Consolidated Financial Results for the Six Months Ended September 30, 2020 (Japanese Accounting Standards)

December 16, 2020

Name of Listed Company: Mitsubishi Materials Corporation Listing: Tokyo Stock Exchange
Stock Code: 5711 URL: https://www.mmc.co.jp/
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Scheduled filing date of Quarterly Report: December 16, 2020
Scheduled date of start of dividend payment: –
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

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

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The six months ended September 30, 2020	725,568	-3.1	6,890	-59.4	16,457	-39.6	-19,150	–
The six months ended September 30, 2019	748,400	-12.5	16,978	-38.5	27,242	-17.6	4,511	-69.6

(Note) Comprehensive income: The six months ended September 30, 2020: -12,574 million yen (–%)
The six months ended September 30, 2019: -9,715 million yen (–%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The six months ended September 30, 2020	-146.43	–
The six months ended September 30, 2019	34.46	–

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2020	1,944,206	541,634	24.3
As of March 31, 2020	1,904,050	586,034	26.6

(Reference) Shareholders' Equity: As of September 30, 2020: 472,695 million yen As of March 31, 2020: 506,781 million yen

2. Dividend Payments

	Dividend per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	–	40.00	–	40.00	80.00
Year ending March 31, 2021	–	0.00			
Year ending March 31, 2021 (Forecast)			–	40.00	40.00

(Note) Revision of dividend forecast published most recently: No

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

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

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		Profit (loss) per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2021	1,450,000	-4.4	8,000	-78.9	20,000	-59.7	0	–	0.00

(Note) Revision to forecast published most recently: Yes

* 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)

(Note) For details, please see "(4) Notes on quarterly consolidated financial statements Changes of significant subsidiaries during the six months ended September 30, 2020" under "2. Consolidated Financial Statements and Key Notes" on page 16.

(2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes

(Note) For details, please see"(4) Notes on quarterly consolidated financial statements, Application of special accounting treatment in the preparation of quarterly consolidated financial statements" under "2. Consolidated Financial Statements and Key Notes" on page 16.

(3) 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:	Yes
(iv)	Restatements:	None

(4) Numbers of issued shares (common stock)

(i)	Numbers of issued shares at end of period (including treasury shares):	
	Six months ended September 30, 2020:	131,489,535 shares
	Year ended March 31, 2020:	131,489,535 shares
(ii)	Numbers of treasury shares at end of period:	
	Six months ended September 30, 2020:	828,649 shares
	Year ended March 31, 2020:	550,160 shares
(iii)	Average number of shares issued during period (quarterly cumulative period):	
	Six months ended September 30, 2020:	130,780,804 shares
	Six months ended September 30, 2019:	130,948,499 shares

* This quarterly financial summary is not subject to a quarterly review 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 "(3) Information on the consolidated earnings forecasts and other future forecasts" under "1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2020" on page **6** for the assumptions about consolidated earnings forecasts.

(Procedure for obtaining supplementary information on quarterly financial results and quarterly financial briefing)

Mitsubishi Materials Corporation plans to hold a quarterly financial briefing for institutional investors on Wednesday, December 16, 2020. The materials used at this briefing are disclosed on the TDnet and the Company's web page at the time that the quarterly financial results are announced.

Contents

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2020

(1) Details of operating results

1) Overview of operating results

During the first half of the consolidated fiscal year, the global economy was in considerable constraints on its economic activities due to the global spread of COVID-19. In China, the economy appeared to be recovering, but in Thailand and Indonesia, economic downturn continued. In Europe and the United States, economic downturn also continued.

In Japan, due to COVID-19, the employment and income conditions continued to deteriorate. However, exports and industrial production showed signs of recovery.

Regarding the business environment for the Mitsubishi Materials Group (hereinafter referred to as "the Group"), the Group was affected by the global spread of COVID-19. Demand in semiconductor-related sectors remained favorable, while demand in automobile-related sectors substantially declined. In addition, domestic demand for cement also declined.

Under these circumstances, sales for the consolidated first half of the fiscal year under review totaled ¥725,568 million, down 3.1% year-on-year. Operating profit decreased 59.4% year-on-year to ¥6,890 million, and ordinary profit fell 39.6% year-on-year to ¥16,457 million. Also, the Company reported extraordinary losses of ¥21,980 million as provision for loss on business restructuring. As a result, loss attributable to owners of the parent was ¥19,150 million (compared to profit of ¥4,511 million during the same period of last year).

