Consolidated Financial Statements

Mitsubishi Materials Corporation and consolidated subsidiaries

For the year ended March 31,2023

Basis of Presenting Consolidated Financial Statements

・This is an English translation of "consolidated financial statements and notes" among "Part 5. Financial Information in Annual Securities Report for the consolidated financial year ended March 31, 2023".
・Appended to the back of this document is English translations of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting that were attached to the Annual Securities Report.
・Mitsubishi Materials Corporation (hereinafter referred to as the "Company") is a corporation domiciled in Japan. The accompanying consolidated financial statements are composed of the Company and its consolidated subsidiaries (hereinafter referred to as the "Group"). The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). Japanese GAAP are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").
・The number of each note is added for the visibility.

Consolidated Financial Statements, etc.
1. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (As of March. 31, 2022)	Current Consolidated Fiscal Year (As of March. 31, 2023)
Assets		
Current assets		
Cash and deposits	*7 159,221	*7 142,126
Notes receivable – trade	30,302	30,301
Accounts receivable – trade	*7 219,543	158,197
Merchandise and finished goods	*7 133,600	120,135
Work in process	*7 159,508	127,368
Raw materials and supplies	*7 161,487	130,171
Leased gold bullion	*9 195,379	*9 234,896
Gold bullion in custody	*9 82,004	*9 97,103
Other	100,275	76,317
Allowance for doubtful accounts	(2,390)	(578)
Total current assets	1,238,932	1,116,040
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	148,092	121,664
Machinery, equipment and vehicles, net	224,798	148,099
Land, net	*8 194,039	*8 87,904
Construction in progress	40,020	37,671
Other, net	22,248	30,874
Total property, plant and equipment	*1, *3, *7 629,199	*1, *3, *7 426,214
Intangible assets		
Goodwill	29,371	9,224
Other	19,184	19,545
Total intangible assets	48,556	28,769
Investments and other assets		
Investment securities	*2, *7 165,232	*2, *7 256,544
Retirement benefit asset	8,097	7,761
Deferred tax assets	12,618	25,415
Other	*2 26,862	*2 36,351
Allowance for doubtful accounts	(4,468)	(5,302)
Total investments and other assets	208,343	320,770
Total non-current assets	886,099	775,754
Total assets	2,125,032	1,891,795

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (As of March. 31, 2022)	Current Consolidated Fiscal Year (As of March. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	*7 158,534	85,211
Short-term borrowings	*7 171,304	*7 146,972
Current portion of bonds payable	10,000	—
Commercial papers	30,000	25,000
Income taxes payable	12,523	4,638
Provision for bonuses	11,831	11,193
Provision for loss on disposal of inventories	1,024	1,348
Provision for product compensation	58	58
Deposited gold bullion	*9 392,364	*9 439,204
Other	139,052	104,734
Total current liabilities	926,693	818,361
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term borrowings	*7 327,405	*7 291,589
Deferred tax liabilities	31,163	4,381
Deferred tax liabilities for land revaluation	*8 20,093	*8 7,577
Provision for loss on business of subsidiaries and affiliates	882	73
Provision for environmental measures	18,762	14,388
Provision for directors' retirement benefits	811	571
Provision for share based compensation plan	443	458
Retirement benefit liability	35,228	24,350
Other	37,795	31,168
Total non-current liabilities	542,586	444,558
Total liabilities	1,469,280	1,262,919
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	79,407	81,917
Retained earnings	328,864	338,867
Treasury shares	(2,892)	(2,897)
Total shareholders' equity	524,837	537,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,110	4,193
Deferred gains or losses on hedges	(5,328)	1,631
Revaluation reserve for land	*8 26,369	*8 16,702
Foreign currency translation adjustment	18,832	33,786
Remeasurements of defined benefit plans	(6,003)	(335)
Total accumulated other comprehensive income	59,979	55,978
Non-controlling interests	70,935	35,550
Total net assets	655,752	628,875
Total liabilities and net assets	2,125,032	1,891,795

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
Consolidated Statement of Profit or Loss

