Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese Accounting Standards)

May 27, 2020

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: https://www.mmc.co.jp/
Representative: Naoki Ono, Chief Executive Officer
Contact: Yuji Omura, General Manager, Corporate Communications Dept.   Tel: +81-3-5252-5206
Scheduled date for ordinary general meeting of shareholders: June 30, 2020
Scheduled date of start of dividend payment: June 16, 2020
Scheduled filing date of Annual Securities Report: June 30, 2020
Supplementary materials for the financial results: Yes
Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted)

1. Results of the Consolidated Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Consolidated Results of Operations (cumulative)

(Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	1,516,100	-8.8	37,952	3.0	49,610	-2.1	-72,850	–
Year ended March 31, 2019	1,662,990	4.0	36,861	-49.4	50,679	-36.3	1,298	-96.2

(Note) Comprehensive income (loss): Year ended March 31, 2020: -114,027 million yen (–%) Year ended March 31, 2019: -30,756 million yen (–%)

	Profit (loss) per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	-556.34	–	-12.8	2.6	2.5
Year ended March 31, 2019	9.92	–	0.2	2.6	2.2

(Reference) Share of profit (loss) of entities accounted for using equity method: Year ended March 31, 2020: 3,521 million yen Year ended March 31, 2019: 3,594 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	1,904,050	586,034	26.6	3,870.35
As of March 31, 2019	1,938,270	723,337	32.7	4,838.31

(Reference) Shareholders' equity: As of March 31, 2020: 506,781 million yen As of March 31, 2019: 633,582 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2020	67,545	-66,898	28,873	127,284
Year ended March 31, 2019	140,168	-86,238	-47,613	99,672

2. Dividend Payments

	Dividend per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2019	–	40.00	–	40.00	80.00	10,476	806.6	1.6
Year ended March 31, 2020	–	40.00	–	40.00	80.00	10,475	–	1.8
Year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

(Note) The dividend forecast for the fiscal year ending March 31, 2021 has not been determined yet.

3. Consolidated Earnings Forecast (From April 1, 2020 to March 31, 2021)

The consolidated earnings forecasts for the next fiscal year has not been determined yet since the future economic activities and trends in the demand for major products are extremely uncertain due to the global spread of COVID-19 and reasonable estimates are difficult at the moment. Mitsubishi Materials Group (hereinafter "the Group") will promptly announce any changes in its content if it is deemed necessary.

* Notes

(1) Significant changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Changes in accounting policies, changes of accounting estimates and restatement
- (i) Changes in accounting policies due to amendments to accounting standards: Yes
- (ii) Other changes in accounting policies: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(3) Numbers of issued shares (common stock)
- (i) Numbers of issued shares at the end of period (including treasury shares):
  - Year ended March 31, 2020: 131,489,535 shares
  - Year ended March 31, 2019: 131,489,535 shares
- (ii) Numbers of treasury shares at the end of period:
  - Year ended March 31, 2020: 550,160 shares
  - Year ended March 31, 2019: 538,493 shares
- (iii) Average number of shares during period:
  - Year ended March 31, 2020: 130,945,425 shares
  - Year ended March 31, 2019: 130,956,379 shares

(Reference) Summary of Non-Consolidated Financial Results

Results of the Non-Consolidated Fiscal Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	802,655	-5.9	-645	–	17,233	233.4	-49,929	–
Year ended March 31, 2019	852,820	-1.9	-10,949	–	5,169	-83.5	-13,568	–

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2020	-381.29	–
Year ended March 31, 2019	-103.61	–

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	1,281,542	378,690	29.5	2,892.05
As of March 31, 2019	1,269,756	463,862	36.5	3,542.19

(Reference) Shareholders' equity: As of March 31, 2020: 378,690 million yen As of March 31, 2019: 463,862 million yen

* This financial results is not subject to an audit by certified public accountants or audit firms.

* Explanation about the proper use of financial forecasts and other special notes

(Procedure for obtaining supplementary materials on financial results and financial briefing)
Mitsubishi Materials Corporation plans to hold an annual financial briefing for institutional investors on Wednesday, May 27, 2020. Supplementary materials for the annual financial results used in the annual financial briefing is available on TDnet and MMC website simultaneously with announcement of the annual financial results.

Contents

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

1) Overview of business results

Regarding the global economy during the consolidated fiscal year, 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 during the consolidated fiscal year, despite the improvement in employment and income conditions, exports and industrial production appeared to slow down.

Regarding the business environment for 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.

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 totaled ¥1,516.1 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 (herein after "MMC") recorded an impairment loss on fixed assets of ¥27,420 million, an impairment loss on fixed assets of ¥20,351 million incurred by Mitsubishi Aluminum Co., Ltd., and ¥30,272 million as a provision for loss on business restructuring in the Sintered parts business, in addition to recording ¥10,423 million as a loss on the Antimonopoly Act incurred by Universal Can Corporation, a consolidated subsidiary of MMC. As a result, loss attributable to owners of parent amounted to ¥72,850 million (profit attributable to owners of parent of ¥1,298 million for the previous fiscal year.)

2) Overview by business segments

From this consolidated fiscal year, reporting segments have been changed, among other changes.

The details are set forth in "4. (5) Key notes related to consolidated financial statements (Segment information)".

In this regard, in the year-on-year comparison below, the numerical data for the previous fiscal year has been reclassified to the according changed segments.

(Advanced Products)

(Billion yen)

	FY 2019	FY 2020	Increase / Decrease (%)
Net sales	570.9	511.9	-59.0 (-10.3%)
Operating profit	11.9	1.2	-10.7 (-89.7%)
Ordinary profit	13.2	1.4	-11.7 (-88.7%)

In the Copper & copper alloy products business, both net sales and operating profit decreased as a result of a fall in sales of automobile and semiconductor-related products.

In the Electronics materials & components business, both net sales and operating profit decreased, reflecting decline in sales of products such as advanced materials and electronic components, in addition to an increase

in the production costs of polycrystalline silicon products.
In the Aluminum products business, both net sales and operating profit fell due to a decrease in sales of regular cans and bottle cans for beverages and rolled and processed products such as extruded products for automobiles and heat exchange sheet materials.
Consequently, net sales and operating profit for the entire Advanced Products decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Metalworking Solutions Business)

(Billion yen)

	FY 2019	FY 2020	Increase / Decrease (%)
Net sales	171.5	150.2	-21.2 (-12.4%)
Operating profit	16.7	8.5	-8.2 (-49.1%)
Ordinary profit	15.6	6.9	-8.6 (-55.4%)

In the Cemented carbide products business, both net sales and operating profit decreased as a result of decline in sales both in Japan and overseas, particularly in China.
In the Sintered products, etc. business, the decrease in shipping expenses, despite a fall in sales of mainstay sintered parts, led to a reduction in operating loss.
Consequently, net sales and operating profit for the entire Metalworking Solutions Business decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Metals Business)

(Billion yen)

	FY 2019	FY 2020	Increase / Decrease (%)
Net sales	720.0	665.0	-55.0 (-7.6%)
Operating profit (loss)	-7.1	19.2	-26.4 (–%)
Ordinary profit	2.3	28.0	-25.7 (–%)

In the Copper business, net sales fell but operating profit rose, mainly due to reduced cost of smelting despite falling copper prices.
In the Gold and other valuable metals business, net sales declined due to decreased production volume of gold and other valuable metals as a result of a fall in raw material content, but operating profit rose impacted by an increase in the price of palladium.
As a result, the Metals Business overall recorded year-on-year an increase in operating profit, despite a decline in net sales. Ordinary profit increased due to a higher operating profit.

