Consolidated Financial Statements

Toho Zinc Co., Ltd.
and Consolidated Subsidiaries

For the year ended March 31, 2022
with Independent Auditor's Report

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Contents to Consolidated Financial Statements

(This is an English translation of the Independent Auditor's Report for the financial statement in the Japanese Annual report)

Independent Auditor’s Report

The Board of Directors
Toho Zinc Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Toho Zinc Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Recoverability of deferred tax assets</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>As described in (1) “Recoverability of Deferred Tax Assets” under (s) “Significant accounting estimates” in 1. “Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements, the Group recorded deferred tax assets (before being offset against deferred tax liabilities) of ¥3,831 million as of March 31, 2022. Of this amount, deferred tax assets (before being offset against deferred tax liabilities) recorded by Toho Zinc Co., Ltd. (“Toho Zinc”) amounted to ¥2,018 million. The recoverability of deferred tax assets on deductible temporary differences and tax loss carryforwards is determined by estimating future taxable income. Estimates of future taxable income are based on future business plans, and the significant assumptions underlying future business plans are market conditions, such as metal prices and foreign exchange rates, and sales volume.

In determining the recoverability of Toho Zinc’s deferred tax assets, the significant assumptions underlying future business plans are affected by fluctuations in quoted market prices and market demand and thus involve uncertainty and require management’s judgment. Accordingly, we have determined that this is a key audit matter for the year ended March 31, 2022.</td><td>In considering the recoverability of Toho Zinc’s deferred tax assets, we mainly performed the following audit procedures:
・We considered the scheduled timing of the reversal of the balance of deductible temporary differences and tax loss carryforwards.
・In order to assess estimates of future taxable income, we considered the underlying future business plan. In considering the future business plan, we considered its consistency with the latest budget approved by the Board of Directors.
・To assess the effectiveness of the estimation process used by management in developing business plans, we compared previous year business plans and actual results.
・We made inquiries of management about metal prices, foreign exchange rates, and sales volume, which are significant assumptions included in future business plans, and compared these assumptions with the results of trend analysis based on historical data.
・We considered management’s evaluation of uncertainty which reflects a certain level of risk in the business plan.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Committee 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 29, 2022

Akira Sato
Designated Engagement Partner
Certified Public Accountant

Yasuhito Tateishi
Designated Engagement Partner
Certified Public Accountant

Notes to the Readers of Independent Auditor's Report

- This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.
- Some parts of subject which are included in an English translation of the Independent Auditor's Report are not included in translated financial statements even if original Japanese version includes.
- Our audit doesn’t include the translation of Japanese yen amounts into U.S. dollar amounts. So the U.S. dollar amounts written in this translated report are out of our scope.

Toho Zinc Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and time deposits *(Notes 14 and 16)*	**¥ 7,929**	¥ 5,934	**$ 64,784**
Notes and accounts receivable, trade *(Note 14)*	**–**	14,061	**–**
Notes and accounts receivable, trade, and contract assets *(Notes 14 and 20)*	**17,594**	–	**143,753**
Electronically recorded monetary claims *(Notes 14 and 20)*	**1,160**	1,412	**9,477**
Inventories *(Note 3)*	**52,078**	33,100	**425,508**
Other current assets	**3,850**	2,471	**31,456**
Less: Allowance for doubtful accounts	**(0)**	(0)	**(0)**
Total current assets	**82,613**	56,979	**674,997**
Property, plant and equipment:			
Buildings and structures *(Notes 5 and 7)*	**25,245**	24,203	**206,266**
Machinery and equipment *(Notes 5 and 7)*	**78,704**	77,625	**643,059**
Land *(Notes 4 and 7)*	**16,616**	16,615	**135,762**
Leased assets	**249**	211	**2,034**
Construction in progress	**769**	627	**6,283**
	121,586	119,283	**993,430**
Less: Accumulated depreciation	**(86,315)**	(83,304)	**(705,245)**
Net property, plant and equipment	**35,271**	35,978	**288,185**
Investments and other assets:			
Investment securities *(Notes 7, 14 and 15)*	**1,678**	1,973	**13,710**
Investments in unconsolidated subsidiaries and associates *(Note 6)*	**9,597**	6,037	**78,413**
Net defined benefit asset *(Note 8)*	**878**	723	**7,173**
Deferred tax assets *(Note 11)*	**1,700**	393	**13,890**
Mining rights *(Note 5)*	**12,016**	10,117	**98,177**
Other assets	**2,928**	2,319	**23,923**
Less: Allowance for doubtful accounts	**(888)**	(888)	**(7,255)**
Total investments and other assets	**27,911**	20,676	**228,049**
Total assets	**¥ 145,796**	¥ 113,635	**$ 1,191,241**

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable, trade *(Note 14)*	**¥ 10,720**	¥ 6,217	**$ 87,588**
Short-term borrowings *(Notes 7 and 14)*	**30,100**	23,883	**245,935**
Current portion of long-term debt *(Notes 7 and 14)*	**10,192**	7,586	**83,274**
Commercial papers *(Notes 7 and 14)*	**8,000**	2,000	**65,364**
Lease obligations *(Note 7)*	**29**	25	**236**
Accrued income taxes	**1,044**	591	**8,530**
Accrued expenses	**5,347**	3,687	**43,688**
Other current liabilities	**6,969**	2,597	**56,940**
Total current liabilities	**72,404**	46,589	**591,584**
Long-term liabilities:			
Long-term debt *(Notes 7 and 14)*	**18,153**	16,431	**148,320**
Lease obligations *(Note 7)*	**33**	49	**269**
Deferred tax liabilities *(Note 11)*	**207**	196	**1,691**
Deferred tax liabilities related to land revaluation *(Notes 4 and 11)*	**4,173**	4,173	**34,095**
Net defined benefit liability *(Note 8)*	**140**	141	**1,143**
Provision for environmental measures	**65**	201	**531**
Provision for loss on business of subsidiaries and associates	**102**	102	**833**
Asset retirement obligations *(Note 9)*	**4,116**	3,871	**33,630**
Other long-term liabilities	**433**	411	**3,537**
Total long-term liabilities	**27,427**	25,581	**224,095**
Total liabilities	**99,831**	72,171	**815,679**
Net assets *(Note 10)*:			
Shareholders' equity:			
Common shares:			
Authorized – 26,400,000 shares			
Issued – 13,585,521 shares	**14,630**	14,630	**119,535**
Capital surplus	**9,876**	9,876	**80,692**
Retained earnings	**14,787**	7,546	**120,818**
Less: Treasury shares, at cost – 7,459 shares in 2022 and 7,346 shares in 2021	**(31)**	(30)	**(253)**
Total shareholders' equity	**39,264**	32,022	**320,810**
Accumulated other comprehensive income:			
Net unrealized gains on other securities	**315**	423	**2,573**
Deferred losses on hedges	**(3,668)**	(120)	**(29,969)**
Revaluation reserve for land *(Note 4)*	**8,610**	8,608	**70,348**
Foreign currency translation adjustment	**912**	56	**7,451**
Remeasurements of defined benefit plans	**530**	473	**4,330**
Total accumulated other comprehensive income	**6,700**	9,441	**54,743**
Total net assets	**45,964**	41,464	**375,553**
Total liabilities and net assets	**¥ 145,796**	¥ 113,635	**$ 1,191,241**

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, 2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales *(Note 20)*	**¥ 124,279**	¥ 103,469	**$ 1,015,434**
Cost of sales	**106,107**	90,030	**866,958**
Gross profit	**18,172**	13,439	**148,476**
Selling, general and administrative expenses:			
Transportation expense	**3,636**	3,398	**29,708**
Salaries and wages	**1,466**	1,477	**11,978**
Retirement benefit expenses	**40**	53	**326**
Provision of allowance for doubtful accounts	**0**	0	**0**
Depreciation	**214**	184	**1,748**
Research and development costs	**213**	146	**1,740**
Other	**2,092**	2,282	**17,092**
	7,663	7,544	**62,611**
Operating income	**10,509**	5,894	**85,864**
Other income (expenses):			
Interest and dividend income	**92**	98	**751**
Interest expenses	**(487)**	(558)	**(3,979)**
Share of (loss) profit of entities accounted for using equity method	**(62)**	1	**(506)**
Foreign exchange gains	**102**	563	**833**
Environmental expenses	**(455)**	(701)	**(3,717)**
Gain on sales of property, plant and equipment	**242**	888	**1,977**
Loss on sales of property, plant and equipment	**(1)**	–	**(8)**
Loss on retirement of property, plant and equipment	**(266)**	(179)	**(2,173)**
Impairment loss on fixed assets *(Note 5)*	**–**	(2,024)	**–**
Gain on sales of investment securities	**53**	281	**433**
Gain on sales of shares of subsidiaries and associates	**–**	2,671	**–**
Loss on sales of investment securities	**(10)**	–	**(81)**
Loss on valuation of investment securities	**(45)**	–	**(367)**
Loss on valuation of derivatives	**(515)**	(98)	**(4,207)**
Royalty income	**70**	128	**571**
Subsidy for employment adjustment	**–**	171	**–**
Other, net	**99**	(79)	**808**
	(1,183)	1,162	**(9,665)**
Profit before income taxes	**9,325**	7,057	**76,190**
Income taxes *(Note 11)*:			
Current	**1,250**	710	**10,213**
Deferred	**152**	838	**1,241**
	1,403	1,549	**11,463**
Profit	**7,922**	5,508	**64,727**
Profit attributable to owners of the parent	**¥ 7,922**	¥ 5,508	**$ 64,727**
	(Yen)		*(U.S. dollars) (Note 2)*
Per share:			
Profit – basic	**¥ 583.45**	¥ 405.67	**$ 4.76**
Cash dividends *(Note 10)*	**¥ 75.00**	¥ 50.00	**$ 0.61**

