

11-Year Summary of Selected Financial Data

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

Millions of yen

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Consolidated Financial Highlights												
Net sales		441,046	473,274	450,553	436,330	519,215	497,701	473,109	522,936	633,346	651,965	646,697
Operating income		25,743	31,835	11,137	38,461	49,529	18,222	13,037	51,124	60,737	12,528	31,694
Ordinary income		13,656	21,096	(11,284)	31,047	11,239	17,755	9,318	51,265	65,990	19,886	44,513
Profit attributable to owners of parent		3,662	17,237	(20,926)	18,674	(708)	4,691	1,566	44,771	52,088	8,511	25,989
Capital expenditures		27,160	28,906	28,446	37,718	40,509	36,119	33,999	28,176	27,457	32,515	32,039
Depreciation		24,178	25,146	25,066	24,414	26,634	27,964	28,970	33,882	33,168	33,647	34,387
Research and Development expenditures		5,795	6,265	6,575	7,163	8,015	9,523	10,125	10,571	10,939	12,365	13,354
Cash flows from operating activities		38,003	37,245	50,397	24,218	52,436	40,696	36,107	27,565	60,672	43,009	75,343
Cash flows from investing activities		(72,128)	(26,418)	(26,395)	(38,300)	(40,376)	(44,843)	(34,833)	(16,324)	(25,538)	(31,641)	(34,914)
Free cash flows		(34,125)	10,827	24,002	(14,082)	12,060	(4,147)	1,274	11,241	35,134	11,368	40,428
Total assets		503,825	538,646	484,800	518,981	518,705	523,315	537,119	595,107	637,878	631,894	640,631
Net assets		169,867	207,106	179,566	184,421	178,652	179,673	173,255	210,560	250,048	261,406	286,018
Shareholders' equity		156,280	170,994	146,469	161,713	157,271	159,207	157,296	197,874	241,075	243,360	256,164
Interest-bearing debt		218,500	210,390	191,733	207,421	208,418	216,878	233,070	247,930	225,100	219,249	200,720
Per share of common stock												
EPS (Earnings per share) ^{※1}	Yen	64.12	301.81	(366.41)	326.98	(12.40)	82.15	27.43	784.01	912.00	148.99	454.71
BPS (Net assets per share) ^{※1}	Yen	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	4,434.42	4,872.30
Cash dividends per share ^{※1}	Yen	40	60	60	70	70	70	70	85	110	140	140
Dividend payout ratio	%	62.4	19.9	-	21.4	-	85.2	255.2	10.8	12.1	94.0	30.8
DOE (Dividend on equity ratio) ^{※2}	%	1.5	2.0	2.3	2.5	2.5	2.5	2.5	2.5	2.6	3.3	3.1
Financial Ratios												
ROE (Return on equity)	%	2.4	9.6	(11.4)	10.9	(0.4)	2.8	0.9	24.6	23.8	3.5	9.8
ROA (Return on assets)	%	2.9	4.0	(2.2)	6.2	2.2	3.4	1.8	9.1	10.7	3.1	7.0
Net D/E ratio		1.26	0.98	1.03	1.10	1.11	1.15	1.22	1.09	0.82	0.76	0.60
Equity ratio	%	31.9	36.6	35.0	33.5	32.4	32.5	30.7	33.4	37.6	40.1	43.5

※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 2013.

※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, 2023 and 2024

	2023	2024
Assets		
Current assets:		
Cash and deposits (Note 6)	¥ 26,817	¥ 32,483
Notes and accounts receivable, and contract assets (Notes 3 and 19) :		
Trade	101,897	106,259
Unconsolidated subsidiaries and affiliates	9,061	11,662
Inventories (Note 4)	176,250	165,232
Derivatives (Notes 19 and 20)	213	1,033
Other current assets	33,072	30,702
Less: Allowance for doubtful accounts	(149)	(2,777)
Total current assets	347,165	344,597
Property, plant and equipment (Note 9):		
Land	31,796	32,087
Buildings and structures	208,770	218,897
Machinery and equipment	513,103	533,641
Leased assets	5,536	6,300
Construction in progress	11,290	11,290
Others	63,186	66,678
	833,684	868,896
Less: Accumulated depreciation	(635,925)	(669,887)
Total property, plant and equipment	197,758	199,008
Investments and other assets:		
Investment securities (Notes 5 and 19):		
Unconsolidated subsidiaries and affiliates	52,582	53,759
Others	9,282	12,675
Loans receivable:		
Others	405	398
Deferred tax assets (Note 18)	5,752	5,857
Asset for retirement benefits (Note 21)	7,631	12,565
Others	11,415	11,861
Less: Allowance for doubtful accounts	(98)	(91)
Total investments and other assets	86,970	97,025
Total assets	¥ 631,894	¥ 640,631
Liabilities and Net Assets		
Current liabilities:		
Notes and accounts payable (Note 19):		
Trade	51,973	46,575
Unconsolidated subsidiaries and affiliates	5,352	4,219
Others	18,512	19,319
Short-term borrowings and commercial papers (Notes 7 and 19)	64,667	59,435

	2023	2024
Current portion of long-term debt (Notes 7 and 19)	¥ 28,538	¥ 39,837
Current portion of lease liabilities	642	698
Accrued income taxes	1,787	4,083
Accrued expenses	9,963	11,876
Provision for product warranties	548	747
Provision for loss on construction contracts	57	77
Provision for improvement of business structure	-	0
Provision for loss on disposal of inventories	562	730
Derivative liabilities (Notes 19 and 20)	2,390	3,217
Other current liabilities (Note 8)	13,799	13,674
Total current liabilities	198,795	204,495
Long-term liabilities:		
Long-term debt (Notes 7 and 19)	126,043	101,447
Lease liabilities	1,571	1,606
Directors' and corporate auditors' retirement benefits	389	297
Deferred tax liabilities (Note 18)	8,034	12,941
Provision for environmental countermeasures	1,275	1,096
Provision for preventing environmental pollution in mineral, mining, and other operations	839	841
Asset retirement obligations (Note 26)	3,726	3,971
Liability for retirement benefits (Note 21)	28,394	27,173
Other long-term liabilities	1,416	741
Total long-term liabilities	171,691	150,117
Total liabilities	370,487	354,613
Commitments and contingent liabilities (Note 10)		
Net Assets (Note 11):		
Shareholders' equity:		
Common stock:		
Authorized - 190,000 thousand shares in 2023 and in 2024		
Issued - 57,329 thousand shares in 2023 and 57,356 thousand shares in 2024	42,178	42,223
Capital surplus	18,729	17,503
Retained earnings	183,080	197,068
Less: Treasury stock		
191 thousand shares in 2023 and 192 thousand shares in 2024	(628)	(630)
Total shareholders' equity	243,360	256,164
Accumulated other comprehensive income:		
Net unrealized gains on securities, net of tax	3,362	6,227
Deferred gains (losses) on hedges, net of tax	(4,098)	(4,163)
Foreign currency translation adjustments	10,682	19,916
Accumulated adjustments for retirement benefit (Note 21)	64	377
Total accumulated other comprehensive income	10,010	22,357
Non-controlling interests in consolidated subsidiaries	8,035	7,495
Total net assets	261,406	286,018
Total liabilities and net assets	¥ 631,894	¥ 640,631

