Consolidated Financial Statements

Toho Zinc Co., Ltd.
and Consolidated Subsidiaries

For the year ended March 31, 2019
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, 2019, 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, 2019, 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, 2019
Tokyo, Japan

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and time deposits *(Notes 15 and 17)*	**¥ 10,248**	¥ 13,802	**$ 92,332**
Notes and accounts receivable, trade *(Notes 3 and 15)*	**14,027**	16,814	**126,380**
Electronically recorded monetary claims *(Note 15)*	**2,291**	3,303	**20,641**
Inventories *(Note 4)*	**42,367**	41,928	**381,719**
Other current assets	**4,050**	1,923	**36,489**
Less: Allowance for doubtful accounts	**(0)**	(17)	**(0)**
Total current assets	**72,984**	77,754	**657,572**
Property, plant and equipment:			
Buildings and structures *(Notes 6 and 8)*	**25,245**	25,212	**227,452**
Machinery and equipment *(Notes 6 and 8)*	**79,260**	79,133	**714,118**
Land *(Notes 5 and 8)*	**17,104**	17,104	**154,103**
Leased assets	**139**	152	**1,252**
Construction in progress	**1,041**	740	**9,379**
	122,790	122,342	**1,106,315**
Less: Accumulated depreciation	**(83,845)**	(81,392)	**(755,428)**
Net property, plant and equipment	**38,945**	40,949	**350,887**
Investments and other assets:			
Investment securities *(Notes 15 and 16)*	**2,911**	3,489	**26,227**
Investments in unconsolidated subsidiaries and associates *(Note 7)*	**450**	453	**4,054**
Net defined benefit asset *(Note 9)*	**203**	281	**1,828**
Deferred tax assets *(Note 12)*	**1,789**	363	**16,118**
Mining rights *(Note 6)*	**11,801**	12,454	**106,324**
Other assets	**1,795**	2,163	**16,172**
Less: Allowance for doubtful accounts	**(650)**	(649)	**(5,856)**
Total investments and other assets	**18,302**	18,556	**164,897**
Total assets	**¥ 130,231**	¥ 137,259	**$ 1,173,357**

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable, trade *(Notes 3 and 15)*	**¥ 7,067**	¥ 7,728	**$ 63,672**
Short-term borrowings *(Notes 8 and 15)*	**11,828**	11,462	**106,568**
Current portion of long-term debt *(Notes 8 and 15)*	**11,137**	9,548	**100,342**
Commercial papers *(Notes 8 and 15)*	**11,000**	8,000	**99,108**
Lease obligations *(Note 8)*	**9**	10	**81**
Accrued income taxes	**111**	463	**1,000**
Accrued expenses	**3,231**	2,456	**29,110**
Provision for directors' bonuses	**–**	40	**–**
Provision for loss on construction contracts	**442**	–	**3,982**
Other current liabilities *(Note 3)*	**3,015**	2,989	**27,164**
Total current liabilities	**47,844**	42,699	**431,065**
Long-term liabilities:			
Long-term debt *(Notes 8 and 15)*	**18,866**	23,608	**169,979**
Lease obligations *(Note 8)*	**48**	58	**432**
Deferred tax liabilities *(Note 12)*	**282**	384	**2,540**
Deferred tax liabilities related to land revaluation *(Notes 5 and 12)*	**4,345**	4,345	**39,147**
Net defined benefit liability *(Note 9)*	**148**	145	**1,333**
Provision for environmental measures	**35**	52	**315**
Provision for loss on business of subsidiaries and associates	**102**	165	**919**
Asset retirement obligations *(Note 10)*	**2,436**	2,736	**21,947**
Other long-term liabilities	**618**	684	**5,568**
Total long-term liabilities	**26,885**	32,180	**242,229**
Total liabilities	**74,730**	74,879	**673,303**
Net assets *(Note 11)*:			
Shareholders' equity:			
Common shares:			
Authorized – 26,400,000 shares			
Issued – 13,585,521 shares	**14,630**	14,630	**131,813**
Capital surplus	**9,876**	9,876	**88,980**
Retained earnings	**20,963**	25,211	**188,872**
Less: Treasury shares, at cost – 7,055 shares in 2019 and 7,011 shares in 2018	**(30)**	(30)	**(270)**
Total shareholders' equity	**45,440**	49,688	**409,406**
Accumulated other comprehensive income:			
Net unrealized gains on other securities	**657**	908	**5,919**
Deferred gains on hedges	**110**	43	**991**
Revaluation reserve for land *(Note 5)*	**8,997**	8,997	**81,061**
Foreign currency translation adjustment	**180**	2,576	**1,621**
Remeasurements of defined benefit plans	**113**	165	**1,018**
Total accumulated other comprehensive income	**10,060**	12,691	**90,638**
Total net assets	**55,501**	62,380	**500,054**
Total liabilities and net assets	**¥ 130,231**	¥ 137,259	**$ 1,173,357**

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,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales	**¥ 117,551**	¥ 133,625	**$ 1,059,113**
Cost of sales	**107,902**	111,840	**972,177**
Gross profit	**9,649**	21,784	**86,935**
Selling, general and administrative expenses:			
Transportation expense	**4,542**	4,263	**40,922**
Salaries and wages	**1,647**	1,512	**14,839**
Retirement benefit expenses	**43**	42	**387**
Provision of allowance for doubtful accounts	**(16)**	0	**(144)**
Depreciation	**265**	269	**2,387**
Research and development costs	**138**	163	**1,243**
Provision for directors' bonuses	**–**	40	**–**
Other	**2,498**	2,388	**22,506**
	9,118	8,681	**82,151**
Operating income	**531**	13,102	**4,784**
Other income (expenses):			
Interest and dividend income	**109**	189	**982**
Interest expenses	**(395)**	(452)	**(3,558)**
Foreign exchange gains	**–**	9	**–**
Foreign exchange losses	**(262)**	–	**(2,360)**
Loss on retirement of property, plant and equipment	**(388)**	(483)	**(3,495)**
Impairment loss on fixed assets *(Note 6)*	**(4,339)**	(100)	**(39,093)**
Gain on sales of investment securities	**46**	0	**414**
Loss on sales of investment securities	**(1)**	–	**(9)**
Loss on valuation of investment securities	**(178)**	–	**(1,603)**
Reversal of provision for loss on business of subsidiaries and associates	**62**	–	**558**
Gain on valuation of derivatives	**798**	–	**7,189**
Other, net	**205**	314	**1,847**
	(4,343)	(523)	**(39,129)**
(Loss) profit before income taxes	**(3,812)**	12,579	**(34,345)**
Income taxes *(Note 12)*:			
Current	**129**	2,009	**1,162**
Deferred	**(1,391)**	196	**(12,532)**
	(1,261)	2,205	**(11,361)**
(Loss) profit	**(2,550)**	10,373	**(22,975)**
(Loss) profit attributable to owners of the parent	**¥ (2,550)**	¥ 10,373	**$ (22,975)**
	(Yen)		*(U.S. dollars) (Note 2)*
Per share:			
(Loss) profit – basic	**¥ (187.82)**	¥ 763.94	**$ (1.69)**
Cash dividends *(Note 11)*	**¥ 70.00**	¥ 125.00	**$ 0.63**

