companies prospectively apply new accounting policies under the Accounting Standard for Fair Value Measurement and other relevant standards and guidance, in accordance with the transitional set out in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the "Accounting Standard for Financial Instruments". (ASBJ Statement No.10, July 4, 2019). Corporate bonds and other bonds conventionally regarded as financial instruments whose fair value is extremely difficult to measure had been presented on the consolidated balance sheets at their acquisition cost, but are now presented on the consolidated balance sheets at fair value measured using unobservable inputs based on the best available information, even in cases where data on observable inputs is unavailable.

In addition, fair value information of financial instruments by level are disclosed in the notes of "Financial Instruments". However, following the transitional treatment in paragraph 4-7 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous fiscal year is not provided.

3. Changes in method of recording research and development expenses, etc.

Effective from the current fiscal year, Mitsui Kinzoku ACT Corporation (hereafter, "Mitsui Kinzoku Act"), the Company's consolidated subsidiary, records certain research and development expenses and costs of indirect operations as selling, general and administrative expenses rather than as cost of sales, as previously recorded prior to the change.

Mitsui Kinzoku ACT has been focusing on development and marketing of door system products suited to the mobility-oriented society of the future, amid an environment surrounding the automotive industry marked by increasingly sophisticated next-generation technology aligned with the era of CASE and MaaS, along with an accelerating pace of information and communications technology adoption. Meanwhile, in the automotive parts and components business, we have been strengthening our role to control whole of the automotive parts and components business including foreign subsidiaries because we have transferred the domestic production function to overseas. Against that backdrop, we have redefined roles of each division of Mitsui Kinzoku ACT and have accordingly changed its organizational structure and overhauled its operations.

This change in accounting policy has been undertaken with the aim of revising the scope of cost of sales and selling, general and administrative expenses in a manner that better reflects such changes to Mitsui Kinzoku ACT's organizational structure and overhaul of its operations.

(Changes in presentation)

Consolidated statement of income

"Loss on impairment of fixed assets" that had been presented under "Others, net" under "Extraordinary income (losses)" in the previous fiscal year exceeded ten percent of the total amount of extraordinary losses, and has therefore been presented separately under "Extraordinary income (losses)" in the current fiscal year.

To reflect this change, Consolidated statement of income in the previous fiscal year has been reclassified.

As a result, ¥(880) million that was presented as "Other, net" under "Extraordinary income (losses)" in the consolidated statement of income for the year ended March 31, 2021 have been restated as "Loss on impairment of fixed assets" of ¥(329) million and "Other, net" of ¥(550) million.

3. Receivables and contract assets from contracts with customers

The amounts of receivables and contract assets from contracts with customers included in notes and accounts receivable, and contract assets as of March 31, 2022 were as follows:

	Millions of yen
	2022
Receivables from contracts with customers	
Notes receivable	¥8,443
Accounts receivable	112,816
Contract assets	966

4. Inventories

Inventories at March 31, 2021 and 2022 consisted of the following:

	Millions of yen	
	2021	2022
Merchandise and finished goods	¥53,598	¥63,379
Work in process	35,138	39,983
Raw materials and supplies	61,396	74,112
Total	¥150,133	¥177,476

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, 2021 and 2022 respectively as follows:

	Millions of yen	
	2021	2022
Cost of sales	¥(2,792)	¥1,736
Total	¥(2,792)	¥1,736

5. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2021 and 2022 were as follows:

Year ended March 31, 2021	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥6,832	¥2,757	¥4,074
Subtotal	6,832	2,757	4,074
Securities whose book value does not exceed acquisition cost:			
Stocks	247	251	(3)
Subtotal	247	251	(3)
Total	¥7,079	¥3,008	¥4,070

Year ended March 31, 2022	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥4,935	¥1,764	¥3,170
Subtotal	4,935	1,764	3,170
Securities whose book value does not exceed acquisition cost:			
Stocks	9	11	(2)
Bonds	234	240	(5)
Subtotal	243	251	(8)
Total	¥5,178	¥2,016	¥3,161

(b) Available-for-sale securities sold for the years ended March 31, 2021 and 2022 were as follows:

		Millions of yen	
		2021	2022
Total sale amount	Stocks	¥11,034	¥2,474
Gains	Stocks	9,666	900
Losses	Stocks	0	—

6. Consolidated Statement of Cash Flows

(a) Amounts of cash and cash equivalents

Amounts of cash and cash equivalents at March 31, 2021 and 2022 were reconciled with cash and deposits as follows:

	Millions of yen	
	2021	2022
Cash and deposits	¥30,413	¥29,615
Time deposits with maturities exceeding three months from the date of deposit	(11)	(1)
Total : Cash and cash equivalents	¥30,402	¥29,614

(b) Breakdown of the main assets and liabilities of companies that newly became consolidated subsidiaries by the acquisition of shares

Hibi Smelting Co., Ltd. and its subsidiary, Hibi Kyodo Smelting Co., Ltd., were newly consolidated through the acquisition of their shares in previous year. The breakdown of acquired assets and assumed liabilities and the relationship between the acquisition cost of shares and the expenditures (net) due to the acquisition were as follows:

	Millions of yen
	2021
Current assets	¥10,114
Fixed assets	27,835
Goodwill	703
Current liabilities	(32,578)
Non-controlling interests	(1,923)
Acquisition cost of shares	4,152
Fair value of common shares held by the Company before the acquisition date	(1,352)
Cash and cash equivalents	(13)
Considerations of the acquisition, net	2,786

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2021 and 2022 consisted of the following:

	Millions of yen	
	2021	2022
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.270% to 6.900% from 0.270% to 5.350% and at March 31, 2021 and 2022, respectively.	¥52,613	¥46,247
Commercial paper with interest at annual rate of (0.08)% and (0.01)% at March 31, 2021 and 2022, respectively.	21,000	18,000
	¥73,613	¥64,247

Long-term debt at March 31, 2021 and 2022 consisted of the following:

	Millions of yen	
	2021	2022
0.43 % yen unsecured straight bonds due in 2027	¥ —	¥10,000
0.16 % yen unsecured straight bonds due in 2026	10,000	10,000
0.22 % yen unsecured straight bonds due in 2024	10,000	10,000
0.20 % yen unsecured straight bonds due in 2023	10,000	10,000
0.20 % yen unsecured straight bonds due in 2022	10,000	10,000
0.20 % yen unsecured straight bonds due in 2021	10,000	—
Banks, insurance companies and other financial institutions, maturing through 2027 at interest rates ranging from 0.000% to 10.220% at March 31, 2022:		
Secured	740	552
Unsecured	123,228	110,067
Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 1.300% to 2.100% at March 31, 2022:		
Secured	348	234
Unsecured	—	—
	174,317	160,854
Less: Current portion	25,496	40,358
	¥148,821	¥120,495

The aggregate annual maturities of long-term debt at March 31, 2022 were as follows:

Year ending March 31,	Millions of yen
2023	¥40,358
2024	28,598
2025	39,505
2026	32,690
2027	16,001
Thereafter	3,700
Total	¥160,854

The 0.20% yen unsecured straight bonds due in 2022 were issued on November 28, 2017 by the Company.
The 0.20% yen unsecured straight bonds due in 2023 were issued on November 29, 2018 by the Company.
The 0.22% yen unsecured straight bonds due in 2024 were issued on November 28, 2019 by the Company.
The 0.16% yen unsecured straight bonds due in 2026 were issued on March 4, 2021 by the Company.
The 0.43% yen unsecured straight bonds due in 2027 were issued on March 3, 2022 by the Company.

8. Contract Liabilities

The amount of contract liabilities included in other current liabilities as of March 31, 2022 was as follows:

	Millions of yen
	2022
Contract Liabilities	¥3,298

9. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Property, plant and equipment, net book value	¥6,565	¥6,418
	¥6,565	¥6,418

10. Contingent Liabilities

Contingent liabilities at March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Notes receivable discounted	¥14	¥63
Notes and accounts receivable securitized with recourse	549	262
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	56,117	74,545
Others	257	240
	¥56,938	¥75,111

11. Net Assets

Under the Japanese Companies Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

The Japanese Company Act 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 Companies Act.

(a) Shares issued and outstanding

Changes in number of shares issued and outstanding during the year ended March 31, 2021 and 2022 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at April 1, 2020	57,296	190
Increase during the year	—	0
Decrease during the year	—	—
Balance at March 31 and April 1, 2021	57,296	190
Increase during the year	13	0
Decrease during the year	—	—
Balance at March 31, 2022	57,310	191

(b) Dividends

Dividends paid for the year ended March 31, 2022 were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2021	¥4,853
Total	¥4,853

Dividends included in the retained earnings at March 31, 2022 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2022	¥6,283
Total	¥6,283

12. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were as follows:

	2021	2022
Freightage related expenses	¥10,248	¥11,865
Salaries	9,833	11,858
Bonus and retirement pay	1,927	2,739
Provision for bonuses	1,812	2,078
Retirement benefit expenses	(382)	594
Provision for directors' and corporate auditors' retirement benefits	110	85
Provision for product warranties	279	274
Depreciation expense	2,313	2,633
Research and development/Exploration expenses	8,765	9,775

13. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥10,571 million and ¥10,939million (\$89,363 thousand) for the years ended March 31, 2021 and 2022, respectively.

14. Extraordinary profit and loss

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

	Millions of yen	
	2021	2022
Buildings and structures	¥557	¥37
Machinery and equipment	43	148
Land	7,740	23
Others	9	36
Total	¥8,350	¥245

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

	Millions of yen	
	2021	2022
Buildings and structures	¥0	¥6
Machinery and equipment	36	27
Land	0	4
Others	227	14
Total	¥264	¥53

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

	Millions of yen	
	2021	2022
Buildings and structures	¥329	¥344
Machinery and equipment	1,420	2,322
Others	212	199
Total	¥1,963	¥2,865

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

	Millions of yen	
	2021	2022
Provision for allowance for doubtful accounts	¥0	¥52
Provision for allowance for improvement of business structure	233	—
Provision for loss on litigation	—	46

15. Lease

Future lease payments under noncancellable operating leases at March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Due within one year	¥484	¥465
Due after one year	1,532	1,108
	¥2,016	¥1,574

16. Net Sales

Disaggregation of revenue and relationship with each reportable segment for the year ended March 31, 2022 was summarized as follows:

Year ended March 31, 2022	Reportable segment				Total	Adjustment	Consolidated
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination			
Major product/services							
Engineered Powders	¥29,598	¥—	¥—	¥—	¥29,598	¥—	¥29,598
Catalyst for exhaust-gas purification	112,419	—	—	—	112,419	—	112,419
Copper Foil	79,817	—	—	—	79,817	—	79,817
Zinc and Lead	—	159,133	—	—	159,133	—	159,133
Copper and Precious metals	—	60,825	—	—	60,825	—	60,825
Automobile Door Lock	—	—	78,830	—	78,830	—	78,830
Products of Affiliates Coordination	—	—	—	117,276	117,276	—	117,276
Engineering services, other	—	—	—	23,481	23,481	—	23,481
Others	31,631	13,056	—	—	44,687	—	44,687
Subtotal	253,465	233,016	78,830	140,758	706,070	—	706,070
Adjustments	(13,484)	(44,348)	—	(32,548)	(90,381)	17,658	(72,723)
External revenue	239,981	188,667	78,830	108,209	615,688	17,658	633,346
Revenue from contracts with customers	240,054	188,294	78,830	108,266	615,445	17,658	633,103
Other revenue	(72)	372	—	(56)	243	—	243

Notes:

Other revenue includes revenue, etc. generated from derivative transactions pursuant to the "Accounting Standard for Financial Instruments".