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsui Mining and Smelting Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2023 and 2024

Millions of yen

	2023	2024
Net sales (Notes 16 and 17)	¥ 651,965	¥ 646,697
Cost of sales (Notes 4 and 13)	572,628	551,299
Gross profit	79,337	95,397
Selling, general and administrative expenses (Notes 12 and 13)	66,808	63,703
Operating income	12,528	31,694
Non-operating income (expenses):		
Interest and dividend income	1,560	7,778
Interest expense	(2,011)	(2,526)
Foreign exchange gains	1,543	2,977
Investment gains (losses) on equity method	5,726	3,239
Real estate rent	508	658
Other, net	30	691
	7,358	12,819
Ordinary income (Note 17)	19,886	44,513
Extraordinary income (losses):		
Gain on sale of property, plant and equipment (Note 14)	129	37
Loss on sale and disposal of property, plant and equipment (Note 14)	(2,605)	(2,366)
Loss on valuation of shares of subsidiaries and associates (Note 23)	(1,096)	(987)
Gain on sale of investment securities	25	1,255
Gain on liquidation of shares of subsidiaries and associates	86	—
Provision of allowance for doubtful accounts (Note 23)	0	(2,595)
Others, net (Notes 14 and 24)	(1,235)	(1,312)
	(4,697)	(5,967)
Profit before income taxes	15,189	38,545
Income taxes (Note 18):		
Current	6,022	7,601
Deferred	2,514	4,080
	8,536	11,681
Profit	6,653	26,864
Profit (loss) attributable to non-controlling interests	(1,858)	875
Profit attributable to owners of parent	¥ 8,511	¥ 25,989
Amounts per share of common stock:	Yen	Yen
Basic earnings per share (Note 22)	¥ 148.99	¥ 454.71
Cash dividends applicable to the year	140.00	140.00

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, 2023 and 2024

Millions of yen

	2023	2024
Profit	¥ 6,653	¥ 26,864
Other comprehensive income:		
Net unrealized gains on securities, net of tax	845	2,733
Deferred gains on hedges, net of tax	5,262	546
Foreign currency translation adjustments	3,881	9,649
Remeasurements of defined benefit plans, net of tax	(755)	304
Share of other comprehensive income (loss) of entities accounted for using equity method	2,291	(416)
Total other comprehensive income (Note 27)	11,524	12,816
Comprehensive income	¥ 18,177	¥ 39,680
(Breakdown)		
Comprehensive income attributable to owners of parent	¥ 19,906	¥ 38,336
Comprehensive income attributable to non-controlling interests	(1,728)	1,344

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, 2023 and 2024

Millions of yen

2023	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	57,310	¥42,149	¥18,701	¥180,851	¥(626)	¥241,075
Cash dividends paid				(6,283)		(6,283)
Profit attributable to owners of parent				8,511		8,511
Acquisition of treasury stock					(1)	(1)
Share-based payments with transfer restrictions		28	28			57
Changes in capital surplus due to transactions						
with non-controlling shareholders				(0)		(0)
Net changes of items other than shareholders' equity						
Balance at March 31, 2023	57,329	¥42,178	¥18,729	¥183,080	¥(628)	¥243,360

	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, 2022	¥2,512	¥(11,641)	¥6,924	¥821	¥(1,383)	¥10,356	¥250,048
Cash dividends paid							(6,283)
Profit attributable to owners of parent							8,511
Acquisition of treasury stock							(1)
Share-based payments with transfer restrictions							57
Changes in capital surplus due to transactions							
with non-controlling shareholders							(0)
Net changes of items other than shareholders' equity	849	7,543	3,758	(757)	11,394	(2,320)	9,073
Balance at March 31, 2023	¥3,362	¥(4,098)	¥10,682	¥64	¥10,010	¥8,035	¥261,406

See accompanying notes to consolidated financial statements.

Millions of yen

2024	Number of shares of common stock issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	57,329	¥42,178	¥18,729	¥183,080	¥(628)	¥243,360
Cash dividends paid				(12,000)		(12,000)
Profit attributable to owners of parent				25,989		25,989
Acquisition of treasury stock					(2)	(2)
Share-based payments with transfer restrictions		44	44			89
Changes in capital surplus due to transactions						
with non-controlling shareholders				(1,270)		(1,270)
Net changes of items other than shareholders' equity						
Balance at March 31, 2024	57,356	¥42,223	¥17,503	¥197,068	¥(630)	¥256,164

	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, 2023	¥3,362	¥(4,098)	¥10,682	¥64	¥10,010	¥8,035	¥261,406
Cash dividends paid							(12,000)
Profit attributable to owners of parent							25,989
Acquisition of treasury stock							(2)
Share-based payments with transfer restrictions							89
Changes in capital surplus due to transactions							
with non-controlling shareholders							(1,270)
Net changes of items other than shareholders' equity	2,865	(64)	9,233	312	12,347	(539)	11,807
Balance at March 31, 2024	¥6,227	¥(4,163)	¥19,916	¥377	¥22,357	¥7,495	¥286,018

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, 2023 and 2024

Millions of yen

	2023	2024
Cash flows from operating activities:		
Profit before income taxes	¥ 15,189	¥ 38,545
Depreciation and amortization	33,646	34,387
Loss on impairment of fixed assets (Note 24)	34	23
Gain and loss on sale of investment securities	(25)	(1,238)
Loss on sale of property, plant and equipment, net (Note 14)	26	79
Loss on disposal of property, plant and equipment (Note 14)	2,450	2,249
Increase (decrease) in allowance for doubtful accounts (Note 23)	(132)	2,611
Increase (decrease) in liability for retirement benefits	494	(1,290)
Interest and dividend income	(1,560)	(7,778)
Interest expense	2,011	2,526
Foreign exchange gains	(438)	(849)
Investment gains on equity method	(5,726)	(3,239)
Loss on valuation of shares of subsidiaries and associates (Note 23)	1,096	987
Increase (decrease) in notes and accounts receivables and contract assets	13,633	(1,535)
Decrease in inventories	3,649	15,983
Decrease in notes and accounts payable	(7,793)	(11,282)
Other, net	(2,378)	3,597
Subtotal	54,177	73,775
Interest and dividend received	2,680	8,584
Interest paid	(1,976)	(2,522)
Income taxes paid	(12,595)	(9,858)
Income taxes refund	190	5,018
Other, net	532	344
Net cash provided by operating activities	43,009	75,343
Cash flows from investing activities:		
Purchases of investment securities	(310)	(561)
Proceeds from sale of investment securities	35	1,707
Acquisition of property, plant and equipment and other assets	(31,150)	(31,604)
Proceeds from sale of property, plant and equipment	392	290
Payments for retirement of property, plant and equipment and other assets	(1,811)	(1,840)
Increase in short-term loans receivable, net	(263)	(2,284)
Other, net	1,467	(621)
Net cash used in investing activities	(31,641)	(34,914)

