

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese Accounting Standards)

May 13, 2022

Name of Listed Company: Mitsubishi Materials Corporation

Listing: Tokyo Stock Exchange

Stock Code: 5711

URL: <https://www.mmc.co.jp/>

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Scheduled date for ordinary general meeting of shareholders: June 28, 2022

Scheduled date of start of dividend payment: June 10, 2022

Scheduled filing date of Annual Securities Report: June 28, 2022

Supplementary materials for the financial results: Yes

Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than one million yen are omitted)

## 1. Results of the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

### (1) Consolidated Results of Operations

(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	%
Year ended March 31, 2022	1,811,759	22.0	52,708	98.4	76,080	70.9	45,015	84.4
Year ended March 31, 2021	1,485,121	-2.0	26,567	-30.0	44,527	-10.2	24,407	-

(Note) Comprehensive income : Year ended March 31, 2022: 63,218 million yen (-2.5%)

Year ended March 31, 2021: 64,827 million yen (-%)

	Profit per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2022	344.56	-	8.0	3.7	2.9
Year ended March 31, 2021	186.71	-	4.6	2.3	1.8

(Reference) Share of profit of entities accounted for using equity method: Year ended March 31, 2022: 5,078 million yen

Year ended March 31, 2021: 4,692 million yen

### (2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	2,125,032	655,752	27.5	4,476.52
As of March 31, 2021	2,035,546	614,394	26.8	4,173.14

(Reference) Shareholders' equity: As of March 31, 2022: 584,817 million yen

As of March 31, 2021: 545,233 million yen

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2022	6,889	-3,210	-5,055	153,640
Year ended March 31, 2021	78,442	-101,763	41,514	147,533

## 2. Dividend Payments

(Record date)	Dividend per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2021	-	0.00	-	50.00	50.00	6,546	26.8	1.2
Year ended March 31, 2022	-	40.00	-	50.00	90.00	11,782	26.1	2.1
Year ending March 31, 2023 (Forecast)	-	25.00	-	25.00	50.00		32.7	

(Note): The interim dividend per share for the fiscal year ended March 31, 2022 consists of 25.00 yen ordinary dividend and 15.00 yen special dividend.  
The year-end dividend per share for the fiscal year ended March 31, 2022 consists of 35.00 yen ordinary dividend and 15.00 yen special dividend.

## 3. Consolidated Earnings Forecast (From April 1, 2022 to March 31, 2023)

	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, 2023	1,590,000	-12.2	36,000	-31.7	36,000	-52.7	20,000	-55.6	153.08

## Notes

- (1) Significant changes of subsidiaries during the period (changes in specific subsidiaries accompanying a change in the scope of consolidation): None
- (2) 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
- (3) Numbers of outstanding shares (common stock)
- (i) Numbers of outstanding shares at the end of period (including treasury shares):
    - Year ended March 31, 2022: 131,489,535 shares
    - Year ended March 31, 2021: 131,489,535 shares
  - (ii) Numbers of treasury shares at the end of period:
    - Year ended March 31, 2022: 848,433 shares
    - Year ended March 31, 2021: 836,604 shares
  - (iii) Average number of outstanding shares during the period:
    - Year ended March 31, 2022: 130,646,468 shares
    - Year ended March 31, 2021: 130,723,626 shares

## (Reference) Summary of Non-Consolidated Financial Results

Results of the Non-Consolidated Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

### (1) Non-Consolidated Results of Operations

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2022	1,144,592	31.9	6,668	—	25,687	69.0	29,797	40.2
Year ended March 31, 2021	868,053	8.1	-4,822	—	15,199	-11.8	21,260	—

	Profit per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2022	228.07	—
Year ended March 31, 2021	162.64	—

### (2) Non-Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	1,573,837	414,016	26.3	3,169.06
As of March 31, 2021	1,490,704	413,096	27.7	3,161.73

(Reference) Shareholders' equity: As of March 31, 2022: 414,016 million yen As of March 31, 2021: 413,096 million yen

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

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

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors. Please see "(1) Overview of operating results, 3) Outlook for the next fiscal year (fiscal year ending March 31, 2023)" under "1. Overview of Operating Results and Financial Position" 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 an annual financial briefing for institutional investors on Friday, May 13, 2022. The materials used at this briefing are disclosed on the TDnet and the Company's web page at the time that the annual financial results are announced.

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## 1. Overview of Operating Results and Financial Position

### (1) Overview of operating results

#### 1) Overview of business results

For the fiscal year ended March 31, 2022 (hereinafter referred to as "FY2022"), the global economy continued to recover gradually in China and the U.S. from the economic downturn caused by the global spread of COVID-19, and showed signs of picking up in Europe, Thailand, and Indonesia.

The Japanese economy during the same period, continued to pick up in exports and industrial production, despite the lingering impact of COVID-19.

In the business environment surrounding the Mitsubishi Materials Group (hereinafter referred to as "the Group"), in addition to the steady growth of metal prices, demand for semiconductors and automotive-related products also remained strong. On the other hand, domestic demand for cement declined.

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

Consequently, consolidated net sales for this consolidated fiscal year totaled ¥1,811,759 million, up by 22.0% year-on-year. Consolidated operating profit increased by 98.4% year-on-year to ¥52,708 million, and consolidated ordinary profit was up by 70.9% year-on-year to ¥76,080 million. Also, the Company recorded the extraordinary loss of ¥25,116 million as losses on business restructuring and the extraordinary income of ¥34,671 million as gain on sales of investment securities, respectively. As a result, profit attributable to owners of parent totaled ¥45,015 million (up 84.4% year-on-year).

#### 2) Overview by segments

##### (Advanced Products)

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)	
Net sales	357.1	485.9	128.8	(36.1%)
Operating profit	2.8	14.7	11.8	(408.2%)
Ordinary profit	6.1	16.9	10.7	(173.4%)

In the Copper & copper alloy products business, both sales and profit increased as sales increased mainly in products for the automotive industry.

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

Consequently, net sales and operating profit for the entire Advanced Products Business increased compared with the previous fiscal year. Ordinary profit increased due to the increase in operating profit.

##### (Metalworking Solutions Business)

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)	
Net sales	119.3	132.6	13.2	(11.1%)
Operating profit or loss	-1.1	14.1	15.3	(-%)
Ordinary profit or loss	-0.7	14.5	15.2	(-%)

Both net sales and operating profit increased mainly due to increased demand for mainstay cemented carbide products in Japan and major overseas countries, as well as the impact of the removal from the scope of consolidation of Diamet Corp. and its three subsidiaries in December 2020, which had continued to incur operating losses.

Consequently, net sales and operating profit for the entire Metalworking Solutions Business increased compared with the previous fiscal year. Ordinary profit increased due to the increase in operating profit.

**(Metals Business)**

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)	
Net sales	728.2	997.1	268.8	(36.9%)
Operating profit	18.8	25.2	6.3	(33.8%)
Ordinary profit	32.9	50.2	17.3	(52.5%)

In the Copper business, both net sales and operating profit increased due to higher production volume and higher copper prices compared with the previous fiscal year.

The Gold and other valuable metals business posted higher net sales but lower operating profits, mainly due to decreased palladium sales, which offset a rise in the price of palladium.

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

**(Cement Business)**

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)	
Net sales	215.8	209.8	-6.0	(-2.8%)
Operating profit	6.6	3.2	-3.3	(-50.9%)
Ordinary profit	6.1	0.1	-6.0	(-98.3%)

In Japan, although redevelopment work resumed in the Tokyo metropolitan area, demand for disaster restoration works in the Tohoku and Chugoku regions declined, and the application of the "Accounting Standard for Revenue Recognition" and other regulations resulted in lower sales. In addition, energy costs increased. As a result, both net sales and operating profit decreased.

As for the overseas markets, although sales prices of ready-mixed concrete increased in the U.S., sales volumes of ready-mixed concrete and cement decreased due to driver shortages caused by tight supply and demand in the labor market, and operating costs, including transportation costs and electricity costs, increased. In addition, the sales price of coal increased in the Australian coal business. As a result, both net sales and operating profit increased.

Consequently, net sales and operating profit of the entire Cement Business decreased compared with the previous fiscal year. Ordinary profit decreased due to lower operating profit and the decrease in share of profit of entities accounted for using equity method.

**(Environment & Energy Business)**

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)
Net sales	26.2	17.8	-8.3 (-31.9%)
Operating profit	1.7	2.2	0.4 (25.3%)
Ordinary profit	3.1	3.8	0.7 (24.8%)

In the Energy-related business, net sales were in line with the previous fiscal year, but operating profit increased due to an increase in profitable contracted work in the nuclear-energy-related services.

In the Environmental recycling business, both net sales and operating profit increased due to higher unit prices for the sale of valuable materials.

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 compared with the previous fiscal year, while operating profit increased. Ordinary profit increased due to higher operating profit and the increase in share of profit of entities accounted for using equity method.

**(Other Businesses)**

(Billion yen)

	FY2021	FY2022	Increase / Decrease (%)
Net sales	266.7	253.6	-13.0 (-4.9%)
Operating profit	8.8	7.3	-1.4 (-16.9%)
Ordinary profit	9.3	6.5	-2.8 (-30.1%)

In the Aluminum beverage cans business, despite an increase in sales of bottled cans, both net sales and operating profit declined due to a decrease in sales of regular cans and an increase in raw material costs.

In the Aluminum rolled and processed products business, net sales decreased due to the application of the "Accounting Standard for Revenue Recognition" and other regulations, despite increased sales mainly of products for the automotive industry and cost reduction effects. As a result, net sales decreased but operating profit increased.

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

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

**3) Outlook for the next fiscal year (fiscal year ending March 31, 2023)**

As for the global economy going forward, while the economy is expected to continue picking up as the impact of COVID-19 eases, it also faces the risk of the economic downturn due to influence from the situation in Ukraine, price hikes in raw materials, fluctuations in financial and capital markets, and the re-expansion of COVID-19, among other factors.

Looking ahead, while the Japanese economy is also expected to continue picking up due to economic and social activities move toward normalization, a downturn in the economy is also a concern for the same reasons as in the global economy.

With regard to the business environment surrounding the Group in the future, although solid demand is expected to continue in the automotive and semiconductor industries, the Group expects that rising costs due to energy price hikes and other factors, as well as fluctuations in foreign exchange and metal prices, will affect each business of the Group. Against this backdrop, the Group will implement various measures outlined in "3. Management Policies".

For the fiscal year ending March 31, 2023, the Company's consolidated operating performance forecasts predict net sales of ¥1,590.0 billion, operating profit of ¥36.0 billion, ordinary profit of ¥36.0 billion, and profit attributable to owners of parent of ¥20.0 billion on the assumption of average exchange rates of ¥120/USD and ¥135/EUR and a copper price of 448¢/lb.

## (2) Overview of financial position

Total assets were ¥2,125.0 billion at the end of this consolidated fiscal year, an increase of ¥89.4 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in inventories.

Total liabilities were ¥1,469.2 billion, an increase of ¥48.1 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in deposited gold bullion, among others.

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

### (Cash flows from operating activities)

Net cash provided by operating activities during the consolidated fiscal year under review totaled ¥6.8 billion (decreased by ¥71.5 billion from the previous fiscal year) mainly due to an increase in notes and accounts payable-trade and an increase in inventories, despite strong business performance.

### (Cash flow from investing activities)

Net cash used in investing activities during the consolidated fiscal year under review totaled ¥3.2 billion (decreased by ¥98.5 billion from the previous fiscal year) mainly due to spending on capital expenditure and sales of investment securities, etc.

### (Cash flows from financing activities)

Net cash used by financing activities in the consolidated fiscal year under review totaled ¥5.0 billion (net cash provided by financing activities for the previous fiscal year was ¥41.5 billion) mainly due to dividend payments.

After factoring in the impact of exchange rate differences, cash and cash equivalents at the end of this consolidated fiscal year amounted to ¥153.6 billion (increased by ¥6.1 billion from the previous fiscal year end).

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

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders' equity ratio (%)	33.9	32.7	26.6	26.8	27.5
Shareholders' equity ratio based on a market value(%)	20.8	19.7	15.2	16.6	13.2
Interest-bearing debt to cash flow ratio	10.6	3.7	8.6	8.4	93.0
Interest coverage ratio	10.0	28.9	13.9	17.8	1.2

Shareholders' Equity Ratio:

Shareholders' Equity / Total assets

Shareholders' Equity Ratio based on market value:

Market capitalization / Total assets

Ratio of interest-bearing debt to cashflow:

Interest-bearing debt / Cash flow

Interest coverage ratio:

Cash flow / Interest payments

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

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

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

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

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

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

Due to the impact of the COVID-19, cash flows from operations and net profit adjusted for special factors such as asset sales during the period of Medium-Term Management Strategy (hereinafter referred to as "FY2023 Strategy") for the period from FY2021 to FY2023 are expected to be much lower than the initial forecast. Under these circumstances, the Company while placing an emphasis on stability and continuity with regard to dividends, set the minimum amount of dividends per share during the period of FY2023 Strategy at ¥50 (before change : ¥80 per share) based on the level of cash flows from operations that the Company has assumed can be generated on a stable basis. Furthermore, by accelerating the sale of assets, among others, and making expeditious allotments of funds, including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

Based on this policy, the Company declared a year-end dividend of ¥50 (an ordinary dividend of ¥35 and a special dividend of ¥15) by resolution of the Board of Directors meeting held on May 13, 2022, which, together with the interim dividend of ¥40 (an ordinary dividend of ¥25 and a special dividend of ¥15), resulted in a dividend of ¥90 per share (an ordinary dividend of ¥60 and a special dividend of ¥30; ¥50 for the previous fiscal year) for the current fiscal year.

For the next fiscal year, the Company plans to pay a dividend of ¥50 per share (an interim dividend of ¥25 per share and a year-end dividend of ¥25 per share).



