

ANNUAL REPORT

For the year ended March 31, 2020

2020



Financial Highlights

Consolidated

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

| | Millions of yen | | | | | Thousands of US dollars |
|---|-----------------|-----------|-----------|-----------|-----------|-------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2020 |
| For the year | | | | | | |
| Net Sales | ¥ 117,502 | ¥ 123,372 | ¥ 118,709 | ¥ 107,325 | ¥ 114,088 | \$ 1,079,692 |
| Profit Attributable to Owners of Parent | 4,518 | 5,360 | 4,877 | 7,289 | 4,483 | 41,523 |
| At year-end | | | | | | |
| Total Assets | 173,954 | 171,717 | 172,431 | 167,260 | 162,379 | 1,598,409 |
| | Yen | | | | | US dollars |
| Per share data | | | | | | |
| Earnings per Share | ¥ 543.16 | ¥ 644.24 | ¥ 586.12 | ¥ 875.83 | ¥ 538.65 | \$ 4.99 |

Non-Consolidated

Nittetsu Mining Co., Ltd.
Years ended March 31

| | Millions of yen | | | | | Thousands of US dollars |
|-----------------------|-----------------|-----------|----------|----------|----------|-------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2020 |
| For the year | | | | | | |
| Net Sales | ¥ 93,550 | ¥ 100,515 | ¥ 94,725 | ¥ 86,149 | ¥ 88,935 | \$ 859,598 |
| Profit | 3,158 | 5,476 | 4,125 | 6,695 | 3,773 | 29,017 |
| At year-end | | | | | | |
| Total Assets | 147,502 | 146,933 | 148,606 | 143,922 | 137,197 | 1,355,351 |
| | Yen | | | | | US dollars |
| Per share data | | | | | | |
| Earnings per Share | ¥ 379.57 | ¥ 658.20 | ¥ 495.76 | ¥ 804.54 | ¥ 453.38 | \$ 3.49 |

Notes: 1 US dollar amounts are translated from yen, for convenience only, at the rate of ¥108.83=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 FY2017 (the fiscal year ended March 31, 2018).

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

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Message from the Management

Operating Conditions and Consolidated Results

During fiscal 2020, the year ended March 31, 2020, Japan's economy saw continuing weakness in exports due to the slowdown in the world economy following protracted US-China trade friction and other factors, which offset support from domestic demand from private-sector capital expenditures and public investment. In addition to natural disasters and the consumption tax hike, Japan's economy faces more challenging conditions significantly pressured by the headwinds of the growing worldwide COVID-19 pandemic.

Amid these economic conditions, the Nittetsu Mining Group worked to increase and promote sales but posted net sales of ¥117,502 million, down 4.8% year on year, due to a decline in sales of the Mineral Resources Group.

As for profits, operating profit rose to ¥7,576 million, up 1.3% year on year, thanks to the improving bottom line of the Metallic Minerals Division, and ordinary profit increased to ¥8,012 million, up 8.9% year on year, due to a rise in equity earnings of affiliates. However, profit attributable to owners of parent declined to ¥4,518 million, down 15.7% year on year. This decrease is attributed to a decline in extraordinary profits and the booking of extraordinary losses from investigative costs related to improper accounting practices discovered at a consolidated subsidiary outside of Japan.

Consolidated Business Results by Segment

Mineral Resources Group

Non-Metallic Minerals Division

Net sales of the Non-Metallic Minerals Division dropped 5.0%, or ¥2,860 million, over the previous fiscal year, to ¥54,423 million, due to a decrease in the sales volume of mainstay product limestone and to decreased revenue from petroleum products. Operating profit declined 8.8%, or ¥659 million, compared to the previous fiscal year, to ¥6,824 million.

Metallic Minerals Division

Net sales of the Metallic Minerals Division dropped 7.7%, or ¥3,799 million over the previous fiscal year, to ¥45,804 million, owing to a downturn in the selling price of electrolytic copper and other factors.

However, we recorded an operating profit of ¥574 million, compared to an operating loss of ¥477 million in the previous fiscal year, owing to increased profits at the Atacama Copper Mine.