(a) Basic information to understand Revenue from contracts with customers

It is described in Note 2. "Summary of Significant Accounting Policies (q) Accounting policy for recognition of significant revenues and expenses".

(b) Information about the relationship between satisfaction of performance obligations pursuant to contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers prevailing as of the end of the current fiscal year

(1) Outstanding balance of contract assets and contract liabilities, etc.

It is described in Note 3 "Receivables and contract assets from contracts with customers" and Note 8 "Contract Liabilities".

(2) Transaction price allocated to remaining performance obligations

Because there are no significant transactions for which an estimated contract period initially exceeds one year, the practical expedient is applied and information on remaining performance obligations has been omitted.

In addition, consideration to be received from contracts with customers does not comprise any significant amounts not included in transaction prices.

17. Segment Information

The operations of the Companies for the years ended March 31, 2021 and 2022 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 reportable segments, excluding the handling treatment for converting the income, expenses and assets of overseas subsidiaries into Japanese currency, is mostly the same as procedures described in Note 2. "Summary of Significant Accounting Policies". The handling treatment for converting the income, expenses and assets of overseas subsidiaries into Japanese currency is mainly based on anticipated exchange rates at the time budgets were formulated. Profit for reportable segments is based on ordinary income. Sales for inter-segment are based on actual market prices.

(c) Adoption of the Accounting Standard for Revenue Recognition and other relevant standards and guidance

As described in Note2 "Changes in accounting policies", the Company and its subsidiaries changed accounting treatment for revenue recognition by adopting the Revenue Recognition Standards from the consolidated financial statements of the current fiscal year, and accordingly changed the measurement methods for profits or losses of operating segments in the same manner.

Due to such a change, in comparison with the previous method, sales and profit of "Engineered Materials" segment in the current fiscal year decreased by ¥205 million (\$1,674 thousand) and ¥123 million (\$1,004 thousand), respectively.

In addition, sales of "Metals" segment decreased by ¥6,260 million (\$51,139 thousand), and sales and profit of "Affiliates Coordination" segments decreased by ¥8,827 million (\$72,110 thousand) and ¥19 million (\$155 thousand), respectively.

(d) 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, 2021 was as follows:

Year ended March 31, 2021	Reported segments				Total	Adjustment	Consolidated	Millions of yen
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination				
Sales:								
Outside customers	¥197,730	¥161,724	¥81,079	¥86,792	¥527,327	¥(4,390)	¥522,936	
Inter-segment	10,029	31,858	—	29,128	71,015	(71,015)	—	
Total	207,760	193,582	81,079	115,920	598,342	(75,406)	522,936	
Segment profit	26,522	22,824	1,912	2,564	53,824	(2,559)	51,265	
Segment assets	210,132	217,228	58,686	94,571	580,619	14,487	595,107	
Depreciation expense	10,942	14,921	4,115	2,586	32,565	1,316	33,882	
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140	
Interest income	277	280	52	67	677	(383)	293	
Interest expense	1,172	488	80	159	1,901	(231)	1,670	
Investment gains (losses) on equity method	81	(2,904)	—	982	(1,840)	167	(1,673)	
Investment for companies accounted for using the equity method	4,129	21,031	—	15,199	40,360	(77)	40,283	
Increase in property, plant and equipment, and intangible assets	9,501	11,632	2,326	2,311	25,773	2,402	28,176	

Notes :

(a) Amounts of adjustment are as follows:

- Adjustments of sales to external customers are the difference mainly derived from the conversion process of sales of overseas subsidiaries to the Japanese currency. (The difference between the anticipated exchange rates at the time budgets were formulated and the average exchange rates during the year)
Adjustment to segment profit, which amounted to ¥(2,559) million, consists mainly of ¥(1,080) million for Company-wide costs that is not allocated to any reportable segments, ¥(948) million for adjustment of inventories and ¥(733) million for adjustment of fixed assets.
Company-wide costs consists mainly of general and administrative expenses and research expenses that is not allocated to any reportable segments.
- Adjustment to segment assets, which amounted to ¥14,487 million, consists of ¥(24,383) million for offset of receivables against the corporate administrative department, ¥(19,931) million for offset of inter-segment receivables, ¥57,404 million for Company-wide assets that are not allocated to any reportable segments and ¥1,397 million for other adjustment.
Company-wide assets are mainly the ones in head office that are not allocated to any reportable segments.

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

Segment information as of and for the fiscal year ended March 31, 2022 was as follows:

Year ended March 31, 2022	Reported segments				Total	Adjustment	Consolidated	Millions of yen
	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination				
Sales:								
Outside customers	¥239,981	¥188,667	¥78,830	¥108,209	¥615,688	¥17,658	¥633,346	
Inter-segment	13,484	44,348	—	32,548	90,381	(90,381)	—	
Total	253,465	233,016	78,830	140,758	706,070	(72,723)	633,346	
Segment profit	27,653	35,414	521	3,143	66,733	(742)	65,990	
Segment assets	213,052	233,654	57,785	99,134	603,627	34,250	637,878	
Depreciation expense	10,550	14,201	3,809	2,464	31,025	2,142	33,167	
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140	
Interest income	103	145	28	98	376	(256)	119	
Interest expense	1,251	446	100	140	1,938	(86)	1,852	
Investment gains (losses) on equity method	277	2,247	—	2,051	4,575	(34)	4,541	
Investment for companies accounted for using the equity method	4,325	20,259	—	16,328	40,913	(167)	40,746	
Increase in property, plant and equipment, and intangible assets	10,215	8,503	2,954	2,958	24,633	2,823	27,456	

Notes :

(a) Amounts of adjustment are as follows:

- Adjustments of sales to external customers are the difference mainly derived from the conversion process of sales of overseas subsidiaries to the Japanese currency. (The difference between the anticipated exchange rates at the time budgets were formulated and the average exchange rates during the year)
Adjustment to segment profit, which amounted to ¥(742) million (\$6,061 thousand), consists mainly of ¥(2,464) million (\$20,129 thousand) for Company-wide costs that is not allocated to any reportable segments.
Company-wide costs consists mainly of general and administrative expenses and research expenses that is not allocated to any reportable segments.
- Adjustment to segment assets, which amounted to ¥34,250 million (\$279,797 thousand), consists of ¥(22,295) million (\$182,133 thousand) for offset of receivables against the corporate administrative department, ¥(20,657) million (\$168,752 thousand) for offset of inter-segment receivables, ¥60,494 million (\$494,191 thousand) for Company-wide assets that are not allocated to any reportable segments and ¥16,709 million (\$136,500 thousand) for other adjustment.
Company-wide assets are mainly the ones in head office that are not allocated to any reportable segments.

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

【Related information】

Information by area:

Millions of yen							
Year ended March 31, 2021	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥255,975	¥71,269	¥53,710	¥83,019	¥26,326	¥32,634	¥522,936
Year ended March 31, 2022	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥326,291	¥87,975	¥61,959	¥105,626	¥32,045	¥19,449	¥633,346
Year ended March 31, 2021	Japan	Asia	North America	Other Areas	Consolidated		
Property, plant and equipment	¥148,727	¥39,218	¥4,654	¥7,436	¥200,037		
Year ended March 31, 2022	Japan	Asia	North America	Other Areas	Consolidated		
Property, plant and equipment	¥141,328	¥43,033	¥4,528	¥8,232	¥197,124		

【Information on loss on impairment of fixed assets by reported segments】

Millions of yen						
Year ended March 31, 2021	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	Consolidated
Loss on impairment of fixed assets	¥325	¥4	¥—	¥—	¥—	¥329
Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	Consolidated
Loss on impairment of fixed assets	¥113	¥—	¥298	¥—	¥—	¥412

【Information on amortization of goodwill and amortized balance by reported segments】

Millions of yen						
Year ended March 31, 2021	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	563	—	—	—	563
Year ended March 31, 2022	Engineered Materials	Metals	Automotive Parts & Components	Affiliates Coordination	Elimination · Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	422	—	—	—	422

【Information on gain on negative goodwill by reported segment】

Year ended March 31, 2021
Not applicable.

Year ended March 31, 2022
Not applicable.

18. Income Taxes

The Company and its domestic subsidiaries are imposed some sorts of taxes in Japan on their taxable incomes, and the statutory effective tax rate in aggregate in Japan is approximately 30.5% for the years ended March 31, 2021 and 2022.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

	2021	2022	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 67	¥ 105	
Excess accrued bonuses to employees	1,632	1,776	
Excess product warranties	169	145	
Liability for retirement benefits	8,076	8,330	
Provision for environmental countermeasures	221	214	
Loss on impairment of fixed assets	2,338	2,309	
Depreciation in excess of limit	962	660	
Enterprise taxes accrued	315	493	
Unrealized profits and losses	3,801	3,914	
Operating loss carryforward for tax purposes (b)	28,292	23,006	
Net unrealized losses on securities	4	7	
Deferred losses on hedges	240	2,727	
Other	8,388	9,287	
Subtotal	54,509	52,979	
Valuation allowance for operating loss carryforward for tax purposes (b)	(27,132)	(21,727)	
Valuation allowance for deductible temporary differences	(13,583)	(15,740)	
Valuation allowance-total (a)	(40,716)	(37,467)	
Total deferred tax assets	¥ 13,793	¥ 15,511	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (1,195)	¥ (889)	
Deferred gains on hedges	(315)	(330)	
Retained earnings of foreign subsidiaries	(4,879)	(6,484)	
Asset for retirement benefits	(2,136)	(2,343)	
Excess depreciation for tax purposes	(2,511)	(2,664)	
Other	(2,498)	(2,763)	
Total deferred tax liabilities	(13,536)	(15,475)	
Net deferred tax assets (liabilities)	¥ 256	¥ 35	

(a) Valuation allowance decreased by ¥3,248 million. The main reasons for the decrease were decreases in valuation allowance of ¥4,425 million for operating loss carryforward.

