

# ANNUAL REPORT

For the year ended March 31, 2019

# 2019



# Financial Highlights

## Consolidated

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen					Thousands of US dollars
	2019	2018	2017	2016	2015	2019
<b>For the year</b>						
Net Sales	¥ 123,372	¥ 118,709	¥ 107,325	¥ 114,088	¥ 125,467	\$ 1,111,560
Profit Attributable to Owners of Parent	5,360	4,877	7,289	4,483	5,973	48,296
<b>At year-end</b>						
Total Assets	171,717	172,431	167,260	162,379	170,055	1,547,147
	Yen					US dollars
<b>Per share data</b>						
Profit per Share	¥ 644.24	¥ 586.12	¥ 875.83	¥ 538.65	¥ 717.53	\$ 5.80

## Non-Consolidated

Nittetsu Mining Co., Ltd.  
Years ended March 31

	Millions of yen					Thousands of US dollars
	2019	2018	2017	2016	2015	2019
<b>For the year</b>						
Net Sales	¥ 100,515	¥ 94,725	¥ 86,149	¥ 88,935	¥ 102,782	\$ 905,623
Profit	5,476	4,125	6,695	3,773	6,536	49,342
<b>At year-end</b>						
Total Assets	146,933	148,606	143,922	137,197	143,802	1,323,841
	Yen					US dollars
<b>Per share data</b>						
Profit per Share	¥ 658.20	¥ 495.76	¥ 804.54	¥ 453.38	¥ 785.23	\$ 5.93

Notes: 1 US dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

2 Figures for FY2018 (the fiscal year ended March 31, 2018) reflect amendments to the settlements of past fiscal years.

3 The Company initiated a reverse stock split in which 10 shares of common stock were exchanged for one share with the effective date of October 1, 2016, and thus calculated profit per share based on the assumption that the reverse stock split took place at the beginning of FY2014 (the fiscal year ended March 31, 2014).

4 Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018) were applied in the fiscal year ended March 31, 2018. As financial statement presentation methods have changed, total asset and equity ratio figures for the fiscal year ended March 31, 2017, have been revised to retroactively reflect this change in presentation method.

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# Message from the Management

## Operating Conditions and Consolidated Results

During the fiscal year ended March 31, 2019, Japan's economy saw weakness in exports due to the slowdown in China's economy caused by protracted US-China trade friction and other factors. Nevertheless, Japan's economy continued a gradual recovery underpinned by strong private-sector capital expenditures and consumer spending, driven by improvements in corporate earnings as well as the employment and income environment.

Amid these economic conditions, the Nittetsu Mining Group posted net sales of ¥123,372 million, up 3.9% year on year, buoyed by a rise in sales of the Mineral Resources Group and Machinery & Environmental Engineering Group.

As for profits, operating profit dropped to ¥7,479 million, down 11.7% year on year, given the deteriorating bottom line of the Metallic Minerals Division, and ordinary profit fell to ¥7,356 million, down 16.2% year on year, due to a drop in equity earnings of affiliates.

However, profit attributable to owners of parent increased to ¥5,360 million, up 9.9% year on year. This increase is attributed to a decline in extraordinary losses and gain on the sales of investment securities.

Furthermore, we discovered inappropriate accounting treatment at Sociedad Contractual Minera Atacama Kozan, the Company's overseas consolidated subsidiary, and as a result, numerical figures for the previous fiscal year reflect amendments to the settlements of past fiscal years.

## Consolidated Business Results by Segment

### Mineral Resources Group

#### Non-Metallic Minerals Division

Net sales of the Non-Metallic Minerals Division rose 3.4%, or ¥1,878 million, over the previous fiscal year, to ¥57,283 million, due to an increase in the sales volume of mainstay product limestone and to increased revenue from petroleum products following the rise in crude oil prices. Operating profit rose 4.9%, or ¥350 million, compared to the previous fiscal year, to ¥7,484 million.

#### Metallic Minerals Division

Net sales of the Metallic Minerals Division rose 1.5%, or ¥754 million over the previous fiscal year, to ¥49,604 million, owing to increased sales volume of electrolytic copper and other products.

However, we recorded an operating loss of ¥477 million, down ¥984 million compared to the previous fiscal year, owing to increased production costs at the Atacama Copper Mine and other factors.

### Machinery & Environmental Engineering Group

Net sales of the Machinery & Environmental Engineering Group increased 17.9%, or ¥1,797 million over the previous fiscal year, to ¥11,812 million, and operating profit rose 58.8%, or ¥411 million, to ¥1,112 million. These increases are because of strong sales of water treatment agents, a mainstay product of the Environmental Engineering Division, along with strong sales from the Machinery Engineering Division.

### Real Estate Group

Net sales of the Real Estate Group increased slightly by 1.6%, or ¥43 million over the previous fiscal year, to ¥2,748 million, and operating profit also rose 2.7%, or ¥39 million, to ¥1,473 million. This was attributable to generally strong occupancy rates of leased properties.

### Renewable Energy Group

Net sales of the Renewable Energy Group increased 10.9%, or ¥188 million over the previous fiscal year, to ¥1,923 million, and operating profit also rose 18.4%, or ¥56 million, to ¥363 million. This is attributable to generally strong results of the Geothermal Division and Solar Power Division.

## Capital Expenditures, Financing and Other Related Matters

Capital expenditures of the Nittetsu Mining Group totaled ¥8,044 million during the fiscal year under review, up 55.7% from the previous fiscal year. Major outlays were as follows.

