

## [Summary]

Securities identification code: 5706  
June 2, 2017

To Shareholders:

**Mitsui Mining and Smelting Co., Ltd.**  
1-11-1 Osaki, Shinagawa-ku,  
Tokyo 141-8584, Japan

Keiji Nishida  
President and  
Representative Director

### **Notice of Convocation of the 92nd Annual General Meeting of Shareholders**

Dear Shareholders:

Thank you for your patronage. You are cordially invited to attend the 92nd Annual General Meeting of Shareholders of Mitsui Mining and Smelting Co., Ltd.. The meeting will be held on Thursday, June 29, 2017. Please find below the Notice of Convocation.

Please review the proposals submitted to the General Meeting of Shareholders and the overview of operations for the 92nd fiscal year.

Sincerely,

#### **Meeting Particulars**

1. Date and Time: 10:00 a.m. on Thursday, June 29, 2017
2. Place: Gate City Hall, Underground Level 1,  
Gate City Ohsaki-West Tower,  
1-11-1 Osaki, Shinagawa-ku, Tokyo
3. Purpose of the Meeting:  
Matters to be reported
  1. Business Report, Consolidated Financial Statements, and reports from the independent auditor and the Board of Auditors on consolidated financial statements for the 92nd fiscal year (from April 1, 2016, to March 31, 2017)
  2. Reports on financial statements for the 92nd fiscal year (from April 1, 2016, to March 31, 2017)

Matters to be resolved

Proposals by the Company: Items 1-4

First Item Appropriation of Retained Earnings

Second Item Reverse Share Split

Third Item Partial amendment of the Articles of Incorporation

Fourth Item Election of six (6) Directors

Proposals by a Shareholder: Items 5-8

Fifth Item Payment of a cash dividend of 20 yen per share of the Company's common stock

Sixth Item Partial amendment of the Articles of Incorporation (Requiring the appointment of two or more Independent Directors)

Seventh Item Partial amendment of the Articles of Incorporation (Establishing and disclosing a provision regarding dialogue with shareholders)

Eighth Item Partial amendment of the Articles of Incorporation (Disclosing the Company policy on the Return on Equity (ROE) target)

Proposals by a Shareholder (Items 5-8) are described in pages 21-24 of the General Meeting of Shareholders' Reference Materials hereafter.

#### 4. Note of Caution in Exercising Voting Rights:

**Proposals by one of the Shareholders** have been presented for this Annual General Meeting of Shareholders as indicated above. While the details are provided hereafter under the Fifth, Sixth Seventh and Eighth Items, **the Board of Directors of the Company is opposed to these proposals.**

Since the Fifth Item is in conflict with the First Item proposed by the Company, **please note that you should not indicate your approval for both Items.** If you vote in favor of both Items, your votes for both the First Item and the Fifth Item will be deemed invalid.

#### 5. Other Items pertaining to the Convocation of the General Meeting of Shareholders:

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form or by electronic means (Internet, etc.). Please review the attached General Meeting of Shareholders' Reference Materials and exercise your voting rights **by 5:00 p.m. on Wednesday, June 28, 2017.**

In the case of exercising voting rights both by the voting right exercise form and electronically (Internet, etc.), regardless of the timing of the voting rights submissions, the electronic (Internet, etc.) version will be considered effective.

In the case of exercising voting rights electronically (Internet, etc.) multiple times, the final exercise of voting rights will be considered effective.

- End -

1. When you attend the meeting in person, please submit the voting right exercise form enclosed herewith to the receptionist at the place of the meeting. In addition, please bring with you this Notice of Convocation to assist us in reducing the amount of paper used.
2. In connection with those documents that are required to be provided with this Notice of Convocation, the notes to both consolidated and non-consolidated financial statements are posted on the Company's website and are not attached to this Notice, in accordance with relevant laws, ordinances and the Articles of Incorporation. In addition to the items outlined in the attached documents, notes to both consolidated and non-consolidated financial statements are included in the consolidated and non-consolidated financial reports that corporate auditors and the independent auditing firm audited in order to prepare audit reports and independent auditors' reports, respectively.
3. If there arises the need to make revisions to the General Meeting of Shareholders' Reference Materials or the appended Business Report, Consolidated Financial Statements, and Nonconsolidated Financial Statements, revised items will be posted on the Company's website.
4. In accordance with the stipulations of the Company's Articles of Incorporation, shareholders seeking to exercise voting rights via a proxy will be requested to designate another shareholder with voting rights as the proxy. In addition, please note that only shareholders are eligible to attend the Annual General Meeting of Shareholders.

**The Company's website (<http://www.mitsui-kinzoku.co.jp/>)**

*This is a summary translated from the Japanese-language Notice of Convocation distributed to shareholders in Japan.*

# Guide to Exercising Voting Rights

In the event of your inability to attend, you may exercise your voting rights by either of the methods described below.

## 1. Method of Exercising Voting Rights by Paper Form

Please indicate your approval or disapproval of the agenda items on the enclosed voting rights exercise form and send in the form so that it arrives before the deadline.

Exercise deadline: To arrive no later than 5.00 p.m. (Japan Time) on Wednesday, June 28, 2017

## 2. Method of Exercising Voting Rights Electronically (Internet, Etc.)

### (1) Exercise of Voting Rights Via the Internet

Please access the voting website at <http://www.web54.net> from a personal computer, follow the instructions shown on the screen, and by entering a new password (you may change your password if you wish) using the “voting rights exercise code” and “password” shown on the enclosed voting rights exercise form, you will be able to submit votes of approval or disapproval for each of the agenda items.

Please note that we do not have a designated website to exercise voting rights from mobile phones.

Exercise deadline: Until 5.00 p.m. (Japan Time) on Wednesday, June 28, 2017

### Exercise of Voting Rights

1. You may exercise your voting rights until 5 p.m. (Japan Time) on June 28, 2017 (Wednesday).
2. In cases where voting rights are exercised both by paper form and electronically (Internet, etc.), the electronic (Internet, etc.) version will be considered effective.
3. In cases where voting rights are exercised electronically (Internet, etc.) multiple times, the final exercise of voting rights will be considered effective.

### Handling of Passwords

1. Passwords are used to confirm that those voting are actually the shareholders with voting rights. Please be sure to keep your password secure. For security reasons, we cannot provide you with password information over the telephone or by other indirect means.
2. If you enter your password incorrectly more than a specified number of times, your account will be locked and become unusable. If you wish to have another password issued, please follow the instructions on the screen.
3. The passwords issued for exercising voting rights are effective for this year’s annual general shareholders’ meeting only.

### Questions Regarding Personal Computer Operation, Etc.

If you have questions regarding the use of the voting rights exercise website, please contact the following unit.

Sumitomo Mitsui Trust Bank, Limited  
Help Desk for Internet Voting  
Phone Number: 0120 (652) 031  
(Available from 9 a.m. to 9 p.m. (Japan Time))

Notes: System requirements to exercise your voting rights via the Internet are as follows:

1. Screen resolution of at least 800 dots x 600 dots (SVGA)
2. The following applications
  - a. Microsoft® Internet Explorer Ver. 5.01 SP 2 or higher  
(Please be aware that even if this browser is used in accordance with other system requirements, shareholders’ personal computers may in some case be unable to access and/or use the voting right

exercise website due to the characteristics of the personal computer in question or other setting environments)

b. Adobe® Acrobat® Reader® Ver. 4.0 or higher, or Adobe® Reader® Ver. 6.0 or higher (In the case that you wish to read the convocation notice and reference materials online.)

\* “Microsoft®” and “Internet Explorer” are registered trademarks and/or trademarks of Microsoft Corporation in the United States and other countries.

\* “Adobe® Acrobat® Reader®” and “Adobe® Reader®” are registered trademarks and/or trademarks of Adobe Systems Incorporated in the United States and other countries.

\* All of these products may be obtained free of charge from the websites of their manufacturers.

3. Shareholders must bear the burden of such expenses as the subscription payment to Internet providers of services enabling connections to the voting rights exercise website and payments to other communications companies associated with the accessing of the voting rights exercise website.

4. Internet connections may at times be restricted due to firewalls, etc.; so, please confirm this point with your system administrator.

5. Because the voting rights exercise website employs "pop-up window" functions, please be sure to temporarily turn off anti-pop-up window software settings if you have made such settings, before using the website.

## (2) Exercising Voting Rights via the Voting Rights Exercise Platform

With regard to institutional investors, shareholders who have registered in advance to use the Voting Rights Exercise Platform may use this platform to exercise their voting rights.

# General Meeting of Shareholders' Reference Materials

## Matters to Be Resolved and Reference Items:

### Proposals by the Company: Items 1-4

#### First Item

##### Appropriation of Retained Earnings

We propose that appropriation of retained earnings be performed as follows.

While ensuring that it retains sufficient internal reserves to fund measures for strengthening operations and promoting future business expansion, the Company has a fundamental policy of seeking to distribute dividends in line with its performance.

In accordance with this fundamental policy, the Company proposes that the year-end dividend applicable to the fiscal year under review be ¥7 per share as described below, ¥1 per share higher than in the previous period, based on consideration of the Company's financial condition, and its performance in the fiscal year under review.

#### Year-End Dividends

(1) Type of Dividend Asset	Money
(2) Allocation and Total Value of Dividend Assets	¥7 per share of common stock Total value of ¥3,997,707,812
(3) Effective Date of Retained Earnings Distribution	June 30, 2017

## Second Item

### Reverse Share Split

#### 1. Reasons the reverse share split is required

The Japanese stock exchanges collectively announced the “Action Plan for Consolidating Trading Units,” which aims to standardize the trading units for common stock issued by all listed domestic corporations at 100 shares by October 1, 2018. As a corporation listed on the Tokyo Stock Exchange, the Company respects the objectives of the plan and has proposed to change the number of shares constituting one unit of shares from 1,000 shares to 100 shares. In addition, the Company will execute a reverse share split with the purpose of maintaining the investment unit at the level desired by stock exchanges (50,000 yen or more and less than 500,000 yen).

#### 2. Details of the reverse share split

##### (1) Ratio of reverse share split

Every ten shares of the Company’s common stock will be consolidated into one share.

In cases where fractional shares of less than one share are created through the reverse share split, all shares will be disposed of in accordance with the Company Law and the Company will reimburse the proceeds therefrom to the former holders of such fractional shares in amounts proportional to the former holdings of said shareholders.

##### (2) Effective date of reverse share split

October 1, 2017

##### (3) Total number of shares issuable as of the effective date

190 million shares

##### (4) Other

The reverse share split in this Item shall take effect, provided that the Third Item “Partial amendment of the Articles of Incorporation” is approved as proposed. The Company requests that other matters necessary for procedures be entrusted to the Board of Directors.

### Third Item

#### Partial amendment of the Articles of Incorporation

##### 1. Reasons for Amendment

(1) Provided that the Second Item “Reverse Share Split” is approved as proposed, the Company will amend Article 6 and Article 8 of the current Articles of Incorporation in order to reduce the number of shares issuable in line with the reverse share split and to change the number of shares constituting one unit of shares to 100 shares, respectively.

Regarding the amendment of Article 6 and Article 8, a supplementary provision stating that the amendments will take effect on October 1, 2017, which is the effective date of the reverse share split, and this supplementary provision will be deleted at the end of that day.

(2) The Company will amend Article 2 of the current Articles of Incorporation for the sake of simplicity and to ensure consistency of description in light of the current status of the businesses of the Company and subsidiaries of the Company.

(3) The Company will amend Article 19 and Article 27 of the current Articles of Incorporation in accordance with the Company’s proposal to reduce the maximum number of Directors and that of Corporate Auditors in view of the current management structure designed to vitalize the Board of Directors and increase the speed of management decision-making as well as the scale of the business, among other factors.

