

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (Japanese Accounting Standards)

May 14, 2021

Name of Listed Company: Mitsubishi Materials Corporation
 Stock Code: 5711
 Representative: Naoki Ono, Chief Executive Officer
 Contact: Yuji Omura, General Manager, Corporate Communications Dept.
 Scheduled date for ordinary general meeting of shareholders: June 24, 2021
 Scheduled date of start of dividend payment: June 9, 2021
 Scheduled filing date of Annual Securities Report: June 24, 2021
 Supplementary materials for the financial results: Yes
 Investor conference for the financial results: Yes (For Institutional Investors)

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(Amounts of less than million yen are omitted)

1. Results of the Consolidated Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(1) Consolidated Results of Operations (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2021	1,485,121	-2.0	26,567	-30.0	44,527	-10.2	24,407	—
Year ended March 31, 2020	1,516,100	-8.8	37,952	3.0	49,610	-2.1	-72,850	—

(Note) Comprehensive income (loss): Year ended March 31, 2021: 64,827 million yen (—%) Year ended March 31, 2020: -114,027 million yen (—%)

	Profit (loss) per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	186.71	—	4.6	2.3	1.8
Year ended March 31, 2020	-556.34	—	-12.8	2.6	2.5

(Reference) Share of profit (loss) of entities accounted for using equity method: Year ended March 31, 2021: 4,692 million yen Year ended March 31, 2020: 3,521 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	2,035,546	614,394	26.8	4,173.14
As of March 31, 2020	1,904,050	586,034	26.6	3,870.35

(Reference) Shareholders' equity: As of March 31, 2021: 545,233 million yen As of March 31, 2020: 506,781 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2021	78,442	-101,763	41,514	147,533
Year ended March 31, 2020	67,545	-66,898	28,873	127,284

2. Dividend Payments

(Record date)	Dividend per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2020	—	40.00	—	40.00	80.00	10,475	—	1.8
Year ended March 31, 2021	—	0.00	—	50.00	50.00	6,546	26.8	1.2
Year ending March 31, 2022 (Forecast)	—	25.00	—	25.00	50.00		32.7	

3. Consolidated Earnings Forecast (From April 1, 2021 to March 31, 2022) (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2021	810,000	11.6	13,000	88.7	10,000	-39.2	5,000	—	38.23
Year ending March 31, 2022	1,620,000	9.1	35,000	31.7	37,000	-16.9	20,000	-18.1	152.99

* Notes

- (1) Significant changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): Yes
 New: - (Company name: -), Exempt: 1 Company (Company name: Mitsubishi Shindoh CO., LTD)
- (2) Changes in accounting policies, changes of accounting estimates and restatement
- (i) Changes in accounting policies due to amendments to accounting standards: None
 - (ii) Other changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (3) Numbers of issued shares (common stock)
- (i) Numbers of issued shares at the end of period (including treasury shares):
 Year ended March 31, 2021: 131,489,535 shares
 Year ended March 31, 2020: 131,489,535 shares
 - (ii) Numbers of treasury shares at the end of period:
 Year ended March 31, 2021: 836,604 shares
 Year ended March 31, 2020: 550,160 shares
 - (iii) Average number of shares during period:
 Year ended March 31, 2021: 130,723,626 shares
 Year ended March 31, 2020: 130,945,425 shares

(Reference) Summary of Non-Consolidated Financial Results

Results of the Non-Consolidated Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(1) Non-Consolidated Results of Operations

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

	Net sales		Operating profit		Ordinary profit		Profit (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2021	868,053	8.1	-4,822	—	15,199	-11.8	21,260	—
Year ended March 31, 2020	802,655	-5.9	-645	—	17,233	233.4	-49,929	—

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2021	162.64	—
Year ended March 31, 2020	-381.29	—

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	1,490,704	413,096	27.7	3,161.73
As of March 31, 2020	1,281,542	378,690	29.5	2,892.05

(Reference) Shareholders' equity: As of March 31, 2021: 413,096 million yen As of March 31, 2020: 378,690 million yen

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

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

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.

Please see "(1) Overview of operating results 3) Outlook for the next fiscal year (fiscal year ending March 31, 2022)," under "1. Overview of operating results and financial position" on page 6 for the assumptions about consolidated earnings forecasts.

(Procedure for obtaining supplementary materials on financial results and financial briefing)

Mitsubishi Materials Corporation plans to hold an annual financial briefing for institutional investors on Friday, May 14, 2021. Supplementary materials for the annual financial results used in the annual financial briefing is available on TDnet and Mitsubishi Materials Corporation (hereinafter "the company") website simultaneously with announcement of the annual financial results.

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1. Overview of operating results and financial position

(1) Overview of operating results

1) Overview of business results

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

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

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

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

Consequently, consolidated net sales for this consolidated fiscal year totaled ¥1,485,121 million, down by 2.0% year-on-year. Consolidated operating profit decreased by 30.0% year-on-year to ¥26,567 million, and consolidated ordinary profit fell by 10.2% year-on-year to ¥44,527 million. Also, the Company recorded the extraordinary loss of ¥22,370 million as losses on business restructuring and the extraordinary income of ¥28,066 million as gain on sales of investment securities. As a result, profit attributable to owners of parent was ¥24,407 million (compared to loss of ¥72,850 million in the previous fiscal year).

2) Overview by segments

From this consolidated fiscal year, the Company has changed the reporting segments. The details are set forth in “4. (5) Key notes related to consolidated financial statements (Segment information, etc)”. The following year-on-year comparisons are based on the figures of the previous fiscal year reclassified into the new categories.

(Advanced Products)

(Billion yen)			
	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	375.3	357.1	-18.2 (-4.9%)
Operating profit	3.2	2.8	-0.3 (-11.2%)
Ordinary profit	4.4	6.1	-1.7 (-40.3%)

In the Copper & copper alloy products business, both net sales and operating profit declined due to decreased sales mainly of automotive products, which were affected by the global spread of COVID-19, among others.

In the Electronics materials & components business, while sales of automotive products declined due to the global spread of COVID-19, among others, sales of semiconductor-related products increased. Moreover, the production costs of polycrystalline silicon products decreased. As a result, both net sales and operating profit increased.

Consequently, net sales and operating profit of the entire Advanced Products Business decreased compared with the previous fiscal year. Despite decreased operating profit, ordinary profit increased due to gains from valuation of derivatives.

(Metalworking Solutions Business)

(Billion yen)

	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	150.2	119.3	-30.8 (-20.5%)
Operating profit (loss)	7.7	-1.1	-8.9 (—%)
Ordinary profit (loss)	6.2	-0.7	-6.9 (—%)

In the Cemented carbide products business, both net sales and operating profit declined due to decreased sales mainly of automotive products in major overseas countries excluding China, because they were mainly affected by the global spread of COVID-19.

In the Sintered products, etc. business, net sales and operating loss decreased due to the transfer of the entire shares of Diamet Corporation (※), which had been continuously recording operating losses, and also due to the global spread of COVID-19.

Consequently, net sales and operating profit of the entire Metalworking Solutions Business decreased compared with the previous fiscal year. Ordinary profit declined due to the decrease in operating profit.

※As the Company transferred all shares of Diamet Corporation on December 4, 2020, Diamet Corporation, PM Techno Corporation, Diamet Klang(Malaysia)Sdn. Bhd., and Guangdong Diamet Powder Metallurgy Co., Ltd. are no longer in the scope of consolidation of the Company effective from December 2020.

(Metals Business)

(Billion yen)

	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	665.0	728.2	63.2 (9.5%)
Operating profit	18.6	18.8	0.2 (1.1%)
Ordinary profit	27.4	32.9	5.4 (19.8%)

In the Copper business, net sales increased but operating profit decreased mainly due to the rise in copper prices, regular furnace repairs at PT. Smelting in Indonesia and Naoshima Smelter & Refinery, as well as deterioration in purchasing conditions of concentrates.

In the Gold and other valuable metals business, both net sales and operating profit increased mainly due to a hike in gold and palladium prices.

Consequently, net sales and operating profit for the entire Metals Business increased compared with the previous fiscal year. Ordinary profit increased because of the increase in foreign exchange gain and dividend income in addition to the increase in operating profit.

(Cement Business)

(Billion yen)

	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	247.5	215.8	-31.6 (-12.8%)
Operating profit	12.2	6.6	-5.5 (-45.5%)
Ordinary profit	15.2	6.1	-9.0 (-59.5%)

In Japan, both net sales and operating profit decreased due to the impact from the suspension and delay of construction work in the Tokyo metropolitan and other areas following the spread of COVID-19, as well as the declined demand for disaster recovery works in the Tohoku and Kyushu regions.

Overseas, in the United States, sales volume of ready-mixed concrete decreased, and the operating expenses such as raw materials and labor costs increased. Additionally, in the Coal business in Australia, coal sales prices fell. As a result, both net sales and operating profit decreased.

Consequently, net sales and operating profit of the entire business decreased compared with the previous fiscal year. Ordinary profit declined due to the decrease in operating profit.

(Environment & Energy Business)

(Billion yen)

	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	27.0	26.2	-0.8 (-3.2%)
Operating profit	1.6	1.7	0.1 (7.3%)
Ordinary profit	3.1	3.1	0.0 (0.2%)

In the Energy-related business, both net sales and operating profit decreased due to decreased sales in the Nuclear-energy-related services business.

In the Environmental recycling-related business, net sales increased and operating loss decreased due to the increase in home appliance recycling and higher unit sales price of valuables, though there were some offsetting factors such as the costs associated with the launch of new businesses.

Consequently, in the entire business, net sales decreased but operating profit increased compared with the previous fiscal year. Ordinary profit increased due to the increase in operating profit.

(Other Businesses)

(Billion yen)

	FY 2020	FY 2021	Increase / Decrease (%)
Net sales	285.2	266.7	-18.5 (-6.5%)
Operating profit	2.0	8.8	6.8 (340.6%)
Ordinary profit	1.2	9.3	8.0 (631.2%)

In the Aluminum beverage cans business, sales of regular cans increased mainly due to an increase in demand for drinking at home following the spread of COVID-19. Raw materials costs and energy costs also declined. As a result, both net sales and operating profit increased.