(b) Operating loss carryforward for tax purposes and its deferred tax assets by expiration periods.

Millions of yen							
(2021)	2022	2023	2024	2025	2026	2027 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥1,193	¥120	¥137	¥1,292	¥99	¥25,447	¥28,292
Valuation allowance	(1,009)	(120)	(131)	(1,130)	(99)	(24,642)	(27,132)
Net deferred tax assets	183	0	6	162	—	805	1,159

(1) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

Millions of yen							
(2022)	2023	2024	2025	2026	2027	2028 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥21	¥45	¥318	¥97	¥490	¥22,032	¥23,006
Valuation allowance	(8)	(40)	(314)	(97)	(490)	(20,775)	(21,727)
Net deferred tax assets	13	4	4	—	—	1,257	1,279

(1) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

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, 2021 and 2022.

	2021	2022
Statutory effective tax rate	30.5 %	30.5 %
Permanent difference due to non-deductible expense	0.4	0.8
Permanent difference due to non-taxable income	(6.4)	(6.7)
Effect of elimination of intercompany dividends received	6.1	6.9
Investment losses on equity method	0.9	(2.2)
Effect of exclusion of equity method affiliated companies	(52.3)	—
Valuation allowance	37.4	(7.9)
Tax credit	(0.0)	(2.8)
Others	(1.0)	(0.6)
Tax rate calculated based on the Companies' consolidated financial statements	15.6 %	18.0 %

19. Financial Instruments

(a) Qualitative information on financial instruments

1. Policy of financial instruments management

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

2. Description of financial instruments and risk

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

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

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

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

Further, the Companies utilized metal forward contracts and fuel forward contracts to reduce the Companies' exposure to fluctuations in material 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 Note 20 "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, 2021 and 2022 were as follows.

Millions of yen

Year ended March 31, 2021	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 13,628	¥ 15,076	¥ 1,448
Total	¥ 13,628	¥ 15,076	¥ 1,448
Liabilities:			
(a) Current portion of bonds payable	10,000	10,004	4
(b) Bonds payable	40,000	40,014	14
(c) Current portion of long-term borrowings Notes 4	15,496	15,523	27
(d) Long-term borrowings	108,821	108,872	50
Total	¥ 174,317	¥ 174,415	¥ 97
Derivative transactions	¥ 177	¥ 177	¥ -

Year ended March 31, 2022	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 11,931	¥ 11,659	¥ (272)
Total	¥ 11,931	¥ 11,659	¥ (272)
Liabilities:			
(a) Current portion of bonds payable	10,000	9,998	(1)
(b) Bonds payable	40,000	39,898	(101)
(c) Current portion of long-term borrowings Notes 4	30,358	30,370	11
(d) Long-term borrowings	80,495	80,325	(169)
Total	¥ 160,854	¥ 160,592	¥ (261)
Derivative transactions	¥ (7,893)	¥ (7,893)	¥ -

Notes:

1. Cash and deposits, Notes and accounts receivable, Notes and accounts payable, and Short-term borrowings and commercial papers are not included in the table above. This is because their carrying amounts are reasonably considered as fair values, as they are expected to be settled shortly.

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

	Consolidated balance sheet amount	Millions of yen
Classification	2021	
Unlisted equity securities	¥ 43,344	
Nonpublic domestic bonds	240	

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

3. Equity securities without market prices, and investments in partnerships and other similar entities recorded at the net amount equivalent to the equity interest are not included in "(a) Investment securities".

The carrying amounts of these financial instruments as follows.

	Consolidated balance sheet amount	Millions of yen
Classification	2022	
Unlisted equity securities	¥ 42,192	
Investments in partnerships and others	1,807	

4. "(a) Current portion of bonds payable" and "(c) Current portion of long-term borrowings" are included in Current portion of long-term debt in the consolidated balance sheet. "(b) Bonds payable" and "(d) Long-term borrowings" are included in Long-term debt in the consolidated balance sheet.

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

6. 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

Year ended March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2026	April 1, 2026 to March 31, 2031	April 1, 2031 and thereafter
(a) Cash and deposits	¥ 30,413	¥ -	¥ -	¥ -
(b) Notes and accounts receivable	113,209	-	-	-
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	-	-	-	240
Total	¥ 143,623	¥ -	¥ -	¥ 240

Year ended March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2027	April 1, 2027 to March 31, 2032	April 1, 2032 and thereafter
(a) Cash and deposits	¥ 29,615	¥ -	¥ -	¥ -
(b) Notes and accounts receivable	121,260	-	-	-
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	-	-	-	234
Total	¥ 150,876	¥ -	¥ -	¥ 234

7. 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 Note 7 "Short-Term Borrowings and Long-Term Debt".

(c) Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and significance of the inputs used in the fair value measurement.

Level 1 fair value:

Fair value measured by quoted prices in active markets for identical assets or liabilities

Level 2 fair value:

Fair value measured using observable inputs other than Level 1

Level 3 fair value:

Fair value measured using unobservable inputs

Fair value is categorized at the level with the lowest priority in the fair value measurement from among the levels to which the respective inputs belong, in cases involving use of multiple inputs that have a material effect on fair value measurement.

(1) Financial instruments recorded in the consolidated balance sheet at fair value

Year ended March 31, 2022	Fair value				Total
	Level 1	Level 2	Level 3		
Millions of yen					
Investment securities					
Other securities					
Stock	¥ 4,944	¥ —	¥ —		¥ 4,944
Bonds(domestic government and municipal bonds)	—	—	234		234
Derivative Transactions					
Currency-related derivatives	—	246	—		246
Commodities-related derivatives	—	838	—		838
Total Assets	¥ 4,944	¥ 1,084	¥ 234		¥ 6,263
Derivative Transactions					
Currency-related derivatives	—	2,547	—		2,547
Commodities-related derivatives	—	6,430	—		6,430
Total Liabilities	¥ —	¥ 8,978	¥ —		¥ 8,978

(2) Financial instruments other than financial instruments recorded in the consolidated balance sheet at fair value

Year ended March 31, 2022	Fair value				Total
	Level 1	Level 2	Level 3		
Millions of yen					
Investment securities					
Shares of subsidiaries and associates	¥ 6,481	¥ —	¥ —		¥ 6,481
Total Assets	¥ 6,481	—	—		¥ 6,481
Bonds payable	—	49,897	—		49,897
Long-Term Borrowings	—	110,695	—		110,695
Total Liabilities	¥ —	¥ 160,592	¥ —		¥ 160,592

Notes: Explanation of valuation techniques and inputs used in fair value measurement

Investment securities

Fair value of equities is categorized as Level 1 fair value measured at the market price. Fair value of bonds is categorized as Level 3 fair value, calculated by discounting the future cash flows at an interest rate on similar bonds, taking into account the debt repayment record of the issuing local government body.

Derivative Transactions

Fair value of commodity prices and forward exchange contracts is categorized as Level 2 fair value, calculated based on observable inputs such as market prices and exchange rates.

Bonds payable

Fair value of bonds payable is categorized as Level 2 fair value, calculated by discounting future cash flows using the rate quoted in secondary markets.

Long-Term Borrowings

Fair value of long-term borrowings is categorized as Level 2 fair value, calculated by discounting future cash flows at the current borrowing rate for similar debt of a comparable maturity.

20. Derivative Transactions

(a) Derivative transactions for which hedge accounting had not been applied as of March 31, 2021 and 2022 were as follows:

Currency-related derivatives		Millions of yen	
Type		2021	2022
Forward contracts:			
Selling:			
U.S. dollars:	Contract amounts	¥1,117	¥1,394
	Due over one year	—	—
	Fair value	(64)	(81)
	Net unrealized gains (losses)	(64)	(81)

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2021 and 2022 were as follows:

Currency-related derivatives		Millions of yen	
Currency-related derivatives for which hedge accounting had been applied			
Type	Hedged items	2021	2022
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
	Contract amounts	¥6,518	¥41,819
	Due over one year	—	16,530
	Fair value	(87)	(2,371)
Euros:	Contract amounts	¥ —	¥1,374
	Due over one year	—	19
	Fair value	—	(47)
Buying:			
U.S. dollars:	Accounts payable		
	Contract amounts	¥4,719	¥4,773
	Due over one year	—	—
	Fair value	99	153
Euros:	Contract amounts	¥22	¥7
	Due over one year	—	—
	Fair value	0	0
Australian dollars:	Contract amounts	¥53	¥486
	Due over one year	—	—
	Fair value	4	46

Notes: The deferred hedge method is applied as a hedge accounting method.

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

Currency-related derivatives		Millions of yen	
Type	Hedged items	2021	2022
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
	Contract amounts	¥200	¥128
	Due over one year	—	—
	Fair value	(Note b)	(Note b)

Notes:

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

Commodities-related derivatives

Type	Hedged items	Millions of yen	
		2021	2022
Forward contracts:	Raw materials and finished goods		
Selling:			
Zinc:	Contract amounts	¥15,206	¥21,257
	Due over one year	2,970	6,304
	Fair value	(410)	(6,205)
Lead:	Contract amounts	¥263	¥1,825
	Due over one year	—	—
	Fair value	2	(50)
Copper:	Contract amounts	¥—	¥156
	Due over one year	—	—
	Fair value	—	12
Buying:			
Zinc:	Contract amounts	¥6,880	¥7,860
	Due over one year	92	—
	Fair value	31	458
Lead:	Contract amounts	¥1,644	¥2,139
	Due over one year	—	—
	Fair value	44	192
Copper:	Contract amounts	¥1,644	¥144
	Due over one year	—	—
	Fair value	684	—
Coal:	Contract amounts	¥1,128	¥—
	Due over one year	—	—
	Fair value	(125)	—

Notes: The deferred hedge method is applied as a hedge accounting method.