(1) Major facility acquired in the fiscal year under review:

There are no particular items to report.

(2) New establishment and expansion of major facility ongoing during the fiscal year under review:

Nittetsu Mining No. 3 Vertical Shaft of the Torigatayama Quarry Complex Construction (Non-Metallic Minerals Division, Mineral Resources Group)

## Challenges Facing the Group

Inappropriate accounting treatment was discovered at Sociedad Contractual Minera Atacama Kozan, the Company's overseas consolidated subsidiary. The Company is establishing recurrence prevention measures and reviewing internal controls as stated in the press release dated May 22, 2019 entitled "Notice concerning Establishment of Recurrence Prevention Measures and Disciplinary Actions" following the report on the causes of the event and recommendations for recurrence prevention measures made by the special investigative committee comprised of outside experts. In addition, on May 29, 2019, the Company submitted an amended securities report including reports for past fiscal years to the Kanto Local Finance Bureau.

Based on the results of the investigation and recommendations of the special investigative committee, the Company will now work to heighten awareness about governance, raise the bar of its structure for managing subsidiaries as well as strengthen and expand audit functions. The Company is committed to strengthening internal controls and taking thorough steps to prevent a future occurrence to ensure such an event does not occur again in the future.

With regards to the future outlook, the Company believes that the management climate facing the Nittetsu Mining Group remains unpredictable. This is because of persisting uncertainty in the global economy, such as protraction of US-China trade friction and trade negotiations between Japan and US, along with floundering Brexit negotiations, as well as concerns about foreign exchange rates and resource prices along with impacts from the consumption tax hike in Japan.

The Nittetsu Mining Group will respond to this operating environment by striving to enhance its business performance as it upgrades and expands its operating base and enhances its management structure. It will accomplish this by such means as further boosting sales, raising productivity, cutting costs and strengthening its business continuity plan.

Going forward, the Nittetsu Mining Group will work to achieve sustainable growth, enhance medium- to long-term corporate value, and improve corporate governance. In this way, we will seek to fulfill our responsibilities to supply raw materials to basic industries as well as contribute to the prosperity of shareholders, business partners, local communities, employees, and other stakeholders.

June 2019

**Hiroshi Kayama**

Representative Director and President

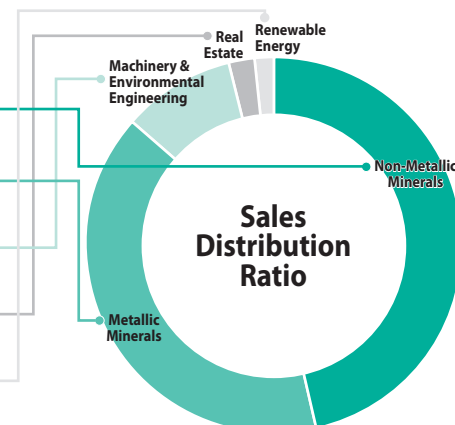
# Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

## Net Sales by Business Segment

(Year ended March 31, 2019)

Business segment	Net sales (Millions of yen)	% change from previous fiscal year	% of total net sales
Non-Metallic Minerals	¥ 57,283	3.4	46.4
Metallic Minerals	¥ 49,604	1.5	40.2
Machinery & Environmental Engineering	¥ 11,812	17.9	9.6
Real Estate	¥ 2,748	1.6	2.2
Renewable Energy	¥ 1,923	10.9	1.6
<b>Total</b>	<b>¥ 123,372</b>	<b>3.9</b>	<b>100.0</b>



## Breakdown of Net Sales

(Years ended March 31, 2019 and 2018)

(Millions of yen)

Business segment	Major products	2019		2018		Increase (decrease)
		Net sales	% of total net sales	Net sales	% of total net sales	
Mineral Resources	Limestone	¥ 28,123	22.8	¥ 27,287	23.0	¥ 836
	Crushed stone	6,416	5.2	6,592	5.6	(175)
	Non-Metallic Minerals	3,848	3.1	3,848	3.2	0
	Ancillary products and others	18,894	15.3	17,677	14.9	1,217
	Sub-total	57,283	46.4	55,405	46.7	1,878
Metallic Minerals	Electrolytic copper	35,625	28.9	35,302	29.7	323
	Copper concentrate	9,772	7.9	9,335	7.9	437
	Others	4,205	3.4	4,212	3.5	(6)
	Sub-total	49,604	40.2	48,850	41.1	754
	<b>Total</b>	<b>¥ 106,888</b>	<b>86.6</b>	<b>¥ 104,255</b>	<b>87.8</b>	<b>¥ 2,632</b>
Machinery & Environmental Engineering	Machinery engineering	5,363	4.3	4,706	4.0	656
	Environmental engineering	6,449	5.3	5,308	4.4	1,140
	<b>Total</b>	<b>¥ 11,812</b>	<b>9.6</b>	<b>¥ 10,015</b>	<b>8.4</b>	<b>¥ 1,797</b>
Real Estate	Real estate rentals and sales	2,748	2.2	2,704	2.3	43
Renewable Energy	Geothermal steam supply, solar power, hydroelectric power	1,923	1.6	1,734	1.5	188
	<b>Total</b>	<b>¥ 123,372</b>	<b>100.0</b>	<b>¥ 118,709</b>	<b>100.0</b>	<b>¥ 4,662</b>

# Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

## Balance Sheets

As of March 31, 2019 and 2018

### Assets

	Millions of yen		Thousands of US dollars
	2019	2018	2019
<b>Current Assets</b>			
Cash and deposits	¥ 34,139	¥ 30,537	\$ 307,587
Notes and accounts receivable—trade	28,490	26,738	256,697
Lease investment assets	3,362	3,638	30,293
Merchandise and finished goods	4,726	3,213	42,587
Work in process	2,846	8,399	25,644
Raw materials and supplies	2,059	2,152	18,552
Other	3,510	3,089	31,631
Allowance for doubtful accounts	(480)	(474)	(4,325)
	78,655	77,296	708,669
<b>Non-Current Assets</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures	22,856	22,839	205,930
Machinery, equipment and vehicles	10,282	10,410	92,644
Land used for mining operations	3,945	3,854	35,552
Land for general use	16,627	16,697	149,807
Construction in progress	4,108	1,848	37,012
Other	549	469	4,955
	58,369	56,118	525,902
<b>Intangible assets</b>	<b>3,588</b>	<b>3,717</b>	<b>32,328</b>
<b>Investments and Other Assets</b>			
Investment securities	26,074	30,568	234,923
Deferred tax assets	1,541	1,385	13,890
Other	3,881	3,743	34,974
Allowance for doubtful accounts	(377)	(387)	(3,403)
Allowance for investment loss	(15)	(10)	(138)
	31,104	35,299	280,246
<b>Total Assets</b>	<b>¥ 171,717</b>	<b>¥ 172,431</b>	<b>\$ 1,547,147</b>

The accompanying notes are an integral part of these statements.  
Totals may not add up due to rounding.

## Liabilities and Net Assets

	Millions of yen		Thousands of US dollars
	2019	2018	2019
<b>Current Liabilities</b>			
Notes and accounts payable—trade	¥ 8,946	¥ 11,493	\$ 80,605
Short-term loans payable	15,355	20,793	138,351
Lease obligations	769	722	6,936
Accounts payable—other	6,811	5,198	61,370
Income taxes payable	2,043	1,040	18,410
Provision for bonuses	1,001	993	9,021
Provision for directors' bonuses	37	30	341
Provision for shareholder benefit program	10	10	96
Provision for product warranties	14	16	127
Other	4,530	2,897	40,820
	<b>39,521</b>	<b>43,196</b>	<b>356,083</b>
<b>Non-Current Liabilities</b>			
Long-term loans payable	5,012	1,933	45,160
Lease obligations	1,030	877	9,283
Deferred tax liabilities	2,679	4,700	24,143
Provision for directors' retirement benefits	88	90	800
Provision for environmental safety measures	69	120	624
Provision for special repairs	153	53	1,385
Net defined benefit liability	4,616	3,890	41,594
Asset retirement obligations	4,423	4,446	39,851
Other	6,935	6,958	62,485
	<b>25,009</b>	<b>23,070</b>	<b>225,330</b>
<b>Total Liabilities</b>	<b>64,531</b>	<b>66,267</b>	<b>581,414</b>
<b>Net Assets</b>			
Capital stock	4,176	4,176	37,626
Capital surplus	4,958	5,183	44,674
Retained earnings	85,091	80,338	766,659
Treasury shares	(160)	(157)	(1,448)
Shareholders' equity	94,065	89,540	847,512
<b>Accumulated Other Comprehensive Income:</b>			
Valuation difference on available-for-sale securities	10,028	13,032	90,351
Deferred gains or losses on hedges	(39)	34	(355)
Foreign currency translation adjustment	502	639	4,530
Remeasurements of defined benefit plans	(1,900)	(1,712)	(17,123)
<b>Total Accumulated Other Comprehensive Income</b>	<b>8,590</b>	<b>11,993</b>	<b>77,403</b>
Non-controlling interests	4,530	4,630	40,817
<b>Total Net Assets</b>	<b>107,186</b>	<b>106,164</b>	<b>965,733</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 171,717</b>	<b>¥ 172,431</b>	<b>\$ 1,547,147</b>

# Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

## Statements of Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars
	2019	2018	2019
<b>Net Sales</b>	<b>¥ 123,372</b>	¥ 118,709	<b>\$ 1,111,560</b>
<b>Cost of Sales</b>	<b>95,260</b>	91,067	<b>858,283</b>
<b>Gross Profit</b>	<b>28,111</b>	27,642	<b>253,277</b>
<b>Selling, General and Administrative Expenses</b>	<b>20,631</b>	19,170	<b>185,884</b>
<b>Operating Profit</b>	<b>7,479</b>	8,471	<b>67,392</b>
<b>Non-Operating Income:</b>			
Interest income	124	82	1,125
Dividend income	946	835	8,524
Share of profit of entities accounted for using equity method	—	183	—
Other	183	133	1,654
	<b>1,254</b>	1,235	<b>11,304</b>
<b>Non-Operating Expenses:</b>			
Interest expenses	309	329	2,792
Share of loss of entities accounted for using equity method	277	—	2,500
Other	790	597	7,119
	<b>1,377</b>	926	<b>12,413</b>
<b>Ordinary Profit</b>	<b>7,356</b>	8,779	<b>66,284</b>
<b>Extraordinary Income:</b>			
Gain on sales of non-current assets	52	197	476
Gain on sales of investment securities	590	118	5,320
Other	5	46	47
	<b>648</b>	362	<b>5,844</b>
<b>Extraordinary Losses:</b>			
Loss on sales and retirement of non-current assets	246	319	2,222
Impairment loss	34	700	308
Loss on valuation of investment securities	—	157	—
Loss on step acquisitions	—	167	—
Other	9	3	82
	<b>290</b>	1,349	<b>2,613</b>
<b>Profit before Income Taxes</b>	<b>7,715</b>	7,793	<b>69,515</b>
<b>Income Taxes:</b>			
Income taxes—current	3,374	2,627	30,401
Income taxes—deferred	(748)	(200)	(6,745)
	<b>2,625</b>	2,426	<b>23,655</b>
<b>Profit Attributable to Non-Controlling Interests</b>	<b>(270)</b>	489	<b>(2,435)</b>
<b>Profit Attributable to Owners of Parent</b>	<b>5,360</b>	4,877	<b>48,296</b>
<b>Profit</b>	<b>¥ 5,090</b>	¥ 5,366	<b>\$ 45,860</b>