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,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Profit	**¥ 7,922**	¥ 5,508	**$ 64,727**
Other comprehensive income *(Note 18)*:			
Net unrealized (losses) gains on other securities	**(107)**	215	**(874)**
Deferred losses on hedges	**(3,548)**	(1,156)	**(28,989)**
Foreign currency translation adjustment	**856**	(2)	**6,994**
Remeasurements of defined benefit plans	**56**	590	**457**
Total other comprehensive loss	**(2,743)**	(352)	**(22,411)**
Comprehensive income	**¥ 5,179**	¥ 5,155	**$ 42,315**
Comprehensive income attributable to:			
Owners of the parent	**¥ 5,179**	¥ 5,155	**$ 42,315**
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

		Shareholders' equity				
	Number of shares of common shares issued	Common shares	Capital surplus	Retained earnings	Treasury shares (*)	Total shareholders' equity
	(Thousands)			*(Millions of yen)*		
Balance as of April 1, 2020	13,585	¥ 14,630	¥ 9,876	¥ 1,648	¥ (30)	¥ 26,125
Dividends of surplus	–	–	–	–	–	–
Profit attributable to owners of the parent	–	–	–	5,508	–	5,508
Acquisition of treasury shares	–	–	–	–	(0)	(0)
Reversal of revaluation reserve for land	–	–	–	389	–	389
Net changes in items other than those in shareholders' equity	–	–	–	–	–	–
Balance as of March 31, 2021	**13,585**	**14,630**	**9,876**	**7,546**	**(30)**	**32,022**
Cumulative effects of changes in accounting policies	–	–	–	**0**	–	**0**
Restated balance	**13,585**	**14,630**	**9,876**	**7,546**	**(30)**	**32,023**
Dividends of surplus	**–**	**–**	**–**	**(678)**	**–**	**(678)**
Profit attributable to owners of the parent	**–**	**–**	**–**	**7,922**	**–**	**7,922**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**(0)**	**(0)**
Reversal of revaluation reserve for land	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**
Balance as of March 31, 2022	**13,585**	**¥ 14,630**	**¥ 9,876**	**¥ 14,787**	**¥ (31)**	**¥ 39,264**

	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, 2021	**$ 119,535**	**$ 80,692**	**$ 61,655**	**$ (245)**	**$ 261,639**
Cumulative effects of changes in accounting policies	**–**	**–**	**0**	**–**	**0**
Restated balance	**119,535**	**80,692**	**61,655**	**(245)**	**261,647**
Dividends of surplus	**–**	**–**	**(5,539)**	**–**	**(5,539)**
Profit attributable to owners of the parent	**–**	**–**	**64,727**	**–**	**64,727**
Acquisition of treasury shares	**–**	**–**	**–**	**(0)**	**(0)**
Reversal of revaluation reserve for land	**–**	**–**	**(8)**	**–**	**(8)**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance as of March 31, 2022	**$ 119,535**	**$ 80,692**	**$ 120,818**	**$ (253)**	**$ 320,810**

	Accumulated other comprehensive income						
	Net unrealized gains on other securities	Deferred 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
				(Millions of yen)			
Balance as of April 1, 2020	¥ 207	¥ 1,036	¥ 8,997	¥ 58	¥ (116)	¥ 10,183	¥ 36,309
Dividends of surplus	–	–	–	–	–	–	–
Profit attributable to owners of the parent	–	–	–	–	–	–	5,508
Acquisition of treasury shares	–	–	–	–	–	–	(0)
Reversal of revaluation reserve for land	–	–	–	–	–	–	389
Net changes in items other than those in shareholders' equity	215	(1,156)	(389)	(2)	590	(741)	(741)
Balance as of March 31, 2021	**423**	**(120)**	**8,608**	**56**	**473**	**9,441**	**41,464**
Cumulative effects of changes in accounting policies	**–**	**–**	**–**	**–**	**–**	**–**	**0**
Restated balance	**423**	**(120)**	**8,608**	**56**	**473**	**9,441**	**41,464**
Dividends of surplus	**–**	**–**	**–**	**–**	**–**	**–**	**(678)**
Profit attributable to owners of the parent	**–**	**–**	**–**	**–**	**–**	**–**	**7,922**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**(0)**
Reversal of revaluation reserve for land	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
Net changes in items other than those in shareholders' equity	**(107)**	**(3,548)**	**1**	**856**	**56**	**(2,741)**	**(2,741)**
Balance as of March 31, 2022	**¥ 315**	**¥ (3,668)**	**¥ 8,610**	**¥ 912**	**¥ 530**	**¥ 6,700**	**¥ 45,964**

	Accumulated other comprehensive income						
	Net unrealized gains on other securities	Deferred 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
				(Thousands of U.S. dollars) (Note 2)			
Balance as of March 31, 2021	**$ 3,456**	**$ (980)**	**$ 70,332**	**$ 457**	**$ 3,864**	**$ 77,138**	**$ 338,785**
Cumulative effects of changes in accounting policies	**–**	**–**	**–**	**–**	**–**	**–**	**0**
Restated balance	**3,456**	**(980)**	**70,332**	**457**	**3,864**	**77,138**	**338,785**
Dividends of surplus	–	–	–	–	–	–	**(5,539)**
Profit attributable to owners of the parent	–	–	–	–	–	–	**64,727**
Acquisition of treasury shares	–	–	–	–	–	–	**(0)**
Reversal of revaluation reserve for land	–	–	–	–	–	–	**(8)**
Net changes in items other than those in shareholders' equity	**(874)**	**(28,989)**	**8**	**6,994**	**457**	**(22,395)**	**(22,395)**
Balance as of March 31, 2022	**$ 2,573**	**$ (29,969)**	**$ 70,348**	**$ 7,451**	**$ 4,330**	**$ 54,743**	**$ 375,553**

(*) There were 7,459 and 7,346 treasury shares as of March 31, 2022 and 2021, respectively. *(Note 10)*

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,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Cash flows from operating activities:			
Profit before income taxes	**¥ 9,325**	¥ 7,057	**$ 76,190**
Depreciation	**4,315**	4,594	**35,256**
Impairment loss on fixed assets	**–**	2,024	**–**
Increase in allowance for doubtful accounts	**0**	0	**0**
Increase in net defined benefit asset	**(155)**	(723)	**(1,266)**
Increase in net defined benefit liability	**79**	735	**645**
Interest and dividend income	**(92)**	(98)	**(751)**
Interest expenses	**487**	558	**3,979**
Foreign exchange gain	**(141)**	(489)	**(1,152)**
Share of loss (profit) of entities accounted for using equity method	**62**	(1)	**506**
Net loss (gain) on sales and retirement of property, plant and equipment	**22**	(450)	**179**
Net gain on sales of intangible assets	**–**	(259)	**–**
Increase in notes and accounts receivable, trade	**(3,170)**	(4,486)	**(25,900)**
(Increase) decrease in inventories	**(18,929)**	1,910	**(154,661)**
Increase (decrease) in notes and accounts payable, trade	**3,891**	(1,486)	**31,791**
Loss on valuation of investment securities	**45**	–	**367**
Net gain on sales of investment securities	**(42)**	(281)	**(343)**
Net gain on sales of shares of subsidiaries and associates *(Note 16)*	**–**	(2,671)	**–**
Other, net	**322**	(852)	**2,630**
Subtotal	**(3,978)**	5,079	**(32,502)**
Interest and dividend income received	**85**	115	**694**
Interest expenses paid	**(486)**	(555)	**(3,970)**
Income taxes paid	**(799)**	(327)	**(6,528)**
Net cash (used in) provided by operating activities	**(5,178)**	4,313	**(42,307)**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(2,650)**	(2,732)	**(21,652)**
Proceeds from sales of property, plant and equipment	**267**	1,254	**2,181**
Payments for purchases of intangible assets	**(2,168)**	(2,099)	**(17,713)**
Proceeds from sales of intangible assets	**–**	1,248	**–**
Payments for purchases of investment securities	**(4)**	(3)	**(32)**
Proceeds from sales of investment securities	**140**	787	**1,143**
Payments for loans receivable	**(502)**	–	**(4,101)**
Proceeds from collection of loans receivable	**67**	739	**547**
Purchases of shares of subsidiaries and associates	**(3,299)**	(2,005)	**(26,954)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation *(Note 16)*	**–**	3,011	**–**
Other, net	**(254)**	(155)	**(2,075)**
Net cash (used in) provided by investing activities	**(8,403)**	45	**(68,657)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	**6,092**	(199)	**49,775**
Proceeds from long-term debt	**11,800**	3,527	**96,413**
Repayments of long-term debt	**(7,590)**	(7,859)	**(62,014)**
Decrease in commercial papers	**6,000**	(2,000)	**49,023**
Cash dividends paid	**(678)**	–	**(5,539)**
Other, net	**(51)**	(81)	**(416)**
Net cash provided by (used in) financing activities	**15,571**	(6,613)	**127,224**

Effect of exchange rate changes on cash and cash equivalents	**5**	(17)	**40**
Net increase (decrease) in cash and cash equivalents	**1,995**	(2,273)	**16,300**
Cash and cash equivalents at beginning of year	**5,934**	8,207	**48,484**
Cash and cash equivalents at end of year *(Note 16)*	**¥ 7,929**	¥ 5,934	**$ 64,784**

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, 2022

Notes to the Readers of Consolidated Financial Statements
・This is an English translation of the Consolidated Financial Statements as required by the Companies Act of Japan for the conveniences of the reader.
・Some parts of subject which are included in the Japanese Consolidated Financial Statements are not included in translated financial statements.

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 "Group") 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 equity securities classified as other securities are carried at fair value 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 equity 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, and forward exchange contracts. The related hedged items are raw materials and finished goods exposed to commodity price fluctuation risk, interest payments on debt loan, and products exposed to foreign exchange fluctuation risk, 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 of raw materials and products, 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 forward exchange contracts. 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 capitalized under finance leases are primarily the storage equipment (structures) in the Smelting business and logistics facilities (buildings and structures) in the Mineral Resource business and depreciated over the lease term 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 environmental measures

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

(m) 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.