In the Aluminum rolled and processed products business, net sales decreased while operating profit increased mainly due to decreased depreciation expenses resulting from impairment loss on fixed assets by Mitsubishi Aluminum Co., Ltd. in the previous fiscal year, as well as effects of cost reduction and other factors, despite decreased sales mainly of automotive products which were affected by the global spread of COVID-19 and other factors.

In the businesses other than the Aluminum beverage cans business and the Aluminum rolled and processed products business in the aggregate, both net sales and operating profit decreased.

Consequently, net sales for the entire Other Businesses decreased, but operating profit increased from the previous fiscal year. Ordinary profit increased due to the increase in operating profit.

3) Outlook for the next fiscal year (fiscal year ending March 31, 2022)

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

Regarding the domestic economy, while there are concerns that the employment and income environment may continue to be sluggish because of the impact from COVID-19, exports and industrial production are expected to continue to pick up. With regards to the business environment surrounding the Group in the future, there are concerns that the impact of the global spread of COVID-19 may continue, while it is anticipated that the solid demand for semiconductor-related products will continue and the demand for automobile related business will recover.

Against this backdrop, the Group will implement measures such as to strengthen the group governance framework, outlined in "2. Management Policies."

For the fiscal year ending March 31, 2022, our consolidated operating performance forecasts predict net sales of ¥1,620.0 billion, operating profit of ¥35.0 billion, ordinary income of ¥37.0 billion, and net income attributable to owners of parent of ¥20.0 billion on the assumption of average exchange rates of ¥110/USD and ¥130/EUR and a copper price of 345¢/lb.

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

(2) Overview of financial position

Total assets were ¥2,035.5 billion at the end of this consolidated fiscal year, an increase of ¥131.4 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in leased gold bullion, among others.

Total liabilities were ¥1,421.1 billion, an increase of ¥103.1 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in borrowings.

The status of cash flow and factors contributing to these amounts in each category for the current consolidated fiscal year under review are as follows:

(Cash flows from operating activities)

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

(Cash flows from investing activities)

Net cash used in investing activities during the consolidated fiscal year under review totaled ¥101.7 billion (increased by ¥34.8 billion from the previous fiscal year) mainly due to spending on capital expenditure and investment securities.

(Cash flows from financing activities)

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

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

Below is a summary of the Group's major cash flow indicators.

	FY2017	FY2018	FY2019	FY2020	FY2021
Shareholders' Equity Ratio (%)	32.8	33.9	32.7	26.6	26.8
Shareholders' Equity Ratio based on a market value (%)	23.3	20.8	19.7	15.2	16.6
Ratio of interest-bearing debt to cash flow	4.7	10.6	3.7	8.6	8.4
Interest coverage ratio	23.3	10.0	28.9	13.9	17.8

Shareholders' Equity Ratio:

Shareholders' Equity / Total assets

Shareholders' Equity Ratio based on market value:

Market capitalization / Total assets

Ratio of interest-bearing debt to cashflow:

Interest-bearing debt / Cash flow

Interest coverage ratio:

Cash flow / Interest payments

(Note 1) All indicators are calculated on a consolidated basis.

(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury shares).

(Note 3) Cash flow is based on the cash flows from operating activities in the Consolidated Statements of Cash Flows.

(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amount shown in the Consolidated Statements of Cash Flows.

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

The Company makes cash dividends based on the resolutions of the Board of Directors meetings in accordance with its Articles of Incorporation.

The Company recognizes that the return of profits to its shareholders is one of the most important management issues. It is the Company's basic policy to provide a stable and continuous return to its shareholders while making decisions about shareholder return based on a comprehensive assessment of factors across its management, which include earnings for the period, internal reserves, and financial standing. The amounts of dividends will be determined by taking into consideration the funds required for investments, which includes "optimization of business portfolio", "relentless pursuit of enhancing competitiveness", and "creation of new products and businesses" as stated in the Group-wide Policy, as well as future business outlook, financial standing, etc. Regarding share buybacks, the Company will implement them expeditiously as additional shareholder returns, and improve capital efficiency.

The Company planned to pay an annual dividend of ¥80 per share during the period of FY2023 Strategy. However, due to the impact of the COVID-19, cash flows from operations during the same period are expected to be much lower than the initial forecast. Under these circumstances, the Company while placing an emphasis on stability and continuity with regard to dividends, will set the minimum amount of dividends per share during the period of FY2023 Strategy at ¥50 based on the level of cash flows from operations that the Company has assumed can be generated on a stable basis. By accelerating the sale of assets, among others, and making expeditious allotments of funds, including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

Based on this policy, The Company made the decision to distribute the year-end dividend of ¥50 in accordance with a resolution made at the Board of Directors meeting held on May 14, 2021. The dividend for the fiscal year is set at ¥50 per share (decreased by ¥30 from the previous fiscal year) as the company did not pay an interim dividend.

The Company plans to pay a dividend of ¥50 per share (¥25 interim dividend and ¥25 year-end dividend) for the fiscal year ending March 31, 2022.

(4) Business and other risks

1. Procedure for identifying critical risks

The Group thoroughly identifies and assesses critical risks in management and business operations at each level (management level, corporate divisions at the head office, business divisions at the head office, and business sites) every period. The Executive Officers Meeting ultimately decides on prioritization and policies for addressing these risks, taking into account social conditions, the business environment, and the Group's management issues. (See Exhibit 1)

2. Risk management system and operation status of the Group

The identified critical risks and policies for addressing them are communicated to each site, which formulates an implementation plan and conducts risk reduction efforts. The implementation plan is confirmed and reviewed at the semi-annual Governance Deliberative Council, and the status of activities at each site is reviewed on a quarterly basis. The results are reported to the Sustainable Management Office, the Board of Executive Officers, and the Board of Directors for monitoring the status of risk at the management level.

The critical risks are classified into three categories according to the attributes to each: those to be tackled as a priority by the entire Group, those to be tackled as a priority by business divisions, and those to be tackled independently by business sites. By doing so, the roles and responsibilities to be assumed by each level (formulation of policies and plans, implementation, support, and monitoring) are clarified. In particular, business divisions at the head office regularly communicate with business sites regarding risks to ensure that countermeasures are implemented at the sites, share implementation status and issues, and discuss necessary support.

In addition, risk information of business sites is shared by the Audit Department and used for internal audits, and risk information recognized in the audits is then fed back to the business activities. (See Exhibit 2)

With regard to COVID-19, the Group established a “Novel Coronavirus Response Headquarters” headed by the director in charge of crisis management as the General Manager at the head office in January 2020. The role is to formulate, disseminate, and implement the Group's guidelines in responding to the infection situation in Japan and overseas, and reviews the business continuity plan.