(Cement Business)

(Billion yen)

	FY 2019	FY 2020	Increase / Decrease (%)
Net sales	253.6	238.2	-15.4 (-6.1%)
Operating profit	16.6	11.9	-4.6 (-28.2%)
Ordinary profit	19.7	14.9	-4.7 (-24.1%)

In Japan, both net sales and operating profit decreased, reflecting lower sales volumes mainly due to the decline in demand for road construction work related to the Tokyo Olympic and Paralympic Games in the

Tokyo metropolitan area, road construction work related to the Shin-Meishin Expressway in the Tokai area, and construction work related to recovery efforts from the Great East Japan Earthquake in the Tohoku area. Overseas, the cost of raw materials and operating expenses such as personnel expenses increased despite a rise in the volume of ready-mixed concrete sold in the United States. In the Coal business of Australia, coal sales prices fell. As a result, operating profit decreased while net sales increased.
Consequently, both net sales and operating profit for the entire Cement Business decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Other Businesses)

(Billion yen)

	FY 2019	FY 2020	Increase / Decrease (%)
Net sales	194.7	187.3	-7.4 (-3.8%)
Operating profit	10.0	8.3	-1.6 (-16.4%)
Ordinary profit	10.3	9.8	-0.5 (-5.5%)

In the Energy-related business, net sales and operating profit increased, reflecting higher sales in nuclear-energy-related services.
In the Environmental recycling business, while net sales increased reflecting higher processing volume of home appliance recycling, losses grew due to a rise in operating expenses in addition to decline in the unit sales price of valuables.
In the Other Businesses, excluding the Energy-related business and the Environmental recycling business, net sales and operating profit decreased.
In the Other Businesses overall, both net sales and operating profit decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

3) Impact of the global spread of COVID-19

Currently, COVID-19 has become the pandemic and although each country has different situations, each government has taken infection prevention policy measures whereas activities of companies and consumers are restricted. In the event that the infection continues to spread, stagnation of Japanese and global economies may become serious.
The Group has responded to COVID-19 in accordance with the policies of each government. As of the end of the current fiscal year, there had been no significant impact on the Group's sales and production activities in its major domestic and overseas business locations except for temporary suspension of operation due to lockdown in certain overseas sites. The supply chain such as procurement of copper ore and raw materials, manufacturing and shipment of products, and distribution also has not suffered any significant impact.
The Group established a "Novel Coronavirus Response Headquarters (hereinafter the "Response Headquarters") in January 2020 to deal with COVID-19. The Response Headquarters made "Group response policy" and "Guideline for prevention measures" depending on the situation of the pandemic and reviews them according to a change of situation from time to time while centrally collecting the information and monitoring the health conditions of employees of the Group's domestic and overseas business locations, the situations, policies and regulations of each country and region, the impact on the business locations and the impact on the supply chain under policies 1) Give top priority to the health and safety of employees and make every effort to prevent infection and spread, and 2)Respond to requests of society and customer by continuing production and supply of products and recycling business that support social infrastructure
The Group's domestic and overseas business locations are responding with the situation in accordance with these Group's uniform policy.

There is a concern that the impact of COVID-19 on the Group's businesses will become more serious due to a decrease in demands for the Group's business deeply related automobiles, semiconductors, constructions, etc. in Japan and overseas.

In order to minimize the potential adverse impact on the Group performance, MMC will implement securing liquidity at hand and fund-raising capacity, etc. and securing production system in preparation for demand recovery after COVID-19 calms down. In anticipation of a change of business environment in the medium- and long-term, the Group will consider a new work style through remote work and rotation work system, promote improving of management speed by digital transformation, or work on rebuilding the business model accompanying changes in the business environment.

4) Outlook for the fiscal year ending March 31, 2021

The earnings forecasts for the next fiscal year has not been determined yet since the future economic activities and trends in the demand for major products are extremely uncertain due to the global spread of COVID-19 and reasonable estimates are difficult at the moment. MMC will announce the forecasts as soon as reasonable estimates are possible.

(2) Overview of financial position

Total assets at the end of the consolidated fiscal year stood at ¥1,904.0 billion, down ¥34.2 billion from the end of the previous consolidated fiscal year. This was mainly due to a decrease in investment securities.
Total liabilities were ¥1,318.0 billion, an increase of ¥103.0 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers.
The cash flows during the consolidated fiscal year and their causes are as follows.

(Cash flows from operating activities)
Although losses before income taxes were 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 at the end of the fiscal year stood at ¥127.2 billion (down ¥27.6 billion from the end of the previous fiscal year).
Below is a summary of the Group's major cash flow indicators.

	FY2016	FY2017	FY2018	FY2019	FY2020
Shareholders' equity ratio (%)	31.0	32.8	33.9	32.7	26.6
Shareholders' equity ratio on a market-value basis (%)	23.2	23.3	20.8	19.7	15.2
Ratio of interest-bearing debt to cash flow	4.6	4.7	10.6	3.7	8.6
Interest coverage ratio	16.5	23.3	10.0	28.9	13.9

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio on a market-value basis: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payments

(Note 1) All indicators are calculated on a consolidated basis.
(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury shares).
(Note 3) Cash flow is based on the cash flows from operating activities in the Consolidated Statements of Cash Flows.
(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

(3) Basic profit allocation policies and dividend payments for the current and next fiscal years

MMC makes cash dividends based on the resolutions of the Board of Directors meetings in accordance with its Articles of Incorporation.
MMC regards the distribution of profits to shareholders as one of its most important management objectives. Accordingly, the policy is to make decisions on profit allocation based on comprehensive assessment of concerned factors, which include earnings for the period, internal reserves, and financial standing.

With regard to profit allocation during the period under the Medium-term Management Strategy covering FY2018 to FY2020, the amount of annual dividends is set at ¥80 per share in order to ensure stable dividends even when MMC's consolidated business results fluctuate. In the event that its consolidated payout ratio goes below 25%, MMC has adopted a policy to temporary raise the dividends to make it reach 25% or to conduct share buybacks.
Based on this policy, MMC made the decision to distribute the year-end dividend of ¥40 in accordance with a resolution made at the Board of Directors meeting held on May 27, 2020. As a result, the dividend for the fiscal year is set at ¥80 per share (same as that for the previous fiscal year) when combined with the interim dividend of ¥40 per share.
As stated in "1. Overview of Operating Results and Financial Position, (1) Overview of operating results, 4) Outlook for the fiscal year ending March 31, 2021", the dividends for the next fiscal year have not been determined yet since reasonable estimates for the performance of the next fiscal year are difficult.

(4) Business and other risks

Since the Group conducts a wide range of businesses as stated in "4. (5) Key notes related to consolidated financial statements (segment information)", its business results and financial position are affected by various factors including domestic and foreign politics, economies, climates, market conditions, exchange rate, and laws and regulations. Below are the risks that the management recognizes as the major factors which may have a substantial impact on the Group's business results and financial position.
For such risks, the Group has (1) established an "internal control system", (2) appointed officers who share risk management from the executive officers, (3) integratedly controlled the risk management as a substantial governance matter in the Sustainable Management Office, the governance council, the board of executive officers and the Board of Directors, and (4) discussed, made decisions on, and monitored Group-wide Policy and plans for significant risks.
Under the system above, the Group recognizes and assesses each risk including significant risks, and decides to avoid, reduce, transfer or possess such risks. In the event that such cases occur, the Group strives to minimize any impact.
The following is not an exhaustive list of risks which may affect the Group. Also, since it is difficult to reasonably estimate the possibility and timing of these risks occurring, any potential quantitative impact from these risks on the Group's operating results are not provided. Although the matters listed in this section contain items related to the future, these items are based on a judgement as of May 27, 2020.

1) Business restructuring

The Group has set "optimization of business portfolio" as one of the Group-wide Policies in the new Medium-term Management Strategy covering the period from FY2021 to FY2023, and seeks to focus on businesses that are consistent with its vision and mission, businesses that are governable by the Group, businesses that are capable of earning a leadership role in a specific region or the world, and businesses that can deliver stable returns over capital costs on a medium- to long-term basis as the businesses the Group should have the ownership of, and will decide the direction of businesses based on profitability and growth potential to create the portfolio. As a result, this may affect the Group's business results and financial position. Note that MMC signed a letter of intent with Ube Industries, Ltd. on February 12, 2020 to integrate the Cement Business and any related businesses from both companies by April 2022. In addition, MMC has acquired 100% of MOLDINO Tool Engineering, Ltd. (the company name was changed from Mitsubishi Hitachi Tool Engineering, Ltd.) on April 1, 2020.

2) Market and customer trends

The Group provides products and services to various markets. As such, sales may be affected by a change in the global economic situation, a rapid change in customers' markets, a change in customers' market shares, or a change of customers' business strategy or product lineup. In particular, automobile and IT industries are facing intense price competition and a race for technological development. Although the Group has made every effort to reduce costs and develop new products and technologies, the Group's business results and financial position may be affected if it fails to accurately correspond with changes in industries and customers' markets.

3) Fluctuation in nonferrous metal market and exchange rates, etc.

In the Metals Business, foreign-currency dividends from invested mines, which are a major source of profit, and smelting costs are affected by fluctuations in the nonferrous metal market and exchange rates or purchase conditions of ore. Recoverability of loan and feasibility of guaranteed liabilities concerning the invested mine depend on the cash flow from the corresponding mine, which may be affected by the nonferrous metal market. Note that for inventories, raw material costs are at risk of a fluctuating nonferrous metal market and exchange rates during the period from procurement of ore to production and sale of unprocessed metal. In addition, raw materials for nonferrous metals in the Aluminum business and the Metalworking Solutions Business, and coal in the Cement Business are international commodities. Procurement prices of these raw materials and raw fuel are affected by fluctuations in the markets of nonferrous metal and coal, exchange rates, and ocean freight.

4) Trends in semiconductor market conditions

The Group supplies the semiconductor industry with electronics materials and polycrystalline silicon. The trends in the semiconductor market conditions may affect the Group's business results and financial position.

