

# Financial Section 2021

## Mitsubishi Materials Corporation

Marunouchi Nijubashi Building 22F  
3-2-3, Marunouchi, Chiyoda-ku, Tokyo 100-8117 Japan  
<https://www.mmc.co.jp/corporate/en/>

 MITSUBISHI MATERIALS CORPORATION

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# Management’s Discussion and Analysis

## Overview

### Economic and Business Environment

During the consolidated fiscal year ended March 31, 2021, the global economic activities experienced considerable constraints due to the global spread of COVID-19. In China, the economy appeared to be recovering mildly, but in Thailand and Indonesia, economic downturn continued. In Europe, the economic downturn continued as well, while it saw signs of a recovery in the U.S.

In Japan due to COVID-19, the employment and income environment remained subdued. However, exports and industrial production showed signs of recovery.

Regarding the business environment for the Mitsubishi Materials Group (hereinafter “the Group”), the Group was also affected by the global spread of COVID-19. In addition to hike in metal prices, demand in semiconductors-related sectors remained strong, while demand in automobile-related sectors substantially declined. Moreover, domestic demand for cement declined.

### Business Performance Summary

Under such circumstances, the Group has implemented various measures to enhance corporate value, based on Mission and the Group’s medium- to long-term goals from the fiscal year ending March 31, 2031 (hereinafter referred to as “FY2031”) to FY2051, as well as the Medium-term Management Strategy for FY2021 to FY2023.

Consequently, consolidated net sales for the fiscal year ended March 31, 2021 totaled ¥1,485.1 billion, down by 2.0% year-on-year. Consolidated operating profit decreased by 30.0% year-on-year to ¥26.5 billion, and consolidated ordinary profit fell by 10.2% year-on-year to ¥44.5 billion. Also, Mitsubishi Materials Corporation (hereinafter referred to as the “Company”) recorded the extraordinary loss of ¥22.3 billion as loss on business restructuring and the extraordinary income of ¥28.0 billion as gain on sales of investment securities. As a result, profit attributable to owners of parent was ¥24.4 billion (compared to loss of ¥72.8 billion in the previous fiscal year).

### Financial Position and Liquidity

As of March 31, 2021, total assets increased ¥131.4 billion, or 6.9% from the end of previous period to ¥2,035.5 billion. Total current assets increased ¥84.4 billion, or 8.8% from the end of previous period to ¥1,039.8 billion mainly due to an increase in leased gold bullion. Total non-current assets increased ¥47.0 billion, or 5.0% from the end of previous period to ¥995.6 billion

## Forecast for Fiscal Year 2022

Regarding the global economy going forward, it is expected that the economic activities continue to be materially restricted until the global spread of COVID-19 infection subsides. It is anticipated that the economy will continue to recover in China and the U.S. while the impact of COVID-19 is expected to continue in Europe.

Regarding the domestic economy, while there are concerns that the employment and income environment may continue to be sluggish because of the impact from COVID-19, exports and industrial production are expected to continue to pick up.

mainly due to an increase in investment securities. Total liabilities increased ¥103.1 billion, or 7.8% from the end of previous period to ¥1,421.1 billion. Total current liabilities increased ¥60.9 billion, or 7.6% from the end of pervious period to ¥858.8 billion mainly due to an increase in notes and accounts payable - trade. Total non-current liabilities increased ¥42.1 billion, or 8.1% from the end of previous period to ¥562.3 billion mainly due to an increase in long-term borrowings. The balance of interest-bearing debts, which adds bonds payable and commercial papers to borrowings increased ¥81.8 billion, or 14.9% from the end of previous period to ¥629.4 billion.

Total net assets increased ¥28.3 billion, or 4.8% from the end of previous period and to ¥614.3 billion mainly due to an increase in retained earnings.

As a result, the consolidated shareholder’s equity ratio increased from 26.6% at the end of previous period to 26.8%, and net assets per share based on the total number of shares outstanding as of March 31, 2021 increased from ¥3,870.35 at the end of previous period to ¥4,173.14.

### Cash Flows

The cash flows during the consolidated fiscal year ended March 31, 2021 and their causes are as follows:

#### (Cash flows from operating activities)

Net cash provided by operating activities totaled ¥78.4 billion (increased by ¥10.8 billion from the previous fiscal year) mainly due to an increase of profit before income taxes as well as an increase in notes and accounts payable - trade.

#### (Cash flows from investing activities)

Net cash used in investing activities totaled ¥101.7 billion (increased by ¥34.8 billion from the previous fiscal year) mainly due to payment for capital expenditure and investment securities.

#### (Cash flows from financing activities)

Net cash provided by financing activities totaled ¥41.5 billion (increased by ¥12.6 billion from the previous fiscal year) mainly due to proceeds from long-term borrowings.

After factoring in the impact of exchange rate fluctuation, cash and cash equivalents at the end of this consolidated fiscal year amounted to ¥147.5 billion (increased by ¥20.2 billion from the previous fiscal year end).

With regards to the business environment surrounding the Group in the future, there are concerns that the impact of the global spread of COVID-19 may continue, while it is anticipated that the solid demand for semiconductor-related products will continue and the demand for automobile related business will recover.

Under these circumstances, for the fiscal year ending March 31, 2022, our consolidated operating performance forecasts predict net sales of ¥1,620.0 billion, operating profit of ¥35.0 billion, ordinary income of ¥37.0 billion, and net income attributable to

owners of parent of ¥20.0 billion on the assumption of average exchange rates of ¥110/USD and ¥130/EUR and a copper price of 345¢/lb.

On a non-consolidated basis, the Company forecasts net sales of ¥970.0 billion, operating profit of ¥0.5 billion, ordinary profit of ¥5.0 billion, and profit of ¥7.0 billion.

## Overview by Segment

For the year ended March 31, 2021 and 2020	Billions of yen		Millions of U.S. dollars
	2021	2020	2021
<b>Advanced Products</b>			
Net sales	¥ 357.1	¥ 375.3	\$ 3,225.7
Operating profit	2.8	3.2	26.1
Operating margin	0.8%	0.9%	
<b>Metalworking Solutions Business</b>			
Net sales	¥ 119.3	¥ 150.2	\$ 1,078.4
Operating profit	(1.1)	7.7	(10.7)
Operating margin	(1.0%)	5.2%	
<b>Metals Business</b>			
Net sales	¥ 728.2	¥ 665.0	\$ 6,578.3
Operating profit	18.8	18.6	170.5
Operating margin	2.6%	2.8%	
<b>Cement Business</b>			
Net sales	¥ 215.8	¥ 247.5	\$ 1,949.6
Operating profit	6.6	12.2	60.0
Operating margin	3.1%	4.9%	
<b>Environment &amp; Energy Business</b>			
Net sales	¥ 26.2	¥ 27.0	\$ 236.9
Operating profit	1.7	1.6	16.1
Operating margin	6.8%	6.2%	
<b>Other Businesses</b>			
Net sales	¥ 266.7	¥ 285.2	\$ 2,409.2
Operating profit	8.8	2.0	79.9
Operating margin	3.3%	0.7%	
<b>Total</b>			
Net sales	¥ 1,485.1	¥ 1,516.1	\$ 13,414.5
Operating profit	26.5	37.9	239.9
Operating margin	1.8%	2.5%	

Note:  
U.S. dollar amounts are translated from Japanese yen using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S.\$1.

## Capital Expenditures

The Group determines capital expenditure allocations by carefully selecting investment projects in areas where future earnings and growth are expected while striving to reduce interest-bearing debt.

In the consolidated fiscal year ended March 31, 2021, total capital expenditures amounted to ¥81.5 billion, which consisted mainly of maintenance and repairs of existing facilities in each business, as well as the enhancement and streamlining of production facilities. Capital expenditures by business segment are as follows:

### Advanced Products

In addition to maintenance and repair work on existing facilities in this business as a whole, the Group carried out work to strengthen the production facilities in the Copper & copper alloy products business, etc. Capital expenditures in this business segment amounted to ¥16.3 billion.

### Metalworking Solutions Business

The Group carried out reinforcement and streamlining work in order to response the increased production in this business as a whole, as well as maintenance and repair work at existing facilities. Capital expenditures in this business segment amounted to ¥9.5 billion.

### Metals Business

The Group carried out maintenance and repair work at copper smelting and processing facilities. Capital expenditures in this business segment amounted to ¥18.3 billion.

### Cement Business

In addition to the introduction of a fully automated analysis system and the reinforcement work of industrial waste disposal facilities at the Kyushu Plant (Kanda area), a large-scale apparatus for suppressing dust generation was introduced at the Higashitani Mine as an environmental measure. Additionally, the Group carried out maintenance and repair work at existing facilities mainly in Japan and the U.S. Capital expenditures in this business segment amounted to ¥17.9 billion.

### Environment & Energy Business

In addition to the construction of a new Komatagawa hydroelectric power plant, the Company carried out maintenance and repair works at its existing facilities. Capital expenditures in this business segment amounted to ¥4.7 billion.

### Other Businesses

The Group carried out maintenance and repair work at existing facilities. Capital expenditures in the Other Businesses segment amounted to ¥14.5 billion.

# Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits	¥ (⁂⁂) 153,086	¥ (⁂⁂) 134,444	\$ 1,382,772
Notes and accounts receivable – trade	(⁂⁂) 220,522	(⁂⁂) 217,259	1,991,895
Merchandise and finished goods	(⁂⁂) 117,498	(⁂⁂) 111,409	1,061,316
Work in process	(⁂⁂) 126,357	(⁂⁂) 112,908	1,141,340
Raw materials and supplies	(⁂⁂) 136,019	(⁂⁂) 127,908	1,228,609
Leased gold bullion	(⁂⁂⁂) 156,254	(⁂⁂⁂) 95,557	1,411,389
Other	133,258	158,444	1,203,671
Allowance for doubtful accounts	(3,103)	(2,470)	(28,034)
Total current assets	1,039,894	955,462	9,392,960
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	158,343	155,868	1,430,259
Machinery, equipment and vehicles, net	241,391	233,923	2,180,397
Land, net	(⁂⁂) 209,707	(⁂⁂) 216,487	1,894,209
Construction in progress	33,864	29,298	305,887
Other, net	22,093	23,720	199,565
Total property, plant and equipment, net	(⁂¹), (⁂³), (⁂⁂) 665,402	(⁂¹), (⁂³), (⁂⁂) 659,298	6,010,318
Intangible assets:			
Goodwill	31,670	35,586	286,070
Other	14,760	15,906	133,324
Total intangible assets	46,431	51,492	419,394
Investments and other assets:			
Investment securities	(⁂²), (⁂⁂) 217,477	(⁂²), (⁂⁂) 183,043	1,964,388
Retirement benefit asset	4,934	3,211	44,574
Deferred tax assets	14,801	15,572	133,692
Other	(⁂²) 50,996	(⁂²) 40,081	460,635
Allowance for doubtful accounts	(4,392)	(4,112)	(39,672)
Total investments and other assets	283,818	237,796	2,563,618
Total non-current assets	995,651	948,588	8,993,332
Total assets	¥ 2,035,546	¥ 1,904,050	\$ 18,386,292

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities			
Current Liabilities:			
Notes and accounts payable – trade	¥ (⁂⁂) 153,603	¥ (⁂⁂) 113,148	\$ 1,387,442
Short-term borrowings	(⁂⁂) 175,686	(⁂⁂) 191,038	1,586,908
Current portion of bonds payable	20,000	—	180,652
Commercial papers	40,000	50,000	361,304
Income taxes payable	6,781	10,221	61,255
Provision for bonuses	12,852	12,944	116,093
Provision for loss on disposal of inventories	756	670	6,832
Provision for product compensation	578	809	5,223
Deposited gold bullion	(⁂⁂⁂) 323,505	(⁂⁂⁂) 294,312	2,922,100
Other	125,072	124,746	1,129,734
Total current liabilities	858,838	797,892	7,757,547
Non-current liabilities:			
Bonds payable	40,000	60,000	361,304
Long-term borrowings	(⁂⁂) 353,795	(⁂⁂) 246,578	3,195,698
Deferred tax liabilities	36,162	26,667	326,642
Deferred tax liabilities for land revaluation	(⁂⁂) 21,094	(⁂⁂) 21,514	190,534
Provision for loss on business of subsidiaries and affiliates	2,525	4,014	22,807
Provision for loss on business restructuring	—	30,272	—
Provision for environmental measures	26,555	32,581	239,862
Provision for product compensation	—	392	—
Provision for directors' retirement benefits	1,677	1,710	15,154
Provision for share based compensation plan	220	—	1,990
Retirement benefit liability	42,249	56,312	381,624
Other	38,033	40,078	343,538
Total non-current liabilities	562,313	520,123	5,079,156
Total liabilities	1,421,151	1,318,016	12,836,704
Net assets			
Shareholders' equity:			
Share capital	119,457	119,457	1,079,016
Capital surplus	79,439	92,393	717,543
Retained earnings	294,814	274,723	2,662,940
Treasury shares	(2,868)	(2,157)	(25,906)
Total shareholders' equity	490,843	484,416	4,433,594
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	42,940	22,806	387,862
Deferred gains or losses on hedges	(1,119)	708	(10,109)
Revaluation reserve for land	(⁂⁂) 27,097	(⁂⁂) 28,059	244,760
Foreign currency translation adjustment	(8,057)	(12,212)	(72,777)
Remeasurements of defined benefit plans	(6,470)	(16,997)	(58,449)
Total accumulated other comprehensive income	54,390	22,364	491,286
Non-controlling interests	69,161	79,252	624,707
Total net assets	614,394	586,034	5,549,588
Total liabilities and net assets	¥ 2,035,546	¥ 1,904,050	\$ 18,386,292

Consolidated Statements of Profit or Loss

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥ 1,485,121	¥ 1,516,100	\$ 13,414,516
Cost of sales	(*)1, (*)21,312,771	(*)1, (*)21,325,438	11,857,749
Gross profit	172,349	190,662	1,556,767
Selling, general and administrative expenses	(*)3, (*)4 145,781	(*)3, (*)4 152,709	1,316,790
Operating profit	26,567	37,952	239,977
Non-operating income:			
Interest income	843	1,302	7,623
Dividend income	17,585	18,403	158,844
Rental income from non-current assets	4,895	5,110	44,218
Share of profit of entities accounted for using equity method	4,692	3,521	42,387
Other	10,260	3,023	92,681
Total non-operating income	38,278	31,362	345,755
Non-operating expenses:			
Interest expenses	4,416	4,858	39,895
Expense for the maintenance and management of abandoned mines	3,782	4,018	34,167
Rental expenses on non-current assets	3,134	3,066	28,314
Loss on retirement of non-current assets	2,674	2,346	24,157
Foreign exchange losses	—	2,073	—
Other	6,309	3,340	56,993
Total non-operating expenses	20,318	19,704	183,529
Ordinary profit	44,527	49,610	402,202
Extraordinary income:			
Gain on sales of investment securities	28,066	14,535	253,513
Other	810	2,026	7,320
Total extraordinary income	28,876	16,562	260,834
Extraordinary losses:			
Loss on business restructuring	(*)8 22,370	—	202,061
Impairment loss	(*)5 3,532	(*)5 55,095	31,907
Provision for loss on business restructuring	—	(*)6 30,272	—
Loss on the Antimonopoly Act	—	(*)7 10,423	—
Other	4,160	10,881	37,580
Total extraordinary losses	30,063	106,671	271,549
Profit (loss) before income taxes	43,341	(40,498)	391,487
Income taxes – current	13,944	18,248	125,953
Income taxes – deferred	(1,379)	10,561	(12,463)
Total income taxes	12,564	28,810	113,490
Profit (loss)	30,777	(69,308)	277,996
Profit (loss) attributable to non-controlling interests	6,369	3,541	57,536
Profit (loss) attributable to owners of parent	¥ 24,407	¥ (72,850)	\$ 220,460

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit (loss)	¥ 30,777	¥ (69,308)	\$ 277,996
Other comprehensive income:			
Valuation difference on available-for-sale securities	19,613	(28,544)	177,158
Deferred gains or losses on hedges	(2,843)	1,520	(25,684)
Foreign currency translation adjustment	5,758	(7,700)	52,010
Remeasurements of defined benefit plans	10,369	(9,263)	93,667
Share of other comprehensive income of entities accounted for using equity method	1,152	(729)	10,412
Total other comprehensive income	(*) 34,050	(*) (44,718)	307,565
Comprehensive income	¥ 64,827	¥ (114,027)	\$ 585,561
(Break down)			
Comprehensive income attributable to:			
Owners of parent	57,567	(116,068)	519,986
Non-controlling interests	7,259	2,040	65,575

