Consolidated Financial Statements

Toho Zinc Co., Ltd.
and Consolidated Subsidiaries

For the year ended March 31, 2014
with Independent Auditor's Report

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Contents to Consolidated Financial Statements

Independent Auditor's Report

The Board of Directors
Toho Zinc Co., Ltd.

We have audited the accompanying consolidated financial statements of Toho Zinc Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toho Zinc Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and time deposits *(Notes 14 and 16)*	**¥ 11,493**	¥ 11,414	**$ 111,669**
Notes and accounts receivable, trade *(Note 14)*	**13,597**	14,667	**132,112**
Inventories *(Note 3)*	**34,864**	31,295	**338,748**
Deferred tax assets *(Note 11)*	**568**	430	**5,518**
Other current assets	**1,966**	3,576	**19,102**
Less: Allowance for doubtful accounts	**(0)**	(0)	**(0)**
Total current assets	**62,489**	61,384	**607,160**
Property, plant and equipment:			
Buildings and structures *(Notes 5 and 7)*	**25,789**	25,249	**250,573**
Machinery and equipment *(Notes 5 and 7)*	**79,667**	77,622	**774,067**
Land *(Notes 4 and 7)*	**16,961**	16,961	**164,797**
Leased assets	**183**	183	**1,778**
Construction in progress	**740**	630	**7,190**
	123,342	120,646	**1,198,425**
Less: Accumulated depreciation	**(71,338)**	(66,324)	**(693,140)**
Net property, plant and equipment	**52,004**	54,322	**505,285**
Investments and other assets:			
Investment securities *(Notes 7, 14 and 15)*	**3,685**	4,232	**35,804**
Investments in unconsolidated subsidiaries and associates *(Note 6)*	**475**	478	**4,615**
Deferred tax assets *(Note 11)*	**330**	544	**3,206**
Goodwill	**527**	548	**5,120**
Mining right *(Note 5)*	**23,808**	23,166	**231,325**
Other assets *(Note 5)*	**2,448**	1,891	**23,785**
Less: Allowance for doubtful accounts	**(754)**	(756)	**(7,326)**
Total investments and other assets	**30,521**	30,106	**296,550**
Total assets	**¥ 145,014**	¥ 145,814	**$ 1,408,997**

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable, trade *(Note 14)*	**¥ 7,050**	¥ 6,158	**$ 68,499**
Short-term borrowings *(Notes 7 and 14)*	**22,478**	22,478	**218,402**
Current portion of long-term debt *(Notes 7 and 14)*	**11,225**	2,897	**109,065**
Commercial papers *(Note 7)*	**–**	6,000	**–**
Lease obligations *(Note 7)*	**45**	18	**437**
Accrued income taxes	**1,311**	2,308	**12,738**
Accrued expenses	**2,275**	2,452	**22,104**
Other current liabilities	**2,595**	3,639	**25,213**
Total current liabilities	**46,981**	45,951	**456,480**
Long-term liabilities:			
Long-term debt *(Notes 7 and 14)*	**27,196**	31,560	**264,244**
Lease obligations *(Note 7)*	**172**	113	**1,671**
Deferred tax liabilities related to land revaluation *(Notes 4 and 11)*	**5,061**	5,061	**49,174**
Accrued employees’ pension and severance costs *(Note 8)*	**–**	2,191	**–**
Net defined benefit liability *(Note 8)*	**1,838**	–	**17,858**
Accrued directors’ and audit & supervisory board members’ retirement benefits	**30**	30	**291**
Accrued environmental measures	**112**	151	**1,088**
Asset retirement obligations *(Note 9)*	**1,359**	1,368	**13,204**
Other long-term liabilities	**2,487**	2,793	**24,164**
Total long-term liabilities	**38,257**	43,269	**371,715**
Total liabilities	**85,239**	89,220	**828,206**
Net assets *(Note 10)*:			
Shareholders’ equity:			
Common shares:			
Authorized – 264,000,000 shares			
Issued – 135,855,217 shares in 2014 and 2013	**14,630**	14,630	**142,149**
Capital surplus	**9,876**	9,876	**95,958**
Retained earnings	**22,687**	21,696	**220,433**
Less: Treasury shares, at cost – 57,206 shares in 2014 and 56,226 shares in 2013	**(24)**	(23)	**(233)**
Total shareholders’ equity	**47,171**	46,179	**458,326**
Accumulated other comprehensive income:			
Net unrealized gains on other securities	**823**	781	**7,996**
Gains on deferred hedges	**73**	482	**709**
Surplus from land revaluation *(Note 4)*	**8,290**	8,290	**80,547**
Foreign currency translation adjustment	**3,368**	859	**32,724**
Remeasurements of defined benefit plans	**47**	–	**456**
Total accumulated other comprehensive income	**12,603**	10,413	**122,454**
Total net assets	**59,774**	56,593	**580,781**
Total liabilities and net assets	**¥ 145,014**	¥ 145,814	**$ 1,408,997**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Operations

	Year ended March 31, 2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales	¥ **118,619**	¥ 103,654	$ **1,152,535**
Cost of sales	**103,358**	94,465	**1,004,255**
Gross profit	**15,261**	9,189	**148,280**
Selling, general and administrative expenses:			
Transportation expense	**5,340**	5,032	**51,884**
Salaries and wages	**1,637**	1,477	**15,905**
Pension and severance costs	**44**	43	**427**
Provision of allowance for doubtful accounts	**0**	(16)	**1**
Depreciation	**242**	135	**2,351**
Research and development costs	**178**	183	**1,729**
Other	**2,067**	1,798	**20,083**
	9,511	8,654	**92,411**
Operating income	**5,749**	534	**55,858**
Other income (expenses):			
Interest and dividend income	**124**	100	**1,204**
Interest expenses	**(443)**	(514)	**(4,304)**
Royalty income	**621**	–	**6,033**
Foreign exchange (losses) gains, net	**(1,980)**	2,214	**(19,238)**
Loss on retirement of property, plant and equipment	**(201)**	(278)	**(1,952)**
Impairment loss on fixed assets *(Note 5)*	**(2)**	(4,930)	**(19)**
Gain on sales of investment securities, net	**271**	80	**2,633**
Write-down of investment securities *(Note 15)*	**–**	(80)	**–**
Other, net	**364**	305	**3,536**
	(1,246)	(3,103)	**(12,106)**
Income (loss) before income taxes and minority interests	**4,503**	(2,568)	**43,752**
Income taxes *(Note 11)*:			
Current	**2,576**	2,741	**25,029**
Deferred	**255**	(153)	**2,477**
	2,832	2,588	**27,516**
Income (loss) before minority interests	**1,670**	(5,156)	**16,226**
Net income (loss)	¥ **1,670**	¥ (5,156)	$ **16,226**

	(Yen)		*(U.S. dollars) (Note 2)*
Per share:			
Net (loss) income – basic	¥ **12.30**	¥ (37.97)	$ **0.11**
Cash dividends	¥ **5.00**	¥ 5.00	$ **0.04**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Income (loss) before minority interests	**¥ 1,670**	¥ (5,156)	**$ 16,226**
Other comprehensive income *(Note 18)*:			
Net unrealized gains on other securities	**42**	100	**408**
(Losses) gains on deferred hedges	**(408)**	719	**(3,964)**
Foreign currency translation adjustment	**2,509**	998	**24,378**
Total other comprehensive income	**2,142**	1,818	**20,812**
Comprehensive income (loss)	**¥ 3,813**	¥ (3,337)	**$ 37,048**
Comprehensive income (loss) attributable to:			
Owners of the parent	**¥ 3,813**	¥ (3,337)	**$ 37,048**
Minority interests	**–**	–	**–**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