(4) The Company introduced the Executive Officer System in 2001 for the purpose of establishing a system for strategic decision-making and increasing the speed of decision-making. The Company will specify a provision concerning Executive Officers in the Articles of Incorporation and newly establish Article 27.

In line with this change, Article 27 will become Article 28 and the numbers of the following articles of the current Articles of Incorporation will be adjusted mutatis mutandis.

(5) In line with Law for Partial Revision of the Company Law (2014 Act No. 90) that came into force on May 1, 2015, it has become possible for companies to enter into contracts for limitation of liability with auditors who are not outside auditors. Accordingly, the Company will amend Article 31 of the current Articles of Incorporation concerning limiting the responsibility of the Corporate Auditors to enable Corporate Auditors to fulfill their expected roles in execution of their duties.

##### 2. Details of the amendment

The details of the amendment are as follows. (Underlined portions are amended.)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
Article 2. Objectives	Article 2. Objectives
The objectives of the Company shall be to engage in the following Company Businesses:	The objectives of the Company shall be to engage in the following Company Businesses:
(1) <u>Mining, quarrying and earth and rock removing.</u>	(1) Mining <u>and</u> quarrying.
(2) Smelting, refining, metal processing and resource recycling of nonferrous metals, and plastic.	(2) [Unchanged.]
(3) <u>Manufacture of industrial</u>	(3) <u>Manufacture of chemicals.</u>



Current Articles of Incorporation	Proposed Amendments
<p><u>chemicals, pharmaceuticals, agricultural chemicals, fertilizers, pigments, paints, compressed gas, liquefied gas and other chemicals.</u></p> <p>(4) Manufacture of ceramics, grinding wheels, and construction materials <u>in addition to polishing processing for ceramic component materials.</u></p> <p>(5) <u>Manufacture of parts and materials for electronic machinery.</u></p> <p>(6) Manufacture of battery materials <u>(electrolytic manganese dioxide, hydrogen storage alloy, etc).</u></p> <p>(7) Manufacture of electronic applied devices and electric measuring instruments.</p> <p>(8) <u>Manufacture, assembly, and sale</u> of parts for automobiles and other industrial equipment.</p> <p>(9) Manufacture of metal molds.</p> <p>(10) Sale, export and import of raw materials and products relating to any of the foregoing items.</p> <p>(11) <u>Formulate undertake surveys related to the development of minerals, geothermal, water and other subterranean resources and provide boring, construction and technological guidance.</u></p> <p>(12) Electricity supply business and geothermal steam and hot water provision.</p> <p>(13) Transportation business.</p> <p>(14) Agency, commission agency, brokerage and warehousing business.</p>	<p>(4) Manufacture of ceramics, grinding wheels, <u>polishing materials and building materials.</u></p> <p>(5) <u>Manufacture of electronic materials.</u></p> <p>(6) Manufacture of battery materials.</p> <p>(7) [Unchanged.]</p> <p>(8) <u>Manufacture</u> of parts for automobiles and other industrial equipment.</p> <p>(9) [Unchanged.]</p> <p>(10) [Unchanged.]</p> <p>(11) <u>Undertaking of surveys, planning, boring and construction related to the development of subterranean resources and provision of technical consulting services.</u></p> <p>(12) [Unchanged.]</p> <p>(13) [Unchanged.]</p> <p>(14) [Unchanged.]</p>

Current Articles of Incorporation	Proposed Amendments
(15) Receiving contracts, execution, design and <u>technical guidance for</u> , building, civil engineering and other construction works.	(15) Receiving <u>of</u> contracts, execution, design and <u>provision of technical consulting services for</u> building, civil engineering and other construction works.
(16) <u>Investigation, plan, design and technical guidance for machinery and equipment, plants and structures.</u>	(16) <u>Undertaking of surveys, planning, design and construction related to machinery and equipment, plants and structures, and provision of technical consulting services.</u>
(17) Consulting services related to quality control, manufacturing process and distribution systems enhancement.	(17) [Unchanged.]
(18) Environment measurement certification and operational environment measurement businesses and related environment improvement consulting services.	(18) [Unchanged.]
(19) Development, sales and maintenance of information processing devices, systems and computer software and <u>information processing services.</u>	(19) Development, sales and maintenance of information processing devices, systems and computer software, <u>and provision of information processing services.</u>
(20) <u>Administration, buying and selling, brokerage and lease in connection with real estate.</u>	(20) <u>Real estate business.</u>
(21) Disposal business of industrial and other wastes.	(21) [Unchanged.]
(22) Financial business.	(22) [Unchanged.]
(23) Business incidental or related to any of the foregoing items.	(23) [Unchanged.]

Current Articles of Incorporation	Proposed Amendments
CHAPTER II SHARES	CHAPTER II SHARES
<p>Article 6. Total Number of Shares issuable The total number of shares that may be issued by the Company is <u>1,944,000,000</u>.</p>	<p>Article 6. Total Number of Shares issuable The total number of shares that may be issued by the Company is <u>190,000,000</u>.</p>
<p>Article 8. Number of Shares Constituting One Unit of Shares <u>One thousand (1,000)</u> shares shall constitute one unit of shares of the Company.</p>	<p>Article 8. Number of Shares Constituting One Unit of Shares <u>One hundred (100)</u> shares shall constitute one unit of shares of the Company.</p>
CHAPTER IV DIRECTORS <u>AND</u> BOARD OF DIRECTORS	CHAPTER IV DIRECTORS, BOARD OF DIRECTORS <u>AND</u> EXECUTIVE OFFICERS
<p>Article 19. Number The Company shall have not more than <u>twenty-one (21)</u> directors.</p>	<p>Article 19. Number The Company shall have not more than <u>eleven (11)</u> directors.</p>
[Newly added]	<p><u>Article 27. Executive Officers</u> <u>The Board of Directors may appoint Executive Officers by its resolution and have them execute business.</u></p>
CHAPTER V CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS	CHAPTER V CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS
<p>Article <u>27</u>. Number The Company shall have not more than <u>seven (7)</u> Corporate Auditors.</p>	<p>Article <u>28</u>. Number The Company shall have not more than <u>five (5)</u> Corporate Auditors.</p>
<p>Article <u>31</u>. Corporate Auditors' Exemption from Responsibility 1. With regard to the responsibilities in Article 423-1 of the Company Law, the Company's Corporate Auditors (including former Corporate Auditors), in cases when they have acted in good faith and there is no gross negligence in their acts, may by resolution of the Board of Directors be exempted from responsibility up to a limited figure within the scope permitted by law or ordinances. 2. With regard to the responsibilities in</p>	<p>Article <u>32</u>. <u>Limitation of Corporate Auditors' Responsibility</u> 1. [Unchanged.]  2. With regard to the responsibilities in</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="379 230 807 544">Article 423-1 of the Company Law, the <u>Company's Outside Corporate Auditors</u> may conclude contracts with the Company that provide for them to bear responsibility up to a limited figure within the scope permitted by law or ordinances in cases when they have acted in good faith and there is no gross negligence in their acts.</p> <p data-bbox="268 611 434 645"><u>[Newly added]</u></p>	<p data-bbox="948 230 1375 515">Article 423-1 of the Company Law, the <u>Company's Corporate Auditors</u> may conclude contracts with the Company that provide for them to bear responsibility up to a limited figure within the scope permitted by law or ordinances in cases when they have acted in good faith and there is no gross negligence in their acts.</p> <p data-bbox="836 611 1120 645"><u>Supplementary Provision</u></p> <p data-bbox="836 678 1375 801"><u>Amendment of Article 6 and Article 8 shall take effect on October 1, 2017 and this supplementary provision will be deleted at the end of that day.</u></p>

**Fourth Item**

Election of six (6) Directors

The term of office of six (6) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes that six (6) candidates be appointed to the position of Director.

The candidates for the position of Director are as follows:

No.	Name	Title/Positions	Number of years served as Corporate Director	Attendance rate at the meetings of the Board of Directors
1	Keiji Nishida <u>Reappointed</u>	President, Representative Director	Six (6) years	100%
2	Takeshi Nou <u>Reappointed</u>	Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector	Two (2) years	100%
3	Isshi Hisaoka <u>Reappointed</u>	Director, Senior Executive Officer, Senior General Manager of Metals Sector	Four (4) years	100%
4	Takashi Oshima <u>Reappointed</u>	Director, Senior Executive Officer, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department	Three (3) years	100%
5	Junya Satou <u>Reappointed</u> <u>Outside</u> <u>Independent</u>	Outside Director	Four (4) years	100%
6	Morio Matsunaga <u>Reappointed</u> <u>Outside</u> <u>Independent</u>	Outside Director	One (1) year	100%

Attributes of the candidate

Reappointed: Candidate as Director for reappointment

Outside: The Candidate for Outside Director

Independent: Independent Director as provided for by the Tokyo Stock Exchange, etc.

Candidate Number: 1	<b>Keiji Nishida</b> (July 13, 1957)	Number of Company's Shares in Possession: 156,000 Number of years served as Corporate Director: Six (6) years Attendance at the meetings of the Board of Directors: 100% (17/17)
<b>Reappointed</b>	<p>◆Profile; Title and Positions at the Company</p> <p>April 1980      Entered the Company</p> <p>October 2008    General Manager of Finance &amp; Accounting Department</p> <p>June 2010      Executive Officer, General Manager of Finance &amp; Accounting Department</p> <p>June 2011      Director, Senior Executive Officer, CFO, General Manager of Corporate Management Department and Finance &amp; Accounting Department</p> <p>February 2012   Director, Senior Executive Officer, CFO, General Manager of Corporate Management Department</p> <p>April 2014      Representative Director, Senior Managing Director, Senior Managing Executive Officer, CFO, General Manager of Corporate Management Department, Senior General Manager of Copper Business Strategic Division</p> <p>January 2016    Representative Director, Senior Managing Director, Senior Managing Executive Officer, CFO</p> <p>April 2016      President and Representative Director (current positions)</p> <p>◆Important Position Held Concurrently at Other Organizations No significant position held concurrently at other organizations.</p> <p>◆Reasons for the Nomination of the Candidate as Director Mr. Keiji Nishida has a wealth of experience cultivated through his many years of engagement mainly in corporate planning and finance of the Group and is well versed in the Company's business. Serving as the President and Representative Director since 2016, he has exercised strong leadership of the Group and has reinforced management bases by implementing key measures for each business segment under the 2016 Mid-term Management Plan. The Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.</p> <p>◆Special Interests between the Candidate and the Company There are no special interests between the candidate and the Company.</p>	

Candidate Number: 2	<b>Takeshi Nou</b> (December 3, 1961)	Number of Company's Shares in Possession: 69,000 Number of years served as Corporate Director: Two (2) years Attendance at the meetings of the Board of Directors: 100% (17/17)
<b>Reappointed</b>	<p>◆Profile; Title and Positions at the Company</p> <p>April 1986      Entered the Company</p> <p>June 2010      President and Representative Director of Mitsui Copper Foil (Malaysia) Sdn. Rhd.</p> <p>October 2013    General Manager of Recycling Business Promotion Group, Metals, Minerals &amp; Engineering Sector</p> <p>April 2014      Executive Officer, Senior General Manager of Technology Management Division, Metals &amp; Recycling Division, Metals Sector</p> <p>April 2015      Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>June 2015      Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>October 2015    Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector</p> <p>April 2016      Representative Director, Managing Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector (current positions)</p> <p>◆Important Position Held Concurrently at Other Organizations          Outside Auditor of Powdertech Co., Ltd.</p> <p>◆Reasons for the Nomination of the Candidate as Director          Mr. Takeshi Nou has a wealth of experience cultivated through his many years of involvement in the Group's electronic materials business and engineered materials business and is well versed in the Company's business. He was appointed Representative Director and Managing Director in 2016 and is currently responsible for the Engineered Materials Sector. The Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.</p> <p>◆Special Interests between the Candidate and the Company          There are no special interests between the candidate and the Company.</p>	