The accompanying notes are an integral part of these statements.  
Totals may not add up due to rounding.



## Statements of Comprehensive Income

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars
	2019	2018	2019
Profit	¥ 5,090	¥ 5,366	\$ 45,860
Other comprehensive income:			
Valuation difference on available-for-sale securities	(3,004)	(295)	(27,074)
Deferred gains or losses on hedges	(72)	71	(655)
Foreign currency translation adjustment	(183)	(295)	(1,651)
Remeasurements of defined benefit plans, net of tax	(188)	(206)	(1,696)
Share of other comprehensive income of entities accounted for using equity method	(0)	3	(7)
Total other comprehensive income	(3,450)	(722)	(31,085)
Comprehensive income	1,639	4,643	14,774
Comprehensive income attributable to owners of parent	1,957	4,229	17,640
Comprehensive income attributable to non-controlling interests	¥ (318)	¥ 414	\$ (2,865)

The accompanying notes are an integral part of these statements.  
Totals may not add up due to rounding.

## Statements of Cash Flows

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars
	2019	2018	2019
Net cash provided by operating activities	¥ 13,465	¥ 12,161	\$ 121,319
Net cash used in investing activities	(6,077)	(4,611)	(54,757)
Net cash used in financing activities	(4,025)	(3,089)	(36,265)
Effect of exchange rate change on cash and cash equivalents	(23)	(236)	(210)
Net increase in cash and cash equivalents	3,339	4,224	30,084
Cash and cash equivalents at beginning of period	29,911	25,686	269,496
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	264	—	2,378
Cash and cash equivalents at end of period	¥ 33,514	¥ 29,911	\$ 301,960

The accompanying notes are an integral part of these statements.  
Totals may not add up due to rounding.

# Notes to Consolidated Financial Statements

## Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

### 1. Scope of Consolidation

#### (1) Number of consolidated subsidiaries: 22 companies

Main consolidated subsidiaries:

Funao Mining Co., Ltd., Hachinohe Mining Co., Ltd., Sociedad Contractual Minera Atacama Kozan, Hokkaido Lime Co., Ltd., Nittetsu Mining Consultants Co., Ltd., Nittetsukoukenzai Co., Ltd., Kobukuro Techno Co., Ltd.

#### (2) Names of principal unconsolidated subsidiaries

Shin Yaguki Mining Co., Ltd., Yaguki Aggregate Co., Ltd.

Reason for exclusion from scope of consolidation:

The unconsolidated subsidiaries are small in scale, and their total assets, net sales, profit and retained earnings, etc. (commensurate with equity holdings), do not have a material effect on the consolidated financial statements.

### 2. Application of the Equity Method

#### (1) Number of affiliated companies accounted for by the equity method:

1 company: Hibi Kyodo Smelting Co., Ltd.

#### (2) Unconsolidated subsidiaries (Shin Yaguki Mining Co., Ltd. and others) and affiliated companies (POLYTETSU-KOREA Co., LTD. and others) not accounted for by the equity method are excluded from the scope of application of the equity method because they have no overall significance and their profit and retained earnings (commensurate with equity holdings) would have an immaterial effect on consolidated financial statements even if they were excluded from eligibility for the equity method.

### 3. Business Years of Consolidated Subsidiaries

Companies with account settlement dates different from the consolidated account settlement date are as follows:

Company Name	Settlement Date
Sociedad Contractual Minera Atacama Kozan	December 31
Minera Nittetsu Chile Limitada	December 31
Compañía Minera Arqueros S.A.	December 31

The financial statements of consolidated subsidiaries as of the account settlement date are used. Necessary adjustments are made in consolidation for significant transactions occurring between then and the consolidated account settlement date.

### 4. Summary of Significant Accounting Policies

#### (1) Valuation standard and method for significant assets

##### (a) Marketable securities

Available-for-sale securities:

Securities with fair market value:

Valued at fair market value based on market prices, etc., at the balance sheet date (valuation differences are directly charged or credited to net assets, and cost of securities sold calculated by the moving-average method).

Securities without fair market value:

Valued at cost by the moving-average method.

##### (b) Derivatives

Market value method

##### (c) Inventories

The standard for evaluation is the cost method (book value devaluation method based on the decline in profitability). The method of evaluation is the periodic-average method or the first-in, first-out method, depending on the product line or type of business.