#### (4) Business and other risks

##### 1. Procedure for identifying critical risks

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

##### 2. Risk management system and operation status of the Group

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

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

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

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

Procedure for Identifying critical risks

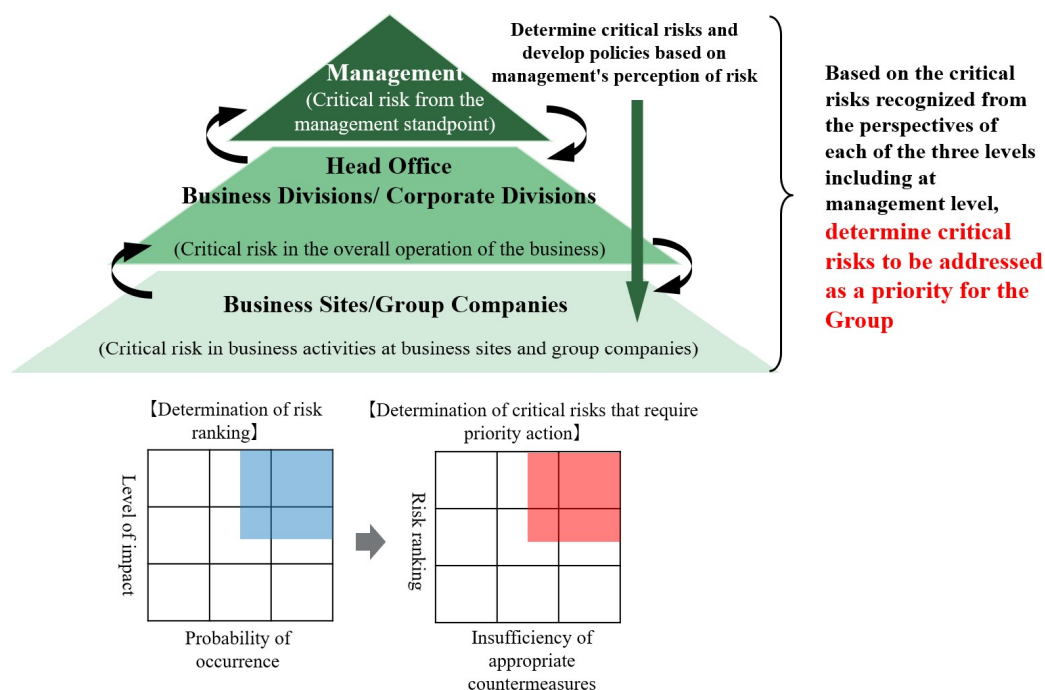


Exhibit 1: Procedure for Identifying critical risks

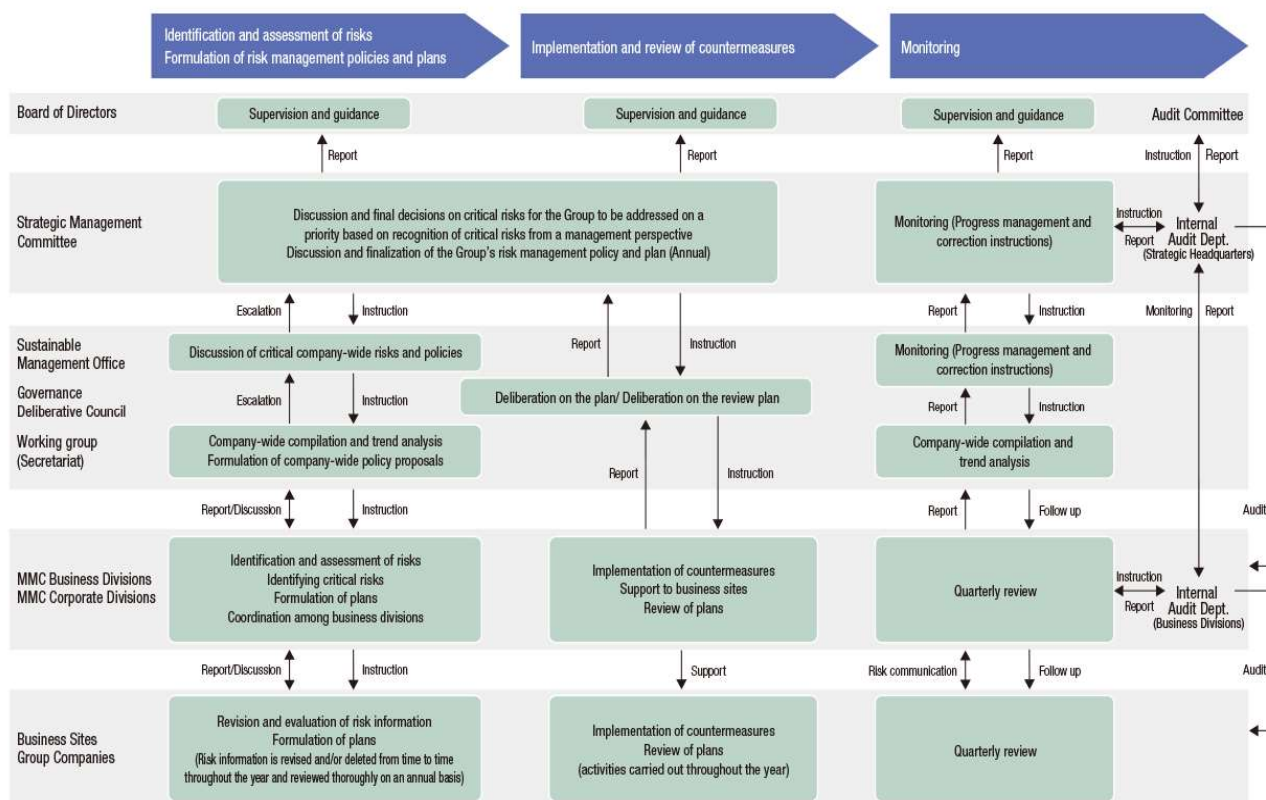


Exhibit 2: Risk management system

### 3. Business and other risks

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

Due to the recent crisis in Ukraine and the resulting economic sanctions against Russia by other countries etc., international relations remain unstable and the future is uncertain. Of the major risks, the impact on (1) International and overseas economic conditions, (2) Market trends, (3) Raw material and utility price fluctuations, and (4) Procured products are of particular concerns, and some of which, such as price hikes, are already becoming a reality. Depending on the future situation, they may significantly affect the Group's business performance and financial position. To address the risk of impact from events beyond the Group's control, the Company will further strengthen its existing risk reduction and avoidance measures, and will strive to respond promptly to changes by constantly monitoring the situation.

The following is not an exhaustive list of all the risks facing the Group. This section contains forward-looking statements that are based on managements' assumptions and beliefs in light of the information currently available to them as of May 13, 2022.

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

The Group has production and sales bases, etc. in 31 countries and regions overseas, and positions overseas business as an important foundation for the Group's business growth. Risks associated with global business development include political instability, economic conditions, and unexpected changes in policies and regulations in various countries and regions. There are also possible changes in business strategies and product deployment by business partners, which could hinder the Group's business activities and affect its business performance and financial position. The Group believes that these risks are always potentially present.

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

individual country risks, such as overseas legal regulations, among the Group.

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

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

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

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

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

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

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

Domestic demand for cement peaked at 86,286,000 tons in FY1991 and has been shrinking for a prolonged period of time, with current domestic demand at less than half of the peak level. Cement is an essential material for society, and the Group expects to secure a certain level of demand over medium to long term. However, if demand declines at an accelerated pace, the Group's earnings may deteriorate and it may become difficult to continue operations. To deal with this situation, the Group is creating the effect of streamlining production, logistics, and sales functions through business integration (business succession to Ube-Mitsubishi Cement Co., Ltd., which was implemented on April 1, 2022) with Ube Industries, Ltd. (currently UBE Corporation), reorganizing the domestic business and optimizing the production system. The Group is also considering expanding and developing new business overseas in regions where future growth is expected.

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

### **1) Raw materials prices**

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

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

### **2) Utility prices**

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

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

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

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

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

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

In the event that policies and regulations against climate change are strengthened, and a carbon pricing system is introduced or strengthened, the Group's business performance and financial position may be adversely affected due to costs associated with GHG (Greenhouse Gas) emissions. In addition, if the Group is late in responding to the growing demand for a transition to a decarbonized society, it may experience a decline in corporate value due to loss of sales opportunities, etc., which may have a negative impact on the Group's business performance and financial position.

With regard to climate change, there is a growing movement toward carbon neutrality throughout the world, and with Japan declaring its commitment to carbon neutrality by 2050, the Group has determined that it is necessary to take prompt action to prepare for the tightening of regulations that are expected in the near future.

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

At the same time however, with the strengthening of policies and other measures related to climate change, demand for technologies, products, and services that will help to save energy and reduce GHG emissions is expected to increase, which could create more business opportunities. The Group takes initiatives including the development of materials, products, and technologies that contribute to decarbonization, the development and promotion of the use of renewable energy such as geothermal power generation, participation in projects pushing forward demonstration experiments or studies into suitable locations related to CO<sub>2</sub> capture and storage, and activities to preserve the forests it owns.

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

The risks of abnormal weather and natural disasters are increasing every year, and the Group, which has many business locations in Japan and overseas, is working on various disaster prevention measures based on the latest hazard information, etc. However, large-scale natural disasters such as earthquakes, typhoons, floods, and guerrilla rains, which are far beyond the expected level, may cause extensive damage to production facilities, etc., which may adversely affect the Group's business performance and financial position due to damage to production facilities, factory operations, and product shipments.

In order to cope with natural disasters and abnormal weather that have been occurring frequently in recent years, the Group is promoting the enhancement of its internal systems and is systematically implementing various measures, including the development and review of business continuity plans (BCPs), the increase in the number of items that can be manufactured at multiple locations, and countermeasures against floods, storm surges, and tidal waves, etc.

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

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

Against the backdrop of the global movement toward sustainable development, the legal and social sanctions against companies that cause pollution or environmental destruction in their business activities have never been heavier.

The Group's business activities are working to prevent pollution of air, water, soil, etc., in accordance with environmental laws and regulations at each of its business sites in Japan and overseas. In addition, the Group is complying with various environmental laws, regulations and rules related to climate change, air pollution, water pollution, hazardous substances, waste recycling, soil and groundwater pollution, etc. However, as environmental laws and regulations become stricter in Japan and overseas, delays in responding to legal revisions and changes in environmental standards, stricter standards for hazardous element content, changes in administrative guidance, and delays in responding to appointments, notifications, and reports could hinder the Group's business activities and

adversely affect its business performance and financial position. Although the timing of occurrence is not clear, the Group considers it to be a risk that is always potentially present.

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

#### **(8) Infection (COVID-19) (Probability of occurrence: High, Level of impact: Medium)**

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

As a result of the widespread implementation of vaccination and other infection prevention measures to date, economic and social activities in Japan and abroad have shown signs of recovery to a certain degree. Nevertheless, if the re-spread of COVID-19 due to the emergence of a new mutant strain delays the recovery of the market environment or disrupts the Group's production, distribution, and sales activities, the Group's business performance and financial position may be adversely affected. The Group will continue to take thorough measures to prevent infection and its spread in the workplace and operate its business so that the Group's provision of products and services will not be disrupted. The Group will also closely monitor changes in the business environment caused by the said infectious disease and, depending on the extent and content of such changes, the Group may need to review its business strategy for addressing social issues and sustainable growth.

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

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

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

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

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

##### **1) Interest-bearing debt**

In the fiscal year ended March 31, 2022, the Group's interest-bearing debt amounted to ¥608.7 billion (total of short-term borrowings, commercial papers, bonds, and long-term borrowings. Unless otherwise noted, the same applies below), and the ratio to total assets was 28.6%. Although the Group is striving to improve its financial position by reducing inventories, selling assets, etc., there is a possibility that the Group's business performance and financial position will be adversely affected if the cost of raising funds rises due to future changes in financial market condition.

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

##### **2) Changes in the market value of assets held**

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

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

impairment of business assets by obtaining real estate appraisals as deemed appropriate.

3) Guarantee of debts

In the fiscal year ended March 31, 2022, the Group assumed a guarantee of ¥4.8 billion for monetary obligations of non-consolidated affiliates and other companies. In the event that the Group is required to fulfill these guarantees in the future, it may have an impact on the Group's business performance and financial position.