Procedure for Identifying critical risks

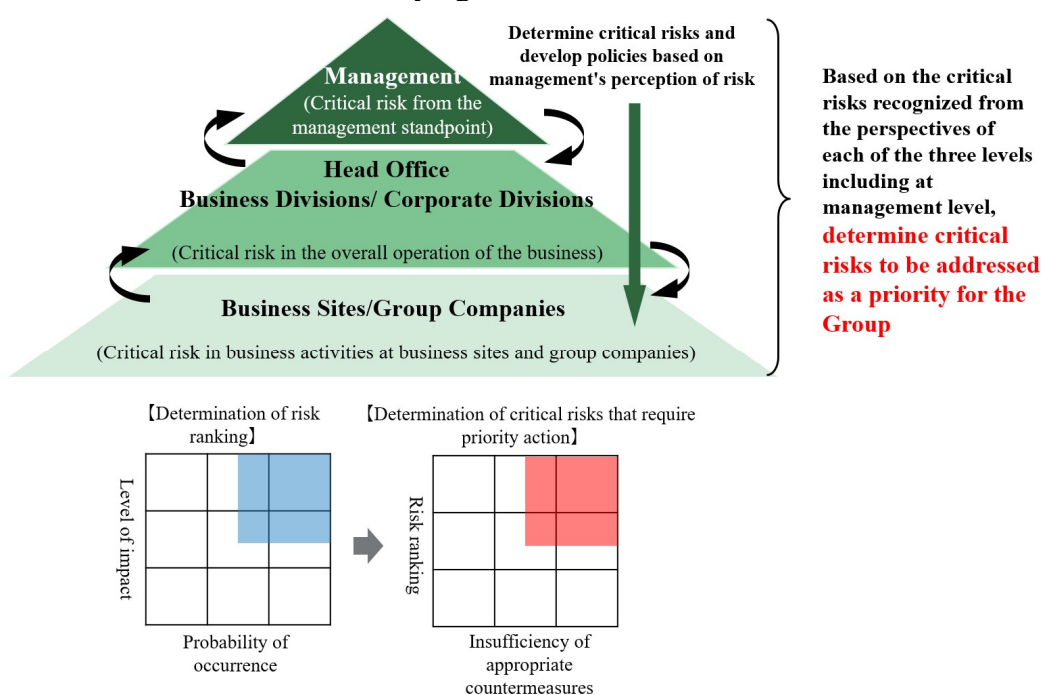


Exhibit 1: Procedure for Identifying critical risks

Risk management system

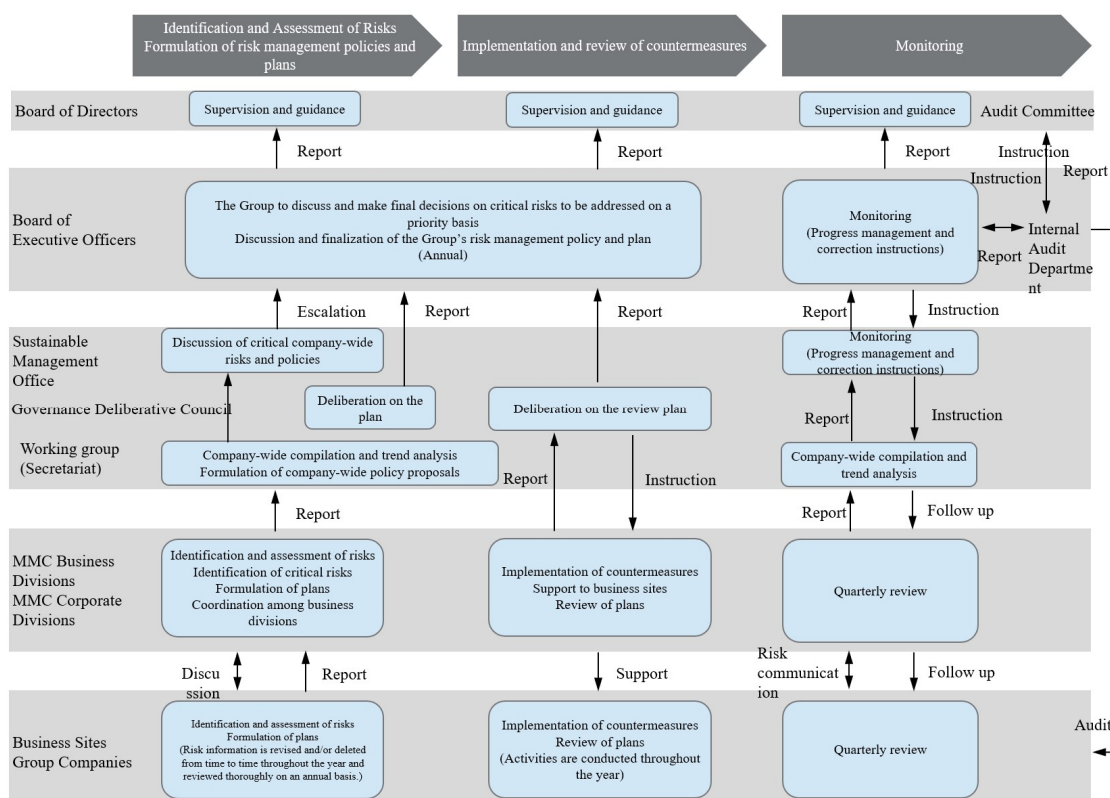


Exhibit 2: Risk management system

3. Business and other risks

The key risks that management believes may have a significant impact on the Group's performance and financial position are as follows.

The following is not an exhaustive list of all the risks facing the Group. This section contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to them as of May 14, 2021.

(1) International situation, overseas economic situation (Probability of occurrence: Medium, Level of impact: Large)

The Group has production and sales bases, etc. in 30 countries and regions overseas, and positions overseas business as an important foundation for the Group's business growth. Risks associated with global business development include political instability, economic conditions, and unexpected changes in policies and regulations in various countries and regions. There are also possible changes in business strategies and product deployment by business partners, which could hinder the Group's business activities and affect its business performance and financial position. The Group believes that these risks are always potentially present.

Thus, the Group periodically monitors the status of its businesses and reviews its business strategies and overseas investments in light of risks arising from changes in international and overseas economic conditions, etc. In addition, the Group responds appropriately to changes in these conditions by sharing information from local bases and by collaboration among its business units. In addition, the Group strives to collect, share, and disseminate information on individual country risks, such as overseas legal regulations, among the Group.

In particular, the Metals Business is at risk of being effected by events beyond the Group's control, such as intervention in resource projects by national and local governments in copper-producing countries, fluctuations in the global balance of supply and demand for copper concentrates, and declines in the grade of copper concentrates.

To address these issues, as part of its efforts to build a sustainable raw materials portfolio, the Group will diversify the countries and regions where the Group purchases copper concentrates and promote effective investment in quality mining projects, while at the same time securing a stable supply of raw materials by actively using recycled raw materials such as E-Scrap (waste boards from various electronic equipment).

(2) Market trends (Probability of occurrence: Medium, Level of impact: Large)

The Group provides products and services to a variety of industries. However, market and customer trends are constantly changing, including changes in global economic conditions, rapid changes in customers' markets, changes in customers' market shares, changes in customers' business strategies or product development, etc. The Group assumes that the timing of the occurrence of the risks described below will vary, but believes that they are always potentially present.

Domestic demand for cement peaked at 86,286,000 tons in FY1991 and has been shrinking for a prolonged period of time, with current domestic demand at less than half of the peak level. Cement is an essential material for society, and the Group expects to secure a certain level of demand over medium to long term. However, if demand declines at an accelerated pace, the Group's earnings may deteriorate and it may become difficult to continue operations. To deal with this situation, the Group is considering such measures like strengthening the Kyushu Plant, which is the main plant of the Group, creating the effect of streamlining production, logistics, and sales functions through business integration with Ube Industries, Ltd, reorganizing the domestic business and optimizing the production system. The Group is also considering expanding and developing new business overseas in regions where future growth is expected.

The automobile industry is expected to experience a decrease in the number of internal combustion engines due to electrification and structural changes due to CASE (Connected, Autonomous, Shared & Services, Electric) and MaaS (Mobility as a Service). It is assumed that changes in needs related to mobility due to changes in lifestyles and society will cause a decrease in demand for products such as cutting tools. If the Group is unable to appropriately respond to such changes in the industry and customer market, the Group's business performance and financial position may be adversely affected.

To respond to this, the Group will aim to capture new demand through changes in automotive components and develop markets with a view to new industries such as medical care, while maintaining and expanding our market share by providing new value such as solutions in existing business areas that may be shrinking. In addition, with the aim of expanding sales of cutting tools used in the manufacture of undercarriage parts for which demand will continue to grow even with the progress of electrification, the Group is working to develop markets using cutting technologies that are compatible with new manufacturing methods and new materials.

Also, the Group supplies electronic materials, polycrystalline silicon, and other products to the semiconductor industry, and trends in the semiconductor market may have an impact on the Group's business performance and financial position. For this reason, the Group is looking at ways to strengthen its relationships with key customers by providing distinctive, high-quality products, and to expand its market share by developing high-value-added products, etc.

(3) Fluctuations in raw material and utility prices (Probability of occurrence: Medium, Level of impact: Large)

1) Raw materials prices

The procurement prices of non-ferrous metal raw materials for the Metals Business, the Metalworking Solutions Business, the Aluminum Business, and coal, etc. for the Cement Business are affected by fluctuations in international commodity prices for such non-ferrous metals and coal, foreign exchange rates, and ocean freight rates, etc. The Group's business performance and financial position may be adversely affected if procurement prices rise due to a sharp rise in these raw material prices. Major fluctuations in international commodity prices and exchange rates have occurred in the past, and the Group assumes that such fluctuations may continue to occur once every few years in the future.

To prepare for this, the Group is working to increase the number of suppliers of non-ferrous metal raw materials, such as tungsten raw materials in the Metalworking Solutions Business and aluminum ingots in the Aluminum Business, and to increase the ratio of recycled raw materials.

2) Utility prices

An increase in the cost of imported fossil fuels such as crude oil and natural gas, a sharp rise in energy prices, or a hike in electricity prices due to an increase in the levy on renewable energy could adversely affect the Group's business performance and financial position. The energy situations have fluctuated greatly in recent years, and the Group has determined that this is a risk to which it should always have a system in place to respond.

Accordingly, the Group is promoting measures such as reducing the amount of purchased electricity by introducing energy-saving equipment and self-consumption solar power generation systems.

(4) Procurement (Probability of occurrence: Medium, Level of impact: Large)

With regard to the procurement of materials, parts, and other components for the Group's production activities, if there is a shortage in the amount of materials procured due to poor quality, or if production is reduced due to depletion of resources used as raw materials and heat energy sources, equipment failure at utility companies, or damage to or bankruptcy of important suppliers, the Group's production activities may be disrupted, which may have a negative impact on its business performance and financial position. The timing of the occurrence of these risks is not clear, as they arise from a variety of factors, but the Group considers them to be risks that are always potentially present and should be prepared for.

For this reason, the Group lists important raw materials and equipment that may have a significant impact on the Group's production activities at each of its manufacturing bases, and examines and implements various measures to reduce procurement risks. In the event of a disaster or other emergency, the Group collects information on the status of damage at suppliers and transportation conditions, and shares this information among its bases.

Furthermore, in the field of the Cement Business, the Group is making efforts to save energy in the manufacturing process and to prevent the depletion of raw materials and resources by increasing the acceptance of waste and by-products, which are currently accepted as substitutes for natural resources.

(5) Climate change (Probability of occurrence: High, Level of impact: Large)

In the event that policies and regulations against climate change are strengthened, and a carbon pricing system is introduced or strengthened, the Group's business performance and financial position may be adversely affected due to costs associated with GHG (Greenhouse Gas) emissions. In addition, if the Group is late in responding to the growing demand for a transition to a decarbonized society, it may experience a decline in corporate value due to loss of sales opportunities, etc., which may have a negative impact on the Group's business performance and financial position. With regard to climate change, there is a growing movement toward carbon neutrality throughout the world, and with Japan declaring its commitment to carbon neutrality by 2050, the Group has determined that it is necessary to take prompt action to prepare for the tightening of regulations that are expected in the near future.

For this reason, the Group has set a GHG reduction target for FY2031 and is working to steadily reduce GHG emissions from its business activities and to compress the carbon price burden by introducing energy-saving equipment and expanding the use of renewable energy. In addition, in order to improve the market competitiveness of the Group's products, the Group is promoting the improvement of manufacturing processes, the development of environmentally friendly products, and the development of technologies to reduce environmental load such as CCUS (Carbon Dioxide Capture, Utilization and Storage).

At the same time however, with the strengthening of policies and other measures related to climate change, demand for technologies, products, and services that will help to save energy and reduce GHG emissions is expected to increase, which could create more business opportunities. The Group takes initiatives including 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 generation, participation in projects pushing forward demonstration experiments or studies into suitable locations related to CO₂ capture and storage, and activities to preserve the forests it owns.