	Number of shares of common shares issued	Shareholders' equity: Common shares	Capital surplus	Retained earnings	Treasury shares (*)	Total shareholders' equity
	(Thousands)	*(Millions of yen)*				
Balance as of April 1, 2012	135,855	¥ 14,630	¥ 9,876	¥ 27,803	¥ (23)	¥ 52,287
Dividends of surplus	–	–	–	(950)	–	(950)
Net loss	–	–	–	(5,156)	–	(5,156)
Acquisition of treasury shares	–	–	–	–	(0)	(0)
Disposal of treasury shares	–	–	(0)	–	0	0
Net changes in items other than those in shareholders' equity	–	–	–	–	–	–
Balance as of March 31, 2013	**135,855**	**14,630**	**9,876**	**21,696**	**(23)**	**46,179**
Dividends of surplus	**–**	**–**	**–**	**(678)**	**–**	**(678)**
Net income	**–**	**–**	**–**	**1,670**	**–**	**1,670**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**(0)**	**(0)**
Net changes in items other than those in shareholders' equity	–	–	–	–	–	–
Balance as of March 31, 2014	**135,855**	**¥ 14,630**	**¥ 9,876**	**¥ 22,687**	**¥ (24)**	**¥ 47,171**

	Shareholders' equity: Common shares	Capital surplus	Retained earnings	Treasury shares (*)	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 2)				
Balance as of March 31, 2013	**$ 142,149**	**$ 95,958**	**$ 210,804**	**$ (223)**	**$ 448,688**
Dividends of surplus	**–**	**–**	**(6,587)**	**–**	**(6,587)**
Net income	**–**	**–**	**16,226**	**–**	**16,226**
Acquisition of treasury shares	**–**	**–**	**–**	**(0)**	**(0)**
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Balance as of March 31, 2014	**$ 142,149**	**$ 95,958**	**$ 220,433**	**$ (233)**	**$ 458,326**

	Net unrealized gains on other securities	Gains (losses) on deferred hedges	Surplus from land revaluation	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Total net assets
	Accumulated other comprehensive income						
	(Millions of yen)						
Balance as of April 1, 2012	¥ 680	¥ (237)	¥ 8,290	¥ (139)	¥ –	¥ 8,594	¥ 60,882
Dividends of surplus	–	–	–	–	–	–	(950)
Net loss	–	–	–	–	–	–	(5,156)
Acquisition of treasury shares	–	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	–	–	0
Net changes in items other than those in shareholders' equity	100	719	–	998	–	1,818	1,818
Balance as of March 31, 2013	**781**	**482**	**8,290**	**859**	**–**	**10,413**	**56,593**
Dividends of surplus	**–**	**–**	**–**	**–**	**–**	**–**	**(678)**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**1,670**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**(0)**
Net changes in items other than those in shareholders' equity	**42**	**(408)**	**–**	**2,509**	**47**	**2,190**	**2,190**
Balance as of March 31, 2014	**¥ 823**	**¥ 73**	**¥ 8,290**	**¥ 3,368**	**¥ 47**	**¥ 12,603**	**¥ 59,774**

	Net unrealized gains on other securities	Gains on deferred hedges	Surplus from land revaluation	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Total net assets
	Accumulated other comprehensive income						
	(Thousands of U.S. dollars) (Note 2)						
Balance as of March 31, 2013	**$ 7,588**	**$ 4,683**	**$ 80,547**	**$ 8,346**	**$ –**	**$ 101,175**	**$ 549,873**
Dividends of surplus	**–**	**–**	**–**	**–**	**–**	**–**	**(6,587)**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**16,226**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**(0)**
Net changes in items other than those in shareholders' equity	**408**	**(3,964)**	**–**	**24,378**	**456**	**21,278**	**21,278**
Balance as of March 31, 2014	**$ 7,996**	**$ 709**	**$ 80,547**	**$ 32,724**	**$ 456**	**$ 122,454**	**$ 580,781**

(*) There were 57,206 shares and 56,226 shares of treasury shares as of March 31, 2014 and 2013, respectively

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 4,503**	¥ (2,568)	**$ 43,752**
Depreciation	**8,342**	7,490	**81,053**
Impairment loss on fixed assets	**2**	4,930	**19**
Amortization of goodwill	**42**	37	**408**
Write-down of investments securities	**–**	80	**–**
Decrease in allowance for doubtful accounts	**(0)**	(12)	**(9)**
Decrease in accrued directors' bonus	**–**	(25)	**–**
Decrease in accrued employees' pension and severance costs	**–**	(253)	**–**
Decrease in net defined benefit liability	**(278)**	–	**(2,701)**
Interest and dividend income	**(124)**	(100)	**(1,204)**
Interest expenses	**443**	514	**4,304**
Foreign exchange losses (gains)	**1,945**	(2,456)	**18,898**
Net loss on sales and retirement of property, plant and equipment	**191**	265	**1,855**
Decrease in notes and accounts receivable, trade	**1,172**	1,282	**11,387**
(Increase) decrease in inventories	**(3,476)**	478	**(33,773)**
Increase (decrease) in notes and accounts payable, trade	**1,909**	(2,435)	**18,548**
Other, net	**(2,320)**	(905)	**(22,541)**
Subtotal	**12,352**	6,322	**120,015**
Interest and dividend income received	**111**	100	**1,078**
Interest expenses paid	**(500)**	(467)	**(4,858)**
Income taxes (paid) received	**(3,562)**	328	**(34,609)**
Net cash provided by operating activities	**8,401**	6,283	**81,626**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(3,406)**	(7,137)	**(33,093)**
Proceeds from sales of property, plant and equipment	**10**	87	**97**
Payments for purchases of intangible assets	**(2,163)**	(4,519)	**(21,016)**
Payments for purchases of investment securities	**(4)**	(5)	**(38)**
Other, net	**811**	292	**7,879**
Net cash used in investing activities	**(4,753)**	(11,282)	**(46,181)**
Cash flows from financing activities:			
Proceeds from long-term debt	**6,000**	–	**58,297**
Repayments of long-term debt	**(2,897)**	(3,320)	**(28,148)**
(Decrease) increase in commercial papers	**(6,000)**	4,000	**(58,297)**
Cash dividends paid	**(678)**	(950)	**(6,587)**
Other, net	**(18)**	(112)	**(174)**
Net cash used in financing activities	**(3,594)**	(383)	**(34,920)**
Effect of exchange rate changes on cash and cash equivalents	**24**	251	**233**
Net increase (decrease) in cash and cash equivalents	**78**	(5,130)	**757**
Cash and cash equivalents at beginning of year	**11,414**	16,545	**110,901**
Cash and cash equivalents at end of year *(Note 16)*	**¥ 11,493**	¥ 11,414	**$ 111,669**

The accompanying notes are an integral part of these financial statements.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Toho Zinc Co., Ltd. (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with International Financial Reporting Standards (“IFRS”) or those of their countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

As permitted under the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Local Finance Bureau in Japan have been reclassified in the accompanying consolidated financial statements for the convenience of readers outside Japan.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries that are controlled by the Company. Under the effective control approach, all significant majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent. All significant intercompany transactions and accounts are eliminated in consolidation.

(c) Foreign currency translation

(1) Foreign currency transaction

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

(2) Foreign currency financial statements

Assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date. Revenue and expense accounts are translated at the current exchange rate prevailing at the balance sheet date. Foreign currency translation adjustment are included in net assets.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hands, bank deposits withdrawable on demand and short-term investments with original maturities of three months or less and minor risk for the fair value fluctuation.