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

4) Retirement benefit expenses and obligations

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

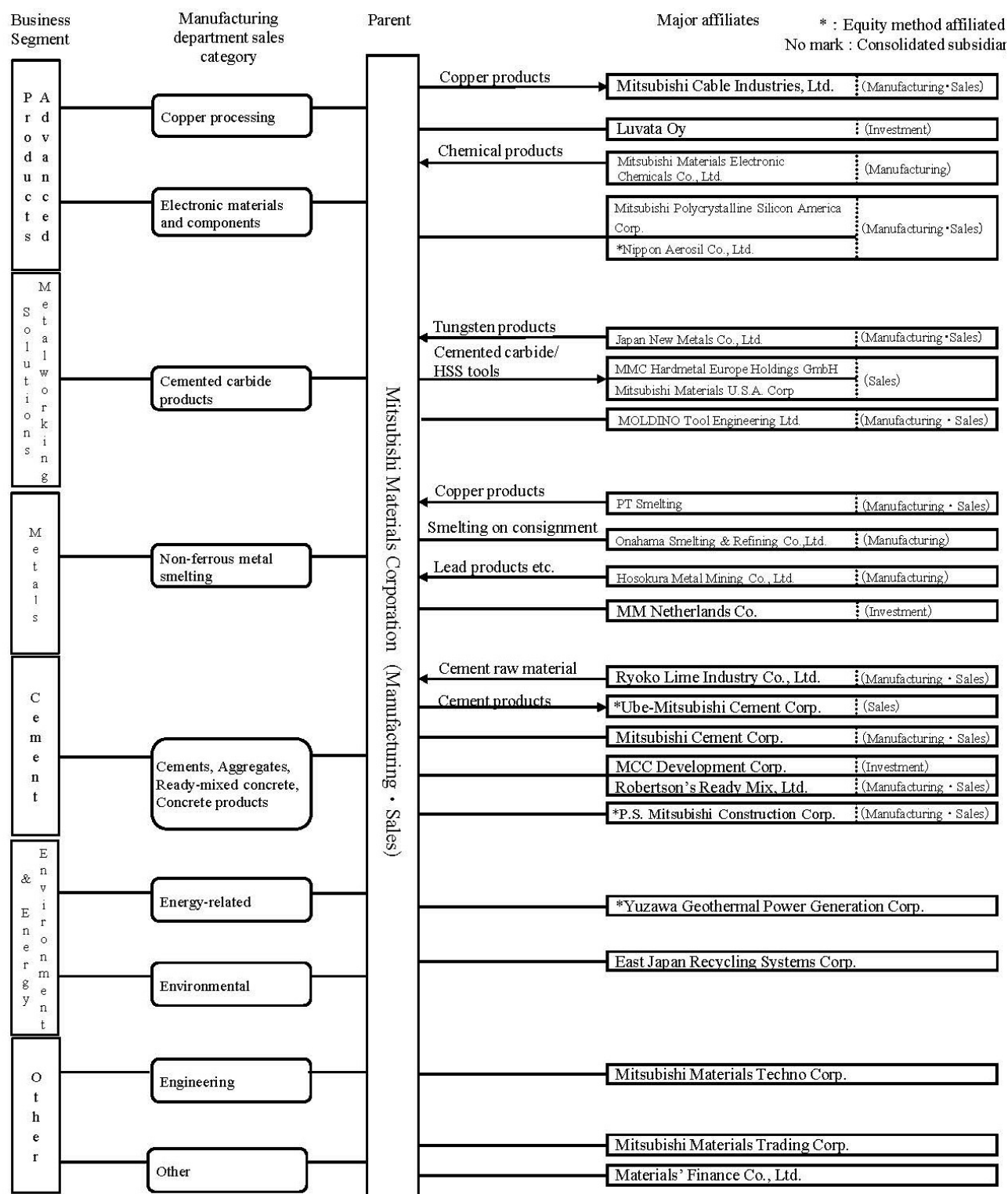
To address this, the Group has introduced a retirement benefit system that combines a defined benefit plan and a defined contribution plan, as well as an appropriate investment allocation that takes into account safety and profitability in the management of pension assets.

**(11) Human Rights Risks (Probability of occurrence: Medium, Level of impact: Medium)**

The Group has business bases both in Japan and overseas, and suppliers from which it procures raw materials and materials are located in numerous countries and regions. Should violations of human rights occur in its own operations or supply chain, in addition to affecting production and procurement, it could lead to a loss of public trust and reputation for the Group, possibly affecting its business performance and financial position. Although the timing of occurrence is not clear, the Group considers them to be risks that are always latent and should be prepared for. For this reason, on December 1, 2021, the Group established Mitsubishi Materials Group Sustainability Policy and clarified its commitment to respect internationally proclaimed principles of human rights, based on the belief that respect for human rights is the foundation of its business activities. At the same time, the Group established Human Rights Policy of the Mitsubishi Materials Group and promote efforts to reduce risks. Furthermore, the Group is striving to procure materials in consideration of human rights based on Mitsubishi Materials Group Procurement Policy and Mitsubishi Materials Corporation CSR Procurement Guidelines.

## 2. Status of Corporate Group

The Corporate Group consists of the Company, 141 subsidiaries and 37 affiliates, and is mainly engaged in the manufacture and sale of copper & copper alloy products and electronic materials; the manufacture and sale of cemented carbide products; the smelting and sale of copper, gold, silver, palladium and other metals; the manufacture and sale of cement, ready-mixed concrete and other materials; and energy-related and environmental and recycling-related businesses. The following is a schematic diagram of the Company's operations:





### 3. Management Policies

#### (1) Basic Policy for the Group Management

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

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

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

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

#### 1) Group-wide issues

##### 1.1) Mission

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

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

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

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

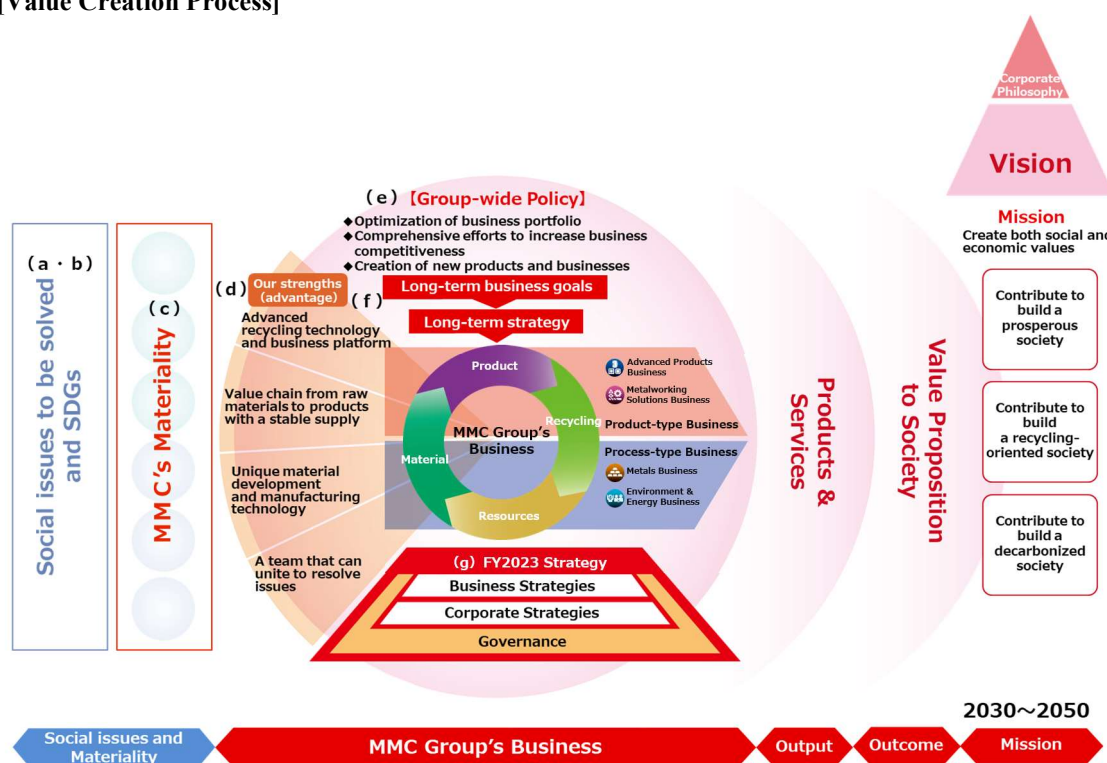
Contribute to build a decarbonized society by developing and promoting the use of renewable energies such as geothermal energy, and ensuring to consider the reduction of environmental impact in manufacturing.

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

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

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

[Value Creation Process]





The social issues that the Group should solve and related SDGs (a, b) and the key issues (c) that the Group recognizes are listed to the left. The pink circle in the center indicates the business activities of the Group itself. The four items on the left side of the circle in the center indicate the strengths of the Group (d). By utilizing our strengths, the Group aims to generate the “outputs” as described on the right, under the Group-wide Policy (e) located at the top in the middle. These will be supplemented with long-term business goals and a long-term strategy for each business (f) or a Medium-term Management Strategy (g). “Outputs” indicate products & services that the Group creates and contributes to the society through those business activities. This indicates the overall picture of value creation of the Group which leads to the value that the Group provides and leads to the Mission. Details of the individual elements (a) to (g) are as described in (1.3) and (1.5) below.

### 1.3) Individual elements of the value creation process

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

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

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

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

<SDGs(b)>

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

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

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

<Materiality(c)>

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

(Social Issues)

- Stable supply of product/material
- Creation of a recycling-oriented society
- Dealing with climate change

- Environment protection and environmental technologies  
(Strengthening of the Management Base and Core)
- Occupational Health and Safety
- Governance
- Development of diverse talents
- Responsibility in value chain
- Stakeholder communication
- Digital transformation (hereinafter “DX”)

#### <Our Strengths(d)>

- An Advanced recycling technology and business platform  
The recycling business can be promoted by diverse and advanced recycling technology accumulated mainly in the Metals and Environmental recycling business, by a wide range of business experience, and by a unique waste collection network and business platform.
- Value chain from raw materials to products with a stable supply  
With a consistent production system from stable procurement of raw material resources to products, high-quality products can be stably supplied to the market.
- Unique material development and manufacturing technology  
As represented by the oxygen-free copper and copper alloy (the Copper & copper alloy business), joining dissimilar materials (the Electronic materials & components business), cemented carbide materials and coating (the Metalworking Solutions Business), our manufacturing technology and materials development is supported by atomic level analysis and simulation technologies. These items are sources of the Company's competitiveness.
- A team that can unite to resolve issues  
By respecting diverse personalities, values, and honesty, the Company can unite individual power and work together to solve issues.

#### <Group-wide Policy(e)>

- Optimization of business portfolio  
The Company will focus on following businesses that the Company should take an ownership of: businesses that are consistent with the Group's vision and mission, businesses that are governable by the Group, businesses that are capable of earning a leadership role in a specific region or the world, and businesses that can deliver stable returns over capital costs on a medium- to long-term basis. In addition, the Company will build a business portfolio with two axes of profitability and growth potential to determine the direction of each business, and aim to optimize the portfolio.
- Comprehensive efforts to increase business competitiveness  
The Company will make comprehensive efforts through our manufacturing excellence strategy, quality management strategy, DX strategy, and business competitiveness.  
As to manufacturing excellence strategy, each site draws a vision based on the business strategy, and aims to raise their manufacturing capabilities to the next level by enhancing the production process.  
As to quality management strategy, the Company aims to achieve “proactive quality” by not allowing non-conforming products through optimizing the product/process design and equipment maintenance plan.  
As to DX strategy, the Company will strengthen customer contact points and promote data sharing to improve business added-value and operational competitiveness. For 6 years from FY2021 to FY2026, the Company plans to invest approximately ¥40 billion and allocate 100 digital professionals.
- Creation of new products and businesses  
In order to create new businesses that will become future revenue bases, the Group addresses the following as important social needs. "Next-generation vehicles", "IoT/AI", "urban mines" and "clean energy and decarbonization". The Group will create and grow new products and businesses that are the core of sustainability.

### 1.4) FY2023 Financial Plan

- Financial indicators and goals  
FY2023 Strategy emphasizes medium- to long-term profitability and growth potential. For each business, the profitability will be mainly evaluated with ROIC and the growth potential will be evaluated by EBITDA growth rate, etc.  
ROA is used complementarily in process-type businesses. ROIC/ROE/ROA are used together as group-wide financial indicators.  
The Group-wide financial target of FY2023 is ROIC 4.0%, ROA 2.0%, ROE 6.0%, consolidated operating profit of ¥29 billion, consolidated ordinary profit of ¥38 billion, and net D/E ratio 1.0 times or less.

- Investment Policy

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

- Shareholder Return Policy

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

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

- Regarding Strategic Holdings

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

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

- Advanced Products

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

• Metalworking Solutions Business

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

• Metals Business

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

• Environment & Energy Business

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

• Corporate division's strategy

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

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

• Governance

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

Strengthening corporate governance	<p>In June of 2019, the Company transitioned to a company with a nomination committee, etc., and is working on the following measures</p> <ul style="list-style-type: none"> <li>• Continuous improvement of the functions of the Board of Directors</li> <li>• Formulation of basic corporate governance policy (effective April 1, 2020)</li> <li>• CEO appointment and dismissal, planning and execution of successor development plan</li> <li>• Review of executive remuneration system</li> <li>• Enhancement of governance of subsidiaries</li> </ul>
Strengthening group governance	<p>The Group will implement the following measures to establish a governance system in which communications can be carried out smoothly and autonomously between the parent and its subsidiaries, between the head office and its respective bases, and among respective bases and the Group companies.</p> <ul style="list-style-type: none"> <li>• Evaluation of effectiveness and improvement of the Board of Directors of the Group companies</li> <li>• The Group companies' officer training</li> <li>• Enhancement of governance audits</li> <li>• Prompt decision making by delegating authority and strengthening supervisory functions</li> <li>• Promotion of business operations with an awareness of differing managements in R&amp;D, manufacturing, and human resources exchange</li> <li>• Accelerated strategy execution by DX Management Office</li> </ul>
HR strategy	<p>The Group will work on the following measures with the aim of securing and fostering adaptive human resources and forging a healthy organizational culture.</p> <ul style="list-style-type: none"> <li>• (Talent) Secure and develop human resources</li> <li>• (Organizational culture) Enhance motivation and management capabilities of the Group companies</li> <li>• (Improvement of social value) Engage in the employment of diverse talents and health &amp; productivity management</li> </ul>
Change of organizations	<p>(Business Divisions)</p> <ul style="list-style-type: none"> <li>• Promotion of Environment &amp; Energy Business Division to in-house Company</li> </ul> <p>(Corporate Division)</p> <ul style="list-style-type: none"> <li>• Establishment of a division in charge of Marketing</li> <li>• Establishment of a division in charge of Corporate Communications</li> </ul> <p>(Company-wide organization)</p> <ul style="list-style-type: none"> <li>• Establishment of DX Management Office</li> <li>• Establishment of Sustainable Management Office</li> </ul>

## <Issues in each business>

### **Advanced Products**

Demand of automotive and semiconductors-related sectors, which are the main markets for Advanced Products, is expected to increase over the medium- to long-term due to the spread of next-generation vehicles and high-capacity communications. However, the Group will continue to closely monitor the economic situation and market environment, as there are concerns that production activities of major customers may slow down due to disruptions in the global supply chain triggered by the global spread of COVID-19 and the situation in the Ukraine.