Consolidated Statements of Changes in Net Assets

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2021 and 2020

	Millions of yen					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance as of March 31, 2019	¥ 119,457	¥ 92,393	¥ 352,932	¥ (2,123)	¥ 562,659	
Changes during period:						
Cash dividends			(10,476)		(10,476)	
Loss attributable to owners of parent			(72,850)		(72,850)	
Reversal of revaluation reserve for land			4,963		4,963	
Increase due to increase in the number of consolidated subsidiaries			153		153	
Decrease due to increase in the number of consolidated subsidiaries					—	
Purchase of treasury shares				(34)	(34)	
Disposal of treasury shares		(0)		0	0	
Changes in ownership interest of parent due to transaction with non-controlling interests		(0)			(0)	
Net changes in items other than shareholders' equity						
Total changes during period	—	(0)	(78,208)	(33)	(78,242)	
Balance as of March 31, 2020	¥ 119,457	¥ 92,393	¥ 274,723	¥ (2,157)	¥ 484,416	
Changes during period:						
Cash dividends			(5,237)		(5,237)	
Profit attributable to owners of parent			24,407		24,407	
Reversal of revaluation reserve for land			962		962	
Increase due to increase in the number of consolidated subsidiaries					—	
Decrease due to increase in the number of consolidated subsidiaries			(41)		(41)	
Purchase of treasury shares				(713)	(713)	
Disposal of treasury shares		(1)		3	2	
Changes in ownership interest of parent due to transaction with non-controlling interests		(12,952)			(12,952)	
Net changes in items other than shareholders' equity						
Total changes during period	—	(12,954)	20,090	(710)	6,426	
Balance as of March 31, 2021	¥ 119,457	¥ 79,439	¥ 294,814	¥ (2,868)	¥ 490,843	

	Millions of yen								Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests		
Balance as of March 31, 2019	¥ 51,220	¥ 124	¥ 33,023	¥ (5,828)	¥ (7,617)	¥ 70,922	¥ 89,754	¥ 723,337	
Changes during period:									
Cash dividends								(10,476)	
Loss attributable to owners of parent								(72,850)	
Reversal of revaluation reserve for land								4,963	
Increase due to increase in the number of consolidated subsidiaries								153	
Decrease due to increase in the number of consolidated subsidiaries								—	
Purchase of treasury shares								(34)	
Disposal of treasury shares								0	
Changes in ownership interest of parent due to transaction with non-controlling interests								(0)	
Net changes in items other than shareholders' equity	(28,413)	583	(4,963)	(6,383)	(9,379)	(48,557)	(10,502)	(59,060)	
Total changes during period	(28,413)	583	(4,963)	(6,383)	(9,379)	(48,557)	(10,502)	(137,302)	
Balance as of March 31, 2020	¥ 22,806	¥ 708	¥ 28,059	¥ (12,212)	(16,997)	¥ 22,364	¥ 79,252	¥ 586,034	
Changes during period:									
Cash dividends								(5,237)	
Profit attributable to owners of parent								24,407	
Reversal of revaluation reserve for land								962	
Increase due to increase in the number of consolidated subsidiaries								—	
Decrease due to increase in the number of consolidated subsidiaries								(41)	
Purchase of treasury shares								(713)	
Disposal of treasury shares								2	
Changes in ownership interest of parent due to transaction with non-controlling interests								(12,952)	
Net changes in items other than shareholders' equity	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	21,934	
Total changes during period	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	28,360	
Balance as of March 31, 2021	¥ 42,940	¥ (1,119)	¥ 27,097	¥ (8,057)	¥ (6,470)	¥ 54,390	¥ 69,161	¥ 614,394	



	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2020	\$ 1,079,016	\$ 834,553	\$ 2,481,467	\$ (19,489)	\$ 4,375,547
Changes during period:					
Cash dividends			(47,309)		(47,309)
Profit attributable to owners of parent			220,460		220,460
Reversal of revaluation reserve for land			8,693		8,693
Increase due to increase in the number of consolidated subsidiaries					—
Decrease due to increase in the number of consolidated subsidiaries			(370)		(370)
Purchase of treasury shares				(6,448)	(6,448)
Disposal of treasury shares				31	18
Changes in ownership interest of parent due to transaction with non-controlling interests		(116,997)			(116,997)
Net changes in items other than shareholders' equity					
Total changes during period	—	(117,009)	181,473	(6,417)	58,046
Balance as of March 31, 2021	\$ 1,079,016	\$ 717,543	\$ 2,662,940	\$ (25,906)	\$ 4,433,594

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2020	\$ 206,004	\$ 6,395	\$ 253,452	\$ (110,310)	\$ (153,529)	\$ 202,012	\$ 715,858	\$ 5,293,418
Changes during period:								
Cash dividends								(47,309)
Profit attributable to owners of parent								220,460
Reversal of revaluation reserve for land								8,693
Increase due to increase in the number of consolidated subsidiaries								—
Decrease due to increase in the number of consolidated subsidiaries								(370)
Purchase of treasury shares								(6,448)
Disposal of treasury shares								18
Changes in ownership interest of parent due to transaction with non-controlling interests								(116,997)
Net changes in items other than shareholders' equity	181,857	(16,504)	(8,691)	37,533	95,080	289,274	(91,150)	198,123
Total changes during period	181,857	(16,504)	(8,691)	37,533	95,080	289,274	(91,150)	256,169
Balance as of March 31, 2021	\$ 387,862	\$ (10,109)	\$ 244,760	\$ (72,777)	\$ (58,449)	\$ 491,286	\$ 624,707	\$ 5,549,588

## Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 43,341	¥ (40,498)	\$ 391,487
Depreciation	61,962	64,208	559,687
Amortization of goodwill	4,374	4,449	39,517
Increase (decrease) in allowance for doubtful accounts	857	(346)	7,743
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(1,489)	3,209	(13,451)
Increase (decrease) in provision for product compensation	(623)	(1,273)	(5,635)
Increase (decrease) in provision for environmental measures	(6,026)	(7,845)	(54,437)
Increase (decrease) in provision for loss on business restructuring	—	30,272	—
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(777)	(2,232)	(7,020)
Interest and dividend income	(18,429)	(19,706)	(166,467)
Interest expenses	4,416	4,858	39,895
Share of loss (profit) of entities accounted for using equity method	(4,692)	(3,521)	(42,387)
Loss (gain) on sales of property, plant and equipment	(235)	(598)	(2,129)
Loss on retirement of non-current assets	2,674	2,507	24,157
Impairment loss	3,532	55,095	31,907
Loss on business restructuring	22,370	—	202,061
Loss on the Antimonopoly Act	—	10,423	—
Loss (gain) on sales of investment securities	(26,097)	(13,086)	(235,732)
Loss (gain) on valuation of investment securities	321	4,830	2,906
Decrease (increase) in notes and accounts receivable – trade	(7,483)	28,876	(67,592)
Decrease (increase) in inventories	(28,007)	(18,698)	(252,983)
Proceeds from sales of gold bullion	106,419	99,984	961,245
Payment for purchase of gold bullion	(106,176)	(99,736)	(959,051)
Decrease (increase) in other current assets	(5,960)	(871)	(53,840)
Increase (decrease) in notes and accounts payable – trade	38,918	(31,249)	351,535
Increase (decrease) in accrued expenses	6,316	(5,693)	57,051
Increase (decrease) in other current liabilities	1,972	8,650	17,817
Increase (decrease) in other non-current liabilities	(288)	(81)	(2,603)
Other, net	(3,134)	(6,730)	(28,313)
Sub-total	88,055	65,191	795,366
Interest and dividend received	20,399	22,597	184,260
Interest paid	(4,413)	(4,861)	(39,866)
Income taxes (paid) refund	(15,175)	(15,381)	(137,072)
Payment for Loss on the Antimonopoly Act	(10,423)	—	(94,146)
Net cash provided by (used in) operating activities	78,442	67,545	708,541
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(76,825)	(89,599)	(693,933)
Proceeds from sales of property, plant and equipment	1,127	2,099	10,184
Payment for purchase of intangible assets	(1,902)	(1,585)	(17,187)
Payment for purchase of investment securities	(40,889)	(47)	(369,340)
Proceeds from sales of investment securities	65,731	23,827	593,722
Payment for purchase of subsidiaries' shares	(1,158)	(1,657)	(10,467)
Proceeds from sales of subsidiaries' shares	—	25	—
Proceeds from liquidation of subsidiaries	—	0	—
Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	(*) (44,795)	—	(404,623)
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	161	68	1,462
Proceeds from transfer of businesses	583	1,527	5,271
Payment for loans	(3,865)	(4,330)	(34,915)
Proceeds from collection of loans	524	484	4,734
Other, net	(453)	2,289	(4,096)
Net cash provided by (used in) investing activities	(101,763)	(66,898)	(919,189)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(3,828)	9,013	(34,584)
Proceeds from long-term borrowings	139,184	32,578	1,257,194
Repayment of long-term borrowings	(45,084)	(42,078)	(407,229)
Proceeds from issuance of bonds	—	10,000	—
Net increase (decrease) in commercial papers	(10,000)	45,000	(90,326)
Payment for purchase of treasury shares	(714)	(34)	(6,450)
Cash dividends paid	(5,237)	(10,476)	(47,309)
Cash dividends paid to non-controlling interests	(5,611)	(12,829)	(50,683)
Payment for purchase of subsidiaries' shares not resulting in change in scope of consolidation	(24,925)	—	(225,141)
Other, net	(2,267)	(2,300)	(20,485)
Net cash provided by (used in) financing activities	41,514	28,873	374,983
Effect of exchange rate changes on cash and cash equivalents	1,010	(1,960)	9,124
Net increase (decrease) in cash and cash equivalents	19,203	27,559	173,460
Cash and cash equivalents at beginning of period	127,284	99,672	1,149,707
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,045	52	9,444
Cash and cash equivalents at end of period	¥ (*) 147,533	¥ (*) 127,284	\$ 1,332,612

# Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2021 and 2020

## Note 1 Basis of Presenting Consolidated Financial Statements

Mitsubishi Materials Corporation (hereinafter referred to as the “Company”) is a corporation domiciled in Japan. The accompanying consolidated financial statements are composed of the Company and its consolidated subsidiaries (hereinafter referred to as the “Group”). The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”). Japanese GAAP are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).

The accompanying consolidated financial statements and notes are English translation of “Part 5. Financial Information in Annual

Securities Report for the consolidated financial year ended March 31, 2021”.

The translations of the Japanese yen amount into U.S. dollars are included solely for the convenience of readers outside of Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S.\$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Fractions less than one million yen (one tenth yen in respect to per share amount) are omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## Note 2 Basis of Preparation of Consolidated Financial Statements

### 1. Scope of consolidations

#### (1) Number of consolidated subsidiaries: 140

The names of major subsidiaries are as follows:  
PT. Smelting, Luvata Oy, MCC Development Corp., Onahama Smelting & Refining Co., Ltd., Mitsubishi Cement Corp., Materials' Finance Co., Ltd., Mitsubishi Aluminum Co., Ltd., Mitsubishi Cable Industries, Ltd., MOLDINO Tool Engineering, Ltd., Mitsubishi Materials Techno Corp., Mitsubishi Materials Trading Corp., Universal Can Corp., Robertson's Ready Mix, Ltd.

Major subsidiaries are excerpted from “Part1. Overview of company 4. Overview of affiliated company” in Annual Securities Report from the viewpoint of significance.

From the current consolidated fiscal year, New Energy Fujimino Co., Ltd. and one other company are included in the scope of consolidation. In addition, Mitsubishi Shindoh Co., Ltd. has been merged with the Company, which is the surviving entity. Also, the Company sold its entire equity interest in Diamet Corporation and five other companies. Therefore, they were excluded from the scope of consolidation.

#### (2) Name of major non-consolidated subsidiaries

Major non-consolidated subsidiary  
Appi Geothermal Energy Corp.

Reason for exclusion from the scope of consolidation  
All non-consolidated subsidiaries are small companies, and their total assets, net sales, profit or loss (amount equivalent to equity interest) and retained earnings (amount equivalent to equity interest) do not have a significant effect on the consolidated financial statements. Therefore, these companies are excluded from the scope of consolidation.

### 2. Equity method

#### (1) Number of non-consolidated subsidiaries accounted for using the equity method: 0

#### (2) Number of affiliates accounted for using the equity method: 19

The names of major affiliates accounted for using the equity method are as follows:  
Ube-Mitsubishi Cement Corp., NM Cement Co., Ltd., LM Sun Power Co., Ltd., Kobelco & Materials Copper Tube Co., Ltd., P.S. Mitsubishi Construction Co., Ltd., Yuzawa Geothermal Power Corp., Green Cycle Corp., Mantoverde S.A.

Major affiliates are excerpted from “Part1. Overview of company 4. Overview of affiliated company” in Annual Securities Report from the viewpoint of significance.

From the current consolidated fiscal year, Green Cycle Corp. and one other company are included in the scope of application of the equity method.

#### (3) Name of major non-consolidated subsidiaries and affiliates to which equity method is not applied

Onahama Yoshino Gypsum Co., Ltd.

Reason for not applying the equity method  
The non-consolidated subsidiaries and affiliates to which the equity method is not applied are excluded from the scope of application of the equity method because their effects on profit or loss and retained earnings are not material and are not significant in total.

#### (4) Special notes on procedures for applying the equity method

For the companies accounted for using the equity method that have different closing dates, the financial statements for the fiscal year of the corresponding companies are used.

### 3. Matters concerning the fiscal year of consolidated subsidiaries

There are 16 consolidated subsidiaries whose closing dates are different from the consolidated closing date. When preparing the consolidated financial statements, necessary adjustments are made for consolidation regarding important transactions that occurred between their closing dates and the consolidated

closing date.  
The applicable major consolidated subsidiaries are as follows:  
Closing date: December 31  
Luvata Oy and 15 other subsidiaries

### 4. Significant accounting policies

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

##### (a) Securities

##### (i) Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates are stated at cost by the moving average method (excluding shares of affiliates to which the equity method is applied)

##### (ii) Available-for-sale securities

- Available-for-sale securities with available fair value  
Available-for-sale securities with available fair value are stated at fair market value based on the average of market prices in one month before the consolidated closing date (valuation differences are reported as a component of net assets and cost of sale are calculated by the moving average method).
- Available-for-sale securities without available fair value  
Available-for-sale securities without available fair value are stated at cost by the moving average method.

##### (b) Inventories

Inventories are stated primally at cost method (write-down of carrying amount due to declines in profitability). Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at the average cost method.

##### (c) Derivative transactions

Derivative financial instruments are stated at fair value.

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

##### (a) Property, plant and equipment (excluding leased assets and right-of-use assets)

The straight-line method is adopted, provided that the mineshafts in structures and quarries in land are depreciated by the unit-of-production method.

##### (b) Intangible assets (excluding leased assets)

The straight-line method is adopted, provided that mining rights are amortized by the unit-of-production method.

##### (c) Leased assets (finance lease assets that do not transfer ownership)

The straight-line method is adopted with the lease period as the useful life and a residual value of zero.

##### (d) Right-of-use assets

The straight-line method is adopted with the shorter of either the lease period or the useful life of the assets, and a residual value of zero.

#### (3) Standards for recording significant provision

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

In order to prepare for losses on receivables, estimated irrecoverable amounts are provided based on the past rate of actual losses on collection for general accounts receivable and

based on individual collectability for specific accounts receivable including doubtful accounts receivable.

##### (b) Provision for bonuses

Provision for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current consolidated fiscal year.

##### (c) Provision for loss on disposal of inventories

Provision for loss on disposal of inventories is provided for future loss on disposal of inventories based on the estimated amount of loss.

##### (d) Provision for product compensation

Reasonably estimated amount is provided as a future compensation cost for customers with respect to the Group's products.

##### (e) Provision for loss on business of subsidiaries and affiliates

In order to prepare for loss on business of subsidiaries and affiliates, provisions are given on estimated losses that the Company and its consolidated subsidiaries will have to pay beyond equity investments and loan receivable made by the Company and its subsidiaries.

##### (f) Provision for loss on business restructuring

Provision for loss on business restructuring is provided for the estimated amount of loss associated with business restructuring that is expected to occur at the Company and its subsidiaries and affiliates.

##### (g) Provision for environmental measures

Estimated costs related to the implementation of stabilization countermeasures and disaster prevention countermeasures for large-scale storage space in accordance with the Amendment to the Technical Guidelines for the Mine Safety Act and construction costs related to the implementation of drastic countermeasure work to prevent mining-induced pollution to deal with recent change of natural environments including the prevention of discharging untreated sewage, mainly through the reinforcement of water treatment capacities, are provided with respect to the abandoned mines managed by the Group. In addition, the amount of future payments related to loss on waste disposal is provided based on estimation.

##### (h) Provision for directors' retirement benefits

Some consolidated subsidiaries record the amount of retirement benefits required for directors at the end of the term pursuant to internal regulations in order to cover the retirement benefit paid to directors upon retirement.

##### (i) Provision for share based compensation plan

The Company recorded the projected amount of the stock benefit obligation as of the end of the current consolidated fiscal year, in order to provide for its share based compensation plan to Executive Officers, Operating Officers and Fellows based on the Share Distribution Policy.

**(4) Accounting method for retirement benefits**  
**(a) Method of attributing expected retirement benefits to periods**  
The method of attributing expected retirement benefits to periods until the end of the current consolidated fiscal year upon calculation of retirement benefit obligations is based on the benefit calculation method.

**(b) Processing method for actuarial difference and past service costs**  
Past service costs are mainly amortized by the straight-line method over a certain number of years (10 years) within the average of remaining service period of employees at the time of occurrence. The actuarial difference is amortized mainly by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, and the amounts are amortized from the following consolidated fiscal year incurred.

**(5) Method of principal hedge accounting**  
**(a) Method of hedge accounting**  
Deferred hedge accounting is used. For interest rate swaps, special treatment is adopted when the requirements of the special treatment are met. Designated hedge accounting is applied to foreign currency-denominated monetary assets and liabilities with forward foreign exchange contracts.

**(b) Hedging instrument, hedged item and hedge policy**  
Forward foreign exchange contracts and currency swaps are entered into for the purpose of limiting exchange rate fluctuation risk in foreign currency transaction.

