

# Consolidated Financial Results for the Three Months Ended June 30, 2022 (Japanese Accounting Standards)

August 9, 2022

Name of Listed Company: Mitsubishi Materials Corporation

Listing: Tokyo Stock Exchange

Stock Code: 5711

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

Representative: Naoki Ono, Chief Executive Officer

Contact: Chiaki Kubota, General Manager, Corporate Communications Dept.

Tel: +81-3-5252-5206

Scheduled filing date of Quarterly Report: August 9, 2022

Scheduled date of start of dividend payment: —

Supplementary materials for the quarterly financial results: Yes

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

(Amounts of less than one million yen are omitted.)

## 1. Results of the Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

### (1) Consolidated Results of Operations (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The three months ended June 30, 2022	422,628	-1.2	13,924	-6.3	17,095	-32.0	24,135	42.7
The three months ended June 30, 2021	427,685	24.2	14,859	492.7	25,124	705.6	16,913	—

(Note) Comprehensive income: The three months ended June 30, 2022: 43,134 million yen (38.4%)

The three months ended June 30, 2021, 31,163 million yen (191.5%)

	Profit per share	Diluted profit per share
	Yen	Yen
The three months ended June 30, 2022	184.73	—
The three months ended June 30, 2021	129.46	—

### (2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2022	2,020,002	642,323	29.8
As of March 31, 2022	2,125,032	655,752	27.5

(Reference) Shareholders' Equity: As of June 30, 2022: 602,020 million yen As of March 31, 2022: 584,817 million yen

## 2. Dividend Payments

	Dividend per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	40.00	—	50.00	90.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (Forecast)		25.00		25.00	50.00

(Note1) Revision of dividend forecast published most recently: None

(Note2) The interim dividend per share for the 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 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)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2023	1,640,000	-9.5	45,000	-14.6	32,000	-57.9	20,000	-55.6	153.06

(Note) Revision to forecast published most recently: Yes

\* Notes

- (1) Significant changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): Yes  
New: - , Exempt: 1 (MCC Development Corporation)  
(Note) For details, please see “(3) Key notes on consolidated quarterly financial statements, Changes of significant subsidiaries during the three months ended June 30, 2022” under “2. Consolidated Financial Statements and Key Notes” on page 12.
- (2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes  
(Note) For details, please see “(3) Key notes on consolidated quarterly financial statements, Application of special accounting treatment in the preparation of quarterly consolidated financial statements” under “2. Consolidated Financial Statements and Key Notes” on page 12.
- (3) Changes in accounting policies, changes of accounting estimates and restatement
- |   |      |
|---|------|
| (i) Changes in accounting policies due to amendments to accounting standards: | None |
| (ii) Other changes in accounting policies:                                    | None |
| (iii) Changes in accounting estimates:  | None |
| (iv) Restatements:  | None |
- (4) Numbers of outstanding shares (common stock)
- |   |                    |
|---|--------------------|
| (i) Numbers of outstanding shares at end of period (including treasury shares):         |                    |
| Three months ended June 30, 2022:   | 131,489,535 shares |
| Year ended March 31, 2022:  | 131,489,535 shares |
| (ii) Numbers of treasury shares at end of period:                                       |                    |
| Three months ended June 30, 2022:   | 811,670 shares     |
| Year ended March 31, 2022:  | 848,433 shares     |
| (iii) Average number of outstanding shares during period (quarterly cumulative period): |                    |
| Three months ended June 30, 2022:   | 130,649,934 shares |
| Three months ended June 30, 2021:   | 130,651,493 shares |

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

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

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.

Please see “(3) Information on the consolidated earnings forecasts and other future forecasts” under “1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2022” on page 6 or the assumptions about consolidated earnings forecasts.

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

Mitsubishi Materials Corporation plans to hold a quarterly financial briefing for institutional investors on Tuesday, August 9, 2022. The materials used at this briefing are disclosed on the TDnet and the Company's web page at the time that the quarterly financial results are announced.