(e) Inventories

Merchandise, finished goods, semi-finished goods, work in process and raw materials are stated at the lower of cost or net selling value, for which cost is primarily determined by the first-in first-out method. Supplies are stated at the lower of cost or net selling value, for which cost is determined by the moving average method.

(f) Financial instruments

(1) Investment securities

Marketable securities classified as other securities are carried at fair value based on the average of market price during the last month of the fiscal year with any changes in unrealized gains or losses, net of income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(2) Derivatives

The Company has entered into various derivative transactions, including forward foreign exchange contracts, interest rate swaps and commodity futures, in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and commodity prices, respectively.
All derivatives are recognized in the balance sheet at fair value, with changes in fair value included in net income for the period in which they arise, except for derivatives that are designated as “hedging instruments” (see Note 1. (f) (3) *Hedge accounting* below).

(3) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as an asset or liability and included in net income in the period during which the gains and losses on the hedged items or transactions are recognized.

Hedging instruments are derivative transactions including commodity futures and interest rate swaps. The related hedged items are receivables and payables in connection with raw materials and finished goods and long-term debt, respectively.
The Company has a policy to utilize the above hedging instruments in order to reduce the Company’s exposure to the risks of the price and interest rate fluctuations.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedging transactions. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet specific criteria.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, except for leased assets, are stated at cost and mainly depreciated by the straight-line method over the estimated useful lives of the respective assets.

(h) Intangible assets and amortization

Mining right is mainly amortized by using the unit-of-production method. Goodwill, software for internal use and other assets are amortized by using the straight-line method. Amortization period of goodwill is determined on a reasonable basis within 20 years. Software for internal use is amortized over estimated useful lives (5 years).

(i) Leases

Leased assets which are under finance leases and capitalized are primarily the storage equipment (structures) in Smelting business and depreciated over the lease terms of the respective assets by the straight-line method with no residual value.

(j) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of the estimated uncollectible amounts with respect to specific receivables plus an amount based on historical experience of bad debt with respect to other receivables.

(k) Retirement benefits

(1) Method for attribution of expected retirement benefits to periods

In the calculation of retirement benefit obligations, the expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the straight-line method.

(2) Accounting method for actuarial gains and losses and past service costs

Actuarial gains and losses are amortized by the straight-line method over a certain period (10 years) which is within the average remaining years of service of the eligible employees when the gains or losses arise, from the year following the year in which the gains and losses arise.

Past service costs are amortized as incurred by the straight-line method over a certain period (10 years) which is within the average remaining years of service of the eligible employees when the gains or losses arise.

Some of its consolidated subsidiaries apply the simplified method in the calculation of their net defined benefit liability and retirement benefit expenses. Under the simplified method, the benefits payable assuming the voluntary retirement of all eligible employees at the year-end are deemed as retirement benefit obligations.

(l) Accrued directors’ and audit & supervisory board members’ retirement benefits

In order to prepare for the disbursements of the directors’ and audit & supervisory board members’ retirement benefits, the Companies record an amount required to be paid out at the end of the fiscal year which is calculated based on internal rules.

Note that the Company discontinued the system for directors’ and audit & supervisory board members’ retirement benefits in accordance with a resolution by the board of directors held on May 22, 2007, and hence the balance at the fiscal year-end is the amount based on the periods in which the directors and audit & supervisory board members served prior to June 2007.

(m) Accrued environmental measures

Accrued environmental measures are estimated and recorded to provide for future potential costs related to disposal of polychlorinated biphenyl waste.

(n) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Recognition of revenues

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated as the cost incurred to the estimated total cost. The completed-contract method continues to be applied to contracts for which the percentage of completion cannot be reliably estimated.

(p) Appropriation of retained earnings

Cash dividends and transfers to legal reserve are recorded in the fiscal year in which the proposed appropriation of retained earnings is approved at the shareholders’ meeting.

(q) Net income (loss) per share

Net income (loss) per share is computed based on the net income (loss) available for distribution to shareholders of common shares and the weighted average number of common shares outstanding during the year.

(r) Asset retirement obligations

Asset retirement obligations are calculated based on the estimated exploration period from commencement of operation, which is deemed as estimated usable period, using the discount rate of 1% for the years ended March 31, 2014 and 2013. The amount presents mainly the obligations of CBH Resources Ltd. (“CBH”) to restore its mine sites at Endeavor Mine and Rasp Mine to original states upon closure.

(s) Change in accounting policy

(Application of the Accounting Standard for Retirement Benefits and related Guidance)
The "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) were applied from March 31, 2014; provided, however, that they were applied except for the provisions specified in the main clause of Section 35 of the Accounting Standard for Retirement Benefits and the main clause of Section 67 of the Guidance on Accounting Standard for Retirement Benefits. Under the new accounting policy, the amount of retirement benefit obligations minus plan assets is recorded as net defined benefit liability. The unrecognized actuarial gains and losses and unrecognized past service costs were recognized in net defined benefit liability.

The application of the Accounting Standard for Retirement Benefits and related Guidance by the Company is subject to the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits. Consequently, the effects of the changes in accounting policies were recognized in remeasurements of defined benefit plans under accumulated other comprehensive income as of March 31, 2014.

As a result, as of March 31, 2014, net defined benefit liability of ¥1,838 million ($17,858 thousand) was recognized. Also, accumulated other comprehensive income increased by ¥47 million ($456 thousand).

In line with these, net assets per share increased by ¥0.35 ($0.003).

(t) Accounting standards issued but not yet adopted

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012)

(1) Overview

The ASBJ issued an amendment to the accounting treatment for unrecognized actuarial gains and losses and unrecognized past service costs, the calculation of retirement benefit obligations and current service costs, and additional disclosure requirements.

(2) Date of application

An amendment to the calculation for retirement benefit obligations and current service costs is effective from the beginning of the year ending March 31, 2015. Retrospective application to all prior periods presented in the consolidated financial statements is not required for this amendment due to the tentative treatment specified in applicable accounting standards.

(3) Effect of application

Under an amendment to the calculation of retirement benefit obligations and current service costs, the change in the method of attributing expected retirement benefits to periods from the straight line basis to the benefit formula basis is expected to increase the beginning balance of retained earnings by ¥ 474 million ($4,605 thousand). Additionally, the change in the calculation for current service costs is expected to reduce operating income by ¥ 50 million yen ($485 thousand).

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and notes are included solely for the convenience of readers outside Japan, at the prevailing exchange rate of ¥102.92 to U.S.$1 on March 31, 2014. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

3. Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	**¥ 11,045**	¥ 6,993	**$ 107,316**
Work in process	**7,752**	8,207	**75,320**
Raw materials and supplies	**16,066**	16,094	**156,101**
Total	**¥ 34,864**	¥ 31,295	**$ 338,748**

4. Land Revaluation

In accordance with the Act on Revaluation of Land, the Company’s land used for its business operations was revalued as follows:

Date of revaluation: March 31, 2000
The differences between total fair value of land and the total book value after revaluation of land as of March 31, 2014 and 2013 were ¥7,219 million ($70,141 thousand) and ¥6,911 million, respectively.

The tax effect of the excess on revaluation is recorded as deferred tax liabilities related to land revaluation which is included in liabilities, and the remainder, net of income taxes portion of the excess on revaluation, is presented as surplus from land revaluation which is included in net assets.

