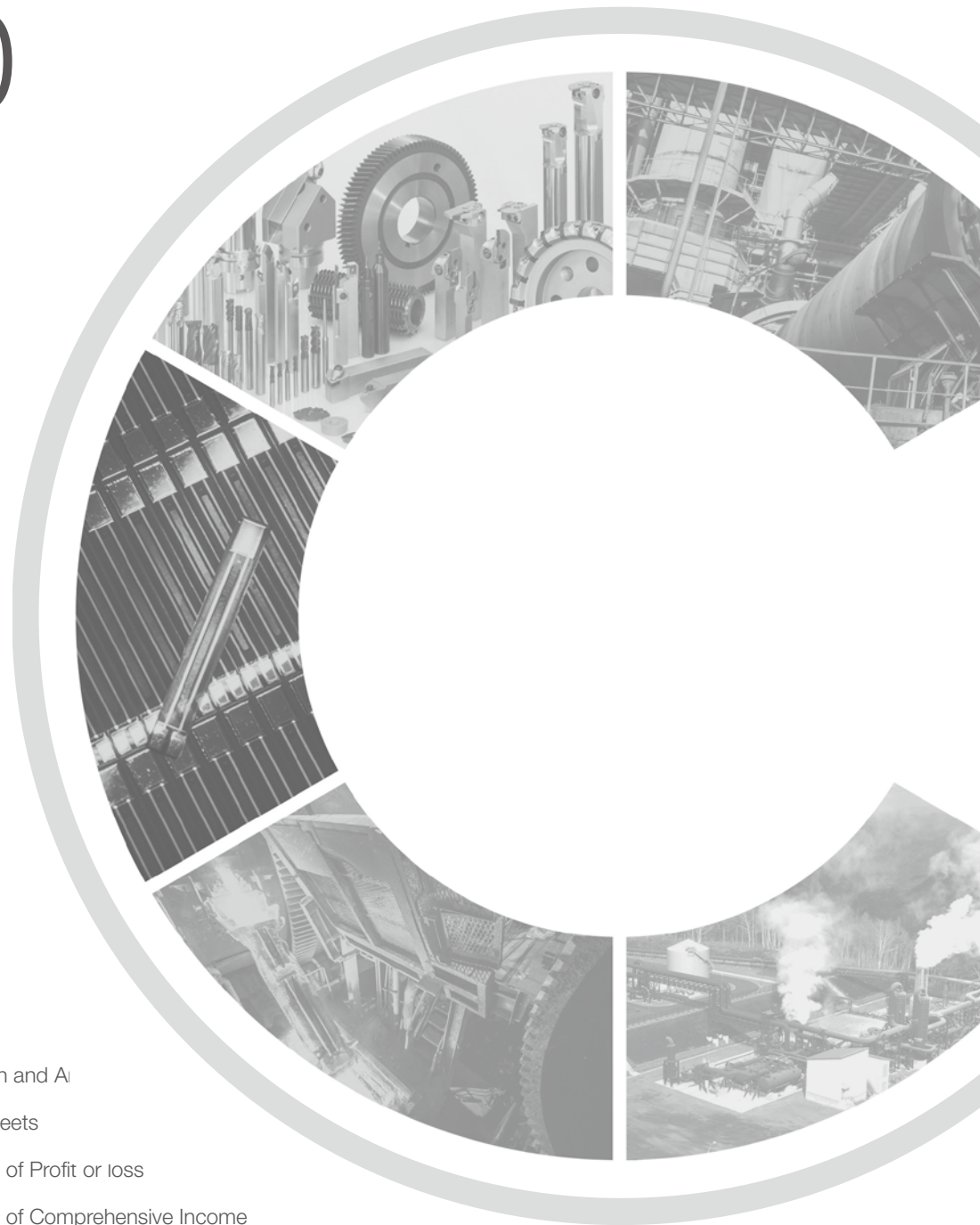


Financial Section 2020



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Management’s Discussion and Analysis

Overview

Economic and Business Environment

Regarding the global economy during the consolidated fiscal year ended March 31, 2020, in Asia, China experienced a continued economic slowdown and a tendency toward deceleration in economic growth was also seen in Thailand and Indonesia. In the United States, the economy continued steady improvement.

Regarding the Japanese economy, despite the improvement in employment and income conditions, exports and industrial production appeared to slow down.

Regarding the business environment for Mitsubishi Materials Group (hereinafter referred to as the “Group”), despite the declining demand in automotive and semiconductor-related sectors, falling copper prices and weaker domestic demand for cement, the environment was impacted by an increase in the price of palladium.

Business Performance Summary

Under these circumstances, in accordance with its Long-Term Management Policy for the next decade and Medium-Term Management Strategy (FY2018-2020) that focuses on the planning and implementation of growth strategies, the Group had continued to implement various measures on the theme of “Transformation for Growth” to achieve Group-wide Policies for the enhancement of corporate value, namely “optimization of business portfolio”, “comprehensive efforts to increase business competitiveness”, and “creation of new products and businesses”.

As a result, consolidated net sales for the consolidated fiscal year ended March 31, 2020 totaled ¥1,516.100 billion, decreased 8.8% year-on-year. Consolidated operating profit totaled ¥37.952 billion, increased 3.0% year-on-year. Consolidated ordinary profit decreased 2.1% year-on-year, to ¥49.610 billion. Mitsubishi Materials Corporation (hereinafter referred to as the “Company”) recorded an impairment loss on fixed assets of ¥27.420 billion, an impairment loss on fixed assets of ¥20.351 billion incurred by Mitsubishi Aluminum Co., Ltd., and ¥30.272 billion as a provision for loss on business restructuring in the Sintered parts business, in addition to recording ¥10.423 billion as a loss on the Antimonopoly Act incurred by Universal Can Corporation, a consolidated subsidiary of the Company. As a result, loss attributable to owners of parent amounted to ¥72.850 billion (profit attributable to owners of parent of ¥1.298 billion for the previous fiscal year).

Financial Position and Liquidity

As of March 31, 2020, total assets decreased ¥34.2 billion, or 1.8% from the end of previous period to ¥1,904.0 billion. Total current assets increased ¥45.8 billion, or 5.0% from the end of previous period to ¥955.4 billion mainly due to an increase in cash

and deposits. Total non-current assets decreased ¥80.0 billion, or 7.8% from the end of previous period to ¥948.5 billion mainly due to a decrease in investment securities.

Total liabilities increased ¥103.0 billion, or 8.5% from the end of previous period to ¥1,318.0 billion. Total current liabilities increased ¥69.8 billion, or 9.6% from the end of pervious period to ¥797.8 billion mainly due to an increase in commercial papers. Total non-current liabilities increased ¥33.2 billion, or 6.8% from the end of previous period to ¥520.1 billion mainly due to an increase in provision for loss on business restructuring. The balance of interest-bearing debts, which adds bonds payable and commercial papers to borrowings increased ¥52.8 billion, or 10.7% from the end of previous period to ¥547.6 billion.

Total net assets decreased ¥137.3 billion, or 19.0% from the end of previous period and to ¥586.0 billion mainly due to a decrease in retained earnings.

As a result, the consolidated shareholder's equity ratio decreased from 32.7% at the end of previous period to 26.6%, and net assets per share based on the total number of shares outstanding as of March 31, 2020 decreased from ¥4,838.31 at the end of previous period to ¥3,870.35.

Cash Flows

The cash flows during the consolidated fiscal year ended March 31, 2020 and their causes are as follows:

(Cash flows from operating activities)

Although loss before income taxes was recorded, net cash provided by operating activities stood at ¥67.5 billion (a decrease in net cash provided of ¥72.6 billion year-on-year) as a result of mainly adding depreciation and impairment loss, which were non-cash item.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥66.8 billion (a decrease in net cash used of ¥19.3 billion year-on-year) mainly due to outlays related to capital expenditure.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥28.8 billion (an increase in net cash provided of ¥76.4 billion year-on-year) mainly due to issuing commercial papers.

After factoring in the impact of exchange rate fluctuation, cash and cash equivalents as of March 31, 2020 stood at ¥127.2 billion (an increase in net cash provided of ¥27.6 billion year-on-year).

extremely uncertain due to the global spreads of COVID-19 and reasonable estimates are difficult.

Overview by Segment

For the year ended March 31, 2020 and 2019	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Advanced Products			
Net sales	¥ 511,954	¥ 570,990	\$ 4,704,170
Operating profit	1,237	11,979	11,370
Operating margin	0.2%	2.1%	
Metalworking Solutions Business			
Net sales	¥ 150,275	¥ 171,551	\$ 1,380,824
Operating profit	8,528	16,771	78,363
Operating margin	5.7%	9.8%	
Metals Business			
Net sales	¥ 665,015	¥ 720,097	\$ 6,110,586
Operating profit	19,263	(7,157)	177,003
Operating margin	2.9%	(1.0%)	
Cement Business			
Net sales	¥ 238,246	¥ 253,650	\$ 2,189,159
Operating profit	11,921	16,615	109,546
Operating margin	5.0%	6.6%	
Other Businesses			
Net sales	¥ 187,350	¥ 194,764	\$ 1,721,499
Operating profit	8,392	10,034	77,116
Operating margin	4.5%	5.2%	
Total			
Net sales	¥ 1,516,100	¥ 1,662,990	\$ 13,930,909
Operating profit	37,952	36,861	348,733
Operating margin	2.5%	2.2%	

Note:
U.S. dollar amounts are translated from Japanese yen using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. \$1.

Capital Expenditures

The Group determines its capital expenditures by carefully selecting investment cases in the fields where future profit and growth are expected while working to reduce interest-bearing debt.

In the consolidated fiscal year ended March 31, 2020, total capital expenditures amounted to ¥88,043 million, which consisted mainly of maintenance and repairs of existing facilities in each business, as well as the reinforcement and streamlining of production facilities.

Capital expenditures by business segment are as follows:

Advanced Products

In addition to carrying out maintenance and repair work at existing facilities in this business as a whole, the Group mainly undertook reinforcement work on production facilities for processed copper products. Capital expenditures in this business amounted to ¥29,929 million.

Metalworking Solutions Business

The Group carried out reinforcement and streamlining work in order to meet the increasing demand in this business as a whole, as well as maintenance and repair work at existing facilities.

Capital expenditures in this business amounted to ¥18,558 million.

Metals Business

The Group carried out maintenance and repair work at copper smelting and processing facilities. Capital expenditures in this business amounted to ¥14,602 million.

Cement Business

The Group adopted high-efficiency facilities to reduce thermal energy costs in the Kyushu Plant (Kanda), and carried out maintenance and repair work on existing facilities mainly in Japan and the United States. In addition, the Group implemented maintenance and renovation work on batcher facilities, etc., in a ready-mixed concrete factory aimed at enhancing ready-mixed concrete sales capacity and maintaining sales offices. Capital expenditures in this business amounted to ¥16,542 million.

Other Businesses

In addition to the construction of Komatagawa new hydroelectric power plant in Environment & Energy business, the Group carried out maintenance and repair work at existing facilities. Capital expenditures in this business amounted to ¥8,411 million.