5) Interest-bearing debt

In the fiscal year ended March 31, 2020, the Group's interest-bearing debt amounted to 547.6 billion yen (total of short-term borrowings, commercial papers, bonds payable and long-term borrowings, which apply hereinafter unless otherwise specified) and represents 28.8% as a ratio to total assets. Despite the efforts to improve the Group's financial standing through inventories reduction and asset sales and so on, a rise in funding costs caused by a change in the financial situation may affect the Group's business results and financial position.

6) Guaranty of liabilities

In the fiscal year ended March 31, 2020, the Group has undertaken ¥18.0 billion guaranty of liabilities against monetary obligations of unconsolidated affiliated companies. In the event that the fulfillment of such guaranties of liabilities is requested in the future, the Group's business results and financial position may be affected.

7) Fluctuations of the market value of assets

Losses resulted from fluctuating market values of held securities, land, and other assets may affect the Group's business results and financial position.

8) Retirement benefit expenses and obligations

Employees' retirement benefit expenses and obligations are calculated based mainly on actuarial assumptions. These assumptions are based on average remaining service years of employees and the long-term yield of Japanese government bonds as well as investment performance of pension assets including entrusted shares. However, lower discount rates or losses in the investment of pension assets may affect the Group's future expenses and liabilities recorded.

9) Environmental risks and countermeasures

In the event that pollution of air, water or soil from leaking hazardous substances or inappropriate treatment of waste occurs in the Group's domestic or overseas businesses, the Group's business activities would be seriously impacted and additional costs may be generated and affect the Group's business results and financial position. In order to prevent environmental risks from occurring, the Group strives to prevent pollution of air, water and soil and to appropriately manage waste pursuant to environmental laws. The Group also assesses risks concerning business activities, substances handled, and location requirements based on the environmental policy, and identify and take any necessary countermeasures against environmental risks.

10) Overseas operations, etc.

The Group has production and sales bases in 30 countries and regions globally and overseas sales account for 44.4% of consolidated net sales. However, the Group's business results and financial position may be affected by the politics and economic situations of each country and exchange rates, as well as changes in trade and commercial regulations, mining policies, environmental regulations, tax systems, other unforeseen changes of laws and regulations, and any differences in their interpretations or changes of management policies of local partners.

11) Intellectual property rights

The Group recognizes the importance of intellectual property rights and seeks to protect them. In the event that protection is not sufficient or illegal infringement occurs, the Group's business results and financial position may be affected. While MMC pays close attention to other companies' intellectual property rights, if MMC is found to infringe other companies' intellectual property rights and becomes liable for damages, the Group's business results and financial position may be affected.

12) Product quality

Despite the Group's efforts to improve quality control systems to provide high quality products, if unexpected compensation for damages arises with respect to the products manufactured and sold in the past or if a new material quality issue arises and results in lower credibility affecting sales activity, and if costs for improving and enhancing the quality control system and compensation costs occur, the Group's business results and financial position may be affected.

13) Occupational health and safety, equipment accidents, etc.

The Group seeks to ensure prevention of occupational accidents and incidents involving production machinery, with managerial aspects that include occupational health and safety and disaster prevention and security, in addition to tangible approaches such as operational and maintenance management and improving the safety of the equipment. In the event of a major work-related accident or accident involving equipment, the Group's business results and financial position may be affected.

14) Information management

The Group ensures strict management of information including handling of personal information. In the event of information leakage, a loss of social credibility may affect the Group's business results and financial position.

15) Lawsuits, etc.

Rulings, settlements, or decisions related to lawsuits, disputes, or other legal proceedings to which the Group is currently or will be a party to concerning current or past business in Japan or a foreign country may affect the Group's business results and financial position. In order to prevent becoming involved in a lawsuit, the Group ensures compliance with laws and regulations as well as making efforts to hold sufficient discussions with the other parties of any transactions to agree and enter into a written contract. In the event that any major lawsuit is filed which may affect the Group's business results and financial position, the concerning department within MMC will make a report to the Board of Directors and its legal department carefully and rapidly corresponds in collaboration with the concerning department and attorneys, etc.

16) Procurement of electricity

Increases in electricity prices mainly due to a rise in costs to import fossil fuels and an increase in taxes imposed on renewable energy associated with the suspension of nuclear power plants may affect the Group's business results and financial position.

17) Business results of Diamet Corporation

Diamet Corporation, a consolidated subsidiary under MMC, continues to record operating losses and impairment losses on fixed assets, and is in a state of excess liabilities. While MMC is financing Diamet Corporation to continue its business, their continued poor performance may affect the Group's business results and financial position.

18) Climate change

Physical risk and transition risk associated with climate change may affect the Group's business results and financial position. Physical risks including damage caused by abnormal weather (such as storms, floods or droughts) may adversely affect the Group's business activities. If regulations regarding greenhouse gas emission are reinforced, it may create a financial risk in all MMC businesses. In particular, the Cement Business emits carbon dioxide through thermal decomposition of limestone, a principal raw material, in addition to carbon dioxide emission from energy sources. Therefore, these impacts to concerning finances are considered significant. MMC supported recommendations of the TCFD in March 2020 and will actively disclose information in an integrated report pursuant to the proposal.

19) Infection (COVID-19)

Although MMC gives top priority to employee health and strives to prevent infection and spread of the COVID-19 in order to avoid an adverse effect on business activities, the Group's business results and financial position may be affected by restrictions on plant operation and business activities due to an increase in infected areas and infected persons as well as by declining demand associated with stagnation of the global economy.

20) Other matters

In addition to the above, changes in trade practices, natural disasters such as earthquakes, and unforeseen circumstances including acts of terrorism, war, or an pandemic may also affect the Group's business results and financial position.

2. Management Policies

(1) Basic Policy for the Group Management

Based on its corporate philosophy of “For People, Society and the Earth”, the Group’s vision is “We will become the leading business group committed to creating a sustainable society through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth”.

(2) Target Management Indicators and Medium- to Long-term Management Strategy and Issues to Be Addressed

The Group has a target to achieve and take various measures of the medium- and long-term goals of the Group from 2030 to 2050, the “Mission”, the Medium-term Management Strategy from FY2021 to FY2023 (hereinafter “FY2023 Strategy”), "Measures to Enhance the Group Governance Framework Including Quality Control", and "Measures to Strengthen the Antimonopoly Act Compliance System".

1) Group-wide issues

1.1) Mission (Long-term Management Policy)

Based on its corporate philosophy of “For People, Society and the Earth”, the Group’s vision is “We will become the leading business group committed to creating a sustainable society through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth”.

In formulating the FY2023 Strategy, from the perspective of creating both social and economic values, the Group has set out on a new “Mission” as shown below in order to implement corporate philosophy and vision as medium- and long-term targets from 2030 to 2050.

Contribute to build a prosperous society by providing nonferrous metal materials, predominantly copper, and high value-added functional materials and products.

Contribute to build a recycling-oriented society by providing recyclable products and advanced technology-based waste recycling.

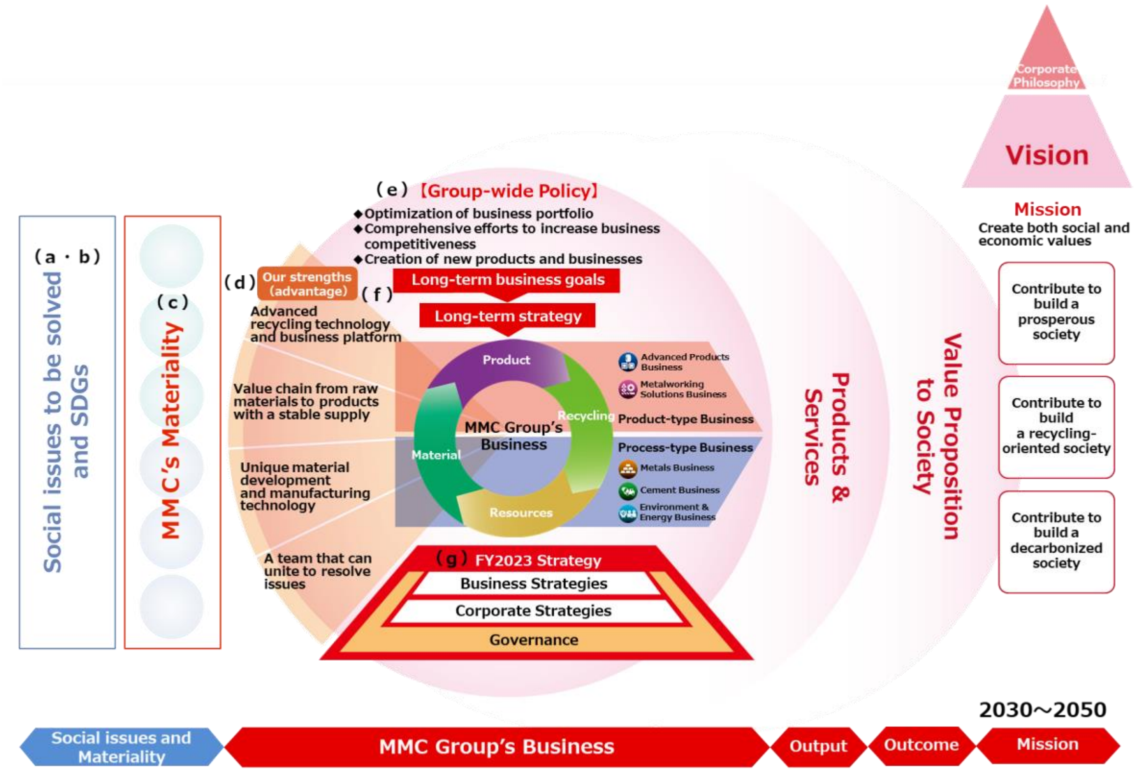
Contribute to build a decarbonized society by developing and promoting the use of renewable energies such as geothermal energy, and ensuring to consider the reduction of environmental impact in manufacturing.