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Candidate Number: 3

Isshi Hisaoka  
(October 10, 1957)

Number of Company's Shares in Possession: 71,000  
Number of years served as Corporate Director: Four (4) years  
Attendance at the meetings of the Board of Directors: 100% (17/17)

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**Reappointed**

◆Profile; Title and Positions at the Company

April 1980	Entered the Company
January 2010	General Manager of Specialty Foil Division
June 2010	Executive Officer, Deputy Senior General Manager of Copper Foil Sector and General Manager of Specialty Foil Division
November 2010	Executive Officer, Senior General Manager of Copper Foil Sector, General Manager of Specialty Foil Division
June 2011	Senior Executive Officer, Senior General Manager of Electronic Materials Sector, General Manager of Specialty Foil Division
June 2013	Director, Senior Executive Officer, Senior General Manager of Electronic Materials Sector
April 2014	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector
June 2014	Director, Senior Executive Officer, Deputy Senior General Manager of Engineered Materials Sector, General Manager of Business Planning Group, Engineered Materials Sector
April 2015	Director, Senior Executive Officer, Senior General Manager of Engineered Materials Sector
October 2015	Director, Senior Executive Officer, Deputy Senior General Manager of Metals Sector
April 2016	Director, Senior Executive Officer, Senior General Manager of Metals Sector (current positions)

◆Important Position Held Concurrently at Other Organizations

No significant position held concurrently at other organizations.

◆Reasons for the Nomination of the Candidate as Director

Mr. Isshi Hisaoka has a wealth of experience cultivated through his many years of involvement in the Group's engineered materials business and metals business and is well versed in the Company's business. He was appointed Director and Senior Executive Officer in 2013 and is currently responsible for the Metals Sector. The Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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Candidate Number: 4

**Takashi Oshima**  
(October 16, 1958)

Number of Company's Shares in Possession: 58,000  
Number of years served as Corporate Director: Three (3) years  
Attendance at the meetings of the Board of Directors:100% (17/17)

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**Reappointed**

◆Profile; Title and Positions at the Company

April 1981 Entered the Company  
October 2009 President and Representative Director of MCS, Inc.  
April 2013 Deputy Senior General Manager of Materials & Applications Sector,  
General Manager of Affiliates Coordination Division  
June 2013 Executive Officer, Deputy Senior General Manager of Materials &  
Applications Sector, General Manager of Affiliates Coordination  
Division  
April 2014 Executive Officer, Senior General Manager of Affiliates Coordination  
Strategic Sector  
June 2014 Director, Senior Executive Officer, Senior General Manager of  
Affiliates Coordination Strategic Sector  
January 2016 Director, Senior Executive Officer, CRO, Senior General Manager of  
Corporate Planning & Control Sector, General Manager of Corporate  
Planning Department  
April 2016 Director, Senior Executive Officer, Senior General Manager of  
Corporate Planning & Control Sector, General Manager of Corporate  
Planning Department (current positions)

◆Important Position Held Concurrently at Other Organizations

No significant position held concurrently at other organizations

◆Reasons for the Nomination of the Candidate as Director

Mr. Takashi Oshima has a wealth of experience in finance and corporate planning of the Group, including serving as the president of an affiliated company, and is well versed in the Company's business. He was appointed Director and Senior Executive Officer in 2014 and is currently responsible for the Corporate Planning & Control Sector. The Company judges he can further contribute to the enhancement of the Group's corporate value and believes he is a suitable person for the position of Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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Candidate Number: 5	<b>Junya Sato</b> (May 4, 1953)	Number of Company's Shares in Possession: 49,000 Number of years served as Corporate Director: Four (4) years Attendance at the meetings of the Board of Directors: 100% (17/17)
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Reappointed

Outside

Independent

◆Profile; Title and Positions at the Company

April 1982	Professional registration in Japan as lawyer
April 1982	Joined Law Offices of Furness, Sato & Ishizawa (currently Law Offices of Ishizawa, Ko & Sato)
October 1990	Admitted to the New York State bar
June 2004	Outside Auditor of SEIKAGAKU CORPORATION
June 2007	Outside Corporate Auditor of the Company
June 2009	Outside Director of Nikki Co., Ltd. (current position)
April 2011	Vice Chairman of Dai-ichi Tokyo Bar Association
March 2012	Outside Auditor of Sapporo Holdings Limited (current position)
June 2013	Outside Director of the Company (current position)
June 2015	Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd. (current position)
October 2015	Member of External Evaluation Committee, Chuo University (current position)
April 2016	Governor of the Japan Federation of Bar Associations

◆Important Positions Held Concurrently at Other Organizations

Lawyer, Outside Director of Nikki Co., Ltd., Outside Auditor of Sapporo Holdings Limited, Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd, Member of External Evaluation Committee, Chuo University

◆Reasons for the Nomination of the Candidate as Director

Mr. Junya Sato has profound specialized knowledge and a wealth of experience in corporate legal affairs as a lawyer. In addition, he has sufficient insight about corporate management through his experience as an outside director of other companies. While he has never been directly involved in management of a company, the Company judges by utilizing his insight he can further contribute to the strengthening of the Group's management oversight and supervisory functions and the enhancement of the transparency of the Board of Directors, and believes he is a suitable person for the position of Outside Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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Notes: 1. Based on the Company Law Article 427-1, the Company has concluded a contract with Junya Sato regarding liability as defined by the Company Law Article 423-1 to limit total liability to the amount stipulated by the Company Law Article 425-1. If his reappointment is approved, the aforementioned contract will be extended.

2. The Company has notified the Tokyo Stock Exchange that its Outside Director Junya Sato is Independent Directors of the Company.

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Candidate Number: 6

**Morio Matsunaga**  
(August 7, 1949)

Number of Company's Shares in Possession: 35,000  
Number of years served as Corporate Director: One (1) year  
Attendance at the meetings of the Board of Directors: 100% (13/13)

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Reappointed

Outside

Independent

◆Profile; Title and Positions at the Company

August 1977 Postdoctoral fellow, The University of Tennessee  
October 1978 Lecturing Professor, Faculty of Engineering,  
Kyushu Institute of Technology  
October 1980 Associate Professor, Faculty of Engineering,  
Kyushu Institute of Technology  
September 1996 Professor, Faculty of Engineering, Kyushu Institute of Technology  
April 2003 Professor, Department of applied science for  
integrated system engineering, Kyushu Institute of Technology  
April 2004 Administration officer, Kyushu Institute of Technology  
April 2007 Vice president, Kyushu Institute of Technology  
April 2010 President, Kyushu Institute of Technology  
June 2016 Chairperson of the Board of Director, Kitakyushu Foundation for the  
Advancement of Industry, Science and Technology (current position)  
June 2016 Chairperson of the Board of Director, Human Media Creation  
Center/KYUSHU (current position)  
June 2016 Outside Director (current position)  
April 2017 Member of Administrative Council, The University of Kitakyusyu  
(current position)

◆Important Positions Held Concurrently at Other Organizations

Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of  
Industry, Science and Technology, Chairperson of the Board of Director, Human Media  
Creation Center/KYUSHU, Member of Administrative Council, The University of Kitakyusyu

◆Reasons for the Nomination of the Candidate as Director

Mr. Morio Matsunaga has specialized knowledge of engineering and experience of  
organizational management as a university professor and the president of a national university  
corporation. Although he has never been directly involved in management of a company, the  
Company judges that by utilizing his wealth of experience he can further contribute to the  
strengthening of the Group's management oversight and supervisory functions and  
enhancement of the transparency of the Board of Directors and believes he is a suitable person  
for the position of Outside Director.

◆Special Interests between Candidate and the Company

There are no special interests between the candidate and the Company.

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- Notes: 1. Based on the Company Law Article 427-1, the Company has concluded a contract with Morio Matsunaga regarding liability as defined by the Company Law Article 423-1 to limit total liability to the amount stipulated by the Company Law Article 425-1. If his reappointment is approved, the aforementioned contract will be extended. .
2. The Company has notified the Tokyo Stock Exchange that its Outside Director Morio Matsunaga is Independent Directors of the Company.
3. The status of attendance at the meetings of the Board of Directors indicated is only for those meetings held after assumption of office on June 29, 2016.

## **Proposals by a Shareholder: Items 5-8**

### **Proposals made by a single shareholder (possessing 301 voting rights)**

Fifth, Sixth, Seventh and Eighth Items concern proposals made by a single shareholder (possessing 301 voting rights).

Details of these proposals and reasons for them have been translated from the Japanese version of the document that is restated verbatim from the notification received by the Company from the shareholder making the proposals, including literal errors, omitted letters and recognition of facts.

### **What is a proposal by a shareholder?**

The Company Law provides shareholders with rights to make proposals provided certain requirements are satisfied.

Regarding these proposals, companies are required to post the proposals, regardless of the content, except in the case of a violation of laws and regulations or the Articles of Incorporation.

On this occasion, the four proposals made by a single shareholder are being posted; however, the Board of Directors is opposed to all of these proposals.

You are requested to study the opinions of the Board of Directors of the Company on the following pages and exercise your voting rights.

## **Proposals by a Shareholder**

### **Fifth Item**

Payment of a cash dividend of 20 yen per share of the Company's common stock

#### 1. Details of Proposal

It is proposed to pay a year-end cash dividend of 20 yen per share of the Company's common stock for the 92nd fiscal year.

#### 2. Reasons for Proposal

According to the consolidated performance forecast for the year ended March 2017, profit attributable to owners of the parent is expected to be 13.0 billion yen. The cumulative amount of loss pertaining to the Caserones copper mine is expected to reach approximately 52.0 billion yen until the end of fiscal 2016. Moreover, according to the Mid-Term Management Plan, ordinary income of 7.5 billion yen was expected from the Caserones copper mine in fiscal 2015, and thus ordinary income was approximately 15.0 billion yen short of the target for two years.

Broadly speaking, the cumulative amount of loss pertaining to the Caserones copper mine until the end of fiscal 2016 will reach approximately 65.0 billion yen, which is an extremely large loss.

The reason for this loss is attributable to the then management who made a management decision without having any understanding of the content of the contract. Therefore, this loss was caused by a great error of the management and its responsibility is significant.

On the other hand, despite such loss, net income for fiscal 2016 is expected to be 13.0 billion yen, an improvement of approximately 34.0 billion from the previous fiscal year. Therefore, to show their strong sense of responsibility, management should return one third of 34.0 billion yen, that is, the amount of the improvement from the previous fiscal year, to shareholders. This will be the first step toward recognition as a superior company by the shareholders.

### **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

With regard to dividends from surplus, the Company's fundamental policy is to seek to distribute reasonable dividends in accordance with its performance while ensuring that it retains sufficient internal reserves to fund measures for promoting future business expansion and reinforcing management bases.

The Company's shareholders' equity ratio was 33.5% for fiscal 2016, which is below the average for manufacturers. The Board of Directors believes that the current level of internal reserves is insufficient for the Company to continue investment for future business expansion and to reinforce management bases.

Therefore, the Board of Directors is opposed to the proposal that a cash dividend of 20 yen per share of the Company's common stock be paid.