(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

(1) Smelting
The Smelting business engages in sales of nonferrous metal products such as zinc, lead and silver. Revenue from this business is recognized at the time of delivery as the performance obligation is satisfied when control over the goods is transferred to the customer. Revenue from sales of these products is measured at the transaction price under contracts with customers. The consideration for the transaction is received primarily within six months after the performance obligation is satisfied and therefore does not include any significant financing component.

(2) Environment and Recycling
The Environment and Recycling business engages in sales of zinc oxide and other products. Revenue from this business is recognized at the time of delivery as the performance obligation is satisfied when control over the goods is transferred to the customer. Revenue from sales of these products is measured at the transaction price under contracts with customers. The consideration for the transaction is received primarily within six months after the performance obligation is satisfied and therefore does not include any significant financing component.

(3) Mineral Resources

The Mineral Resources business engages in sales of lead and silver concentrates as well as zinc concentrates. Revenue from this business is recognized at the time of delivery as the performance obligation is satisfied when control over the goods is transferred to the customer. Revenue from sales of these products is measured at the transaction price under contracts with customers. The consideration for the transaction is received primarily within six months after the performance obligation is satisfied and therefore does not include any significant financing component.

(4) Electronic Components and Advanced Materials

The Electronic Components and Advanced Materials business engages in sales of electronic parts, plating products, electrolytic iron, and machine parts. Revenue from this business is recognized at the time of delivery as the performance obligation is satisfied when control over the goods is transferred to the customer. For certain products, the business applies the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue from sales of products in Japan at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is within a normal period. Revenue from sales of these products is, in principle, measured at the transaction price under contracts with customers. For products which use parts supplied from customers for a fee, for which the Group does not obtain control, revenue from sales of such products is measured at the transaction price under contracts with customers, less the amount for the parts supplied from customers for a fee. The consideration for the transaction is received primarily within six months after the performance obligation is satisfied and therefore does not include any significant financing component.

(5) Other

This segment mainly consists of the business engaging in sales of sound insulation building materials, and the civil engineering, construction and plant engineering business. Revenue from sales of sound insulation building materials is recognized at the time of delivery as the performance obligation is satisfied when control over the goods is transferred to the customer. Revenue from sales of these products is measured at transaction price under contracts with customers. The consideration for the transaction is received primarily within six months after the performance obligation is satisfied and therefore does not include any significant financing component. On the other hand, revenue from the civil engineering, construction and plant engineering business is recognized based on the degree of completion of the construction work as performance obligations of this business are satisfied over a certain period of time, or more specifically satisfied based on the progress of construction over the contract period. Therefore, revenue from this business is recognized according to the degree of completion of the construction work. The degree of completion is measured by the input method based on costs incurred because the costs incurred are considered to contribute to and be largely proportional to the entity's progress in satisfying its performance obligations. Revenue from these construction works is measured at the transaction price under construction contracts with customers. The consideration for the transaction is received in stages in accordance with the terms and conditions of the contract and largely in proportion to the progress of satisfaction of the performance obligation, and therefore does not include any significant financing component.

(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) 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.

(r) 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 0.0 to 2.1% for the years ended March 31, 2022 and 2021. 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.

(s) Significant accounting estimates

(1) Recoverability of deferred tax assets

The amounts recorded in the consolidated financial statements for the years ended March 31, 2022 and 2021

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets	¥ **3,831**	¥ 2,364	$ **31,301**
Deferred tax liabilities	**2,337**	2,166	**19,094**

Information about significant accounting estimates for the identified item

The recoverability of deferred tax assets is assessed based on the expected reduction in the tax burden in the future. Such assessment is based on the sufficiency of the taxable income before adjustment of the temporary differences, etc. considering profitability, the sufficiency of the taxable income before adjustment of the temporary differences, etc. under tax planning, and the sufficiency of future taxable temporary differences.

For the assessment for the sufficiency of taxable income before adjustment of temporary differences, etc. considering profitability, the taxable income for the fiscal year when the temporary differences are expected to be resolved and the taxable income during the carry-back or carry-forward period is estimated.

The main assumption for the future business plan used for the estimate of future taxable income is based on the information about the market conditions such as metal market prices or foreign exchange rates, the sales volume and others.

If a reassessment of such estimates and assumptions is required due to changes in uncertain economic conditions in the future, etc., it may have a significant impact on the amounts of deferred tax assets and deferred income taxes recognized in the consolidated financial statements for the next fiscal year.

(2) Calculation of retirement benefit obligations

The amounts recorded in the consolidated financial statements for the years ended March 31, 2022 and 2021

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net defined benefit asset (Toho Zinc)	¥ **878**	¥ 723	$ **7,173**

Information about significant accounting estimates for the identified item

In the Group, some companies adopt defined benefit plans. Retirement benefit obligations and related service costs for the defined benefit plans are calculated by estimating and discounting the expected retirement benefits based on actuarial assumptions. The main actuarial assumptions are the discount rate and expected rate of return of plan assets, and the discount rate is determined based on the yield of long-term government bonds at the fiscal year end. The expected rate of return of plan assets is determined based on the portfolio of the holding plan assets, operational performance in the past, operational policies and market trends, etc.

If a reassessment of the discount rate and long-term expected rate of return, which are main assumptions, is required due to changes in uncertain economic conditions in the future, etc., it may have a significant impact on the amounts of net defined benefit asset, net defined benefit liability and retirement benefit expenses recognized in the consolidated financial statements for the next fiscal year.

(3) Impairment loss on fixed assets in Mineral Resource business

The amounts recorded in the consolidated financial statements for the years ended March 31, 2022 and 2021

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Fixed assets (Mineral Resource business)	¥ **6,202**	¥ 6,475	$ **50,674**
Intangible assets (Mineral Resource business)	**12,003**	10,101	**98,071**
Impairment loss (Mineral Resource business)	–	1,491	–

Information about significant accounting estimates for the identified item

For the year ended March 31, 2022, business assets of the Company are grouped based on the categories used for its managerial accounting. The asset group with an indication of impairment is assessed to determine if impairment loss should be recognized, and if it is determined that impairment loss should be recognized, the Company writes down the book value to its recoverable amount and recognizes an impairment loss.
The Group recorded no impairment loss for the year ended March 31, 2022 because there was no indication of impairment. Specifically, the Mineral Resource business reported operating income and no other businesses experienced events leading to an indication of impairment. Nevertheless, if an indication of impairment is identified due to changes in uncertain economic conditions

including changes in future resource prices, it may result in impairment loss (extraordinary losses) recognized in the consolidated financial statements for the next fiscal year.

For the year ended March 31, 2021, business assets of the Company are grouped based on the categories used for its managerial accounting. The asset group with an indication of impairment is assessed to determine if impairment loss should be recognized, and if it is determined that impairment loss should be recognized, the Company writes down the book value to its recoverable amount and recognizes an impairment loss. The recoverable amount is measured at net sales amount or value in use, and future cash flows for which value in use is used as a recoverable amount is calculated based on the business plan for the next fiscal year.

The Group recorded impairment loss of ¥2,024 million for the year ended March 31, 2021 as described in Note 5. *Impairment Loss on Fixed Assets*, of which ¥1,491 million is recorded for the Mineral Resource business of the Group, and the recoverable amount is calculated using value in use. The main assumptions used to formulate the business plan for the next fiscal year and onwards, which form the basis for future cash flows, are information about external factors including business environment (the market conditions such as metal market prices or foreign exchange rates and the condition to buy metals), production volume and growth rate. In addition, the discount rate before tax, which is used in the assumption, reflects both the time value of money and the risk that future cash flows deviate from the original estimate, and is calculated based on the weighted average cost of capital of debt capital and equity capital.

If a reassessment of such estimates and assumptions is required due to changes in uncertain economic conditions in the future, etc., it may result in additional impairment loss (extraordinary losses) recognized in the consolidated financial statements for the next fiscal year.

(t) Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)
The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereafter, the “Revenue Recognition Standard”), etc. have been applied from the beginning of the current fiscal year. In accordance with the Revenue Recognition Standard, etc., revenue is recognized at the amount expected to be received in exchange for the promised goods or services at the time when control of the promised goods or services is transferred to a customer.

Previously, the percentage-of-completion method was applied to construction contracts for which the outcome of the progress is deemed certain during the course of the construction work, whereas the completed-contract method was applied to the other construction contracts. The Group now recognizes revenue over a certain period of time as performance obligations are satisfied, except for construction projects of low value and with a very short construction period. The degree of completion associated with the satisfaction of performance obligations is estimated by calculating the percentage of actual costs incurred to the estimated total costs (the input method). For construction projects of low value and a very short construction period, revenue is recognized when the performance obligation is fully satisfied. In addition, for transactions involving parts supplied from customers for a fee, in which the Group purchases raw materials or parts from a customer, processes them, and sells the products to the customer, the Group previously recognized revenue at the gross amount of consideration including the purchase price of such raw materials or parts, but now recognizes revenue at the net amount of consideration excluding the purchase price of such raw materials or parts.

With regard to the application of the Revenue Recognition Standard, etc., the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the beginning balance of the current fiscal year in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard. In addition, the Company has applied the method prescribed in Paragraph 86, Article (1) of the Revenue Recognition Standard, and has accounted for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, with the cumulative effect of these modifications being added to or deducted from retained earnings at the beginning of the current fiscal year.

In the consolidated balance sheet for the previous fiscal year, “Notes and accounts receivable, trade” presented in “Current assets” are included and presented in “Notes and accounts receivable, trade, and contract assets” in the current fiscal year. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, no reclassification has been made for the previous fiscal year using the new presentation method.

As a result, compared to before the adoption of the Revenue Recognition Standard, etc., net sales decreased by ¥531 million ($4,338 thousand), cost of sales decreased by ¥566 million ($4,624 thousand), whereas operating income and profit before income taxes increased by ¥34 million ($277 thousand) each in the consolidated statement of operations for the year ended March 31, 2022.