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2021 - Mar. 31, 2022)	Current Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)
Net sales	*1 1,811,759	*1 1,625,933
Cost of sales	*2, *3 1,602,958	*2, *3 1,449,162
Gross profit	208,801	176,771
Selling, general and administrative expenses	*4, *5 156,092	*4, *5 126,695
Operating profit	52,708	50,076
Non-operating income		
Interest income	564	1,676
Dividend income	25,312	9,274
Rental income from non-current assets	4,947	4,210
Share of profit of entities accounted for using equity method	5,078	—
Other	7,057	3,110
Total non-operating income	42,960	18,270
Non-operating expenses		
Interest expenses	5,498	6,014
Share of loss of entities accounted for using equity method	—	21,924
Expense for the maintenance and management of abandoned mines	4,051	4,492
Rental expenses on non-current assets	3,156	2,879
Loss on retirement of non-current assets	2,670	1,820
Other	4,211	5,910
Total non-operating expenses	19,588	43,041
Ordinary profit	76,080	25,306
Extraordinary income		
Gain on sales of investment securities	34,671	11,542
Gain on change in equity	—	11,007
Gain on sales of non-current assets	609	10,340
Other	3,329	621
Total extraordinary income	38,609	33,511
Extraordinary losses		
Loss on business restructuring	*7 25,116	*7 31,103
Loss on sales of investment securities	5,223	4,166
Impairment loss	*6 3,886	*6 2,522
Other	3,848	6,253
Total extraordinary losses	38,074	44,046
Profit before income taxes	76,616	14,771
Income taxes – current	22,151	10,160
Income taxes – deferred	1,850	(20,965)
Total income taxes	24,001	(10,805)
Profit	52,614	25,576
Profit attributable to non-controlling interests	7,599	5,245
Profit attributable to owners of parent	45,015	20,330

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2021 - Mar. 31, 2022)	Current Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)
Profit	52,614	25,576
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,872)	(16,755)
Deferred gains or losses on hedges	(1,000)	2,657
Foreign currency translation adjustment	27,558	13,290
Remeasurements of defined benefit plans	848	4,090
Share of other comprehensive income of entities accounted for using equity method	70	13,550
Total other comprehensive income	* 10,603	* 16,833
Comprehensive income	63,218	42,410
(Break down)		
Comprehensive income attributable to owners of parent	49,666	34,765
Non-controlling interests	13,551	7,644

(3) Consolidated Statement of Changes in Net Assets

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2021	119,457	79,439	294,814	(2,868)	490,843
Cumulative effects of changes in accounting policies			(38)		(38)
Restated balance	119,457	79,439	294,775	(2,868)	490,804
Changes during the 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 in accounting period of consolidated subsidiaries			855		855
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
Decrease in treasury shares arising from change in equity in affiliate accounted for using equity method					—
Changes in ownership interest of parent due to transaction with non-controlling interests		(30)			(30)
Net changes in items other than shareholders' equity					
Total Changes during the period	—	(31)	34,089	(24)	34,032
Balance as of March 31, 2022	119,457	79,407	328,864	(2,892)	524,837

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2021	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,394
Cumulative effects of changes in accounting policies								(38)
Restated balance	42,940	(1,119)	27,097	(8,057)	(6,470)	54,390	69,161	614,356
Changes during the period								
Cash dividends								(11,783)
Profit attributable to owners of parent								45,015
Reversal of revaluation reserve for land								75
Increase due to change in accounting period of consolidated subsidiaries								855
Decrease due to decrease in the number of consolidated subsidiaries								(73)
Purchase of treasury shares								(28)
Disposal of treasury shares								2
Decrease in treasury shares arising from change in equity in affiliate accounted for using equity method								—
Changes in ownership interest of parent due to transaction with non-controlling interests								(30)
Net changes in items other than shareholders' equity	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	7,363
Total changes during the period	(16,829)	(4,209)	(727)	26,890	467	5,589	1,773	41,396
Balance as of March 31, 2022	26,110	(5,328)	26,369	18,832	(6,003)	59,979	70,935	655,752

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2022	119,457	79,407	328,864	(2,892)	524,837
Cumulative effects of changes in accounting policies					—
Restated balance	119,457	79,407	328,864	(2,892)	524,837
Changes during the period					
Cash dividends			(9,818)		(9,818)
Profit attributable to owners of parent			20,330		20,330
Reversal of revaluation reserve for land			(508)		(508)
Increase due to change in accounting period of consolidated subsidiaries					—
Decrease due to decrease in the number of consolidated subsidiaries					—
Purchase of treasury shares				(112)	(112)
Disposal of treasury shares		(0)		99	99
Decrease in treasury shares arising from change in equity in affiliate accounted for using equity method				7	7
Changes in ownership interest of parent due to transaction with non-controlling interests		2,510			2,510
Net changes in items other than shareholders' equity					
Total changes during the period	—	2,509	10,003	(5)	12,507
Balance as of March 31, 2023	119,457	81,917	338,867	(2,897)	537,345

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2022	26,110	(5,328)	26,369	18,832	(6,003)	59,979	70,935	655,752
Cumulative effects of changes in accounting policies								—
Restated balance	26,110	(5,328)	26,369	18,832	(6,003)	59,979	70,935	655,752
Changes during the period								
Cash dividends								(9,818)
Profit attributable to owners of parent								20,330
Reversal of revaluation reserve for land								(508)
Increase due to change in accounting period of consolidated subsidiaries								—
Decrease due to decrease in the number of consolidated subsidiaries								—
Purchase of treasury shares								(112)
Disposal of treasury shares								99
Decrease in treasury shares arising from change in equity in affiliate accounted for using equity method								7
Changes in ownership interest of parent due to transaction with non-controlling interests								2,510
Net changes in items other than shareholders' equity	(21,917)	6,960	(9,667)	14,954	5,668	(4,000)	(35,384)	(39,385)
Total changes during the period	(21,917)	6,960	(9,667)	14,954	5,668	(4,000)	(35,384)	(26,877)
Balance as of March 31, 2023	4,193	1,631	16,702	33,786	(335)	55,978	35,550	628,875