Machinery & Environmental Engineering Group

Net sales of the Machinery & Environmental Engineering Group increased 6.0%, or ¥707 million over the previous fiscal year, to ¥12,520 million, and operating profit jumped 24.3%, or ¥270 million, to ¥1,382 million. These increases are because of strong sales of water treatment agents, a mainstay product of the Environmental Engineering Division, along with steady sales from certain machinery-related subsidiaries.

Real Estate Group

Net sales of the Real Estate Group increased by 5.0%, or ¥137 million over the previous fiscal year, to ¥2,886 million, due to generally strong occupancy rates of leased properties and the sale of leased properties. Operating profit also rose 9.2%, or ¥135 million, to ¥1,609 million, due to a decrease in repair expense and other factors.

Renewable Energy Group

Net sales of the Renewable Energy Group decreased 2.8%, or ¥54 million over the previous fiscal year, to ¥1,868 million, due to a decline in sales of both the Geothermal Division and Solar Power Division. Operating profit rose 14.2%, or ¥51 million, to ¥415 million, due to a decrease of depreciation and amortization, along with other factors.

Capital Expenditures, Financing and Other Related Matters

Capital expenditures of the Nittetsu Mining Group totaled ¥8,825 million during the fiscal year under review, up 9.7% 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

With regard to the future outlook, the Company believes the management climate facing the Nittetsu Mining Group will remain challenging. This is because the economic recovery is expected to require a considerable amount of time and there is extremely high uncertainty about the global economic outlook due to significant restrictions placed on economic activities by the COVID-19 pandemic. Moreover, volatile foreign exchange rates, and unstable commodity prices, including crude oil, have raised fears about a downturn in corporate earnings.

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. The Group 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, it will seek to fulfill its 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.

The Nittetsu Mining Group established its first three-year medium-term management plan beginning in fiscal 2019, announced on May 10, 2018. We positioned this plan as a preparation phase for actively implementing large-scale investments for future growth, aiming at securing new sources of minerals and establishing a stable supply system. The plan commenced in April 2018.

In addition, the Nittetsu Mining Group will maintain its commitment to pursuing eco-friendly business activities. These include compliance with ISO 14001, greenery initiatives at mined sites, acquisition of certification for company-owned forests, and generation of power from natural energy.

We extend our appreciation to all shareholders and ask for your continued support and cooperation.

June 2020

Hiroshi Koyama

Representative Director and President

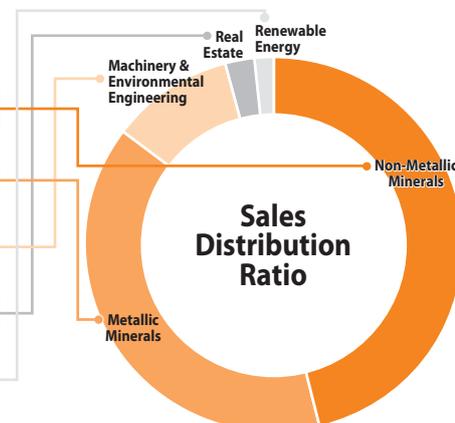
Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

Net Sales by Business Segment

(Year ended March 31, 2020)

| Business segment | Net sales (Millions of yen) | % change from previous fiscal year | % of total net sales |
|---------------------------------------|--------------------------------|---------------------------------------|-------------------------|
| Non-Metallic Minerals | ¥ 54,423 | (5.0) | 46.3 |
| Metallic Minerals | ¥ 45,804 | (7.7) | 39.0 |
| Machinery & Environmental Engineering | ¥ 12,520 | 6.0 | 10.6 |
| Real Estate | ¥ 2,886 | 5.0 | 2.5 |
| Renewable Energy | ¥ 1,868 | (2.8) | 1.6 |
| Total | ¥ 117,502 | (4.8) | 100.0 |



Breakdown of Net Sales

(Years ended March 31, 2020 and 2019)