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Current assets:			
Cash and deposits	¥ ^(⁎⁸) 134,444	¥ ^(⁎⁸) 108,648	\$ 1,235,360
Notes and accounts receivable – trade	^(⁎⁸) 217,259	^{(⁎⁷), (⁎⁸)} 248,220	1,996,323
Merchandise and finished goods	^(⁎⁸) 111,409	^(⁎⁸) 92,452	1,023,704
Work in process	^(⁎⁸) 112,908	^(⁎⁸) 108,293	1,037,475
Raw materials and supplies	^(⁎⁸) 127,908	^(⁎⁸) 134,825	1,175,302
Leased gold bullion	^(⁎¹⁰) 95,557	^(⁎¹⁰) 99,154	878,040
Other	158,444	120,954	1,455,891
Allowance for doubtful accounts	(2,470)	(2,900)	(22,698)
Total current assets	955,462	909,647	8,779,399
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net	155,868	157,448	1,432,220
Machinery, equipment and vehicles, net	233,923	243,815	2,149,439
Land, net	^(⁎⁹) 216,487	^(⁎⁹) 235,664	1,989,225
Construction in progress	29,298	34,211	269,212
Other, net	23,720	16,275	217,963
Total property, plant and equipment, net	^{(⁎¹), (⁎³), (⁎⁸)} 659,298	^{(⁎¹), (⁎³), (⁎⁸)} 687,415	6,058,061
Intangible assets:			
Goodwill	35,586	40,816	326,987
Other	15,906	^(⁎⁸) 17,924	146,160
Total intangible assets	51,492	58,740	473,148
Investments and other assets:			
Investment securities	^{(⁎²), (⁎⁸)} 183,043	^{(⁎²), (⁎⁸)} 236,572	1,681,921
Retirement benefit asset	3,211	1,050	29,513
Deferred tax assets	15,572	19,610	143,090
Other	^(⁎²) 40,081	^(⁎²) 29,322	368,295
Allowance for doubtful accounts	(4,112)	(4,088)	(37,790)
Total investments and other assets	237,796	282,467	2,185,030
Total non-current assets	948,588	1,028,622	8,716,241
Total assets	¥ 1,904,050	¥ 1,938,270	\$ 17,495,641

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities			
Current Liabilities:			
Notes and accounts payable – trade	¥ ^(⁎⁸) 113,148	¥ ^{(⁎⁷), (⁎⁸)} 147,566	\$ 1,039,684
Short-term borrowings	^(⁎⁸) 191,038	^(⁎⁸) 180,100	1,755,386
Commercial papers	50,000	5,000	459,432
Income taxes payable	10,221	7,869	93,918
Provision for bonuses	12,944	12,872	118,940
Provision for loss on disposal of inventories	670	624	6,163
Provision for product compensation	809	1,435	7,439
Deposited gold bullion	^(⁎¹⁰) 294,312	^(⁎¹⁰) 253,918	2,704,335
Other	124,746	118,623	1,146,250
Total current liabilities	797,892	728,011	7,331,551
Non-current liabilities:			
Bonds payable	60,000	50,000	551,318
Long-term borrowings	^(⁎⁸) 246,578	^(⁎⁸) 259,667	2,265,723
Deferred tax liabilities	26,667	25,616	245,034
Deferred tax liabilities for land revaluation	^(⁎⁹) 21,514	^(⁎⁹) 24,097	197,692
Provision for loss on business of subsidiaries and affiliates	4,014	805	36,885
Provision for loss on business restructuring	30,272	—	278,158
Provision for environmental measures	32,581	40,427	299,384
Provision for product compensation	392	1,040	3,607
Provision for directors' retirement benefits	1,710	1,623	15,716
Retirement benefit liability	56,312	50,003	517,435
Other	40,078	33,639	368,271
Total non-current liabilities	520,123	486,921	4,779,228
Total liabilities	1,318,016	1,214,933	12,110,780
Net assets			
Shareholders' equity:			
Share capital	119,457	119,457	1,097,656
Capital surplus	92,393	92,393	848,969
Retained earnings	274,723	352,932	2,524,333
Treasury shares	(2,157)	(2,123)	(19,825)
Total shareholders' equity	484,416	562,659	4,451,133
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	22,806	51,220	209,563
Deferred gains or losses on hedges	708	124	6,505
Revaluation reserve for land	^(⁎⁹) 28,059	^(⁎⁹) 33,023	257,830
Foreign currency translation adjustment	(12,212)	(5,828)	(112,216)
Remeasurements of defined benefit plans	(16,997)	(7,617)	(156,181)
Total accumulated other comprehensive income	22,364	70,922	205,501
Non-controlling interests	79,252	89,754	728,225
Total net assets	586,034	723,337	5,384,860
Total liabilities and net assets	¥ 1,904,050	¥ 1,938,270	\$ 17,495,641

Consolidated Statements of Profit or Loss

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥ 1,516,100	¥ 1,662,990	\$ 13,930,909
Cost of sales	(¥1), (¥2)1,325,438	(¥1), (¥2)1,469,911	12,178,981
Gross profit	190,662	193,078	1,751,927
Selling, general and administrative expenses	(¥3), (¥4) 152,709	(¥3), (¥4) 156,217	1,403,193
Operating profit	37,952	36,861	348,733
Non-operating income:			
Interest income	1,302	1,254	11,968
Dividend income	18,403	19,577	169,106
Rental income from non-current assets	5,110	5,123	46,960
Share of profit of entities accounted for using equity method	3,521	3,594	32,354
Other	3,023	2,861	27,785
Total non-operating income	31,362	32,412	288,175
Non-operating expenses:			
Interest expenses	4,858	4,855	44,639
Expense for the maintenance and management of abandoned mines	4,018	3,382	36,926
Rental expenses on non-current assets	3,066	3,043	28,181
Loss on retirement of non-current assets	2,346	2,435	21,563
Foreign exchange losses	2,073	959	19,048
Other	3,340	3,916	30,696
Total non-operating expenses	19,704	18,593	181,057
Ordinary profit	49,610	50,679	455,852
Extraordinary income:			
Gain on sales of investment securities	14,535	1,596	133,565
Gain on sales of non-current assets	(¥5) 826	(¥5) 5,021	7,597
Other	1,199	1,301	11,025
Total extraordinary income	16,562	7,919	152,188
Extraordinary losses:			
Impairment loss	(¥6) 55,095	(¥6) 8,440	506,252
Provision for loss on business restructuring	(¥7) 30,272	—	278,158
Loss on the Antimonopoly Act	(¥8) 10,423	—	95,773
Loss on valuation of investment securities	4,830	3,376	44,385
Provision for environmental measures	—	6,630	—
Provision for product compensation	—	2,529	—
Other	6,050	1,275	55,597
Total extraordinary losses	106,671	22,253	980,168
Profit (loss) before income taxes	(40,498)	36,345	(372,127)
Income taxes – current	18,248	16,187	167,683
Income taxes – deferred	10,561	12,550	97,044
Total income taxes	28,810	28,738	264,727
Profit (loss)	(69,308)	7,606	(636,855)
Profit (loss) attributable to non-controlling interests	3,541	6,307	32,537
Profit (loss) attributable to owners of parent	¥ (72,850)	¥ 1,298	\$ (669,392)

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit (loss)	¥ (69,308)	¥ 7,606	\$ (636,855)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(28,544)	(44,468)	(262,288)
Deferred gains or losses on hedges	1,520	(1,141)	13,968
Foreign currency translation adjustment	(7,700)	7,371	(70,757)
Remeasurements of defined benefit plans	(9,263)	392	(85,118)
Share of other comprehensive income of entities accounted for using equity method	(729)	(517)	(6,707)
Total other comprehensive income	(¥) (44,718)	(¥) (38,363)	(410,902)
Comprehensive income	(114,027)	(30,756)	(1,047,758)
(Break down)			
Comprehensive income attributable to:			
Owners of parent	(116,068)	(39,086)	(1,066,511)
Non-controlling interests	¥ 2,040	¥ 8,329	\$ 18,752

Consolidated Statements of Changes in Net Assets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance as of March 31, 2018	¥ 119,457	¥ 92,422	¥ 361,430	¥ (2,089)	¥ 571,222	
Changes during period:						
Cash dividends			(11,786)		(11,786)	
Profit (loss) attributable to owners of parent			1,298		1,298	
Reversal of revaluation reserve for land			48		48	
Increase due to increase in the number of consolidated subsidiaries			1,940		1,940	
Increase due to decrease in the number of affiliates accounted for using equity method			0		0	
Purchase of treasury shares				(36)	(36)	
Disposal of treasury shares		(0)		1	1	
Changes in ownership interest of parent due to transaction with non-controlling interests		(28)			(28)	
Net changes in items other than shareholders' equity						
Total changes during period	—	(29)	(8,498)	(34)	(8,562)	
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)	
Profit (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	
Increase due to decrease in the number of affiliates accounted for using equity method					—	
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	

	Millions of yen							
	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, 2018	¥ 95,487	¥ 1,068	¥ 33,071	¥ (10,312)	¥ (8,066)	¥ 111,249	¥ 86,023	¥ 768,495
Changes during period:								
Cash dividends								(11,786)
Profit (loss) attributable to owners of parent								1,298
Reversal of revaluation reserve for land								48
Increase due to increase in the number of consolidated subsidiaries								1,940
Increase due to decrease in the number of affiliates accounted for using equity method								0
Purchase of treasury shares								(36)
Disposal of treasury shares								1
Changes in ownership interest of parent due to transaction with non-controlling interests								(28)
Net changes in items other than shareholders' equity	(44,267)	(944)	(48)	4,484	448	(40,326)	3,730	(36,595)
Total changes during period	(44,267)	(944)	(48)	4,484	448	(40,326)	3,730	(45,158)
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)
Profit (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
Increase due to decrease in the number of affiliates accounted for using equity method								—
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

	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, 2019	\$ 1,097,656	\$ 848,972	\$ 3,242,966	\$ (19,516)	\$ 5,170,078
Changes during period:					
Cash dividends			(96,260)		(96,260)
Profit (loss) attributable to owners of parent			(669,392)		(669,392)
Reversal of revaluation reserve for land			45,611		45,611
Increase due to increase in the number of consolidated subsidiaries			1,409		1,409
Increase due to decrease in the number of affiliates accounted for using equity method					—
Purchase of treasury shares				(317)	(317)
Disposal of treasury shares		(2)		7	5
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	—	(2)	(718,632)	(309)	(718,944)
Balance as of March 31, 2020	\$ 1,097,656	\$ 848,969	\$ 2,524,333	\$ (19,825)	\$ 4,451,133

	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, 2019	\$ 470,644	\$ 1,145	\$ 303,441	\$ (53,557)	\$ (69,992)	\$ 651,682	\$ 824,726	\$ 6,646,486
Changes during period:								
Cash dividends								(96,260)
Profit (loss) attributable to owners of parent								(669,392)
Reversal of revaluation reserve for land								45,611
Increase due to increase in the number of consolidated subsidiaries								1,409
Increase due to decrease in the number of affiliates accounted for using equity method								—
Purchase of treasury shares								(317)
Disposal of treasury shares								5
Changes in ownership interest of parent due to transaction with non-controlling interests								(0)
Net changes in items other than shareholders' equity	(261,081)	5,360	(45,611)	(58,658)	(86,189)	(446,180)	(96,500)	(542,681)
Total changes during period	(261,081)	5,360	(45,611)	(58,658)	(86,189)	(446,180)	(96,500)	(1,261,625)
Balance as of March 31, 2020	\$ 209,563	\$ 6,505	\$ 257,830	\$ (112,216)	\$ (156,181)	\$ 205,501	\$ 728,225	\$ 5,384,860

Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (40,498)	¥ 36,345	\$ (372,127)
Depreciation	64,208	59,974	589,985
Amortization of goodwill	4,449	4,544	40,882
Increase (decrease) in allowance for doubtful accounts	(346)	128	(3,186)
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	3,209	(181)	29,488
Increase (decrease) in provision for product compensation	(1,273)	2,475	(11,700)
Increase (decrease) in provision for environmental measures	(7,845)	2,594	(72,092)
Increase (decrease) in provision for loss on business restructuring	30,272	—	278,158
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(2,232)	(1,392)	(20,514)
Interest and dividend income	(19,706)	(20,831)	(181,075)
Interest expenses	4,858	4,855	44,639
Share of loss (profit) of entities accounted for using equity method	(3,521)	(3,594)	(32,354)
Loss (gain) on sales of property, plant and equipment	(598)	(4,830)	(5,496)
Loss on retirement of non-current assets	2,507	2,435	23,043
Impairment loss	55,095	8,440	506,252
Loss on the Antimonopoly Act	10,423	—	95,773
Loss (gain) on sales of investment securities	(13,086)	(1,596)	(120,248)
Loss (gain) on valuation of investment securities	4,830	3,376	44,385
Decrease (increase) in notes and accounts receivable – trade	28,876	13,922	265,332
Decrease (increase) in inventories	(18,698)	33,177	(171,817)
Proceeds from sales of gold bullion	99,984	99,992	918,723
Payment for purchase of gold bullion	(99,736)	(99,684)	(916,443)
Decrease (increase) in other current assets	(871)	9,611	(8,006)
Increase (decrease) in notes and accounts payable – trade	(31,249)	(13,707)	(287,144)
Increase (decrease) in accrued expenses	(5,693)	(896)	(52,317)
Increase (decrease) in other current liabilities	8,650	9,750	79,483
Increase (decrease) in other non-current liabilities	(81)	645	(751)
Other, net	(6,730)	(1,692)	(61,848)
Sub-total	65,191	143,865	599,023
Interest and dividend received	22,597	22,771	207,643
Interest paid	(4,861)	(4,847)	(44,674)
Income taxes (paid) refund	(15,381)	(20,135)	(141,336)
Loss on non-conforming products paid	—	(1,486)	—
Net cash provided by (used in) operating activities	67,545	140,168	620,655
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(89,599)	(88,746)	(823,301)
Proceeds from sales of property, plant and equipment	2,099	6,396	19,287
Payment for purchase of intangible assets	(1,585)	(1,735)	(14,571)
Payment for purchase of investment securities	(47)	(573)	(438)
Proceeds from sales of investment securities	23,827	3,000	218,944
Payment for purchase of subsidiaries' shares	(1,657)	(1,350)	(15,229)
Proceeds from sales of subsidiaries' shares	25	285	229
Proceeds from liquidation of subsidiaries	0	2,149	2
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	68	—	629
Proceeds from transfer of businesses	1,527	—	14,034
Payment for loans	(4,330)	(2,720)	(39,791)
Proceeds from collection of loans	484	992	4,452
Other, net	2,289	(3,935)	21,040
Net cash provided by (used in) investing activities	(66,898)	(86,238)	(614,709)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	9,013	(17,733)	82,824
Proceeds from long-term borrowings	32,578	61,547	299,355
Repayment of long-term borrowings	(42,078)	(52,462)	(386,643)
Proceeds from issuance of bonds	10,000	—	91,886
Payment for redemption of bonds	—	(25,000)	—
Net increase (decrease) in commercial papers	45,000	5,000	413,488
Payment for purchase of treasury shares	(34)	(36)	(318)
Cash dividends paid	(10,476)	(11,786)	(96,260)
Cash dividends paid to non-controlling interests	(12,829)	(5,249)	(117,885)
Other, net	(2,300)	(1,893)	(21,141)
Net cash provided by (used in) financing activities	28,873	(47,613)	265,305
Effect of exchange rate changes on cash and cash equivalents	(1,960)	1,375	(18,013)
Net increase (decrease) in cash and cash equivalents	27,559	7,691	253,237
Cash and cash equivalents at beginning of period	99,672	87,355	915,851
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	52	4,624	478
Cash and cash equivalents at end of period	¥ (¥) 127,284	¥ (¥) 99,672	\$ 1,169,568

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

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 Reporting Standards (“IFRS”).

In the Financial Section 2019, the accompanying consolidated financial statements and notes were reformatted from “Part 5. Financial Information in Annual Securities Report” for the convenience of readers outside of Japan. However, the accompanying consolidated financial statements and notes in Financial Section 2020 are English translation of “Part 5. Financial

Information in Annual Securities Report for the consolidated fiscal year ended March 31, 2020”. While the structure and presentation in the Financial Section 2020 are slightly different from the Financial Section 2019, both documents fulfill the necessary information under Japanese GAAP.

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, 2020, which was ¥108.83 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: 145

The names of major subsidiaries are as follows:
PT. Smelting, MMC Copper Products Oy (current company name: Luvata Oy), MCC Development Corp., Onahama Smelting & Refining Co., Ltd., Sambo Metals Corp., Mitsubishi Cement Corp., Materials' Finance Co., Ltd., Mitsubishi Aluminum Co., Ltd., Mitsubishi Shindoh Co., Ltd., Mitsubishi Cable Industries, Ltd., Mitsubishi Hitachi Tool Engineering, Ltd. (current company name: MOLDINO Tool Engineering, Ltd.), Mitsubishi Materials Techno Corp., Mitsubishi Materials Trading Corp., Universal Can Corp., Robertson's Ready Mix, Ltd.

From the current consolidated fiscal year, Shanghai Ryoushu Trading Co., Ltd. and one other company are included in the scope of consolidation. In addition, Alu-techno Co., Ltd. and other 6 subsidiaries were merged with consolidated subsidiaries and all of equity interests of Pipe Giken Kougyou Co., Ltd. was sold and Materials Real Estate Corp. completed its liquidation. Therefore, they are all excluded from the scope of consolidation.

(2) Name of major non-consolidated subsidiaries

Major non-consolidated subsidiary
New Energy Fujimino Co., Ltd.

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.

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: 17

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.

From the current consolidated fiscal year, Yuzawa Geothermal Power Corp. is 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 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 15 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
MMC Copper Products Oy and 14 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 book value due to declines in profitability). Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at 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 unit-of-production method.

(b) Intangible assets (excluding leased assets)

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

(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 and treatment of contaminated soil at Kazuno (Akita Prefecture) district is provided based on estimation.

(h) Provision for product compensation

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

(4) Accounting method for retirement benefits

(a) Method of attributing expected retirement benefits to period

The method of attributing expected retirement benefits to period 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.

(2) Scheduled date of applying the new guidance

The Company and its consolidated domestic subsidiaries plan to adopt the new guidance from the beginning of the fiscal year ended March 31, 2022.

(3) The effect of applying the new guidance, etc.

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2. “Accounting Standard for Disclosure of Accounting Estimates”

●“Accounting Standards for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

Note 5 Additional Information

1. Acquisition of minor interests in the Mantoverde copper mine in Chile

The Company reached an agreement to acquire a 30% interest in the Mantoverde copper mine, located in the Atacama region of northern Chile, from Mantos Copper Holding SpA and to participate in the Mantoverde Development Project (hereinafter referred to as “MVDP”), thereby resolving to sign the relevant agreements including the share subscription agreement and shareholders agreement on February 7, 2020 and signed the share subscription agreement on that day.

(1) Overview of the acquisition of interest

The Company will acquire a 30% interest in the Mantoverde copper mine by undertaking newly issued shares of Mantoverde S.A. In consideration for the 30% interest, the Company will contribute a total of US\$263 million at closing, comprising a US\$184 million capital contribution and a US\$79 million for construction cost in proportion to its capital contribution. The investment by the Company will all be used to fund MVDP.

Additionally, as there are potentially vast amounts of copper resources beyond the current development scope of MVDP, the Company will be making additional cash payment of US\$20 million in the event that Mantoverde copper mine receives fully permits necessary to expand the capacity of tailings storage facility significantly beyond the currently permitted capacity.

The Company will receive offtake rights for 30% of copper production, proportionate to its ownership interest, and will receive the produced materials in the form of copper concentrate.

Acquisition of an interest in Mantoverde copper mine is subject to obtaining necessary approvals and the satisfaction of other customary conditions, as well as sufficient financing for MVDP, which is currently expected to close by the end of October 2020. In addition, the Company plans to sign the shareholders agreement following the closing.

(2) Overview of Mantoverde Development Project (MVDP)

Total Copper Production: 1,700 kt over mine life
Project CAPEX: US\$731 million
Start-up of MVDP: In or after 2023

(1) Overview

The purpose of this standard is to disclose useful information to financial statements users regarding accounting estimates in the financial statements for the current fiscal year which can significantly impact the financial statements for the next fiscal year.

(2) Scheduled date of applying the new guidance

The Group plans to adopt the new guidance from the end of the fiscal year ended March 31, 2021.

(3) Overview of Mantos Copper Holding SpA

Shareholders: Orion Mine Finance, Audley Mining Advisors Limited
Business Overview: Operation of Mantoverde copper mine and Mantos Blancos copper mine in Chile
Headquarters: Santiago, Chile
Representative: John MacKenzie

2. Signing of letter of intent concerning integration of cement businesses

The Company and Ube Industries, Ltd. (hereinafter referred to as “Ube Industries”), based on a resolution of the companies’ respective Board of Directors meetings held on February 12, 2020, signed a letter of intent to start specific discussions and considerations for the integration of their respective cement businesses and related businesses. The details of the integration, which is to be implemented around April 2022, are given below.

Moving forward, the Company and Ube Industries will engage in specific discussions and considerations for the integration and expect to finalize the agreement for the integration by late September 2020.

(1) Purpose of the integration

In 1998, the Company and Ube Industries established Ube-Mitsubishi Cement Corporation as an equally-owned joint venture. Under the joint venture, the companies integrated their respective standalone cement sales and logistics functions, realizing a certain degree of benefit including reductions in logistics costs as well as back office expenses.

While the environment surrounding the cement business in Japan are currently undergoing significant changes, including slowing demand and increased costs due to higher energy prices, it is necessary for the Company and Ube Industries to establish a new framework for their cement businesses that builds upon the existing relationship including the joint venture, in order to realize the future growth of their cement businesses.

In response, the Company and Ube Industries decided to start specific discussions and considerations for the integration of the overall cement businesses and related businesses. Under the integration, the Company and Ube Industries will direct cash flows generated from the cement business in Japan toward concentrated investment in businesses that are anticipated to

Note 3 Changes in Accounting Policies

Application of IFRS 16 “Leases”

Foreign subsidiaries that apply IFRS started applying IFRS 16 “Leases” from the beginning of the current consolidated fiscal year.

The effect of the application of the accounting standard on the consolidated financial statements for the current consolidated fiscal year was insignificant.

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 31, 2020 (hereinafter referred to as “Guidance No. 30”))

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.

(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

generate growth inside and outside of Japan. Through these efforts, the Company and Ube Industries will strive to realize sustainable growth as corporations that are contributing to the development of social infrastructure and advancement of a recycling-oriented society, and to establish an optimal operational framework for both companies.

(2) Overview of the integration

The scope of the integration is expected to encompass 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 inside and outside of Japan.

The Company and Ube Industries plan to implement the integration by establishing a new equally-owned joint venture that will assume the respective businesses (including shares of subsidiaries engaged in the businesses) by a company split method, and via an absorption-type merger, with the new joint venture being the surviving company, and Ube-Mitsubishi Cement Corporation being absorbed.

The Company and Ube Industries will engage in discussions and consideration on the investment ratio of the newly integrated joint venture under the basic premise that each company will own a 50% interest in the new joint venture after adjusting for the value of the businesses to be assumed by the new joint venture.

The Company and Ube Industries will mutually decide through discussion on the terms of the integration including the aforementioned matters by the time of signing the final agreement.