## Contents

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2022.....	4
(1) Details of operating results .....	4
(2) Details of financial position .....	6
(3) Information on the consolidated earnings forecasts and other future forecasts.....	6
2. Consolidated Financial Statements and Key Notes .....	7
(1) Consolidated balance sheets .....	7
(2) Consolidated statement of profit or loss and consolidated statement of comprehensive income.....	9
Consolidated statement of profit or loss .....	9
Consolidated statements of comprehensive income .....	10
(3) Key notes on consolidated quarterly financial statements .....	11
Notes on going concern assumption .....	11
Segment Information, etc. ....	11
Notes on significant changes in the amount of shareholders' equity, if any .....	12
Changes of significant subsidiaries during the three months ended June 30, 2022 .....	12
Application of special accounting treatment in the preparation of quarterly consolidated financial statements .....	12
Additional information .....	12
Business combinations and other relationships .....	13
Contingent liabilities .....	14

# 1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2022

## (1) Details of operating results

### 1) Overview of operating results

During the three months ended June 30, 2022, the global economy saw a surge in energy prices and instability in metal prices resulting from the situation in Ukraine, along with a weakening of the yen due to rising interest rates that spread to developed countries. Against this backdrop, although economic activities in China were affected by the prolonged city lockdowns as a countermeasure against COVID-19, the economy in other regions showed signs of recovery due to progress in vaccinations and other factors.

The Japanese economy remained on a recovery track as economic and social activities moved toward normalization.

The business environment surrounding the Mitsubishi Materials Group (hereinafter referred to as “the Group”), saw the impact of a weakening yen, and while demand from the semiconductor and automotive industries remained firm, the palladium price fell and energy prices rose, etc.

Under these circumstances, consolidated net sales for the first quarter of the current fiscal year were ¥422,628 million (down 1.2% year-on-year), operating profit was ¥13,924 million (down 6.3%), and ordinary profit was ¥17,095 million (down 32.0%). In addition, the Company recorded an extraordinary income of ¥11,007 million as gain on change in equity. As a result, profit attributable to owners of parent amounted to ¥24,135 million (up 42.7% year-on-year)

### 2) Overview by segments

Effective from the first quarter of the current fiscal year, the Company has changed its reportable segments, etc. For details, please refer to “2. Consolidated Financial Statements and Key Notes on consolidated quarterly financial statements (3) Key notes on consolidated quarterly financial statements (Segment Information, etc.)” The following year-on-year comparisons are calculated based on the figures for the same period of the previous year, restated according to the new classification.

#### (Advanced Products Business)

(Billion yen)

	FY2022 Q1	FY2023 Q1	Increase / Decrease (%)	
Net sales	115.7	133.2	17.5	(15.2%)
Operating profit	3.2	3.7	0.4	(13.8%)
Ordinary profit	4.2	3.8	-0.4	(-10.6%)

In the Copper & copper alloy products business, both net sales and operating profit increased, mainly weaker yen favoring foreign exchange rates, despite higher energy costs, etc.

In the Electronic materials & components business, both net sales and operating profit increased, mainly due to increased sales of semiconductor-related products.

As a result, net sales and operating profit for the entire Advanced Products Business increased year-on-year. Ordinary profit decreased due to a decline in gain on valuation of derivatives, etc., despite an increase in operating profit.

#### (Metalworking Solutions Business)

(Billion yen)

	FY2022 Q1	FY2023 Q1	Increase / Decrease (%)	
Net sales	33.4	36.2	2.8	(8.6%)
Operating profit	2.1	4.3	2.2	(105.0%)
Ordinary profit	2.1	5.0	2.8	(132.3%)

For cemented carbide products, a major product category, both net sales and operating profit increased due to increase in sales mainly in Japan and North America, despite decrease in sales in China caused by the prolonged city lockdowns.

As a result, net sales and operating profit for the entire Metalworking Solutions Business increased year-on-year. Ordinary profit increased because of the increase in foreign exchange gains in addition to the increase in operating profit.

**(Metals Business)**

(Billion yen)

	FY2022 Q1	FY2023 Q1	Increase / Decrease (%)	
Net sales	237.1	288.8	51.6	(21.8%)
Operating profit	7.1	5.8	-1.2	(-17.9%)
Ordinary profit	16.6	11.4	-5.1	(-31.2%)

In the Copper business, net sales increased but operating profit decreased mainly due to higher energy cost, etc., despite an increase in production volume compared with the same period of the previous fiscal year.

In the Gold and other valuable metals business, net sales increased but operating profit decreased mainly due to decline in the price of palladium, despite an increase in gold sales volume year-on-year.

