Note: *This document is a translation of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Japanese Accounting Standards)

February 9, 2022

Name of Listed Company: Mitsubishi Materials Corporation Listing: Tokyo Stock Exchange
Stock Code: 5711 URL: https://www.mmc.co.jp/
Representative: Naoki Ono, Chief Executive Officer
Contact: Yuji Omura, General Manager, Corporate Communications Dept. Tel: +81-3-5252-5206
Scheduled filing date of Quarterly Report: February 9, 2022
Scheduled date of start of dividend payment: –
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The nine months ended December 31, 2021	1,314,025	21.7	39,319	152.1	61,206	91.2	61,472	458.2
The nine months ended December 31, 2020	1,079,885	-4.0	15,595	-34.9	32,019	-18.8	11,012	9.5

(Note) Comprehensive income: The nine months ended December 31, 2021: 62,964 million yen (207.9%)
The nine months ended December 31, 2020, 20,452 million yen (33.5%)

	Profit per share	Diluted net income per share
	Yen	Yen
The nine months ended December 31, 2021	470.52	–
The nine months ended December 31, 2020	84.23	–

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2021	2,111,295	660,300	27.8
As of March 31, 2021	2,035,546	614,394	26.8

(Reference) Shareholders' Equity: As of December 31, 2021: 587,751 million yen As of March 31, 2021: 545,233 million yen

2. Dividend Payments

	Dividend per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	0.00	–	50.00	50.00
Year ending March 31, 2022	–	40.00			
Year ending March 31, 2022 (Forecast)				40.00	80.00

(Note1) Revision of dividend forecast published most recently: No
(Note2): The interim dividend per share for the year ending March 31, 2022 consists of 25.00 yen ordinary dividend and 15.00 yen special dividend. The year-end dividend per share for the year ending March 31, 2022 (Forecast) consists of 25.00 yen ordinary dividend and 15.00 yen special dividend.

3. Consolidated Earnings Forecast (From April 1, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2022	1,760,000	18.5	42,000	58.1	59,000	32.5	37,000	51.6	283.21

(Note) Revision to forecast published most recently: No

* Notes
(1) Significant changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
New: - (Company name: -), Exempt: - (Company name: -)

(2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes
(Note) For details, please see “(3) Key notes on consolidated quarterly financial statements, Application of special accounting treatment in the preparation of quarterly consolidated financial statements” under “2. Consolidated Financial Statements and Key Notes” on page 12.

(3) Changes in accounting policies, changes of accounting estimates and restatement
(i) Changes in accounting policies due to amendments to accounting standards: Yes
(ii) Other changes in accounting policies: None
(iii) Changes in accounting estimates: None
(iv) Restatements: None

(4) Numbers of issued shares (common stock)
(i) Numbers of issued shares at end of period (including treasury shares):

Nine months ended December 31, 2021:	131,489,535 shares
Year ended March 31, 2021:	131,489,535 shares

(ii) Numbers of treasury shares at end of period:

Nine months ended December 31, 2021:	845,964 shares
Year ended March 31, 2021:	836,604 shares

(iii) Average number of shares issued during period (quarterly cumulative period):

Nine months ended December 31, 2021:	130,647,945 shares
Nine months ended December 31, 2020:	130,744,368 shares

* This quarterly financial summary is not subject to a quarterly review by certified public accountants or audit firms.

* Explanation about the proper use of financial forecasts and other special notes
(Notes concerning forward-looking statements, etc.)
The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.
Please see “(3) Information on the consolidated earnings forecasts and other future forecasts” under “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2021” on page 6 for the assumptions about consolidated earnings forecasts.

(Procedure for obtaining supplementary information on quarterly financial results and quarterly financial briefing)
Mitsubishi Materials Corporation plans to hold a quarterly financial briefing for institutional investors on Wednesday, February 9, 2022. The materials used at this briefing are disclosed on the TDnet and the Company’s web page at the time that the quarterly financial results are announced.