(3) Schedule of integration

February 12, 2020 Signing of letter of intent
September 2020 (planned) Signing of final agreement

June 2021 (planned) Obtaining approval for integration at the ordinary general meeting of shareholders of the Company and Ube Industries
April 2022 (planned) Effective date of integration

Note:
Implementation of the integration is subject to completing the necessary filings and obtaining approval for the integration with relevant agencies inside and outside of Japan, including the Japan Fair Trade Commission. Furthermore, it is subject to approval at the general meeting of shareholders 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 circumstances or events not arising or coming to light that make it difficult to implement the integration.

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.

3. Accounting estimates associated with spread of COVID-19

There has been no significant impact of COVID-19 (hereinafter referred to as the “Infection”) on sales and production activities in major business sites of the Group in Japan and overseas.

However, because the Infection 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 will make accounting estimates including determination of collectability of deferred tax assets, impairment loss and etc. on the assumption that the impact of the Infection will continue for a certain period in the fiscal year ended in March 2021, based on external information available as of the end of the current fiscal year.

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
	2020	2019	2020
Similco Finance Ltd.	¥ 6,983	¥ 10,698	\$ 64,172
Kobelco & Materials Copper Tube Co., Ltd.	2,065	1,189	18,980
Yuzawa Geothermal Power Corporation	1,943	1,608	17,861
JECO 2 Ltd.	1,550	2,028	14,246
New Energy Fujimino Co., Ltd.	1,300	—	11,945
Copper Mountain Mine (BC) Ltd.	1,020	1,359	9,380
Employees	2,107	2,305	19,368
Other (*)	1,028	760	9,454
Total	¥ 18,001	¥ 19,950	\$ 165,411

(*) In “Other” 10 companies are included for the current consolidated fiscal year and 8 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, 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 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 (¥1,523 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 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, 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.

Previous consolidated fiscal year (As of March 31, 2019)

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 \$47million (¥5,312 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 (¥1,553 million) as a part of the additional collection.

Note 6 Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated depreciation of property, plant and equipment	¥ 1,373,252	¥ 1,347,305	\$ 12,618,327

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investment securities (equity securities)	¥ 54,001	¥ 53,116	\$ 496,197
Investment for joint venture in shares of affiliates	7,464	7,155	68,590
Other (investment and other assets) (investment in capital)	¥ 109	¥ 72	\$ 1,007

(*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
	2020	2019	2020
Amount of reduction entry by direct reduction method	¥ 123	¥ 47	\$ 1,131

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 complaint to the Tax Court in Indonesia on June 6, 2016 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 (¥2,533 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 (¥698 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 (¥1,688 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 (¥651 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 unilaterally negated the profit and loss on hedging,

etc. of PTS and found to be unacceptable by the Company and PTS.

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, 2010, the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2013 and the fiscal year ended December 31, 2015 is US\$101million (¥11,309 million).

(2) Matters concerning Non-Conforming Products
Current consolidated fiscal year (As of March 31, 2020)

The Company discovered that certain products produced and sold in the past by the Group were shipped, deviated from customer or internal specifications due to rewriting of inspection records data and other misconduct.

Based on this fact, the Company established a special investigation committee to properly understand the facts, causes, and effects, and has been working on countermeasures to prevent a recurrence. It has been confirmed that all customers have no problems regarding major safety issues.

Depending on the progress of the above issues, the Group's consolidated business results may be affected by compensation cost for customers and other losses. However, such amounts which are currently difficult to estimate reasonably are not reflected in the consolidated financial statements.

Previous consolidated fiscal year (As of March 31, 2019)
The Company discovered that certain products produced and sold in the past by the Group were shipped, deviated from customer or internal specifications due to rewriting of inspection records data and other misconduct.

Based on the above fact, some of the Groups' subsidiaries received notification of revocation of their JIS (Japan Industrial Standards) certification and ISO certifications from the accrediting agencies.

Depending on the progress of the above issues, the Group's consolidated business results may be affected by compensation cost for customers and other losses. However, such amounts which are currently difficult to estimate reasonably are not reflected in the consolidated financial statements.

6. Notes receivable – trade discounted, etc.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable - trade discounted	¥ 91	¥ 580	\$ 842
Notes receivable - trade endorsed	0	0	0
Notes and accounts receivable - trade securitized with recourse	¥ 3,076	¥ 3,848	\$ 28,268

(*7) Notes maturing on the end date of the consolidated financial statements

Notes maturing on the end date of the consolidated financial statements are settled primarily on a clearing date. Because the end date of the previous consolidated fiscal year was a bank holiday, notes maturing on the end date of the previous consolidated fiscal year are included in the balance at the end of the previous consolidated fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable - trade	¥ —	¥ 4,622	\$ —
Notes payable - trade	¥ —	¥ 2,403	\$ —

(*8) 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
	2020	2019	2020
Cash and deposits	¥ 25,683	¥ 30,860	\$ 235,998
Notes and accounts receivable - trade	11,378	16,001	104,556
Merchandise and finished goods	4,672	5,295	42,938
Work in process	18,416	19,321	169,226
Raw materials and supplies	15,003	15,565	137,863
Property, plant and equipment (*)	10,696	41,470	98,286
Intangible assets	—	4	—
Investment securities	5,078	3,076	46,661
Total	¥ 90,931	¥ 131,595	\$ 835,532

Liabilities secured by the collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term borrowings (*)	¥ 25,027	¥ 22,632	\$ 229,970
Long-term borrowings (*)	1,150	1,954	10,566
(Current portion of long-term borrowings)	410	1,215	3,767
Other (*)	23	24	217
Total	¥ 26,201	¥ 24,610	\$ 240,754

(*) Assets pledged as collateral for foundation mortgage

Name of assets, net

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures, net	¥ 901	¥ 7,301	\$ 8,278
Machinery, equipment and vehicles, net	1,372	8,166	12,608
Land, net	7,641	21,943	70,214
Other, net	34	511	321
Total	¥ 9,949	¥ 37,923	\$ 91,422

Liabilities secured by the above collateral

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term borrowings	¥ 1,150	¥ 818	\$ 10,566
(Current portion of long-term borrowings)	410	268	3,767
Total	¥ 1,150	¥ 818	\$ 10,566

(*9) Revaluation reserve for land

Current 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 book value after revaluation

¥(30,810) million
(\$283,107 thousand)

(2) One consolidated subsidiary

•Date of revaluation March 31, 2000

Because the fair value of the revaluated land exceeds its book value 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, 2019)

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 book value after revaluation

¥(32,681) million

(2) One consolidated subsidiary

•Date of revaluation March 31, 2000

Difference between the fair value of the revaluated land at the end of period and its book value after revaluation

¥(5,665) million

(*10) This is related to pure gold reserve transaction (My Gold Partner) based on a consumption deposit contract.

Note 7 Consolidated Statements of Profit or Loss

(*1) The inventories at the end of period represent the amount after reducing book value 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
2020	2019	2020
¥ (1,586)	¥ 4,507	\$ (14,574)

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

Millions of yen		Thousands of U.S. dollars
2020	2019	2020
¥ (31)	¥ (23)	\$ (286)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Transportation and storage	¥ 30,184	¥ 29,327	\$ 277,352
Depreciation and amortization	5,943	5,973	54,616
Retirement benefit expenses	2,950	3,070	27,114
Provision for directors' retirement benefits	383	339	3,521
Provision for bonuses	9,433	9,740	86,685
Salaries	34,298	34,317	315,154
Rental expenses	6,576	6,570	60,425
Research and development expenses	¥ 10,881	¥ 10,912	\$ 99,988

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

Millions of yen		Thousands of U.S. dollars
2020	2019	2020
¥ 10,881	¥ 10,912	\$ 99,988

(*5) Major components of gain on sales of non-current assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 739	¥ 4,881	\$ 6,791

(*6) 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, 2019 to March 31, 2020)

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

Asset groups	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
			Impairment loss	Impairment loss
Advanced Products	Susono, Sizuoka prefecture, etc.	Machinery and equipment, land, etc.	¥ 32,623	\$ 299,768
Metalworking Solution Business	Akashi, Hyogo prefecture, etc.	Machinery and equipment, land, etc.	21,098	193,864
Other Businesses	Kewdale in Western Australia, Australia etc.	Tools, instruments, vehicle, etc.	19	178
Rental property	Inabe, Mie prefecture, etc.	Land, buildings, etc.	704	6,469
Idle assets	Sunto, Sizuoka prefecture, etc.	Land, machinery and equipment, etc.	649	5,970
Total			¥ 55,095	\$ 506,252

(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 book values are reduced to their collectible amount. Regarding the idle assets whose collectible amount has fallen below the book value due to a drop in their market prices etc., the book values are reduced to their collectible amount. The Group recorded the amount of reduction in the book values of such business assets and idle assets as impairment loss ¥55,095 million (\$506,252 thousand) in extraordinary losses.

Breakdown of impairment loss by account titles

Buildings: ¥7,395 million (\$67,950 thousand), Machinery and equipment: ¥21,959 million (\$201,778 thousand), Construction in progress: ¥5,579 million (\$51,264 thousand), Land: ¥16,260 million (\$149,413 thousand), Other: ¥3,901 million (\$35,846 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, 2018 to March 31, 2019)

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

Asset groups	Location	Type of assets	Millions of yen
			Impairment loss
Advanced Products	Azumino, Nagano prefecture, etc.	Buildings, machinery and equipment, etc.	¥ 2,432
Metalworking Solution Business	Niigata, Niigata prefecture, etc.	Construction in progress, buildings	5,547
Cement Business	Nakatsu, Oita prefecture	Tools, instruments	0
Other Businesses	Chiyoda-ku, Tokyo prefecture etc.	Leased assets, right, etc.	66
Idle assets	Mutsu, Aomori prefecture, etc.	Land, buildings, etc.	394
Total			¥ 8,440

(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, their book values are reduced to their collectible amount. If the collectible amount of the idle assets has fallen below their book value due to a drop in their market prices, the book values are written down to such collectible amount. The Group recorded the amount of reduction in the book values of business assets and idle assets as impairment loss ¥8,440 million in extraordinary losses.

Breakdown of impairment loss by account titles

Buildings: ¥1,131 million, Machinery and equipment: ¥812 million, Construction in progress: ¥5,513 million, Land: ¥655 million, Other: ¥327 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 by 6.0%.

(*7) Provision for loss on business restructuring
Current 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 (\$278,158 thousand) is recorded in extraordinary losses for the current consolidated fiscal year.

(*8) Loss on the Antimonopoly Act
Current 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 (\$95,773 thousand) is recorded as a Loss on the Antimonopoly Act in extraordinary losses for the current consolidated fiscal year.