Millions of yen

	2023	2024
Cash flows from financing activities:		
Net change in short-term borrowings and commercial papers	(744)	(7,294)
Proceeds from long-term debt	29,138	4,160
Repayment of long-term debt	(35,485)	(17,525)
Repayment of lease liabilities	(673)	(706)
Issuance of straight bonds	10,000	10,000
Redemption of straight bonds	(10,000)	(10,000)
Cash dividends paid	(6,283)	(12,000)
Dividends paid to non-controlling interests	(591)	(485)
Purchase of shares of subsidiaries not resulting in change		
in scope of consolidation	—	(2,616)
Other, net	(44)	(88)
Net cash provided by (used in) financing activities	(14,683)	(36,557)
Effect of exchange rate changes on cash and cash equivalents	518	1,792
Net increase (decrease) in cash and cash equivalents	(2,797)	5,662
Cash and cash equivalents at beginning of year	29,614	26,816
Cash and cash equivalents at end of year (Note 6)	¥ 26,816	¥ 32,479

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, 2023 and 2024

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or 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 consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million Japanese yen have been rounded down in the presentation of the accompanying consolidated financial statements. As a result, the totals in Japanese 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, 2024, which was ¥151.33 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 51 significant subsidiaries (the "Companies"). One subsidiary was excluded from the scope of consolidation from the fiscal year ended March 31, 2024 because it was merged with other subsidiary. 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 mainly in five years. Negative goodwill is recognized as profit on the acquisition date.

(b) Foreign currency translation

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

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

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

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

(e) Derivative transactions and hedge accounting

The Companies generally state derivative financial instruments at their 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, Mobility Sector

Subsidiaries:

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

Subsidiaries:

Mitsui Kinzoku ACT Corporation

: Moving average method

The Company:

Engineered Materials Sector (except for Copper Foil Division)

Subsidiaries:

The metal powders factory of Kamioka Mining & Smelting Co., Ltd., Nippon Yttrium Co., Ltd., Mitani Shindo Co., Ltd. and others

: Average method

Overseas subsidiaries

: 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

Provision 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 of 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, Mobility, and Other business 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.

The Companies engage in product sales involving transactions performed with the Companies serving as an agent who arrange for the product to be provided to a customer by another party. Under those circumstances, the Companies recognize revenue as the anticipated amount of remuneration or fees it is to receive in exchange for it having arranged to have another party provide the product (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.

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

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 anticipated 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 regarding 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.

(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 2023 and 2024.

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 2024 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, 2024

Merchandise and finished goods	¥56,234 million (\$371,598 thousand)
Work in progress	¥42,114 million (\$278,292 thousand)
Raw materials and supplies	¥66,883 million (\$441,967 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 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 impact 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, 2024

Deferred tax assets ¥5,857 million (\$38,703 thousand)

(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.

(Accounting standards and guidance not yet adopted)

Following accounting standards and guidance are those issued but not yet adopted.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No.27, October 28, 2022, ASBJ)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, October 28, 2022, ASBJ)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No.28, October 28, 2022, ASBJ)

(1) Overview

These accounting standards and guidance determined the categories in which income tax expense should be recorded in case taxes are imposed on other comprehensive income and tax effects associated with sales of shares of subsidiaries etc. when the group taxation regime is applied.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

(Changes in presentation)

Consolidated statement of income

"Reversal of allowance for doubtful accounts" and "Insurance claim income" that had been included separately under "Extraordinary income (losses)" in the previous fiscal year have not exceed ten percent of the total amount of extraordinary income, and have therefore been presented under "Others, net" under "Extraordinary income (losses)" in the current fiscal year.

"Provision of allowance for doubtful accounts" that had been presented under "Others, net" under "Extraordinary income (losses)" in the previous fiscal year has 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.

"Environmental expenses" that had been included separately under "Extraordinary income (losses)" in the previous fiscal year has not exceed ten percent of the total amount of extraordinary losses, and has therefore been presented under "Others, net" under "Extraordinary income (losses)" in the current fiscal year.

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

As a result, ¥52 million that was presented as "Reversal of allowance for doubtful accounts", ¥84 million that was presented as "Insurance claim income", ¥(745) million that was presented as "Environmental expenses" and ¥(626) million that was presented as "Others, net" under "Extraordinary income (losses)" in the consolidated statement of income for the year ended March 31, 2023 have been restated as "Provision of allowance for doubtful accounts" of ¥(0) million and "Others, net" of ¥(1,235) 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, 2024 were as follows:

	Millions of yen
	2024
Receivables from contracts with customers	
Notes receivable	¥7,802
Accounts receivable	108,615
Contract assets	1,504

4. Inventories

Inventories at March 31, 2023 and 2024 consisted of the following:

	Millions of yen	
	2023	2024
Merchandise and finished goods	¥62,056	¥56,234
Work in process	39,276	42,114
Raw materials and supplies	74,918	66,883
Total	¥176,250	¥165,232

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, 2023 and 2024 respectively as follows:

	Millions of yen	
	2023	2024
Cost of sales	¥5,523	¥(65)
Total	¥5,523	¥(65)

5. Securities

(a) Acquisition costs and book values of available-for-sale securities with fair value as of March 31, 2023 and 2024 were as follows:

	Millions of yen		
Year ended March 31, 2023	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥6,192	¥1,783	¥4,408
Subtotal	6,192	1,783	4,408
Securities whose book value does not exceed acquisition cost:			
Stocks	6	7	(1)
Bonds	230	240	(9)
Subtotal	236	247	(11)
Total	¥6,429	¥2,031	¥4,397
Year ended March 31, 2024	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥9,678	¥1,463	¥8,214
Subtotal	9,678	1,463	8,214
Securities whose book value does not exceed acquisition cost:			
Stocks	—	—	—
Bonds	209	240	(30)
Subtotal	209	240	(30)
Total	¥9,887	¥1,703	¥8,184

(b) Available-for-sale securities sold for the years ended March 31, 2023 and 2024 were as follows:

		Millions of yen	
		2023	2024
Total sale amount	Stocks	¥35	¥1,707
Gains	Stocks	25	1,255
Losses	Stocks	—	17

(c) Securities written-down for the year ended March 31, 2024 were as follows:

Losses on write-downs of securities amounted to ¥987 million (\$6,522 thousand) (¥987 million (\$6,522 thousand) for shares of subsidiaries and affiliates) for the year ended March 31, 2024.