#### (2) Method for depreciation and amortization of significant depreciable assets

##### (a) Property, plant and equipment (except for lease assets)

The Company and its domestic consolidated subsidiaries primarily use the declining balance method. (However, the straight-line method is used for buildings acquired on or after April 1, 1998 [excluding accompanying facilities acquired prior to March 31, 2016], buildings for the leasing business [including accompanying facilities] and structures acquired on or after April 1, 2016 [excluding major tunnels], while the unit-of-production method is used for certain structures [major tunnels] and land for mining.) Overseas consolidated subsidiaries primarily use the straight-line method.

Estimated useful lives are as follows:

Buildings and structures: 5–60 years

Machinery, equipment and vehicles: 4–25 years

##### (b) Intangible assets (except for lease assets)

For mining rights, the production output method is adopted. For others, the straight-line method is adopted. Software for internal use is amortized using the straight-line method based on its usable period in the Company (5 years).

##### (c) Lease assets

Leased property under finance leases that do not transfer ownership are computed over the lease terms assuming no residual value.

#### (3) Accounting for significant reserves and allowances

##### (a) Allowance for doubtful accounts

At the end of each fiscal year, the Company and its domestic consolidated subsidiaries set aside an allowance for doubtful accounts in the estimated unrecoverable amount, based on the Company's loss experience for general credit and on the Company's individual estimates of future recoverability for specific accounts, including doubtful accounts.

##### (b) Allowance for investment loss

The Company sets aside a reserve to compensate for losses related to investments in affiliates in the mining business based on the financial standing of the applicable affiliate.

##### (c) Provision for bonuses

The Company and its domestic consolidated subsidiaries set aside a reserve for provision for bonuses, calculated based on estimated payments to cover payment of bonuses to employees.

##### (d) Provision for directors' bonuses

The Company and its domestic consolidated subsidiaries

set aside a reserve to match provision for bonuses, calculated based on estimated payments to cover payment of bonuses to directors.

**(e) Provision for shareholder benefit program**

The Company sets aside a reasonable reserve to cover payments for expenses of the shareholder benefit program.

**(f) Provision for product warranties**

The Company sets aside a provision based on the past implementation rate to prepare for expenses involving free repair costs within the warranty period for products that have been sold.

**(g) Provision for directors' retirement benefits**

The Company and its domestic consolidated subsidiaries set aside the amount required to be paid out at the end of the fiscal year to fund the retirement benefits of directors in accordance with internal company regulations.

**(h) Provision for environmental safety measures**

In accordance with the Special Measures Law for the Promotion of Proper Disposal of PCB Waste (Law No. 65, June 22, 2001), the Company sets aside a reasonable reserve in an amount equivalent to the estimated disposal expenses for stored PCB.

**(i) Provision for special repairs**

The Company and its domestic consolidated subsidiaries have a provision for special repairs based on the estimated cost of applicable inspection and repair of ships requiring regular inspections under the Ship Safety Act, and for regular repairs to steam production and transport facilities.

**(4) Accounting method for retirement benefits**

**(a) Attribution method of retirement benefit estimates**

The straight-line basis is used as the method for attributing estimated retirement benefits for the period until the end of the current fiscal year.

**(b) Method of expense recording for actuarial differences**

Actuarial differences are recorded as expenses from each consolidated fiscal year in which they occur by dividing the amount proportionately using the straight-line method over a certain number of years (13 years) within the average remaining service period of employees during the consolidated fiscal year. Certain consolidated subsidiaries of the Company record a lump-sum expense in the consolidated fiscal year in which they occur.

**(c) Adoption of the simplified valuation method at small enterprise, etc.**

Certain consolidated subsidiaries employ the simplified method in which the retirement benefit amount required for voluntary termination at year-end is deemed a retirement benefit obligation for the calculation of liability associated with retirement and retirement benefit expenses.

**(5) Calculation method for revenue from construction work completed and costs of completed construction work**

The percentage-of-completion method is used for construction contracts where the outcome of the phase in progress is deemed certain by the end of the current

consolidated fiscal year, while the completed contract method is applied to all other construction contracts. In addition, estimates of the state of completion at the end of the current consolidated fiscal year are calculated using the cost-to-cost method for construction projects using the percentage-of-completion method.

**(6) Accounting standard for profits from financial lease transactions**

Revenue from financial lease transactions and associated costs are recognized at the time of receipt of lease fees.

**(7) Standards for translation of significant foreign currency-denominated assets and liabilities into Japanese yen**

Current and non-current monetary accounts denominated in foreign currencies are translated into yen at the exchange rates as of the balance sheet date, and any translation difference is accounted for as a profit or loss for the year.

All assets and liabilities of overseas consolidated subsidiaries are translated at the rates of exchange in effect at the overseas consolidated subsidiary's balance sheet date. All revenues and expenses of overseas consolidated subsidiaries are translated at the average rates of exchange for the fiscal year. Translation differences are included in Foreign currency translation adjustment and Non-controlling interests under the net assets on the balance sheets.

**(8) Main hedge accounting methods**

**(a) Hedge accounting method**

The Company uses mainly deferred hedging. However, for interest rate swaps, special treatment is applied in cases that meet the necessary requirements.

**(b) Hedge instruments, hedge objects and hedge policy**

The Company carries out interest rate swap transactions to avoid risk associated with loan interest rate fluctuations.

In addition, the Company carries out commodity futures transactions to avoid commodity price fluctuation risk for non-ferrous metals inventories and for non-ferrous metals future contracts that the Company concludes with customers.