(Millions of yen)

| Business segment | Major products | 2020 | | 2019 | | Increase (decrease) | |
|---------------------------------------|---|-------------------------------|----------------------|------------------|----------------------|------------------------|---------|
| | | Net sales | % of total net sales | Net sales | % of total net sales | | |
| Mineral Resources | Limestone | ¥ 27,418 | 23.3 | ¥ 28,123 | 22.8 | ¥ (705) | |
| | Crushed stone | 6,269 | 5.3 | 6,416 | 5.2 | (147) | |
| | Non-Metallic Minerals | Calcium carbonate | 3,536 | 3.0 | 3,848 | 3.1 | (311) |
| | | Ancillary products and others | 17,199 | 14.7 | 18,894 | 15.3 | (1,695) |
| | | Sub-total | 54,423 | 46.3 | 57,283 | 46.4 | (2,860) |
| | Metallic Minerals | Electrolytic copper | 31,258 | 26.6 | 35,625 | 28.9 | (4,367) |
| Copper concentrate | | 10,319 | 8.8 | 9,772 | 7.9 | 546 | |
| Others | | 4,227 | 3.6 | 4,205 | 3.4 | 21 | |
| Sub-total | | 45,804 | 39.0 | 49,604 | 40.2 | (3,799) | |
| | Total | ¥ 100,227 | 85.3 | ¥ 106,888 | 86.6 | ¥ (6,660) | |
| Machinery & Environmental Engineering | Machinery engineering | 5,689 | 4.8 | 5,363 | 4.3 | 326 | |
| | Environmental engineering | 6,830 | 5.8 | 6,449 | 5.3 | 381 | |
| | Total | ¥ 12,520 | 10.6 | ¥ 11,812 | 9.6 | ¥ 707 | |
| Real Estate | Real estate rentals and sales | 2,886 | 2.5 | 2,748 | 2.2 | 137 | |
| Renewable Energy | Geothermal steam supply, solar power, hydroelectric power | 1,868 | 1.6 | 1,923 | 1.6 | (54) | |
| | Total | ¥ 117,502 | 100.0 | ¥ 123,372 | 100.0 | ¥ (5,869) | |

Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

Balance Sheets

As of March 31, 2020 and 2019

Assets

| | Millions of yen | | Thousands of US dollars |
|---------------------------------------|------------------|------------------|-------------------------|
| | 2020 | 2019 | 2020 |
| Current Assets | | | |
| Cash and deposits | ¥ 34,109 | ¥ 34,139 | \$ 313,417 |
| Notes and accounts receivable—trade | 26,129 | 28,490 | 240,093 |
| Lease investment assets | 3,074 | 3,362 | 28,250 |
| Merchandise and finished goods | 5,459 | 4,726 | 50,162 |
| Work in process | 8,238 | 2,846 | 75,700 |
| Raw materials and supplies | 5,089 | 2,059 | 46,767 |
| Other | 2,133 | 3,510 | 19,599 |
| Allowance for doubtful accounts | (435) | (480) | (4,003) |
| | 83,797 | 78,655 | 769,988 |
| Non-Current Assets | | | |
| Property, plant and equipment: | | | |
| Buildings and structures | 21,950 | 22,856 | 201,697 |
| Machinery, equipment and vehicles | 9,890 | 10,282 | 90,877 |
| Land used for mining operations | 3,931 | 3,945 | 36,123 |
| Land for general use | 16,627 | 16,627 | 152,782 |
| Construction in progress | 8,780 | 4,108 | 80,685 |
| Other | 536 | 549 | 4,926 |
| | 61,716 | 58,369 | 567,092 |
| Intangible assets | 3,479 | 3,588 | 31,976 |
| Investments and Other Assets | | | |
| Investment securities | 18,124 | 26,074 | 166,539 |
| Deferred tax assets | 2,278 | 1,541 | 20,937 |
| Other | 4,734 | 3,881 | 43,501 |
| Allowance for doubtful accounts | (146) | (377) | (1,342) |
| Allowance for investment loss | (30) | (15) | (283) |
| | 24,960 | 31,104 | 229,351 |
| Total Assets | ¥ 173,954 | ¥ 171,717 | \$ 1,598,409 |