Although it is stated that management made a management decision without having any understanding of the content of the contract pertaining to the development of the Caserones copper mine in Chile, the Company is participating in it through Pan Pacific Copper Co., Ltd., through a joint investment with JX Nippon Mining & Metals Corporation. Regarding the participation, the Board of Directors makes an appropriate management decision in view of the results of evaluation of economic factors, including exploration to check the amount of ore reserves and ore dressing tests.

## **Sixth Item**

Partial amendment of the Articles of Incorporation (Requiring the appointment of two or more Independent Directors)

### **1. Details of Proposal**

Partial amendment of the Articles of Incorporation

It is proposed to add the following provisions to the Articles of Incorporation.

It shall be required to appoint two or more Independent Directors.

### **2. Reasons for Proposal**

It is stipulated as "Matters to be Observed" in the Codes of Corporate Conduct in the listing regulations that a listed company must, for the purpose of protecting general shareholders, secure at least one Independent Director.

Furthermore, the Corporate Governance Code states that a listed company "should appoint at least two Independent Outside Directors." Article 19 of the Company's Articles of Incorporation states that the Company shall have not more than 21 directors. However, the current situation is that there are six Directors, including two Outside Directors.

Meanwhile, in the Company's Basic Philosophy on Corporate Governance, it is stated that the appointment of Outside Directors and Outside Corporate Auditors is one of the matters constituting institutional support to enable fair and valuable corporate activities.

Therefore, no matter how excellent the Directors are, in order to increase corporate value, the appointment of two Independent Directors should be an absolute requirement.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

In order to ensure effective corporate governance, the Company considers it necessary to constantly revise the organizational structure and systems of management in light of changes in social circumstances and in the business environment among others and implement effective measures. To this end, the Company has established the Corporate Governance Guidelines that include the Company's fundamental principles regarding the relationships with stakeholders, the organizational structure, and information disclosure, so that the Company can flexibly take effective actions concerning corporate governance. The Company's Corporate Governance Guidelines are made public and the Company is committed to adhering to the Guidelines.

In the Guidelines, it is stipulated that the Company shall appoint at least two Outside Directors as Independent Directors and the criteria for independence of Outside Directors are also stipulated.

Therefore, the Board of Directors is of the opinion that the proposal to include a provision "It shall be required to appoint two or more Independent Directors." in the Articles of Incorporation is unnecessary, and is opposed to the proposal.

**Seventh Item**

Partial amendment of the Articles of Incorporation (Establishing and disclosing a provision regarding dialogue with shareholders)

**1. Details of Proposal**

Partial amendment of the Articles of Incorporation

It is proposed to add the following provision to the Articles of Incorporation.

A provision regarding dialogue between management or the Board of Directors and shareholders, shall be established and disclosed to shareholders.

**2. Reasons for Proposal**

With the establishment of the Corporate Governance Code, in order to contribute to the sustainable growth of the enterprise and the improvement of corporate value in the medium to long term, it is stipulated that the Board of Directors of listed companies shall hold constructive dialogue with shareholders, even outside of the general meeting of shareholders, and this has attracted the attention of investors. However, opportunities for the Board of Directors of the Company to meet with shareholders to discuss measures to improve corporate value over the medium to long term, such as to improving asset efficiency, reducing current assets and fixed assets, to review strategies, etc. are limited to the few hours of the financial results briefing and annual meeting of shareholders. Such a situation is contrary to the basic principles of the Corporate Governance Code. Therefore, with the aim of realizing maximization of the Company's medium- to long-term corporate value, it is necessary to establish a provision regarding dialogue between shareholders and management team or the Board of Directors, and require its disclosure to shareholders.

**Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

Regarding dialogue with shareholders, policies regarding the Company's approach to the system and measures for promoting constructive dialogue with shareholders are established in the Company's Corporate Governance Guidelines. Therefore, the Board of Directors is of the opinion that the proposal to include a provision "A provision regarding dialogue between management or the Board of Directors and shareholders, shall be established and disclosed to shareholders." in the Articles of Incorporation is unnecessary, and is opposed to the proposal.

## **Eighth Item**

Partial amendment of the Articles of Incorporation (Disclosing the Company policy on the Return on Equity (ROE) target)

### 1. Details of Proposal

Partial amendment of the Articles of Incorporation

It is proposed to add the following provision to the Articles of Incorporation.

"The Company must disclose the Company's policies regarding its response to the Return on Equity (ROE) target set by the Ministry of Economy, Trade and Industry's 'Ito Report.'"

### 2. Reasons for Proposal

The Ito Report published in August 2014 was the final report of a Ministry of Economy, Trade and Industry project, chaired by Professor Kunio Ito, Graduate School of Commerce and Management, Hitotsubashi University titled "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships Between Companies and Investors." In it, the minimum target for Return on Equity (ROE) that international investors are requiring of Japanese companies is stated as being 8%. This can be said to clarify the concept of cost of capital for listed companies. The Company's ROE has averaged 5.65% over the past 10 fiscal years. In view of the turbulent situation, it is advisable that planning and action be based on the points raised in the report. It is desirable that both the companies and the investors aim for improved sustainable corporate value and improved ROE over the medium to long term, and that there be appropriate dialogue with shareholders about what kind of management strategy and capitalization policies to adopt as a company.

## **Opinion of the Board of Directors of the Company**

The Board of Directors is opposed to this proposal, for the reasons given as follows.

The Board of Directors recognizes that ROE is an important management indicator for an investor's evaluation of a company. However, as indicated in the Ito Report, ROE is a difficult management indicator to apply to actual situations, and the concept of financial leverage, that is, the higher the ratio of liabilities, the higher the ROE level and variability, does not fit the Company. The Board of Directors therefore has doubts about using ROE as the sole management indicator.

The Corporate Governance Code states that financial information such as the Company's financial status, and management achievements as well as non-financial information such as management strategies, issues, risk and governance information, should be appropriately disclosed. This policy to ensure appropriate disclosure of such information is set forth in the Company's Corporate Governance Guidelines.

Therefore, the Board of Directors has decided that the proposed inclusion of a provision "The Company must disclose the Company's policies regarding its response to the Return on Equity (ROE) target set by the Ministry of Economy, Trade and Industry's 'Ito Report.'" in the Articles of Incorporation is unnecessary, and is opposed to the proposal.



# Business Report

(From April 1, 2016, to March 31, 2017)

## 1. Current State of the Mitsui Kinzoku Group

### (1) Business Operations and Results

#### Economic Overview

During fiscal 2016, despite concerns about the effects of Brexit and the new U.S. administration's unclear economic policy on the Chinese economy and emerging economies and financial markets, including stocks and foreign exchange rates, the world economy remained on a moderate recovery track, albeit with weaknesses in certain areas. The U.S. economy recovered moderately, led by robust corporate earnings and vigorous personal consumption. The Chinese economy was supported by the effectiveness of various policies despite concerns about its slowdown. Meanwhile, the Japanese economy also recovered at a moderate pace as personal consumption started to pick up against the backdrop of improvement in both personal incomes and the labor market, and exports, mainly to Asia, remained strong.

#### Industry Trends and Mitsui Kinzoku's Status

The business environment for Mitsui Mining & Smelting Co., Ltd. and its consolidated subsidiaries (the Mitsui Kinzoku Group) was as follows. With regard to nonferrous metal markets, whereas prices of zinc, lead, and copper rose, prices of indium declined. In the foreign exchange market, whereas the yen appreciated in the first half of fiscal 2016, rapid depreciation of the yen ensued in the second half. There was steady demand for MicroThin™, electro-deposited copper foil for printed wiring boards, and sputtering targets.

#### The Group's Initiatives

In these circumstances, the Group launched the 2016 Mid-Term Management Plan in April 2016 with the goal of realizing the Group's vision in 10 years—"The Company that continues to create growth products and businesses and enhance value based on the three core businesses: engineered materials, metals, and automotive parts and components." "Reinforcing the basic structure of existing businesses" is a key strategy of the plan. In fiscal 2016, the first year of the plan, the Group implemented various measures in line with this strategy, including establishment of bases overseas for exhaust detoxifying catalysts for automobiles, expansion of applications of MicroThin™, reinforcement of the recycling business, promotion of improvements in order to establish systems to enable stable operation of the Caserones copper mine in Chile at full capacity, and reinforcement of overseas sites for automotive parts and components. In addition, with regard to "Taking strategic steps for the future," the Group has invested in a hydroelectric power generation business.

#### Fiscal 2016 Results

As a result, net sales in fiscal 2016 decreased by ¥14,223 million compared with the previous fiscal year to ¥436,330 million. Operating income increased by ¥27,324 million to ¥38,461 million because of a positive factor associated with inventories (hereinafter referred to as the "inventory factor") in line with the fluctuations of nonferrous metal prices and foreign exchange rates and increased sales volumes of the principal products of the Engineered Materials Business, among other factors. Despite recording of investment losses on equity method amounting to ¥6,303 million, ordinary income amounted to ¥31,047 million, having improved by ¥42,332 million from the ordinary loss recorded for the previous fiscal year, reflecting the recording of the impairment loss for the Caserones copper mine, among other factors. In extraordinary items, the Group recorded extraordinary profits, including a gain on sales of investment securities amounting to ¥573 million and extraordinary losses, including a ¥2,840 million loss on disposal of property, plant and equipment and a ¥2,044 million loss on impairment. After accounting for income taxes and profit attributable to non-controlling interests, profit attributable to owners of the parent in fiscal 2016 amounted to ¥18,674 million, an improvement of ¥39,600 million from the loss recorded for the previous fiscal year.

	2016	2015	Change from the Previous Year	
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Percentage)
Net sales	¥436,330	¥450,553	(¥14,223)	(3.2%)
Operating income	38,461	11,137	27,324	245.3
Ordinary income (loss)	31,047	(11,284)	42,332	--
Profit (loss) attributable to owners of parent	18,674	(20,926)	39,600	--

Note: Figures are rounded down to the nearest million yen.

## Operating Environment and Results by Each Group

### Engineered Materials Group

[Principal Products/Services (As of March 31, 2017)]

Battery materials (Hydrogen storage, etc.), Catalysts, Engineered powders (Metal powders for electronic materials, High-purity tantalum pentoxide, etc.), Copper foil (MicroThin™, Electro-deposited foil for printed wiring boards, etc.), Sputtering targets (ITO, etc.), Ceramics products

Sales volume of catalysts for detoxifying motorcycle exhaust emissions decreased, reflecting sluggish demand in China as well as in emerging-market countries. Sales volumes of metal powders for electronic materials, high-purity oxidized tantalum, and MicroThin™ increased because of the smartphones manufactured by Chinese companies becoming increasingly sophisticated and demand expanding, among other factors. On the other hand, sales prices of indium tin oxide (ITO) fell because of a fall in the price of indium, the principal material of ITO.

As a result, sales of the Engineered Materials Group increased 1.2% year on year to ¥145,779 million. Ordinary income increased 322.3% year on year to ¥15,925 million, reflecting higher sales volumes of the principal products and an improvement of the inventory factor.

### Metals Group

[Principal Products/Services (As of March 31, 2017)]

Zinc, Lead, Copper, Gold, Silver, Resource recycling

Demand for zinc for steel sheets in Japan decreased because of sluggish demand for automotive applications, among other factors. However, zinc prices in Japan increased in line with the increase of zinc prices on the London Metal Exchange.

As a result, sales of the Metal Group increased 7.6% year on year to ¥139,647 million. Despite a delay in achieving systems enabling stable operation at the Caserones copper mine, ordinary income amounted to ¥8,477 million, having improved by ¥8,843 million because of an improvement of the inventory factor, among other factors.