1.2) Overall Picture of Value Creation (Value Creation Process)

Based on the idea to “create both social and economic values", the Group has been implementing the creation of economic value by solving social issues and creating social value through its business.

From this perspective, the information (management philosophy, business model, strategy, governance, etc.) that should be communicated to stakeholders is organized in a systematic and integrated way as shown in the [Value Creation Process] below.

[Value Creation Process]



The social issues that the Group should solve and related SDGs (a, b) and the key issues (c) that the Group recognizes are listed to the left. The pink circle in the center indicates the business activities of the Group itself.

The four items on the left side of the circle in the center indicate the strengths of the Group (d).

By utilizing our strengths, the Group aims to generate the “outputs” as described on the right, under the Group-wide Policy (e) located at the top in the middle. These will be supplemented with long-term business goals and a long-term strategy for each business (f) or a Medium-term Management Strategy (g).

“Outputs” indicate products & services that the Group creates and contributes to the society through those business activities.

This indicates the overall picture of value creation of the Group which leads to the value that the Group provides and leads to the Mission.

Details of the individual elements (a) to (g) are as described in (1.3) and (1.4) below.

1.3) Individual elements of the value creation process

<a. Social issues to be solved by the Group and SDGs>

The social issues to be solved are extremely extensive and various proposals have been made.

Within the proposals, MMC has selected the following as social issues that are closely related to the Group’s business and in which the Group can contribute.

・Advancing mobility
・Advancement and diversification of digital devices
・Automation of production and business processes
・Longer lifespans of people and buildings
・Effective measures against disasters
・Efficient treatment of urban waste
・Efficient use of mineral resources and alternative substances
・Efficient use of energy resources
・Development of renewable and unutilized energies
・CO2 emissions reduction

< b. SDGs>
The SDGs (Sustainable Development Goals) adopted by the United Nations in September 2015 can also be regarded as social issues to be solved.
MMC has selected 7, 8, 9, 11, 12, and 13 as the main items the Group can contribute through the businesses of the Group.
・1 (Poverty) No Poverty
・2 (Hunger) Zero Hunger
・3 (Health) Good Health and Well-Being
・4 (Education) Quality Education
・5 (Gender) Gender Equality
・6 (Water and Sanitation) Clean Water and Sanitation
・7 (Energy) Affordable and Clean Energy
・8 (Growth and Work) Decent Work and Economic Growth
・9 (Innovation) Industry, Innovation and Infrastructure
・10 (Inequalities) Reduced Inequalities
・11 (Cities) Sustainable Cities and Communities
・12 (Production and Consumption) Responsible Consumption and Production
・13 (Climate Change) Climate Action
・14 (Marina Resources) Life below Water
・15 (Land Resources) Life on Land
・16 (Peace) Peace, Justice and Strong Institutions
・17 (Implementation) Partnerships for the Goals

<c. Materiality>
The Group summarizes the social issues that the Group should solve and related SDGs as four issues which have high importance to both stakeholders (shareholders, investors, employees, business partners, creditors, local communities, etc.) and the Group. In addition, the Group also considers challenges in our management base and strengthening the foundation of the Group as materiality.
<Social Issues>
・Stable supply of product/material
・Creation of a recycling-oriented society
・Dealing with climate change
・Environment protection and environmental technologies
<Strengthening of the Management Base and Core>
・Occupational Health and Safety

・Governance
・Development of diverse talents
・Responsibility in value chain
・Stakeholder communication
・Digital transformation

<d. Our Strengths>
・An Advanced recycling technology and business platform
The recycling business can be promoted by diverse and advanced recycling technology accumulated mainly in the Metals, Cement and Environmental recycling business, by a wide range of business experience, and by a unique waste collection network and business platform.
・Value chain from raw materials to products with a stable supply
With a consistent production system from stable procurement of raw material resources to products, high-quality products can be stably supplied to the market.
・Unique material development and manufacturing technology
As represented by the oxygen-free copper and copper alloy (the Copper & copper alloy business), joining dissimilar materials (the Electronic materials & components business), cemented carbide materials and coating (the Metalworking Solutions Business), our manufacturing technology and materials development is supported by atomic level analysis and simulation technologies. These items are sources of the MMC's competitiveness.
・A team that can unite to resolve issues
By respecting diverse personalities, values, and honesty, MMC can unite individual power and work together to solve issues.

<e. Group-wide Policy>
・Optimization of business portfolio
MMC will focus on following businesses that MMC should take an ownership of: businesses that are consistent with its vision and mission, businesses that are governable by the MMC Group, businesses that are capable of earning a leadership role in a specific region or the world, and businesses that can deliver stable returns over capital costs on a medium- to long-term basis. In addition, MMC will build a business portfolio with two axes of profitability and growth potential to determine the direction of each business, and aim to optimize the portfolio.
・Comprehensive efforts to increase business competitiveness
MMC will make comprehensive efforts through our manufacturing excellence strategy, quality management strategy, digital transformation strategy, and business competitiveness.
As to manufacturing excellence strategy, each site draws a vision based on the business strategy, and aims to raise their manufacturing capabilities to the next level by enhancing the production process.
As to quality management strategy, MMC aims to achieve “proactive quality” by not allowing non-conforming products through optimizing the product/process design and equipment maintenance plan.
As to digital transformation strategy, MMC will strengthen customer contact points and promote data sharing to improve business added-value and operational competitiveness.
In the next 5 years, MMC will invest approximately ¥30 billion and allocate 100 digital professionals.
・Creation of new products and businesses
In order to create new businesses that will become future revenue bases, the Group addresses the following as important social needs. "Next-generation vehicles", "IoT/AI", "urban mines" and "clean energy and

decarbonization". The Group will create and grow new products and businesses that are the core of sustainability.

1.4) FY2023 Strategy

<Financial Plan>

・Financial indicators and goals

FY2023 Strategy emphasizes medium- to long-term profitability and growth potential. For each business, the profitability will be mainly evaluated with ROIC and the growth potential will be evaluated by EBITDA growth rate, etc.

ROA is used complementarily in process-type businesses. ROIC/ROE/ROA are used together as group-wide financial indicators.

The Group-wide financial target of FY2023 is ROIC 6.0%, ROA 4.0%, ROE 7.0%, consolidated operating profit of ¥58 billion, consolidated ordinary profit of ¥75 billion, and net D/E ratio 1.0 times or less.

・Investment Policy

The total amount of investment for the FY2023 Strategy period is expected to amount to ¥360 billion, ¥190 billion of which is for growth strategy investment and ¥170 billion for investment for maintenance and upgrading. MMC will make investments using cash flows from operations, proceeds from business restructuring and asset sales.

However, in addition to this, if there are other attractive large-scale investment projects for growth, investments will be made proactively as longs as a net D/E ratio of 1.0 times or less is maintained.

・Shareholder Return Policy

MMC recognizes that returning profits to shareholders is one of the most important objectives of management. Considering profit allocation, the Group makes decisions based on comprehensive assessment of concerned factors, which include earnings for the period, internal reserves, and financial standing.

For profit allocation during FY2023 Strategy period, MMC places importance on distributing stable dividends even when MMC's consolidated business results fluctuates. The annual dividends from FY2021 to FY2023 will be ¥80 per share.

However, in the case that the consolidated payout ratio becomes less than 25%, MMC plans to temporarily increase the dividend or conduct share buybacks.

Although, the shareholder return policy and the financial plan, which is the assumption for the policy, described in this section are as announced on March 25, 2020 and do not take into account the impact of the global spread of COVID-19 beyond that date.

There is a concern that the impact of COVID-19 on the Group's businesses will be more serious due to declining domestic and global demands caused by COVID-19 for automobiles, semiconductors and construction which have a deep connection with the Group's businesses. However, since reasonable estimates are difficult at the moment, as stated in "1. Overview of Operating Results and Financial Position, (1) Overview of Operating Result, 4) Outlook for the fiscal year ending March 31, 2021", the business outlook for the fiscal year ending March 31, 2021 has not been determined yet. Also, as stated in "1. Overview of Operating Results and Financial Position, (3) Basic profit allocation policies and dividend payments for the current and next fiscal years", the dividends for the fiscal year ending March 31, 2021 have not been determined yet.