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,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
(Loss) profit	**¥ (2,550)**	¥ 10,373	**$ (22,975)**
Other comprehensive income *(Note 19)*:			
Net unrealized losses on other securities	**(250)**	(29)	**(2,252)**
Deferred gains on hedges	**67**	291	**603**
Foreign currency translation adjustment	**(2,396)**	1,000	**(21,587)**
Remeasurements of defined benefit plans	**(51)**	127	**(459)**
Total other comprehensive (loss) income	**(2,630)**	1,389	**(23,695)**
Comprehensive (loss) income	**¥ (5,181)**	¥ 11,762	**$ (46,679)**
Comprehensive (loss) income attributable to:			
Owners of the parent	**¥ (5,181)**	¥ 11,762	**$ (46,679)**
Non-controlling 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, 2017	135,855	¥ 14,630	¥ 9,876	¥ 16,189	¥ (26)	¥ 40,671
Dividends of surplus	–	–	–	(1,357)	–	(1,357)
Profit attributable to owners of the parent	–	–	–	10,373	–	10,373
Acquisition of treasury shares	–	–	–	–	(3)	(3)
Disposal of treasury shares	–	–	0	–	0	0
Reversal of revaluation reserve for land	–	–	–	5	–	5
Net changes in items other than those in shareholders' equity	–	–	–	–	–	–
Decrease due to share consolidation *(Note 11)*	(122,269)	–	–	–	–	–
Balance as of March 31, 2018	**13,585**	**14,630**	**9,876**	**25,211**	**(30)**	**49,688**
Dividends of surplus	**–**	**–**	**–**	**(1,697)**	**–**	**(1,697)**
Loss attributable to owners of the parent	**–**	**–**	**–**	**(2,550)**	**–**	**(2,550)**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**(0)**	**(0)**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**
Balance as of March 31, 2019	**13,585**	**¥ 14,630**	**¥ 9,876**	**¥ 20,963**	**¥ (30)**	**¥ 45,440**

	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, 2018	**$ 131,813**	**$ 88,980**	**$ 227,146**	**$ (270)**	**$ 447,679**
Dividends of surplus	**–**	**–**	**(15,289)**	**–**	**(15,289)**
Loss attributable to owners of the parent	**–**	**–**	**(22,975)**	**–**	**(22,975)**
Acquisition of treasury shares	**–**	**–**	**–**	**(0)**	**(0)**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance as of March 31, 2019	**$ 131,813**	**$ 88,980**	**$ 188,872**	**$ (270)**	**$ 409,406**

	Net unrealized gains on other securities	Deferred gains (losses) on hedges	Revaluation reserve for land	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, 2017	¥ 938	¥ (247)	¥ 9,003	¥ 1,576	¥ 38	¥ 11,308	¥ 51,979
Dividends of surplus	–	–	–	–	–	–	(1,357)
Profit attributable to owners of the parent	–	–	–	–	–	–	10,373
Acquisition of treasury shares	–	–	–	–	–	–	(3)
Disposal of treasury shares	–	–	–	–	–	–	0
Reversal of revaluation reserve for land	–	–	–	–	–	–	5
Net changes in items other than those in shareholders' equity	(29)	291	(5)	1,000	127	1,383	1,383
Decrease due to share consolidation *(Note 11)*	–	–	–	–	–	–	
Balance as of March 31, 2018	**908**	**43**	**8,997**	**2,576**	**165**	**12,691**	**62,380**
Dividends of surplus	–	–	–	–	–	–	**(1,697)**
Loss attributable to owners of the parent	–	–	–	–	–	–	**(2,550)**
Acquisition of treasury shares	–	–	–	–	–	–	**(0)**
Net changes in items other than those in shareholders' equity	**(250)**	**67**	–	**(2,396)**	**(51)**	**(2,630)**	**(2,630)**
Balance as of March 31, 2019	**¥ 657**	**¥ 110**	**¥ 8,997**	**¥ 180**	**¥ 113**	**¥ 10,060**	**¥ 55,501**

	Net unrealized gains on other securities	Deferred gains (losses) on hedges	Revaluation reserve for land	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, 2018	**$ 8,180**	**$ 387**	**$ 81,061**	**$ 23,209**	**$ 1,486**	**$ 114,343**	**$ 562,032**
Dividends of surplus	–	–	–	–	–	–	**(15,289)**
Loss attributable to owners of the parent	–	–	–	–	–	–	**(22,975)**
Acquisition of treasury shares	–	–	–	–	–	–	**(0)**
Net changes in items other than those in shareholders' equity	**(2,252)**	**603**	–	**(21,587)**	**(459)**	**(23,695)**	**(23,695)**
Balance as of March 31, 2019	**$ 5,919**	**$ 991**	**$ 81,061**	**$ 1,621**	**$ 1,018**	**$ 90,638**	**$ 500,054**

(*) There were 7,055 and 7,011 treasury shares as of March 31, 2019 and 2018, respectively. *(Note 11)*