Commodity forward contracts and commodity price swaps are entered into for the purpose of limiting the risk of commodity price fluctuations of nonferrous metals inventories. Commodity forward contracts are entered into for the purpose of limiting the

risk of commodity price fluctuations which occur upon entering into a forward contract for nonferrous metals commodities to be delivered at a future date.  
Interest rate swaps are entered into for the purpose of limiting risks associated with interest rate fluctuations of borrowings as well as to reduce funding costs.

**(c) Method of assessing hedge effectiveness**  
In principle, hedge effectiveness is assessed by comparing the changes in fair value or the cumulative changes in cash flows of hedging instruments with the corresponding changes in the hedged items, for the period from the commencement of the hedge to the time of determining its effectiveness.

Furthermore, regarding nonferrous metals forward contracts, the trading volume of hedge transactions are controlled each month to be equal to the trading volume of the hedged items, and at the end of the fiscal year, the effectiveness is evaluated by reviewing whether the expected profit and loss and cash flows are secured.

**(6) Amortization method and period of goodwill**  
Amortization method and period of goodwill are determined individually and goodwill is amortized evenly over a reasonable number of years within 20 years. If the amount is not significant, the entire amount is amortized when incurred.

**(7) Range of cash and cash equivalents in the consolidated statements of cash flows**  
Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments that have a maturity date or redemption date within three months from the date of acquisition, which can be easily converted into cash, and bear the slight risk of fluctuations in value.

**(8) Accounting process of consumption taxes, etc.**  
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

smallest unit that generates cash flows. In addition, common assets are grouped on the larger groups that include common assets. If an indication of impairment of each asset or asset group is identified and the total undiscounted future cash flow from the asset or asset group is less than their carrying amount, the Company is required to recognize an impairment loss. If the Company determines that an impairment loss must be recognized, then it reduces the carrying amount to its recoverable amount, and records impairment losses for the difference between the carrying amount and recoverable amount.  
The Company estimates undiscounted future cash flow based on its next fiscal year's budget and the Medium-term Management Strategy. The growth rate after the period of the Medium-term Management Strategy is determined by taking into account the long-term growth rate of the relevant market and other factors. Based on the assumptions that the impact of COVID-19 will remain for a certain period of time but will gradually subside, and that by FY2023 the business environment will recover to the level before the global spread of COVID-19, the Company's main assumptions include increased sales volume in Advanced Products and Metalworking Solutions Business due to increasing

demand from the automobile, semiconductor and certain other industries, as well as the non-ferrous metal prices forecast. The net realizable value of land is estimated mainly by utilizing appraisal values determined by licensed real estate appraisers.

The total amount of undiscounted future cash flow sufficiently exceeds the carrying amount of fixed assets. However, significant changes in the economic environment and other factors may result in an impairment loss.

## Note 4 New Accounting Standard not Adopted as Yet

**1. “Accounting Standard for Revenue Recognition” etc.**  
•“Accounting Standard for Revenue Recognition” (Accounting Standard Board of Japan (hereinafter referred to as “ASBJ”) Statement No. 29, March 31, 2020 (hereinafter referred to as “Statement No. 29”))  
•“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021 (hereinafter referred to as “Guidance No. 30”))  
•“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020 (hereinafter referred to as “Guidance No. 19”))

**(1) Overview**  
The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards “Revenue from Contracts with Customers” (IFRS 15 published by IASB, Topic 606 published by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and Topic 606 is effective for annual reporting periods beginning after December 15, 2017.

Considering the above circumstances, ASBJ also developed new revenue recognition standards and issued Statement No. 29 together with Guidance No. 30.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

**(2) Scheduled date of applying the new accounting standard**  
The Company and its consolidated domestic subsidiaries will adopt the new guidance from the beginning of the fiscal year ending March 31, 2022.

**(3) The effect of applying the new accounting standard, etc.**  
The effect of the application of new standards such as “Accounting Standard for Revenue Recognition” on the consolidated financial statements is not significant.

**2. “Accounting Standards for Fair Value Measurement”**  
•“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)  
•“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)  
•“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)  
•“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)  
•“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

**(1) Overview**  
Taking into consideration that the International Accounting Standards Board (hereinafter referred to as “IASB”) and the Financial Accounting Standards Board (hereinafter referred to as “FASB”) have issued almost identical guidance on fair value measurement (International Financial Reporting Standards (IFRS) No. 13 “Fair Value Measurement,” and U.S. GAAP Accounting Standards Codification (ASC) Topic 820 “Fair Value Measurement”), the ASBJ took initiatives to align Japanese GAAP with international accounting standards, mainly with regards to guidance and disclosures about the fair value of financial instruments, and announced “Accounting Standard for Fair Value Measurement” and other changes.

ASBJ's basic policy in developing accounting standards for fair value measurement is to incorporate basically all of the provisions of IFRS No. 13 by using a uniform measurement method for the purpose of improving the comparability of financial statements between domestic and foreign companies. At the same time, in consideration of the practices that have been followed in Japan, ASBJ prescribes other treatments for individual items to the extent that they do not significantly impair the comparability of financial statements.

**(2) Scheduled date of applying the new accounting standard**  
The Company and its consolidated domestic subsidiaries will adopt the new accounting standard from the beginning of the fiscal year ending March 31, 2022.

**(3) The effect of applying the new accounting standard, etc.**  
The effect of the application of new standards such as “Accounting Standards for Fair Value Measurement” on the consolidated financial statements is not significant.

## Note 5 Changes in the presentation method

**1. Application of “Accounting Standard for Disclosure of Accounting Estimates”**  
The Company applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) to the consolidated financial statements from the end of the

current consolidated fiscal year, and the effects are disclosed in the notes to the consolidated financial statements “Significant accounting estimates”. However, in accordance with the transitional treatment stipulated in the provisions of the above accounting standard paragraph



11, the notes do not include matters related to the previous consolidated fiscal years.

2. Consolidated Statements of Profit or Loss

“Gain on sales of non-current assets,” which was presented as a separate account under “Extraordinary income” in the previous consolidated fiscal year, has been included in “Other” in the current consolidated fiscal year due to its decreased financial materiality.

To reflect this change, ¥826 million of “Gain on sales of non-current assets” under “Extraordinary income” in the previous consolidated fiscal year has been reclassified into “Other” in

the consolidated statement of profit or loss for the previous consolidated fiscal year provided herein.  
“Loss on valuation of investment securities,” which was presented as a separate account under “Extraordinary losses” in the previous consolidated fiscal year, has been included in “Other” in the current consolidated fiscal year due to its decreased financial materiality.

To reflect this change, ¥4,830 million of “Loss on valuation of investment securities” under “Extraordinary losses” in the previous consolidated fiscal year has been reclassified into “Other” in the consolidated statement of profit or loss for the previous consolidated fiscal year provided herein.

Note 6 Additional Information

1. Share-based compensation plan

(1) Overview of the transaction

The Company has introduced a share-based compensation plan (hereinafter referred to as the “Plan”) for its executive officers, operating officers and fellows (excluding non-domestic residents, hereinafter referred to as the “Officers”) from May 2020. The Plan adopts a structure called Board Incentive Plan Trust (hereinafter referred to as the “BIP Trust”). The Plan is to issue and grant the Officers the Company’s shares and the amount equivalent to the disposal value of the Company’s shares, according to the Officers’ positions or other conditions.

(2) The Company’s shares remaining in BIP Trust

The Company’s shares remaining in BIP Trust are recorded as the treasury shares in the net assets of the balance sheet, with their carrying amount in BIP Trust (excluding the amount of ancillary expenses). The carrying amount and the number of the Company’s treasury shares are ¥684 million (\$6,187 thousand) and 274 thousand shares respectively at the end of the current consolidated fiscal year.

2. Acquisition of mining interests in the Mantoverde copper mine in Chile

The Company and Mantos Copper Holding SpA agreed that the Company would obtain mining interests in the Mantoverde copper mine through the acquisition of a 30% share in Mantoverde S.A. (hereinafter referred to as “MV”), which operates the mine in Chile, and participate in the construction of concentrators, tailings dam, and other facilities for deeply buried sulfide ore that the mine is planning (hereinafter referred to as “this Project”). On February 7, 2020, the Company resolved to sign the relevant agreements including the share subscription agreement and shareholders agreement, and have signed the share subscription agreement on that day.

The acquisition was subject to the closing conditions including arrangement of the project financing. Since all the closing conditions have been satisfied, the Company has formally acquired a 30% share in MV for a total consideration of approximately US\$275 million and has finished acquisition of mining interests on February 12, 2021. The Company’s investment also includes the pro-rata portion of the construction capex as well as adjustments for working capital.

Furthermore, as part of the financing for the Project, the Company agreed to provide a US\$60 million Cost Overrun Facility (credit facility to cover potential cost overruns until the completion of MVDP), which provides the Company with incremental copper concentrates produced by the Project. As a result, including the offtake entitlement from its 30% ownership share, the Company expects to be entitled to approximately 42% of the total copper concentrate of MV.

3. Accounting estimates associated with spread of COVID-19

Although COVID-19 has a widespread impact on economies and corporate activities and it is difficult to forecast how the infection will further spread or when it will subside, the Group has made accounting estimates related to recoverability of deferred tax assets, impairment loss, etc. on the assumption that the impact of the infection will continue for a certain period during the fiscal year ending March 31, 2022, and will gradually subside, based on external information available as of the end of the current consolidated fiscal year.

Note 7 Consolidated Balance Sheets

(\*1) Accumulated depreciation of property, plant and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accumulated depreciation of property, plant and equipment	¥ 1,388,335	¥ 1,373,252	\$ 12,540,286

(\*2) Investment securities for non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities (equity securities)	¥ 90,217	¥ 54,001	\$ 814,903
Investment for joint venture in shares of affiliates	7,683	7,464	69,402
Other (investment and other assets) (investment in capital)	168	109	1,524

(\*3) The amount of reduction entry by the direct reduction method implemented in the current fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Amount of reduction entry by direct reduction method	¥ 296	¥ 123	\$ 2,677

4. Debt guarantees

Debt guarantees are provided for borrowings from bank etc. of companies other than consolidated subsidiaries and employees.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Similco Finance Ltd.	¥ 3,545	¥ 6,983	\$ 32,029
Kobelco & Materials Copper Tube Co., Ltd.	2,004	2,065	18,102
Yuzawa Geothermal Power Corp.	1,759	1,943	15,895
Copper Mountain Mine (BC) Ltd.	1,605	1,020	14,499
JECCO 2 Ltd.	1,185	1,550	10,712
New Energy Fujimino Co., Ltd.	—	1,300	—
Employees	1,981	2,107	17,897
Other (*)	1,288	1,028	11,640
Total	¥ 13,371	¥ 18,001	\$ 120,778

(\*) In “Other” 9 companies are included for the current consolidated fiscal year and 10 companies are included for the previous consolidated fiscal year.

5. Contingent liabilities

(1) Matters concerning taxation in Indonesia

Current consolidated fiscal year (As of March 31, 2021)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as “PTS”), received a notice of reassessment in an amount of US\$47 million (¥5,299 million based on the exchange rate at the end of the current consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing etc. of PTS for the fiscal year ended December 31, 2009. On January 28, 2015, PTS made a provisional deposit of US\$14 million (¥1,549 million) as a part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a net sales shortage on the part of PTS based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and PTS.

The written objection submitted by PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, PTS filed a lawsuit with the Tax Court on June 6, 2016, asserting the legitimacy of the views of the Company and

PTS, but the lawsuit was dismissed by a judgment of January 30, 2020. As a result, an insufficient payment amount of US\$33 million (¥3,749 million) was made on March 23, 2020, and a surcharge of US\$33 million (¥3,749 million) on April 24, 2020. However, because the judgment made by the Tax Court is not acceptable by the Company and PTS, PTS filed a final appeal to the Supreme Court in Indonesia on June 8, 2020 to assert the legitimacy of the view of the Company and PTS.

The Supreme Court issued an order dated February 17, 2021, reversing the verdict of the Tax Court. Subsequently, PTS received a notice of judgement from the Tax Court dated April 16, 2021 that cancels the reassessed tax amount. Going forward, PTS will proceed to request a refund of taxes paid.

On November 29, 2017, PTS also received a notice of reassessment in an amount of US\$22 million (¥2,527 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2012. On December 27, 2017, PTS made a provisional deposit of US\$6 million (¥697 million) as part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this



assessment unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.

The written objection submitted by PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, PTS filed a complaint to the Tax Court in Indonesia on May 17, 2019 to assert the legitimacy of the view of the Company and PTS.

In response to the lawsuit filed by PTS, the Tax Court reached a verdict on December 16, 2020, and accepted PTS's claim for US\$14 million (equivalent to 1,599 million yen). On March 18, 2021, PTS appealed to the Supreme Court with a claim for US\$7 million (equivalent to 871 million yen) and the penalties of US\$ 2 million (equivalent to 228 million yen), which had been dismissed by the Tax Court, thereby asserting the legitimacy of the views of the Company and PTS.

On December 5, 2018, PTS also received a notice of reassessment in an amount of US\$15 million (¥1,684 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2014. On December 27, 2018, PTS made a provisional deposit of US\$5 million (¥649 million) as part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was a view that unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.

On January 20, 2020, PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by PTS on February 27, 2019, and the written objection of PTS was accepted for US\$9 million (¥1,038 million). For US\$4 million (¥524 million), for which the written objection was dismissed, PTS filed a complaint to the Tax Court in Indonesia on July 7, 2020 to present the fairness of the view of the Company and PTS.

The total amount for additional collection being disputed by PTS as of the end of the current fiscal year, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018 is US\$30 million (¥3,421 million). Depending on the result of the opposition or the tax lawsuit, some surcharge may be levied.

**Previous consolidated fiscal year (As of March 31, 2020)**

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as “PTS”), received a notice of reassessment in an amount of US\$47 million (¥5,209 million based on the exchange rate at the end of the previous consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing etc. of PTS for the fiscal year ended December 31, 2009. On January 28, 2015, PTS made a provisional deposit of US\$14 million (¥1,523 million) as a part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a net sales shortage on

the part of PTS based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and PTS.

The written objection submitted by PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, PTS filed a lawsuit with the Tax Court on June 6, 2016, asserting the legitimacy of the views of the Company and PTS, but the lawsuit was dismissed by a judgment of January 30, 2020. As a result, an insufficient payment amount of US\$33 million (¥3,685 million) was made on March 23, 2020, and a surcharge of US\$33 million (¥3,685 million) on April 24, 2020. However, because the judgment made by the Tax Court is not acceptable by the Company and PTS, PTS filed a final appeal to the Supreme Court in Indonesia on June 8, 2020 to assert the legitimacy of the view of the Company and PTS.

On November 29, 2017, PTS also received a notice of reassessment in an amount of US\$22 million (¥2,484 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2012. On December 27, 2017, PTS made a provisional deposit of US\$6 million (¥685 million) as part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.

The written objection submitted by PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, PTS filed a complaint to the Tax Court in Indonesia on May 17, 2019 to assert the legitimacy of the view of the Company and PTS.

On December 5, 2018, PTS also received a notice of reassessment in an amount of US\$15 million (¥1,655 million) from the Indonesian National Tax Authority, primarily regarding its posting of profit and loss on hedging, etc. for the fiscal year ended December 31, 2014. On December 27, 2018, PTS made a provisional deposit of US\$5 million (¥638 million) as part of the additional collection.

However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was a view that unilaterally negated the profit and loss on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.

On January 20, 2020, PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by PTS on February 27, 2019, and the written objection of PTS was accepted for US\$9 million (¥1,020 million). For US\$4 million (¥515 million), for which the written objection was dismissed, PTS has decided to file a complaint to the Tax Court in Indonesia.

The total amount for additional collection being disputed by PTS as of the end of the previous fiscal year, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2013,

the fiscal year ended December 31, 2015, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018 is US\$125 million (¥13,669 million). Depending on the result of the

opposition or the tax lawsuit, some surcharge may be levied.

**6. Notes receivable – trade discounted, etc.**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Notes receivable - trade discounted	¥ 54	¥ 91	\$ 490
Notes receivable - trade endorsed	—	0	—
Notes and accounts receivable - trade securitized with recourse	3,703	3,076	33,449

**(\*7) Assets pledged as collateral and liabilities secured by the collateral**

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 27,622	¥ 25,683	\$ 249,498
Notes and accounts receivable - trade	8,717	11,378	78,741
Merchandise and finished goods	10,625	4,672	95,977
Work in process	23,989	18,416	216,688
Raw materials and supplies	20,356	15,003	183,870
Property, plant and equipment (*)	12,441	10,696	112,378
Investment securities	6,099	5,078	55,094
Total	¥ 109,852	¥ 90,931	\$ 992,250

Liabilities secured by the collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term borrowings	¥ 25,354	¥ 25,027	\$ 229,014
Long-term borrowings (*)	940	1,150	8,490
(Current portion of long-term borrowings)	140	410	1,264
Other	24	23	219
Total	¥ 26,318	¥ 26,201	\$ 237,724

(\*) Assets pledged as collateral for foundation mortgage

Name of assets, net

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures, net	¥ 1,261	¥ 901	\$ 11,394
Machinery, equipment and vehicles, net	1,680	1,372	15,182
Land, net	7,641	7,641	69,021
Other, net	45	34	407
Total	¥ 10,628	¥ 9,949	\$ 96,006

Liabilities secured by the above collateral

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term borrowings	¥ 940	¥ 1,150	\$ 8,490
(Current portion of long-term borrowings)	140	410	1,264
Total	¥ 940	¥ 1,150	\$ 8,490

**(\*8) Revaluation reserve for land**

**Current consolidated fiscal year (As of March 31, 2021)**

The Company and one consolidated subsidiary revaluated lands for business use pursuant to the “Act on Revaluation of Land”, (Act No.34 issued on March 31, 1998) and “Amendment to Act on Revaluation of Land”, (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as “Deferred tax liabilities for land revaluation” in liabilities and the revaluated value less the deferred tax liabilities which is equivalent to equity interest as “Revaluation reserve for land” in net assets.