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 |
|---|------------------|------------------|-------------------------|
| | 2020 | 2019 | 2020 |
| Current Liabilities | | | |
| Notes and accounts payable—trade | ¥ 17,755 | ¥ 8,946 | \$ 163,146 |
| Short-term loans payable | 16,259 | 15,355 | 149,402 |
| Lease obligations | 555 | 769 | 5,106 |
| Accounts payable—other | 6,327 | 6,811 | 58,138 |
| Income taxes payable | 1,098 | 2,043 | 10,093 |
| Provision for bonuses | 1,087 | 1,001 | 9,994 |
| Provision for directors' bonuses | 32 | 37 | 301 |
| Provision for shareholder benefit program | 10 | 10 | 97 |
| Provision for product warranties | 11 | 14 | 102 |
| Other | 2,301 | 4,530 | 21,150 |
| | 45,440 | 39,521 | 417,534 |
| Non-Current Liabilities | | | |
| Long-term loans payable | 4,390 | 5,012 | 40,340 |
| Lease obligations | 763 | 1,030 | 7,017 |
| Deferred tax liabilities | 212 | 2,679 | 1,954 |
| Provision for directors' retirement benefits | 114 | 88 | 1,054 |
| Provision for environmental safety measures | 58 | 69 | 536 |
| Provision for special repairs | 202 | 153 | 1,857 |
| Net defined benefit liability | 6,221 | 4,616 | 57,169 |
| Asset retirement obligations | 4,439 | 4,423 | 40,793 |
| Other | 6,902 | 6,935 | 63,426 |
| | 23,306 | 25,009 | 214,151 |
| Total Liabilities | 68,746 | 64,531 | 631,685 |
| Net Assets | | | |
| Capital stock | 4,176 | 4,176 | 38,373 |
| Capital surplus | 4,941 | 4,958 | 45,407 |
| Retained earnings | 88,695 | 85,091 | 814,989 |
| Treasury shares | (163) | (160) | (1,504) |
| Shareholders' equity | 97,649 | 94,065 | 897,265 |
| Accumulated Other Comprehensive Income: | | | |
| Valuation difference on available-for-sale securities | 4,330 | 10,028 | 39,795 |
| Deferred losses on hedges | (114) | (39) | (1,050) |
| Foreign currency translation adjustment | 418 | 502 | 3,845 |
| Remeasurements of defined benefit plans | (2,223) | (1,900) | (20,433) |
| Total Accumulated Other Comprehensive Income | 2,411 | 8,590 | 22,157 |
| Non-controlling interests | 5,147 | 4,530 | 47,299 |
| Total Net Assets | 105,208 | 107,186 | 966,723 |
| Total Liabilities and Net Assets | ¥ 173,954 | ¥ 171,717 | \$ 1,598,409 |

Consolidated Financial Information

Nittetsu Mining Co., Ltd. and Consolidated Subsidiaries

Statements of Income

Years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of US dollars |
|--|------------------|-----------|-------------------------|
| | 2020 | 2019 | 2020 |
| Net Sales | ¥ 117,502 | ¥ 123,372 | \$ 1,079,692 |
| Cost of Sales | 89,491 | 95,260 | 822,305 |
| Gross Profit | 28,011 | 28,111 | 257,387 |
| Selling, General and Administrative Expenses | 20,434 | 20,631 | 187,767 |
| Operating Profit | 7,576 | 7,479 | 69,619 |
| Non-Operating Income: | | | |
| Interest income | 82 | 124 | 761 |
| Dividend income | 801 | 946 | 7,363 |
| Share of profit of entities accounted for using equity method | 241 | — | 2,220 |
| Other | 136 | 183 | 1,252 |
| | 1,262 | 1,254 | 11,597 |
| Non-Operating Expenses: | | | |
| Interest expenses | 266 | 309 | 2,446 |
| Share of loss of entities accounted for using equity method | — | 277 | — |
| Other | 560 | 790 | 5,150 |
| | 826 | 1,377 | 7,596 |
| Ordinary Profit | 8,012 | 7,356 | 73,621 |
| Extraordinary Income: | | | |
| Gain on sales of non-current assets | 86 | 52 | 790 |
| Gain on sales of investment securities | 110 | 590 | 1,015 |
| Insurance claim income | 50 | — | 459 |
| Other | 9 | 5 | 84 |
| | 255 | 648 | 2,349 |
| Extraordinary Losses: | | | |
| Loss on sales and retirement of non-current assets | 211 | 246 | 1,942 |
| Impairment loss | 0 | 34 | 5 |
| Special investigative costs | 308 | — | 2,834 |
| Other | 92 | 9 | 846 |
| | 612 | 290 | 5,629 |
| Profit before Income Taxes | 7,655 | 7,715 | 70,341 |
| Income Taxes: | | | |
| Income taxes—current | 3,128 | 3,374 | 28,750 |
| Income taxes—deferred | (528) | (748) | (4,851) |
| | 2,600 | 2,625 | 23,899 |
| Profit (Loss) Attributable to Non-Controlling Interests | 535 | (270) | 4,918 |
| Profit Attributable to Owners of Parent | 4,518 | 5,360 | 41,523 |
| Profit | ¥ 5,054 | ¥ 5,090 | \$ 46,442 |

