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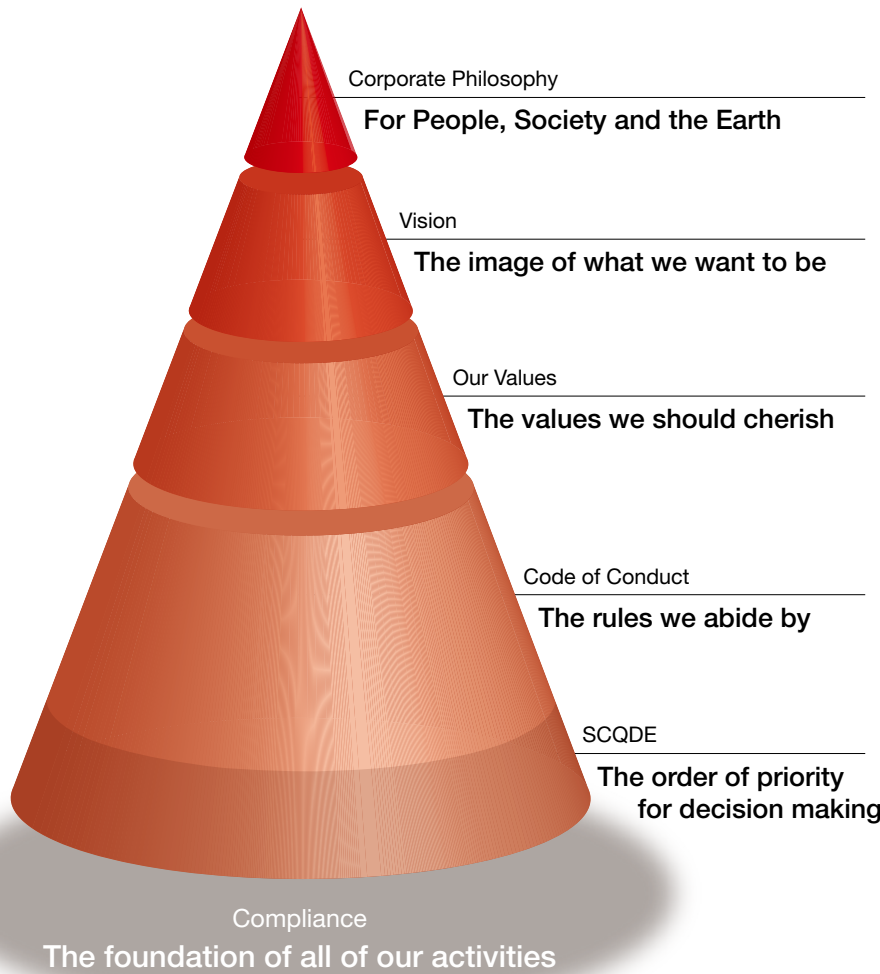
Mitsubishi Materials Corporation Integrated Report 2020

Mitsubishi Materials  
Corporation  
**Integrated  
Report**  
**2020**  
2019.4 ▶ 2020.3



# The Mitsubishi Materials Group Philosophy is “For People, Society and the Earth.”

We pursue business operations by applying our corporate resources and contributing to the sustainable development of society to realize our Corporate Philosophy.



## Mitsubishi Materials Group Philosophy System

The Mitsubishi Materials Group Philosophy is “For People, Society and the Earth.” To manifest this corporate philosophy, we will forge ahead with our work, leveraging all available business resources to contribute to sustainable development of our communities. Our corporate philosophy system places this philosophy at the top, and underpins it with **our vision, values, and code of conduct**. **SCQDE** determines the order of priority applied when making decisions about our work processes, and **compliance** is at the very foundation of all our activities.

Each of us conscientiously performs our daily work in each of our roles with this content as our keystone. Through these efforts, we are firmly committed to building a better tomorrow for Mitsubishi Materials Group, and making a difference for People, Society and the Earth.

①

S

Safety & Health

②

C

Compliance & Environment

③

Q

Quality

④

D

Delivery

⑤

E

Earnings (Reasonable profit)

Thorough implementation of SCQ is given priority over earnings by reflecting the quality issues

Fulfilling all of SCQD brings us customers' trust

Obtained based on "customers" trust after satisfying SCQD

“SCQDE” shows the order of priority of our business decisions. In providing customers with our products & services, we should thoroughly fulfill SCQ at first and safety D. We believe that we will be able to obtain trust from customers and security by continuously executing SCQD in good faith, and this will produce a reasonable profit.

“Customers” in this context refers to both customers outside our group and to the businesses (including products and services) of each employee. Business involves transactions between group companies and support from the corporate department or business subsidiaries, etc.

“SCQDE” is pronounced “S, C, Q, D, E.”

The “SCQDE” was established in fiscal 2019 as a measure towards enhancing Group governance. SCQDE stands for “Safety & Health (S), Compliance & Environment (C), Quality (Q), Delivery (D) and Earnings (E).” Although each element is important in its own right, SCQDE outlines an order of priority for making decisions when executing business tasks, and is positioned as a supplemental policy to the Code of Conduct.

## Mitsubishi Materials orporation website <https://www.mmc.co.jp/>

Integrated Report 2020

Japanese version and English version are available published in booklet and PDF format.

Financial Section in PDF format (English version only)

Regarding financial information for the Mitsubishi Materials Group, detailed data are reported.

ESG Report in PDF format (Japanese and English versions)

ESG initiatives and CSR management at the Mitsubishi Materials Group are reported including detailed data.

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## Editorial Policy

We are issuing this report to help our diverse stakeholders, including customers, shareholders, and investors understand our financial and non-financial business direction. Taking advantage of the Group’s strengths to meet various social requirements, we will create new values to convey our efforts for sustainable growth. This report is intended as a tool for communicating such in an easy-to-understand format. In editing this report, we have referred to the “International Integrated Reporting Framework” as recommended by the International Integrated Reporting Council (IIRC), the “GRI Standards” by Global Reporting Initiatives, and the Guidance for Collaborative Value Creation of the Ministry of the Economy, Trade and Industry. The description of performance is based on information current as of May 27, 2020.



### ■ Boundary

Including group companies, with Mitsubishi Materials Corporation playing a central role. Please refer to ESG Report for coverage area of non-financial performance data.

### ■ Period

Fiscal 2020 (1st April, 2019 - 31st March, 2020)

\* This report may also include information from April 2020 onwards, in an effort to provide the most up-to-date information.

### ■ Date of Publication

July 2020

### ■ Caution Regarding Forecasts and Forward-Looking Statements

The final decision, including any investment decisions, rests with individuals. The Company assumes no responsibility or liability whatsoever for any losses or damages resulting from investments or other actions based on information in this report.

## Adoption of the stocks that make up stock indexes for ESG investment (As of July 2020)

### 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

### 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

We are included in the stocks comprising the MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (WIN), which are both administered by MSCI. Made up of companies demonstrating outstanding initiatives with respect to ESG and gender diversity, respectively, we have been selected as part of the operation index for ESG investment operated by the Government Pension Investment Fund, Japan (GPIF). \* MSCI: Morgan Stanley Capital International Inc.

THE INCLUSION OF Mitsubishi Materials Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Mitsubishi Materials Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



Based in Luxembourg and Milan, ECPI provides investment and sustainability advisory services. ECPI maintains indexes for individual industries, regions, and themes that are composed of global companies whose ESG activities satisfy certain standards. Mitsubishi Materials Group has been selected for the index.





Mitsubishi Materials Corporation  
Chief Executive Officer  
Naoki Ono



# Towards Creating Corporate Value

## Creating both social and economic values and ensuring sustainable business continuity

### From a Review of the Previous Medium-term Management Strategy to the New Medium-term Management Strategy

The Company formulated a new Medium-term Management Strategy (FY2023 Strategy) for the three years from fiscal 2021, which was published on March 25, 2020.

Our previous Medium-term Management Strategy (FY2020 Strategy) for the period from fiscal 2018 to fiscal 2020 focused on the execution of the key strategies of “Achieve growth through innovation,” “Create value by building a recycling-oriented society,” “Increase the company’s market presence through investment for growth,” and “Increase efficiency through continuous improvement,” based on the Group-wide policy of “Optimization of business portfolio,” “Comprehensive efforts to increase business competitiveness,” and “Creation of new products and businesses.”

However, due to the quality control problems that occurred in November 2017, we prioritized “Restructuring Measures of the Governance Framework for Quality Control in the MMC Group” and “MMC Group Governance Framework Enhancement Measures” as pressing issues, while confirming product safety with the cooperation of our customers.

We cannot deny that delays occurred in some key strategies due to internal factors and inadequate handling of changes in the external environment, such as the deceleration of the Chinese economy, slowdown in economic growth in the regions of Thailand and Indonesia, reduced demand related to automobiles and semiconductor products, and reduced domestic demand for cement.

As a result, our consolidated operating profit, consolidated ordinary income, return on asset (ROA), and net D/E ratio failed to reach the estimated values for fiscal 2020 at the time of formulating the FY2020 Strategy.

As a result of analyzing this situation in the previous strategy, we have identified factors for improvement as “Insufficient marketing activities,” “Insufficient gathering of customer information,” and “Insufficient ability to solve manufacturing problems on site,” and will position “Strengthen marketing,” “Promote digitalization,” and “Fortify manufacturing excellence” as key strategies in the FY2023 Strategy in order to achieve those improvements as their countermeasures, and thereby reinforce our management foundation.

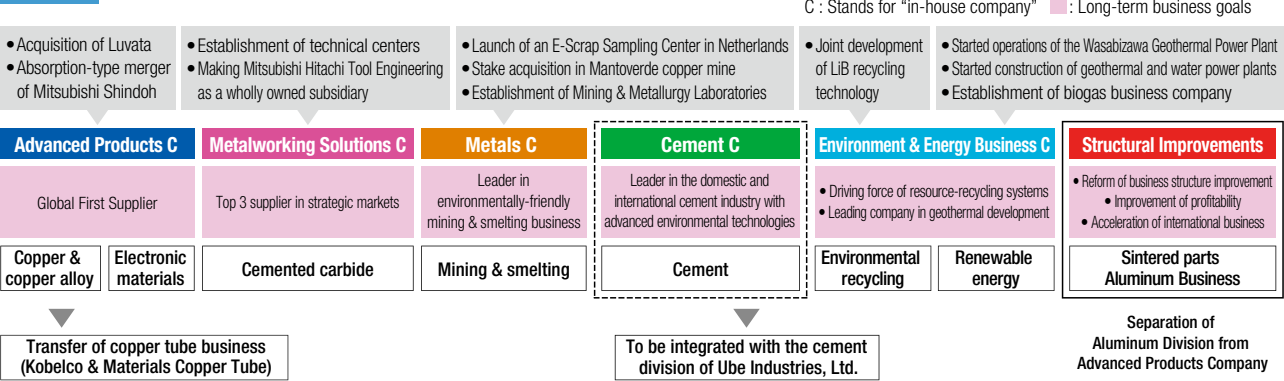
To strengthen our governance system including quality control, we positioned 2018 as the first year for governance enhancement, based on a recognition of the issues regarding “Quality and quantity of communication,” “Compliance framework and awareness,” and “Resource allocation,” and as a result of actively working on these issues, we have made continuous improvements. In these efforts, SCQDE (see p.46 and the back cover) is positioned as the order of priority in business decisions when conducting routine work. SCQDE is the entry point to considering various aspects of management, and is reflected in the priority of resource allocation and the priority of reporting at meetings.

We have also promoted a bad-news-first policy. The number of reports on incidents dramatically increased in fiscal 2020, due to our promotion of the bad-news-first policy. Our foundation is stronger than before and we will continue these efforts to contribute to the future progress of the Company.

The three items given as the Group-wide policy will continue in the FY2023 Strategy. Although our strategy is formulated every three years, our business activities are conducted seamlessly, without being interrupted every three years. Therefore, basic concepts like the Group-wide Policy are not subject to major change, but the tactics to use must adapt to the environment.

In terms of the Group-wide Policy, we have been successfully proceeding with activities that will lead into the FY2023 Strategy, as indicated in [Figure 1](#): Reformation of business structure. Major efforts for business portfolio optimization include our absorption of fully-owned subsidiary Mitsubishi Shindoh Co., Ltd., making Mitsubishi Hitachi Tool Engineering, Ltd. (company name changed to MOLDINO Tool Engineering, Ltd. on April 1, 2020) a wholly owned subsidiary, and the signing of a letter of intent to start discussions on integrating our cement business with Ube Industries, Ltd. Efforts such as starting the joint development of lithium-ion battery recycling, obtaining the rights for new copper mines, and establishing a technical center in the metalworking solutions business, as well as investing in the geothermal/hydroelectric/biogas business, are based on the ideas of “Comprehensive efforts to increase business competitiveness” and “Creation of new products and businesses,” and we will consolidate these results in the FY2023 Strategy and beyond.

Figure 1 Reformation of business structure





FY2023 Strategy

Overview of FY2023 Strategy

The FY2023 Strategy indicates our goal for the end of fiscal 2023 on our way to achieve our mission for 2030 to 2050, based on the idea of creating both social and economic values and our corporate philosophy of “For People, Society and the Earth.”

Following the left side of [Figure 2](#): Overview of FY2023 Strategy from top to bottom, we find the Corporate Philosophy, Vision, Group-Wide Policy, long-term business goals and strategy, and then further down in the FY2023

Strategy, we find the Business Strategies, Corporate Strategies, and Governance Approach. Our 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” and we will further realize this vision and clarify our “Mission,” including what we consider to be the relationship between our vision and our material issues (materiality).

The idea underpinning this is “Create both social and economic values.” Our mission for 2030 to 2050 is summed up as three points for working to create economic value by solving social issues that we recognize as material issues.

Material issues are social issues solved via business, and since business that solves social issues needs to be ongoing rather than temporary, it is also necessary to take a standpoint of viewing material issues necessary for ensuring business sustainability.

The company identifies issues from the two viewpoints indicated above, organizes them according to their importance for stakeholders and the Group, and defines high priority issues as the final material issues. The term “stakeholders” covers a wide range of parties, so we analyze stakeholders by different levels in our discussions, and then bring together the results at the end. We also added the relationship with the SCQDE order of priority of the Group. As a result, we categorized material issues as either “issues for solving social issues through the Group’s businesses” or “issues for strengthening the management base and core,” and consider the former to be elements for our “Mission” in the FY2023 Strategy, and the latter to be elements for our “Corporate Strategies” and “Governance and organizations for supporting management strategy and ensuring business sustainability.”

We believe that indicating how the elements in [Figure 2](#) organically connect and integrate, and how their relationships are structured is extremely important to promote the sharing, understanding, and penetration of the FY2023 Strategy within the Group. An understanding of the overall structure will clarify the meaning of the details in the Business Strategies, Corporate Strategies, and Governance, which are its constituent elements.

Group-wide Policy

The Group-wide Policy of the FY2023 Strategy is “Optimization of business portfolio,” “Comprehensive efforts to increase business competitiveness,” and “Creation of new products and businesses,” which is the same as that of the FY2020 Strategy

When aiming to optimize our business portfolio, We must think about what businesses the Group needs to take ownership of, and focus our management resources on those businesses. “Ownership” is normally used when talking about an individual, and refers to when someone considers a job their own, and autonomously tackling issues in that job with a strong passion and sense of responsibility. We believe that a company should take the same stance, and that is why we use the term “ownership.”

The four characteristics of businesses that the company should take ownership of are as follows: [Figure 3](#)

- 1) Businesses that are consistent with the Group’s vision and mission
- 2) Businesses that are governable by the Group
- 3) Businesses that are capable of earning a leadership role in a specific region or the world
- 4) Businesses that can deliver stable returns over capital costs on a medium- to long-term basis

I believe that 1) comes naturally, because our vision is the highest concept of the Group, and our mission was defined in terms of how we can realize our corporate philosophy.

The idea of 2) is a matter that I really feel the need for from the experience of confronting quality issues. I believe that a business being governable means that we must have an adequate understanding of every nook and cranny of that business, and be able to share that understanding.

3) refers to the fact that attaining a leading position in a scope or field of business means becoming essential for the customers in that field, and I believe that means that we can gather more information and swiftly and efficiently identify the products and business fields we must develop in the future. The long-term business goals indicated in the FY2023 Strategy are aligned with this concept.

The idea of 4) is that outperforming capital costs leads to the creation of corporate value. Adopting ROIC as an index for visualizing profitability when building a business portfolio enables comparisons with capital costs and thereby provides easy-to-understand assessments of corporate value creation.

In order to ensure returns that exceed capital costs, it is necessary to maintain and continue a state where the ROIC value is above capital costs, even when the ROIC value varies (the ROIC spread increases or decreases).

I personally believe that in addition to the conventional concept focused on the flow, we must also aim to ensure that the ROIC continuously exceeds capital costs. Therefore, as indicated in our Group-wide Policy, it is necessary for us to incorporate the appropriate reshuffling of our business portfolio, polishing of our business competitiveness, and creation of new products and businesses in concrete strategies and measures for execution.

Figure 2 Overview of FY2023 Strategy

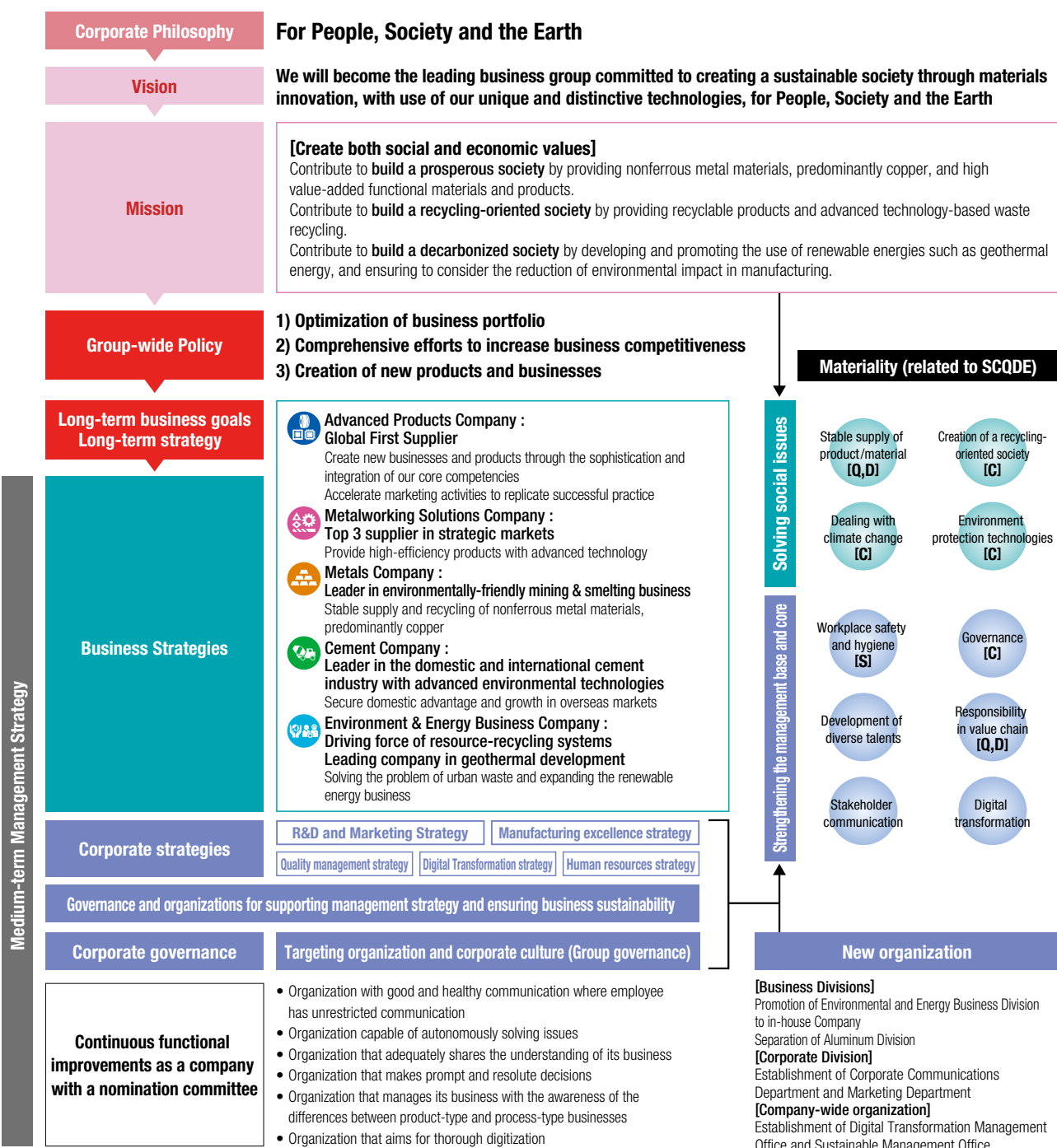
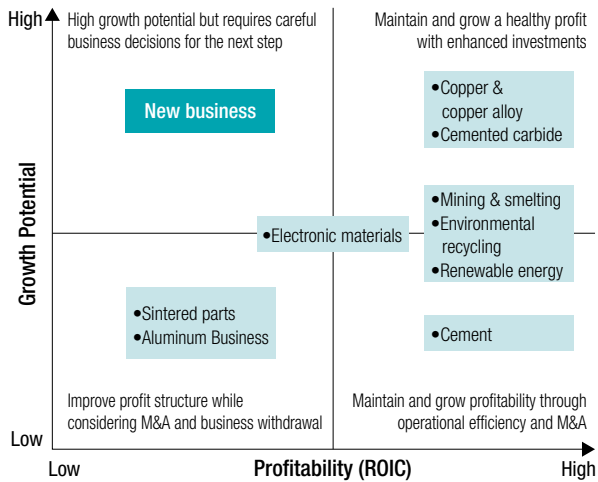




Figure 3 Portfolio matrix



[Characteristics of businesses that the company should take ownership of]

- Businesses that are consistent with the Group's 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
- Businesses that can deliver stable returns over capital costs on a medium- to long-term basis

[Building business portfolio]

- Profitability and growth potential determine the business direction
- Profitability is measured by ROIC (spread)
- Growth potential is measured by EBITDA growth rate, etc.

The Portfolio Matrix [Figure 3](#) indicates where each business is located in terms of profitability and growth potential. The horizontal axis indicates profitability and the vertical axis indicates the growth potential for the business or market. The measures to implement differ according to the position, and can be either “Maintain and grow a healthy profit with enhanced investments,” “Maintain and grow profitability through operational efficiency and M&A,” “High growth potential but requires careful business decisions for the next step,” or “Improve profit structure while considering M&A and business withdrawal.” This can be used as a guide for what measures each business currently requires.

The current position may change as a result of implementation. Optimization of the business portfolio is nothing more than changing the current portfolio to pursue what we are aiming for. I believe that there are two perspectives to consider when doing so.

1) Profitability

Ensure that the various businesses exceed the capital costs (WACC) as a result of implementing the measures that must be taken and reshuffling our businesses as required, upon understanding the current situation.

2) Growth potential

Possessing a combination of businesses with high potential for growth.

In this case, we must possess businesses with a high growth potential even if they have inferior short-term profitability, have the management ability to support and accelerate the growth of those businesses, and our other

businesses must generate the capital required.

Comprehensive efforts to increase business competitiveness involves polishing core technologies and knowledge that can be provided to the market and acquiring things that we lack or that need supplementation via M&A and collaboration. It is important that our Manufacturing Excellence Strategy, Quality Management Strategy, and Digital Transformation Strategy support this.

The R&D and Marketing Strategy is positioned to support the creation of new products and businesses.

Business Strategies (p.16-17, [Figure 4](#))

In the FY2023 Strategy, I believe it is important that we express our long-term business goals of where we want our business divisions to be in the year 2030, in light of our Mission. This is because having business goals enables us to recognize what is currently lacking, and enables us to think deeper about the path to solve that problem. Of course, there is more than one path to long-term business goals and it is necessary to change course according to the environment we face, but long-term business goals are essential to ensure that we do not get lost along the way.

Furthermore, I feel that these long-term business goals express the passion of each business division, and that in itself has meaning. I believe this is because the key to success in business management lies in having a market with customers, possessing technology or products that can be supplied to that market, and having passion for that business. This also applies to the concept of “ownership,” which was mentioned above.

The table on p.16-17 indicates the long-term business goals/strategy of each business and their relationships with ESG/SDGs, and how business strategies can help solve social issues in the long term and in the FY2023 Strategy. I believe that a future challenge we will face is to further accelerate and promote the relationships between business divisions so that they can head towards common goals, without becoming separated.

Corporate Strategies

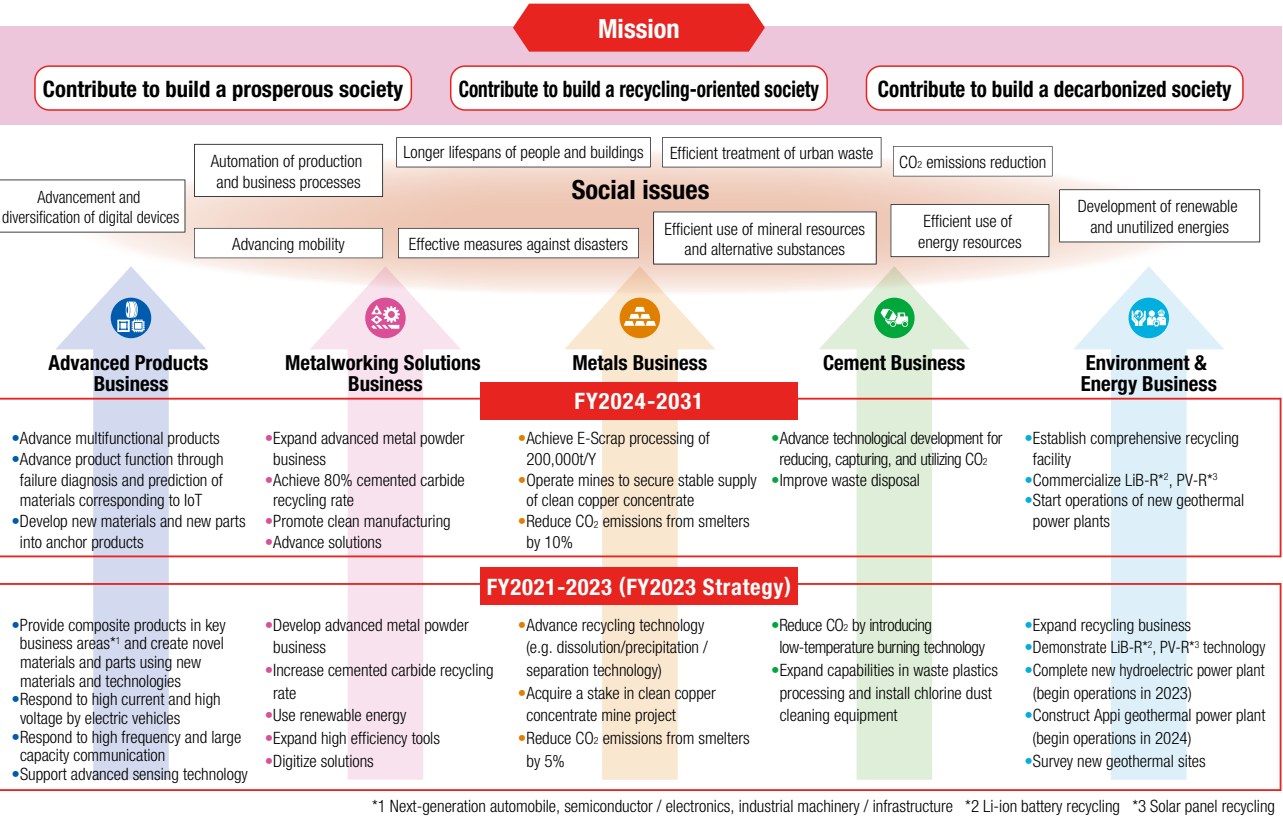
Our corporate strategies include a R&D and Marketing Strategy, Manufacturing Excellence Strategy, Quality Management Strategy, Digital Transformation Strategy, and Human Resources Strategy.

The R&D and Marketing Strategy is positioned as supporting the creation of new products and businesses in the Group-wide Policy, and the Manufacturing Excellence Strategy, Quality Management Strategy, and Digital Transformation Strategy are positioned as supporting comprehensive efforts to increase business competitiveness.

In regard to the research and development in our R&D and Marketing Strategy, we identify fields to focus on and other important fields, determine mega trends connected to our mission, and thereby narrow down the key targets. In terms of marketing, business divisions are in charge of fields surrounding existing fields of business, and a new Marketing Department established in corporate divisions is in charge of new fields more distant from existing fields of business.

The key to our Manufacturing Excellence Strategy

Figure 4 Business strategy for solving social issues



\*1 Next-generation automobile, semiconductor / electronics, industrial machinery / infrastructure \*2 Li-ion battery recycling \*3 Solar panel recycling

is formulating a vision for each business site based on relationships with each business strategy, performing self ability evaluations based on a management framework, setting items for improvement, and voluntarily implementing internal reform.

The slogan of our Quality Management Strategy is “From reactive quality management to proactive quality management.” We will transition from a system that prevents non-conforming products from leaking to a system that achieves design, equipment, and processes that prevent non-conforming products from being produced in the first place.

We consider the Digital Transformation Strategy to be the core strategy for our FY2023 Strategy and beyond. Since this involves intra-departmental efforts in a diverse range of fields including R&D, marketing, human resource development, and general management, as well as being closely related to manufacturing excellence and quality management, we will launch a new Digital Transformation Management Office, invite external talent to act as our Chief Digital Officer (CDO), and accelerate these efforts. Although digital transformation has been partially proceeding at the Company, we are behind other companies in terms of group-wide activities, and are in danger of perhaps never being able to catch up in several years time if we do nothing now. But if we do act now, we definitely have an opportunity to catch up.

Our Human Resources Strategy is positioned as something that supports the entire foundation, as is the case with governance.

Ensuring Business Sustainability

Ensuring business sustainability is essential for continuously supporting the creation of both social and economic values.

In order to do so, it is important to reinforce corporate governance and group governance upon clarifying the organizational culture to aim for, in addition to having a corporate strategy supporting the execution of business strategy and efforts via our business.

We have already established the following six items as the organizational culture to aim for.

- 1) Organization with good and healthy communication where employees have unrestricted communication
- 2) Organization capable of autonomously solving issues
- 3) Organization that adequately shares the understanding of its business
- 4) Organization that makes prompt and resolute decisions
- 5) Organization that manages its business with the awareness of the differences between product-type and process-type businesses
- 6) Organization that aims for thorough digitalization

1), 2), and 3) are goals of Group governance enhancement. I believe that we can aim for these goals by conducting smooth and autonomous communication at all levels, between the parent company and subsidiaries, between the head office and business sites, and within each business site and group company. In addition to conventional communication work at all levels conducted by Executive Officers including the Chief Executive Officer, the FY2023 Strategy aims to stimulate communication, evaluate the effectiveness of the Board of Directors at the Group companies, implement improvements based on that evaluation, and enrich the Group companies' officer training.

Furthermore, the FY2023 Strategy promotes activities for the heads of corporate divisions to conduct hearings at the various levels of business sites in order to identify issues and promote activities, in addition to the Internal Audit Department.

4) is related to corporate governance, and we plan to evolve it by enhancing and improving the supervisory function and transferring authority to the execution side after our migration to a company with a Nomination Committee.

For 5), I believe that focused management is required, especially in R&D, manufacturing, and human resources exchange.

6) will be accelerated via strategy execution by the Digital Transformation Management Office.

Since we became a company with a Nomination Committee in fiscal 2020, Outside Directors have accounted for the majority of the Board of Directors members, and the debate and investigation at Board of Directors meetings have been from more diverse perspectives than ever before, including the discussions regarding the formulation of our FY2023 Strategy. The composition of Outside Directors will be partially changed from July 2020, and I hope that this will lead to debate based on new diversity. We will continue to pursue improved functionality as a monitoring board and ensure diversity to achieve continuous improvements for the Board of Directors.

Extremely lively discussions were held at the Nomination Committee, Audit Committee, and Remuneration Committee meetings in fiscal 2020. As Chief Executive Officer, I presented proposals for discussion at the Nomination Committee and Remuneration Committee meetings. Colorful debate was had based on the previous knowledge of the various members, and I believe that this led to good results. Looking ahead, we

must implement plans, operate systems, and continuously make improvements based on those results.

On April 1, 2020, we established the Sustainable Management Office, which is led by the Chief Executive Officer, as an organization for promoting business sustainability across the entire Group. In addition to establishing and operating the panels, we will hold management office meetings in order to swiftly perform the required decision-making. When the issues we should tackle change due to social or other factors, we will flexibly change our target issues and panel structure.

I believe that efforts for ensuring business sustainability are like training the core of a human body. This core training will surely make a difference the next time that the Group needs to make a great leap.

Financial Plan and the Impact of COVID-19

In the FY2023 Strategy, we published the financial indicators to adopt and the financial targets for the final year of the FY2023 Strategy (fiscal 2023), as well as our investment plan, shareholder return policy, and policy regarding strategic holdings. [Figure 5](#)

Financial ratios include ROIC for profitability and EBITDA, etc. for growth potential, and ROA also plays a complementary role in the processing business. Group-wide, we plan to adopt a combination of ROIC, ROE, and ROA.

Our investment policy places importance on its balance with the operating cash flow and cash in via the sale of assets, etc., and when there is a large-scale investment project for growth, we proactively execute the project with the net D/E ratio of 1.0 times or less to ensure fiscal discipline.

However, our financial plan, including our shareholder return policy of an 80 yen dividend per share, is as of the

date of announcement on March 25, 2020, and does not take the subsequent global impact of COVID-19 into account. COVID-19 is causing a drop in demand for the automobile, semiconductor, and construction markets in Japan and abroad, which are deeply related to the business of the Group, and there is concern that the impact on the business of the Group will increase.

Therefore, in the financial results for the fiscal year ended March 2020 published on May 27, 2020, we announced that it is difficult to rationally estimate our earnings forecast for the fiscal year ending March 2021, and that dividends for the fiscal year ending March 2021 will remain undecided.

We will carefully examine our Medium-term Management Strategy that covers our financial plan including our shareholder return policy, based on the changes to the

business environment and the impact on the medium to long-term business forecast caused by COVID-19, and will swiftly publish any decisions made if changes are deemed necessary.

I believe that there is no need to significantly change the direction of our strategies in the FY2023 Strategy other than the financial plan, but the impact that COVID-19 will have on our business and the countermeasures we will implement must focus on the changes that will occur in the business environment in a post-COVID-19 world, including immediate countermeasures. [Figure 6](#)

I believe that we must prepare for the need to add and review the social issues that the Group must tackle and the need for short-term strategic changes and strategies based on structural changes to the industry, according to the extent and nature of those changes.