**•Method of revaluation**

Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of “Enforcement Order for Act on Revaluation of Land” (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

(1) The Company

•Date of revaluation

Yokkaichi Plant	March 31, 2000
Other	March 31, 2002

Difference between the fair value of the revaluated land at the end of the period and its carrying amount after revaluation	¥(30,719) million (\$277,480) thousand)
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(2) One consolidated subsidiary

•Date of revaluation March 31, 2000

Because the fair value of the revaluated land exceeds its carrying amount after the revaluation at the end of the current consolidated fiscal year, the difference is not presented.

Previous consolidated fiscal year (As of March 31, 2020)

The Company and one consolidated subsidiary revaluated lands for business use pursuant to the “Act on Revaluation of Land”, (Act No.34 issued on March 31, 1998) and “Amendment to Act on Revaluation of Land”, (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as “Deferred tax liabilities for land revaluation” in liabilities and the revaluated value less the deferred tax liabilities which is equivalent to equity interest as “Revaluation reserve for land” in net assets.

•Method of revaluation

Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of “Enforcement Order for Act on Revaluation of Land” (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

(1) The Company

•Date of revaluation

Yokkaichi Plant	March 31, 2000
Other	March 31, 2002

Difference between the fair value of the revaluated land at the end of period and its carrying amount after revaluation	¥(30,810) million
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(2) One consolidated subsidiary

•Date of revaluation March 31, 2000

Because the fair value of the revaluated land exceeds its carrying amount after the revaluation at the end of the previous consolidated fiscal year, the difference is not presented.

(\*5) The Group recorded impairment loss on the asset groups below. (Method of asset grouping)

The Group categorizes its assets mainly by product lines based on the reporting segments. Idle assets are classified by individual asset unit. The impact on segments is presented in the relevant part.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Overview of assets groups for which impairment loss was recognized)

			Millions of yen	Thousands of U.S. dollars
Asset groups	Location	Type of assets	Impairment loss	Impairment loss
Advanced Products	Yokkaichi, Mie prefecture, etc.	Machinery and equipment, construction in progress, etc.	¥ 1,950	\$ 17,615
Metalworking Solution Business	Niigata, Niigata prefecture, etc.	Construction in progress, machinery and equipment, etc.	1,304	11,783
Metal Business	Akita, Akita prefecture, etc.	Buildings, machinery and equipment, etc.	32	295
Cement Business	Nakatsu, Oita prefecture, etc.	Tools, instruments	0	1
Other Businesses	Susono, Shizuoka prefecture, etc.	Machinery and equipment, land, etc.	214	1,935
Idle assets	Nasu, Tochigi prefecture, etc.	Land	30	278
Total			¥ 3,532	\$ 31,907

(Circumstances leading up to recognizing impairment loss)

Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their collectible amount. Regarding the idle assets whose collectible amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their collectible amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥3,532 million (\$31,907 thousand) in extraordinary losses.

Breakdown of impairment loss by account titles

Buildings: ¥247 million (\$2,236 thousand), Machinery and equipment: ¥1,969 million (\$17,793 thousand), Construction in progress: ¥1,021 million (\$9,225 thousand), Tools, instruments: ¥162 million (\$1,465 thousand), Other: ¥131 million (\$1,187 thousand)

(Calculation method of collectible amount)

Collectible amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Overview of asset groups for which impairment loss was recognized)

			Millions of yen
Asset groups	Location	Type of assets	Impairment loss
Advanced Products	Susono, Shizuoka prefecture, etc.	Machinery and equipment, land, etc.	¥ 32,623
Metalworking Solution Business	Akashi, Hyogo prefecture, etc.	Machinery and equipment, land, etc.	21,098
Other Businesses	Kewdale in Western Australia, Australia etc.	Tools, instruments, vehicle, etc.	19
Rental property	Inabe, Mie prefecture, etc.	Land, buildings, etc.	704
Idle assets	Sunto, Shizuoka prefecture, etc.	Land, machinery and equipment, etc.	649
Total			¥ 55,095

(Circumstances leading up to recognizing impairment loss)

Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their collectible amount. Regarding the idle assets whose collectible amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their collectible amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥55,095 million in extraordinary losses.

Breakdown of impairment loss by account titles

Buildings: ¥7,395 million, Machinery and equipment: ¥21,959 million, Construction in progress: ¥5,579 million, Land: ¥16,260 million, Other: ¥3,901 million

(Calculation method of collectible amount)

Collectible amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

Note 8 Consolidated Statements of Profit or Loss

(\*1) The inventories at the end of the period represent the amount after reducing carrying amount associated with declining profitability and the following loss (reversal of loss) on valuation of inventories is included in the cost of sales.

Millions of yen		Thousands of U.S. dollars
2021	2020	2021
¥ 5,586	¥ (1,586)	\$ 50,459

(\*2) Provision (reversal) for loss on construction contracts which is included in the cost of sales

Millions of yen		Thousands of U.S. dollars
2021	2020	2021
¥ (0)	¥ (31)	\$ (5)

(\*3) Major components and amounts in selling general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Transportation and storage	¥ 28,607	¥ 30,184	\$ 258,398
Depreciation and amortization	5,541	5,943	50,054
Retirement benefit expenses	3,632	2,950	32,812
Provision for directors' retirement benefits	372	383	3,364
Provision for bonuses	9,414	9,433	85,037
Salaries	33,960	34,298	306,752
Rental expenses	6,303	6,576	56,936
Research and development expenses	11,127	10,881	100,506

(\*4) Total amount of research and development expenses included in general and administrative expenses

Millions of yen		Thousands of U.S. dollars
2021	2020	2021
¥ 11,127	¥ 10,881	\$ 100,506

(\*6) Provision for loss on business restructuring

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

In order to prepare for losses associated with business restructuring which are deemed to be incurred by subsidiaries and affiliates which conducts sintering business, the expected amount of such losses of ¥30,272 million is recorded in extraordinary losses for the previous consolidated fiscal year.

(\*7) Loss on the Antimonopoly Act

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

Universal Can Corporation, a consolidated subsidiary of the Company, was given a Cease and Desist Order and a Payment Order for Surcharges by the Japan Fair Trade Commission as Universal Can Corporation violated the Antimonopoly Act in the transaction concerning beverage cans. Pursuant to the Payment Order for Surcharges, ¥10,423 million is recorded as a Loss on the Antimonopoly Act in extraordinary losses for the previous consolidated fiscal year.

(\*8) Loss on business restructuring

Current consolidated fiscal year (As of March 31, 2021)

The loss on business restructuring of ¥22,370 million (\$202,061 thousand) includes loss on sale of investment securities and loss on assignment of receivables associated with the transfer of equity interests and receivables of Diamet Corporation to Endeavour II United Investment Business Limited Partnership on December 4, 2020. Diamet Corporation had been a consolidated subsidiary of the Company that operated the Sintered Parts Business.

Note 9 Consolidated Statements of Comprehensive Income

(\*) Reclassification adjustments and tax effects concerning other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during period	¥ 54,092	¥ (30,881)	\$ 488,594
Reclassification adjustment to net income	(26,419)	(8,737)	(238,634)
Amount before tax effect	27,673	(39,618)	249,960
Tax effect	(8,059)	11,074	(72,802)
Valuation difference on available-for-sale securities	19,613	(28,544)	177,158
Deferred gains or losses on hedges:			
Gains (losses) incurred during period	(16,611)	(13,430)	(150,049)
Reclassification adjustment to net income	12,646	15,653	114,227
Amount before tax effect	(3,965)	2,222	(35,821)
Tax effect	1,122	(702)	10,137
Deferred gains or losses on hedges	(2,843)	1,520	(25,684)
Foreign currency translation adjustment:			
Gains (losses) incurred during period	5,758	(7,700)	52,010
Reclassification adjustment to net income	—	—	—
Amount before tax effect	5,758	(7,700)	52,010
Tax effect	—	—	—
Foreign currency translation adjustment	5,758	(7,700)	52,010
Remeasurements of defined benefit plans:			
Gains (losses) incurred during period	11,033	(7,874)	99,661
Reclassification adjustment to net income	2,496	1,244	22,546
Amount before tax effect	13,529	(6,629)	122,208
Tax effect	(3,159)	(2,633)	(28,541)
Remeasurements of defined benefit plans	10,369	(9,263)	93,667
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) incurred during period	(596)	(936)	(5,384)
Reclassification adjustment to net income	1,748	206	15,797
Share of other comprehensive income of entities accounted for using equity method	1,152	(729)	10,412
Total other comprehensive income	¥ 34,050	¥ (44,718)	\$ 307,565

Note 10 Consolidated Statements of Changes in Net Assets

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

1. Class and total number of outstanding shares and class and number of treasury shares

	Number at beginning of period	Increase during period	Decrease during period	Number at end of period
Outstanding shares				
Common shares	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common shares (*1), (*2), (*3)	550,160	287,330	886	836,604
Total	550,160	287,330	886	836,604

(\*1) The number of treasury shares in common shares includes 274,700 shares held by the Board Incentive Plan Trust (hereinafter referred to as “BIP Trust”).

(\*2) Breakdown of treasury shares increased during the period

Increase by purchase of less-than-one-unit shares 12,630 shares

Increase by purchase of the shares for BIP Trust 274,700 shares

(\*3) Breakdown of treasury shares decreased during the period

Decrease by sales of less-than-one-unit shares 886 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollar)	Record date	Effective date
May 27, 2020 Board of Directors	Common shares	¥ 5,237	\$ 47,309	¥ 40.0	\$ 0.36	March 31, 2020	June 16, 2020

(2) Dividend which has record date that belongs to the current consolidated fiscal year but the effective date of which belongs to the next consolidated fiscal year.

Resolution	Type of shares	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Source of dividend	Dividend per share (Yen)	Dividend per share (U.S. dollar)	Record date	Effective date
May 14, 2021 Board of Directors	Common shares	¥ 6,546	\$ 59,131	Retained earnings	¥ 50.0	\$ 0.45	March 31, 2021	June 9, 2021

Note:

The total dividend payment approved by the Board of Directors held on May 14, 2021 includes the dividend payment of ¥13 million (\$124 thousand) for the shares held by BIP Trust.

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

1. Class and total number of outstanding shares and class and number of treasury shares

	Number at beginning of period	Increase during period	Decrease during period	Number at end of period
Outstanding shares				
Common shares	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common shares (*4), (*5)	538,493	11,885	218	550,160
Total	538,493	11,885	218	550,160

(\*4) Breakdown of treasury shares increased during the period

Increase by purchase of less-than-one-unit shares 11,885 shares

(\*5) Breakdown of treasury shares decreased during the period

Decrease by sales of less-than-one-unit shares 218 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 13, 2019 Board of Directors	Common shares	¥ 5,238	¥ 40.0	March 31, 2019	June 3, 2019
November 7, 2019 Board of Directors	Common shares	¥ 5,237	¥ 40.0	September 30, 2019	December 3, 2019



(2) Dividend whose record date belongs to the previous consolidated fiscal year but the effective date of which belongs to the current consolidated fiscal year

Resolution	Type of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
May 27, 2020 Board of Directors	Common shares	¥ 5,237	Retained earnings	¥ 40.0	March 31, 2020	June 16, 2020

Note 11 Consolidated Statements of Cash Flows

(\*1) Reconciliation between cash and cash equivalents at the end of period and amounts stated in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 153,086	¥ 134,444	\$ 1,382,772
Less time deposits with maturities over 3 months	(5,374)	(6,974)	(48,546)
Less restricted deposits	(178)	(186)	(1,613)
Cash and cash equivalents	¥ 147,533	¥ 127,284	\$ 1,332,612

(\*2) Breakdown of assets and liabilities held by the companies which were deconsolidated due to the sales of shares during the current consolidated fiscal year.

Due to the sale of shares, Diamet Corporation, PM Techno Corporation, Diamet Klang (Malaysia) Sdn.Bhd., and Guangdong Diamet Powder Metallurgy Co., Ltd. are no longer consolidated subsidiaries. The breakdown of assets and liabilities at the time of sales, as well as the sales price of shares and the payment (net) for sales of subsidiaries' shares resulting in change in scope of consolidation are as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 13,501	\$ 121,950
Non-current assets	8,247	74,495
Current liabilities	(39,244)	(354,482)
Non-current liabilities	(601)	(5,429)
Other	(40)	(363)
Loss on business restructuring	(22,370)	(202,061)
Sales price of shares	0	0
Cash and cash equivalents	(4,217)	(38,098)
Net: Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	¥ (44,725)	\$ (403,989)

Note 12 Lease Transactions

1. Operating lease transactions (lessee)

Future minimum lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within 1 year	¥ 2,750	¥ 2,716	\$ 24,845
Over 1 year	21,464	23,554	193,880
Total	¥ 24,215	¥ 26,271	\$ 218,725

2. Operating lease transactions (lessor)

Future minimum lease income for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within 1 year	¥ 867	¥ 723	\$ 7,832
Over 1 year	1,681	1,508	15,187
Total	¥ 2,548	¥ 2,231	\$ 23,019

Note 13 Financial Instruments

1. Matters concerning the status of financial instruments  
(1) Policy for dealing with financial instruments

The Group raises the necessary funds (mainly through bank loans and issuance of corporate bonds) for its capital expenditure plans to conduct its business. The Group invests temporary surplus funds in highly secured financial assets and raises short-term working capital through bank loans and commercial papers.

The Group utilizes derivative transactions for managing financial risks as described below and does not intend on operating speculative transactions.

(2) Contents of financial instruments and the risks involved in the financial instruments

Notes and accounts receivable - trade are exposed to customers' credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities mainly consist of equity securities related to business or capital alliance with customers and suppliers, and are exposed to the risk of market price fluctuations.

Notes and accounts payable - trade will be due and payable within 1 year. As certain payables in foreign currencies arising from the import of raw materials are exposed to exchange rate fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term borrowings and commercial papers are used for raising funds related to operating transactions. Long-term borrowings and bonds payable are used mainly for raising the necessary funds related to capital expenditure. The longest maturity of them expires in 2033. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivative transactions (interest rate swaps).

Derivative transactions mainly include forward foreign exchange contracts and currency swaps for the purpose of hedging exchange rate fluctuation risk on transactions denominated in foreign currencies, commodity forward contracts and commodity price swaps for the purpose of hedging commodity price fluctuation risk on nonferrous metals and interest rate swaps for the purpose of hedging interest rate fluctuation risk on borrowings and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation risk. For hedging instruments and hedged items, hedging policy, assessment method for hedge effectiveness and others related to hedge accounting, please see "4. Significant accounting policies, (5) Method of principal hedge accounting in "Note 2 Basis of Preparation of Consolidated Financial Statements" as described above.

(3) Risk management system for financial instruments

(a) Credit risk management (customers' default risk)

In the Company, sales departments of each in-house company regularly monitor the status of major business partners, manage payment dates and balances of trade receivables of each business partner in order to discover at an early stage and mitigate any concerns for collection due to the deterioration of financial

conditions in accordance with the Credit Management Rules. Consolidated subsidiaries also conduct similar management activities in accordance with the Credit Management Rules of the Company based on the Group Accounting Regulations.

Regarding the use of derivative financial instruments, the Group deals only with highly creditworthy domestic and foreign banks, securities companies or trading firms to mitigate the default risk.

(b) Market risk management (exchange rate and interest rate fluctuation risks)

The Company and its certain consolidated subsidiaries use principally forward exchange contracts to hedge foreign currency exchange fluctuation risk by currency and on a monthly basis for trade receivables and payables denominated in foreign currencies as well as use interest rate swaps to manage interest rate fluctuation risk on borrowings.

As for investment securities, their market prices and the financial condition of issuers are continually monitored to manage the Group's holding status. With respect to derivative transactions, the Company has set "Operation Standard Rules" and its supplementary rules "Operational Standards of Derivative Transactions" as the corporate rules and established "Operating Rules" and "Operation Standards of Derivative Transactions" corresponding to types of business of each in-house company as individual rules. In accordance with the authority for and the limit amount of transaction provided in these operational standards, forward foreign exchange contracts are executed and controlled by the Finance Department and other responsible departments; interest rate swaps are executed and controlled by the Finance Department; and commodity forward contracts are executed and controlled by each responsible department. Furthermore, departments executing derivative transactions are required to report the status and results of derivative transactions to the Internal Audit Department at the end of each term (including end of second quarter).

Consolidated subsidiaries utilizing derivative transactions also have provided their own operational standards individually and operate derivative transactions within the scope.

(c) Liquidity risk management on fund raising (risk of failure to make payment on the relevant payment date)

The Group manages its liquidity risk by each company preparing and updating cash flow plan on a timely basis.

(4) Supplemental information on the matters related to the fair value of financial instruments

Fair values of financial instruments include values based on market prices and values reasonably calculated if there is no market price. Because variable factors are incorporated in calculating the relevant values, the market values may vary depending on the different assumptions. The contract amounts described in "Note 15 Derivative Transactions" represent the nominal contract amount or notional principal amount based on calculation and do not themselves indicate the market risk or credit risk of derivative transactions.