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,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Cash flows from operating activities:			
Loss (profit) before income taxes	**¥ (3,812)**	¥ 12,579	**$ (34,345)**
Depreciation	**6,014**	5,877	**54,185**
Impairment loss on fixed assets	**4,339**	100	**39,093**
Decrease in allowance for doubtful accounts	**(16)**	(28)	**(144)**
Decrease (increase) in net defined benefit asset	**77**	(281)	**693**
(Decrease) increase in net defined benefit liability	**(71)**	127	**(639)**
Interest and dividend income	**(109)**	(189)	**(982)**
Interest expenses	**395**	452	**3,558**
Foreign exchange losses (gains)	**298**	(73)	**2,684**
Net loss on sales and retirement of property, plant and equipment	**371**	342	**3,342**
Decrease in notes and accounts receivable, trade	**3,661**	263	**32,984**
Increase in inventories	**(771)**	(3,743)	**(6,946)**
(Decrease) increase in notes and accounts payable, trade	**(1,609)**	1,432	**(14,496)**
Loss on valuation of investment securities	**178**	–	**1,603**
Other, net	**927**	(370)	**8,352**
Subtotal	**9,873**	16,489	**88,953**
Interest and dividend income received	**103**	189	**928**
Interest expenses paid	**(388)**	(462)	**(3,495)**
Income taxes paid	**(1,435)**	(4,179)	**(12,929)**
Net cash provided by operating activities	**8,153**	12,036	**73,457**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(5,610)**	(3,690)	**(50,545)**
Proceeds from sales of property, plant and equipment	**20**	12	**180**
Payments for purchases of intangible assets	**(4,291)**	(2,083)	**(38,661)**
Payments for purchases of investment securities	**(3)**	(3)	**(27)**
Collection of loans receivable	**0**	0	**0**
Other, net	**(252)**	(325)	**(2,270)**
Net cash used in investing activities	**(10,137)**	(6,089)	**(91,332)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	**433**	(3,216)	**3,901**
Proceeds from long-term debt	**6,280**	2,477	**56,581**
Repayments of long-term debt	**(9,565)**	(5,390)	**(86,178)**
Increase in commercial papers	**3,000**	5,000	**27,029**
Purchase of treasury shares	**(0)**	(3)	**(0)**
Cash dividends paid	**(1,697)**	(1,357)	**(15,289)**
Other, net	**(10)**	(21)	**(90)**
Net cash used in financing activities	**(1,559)**	(2,512)	**(14,046)**
Effect of exchange rate changes on cash and cash equivalents	**(10)**	0	**(90)**
Net (decrease) increase in cash and cash equivalents	**(3,554)**	3,434	**(32,020)**
Cash and cash equivalents at beginning of year	**13,802**	10,368	**124,353**
Cash and cash equivalents at end of year *(Note 17)*	**¥ 10,248**	¥ 13,802	**$ 92,332**

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, 2019

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 transactions

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 average exchange rate in effect during the year. Foreign currency translation adjustments are included in net assets.

(d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement 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 metal forward contracts, 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 profit or loss 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 profit or loss in the period during which the gains and losses on the hedged items or transactions are recognized.

Hedging instruments are derivative transactions including metal forward contracts, interest rate swaps. The related hedged items are raw materials and finished goods exposed to commodity price fluctuation risk and interest payments on debt loan, respectively.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company’s exposure to the risks of fluctuations in prices, interest rates and cash flows.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedging transactions regarding metal forward contracts and foreign currency deposits. Hedge effectiveness is omitted for 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 rights are mainly amortized by using the unit-of-production method. Other intangible assets are mainly amortized by using the straight-line method. Software for internal use is amortized by using the straight-line method over the estimated useful life (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 benefit formula 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.

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

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded as remeasurements of defined benefit plans under accumulated other comprehensive income of net assets after tax effect adjustments.

(4) Application of the simplified method for small enterprises, etc.

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) Provision for directors' bonuses

In order to prepare for the payments of bonuses to directors, provision for directors' bonuses is recorded based on the estimated amount to be paid at the end of the fiscal year.

(m) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for estimated losses on undelivered construction contracts for which there is a possibility that losses will be incurred at the amount of expected future losses that can be estimated reliably at the end of the fiscal year.

(n) Provision for environmental measures

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

(o) Provision for loss on business of subsidiaries and associates

Provision for loss on business of subsidiaries and associates is recorded based on the estimated loss burden amount corresponding to financial situation of those companies.

(p) 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.

(q) 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.

(r) 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.

(s) Profit per share

Profit per share is computed based on the profit available for distribution to shareholders of common shares and the weighted average number of common shares outstanding during the year.

(t) Asset retirement obligations

Asset retirement obligations are calculated based on the estimated life of mine from commencement of operations, which is deemed as the estimated usable period, using the discount rates of 0.4% and 0.5% for the years ended March 31, 2019 and 2018, respectively. The amount mainly represents the obligations of CBH Resources Ltd. ("CBH") to restore its mine sites at Endeavor Mine and Rasp Mine to their original states upon closure.

(u) Accounting standards and guidance issued but not yet adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 issued by the IASB and Topic 606 issued by the FASB) on May 2014.
Considering that IFRS 15 is effective from fiscal years beginning on or after January 1, 2018 and Topic 606 is effective from fiscal years beginning after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed the comprehensive accounting standard for revenue recognition and issued it together with the implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to adopt the basic principles of IFRS 15 as a starting point from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and other factors in Japan should be considered.

(2) Date of application

The accounting standard and guidance will be applied effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of applying the standard and guidance

The Company is currently evaluating the effect of applying the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition" on its consolidated financial statements.

(v) Reclassifications

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

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 ¥110.99 to U.S. $1 on March 31, 2019. 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. Notes Receivable and Notes Payable Maturing at Fiscal Year-End

Although March 31, 2019 and 2018 were bank holidays, notes maturing on that date were accounted for as if they were settled on their maturity date. The corresponding amounts of notes receivable and notes payable maturing on March 31, 2019 and 2018 were as follows:

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes receivable	¥ **20**	¥ 27	$ **180**
Notes payable	**162**	156	**1,459**
Notes payable – equipment (other current liabilities)	**80**	101	**720**

4. Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ **10,907**	¥ 10,713	$ **98,270**
Work in process	**9,101**	9,901	**81,998**
Raw materials and supplies	**22,359**	21,312	**201,450**
Total	¥ **42,367**	¥ 41,928	$ **381,719**

5. 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, 2019 and 2018 were ¥8,011 million ($72,177 thousand) and ¥7,943 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 revaluation reserve for land which is included in net assets.

6. Impairment Loss on Fixed Assets

The Companies recognized impairment losses on certain asset groups for the years ended March 31, 2019 and 2018 as follows:

Year ended March 31, 2019			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Location	Use	Category		
The State of New South Wales, Australia and others	Assets included in Mineral Resource business segment (Mining assets)	Buildings and structures	**¥ 14**	**$ 126**
		Machinery and equipment	**2,179**	**19,632**
		Mining rights	**2,074**	**18,686**
			¥ 4,268	**$ 38,453**
The State of New South Wales, Australia and others	Assets included in Mineral Resource business segment (Exploration rights)	Mining rights	**¥ 70**	**$ 630**

Year ended March 31, 2018			*(Millions of yen)*
Location	Use	Category	
Annaka City, Gunma	Idle assets	Buildings and structures	¥ 89
		Machinery and equipment	10
			¥ 100

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, 2019, regarding the Endeavor Mine in the State of New South Wales, Australia and other locations, CBH Resources Ltd. ("CBH") wrote down the book value of the asset group included in the Mineral Resource business segment to its recoverable amount and recognized the reduction as impairment losses, since CBH could not expect to generate cash inflows sufficient to recover the invested capital due to a decrease in the mining volume and change in the market environment. The recoverable amount of the asset group is measured at value in use, and valued at zero since the estimated amount of future cash flow is negative.

For the exploration rights at the mines in the State of New South Wales, Australia and other locations, the Company valued their recoverable amounts at zero on the grounds that there would be no additional exploration in the future, and recognized impairment losses for the entire book value of the exploration rights recorded as assets.

For the year ended March 31, 2018, the Company recognized impairment losses for the entire book value of idle assets on the grounds that they were not projected to generate any future cash inflows nor readily salable.

7. Investments in Unconsolidated Subsidiaries and Associates

Investments in unconsolidated subsidiaries and associates as of March 31, 2019 and 2018 are summarized as follows:

	March 31, 2019 (Millions of yen)	March 31, 2018 (Millions of yen)	March 31, 2019 (Thousands of U.S. dollars)
Unconsolidated subsidiaries	¥ **9**	¥ 12	$ **81**
Associates	**440**	440	**3,964**
	¥ **450**	¥ 453	$ **4,054**

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2019 and 2018 consisted of the following:

	2019 Amount (Millions of yen)	2019 Weighted average interest rate	2019 Due in	2018 Amount (Millions of yen)	2019 Amount (Thousands of U.S. dollars)
Short-term borrowings	¥ **11,828**	**0.6%**		¥ 11,462	$ **106,568**
Commercial papers	**11,000**	**0.0**		8,000	**99,108**
Current portion of long-term debt	**11,137**	**0.9**		9,548	**100,342**
Current portion of lease obligations	**9**	–		10	**81**
Long-term debt	**18,866**	**1.1**	**2020.4 – 2024.1**	23,608	**169,979**
Lease obligations	**48**	–	**2021.7 – 2025.3**	58	**432**
Total	¥ **52,890**			¥ 52,688	$ **476,529**

Average interest rates are calculated by using weighted-average interest rates as of March 31, 2019. 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, 2019 were as follows:

Year ending March 31,	Long-term debt (Millions of yen)	Lease obligations (Millions of yen)	Long-term debt (Thousands of U.S. dollars)	Lease obligations (Thousands of U.S. dollars)
2020	¥ **11,137**	¥ **9**	$ **100,342**	$ **81**
2021	**7,699**	**9**	**69,366**	**81**
2022	**7,214**	**9**	**64,996**	**81**
2023	**2,733**	**9**	**24,623**	**81**
2024	**1,219**	**9**	**10,982**	**81**
Thereafter	**-**	**9**	**-**	**81**
Total	¥ **30,003**	¥ **58**	$ **270,321**	$ **522**

Assets pledged as collateral for the long-term debt, including the current portion, as of March 31, 2019 and 2018 were as follows:

Pledged assets	March 31, 2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Land (*)	**¥ 13,785**	¥ 13,785	**$ 124,200**
Buildings and structures (*)	**4,580**	4,581	**41,264**
Machinery and equipment (*)	**5,620**	5,742	**50,635**
Total	**¥ 23,985**	¥ 24,108	**$ 216,100**

(*) 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, 2019 and 2018.

9. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit plans and lump-sum payment plans. The defined benefit corporate pension plans, all of which are funded, provide lump-sum or pension benefits based on salaries and the length of service. The lump-sum payment plans, which are unfunded, provide lump-sum benefits based on salaries and the length of service. In addition, certain consolidated subsidiaries apply the simplified method to calculate retirement benefit liabilities and retirement benefit expenses, where the required contributions to the pension fund are accounted for as retirement benefit expenses.

Information regarding the Company's defined benefit plans for the years ended March 31, 2019 and 2018 was as follows:

(a) The changes in the retirement benefit obligations for the years ended March 31, 2019 and 2018 are as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation at beginning of year	**¥ 3,599**	¥ 3,575	**$ 32,426**
Service costs	**279**	278	**2,513**
Interest costs	**1**	2	**9**
Actuarial gains and losses arising during year	**50**	(21)	**450**
Retirement benefits paid	**(183)**	(235)	**(1,648)**
Retirement benefit obligation at end of year	**¥ 3,748**	¥ 3,599	**$ 33,768**

(b) The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets at beginning of year	**¥ 3,881**	¥ 3,524	**$ 34,967**
Expected return on plan assets	**77**	70	**693**
Actuarial gains and losses arising during year	**(21)**	177	**(189)**
Contributions from employer	**198**	344	**1,783**
Retirement benefits paid	**(183)**	(235)	**(1,648)**
Plan assets at end of year	**¥ 3,952**	¥ 3,881	**$ 35,606**

(c) The changes in net defined benefit liability accounted for using the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	Year ended March 31,					
	2019		2018		**2019**	
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Net defined benefit liability at beginning of year	**¥**	**145**	¥	150	**$**	**1,306**
Retirement benefit expenses		**11**		10		**99**
Retirement benefits paid		**(8)**		(15)		**(72)**
Net defined benefit liability at end of year	**¥**	**148**	¥	145	**$**	**1,333**

(d) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018.

	March 31,					
	2019		2018		**2019**	
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Retirement benefit obligation for funded plans	**¥**	**3,748**	¥	3,599	**$**	**33,768**
Plan assets		**(3,952)**		(3,881)		**(35,606)**
		(203)		(281)		**(1,828)**
Retirement benefit obligation for unfunded plans		**148**		145		**1,333**
Net balance of liability and asset recognized on the consolidated balance sheet		**(55)**		(135)		**(495)**
Net defined benefit liability		**148**		145		**1,333**
Net defined benefit asset		**(203)**		(281)		**(1,828)**
Net balance of liability and asset recognized on the consolidated balance sheet	**¥**	**(55)**	¥	(135)	**$**	**(495)**

(e) The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 are as follows:

	Year ended March 31,					
	2019		2018		**2019**	
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Service costs	**¥**	**276**	¥	275	**$**	**2,486**
Interest costs		**1**		2		**9**
Expected return on plan assets		**(77)**		(70)		**(693)**
Amortization of actuarial gains and losses		**(1)**		23		**(9)**
Amortization of past service costs		**–**		(38)		**–**
Retirement benefit expenses calculated using the simplified method		**11**		10		**99**
Retirement benefit expenses under defined benefit plans	**¥**	**209**	¥	203	**$**	**1,883**

(f) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial gains and losses	¥ **(72)**	¥ 198	$ **(648)**
Past service costs	**–**	–	**–**
Total	¥ **(72)**	¥ 198	$ **(648)**

(g) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial gains and losses	¥ **163**	¥ 238	$ **1,468**
Unrecognized past service costs	**–**	–	**–**
Total	¥ **163**	¥ 238	$ **1,468**

(h) Plan assets

(1) Breakdown of plan assets

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

	Year ended March 31,	
	2019	2018
Debt securities	**38%**	37%
Equity securities	**47**	49
Life insurance general account	**12**	12
Other	**3**	2
Total	**100%**	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.

(i) Actuarial assumptions

	Year ended March 31,	
	2019	2018
Weighted-average actuarial assumptions at end of year:		
Discount rate	**(0.1)%**	0.0%
Expected long-term rate of return	**2.0**	2.0
Lump-sum election rate	**100.0**	100.0

10. Asset Retirement Obligations

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018 were as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	**¥ 2,736**	¥ 2,437	**$ 24,650**
Adjustment due to passage of time	**12**	13	**108**
Other	**(311)**	285	**(2,802)**
Balance at end of year	**¥ 2,436**	¥ 2,736	**$ 21,947**

11. Net Assets

Information regarding changes in net assets for the years ended March 31, 2019 and 2018 is as follows:

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2019

Types of shares	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
		(Thousands of shares)		
Shares issued and outstanding:				
Common shares	**13,585**	–	–	**13,585**
Treasury shares:				
Common shares *(Note)*	**7**	**0**	–	**7**

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

For the year ended March 31, 2018

Types of shares	Number of shares as of April 1, 2017	Increase	Decrease	Number of shares as of March 31, 2018
		(Thousands of shares)		
Shares issued and outstanding:				
Common shares *(Notes 1 and 2)*	135,855	–	(122,269)	13,585
Treasury shares:				
Common shares *(Notes 1, 3 and 4)*	62	1	(57)	7

Notes 1. The Company consolidated its common shares at the ratio of 10 shares to 1 share as of October 1, 2017.

2. The decrease of 122,269 thousand shares was due to share consolidation.

3. The increase of 1 thousand shares was due to purchase of fractional shares arising from share consolidation (0 thousand shares) and purchase of shares of less than standard unit (1 thousand shares: 1 thousand shares before share consolidation, 0 thousand shares after share consolidation).

4. The decrease of 57 thousand shares was due to share consolidation.

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2019

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, 2018	Common shares	**¥ 1,697**	**¥ 125**	March 31, 2018	June 29, 2018

For the year ended March 31, 2018

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 29, 2017	Common shares	¥ 1,357	¥ 10	March 31, 2017	June 30, 2017

Note: The Company consolidated its common shares at the ratio of 10 shares to 1 share as of October 1, 2017. Dividends per share reflect the amount before share consolidation.

For the year ended March 31, 2019

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 28, 2018	Common shares	**$ 15,289**	**$ 1.12**	March 31, 2018	June 29, 2018

(2) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

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, 2019	Common shares	**¥ 950**	Retained earnings	**¥ 70**	March 31, 2019	June 28, 2019

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, 2019	Common shares	**$ 8,559**	Retained earnings	**$ 0.63**	March 31, 2019	June 28, 2019

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.

12. Income Taxes

As of March 31, 2019 and 2018, significant components of deferred tax assets and liabilities were as follows:

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Net operating loss carry forwards	**¥ 1,351**	¥ –	**$ 12,172**
Asset retirement obligations	**731**	813	**6,586**
Depreciation in excess of tax limit	**3,371**	2,361	**30,372**
Foreign exchange losses	**547**	618	**4,928**
Other	**1,916**	2,039	**17,262**
Gross deferred tax assets	**7,919**	5,832	**71,348**
Valuation allowance on net operating loss carryforwards (Note 2)	**–**	–	**–**
Valuation allowance on deductible temporary differences	**(4,211)**	–	**(37,940)**
Less: Valuation allowance (Note 1)	**(4,211)**	(3,474)	**(37,940)**
Total deferred tax assets	**3,708**	2,358	**33,408**
Deferred tax liabilities:			
Unrealized gains on other securities	**(288)**	(392)	**(2,594)**
Depreciation in foreign subsidiary	**(843)**	(727)	**(7,595)**
Inventories	**(429)**	(400)	**(3,865)**
Royalty gains	**(121)**	(165)	**(1,090)**
Reserve for overseas exploration	**(136)**	(136)	**(1,225)**
Other	**(382)**	(557)	**(3,441)**
Total deferred tax liabilities	**(2,201)**	(2,379)	**(19,830)**
Net deferred tax assets (liabilities)	**¥ 1,507**	¥ (21)	**$ 13,577**
Deferred tax liabilities:			
Deferred tax liabilities related to land revaluation	**¥ 4,345**	¥ 4,345	**$ 39,147**

Notes 1. The increase of ¥737 million ($6,640 thousand) in the valuation allowance was due to additional recognition of ¥1,009 million ($9,090 thousand) in the valuation allowance for depreciation in excess of the tax limit in CBH, a consolidated subsidiary.

2. The expiry schedule of net operating loss carryforwards and the related amount of deferred tax assets is as follows:

As of March 31, 2019

	Due in 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	(Millions of yen)						
Net operating loss carryforwards (a)	¥ –	¥ –	¥ –	¥ –	¥ –	**¥ 1,351**	**¥ 1,351**
Valuation allowance	–	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	–	**1,351**	**(b) 1,351**

	Due in 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	(Thousands of U.S. dollars)						
Net operating loss carryforwards (a)	$ –	$ –	$ –	$ –	$ –	**$ 12,172**	**$ 12,172**
Valuation allowance	–	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	–	**12,172**	**(b) 12,172**

(a) Net operating loss carryforwards are multiplied by the statutory tax rate.

(b) Deferred tax assets of ¥1,351 million ($12,172 thousand) were recognized for net operating loss carryforwards of ¥1,351 million ($12,172 thousand) (multiplied by the statutory tax rate). The ¥1,351 million ($12,172 thousand) deferred tax assets is recognized for the entire amount of net operating loss carryforwards of ¥1,351 million ($12,172 thousand) (multiplied by the statutory tax rate). Net operating loss carryforwards for which deferred tax assets are recognized primarily relate to the ¥3,331 million ($30,011 thousand) loss before income taxes recorded in the year ended March 31, 2019. No corresponding valuation allowance is recognized since it is expected that sufficient future taxable income will be available to fully recover the amount of deferred tax assets.

The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 was as follows:

	Year ended March 31, 2018
Statutory tax rate	30.86%
Increase (decrease) due to:	
Tax loss carryforwards of foreign consolidated subsidiaries	(17.59)
Elimination of intercompany profits	5.06
Change in valuation allowance	0.05
Other	(0.84)
Effective tax rate	17.54%

For the fiscal year ended March 31, 2019, the reconciliation between the statutory tax rate and the effective tax rate is not shown as a loss before income taxes was recorded.

13. Leases

As lessee:

There were no impairment losses allocated to leased assets for the years ended March 31, 2019 and 2018.

14. Commitments and Contingent Liabilities

The Company guarantees bank loans of TIANJIN TOHO LEAD RECYCLING CO., LTD., an affiliate of the Company, in the amount of ¥256 million ($2,306 thousand) as of March 31, 2019. There were no guarantee obligations as of March 31, 2018. In addition, the Company has entered into loan commitment agreements amounting to ¥5,600 million ($50,454 thousand) and ¥5,600 million with two financial institutions as of March 31, 2019 and 2018, respectively. There were no related loans payable outstanding, and therefore, the unused balance was ¥5,600 million ($50,454 thousand) and ¥5,600 million under the credit facilities as of March 31, 2019 and 2018, respectively.

The Company had repurchase obligations of ¥507 million ($4,567 thousand) and ¥571 million in connection with the securitization of receivables as of March 31, 2019 and 2018, respectively.

15. 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 and electronically recorded monetary claims—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 forward contracts.

Borrowings are principally for the purpose of working capital (mainly short-term), and capital investments (long-term). 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 and others to hedge the foreign currency risk arising from the trade receivables and payables denominated in foreign currencies, metal forward 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)

For trade receivables, 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 accordance with the internal rules of the Company. 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 and others. 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 forward 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 18. *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, 2019 and 2018 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, 2019		
	Carrying value	Fair value	Difference
	(Millions of yen)		
(1) Cash and time deposits	¥ 10,248	¥ 10,248	¥ –
(2) Notes and accounts receivable, trade	14,027	14,027	–
(3) Electronically recorded monetary claims	2,291	2,291	–
(4) Investment securities	2,301	2,301	–
Total assets	¥ 28,868	¥ 28,868	¥ –
(1) Notes and accounts payable, trade	¥ 7,067	¥ 7,067	¥ –
(2) Short-term borrowings	11,828	11,828	–
(3) Commercial papers	11,000	11,000	–
(4) Long-term debt (*1)	30,003	30,110	107
Total liabilities	¥ 59,899	¥ 60,006	¥ 107
Derivatives (*2)	¥ 317	¥ 317	¥ –

	March 31, 2018		
	Carrying value	Fair value	Difference
	(Millions of yen)		
(1) Cash and time deposits	¥ 13,802	¥ 13,802	¥ –
(2) Notes and accounts receivable, trade	16,814	16,814	–
(3) Electronically recorded monetary claims	3,303	3,303	–
(4) Investment securities	2,876	2,876	–
Total assets	¥ 36,796	¥ 36,796	¥ –
(1) Notes and accounts payable, trade	¥ 7,728	¥ 7,728	¥ –
(2) Short-term borrowings	11,462	11,462	–
(3) Commercial papers	8,000	8,000	–
(4) Long-term debt (*1)	33,157	33,287	130
Total liabilities	¥ 60,348	¥ 60,479	¥ 130
Derivatives (*2)	¥ 72	¥ 72	¥ –

	March 31, 2019		
	Carrying value	Fair value	Difference
	(Thousands of U.S. dollars)		
(1) Cash and time deposits	$ 92,332	$ 92,332	$ –
(2) Notes and accounts receivable, trade	126,380	126,380	–
(3) Electronically recorded monetary claims	20,641	20,641	–
(4) Investment securities	20,731	20,731	–
Total assets	$ 260,095	$ 260,095	$ –
(1) Notes and accounts payable, trade	$ 63,672	$ 63,672	$ –
(2) Short-term borrowings	106,568	106,568	–
(3) Commercial papers	99,108	99,108	–
(4) Long-term debt (*1)	270,321	271,285	964
Total liabilities	$ 539,679	$ 540,643	$ 964
Derivatives (*2)	$ 2,856	$ 2,856	$ –

(*1) Current portion of long-term debt is included in long-term debt as of March 31, 2019 and 2018.

(*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,* (2) *Notes and accounts receivable, trade and (3) Electronically recorded monetary claims*

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

(4) *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 16. *Investment Securities*.

Liabilities

(1) *Notes and accounts payable, trade,* (2) *Short-term borrowings and* (3) *Commercial papers*

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

(4) *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 has not changed significantly since the debt was 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 18. *Derivative Transactions*.

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

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities	¥ **694**	¥ 696	$ **6,252**

These are not included in (4) *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, 2019

	March 31, 2019			
	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	¥ **10,240**	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	**14,027**	–	–	–
Electronically recorded monetary claims	**2,291**	–	–	–
Total	¥ **26,559**	¥ –	¥ –	¥ –

	March 31, 2019			
	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	**$ 92,260**	$ –	$ –	$ –
Notes and accounts receivable, trade	**126,380**	–	–	–
Electronically recorded monetary claims	**20,641**	–	–	–
Total	**$ 239,291**	$ –	$ –	$ –

4. The redemption schedule for long-term debt is disclosed in Note 8. *Short-Term Borrowings and Long-Term Debt*.

16. 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, 2019 and 2018 were as follows:

	March 31, 2019		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	**¥ 958**	**¥ 1,939**	**¥ 980**
Securities whose fair value does not exceed their cost:			
Equity securities	**398**	**362**	**(36)**
Total	**¥ 1,357**	**¥ 2,301**	**¥ 943**

	March 31, 2018		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 1,261	¥ 2,693	¥ 1,432
Securities whose fair value does not exceed their cost:			
Equity securities	313	182	(131)
Total	¥ 1,575	¥ 2,876	¥ 1,301

	March 31, 2019		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their cost:			
Equity securities	**$ 8,631**	**$ 17,470**	**$ 8,829**
Securities whose fair value does not exceed their cost:			
Equity securities	**3,585**	**3,261**	**(324)**
Total	**$ 12,226**	**$ 20,731**	**$ 8,496**

As of March 31, 2019 and 2018, unlisted equity securities amounting to ¥694 million ($6,252 thousand) and ¥696 million, respectively, were not included in the above table because there were no market prices available and it was extremely difficult to determine the fair value.

Information about sales of securities classified as other securities for the years ended March 31, 2019 and 2018 was as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	**¥ 93**	¥ –	**$ 837**
Aggregate gains	**46**	–	**414**
Aggregate losses	**1**	–	**9**

For the year ended March 31, 2019, the Company recognized an impairment loss of ¥178 million ($1,603 thousand) on other securities.

If the fair value declines by 50% or more compared to the acquisition cost, the acquisition cost will be written down to the fair value. If the fair value declines between 30% and 50% compared to the acquisition cost, the acquisition cost will be written down to the amount deemed appropriate taking into consideration monetary significance, recoverability and other factors.

17. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2019 and 2018 were composed of the following:

	March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	**¥ 10,248**	¥ 13,802	**$ 92,332**
Cash and cash equivalents	**¥ 10,248**	¥ 13,802	**$ 92,332**

18. Derivative Transactions

(a) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2019 and 2018, for which hedge accounting has not been applied.

(1) Currency-related transactions

	March 31, 2019			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
US Dollar	**¥ 24**	**¥ –**	**¥ (0)**	**¥ (0)**
Total	**¥ 24**	**¥ –**	**¥ (0)**	**¥ (0)**

	March 31, 2018			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Forward foreign exchange contracts				
Sell:				
US Dollar	¥ 30	¥ –	¥ 0	¥ 0
Total	¥ 30	¥ –	¥ 0	¥ 0

	March 31, 2019			
	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:				
US Dollar	**$ 216**	**$ –**	**$ (0)**	**$ (0)**
Total	**$ 216**	**$ –**	**$ (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, 2019			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Metal forward contracts				
Sell:				
Metals	**¥ 132**	**¥ –**	**¥ 2**	**¥ 2**
Commodity option contracts				
Sell/Buy:				
Metals	**¥ 2,491**	**¥ –**	**¥ 156**	**¥ 156**
Total	**¥ 2,623**	**¥ –**	**¥ 158**	**¥ 158**

	March 31, 2018			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Metal forward contracts				
Sell:				
Metals	¥ 109	¥ –	¥ 9	¥ 9
Total	¥ 109	¥ –	¥ 9	¥ 9

	March 31, 2019			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Thousands of U.S. dollars)			
OTC transactions:				
Metal forward contracts				
Sell:				
Metals	**$ 1,189**	**$ –**	**$ 18**	**$ 18**
Commodity option contracts				
Sell/Buy:				
Metals	**$ 22,443**	**$ –**	**$ 1,405**	**$ 1,405**
Total	**$ 23,632**	**$ –**	**$ 1,423**	**$ 1,423**

Notes: 1. The calculation of fair value is based on prices obtained from counterparties and others.

2. Option contracts are zero cost options, and are shown collectively since call options and put options are considered as integrated contracts.

(b) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2019 and 2018, for which hedge accounting has been applied.

(1) Interest-related transactions

	March 31, 2019		
	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	**¥ 13,402**	**¥ 7,761**	***(Note)***
Total	**¥ 13,402**	**¥ 7,761**	

	March 31, 2018		
	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	¥ 12,554	¥ 11,722	*(Note)*
Total	¥ 12,554	¥ 11,722	

	March 31, 2019		
	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	**$ 120,749**	**$ 69,925**	***(Note)***
Total	**$ 120,749**	**$ 69,925**	

Note: Interest rate swaps to which exceptional treatment is applied are accounted for together with the 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, 2019		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Metal forward contracts, accounted for as part of raw materials and finished goods:			
Sell: Metals	**¥ 12,483**	**¥ –**	**¥ 160**
Buy: Metals	**5,222**	**–**	**(0)**
Total	**¥ 17,706**	**¥ –**	**¥ 159**

	March 31, 2018		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Metal forward contracts, accounted for as part of raw materials and finished goods:			
Sell: Metals	¥ 10,103	¥ –	¥ 336
Buy: Metals	6,306	–	(274)
Total	¥ 16,410	¥ –	¥ 62

	March 31, 2019		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Thousands of U.S. dollars)		
Metal forward contracts, accounted for as part of raw materials and finished goods:			
Sell: Metals	**$ 112,469**	**$ –**	**$ 1,441**
Buy: Metals	**47,049**	**–**	**(0)**
Total	**$ 159,527**	**$ –**	**$ 1,432**

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

19. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealized losses on other securities:			
Losses arising during the year	**¥ (309)**	¥ (43)	**$ (2,784)**
Reclassification adjustments	**(45)**	(0)	**(405)**
Amount before tax effect	**(355)**	(43)	**(3,198)**
Tax effect	**104**	13	**937**
	(250)	(29)	**(2,252)**
Deferred gains on hedges:			
Gains arising during the year	**508**	502	**4,576**
Reclassification adjustments	**(411)**	(80)	**(3,703)**
Amount before tax effect	**96**	422	**864**
Tax effect	**(29)**	(130)	**(261)**
	67	291	**603**
Foreign currency translation adjustment:			
Adjustments arising during the year	**(2,396)**	1,000	**(21,587)**
	(2,396)	1,000	**(21,587)**
Remeasurements of defined benefit plans:			
(Losses) gains arising during the year	**(72)**	198	**(648)**
Reclassification adjustments	**(1)**	(15)	**(9)**
Amount before tax effect	**(74)**	183	**(666)**
Tax effect	**22**	(56)	**198**
	(51)	127	**(459)**
Total other comprehensive (loss) income	**¥ (2,630)**	¥ 1,389	**$ (23,695)**

20. Segment Information

(a) Overview of reportable segments

(1) Definition 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," "Mineral Resource" (organized based on CBH, a consolidated subsidiary), "Electronic Components and Materials," "Environment and Recycling" and "Civil Engineering, Construction and Plant Engineering" (organized based on TOHO DEVELOPMENT ENGINEERING CO., LTD., a consolidated subsidiary).

(2) Products and services of each reportable segment

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

(3) Change in reportable segments

The "Civil Engineering, Construction and Plant Engineering segment," which was previously included in "Other", is classified separately from the year ended March 31, 2019 due to an increased materiality in terms of volume. To reflect this change in presentation, the amounts in (c) Information about net sales, profit or loss, assets and other items for the year ended March 31, 2018 haves been reclassified.

(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 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, 2019

	Reportable segment									
	Smelting	Mineral Resource	Electronic Components and Materials	Environment and Recycling	Civil Engineering, Construction and Plant Engineering	Total	Other *(Note 1)*	Total	Reconciliation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)									
Net sales:										
External customers	**¥ 81,457**	**¥ 20,544**	**¥ 5,861**	**¥ 4,703**	**¥ 1,915**	**¥114,482**	**¥ 3,069**	**¥ 117,551**	**¥ –**	**¥ 117,551**
Intersegment	**735**	**2,535**	**1**	**–**	**214**	**3,486**	**4,928**	**8,414**	**(8,414)**	**–**
Total	**¥ 82,193**	**¥ 23,080**	**¥ 5,862**	**¥ 4,703**	**¥ 2,129**	**¥117,969**	**¥ 7,997**	**¥ 125,966**	**¥ (8,414)**	**¥ 117,551**
Segment profit (loss)	**¥ (4,149)**	**¥ 2,489**	**¥ 589**	**¥ 1,325**	**¥ (566)**	**¥ (311)**	**¥ 424**	**¥ 113**	**¥ 418**	**¥ 531**
Segment assets	**¥ 70,639**	**¥ 22,558**	**¥ 10,052**	**¥ 5,134**	**¥ 1,489**	**¥109,873**	**¥ 3,060**	**¥ 112,933**	**¥ 17,298**	**¥ 130,231**
Other items:										
Depreciation	**¥ 1,961**	**¥ 3,361**	**¥ 215**	**¥ 254**	**¥ 3**	**¥ 5,795**	**¥ 156**	**¥ 5,951**	**¥ 62**	**¥ 6,014**
Increase in property, plant and equipment and intangible assets	**2,263**	**7,434**	**152**	**201**	**20**	**10,072**	**158**	**10,230**	**41**	**10,272**
Impairment losses on fixed assets	**–**	**4,339**	**–**	**–**	**–**	**4,339**	**–**	**4,339**	**–**	**4,339**