Figure 5 Investment Policy, Shareholder Return Policy, Strategic Holdings

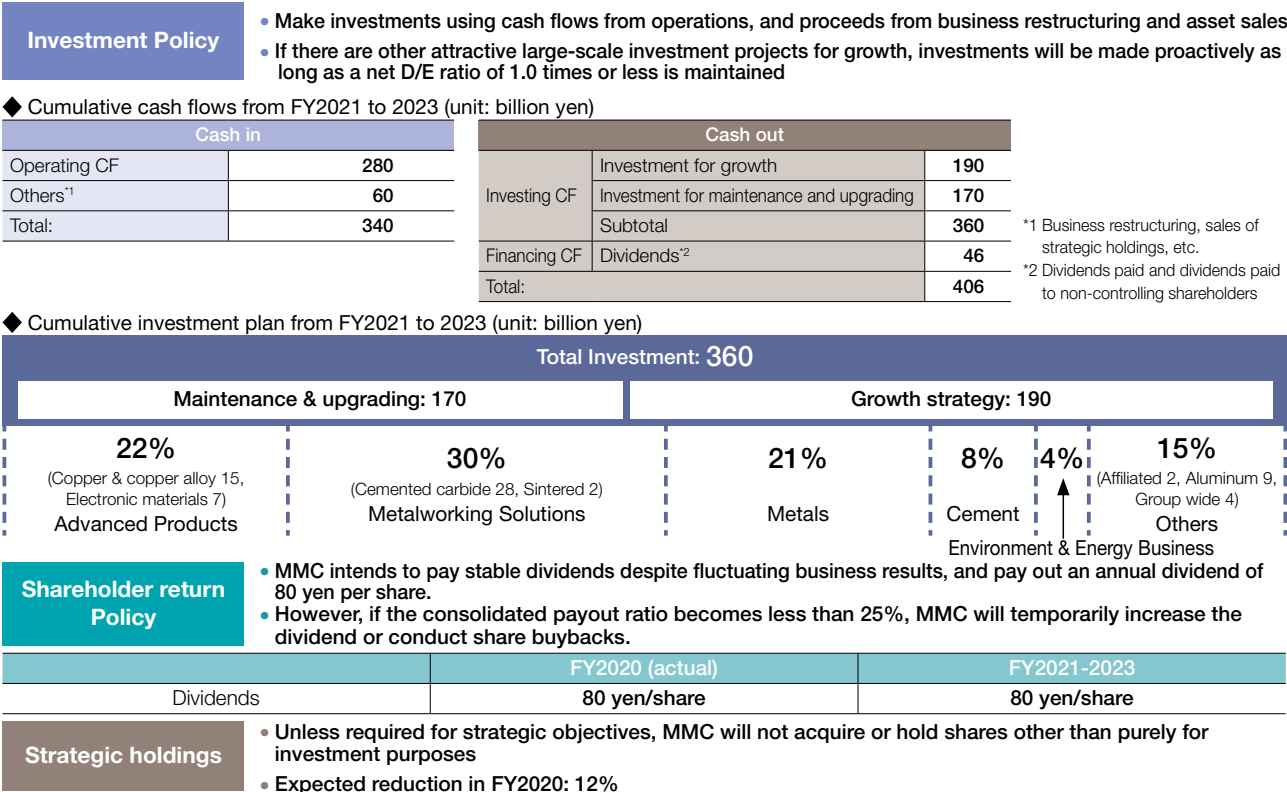
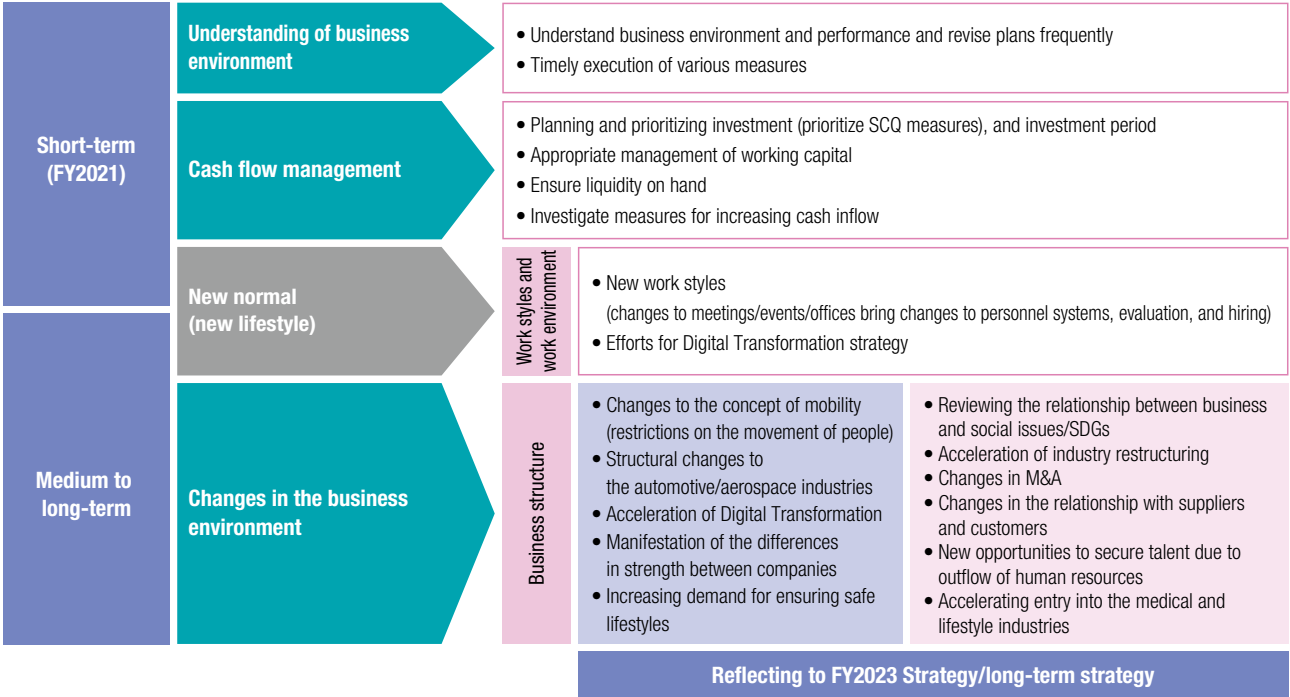


Figure 6 Response to changes in the business environment



Creating a Higher Dimension of Corporate Value

This Integrated Report focuses on the FY2023 Strategy published on March 25, 2020. People inside the company and the Board of Directors spent a large amount of time formulating the Strategy via lively and detailed discussion. As a result of this, our mission for 2030 to 2050 was able to be summed up as working to create economic value by solving social issues that we recognize as material issues. The FY2023 Strategy indicates our activities for the next three years toward achieving that mission,.

The business environment is rapidly changing at a bewildering rate. However, since our mission is based on a long-term outlook and fundamental creation of value, it is not so susceptible to occasional changes in the environment.

The creation of corporate value is not possible with the planning and formulation of a strategy alone. The strategy must also be executed. A strategy itself is a concept or an

idea of what we want to be. The key is whether we all really aim to do so. Everyone from top management to on-site workers needs understand and sympathize with the strategy. Therefore, since announcing the FY2023 Strategy, we have been working to ensure the penetration of the strategy at more levels than before, via a wide range of efforts such as remote meetings with representatives in Japan and overseas, the delivery of supplementary materials via intranet, serialized features in our Group newsletter, the delivery of training materials, and sharing in each business division.

This Integrated Report plays a role in conveying our ideas to a wide range of stakeholders both inside and outside the Company, and I hope that it will enable us to receive feedback from many different perspectives and thereby stimulate discussion. I also hope that we can brush up our ideas and mission to create a higher dimension of corporate value via discussions with our stakeholders.





About the Mitsubishi Materials Group

# Mitsubishi Materials DNA of Transformation

From the past & into the future.  
Mitsubishi Materials will achieve “Transformation for Growth” by meeting social needs that change with the times.

The Mitsubishi Group was born when Tsukumo Shokai, the forerunner of Mitsubishi Materials Corporation, entered the coal and metal mining business.  
For nearly 150 years, the Company has supported Japan’s rapid development as it has grown by diversifying its operations and reforming its business structures to meet social needs that changed with the times.  
We will continue our tradition of creating new raw materials, products and solutions, and contribute to the sustainable development of society.

1871

► In Step with Modern Japan

► Coals and metals businesses advance

► Business diversified with postwar rebuilding

► Birth and Growth of Mitsubishi Materials



In the possession of Mitsubishi Archives

1871

Tsukumo Shokai

Tsukumo Shokai established Coal mine leased from the Shingu clan in Kishu.

1893

Mitsubishi Goshi Kaisha

Mitsubishi Goshi Kaisha established.

1918

Mitsubishi Mining Company Ltd.

Mitsubishi Mining Company Ltd., established.

1950

Mitsubishi Mining Company Ltd.

Breakup of coal and metal divisions with dissolution of business conglomerates.

1950

Taihei Mining Co., Ltd.

1952

Mitsubishi Metal Mining Company Ltd.

Taihei Mining Co., Ltd. name changed to Mitsubishi Metal Mining Company Ltd.

1973

Mitsubishi Mining & Cement Co., Ltd.

Mitsubishi Mining Company Ltd., Mitsubishi Cement Corp. and Hokoku Cement Corp. merge into Mitsubishi Mining & Cement Co., Ltd.

1973

Mitsubishi Metal Corporation

Mitsubishi Metal Mining Company Ltd. name changed to Mitsubishi Metal Corporation

1990

Mitsubishi Materials Corporation

Merger of Mitsubishi Metal Corporation and Mitsubishi Mining & Cement Co., Ltd. Birth of Mitsubishi Materials Corporation

Mitsubishi Materials founded.

1991

Tsukuba Plant established.

1995

MMC Tools (Thailand) Co., Ltd. established.

1996

PT. Smelting (Indonesia) Gresik Smelter and Refinery established, marking the Company's entry into the copper smelting business.

1998

Ube-Mitsubishi Cement Corp. established.

1999

Business of home appliance recycling commenced.

2012

Robertson's Ready Mix, Ltd. (USA) made a wholly-owned subsidiary.

2014

MMC Electronics Lao Co., Ltd. established.

2015

Hitachi Tool Engineering, Ltd. made a consolidated subsidiary and name changed to Mitsubishi Hitachi Tool Engineering, Ltd.

2016

Second E-Scrap Center completed at Naoshima Smelter & Refinery. E-Scrap receiving and processing expanded to achieve the leading share of the world market.

2016

MM Metal Recycling B.V. established in the Netherlands; collection of E-Scrap from the European region expanded.

2017

Luvata Special Products Division acquired, expanding the copper & copper alloy products business.

2017

TianJin LingYun Tool Design Co., LTD. renovated, strengthening the technical support provided for cutting work.

2017

Kitakyushu Ash Recycle Systems Co., Ltd. established.

2018

New Energy Fujimino Co., Ltd. established.

2019

Yuzawa Geothermal Power Generation Corporation's Wasabizawa Geothermal Power Station commenced commercial operation.

2019

Became a Company with a Nomination Committee.

2020

Merged with Mitsubishi Shindoh Co., Ltd., and established Wakamatsu Plant and Sambo Plant.

2020

Made Mitsubishi Hitachi Tool Engineering, Ltd. a wholly owned subsidiary and changed name to MOLDINO Tool Engineering, Ltd.

The four strengths of Mitsubishi Materials Corporation cultivated of 150 years of history

1

Advanced recycling technology and business platform

2

Value chain from raw materials to products with a stable supply

3

Unique material development and manufacturing technology

4

A team that can unite to resolve issues



Naoshima Smelter & Refinery When the site was established



Tokyo Metals Plant Circa 1950



Kurosaki Plant (current the Kurosaki Production Section, Kyushu Plant) 1955



Onuma Geothermal Plant



Luvata Plant





**Mitsubishi Materials Corporation inherits DNA cultivated over 150 years to contribute to the future of a recycling-oriented society via its strengths of advanced technology development and manufacturing technologies, as well as human resources that support the infrastructure of society.**

As a diversified materials manufacturer, Mitsubishi Materials Corporation has created new materials to meet the diverse needs of the times and society, and has contributed to the foundation of all kinds of industries.

In order to build the recycling-oriented society to come, we will continue to take on the challenge of creating new social value through further technological innovations.

**1 Advanced recycling technology and business platform**

With long years of experience in the metals and cement business and environment recycling business, the Company enables the expansion of advanced recycling business through diverse and advanced recycling technologies, a wide range of business experience, and a unique waste collection network/business foundation.



Second E-Scrap Center at Naoshima Smelter & Refinery



Automatic picking robots at our home appliance recycling plant



**2 Value chain from raw materials to products with a stable supply**

The Company has established a consistent manufacturing system that covers everything from the stable procurement of raw material resources to product manufacturing, and provides a stable supply of good quality products to the market. This strength is the foundation that enables the Company to provide essential fundamental materials to support industries all over the world.



Copper Mountain Mine (Canada)



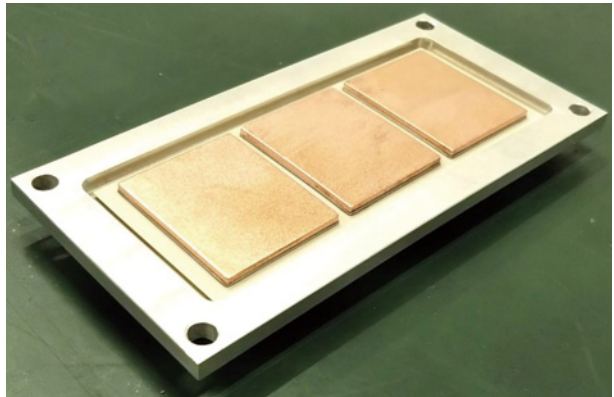
Refining process



Oxygen-free copper strips boasting long-term reliability and performance

**3 Unique material development and manufacturing technology**

In addition to oxygen-free copper, copper alloys (copper and copper alloy), and the joining of dissimilar materials (electronic materials & components), the Company possesses advanced technologies such as cemented carbide materials and coating (metalworking solutions) to respond to a rapidly changing market. These are the source of our competitiveness, with material development and manufacturing technology based on atomic level analysis and simulation technology.



High performance insulated substrates for power modules (DBAC substrates)



New MV1020 material adopting newly-developed Al-rich coating technology

**4 A team that can unite to resolve issues**

The Company promotes the utilization of diverse human resources, including women, the elderly, disabled persons, and foreigners, respects individuality, diverse values, and sincerity, and brings together the power of these individuals to solve all kinds of problems.



Training sessions for female employees



Aiming for workplaces where each and every one of us can work lively



Training based on problem solving

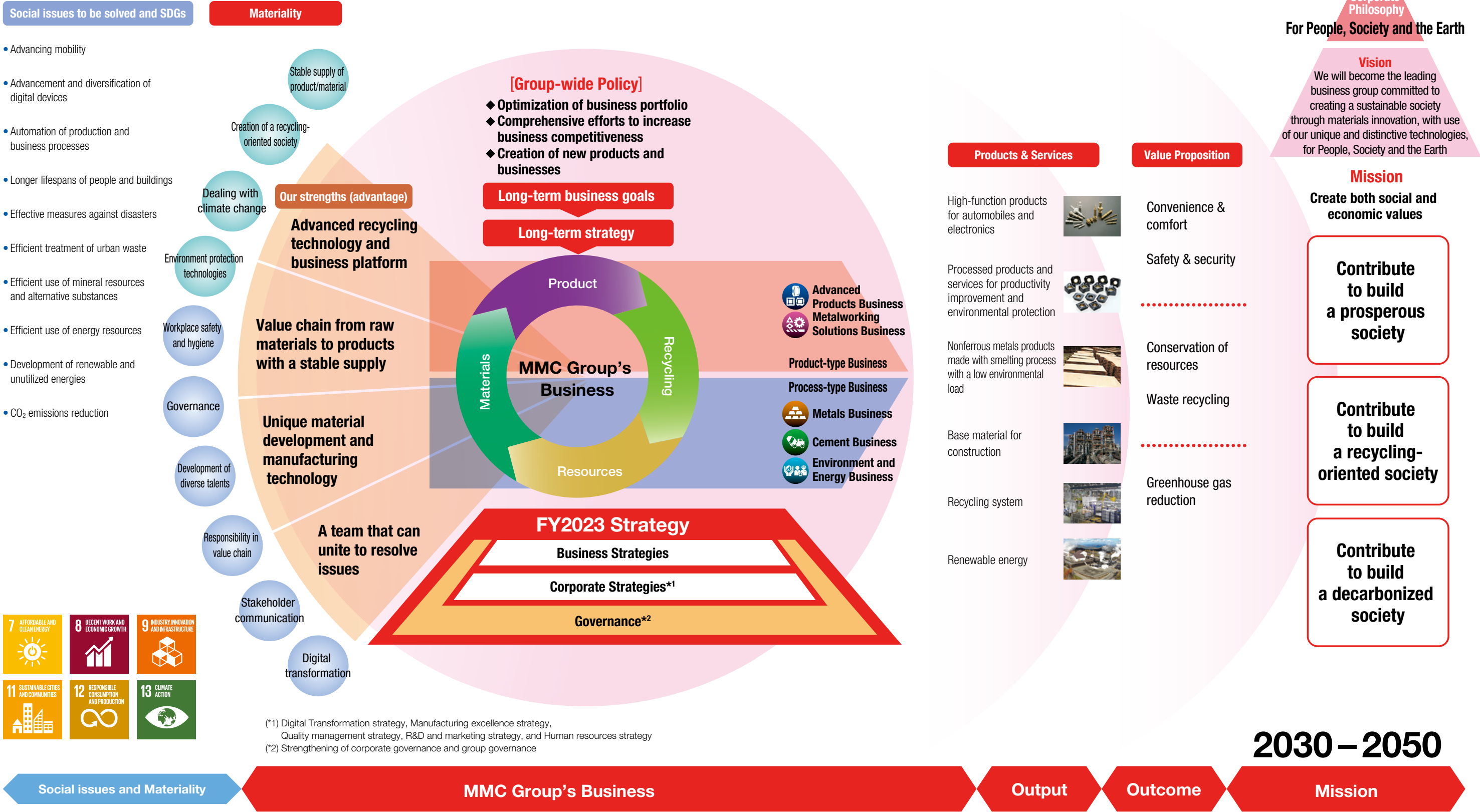




About the Mitsubishi Materials Group

# Value Creation Process

The idea at the foundation of value creation at Mitsubishi Materials Group is “Create both social and economic values.”  
As we aim to achieve our vision, we strive to solve social issues and thereby create economic value.



(<sup>\*1</sup>) Digital Transformation strategy, Manufacturing excellence strategy, Quality management strategy, R&D and marketing strategy, and Human resources strategy  
(<sup>\*2</sup>) Strengthening of corporate governance and group governance

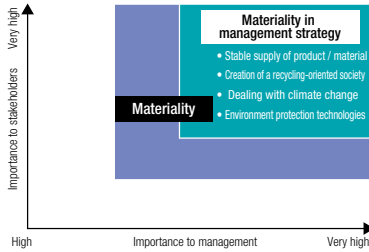
About the Mitsubishi Materials Group

# Identifying and Tackling Materiality

The Group formulated a New Medium-term Management Strategy by updating the materiality (material issues) for the Group based on the CSR materiality established in 2015. The Group also integrated materiality into management strategy to which we offer solutions via business activities, and strengthened their relevance to the management strategy. These initiatives to address materiality also contribute to achieving Sustainable Development Goals (SDGs), and will enable the Group to improve its corporate value by achieving both social value and economic value.

**Goals**

The Group has formulated long-term business goals and a long-term strategy for achieving its Mission, based on materiality that have been identified. The Group plans to address the risks and opportunities presented by these materiality via corporate strategy, business strategies, and CSR plan, in the Medium-term Management Strategy.



	Materiality	Key Themes
Materiality regarding the resolution of social issues via business	Stable supply of product/ material [SCQDE]	Providing nonferrous metal materials, predominantly copper  Providing high value-added functional materials and products
	Creation of a recycling-oriented society [SCQDE]	Providing recyclable products  Advanced technology-based waste recycling
	Dealing with climate change [SCQDE]	Developing and promoting the use of renewable energies such as geothermal energy  Ensuring that we consider the reduction of environmental impact in manufacturing
	Environment protection technologies [SCQDE]	Preventing environmental pollution  Preserving biodiversity  Developing environmental technologies and products
Materiality regarding the strengthening of the management base and core	Workplace safety and hygiene [SCQDE]	Preventing occupational accidents  Creating mentally and physically pleasant workplaces
	Governance [SCQDE]	Reinforcing compliance
	Development of diverse talents	Human resource development  Diversity (empowerment of women)
	Responsibility in value chain [SCQDE]	Respect for human rights in procurement  Product quality
	Stakeholder communication	Building and strengthening relationships with stakeholders  Improving customer satisfaction  Engaging in dialog and coexisting with local communities
	Digital transformation	Business standardization  Operational enhancement  Creation of new added-value

**Business Strategies**

**Advanced Products Business**  
p.18

**Risks**

- Severing of the supply chain due to natural disasters, etc.
- Stuck in follower position
- Emergence of game changers

**Opportunities**

- Develop and supply products that contribute to decarbonization

**Metalworking Solutions Business**  
p.22

**Risks**

- Supply chain changes in the automotive industry
- Decreased internal combustion engines due to mobility revolution
- Rising raw material prices
- Changes to the market structure due to COVID-19

**Opportunities**

- Processed materials becoming difficult-to-cut
- Increased new demand due to automobile electrification
- Demand for recycling
- Evolution of digital technologies

**Metals Business**  
p.26

**Risks**

- Risks for copper concentrate procurement due to resource nationalism in resource-rich countries
- Intensifying competition following the growth of Chinese smelting and refining manufacturers
- Operational problems attributed to increasing input of minor elements in the smelting and refining process
- Stricter regulations on environmental concerns in smelting and refining operations
- Presence of a powerful competitor in the precious metal retail market

**Opportunities**

- Potential for developing technologies for removing impurities from copper concentrate
- Enhancing recovery of minor elements that are input and use of these in products
- Transition to a recycling-oriented and decarbonized society
- Worldwide expansion of the E-Scrap supply market with growing environmental awareness
- Increase in demand for gold as a safe asset

**Cement Business**  
p.30

**Risks**

- CO<sub>2</sub> emission regulations and securing of coal ash alternatives
- Resource depletion
- Decreasing domestic demand for cement
- Labor shortages
- Rising heat energy prices

**Opportunities**

- Restrictions on landfill of waste and handling of waste that is difficult to process
- Increased demand for cement in emerging countries and environmentally advanced countries (exports)
- Demand for advanced products
- Building national resilience, such as constructing embankments
- Low-temperature burning technology

**Environment and Energy Business**  
p.34

**Risks**

- Rival company trends/participation
- Manufacturer restructuring
- Local government emission trends
- Changes to national policy and revisions to laws
- Local opposition from hot spring operators, etc.
- Consensus-building with stakeholders

**Opportunities**

- Depletion of mineral resources, increased demand for recycled resources
- Depletion of energy resources, securing energy in Japan
- Climate change (global warming), reduction of CO<sub>2</sub> emissions and increased demand for renewable energy

**Corporate Strategies**

**Governance**

**Selection Process**

1. We reviewed some of elements of issues identified from the challenges found in GRI indicators, OECD guidelines, and SRI/ESG questions, etc. in 2015, based on the latest social trends and the medium to long-term growth of the Group
2. The Group compares these elements with the Mission and evaluates their importance for the Group and its stakeholders, including investors, suppliers, employees, and the local community
3. Based on the result of these evaluations, the Group identifies materiality for the Group, and sets items deemed to have a "Very high" importance for the Group and its major stakeholders as "Materiality regarding the resolution of social issues via business" in a management strategy. Other materiality are also set as "Materiality regarding the strengthening of the business foundation"
4. To solve "Materiality regarding the resolution of social issues via business" and "Materiality regarding the strengthening of the business foundation," the Group formulates a Long-term Strategy and Medium-term Management Strategy

Long-term business goals Long-term strategy	ESG/SDGs			Mission		
	E (environment)	ES	S (society)	Contribute to build a prosperous society	Contribute to build a recycling-oriented society	Contribute to build a decarbonized society
<b>Global-First Supplier</b> <ul style="list-style-type: none"><li>• 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 metals, etc.)</li><li>• Accelerate marketing activities to replicate successful practices</li></ul>				<ul style="list-style-type: none"><li>• Advance and diversifying mobility and digital devices</li><li>• Automate production and business processes</li></ul>	<ul style="list-style-type: none"><li>• Develop and use materials with low environmental impact</li><li>• Efficiently use mineral resources and alternative resources</li></ul>	<ul style="list-style-type: none"><li>• Efficiently use energy resources</li><li>• Reduce CO<sub>2</sub> emissions</li><li>• Develop and supply products that contribute to decarbonization</li></ul>
<b>Top 3 supplier in strategic markets</b> <ul style="list-style-type: none"><li>• Promote clean manufacturing</li><li>• Provide high-efficiency products with advanced technology</li><li>• Expand advanced metal powder business in electronic devices</li></ul>				<ul style="list-style-type: none"><li>• Provide high-efficiency products and digital solutions</li></ul>	<ul style="list-style-type: none"><li>• Promote the use of recycled cemented carbide materials</li></ul>	<ul style="list-style-type: none"><li>• Promote manufacturing renewable energy</li><li>• Expand electrification business by advanced metal powder technology</li></ul>
<b>Leader in environmentally-friendly mining &amp; smelting business</b> <ul style="list-style-type: none"><li>• Stable supply and recycling of nonferrous metal materials, predominantly copper</li><li>• Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap</li><li>• Promotion of recycling</li><li>• Response to climate change</li></ul>				<ul style="list-style-type: none"><li>• Provide copper-based materials for advanced products</li></ul>	<ul style="list-style-type: none"><li>• Provide recyclable products</li><li>• Recycle waste</li></ul>	<ul style="list-style-type: none"><li>• Promote the development and use of CO<sub>2</sub> reduction technologies</li><li>• Achieve manufacturing that considers environmental load</li></ul>
<b>Leader in the domestic and international cement industry with advanced environmental technologies</b> <ul style="list-style-type: none"><li>• Stable supply of basic building materials for social infrastructure and disaster prevention infrastructure</li><li>• Sophistication of waste disposal</li><li>• Response to climate change by reducing CO<sub>2</sub></li><li>• Construction of a resilient domestic business foundation through business restructuring and business growth in overseas markets</li></ul>				<ul style="list-style-type: none"><li>• Create safe, secure, and functional cities</li></ul>	<ul style="list-style-type: none"><li>• Recycle waste</li><li>• Promote sustainable resource recycling</li></ul>	<ul style="list-style-type: none"><li>• Reduce CO<sub>2</sub> emissions by improving manufacturing processes</li></ul>
<b>(Environmental recycling) Driving force of resource-recycling systems (Renewable energy) Leading company in geothermal development</b> <ul style="list-style-type: none"><li>• Provision of a safe recycling system with thorough traceability, etc.</li><li>• Decarbonization by expanding renewable energy business</li></ul>				<ul style="list-style-type: none"><li>• Ensure a stable supply of clean energy and recycled products</li></ul>	<ul style="list-style-type: none"><li>• Solve urban waste problems</li><li>• Build a sustainable social system</li></ul>	<ul style="list-style-type: none"><li>• Provide renewable energy</li></ul>

- R&D and Marketing Strategy..... p.39
- Manufacturing Excellence Strategy..... p.40
- Quality Management Strategy..... p.41
- Digital Transformation (DX) Strategy..... p.42
- Human Resources Strategy..... p.44

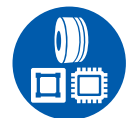
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## Advanced Products Business

### Global First Supplier



**Yasunobu Suzuki**, Executive Vice President and Executive Officer  
President, Advanced Products Company

**Aim to become the first supplier that customers over the world turn to, due to our swift/flexible development capability and proposal capability**

The main markets for our materials and components are the automotive, semiconductor, and electronics markets, as well as infrastructure including medical infrastructure. We consider the positive factors facing the current business environment to include progress in automobile electrification and electronic control, digital transformation based on the introduction of 5G, and the development of the data economy, and negative factors to include intensifying price competition due to the emergence of new companies, the appearance of substitute materials based on new technologies, rising prices for resources such as copper, and economic slowdown caused by COVID-19. In the long-term, we are keeping an eye on the possibility of multipolarization/bloc-building of the economy due to a reversal in globalization.

In this business environment, we aim to become the first

#### 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 road maps with customers (co-creation capabilities)
- Develop new products through collaboration with Central Research Institute
- Enhance manufacturing capabilities (improve production efficiency and mass-production technologies, etc.)
- Pursue opportunities to execute M&A or business alliances

#### Projected Achievements at the End of FY2023

In our main business fields\*, we will have:

- Earned customers' trust
- Released new products by integrating our technical capabilities
- Generated new applications of our products

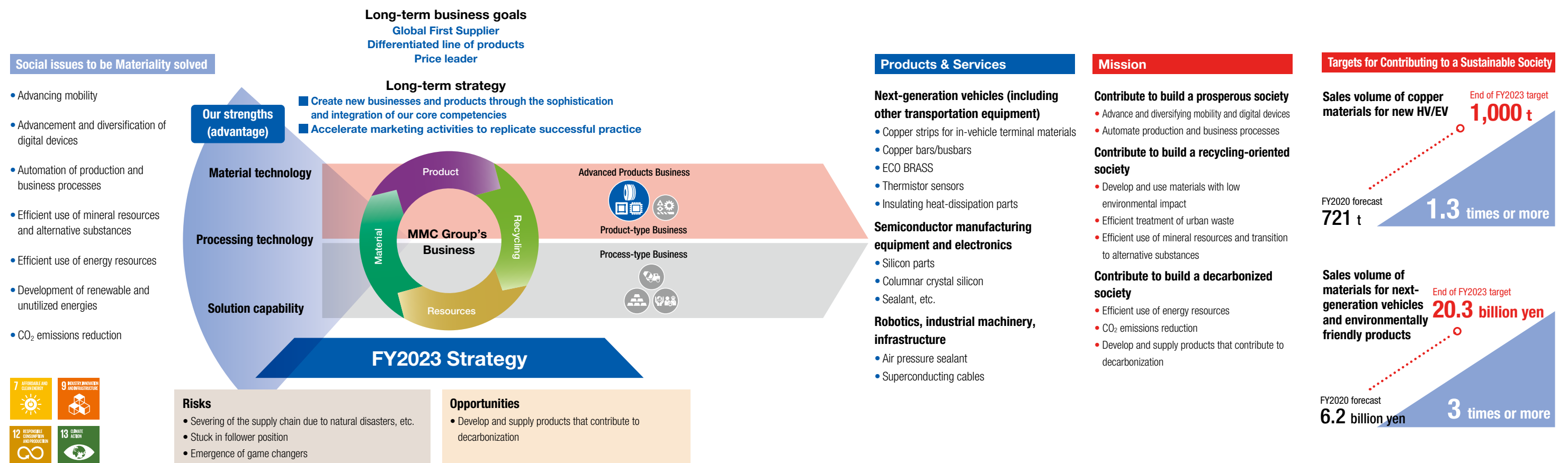
\*Next-generation vehicles, semiconductor / electronics, industrial machinery / infrastructure

supplier that customers over the world turn to, and become a global-first supplier in terms of customer satisfaction in quality and product originality. The Company's strengths are material technology to create high-performance/high-quality alloys and oxygen-free copper, processing technology for joining dissimilar materials such as insulating heat-radiating parts, a diverse product lineup, and our ability to swiftly and flexibly provide solutions by coordinating with the Central Research Institute. On the other hand, challenges include enhancing our mass-production technology, improving our marketing capability, including digital transformation, and securing and developing human resources. Our policy is to work on solving these issues while further polishing our strengths in order to lead the market.

We expect COVID-19 to have a lasting impact on the

economy and industry during the period of our Fiscal 2023 Strategy, but in the medium to long-term, there will be no major change to the IoT conversion of infrastructure and demand for automobile electrification and autonomous driving, and our customers are steadily proceeding with development. The evolution of medical devices for supporting health will also remain uninterrupted, as demand for environmentally-friendly materials, the utilization of renewable energy, and the aging of the world population continue.

We consider changes in such growth markets to be an opportunity, and will leverage our strengths as a partner that provides unique materials, components, and services supporting new technologies to our customers globally and in a timely manner, in order to achieve our goal of becoming a global-first supplier and business growth.



## Aim to become a global-first supplier by enhancing marketing and technical development functions as well as investing heavily in the copper & copper alloy product business

We will create new businesses and products through the sophistication and integration of our core competencies (production and development technology for oxygen-free copper and copper alloys, and functional materials as well as technical capabilities such as bonding different metals, etc.), and build relationships of trust by sharing our product road map with key accounts.

### Expand Copper Alloy Sales

Building a supply network for responding promptly to the demands of a rapidly changing market and creating new value for our customers, we absorbed Mitsubishi Shindoh Co., Ltd., the company with the top share of rolled copper products in Japan, on April 1, 2020, in addition to our acquisition of Luvata Group (Special Products Division) in May 2017 for the goal of globalizing our copper & copper alloy product business.

One of our strengths is oxygen-free copper, which is a material required for increasing the current and voltage of next-generation vehicles, and high-performance copper alloys are widely used over the world as the terminal material for automobiles, etc. Demand for copper & copper alloy products is expected to increase due to electronic control, IoT, and AI in markets such as robotics, industrial devices, and infrastructure, as well as the CASE revolution in the automobile industry.

Responding to this market expansion, we plan to invest a total of approximately 30 billion yen in capital over the years 2020 to 2026 to expand our production capacity by approximately 30%.

The Company will further enhance cooperation with the Luvata Group to expand global sales of copper alloys, and thereby aim to be a global-first supplier in the copper & copper alloy product industry.

### Enhance Marketing and Technical Development Function

Our strengths lie in development and manufacturing technology for oxygen-free copper and copper alloys, development of functional materials, and technical capabilities such as bonding different metals so that we have developed revolutionary products that were world-firsts, such as high performance insulating heat-dissipation parts for power modules, namely DBAC, which dramatically improves heat cycle resistance in the high temperature range.

In the FY2023 Strategy, we plan to further polish these strengths and share our future product road map with customers to quickly draw out market needs for creating new products and new businesses as well as new applications. We also plan to adopt digital marketing to increase our ability to analyze customers and markets, and enhance the synergy between business divisions.

In addition to these measures, we will utilize our global manufacturing, development, and sales network, including that of the Luvata Group, to build relationships of trust with customers over the world, have our key accounts in particular recognize us as the first-call vendor, and thereby aim to be the number one supplier in terms of customer satisfaction regarding quality and product originality.

■ Global expansion of the Group



### Markets to focus on

Next-generation vehicles



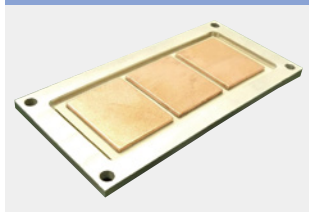
Lead-free brass, ECO BRASS® products with high strength, wear resistance, and corrosion resistance

Next-generation vehicles



Oxygen-free copper to handle the high current and high voltage requirements of xEV

Next-generation vehicles



Insulating heat-dissipation part (DBAC), that combine reliability with high heat dissipation performance

Semiconductor manufacturing and electronics



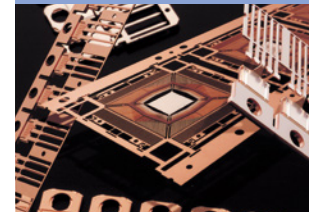
Micromachined silicon components used in semiconductor manufacturing equipment, etc.

Semiconductor manufacturing and electronics



Seals with excellent heat resistance, chemical resistance, radical resistance, and low particle generation

Semiconductor manufacturing and electronics



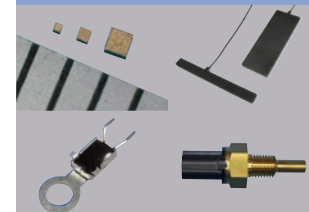
Copper alloy lead frames for plating technology, stamping, and high-precision molds

Robotics, industrial machinery, and infrastructure

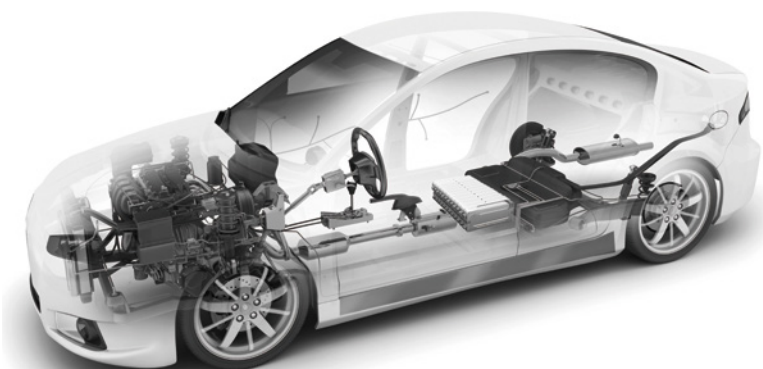


Superconducting wires often used in medical devices for applications such as MRI and international science projects

Robotics, industrial machinery, and infrastructure



On-board temperature sensors for EV batteries, etc.





# Metalworking Solutions Business

## Top 3 supplier in strategic markets



**Tetsuya Tanaka**, Managing Executive Officer  
President, Metalworking Solutions Company

**Aim to be ranked by customers as one of the top three companies in the strategic markets of the automotive, aerospace, medical, and mold and die industries**

The Metalworking Solutions Company is expanding its business activities by focusing management resources on the automotive, aerospace, medical, and mold and die industries. Positive aspects of the market environment include increased demand in the aerospace and medical industries for processed materials with improved weight, durability, and corrosion resistance, which is expected to lead to increased demand for cutting tools used for the machining of difficult-to-cut materials. Negative aspects include demand fluctuation in the supply chain expected due to structural reforms in the automotive industry, and concerns about increased procurement costs due to rising raw material prices. In the long term, we recognize the possibility of the market structure changing drastically due to changes in lifestyles and society due to COVID-19.