(6) Natural disasters and abnormal weather (Probability of occurrence: Medium, Level of impact: Medium)

The risks of abnormal weather and natural disasters are increasing every year, and the Group, which has many business locations in Japan and overseas, is working on various disaster prevention measures, etc. However, large-scale natural disasters such as earthquakes, typhoons, floods, and guerrilla rains, which are far beyond the expected level, may cause extensive damage to production facilities, etc., which may adversely affect the Group's business performance and financial position due to damage to production facilities, factory operations, and product shipments. In order to cope with natural disasters and abnormal weather that have been occurring frequently in recent years, the Group is promoting the enhancement of its internal systems and is systematically implementing various measures, including the development and review of business continuity plans (BCPs), the increase in the number of items that can be manufactured at multiple locations, and countermeasures against floods, storm surges, and tidal waves, such as the construction of raised walls.

In addition, in January 2019, the Group introduced a crisis management system at all of its domestic and overseas bases in order to promptly ascertain the safety of employees and the damage to business bases in the event of a crisis due to a natural disaster. By sharing information on damage in real time within the Group, each business site and head office department can respond appropriately and quickly from their own standpoints. The Group has also established a system that facilitates prompt relief from head office departments and neighboring sites.

(7) Occurrence of violations of pollution and environmental laws and regulations (Probability of occurrence: Medium, Level of impact: Large)

Against the backdrop of the global movement toward sustainable development, the legal and social sanctions against companies that cause pollution or environmental destruction in their business activities have never been heavier. The Group's business activities are working to prevent pollution of air, water, soil, etc., in accordance with environmental laws and regulations at each of its business sites in Japan and overseas. In addition, the Group is complying with various environmental laws, regulations and rules related to climate change, air pollution, water pollution, hazardous substances, waste recycling, soil and groundwater pollution, etc. However, as environmental laws and regulations become stricter in Japan and overseas, delays in responding to legal revisions and changes in environmental standards, stricter standards for hazardous element content, changes in administrative guidance, and delays in responding to appointments, notifications, and reports could hinder the Group's business activities and adversely affect its business performance and financial position. Although the timing of occurrence is not clear, the Group considers it to be a risk that is always potentially present.

Therefore, in addition to sharing information on revisions to applicable laws and regulations and conducting thorough training and education, the Group is promoting measures to avoid, reduce, and transfer risks, including strengthening facilities, throughout the Group.

(8) Infection (COVID-19) (Probability of occurrence: High, Level of impact: Large)

Currently, due to the spread of COVID-19 in the area and the number of infected people, business activities such as plant operations and the movement of human resources and supplies are restricted, and the Group expects this situation to continue in the future.

Therefore, in late January 2020, when the spread of this infectious disease was recognized in China, the Group established a task force ("Novel Coronavirus Response Headquarters") at its head office and began to take a unified response. The task force formulates the Group's response policies and guidelines for preventive measures according to the prevalence of infectious diseases around the world, and disseminates them to all business sites. The task force also collects information centrally on the health status of employees, the situation in each country and region, policies and regulations, the impact on business sites, and the impact on the supply chain. It also shares this information with management, and monitors the situation in order to respond appropriately and swiftly as the situation changes.

As for measures to prevent infection and its spread in the workplace, the Group is implementing a full-scale operation of telecommuting in each department, restrictions on business trips and events, and the formulation of procedures to deal with an outbreak of infection in the workplace. In order to ensure that the provision of the Group's products and services, which support the social infrastructure, is not interrupted, the Group has formulated a business continuity plan for each of its business sites and is implementing various measures including measures to prevent the spread of infectious diseases in response to their prevalence.

Changes in the business environment of After-Corona need to be closely monitored in order to assess the impact of this infection on the business, and plan countermeasures such as a decrease in demand. Depending on the extent and content of such changes, in addition to the measures taken at present, the Group will consider adding or reviewing social issues that the Group should address, and reviewing strategies and changing measures in response to structural changes in the industry.

(9) Information security (Probability of occurrence: High, Level of impact: Medium)

The Group considers information security to be one of the most critical issues in risk management, and in particular recognizes that the personal information of customers and business partners is one of the most important information assets, and is working to reduce the risk of leakage, loss, or damage. In the event of failure of critical information infrastructure and networks, cyber-attacks (cyber-terrorism) and other unforeseen events, as well as information leaks of personal information and other data due to unauthorized removal, inadequate or poorly managed computer systems, or involvement of computer viruses or malicious software, the Group's business performance and financial position may be adversely affected due to a loss of social credibility, which is always considered a latent risk.

With this background, the Group is making appropriate capital investments in critical information infrastructure and networks, and updates equipment as necessary. Furthermore, in order to effectively implement security measures, the Group is working to reduce risk by promoting measures and enhancements in each of the following four areas: governance, security improvement, detecting signs and early detection, and prompt response.

(10) Financial risks (Probability of occurrence: Medium, Level of impact: Large)

The Group assumes the following potential financial risks. Although it is difficult to predict when any of these events will occur, the Group is pursuing various measures to ensure that it is always ready to respond.

1) Interest-bearing debt

In the fiscal year ending March 31, 2021, the Group's interest-bearing debt amounted to ¥629.4 billion (total of short-term borrowings, commercial papers, bonds, and long-term borrowings. Unless otherwise noted, the same applies below), and the ratio to total assets was 30.9%. Although the Group is striving to improve its financial position by reducing inventories, selling assets, etc., there is a possibility that the Group's business performance and financial position will be adversely affected if the cost of raising funds rises due to future changes in financial market condition.

Thus, the Group strives to maintain the outstanding balance of interest-bearing debt and the net debt-to-equity ratio at appropriate levels, secure a variety of funding methods, implement timely and appropriate funding, and reduce funding costs. The Group is also working to improve its capital efficiency mainly by introducing a cash management system to centrally manage surplus funds in each Group company.

2) Changes in the market value of assets held

Fluctuations in the market value of securities, land, and other assets held by the Group may affect its business performance and financial position.

Therefore, with regard to securities, the Group periodically monitors the market value and the financial position of the issuers, and continuously reviews the status of its holdings in consideration with the relationship with the issuers. With regard to the impairment of fixed assets, the Group is pursuing the sale of idle land and checking for signs of impairment of business assets by obtaining real estate appraisals as deemed appropriate.

3) Guarantee of debts

In the fiscal year ending March 31, 2021, the Group assumed a guarantee of ¥13.3 billion for monetary obligations of non-consolidated affiliates and other companies. In the event that the Group is required to fulfill these guarantees

in the future, it may have an impact on the Group's business performance and financial position.

In order to avoid this, the Group monitors the business and financial conditions of its affiliates, etc., as deemed appropriate, and takes steps to reduce the impact

4) Retirement benefit expenses and obligations

Employees' retirement benefit expenses and obligations are calculated primarily based on assumptions established in actuarial calculations. These assumptions take into account the average remaining service period of employees, the long-term yield of Japanese government bonds, and the investment status of pension assets, including shares contributed to trusts. However, a decline in the discount rate or losses incurred through the investment of pension assets could affect the Group's future expenses and recorded obligations.

To address this, the Group has introduced a retirement benefit system that combines a defined benefit plan and a defined contribution plan, as well as an appropriate investment allocation that takes into account safety and profitability in the management of pension assets.

2. Management Policies

(1) Basic Policy for the Group Management

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

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

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

In light of recent trends in the business environment and business performance, including changes in the business environment due to the global spread of COVID-19 and the impact on the medium- to long-term business outlook, the Company partially revised the contents of the FY2023 Strategy, mainly the financial plan, as of May 14, 2021, and the revised contents are outlined in this section.

1) Group-wide issues

1.1) Mission

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

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

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

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

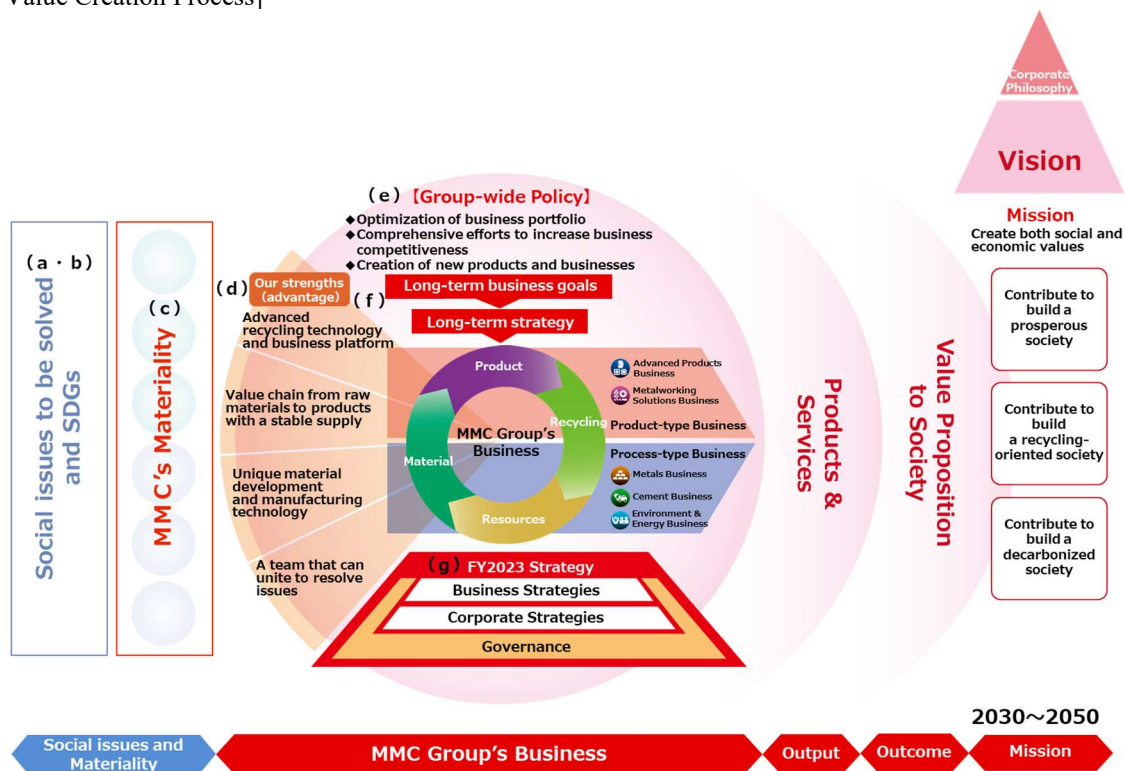
Contribute to build a decarbonized society by developing and promoting the use of renewable energies such as geothermal energy, and ensuring to consider the reduction of environmental impact in manufacturing.

