

FC 25960.

179186/40.

FOR Y/E 31.03.10

In accordance with  
Regulation 32 of the  
Overseas Companies  
Regulations 2009

**OS AA01**

Statement of details of parent law and other  
information for an overseas company

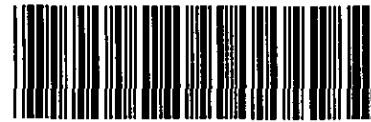


Companies House

☒ What this form is for  
You may use this form to  
accompany your accounts  
disclosed under parent law.

☒ What this form is for  
You cannot use this form to  
an alteration of parent law  
with accounting requirements.

SATURDAY



A37

\*A2GFID2Z\*

07/09/2013

#248

COMPANIES HOUSE

**Part 1 Corporate company name**

Corporate name of overseas company **①** MITSUBISHI MATERIALS CORPORATION

UK establishment number 8 R 0 1 2 8 5 4

→ Filling in this form  
Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

① This is the name of the company in  
its home state.

**Part 2 Statement of details of parent law and other information for an overseas company****A1****Legislation**

Please give the legislation under which the accounts have been prepared and,  
if applicable, the legislation under which the accounts have been audited.

Legislation **②** JAPANESE COMPANIES ACT 2005

② This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts.

**A2****Accounting principles**

Accounts Have the accounts been prepared in accordance with a set of generally accepted  
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☒ Yes. Please enter the name of the organisation or other  
body which issued those principles below, and then go to Section A3

③ Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation or body **③** ACCOUNTING STANDARDS BOARD OF JAPAN ('ASBJ')

**A3****Accounts**

Accounts Have the accounts been audited? Please tick the appropriate box

☐ No. Go to Section A5

☐ Yes. Go to Section A4.



OS AA01

Statement of details of parent law and other information for an overseas company

**A4**

**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'

ⓐ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ⓐ

ACCOUNTING STANDARDS BOARD OF JAPAN (ASBJ)

**A5**

**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ No.

☒ Yes

**Part 3**

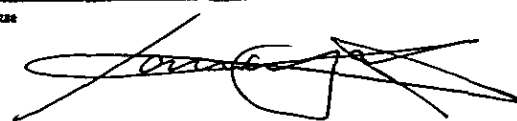
**Signature**

Signature

I am signing this form on behalf of the overseas company.

Signature

X



X

This form may be signed by.  
Director, Secretary, Permanent representative.



## OS AA01

Statement of details of parent law and other information for an overseas company



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **REF:SLH**

Company name **FIELD FISHER WATERHOUSE LLP**

Address **35 VINE STREET**

Post town **LONDON**

Country/Region

Postcode **E C 3 N 2 A A**

Country **UNITED KINGDOM**

DX **CDE 823**

Telephone **020 7861 4000**



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



### Important information

Please note that all this information will appear on the public record.



### Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF  
DX ED735 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.



### Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)



***Building a Strong Foundation  
for Future Growth***

FRIDAY

\*\*\*\*\*  
\*A1IF7EUP\*  
A09 28/09/2012 #63  
COMPANIES HOUSE

**ANNUAL REPORT 2010**

For the year ended March 31, 2010



**Being a leader** in metal smelting and refining, cement products and fabricated metals—notably advanced materials and tools—Mitsubishi Materials is also a major supplier of electronic materials and components. Established in 1950, Mitsubishi Materials Corporation is one of the world's largest diversified materials companies, and its high-level research and development programs are instrumental in enabling it to maintain its dominant position in key markets.

Mitsubishi Materials comprises **234** subsidiaries and affiliates in  
**25** countries worldwide, employing **21,641** people.



## CONTENTS

<b>To Our Stakeholders</b>	<b>2</b>	<b>Corporate Social Responsibility (CSR)</b>	<b>19</b>
<b>Message from the President</b>	<b>4</b>	<b>Management</b>	<b>20</b>
<b>At a Glance</b>	<b>6</b>	<b>Financial Section</b>	<b>21</b>
<b>Review of Operations</b>	<b>8</b>	<b>Main Consolidated Subsidiaries and Affiliates</b>	<b>76</b>
<b>Research and Development</b>	<b>17</b>	<b>International Network</b>	<b>77</b>
<b>Corporate Governance</b>	<b>18</b>	<b>Corporate History</b>	<b>78</b>
		<b>Corporate Data/Investor Information</b>	<b>79</b>

### Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Mitsubishi Materials' plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Mitsubishi Materials which are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in Mitsubishi Materials' markets, industrial market conditions, exchange rates particularly between the yen and the U.S. dollar, and other currencies in which Mitsubishi Materials makes significant sales or in which Mitsubishi Materials' assets and liabilities are denominated, and Mitsubishi Materials' ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and changing customer preferences.



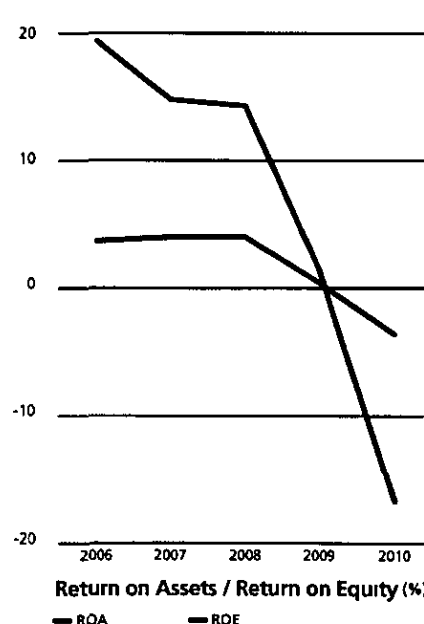
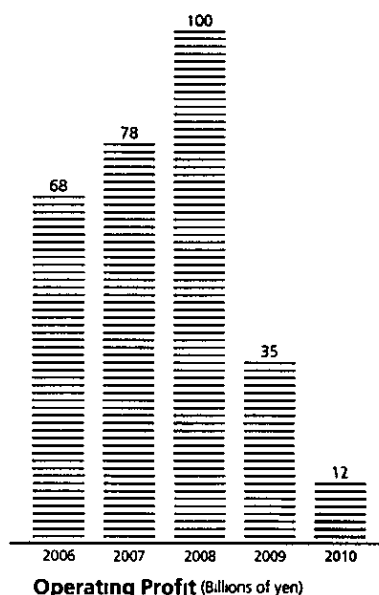
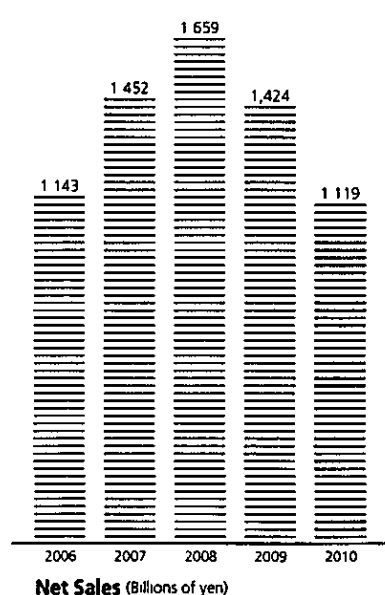
# Consolidated Financial Highlights

Mitsubishi Materials Corporation and Consolidated Subsidiaries

Year ended March 31, 2010, 2009, and 2008

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
<b>For the year:</b>				
Net sales	¥1,119,448	¥1,424,114	¥1,659,286	\$12,031,907
Operating profit	12,680	35,134	100,146	136,287
Net (loss) income	(66,555)	6,106	74,268	(715,340)
<b>Per share data (in yen):</b>				
Basic net income	¥(52.3)	¥4.8	¥59.1	\$(0.56)
Cash dividend applicable to the year	—	4.0	8.0	—
<b>Ratios (%):</b>				
Return on assets (ROA)	(3.6)	0.4	4.0	
Return on equity (ROE)	(16.7)	1.4	14.3	

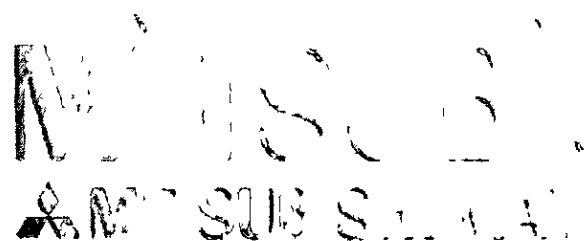
Note: U.S. dollar amounts are translated from yen at the rate of ¥93.04 to US\$1, the approximate exchange rate as of March 31, 2010.



Note: Amounts of less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.



## To Our Stakeholders



*Chairman*  
**Akihiko Ide**

*President and Chief Executive Officer*  
**Hiroshi Yao**



As a diversified materials company, the Mitsubishi Materials Group supplies basic materials indispensable for the world, together with fabricated products and new materials with high-performance features. At the same time, the Group aims to build social systems based on recycling natural resources and raw materials, which are gifts of nature. The Mitsubishi Materials Group is expanding its business activities globally to contribute to people, society and the Earth.

Operating conditions during fiscal 2010 were characterized by a rapid cooling of the global and Japanese economies, a downturn which began with the "Lehman Shock." Such conditions dealt a severe blow to all of the Group's businesses, with net sales falling 21.4% year on year to ¥1,119.4 billion. Turning to earnings, under these circumstances, we took steps to bolster our "Comprehensive Management Measures," which are focused primarily on significant cost reductions and a further concentration of management resources. Owing to these efforts, the Group managed to retain an operating profit of ¥12.6 billion, which was down 63.9% compared with fiscal 2009. However, the Group experienced a negative turnaround from a net income of ¥6.1 billion, recorded in fiscal 2009, to a net loss of ¥66.5 billion due to its inability to overcome deteriorations in external conditions that exceeded forecasts. It is with our deepest regret that dividends for the fiscal year under review must unfortunately be postponed.

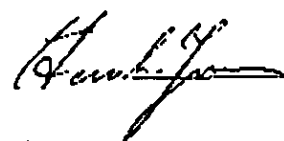
In order to overcome this difficult situation and return to profitability, we must build an optimal business portfolio by promoting selection and concentration, while assessing each of our businesses' attributes, growth potential and other factors. For this reason, we will further promote our "four-wheel drive" corporate management structure that strengthens Mitsubishi Materials' four core businesses, which are Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components. In addition, we will continue to concentrate management resources into the Group's three growth areas: Automobiles, information electronics, and the environment and recycling.

Although the Mitsubishi Materials Group remains in a weakened state, we can see a new path towards growth on the horizon thanks to an economic recovery that is finally taking place and will help overcome the current global recession. Amid these circumstances, we believe that we have made the best choice regarding who will lead the Group to the next growth stage. Consequently, on June 29, 2010, the previous president, Akihiko Ide, became Chairman of the Board of Directors, while Hiroshi Yao, who resigned as president of Mitsubishi Aluminum Co., Ltd. on June 14, 2010, became president of Mitsubishi Materials Corporation. Under this new management structure, the Mitsubishi Materials Group will carry out business operations.

June 29, 2010



Akihiko Ide  
Chairman



Hiroshi Yao  
President and Chief Executive Officer



## Message from the President

Accelerate transformation to a muscular cost structure. Aiming for further growth during the current recovery period through the selection and concentration of management resources.

Hiroshi Yao

*President and Chief Executive Officer*



**"Regrettably, Mitsubishi Materials recorded net losses."**

**"Turning crisis into opportunity, we will strive to dramatically increase cost competitiveness."**

### Fiscal 2010 Summary

The global economy during fiscal 2010, ended March 31, 2010, began with a significant drop in overall demand due to the impact of the global recession. However, signs of a recovery trend emerged during the second half owing to the rise in demand in China and other emerging countries as well as the effect of economic countermeasures initiated by individual governments. In Europe, the United States and Japan, a full-fledged economic recovery will take time amid indications that a recovery in consumer spending and resurgence in housing-related demand will be delayed.

Against this backdrop, the Mitsubishi Materials Group recorded net sales of ¥1,119.4 billion in fiscal 2010, down 21.4% year on year, resulting mainly from slumping demand in each business sector. Operating profit fell 63.9% year on year to ¥12.6 billion. This was the result of a ¥45.0-billion improvement in revenue and earnings arising from efforts to bolster Mitsubishi Materials' "Comprehensive Management Measures," which are focused primarily on significant cost reductions and a further concentration of management resources. However, the Group experienced a net loss of ¥66.5 billion, primarily caused by a deterioration of equity-investment earnings related to SUMCO Corporation and the liquidation of deferred income tax assets in light of uncertain operating conditions.

### Building a Strong Low-Cost Structure

Amid these difficult circumstances, switching to a low-cost structure is indispensable for steadily maintaining earnings. Consequently, Mitsubishi Materials will further intensify and deepen its "Comprehensive Management Measures," which were commenced in December 2008 and intended to facilitate the implementation of low-cost operations by reducing distribution- and repair-related costs while improving operational efficiency at headquarter divisions. By undertaking these measures company-wide, Mitsubishi Materials aims to achieve an additional cost reduction of ¥12.0 billion in fiscal 2011.



**"We will promote carefully selected investment plans to realize future growth."**

**"We aim to return to profitability and build a foundation for further growth."**

### **Concentrate Management Resources into Growth Businesses**

Mitsubishi Materials prioritizes the investment of management resources in three growth areas: automobiles, information electronics, and the environment and recycling. Although these growth areas have been severely impacted by the economic recession, we will basically continue to implement our current investment strategies with the idea that these areas will drive future growth in the global economy.

Furthermore, a key point of these growth strategies involves focusing on expanding areas that leverage the strengths of existing businesses. In areas in which the Group possesses a wealth of technologies accumulated over many years, as well as in areas that are expected to grow, Mitsubishi Materials will refine its R&D themes and pursue efficient R&D activities in three target markets: energy saving, alternative energy and urban-resource recycling.

### **Policy for Fiscal 2011**

It is a fact that Mitsubishi Materials has suffered from deteriorating revenue and earnings due to the major impact the global recession has had on all of its businesses. In spite of this, we believe that our management strategy, the "four-wheel drive" corporate management structure, which encompasses the four core businesses promoted by the Group—Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components—is unwavering, even after the onset of this unprecedented economic crisis. Therefore, in order to further augment the "four-wheel drive" corporate management structure, we will strengthen the Group's technological development capacity to create new, high-quality, high-performance products that are differentiated from other companies.

Although the Group is experiencing a recovery in revenue and earnings, it is vital to increase market presence and stimulate demand in emerging countries, which are experiencing rapid market development, in order to accelerate the recovery and, in turn, facilitate further growth. Consequently, among emerging countries, Mitsubishi Materials is placing special attention on China. In order to enter into the growing Chinese market and prevail against fierce competition, we established a new company based in Shanghai in March 2010 that integrates all of the management and support functions of Group companies in China. From this local operating base, we will take steps to expand businesses centered on the sales of cemented carbide products to keep pace with the rapid development taking place in China.

### **To Our Shareholders and Investors**

I am aware that my role as the Mitsubishi Materials' new president involves strengthening the current earnings foundation, along with the future growth and competitiveness of the Company. For this reason, it is important to bolster existing businesses, cultivate new businesses and expand overseas businesses. Our employees, who are engaged in maintaining superior quality technology, cost competitiveness and effective services, are the key to achieving these aims. We therefore established the Human Resources Development Center, which focuses on cultivating personnel. In addition, we are contemplating the employment of qualified individuals from other companies, depending on the situation.

The Mitsubishi Materials Group furthers its corporate philosophy, "For People, Society, and the Earth," by undertaking businesses that produce and supply a wide variety of materials on a global scale. With confidence and pride, the efforts of each and every Mitsubishi Materials employee will enable us to succeed against fierce global competition and ultimately achieve an early return to profitability.

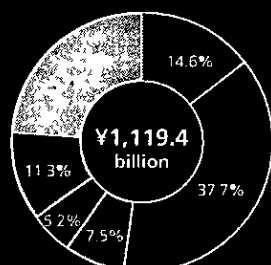
We look forward to the unwavering support and understanding of the Company's shareholders and investors.



## At a Glance

### Sales by Segment\*

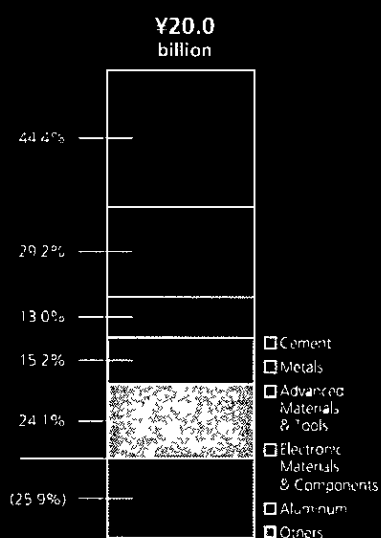
Fiscal 2010 (Billions of yen)



\* Sales to unaffiliated customers

### Operating Profit by Segment\*\*

Fiscal 2010 (Billions of yen)



\*\* Before elimination

### Segment

### Major Products and Services

#### Cement

- Portland cement
- Cement-related products
- Ready-mixed concrete
- Building materials

#### Metals

- Copper smelting
- Processed copper products

#### Advanced Materials & Tools

- Cemented carbide products
- Sintered parts
- High-performance alloy products
- Diamond tools

#### Electronic Materials & Components

- Electronic materials
- Chemical products
- Electronic components
- Polycrystalline silicon

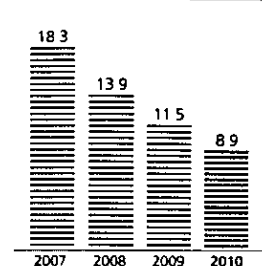
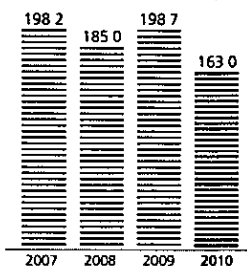
#### Aluminum

- Aluminum beverage cans
- Rolled aluminum
- Rolled or extruded aluminum products
- Processed aluminum products

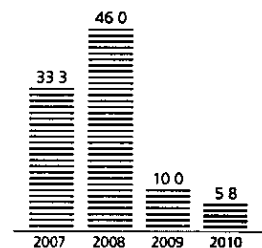
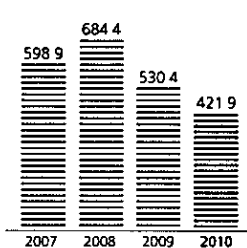
#### Others

- Fossil fuels
- Nuclear energy-related services
- Precious metals
- Resources-, environment- and recycling-related products
- Real estate, etc.

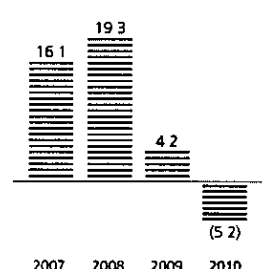
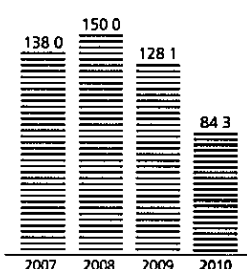


**Net Sales (Billions of yen)**
**Operating Profit (Billions of yen)**
**Profile**


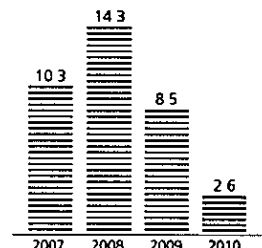
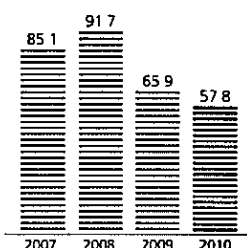
Building a business framework that encompasses the production and sale of each type of cement, along with ready-mixed concrete and secondary cement products, Mitsubishi Materials is engaged in cement businesses both in Japan and overseas. The Company is also contributing to a resource-recycling society by actively promoting the recycling of waste materials and byproducts.



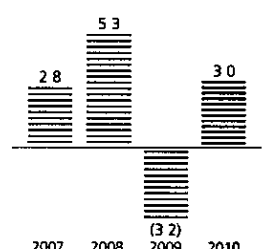
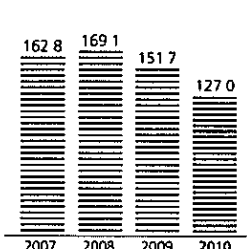
Mitsubishi Materials is expanding the Metals business based on three pillars: the development of copper mines, copper smelting and processing. In recent years, the Company has actively invested in copper mining, augmented recycling in the copper smelting business and reorganized the processing business in order to manufacture and sell stable, high-performance and high-quality copper products globally.



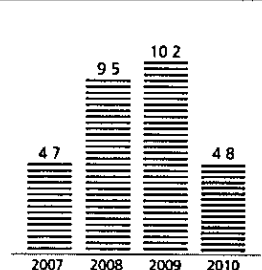
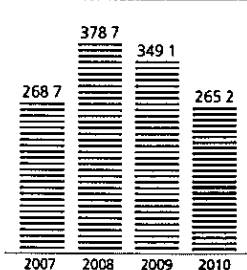
Mitsubishi Materials provides core components, materials and other products to customers around the world primarily in the automotive and aircraft markets. Such products include cemented carbide tools, which are indispensable for the metal processing of various components, as well as engines and transmissions. The Company has also been focusing its energy in recent years on recycling raw materials, including tungsten.



Mitsubishi Materials produces polycrystalline silicon used in semiconductors and solar cells at a level of purity high enough to be referred to as "Eleven 9s" (i.e. 99.999999999%), owing to precision technology that is unsurpassed worldwide. Moreover, this business segment is engaged in the manufacturing and sales of high-performance/high-quality products that include various electronic materials and components for global markets.



The Aluminum business is engaged in the manufacturing and sales of products for a wide array of segments and with various uses, including aluminum cans for beverages, automobile components, materials used by the electric and electronics industries and consumer products. Furthermore, the Company focuses on recycling used beverage can (UBC) with full range of operation such as collection, casting and rolling. Then UBC can revive as new aluminum beverage can again.

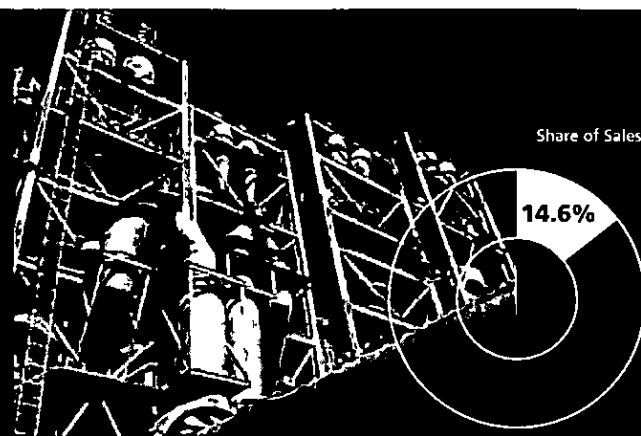


In its Others business, Mitsubishi Materials is promoting developments in areas that include the energy business, which involves nuclear, geothermal and wind-power operations that are expected to provide non-CO<sub>2</sub>-emitting energy sources, the precious metals business, which is engaged in buying and selling of such items as bullion and jewelry, and the engineering business, which undertakes the MMC Group's civil engineering and construction operations.



## Review of Operations

### CEMENT

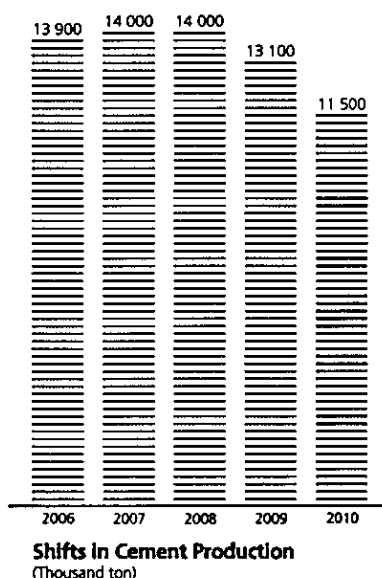


(Millions of yen)

### BUSINESS STRENGTHS

- Built an efficient production structure centered on the Kyushu Plant, the largest cement production facility in Japan
- Promoting overseas expansion by establishing production and sales bases in the United States, China and Vietnam

	2010	2009	2008	2007	2006
Net Sales	163,084	198,701	185,074	198,288	164,501
Operating profits	8,928	11,543	13,925	18,335	15,639
Identifiable assets	338,365	338,906	268,847	280,368	264,000
Capital expenditures	9,038	12,750	16,653	21,114	14,127
Depreciation	15,213	15,825	12,849	10,216	9,582



### Performance for fiscal 2010

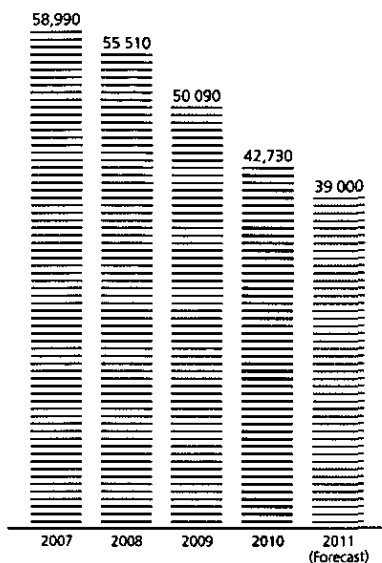
In the cement business, domestic demand continued its downward spiral due to weakness in residential construction spending and private-sector capital spending, as well as a government policy of planned restraint in public sector spending over the medium term. Overseas, we enjoyed healthy demand in China thanks to economic stimulus measures adopted there. In the United States, however, demand fell significantly, especially in the housing sector, due to a deepening economic recession sparked by the vicious cycle of the financial crisis and deterioration of the real economy. Total cement production for the year was 11.5 million tons (down 1.5 million tons from the previous year).

As a result, segment sales decreased 17.9%, or ¥35.6 billion, year on year to ¥163.0 billion, while operating profit fell 22.7%, or ¥2.6 billion, to ¥8.9 billion. These decreases occurred despite the positive effect of cost-reduction efforts implemented in this segment.

### Outlook and Future Strategies

In the domestic cement business, we expect sales to decrease further year on year due to a significant fall in public-sector demand, following a reduction in budget allocations to public investment, as well as a delayed recovery of private-sector demand. In order to respond to these circumstances, Mitsubishi Materials began undertaking a drastic restructuring of this segment's sales and distribution structure in April 2010 that includes eliminating representative offices at affiliated companies and reducing its fleet of cement tankers. At the same time, the Company is maintaining an optimal production system by such means as revamping facilities to enable plants to maintain operations, even during periods of decreased production,





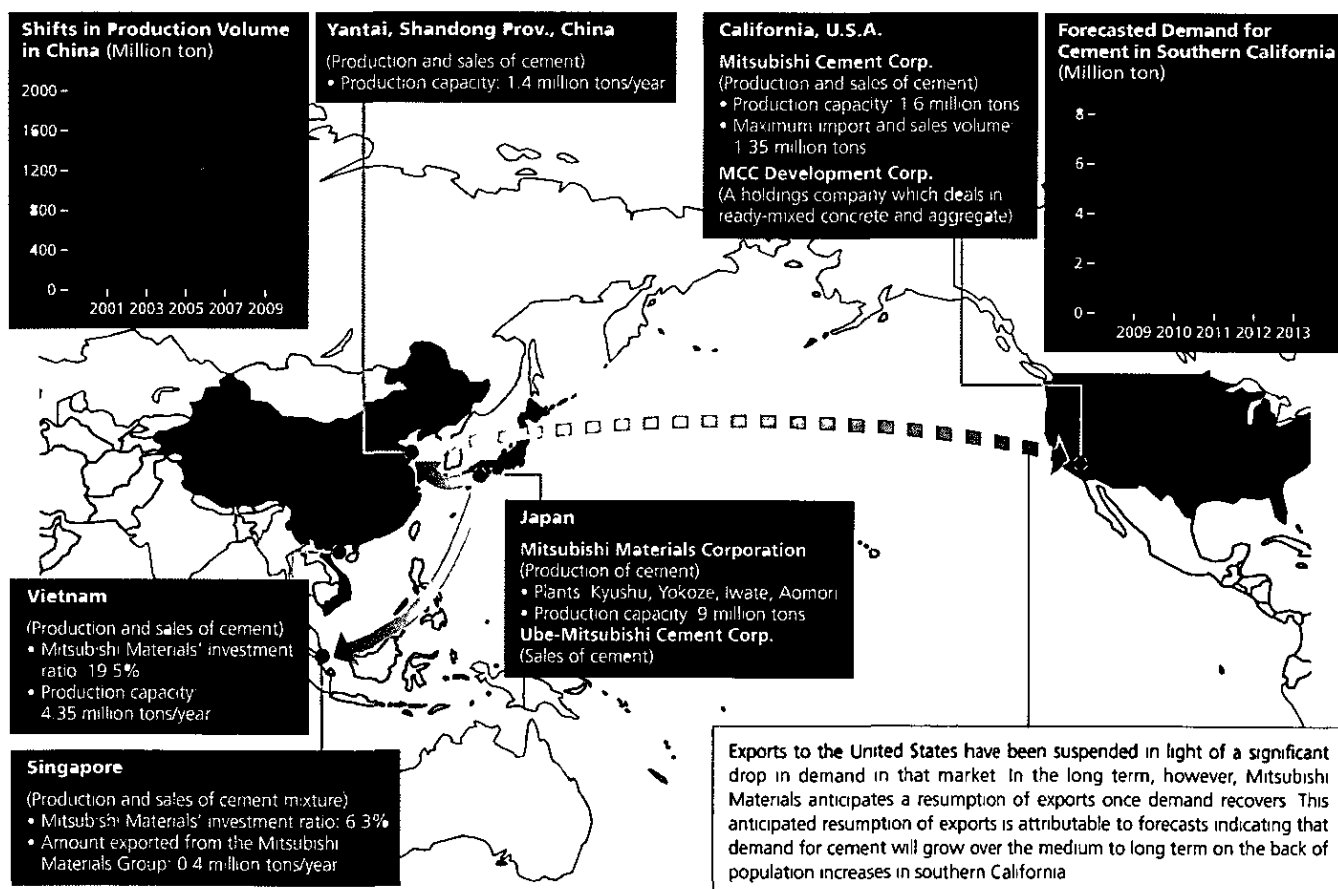
**Shifts in Demand for Cement in Japan**  
(Thousand ton)

and consolidating production at the Kyushu Plant. The Company will also take steps to improve profitability by instituting appropriate sales prices for cement and making ongoing efforts to expand the recycling business.

In the cement business in the United States, although a recovery in demand is expected to take place in the second half of 2010, Mitsubishi Materials is moving forward with efforts to improve profitability by cutting costs in light of a slump in demand that is forecasted to continue during the first half of the current year.

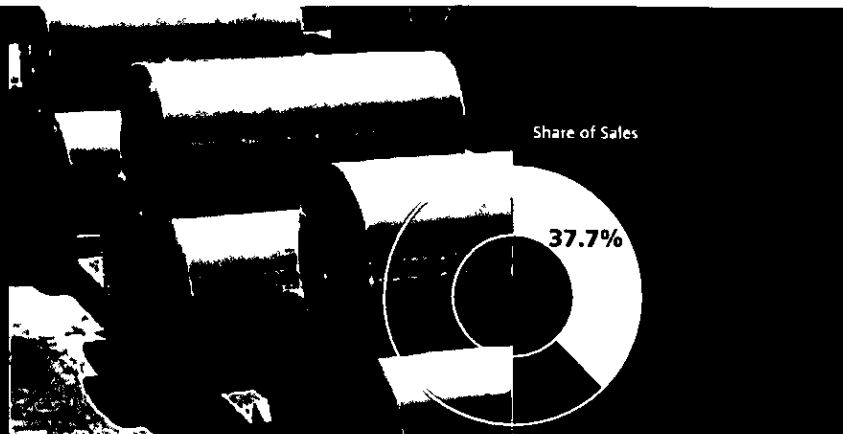
In the cement business in China, demand centered on public works projects is expected to rise, while demand for high-quality cement in particular is forecasted to increase. Consequently, in addition to increasing sales prices in this market, we will take steps to further publicize the superior quality of our products with the aim of expanding and strengthening our sales platform.

## Cement Business Strongholds in the Pacific Rim Area





# METALS



(Millions of yen)

## BUSINESS STRENGTHS

- Expansion, encompassing the procurement of raw materials, copper smelting and the production of processed copper products, based on the development of overseas copper mines
- Global top share of production and sales of oxygen-free copper and oxygen-free copper alloys

	2010	2009	2008	2007	2006
Net Sales	421,938	530,420	684,497	598,921	358,765
Operating profits	5,860	10,023	46,053	33,395	22,962
Identifiable assets	516,672	367,561	500,705	466,294	395,493
Capital expenditures	15,738	16,906	25,980	11,626	10,965
Depreciation	19,958	19,665	15,672	12,455	10,846

### Performance for fiscal 2010

Despite increased production at PT Smelting in Indonesia and the benefits of cost-cutting efforts, the copper business reported year-on-year declines in revenue and earnings for several reasons. These include falling earnings from copper byproducts and the appreciation of the yen. Total production of electrolytic copper for the period was 596 thousand tons (down 39 thousand tons from the previous year).

In gold, revenue and earnings increased, buoyed by a rise in gold content in raw material mineral ore.

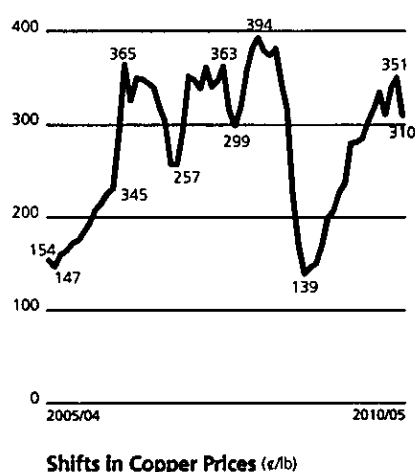
Despite moderate recovery in demand, sales and earnings from processed copper products declined due to a major drop in sales to the automobile and electronic materials and components markets.

As a result, segment sales declined 20.5%, or ¥108.4 billion, year on year to ¥421.9 billion, while operating profit dropped 41.5%, or ¥4.1 billion, to ¥5.8 billion.

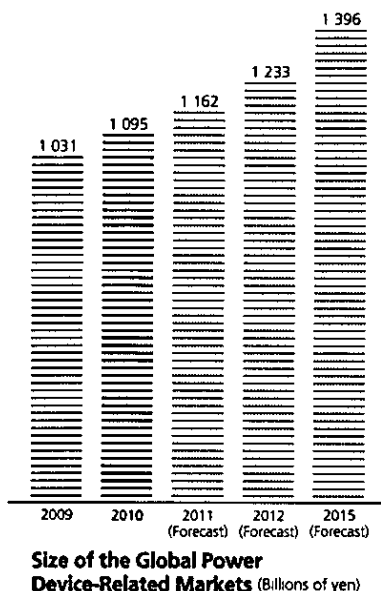
### Outlook and Future Strategies

Overall demand for copper ore continues to be impacted by the inability of the mining side to produce sufficient copper to meet rising demand in such markets as China and India. This situation is expected to remain unchanged. Although market rates for copper have recovered to levels nearly identical to those recorded just before the global economic recession caused prices to drop sharply, price fluctuations continue to be severe, while uncertainty persists regarding future trends. As a result, the Company will pay close attention to the above trends as well as shifts in foreign currency exchange rates and stock prices.

Despite an ongoing slump in construction-related businesses, sales of processed copper products in the automobile and electronic materials and components



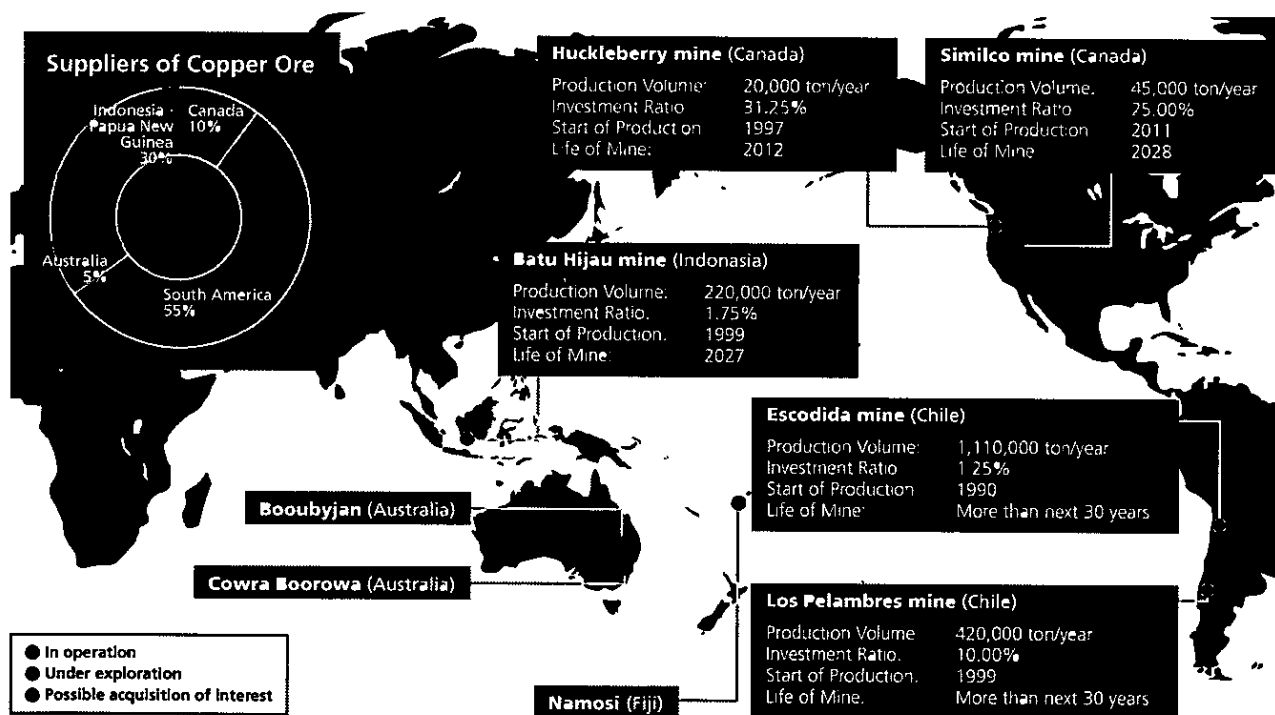




markets are expected to recover

Under these circumstances, we will strive to establish a solid business base by lowering our break-even point through the ongoing reduction of energy costs and fixed costs in the metals business. As for the smelting business, we will endeavor to operate our domestic and foreign smelting plants in a stable manner. Moreover, in order to improve profitability, we will expand the recycling business and the income generated from waste treatment through such measures as building a structure capable of treating the types of industrial waste that are difficult for other companies to handle. In the processed copper products business, we will promote the accelerated development of alloys using our technical and developmental capabilities as we strive to increase sales competitiveness and profitability.

## Stable Procurement of Raw Materials in Metals Business

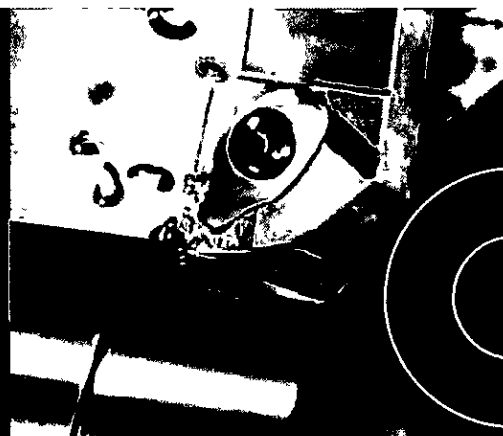


### Similco Copper Mine Redevelopment Project

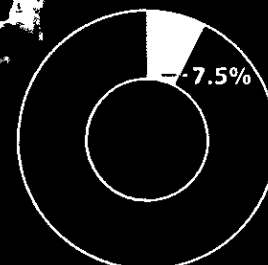
Undertaking the redevelopment of the Similco Copper Mine jointly with Copper Mountain Mining Corporation, Mitsubishi Materials expects the mine to commence operations in 2011. Owing to this redevelopment project, we expect the ratio of company-owned mines used for domestic production to rise from the current ratio of over 60% to the 75% level.



# ADVANCED MATERIALS & TOOLS



Share of Sales



(Millions of yen)

## BUSINESS STRENGTHS

- Possesses numerous products that boast a leading market share, beginning with cutting tools used to manufacture automobile components
- Mitsubishi Materials sells cemented carbide tools in more than 60 countries and has production, distribution and sales bases in 77 locations worldwide

	2010	2009	2008	2007	2006
Net Sales	84,351	128,153	150,040	138,095	147,908
Operating profits (loss)	(5,211)	4,246	19,311	16,114	19,985
Identifiable assets	153,099	152,164	174,760	166,433	162,855
Capital expenditures	4,322	10,031	11,443	12,702	7,155
Depreciation	9,156	10,269	8,968	6,894	11,063

## Performance for Fiscal 2010

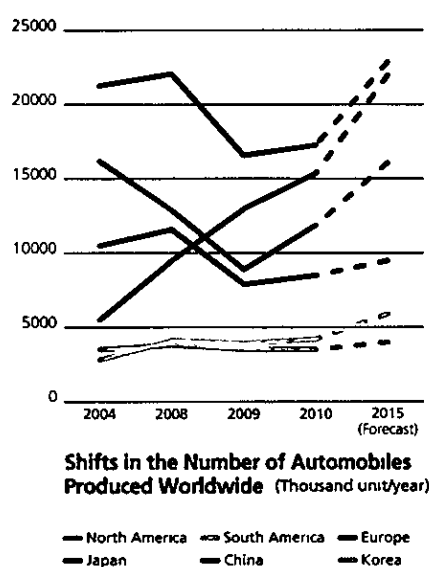
Cemented carbide products benefited from efforts to reduce costs, while orders entered a recovery phase, buoyed by robust demand in such emerging countries as China during the second half of the fiscal year under review. However, revenue and earnings fell due to a significant decrease in sales following the impact of production and inventory adjustments in automobile-related markets during the first half.

High-performance alloy products experienced a decline in sales, primarily attributable to inventory adjustments made in the gas turbine market. Despite this decline, and even though revenues decreased, earnings rose due to such factors as a recovery in demand in automobile-related markets, the recording of a substantial inventory evaluation loss during the previous fiscal year and the impact of cost-cutting measures.

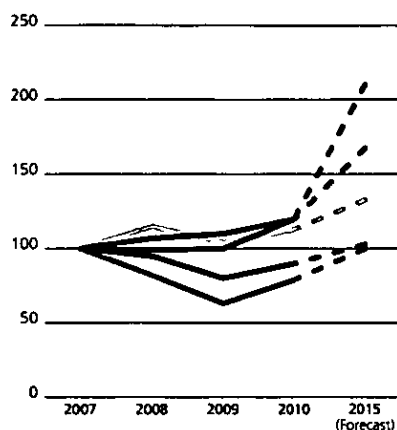
As a result, overall net sales in this segment declined 34.2%, or ¥43.8 billion, year on year to ¥84.3 billion, while operating profit experienced a negative turnaround of ¥9.4 billion, to record an operating loss of ¥5.2 billion.

## Outlook and Future Strategies

Demand for cemented carbide products is expected to gradually recover in Japan, the United States and Europe, while forecasts indicate that demand will further expand in such emerging countries as China and India. In terms of production, the Company is taking steps, given the above circumstances, to reduce costs and optimize its production framework by transferring the production of some products to overseas bases. Mitsubishi Materials will also further promote the recycling of the raw material, tungsten. Turning to sales, Mitsubishi Materials will enhance its technology support services for customers in Japan by effectively utilizing its new







**Shifts in the Number of Automobiles Sold by Key Countries Worldwide**  
(2007 sales volume=100)

— USA      - - - Brazil      — India  
— Japan      — China

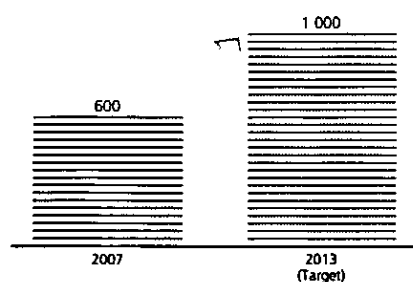
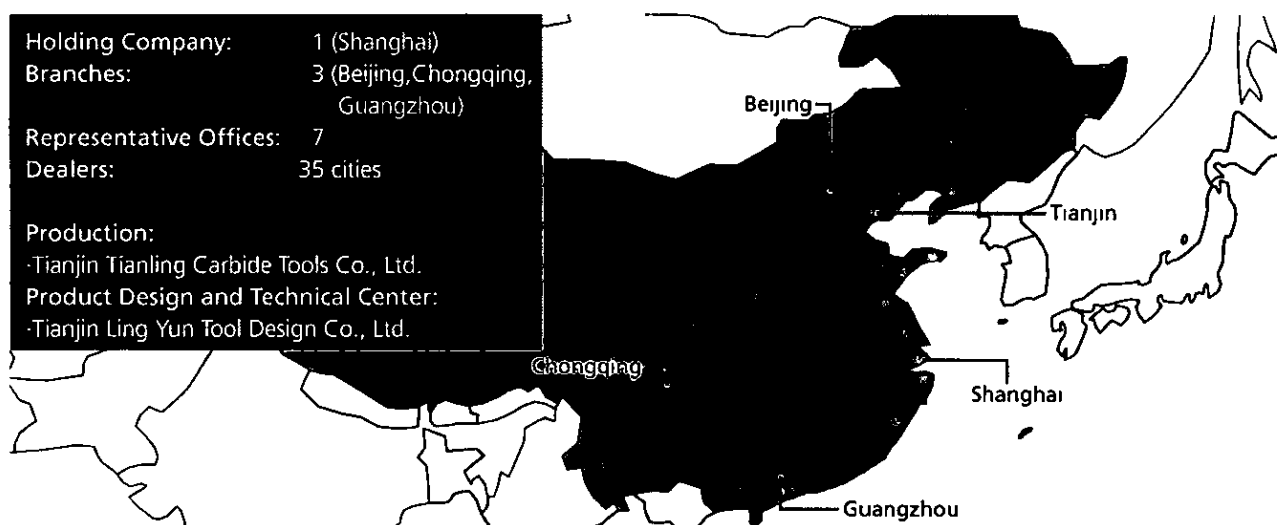
**Machining Technology Center** In China, the Company will bolster sales activities centered on new companies. Continuing to make automobile-related markets a pillar of its sales activities, Mitsubishi Materials will also actively undertake measures in the aircraft, energy, infrastructure and medical-related markets.

Regarding high-performance alloy products, the Company will endeavor to boost competitiveness and establish a stable revenue base, primarily by spinning off the Okegawa Plant and undertaking agile business operations.

## Cemented Carbide Products Business Network in China

**Holding Company:** 1 (Shanghai)  
**Branches:** 3 (Beijing, Chongqing, Guangzhou)  
**Representative Offices:** 7  
**Dealers:** 35 cities

**Production:**  
- Tianjin Tianling Carbide Tools Co., Ltd.  
**Product Design and Technical Center:**  
- Tianjin Ling Yun Tool Design Co., Ltd.



**Sales of Cemented Carbide Products in China**  
(Millions of yen)

Based on its policy of promoting business in emerging countries, the Company established Mitsubishi Materials (Shanghai) Corporation, which commenced operations in China in July 2010. In the cemented carbide products business segment, although the Company established sales branches in each region of China and a structure to operate technology support services from Japan, the new Chinese subsidiary will be capable of operating as a sales company, enabling Mitsubishi Materials to conduct sales activities that flexibly respond to demand for cemented carbide tools in this rapidly developing country.



# ELECTRONIC MATERIALS & COMPONENTS



(Millions of yen)

## BUSINESS STRENGTHS

- Supplying the market with quality products that feature a superior "Eleven 9s" level of purity, owing to precision technology that is unsurpassed worldwide
- Manufactures and sells components indispensable to such environmentally friendly products as hybrid automobiles and solar cells

	2010	2009	2008	2007	2006
Net Sales	57,826	65,968	91,759	85,189	75,525
Operating profits (loss)	2,608	8,525	14,334	10,388	4,814
Identifiable assets	182,530	194,472	190,077	169,282	137,310
Capital expenditures	22,622	17,544	9,674	8,162	4,801
Depreciation	6,680	6,659	5,698	4,970	4,361

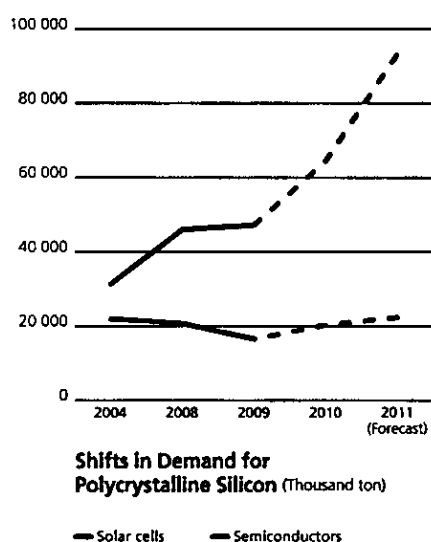
### Performance for Fiscal 2010

In advanced materials, revenue and earnings increased due to a recovery in Taiwan's semiconductor market and favorable sales of such products as fine materials for assembly.

Regarding electronic devices, although revenue declined because of sluggish sales for products such as those used in mobile phones, earnings rose thanks to the positive impact of cost reductions and a recovery of product sales for home electronic appliances and automobiles.

Turning to polycrystalline silicon and related products, although there were indications of a recovery in product sales for semiconductors, particularly for 300mm silicon wafers, sales ultimately decreased due to inventory adjustments undertaken by customers in the first half of fiscal 2010. Coupled with falling sales of products used in solar cells during the second half, revenue and earnings decreased for polycrystalline silicon and related products.

As a result, overall net sales of this segment decreased 12.3%, or ¥8.1 billion, year on year to ¥57.8 billion, while operating profit dropped 69.4%, or ¥5.9 billion, to ¥2.6 billion.

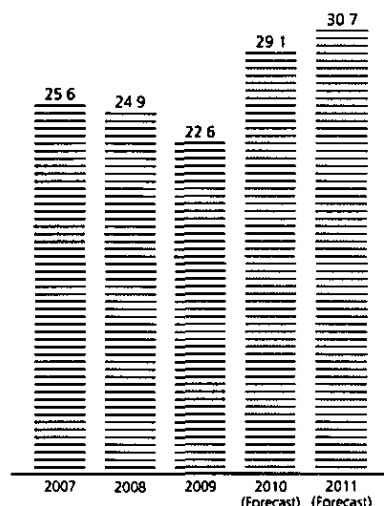


### Outlook and Future Strategies

Due to a round of inventory adjustments and other factors, demand for advanced materials is forecasted to be favorable amid expectations that full-scale growth will occur in the semiconductor-related markets. Moreover, Mitsubishi Materials will make efforts to further strengthen profitability by increasing the ratio of net sales accounted for by new products.

Despite a movement towards recovery, demand for electronic devices is not expect-





**Shifts in Global Demand  
for Semiconductors** (Billions of yen)

ed to reach the level of its previous peak. Consequently, the Company will take steps to augment profitability through the release of new products in combination with cost-reduction measures that involve the switch to low-cost materials.

Production volume of polycrystalline silicon and related products fell during the first quarter of fiscal 2011 due to the impact of a temporary suspension of operations at the Yokkaichi Plant. However, a second production facility at this plant, which is scheduled to be completed at the end of July 2010, is expected to enable the Company to meet increasing market demand for such semiconductors as the 300mm silicon wafer as well as for solar cells. Through this initiative, Mitsubishi Materials is working to increase revenue and earnings.

### Strengthening Production Capacity of High-Purity Polycrystalline Silicon

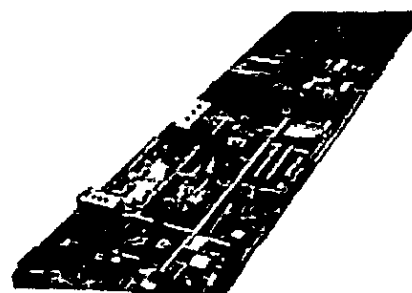
Mitsubishi Materials produces polycrystalline silicon for use in semiconductors and solar cells. Demand for polycrystalline silicon by semiconductor manufacturers rapidly deteriorated in the wake of the "Lehman Shock," which occurred in 2008. However, we expect future demand to be strong due to a recovery in demand taking place primarily in emerging countries that began around the second half of fiscal 2009. In addition, although demand for polycrystalline silicon by solar-cell manufacturers dropped in the same manner as semiconductors, developments in such clean-energy technologies as solar cells continue to garner rapidly increasing attention worldwide.

Considering these medium- and long-term trends in demand, Mitsubishi Materials is moving forward with the construction of new facilities at the Yokkaichi Plant (the Company's production base in Japan) to increase its annual production capacity of polycrystalline silicon from the current level of 1,850 tons to 2,850 tons. Operations at the new facility are scheduled to commence at the end of July 2010. Combining this expansion with Mitsubishi Polysilicon America Corporation's 1,500-ton production capacity, the Group's total production capacity will be 4,350 tons. In addition to construction currently underway, we will investigate the feasibility of building facilities capable of producing an additional 3,000–4,000 tons per year within the same 90,000m<sup>2</sup> site adjacent to the Yokkaichi Plant, while examining future movements in demand.

Mitsubishi Materials will focus its energy on maintaining a framework to ensure a stable supply of polycrystalline silicon that will meet future increases in silicon demand, while using its globally unsurpassed quality to build an unshakeable position as a manufacturer of polycrystalline silicon.

	Current production volume	Increase in production volume during fiscal 2011	After production increases
Yokkaichi Plant	1,850	1,000	2,850
MIPSA*	1,500	—	1,500
Total	3,300	—	4,350

\* Mitsubishi Polycrystalline Silicon America Corporation



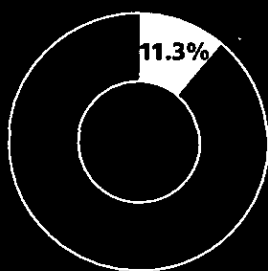
Expansion work to increase production of our Yokkaichi Plant



## ALUMINUM



Share of Sales



(Millions of yen)

	2010	2009	2008	2007	2006
Net sales	127,037	151,742	169,143	162,841	143,093
Operating profits (loss)	3,048	(3,253)	5,330	2,849	3,441
Identifiable assets	150,292	153,831	164,655	183,585	180,913
Capital expenditures	7,371	8,617	10,174	6,481	5,992
Depreciation	9,271	9,596	6,720	8,921	9,478

## Performance for Fiscal 2010

In aluminum cans, although sales decreased due to such factors as unseasonable summer weather, earnings increased thanks to cost-reduction and other efforts.

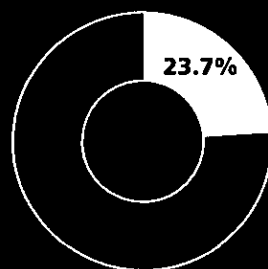
For rolled aluminum and processed aluminum products, a substantial drop in sales during the first half of fiscal 2010, particularly in automobile-related products, led to a decline in revenue. However, earnings rose owing to cost-reduction measures and a recovery of demand during the second half.

As a result, overall net sales of this segment fell 16.3%, or ¥24.7 billion, year on year to ¥127.0 billion, while operating profit increased ¥6.3 billion to ¥3.0 billion.

## OTHERS



Share of Sales



(Millions of yen)

	2010	2009	2008	2007	2006
Net Sales	265,209	349,127	378,771	268,771	253,908
Operating profits	4,859	10,205	9,594	4,733	7,872
Identifiable assets	329,302	312,395	316,511	306,280	307,648
Capital expenditures	2,031	4,953	3,814	4,970	3,817
Depreciation	3,097	4,174	3,924	3,821	4,039

## Performance for Fiscal 2010

In energy-related products, revenue and earnings both fell. These decreases were primarily attributable to the transfer of the petroleum and natural gas sales business of the Company's consolidated subsidiary, Mitsubishi Materials Energy Corp. (currently Materials Energy Corp.), the change of Mitsubishi Nuclear Fuel Co., Ltd.'s status from Mitsubishi Materials consolidated subsidiary to affiliated company, and drops in coal prices and sales.

For precious metals, revenue declined due to a decrease in the sales of gold ingots and jewelry. However, earnings increased owing mainly to efforts made to reduce costs.

The amount of orders for the nuclear- and engineering-related business segments and the environment- and recycling-related business segments amounted to ¥47.8 billion, down ¥28.1 billion year on year, and the backlog of orders totaled ¥15.6 billion, down ¥17.8 billion.

As a result, overall net sales of this segment declined 24.0%, or ¥83.9 billion, year on year to ¥265.2 billion, while operating profit dropped 52.4%, or ¥5.3 billion, to ¥4.8 billion.



## Research and Development

### Fundamental Policy of R&D

It is the fundamental policy of Mitsubishi Materials' development divisions to rapidly conduct ongoing development activities, in tandem with management policies, in order to contribute to sustainable business expansion. As a comprehensive materials manufacturer, Mitsubishi Materials strengthens the cultivation of its indispensable core technologies. At the same time, the Company proposes and implements current development themes to support and expand ongoing operations as well as future themes intended to create next-generation businesses.

### R&D Strategies

Amid such significant social change as the emergence of movements to prevent global warming and address natural resource-related problems, Mitsubishi Materials is focusing on trends in three primary areas—information electronics, automobiles and environment and recycling—as the foundation for growth strategies based on the Company's management plans. Consequently, we are allocating management resources to technological development that supports these three areas. In particular, the Company is focusing its attention on three markets that comprise part of the emerging eco-market, which has the potential to become massive. It is also channeling over 50% of its development resources to these three markets, which are urban-resource recycling, energy savings and alternative energy.

Through these actions, Mitsubishi Materials is taking steps to strengthen businesses based on its core technologies as it cultivates next-generation businesses.

In order to carry out the above development activities, Mitsubishi Materials is consolidating its technologies in five areas that support its business operations: hydrometallurgy/chemical reaction process, materials and processing technology, interface/thin films, simulation, and analysis/materials characterization. This consolidation will be accomplished by upgrading the Company's development framework and its development environment from a medium- to long-term perspective. In addition, high-quality data is shared in a timely manner with each Group company and development division, leading to ongoing R&D activities that are high in quality and produce quick results.

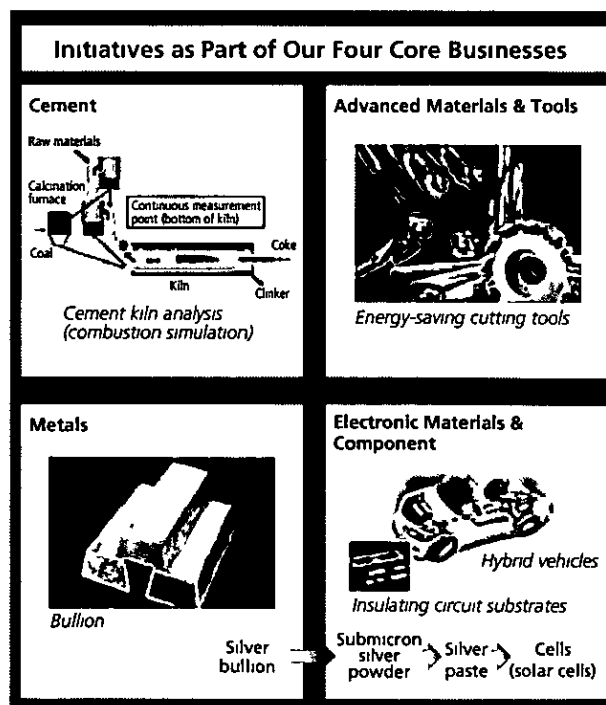
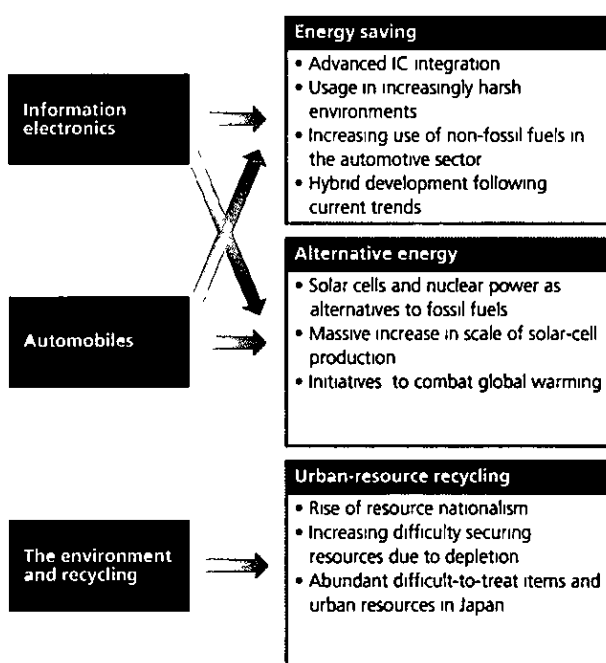
### R&D Expenses

R&D expenses during the fiscal year ended March 31, 2010 decreased ¥954 million, or 8.1%, year on year to ¥10,897 million. The breakdown of R&D expenses by business segment is as follows: Cement was ¥1,008 million, Metals stood at ¥891 million, Advanced Materials & Tools reached ¥903 million, Electronic Materials & Components totaled ¥1,069 million and Aluminum amounted to ¥2,180 million. Moreover, R&D expenses in the abovementioned three primary growth areas reached ¥4,832 million.

## Concentrating on Target Markets within Our Three Growth Areas

### Reviewing Development Strategy in View of Market Conditions

Three Growth Areas → Three Target Markets





## Corporate Governance

### Fundamental Policy

With the aim of maintaining sustainable development and maximizing corporate value through fair business activities, Mitsubishi Materials recognizes the importance of efficient and transparent management and is steadily undertaking measures that fully realize its corporate governance

### The Board of Directors and Implementation System

The Board of Directors comprises eight internal directors and one independent external director. We consider this structure appropriate for expediting decisions and ensuring management objectivity and transparency. The external director is knowledgeable in international affairs and possesses insight into business management operations, while fulfilling a function that is completely independent, in the same manner as external auditors detailed below. Matters brought before the Board of Directors are deliberated in advance by the Corporate Strategy Committee, which is composed of the President and several other directors, and appropriate decisions are made based on these deliberations.

The Company is an integrated organization with four core businesses—Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components. Executive officer and internal company systems were introduced to ensure that these businesses execute business activities in an agile and appropriate manner. In April 2007, management appointed representative directors and executive officers to head these internal companies and implemented a system to facilitate the execution of business activities, based on the decisions of the Board of Directors.

### Corporate Auditor Centered Auditing System

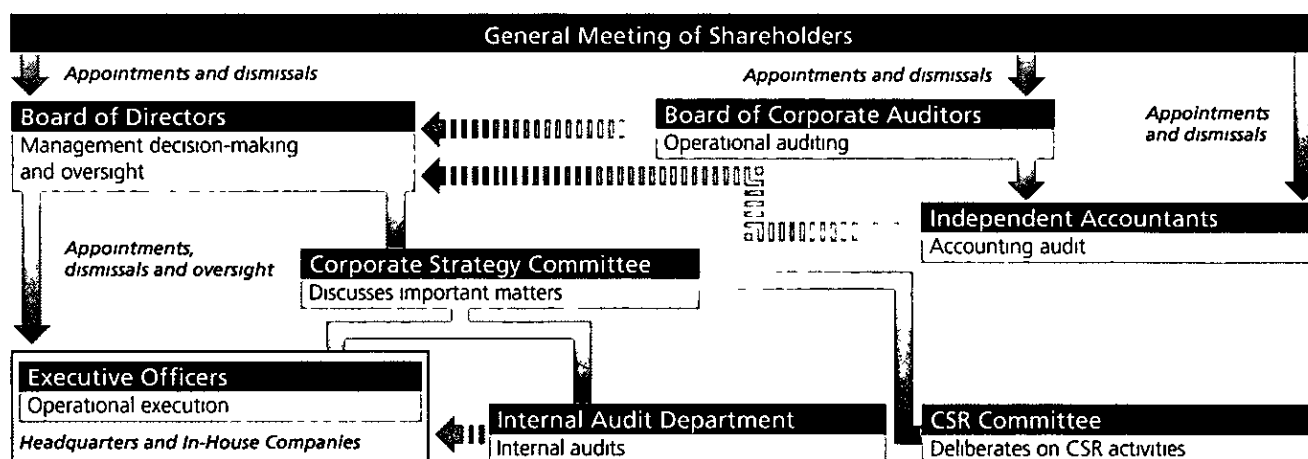
The Board of Corporate Auditors is made up of three standing corporate auditors, one of whom is external, and one part-time auditor. In order to monitor the execution of duties undertaken by directors, each auditor attends all Board of Directors' meetings and other important gatherings and holds hearings that assess the execution of duties of directors, the Internal Audit Department and other internal control departments, in addition

to overseeing matters concerning company assets. Moreover, audits are undertaken by standing corporate auditors from important Group companies, in close coordination with accounting auditors. The Internal Audit Department conducts internal audits to identify the effectiveness and efficiency of corporate activities, the reliability of financial reports, the maintenance and effective utilization of assets, the status of risk-management efforts and the adherence to both the law and to in-house rules and standards. The Company appointed KPMG AZSA & Co. as the independent auditor responsible for its accounting audits.

### Internal Control System Maintenance

Placing particular importance on risk management and compliance Groupwide, Mitsubishi Materials established the CSR Committee in 2005, chaired by the President, to control these functions in a more comprehensive manner. Through the CSR Committee, the Company conducts the training of employees who oversee risk management internally and at each Group company, implement risk surveys, assessments and analysis throughout the Group and undertake employee compliance training at every level.

Mitsubishi Materials recognizes that the development of appropriate internal control systems is an important issue concerning the fulfillment of its business objectives and management plans. Based on this recognition, the Company maintains and enhances the effectiveness of its internal control systems in accordance with the Companies Act and the Financial Instruments and Exchange Act.





## Corporate Social Responsibility (CSR)

### Basic CSR Policy

The Mitsubishi Materials Group, as a comprehensive basic materials maker, provides resources, basic materials and energy indispensable to modern lifestyles. In these efforts, we adhere to a corporate philosophy that emphasizes making contributions to people, society and the Earth.

The Group's CSR policy thus hinges on making this philosophy a reality, through the sincere fulfillment of the obligations and expected role that society places on a corporate citizen. These obligations include disclosure, with proper explanation, of the approaches taken and the constant pursuit of two-way communication with stakeholders to promote greater mutual understanding. These actions will underpin a position of trust in society.

### CSR Promotion Framework

Since December 2002, the Group has been working to strengthen compliance and risk management.

Based on these initiatives, the Group established a CSR Committee chaired by the president in January 2005 through internal discussions in pursuit of increasingly proactive CSR activities to meet the expectations of our stakeholders and repay the trust they have placed in the Group. Simultaneously, the Group established a CSR Department to act as a special unit dedicated to CSR activities and appointed a director in charge of CSR to take over duties from our existing director responsible for compliance.

In recognition of the need to raise awareness of CSR activities among all Mitsubishi Materials Group employees, we also assign responsibility for CSR to the heads of each of our in-house divisions and Group companies and appoint CSR managers and CSR supervisors lower down in each organization to oversee our Groupwide CSR activities.

Another key CSR activity concerns environmental preservation. In support of this the Group launched Groupwide environmental management activities headed by the director in charge of the environment with the headquarters' Environment & Resources Division taking a central role.

Through its business activities, the Mitsubishi Materials Group

will continuously contribute to the sustainable development of people, society and the Earth to remain a trusted corporate citizen. Simultaneously, we will make Groupwide efforts to achieve further growth in our corporate value.

### CSR Direction

With the aim of realizing its corporate philosophy, the Mitsubishi Materials Group is proactively engaging in the following three themes:

1 *Respecting relationships with people* Reinforcing ties to stakeholders

Through mutual communications, plants and companies under the Group umbrella will go to great lengths to maintain favorable perceptions of the Group—as held by shareholders, customers, suppliers, employees and other stakeholders—deepen their understanding of stakeholder points of view, and work hard to ensure a high level of stakeholder satisfaction.

2 *Respecting promises made to society* Ensuring thorough compliance and risk management practices

We will systematically reinforce levels of compliance and risk management to ensure legal compliance—a vital prerequisite for expanding corporate activities—and to anticipate and address business-related problems before they arise.

3 *Respecting the Earth* Reducing environmental impact

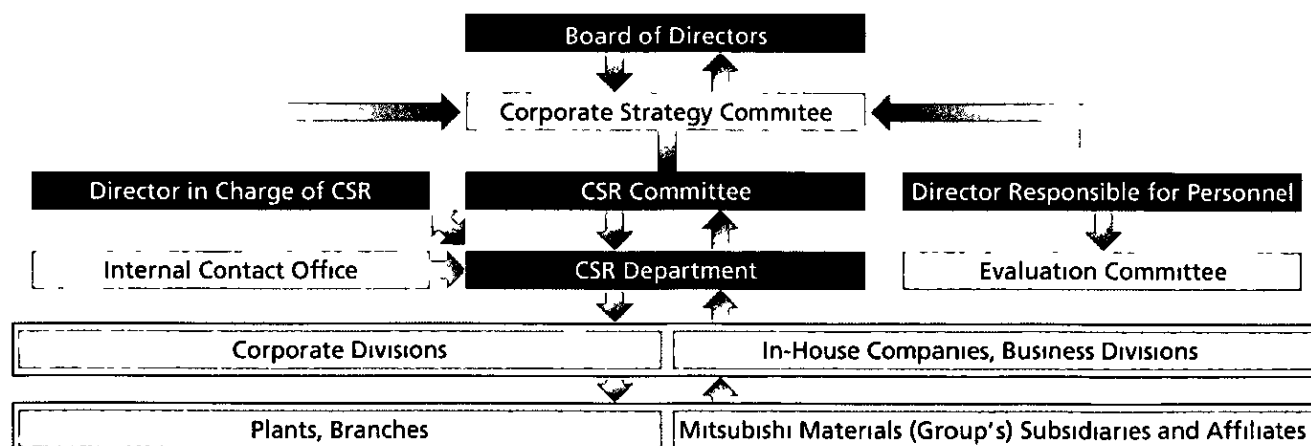
In our activities, which serve to reduce environmental impact, we will direct efforts toward such measures as saving energy and resources, cutting waste and limiting the use of hazardous substances.

### External Evaluation

On April 2009, Mitsubishi Materials was selected for inclusion in the Asia Pacific section of Dow Jones Sustainability Indexes (DJSI Asia Pacific), global indexes based on socially responsible investment (SRI).

Details of the Group's CSR activities are disclosed in its CSR Report and on the website.

<http://www.mmc.co.jp/corporate/en/csr/index.html>





# Management (As of June 29, 2010)

## Board of Directors



**Akihiko Ide\***  
*Chairman*



**Hiroshi Yao\***  
*President and  
Chief Executive Officer*



**Mayuki Hashimoto\***  
*Managing Director*



**Toshinori Kato\***  
*Managing Director*



**Makoto Miki\***  
*Managing Director*



**Akira Takeuchi\***  
*Managing Director*



**Keisuke Yamanobe\***  
*Managing Director*



**Toshimichi Fujii\***  
*Managing Director*



**Yukio Okamoto\*\***  
*Director*

## Corporate Auditors (Standing)

Takao Wada\*\*  
Fumio Shimada  
Hiroshi Kanemoto

## Corporate Auditor

Akio Utsumi\*\*

## Senior Executive Officers

Masatoshi Hanzawa  
Kimball McCloud  
Takeshi Itaba  
Toshikazu Murai  
Akio Hamaji

## Executive Officers

Naoki Uchiyama  
Masayuki Minagawa  
Takashi Shimizu  
Tetsuo Kasukawa  
Makoto Yano  
Mikio Ioka  
Teruhiko Masuda  
Satoshi Terashita  
Isao Iwano  
Masaharu Unno  
Yoshihiro Nonogaki  
Masami Koshimura  
Ryoji Okamoto  
Isaku Kesen  
Kyosuke Shiba  
Kazumasa Hori  
Yasuhiko Noguchi  
Eiichi Narto

\* Representative Director

\*\* External



## Financial Section

### CONTENTS

<b>Eleven-Year Summary</b>	<b>22</b>	<b>Consolidated Statements of Cash Flows</b>	<b>35</b>
<b>Management's Discussion and Analysis</b>	<b>24</b>	<b>Notes to Consolidated Financial Statements</b>	<b>36</b>
<b>Consolidated Balance Sheets</b>	<b>30</b>	<b>Independent Auditors' Report</b>	<b>75</b>
<b>Consolidated Statements of Operations</b>	<b>32</b>		
<b>Consolidated Statements of Changes in Net Assets</b>	<b>33</b>		



# Eleven-Year Summary

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31

## FOR THE YEAR:

	2010	2009	2008	2007
Net sales	¥1,119,448	¥1,424,114	¥1,659,286	¥1,452,108
Cost of sales	982,082	1,251,102	1,425,526	1,246,261
Operating profit	12,680	35,134	100,146	78,758
Net income (loss)	(66,555)	6,106	74,268	71,382
Capital expenditures	66,679	74,252	75,646	66,484
Depreciation and amortization	69,840	71,973	57,722	50,135
R&D expenses	10,897	11,852	11,676	11,112

## AT YEAR-END:

Total assets	1,826,420	1,732,003	1,856,276	1,773,899
Total long-term liabilities	662,430	574,518	485,718	475,393
Total net assets	399,095	421,934	520,289	481,970
Number of shares of common stock (thousands)	1,314,895	1,278,955	1,278,955	1,252,092
Number of employees	21,641	21,224	19,467	19,631

## PER SHARE AMOUNTS:

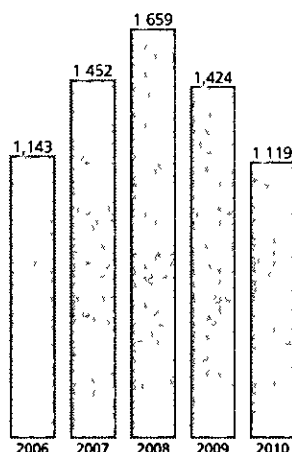
Basic net income (loss)	¥(52.3)	¥4.8	¥59.1	¥60.3
Diluted net income	—	—	—	57.1
Cash dividends applicable to the year	—	4.0	8.0	6.0

## FINANCIAL RATIOS (%)

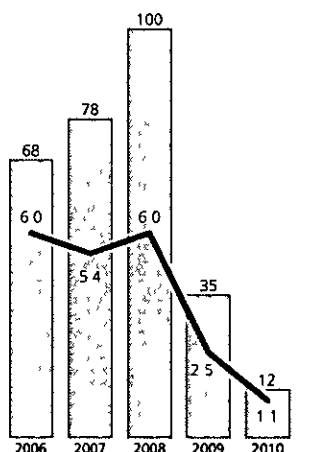
Operating margin	1.1%	2.5%	6.0%	5.4%
Return on assets (ROA)	(3.6)	0.4	4.0	4.0
Return on equity (ROE)	(16.7)	1.4	14.3	14.8
Equity ratio	18.7	21.0	25.0	23.2

### Notes

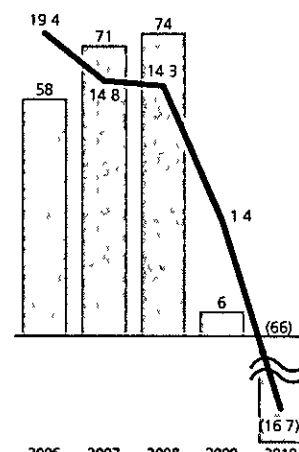
- 1 Japanese yen amounts have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥93.04 to U.S. \$1, the prevailing exchange rate at March 31, 2010.
- 2 Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet."
- 3 Except for 2010, 2009, 2008 and 2007, "Total net assets" means "Total shareholders' equity" which is pursuant to the previous presentation rules.



**Net sales**  
(Billions of yen)



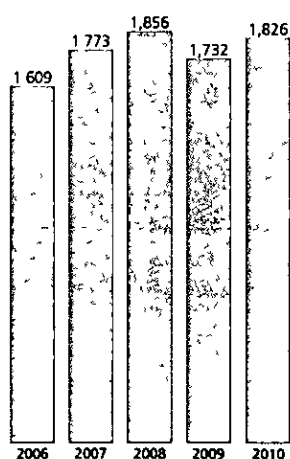
**Operating profit/Operating margin**  
(Billions of yen/%)  
□ Operating profit — Operating margin



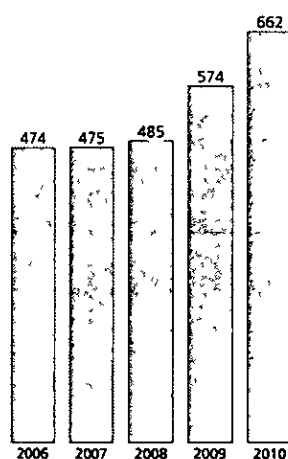
**Net income (loss)/Return on equity (ROE)**  
(Billions of yen/%)  
□ Net income (loss) — Return on equity (ROE)



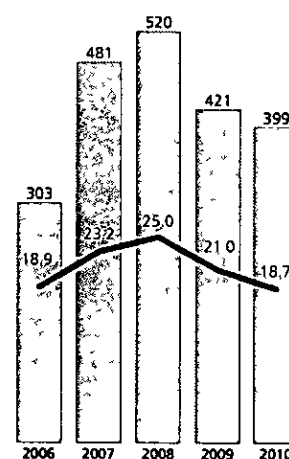
Millions of yen							Thousands of U S dollars (Note 1)
2006	2005	2004	2003	2002	2001	2000	2010
¥1,143,700	¥984,777	¥948,238	¥964,726	¥1,046,807	¥1,144,068	¥986,884	\$12,031,907
953,084	812,544	783,971	807,308	899,220	936,563	825,097	10,555,481
68,982	54,085	43,422	34,429	10,872	65,827	27,229	136,287
58,803	16,374	(5,324)	(26,854)	(61,316)	7,149	(12,075)	(715,340)
52,559	49,507	38,942	42,228	66,208	83,762	53,984	716,676
47,454	48,085	49,401	54,457	78,436	79,557	74,592	750,651
10,859	10,449	11,232	11,608	15,404	15,437	14,762	117,127
1,609,446	1,420,825	1,435,115	1,439,985	1,575,739	1,615,844	1,671,000	19,630,482
474,664	466,771	519,594	555,467	572,071	509,187	603,096	7,119,842
303,560	196,902	183,886	174,381	206,413	239,190	231,559	4,289,499
1,147,918	1,134,054	1,134,054	1,134,054	1,117,314	1,117,314	1,117,314	
19,020	19,638	20,930	21,745	22,381	24,876	24,682	
Yen							U S dollars (Note 1)
¥51.7	¥14.4	¥(4.8)	¥(23.9)	¥(54.9)	¥6.4	¥(10.8)	\$(0.56)
45.4	12.9	—	—	—	6.1	—	—
4.0	3.0	2.0	—	—	3.0	1.5	—
6.0%	5.5%	4.6%	3.6%	1.0%	5.8%	2.8%	
3.7	1.2	(0.4)	(1.8)	(3.9)	0.4	(0.7)	
19.4	8.3	(3.0)	(14.1)	(27.5)	3.0	(5.1)	
18.9	13.9	12.8	12.1	13.1	14.8	13.9	



**Total assets**  
(Billions of yen)



**Total long-term liabilities**  
(Billions of yen)



**Total net assets/Equity ratio**  
(Billions of yen/%)

□ Total net assets — Equity ratio



# Management's Discussion and Analysis

Mitsubishi Materials Corporation and Consolidated Subsidiaries

## Overview

In the first half of the fiscal year under review, the world economy trended towards recovery, benefiting partly from economic stimulus measures adopted by the Chinese government. In the United States, however, the economy remained in recession amid weakness in such areas as corporate capital spending and housing starts. In the second half of the year, consumption turned around and economic recovery became clear, thanks to economic stimulus measures taken by various national governments aimed at addressing global recession, as well as the impetus provided by new emerging markets.

Affected by the aforementioned factors, the Japanese economy in the first half showed signs of a turnaround owing to the completion of inventory adjustments and government economic stimulus measures. This occurred despite various challenges, including an unemployment rate at historically high levels. In the second half, the domestic economy remained on a recovery trend amid ongoing improvements in corporate earnings driven by exports. However, the pace of recovery was slow due to lagging recovery in capital spending and personal consumption.

In the first half of the period, the business environment surrounding the Mitsubishi Materials Group (the "Group") was extremely serious due to various factors, such as declining demand for cement and other products against the backdrop of a sluggish economy both in Japan and overseas and the appreciation of the yen. However, the second half of the year saw an improved situation, thanks to a recovery in orders, especially from the automobile and semiconductor-related sectors, as well as increase in copper prices beyond our initial assumptions.

Back in December 2008, the Group formulated our "Comprehensive Management Measures," the aim of which is to swiftly transform the Group into an organization capable of generating stable earnings even during periods of severely depressed demand, like the current worldwide recession. Another objective is to build a business structure that will permit substantial progress when the economy recovers in the future. Since drafting the Comprehensive Management Measures, the Group has worked relentlessly to restrain capital spending, introduce an on-demand production system, reassign personnel, and cut costs across the board, while stepping up concentration of managerial resources.

In August 2009, the Group devised additional measures that more deeply entrench the Comprehensive Management Measures. Under the new measures, the Group renewed our emphasis on implementing a low-cost structure by reducing labor costs and centralizing our purchasing processes.

However, the Group were unable to overcome the impact of external factors, which worsened beyond our expectations. For the year, consolidated net sales amounted to ¥1,119,448 million, down 21.4% from the previous year, and operating profit totaled ¥12,680 million, down 63.9%. The Group also undertook a serious assessment of the recoverability of deferred income taxes in light of the current uncertain business climate, and subsequently reversed ¥26.5 billion of deferred income taxes held by the parent company. Accordingly, the Group posted a net loss of ¥66,555 million (net income of ¥6,106 million in the previous fiscal year).

	Millions of yen		Thousands of U.S. dollars	Percentage change
	2010	2009	2010	(2010/2009)
For the years ended March 31				
Net sales	¥1,119,448	¥1,424,114	\$12,031,907	(21.4)%
Operating profit	12,680	35,134	136,287	(63.9)%
Net income	(66,555)	6,106	(715,340)	—
	Yen		U.S. dollars	Percentage change
	2010	2009	2010	(2010/2009)
For the years ended March 31				
Basic net income per share	¥(52.3)	¥4.8	\$(0.56)	—

## Sales and Operating Income by Business Segment

### Cement

Despite the benefits of cost-cutting measures, the Cement business posted year-on-year declines in both sales and operating income. This was due to a fall in sales. During the year, domestic demand continued spiraling downward due to weakness in residential construction spending and private-sector capital spending, as well as a government policy of planned restraint in public sector spending over the medium term. Overseas, the Group enjoyed healthy demand in China thanks to economic stimulus measures adopted by the Chinese government. In the United States, however, demand fell significantly, especially in the housing sector, due to a deepening economic recession sparked by

the vicious cycle of the financial crisis and deterioration of the real economy. Total cement production for the year was 11.5 million tons (down 1.5 million tons from the previous year).

As a result, segment sales decreased 17.9%, or ¥35.6 billion, year on year to ¥163.0 billion, while operating profit fell 22.7%, or ¥2.6 billion, to ¥8.9 billion.

### Metals

Despite increased production at PT Smelting in Indonesia and the benefits of cost-cutting efforts, the copper business reported year-on-year declines in revenue and earnings for several reasons. These included falling earnings from copper byprod-



ucts and the appreciation of the yen. Total production of electrolytic copper for the period was 596 thousand tons (up 39 thousand tons from the previous year).

In gold, revenue and earnings increased, buoyed by a rise in gold content in copper concentrate.

Despite moderate recovery in demand, sales and earnings from processed copper products declined due to a major drop in sales to the automobile and electronic materials and components markets.

As a result, segment sales declined 20.5%, or ¥108.4 billion, year on year to ¥421.9 billion, while operating profit dropped 41.5%, or ¥4.1 billion, to ¥5.8 billion.

#### Advanced Materials & Tools

Despite the benefits of cost-cutting measures, as well as a recovery in orders in the second half of the year owing to healthy demand from emerging markets, especially China, the cemented carbide products business posted declines in revenue and earnings. This was due to a substantial drop in sales in the first half amid production and inventory adjustments in the automobile and other markets.

In high-performance alloy products, revenue declined due to a fall in sales in the wake of inventory adjustments in the gas turbine market. However, earnings increased thanks to a recovery in demand in automobile-related markets, as well as the absence of a large-scale inventory devaluation loss reported in

the previous year and the benefits of cost-cutting measures.

As a result, segment sales fell 34.2%, or ¥43.8 billion, year on year to ¥84.3 billion, and operating loss of ¥5.2 billion was recorded, with a ¥9.4 billion drop in operating profit from the previous fiscal year.

#### Electronic Materials & Components

In advanced materials, the Group recorded increases in revenue and earnings owing to recovery in semiconductor-related markets in Taiwan, as well as favorable sales of precision mounting materials.

In electronic devices, the Group posted a decline in revenue due to weak sales of products for use in mobile phones. However, earnings increased thanks to a recovery in sales for home appliances and automobile-related products, as well as the benefits of cost-cutting measures.

In polycrystalline silicon and related products, revenue and earnings decreased due to falling sales as companies in the semiconductor market undertook inventory adjustments in the first half of the year, while sales of products for solar cells also declined in the second half of the year. This was despite a recovery trend in sales of products for semiconductor devices, centering on 300mm silicon wafers.

As a result, segment sales decreased 12.3%, or ¥8.1 billion, to ¥57.8 billion, while operating profit fell 69.4%, or ¥5.9 billion, to ¥2.6 billion.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Cement</b>			
Sales	¥163,084	¥198,701	\$1,752,838
Operating profit	8,928	11,543	95,963
Operating margin	5.5%	5.8%	
<b>Metals</b>			
Sales	421,938	530,420	4,535,021
Operating profit	5,860	10,023	62,993
Operating margin	1.4%	1.9%	
<b>Advanced Materials &amp; Tools</b>			
Sales	84,351	128,153	906,619
Operating profit	(5,211)	4,246	(56,010)
Operating margin	—	3.3%	
<b>Electronic Materials &amp; Components</b>			
Sales	57,826	65,968	621,526
Operating profit	2,608	8,525	28,039
Operating margin	4.5%	12.9%	
<b>Aluminum</b>			
Sales	127,037	151,742	1,365,411
Operating profit	3,048	(3,253)	32,762
Operating margin	2.4%	—	
<b>Others</b>			
Sales	265,209	349,127	2,850,489
Operating profit	4,859	10,205	52,225
Operating margin	1.8%	2.9%	



## Aluminum

In aluminum cans, the Group posted a decline in revenue but an increase in earnings. This was attributable to cost-cutting benefits, which helped compensate for a decline in sales stemming from unstable weather conditions in the summer.

In rolled aluminum and processed aluminum products, revenue was down due to a significant decline in first half sales, especially for products used in automobiles. However, earnings increased thanks to signs of recovery in the second half, together with the benefits of cost-cutting measures.

As a result, segment sales declined 16.3%, or ¥24.7 billion, from the previous fiscal year to ¥127.0 billion, while operating profit grew ¥6.3 billion to ¥3.0 billion.

## Others

In energy-related products, consolidated subsidiary Materials Energy Corp. sold off its oil and gas sales business and consoli-

dated subsidiary Mitsubishi Nuclear Fuel Co., Ltd. became an affiliate accounted for by the equity method in connection with its exclusion from the Group's scope of consolidation. These factors, together with falling prices and sales of coal, caused year-on-year revenue and earnings to decline.

In precious metals, the Group reported a decline in revenue due to falling sales of ingots and jewelry. However, thanks to cost-cutting measures, earnings in this category increased.

Combined orders for nuclear energy and engineering services, together with environment- and recycling-related services, amounted to ¥47.8 billion over the period, down ¥28.1 billion from the previous year. The order backlog at the end of the period was ¥15.6 billion, down ¥17.8 billion.

As a result, segment sales fell 24.0%, or ¥83.9 billion, to ¥265.2 billion, and operating profit dropped 52.4%, or ¥5.3 billion, to ¥4.8 billion.

## Sales and Operating Income by Geographic Segment

### Japan

Domestic sales declined for cement, processed copper products, cemented carbide products and rolled and processed aluminum products. Given these results, sales from operations in Japan dropped ¥198.1 billion year on year to ¥969.8 billion, while operating profit decreased ¥8.9 billion to ¥7.2 billion.

### United States

Demand for cement-related products weakened and sales of cemented carbide products for automotive applications declined.

In the end, sales from U.S. operations fell ¥27.9 billion to ¥69.4 billion, while operating profit dropped ¥7.4 billion to ¥4.8 billion.

### Europe

In Europe, sales of cemented carbide products for automotive applications decreased.

As a result, sales from operation in Europe totaled ¥11.6 billion, down ¥10.5 billion, and operating profit was ¥0 billion, down ¥2.2 billion year on year.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Japan</b>			
Sales	¥969,830	¥1,167,986	\$10,423,802
Operating profit	7,256	16,188	77,994
Operating margin	0.7%	1.4%	
<b>U.S.A.</b>			
Sales	69,464	97,369	764,614
Operating profit	4,895	12,355	52,613
Operating margin	7.0%	12.7%	
<b>Europe</b>			
Sales	11,638	22,234	125,089
Operating profit	61	2,272	665
Operating margin	0.5%	10.2%	
<b>Asia, excluding Japan</b>			
Sales	65,888	132,507	708,175
Operating profit	6,226	8,661	66,624
Operating margin	9.4%	6.5%	
<b>Others</b>			
Sales	2,626	4,015	28,224
Operating profit	683	1,714	7,351
Operating margin	26.0%	42.7%	



### Asia, excluding Japan

Although the operation of PT Smelting in Indonesia kept well, the price of copper and copper byproducts decreased

As a result, sales from operations in Asia, excluding Japan, fell ¥66.6 billion from the previous fiscal year to ¥65.8 billion, and operating profit fell ¥2.4 billion to ¥6.2 billion

## Financial Position and Liquidity

As of March 31, 2010, total assets amounted to ¥1,826.4 billion, up 5.5%, or ¥94.4 billion, from a year earlier. Total current assets rose ¥57.6 billion, or 8.8%, to ¥709.5 billion, reflecting the increase in notes and accounts receivable-trade and inventories due to the price hike of key materials such as copper. Total long-term assets, which consist of property, plant and equipment, investments and long-term receivables and other assets, climbed ¥36.8 billion, or 3.4%, to ¥1,116.8 billion, owing to the inclusion of Mitsubishi Cable Industries, Ltd. into the scope of consolidation from the fiscal year.

Total liabilities grew ¥117.2 billion, or 9.0%, year on year to ¥1,427.3 billion. Total current liabilities rose ¥29.3 billion, or 4.0%, to ¥764.8 billion due to the increase in notes and

accounts payable-trade. Total long-term liabilities increased ¥87.9 billion, or 15.3%, to ¥662.4 billion, reflecting the increase in long-term loans payable. The balance of interest-bearing debts, which adds bonds and commercial paper to outstanding loans, came to ¥796.0 billion, up ¥90.0 billion, or 12.8%, from the previous fiscal year.

Total net assets amounted to ¥399.0 billion, down ¥22.8 billion, or 5.4%, due to the decrease in retained earnings caused by net loss. As a result, the consolidated equity ratio deteriorated from 21.0% at the previous fiscal year-end to 18.7%, and net assets per share, based on the total number of shares outstanding as of March 31, 2010 fell to ¥259.93, compared with ¥287.44 a year earlier.

At March 31	2010	2009	2008
Equity ratio	18.7%	21.0%	25.0%

## Cash Flows

Net cash provided by operating activities amounted to ¥45.4 billion, down ¥69.8 billion from the previous fiscal year. Main factors included an increase in inventories and an increase in notes and accounts receivable.

Net cash used in investing activities totaled ¥88.3 billion, down ¥22.0 billion from ¥110.4 billion of the previous fiscal year. This was due mainly to outlays related to capital investments.

Together, operating activities and investing activities produced a net outflow of ¥42.9 billion, which was mainly

financed through bank borrowings and the issuance of bonds. Accordingly, net cash provided by financing activities was ¥25.0 billion, compared with ¥7.1 billion in net cash used in financing activities in the previous fiscal year.

As a result of the above, as well as exchange rate changes and other factors, the balance of cash and cash equivalents as of March 31, 2010 stood at ¥76.3 billion, down ¥21.4 billion from March 31, 2009.

## Capital Expenditures

Capital expenditures are tempered by efforts to reduce interest-bearing debt, and the content of spending plans will therefore be determined through careful selection of projects in business areas which present high profit and growth potential.

In fiscal 2010, capital expenditures amounted to ¥66.6 billion, reflecting maintenance and repairs at existing facilities in each business segment, as well as expansion, rationalization and renovation at certain production facilities.

Fiscal 2010 capital expenditures by business segment were as follows:

### Cement

The Company allocated funds to limestone mine development-related works in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Capital expenditures in this segment reached ¥9.0 billion.

### Metals

The Company allocated funds to the expansion of domestic copper-

processing facilities as well as maintenance and repair of existing facilities. Capital expenditures in this segment reached ¥15.7 billion.

### Advanced Materials & Tools

Funds were mainly allocated to the rationalization of automobile-related facilities as well as the maintenance and repair of existing facilities. Capital expenditures in this segment reached ¥4.3 billion.

### Electronic Materials & Components

The Company directed funds into the expansion of polycrystalline silicon production facilities in Japan, as well as maintenance and repair of existing facilities. Capital expenditures in this segment amounted to ¥22.6 billion.

### Aluminum

Funds were mainly allocated to the expansion of facilities for rolled aluminum products, as well as maintenance and repair of existing facilities. Capital expenditures in this segment amounted to ¥7.3 billion.



#### Others (including corporate divisions)

The Company allocated funds to the maintenance and repair of

existing facilities. Capital expenditures in this segment reached ¥7.5 billion.

### Outlook for the Next Fiscal Year, Ending March 31, 2011

Looking ahead, the world economy faces a number of challenges, such as the waning impact of economic stimulus measures taken by various national governments, as well as concerns of an economic downturn in Europe due to financial and fiscal instability. Nevertheless, the Group expects recovery in the world economy to take further hold, driven by growing internal demand in emerging nations, such as China and India.

In Japan, as well, there are several factors that could cause an economic downturn, such as a worsening employment situation, depressed demand due to a stronger deflationary grip, and trends in foreign exchange markets. As corporate earnings continue to improve, there are signs of a turnaround in personal consumption. Accordingly, the Group believes that concerns about a "double-dip recession" will dissipate and the economy

will show moderate recovery.

With respect to future conditions surrounding the Group, there are feelings of uncertainty about factors that could impact earnings, such as changes in the prices of nonferrous metals, rising prices of fuel and other raw materials, and prolonged appreciation of yen. Nevertheless, demand in the automobile and semiconductor-related markets is in a recovery mode, and the Group anticipates expansion in demand from emerging nations enjoying continued growth.

Accordingly, our consolidated performance forecasts for the year ending March 31, 2011 are as follows: net sales of ¥1,280.0 billion, operating profit of ¥33.0 billion and net income of ¥5.0 billion.

### Business Risks

The companies under the Group umbrella are involved in a wider range of businesses. Consequently, various external influences—including domestic and overseas political and economic developments, weather conditions, markets, currency trends, and laws and ordinances—could influence the Group's fiscal performance and financial position. The following risks carry the potential for a particularly significant impact on operations.

Forward-looking statements in this section are based on information available to management as of June 29, 2010, on which the Company released the business report, Yukashoken Hokokusho, as required of all companies listed on the stock market in Japan.

#### 1 Business Restructuring

Management subscribes to the selection-and-concentration approach for business expansion, whereby management resources are actively invested in operations with high profitability. Management also considers alliances with other companies, if such alliances will facilitate the rigorous review, restructuring and liquidation of operations to reinforce the bottom line. This emphasis could affect the Group's fiscal performance and financial position.

#### 2 Market and Customer Trends

The Group provides products and services to various industries. Worldwide economic developments as well as customer-driven developments—such as sudden changes in markets and market shares, new business strategies and product development initiatives—may influence sales of the Group's products. The automotive and IT sectors are subject to particularly severe price wars and technological competition. The Group strives to cut overall costs and engineer new products and technologies. However, if its efforts do not accurately match industry and customer market changes, the Group's fiscal performance and financial position could be eroded.

#### 3 Fluctuations in Nonferrous Metal and Currency Markets

In the copper business, the Group's key revenue sources are smelting and other operations for which payment is in foreign currencies. Consequently, these operations are susceptible to fluctuations in the nonferrous metal and currency markets and the effects of custom ore purchasing conditions. The cost of raw materials acquired for inventory carries the risk of fluctuating nonferrous metal prices and exchange rates over the period, starting with the purchase of the copper concentrates and ending with the production and sales of copper cathodes.

In addition, nonferrous metal materials—used predominantly by the Aluminum and Advanced Materials & Tools segments—as well as materials (particularly coal) used by the Cement segment, are international commodities. The procurement prices of these raw materials, as well as fuels, are linked to changes in the nonferrous metal and coal markets, currency markets and also maritime freight rates.

#### 4 Trends in the Semiconductor Market

Certain members of the Group supply the semiconductor industry with such products as electronic materials and components and polycrystalline silicon, while SUMCO CORPORATION—an equity-method affiliate—makes silicon wafers used in semiconductor fabrication. Trends in the semiconductor market could influence the operations of these companies and thus the fiscal results and financial position of the Group.

#### 5 Interest-Bearing Debt

As of March 31, 2010, the interest-bearing debt carried by the Group stood at ¥796.0 billion—comprising short-term loans, bonds due within one year, commercial paper, bonds and long-term loans—and represented 43.6% of consolidated total assets. Management seeks to improve the balance sheet of the Group by restricting inventories and divesting assets. However,



unfavorable trends in interest rates could hurt the fiscal results and financial position of the Group

#### **6 Important Matters Concerning Fund Procurement**

The Group has borrowings, such as syndicated loans, in which it has promised the lenders to uphold arrangements such as the maintenance of shareholders' equity at a certain level or higher in accordance with such loan agreements. If the financial status of the Company or the Group were to deteriorate and thereby preclude the observance of such arrangements, the Group might be under an obligation to repay the extended loans before the maturity date. This situation could adversely impact the Group's ability to procure funds depending on how the Group manages this situation in the future.

#### **7 Debt Guarantees**

In fiscal 2010, Mitsubishi Materials extended debt guarantees totaling ¥18.7 billion, mainly for the monetary liabilities of unconsolidated affiliates. If conditions warrant the fulfillment of debt guarantees, the situation could affect the fiscal results and financial position of the Group.

#### **8 Fluctuations in the Market Value of Assets**

Fluctuations in the market value of securities, land and other assets held by members of the Group could have a detrimental impact on the fiscal results and financial position of the Group.

#### **9. Pension Benefit Expenses and Obligations**

The costs and obligations of the Group's pension plans for employees are based on actuarial assumptions. These assumptions take into account the average number of years of service remaining, long-term yields on Japanese government bonds, stock contributed to trust accounts and other factors in pension plan management. However, losses stemming from lower discount rates and pension plan management could influence future Group costs and the calculation of obligations.

#### **10 Environmental Regulations**

All Group locations in Japan and overseas strive to prevent pollution, especially air, wastewater, soil and groundwater pollution, in accordance with local environmental legislation. Efforts are also made to prevent pollution from inactive mines in Japan, in accordance with the Mine Safety Law. This focuses on neutralizing the water that seeps into excavation pits from tunnels and the safe maintenance of tailing piles. Furthermore, the Group set goal for the reduction of its greenhouse gas emissions. However, in the event of the amendment of related laws and regulations as well as the introduction of new regulations to cap total greenhouse gas emissions and establish environment taxes, such changes could lead to new maintenance and treatment costs for the Group.

#### **11 Overseas Activities**

The Group maintains production and sales bases in 25 countries and regions. Overseas operations account for 35.2% of consolidated net sales. In addition to varying political and economic

circumstances and currency rates, unforeseen changes in laws and regulations—or their interpretations related to trade rules and restrictions, mining sector policies, environmental regulations and tax systems in these countries—could affect the Group's fiscal performance and financial position.

#### **12 Intellectual Property**

Management recognizes the importance of intellectual property, and steps are taken throughout the Group to safeguard such assets. However, the fiscal performance and financial position of the Group could be hurt by inadequate protection and legal infringements of proprietary intellectual assets. From the opposite perspective, the Group duly respects the intellectual property of other companies. However, in the unlikely event that a member of the Group is found to have infringed upon the rights of another company, the subsequent compensation for damages could negatively impact the fiscal results and financial position of the Group.

#### **13 Product Quality**

The Group strives to provide high-quality products and makes every effort to control quality. In addition, the Group carries insurance as a precaution in the unlikely event that a serious product defect leads to liability issues. However, a large-scale product recall promoted by unforeseen circumstances, for example, could mar the fiscal performance and financial position of the Group.

#### **14 Plant Incidents**

The Group has numerous production plants and other facilities and strives from both an operational/maintenance perspective and a workers' safety perspective to ensure thorough measures to prevent industrial accidents, injuries and incidents at these plants and facilities. However, if a serious plant accident or an industrial accident or injury were to occur at a production plant or some other type of facility, the situation could adversely impact the business results and financial position of the Group.

#### **15 Information Management**

The Group endeavors to properly control its information, including personal data. However, in the unlikely event that the unauthorized disclosure of information were to occur, such a situation could damage the Group's social standing, which could negatively impact the Group's results and financial position.

#### **16 Litigation**

The Group is or could become involved in decisions, settlements or legal judgments stemming from litigation, disputes and other legal proceedings related to present or past operations in Japan or overseas, which could adversely affect the Group's results and financial position.

#### **17 Other risks**

Other risks that may affect the Group's results and financial position include changes in business practices, events such as terrorism, war, epidemics, earthquakes and other natural disasters, and other unforeseen developments.



# Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and time deposits (Notes 5 and 17)	¥ 76,989	¥ 98,497	\$ 827,490
Notes and accounts receivable (Notes 5 and 9)			
Trade	197,930	159,060	2,127,366
Unconsolidated subsidiaries and affiliates	25,414	15,152	273,152
Other	12,007	19,843	129,062
Inventories (Notes 3 and 5)	239,054	202,533	2,569,375
Deferred income taxes (Note 8)	10,995	19,046	118,183
Other current assets (Note 14)	150,477	140,801	1,617,343
Allowance for doubtful accounts	(3,313)	(2,978)	(35,613)
Total current assets	709,556	651,956	7,626,361
Property, Plant and Equipment (Notes 4 and 5)			
Land (Note 16)	291,278	278,656	3,130,677
Buildings and structures	434,436	421,136	4,669,348
Machinery and equipment	1,074,667	1,035,262	11,550,594
Construction in progress	53,382	37,773	573,762
Less accumulated depreciation	(1,127,449)	(1,062,770)	(12,117,895)
Net property, plant and equipment	726,315	710,058	7,806,487
Investments and Long-Term Receivables			
Investments in securities (Notes 5 and 12)	145,635	110,626	1,565,299
Unconsolidated subsidiaries and affiliates (Note 5)	149,057	149,409	1,602,084
Long-term receivables	470	1,041	5,061
Other	24,038	24,057	258,362
Allowance for doubtful accounts	(6,092)	(8,910)	(65,481)
Valuation allowance for investments in unconsolidated subsidiaries and affiliates	(2,820)	(640)	(30,316)
Total investments and long-term receivables	310,289	275,583	3,335,010
Other Assets			
Deferred income taxes (Note 8)	17,277	33,671	185,701
Goodwill (Note 2)	52,749	49,495	566,956
Other (Notes 5 and 14)	10,231	11,238	109,964
Total other assets	80,258	94,405	862,622
Total Assets	¥1,826,420	¥1,732,003	\$19,630,482

The accompanying notes are an integral part of these statements



	Millions of yen		Thousands of U S dollars (Note 1)
	2010	2009	2010
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-term bank loans (Note 5)	¥247,641	¥ 219,234	\$2,661,669
Current portion of long-term debt (Note 5)	67,225	64,697	722,538
Commercial paper (Note 5)	9,000	26,000	96,732
Notes and accounts payable			
Trade	118,543	97,133	1,274,114
Unconsolidated subsidiaries and affiliates	9,087	6,320	97,672
Other	23,532	27,180	252,930
Income taxes payable	4,188	4,708	45,018
Deferred income taxes (Note 8)	18	24	195
Accrued expenses	63,526	70,755	682,788
Reserve for loss on disposal of inventories	2,084	826	22,408
Other current liabilities (Note 14)	220,046	218,668	2,365,070
Total current liabilities	764,894	735,549	8,221,139
<b>Long-Term Liabilities</b>			
Long-term debt (Note 5)	472,183	396,080	5,075,060
Employees' severance and pension benefits (Note 6)	61,455	50,376	660,527
Accrual for officers' lump-sum severance benefits	1,402	1,558	15,077
Reserve for loss on unconsolidated subsidiaries and affiliates	2,652	2,372	28,513
Reserve for environmental measures	8,170	12,564	87,817
Deferred income taxes (Note 8)	36,336	11,361	390,541
Deferred income taxes on revaluation reserve for land (Notes 8 and 16)	39,839	40,373	428,199
Other (Note 14)	40,389	59,829	434,104
Total long-term liabilities	662,430	574,518	7,119,842
<b>Contingent Liabilities and Commitments (Notes 9 and 10)</b>			
<b>Net Assets (Note 7)</b>			
<b>Shareholders' equity</b>			
Common stock			
Authorized 3,400,000,000 shares			
Issued 1,314,895,351 shares	119,457	119,457	1,283,941
Capital surplus	113,408	108,287	1,218,917
Retained earnings	92,802	158,542	997,442
Treasury stock, at cost	(1,384)	(5,371)	(14,878)
Total shareholders' equity	324,283	380,915	3,485,422
<b>Valuation and Translation Adjustments</b>			
Net unrealized holding gains on securities	23,313	2,120	250,573
Unrealized gains (losses) on hedging derivatives, net of taxes (Note 14)	339	(9,256)	3,650
Revaluation reserve for land (Note 16)	31,433	30,459	337,845
Foreign currency translation adjustments	(38,301)	(39,660)	(411,670)
Total valuation and translation adjustments	16,784	(16,337)	180,398
<b>Minority Interests</b>	58,027	57,356	623,678
Total net assets	399,095	421,934	4,289,499
<b>Total Liabilities and Net assets</b>	<b>¥1,826,420</b>	<b>¥1,732,003</b>	<b>\$19,630,482</b>



# Consolidated Statements of Operations

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Net Sales (Note 15)</b>	<b>¥1,119,448</b>	<b>¥1,424,114</b>	<b>¥1,659,286</b>	<b>\$12,031,907</b>
Cost of Sales	982,082	1,251,102	1,425,526	10,555,481
Gross profit	137,366	173,011	233,759	1,476,425
Selling, General and Administrative Expenses (Note 11)	124,686	137,876	133,612	1,340,137
Operating profit	12,680	35,134	100,146	136,287
<b>Other Income (Expenses)</b>				
Interest and dividend income	23,079	29,900	13,226	248,058
Interest expense (Note 5)	(13,312)	(17,058)	(14,757)	(143,084)
Income from leased property	5,529	5,591	5,564	59,429
Expense for leased property	(4,194)	(4,226)	(4,060)	(45,078)
Write-down of investments in securities	(403)	(11,707)	(2,779)	(4,332)
Gain on sales of investments in securities	457	487	1,464	4,918
Gain on issuances of stock by subsidiaries and affiliates	2,459	1,290	29	26,435
Provision for bad debt and write-off of long-term receivables	—	(241)	(521)	—
Gain on sales of property, plant and equipment	1,612	1,915	806	17,331
Loss on disposal and sales of property, plant and equipment	(2,955)	(3,797)	(5,273)	(31,768)
Loss on impairment of fixed assets (Note 20)	(6,600)	(2,054)	(2,462)	(70,943)
Provision for valuation allowance for investment in unconsolidated subsidiaries and affiliates	(525)	—	(247)	(5,644)
Provision for environmental measures	(654)	(6)	(4,785)	(7,029)
Foreign exchange gains (losses), net	1,070	(2,851)	(538)	11,505
Equity in (losses) earnings of affiliates	(28,472)	(2,730)	43,179	(306,019)
Provision for loss on unconsolidated subsidiaries and affiliates	—	—	(2,430)	—
Loss on liquidation of business	(7,097)	—	—	(76,281)
Head office transfer cost	(2,610)	—	—	(28,061)
Other, net	(4,369)	(1,499)	(3,100)	(46,960)
	(36,985)	(6,988)	23,313	(397,525)
(Loss) income before income taxes and minority interests	(24,305)	28,146	123,460	(261,237)
Income Taxes (Note 8)	36,446	14,033	39,825	391,727
(Loss) income before minority interests	(60,751)	14,112	83,634	(652,965)
Minority interests in income of consolidated subsidiaries	(5,803)	(8,006)	(9,366)	(62,375)
<b>Net (loss) income</b>	<b>¥(66,555)</b>	<b>¥ 6,106</b>	<b>¥ 74,268</b>	<b>\$(715,340)</b>
		Yen		U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Per Share Amounts (Note 18)</b>				
Basic net (loss) income	¥(52.3)	¥4.8	¥59.1	\$(0.56)
Cash dividends applicable to the year	—	4.0	8.0	—

The accompanying notes are an integral part of these statements



# Consolidated Statements of Changes in Net Assets (Note 21)

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U S dollars (Note 1)
	2010	2009	2008	2010
<b>Common Stock</b>				
Balance at the end of previous period	¥119,457	¥119,457	¥119,457	\$1,283,941
Balance at the end of current period	119,457	119,457	119,457	1,283,941
<b>Capital surplus</b>				
Balance at the end of previous period	108,287	108,334	88,580	1,163,881
Issuance of new stocks (share exchange)	7,489	—	18,766	80,501
Sales of treasury stock	(2,369)	(46)	987	(25,465)
Balance at the end of current period	113,408	108,287	108,334	1,218,917
<b>Retained Earnings</b>				
Balance at the end of previous period	158,542	173,669	108,259	1,704,022
Cash dividends paid	—	(10,186)	(9,997)	—
Net (loss) income for the year	(66,555)	6,106	74,268	(715,340)
(Decrease) increase due to reversal of revaluation reserve for land (Note 16)	(973)	(153)	295	(10,462)
Decrease due to application of PITF No. 18 (Note 2 (s))	—	(16,264)	—	—
Increase resulting from increase in the number of consolidated subsidiaries	—	—	177	—
Increase resulting from increase in the equity method affiliate	1,594	4,999	—	17,141
Increase due to mergers of unconsolidated subsidiary	280	332	—	3,018
Increase due to exclusion of consolidated subsidiary of equity method affiliate	—	113	—	—
Decrease due to application of PITF No. 18 by equity method affiliate	—	(74)	—	—
Decrease resulting from decrease in the number of consolidated subsidiaries	(87)	—	—	(936)
Gain on change in equity recorded by an affiliate	—	—	683	—
Adjustment of pension obligation at overseas subsidiaries	—	—	(18)	—
Balance at the end of current period	92,802	158,542	173,669	997,442
<b>Treasury Stock</b>				
Balance at the end of previous period	(5,371)	(309)	(1,036)	(57,737)
Issuance of new stocks (share exchange)	(3)	—	(5)	(40)
Acquisition of treasury stock	(51)	(5,177)	(460)	(551)
Sales of treasury stock	4,042	115	1,192	43,449
Increase resulting from changes of equity shares in affiliates	—	—	(0)	—
Balance at the end of current period	(1,384)	(5,371)	(309)	(14,878)
<b>Total Shareholders' Equity</b>				
Balance at the end of previous period	380,915	401,152	315,261	4,094,107
Issuance of new stocks (share exchange)	7,486	—	18,761	80,461
Cash dividends paid	—	(10,186)	(9,997)	—
Net (loss) income for the year	(66,555)	6,106	74,268	(715,340)
(Decrease) increase due to reversal of revaluation reserve for land	(973)	(153)	295	(10,462)
Decrease due to application of PITF No. 18 (Note 2 (s))	—	(16,264)	—	—
Increase resulting from increase in the equity method affiliate	1,594	4,999	—	17,141
Increase resulting from increase in the number of consolidated subsidiaries	—	—	177	—
Increase due to mergers of unconsolidated subsidiary	280	332	—	3,018
Increase due to exclusion of consolidated subsidiary of equity method affiliate	—	113	—	—
Decrease due to application of PITF No. 18 by equity method affiliate	—	(74)	—	—
Acquisition of treasury stock	(51)	(5,177)	(460)	(551)
Sales of treasury stock	1,673	68	2,179	17,983
Increase resulting from changes of equity shares in affiliates	—	—	(0)	—
Decrease resulting from decrease in the number of consolidated subsidiaries	(87)	—	—	(936)
Gain on change in equity recorded by an affiliate	—	—	683	—
Adjustment of pension obligation at overseas subsidiaries	—	—	(18)	—
Balance at the end of current period	¥324,283	¥380,915	¥401,152	\$3,485,422



# Consolidated Statements of Changes in Net Assets (Note 21)

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Net unrealized holding gains (losses) on securities</b>				
Balance at the end of previous period	¥ 2,120	¥ 29,722	¥ 54,655	\$ 22,788
Net change other than shareholders' equity	21,193	(27,602)	(24,932)	227,784
Balance at the end of current period	23,313	2,120	29,722	250,573
<b>Unrealized gains (losses) on hedging derivatives, net of taxes</b>				
Balance at the end of previous period	(9,256)	3,685	(452)	(99,492)
Net change other than shareholders' equity	9,596	(12,942)	4,138	103,143
Balance at the end of current period	339	(9,256)	3,685	3,650
<b>Revaluation reserve for land (Note 16)</b>				
Balance at the end of previous period	30,459	30,312	36,805	327,383
Net change other than shareholders' equity	973	147	(6,492)	10,462
Balance at the end of current period	31,433	30,459	30,312	337,845
<b>Foreign currency translation adjustments</b>				
Balance at the end of previous period	(39,660)	(1,617)	4,894	(426,270)
Net change other than shareholders' equity	1,358	(38,042)	(6,511)	14,600
Balance at the end of current period	(38,301)	(39,660)	(1,617)	(411,670)
<b>Total valuation and translation adjustments</b>				
Balance at the end of previous period	(16,337)	62,103	95,903	(175,592)
Net change other than shareholders' equity	33,121	(78,440)	(33,799)	355,990
Balance at the end of current period	16,784	(16,337)	62,103	180,398
<b>Minority interests</b>				
Balance at the end of previous period	57,356	57,033	70,805	616,468
Net change other than shareholders' equity	670	322	(13,771)	7,210
Balance at the end of current period	58,027	57,356	57,033	623,678
<b>Total net assets</b>				
Balance at the end of previous period	421,934	520,289	481,970	4,534,983
Issuance of new stocks (share exchange)	7,486	—	18,761	80,461
Cash dividends paid	—	(10,186)	(9,997)	—
Net (loss) income for the year	(66,555)	6,106	74,268	(715,340)
(Decrease) increase due to reversal of revaluation reserve for land	(973)	(153)	295	(10,462)
Decrease due to application of PITF No. 18 (Note 2 (s))	—	(16,264)	—	—
Increase resulting from increase in the equity method affiliate	1,594	4,999	—	17,141
Increase resulting from increase in the number of consolidated subsidiaries	—	—	177	—
Increase due to mergers of unconsolidated subsidiary	280	332	—	3,018
Increase due to exclusion of consolidated subsidiary of equity method affiliate	—	113	—	—
Decrease due to application of PITF No. 18 by equity method affiliate	—	(74)	—	—
Acquisition of treasury stock	(51)	(5,177)	(460)	(551)
Sales of treasury stock	1,673	68	2,179	17,983
Decrease resulting from decrease in the number of consolidated subsidiaries	(87)	—	—	(936)
Increase resulting from changes of equity shares in affiliates	—	—	(0)	—
Gain on change in equity recorded by an affiliate	—	—	683	—
Adjustment of pension obligation at overseas subsidiaries	—	—	(18)	—
Net change other than shareholders' equity	33,792	(78,117)	(47,571)	363,200
Balance at the end of current period	¥399,095	¥421,934	¥520,289	\$4,289,499

The accompanying notes are an integral part of these statements



# Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
<b>Cash Flows from Operating Activities</b>				
(Loss) income before income taxes and minority interests	¥(24,305)	¥ 28,146	¥ 123,460	\$(261,237)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities				
Depreciation	66,796	69,261	57,999	717,930
Amortization of goodwill	3,407	3,133	204	36,624
Increase in allowance for doubtful accounts	464	1,100	299	4,994
Increase (decrease) in severance and pension benefits	1,093	1,980	(938)	11,757
Increase (decrease) in valuation allowance for investments in unconsolidated subsidiaries and affiliates	259	(57)	236	2,793
Increase (decrease) in reserve for loss on unconsolidated subsidiaries and affiliates	398	(16)	2,669	4,278
(Decrease) increase in reserve for environmental measures	(4,394)	(4,307)	2,838	(47,231)
Interest and dividend income	(23,079)	(29,900)	(13,226)	(248,058)
Interest expense	13,312	17,058	14,757	143,084
Non-recurring depreciation of property, plant and equipment	—	—	1,400	—
Gain on sales of property, plant and equipment	(1,679)	(1,727)	(476)	(18,048)
Loss on disposal of property, plant and equipment	2,825	3,599	4,907	30,369
Loss on impairment of fixed assets	6,600	2,054	2,462	70,943
Gain on sales of investments in securities	(464)	(487)	(1,464)	(4,993)
Write-down of investments in securities	403	11,707	2,779	4,332
Gain on issuances of stock by subsidiaries and affiliates	(2,459)	(1,290)	(29)	(26,435)
(Increase) decrease in notes and accounts receivable	(24,047)	73,194	16,732	(258,460)
(Increase) decrease in inventories	(31,199)	48,557	(26,829)	(335,331)
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan	53,956	54,991	48,267	579,926
Payment for purchases of gold bullion from market for customers under My Gold Plan	(47,408)	(56,561)	(46,913)	(509,546)
Increase (decrease) in notes and accounts payable	13,013	(75,055)	7,677	139,867
(Decrease) increase in accrued expenses	(10,159)	(2,019)	2,593	(109,192)
Equity in losses (earnings) of affiliates	28,472	2,730	(43,179)	306,019
Other, net	16,933	(13,560)	(6,645)	182,000
Sub-total	38,740	132,532	149,584	416,387
Interest and dividend received	24,805	34,956	50,000	266,607
Interest paid	(13,463)	(14,609)	(14,549)	(144,709)
Income taxes paid	(4,681)	(37,607)	(30,895)	(50,321)
<b>Net Cash Provided by Operating Activities</b>	<b>45,400</b>	<b>115,272</b>	<b>154,139</b>	<b>487,963</b>
<b>Cash Flows from Investing Activities</b>				
Payments for purchases of property, plant and equipment	(68,645)	(65,010)	(74,370)	(737,811)
Proceeds from sales of property, plant and equipment	4,529	5,292	4,963	48,687
Payments for purchases of investments in securities	(8,374)	(1,962)	(40,745)	(90,009)
Proceeds from sales of investments in securities	3,711	1,433	1,757	39,893
Disbursement of loan receivables	(5,166)	(3,390)	(1,132)	(55,529)
Proceeds from collection of loan receivables	5,219	2,798	2,121	56,096
Payments for purchases of intangible fixed assets	(539)	(1,087)	(996)	(5,802)
Payments for additional acquisition of subsidiaries' shares	(1,584)	(4,423)	(2,476)	(17,032)
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(24,958)	(43,613)	—	(268,259)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	7,544	—	—	81,087
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	—	432	—
Other, net	(132)	(497)	(496)	(1,428)
<b>Net Cash Used in Investing Activities</b>	<b>(88,398)</b>	<b>(110,461)</b>	<b>(110,943)</b>	<b>(950,107)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from long-term debt	146,538	142,700	77,575	1,575,001
Repayments of long-term debt	(103,530)	(87,768)	(69,480)	(1,112,752)
Payments for redemption of bonds	—	(15,000)	(10,000)	—
Proceeds from issuance of bonds	25,000	—	30,000	268,701
(Decrease) increase of commercial paper, net	(17,000)	(4,000)	2,000	(182,717)
Payments for purchase of treasury stock	(51)	(5,177)	(460)	(551)
Decrease in short-term bank loans, net	(16,063)	(28,409)	(20,195)	(172,650)
Cash dividends paid	—	(10,186)	(9,997)	—
Cash dividends paid to minority shareholders	(6,736)	(11,143)	(3,029)	(72,404)
Proceeds from stock issuance to minority shareholders	—	13,867	—	—
Proceeds from sales and leaseback transaction	—	—	8,371	—
Other, net	(3,095)	(2,035)	(1,772)	(33,280)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>25,060</b>	<b>(7,153)</b>	<b>3,010</b>	<b>269,347</b>
<b>Effect of exchange rate fluctuation on cash and cash equivalents</b>	<b>(168)</b>	<b>(14,231)</b>	<b>(3,903)</b>	<b>(1,808)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(18,106)</b>	<b>(16,573)</b>	<b>42,303</b>	<b>(194,605)</b>
Cash and cash equivalents at beginning of year	97,780	109,360	67,262	1,050,955
<b>Effect of changes in consolidated subsidiaries</b>	<b>(3,654)</b>	<b>4,582</b>	<b>(205)</b>	<b>(39,278)</b>
Increase in cash and cash equivalents from mergers of unconsolidated subsidiaries	288	411	—	3,105
<b>Cash and cash equivalents at end of year (Note 17)</b>	<b>¥76,309</b>	<b>¥97,780</b>	<b>¥109,360</b>	<b>\$820,176</b>

The accompanying notes are an integral part of these statements



# Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
March 31, 2010, 2009 and 2008

## Note 1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Materials Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2 (s), the accounts of consolidated overseas subsidiaries for the years ended March 31, 2010 and 2009 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance

with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen (one tenth yen in respect to per share amount) have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## Note 2 Summary of Significant Accounting Policies

### (a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies, except for insignificant companies, are accounted for by the equity method, and accordingly, stated at cost adjusted for the earnings and losses after elimination of unrealized intercompany profits from the date of acquisition.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost, adjusted for any substantial and nonrecoverable decline in value.

In the elimination of investments in subsidiaries, assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated based on their fair values at the time the Company acquired controls of the respective subsidiaries.

The excess investment amounts, at the acquisition date, over net assets of consolidated subsidiaries or unconsolidated subsidiaries and affiliates accounted for by the equity method, except for Mitsubishi Cable Industries, Ltd., SUMCO

CORPORATION, SIMILCO Mines, Ltd., Robertson's Ready Mix, Ltd., RRM Properties, Ltd., and Robertson's Transport, Ltd., (collectively, "Robertson's") are being amortized over a period of five years on a straight-line basis.

Regarding Mitsubishi Cable Industries, Ltd., a period of amortizing the goodwill is for 10 years and regarding SUMCO CORPORATION, SIMILCO Mines, Ltd., Robertson's, it is for 20 years on a straight-line basis.

### (b) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Gains or losses resulting from foreign currency transactions are credited or charged to other income as incurred.

The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen amounts at the current rate except for net assets, which is translated at historical rates. The difference resulting from translation adjustments is reported as a separate component of net assets.



#### (c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in the amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

#### (d) Inventories

The amounts of inventories are stated primarily at acquisition cost modified by the writing down below cost to net selling value. Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at average cost method.

#### (e) Derivative Transaction and Hedge Accounting

Derivative financial instruments are stated at fair value. Gains or losses resulting from changes in fair value are recognized in income except for the derivative financial instruments applied hedge accounting to.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated at the spot rate as of the inception date of the contract and the carrying amount of the receivable or payable is recognized in the consolidated statements of operations in the period which includes the inception date, and
  - (2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated at the contracted forward rate and that translated at the spot rate as of the inception date of the contract) is recognized in income over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future forecasted transaction denominated in foreign currency, the future transaction will be recorded at the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

#### (f) Securities

Based on the intent of holding, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by unconsolidated subsidiaries and affiliates (hereafter, "equity securities") and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities, which are not accounted for by the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are calculated with the moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost. There are no securities held for trading purposes.

If the market value of held-to-maturity debt securities, equity securities, and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as losses in the period of decline. If the fair market value of these securities is not readily available, such securities are written down to net asset value with corresponding charge in the consolidated statement of operations, in the event that net asset value declines significantly. In these cases, such fair market value or net asset value will become the carrying amount of the securities at the beginning of the next year.

Prior to April 1, 2009, fair market value of equity securities and investment trusts with fair value classified as available-for-sale securities had been determined based on the market price at the balance sheet date. Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries changed its method to determine the fair market value based on the average market price during one month before the balance sheet date. This change was made to reflect the financial position more appropriately by eliminating the impact from the short-term market fluctuations on the net assets. Consequently, compared to the amounts that would have been reported under the previous accounting method, deferred income taxes under "Other Assets" and "Long-Term Liabilities" increased by ¥2,588 million (\$27,816 thousand) and ¥30 million (\$325 thousand), respectively and net unrealized holding gains on securities, investments in securities and minority interests decreased by ¥4,081 million (\$43,871 thousand), ¥6,768 million (\$72,748 thousand) and ¥16 million (\$181 thousand), respectively. Write-down of investments in securities and loss before income taxes and minority interests increased by ¥112 million (\$1,203 thousand), respectively.



In addition, prior to April 1, 2009, the carrying amounts of equity securities and investment trusts whose fair market value declined significantly were written down at the end of the quarter without being reversed thereafter, however, effective from the first quarter beginning on April 1, 2009, the amount of the write-down is reversed in the following quarters of the same fiscal year. This change was made to reflect profit and loss and financial position at the balance sheet date more appropriately by eliminating the impact from quarterly market fluctuations.

Consequently, compared to the amounts that would have been reported under the previous accounting method, deferred income taxes under "Other Assets" increased by ¥3 million (\$33 thousand) and deferred income taxes under "Long-Term Liabilities," net unrealized holding gains on securities and minority interests decreased by ¥1,207 million (\$12,982 thousand), ¥1,771 million (\$19,035 thousand) and ¥0 million (\$8 thousand), respectively. Write-down of investments in securities and loss before income taxes and minority interests decreased by ¥2,982 million (\$32,060 thousand), respectively.

The effect of these changes on the segment information is described in Note 15.

**(g) Property, Plant and Equipment and Depreciation**  
(except for the leased assets of which the ownership is not transferred to the lessee)

Property, plant and equipment are stated at cost, except for certain revalued land as explained in Note 16. Depreciation is calculated primarily using the declining-balance method at rates based on the estimated useful lives of depreciable assets. The straight-line method is applied to certain plant facilities, such as those in the Naoshima smelter, etc., based on the estimated useful lives of those depreciable assets.

The useful lives of the assets range from 3 to 75 years for buildings and structures, and from 2 to 30 years for machinery and equipment.

Cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts, and gain on sale or loss on disposal is credited or charged to income. Expenditures for new facilities and those which substantially increase the useful lives of existing property, plant, and equipment are capitalized. Maintenance, repair and minor renewals are charged to income as incurred.

Due to the revised Corporation Tax Law of Japan, effective April 1, 2008, the Company and its domestic consolidated subsidiaries have applied the revised useful lives mainly to machinery and equipment.

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating profit decreased by ¥5,739 million, and income before income taxes and minority interests decreased by ¥5,783 million for the year ended March 31, 2009.

The effect of the change on the segment information is described in Note 15.

Effective from the year ended March 31, 2009, the Company and its certain domestic consolidated subsidiaries have changed the useful lives for buildings (not including accessory equipment) in accordance with the Company's review of the useful lives based on the recent actual usable years when the Corporation Tax Law of Japan was revised in the year ended March 31, 2009. Consequently, compared to the amounts that would have been reported under the previous accounting method, operating profit decreased by ¥238 million and income before income taxes and minority interests decreased by ¥378 million for the year ended March 31, 2009.

The effect of the change on the segment information is immaterial.

Due to the revised Corporation Tax Law of Japan, effective April 1, 2007, the method of depreciation applied to property, plant and equipment acquired on or after April 1, 2007 was revised.

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating profit and income before income taxes and minority interests decreased by ¥961 million and ¥967 million, respectively for the year ended March 31, 2008.

The effect of the change on the segment information is described in Note 15.

Due to the revised Corporation Tax Law of Japan, effective April 1, 2007, the salvage values of property, plant and equipment acquired before April 1, 2007 are additionally depreciated to their nominal values equally over five years commencing from the years immediately after the year in which the depreciated bases have reached 5% of their acquisition costs.

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating profit and income before income taxes and minority interests decreased by ¥4,250 million and ¥4,339 million, respectively for the year ended March 31, 2008.

The effect of the change on the segment information is described in Note 15.

Effective from the year ended March 31, 2008, Universal Can Corporation, a consolidated subsidiary, changed the estimated useful lives and its salvage value of some property, plant and equipment based on the recent trends of useful lives and disposal values extracted from the company's factual cases.

Consequently, ¥1,400 million attributed to prior period adjustment of the depreciation is included in other expense. The effect of the change on the segment information is described in Note 15.



**(h) Leased Assets (except for the leased assets of which the ownership is transferred to the lessee)**

As discussed in Note 2 (r), leased assets are depreciated over the leased term by the straight-line method with no residual value. Finance lease transactions that do not transfer ownership commenced prior to the first year of implementation of the new accounting standard are accounted for in a manner similar to the accounting for ordinary rental transactions as in the case of operating leases.

**(i) Reserve for Loss on Disposal of Inventories**

Reserve for loss on disposal of inventories is provided for future payments for disposal of inventories based on the management estimation.

**(j) Severance and Pension Benefits**

**1 For employees**

The Company and its consolidated subsidiaries provide two types of post-employment benefit plans, an unfunded lump-sum severance payment plan, and a funded defined benefit pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, the length of service, and certain other factors.

The Company and its consolidated subsidiaries provide allowance for employees' severance and pension benefits, based on the estimated amounts of projected benefit obligations that were actuarially calculated on certain assumptions, and the fair value of plan assets at that date.

Prior service costs incurred after April 1, 2000 are recognized as expense with the straight-line method over the period within the estimated average remaining service life of the employees (mainly 10 years). Actuarial gains and losses are also recognized as expense with the straight-line method over the estimated average remaining service life (mainly 10 years), commencing from the succeeding period.

Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

**2 For officers**

Officers (directors and corporate auditors) are entitled to lump-sum severance payments based on the length of service and certain other factors. Some consolidated subsidiaries accrue a liability for lump-sum severance payments equal to 100% of

the amounts required, had all officers voluntarily retired at the balance sheet dates.

At the 82nd shareholders' meeting of the Company held on June 28, 2007, the proposal of the termination of their retirement benefit programs for directors and corporate auditors (under which payments would be made at the time of each person's retirement) was approved. Accordingly, the Company reversed the entire amount of accrual for officers' lump-sum severance benefits, and recorded unpaid balances of these retirement benefits as of June 30, 2007, in "Long-term liabilities-other."

**(k) Valuation Allowance for Investments in Unconsolidated Subsidiaries and Affiliates and Reserve for Loss on Unconsolidated Subsidiaries and Affiliates**

Valuation allowance for investments in unconsolidated subsidiaries and affiliates and reserve for loss on unconsolidated subsidiaries and affiliates are provided based on the evaluation of individual financial and other conditions of subsidiaries and affiliates.

**(l) Reserve for Environmental Measures**

Reserve for environmental measures is provided for future payments for waste disposal, and to clean up soil contamination at Omiya Environmental Management Center (the Central Research Institute formerly, Saitama, Saitama Prefecture) site, Kaihatsu Board Co., Ltd. (Aizu Daiken Kogyo Co., Ltd. at present, Aizuwakamatsu, Fukushima Prefecture) site and Kazuno (Akita Prefecture) area, based on the management estimation.

Kaihatsu Board Co., Ltd. was a wholly owned consolidated subsidiary, and the Company sold all its stocks on April 10, 2007.

**(m) Income Taxes**

The Company provides for income taxes on the basis of current tax liabilities and reflects the tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

**(n) Bonuses to Directors and Corporate Auditors**

Bonuses to directors and corporate auditors are subject to approval by the shareholders. Bonuses to directors and corporate auditors are accounted for as an expense of the period when incurred.

**(o) Net Income per Share**

Basic net income per share is calculated based upon the weighted-average number of shares of common stock outstanding during each period.

Diluted net income per share assumes that outstanding convertible bonds and zero-coupon unsecured convertible bond-type bonds with stock acquisition rights were converted into common stock at the beginning of the period at the current conversion price.



**(p) Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with maturity of three months or less at the time of purchase

**(q) Accounting Standard for Construction Contracts**

Prior to the year ended March 31, 2010, the Company and domestic consolidated subsidiaries accounted for revenues and costs of construction contracts whose contract values exceeded ¥100 million (\$1,074 thousand) and for which the construction periods exceeded one year by using the percentage-of-completion method. All other construction contracts were accounted for using the completed-contract method.

Effective from the year ended March 31, 2010, the Company and the domestic consolidated subsidiaries adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007).

Accordingly, when the outcome of individual contracts can be estimated reliably, the Company and the domestic consolidated subsidiaries apply the percentage-of-completion method to work commencing during and after the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

The change had no material impact on the consolidated financial statements.

**(r) Accounting Standard for Lease Transactions as Lessee**

Prior to April 1, 2008, the Company and the domestic consolidated subsidiaries accounted for finance lease transactions that do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in a note to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions should be capitalized.

Effective from the year ended March 31, 2009, the Company and the domestic consolidated subsidiaries adopted the new accounting standards for finance leases commenced after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of "as if capitalized" information.

The effect on net income of adoption of this new accounting standards was immaterial.

**(s) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"**

On May 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items in accordance with Japanese GAAP are required in the consolidation process unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined benefit plans recognized as outside profit or loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
- (e) Retrospective treatment of changes in accounting policies
- (f) Accounting for net income attributable to minority interests

Consequently, operating profit decreased by ¥1,038 million, income before income taxes and minority interests increased by ¥8,751 million for the year ended March 31, 2009, and retained earnings as of April 1, 2008 decreased by ¥16,264 million.

The effect of the change on the segment information is described in Note 15.

**(t) Reclassification**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations.



### Note 3 Inventories

Inventories as of March 31, 2010 and 2009 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished goods	¥ 61,599	¥ 66,157	\$ 662,074
Work in process	101,687	72,349	1,092,939
Raw materials and supplies	75,768	64,026	814,361
Total	¥239,054	¥202,533	\$2,569,375

### Note 4 Investment and Rental Property

Effective from the fiscal year ended March 31, 2010, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) Rental Property" (ASBJ

Guidance No. 23 issued on November 28, 2008) for the years ending on or after March 31, 2010

Pursuant to the new requirements, information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2010 was as follows

Millions of yen					
Carrying amount				Fair value	
April 1, 2009	Increase/(Decrease)	March 31, 2010		March 31, 2010	
¥85,459	¥(1,557)	¥83,901		¥85,165	

Thousands of U.S. dollars					
Carrying amount				Fair value	
April 1, 2009	Increase/(Decrease)	March 31, 2010		March 31, 2010	
\$918,525	\$(16,742)	\$901,782		\$915,362	

#### Notes

- 1 Carrying amount is net of accumulated depreciation and accumulated impairment loss
- 2 Fair value of significant properties as of March 31, 2010 is amount of appraisal by external or internal real estate appraisers. Fair value of other properties is calculated based on the reasonable indices reflecting market prices such as posted prices or property tax valuation, etc

Operating performances of the investment properties for the year ended March 31, 2010 were as follows

Millions of yen					
Rental income	Rental expenses	Profit		Impairment loss	
¥6,381	¥4,866	¥1,515		¥4,336	

Thousands of U.S. dollars					
Rental income	Rental expenses	Profit		Impairment loss	
\$68,593	\$52,302	\$16,291		\$46,609	

#### Note

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



## Note 5 Short-Term Bank Loans, Commercial Paper, Long-Term Debt

Short-term bank loans and commercial paper outstanding as of March 31, 2010 and 2009 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured	¥224,413	¥231,668	\$2,412,008
Secured	32,228	13,566	346,394
Total	¥256,641	¥245,234	\$2,758,402

The average interest rates per annum for short-term bank loans outstanding at March 31, 2010 and 2009 were 0.9% and 1.1%, respectively.

The average interest rate per annum for commercial paper at

March 31, 2010 and 2009 were 0.2% and 1.0%, respectively.

Long-term debt as of March 31, 2010 and 2009 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Banks, insurance companies and other financial institutions, maturing serially until 2030 with an average rate of 1.721% per annum as of March 31, 2010			
Unsecured	¥372,908	¥324,672	\$4,008,043
Secured	46,500	41,105	499,787
0.94% unsecured yen bonds, due 2010	20,000	20,000	214,961
1.39% unsecured yen bonds, due 2012	10,000	10,000	107,480
1.97% unsecured yen bonds, due 2011	20,000	20,000	214,961
1.82% unsecured yen bonds, due 2013	15,000	15,000	161,220
2.06% unsecured yen bonds, due 2014	30,000	30,000	322,441
1.25% unsecured yen bonds, due 2013	15,000	—	161,220
1.61% unsecured yen bonds, due 2015	10,000	—	107,480
	539,408	460,778	5,797,599
Less current portion	(67,225)	(64,697)	(722,538)
	¥472,183	¥396,080	\$5,075,060

The aggregate annual maturities of long-term debt as of March 31, 2010 were as follows

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 67,225	\$ 722,538
2012	126,463	1,359,237
2013	105,150	1,130,165
2014	87,844	944,159
2015	94,032	1,010,662
2016 and thereafter	58,692	630,835
Total	¥539,408	\$5,797,599



Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2010 and 2009 were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥ 13,379	¥ 13,215	\$ 143,802
Notes and accounts receivable	12,343	2,005	132,674
Inventories	33,201	13,551	356,848
Investments			
Investments in securities	2,676	247	28,766
Property, plant and equipment, at net book value	100,642	87,190	1,081,707
Total	¥162,243	¥116,209	\$1,743,799

## Note 6 Employees' Severance and Pension Benefits

Employees' severance and pension benefits included in the consolidated balance sheets as of March 31, 2010 and 2009 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥139,923	¥128,355	\$1,503,908
Fair value of plan assets	(62,429)	(49,903)	(670,991)
Projected benefit obligation in excess of plan assets	77,494	78,452	832,917
Unrecognized actuarial losses	(16,313)	(28,522)	(175,336)
Unrecognized prior service costs	209	211	2,250
Net liability for severance and retirement benefits	61,390	50,141	659,831
Prepaid pension costs	64	235	696
Employees' severance and pension benefits	¥ 61,455	¥ 50,376	\$ 660,528

Employees' severance and pension benefit expense included in the consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 consisted of the following

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost benefits earned during the year	¥ 7,193	¥ 6,218	¥ 7,391	\$ 77,313
Interest cost on projected benefit obligation	3,046	2,696	2,663	32,740
Expected return on plan assets	(1,111)	(1,288)	(1,621)	(11,949)
Amortization of actuarial losses	5,560	4,003	2,839	59,764
Amortization of prior service costs	(88)	179	288	(954)
Employees' severance and pension benefit expense	¥14,599	¥11,809	¥11,561	\$156,914

The discount rate used by the Company was mainly 2.5% for the years ended March 31, 2010, 2009 and 2008. The rates of expected return on plan assets were mainly 2.5% for the years ended March 31, 2010, 2009 and 2008. The estimated

amounts of all retirement benefits to be paid at the future retirement dates are allocated equally to each service year using the estimated number of total service years.



## Note 7 Net Assets

Under the Japanese Corporate Law "the Law" and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, both elimination and capitalization related to legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the laws and regulations.

## Note 8 Income Taxes

The income taxes reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Current	¥ 8,670	¥13,883	¥35,946	\$ 93,195
Prior year adjustment	—	663	(748)	—
Deferred	27,775	(513)	4,627	298,532
Total	¥ 36,446	¥14,033	¥39,825	\$391,727

The following table summarizes the significant differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2009 and 2008.

Information for the year ended March 31, 2010 was omitted, since net loss was recorded.

	2009	2008
Statutory tax rate	40.7%	40.7%
Equity in earnings (losses) of affiliates	11.0	(8.2)
Differences in statutory tax rates of consolidated subsidiaries	(22.2)	(4.0)
Valuation allowance	10.6	1.7
Intercompany cash dividend	7.6	3.3
Tax credits	(10.2)	(2.7)
Nondeductible expenses	3.2	1.1
(Decrease) increase in deferred tax liabilities for retained earnings of overseas consolidated subsidiaries	(7.0)	0.6
Nondeductible foreign withholding taxes	16.3	—
Other	(0.1)	(0.3)
Effective tax rate	49.9%	32.2%



Significant components of deferred income tax assets and liabilities as of March 31, 2010 and 2009 were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Deferred income tax assets</b>			
Net operating loss carried forward	¥ 39,981	¥ 13,977	\$ 429,723
Employees' severance and pension benefits	27,629	21,435	296,968
Loss on write-down of securities	14,107	6,170	151,627
Nondeductible loss on impairment of fixed assets	8,628	3,825	92,743
Loss on write-down of building	7,778	8,321	83,606
Intercompany profits	6,446	7,643	69,282
Loss on write-down of inventories	3,829	5,282	41,156
Accrued employees' bonuses	3,731	4,044	40,111
Reserve for environmental measures	3,451	5,235	37,099
Allowance for doubtful accounts	2,707	1,981	29,102
Depreciation	2,227	2,143	23,940
Nondeductible environmental expenditures	2,175	2,175	23,380
Nondeductible loss based on percentage-of-completion method	1,588	1,588	17,073
Nondeductible compensation expenditures	1,444	1,444	15,525
Deferred losses on hedges	—	4,714	—
Other	15,685	12,055	168,589
Subtotal	141,414	102,039	1,519,930
Valuation allowance	(105,626)	(30,426)	(1,135,283)
Total deferred income tax assets	¥ 35,787	¥ 71,612	\$ 384,647
<b>Deferred income tax liabilities</b>			
Net unrealized holding gains on securities	¥ (15,488)	¥ (1,835)	\$ (166,467)
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	(9,633)	(7,382)	(103,536)
Accelerated depreciation of property, plant and equipment	(6,139)	(6,153)	(65,992)
Revaluation of land, as a result of the merger	(1,996)	(1,996)	(21,459)
Deferred gain on sale of property, plant and equipment	(740)	(3,131)	(7,963)
Retained earnings of overseas consolidated subsidiaries	(661)	(590)	(7,104)
Reserves deductible for Japanese tax purposes	(464)	(2,833)	(4,989)
Unrealized gains on hedging derivatives	(449)	(253)	(4,828)
Other	(8,295)	(6,103)	(89,157)
Total deferred income tax liabilities	(43,868)	(30,280)	(471,499)
Net deferred income tax (liabilities) assets	¥ (8,080)	¥ 41,332	\$ (86,852)
Net deferred income tax liabilities on revaluation reserve for land	¥ (39,839)	¥ (40,373)	\$ (428,199)



## Note 9 Contingent Liabilities

Contingent liabilities for notes receivable discounted with banks, notes receivable endorsed with recourse, notes and accounts receivable securitized with recourse, and loans guaranteed by the Company and its consolidated subsidiaries pri-

marily on behalf of unconsolidated subsidiaries and affiliates, including employees' housing loans from banks, as of March 31, 2010 and 2009 were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Notes receivable discounted	¥ 210	¥ 406	\$ 2,260
Notes receivable endorsed with recourse	48	47	521
Notes and accounts receivable securitized with recourse	10,031	8,659	107,818
Loans guaranteed	18,741	33,640	201,432
Total	¥29,031	¥42,754	\$312,032

Loans guaranteed as of March 31, 2009 include a ¥4,477 million (\$45,579 thousand) portion guaranteed by unrelated parties

## Note 10 Lease Transactions

As discussed in Note 2 (r), pro-forma information of finance leases that do not transfer ownership of leased assets to the lessee commenced prior to the first year of implementation of

the new accounting standard, which are accounted for as operating leases, was as follows

(1) Equivalents of purchase price, accumulated depreciation, accumulated impairment loss and book value of leased assets

	Millions of yen			
	2010			
	Machinery, equipment and vehicles	Tools	Others	Total
Purchase price	¥5,494	¥3,530	¥1,119	¥10,144
Accumulated depreciation	4,164	2,415	846	7,426
Accumulated impairment loss	—	—	—	—
Carrying amount	¥1,330	¥1,114	¥ 272	¥ 2,717

	Millions of yen			
	2009			
	Machinery, equipment and vehicles	Tools	Others	Total
Purchase price	¥7,108	¥4,385	¥1,449	¥12,943
Accumulated depreciation	4,797	2,600	908	8,306
Accumulated impairment loss	12	—	—	12
Carrying amount	¥2,298	¥1,784	¥ 541	¥ 4,623

	Thousands of U.S. dollars			
	2010			
	Machinery, equipment and vehicles	Tools	Others	Total
Purchase price	\$59,055	\$37,944	\$12,034	\$109,034
Accumulated depreciation	44,758	25,963	9,103	79,825
Accumulated impairment loss	—	—	—	—
Carrying amount	\$14,296	\$11,981	\$ 2,930	\$ 29,208



(2) Lease commitments and accumulated impairment loss on leased assets

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease commitments			
Due within one year	¥1,406	¥1,878	\$15,114
Due after one year	1,311	2,747	14,094
Total	¥2,717	¥4,626	\$29,208
Accumulated impairment loss on leased assets	¥ —	¥ 2	\$ —

(3) Lease expenses, depreciation equivalents and reversal of accumulated impairment loss on leased assets

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Lease expenses	¥1,933	¥2,535	¥2,802	\$20,785
Depreciation equivalents	1,931	2,532	2,739	20,761
Reversal of accumulated impairment loss on leased assets	2	2	62	24

Noncancelable operating lease commitments as lessee were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 2,115	¥2,162	\$ 22,741
Due after one year	12,631	3,817	135,763
Total	¥14,747	¥5,979	\$158,505

Noncancelable operating lease commitments as lessor were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥1,133	¥1,071	\$12,183
Due after one year	6,916	7,465	74,343
Total	¥8,050	¥8,536	\$86,526

## Note 11 Research and Development Expenses

Research and development expenses for the years ended March 31, 2010, 2009 and 2008 were ¥10,897 million (\$117,127 thousand), ¥11,852 million, and ¥11,676 million, respectively, and were included in selling, general and administrative expenses



## Note 12 Securities

1 The following tables summarize acquisition costs and book values of securities with available fair market values as of March 31, 2010

Available-for-sale securities

(1) Securities with book values exceeding acquisition cost

At March 31, 2010

Type	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥42,276	¥98,592	¥56,315	\$454,389	\$1,059,673	\$605,284
Bonds	—	—	—	—	—	—
Total	¥42,276	¥98,592	¥56,315	\$454,389	\$1,059,673	\$605,284

(2) Securities with book values not exceeding acquisition cost

At March 31, 2010

Type	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥48,716	¥34,462	¥(14,254)	\$523,609	\$370,401	\$(153,208)
Bonds	—	—	—	—	—	—
Total	¥48,716	¥34,462	¥(14,254)	\$523,609	\$370,401	\$(153,208)

Note

Unlisted equity securities whose book values are ¥12,581 million (\$135,225 thousand) are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair market values

2 The following tables summarize acquisition costs and book values of securities with available fair market values as of March 31, 2009

Available-for-sale securities

(1) Securities with book values exceeding acquisition cost

At March 31, 2009

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥8,068	¥39,170	¥31,101
Bonds	—	—	—
Total	¥8,068	¥39,170	¥31,101

(2) Securities with book values not exceeding acquisition cost

At March 31, 2009

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥81,826	¥56,165	¥(25,661)
Bonds	—	—	—
Total	¥81,826	¥56,165	¥(25,661)



3 The following table summarizes book values of securities with no available fair market values as of March 31, 2009

Available-for-sale securities

Type	Millions of yen
	Book value
Unlisted equity securities	¥15,280
Bonds	—
Others	9
Total	¥15,290

Note

Book value of securities with no available fair market values as of March 31, 2010 is described at Note 13 "Financial Instruments "

4 The Company did not hold any available-for-sale securities with maturity, and held-to-maturity debt securities as of March 31, 2010 and 2009

5 Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the years ended March 31, 2010 and 2009 were as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Sales amount	¥3,680	¥1,353	\$39,555
Gains	292	514	3,148
Losses	2	19	22

## Note 13 Financial Instruments

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards was as follows

### 1 Qualitative information on financial instruments

#### (1) Policies for using financial instruments

The Group raises the necessary funds for its capital investment plans to conduct its business mainly by bank loans or issuance of bonds. The Group invests temporary cash surpluses in highly secured financial instruments and raise short-term working fund by bank loans or issuance of commercial paper. The Group follows the policy of using derivatives not for speculative purposes, but for managing financial risks as described later.

#### (2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to customer's credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts.

Investment securities, mainly consisting of equity securities related to customers and suppliers in relation to business or capital alliances,

are exposed to the risk of market price fluctuations. In addition, the Company has long-term loans receivable from affiliates.

Payment terms of notes and accounts payable are less than one year. As certain payables in foreign currencies arising from the import transactions of raw materials are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term bank loans and commercial paper are used for raising funds related to operating transactions.

Long-term debt including corporate bonds is used mainly for raising the necessary funds related to capital investments. Maturities of long-term debt including corporate bonds are less than 20 years. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency contracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, were described at Note 2 (e) "Derivative Transaction and Hedge Accounting" and Note 14 "Derivative Transactions."



**(3) Policies and processes for managing the risk****a Credit Risk Management (customers' default risk)**

The Company manages and mitigates customer's credit risk on trade receivables in accordance with the Credit Control Policy, which includes monitoring of payment term and balances of customers by each responsible department of each company to recognize the customer's default risk at an early stage. Consolidated subsidiaries also manage and mitigate the risk in accordance with a similar credit control policy based on the Group Accounting Policy and Manual. When implementing loans, the Company obtains authorizations for each loan from management committees to mitigate default risk. The company deals with high credit worthy foreign or domestic financial institutions or trading firms only to mitigate the default risks.

**b Market Risk Management (foreign currency exchange and interest rate fluctuation risks)**

The Company and certain consolidated subsidiaries use principally forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for trade receivables and payables denominated in foreign currencies. And interest rate swap contracts are used to manage interest rate fluctuation risk on debt.

With respect to investment securities, the Company identifies and monitors fair market values and financial positions of the issuers on a regular basis and continuously reviews its status of these securities considering the relationships with the issuers.

With respect to derivative transactions, the Company has "Rules on Utilizing Derivative Transactions" in its "Operation Standards" applicable to the whole Company. In addition, there are specific rules and standards for derivative transactions provided for each business unit based on its type of business. In accordance with the

authority and limits provided in these rules and standards, forward foreign currency contracts are utilized and controlled by the Finance Department and other responsible departments, interest rate swap contracts are utilized and controlled by the Finance Department and forward commodity contracts are utilized and controlled by each responsible department. Furthermore, departments utilizing derivative transactions are required to report the status and results of derivative transactions to the Financial Risk Management & Control Department for financial transaction, at each annual and semi-annual year-end. Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

**c Liquidity Risk Management on Fund Raising**

The Group manages its liquidity risk by preparing and updating the fund management plans on a timely basis at each company.

**(4) Supplemental information on fair values**

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, it may change depending on the different assumptions. The contract amounts described in Note 14 "Derivative Transactions" do not indicate the amounts of market risk or credit risk related to derivative transactions.

**2 Fair values of financial instruments**

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2010 were as follows. Financial instruments whose fair values are not readily determinable are excluded from the following table.

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and time deposits	¥ 76,989	¥ 76,989	¥ —
(2) Notes and accounts receivable	214,118	214,118	—
(3) Investment securities			
Shares in affiliates	90,044	156,182	66,137
Available-for-sale securities	133,054	133,054	—
(4) Long-term loans receivable	7,673	—	—
Allowance for doubtful accounts (*1)	(2,308)	—	—
	5,364	5,346	(17)
Total assets	¥519,570	¥585,690	66,119
(1) Notes and accounts payable	¥128,986	¥128,986	¥ —
(2) Short-term bank loans	294,866	294,866	—
(3) Current portion of bonds	20,000	20,018	18
(4) Commercial paper	9,000	9,000	—
(5) Bonds	100,000	101,710	1,710
(6) Long-term loans payable	372,183	373,793	1,609
Total liabilities	¥925,037	¥928,375	¥ 3,338
Derivative transactions (*2)			
a Derivatives to which hedge accounting is not applied	¥ 5,817	¥ 5,817	¥ —
b Derivatives to which hedge accounting is applied	1,464	(2,423)	(3,888)
Total derivative transactions	¥ 7,282	¥ 3,393	¥(3,888)



	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and time deposits	\$ 827,490	\$ 827,490	\$ —
(2) Notes and accounts receivable	2,301,355	2,301,355	—
(3) Investment securities			
Shares in affiliates	967,804	1,678,656	710,852
Available-for-sale securities	1,430,074	1,430,074	—
(4) Long-term loans receivable	82,471	—	—
Allowance for doubtful accounts (*1)	(24,815)	—	—
	57,656	57,466	(190)
<b>Total assets</b>	<b>\$5,584,382</b>	<b>\$6,295,044</b>	<b>\$710,661</b>
(1) Notes and accounts payable	\$1,386,357	\$1,386,357	\$ —
(2) Short-term bank loans	3,169,247	3,169,247	—
(3) Current portion of bonds	214,961	215,154	193
(4) Commercial paper	96,732	96,732	—
(5) Bonds	1,074,806	1,093,191	18,384
(6) Long-term loans payable	4,000,254	4,017,557	17,303
<b>Total liabilities</b>	<b>\$9,942,359</b>	<b>\$9,978,240</b>	<b>\$ 35,881</b>
Derivative transactions (*2)			
a Derivatives to which hedge accounting is not applied	\$ 62,524	\$ 62,524	—
b Derivatives to which hedge accounting is applied	15,745	(26,051)	(41,796)
<b>Total derivative transactions</b>	<b>\$ 78,269</b>	<b>\$ 36,473</b>	<b>\$(41,796)</b>

(\*1) Allowance for doubtful accounts specifically recognized on long-term loans receivable is deducted

(\*2) Receivables and payables arising from derivative transactions are presented in net. Net payables are presented in parenthesis

#### Notes

1 Calculation method of fair values of financial instruments and securities and derivative transactions are as follows

##### Assets

(1) Cash and time deposits and (2) Notes and accounts receivable

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

(3) Investment securities

The fair values of equity securities are determined based on the market price. The information of securities categorized by holding purposes is described at Note 12 "Securities."

(4) Long-term loans receivable

The fair values of long-term loans receivables are determined based on the total amount of the principal and interest discounted by an assumed interest rate if the similar of loans were newly made.

##### Liabilities

(1) Notes and accounts payable, (2) Short-term bank loans and (4) Commercial paper

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

(3) Current portion of bonds and (5) Bonds

The fair values of these liabilities are determined based on the market price.

(6) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated values of the principal and interest using an assumed interest rate if the same type of loans were newly made.

#### Derivative financial instruments

The information of derivative transaction is described at Note 14 "Derivative Transactions."



## 2 Financial instruments whose fair values are extremely difficult to calculate

Category	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Shares in affiliates (unlisted equity securities)	¥45,236	\$486,208
Available-for-sale securities (unlisted equity securities)	¥12,581	\$135,225

It is extremely difficult to calculate their fair values because there is no market price. Therefore, these items are not included in "(3) Investment securities."

## 3 Redemption schedule of monetary assets with contractual maturities

	Millions of yen					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 76,989	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	214,118	—	—	—	—	—
Long-term loans receivable	—	114	47	38	35	7,437
Total	¥291,107	¥114	¥47	¥38	¥35	¥7,437

	Thousands of U.S. dollars					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	\$ 827,490	\$ —	\$ —	\$ —	\$ —	\$ —
Notes and accounts receivable	2,301,355	—	—	—	—	—
Long-term loans receivable	—	1,227	515	412	376	79,940
Total	\$3,128,846	\$1,227	\$515	\$412	\$376	\$79,940

## 4 Repayment schedule of short-term bank loans, commercial paper, bonds and long-term loans payable

	Millions of yen					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥294,866	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	9,000	—	—	—	—	—
Bonds	20,000	20,000	40,000	—	40,000	—
Long-term loans payable	—	106,463	65,150	87,844	54,032	58,692
Total	¥323,866	¥126,463	¥105,150	¥87,844	¥94,032	¥58,692

	Thousands of U.S. dollars					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	\$3,169,247	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	96,732	—	—	—	—	—
Bonds	214,961	214,961	429,922	—	429,922	—
Long-term loans payable	—	1,144,276	700,242	944,159	580,740	630,835
Total	\$3,480,941	\$1,359,237	\$1,130,165	\$944,159	\$1,010,662	\$630,835



## Note 14 Derivative Transactions

Derivative financial instruments currently utilized by the Company and its consolidated subsidiaries include forward foreign currency contracts, interest rate swap contracts, currency swap contracts, forward commodity contracts and commodity price swap contracts.

The Company utilizes forward foreign currency contracts to hedge the impact of foreign exchange fluctuations on receivables and payables, and on advance payments for purchase of ores.

The Company enters into interest rate swap contracts to reduce exposure to adverse movements in interest rates, and to lower finance costs on debts.

The Company also utilizes forward commodity contracts to hedge the impact of future price fluctuations of nonferrous metal inventories and sold gold bullion deposited from customers under consuming bailment named "My Gold Plan."

Some consolidated subsidiaries utilize forward foreign currency contracts and interest swap contracts to hedge the impact of foreign currency fluctuations on foreign currency receivables and payables, and forward commodity contracts and commodity price swap contracts to hedge the impact of price fluctuations of nonferrous metal inventories.

The counterparties to those derivative contracts are Japanese and overseas companies and financial institutions with high credit standing, and therefore, it is anticipated that those counterparties will be able to fully satisfy their obligations under the contracts.

The Company has "Rules on Utilizing Derivative Transactions" in its "Operation Standards" applicable to the whole Company. In addition, there are specific rules and standards for derivative transactions provided for each business unit based on its type of business. In accordance with the authority and limits provided in these rules and standards, forward foreign currency contracts are utilized

and controlled by the Finance Department and other responsible departments, interest rate swap contracts are utilized and controlled by the Finance Department and forward commodity contracts are utilized and controlled by each responsible department. Furthermore, departments utilizing derivative transactions are required to report the status and results of derivative transactions to the Financial Risk Management & Control Department for financial transaction, at each annual and semi-annual year-end.

Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments. Furthermore, the Company periodically controls the transaction volume of forward commodity contracts in order to balance them with hedged nonferrous metal inventories, and to evaluate their hedge effectiveness at each annual and semi-annual year-end.

As noted in Note 13 "Financial Instruments," the Company adopted ASBJ Statement No. 10 "Accounting Standard for Financial Statements" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, therefore, the required information is disclosed only for 2010.

As of March 31, 2010 and 2009, the Company and its consolidated subsidiaries had outstanding derivative transactions as follows:

### 1 Derivative transactions to which hedge accounting is not applied at March 31, 2010

#### (1) Currency related derivatives

	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts				
Sell U.S. dollars	¥—	¥—	¥—	¥—
Other	—	—	—	—
Buy U.S. dollars	0	—	0	0
Other	—	—	—	—
Total	—	—	—	¥ 0
Thousands of U.S. dollars				
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts				
Sell U.S. dollars	\$—	\$—	\$—	\$—
Other	—	—	—	—
Buy U.S. dollars	2	—	(2)	(2)
Other	—	—	—	—
Total	—	—	—	\$(2)

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



(2) Interest rate related derivatives

Not applicable

(3) Commodity related derivatives

	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward				
Sell	¥ 32	¥—	¥ (7)	¥ (7)
Buy	54,201	—	5,824	5,824
Nonferrous metal commodity price swap				
Pay fixed price, receive floating price	—	—	—	—
Total	—	—	—	¥5,817

	Thousands of U.S. dollars			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward				
Sell	\$ 345	\$—	\$ (76)	\$ (76)
Buy	582,559	—	62,603	62,603
Nonferrous metal commodity price swap				
Pay fixed price, receive floating price	—	—	—	—
Total	—	—	—	\$62,527

Note

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

2 Derivative transactions to which hedge accounting is applied at March 31, 2010

(1) Currency related derivatives

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts				
	Sell U.S. dollars	Accounts receivable,	¥46,601	¥—	¥(1,195)
	Other	accounts payable	499	—	(3)
	Buy U.S. dollars		3,176	—	127
	Other		12	—	(1)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts				
	Sell U.S. dollars	Accounts receivable,	¥10,395	¥—	Note 2
	Other	accounts payable	2,107	—	
	Buy U.S. dollars		859	—	
	Other		—	—	



			Thousands of U S dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts				
	Sell U S dollars	Accounts receivable, accounts payable	\$500,873	\$—	\$(12,844)
	Other		5,370	—	(36)
	Buy U S dollars		34,138	—	1,373
	Other		133	—	(14)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts				
	Sell U S dollars	Accounts receivable, accounts payable	\$111,735	\$—	Note 2
	Other		22,650	—	
	Buy U S dollars		9,232	—	
	Other		—	—	

#### Notes

- 1 Fair value is determined based on the price obtained from financial institutions
- 2 Fair value of derivatives is included in the fair values of the related accounts receivable and accounts payable, since accounts receivable and accounts payable in foreign currencies as hedged items are translated into Japanese yen using the forward contract rates

#### (2) Interest rate related derivatives

(2) Interest rate related derivatives

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts				
	Receive fixed rate, pay floating rate		¥ 1,000	¥ 1,000	¥ 1
	Pay fixed rate, receive floating rate		190,374	162,969	(3,913)
			Thousands of U S dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts				
	Receive fixed rate, pay floating rate		\$ 10,748	\$ 10,748	\$ 14
	Pay fixed rate, receive floating rate		2,046,152	1,751,601	(42,060)

#### Note

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

#### (3) Commodity related derivatives

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward				
	Sell	Accounts receivable, accounts payable	¥60,731	¥ —	¥ 135
	Buy		55,577	454	2,424



			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
	Nonferrous metals forward				
Principle method	Sell	Accounts receivable, accounts payable	\$652,744	\$ —	\$ 1,455
	Buy		597,346	4,884	26,061

**Note**

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

**3 Derivative Transactions as of March 31, 2009**

**(1) Forward Foreign Currency Contracts**

At March 31, 2009

	Millions of yen				
	Contract amounts in yen equivalent			Fair value	Unrealized gains (losses)
	Due within one year	Due after one year	Total		
Forward foreign exchange contracts					
Sell U.S. dollars	¥27,693	¥ —	¥27,693	¥(947)	¥(947)
Other	652	—	652	(16)	(16)
Buy U.S. dollars	1,070	2,061	3,132	269	269
Other	226	—	226	(7)	(7)
Total					¥(702)

Fair value of forward foreign exchange contracts is stated based on the market price

The above information does not include forward foreign exchange contracts and currency swap contracts executed to hedge existing foreign currency receivables or payables

Forward foreign exchange contracts shown above are primarily utilized to hedge the impact of foreign currency fluctuations on advance payments for the purchase of ores, and unrealized gains or losses are deferred until the related gains or losses on the hedged items are recognized

**(2) Interest Rate Contracts**

At March 31, 2009

	Millions of yen				
	Notional amounts			Fair value	Unrealized losses
	Due within one year	Due after one year	Total		
Interest rate swap contracts					
Pay floating rate, receive fixed rate	¥ —	¥ 1,000	¥ 1,000	¥ (5)	¥ (5)
Pay fixed rate, receive floating rate	29,687	122,858	152,545	(2,498)	(2,498)
Total					¥(2,504)

Fair value is stated based on the current offer price from financial institutions

With respect to interest rate swap contracts used as a hedge and meeting certain hedging criteria, the net amounts to be

paid or received under the interest rate swap contract are added to or deducted from the interest on the liabilities for which the swap contract was executed, and the information for such contracts is included in the above tables



### (3) Commodity Contracts

At March 31, 2009

	Millions of yen				
	Contract amounts				
	Due within one year	Due after one year	Total	Fair value	Unrealized losses
Nonferrous metals forward					
Sell	¥35,462	¥ 74	¥35,537	¥(1,610)	¥(1,610)
Buy	85,003	3,541	88,545	(4,605)	(4,605)
Nonferrous metal commodity price swap					
Pay fixed price, receive floating price	796	—	796	(179)	(179)
Total					¥(6,395)

Fair value is stated based on the market price

Unrealized gains or losses on forward commodity contracts, and commodity price swap contracts which are utilized to hedge future price fluctuations of nonferrous metals, are

deferred until related losses or gains on the hedged items are recognized

The Company does not apply the hedge accounting to the forward commodity contracts for gold bullion

### Note 15 Segment Information

(a) The Company and its consolidated subsidiaries operate primarily in the production and sales of cement, metals, advanced materials & tools, electronic materials & components, aluminum, and others. Cement comprises cement, secondary cement product, ready-mixed concrete, and building materials, metals comprise copper smelting (copper ingots, gold, silver, sulfuric, etc.), and processed copper products, advanced materials & tools comprise superhard tools, high-performance alloy products, and diamond tools, electronic materials & components

comprise advanced materials, chemical products, electronic device products, and polycrystalline silicon, aluminum comprises aluminum cans, rolled aluminum products, and processed aluminum products, and others comprise engineering, nuclear energy, precious metals, environment & recycle related products, and real estate

Business segment information for the years ended March 31, 2010, 2009 and 2008 was as follows

Year ended March 31, 2010

	Millions of yen							Elimination and corporate assets or expenses	Consolidated
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total		
Sales									
Unaffiliated customers	¥163,084	¥421,938	¥ 84,351	¥ 57,826	¥127,037	¥265,209	¥1,119,448	¥ —	¥1,119,448
Intersegment	1,348	84,097	16,718	4,959	1,438	49,483	158,045	(158,045)	—
Total	164,432	506,035	101,070	62,786	128,475	314,692	1,277,493	(158,045)	1,119,448
Operating expenses	155,504	500,174	106,281	60,177	125,427	309,833	1,257,399	(150,631)	1,106,768
Operating profit (loss)	¥ 8,928	¥ 5,860	¥ (5,211)	¥ 2,608	¥ 3,048	¥ 4,859	¥ 20,094	¥ (7,413)	¥ 12,680
Assets	¥338,365	¥516,672	¥153,099	¥182,530	¥150,292	¥329,302	¥1,670,262	¥ 156,157	¥1,826,420
Depreciation	¥ 15,213	¥ 19,958	¥ 9,156	¥ 6,680	¥ 9,271	¥ 3,097	¥ 63,377	¥ 3,418	¥ 66,796
Capital expenditures	¥ 9,038	¥ 15,738	¥ 4,322	¥ 22,622	¥ 7,371	¥ 2,031	¥ 61,124	¥ 5,554	¥ 66,679



## Year ended March 31, 2009

	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales									
Unaffiliated customers	¥198,701	¥530,420	¥128,153	¥ 65,968	¥151,742	¥349,127	¥1,424,114	¥ —	¥1,424,114
Intersegment	2,243	70,320	17,877	3,734	1,290	53,371	148,838	(148,838)	—
Total	200,945	600,740	146,031	69,703	153,032	402,499	1,572,952	(148,838)	1,424,114
Operating expenses	189,401	590,717	141,785	61,177	156,286	392,293	1,531,661	(142,681)	1,388,979
Operating profit (loss)	¥ 11,543	¥ 10,023	¥ 4,246	¥ 8,525	¥ (3,253)	¥ 10,205	¥ 41,291	¥ (6,156)	¥ 35,134
Assets	¥338,906	¥367,561	¥152,164	¥194,472	¥153,831	¥312,395	¥1,519,333	¥ 212,669	¥1,732,003
Depreciation	¥ 15,825	¥ 19,665	¥ 10,269	¥ 6,659	¥ 9,596	¥ 4,174	¥ 66,190	¥ 3,071	¥ 69,261
Capital expenditures	¥ 12,750	¥ 16,906	¥ 10,031	¥ 17,544	¥ 8,617	¥ 4,953	¥ 70,803	¥ 3,448	¥ 74,252

## Year ended March 31, 2008

	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales									
Unaffiliated customers	¥185,074	¥684,497	¥150,040	¥ 91,759	¥169,143	¥378,771	¥1,659,286	¥ —	¥1,659,286
Intersegment	1,697	115,198	20,775	3,957	1,332	69,550	212,511	(212,511)	—
Total	186,772	799,695	170,816	95,716	170,475	448,321	1,871,797	(212,511)	1,659,286
Operating expenses	172,846	753,641	151,504	81,381	165,144	438,727	1,763,246	(204,107)	1,559,139
Operating profit	¥ 13,925	¥ 46,053	¥ 19,311	¥ 14,334	¥ 5,330	¥ 9,594	¥ 108,550	¥ (8,403)	¥ 100,146
Assets	¥268,847	¥500,705	¥174,760	¥190,077	¥164,655	¥316,511	¥1,615,558	¥ 240,718	¥1,856,276
Depreciation	¥ 12,849	¥ 15,672	¥ 8,968	¥ 5,698	¥ 10,174	¥ 3,924	¥ 57,287	¥ 2,230	¥ 59,518
Capital expenditures	¥ 16,653	¥ 25,980	¥ 11,443	¥ 9,674	¥ 6,720	¥ 3,814	¥ 74,287	¥ 1,359	¥ 75,646

## Year ended March 31, 2010

	Thousands of U.S. dollars								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales									
Unaffiliated customers	\$1,752,838	\$4,535,021	\$ 906,619	\$ 621,526	\$1,365,411	\$2,850,489	\$12,031,907	\$ —	\$12,031,907
Intersegment	14,494	903,885	179,689	53,303	15,456	531,849	1,698,678	(1,698,678)	—
Total	1,767,332	5,438,906	1,086,308	674,829	1,380,868	3,382,339	13,730,586	(1,698,678)	12,031,907
Operating expenses	1,671,369	5,375,912	1,142,319	646,790	1,348,105	3,330,114	13,514,612	(1,618,993)	11,895,619
Operating profit (loss)	\$ 95,963	\$ 62,993	\$ (56,010)	\$ 28,039	\$ 32,762	\$ 52,225	\$ 215,973	\$ (79,685)	\$ 136,287
Assets	\$3,636,774	\$5,553,225	\$1,645,522	\$1,961,845	\$1,615,352	\$3,539,366	\$17,952,086	\$ 1,678,395	\$19,630,482
Depreciation	\$ 163,518	\$ 214,510	\$ 98,411	\$ 71,807	\$ 99,652	\$ 33,288	\$ 681,187	\$ 36,742	\$ 717,930
Capital expenditures	\$ 97,149	\$ 169,158	\$ 46,460	\$ 243,147	\$ 79,225	\$ 21,829	\$ 656,971	\$ 59,704	\$ 716,676

(1) Change in valuation method for available-for-sale securities  
Prior to April 1, 2009, fair market value of equity securities and investment trusts with fair value classified as available-for-sale securities had been determined based on the market price and other information at the balance sheet date. Effective from the year ended March 31, 2010, the Company changed its method to determine the fair market value based on the average market price and other information during one month before the

balance sheet date. This change was made to reflect the financial position more appropriately by eliminating the impact from the short-term market fluctuations on the net assets.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2010 were as follows:



Year ended March 31, 2010

	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Assets	¥(39)	¥(84)	¥(7)	¥(0)	¥(33)	¥(1,789)	¥(1,954)	¥(2,225)	¥(4,180)

Year ended March 31, 2010

	Thousands of U.S. dollars								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Assets	\$(420)	\$(906)	\$(78)	\$(9)	\$(356)	\$(19,237)	\$(21,008)	\$(23,923)	\$(44,931)

In addition, prior to April 1, 2009, the carrying amounts of equity securities and investment trusts whose fair market value declined significantly were written down at the end of the quarter without being reversed thereafter, however, effective from the first quarter beginning on April 1, 2009, the amount of the write-down was reversed in the following quarters of the same

fiscal year. This change was made to reflect profit and loss and financial position at the balance sheet date more appropriately by eliminating the impact from quarterly market fluctuations.

Consequently, compared to the amounts that would have been reported under the previous accounting method, assets of "Metals" increased by ¥3 million (\$33 thousand).

## (2) Loss on impairment

The Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥6,600 million (\$70,943 thousand) as other expenses in the consolidated statements of operations. Consequently, the assets of each segment decreased as follows.

Year ended March 31, 2010

	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Assets	¥(1,078)	¥(206)	¥(774)	¥(509)	¥(442)	¥(894)	¥(3,905)	¥(2,694)	¥(6,600)

Year ended March 31, 2010

	Thousands of U.S. dollars								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Assets	\$(11,591)	\$(2,223)	\$(8,328)	\$(5,473)	\$(4,755)	\$(9,609)	\$(41,981)	\$(28,961)	\$(70,943)

## (3) Change in useful lives of property, plant and equipment

Due to the revised Corporation Tax Law of Japan, effective April 1, 2008, the Company and the domestic consolidated subsidiaries have applied the revised useful lives mainly to machinery and equipment.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2009 were as follows.

Year ended March 31, 2009

	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Operating expenses	¥ 1,101	¥ 2,466	¥ 663	¥ 158	¥ 1,288	¥ 58	¥ 5,736	¥ 3	¥ 5,739
Operating profit	¥(1,101)	¥(2,466)	¥(663)	¥(158)	¥(1,288)	¥(58)	¥(5,736)	¥(3)	¥(5,739)
Assets	¥(1,121)	¥(2,487)	¥(663)	¥(158)	¥(1,288)	¥(58)	¥(5,778)	¥(4)	¥(5,783)
Depreciation	¥ 1,121	¥ 2,487	¥ 663	¥ 158	¥ 1,288	¥ 58	¥ 5,778	¥ 4	¥ 5,783



(4) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated

Financial Statements" ("PITF No. 18"), and has made necessary adjustments on the consolidated accounting process.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2009 were as follows:

Year ended March 31, 2009

	Millions of yen							
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses Consolidated
Operating expenses	¥ 2,013	¥(1,009)	¥ 34	¥—	¥—	¥—	¥ 1,038	¥— ¥ 1,038
Operating profit	¥(2,013)	¥ 1,009	¥ (34)	¥—	¥—	¥—	¥(1,038)	¥— ¥(1,038)
Assets	¥(4,342)	¥(4,043)	¥(280)	¥—	¥—	¥—	¥(8,666)	¥— ¥(8,666)
Depreciation	¥ —	¥ 977	¥ 53	¥—	¥—	¥—	¥ 1,030	¥— ¥ 1,030

(5) Change in depreciation following the amendments of the Corporation Tax Law of Japan

Due to the revised Corporation Tax Law of Japan, effective April 1, 2007, the method of depreciation applied to property, plant and equipment acquired on or after April 1, 2007 was revised.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2008 were as follows:

Year ended March 31, 2008

	Millions of yen							
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses Consolidated
Operating expenses	¥ 240	¥ 111	¥ 335	¥ 113	¥ 30	¥ 70	¥ 902	¥ 58 ¥ 961
Operating profit	¥(240)	¥(111)	¥(335)	¥(113)	¥(30)	¥(70)	¥(902)	¥(58) ¥(961)
Assets	¥(245)	¥(111)	¥(335)	¥(113)	¥(30)	¥(72)	¥(909)	¥(58) ¥(967)
Depreciation	¥ 245	¥ 111	¥ 335	¥ 113	¥ 30	¥ 72	¥ 909	¥ 58 ¥ 967

Due to the revised Corporation Tax Law of Japan, effective April 1, 2007, the salvage values of property, plant and equipment acquired before April 1, 2007 are additionally depreciated to their nominal values equally over five years commencing from the years immediately after the year in which the depreciated

bases have reached 5% of their acquisition costs.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2008 were as follows:

Year ended March 31, 2008

	Millions of yen							
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses Consolidated
Operating expenses	¥ 1,242	¥ 1,257	¥ 604	¥ 294	¥ 413	¥ 382	¥ 4,195	¥ 55 ¥ 4,250
Operating profit	¥(1,242)	¥(1,257)	¥(604)	¥(294)	¥(413)	¥(382)	¥(4,195)	¥(55) ¥(4,250)
Assets	¥(1,321)	¥(1,259)	¥(604)	¥(294)	¥(416)	¥(384)	¥(4,281)	¥(57) ¥(4,339)
Depreciation	¥ 1,321	¥ 1,259	¥ 604	¥ 294	¥ 416	¥ 384	¥ 4,281	¥ 57 ¥ 4,339



(6) Change in the estimated useful lives and salvage value in the "Aluminum" segment

Effective from the year ended March 31, 2008, Universal Can Corporation, a consolidated subsidiary, changed the estimated useful lives and its salvage value of some tangible fixed assets upon an available time and recent disposal value. Prior period adjustment of the depreciation based on this change is included

in depreciation in segment information

Consequently, compared to the amounts that would have been reported under the previous accounting method, assets in the "Aluminum" segment decreased by ¥1,400 million and depreciation increased by the same amount for the year ended March 31, 2008

(b) Geographic segment information for the years ended March 31, 2010, 2009 and 2008 was as follows

Year ended March 31, 2010

	Millions of yen						Elimination and corporate assets or expenses	Consolidated
	Japan	U S A	Europe	Asia	Others	Total		
Sales								
Unaffiliated customers	¥ 969,830	¥ 69,464	¥11,638	¥ 65,888	¥2,626	¥1,119,448	¥ —	¥1,119,448
Intersegment	17,245	4,324	26	189,315	—	210,911	(210,911)	—
Total	987,076	73,789	11,664	255,203	2,626	1,330,360	(210,911)	1,119,448
Operating expenses	979,819	68,893	11,602	248,977	1,942	1,311,236	(204,467)	1,106,768
Operating profit	¥ 7,256	¥ 4,895	¥ 61	¥ 6,226	¥ 683	¥ 19,124	¥ (6,444)	¥ 12,680
Assets	¥1,418,739	¥145,307	¥17,012	¥132,753	¥5,825	¥1,719,638	¥ 106,781	¥1,826,420

Year ended March 31, 2009

	Millions of yen						Elimination and corporate assets or expenses	Consolidated
	Japan	U S A	Europe	Asia	Others	Total		
Sales								
Unaffiliated customers	¥1,167,986	¥ 97,369	¥22,234	¥132,507	¥4,015	¥1,424,114	¥ —	¥1,424,114
Intersegment	26,715	8,248	268	121,596	—	156,829	(156,829)	—
Total	1,194,702	105,618	22,502	254,104	4,015	1,580,943	(156,829)	1,424,114
Operating expenses	1,178,513	93,262	20,230	245,443	2,300	1,539,751	(150,771)	1,388,979
Operating profit	¥16,188	¥ 12,355	¥ 2,272	¥ 8,661	¥1,714	¥ 41,192	¥ (6,058)	¥ 35,134
Assets	¥1,310,092	¥182,221	¥20,308	¥ 96,730	¥3,742	¥1,613,096	¥ 118,906	¥1,732,003

Year ended March 31, 2008

	Millions of yen						Elimination and corporate assets or expenses	Consolidated
	Japan	U S A	Europe	Asia	Others	Total		
Sales								
Unaffiliated customers	¥1,401,417	¥ 83,879	¥22,166	¥149,449	¥2,373	¥1,659,286	¥ —	¥1,659,286
Intersegment	31,716	10,100	275	216,361	—	258,454	(258,454)	—
Total	1,433,133	93,980	22,442	365,810	2,373	1,917,740	(258,454)	1,659,286
Operating expenses	1,358,120	79,376	20,265	349,648	2,087	1,809,497	(250,358)	1,559,139
Operating profit	¥ 75,013	¥ 14,603	¥ 2,177	¥ 16,162	¥ 285	¥ 108,242	¥ (8,095)	¥ 100,146
Assets	¥1,389,669	¥111,381	¥56,564	¥119,366	¥3,586	¥1,680,568	¥ 175,708	¥1,856,276



## Year ended March 31, 2010

	Thousands of U.S. dollars							Elimination and corporate assets or expenses	Consolidated
	Japan	U.S.A.	Europe	Asia	Others	Total			
Sales									
Unaffiliated customers	\$10,423,802	\$ 746,614	\$125,089	\$ 708,175	\$28,224	\$12,031,907	\$ —	\$12,031,907	
Intersegment	185,360	46,475	284	2,034,772	—	2,266,893	(2,266,893)	—	
Total	10,609,163	793,089	125,374	2,742,948	28,224	14,298,801	(2,266,893)	12,031,907	
Operating expenses	10,531,168	740,476	124,709	2,676,023	20,873	14,093,251	(2,197,631)	11,895,619	
Operating profit	\$ 77,994	\$ 52,613	\$ 665	\$ 66,924	\$ 7,351	\$ 205,549	\$ (69,261)	\$ 136,287	
Assets	\$15,248,705	\$1,561,776	\$182,849	\$1,426,842	\$62,613	\$18,482,787	\$ 1,147,695	\$19,630,482	

(1) Change in valuation method for available-for-sale securities  
Prior to April 1, 2009, fair market value of equity securities and investment trusts with fair value classified as available-for-sale securities had been determined based on the market price and other information at the balance sheet date. Effective from the year ended March 31, 2010, the Company changed its method to determine the fair market value based on the average market price and other information during one month before the balance sheet date. This change was made to reflect the financial position more appropriately by eliminating the impact from the short-term market fluctuations on the net assets.

Compared to the amounts that would have been reported under the previous accounting method, assets of "Japan" and "Elimination and corporate assets or expenses" decreased by ¥1,954 million (\$21,008 thousand) and ¥2,225 million (\$23,923 thousand), respectively.

In addition, prior to April 1, 2009, the carrying amounts of equity securities and investment trusts whose fair market value declined significantly were written down at the end of the quarter without being reversed thereafter, however, effective from the first quarter beginning on April 1, 2009, the amount of the write-down was reversed in the following quarters of the same fiscal year. This change was made to reflect profit and loss and financial position at the balance sheet date more appropriately by eliminating the impact from quarterly market fluctuations.

Consequently, compared to the amounts that would have been reported under the previous accounting method, assets of "Japan" increased by ¥3 million (\$33 thousand).

(2) Change in useful lives of property, plant and equipment  
Due to the revised Corporation Tax Law of Japan, effective April 1, 2008, the Company and the domestic consolidated subsidiaries have applied the revised useful lives mainly to machinery and equipment.

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating expenses in the "Japan" segment increased by ¥5,736 million, operating profit decreased by ¥5,736 million, assets decreased by ¥5,778 million, operating expenses for the "Elimination and Corporate Assets or Expenses" increased by ¥3 million, operating profit decreased by ¥3 million, and assets decreased by ¥4 million for the year ended March 31, 2009.

(3) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"), and has made necessary adjustments on the consolidated accounting process.

Compared to the amounts that would have been reported under the previous accounting method, the effects of the change on the segment information for the year ended March 31, 2009 were as follows:

## Year ended March 31, 2009

	Millions of yen							Elimination and corporate assets or expenses	Consolidated
	Japan	U.S.A.	Europe	Asia	Others	Total			
Operating expenses	¥—	¥ 2,013	¥ 83	¥(1,058)	¥—	¥ 1,038	¥—	¥ 1,038	
Operating profit	—	(2,013)	(83)	1,058	—	(1,038)	—	(1,038)	
Assets	¥—	¥(4,342)	¥(8,938)	¥ 4,614	¥—	¥(8,666)	¥—	¥(8,666)	

(4) Change in depreciation following the amendments of the Corporation Tax Law of Japan

Due to the revised Corporation Tax Law of Japan, effective April 1, 2008, the method of depreciation applied to property, plant and equipment acquired on or after April 1, 2007 was revised.

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating expenses for the "Japan" segment increased by ¥902 million, operating profit decreased by ¥902 million, assets decreased by ¥909 million, operating expenses for the



"Elimination and Corporate Assets or Expenses" increased by ¥58 million and operating profit and assets decreased by the same amounts for the year ended March 31, 2008

Due to the revised Corporation Tax Law of Japan, effective April 1, 2007, the salvage values of property, plant and equipment acquired before April 1, 2007 are additionally depreciated to their nominal values equally over five years commencing from the years immediately after the year in which the depreciated bases have reached 5% of their acquisition costs

Consequently, compared to the amounts that would have been reported under the previous accounting method, operating expenses in the "Japan" segment increased by ¥4,195 million, operating profit decreased by ¥4,195 million, assets decreased by ¥4,281 million, operating expenses for the "Elimination and

Corporate Assets or Expenses" increased by ¥55 million, operating profit decreased by ¥55 million, and assets decreased by ¥57 million for the year ended March 31, 2008

(5) Change in the estimated useful lives and salvage value in the "Japan" segment

Effective from the year ended March 31, 2008, Universal Can Corporation, a consolidated subsidiary, changed the estimated useful lives and its salvage value of some property, plant and equipment upon an available time and recent disposal value

Consequently, compared to the amounts that would have been reported under the previous accounting method, assets in the "Japan" segment decreased by ¥1,400 million for the year ended March 31, 2008

(c) Overseas sales by geographic area for the years ended March 31, 2010, 2009 and 2008 were as follows

Year ended March 31, 2010

	Millions of yen				
	U S A	Europe	Asia	Others	Total
Overseas sales	¥68,768	¥54,012	¥263,141	¥7,867	¥ 393,790
Consolidated net sales	1,119,448				
Percentage of overseas sales to consolidated net sales	6.1%	4.8%	23.5%	0.7%	35.2%

Year ended March 31, 2009

	Millions of yen				
	U S A	Europe	Asia	Others	Total
Overseas sales	¥99,597	¥44,960	¥269,104	¥7,688	¥ 421,351
Consolidated net sales	1,424,114				
Percentage of overseas sales to consolidated net sales	7.0%	3.2%	18.9%	0.5%	29.6%

Year ended March 31, 2008

	Millions of yen				
	U S A	Europe	Asia	Others	Total
Overseas sales	¥93,080	¥26,872	¥447,270	¥6,539	¥ 573,763
Consolidated net sales	1,659,286				
Percentage of overseas sales to consolidated net sales	5.6%	1.6%	27.0%	0.4%	34.6%

Year ended March 31, 2010

	Thousands of U S dollars				
	U S A	Europe	Asia	Others	Total
Overseas sales	\$739,130	\$580,527	\$2,828,266	\$84,565	\$ 4,232,489
Consolidated net sales	12,031,907				
Percentage of overseas sales to consolidated net sales	6.1%	4.8%	23.5%	0.7%	35.2%



## Note 16 Revaluation Reserve for Land

Pursuant to Article 2, Paragraphs 3, 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Revaluation Law"), effective on March 31, 1998, and to the partial revision to this law on March 31, 2001, the Company and the certain consolidated subsidiaries revalued their own lands for business at fair value. The related unrealized gain, net of income taxes and minority interests, was directly credited to "Revaluation reserve for land" in net assets in the consolidated balance sheet, and the applicable income tax effect was recorded as "Deferred income taxes on revaluation reserve for land"

in liabilities in the consolidated balance sheet. When such land is sold, the revaluation reserve for land is reversed and credited to the retained earnings.

According to the Revaluation Law, the Company and its consolidated subsidiaries are not permitted to revalue the land at any time even if fair value of the land declines. Such unrecorded revaluation losses at March 31, 2010 and 2009 amounted to ¥27,377 million (\$294,260 thousand) and ¥30,231 million, respectively.

## Note 17 Notes to the Consolidated Statements of Cash Flows

(a) Cash reconciliation between the Consolidated Balance Sheet and the Consolidated Statement of Cash Flow

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Cash and time deposits	¥76,989	¥98,497	¥109,701	\$827,490
Less term deposits with maturities extending more than three months	(444)	(539)	(341)	(4,777)
Restricted cash	(235)	(176)	—	(2,536)
Cash and cash equivalents	¥76,309	¥97,780	¥109,360	\$820,176

(b) New consolidated subsidiaries due to the acquisition of shares in the year ended March 31, 2010

Diamet Corporation (formerly, Mitsubishi Materials PMG Corporation), PM Techno Corporation and Diamet Klang Malaysia Sdn. Bhd. (formerly, PMG Klang Sdn. Bhd.), which had been affiliates accounted for by the equity method, became

new consolidated subsidiaries of the Company due to the additional acquisition of shares in the year ended March 31, 2010. At the start of their consolidation, a summary of their assets and liabilities, the acquisition cost of shares and the payment for acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,977	\$ 96,486
Fixed assets	11,297	121,426
Current liabilities	(14,883)	(159,968)
Long-term liabilities	(1,185)	(12,743)
Negative goodwill	(389)	(4,187)
Appraisal value of shares acquired	3,815	41,012
Shares of consolidated subsidiaries held by the consolidated subsidiaries acquired	(312)	(3,355)
Acquisition cost of shares	3,503	37,656
Cash and cash equivalents of the acquired companies	(1,081)	(11,622)
Net payment for acquisition	¥ 2,422	\$ 26,033

(c) Material nonmonetary transactions for the year ended March 31, 2010

(c)-1

Mitsubishi Cable Industries, Ltd. (MCI), which was an affiliate accounted for by the equity method, Mitsubishi Cable Industries Sales, Ltd. and Ryousei Systems Ltd., which were MCI's subsidiaries, became new consolidated subsidiaries of the Company

due to the additional acquisition of shares by share exchange in the year ended March 31, 2010. At the start of their consolidation, a summary of their assets and liabilities was as follows:



	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 47,156	\$ 506,844
Fixed assets	39,003	419,216
Goodwill	5,934	63,786
Total assets	92,095	989,847
Current liabilities	(59,454)	(639,025)
Long-term liabilities	(22,494)	(241,774)
Total liabilities	¥(81,949)	\$(880,800)

Current assets include cash and cash equivalents in the amount of ¥7,696 million (\$82,726 thousand) at the start of consolidation, which are recognized as "Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation" in the Consolidated Statements of Cash Flows" for the year ended March 31, 2010

(c)-2

Share exchange with MCI

Resulting from Issuance of new stocks

Increase in capital surplus ¥7,489 million (\$80,501 thousand)

Increase in treasury stock ¥3 million (\$40 thousand)

Resulting from Exchange treasury stock to subsidiaries' share

Decrease in capital surplus ¥2,361 million (\$25,382 thousand)

Decrease in treasury stock ¥4,028 million (\$43,295 thousand)

(d) New consolidated subsidiaries due to the acquisition of shares in the year ended March 31, 2009 ended March 31, 2009 At the start of their consolidation, summary of their assets and liabilities, the acquisition cost of shares, and the payment for an acquisition were as follows

Robertson's became new consolidated subsidiaries of the Company due to the additional acquisition of shares in the year

	Millions of yen
Current assets	¥ 11,136
Fixed assets	51,306
Goodwill	52,169
Current liabilities	(18,829)
Long-term liabilities	(424)
Minority interests	(2,539)
Acquisition cost of shares	92,819
Carrying value under the equity method	(5,846)
Additional acquisition cost of shares	86,972
Cash and cash equivalents of the acquired companies	(313)
Unpaid portion of acquisition cost	(43,775)
Effect of exchange rate fluctuation	729
Net payment for acquisition	¥ 43,613

(e) Material nonmonetary transactions for the year ended March 31, 2008

Share exchange with Mitsubishi Shindoh Co., Ltd. and Sambo Copper Alloy Co., Ltd.

Resulting from Issuance of new stocks

Increase in capital surplus ¥18,766 million

Increase in treasury stock ¥5 million

Resulting from Exchange treasury stock to subsidiaries' share

Increase in capital surplus ¥333 million

Decrease in treasury stock ¥365 million



## Note 18 Net Income per Share of Common Stock

Reconciliation of the numbers and amounts used in the basic net (loss) income per share of common stock computation for the years ended March 31, 2010, 2009 and 2008 was as follows

### Year ended March 31, 2010

	Millions of yen	Thousands	Yen	U.S. dollars
	Net loss	Weighted average shares	Net loss per share	Net loss per share
Basic net loss per share				
Net loss	¥(66,555)			
Net loss available to common shareholders	(66,555)	1,271,657	¥(52.3)	\$(0.56)
Net loss for computation	¥(66,555)	1,271,657	¥(52.3)	\$(0.56)

### Year ended March 31, 2009

	Millions of yen	Thousands	Yen
	Net income	Weighted average shares	Net income per share
Basic net income per share			
Net income	¥6,106		
Net income available to common shareholders	6,106	1,269,975	¥4.8
Net income for computation	¥6,106	1,269,975	¥4.8

### Year ended March 31, 2008

	Millions of yen	Thousands	Yen
	Net income	Weighted average shares	Net income per share
Basic net income per share			
Net income	¥74,268		
Net income available to common shareholders	74,268	1,255,864	¥59.1
Net income for computation	¥74,268	1,255,864	¥59.1

Diluted net income has not been disclosed since there are no dilutive securities for the years ended March 31, 2010, 2009 and 2008

## Note 19 Related Party Information

On October 17, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures." These require certain additional related party disclosures effective from the year ended March 31, 2009.

Pursuant to the new accounting standards, information on significant transactions between consolidated subsidiaries and related parties, and condensed financial information of significant affiliates are additionally disclosed for the years ended March 31, 2010 and 2009.

1 The information for the year ended March 31, 2010 was omitted because there were no significant transactions with related parties for the year ended March 31, 2010.

2 Significant transactions with related parties for the year ended March 31, 2009 were as follows:

(a) Transactions between the Company and related parties

	Millions of yen						
Name of related individual	Borrowings	Interest payments	Short-term bank loans	Long-term debts	Prepaid expenses	Other current assets	Accrued expenses
Akio Utsumi	¥13,050	¥178	¥—	¥—	¥—	¥—	¥—



(b) Transactions between consolidated subsidiaries and related parties

Name of related individual	Millions of yen						
	Borrowings	Interest payments	Short term bank loans	Long-term debts	Prepaid expenses	Other current assets	Accrued expenses
Akio Utsumi	¥23,781	¥251	¥—	¥—	¥—	¥—	¥—

Note

Akio Utsumi resigned as Representative Director of The Mitsubishi UFJ Trust Banking Corporation in June, 2008, and transactions for the time he was related parties (April to June, 2008) are reported

These transactions were made by Akio Utsumi (Corporate Auditor of the Company), as Representative Director of The Mitsubishi UFJ Trust and Banking Corporation

The interest rate for the debts was reasonably determined, considering the market interest rate

No pledged assets were furnished

3 Significant transactions with related parties for the year ended March 31, 2008 were as follows

Name of related individual	Millions of yen						
	Borrowings	Interest payments	Short term bank loans	Long-term debts	Prepaid expenses	Other current assets	Accrued expenses
Akio Utsumi	¥26,180	¥663	¥7,800	¥28,443	¥58	¥29	¥57

Note

These transactions were made by Akio Utsumi (Corporate Auditor of the Company), as Representative Director of The Mitsubishi UFJ Trust and Banking Corporation

The interest rate for the debts was reasonably determined, considering the market interest rate

No pledged assets were furnished

4 A significant affiliate as of March 31, 2010 and 2009 was SUMCO CORPORATION, and summary of its consolidated financial statements was as follows

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets	¥ 200,381	¥199,928	\$ 2,153,711
Fixed assets	462,501	533,968	4,970,992
Current liabilities	143,252	211,944	1,539,689
Long-term liabilities	234,706	132,431	2,522,642
Net assets	284,923	389,521	3,062,372
Net sales	218,217	391,928	2,345,417
(Loss) income before income taxes	(129,889)	35,901	(1,396,062)
Net (loss) income	(100,472)	18,886	(1,079,881)

## Note 20 Loss on Impairment of Fixed Assets

In reviewing fixed assets for impairment, the Company and the consolidated subsidiaries group categorize their operating assets mainly by product group within the business segmentation, and idle assets by asset unit

For the year ended March 31, 2010, the Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥6,600 million (\$70,943 thousand) as other expenses in the consolidated

statements of operations by devaluating the carrying amount of each fixed asset to its recoverable amount. The devalued assets were in operating asset groups whose profitability has significantly deteriorated due to the decline in market value of products or others and also were idle assets whose recoverable amounts were lower than their carrying amounts due to the decline in market value of each asset, etc



The details for the year ended March 31, 2010 were as follows

Asset group	Location	Asset type	Loss on impairment	
			Millions of yen	Thousands of U.S. dollars
Cement	Shimozuma, Ibaragi prefecture	Land and buildings, etc	¥ 50	\$ 539
Advance materials & tools	Iwaki, Fukushima prefecture	Buildings and machinery, etc	388	4,173
Electronic materials & components	Chichibu, Saitama prefecture	Machinery, etc	291	3,128
Others	Sapporo, Hokkaido	Machinery and mining rights, etc	563	6,054
Assets for lease	Osaka, Osaka prefecture	Land and buildings, etc	3,204	34,442
Idle assets	Kakogawa, Hyogo prefecture	Land and buildings, etc	2,103	22,604
Total			¥6,600	\$70,943

\*Details of loss on impairment by account

Buildings ¥2,036 million (\$21,892 thousand), Machinery ¥987 million (\$10,614 thousand), Land ¥2,724 million (\$29,281 thousand), Mining rights ¥216 million (\$2,328 thousand), Others ¥635 million (\$6,826 thousand)

The details for the years ended March 31, 2009 and 2008 are omitted due to being immaterial

In measuring the loss on impairment, a recoverable amount is calculated based on the discounted cash flows from the continued use and eventual disposition of assets mainly at 5.0% discount rate for the operating asset group, and on the estimated net selling price at the time of disposal based on the real estate appraisal by the third parties, or property tax valuation, etc. for the idle assets

The effect of loss on impairment on the segment information is described in Note 15

## Note 21 Information on Net Assets

### (a) Type and Number of Shares Issued and Treasury Stock

For the years ended March 31, 2010, 2009 and 2008, information on shares issued and treasury stock is presented as follows

	Type of shares issued	Type of treasury stocks
	Common stocks <sup>1*</sup>	Common stocks <sup>2,3,4,5,7,8</sup>
Number of shares as of March 31, 2007	1,252,092,486	3,690,375
Increase during the year ended March 31, 2008	26,862,844	740,026
Decrease during the year ended March 31, 2008	—	3,613,973
Number of shares as of March 31, 2008	1,278,955,330	816,428
Increase during the year ended March 31, 2009	—	9,996,629
Decrease during the year ended March 31, 2009	—	228,180
Number of shares as of March 31, 2009	1,278,955,330	10,584,877
Increase during the year ended March 31, 2010	35,940,021	198,867
Decrease during the year ended March 31, 2010	—	8,024,155
Number of shares as of March 31, 2010	1,314,895,351	2,759,589

\*1 Increase in the number of shares issued during the year ended March 31, 2008

Issuance of new shares due to share exchange

26,862,844 shares

\*2 Increase in the number of treasury stocks during the year ended March 31, 2008

Purchase of less-than-one-unit shares

718,658 shares

Increase resulting from changes of equity shares in affiliates

400 shares

Increase in shares held by subsidiaries and affiliate due to share exchange

20,968 shares

\*3 Decrease in the number of treasury stocks during the year ended March 31, 2008

Sales of less-than-one-unit shares

39,742 shares

Decrease by share exchange

3,145,051 shares

Sales of the Company's shares by affiliated companies

429,180 shares

\*4 Increase in the number of treasury stocks during the year ended March 31, 2009

Purchase of less-than-one-unit shares

532,629 shares

Purchase under resolution of board of directors

9,464,000 shares



*5	Decrease in the number of treasury stocks during the year ended March 31, 2009	
	Sales of less-than-one-unit shares	222,892 shares
	Sales of the Company's shares by affiliated companies	5,288 shares
*6	Increase in the number of shares issued during the year ended March 31, 2010	
	Increase by share exchange	35,940,021 shares
*7	Increase in the number of treasury stocks during the year ended March 31, 2010	
	Purchase of less-than-one-unit shares	188,684 shares
	Increase by share exchange	10,183 shares
*8	Decrease in the number of treasury stocks during the year ended March 31, 2010	
	Sales of less-than-one-unit shares	26,904 shares
	Decrease by share exchange	7,997,251 shares

(b) Dividends

Dividend payment

No dividend payment was approved by the shareholders' meeting and board of directors' meeting during the year ended March 31, 2010

## Note 22 Business Combination

(a) The share exchange agreement to make Mitsubishi Cable Industries, Ltd a wholly owned subsidiary of the Company on March 12, 2010

The details of this share exchange were as follows

1 Name of the acquired company and its business, major reason of business combination, date of business combination, legal structure of business combination, name of company after business combination and ratio of voting rights acquired

(1) Name of the acquired company and its business

Name Mitsubishi Cable Industries, Ltd

Business Production and sales of electric wire and cable, automobile parts, rubber and resin products and other

(2) Major reason of business combination

The Company reached the conclusion that it would be best for all the stakeholders such as shareholders, employees and customers of both companies to make Mitsubishi Cable Industries, Ltd a wholly owned subsidiary of the Company by the share exchange, which will enable Mitsubishi Cable Industries, Ltd to achieve more speedy and certain business restructuring and eventually contribute to the maximization of the corporate value of the Group

(3) Date of business combination

March 12, 2010

(4) Legal structure of the business combination

The share exchange to make Mitsubishi Cable Industries, Ltd a wholly owned subsidiary of the Company

(5) Name of company after business combination

There was no change to the company name

(6) Ratio of voting rights acquired

63.15%

2 Period of operating results of the acquired company included in the consolidated financial statements

No operating results are included in the consolidated financial statements, since the fiscal year-end was deemed to be the acquisition date

3 Acquisition cost detail

Common stock of the Company ¥9,156 million (\$98,414 thousand)

Expenses related to the acquisition ¥152 million (\$1,638 thousand)

Total acquisition cost ¥9,309 million (\$100,053 thousand)

4 Allotment ratio of shares and type of the share, method of calculation for the share exchange ratio and number of issued shares and appraisal value

(1) Allotment ratio of shares and type of the share

The Company issued 0.32 shares for each share of Mitsubishi Cable Industries, Ltd's common stock

However, the Company did not issue any shares for the 78,973,725 shares of Mitsubishi Cable Industries, Ltd's common stock that the Company currently held

(2) Method of calculation for the share exchange ratio

To ensure the fairness and appropriateness of the share exchange ratio, the Company designated Nomura Securities Co., Ltd. and Mitsubishi Cable Industries, Ltd. designated PwC Advisory Co., Ltd. as their respective third-party advisors to perform the calculation of the share exchange ratio. The exchange ratio was approved after the discussion between the Company and Mitsubishi Cable Industries, Ltd. considered the calculation results, such as the market value average method and the discounted cash flow

(3) Number of issued shares and appraisal value

Number of issued shares 43,937,272 shares

Appraisal value ¥9,309 million (\$100,053 thousand)



## 5 Details of goodwill amount, reason of the goodwill and amortization method and period

Goodwill amount ¥5,934 million (\$63,786 thousand)

Reason of the goodwill

The goodwill was recognized as the difference between the

investment amount reflecting future income expected at the appraisal of the acquisition and the fair value of net assets at the date of the business combination

Amortization method and period

Amortized using straight-line method for 10 years

## 6 Major assets and liabilities accepted on the date of business combination

	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>		
Current assets	¥47,156	\$506,844
Fixed assets	39,003	419,216
Total	86,160	926,061
<b>Liabilities</b>		
Current liabilities	59,454	639,025
Long-term liabilities	22,494	241,774
Total	¥81,949	\$880,800

## 7 Estimated amounts of impact on the consolidated statement of operations assuming that this business combination was executed on April 1, 2009

	Millions of yen	Thousands of U.S. dollars
Increase in net sales	¥61,754	\$663,739
Increase in operating income	398	4,280
Increase in loss before income taxes and minority interests	2,548	27,394
Increase in net loss	2,834	30,465
Increase in net loss per share (in yen or U.S. dollar)	2.17	0.02

### (Calculation Method and Important Preconditions of Estimated Amounts)

Above estimated amounts were calculated as the difference between the income statement for the year ended March 31, 2010 and the information about net sales and income calculated

assuming the business combination were completed on April 1, 2009. In addition, amortization of goodwill was calculated assuming goodwill recognized on the date of business combination was incurred on April 1, 2009. The above estimated amounts of impact have not been audited.

### (b) Mitsubishi Materials Polycrystalline Silicon Co., Ltd. was merged with the Company on April 1, 2007

The details of this merger were as follows

#### 1 Names of combined parties and description of business

Company name	Description of business
Mitsubishi Materials Corporation (The "Company")	Production and sales of cement and secondary cement products, smelting/refining, processing and sales of copper, gold, silver and other metals, production and sales of superhard tools, powder metallurgy, highly efficient materials, and diamond tools, and production and sales of electronic materials and components and polycrystalline silicon
Mitsubishi Materials Polycrystalline Silicon Co., Ltd.	Production and sales of polycrystalline silicon

#### 2 Legal structure of the business combination

This was the merger with the Company as a surviving company and Mitsubishi Materials Polycrystalline Silicon Co., Ltd., as a company that ceases to exist

#### 3 Name of company after business combination

There was no change to the company name

#### 4 Summary of transactions

Mitsubishi Materials Polycrystalline Silicon Co., Ltd. was merged with the Company on April 1, 2007. The polycrystalline silicon market was expanding, as the demand stayed high in the solar cell and semiconductor market. The purpose of this merger was to stimulate further growth and development of the polycrystalline silicon business as one of our core businesses by accelerating its decision-making and boosting its technological development capacities through our direct management.



## 5 Summary of accounting procedure

The Company adopted the accounting procedures for a commonly controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by the Business Accounting Council on

October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005)

(c) The share exchange agreement to make Ryoko Sangyo Co., Ltd. a wholly owned subsidiary of the Company on August 1, 2007. The details of this share exchange were as follows:

### 1 Names of combined parties and description of business

Company name	Description of business
Mitsubishi Materials Corporation (The "Company")	Production and sales of cement and secondary cement products, smelting/refining, processing and sales of copper, gold, silver and other metals, production and sales of superhard tools, powder metallurgy, highly efficient materials, and diamond tools, and production and sales of electronic materials and components and polycrystalline silicon
Ryoko Sangyo Co., Ltd.	Purchase, sales, import and export of non-ferrous metal bullion, metal products, electronic materials, construction materials, industrial machines, chemical products, heavy chemicals, and other materials

### 2 Legal structure of the business combination

The share exchange to make Ryoko Sangyo Co., Ltd. a wholly owned subsidiary of the Company

### (2) Allotment ratio of shares and type of the share

The Company issued 1 share for each share of Ryoko Sangyo Co., Ltd.'s common stock. However, the Company did not issue any shares for the 4,514,949 shares of Ryoko Sangyo Co., Ltd.'s common stock that the Company currently held.

### 3 Name of company after business combination

There was no change to the company name.

### (3) Methods of calculation for the share exchange ratio

To ensure the fairness and appropriateness of the share exchange ratio, the Company designated aMidAs Partners, Inc. and Ryoko Sangyo Co., Ltd. designated Ernst & Young Transaction Advisory Service Co., Ltd. as their respective third-party advisors to perform the calculation of the share exchange ratio. The share exchange ratio was approved after the discussion between the Company and Ryoko Sangyo Co., Ltd. considered the calculation results, such as the market value average method, adjusted fair value net worth method, and the discounted cash flow (DCF).

### 4 Summary of transactions

On August 1, 2007, the Company and Ryoko Sangyo Co., Ltd. signed the share exchange to make Ryoko Sangyo Co., Ltd. a wholly owned subsidiary of the Company. The purpose of the share exchange was to accelerate its decision-making, to improve operating agility, and to enhance the trading business as a main trading company in our group. The Company used a simplified share exchange procedure that did not require the approval of a general meeting of its shareholders pursuant to Article 796, Paragraph 3, of the Corporation Law.

### (4) Number of issued shares and its amount

Number of issued shares: 2,145,051 shares  
Amount: ¥1,303 million

### 5 Summary of accounting procedure

The Company adopted the accounting procedures for a commonly controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by Business Accounting Council on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005).

### (5) Details of negative goodwill, reason and amortization method and period

Negative goodwill amount: ¥198 million  
Reason for the negative goodwill: The negative goodwill was generated because the minority interest decreased by this share exchange was greater than the acquisition cost of Ryoko Sangyo Co., Ltd.'s common stock.  
Amortization method and period: Amortized using straight-line method for 5 years.

### 6 Acquisition cost of the additional shares of the subsidiary

#### (1) Acquisition cost details

Common stock of the Company	¥1,283 million
Expenses related to the acquisition	¥20 million
Total acquisition cost	¥1,303 million

### (6) Contingent consideration subject to condition as defined in the business combination contract and its future accounting treatment

Not applicable

(7) Amount and the accounting caption of the expense allocated as research and development among the acquisition cost: Not applicable



(d) Mitsubishi Materials Kobe Tools Co , Ltd was merged with the Company on October 1, 2007

The details of this merger were as follows

1 Names of combined parties and description of business

Company name	Description of business
Mitsubishi Materials Corporation (The "Company")	Production and sales of cement and secondary cement products, smelting/refining, processing and sales of copper, gold, silver and other metals, production and sales of superhard tools, powder metallurgy, highly efficient materials, and diamond tools, and production and sales of electronic materials and components and polycrystalline silicon
Mitsubishi Materials Kobe Tools Co , Ltd	Production and sales of cutting tools (end milling, drill, and gear-cutting tools)

2 Legal structure of the business combination

This was the merger with the Company as a surviving company and Mitsubishi Materials Kobe Tools Co , Ltd as a company that ceases to exist

field with high-growth potential by accelerating its decision-making and streamlining the human resources through our direct management

3 Name of company after business combination

There was no change to the company name

5 Summary of accounting procedure

The Company adopted the accounting procedures for a commonly controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by Business Accounting Council on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No 10 issued by the Accounting Standards Board of Japan on December 27, 2005)

4 Summary of transactions

On October 1, 2007 Mitsubishi Materials Kobe Tools Co , Ltd was merged with the Company Cutting tools market was expanding, as the growth stayed steady in the automobile industry and the growth remained high in the aeronautic industry The purpose of this merger was to reinforce the products

(e) The share exchange to make Sambo Copper Alloy Co , Ltd a wholly owned subsidiary of the Company on December 28, 2007

The details of this share exchange were as follows

1 Names of combined parties and description of business

Company name	Description of business
Mitsubishi Materials Corporation (The "Company")	Production and sales of cement and secondary cement products, smelting/refining, processing and sales of copper, gold, silver and other metals, production and sales of superhard tools, powder metallurgy, highly efficient materials, and diamond tools, and production and sales of electronic materials and components and polycrystalline silicon
Sambo Copper Alloy Co , Ltd	Manufacture and sales of copper and copper alloy products, and fabricated products

2 Legal structure of the business combination

The share exchange to make Sambo Copper Alloy Co , Ltd a wholly owned subsidiary of the Company

Copper Alloy Co , Ltd was scheduled to merge with Mitsubishi Shindoh after becoming a wholly owned subsidiary of the Company through the share exchange The purpose of this merger was to maximize the strength of the product development, cost competitiveness, and marketing capabilities in the copper alloy field

3 Name of company after business combination

There was no change to the company name

The Company used a simplified share exchange procedure that did not require the approval of a general meeting of its shareholders pursuant to Article 796, Paragraph 3, of the Corporation Law

4 Summary of transactions

On December 28, 2007 the Company and Sambo Copper Alloy Co , Ltd signed a share exchange to make Sambo Copper Alloy Co , Ltd a wholly owned subsidiary of the Company Sambo



## 5 Summary of accounting procedure

The Company adopted the accounting procedures for a commonly controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by Business Accounting Council on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005)

## 6 Acquisition cost of the additional shares of the subsidiary

### (1) Acquisition cost details

Common stock of the Company	¥7,445 million
Expenses related to the acquisition	¥23 million
Total acquisition cost	¥7,469 million

### (2) Allotment ratio of shares and type of the share

The Company issued 125 shares for each share of Sambo Copper Alloy Co., Ltd.'s common stock. However, the Company did not issue any shares for the 14,142,490 shares of Sambo Copper Alloy Co., Ltd.'s common stock that the Company currently held.

### (3) Methods of calculation for the share exchange ratio

To ensure the fairness and appropriateness of the share exchange ratio, the Company designated Mitsubishi UFJ Securities, Co., Ltd. and Sambo Copper Alloy Co., Ltd. designated GCA Corporation as their respective third-party advisors

to perform the calculation of the share exchange ratio. The share exchange ratio was approved after the discussion between the Company and Sambo Copper Alloy Co., Ltd. considering the calculation results, such as the market value average method, the multiple method (a method which applied multiples to the comparable company's financial metrics), and the discounted cash flow (DCF).

### (4) Number of issued shares and its amount

Number of issued shares	10,658,262 shares
Amount	¥7,469 million

### (5) Details of goodwill, reason and amortization method and period

Goodwill amount	¥2,195 million
-----------------	----------------

#### Reason of the goodwill

The goodwill was generated because minority interest decreased by this share exchange was smaller than the acquisition cost of Sambo Copper Alloy Co., Ltd.'s common stock.

#### Amortization method and period

Amortized using straight-line method for 5 years.

### (6) Contingent consideration subject to condition as defined in the business combination contract and its accounting treatment

Not applicable.

### (7) Amount and the accounting caption name of the expense allocated as research and development among the acquisition cost

Not applicable.

(f) The share exchange to make Mitsubishi Shindoh Co., Ltd. a wholly owned subsidiary of the Company on February 1, 2008.

The details of this share exchange were as follows:

### 1 Names of combined parties and description of business

Company name	Description of business
Mitsubishi Materials Corporation (The "Company")	Production and sales of cement and secondary cement products, smelting/refining, processing and sales of copper, gold, silver and other metals, production and sales of superhard tools, powder metallurgy, highly efficient materials, and diamond tools, and production and sales of electronic materials and components and polycrystalline silicon.
Mitsubishi Shindoh Co., Ltd.	Manufacture and sales of copper and copper alloy products, and thin-film products.

### 2 Legal structure of the business combination

The share exchange to make Mitsubishi Shindoh Co., Ltd. a wholly owned subsidiary of the Company.

### 3 Name of company after business combination

There was no change to the company name.

### 4 Summary of transactions

On February 1, 2008, the Company and Mitsubishi Shindoh Co., Ltd. signed a share exchange agreement to make Mitsubishi Shindoh Co., Ltd. a wholly owned subsidiary of the Company. Mitsubishi Shindoh Co., Ltd. was scheduled to merge with Sambo Copper Alloy Co., Ltd. after becoming a wholly owned

subsidiary of the Company through the share exchange. The purpose of this merger was to maximize the strength of the product development, cost competitiveness, and marketing capabilities in the copper alloy field.

The Company used a simplified share exchange procedure that did not require the approval of a general meeting of its shareholders pursuant to Article 796, Paragraph 3, of the Corporation Law.

### 5 Summary of accounting procedure

The Company adopted the accounting procedures for a commonly controlled business combination based on the accounting standards, "Accounting Standards for Business



Combination" issued by Business Accounting Council on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005)

#### 6 Acquisition cost of the additional shares of the subsidiary

##### (1) Acquisition cost details

Common stock of the Company	¥12,019 million
Expenses related to the acquisition	¥38 million
Total acquisition cost	¥12,057 million

##### (2) Allotment ratio of shares and type of the share

The Company issued 0.56 shares for each share of Mitsubishi Shindoh Co., Ltd.'s common stock. However, the Company did not issue any share for the 31,977,199 shares of Mitsubishi Shindoh Co., Ltd.'s common stock that the Company currently held.

##### (3) Methods of calculation for the share exchange ratio

To ensure the fairness and appropriateness of the share exchange ratio, the Company designated Mitsubishi UFJ Securities, Co., Ltd. and Mitsubishi Shindoh Co., Ltd. designated GCA Corporation as their respective third-party advisors to perform the calculation of the share exchange ratio. The share exchange ratio was approved after the discussion between the

Company and Mitsubishi Shindoh Co., Ltd. considering the calculation results, such as the market value average method, the multiple method (a method which applied multiples to the comparable company's financial metrics), and the discounted cash flow (DCF).

##### (4) Number of issued shares and its amount

Number of issued shares	17,204,582 shares
Amount	¥12,057 million

##### (5) Details of goodwill, reason and amortization method and period

Goodwill amount	¥2,435 million
-----------------	----------------

##### Reason of the goodwill

The goodwill was generated because the minority interest decreased by this share exchange was smaller than the acquisition cost of Mitsubishi Shindoh Co., Ltd.'s common stock.

##### Amortization method and period

Amortized using straight-line method for 5 years.

##### (6) Contingent consideration subject to condition as defined in the business combination contract and its accounting treatment

Not applicable

##### (7) Amount and the accounting caption of the expense allocated as research and development among the acquisition cost

Not applicable

## Note 23 Subsequent events

On April 28, 2010, the Company was instructed by Mie prefectural authorities to cease utilization of a part of the facilities in the Yokkaichi Plant, on the alleged basis that the necessary permit under the High Pressure Gas Safety Act had not been obtained. The Company takes this situation seriously and has decided to temporarily suspend operation of the plant. Under the guidance of the Mie prefectural authorities and other relevant government bodies, the Company has been implementing facilities improvement construction to comply with the High Pressure Gas Safety Act. The Company is expecting to be able to resume operations by stages after the end of July 2010.

Business results of the plant for the year ended March 31, 2010 were as follows:

Net sales	¥17,133 million (\$184,154 thousand)
Operating income	¥1,484 million (\$15,958 thousand)
Production of polycrystalline silicon	1,805 tons per year



# Independent Auditors' Report

To the Shareholders and the Board of Directors of  
Mitsubishi Materials Corporation

We have audited the accompanying consolidated balance sheets of Mitsubishi Materials Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2010 and 2009, the related consolidated statements of operations for each of the three years in the period ended March 31, 2010, the consolidated statements of changes in net assets for each of the three years in the period ended March 31, 2010 and the consolidated statements of cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Materials Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

- (1) As discussed in Note 2 (s), Mitsubishi Materials Corporation has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" in the year ended March 31, 2009.
- (2) As discussed in Note 2 (f), Mitsubishi Materials Corporation has changed its measurement method of available-for-sale securities with available fair market value in the year ended March 31, 2010.
- (3) As discussed in Note 23, on April 28, 2010, Mitsubishi Materials Corporation was instructed by Mie prefectural authorities to cease utilization of a part of the facilities of the Yokkaichi Plant, and decided to temporarily suspend operation of the plant.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co*

Tokyo, Japan  
June 29, 2010



# Main Consolidated Subsidiaries and Affiliates (As of June 29, 2010)

## Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership
<b>Cement</b>		
MCC Development Corp	Investment in cement-related industries	70%
Mitsubishi Cement Corp	Production and sales of cement	67%
Mitsubishi Materials Kenzai Corp	Production and sales of concrete products and other building materials	100%
Robertson's Ready Mix, Ltd	Production and sales of ready-mixed concrete and aggregates	70% (indirectly)
Ryoko Lime Industry Co., Ltd	Production and sales of limestone	100%
Tokyo Hosokawa Kogyo Co., Ltd	Construction	96%
<b>Metals</b>		
Mitsubishi Shindoh Co., Ltd	Production and sales of copper, copper alloy and brass semis	100%
Mitsubishi Cable Industries Co., Ltd	Production and sales of electric wire and cable	100%
Onahama Smelting & Refining Co., Ltd	Smelting and refining of copper	50%, 4% (indirectly)
PT Smelting	Smelting, refining and sales of copper	61%
<b>Advanced Materials &amp; Tools</b>		
Japan New Metals Co., Ltd	Production and sales of tungsten and molybdenum	89%, 11% (indirectly)
Mitsubishi Materials Tools Co., Ltd	Sales of cutting tools	100%
Mitsubishi Materials U.S.A. Corp	Surveys in the United States and sales of fabricated metal products and electronic parts	100%
Mitsubishi Materials C.M.I. Co., Ltd	Production and sales of tungsten alloy, electric contacts and motors	100%
Diamet Corporation	Production and sales of powder metallurgical products	100%
<b>Electronic Materials &amp; Components</b>		
Mitsubishi Materials Electric Chemicals Co., Ltd	Production and sales of chemical products	100%
Mitsubishi Polycrystalline Silicon America Corp	Production and sales of polycrystalline silicon	100%
<b>Aluminum</b>		
Universal Can Corp	Production and sales of aluminum beverage cans	80%
Mitsubishi Aluminum Co., Ltd	Production and sales of aluminum sheets, extrusion and foil	88%
Tachibana Metal Manufacturing Co., Ltd	Production and sales of fabricated aluminum products	63% (indirectly)
<b>Others</b>		
Mitsubishi Materials Techno Corp	Technical engineering and construction	100%
Dia Consultants Co., Ltd	Soil analysis and consulting	81%, 3% (indirectly)
Diasalt Corp	Production and sales of salt	95%
Material-Finance Co., Ltd	Financing	100%
Mitsubishi Materials Real Estate Corp	Real estate	100%
Ryoko Sangyo Corp	Trading	100%

## Main Affiliates\*

	Line of Business	Percentage of Ownership
<b>Cement</b>		
P.S. Mitsubishi Construction Co., Ltd **	Construction	40%, 1% (indirectly)
Ube-Mitsubishi Cement Corp	Sales of cement	50%
<b>Metals</b>		
Kobelco & Materials Copper Tube, Ltd	Production and sales of copper tubes and related products	45%
<b>Electronic Materials &amp; Component</b>		
SUMCO CORPORATION**	Production and sales of silicon wafers	28%
<b>Others</b>		
Mitsubishi Nuclear Fuel Co., Ltd	Production and sales of nuclear fuels for power generation	30%

\* Companies to which the equity method is applied

\*\* Companies whose shares are listed on the Tokyo Stock Exchange



# International Network (As of June 29, 2010)

## North America

- **Canada**  
Mitsubishi Materials Corp. Vancouver Office  
*Representative office*
- **Mexico**  
MMC Metal de Mexico S A  
*Sales of cemented carbide products*
- **United States**  
MCC Development Corp  
*Investment in cement-related industries*
- Mitsubishi Cement Corp  
*Production and sales of cement*
- Mitsubishi Materials U S A Corp  
*Surveys in the United States and sales of fabricated metal products*
- Mitsubishi Polycrystalline Silicon America Corp  
*Production and sales of polycrystalline silicon*
- RFM Inc  
*Production of cemented carbide products*
- Robertson's Ready Mix, Ltd  
*Production and sales of ready-mixed concrete and aggregates*
- THERMALEX, Inc  
*Production and sales of aluminum extrusion*

## South America

- **Brazil**  
MMC-Metal do Brasil Ltda  
*Sales of cemented carbide products*
- **Chile**  
Mitsubishi Materials Corp. Chile Office  
*Representative office*

## Europe

- **France**  
MMC Metal France S A R L  
*Sales of cemented carbide products*
- **Germany**  
MMC Hardmetal (Holdings) Europe GmbH  
*Holding company for fabricated metal products*
- MMC Hartmetall GmbH  
*Sales of cemented carbide products*
- **Italy**  
MMC Italia S R L  
*Sales of cemented carbide products*
- **Netherlands**  
MM Netherlands Co  
*Holding company for copper mine*

- **Russia**  
MMC Hardmetal Russia Ltd  
*Sales of cemented carbide products*
- **Spain**  
Mitsubishi Materials Espana S A Sociedad Unipersona  
*Production and sales of cemented carbide products*
- **United Kingdom**  
MMC Hard Metal U K Ltd  
*Sales of fabricated metal products*

## Asia

- **India**  
Sona Okegawa Precision Forgings Ltd  
*Production and sales of precision forging gears for automobiles*
- MMC Hardmetal India PVT Ltd  
*Sales of cemented carbide products*
- **Indonesia**  
PT Higashifuji Indonesia  
*Production and sales of micromotors*
- PT MMC Metal Fabrication  
*Production and sales of nickel-base alloy fabricated products*
- PT Smelting  
*Smelting, refining and sales of copper*
- **Malaysia**  
Higashifuji (Malaysia) Sdn Bhd  
*Production and sales of micromotors*
- MMC Electronics (M) Sdn Bhd  
*Production and sales of electronic parts*
- **People's Republic of China**  
(Hong Kong SAR)
- MMC Electronics (H K ) Ltd  
*Sales of electronic parts*
- (Other areas)
- MA China Extrusion (Suzhou) Co , Ltd  
*Production and sales of aluminum extrusion*
- Mitsubishi Materials Corp. Shanghai Office  
*Representative office*
- Mitsubishi Materials (Shanghai) Corp  
*Management, consulting and sales in China*
- MMC Shanghai Co , Ltd  
*Sales of electronic parts*
- Tianjin Tianling Carbide Tools Co , Ltd  
*Production and sales of cemented carbide products*
- Yantai Mitsubishi Cement Co , Ltd  
*Production and sales of cement*
- **Singapore**  
MMC Metal Singapore Pte Ltd  
*Sales of cemented carbide products*
- **South Korea**  
MMC Electronics Korea Inc  
*Sales of electronic parts*
- **Taiwan**  
MUE Materials Taiwan Co , Ltd  
*Production and sales of sputtering targets*
- **Thailand**  
Higashifuji Thailand Co , Ltd  
*Production and sales of micromotors*
- MMC Electronics (Thailand) Co , Ltd  
*Production and sales of electronic parts*
- MMC Tools (Thailand) Co , Ltd  
*Production and sales of cemented carbide products*
- Mitsubishi Materials Corp. Southeast Asia Regional Office  
*Representative office*
- MUANG-MAX (Thailand) Co , Ltd  
*Production and sales of aluminum extrusion*
- **Vietnam**  
Nghi Son Cement Corporation  
*Production and sales of cement*

## Oceania

- **Australia**  
Mitsubishi Materials (Australia) Pty Ltd  
*Development of coal mines*



## Corporate History

1871	Tsukumo Shokai, precursor to Mitsubishi Shokai, leases a coal mine from the Shingu clan in Kishu, and enters the mining business
1873	Mitsubishi Shokai, precursor to Mitsubishi Goshi Kaisha, acquires the Yoshioka Mine in Okayama Prefecture, and enters the metals mining business
1893	Mitsubishi Goshi Kaisha is established
1896	Buys a refinery in Osaka owned by the Imperial Household Agency and enters the metal refining business
1917	Establishes the Mining Research Institute, now the Central Research Institute Establishes the Naoshima Smelter & Refinery
1918	Mitsubishi Mining Company Ltd established and takes over the coal and metal mining operations of the Mitsubishi Goshi Kaisha as well as operation of the research facility
1920	Kanda Plant (now, Kyushu Plant) established and begins cement production
1921	Company lists on the Tokyo Stock Exchange
1942	Tokyo Metals Plant (now, Tsukuba Plant) made into independent operation and begins full-scale production of cutting tools
1944	Niigata Metals Plant (now, Diamet Corporation) established to manufacture sintered products
1945	Nonferrous Metals Plant (now, MMC Superalloy Co., Ltd.) established and begins production of special copper alloy
1950	Operations split into two companies—Mitsubishi Mining Corporation for coal operations and Taihei Mining for metal mining—in accordance with a law to eliminate excessive concentrations of economic power held by some corporate groups
1950	Taihei Mining lists on the Tokyo Stock Exchange
1952	Taihei Mining changes its name to Mitsubishi Metal Mining Company Ltd
1954	Mitsubishi Cement is established and enters the cement business
1959	Japan Electronic Metals Co., Ltd. is established and enters the field of high-purity silicon for semiconductors
1962	Mitsubishi Reynolds Aluminum Co., Ltd. (now, Mitsubishi Aluminum Co., Ltd.) is established as a general maker of rolled aluminum sheet & plate, foil and extruded products
1971	Mitsubishi Nuclear Fuel Co., Ltd. is established to manufacture nuclear fuels
1972	Fujioyama Plant is established and enters the aluminum beverage can business
1973	Mitsubishi Mining, Mitsubishi Cement and Hokoku Cement merge into Mitsubishi Mining & Cement Co., Ltd Mitsubishi Metal Mining changes name to Mitsubishi Metal Corporation
1976	Production and sales of ceramic electronic components begins
1988	Mitsubishi Cement is established in the United States, marking entry into the overseas cement business
1990	Mitsubishi Metal and Mitsubishi Mining & Cement merge to form Mitsubishi Materials on December 21
1991	Merges with Tohoku Kaihatsu Co., Ltd. on October 1
1996	Establishes PT Smelting in Indonesia
1998	Institutes GPM Committee and strengthens companywide environmental protection activities Forms comprehensive business tieup with Ube Industries, Ltd. and establishes Ube-Mitsubishi Cement Corp
2000	Strengthens tool business with acquisition of Kobelco Tool Co., Ltd. (now, Mitsubishi Materials Kobe Tools Corporation)
2002	Integrates silicon wafer business with that of Sumitomo Metal Industries, Ltd. to create Sumitomo Mitsubishi Silicon Corp (now, SUMCO CORPORATION)
2003	Consolidates domestic sales structure for superhard tools into Mitsubishi Materials Tools Co., Ltd
2004	Integrates copper tube business with that of Kobe Steel, Ltd. to create Kobelco & Materials Copper Tube, Ltd
2005	Signs basic agreement with Hokkai Co., Ltd. to integrate aluminum beverage can operations
2008	Mitsubishi Shindoh Co., Ltd. merges with and absorbs Sambo Copper Alloy Co., Ltd
2009	Mitsubishi Nuclear Fuel Co., Ltd. is restructured to create comprehensive nuclear fuel company



## Financial Data (As of March 31, 2010)

Company Name  
Mitsubishi Materials Corporation

### Head Office

3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo  
100-8117 Japan  
URL <http://www.mmc.co.jp/corporate/en/>

### Date Established

April 1, 1950

### Paid-in Capital

¥119,457 million

### Number of Employees

Parent company 4,730  
Consolidated 21,641

## Investor Information (As of March 31, 2010)

### Shares of Common Stock

Authorized 3,400,000,000  
Issued and Outstanding 1,314,895,351

### Number of Shareholders

165,064

### Stock Listing

Tokyo Stock Exchange  
Osaka Securities Exchange

### Transfer Agent of Common Stock

The Mitsubishi UFJ Trust and Banking Corp  
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

### Independent Certified Public Accountants

KPMG AZSA & Co

### For Further Information, Contact

Corporate Communications & IR Dept  
Tel +81-3-5252-5206  
Fax +81-3-5252-5272  
E-mail [ml-mmcr@mmc.co.jp](mailto:ml-mmcr@mmc.co.jp)

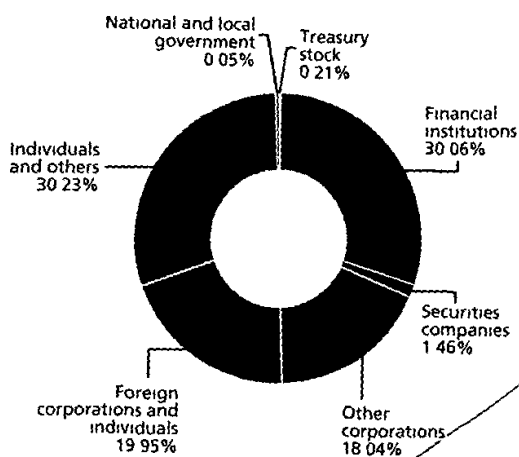
### Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in June each year in Tokyo

### Major Shareholders

Japan Trustee Service Bank, Ltd (Trust account)  
The Master Trust Bank of Japan, Ltd (Trust account)  
The Bank of Tokyo-Mitsubishi UFJ Ltd  
The Meiji Yasuda Mutual Life Insurance Co  
Nihon Life Insurance Company

### Distribution of Shareholders





 **MITSUBISHI MATERIALS CORPORATION**

<http://www.mmc.co.jp/>

Printed in Japan