21. 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	
	2021	2022
Balance at the beginning of the fiscal year	¥46,514	¥46,004
Service cost	2,878	2,770
Interest cost	101	96
Actuarial loss (gain)	364	186
Benefits paid	(2,277)	(1,414)
Past service costs (benefits)	(1,729)	(183)
Others	153	71
Balance at the end of the fiscal year	¥46,004	¥47,531

(b) Changes in plan assets

	Millions of yen	
	2021	2022
Balance at the beginning of the fiscal year	¥23,507	¥26,495
Expected return on plan assets	546	926
Actuarial gain (loss)	2,061	(122)
Contributions paid by the employer	996	945
Benefits paid	(700)	(531)
Others	84	63
Balance at the end of the fiscal year	¥26,495	¥27,777

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

	2021	2022
Funded retirement benefit obligations	¥19,932	¥20,664
Plan assets	(26,495)	(27,777)
	(6,563)	(7,113)
Unfunded retirement benefit obligations	26,072	26,867
Net liability for retirement benefits at the end of the fiscal year	19,508	19,753
Liability for retirement benefits	26,528	27,331
Asset for retirement benefits	(7,019)	(7,577)
Net liability for retirement benefits at the end of the fiscal year	¥19,508	¥19,753

(d) Retirement benefit costs

	2021	2022
Service cost	¥2,878	¥2,770
Interest cost	101	96
Expected return on plan assets	(546)	(926)
Net actuarial loss (gain) amortization	(1,414)	405
Past service costs amortization	(168)	(807)
Total retirement benefit costs for the fiscal year	¥850	¥1,537

(e) Remeasurements of defined benefit plans

	Millions of yen	
	2021	2022
Past service costs (benefits)	¥1,561	¥(623)
Actuarial gain (loss)	285	98
Total remeasurements of defined benefit plans for the fiscal year	¥1,847	¥(524)

(f) Accumulated adjustments for retirement benefit

	2021	2022
Prior service costs that are yet to be recognized	¥(1,561)	¥(938)
Net actuarial losses that are yet to be recognized	141	43
Total balance at the end of the fiscal year	¥(1,419)	¥(895)

(g) Plan assets

1. Plan assets comprise:

	2021	2022
Bonds	36%	36%
Equity securities	30%	30%
General insurance funds	30%	30%
Other	4%	4%
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, 2021 and 2022 are as follows:

	2021	2022
Discount rate	0.0%-0.9%	0.0%-0.9%
Long-term expected rate of return	Mainly 2.5 %	Mainly 3.7 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥921 million and ¥911 million for the years ended March 31, 2021 and 2022, respectively.

22. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2021 and 2022 were as follows:

Year ended March 31, 2021	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥44,771	57,106	¥784.01

Year ended March 31, 2022	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥52,088	57,114	¥912.00

(a) Regarding diluted earnings per share, no figures for diluted earnings per share have been disclosed because no latent shares existed.

(b) As stated in "Changes in accounting policy," the "Accounting Standard for Revenue Recognition" and other relevant standards and guidance have been adopted. As a result, earnings per share of the current fiscal year decreased by ¥1.74.

23. Loss on impairment of fixed assets

The Company recognized impairment losses on the manufacturing facilities and the idle assets as extraordinary losses for the fiscal years ended March 31, 2021 and 2022 as follows:

Year ended March 31, 2021			
Location	Major use	Asset category	Millions of yen
Pyeongtaek-shi, Gyeonggi-do, Republic of Korea	Manufacturing facilities	Buildings and structures	¥244
		Machinery and equipment	37
		Other	2
		Subtotal	284
Others	Idle assets, Common assets	Buildings and structures	44
Total			¥329

Grouping of assets used for business purposes is based on plant- and product-specific units based on management accounting classifications. And idle assets are grouped by individual assets.

Due to a decline in demand in the domestic market of South Korea, the Company decided to end production and sales activities. Therefore, the Company reduced the carrying amount of the manufacturing facilities to zero and recognized an impairment loss as an extraordinary loss.

The carrying amounts of the common assets held to sale were reduced to net realizable value, which were measured at the estimated sales price.

The carrying amounts of idle assets included in others were reduced to the recoverable amounts, which were measured at memorandum value since it is difficult to continue to use them for other operations or to sell them. The amount of the reduction was recorded as an impairment loss in an extraordinary loss.

Year ended March 31, 2022			
Location	Major use	Asset category	Millions of yen
Yokohama City, Kanagawa Pref.	Idle assets	Land	¥174
		Intangible fixed Assets	124
		Subtotal	298
Omuta City, Fukuoka Pref.	Idle assets	Construction in progress	113
Total			¥412

Grouping of assets used for business purposes is based on plant- and product-specific units based on management accounting classifications. And idle assets are grouped by individual assets.

The carrying amounts of idle assets held to sale were reduced to net realizable value, which were measured at the estimated sales price. And the carrying amounts of other idle assets were reduced to the recoverable amounts, which were measured at memorandum value since it is difficult to continue to use them for other operations or to sell them. The amount of the reduction was recorded as an impairment loss in an extraordinary loss.

24. 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, 2021 and 2022 and account balance as of March 31, 2022 with Pan Pacific Copper Co., Ltd. was as follows:

	2021	2022	Millions of yen
Guarantees of bank loans	¥54,976	¥68,653	
Increase (decrease) in short-term loans receivable, net	(6,445)	—	

2. Nippon Caserones Resources Co., Ltd. is no longer recognized as a related party due to the sale of all shares of this company in the year ended March 31, 2021. For this reason, the transaction amount is shown for the period during which Nippon Caserones Resources Co., Ltd. was a related party.

Of the funds required to operate the Caserones Copper Mine, the Company has loaned the additional amount of funds that it is obligated to bear as a condition for the transfer of rights and interests in the mine.

The relevant loans receivable has been transferred to JX Nippon Mining & Metals Corporation (JX).

The transaction amount for the years ended March 31, 2021 and account balance as of March 31, 2021 with Nippon Caserones Resources Co., Ltd. was as follows:

	2021	2022	Millions of yen
Loan of short-term loans receivable,	¥6,266	¥—	
Collection of loans receivable	(6,266)	—	
Transfer of loan receivable	33,465	—	

(b) Note about significant related parties

In the year ended March 31, 2022, Pan Pacific Copper Co., Ltd. was recognized as significant related party and the summary of its financial statements was as follows:

Pan Pacific Copper Co., Ltd.	2021	2022	Millions of yen
Total current assets	¥354,016	¥445,627	
Total non-current assets	2,889	5,364	
Total current liabilities	291,378	387,907	
Total long-term liabilities	278	281	
Total net assets	65,249	62,804	
Net sales	783,936	936,044	
Profit before income taxes	1,207	10,158	
Profit	627	6,935	

25. Asset Retirement Obligations

Years ended March 31, 2021 and 2022

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 estimate of asset retirement obligations, a discount rate of 1.51% is used, and the expected period up to payment is based on number of recoverable years from launch of operations and estimated between 1 and 19 years from the next fiscal year.

In addition, during the fiscal year ended March 31, 2022, the Company revised the discount rate and that resulted in increasing of ¥247 million (\$2,017 thousand) in the balance of asset retirement obligations.

(Asbestos)

The expected periods of time before removal expenses at the time of dismantling is estimated between 1 and 31 years depending on each asset. The companies use rates between (0.13)% and 2.30% as a discount rate to estimate the amount of asset retirement obligations.

In the year ended March 31, 2022, the Company gained the ability to reasonably estimate future removal expenses for asbestos building materials, as it obtained new information about these removal expenses. Accordingly, the Company has derived a new estimate of these removal expenses and has recorded the expenses as asset retirement obligations. As a result, the Company additionally recognized the balance of asset retirement obligations of ¥43 million (\$351 thousand).

(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, 2022 as expenses, instead of recording them as asset retirement obligations under liabilities.

The companies use periods of time between 4 and 15 years from the date of occupancy to estimate the amount of the expenses.

The companies estimate the uncollectible amount of lease deposits as ¥294 million (\$2,401 thousand) in the fiscal year ended March 31, 2022.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2021 and 2022

Millions of yen

	2021	2022
Balance at the beginning of the fiscal year	¥ 3,816	¥ 3,823
Adjustments of the beginning balance due to the accounting period change	(141)	—
Adjustments due to the passage of time	47	34
Decrease from execution of asset retirement obligations	(194)	(248)
Increase from changes of estimates	512	290
Impact of foreign currency translation	(217)	420
Balance at the end of the fiscal year	¥ 3,823	¥ 4,320

26. Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2022

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	
	2021	2022
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥3,234	¥(187)
Reclassification adjustments	22	(651)
Subtotal, before tax	3,256	(838)
Tax (expense) or benefit	(914)	305
Subtotal, net of tax	2,342	(532)
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	1,756	(5,964)
Reclassification adjustments	(2,282)	(2,152)
Subtotal, before tax	(525)	(8,116)
Tax (expense) or benefit	343	145
Subtotal, net of tax	(182)	(7,971)
Foreign currency translation adjustments:		
Increase(decrease) during the year	5,156	10,156
Reclassification adjustments	—	(27)
Subtotal, net of tax	5,156	10,129
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	1,803	224
Reclassification adjustments	44	(749)
Subtotal, before tax	1,847	(524)
Tax (expense) or benefit	(278)	94
Subtotal, net of tax	1,569	(430)
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(2,454)	(8,251)
Reclassification adjustments	(12,614)	5,110
Subtotal, net of tax	(15,069)	(3,140)
Total other comprehensive income	¥(6,184)	¥(1,945)

27. Gain on sales of shares of subsidiaries and associates

The Company approved a resolution to make JX Metals Smelting Co., Ltd. (JX Smelting) a wholly owned subsidiary of JX Nippon Mining & Metals Corporation (JX) at a meeting of the Board of Directors held on February 12, 2020 with transactions of 1) Pan Pacific Copper Co., Ltd. (PPC), investment in which are accounted for by the equity method as a joint investment company with JX, transfers a part of its operations to JX Smelting, which is newly established by PPC through an absorption-type company split, 2) PPC transfers its shares of JX Smelting to the Company and JX as dividend in kind, and 3) JX Smelting exchanges its shares with JX for cash consideration. These transactions were executed on April 1, 2020.

As a result of the above transactions, the shares of JX Smelting held by the Company were transferred to JX with cash consideration and the Company recorded a gain on sales of shares of subsidiaries and associates of ¥13,450 million for the year ended March 31, 2021.

28. Loss on Transfer of Interest in the Copper Mine

The Company approved a resolution to transfer all of its interest in the Caserones Copper Mine to JX Nippon Mining & Metals Corporation (JX) at a meeting of the Board of Directors held on November 9, 2020, and executed the transfer on February 5, 2021.

The Company had discussed the future position of the Caserones Copper Mine from the prospective of optimizing its business portfolio. As a result, the Company concluded that the transfer of the management resources allocated to the Caserones Copper Mine business were transferred into other businesses of the Company would contribute to improve the Company's corporate value, and so the Company executed the transfer of the interest.

As a result of the above transfer of interest, the Company recorded loss on transfer of interest in the copper mine of ¥20,482 million.

Details are as follows.