As for write-downs of securities, the securities without market prices whose net asset value are significantly decreased due to the deterioration of financial position of their issuing companies are written-down to the amount needed considering the recoverability of the net asset value.

6. Consolidated Statement of Cash Flows

(a) Amounts of cash and cash equivalents

Amounts of cash and cash equivalents at March 31, 2023 and 2024 were reconciled with cash and deposits as follows:

		Millions of yen	
		2023	2024
Cash and deposits		¥26,817	¥32,483
Time deposits with maturities exceeding three months from the date of deposit		(1)	(4)
Total : Cash and cash equivalents		¥26,816	¥32,479

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2023 and 2024 consisted of the following:

		Millions of yen	
		2023	2024
Short-term bank loans, generally represented by short-term notes and bank overdrafts, bore interest at annual rates ranging from 0.352% to 7.950% and from 0.478% to 6.973% at March 31, 2023 and 2024, respectively.		¥46,667	¥50,935
Commercial paper with interest at annual rate of (0.00)% and 0.12% at March 31, 2023 and 2024, respectively.		18,000	8,500
		¥64,667	¥59,435

Long-term debt at March 31, 2023 and 2024 consisted of the following:

		Millions of yen	
		2023	2024
0.86 % yen unsecured straight bonds due in 2028		¥ —	¥10,000
0.58 % yen unsecured straight bonds due in 2027		10,000	10,000
0.43 % yen unsecured straight bonds due in 2027		10,000	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	—

Banks, insurance companies and other financial institutions, maturing through 2028 at interest rates ranging from 0.000% to 7.980% at March 31, 2024:

		Millions of yen	
		2023	2024
Secured		860	836
Unsecured		103,586	90,400

Government-owned banks and government agencies, maturing through 2027 at interest rates ranging from 1.300% to 1.700% at March 31, 2024:

		Millions of yen	
		2023	2024
Secured		134	48
Unsecured		—	—

		154,581	141,285
Less: Current portion		28,538	39,837
		¥126,043	¥101,447

The aggregate annual maturities of long-term debt at March 31, 2024 were as follows:

Year ending March 31,	Millions of yen
2025	¥39,837
2026	33,197
2027	21,549
2028	31,700
2029	15,000
Thereafter	—
Total	¥141,285

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.

The 0.58% yen unsecured straight bonds due in 2027 were issued on November 29, 2022 by the Company.

The 0.86% yen unsecured straight bonds due in 2028 were issued on November 29, 2023 by the Company.

8. Contract Liabilities

The amount of contract liabilities included in other current liabilities as of March 31, 2024 was as follows:

		Millions of yen	
		2023	2024
Contract Liabilities			¥3,628

9. Pledged Assets

Assets pledged as collateral for long-term debt at March 31, 2023 and 2024 were as follows:

		Millions of yen	
		2023	2024
Property, plant and equipment, net book value		¥6,349	¥7,257
		¥6,349	¥7,257

10. Contingent Liabilities

Contingent liabilities at March 31, 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Notes receivable discounted	¥82	¥—
Notes and accounts receivable securitized with recourse	230	119
Loans guaranteed		
Unconsolidated subsidiaries and affiliates	85,317	37,078
Others	204	174
	¥85,834	¥37,372

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, 2023 and 2024 were as follows:

	Shares of common stock	Shares of treasury stock
	(Thousands)	(Thousands)
Balance at April 1, 2022	57,310	191
Increase during the year	19	0
Decrease during the year	—	—
Balance at March 31 and April 1, 2023	57,329	191
Increase during the year	27	0
Decrease during the year	—	—
Balance at March 31, 2024	57,356	192

(b) Dividends

Dividends paid for the year ended March 31, 2024 were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 29, 2023	¥7,999
Approved at the Board of Directors' meeting held on November 10, 2023	4,001
Total	¥12,000

Dividends included in the retained earnings at March 31, 2024 and to be paid in subsequent periods were as follows:

	Millions of yen
Approved at the shareholders' meeting held on June 27, 2024	¥4,001
Total	¥4,001

12. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2023 and 2024 were as follows:

	2023	2024
Freightage related expenses	¥11,821	¥11,789
Salaries	12,958	13,880
Bonus and retirement pay	2,742	2,206
Provision for bonuses	2,124	2,395
Retirement benefit expenses	754	(4,841)
Provision for directors' and corporate auditors' retirement benefits	87	79
Provision for product warranties	50	169
Depreciation expense	3,466	3,497
Research and development/Exploration expenses	11,359	12,827

13. Research and Development Expenses

Research and development expenses included in production cost and selling, general and administrative expenses amounted to ¥12,365 million and ¥13,354 million (\$88,244 thousand) for the years ended March 31, 2023 and 2024, respectively.

14. Extraordinary profit and loss

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

	Millions of yen	
	2023	2024
Buildings and structures	¥27	¥0
Machinery and equipment	86	2
Land	0	0
Others	14	34
Total	¥129	¥37

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

	Millions of yen	
	2023	2024
Buildings and structures	¥39	¥11
Machinery and equipment	88	92
Land	6	2
Others	21	10
Total	¥155	¥117

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

	Millions of yen	
	2023	2024
Buildings and structures	¥336	¥321
Machinery and equipment	1,956	1,737
Others	157	189
Total	¥2,450	¥2,249

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

	Millions of yen	
	2023	2024
Provision for Environmental expenses	¥570	¥590

15. Lease

Future lease payments under noncancellable operating leases at March 31, 2023 and 2024 were as follows:

	Millions of yen	
	2023	2024
Due within one year	¥489	¥577
Due after one year	818	728
	¥1,307	¥1,306

16. Net Sales

Disaggregation of revenue and relationship with each reportable segment for the year ended March 31, 2024 was summarized as follows:

Year ended March 31, 2024	Reportable segment				Total	Adjustment	Consolidated
	Engineered Materials	Metals	Mobility	Other Businesses			
Major product/services							
Engineered Powders	¥26,456	¥—	¥—	¥—	¥26,456	¥—	¥26,456
Copper Foil	75,294	—	—	—	75,294	—	75,294
Zinc and Lead	—	172,453	—	—	172,453	—	172,453
Copper and Precious metals	—	61,388	—	—	61,388	—	61,388
Catalyst for exhaust-gas purification	—	—	102,601	—	102,601	—	102,601
Automobile Door Lock	—	—	97,641	—	97,641	—	97,641
Products of other businesses	—	—	—	84,335	84,335	—	84,335
Engineering services, other	—	—	—	29,049	29,049	—	29,049
Others	22,334	12,961	18,109	—	53,405	—	53,405
Subtotal	124,086	246,803	218,352	113,385	702,627	—	702,627
Adjustments	(5,517)	(35,776)	(1,514)	(28,714)	(71,522)	15,593	(55,929)
External revenue	118,568	211,026	216,837	84,671	631,104	15,593	646,697
Revenue from contracts with customers	119,926	212,790	216,837	84,656	634,211	15,593	649,804
Other revenue	(1,358)	(1,763)	—	14	(3,107)	—	(3,107)

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, 2023 and 2024 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, Mobility, and Other Businesses, 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) 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, 2023 was as follows:

Year ended March 31, 2023	Reportable segment				Total	Adjustment	Consolidated
	Engineered Materials	Metals	Mobility	Other Businesses			
Sales:							
Outside customers	¥105,985	¥203,886	¥214,121	¥101,884	¥625,877	¥26,087	¥651,965
Inter-segment	6,546	52,515	2,346	26,224	87,633	(87,633)	—
Total	112,531	256,401	216,468	128,108	713,511	(61,545)	651,965
Segment profit	10,706	9,082	3,200	736	23,725	(3,838)	19,886
Segment assets	105,306	236,120	174,007	87,375	602,810	29,083	631,894
Depreciation expense	7,032	13,026	7,405	1,397	28,861	4,784	33,646
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140
Interest income	82	138	168	67	457	(220)	237
Interest expense	422	546	937	123	2,029	(18)	2,011
Investment gains on equity method	—	4,223	—	1,483	5,707	19	5,726
Investment for entities accounted for using the equity method	—	26,738	—	21,045	47,783	(77)	47,706
Increase in property, plant and equipment, and intangible assets	8,137	11,852	5,696	1,479	27,165	5,349	32,515

Notes :

(a) Amounts of adjustment are as follows:

(1) 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 ¥(3,838) million, consists mainly of ¥(8,075) million for Company-wide costs that are not allocated to any reportable segments, ¥1,615 million for adjustment of inventories, and ¥1,492 million for foreign currency translation differences from the conversion of revenue and expenses of overseas subsidiaries and related entities to Japanese yen.

(2) Adjustment to segment assets, which amounted to ¥29,083 million, consists of ¥(13,801) million for offset of receivables against the corporate administrative department, ¥(19,841) million for offset of inter-segment receivables, ¥67,869 million for Company-wide assets that are not allocated to any reportable segments and ¥(5,142) 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, 2024 was as follows:

Year ended March 31, 2024	Reportable segment				Total	Adjustment	Millions of yen Consolidated
	Engineered Materials	Metals	Mobility	Other Businesses			
Sales:							
Outside customers	¥118,568	¥211,026	¥216,837	¥84,671	¥631,104	¥15,593	¥646,697
Inter-segment	5,517	35,776	1,514	28,714	71,522	(71,522)	—
Total	124,086	246,803	218,352	113,385	702,627	(55,929)	646,697
Segment profit	16,419	16,071	11,282	3,173	46,946	(2,432)	44,513
Segment assets	113,807	242,535	160,420	87,638	604,401	36,230	640,631
Depreciation expense	7,613	13,104	7,631	1,408	29,758	4,629	34,387
Amortization of goodwill and negative goodwill	—	140	—	—	140	—	140
Interest income	50	75	260	53	440	(86)	353
Interest expense	403	512	1,313	125	2,355	171	2,526
Investment gains on equity method	—	1,948	—	1,288	3,236	2	3,239
Investment for entities accounted for using the equity method	—	28,160	—	21,574	49,734	(67)	49,667
Increase in property, plant and equipment, and intangible assets	7,524	11,846	4,614	1,780	25,766	6,273	32,039

Notes :

(a) Amounts of adjustment are as follows:

(1) 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 ¥(2,432) million (\$ (16,070) thousand), consists mainly of ¥(3,871) million (\$ (25,579) thousand) for Company-wide costs that are 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.

(2) Adjustment to segment assets, which amounted to ¥36,230 million (\$239,410 thousand), consists of ¥(15,647) million (\$ (103,396) thousand) for offset of receivables against the corporate administrative department, ¥(16,659) million (\$ (110,083) thousand) for offset of inter-segment receivables, ¥75,004 million (\$495,632 thousand) for Company-wide assets that are not allocated to any reportable segments and ¥(6,467) million (\$42,734 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:

Year ended March 31, 2023	Japan	China	India	Other Asian areas	North America	Other Areas	Millions of yen
							Consolidated
Sales	¥306,746	¥81,472	¥85,804	¥117,344	¥33,429	¥27,167	¥651,965
Year ended March 31, 2024	Japan	China	India	Other Asian areas	North America	Other Areas	Consolidated
Sales	¥332,665	¥89,473	¥65,488	¥98,223	¥41,666	¥29,179	¥646,697
Year ended March 31, 2023	Japan	Asia	North America	Other Areas	Consolidated		
Property, plant and equipment	¥142,104	¥42,955	¥4,353	¥8,344	¥197,758		
Year ended March 31, 2024	Japan	Asia	North America	Other Areas	Consolidated		
Property, plant and equipment	¥142,280	¥43,193	¥4,293	¥9,241	¥199,008		

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

Year ended March 31, 2023	Engineered Materials	Metals	Mobility	Other Businesses	Elimination · Corporate	Millions of yen
						Consolidated
Loss on impairment of fixed assets	¥—	¥—	¥—	¥34	¥—	¥34
Year ended March 31, 2024	Engineered Materials	Metals	Mobility	Other Businesses	Elimination · Corporate	Consolidated
Loss on impairment of fixed assets	¥—	¥—	¥—	¥23	¥—	¥23

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

Year ended March 31, 2023	Engineered Materials	Metals	Mobility	Other Businesses	Elimination · Corporate	Millions of yen
						Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	281	—	—	—	281
Year ended March 31, 2024	Engineered Materials	Metals	Mobility	Other Businesses	Elimination · Corporate	Consolidated
Amortization of goodwill	¥—	¥140	¥—	¥—	¥—	¥140
Balance at end of fiscal year	—	140	—	—	—	140

【Information on gain on negative goodwill by reportable segments】

Year ended March 31, 2023
Not applicable.