Note 8 Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects concerning other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during period	¥ (30,881)	¥ (62,716)	\$ (283,756)
Reclassification adjustment to net income	(8,737)	(842)	(80,287)
Amount before tax effect	(39,618)	(63,559)	(364,043)
Tax effect	11,074	19,091	101,755
Valuation difference on available-for-sale securities	(28,544)	(44,468)	(262,288)
Deferred gains or losses on hedges:			
Gains (losses) incurred during period	(13,430)	12,385	(123,410)
Reclassification adjustment to net income	15,653	(14,048)	143,833
Amount before tax effect	2,222	(1,663)	20,422
Tax effect	(702)	521	(6,454)
Deferred gains or losses on hedges	1,520	(1,141)	13,968
Foreign currency translation adjustment:			
Gains (losses) incurred during period	(7,700)	7,371	(70,757)
Reclassification adjustment to net income	—	—	—
Amount before tax effect	(7,700)	7,371	(70,757)
Tax effect	—	—	—
Foreign currency translation adjustment	(7,700)	7,371	(70,757)
Remeasurements of defined benefit plans:			
Gains (losses) incurred during period	(7,874)	(1,715)	(72,353)
Reclassification adjustment to net income	1,244	2,281	11,437
Amount before tax effect	(6,629)	566	(60,916)
Tax effect	(2,633)	(173)	(24,202)
Remeasurements of defined benefit plans	(9,263)	392	(85,118)
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) incurred during period	(936)	(584)	(8,601)
Reclassification adjustment to net income	206	67	1,893
Share of other comprehensive income of entities accounted for using equity method	(729)	(517)	(6,707)
Total other comprehensive income	¥ (44,718)	¥ (38,363)	\$ (410,902)

Note 9 Consolidated Statements of Changes in Net Assets

Current 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 (*1), (*2)	538,493	11,885	218	550,160
Total	538,493	11,885	218	550,160

(*1) Breakdown of treasury shares increased during the period

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

(*2) 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)	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollar)	Record date	Effective date
May 13, 2019 Board of Directors	Common shares	¥ 5,238	\$ 48,131	¥ 40.0	\$ 0.37	March 31, 2019	June 3, 2019
November 7, 2019 Board of Directors	Common shares	¥ 5,237	\$ 48,129	¥ 40.0	\$ 0.37	September 30, 2019	December 3, 2019

(2) Dividend whose record date 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 27, 2020 Board of Directors	Common shares	¥ 5,237	\$ 48,127	Retained earnings	¥ 40.0	\$ 0.37	March 31, 2020	June 16, 2020

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)
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 (*3), (*4)	527,089	11,816	412	538,493
Total	527,089	11,816	412	538,493

(*3) Breakdown of treasury shares increased during the period

Increase by purchase of less-than-one-unit shares 11,816 shares

(*4) Breakdown of treasury shares decreased during the period

Decrease by sale of less-than-one-unit shares 412 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 10, 2018 Board of Directors	Common shares	¥ 6,548	¥ 50.0	March 31, 2018	June 1, 2018
November 6, 2018 Board of Directors	Common shares	¥ 5,238	¥ 40.0	September 30, 2018	December 4, 2018

(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 13, 2019 Board of Directors	Common shares	¥ 5,238	Retained earnings	¥ 40.0	March 31, 2019	June 3, 2019

Note 10 Consolidated Statements of Cash Flows

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
	2020	2019	2020
Cash and deposits	¥ 134,444	¥ 108,648	\$ 1,235,360
Less time deposits with maturities over 3 months	(6,974)	(8,790)	(64,082)
Less restricted deposits	(186)	(185)	(1,710)
Cash and cash equivalents	¥ 127,284	¥ 99,672	\$ 1,169,568

Note 11 Lease Transactions

1. Operating lease transactions (lessee)

Future minimum lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within 1 year	¥ 2,716	¥ 3,202	\$ 24,962
Over 1 year	23,554	26,698	216,435
Total	¥ 26,271	¥ 29,901	\$ 241,397

Note:

IFRS 16 “Leases” has applied to certain foreign consolidated subsidiaries from the current consolidated fiscal year. Lease transactions under IFRS 16 are recorded in “Others” of “Non-current assets” in the consolidated balance sheets for the current consolidated fiscal year.

2. Operating lease transactions (lessor)

Future minimum lease income for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within 1 year	¥ 723	¥ 757	\$ 6,645
Over 1 year	1,508	1,226	13,857
Total	¥ 2,231	¥ 1,984	\$ 20,502

Note 12 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 customer’s 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 is 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.

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 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 value 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 14 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, 2020)

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 134,444	¥ 134,444	¥ —	\$ 1,235,360	\$ 1,235,360	\$ —
(2) Notes and accounts receivable - trade	217,259	217,259	—	1,996,323	1,996,323	—
(3) Investment securities:						
Shares of subsidiaries and affiliates	11,069	8,114	(2,955)	101,718	74,561	(27,157)
Available-for-sale securities	121,623	121,623	—	1,117,556	1,117,556	—
Total assets	484,397	481,442	(2,955)	4,450,959	4,423,802	(27,157)
(1) Notes and accounts payable - trade	113,148	113,148	—	1,039,684	1,039,684	—
(2) Short-term borrowings	191,038	191,038	—	1,755,386	1,755,386	—
(3) Commercial papers	50,000	50,000	—	459,432	459,432	—
(4) Bonds payable	60,000	59,754	(246)	551,318	549,058	(2,260)
(5) Long-term borrowings	246,578	248,710	2,131	2,265,723	2,285,310	19,586
Total liabilities	660,766	662,651	1,885	6,071,545	6,088,871	17,326
Derivative transactions(*)						
(a) Derivative to which hedge accounting is not applied	11,268	11,268	—	103,539	103,539	—
(b) Derivative to which hedge accounting is applied	1,150	257	(893)	10,573	2,366	(8,206)
Total derivative transactions	¥ 12,418	¥ 11,525	¥ (893)	\$ 114,112	\$ 105,906	\$ (8,206)

(*) 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, 2019)

	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 108,648	¥ 108,648	¥ —
(2) Notes and accounts receivable - trade	248,220	248,220	—
(3) Investment securities:			
Shares of subsidiaries and affiliates	10,753	9,861	(892)
Available-for-sale securities	175,809	175,809	—
Total assets	543,431	542,539	(892)
(1) Notes and accounts payable	147,566	147,566	—
(2) Short-term borrowings	180,100	180,100	—
(3) Commercial papers	5,000	5,000	—
(4) Bonds payable	50,000	49,789	(211)
(5) Long-term borrowings	259,667	261,128	1,461
Total liabilities	642,334	643,585	1,250
Derivative transactions(*)			
(a) Derivative to which hedge accounting is not applied	2,334	2,334	—
(b) Derivative to which hedge accounting is applied	(521)	(1,791)	(1,270)
Total derivative transactions	¥ 1,813	¥ 542	¥ (1,270)

(*) 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 book values because of their short-term maturities. Therefore, the fair values are recognized using the book values.

(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 13 Securities”.

Liabilities

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

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

(4) Bonds payable

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

(5) 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 are newly made.

Derivative transactions

Please see “Note 14 Derivative Transactions”.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Shares of subsidiaries and affiliates (unlisted equity securities)	¥ 42,931	¥ 42,363	\$ 394,479
Available-for-sale securities (unlisted equity securities)	¥ 7,418	¥ 7,645	\$ 68,166

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, 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	¥ —	¥ —	¥ —	¥ —	¥ —

	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	\$ 1,235,360	\$ —	\$ —	\$ —	\$ —	\$ —
Notes and account receivable - trade	1,996,323	—	—	—	—	—
Total	\$ 3,231,684	\$ —	\$ —	\$ —	\$ —	\$ —

Previous consolidated fiscal year (As of March 31, 2019)

	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	¥ 108,648	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and account receivable - trade	248,220	—	—	—	—	—
Total	¥ 356,868	¥ —	¥ —	¥ —	¥ —	¥ —

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, 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

	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	\$ 1,755,386	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial papers	459,432	—	—	—	—	—
Bonds payable	—	183,772	91,886	—	91,886	183,772
Long-term borrowings	—	272,235	263,256	438,175	442,203	849,851
Total	\$ 2,214,818	\$ 456,008	\$ 355,143	\$ 438,175	\$ 534,090	\$ 1,033,624

Previous consolidated fiscal year (As of March 31, 2019)

	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	¥ 180,100	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	5,000	—	—	—	—	—
Bonds payable	—	—	20,000	10,000	—	20,000
Long-term borrowings	—	43,020	29,305	27,472	44,407	115,461
Total	¥ 185,100	¥ 43,020	¥ 49,305	¥ 37,472	¥ 44,407	¥ 135,461

Note 13 Securities

1. Available-for-sale securities

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

	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	¥ 104,627	¥ 66,932	¥ 37,694	\$ 961,380	\$ 615,014	\$ 346,365
	Bonds	30	27	3	283	250	33
	Other	—	—	—	—	—	—
	Total	¥ 104,657	66,959	37,698	\$ 961,664	\$ 615,265	\$ 346,398
Securities with carrying amount not exceeding acquisition cost	Equity securities	16,965	19,722	(2,757)	\$ 155,892	\$ 181,226	\$ (25,334)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total	¥ 16,965	¥ 19,722	¥ (2,757)	\$ 155,892	\$ 181,226	\$ (25,334)

Note:
Because unlisted equity securities (¥7,418 million (\$68,166 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, 2019)

	Type	Millions of yen		
		Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	Equity securities	¥ 164,355	¥ 87,071	¥ 77,284
	Bonds	30	28	1
	Other	—	—	—
	Total	¥ 164,385	¥ 87,099	¥ 77,286
Securities with carrying amount not exceeding acquisition cost	Equity securities	¥ 11,423	¥ 14,784	¥ (3,361)
	Bonds	—	—	—
	Other	—	—	—
	Total	¥ 11,423	¥ 14,784	¥ (3,361)

Note:
Because unlisted equity securities (¥7,645 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, 2020)

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	¥ 23,808	¥ 14,360	¥ 1,449	\$ 218,763	\$ 131,951	\$ 13,316
Bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	¥ 23,808	¥ 14,360	¥ 1,449	\$ 218,763	\$ 131,951	\$ 13,316

Previous consolidated fiscal year (As of March 31, 2019)

Type	Millions of yen		
	Total proceeds from sales	Total gain on sales	Total loss on sales
Equity securities	¥ 3,004	¥ 1,446	¥ 0
Bonds	—	—	—
Other	—	—	—
Total	¥ 3,004	¥ 1,446	¥ 0

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥4,830 million (\$44,385 thousand) for the current consolidated fiscal year and ¥3,376 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 14 Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

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

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	¥ 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

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	\$ 39,222	\$ —	\$ 323	\$ 323
	Other	9,073	—	22	22
	Buy				
	U.S. dollars	32,546	—	(369)	(369)
	Other	14,100	812	120	120
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	\$ —	\$ —	\$ —	\$ 97

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, 2019)

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	¥ 2,733	¥ —	¥ (31)	¥ (31)
	Other	716	—	10	10
	Buy				
	U.S. dollars	5,741	—	(12)	(12)
	Other	1,167	—	(9)	(9)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
	Total	¥ —	¥ —	¥ —	¥ (44)

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, 2020)

Not applicable

Previous consolidated fiscal year (As of March 31, 2019)

Not applicable

(3) Interest rate and currency related
Current 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	

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	Interest rate and currency swaps: Euro pay fixed / U.S. dollars receive floating	\$ 39,197	\$ —	\$ 961	\$ 961	
Total		\$ —	\$ —	\$ —	\$ 961	

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, 2019)

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	¥ 4,444	¥ 4,444	¥ 11	¥ 11	
Total		¥ —	¥ —	¥ —	¥ 11	

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, 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	

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	\$ 419,377	\$ —	\$ 7,580	\$ 7,580	
	Buy	1,186,437	—	94,899	94,899	
	Total	\$ —	\$ —	\$ —	\$ 102,480	

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	¥ 49,181	¥ —	¥ 398	¥ 398	
	Buy	139,587	—	1,969	1,969	
	Total	¥ —	¥ —	¥ —	¥ 2,367	

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, 2020)

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	¥ 74,923	¥ 5	¥ (39)	
	Other		850	—	(0)	
	Buy					
	U.S. dollars		764	26	(4)	
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	¥ 11,561	¥ —	Note 2	
	Other		4,603	—		
	Buy					
	U.S. dollars		916	—		
Hedged items are translated using currency swaps	Other		108	—		
	Currency swaps:	Long-term borrowings				
	Pay Japanese yen / Receive U.S. dollars		¥ 7,000	¥ 7,000		