1. Net loss on sales of shares of subsidiaries and associates

Based on the resolution of the meeting of the Board of Directors held on November 9, 2020, MFN Investment LLC (hereinafter "MFI") and Nippon Caserones Resources Co., Ltd. (hereinafter "NCR") exchanged their shares with JX for cash consideration. As a result, MFI and NCR became wholly owned subsidiaries of JX.

As a result of the above share exchange, the Company transferred its shares of MFI and NCR to JX and received cash consideration from JX, and the Company therefore recorded net loss on sales of shares of subsidiaries and associates.

(1) Name of the company from which the Company received cash consideration
JX Nippon Mining & Metals Corporation

(2) Date of the share exchange
February 5, 2021

(3) Name and business of the company whose shares were transferred

(i) MFN Investment LLC

Business operations: Investment in a company whose purpose is to provide loans to Caserones copper and molybdenum mine

(ii) Nippon Caserones Resources Co., Ltd.

Business operations: Business related to the Caserones copper and molybdenum mine

(4) Number of shares transferred, consideration, gain or loss, and ownership ratio after the transfer

(i) MFN Investment LLC

a. Number of shares transferred : 34 shares

b. Consideration (cash) : ¥0 million

c. Gain (loss) : ¥0 million (gain)

d. Ownership ratio after the transfer : —%

(ii) Nippon Caserones Resources Co., Ltd.

a. Number of shares transferred : 3,220 shares

b. Consideration (cash) : ¥0 million

c. Gain (loss) : ¥(2,083) million (loss)

d. Ownership ratio after the transfer : —%

2. Loss on transfer of loan receivable

Based on a resolution of the meeting of the Board of Directors held on November 9, 2020, as a condition of the transfer of interest in the Caserones Copper Mine, the Company was required to lend to NCR the amount incurred for the mine operation that the Company should additionally bear and transfer the receivable to JX. As a result, the Company recorded a loss on the transfer of loan receivable.

(1) Name of company to be transferred loan receivable
JX Nippon Mining & Metals Corporation

(2) Date of transfer
February 5, 2021

(3) Consideration of transfer and loss (gain)

a. Consideration of transfer ¥0 million

b. Loss (gain) ¥18,399 million (loss)

Note: The amount the Company lend to NCR additionally was 33,465 million yen.

29. Business Combinations

Transactions under common control, etc.

(a) Overview of transaction

(1) Name and business of entity subject to the business combination

1) Name: MESCO, INC.

2) Description of business

Engineering of various industrial plants, environmental facilities, automation, and energy saving machinery

Design, manufacturing, marketing and sales, construction, and installation of polyethylene complex pipes

Manufacturing, marketing and sales, construction and installation of lead sound insulator and shield materials

(2) Date of business combination

Acquisition through tender offer: February 24, 2022

Acquisition through Demand for Share Cash-Out: March 25, 2022

(3) Legal form of business combination

Acquisition of shares with cash consideration

(4) Name of entity after business combination

Unchanged

(5) Change in ownership ratio of subsidiary shares after the additional acquisition

Ratio of share ownership before business combination: 63.42%

Ratio of share ownership after tender offer: 96.91%

Ratio of share ownership after Demand for Share Cash-Out: 100%

(6) Other matters related to the transaction

The Company made MESCO, Inc. a wholly-owned subsidiary by arranging a tender offer for the remaining MESCO

shares. The decision was made after having reached the conclusion that concentrating the Company's business

resources will help increase corporate value by creating new business opportunities through integrated operations and

further strengthening the Company's ties with MESCO in part as a result of the two companies sharing business resources

and expertise.

(b) Overview of accounting treatment applied

The transaction has been accounted for as a transaction under common control pursuant to the "Accounting Standard for

Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for

Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(c) Breakdown of acquisition cost and consideration for additional acquisition of subsidiary shares by type (including acquisition by Demand for Share Cash-Out)

Consideration for acquisition: Cash (including accounts payable)

¥6,166 million (\$50,371 thousand)

Acquisition cost

¥6,166 million (\$50,371 thousand)

(d) Matters regarding changes in equity related to transactions with non-controlling interests

(1) Major factor of change in capital surplus

Additional acquisition of subsidiary shares

(2) Decrease in capital surplus due to transactions with non-controlling interests

¥3,950 million (\$32,268 thousand)



Independent auditor's report

To the Board of Directors of MITSUI MINING & SMELTING Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of MITSUI MINING & SMELTING Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of the calculation of the net realizable values used for the valuation of inventories

The key audit matter

MITSUI MINING & SMELTING CO., LTD. (the "Company") recognized inventories of ¥177,476 million in the consolidated balance sheets as of March 31, 2022. This amount represented 28% of total assets in the consolidated balance sheet.

As described in Note (Significant accounting estimates), 1. Valuation of inventories" to the consolidated financial statements, inventories are

How the matter was addressed in our audit

The primary procedures we performed to assess the accuracy of the calculation of the net realizable values used for the valuation of inventories are set forth below:

In addition, we requested the independent auditors of the consolidated subsidiaries of the Company to perform an audit, and evaluated the reports of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures performed.

stated at the acquisition cost. However, if the net realizable value or the replacement cost is lower than the acquisition cost at the end of the year, inventories are measured at the net realizable value or the replacement cost, and the difference from the acquisition cost is recorded as an expense for the period.

Of these values compared with the acquisition cost in valuation of inventories, net realizable values are calculated based on the most recent actual unit selling prices and the actual selling costs, which reflect the influences of changes in quoted market prices of nonferrous metals on actual unit selling prices. Quoted market prices of nonferrous metals are determined based on listed prices on the London Metal Exchange ("LME") and other international markets (hereinafter, these prices are referred to as the "LME or other market prices"). The LME or other market prices fluctuate under the influences of various factors such as the international supply-demand balance, global political and economic conditions, and speculative trading. Accordingly, any failure in calculating accurate net realizable values reflecting the LME or other market prices, which are used for the valuation of inventories, may have significant effect on valuation of inventories.

We, therefore, determined that our assessment of the accuracy of the calculation of the net realizable values used for the valuation of inventories was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

Other Information

The other information comprises the Integrated Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Integrated Report, which is expected to be made available to us after that date. Management is responsible for the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

(1) Internal control testing

Test of the design and operating effectiveness of certain of the Company's internal controls relevant to the valuation of inventories, with a greater focus on:

- Controls to completely identify inventories to be evaluated; and
- Controls to calculate net realizable values and recognize valuation losses accurately.

(2) Assessment of the accuracy of the calculation of the net realizable values

Assessment of the accuracy of the calculation of the net realizable values by performing the following procedures:

- Assessment of the appropriateness of the unit of valuation of inventories determined for each of the categories such as zinc, lead, copper, and catalysts in accordance with the requirements of applicable accounting standards;
- Comparison of the LME or other market prices reflected in the most recent actual unit selling prices, which served as the basis for the calculation of the net realizable values, with the published LME or other market prices;
- Assessment as to whether the net realizable values used for the valuation of inventories were accurately calculated through recalculations; and
- Assessment as to whether valuation losses were recognized accurately and completely by comparing the net realizable values with the acquisition costs.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 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

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroaki Sugiura
Designated Engagement Partner
Certified Public Accountant

Satoshi Hosoya
Designated Engagement Partner
Certified Public Accountant

Terukazu Nagamine
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 29, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

ESG data

Governance

Profile of Directors and Corporate Auditors (As of June 2022)

President and Representative Director

NOU Takeshi

April 1986	Entered the Company
June 2010	Mitsui Copper Foil (Malaysia) Sdn.Bhd. Managing Director
October 2013	General Manager of Recycling Business Promotion Group, Metals, Minerals & Engineering Sector
April 2014	Executive Officer, Senior General Manager of Technology Management Division, Metals & Recycling Division, Metals Sector
April 2015	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
June 2015	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
October 2015	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
April 2016	Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector
April 2020	Vice President, Representative Director, Executive Vice President, Senior General Manager of Business Creation Sector
April 2021	President and Representative Director (current positions)

Representative Director, Senior Managing Director, Senior Managing Executive Officer

KIBE Hisakazu

April 1985	Entered the Company
April 2009	General Manager of Finance & Accounting Department, Automotive Parts & Components Division, Parts Production Sector
October 2013	Director, Senior Executive Officer, Senior General Manager of Planning & Administrative Sector, General Manager of Planning Department, Mitsui Kinzoku ACT Corporation
April 2014	Executive Officer, Assistant to Senior General Manager of Metals Sector
June 2014	Executive Officer of the Company, Director, Executive Officer of Pan Pacific Copper Co., Ltd.
October 2015	Senior Executive Officer, Deputy Senior General Manager of Affiliates Coordination Strategic Sector
January 2016	Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector, General Manager of Copper Business Strategic Division, Metals Sector
April 2018	Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
June 2020	Director, Senior Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
April 2021	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Affiliates Coordination Strategic Sector
June 2021	Representative Director, Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Corporate Planning & Control Sector (current positions)

Senior Managing Director, Senior Managing Executive Officer

TSUNODA Satoshi

April 1987	Entered the Company
April 2013	General Manager of Zinc Division, Metals, Minerals & Environmental Engineering Sector, Manager of Sales Department, Zinc Division, Metals, Minerals & Environmental Engineering Sector
June 2013	Executive Officer of the Company, General Manager of Zinc Division, Metals, Minerals & Environmental Engineering Sector
April 2014	Executive Officer of the Company, Deputy General Manager of Metals & Recycling Division, Metals Sector, Manager of Marketing Department, Metals & Recycling Division, Metals Sector
April 2015	Executive Officer of the Company, General Manager of Metals & Recycling Division, Metals Sector, Manager of Marketing department, Metals & Recycling Division, Metals Sector
October 2015	Executive Officer of the Company, Director, Executive Officer of Pan Pacific Copper Co., Ltd.
April 2018	Executive Officer of the Company, Deputy Senior General Manager of Metals Sector, General Manager of Copper Business Strategic Division, Metals Sector
April 2019	Senior Executive Officer, Senior General Manager of Metals Sector
April 2021	Senior Executive Officer, Senior General Manager of Metals Sector, General Manager of Business Planning Group, Metals Sector
June 2021	Director, Senior Executive Officer, Senior General Manager of Metals Sector
June 2022	Senior Managing Director, Senior Managing Executive Officer, Senior General Manager of Metals Sector (current positions)