### Automotive Parts & Components Group

[Principal Products/Services (As of March 31, 2017)]

Automobile Door Locks

The U.S. market was brisk and the Chinese market was also buoyant because of the impact of tax incentives for compact cars among other factors. On the other hand, sales prices of side door latches, the mainstay products, decreased.

As a result, sales of the Automotive Parts & Components Group decreased 1.1% year on year to ¥113,199 million. However, ordinary income increased 14.3% year on year to ¥6,188 million, mainly owing to cost improvements as a result of cost-reduction initiatives and greater local procurement, among other factors.

## Affiliates Coordination Group

[Principal Products/Services (As of March 31, 2017)]

Engineering services for various industrial plants, Die-cast products, Powdered metallurgical products, Rolled copper products, Perlite products, etc.

Demand for orders concerning industrial plant projects overseas remained sluggish, continuing from the previous fiscal year, but orders received by Group companies in Japan for hydroelectric power generation facilities, periodic maintenance projects and others contributed to earnings.

As a result, sales of Affiliates Coordination Group increased 5.8% year on year to ¥113,469 million. Ordinary income increased 71% year on year to ¥5,684 million.

Net sales and ordinary income (loss) by each group are the following:

[Net Sales]

Group	2016	2015	2014	2013
	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)	Net Sales (Millions of Yen)
Engineered Materials Group	¥145,779	¥144,065	¥153,203	¥136,638
Metals Group	139,647	129,786	140,158	125,736
Automotive Parts & Components Group	113,199	114,448	104,500	90,059
Affiliates Coordination Group	113,469	107,230	118,528	111,246
Adjustment Amount	(75,765)	(44,977)	(43,116)	(22,634)
Total	¥436,330	¥450,553	¥473,274	¥441,046

Notes: 1. Figures are rounded down to the nearest million yen.

2. Intersegment sales are deducted by means of Adjustment Amount items.

[Ordinary Income (Loss)]

Group	2016	2015	2014	2013
	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)	Ordinary Income (Loss) (Millions of Yen)
Engineered Materials Group	¥15,925	¥3,771	¥12,184	¥16,315
Metals Group	8,477	(366)	12,769	4,474
Automotive Parts & Components Group	6,188	5,415	5,044	3,975
Affiliates Coordination Group	5,684	3,324	4,849	3,064
Adjustment Amount	(5,228)	(23,429)	(13,751)	(14,174)
Total	¥31,047	(¥11,284)	¥21,096	¥13,656

Notes: 1. Figures are rounded down to the nearest million yen.

2. Intersegment transactions are deducted by means of Adjustment Amount items.

## (2) Capital Investment

The Mitsui Kinzoku Group invested a total of ¥37,718 million, mainly for the following purposes by each group:

Group	Capital Investment (Millions of Yen)	Contents and Purposes
Engineered Materials Group	¥13,164	Boosting production capacity for automotive catalysts and high-purity tantalum pentoxide, etc.
Metals Group	16,846	Large-scale renovation of hydroelectric power generation facilities, etc.
Automotive Parts & Components Group	5,152	Boosting productivity of facilities, conserving energy, etc.
Affiliates Coordination Group	2,316	Maintaining and renovating facilities, etc.
Other Group	238	
Total	¥37,718	

Notes: 1. Figures are rounded down to the nearest million yen.

2. Unrealized profit on intersegment transactions is deducted by means of Other Group item.

## (3) Funding

For the purpose of redeeming No.10 issuance of unsecured domestic straight bonds, the Company issued its No.16 issuance of unsecured domestic straight bonds amounting to ¥10.0 billion in November 2016.

## (4) Research & Development and Resource Development

### Research and Development

The Group is focusing on development of products by applying its core technologies, namely, electrochemistry, powder processing, and separation and purification. In fiscal 2016, the Group mainly carried out R&D of next-generation energy conversion materials and electronic device related materials, such as fuel-cell materials for vehicles, solid electrolytes for solid state lithium batteries, and fine metal powders.

### Resource Development

In the Republic of Peru, the Group explored mining possibilities in the vicinity of Huanzala mine.

(5) Changes in Operating Performance and Financial Position of the Mitsui Kinzoku Group and the Company

Year ended March 31		89th (2013)	90th (2014)	91st (2015)	92nd (2016)
Net sales	(Millions of yen)	¥441,046	¥473,274	¥450,553	¥436,330
Ordinary income (loss)	(Millions of yen)	13,656	21,096	(11,284)	31,047
Profit (loss) attributable to owners of parent	(Millions of yen)	3,662	17,237	(20,926)	18,674
Total assets	(Millions of yen)	503,825	538,646	484,800	518,981
Total net assets	(Millions of yen)	169,867	207,106	179,566	184,421
Free cash flow	(Millions of yen)	(34,124)	10,827	24,001	(14,081)
Capital investment	(Millions of yen)	27,160	28,906	28,446	37,718
ROE (Return on equity)	(%)	2.4	9.6	(11.4)	10.9
ROA (Return on assets)	(%)	2.9	4.0	(2.2)	6.2
Shareholders' equity ratio	(%)	31.9	36.6	35.0	33.5
D/E ratio	(Times)	1.36	1.07	1.13	1.19
Earnings (losses) per share	(Yen)	6.41	30.18	(36.64)	32.70
Total net assets per share	(Yen)	281.67	344.91	296.85	304.64
Dividend per share	(Yen)	4.00	6.00	6.00	7.00

Notes: 1. Figures are rounded down to the nearest million yen, except earnings or loss per share and total net assets per share.

2. Earnings (loss) per share is calculated based on the average number of issued and outstanding shares during the term.

## (6) Important Challenges Ahead

The world economy in fiscal 2017 is expected to remain on a recovery track against the backdrop of improvement of both the U.S. economy and China's economy. However, uncertainties are mounting as seen in the spread of protectionism in the U.S. and Europe. While the expansion of the Japanese economy is also expected to continue at a moderate pace because of the improvement of the world economy and the resurgence of capital investment, rising geopolitical risks are a concern.

Despite a positive factor, namely, the robust performance of the nonferrous metal market, risks will remain in the business environment of the Group, such as those coming from higher energy costs and sharp increases in raw material prices.

In these circumstances, the Group promoted the 2016 Mid-Term Management Plan. With "Establishment of a structure that will continue to create growth products and businesses based on the three core businesses: engineered materials, metals, and automotive parts and components" as the basic policy of the plan, the Group reinforced management bases by implementing key measures, namely "Producing results for measures implemented in the 2013 Plan," "Reinforcing the basic structure of existing businesses," and "Taking strategic steps for the future" in each segment.

The Group recognizes that fiscal 2017, the second year of the 2016 Mid-Term Management Plan, is an important year for confirming the progress of the plan. Each segment will surely implement the key measures described below.

In the Engineered Materials Business segment, the application field of MicroThin™ is expected to be more extensive than previously anticipated. The copper foil business will boost production capacity in line with this development. The exhaust detoxifying catalyst business will focus on maintaining the market share for motorcycles and improving the earnings contribution of automotive catalysts.

In the Metals Business segment, initiatives will be especially focused on increasing the volume of recycling materials collected and processed. Investment in the hydroelectric power generation service, which is expected to contribute to the Group's profits from fiscal 2019 onward, will continue to be carried out for sure. Regarding the Caserones copper mine, the Group will provide support for establishing systems that will enable stable operation.

In the Automotive Parts & Components Business segment, efforts to improve the earnings of operations in Japan and cost reduction efforts at overseas plants in order to increase their competitiveness will continue. At the same time, as steps toward fiscal 2019 and beyond, we will aggressively promote sales expansion in both the North American and the Chinese markets.

In addition to these measures, the Group intends to accord emphasis to cash flows and will roll out improvements to its financial position. At the same time, the Group is determined to enhance corporate value by ensuring greater decisiveness in decision-making than ever and transforming itself into a fast-moving, highly competitive enterprise.

## (7) Principal Business Offices, Plants, and Laboratories (As of March 31, 2017)

## 1. Mitsui Kinzoku

Head office	1-11-1, Osaki, Shinagawa-ku, Tokyo
Plants	Kamioka Catalyst Plant (Hida-shi, Gifu), Miike Rare Metals Plant (Omuta-shi, Fukuoka), Ageo Copper Foil Plant (Ageo-shi, Saitama), Miike Thin-film Materials Plant (Omuta-shi, Fukuoka), Omuta Ceramics Plant (Omuta-shi, Fukuoka), Takehara Refinery (Takehara-shi, Hiroshima), Hibi Smelter (Tamano-shi, Okayama), Kitakata Perlite Plant (Kitakata-shi, Fukushima), Osaka Perlite Plant (Kaizuka-shi, Osaka)
Laboratory	R&D Center (Ageo-shi, Saitama) Materials Analysis & Exploration Center (Ageo-shi, Saitama)

## 2. Consolidated Subsidiaries

Japan	Kamioka Mining & Smelting Co., Ltd. (Hida-shi, Gifu), Hachinohe Smelting Co., Ltd. (Shinagawa-ku, Tokyo), Hikoshima Smelting Co., Ltd. (Shimonoseki-shi, Yamaguchi), Okuaizu Geothermal Co., Ltd. (Yanaizu-cho, Fukushima), Mitsui Kinzoku ACT Corporation (Yokohama-shi, Kanagawa), Mitsui Kinzoku Trading Co., Ltd. (Sumida-ku, Tokyo), MESCO, Inc. (Sumida-ku, Tokyo),
Overseas	Taiwan Copper Foil Co., Ltd. (Taiwan), Mitsui Copper Foil (Malaysia) Sdn. Bhd. (Malaysia), Mitsui Electronic Materials Co., Ltd. (Taiwan), GECOM Corp. (U.S.A.), Mitsui Siam Components Co., Ltd. (Thailand), Mitsui Components Guangdong Limited (China)

## (8) Condition of Principal Subsidiaries of Mitsui Kinzoku (As of March 31, 2017)

	Paid-in Capital (Millions)	Equity Stake of the Company (%)	Principal Operations
Taiwan Copper Foil Co., Ltd.	NT\$800	95.0	Production and sale of Electro-deposited foil for printed wiring boards
Mitsui Copper Foil (Malaysia) Sdn. Bhd.	RM330	100.0	Production and sale of Electro-deposited foil for printed wiring boards
Mitsui Electronic Materials Co., Ltd.	NT\$600	100.0	Production and sale of Sputtering targets
Kamioka Mining & Smelting Co., Ltd.	¥4,600	100.0	Smelting of zinc and lead and production of metal powders and others
Hachinohe Smelting Co., Ltd.	¥4,795	85.5	Smelting of zinc and lead
Hikoshima Smelting Co., Ltd.	¥460	100.0	Smelting of zinc and production of metal powders, battery materials, and others
Okuaizu Geothermal Co., Ltd.	¥100	100.0	Sale of geothermal steam for power generation
Mitsui Kinzoku ACT Corporation	¥3,000	100.0	Production and sale of functional automotive door locks
GECOM Corp.	US\$15.750	100.0	Production and sale of functional automotive door locks
Mitsui Siam Components Co., Ltd.	Bh210	100.0	Production and sale of functional automotive door locks
Mitsui Components Guangdong Limited	RMB71.212	100.0	Production and sale of functional automotive door locks
Mitsui Kinzoku Trading Co., Ltd.	¥240	100.0	Sale of nonferrous metals and electronic materials, etc.
MESCO, Inc.	¥1,085	63.4	Engineering services for various industrial plants as well as the production, sale, and construction of polyethylene compound pipes

(9) Employees (As of March 31, 2017)

1. Number of Mitsui Kinzoku Group Employees

Group	Number of Employees	
Engineered Materials Group	3,268	(600)
Metals Group	1,545	(368)
Automotive Parts & Components Group	5,026	(118)
Affiliates Coordination Group	1,590	(155)
Other Group	201	(19)
Total	11,630	(1,260)

Note: The numbers of employees represent the numbers of employees actually working, and the numbers of temporary employees are shown separately in parentheses. Temporary employee figures include temporary laborers, part-time employees, and temporary contract employees but exclude temporary employees dispatched by personnel agencies.