5. Impairment Loss on Fixed Assets

The Companies recognized impairment losses on the assets group for the years ended March 31, 2014 and 2013 as follows:

Year ended March 31, 2014			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Location	Use	Category		
Annaka City, Gunma	Idle assets	Machinery and equipment	**¥ 2**	**$ 19**
		Other	**0**	**0**
		Total	**¥ 2**	**$ 19**

Year ended March 31, 2013			*(Millions of yen)*
Location	Use	Category	
The State of New South Wales, Australia	Asset for Mineral Resource business (Endeavor Mine)	Mining right	**¥ 4,852**
Annaka City, Gunma	Idle assets	Buildings and structures	**42**
		Machinery and equipment	**28**
		Other	**0**
		Intangible assets	**4**
			75
Fujioka City, Gunma	Idle assets	Machinery and equipment	**2**
			¥ 4,930

Business assets of the Company are grouped based on the categories used for its managerial accounting. With respect to idle assets, each asset is treated as an individual unit to apply the accounting for the impairment.

For the year ended March 31, 2014, the Company recognized impairment losses for entire book value of idle assets on the ground that they were projected to generate no future cash inflows and were not readily salable either.

For the year ended March 31, 2013, the Company recognized impairment losses for the decreased amount of book value of an asset for Mineral Resource business (Endeavor Mine) to its recoverable amount on the ground that the book value of the assets exceeds the sum of future cash flows expected to result from the continued use due to decreasing recoverable reserves and changes in market environments. The recoverable amount was measured at value in use and calculated by discounting the future cash flows at 8%.

Furthermore, the Company decided to discontinue the use of certain production equipment in Annaka City and Fujioka City, Gunma due to changes in market environments and recognized impairment losses for the decreased amount of book value of the assets to its recoverable amount. The recoverable amount was measured at value in use. However, a discount rate is not disclosed since the future cash flows were negative.

6. Investments in Unconsolidated Subsidiaries and Associates

Investments in unconsolidated subsidiaries and associates as of March 31, 2014 and 2013 are summarized as follows:

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unconsolidated subsidiaries	**¥ 381**	¥ 384	**$ 3,701**
Associates	**94**	94	**913**
	¥ 475	¥ 478	**$ 4,615**

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2014 and 2013 consisted of the following:

	March 31,				
	2014			2013	**2014**
	Amount	Weighted average interest rate	Due in	Amount	Amount
	(Millions of yen)			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Short-term borrowings	**¥ 22,478**	**0.7%**		¥ 22,478	**$ 218,402**
Commercial papers	**–**	**–**		6,000	**–**
Current portion of long-term debt	**11,225**	**0.6**		2,897	**109,065**
Current portion of lease obligations	**45**	**–**		18	**437**
Long-term debt	**27,196**	**0.8**	**2015.4 – 2023.10**	31,560	**264,244**
Lease obligations	**172**	**–**	**2015.4 – 2025.3**	113	**1,671**
Total	**¥ 61,118**			¥ 63,066	**$ 593,839**

Average interest rates are calculated by using weighted-average interest rates as of March 31, 2014. Average interest rates on lease obligations are not provided because interest equivalents included in the total lease payments are allocated to each applicable fiscal year on a straight-line basis.

The maturities of long-term debt and lease obligations outstanding as of March 31, 2014 were as follows:

Year ending March 31,	Long-term debt	Lease obligations	Long-term debt	Lease obligations
	(Millions of yen)		*(Thousands of U.S. dollars)*	
2015	¥ **11,225**	¥ **45**	$ **109,065**	$ **437**
2016	**6,982**	**39**	**67,839**	**378**
2017	**7,209**	**39**	**70,044**	**378**
2018	**1,002**	**24**	**9,735**	**233**
2019	**7,000**	**9**	**68,013**	**87**
Thereafter	**5,001**	**58**	**48,591**	**563**
Total	¥ **38,422**	¥ **217**	$ **373,319**	$ **2,108**

Assets pledged as collateral for the long-term debt, including the current portion, as of March 31, 2014 and 2013 were as follows:

Pledged assets	**March 31,** **2014**	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land (*1)	¥ **13,792**	¥ 13,792	$ **134,006**
Buildings and structures (*1)	**4,768**	4,884	**46,327**
Machinery and equipment (*1)	**6,883**	7,483	**66,877**
Investment securities (*2)	**79**	200	**767**
Total	¥ **25,524**	¥ 26,361	$ **247,998**

(*1) For the above assets, a revolving mortgage is set at the maximum amount of ¥1 million ($9 thousand) with one bank as of March 31, 2014 and 2013.

(*2) These assets are pledged for the long-term debt, including the current portion, of ¥29 million ($281 thousand) and ¥38 million as of March 31, 2014 and 2013, respectively.

8. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit corporate pension plans (contract-type) and lump-sum payment plans.

For the year ended March 31, 2014

Information regarding the Company's defined benefit plans for the year ended March 31, 2014 was as follows:

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Year ended March 31,	
	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Retirement benefit obligation at beginning of year	**¥ 4,262**	**$ 41,410**
Current service costs	**225**	**2,186**
Interest costs	**46**	**446**
Actuarial gains and losses arising during year	**(38)**	**(369)**
Retirement benefits paid	**(168)**	**(1,632)**
Retirement benefit obligation at end of year	**¥ 4,327**	**$ 42,042**

(b) Reconciliation between plan assets at beginning of year and end of year

	Year ended March 31,	
	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Plan assets at beginning of year	**¥ 1,913**	**$ 18,587**
Expected return on plan assets	**38**	**369**
Actuarial gains and losses arising during year	**211**	**2,050**
Contributions from employer	**471**	**4,576**
Retirement benefits paid	**(146)**	**(1,418)**
Plan assets at end of year	**¥ 2,488**	**$ 24,174**

(c) Reconciliation between retirement benefit obligation and plan assets at end of year and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	March 31,	
	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Retirement benefit obligation for funded plans	**¥ 4,137**	**$ 40,196**
Plan assets	**(2,488)**	**(24,174)**
	1,648	**16,012**
Retirement benefit obligation for unfunded plans	**190**	**1,846**
Net balance of liability and asset recognized on the consolidated balance sheet	**1,838**	**17,858**
Net defined benefit liability	**1,838**	**17,858**
Net balance of liability and asset recognized on the consolidated balance sheet	**¥ 1,838**	**$ 17,858**

(d) Retirement benefit expenses and their breakdown

	Year ended March 31,			
	2014		2014	
	(Millions of yen)		*(Thousands of U.S. dollars)*	
Current service costs	¥	**225**	$	**2,186**
Interest costs		**46**		**446**
Expected return on plan assets		**(38)**		**(369)**
Amortization of actuarial gains and losses		**19**		**184**
Amortization of past service costs		**(38)**		**(369)**
Retirement benefit expenses under defined benefit plans	**¥**	**214**	**$**	**2,079**

(e) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before tax) is as follows:

	Year ended March 31,			
	2014		2014	
	(Millions of yen)		*(Thousands of U.S. dollars)*	
Unrecognized actuarial gains and losses	**¥**	**(82)**	**$**	**(796)**
Unrecognized past service costs		**155**		**1,506**
Total	**¥**	**73**	**$**	**709**

(f) Plan assets

(1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	Year ended March 31,
	2014
Debt securities	**26%**
Equity securities	**57**
General account	**14**
Other	**3**
Total	**100%**

(2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation as well as the current and expected long-term rate of return on various asset categories comprising plan assets.