Director, Senior Executive Officer

OKABE Masato

April 1986	Entered the Company
June 2010	Director and Vice President, Taiwan Copper Foil Company, Limited
June 2011	General Manager of Business Planning Group, Electronics Materials Sector
September 2013	Assistant to General Manager of Catalysts Strategic Division, Engineered Materials Sector
January 2014	General Manager of Sales Department, Catalysts Strategic Division, Engineered Materials Sector
October 2015	Deputy General Manager of Catalysts Division and General Manager of Sales Department, Catalysts Division, Engineered Materials Sector
April 2016	Executive Officer, General Manager of Catalysts Division
October 2019	Deputy Senior General Manager of Engineered Materials Sector, General Manager of Catalysts Division
April 2020	Senior Executive Officer, Senior General Manager of Engineered Materials Sector
June 2022	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector (current positions)

Director, Executive Officer

MIYAJI Makoto

April 1986	Entered the Company
April 2010	General Manager of Technical Department, Battery Materials Division, Engineered Materials Sector
June 2011	General Manager of Battery Materials Strategic Division, General Manager of Quality Assurance Department, Battery Materials Strategic Division, Engineered Materials Sector
April 2014	Executive Officer, General Manager of Battery Materials Division, General Manager of Manufacture Department, Battery Materials Division, Engineered Materials Sector
April 2015	Executive Officer, General Manager of Catalysts Division, General Manager of Manufacture Department, Catalysts Division, Engineered Materials Sector
October 2015	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Catalysts Division, General Manager of Manufacture Department, Catalysts Division, Engineered Materials Sector
April 2016	Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Engineered Powders Division, Engineered Materials Sector
April 2018	Executive Officer, General Manager of Human Resource Department, General Manager of Office of Secretariat, Corporate Planning Department, Corporate Planning & Control Sector
April 2021	Executive Officer, General Manager of Office of Secretariat, Corporate Planning Department, Corporate Planning & Control Sector
June 2021	Director, Executive Officer, Chief Environmental Safety Officer (current positions)

Outside Director

MATSUNAGA Morio

August 1977	Postdoctoral fellow, The University of Tennessee
September 1996	Professor, Faculty of Engineering, Kyushu Institute of Technology
April 2003	Professor, Department of applied science for integrated system engineering, Kyushu Institute of Technology
April 2010	President, Kyushu Institute of Technology
June 2016	Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology (current position)
June 2016	Outside Director of the Company (current position)
June 2018	Outside Auditor of KROSAKI HARIMA CORPORATION (current position)

Outside Director

TOIDA Kazuhiko

April 1975	Entered Nissan Motor Co., Ltd.
July 1999	General Manager of Domestic Parts Department, Parts Division, Nissan Motor Co., Ltd.
April 2001	Senior Vice President, Global Aftersales Business, Nissan Motor Co., Ltd.
April 2005	Senior Vice President, Japan Marketing & Sales, Chairman of MC-Dealer, Nissan Motor Co., Ltd.
April 2009	Executive Vice President, FALTEC Co., Ltd.
April 2009	Chairman and Board Director, ALTIA Co., Ltd.
April 2010	Representative Director, President and CEO, FALTEC Co., Ltd.
April 2017	Chairman of the Board and Representative Director, FALTEC Co., Ltd.
June 2017	Senior Adviser, FALTEC Co., Ltd.
April 2018	Executive Board Member, Rikkyo Educational Corporation
June 2020	Outside Director of the Company (current position)
September 2020	Chairperson of the Board, Rikkyo Educational Corporation

Outside Director

TAKEGAWA Keiko

April 1981	Entered Prime Minister's Office (Presently Cabinet Office)
July 2008	Deputy Director General for Policies on Cohesive Society, Cabinet Office
July 2009	Deputy Director General for Gender Equality Bureau, Cabinet Office
December 2012	Director, Public Relations Office, Cabinet Office
July 2014	Director General, Gender Equality Bureau
April 2019	Professor, Showa Women's University
June 2019	Outside Corporate Auditor of the Company
June 2019	Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
April 2020	Dean of Faculty of Global Business and Director of Institute of Women's Culture of Showa Women's University (current positions)
April 2021	Specially Appointed Professor, Showa Women's University (current position)
June 2021	Outside Director, Sekisui House, Ltd. (current position)
June 2021	Outside Director of the Company (current position)

Corporate Auditor

KUTSUNAI Akira

April 1984	Entered the Company
February 2012	General Manager of Finance & Accounting Department
June 2014	General Manager of Administration Dept., Metals Sector
April 2017	Executive Officer, General Manager of Investor Relations and Corporate Communications Department, Corporate Planning & Control Sector
June 2018	Executive Officer, General Manager of Investor Relations and Corporate Communications Department, Corporate Planning & Control Sector, Finance & Accounting Department, Corporate Planning & Control Sector
April 2020	Executive Officer, General Manager of Corporate Communications Department, Corporate Planning & Control Sector, General Manager of Finance & Accounting Department, Corporate Planning & Control Sector
June 2020	Corporate Auditor of the Company (current position)

Corporate Auditor

FUKUMOTO Hiroto

April 1986	Entered the Company
June 2011	General Manager of New Product & Process Development Center, Electronic Materials Sector
October 2011	General Manager of Ageo Copper Foil, Specialty Foil Division, Electronic Materials Sector
October 2016	Managing Director of Mitsui Copper Foil (Malaysia) Sdn.Bhd. Deputy General Manager of Copper Foil Division and General Manager of Business Planning Group, Engineered Materials Sector
May 2017	Deputy General Manager of R&D Center, Business Creation Sector
April 2020	General Manager of R&D Center, Business Creation Sector
January 2021	General Manager of R&D Center, Business Creation Sector
June 2022	Corporate Auditor of the Company (current position)

Outside Corporate Auditor

ISHIDA Toru

April 1975	Entered Ministry of International Trade and Industry (Presently Ministry of Economy, Trade and Industry)
July 2003	Director General for Policy Planning and Coordination, Minister's Secretariat, METI
September 2005	Director-General, Trade and Economic Cooperation Bureau, METI
July 2007	Director-General, Industrial Science and Technology Policy and Environment Bureau, METI
July 2008	Commissioner, Agency for Natural Resources and Energy, METI
January 2011	Advisor, Tokyo Electric Power Company, Incorporated (TEPCO)
June 2013	Director, Japan Alcohol Trading Co., LTD
June 2014	Vice President, Japan Alcohol Trading CO., LTD
December 2015	President, The Japan Chamber of Commerce and Industry (current position)
June 2018	Outside Corporate Auditor (current position)

Outside Corporate Auditor

INOUE Hiroshi

April 1985	Appointed as Public Prosecutor
January 2012	Assistant Vice-Minister of Justice
November 2012	Chief Prosecutor of Nara District Public Prosecutors Office
July 2014	Director-General of the Immigration Bureau, the Ministry of Justice
March 2017	Director-General, Inspection and Guidance Department, Supreme Public Prosecutors Office
June 2017	Chief Prosecutor of Nagoya District Public Prosecutors Office
February 2018	Superintending Prosecutor of Sapporo High Public Prosecutors Office
January 2020	Superintending Prosecutor of Fukuoka High Public Prosecutors Office
October 2020	Professional registration in Japan as lawyer
June 2021	With Momo-o, Matsuo & Namba (current position)
June 2021	Outside Corporate Auditor (current position)

Employees

Breakdown of consolidated employees by employment status and employment contract type (as of the end of FY2021)

		Male		Female		Total
		Male	Female	Male	Female	
Open-ended workforce contract	Full-time	8,807	3,353			12,160
	Part-time	8	11			19
	Total	8,815	3,364			12,179
Fixed-term contract	Full-time	501	304			805
	Part-time	101	44			145
	Total	602	348			950
Total		9,417	3,712			13,129
Supervised workers		685	839			1,524
Total workforce		10,102	4,551			14,653

※ Since the calculation method is different from the one for temporary employees stated in the annual securities report, the total number of employees is not in accord.

Breakdown of consolidated employees by employment contract (as of the end of FY2021)

	Open-ended workforce contract		Fixed-term contract		Total
	Male	Female	Male	Female	
Japan	5,159	812	476	127	6,574
North America	243	186	1	1	431
South and Central America	538	454	2	2	996
Asia	2,836	1,880	123	218	5,057
Europe	39	32	0	0	71
Total	8,815	3,364	602	348	13,129

Breakdown of consolidated employees by position (as of the end of FY2021)

	Under 30 years of age		30-49 years old		50 years of age or over		Total
	Male	Female	Male	Female	Male	Female	
Managerial	4	0	734	95	588	30	1,451
Non-managerial	1,867	789	4,439	2,233	1,785	565	11,678
Total	1,871	789	5,173	2,328	2,373	595	13,129

Percentage of managers holding local nationality in overseas sites (as of the end of FY2021)

North America	66.8%
South and Central America	88.5%
Asia	81.5%
Europe	100.0%
Total	81.0%

New employee hires by region (as of the end of FY2021)

		Under 30 years of age		30-49 years old		50 years of age or over		Total
		Male	Female	Male	Female	Male	Female	
Japan	New hires	139	33	132	37	31	13	385
	Total employees	801	150	2,890	446	1,945	287	6,519
	Rate of hiring	17.4%	22.0%	4.6%	8.3%	1.6%	4.5%	5.9%
North America	New hires	7	2	13	11	5	5	43
	Total employees	18	7	108	65	107	114	419
	Rate of hiring	38.9%	28.6%	12.0%	16.9%	4.7%	4.4%	10.3%
South and Central America	New hires	108	142	45	94	1	7	397
	Total employees	155	204	256	217	120	35	987
	Rate of hiring	69.7%	69.6%	17.6%	43.3%	0.8%	20.0%	40.2%
Asia	New hires	444	361	190	86	3	4	1,088
	Total employees	889	428	1,836	1,561	172	109	4,995
	Rate of hiring	49.9%	84.3%	10.3%	5.5%	1.7%	3.7%	21.8%
Europe	New hires	7	2	4	0	6	2	21
	Total employees	9	2	14	5	15	25	70
	Rate of hiring	77.8%	100.0%	28.6%	0.0%	40.0%	8.0%	30.0%
Total	New hires	705	540	384	228	46	31	1,934
	Total employees	1,872	791	5,104	2,294	2,359	570	12,990
	Rate of hiring	37.7%	68.3%	7.5%	9.9%	1.9%	5.4%	14.9%

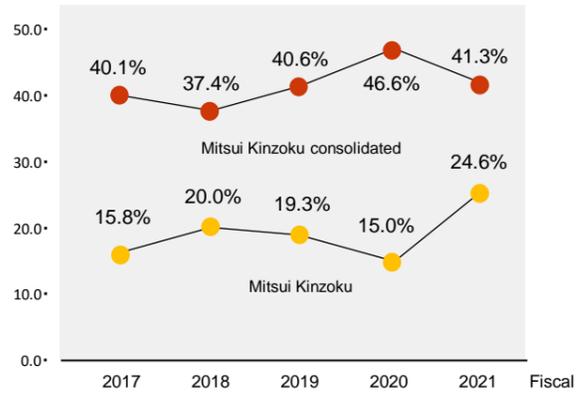
※ Since the calculation method is different from the one for consolidated employees, the total number of employees is not in accord.