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2021 - Mar. 31, 2022)	Current Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	76,616	14,771
Depreciation	63,536	44,402
Amortization of goodwill	4,553	1,680
Increase (decrease) in allowance for doubtful accounts	(666)	193
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(1,643)	(809)
Increase (decrease) in provision for product compensation	(520)	—
Increase (decrease) in provision for environmental measures	(7,792)	(4,374)
Increase (decrease) in retirement benefit liability and provision for directors' retirement benefits	(322)	(1,351)
Interest and dividend income	(25,876)	(10,950)
Interest expenses	5,498	6,014
Share of loss (profit) of entities accounted for using equity method	(5,078)	21,924
Gain on change in equity	—	(11,007)
Gain on sales of non-current assets	(609)	(10,340)
Loss on retirement of non-current assets	2,670	1,820
Impairment loss	3,886	2,522
Loss on business restructuring	25,116	31,103
Loss (gain) on sales of investment securities	(29,448)	(7,375)
Loss (gain) on valuation of investment securities	369	48
Decrease (increase) in notes and accounts receivable – trade	(65,276)	6,062
Decrease (increase) in inventories	(93,557)	49,996
Proceeds from sales of gold bullion	106,506	99,989
Payment for purchase of gold bullion	(106,432)	(99,903)
Decrease (increase) in other current assets	(4,691)	6,382
Increase (decrease) in notes and accounts payable – trade	30,905	(64,812)
Increase (decrease) in accrued expenses	4,921	(4,832)
Increase (decrease) in other current liabilities	5,020	(12,482)
Increase (decrease) in other non-current liabilities	(1,606)	89
Other, net	14,085	(3,516)
Sub-total	166	55,242
Interest and dividend received	28,723	14,753
Interest paid	(5,648)	(5,836)
Income taxes (paid) refund	(16,350)	(18,995)
Net cash provided by (used in) operating activities	6,889	45,164

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2021 - Mar. 31, 2022)	Current Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(71,461)	(70,730)
Proceeds from sales of property, plant and equipment	2,574	13,123
Payment for purchase of intangible assets	(6,701)	(5,982)
Payment for purchase of investment securities	(4,761)	(755)
Proceeds from sales of investment securities	58,935	33,048
Payment for purchase of subsidiaries' shares	(807)	(792)
Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	—	*2 (9,936)
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	8,838	202
Payment for loans	(5,322)	(14,193)
Proceeds from collection of loans	14,600	10,613
Other, net	894	1,419
Net cash provided by (used in) investing activities	(3,210)	(43,985)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,628)	9,460
Proceeds from long-term borrowings	79,451	56,403
Repayment of long-term borrowings	(69,423)	(29,606)
Proceeds from issuance of bonds	40,000	—
Payment for redemption of bonds	(20,000)	(10,000)
Net increase (decrease) in commercial papers	(10,000)	(5,000)
Payment for purchase of treasury shares	(28)	(112)
Cash dividends paid	(11,783)	(9,818)
Cash dividends paid to non-controlling interests	(6,355)	(2,770)
Payment for purchase of subsidiaries' shares not resulting in change in scope of consolidation	—	(3,213)
Proceeds from sales of subsidiaries' shares not resulting in change in scope of consolidation	—	740
Other, net	(2,286)	(2,609)
Net cash provided by (used in) financing activities	(5,055)	3,473
Effect of exchange rate changes on cash and cash equivalents	9,471	5,811
Net increase (decrease) in cash and cash equivalents	8,094	10,463
Cash and cash equivalents at beginning of period	147,533	153,640
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(1,367)	—
Increase (decrease) in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries	(618)	—
Decrease in cash and cash equivalents resulting from company split	—	*3 (23,025)
Cash and cash equivalents at end of period	*1 153,640	*1 141,079

Notes to Consolidated Financial Statements

[Note 1 Basis of Preparation of Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 98

Major subsidiaries are omitted because they are disclosed in “Part1. Overview of the company 4. Overview of Subsidiaries and Affiliates” in Annual Securities Report.

[This part is not direct translations of “Part 5. Financial Information in Annual Securities Report”.
The names of major subsidiaries are as follows:
Luvata Oy, Mitsubishi Cable Industries, Ltd., MOLDINO Tool Engineering, Ltd., Onahama Smelting & Refining Co., Ltd., PT. Smelting, Mitsubishi Materials Techno Corporation, Mitsubishi Materials Trading Corporation.]