Contents

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2021

(1) Details of operating results

1) Overview of operating results

During the first nine months of the current fiscal year, the economy in China and the United States continued to show a gradual recovery from the economic downturn caused by the global spread of COVID-19, and signs of economic recovery were also shown in Europe, Thailand and Indonesia.

The Japanese economy continued to show signs of recovery in exports and industrial production etc., despite the lingering effects of COVID-19.

Regarding the business environment for the Mitsubishi Materials Group (hereinafter referred to as "the Group"), in addition to the solid metal prices, demands for semiconductor-related and automobile-related products remained steady. On the other hand, domestic demand for cement has declined.

Under these circumstances, consolidated net sales for the first nine months of the current fiscal year under review were ¥1,314,025 million (up 21.7% year-on-year), operating profit was ¥39,319 million (up 152.1%), and ordinary profit was ¥61,206 million (up 91.2%). In addition, the Group recorded extraordinary income of ¥33,210 million as a gain on sales of investment securities. As a result, profit attributable to owners of the parent was ¥61,472 million (up 458.2%).

2) Overview by segments

(Advanced Products)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)	
Net sales	251.4	356.8	105.4	(41.9%)
Operating profit (loss)	(0.6)	9.8	10.5	(-%)
Ordinary profit	1.9	11.6	9.7	(494.5%)

In the Copper & copper alloy products business, both net sales and operating profit increased due to higher sales, mainly of products for the automobile industry.

In the Electronic materials & components business, net sales decreased due to the application of the "Accounting Standard for Revenue Recognition" etc., despite an increase in sales, mainly of semiconductor-related products. As a result, net sales decreased but operating profit increased.

Consequently, net sales and operating profit for the entire Advanced Products Business increased year-on-year. Ordinary profit increased due to the increase in operating profit.

(Metalworking Solutions Business)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)	
Net sales	88.5	98.9	10.3	(11.7%)
Operating profit (loss)	(3.4)	10.1	13.5	(-%)
Ordinary profit (loss)	(3.1)	10.0	13.1	(-%)

Both net sales and operating profits increased due to additional demand for cemented carbide products in Japan and major overseas countries and the impact of the removal from the scope of consolidation in December 2020 of Diamet Corporation and its three subsidiaries, which had been recording operating losses on a continuous basis.

As a result, net sales and operating profit for the entire Metalworking Solutions Business increased year-on-year. Ordinary profit increased due to the increase in operating profit.

(Metals Business)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)	
Net sales	521.8	711.9	190.0	(36.4%)
Operating profit	10.6	16.9	6.2	(58.5%)
Ordinary profit	22.5	39.9	17.3	(76.6%)

In the Copper business, net sales and operating profit increased mainly as a result of the rise of the cooper price, despite a decrease in production volume compared with the same period of the previous fiscal year.
In the Gold and other valuable metals business, net sales increased but operating profit decreased mainly due to a decline in sales of palladium, despite a hike in palladium prices.
As a result, net sales and operating profit for the entire Metals Business increased year-on-year. Ordinary profit increased due to the increase in operating profit, as well as an increase in the dividend income.

(Cement Business)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)	
Net sales	158.7	155.0	-3.6	(-2.3%)
Operating profit	6.5	3.5	-3.0	(-45.9%)
Ordinary profit	7.4	1.8	-5.6	(-74.8%)

In Japan, despite the resumption of redevelopment work in the Tokyo metropolitan area, net sales declined due to the decrease in demand for disaster recovery work in Tohoku and Chugoku regions respectively and the application of the “Accounting Standard for Revenue Recognition” etc. In addition, energy costs increased. As a result, both net sales and operating profit decreased.
For overseas business, although sales prices of ready-mixed concrete increased in the United States, sales volumes of ready-mixed concrete and cement decreased due to a shortage of drivers against a backdrop of tight supply and demand in the labor market, and operating expenses such as transportation costs and electricity costs increased. In the Coal business in Australia, the sales price of coal increased. As a result, net sales increased while operating profit decreased.
As a result, net sales and operating profit for the entire Cement Business decreased year-on-year. Ordinary profit decreased due to the decline in share of profit of entities accounted for using equity method in addition to the decrease in operating profit.