As a result, net sales for the entire Metals Business increased but operating profit decreased year-on-year. Ordinary profit decreased due to a decrease in dividend income in addition to a decrease in operating profit.

**(Environment & Energy Business)**

(Billion yen)

	FY2022 Q1	FY2023 Q1	Increase / Decrease (%)	
Net sales	5.5	5.0	-0.5	(-9.7%)
Operating profit	0.2	1.0	0.7	(354.3%)
Ordinary profit	0.5	1.4	0.9	(171.5%)

In the Energy-related business, both net sales and operating profit increased due to higher sales in nuclear-energy-related services.

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

In addition to the above, due to the effect that Dia Consultants Co., Ltd. being removed from the scope of consolidation in July 2021, overall net sales for the entire Environment & Energy Business decreased but operating profit increased year-on-year. Ordinary profit increased due to the increase in operating profit and an increase in share of profit of entities accounted for using equity method.

**(Other Businesses)**

(Billion yen)

	FY2022 Q1	FY2023 Q1	Increase / Decrease (%)	
Net sales	108.8	35.1	-73.6	(-67.7%)
Operating profit	3.7	0.7	-3.0	(-80.8%)
Ordinary profit (loss)	3.4	(3.8)	-7.3	(-%)

In the Other Businesses, both net sales and operating profit decreased, mainly due to the impact of the Cement Business and Aluminum Business being removed from the scope of consolidation.

As a result, net sales and operating profit for the Other Businesses decreased year-on-year. Ordinary profit decreased due to a decreased in operating profit and the posting of share of loss of entities accounted for using equity method concerning Mitsubishi UBE Cement Corporation.

Mitsubishi UBE Cement Corporation faced an increase in energy costs mainly due to energy price hikes in both domestic and overseas markets.

## (2) Details of financial position

Total assets at the end of the first quarter of the current fiscal year stood at ¥2,020 billion, decreased by ¥105.0 billion from the end of the previous fiscal year. This was mainly due to a decrease in property, plant and equipment resulting from the deconsolidation of the Cement Business and its related businesses in the first quarter of the current fiscal year.

Total liabilities amounted to ¥1,377.6 billion, a decrease of ¥91.6 billion from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable - trade and other non-current liabilities, mainly reflecting the impact of the exclusion of the Cement Business and its related businesses from the scope of consolidation in the first quarter of the current fiscal year.

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

The Company has revised its consolidated earnings forecasts for net sales, operating profit and ordinary profit for the fiscal year ending March 31, 2023 from the previous forecast (announced on May 13, 2022), taking into account the solid sales of semiconductor-related products in the first quarter of the current fiscal year, as well as revised assumptions based on the continued yen depreciation, declining metal prices, and expected deterioration of share of profit(loss) of entities accounted for using equity method concerning Mitsubishi UBE Cement Corporation, etc.

Revisions to Consolidated Earnings Forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Billion yen)

	Previous forecast	Current forecast	Change (%)
Net sales	15,900	16,400	3.1%
Operating profit	360	450	25.0%
Ordinary profit	360	320	-11.1%
Profit attributable to owners of parent	200	200	—

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

## 2. Consolidated Financial Statements and Key Notes

### (1) Consolidated balance sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	159,221	142,661
Notes receivable - trade	30,302	32,719
Accounts receivable - trade	219,543	176,740
Merchandise and finished goods	133,600	144,009
Work in process	159,508	152,815
Raw materials and supplies	161,487	165,053
Leased gold bullion	195,379	206,118
Other	182,280	224,433
Allowance for doubtful accounts	(2,390)	(1,449)
<b>Total current assets</b>	1,238,932	1,243,101
<b>Non-current assets</b>		
Property, plant and equipment		
Machinery and equipment, net	209,924	151,631
Land, net	194,039	91,347
Other, net	225,235	164,263
<b>Total property, plant and equipment, net</b>	629,199	407,242
<b>Intangible assets</b>		
Goodwill	29,371	10,387
Other	19,184	18,673
<b>Total intangible assets</b>	48,556	29,060
<b>Investments and other assets</b>		
Investment securities	165,232	304,917
Other	47,579	40,011
Allowance for doubtful accounts	(4,468)	(4,330)
<b>Total investments and other assets</b>	208,343	340,598
<b>Total non-current assets</b>	886,099	776,901
<b>Total assets</b>	2,125,032	2,020,002