Under these circumstances, in the Copper & copper alloy products business, the Company has been providing high-performance products, mainly in growth markets such as next-generation vehicle and semiconductors. In order to meet further increase in demand, the Group intend to make capital investments totaling approximately ¥30.0 billion, which will increase production capacity by approximately 30% from the current level. Going forward, the Company will steadily implement its investment plans and strengthen its marketing, R&D, and sales systems to enhance profitability by providing high value-added products through integrated development, manufacturing, and sales efforts.

In the Electronic materials & components business, the Group aims to become a highly profitable business entity with sustainable growth by providing products with enhanced added value through materials technology, especially in growth markets such as next-generation vehicle and semiconductors. For polycrystalline silicon, the business environment is expected to remain difficult. However, the Group will reinforce profitability by securing safe and stable operation, quality improvement and thorough cost reduction.

Furthermore, dealing with climate change, the Group will strive to reduce greenhouse gas emissions by thoroughly considering the environmental impact of manufacturing both in the Copper & copper alloy products business and the Electronic materials & components business.

### **Metalworking Solutions Business**

The market environment for Cemented carbide products business is on a gradual recovery trend thanks to the resumption of economic activities and economic measures in various countries. However, due to concerns about a slowdown in customers' production activities and raw material procurement risks, etc., caused by factors such as production cutbacks in automobiles and machine tools due to a shortage of semiconductors, as the main raw material tungsten prices and material handling costs soar, global supply chain disruptions triggered by COVID-19, and the situation in Ukraine, the Company will continue to closely monitor the economic situation and market environment.

Under such circumstances, the Group will work to strengthen its sales activities in the automobile, aerospace, medical, and mold and die markets, positioned as strategic markets, and will work to strengthen its ability to propose solutions utilizing digital technology by steadily implementing each of the measures of digital transformation.

Regarding the sourcing of raw materials, the Group will continue to work on reducing sourcing risks and costs by improving the amount of tungsten recycled and diversifying procurement sources through cooperation with Masan High-Tech Materials Corporation and other measures. In addition, the Group will utilize mineral resources efficiently in order to contribute to build a recycling-oriented society.

Moreover, in response to climate change, the Group will promote energy conservation to reduce greenhouse gas emissions and strive to convert almost all of its electricity consumption to practically renewable energy by FY2031. Through these efforts, the Group aims to contribute to the establishment of a recycling-oriented and decarbonized society and to become one of the top three suppliers.

### **Metals Business**

In the Copper business, the main product, solid demand is expected in the medium- to long-term, supported by the spread of electric vehicles and investments for decarbonization. Also, the supply-demand balance for the procurement of copper concentrates, the main raw material, is expected to ease due to the slowdown in the pace of smelting capacity expansion in China and the impact of the startup and expansion of production at several new large-scale mines, as well as the planned production increases at mines in operation. However, concerns about disruptions in the global supply chain triggered by the outbreak of COVID-19, heightened geopolitical risks in the South American region, and the situation in Ukraine could have a significant impact on the supply-demand balance and market prices. The Company will continue to closely monitor future market trends.

Under these circumstances, the Resources business division is working to optimize operations at the Copper

Mountain mine and to develop new projects to support the foundation of the business by ensuring a stable supply of clean copper concentrates with fewer impurities to smelters. In FY2023, in addition to the existing projects, the Group will promote the expansion project of the Mantoverde copper mine, aim to acquire environmental licenses and permits for the Zafranal copper mine, and continue to focus on research for the removal of impurities in copper concentrate at the Mining & Metallurgy Laboratories. In addition, through a newly established subsidiary in Chile in February 2021, the Group will strengthen its ability to gather information in the South American region and improve the efficiency of its mining investment business.

In the Smelting business division, the Group will contribute to build a recycling-oriented society by establishing a material flow to efficiently recover and recycle valuable metals contained in E-Scrap through process improvements by the end of FY2023, in order to maximize the world's top-class E-Scrap processing capacity. In response to climate change, while taking full advantage of the environmental advantages of the Company's unique Mitsubishi process, the Company will work to reform the smelting process with an eye toward a decarbonized society by reducing fossil fuels, improving energy conversion and use efficiency, and utilizing renewable energy.

### **Environment & Energy Business**

Regarding the Environment & energy-related business environment, there is a strong need for the Group's strengthening of its response to environmental problems such as efficient treatment of urban waste, efficient use of energy resources and requests for CO2 emissions reduction as a social issue for the medium- to long-term.

Under these circumstances, in energy-related fields, the Group will expand its renewable energy business and contribute to building a decarbonized society. The Company will proceed with the construction of the Komatagawa New Hydroelectric Power Plant (scheduled to start operation in December 2022) and the Appi Geothermal Power Plant (scheduled to start operation in April 2024) on schedule, while continue survey on new geothermal areas and small-scale hydropower generation mainly in the Tohoku region to develop new businesses. Additionally, the Company will focus on talent development and deepen its consideration of entry into fields other than geothermal energy and hydropower as well as overseas business development.

In the Environmental and recycling-related business, the Company will strive to develop a recycling business that does not rely on final disposal sites, thereby contributing to build a recycling-oriented society. In the Home appliance recycling business, the Company will expand the business by promoting automation and digital transformation, as well as by adding more value to recovered materials, and will continue to improve the technology to enable more efficient recycling in the demonstration of solar panel recycling technology. In the Car recycling business, the Company will more aggressively pursue the demonstration of recycling technologies for lithium-ion batteries. In the plant operations in the Fly ash recycling business and the Food waste biogasification business, the Company will focus on stable plant operations while working more closely with local governments to secure the volume of collected materials. Furthermore, in the Food waste biogasification business, the Company will consider expanding the number of sites.

#### **4. Basic Concept for Selection of Accounting Standards**

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

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



## 5. Consolidated Financial Statements and Key Notes

### (1) Consolidated balance sheets

(Million yen)

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	153,086	159,221
Notes receivable - trade	29,788	30,302
Accounts receivable - trade	190,733	219,543
Merchandise and finished goods	117,498	133,600
Work in process	126,357	159,508
Raw materials and supplies	136,019	161,487
Leased gold bullion	156,254	195,379
Other	133,258	182,280
Allowance for doubtful accounts	(3,103)	(2,390)
<b>Total current assets</b>	<b>1,039,894</b>	<b>1,238,932</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	158,343	148,092
Machinery, equipment and vehicles, net	241,391	224,798
Land, net	209,707	194,039
Construction in progress	33,864	40,020
Other, net	22,093	22,248
<b>Total property, plant and equipment, net</b>	<b>665,402</b>	<b>629,199</b>
<b>Intangible assets</b>		
Goodwill	31,670	29,371
Other	14,760	19,184
<b>Total intangible assets</b>	<b>46,431</b>	<b>48,556</b>
<b>Investments and other assets</b>		
Investment securities	217,477	165,232
Retirement benefit asset	4,934	8,097
Deferred tax assets	14,801	12,618
Other	50,996	26,862
Allowance for doubtful accounts	(4,392)	(4,468)
<b>Total investments and other assets</b>	<b>283,818</b>	<b>208,343</b>
<b>Total non-current assets</b>	<b>995,651</b>	<b>886,099</b>
<b>Total assets</b>	<b>2,035,546</b>	<b>2,125,032</b>

(Million yen)

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	153,603	158,534
Short-term borrowings	175,686	171,304
Current portion of bonds payable	20,000	10,000
Commercial papers	40,000	30,000
Income taxes payable	6,781	12,523
Provision for bonuses	12,852	11,831
Provision for loss on disposal of inventories	756	1,024
Provision for product compensation	578	58
Deposited gold bullion	323,505	392,364
Other	125,072	139,052
<b>Total current liabilities</b>	<b>858,838</b>	<b>926,693</b>
<b>Non-current liabilities</b>		
Bonds payable	40,000	70,000
Long-term borrowings	353,795	327,405
Deferred tax liabilities	36,162	31,163
Deferred tax liabilities for land revaluation	21,094	20,093
Provision for loss on business of subsidiaries and affiliates	2,525	882
Provision for environmental measures	26,555	18,762
Provision for directors' retirement benefits	1,677	811
Provision for share-based remuneration	220	443
Retirement benefit liability	42,249	35,228
Other	38,033	37,795
<b>Total non-current liabilities</b>	<b>562,313</b>	<b>542,586</b>
<b>Total liabilities</b>	<b>1,421,151</b>	<b>1,469,280</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	119,457	119,457
Capital surplus	79,439	79,407
Retained earnings	294,814	328,864
Treasury shares	(2,868)	(2,892)
<b>Total shareholders' equity</b>	<b>490,843</b>	<b>524,837</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	42,940	26,110
Deferred gains or losses on hedges	(1,119)	(5,328)
Revaluation reserve for land	27,097	26,369
Foreign currency translation adjustment	(8,057)	18,832
Remeasurements of defined benefit plans	(6,470)	(6,003)
<b>Total accumulated other comprehensive income</b>	<b>54,390</b>	<b>59,979</b>
<b>Non-controlling interests</b>	<b>69,161</b>	<b>70,935</b>
<b>Total net assets</b>	<b>614,394</b>	<b>655,752</b>
<b>Total liabilities and net assets</b>	<b>2,035,546</b>	<b>2,125,032</b>

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

### Consolidated statement of profit or loss

(Million yen)

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
<b>Net sales</b>	1,485,121	1,811,759
<b>Cost of sales</b>	1,312,771	1,602,958
<b>Gross profit</b>	172,349	208,801
<b>Selling, general and administrative expenses</b>	145,781	156,092
<b>Operating profit</b>	26,567	52,708
<b>Non-operating income</b>		
Interest income	843	564
Dividend income	17,585	25,312
Share of profit of entities accounted for using equity method	4,692	5,078
Rental income on non-current assets	4,895	4,947
Other	10,260	7,057
<b>Total non-operating income</b>	38,278	42,960
<b>Non-operating expenses</b>		
Interest expenses	4,416	5,498
Expense for the maintenance and management of abandoned mines	3,782	4,051
Rental expenses on non-current assets	3,134	3,156
Loss on retirement of non-current assets	2,674	2,670
Other	6,309	4,211
<b>Total non-operating expenses</b>	20,318	19,588
<b>Ordinary profit</b>	44,527	76,080
<b>Extraordinary income</b>		
Gain on sales of investment securities	28,066	34,671
Other	810	3,938
<b>Total extraordinary income</b>	28,876	38,609
<b>Extraordinary losses</b>		
Loss on business restructuring	22,370	25,116
Loss on sales of investment securities	1,968	5,223
Impairment loss	3,532	3,886
Other	2,191	3,848
<b>Total extraordinary losses</b>	30,063	38,074
<b>Profit before income taxes</b>	43,341	76,616
<b>Income taxes - current</b>	13,944	22,151
<b>Income taxes - deferred</b>	(1,379)	1,850
<b>Total income taxes</b>	12,564	24,001
<b>Profit</b>	30,777	52,614
<b>Profit attributable to non-controlling interests</b>	6,369	7,599
<b>Profit attributable to owners of parent</b>	24,407	45,015

# Consolidated statement of comprehensive income

(Million yen)

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
<b>Profit</b>	30,777	52,614
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	19,613	(16,872)
Deferred gains or losses on hedges	(2,843)	(1,000)
Foreign currency translation adjustment	5,758	27,558
Remeasurements of defined benefit plans	10,369	848
Share of other comprehensive income of entities accounted for using equity method	1,152	70
<b>Total other comprehensive income</b>	34,050	10,603
<b>Comprehensive income</b>	64,827	63,218
(Breakdown)		
Comprehensive income attributable to owners of parent	57,567	49,666
Comprehensive income attributable to non-controlling interests	7,259	13,551

### (3) Consolidated statements of changes in net assets

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

(Million yen)

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

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

Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	119,457	79,439	294,814	(2,868)	490,843
Cumulative effect of changes in accounting policies			(38)		(38)
Balance at beginning of period after retrospective adjustment	119,457	79,439	294,775	(2,868)	490,804
Changes during period					
Cash dividends			(11,783)		(11,783)
Profit attributable to owners of parent			45,015		45,015
Reversal of revaluation reserve for land			75		75
Increase due to change of accounting period of consolidated subsidiaries			855		855
Decrease due to increase in the number of consolidated subsidiaries					—
Decrease due to decrease in the number of consolidated subsidiaries			(73)		(73)
Purchase of treasury shares				(28)	(28)
Disposal of treasury shares		(1)		4	2
Changes in ownership interest of parent due to transaction with non-controlling interests		(30)			(30)
Changes in items other than shareholders' equity, net					
Total changes during period	—	(31)	34,089	(24)	34,032
Balance at end of period	119,457	79,407	328,864	(2,892)	524,837

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Other difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefits plans	Total accumulated other comprehensive income		
Balance at beginning of period	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,394
Cumulative effect of changes in accounting policies								(38)
Balance at beginning of period after retrospective adjustment	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,356
Changes during period								
Cash dividends								(11,783)
Profit (loss) attributable to owners of parent								45,015
Reversal of revaluation reserve for land								75
Increase due to change of accounting period of consolidated subsidiaries								855
Decrease due to increase in the number of consolidated subsidiaries								—
Decrease due to decrease in the number of consolidated subsidiaries								(73)
Purchase of treasury shares								(28)
Disposal of treasury shares								2
Changes in ownership interest of parent due to transaction with non-controlling interests								(30)
Changes in items other than shareholders' equity, net	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	7,363
Total changes during period	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	41,396
Balance at end of period	26,110	(5,328)	26,369	18,832	(6,003)	59,979	70,935	655,752

**(4) Consolidated statement of cash flows**

(Million yen)