From current consolidated fiscal year, MFOptex Co., Ltd., which was established through an incorporation-type company split by Mitsubishi Cable Industries, Ltd., a consolidated subsidiary of the Company has been included in the scope of consolidation.
MCC Development Corporation and 23 other companies were excluded from the scope of consolidation due to the absorption-type split of the cement business and its related businesses (including shares of subsidiaries engaged in the relevant businesses) with Mitsubishi UBE Cement Corporation as the successor company.
In addition, Sambo Forging Co., Ltd. carried out an absorption-type merger with MM Copper Products Co., Ltd. (formerly Ryosei Amagasaki Electric Wire Co., Ltd.) as the surviving company. Furthermore, Materials' Finance Co., Ltd. carried out an absorption-type merger with the Company as the surviving company. Moreover, the Company transferred its entire equity interest in High-Purity Silicon Corporation which succeeded to the share of Mitsubishi Polycrystalline Silicon America Corporation and the Company sold its entire equity interest in Diasalt Corporation and one other company. Therefore, each of them was excluded from the scope of consolidation.

(2) Name of major non-consolidated subsidiaries

Major non-consolidated subsidiary
Appi Geothermal Energy Corporation
(Reason for exclusion from scope of the consolidation)
All non-consolidated subsidiaries are small companies, and their total assets, net sales, profit or loss (amount equivalent to equity interest) and retained earnings (amount equivalent to equity interest) do not have a significant effect on the consolidated financial statements. Therefore, these companies are excluded from the scope of consolidation.

2. Equity method

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

(2) Number of equity method affiliates: 12

Major affiliates are omitted because they are disclosed in “Part 1. Overview of the company 4. Overview of Subsidiaries and Affiliates” in Annual Securities Report from the viewpoint of significance.

[This part is not direct translations of “Part 5. Financial Information in Annual Securities Report”.
The names of major affiliates accounted for using the equity method are as follows:
Mantoverde S.A., Yuzawa Geothermal Power Corporation, LM Sun Power Co, Ltd., Green Cycle Corporation, Mitsubishi UBE Cement Corporation]

From the current consolidated fiscal year, P.S. Mitsubishi Construction Co., Ltd. and one other company were excluded from the scope of equity-method affiliates due to an absorption-type company split of the cement business and its related businesses (including shares of subsidiaries engaged in the relevant businesses) with Mitsubishi UBE Cement Corporation as the successor company, and Ube-Mitsubishi Cement Corporation was excluded from the scope of equity-method affiliates due to an absorption-type merger with Mitsubishi UBE Cement Corporation as the surviving company
In addition, the Company transferred its entire equity interest in High-Purity Silicon Corporation which succeeded to the share of NIPPON AEROSIL CO., LTD. and the Company sold its entire equity interest in TSUDA CABLE Co., Ltd. Therefore, each of them was excluded from the scope of equity-method affiliates.

(3) Name of major non-consolidated subsidiaries and affiliates to which equity method is not applied

Major non-consolidated subsidiaries and affiliates

Onahama Yoshino Gypsum Co., Ltd.

(Reason for not applying the equity method)

The non-consolidated subsidiaries and affiliates to which the equity method is not applied are excluded from the scope of application of the equity method because their effects on profit or loss and retained earnings are not material and are not significant in total.

(4) Special notes on procedures for applying the equity method

For the companies accounted for using the equity method that have different closing dates, the financial statements for the fiscal year of the corresponding companies are used.

3. Matters concerning the fiscal year of consolidated subsidiaries

There are 2 consolidated subsidiaries whose closing dates are different from the consolidated closing date. When preparing the consolidated financial statements, necessary adjustments are made for consolidation regarding important transactions that occurred between their closing dates and the consolidated closing date.

The applicable major consolidated subsidiaries are as follows:

Closing date: December 31

MM Copper Corporation, Mitsubishi Materials Chile SpA

4. Significant accounting policies

(1) Valuation policies and method for significant assets

(a) Securities

(i) Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates are stated at cost by the moving average method (excluding shares of affiliates to which the equity method is applied)

(ii) Available-for-sale securities

・Shares, etc. other than those 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)

・Shares, etc. with no market price

Stated at cost based on the moving average method.

(b) Inventories

Inventories are stated primally at cost method (write-down of carrying amount due to declines in profitability). Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at the average cost method.

(c) Derivative transactions

Derivative financial instruments are stated at fair value.

(2) Method of depreciation and amortization for significant depreciable and amortizable assets

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

The straight-line method

(b) Intangible assets (excluding leased assets)

The straight-line method

(c) Leased assets (finance lease assets that do not transfer ownership)

The straight-line method is adopted with the lease period as the useful life and a residual value of zero.