Year ended March 31, 2024
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, 2023 and 2024.

1. Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2023 and 2024 were as follows:

	2023	2024	Millions of yen
Deferred tax assets:			
Excess bad debt expenses	¥ 97	¥ 915	
Excess accrued bonuses to employees	1,701	1,815	
Excess product warranties	104	135	
Liability for retirement benefits	8,676	8,151	
Provision for environmental countermeasures	229	324	
Loss on impairment of fixed assets	2,300	2,227	
Depreciation in excess of limit	730	966	
Enterprise taxes accrued	118	312	
Unrealized profits and losses	3,386	3,667	
Operating loss carryforward for tax purposes (b)	27,330	25,974	
Net unrealized losses on securities	3	10	
Deferred losses on hedges	907	822	
Other	10,456	8,401	
Subtotal	56,043	53,726	
Valuation allowance for operating loss carryforward for tax purposes (b)	(26,434)	(24,907)	
Valuation allowance for deductible temporary differences	(16,408)	(16,362)	
Valuation allowance-total (a)	(42,843)	(41,269)	
Total deferred tax assets	¥ 13,200	¥ 12,457	
Deferred tax liabilities:			
Net unrealized gains on securities	¥ (1,294)	¥ (2,408)	
Deferred gains on hedges	(66)	(195)	
Retained earnings of foreign subsidiaries	(7,331)	(8,812)	
Asset for retirement benefits	(2,389)	(3,727)	
Excess depreciation for tax purposes	(2,858)	(2,481)	
Other	(1,542)	(1,915)	
Total deferred tax liabilities	(15,482)	(19,541)	
Net deferred tax assets	¥ (2,281)	¥ (7,083)	

(a) Valuation allowance decreased by ¥1,573 million (\$10,394 thousand). The main reasons for the decrease were decreases in valuation allowance of ¥1,333 million (\$8,808 thousand) for operating loss carryforward.

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

(2023)	Millions of yen						
	2024	2025	2026	2027	2028	2029 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥180	¥391	¥81	¥473	¥—	¥26,204	¥27,330
Valuation allowance	(162)	(386)	(81)	(263)	—	(25,540)	(26,434)
Net deferred tax assets	17	4	—	210	—	663	896

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

(2024)	Millions of yen						
	2025	2026	2027	2028	2029	2030 and Beyond	Total
Operating loss carryforward for tax purposes (1)	¥386	¥84	¥475	¥—	¥882	¥24,146	¥25,974
Valuation allowance	(282)	(84)	(283)	—	(859)	(23,398)	(24,907)
Net deferred tax assets	103	—	192	—	22	748	1,067

(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, 2023 and 2024.

	2023	2024
Statutory effective tax rate	30.5 %	— %
Permanent difference due to non-deductible expense	1.4	—
Permanent difference due to non-taxable income	(35.5)	—
Effect of elimination of intercompany dividends received	35.4	—
Investment losses on equity method	(11.5)	—
Valuation allowance	(35.8)	—
Tax credit	(0.1)	—
Others	(0.0)	—
Tax rate calculated based on the Companies' consolidated financial statements	56.1 %	— %

The note for the fiscal years ended March 31, 2024 is omitted because the difference between the statutory income tax rate and the Companies' actual income tax rate after adoption of tax-effect accounting is less than 5%.

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

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, 2023 and 2024 were as follows.

Year ended March 31, 2023	Millions of yen		
	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 13,401	¥ 12,638	¥ (762)
Total	¥ 13,401	¥ 12,638	¥ (762)
Liabilities:			
(a) Current portion of bonds payable	10,000	10,000	0
(b) Bonds payable	40,000	39,939	(60)
(c) Current portion of long-term borrowings Notes 3	18,538	18,528	(10)
(d) Long-term borrowings	86,043	85,703	(339)
Total	¥ 154,581	¥ 154,172	¥ (409)
Derivative transactions	¥ (2,779)	¥ (2,779)	¥ —

Year ended March 31, 2024	Millions of yen		
	Book value	Fair value	Difference
Assets:			
(a) Investment securities	¥ 17,011	¥ 16,236	¥ (775)
Total	¥ 17,011	¥ 16,236	¥ (775)
Liabilities:			
(a) Current portion of bonds payable	10,000	9,982	(17)
(b) Bonds payable	40,000	39,811	(188)
(c) Current portion of long-term borrowings Notes 3	29,837	29,875	37
(d) Long-term borrowings	61,447	61,145	(302)
Total	¥ 141,285	¥ 140,814	¥ (470)
Derivative transactions	¥ (2,184)	¥ (2,184)	¥ —

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. 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.

Classification	Consolidated balance sheet amount		Millions of yen
	2023	2024	
Unlisted equity securities	¥ 46,495	¥ 47,239	
Investments in partnerships and others	1,967	2,183	

3. "(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.

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

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

Year ended March 31, 2023	Millions of yen			
	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028	April 1, 2028 to March 31, 2033	April 1, 2033 and thereafter
(a) Cash and deposits	¥ 26,817	¥ —	¥ —	¥ —
(b) Notes and accounts receivable	109,728	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	—	—	—	230
Total	¥ 136,545	¥ —	¥ —	¥ 230

Year ended March 31, 2024	Millions of yen			
	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2029	April 1, 2029 to March 31, 2034	April 1, 2034 and thereafter
(a) Cash and deposits	¥ 32,483	¥ —	¥ —	¥ —
(b) Notes and accounts receivable	116,417	—	—	—
(c) Investment securities:				
Available-for-sale securities with maturity date				
Bonds(domestic government and municipal bonds)	—	—	—	209
Total	¥ 148,901	¥ —	¥ —	¥ 209

6. 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, 2023	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 6,199	¥ —	¥ —	¥ 6,199
Bonds(domestic government and municipal bonds)	—	—	230	230
Derivative Transactions				
Currency-related derivatives	—	27	—	27
Commodities-related derivatives	—	191	—	191
Total Assets	¥ 6,199	¥ 219	¥ 230	¥ 6,648
Derivative Transactions				
Currency-related derivatives	—	(2,743)	—	(2,743)
Commodities-related derivatives	—	(254)	—	(254)
Total Liabilities	¥ —	¥ (2,998)	¥ —	¥ (2,998)

Year ended March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥ 9,678	¥ —	¥ —	¥ 9,678
Bonds(domestic government and municipal bonds)	—	—	209	209
Derivative Transactions				
Currency-related derivatives	—	107	—	107
Commodities-related derivatives	—	925	—	925
Total Assets	¥ 9,678	¥ 1,033	¥ 209	¥ 10,921
Derivative Transactions				
Currency-related derivatives	—	(2,601)	—	(2,601)
Commodities-related derivatives	—	(616)	—	(616)
Total Liabilities	¥ —	¥ (3,217)	¥ —	¥ (3,217)