**(c) Method of assessing the effectiveness of hedges**

Over the period from the beginning of a commodity future transaction to the point at which the effectiveness is determined, market fluctuations of the hedged commodity and the hedged instrument are compared to determine effectiveness. However, interest rate swap transactions are treated separately and are omitted from this effectiveness evaluation.

**(9) Goodwill amortization method and period**

The equal installment method is used for the amortization of goodwill over a period of time (less than 20 years) in which the investment effect in each subsidiary is realized. In addition, when the amount is immaterial, the complete amount is amortized in the consolidated fiscal year in which it occurs.

**(10) Accounting method for consumption tax, etc.**

The tax exclusion method is used when accounting for consumption tax and regional consumption tax.

**5. Notes Concerning Changes in Presentation Method**

The monetary importance of "Forwarded staff-related expenses" for consolidated subsidiaries previously presented in "Non-Operating Expenses" in the consolidated statements of income increased following an increase in forwarded staff. Therefore, the Company changed to a method that presents this expense in "Selling, General and Administrative Expenses." Furthermore, "Forwarded staff-related expenses" for consolidated subsidiaries in the previous fiscal year amounted to ¥269,721,449.

**6. Notes Concerning Corrections of Past Errors**

In the fiscal year under review, the Company has made corrections for past errors because improper accounting treatment was discovered in the settlements of previous fiscal years of Sociedad Contractual Minera Atacama Kozan, the Company's overseas consolidated subsidiary. The cumulative impact of these past errors has been reflected in the book value of net assets at the beginning of the fiscal year under review. As a result, the beginning balance of the consolidated statements of changes in equity has

been reduced by ¥108,186,764 for retained earnings, by ¥912,433 for foreign currency translation adjustments, and by ¥84,858,150 for non-controlling interests.

**7. Notes to the Consolidated Balance Sheets****(1) Collateral assets**

(Millions of yen)

Foundation mortgage	
Property, plant and equipment	¥ 4,893
Debt collateralized by the above	
Short-term loans payable	15
(Others)	
Property, plant and equipment	¥ 515
Debt collateralized by the above	
Short-term loans payable	33
Long-term loans payable	202
Guarantee deposits received	10
<b>Total</b>	<b>245</b>

**(2) Accumulated depreciation of property, plant and equipment**

¥163,035 million

**(3) Guaranteed liabilities**

(Millions of yen)

	Total guarantee	Consolidated company debt
Hibi Kyodo Smelting Co., Ltd.	¥ 22,538	¥ 4,570
Iwaki Kyodo Tancal Co., Ltd.	167	31
HAKODATE NAMA CONCRETE CO., LTD.	10	0
<b>Total</b>	<b>22,715</b>	<b>4,603</b>

**8. Segment Information**

	Millions of yen						
	2019						
	Non-Metallic Minerals	Metallic Minerals	Machinery & Environmental Engineering	Real Estate	Renewable Energy	Eliminations and Corporate	Total
Sales to external customers	¥ 57,283	¥ 49,604	¥ 11,812	¥ 2,748	¥ 1,923	¥ —	¥ 123,372
Inter-segment sales	435	0	888	8	—	(1,332)	—
<b>Segment Revenue</b>	<b>57,718</b>	<b>49,604</b>	<b>12,701</b>	<b>2,756</b>	<b>1,923</b>	<b>(1,332)</b>	<b>123,372</b>
<b>Segment Profits</b>	<b>7,484</b>	<b>(477)</b>	<b>1,112</b>	<b>1,473</b>	<b>363</b>	<b>(2,475)</b>	<b>7,479</b>

	Millions of yen						
	2018						
	Non-Metallic Minerals	Metallic Minerals	Machinery & Environmental Engineering	Real Estate	Renewable Energy	Eliminations and Corporate	Total
Sales to external customers	¥ 55,405	¥ 48,850	¥ 10,015	¥ 2,704	¥ 1,734	¥ —	¥ 118,709
Inter-segment sales	668	1	1,170	8	—	(1,848)	—
<b>Segment Revenue</b>	<b>56,073</b>	<b>48,852</b>	<b>11,185</b>	<b>2,713</b>	<b>1,734</b>	<b>(1,848)</b>	<b>118,709</b>
<b>Segment Profits</b>	<b>7,133</b>	<b>506</b>	<b>700</b>	<b>1,433</b>	<b>307</b>	<b>(1,610)</b>	<b>8,471</b>

	Thousands of US dollars						
	2019						
	Non-Metallic Minerals	Metallic Minerals	Machinery & Environmental Engineering	Real Estate	Renewable Energy	Eliminations and Corporate	Total
Sales to external customers	\$ 516,114	\$ 446,927	\$ 106,429	\$ 24,762	\$ 17,326	\$ —	\$ 1,111,560
Inter-segment sales	3,922	1	8,004	73	—	(12,001)	—
<b>Segment Revenue</b>	<b>520,036</b>	<b>446,928</b>	<b>114,434</b>	<b>24,835</b>	<b>17,326</b>	<b>(12,001)</b>	<b>1,111,560</b>
<b>Segment Profits</b>	<b>67,430</b>	<b>(4,305)</b>	<b>10,022</b>	<b>13,273</b>	<b>3,279</b>	<b>(22,307)</b>	<b>67,392</b>