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

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

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

[Value Creation Process]



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

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

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

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

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

Details of the individual elements (a) to (g) are as described in (1.3) and (1.5) below.

1.3) Individual elements of the value creation process

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

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

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

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

<SDGs (b) >

The SDGs (Sustainable Development Goals) adopted by the United Nations in September 2015 can also be regarded as social issues to be solved.

The Company has selected 7, 8, 9, 11, 12, and 13 as the main items the Group can contribute through the businesses of the Group.

- 1 (Poverty) No Poverty
- 2 (Hunger) Zero Hunger
- 3 (Health) Good Health and Well-Being
- 4 (Education) Quality Education
- 5 (Gender) Gender Equality
- 6 (Water and Sanitation) Clean Water and Sanitation
- 7 (Energy) Affordable and Clean Energy
- 8 (Growth and Work) Decent Work and Economic Growth
- 9 (Innovation) Industry, Innovation and Infrastructure
- 10 (Inequalities) Reduced Inequalities
- 11 (Cities) Sustainable Cities and Communities
- 12 (Production and Consumption) Responsible Consumption and Production
- 13 (Climate Change) Climate Action
- 14 (Marine Resources) Life below Water
- 15 (Land Resources) Life on Land
- 16 (Peace) Peace, Justice and Strong Institutions
- 17 (Implementation) Partnerships for the Goals

<Materiality (c) >

The Group summarizes the social issues that the Group should solve and related SDGs as four issues which have high importance to both stakeholders (shareholders, investors, employees, business partners, creditors, local communities, etc.) and the Group. In addition, the Group also considers challenges in our management base and strengthening the foundation of the Group as materiality.

<Social Issues>

- Stable supply of product/material
- Creation of a recycling-oriented society
- Dealing with climate change
- Environment protection and environmental technologies

<Strengthening of the Management Base and Core>

- Occupational Health and Safety
- Governance
- Development of diverse talents
- Responsibility in value chain
- Stakeholder communication
- Digital transformation (hereinafter “DX”)

<Our Strengths (d) >

- An Advanced recycling technology and business platform

The recycling business can be promoted by diverse and advanced recycling technology accumulated mainly in the Metals, Cement and Environmental recycling business, by a wide range of business experience, and by a unique waste collection network and business platform.

- Value chain from raw materials to products with a stable supply

With a consistent production system from stable procurement of raw material resources to products, high-quality products can be stably supplied to the market.

- Unique material development and manufacturing technology

As represented by the oxygen-free copper and copper alloy (the Copper & copper alloy business), joining dissimilar materials (the Electronic materials & components business), cemented carbide materials and coating (the Metalworking Solutions Business), our manufacturing technology and materials development is supported by atomic level analysis and simulation technologies. These items are sources of the Company's competitiveness.

- A team that can unite to resolve issues

By respecting diverse personalities, values, and honesty, the Company can unite individual power and work together to solve issues.

<Group-wide Policy (e) >

- Optimization of business portfolio

The Company will focus on following businesses that The Company should take an ownership of: businesses that are consistent with its vision and mission, businesses that are governable by the The Company Group, businesses that are capable of earning a leadership role in a specific region or the world, and businesses that can deliver stable returns over capital costs on a medium- to long-term basis. In addition, The Company will build a business portfolio with two axes of profitability and growth potential to determine the direction of each business, and aim to optimize the portfolio.

- Comprehensive efforts to increase business competitiveness

The Company will make comprehensive efforts through our manufacturing excellence strategy, quality management strategy, DX strategy, and business competitiveness.

As to manufacturing excellence strategy, each site draws a vision based on the business strategy, and aims to raise their manufacturing capabilities to the next level by enhancing the production process.

As to quality management strategy, The Company aims to achieve "proactive quality" by not allowing non-conforming products through optimizing the product/process design and equipment maintenance plan.

As to DX strategy, The Company will strengthen customer contact points and promote data sharing to improve business added-value and operational competitiveness. For 6 years from FY2021 to FY2026, The Company plans to invest approximately ¥40 billion and allocate 100 digital professionals.

- Creation of new products and businesses

In order to create new businesses that will become future revenue bases, the Group addresses the following as important social needs. "Next-generation vehicles", "IoT/AI", "urban mines" and "clean energy and decarbonization". The Group will create and grow new products and businesses that are the core of sustainability.

1.4) FY2023 Financial Plan

- Financial indicators and goals

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

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

The Group-wide financial target of FY2023 is ROIC 4.0%, ROA 2.0%, ROE 6.0%, consolidated operating profit of ¥29 billion, consolidated ordinary profit of ¥38 billion, and net D/E ratio 1.0 times or less.

- Investment Policy

The total investment amount for the FY2023 Strategy is expected to be ¥355 billion, and consisting of ¥195 billion for growth strategy investment, and ¥160 billion for maintenance and renewal investment. The investments will be funded by operating cash flow, proceeds from business restructuring and asset sales. While operating cash flow is expected to decrease due to the impact of the COVID-19, the Company will restrain growth investment during the FY2023 Strategy period in businesses where demand expansion will be slower than expected, and aggressively invest in mines and M&A that are expected to generate high profits due to copper price hike. In addition, the Company will ensure to invest in renewals to minimize opportunity cost due to problems with aging facilities, thereby securing the foundation of profitability and leading to future growth.

- Shareholder Return Policy

The Company recognizes that the return of profits to its shareholders is one of the most important management issues. It is the Company's basic policy to provide a stable and continuous return to its shareholders while making decisions about shareholder return based on a comprehensive assessment of factors across its management, which include earnings for the period, internal reserves, and financial standing. The amounts of dividends will be determined by taking into consideration the funds required for investments, which includes "optimization of business portfolio", "relentless pursuit of enhancing competitiveness", and "creation of new products and businesses" as stated in the Group-wide Policy, as well as future business outlook, financial standing, etc. Regarding share buybacks, the Company will implement them expeditiously as additional shareholder returns, and improve capital efficiency. The Company planned to pay an annual dividend of ¥80 per share during the period of FY2023 Strategy. However, due to the impact of the COVID-19, cash flows from operations during the same period are expected to be much lower than the initial forecast. Under these circumstances, during the period of FY2023 Strategy, the Company while placing an emphasis on stability and continuity with regard to dividends, will set the minimum amount of dividends per share during the period of FY2023 Strategy at ¥50 based on the level of cash flows from operations that the Company has assumed can be generated on a stable basis. By accelerating the sale of assets, among others, and making expeditious allotments of funds, including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

- Regarding Strategic Holdings

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

1.5) Long-term Business Goals and Long-term Strategy for each business (f) / FY2023 Strategy (g)

• Advanced Products

Long-term business goals	Global First Supplier
Long-term strategy	<ul style="list-style-type: none"> • Create new businesses and products through the sophistication and integration of our core competencies (e.g. production and development of oxygen-free copper, oxygen-free copper base alloys, and functional materials as well as technical capabilities such as bonding different materials bonding different metals, etc.) • Accelerate marketing activities to replicate successful practice
Specific measures of the FY2023 Strategy	<ul style="list-style-type: none"> • Assign key account managers acting cross-sectionally • Enhance information analysis by digital marketing such as the employment of AI or IoT • Share product roadmaps with customers (co-creation capabilities) • Develop new products through collaboration with Central Research Institute • Fortify production capabilities such as establishing a mass production system and improving productivity, etc.) • Pursue opportunities to execute M&A or business alliances

• Metalworking Solutions Business

Long-term business goals	Top 3 supplier in strategic markets
Long-term strategy	<ul style="list-style-type: none"> • Promote clean manufacturing • Provide high-efficiency products with advanced technology • Expand advanced metal powder business in electronic devices
Specific measures of the FY2023 Strategy	<ul style="list-style-type: none"> • Increase recycling rate in our tool recovery system and utilize renewable energy • Provide high efficiency tools and digital solutions • Transition to smart factory and optimization of logistics and supply chain • Expand advanced metal powder business to rechargeable battery market

• Metals Business

Long-term business goals	Leader in environmentally-friendly mining & smelting business
Long-term strategy	Stable supply and recycling of nonferrous metals, predominantly copper <ul style="list-style-type: none"> • Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap • Promotion of recycling • Response to climate change
Specific measures of the FY2023 Strategy	<ul style="list-style-type: none"> • Secure clean copper concentrate by investing in new mines • Development impurity removal technology in copper concentrate • Optimize valuable metal material flow • Reduce fossil fuels

• Cement Business

Long-term business goals	Leader in the domestic and international cement industry with advanced environmental technologies
Long-term strategy	<ul style="list-style-type: none"> • Stable supply of basic building materials for social infrastructure and disaster prevention infrastructure • Sophistication of waste disposal • Response to climate change by reducing CO2 • Construction of a resilient domestic business foundation through business restructuring and growth in overseas markets
Specific measures of the FY2023 Strategy	<ul style="list-style-type: none"> • Improve and optimize production system through domestic business restructuring • Expand capabilities in waste plastics processing and installation of chlorine dust cleaning equipment • Introduce low-temperature burning technology and develop CO2 reduction, capture, and recycling technologies • Expansion of US businesses and development of new overseas bases