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	158,534	122,161
Short-term borrowings	171,304	202,930
Current portion of bonds payable	10,000	10,000
Commercial papers	30,000	70,000
Income taxes payable	12,523	3,642
Other provisions	12,914	7,035
Deposited gold bullion	392,364	410,373
Other	139,052	125,393
<b>Total current liabilities</b>	<b>926,693</b>	<b>951,537</b>
<b>Non-current liabilities</b>		
Bonds payable	70,000	70,000
Long-term borrowings	327,405	256,354
Provision for environmental measures	18,762	17,897
Other provisions	2,136	1,809
Retirement benefit liability	35,228	26,007
Other	89,052	54,072
<b>Total non-current liabilities</b>	<b>542,586</b>	<b>426,142</b>
<b>Total liabilities</b>	<b>1,469,280</b>	<b>1,377,679</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	119,457	119,457
Capital surplus	79,407	79,407
Retained earnings	328,864	346,452
Treasury shares	(2,892)	(2,800)
<b>Total shareholders' equity</b>	<b>524,837</b>	<b>542,517</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	26,110	13,807
Deferred gains or losses on hedges	(5,328)	(6,332)
Revaluation reserve for land	26,369	16,195
Foreign currency translation adjustment	18,832	39,413
Remeasurements of defined benefit plans	(6,003)	(3,581)
<b>Total accumulated other comprehensive income</b>	<b>59,979</b>	<b>59,502</b>
<b>Non-controlling interests</b>	<b>70,935</b>	<b>40,303</b>
<b>Total net assets</b>	<b>655,752</b>	<b>642,323</b>
<b>Total liabilities and net assets</b>	<b>2,125,032</b>	<b>2,020,002</b>



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

(Million yen)

	Three Months Ended June 30, 2021 (Apr. 1, 2021 - June 30, 2021)	Three Months Ended June 30, 2022 (Apr. 1, 2022 - June 30, 2022)
<b>Net sales</b>	427,685	422,628
<b>Cost of sales</b>	373,957	377,189
<b>Gross profit</b>	53,728	45,439
<b>Selling, general and administrative expenses</b>	38,868	31,514
<b>Operating profit</b>	14,859	13,924
<b>Non-operating income</b>		
Interest income	184	160
Dividend income	9,983	5,643
Foreign exchange gains	35	2,364
Rental income from non-current assets	1,268	1,014
Share of profit of entities accounted for using equity method	1,650	—
Other	1,199	532
<b>Total non-operating income</b>	14,322	9,714
<b>Non-operating expenses</b>		
Interest expenses	1,313	1,277
Share of loss of entities accounted for using equity method	—	1,633
Expense for the maintenance and management of abandoned mines	639	881
Other	2,105	2,751
<b>Total non-operating expenses</b>	4,058	6,544
<b>Ordinary profit</b>	25,124	17,095
<b>Extraordinary income</b>		
Gain on change in equity	—	11,007
Gain on sales of investment securities	1,051	0
Other	128	185
<b>Total extraordinary income</b>	1,179	11,193
<b>Extraordinary losses</b>		
Loss on change in equity	—	640
Litigation expenses	144	1
Other	13	224
<b>Total extraordinary losses</b>	158	866
<b>Profit before income taxes</b>	26,145	27,421
<b>Income taxes</b>	5,654	1,874
<b>Profit</b>	20,491	25,547
<b>Profit attributable to non-controlling interests</b>	3,577	1,412
<b>Profit attributable to owners of parent</b>	16,913	24,135

## Consolidated statements of comprehensive income

(Million yen)

	Three Months Ended June 30, 2021 (Apr. 1, 2021 - June 30, 2021)	Three Months Ended June 30, 2022 (Apr. 1, 2022 - June 30, 2022)
<b>Profit</b>	20,491	25,547
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,365	(7,192)
Deferred gains or losses on hedges	3,514	(1,533)
Foreign currency translation adjustment	1,553	17,611
Remeasurements of defined benefit plans	410	292
Share of other comprehensive income of entities accounted for using equity method	1,827	8,409
<b>Total other comprehensive income</b>	10,672	17,586
<b>Comprehensive income</b>	31,163	43,134
(Breakdown)		
Comprehensive income attributable to owners of parent	27,588	38,570
Comprehensive income attributable to non-controlling interests	3,574	4,564