### 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

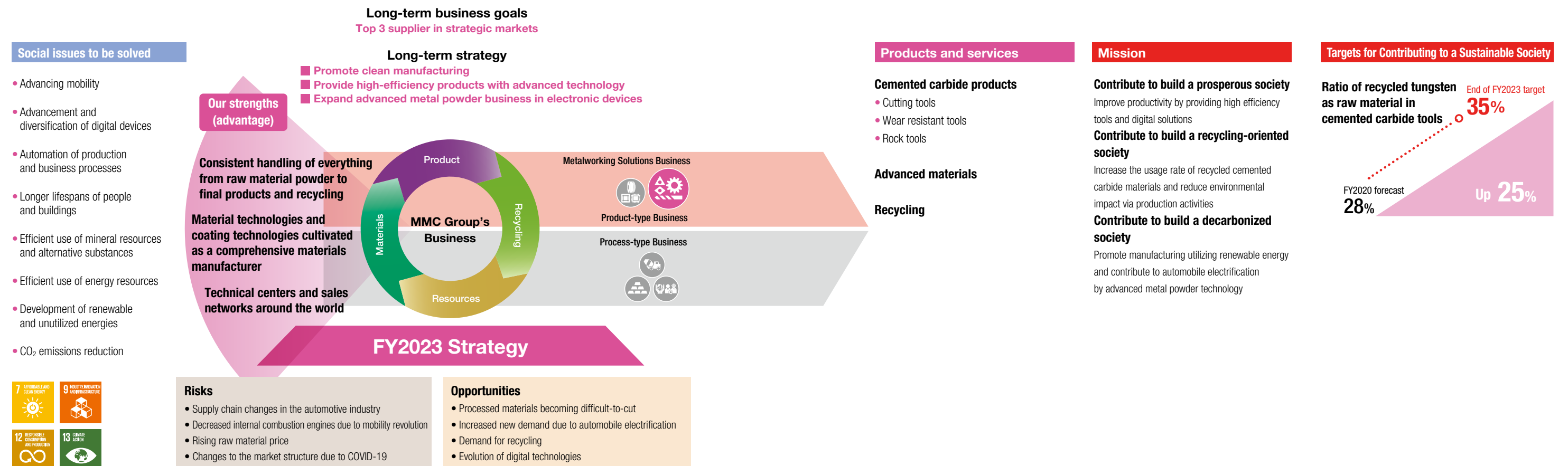
### Projected Achievements at the End of FY2023

- Establishment of a competitive global business base capable of expanding in strategic markets using digital technologies

We believe that our strengths lie in our consistent handling of everything from raw material powder to final products and recycling, our ability to develop distinct products with superior performance that feature material technologies and coating technologies as their core competency, stable quality, and our ability to propose solutions at our technical centers and sales networks around the world. On the other hand, one challenge we face is that we lag behind global competition in terms of digital solutions for customers. In response to this, we will focus management resources on promoting digital transformation, such as launching an IoT team for customers and providing data infrastructure.

We have established technical centers in countries around the world in order to enhance our ability to propose solutions to customers, and will further improve this function in the

future. In particular, we will promote the provision of technical data and IoT via digital transformation. We believe that this will enable us to contribute to enriching society by providing proposals that always meet the needs of our customers and contribute to improved productivity. We will also contribute to building a decarbonized society via manufacturing that utilizes renewable energy, and contribute to building a recycling-oriented society by further expanding efforts to collect used cemented carbide products and recycle them as cemented carbide materials. By striving to increase both our social and economic value in this manner, we will aim to be ranked one of the top three suppliers by our customers.



## Metalworking Solutions Business

### Expansion of the utilization of new technologies and services that can solve customer issues

### Enhancement of the global supply system and functions

The Company will conduct strategic investment in growing markets and enhance global competitiveness in order to achieve its aim of becoming one of the top three suppliers in the strategic markets of the automotive, aerospace, medical, and mold and die industries.

#### Establishment of a competitive global business base

The Metalworking Solutions Company will utilize its position having the top share of cemented carbide products in Japan to respond to diversifying and globalizing market needs as “YOUR GLOBAL CRAFTSMAN STUDIO.” We plan to accelerate global expansion focused on the automotive and mold and die industries, where demand is expected to continue to increase, as well as the aerospace and medical industries, which are forecast for high growth. We also plan to establish a system that will allow the collection to recycling of used cemented carbide products at all our sites over the world. Furthermore, we will utilize manufacturing that is made more efficient and higher quality via digital technologies to establish more efficient global distribution and supply according to market fluctuation.

#### Global collaboration of technical center functions

The Company has established nine technical centers over the world, including two in Japan (in Saitama and Gifu), which enable us to provide a wide range of solutions to users over the world, including cutting tests, training, technical consultations, and direct proposals for improving customer processes. In the future, we plan to further reinforce the functions of these centers to enhance our ability to provide a wider range of solutions.

#### Strategic investment in markets with rapid potential

In terms of investment, the Company will enhance our marketing functions with a focus on customers in the automotive, aerospace, and medical industries, expand our manufacturing and sales functions, including M&A, and promote strategic investment with an eye on expansion in the advanced metal powder business for rechargeable battery market, as well as digital technologies for consultation and simulations.

#### Global expansion of recycling process

The Company will promote existing efforts to collect and recycle used cemented carbide products, and work on collection schemes overseas. In order to support the building of a recycling-oriented society, we aim to achieve stable procurement of tungsten and cobalt, which are the raw materials for cemented carbide.

We will also promote manufacturing that utilizes renewable energy and efforts for achieving a decarbonized society.

#### Digital

#### Utilization of digital technologies for consultation and simulations

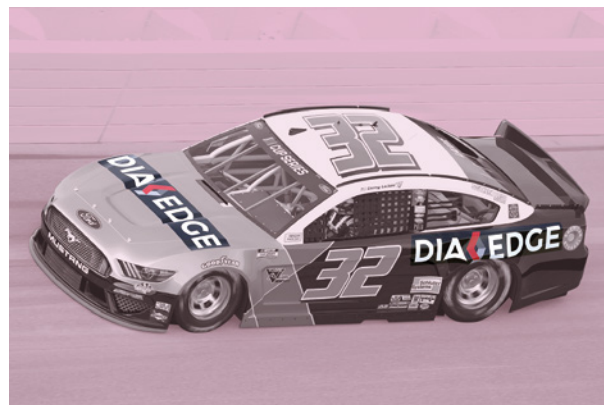
We digitize data accumulated in the Company such as cutting test results and product information to build a technical database. By developing and adopting a system (MICS) for collecting and analyzing machining information, we have become able to conduct more detailed analysis. Our technical centers located over the world will contribute to improved customer productivity by proposing optimal machining methods and ways of solving customer problems based on digitized technical information and consultation conducted via a dedicated system.



#### Strategic Markets

##### Automotive

Since the appearance of automobiles with gasoline engines in Germany 150 years ago, the automobile has become commonplace all over the world, and led to new challenges posed by environmental problems. Automotive manufacturers are promoting environmentally-friendly technologies, such as low fuel cost technologies. Progress in production technology is essential for achieving these technologies, and the Company is involved in improving component machining technologies by closely cooperating with manufacturers in Japan and overseas. We are also involved in daily research into machining technologies for electric vehicles and fuel cell vehicles in order to respond to future changes in mobility.



##### Aerospace

The aerospace industry demands advanced technology for machining difficult-to-cut materials into complex shapes. The Company established an Aerospace Department in 2016 to provide advanced products and more specialized services to these customers. Dedicated staff based in Japan, Europe, and the United States provide swift and detailed support. We also collaborate with research institutes involved in aerospace manufacturing and universities in Japan and overseas to promote the development of revolutionary cutting tools melded with unique MMC technologies. Furthermore, we propose high value-added solutions to meet customer needs, such as cutting tests conducted at our technical centers over the world and proposals for machining methods that utilize simulation technologies.



##### Medical

In the orthopedic market, the Company is enhancing its ability to propose solutions to customers in the medical industry by establishing a dedicated sales organization and marketing office in the United States, based on the fact that many cutting-edge technologies are found in North America. Orthopedic devices also use many difficult-to-cut materials (cobalt-chromium alloys, titanium alloys, and stainless steel alloys) like aerospace components. This means that the life of cutting tools is extremely short and there is high demand for improvements to tool life. We conduct tool development in all processes from raw materials to completed products in order to contribute to improved customer productivity by launching products that improve tool life and machining efficiency in the machining of components for orthopedic devices, such as making deep, small-diameter holes, which has particularly poor efficiency, and machining of cobalt-chromium alloys, which especially requires wear resistance.





## Metals Business

### Leader in environmentally-friendly mining & smelting business

**Establishing a business model for the sustainable supply of clean nonferrous metals in society through improvement of our smelting & refining technologies**



**Tetsuro Sakai**, Managing Executive Officer  
President, Metals Company

Copper continues to become increasingly important in our highly digitalized society, and as a smelting company, we have a mission to support the development of society by providing a stable supply of high-quality copper to society. On the other hand, sustainable growth of our business cannot be achieved without sincere efforts to tackle environmental issues. With this view in mind, we have set a long-term goal to establish a more environment-friendly mining and smelting business model and to be the forerunner in the industry.

To achieve this goal, we have formulated three strategies. The first strategy is to create a sustainable raw material portfolio to support the stable supply of copper, which consists of clean copper concentrates secured by promoting investment in blue-chip mine projects and recyclable materials including E-Scrap. This will enable us to overcome challenges in procurement of copper concentrates arising from resource

#### Specific Measures of the FY2023 Strategy

- Secure clean copper concentrate by investing in new mines
- Develop impurity removal technology in copper concentrate
- Optimize valuable metal material flow
- Reduce fossil fuels

#### Projected Achievements at the End of FY2023

- Optimization of valuable metal material flow derived from E-Scrap
- Reduction of smelter CO<sub>2</sub> emissions by 5%

nationalism in resource-rich countries as well as emerging new smelters in China. The second strategy is to promote recycling, which involves further qualitative enhancement of our advanced, large-scale processing technology E-Scrap and the smelting and refining processes in all our distinctive production sites, as well as efforts to optimize material flows amongst these production sites. This will enable us to recycle minor elements derived from E-Scrap with a high level of efficiency, improving our profitability and contributing to effective use of finite resources. The third strategy is to tackle climate change. Our smelting and refining process (the Mitsubishi Process) is a unique, proven technology with high efficiency and exceptionally low environmental impact, and we will capitalize on these advantages. Furthermore, we will work aggressively to reduce the use of fossil fuels by utilizing alternative fuels, improving energy conversion and increasing

efficiency of energy use. E-Scrap, for which we boast the largest processing capacity in the world, can also be used as an excellent alternative fuel.

The impact of COVID-19 will inevitably slow down the global economy, and there is a concern that prices and demand for copper may be negatively affected. It may also affect progress in mine development projects, and if this is the case, we may be forced to review the schedule of our FY2023 strategies. However, we have a clear vision in the long run, and will promote our strategies from a long-term perspective while flexibly responding to the short-term economic situations. When the world economy begins to grow again, we will be in the position to contribute to its growth as the most environment-friendly smelting company in the world.

#### Long-term business goal Leader in environmentally-friendly mining & smelting business

#### Social issues to be solved

- 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 use of mineral resources and alternative substances
- Efficient use of energy resources
- Development of renewable and unutilized energies
- CO<sub>2</sub> emissions reduction



#### Our strengths (advantage)

**Long years of operational experience in limestone mining**

**Mitsubishi Process featuring high efficiency and low environmental impact**

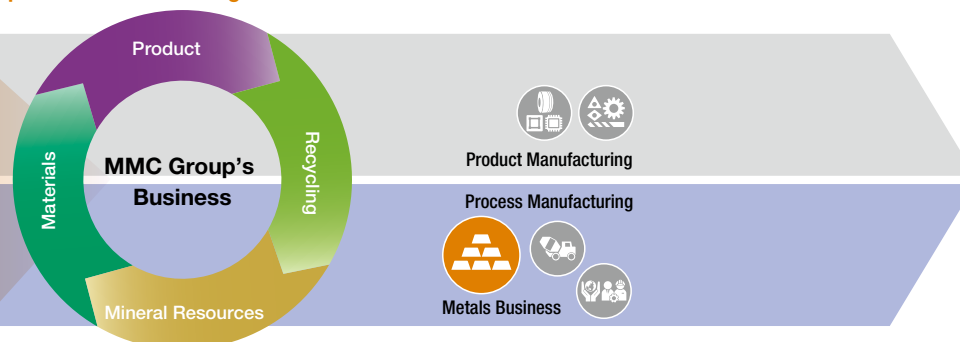
**Advanced, large-scale E-Scrap processing technologies and systems**

**One of the largest producers and sellers of gold in Japan**

#### Long-term strategies

**Stable supply and recycling of nonferrous metal materials, predominantly copper**

- Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap
- Promotion of recycling
- Response to climate change



#### FY2023 Strategy

#### Risks

- Risks for copper concentrate procurement due to resource nationalism in resource-rich countries
- Intensifying competition following the growth of Chinese smelting and refining manufacturers
- Operational problems attributed to increasing input of minor elements in the smelting and refining process
- Stricter regulations on environmental concerns in smelting and refining operations
- Presence of a powerful competitor in the precious metal retail market

#### Opportunities

- Potential for developing technologies for removing impurities from copper concentrate
- Enhancing recovery of minor elements that are input and use of these in products
- Transition to a recycling-oriented and decarbonized society
- Worldwide expansion of the E-Scrap supply market with growing environmental awareness
- Increase in demand for gold as a safe asset

#### Products and services

**Copper cathode**

**Precious metals**

**Various metals**

**Sulfuric acid**

**Copper slag**

**Recycling**

#### Mission

##### Contribute to build a prosperous society

Provide nonferrous metal materials, predominantly copper, and high value-added functional materials and products

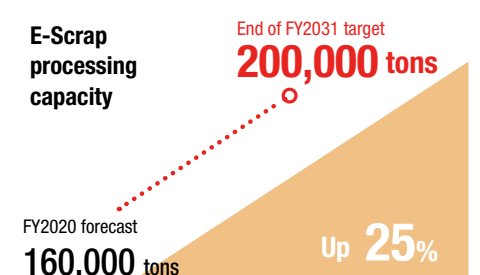
##### Contribute to build a recycling-oriented society

Provide recyclable products and advanced technology-based waste recycling

##### Contribute to build a decarbonized society

Promote the development and use of CO<sub>2</sub> reduction technologies and ensure due consideration of environmental load in manufacturing

#### Targets for Contributing to a Sustainable Society



Stable supply and recycling of nonferrous metals, centering on copper

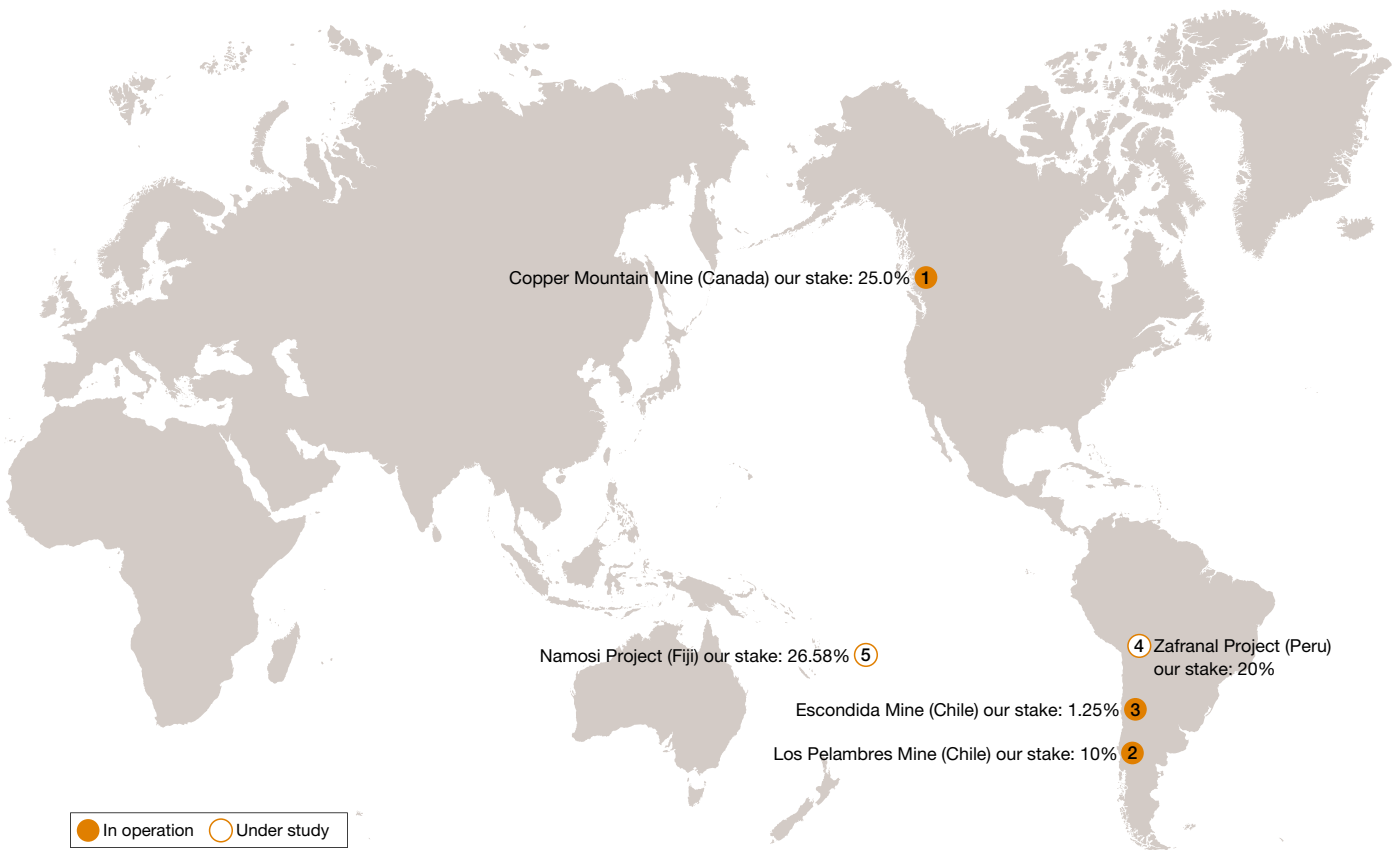
We will form a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap and enhance efforts to promote recycling and respond to climate change. The aim of this is not only to provide a stable supply of nonferrous metals essential for the development of society but also to contribute to efficient recycling of these.

Stable Supply of Materials

It is important to secure clean raw materials to fulfill our social mission as a smelting company to provide a stable supply of non-ferrous metals to society. We will promote new mine investments, such as acquiring an interest in the Mantoverde mine and proceeding with the Zafranal Project. We will also

work on R&D of smelting and mining technologies including technology to remove impurities from copper concentrate. Furthermore, in order to expand opportunities for participating in blue-chip projects, we will continue to explore possibilities to invest in greenfield projects and/or form consortiums.

■ Company's stakes in mining & mine development projects



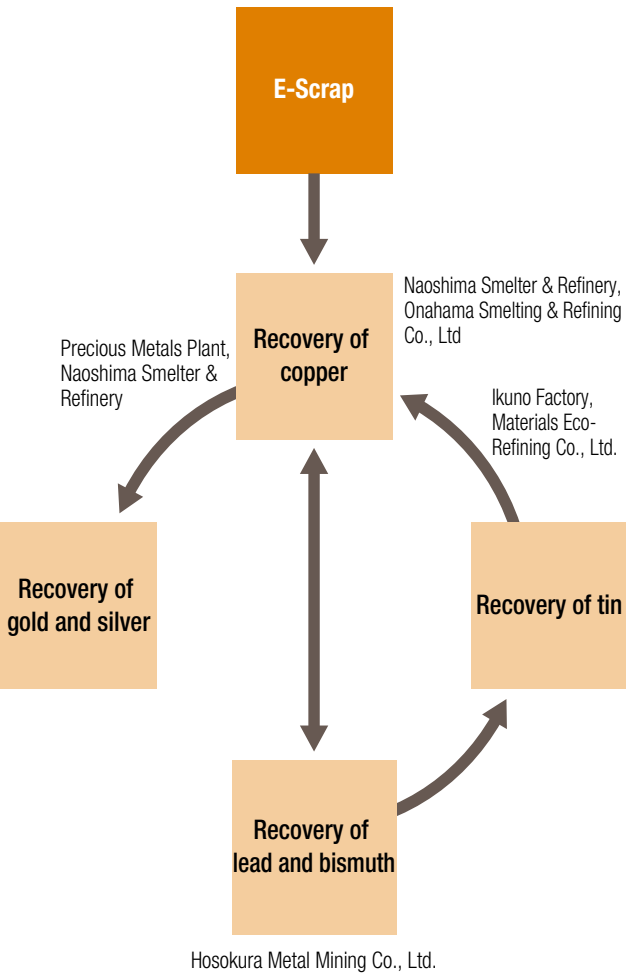
Promotion of Recycling

By building a new process flow amongst all the production sites of our group and improving the efficiency of smelting and refining processes at these sites, we will optimize the material flow of the entire group. This optimized material flow enables efficient recycling of various metals in recyclable materials that we process as raw materials, including E-Scrap. Furthermore, we will figure out constraints in the input volume of E-Scrap and optimize the processing process. These efforts will lead to future expansion of our recycling business.

Response to Climate Change

To tackle the problem of climate change, we will work on reducing fossil fuel usage by using alternatives such as other fuels, E-Scrap and recycled oil while making the best use of the superior qualities of the Mitsubishi Process, our original smelting and refining process with a low environmental impact. We also have plans to proactively utilize renewable energy to improve energy conversion rates such as boiler heat transfer efficiency and power generation efficiency and to achieve more efficient energy usage in steam and electrolytic currents.

■ Material flow



TOPICS

The History of “Mitsubishi Gold” Spans Over a Century

Mitsubishi initiated its gold metal refining business in 1896 when it acquired the Osaka Refinery from the Japanese government, as well as the Sado gold mine in Niigata and the Ikuno silver mine in Hyogo. “Mitsubishi Gold” has a purity of 99.99%. Its high quality meets international standards as evidenced by the stamp on its surface approved by the London Bullion Market Association (LBMA) and New York Commodity Exchange (COMEX). “Mitsubishi Gold” has earned a solid reputation over many years.



Mitsubishi Gold



## Cement Business

### Leader in the domestic and international cement industry with advanced environmental technologies



**Kazuhiro Kishi**, Managing Executive Officer  
President, Cement Company

**Tackle climate change by reducing CO<sub>2</sub> emissions, increasing the sophistication of waste disposal, and ensuring the stable supply of fundamental building materials, while securing growth in overseas markets and building a robust business foundation in Japan via business restructuring**

Positive factors for the Company in Japan include special procurement for the Linear Chuo Shinkansen, continuing construction work for urban redevelopment, and construction work for disaster prevention and reduction measures, etc. On the other hand, negative factors include declining base demand in regional areas due to labor shortages, rising material costs, and increasing the transport cost of raw materials and products. Demand is expected to remain stable overseas, particularly with public works in the United States, but there are concerns about the impact of personnel costs and the trade friction between the United States and China on the demand environment.

The Company's strengths in Japan include the cost competitiveness of the Kyushu Plant located close to our limestone mines in the coastal region, rich limestone reserves, and high-quality multi-purpose cement production. After

#### Specific Measures of the FY2023 Strategy

- Improve and optimize production system through domestic business restructuring
- Expand capabilities in waste plastics processing and install chlorine dust cleaning equipment
- Introduce low-temperature burning technology and develop CO<sub>2</sub> reduction, capture, and recycling technologies
- Expand US business and develop new overseas bases

#### Projected Achievements at the End of FY2023

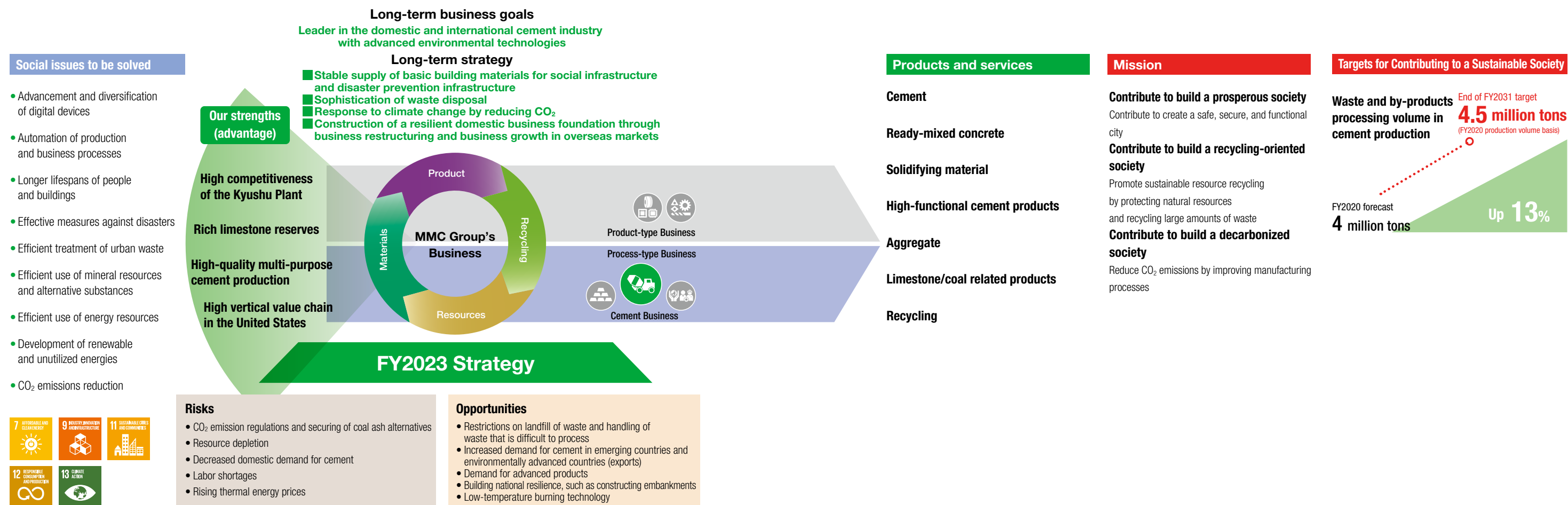
- Domestic business restructuring
- Optimized production systems and promotion of overall business efficiency

integrating our business with Ube Industries, Ltd., we will consider optimization of our domestic production system, including the plants of Ube Industries. Overseas, our strength lies in our high vertical value chain from upstream (the cement business) to downstream (ready-mixed concrete/aggregate business) in the United States. We are making efforts to expand our ready-mixed concrete plants and aggregate quarries and maintain a system for supplying cement and additive to maintain competitiveness, and we plan to promote the development of new business bases in overseas markets where growth is expected.

The Company will continue to promote the active utilization of IoT and AI, response to climate change via the development of technology for capturing, utilizing and reducing CO<sub>2</sub> emissions, and sophistication of waste disposal such as increased use of thermal energy alternatives in the cement manufacturing process, by further strengthening the Kyushu Plant, which is our core plant. Via these efforts, we will strive to comprehensively

improve the level of environmental technologies, contribute to building a decarbonized society, and become a leader in efficiency in the cement industry both in Japan and overseas.

Although concerns remain regarding the impact of COVID-19 on our business activities in Japan and overseas, we will flexibly and rapidly respond to environmental changes. The cement business provides a stable supply of fundamental building materials for maintaining social infrastructure and disaster-prevention infrastructure, and plays a role in contributing to building a recycling-oriented society by recycling a large amount of waste and by-products in addition to household waste such as sewage sludge, and we will continue to improve these functions via various the development of technologies. Furthermore, we hope that we will contribute to building a sustainable low-carbon society by leading the cement business itself to decarbonization, while also indirectly promoting decarbonization of other industries via popularization of concrete paving and power saving.



## Cement Business

### Reorganization of domestic business and development of new overseas bases

The Company will reorganize domestic business, optimize the production system, and aim to establish a stable profit base through economies of scale in order to respond to the decreased demand for cement in Japan. We will also utilize our superiority in Japan to expand growth in overseas markets by increasing our overseas bases, including those in the United States.

#### [Domestic]

##### Create rationalization effects by consolidating factories, logistics facilities, and sales functions

In Japan, we will promote domestic business restructuring and production system optimization, while strengthening our Kyushu Plant and enhancing/optimizing our downstream business. In regard to business expansion, we have determined that the benefits obtained by conducting cement business independently are limited, and therefore should pursue the merits and synergies of business consolidation.

Amount of waste and byproducts:

Approx. **4 million tons/year**

##### Environmental business expansion and development in new technology

We plan to pursue expansion of the environmental business and increase reception of industrial waste based on the top production capacity in Japan by expanding the recycling business, reducing CO<sub>2</sub> emissions, and promoting the development and commercialization of new technologies for collecting and recycling. We will also improve the ratio of alternative thermal energy by focusing on waste treatment with thermal energy, as there is room for expansion.



Waste tires



Wood chips

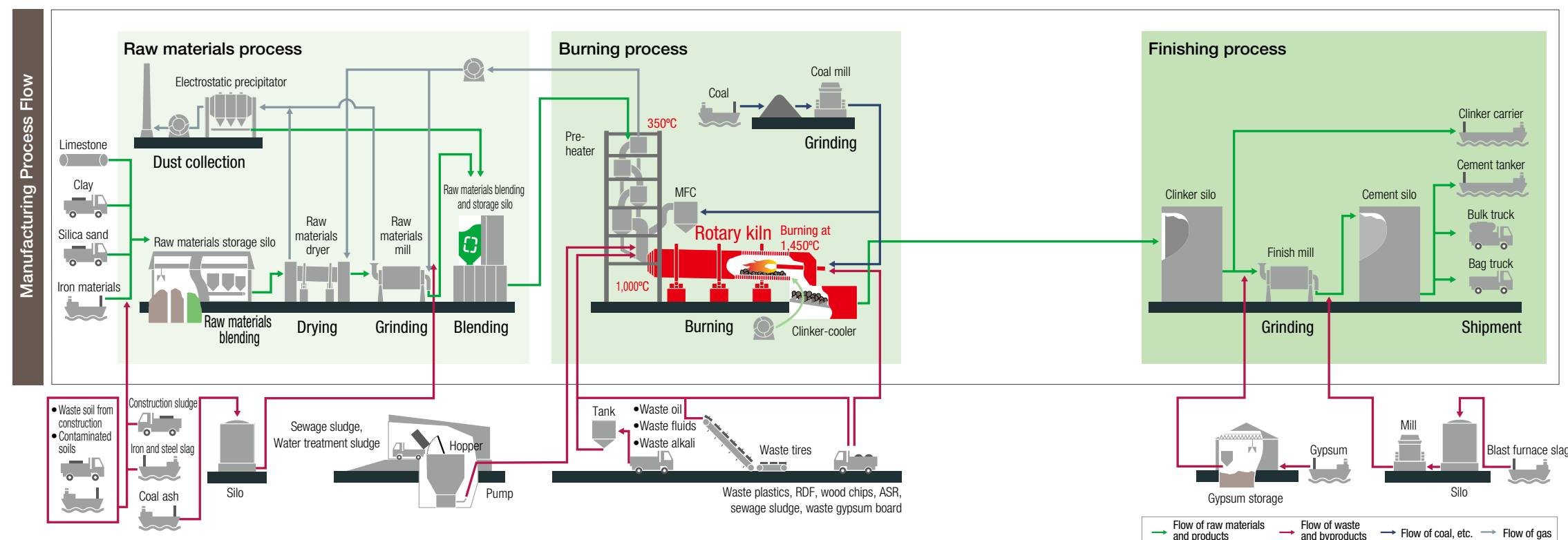


Waste plastics



Sewage sludge

#### Cement production process and waste reception



#### [Overseas]

##### Expand business foundation overseas where population growth is expected

Overseas, we will aim to expand business and create new business in regions where future growth can be expected. In the United States, we will further enhance our business foundations by further developing and expanding upon the strengths of Robertson's Ready Mix, Ltd., which is our core company and has the top share of ready-mixed concrete in the region of Southern California. We also plan to develop new business bases in areas other than the United States, with a focus on promising countries and regions where growth can be expected, in anticipation of business development via the construction of a vertical value chain.



Mitsubishi Cement Corporation in the United States  
Cushenbury Plant



Robertson's Ready Mix, Ltd. ready-mixed concrete plant

#### TOPICS

Integrate business with long-time partner Ube Industries, Ltd.

The Company decided to integrate its cement business and other related businesses with that of Ube Industries, Ltd. by April 2022. We previously established Ube-Mitsubishi Cement Corp. as an equally-owned joint venture and collaborated for many years, but due to current market changes, we have decided to integrate the entire cement business in order to focus the cash flow obtained in domestic business on growth fields and thereby aim for sustainable growth as a company that contributes to the maintenance of social infrastructure and the development of a recycling-oriented society.

**We aim to integrate our cement business and other related businesses with that of Ube Industries, Ltd. by April 2020**

#### Main businesses for integration

- Domestic & overseas cement business
- Ready-mixed concrete business
- Limestone resource business
- Energy & environment related business
- Construction material business and other related business

#### Integration method

- "Establish a new equally-owned joint venture that inherits the target business and conduct an absorption-type merger in which the new joint venture is the surviving company, and Ube-Mitsubishi Cement is absorbed"
- The investment ratio of the new company is expected to be 50:50

#### Integration schedule

- February 2020: Signing of letter of intent
- Late September 2020 (scheduled): Signing of definitive agreement on integration
- June 2021 (scheduled): Obtaining approval for integration at the ordinary general shareholders' meetings of both companies
- April 2022 (scheduled): Conduct integration





## Environment and Energy Business

Environmental recycling

Renewable energy

### Driving force of resource-recycling systems

### Leading company in geothermal development

**Contributing to achieving a safe, secure, and sustainable society by utilizing our unique technologies and superiority in the fields of environmental recycling and renewable energy**

Risks and opportunities facing the environmental recycling business include the market entry of competitor companies, home appliance manufacturer restructuring, national and local government emission trends, and the price of recovered materials such as copper and iron scrap is a factor that affects business performance. The risks and opportunities facing the renewable energy business include the trends and market entry of competitor companies and demand for renewable energy, and weather conditions are a factor that affects performance.

The strengths of the Company in the environmental recycling business include our recycling processing technology, technology for recovering materials such as rare earths, incineration fly ash recycling technology, and our possession of recycling systems at nonferrous smelters and cement plants. In the renewable energy business, our strengths include our experience with developing and

#### Specific Measures of the FY2023 Strategy

- Expand home appliance recycling business, advance automation, and improve added-value of recovered products
- Demonstrate LiB recycling technology and solar panel recycling technology
- Secure stable plant operations in incineration fly ash recycling business and biogasification business
- Complete Komatagawa New Power station, construction of Appi Geothermal Power Station, and survey of new geothermal areas

#### Projected Achievements at the End of FY2023

- Establishment of a stable business base for the environmental recycling business
- Expansion and stable operations of renewable energy stations and search for new geothermal areas

operating geothermal energy. On the other hand, future challenges facing the environmental recycling business include the promotion of automation, ensuring high added-value for recovered materials, and stable operation of the incineration fly ash recycling business. Future challenges facing the renewable energy business include the survey and development of new geothermal areas.

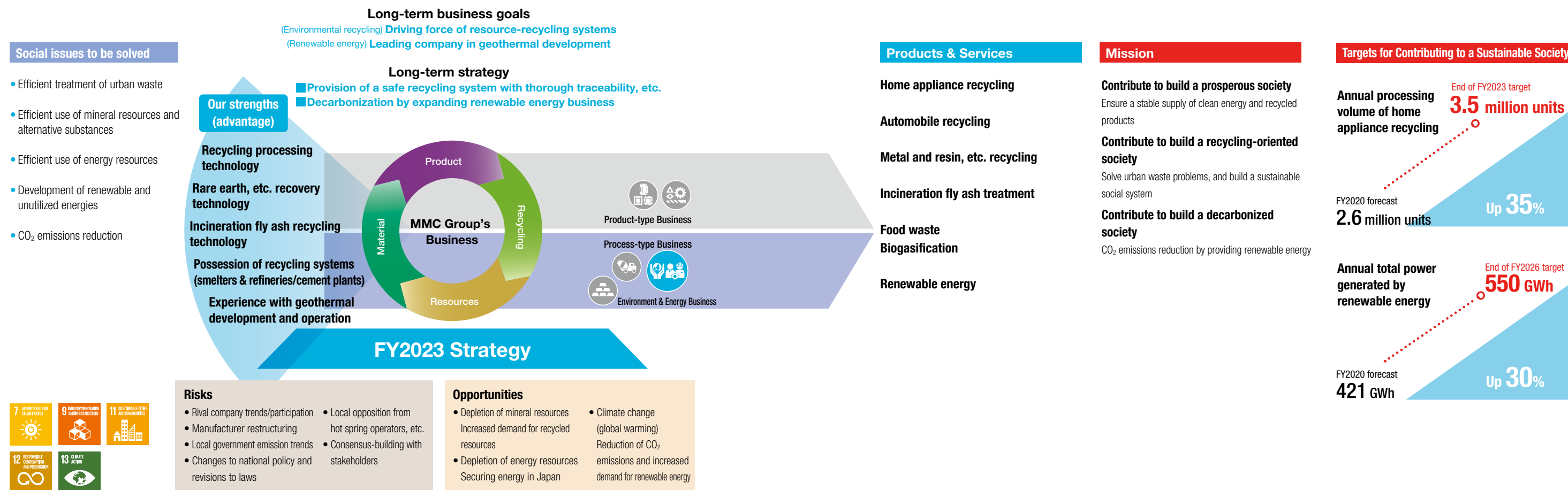
The Company will utilize this superiority to achieve sustainable systems, which are not based on landfill or incineration, via the synergy generated with the smelting and cement recycling system that the Group possesses. We also aim to utilize our technologies and expertise accumulated in the recycling business of used products such as home appliances and automobiles in order to build an advanced business model that maximizes circulation of resources from various types of waste and scrap. We aim to become a company that proposes and builds new societal systems in

the future, as a driving force of resource-recycling systems. In the field of geothermal power generation, we aim to become a leading company that utilizes and enhances the geothermal related technologies we have in surveying, construction, and operation in order to drive the industry with our performance, technical ability, and presence.

We are expecting to see privatization of waste processing systems due to the economic slump caused by COVID-19. We hope that we can accelerate the formation of a recycling-oriented society by proposing and building suitable systems for processing urban waste that incorporate our knowledge and technologies.