• Environment & Energy Business

Long-term business goals	(Environmental recycling) Driving force of resource-recycling systems (Renewable energy) Leading company in geothermal development
Long-term strategy	<ul style="list-style-type: none"> • Provision of a safe recycling system with thorough traceability, etc. • Decarbonization by expanding renewable energy business
Specific measures of the FY2023 Strategy	<ul style="list-style-type: none"> • Expand Home appliance recycling business, advancement of automation, and improvement of added value of recovered products • Demonstrate LiB recycling technologies and solar panel recycling technology • Secure stable plant operations in Fly ash recycling business and biogasification business • Complete Komatagawa new hydroelectric power plant, construction of Appi geothermal power plant, survey of new geothermal sites and survey of new small hydropower

• Corporate division's strategy

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

R&D and marketing strategy	By focusing on changes in the external environment such as megatrends, etc., The Group will create high value-added products and services mainly in IoT and AI, next-generation vehicles, urban mines, and clean energy and decarbonization areas to meet customer needs based on its integrated functions, material composite, infrastructure and mass production, and recycling technologies.
Manufacturing excellence strategy	By formulating and realizing the factory vision based on the business strategy, as well as enhancing the production process, and proactively utilizing external knowledge, The Group will raise its manufacturing capability to the next level.
Quality management strategy	By optimizing its product/process design and equipment maintenance plan, The Group will implement proactive quality management to ensure that non-conforming products are not produced.
DX strategy	The Group use DX to strengthen our three key pillars: "Business added-value", "Business operations competitiveness", and "Management speed". For 6 years from FY2021 to FY2026, The Company plans to invest approximately ¥40 billion and allocate 100 digital professionals.

• Governance

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

Strengthening corporate governance	<p>In June of 2019, The Company transitioned to a company with a nomination committee, etc., and is working on the following measures</p> <ul style="list-style-type: none"> • Continuous improvement of the functions of the Board of Directors • Formulation of basic corporate governance policy (effective April 1, 2020) • CEO appointment and dismissal, planning and execution of successor development plan • Review of executive remuneration system • Enhancement of governance of subsidiaries
Strengthening group governance	<p>The Group will implement the following measures to establish a governance system in which communications can be carried out smoothly and autonomously between the parent and its subsidiaries, between the head office and its respective bases, and among respective bases and the Group companies.</p> <ul style="list-style-type: none"> • Evaluation of effectiveness and improvement of the Board of Directors of the Group companies • Group companies' officer training • Enhancement of governance audits • Prompt decision making by delegating authority and strengthening supervisory functions • Promotion of business operations with an awareness of differing managements in R&D, manufacturing, and human resources exchange • Accelerated strategy execution by DX Management Office

HR strategy	<p>The Group will work on the following measures with the aim of securing and fostering adaptive human resources and forging a healthy organizational culture.</p> <ul style="list-style-type: none"> • (Talent) Secure and develop human resources • (Organizational culture) Enhance motivation and management capabilities of the Group companies • (Improvement of social value) Engage in the employment of diverse talents and health & productivity management
Change of organizations	<p>(Business Divisions)</p> <ul style="list-style-type: none"> • Promotion of Environment & Energy Business Division to in-house Company • Separation of Aluminum Division from Advanced Products Company <p>(Corporate Division)</p> <ul style="list-style-type: none"> • Establishment of Marketing Department • Establishment of Corporate Communications Department <p>(Company-wide organization)</p> <ul style="list-style-type: none"> • Establishment of DX Management Office • Establishment of Sustainable Management Office

<Issues in each business>

· Advanced Products

Demand of automobiles and semiconductors-related sectors, which are the main markets for Advanced Products, is expected to increase over the medium- to long-term due to the spread of next-generation vehicles and high-capacity communications. However, due to the global spread of COVID-19, there are concerns over the slowdown in production activities of customers and other factors. The Group will keep a close watch on economic conditions and the market environment.

Under these circumstances, in the area of copper and copper alloy products, the Company conducted an absorption-type merger of Mitsubishi Shindoh Co., Ltd., on April 1, 2020. While maximizing the effect of the merger with the company, the Group will strengthen marketing, R&D and sales systems, and expand production capacity to provide high value-added products through integrated development, manufacturing and sales, to enhance profitability.

For electronics materials & components, the Group aims to become a highly profitable business entity that sustains growth potential by providing products with high added-value through materials technology to high-growth industries such as next-generation vehicles, semiconductors and electronics. For polycrystalline silicon, the business environment is expected to remain difficult. However, the Group will reinforce profitability by securing safe and stable operation, quality improvement and thorough cost reduction.

· Metalworking Solutions Business

Regarding the market environment for cemented carbide products, demand from the automotive industry has been recovering since the second half of FY2021. However, for FY2022, due to the global spread of COVID-19, there are concerns over risks associated with the sourcing of raw materials, a slowdown in production activities of customers, etc. in addition to a decline in demand reflecting the economic slowdown in major countries. Therefore, the Company will keep a close watch on economic conditions and the market environment.

Under these circumstances, while the Company will continue to work on strengthening sales activities targeting the automotive industry, which is a major customer base, the Company will prioritize the investment of management resources in the aerospace and medical industries, which are expected to grow over the medium- to long-term, and seek to strengthen development, manufacturing and sales functions in preparation for a full-fledged recovery in demand. In addition, the Company will steadily implement measures for DX and work on enhancing its ability to offer solution proposals by utilizing its technical bases (technical centers) established in major regions of the world. Regarding the sourcing of raw materials, the Company will continue to work on reducing sourcing risks and costs by improving the amount of tungsten recycled and diversifying procurement sources through cooperation with Masan High-Tech Materials Corporation, in which the Company took a stake in October 2020, and other measures. In addition, the Company will utilize mineral resources efficiently in order to contribute to building a recycling-oriented society.

· Metals Business

Demand for copper, the Company's main product, is expected to remain solid over the medium- to long-term, supported by the proliferation of electric vehicles and the expanding use of renewable energy. Regarding the procurement of copper concentrate, which is a key raw material, it is expected that the supply-demand balance will be eased due to the slowdown of the expansion rate of smelting capacity in China, and the start and expansion of operations at several new large-scale mines.

However, due to the global spread of COVID-19, concerns still remain over risks associated with the sourcing of raw materials as a result of the decline in the operation rate of overseas copper mines, falling copper prices, declining copper demand, etc. The Company will keep a close watch on economic conditions and the market environment.

Under these circumstances, the Mineral resources division will work on the improvement and reinforcement of the facilities at the Los Pelambres Copper Mine, the Escondida Copper Mine and the Copper Mountain Mine, as well as the development of new projects. In addition, the resources business units will support smelting operations by providing smelters with a stable supply of clean copper concentrate with minimum impurities. In FY2022, in addition to existing projects, the Company will, with its partner, work on the expansion project of the Mantoverde Copper Mine, in which the Company completed the acquisition of stake in February 2021. The Company will also focus on research at the Mining & Metallurgy Laboratories established in FY2021, aimed at developing technologies for removing impurities in copper concentrate, among others.

In the Metallurgy division, the Company will utilize its world-leading e-scrap processing capacity to enhance profitability. At the same time, the Company will work on optimizing the material flow in order to efficiently collect and recycle trace components that increase in the process with as the volume of e-scrap, not only valuable metals, processing increases. Furthermore, the Company will reiterate the theme of addressing climate change and make the most of the environmental advantages of its unique Mitsubishi process, which has a low environmental impact. The Company will contribute to the creation of a decarbonized society by working on smelting process reforms such as reducing the use of fossil fuels, improving energy conversion and usage efficiency, and utilizing renewable energy.

・ Cement Business

In Japan, due to the spread of COVID-19, the Company has concerns over suspension and delays in construction, as well as cutbacks on private investment and delays in construction schedules due to labor and transport capacity shortages in the construction industry. Demand for cement in FY2022 is expected to remain on par with FY2021. Overseas, the Company expects a moderate increase in demand for cement and ready-mixed concrete in the United States in FY2022. However, due to the global spread of COVID-19, the Company has concerns over declining shipment volume of cement due to construction delays. Therefore the Company will keep a close watch on economic conditions and the market environment. Under these circumstances, in order to respond to a further decrease in demand for cement in Japan which is forecasted to continue in the future, in September 2020, the Company signed a definitive agreement to integrate its business with Ube Industries, Ltd. in April 2022, aiming to optimize production systems and establish a stable profit base through economies of scale. Through the integration, the Company will aim to achieve sustainable growth by directing cash flows generated from the cement business in Japan toward concentrated investment in businesses that are anticipated to generate growth in and outside of Japan. In addition, the Company will strive to secure sales volumes by steadily taking in demand for cement for large projects. In manufacturing, the Company will also work to ensure a stable supply of products by further reducing failure rates at its facilities through the use of digital technology. Furthermore, the Company will contribute to building a recycling-oriented society by strengthening waste disposal facilities, introducing high-efficiency facilities and expanding the use of alternative energy waste.

Overseas, in order to steadily capture medium- to long-term demand in the United States, the Company will strive to further strengthen its business platform by developing new overseas operating bases as well as expanding and strengthening its vertical value chain structure.

・ Environment & Energy Business

Regarding the environment & energy-related business environment, there is a strong need for the Company's strengthening of its response to environmental problems such as efficient treatment of urban waste, efficient use of energy resources and requests for CO2 emissions reduction as a medium- to long-term social issue. However, due to the global spread of COVID-19, concerns still remain over delays in renewable energy-related construction work, among other issues. The Company will keep a close watch on economic conditions and the market environment.

Under these circumstances, in energy-related fields, the Company will expand its renewable energy business and contribute to building a decarbonized society. In addition to proceeding with the ongoing construction of the new Komatagawa hydroelectric power plant and the Appi Geothermal Power Plant as scheduled, the Company will continue to carry out surveys of new geothermal sites to develop new businesses.