### (3) Key notes on consolidated quarterly financial statements

#### Notes on going concern assumption

N/A

#### Segment Information, etc.

[Segment Information]

I. For the first quarter ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Million yen)

	Reporting Segment				Other Businesses	Total	Adjustments amount	Amount in quarterly consolidated statement of profit or loss
	Advanced Products Business	Metalworking Solutions Business	Metals Business	Environment & Energy Business				
Net sales								
(1) Outside Customers	111,637	32,350	175,994	5,368	102,336	427,685	-	427,685
(2) Within consolidated group	4,086	1,074	61,153	182	6,509	73,006	(73,006)	-
Total	115,723	33,424	237,148	5,550	108,846	500,692	(73,006)	427,685
Segment income	4,269	2,161	16,655	544	3,444	27,075	(1,951)	25,124

(Note 1) “Other Businesses” include cement-related business, aluminum-related business, and engineering-related services, etc.

(Note 2) “Adjustment amount” in segment income of ¥(1,951) million includes the amount of elimination of intersegment transactions of ¥(141) million and corporate expenses of ¥(1,809) million which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

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

II. For the first quarter ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

(Million yen)

	Reporting Segment				Other Businesses	Total	Adjustments amount	Amount in quarterly consolidated statement of profit or loss
	Advanced Products Business	Metalworking Solutions Business	Metals Business	Environment & Energy Business				
Net sales								
(1) Outside Customers	128,461	34,974	227,470	4,778	26,943	422,628	-	422,628
(2) Within consolidated group	4,837	1,316	61,377	235	8,208	75,975	(75,975)	-
Total	133,299	36,290	288,847	5,014	35,152	498,604	(75,975)	422,628
Segment income (loss)	3,815	5,022	11,457	1,478	(3,882)	17,891	(796)	17,095

(Note 1) “Other Businesses” include cement-related business and engineering-related services, etc.

(Note 2) “Adjustment amount” in segment income (loss) of ¥(796) million includes the amount of elimination of intersegment transactions of ¥(64) million and corporate expenses of ¥(731) million which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.

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

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

The Company has changed the cement business and its related businesses, formerly included in the “Cement Business” to the “Other Businesses” segment, as a result of changes in the decision-making process for the allocation of management resources, etc., following the integration of the cement business and other businesses implemented on April 1, 2022.

The segment information for the first quarter of the previous fiscal year is shown here based on the new reporting segment classification and calculation method.

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

N/A

## **Changes of significant subsidiaries during the three months ended June 30, 2022**

In the first quarter of the current fiscal year, MCC Development Corporation, a specified subsidiary of the Company, ceased to be a specified subsidiary of the Company due to the absorption-type demerger of the Company's cement business and its related businesses (including shares of subsidiaries, etc. engaged in the subject businesses) with Mitsubishi UBE Cement Corporation as the successor company.

As a result, MCC Development is excluded from the scope of consolidation effective from the first quarter of the current fiscal year.

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

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

## **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 (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.

### **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 ¥589 million and 236 thousand shares at the end of the first quarter of the current fiscal year, respectively.

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

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

(Application of the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System”)

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a stand-alone taxation system to a Japanese Group Relief System. Accordingly, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are based on the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

## Business combinations and other relationships

(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 its related businesses (including shares of subsidiaries engaged in the relevant businesses) 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 accounting procedures to implement

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019) the Company treated the transaction as the formation of a jointly controlled entity.

As a result, the Company recorded a gain on change in equity of ¥11,007 million in extraordinary income in the consolidated statements of profit or loss for the first quarter of the current fiscal year.

## **Contingent liabilities**

(Matters concerning taxation in Indonesia)

- Previous consolidated fiscal year (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).

On June 9, 2022, the PTS also received a notice of reassessment in an amount of US\$4 million (¥580 million) from the Indonesian National Tax Authority for the fiscal year ended December 31, 2017.

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

- First quarter of the current fiscal year (As of June 30, 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 five fiscal years ended December 31, 2012, December 31, 2014, December 31, 2016, December 31, 2017 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 first quarter of the current fiscal year under review, the additional amount disputed by PTS totaled US\$24 million (¥3,284 million at the exchange rate as of the end of the first quarter of the current fiscal year).

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