2. Number of the Company Employees

Number of Employees	Average Age (Years)	Average Length of Employment (Years)
1,739 (303)	42.7	16.4

Note: The number of employees represents the number of full-time employees. The number of temporary employees is shown separately in parentheses, and these temporary employees are not considered when calculating figures for average age or average length of employment.

(10) Major Lenders (As of March 31, 2017)

	Amount of Borrowings (Millions of Yen)
Sumitomo Mitsui Banking Corporation	¥19,572
Sumitomo Mitsui Trust Bank, Ltd.	13,626
Mizuho Bank, Ltd.	8,498
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,936
The Norinchukin Bank	4,292



## 2. Mitsui Kinzoku Group and the Company Outline

### (1) Common Stock (As of March 31, 2017)

1. Authorized: 1,944,000 thousand
2. Issued and outstanding: 572,966,166
3. Number of shareholders: 39,776 (down 8,510 from the previous fiscal year)
4. Major shareholders (Top 10):

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

Notes: 1. Percentages of shares held are calculated based on the total number of shares issued and outstanding (excluding 1,865,050 shares in treasury).

2. Figures are rounded down to the nearest thousand shares.

### Distribution of Shares by Type of Shareholder (Reference)

Classification	Number of shares held (Thousands)	Composition of shareholders (%)
Financial institutions	207,107	36.15
Securities firms	22,640	3.95
Other Japanese corporations	21,074	3.68
Overseas corporations, etc.	161,184	28.13
Individuals and others	159,093	27.77
Treasury stock	1,865	0.32

Note: Figures are rounded down to the nearest thousand shares.

(2) Directors and Corporate Auditors

1. Directors and Corporate Auditors (As of March 31, 2017)

Position	Name	Duties and Major Occupation	Important Positions Held Concurrently at Other Organizations
President Representative Director	Keiji Nishida		
Representative Director Managing Director	Takeshi Nou	Senior Executive Officer, Senior General Manager of Engineered Materials Sector	Outside Auditor of Powdertech Co., Ltd.
Director	Isshi Hisaoka	Senior Executive Officer, Senior General Manager of Metals Sector	
Director	Takashi Oshima	Senior Executive Officer, Senior General Manager of Corporate Planning & Control Sector, General Manager of Corporate Planning Department	
Outside Director	Junya Sato		Lawyer Outside Director of Nikki Co., Ltd. Outside Auditor of Sapporo Holdings Limited Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd. Member of External Evaluation Committee, Chuo University Governor of the Japan Federation of Bar Associations
Outside Director	Morio Matsunaga		Chairperson of the Board of Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology, Chairperson of the Board of Director, Human Media Creation Center/KYUSHU
Corporate Auditor	Toshiki Mori		
Corporate Auditor	Takashi Kadowaki		Outside Auditor of Nakabohtech Co., Ltd.
Outside Corporate Auditor	Masaharu Miura		Lawyer Outside Auditor of Miyasaka Construction Corporation Professor, Division of Law, Multimedia Master's Course, Graduate School of Integrated Science and Art, University of East Asia Special Councillor Asia Crime Prevention Foundation Outside Director of OUG Holdings Inc.

Outside Corporate  
Auditor

Tetsuhiro Hosono

Executive director, The  
Middle East Institute of  
Japan, Juridical  
Foundation  
President,  
JECC Corporation

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Notes: 1. Corporate Auditor Takashi Kadowaki has for many years been responsible for the Company's bookkeeping operations and has considerable knowledge regarding finance and accounting.

2. Personal Changes for Director and Corporate Auditor Positions on June 29, 2016.

- (1) Four Directors Sadao Senda, Mitsuhiro Hasuo, Toshiki Mori and Hiromichi Shibata resigned.
- (2) Two Corporate Auditors Akira Osano and Ryuhei Wakasugi resigned.
- (3) Morio Matsunaga was appointed to a new director position.
- (4) Toshiki Mori and Tetsuhiro Hosono were appointed to a new corporate auditor position.

3. Important positions held concurrently at other organizations by Directors and Corporate Auditors

- (1) Director Takeshi Nou assumed the position of Outside Auditor of Powdertech Co., Ltd. on June 29, 2016.
- (2) Director Isshi Hisaoka resigned the position of Outside Auditor of Powdertech Co., Ltd. on June 29, 2016.
- (3) Director Takashi Oshima resigned the position of Outside Director of Nakabohtech Co., Ltd. on June 29, 2016.
- (4) Outside Corporate Director Junya Sato resigned the post of Governor of the Japan Federation of Bar Associations on March 31, 2017.
- (5) Outside Corporate Director Morio Matsunaga assumed the post of Chairperson of the Board of Directors, Kitakyushu Foundation for the Advancement of Industry, Science and Technology on June 22, 2016.
- (6) Outside Corporate Director Morio Matsunaga assumed the post of Chairperson of the Board of Directors, Human Media Creation Center/KYUSHU on June 23, 2016.
- (7) Outside Corporate Director Morio Matsunaga assumed the post of Member of Administrative Council, The University of Kitakyushu on April 1, 2017.
- (8) Outside Corporate Auditor Tetsuhiro Hosono assumed the post of President, JECC Corporation on June 29, 2016.

## 2. Summary of Contracts for Limitation of Liability

Based on Company Law Article 427-1, the Company has concluded contracts with Outside Directors and Outside Corporate Auditors regarding liability as defined by Company Law Article 423-1 to limit total liability to the figure stipulated by Company Law Article 425-1.

### 3. Total Compensation Paid to Directors and Corporate Auditors

Classification	Number	Total Compensation (Millions of Yen)
Directors	10	¥277
Corporate Auditors	6	82
Total	16	¥360

- Notes: 1. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Directors of ¥60 million per month (not including compensation for their services as employees).
2. At the 80th Annual General Meeting of Shareholders held on June 29, 2005, shareholders approved a limit on compensation paid to Corporate Auditors of ¥15 million per month.
3. At the meeting of the Board of Directors held on April 22, 2014, it was resolved to discontinue the system of bonuses for Directors and to calculate the Directors' compensation by adding performance payments linked to results in addition to a fixed base compensation. This does not apply to the Outside Directors to whom the Company will pay the base compensation only, without the addition of a performance payment. The total volume of Directors' compensation would be within the limit already approved at the 80th Annual General Meeting of Shareholders held on June 29, 2005. As in the past, the total amount of Directors' compensation will be determined by the Compensation Committee composed of the President, the Director in charge of Human Resources, the Outside Directors and the Outside Corporate Auditors as advisors.
4. Listed monetary amounts are rounded down to the nearest million yen.

### 4. Matters Related to Outside Directors and Outside Corporate Auditors

#### (a) Important Positions Held Concurrently at Other Organizations

Please refer to "1. Directors and Corporate Auditors." The Company has no special relationship with any of the entities.

#### (b) Principal Activities during the Fiscal Year under Review

Position	Name	Principal Activities
Director	Junya Sato	Attended all 17 meetings of the Board of Directors during the fiscal year. Primarily from his perspective as a lawyer, made comments regarding the Company's compliance systems as well as appropriate and necessary comments on proposals and discussions.
Director	Morio Matsunaga	Attended all 13 meetings of the Board of Directors during the fiscal year after assuming his position. Based on his specialized knowledge of engineering and a wealth of experience gained through many years of engagement in university education, he made appropriate and necessary comments on proposals and discussions.
Corporate Auditor	Masaharu Miura	Attended all 17 meetings of the Board of Directors and all 12 meetings of the Board of Auditors. From his perspective as a person with experience and expertise in legal circles as a public prosecutor and a lawyer, made appropriate and necessary comments on proposals and discussions.
Corporate Auditor	Tetsuhiro Hosono	Attended all 13 meetings of the Board of Directors and all 9 meetings of the Board of Auditors during the fiscal year after assuming his position. Based on a wealth of experience in government administration, including formulation and implementation of policies for international trade and industry, and from a standpoint of a corporate manager, made appropriate and necessary comments on proposals and discussions.

(c) Total Compensation Paid to Outside Directors and Outside Corporate Auditors

	Number	Total Compensation, Etc. (Millions of Yen)
Total amount of compensation, etc., paid to Outside Directors and Outside Corporate Auditors	6	¥60

Note: Listed monetary amounts are rounded down to the nearest million yen.

(d) Notification of Independent Directors

None of the Company's Outside Directors and Outside Corporate Auditors has interests with any particular party from the Company, including its management, and none of them has conflicts of interest with general shareholders. The Company has notified the Tokyo Stock Exchange that all four of its Outside Directors (Junya Sato and Morio Matsunaga) and Outside Corporate Auditors (Masaharu Miura and Tetsuhiro Hosono) are Independent Directors of the Company.

(3) Matters Related to the Independent Auditing Firm

1. Name of the firm: KPMG AZSA LLC

2. Total compensation, etc., paid to the firm

	Amount
Total amount of compensation, etc., paid to the Independent Auditing Firm during the fiscal year under review	¥101 million
Total monetary amount and value of other assets paid to the firm by the Company and its subsidiaries	¥158 million

Notes: 1. Since the contract between the Company and the auditing firm does not distinguish between the audit required under Japan's Company Law and the audit required under the Financial Instruments and Exchange Law, the above figures also include the cost of the audit required under the Financial Instruments and Exchange Law.

2. The Board of Corporate Auditors of the Company reviewed the independent auditing firm's audit plan for fiscal 2016, the status of performance of duties in the previous fiscal year, the basis of calculation of the estimated amount of compensation, etc. by means of necessary documents obtained from the independent auditing firm and relevant internal departments as well as interviews. As a result, the Board of Corporate Auditors gave consent pursuant to Article 399, Paragraph 1 of the Company Law with regard to compensation, etc. for the independent auditing firm for fiscal 2016.

3. Among the Company's material subsidiaries, the following were legally audited by a certified public accountant or accounting firm, other than the Company's audit firm, with the corresponding qualifications in a foreign country: Taiwan Copper Foil Co., Ltd.; Mitsui Copper Foil (Malaysia) Sdn. Bhd.; Mitsui Electronic Materials Co., Ltd.; GECOM Corp.; and Mitsui Siam Components Co., Ltd.

4. Figures are rounded down to the nearest million yen.

3. Details of Non-audit Services

The Company entrusts the independent auditing firm with "the preparation of a comfort letter associated with the issuance of corporate bonds," which is a service outside the professional responsibilities provided under Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit service).

4. Policy regarding decisions related to dismissal and non-renewal of contract with the independent auditing firm

When the provisions of Article 340-1 of Company Law are deemed to be applicable to the auditing firm, the Board of Auditors may dismiss the firm with the consent of all the Corporate Auditors. The Board of Auditors determines the content of a proposal to be submitted to a General Meeting of Shareholders concerning non-renewal of the contract with the auditing firm at the Company's convenience. In addition, when it is deemed that the Company cannot continue the contract with the auditing firm for reasons attributable to the auditing firm, the Board of Auditors determines the content of a proposal to be submitted to a General meeting of Shareholders concerning dismissal or

non-reappointment of the auditing firm.

In either case, the Board of Auditors determines the content of a proposal to be submitted to a General Meeting of Shareholders concerning selection of a new independent auditing firm.