(d) Right-of-use assets

The straight-line method is adopted with the shorter of either the lease period or the useful life of the assets, and a residual value of zero.

(3) Standards for recording significant provision

(a) Allowance for doubtful accounts

In order to prepare for losses on receivables, estimated irrecoverable amounts are provided based on the past rate of actual losses on collection for general accounts receivable and based on individual collectability for specific accounts receivable including doubtful accounts receivable.

(b) Provision for bonuses

Provision for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current consolidated fiscal year.

(c) Provision for loss on disposal of inventories

Provision for loss on disposal of inventories is provided for future loss on disposal of inventories based on the estimated amount of loss.

(d) Provision for product compensation

Reasonably estimated amount is provided as a future compensation cost for customers with respect to the Group's products.

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

In order to prepare for loss on business of subsidiaries and affiliates, provisions are given on estimated losses that the Company and its consolidated subsidiaries will have to pay beyond equity investments and loan receivable made by the Company and its subsidiaries.

(f) Provision for environmental measures

Estimated costs related to the implementation of stabilization countermeasures and disaster prevention countermeasures for large-scale storage space in accordance with the Amendment to the Technical Guidelines for the Mine Safety Act and construction costs related to the implementation of drastic countermeasure work to prevent mining-induced pollution to deal with recent change of natural environments including the prevention of discharging untreated sewage, mainly through the reinforcement of water treatment capacities, are provided with respect to the abandoned mines managed by the Group. In addition, the amount of future payments related to loss on waste disposal is provided based on estimation.

(g) Provision for directors' retirement benefits

Some consolidated subsidiaries record the amount of retirement benefits required for directors at the end of the term pursuant to internal regulations in order to cover the retirement benefit paid to directors upon retirement.

(h) Provision for share-based compensation plan

The Company recorded the projected amount of the stock benefit obligation as of the end of the current consolidated fiscal year, in order to provide for its share-based compensation plan to Executive Officers based on the Share Distribution Policy.

(4) Accounting method for retirement benefits

(a) Method of attributing expected retirement benefits to periods

The method of attributing expected retirement benefits to periods until the end of the current consolidated fiscal year upon calculation of retirement benefit obligations is based on the benefit calculation method.

(b) Processing method for actuarial difference and past service costs

Past service costs are mainly amortized by the straight-line method over a certain number of years (10 years) within the average of remaining service period of employees at the time of occurrence. The actuarial difference is amortized mainly by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, and the amounts are amortized from the following consolidated fiscal year incurred.

(5) Basis for recording significant revenues and expenses

(a) Sales of products

The Group is engaged in the manufacture and sale of copper alloy products, electronic materials, cemented carbide products etc., smelting, refining 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 financing 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 provision of services

The Group recognizes revenue of services on construction contracts in the Energy-related business, the Engineering-related business, and other businesses based on the degree of completion of performance obligations judging that the performance obligation is satisfied for a certain period of time. Measurement of the progress is based on the ratio of the costs incurred during each reporting period to the estimated total costs, as inputs based on costs incurred provide a basis of a reasonable estimate of the progress of 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, deeming performance obligations is to be satisfied at this point.

(6) Method of principal hedge accounting

(a) Method of hedge accounting

Deferred hedge accounting is used. For interest rate swaps, special treatment is adopted when the requirements of the special treatment are met. Designated hedge accounting is applied to foreign currency-denominated monetary assets and liabilities with forward foreign exchange contracts.

(b) Hedging instrument, hedged item and hedge policy

Forward foreign exchange contracts and currency swaps are entered into for the purpose of limiting exchange rate fluctuation risk in foreign currency transaction.

Commodity forward contracts and commodity price swaps are entered into for the purpose of limiting the risk of commodity price fluctuations of nonferrous metals inventories. Commodity forward contracts are entered into for the purpose of limiting the risk of commodity price fluctuations which occur upon entering into a forward contract for nonferrous metals commodities to be delivered at a future date.

Interest rate swaps are entered into for the purpose of limiting risks associated with interest rate fluctuations of borrowings as well as to reduce funding costs.

(c) Method of assessing hedge effectiveness

In principle, hedge effectiveness is assessed by comparing the changes in fair value or the cumulative changes in cash flows of hedging instruments with the corresponding changes in the hedged items, for the period from the commencement of the hedge to the time of determining its effectiveness.

Furthermore, regarding nonferrous metals forward contracts, the trading volume of hedge transactions are controlled each month to be equal to the trading volume of the hedged items, and at the end of the consolidated fiscal year, the effectiveness is evaluated by reviewing whether the expected profit and loss and cash flows are secured.

(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" (Practical Solution No.40, March 17, 2022, hereinafter referred to as "PITF No.40") have adopted the special treatment prescribed in PITF No.40. The details of hedging relationships to which the PITF No.40 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

Amortization method and period of goodwill are determined individually and goodwill is amortized evenly over a reasonable number of years within 20 years. If the amount is not significant, the entire amount is amortized when incurred.