Employee turnover by region (as of the end of FY2021)

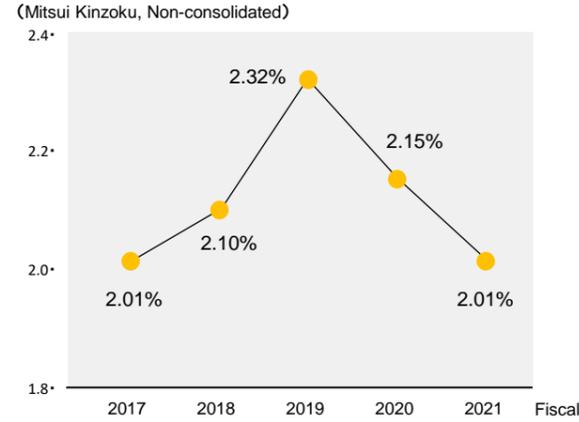
		Under 30 years of age		30-49 years old		50 years of age or over		Total
		Male	Female	Male	Female	Male	Female	
Japan	Departures	46	11	75	18	99	22	271
	Total employees	801	150	2,890	446	1,945	287	6,519
	Turnover rate	5.7%	7.3%	2.6%	4.0%	5.1%	7.7%	4.2%
North America	Departures	3	1	12	5	3	2	26
	Total employees	18	7	108	65	107	114	419
	Turnover rate	16.7%	14.3%	11.1%	7.7%	2.8%	1.8%	6.2%
South and Central America	Departures	89	101	57	77	3	4	331
	Total employees	155	204	256	217	120	35	997
	Turnover rate	57.4%	49.5%	22.3%	35.5%	2.5%	11.4%	33.5%
Asia	Departures	243	274	225	134	20	27	923
	Total employees	889	428	1,836	1,561	172	109	4,995
	Turnover rate	27.3%	64.0%	12.3%	8.6%	11.6%	24.8%	18.5%
Europe	Departures	6	1	6	3	5	6	27
	Total employees	9	2	14	5	15	25	70
	Turnover rate	66.7%	50.0%	42.9%	60.0%	33.3%	24.0%	38.6%
Total	Departures	387	388	375	237	130	61	1,578
	Total employees	1,872	791	5,104	2,294	2,359	570	12,990
	Turnover rate	20.7%	49.1%	7.3%	10.3%	5.5%	10.7%	12.1%

※ Since the calculation method is different from the one for consolidated employees, the total number of employees is not in accord. Departures include "retirement at the age limit" and "expiration of contract period".

Proportion of women as a percentage of new hires



Percentage of employees with disabilities

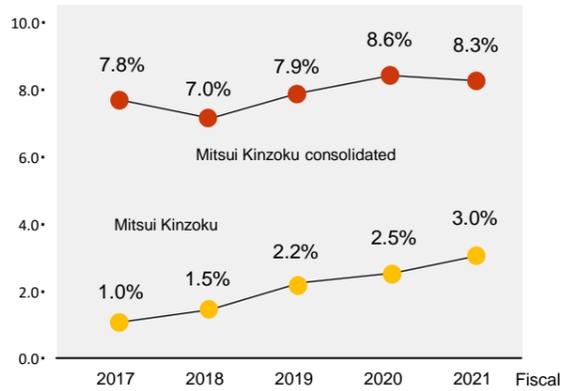


Parental leave

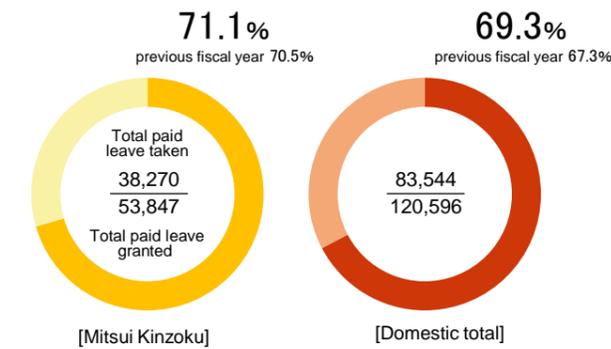
		FY2019		FY2020		FY2021	
		Employees that entitled to leave	Employees that took advantage	Employees that entitled to leave	Employees that took advantage	Employees that entitled to leave	Employees that took advantage
Mitsui Kinzoku	Male	67	4	57	3	88	8
	Female	8	8	8	8	17	17
	Total	75	12	65	11	105	25
Domestic total	Male	143	13	145	9	185	16
	Female	17	16	17	17	27	27
	Total	160	29	162	26	212	43

※ Employees that took advantage: Employees that took parental leave in the relevant fiscal year of those entitled.

Proportion of women in management positions



Rate of taking paid leave

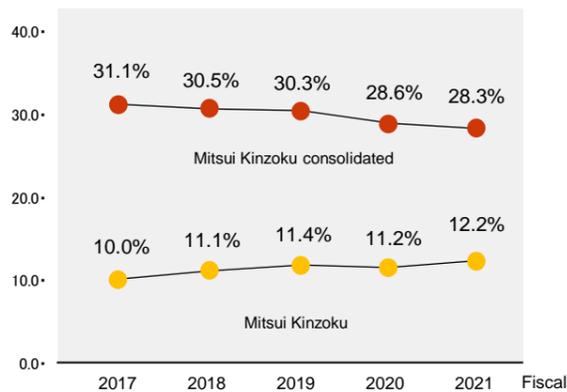


Return to work and retention rates after parental leave

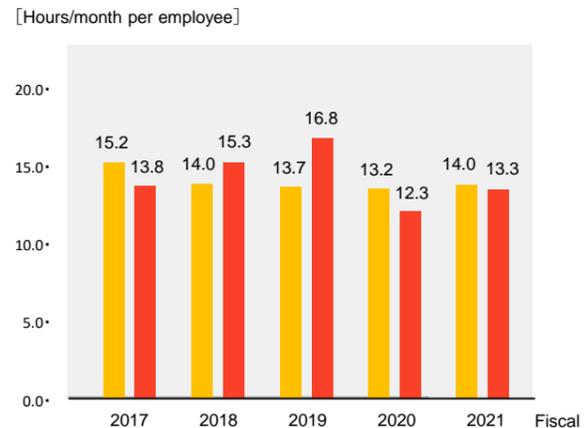
		FY2019			FY2020			FY2021		
		Ended	Returned	Retired	Ended	Returned	Retired	Ended	Returned	Retired
Mitsui Kinzoku	Male	5	5	0	3	3	0	5	4	1
	Female	10	10	0	4	4	0	0	0	0
	Total	15	15	0	7	7	0	5	4	1
Domestic total	Male	13	13	0	11	11	0	13	12	1
	Female	15	15	0	7	7	0	2	2	0
	Total	28	28	0	18	18	0	15	14	1

※ Ended: Employees whose parental leave ended.
Returned: Employees that returned to work after ended.
Retired: Employees that separated from employment in twelve months after returning.

Proportion of women as a percentage of total employees

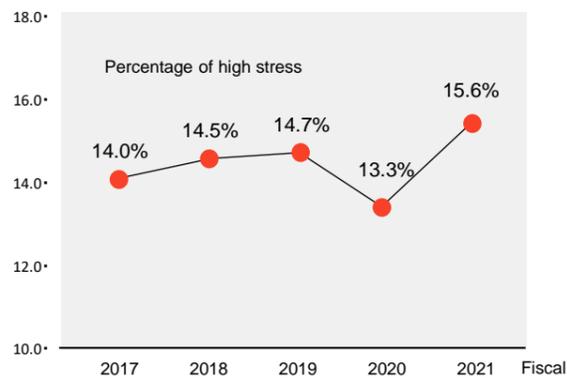


Overtime hours



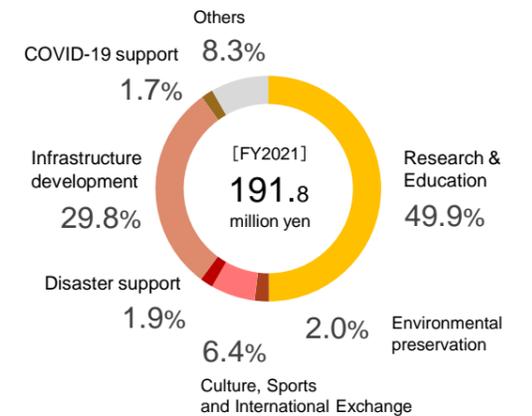
Results of stress check (Percentage of high stress)

(Target: Directly hired employees of Mitsui Kinzoku and the domestic consolidated affiliates, including expatriate workers)



Contributing to communities

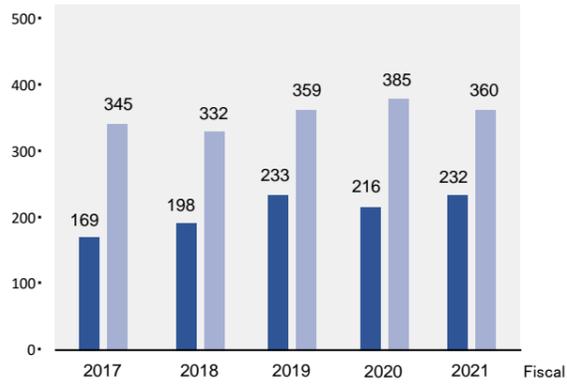
Mitsui Kinzoku Group breakdown of the amount



Intellectual property

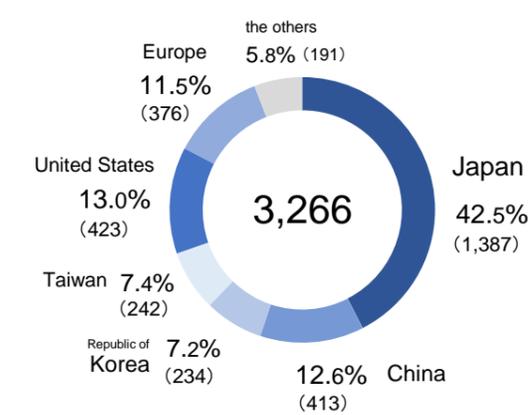
Number of patent applications

■ Japan ■ Overseas

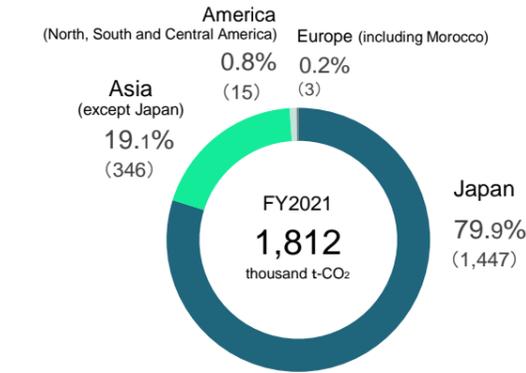


* Due to the fact that some affiliates introduced their own patent management systems, the number of patent applications for the past fiscal years of these affiliates was excluded in this report.