Year ended March 31, 2018

	Reportable segment									
	Smelting	Mineral Resource	Electronic Components and Materials	Environment and Recycling	Civil Engineering, Construction and Plant Engineering	Total	Other *(Note 1)*	Total	Reconciliation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)									
Net sales:										
External customers	¥ 94,984	¥ 20,173	¥ 6,190	¥ 5,394	¥ 3,593	¥130,336	¥ 3,288	¥ 133,625	¥ –	¥ 133,625
Intersegment	691	5,482	3	–	195	6,372	4,931	11,303	(11,303)	–
Total	¥ 95,675	¥ 25,656	¥ 6,193	¥ 5,394	¥ 3,788	¥136,709	¥ 8,219	¥ 144,928	¥ (11,303)	¥ 133,625
Segment profit	¥ 3,328	¥ 7,350	¥ 560	¥ 2,011	¥ 332	¥ 13,583	¥ 513	¥ 14,097	¥ (994)	¥ 13,102
Segment assets	¥ 73,517	¥ 25,186	¥ 10,034	¥ 4,704	¥ 1,694	¥115,138	¥ 3,049	¥ 118,188	¥ 19,071	¥ 137,259
Other items:										
Depreciation	¥ 2,543	¥ 2,619	¥ 249	¥ 258	¥ 2	¥ 5,672	¥ 145	¥ 5,818	¥ 58	¥ 5,877
Increase in property, plant and equipment and intangible assets	1,513	3,837	169	262	5	5,788	115	5,903	33	5,937
Impairment losses on fixed assets	–	–	–	–	–	–	–	–	100	100

Year ended March 31, 2019

	Reportable segment									
	Smelting	Mineral Resource	Electronic Components and Materials	Environment and Recycling	Civil Engineering, Construction and Plant Engineering	Total	Other *(Note 1)*	Total	Reconciliation *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Thousands of U.S. dollars)									
Net sales:										
External customers	**$ 733,912**	**$185,097**	**$ 52,806**	**$ 42,373**	**$ 17,253**	**$1,031,462**	**$ 27,651**	**$ 1,059,113**	**$ –**	**$ 1,059,113**
Intersegment	**6,622**	**22,839**	**9**	**–**	**1,928**	**31,408**	**44,400**	**75,808**	**(75,808)**	**–**
Total	**$ 740,544**	**$207,946**	**$ 52,815**	**$ 42,373**	**$ 19,181**	**$1,062,879**	**$ 72,051**	**$1,134,931**	**$ (75,808)**	**$ 1,059,113**
Segment profit (loss)	**$ (37,381)**	**$ 22,425**	**$ 5,306**	**$ 11,938**	**$ (5,099)**	**$ (2,802)**	**$ 3,820**	**$ 1,018**	**$ 3,766**	**$ 4,784**
Segment assets	**$ 636,444**	**$203,243**	**$ 90,566**	**$ 46,256**	**$ 13,415**	**$ 989,936**	**$ 27,570**	**$ 1,017,506**	**$ 155,851**	**$ 1,173,357**
Other items:										
Depreciation	**$ 17,668**	**$ 30,282**	**$ 1,937**	**$ 2,288**	**$ 27**	**$ 52,211**	**$ 1,405**	**$ 53,617**	**$ 558**	**$ 54,185**
Increase in property, plant and equipment and intangible assets	**20,389**	**66,979**	**1,369**	**1,810**	**180**	**90,746**	**1,423**	**92,170**	**369**	**92,548**
Impairment losses on fixed assets	**–**	**39,093**	**–**	**–**	**–**	**39,093**	**–**	**39,093**	**–**	**39,093**

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

2. "Reconciliation" included the followings:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment profit (loss):			
Intersegment elimination	¥ **633**	¥ (592)	$ **5,703**
Corporate expenses (*)	**(215)**	(401)	**(1,937)**
Total	¥ **418**	¥ (994)	$ **3,766**

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

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment assets:			
Corporate assets (*)	¥ **17,298**	¥ 19,071	$ **155,851**

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

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other items:			
Depreciation	¥ **62**	¥ 58	$ **558**
Increase in property, plant and equipment and intangible assets (*)	**41**	33	**369**

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

3. Segment profit is reconciled to operating income on the consolidated statement 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, 2019 and 2018 was as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Japan	**¥ 97,095**	¥ 113,563	**$ 874,808**
Asia	**11,553**	9,949	**104,090**
Oceania	**8,902**	10,112	**80,205**
Total	**¥ 117,551**	¥ 133,625	**$ 1,059,113**

Property, plant and equipment information by geographical area as of March 31, 2019 and 2018 was as follows:

	Year ended March 31,		
	2019	2018	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Japan	**¥ 31,442**	¥ 31,341	**$ 283,286**
Australia	**7,502**	9,607	**67,591**
Total	**¥ 38,945**	¥ 40,949	**$ 350,887**

(3) Information by major customer

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

21. Significant Subsequent Events

At the meeting of the board of directors held on April 9, 2019, the Company resolved to conclude an investment contract with Australia-based Galena Mining Ltd. (“Galena”), which holds a 100% interest in the Abra lead deposit development project in the State of Western Australia, Australia, in which the Company plans to participate through its consolidated subsidiary CBH Resources Ltd. (“CBH”), and to conclude a shareholders’ agreement on the joint management of the Abra lead deposit development project between Galena and CBH. The above contracts were signed on the same day.

(a) Overview of the contracts

(1) CBH (or its subsidiary) will underwrite a capital increase through a third-party allotment by Abra Mining Pty Ltd. (“AMPL”), a wholly-owned subsidiary of Galena, for AU$90 million and will hold 40% of AMPL shares.

(2) The Company and Galena will each arrange loans required for the Abra lead deposit development project from financial institutions according to their respective ownership ratios of AMPL shares.

(3) The Company and Galena will each hold the rights over product collection from the Abra lead deposit development project according to their respective ownership ratios of AMPL shares.

(b) Impact of the contracts on future business activities

The Company will procure investment funds for AMPL from financial institutions and invest these funds in CBH (or its subsidiary) by the year ending March 31, 2020 (planned). AMPL will become an associate after the completion of this investment (planned to be completed by the year ending March 31, 2020). It is expected that AMPL will contribute to earnings of the Company through CBH after the production starts in 2021 (planned).