In the "Notice Regarding Submission of the Second Quarterly Securities Report for the Fiscal Year Ending March 31, 2021" of today, the Company announced the results of the investigations on the issues at Robertson's Ready Mix, Ltd and other companies that caused the postponement of the announcement of consolidated financial results for the six months ended September 30, 2020. The notice also announced the impact on the consolidated financial statements.

The Company extends its sincere apologies for causing inconvenience and anxiety to its shareholders, investors and all relevant parties.

2) Overview by segments

From the first quarter of the fiscal year, the reporting segments have been changed. The details are set forth in "2. (4) Notes on Consolidated Quarterly Financial Statements (Segment Information)." In this regard, the following year-on-year comparisons are based on the figures for the same quarter of the previous year reclassified into the new categories.

(Advanced Products)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)	
Net sales	191.8	156.0	-35.7	(-18.6%)
Operating profit (loss)	1.5	-1.7	-3.3	(-%)
Ordinary profit (loss)	2.8	0.0	-2.8	(-98.1%)

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. In addition, the production costs of polycrystalline silicon products had decreased. As a result, net sales decreased but operating profit increased.

Consequently, net sales and operating profit for the entire Advanced Products decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Metalworking Solutions Business)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)	
Net sales	78.1	56.6	-21.4	(-27.5%)
Operating profit (loss)	5.5	-3.0	-8.6	(-%)
Ordinary profit (loss)	4.7	-2.8	-7.6	(-%)

In the Cemented carbide products business, both net sales and operating profit declined, due to decreased sales mainly of automotive products in Japan and major overseas countries excluding China, mainly affected by the global spread of

COVID-19.
In the Sintered products, etc. business, losses increased due to decreased sales of sintered parts, which are major products in Japan and major countries overseas, also affected by the global spread of COVID-19, among others.
Consequently, net sales and operating profit for the entire Metalworking Solutions Business decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Metals Business)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)	
Net sales	316.5	358.3	41.7	(13.2%)
Operating profit (loss)	5.3	7.4	2.1	(39.6%)
Ordinary profit (loss)	13.3	15.4	2.1	(15.8%)

In the Copper business, net sales increased but operating profit decreased mainly due to a deterioration in purchasing condition of concentrates while production increased year-on-year.
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 year-on-year. Ordinary profit increased due to the increase in operating profit.

(Cement Business)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)	
Net sales	123.7	105.7	-18.0	(-14.5%)
Operating profit (loss)	6.5	4.1	-2.4	(-36.7%)
Ordinary profit (loss)	7.9	3.8	-4.1	(-51.6%)

In Japan, both net sales and operating profit decreased due to the impact from the suspension 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 including raw materials costs increased. In addition, 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 for the entire Cement Business decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Environment & Energy Business)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)	
Net sales	10.9	9.6	-1.2	(-11.8%)
Operating profit (loss)	0.2	-0.0	-0.3	(-%)
Ordinary profit (loss)	0.9	0.4	-0.5	(-55.9%)

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 and recycling-related business, though net sales increased due to the increase in home appliance recycling and incineration ash processing volume, operating loss increased due to the increase in the costs accompanied with the launch of a new business and selling, general and administrative expenses.
Consequently, net sales and operating profit for the entire Environment & Energy Business decreased year-on-year. Ordinary profit declined due to the decrease in operating profit.

(Other Businesses)

(Billion yen)

	FY 2020 Q1-Q2	FY 2021 Q1-Q2	Increase / Decrease (%)
Net sales	136.4	127.3	-9.1 (-6.7%)
Operating profit (loss)	0.1	2.5	2.3 (－%)
Ordinary profit (loss)	0.0	2.2	2.1 (－%)

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, losses were reduced due to decreased depreciation resulting from the recording of impairment loss on fixed assets by Mitsubishi Aluminum Co., Ltd. in the previous fiscal year, as well as effects of cost reduction and others, in spite of a decrease in sales for mainly automotive products, affected by the global spread of COVID-19 principally.
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 year-on-year, but operating profit increased. Ordinary profit increased due to the increase in operating profit.