The beginning balance of retained earnings in the consolidated statement of changes in net assets increased by ¥0 million ($0 thousand) due to the cumulative effect being reflected in net assets at the beginning of the year ended March 31, 2022.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, notes on “Revenue Recognition” for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)
The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereafter “Fair Value Measurement Standard”), etc. have been applied from the beginning of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has determined to prospectively apply the new accounting policy prescribed in the Fair Value Measurement Standard, etc. As a result, effective from the current fiscal year, the Company changed the valuation method of other securities except for non-marketable equity securities, etc., from the previously applied fair value method based on the average market price for one month prior to the end of the fiscal year to the fair value method based on the market value as of the end of the fiscal year.

In addition, in the notes on “Financial Instruments,” the Company discloses notes on the breakdown of financial instruments by fair value hierarchy. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the relevant notes for the previous fiscal year are not presented.

(u) 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 ¥122.39 to U.S. $1 on March 31, 2022. 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, 2022 and 2021 consisted of the following:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	**¥ 10,726**	¥ 7,582	**$ 87,637**
Work in process	**16,088**	10,910	**131,448**
Raw materials and supplies	**25,263**	14,607	**206,413**
Total	**¥ 52,078**	¥ 33,100	**$ 425,508**

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, 2022 and 2021 were ¥7,679 million ($62,742 thousand) and ¥7,675 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.

5. Impairment Loss on Fixed Assets

The Group recognized impairment losses on certain asset groups for the years ended March 31, 2022 and 2021 as follows:

For the year ended March 31, 2022

The Group recognized no impairment losses.

For the year ended March 31, 2021

Location	Use	Category	*(Millions of yen)*
Annaka City, Gunma	Idle assets	Buildings and structures	¥ 72
		Machinery and equipment	460
			¥ 532
The State of New South Wales, Australia	Assets included in Mineral Resource business segment (Assets at Rasp Mine)	Mining rights	¥ 1,486

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.

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.

Regarding the Rasp 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 in future due to a revision in the production plan for the mine. The recoverable amount of the asset group is measured at value in use, and calculated by discounting future cash flows at a rate of 7%.

6. Investments in Unconsolidated Subsidiaries and Associates

Investments in unconsolidated subsidiaries and associates as of March 31, 2022 and 2021 are summarized as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unconsolidated subsidiaries	¥ **9**	¥ 9	$ **73**
Associates	**9,587**	6,028	**78,331**
	¥ **9,597**	¥ 6,037	$ **78,413**

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2022 and 2021 consisted of the following:

	March 31,				
	2022			2021	**2022**
	Amount	Weighted average interest rate	Due in	Amount	Amount
	(Millions of yen)			*(Millions of yen)*	*(Thousands of U.S. dollars)*
Short-term borrowings	**¥ 30,100**	**0.7%**		¥ 23,883	**$ 245,935**
Commercial papers	**8,000**	**0.2**		2,000	**65,364**
Current portion of long-term debt	**10,192**	**0.7**		7,586	**83,274**
Current portion of lease obligations	**29**	–		25	**236**
Long-term debt	**18,153**	**0.6**	**October 2023 – March 2034**	16,431	**148,320**
Lease obligations	**33**	–	**April 2023 – September 2025**	49	**269**
Total	**¥ 66,508**			¥ 49,977	**$ 543,410**

Average interest rates are calculated by using weighted-average interest rates as of March 31, 2022. 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, 2022 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)*	
2023	**¥ 10,192**	**¥ 29**	**$ 83,274**	**$ 236**
2024	**6,184**	**18**	**50,527**	**147**
2025	**7,033**	**12**	**57,463**	**98**
2026	**1,010**	**2**	**8,252**	**16**
2027	**943**	**–**	**7,704**	**–**
Thereafter	**2,981**	**–**	**24,356**	**–**
Total	**¥ 28,345**	**¥ 62**	**$ 231,595**	**$ 506**

Assets pledged as collateral for the long-term debt, including the current portion, as of March 31, 2022 and 2021 were as follows:

Pledged assets	March 31, 2022	March 31, 2021	March 31, 2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land (*)	¥ **11,776**	¥ 11,928	$ **96,217**
Buildings and structures (*)	**3,014**	4,285	**24,626**
Machinery and equipment (*)	**4,316**	4,709	**35,264**
Total	¥ **19,106**	¥ 20,923	$ **156,107**

(*) For the above assets, a revolving mortgage is set at the maximum amount of ¥1 million ($8 thousand) with bank as of March 31, 2022 and 2021.

Assets pledged as collateral for the loan borrowed by Abra Mining Pty Limited, the Company's equity method associate, from financial institutions as of March 31, 2022 and 2021 were as follows:

Pledged assets	March 31, 2022	March 31, 2021	March 31, 2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Investment securities (*)	¥ **8,483**	¥ –	$ **69,311**

(*) Investment securities above are common shares of Abra Mining Pty Limited.

Liabilities secured by collateral for the long-term debt as of March 31, 2022 and 2021 were as follows:

Pledged liabilities	March 31, 2022	March 31, 2021	March 31, 2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion of long-term debt	¥ **717**	¥ 123	$ **5,858**
Long-term debt	**7,348**	1,476	**60,037**
Total	¥ **8,066**	¥ 1,600	$ **65,904**

8. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined contribution plans as well as 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, 2022 and 2021 was as follows:

(a) The changes in the retirement benefit obligations for the years ended March 31, 2022 and 2021 are as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation at beginning of year	**¥ 3,979**	¥ 3,824	**$ 32,510**
Service costs	**293**	290	**2,393**
Interest costs	**2**	0	**16**
Actuarial gains and losses arising during year	**(33)**	(32)	**(269)**
Retirement benefits paid	**(229)**	(103)	**(1,871)**
Retirement benefit obligation at end of year	**¥ 4,013**	¥ 3,979	**$ 32,788**

(b) The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets at beginning of year	**¥ 4,702**	¥ 3,770	**$ 38,418**
Expected return on plan assets	**94**	75	**768**
Actuarial gains and losses arising during year	**112**	750	**915**
Contributions from employer	**211**	210	**1,723**
Retirement benefits paid	**(229)**	(103)	**(1,871)**
Plan assets at end of year	**¥ 4,891**	¥ 4,702	**$ 39,962**

(c) The changes in net defined benefit liability accounted for using the simplified method for the years ended March 31, 2022 and 2021 are as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net defined benefit liability at beginning of year	¥ **141**	¥ 152	$ **1,152**
Retirement benefit expenses	**9**	10	**73**
Retirement benefits paid	**(11)**	(21)	**(89)**
Net defined benefit liability at end of year	¥ **140**	¥ 141	$ **1,143**

(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, 2022 and 2021.

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation for funded plans	¥ **4,013**	¥ 3,979	$ **32,788**
Plan assets	**(4,891)**	(4,702)	**(39,962)**
	(878)	(723)	**(7,173)**
Retirement benefit obligation for unfunded plans	**140**	141	**1,143**
Net balance of liability and asset recognized on the consolidated balance sheet	**(738)**	(581)	**(6,029)**
Net defined benefit liability	**140**	141	**1,143**
Net defined benefit asset	**(878)**	(723)	**(7,173)**
Net balance of liability and asset recognized on the consolidated balance sheet	¥ **(738)**	¥ (581)	$ **(6,029)**

(e) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 are as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service costs (excluding employee contributions)	¥ **290**	¥ 287	$ **2,369**
Interest costs	**2**	0	**16**
Expected return on plan assets	**(94)**	(75)	**(768)**
Amortization of actuarial gains and losses	**(64)**	16	**(522)**
Amortization of past service costs	**–**	–	**–**
Retirement benefit expenses calculated using the simplified method	**9**	10	**73**
Retirement benefit expenses under defined benefit plans	¥ **144**	¥ 239	$ **1,176**

(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, 2022 and 2021 are as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial gains and losses	¥ **81**	¥ 799	$ **661**
Past service costs	**–**	–	**–**
Total	¥ **81**	¥ 799	$ **661**

(g) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial gains and losses	¥ **764**	¥ 682	$ **6,242**
Unrecognized past service costs	**–**	–	**–**
Total	¥ **764**	¥ 682	$ **6,242**

(h) Plan assets

(1) Breakdown of plan assets

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

	Year ended March 31,	
	2022	2021
Debt securities	**38%**	39%
Equity securities	**50**	48
Life insurance general account	**10**	11
Other	**2**	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,	
	2022	2021
Weighted-average actuarial assumptions at end of year:		
Discount rate	**0.2 %**	0.1 %
Expected long-term rate of return	**2.0**	2.0
Lump-sum election rate	**100.0**	100.0

Information regarding the Company's defined contribution plans for the years ended March 31, 2022 and 2021 was as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contribution required for defined contribution plans	**¥ 32**	¥ –	**$ 261**

9. Asset Retirement Obligations

The changes in asset retirement obligations for the years ended March 31, 2022 and 2021 were as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	**¥ 3,871**	¥ 3,726	**$ 31,628**
Increase associated with the change in estimate	**60**	30	**490**
Adjustment due to passage of time	**0**	0	**0**
Decrease due to performance of asset retirement obligations	**(39)**	–	**(318)**
Other	**223**	114	**1,822**
Balance at end of year	**¥ 4,116**	¥ 3,871	**$ 33,630**

10. Net Assets

Information regarding changes in net assets for the years ended March 31, 2022 and 2021 is as follows:

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2022

Types of shares	Number of shares as of April 1, 2021	Increase	Decrease	Number of shares as of March 31, 2022
		(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, 2021

Types of shares	Number of shares as of April 1, 2020	Increase	Decrease	Number of shares as of March 31, 2021
		(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.

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2022

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, 2021	Common shares	**¥ 678**	**¥ 50**	March 31, 2021	June 30, 2021

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 29, 2021	Common shares	**$ 5,539**	**$ 0.40**	March 31, 2021	June 30, 2021

For the year ended March 31, 2021

Not applicable.