(8) Range of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments that have a maturity date or redemption date within three months from the date of acquisition, which can be easily converted into cash, and bear the slight risk of fluctuations in value.

[Note 2 Significant Accounting Estimates]

Previous consolidated fiscal year (As of March 31, 2022)

(Whether or not an impairment loss should be recognized on goodwill recorded in Luvata Oy)

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

In the consolidated balance sheet for the previous fiscal year, the Company reported goodwill of ¥6,874 million arising from the acquisition of the equity interest in the Luvata Special Products business (hereinafter referred to as the "Luvata Group"), which is centered around Luvata Pori Oy.

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

Luvata Oy applies IFRS in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually in addition to when there is an indication of impairment. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use or the fair value less costs of disposal.

Luvata Oy used the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows used to measure the value in use were estimated based on the Luvata Group's medium-term management plan. Embedded in the medium-term management plan were certain key assumptions such as the future growth rates 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 taking into account the status of negotiations with customers. Uncertainty about the prospects has increased in the previous consolidated fiscal year due to reduction in production volume in the automobile industry caused by the shortage of semiconductors, and soaring logistics costs. Accordingly, management's judgement regarding these factors had a significant impact on the calculation of the value in use. In addition, estimating the discount rate used to measure the value in use required a high degree of valuation expertise in selecting the 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, arising from the acquisition of the Luvata Group exceeded its carrying amount, and therefore the recognition of an impairment loss was not 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.

Current consolidated fiscal year (As of March 31, 2023)

(Whether or not an impairment loss should be recognized on goodwill recorded in Luvata Oy)

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

In the consolidated balance sheet for the current fiscal year, the Company reported goodwill of ¥6,732 million arising from the acquisition of the equity interest in the Luvata Group.

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

Luvata Oy applies IFRS in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually in addition to when there is an indication of impairment. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use or the fair value less costs of disposal.

Luvata Oy used the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows used to measure the value in use were estimated based on the Luvata Group's medium-term management plan. Embedded in the medium-term management plan were certain key assumptions such as the future growth rates 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 taking into account the status of negotiations with customers. Uncertainty about the prospects has increased in the current consolidated fiscal year due to reduction in production volume in the automobile industry caused by the shortage of semiconductors, and soaring logistics costs. Accordingly, management's judgement regarding these factors had a significant impact on the calculation of the value in use. In addition, estimating the discount rate used to measure the value in use required a high degree of valuation expertise in selecting the 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, arising from the acquisition of the Luvata Group exceeded its the carrying amount, and therefore the recognition of an impairment loss was not 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.

(Whether or not an impairment loss should be recognized on non-current assets of Mitsubishi UBE Cement Corporation)

1. Amount recorded in consolidated financial statements for the current consolidated fiscal year

In the consolidated balance sheet for the current fiscal year, the Company reported investments for Mitsubishi UBE Cement Corporation (hereinafter referred to as the “Mitsubishi UBE Cement”) and its affiliated companies of ¥160,685 million.

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

If there are indications that a non-current asset is impaired and it is determined that an impairment loss should be recognized, and the recoverable amount is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss. In the consolidated statement of profit or loss, the Group’s share of the impairment loss is recognized as part of its share of loss of entities accounted for using the equity method.

The future cash flows used in determining whether an impairment loss should be recognized were estimated based on Mitsubishi UBE Cement's medium-term management strategy prepared by Mitsubishi UBE Cement's management. In estimating the future cash flows, domestic demand for cement and unit sales prices underlying the sales projections, and the type composition of coal used in the cement production and their projected prices were used as key assumptions. As those projections involved uncertainty, management's judgment on them had a significant impact on the estimates.

The results of the impairment test indicated that the total undiscounted future cash flows expected to be generated from the asset group exceeded the carrying amount of the non-current assets in the asset group, and therefore, no impairment loss was deemed necessary. However, if the conditions and assumptions on which estimates are based change due to significant fluctuations in economic conditions, etc., impairment losses may be incurred.

(Recoverability of Deferred Tax Assets)

1. Amount recorded in consolidated financial statements for the current consolidated fiscal year

In the consolidated balance sheet for the current fiscal year, the Company reported deferred tax assets of ¥25,415 million.

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

The Company and certain domestic consolidated subsidiaries (hereinafter referred to as the “Tax Sharing Group.”) have elected to file its tax return under the group tax sharing system from the current fiscal year instead of filing on a stand-alone basis. The deferred tax assets are accounted for in accordance with “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021, ASBJ).

As set forth in “Guidance on the Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26), deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future tax payments.