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	\$ 688,449	\$ 47	\$ (360)	
	Other		7,811	—	(1)	
	Buy					
	U.S. dollars		7,027	239	(37)	
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:					
	Sell					
	U.S. dollars	Accounts receivable, accounts payable	\$ 106,237	\$ —	Note 2	
	Other		42,297	—		
	Buy					
	U.S. dollars		8,425	—		
Hedged items are translated using currency swaps	Other		997	—		
	Currency swaps:	Long-term borrowings				
	Pay Japanese yen / Receive U.S. dollars		\$ 64,320	\$ 64,320		

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, 2019)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	over 1 year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable, accounts payable	¥ 49,128	¥ 2	¥ (279)
	Other		1,571	—	0
	Buy				
	U.S. dollars		341	—	0
Hedged items are translated using forward contract rates	Other		477	40	¥ (15)
	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable, accounts payable	¥ 8,388	¥ —	
	Other		5,182	—	
	Buy				
Hedged items are translated using currency swaps	U.S. dollars		390	—	
	Other		3	—	
	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, 2020)

			Millions of yen		
Hedge accounting method	Type of transactions	Major hedged items	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)
			Thousands of U.S. dollars		
Hedge accounting method	Type of transactions	Major hedged items	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		\$ 341,238	\$ 255,655	\$ (8,206)

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, 2019)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			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		¥ 50,523	¥ 37,137	¥ (1,270)

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, 2020)

			Millions of yen		
Hedge accounting method	Type of transactions	Major hedged items	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
			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	Interest rate and currency swaps:	Long-term borrowings			
	Indonesian rupiah pay fixed / U.S. dollars receive floating		\$ 6,345	\$ 4,738	\$ 1,353

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, 2019)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			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		¥ 1,068	¥ 803	¥ 108

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, 2020)

			Millions of yen		
Hedge accounting method	Type of transactions	Major hedged items	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)
			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	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		\$ 427,033	\$ 202,802	\$ 52,777
	Buy		270,822	70,496	(43,033)

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, 2019)

Hedge accounting method	Type of transactions	Major hedged items	Millions of yen		
			Contract amount	over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		¥ 56,180	¥ 18,408	¥ (578)
	Buy		29,780	13,332	242

Note:

Calculation method of fair value

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

Note 15 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
	2020	2019	2020
Balance at beginning of period	¥ 146,594	¥ 147,499	\$ 1,347,001
Service costs	7,500	6,014	68,920
Interest costs	290	290	2,665
Actuarial gains and losses	(398)	648	(3,665)
Benefit paid	(7,648)	(7,662)	(70,280)
Past service costs	316	—	2,905
Other	40	(196)	376
Balance at end of period	¥ 146,694	¥ 146,594	\$ 1,347,923

(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
	2020	2019	2020
Balance at beginning of period	¥ 100,051	¥ 98,672	\$ 919,337
Expected return on plan assets	1,818	1,739	16,712
Actuarial gains and losses	(7,956)	(1,067)	(73,113)
Contribution to the plan by the employer	5,396	5,315	49,582
Benefits paid	(3,957)	(4,061)	(36,360)
Other	603	(548)	5,544
Balance at end of period	¥ 95,955	¥ 100,051	\$ 881,703

(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
	2020	2019	2020
Balance at beginning of period	¥ 2,410	¥ 2,371	\$ 22,153
Retirement benefit expenses	220	264	2,026
Benefits paid	(201)	(116)	(1,851)
Contribution to the plan	(68)	(63)	(627)
Other	—	(45)	—
Balance at end of period	¥ 2,361	¥ 2,410	\$ 21,701

(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
	2020	2019	2020
Funded retirement benefit obligation	¥ 130,866	¥ 131,364	\$ 1,202,486
Plan assets	(92,136)	(96,760)	(846,605)
	38,730	34,604	355,881
Unfunded retirement benefit obligation	14,369	14,349	132,040
Net liability (asset) recorded in the consolidated balance sheets	¥ 53,100	¥ 48,953	\$ 487,921

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net retirement benefits liability	¥ 56,312	¥ 50,003	\$ 517,435
Net retirement benefits asset	(3,211)	(1,050)	(29,513)
Net liability (asset) recorded in the consolidated balance sheets	¥ 53,100	¥ 48,953	\$ 487,921

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
	2020	2019	2020
Service costs	¥ 7,721	¥ 6,279	\$ 70,946
Interest costs	290	290	2,665
Expected return on plan assets	(1,818)	(1,739)	(16,712)
Amortization of actuarial gains and losses	1,548	2,598	14,225
Amortization of past service costs	(303)	(316)	(2,787)
Retirement benefit costs on defined benefit plans	¥ 7,437	¥ 7,111	\$ 68,338

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
	2020	2019	2020
Past service costs	¥ (619)	¥ (316)	\$ (5,692)
Actuarial gains or losses	(6,009)	882	(55,223)
Total	¥ (6,629)	¥ 566	\$ (60,916)

(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
	2020	2019	2020
Unrecognized past service costs	¥ 82	¥ (537)	\$ 754
Unrecognized actuarial gains or losses	16,936	10,926	155,620
Total	¥ 17,018	¥ 10,388	\$ 156,374

(8) Plan assets

(a) Major components of plan assets

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

	2020	2019
Bonds	38%	38%
Equity securities	41	44
Life insurance company general accounts	13	11
Cash and deposits	8	6
Other	0	1
Total	100%	100%

Note:

Total plan assets include 22% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the current consolidated fiscal year and 25% 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

	2020	2019
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 ¥1,036 million (\$9,527 thousand) for the current consolidated fiscal year and ¥1,038 million for the previous consolidated fiscal year respectively.

Note 16 Tax Effect Accounting

1. Major components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Impairment loss on non-current assets	¥ 25,930	¥ 15,064	\$ 238,265
Tax loss carried forward	19,850	19,170	182,395
Retirement benefit liability	17,503	15,749	160,831
Loss on valuation of investment securities	13,328	14,546	122,472
Provision for environmental measures	9,976	12,378	91,671
Provision for loss on business restructuring	9,269	—	85,172
Retirement benefit trust asset	7,728	7,608	71,018
Provision for bonuses	4,047	3,956	37,192
Unrealized gain	4,004	4,268	36,795
Loss on valuation of buildings	3,973	4,096	36,514
Loss on valuation of inventories	2,861	3,327	26,297
Excess of depreciation	2,206	2,182	20,278
Allowance for doubtful accounts	1,757	1,723	16,145
Other	15,263	16,303	140,250
Sub-total	137,706	120,378	1,265,335
Valuation allowance for tax loss carried forward (*2)	(15,868)	(14,366)	(145,809)
Valuation allowance for deductible temporary differences	(97,741)	(66,704)	(898,110)
Valuation allowance (*1)	(113,609)	(81,070)	(1,043,920)
Total deferred tax assets	24,096	39,307	221,415
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(10,796)	(21,789)	(99,208)
Valuation difference on full market value method	(9,368)	(9,756)	(86,081)
Investment difference in foreign consolidated subsidiaries	(4,931)	(3,184)	(45,311)
Gain on contribution of securities to retirement benefit trust	(3,195)	(3,332)	(29,364)
Retained earnings of foreign consolidated subsidiaries	(1,792)	(2,191)	(16,466)
Accelerated depreciation of property, plant and equipment	(1,262)	(1,065)	(11,598)
Deferred gains or losses on hedges	(955)	(226)	(8,778)
Deferred gain on sale of property, plant and equipment	(444)	(447)	(4,085)
Reserve for mining exploration	(11)	(16)	(104)
Revaluation of land, as a result of merger	—	(1,502)	—
Other	(2,433)	(1,801)	(22,358)
Total deferred tax liabilities	(35,191)	(45,313)	(323,359)
Net deferred tax assets (liabilities)	¥ (11,094)	¥ (6,005)	\$ (101,944)

(*1) Valuation allowance increased by ¥32,539 million (\$298,993 thousand), because the Company increased its impairment loss on non-current assets.

(*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, 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 (*a)	¥ 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	¥ (*b) 3,981

	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)	\$ 13,662	\$ 7,540	\$ 5,614	\$ 4,271	\$ 22,619	\$ 128,686	\$ 182,395
Valuation allowance	(12,804)	(7,540)	(5,614)	(4,128)	(22,520)	(93,201)	(145,809)
Net deferred tax assets	\$ 858	\$ —	\$ —	\$ 143	\$ 99	\$ 35,484	\$ (*b) 36,585

(*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 ¥3,981 million (\$36,585 thousand) is recorded for the tax loss carried forward of ¥19,850 million (\$182,395 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, 2019)

	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)	¥ 619	¥ 1,550	¥ 808	¥ 687	¥ 1,663	¥ 13,841	¥ 19,170
Valuation allowance	(612)	(1,544)	(808)	(687)	(1,663)	(9,051)	(14,366)
Net deferred tax assets	¥ 7	¥ 6	¥ —	¥ —	¥ —	¥ 4,789	¥ (*d) 4,804

(*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 ¥4,804 million is recorded for the tax loss carried forward of ¥19,170 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

	2020	2019
Statutory effective income tax rate		30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses		2.5
Temporary differences for which tax effect cannot be recognized		54.5
Differences in statutory effective income tax rates of consolidated subsidiaries		(6.2)
Equity in earnings of affiliates		(2.9)
Non-taxable permanent differences such as dividend income		(10.3)
Non-deductible foreign withholding taxes		6.8
Amortization of goodwill		4.0
Other		0.3
Actual income tax rate after applying tax effect accounting		79.30%

This information is omitted because loss before income taxes is recorded.

Note 17 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 66 years) and adopts discount rate from 0.4% to 2.7%.

3. Changes in total amount of asset retirement obligation

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 3,814	¥ 3,811	\$ 35,047
Increase due to acquisitions of property, plant and equipment	62	49	570
Reconciliation due to passage of time	24	23	223
Decrease due to settlement of asset retirement obligations	(583)	(8)	(5,364)
Increase (decrease) due to changes in estimates	55	(118)	511
Foreign currency translation adjustments	(90)	58	(828)
Other	(44)	(1)	(407)
Balance at end of period	¥ 3,238	¥ 3,814	\$ 29,754

Note 18 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 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
	2020	2019	2020
Carrying amount			
Balance at beginning of period	¥ 52,219	¥ 52,896	\$ 479,822
Increase (decrease) during period	510	(677)	4,686
Balance at end of period	52,729	52,219	484,508
Fair value at end of period	¥ 57,744	¥ 51,770	\$ 530,597

Notes:

1. Carrying amount is calculated by deducting accumulated depreciation from acquisition cost.
2. 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
	2020	2019	2020
Investment and rental properties			
Rent income	¥ 4,942	¥ 4,793	\$ 45,417
Rent expenses	3,362	3,134	30,893
Profit or loss	1,580	1,658	14,524
Impairment loss	¥ 859	¥ 381	\$ 7,895

Note:

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

Note 19 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 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 4 reporting segments of "Advanced Products", "Metalworking Solutions Business", "Metals Business" and "Cement 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, aluminum products
- Metalworking Solutions Business:Cemented carbide products, sintering products
- Metals Business:Copper smelting and refining (including copper, gold, silver or sulfuric acid)
- Cement Business:Cement, aggregate, ready-mixed concrete, concrete products

(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

At the Board of Directors held on February 12, 2019, the Group resolved to partially change the organization of business division. This change became effective on April 1, 2019.

The coal related business in the "Other Businesses" was switched to the "Cement Business," in which coal is used as thermal energy, to achieve more efficient business management.