(2) Dividends with the cut-off date in the current fiscal year and the effective date in the following fiscal year

For the year ended March 31, 2022

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 29, 2022	Common shares	**¥ 1,018**	Retained earnings	**¥ 75**	March 31, 2022	June 30, 2022

For the year ended March 31, 2021

Resolution	Type of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
		(Millions of yen)		*(Yen)*		
Annual general meeting of the shareholders on June 29, 2021	Common shares	¥ 678	Retained earnings	¥ 50	March 31, 2021	June 30, 2021

For the year ended March 31, 2022

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 29, 2022	Common shares	**$ 8,317**	Retained earnings	**$ 0.61**	March 31, 2022	June 30, 2022

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, 2022 and 2021, significant components of deferred tax assets and liabilities were as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Net operating loss carry forwards (Note 2)	**¥ 1,693**	¥ 2,716	**$ 13,832**
Asset retirement obligations	**1,235**	1,161	**10,090**
Depreciation in excess of tax limit	**4,036**	4,177	**32,976**
Foreign exchange losses	**1**	7	**8**
Deferred losses on hedges	**1,488**	53	**12,157**
Other	**2,093**	2,155	**17,101**
Gross deferred tax assets	**10,549**	10,271	**86,191**
Valuation allowance on net operating loss carryforwards (Note 2)	**(1,648)**	(2,684)	**(13,465)**
Valuation allowance on deductible temporary differences	**(5,070)**	(5,223)	**(41,424)**
Less: Valuation allowance (Note 1)	**(6,718)**	(7,907)	**(54,890)**
Total deferred tax assets	**3,831**	2,364	**31,301**
Deferred tax liabilities:			
Unrealized gains on other securities	**(136)**	(184)	**(1,111)**
Depreciation in foreign subsidiary	**(1,194)**	(893)	**(9,755)**
Inventories	**(314)**	(305)	**(2,565)**
Reserve for overseas exploration	**(136)**	(136)	**(1,111)**
Net defined benefit asset	**(269)**	(221)	**(2,197)**
Other	**(286)**	(425)	**(2,336)**
Total deferred tax liabilities	**(2,337)**	(2,166)	**(19,094)**
Net deferred tax assets (liabilities)	**¥ 1,493**	¥ 197	**$ 12,198**
Deferred tax liabilities:			
Deferred tax liabilities related to land revaluation	**¥ (4,173)**	¥ (4,173)	**$ (34,095)**

(Changes in presentation method)

"Deferred losses on hedges" included in "Other" under deferred tax assets and "Net defined benefit asset" included in "Other" under deferred tax liabilities in the previous fiscal year are separately presented in the current fiscal year as they have become more material in terms of amount. In addition, "Loss on valuation of inventories" in deferred tax assets and "Royalty gains" in deferred tax liabilities, which were separately presented in the previous fiscal year, are included in "Other" in the current fiscal year as they have become less material in terms of amount. To reflect these changes in presentation method, the notes for the previous fiscal year have been reclassified.

As a result, "Loss on valuation of inventories" of ¥113 million and "Other" of ¥2,094 million, which were presented as deferred tax assets in the notes for the previous fiscal year, have been reclassified as "Deferred losses on hedges" of ¥53 million and "Other" of ¥2,155 million.

In addition, "Royalty gains" of ¥(81) million and "Other" of ¥(565) million presented as deferred tax liabilities in the notes for the previous fiscal year have been reclassified as “Net defined benefit asset” of ¥(221) million and “Other” of ¥(425) million.

Notes 1. The decrease of ¥1,189 million ($9,714 thousand) in valuation allowance was mainly due to the decrease of ¥1,035 million ($8,456 thousand) as valuation allowance for net operating loss carry forwards in Toho Zinc Co., Ltd., the parent company.

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

As of March 31, 2022

	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)	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 1,693**	**¥ 1,693**
Valuation allowance	**–**	**–**	**–**	**–**	**–**	**(1,648)**	**(1,648)**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**45**	**45**

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

As of March 31, 2021

	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 (b)	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 2,716	¥ 2,716
Valuation allowance	–	–	–	–	–	(2,684)	(2,684)
Deferred tax assets	–	–	–	–	–	33	33

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

As of March 31, 2022

	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)	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 13,832**	**$ 13,832**
Valuation allowance	**–**	**–**	**–**	**–**	**–**	**(13,465)**	**(13,465)**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**367**	**367**

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

The reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2022 and 2021, when there is a significant difference was as follows.

	Year ended March 31,	
	2022	2021
Statutory tax rate	**30.62%**	30.62%
Increase (decrease) due to:		
Tax loss carryforwards of foreign consolidated subsidiaries	**(4.86)**	3.18
Elimination of intercompany profits	**0.51**	(5.02)
Change in valuation allowance	**(11.88)**	(6.40)
Other	**0.66**	(0.44)
Effective tax rate	**15.05%**	21.94%

12. Leases

As lessee:

There were no impairment losses allocated to leased assets for the years ended March 31, 2022 and 2021.

13. Commitments and Contingent Liabilities

(a) Guarantees

The Company guarantees bank loans of its associates as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Abra Mining Pty Limited	**¥ 3,182**	¥ –	**$ 25,998**
TIANJIN TOHO LEAD RECYCLING CO., LTD.	**1,156**	1,031	**9,445**
Total	**¥ 4,338**	¥ 1,031	**$ 35,444**

(b) Loan commitments

In addition, the Company has entered into loan commitments amounting to ¥16,000 million ($130,729 thousand) and ¥16,000 million with 10 financial institutions as of March 31, 2022 and 2021, respectively. There were no related loans payable outstanding, and therefore, the unused balance was ¥16,000 million ($130,729 thousand) and ¥16,000 million under the credit facilities as of March 31, 2022 and 2021, respectively.

As financial covenants are attached to these loan commitment agreements, any infringements of the following clauses may result in forfeiture of the benefit of time for all the debts under the loan commitment agreements.

(1) Maintaining consolidated shareholders' equity as of March 31, 2022 at no less than ¥25.0 billion ($204,265 thousand).
(2) Maintaining consolidated shareholders' equity as of September 30, 2022 at no less than 75% of the consolidated shareholders' equity as of March 31, 2022.
(3) Maintaining the consolidated capital adequacy ratio as of March 31, 2022 and September 30, 2022 no less than 20%.

(c) Contingent liabilities

As a result of an investigation, it was discovered that some of the nonferrous slag products shipped from the Company's Annaka Smelter and Refinery in the past included those with features not meeting environmental quality standards for soil under the Soil Contamination Countermeasures Act and that there is a possibility of inappropriate usage or contamination due to insufficient management by the Company. Going forward, the Company may incur expenses to collect and remove such products. However, it is difficult to reasonably estimate the impact on the consolidated financial statements at this point in time.

(d) Notes receivable discounted and others

The Company had repurchase obligations of ¥230 million ($1,879 thousand) and ¥292 million in connection with the securitization of receivables as of March 31, 2022 and 2021, respectively.

14. Financial Instruments

(a) Overview

(1) Policy for financial instruments

The Group raises funds mainly through bank borrowings in consideration of their business plans. The Group invests temporary surplus funds in highly liquid financial assets and raises short-term operating capital through bank borrowings and issuances of commercial papers. The Group uses derivatives to avoid after-mentioned risks and does 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). The due date is 14 years from the balance sheet date at maximum.

As for derivatives, the Group has 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 Group periodically monitors 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 Group is making efforts to identify uncollectibility in the earlier stage and mitigate risks of bad debts, due to customers with financial difficulties.

The Group believes 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 Group periodically monitors 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

Since various assumptions and factors are reflected in the calculation of the fair value of financial instruments, 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, 2022 and 2021 and their fair values are shown in the following table.

	March 31, 2022		
	Carrying value	Fair value	Difference
	(Millions of yen)		
(1) Investment securities (*2)	**¥ 1,068**	**¥ 1,068**	**¥ –**
Total assets	**¥ 1,068**	**¥ 1,068**	**¥ –**
(1) Long-term debt (*3)	**¥ 28,345**	**¥ 28,274**	**¥ (70)**
Total liabilities	**¥ 28,345**	**¥ 28,274**	**¥ (70)**
Derivatives (*4)	**¥ (5,165)**	**¥ (5,165)**	**¥ –**

	March 31, 2022		
	Carrying value	Fair value	Difference
	(Thousands of U.S. Dollars)		
(1) Investment securities (*2)	**$ 8,726**	**$ 8,726**	**$ –**
Total assets	**$ 8,726**	**$ 8,726**	**$ –**
(1) Long-term debt (*3)	**$ 231,595**	**$ 231,015**	**$ (571)**
Total liabilities	**$ 231,595**	**$ 231,015**	**$ (571)**
Derivatives (*4)	**$ (42,201)**	**$ (42,201)**	**$ –**

(*1) "Cash and time deposits," "Notes and accounts receivable, trade, and contract assets," "Electronically recorded monetary claims," "notes and accounts payable, trade," "Short-term borrowings," and "Commercial papers" are omitted as they represent cash and are settled in a short period of time, and therefore the carrying value approximates the fair value.

(*2) "(1) Investment securities" does not include non-marketable equity securities. The carrying value of such financial instruments is as follows:

Category	**As of March 31, 2022**
Unlisted equity securities	**¥9,177 million ($74,981 thousand)**

(*3) Current portion of long-term debt is included in long-term debt.

(*4) The value of receivables or payables arising from derivative transactions is shown at net value, and the net liability position is shown in parentheses.

	March 31, 2021		
	Carrying value	Fair value	Difference
	(Millions of yen)		
(1) Notes and accounts receivable, trade	¥ 14,061	¥ 14,061	¥ –
(2) Electronically recorded monetary claims	1,412	1,421	–
(3) Investment securities (*2)	1,363	1,363	–
Total assets	¥ 16,837	¥ 16,837	¥ –
(1) Notes and accounts payable, trade	¥ 6,217	¥ 6,217	¥ –
(2) Short-term borrowings	23,883	23,883	–
(3) Commercial papers	2,000	2,000	–
(4) Long-term debt (*3)	24,018	23,964	(53)
Total liabilities	¥ 56,119	¥ 56,066	¥ (53)
Derivatives (*4)	¥ (187)	¥ (187)	¥ –

(*1) "Cash and time deposits" is omitted as it represents cash and is settled in a short period of time, and therefore the carrying value approximates the fair value.