(g) Actuarial assumptions

	Year ended March 31, 2014
Weighted-average actuarial assumptions at end of year:	
Discount rate	**1.1%**
Expected long-term rate of return	**2.0%**

For the year ended March 31, 2013

(a) Funded status of projected benefit obligations

	Year ended March 31, 2013
	(Millions of yen)
Projected benefit obligations	¥ 4,262
Plan assets at fair value	(1,913)
Unfunded status	2,348
Unrecognized actuarial losses	(352)
Unrecognized prior service costs	194
Accrued employees' pension and severance costs	¥ 2,191

(b) Compositions of employees' pension and severance costs

	Year ended March 31, 2013
	(Millions of yen)
Service cost	¥ 179
Interest cost	74
Expected return on plan assets	(31)
Amortization of actuarial losses	38
Amortization of prior service costs	(38)
Total	¥ 221

(c) Assumptions used in accounting for the defined benefit pension plans

	Year ended March 31, 2013
Discount rate	1.1%
Expected rate of return on plan assets	2.0%

9. Asset Retirement Obligations

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows:

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	**¥ 1,368**	¥ 1,144	**$ 13,291**
Additional provisions associated with the purchases of property, plant and equipment	**–**	55	**–**
Adjustment associated with the passage of time	**13**	12	**126**
Other	**(22)**	156	**(213)**
Balance at end of year	**¥ 1,359**	¥ 1,368	**$ 13,204**

10. Net Assets

Information regarding changes in net assets for the years ended March 31, 2014 and 2013 is as follows:

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2014

Types of shares	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
		(Thousands of shares)		
Shares issued and outstanding:				
Common shares	**135,855**	**–**	**–**	**135,855**
Treasury shares:				
Common shares *(Note)*	**56**	**0**	**–**	**57**

Note: The increase of 0 thousand shares is due to purchase of shares of less than standard unit.

For the year ended March 31, 2013

Types of shares	Number of shares as of April 1, 2012	Increase	Decrease	Number of shares as of March 31, 2013
		(Thousands of shares)		
Shares issued and outstanding:				
Common shares	135,855	–	–	135,855
Treasury shares:				
Common shares *(Notes 1 and 2)*	55	0	0	56

Notes 1. The increase of 0 thousand shares is due to purchase of shares of less than standard unit.

2. The decrease of 0 thousand shares is due to sale of shares of less than standard unit.

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		(Millions of yen)		*(Yen)*			
Annual general meeting of the shareholders on June 27, 2013	Common shares	¥	**678**	¥	**5**	March 31, 2013	June 28, 2013

For the year ended March 31, 2013

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		(Millions of yen)		*(Yen)*			
Annual general meeting of the shareholders on June 28, 2012	Common shares	¥	950	¥	7	March 31, 2012	June 29, 2012

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends		Dividends per share		Cut-off date	Effective date
		(Thousands of U.S. dollars)		*(U.S. dollars)*			
Annual general meeting of the shareholders on June 27, 2013	Common shares	$	**6,587**	$	**0.04**	March 31, 2013	June 28, 2013

(2) Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ending March 31, 2015

Resolution	Type of shares	Total dividends		Source of dividends	Dividends per share		Cut-off date	Effective date
		(Millions of yen)			*(Yen)*			
Annual general meeting of the shareholders on June 27, 2014	Common shares	¥	**678**	Retained earnings	¥	**5**	March 31, 2014	June 30, 2014

Resolution	Type of shares	Total dividends		Source of dividends	Dividends per share		Cut-off date	Effective date
		(Thousands of U.S. dollars)			*(U.S. dollars)*			
Annual general meeting of the shareholders on June 27, 2014	Common shares	$	**6,587**	Retained earnings	$	**0.04**	March 31, 2014	June 30, 2014

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common shares. Such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

11. Income Taxes

As of March 31, 2014 and 2013, significant components of deferred tax assets and liabilities were as follows:

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued employees' pension and severance costs	**¥ –**	¥ 804	**$ –**
Net defined benefit liability	**683**	–	**6,636**
Asset retirement obligations	**398**	401	**3,867**
Inventories write-off	**284**	332	**2,759**
Property, plant and equipment	**458**	227	**4,450**
Accrued employees' bonus	**181**	193	**1,758**
Accrued enterprise tax	**101**	181	**981**
Elimination of intercompany profits	**39**	82	**378**
Other	**1,629**	984	**15,827**
Gross deferred tax assets	**3,776**	3,208	**36,688**
Less: Valuation allowance	**(1,335)**	(794)	**(12,971)**
Total deferred tax assets	**2,441**	2,414	**23,717**
Deferred tax liabilities:			
Unrealized gains on other securities	**(454)**	(404)	**(4,411)**
Mining right	**(421)**	(302)	**(4,090)**
Gain on deferred hedges	**(40)**	(295)	**(388)**
Special tax-purpose reserve for reduction entry of tangible assets	**(13)**	(15)	**(126)**
Asset retirement obligations	**(6)**	(6)	**(58)**
Other	**(606)**	(413)	**(5,888)**
Total deferred tax liabilities	**(1,543)**	(1,439)	**(14,992)**
Net deferred tax assets	**¥ 898**	¥ 974	**$ 8,725**
Deferred tax liabilities:			
Deferred tax liabilities related to land revaluation	**¥ 5,061**	¥ 5,061	**$ 49,174**

The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2014 was as follows:

	Year ended March 31, 2014
Statutory tax rate	**38.0%**
Increase (decrease) due to:	
Loss of foreign consolidated subsidiaries	**23.4**
Reduction of deferred tax assets due to change in income tax rate	**1.2**
Other	**0.2**
Effective tax rate	**62.9%**

For the year ended March 31, 2013, reconciliation between the statutory tax rate and the effective tax rate is not shown as loss before income taxes and minority interests were recorded.

Following the promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014), the Company is no longer subject to the special reconstruction corporation tax from the fiscal year beginning on or after April 1, 2014. Accordingly, the statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.01% to 35.64% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014. As a result, deferred tax assets decreased by ¥ 51 million ($495 thousand) and income taxes - deferred increased by ¥ 54 million ($524 thousand).

12. Leases

As lessee:

Pro forma information on an “as if capitalized” basis of finance lease contracts commencing prior to April 1, 2008, which are accounted for in the same manner as operating leases, is not shown as they are immaterial.

There were no impairment losses allocated to leased assets for the years ended March 31, 2014 and 2013.

13. Commitments and Contingent Liabilities

The Companies were contingently liable as guarantors for loans of an unconsolidated subsidiary and an associate in the aggregate amount of ¥228 million ($2,215 thousand) and ¥277 million as of March 31, 2014 and 2013, respectively.

The Company has entered into loan commitment agreements amounting to ¥5,600 million ($54,411 thousand) and ¥5,600 million with two financial institutions as of March 31, 2014 and 2013, respectively. The loans payable outstanding was zero, and therefore, the unused balance was ¥5,600 million ($54,411 thousand) and ¥5,600 million under the credit facilities as of March 31, 2014 and 2013, respectively.

The Company has repurchase obligations of ¥552 million ($5,363 thousand) and ¥538 million in connection with securitization of receivables as of March 31, 2014 and 2013, respectively.

14. Financial Instruments

(a) Overview

(1) Policy for financial instruments

The Companies raise funds mainly through bank borrowings in consideration of their business plans. The Companies invest their temporary surplus funds in highly liquid financial assets and raise short-term operating capital through bank borrowings and issuances of commercial papers. The Companies use derivatives to avoid after-mentioned risks and do not enter into derivatives for speculative or trading purposes.

(2) Descriptions of financial instruments and related risks

Trade receivables—notes and accounts receivable, trade—are exposed to customer credit risk. Trade receivables denominated in foreign currencies which are derived from foreign operations are exposed to foreign currency risk, and such risk is hedged by forward foreign exchange contracts.