(Environment & Energy Business)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)
Net sales	15.7	13.2	-2.5 (-16.1%)
Operating profit	0.2	1.0	0.7 (349.9%)
Ordinary profit	1.1	2.2	1.0 (89.0%)

Net sales and operating profit for the Energy-related business increased due to an increase in sales of nuclear-energy-related services.
In the Environmental and recycling-related business, both net sales and operating profit increased due to an increase in the unit price of valuable resources sold.
In addition to the above, due to the impact of the removal of DIA CONSULTANTS CO., Ltd. from the scope of consolidation in July 2021 and other factors, overall net sales for the entire Environment & Energy Business decreased year-on year, while operating profit increased. Ordinary profit increased as a result of an increase in share of profit of entities accounted for using equity method in addition to the increase in operating profit.

(Other Businesses)

(Billion yen)

	FY2021 Q1-Q3	FY2022 Q1-Q3	Increase / Decrease (%)
Net sales	196.1	183.2	-12.8 (-6.6%)
Operating profit	5.2	5.0	-0.2 (-4.3%)
Ordinary profit	5.0	4.4	-0.6 (-12.2%)

In the Aluminum beverage cans business, both net sales and operating profit decreased due to a decline in sales of regular cans and an increase in raw material costs, despite an increase in sales of bottle cans.
The Aluminum rolled and processed products business has seen a decrease in net sales due to the application of the "Accounting Standard for Revenue Recognition" etc., despite the increase in sales mainly on automobile products and the effect of cost reductions, etc. As a result, net sales decreased but operating profit increased.
Net sales and operating profits of Other Businesses other than the Aluminum beverage cans business and the Aluminum rolled and processed products business decreased in total.
As a result, net sales and operating profit for the Other Businesses decreased year-on-year. Ordinary profit decreased due to the decrease in operating profit.

(2) Details of financial position

Total assets at the end of the third quarter of the consolidated fiscal year stood at ¥2,111.2 billion, increased by ¥75.7 billion from the end of the previous fiscal year. This was mainly due to an increase in inventories.
Total liabilities amounted to ¥1,450.9 billion, a decrease by ¥29.8 billion from the end of the previous fiscal year.
This was mainly due to an increase in bonds payable.

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

Although the Group's business performance is greatly affected by fluctuating factors such as foreign exchange rates, metal prices, and energy prices, the consolidated earnings forecasts for the full fiscal year ending March 31, 2022 remains unchanged from the previous forecast announced on November 9, 2021, taking into consideration the results for the first nine months of the current fiscal year and the outlook for the future business environment.

(Note) The above is based on the economic environment, market conditions and other factors that can be presumed as of the date of this announcement; hence the actual results may differ from such forecast due to various factors arising in the future.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	153,086	154,468
Notes and accounts receivable - trade	220,522	245,739
Merchandise and finished goods	117,498	141,179
Work in process	126,357	147,967
Raw materials and supplies	136,019	162,974
Other	289,513	335,373
Allowance for doubtful accounts	(3,103)	(2,285)
Total current assets	1,039,894	1,185,416
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	227,111	223,527
Land, net	209,707	208,916
Other, net	228,582	237,500
Total property, plant and equipment, net	665,402	669,944
Intangible assets		
Goodwill	31,670	29,068
Other	14,760	14,136
Total intangible assets	46,431	43,204
Investments and other assets		
Investment securities	217,477	165,941
Other	70,732	51,262
Allowance for doubtful accounts	(4,392)	(4,475)
Total investments and other assets	283,818	212,729
Total non-current assets	995,651	925,878
Total assets	2,035,546	2,111,295