In this regard, the segment information for the previous consolidated fiscal year that is disclosed herein is made according to the changed method of segmentation

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

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

	Millions of yen							
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales								
(1) Sales to outside customers	¥ 499,063	¥ 138,396	¥ 504,380	¥ 234,931	¥ 139,329	¥ 1,516,100	¥ —	¥ 1,516,100
(2) Intersegment sales and transfers	12,891	11,878	160,634	3,314	48,021	236,741	(236,741)	—
Total	¥ 511,954	¥ 150,275	¥ 665,015	¥ 238,246	¥ 187,350	¥ 1,752,842	¥ (236,741)	¥ 1,516,100
Segment profit	¥ 1,499	¥ 6,969	¥ 28,083	¥ 14,968	¥ 9,808	¥ 61,328	¥ (11,717)	¥ 49,610
Segment assets	496,782	210,092	598,106	333,268	138,451	1,776,702	127,348	1,904,050
Segment liabilities	439,785	141,155	434,815	113,977	115,064	1,244,799	73,216	1,318,016
Other items								
Depreciation	¥ 18,341	¥ 13,085	¥ 13,132	¥ 13,377	¥ 3,125	¥ 61,062	¥ 3,145	¥ 64,208
Amortization of goodwill	406	1,220	—	2,819	2	4,449	—	4,449
Interest income	418	146	819	67	290	1,742	(440)	1,302
Interest expenses	2,146	944	1,879	582	432	5,984	(1,126)	4,858
Share of profit (loss) of entities accounted for using equity method	495	—	145	1,407	1,471	3,521	(0)	3,521
Investment into entities accounted for using equity method	9,174	—	3,704	23,507	8,722	45,108	(152)	44,956
Increase in property, plant and equipment and intangible assets	¥ 29,929	¥ 18,558	¥ 14,602	¥ 16,542	¥ 5,929	¥ 85,562	¥ 2,481	¥ 88,043

Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales								
(1) Sales to outside customers	\$ 4,585,718	\$ 1,271,673	\$ 4,634,568	\$ 2,158,703	\$ 1,280,244	\$ 13,930,909	\$ —	\$ 13,930,909
(2) Intersegment sales and transfers	118,451	109,150	1,476,017	30,456	441,255	2,175,331	(2,175,331)	—
Total	\$ 4,704,170	\$ 1,380,824	\$ 6,110,586	\$ 2,189,159	\$ 1,721,499	\$ 16,106,240	\$ (2,175,331)	\$ 13,930,909
Segment profit	\$ 13,776	\$ 64,037	\$ 258,045	\$ 137,539	\$ 90,123	\$ 563,522	\$ (107,670)	\$ 455,852
Segment assets	4,564,761	1,930,461	5,495,787	3,062,288	1,272,182	16,325,480	1,170,160	17,495,641
Segment liabilities	4,041,031	1,297,026	3,995,368	1,047,302	1,057,289	11,438,017	672,763	12,110,780
Other items								
Depreciation	168,535	120,241	120,666	122,917	28,721	561,081	28,903	589,985
Amortization of goodwill	3,739	11,218	—	25,903	21	40,882	—	40,882
Interest income	3,848	1,345	7,526	624	2,668	16,013	(4,045)	11,968
Interest expenses	19,725	8,676	17,267	5,349	3,971	54,990	(10,350)	44,639
Share of profit (loss) of entities accounted for using equity method	4,556	—	1,340	12,932	13,525	32,354	(0)	32,354
Investment into entities accounted for using equity method	84,300	—	34,040	215,998	80,145	414,485	(1,400)	413,085
Increase in property, plant and equipment and intangible assets	\$ 275,008	\$ 170,527	\$ 134,173	\$ 152,004	\$ 54,487	\$ 786,202	\$ 22,801	\$ 809,003

Notes:

- Other Businesses includes nuclear energy related business, environmental and recycling related business, and engineering related business.
- Adjustment amount of segment profit of ¥(11,717) million (\$107,670) thousand) includes the elimination of intersegment transactions of ¥(117) million (\$1,081) thousand) and corporate expenses of ¥(11,600) million (\$106,588) 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.
- Adjustment amount of segment assets of ¥127,348 million (\$1,170,160 thousand) includes the elimination of intersegment transactions of ¥ (45,931) million (\$422,044) thousand) and corporate assets of ¥173,279 million (\$1,592,204 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.
- Adjustment amount of segment liabilities of ¥73,216 million (\$672,763 thousand) includes the elimination of intersegment transactions of ¥ (37,352) million (\$343,220) thousand) and corporate liabilities of ¥110,569 million (\$1,015,983 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.
- Adjustment amount of increase in property, plant and equipment and intangible assets of ¥2,481 million (\$22,801 thousand) are mainly capital expenditure made by the Central Research Institute.
- Segment profit is adjusted together with ordinary profit in the consolidated statements of profit or loss.

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
Net sales								
(1) Sales to outside customers	¥ 557,323	¥ 159,632	¥ 549,232	¥ 249,552	¥ 147,249	¥ 1,662,990	¥ —	¥ 1,662,990
(2) Intersegment sales and transfers	13,666	11,918	170,864	4,098	47,515	248,064	(248,064)	—
Total	¥ 570,990	¥ 171,551	¥ 720,097	¥ 253,650	¥ 194,764	¥ 1,911,055	¥ (248,064)	¥ 1,662,990
Segment profit	¥ 13,227	¥ 15,609	¥ 2,323	¥ 19,725	¥ 10,378	¥ 61,264	¥ (10,584)	¥ 50,679
Segment assets	531,846	230,636	559,421	368,081	142,254	1,832,239	106,030	1,938,270
Segment liabilities	437,966	126,598	391,460	132,014	122,344	1,210,385	4,548	1,214,933
Other items								
Depreciation	17,228	11,381	11,897	12,708	3,077	56,294	3,680	59,974
Amortization of goodwill	434	1,230	—	2,876	2	4,544	—	4,544
Interest income	416	56	852	161	289	1,776	(522)	1,254
Interest expenses	2,197	856	1,803	1,193	152	6,204	(1,348)	4,855
Share of profit (loss) of entities accounted for using equity method	1,304	—	(577)	2,399	468	3,595	(0)	3,594
Investment into entities accounted for using equity method	11,697	—	3,941	22,960	5,265	43,864	(150)	43,714
Increase in property, plant and equipment and intangible assets	¥ 26,120	¥ 22,810	¥ 29,274	¥ 16,972	¥ 3,694	¥ 98,873	¥ 4,545	¥ 103,418

Notes:

- Other Businesses include nuclear energy related business, environmental and recycling related business, and engineering related business.
- Adjustment amount of segment profit of ¥ (10,584) million includes the elimination of intersegment transactions of ¥81 million and corporate expenses of ¥ (10,666) 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.

- Adjustment amount of segment assets of ¥106,030 million includes the elimination of intersegment transactions of ¥ (51,667) million and corporate assets of ¥157,698 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.
- Adjustment amount of segment liabilities of ¥4,548 million includes the elimination of intersegment transactions of ¥ (51,808) million and corporate liabilities of ¥56,356 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.
- Adjustment amount of increase in property, plant and equipment and intangible assets of ¥4,545 million are mainly capital expenditure made by the Central Research Institute.
- 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, 2019 to March 31, 2020)

(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
¥ 842,261	¥ 156,444	¥ 146,924	¥ 350,225	¥ 20,246	¥ 1,516,100

Thousands of U.S. dollars					
Japan	United States	Europe	Asia	Other	Total
\$ 7,739,238	\$ 1,437,511	\$ 1,350,032	\$ 3,218,093	\$ 186,033	\$ 13,930,909

(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

Thousands of U.S. dollars					
Japan	United States	Europe	Asia	Other	Total
\$ 4,699,805	\$ 768,550	\$ 99,730	\$ 476,479	\$ 13,495	\$ 6,058,061

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, 2018 to March 31, 2019)

(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
¥ 916,687	¥ 159,656	¥ 84,863	¥ 480,389	¥ 21,394	¥ 1,662,990

(b) Property, plant and equipment

Millions of yen						
Japan	United States	Europe	Asia	Other	Total	
¥ 544,068	¥ 83,929	¥ 9,188	¥ 48,657	¥ 1,570	¥ 687,415	

Notes:

1. Segmentation by country or region is based on geographical proximity.
2. 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, 2019 to March 31, 2020)

Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	¥ 33,806	¥ 21,122	¥ —	¥ 20	¥ 55	¥ 55,005	¥ 90	¥ 55,095

Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	\$ 310,639	\$ 194,085	\$ —	\$ 191	\$ 506	\$ 505,423	\$ 829	\$ 506,252

Note:

Adjustment amount of ¥90 million (\$829 thousand) of impairment loss consists mainly of impairment loss on idle assets.

Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)

Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Impairment loss	¥ 2,445	¥ 5,547	¥ —	¥ 232	¥ 66	¥ 8,291	¥ 148	¥ 8,440

Note:

Adjustment amount of ¥148 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, 2019 to March 31, 2020)

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

Thousands of U.S. dollars								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements
Amortization during period	\$ 3,739	\$ 11,218	\$ —	\$ 25,903	\$ 21	\$ 40,882	\$ —	\$ 40,882
Unamortized balance at end of period	65,066	55,840	—	206,061	19	326,987	—	326,987

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	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	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements	
Amortization during period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unamortized balance at end of period	20,411	—	—	—	—	20,411	—	—	20,411

Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)

Millions of yen									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Amount in consolidated financial statements	
Amortization during period	¥ 434	¥ 1,230	¥ —	¥ 2,876	¥ 2	¥ 4,544	¥ —	¥ 4,544	¥ 4,544
Unamortized balance at end of period	7,762	7,302	—	25,746	4	40,816	—	—	40,816

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	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 20 Related Parties Information

1. Transactions with related parties

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

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

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

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, 2019 to March 31, 2020)

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

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

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

Note 21 Per Share Information

	Yen		U.S. dollar
	2020	2019	2020
Net assets per share	¥ 3,870.35	¥ 4,838.31	\$ 35.56
Profit (loss) per share	¥ (556.34)	¥ 9.92	\$ (5.11)

Notes:

1. Diluted profit per share for the current consolidated fiscal year is loss per share and also it is not provided because there is no potential share. Diluted profit per share for the previous consolidated fiscal year is not provided because there was no potential share.
2. Profit (loss) per share is calculated based on the following items:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit (loss) per share			
Profit (loss) attributable to owners of parent	¥ (72,850)	¥ 1,298	\$ (669,392)
Amount not attributable to common shareholders	—	—	—
Profit (loss) attributable to common shareholders of owners of parent	¥ (72,850)	¥ 1,298	\$ (669,392)

	Thousand shares	
	2020	2019
Average number of shares issued during period	130,945	130,956

Note 22 Subsequent Events

1. Additional purchase of subsidiaries’ 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, and acquired the shares on April 1, 2020.

(1) Overview of transaction

(a) Name and business of acquired company

Name of acquired company: Mitsubishi Hitachi Tool Engineering, Ltd.

Description of business: Manufacturing and sale of cemented carbide tools

(b) Date of business combination

April 1, 2020

(c) Legal form of business combination

Share acquisition from non-controlling shareholders in consideration for cash

(d) Name of the company after the business combination

MOLDINO Tool Engineering, Ltd.

(e) Other matters concerning overview of 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 cope with rapidly changing market needs and to realize more flexible operation.

(2) Overview of implemented accounting procedures

The Company plans to account processing for the merger as a transaction conducted with non-controlling shareholders under

common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and 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 subsidiaries’ shares

Cost of acquisition and breakdown of considerations by kind
Consideration for acquisition: Cash and deposits ¥24,916 million (\$228,944 thousand)

Acquisition cost ¥24,916 million (\$228,944 thousand)
Note:
The amount above is approximately amount at the time of acquisition before price adjustments.

(4) Matters concerning changes in ownership interest of parent due to transactions with non-controlling interests

(a) Major factors affecting capital surplus

Additional purchase of subsidiaries’ shares

(b) Amount of capital surplus decreased by transactions with non-controlling shareholders

Not yet defined at this moment.