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, 2020 and 2019

| | Millions of yen | | Thousands of US dollars |
|---|-----------------|---------|-------------------------|
| | 2020 | 2019 | 2020 |
| Profit | ¥ 5,054 | ¥ 5,090 | \$ 46,442 |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | (5,698) | (3,004) | (52,364) |
| Deferred losses on hedges | (74) | (72) | (687) |
| Foreign currency translation adjustment | (106) | (183) | (975) |
| Remeasurements of defined benefit plans, net of tax | (234) | (188) | (2,154) |
| Share of other comprehensive income of entities accounted for using equity method | — | (0) | — |
| Total other comprehensive loss | (6,114) | (3,450) | (56,181) |
| Comprehensive income (loss) | (1,059) | 1,639 | (9,739) |
| Comprehensive income (loss) attributable to owners of parent | (1,660) | 1,957 | (15,258) |
| Comprehensive income (loss) attributable to non-controlling interests | ¥ 600 | ¥ (318) | \$ 5,518 |

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, 2020 and 2019

| | Millions of yen | | Thousands of US dollars |
|---|-----------------|----------|-------------------------|
| | 2020 | 2019 | 2020 |
| Net cash provided by operating activities | ¥ 9,242 | ¥ 13,465 | \$ 84,922 |
| Net cash used in investing activities | (7,714) | (6,077) | (70,886) |
| Net cash used in financing activities | (1,454) | (4,025) | (13,363) |
| Effect of exchange rate change on cash and cash equivalents | (103) | (23) | (946) |
| Net increase (decrease) in cash and cash equivalents | (29) | 3,339 | (274) |
| Cash and cash equivalents at beginning of period | 33,514 | 29,911 | 307,953 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | — | 264 | — |
| Cash and cash equivalents at end of period | ¥ 33,484 | ¥ 33,514 | \$ 307,679 |

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:

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., and Nippon Ball Valve Co., Ltd.

(2) Names of principal unconsolidated subsidiaries

Yaguki Aggregate Co., Ltd. and Hachinohe Mining and Civil Engineering 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 (Yaguki Aggregate Co., Ltd. and others) and affiliated companies (Chokai Calcium 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 to Accounting Estimates

Property, plant and equipment and intangible assets owned by Sociedad Contractual Minera Atacama Kozan, a consolidated subsidiary of the Company, have been depreciated or amortized based on the mine's operational life. After calculating the reserves of the concession blocks, minable reserves increased; therefore, the service life of major facilities has been extended. This change takes effect from the fiscal year under review and continues in the future. In addition, the remaining service years related to retirement benefit obligations and the estimated period for expenditures of asset retirement obligations booked as mine closure costs based on the mine closure plan stipulated in the mining law of Chile were both extended. This change takes effect from the fiscal year under review and continues in the future.

As a result, compared to the conventional method, depreciation and amortization for the fiscal year under review declined ¥97 million, while operating profit, ordinary profit and profit before income taxes each increased by the same amount.

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

(Millions of yen)

| | |
|----------------------------------|-------|
| Foundation mortgage | |
| Property, plant and equipment | ¥ 483 |
| Debt collateralized by the above | |
| Short-term loans payable | 33 |
| Long-term loans payable | 168 |
| Guarantee deposits received | 10 |

(2) Accumulated depreciation of property, plant and equipment

¥165,840 million

(3) Guaranteed liabilities

(Millions of yen)

| | | |
|-------------------------------|-----------------|---------------------------|
| | Total guarantee | Consolidated company debt |
| Hibi Kyodo Smelting Co., Ltd. | ¥ 17,000 | ¥ 3,447 |
| Iwaki Kyodo Tancal Co., Ltd. | 140 | 26 |
| Total | 17,140 | 3,474 |