The future taxable income for the Tax Sharing Group was estimated based on the budget and medium-term management strategy prepared by management. This estimate involved uncertainties because it was dependent upon several key assumptions, such as an increase in sales volume of Advanced Products and the Metalworking Solutions Business, particularly in the Company, resulting from increased demand in the automobile, semiconductor and other industries, as well as the projections of non-ferrous metal prices. Management's judgment on them had a significant impact on the recognized amount of deferred tax assets.

However, if the estimated amount of future taxable income changes due to changes in the underlying conditions or assumptions, it may have a significant impact on the judgment regarding the recoverability of deferred tax assets.

[Note 3 Change in Presentation Method]

(Consolidated Balance Sheet)

“Gold bullion in custody”, which was included in “Other” under “Current assets” in the previous consolidated fiscal year, is presented as a separate account in the current consolidated fiscal year due to its increased financial materiality. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified. As a result, ¥182,280 million presented as “Other” under “Current assets” in the consolidated balance sheet for the previous fiscal year has been reclassified as “Gold bullion in custody” of ¥82,004 million and “Other” of ¥100,275 million.

[Note 4 Additional Information]

1. Share-based compensation plan

(1) Overview of the transaction

The Company has introduced a share-based compensation plan (hereinafter referred to as the “Plan”) for its executive officers (excluding non-domestic residents).

The Plan adopts a structure called Board Incentive Plan Trust (hereinafter referred to as the “BIP Trust”). The Plan is to issue and grant the executive officers the Company’s shares and the amount equivalent to the disposal value of the Company’s shares, according to the executive officers’ positions or other conditions.

(2) The Company’s shares remaining in BIP Trust

The Company’s shares remaining in BIP Trust are recorded as the treasury shares in the net assets of the balance sheet, with their carrying amount in BIP Trust (excluding the amount of ancillary expenses). The carrying amount and the number of the Company’s treasury shares are ¥587 million and 235 thousand shares respectively at the end of the current consolidated fiscal year. The carrying amount and the number of the Company’s treasury shares are ¥684 million and 274 thousand shares respectively at the end of the previous consolidated fiscal year.

2. Share of loss of entities accounted for using equity method

Mitsubishi UBE Cement Corporation, an equity-method affiliate of the Company, resolved at a meeting of the Board of Directors on September 26, 2022 to rationalize its production system (hereinafter referred to as the “Initiatives”) by suspending operations of its Aomori Plant and reducing production capacity of its Isa Cement Plant (halting operation of kiln No. 1) by around the end of March 2023, and implemented the Initiatives at the end of March 2023.

In the current consolidated fiscal year, ¥8,376 million of the loss expected to be incurred as a result of the Initiatives is recorded as share of loss of entities accounted for using equity method under non-operating expenses.

[Note 5 Consolidated Balance Sheets]

(*1) Accumulated depreciation of property, plant and equipment is as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Accumulated depreciation of property, plant and equipment	1,196,222	763,678

(*2) Investment securities for non-consolidated subsidiaries and affiliates are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Investment securities (shares)	88,870	234,740
Investment for joint venture in shares of affiliates	3,207	162,581
Other (investments and other assets) (investment in capital)	247	1,319
Investment for joint venture in other	—	827

(*3) The amount of reduction entry by the direct reduction method implemented in the current consolidated fiscal year is as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Amount of reduction entry by direct reduction method	11	154

4. Debt guarantees

Debt guarantees are provided for borrowings from bank etc. of companies other than consolidated subsidiaries and employees.

(Unit: Millions of yen)

Previous consolidated fiscal year (As of March 31, 2022)		Current consolidated fiscal year (As of March 31, 2023)	
Yuzawa Geothermal Power Corporation	1,563	Yuzawa Geothermal Power Corporation	1,366
Employees	1,874	Employees	1,281
Others (9 companies)	1,419	Others (2 companies)	1,205
Total	4,857	Total	3,853

5. 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 referred to as the "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 as of the end of the previous consolidated fiscal year.

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 previous consolidated fiscal year, the additional amount disputed by PTS totaled US$19 million (¥2,363 million at the exchange rate as of the end of the previous consolidated fiscal year).

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

Depending on the result of the opposition or the tax lawsuit, some surcharge may be levied.

Current consolidated fiscal year (As of March 31, 2023)

The consolidated subsidiary of the Company, the 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 as of the end of the current consolidated fiscal year.

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 current consolidated fiscal year, the additional amount disputed by PTS totaled US$23 million (¥3,123 million at the exchange rate as of the end of the current consolidated fiscal year).
Depending on the result of the opposition or the tax lawsuit, some surcharge may be levied.