2. Matters related to the fair values of financial instruments

Amount recorded in the consolidated balance sheets, fair value of the financial instruments and the difference between them are as follows:  
(Financial instruments whose fair values are extremely difficult to determine are excluded from the following table. (Please see “Note 2”.))

Current consolidated fiscal year (As of March 31, 2021)

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 153,086	¥ 153,086	¥ —	\$ 1,382,772	\$ 1,382,772	\$ —
(2) Notes and accounts receivable - trade	220,522	220,522	—	1,991,895	1,991,895	—
(3) Investment securities:						
Shares of subsidiaries and affiliates	13,085	11,253	(1,832)	118,200	101,646	(16,554)
Available-for-sale securities	120,232	120,232	—	1,086,009	1,086,009	—
Total assets	506,927	505,094	(1,832)	4,578,877	4,562,322	(16,554)
(1) Notes and accounts payable - trade	153,603	153,603	—	1,387,442	1,387,442	—
(2) Short-term borrowings	175,686	175,686	—	1,586,908	1,586,908	—
(3) Current portion of bonds payable	20,000	19,990	(10)	180,652	180,561	(90)
(4) Commercial papers	40,000	40,000	—	361,304	361,304	—
(5) Bonds payable	40,000	39,814	(186)	361,304	359,624	(1,680)
(6) Long-term borrowings	353,795	362,103	8,307	3,195,698	3,270,737	75,039
Total liabilities	783,086	791,197	8,111	7,073,310	7,146,578	73,268
Derivative transactions (*)						
(a) Derivative to which hedge accounting is not applied	283	283	—	2,557	2,557	—
(b) Derivative to which hedge accounting is applied	(1,919)	(2,528)	(609)	(17,334)	(22,841)	(5,506)
Total derivative transactions	¥ (1,636)	¥ (2,245)	¥ (609)	\$ (14,777)	\$ (20,284)	\$ (5,506)

(\*) Net receivables and payables arising from derivative transactions are presented in net value. Total net payables are presented in parenthesis.

Previous consolidated fiscal year (As of March 31, 2020)

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 134,444	¥ 134,444	¥ —
(2) Notes and accounts receivable - trade	217,259	217,259	—
(3) Investment securities:			
Shares of subsidiaries and affiliates	11,069	8,114	(2,955)
Available-for-sale securities	121,623	121,623	—
Total assets	484,397	481,442	(2,955)
(1) Notes and accounts payable	113,148	113,148	—
(2) Short-term borrowings	191,038	191,038	—
(3) Current portion of bonds payable	—	—	—
(4) Commercial papers	50,000	50,000	—
(5) Bonds payable	60,000	59,754	(246)
(6) Long-term borrowings	246,578	248,710	2,131
Total liabilities	660,766	662,651	1,885
Derivative transactions (*)			
(a) Derivative to which hedge accounting is not applied	11,268	11,268	—
(b) Derivative to which hedge accounting is applied	1,150	257	(893)
Total derivative transactions	¥ 12,418	¥ 11,525	¥ (893)

(\*) Net receivables and payables arising from derivative transactions are presented in net value. Total net payables are presented in parenthesis.

Notes:

1. Matters related to calculation method of fair values of financial instruments as well as securities and derivative transactions

Assets

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

The fair values approximate the carrying amounts because of their short-term maturities. Therefore, the fair values are recognized using the carrying amounts.

(3) Investment securities (Shares of subsidiaries and affiliates and available-for-sale securities) The fair value of investment securities is determined based on the price on the exchanges. For the notes on securities by purpose of holding, please see “Note 14 Securities”.

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term borrowings, (4) Commercial papers

The fair values approximate the carrying amounts because of their short-term maturities. Therefore, the fair values are recognized using the carrying amounts.

(3) Current portion of bonds payable, (5) Bonds payable

The fair values of bonds payable are determined based on the market price.

(6) Long-term borrowings

The fair values of long-term borrowings are determined by discounting the aggregated values of the principal and interest by an assumed interest rate if the same type of borrowings is newly made.

Derivative transactions

Please see “Note 15 Derivative Transactions”.

2. Financial instruments of which fair values are extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Shares of subsidiaries and affiliates (unlisted equity securities)	¥ 77,131	¥ 42,931	\$ 696,703
Available-for-sale securities (unlisted equity securities)	¥ 7,027	¥ 7,418	\$ 63,475

Because unlisted equity securities have no market price and it is extremely difficult to determine their fair values, these are not included in “(3) Investment securities”.

3. Scheduled redemption amount of monetary assets after the consolidated closing date

Current consolidated fiscal year (As of March 31, 2021)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	¥ 153,086	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and account receivable - trade	220,522	—	—	—	—	—
Total	¥ 373,609	¥ —	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	\$ 1,382,772	\$ —	\$ —	\$ —	\$ —	\$ —
Notes and account receivable - trade	1,991,895	—	—	—	—	—
Total	\$ 3,374,667	\$ —	\$ —	\$ —	\$ —	\$ —

Previous consolidated fiscal year (As of March 31, 2020)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	¥ 134,444	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and account receivable - trade	217,259	—	—	—	—	—
Total	¥ 351,704	¥ —	¥ —	¥ —	¥ —	¥ —

4. Repayment schedule of short-term borrowings, bonds payable and long-term borrowings after the consolidated closing date

Current consolidated fiscal year (As of March 31, 2021)

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	¥ 175,686	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	40,000	—	—	—	—	—
Bonds payable	20,000	10,000	—	10,000	—	20,000
Long-term borrowings	—	31,701	50,007	49,600	131,902	90,582
Total	¥ 235,686	¥ 41,701	¥ 50,007	¥ 59,600	¥ 131,902	¥ 110,582

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	\$ 1,586,908	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial papers	361,304	—	—	—	—	—
Bonds payable	180,652	90,326	—	90,326	—	180,652
Long-term borrowings	—	286,349	451,698	448,025	1,191,425	818,199
Total	\$ 2,128,864	\$ 376,675	\$ 451,698	\$ 538,351	\$ 1,191,425	\$ 998,851

Previous consolidated fiscal year (As of March 31, 2020)

	Millions of yen						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	
Short-term borrowings	¥ 191,038	¥ —	¥ —	¥ —	¥ —	¥ —	—
Commercial papers	50,000	—	—	—	—	—	—
Bonds payable	—	20,000	10,000	—	10,000	20,000	—
Long-term borrowings	—	29,627	28,650	47,686	48,125	92,489	—
Total	¥ 241,038	¥ 49,627	¥ 38,650	¥ 47,686	¥ 58,125	¥ 112,489	—

Note 14 Securities

1. Available-for-sale securities

Current consolidated fiscal year (As of March 31, 2021)

	Type	Millions of yen			Thousands of U.S. dollars		
		Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	Equity securities	¥ 115,745	¥ 53,112	¥ 62,632	\$ 1,045,480	\$ 479,747	\$ 565,733
	Bonds	52	52	0	476	470	6
	Other	—	—	—	—	—	—
	Total	¥ 115,797	¥ 53,164	¥ 63,633	\$ 1,045,957	\$ 480,217	\$ 565,740
Securities with carrying amount not exceeding acquisition cost	Equity securities	¥ 4,434	¥ 4,941	¥ (507)	\$ 40,051	\$ 44,637	\$ (4,586)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total	¥ 4,434	¥ 4,941	¥ (507)	\$ 40,051	\$ 44,637	\$ (4,586)

Note:

Because unlisted equity securities (¥7,027 million (\$63,475 thousand) as recorded in the consolidated balance sheets) have no market price and it is extremely difficult to determine their fair values, the unlisted shares are not included in “Available-for-sale securities” above.

Previous consolidated fiscal year (As of March 31, 2020)

	Type	Millions of yen		
		Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	Equity securities	¥ 104,627	¥ 66,932	¥ 37,694
	Bonds	30	27	3
	Other	—	—	—
	Total	¥ 104,657	¥ 66,959	¥ 37,698
Securities with carrying amount not exceeding acquisition cost	Equity securities	¥ 16,965	¥ 19,722	¥ (2,757)
	Bonds	—	—	—
	Other	—	—	—
	Total	¥ 16,965	¥ 19,722	¥ (2,757)

Note:

Because unlisted equity securities (¥7,418 million as recorded in the consolidated balance sheets) have no market price and it is extremely difficult to determine their fair values, the unlisted shares are not included in “Available-for-sale securities” above.

2. Available-for-sale securities sold

Current consolidated fiscal year (As of March 31, 2021)

Type	Millions of yen			Thousands of U.S. dollars		
	Total proceeds from sales	Total gain on sales	Total loss on sales	Total proceeds from sales	Total gain on sales	Total loss on sales
Equity securities	¥ 65,716	¥ 28,044	¥ 1,750	\$ 593,586	\$ 253,316	\$ 15,812
Bonds	27	—	—	245	—	—
Other	—	—	—	—	—	—
Total	¥ 65,743	¥ 28,044	¥ 1,750	\$ 593,832	\$ 253,316	\$ 15,812

Previous consolidated fiscal year (As of March 31, 2020)

Type	Millions of yen		
	Total proceeds from sales	Total gain on sales	Total loss on sales
Equity securities	¥ 23,808	¥ 14,360	¥ 1,449
Bonds	—	—	—
Other	—	—	—
Total	¥ 23,808	¥ 14,360	¥ 1,449

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥321 million (\$2,906 thousand) for the current consolidated fiscal year and ¥4,830 million for the previous consolidated fiscal year.

If the fair value of any security at the end of the period declined by 50% or more of the acquisition cost, the decrease amount is all recorded as impairment loss. If the fair value at the end of the period declined by 30% to 50% of the acquisition cost, the impairment loss shall be recorded in an amount deemed necessary by considering the recoverability, etc. of each of the securities.

Note 15 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Current consolidated fiscal year (As of March 31, 2021)

Classification	Type of transactions	Millions of yen			
		Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	¥ 3,781	¥ —	¥ (128)	¥ (128)
	Other	924	—	2	2
	Buy				
	U.S. dollars	3,558	—	(19)	(19)
	Other	1,159	93	(1)	(1)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	¥ —	¥ —	¥ —	¥ (146)

Classification	Type of transactions	Thousands of U.S. dollars			
		Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	\$ 34,152	\$ —	\$ (1,160)	\$ (1,160)
	Other	8,348	—	18	18
	Buy				
	U.S. dollars	32,144	—	(176)	(176)
	Other	10,470	846	(10)	(10)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	\$ —	\$ —	\$ —	\$ (1,327)

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.

Previous consolidated fiscal year (As of March 31, 2020)

		Millions of yen				
Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)	
Transactions other than market transactions	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	¥ 4,268	¥ —	¥ 35	¥ 35	
	Other	987	—	2	2	
	Buy					
	U.S. dollars	3,542	—	(40)	(40)	
	Other	1,534	88	13	13	
	Currency swaps:					
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—	
Total		¥ —	¥ —	¥ —	¥ 10	

Note:  
Calculation method of fair value  
Fair value is determined based on the price obtained from financial institutions.

(2) Interest rate related

Current consolidated fiscal year (As of March 31, 2021)

Not applicable

Previous consolidated fiscal year (As of March 31, 2020)

Not applicable

(3) Interest rate and currency related

Current consolidated fiscal year (As of March 31, 2021)

Not applicable

Previous consolidated fiscal year (As of March 31, 2020)

		Millions of yen				
Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)	
Transactions other than market transactions	Interest rate and currency swaps:					
	Euro pay fixed / U.S. dollars receive floating	¥ 4,265	¥ —	¥ 104	¥ 104	
	Total	¥ —	¥ —	¥ —	¥ 104	

Note:  
Calculation method of fair value  
Fair value is determined based on the price obtained from financial institutions.

(4) Commodity related

Current consolidated fiscal year (As of March 31, 2021)

		Millions of yen				
Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)	
Transactions other than market transactions	Nonferrous metals forward contracts:					
	Sell	¥ 46,893	¥ —	¥ 957	¥ 957	
	Buy	135,259	—	(527)	(527)	
	Total	¥ —	¥ —	¥ —	¥ 430	

		Thousands of U.S. dollars				
Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)	
Transactions other than market transactions	Nonferrous metals forward contracts:					
	Sell	\$ 423,567	\$ —	\$ 8,648	\$ 8,648	
	Buy	1,221,749	—	(4,763)	(4,763)	
	Total	\$ —	\$ —	\$ —	\$ 3,884	

Note:  
Calculation method of fair value  
Fair value is determined based on the price obtained from financial institutions.

Previous consolidated fiscal year (As of March 31, 2020)

		Millions of yen				
Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)	
Transactions other than market transactions	Nonferrous metals forward contracts:					
	Sell	¥ 45,640	¥ —	¥ 825	¥ 825	
	Buy	129,119	—	10,327	10,327	
	Total	¥ —	¥ —	¥ —	¥ 11,152	

Note:  
Calculation method of fair value  
Fair value is determined based on the price obtained from financial institutions.

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Current consolidated fiscal year (As of March 31, 2021)

		Millions of yen				
Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value	
Principle method	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	¥ 66,472	¥ 613	¥ (2,539)	
	Other		408	—	(11)	
	Buy					
Hedged items are translated using forward contract rates	U.S. dollars		277	—	3	
	Other		355	—	14	
	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	¥ 8,195	¥ —	Note 2	
Hedged items are translated using currency swaps	Other		4,797	—		
	Buy					
	U.S. dollars		1,158	—		
	Other		211	—		
	Currency swaps:					
	Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	¥ 7,000	¥ 4,000		

		Thousands of U.S. dollars				
Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value	
Principle method	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	\$ 600,416	\$ 5,542	\$ (22,940)	
	Other		3,686	—	(106)	
	Buy					
Hedged items are translated using forward contract rates	U.S. dollars		2,506	—	33	
	Other		3,209	—	127	
	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	\$ 74,022	\$ —	Note 2	
Hedged items are translated using currency swaps	Other		43,333	—		
	Buy					
	U.S. dollars		10,463	—		
	Other		1,913	—		
	Currency swaps:					
	Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	\$ 63,228	\$ 36,130		

Notes:  
1. Calculation method of fair value  
Fair value is determined based on the price obtained from financial institutions.  
2. Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable - trade, accounts payable - trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

Previous consolidated fiscal year (As of March 31, 2020)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable, accounts payable	¥ 74,923	¥ 5	¥ (39)
	Other		850	—	(0)
	Buy				
	U.S. dollars		764	26	(4)
Hedged items are translated using forward contract rates	Other		265	—	¥ (13)
	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable, accounts payable	¥ 11,561	¥ —	
	Other		4,603	—	
	Buy				
Hedged items are translated using currency swaps	U.S. dollars		916	—	
	Other		108	—	
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	¥ 7,000	¥ 7,000	

Notes:

1. Calculation method of fair value
- Fair value is determined based on the price obtained from financial institutions.
2. Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable - trade, accounts payable - trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

(2) Interest rate related

Current consolidated fiscal year (As of March 31, 2021)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps:	Long-term borrowings			
	Pay fixed rate / receive floating rate		¥ 28,523	¥ 28,309	¥ (609)
Hedge accounting method	Type of transactions	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps:	Long-term borrowings			
	Pay fixed rate / receive floating rate		\$ 257,637	\$ 255,704	\$ (5,506)

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.

Previous consolidated fiscal year (As of March 31, 2020)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps:	Long-term borrowings			
	Pay fixed rate / receive floating rate		¥ 37,137	¥ 27,823	¥ (893)

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.

(3) Interest rate and currency related

Current consolidated fiscal year (As of March 31, 2021)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps:	Long-term borrowings			
	Indonesian rupiah pay fixed / U.S. dollars receive floating		¥ 592	¥ 491	¥ 28
Hedge accounting method	Type of transactions	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps:	Long-term borrowings			
	Indonesian rupiah pay fixed / U.S. dollars receive floating		\$ 5,353	\$ 4,435	\$ 255

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.

Previous consolidated fiscal year (As of March 31, 2020)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps:	Long-term borrowings			
	Indonesian rupiah pay fixed / U.S. dollars receive floating		¥ 690	¥ 515	¥ 147

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.

(4) Commodity related

Current consolidated fiscal year (As of March 31, 2021)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		¥ 52,977	¥ 11,688	¥ (4,166)
	Buy		25,744	1,976	4,752
Hedge accounting method	Type of transactions	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		\$ 478,523	\$ 105,578	\$ (37,637)
	Buy		232,537	17,851	42,930

Note:

Calculation method of fair value

Market value is determined based on the price obtained from financial institutions.

Previous consolidated fiscal year (As of March 31, 2020)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		¥ 46,474	¥ 22,070	¥ 5,743
	Buy		29,473	7,672	(4,683)

Note:

Calculation method of fair value

Fair value is determined based on the price obtained from financial institutions.



Note 16 Retirement Benefit

1. Overview of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans to cover the benefits payable for all employees under these plans. Under the funded defined benefit pension plans, benefits are calculated based on the job qualifications and length of service and are paid at a lump-sum or in annuities.

Under the lump sum retirement plan (they are principally unfunded plans, but some plans are of a funded-type as a result of the establishment of a retirement benefit trust), benefits are calculated based on the job qualifications and length of service, and are paid at a lump-sum.

Certain consolidated subsidiaries calculate their retirement benefit liability and retirement benefit expenses based on the simplified method.