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	153,603	146,903
Short-term borrowings	175,686	162,673
Current portion of bonds payable	20,000	10,000
Commercial papers	40,000	35,000
Income taxes payable	6,781	17,278
Provisions	14,187	8,636
Deposited gold bullion	323,505	354,278
Other	125,072	124,490
Total current liabilities	858,838	859,261
Non-current liabilities		
Bonds payable	40,000	70,000
Long-term borrowings	353,795	366,114
Provision for environmental measures	26,555	22,635
Other provisions	4,423	1,914
Retirement benefit liability	42,249	43,113
Other	95,289	87,954
Total non-current liabilities	562,313	591,733
Total liabilities	1,421,151	1,450,994
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	79,439	79,387
Retained earnings	294,814	345,384
Treasury shares	(2,868)	(2,888)
Total shareholders' equity	490,843	541,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42,940	26,266
Deferred gains or losses on hedges	(1,119)	(5,236)
Revaluation reserve for land	27,097	27,032
Foreign currency translation adjustment	(8,057)	3,393
Remeasurements of defined benefit plans	(6,470)	(5,047)
Total accumulated other comprehensive income	54,390	46,409
Non-controlling interests	69,161	72,549
Total net assets	614,394	660,300
Total liabilities and net assets	2,035,546	2,111,295

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

(Million yen)

	Nine Months Ended December 31, 2020 (Apr 1, 2020 - Dec 31, 2020)	Nine Months Ended December 31, 2021 (Apr 1, 2021 - Dec 31, 2021)
Net sales	1,079,885	1,314,025
Cost of sales	956,764	1,159,599
Gross profit	123,120	154,426
Selling, general and administrative expenses	107,525	115,106
Operating profit	15,595	39,319
Non-operating income		
Interest income	620	414
Dividend income	15,687	24,522
Rental income from non-current assets	3,796	3,784
Share of profit of entities accounted for using equity method	3,001	3,117
Other	5,746	3,572
Total non-operating income	28,853	35,411
Non-operating expenses		
Interest expenses	3,194	4,136
Expense for the maintenance and management of abandoned mines	2,619	2,877
Other	6,614	6,510
Total non-operating expenses	12,428	13,523
Ordinary profit	32,019	61,206
Extraordinary income		
Gain on sales of investment securities	20,085	33,210
Gain on transfer of business	199	—
Other	132	3,059
Total extraordinary income	20,417	36,270
Extraordinary losses		
Extra retirement payments	—	1,743
Loss on business restructuring	22,370	—
Other	2,730	1,933
Total extraordinary losses	25,101	3,677
Profit before income taxes	27,336	93,799
Income taxes	11,519	25,191
Profit	15,816	68,608
Profit attributable to non-controlling interests	4,803	7,135
Profit attributable to owners of parent	11,012	61,472

Consolidated statements of comprehensive income

(Million yen)

	Nine Months Ended December 31, 2020 (Apr 1, 2020 - Dec 31, 2020)	Nine Months Ended December 31, 2021 (Apr 1, 2021 - Dec 31, 2021)
Profit	15,816	68,608
Other comprehensive income		
Valuation difference on available-for-sale securities	14,222	(16,687)
Deferred gains or losses on hedges	(4,077)	(900)
Foreign currency translation adjustment	(8,380)	11,122
Remeasurements of defined benefit plans	2,405	1,525
Share of other comprehensive income of entities accounted for using equity method	465	(704)
Total other comprehensive income	4,635	(5,644)
Comprehensive income	20,452	62,964
(Breakdown)		
Comprehensive income attributable to owners of parent	18,484	53,644
Comprehensive income attributable to non-controlling interests	1,968	9,319

(3) Key notes on consolidated quarterly financial statements

Notes on going concern assumption

N/A

Segment Information, etc.