7. Segment Information

| | Millions of yen | | | | | | |
|-------------------------------|-----------------------|-------------------|---------------------------------------|--------------|------------------|----------------------------|----------------|
| | 2020 | | | | | | |
| | Non-Metallic Minerals | Metallic Minerals | Machinery & Environmental Engineering | Real Estate | Renewable Energy | Eliminations and Corporate | Total |
| Sales to external customers | ¥ 54,423 | ¥ 45,804 | ¥ 12,520 | ¥ 2,886 | ¥ 1,868 | ¥ — | ¥ 117,502 |
| Inter-segment sales | 962 | — | 968 | 8 | — | (1,939) | — |
| Segment Revenue | 55,385 | 45,804 | 13,489 | 2,894 | 1,868 | (1,939) | 117,502 |
| Segment Profits (Loss) | 6,824 | 574 | 1,382 | 1,609 | 415 | (3,229) | 7,576 |

| | 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) | — |
| Segment Revenue | 57,718 | 49,604 | 12,701 | 2,756 | 1,923 | (1,332) | 123,372 |
| Segment Profits (Loss) | 7,484 | (477) | 1,112 | 1,473 | 363 | (2,475) | 7,479 |

| | Thousands of US dollars | | | | | | |
|-------------------------------|-------------------------|-------------------|---------------------------------------|---------------|------------------|----------------------------|------------------|
| | 2020 | | | | | | |
| | Non-Metallic Minerals | Metallic Minerals | Machinery & Environmental Engineering | Real Estate | Renewable Energy | Eliminations and Corporate | Total |
| Sales to external customers | \$ 500,075 | \$ 420,883 | \$ 115,047 | \$ 26,518 | \$ 17,167 | \$ — | \$ 1,079,692 |
| Inter-segment sales | 8,841 | — | 8,902 | 74 | — | (17,818) | — |
| Segment Revenue | 508,917 | 420,883 | 123,949 | 26,593 | 17,167 | (17,818) | 1,079,692 |
| Segment Profits (Loss) | 62,705 | 5,278 | 12,706 | 14,786 | 3,817 | (29,674) | 69,619 |

Corporate Information

Outline

As of March 31, 2020

| | |
|-------------------------------|---|
| Date of Establishment | May 20, 1939 |
| Common Stock | |
| Authorized | 20,000,000 shares |
| Issued and Outstanding | 8,352,319 shares (including 32,790 shares of treasury stock) |
| Number of Shareholders | 4,205 |

| Major Shareholders | % of total |
|--|------------|
| Nippon Steel Corporation | 14.88 |
| Nittetsu Kogyo Shogakukai* | 7.71 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 5.82 |
| Mizuho Bank, Ltd. | 3.54 |
| Sumitomo Mitsui Banking Corporation | 3.49 |
| Japan Trustee Services Bank, Ltd. (trust account) | 2.73 |
| Nittetsu Kogyo Shareholding Association | 2.04 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | 1.85 |
| MUFG Bank, Ltd. | 1.68 |
| NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT | 1.66 |

*Non-profit corporation

| Number of Employees (Consolidated) | |
|---------------------------------------|--------------|
| Mineral Resources | |
| Non-Metallic Minerals | 1,172 |
| Metallic Minerals | 306 |
| Machinery & Environmental Engineering | 281 |
| Real Estate | 3 |
| Renewable Energy | 11 |
| Corporate (shared) | 109 |
| Total | 1,882 |

| | |
|---|------------|
| Number of Employees (Non-Consolidated) | 669 |
|---|------------|

| Principal Lenders |
|-------------------------------------|
| Mizuho Bank, Ltd. |
| Sumitomo Mitsui Banking Corporation |
| MUFG Bank, Ltd. |