We believe that the next 10 years will be an important decade for the environmental recycling business and renewable energy business, as the values and morals of humanity head towards environmental conservation and the formation of a sustainable society.

**Shogo Yamaguchi**, Managing Executive Officer  
President, Environment & Energy Business Company





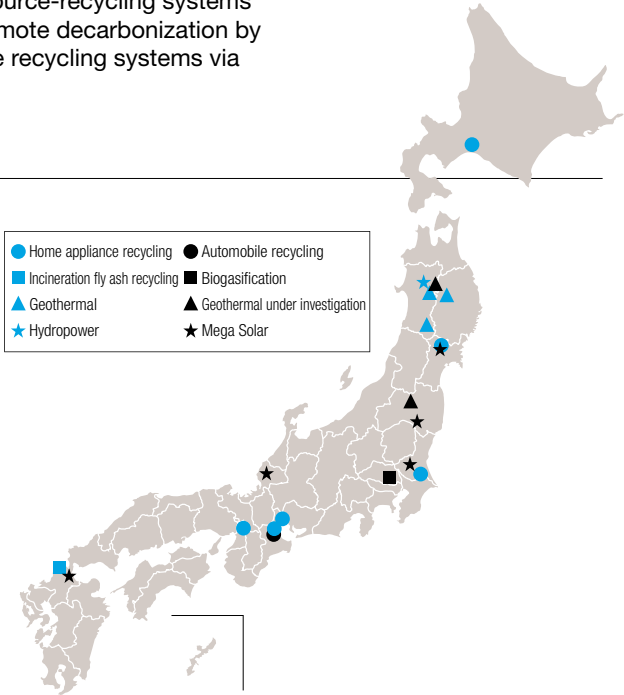
Environment and Energy Business

Enhanced competitiveness and expansion of environmental recycling businesses  
Completion of Komatagawa New Power Station, construction of Appi Geothermal Station, and survey of new geothermal sites

In order to achieve our goals of becoming a driving force of resource-recycling systems and a leading company in geothermal development, we will promote decarbonization by expanding the renewable energy business and providing reliable recycling systems via measures such as thorough traceability.

Environmental Recycling Initiatives

By making the most of the characteristics and functions of the materials company, we will aim to contribute to the construction of a recycling-oriented society by developing and expanding recycling business that does not rely on final disposal sites and can be trusted by stakeholders. In order to establish resource-recycling systems, we plan to build a system that brings our customers peace-of-mind by ensuring traceability in home appliance recycling, automobile recycling, incineration fly ash recycling, and food waste biogasification.



**Home appliance recycling**  
We are promoting a home appliance recycling business that can contribute to building a recycling-oriented society by achieving higher added-value of recovered materials, development of automation technologies, and appropriate recycling processing.



**Automobile recycling**  
As the electrification of automobiles continues, we will utilize our technologies and expertise accumulated in the home appliance recycling business to promote the automobile recycling business. We also work on developing LiB recycling technologies.



**Incineration fly ash recycling**  
The Company promotes a recycling business that desalinizes the incineration fly ash generated when household waste, etc. is burned to recycle it as material for cement.



**Food waste biogasification**  
(New Energy Fujimino Co., Ltd.: Scheduled to start operation in September 2020)  
The Company promotes a recycling business that performs biogasification (methane fermentation) on the food waste output from locations such as food factories and retail stores to generate renewable energy (electricity), and thereby achieve both the suitable treatment of waste and the supply of energy to society.

Renewable Energy Initiatives

Based on the management resources we have cultivated, we will expand the renewable energy business and contribute to the construction of a decarbonized society by providing a stable energy supply with a low environmental impact.

We will focus on geothermal development, and aim to be a leading company in Japan via efforts such as constructing a geothermal power station in Hachimantai City, Iwate Prefecture.



**Wasabizawa Geothermal Power Station (Yuzawa City, Akita Prefecture)**  
Operator: Yuzawa Geothermal Power Generation Corporation  
Started commercial operation in May 2019 (output capacity 46,199 kW)



**Appi Geothermal Power Station (Hachimantai City, Iwate Prefecture) (under construction)**  
Operator: Appi Geothermal Energy Corporation  
Scheduled to start operation in April 2024 (output capacity 14,900 kW)



**Komatagawa New Power Station (Kitaakita City, Akita Prefecture) (under construction)**  
Operator: Mitsubishi Materials Corporation  
Scheduled to start operation in December 2022 (output capacity 10,326 kW)



**Irigama Solar Power Station (Kurihara City, Miyagi Prefecture)**  
Operator: LM Sun Power Co., Ltd.  
Started commercial operation in January 2015 (output capacity 6,930 kW)



## Other Businesses (Aluminum and Affiliated Businesses)

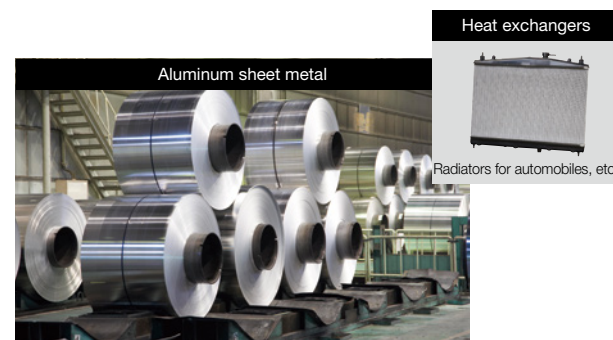
### Utilizing our technical strengths in aluminum to accurately identify the needs of society and create new added-value

Our Aluminum Business is comprised of the Mitsubishi Aluminum Group, which runs our rolled and processing business, and the Universal Can Group, which runs the manufacturing and sale of our aluminum beverage can business.

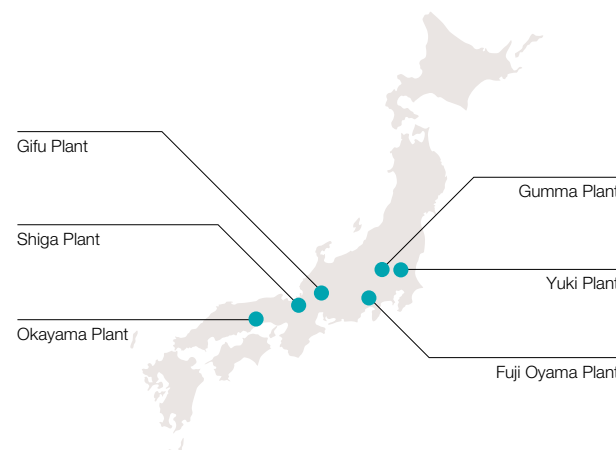
In our rolled and processing business, aluminum is expected to continue to grow due to its promise as a material that contribute to energy-saving through weight reductions in vehicles, and that can serve as a substitute for copper and other such high-priced materials. Mitsubishi Aluminum Co., Ltd. focuses its growth strategy on the exterior materials used in lithium-ion batteries for automobiles and is investing in its Fuji plant to improve productivity and profitability.

As to the aluminum beverage can business, demand for such is expected to shrink due to the declining birth rate and aging population in Japan. In spite of such a business environment, the Universal Can Corporation has contributed to the building of a recycling-oriented society through the utilization of used aluminum beverage cans as recycling materials, while leading the way in expanding the market ahead of its competitors, leveraging such advanced technical capabilities by introducing an aluminum bottle with outstanding resealing properties to the market early on. While competition with plastic bottles has also intensified in recent times, we will strive to create new added-value such as reducing the weight of aluminum bottles and developing new shapes and sizes of bottles.

#### ■ Mitsubishi Aluminum sheet metal for heat exchangers



#### ■ Manufacturing sites of Universal Can Corporation



#### Affiliated Business

In affiliated businesses, diverse group companies operate a varied range of businesses.

In addition to engineering and trading, the businesses are involved in the manufacture and sale of salt, as well as tourism at former mining sites.

Mitsubishi Materials Techno Corporation conducts comprehensive engineering from design to post-construction maintenance in a wide range of fields including nonferrous metal plants and chemical/pharmaceutical plants, both in Japan and overseas. It is also expanding its business over Japan with heat pump systems that utilize geothermal heat, which is one form of renewable energy.

Mitsubishi Materials Trading Corporation, the general trading company of the Mitsubishi Materials Group, handles a wide range of products and businesses, such as nonferrous metals, metal products, automotive parts, new materials, semiconductors, electronic materials, electronic devices, industrial machinery, micro-machined products, construction materials, and construction work, and also sells precious metal clay and fine gold cards manufactured at our Sanda Plant to end consumers.



Construction of a practical geothermal heat pump system (Tokyo Skytree)



Ellatzite Mine, where our mine drainage management technologies are in operation (Bulgaria)



Fine gold cards sold by Mitsubishi Materials Trading Corporation

## Corporate Strategy



### R&D and Marketing Strategy

Create new products and businesses to meet customer needs and wants via R&D and marketing based on Mega Trends, as well as collaborating with the incubation function of new businesses.

#### Long-Term Business Goals

- Options for business development are presented via R&D based on Mega Trends, and the incubation function for new businesses is actively utilized
- Marketing cooperates with research and development to create new products, businesses, and business models to meet customer needs and wants

#### Long-Term Strategy Goals

The following missions have been set in key fields.

- Carbon recycler for decarbonization
- Creator of IoT social infrastructure
- Supplier of lightweight/composite/advanced materials
- No.1 recycler of urban-mine resources

The Group will match core technologies with information collecting that gains an overview of Mega Trends, customer needs, and technology trends, and thereby creates new value. We will rejuvenate businesses and promote the optimization of its business portfolio. We will also enhance cooperation within the Group, promote marketing activities in promising new business domains, create new products and businesses, and maintain intellectual property.

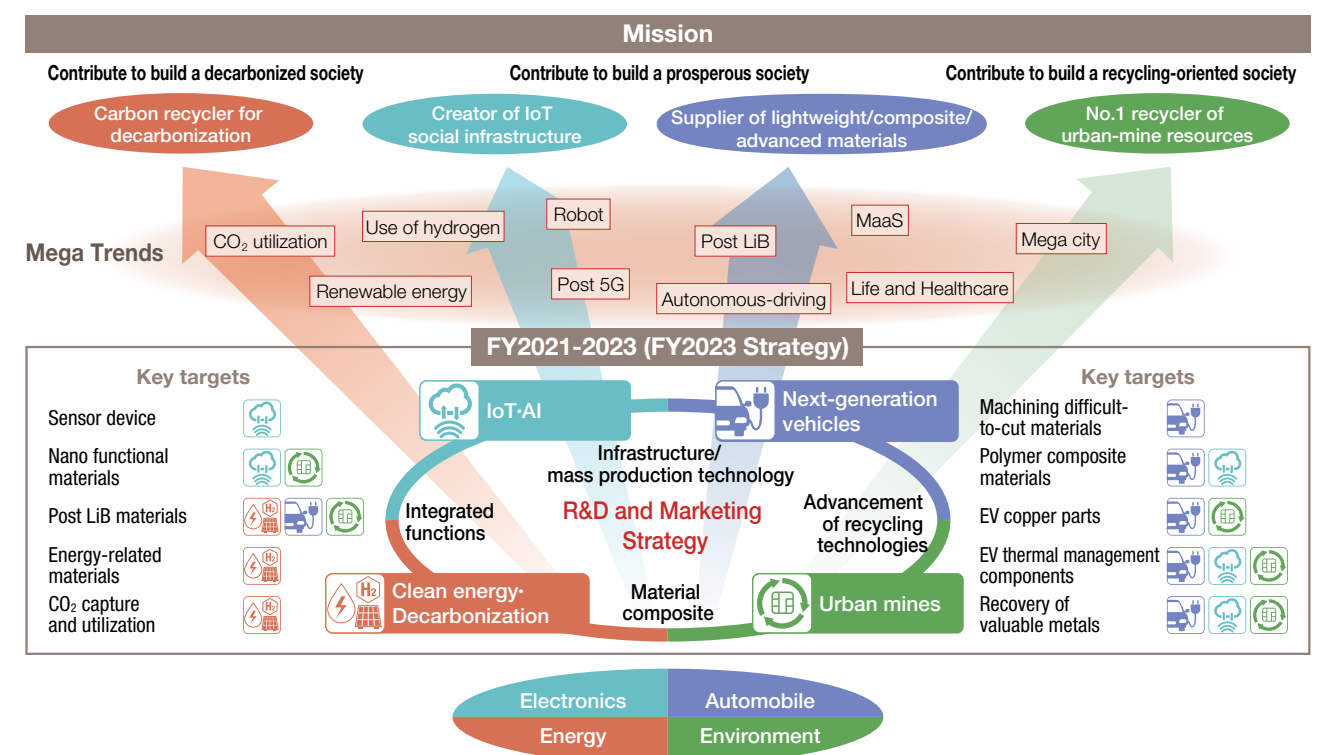
#### Projected Achievements at the End of Fiscal 2023

At the end of fiscal 2023, the results of organizational reform at the Central Research Institute will have been solidified, and we will be creating intellectual property related to new products and technologies via the generation of ideas, the implementation of systematic R&D, and advanced technical development. We will also build and promote a R&D/marketing system that has been expanded to cover new business domains and the peripheral fields of existing business domains.

#### Specific Measures for Fiscal 2021 to 2023 Medium-Term Management Plan

The Central Research Institute will promote the development of future businesses and the R&D of fundamental technologies across the Group. We will utilize basic technologies such as analysis/characterization and simulation, as well as material technologies centering on thin films and interfaces, metalworking and reaction processes, in order to develop new products and technologies ahead of changes to global needs and promote the creation of new businesses. We will also increase the frequency of patent applications, press releases, and conferences/academic paper publication.

The establishment of a new marketing department in the Corporate Strategy Dept. will enhance marketing functions, and aims to create new businesses in market domains seen as promising in the medium to long-term. The department will cooperate with new business divisions and business departments, define the direction of our medium to long-term business development, and aim for the efficient creation of new products and businesses.



## Corporate Strategy

## Manufacturing Excellence Strategy

Business divisions formulate a vision based on a business strategy and maximize utilization of the Group assistance function of corporate divisions to raise manufacturing capability to the next level.

### Long-Term Business Goals

Business divisions will constantly develop a vision for raising manufacturing capability and we will make the most of the Group assistance function of corporate divisions to achieve that vision.

### Long-Term Strategy Goals

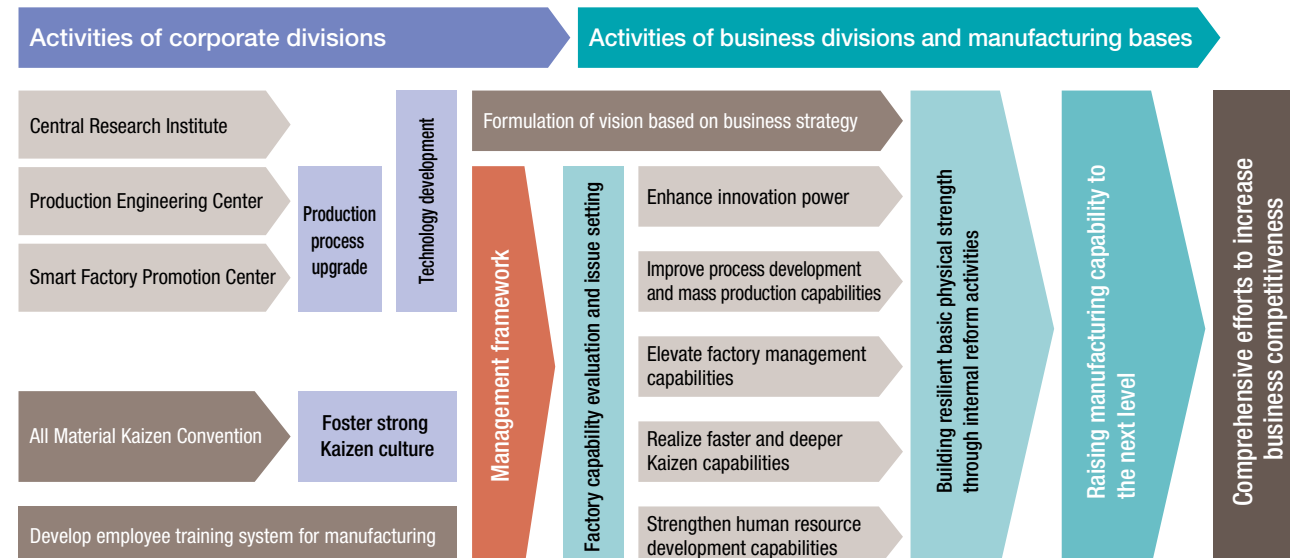
Business divisions will continuously develop a vision for raising manufacturing capability to the next level and make the most of the group assistance function of corporate divisions to achieve that vision. This will enable us to create manufacturing capabilities that are clearly distinct from competitor companies by utilizing our talent and technical resources both inside and outside the Group to swiftly solve problems.

### Projected Achievements at the End of Fiscal 2023

We will finish building resilient basic physical strength through internal reform activities and formulating a vision for raising manufacturing capability to the next level at our main plants, and steadily proceed with improvements. We also aim to finish enhancing the group assistance function of corporate divisions for material issues, lead multiple projects to success, and complete the provision of an environment that improves the problem solving ability of individuals.

### Raise manufacturing capability to the next level

- Formulation and realization of the factory vision based on its business strategy
- Enhancement of production process
- Proactive utilization of external knowledge



### Specific Measures for Fiscal 2022 Medium-Term Management Plan

We will establish a refined factory vision and goals that will guarantee effectiveness in achieving the medium- to long-term business goals. We will comprehensively review our manufacturing capabilities based on a company-wide unified management framework. Furthermore, we will continuously identify issues to achieve the goals to implement improvements, eventually aiming to raise our manufacturing capability to the next level. Regarding the advanced production technology development necessary for that purpose, we will utilize resources across divisions to promote early realization.

In addition, at the Smart Factory Promotion Center, which was established in 2019, we will focus on the development of image inspection equipment that uses AI to improve inspection accuracy and productivity. Furthermore, we are promoting a training program for young engineers to solve difficult problems in the field using a quantitative problem solving approach. We are also expanding the target employees to accelerate the development of human resources with a high level of problem solving ability.

## Corporate Strategy

## Quality Management Strategy

Establish “quality excellence” as corporate brand equity of the Group via “proactive quality management” initiatives to earn a good reputation from customers.

### Long-Term Business Goals

Establish “quality excellence” as corporate brand equity of the Group

- Optimization of the designs, machines, and manufacturing processes for more competitive process capability\* to raise the product quality level
- A good quality reputation for our products contributes to corporate differentiation and competitiveness

\*Process capability: The performance quality delivered by a production line/ process

### Long-Term Strategy Goals

The Group strives to establish “quality excellence” as brand equity of the Group as a long-term strategy. To do so, we will optimize the designs, machines, and manufacturing processes to raise our process capability and product quality in “proactive quality management” initiatives, by materializing designs, machines, and manufacturing processes which never cause non-conforming products, or in other words, shifting focus from resultant-factor control, which is based on the inspection result of finished products, to causal-factor control, which focuses on how to manufacture.

We believe that a good reputation for our products, which the initiatives will deliver, leads to differentiation and competitiveness for our business.

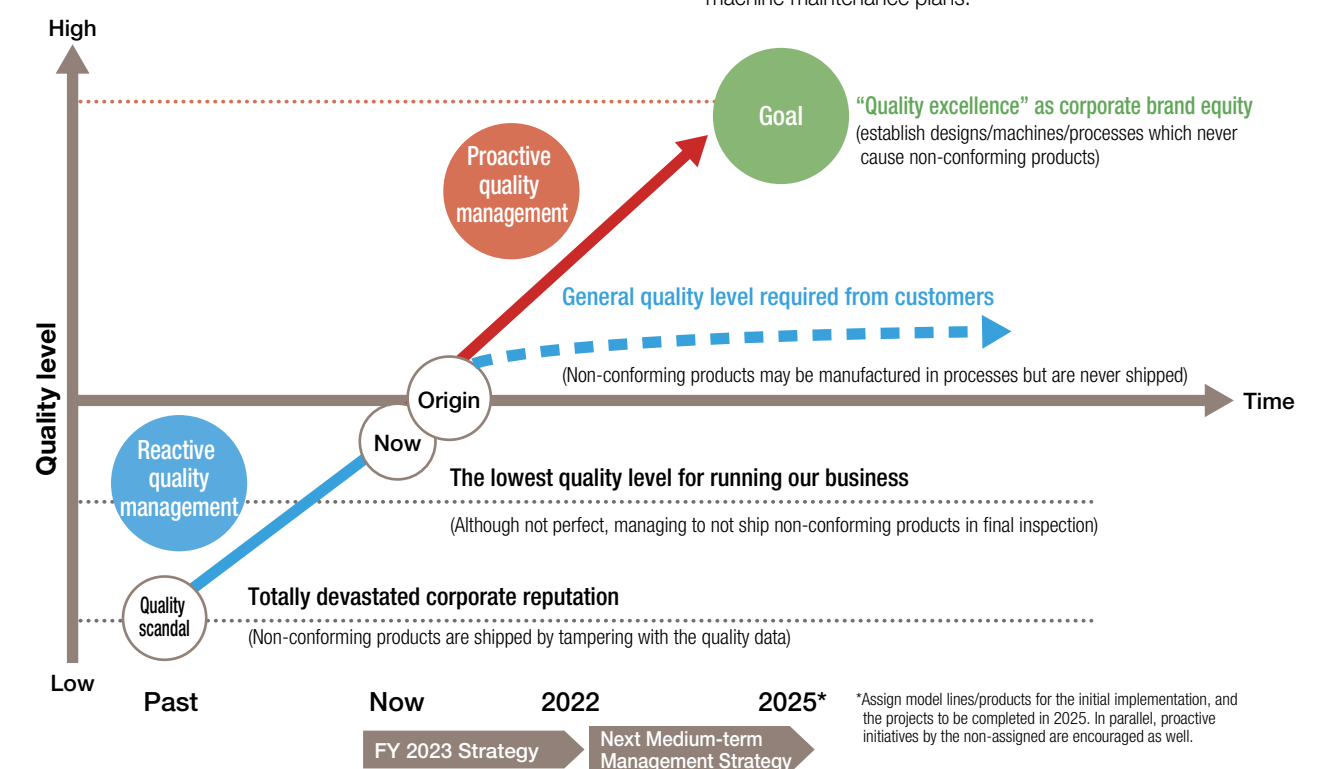
### Projected Achievements at the End of Fiscal 2023

By the end of fiscal 2023, we will complete the establishment of “reactive quality management” (resultant-factor control) and enhance initiatives that focus on “proactive quality management” (causal-factor management)."

### Specific Measures for the Fiscal 2021 to 2023 Medium-Term Management Strategy

The fiscal 2021 to 2023 Medium-Term Management Plan aims to create a system that will robustly prevent the release of non-conforming products by first implementing “reactive quality management.” To clarify the normal conditions for manufacturing, and to improve and maintain quality, we will review standardization. We will also review standards and principles of manufacturing technologies, clarify the rationales for specifications, and set values to optimize them. Additionally, in order to mitigate potential quality risks, we will review control for changes of human resources, machines, materials, and methods, and build a framework for monitoring quality trends and taking appropriate action before quality issues occur.

Next, in “proactive quality management” initiatives, we will work group-wide to materialize designs, machines, and manufacturing processes which never cause non-conforming products. This involves collecting data from the machines and manufacturing processes and finished product quality, and enhancing understanding on the capturing of process capability via a high-precision monitoring system that offers data visualization. Furthermore, in order to improve the overall process capability, we will utilize IoT and AI to understand the relationship between causal and resultant factors in data, and thereby maintain process capability and optimize product/process design and machine maintenance plans.



\*Assign model lines/products for the initial implementation, and the projects to be completed in 2025. In parallel, proactive initiatives by the non-assigned are encouraged as well.



## Corporate Strategy

## Digital Transformation (DX) Strategy

The Group will use Digital Transformation (DX) to strengthen three key pillars of business, which are “Business added-value,” “Business operations competitiveness” and “Management speed,” and thereby realize its goal of being a “leading company.”

### Long-Term Business Goal

A leading company that provides high value-added products and services via DX

### Long-Term Strategy Goals

We will actively promote DX and realize the following three pillars in order to provide services that further increase customer value based on market intelligence, in order to become a leading company that provides high value-added products and services.

- **Business added-value**  
Strengthen links with customers, enhance cooperation between manufacturing and sales, and achieve high-speed development and market release.
- **Business operation competitiveness**  
Utilize digital technologies such as IoT and AI to achieve proactive quality management and next-level manufacturing capability.
- **Management speed**  
Achieve both rapid management and governance enhancement via data sharing and utilization based on thorough digital transformation.

### Projected Achievements at the End of Fiscal 2023

We aim for data infrastructure to be ready for the entire Group and for data to be shared and utilized by the end of fiscal 2023. We also aim for core work to be made efficient and to achieve an organization that is heading towards total digital transformation.

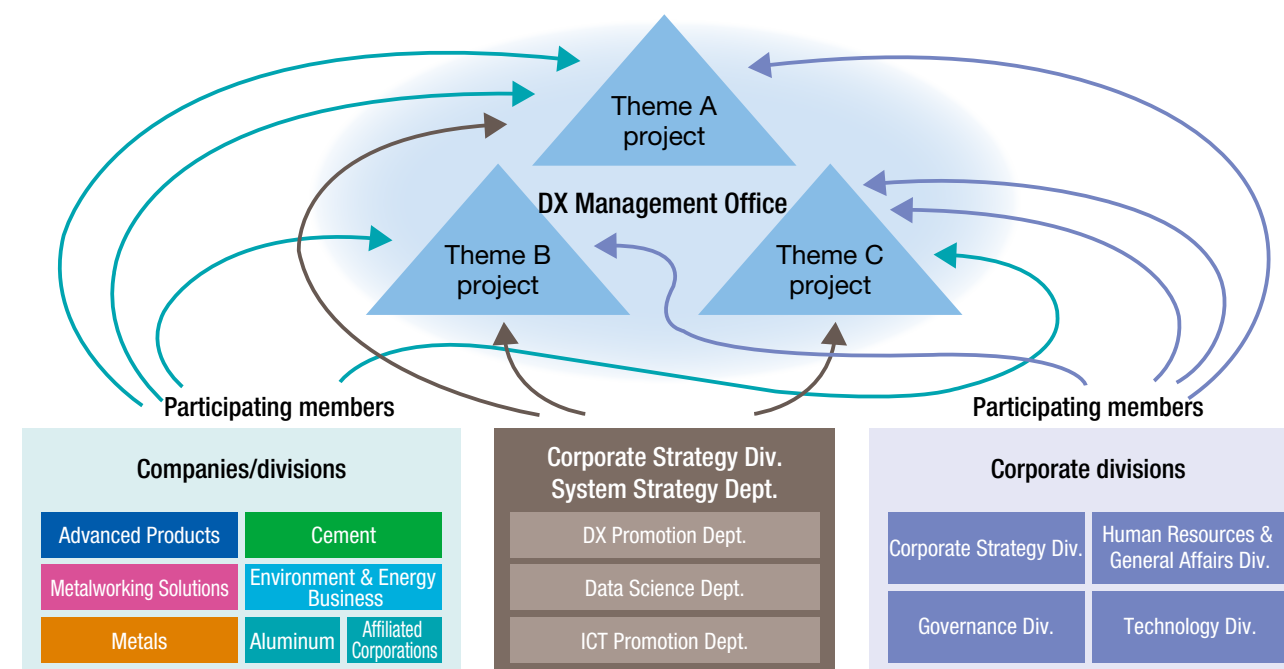
### Specific Measures for Fiscal 2021 to 2023 Medium-Term Management Plan

In order to achieve the projected achievements at the end of fiscal 2023, we will establish a Digital Transformation Management Office, appoint a Chief Digital Officer (CDO), and powerfully promote various measures. We will invest approximately 30 billion yen in the next five years, cultivate about 100 employees that specialize in digital transformation, and realize the DX implementation plan while considering a concept for data infrastructure.

We will also proceed with efforts to strengthen market intelligence and link manufacturing and sales, and promote the construction of data infrastructure and core work efficiency required to do so.

We plans to achieve corporate culture reform by continuing to promote measures for “Manufacturing Excellence” and “Quality Management Governance Enhancement,” as well as efforts for improving “Business added-value” according to the characteristics of the business.

### DX Management Office



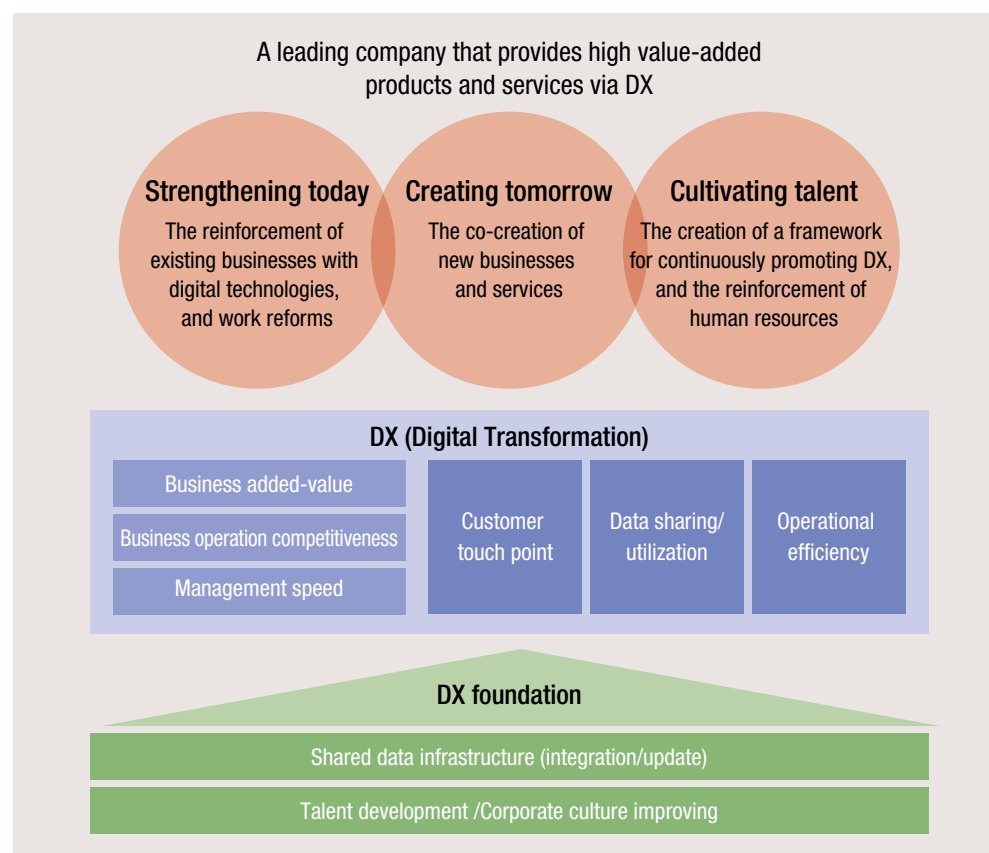
• Approx. 30 billion yen investment over the next five years • Approx. 100 digital professionals

### Long-Term Business Goal

A leading company that provides high value-added products and services via DX

### Mission of Digital Transformation Management Office

### Goals of DX



### Priority Areas for DX Initiatives

Mission	Aim	Priority areas (under consideration)
Strengthening today	Operational competitiveness	<ul style="list-style-type: none"> <li>Enhancement of market intelligence</li> <li>Agile development via the utilization of customer/sales data</li> <li>Digital marketing</li> <li>Enhancement of supply and demand management system</li> <li>Quality control/safety management</li> </ul>
	Management speed Improved Business efficiency	<ul style="list-style-type: none"> <li>Constant monitoring of management indicators</li> <li>Improvement of enterprise system</li> <li>Business efficiency</li> <li>Business standardization and digitization of manuals, etc.</li> </ul>
	Improved data infrastructure Data sharing / utilization	<ul style="list-style-type: none"> <li>Business intelligence and improved data infrastructure</li> <li>Promotion of existing data utilization</li> <li>Improved data analysis capability</li> </ul>
Creating tomorrow	Business added-value	<ul style="list-style-type: none"> <li>Enhancement of solution proposal capability</li> <li>Swift development of new materials/products</li> <li>Physical + digital services</li> <li>Enhancement of recycling business</li> </ul>
Cultivating talent	Talent development / Corporate culture improving	<ul style="list-style-type: none"> <li>Cultivation of DX human resources</li> <li>Digital mindset and improved literacy</li> <li>Visualization and utilization of human resources portfolio</li> </ul>

2020-2022  
DX Implementation  
Plan  
Formulated in  
the first half of 2020

## Corporate Strategy

## Human Resources Strategy

Based on the idea that human resources are the source of business competitiveness, the Group will focus on cultivating and utilizing human resources to aim to become a company where each and every employee can respond to change and experience growth and self-realization, while also forming a sound organizational culture that contributes to stronger Group management.

### Long-Term Business Goals

#### Talent:

The required human resources are secured and cultivated, the status of developing employee ability is visualized, and employee compensation is provided according to specialized ability and performance

#### Organization:

Group human resources strategies have infiltrated all Group companies and the Group considers human resource measures according to business characteristics and plans

#### Corporate culture:

Employees independently make decisions in their work and find their job worthwhile

#### Social value:

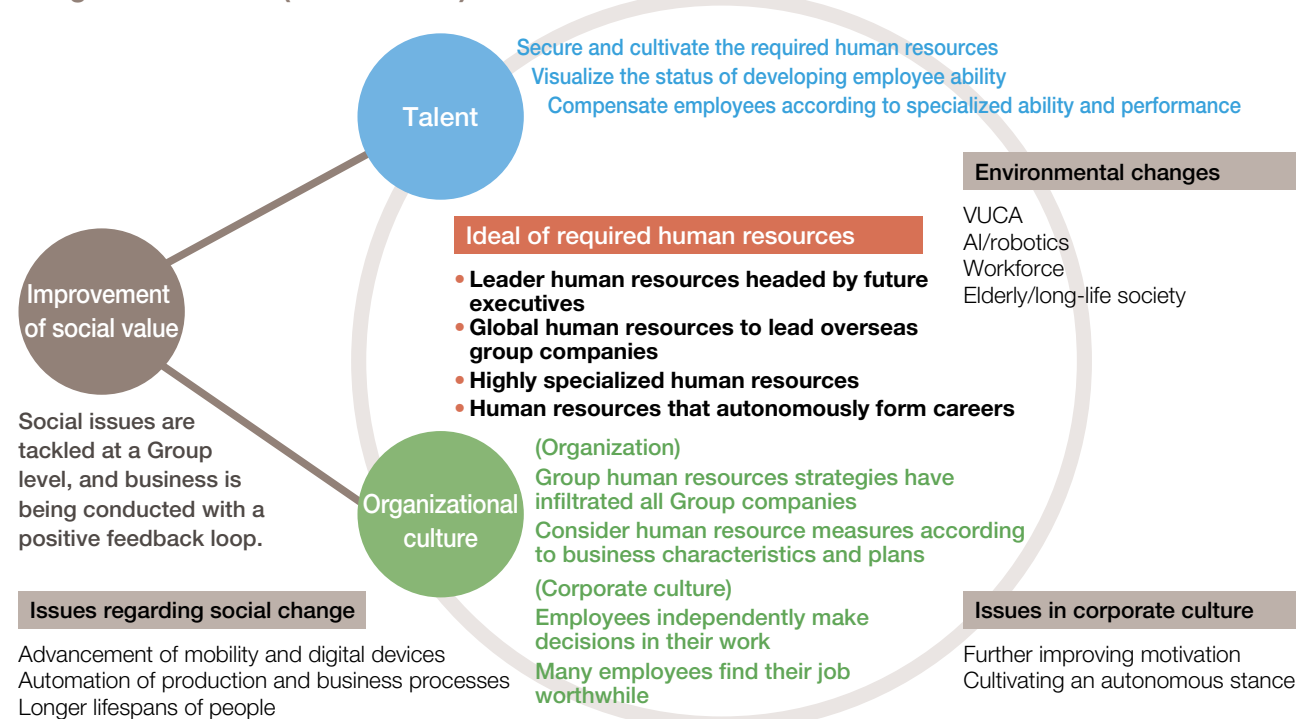
Initiatives are implemented at a Group level, and business is being conducted with a positive feedback loop

### Long-Term Strategy Goals

The Group will strengthen its management by securing and cultivating human resources that can respond to change and forming a sound organizational culture, while promoting continuous growth by deploying measures for the improvement of social value.

These measures will enable us to achieve our long-term business goals of talent, Organization, Corporate culture, and Social value.

### Long-term mission (2030 to 2050)



## Strengthening the Foundation

## Workplace Safety and Hygiene (Occupational Safety and Health)

### Safety & Health are given the first priority in business decisions made at the Mitsubishi Materials Group.

The MMC Group Code of Conduct states in Article 2: "We are committed to providing a safe and healthy environment for all our stakeholders." This commitment reflects our realization that we must preserve our employees' safety and health to enable them to provide their families with secure and happy lives, and to contribute to our effective operation and continued development as a company. In our SCQDE order of priority in business decisions, "S" (Safety & Health) is given the first priority.