[Segment Information]

I. For the third quarter ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in quarterly consolidated statements of profit and loss
Net sales									
(1) Outside customers	242,387	81,990	418,631	156,801	15,335	164,739	1,079,885	—	1,079,885
(2) Within consolidated group	9,037	6,571	103,260	1,915	431	31,416	152,633	(152,633)	—
Total	251,424	88,561	521,892	158,716	15,766	196,155	1,232,518	(152,633)	1,079,885
Segment income (loss)	1,965	(3,163)	22,595	7,499	1,182	5,041	35,120	(3,100)	32,019

Notes:

1.“Other Businesses” include aluminum-related business and engineering-related services etc.

2. “Adjustment amount” in segment income (loss) of -¥3,100 million includes the amount of elimination of intersegment transactions of ¥8 million and corporate expenses of -¥3,108 million which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

3. Segment income (loss) has been adjusted with ordinary profit on the consolidated statements of profit or loss.

II. For the third quarter ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Total	Adjustment amount	Amount in quarterly consolidated statements of profit and loss
Net sales									
(1) Outside customers	344,446	95,611	549,292	153,744	12,569	158,361	1,314,025	—	1,314,025
(2) Within consolidated group	12,380	3,302	162,665	1,337	651	24,922	205,260	(205,260)	—
Total	356,826	98,913	711,957	155,082	13,221	183,283	1,519,285	(205,260)	1,314,025
Segment income (loss)	11,682	10,010	39,900	1,889	2,233	4,428	70,144	(8,937)	61,206

Notes:

1.“Other Businesses” include aluminum-related business and engineering-related services etc.

2. “Adjustment amount” in segment income of -¥8,937 million includes the amount of elimination of intersegment transactions of -¥289 million and corporate expenses of -¥8,648 million which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

3. Segment income has been adjusted with ordinary profit on the consolidated statements of profit or loss.

2. Matters regarding the change in the reporting segments, etc.

As stated in the “Changes in accounting policies” section of this report, from the beginning of the first quarter of the FY2022, the Company has applied the “Accounting Standard for Revenue Recognition” ,etc. and changed its accounting

method for revenue recognition, and the measurement of income in the reporting segments has been changed in the same way.
As a result, net sales to outside customers in the cumulative third quarter decreased by ¥2,232 million in the Advanced Products Business, ¥10,149 million in the Cement Business, and ¥9,353million in the Other Businesses, respectively. The impact of this change on segment income was immaterial.

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

N/A

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

The Company calculates tax expenses by rationally assuming an effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the third quarter of FY2022, and multiplying profit before income taxes for the third quarter by the estimated effective tax rate.

Changes in accounting policies

(Application of accounting standard for revenue recognition, etc.)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) (hereinafter referred to as "Accounting Standard for Revenue Recognition), from the beginning of the first quarter of the current fiscal year and decided to recognize revenue as the amount expected to be received in exchange for the promised goods or services at the time the control of such goods or services is transferred to the customer.
In line with this change, transactions in which the Group is deemed to have been involved as an agent are presented on a net basis.
Regarding the application of the Accounting Standard for Revenue Recognition, etc., the Company follows the transitional treatment stipulated in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively adopting the new accounting policy to the periods prior to the beginning of the first quarter of the current fiscal year is reflected in the balance of the retained earnings at the beginning of the first quarter of the current fiscal year, and the Company has adopted the new accounting policy from the beginning of the current period. However, the Company has also adopted the method stipulated in Article 86 of the Accounting Standard for Revenue Recognition and has not retrospectively applied the new accounting policy to the contracts in which almost all the revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year.
As a result, net sales for the first nine months of the current fiscal year decreased by ¥21,735 million, but the impacts on operating profit, ordinary profit, and profit before income taxes was immaterial. Also, the effect of this change on the balance of retained earnings at the beginning of the current fiscal year was minor.
In accordance with the transitional treatment stipulated in Article 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not provided information on the breakdown of revenues arising from contracts with customers for the first nine months of the previous fiscal year.

(Application of accounting standard for fair value measurement, etc.)