In addition, MMC will carefully examine the Medium-term Management Strategy including the financial plan with the shareholder return policy based on further changes in the business environment caused by COVID-19 and its impact on the medium- to long-term business outlook. MMC will promptly announce any changes in its content if it is deemed necessary.

・Regarding Strategic Holdings

MMC has a policy of not acquiring or holding shares (strategic holdings) other than purely for investment purposes, except when it is required for their business strategy.

<f. Long-term Business Goals and Long-term Strategy for each business / g. FY2023 Strategy>

・Advanced Products

Long-term business goals	Global First Supplier
Long-term strategy	・Create new businesses and products through the sophistication and integration of our core competencies (e.g. production and development of oxygen-free copper, oxygen-free copper base alloys, and functional materials as well as technical capabilities such as bonding different materials bonding different metals, etc.) ・Accelerate marketing activities to replicate successful practice
Specific measures of the FY2023 Strategy	・Assign key account managers acting cross-sectionally ・Enhance information analysis by digital marketing such as the employment of AI or IoT ・Share product roadmaps with customers (co-creation capabilities) ・Develop new products through collaboration with Central Research Institute ・Fortify production capabilities such as establishing a mass production system and improving productivity, etc.) ・Pursue opportunities to execute M&A or business alliances

・Metalworking Solutions Business

Long-term business goals	Top 3 supplier in strategic markets
Long-term strategy	・Promote clean manufacturing ・Provide high-efficiency products with advanced technology ・Expand advanced metal powder business in electronic devices
Specific measures of the FY2023 Strategy	・Increase recycling rate in our tool recovery system and utilize renewable energy ・Provide high efficiency tools and digital solutions ・Transition to smart factory and optimization of logistics and supply chain ・Expand advanced metal powder business to rechargeable battery market

・Metals Business

Long-term business goals	Leader in environmentally-friendly mining & smelting business
Long-term strategy	Stable supply and recycling of nonferrous metals, predominantly copper ・Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap ・Promotion of recycling ・Response to climate change
Specific measures of the FY2023 Strategy	・Secure clean copper concentrate by investing in new mines ・Development impurity removal technology in copper concentrate ・Optimize valuable metal material flow ・Reduce fossil fuels

・Cement Business

Long-term business goals	Leader in the domestic and international cement industry with advanced environmental technologies
Long-term strategy	・Stable supply of basic building materials for social infrastructure and disaster prevention infrastructure ・Sophistication of waste disposal ・Response to climate change by reducing CO2 ・Construction of a resilient domestic business foundation through business restructuring and growth in overseas markets
Specific measures of the FY2023 Strategy	・Improve and optimize production system through domestic business restructuring ・Expand capabilities in waste plastics processing and installation of chlorine dust cleaning equipment ・Introduce low-temperature burning technology and develop CO2 reduction, capture, and recycling technologies ・Expansion of US businesses and development of new overseas bases

・Environment & Energy Business

Long-term business goals	(Environmental recycling) Driving force of resource-recycling systems (Renewable energy) Leading company in geothermal development
Long-term strategy	・Provision of a safe recycling system with thorough traceability, etc. ・Decarbonization by expanding renewable energy business
Specific measures of the FY2023 Strategy	・Expand Home appliance recycling business, advancement of automation, and improvement of added value of recovered products ・Demonstrate LiB recycling technologies and solar panel recycling technology ・Secure stable plant operations in Fly ash recycling business and biogasification business ・Complete Komatagawa new hydroelectric power plant, construction of Appi geothermal power plant, and survey of new geothermal sites

・Corporate division’s strategy

The following are the key corporate division’s strategies for support each business strategy in the FY2023 Strategy.

R&D and marketing strategy	By focusing on changes in the external environment such as megatrends, etc., MMC Group will create high value-added products and services mainly in IoT and AI, next-generation vehicles, urban mines, and clean energy and decarbonization areas to meet customer needs based on its integrated functions, material composite, infrastructure and mass production, and recycling technologies.
Manufacturing excellence strategy	By formulating and realizing the factory vision based on the business strategy, as well as enhancing the production process, and proactively utilizing external knowledge, MMC Group will raise its manufacturing capability to the next level.
Quality management strategy	By optimizing its product/process design and equipment maintenance plan, MMC Group will implement proactive quality management to ensure that non-conforming products are not produced.
Digital transformation strategy	MMC Group will use Digital Transformation to strengthen our three key pillars: “Business added-value”, “Business operations competitiveness”, and “Management speed”. In the next five years, MMC will invest approximately ¥30 billion and allocate 100 digital professionals.

・Governance

The following are main measures for the Group’s governance in FY2023 Strategy.

Strengthening corporate governance	In June of 2019, MMC transitioned to a company with a nomination committee, etc., and is working on the following measures ・Continuous improvement of the functions of the Board of Directors ・Formulation of basic corporate governance policy (effective April 1, 2020) ・CEO appointment and dismissal, planning and execution of successor development plan ・Review of executive remuneration system ・Enhancement of governance of subsidiaries
Strengthening group governance	The Group will implement the following measures to establish a governance system in which communications can be carried out smoothly and autonomously between the parent and its subsidiaries, between the head office and its respective bases, and among respective bases and the Group companies. ・Evaluation of effectiveness and improvement of the Board of Directors of the Group companies ・Group companies’ officer training ・Enhancement of governance audits ・Prompt decision making by delegating authority and strengthening supervisory functions ・Promotion of business operations with an awareness of differing managements in R&D, manufacturing, and human resources exchange ・Accelerated strategy execution by Digital Transformation Management Office
HR strategy	The Group will work on the following measures with the aim of securing and fostering adaptive human resources and forging a healthy organizational culture. ・(Talent) Secure and develop human resources ・(Organizational culture) Enhance motivation and management capabilities of the Group companies ・(Improvement of social value) Engage in the employment of diverse talents and health & productivity management
Change of organizations	(Business Divisions) ・Promotion of Environment & Energy Business Division to in-house Company ・Separation of Aluminum Division from Advanced Products Company (Corporate Division) ・Establishment of Marketing Department ・Establishment of Corporate Communications Department (Company-wide organization) ・Establishment of Digital Transformation Management Office ・Establishment of Sustainable Management Office

2) Measures for strengthening the Group governance system including quality control

Concerning some of the products manufactured and sold in the past, in light of incidents where some products delivered had deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and insufficient testing, MMC and the Group has been working on various measures (the "Measures") since December of 2017 to enhance the Group governance system framework including quality control in order to prevent such incidences.

In addition, the "Committee for Monitoring of Measures to Enhance Governance" (the "Committee for Monitoring") was established on May 10, 2018, for the purpose of supervising the progress of the Measures etc., from an independent perspective separated from business execution.

As MMC and the Group have been implementing the Measures as planned, and as MMC currently has an outlook for the future that each site will be able to continue autonomous work on strengthening quality control and governance, we dissolved the Committee for Monitoring on May 13, 2020.

After the dissolution of the Committee for Monitoring, we will supervise and promote actions related to group governance including quality control at the "Sustainable Management Office" established on April 1, 2020. While doing so, we will continue to discuss and confirm the progress of our action plans for enhancing the governance at the "Meeting of the Governance Deliberative Council" which has been held regularly since April 2018.

In accordance with the policy established by the Sustainable Management Office and so on and the governance plan approved by the Meeting of the Governance Deliberative Council, each site of MMC and the Group will autonomously promote actions to strengthen governance while the corporate division supports such actions of each site. In addition, the Sustainable Management Office will report to the Board of Directors on the status of our efforts to enhance governance and monitor them regularly.

MMC and the Group will endeavor to further improve group governance, including quality control of MMC and the Group, in order to prevent such situations in the future.

3) Measures to reinforce the Antimonopoly Act compliance framework

In September 2019, Universal Can Corporation, a consolidated subsidiary of MMC, received a cease and desist order and an order for surcharge payment from the Japan Fair Trade Commission (hereinafter "JFTC") for violating the Antimonopoly Act concerning transactions of aluminum beverage cans before March 31, 2016.

MMC sincerely apologizes to shareholders for any and all inconvenience and concerns this has caused.

MMC and the Group understand the gravity of this issue and will continue to reinforce the Antimonopoly Act compliance framework to prevent these kind of situations in the future and sequentially have formulated and implementd measures such as clarification of rules by enacting regulations, continuous enhancement of education and enlightenment, and strengthening the auditing framework.

<Issues in each business>

● Advanced Products

Demand of automotive and semiconductor-related sectors, which are the main markets for advanced products, is expected to increase over the medium- to long-term due to the spread of next-generation vehicles and high-capacity communications.