### MMC Group Basic Policy on Safety and Health Management

- 1) We will carry out safety and health activities based on full participation from all employees, underpinned by leadership and initiative from the President and other managing personnel.
- 2) We will ensure that all employees comply with the Industrial Safety and Health Act and other applicable legislation, manuals and operating procedures, and establish a workplace culture whereby everyone follows the rules and ensures that others do too.
- 3) We will make every effort to create pleasant workplaces that are healthy for both body and mind, for all employees, through activities aimed at creating open workplaces and promoting health.
- 4) We will take preventive measures in accordance with Ministry of Health, Labour and Welfare guidelines on the prevention of work-related traffic accidents and improve road etiquette amongst all employees, in order to eliminate traffic accidents based on our commitment to promoting road safety activities as an example to society as a whole.

### Promotion of Safety and Health Activities

In 2014, an explosion at the Yokkaichi Plant took the lives of five employees of MMC and partner companies. Based on a strong determination to never allow such an accident to occur again, the Group launched the Zero Occupational Accident Project in 2014 for the goal of eliminating all serious accidents, and is now expanding and building a safety management system for the entire Group.

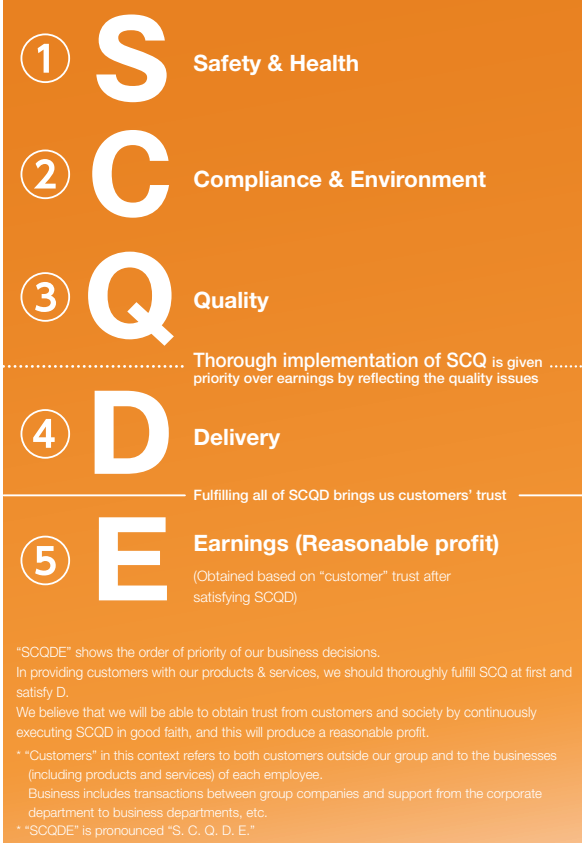
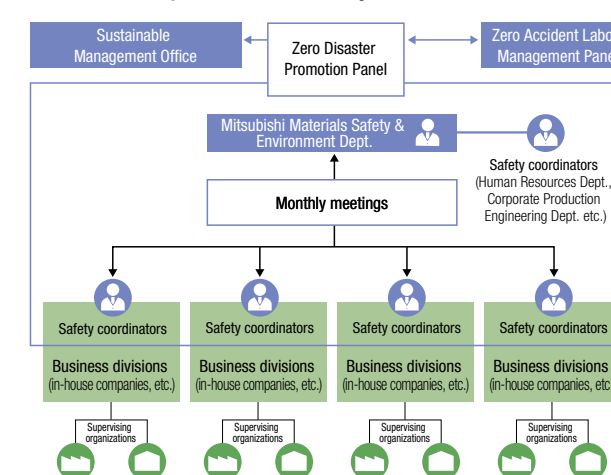
### Hazard Sensitivity Education

At the Occupational Safety and Health Education Center, Midori-kan located at the site of our Saitama Office (Saitama, Saitama Prefecture), we provide hazard sensitivity training (50 types of simulation equipment) and safety and health education. Portable virtual reality (VR) hazard simulation systems are also used to improve hazard sensitivity at the various business sites of the Group.

### Improving Employee Health Awareness

The Group promotes the enhancement of a company-wide health management system, based on the concept of health and productivity management, which considers employee health to be an essential management resource. We are creating mentally and physically pleasant workplaces by enhancing mental healthcare initiatives, preventing occupational diseases by improving the workplace environment, and promoting measures for maintaining and improving employee health.

### MMC Group Zero Accident System





## Strengthening the Foundation

### Compliance

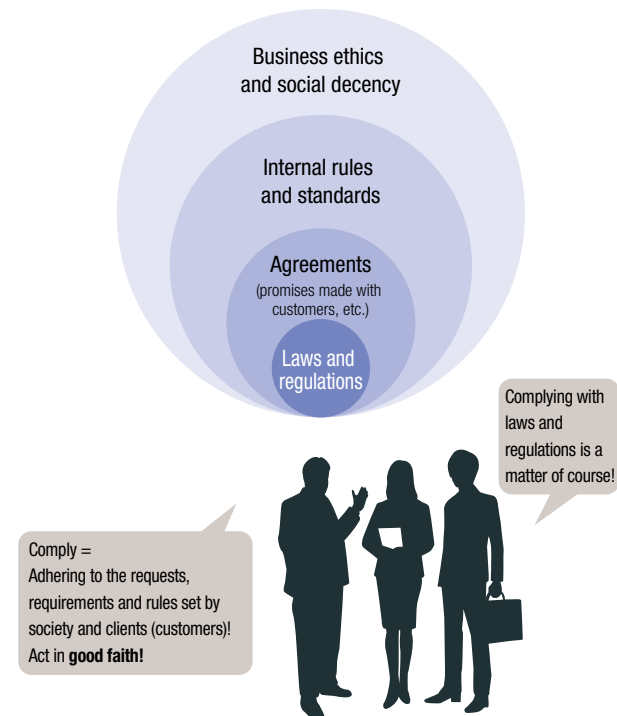
“Compliance” serves as a vital component of a company as the foundation for achieving sustainable development. Mitsubishi Materials implements measures for spreading and establishing an awareness of “compliance” as a means to fostering an ethical corporate and organizational culture.

#### Spreading and Establishing an Awareness of Compliance

Our broad view of compliance encompasses such elements as corporate ethics and social norms in addition to legal compliance, reflecting our sincere determination to live up to our stakeholders’ expectations.

We are continually implementing new measures to enhance our Group-wide compliance framework, including domestic and overseas training aimed at realizing our steadfast commitment to improving compliance awareness among individual Group employees. We will strive to continue these initiatives in an aim to further spread and establish an awareness of compliance.

#### ■ Approach to compliance in the Mitsubishi Materials Group



#### Activities Conducted to Raise Compliance Awareness.

Since 2006, the Mitsubishi Materials Group has recognized October as **Corporate Ethics Month**. During this month each year, a message from the President is posted on the Company intranet, and the various facilities and Group companies plan and conduct unique activities.

Recognizing the importance of establishing the Corporate Philosophy system among all our employees, we produce and distribute **booklets, posters, cards, Handbook for our group employees** and **collections of case studies** concerning compliance issues. The booklets, posters, Handbook for our group employees and cards are produced in 22 languages for sharing with employees worldwide.

The “**SCQDE**” was established in fiscal 2019 as a measure towards enhancing Group governance. SCQDE stands for “Safety & Health (S), Compliance & Environment (C), Quality (Q), Delivery (D) and Earnings (E).” Although each element is important in its own right, SCQDE outlines an order of priority for making decisions when executing business tasks, and is positioned as a supplemental policy to the Code of Conduct. We are working to spread awareness of the SCQDE through CSR training and communication workshops held by Managing Executive Officers, and by preparing and distributing posters and cards, etc.

We see our efforts toward building an organizational culture with good and healthy communication where employees have unrestricted communication as further enhancing Group governance, and preventing compliance violations. To this end, we are working to strengthen communication through the holding of dialog-based workshops and trainings.

We share the Group’s sense of crisis through small group compliance activities, moreover, in viewing all issues that arise as our own problems, we engage in opinion exchanges to raise compliance awareness and improve workplace communication.



Communication workshop held by the Managing Executive Officer

#### ■ Order of priority in SCQDE business decisions



An **investigation regarding corporate culture and compliance awareness** covering all employees was held in fiscal 2019, which will be continued on an annual basis as part of efforts to promote and monitor compliance-related initiatives.

#### ■ Results of the 4th investigation regarding compliance awareness, etc. (held in December 2019)

Points clarified with the 1st investigation	Points further clarified with the 4th investigation
While compliance awareness is on the rise, further work is needed in establishing specific rules and procedures, and making the employees aware of such	<ul style="list-style-type: none"> <li>• Almost all employees are constantly aware of the need for compliance in their work, and also understand rules inside and outside the company</li> <li>• A majority of employees feel that management efforts for enhancing compliance and training on CSR and compliance are sufficient</li> </ul>
While there was a sufficient level of understanding on the need to report and share information on compliance-related matters, many employees felt a degree of uncertainty and hesitation on this subject	<ul style="list-style-type: none"> <li>• Almost all employees understand the importance of reporting and sharing information on compliance</li> <li>• On the other hand, around half of the employee base continues to feel uncertainty and hesitation about reporting and sharing information</li> </ul>
There is a need for further improvements to workplace management and communication, in addition to measures for enhancing compliance already in place through office organizations	<ul style="list-style-type: none"> <li>• A majority of employees feel that their workplace has an atmosphere that makes it easy to ask questions and think that communication is sufficient</li> <li>• Many employees feel that their superior understands their own work, but many others still feel that there is work in the workplace that is only understood by the specific people in charge of it</li> <li>• Overall, respondents not in management positions had a higher rate of negative responses, suggesting that penetration is insufficient among such employees</li> </ul>

[Investigation respondents] All employees of Mitsubishi Materials Corporation and 69 Group companies  
[Response rate] 87%

#### Expanding and Reinforcing Compliance Education

We provide CSR education and training with a special emphasis on compliance for Mitsubishi Materials Group employees in Japan and overseas.

We have constructed a framework that enables every employee in every domestic Group company to participate in CSR training once a year. To accomplish this, we have been training instructors to provide CSR training for both our Corporate and Group companies since 2012. Employees responsible for promoting CSR activities at our individual facilities and Group companies serve as instructors for the training.

We invite outside experts to give lectures on CSR and compliance to members of management in the Group. Since 2018, Company management has been providing training to members of management at Group companies to help them understanding the responsibilities, duties and roles that executives must fulfill in relation to governance and compliance, and to foster an awareness and acquire the means to achieve this.

We are reviewing the content of overseas CSR education and training while taking into account the circumstances at hand in each region, and in fiscal 2019 we introduced online “WEBINAR” training courses in addition to group training at overseas management companies, streamlining training over a wide range of regions. Special preliminary and global human resources training courses are organized to provide employees assigned overseas with training in CSR-related issues, including conflict minerals, human rights in emerging countries (such as child and forced labor), regulations concerning competition in the respective countries and overseas anticorruption measures.

We make proactive use of visiting instructors and e-learning in our training programs organized to enhance compliance awareness among employees both in Japan and overseas.

#### In-House Reporting System

We established an Internal Contact Office in December 2002 in Japan as a consultation service to handle reports and inquiries from employees of Mitsubishi Materials Corporation and its Group companies. Since January 2020, we have contracted an external vendor to run the “Mitsubishi Materials Group Employee Hotline” for reports and inquiries, as well as preparing a response system at Group companies to ensure that we can appropriately respond to reports and inquiries and strengthen our ability to respond. We also established a contact office for Members of the Audit Committee in June 2018 to contribute to work performed by the members of the Audit Committee in detecting incidents, such as the series of quality issues, and initiating corrective measures at an early stage. Contact information for these reporting systems is printed on cards for employees of the Mitsubishi Materials Group to keep on their person and made available on our Group newsletter and through our CSR education and training activities. Steps are also being taken toward introducing an Overseas In-House Reporting System to aid in promoting a sound governance and compliance framework by contributing to the early detection of embezzlement, law violations and other illicit activities, or activities thought of as such, at overseas Group companies.

#### ■ Numbers of reports and inquiries received through the In-house reporting system (FY)

2015	2016	2017	2018	2019	2020
24	33	38	41	61	58

## Strengthening the Foundation

### Risk Management

We are working to improve our sensitivity to risk and our risk control capabilities to ensure the stable operation of business. Further, as part of efforts to enhance the Group governance system, we are reviewing conventional risk management mechanisms to build a new risk management system that achieves better effectiveness and more reliable results, which is applied in efforts to reduce risk at Group business sites both in Japan and abroad.

#### Risk Management Activities

##### Basic Perspective

The Group conducts risk management activities aimed at controlling factors that could exert a negative impact on our business performance and providing steady support for sound business operations throughout the Mitsubishi Materials Group. To assure achievement of these goals, we are conducting activities under the following three basic policies:

##### Basic Risk Management Policies and Objectives

- |                                       |  |
|---------------------------------------|--|
| 1. Responding to high priority risks: | Prioritizing risks and implementing measures accordingly                         |
| 2. Identifying unrecognized risks:    | Using risk management records to establish a comprehensive overview of all risks |
| 3. Sharing risk information:          | Disclosing the details of Group risks to all concerned parties                   |

##### Implementation Structure

While critical risks inherent to each field of business are identified by individual business divisions, the Group identifies serious, high priority risks at a management level which share a high degree of commonality and priority across the Group, and are thought to have a severe impact on the business management of the Group.

The matters and plan for addressing critical risks given priority across the whole Group, and critical risks tackled by each business division, are discussed at length by the Company's Sustainable Management Office, Executive Officers' Meeting and Board of Directors, and set on an annual basis. Each business site formulates activity implementation plans in accordance with this, which then undergo review by the Governance Deliberative Council, before being applied as part of measures to reduce risk.

A structure is in place by which the content of these activities is shared with members of management and corporate divisions, and the progress of which is monitored on a regular basis by the Sustainable Management Office, Executive Officers' Meeting, the Board of Directors, internal audits and the Committee for Monitoring of Measures to Enhance Governance, which is comprised of External Directors. Additionally, information on risks identified as part of risk management activities is provided as materials for internal audits, and a system is in place to have risks indicated through audits, etc. added as needed as subjects for risk management, making for a strict PDCA management system on the whole.

With regard to training, we are striving to boost our sensitivity to risk and enhance and raise the bar concerning our risk control capabilities by implementing training sessions featuring both internal and external consultants that are held both in Japan and abroad.

#### New Risk Management System

##### Points of Improvement

As part of Group Governance Framework Enhancement Measures in fiscal 2019, we reviewed conventional risk management mechanisms in order to further improve risk management effectiveness, building a new, enhanced risk management system that is being rolled out across the Group both in Japan and abroad in fiscal 2020 onwards. From fiscal 2021, we are improving the convenience of functions for visualizing risk information and making improvements for smoother communication between the parent and subsidiaries.

##### Main areas of improvement in the new risk management system

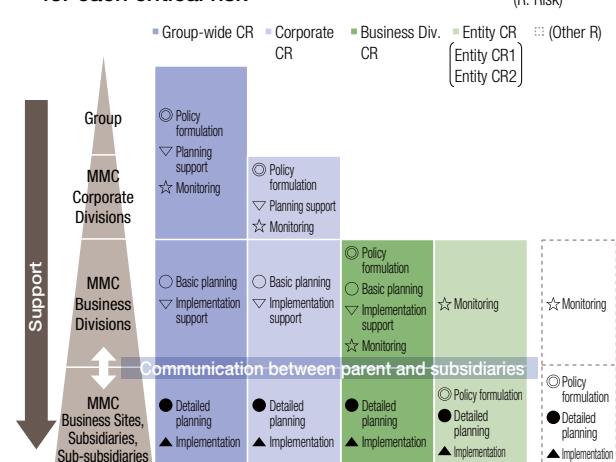
- (1) Identifies critical risks without fail, and facilitates the implementation of focused measures
- (2) Visualizes the state of risks Group-wide, and enhances risk portfolio management and monitoring
- (3) Clarifies the roles and responsibilities of core management, corporate divisions and companies and other business divisions by business site
- (4) Enhances dialog and discussion on critical risks between the parent company and subsidiaries, and provides an appropriate support for business sites

##### Activating of Parent-subsidiary Discussion and Support Regarding Risk Countermeasures

Critical risks are classified into four categories according to the attributes of each, with roles and responsibilities set concerning the means of involvement at each level (management level, corporate division, company and other business division, business site).

In an effort to ensure that all critical risks are addressed without fail, a system has been established that allows for business sites to receive a sufficient support - following consultations with the parent company and overseeing business division, and corporate divisions specializing in the area of risk at hand—if the application of measures addressing risks proves particularly difficult for an individual business site alone.

##### Roles and responsibilities according to level for each critical risk



##### Enhancements to Risk Portfolio Management and Monitoring

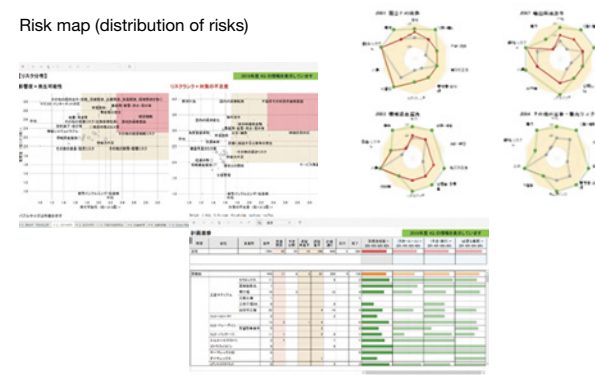
Monitoring risk information is made easy by taking steps to visualize risk conditions and the progress status of risk reduction efforts. We are working to promptly and accurately determine where to prioritize deploying management resources to address risks, and the level to which risks can be reduced, etc., by mapping out the risks possessed by the business operations of the Group.

Further, monitoring the progress status of risk reduction efforts in an integrated manner has made it easier to identify delays, and facilitates prompt and appropriate response to risks.

From fiscal 2021, we have upgraded this tool to make it easier to use and have enabled information on critical risks to be shared throughout the entire Group. This will enable us to improve the level of management and make it easier to horizontally deploy good practices of risk countermeasures across the Group.

##### Visualization of risk information

Risk map (distribution of risks)



#### Crisis Management Activities

##### Basic Perspective

We are striving to strengthen our crisis management systems to facilitate prompt, accurate responsiveness to emergency situations, including natural disasters, accidents, terrorist attacks and pandemic events. Besides operating crisis management related rules that apply to the entire Group, we formulate business continuity plans at all our consolidated subsidiaries in Japan and overseas, with the aim of minimizing the impact on customers of any crisis that might occur through swift restoration and continuation of operations.

We also receive the latest global information on crisis

management and expert advice from an external consulting company, and have established a system that enables employees dispatched overseas and stationed regionally to receive advice on action to take in the event of an emergency, as well as direct safety assurance services and medical services. Other efforts include the deployment of a safety guidebook that considers the risks faced by each country and region, and the implementation of security checks in countries and regions deemed particularly high risk.

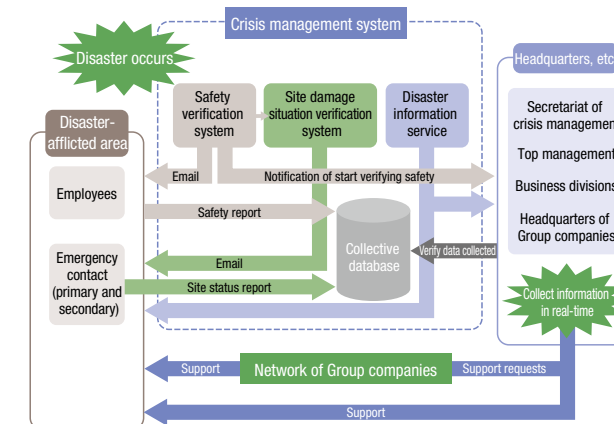
From fiscal 2021, our Crisis Management Activities will now include serious operational risks such as quality scandals, business legal violations, information leaks, cyber attacks, and breaches of trust, in addition to natural disasters, accidents, acts of terrorism, and pandemics, etc., which were already covered by the activities. To ensure that the system can respond to a wide range of crisis situations, it defines how to respond to each type of crisis situation, clarifies roles and responsibilities, and provides a framework that organizes the items to handle on a timeline.

##### Implementation of a Crisis Management System

The Group implemented a crisis management system in January 2019 both in Japan and abroad in order to help quickly establish an understanding of the safety of employees and the scope of damages at business sites, and to share this across the Group, should a disaster or another state of emergency occur.

This has made it possible to initiate a prompt and adequate initial response, and has also allowed us to leverage the Group network to provide support, etc. from sites nearby disaster-afflicted areas.

##### Crisis management system





## Strengthening the Foundation

### Risk Management

#### Preventing COVID-19 Infections and Ensuring Business Continuity

##### Basic Policy

The Group implements various measures under a common group policy to prevent important business from stopping, which prioritizes the prevention of employee infections and the prevention of the spreading of infections at business sites and in the local community.

1. We will make every effort to prevent infections and the spread of infections in order to prioritize the health of employees and the safety of the workplace.
2. We will conduct business activities according to the requests and instructions of national and regional government, and each of our employees shall act with awareness in their personal lives.
3. We will continue our business to ensure the production and supply of products that support society and prevent interruptions to our recycling business, and thereby meet the demands of our customers and society.
4. We will take efforts for responding to COVID-19 as an opportunity to implement workstyle reforms, and improve productivity.

##### Task Force

When the spread of infections was recognized in China in late January this year, the Group established a task force at the head office, which promotes unified handling across the Group. The task force formulates preventative measure guidelines and group action policies according to the status of the pandemic around the world and deploys them to all business sites, centralizes information on the health of employees, the situation and policies/regulations of various countries and regions, impact on business sites, and impact on the supply chain, etc., shares that information with top management, and conducts monitoring to ensure that the Group can handle changes to the situation swiftly and appropriately.

##### Measures for Preventing Infection and the Spread of Infection

The Group implements various measures for ensuring the health of all employees and maintaining workplace safety in Japan and overseas, as well as preventing the spread of infection in the various regions where we conduct business.

1. Dissemination of infection prevention measures in the workplace and thorough health management of employees.
2. Dissemination of the procedure to follow when an individual is infected or suspected to be infected.
3. Full-scale operation of working from home at offices, restrictions on using public transport, and utilization of satellite offices.
4. Restrictions on business trips, meetings, and events, and promotion of remote meetings via the Web.
5. Evacuation of employees stationed overseas, depending on the regional status of the epidemic, movement restrictions, standard of medicine, and state of medical services, etc.

##### Business Continuity

In order to continue the production and supply of products that support society and important businesses such as the recycling business, and thereby meet the demands of our customers and society, the Group is implementing various measures according to the situation of the pandemic and requests from national and regional government, based on business continuity plans for each of our business sites.

1. The functions of the Tokyo head office were moved to suburban offices. (Returned in June)
2. Offices continue business upon identifying important work, having all employees work from home in principle, and limiting office attendance to the minimum BCP members.
3. Production sites identify the important work to continue and implement a system for doing so based on multiple scenarios that take into account employee commute restrictions and operation restrictions due to the spread of community infections.
4. Enhance the supply chain by decentralizing the suppliers of raw materials, outsourcers, diversifying distribution routes, and enhancing cooperation with customers.

##### Resilience

In order to respond to major changes in the business environment and business structure and the severe impact to the real economy that is expected to have long-term consequences, the Group is implementing various measures for increased competitiveness, such as further enhancing cooperation with markets and customers, migrating to new work styles such as teleworking, improving management speed via digital transformation, and rebuilding business models.

In June 2020, we established the “Corporate Functions Optimization Panel” in the Sustainable Management Office. The panel has been given the mission to enhance the motivation and ability of employees by pursuing an efficient and highly productive work style that is not necessarily bound by the conventional labor practices at the head office.

## Strengthening the Foundation

### Climate Change

The Mitsubishi Materials Group will actively promote reductions in CO<sub>2</sub> emissions and provide products, services and technologies that lead to solving issues related to climate changes in order to contribute to the building of a decarbonized society.

##### Initiatives for Climate Change

There is no longer any doubt that global warming is caused by greenhouse gas emissions from human activities. The amount of damage caused by storms, floods, droughts and other extreme weather events is increasing, and the scale of the damage is growing. There is also a growing sense of crisis regarding the risk to the global economy.

At the Mitsubishi Materials Group, we are carrying out initiatives for reducing CO<sub>2</sub> emissions by setting targets for individual facilities in accordance with our Environmental Policy. We are also assessing and controlling risks and opportunities related to climate change.

Physical risks related to climate change at each facility, including water risks associated with acute and chronic risks of disastrous extreme weather events such as superstorms, floods, storm surges, or drought, are covered by the risk management activities of the Group.

With respect to transition risks, any tightening of regulations on greenhouse gas emissions (including emissions trading schemes) could pose a financial risk to all of our businesses. Above all, our cement business is expected to face considerable financial risk because the business not only produces CO<sub>2</sub> through its use of energy sources, but also produces CO<sub>2</sub> emissions through the thermal decomposition of limestone, the main raw material in cement production.

At the same time, however, demand for technologies, products, and services that will help to save energy and reduce CO<sub>2</sub> emissions is expected to increase, which could create more business opportunities. In the Mitsubishi Materials Group, we are taking initiatives such as the development of materials, products, and technologies that contribute to decarbonization, the development and promotion of the use of renewable energy such as geothermal power, participation in projects pushing forward demonstration experiments or studies into suitable locations related to CO<sub>2</sub> capture and storage, and activities to preserve the forests we own.

##### Support for the TCFD

In March 2020, the Mitsubishi Materials Group decided to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board, and to participate in the TCFD Consortium, which consists of companies, financial institutions, and other organizations that support those recommendations. We will continue to disclose information proactively in accordance with the TCFD recommendations, through the assessment and control of the risks that we face and opportunities related to climate change, and by considering the reflection of risks and opportunities in our medium- to long-term management strategy and risk management.



##### Governance

In April 2019, we established the Sustainable Development Department under the Corporate Strategy Department to plan and promote strategic initiatives on risks and opportunities related to global warming by linking them with a company-wide management

strategy. In addition, the Climate Change and Energy Panel, a dedicated subcommittee under the Sustainable Management Office that was established in April 2020, is considering scenario analyses based on the TCFD recommendations, setting greenhouse gas emissions reduction targets, advancing consultations, sharing information, and furthering other activities related to climate change. The results of the monitoring of this panel's activities are to be reported at the Executive Officers' Meeting and Board of Directors' Meeting on a quarterly basis, after being reported to and deliberated on at the Sustainable Management Office.

##### Initiatives for Water Risks

###### <Water-Related Management>

The vast majority (approx. 91%) of the water we use at the Mitsubishi Materials Group is seawater used as cooling water. Usage of fresh water (such as industrial water and groundwater) is relatively low. However, because a shortage of fresh water may affect our business activities, securing the necessary quality and amount of water is essential for the business operation of the Group. We have also considered the seriousness of the water-related problems that have occurred frequently in recent years, such as flooding caused by typhoons or torrential rains, and the great impact of these problems. We manage the risks related to these problems accordingly.

We implement measures for reducing water risks at individual facilities. To secure water resources, we save water through measures including the recycling of water, the introduction of equipment with low water consumption, and the renovation of equipment to reduce water consumption. To mitigate the risk of flooding, we take initiatives including the elevation of buildings, pumps, and electric equipment, the installation of drainage pumps, and the implementation of disaster drills for high water events. We also take measures to prevent abnormalities in the quality of the effluent from our facilities and to prevent water quality accidents. These measures include the management of effluent under our own standards that are stricter than official laws and regulations, as well as the introduction of sensors that detect abnormal water quality and a system that stops water discharges automatically.

###### <Aqueduct water risk assessment>

We conducted risk assessments at our manufacturing facilities in fiscal 2020 using Aqueduct, a water risk assessment tool developed by the World Resources Institute (WRI). We also conducted hearings concerning items related to water risk at each facility to find out details such as incidents that had occurred in the past and measures for reducing risks that had been taken at each facility. We found that we have overseas facilities located in areas with a high level of risk relating to water resources, flooding, or water quality, as well as facilities in Japan located in areas that have a high risk of flooding. With that said, based on what we learned in the hearings, we judged that there was no need for significant concern, because no water incidents had ever occurred, or because measures for reducing the risks had been taken individually at facilities that were judged by Aqueduct to be high risk.

Moving forward, we will consider the information on the water usage and water pollutant load of each facility that we have obtained, and continue to pursue assessment methods that are suitable for the Group's businesses and apply them to reduce water risks.

## Strengthening the Foundation

### Environmental Management

The Group is committed to protecting the environment and to pursuing effective use and recycling of resources based on our Environmental Policy, and seeks to prevent pollution in the vicinity of our business operations and to develop various activities as part of our efforts to create a decarbonized society.

#### Environmental Policy

The Group is committed to protecting the environment and to pursuing effective use and recycling of resources based on the following Environmental Policy. We also promote efforts to prevent environmental pollution in regions where we conduct business and tackle issues regarding the global environment.

#### ■ Environmental Policy

Based on our Corporate Philosophy “For People, Society and the Earth,” we recognize the importance of environmental protection on a global scale and strive to contribute to the creation of a sustainable society through our business activities.

As a comprehensive materials manufacturer, with operations ranging from cement, metals and metalworking through to electronic materials and components, we supply many of the basic materials and products that are essential to our industrialized society. Indeed, our materials and products are widely used in many aspects of daily life.

Whereas operations within the materials industry inevitably have a high environmental impact at the manufacturing stages, they also present opportunities to effectively harness and recycle resources through initiatives at the waste processing and recycling stages.

We take the environment into consideration in everything that we do and are committed to environmental management, capitalizing on the nature of our operations to strike a balance between business and the environment. With that basic philosophy in mind, we are determined to do our bit to help create a recycling-oriented society that has a low impact on the environment, through strict legal compliance and operations such as supplying and recycling essential everyday materials and products.

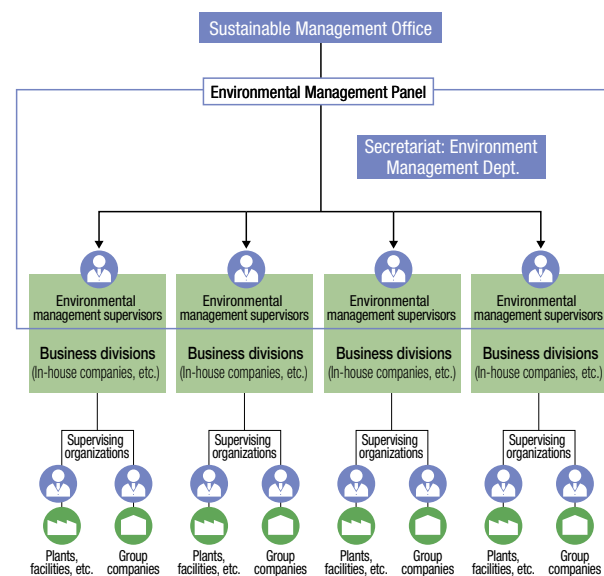
1. Promote environmental management
2. Reduce environmental impact
3. Contribute to creation of a recycling-oriented society
4. Preserve biodiversity
5. Help to create a low-carbon society
6. Coexist with local communities

#### Environmental Protection

##### <Environmental Management System>

The Group has established an environmental management panel as a specialized subcommittee of the Sustainable Management Office, which plans and executes environmental measures across the the entire Group. Environmental management supervisors are appointed at each business site, and strive to prevent pollution and ensure compliance of laws and regulations related to the environment, based on close cooperation with the Sustainable Management Office at the head office.

#### ■ Environmental Management System



##### <Environmental Management Activities>

The various business sites of the Group operate an environmental management system such as ISO14001 to ensure legal compliance and promote continuous activities for improving environmental performance. In order to ensure that the managers that promote these activities have the required knowledge on environmental technologies and laws and regulations, we developed and adopted an environmental education program and a legal check system required for daily management.

Furthermore, in order to respond to the various environmental issues faced by our business sites, we have also established a consultation desk run by staff specializing in the environment at the head office, which provides detailed support and shares useful information for responding to environmental issues with the head office and other business sites to enable horizontal deployment.

Since the Group is promoting the use of recycled materials, particularly in the copper smelting and refining business and cement business, managers and staff specializing in waste management are appointed at each business site in order to implement proper waste management and ensure compliance with waste-related legislation, based on unique operation rules and education about laws and regulations.

## Strengthening the Foundation

### Abandoned Mines

The Group owns mines around Japan, including limestone, coal and nonferrous metal mines, but operations at all of our nonferrous metal mines have now been suspended or abandoned. At these abandoned mines, we promote appropriate maintenance and management from the perspective of safety and the environment.

#### Management of Abandoned Mines

We are a company with its origins in the mining industry, and the Group owns a wide range of mines around Japan, including limestone, coal and nonferrous metal mines, such as copper, lead and zinc mines. Operations at all of our non-ferrous metal mines have now been suspended or abandoned. The following controls and management programs are currently in place at 21 abandoned mines in 14 locations.

- Management of tailings dam (sites used to store waste-rocks from mining of ore minerals, slag and precipitation sediment generated by from mine drainage treatment)
- Maintenance of old mine workings (mining levels, drifts and drainage tunnels) and implementation of safety measures at disused adit mouths and subsidence sites
- Treatment of acid mine drainage containing heavy metals from the above sites

We continue to preserve and maintain sections of mining levels in some abandoned mines as cultural heritage sites or tourist facilities to exhibit their former conditions and preserve historical mining technologies for future generations.



Pit waste water treatment plant at the Yatani Mine (completed in fiscal 2020)

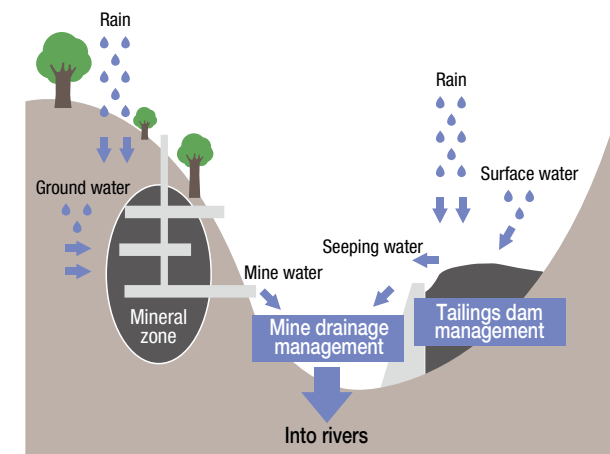
#### Facility Upgrading and Environmental Countermeasures for Abandoned Mines

Since 2015, our Group has been implementing responses to deteriorating natural disasters and other risks by conducting protective construction to guard against contamination and other threats, reinforcing tailing dams to prevent uncontrolled release



Reinforcement work by soil stabilization at the Ikuno Mine Tailings Dam

#### ■ Overview of Wastewater Treatment in Abandoned Mines



of slag and sediment in the event of major earthquakes, reducing wastewater at the source and upgrading aging facilities. By fiscal 2019, we had completed appropriating an environmental countermeasure reserve for work expenses.



Contamination containment work by slope seeding called Chip-crete at the Komagi Mine

#### Human Resource Cultivation

Technicians with nonferrous metal mining technology are retiring and aging, resulting in a steady decline in personnel. In order to continue to sustainably manage abandoned mines, we are aggressively training young workers with little mining experience, and setting up a variety of educational programs for managers and workers of abandoned mines and working to pass on and teach technology with the guidance of experienced technicians.

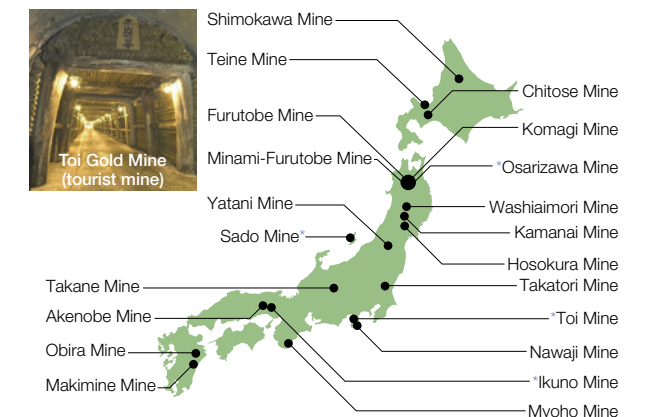
#### Joint Industry-academic Activities

Beginning in fiscal 2018, we have been introducing an endowed course named “Laboratory of Resources Environment and Remediation” at Hokkaido University, to give lectures to students and conduct research activities of various kinds related to the conservation of mine environments. We are also working on developing and investigating new environmental preservation technologies with the cooperation and guidance of experts at other universities, which include developing unpowered mine waste water treatment technologies by taking advantage of the natural purification action of microorganisms, developing abandoned mine site reforestation technologies, and studying methods of evaluating the impact of mine waste water on the surrounding environment.