The Company has adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the first quarter of the current consolidated fiscal year, and has decided to continue to apply accounting policies stipulated in the Accounting Standard for Fair Value Measurement and other standards in the future in accordance with transitional treatment set forth in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).
Stocks with market value in available-for-sale securities were previously stated using the mark-to-market method based on the average market price, etc. over a one-month period prior to the end of the fiscal year. However, due to this change, from the first quarter of the current fiscal year, the market value method based on market prices, etc. as of the end of the fiscal year has been applied.
As a result, the impact of this change on the quarterly consolidated financial statements for the first nine months of the current fiscal year was immaterial.

Additional information

(Stock-based compensation system)

1. Overview of the transactions

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

The System adopts a structure called Board Incentive Plan Trust (hereinafter referred to as the "BIP Trust"). The System provides Officers with the shares of the Company and cash equal to the amount of the Company's shares converted into cash, according to the Officers' positions etc.

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

The Company's shares remaining in the BIP Trust are recorded as treasury shares in the net assets section based on the book value in the BIP Trust (excluding the amount of incidental expenses). The book value and the number of the Company's treasury shares were ¥684 million and 274 thousand shares at the end of the previous consolidated fiscal year and ¥684 million and 274 thousand shares at the end of the third quarter of the current fiscal year, respectively.

(Accounting estimates associated with the spread of COVID-19)

As a result of reviews based on external information, etc. available as of the end of the third quarter of the current consolidated fiscal year, no significant change has been made to the assumptions regarding the spread of COVID-19 in the future and the timing of the return to normal, etc., described in "Additional information", "Accounting estimates associated with the spread of COVID-19" of the Annual Securities Report for the previous consolidated fiscal year.

(Conclusion of agreement regarding PT. Smelting (Indonesia))

At a meeting of the Board of Directors held on November 25, 2021, the Company resolved to enter into an agreement with PT Freeport Indonesia (hereinafter referred to as "PTFI") regarding PT. Smelting in Indonesia (hereinafter referred to as "PTS"), a consolidated subsidiary of the Company, that:

・PTS will expand its copper concentrate processing capacity (hereinafter referred to as "Expansion Work");
・PTS will borrow from PTFI, a joint venture partner, the full amount required for the Expansion Work, and the amount borrowed by PTS from PTFI will be converted to newly issued shares of PTS based on book value per share method (capital increase) on the condition of the completion of the Expansion Work; and
・PTS will change its business structure, and process copper concentrates supplied solely by PTFI on a tolling basis from 2023.

For the above, the Company entered into a relevant agreement with PTFI on November 30, 2021.

1. Outline of the Expansion Work and reason for the capital increase

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 to add high-value 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. As a result, the Company has concluded with PTFI 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 of the loan from PTFI to PTS shall be converted to newly issued shares of PTS (capital increase) based on book value per share method.

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 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 to operate in parallel with the Expansion Work. (Except 2.5 months shutdown scheduled in the 1st half of 2023)

2. Change in the business structure of PTS

Along with the discussion about the Expansion Work, the Company has discussed with PTFI on the future management of

PTS, and agreed 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 metal 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. This means that 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 in 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 of the PTFI-owned copper cathodes produced under the Tolling Structure.

3. Outline of the affected subsidiary
Name: PT. Smelting (Indonesia)
Business Description: Smelting and refining of nonferrous metals

4. Outline of the change in shareholding ratio of PTS
Before the capital increase: 60.5%
After the capital increase (Estimate): Approx. 35%

5. Schedule
November 25, 2021: Resolution by the Board of Directors of the Company and Shareholders' meeting of PTS
November 30, 2021: Execution of definitive agreements
December 2021: Commencement of the Expansion Work
January 2023 (expected) : Commencement of the Tolling Structure
December 2023 (expected) : Completion of the Expansion Work
First half of 2024 (expected) : Completion of capital increase by PTS and change of PTS to an equity method affiliate of the Company