(2) Details of financial position

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at ¥1,944.2 billion, up ¥40.1 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in inventories.
Total liabilities were ¥1,402.5 billion, an increase of ¥84.5 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in deposited gold bullion and borrowings.
The status of cash flow and factors contributing to these amounts in each category for the first half of the fiscal year under review are as follows:

(Cash Flows from Operating Activities)
Net cash provided by operating activities during the first six months of the year under review totaled ¥46.3 billion (increased by ¥36.7 billion year-on-year) mainly due to a decrease in notes and accounts receivable - trade and an increase in notes and accounts payable - trade despite loss before income taxes.

(Cash Flows from Investing Activities)
Net cash used in investing activities during the first six months of the year under review totaled -¥34.9 billion (decreased by ¥11.3 billion year-on-year) mainly due to payment for purchase of property, plant and equipment.

(Cash Flows from Financing Activities)
Net cash provided by financing activities during the first six months of the fiscal year under review totaled ¥4 billion (decreased by ¥18.3 billion year-on-year) due to cash from borrowings and commercial papers despite payment for purchase of shares of subsidiaries not resulting in change in scope of consolidation.

As a result of adding a net increase (decrease) in cash and cash equivalents mainly due to the effect of the exchange rate changes to the above, cash and cash equivalents at the end of the second quarter of the consolidated fiscal year amounted to ¥142.6 billion (increased by ¥15.3 billion year-on-year).

(3) Information on the consolidated earnings forecasts and other future forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2021, has been revised from the forecast announced on September 29, 2020, as below.
Net sales, operating profit(loss) and ordinary profit(loss) are expected to increase compared to the previous forecasts mainly due to increase in net sales and earnings for the first six months of the fiscal year ending March 31, 2021, in addition to increase in sales in copper & copper-alloy products and electronic materials in the Advanced Products Business and cemented carbide products in the Metalworking Solutions Business, as well as a hike in metal prices and increases in dividend income from mining companies in the Metal Business, among others. Profit(loss) attributable to owners of parent is also expected to increase compared to the previous forecasts due to increase in ordinary profit(loss) as well as increase in extraordinary profit as the Company continues the reduction of strategic holdings. As a result, profit(loss) attributable

to owners of parent is expected to become the break even.

Revisions to Consolidated Earnings Forecasts for the fiscal year ending March 31, 2020
(from April 1, 2020 to March 31, 2021)

(Billion yen)

	Previous forecast	Current forecast	Increase / Decrease (%)
Net sales	1,420.0	1,450.0	2.1%
Operating profit(loss)	0.0	8.0	－%
Ordinary profit(loss)	7.0	20.0	185.7%
Profit (loss) attributable to owners of parent	-20.0	0.0	－%

(Note) The above forecast has been prepared on assumed economic conditions, market trends, and other factors as of the date of this announcement, and the results may differ from the forecasts due to various factors arising in the future.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	134,444	148,066
Notes and accounts receivable - trade	217,259	196,524
Merchandise and finished goods	111,409	113,551
Work in process	112,908	123,077
Raw materials and supplies	127,908	131,425
Other	254,001	281,709
Allowance for doubtful accounts	(2,470)	(2,599)
Total current assets	955,462	991,757
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	218,923	214,773
Land, net	216,487	213,563
Other, net	223,888	227,578
Total property, plant and equipment, net	659,298	655,915
Intangible assets		
Goodwill	35,586	32,700
Other	15,906	14,719
Total intangible assets	51,492	47,419
Investments and other assets		
Investment securities	183,043	189,899
Other	58,866	63,373
Allowance for doubtful accounts	(4,112)	(4,157)
Total investments and other assets	237,796	249,115
Total non-current assets	948,588	952,449
Total assets	1,904,050	1,944,206