Endowed course at Hokkaido University (seminar)

#### ■ Abandoned Mitsubishi Materials (Non-ferrous) Mines



\*Sites operated as tourist mines  
(Osarizawa Mine, Sado Gold Mine, Toi Gold Mine, Ikuno Silver Mine)



Strengthening the Foundation

Information Security

The Group defines information security as one of the issues in management, and aims to conduct safe business by ensuring information management, including the handling of personal information.

Basic Policy

The Group defines information security as one of the issues in management, recognizes the personal information of customers and business partners to be the most important information asset, and strives to reduce the risk of information leakage, loss, and destruction.

Management System

In order to observe the Group information security management policy, Group Information Security Management Regulations, Information Security Measure Standards, Confidential Information Management Regulations, and various implementation procedures are defined and must be complied with.

**Group Information Security Management Regulations:**

Basic rules regarding the construction and operation of a management system for Group information security, for the goal of protecting the information assets owned or managed by the Group from theft, leakage, modification, or destruction, and minimizing corporate loss

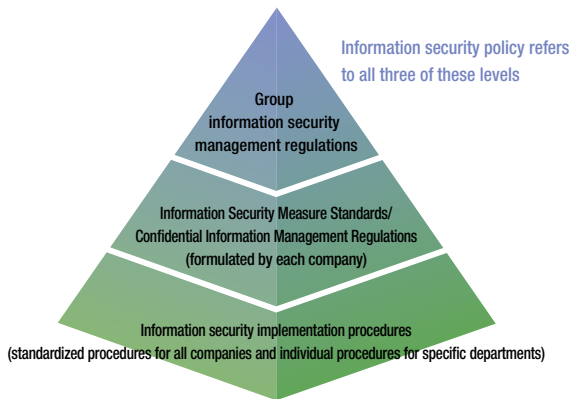
**Information Security Measure Standards:**

Standards defining information security countermeasures for electromagnetic information assets that the Group must follow

**Confidential Information Management Regulations:**

Basic rules regarding the handling of personal information and basic indicators on management methods for maintaining the confidentiality of information assets in general

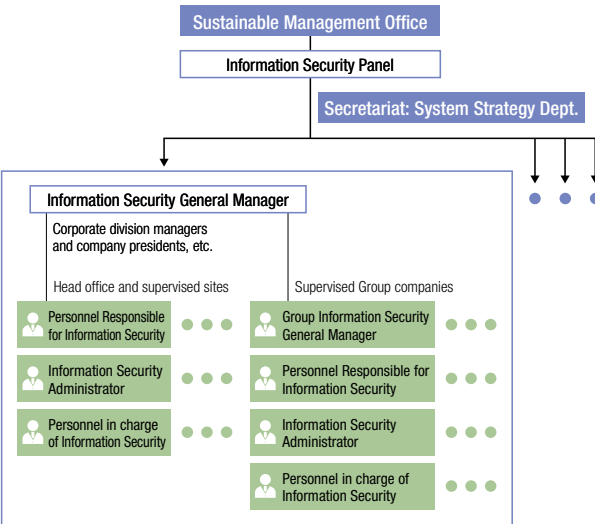
Scheme of Information Security Policy and Documentation



The “Information Security Panel” was established as one specialized panel of the Sustainable Management Office in order to establish, adopt, operate, monitor, review, maintain, and improve our information security policy, and a secretariat has been appointed at the department in charge of information security.

In order to ensure effectiveness, we have established an organization composed of an Information Security General Manager, Personnel Responsible for Information Security, Information Security Administrator, and Personnel in charge of Information Security at Mitsubishi Materials Corporation and its Group companies, which conducts operation and monitoring.

Operating Organization for the Information Security



Various Initiatives for Information Security Compliance

Our information security activities involve striving to enhance and expand information infrastructure with an eye on business continuity in the event of a large-scale disaster, enhancing various technical measures for information systems based on assistance from the Information Security Panel, and adopting and operating management systems.

Technical efforts include enhancing protective measures for preventing damage from attacks on known vulnerabilities, and risk reduction measures such as enhancing Defense In Depth and the early detection of damage from new threats such as Advanced Persistent Threat.

In order to counter the rising threat of ransomware (a virus that demands a ransom), we alert Mitsubishi Materials Corporation and its Group companies, and have adopted a system for forcibly applying updates and patches for vulnerabilities at all Group companies including those overseas.

In terms of management, we strive to maintain and improve the level of security by rotating the PDCA cycle of performance evaluations and employee education.

As security threats continue to worsen, we will continue to comprehensively, efficiently, and appropriately investigate and implement various technical countermeasures.

Strengthening the Foundation

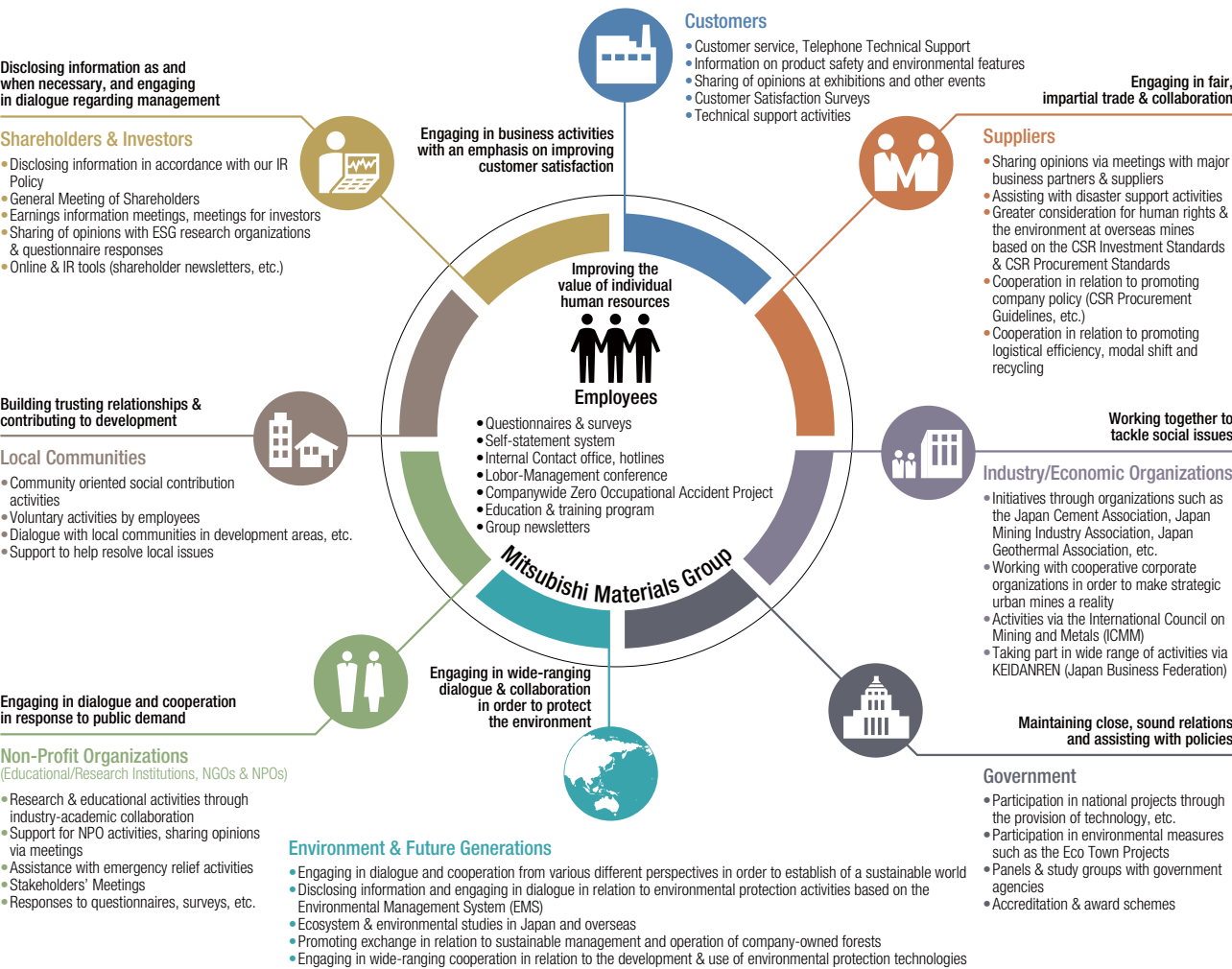
Stakeholder Communication

We proactively create opportunities for engaging in diversified communication and deepening mutual understanding to ensure incorporation of feedback from our stakeholders into management.

In the interests of sustainable corporate management, we believe that communicating with our stakeholders is crucial if we are to reflect their expectations and requirements in our business strategies and activities. While creating more opportunities for communication, our aim is to incorporate stakeholders’ perspectives into our management practices to a greater extent than ever before.

In April 2020, we established the Corporate Communications Department in the Corporate Strategy Division. Consolidating business related to public relations, IR, and CSR communication in the Corporate Communications Department will enable us to promote effective communication with stakeholders both inside and outside the company and in Japan and abroad.

Concept and main communication method for building relationships with stakeholders





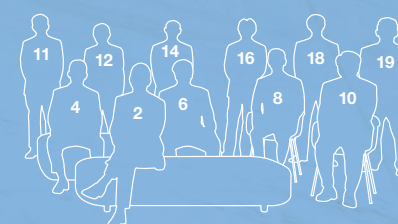
Those on the supervision side and those on the execution side fulfill their responsibilities with a sense of duty to support the value creation of the Mitsubishi Materials Group.



- 1 Akira Takeuchi
- 3 Makoto Shibata
- 5 Mariko Tokuno

- 7 Hikaru Sugi
- 9 Tatsuo Wakabayashi
- 13 Shinichi Nakamura

- 15 Tetsuro Sakai
- 17 Nobuhiro Takayanagi



- 2 Naoki Ono
- 4 Yoshikazu Yasui
- 6 Hiroshi Watanabe

- 8 Hiroshi Sato
- 10 Koji Igarashi
- 11 Yasunobu Suzuki

- 12 Kazuhiro Kishi
- 14 Susumu Sasaki
- 16 Shogo Yamaguchi

- 18 Jun Nagano
- 19 Tetsuya Tanaka

Photo taken with consideration on preventing the spread of COVID-19 (June 30, 2020).





# Directors and Executive Officers

(As of June 30, 2020)

## Directors

### 1 Akira Takeuchi

Director, Chairman of the Board

Audit Committee  
Remuneration Committee

**Apr. 1977** Joined the Company  
**Jun. 2009** Managing Director  
**Apr. 2014** Executive Vice President  
**Apr. 2015** President  
**Jun. 2018** Director, Chairman of the Board (to present)

**[Reasons for nominating]** Following his appointment as Managing Director of the Company in 2009, had served as Director in charge of corporate communications, general affairs, the environment, human resources, safety and health and the affiliated corporations' business. After serving as President, he has been Director, Chairman of the Board, since June 2018.

At present, as Chairman of the Board of Directors, he plays the leading role in enhancing the effectiveness of the Board of Directors noticeably by proceeding with meetings in such a way as to facilitate open and quality discussions in the Board of Directors meetings.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Director.

### 2 Naoki Ono

Director; Chief Executive Officer  
(Representative Executive Officer)  
General Operation of the Company  
responsible for: Audit CEO

Nomination Committee  
Remuneration Committee

**Apr. 1979** Joined Mitsubishi Mining & Cement Co., Ltd.  
**Apr. 2014** Managing Executive Officer;  
President, Cement Company  
**Jun. 2014** Managing Director; President,  
Cement Company  
**Apr. 2016** Executive Vice President;  
President, Cement Company  
**Jun. 2016** Director; Executive Vice President,  
Cement Company  
**Apr. 2017** Director; Executive Vice President;  
General Manager, Corporate Strategy Div.  
**Jun. 2018** President  
**Jun. 2019** Director; Chief Executive Officer (to present)

**[Reasons for nominating]** Following his appointment as Managing Director of the Company in 2014, served as President, Cement Company, and General Manager of the Corporate Strategy Division. After serving as President, he has been as Director, Chief Executive Officer, since June 2019.

At present, as Director, Chief Executive Officer, he supervises the management of the Group and is leading a variety of measures for management reform. Additionally, he reports on the overall situation of management of the Group regularly at the Board of Directors meetings, thereby fulfilling his accountability to the Board of Directors as Executive Officer.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Director.

### 3 Makoto Shibata

Director; Managing Executive Officer;  
General Manager, Corporate Strategy Div.; CFO

**Apr. 1984** Joined the Company  
**Apr. 2013** General Manager, Energy Business Div.,  
Mineral Resources & Recycling Business Unit  
**Apr. 2016** Operating Officer; General Manager, Environment & Energy  
Business Unit  
**Apr. 2017** Managing Executive Officer;  
General Manager, General Administration Div.  
**Apr. 2018** Managing Executive Officer;  
General Manager, Governance Div.  
**Jun. 2018** Director; Managing Executive Officer;  
General Manager, Governance Div.  
**Apr. 2019** Director; Managing Executive Officer;  
General Manager, Corporate Strategy Div.  
**Jun. 2019** Director; Managing Executive Officer and General Manager,  
Corporate Strategy Div. (to present)

**[Reasons for nominating]** Following his appointment as Managing Executive Officer in 2017, served as General Manager, General Administration Division, General Manager, Governance Division, and General Manager, Corporate Strategy Division. He has been Director, Managing Executive Officer since June 2019.

At present, as Director, Managing Executive Officer, he is responsible for the management of the Group and has taken the lead in planning and formulating the medium-term management strategy, publicized in March 2020 (from FY2021 to FY2023), and pushing forward with measures based on the strategy. Additionally, he reports on the business performance of the Group regularly at the Board of Directors meetings, thereby fulfilling his accountability to the Board of Directors as Executive Officer.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Director.

### 7 Hikaru Sugi

Outside Director

Nomination Committee  
Remuneration Committee

**Apr. 1974** Joined Nippondenso Co., Ltd. (currently DENSO  
CORPORATION)  
**Jun. 2002** Executive Director, Member of the Board; General Manager,  
Air-Conditioning Product Div.  
**Jun. 2004** Executive Director; General Manager, Air-Conditioning  
Product Div.  
**Jun. 2005** Executive Director; General Manager, Thermal Systems  
Business Div.  
**Jun. 2008** Senior Executive Director, Member of the Board; General  
Manager, Engineering Research & Development Center  
**Jun. 2011** Senior Executive Director, DENSO CORPORATION;  
President and CEO, DENSO INTERNATIONAL  
AMERICA, INC.  
**Jun. 2013** Executive Vice President, DENSO CORPORATION;  
President and CEO, DENSO INTERNATIONAL  
AMERICA, INC.  
**Jun. 2014** Advisor, Senior Technical Executive, DENSO CORPORATION  
**Jun. 2016** Advisor (resigned June, 2017)  
**Jun. 2018** Director of the Company (to present)

**[Reasons for nominating]** He has extensive technical knowledge in development, design and manufacturing processes. He also has insight into corporate strategy from a global perspective and general aspects of management through his experience as a manager of a manufacturer that develops its business all over the world.

He gives useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Outside Director.

### 8 Hiroshi Sato

Outside Director

Chairperson of the Audit Committee

**Apr. 1980** Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)  
**Jun. 2007** Executive Officer; Manager, Credit Div.  
**Apr. 2008** Executive Officer; Senior Superintendent  
**Jun. 2008** Standing Audit & Supervisory Board Member  
**Jun. 2011** Managing Director, Mitsubishi Steel MFG. Co., Ltd. (resigned  
June, 2017)  
**Jun. 2017** Standing Audit & Supervisory Board Member of the Company  
**Jun. 2019** Director of the Company (to present)

**[Reasons for nominating]** He has insight into finance, accounting and other aspects of corporate management from his experience as a corporate auditor of a financial institution and as a management at a manufacturer.

He gives useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Outside Director.

### 9 Tatsuo Wakabayashi

Outside Director

Nomination Committee  
Chairperson of the Remuneration Committee

**Apr. 1977** Joined Mitsubishi Trust Bank (currently Mitsubishi UFJ Trust  
and Banking Corporation)  
**Jun. 2008** Managing Director, Mitsubishi UFJ Trust and Banking  
Corporation (MUTB)  
**Jun. 2009** Senior Executive Director,MUTB  
**Jun. 2010** Senior Managing Director and Chief Executive, Trust Assets  
Division, MUTB; Managing Officer and Group Head, Integrated  
Trust Assets Business Group, Mitsubishi UFJ Financial Group,  
Inc. (MUFG)  
**Jun. 2011** Senior Managing Director, MUTB; Director, MUFG  
**Apr. 2012** President, MUTB; Director, MUFG  
**Apr. 2013** President, MUTB; Deputy Chairman, MUFG  
**Dec. 2013** President, CEO and Chairman, MUTB;  
Deputy Chairman, MUFG  
**Jun. 2015** President, CEO and Chairman, MUTB;  
Director and Deputy Chairman, MUFG  
**Apr. 2016** Chairman, MUTB; Director, MUFG  
**Jun. 2018** Chairman, MUTB  
**Jun. 2018** Part time engagement, Audit & Supervisory Board Member of  
the Company  
**Jun. 2019** Director of the Company (to present)  
**Apr. 2020** Senior Advisor, MUTB (to present)

**[Reasons for nominating]** He has insight into finance, accounting and other aspects of corporate management from his extensive experience as a manager after having served as President and Chairman at financial institutions.

He gives useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Outside Director.

### 4 Yoshikazu Yasui

Director

Nomination Committee  
Audit Committee

**Apr. 1984** Joined the Company  
**Apr. 2015** Operating Officer;  
General Manager, Human Resources Dept.  
**Apr. 2017** Operating Officer;  
General Manager, Human Resources Dept., General  
Administration Div.  
**Apr. 2018** Managing Executive Officer;  
General Manager, Human Resources & General Affairs Div.  
**Jun. 2019** Managing Executive Officer;  
General Manager, Human Resources & General Affairs Div.  
**Apr. 2020** Senior Executive Councillor  
**Jun. 2020** Director (to present)

**[Reasons for nominating]** He assumed the position of Managing Executive Officer and General Manager, Human Resources & General Affairs Division, in April 2018, and has served as Managing Executive Officer since June 2019. He has a global perspective and knowledge in general aspects of management, based on his experience in business administration in Group companies in Japan and overseas and serving as General Manager, Aluminum Division of the Company.

Until March 2020, he was responsible for the management of the Group as Managing Executive Officer and had developed solutions to human-resources issues and promoted HR development and exchange as measures to strengthen governance. Additionally, he reported on the Group's measures for human resources in the Board of Directors meetings regularly, thereby fulfilling his accountability to the Board of Directors as Executive Officer.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Director.

### 5 Mariko Tokuno

Outside Director

Chairperson of the Nomination Committee  
Remuneration Committee

**Jan. 1994** Joined Louis Vuitton Japan K.K.  
**Apr. 2002** Senior Director, Sales Administration  
**Mar. 2004** Vice President, Tiffany & Co., Japan Inc.  
**Aug. 2010** President and Representative Director, Christian Dior K.K.  
**Sep. 2013** President, Representative Director and CEO, Ferragamo  
Japan K.K. (resigned September, 2016)  
**Jun. 2016** Director of the Company (to present)

**[Reasons for nominating]** She has insight into corporate strategy and general aspects of management from a global perspective gained through her extensive experience as a manager of the Japanese operations of leading international firms.

She gives useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, she has extensive knowledge and experience related to the Group's business and operations. The Company believes that she will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes she is suitable for the position of Outside Director.

### 6 Hiroshi Watanabe

Outside Director

Audit Committee

**Apr. 1972** Joined the Ministry of Finance Japan (MOF)  
**Jul. 1998** Deputy Director-General,  
MOF Personal Secretary to the Minister, MOF  
**Jul. 2001** Deputy Director-General, MOF  
**Jul. 2002** Senior Deputy Director-General,  
International Bureau, MOF  
**Jan. 2003** Director-General, International Bureau, MOF  
**Jul. 2004** Vice Minister of Finance for International Affairs, MOF  
**Jul. 2007** Special Advisor to the Minister of Finance  
**Oct. 2007** Special Advisor, Japan Center for International Finance  
**Apr. 2008** Professor, Hitotsubashi University-Graduate School of  
Commerce and Management /  
Faculty of Commerce and Management  
**Oct. 2008** Deputy Governor, Japan Finance Corporation  
**Apr. 2012** CEO, Executive Managing Director,  
Japan Bank for International Cooperation  
**Dec. 2013** Governor, Japan Bank for International Cooperation (resigned  
Jun. 2016)  
**Oct. 2016** President, Institute for International Monetary Affairs (to  
present)  
**Jun. 2017** Director of the Company (to present)

**[Reasons for nominating]** He has knowledge of domestic and overseas finance and economics and general aspects of management gained through his experience in key positions at the MOF and in management positions in government-affiliated financial institutions.

He gives useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Outside Director.

### 10 Koji Igarashi

Outside Director

Audit Committee

**Apr. 1980** Joined Ajinomoto Co., Inc.  
**Apr. 2002** Senior Vice President, Ajinomoto U.S.A., Inc.  
**Jun. 2007** Executive Officer; Vice President, Amino Acids Company,  
Ajinomoto Co., Inc.  
**Jun. 2009** Executive Officer; General Manager, Corporate Planning Div.  
**Jun. 2011** Member of the Board, Corporate Vice President  
**Jun. 2013** Member of the Board, Corporate Senior Vice President  
**Jun. 2017** Advisor (resigned June 2020)  
**Jun. 2020** Director of the Company (to present)

**[Reasons for nominating]** He has extensive technical knowledge in technological development and manufacturing as well as insight into overall management, such as global business development, business reform and creation, and promotion of digitalization through his experience as a manager of a food manufacturer that develops its business all over the world.

The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes he is suitable for the position of Outside Director.

## Executive Officers

### 11 Yasunobu Suzuki

Executive Vice President and Executive Officer  
(Representative Executive Officer)  
President, Advanced Products Company

### 12 Kazuhiro Kishi

Managing Executive Officer  
President, Cement Company

### 13 Shinichi Nakamura

Managing Executive Officer  
General Manager, Technology Div.

### 14 Susumu Sasaki

Managing Executive Officer  
General Manager, Governance Div.  
responsible for: Aluminum Business and  
Affiliated Corporations Business

### 15 Tetsuro Sakai

Managing Executive Officer  
President, Metals Company

### 16 Shogo Yamaguchi

Managing Executive Officer  
President, Environment & Energy Business Company

### 17 Nobuhiro Takayanagi

Managing Executive Officer  
Vice President, Advanced Products Company

### 18 Jun Nagano

Managing Executive Officer  
General Manager, Human Resources & General Affairs Div.

### 19 Tetsuya Tanaka

Managing Executive Officer  
President, Metalworking Solutions Company

## Message from the Chairman of the Board of Directors

Further enhancing the function for supervising the status of achieving business goals and monitoring corporate and legal compliance

**Akira Takeuchi**  
Chairman



### Migrating to a Company with a Nomination Committee and Enriching Measures and Systems for Supporting the New Structure

The Company migrated to a company with a Nomination Committee in June 2019 for the goal of enhancing the management supervision function of the Board of Directors, improving the transparency and fairness of management, and speeding up the decision-making in the execution of business. With the new structure, Outside Directors account for the majority of the Board of Directors, Nomination Committee, Audit Committee, and Remuneration Committee, and they are also appointed as chairpersons of those committees. The Board of Directors has transferred wide-ranging privileges to executive officers in order to concentrate on supervising operations and to establish a system for swiftly executing work centered on the Executive Officers' Meeting.

After becoming a company with a Nomination Committee, we have worked on enriching various measures and systems in order to increase the effectiveness of the new structure. The Nomination Committee has been involved in lively debate regarding Executive Officer appointment, the selection of a candidate to succeed the Chief Executive Officer, and a successor development plan, as well as deciding the new policy for selecting Executive Officers and determining candidate Directors. The Audit Committee migrated to a new audit system that utilizes an internal control system, in addition to the audits conducted by Member of the Audit Committee of the Audit Committee. The Remuneration Committee reviewed the executive remuneration system. These discussions culminated in the Company formulating and publishing a basic corporate governance policy in April 2020.

### Improving the Effectiveness of the Board of Directors to Perform the Supervisory Function More Effectively

One major role of the Board of Directors is to supervise progress in the Group management plan. Since September

2019, Directors and Executive Officers have been having lively discussion on everything from business strategy to financial targets and medium to long-term management policies, mainly at Board of Directors meetings, and the results were used to formulate and announce a mission and new Medium-term Management Strategy in March 2020. In fiscal 2021, the Board of Directors periodically receives reports on the progress of the Medium-term Management Strategy and the achievement of single-year goals, as well as issues and their handling, and discusses those topics within the Board of Directors. In regard to the important items in the Medium-term Management Strategy, etc., we have discussions on a monthly theme, and exchange frank opinions with the Executive Officers in charge. Our intention is that this will enable the supervisory function of the Board of Directors to function more effectively and thereby robustly support the execution side in the achievement of the goals in the Medium-term Management Strategy.

Another important role of the Board of Directors is its supervisory function for monitoring the corporate and legal compliance of the Group. We deeply regret the antitrust violation of Universal Can Corporation and the series of quality issues discovered in the Group, and will ensure that the Board of Directors supervises that corporate and legal compliance continue to be strongly promoted and enforced, in order to ensure that the same failures never happen again.

### Achieving Effective and Efficient Management of the Board of Directors

Although the immediate business environment is becoming more uncertain due to the impact of the global spread of COVID-19 infections, the issues surrounding climate change and sustainability need to be discussed from a long-term perspective. As head of the Board of Directors, I will strive to promote free, and constructive discussions from the perspective of supervising the status of achieving business goals and monitoring corporate and legal compliance, and to achieve effective and efficient management of the Board of Directors.

## Message from the Chairperson of the Nomination Committee, Audit Committee and Remuneration Committee

Facilitating good and sound communication between committee members and tightly linking with members of management to lead to more valuable conclusions

Chairperson of the Nomination Committee

**Mariko Tokuno**, Outside Director



### Role of Nomination Committee and Responsibilities as Committee Chairperson

I believe that the reason Mitsubishi Materials Corporation migrated to a company with a Nomination Committee was to divide the functions of the Directors and Executive Officers in order to ensure the transparency, fairness, and objectivity of the management structure while achieving rapid management. In addition to deciding the appointment and dismissal of Directors, the Nomination Committee deliberates the appointment and dismissal of the Executive Officers led by the Chief Executive Officer and plays an important role in corporate governance such as the deliberation and supervision of the Chief Executive Officer succession plan (the process for changing the Chief Executive Officer and plan for cultivating candidates), which are the key to achieving continuous growth and improving value in the long-term.

As Chairperson of the Nomination Committee, I lead the committee to more valuable conclusions by deeply understanding the Corporate Philosophy, respecting the viewpoint of Outside Directors that possess a wide range of objective knowledge and experience by facilitating good and healthy communication between committee members, and ensuring close cooperation with the current Chief Executive Officer, who is the person that best understands the current strategy and management environment of the company.

### Main Efforts of the Nomination Committee

In fiscal 2020, the Nomination Committee made decisions on Director candidates and the policy for appointing Director candidates after long discussion, as well as deliberating the Executive Officer appointments proposed by the Chief Executive Officer and reporting to the Board of Directors. The Committee also exchanged opinions with the Chief Executive Officer on the concept and process for selecting candidates for Outside Directors, as well as the Chief Executive Officer succession plan. I am proud that both external and internal members held frank discussions on all points of these two topics, and I believe that our migration to a Nomination Committee had the result of deepening discussions on the construction of the process for changing the Chief Executive Officer and plan for cultivating candidates in a manner that ensured both transparency and fairness. Looking ahead, I hope

to create various opportunities that enable the Nomination Committee to learn about the candidates from an earlier stage.

Since the strategy and performance of a company is closely tied to its top leadership, long-term success is entirely up to those at the top. As written in "Boards That Lead" by Ram Charan et al., the most important fundamental qualities of a Chief Executive Officer are business sense, or the ability to solve problems, leadership, and humanity, but I believe that there are two other qualities that are required, and they are optimism and a spirit of never giving up.

### Enhancing Corporate Governance

Since migrating to a company with a Nomination Committee, I believe that we have been successful in expanding opportunities for sharing information about business matters, which is essential for ensuring the supervisory functions of the Board of Directors. In regard to management policy, we have had many opportunities to exchange opinions and pose and answer questions during the process for formulating our Medium-term Management Strategy, and that has enabled us to understand things clearly. Looking ahead, we will be required to ensure that policies and plans are achieved. I believe that the DX Project in the Medium-term Management Strategy will greatly contribute to doing so, as well as internal revitalization, and I hope that we can invest the required resources into doing so.

### Handling Unexpected Events That Impact Corporate Value

Finally, a major challenge that we face is our handling of events that can have a major impact on our corporate value, such as climate change and the spread of COVID-19. We must respond to these highly uncertain events, and when there is limited time to do so, I believe that Outside Directors must actively participate in decision-making. Since Outside Directors have a deep understanding of the fundamental principles, business strategy, and core values of the company, while also possessing knowledge gained from a different route to internal management, their inclusion may enable us to find better methods to solve problems than internal management alone. In other words, I hope that we can utilize our Outside Directors as much as possible.



## Message from the Chairperson of the Nomination Committee, Audit Committee and Remuneration Committee



### Linking the three committees to enhance communication with Executive Officers and strengthen supervisory functions

Chairperson of the Audit Committee

**Hiroshi Sato**, Outside Director

#### Role of Audit Committee and Responsibilities as Committee Chairperson

The role of the Audit Committee is to audit the compliance and suitability of the Directors and Executive Officers. The Audit Committee of a company with a nomination committee differs from the auditors of a company with an Audit & Supervisory Board in that it performs an organizational audit as a committee. As the leader of that committee, I have greatly expanded the items and content in the agenda for the Audit Committee compared to the time when the company had an Audit & Supervisory Board, and I utilize the internal control systems such as the audits of the Internal Audit Department and information of the Corporate Divisions to ensure lively debate and productive activities.

In fiscal 2020 (including the period where the company had an Audit & Supervisory Board), the Audit Committee mainly debated and worked on the following three items. First of all, the committee worked to thoroughly investigate and audit the anti-trust violation of Universal Can Corporation, and gave suggestions to the Board of Directors on measures for preventing reoccurrence. Secondly, the committee carefully and adequately discussed and decided upon the reassignment of Accounting Auditors, as the continuous appointment period had become too long. Finally, the committee conducted a hearing with the supervising organizations regarding the management method of inventory assets due to the inventory shrinkage of valuable metals recorded in fiscal 2019, and exchanged opinions with Accounting Auditors.

#### Main Efforts of the Audit Committee

In regard to strengthening audit functions, the committee worked to enhance cooperation with the Internal Audit Department regarding business audits and enhance discussion with Accounting Auditors regarding accounting audits. In June 2019, the Internal Audit Department became an organization under the direct control of the Chief Executive Officer, and increased its number of members. In the future, we expect that it will improve auditing expertise and further cultivate human resources. We also increased the number of meetings with Accounting Auditors and allow all five members of the Audit Committee attend the meetings where possible.

A challenge for the Audit Committee is that since not all Executive Officers attend the Board of Directors meetings, there are now fewer opportunities to directly talk with Executive

Officers compared to when the company had an Audit & Supervisory Board. I believe that we will need to increase opportunities to communicate with Executive Officers.

#### Enhancing Corporate Governance

In regard to the Board of Directors, governance has clearly become stronger since Outside Directors became a majority on the board since migrating to a company with a Nomination Committee. Since the Audit Committee reports its activities to the Board of Directors, it has become able to maintain transparency and fairness. I believe the next challenge we face is to strengthen cooperation between the three committees. From fiscal 2021, Audit Committee members that double as Nomination Committee/Remuneration Committee members have been appointed, and this should promote the sharing of information and enhance cooperation. It would also be desirable for us to increase opportunities for part-time Outside Directors to learn more about our talent and companies, as they have limited opportunities to interact with the directors and employees of the head office and Group companies. Although I am an Outside Director, I am able to obtain a lot of information via my duties as a full-time Audit Committee members, and I will strive to provide information at the information exchange sessions for Outside Directors held twice a year, so that we can have meaningful discussions.

#### Handling Unexpected Events That Impact Corporate Value

In regard to the future handling of risks, I believe that the medium to long-term challenges of climate change have the potential to become the most important deciding factor of corporate value. We must properly survey whether investment appropriate for the environment is being made, in light of our Corporate Philosophy and Vision. On the other hand, other relatively short-term crises such as COVID-19 will surely repeat, like the 2008 financial crisis and the Great East Japan Earthquake. For the Company, it is important to build a corporate structure that enables loss to be minimized when such risks occur. This involves diversifying our customer industries and fields of business and remembering to build a portfolio that considers volatility. This is the perspective that I hope to face these challenges with as an Outside Director.



### Establishing a remuneration system with a multifaceted perspective aiming for medium to long-term growth

Chairperson of the Remuneration Committee

**Tatsuo Wakabayashi**, Outside Director

#### Role of the Remuneration Committee and Responsibilities as Chairperson

The principal role of the Remuneration Committee is to build an appealing remuneration system for outstanding management resources that will lead improvement in the corporate value of the Group in the medium to long-term, while also formulating the policy for determining remuneration for Directors and Executive Officers and remuneration system, in order to build remuneration governance for maintaining our accountability to all stakeholders including our shareholders. We also determine the remuneration for individual executives based on that. As Chairperson, my job is to ensure the smooth running of the committee so that the required discussion is provided when making decisions on individual remuneration based on the remuneration system and the policy for determining remuneration for Directors and Executive Officers from fiscal 2021, which were decided by the Remuneration Committee. Another important role I have is to continuously investigate whether the remuneration system needs to be reviewed, according to changes in the environment and the social landscape. In fiscal 2020, the Remuneration Committee mostly focused debate on the remuneration system and the policy for determining remuneration for Directors and Executive Officers from fiscal 2021, and made its decisions upon discussion at multiple meetings.

#### Main Activities of the Remuneration Committee

The Remuneration Committee must constantly investigate the state of executive remuneration according to medium to long-term performance, for the goal of continuously creating value for the company. In order for a company to achieve continuous growth, it needs the support of all stakeholders, including shareholders, society, and its employees. That's why a medium to long-term rather than short-term view of growth is essential, and an executive remuneration system with a multifaceted perspective is desirable.

#### Path to Enhanced Corporate Governance

If there is one challenge facing our Board of Directors, it is the need for close cooperation between those on the business supervision side and those on the business execution side. After becoming a company with a Nomination Committee in June 2019, the Board of Directors became a monitoring board that fulfills the role of supervision. The goal of separating supervision and execution is to speed up management, but it is only possible to do so if the execution side provides sufficient information to the supervision side at the right time in the appropriate manner. I believe that we must constantly check and improve the content provided from the execution and how it is provided, so that the monitoring board can adequately fulfill its supervisory function. We must also strive for lively discussion between our three committees.

#### Handling Unexpected Phenomena That Affect Corporate Value

In conclusion, please permit me to mention that the spread of COVID-19 as a future issue of concern. Although the situation is gradually becoming clearer, it is difficult for anyone with interests related to the spread of infection to view the facts calmly and objectively. Since the parties concerned or Executive Officers tend to see what they want to see, it is important for us (Outside Directors) to show them what they can see, or in other words, to provide an objective point of view. Of course, this is only possible if we have an adequate understanding of how the execution side thinks. This requires even more exchange of information than before. While a great paradigm shift is expected due to COVID-19, I believe that it will become even more important to maintain a stance of seeing what is actually happening, rather than what one wants to see. I will provide support while valuing such a perspective.

# Corporate Governance

## Basic Approach

The basic approach to corporate governance of Mitsubishi Materials Corporation (the "Company") is described below.

- We have, based on the corporate philosophy of the Group, vision, values, code of conduct, mission and the Basic Policy on Corporate Governance(\*) established by the Board of Directors, developed trust with all stakeholders related to the Company and its subsidiaries (hereinafter, the "Group"), such as shareholders and investors as well as employees, customers, client or supplier companies, creditors and local communities, and also develop our corporate governance.
- Among the governance systems under the Companies Act, we have chosen to be a Company with a Nomination Committee, and by separating supervision and execution, will strengthen the Board of Directors' management supervisory functions, improve the transparency and fairness of management and accelerate business execution and decision making.
- We acknowledge the enhancement of corporate governance to be one of the most important management issues, and continuously make efforts to improve our corporate governance.

As the Group is an integrated business entity supplying basic materials and elements indispensable to the world, and is involved in recycling business and renewable energy business, we adopted an in-house company system so as to facilitate and appropriately execute business operations.

(\*) We have prepared the "Basic Policy on Corporate Governance," which is disclosed on the Company's website, as a compilation of the basic approach to and framework of corporate governance.

## Overview of Corporate Governance

### (Board of Directors)

The functions and duties of the Board of Directors shall be as follows:

- Upon delegation by shareholders, the Board of Directors shall indicate the direction of its management and make an effort to enhance the Group's medium- to long-term corporate value by, for example, engaging in freewheeling and constructive discussion on management policies and management reforms;
- The Board of Directors shall determine matters that may have a serious impact on management, such as management policies and management reforms, in accordance with the provisions of laws, the Articles of Incorporation and the Board of Directors Rules;
- The Board of Directors shall accelerate decision-making in business execution by delegating the authority over business execution to an appropriate extent to Executive Officers in accordance with the provisions of the Board of Directors Rules, etc. so that Executive Officers may assume the responsibility and authority to make decisions and execute business in response to changes in the business environment; and
- The state of Group Governance and the progress of the execution of duties, including the progress of the management strategy, shall be reported by Executive Officers to and supervised by the Board of Directors on a periodic basis. The Board of Directors is comprised of 10 Directors (including six Outside Directors), and the Chairman of the Board of Directors is performed by the Chairman of the Company.