(Conclusion of Agreement on Reorganization of Aluminum Business)
The Company resolved at the Board of Directors' Meeting held on November 25, 2021 with regards to its consolidated subsidiaries Universal Can Corporation (hereinafter referred to as "UNICAN") and Mitsubishi Aluminum Co., Ltd. (hereinafter referred to as "Mitsubishi Aluminum", and "the Two Aluminum Companies" together with UNICAN), to transfer all share of UNICAN to Showa Aluminum Can Corporation (hereinafter referred to as "Showa Aluminum Can"), which is owned by funds managed by affiliates of Apollo Global Management, Inc. (together with its consolidated subsidiaries, hereinafter collectively referred to as "Apollo") based in the US, and to split the Aluminum rolling and processing business from Mitsubishi Aluminum into Showa Aluminum Can through an absorption-type company split and related transactions (hereinafter collectively referred to as the "Transaction") and to subsequently reorganize such business into a new company. Subsequently, the Company entered into the agreement with Showa Aluminum Can on the same date. The Transaction is subject to the completion of the acquisition of necessary permits and approvals.

1. Background and objectives
The Company has entered the Aluminum rolling and processing business in 1962 and the Aluminum beverage cans business in 1972. Since then, the Company has been operating both businesses for about half a century. While facing rapid changes in the external environment, the Company has provided support for the further growth of the Two Aluminum Companies, most recently through the expansion of new lines at UNICAN in 2019 and the capital increase at Mitsubishi Aluminum in 2020. But at the same time, the Company has been promoting its optimization of the business portfolio in the Medium-term Management Strategy. While improving the profit structure, the Company has been looking for opportunities to reorganize the Aluminum Business, which found to be difficult to realize synergies with other businesses of the Company. Under these circumstances, the Company repeatedly discussed the Transaction with Apollo, which has global expertise and management resources in the materials industry including aluminum, and concluded that pursuing the enhancement of business competitiveness under Apollo would be the best choice for both the Company and the Two Aluminum Companies, and decided to execute the Agreement and the Transaction.

2. Share transfer of Universal Can Corporation
(1) Outline of the counterparty in the Transaction
Name: Showa Aluminum Can Corporation
Business Description: Manufacturing and sale of aluminum beverage cans
Major shareholders and their shareholding ratio: Alpha Japan Holdings Co., Ltd. (100%)

(2) Name and business description of the consolidated subsidiary to be transferred
Name: Universal Can Corporation
Business Description: Manufacturing and sale of aluminum beverage cans bodies (includes aluminum bottle can bodies for beverages) and aluminum beverage can lids (including aluminum bottle cans lids for beverages)

(3) Number of shares to be transferred, and status of shares held before and after the transfer
Number of shares held before transfer: 64,000 shares (Percentage of voting rights held: 80.0%)
Number of shares to be transferred: 64,000 shares (Ratio to the number of shares issued: 80.0%)
Number of shares held after transfer: 0 shares (Percentage of voting rights held: 0.0%)

3. Business succession through absorption-type split of Mitsubishi Aluminum Co., Ltd.
(1) Method of absorption-type split
Split Company : Mitsubishi Aluminum Co., Ltd.
Successor Company: Showa Aluminum Can Corporation

(2) Shares to be issued and allotted upon absorption-type split
Showa Aluminum Can will allocate the shares of Alpha Japan Holdings Co., Ltd., the parent company of Showa Aluminum Can, to Mitsubishi Aluminum Co., Ltd.

(3) Outline of business to be split
The Aluminum rolling and processing business from Mitsubishi Aluminum Co., Ltd.

(4) Outline of Showa Aluminum Can Corporation
Please refer to "2. Share transfer of Universal Can Corporation (1) Outline of the counterparty in the Transaction."