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	113,148	137,870
Short-term borrowings	191,038	193,300
Commercial papers	50,000	58,000
Income taxes payable	10,221	5,242
Provisions	14,424	13,494
Deposited gold bullion	294,312	331,746
Other	124,746	99,525
Total current liabilities	797,892	839,180
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	246,578	273,636
Provision for loss on business restructuring	30,272	52,252
Provision for environmental measures	32,581	29,074
Other provisions	6,117	4,632
Retirement benefit liability	56,312	53,129
Other	88,261	90,666
Total non-current liabilities	520,123	563,392
Total liabilities	1,318,016	1,402,572
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	92,393	79,234
Retained earnings	274,723	250,295
Treasury shares	(2,157)	(2,850)
Total shareholders' equity	484,416	446,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,806	29,337
Deferred gains or losses on hedges	708	(145)
Revaluation reserve for land	28,059	28,058
Foreign currency translation adjustment	(12,212)	(15,953)
Remeasurements of defined benefit plans	(16,997)	(14,738)
Total accumulated other comprehensive income	22,364	26,558
Non-controlling interests	79,252	68,938
Total net assets	586,034	541,634
Total liabilities and net assets	1,904,050	1,944,206

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

(Million yen)

	Six Months Ended September 30, 2019 (Apr 1, 2019 - Sep 30, 2019)	Six Months Ended September 30, 2020 (Apr 1, 2020 - Sep 30, 2020)
Net sales	748,400	725,568
Cost of sales	655,585	647,158
Gross profit	92,814	78,410
Selling, general and administrative expenses	75,835	71,519
Operating profit	16,978	6,890
Non-operating income		
Interest income	644	442
Dividend income	12,169	11,138
Rental income on non-current assets	2,594	2,574
Share of profit of entities accounted for using equity method	2,163	851
Other	1,582	3,551
Total non-operating income	19,155	18,558
Non-operating expenses		
Interest expenses	2,498	2,136
Expense for the maintenance and management of abandoned mines	1,942	1,907
Other	4,450	4,947
Total non-operating expenses	8,891	8,991
Ordinary profit	27,242	16,457
Extraordinary income		
Gain on sales of investment securities	1,878	465
Gain from transfer of business	—	199
Other	98	75
Total extraordinary income	1,976	740
Extraordinary losses		
Reversal of provision for loss on business restructuring	—	21,980
Loss on the Antimonopoly Act	10,423	—
Other	2,525	1,785
Total extraordinary losses	12,948	23,765
Profit (loss) before income taxes	16,270	(6,568)
Income taxes	9,417	8,675
Profit (loss)	6,853	(15,243)
Profit (loss) attributable to non-controlling interests	2,341	3,906
Profit (loss) attributable to owners of parent	4,511	(19,150)

Consolidated statement of comprehensive income

(Million yen)

	Six Months Ended September 30, 2019 (Apr 1, 2019 - Sep 30, 2019)	Six Months Ended September 30, 2020 (Apr 1, 2020 - Sep 30, 2020)
Profit (loss)	6,853	(15,243)
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,019)	6,386
Deferred gains or losses on hedges	1,021	(1,535)
Revaluation reserve for land	−	(1)
Foreign currency translation adjustment	(8,388)	(4,976)
Remeasurements of defined benefit plans	343	2,224
Share of other comprehensive income of entities accounted for using equity method	(525)	571
Total other comprehensive income	(16,568)	2,669
Comprehensive income	(9,715)	(12,574)
(Breakdown)		
Comprehensive income attributable to owners of parent	(10,275)	(14,957)
Comprehensive income attributable to non-controlling interests	559	2,382

(3) Consolidated statement of cash flows

(Million yen)