2. Defined benefit pension plans

(1) Reconciliation of the beginning balance and the ending balance of retirement benefit obligation (excluding plans listed in (3) to which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of period	¥ 146,694	¥ 146,594	\$ 1,325,034
Service costs	5,778	7,500	52,197
Interest costs	298	290	2,692
Actuarial gains and losses	(16)	(398)	(151)
Benefit paid	(7,797)	(7,648)	(70,429)
Past service costs	550	316	4,974
Decrease due to exclusion from consolidation	(2,841)	—	(25,662)
Other	590	40	5,328
Balance at end of period	¥ 143,256	¥ 146,694	\$ 1,293,983

(2) Reconciliation of the beginning balance and the ending balance of plan assets (excluding plans listed in (3) to which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of period	¥ 95,955	¥ 100,051	\$ 866,731
Expected return on plan assets	1,819	1,818	16,437
Actuarial gains and losses	11,581	(7,956)	104,614
Contribution to the plan by the employer	5,269	5,396	47,597
Benefits paid	(4,104)	(3,957)	(37,074)
Decrease due to exclusion from consolidation	(1,828)	—	(16,516)
Other	(854)	603	(7,711)
Balance at end of period	¥ 107,840	¥ 95,955	\$ 974,077

(3) Reconciliation of the beginning balance and the ending balance of retirement benefit liability under the plans to which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of period	¥ 2,361	¥ 2,410	\$ 21,332
Retirement benefit expenses	240	220	2,169
Benefits paid	(190)	(201)	(1,723)
Contribution to the plan	(35)	(68)	(324)
Decrease due to exclusion from consolidation	(175)	—	(1,584)
Other	(302)	—	(2,725)
Balance at end of period	¥ 1,897	¥ 2,361	\$ 17,143

(4) Reconciliation between the ending balance of retirement benefit obligation and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 133,173	¥ 130,866	\$ 1,202,907
Plan assets	(108,248)	(92,136)	(977,763)
	24,925	38,730	225,143
Unfunded retirement benefit obligation	12,389	14,369	111,905
Net liability (asset) recorded in the consolidated balance sheets	¥ 37,314	¥ 53,100	\$ 337,049

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net retirement benefits liability	¥ 42,249	¥ 56,312	\$ 381,624
Net retirement benefits asset	(4,934)	(3,211)	(44,574)
Net liability (asset) recorded in the consolidated balance sheets	¥ 37,314	¥ 53,100	\$ 337,049

Note:  
The plans to which the simplified method is applied is included.

(5) Retirement benefit expenses and their components

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs	¥ 6,018	¥ 7,721	\$ 54,366
Interest costs	298	290	2,692
Expected return on plan assets	(1,819)	(1,818)	(16,437)
Amortization of actuarial gains and losses	2,685	1,548	24,258
Amortization of past service costs	(189)	(303)	(1,712)
Retirement benefit costs on defined benefit plans	¥ 6,993	¥ 7,437	\$ 63,168

Note:  
Retirement benefit expenses for the plan to which the simplified method is applied are included in “Service costs”.

(6) Remeasurements of defined benefit pension plans

Remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Past service costs	¥ (740)	¥ (619)	\$ (6,686)
Actuarial gains or losses	14,270	(6,009)	128,895
Total	¥ 13,529	¥ (6,629)	\$ 122,208

(7) Accumulated remeasurements of defined benefit pension plans

Components of accumulated remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized past service costs	¥ 822	¥ 82	\$ 7,428
Unrecognized actuarial gains or losses	2,396	16,936	21,647
Total	¥ 3,218	¥ 17,018	\$ 29,075

(8) Plan assets

(a) Major components of plan assets

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

	2021	2020
Bonds	36%	38%
Equity securities	46	41
Life insurance (general accounts)	12	13
Cash and deposits	6	8
Other	0	0
Total	100%	100%

Note:  
Total plan assets include 24% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the current consolidated fiscal year and 22% of the trust for the previous consolidated fiscal year.

(b) Method of establishment of the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and expected allocation of plan assets, and long-term rates of return which are expected currently and in the future from the various assets which are included in the plan assets.

(9) Matters concerning actuarial calculation basis

Main actuarial calculation basis

	2021	2020
Discount rate	Mainly 0.05%	Mainly 0.05%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,242 million (\$11,223 thousand) for the current consolidated fiscal year and ¥1,036 million for the previous consolidated fiscal year respectively.

Note 17 Tax Effect Accounting

1. Major components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carried forward	¥ 35,963	¥ 19,850	\$ 324,848
Impairment loss on non-current assets	16,786	25,930	151,627
Retirement benefit liability	13,175	17,503	119,010
Loss on valuation of investment securities	11,127	13,328	100,508
Provision for environmental measures	8,131	9,976	73,445
Retirement benefit trust asset	7,662	7,728	69,211
Excess of depreciation	5,379	2,206	48,591
Loss on valuation of inventories	4,502	2,861	40,671
Provision for bonuses	3,950	4,047	35,685
Unrealized gain	3,877	4,004	35,024
Loss on valuation of buildings	3,852	3,973	34,798
Allowance for doubtful accounts	1,841	1,757	16,632
Deferred gains or losses on hedges	1,818	748	16,421
Provision for loss on business restructuring	—	9,269	—
Other	12,934	14,515	116,831
Sub-total	¥ 131,005	¥ 137,706	\$ 1,183,322
Valuation allowance for tax loss carried forward (*2)	(31,663)	(15,868)	(286,006)
Valuation allowance for deductible temporary differences	(75,645)	(97,741)	(683,279)
Valuation allowance (*1)	(107,309)	(113,609)	(969,286)
Total deferred tax assets	23,695	24,096	214,035
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(18,792)	(10,796)	(169,742)
Investment difference in foreign consolidated subsidiaries	(6,569)	(4,931)	(59,336)
Revaluation of land, as a result of merger	(4,513)	—	(40,767)
Valuation difference on full market value method	(4,507)	(9,368)	(40,714)
Gain on contribution of securities to retirement benefit trust	(2,881)	(3,195)	(26,030)
Retained earnings of foreign consolidated subsidiaries	(1,930)	(1,792)	(17,432)
Deferred gains or losses on hedges	(1,328)	(955)	(12,001)
Accelerated depreciation of property, plant and equipment	(1,091)	(1,262)	(9,858)
Deferred gain on sale of property, plant and equipment	(432)	(444)	(3,910)
Reserve for mining exploration	(11)	(11)	(101)
Other	(2,998)	(2,433)	(27,088)
Total deferred tax liabilities	(45,057)	(35,191)	(406,985)
Net deferred tax assets (liabilities)	¥ (21,361)	¥ (11,094)	\$ (192,949)

(\*1) Valuation allowance increased by ¥6,300 million (\$56,906 thousand), because Diamet Corporation has been excluded from the scope of consolidation.

(\*2) Tax loss carried forward and the related deferred tax assets by expiration periods are as follows:

Current consolidated fiscal year (As of March 31, 2021)

	Millions of yen						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*a)	¥ 838	¥ 622	¥ 460	¥ 2,455	¥ 879	¥ 30,708	¥ 35,963
Valuation allowance	(814)	(616)	(454)	(2,450)	(855)	(26,471)	(31,663)
Net deferred tax assets	¥ 23	¥ 5	¥ 5	¥ 5	¥ 24	¥ 4,236	¥ (*b) 4,300

	Thousands of U.S. dollars						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*a)	\$ 7,569	\$ 5,618	\$ 4,156	\$ 22,182	\$ 7,944	\$ 277,377	\$ 324,848
Valuation allowance	(7,360)	(5,572)	(4,109)	(22,133)	(7,723)	(239,107)	(286,006)
Net deferred tax assets	\$ 209	\$ 45	\$ 47	\$ 48	\$ 221	\$ 38,269	\$ (*b) 38,842

(\*a) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(\*b) Deferred tax assets of ¥4,300 million (\$38,842 thousand) is recorded for the tax loss carried forward of ¥35,963 million (\$324,848 thousand) (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

Previous consolidated fiscal year (As of March 31, 2020)

	Millions of yen						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*c)	¥ 1,486	¥ 820	¥ 611	¥ 464	¥ 2,461	¥ 14,004	¥ 19,850
Valuation allowance	(1,393)	(820)	(611)	(449)	(2,450)	(10,143)	(15,868)
Net deferred tax assets	¥ 93	¥ —	¥ —	¥ 15	¥ 10	¥ 3,861	¥ (*d) 3,981

(\*c) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(\*d) Deferred tax assets of ¥3,981 million is recorded for the tax loss carried forward of ¥19,850 million (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

2. The reconciliation between the statutory effective income tax rate and the actual income tax rate after applying tax effect accounting

	2021	2020
Statutory effective income tax rate	30.6%	
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	4.3	This information is omitted because loss before income taxes is recorded.
Temporary differences for which tax effect cannot be recognized	(2.9)	
Differences in statutory effective income tax rates of consolidated subsidiaries	(8.1)	
Equity in earnings of affiliates	(3.3)	
Non-taxable permanent differences such as dividend income	(2.9)	
Non-deductible foreign withholding taxes	7.5	
Amortization of goodwill	3.1	
Other	0.7	
Actual income tax rate after applying tax effect accounting	29.0%	

Note 18 Business Combinations

1. Additional purchase of subsidiary's shares

The Company entered into a share purchase agreement with Hitachi Metals, Ltd. on March 2, 2020 under which the Company acquires the shares in Mitsubishi Hitachi Tool Engineering, Ltd. which is a subsidiary of the Company. The shares were purchased on April 1, 2020.

(1) Overview of the transaction

- (a) Name and business of acquired company  
Name of acquired company: Mitsubishi Hitachi Tool Engineering, Ltd.  
Description of business: Manufacturing and sales of cemented carbide tools
- (b) Date of the business combination  
April 1, 2020
- (c) Legal form of the business combination  
Purchase of shares from non-controlling shareholders which consideration is cash.
- (d) Name of the company after the business combination  
MOLDINO Tool Engineering Ltd.
- (e) Other matters concerning overview of the transaction  
The Company additionally acquired 49% of the voting rights of Mitsubishi Hitachi Tool Engineering, Ltd. resulting in the Company holding 100% of the voting rights. The purpose of the additional acquisition is to respond to rapidly changing market needs and to enable more flexible operation.

(2) Overview of implemented accounting treatment

The business combination was accounted for as a transaction conducted with non-controlling shareholders under common control in accordance with the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No.21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).

(3) Matters to be provided upon additional purchase of subsidiary's share

Cost of acquisition and breakdown of consideration			
Consideration for acquisition	Cash and deposits	¥24,920 million	\$225,098 thousand
Acquisition cost		¥24,920 million	\$225,098 thousand

(4) Matters concerning changes in the Company's interest due to transactions with non-controlling shareholders

- (a) Major factors affecting capital surplus  
Additional purchase of share of subsidiary
- (b) Amount of capital surplus decreased by transactions with non-controlling shareholders  
¥13,009 million (\$117,509 thousand)

2. Absorption-type merger of the consolidated subsidiary

The Company resolved at a meeting of its Board of Directors held on July 31, 2019 to conduct an absorption-type merger on April 1, 2020.

(1) Overview of the transaction

- (a) Name and business of the acquired company:  
Name of the acquired company: Mitsubishi Shindoh Co., Ltd.  
Description of business: Rolling, extruding and casting of copper and copper alloys and the processing and sales, etc., thereof.
- (b) Date of the business combination  
April 1, 2020
- (c) Legal form of the business combination  
Absorption-type merger in which the Company shall be the surviving company and Mitsubishi Shindoh Co., Ltd. shall be dissolved.
- (d) Name of the company after the business combination  
Mitsubishi Materials Corporation
- (e) Other matters concerning overview of the transaction  
The purpose of the merger is to integrally operate the Group's management resources in the Copper & Copper Alloy Business in order to

invest more actively and flexibly, to develop products promptly that meet market needs and to improve and enhance the production and sales systems in Japan and overseas.

(2) Overview of implemented accounting treatment

The Company has accounted for this business combination as a transaction under common control 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).

3. Sales of subsidiary's shares

The Company made a formal resolution at the meeting of its Board of Directors held on November 25, 2020, to transfer (hereinafter referred to as "the Transfer") the entire shares of Diamet Corporation (hereinafter referred to as "Diamet"), which is a consolidated subsidiary of the Company, to Endeavor II United Investment Limited Partnership (hereinafter referred to as "Partnership") for which Endeavor United Co., Ltd. (hereinafter referred to as "Endeavor") serves as a unlimited liability partner, and executed the final agreement with Partnership on the same date and carried out the Transfer on December 4, 2020.

Accordingly, PM Techno Corporation, Diamet Klang (Malaysia) Sdn. Bhd., and Guangdong Diamet Powder Metallurgy Co., Ltd., which are the subsidiaries of Diamet and the consolidated subsidiaries of the Company, have been excluded from the scope of consolidation.

(1) Overview of the business divestiture

- (a) Tradename of the successor company  
Endeavor II United Investment Limited Partnership
- (b) Description of divested business  
Consolidated subsidiaries: Diamet Corporation  
PM Techno Corporation  
Diamet Klang (Malaysia) Sdn. Bhd.  
Guangdong Diamet Powder Metallurgy Co., Ltd.  
Description of business: Production, R&D and Sales for sintered mechanical parts, Oilless Bearings, Other powder metallurgy parts

(c) Main reason for carrying out the business divestiture  
Due to deteriorating earnings from Sintered Parts Business of the Group in which Diamet and its subsidiaries and affiliated companies had been engaged (hereinafter referred to as the "Sintered Parts Business"), the Company had provided financial support to Diamet, which had led the Sintered Parts Business, including the underwriting of capital increase and direct loans. However, as it had been revealed that such support alone was unlikely to be sufficient to improve revenue of the Sintered Parts Business, the Company had been discussing plans for the Sintered Parts Business, including transfer of the business to third parties.

From these circumstances, the Company reached an agreement with Endeavour to transfer the business to Partnership aiming at restructuring the business under Endeavour's leadership, and executed the transfer. Endeavour is a Japanese investment fund which has extensive experience in business revitalization. The Company believes that a business restructuring led by Endeavour is the best way to revitalize and stabilize the Sintered Parts Business.

- (d) Date of the business divestiture  
December 4, 2020

(e) Other matters concerning overview of the transaction including legal form  
Share transfer in which the consideration received is only cash and other assets

(2) Overview of implemented accounting treatment

- (a) Amount of gain or loss on the transfer  
Loss on business restructuring \$22,370 million (\$202,061 thousand)
- (b) Appropriate carrying amounts of assets and liabilities of the transferred business, and major breakdown thereof

Current assets	¥ 13,501 million	(\$121,950 thousand)
Non-current assets	¥ 8,247 million	(\$74,495 thousand)
Total assets	¥ 21,748 million	(\$196,446 thousand)
Current liabilities	¥ 39,244 million	(\$354,482 thousand)
Non-current liabilities	¥ 601 million	(\$5,429 thousand)
Total liabilities	¥ 39,845 million	(\$359,912 thousand)

(c) Accounting treatment

The Company recorded extraordinary losses for the loss on business restructuring, at the amount of the difference between the carrying amount of Diamet Corporation recorded in the consolidated financial statements and its sale value, less the amount of provision for loss on business restructuring which had been recorded at the end of the previous fiscal year.

(3) Reporting segment to which the transferred business of subsidiaries

Metalworking Solutions Business

(4) Estimated amount of profit or loss pertaining to the divested business, which is reported on the consolidated statement of profit and loss for the nine months of the current consolidated fiscal year

Net sales	¥ 10,950 million	(\$98,911 thousand)
Operating loss	¥ 2,277 million	(\$20,570 thousand)

## Note 19 Asset Retirement Obligation

Asset retirement obligation recorded in the consolidated balance sheets

1. Overview of asset retirement obligation

Costs for obligations of handling hazardous materials including asbestos and PCB, and costs for obligations of greening sites of coal and limestone mines set forth in various laws and regulations, are reasonably estimated and the asset retirement obligation are recorded.

2. Calculation method for amount of asset retirement obligation

The Group estimates the expected period until payment (maximum 65 years) and adopts discount rates from 0.1% to 2.7%.

3. Changes in total amount of asset retirement obligation

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of period	¥ 3,238	¥ 3,814	\$ 29,248
Increase due to acquisitions of property, plant and equipment	607	62	5,489
Reconciliation due to passage of time	20	24	187
Decrease due to settlement of asset retirement obligations	(185)	(583)	(1,677)
Increase (decrease) due to changes in estimates	(35)	55	(321)
Foreign currency translation adjustments	118	(90)	1,072
Other	(24)	(44)	(221)
Balance at end of period	¥ 3,739	¥ 3,238	\$ 33,777

## Note 20 Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings and other rental properties in Osaka and other areas. The investment and rental property above include those used partly by the Company and certain consolidated subsidiaries. The amount recorded in the consolidated balance sheets, changes during the period and its fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Carrying amount			
Balance at beginning of period	¥ 52,729	¥ 52,219	\$ 476,281
Increase (decrease) during period	(2,443)	510	(22,071)
Balance at end of period	50,285	52,729	454,209
Fair value at end of period	¥ 56,451	¥ 57,744	\$ 509,908

Notes:

- Carrying amount is calculated by deducting accumulated depreciation from acquisition cost.
- Fair values of major properties at the end of period are based on appraisal by external or internal real estate appraisers.  
Fair values of other properties at the end of period are calculated based on reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Profit or loss concerning investment and rental property are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment and rental properties			
Rent income	¥ 4,785	¥ 4,942	\$ 43,225
Rent expenses	3,298	3,362	29,797
Profit or loss	1,486	1,580	13,428
Impairment loss	¥ 30	¥ 859	\$ 278

Note:

Rental expenses include costs related to depreciation, maintenance and repairs, insurance premiums, taxes and dues and others.