# Corporate Information

## Outline

As of March 31, 2019

<b>Date of Establishment</b>	May 20, 1939
<b>Common Stock</b>	
Authorized	20,000,000 shares
Issued and Outstanding	8,352,319 shares (including 32,116 shares of treasury stock)
<b>Number of Shareholders</b>	4,165

Major Shareholders	% of total
Nippon Steel & Sumitomo Metal Corporation*	14.88
Nittetsu Kogyo Shogakukai**	7.71
The Master Trust Bank of Japan, Ltd. (trust account)	5.11
Mizuho Bank, Ltd.	3.53
Sumitomo Mitsui Banking Corporation	3.49
GOVERNMENT OF NORWAY	2.23
Japan Trustee Services Bank, Ltd. (trust account)	2.02
DFA INTL SMALL CAP VALUE PORTFOLIO	1.85
Nittetsu Kogyo Shareholding Association	1.82
MUFG Bank, Ltd.	1.68

\*Major shareholder Nippon Steel & Sumitomo Metal Corporation changed its trade name to Nippon Steel Corporation effective April 1, 2019.

\*\*Non-profit corporation

Number of Employees (Consolidated)	
Mineral Resources	
Non-Metallic Minerals	1,192
Metallic Minerals	258
Machinery & Environmental Engineering	270
Real Estate	3
Renewable Energy	11
Corporate (shared)	102
Total	1,836

<b>Number of Employees (Non-Consolidated)</b>	<b>654</b>
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Principal Lenders
Mizuho Bank, Ltd.
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.