Investment securities are mainly composed of equity securities of companies with business relationships and exposed to market risk.

Trade payables—notes and accounts payable, trade—are mostly due within two months or less. Certain trade payables denominated in foreign currencies are exposed to foreign currency risk, and such risk is hedged by forward foreign exchange contracts.

Trade receivables and payables in connection with the Smelting business are exposed to commodity price fluctuation risk of London Metal Exchange (“LME”), and such risk is hedged by metal futures contracts.

Long-term debt is principally for the purpose of making capital investments, and due up to 9 years from the consolidated balance sheet date. Certain long-term debt is exposed to interest rate fluctuation risk, and such risk is hedged by derivatives (interest rate swaps).

As for derivatives, the Companies have entered into the forward foreign exchange contracts to hedge the foreign currency risk arising from the trade receivables and payables denominated in foreign currencies, metal futures contracts to hedge the commodity price fluctuation risk of LME arising from the trade receivables and payables on the Smelting business and interest rate swaps to hedge the fluctuation risk deriving from interest payment of long-term debt. See Note 1. (f) (3) *Hedge accounting* for information about the method of hedge accounting, hedging instruments and hedged items, hedging policy, and assessment of hedge effectiveness.

(3) Risk management for financial instruments

(i) Management of credit risk (risk of default by customers or counterparties)

In accordance with the internal rules of the Company, sales departments of each division of the Companies periodically monitor creditworthiness of their main customers and manage due dates and outstanding balances by customer. In addition, the Companies are making efforts to identify uncollectibility in the earlier stage and mitigate risks of bad debts, due to customers with financial difficulties.

The Companies believe that the credit risk of derivatives is insignificant as they enter into derivative transactions only with financial institutions with high credit ratings.

(ii) Management of market risks (risks of fluctuations in foreign exchange rates, commodity prices, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the foreign currency risk of the Company identified by currency on a monthly basis is hedged by forward foreign exchange contracts. In order to mitigate the commodity price fluctuation risks of LME for trade receivables and payables on the Smelting business, the Company has entered into the metal futures contracts. In addition, the Company has entered into interest rate swap transactions to mitigate the interest rate fluctuation risk for interest payment of long-term debt.

For investment securities, the Companies periodically monitor the fair values and financial position of the issuers and continuously review the holding status taking into account market conditions and relationships with the issuers.

Derivative transactions are conducted and managed by treasury personnel including directors and each division, and risk management is sufficiently conducted by making reports to management every time transactions are executed as well as on a periodical basis.

(iii) Management of liquidity risk on funding (risk of default at due dates)

Based on the report from each department, subsidiaries and associates, the department in charge of the Company prepares and updates its cash flow plan on a timely basis and manages liquidity risk by maintaining liquid funds.

(4) Supplementary explanation of the fair value of financial instruments

Fair values of financial instruments are based on their respective market prices if available. When there is no market price available, fair value is reasonably calculated. Since various assumptions and factors are reflected in the calculation of the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17. *Derivative Transactions* are not indicative of the market risk involved in derivative transactions.

(b) Fair Values of Financial Instruments

Carrying values of financial instruments on the consolidated balance sheets as of March 31, 2014 and 2013 and their fair values are shown in the following table. Financial instruments whose fair value is extremely difficult to determine are not included in the following table (Please refer to *Note 2* below).

	March 31, 2014					
	Carrying value		Fair value		Difference	
			(Millions of yen)			
(1) Cash and time deposits	**¥**	**11,493**	**¥**	**11,493**	**¥**	**–**
(2) Notes and accounts receivable, trade		**13,597**		**13,597**		**–**
(3) Investment securities		**3,072**		**3,072**		**–**
Total assets	**¥**	**28,162**	**¥**	**28,162**	**¥**	**–**
(1) Notes and accounts payable, trade	**¥**	**7,050**	**¥**	**7,050**	**¥**	**–**
(2) Short-term borrowings		**22,478**		**22,478**		**–**
(3) Long-term debt (*1)		**38,422**		**38,943**		**521**
Total liabilities	**¥**	**67,950**	**¥**	**68,471**	**¥**	**521**
Derivatives (*2)	**¥**	**116**	**¥**	**116**	**¥**	**–**

	March 31, 2013					
	Carrying value		Fair value		Difference	
			(Millions of yen)			
(1) Cash and time deposits	¥	11,414	¥	11,414	¥	–
(2) Notes and accounts receivable, trade		14,667		14,667		–
(3) Investment securities		3,619		3,619		–
Total assets	¥	29,702	¥	29,702	¥	–
(1) Notes and accounts payable, trade	¥	6,158	¥	6,158	¥	–
(2) Short-term borrowings		22,478		22,478		–
(3) Long-term debt (*1)		34,457		34,905		448
Total liabilities	¥	63,093	¥	63,541	¥	448
Derivatives (*2)	¥	777	¥	777	¥	–

	March 31, 2014					
	Carrying value		Fair value		Difference	
			(Thousands of U.S. dollars)			
(1) Cash and time deposits	**$**	**111,669**	**$**	**111,669**	**$**	**–**
(2) Notes and accounts receivable, trade		**132,112**		**132,112**		**–**
(3) Investment securities		**29,848**		**29,848**		**–**
Total assets	**$**	**273,630**	**$**	**273,630**	**$**	**–**
(1) Notes and accounts payable, trade	**$**	**68,499**	**$**	**68,499**	**$**	**–**
(2) Short-term borrowings		**218,402**		**218,402**		**–**
(3) Long-term debt (*1)		**373,319**		**378,381**		**5,062**
Total liabilities	**$**	**660,221**	**$**	**665,283**	**$**	**5,062**
Derivatives (*2)	**$**	**1,127**	**$**	**1,127**	**$**	**–**

(*1) Current portion of long-term debt is included in long-term debt as of March 31, 2014 and 2013.

(*2) The value of assets and liabilities arising from derivatives is shown at net value, and the net liability position is shown in parentheses.

Notes:

1. Methods to calculate the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) *Cash and time deposits* and (2) *Notes and accounts receivable, trade*

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) *Investment securities*

The fair value of equity securities is based on a quoted market price. For information on securities classified by holding purpose, please refer to Note 15. *Investment Securities*.

Liabilities

(1) *Notes and accounts payable, trade* and (2) *Short-term borrowings*

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) *Long-term debt*

For long-term debt with floating interest rates, its carrying value approximates fair value since the debt reflects the market interest rates in a short period of time and the credit condition of the Company does not change significantly after the debt is executed. For long-term debt with fixed interest rates, the fair value is based upon the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions

Please refer to Note 17. *Derivative Transactions*.

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

	March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities	**¥ 696**	¥ 699	**$ 6,762**

These are not included in (3) *Investment securities* in the above table because there were no market prices available and it was extremely difficult to determine the fair value.

3. Redemption schedule for monetary receivables as of March 31, 2014

	March 31, 2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash and time deposits	¥ **11,483**	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	**13,597**	–	–	–
Total	¥ **25,080**	¥ –	¥ –	¥ –

	March 31, 2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and time deposits	$ **111,572**	$ –	$ –	$ –
Notes and accounts receivable, trade	**132,112**	–	–	–
Total	$ **243,684**	$ –	$ –	$ –

4. The redemption schedule for long-term debt is disclosed in Note 7. *Short-Term Borrowings and Long-Term Debt*.

15. Investment Securities

Investment securities held by the Companies are all classified as other securities.