### (Nomination Committee)

The Nomination Committee determines the policy for the nomination of candidates for Director, the content of proposals, etc. concerning the election and dismissal of Directors to be submitted to General Meetings of Shareholders. In addition to this, the Nomination Committee reviews and responds to inquiries from the Board of Directors concerning the election and dismissal, etc. of Executive Officers.

The Nomination Committee is comprised of five Directors (including three Outside Directors), and the Chairperson of the Nomination Committee is performed by an Outside Director.

### (Audit Committee)

The Audit Committee audits the legality and validity of duties performed by Directors and Executive Officers, via audits either using internal control systems or directly by the Audit Committee member selected by the Audit committee.

The Audit Committee is comprised of five Directors (including three Outside Directors), and the Chairperson of the Audit Committee is performed by an Outside Director. The Audit Committee also elects two full time Member of the Audit Committee in order to improve the effectiveness of audits conducted by the Audit Committee

### (Remuneration Committee)

The Remuneration Committee establishes policies for determining individual remuneration for Directors and Executive Officers, and determines the individual remuneration to be received by Directors and Executive Officers based on such policies.

The Remuneration Committee is comprised of five Directors (including three Outside Directors), and the Chairperson of the Remuneration Committee is performed by an Outside Director.

### (Executive Officer)

Executive Officers execute business in accordance with the prescribed segregation of duties, based on the delegation of authority from the Board of Directors. The Company has 11 Executive Officers, of which the Chief Executive Officer Naoki Ono, and the Executive Vice President and Executive Officer Yasunobu Suzuki, are elected as Representative Executive Officers upon the decision of the Board of Directors.

### (Executive Officer's Meeting)

Following the delegation of authority from the Board of Directors, Executive Officers' Meetings review and determine important matters concerning the management of the entire Group. Executive Officer's Meetings are attended by all 11 Executive Officers, and the Chairman of the Executive Officer's Meeting is performed by the Chief Executive Officer.

## Nomination of Candidates for Director and the Election and Dismissal of Executive Officers

### (1) Policy for Nomination of Candidates for Director

Our basic approach to the structure of the Board of Directors, which fulfills the roles of determining the direction of management and exercising supervision over the progress of business execution, is to ensure that it comprises a diverse range of human resources with different expert knowledge, experience, and other qualities. In particular, the Nomination Committee will consider candidates for Outside Director to ensure that they comprise individuals who possess experience in corporate management (business similar to or different from the Group's business, etc.) and individuals who possess broad and advanced expert knowledge and extensive experience in relation to finance and accounting affairs, legal matters, administrative affairs, science and technology, or international relations, etc.

In light of the basic policy on the structure mentioned above, the Nomination Committee will nominate and select individuals who satisfy the following requirements as candidates for Director, regardless of individual attributes concerning gender, nationality and race, etc.

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual who can properly fulfill his or her duties concerning the exercise of supervision over the management of the Company and the determination of the direction of management.

Further, with respect to candidates for Independent Outside Director, the Nomination Committee will nominate and select individuals who satisfy the following requirement in addition to the above requirements:

- An individual who has no material interest in the Group and who can remain independent.

The specific selection of personnel shall be decided after deliberation by the Nomination Committee. Provided that the Company considers that an Outside Director is not independent if he or she falls under any of the conditions listed below in addition to meeting the standards for independence established by Tokyo Stock Exchange, Inc.

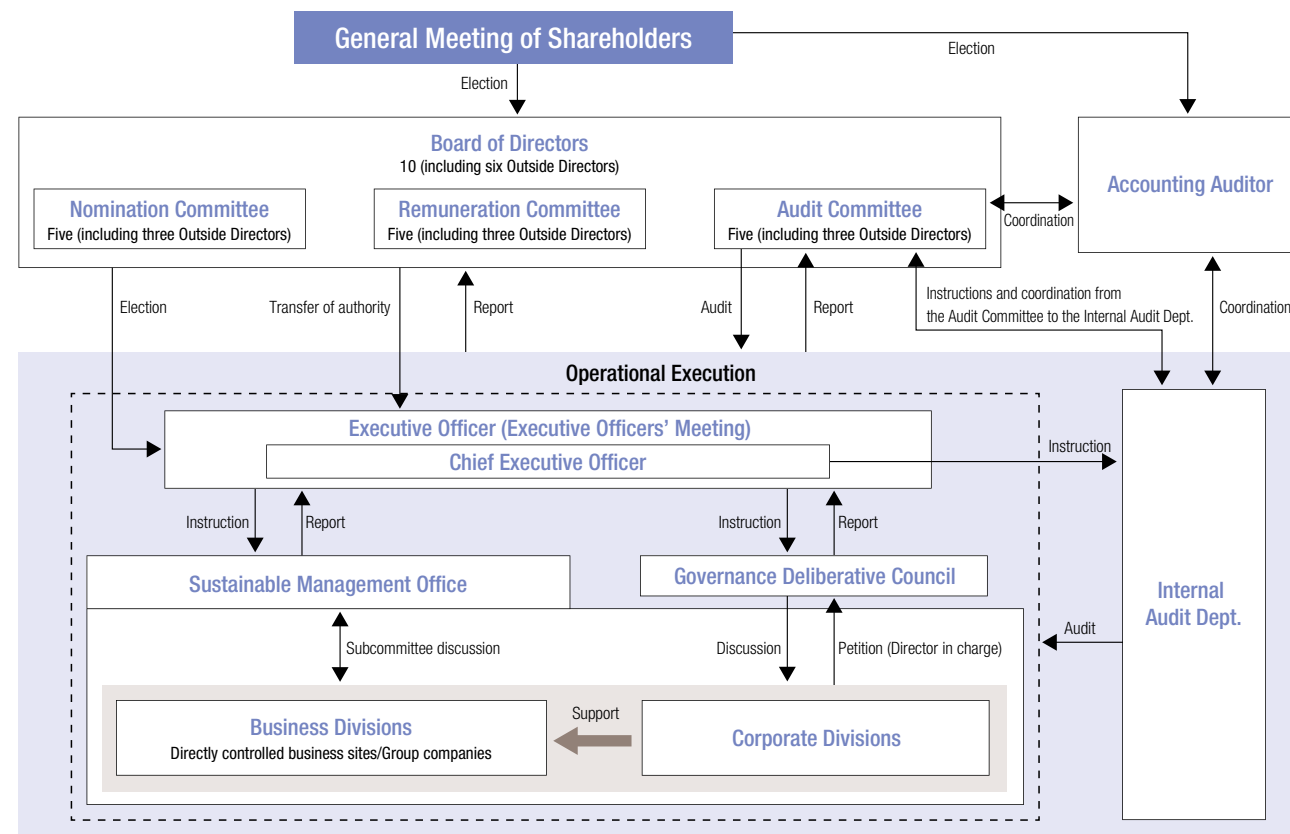
1. An individual who falls under or has fallen under any of items (1) or (2) below, either presently or in the past:
  - (1) An executive or non-executive Director of the Company; or
  - (2) An executive or non-executive Director of the Company's subsidiary.
2. An individual who falls under any of items (1) through (5) below:
  - (1) An executive of a client or supplier company of the Company, whose value of transactions amounted to 2% or more of the consolidated net sales of the Company or the client or supplier company as of the end of the previous fiscal year;
  - (2) A person who received, as a professional or consultant, etc., consideration of not less than 10 million yen from the Company in the previous fiscal year, excluding his/her consideration as a Director;
  - (3) An executive of an organization that received a donation of not less than 10 million yen from the Company in the previous fiscal year;
  - (4) A shareholder who directly or indirectly holds at least 10% of the total number of voting rights of the Company or an executive of such shareholder; or
  - (5) The Company's Accounting Auditor or its employee, etc.
3. An individual who has fallen under any of items (1) to (5) of 2 above at any time in the past three (3) years:
4. A close relative of any of the persons listed in item (1) or (2) of 1 above, items (1) to (5) of 2 above, or 3 above (excluding unimportant persons); or
5. A person who has served as the Company's Outside Director for a period of more than eight (8) years.

### (2) Policy for Election and Dismissal of Executive Officers

In electing Executive Officers responsible for the execution of business tasks, the Nomination Committee will elect individuals who satisfy the following requirements, regardless of individual attributes concerning gender, nationality and race, etc.:

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual well-versed in management and the business activities of the Group.

## Overview of Corporate Governance System





Corporate Governance

In relation to the election process, the Chief Executive Officer will first draft a proposal for the election of Executive Officers after consulting with relevant officers as necessary. The Chief Executive Officer will then submit a proposal for the election of Executive Officers to the Board of Directors based on the deliberations and responses to inquiries at a Nomination Committee meeting, and Executive Officers will be elected by resolution of the Board of Directors based on a comprehensive review of the candidates' personal history, achievements, specialist knowledge, and other capabilities.

In addition, if any event occurs that makes an Executive Officer highly ineligible in light of these standards, the Executive Officer shall be dismissed by resolution of the Board of Directors following a review by the Nomination Committee.

Policy on Determining Remuneration for Officers

With the aim of creating an attractive remuneration system for outstanding management personnel that will drive improvements in the Group's corporate value from a medium- to long-term viewpoint and establishing remuneration governance that will enable the Company to fulfill its accountability to stakeholders, including shareholders, the Company shall establish a policy on determining the remuneration for Directors and Executive Officers (hereinafter, "Officers") and a remuneration system as follows:

1. Policy on Determining Remuneration for Officers

- (1) A system shall be created that provides competitive standards for remuneration compared with companies of a business category and size similar to the Group
- (2) The performance of the functions and duties assumed by each Officer and contributions to the improvement of medium- to long-term corporate value shall be evaluated in a fair and equitable manner, and the evaluation results shall be reflected in remuneration.
- (3) In order to have remuneration function as a sound incentive to improve the Group's medium- to long-term corporate value, remuneration shall consist of basic remuneration, an annual bonus based on performance evaluations in each fiscal year, etc. and stock-based compensation, which is a medium- to long-term incentive linked to medium- to long-term performance and corporate value. The remuneration composition ratio shall be determined appropriately in accordance with one's job position. Provided, however, that for Directors (excluding those who concurrently hold the posts of Director and Executive Officer), only basic remuneration shall be paid in cash, in light of their function and role of supervising the performance of job duties by the Executive Officers.
- (4) An annual bonus shall be determined based on an appropriate evaluation of the performance in each fiscal year as well as the status of the implementation of medium- to long-term management strategies, etc., and reflected in remuneration.
- (5) A medium- to long-term incentive shall be stock-based compensation that enables Officers to share awareness of profits with shareholders in order to enhance corporate value from a medium- to long-term viewpoint.
- (6) The policies for determining remuneration and the amount of individual remuneration shall be deliberated and determined by the Remuneration Committee composed of a majority of Independent Outside Directors.
- (7) Necessary information shall be disclosed actively so that stakeholders including shareholders can monitor the relationship between performance, etc. and remuneration.

2. Remuneration System for Officers

(1) Directors (excluding those who concurrently hold the posts of Director and Executive Officer)

The remuneration system for Directors shall be determined so that only basic remuneration shall be paid in cash, taking into consideration an individual Director's job position, whether he/she is a full-time/part-time Director, etc. and referring to the

standards for remuneration of other companies based on the research of outside experts.

(2) Executive Officers

The remuneration payable to Executive Officers shall consist of basic remuneration, which is fixed remuneration, and an annual bonus and stock-based compensation, which are performance-linked remuneration. The remuneration composition ratio shall be in line with "Basic remuneration/Annual bonus/Stock-based compensation = 1.0/0.6/0.4" ("In the case where the annual bonus payment rate is 100%") as to the Chief Executive Officer, and for other Executive Officers, the ratio of performance-linked remuneration to basic remuneration shall be set lower than that for the Chief Executive Officer.

Further, the standards for remuneration shall be determined by referring to the standards of peer companies (similar-sized companies determined by the Remuneration Committee) based on the research of outside experts.

<Basic Remuneration>

Basic remuneration shall be paid in cash as fixed remuneration in accordance with one's job position.

<Annual Bonus (Short-term Incentive Remuneration)>

The annual bonus shall be determined based on the evaluation of consolidated operating profit growth rate compared with other companies, as well as a performance evaluation and non-financial evaluation, on a single-year basis.

The specific evaluation items shall be as follows:

<<Evaluation Items>>

- (i) Current net profit attributable to owners of parent, which is the final result of management and by which common profit awareness is shared with shareholders
- (ii) Consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating earnings from the relevant business sector), based on which the earning capacity of one's main job is evaluated
- (iii) Non-financial evaluation that evaluates the value of efforts aimed at the improvement of medium- to long-term corporate value, which is less likely to be represented in a short-term performance
- (iv) Consolidated operating profit growth rate compared with other companies, as a final adjustment factor to give an impression of growth greater than market growth (comparison with 6 non-ferrous metal companies and similar-sized manufacturing companies)

<<Calculation Formula>>

With the amount to pay when targets are achieved (base annual bonus) as 100%, the amount for each individual is calculated based on the following formula.

Annual bonus = base annual bonus x performance evaluation payment rate<sup>(\*)</sup>

(\*) The performance evaluation payment rate varies within a range of 0% to 200%, based on the level of performance achievement.

<<Evaluation Weight>>

Based on the evaluations of each portion of 40%, 40% and 20% of the base amount, which depends on one's job position, in terms of current net profit attributable to owners of parents, consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating earnings from the relevant business sector) and non-financial factors, respectively, the annual bonus shall be determined by using consolidated operating profit growth rate as an adjustment factor.

Chief Executive officer, Corporate-related Executive Officers

$$\left( \begin{array}{c} \text{Evaluation of} \\ \text{current net profit} \\ \text{attributable to} \\ \text{owners of} \\ \text{parent: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{consolidated} \\ \text{operating} \\ \text{profit: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{non-} \\ \text{financial} \\ \text{factors:} \\ \text{20\%} \end{array} \right) \times \begin{array}{c} \text{Adjustment Factor} \\ \text{Evaluation of} \\ \text{growth rate} \\ \text{0.9 to 1.1} \end{array}$$

Business-related Executive Officers

$$\left( \begin{array}{c} \text{Evaluation of} \\ \text{current net profit} \\ \text{attributable to} \\ \text{owners of} \\ \text{parent: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{operating} \\ \text{earnings from} \\ \text{the relevant} \\ \text{business: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{non-} \\ \text{financial} \\ \text{factors:} \\ \text{20\%} \end{array} \right) \times \begin{array}{c} \text{Adjustment Factor} \\ \text{Evaluation of} \\ \text{growth rate} \\ \text{0.9 to 1.1} \end{array}$$

<Stock-based compensation (Medium- to Long-term Incentive Remuneration)(\*)>

Stock-based compensation shall be a system that utilizes a trust for

the purpose of achieving the sharing of a common profit awareness with shareholders. This shall be used as an incentive for improving the medium- to long-term corporate value of the Group and under which the Company's shares and cash equivalent to the proceeds from the realization of the Company's shares shall be delivered and paid, in accordance with one's job position, upon retirement from the post of Officer. No performance conditions nor stock price conditions shall be set with respect to the shares to be delivered.

Please note that in the case of a non-resident staying in Japan, different treatment may be applied under laws or for any other relevant circumstances.

(\*) Under the stock-based compensation plan, the Company's shares shall be delivered or otherwise distributed to officers, etc. by means of utilizing a BIP Trust. This stock-based compensation plan is an incentive plan where a BIP Trust will grant points to each of the officers, etc. according to their respective job positions in each fiscal year for three consecutive fiscal years (initially, from FY2021 to FY2023) and accumulate such points. Thereafter, when each officer, etc. resigns, the BIP Trust will deliver and pay the Company's shares and cash equivalent to the proceeds from the realization of the Company's shares corresponding to such accumulated points to the resigned officers as remuneration on behalf of the Company.

Remuneration of Directors, Audit & Supervisory Board Members and Executive Officers

Position	Total Amount of Remuneration (Millions of yen)	Remuneration by Type (Millions of yen)		Number of Executives (persons) <sup>7)</sup>
		Basic <sup>5)</sup>	Bonus <sup>6)</sup>	
Directors (of which Outside Directors)	273 <sup>3)</sup> (99)	273 (99)	—	14 (6)
Audit & Supervisory Board Members <sup>1)</sup> (of which Outside Audit & Supervisory Board Members)	33 <sup>4)</sup> (15)	33 (15)	—	5 (3)
Executive Officers <sup>2)</sup>	275	275	—	10

- Note 1: The Company made the transition from being a Company with a Board of Auditors to a Company with a Nomination Committee upon approval at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019. Accordingly, the total amount of remuneration to Audit & Supervisory Board Members and the number of executives to be paid described on the above table refer to those in the fiscal year under review for Audit & Supervisory Board Members who served between April 1 and June 21, 2019.
- Note 2: The total amount of remuneration paid to executives who served as Director and Executive Officer concurrently is described in the Executive Officers column.
- Note 3: It was resolved at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016, that the amount of remuneration to Directors prior to the transition to being a Company with a Nomination Committee should not exceed ¥49 million per month, including remuneration not exceeding ¥6 million per month to Outside Directors.
- Note 4: It was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, that the amount of remuneration to Audit & Supervisory Board Members prior to the transition to being a Company with a Nomination Committee should not exceed ¥17 million per month.
- Note 5: Of the basic remuneration for Directors, stock-based remuneration (paying a fixed monthly amount used for purchasing the Company's shares) is ¥6 million. Of the basic remuneration for Executive Officers, stock-based remuneration is ¥27 million. Based on a resolution at the Remuneration Committee, the Company revised a remuneration system for Directors and Executive Officers from fiscal 2021 onward and has adopted stock-based remuneration using a trust instead of the current stock-based remuneration system.
- Note 6: It was resolved at the 81st Ordinary General Meeting of Shareholders held on June 29, 2006, that the amount of bonuses for Directors other than Outside Directors prior to the transition to being a Company with a Nomination Committee should not exceed ¥170 million per annum.
- Note 7: The number of executives to be paid includes three (3) Directors and five (5) Audit & Supervisory Board Members who resigned during the fiscal year under review. There are eleven (11) Directors and ten (10) Executive Officers as of the end of the fiscal year under review. The number of Executives to be paid include those who resigned as Directors and then were appointed as Executive Officers, and those who resigned as Audit & Supervisory Board Members and then were appointed as Directors at the time of the transition to a Company with a Nomination Committee, as well as those who serve as Directors and Executive Officers concurrently. There are overlaps in the total.

## Evaluation of the Effectiveness of the Board of Directors

The Company analyses and evaluates the effectiveness of the Board of Directors based on the evaluation by each Director on an annual basis.

The method applied to evaluate the effectiveness of the Board of Directors in fiscal 2019, and a summary of the results of such are outlined below.

### 1. Method of Analysis/evaluation

Answers to a questionnaire distributed to all 11 Directors in December 2019 were retrieved. Based on the results of this questionnaire, a review of the effectiveness of the Board of Directors was conducted at a meeting of the Board of Directors held in February 2020, with a resolution reached on evaluations of the effectiveness of the Board of Directors in fiscal 2020 at a meeting of the Board of Directors held in March 2020.

This questionnaire was implemented by revising the questions, taking into consideration the change to a Company with a Nomination Committee after the approval at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019 and other factors.

### 2. Fiscal 2020 Questionnaire Items

The core questionnaire items are as follows.

- (1) Matters concerning the change to a Company with a Nomination Committee
  - Matters pertaining to the confirmation of the status of achievement of the purpose of such change, supervision of the status of execution of job duties by each of the Nomination Committee, Audit Committee and Remuneration Committee, etc.
- (2) Matters considered particularly important for improving corporate value
  - Matters pertaining to management strategies, digital transformation, etc.
- (3) Matters pertaining to the effectiveness of management monitoring
  - Matters pertaining to supervision of the reduction of the Strategic Share Holdings, supervision of Group governance, etc.
- (4) Matters pertaining to the operation of the Board of Directors
  - Matters pertaining to the composition of the Board of Directors, the frequency of meetings, proposals and discussion materials, etc.

### 3. Summary of Fiscal 2020 Evaluation Results

As a result of deliberations by the Board of Directors, the Board of Directors was able to verify that it achieved a sufficient level of effectiveness for fiscal 2020. A summary of questionnaire responses and discussions within the Board of Directors is provided as follows:

- (1) Matters pertaining to the change to a Company with a Nomination Committee

Although the objectives of the change to a Company with a Nomination Committee, that is, “acceleration of decision making in business execution,” “strengthening of management supervisory functions,” and “improvement of management transparency and fairness”, are in the process of being effectively achieved, the view was raised that improvements would need to be made continually going forward as it has not been long since such change was made. In particular, as for the “strengthening of management supervisory functions,” some opined that there was still room for improvement of the manner of supervision, including the content of reports made by the Executive Officers.

In view of this feedback, the Board of Directors will consider how to appropriately manage the Company as a Company with a Nomination Committee.

- (2) Matters considered particularly important for improving corporate value

While the view was raised that thorough discussions took place in establishing the Medium-term Management Strategy, some opined that there was still room for improvement of method and content, etc. of reporting so as to effectively fulfill the supervisory function for the management strategies, including the measures taken based on the Medium-term Management Strategy.

In view of this feedback, the Board of Directors will review the appropriate means of supervising the management strategies, including the Medium-term Management Strategy, etc.

- (3) Matters pertaining to the effectiveness of management monitoring

While the view was raised that in-depth discussions took place with respect to the policy, etc. for reduction of the Strategic Share Holdings, some opinions were raised that the status of reductions to be made hereafter would need to be overseen continually going forward.

While the evaluation of the supervision of Group governance, etc. had improved compared with last year, and the view was raised that sufficient reports and instructions had been provided, some opinions were raised that further discussions and consideration would be required so as to achieve a higher level of Group governance.

In view of this feedback, the Board of Directors will look at taking further steps to improve the effectiveness of management monitoring measures.

- (4) Matters pertaining to the operation of the Board of Directors
- The evaluation of the proposals to be submitted to the Board of Directors had improved compared with last year, and some opined that it had become organized to a certain extent as a result of the change to a Company with a Nomination Committee and the delegation of authority to the Executive Officers.

As for the materials for the Board of Directors, while the view was raised that some ideas had been devised therefor and the materials had become more efficient, some opinions were raised that there was still room for improvement as to the volume and the content thereof.

In view of this feedback, the Board of Directors will review the form that the materials should take in order to facilitate smoother discussions.

Looking ahead, the Board of Directors will keep making continuous efforts toward further effectiveness improvements, including in relation to the above matters.

## Status of Audits

### Status of audits performed by the Audit Committee

In addition to attending meetings of the Executive Officer Committee and other important meetings, members of the Audit Committee conduct interviews with Directors, Executive Officers, departments in charge of internal audits and other departments in charge of internal control concerning progress on the execution of their duties, and view important approval documentation, etc. Select members of the Audit Committee investigate the state of business and assets at the Company headquarters and important business sites according to the audit standards and audit plans, etc. of the Audit Committee as established by the Audit Committee, and conduct visiting audits of subsidiaries, etc. as needed, as well as forming a framework for conducting audits of the state of the execution of duties by Directors and Executive Officers. Additionally, the Audit Committee holds regular meetings with Corporate Auditors at major Group companies as part of efforts to enhance coordination of audit systems in line with Group management measures in place. An organization has been set up within departments responsible for internal audits to assist the Audit Committee in its duties concerning such audits performed by members of the Audit Committee.

### Status of internal audits

The Internal Audit Dept., which is consisted of the General Manager and other 24 employees as of June 30, 2020, responsible for conducting internal audits works on the instructions of the Chief Executive Officer in cooperation with the Audit Committee to investigate whether internal control systems are configured and applied in an appropriate manner, and audit the effectiveness and efficiency of company operations across the Group, the credibility of financial reports, the state of asset preservation and use, the risk management status, and the state of compliance with laws and regulations, and internal rules and standards, based on internal audit plans approved by the Chief Executive Officer and the Audit Committee.

Further, the Internal Audit Dept. conducted audits after discussion with the Audit Committee on the audit plans for both bodies (the Internal Audit Dept. and the Audit Committee) at the beginning of the term, and closely works with the Audit Committee on its audits by regularly reporting the results of its audits to and sharing information with the Audit Committee.

Additionally, the Audit Committee regularly receives reports from independent accountants on audit results, shares this information, and engages in audits in close cooperation with said independent auditors after conferring on the audit plans for both with independent auditors.

## Internal Control

Since the establishment of the Internal Control System Management Committee in January 2006, we have taken steps such as developing a set of basic principles for improving the Group's internal control systems, and ensuring compliance with the requirements to introduce internal control evaluation and disclosure systems in relation to financial reporting, in an effort to ensure compliance with the Companies Act, the Financial Instruments and Exchange Act, and other relevant legislation, and to establish the optimal internal control systems for both Mitsubishi Materials and the Mitsubishi Materials Group companies.

Evaluations conducted during fiscal 2020 found our internal control systems in relation to financial reporting to be sufficient and effective, with no material weaknesses identified. The results were then submitted in June 2020 in the form of an Internal Control Report with the qualified opinion of an auditing firm.



## Toward the Enhancement of Group Governance

In light of the recent quality issues the Group has caused, we recognize the need to further enhance our Group governance, including quality control, and are implementing several measures, with which we are aiming at resolving the concerns with the Group that led to the recent quality issues and avoiding the same situation repeating itself in the future.



Susumu Sasaki, Managing Executive Officer

### Future Group governance enhancement initiatives

In light of the recent quality issues the Group has caused, we recognize the need to further enhance our Group governance, including quality control, and are implementing several measures, with which we are aiming at resolving the concerns with the Group that led to the recent quality issues and avoiding the same situation repeating itself in the future. These measures have been steadily progressing and desired results are obtained.

Up until now, the Committee for Monitoring of Measures to Enhance Governance confirmed and supervised reports on the performance and results of our activities, and this committee was disbanded on May 13, as our efforts over

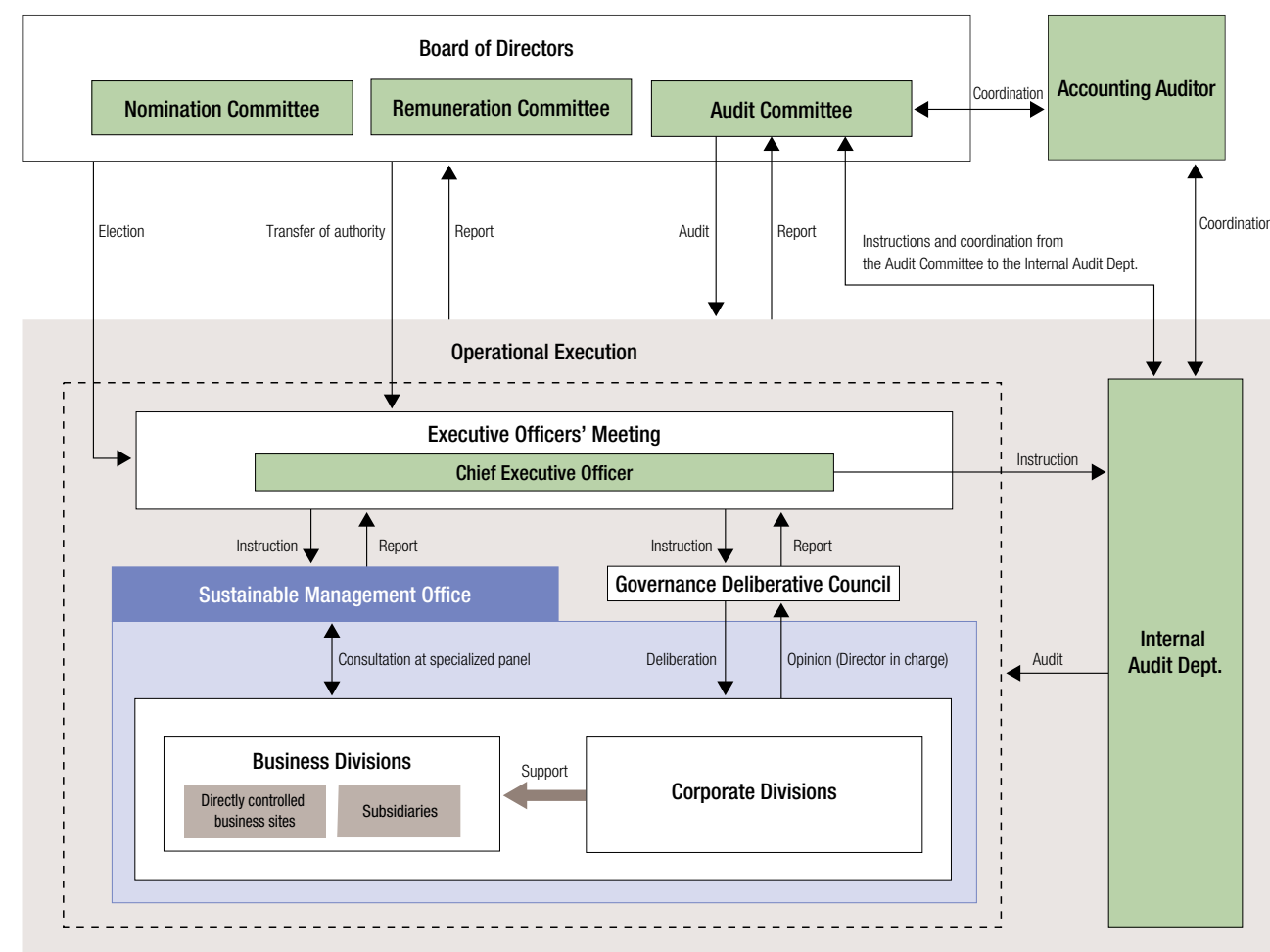
these two years have ensured that the various measures were executed properly and led to the expected results.

Hereafter, the Sustainable Management Office established at the Company will supervise and promote the enhancement of Group governance including quality control. We will also continue the Governance Deliberative Council which reviews and checks the progress of governance plans at each of our business sites.

Business sites will continue autonomous activities regarding quality control and governance enhancement, following the Group policy formulated by organizations such

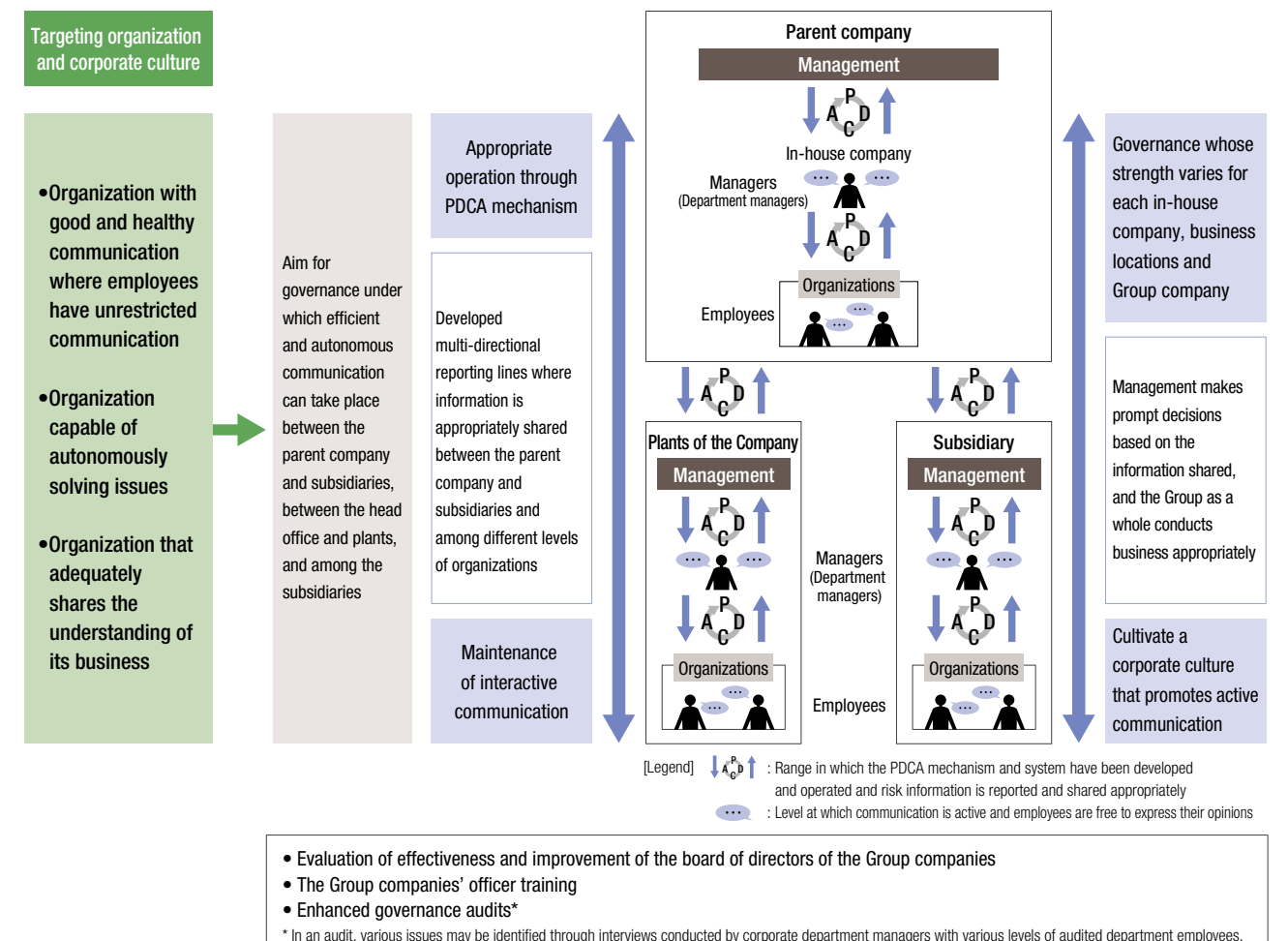
as the Sustainable Management Office and the governance plan approved by the Governance Deliberative Council. As we have done until today, we will continue our efforts to enhance Group governance including quality control, report the status of those efforts to the Board of Directors, and continue monitoring them at Board of Directors meetings. We are committed to ensure that the various measures we have implemented do not become a mere facade, and continue to remind the whole Group of the strong will of management to uphold the SCQDE priority, even when various environmental changes cause difficulty.

### Governance system (from April 2020)



\* Of the specialized panels, the Governance panel, Compliance panel, Risk Management panel, and Quality Management panel are involved in governance

### The Target of Group Governance that the Mitsubishi Materials Group Aims to Achieve



## Group Governance Framework Enhancement Measures

We have formulated and executed measures for enhancing the Group governance framework in order to solve issues regarding the governance of the entire Group that were identified based on the background of quality issues and an analysis of their causes. A summary of our activities over the past two years, which we promoted based on advice and monitoring of Outside Directors and outside experts, is indicated below.

Having achieved what we expected from these efforts over the past two years, we have concluded the monitoring of Outside Directors and outside experts. As we move forward, we will continue autonomous efforts.