## Primary Businesses

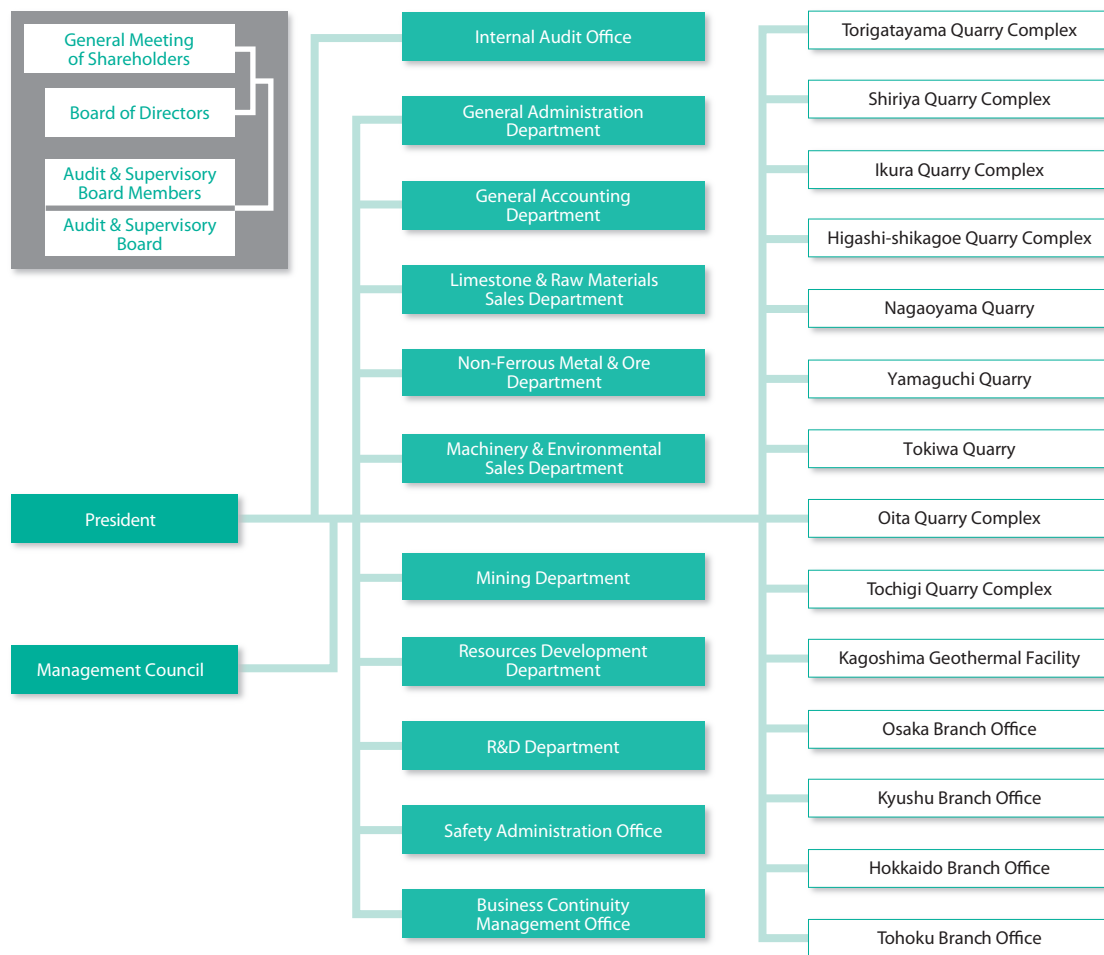
As of March 31, 2019

Group	Major Products and Services
<b>Mineral Resources</b>	<p><b>Non-Metallic Minerals</b> Limestone, dolomite, crushed stone, calcium carbonate, silica rock, quicklime, hydrated lime, cement, gypsum, ready-mixed concrete and concrete products, petroleum products, coal, LPG, chips for pulp, mineral water, specialty papers (fire-retardant, calcium carbonate), granulates, handling and transportation of mineral products, technological consulting for mining and civil engineering</p> <p><b>Metallic Minerals</b> Electrolytic copper, gold and silver, copper concentrate</p>
<b>Machinery &amp; Environmental Engineering</b>	<p><b>Machinery Engineering</b> Dust collectors, crushing and grinding equipment, mining machinery, construction-related machinery, civil engineering machinery, electric machinery, monorail for passenger transportation, ball valves, powder/fluid-related machinery, maintenance/repair of baryta machinery, others</p> <p><b>Environmental Engineering</b> Water treatment agents, deodorizers, others</p>
<b>Real Estate</b>	Rentals of office buildings, condominiums, commercial spaces, factories and warehouses, and real estate sales
<b>Renewable Energy</b>	Geothermal steam supply, solar power, hydroelectric power

# Corporate Information

## Organizational Chart

As of August 1, 2019



## Directors and Audit & Supervisory Board Members

As of June 27, 2019

### Representative Director and President

**Hiroshi Koyama**

### Managing Directors

**Shinya Yamasaki**

**Reiichi Morikawa**

### Directors

**Yuji Somatsu**

(Supervision of Mining Department, Safety Administration Office)

**Yukihiko Hagikami**

(Supervision of Resource Development Department)

**Hirofumi Fujimoto**

(Supervision of General Administration Department, Accounting Department, and BCM Promotion Office)

**Katsuhiko Kaneko**

**Nobumichi Izumi**

### Standing Audit & Supervisory Board Members

**Seiji Yasuda**

**Kazuhiko Kojima**

### Audit & Supervisory Board Members

**Yoshiro Wakayanagi**

**Eiki Hotta**

### Senior Corporate Executive

**Hideaki Kido**

(General Manager of Torigatayama Quarry Complex)

### Corporate Executives

**Kenji Otakara**

(General Manager of Osaka Branch Office)

**Jiro Fujitsu**

(General Manager of Shiriya Quarry Complex)

**Masanobu Kawata**

(General Manager of R&D Department)

**Hiroyuki Sakaguchi**

(General Manager of Limestone & Raw Materials Sales Department)

## Offices

As of March 31, 2019

Domestic	
<b>Head Office</b>	Yusen Building, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8377, Japan URL: <a href="http://www.nittetsukou.co.jp/eng/">http://www.nittetsukou.co.jp/eng/</a>
General Administration Section	Tel: +81-3-3284-0516 Fax: +81-3-3215-8480
Public & Investor Relations Group	Tel: +81-3-3284-0518 Fax: +81-3-3215-8480
Information System Section	Tel: +81-3-3216-5231 Fax: +81-3-3216-5232
Limestone Sales Section	Tel: +81-3-3216-5261 Fax: +81-3-3284-0037
Limestone Powder and Aggregate Sales Section	Tel: +81-3-3216-5260 Fax: +81-3-3284-0037
Fine Materials Sales Section	Tel: +81-3-3216-5254 Fax: +81-3-3215-7293
Non-Ferrous Metal & Ore Section	Tel: +81-3-3216-5265 Fax: +81-3-3284-0037
Environmental Sales Section	Tel: +81-3-3216-5320 Fax: +81-3-3216-5262
Machinery Sales Section	Tel: +81-3-3216-5321 Fax: +81-3-3216-5263
Resources Development Section	Tel: +81-3-3216-5281 Fax: +81-3-5962-5180
<b>R&amp;D Department</b>	8-1, Hirai, Hinode-cho, Nishitama-gun, Tokyo 190-0182, Japan R&D Administration Section Tel: +81-42-597-7001 Fax: +81-42-597-7013
Overseas	
<b>Sydney Office</b>	Suite 5.04, Level 5, 20 Hunter St, Sydney, NSW 2000, Australia Tel: +61-2-9238-0477 Fax: +61-2-8065-4174
<b>Taiwan Office</b>	Rm.506,5F,No.88,Sec.2 Zhongxiao E.Rd.,Zhongzheng Dist.,Taipei City 100,Taiwan Tel: +886-2-2322-2712 Fax:+886-2-2322-2616

## Major Subsidiaries

As of March 31, 2019

Subsidiaries	Capital (Millions of yen)	Company holdings (%)	Primary businesses
Nittetsu Mining Consultants Co., Ltd.	100	100.0	Consulting services for geological surveys, geophysical exploration, test boring and construction
Hokkaido Lime Co., Ltd.	80	100.0	Manufacture and sales of quicklime and hydrated lime
Funao Mining Co., Ltd.	60	100.0	Mining and sales of limestone Manufacture and sales of quicklime and hydrated lime
Nittetsukoukenzai Co., Ltd.	50	100.0	Buying and selling of limestone, crushed stone and calcium carbonate
Kobukuro Techno Co., Ltd.	50	100.0	Manufacture and sales of crushing and grinding equipment and electric machinery
Hachinohe Mining Co., Ltd.	100	70.0	Mining and sales of limestone

Note: No subsidiaries fall under the category of specified wholly owned subsidiary.

Subsidiary	Capital (Thousands of US dollars)	Company holdings (%)	Primary businesses
Sociedad Contractual Minera Atacama Kozan	16,750	60.0	Mining and sales of copper and other minerals



## **Nittetsu Mining Co., Ltd.**

Yusen Building, 3-2, Marunouchi 2-chome  
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Printed in Japan