The aggregate cost and fair value (carrying value) of marketable securities classified as other securities as of March 31, 2014 and 2013 were as follows:

	March 31, 2014		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
	(Millions of yen)		
Securities whose fair value exceeds their cost:			
Equity securities	¥ **1,463**	¥ **2,861**	¥ **1,397**
Securities whose fair value does not exceed their cost:			
Equity securities	**324**	**210**	**(113)**
Total	¥ **1,787**	¥ **3,072**	¥ **1,284**

	March 31, 2013		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 1,853	¥ 3,226	¥ 1,373
Securities whose fair value does not exceed their cost:			
Equity securities	572	393	(179)
Total	¥ 2,426	¥ 3,619	¥ 1,193

	March 31, 2014		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their cost:			
Equity securities	**$ 14,214**	**$ 27,798**	**$ 13,573**
Securities whose fair value does not exceed their cost:			
Equity securities	**3,148**	**2,040**	**(1,097)**
Total	**$ 17,363**	**$ 29,848**	**$ 12,475**

As of March 31, 2014 and 2013, unlisted equity securities amounting to ¥612 million ($5,946 thousand) and ¥612 million, respectively, are not included in the above table because there were no market prices available and it was extremely difficult to determine the fair value.

For the year ended March 31, 2013, the Companies recognized ¥80 million of impairment losses for investment securities. In the case that the market value at the end of the year declines by 50% or more from its cost, the Companies recognize the difference between the market value and the cost as an impairment loss, and in the case that the decline ranges between 30% and 50%, the Companies recognize an impairment loss for the necessary amount after taking into consideration factors such as the materiality and recoverability of the amount.

Information about sales of securities classified as other securities for the years ended March 31, 2014 and 2013 was as follows:

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	**¥ 915**	¥ 158	**$ 8,890**
Aggregate gains	**417**	80	**4,051**
Aggregate losses	**146**	–	**1,418**

16. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2014 and 2013 were composed of the followings:

	March 31, 2014 (Millions of yen)	March 31, 2013 (Millions of yen)	March 31, 2014 (Thousands of U.S. dollars)
Cash and time deposits	**¥ 11,493**	¥ 11,414	**$ 111,669**
Less: Time deposits with maturities in excess of three months	**–**	–	**–**
Cash and cash equivalents	**¥ 11,493**	¥ 11,414	**$ 111,669**

17. Derivative Transactions

(a) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2014 and 2013, for which hedge accounting has not been applied.

(1) Currency-related transactions

	March 31, 2014			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	**¥ 70**	**¥ –**	**¥ (0)**	**¥ (0)**
Total	**¥ 70**	**¥ –**	**¥ (0)**	**¥ (0)**

	March 31, 2013			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	¥ 3	¥ –	¥ 0	¥ 0
Total	¥ 3	¥ –	¥ 0	¥ 0

	March 31, 2014			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Thousands of U.S. dollars)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
USD	**$ 680**	**$ –**	**$ (0)**	**$ (0)**
Total	**$ 680**	**$ –**	**$ (0)**	**$ (0)**

Note: The calculation of fair value is based on prices obtained from counterparty financial institutions and others.

(2) Commodity-related transactions

	March 31, 2014			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Commodity futures contracts				
Sell:				
Metals	**¥ 117**	**¥ –**	**¥ 1**	**¥ 1**
Total	**¥ 117**	**¥ –**	**¥ 1**	**¥ 1**

	March 31, 2014			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Thousands of U.S. dollars)			
OTC transactions:				
Commodity futures contracts				
Sell:				
Metals	**$ 1,136**	**$ –**	**$ 9**	**$ 9**
Total	**$ 1,136**	**$ –**	**$ 9**	**$ 9**

Note: The calculation of fair value is based on prices obtained from counterparties and others.

There were no commodity-related transactions as of March 31, 2013.

(b) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2014 and 2013, for which hedge accounting has been applied.

(1) Interest-related transactions

	March 31, 2014		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	**¥ 7,065**	**¥ 4,705**	***(Note)***
Total	**¥ 7,065**	**¥ 4,705**	

	March 31, 2013		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	¥ 7,925	¥ 7,065	*(Note)*
Total	¥ 7,925	¥ 7,065	

	March 31, 2014		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Thousands of U.S. dollars)		
Interest rate swaps hedging long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	**$ 68,645**	**$ 45,715**	***(Note)***
Total	**$ 68,645**	**$ 45,715**	

Note: Interest rate swaps to which exceptional treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair values are included in the fair value of long-term debt.

(2) Commodity-related transactions

	March 31, 2014					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Millions of yen)					
Commodity futures contracts, accounted for as part of raw materials and finished goods:						
Sell: Metals	**¥**	**11,278**	**¥**	**–**	**¥**	**114**
Total	**¥**	**11,278**	**¥**	**–**	**¥**	**114**

	March 31, 2013					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Millions of yen)					
Commodity futures contracts, accounted for as part of raw materials and finished goods:						
Sell: Metals	¥	13,577	¥	–	¥	777
Total	¥	13,577	¥	–	¥	777

	March 31, 2014					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Thousands of U.S. dollars)					
Commodity futures contracts, accounted for as part of raw materials and finished goods:						
Sell: Metals	**$**	**109,580**	**$**	**–**	**$**	**1,107**
Total	**$**	**109,580**	**$**	**–**	**$**	**1,107**

Note: The calculation of fair value is based on prices obtained from counterparties and others.

18. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealized gains on other securities:			
Gains arising during the year	**¥ 362**	¥ 148	**$ 3,517**
Reclassification adjustments	**(271)**	(4)	**(2,633)**
Amount before tax effect	**91**	143	**884**
Tax effect	**(49)**	(43)	**(476)**
	42	100	**408**
(Losses) gains on deferred hedges:			
Gains arising during the year	**2,429**	340	**23,600**
Reclassification adjustments	**(3,092)**	819	**(30,042)**
Amount before tax effect	**(663)**	1,160	**(6,441)**
Tax effect	**254**	(441)	**2,467**
	(408)	719	**(3,964)**
Foreign currency translation adjustment:			
Adjustments arising during the year	**2,509**	998	**24,378**
	2,509	998	**24,378**
Total other comprehensive income	**¥ 2,142**	¥ 1,818	**$ 20,812**

19. Segment Information

(a) Overview of reportable segments

The Company defines reportable segments as components of the Company for which separate financial information is available and whose operating results are regularly evaluated by the board of directors to make decisions about how resources are allocated and assess its performance.

Operating departments of the Company are organized according to products and services, and each department plans comprehensive domestic and overseas strategies for its products and services and develops business activities through the Company and its consolidated subsidiaries. Thus, reportable segments of the Company are determined based on such operating departments; namely, “Smelting,” “Electronic Components and Materials” and “Environment and Recycling,” and “Mineral Resource” organized based on CBH, the consolidated subsidiary.

- Smelting segment engages in sales and production of zinc and lead products, electric silver and sulfuric acid.
- Mineral Resource segment engages in exploration, development and production of non-ferrous metal resources and sales of their output.
- Electronic Components and Materials segment engages in sales and production of electronic parts, electrolytic iron, plating and machine parts.
- Environment and Recycling segment engages in sales and production of zinc oxide and recycling of waste materials.

(b) Basis of measurement for the amounts of net sales, profit or loss, assets and other items for each reportable segment

The accounting policies of each reportable segment are generally consistent to those described in Note 1. *Summary of Significant Accounting Policies*. The segment profit is based on operating income, and intersegment sales and transfers are based on actual market prices.