Primary Businesses

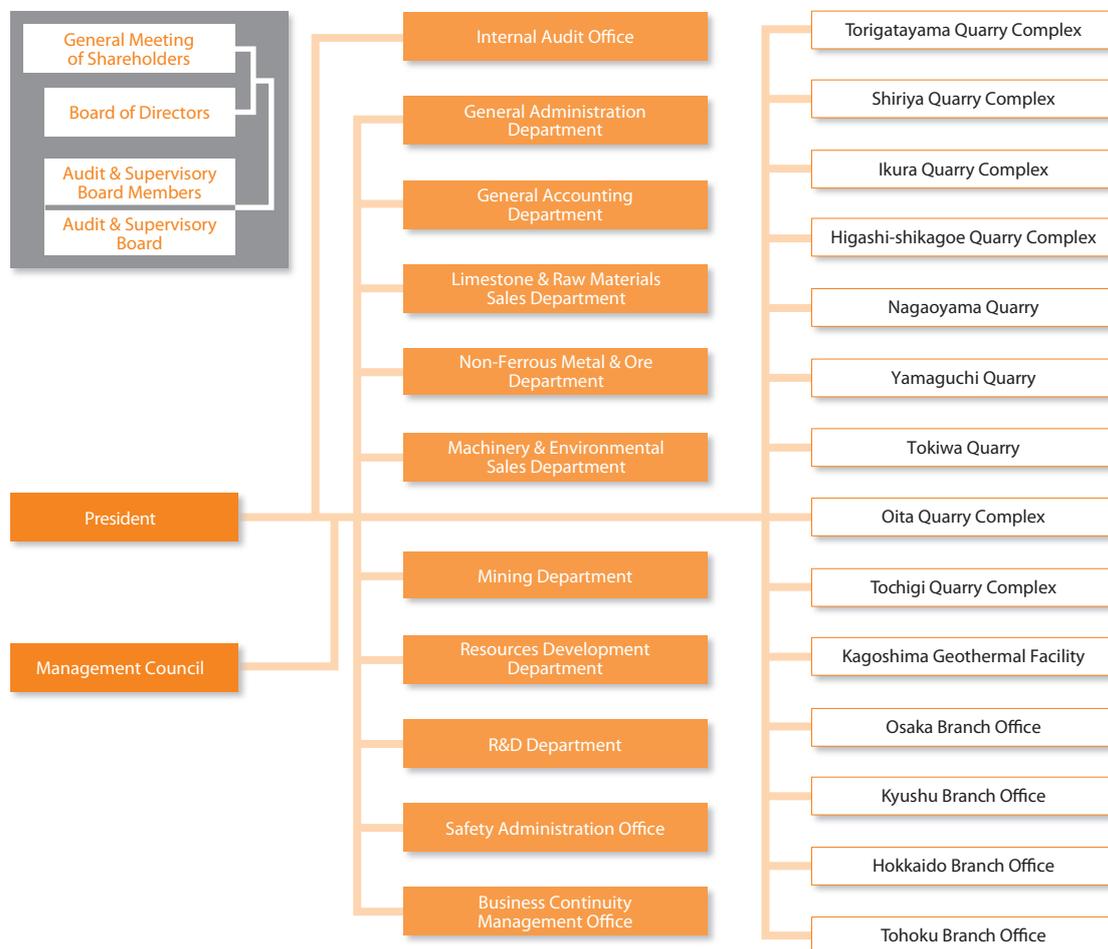
As of March 31, 2020

| Group | Major Products and Services |
|--|---|
| Mineral Resources | <p>Non-Metallic Minerals 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>Metallic Minerals Electrolytic copper, gold and silver, copper concentrate</p> |
| Machinery & Environmental Engineering | <p>Machinery Engineering 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>Environmental Engineering Water treatment agents, deodorizers, others</p> |
| Real Estate | Rentals of office buildings, condominiums, commercial spaces, factories and warehouses, and real estate sales |
| Renewable Energy | Geothermal steam supply, solar power, hydroelectric power |

Corporate Information

Organizational Chart

As of June 26, 2020



Directors and Audit & Supervisory Board Members

As of June 26, 2020

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 Non-Ferrous Metal & Ore Department)

Offices

As of March 31, 2020

| Domestic | |
|--|--|
| Head Office | Yusen Building, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8377, Japan URL: http://www.nittetsukou.co.jp/eng/ |
| 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 |
| R&D Department | 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 | |
| Sydney Office | Level 14, 115 Pitt St, Sydney NSW 2000, Australia Tel: +61-2-9238-0477 |
| Taiwan Office | 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, 2020

| 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 |
| 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 |
| Nippon Ball Valve Co., Ltd. | 40 | 100.0 | Manufacture and sales of ball valves |
| 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
Chiyoda-ku, Tokyo 100-8377, Japan

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