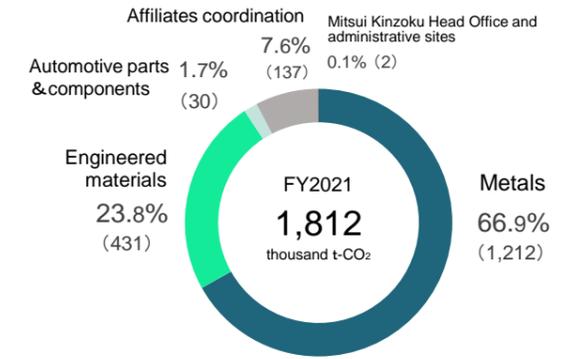
Number of patents registered globally



Breakdown of CO2 emissions by region



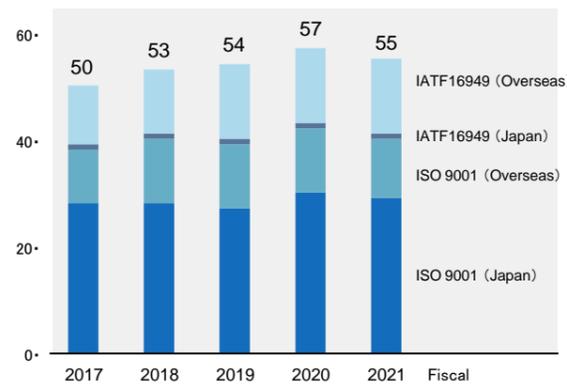
Breakdown of CO2 emissions by business unit



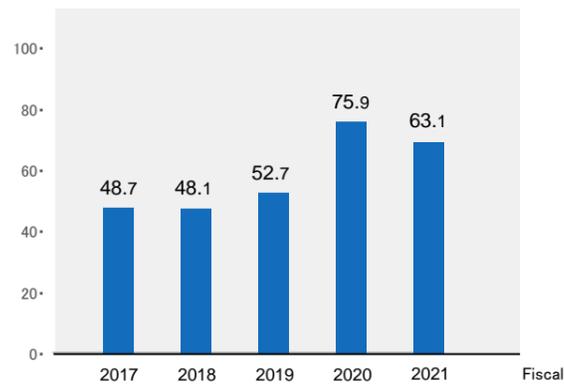
* Figures for each business unit calculated based on the organization in FY2021.

Quality assurance

Number of operating sites with certifications

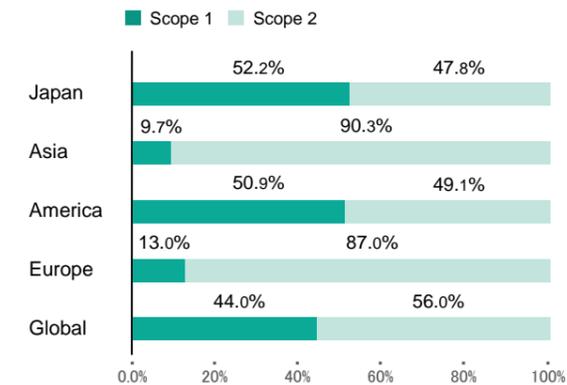


Number of claims at sites that hold QA meetings

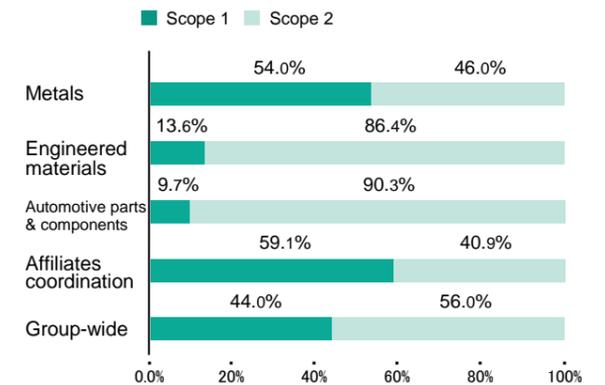


* The values expressed as relative values, with the data of FY2013 being 100.

Breakdown by scope of CO2 emissions by region



Breakdown by scope of CO2 emissions by business unit



* Figures for each business unit calculated based on the organization in FY2021.

Environment

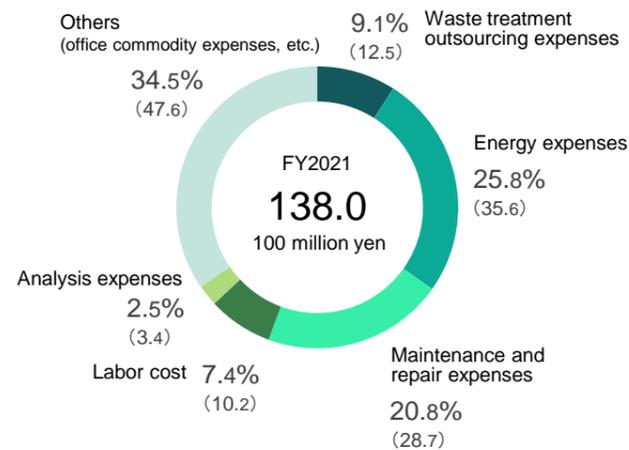
Environment-related capital expenditures and environmental management expenses (Hundred million yen)



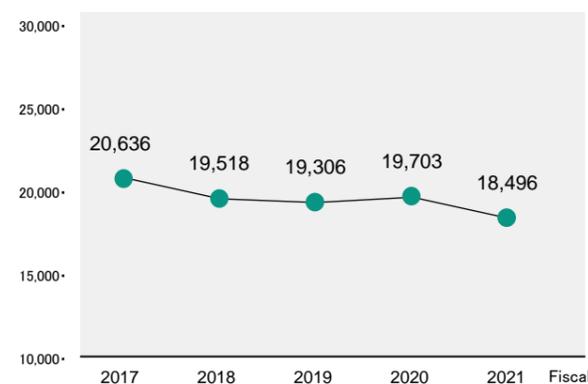
■ Environment-related capital expenditures (Japan)
 ■ Environmental management expenses (Japan)
 ■ Environment-related capital expenditures (overseas)
 ■ Environmental management expenses (overseas)

* The classification partially changed after FY2019.
 * Revised the values for FY2020 disclosed last year.

Break down of environmental management expenses

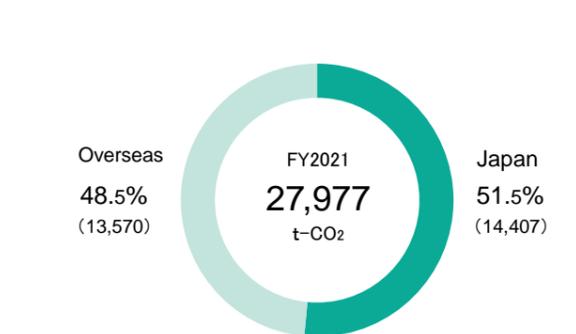


CO2 emissions in logistics (Non-consolidated, t-CO₂/year)



* The scope of data calculation covers only the transportations which are designated as Specified Consigner by the Act on the Rational Use of Energy.

CO2 emissions by waste treatment (t-CO₂/year)



* For the emission factors, the emission intensity database for calculating GHG emissions of organizations throughout the supply chain, Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry (Ver. 2.6 and Ver. 3.0) was referenced.

Corporate profile and Stock information

(as of March 31, 2022)

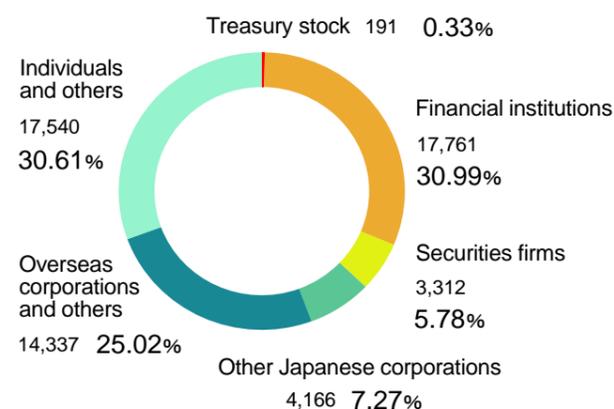
Corporate profile

Company name	MITSUI MINING & SMELTING CO., LTD.
Established	May 1, 1950
Paid-in capital	42,129 million yen
Employees	Consolidated 11,881 Non-consolidated 2,139
Subsidiaries and affiliates	Subsidiaries 52 Affiliates 7
Head office	1-11-1 Osaki, Shinagawa-ku, Tokyo 141-8584 Japan Telephone +81-3-5437-8000 Facsimile +81-3-5437-8029

Stock information

Total number of authorized shares	190,000,000 shares
Total number of outstanding shares	57,310,077 shares
Number of shareholders	41,881

Share breakdown (Thousands of shares)



Major shareholders (Top 10)

Shareholder	Number of shares held (Thousands)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Held in trust account)	10,402	18.21
Custody Bank of Japan, Ltd. (Held in trust account)	4,060	7.10
JP MORGAN CHASE BANK 385632	1,419	2.48
Mitsui Kinzoku Employees' Shareholding Association	1,248	2.18
Tex Technology Inc.	865	1.51
STATE STREET BANK WEST CLIENT-TREATY 505234	769	1.34
Mitsui Kinzoku Business Partners' Shareholding Association	725	1.26
DFA INTL SMALL CAP VALUE PORTFOLIO	707	1.23
JP MORGAN CHASE BANK 385781	696	1.22
Goldman Sachs Japan Co. Ltd.	607	1.06

* Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 191,237 shares in treasury).

Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

July 27, 2022

Mr. Takeshi Nou,
President and Representative Director,
MITSUI MINING & SMELTING CO., LTD.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the CO₂ emissions from energy consumption indicated with for the year ended March 31, 2022 (the "CO₂ Information") included in the "MITSUI KINZOKU Integrated Report 2022" (the "Report") of MITSUI MINING & SMELTING CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the CO₂ Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO₂ Information included in the Report). CO₂ quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO₂ Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO₂ Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited