



November 25, 2021

To All Concerned Parties

Company name	Mitsubishi Materials Corporation
Representative	Naoki Ono, Chief Executive Officer (Securities code: 5711, First Section, Tokyo Stock Exchange)
Contact for inquiries	Yuji Omura, General Manager, Corporate Communications Dept. (Tel: +81-3-5252-5206)

### **Notice Regarding Change in Consolidated Subsidiary (Specified Subsidiary)**

Mitsubishi Materials Corporation (hereinafter the “Company”) hereby announces that the Company agreed with PT Freeport Indonesia (hereinafter “PTFI”) in relation to a Company’s consolidated subsidiary (specified subsidiary), PT. Smelting (hereinafter “PTS”), to increase the copper concentrate processing capacity of PTS’s copper smelter and refinery (hereinafter the “Expansion Work”) with a loan fully funded by PTFI to PTS, which will be converted to newly issued shares of PTS by the book value per share method on the condition of the completion of the Expansion Work, and adopted at the meeting of its Board of Directors held today by a resolution to execute related contracts with PTFI. The Company also announces that PTS will change from a consolidated subsidiary of the Company to an equity method affiliate after the completion of the Expansion Work and PTS’s capital increase (conversion of the loan).

The Company also agreed with PTFI to modify the business structure of PTS to a tolling arrangement to process PTFI’s copper concentrates (hereinafter the “Tolling Structure”) from 2023.

#### **1. Purpose of the change in a consolidated subsidiary and outline of the Expansion Work**

Since its establishment in 1996, PTS has supplied high quality copper cathodes to customers in Indonesia and Southeast Asia, as a key base for the Company in Southeast Asia and as the only copper smelter and refinery in Indonesia. The new mining law enacted in 2009 in Indonesia requires mining companies to process ores or concentrates domestically. These requirements have enhanced PTS’s status as an integrated smelter for the Grasberg mining district operated by PTFI. In consideration of such condition, the Company has discussed with PTFI the future business plans of PTS and concluded that:

- (a) PTS will implement the Expansion Work as a part of the fulfillment of adding value to concentrates,
- (b) PTS will borrow from PTFI the full amount required for the Expansion Work, and
- (c) On the condition of the completion of the Expansion Work, the outstanding amount borrowed by PTS from PTFI will be converted to newly issued shares of PTS based on book value.

Based on the above, the Company resolved today at the meeting of its Board of Directors to execute definitive contracts with PTFI. After completion of the Expansion Work and issuance of additional shares to PTFI, which is scheduled in the first half of 2024, PTS will change from a consolidated subsidiary of the Company to an equity method affiliate.

The outline of the Expansion Work is as follows:

Annual copper concentrate processing capacity	: increase from 1.0 million dmt to 1.3 million dmt
Annual copper cathode production capacity	: increase from 300,000 mt to 342,000 mt.
Expansion cost	: approximately US\$ 250 million (current estimate)
Target completion date	: the end of December 2023 (Orders will be placed sequentially from December 2021)
Operation of the existing facilities	: continue in operation except 2.5 months shutdown in the 1 <sup>st</sup> half of 2023

## 2. Change in the business structure of PTS

Along with the discussion about the Expansion Work, the Company has also agreed with PTFI to modify the future business structure of PTS beginning in 2023.

Currently, PTS generates income by purchasing copper concentrates from mining companies, producing copper cathodes, precious metals slimes and other byproducts, and selling those products to its customers. After the change in the business structure, PTS will process copper concentrates supplied solely by PTFI on a tolling basis. The ownership of copper, gold and silver contained in the copper concentrates smelted and refined at PTS will belong to PTFI, including the period during smelting and refining, and the copper cathodes, precious metals slimes and other byproducts produced from the smelting and refining proves will remain the property of PTFI. PTS will receive fees from PTFI as compensation for such tolling services.

After the change in the business structure of PTS to the Tolling Structure, a newly established subsidiary of the Company in Indonesia will be the operator of PTS and, therefore, the Company, with more than twenty years of experience by managing the operation of PTS, will remain deeply involved in the daily operations of PTS through its new subsidiary, and the Company will be engaged in the sales and marketing of the PTFI-owned copper cathodes produced under the Tolling Structure.

## 3. Outline of PTS

5. Outline of PTS

(1)	Name	PT. Smelting		
(2)	Location	Capital Place Office Tower, 3rd Floor, Unit C, Jalan Jend. Gatot Subroto Kav.18 Jakarta 12710, Indonesia		
(3)	Name and title of representative	Hideya Sato, President Director		
(4)	Business Description	Smelting and refining of nonferrous metals		
(5)	Share capital	US\$ 326 million		
(6)	Date of establishment	February 7, 1996		
(7)	Shareholder and shareholding ratio	The Company: 60.5% PTFI: 39.5%		
(8)	Relations between the Company and PTS	Capital relations	The Company holds 60.5% of the shares in PTS, and it is a consolidated subsidiary.	
		Human relations	The Company dispatches six directors to PTS, including President Director.	
		Business relations	The Company and PTS have business relations including sale and purchase of copper cathodes and precious metals slimes.	
(9)	Financial position and operating results for the most recent three fiscal years			
Fiscal year (in millions of US\$)		fiscal year ended March 31, 2019	fiscal year ended March 31, 2020	fiscal year ended March 31, 2021
Net assets		528	418	435
Total assets		1,162	1,074	1,293
Net sales		2,862	2,672	2,786
Operating profit		58	101	56
Ordinary profit		42	77	44
Profit		31	51	28

#### 4. Outline of the change in shareholding ratio of PTS

(1)	Share capital and shareholding ratio before the capital increase	Share Capital: US\$ 326 million (of which the Company invested US\$ 197 million) Shareholding ratio: 60.5%
(2)	Share capital and shareholding ratio after the capital increase (estimate)	Share Capital: US\$ 576 million (of which the Company invested US\$ 197 million) Shareholding ratio: approximately 35%

#### 5. Schedule

(1)	November 25, 2021 (date of this announcement)	Resolution by the Board of Directors of the Company and Shareholders' meeting of PTS
(2)	November 30, 2021 (expected)	Execution of definitive agreements
(3)	December 2021 (expected)	Commencement of the Expansion Work
(4)	January 2023 (expected)	Commencement of the Tolling Structure
(5)	December 2023 (expected)	Completion of the Expansion Work
(6)	1 <sup>st</sup> half of 2024 (expected)	Completion of capital increase by PTS and change of PTS to an equity method affiliate of the Company

#### 6. Future outlook

This transaction has no impact on the consolidated and non-consolidated financial results of the Company for the fiscal year ending March 31, 2022.

(Reference) Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (announced on November 9, 2021) and Results for the Previous Fiscal Year

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Forecast for the fiscal year ending March 31, 2022	1,760,000	42,000	59,000	37,000
Results for the fiscal year ended March 31, 2021	1,485,121	26,567	44,527	24,407