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 -Mar. 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	43,341	76,616
Depreciation	61,962	63,536
Amortization of goodwill	4,374	4,553
Increase (decrease) in allowance for doubtful accounts	857	(666)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(1,489)	(1,643)
Increase (decrease) in provision for product compensation	(623)	(520)
Increase (decrease) in provision for environmental measures	(6,026)	(7,792)
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(777)	(322)
Interest and dividend income	(18,429)	(25,876)
Interest expenses	4,416	5,498
Share of loss (profit) of entities accounted for using equity method	(4,692)	(5,078)
Loss (gain) on sales of property, plant and equipment	(235)	(315)
Loss on retirement of non-current assets	2,674	2,670
Impairment loss	3,532	3,886
Loss on business restructuring	22,370	25,116
Loss (gain) on sales of investment securities	(26,097)	(29,448)
Loss (gain) on valuation of investment securities	321	369
Decrease (increase) in notes and accounts receivable - trade	(7,483)	(65,276)
Decrease (increase) in inventories	(28,007)	(93,557)
Proceeds from sales of gold bullion	106,419	106,506
Payment for purchase of gold bullion	(106,176)	(106,432)
Decrease (increase) in other current assets	(5,960)	(4,691)
Increase (decrease) in notes and accounts payable - trade	38,918	30,905
Increase (decrease) in accrued expenses	6,316	4,921
Increase (decrease) in other current liabilities	1,972	5,020
Increase (decrease) in other non-current liabilities	(288)	(1,606)
Other	(3,134)	13,791
Sub-total	88,055	166
Interest and dividend received	20,399	28,723
Interest paid	(4,413)	(5,648)
Income taxes (paid) refund	(15,175)	(16,350)
Loss on the Antimonopoly Act	(10,423)	—
Net cash provided by (used in) operating activities	78,442	6,889

(Million yen)

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	(76,825)	(71,461)
Proceeds from sales of property, plant and equipment	1,127	2,574
Payments for purchase of intangible assets	(1,902)	(6,701)
Payments for purchase of securities and investment securities	(40,889)	(4,761)
Proceeds from sales of investment securities	65,731	58,935
Payments for purchase of subsidiaries' shares	(1,158)	(807)
Payments for sales of subsidiaries' shares resulting in change in scope of consolidation	(44,795)	—
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation, etc	161	8,838
Proceeds from transfer of businesses	583	6
Payments for loans	(3,865)	(5,322)
Proceeds from collection of loans	524	14,600
Other	(453)	887
Net cash provided by (used in) investing activities	(101,763)	(3,210)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(3,828)	(4,628)
Proceeds from long-term borrowings	139,184	79,451
Repayment of long-term borrowings	(45,084)	(69,423)
Proceeds from issuance of bonds	—	40,000
Payments for redemption of bonds	—	(20,000)
Increase (decrease) in commercial papers	(10,000)	(10,000)
Payments for purchase of treasury shares	(714)	(28)
Cash dividends paid	(5,237)	(11,783)
Cash dividends paid to non-controlling interests	(5,611)	(6,355)
Payments for purchase of subsidiaries' shares not-resulting in change in scope of consolidation	(24,925)	—
Other	(2,267)	(2,286)
Net cash provided by (used in) financing activities	41,514	(5,055)
Effect of exchange rate changes on cash and cash equivalents	1,010	9,471
Increase (decrease) in cash and cash equivalents	19,203	8,094
Cash and cash equivalents at beginning of period	127,284	147,533
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	1,045	(1,367)
Increase (decrease) in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	—	(618)
Cash and cash equivalents at end of period	147,533	153,640



## **(5) Key notes related to consolidated financial statements**

### **Notes on going concern assumption**

N/A

### **Basis of presenting consolidated financial statements**

#### **1. Scope of Consolidation**

(1) Number of consolidated subsidiaries: 126

(i) Names of major consolidated subsidiaries

PT. Smelting, Luvata Oy, MCC Development Corporation, Onahama Smelting & Refining Co., Ltd., Mitsubishi Cement Corporation (U.S.), Materials' Finance Co., Ltd., Mitsubishi Cable Industries, Ltd., MOLDINO Tool Engineering, Ltd., Mitsubishi Materials Techno Corporation, Mitsubishi Materials Trading Corporation, Robertson's Ready Mix, Ltd.

(ii) Changes in scope of consolidation

Smelting Management Gresik and one other company are included in the scope of consolidation from the current fiscal year under review. In addition, the Company excludes the following subsidiaries from the scope of consolidation; Hachimantai Geothermal Co., Ltd, due to an absorption-type merger with Hachimantai Green Energy Co. as Hachimantai Green Energy Co., (former Akita Power Generation Co.) being the succeeding company; Accurate Wire Inc., due to an absorption-type merger with Luvata Waterbury, Inc., as Luvata Waterbury, Inc. being the succeeding company; Mitsubishi Aluminum Co., Ltd. (current MMA Co., Ltd.), became immaterial after being split and succeeded; MA Packaging Co., Ltd. and five other companies, due to business split and succession by the Mitsubishi Aluminum Co., Ltd.; Universal Can Corporation and five other companies, due to sale of entire equity interests and Dia Consultants Co., Ltd., due to sale of partial equity interests by the Company.

(2) Names of major unconsolidated subsidiaries

Major unconsolidated subsidiary

Appi Geothermal Energy Corporation

(Reason for exclusion from scope of consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small companies and their combined total assets, net sales, profit and loss (the amount equivalent to equity), retained earnings (the amount equivalent to equity), etc. have no material impact on the consolidated financial statements.

#### **2. Application of the equity method**

(1) Number of non-consolidated subsidiaries accounted for by the equity method: 0

(2) Number of affiliates accounted for by the equity method: 17

(i) Name of major companies

Ube-Mitsubishi Cement Corporation, NM Cement Co., Ltd., LM SunPower Corporation, P. S. Mitsubishi Construction Co., Ltd., Yuzawa Geothermal Corporation, Green Cycle Corporation, and Mantoverde S.A.

(ii) Change in scope of application of the equity method

C Integration Arrangement, Ltd. was included in the scope of equity-method affiliates from this consolidated fiscal year. The Company changed its name to Mitsubishi UBE Cement Corporation as of January 1, 2022. Furthermore, the Company excludes the following affiliates from the scope of equity-method affiliates; KMCT Corporation due to its entire equity sale, Muang-Max(Thailand)Co., Ltd. due to the business split and succession of Mitsubishi Aluminum Co., Ltd. and Copper Mountain Mining Corporation due to its liquidation.

(3) Names of major unconsolidated subsidiaries and affiliates not accounted for by the equity method

Onahama Yoshino Gypsum Co., Ltd.

(Reason for not applying the equity method)

Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of application of the equity method since they do not have a material impact on profit and loss, retained earnings, etc., and are not significant as a whole.

(4) Special note on procedures for application of the equity method

For companies accounted for by the equity method that have different fiscal year-ends, the financial statements for the fiscal year of the company in question are used.

### 3. Fiscal Year of Consolidated Subsidiaries

Although two of the consolidated subsidiaries have a fiscal year end that differs from the consolidated balance sheet date, necessary adjustments are made in the consolidated financial statements for significant transactions that occurred between the fiscal year end of the two subsidiaries and the consolidated balance sheet date.

Their major consolidated subsidiaries are as follows:

Fiscal year end date: December 31

MM Copper Products Co., Ltd. and Mitsubishi Materials Chile SpA

Previously, for Luvata Oy and 13 other consolidated subsidiaries whose fiscal year end on December 31, financial statements as of that date were used and necessary adjustments were made for consolidation purposes with respect to significant transactions that occurred between that date and the consolidated balance sheet date. Effective from current fiscal year, the Company has changed these subsidiaries' fiscal year end to March 31.

As a result of these changes, the consolidated financial statements for the fiscal year under review cover the 12-month period from April 1, 2021 to March 31, 2022. Profit and loss for the three-month period from January 1, 2021 to March 31, 2021 are included directly in retained earnings.

### 4. Matters related to accounting policies

#### (1) Valuation standards and methods for significant assets

##### (a) Securities

###### (i) Stocks of subsidiaries and affiliates

Stated at cost based on the moving average method (excluding those accounted for by the equity method)

###### (ii) Available-for-sale securities

###### (a) Other than shares, etc. with no market price

Market value method (Valuation differences are included directly in net assets, and the cost of securities sold is determined by the moving average method)

###### (b) Shares, etc. with no market price

Stated at cost based on the moving average method

##### (b) Inventories

Valuation standards are mainly based on the cost method (book value devaluation based on decreased profitability). Valuation method is mainly FIFO for smelting ingot assets and mainly weighted average method for other inventories.

##### (c) Derivative transactions

Market value method

#### (2) Depreciation method for significant depreciable assets

##### (a) Property, plant and equipment (excluding leased assets and right-of-use assets)

Straight-line method

However, the units-of-production method is applied to tunnels among structures, and to mining land and raw material land among land.

##### (b) Intangible assets (excluding leased assets)

Straight-line method

However, mining rights are based on the units-of-production method.

##### (c) Leased assets (leased assets related to finance lease transactions that do not transfer ownership)

The straight-line method is used, where the lease period is deemed the asset's useful life, and the residual value is set as zero.

##### (d) Right-of-use assets

The straight-line method is used over the shorter of the asset's useful life or the lease term, with a residual value of zero.

(3) Basis for significant provisions

(a) Allowance for doubtful accounts

For possible losses on receivables, the allowance for doubtful accounts is recorded at the estimated amount based on the historical write-off ratio for general receivables, and in view of each collectability for specific receivables such as doubtful receivables.

(b) Provision for bonuses

To provide for the payment of bonuses to employees, the projected payment amount attributable to this consolidated fiscal year is provided.

(c) Provision for loss on disposal of inventories

To prepare for possible future losses on disposal of inventories, an estimated amount of losses is recorded.

(d) Provision for product compensation

The Company provides for reasonably estimated amounts of compensation and other costs expected to be incurred by the Group's products in the future for its customers.

(e) Provision for loss on business of subsidiaries and affiliates

To prepare for possible business losses of the affiliated companies, an estimated amount of losses are recorded that exceeds the amounts of investments in and loans and other receivables to group companies and is to be incurred by the Company or its consolidated subsidiaries.

(f) Provision for environmental measures

The Company provides for the estimated cost of construction work to implement countermeasures for stable structure of and prevent hazards at large accumulation sites in accordance with the revised technical guidelines of the Mine Safety Law, and to implement drastic countermeasures to prevent mining-induced pollution, such as avoiding the discharge of untreated water, mainly by increasing water treatment capacity to cope with recent changes in the natural environment, at abandoned mines managed by the Group. In addition, the estimated amount to be paid is recorded to prepare for losses related to waste disposal.

(g) Provision for directors' retirement benefits

In order to prepare for payment of directors' retirement benefits, certain consolidated subsidiaries record an amount for the retirement benefits required at the year end in accordance with the internal regulations.

(h) Provision for share-based remuneration

To prepare for the provision of the Company's shares to executive officers, corporate officers, and fellows in accordance with the Share Delivery Regulations, the Company records an estimated amount of liabilities for share delivery as of the end of this fiscal year under review.

(4) Accounting method for retirement benefits

(a) Method of attributing estimated retirement benefits to periods

In calculating the retirement benefit obligation, the estimated amount of retirement benefits is attributed to the period up to the end of this consolidated fiscal year based on the benefit calculation method.

(b) Method of amortizing actuarial gains and losses and prior service cost

Prior service cost is amortized mainly by the straight-line method over a fixed number of years (ten years) within employees' average remaining service period when incurred. Actuarial gains and losses are amortized mainly by the straight-line method over a fixed number of years (ten years) within the average remaining service period of employees when the actuarial gains or losses are recognized, starting from the following fiscal year of recognition.

(5) Basis for recording significant revenues and expenses

(a) Sales of products

The Group is engaged in the manufacture and sale of copper & copper alloy products, electronic materials, cemented carbide products, cement, ready-mixed concrete, aluminum products, etc., smelting and sales of copper,

gold, silver, palladium, etc., and environmental recycling-related businesses. For these transactions, revenue is recognized primarily upon delivery of the product to the customer, as the customer obtains control over the product and the performance obligation is satisfied when the product is delivered.

The consideration for the transaction is received within one year of satisfaction of the performance obligation and does not include a significant financial component.

Transactions in which the Group is determined to have been involved as an agent are shown on a net basis.

(b) Construction contracts and services

The Group recognizes revenue and provision of services on construction contracts in the Energy-related business, the Engineering-related services, and other businesses based on the degree of completion of performance obligations judging that the performance obligation will be satisfied for a certain period of time. Measurement of progress is based on the costs incurred through each reporting period as its percentage to the estimated total cost, based primarily on inputs based on costs incurred, which are judged to provide a reasonable estimate of the progress made in meeting performance obligations.

However, revenue is recognized on a cost recovery method when the Group cannot reasonably estimate the degree of completion of the performance obligation at the initial stage of the contract, but expects to recover the costs incurred.

For contracts with a very short period of time from the inception of the transaction to the point in time when the performance obligation is expected to be fully satisfied, the Group does not recognize revenue over a certain period of time, but recognizes revenue at the point of delivery as performance obligation deemed to be satisfied at this point.

(6) Significant hedge accounting methods

(a) Hedge accounting method

Deferred gains or losses on hedges is used. For interest rate swaps that meet the requirements for special treatment, the Company applies the special treatment. Receivables and payables denominated in foreign currencies with foreign exchange forward contracts are translated at the contracted rate.

(b) Hedging instruments, hedged items and hedging policy

Forward exchange contracts and currency swap transactions are entered into to hedge the fluctuation risks of foreign currency exchange rate of foreign currency-denominated transactions.

The Company enters into forward commodity contracts and commodity price swaps to hedge the commodity price fluctuation risk of nonferrous metal inventories. The Company also enters into forward commodity contracts to hedge the commodity price fluctuation risk that may arise when the price of nonferrous metal commodities to be delivered to customers in the future is contracted at forward prices.

The Company enters into interest rate swap transactions to avoid risks associated with fluctuations in interest rates on borrowings and to reduce financing costs.

(c) Methods of evaluating hedge effectiveness

In principle, the effectiveness of a hedge is evaluated by comparing accumulated changes in market prices or cash flows of hedged items and accumulated changes in market prices or cash flows of hedging instruments during the period from the inception of the hedge to the point when its effectiveness is determined.