(*2) The carrying value of financial instruments whose fair value is deemed extremely difficult to determine is as follows:

Category	As of March 31, 2021
Unlisted equity securities	¥5,618 million

The fair value of these financial instruments, which have no market prices, is deemed extremely difficult to determine, and therefore they are not included in "(3) Investment securities."

(*3) Current portion of long-term debt is included in long-term debt.

(*4) The value of receivables or payables arising from derivative transactions is shown at net value, and the net liability position is shown in parentheses.

Notes:

1. Redemption schedule for monetary receivables

	March 31, 2022			
	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	¥ **7,921**	¥ –	¥ –	¥ –
Notes receivable, trade	**697**	–	–	–
Accounts receivable, trade	**16,652**	–	–	–
Electronically recorded monetary claims	**1,160**	–	–	–
Total	¥ **26,432**	¥ –	¥ –	¥ –

	March 31, 2021			
	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	¥ 5,926	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	14,061	–	–	–
Electronically recorded monetary claims	1,412	–	–	–
Total	¥ 21,400	¥ –	¥ –	¥ –

	March 31, 2022			
	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	$ **64,719**	$ –	$ –	$ –
Notes receivable, trade	**5,694**	–	–	–
Accounts receivable, trade	**136,056**	–	–	–
Electronically recorded monetary claims	**9,477**	–	–	–
Total	$ **215,965**	$ –	$ –	$ –

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

3. Breakdown of financial instruments by fair value hierarchy

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine the fair value.

Level 1 fair value:	Among inputs for determining observable fair value, Level 1 fair value is the fair value determined based on quoted market prices in an active market for identical assets or liabilities subject to the fair value measurement.
Level 2 fair value:	Among inputs for determining observable fair value, Level 2 fair value is the fair value determined using inputs for the fair value measurement other than Level 1 inputs.
Level 3 fair value:	Level 3 fair value is the fair value determined using inputs for determining fair value that are unobservable.

When the Group uses multiple inputs with a significant impact on the determination of fair value, fair value is classified to the level with the lowest priority in the determination of fair value among the levels to which each of those inputs belongs.

(1) Financial assets and liabilities carried at fair value in the consolidated balance sheet

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities				
Other securities				
Equity securities				
	¥ 1,068	¥ –	¥ –	¥ 1,068
Total assets	¥ 1,068	¥ –	¥ –	¥ 1,068
Derivative transactions				
Currency-related	¥ –	¥ 52	¥ –	¥ 52
Commodity-related	–	5,112	–	5,112
Total liabilities	¥ –	¥ 5,165	¥ –	¥ 5,165

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Investment securities				
Other securities				
Equity securities	$ 8,726	$ –	$ –	$ 8,726
Total assets	$ 8,726	$ –	$ –	$ 8,726
Derivative transactions				
Currency-related	$ –	$ 424	$ –	$ 424
Commodity-related	–	41,768	–	41,768
Total liabilities	$ –	$ 42,201	$ –	$ 42,201

(2) Financial assets and liabilities not carried at fair value in the consolidated balance sheet

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Long-term debt	¥ –	¥ 28,274	¥ –	¥ 28,274
Total liabilities	¥ –	¥ 28,274	¥ –	¥ 28,274

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Long-term debt	$ –	$ 231,015	$ –	$ 231,015
Total liabilities	$ –	$ 231,015	$ –	$ 231,015

Notes: Explanation of valuation technique and inputs used to determine fair value

Investment securities
The fair value of listed equity securities is based on a quoted market price. As listed equity securities are traded in an active market, the fair value is categorized into Level 1.

Derivative transactions
(1) Currency-related
The fair value of currency-related derivatives is based on prices obtained from counterparty financial institutions and others and is categorized into Level 2.

(2) Commodity-related
The fair value of commodity-related derivatives is based on prices obtained from counterparties and others and is categorized into Level 2.

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. The fair value is therefore categorized into Level 2.

15. Investment Securities

Investment securities held by the Group 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, 2022 and 2021 were as follows:

	March 31, 2022		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	**¥ 455**	**¥ 955**	**¥ 499**
Securities whose fair value does not exceed their cost:			
Equity securities	**160**	**113**	**(47)**
Total	**¥ 615**	**¥ 1,068**	**¥ 452**

	March 31, 2021		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 529	¥ 1,146	¥ 616
Securities whose fair value does not exceed their cost:			
Equity securities	227	217	(10)
Total	¥ 757	¥ 1,363	¥ 606

	March 31, 2022		
	Cost	Fair value (carrying value)	Unrealized gains (losses)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their cost:			
Equity securities	**$ 3,717**	**$ 7,802**	**$ 4,077**
Securities whose fair value does not exceed their cost:			
Equity securities	**1,307**	**923**	**(384)**
Total	**$ 5,024**	**$ 8,726**	**$ 3,693**

As of March 31, 2022 and 2021, unlisted equity securities amounting to ¥9,177 million ($74,981 thousand) and ¥5,618 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, 2022 and 2021 was as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	**¥ 140**	¥ 787	**$ 1,143**
Aggregate gains	**53**	281	**433**
Aggregate losses	**(10)**	-	**(81)**

The Company recognized an impairment loss of ¥45 million ($367 thousand) of securities (equity securities categorized into other securities) for the year ended March 31, 2022, and no impairment loss for the year ended March 31, 2021.

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.

16. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2022 and 2021 were composed of the following:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and time deposits	**¥ 7,929**	¥ 5,934	**$ 64,784**
Cash and cash equivalents	**¥ 7,929**	¥ 5,934	**$ 64,784**

The details of assets and liabilities of a subsidiary excluded from the scope of consolidated subsidiary due to sales of its shares

For the year ended March 31, 2022
Not applicable.

For the year ended March 31, 2021
The details of assets and liabilities, selling price of shares and proceeds from sales of shares which were recognized when ConPorts Pty Limited was excluded from the scope of consolidated subsidiary due to the sales of its shares were as follows:

	(Millions of yen)
Current assets	¥ 140
Fixed assets	796
Current liabilities	(37)
Long-term liabilities	(513)
Gain on sales of shares of subsidiaries and associates	2,671
Selling price of shares	3,057
Cash and cash equivalents	(46)
Less: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,011

17. Derivative Transactions

(a) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2022 and 2021, for which hedge accounting has not been applied.

(1) Commodity-related transactions

	March 31, 2022			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Metal forward contracts				
Sell:				
Metals	**¥ 61**	**¥ –**	**¥ (8)**	**¥ –**
Buy:				
Metals	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Total	**¥ 61**	**¥ –**	**¥ (8)**	**¥ –**

	March 31, 2021			
	Notional amount			
	Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
	(Millions of yen)			
OTC transactions:				
Metal forward contracts				
Sell:				
Metals	¥ 2,756	¥ –	¥ 0	¥ 0
Buy:				
Metals	¥ 606	¥ –	¥ 16	¥ 16
Total	¥ 3,362	¥ –	¥ 16	¥ 16

	March 31, 2022			
	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	**$ 498**	**$ –**	**$ (65)**	**$ –**
Buy:				
Metals	**$ –**	**$ –**	**$ –**	**$ –**
Total	**$ 498**	**$ –**	**$ (65)**	**$ –**

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

(b) Summarized below are the notional amounts and the fair value of derivative instruments outstanding as of March 31, 2022 and 2021, for which hedge accounting has been applied.

(1) Currency-related transactions

	March 31, 2022		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Forward foreign exchange contracts to hedge forecast foreign currency denominated transactions, accounted for by standard treatment:			
Sell:			
USD	**¥ 4,796**	**¥ –**	**¥ (52)**
Total	**¥ 4,796**	**¥ –**	**¥ (52)**

	March 31, 2022		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Thousands of U.S. Dollars)		
Forward foreign exchange contracts to hedge forecast foreign currency denominated transactions, accounted for by standard treatment:			
Sell:			
USD	**$ 39,186**	**$ –**	**$ (424)**
Total	**$ 39,186**	**$ –**	**$ (424)**

For the year ended March 31, 2021

Not applicable.

(2) Interest-related transactions

	March 31, 2022		
	Notional amount		
	Contract amount	Maturing after one year	Fair value
	(Millions of yen)		
Interest rate swaps to hedge long-term debt, accounted for by exceptional treatment:			
Receive/floating and pay/fixed	**¥ 2,401**	**¥ 680**	***(Note)***
Total	**¥ 2,401**	**¥ 680**	

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.

	March 31, 2021				
	Notional amount				
	Contract amount		Maturing after one year		Fair value
	(Millions of yen)				
Interest rate swaps to hedge long-term debt, accounted for by exceptional treatment:					
Receive/floating and pay/fixed	¥	3,622	¥	2,401	*(Note)*
Total	¥	3,622	¥	2,401	

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.

	March 31, 2022				
	Notional amount				
	Contract amount		Maturing after one year		Fair value
	(Thousands of U.S. dollars)				
Interest rate swaps to hedge long-term debt, accounted for by exceptional treatment:					
Receive/floating and pay/fixed	**$**	**19,617**	**$**	**5,556**	***(Note)***
Total	**$**	**19,617**	**$**	**5,556**	

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.