	Six Months Ended September 30, 2019 (Apr 1, 2019 - Sep 30, 2019)	Six Months Ended September 30, 2020 (Apr 1, 2020 - Sep 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	16,270	(6,568)
Depreciation	31,980	30,676
Increase (decrease) in provision for environmental measures	(3,090)	(3,507)
Increase (decrease) in provision for loss on business restructuring	–	21,980
Increase (decrease) in provision	(1,590)	(2,089)
Increase (decrease) in retirement benefit liability	(951)	(579)
Interest and dividend income received	(12,814)	(11,580)
Interest expenses	2,498	2,136
Share of loss (profit) of entities accounted for using equity method	(2,163)	(851)
Loss (gain) on sales of property, plant and equipment	(103)	(65)
Loss on the Antimonopoly Act	10,423	–
Loss (gain) on sales of investment securities	(1,857)	275
Loss (gain) on valuation of investment securities	1,405	4
Decrease (increase) in notes and accounts receivable - trade	12,129	19,992
Decrease (increase) in inventories	(27,632)	(17,728)
Proceeds from sales of gold bullion	52,400	52,403
Payment for purchase of gold bullion	(52,286)	(52,263)
Increase (decrease) in notes and accounts payable - trade	(18,589)	25,813
Other	705	(2,489)
Subtotal	6,735	55,558
Interest and dividend received	14,617	13,388
Interest paid	(2,483)	(2,138)
Income taxes (paid) refund	(9,203)	(10,010)
Payment for Loss on the Antimonopoly Act	–	(10,423)
Net cash provided by (used in) operating activities	9,665	46,375
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(47,575)	(36,823)
Proceeds from sales of property, plant and equipment	435	406
Payment for purchase of investment securities	(1,576)	(2,538)
Proceeds from sales of investment securities	3,299	3,971
Proceeds from liquidation of associated companies	0	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	68	161
Proceeds from transfer of businesses	–	536
Payment for loans	(2,147)	(1,962)
Proceeds from collection of loans	176	181
Other	966	1,070
Net cash provided by (used in) investing activities	(46,352)	(34,995)

(Million yen)

	Six Months Ended September 30, 2019 (Apr 1, 2019 - Sep 30, 2019)	Six Months Ended September 30, 2020 (Apr 1, 2020 - Sep 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,458	14,042
Proceeds from long-term borrowings	7,750	37,131
Repayments of long-term borrowings	(33,973)	(22,091)
Proceeds from issuance of bonds	10,000	—
Net increase (decrease) in commercial papers	45,000	8,000
Payment for purchase of treasury shares	(15)	(694)
Cash dividends paid	(5,238)	(5,237)
Cash dividends paid to non-controlling interests	(8,753)	(1,045)
Payment for purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(24,925)
Other	(849)	(1,167)
Net cash provided by (used in) financing activities	22,379	4,010
Effect of exchange rate changes on cash and cash equivalents	(2,223)	(1,062)
Net increase (decrease) in cash and cash equivalents	(16,530)	14,328
Cash and cash equivalents at beginning of period	99,672	127,284
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	52	1,045
Cash and cash equivalents at end of period	83,193	142,658

(4) Notes on quarterly consolidated financial statements

Notes on going concern assumption

N/A

Segment information

[Segment Information]

I. For the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

1. Information on net sales and income of each reporting segment

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount indicated in the quarterly consolidated statements of profit and loss
Net sales									
(1) Outside customers	186,609	72,276	239,560	122,232	10,670	117,050	748,400	−	748,400
(2) Within consolidated group	5,243	5,904	77,027	1,563	273	19,415	109,428	(109,428)	−
Total	191,853	78,180	316,588	123,795	10,944	136,466	857,828	(109,428)	748,400
Segment income (loss)	2,859	4,771	13,368	7,984	979	80	30,043	(2,800)	27,242

Notes:

1. “Other Businesses” include aluminum-related business and engineering-related services.
2. “Adjustment amount” of segment income (loss) of -¥2,800 million includes the elimination of intersegment transactions of -¥16 million and corporate expenses of -¥2,784 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial income and expenses.
3. Segment income (loss) has been adjusted together with ordinary profit on the consolidated statements of profit or loss.

II. For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

1. Information on net sales and income of each reporting segment

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount indicated in the quarterly consolidated statements of profit and loss
Net sales									
(1) Outside customers	150,320	52,263	300,829	104,625	9,384	108,144	725,568	−	725,568
(2) Within consolidated group	5,766	4,422	57,502	1,165	266	19,206	88,330	(88,330)	−
Total	156,086	56,686	358,332	105,791	9,651	127,350	813,899	(88,330)	725,568
Segment income (loss)	53	(2,843)	15,476	3,864	431	2,226	19,209	(2,751)	16,457

Notes:

1. “Other Businesses” include aluminum-related business and engineering-related services.
2. “Adjustment amount” of segment income (loss) of -¥2,751 million includes the elimination of intersegment transactions of ¥2 million and corporate expenses of -¥2,754 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial income and expenses.
3. Segment income (loss) has been adjusted together with ordinary profit on the consolidated statements of profit or loss.

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

The Company has changed its reporting segments as a result of the organizational restructuring made on April 1, 2020.

Consequently, the business related to energy and environmental and recycling-related businesses included in the “Other Businesses” is sectionalized into the “Environment & Energy Business” and the business related to aluminum included in the “Advanced Products” is sectionalized into the “Other Businesses”.
Further to that, the business related to cement sales included in the “Other Businesses” has been transferred 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 of the Company and changed the method of calculating the profits or losses of the reporting segments.
In this regard, the segment information for the first half of the previous consolidated fiscal year is disclosed herein according to the changed segmentation and calculation methods of the reporting segments.

Notes on significant changes in the amount of shareholders' equity, if any

N/A

Changes of significant subsidiaries during the six months ended September 30, 2020

For the first three months ended June 30, 2020, the Group excluded Mitsubishi Shindoh Co., Ltd. which was the Company's specified subsidiary company, from the scope of consolidation since it dissolved due to an absorption-type merger in which the Company was the surviving company.

Application of special accounting treatment in the preparation of quarterly consolidated financial statements

The Company calculates tax expenses by rationally assuming an effective tax rate after applying tax effect accounting to net income before income taxes for the consolidated fiscal year, including the second quarter, and multiplying net income before income taxes for the six months by the estimated effective tax rate.

Changes of accounting estimates

Change of estimate of provision for loss on business restructuring

The Company has reported the provision for loss on business restructuring to prepare for any loss on business restructuring expected to be incurred by the affiliated company engaging in the Sintered parts business. However, the Company changed the estimate as a result of transferring shares of such affiliated company on December 4, 2020. Such change increased the loss before income taxes for the first six months of the year under review by ¥21,980 million.

Additional information

Stock-based compensation system

1. Overview of the transaction

The Company has introduced a stock-based compensation system (hereinafter referred to as the "System") for its executive officers, operating officers and fellows (excluding non-domestic residents, hereinafter referred to as the "Officers") since May 2020.

The System adopts a structure called Board Incentive Plan Trust (hereinafter referred to as the "BIP Trust"). The System is to issue and grant to the Officers the Company's shares and cash equal of the amount of the Company's shares to be converted into cash, according to the Officers' positions or the like.

2. The Company's shares remaining in the BIP Trust

The Company recorded the Company's shares remaining in the BIP Trust as the treasury shares in the net assets in an amount of their book value in the BIP Trust (excluding the amount of ancillary expenses). The book value and the number of the Company's treasury shares are ¥684 million and 274 thousand shares at the end of the second quarter of the current consolidated fiscal year.

Signing of definitive agreement concerning integration of Cement Business and other businesses
The Company and Ube Industries, Ltd. (hereinafter referred to as "Ube Industries"), at the meetings of their respective Boards of Directors held on September 29, 2020, made formal resolutions to implement the integration of their respective cement businesses and related businesses (hereinafter referred to as the "Integration") scheduled around April 2022, and on the same day, signed a definitive agreement between both companies (hereinafter referred to as the "Definitive Agreement") for the Integration, as described below.

1. Purpose of the Integration
In 1998, the Company and Ube Industries established Ube-Mitsubishi Cement Corporation (hereinafter referred to as "Ube-Mitsubishi Cement") as an equally-owned joint venture. Under the joint venture, the companies integrated their respective non-consolidated cement sales and logistics functions, realizing a certain degree of benefit, including reductions in logistics costs as well as head office and branch office expenses.
While the business situations surrounding the cement business in Japan are currently undergoing significant changes, including slowing demand and fluctuating energy prices dramatically, it is necessary for the Company and Ube Industries to establish a new framework for their cement businesses that develops the existing relationship, in order to realize the future growth of their cement businesses.
In light of these circumstances, the Company and Ube Industries decided to integrate the respective cement businesses and related businesses of their corporate groups as an optimal strategic option to combine all of the advantages of the respective cement businesses and related businesses of both companies such as the Company's (1) Kyushu Plant, which boasts the largest domestic production capacity; (2) Higashitani Mine, which has abundant limestone resources; and (3) highly competitive Cement and ready-mixed concrete business in the United States; and Ube Industries' (1) infrastructure facilities in the Ube area, including large port facilities and coal centers; (2) nationwide ready-mixed concrete manufacturing and sales network; and (3) Ube Materials Industries, Ltd.'s inorganic materials business.
In Japan, the integrated business will pursue strategies to enhance business efficiencies throughout the value chain, including by optimizing the framework for production and rebuilding the sales and logistics organizations for downstream businesses such as ready-mix concrete. Furthermore, the integrated business will seek to maximize synergies in order to further strengthen the business platform for the cement business in Japan to enhance its position as a company that contributes to the development of social infrastructure and a recycling-oriented society. The management resources generated from the cement business in Japan will be directed toward concentrated investment in businesses that are anticipated to generate future growth in and outside of Japan. This includes overseas cement and ready-mix concrete business and high-performance inorganic materials business based on high-quality limestone.
Through these efforts, the Company and Ube Industries will strive to achieve sustainable growth by building optimal business management systems for both companies.

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

3. Method of the Integration
The Company and Ube Industries plan to implement the Integration by establishing an equally-owned joint venture (hereinafter referred to as the "New Company") . The Integration will take the form of an absorption-type joint venture involving (1) an absorption-type company split with the Company as the splitting company and the New Company as the successor company; (2) an absorption-type company split with Ube Industries as the splitting company and the New Company as the successor company, and (3) an absorption-type company merger in which the New Company (being the wholly-owning parent company of Ube-Mitsubishi Cement through the Joint Absorption-Type Company Split) will be the surviving company and Ube-Mitsubishi Cement (being the wholly-owned subsidiary of the New Company) will be the extinct company.
Following the Integration, the Company and Ube Industries will each own a 50% stake in the New Company.

4. Schedule of the Integration

September 29, 2020	Signing of the Definitive Agreement
April 2021 (may be subject to change)	Establishment of the New Company
May 2021 (may be subject to change)	Approval of the absorption-type company split agreement by the Board of

	Directors of both companies
May 2021 (may be subject to change)	Signing of the absorption-type company split agreement by both companies
June 2021 (may be subject to change)	Obtaining approval of the Integration at the ordinary general shareholders' meetings of the Company and Ube Industries
April 2022 (may be subject to change)	Effective date of the Integration

Note:
The implementation of the Integration is subject to completing the necessary filings for the Integration with relevant agencies in and outside of Japan including the Japan Fair Trade Commission, and acquiring approvals (hereinafter referred to as the "Approvals and Other Related Procedures"). Furthermore, it is subject to approval at the general shareholders' meetings of both companies (except where the integration clearly satisfies the requirements for a simplified absorption-type company split as stipulated in Article 784, Paragraph 2 of the Companies Act of Japan), and subject to circumstances or events not arising that critically and adversely impact the assets, debts, financial position, business results, cash flows or future revenue plans of the relevant businesses of both companies.
The Integration schedule is provisional at this time and subject to change based on discussions between the companies, because of the Approvals and Other Related Procedures or other reasons having to do with fulfilling necessary procedures.

(Accounting estimates associated with the spread of COVID-19)
Due to the global spread of COVID-19, the Group's major business locations in Japan and overseas have been affected by decreased demand mainly for automotive products.
However, as a result of examinations based on third-party information and others available as of the end of the second quarter of the current consolidated fiscal year, no material change has been made in the assumptions, including the spread in the future and winding-down timing of COVID-19, described in the Annual Securities Report (Additional information) (Accounting estimates associated with the spread of COVID-19) for the previous consolidated fiscal year.

Contingent liabilities

(Matters concerning taxation in Indonesia)

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

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

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

The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS filed a complaint to the tax court on June 6, 2016 to present its fairness of the view of the Company and the PTS. However, it was dismissed on January 30, 2020. Along with this, the PTS paid the shorted amount of deposit of US$33 million (¥3,685 million) on March 23, 2020 and paid a surcharge of US$33 million (¥3,685 million) on April 24, 2020, respectively. However, the court decision ruled by the tax court was unacceptable to the Company and the PTS, and the PTS appealed to the Supreme Court on June 8, 2020 to present the fairness of the view of the Company and the PTS.

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

However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was from a point of view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.

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

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

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

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

In the previous consolidated fiscal year, the total amount for additional collection being disputed by the PTS, including amounts for the fiscal year described above as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2013, the fiscal year ended December 31, 2015, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018, is US$125 million (¥13,669 million). There are some cases that a surcharge may be imposed due to the objections or the results of tax trials.

Second quarter of the current consolidated fiscal year (As of September 30, 2020)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as the PTS”) received a notice of reassessment in an amount of US$47 million (¥5,064 million based on the exchange rate at the end of the second quarter of the consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing of the PTS for the year ended December 31, 2009. On January 28, 2015, the PTS made a provisional deposit of US$14 million (¥1,481 million) as a part of the additional collection.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a sales shortage on the part of the PTS based on a comparison of the profit margin

ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and the PTS.
The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS filed a complaint to the tax court on June 6, 2016 to present its fairness of the view of the Company and the PTS. However, it was dismissed on January 30, 2020. Along with this, the PTS paid the shorted amount of deposit of US$33 million (¥3,583 million) on March 23, 2020, and paid a surcharge of US$33 million (¥3,583 million) on April 24, 2020, respectively. However, the court decision ruled by the tax court was unacceptable to the Company and the PTS, and the PTS appealed to the Supreme Court on June 8, 2020 to present the fairness of the view of the Company and the PTS.
On November 29, 2017, the PTS also received a notice of reassessment in an amount of US$22 million (¥2,415 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, the PTS made a provisional deposit of US$6 million (¥666 million) as part of the additional collection.
However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was from a point of view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.
The written objection submitted by the PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, on May 17, 2019, the PTS filed a complaint to the tax court in Indonesia to present the fairness of the view of the Company and the PTS.
On December 5, 2018, the PTS also received a notice of reassessment in an amount of US$15 million (¥1,609 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2014. On December 27, 2018, the PTS made a provisional deposit of US$5 million (¥621 million) as part of the additional collection.
However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was from a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.
On January 20, 2020, the PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by the PTS on February 27, 2019, and the written objection of the PTS was accepted for US$9 million (¥992 million). For US$4 million (¥501 million), for which the written objection was dismissed, the PTS filed a complaint to the tax court in Indonesia on July 7, 2020 to present the fairness of the view of the Company and the PTS.
At the end of the second quarter of the consolidated fiscal year, the total amount of additional charges, which PTS currently disputes, was US$121 million (¥12,849 million). It includes amounts for all fiscal years described above, as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2015, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018. There are some cases that surcharges may be imposed due to formal objections or tax trial results.

Related to consolidated statement of income

* Reversal of provision for loss on business restructuring
For the six months ended September 30, 2020 (April. 1, 2020–September 30, 2020)
The Company has reported the provision for loss on business restructuring to prepare for any loss on business restructuring expected to be incurred by the affiliated company engaging in the Sintered parts business. However, on the Company recorded an additional amount of ¥21,980 million in extraordinary losses for the first six months of the fiscal year under review, due to the implementation of the transfer of the affiliated company's shares on December 4, 2020.

Important subsequent events

Transfer of the affiliated company's shares

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

1. Background and reason for the Transfer

Due to deteriorating earnings from the sintered parts business (hereinafter referred to as "the Sintered parts business") of the Group in which Diamet and its subsidiaries and affiliated companies have engaged, the Company has provided financial support to Diamet, which leads the Sintered parts business, including the underwriting of capital increase and direct loans. However, as it has revealed that such support alone is unlikely to be sufficient to improve revenue of the Sintered parts business, the Company has been discussing the treatment of the Sintered parts business, including transferring to third parties. From these rationales, the Company has reached an agreement with Endeavour to transfer the business to Endeavour aiming at restructuring it under the Endeavour's leadership.

Endeavour is a Japanese investment fund which has extensive experience in business revitalization. The Company believes that a business restructuring led by Endeavour is the best way to revitalize and stabilize the Sintered parts business.

2. Scope of the transfer

The Company transferred entire shares of Diamet held by the Company. Accordingly, PM Techno Corporation, Diamet Klang (Malaysia) Sdn. Bhd., and Guangdong Diamet Powder Metallurgy Co., Ltd., which are the subsidiaries of Diamet and also the consolidated subsidiaries of the Company, will be out of the scope of consolidation.

3. Schedule of the Transfer

September 29, 2020: Signing of the memorandum of understanding

November 25, 2020: Signing of definitive agreement

December 4, 2020: Effective date of the Transfer