(2) Financial instruments other than financial instruments recorded in the consolidated balance sheet at fair value

Year ended March 31, 2023	Fair value				Total
	Level 1	Level 2	Level 3		
	Millions of yen				
Investment securities					
Shares of subsidiaries and associates	¥ 6,209	¥ —	¥ —		¥ 6,209
Total Assets	¥ 6,209	—	—		¥ 6,209
Bonds payable	—	49,939	—		49,939
Long-Term Borrowings	—	104,232	—		104,232
Total Liabilities	¥ —	¥ 154,172	¥ —		¥ 154,172

Year ended March 31, 2024	Fair value				Total
	Level 1	Level 2	Level 3		
	Millions of yen				
Investment securities					
Shares of subsidiaries and associates	¥ 6,348	¥ —	¥ —		¥ 6,348
Total Assets	¥ 6,348	—	—		¥ 6,348
Bonds payable	—	49,793	—		49,793
Long-Term Borrowings	—	91,021	—		91,021
Total Liabilities	¥ —	¥ 140,814	¥ —		¥ 140,814

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, 2023 and 2024 were as follows:

Currency-related derivatives

Type	Millions of yen	
	2023	2024
	Millions of yen	
Forward contracts:		
Selling:		
U.S. dollars:		
Contract amounts	¥876	¥1,019
Due over one year	—	—
Fair value	(12)	(41)
Net unrealized gains (losses)	(12)	(41)

Type	Millions of yen	
	2023	2024
	Millions of yen	
Forward contracts:		
Selling:		
Indian rupees:		
Contract amounts	¥ —	¥3,620
Due over one year	—	—
Fair value	—	(104)
Net unrealized gains (losses)	—	(104)

(b) Derivative transactions for which hedge accounting had been applied as of March 31, 2023 and 2024 were as follows:

Currency-related derivatives

Currency-related derivatives for which hedge accounting had been applied

Type	Hedged items	Millions of yen	
		2023	2024
		Millions of yen	
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
Contract amounts		¥27,524	¥20,466
Due over one year		8,375	—
Fair value		(2,687)	(2,432)
Euros:	Accounts receivable		
Contract amounts		¥553	¥74
Due over one year		16	—
Fair value		(13)	(14)
Thai baht:	Accounts receivable		
Contract amounts		¥2	¥ —
Due over one year		—	—
Fair value		(0)	—
Buying:			
U.S. dollars:	Accounts payable		
Contract amounts		¥487	¥7,184
Due over one year		—	—
Fair value		0	98
Euros:	Accounts payable		
Contract amounts		¥70	¥40
Due over one year		—	—
Fair value		1	1
Australian dollars:	Accounts payable		
Contract amounts		¥110	¥121
Due over one year		—	—
Fair value		(3)	(0)

Notes: The deferred hedge method is applied as a hedge accounting method.

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

Type	Hedged items	Millions of yen	
		2023	2024
		Millions of yen	
Forward contracts:			
Selling:			
U.S. dollars:	Accounts receivable		
Contract amounts		¥139	¥158
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

		Millions of yen	
Type	Hedged items	2023	2024
Forward contracts:	Raw materials and finished goods		
Selling:			
Zinc:	Contract amounts	¥7,796	¥3,480
	Due over one year	2,991	—
	Fair value	(41)	411
Lead:	Contract amounts	¥2,563	¥730
	Due over one year	—	—
	Fair value	(13)	(2)
Copper:	Contract amounts	¥117	¥395
	Due over one year	—	—
	Fair value	7	47
Buying:			
Zinc:	Contract amounts	¥3,279	¥9,114
	Due over one year	—	—
	Fair value	9	(132)
Lead:	Contract amounts	¥2,092	¥3,912
	Due over one year	—	—
	Fair value	(25)	(13)
Copper:	Contract amounts	¥110	¥—
	Due over one year	—	—
	Fair value	—	—

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	
	2023	2024
Balance at the beginning of the fiscal year	¥47,531	¥48,704
Service cost	2,400	3,234
Interest cost	122	132
Actuarial gain (loss)	(278)	(4,031)
Benefits paid	(1,143)	(1,180)
Past service benefits	49	30
Others	22	46
Balance at the end of the fiscal year	¥48,704	¥46,936

(b) Changes in plan assets

	2023	2024
Balance at the beginning of the fiscal year	¥27,777	¥27,942
Expected return on plan assets	895	829
Actuarial loss	(649)	2,815
Contributions paid by the employer	431	1,017
Benefits paid	(444)	(375)
Others	(67)	100
Balance at the end of the fiscal year	¥27,942	¥32,328

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

	2023	2024
Funded retirement benefit obligations	¥20,723	¥20,100
Plan assets	(27,942)	(32,328)
	(7,218)	(12,227)
Unfunded retirement benefit obligations	27,981	26,835
Net liability for retirement benefits at the end of the fiscal year	20,762	14,608
Liability for retirement benefits	28,394	27,173
Asset for retirement benefits	(7,631)	(12,565)
Net liability for retirement benefits at the end of the fiscal year	¥20,762	¥14,608

(d) Retirement benefit costs

	2023	2024
Service cost	¥2,400	¥3,234
Interest cost	122	132
Expected return on plan assets	(895)	(829)
Net actuarial loss (gain) amortization	479	(6,349)
Past service costs amortization	(830)	(108)
Total retirement benefit costs for the fiscal year	¥1,276	¥(3,919)

(e) Remeasurements of defined benefit plans

	Millions of yen	
	2023	2024
Past service costs (benefits)	¥(886)	¥(126)
Actuarial loss	23	624
Total remeasurements of defined benefit plans for the fiscal year	¥(862)	¥498

(f) Accumulated adjustments for retirement benefit

	2023	2024
Prior service costs that are yet to be recognized	¥(52)	¥73
Net actuarial losses that are yet to be recognized	19	(605)
Total balance at the end of the fiscal year	¥(33)	¥(531)

(g) Plan assets

1. Plan assets comprise:

	2023	2024
Bonds	37%	38%
Equity securities	29%	31%
General insurance funds	30%	27%
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, 2023 and 2024 are as follows:

	2023	2024
Discount rate	0.0%-0.9%	0.0%-1.2%
Long-term expected rate of return	Mainly 3.7 %	Mainly 3.0 %

Defined contribution plans

Contributions to defined contribution plans amounted to ¥1,060 million and ¥1,158 million (\$7,652 thousand) for the years ended March 31, 2023 and 2024, respectively.