4. Date of the transaction
November 25, 2021: Conclusion of the Agreement
March 31, 2022 (Scheduled): Completion of the Transaction (Share transfer of UNICAN and absorption-type company split with Mitsubishi Aluminum)

Contingent liabilities

(Matters concerning taxation in Indonesia)

・Previous consolidated fiscal year (As of March 31, 2021)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as “PTS”) received a notice of reassessment in an amount of US$47 million (¥5,299 million based on the exchange rate at the end of the previous consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing, etc. of PTS for the fiscal year ended December 31, 2009. On January 28, 2015, PTS made a provisional deposit of US$14 million (¥1,549 million) as part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed they found an underreporting of sales on the part of PTS based on a comparison of the margin with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and PTS.
The written objection submitted by PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, PTS filed a complaint to the tax court on June 6, 2016 to present its validity of view of the Company and PTS. However, it was dismissed on January 30, 2020. Along with this, PTS paid the shortfall of US$33 million (¥3,749 million) on March 23, 2020 and paid a surcharge of US$33 million (¥3,749 million) on April 24, 2020,

respectively. However, the court's decision ruled by the tax court was unacceptable to the Company and PTS, and PTS appealed to the Supreme Court on June 8, 2020 and asserting the validity of the Company's and PTS's views. The Supreme Court decided to rescind the decision by the tax court on February 17, 2021. As a result, PTS received a notice of determination to rescind the reassessed tax amount from the tax court on April 16, 2021. PTS will commence the procedures to claim a refund for the taxes, etc. that have been paid.
On November 29, 2017, PTS also received a notice of reassessment in an amount of US$22 million (¥2,527 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, PTS made a provisional deposit of US$6 million (¥697 million) as part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was from a point of view that unilaterally negated the basis for recording gains and losses on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.
The written objection submitted by PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, on May 17, 2019, PTS filed a complaint to the tax court in Indonesia to assert the validity of the Company's and PTS's views. On December 16, 2020, regarding the complaint filed by PTS, the tax court found the additional correction of US$14 million (¥1,599 million) as unreasonable. With respect to the US$7 million (¥871 million) and a surcharge US$2 million (¥228 million), that was dismissed, PTS filed an appeal to the Supreme Court in Indonesia to present the legitimacy of the view of the Company and PTS on March 18, 2021.
On December 5, 2018, PTS also received a notice of reassessment in an amount of US$15 million (¥1,684 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2014. On December 27, 2018, PTS made a provisional deposit of US$5 million (¥649 million) as part of the additional collection.
However, PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, because this assessment was from a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of PTS and found to be unacceptable by the Company and PTS.
On January 20, 2020, PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by PTS on February 27, 2019, and the objection of PTS was accepted for US$9 million (¥1,038 million). In regards to the US$4 million (¥524 million), for which the objection was dismissed, PTS filed a complaint to the tax court in Indonesia on July 7, 2020 to present the legitimacy of the view of the Company and PTS.
At the end of the previous consolidated fiscal year, the total amount for additional collection, which PTS currently disputes, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2011, the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2018, was US$30 million (¥3,421 million). There are some cases in which surcharges may be imposed depending on the outcome of formal objections or tax trial results.
・Third quarter of the current fiscal year (As of December 31, 2021)
PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter referred to as "PTS") received notices of reassessment from the Indonesian National Tax Authority covering five fiscal years of PTS (for the fiscal years ended on December 31, 2011, 2012, 2014, 2016 and 2018 respectively).
The Indonesian tax authorities have been unilaterally denying some of PTS's agent fees. As both the Company and PTS cannot accept this correction, PTS has been asserting its legitimacy through objections to the Indonesian tax authorities and tax court cases.
At the end of the third quarter of the current consolidated fiscal year, the total amount of additional charges, which PTS currently disputes, was US$30 million (¥3,554 million at the end of the third quarter of the current fiscal year).
There are some cases in which surcharges may be imposed depending on the outcome of formal objections or tax trial results.

Notes on quarterly consolidated quarterly statement of income

* Loss on business restructuring
For the first nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)
Loss on business restructuring of ¥22,370 million consists of loss on sales of investment securities, loss on transfer of receivables, and other items associated with the transfer on December 4, 2020 of shares and receivables of Diamet Corporation, a consolidated subsidiary of the Company engaged in the Sintered parts business, to Endeavour II United Investment Business Limited Partnership.