(3) Commodity-related transactions

	March 31, 2022					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Millions of yen)					
Metal forward contracts to hedge part of raw materials and finished goods, accounted for by standard treatment						
Sell: Metals	**¥**	**42,526**	**¥**	**-**	**¥**	**(5,544)**
Buy: Metals		**3,574**		**-**		**439**
Total	**¥**	**46,100**	**¥**	**-**	**¥**	**(5,105)**

	March 31, 2021					
	Notional amount					
	Contract amount		Maturing after one year		Fair value	
	(Millions of yen)					
Metal forward contracts to hedge part of raw materials and finished goods, accounted for by standard treatment						
Sell: Metals	¥	12,008	¥	-	¥	(162)
Buy: Metals		7,839		-		(10)
Total	¥	19,848	¥	-	¥	(173)

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

	March 31, 2022		
	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	**$ 347,463**	**$ –**	**$ (45,297)**
Buy: Metals	**29,201**	**–**	**3,586**
Total	**$ 376,664**	**$ –**	**$ (41,710)**

18. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive loss for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized (losses) gains on other securities:			
(Losses) gains arising during the year	**¥ (112)**	¥ 592	**$ (915)**
Reclassification adjustments	**(42)**	(281)	**(343)**
Amount before tax effect	**(155)**	310	**(1,266)**
Tax effect	**47**	(94)	**384**
	(107)	215	**(874)**
Deferred losses on hedges:			
Losses arising during the year	**(8,804)**	(5,734)	**(71,933)**
Reclassification adjustments	**3,820**	4,067	**31,211**
Amount before tax effect	**(4,984)**	(1,666)	**(40,722)**
Tax effect	**1,435**	510	**11,724**
	(3,548)	(1,156)	**(28,989)**
Foreign currency translation adjustment:			
Adjustments arising during the year	**856**	(2)	**6,994**
Tax effect	**–**	–	–
	856	(2)	**6,994**
Remeasurements of defined benefit plans:			
Gains arising during the year	**146**	782	**1,192**
Reclassification adjustments	**(64)**	16	**(522)**
Amount before tax effect	**81**	799	**661**
Tax effect	**(24)**	(209)	**(196)**
	56	590	**457**
Total other comprehensive loss	**¥ (2,743)**	¥ (352)	**$ (22,411)**

19. Business Combinations

(Transactions under common control, etc.)

Based on the resolution at the Board of Directors meeting held on December 6, 2021, the smelting division (manufacturing function) in the lead smelting business of the Company was succeeded to Toho Chigirishima Refinery Co., Ltd. ("Toho Chigirishima Refinery"), which was established on September 24, 2021 as a wholly owned subsidiary of the Company.

(a) Outline of transaction

(1) Name and description of business subject to the transaction

Name of business: Business related to lead smelting, etc.

Business description: Smelting and processing of lead, silver and other metals
Processing of by-products of the above smelting

(2) Date of business combination

March 1, 2022

(3) Legal form of business combination

Simplified absorption-type split, with the Company being the company splitting in an absorption-type split and Toho Chigirishima Refinery being the company succeeding in an absorption-type split

(4) Name of company after business combination

Toho Chigirishima Refinery Co., Ltd.

(5) Other matters related to the outline of transaction

In order to achieve the 12th Medium-term Management Plan (from April 2021 to March 2024) and the 10-year Vision (what the Company aspires to be in 2030), the Company has been promoting to strengthen the resource recycling and precious metal recovery businesses by utilizing the smelting technologies it has developed over many years.

As a result of reviewing the role of Chigirishima Refinery, the main lead smelting plant, in order to further strengthen profitability by establishing an organizational structure that can capture demand for contract smelting both within and outside the Group, the smelting function of Toho Zinc's lead smelting business was transferred to Toho Chigirishima Refinery.

(b) Overview of accounting policies

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction was accounted for as a transaction under common control.

20. Revenue Recognition

(a) Information on disaggregated revenue from contracts with customers

For the year ended March 31, 2022

	Reportable segment						
	Smelting	Environment and Recycling	Mineral Resource	Electronic Components and Advanced Materials	Total	Other (*Note*)	Total
				(Millions of yen)			
Zinc products	¥ 35,621	¥ –	¥ –	¥ –	¥ 35,621	¥ –	¥ 35,621
Lead products	26,068	–	–	–	26,068	–	26,068
Electric silver	29,078	–	–	–	29,078	–	29,078
Sulfuric acid	1,439	–	–	–	1,439	–	1,439
Environment and recycling products	–	¥ 4,674	–	–	4,674	–	4,674
Sales of ores, etc.	–	–	¥ 8,303	–	8,303	–	8,303
Electronic parts	–	–	–	¥ 2,139	2,139	–	2,139
Electrolytic iron	–	–	–	1,440	1,440	–	1,440
Sound isolation building materials	–	–	–	–	–	¥ 1,421	1,421
Civil engineering, construction and plant engineering	–	–	–	–	–	1,705	1,705
Other	12,439	–	–	1,687	14,127	1,903	16,030
Revenue from contracts with customers	¥ 104,647	¥ 4,674	¥ 8,303	¥ 5,267	¥ 122,893	¥ 5,031	¥ 127,924
Other revenues	¥ (3,218)	¥ (91)	¥ (333)	–	¥ (3,644)	–	¥ (3,644)
Net sales to external customers	¥ 101,428	¥ 4,583	¥ 7,969	¥ 5,267	¥ 119,248	¥ 5,031	¥ 124,279

	Reportable segment						
	Smelting	Environment and Recycling	Mineral Resource	Electronic Components and Advanced Materials	Total	Other (*Note*)	Total
				(Thousands of U.S. dollars)			
Zinc products	$ 291,045	$ –	$ –	$ –	$ 291,045	$ –	$ 291,045
Lead products	212,991	–	–	–	212,991		212,991
Electric silver	237,584	–	–	–	237,584	–	237,584
Sulfuric acid	11,757	–	–	–	11,757	–	11,757
Environment and recycling products		$ 38,189	–	–	38,189	–	38,189
Sales of ores, etc.	–	–	$ 67,840	–	67,840	–	67,840
Electronic parts	–	–	–	$ 17,476	17,476	–	17,476
Electrolytic iron	–	–	–	11,765	11,765	–	11,765
Sound isolation building materials	–	–	–	–	–	$ 11,610	11,610
Civil engineering, construction and plant engineering	–	–	–	–	–	13,930	13,930
Other	101,634	–	–	13,783	115,426	15,548	130,974
Revenue from contracts with customers	$ 855,029	$ 38,189	$ 67,840	$ 43,034	$ 1,004,109	$ 41,106	$ 1,045,216
Other revenues	$ (26,292)	$ (743)	$ (2,720)	–	$ (29,773)	–	$ (29,773)
Net sales to external customers	$ 828,727	$ 37,445	$ 65,111	$ 43,034	$ 974,327	$ 41,106	$ 1,015,434

Note: "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.

(b) Information that provides a basis for understanding revenue from contracts with customers
The information that provides a basis for understanding revenue is described "1. Summary of Significant Accounting Policies, (o) Recognition of revenues" in the "Notes to Consolidated Financial Statements."

(c) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, as well as the amount and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed at the end of the current fiscal year

(1) Balances of contract assets and contract liabilities, etc.

For the year ended March 31, 2022

		(Millions of yen)		(Thousands of U.S. dollars)
Receivables from contracts with customers (beginning balance)				
Notes receivables, trade	¥	**833**	$	**6,806**
Electronically recorded monetary claims		**1,412**		**11,536**
Accounts receivable, trade		**13,070**		**106,789**
	¥	**15,316**	$	**125,140**
Receivables from contracts with customers (ending balance)				
Notes receivables, trade	¥	**697**	$	**5,694**
Electronically recorded monetary claims		**1,160**		**9,477**
Accounts receivable, trade		**16,652**		**136,056**
	¥	**18,511**	$	**151,246**
Contract assets (beginning balance)	¥	**157**	$	**1,282**
Contract assets (ending balance)	¥	**244**	$	**1,993**
Contract liabilities (beginning balance)	¥	**119**	$	**972**
Contract liabilities (ending balance)	¥	**237**	$	**1,936**

Contract assets are those related to the rights of consolidated subsidiaries to construction contracts with customers in the civil engineering, construction and plant engineering business for which revenue over a certain period of time had been recognized but the corresponding invoices had not been issued yet as of the end of the current fiscal year. The contract assets are reclassified to receivables from contracts with customers when the rights of consolidated subsidiaries to the consideration become unconditional. The consideration for such construction contracts is received largely in stages in reference to the progress of satisfying the performance obligations in accordance with the terms and conditions of the contract.

Contract liabilities are those primarily related to advances received for sales in each business. Contract liabilities are reduced when revenue is recognized.

The amount of revenue recognized in the current period that was included in the beginning balance contract liabilities was ¥117 million ($955 thousand). The amount of revenue recognized in the current fiscal year from performance obligations that have been satisfied in prior periods (mainly due to changes in transaction prices) was immaterial.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries has applied the practical expedient on the notes on transaction prices allocated to the remaining performance obligations. As a result, the contracts with an initial expected contract period of one year or less are not included in the notes. Such performance obligations are those related to the contracted construction works in the civil engineering, construction and plant engineering business. The aggregate transaction price allocated to the remaining performance obligations and the timeframe in which the Group expects to recognize revenue are as follows:

As of March 31, 2022

		(Millions of yen)		(Thousands of U.S. dollars)
One year or less	¥	**309**	$	**2,524**
More than one year but not more than two years		**6**		**49**
Total	¥	**316**	$	**2,581**

As of March 31, 2022, the aggregate transaction price allocated to the remaining performance obligations for the contracted construction works was ¥316 million ($2,581 thousand). The Company expects to recognize revenue for these remaining performance obligations over the next 11 to 17 months as the work is completed.

21. 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," "Environment and Recycling," "Mineral Resource" (organized based on CBH Resources Ltd., a consolidated subsidiary), and "Electronic Components and Advanced Materials."

(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 Environment and Recycling segment engages in sales and production of zinc oxide and recycling of waste materials.
- The Mineral Resource segment engages in exploration, development and production of non-ferrous metal resources and sales of their output.
- The Electronic Components and Advanced Materials segment engages in sales and production of electronic parts, electrolytic iron, plating and machine parts.

(3) Changes in reportable segments

Effective from the current fiscal year, the "Civil Engineering, Construction and Plant Engineering," which was previously considered a reportable segment, is now included in "Other" because it has become less significant in terms of volume.

The segment information for the previous fiscal year is presented based on the classification and name after the change.

(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 prevailing market prices.

As stated in “Changes in accounting policies,” the Company has adopted the “Accounting Standard for Revenue Recognition,” etc. from the beginning of the current fiscal year and has changed the accounting method for revenue recognition. In line with this change, the method of determining segment profit (loss) has also been changed in the same manner. As a result, for the current fiscal year, net sales from the “Electronic Components and Advanced Materials” segment decreased by ¥797 million ($6,511 thousand) year on year, whereas net sales and segment profit from the “Other” segment increased by ¥265 million ($2,165 thousand) year on year and ¥34 million ($277 thousand) year on year, respectively.