22. Earnings per Share of Common Stock

Earnings per share of common stock at March 31, 2023 and 2024 were as follows:

Year ended March 31, 2023	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥8,511	57,131	¥148.99

Year ended March 31, 2024	Profit (Millions of yen)	Weighted-average shares (Thousands)	Profit per share (Yen)
Profit attributable to owners of parent	¥25,989	57,155	¥454.71

(a) Regarding diluted earnings per share, no figures for diluted earnings per share have been disclosed because no latent shares existed.

23. Loss on valuation of shares of subsidiaries and associates and Provision of allowance for doubtful accounts

Years ended March 31, 2024

Mitsui Kinzoku Die-Casting Technology America Inc., a non-consolidated subsidiary of the Company, revised its business plan responding to changes in order trends for major products. Consequently, Mitsui Kinzoku Die-Casting Technology America Inc. recognized an impairment loss on its property, plant and equipment.

Because the deterioration in the financial condition of Mitsui Kinzoku Die-Casting Technology America Inc. caused significant decrease in its net asset value, the Company recognized a loss on valuation of shares of subsidiaries and affiliates. In addition to that, the Company recognized provision of allowance for doubtful accounts on monetary receivables from Mitsui Kinzoku Die-Casting Technology America Inc.

24. 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, 2023 and 2024 as follows:

Year ended March 31, 2023			
Location	Major use	Asset category	Millions of yen
Mikata County, Hyogo Prefecture	Idle assets	Buildings and structures	¥19
		Machinery and Equipment and Transportation equipment	0
		Intangible fixed Asset	15
Total			¥34

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.

Year ended March 31, 2024			
Location	Major use	Asset category	Millions of yen
Kyoto City, Kyoto Prefecture	Idle assets	Buildings and structures	¥4
		Machinery and Equipment and Transportation equipment	18
		Total	¥23

The carrying amounts of 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.

25. Related Party Transactions

(a) Related party transactions

Year ended March 31, 2023

Type	Name of the company	Location	Capital (Millions)	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount (Millions)	Account item	Ending balance (Millions)
Associate	Pan Pacific Copper Co., Ltd.	Minato-ku, Tokyo	¥5,000	32.2%	Production and selling products related to copper refining and smelting business	Mainly sales of products Guarantees of bank loans	¥35,218 * 1 ¥79,244 * 2	Account Payable	¥9

* 1. Sales and purchases of products and other items are determined by taking into consideration the equivalent market prices for arm's length transactions.

* 2. The Group guarantees for loans, etc., from financial institutions, etc.

Year ended March 31, 2024

Type	Name of the company	Location	Capital (Millions)	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount (Millions)	Account item	Ending balance (Millions)
Associate	Pan Pacific Copper Co., Ltd.	Minato-ku, Tokyo	¥5,000	32.2%	Production and selling products related to copper refining and smelting business	Mainly sales of products Guarantees of bank loans	¥23,783 * 1 ¥32,151 * 2	Account Receivable	¥4,664

* 1. Sales and purchases of products and other items are determined by taking into consideration the equivalent market prices for arm's length transactions.

* 2. The Group guarantees for loans, etc., from financial institutions, etc.

(b) Summarized financial information of significant associate

The summarized financial information of significant associate, Pan Pacific Copper Co., Ltd. for the years ended March 31, 2023 and 2024 were as follows:

Pan Pacific Copper Co., Ltd.	Millions of yen	
	2023	2024
Total current assets	¥513,482	¥493,868
Total non-current assets	3,636	2,398
Total current liabilities	433,941	408,515
Total long-term liabilities	284	286
Total net assets	82,894	87,463
Net sales	1,133,238	1,152,917
Profit before income taxes	19,052	9,181
Profit	13,076	6,050

26. Asset Retirement Obligations

Years ended March 31, 2023 and 2024

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 4.20~4.73% 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, 2024, the Company revised the discount rate and that resulted in decreasing of ¥(181) million (\$1,196 thousand) in the balance of asset retirement obligations.

(Asbestos)

The expected periods that removal expenses will occur at the time of dismantling the assets are estimated between in 1 to 31 years depending on each asset. The Companies estimate the amount of asset retirement obligations by using the discount rates which are between (0.13%) and 2.30%.

In the year ended March 31, 2024, 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 ¥13 million (\$85 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, 2024 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 ¥291 million (\$1,922 thousand) in the fiscal year ended March 31, 2024.

(c) Changes in the total amount of these asset retirement obligations in the fiscal years ended March 31, 2023 and 2024

Millions of yen

	2023	2024
Balance at the beginning of the fiscal year	¥ 4,320	¥ 3,796
Adjustments due to the passage of time	70	143
Decrease from execution of asset retirement obligations	(201)	(266)
Increase from changes of estimates	(678)	(167)
Impact of foreign currency translation	286	479
Balance at the end of the fiscal year	¥ 3,796	¥ 3,984

27. Consolidated Statements of Comprehensive Income

Years ended March 31, 2023 and 2024

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	
	2023	2024
Net unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥1,282	¥5,087
Reclassification adjustments	(25)	(1,238)
Subtotal, before tax	1,256	3,849
Tax (expense) or benefit	(411)	(1,115)
Subtotal, net of tax	845	2,733
Deferred gains (losses) on hedges:		
Increase (decrease) during the year	(1,980)	(3,908)
Reclassification adjustments	7,037	4,655
Subtotal, before tax	5,057	747
Tax (expense) or benefit	204	(201)
Subtotal, net of tax	5,262	546
Foreign currency translation adjustments:		
Increase(decrease) during the year	3,877	9,649
Reclassification adjustments	3	-
Subtotal, net of tax	3,881	9,649
Remeasurements of defined benefit plans:		
Increase(decrease) during the year	(43)	617
Reclassification adjustments	(818)	(118)
Subtotal, before tax	(862)	498
Tax (expense) or benefit	106	(194)
Subtotal, net of tax	(755)	304
Share of other comprehensive income of associates accounted for using equity method:		
Increase(decrease) during the year	(6,393)	(11,885)
Reclassification adjustments	8,685	11,468
Subtotal, net of tax	2,291	(416)
Total other comprehensive income	¥11,524	¥12,816



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, 2024 and 2023, 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, 2024 and 2023, 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 ¥165,232 million in the consolidated balance sheets as of March 31, 2024. This amount represented 26% 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.

Fee-related Information

Fees paid or payable to our firm and network firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 212 million yen and 105 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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

Terukazu Nagamine
Designated Engagement Partner
Certified Public Accountant

Yoshimasa Hamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 27, 2024

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.