Recognition of Group Governance Issues	Group Governance Framework Enhancement Measures	Concrete Measures	FY2019 to FY2020 Performance	Effect/Future Measures
<b>1. Communication</b> <ul style="list-style-type: none"> <li>Harmful effects of vertically-segmented organizations</li> <li>Insufficient control over subsidiaries</li> <li>Insufficient sharing and communication of information regarding governance-related matters</li> </ul> <b>2. Compliance Framework and Awareness</b> <ul style="list-style-type: none"> <li>Compliance awareness is insufficient at each level; necessary knowledge has not been acquired</li> <li>Awareness of our responsibilities as an organization and business is shallow</li> <li>Insufficient capacity to discover misconducts, take initiatives to resolve issues, and make timely reports</li> </ul> <b>3. Resource Allocation</b> <ul style="list-style-type: none"> <li>Insufficient process capabilities that are adequate for received orders or insufficient inspection and quality assurance framework</li> <li>Unsuitable resource allocation due to priority on earnings, postponement of necessary capital investment, etc.</li> </ul>	① Enhancement of Framework for Discussion, Reporting and Follow-up of Governance-Related Matters	Development of group governance reporting system	<ul style="list-style-type: none"> <li>Governance Deliberative Council: Held twice a year</li> <li>Operated plan for the conduct of governance and progress reports</li> </ul>	<ul style="list-style-type: none"> <li>Identified and handled governance issues and considered resource allocation as a group</li> </ul>
		Improvement of the management/assistance function of the corporate divisions concerning governance-related matters	<ul style="list-style-type: none"> <li>Selected the locations for prioritized support and enhanced support (approx. 20 sites)</li> <li>Strengthened the assistance function of overseas regional management companies and assisted their education function</li> </ul>	<ul style="list-style-type: none"> <li>Measures are still needed at small-scale overseas sites with weak governance systems</li> </ul>
		Operation of new risk management system	<ul style="list-style-type: none"> <li>Constructed a new risk management system</li> <li>Conducted training sessions on the new system for managers and people in charge</li> <li>Improved the new system</li> </ul>	<ul style="list-style-type: none"> <li>Critical risks over the entire Group have been identified and handled; countermeasures for three of them (labor shortage and equipment deterioration and obsolescence) should be continued</li> </ul>
	② Improvement of Functions of Management Divisions and their Collaboration with Operating Divisions	Governance training for directors	<ul style="list-style-type: none"> <li>All 290 Group directors</li> <li>All 59 newly-appointed Group directors</li> </ul>	<ul style="list-style-type: none"> <li>Improved management awareness on roles and responsibilities</li> </ul>
		Enhance communication and improve compliance awareness in all levels	<ul style="list-style-type: none"> <li>Conducted training sessions for CSR managers: Approx. 220 attendants</li> <li>Communication workshop: Approx. 1,000 frontline leaders and approx. 2,500 managers</li> <li>Deployed CSR training sessions and small group compliance activities for the entire Group</li> <li>Published an employee handbook (for the entire Group, both in Japan and overseas)</li> </ul>	<ul style="list-style-type: none"> <li>Ensured compliance awareness and a policy of reporting bad news first</li> <li>Despite better communication between Mitsubishi Materials Corporation and Group companies having been achieved, further improvements are needed in the workplace</li> <li>Expand target levels for communication workshop</li> </ul>
		Compliance awareness surveys	<ul style="list-style-type: none"> <li>Conducted once every six months (once a year overseas) approx. 90% of Group employees, or about 20,000 employees, answered</li> </ul>	<ul style="list-style-type: none"> <li>Change frequency to once a year and continue to conduct</li> </ul>
		Encouragement of active interaction	<ul style="list-style-type: none"> <li>Conducted personnel exchange of approx. 30 employees between Mitsubishi Materials Corporation and Group companies</li> </ul>	<ul style="list-style-type: none"> <li>Expand the scope as exchange is not happening at each level of management</li> </ul>
	④ Internal Audit Strengthening	Governance audits/quality audits	<ul style="list-style-type: none"> <li>Changed the audit frequency from once every five to six years to once every two years, and conducted for approx. 200 companies</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct</li> </ul>
	⑤ Studies with a Business Optimization Focus	Categorizing Group companies from the perspective of governance	<ul style="list-style-type: none"> <li>Disclosed the concept of business portfolio optimization in the Medium-term Management Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Promote optimization according to the concept</li> </ul>



## Restructuring of the Governance Framework for Quality Management and Measures for Preventing Reoccurrence

To enhance the governance related to the Group-wide quality management, the quality issues have been shared all across the Group and the preventive measures have been implemented and strengthened. The preventive measures have been implemented successfully. As a result, quality mindset and the level of its quality management of the Group have been improved. To prevent the recurrence of quality issues, we will continue to work on further quality management improvement incorporating the preventive measures with relevant daily works. Also, we will pursue a proactive quality management, which was announced in the Medium-term Management Strategy recently, to prevent out-of-specification products.

See Quality Management Strategy on p.41

Main causes of the shipment of non-conforming products	Preventive Measures for Quality Issues	Detailed Actions	FY2019 to FY2020 Performance	Effect/Future Measures
<ul style="list-style-type: none"> <li>◆ Inadequate framework for exerting influence on product development and order receiving processes at order receiving stage</li> <li>◆ Attitude excessively prioritizing "order receiving" and "delivery date"</li> <li>◆ Order received and mass production that the specifications exceeding manufacturing capability</li> </ul>	① Implementation of a Front Loading System (FLS) for Order Receiving	<ul style="list-style-type: none"> <li>• FLS guidelines issued</li> <li>• FLS performance audit</li> </ul>	<ul style="list-style-type: none"> <li>• FLS performance checked in quality audits and external consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Issues were not identified when the operation status was checked in quality audits</li> <li>• Checks to be continued in quality audits</li> </ul>
	② Enhancement of the Framework and Authority of the Quality Control Department	<ul style="list-style-type: none"> <li>• Check the quality assurance function and ensure its independence</li> <li>• Check the right of access and the actual work at quality assurance departments</li> </ul>	<ul style="list-style-type: none"> <li>• Checked in quality audits</li> </ul>	
	③ Expansion of Quality Training	<ul style="list-style-type: none"> <li>• Quality compliance training for employees at sites in Japan and overseas</li> </ul>	<ul style="list-style-type: none"> <li>• Quality control guidelines and a quality control handbook issued</li> <li>• Approx. 40 quality training sessions conducted over two years</li> <li>• Quality review day established</li> </ul> <div>   </div>	<ul style="list-style-type: none"> <li>• The level of quality management and awareness of quality compliance have been improved</li> <li>• Quality training to be continued</li> <li>• Quality data training leading to "proactive quality management" to be conducted</li> </ul>
<ul style="list-style-type: none"> <li>◆ Insufficient framework of quality assurance system</li> <li>◆ Pressure on quality assurance departments from other departments</li> </ul>	③ Expansion of Quality Training	<ul style="list-style-type: none"> <li>• Quality training by job grade</li> </ul>	<ul style="list-style-type: none"> <li>• Training by job grade held 11 times over two years</li> </ul>	
		<ul style="list-style-type: none"> <li>• Quality training for developing professional quality control skills</li> </ul>	<ul style="list-style-type: none"> <li>• Internal quality auditor training held 8 times over two years</li> </ul> <div>  </div>	
<ul style="list-style-type: none"> <li>◆ Low awareness of compliance with specifications</li> <li>◆ Arrogance in thinking that quality management is being achieved</li> <li>◆ Low sensitivity to risk in relation to quality issues</li> </ul>	④ Promoting Automated Inspection Equipment	<ul style="list-style-type: none"> <li>• Automation of inspection equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Total number of automated inspection equipment: Planned: Approx. 3,300 Actual: Approx. 2,800 at the end of fiscal 2020 (total 5,300 planned for three years)</li> </ul> <div>  </div>	<ul style="list-style-type: none"> <li>• Effective for the automatic collection of data and prevention of data overwriting</li> <li>• Aiming to mostly complete plan in fiscal 2021 despite partial delay due to COVID-19</li> <li>• Quality data to be utilized for "proactive quality management"</li> </ul>
<ul style="list-style-type: none"> <li>◆ Insufficient business resources (insufficient inspectors, inspection equipment, etc.)</li> </ul>	⑤ Enhancement of Quality Audits	<ul style="list-style-type: none"> <li>• Quality audits conducted at all target sites</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted at 145 sites over two years (in Japan and overseas)</li> </ul>	
<ul style="list-style-type: none"> <li>◆ Audit procedures that have become a mere facade</li> </ul>	⑥ Utilization of Outside Consultants	<ul style="list-style-type: none"> <li>• Quality consultation by external consultants</li> </ul>	<ul style="list-style-type: none"> <li>• Held 54 times over two years</li> </ul>	<ul style="list-style-type: none"> <li>• To be continued</li> </ul>
		<ul style="list-style-type: none"> <li>• Sharing information on the consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Information sharing at quality manager meetings</li> </ul> <div>  </div>	

## Establishment of Sustainable Management Office

We have established a Sustainable Management Office for the purpose of promoting the centralized handling of company-wide management issues regarding sustainability.

### Purpose

Since tackling management issues regarding sustainability is essential for the Group to improve its corporate value in the medium- to long-term, we established the Sustainable Management Office on April 1, 2020 to promote centralized handling of such issues. The activities led by the Sustainable Management Office will enable the Group to actively solve issues regarding sustainability and appropriately handle issues from a risk management perspective, which will contribute to both building a sustainable society and improving corporate value in the medium- to long-term.

### Mission and Overview of the Organization

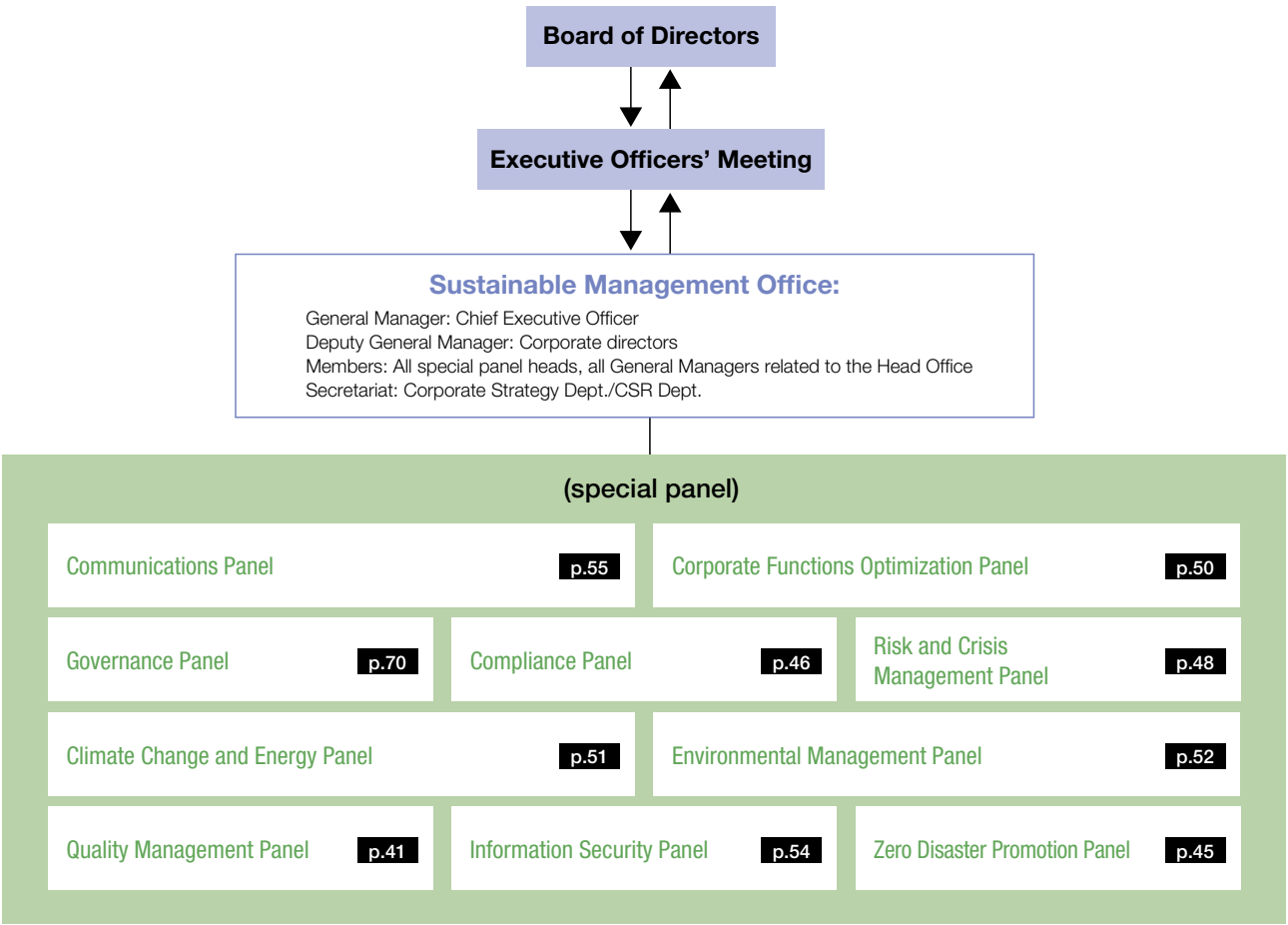
The mission of the Sustainable Management Office is to promote centralized handling of various management issues in order to contribute to developing a sustainable society and enhance corporate value in the medium- to long-term via business activities that follow the corporate philosophy of the Group.

The organization is led by the Chief Executive Officer as Chairperson and composed of members across the entire company. It contains ten specialized panels: The (1) Communications Panel, (2) Corporate Functions Optimization Panel, (3) Governance Panel, (4) Compliance Panel, (5) Risk and Crisis Management Panel, (6) Climate Change and Energy Panel, (7) Environmental Management Panel, (8) Quality Management Panel, (9) Information Security Panel, and (10) Zero Disaster Promotion Panel. Each panel identifies related challenges, plans countermeasures, and executes and follows up on those measures. As the issues we should address shift with social or other factors, the composition of the Panels and the issues to be dealt with will be flexibly rearranged.

The roles and functions of the previous committees and departments such as the Group Governance Enhancement and Promotion Division, CSR Committee, and Zero Accident Committee have been absorbed in the Sustainable Management Office or its panels, and centralized management will enable the Group to work together to solve issues.

Centralized management will also enable us to gather together the opinions of stakeholders and reflect those opinions in our management issues, and we will aim to build a system that enables us to appropriately disclose and explain our activities and promote dialog.

### ■ Sustainable management system



## Financial and Non-financial Sections/Corporate Data

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- 80** Financial Statements
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Ten-Year Summary

	Unit : Millions of yen																			
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020										
For the Year																				
Net sales	1,333,992	1,440,847	1,287,251	1,414,796	1,517,265	1,417,895	1,304,068	1,599,533	1,662,990	1,516,100										
Cost of sales	1,141,094	1,249,744	1,094,588	1,220,333	1,313,259	1,204,322	1,104,402	1,379,877	1,469,911	1,325,438										
Operating profit	57,290	52,293	52,500	66,281	71,871	70,420	59,761	72,819	36,861	37,952										
Ordinary profit	56,425	42,495	74,414	76,902	81,093	72,422	63,925	79,621	50,679	49,610										
Profit (loss) attributable to owners of parent	14,274	9,565	36,948	52,551	56,147	61,316	28,352	34,595	1,298	(72,850)										
Capital expenditures	43,213	52,141	52,957	65,944	57,636	78,103	75,685	76,231	103,418	88,043										
Depreciation and amortization	66,365	62,514	60,370	60,498	56,746	60,842	60,796	61,420	64,519	68,657										
R&D expenses	11,243	11,743	11,401	10,986	10,530	11,225	11,344	11,614	10,912	10,881										
At Year-End																				
Total assets* <sup>4</sup>	1,837,405	1,751,870	1,811,767	1,778,505	1,898,157	1,793,375	1,896,939	2,011,067	1,938,270	1,904,050										
Total non-current liabilities* <sup>4</sup>	572,321	565,542	549,198	514,279	490,825	452,038	480,079	465,570	486,921	520,123										
Total net assets	402,868	409,074	466,231	525,707	629,514	645,017	710,195	768,495	723,337	586,034										
Number of issued shares (common share) (thousands)	1,314,895	1,314,895	1,314,895	1,314,895	1,314,895	1,314,895	131,489	131,489	131,489	131,489										
Number of employees (consolidated)	21,762	22,015	22,181	23,112	23,413	24,636	24,859	26,959	28,426	28,601										
(Unit : Yen)																				
Per Share Amounts* <sup>1</sup>																				
Profit	¥	10.88	¥	7.29	¥	28.19	¥	40.10	¥	42.85	¥	46.80	¥	216.44	¥	264.15	¥	9.92	¥	(556.34)
Diluted profit		—		—		—		—		—		—		—		—		—		—
Net assets		262.38		267.62		309.17		348.54		420.36		423.83		4,743.27		5,211.20		4,838.31		3,870.35
Cash dividends applicable to the year		2.00		2.00		4.00		6.00		8.00		10.00		60.00		80.00		80.00		80.00
Financial Ratios (%)																				
Operating margin		4.3%		3.6%		4.1%		4.7%		4.7%		5.0%		4.6%		4.6%		2.2%		2.5%
Return on asset (ROA)* <sup>2*4</sup>		3.1%		2.4%		4.2%		4.3%		4.4%		3.9%		3.5%		4.1%		2.6%		2.6%
Return on equity (ROE)* <sup>3</sup>		4.2%		2.8%		9.8%		12.2%		11.1%		11.1%		4.8%		5.3%		0.2%		(12.8%)
Shareholders' equity ratio* <sup>4</sup>		18.7%		20.0%		22.4%		25.7%		29.0%		31.0%		32.8%		33.9%		32.7%		26.6%

- Notes 1. The Company consolidated its shares at a rate of one share for every 10 shares of its common share, with October 1, 2016 as the effective date. Accordingly, "Per Share Amounts" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of FY2017.
2. Return on assets (ROA)  
ROA = Ordinary profit / [(Total asset at the beginning of terms + total asset at the end of terms) / 2] x 100
3. Return on equity (ROE)  
ROE = Profit (loss) attributable to owners of parent / {[(Total net assets at the beginning of terms - non-controlling interests at the beginning of terms - other deductions at the beginning of terms) + (Total net assets at the end of terms - non-controlling interests at the end of terms - other deductions at the end of terms)] / 2} x 100
4. Total assets, Total non-current liabilities, Return on asset (ROA), Shareholders' equity ratio  
The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of FY2019. Individual figures related to FY2018 have had the accounting standards applied retroactively.

Changes in Medium-Term Management Plans and Strategies



## Financial Statements

## Consolidated Balance Sheets

			Unit : Millions of yen		
	As of March 31, 2019	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits	108,648	<b>134,444</b>	Notes and accounts payable - trade	147,566	<b>113,148</b>
Notes and accounts receivable - trade	248,220	<b>217,259</b>	Short-term borrowings	180,100	<b>191,038</b>
Merchandise and finished goods	92,452	<b>111,409</b>	Commercial papers	5,000	<b>50,000</b>
Work in process	108,293	<b>112,908</b>	Income taxes payable	7,869	<b>10,221</b>
Raw materials and supplies	134,825	<b>127,908</b>	Provision for bonuses	12,872	<b>12,944</b>
Leased gold bullion	99,154	<b>95,557</b>	Provision for loss on disposal of inventories	624	<b>670</b>
Other	120,954	<b>158,444</b>	Provision for product compensation	1,435	<b>809</b>
Allowance for doubtful accounts	(2,900)	<b>(2,470)</b>	Deposited gold bullion	253,918	<b>294,312</b>
Total current assets	909,647	<b>955,462</b>	Other	118,623	<b>124,746</b>
<b>Non-current assets</b>			Total current liabilities	728,011	<b>797,892</b>
Property, plant and equipment			<b>Non-current liabilities</b>		
Buildings and structures, net	157,448	<b>155,868</b>	Bonds payable	50,000	<b>60,000</b>
Machinery, equipment and vehicles, net	243,815	<b>233,923</b>	Long-term borrowings	259,667	<b>246,578</b>
Land, net	235,664	<b>216,487</b>	Deferred tax liabilities	25,616	<b>26,667</b>
Construction in progress	34,211	<b>29,298</b>	Deferred tax liabilities for land revaluation	24,097	<b>21,514</b>
Other, net	16,275	<b>23,720</b>	Provision for loss on business of subsidiaries and affiliates	805	<b>4,014</b>
Total property, plant and equipment, net	687,415	<b>659,298</b>	Provision for loss on business restructuring	—	<b>30,272</b>
Intangible assets			Provision for environmental measures	40,427	<b>32,581</b>
Goodwill	40,816	<b>35,586</b>	Provision for product compensation	1,040	<b>392</b>
Other	17,924	<b>15,906</b>	Provision for directors' retirement benefits	1,623	<b>1,710</b>
Total intangible assets	58,740	<b>51,492</b>	Retirement benefit liability	50,003	<b>56,312</b>
Investments and other assets			Other	33,639	<b>40,078</b>
Investment securities	236,572	<b>183,043</b>	Total non-current liabilities	486,921	<b>520,123</b>
Retirement benefit asset	1,050	<b>3,211</b>	<b>Total liabilities</b>	<b>1,214,933</b>	<b>1,318,016</b>
Deferred tax assets	19,610	<b>15,572</b>	<b>NET ASSETS</b>		
Other	29,322	<b>40,081</b>	<b>Shareholders' equity</b>		
Allowance for doubtful accounts	(4,088)	<b>(4,112)</b>	Share capital	119,457	<b>119,457</b>
Total investments and other assets	282,467	<b>237,796</b>	Capital surplus	92,393	<b>92,393</b>
<b>Total non-current assets</b>	<b>1,028,622</b>	<b>948,588</b>	Retained earnings	352,932	<b>274,723</b>
<b>Total assets</b>	<b>1,938,270</b>	<b>1,904,050</b>	Treasury shares	(2,123)	<b>(2,157)</b>
			Total shareholders' equity	562,659	<b>484,416</b>
			<b>Accumulated other comprehensive income</b>		
			Valuation difference on available-for-sale securities	51,220	<b>22,806</b>
			Deferred gains or losses on hedges	124	<b>708</b>
			Revaluation reserve for land	33,023	<b>28,059</b>
			Foreign currency translation adjustment	(5,828)	<b>(12,212)</b>
			Remeasurements of defined benefit plans	(7,617)	<b>(16,997)</b>
			Total accumulated other comprehensive income	70,922	<b>22,364</b>
			<b>Non-controlling interests</b>	89,754	<b>79,252</b>
			<b>Total net assets</b>	<b>723,337</b>	<b>586,034</b>
			<b>Total liabilities and net assets</b>	<b>1,938,270</b>	<b>1,904,050</b>

## Consolidated Statements of Profit or Loss

			Unit : Millions of yen		
	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)			
<b>Net sales</b>	<b>1,662,990</b>	<b>1,516,100</b>			
<b>Cost of sales</b>	<b>1,469,911</b>	<b>1,325,438</b>			
<b>Gross profit</b>	<b>193,078</b>	<b>190,662</b>			
<b>Selling, general and administrative expenses</b>	<b>156,217</b>	<b>152,709</b>			
<b>Operating profit</b>	<b>36,861</b>	<b>37,952</b>			
<b>Total non-operating income</b>	<b>32,412</b>	<b>31,362</b>			
<b>Total non-operating expenses</b>	<b>18,593</b>	<b>19,704</b>			
<b>Ordinary profit</b>	<b>50,679</b>	<b>49,610</b>			
<b>Total extraordinary income</b>	<b>7,919</b>	<b>16,562</b>			
<b>Total extraordinary losses</b>	<b>22,253</b>	<b>106,671</b>			
<b>Profit (loss) before income taxes</b>	<b>36,345</b>	<b>(40,498)</b>			
<b>Total income taxes</b>	<b>28,738</b>	<b>28,810</b>			
<b>Profit (loss)</b>	<b>7,606</b>	<b>(69,308)</b>			
<b>Profit (loss) attributable to non-controlling interests</b>	<b>6,307</b>	<b>3,541</b>			
<b>Profit (loss) attributable to owners of parent</b>	<b>1,298</b>	<b>(72,850)</b>			

## Consolidated Statements of Cash Flows

			Unit : Millions of yen		
	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)	Year Ended March 31, 2020 (Apr. 1, 2019–Mar. 31, 2020)			
<b>Cash flows from operating activities</b>	<b>140,168</b>	<b>67,545</b>			
<b>Cash flows from investing activities</b>	<b>(86,238)</b>	<b>(66,898)</b>			
<b>Cash flows from financing activities</b>	<b>(47,613)</b>	<b>28,873</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,691</b>	<b>27,559</b>			
<b>Cash and cash equivalents at end of period</b>	<b>99,672</b>	<b>127,284</b>			



# Financial and Non-financial Sections/Corporate Data

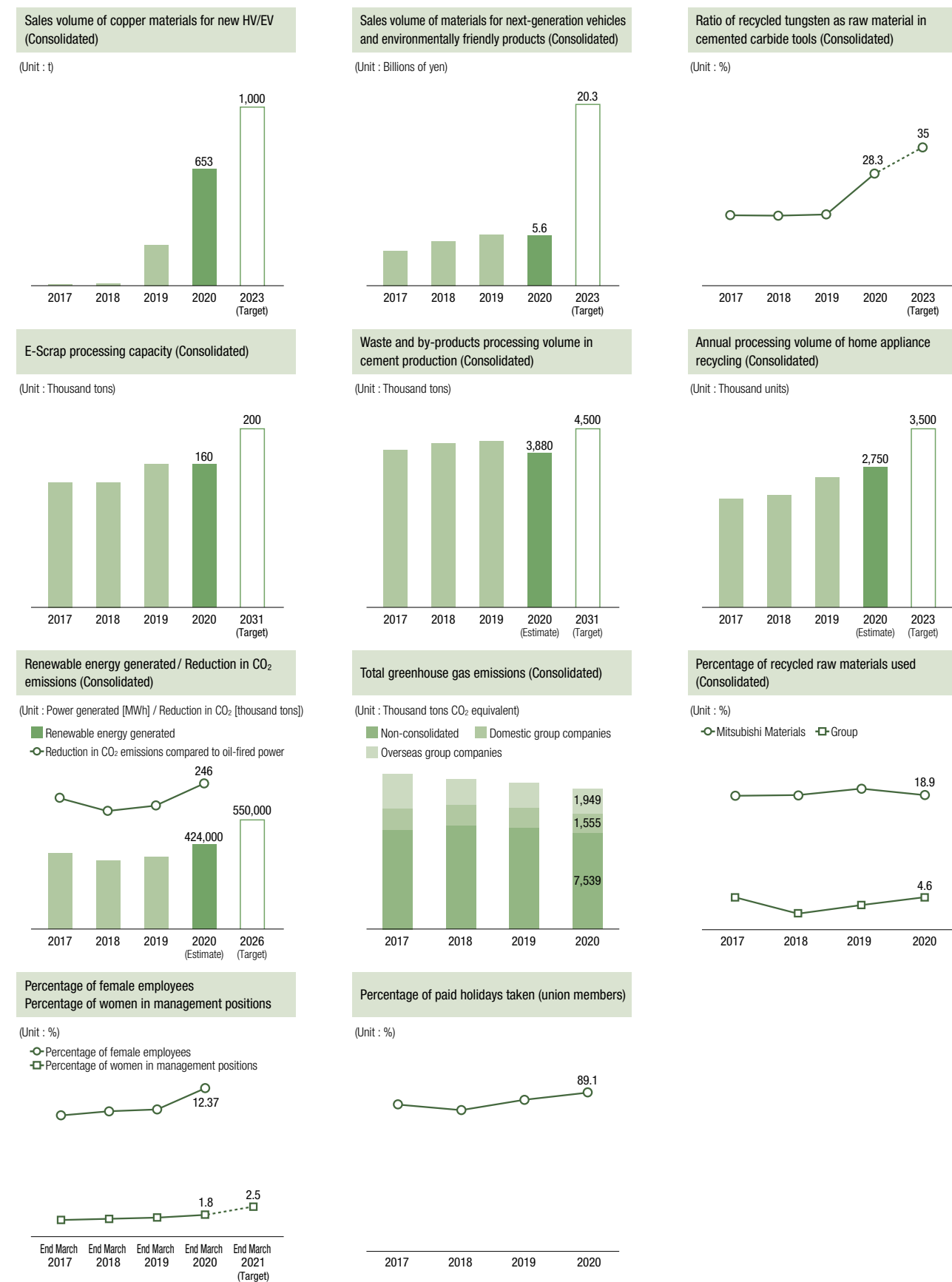
## Performance Highlights (Financial/Non-financial)

### Financial Performance (Consolidated)



### Non-Financial Performance (Non-consolidated unless stated otherwise)

\*Target values are current as of March 25, 2020.



\* The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of FY2019. Individual figures related to FY2018 have had the accounting standards applied retroactively.

Sales by Areas / Numbers of Affiliates / Numbers of Employees

(■ Main Mitsubishi Materials premises ● Main Group companies)

As of March 2020

## Europe

Number of affiliates: 18

Number of employees: 1,227

### Advanced Products

- MMC Copper Products Oy  
(Current company name: Luvata Oy)

### Metalworking Solutions

- MMC HARTMETALL GmbH
- MITSUBISHI MATERIALS ESPAÑA, S.A.
- MMC HARDMETAL OOO Ltd.
- MMC HARDMETAL POLAND Sp.z o.o.

### Metals

- MM Metal Recycling B.V.

## East Asia

Number of affiliates: 17

Number of employees: 1,083

### Advanced Products

- MMC ELECTRONICS (HK) Ltd.
- MMC SHANGHAI Co., Ltd.
- MMC ELECTRONICS KOREA INC.

### Metalworking Solutions

- TIANJIN TIANLING CARBIDE TOOLS Co., Ltd.

### Corporate

- Mitsubishi Materials (Shanghai) Corporation

## Southeast Asia

Number of affiliates: 21

Number of employees: 5,278

### Advanced Products

- MMC ELECTRONICS (THAILAND) Ltd.
- MMC ELECTRONICS (M) Sdn. Bhd.
- MMC Electronics Lao Co., Ltd.

### Metalworking Solutions

- MMC TOOLS (THAILAND) Co., Ltd.
- MMC HARDMETAL INDIA PVT. LTD.

### Metals

- PT. Smelting

### Aluminum

- MA Extrusion India Pvt., Ltd.

### Corporate

- Mitsubishi Materials Southeast Asia Co., Ltd.

## Oceania

Number of affiliates: 1

Number of employees: 11

### Cement

- MITSUBISHI MATERIALS (AUSTRALIA) Pty., Ltd.

## Japan

Number of affiliates: 63

Number of employees: 17,098

- Head Office (Tokyo)
- Sapporo Branch (Hokkaido)
- Tohoku Branch (Miyagi Prefecture)
- Nagoya Branch (Aichi Prefecture)
- Osaka Regional Head Office (Osaka Prefecture)
- Kyushu Branch (Fukuoka Prefecture)

### Advanced Products

- Ceramics Plant (Saitama Prefecture)
- Yokkaichi Plant (Mie Prefecture)
- Sakai Plant (Osaka Prefecture)
- Sanda Plant (Hyogo Prefecture)
- Mitsubishi Materials Electronic Chemicals Co., Ltd. (Akita Prefecture)
- Mitsubishi Shindoh Co., Ltd. (Tokyo)  
(Company disappearing in absorption-type merger as of April 1, 2020)
- Mitsubishi Cable Industries, Ltd. (Tokyo)

### Metalworking Solutions

- Tsukuba Plant (Ibaraki Prefecture)
- Gifu Plant (Gifu Prefecture)
- Akashi Plant (Hyogo Prefecture)
- Mitsubishi Hitachi Tool Engineering, Ltd.(Tokyo)  
(Current company name: MOLDINO Tool Engineering, Ltd.)
- Diamet Corporation (Niigata Prefecture)
- Japan New Metals Co., Ltd. (Osaka Prefecture)

### Metals

- Akita Refinery (Akita Prefecture)
- Ikuno Plant (Hyogo Prefecture)
- Naoshima Smelter & Refinery (Kagawa Prefecture)
- Hosokura Metal Mining Co., Ltd. (Miyagi Prefecture)
- Onahama Smelting and Refining Co., Ltd. (Tokyo)
- Materials Eco-Refining Co., Ltd. (Tokyo)

## North America

Number of affiliates: 24

Number of employees: 3,874

### Advanced Products

- Mitsubishi Polycrystalline Silicon America Corporation (MIPSA)

### Metalworking Solutions

- Mitsubishi Materials U.S.A. Corporation

### Cement

- Mitsubishi Cement Corporation
- MCC Development Corporation
- Robertson's Ready Mix, Ltd.

### Cement

- Aomori Plant (Aomori Prefecture)
- Iwate Plant (Iwate Prefecture)
- Yokoze Plant (Saitama Prefecture)
- Higashitani Mine (Fukuoka Prefecture)
- Kyushu Plant (Fukuoka Prefecture)
- Ryoko Lime Industry Co., Ltd. (Tokyo)

### Environment & Energy Business

- Energy Project & Technology Center (Saitama Prefecture)

### Aluminum

- Mitsubishi Aluminum Co., Ltd. (Tokyo)
- Universal Can Corporation (Tokyo)

### Affiliated

- Mitsubishi Materials Trading Corporation (Tokyo)
- Mitsubishi Materials Techno Corporation (Tokyo)

### Corporate

- Saitama Property Management Office (Saitama Prefecture)
- Smart Factory Promotion Center (Saitama Prefecture)
- Production Engineering Center (Saitama Prefecture)
- Central Research Institute (Ibaraki Prefecture)
- Materials' Finance Co., Ltd. (Tokyo)
- Material Business Support Corporation (Saitama Prefecture)

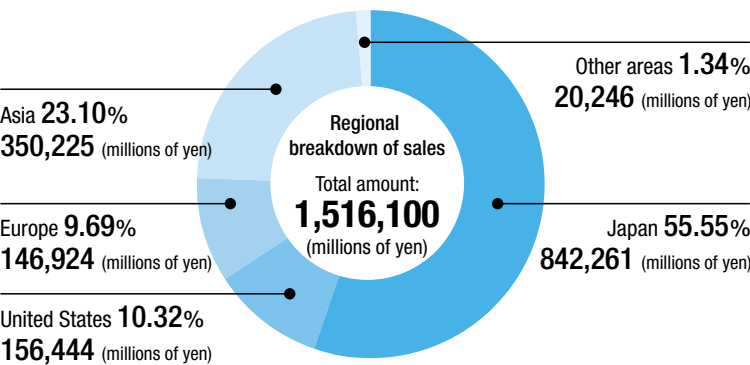
## South America

Number of affiliates: 1

Number of employees: 30

### Advanced Products

- Luvata Sao Paulo



Countries of overseas advance/  
number of region

30



Investor Information

As of March 31, 2020

Articles Concerning Stock

Total number of authorized shares: 340,000,000

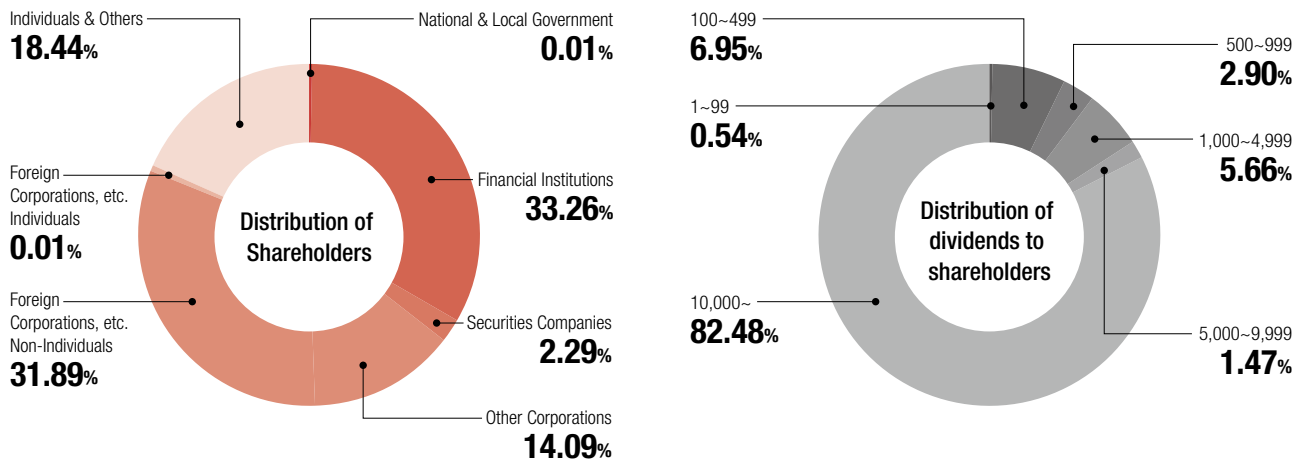
Total number of issued shares: 131,489,535

Number of shareholders: 93,001

Major Shareholders (Top 10 shareholders)

Name of Shareholders	Number of Shares Held (Thousand)	Percentage of Shareholding (%)*
The Master Trust Bank of Japan, Ltd. (Trust account)	9,575	7.31
Japan Trustee Services Bank, Ltd. (Trust account)	8,594	6.56
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,769	4.41
Meiji Yasuda Life Insurance Company	3,101	2.37
NORTHERN TRUST CO.(AVFC) RE U.S.TAX EXEMPTED PENSION FUNDS	3,097	2.37
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,659	2.03
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,461	1.88
JP MORGAN CHASE BANK 385151	2,248	1.72
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	2,054	1.57
MUFG Bank, Ltd.	2,003	1.53

Note: Percentages of shareholding were calculated after deducting treasury shares (547,837 shares)



Total Shareholder Return (TSR)

	March 2016	March 2017	March 2018	March 2019	March 2020
Mitsubishi Materials Corporation	81.2%	87.4%	85.1%	80.2%	64.7%
TOPIX	89.2%	102.3%	118.5%	112.5%	101.8%



Company Name: Mitsubishi Materials Corporation

Marunouchi Nijubashi Building 22F, 3-2-3, Marunouchi, Chiyoda-ku, Tokyo 100-8117 Japan

Date Established: April 1, 1950

Representative: Naoki Ono, Chief Executive Officer

Stock Listing: Tokyo Stock Exchange, Inc.

Paid-in Capital: ¥119,457 million

Total Assets: ¥1,904,050 million

Number of Employees: 4,906 (consolidated : 28,601)

Number of consolidated subsidiaries: 145

Number of equity method affiliated companies: 17

Membership:

KEIDANREN (Japan Business Federation), KEIZAI DOYUKAI (Japan Association of Corporate Executives), Japan Cement Association, Japan Mining Industry Association, ICMM (International Council on Mining & Metals), etc.

(As of March 31, 2020)