## Note 21 Segment Information

1. Segment information

(1) Overview of reporting segments

(a) Method to define reporting segments

The Group's reporting segments are those units of the Group for which discrete financial information is available and the segments are subject to regular review by the Board of Directors to decide allocation of management resources and to assess the performance.

The Group adopts an in-house company system and each in-house company and business division make comprehensive domestic and international strategies and conduct business activities with respect to the products and services handled.

Accordingly, the Group consists of segments by products and services based on in-house company and has 5 reporting segments of "Advanced Products", "Metalworking Solutions Business", "Metals Business", "Cement Business" and "Environment & Energy Business".

(b) Products and services which belong to each reporting segment

Major products of each business are as follows:

- Advanced Products: Copper alloy products, electronic materials
- Metalworking Solutions Business: Cemented carbide products, sintering products
- Metals Business: Copper smelting and refining (including copper, gold, silver and sulfuric acid)
- Cement Business: Cement, aggregate, ready-mixed concrete, concrete products
- Environment& Energy Business: Energy, environmental recycling

(2) Method of calculating the amounts of net sales, profit or loss, assets, liabilities and other items of each reporting segment

The accounting method for business segments reported is consistent with those stated in "Note 2 Basis of Preparation of Consolidated Financial Statements".

Segment profit is based on the ordinary profit.

Amount of revenues and transfer between the segment are based on current market price.

(3) Matters regarding the change of the reporting segments, among other changes

The Company has changed its reporting segments in line with the organizational restructuring implemented on April 1, 2020.

Consequently, the business related to energy and environmental, and recycling-related businesses included in the "Other Businesses" is reclassified to the "Environment & Energy Business" and the business related to aluminum included in the "Advanced Products" is reclassified to the "Other Businesses".

Furthermore, the business related to sales of cement included in the "Other Businesses" has been reclassified to the "Cement Business".

In addition, in order to more properly assess and manage performance of each reporting segment, the Company has reviewed the method of allocating common costs and changed the method of calculating the profits and losses of the reporting segments.

In this regard, the segment information for the previous consolidated fiscal year is disclosed herein according to the new segment classification and calculation method.



(4) Information on net sales, profit or loss, assets, liabilities and other items of each reporting segment

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

	Millions of yen								Amount in consolidated financial statements
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	
Net sales									
(1) Sales to outside customers	¥ 344,549	¥ 111,871	¥ 570,276	¥ 213,203	¥ 25,634	¥ 219,585	¥ 1,485,121	¥ —	¥ 1,485,121
(2) Intersegment sales and transfers	12,568	7,522	158,013	2,639	597	47,142	228,484	(228,484)	—
Total	¥ 357,118	¥ 119,393	¥ 728,290	¥ 215,843	¥ 26,231	¥ 266,728	¥ 1,713,605	¥ (228,484)	¥ 1,485,121
Segment profit (Loss)	¥ 6,191	¥ (768)	¥ 32,928	¥ 6,182	¥ 3,121	¥ 9,370	¥ 57,026	¥ (12,498)	¥ 44,527
Segment assets	407,980	197,722	720,724	350,355	48,484	208,100	1,933,368	102,178	2,035,546
Segment liabilities	335,684	167,415	545,882	122,559	44,757	182,863	1,399,164	21,987	1,421,151
Other items									
Depreciation	¥ 10,583	¥ 11,653	¥ 13,815	¥ 14,410	¥ 1,539	¥ 6,901	¥ 58,903	¥ 3,059	¥ 61,962
Amortization of goodwill	406	1,213	—	2,750	—	4	4,374	—	4,374
Interest income	241	99	550	29	25	252	1,198	(354)	843
Interest expenses	1,427	866	1,601	402	134	773	5,205	(788)	4,416
Share of profit (loss) of entities accounted for using equity method	441	—	574	2,282	1,450	(55)	4,692	(0)	4,692
Investment into entities accounted for using equity method	10,233	—	34,389	25,519	10,864	416	81,425	(170)	81,254
Increase in property, plant and equipment and intangible assets	¥ 16,372	¥ 9,510	¥ 18,344	¥ 17,995	¥ 4,754	¥ 10,476	¥ 77,452	¥ 4,066	¥ 81,519

	Thousands of U.S. dollars								Amount in consolidated financial statements
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	
Net sales									
(1) Sales to outside customers	\$ 3,112,183	\$ 1,010,487	\$ 5,151,086	\$ 1,925,782	\$ 231,543	\$ 1,983,433	\$ 13,414,516	\$ —	\$ 13,414,516
(2) Intersegment sales and transfers	113,528	67,948	1,427,276	23,842	5,393	425,819	2,063,809	(2,063,809)	—
Total	\$ 3,225,712	\$ 1,078,436	\$ 6,578,363	\$ 1,949,625	\$ 236,937	\$ 2,409,252	\$ 15,478,326	\$ (2,063,809)	\$ 13,414,516
Segment profit (Loss)	\$ 55,928	\$ (6,943)	\$ 297,431	\$ 55,844	\$ 28,194	\$ 84,637	\$ 515,093	\$ (112,891)	\$ 402,202
Segment assets	3,685,126	1,785,949	6,510,021	3,164,622	437,945	1,879,691	17,463,355	922,936	18,386,292
Segment liabilities	3,032,110	1,512,202	4,930,746	1,107,031	404,277	1,651,734	12,638,103	198,601	12,836,704
Other items									
Depreciation	\$ 95,595	\$ 105,259	\$ 124,790	\$ 130,160	\$ 13,906	\$ 62,334	\$ 532,049	\$ 27,638	\$ 559,687
Amortization of goodwill	3,668	10,964	—	24,846	—	38	39,517	—	39,517
Interest income	2,179	900	4,976	263	227	2,279	10,826	(3,203)	7,623
Interest expenses	12,890	7,827	14,464	3,635	1,213	6,988	47,020	(7,124)	39,895
Share of profit (loss) of entities accounted for using equity method	3,984	—	5,189	20,613	13,101	(499)	42,389	(2)	42,387
Investment into entities accounted for using equity method	92,437	—	310,630	230,511	98,137	3,766	735,482	(1,542)	733,940
Increase in property, plant and equipment and intangible assets	\$ 147,883	\$ 85,902	\$ 165,694	\$ 162,545	\$ 42,946	\$ 94,628	\$ 699,601	\$ 36,728	\$ 736,330

Notes:

- 1.Other Businesses include aluminum-related business and engineering-related services.
- 2.Adjustment amount of segment profit(loss) of ¥(12,498) million (\$ (112,891) thousand) includes the elimination of intersegment transactions of ¥4 million (\$44 thousand) and corporate expenses of ¥(12,503) million (\$ (112,935) thousand) which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.
- 3.Adjustment amount of segment assets of ¥102,178 million (\$922,936 thousand) includes the elimination of intersegment transactions of ¥(53,463) million (\$ (482,916) thousand) and corporate assets of ¥155,642 million (\$1,405 thousand) which are not distributed to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.
- 4.Adjustment amount of segment liabilities of ¥21,987 million (\$198,601 thousand) includes the elimination of intersegment transactions of ¥(50,788) million (\$ (458,750) thousand) and corporate liabilities of ¥72,775 million (\$657,351 thousand) which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative department and liabilities relating to basic experiment and research that do not belong to the reporting segments.
- 5.Adjustment amount of increase in property, plant and equipment and intangible assets of ¥4,066 million (\$36,728 thousand) is mainly capital expenditure made by the Central Research Institute.
- 6.Segment profit(loss) is adjusted together with ordinary profit in the consolidated statements of profit or loss.

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

	Millions of yen								Amount in consolidated financial statements
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	
Net sales									
(1) Sales to outside customers	¥ 363,101	¥ 138,396	¥ 504,380	¥ 244,180	¥ 26,562	¥ 239,480	¥ 1,516,100	¥ —	¥ 1,516,100
(2) Intersegment sales and transfers	12,282	11,878	160,634	3,329	526	45,811	234,464	(234,464)	—
Total	¥ 375,384	¥ 150,275	¥ 665,015	¥ 247,510	¥ 27,088	¥ 285,291	¥ 1,750,565	¥ (234,464)	¥ 1,516,100
Segment profit	¥ 4,412	¥ 6,200	¥ 27,497	¥ 15,270	¥ 3,116	¥ 1,281	¥ 57,779	¥ (8,168)	¥ 49,610
Segment assets	370,482	210,092	598,106	340,527	41,068	217,629	1,777,906	126,143	1,904,050
Segment liabilities	317,256	141,155	434,815	118,635	39,582	194,026	1,245,472	72,544	1,318,016
Other items									
Depreciation	¥ 10,680	¥ 13,085	¥ 13,132	¥ 13,642	¥ 1,373	¥ 9,148	¥ 61,062	¥ 3,145	¥ 64,208
Amortization of goodwill	406	1,220	—	2,819	—	1	4,449	—	4,449
Interest income	410	146	819	70	24	208	1,680	(377)	1,302
Interest expenses	1,654	944	1,879	584	100	759	5,922	(1,064)	4,858
Share of profit (loss) of entities accounted for using equity method	527	—	145	1,407	1,471	(31)	3,521	(0)	3,521
Investment into entities accounted for using equity method	8,821	—	3,704	23,507	8,741	333	45,108	(152)	44,956
Increase in property, plant and equipment and intangible assets	¥ 20,510	¥ 18,558	¥ 14,602	¥ 16,892	¥ 3,977	¥ 11,021	¥ 85,562	¥ 2,481	¥ 88,043

Notes:

- 1.Other Businesses include aluminum-related business and engineering-related services.
- 2.Adjustment amount of segment profit of ¥(8,168) million includes the elimination of intersegment transactions of ¥(100) million and corporate expenses of ¥(8,068) million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.
- 3.Adjustment amount of segment assets of ¥126,143 million includes the elimination of intersegment transactions of ¥ (47,135) million and corporate assets of ¥173,279 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.
- 4.Adjustment amount of segment liabilities of ¥72,544 million includes the elimination of intersegment transactions of ¥ (38,025) million and corporate liabilities of ¥110,569 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative department and liabilities relating to basic experiment and research that do not belong to the reporting segments.
- 5.Adjustment amount of increase in property, plant and equipment and intangible assets of ¥2,481 million is mainly capital expenditure made by the Central Research Institute.
- 6.Segment profit is adjusted together with ordinary profit in the consolidated statements of profit or loss.

2. Related information

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(1) Information by product and service

This information is omitted because the same information is disclosed in “Segment information”.

(2) Information by region

(a) Net sales

Millions of yen					
Japan	United States	Europe	Asia	Other	Total
¥ 810,298	¥ 137,136	¥ 136,305	¥ 384,548	¥ 16,832	¥ 1,485,121

Thousands of U.S. dollars					
Japan	United States	Europe	Asia	Other	Total
\$ 7,319,105	\$ 1,238,702	\$ 1,231,190	\$ 3,473,480	\$ 152,038	\$ 13,414,516

(b) Property, plant and equipment

Millions of yen						
Japan	United States	Europe	Asia	Other	Total	
¥ 517,545	¥ 84,873	¥ 11,485	¥ 49,686	¥ 1,811	¥ 665,402	
Thousands of U.S. dollars						
Japan	United States	Europe	Asia	Other	Total	
\$ 4,674,782	\$ 766,628	\$ 103,746	\$ 448,801	\$ 16,359	\$ 6,010,318	

Notes:

- Segmentation by country or region is based on geographical proximity.
- Major countries or regions which belong to segments other than the United States
  - Europe: Germany, the United Kingdom, Spain, France and Finland
  - Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
  - Other: Australia, Canada and Brazil

(3) Information by major customers

This information is omitted because no single customer accounts for 10% or more in the net sales in the consolidated statements of profit or loss.

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(1) Information by product and service

This section is omitted because the same information is disclosed in “Segment information”.

(2) Information by region

(a) Net sales

Millions of yen						
Japan	United States	Europe	Asia	Other	Total	
¥ 842,261	¥ 156,444	¥ 146,924	¥ 350,225	¥ 20,246	¥ 1,516,100	

(b) Property, plant and equipment

Millions of yen						
Japan	United States	Europe	Asia	Other	Total	
¥ 511,479	¥ 83,641	¥ 10,853	¥ 51,855	¥ 1,468	¥ 659,298	

Notes:

- Segmentation by country or region is based on geographical proximity.
- Major countries or regions which belong to segments other than the United States
  - Europe: Germany, the United Kingdom, Spain, France and Finland
  - Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
  - Other: Australia, Canada and Brazil

(3) Information by major customers

This information is omitted because no single customer accounts for 10% or more in the net sales in the consolidated statements of profit or loss.

3. Information about impairment loss on non-current assets by reporting segments

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

Millions of yen										
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements	
Impairment loss	¥ 1,971	¥ 1,304	¥ 32	¥ 3	¥ 1	¥ 213	¥ 3,526	¥ 6	¥ 3,532	
Thousands of U.S. dollars										
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements	
Impairment loss	\$ 17,803	\$ 11,782	\$ 294	\$ 29	\$ 9	\$ 1,929	\$ 31,850	\$ 57	\$ 31,907	

Note:

Adjustment amount of ¥6 million (\$57 thousand) of impairment loss consists mainly of impairment loss on idle assets.

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	¥ 11,923	¥ 21,122	¥ —	¥ 20	¥ 0	¥ 21,938	¥ 55,005	¥ 90	¥ 55,095

Note:

Adjustment amount of ¥90 million of impairment loss consists mainly of impairment loss on idle assets.

4. Information about amortized and unamortized amounts of goodwill by reporting segments

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ 406	¥ 1,213	¥ —	¥ 2,750	¥ —	¥ 4	¥ 4,374	¥ —	¥ 4,374
Unamortized balance at end of period	6,912	4,809	—	19,943	—	5	31,670	—	31,670
Thousands of U.S. dollars									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	\$ 3,668	\$ 10,964	\$ 0	\$ 24,846	\$ —	\$ 38	\$ 39,517	\$ —	\$ 39,517
Unamortized balance at end of period	62,440	43,444	0	180,137	—	48	286,070	—	286,070

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at end of period	2,221	—	—	—	—	—	2,221	—	2,221
Thousands of U.S. dollars									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unamortized balance at end of period	20,064	—	—	—	—	—	20,064	—	20,064

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ 406	¥ 1,220	¥ —	¥ 2,819	¥ —	¥ 1	¥ 4,449	¥ —	¥ 4,449
Unamortized balance at end of period	7,081	6,077	—	22,425	—	1	35,586	—	35,586

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance at end of period	2,221	—	—	—	—	—	2,221	—	2,221

Note 22 Related Parties Information

1. Transactions with related parties

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

Type	Name	Location	Capital or contributions	Nature of business	Voting rights holding or held	Relationship	Transaction	Transaction Amount (Millions of yen)	Account title	Balance as of March 31 (Millions of yen)	Transaction Amount (Thousands of U.S. dollars)	Balance as of March 31 (Thousands of U.S. dollars)
Affiliate	Mantoverde S.A.	Providencia, Santiago, Chile	\$518,460 thousand	Mining	Holding directly 30.0%	Procurement of copper concentrate	Underwriting of capital increase (*)	¥ 29,635	—	¥ —	\$ 267,683	\$ —

(\*) The Company underwrote capital increase by Mantoverde S.A.

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

There are no significant transactions with related parties to be disclosed.

2. Notes on parent company and significant affiliates

Condensed financial information of significant affiliates

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

There is no applicable information about significant affiliates to be disclosed.

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

There is no applicable information about significant affiliates to be disclosed.

Note 23 Per Share Information

	Yen		U.S. dollar	
	2021	2020	2021	
Net assets per share	¥ 4,173.14	¥ 3,870.35	\$ 37.69	
Profit (loss) per share	¥ 186.71	¥ (556.34)	\$ 1.69	

Notes:

1. For the purpose of calculating net assets per share, shares of the Company held in BIP Trust are included in the treasury shares excluded from the total number of the common shares outstanding at the end of the current consolidated fiscal year. The number of treasury shares at the end of the current consolidated fiscal year was 836 thousand, which included 274 thousand shares of the Company held by BIP Trust.
2. Diluted profit per share for the current consolidated fiscal year is loss per share and also it is not provided because there is no dilutive share. Diluted profit per share for the previous consolidated fiscal year is loss per share and also it is not provided because there was no dilutive share.
3. Profit (loss) per share is calculated based on the following items:

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Profit (loss) per share				
Profit (loss) attributable to owners of parent	¥ 24,407	¥ (72,850)	\$ 220,460	
Amount not attributable to common shareholders	—	—	—	
Profit (loss) attributable to common shareholders of owners of parent	¥ 24,407	¥ (72,850)	\$ 220,460	

	Thousand shares	
	2021	2020
Average number of shares issued during period	130,723	130,945

Note:

For the purpose of calculating Profit(loss) per share, shares of the Company held in BIP Trust are included in the treasury shares excluded from the weighted-average common shares outstanding during the current consolidated fiscal year. The weighted-average treasury shares during the current consolidated fiscal year was 765 thousand, which included 211 thousand shares of the Company held by BIP Trust.