However, due to the global spread of COVID-19, there is a concern over declining demand in automotive and semiconductor-related products. The Group will keep a close watch on economic conditions and the market environment.

Under these circumstances, regarding copper and copper alloy products, MMC conducted an absorption-type merger of Mitsubishi Shindoh Co., Ltd., on April 1, 2020.

While maximizing the effect of the merger with the company, the Group will strengthen marketing, R&D, and sales systems, and expand production capacity to provide high-value-added products through integrated development manufacturing and sales, in addition to enhancing profitability.

For electronics materials & components, the Group aims to become a highly profitable business entity that sustains growth potential by providing products with high added-value through material technology to high-growth industries such as next-generation vehicles, semiconductors, and electronics.

For polycrystalline silicon, the business environment is expected to remain difficult. However, the Group will reinforce profitability by securing safe and stable operation, quality improvement, and cost reduction.

● Metalworking Solutions Business

The market environment for cemented carbide products is expected to have increased demand over the medium- to long-term in the aircraft and medical fields.

However, due to the global spread of COVID-19, in addition to decline in demand reflecting the economic slowdown in Japan and in major overseas countries. There are concerns over a sourcing risk of raw materials and a slowdown of production activities by customers, etc. Therefore, MMC will keep a close watch on economic conditions and the market environment.

Under these circumstances, while MMC will continue to work on strengthening sales activities to the automotive industry, which is a major customer, MMC will prioritize the investment of our management resources in the aerospace industries and medical industries, which are expected to grow over the medium- to long-term, and seek to strengthen development, manufacturing, and sales functions.

Regarding cutting tools, under the two brands DIAEDGE (Mitsubishi Materials Corporation) and MOLDINO (MOLDINO Tool Engineering, Ltd.), while utilizing the technology sites (technical center) established in key regions of the world, MMC will work on providing customer-oriented solutions that will build customer trust as a true partner. Regarding the sourcing of key materials, tungsten and cobalt, MMC will continue working to reduce sourcing risks and sourcing costs by improving the amount of tungsten recycled and diversifying procurement sources. In addition, MMC will utilize mineral resources efficiently in order to contribute to build a recycling-oriented society.

Turning to sintered products, etc., in order to increase earnings of this business, MMC will work to enhance quality and productivity by introducing automated inspection equipment to save labor and implementing measures to improve yield ratio. In addition, Diamet Corporation, which manufactures and sells sintered parts, has continuously recorded operating losses and impairment losses on fixed assets, and is in a state of excessive liabilities. MMC is provided financing to Diamet on grounds of a credit line.

*As of April 1, 2020, MMC made Mitsubishi Hitachi Tools, Ltd. a wholly owned subsidiary by acquiring additional shares and changed the company name to MOLDINO Tool Engineering, Ltd.

● Metals Business

Regarding the Copper business, one of our main products, MMC can expect growth in demand over the medium- to long-term in the field of plates and strips.

Regarding the procurement of copper concentrate, which is a major raw material, it is expected that the supply-demand balance will be eased due to the slowdown of the expansion rate of smelting capacity in China, and the start and expansion of operations at several new large-scale mines.

However, due to the global spread of COVID-19, there is a concern over sourcing risk of raw materials associated with a decline in the operating rate of overseas copper mines, falling copper prices, and declining copper demand, etc. MMC will keep a close watch on economic conditions and the market environment.

Under these circumstances, resources business divisions will work on improvement and reinforcement of the facilities at the Los Pelambres Copper Mine, Escondida Copper Mine, and the Copper Mountain Mine, as well as development of new projects. In addition, resources business divisions will support smelting operations by providing smelters with a stable supply of clean copper concentrate with minimum impurities.

In FY2021, in addition to existing projects, MMC will participate in development projects at the Mantoverde Copper Mine for which MMC signed an acquisition of stake in, in FY2020. MMC will also focus on research at the Mining & Metallurgy Laboratories established on April 1, 2020, aimed to develop technologies for removing impurities in copper concentrate, etc.

In smelting business divisions, MMC will utilize the world-leading E-Scrap processing capacity to enhance profitability. At the same time, MMC will work on optimizing the material flow in order to efficiently recover and recycle trace components that grow in the process with an increase in processing volume for E-Scrap.

Furthermore, MMC have again set out to raise dealing with climate change as a theme, to maximize the environmental advantages of MMC’s unique Mitsubishi process which has a low impact on the environment. MMC will also contribute to build a decarbonized society by working on smelting process reform, such as reducing fossil fuels, improving efficiency in energy conversion and energy use, and use of renewable energies, etc.

● Cement Business

In Japan, during FY2021, construction delays due to a series of natural disasters during the last fiscal year will be resolved, and growth in demand is expected due to large-scale projects such as urban redevelopment projects, etc. On the other hand, there is a concern over delays in construction due to labor and transport capacity shortages and demand is expected to decline over the medium to long term.

Overseas, MMC expect a moderate increase in demand for cement and ready-mixed concrete in FY2021. However, due to the global spread of COVID-19, there is a concern over declining shipment volume of cement due to construction delays. MMC will keep a close watch on economic conditions and the market environment.

Under these circumstances, in order to respond to a decrease in demand for cement in Japan, which is forecasted to continue in the future, MMC have signed a letter of intent to start specific discussions and considerations for an integration of business with Ube Industries, Ltd., which is to be implemented around April 2022, aiming to optimize production systems and establish a stable profit base through economies of scale.

Under the integration, MMC will aim to implement sustainable growth by directing cash flows generated from the cement business in Japan toward concentrated investment in businesses that are anticipated to generate growth in and outside of Japan.

In addition, MMC will strive to secure sales volumes by steadily taking in demand for cement for large projects. MMC will also strive to reduce failure rates in manufacturing and maintain stable supplies.

Furthermore, MMC will contribute to build a recycling-oriented society by strengthening waste disposal facilities, introducing high-efficiency facilities, and expanding the use of energy alternative waste.
Overseas, in order to bring in steady medium- to long-term demand in the United States, MMC will strive to further strengthen our business platform by expanding our operating base into growth markets and expanding and strengthening our vertical value chain structure.

● Environment & Energy Business
Regarding the environment & energy-related business environment, there is a strong demand for strengthening our response to environmental problems such as efficient treatment of urban waste, efficient use of energy resources, and requests for CO2 emissions reduction, as medium to long-term social issues. However, due to the global spread of COVID-19, there are concerns over delays in renewable energy related construction work. MMC will keep a close watch on economic conditions and the market environment.
Under these circumstances, in energy-related fields, MMC will expand our renewable energy business and contribute to build a decarbonized society.
In addition to completing ongoing construction of Komatagawa new hydroelectric power plant from the previous fiscal year, MMC will proceed with the construction of the Appi Geothermal Power Plant on schedule and continue to carry out surveys of new geothermal sites to develop new businesses.
Regarding the environmental and recycling-related business, while MMC will expand our home appliance recycling business and car recycling business through advancement of automation and improving the added value of recovered products, MMC will proactively work demonstrating lithium-ion battery recycling technologies and solar panel recycling technology.
Furthermore, MMC will aim to secure stable plant operations in the fly ash recycling business and biogasification business for food waste, and strive to develop a recycling business that does not rely on final disposal sites.

● Aluminum business
Regarding aluminum beverage cans, domestic demand for ordinary cans is not expected to increase sharply in the future. Bottle cans are also stagnating due to the release of PET bottle coffee.
Regarding rolled and processed products, increasing demand over the medium- to long-term is expected due to the growth of next-generation vehicles.
However, due to the global spread of COVID-19, there is a concern over slowdown of production activities of our main customers, etc. MMC will keep a close watch on economic conditions and the market environment.
Under these circumstances, regarding aluminum beverage cans, MMC promote adding value to products such as large bottle cans. In addition, from the perspective of environmental protection, MMC will make further efforts on a sales expansion of bottle cans as alternatives to plastic bottles, reducing the size and weight of products and recycling used aluminum cans.
Regarding rolled and processed products, MMC will promote increasing sales of can materials which is expected to have continuous demand. MMC will also promote increasing sales of foil products for lithium-ion batteries and investing in production facilities, as well as strengthening the business of heat exchanger materials and extruded products for automobiles.
In addition, MMC will build a competitive corporate structure by strengthening cost competitiveness as well as promoting production stabilization and selection and concentration of businesses and products in order to ensure stable profitability and achieve sustainable growth.

3. Basic Concept for Selection of Accounting Standards

The Group intends to prepare the consolidated financial statements in accordance with Japanese standard for the time being considering inter-period comparability and inter-company comparability of consolidated financial statements.