(c) Information about net sales, profit or loss, assets and other items

Year ended March 31, 2014

	Reportable segment								
	Smelting	Mineral Resource	Electronic Components and Materials	Environment and Recycling	Total	Other *(Note 1)*	Total	Reconciliation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	¥ 80,078	¥ 14,085	¥ 6,803	¥ 4,909	¥105,876	¥ 12,742	¥ 118,619	¥ –	¥ 118,619
Intersegment	3,006	6,203	115	9	9,334	4,877	14,211	(14,211)	–
Total	¥ 83,085	¥ 20,288	¥ 6,919	¥ 4,918	¥115,211	¥ 17,619	¥ 132,831	¥ (14,211)	¥ 118,619
Segment profit (loss)	¥ 4,341	¥ (1,664)	¥ 999	¥ 959	¥ 4,635	¥ 1,076	¥ 5,711	¥ 38	¥ 5,749
Segment assets	¥ 60,736	¥ 43,888	¥ 11,012	¥ 5,189	¥120,826	¥ 5,724	¥ 126,551	¥ 18,462	¥ 145,014
Other items:									
Depreciation	¥ 2,766	¥ 4,795	¥ 300	¥ 314	¥ 8,176	¥ 96	¥ 8,273	¥ 69	¥ 8,342
Increase in property, plant and equipment and intangible assets	1,126	3,154	187	219	4,687	433	5,120	39	5,160
Impairment losses on fixed assets	–	–	–	–	–	–	–	2	2
Amortization of goodwill	–	42	–	–	42	–	42	–	42
Unamortized balance of goodwill	–	527	–	–	527	–	527	–	527

Year ended March 31, 2013

	Reportable segment								
	Smelting	Mineral Resource	Electronic Components and Materials	Environment and Recycling	Total	Other *(Note 1)*	Total	Reconciliation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	¥ 71,018	¥ 11,034	¥ 6,463	¥ 4,341	¥ 92,857	¥ 10,797	¥ 103,654	¥ –	¥ 103,654
Intersegment	2,621	3,558	119	6	6,305	4,775	11,081	(11,081)	–
Total	¥ 73,639	¥ 14,592	¥ 6,582	¥ 4,347	¥ 99,163	¥ 15,572	¥ 114,735	¥ (11,081)	¥ 103,654
Segment profit (loss)	¥ 1,521	¥ (3,375)	¥ 773	¥ 650	¥ (430)	¥ 1,109	¥ 679	¥ (144)	¥ 534
Segment assets	¥ 65,332	¥ 41,078	¥ 10,919	¥ 4,372	¥ 121,703	¥ 5,046	¥ 126,749	¥ 19,064	¥ 145,814
Other items:									
Depreciation	¥ 2,840	¥ 3,832	¥ 300	¥ 339	¥ 7,313	¥ 104	¥ 7,418	¥ 72	¥ 7,490
Increase in property, plant and equipment and intangible assets	1,710	8,351	210	236	10,508	59	10,567	29	10,597
Impairment losses on fixed assets	–	4,852	–	–	4,852	–	4,852	78	4,930
Amortization of goodwill	–	37	–	–	37	–	37	–	37
Unamortized balance of goodwill	–	548	–	–	548	–	548	–	548

	Year ended March 31, 2014								
	Reportable segment								
	Smelting	Mineral Resource	Electronic Compon-ents and Materials	Environ-ment and Recycling	Total	Other *(Note 1)*	Total	Reconcili-ation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Thousands of U.S. dollars)								
Net sales:									
External customers	**$ 778,060**	**$ 136,853**	**$ 66,099**	**$ 47,697**	**$ 1,028,721**	**$ 123,804**	**$ 1,152,535**	**$ –**	**$ 1,152,535**
Intersegment	**29,207**	**60,270**	**1,117**	**87**	**90,691**	**47,386**	**138,078**	**(138,078)**	**–**
Total	**$ 807,277**	**$ 197,123**	**$ 67,226**	**$ 47,784**	**$ 1,119,422**	**$ 171,191**	**$ 1,290,623**	**$ (138,078)**	**$ 1,152,535**
Segment profit (loss)	**$ 42,178**	**$ (16,167)**	**$ 9,706**	**$ 9,317**	**$ 45,034**	**$ 10,454**	**$ 55,489**	**$ 369**	**$ 55,858**
Segment assets	**$ 590,128**	**$ 426,428**	**$ 106,995**	**$ 50,417**	**$ 1,173,979**	**$ 55,616**	**$ 1,229,605**	**$ 179,382**	**$ 1,408,997**
Other items:									
Depreciation	**$ 26,875**	**$ 46,589**	**$ 2,914**	**$ 3,050**	**$ 79,440**	**$ 932**	**$ 80,382**	**$ 670**	**$ 81,053**
Increase in property, plant and equipment and intangible assets	**10,940**	**30,645**	**1,816**	**2,127**	**45,540**	**4,207**	**49,747**	**378**	**50,136**
Impairment losses on fixed assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**19**
Amortization of goodwill	**–**	**408**	**–**	**–**	**408**	**–**	**408**	**–**	**408**
Unamortized balance of goodwill	**–**	**5,120**	**–**	**–**	**5,120**	**–**	**5,120**	**–**	**5,120**

Notes 1. "Other" represents business segments not belonging to reportable segments and includes sound insulation building materials, civil engineering, construction and plant engineering, transportation, environmental analysis and others.

2. "Reconciliation" included the followings:

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment profit (loss):			
Intersegment elimination	**¥ 162**	¥ (69)	**$ 1,574**
Corporate expenses (*)	**(124)**	(74)	**(1,204)**
Total	**¥ 38**	¥ (144)	**$ 369**

(*) "Corporate expenses" represents mainly general and administrative expenses that are not allocated to reportable segments.

	Year ended March 31,		
	2014	2013	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment assets:			
Corporate assets (*)	**¥ 18,462**	¥ 19,064	**$ 179,382**

(*) "Corporate assets" represents mainly the Company's investments of surplus funds including cash and investment securities and assets relating to administrative divisions.

Other items:	Year ended March 31, 2014 (Millions of yen)	2013 (Millions of yen)	2014 (Thousands of U.S. dollars)
Depreciation	**¥ 69**	¥ 72	**$ 670**
Increase in property, plant and equipment and intangible assets (*)	**39**	29	**378**

(*) "Increase in property, plant and equipment and intangible assets" represents mainly capital expenditures that do not belong to reportable segments.

3. Segment profit or loss is reconciled to operating income on the consolidated statements of operations.

(d) Related information

(1) Information by product and service

Information by product and service has been omitted since similar information is disclosed in segment information described above.

(2) Information by geographical area

Net sales information by geographical area for the year ended March 31, 2014 was as follows:

	Year ended March 31, 2014 (Millions of yen)	Year ended March 31, 2014 (Thousands of U.S. dollars)
Japan	**¥ 103,108**	**$ 1,001,826**
Asia	**9,192**	**89,312**
Oceania	**6,318**	**61,387**
Total	**¥ 118,619**	**$ 1,152,535**

Net sales information by geographical area for the year ended March 31, 2013 has been omitted since net sales to external customers in Japan exceed 90% of the consolidated sales.

Property, plant and equipment information by geographical area as of March 31, 2014 and 2013 was as follows:

	March 31, 2014 (Millions of yen)	2013 (Millions of yen)	2014 (Thousands of U.S. dollars)
Japan	**¥ 36,024**	¥ 37,610	**$ 350,019**
Australia	**15,979**	16,712	**155,256**
Total	**¥ 52,004**	¥ 54,322	**$ 505,285**

(3) Information by major customer

Information by major customer has been omitted since there were no sales to single external customer accounting for 10% or more of the consolidated sales.