Regarding the environmental and recycling-related business, while the Company will expand its Home appliance recycling business and Car recycling business through advancement of automation and improving the added value of collected products, the Company will work more proactively on demonstrating lithium-ion battery recycling technologies and solar panel recycling technology. Furthermore, the Company will aim to secure collection quantity and stable plant operations in the Fly ash recycling business and Biogasification business for food waste, and strive to develop a recycling business that does not rely on final disposal sites, thereby contributing to the establishment of a recycling-oriented society.

3. Basic Concept for Selection of Accounting Standards

The Group intends to prepare the consolidated financial statements in accordance with Japanese GAAP for the time being, taking into consideration the inter-period comparability and inter-company comparability of consolidated financial statements.

The Group intends to make appropriate decisions on the application of IFRS (International Financial Reporting Standards), taking various situations into account.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	134,444	153,086
Notes and accounts receivable - trade	217,259	220,522
Merchandise and finished goods	111,409	117,498
Work in process	112,908	126,357
Raw materials and supplies	127,908	136,019
Leased gold bullion	95,557	156,254
Other	158,444	133,258
Allowance for doubtful accounts	(2,470)	(3,103)
Total current assets	955,462	1,039,894
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	155,868	158,343
Machinery, equipment and vehicles, net	233,923	241,391
Land, net	216,487	209,707
Construction in progress	29,298	33,864
Other, net	23,720	22,093
Total property, plant and equipment, net	659,298	665,402
Intangible assets		
Goodwill	35,586	31,670
Other	15,906	14,760
Total intangible assets	51,492	46,431
Investments and other assets		
Investment securities	183,043	217,477
Retirement benefit asset	3,211	4,934
Deferred tax assets	15,572	14,801
Other	40,081	50,996
Allowance for doubtful accounts	(4,112)	(4,392)
Total investments and other assets	237,796	283,818
Total non-current assets	948,588	995,651
Total assets	1,904,050	2,035,546

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	113,148	153,603
Short-term borrowings	191,038	175,686
Current portion of bonds payable	—	20,000
Commercial papers	50,000	40,000
Income taxes payable	10,221	6,781
Provision for bonuses	12,944	12,852
Provision for loss on disposal of inventories	670	756
Provision for product compensation	809	578
Deposited gold bullion	294,312	323,505
Other	124,746	125,072
Total current liabilities	797,892	858,838
Non-current liabilities		
Bonds payable	60,000	40,000
Long-term borrowings	246,578	353,795
Deferred tax liabilities	26,667	36,162
Deferred tax liabilities for land revaluation	21,514	21,094
Provision for loss on business of subsidiaries and associates	4,014	2,525
Provision for loss on business restructuring	30,272	—
Provision for environmental measures	32,581	26,555
Provision for product compensation	392	—
Provision for directors' retirement benefits	1,710	1,677
Provision for share-based remuneration	—	220
Retirement benefit liability	56,312	42,249
Other	40,078	38,033
Total non-current liabilities	520,123	562,313
Total liabilities	1,318,016	1,421,151
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	92,393	79,439
Retained earnings	274,723	294,814
Treasury shares	(2,157)	(2,868)
Total shareholders' equity	484,416	490,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,806	42,940
Deferred gains or losses on hedges	708	(1,119)
Revaluation reserve for land	28,059	27,097
Foreign currency translation adjustment	(12,212)	(8,057)
Remeasurements of defined benefit plans	(16,997)	(6,470)
Total accumulated other comprehensive income	22,364	54,390
Non-controlling interests	79,252	69,161
Total net assets	586,034	614,394
Total liabilities and net assets	1,904,050	2,035,546

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

(Million yen)

	Year Ended March 31, 2020 (Apr. 1, 2019-Mar. 31, 2020)	Year Ended March 31, 2021 (Apr. 1, 2020-Mar. 31, 2021)
Net sales	1,516,100	1,485,121
Cost of sales	1,325,438	1,312,771
Gross profit	190,662	172,349
Selling, general and administrative expenses	152,709	145,781
Operating profit	37,952	26,567
Non-operating income		
Interest income	1,302	843
Dividend income	18,403	17,585
Rental income from non-current assets	5,110	4,895
Share of profit of entities accounted for using equity method	3,521	4,692
Other	3,023	10,260
Total non-operating income	31,362	38,278
Non-operating expenses		
Interest expenses	4,858	4,416
Expense for the maintenance and management of abandoned mines	4,018	3,782
Rental expenses on non-current assets	3,066	3,134
Loss on retirement of non-current assets	2,346	2,674
Foreign exchange losses	2,073	—
Other	3,340	6,309
Total non-operating expenses	19,704	20,318
Ordinary profit	49,610	44,527
Extraordinary income		
Gain on sales of investment securities	14,535	28,066
Other	2,026	810
Total extraordinary income	16,562	28,876
Extraordinary losses		
Loss on business restructuring	—	22,370
Impairment loss	55,095	3,532
Provision for loss on business restructuring	30,272	—
Loss on the Antimonopoly Act	10,423	—
Other	10,881	4,160
Total extraordinary losses	106,671	30,063
Profit (loss) before income taxes	(40,498)	43,341
Income taxes - current	18,248	13,944
Income taxes - deferred	10,561	(1,379)
Total income taxes	28,810	12,564
Profit (loss)	(69,308)	30,777
Profit (loss) attributable to non-controlling interests	3,541	6,369
Profit (loss) attributable to owners of parent	(72,850)	24,407

Consolidated statement of comprehensive income

(Million yen)

	Year Ended March 31, 2020 (Apr. 1, 2019-Mar. 31, 2020)	Year Ended March 31, 2021 (Apr. 1, 2020-Mar. 31, 2021)
Profit (loss)	(69,308)	30,777
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,544)	19,613
Deferred gains or losses on hedges	1,520	(2,843)
Foreign currency translation adjustment	(7,700)	5,758
Remeasurements of defined benefit plans	(9,263)	10,369
Share of other comprehensive income of entities accounted for using equity method	(729)	1,152
Total other comprehensive income	(44,718)	34,050
Comprehensive income	(114,027)	64,827
(Breakdown)		
Comprehensive income attributable to		
Owners of parent	(116,068)	57,567
Non-controlling interests	2,040	7,259

(3) Consolidated statements of changes in net assets

Year Ended March 31, 2020 (Apr. 1, 2019-Mar. 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	119,457	92,393	352,932	(2,123)	562,659
Changes during period					
Cash dividends			(10,476)		(10,476)
Profit (loss) attributable to owners of parent			(72,850)		(72,850)
Reversal of revaluation reserve for land			4,963		4,963
Increase due to increase in the number of consolidated subsidiaries			153		153
Increase due to decrease in the number of affiliates accounted for using equity method					—
Purchase of treasury shares				(34)	(34)
Disposal of treasury shares		(0)		0	0
Changes in ownership interest of parent due to transaction with non-controlling interests		(0)			(0)
Changes in ownership interest of parent due to transaction with non-controlling interests, net					
Total changes during period	—	(0)	(78,208)	(33)	(78,242)
Balance at end of current period	119,457	92,393	274,723	(2,157)	484,416

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Other difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefits plans	Total accumulated other comprehensive income		
Balance at beginning of current period	51,220	124	33,023	(5,828)	(7,617)	70,922	89,754	723,337
Changes during period								
Cash dividends								(10,476)
Profit (loss) attributable to owners of parent								(72,850)
Reversal of revaluation reserve for land								4,963
Increase due to increase in the number of consolidated subsidiaries								153
Increase due to decrease in the number of affiliates accounted for using equity method								—
Purchase of treasury shares								(34)
Disposal of treasury shares								0
Changes in ownership interest of parent due to transaction with non-controlling interests								(0)
Changes in ownership interest of parent due to transaction with non-controlling interests, net	(28,413)	583	(4,963)	(6,383)	(9,379)	(48,557)	(10,502)	(59,060)
Total changes during period	(28,413)	583	(4,963)	(6,383)	(9,379)	(48,557)	(10,502)	(137,302)
Balance at end of current period	22,806	708	28,059	(12,212)	(16,997)	22,364	79,252	586,034

Year Ended March 31, 2021 (Apr. 1, 2020-March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	119,457	92,393	274,723	(2,157)	484,416
Changes during period					
Cash dividends			(5,237)		(5,237)
Profit (loss) attributable to owners of parent			24,407		24,407
Reversal of revaluation reserve for land			962		962
Increase due to increase in the number of consolidated subsidiaries					—
Increase due to decrease in the number of affiliates accounted for using equity method			(41)		(41)
Purchase of treasury shares				(713)	(713)
Disposal of treasury shares		(1)		3	2
Changes in ownership interest of parent due to transaction with non-controlling interests		(12,952)			(12,952)
Changes in ownership interest of parent due to transaction with non-controlling interests, net					
Total changes during period	—	(12,954)	20,090	(710)	6,426
Balance at end of current period	119,457	79,439	294,814	(2,868)	490,843

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Other difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefits plans	Total accumulated other comprehensive income		
Balance at beginning of current period	22,806	708	28,059	(12,212)	(16,997)	22,364	79,252	586,034
Changes during period								
Cash dividends								(5,237)
Profit (loss) attributable to owners of parent								24,407
Reversal of revaluation reserve for land								962
Increase due to increase in the number of consolidated subsidiaries								—
Increase due to decrease in the number of affiliates accounted for using equity method								(41)
Purchase of treasury shares								(713)
Disposal of treasury shares								2
Changes in ownership interest of parent due to transaction with non-controlling interests								(12,952)
Changes in ownership interest of parent due to transaction with non-controlling interests, net	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	21,934
Total changes during period	20,133	(1,827)	(962)	4,155	10,526	32,025	(10,091)	28,360
Balance at end of current period	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,394

(4) Consolidated statements of cash flows

(Million yen)