The Group intends to appropriately decide the application of IFRS (International Financial Reporting Standards) taking various situations into account.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	108,648	134,444
Notes and accounts receivable - trade	248,220	217,259
Merchandise and finished goods	92,452	111,409
Work in process	108,293	112,908
Raw materials and supplies	134,825	127,908
Leased gold bullion	99,154	95,557
Other	120,954	158,444
Allowance for doubtful accounts	(2,900)	(2,470)
Total current assets	909,647	955,462
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	157,448	155,868
Machinery, equipment and vehicles, net	243,815	233,923
Land, net	235,664	216,487
Construction in progress	34,211	29,298
Other, net	16,275	23,720
Total property, plant and equipment, net	687,415	659,298
Intangible assets		
Goodwill	40,816	35,586
Other	17,924	15,906
Total intangible assets	58,740	51,492
Investments and other assets		
Investment securities	236,572	183,043
Retirement benefit asset	1,050	3,211
Deferred tax assets	19,610	15,572
Other	29,322	40,081
Allowance for doubtful accounts	(4,088)	(4,112)
Total investments and other assets	282,467	237,796
Total non-current assets	1,028,622	948,588
Total assets	1,938,270	1,904,050

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	147,566	113,148
Short-term borrowings	180,100	191,038
Commercial papers	5,000	50,000
Income taxes payable	7,869	10,221
Provision for bonuses	12,872	12,944
Provision for loss on disposal of inventories	624	670
Provision for product compensation	1,435	809
Deposited gold bullion	253,918	294,312
Other	118,623	124,746
Total current liabilities	728,011	797,892
Non-current liabilities		
Bonds payable	50,000	60,000
Long-term borrowings	259,667	246,578
Deferred tax liabilities	25,616	26,667
Deferred tax liabilities for land revaluation	24,097	21,514
Provision for loss on business of subsidiaries and associates	805	4,014
Provision for loss on business restructuring	—	30,272
Provision for environmental measures	40,427	32,581
Provision for product compensation	1,040	392
Provision for directors' retirement benefits	1,623	1,710
Retirement benefit liability	50,003	56,312
Other	33,639	40,078
Total non-current liabilities	486,921	520,123
Total liabilities	1,214,933	1,318,016
Net assets		
Shareholders’ equity		
Share capital	119,457	119,457
Capital surplus	92,393	92,393
Retained earnings	352,932	274,723
Treasury shares	(2,123)	(2,157)
Total shareholders’ equity	562,659	484,416
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,220	22,806
Deferred gains or losses on hedges	124	708
Revaluation reserve for land	33,023	28,059
Foreign currency translation adjustment	(5,828)	(12,212)
Remeasurements of defined benefit plans	(7,617)	(16,997)
Total accumulated other comprehensive income	70,922	22,364
Non-controlling interests	89,754	79,252
Total net assets	723,337	586,034
Total liabilities and net assets	1,938,270	1,904,050

(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income

Consolidated statements of profit or loss

(Million yen)

	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)
Net sales	1,662,990	1,516,100
Cost of sales	1,469,911	1,325,438
Gross profit	193,078	190,662
Selling, general and administrative expenses	156,217	152,709
Operating profit	36,861	37,952
Non-operating income		
Interest income	1,254	1,302
Dividend income	19,577	18,403
Rental income from non-current assets	5,123	5,110
Share of profit of entities accounted for using equity method	3,594	3,521
Other	2,861	3,023
Total non-operating income	32,412	31,362
Non-operating expenses		
Interest expenses	4,855	4,858
Expense for the maintenance and management of abandoned mines	3,382	4,018
Rental expenses on non-current assets	3,043	3,066
Loss on retirement of non-current assets	2,435	2,346
Foreign exchange losses	959	2,073
Other	3,916	3,340
Total non-operating expenses	18,593	19,704
Ordinary profit	50,679	49,610
Extraordinary income		
Gain on sales of investment securities	1,596	14,535
Gain on sales of non-current assets	5,021	826
Other	1,301	1,199
Total extraordinary income	7,919	16,562
Extraordinary losses		
Impairment loss	8,440	55,095
Provision for loss on business restructuring	—	30,272
Loss on the Antimonopoly Act	—	10,423
Loss on valuation of investment securities	3,376	4,830
Provision for environmental measures	6,630	—
Provision for product compensation	2,529	—
Other	1,275	6,050
Total extraordinary losses	22,253	106,671
Profit (loss) before income taxes	36,345	(40,498)
Income taxes - current	16,187	18,248
Income taxes - deferred	12,550	10,561
Total income taxes	28,738	28,810
Profit (loss)	7,606	(69,308)
Profit (loss) attributable to non-controlling interests	6,307	3,541
Profit (loss) attributable to owners of parent	1,298	(72,850)

Consolidated statements of comprehensive income

(Million yen)

	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)
Profit (loss)	7,606	(69,308)
Other comprehensive income		
Valuation difference on available-for-sale securities	(44,468)	(28,544)
Deferred gains or losses on hedges	(1,141)	1,520
Foreign currency translation adjustment	7,371	(7,700)
Remeasurements of defined benefit plans	392	(9,263)
Share of other comprehensive income of entities accounted for using equity method	(517)	(729)
Total other comprehensive income	(38,363)	(44,718)
Comprehensive income	(30,756)	(114,027)
(Break down) Comprehensive income attributable to		
Owners of parent	(39,086)	(116,068)
Non-controlling interests	8,329	2,040

(3) Consolidated statements of changes in net assets

Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019) (Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	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 at end of current period	119,457	92,393	352,932	(2,123)	562,659

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	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 intersts								(28)
Net changes in items other than shareholders' equity, net	(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 at end of current period	51,220	124	33,023	(5,828)	(7,617)	70,922	89,754	723,337

Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020) (Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	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, net					
Total changes during period	–	(0)	(78,208)	(33)	(78,242)
Balance at end of current period	119,457	92,393	274,723	(2,157)	484,416

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of current period	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, net	(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 at end of current period	22,806	708	28,059	(12,212)	(16,997)	22,364	79,252	586,034

(4) Consolidated statements of cash flows

(Million yen)

	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	36,345	(40,498)
Depreciation	59,974	64,208
Amortization of goodwill	4,544	4,449
Increase (decrease) in allowance for doubtful accounts	128	(346)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(181)	3,209
Increase (decrease) in provision for product compensation	2,475	(1,273)
Increase (decrease) in provision for environmental measures	2,594	(7,845)
Increase (decrease) in provision for loss on business restructuring	—	30,272
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(1,392)	(2,232)
Interest and dividend income	(20,831)	(19,706)
Interest expenses	4,855	4,858
Share of loss (profit) of entities accounted for using equity method	(3,594)	(3,521)
Loss (gain) on sales of property, plant and equipment	(4,830)	(598)
Loss on retirement of non-current assets	2,435	2,507
Impairment loss	8,440	55,095
Loss on the Antimonopoly Act	—	10,423
Loss (gain) on sales of investment securities	(1,596)	(13,086)
Loss (gain) on valuation of investment securities	3,376	4,830
Decrease (increase) in notes and accounts receivable – trade	13,922	28,876
Decrease (increase) in inventories	33,177	(18,698)
Proceeds from sales of gold bullion	99,992	99,984
Payment for purchase of gold bullion	(99,684)	(99,736)
Decrease (increase) in other current assets	9,611	(871)
Increase (decrease) in notes and accounts payable – trade	(13,707)	(31,249)
Increase (decrease) in accrued expenses	(896)	(5,693)
Increase (decrease) in other current liabilities	9,750	8,650
Increase (decrease) in other non-current liabilities	645	(81)
Others, net	(1,692)	(6,730)
Sub-total	143,865	65,191
Interest and dividend received	22,771	22,597
Interest paid	(4,847)	(4,861)
Income taxes (paid) refund	(20,135)	(15,381)
Loss on non-conforming products paid	(1,486)	—
Net cash provided by (used in) operating activities	140,168	67,545

(Million yen)

	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(88,746)	(89,599)
Proceeds from sales of property, plant and equipment	6,396	2,099
Payment for purchase of intangible assets	(1,735)	(1,585)
Payment for purchase of investment securities	(573)	(47)
Proceeds from sales of investment securities	3,000	23,827
Payment for purchase of subsidiaries' shares	(1,350)	(1,657)
Proceeds from sales of subsidiaries' shares	285	25
Proceeds from liquidation of subsidiaries	2,149	0
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	—	68
Proceeds from transfer of businesses	—	1,527
Payment for loans	(2,720)	(4,330)
Proceeds from collection of loans	992	484
Other, net	(3,935)	2,289
Net cash provided by (used in) investing activities	(86,238)	(66,898)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(17,733)	9,013
Proceeds from long-term borrowings	61,547	32,578
Repayment of long-term borrowings	(52,462)	(42,078)
Proceeds from issuance of bonds	—	10,000
Payment for redemption of bonds	(25,000)	—
Net increase (decrease) in commercial papers	5,000	45,000
Payment for purchase of treasury shares	(36)	(34)
Cash dividends paid	(11,786)	(10,476)
Cash dividends paid to non-controlling interests	(5,249)	(12,829)
Others, net	(1,893)	(2,300)
Net cash provided by (used in) financing activities	(47,613)	28,873
Effect of exchange rate changes on cash and cash equivalents	1,375	(1,960)
Increase (decrease) in cash and cash equivalents	7,691	27,559
Cash and cash equivalents at beginning of period	87,355	99,672
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	4,624	52
Cash and cash equivalents at end of period	99,672	127,284

(5) Key notes related to consolidated financial statements

Segment Information, etc.