2. Change in business segmentation

The Group changed its reporting segments due to restructuring implemented on April 1, 2020.

By this change, the energy related business and environmental and recycling related business in “Other Businesses” were switched to “Environment & Energy Business”. The aluminum related business in “Advanced Products” was switched to “Other Businesses”. In addition, the cement sales related business in

“Other Businesses” was switched to “Cement Business”.

Due to these changes, the Group has changed their method of business segmentation from “Advanced Products,” “Metalworking Solutions Business,” “Metals Business,” “Cement Business,” and “Other Businesses” to “Advanced Products,” “Metalworking Solutions Business,” “Metals Business,” “Cement Business,” “Environment & Energy Business,” and “Other Businesses”.

Information on net sales, profits or losses, assets, liabilities, and other items for each reporting segment for the current consolidated fiscal year under review based on the business segments after the change is as provided below.

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

Information on net sales, profit or loss, assets, liabilities, and other items for each reporting segment

	Millions of yen								
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements
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	¥ 5,440	¥ 6,969	¥ 28,083	¥ 15,539	¥ 3,437	¥ 1,842	¥ 61,310	(11,700)	¥ 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

	Thousands of U.S. dollars									
	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in consolidated financial statements	
Net sales										
(1) Sales to outside customers	\$ 3,336,411	\$ 1,271,673	\$ 4,634,568	\$ 2,243,686	\$ 244,071	\$ 2,200,496	\$ 13,930,909	\$ —	\$ 13,930,909	
(2) Intersegment sales and transfers	112,858	109,150	1,476,017	30,597	4,835	420,949	2,154,408	(2,154,408)	—	
Total	\$ 3,449,270	\$ 1,380,824	\$ 6,110,586	\$ 2,274,284	\$ 248,906	\$ 2,621,445	\$ 16,085,317	\$ (2,154,408)	\$ 13,930,909	
Segment profit	\$ 49,988	\$ 64,037	\$ 258,045	\$ 142,783	\$ 31,581	\$ 16,925	\$ 563,362	\$ (107,509)	\$ 455,852	
Segment assets	3,404,232	1,930,461	5,495,787	3,128,981	377,365	1,999,721	16,336,549	1,159,091	17,495,641	
Segment liabilities	2,915,155	1,297,026	3,995,368	1,090,102	363,708	1,782,837	11,444,198	666,582	12,110,780	
Other items										
Depreciation	\$ 98,136	\$ 120,241	\$ 120,666	\$ 125,356	\$ 12,621	\$ 84,059	\$ 561,081	\$ 28,903	589,985	
Amortization of goodwill	3,739	11,218	—	25,909	—	15	40,882	—	40,882	
Interest income	3,774	1,345	7,526	648	225	1,919	15,440	(3,472)	11,968	
Interest expenses	15,199	8,676	17,267	5,373	924	6,976	54,417	(9,777)	44,639	
Share of profit (loss) of entities accounted for using equity method	4,846	—	1,340	12,932	13,525	(289)	32,354	(0)	32,354	
Investment into entities accounted for using equity method	81,054	—	34,040	215,998	80,324	3,067	414,485	(1,400)	413,085	
Increase in property, plant and equipment and intangible assets	\$ 188,466	\$ 170,527	\$ 134,173	\$ 155,216	\$ 36,543	\$ 101,275	\$ 786,202	\$ 22,801	\$ 809,003	

Notes:

1. Other Businesses include aluminum related business and engineering related business.
2. Adjustment amount of segment profit of ¥(11,700) million (\$ (107,509) thousand) includes the elimination of intersegment transactions of ¥(100) million (\$ (921) thousand) and corporate expenses of ¥(11,600) million (\$ (106,588) 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 ¥126,143 million (\$1,159,091 thousand) includes the elimination of intersegment transactions of ¥(47,135) million (\$ (433,113) thousand) and corporate assets of ¥173,279 million (\$1,592,204 thousand) which are not distributed to the reporting segments. Corporate assets consist mainly of assets of the administrative department and assets relating to basic experiments and research that do not belong to the reporting segments.
4. Adjustment amount of segment liabilities of ¥72,544 million (\$666,582 thousand) includes the elimination of intersegment transactions of ¥(38,025) million (\$ (349,401) thousand) and corporate liabilities of ¥110,569 million (\$1,015,983 thousand) which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of the administrative department and liabilities relating to basic experiments 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 (\$22,801 thousand) are 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.

Note 23 Consolidated Supplemental Schedules

1. Schedule of bonds payable

Company	Description	Date of Issuance	Millions of yen	Thousands of US dollars	Millions of yen	Thousands of US dollars	Interest rate (%)	Collateral	Maturity
			Balance as of March 31, 2019		Balance as of March 31, 2020				
Straight bonds									
Mitsubishi Materials Corporation	30th unsecured bonds	December 6, 2016	¥ 20,000	\$ 183,772	¥ 20,000	\$ 183,772	0.200	None	December 6, 2021
Mitsubishi Materials Corporation	31st unsecured bonds	December 6, 2016	10,000	91,886	10,000	91,886	0.470	None	December 4, 2026
Mitsubishi Materials Corporation	32nd unsecured bonds	August 30, 2017	10,000	91,886	10,000	91,886	0.160	None	August 30, 2022
Mitsubishi Materials Corporation	33rd unsecured bonds	August 30, 2017	10,000	91,886	10,000	91,886	0.380	None	August 30, 2027
Mitsubishi Materials Corporation	34th unsecured bonds	September 5, 2019	—	—	10,000	91,886	0.150	None	September 5, 2024
Total			¥ 50,000	\$ 459,432	¥ 60,000	\$ 551,318	—	—	—

Note:

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	
\$ —	\$ 183,772	\$ 91,886	\$ —	\$ 91,886	

2. Schedule of borrowings

Company	Millions of yen		Thousands of US dollars		Average interest rate (%)	Maturity
	Balance as of March 31, 2019		Balance as of March 31, 2020			
Short -term borrowings	¥ 137,689	\$ 1,265,183	¥ 147,113	\$ 1,351,773	0.7	—
Current portion of long-term borrowings	42,410	389,692	43,925	403,613	0.7	—
Current portion of lease obligations	1,056	9,711	2,165	19,896	—	—
Long-term borrowings (excluding current portion)	259,667	2,385,991	246,578	2,265,723	0.5	2021 to 2033
Lease obligations (excluding current portion)	11,409	104,838	17,872	164,224	—	2021 to 2050
Other interest bearing liabilities						
Current portion of commercial papers	5,000	45,943	50,000	459,432	0.0	—
Employees' saving deposit	9,326	85,699	9,366	86,065	0.5	—
Guarantee deposits received	3,337	30,668	2,253	20,704	0.3	—
Total	¥ 469,898	\$ 4,317,728	¥ 519,275	\$ 4,771,433	—	—

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	¥ 29,627	¥ 28,650	¥ 47,686	¥ 48,125
Lease obligations	¥ 1,813	¥ 1,396	¥ 1,156	¥ 1,111

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	\$ 272,235	\$ 263,256	\$ 438,175	\$ 442,203
Lease obligations	\$ 16,663	\$ 12,828	\$ 10,624	\$ 10,210

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 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	¥ 366,256	¥ 748,400	¥ 1,124,608	¥ 1,516,100
Profit (loss) before income taxes	9,386	16,270	28,514	(40,498)
Profit (loss) attributable to owners of parent	2,411	4,511	10,058	(72,850)

Yen				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	¥ 18.41	¥ 34.46	¥ 76.81	¥ (556.34)

Yen				
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	¥ 18.41	¥ 16.04	¥ 42.36	¥ (633.18)

Thousand s of U.S. dollars				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales (Thousands of U.S. dollars)	\$ 3,365,402	\$ 6,876,781	\$ 10,333,630	\$ 13,930,909
Profit (loss) before income taxes (Thousands of U.S. dollars)	86,247	149,506	262,008	(372,127)
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	22,155	41,457	92,423	(669,392)

U.S. dollar				
Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	\$ 0.17	\$ 0.32	\$ 0.71	\$ (5.11)

U.S. dollar				
Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share	\$ 0.17	\$ 0.15	\$ 0.39	\$ (5.82)

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 sheets as at March 31, 2020, the consolidated statements of profit or loss and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, 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, 2020, and its consolidated financial performance and 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.

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.

Audit committee are responsible for overseeing the directors' and officers' performance of their duties including 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 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.


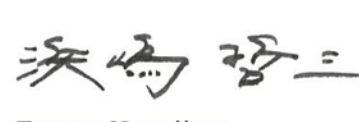
We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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 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


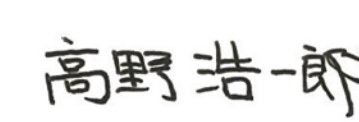
Certified Public Accountant



Yoshiaki Uesaka

Designated Engagement Partner

Certified Public Accountant



Koichiro Takano

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 30, 2020

Major Consolidated Subsidiaries and Affiliates (As of March 31, 2020)

Major Consolidated Subsidiaries

Line of Business		Percentage of Ownership (including indirect ownership)
Advanced Products		
Mitsubishi Cable Industries, Ltd.	Production and sales of sealing products	100.0%
Mitsubishi Shindoh Co., Ltd. (*1)	Production and sales of processed copper products and processed copper alloy products	100.0%
MMC Copper Products Oy (*2)	Business administration of subsidiaries that produce and sell processed copper products	100.0%
Sambo Metals Corp.	Sales of rolled copper products and electric wires	100.0%
Mitsubishi Aluminum Co., Ltd.	Production and sales of rolled and processed aluminum products	90.4%
Universal Can Corp.	Production and sales of aluminum beverage cans	80.0%
Metalworking Solutions Business		
Mitsubishi Hitachi Tool Engineering, Ltd. (*3)	Production and sales of cemented carbide tools	51.0%
Metals Business		
Onahama Smelting & Refining Co., Ltd.	Smelting on consignment of copper concentrate	55.7%
PT. Smelting	Production and sales of electrolytic copper in Indonesia	60.5%
Cement Business		
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 aggregate in the south-west area of the U.S.	100.0%
Other Businesses		
Materials' Finance Co., Ltd.	Financing the Company and its subsidiaries and affiliates	100.0%
Mitsubishi Materials Techno Corp.	Technical construction and civil engineering; production and sales of industrial machinery	100.0%
Mitsubishi Materials Trading Corp.	Sales of the Company's products and other nonferrous metals products	100.0%

Notes:

1. The Company absorbed and merged Mitsubishi Shindoh Co., Ltd. on April 1, 2020.
2. As of May 13, 2020, MMC Copper Products Oy changed the company name to Luvata Oy.
3. As of April 1, 2020, the Company made Mitsubishi Hitachi Tool Engineering, Ltd. a wholly owned subsidiary by acquiring additional shares and changed the company name to MOLDINO Tool Engineering, Ltd.

Major Affiliates

Line of Business		Percentage of Ownership (including indirect ownership)
Advanced Products		
Kobelco & Materials Copper Tube Co., Ltd. (*)	Production and sales of copper tubes and fabricated copper tubes	45.0%
Cement Business		
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	34.2%
Ube-Mitsubishi Cement Corp.	Sales of cement and cement related products	50.0%
Other Businesses		
LM Sun Power Co., Ltd.	Operation of solar power generation	50.0%
Yuzawa Geothermal Power Corp.	Operation of geothermal power generation	30.0%

Note:

The Company plans to transfer all the shares in Kobelco & Materials Copper Tube Co., Ltd. that the Company holds to CTJ Holdings2 LLC by December 31, 2020.



Mitsubishi Materials Corporation

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