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

Year ended March 31, 2022

	Reportable segment								
	Smelting	Environment and Recycling	Mineral Resource	Electronic Components and Advanced Materials	Total	Other *(Note 1)*	Total	Reconcilia-tion *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	¥ 101,428	¥ 4,583	¥ 7,969	¥ 5,267	¥ 119,248	¥ 5,031	¥ 124,279	¥ –	¥ 124,279
Intersegment	930	–	4,874	–	5,805	5,302	11,108	(11,108)	–
Total	¥ 102,359	¥ 4,583	¥ 12,844	¥ 5,267	¥ 125,054	¥ 10,333	¥ 135,387	¥ (11,108)	¥ 124,279
Segment profit	¥ 6,470	¥ 1,481	¥ 1,535	¥ 665	¥ 10,152	¥ 855	¥ 11,008	¥ (498)	¥ 10,509
Segment assets	¥ 85,098	¥ 5,392	¥ 28,611	¥ 9,434	¥ 128,536	¥ 3,751	¥ 132,287	¥ 13,508	¥ 145,796
Other items:									
Depreciation	¥ 1,556	¥ 233	¥ 2,081	¥ 184	¥ 4,056	¥ 190	¥ 4,246	¥ 69	¥ 4,315
Investments in entities accounted for using equity method	–	–	8,483	–	8,483	–	8,483	–	8,483
Increase in property, plant and equipment and intangible assets	1,461	189	2,664	88	4,403	118	4,522	18	4,540
Impairment losses on fixed assets	–	–	–	–	–	–	–	–	–

Year ended March 31, 2021

	Reportable segment								
	Smelting	Environment and Recycling	Mineral Resource	Electronic Components and Advanced Materials	Total	Other *(Note 1)*	Total	Reconcilia-tion *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Millions of yen)								
Net sales:									
External customers	¥ 84,364	¥ 3,711	¥ 6,426	¥ 4,133	¥ 98,636	¥ 4,832	¥ 103,469	¥ –	¥ 103,469
Intersegment	564	0	1,131	–	1,695	4,557	6,252	(6,252)	–
Total	¥ 84,928	¥ 3,711	¥ 7,557	¥ 4,133	¥ 100,331	¥ 9,389	¥ 109,721	¥ (6,252)	¥ 103,469
Segment profit (loss)	¥ 5,791	¥ 917	¥ (1,436)	¥ 266	¥ 5,538	¥ 798	¥ 6,336	¥ (442)	¥ 5,894
Segment assets	¥ 62,239	¥ 5,179	¥ 23,593	¥ 9,143	¥ 100,155	¥ 3,606	¥ 103,761	¥ 9,874	¥ 113,635
Other items:									
Depreciation	¥ 1,670	¥ 252	¥ 2,183	¥ 241	¥ 4,347	¥ 177	¥ 4,525	¥ 69	¥ 4,594
Investments in entities accounted for using equity method	–	–	4,924	–	4,924	–	4,924	–	4,924
Increase in property, plant and equipment and intangible assets	1,369	126	2,838	75	4,408	216	4,625	37	4,663
Impairment losses on fixed assets	532	–	1,491	–	2,024	–	2,024	–	2,024

	Year ended March 31, 2022								
	Reportable segment								
	Smelting	Environment and Recycling	Mineral Resource	Electronic Components and Advanced Materials	Total	Other *(Note 1)*	Total	Reconcilia-tion *(Note 2)*	Amounts on consolidated financial statements *(Note 3)*
	(Thousands of U.S. dollars)								
Net sales:									
External customers	$ 828,727	$ 37,445	$ 65,111	$ 43,034	$ 974,327	$ 41,106	$ 1,015,434	$ –	$1,015,434
Intersegment	7,598	–	39,823	–	47,430	43,320	90,759	(90,759)	–
Total	$ 836,334	$ 37,445	$ 104,943	$ 43,034	$ 1,021,766	$ 84,426	$ 1,106,193	$ (90,759)	$1,015,434
Segment profit	$ 52,863	$ 12,100	$ 12,541	$ 5,433	$ 82,947	$ 6,985	$ 89,941	$ (4,068)	$ 85,864
Segment assets	$ 695,301	$ 44,055	$ 233,769	$ 77,081	$ 1,050,216	$ 30,647	$ 1,080,864	$ 110,368	$1,191,241
Other items:									
Depreciation	$ 12,713	$ 1,903	$ 17,003	$ 1,503	$ 33,139	$ 1,552	$ 34,692	$ 563	$ 35,256
Investments in entities accounted for using equity method	–	–	69,311	–	69,311	–	69,311	–	69,311
Increase in property, plant and equipment and intangible assets	11,937	1,544	21,766	719	35,975	964	36,947	147	37,094
Impairment losses on fixed assets	–	–	–	–	–	–	–	–	–

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,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment profit (loss)			
Intersegment elimination	¥ **(168)**	¥ 25	$ **(1,372)**
Corporate expenses (*)	**(330)**	(467)	**(2,696)**
Total	¥ **(498)**	¥ (442)	$ **(4,068)**

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

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Segment assets:			
Corporate assets (*)	¥ **13,508**	¥ 9,874	$ **110,368**

(*) "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,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other items:			
Depreciation	¥ **69**	¥ 69	$ **563**
Increase in property, plant and equipment and intangible assets (*)	**18**	37	**147**

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

3. Segment profit (loss) 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 years ended March 31, 2022 and 2021 was as follows:

	Year ended March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Japan	¥ **107,708**	¥ 90,530	$ **880,039**
Asia	**11,613**	8,678	**94,885**
Oceania	**4,958**	4,260	**40,509**
Total	¥ **124,279**	¥ 103,469	$ **1,015,434**

Property, plant and equipment information by geographical area as of March 31, 2022 and 2021 was as follows:

	March 31,		
	2022	2021	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Japan	¥ **29,069**	¥ 29,503	$ **237,511**
Australia	**6,202**	6,475	**50,674**
Total	¥ **35,271**	¥ 35,978	$ **288,185**

(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.

22. Related Party Information

(a) The Company had related party transactions with its unconsolidated subsidiary/associate as follows.

For the year ended March 31, 2022

Type	Company name	Address	Common shares	Business	Ownership [owned] ratio of voting rights	Relationship with the related party	Transactions	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Associate	TIANJIN TOHO LEAD RECYCLING CO., LTD.	Tianjin Development Area, People's Republic of China	RMB 151 million	Production of lead alloy for automobile batteries	Direct 46.5%	Lending of funds Concurrency of officer	Lending of funds *(Note 1)*	¥502 ($4,101 thousand)	Other (accrued receivable)	¥15 ($122 thousand)
							Interest income *(Note 1)*	¥37 ($302 thousand)	Other (short-term loans receivable from associates)	¥73 ($596 thousand)
							Repayment of loans receivable	¥67 ($547 thousand)	Other (long-term loans receivable from associates)	¥1,365 ($11,152 thousand)
							Guarantee of liabilities *(Note 2)*	¥1,156 ($9,445 thousand)		
Associate	Abra Mining Pty Limited	Western Australia, Australia	AUD 159 million	Mining	Indirect 40.0%	Concurrency of officer	Guarantee of liabilities	¥3,182 ($25,998 thousand)	–	–

Notes Terms and conditions of transactions and policies to determine them

1. The Company determined the interest rate for the lending of funds to TIANJIN TOHO LEAD RECYCLING CO., LTD reasonably based on market interest rates, and has not received collateral for them.
2. The Company provides guarantees for the entity's borrowings and receives guarantee fees based on general guarantee fee rates.

For the year ended March 31, 2021

Type	Company name	Address	Common shares	Business	Ownership [owned] ratio of voting rights	Relationship with the related party	Transactions	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Associate	TIANJIN TOHO LEAD RECYCLING CO., LTD.	Tianjin Development Area, People's Republic of China	RMB 151 million	Production of lead alloy for automobile batteries	Direct 46.5%	Lending of funds Concurrency of officer	Interest income *(Note 1)*	¥40	Other (accrued receivable)	¥7
							Repayment of loans receivable	¥738	Other (short-term loans receivable from associates)	¥66
							Guarantee of liabilities *(Note 2)*	¥1,031	Other (long-term loans receivable from associates)	¥819

Notes Terms and conditions of transactions and policies to determine them

1. The Company determined the interest rate for the lending of funds to TIANJIN TOHO LEAD RECYCLING CO., LTD reasonably based on market interest rates, and has not received collateral for them.
2. The Company provides guarantees for the entity's borrowings and receives guarantee fees based on general guarantee fee rates.

(b) A consolidated subsidiary of the Company had related party transactions with its unconsolidated subsidiary/associate as follows.

For the year ended March 31, 2022

Type	Company name	Address	Common shares	Business	Ownership [owned] ratio of voting rights	Relationship with the related party	Transactions	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Associate	Abra Mining Pty Limited	Western Australia, Australia	AUD 159 million	Mining	Indirect 40.0%	Undertaking of capital increase Concurrency of officer	Undertaking of capital increase	¥3,299 ($26,954 thousand)	–	–
							Guarantee of liabilities	¥3,182 ($25,998 thousand)		
							Provision of collateral *(Note)*	¥8,483 ($69,311 thousand)		

Note Terms and conditions of transactions and policies to determine them
The Company's consolidated subsidiary provides its own shares as collateral to a financial institution from which Abra Mining Pty Limited borrows funds.

For the year ended March 31, 2021

Type	Company name	Address	Common shares	Business	Ownership [owned] ratio of voting rights	Relationship with the related party	Transactions	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Associate	Abra Mining Pty Limited	Western Australia, Australia	AUD 119 million	Mining	Indirect 22.7%	Undertaking of capital increase Concurrency of officer	Undertaking of capital increase	¥2,229	–	–

23. Subsequent Events

Not applicable.