[Segment Information]

1. Overview of reporting segments

(1) Method to define reporting segments

MMC's reporting segments are those units of MMC 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.

MMC adopts an in-house company system and each in-house company and business unit or office make comprehensive domestic and international strategies and conduct business activities with respect to the products & services handled.

Accordingly, MMC consists of segments by products & services based on in-house company and has 4 reporting segments of "Advanced Products", "Metalworking Solutions Business", "Metals Business" and "Cement Business".

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

Major products of each business are as follows:

(i) Advanced Products	Copper alloy products, electronic materials, aluminum products
(ii) Metalworking Solutions Business	Cemented carbide products, sintering products
(iii) Metals Business	Copper smelting (including copper, gold, silver or sulfuric acid)
(iv) Cement Business	Cement, aggregate, ready-mixed concrete, concrete products

2. Method of calculating the amounts of net sales, income and losses for each reporting segment.

・Reporting segments are based on the ordinary profit.

・Amount of revenues and transfer within the Group are based on current market price

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

At the meeting of the Board of Directors held on February 12, 2019, MMC 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, profits or losses, assets, liabilities and other items of each reporting segment

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million 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) Within consolidated group	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: 1. “Other Businesses” include nuclear-energy-related services, environmental and recycling-related business, and engineering-related services.

2. “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 revenue and expenses that do not belong to the reporting segments.

3. “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.

4. “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.

5. “Adjustment amount” of ¥4,545 million of the increased amount of property, plant and equipment and intangible assets are mainly capital expenditure made by the Central Research Institute.

6. Segment profit has been adjusted together with ordinary profit on the consolidated statements of profit or loss.

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million 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) Within consolidated group	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

Notes:
1. “Other Businesses” includes nuclear-energy-related services, environmental and recycling-related business, and engineering-related services.
2. “Adjustment amount” of segment profit of -¥11,717 million includes the elimination of intersegment transactions of -¥117 million and corporate expenses of -¥11,600 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 revenue and expenses that do not belong to the reporting segments.
3. “Adjustment amount” of segment assets of ¥127,348 million includes the elimination of intersegment transactions of -¥45,931 million and corporate assets of ¥173,279 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.
4. “Adjustment amount” of segment liabilities of ¥73,216 million includes the elimination of intersegment transactions of -¥37,352 million and corporate liabilities of ¥110,569 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative department and liabilities relating to basic experiment and research that do not belong to the reporting segments.
5. “Adjustment amount” of ¥2,481 million of the increased amount of property, plant and equipment and intangible assets are mainly capital expenditure made by the Central Research Institute.
6. Segment profit has been adjusted together with ordinary profit on the consolidated statements of profit or loss.

[Related information]

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

1. Information by product and service

This section is omitted as the same information is disclosed in Segment information.

2. Information by region

(1) Net sales (Million yen)

Japan	United States	Europe	Asia	Other	Total
916,687	159,656	84,863	480,389	21,394	1,662,990

(2) Property, plant and equipment (Million yen)

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

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
   (1) Europe Germany, the United Kingdom, Spain, France and Finland
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by major customers

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

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

1. Information by product and service

This section is omitted as the same information is disclosed in Segment information.

2. Information by region

(1) Net sales (Million yen)

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

(2) Property, plant and equipment (Million yen)

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

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
   (1) Europe Germany, the United Kingdom, Spain, France and Finland
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by major customers

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

[Information on impairment loss on fixed assets by reporting segments]

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Impairment loss	2,445	5,547	—	232	66	8,291	148	8,440

(Note) Adjustment amount of 148 million yen of impairment loss consists mainly of impairment loss on idle assets.

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Impairment loss	33,806	21,122	—	20	55	55,005	90	55,095

(Note) Adjustment amount of 90 million yen of impairment loss consists mainly of impairment loss on idle assets.

[Information on amortized and unamortized amounts of goodwill by reporting segments]

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2019	434	1,230	—	2,876	2	4,544	—	4,544
Unamortized balance at the end of the fiscal year ended March 31, 2019	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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2019	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2019	2,221	–	–	–	–	2,221	–	2,221

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2020	406	1,220	—	2,819	2	4,449	—	4,449
Unamortized balance at the end of the fiscal year ended March 31, 2020	7,081	6,077	—	22,425	2	35,586	—	35,586

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Other Businesses	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2020	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2020	2,221	–	–	–	–	2,221	–	2,221

Per-share Information

	Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Net assets per share	4,838.31 yen	3,870.35 yen
Profit (loss) per share	9.92 yen	(556.34) yen

(Notes) 1. Diluted per share pertaining to the current consolidated fiscal year is loss per share and also it is not provided as there is no potential share. Diluted profit per share pertaining to the previous consolidated fiscal year is not provided as there was no potential share.

2. Profit (loss) per share is calculated based on the following items:

	Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)
Profit (loss) per share		
Profit (loss) attributable to owners of parent (million yen)	1,298	(72,850)
Amount not attributable to common shareholders (million yen)	—	—
Profit (loss) attributable to common shareholders of owners of parent (million yen)	1,298	(72,850)
Average number of shares issued during terms (thousand shares)	130,956	130,945

Important Subsequent Events

(Additional purchase of subsidiaries’ shares)

MMC entered into a share purchase agreement with Hitachi Metals, Ltd. on March 2, 2020 under which MMC acquires the shares in Mitsubishi Hitachi Tool Engineering, Ltd. which is a subsidiary of MMC, and has acquired such shares on April 1, 2020.

1. Overview of transaction

(1) Name and business of acquired enterprise

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

Description of business: Manufacturing and sale of cemented carbide tools

(2) Date of business combination

April 1, 2020

(3) Legal form of business combination

Share acquisition from non-controlling shareholders in consideration for cash

(4) Name of the companies after the business combination

MOLDINO Tool Engineering, Ltd.

(5) Other matters concerning overview of transaction

MMC additionally acquired 49% of the voting rights of Mitsubishi Hitachi Tool Engineering, Ltd. resulting in MMC 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

MMC 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 (Accounting Standards Board of Japan (hereinafter “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 (million yen)	Cash and deposits (million yen)	24,916
Acquisition cost (million yen)		24,916

(Note) The amount above is calculated at the time of acquisition before price adjustments.

4. Matters concerning changes in MMC’s interest due to transactions with non-controlling shareholders

(1) Major factors affecting capital surplus

Additional purchase of subsidiaries’ shares

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

Not yet defined at this moment.

(Change in business segmentation)
MMC 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 that fell under to “Other Businesses” was changed to “Environment & Energy Business”. The aluminum-related business was split off from “Advanced Products” to “Other Businesses”. In addition, the cement sales-related business, which was included in “Other Businesses”, has been transferred to “Cement Business”.
Due to these changes, MMC 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 business.”
Information on net sales, profits or losses, assets, liabilities, and other items for each reporting segment for the consolidated fiscal year under review based on the business segments after the change is as provided below.
Consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Information on net sales, profits or losses, assets, liabilities, and other items for each reporting segment

(Million 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) Outside customers	363,101	138,396	504,380	244,180	26,562	239,480	1,516,100	－	1,516,100
(2) Within consolidated group	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									
Depreciations	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 minority shareholding	8,821	－	3,704	23,507	8,741	333	45,108	(152)	44,956
Change 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

(Note 1) Other Businesses include aluminum-related and engineering-related services.

(Note 2) “Adjustment amount” of segment profit of -¥11,700 million includes the elimination of intersegment transactions of -¥100 million and corporate expenses of -¥11,600 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 revenues and expenses that do not belong to the reporting segments.

(Note 3) “Adjustment amount” of segment assets of ¥126,143 million includes the elimination of intersegment transactions of -¥47,135 million and corporate assets of ¥173,279 million which are not distributed to the reporting segments. Corporate assets consists mainly of assets of the administrative department and assets relating to basic experiments and research that do not belong to the reporting segments.

(Note 4) “Adjustment amount” of segment liabilities of ¥72,544 million includes the elimination of intersegment transactions of -¥38,025 million and corporate liabilities of ¥110,569 million which are not distributed to the reporting segments. Corporate liabilities consists mainly of liabilities of the administrative department and liabilities relating to basic experiments and research that do not belong to the reporting segments.

(Note 5) “Adjustment amount” of ¥2,481 million due to increases in property, plant and equipment and intangible assets are mainly capital expenditure made by the Central Research Institute.

(Note 6) Segment profit has been adjusted together with ordinary profit on the consolidated statements of profit and loss.