#### **(4) Systems for Ensuring Appropriate Business Operations and Overview of the Status of Operation of Such Systems**

The decisions as to the Company's systems for ensuring that the execution of duties by the Directors is in compliance with relevant laws and regulations and the Company's Articles of Incorporation and other systems for ensuring the proper conduct of the Group's activities and the status of operation of such systems are outlined below.

##### **1. Systems for ensuring that the execution of duties by the Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations and the Company's Articles of Incorporation**

- 1) To ensure that the conduct of business activities by the Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations and the Company's Articles of Incorporation, the Company clarifies and promotes its compliance system by instituting its "Code of Conduct," which Directors and employees are required to observe, and internal regulations.
- 2) The Company clearly defines the authority of the Directors through the issuance of internal regulations, including "Regulations for the Board of Directors (Torishimariyaku-kai kisoku)." Also, by appointing Outside Directors who have a high degree of independence, the Company increases transparency and creates a framework to ensure that the Directors execute their duties appropriately.
- 3) In addition, to maintain the soundness of financial processing, the Company conducts periodic internal audits.

[Overview of the status of operation]

In June 2016, in a call to promote behavior aligned to laws and regulations as well as socially accepted norms, the Company revised the "Code of Behavior," which consists of action guidelines for Directors and employees of the Company and its subsidiaries, into the "Code of Conduct" which consists of renewed statement of values and action guidelines that ought to be shared by everyone in the Group. The "Code of Conduct" is translated into various languages, and training using the Compliance Guidebook is conducted at all bases, including overseas bases, to ensure adherence to the Code of Conduct. Each Executive Director reports important matters at the meetings of the Board of Directors, which includes two highly independent Outside Directors. The Internal Audit Committee directly reports to the Board of Directors, and has an Outside Director appointed as the chairman of the committee. The Internal Audit Committee determines the policy and annual plan for internal audits, and the Internal Audit Department conducts audits based on that policy and plan. The Internal Audit Committee evaluates the results of audits conducted by the Internal Audit Department and confirms the status of corrective measures in response to the findings

##### **2. Systems for storing and safekeeping of information related to the execution of the duties of the Directors**

For information related to the execution of the duties of the Directors, the Company has prepared, stores, and keeps in custody such information according to laws and regulations, the "Regulations for the Board of Directors (Torishimariyaku-kai kisoku)," "Regulations Regarding Documentation (Bunsho kisoku)," and other internal regulations.

[Overview of the status of operation]

Information materials on agenda of meetings of the Board of Directors and their minutes are retained permanently, whereas the statutory retention period for such documents is 10 years. Documents of important meetings related to business execution are retained for 10 years or permanently by the meeting bodies.

##### **3. Regulations and systems concerning the management of losses and hazards of the Company and its subsidiaries**

To prevent the materialization of risks related to the execution of business activities of the Company and its subsidiaries and to respond to risks that have already materialized, based on its "Risk Management Regulations (Risk management kisoku)," the Company designates organizational

units in charge of each type of risk to monitor and evaluate the risks that may arise in the business activities of the Company and subsidiaries, decides on policies for risk management, and implements measures to deal with risks when they materialize.

The Company establishes “Regulations for Emergency Responses (Kinkyu-jitai hasseiji no taiou ni kansuru kisoku)” to protect human lives and assets and to swiftly recover and continue business in the event of a large disaster.

[Overview of the status of operation]

In fiscal 2016, the Company conducted risk surveys of Group’s sites in accordance with the “Risk Management Regulations.” In order to establish systems to protect human lives and assets and to swiftly recover and continue business in the event of a major disaster, the Company formulated a Business Continuity Plan in accordance with the “Regulations for Emergency Responses” and conducted emergency drills at various sites.

#### **4. Systems to ensure that the Directors of the Company and its subsidiaries execute their duties efficiently**

As the basis for systems that ensure the Directors execute their duties efficiently, the Board of Directors holds a regular meeting once a month, and at other times as necessary. In addition, the Company determines assignment of responsibilities for management and clarifies the approving authorities including those of subsidiaries to enhance the efficiency of decision-making. Also, through the introduction of the Executive Officer system, the Company endeavors to accelerate the execution of business activities.

[Overview of the status of operation]

In fiscal 2016, ordinary meetings of the Board of Directors were held once every month and five extraordinary meetings of the Board of Directors were held in May, June, August and November 2016 and in February 2017.

Meetings were held between Outside Directors and the Accounting Auditor to exchange views. Also, monitoring of the status of business execution by Executive Officers was conducted by each Executive Director.

#### **5. Systems for reporting to the Company of matters related to the execution of duties by Directors of the Company’s subsidiaries**

Directors, Corporate Auditors, and the responsible department shall receive reports on the status of execution of duties by Directors of the Company’s subsidiaries in accordance with the “Regulations for the Management of Subsidiaries and Affiliates (Kankei-gaisha kanri kisoku )” etc.

[Overview of the status of operation]

Directors of the Company’s subsidiaries report the status of execution of their duties in accordance with the “Regulations for the Management of Subsidiaries and Affiliates” at periodic meetings of business units held by Executive Directors.

Units of the head office report to Corporate Auditors, as necessary, about the information they obtained on the status of execution of duties by Directors of the Company’s subsidiaries.

#### **6. Matters concerning employees who are to assist the duties of Corporate Auditors when Corporate Auditors request assignment of such employees and matters related to ensuring the independence of such employees from Directors and effectiveness of instructions given by Corporate Auditors to such employees**

- 1) Under the Company’s “Regulations for Company Work Systems (Kaisha shokusei kisoku),” the Company establishes an Auditor Office and assigns employees to assist the Corporate Auditors in the execution of their duties. In addition, the selection of these employees is made with reference to the opinions of the Corporate Auditors.
- 2) The employees who are assigned to assist the duties of Corporate Auditors shall assist Corporate Auditors in accordance with the “Regulations for Company Work Systems.” At the meetings of the Board of Auditors, such employees shall receive instructions from Corporate Auditors, and also shall report on the progress of matters that they were instructed to address, and provide information.

[Overview of the status of operation]

Staff of the Auditor Office are selected from head office organizations in reference to the opinions of the Corporate Auditors. Auditors Office Liaison Meetings are held monthly where the employees

selected to assist Corporate Auditors receive instructions from Corporate Auditors, report on the progress of matters that they were instructed to address, and provide information.

**7. Systems for Directors and employees to report to the Corporate Auditors; systems for Directors, Corporate Auditors, and employees of the Company's subsidiaries and for persons who received reporting from such persons to report to the Corporate Auditors; and other systems regarding reporting to the Corporate Auditors**

- 1) When the Directors and employees of the Company and Directors, Corporate Auditors, and employees of the Company's subsidiaries discover facts that may cause serious losses to the Company, or when other events occur concerning the matters requiring reporting specified by the Board of Auditors, they shall report to Corporate Auditors.
- 2) Upon auditing of subsidiaries by the Corporate Auditors, Directors, Corporate Auditors, and employees of the Company's subsidiaries shall report the status of operations and other matters required by the Corporate Auditors.
- 3) Details of the reporting made via the whistleblowing system shall be periodically reported to the Corporate Auditors.

[Overview of the status of operation]

For full-time Corporate Auditors, in addition to their attendance at the meetings of the Board of Directors, opportunities are ensured for them to attend important meetings related to business execution. Through these meetings, matters are reported and information is provided to Corporate Auditors. Full-time Corporate Auditors and Outside Corporate Auditors also visit the Company's subsidiaries to conduct auditing whenever necessary, and receive reports on the status of operation as well as matters requested by the Corporate Auditors.

Details of the reporting made via the whistleblowing system are periodically reported to the Corporate Auditors and briefed at the meetings of the Board of Directors, after taking necessary measures so that the person who made the report and the related worksites are not identified.

**8. Systems to ensure that persons who reported to the Corporate Auditors will not receive detrimental treatment because of the reporting**

The Company shall prohibit detrimental treatment of the Directors and employees of the Company and Directors, Corporate Auditors, and employees of the Company's subsidiaries who reported to the Corporate Auditors because of the reporting.

[Overview of the status of operation]

The Company's policy of prohibiting detrimental treatment of the Directors and employees of the Company and Directors, Corporate Auditors, and employees of the Company's subsidiaries who reported to the Corporate Auditors because of the reporting is posted on the Company's website. This policy is stated in the Compliance Guidebook and is also communicated in internal trainings and on other occasions.

**9. Matters concerning procedures for advance payment or reimbursement of fees arising in connection with the execution of duties by the Corporate Auditors and other policies regarding handling costs or obligations arising in connection with the execution of such duties**

When the Corporate Auditors request advance payment or reimbursement of expenses for their execution of duties, based on deliberation by the responsible department the Company shall make advance payment of or reimburse such expenses swiftly except in the case that such expenses or obligations are proved to be unnecessary for the execution of duties by such Corporate Auditors.

[Overview of the status of operation]

At the beginning of each fiscal year, the Company sets aside a budget for expenses to be incurred based on the action plan of the Corporate Auditors for the year. The Company has established a rule that allows the Corporate Auditors to request additional budget if expenditures exceeding the predetermined budget for expenses are necessary.

**10. Other systems to ensure that audits by the Corporate Auditors are performed effectively**

The Representative Directors and Corporate Auditors meet periodically to exchange opinions. The Corporate Auditors may attend important meetings to exchange information with Directors and employees thoroughly.

[Overview of the status of operation]



During fiscal 2016, meetings to exchange opinions were held twice between the Representative Directors and Corporate Auditors. Corporate Auditors held meetings nine times to exchange opinions with Executive Directors, Executive Officers and other management executives. Outside Directors and Corporate Auditors also held meetings and they also interviewed the Accounting Auditor as necessary.

## Consolidated Balance Sheet

(As of March 31, 2017)

	Millions of yen	
	2016	2015 (Reference)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	¥15,304	¥16,983
Notes and accounts receivable	95,509	78,034
Merchandise and finished goods	29,609	24,517
Work in process	26,653	24,551
Raw materials and supplies	43,826	31,941
Deferred tax assets	4,349	2,475
Others	14,014	16,543
Allowance for doubtful accounts	(199)	(125)
<b>Total current assets</b>	<b>229,068</b>	<b>194,923</b>
<b>Fixed assets:</b>		
Tangible fixed assets:		
Buildings and structures	167,307	166,513
Machinery and automotive equipment	344,783	334,815
Land	33,746	33,998
Lease assets	4,190	4,999
Construction in progress	15,609	7,288
Others	53,614	51,886
Accumulated depreciation	(449,855)	(436,569)
<b>Total tangible fixed assets</b>	<b>169,397</b>	<b>162,931</b>
Intangible fixed assets	4,195	4,185
Investments and other assets:		
Investment securities	105,089	112,113
Long-term loans	507	543
Net defined benefit asset	3,939	3,298
Deferred tax assets	2,715	2,183
Others	4,242	4,979
Allowance for doubtful accounts	(174)	(359)
<b>Total investments and other assets</b>	<b>116,320</b>	<b>122,759</b>
<b>Total fixed assets</b>	<b>289,912</b>	<b>289,876</b>
<b>Total assets</b>	<b>¥518,981</b>	<b>¥484,800</b>

English Translation of Financial Statements Originally Issued in the Japanese Language