Furthermore, concerning nonferrous metal forward transactions, the volume of the hedging instruments and hedging transactions is managed to match each other every month. At the end of period, the Company verifies whether the planned profit and loss and cash flow have been secured, thereby confirming the effectiveness of the transactions.

(d) Hedging relationships that apply the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR

Among the above mentioned hedging relationships, all the hedging relationships subject to the application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (No. 40, March 17, 2022, hereinafter referred to as "PITF") have adopted the special treatment prescribed in PITF No. 40. The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting method:	Special treatment of interest rate swap
Hedging instrument:	Interest rate swaps

Hedged items:	Interest payments on borrowings
Type of hedging transaction:	Those which fix cash flows

(7) Amortization method and period of goodwill

Goodwill is amortized over a reasonable number of years, not exceeding 20 years, on a case-by-case basis. If the amount is immaterial, it is fully amortized when incurred.

(8) Scope of funds in consolidated statements of cash flows

The funds consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities or redemption dates within three months of acquisition that are readily convertible into cash and are exposed to an insignificant risk of changes in value.

## Significant accounting estimates

### Whether or not an impairment loss of goodwill recorded by Luvata Oy should be recognized

1. Amount recognized in the consolidated financial statements for the fiscal year under review

In the consolidated financial statements for fiscal year under review, the Company recorded goodwill of ¥6,874 million arising from the acquisition of the equity interest in the Luvata Special Products business (hereinafter referred to as "Luvata Group"), which is centered on Luvata Pori Oy.

2. Information on the nature of significant accounting estimates related to the identified items

Luvata Oy applies IFRS to its financial statements. Cash-generating unit groups, including goodwill, are tested for impairment each period in addition to when there is an indication of impairment. If the recoverable amount is less than the book value, the book value is reduced to the recoverable amount and the reduction in the book value is recognized as an impairment loss. The recoverable amount is determined as the higher of either value in use or fair value less disposal costs.

Luvata Oy uses value in use as the recoverable amount for goodwill impairment.

The future cash flows used to measure the value in use are estimated based on the Luvata Group's medium-term management plan. They are mainly based on assumptions about the future growth rate of the automobile, MRI, and other markets targeted by the Luvata Group's products, the expected increase in market share through sales expansion measures, and sales prices in light of the status of negotiations with customers. Uncertainty about prospects has increased in this consolidated fiscal year due to production cutbacks in the automotive industry caused by the shortage of semiconductors and soaring logistics costs. Management's decisions regarding these factors significantly impacts the calculation of value in use. In addition, estimating the discount rate used to measure value in use requires a high degree of valuation expertise in the selection of calculation methods and input data.

As a result of the impairment test, the Company determined that the value in use of the group of cash-generating units, including goodwill, resulting from the acquisition of the Luvata Group exceeded its book value, and therefore no impairment loss was required. However, if the conditions or assumptions on which the estimates were based change due to significant changes in economic conditions, etc., an impairment loss may be incurred.

## Changes in accounting policies

### Application of "Accounting Standard for Revenue Recognition" and others

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, and hereinafter referred to as the "Accounting Standard for Revenue Recognition"). The Company adopted the "Accounting Standard for Revenue Recognition" and others from the beginning of this consolidated fiscal year and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As a result of this change, transactions in which the Group is determined to have been involved as an agent are presented on a net basis, etc.

The Accounting Standard for Revenue Recognition, etc., are applied under the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy before the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment before the beginning of

this consolidated fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition.

Consequently, net sales for this consolidated fiscal year decreased by ¥27,728 million, but the impact on operating profit, ordinary profit, and profit before income taxes was immaterial. The effect on the balance of retained earnings at the beginning of current period and per share information is immaterial.

In addition, from this fiscal year, "Notes and accounts receivable - trade," previously included in "Current assets" on the consolidated balance sheet, is now included in "Notes receivable - trade," "Accounts receivable - trade" and "Other". "Notes and accounts receivable-trade" of ¥220,522 million reported under "Current assets" in the consolidated balance sheet for the previous fiscal year is separately reported as "Notes receivable - trade" of ¥29,788 million and "Accounts receivable - trade" of ¥190,733 million. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, "Accounts receivable" under "Current assets" was not reclassified to "Other" using the new presentation method for the previous fiscal year.

Under the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes concerning "Revenue Recognition" for the previous fiscal year are not presented.

#### **Application of "Accounting Standard for Fair Value Measurement," etc.**

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), etc., are applied from the beginning of this consolidated fiscal year. Under the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the accounting policies prescribed by these standards prospectively. Consequently, available-for-sale securities with fair market value were previously stated at fair market value based on the average market price during the month before the balance sheet date. However, effective from this consolidated fiscal year, the method has been changed to the way based on market prices, etc., as of the end of the fiscal year. Consequently, the effect of this change on the consolidated financial statements for this consolidated fiscal year is immaterial.

#### **Unapplied accounting standards, etc.**

"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021, ASBJ)

##### **(1) Overview**

Following the enactment of the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020) on March 27, 2020, the ASBJ issued the solution to clarify the accounting and disclosure treatment of corporate and local corporate taxes and tax effect accounting under the group tax sharing system.

##### **(2) Scheduled date of application**

Effective from the beginning of the fiscal year ending March 31, 2023.

##### **(3) Effect of application of the Accounting Standards, etc.**

The Company will apply for approval of the group tax sharing system during this consolidated fiscal year and will apply the system from the following fiscal year.

The effect of the application of the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" on the consolidated financial statements is currently under evaluation.

#### **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 current fiscal year, respectively.

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

COVID-19 has a broad impact on the economy and corporate activities, and it is difficult to predict how it will spread and when it will converge, etc. Therefore, based on the external information etc. available as of the end of the current fiscal year, the Company made accounting estimates concerning the judgment of recoverability of deferred tax assets and the determination of impairment losses, etc., on the assumption that such effects will continue for a certain period of time in the fiscal year ending March 31, 2023 but will gradually subside.

### **(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

## Notes to consolidated balance sheets

### 1. Accumulated depreciation of Property, plant and equipment are as follows

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Accumulated depreciation	1,388,335 Million yen	1,196,222 Million yen

### 2. Guarantee obligation

The Company guarantees bank borrowings, etc. of companies other than consolidated companies and their employees.

	Year Ended March 31, 2021 (As of March 31, 2021)		Year Ended March 31, 2022 (As of March 31, 2022)
	(Million yen)		(Million yen)
Similco Finance Ltd.	3,545	Yuzawa Geothermal Corporation	1,563
Kobelco & Materials Copper Tube, Co. Ltd.	2,004	Employees	1,874
Yuzawa Geothermal Corporation	1,759	Other (9 companies)	1,419
Copper Mountain Mining Corporation	1,605		
Jeco 2 Ltd.	1,185		
Number of employees	1,981		
Other (9 companies)	1,288		
Subtotal	13,371	Subtotal	4,857



### **3. 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.

##### **• For the year ended March 31, 2022 (As of March 31, 2022)**

The consolidated subsidiary of the Company, PT. Smelting (hereinafter "PTS"), has received a notice of reassessment from Indonesian Tax Authority covering the company's four fiscal years ended December 31, 2012, December 31, 2014, December 31, 2016 and December 31, 2018.

Indonesian Tax Authority has unilaterally disallowed certain agent fees, etc. of PTS for some time, and since these corrections are not acceptable for the Company and PTS, PTS is asserting the legitimacy of the Company and PTS to Indonesian Tax Authority, through tax trials, objections, and other means.

As of the end of the fiscal year under review, the additional amount disputed by PTS totaled US\$19 million (¥2,363 million at the exchange rate as of the end of the current fiscal year).

There are some cases that surcharges may be imposed due to formal objections or tax trial results.

#### 4. Discount on notes receivable, etc.

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Notes receivable discounted	54 Million yen	102 Million yen
Retroactive obligation due to securitization of receivables	3,703	1,917

#### 5. Mortgaged assets and secured liabilities

Assets pledged as collateral are as follows.

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Cash and deposits	27,622 Million yen	37,553 Million yen
Accounts receivable - trade	8,717	7,497
Merchandise and finished goods	10,625	13,534
Work in process	23,989	40,084
Raw materials and supplies	20,356	25,014
Property, plant and equipment (Note 1)	12,441	3,770
Investment securities	6,099	6,604
Subtotal	109,852	134,058

Secured liabilities are as follows.

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Short-term borrowings	25,354 Million yen	19,356 Million yen
Long-term borrowings (Note 1)	940	6,294
<i>(Current portion of long-term debt)</i>	<i>140</i>	<i>50)</i>
Other liabilities	24	3
Subtotal	26,318	25,655

(Note 1) Items pledged as foundation mortgages

Name of asset

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Buildings and structures, net	1,261 Million yen	959 Million yen
Machinery, equipment and vehicles, net	1,680	—
Land, net	7,641	2,426
Other property, plant and equipment	45	—
Subtotal	10,628	3,386

Liabilities corresponding to the above

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Long-term borrowings	940 Million yen	790 Million yen
<i>(Current portion of long-term debt)</i>	<i>140</i>	<i>50)</i>
Subtotal	940	790

## **6. Revaluation reserve for land**

### **For the year ended March 31, 2021**

In accordance with the "Act on Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law Concerning Partial Amendment to the Law Concerning Revaluation of Land" (Law No. 19 enacted on March 31, 2001), the Company and one of its consolidated subsidiaries revaluated the commercial land, and the amount equivalent to the tax related to the valuation difference was recorded as "deferred tax liabilities for land revaluation" in the liabilities section. After deducting such amount from valuation difference, the amount equivalent to the Company's share of the difference was recorded as "revaluation reserve for land" in the net assets section.

- The method of revaluation is based on the assessed value of fixed assets for property tax purposes as stipulated in Article 2, Item 3 of the "Order for Enforcement of the Act on Revaluation of Land" (Government Ordinance No. 119 issued on March 31, 1998) with reasonable adjustments, but for a portion of the land, the method of real estate appraisal by the real estate appraiser as stipulated in Item 5 was used.

#### **(i) The Company**

- Date of revaluation

Yokkaichi plant: March 31, 2000

Other than the above: March 31, 2002

Difference between the market value of the revalued land at the end of the fiscal year and the book value after revaluation: (30,719) Million yen

#### **(ii) One consolidated subsidiary**

- Date of revaluation: March 31, 2000

As of the end of the current fiscal year, the market value of the revalued land exceeded the book value after revaluation. Therefore, the difference is not stated here.

### **For the year ended March 31, 2022**

In accordance with the "Act on Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law Concerning Partial Amendment to the Law Concerning Revaluation of Land" (Law No. 19 enacted on March 31, 2001), the Company and one of its consolidated subsidiaries revaluated the commercial land, and the amount equivalent to the tax in the valuation difference was recorded as "deferred tax liabilities for land revaluation" in the liabilities section. The amount equivalent to taxes on the valuation difference was recorded as "revaluation reserve for land" in the net assets section.

- The method of revaluation is based on the assessed value of fixed assets for property tax purposes as stipulated in Article 2, Item 3 of the "Order for Enforcement of the Act on Revaluation of Land" (Government Ordinance No. 119 issued on March 31, 1998) with reasonable adjustments, but for a portion of the land, the method of real estate appraisal by the real estate appraiser as stipulated in Item 5 was used.

- Date of revaluation

Yokkaichi plant: March 31, 2000

Other than the above: March 31, 2002

Difference between the market value of the revalued land at the end of the fiscal year and the book value after revaluation: (30,672) Million yen

## Notes to consolidated statements of profit and loss

### 1. The amount of inventories at the end of the fiscal year is the amount after write-down of book value due to decline in profitability, and the loss on valuation of inventories is included in cost of sales.

( ) indicates the amount of reversal

Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
5,586 million yen	(4,584) million yen

### 2. Provision (reversal) for loss on construction contracts included in cost of sales

Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
(0) million yen	115 million yen

### 3. Major items and amounts of Selling, general and administrative expenses are as follows.

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
Freight expenses	28,607 million yen	32,283 million yen
Depreciation	5,541	5,498
Retirement benefit expenses	3,632	3,123
Provision for retirement benefits for executives	372	502
Provision for bonuses	9,414	10,024
Salaries and allowances	33,960	34,476
Outsourcing expenses	12,808	15,732
Rent	6,303	5,909
Research and development expenses	11,127	11,604

### 4. The Group recorded impairment losses on the following asset groups.

(Method of asset grouping)

The Group groups its assets mainly by product group based on the reportable segments.

In addition, idle assets and other assets are classified by individual asset units.

The impact on the segment is stated in the relevant section.

#### For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Summary of asset groups for which impairment loss were recognized)

Purpose	Location	Type	Impairment loss (Million yen)
Assets for Advanced Products	Suzhou, Jiangsu Province, China, etc.	Machinery and equipment, construction in progress and other rights, etc.	2,600
Assets for Metalworking Solutions Business	Tsuzuki-gun, Kyoto	Machinery, equipment and land	171
Assets for Metals Business	Akita City, Akita Prefecture	Buildings, etc.	19
Other business assets	Koshigaya City, Saitama, etc.	Land and buildings, etc.	442
Shared assets	Chiyoda-ku, Tokyo	Software in progress	606
Idle assets	Hofu City, Yamaguchi, etc.	Land	46
Total			3,886

(Background of recognition of impairment loss)

For business assets with significantly deteriorated profitability due to a decline in the market price of products and other factors, and for asset groups for which the market price of the subject assets has declined significantly, the book value has been reduced to the recoverable amount. In addition, the book value of idle assets, etc., whose recoverable amount is smaller than the book value due to a decline in market prices or other reasons, has been reduced to the recoverable amount. The decrease in the book value of such business assets and idle assets, etc. was recorded as an impairment loss of -¥3,886 million under extraordinary losses.