	Year Ended March 31, 2020 (Apr. 1, 2019-Mar. 31, 2020)	Year Ended March 31, 2021 (Apr. 1, 2020-Mar. 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(40,498)	43,341
Depreciation	64,208	61,962
Amortization of goodwill	4,449	4,374
Increase (decrease) in allowance for doubtful accounts	(346)	857
Increase (decrease) in provision for loss on business of subsidiaries and associates	3,209	(1,489)
Increase (decrease) in provision for product compensation	(1,273)	(623)
Increase (decrease) in provision for environmental measures	(7,845)	(6,026)
Increase (decrease) in provision for loss on business restructuring	30,272	—
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(2,232)	(777)
Interest and dividend income	(19,706)	(18,429)
Interest expenses	4,858	4,416
Share of loss (profit) of entities accounted for using equity method	(3,521)	(4,692)
Loss (gain) on sales of property, plant and equipment	(598)	(235)
Loss on retirement of non-current assets	2,507	2,674
Impairment loss	55,095	3,532
Loss on business restructuring	—	22,370
Loss on the Antimonopoly Act	10,423	—
Loss (gain) on sales of investment securities	(13,086)	(26,097)
Loss (gain) on valuation of investment securities	4,830	321
Decrease (increase) in notes and accounts receivable - trade	28,876	(7,483)
Decrease (increase) in inventories	(18,698)	(28,007)
Proceeds from sales of gold bullion	99,984	106,419
Payment for purchase of gold bullion	(99,736)	(106,176)
Decrease (increase) in other current assets	(871)	(5,960)
Decrease (increase) in notes and accounts payable - trade	(31,249)	38,918
Decrease (increase) in accrued expenses	(5,693)	6,316
Increase (decrease) in other current liabilities	8,650	1,972
Increase (decrease) in other non-current liabilities	(81)	(288)
Other	(6,730)	(3,134)
Sub-total	65,191	88,055
Interest and dividend received	22,597	20,399
Interest paid	(4,861)	(4,413)
Income taxes (paid) refund	(15,381)	(15,175)
Loss on the Antimonopoly Act	—	(10,423)
Net cash provided by (used in) operating activities	67,545	78,442

(Million yen)

	Year Ended March 31, 2020 (Apr. 1, 2019-Mar. 31, 2020)	Year Ended March 31, 2021 (Apr. 1, 2020-Mar. 31, 2021)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(89,599)	(76,825)
Proceeds from sales of property, plant and equipment	2,099	1,127
Payment for purchase of intangible assets	(1,585)	(1,902)
Payment for purchase of investment securities	(47)	(40,889)
Proceeds from sales of investment securities	23,827	65,731
Payment for purchase of subsidiaries' shares	(1,657)	(1,158)
Proceeds from sales of subsidiaries' shares	25	—
Proceeds from liquidation of subsidiaries	0	—
Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	—	(44,795)
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	68	161
Proceeds from transfer of businesses	1,527	583
Payment for loans	(4,330)	(3,865)
Proceeds from collection of loans	484	524
Other	2,289	(453)
Net cash provided by (used in) investing activities	(66,898)	(101,763)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,013	(3,828)
Proceeds from long-term borrowings	32,578	139,184
Repayment of long-term borrowings	(42,078)	(45,084)
Proceeds from issuance of bonds	10,000	—
Net increase (decrease) in commercial papers	45,000	(10,000)
Payment for purchase of treasury shares	(34)	(714)
Cash dividends paid	(10,476)	(5,237)
Cash dividends paid to non-controlling interests	(12,829)	(5,611)
Payment for sales of subsidiaries' shares not-resulting in change in scope of consolidation	—	(24,925)
Other	(2,300)	(2,267)
Net cash provided by (used in) financing activities	28,873	41,514
Effect of exchange rate changes on cash and cash equivalents	(1,960)	1,010
Increase (decrease) in cash and cash equivalents	27,559	19,203
Cash and cash equivalents at beginning of period	99,672	127,284
Increase (decrease) in cash and cash equivalents	52	1,045
Cash and cash equivalents at end of period	127,284	147,533

(5) Key notes related to consolidated financial statements

Segment Information, etc.

[Segment Information]

1. Overview of reporting segments

(1) Method to define reporting segments

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

The Company adopts an in-house company system and each in-house company and business unit or office formulates comprehensive domestic and international strategies and develops business activities with respect to the products and services handled.

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

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

Major products of each business are as follows:

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

2. Calculation method for net sales, profits and losses, assets, liabilities and other items for each reporting segment

The method of accounting for each reported business segment is identical with that stated in the "Important Matters Forming the Bases for Preparing Consolidated Financial Statements".

Profit in the reporting segments are based on ordinary profit.

Amount of revenues and transfer within the Group are based on current market prices.

3. Matters regarding changes of the reporting segments, etc.

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

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

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

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

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

4. Information on net sales, profits and losses, assets, liabilities and other items for each reporting segment.
Year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

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

Notes:

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

Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

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

Notes:

1. “Other Businesses” include aluminum-related business and engineering-related services.
2. “Adjustment amount” of segment income (loss) of -¥12,498 million includes the elimination of intersegment transactions of ¥4 million and corporate expenses of -¥12,503 million which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not pertain to the reporting segments, basic experiment and research expenses, and financial income and expenses.
3. “Adjustment amount” of segment assets of ¥102,178 million includes the elimination of intersegment transactions of -¥53,463 million and corporate assets of ¥155,642 million which are not allocated to the reporting segments. Corporate assets consist mainly of assets of administrative department and assets relating to basic experiment and research that do not belong to the reporting segments.
4. “Adjustment amount” of segment liabilities of ¥21,987 million includes the elimination of intersegment transactions of -¥50,788 million and corporate liabilities of ¥72,775 million which are not allocated to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative departments and liabilities relating to basic experiment and research that do not pertain to the reporting segments.
5. “Adjustment amount” of ¥4,066 million for the increase in tangible fixed assets and intangible assets is mainly capital expenditure made by the Central Research Institute.
6. Segment profit has been adjusted with ordinary profit on the consolidated statements of profit or loss.

【Relevant Information】

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

1. Information by product and service

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

2. Information by region

(1) Net sales

(Million yen)					
Japan	U.S.	Europe	Asia	Other	Total
842,261	156,444	146,924	350,225	20,246	1,516,100

(2) Tangible fixed assets

(Million yen)					
Japan	U.S.	Europe	Asia	Other	Total
511,479	83,641	10,853	51,855	1,468	659,298

1. Classification of countries and regions is based on geographical proximity.

2. Major countries or regions included in the classification other than the United States

(1) Europe Germany, UK, Spain, France, Finland

(2) Asia Indonesia, Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other Australia, Canada, Brazil

3. Information by major customer

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

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

1. Information by product and service

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

2. Information by region

(1) Net sales

(Million yen)					
Japan	U.S.	Europe	Asia	Other	Total
810,298	137,136	136,305	384,548	16,832	1,485,121

(2) Tangible fixed assets

(Million yen)					
Japan	U.S.	Europe	Asia	Other	Total
517,545	84,873	11,485	49,686	1,811	665,402

1. Classification of countries and regions is based on geographical proximity.

2. Major countries or regions included in the classification other than the United States

(1) Europe Germany, UK, Spain, France, Finland

(2) Asia Indonesia, Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other Australia, Canada, Brazil

3. Information by major customer

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

【Information on impairment loss on fixed assets by reporting segment】

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Impairment loss	11,923	21,122	—	20	0	21,938	55,005	90	55,095

(Note) The 90 million yen adjustment for impairment loss is mainly due to the impairment of idle assets.

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Impairment loss	1,971	1,304	32	3	1	213	3,526	6	3,532

(Note) The 6 million yen adjustment for impairment loss is mainly due to the impairment of idle assets.

【Information on amortization and unamortized balance of goodwill by reporting segment】

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Amortization for current period	406	1,220	—	2,819	—	1	4,449	—	4,449
Balance at end of current period	7,081	6,077	—	22,425	—	1	35,586	—	35,586

Amortization amounts and unamortized balances of negative goodwill arising from transactions carried out prior to April 1, 2010, such as business combinations, are as follows:

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Amortization for current period	—	—	—	—	—	—	—	—	—
Balance at end of current period	2,221	—	—	—	—	—	2,221	—	2,221

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Amortization for current period	406	1,213	—	2,750	—	4	4,374	—	4,374
Balance at end of current period	6,912	4,809	—	19,943	—	5	31,670	—	31,670

Amortization amounts and unamortized balances of negative goodwill arising from transactions carried out prior to April 1, 2010, such as business combinations, are as follows:

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Amortization for current period	—	—	—	—	—	—	—	—	—
Balance at end of current period	2,221	—	—	—	—	—	2,221	—	2,221

Per-share information

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net asset value per share	3,870.35 yen	4,173.14 yen
Profit (loss) per share	(556.34 yen)	186.71 yen

(Note)

1. Company's shares held by the executive compensation BIP trust are included in the treasury shares deducted from the total number of issued shares at the end of the fiscal year for the purpose of calculating net asset value per share. The number of treasury shares at the end of this consolidated fiscal year is 836,000 shares, and of those shares, 274,000 shares are held by the executive compensation BIP trust at the end of this consolidated fiscal year.
2. Diluted earnings per share for this consolidated fiscal year is not stated since there are no convertible securities. Diluted earnings per share for the previous consolidated fiscal year is not stated because the Company reported a net loss per share and there were no convertible securities.
3. The basis for the calculation of profit (loss) per share is as follows:

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Profit (loss) per share		
Profit (loss) attributable to owners of the parent (million yen)	(72,850)	24,407
Amount not attributable to common shareholders (million yen)	—	—
Profit (loss) attributable to common shareholders of owners of the parent (million yen)	(72,850)	24,407
Average number of shares outstanding (thousand shares)	130,945	130,723

(Note)

Company's shares held by the executive compensation BIP trust are included in the treasury shares deducted from the average number of shares outstanding during the period for the purpose of calculating profit (loss) per share for the current fiscal year. The average number of treasury shares during this consolidated fiscal year is 765,000 shares, and of the shares, 211,000 shares is the average number of Company's shares held by the executive compensation BIP trust during this consolidated fiscal year.

Important subsequent events

N/A