	Millions of yen	
	2016	2015 (Reference)
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	¥41,842	¥38,394
Short-term debt	56,914	51,289
Commercial paper	18,000	3,000
Current portion of straight bonds	10,000	10,000
Current portion of lease liability	392	541
Accrued income taxes	3,896	2,329
Consumption taxes payable	1,114	774
Deferred tax liabilities	27	-
Provision for bonus	4,864	4,569
Provision for Directors' bonus	42	32
Provision for product warranties	1,185	1,098
Provision for loss on construction contracts	241	27
Business structure improvement expenses	129	121
Provision for loss on disposal of inventories	375	269
Others	33,629	25,996
<b>Total current liabilities</b>	<b>172,656</b>	<b>138,442</b>
<b>Long-term liabilities:</b>		
Straight bonds	50,000	50,000
Long-term debt	72,507	77,444
Lease liability	1,326	1,574
Deferred tax liabilities	5,191	5,261
Directors' and corporate auditors' retirement benefits	537	581
Provision for environmental countermeasures	1,239	1,354
Provision for preventing environmental pollution in mineral, mining, and other operations	1,237	835
Provision for loss on litigation	-	470
Net defined benefit liability	25,923	25,470
Asset retirement obligations	3,224	3,015
Others	716	783
<b>Total long-term liabilities</b>	<b>161,903</b>	<b>166,791</b>
<b>Total Liabilities</b>	<b>334,560</b>	<b>305,233</b>
<b>Net assets</b>		
Common stock	42,129	42,129
Capital surplus	22,557	22,557
Retained earnings	97,633	82,385
Treasury stock	(605)	(603)
<b>Shareholders' equity</b>	<b>161,713</b>	<b>146,469</b>
Net unrealized gains on securities, net of tax	2,666	1,705
Unrealized gains (losses) on hedging derivatives, net of tax	(3,698)	2,489
Foreign currency translation adjustments	13,982	19,434
Remeasurements of defined benefit plans	(682)	(561)
<b>Accumulated other comprehensive income</b>	<b>12,268</b>	<b>23,067</b>
<b>Non-controlling interests</b>	<b>10,439</b>	<b>10,029</b>
<b>Total net assets</b>	<b>184,421</b>	<b>179,566</b>
<b>Total liabilities and net assets</b>	<b>¥518,981</b>	<b>¥484,800</b>

Note: Figures are rounded down to the nearest million yen.

## Consolidated Statement of Operations

(April 1, 2016 to March 31, 2017)

	Millions of yen	
	2016	2015 (Reference)
<b>Net sales</b>	¥436,330	¥450,553
<b>Cost of sales</b>	349,051	388,546
<b>Gross profit</b>	87,278	62,007
Selling, general and administrative expenses	48,817	50,869
<b>Operating income</b>	38,461	11,137
<b>Non-operating income:</b>		
Interest income	264	266
Dividend income	1,785	1,399
Other income	1,214	1,725
	3,263	3,391
<b>Non-operating expenses:</b>		
Interest expense	1,497	1,799
Investment losses on equity method	6,303	22,372
Other expenses	2,875	1,640
	10,676	25,812
<b>Ordinary income (loss)</b>	31,047	(11,284)
<b>Extraordinary profits:</b>		
Gain on sales of property, plant and equipment	62	99
Gain on sales of investment securities	573	1,487
Gain on change in equity	–	408
Others	157	876
	793	2,873
<b>Extraordinary losses:</b>		
Loss on sales of property, plant and equipment	157	113
Loss on disposal of property, plant and equipment	2,840	1,490
Loss on impairment of fixed assets	2,044	305
Environmental expenses	274	646
Compensation for damage	102	83
Provision for loss on litigation	–	470
Others	489	1,037
	5,909	4,147
<b>Profit (loss) before income taxes</b>	25,931	(12,558)
<b>Income taxes:</b>		
Current	7,933	6,053
Deferred	(1,607)	1,631
<b>Net income (loss)</b>	19,605	(20,244)
Profit attributable to non-controlling interests	931	681
<b>Profit (loss) attributable to owners of parent</b>	¥18,674	(¥20,926)

Note: Figures are rounded down to the nearest million yen.

English Translation of Financial Statements Originally Issued in the Japanese Language

## Consolidated Statement of Changes in Net Assets

(April 1, 2016 to March 31, 2017)

Millions of yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of period	42,129	22,557	82,385	(603)	146,469
Changes of items during period					
Dividends from surplus			(3,426)		(3,426)
Profit attributable to owners of parent			18,674		18,674
Purchase of treasury stock				(2)	(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	15,247	(2)	15,244
Balance at end of period	42,129	22,557	97,633	(605)	161,713

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total of accumulated other comprehensive income		
Balance at beginning of period	1,705	2,489	19,434	(561)	23,067	10,029	179,566
Changes of items during period							
Dividends from surplus							(3,426)
Profit attributable to owners of parent							18,674
Purchase of treasury stock							(2)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(0)
Net changes of items other than shareholders' equity	961	(6,187)	(5,452)	(121)	(10,799)	409	(10,389)
Total changes of items during period	961	(6,187)	(5,452)	(121)	(10,799)	409	4,854
Balance at end of period	2,666	(3,698)	13,982	(682)	12,268	10,439	184,421

Note: Figures are rounded down to the nearest million yen.

## Balance Sheet

(As of March 31, 2017)

	Millions of yen	
	2016	2015 (Reference)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and time deposits	¥361	¥1,437
Notes receivable	1,008	1,010
Accounts receivable	40,646	25,761
Merchandise and finished goods	17,976	13,297
Work in process	12,333	10,267
Raw materials and supplies	27,892	17,325
Advances payments	2,138	459
Prepaid expenses	376	389
Short-term loans	16,706	17,894
Other accounts receivable	2,177	4,872
Payment for others	2,746	2,598
Deferred tax assets	1,838	495
Derivative assets	1,182	3,601
Others	5	4
Allowance for doubtful accounts	(24)	(38)
Total current assets	127,365	99,377
<b>Fixed assets:</b>		
Tangible fixed assets:		
Buildings	39,357	39,608
Structures	12,267	12,007
Machinery and equipment	110,634	106,186
Automotive equipment	469	436
Tools, equipment and furniture	7,918	7,513
Land used for mining operations	175	175
Land	15,661	15,682
Lease assets	1,510	1,537
Construction in progress	1,499	1,111
Accumulated depreciation	(142,763)	(137,772)
Total tangible fixed assets	46,728	46,485
Intangible fixed assets:		
Rights of utilization	1,115	1,117
Total intangible fixed assets	1,115	1,117
Investments and other assets:		
Investment securities	11,138	9,678
Stock of subsidiaries and affiliates	126,217	127,429
Investments in other securities of subsidiaries and affiliates	35,514	35,512
Investments in capital of subsidiaries and affiliates	2,862	2,862
Long-term loans	43,614	29,383
Others	2,659	2,713
Allowance for doubtful accounts	(1,154)	(1,298)
Total investments and other assets	220,853	206,281
Total fixed assets	268,697	253,885
<b>Total assets</b>	<b>¥396,062</b>	<b>¥353,263</b>

English Translation of Financial Statements Originally Issued in the Japanese Language

	Millions of yen	
	2016	2015 (Reference)
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	¥17,524	¥15,424
Short-term debt	24,716	19,134
Commercial paper	18,000	3,000
Current portion of long-term loans payable	24,070	17,177
Current portion of straight bonds	10,000	10,000
Current portion of lease liability	123	136
Accrued payments	7,236	6,094
Accrued expenses	726	728
Accrued income taxes	791	146
Advances received	214	174
Deposits received	27,813	24,969
Provision for bonus	1,906	1,748
Provision for product warranties	2	5
Provision for loss on disposal of inventories	55	-
Derivative liabilities	3,883	163
Others	0	-
Total current liabilities	137,065	98,905
<b>Long-term liabilities:</b>		
Straight bonds	50,000	50,000
Long-term debt	70,847	75,927
Lease obligations	138	225
Deferred tax liabilities	1,348	1,087
Employees' retirement benefits	14,757	14,269
Provision for environmental countermeasures	1,067	1,171
Provision for preventing environmental pollution in mineral, mining, and other operations	240	220
Provision for loss on litigation	-	434
Asset retirement obligations	125	125
Others	140	152
Total long-term liabilities	138,666	143,613
<b>Total liabilities</b>	<b>275,731</b>	<b>242,518</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
<b>Common stock</b>		
Common stock	42,129	42,129
<b>Capital surplus:</b>		
Capital surplus	22,557	22,557
Total capital surplus	22,557	22,557
<b>Retained earnings:</b>		
Legal retained earnings	2,406	2,406
Other retained earnings	54,676	40,494
General reserve	7,000	7,000
Retained earnings brought forward	47,676	33,494
Total retained earnings	57,082	42,901
<b>Treasury stock</b>	(605)	(603)
<b>Total shareholders' equity</b>	<b>121,164</b>	<b>106,984</b>
<b>Valuation and translation adjustments</b>		
Net unrealized gains on securities, net of tax	2,234	1,426
Unrealized gains (losses) on hedging derivatives, net of tax	(3,067)	2,333
<b>Total net assets</b>	<b>120,331</b>	<b>110,744</b>
<b>Total liabilities and net assets</b>	<b>¥396,062</b>	<b>¥353,263</b>

Note: Figures are rounded down to the nearest million yen.



## Statement of Operations

(April 1, 2016 to March 31, 2017)

	Millions of yen	
	2016	2015 (Reference)
<b>Net sales</b>	¥204,767	¥198,351
<b>Cost of sales</b>	168,949	182,616
<b>Gross profit</b>	35,818	15,735
Selling, general and administrative expenses	23,730	24,527
<b>Operating income (loss)</b>	12,088	(8,791)
<b>Non-operating income:</b>		
Interest and dividend income	9,250	8,792
Other income	1,062	1,073
	10,313	9,866
<b>Non-operating expenses:</b>		
Interest expense	1,241	1,447
Other expenses	1,151	858
	2,393	2,305
<b>Ordinary income (loss)</b>	20,008	(1,231)
<b>Extraordinary profits:</b>		
Gain on sales of investment securities	573	1,169
Gain on sales of stock of affiliated companies	–	317
Reversal of allowance for doubtful accounts	137	126
Other profits	13	65
	723	1,678
<b>Extraordinary expenses:</b>		
Loss on sales and disposal of property, plant and equipment	617	228
Loss on impairment of fixed assets	1,895	132
Provision for loss on litigation	–	434
Other expenses	268	767
	2,781	1,562
<b>Profit (loss) before income taxes</b>	17,950	(1,115)
<b>Income taxes:</b>		
Current	905	(368)
Deferred	(562)	1,184
<b>Net income (loss)</b>	¥17,608	(¥1,931)

Note: Figures are rounded down to the nearest million yen.

## Statement of Changes in Net Assets

(April 1, 2016 to March 31, 2017)

Millions of yen

	Shareholders' equity								
	Common stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus		General reserve	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	42,129	22,557	22,557	2,406	7,000	33,494	42,901	(603)	106,984
Changes of items during period									
Dividends from surplus						(3,426)	(3,426)		(3,426)
Net income						17,608	17,608		17,608
Purchase of treasury stock								(2)	(2)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	14,181	14,181	(2)	14,179
Balance at end of period	42,129	22,557	22,557	2,406	7,000	47,676	57,082	(605)	121,164

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on securities, net of tax	Unrealized gains (losses) on hedging derivatives, net of tax	Total valuation and translation adjustments	
Balance at beginning of period	1,426	2,333	3,760	110,744
Changes of items during period				
Dividends from surplus				(3,426)
Net income				17,608
Purchase of treasury stock				(2)
Net changes of items other than shareholders' equity	808	(5,401)	(4,593)	(4,593)
Total changes of items during period	808	(5,401)	(4,593)	9,586
Balance at end of period	2,234	(3,067)	(833)	120,331

Note: Figures are rounded down to the nearest million yen.