- Impairment losses by account title

Buildings ¥211 million, Machinery and equipment ¥1,013 million, Construction in progress ¥852 million, Land ¥392 million, Various rights ¥674 million, Software in progress ¥606 million, Other ¥136 million

(Calculation method of recoverable amount)

The recoverable amount is measured by net realizable value or value in use. Net realizable value is calculated based on real estate appraised value for items whose fair value is highly significant, and based on property tax assessed value etc., for other items. The value in use is mainly calculated by discounting future cash flows at 6.0%.

## **5. Loss on business restructuring**

### **For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)**

The loss on business restructuring of ¥22,370 million represents the loss on sales of investment securities and loss on transfer of receivables, etc., associated with the transfer of shares of Diamet Corp. which was a consolidated subsidiary of the Company engaged in the Sintered parts business and receivables associated with the company to Endeavour II United Investment Business Limited Partnership on December 4, 2020.

### **For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)**

The loss on business restructuring of ¥25,116 million represents the loss on sales of shares of subsidiaries and associates and the loss on business transfer etc., resulting from the transfer on March 31, 2022 of all shares of Universal Can Corporation, a consolidated subsidiary engaged in aluminum business owned by the Company, and the Aluminum rolling and processing business of Mitsubishi Aluminum Co., Ltd. to Showa Aluminum Can Co., Ltd. owned by a fund managed by an affiliate of the U.S.-based Apollo Global Management, Inc.

## Notes to consolidated statement of comprehensive income

### \* Reclassification Adjustments and Tax Effects Related to Other Comprehensive Income

(Million yen)

	Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)
Valuation difference on available-for-sale securities		
Amount accrued in the current fiscal year	54,092	4,720
Reclassification adjustments	(26,419)	(28,824)
Before tax effect adjustment	27,673	(24,104)
Tax effect amount	(8,059)	7,231
Valuation difference on available-for-sale securities	19,613	(16,872)
Deferred gains or losses on hedges		
Amount accrued in the current fiscal year	(16,611)	18,760
Reclassification adjustments	12,646	(20,006)
Before tax effect adjustment	(3,965)	(1,246)
Tax effect amount	1,122	245
Deferred gains or losses on hedges	(2,843)	(1,000)
Foreign currency translation adjustment:		
Amount accrued in the current fiscal year	5,758	27,558
Reclassification adjustments	—	—
Before tax effect adjustment	5,758	27,558
Tax effect amount	—	—
Foreign currency translation adjustment	5,758	27,558
Remeasurements of defined benefit plans:		
Amount accrued in the current fiscal year	11,033	(618)
Reclassification adjustments	2,496	1,515
Before tax effect adjustment	13,529	897
Tax effect amount	(3,159)	(48)
Remeasurements of defined benefit plans	10,369	848
Share of other comprehensive income (loss) of entities accounted for using equity method		
Amount accrued in the current fiscal year	(596)	986
Reclassification adjustments	1,748	(916)
Share of other comprehensive income (loss) of entities accounted for using equity method	1,152	70
Total other comprehensive income (loss)	34,050	10,603

## Notes to consolidated statements of changes in net assets

For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

### 1. Matters concerning the class and total number of shares outstanding, and the class and number of treasury shares

	Number of shares at the beginning of the period (shares)	Increase in number of shares (shares)	Decrease in number of shares (shares)	Number of shares at the end of the period (shares)
Outstanding shares				
Common stocks	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common stocks (Notes: 1, 2, 3)	836,604	13,043	1,214	848,433
Total	836,604	13,043	1,214	848,433

(Note)

- The number of treasury shares of common stocks includes 274,700 shares held by the executive compensation BIP trust
- Breakdown of the number of treasury shares increased in the current fiscal year  
Increase due to repurchase of odd-lot shares: 13,043 shares
- Breakdown of the number of treasury shares decreased in the current fiscal year  
Decrease due to requests for additional repurchase of odd-lot shares: 1,214 shares

### 2. Dividends

#### (1) Dividend paid

(Resolution)	Type of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record Date	Effective date
May 14, 2021 Board of Directors	Common stocks	6,546	50.0	March 31, 2021	June 9, 2021
November 9, 2021 Board of Directors	Common stocks	5,236	40.0	September 30, 2021	December 10, 2021

(Note)

- The total amount of dividends resolved by the Board of Directors on May 14, 2021 includes ¥13 million of dividends for the shares held by the executive compensation BIP trust.
- The total amount of dividends resolved by the Board of Directors on November 9, 2021 includes dividends of ¥10 million for the shares held by the executive compensation BIP trust.
- The dividends of ¥40 yen share resolved by the Board of Directors on November 9, 2021 includes a special dividend of ¥15 per share.

#### (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Type of shares	Total amount of dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record Date	Effective date
May 13, 2022 Board of Directors	Common stocks	6,545	Retained earnings	50.0	March 31, 2022	June 10, 2022

(Note)

- The total amount of dividends resolved by the Board of Directors on May 13, 2022 includes dividends of ¥13 million for the Company's shares held by the executive compensation BIP trust.
- The dividend of ¥50 per share resolved by the Board of Directors on May 13, 2022 includes a special dividend of ¥15 per share.

## Notes to consolidated statements of cash flows

### 1. Reconciliation of cash and cash equivalents at end of period to the accounts reported in the consolidated balance sheets.

	Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021- March 31, 2022)
Cash and deposits	153,086 Million yen	159,221 Million yen
Time deposits with maturities longer than three months	(5,374)	(5,444)
Restricted deposit	(178)	(135)
Cash and cash equivalents	147,533	153,640

### 2. Breakdown of major assets and liabilities transferred through business succession and sale of shares in this consolidated fiscal year

The breakdown of assets and liabilities, as well as proceeds from transfer of shares and succession of business (net), associated with the exclusion of Universal Can Corporation and one other company from the consolidated subsidiaries due to the transfer of shares, the exclusion of the aluminum rolling and extruded products business of Mitsubishi Aluminum Co., Ltd. and six other companies including MA Packaging Co., Ltd. from the consolidated subsidiaries due to business succession, and the exclusion of Muang-Max (Thailand) Co., Ltd. from the affiliates accounted for by the equity method, are as follows.

Assets and liabilities related to stock transfer	
Current assets	33,412 Million yen
Non-current assets	38,803
Current liabilities	(19,993)
Non-current liabilities	(27,506)
Non-controlling interests	(5,092)
Assets and liabilities related to business succession	
Current assets	34,972
Non-current assets	18,509
Current liabilities	(22,786)
Non-current liabilities	(14,812)
Non-controlling interests	(47)
Other	1,138
Loss on business restructuring	(25,116)
Sub-total	11,482
Value of stock transferred	8,132
Business succession amount	3,350
Sub-total	11,482
Investment securities received as consideration	(3,350)
Cash and cash equivalents	(5,550)
Incidental expenses	(873)
Difference: Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation, etc.	1,707



## **Segment information, etc.**

### **[Segment Information]**

#### **1. Overview of reporting segments**

##### **(1) Method to define reporting segments**

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

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

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

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

Major products of each business are as follows:

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

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

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

Profit in the reporting segments is based on ordinary profit.

Amount of intersegment revenues and transfers are based on current market prices.

#### **3. Changes, etc. of the reporting segments**

As described in Changes in accounting policies, the "Accounting Standard for Revenue Recognition" and other related accounting standards are applied from the beginning of the current fiscal year, and the method of accounting for revenue recognition has been changed, so the method of measuring profit by reportable segment has been changed in the same manner.

Consequently, sales to outside customers decreased by ¥3,021 million for the Advanced Products, ¥12,369 million for the Cement Business, and ¥12,336 million for the Other Businesses in the current fiscal year. The impact of this change on segment profit is negligible.

#### 4. Information on net sales, profits and losses, assets, liabilities and other items for each reporting segment.

For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

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

(Note)

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

**Year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)**

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Adjustment Amount	Amounts in consolidated financial statements
Net sales									
(1) Sales to outside customers	469,117	128,162	774,847	207,843	17,028	214,759	1,811,759	—	1,811,759
(2) Intersegment sales and transfers	16,822	4,448	222,324	1,986	842	38,885	285,309	(285,309)	—
Subtotal	485,939	132,611	997,171	209,830	17,871	253,645	2,097,069	(285,309)	1,811,759
Segment Profit	16,931	14,522	50,230	108	3,894	6,549	92,236	(16,156)	76,080
Segment assets	420,365	216,602	882,293	389,977	43,068	97,569	2,049,878	75,154	2,125,032
Segment liabilities	350,099	172,636	682,301	151,658	40,521	89,513	1,486,730	(17,450)	1,469,280
Other items									
Depreciation	10,869	11,083	14,381	15,526	1,633	6,826	60,320	3,215	63,536
Amortization of goodwill	435	1,202	—	2,912	—	2	4,553	—	4,553
Interest income	156	103	320	15	25	269	890	(326)	564
Interest expenses	1,773	1,254	1,430	589	173	924	6,144	(646)	5,498
Share of profit (or loss) of entities accounted for using equity method	1,795	—	4,768	(3,291)	1,968	(151)	5,090	(11)	5,078
Investment amount in equity method affiliates	5,504	—	38,225	22,460	12,059	—	78,250	(145)	78,104
Increase in property, plant and equipment and intangible assets	20,648	9,180	15,322	18,555	3,795	6,815	74,316	7,133	81,450

(Note)

- "Other Businesses" include aluminum-related business and engineering-related services.
- "Adjustment amount" of segment income (loss) of -¥16,156 million includes the elimination of intersegment transactions of -¥962 million and corporate expenses of -¥15,193 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial income and expenses.
- "Adjustment amount" of segment assets of ¥75,154 million includes the elimination of intersegment transactions of -¥63,829 million and corporate assets of ¥138,983 million which are not allocated to the reporting segments. Corporate assets consist mainly of assets of administrative departments and assets relating to basic experiment and research that do not belong to the reporting segments.
- "Adjustment amount" of segment liabilities of -¥17,450 million includes the elimination of intersegment transactions of -¥62,202 million and corporate liabilities of ¥44,752 million which are not allocated to the reporting segments. Corporate liabilities consist mainly of liabilities of administrative departments and liabilities relating to basic experiment and research that do not pertain to the reporting segments.
- "Adjustment amount" of ¥7,133 million for the increase in tangible fixed assets and intangible assets is mainly capital expenditure made by DX Promotion Division and the Central Research Institute.
- Segment profit has been adjusted with ordinary profit on the consolidated statements of profit or loss.
- In the Environment & Energy Business, Dia Consultants Co., Ltd. was excluded from the scope of consolidation due to the sale of its shares in July 2021. The amount of net sales, segment profit, and other items (depreciation, interest income, interest expense, and increase in property, plant and equipment and intangible assets) of Dia Consultants Co., Ltd. up to the date of deconsolidation are included.
- As for the aluminum-related business, which used to included in Other Businesses, on March 31, 2022, Universal Can Corporation and one other company were excluded from the consolidated subsidiaries due to the transfer of shares; because Mitsubishi Aluminum Co., Ltd.'s aluminum rolling and extruded products business were split and succeeded, that business and M.A. Packaging Co., Ltd. and five other companies were excluded from the consolidated subsidiaries, and Muang-Max (Thailand) Co., Ltd. were excluded from equity method affiliates. The amounts of net sales, segment income, and other items (depreciation, interest income, interest expense, equity in losses of affiliates, and increases in property, plant and equipment and intangible assets) related to the aluminum-related business up to the date of deconsolidation are included.

**【Relevant Information】****For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)**

## 1. Information by product and service

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

## 2. Information by region

## (1) Net sales

(Million yen)

Japan	United States	Europe	Asia	Other	Total
810,298	137,136	136,305	384,548	16,832	1,485,121

## (2) Tangible fixed asset

(Million yen)

Japan	United States	Europe	Asia	Other	Total
517,545	84,873	11,485	49,686	1,811	665,402

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

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

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

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

(3) Other ... Australia, Canada, Brazil

## 3. Information by major customer

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

**For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)**

## 1. Information by product and service

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

## 2. Information by region

## (1) Net sales

(Million yen)

Japan	United States	Europe	Asia	Other	Total
911,829	166,485	72,709	634,325	26,409	1,811,759

## (2) Tangible fixed asset

(Million yen)

Japan	United States	Europe	Asia	Other	Total
466,405	90,417	22,407	48,076	1,893	629,199

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

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

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

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

(3) Other ... Australia, Canada, Brazil

## 3. Information by major customer

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

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

**For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)**

(Million yen)

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

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

**For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)**

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Impairment loss	2,600	171	19	44	—	443	3,278	608	3,886

(Note) The 608 million yen adjustment for impairment loss is mainly due to the impairment of shared assets.

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

**For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)**

(Million yen)

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

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

(Million yen)

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

**For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)**

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Environment & Energy Business	Other Businesses	Subtotal	Corporate and Elimination	Total
Amortization for period	435	1,202	—	2,912	—	2	4,553	—	4,553
Balance at end of period	6,874	3,621	—	18,873	—	2	29,371	—	29,371

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

(Million yen)

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

## Per-share information

	Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)
Net asset per share	4,173.14 yen	4,476.52 yen
Profit per share	186.71 yen	344.56 yen

(Note)

1. The Company's shares held by the executive compensation BIP trust are included in the treasury shares to be deducted from the total number of shares outstanding at the end of the fiscal year for the purpose of calculating net asset per share. The number of treasury shares totaled 836,000 shares at the end of the previous fiscal year and 848,000 shares at the end of the current fiscal year, of which 274,000 shares and 274,000 shares were held by the executive compensation BIP trust, respectively.
2. Diluted profit per share are not stated since there are no dilutive shares.
3. The basis for the calculation of profit per share is as follows:

	Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)	Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)
Profit per share		
Profit attributable to owners of parent (million yen)	24,407	45,015
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to common shareholders of owners of the parent (million yen)	24,407	45,015
Average number of shares outstanding during period (thousand shares)	130,723	130,646

(Note)

The Company's shares held by the executive compensation BIP trust are included in the treasury shares to be deducted from the average number of shares outstanding during the period for the purpose of calculating profit per share. The average number of treasury shares outstanding during period totaled 765,000 shares during the previous fiscal year and 843,000 shares during current fiscal year, and of those of which 211,000 shares and 274,000 shares were held by the executive compensation BIP trust, respectively.