Note 24 Subsequent Events

Signing of absorption-type company split agreement concerning integration of Cement Business and other businesses

(1) Summary of the absorption-type company split agreement

In 1998, the Company and Ube Industries, Ltd. (hereinafter referred to as “Ube Industries”) established Ube-Mitsubishi Cement Corporation (hereinafter referred to as “Ube-Mitsubishi Cement”) as an equally-owned joint venture. Under the joint venture, the companies integrated their respective non-consolidated cement sales and logistics functions, realizing a certain degree of benefits, including reductions in logistics costs as well as head office and branch office expenses.

While the business situations surrounding the cement business in Japan are currently undergoing significant changes, including decrease in demand and dramatical fluctuation in energy prices, it is necessary for the Company and Ube Industries to establish a new foundation for their cement businesses that develops the existing relationship, in order to realize the future growth of their cement businesses.

In light of these circumstances, the Company and Ube Industries has determined to be best to integrate their respective cement businesses and related businesses (hereinafter referred to as “the Integration”), as an optimal strategic option to combine all of the advantages of the cement business and related businesses of both companies, such as the Company's (1) Kyushu Plant, which boasts the largest production capacity in Japan; (2) Higashitani Mine, which has abundant limestone resources; and (3) highly competitive Cement and ready-mixed concrete business in the United States; and Ube Industries' (1) infrastructure facilities in the Ube area, including large port facilities and coal centers; (2) nationwide ready-mixed concrete manufacturing and sales network; and (3) Ube Materials Industries, Ltd.'s inorganic materials business.

The scope of the Integration encompasses the cement and ready-mixed concrete businesses, limestone resources businesses, energy and environmental-related businesses, construction material businesses and other related businesses of the Company and Ube Industries, both within and outside of Japan.

The Company and Ube Industries implemented the Integration by establishing an equally-owned joint venture (hereinafter referred to as the “Successor Company”). The Integration will take the form of an absorption-type joint venture involving (1) an absorption-type company split with associated business of the Company and Ube Industries (Subsidiaries' shares of the business are included.) being succeeded to the Successor Company and (2) an absorption-type company merger in which the Successor Company will be the surviving company and Ube-Mitsubishi Cement will be the extinct company.

As part of the Integration, the Company agreed the absorption-type company split. The Company and the Successor Company signed the absorption-type company split agreement on May 14, 2021. In addition, the Integration was approved at the 96th ordinary general shareholders' meeting on June 24, 2021.

(2) Overview of the absorption-type company split agreement

(a) Method of the absorption-type company split agreement

Splitting company: The Company

Successor company: C Integration Arrangement, Ltd.

(b) Effective date of the Integration  
April 1, 2021 or the day which the parties agree on.

(c) Succeeded rights and obligations  
The Successor Company will succeed to rights and obligations held by the Company relating to succeeded business in accordance with the absorption-type company split agreement. The Company will no longer be responsible for the debt.

(d) Consideration for the absorption-type company split  
The Successor Company will issue 450 shares of common shares and the Company will receive the shares as consideration.

(e) Capital Changes in the Successor Company  
The Successor Company's capital will increase by ¥24,975 million (\$225,589 thousand) as the result of the absorption-type company split.

(3) Reporting segment in which business associated with the absorption-type company split is included

Cement Business

(4) Schedule of the Integration

May 14, 2021	Approval of the absorption-type company split agreement by the Board of Directors of the Company
May 14, 2021	Signing of the absorption-type company split agreement by the Company
June 24, 2021	Obtaining approval of the Integration at the ordinary general shareholders' meeting of the Company
April 2022 (may be subject to change)	Effective date of the Integration

Note:

The implementation of the Integration is subject to completing the necessary filings for the Integration with relevant agencies within and outside of Japan including the Japan Fair Trade Commission and acquiring approvals (hereinafter referred to as the “Approvals and Other Related Procedures”). Furthermore, it is subject to approval at the general shareholders' meeting of both companies (except where the Integration clearly satisfies the requirements for a simplified absorption-type company split as stipulated in Article 784, paragraph 2 of the Companies Act of Japan), and subject to significant changes in assets, liabilities, financial circumstances, cash flow or future revenue plans of the relevant businesses of both companies.

The integration schedule is provisional at this time and subject to change based on discussions between the companies, because of Approvals and Other Related Procedures or other reasons having to do with fulfilling necessary procedures.



Note 25 Consolidated Supplemental Schedules

1. Schedule of bonds payable

Company	Description	Date of Issuance	Millions of yen		Thousands of US dollars		Interest rate (%)	Collateral	Maturity
			Balance as of March 31, 2020		Balance as of March 31, 2021				
Straight bonds									
Mitsubishi Materials Corporation	30th unsecured bonds	December 6, 2016	¥ 20,000	\$ 180,652	¥ (20,000)	\$ (180,652)	0.200	None	December 6, 2021
Mitsubishi Materials Corporation	31st unsecured bonds	December 6, 2016	10,000	90,326	10,000	90,326	0.470	None	December 4, 2026
Mitsubishi Materials Corporation	32nd unsecured bonds	August 30, 2017	10,000	90,326	10,000	90,326	0.160	None	August 30, 2022
Mitsubishi Materials Corporation	33rd unsecured bonds	August 30, 2017	10,000	90,326	10,000	90,326	0.380	None	August 30, 2027
Mitsubishi Materials Corporation	34th unsecured bonds	September 5, 2019	10,000	90,326	10,000	90,326	0.150	None	September 5, 2024
Total			¥ 60,000	\$ 541,956	¥ (20,000)	\$ (180,652)	—	—	—
					¥ 60,000	\$ 541,956			

Notes:

1. The amounts in parentheses presented under “Balance as of March 31, 2021” represent the amounts scheduled to be redeemed within 1 year.  
2. The annually scheduled redemption amount within 5 years after the consolidated closing date is as follows:

Millions of yen				
Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
¥ 20,000	¥ 10,000	¥ —	¥ 10,000	¥ —

Thousands of U.S. dollars				
Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
\$ 183,652	\$ 90,326	\$ —	\$ 90,326	\$ —

2. Schedule of borrowings

Company	Millions of yen		Thousands of US dollars		Average interest rate (%)	Maturity
	Balance as of March 31, 2020		Balance as of March 31, 2021			
Short -term borrowings	¥ 147,113	¥ 1,328,818	¥ 143,717	¥ 1,298,141	0.5	—
Current portion of long-term borrowings	43,925	396,759	31,969	288,766	0.5	—
Current portion of lease obligations	2,165	19,558	2,117	19,129	—	—
Long-term borrowings (excluding current portion)	246,578	2,227,248	353,795	3,195,698	0.7	2022 to 2033
Lease obligations (excluding current portion)	17,872	161,435	17,132	154,752	—	2022 to 2050
Other interest bearing liabilities						
Current portion of commercial papers	50,000	451,630	40,000	361,304	(0.0)	—
Employees' saving deposit	9,366	84,604	9,745	88,031	0.5	—
Guarantee deposits received	2,253	20,352	2,840	25,654	0.4	—
Total	¥ 519,275	¥ 4,690,408	¥ 601,319	¥ 5,431,479	—	—

Notes:

1. The average interest rate represents the weighted-average rate applicable to the year-end balance.  
2. The average interest rate of lease obligations is not presented because the lease obligations are recorded on the consolidated balance sheets as an amount before deduction of interest equivalents from the total lease obligations.  
3. Total amount of scheduled repayment of long-term borrowings, lease obligations and other interest-bearing debts (excluding those to be repaid within 1 year) within 5 years after the consolidated closing date is as follows:

Category	Millions of yen			
	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	¥ 31,701	¥ 50,007	¥ 49,600	¥ 131,902
Lease obligations	¥ 1,686	¥ 1,371	¥ 1,098	¥ 1,005

Category	Thousands of U.S. dollars			
	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	\$ 286,349	\$ 451,698	\$ 448,025	\$ 1,191,425
Lease obligations	\$ 15,232	\$ 12,385	\$ 9,923	\$ 9,085

3. Schedule of asset retirement obligation

Schedule of asset retirement obligation is omitted pursuant to the provision of Article 92-2 of the Regulation on Consolidated Financial Statements because the amounts of the asset retirement obligation at the beginning and end of the current consolidated fiscal year are not more than 1% of the total amount of the liabilities and net assets at the beginning and end of the current consolidated fiscal year.

4. Other

Quarterly financial information etc. for the current consolidated fiscal year

Millions of yen				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	¥ 344,363	¥ 725,568	¥ 1,079,885	¥ 1,485,121
Profit (loss) before income taxes	4,566	(6,568)	27,336	43,341
Profit (loss) attributable to owners of parent	442	(19,150)	11,012	24,407

Yen				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	¥ 3.38	¥ (146.43)	¥ 84.23	¥ 186.71

Yen				
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	¥ 3.38	¥ (149.95)	¥ 230.86	¥ 102.52

Thousand s of U.S. dollars				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales (Thousands of U.S. dollars)	\$ 3,110,496	\$ 6,553,776	\$ 9,754,180	\$ 13,414,516
Profit (loss) before income taxes (Thousands of U.S. dollars)	41,246	(59,329)	246,916	391,487
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	3,993	(172,980)	99,474	220,460

U.S. dollar				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	\$ 0.03	\$ (1.32)	\$ 0.76	\$ 1.68

U.S. dollar				
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	\$ 0.03	\$ (1.35)	\$ 2.08	\$ 0.92



# Independent Auditor's Report

To the Board of Directors of Mitsubishi Materials Corporation:



## Independent auditor's report

To the Board of Directors of Mitsubishi Materials Corporation:

### Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2021, the consolidated statements of profit or loss, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2021, 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.

### Emphasis of Matter

We draw attention to Note 24 "Subsequent Events" to the consolidated financial statements. At the board of directors meeting held on May 14, 2021, it was resolved that the absorption-type company split agreement (the "Agreement"), where the splitting company in the absorption-type company split and the succeeding company in the absorption-type company split shall be the Company and C Integration Arrangement, Ltd. respectively, was to be concluded between the Company and C Integration Arrangement Ltd., and the both parties entered into the Agreement on the same day. In addition, the Agreement was approved at the ordinary general shareholders' meeting held on June 24, 2021.

Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of the reasonableness of the estimated undiscounted future cash flows used in determining whether an impairment loss should be recognized on the larger groups of assets including common assets of the Company	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 3, "Significant accounting estimates, Determining whether an impairment loss should be recognized on the larger groups of assets including common assets of the Company," property, plant, and equipment of ¥665,402 million and intangible assets of ¥46,431 million were recognized in the consolidated balance sheet of the Company and consolidated subsidiaries as of March 31, 2021. Included therein were property, plant, and equipment of ¥340,484 million and intangible assets of ¥2,328 million held by the Company, representing approximately 16.7% and 0.1% of total assets, respectively, in the consolidated financial statements.</p> <p>While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from an asset or an asset group with its carrying amount. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>The Company identified an impairment indicator for its common assets with company-wide use, because the larger groups of assets including those common assets have recognized recurring operating losses for some consecutive years. Accordingly, the Company assessed whether an impairment loss should be recognized at the end of the current fiscal year; however, it was determined that the recognition of an impairment loss was not necessary since the estimated undiscounted future cash flows exceeded the total carrying amount of the larger groups of assets including company-wide common assets. The undiscounted future cash flows were based on the next fiscal year's budget and the Medium-term Management Strategy prepared by management, and the growth rates after the periods covered by the Medium-term Management Strategy were determined in view of long-term growth rates of the relevant markets.</p> <p>The assumptions underlying the sales plan included in the next fiscal year's budget and the Medium-term Management Strategy, which formed the basis for the estimated undiscounted future cash flows, involved a high degree of uncertainty. Specifically, the assumptions related to a sales volume increase in Advanced Products and Metalworking Solutions Business due to a growing demand in the automobile, semiconductor and certain other industries, as well as assumptions related to forecasts for the price of non-</p>	<p>The primary procedures we performed to assess the reasonableness of the estimated undiscounted future cash flows used in determining whether an impairment loss should be recognized on the larger groups of assets including common assets of the Company included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimated undiscounted future cash flows.</p> <p><b>(2) Assessment of the reasonableness of the estimated undiscounted future cash flows</b></p> <p>In order to assess the reasonableness of key assumptions adopted in the next fiscal year's budget and the Medium-term Management Strategy, which were used as the basis for estimating the undiscounted future cash flows, we inquired of management about the basis on which each assumption was developed. In addition, we:</p> <ul style="list-style-type: none"><li>assessed the reasonableness of the assumptions related to a sales volume increase in Advanced Products and Metalworking Solutions Business due to a growing demand in the automobile, semiconductor and certain other industries by comparing them with relevant market growth forecast data published by external organizations;</li><li>assessed the reasonableness of the assumptions related to the forecasts for the price of non-ferrous metals by comparing them with relevant price forecasts published by external organizations;</li><li>assessed the effect of changes in key assumptions on the undiscounted future cash flows, by inspecting a sensitivity analysis performed by management and assessing the reasonableness of the analysis in details; and</li><li>assessed the appropriateness of the real estate appraisal value underlying the net realizable value included as part of the undiscounted future cash flows, by involving real estate appraisal specialists within our firm who assisted our assessment of the reasonableness of the selection of a valuation model and input data.</li></ul>



ferrous metals, had a significant effect on the estimated undiscounted future cash flows. In addition, selecting appropriate models and input data for calculating the real estate appraisal value used in the net realizable value included as part of the undiscounted future cash flows required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the reasonableness of the estimated undiscounted future cash flows in determining whether an impairment loss should be recognized on the larger groups of assets including common assets of the Company was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the directors' and officers' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.
- 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 committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 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.

#### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1, "Basis of Presenting Consolidated Financial Statements," to the consolidated financial statements.

#### 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 Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

  
Tetsuzo Hamajima

Designated Engagement Partner

Certified Public Accountant

  
Yoshiaki Uesaka

Designated Engagement Partner

Certified Public Accountant

  
Takeharu Kirikae

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 24, 2021

## Major Consolidated Subsidiaries and Affiliates (As of March 31, 2021)

### Major Consolidated Subsidiaries

	Line of Business	Percentage of Ownership (including indirect ownership)
<b>Advanced Products</b>		
Mitsubishi Cable Industries, Ltd.	Production and sales of sealing products	100.0%
Luvata Oy (*1)	Business administration of subsidiaries that produce and sell processed copper products	100.0%
<b>Metalworking Solutions Business</b>		
MOLDINO Tool Engineering, Ltd. (*2)	Production and sales of cemented carbide tools	100.0%
<b>Metals Business</b>		
Onahama Smelting & Refining Co., Ltd.	Smelting on consignment of copper concentrate	55.7%
PT. Smelting	Production and sales of copper cathodes in Indonesia	60.5%
<b>Cement Business</b>		
MCC Development Corp.	Investment in ready-mixed concrete businesses in the U.S.	70.0%
Mitsubishi Cement Corp.	Production and sales of cement in the south-west area of the U.S.	67.0%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregates in the south-west area of the U.S.	100.0%
<b>Other Businesses</b>		
Universal Can Corp.	Production and sales of aluminum beverage cans	80.0%
Mitsubishi Aluminum Co., Ltd. (*3)	Production and sales of rolled and processed aluminum products	99.97%
Materials' Finance Co., Ltd.	Financing the Company, its subsidiaries and affiliates	100.0%
Mitsubishi Materials Techno Corp.	Contracting for facility construction, civil engineering and construction; production and sales of industrial machinery	100.0%
Mitsubishi Materials Trading Corp.	Sales of the Company's products and other non-ferrous metal products	100.0%

Notes:

- Effective May 13, 2020, MMC Copper Products Oy has changed its company name to Luvata Oy.
- Effective April 1, 2020, Mitsubishi Hitachi Tool Engineering, Ltd. became a wholly owned subsidiary of the Company through an additional acquisition of shares, and the company changed its name to MOLDINO Tool Engineering, Ltd.
- On June 30, 2020, Mitsubishi Aluminum Co., Ltd. increased its capital through an issuance of new shares, with the Company as the underwriter, and on August 20, 2020, reduced its capital. As a result of the capital increase and the capital reduction, the Company's stake in the company increased to 99.97% from 90.39%.
- The Company conducted an absorption-type merger of Mitsubishi Shindoh Co., Ltd. on April 1, 2020.

### Major Affiliates

	Line of Business	Percentage of Ownership (including indirect ownership)
<b>Advanced Products</b>		
Kobelco & Materials Copper Tube Co., Ltd.	Production and sales of copper tubes and fabricated copper tubes	45.0%
<b>Metals Business</b>		
Mantoverde S.A. (*1)	Operation of the Mantoverde copper mine	30.0%
<b>Cement Business</b>		
NM Cement Co., Ltd.	Investment in Nghi Son Cement Corp. (Vietnam)	30.0%
P.S. Mitsubishi Construction Co., Ltd.	Pre-stressed concrete works, civil engineering and sales of concrete products	34.1%
Ube-Mitsubishi Cement Corp.	Sales of cement and cement-related products	50.0%
<b>Environment &amp; Energy Businesses</b>		
LM Sun Power Co., Ltd.	Operation of solar power generation	50.0%
Green Cycle Corporation (*2)	Recycling of home appliances and other products	16.4%
Yuzawa Geothermal Power Corp.	Operation of geothermal power generation	30.0%

Notes:

- On February 12, 2021, the Company acquired the shares of Mantoverde S.A. and it became an affiliate of the Company.
- On May 11, 2020, the Company acquired shares of Green Cycle Corporation and it became an affiliate of the Company.