## Important subsequent events

### Formation of a jointly controlled entity upon integration of cement business, etc

On May 14, 2021, the Company entered into an absorption-type company split agreement with the current Mitsubishi UBE Cement Corporation (hereinafter referred to as "Mitsubishi UBE Cement"), whereby the Company's Cement business and related businesses, etc. will be transferred to the integration preparatory company ("C Integration Arrangement, Ltd." which is the current Mitsubishi UBE Cement Corporation), which was established through a 50-50 joint venture with Ube Industries, Ltd. (which is the current UBE Corporation, hereinafter referred to as "UBE Corp"). The contract for the absorption split was approved at the 96th ordinary general meeting of shareholders on June 24, 2021. Pursuant to this approval, the subject business of the Company was transferred to Mitsubishi UBE Cement on April 1, 2022.

Mitsubishi UBE Cement entered into an absorption-type demerger agreement with UBE Corp on May 14, 2021, and took over UBE Corp's subject business on April 1, 2022. On May 14, 2021, Mitsubishi UBE Cement entered into an absorption-type merger agreement with Ube-Mitsubishi Cement Corporation (hereinafter referred to as "Ube-Mitsubishi Cement"), making Mitsubishi UBE Cement the surviving company and Ube-Mitsubishi Cement, the dissolving company, and the two companies merged on April 1, 2022.

#### 1. Overview of the transaction

##### (1) Names and outlines of relevant businesses subject to the transaction

Cement business, Ready-mixed concrete business, Coal business, Building materials, mineral products business, Civil engineering and construction business, etc.

##### (2) Date of business combination

April 1, 2022

##### (3) Legal form of business combination

Absorption-type company split with the Company as splitting company and Mitsubishi UBE Cement as the succeeding company

##### (4) Name of company after integration

Mitsubishi UBE Cement Corporation

##### (5) Other items on the transaction overview

Since the establishment of Mitsubishi UBE Cement in 1998 through a fifty-fifty joint venture, the Company and UBE have integrated the cement sales and logistics functions of the two companies and have achieved certain benefits, including cost reductions in distribution and in-house transaction. While the business situations surrounding the cement business in Japan are currently undergoing significant changes, including slowing demand and dramatic energy price fluctuation, it is necessary for the Company and Ube Industries to establish a new framework for their cement businesses that develops the existing relationship, in order to realize the future growth of their cement businesses. Therefore, the two companies concluded that it is best to integrate their cement and relevant businesses by combining all of their advantages of these businesses. Such advantages include the Company's (1) Kyushu Plant, which boasts the largest production capacity in Japan, (2) Higashitani Mine, which has abundant limestone resources, and (3) highly competitive cement and ready-mixed concrete businesses in the United States, as well as UBE's (1) infrastructure, such as large port facilities in the Ube area and coal centers, and (2) nationwide ready-mixed concrete production and sales networks, and (3) Ube Materials Industries, Ltd.'s inorganic materials business.

##### (6) The formation of a jointly controlled entity and its reason behind

For the formation of a jointly controlled entity, the Company and UBE signed a shareholders' agreement to both companies jointly control Mitsubishi UBE Cement, and all consideration paid for the business combination were shares with voting rights. Also, no certain evidence exists that there is other controlling relationship. Therefore, the Company concluded that this business combination is the formation of a jointly controlled entity.

#### 2. Overview of scheduled accounting process

The integration will be handled as the formation of a jointly controlled entity in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Statement No. 10, revised on January 16, 2019).

## 6. Unconsolidated Financial Statements

### (1) Balance sheets

(Million yen)

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	65,633	58,481
Notes receivable - trade	12,313	14,658
Accounts receivable - trade	95,301	146,024
Merchandise and finished goods	60,075	75,856
Work in process	75,975	89,432
Raw materials and supplies	67,321	84,744
Advance payments to suppliers	25,156	29,969
Prepaid expenses	1,824	1,541
Short-term loans receivable	6,278	7,632
Accounts receivable - other	15,536	16,070
Leased gold bullion	156,254	195,379
Deposited gold bullion	69,778	82,004
Other	12,920	36,310
Allowance for doubtful accounts	(441)	(450)
<b>Total current assets</b>	<b>663,931</b>	<b>837,656</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	61,148	60,839
Structures	34,388	34,566
Machinery and equipment	89,781	94,529
Vessels	2	2
Vehicles	221	202
Tools, furniture and fixtures	4,467	4,325
Land	133,296	133,778
Leased assets	788	805
Construction in progress	15,313	14,841
Trees	1,076	1,072
<b>Total property, plant and equipment, net</b>	<b>340,484</b>	<b>344,963</b>
<b>Intangible assets</b>		
Mining right	388	379
Software	1,683	2,962
Software in progress	—	4,742
Leased assets	19	5
Other	237	234
<b>Total intangible assets</b>	<b>2,328</b>	<b>8,324</b>
<b>Investments and other assets</b>		
Investment securities	119,560	70,949
Shares of subsidiaries and associates	322,817	293,300
Bonds of subsidiaries and associates	4	4
Investments in capital	66	233
Investments in capital of subsidiaries and associates	2,659	2,738
Long-term loans receivable	3	1
Long-term loans receivable from subsidiaries and associates	32,186	5,656
Prepaid pension costs	4,049	8,049
Other	6,792	6,406
Allowance for investment loss	(83)	(83)
Allowance for doubtful accounts	(4,098)	(4,365)
<b>Total investments and other assets</b>	<b>483,960</b>	<b>382,893</b>
<b>Total non-current assets</b>	<b>826,773</b>	<b>736,181</b>
<b>Total assets</b>	<b>1,490,704</b>	<b>1,573,837</b>



(Million yen)

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable - trade	1,409	1,434
Accounts payable - trade	52,513	55,900
Short-term borrowings	98,481	121,363
Commercial papers	40,000	30,000
Current portion of bonds payable	20,000	10,000
Lease obligations	241	288
Accounts payable-other	8,417	9,624
Accrued expenses	33,697	38,048
Corporate taxes payable	493	1,372
Contract liabilities	12,596	13,565
Unearned revenue	214	234
Provision for bonuses	5,755	6,028
Deposits received from employees	9,053	7,426
Notes payable-facilities	719	303
Accounts payable - facilities	12,977	12,686
Asset retirement obligations	173	38
Deposited gold bullion	323,505	392,364
Other	11,432	18,904
<b>Total current liabilities</b>	<b>631,684</b>	<b>719,583</b>
<b>Non-current liabilities</b>		
Bonds payable	40,000	70,000
Long-term borrowings	310,853	284,390
Lease obligations	567	545
Deferred tax liabilities	23,216	16,844
Deferred tax liabilities for land revaluation	20,126	20,093
Provision for retirement benefits	13,018	17,843
Provision for loss on business of subsidiaries and associates	509	843
Provision for environmental measures	26,555	18,762
Provision for share awards	220	443
Asset retirement obligations	464	445
Guarantee deposits received	4,677	4,468
Other	5,714	5,556
<b>Total non-current liabilities</b>	<b>445,923</b>	<b>440,237</b>
<b>Total liabilities</b>	<b>1,077,607</b>	<b>1,159,820</b>

(Million yen)

	Year Ended March 31, 2021 (As of March 31, 2021)	Year Ended March 31, 2022 (As of March 31, 2022)
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus		
Legal capital surplus	85,654	85,654
Other capital surplus	27,344	27,342
Total capital surplus	112,998	112,997
Retained earnings		
Other retained earnings		
Exploration reserves	1	—
Retained earnings brought forward	116,357	134,390
Total retained earnings	116,358	134,390
Treasury shares	(2,861)	(2,885)
Total shareholders' equity	345,954	363,959
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	42,299	25,790
Deferred gains or losses on hedges	(839)	(1,340)
Revaluation reserve for land	25,682	25,608
Total valuation and translation adjustments	67,142	50,057
Total net assets	413,096	414,016
Total liabilities and net assets	1,490,704	1,573,837

## (2) Statement of profit and loss

(Million yen)

	Year Ended March 31, 2021 (Apr. 1, 2020 - Mar. 31, 2021)	Year Ended March 31, 2022 (Apr. 1, 2021 - Mar. 31, 2022)
<b>Net sales</b>	868,053	1,144,592
<b>Cost of sales</b>	816,389	1,074,967
<b>Gross profit</b>	51,664	69,625
<b>Selling, general and administrative expenses</b>	56,487	62,957
<b>Operating profit (loss)</b>	(4,822)	6,668
<b>Non-operating income</b>		
Interest income	696	449
Dividend income	24,792	25,809
Rental income on non-current assets	4,826	4,939
Other	3,609	4,367
<b>Total non-operating income</b>	33,925	35,566
<b>Non-operating expenses</b>		
Interest expenses	2,103	3,171
Expense for the maintenance and management of abandoned mines	3,582	3,714
Rental expenses on non-current assets	3,158	3,251
Loss on retirement of non-current assets	3,056	2,888
Other	2,002	3,520
<b>Total non-operating expenses</b>	13,903	16,546
<b>Ordinary profit</b>	15,199	25,687
<b>Extraordinary income</b>		
Gain on sales of investment securities	26,569	28,862
Gain on sale of shares of subsidiaries and associates	68	5,453
Gain on extinguishment of tie-in shares	8,304	—
Other	25	122
<b>Total extraordinary income</b>	34,968	34,438
<b>Extraordinary losses</b>		
Loss on business restructuring	25,512	21,982
Impairment losses	2,557	2,247
Other	2,745	5,444
<b>Total extraordinary losses</b>	30,815	29,674
<b>Profit before income taxes</b>	19,351	30,452
<b>Income taxes - current</b>	244	493
<b>Income taxes - deferred</b>	(2,153)	161
<b>Total income taxes</b>	(1,908)	655
<b>Profit</b>	21,260	29,797

### (3) Statements of changes in net assets

For the year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Shareholders' equity Total
		Capital reserves	Other capital surplus	Total capital surplus	Other retained earnings		Retained earnings Total		
					Exploration reserves	Retained earnings carried forward			
Balance at beginning of period	119,457	85,654	27,345	113,000	1	99,372	99,374	(2,150)	329,682
Cumulative effect of changes in accounting policies									—
Balance at beginning of period after retrospective adjustment	119,457	85,654	27,345	113,000	1	99,372	99,374	(2,150)	329,682
Changes during period									
Provision of voluntary retained earnings					1	(1)	—		—
Reversal of voluntary retained earnings					(1)	1	—		—
Cash dividends						(5,237)	(5,237)		(5,237)
Profit						21,260	21,260		21,260
Reversal of revaluation reserve for land						961	961		961
Purchase of treasury shares								(713)	(713)
Disposal of treasury shares			(1)	(1)				3	2
Changes in items other than shareholders' equity, net									
Total changes during period	—	—	(1)	(1)	(0)	16,984	16,984	(710)	16,272
Balance at end of period	119,457	85,654	27,344	112,998	1	116,357	116,358	(2,861)	345,954

	Valuation and translation adjustments				Total net assets
	Other difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	22,035	329	26,643	49,008	378,690
Cumulative effect of changes in accounting policies					—
Balance at beginning of period after retrospective adjustment	22,035	329	26,643	49,008	378,690
Changes during period					
Provision of voluntary retained earnings					—
Reversal of voluntary retained earnings					—
Cash dividends					(5,237)
Profit					21,260
Reversal of revaluation reserve for land					961
Purchase of treasury shares					(713)
Disposal of treasury shares					2
Changes in items other than shareholders' equity, net	20,264	(1,169)	(961)	18,134	18,134
Total changes during period	20,264	(1,169)	(961)	18,134	34,406
Balance at end of period	42,299	(839)	25,682	67,142	413,096

**For the year ended March 31, 2022 (April 1, 2021 - March 31, 2022)**

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Shareholders' equity Total
		Capital reserves	Other capital surplus	Capital surplus Total	Other retained earnings		Retained earnings Total		
					Exploration reserves	Retained earnings carried forward			
Balance at beginning of period	119,457	85,654	27,344	112,998	1	116,357	116,358	(2,861)	345,954
Cumulative effect of changes in accounting policies						(56)	(56)		(56)
Balance at beginning of period after retrospective adjustment	119,457	85,654	27,344	112,998	1	116,300	116,301	(2,861)	345,897
Changes during period									
Provision of voluntary retained earnings									—
Reversal of voluntary retained earnings					(1)	1	—		—
Cash dividends						(11,783)	(11,783)		(11,783)
Profit						29,797	29,797		29,797
Reversal of revaluation reserve for land						74	74		74
Purchase of treasury shares								(28)	(28)
Disposal of treasury shares			(1)	(1)				4	2
Changes in items other than shareholders' equity, net									
Total changes during period	—	—	(1)	(1)	(1)	18,089	18,088	(24)	18,061
Balance at end of period	119,457	85,654	27,342	112,997	—	134,390	134,390	(2,885)	363,959

	Valuation and translation adjustments				Total net assets
	Other difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	42,299	(839)	25,682	67,142	413,096
Cumulative effect of changes in accounting policies					(56)
Balance at beginning of period after retrospective adjustment	42,299	(839)	25,682	67,142	413,039
Changes during period					
Provision of voluntary retained earnings					—
Reversal of voluntary retained earnings					—
Cash dividends					(11,783)
Profit					29,797
Reversal of revaluation reserve for land					74
Purchase of treasury shares					(28)
Disposal of treasury shares					2
Changes in items other than shareholders' equity, net	(16,509)	(501)	(74)	(17,084)	(17,084)
Total changes during period	(16,509)	(501)	(74)	(17,084)	976
Balance at end of period	25,790	(1,340)	25,608	50,057	414,016