6. Notes receivable – trade discounted, etc.

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Notes receivable - trade discounted	102	1,425
Notes and accounts receivable - trade securitized with recourse	1,917	895

(*7) Assets pledged as collateral and liabilities secured by the collateral

Assets pledged as collateral are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Cash and deposits	37,553	11
Accounts receivable – trade	7,497	－
Merchandise and finished goods	13,534	－
Work in process	40,084	－
Raw materials and supplies	25,014	－
Property, plant and equipment (*)	3,770	3,419
Investment securities	6,604	6,859
Total	134,058	10,290

Liabilities secured by the collateral are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Short-term borrowings	19,356	70
Long-term borrowings (*)	6,294	840
(Current portion of long-term borrowings	50	20)
Other	3	－
Total	25,655	910

(*) Assets pledged as collateral for foundation mortgage

Name of assets, net

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Buildings and structures, net	959	969
Land, net	2,426	2,426
Total	3,386	3,396

Liabilities corresponding to the above

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Long-term borrowings	790	840
(Current portion of long-term borrowings	50	20)
Total	790	840

(*8) Revaluation reserve for land

Previous consolidated fiscal year (As of March 31, 2022)

The Company revaluated lands for business use pursuant to the “Act on Revaluation of Land”, (Act No.34 issued on March 31, 1998) and “Amendment to Act on Revaluation of Land”, (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as “Deferred tax liabilities for land revaluation” in liabilities and the revaluated value less the deferred tax liabilities as “Revaluation reserve for land” in net assets.

・Method of revaluation :
Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of “Enforcement Order for Act on Revaluation of Land” (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

・Date of revaluation:
Yokkaichi plant: March 31, 2000
Other : March 31, 2002

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

Current consolidated fiscal year (As of March 31, 2023)

The Company revaluated lands for business use pursuant to the “Act on Revaluation of Land”, (Act No.34 issued on March 31, 1998) and “Amendment to Act on Revaluation of Land”, (Act No.19 issued on March 31, 2001), and recorded the applicable income tax effect as “Deferred tax liabilities for land revaluation” in liabilities and the revaluated value less the deferred tax liabilities as “Revaluation reserve for land” in net assets.

・Method of revaluation:
Calculation by making reasonable adjustments to the assessed value for property tax purposes stipulated in Article 2, Item 3 of “Enforcement Order for Act on Revaluation of Land” (Cabinet Order No. 119 issued on March 31, 1998). For certain cases, the method based on the appraisal value by a real estate appraiser specified in Item 5 is used.

・Date of revaluation: March 31, 2002

Difference between the market value of the revalued land at the end of the consolidated fiscal year fiscal year and the book value after revaluation: ¥ (8,545) million

(*9) This is related to pure gold reserve transaction (My Gold Partner) based on a consumption deposit contract.

[Note 6 Consolidated Statement of Profit or Loss]

(*1) Revenue from contracts with customers

Net Sales is not divided into revenue from contracts with customers and revenue from others because net sales is mainly "Revenue from contracts with customers" and revenue from others is not significant.

(*2) The inventories at the end of the period represent the amount after reducing carrying amount associated with declining profitability and the following loss (reversal of loss) on valuation of inventories is included in the cost of sales.

(Unit: Millions of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
(4,584)	6,732

(*3) Provision (reversal) for loss on construction contracts which is included in the cost of sales.

(Unit: Millions of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
115	(7)

(*4) Major components and amounts in selling, general and administrative expenses are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Transportation and storage	32,283	24,336
Depreciation and amortization	5,498	5,777
Retirement benefit expenses	3,123	2,098
Provision for directors' retirement benefits	502	246
Provision for bonuses	10,024	9,246
Salaries	34,476	29,543
Outsourcing expenses	15,732	11,044
Rental expenses	5,909	5,320
Research and development expenses	11,604	9,676

(*5) Total amount of research and development expenses included in general and administrative expenses

(Unit: Millions of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
11,604	9,676

(*6) The Group recorded impairment loss on the asset groups below.

(Method of asset grouping)

The Group categorizes its assets mainly by product lines based on the reporting segments. Idle assets are classified by individual asset unit. The impact on segments is presented in the relevant part.

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Overview of assets groups for which impairment loss was recognized)

Asset groups	Location	Type	Impairment loss (Millions of yen)
Advanced Products	Suzhou, Jiangsu Province, China, etc.	Machinery and equipment, construction in progress and rights, etc.	2,600
Metalworking Solution Business	Tsuduki, Kyoto prefecture	Machinery and equipment, land, etc.	171
Metal Business	Akita, Akita prefecture	Buildings, etc.	19
Other Businesses	Koshigaya, Saitama prefecture, etc.	Land, buildings, etc.	442
Common assets	Chiyoda, Tokyo prefecture	Software in progress	606
Idle assets	Bofu, Yamaguchi prefecture, etc.	Land	46
Total			3,886

(Circumstances leading up to recognizing impairment loss)

Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their recoverable amount. Regarding the idle assets whose recoverable amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their recoverable amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥3,886 million in extraordinary losses.

・Breakdown of impairment loss by account titles

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

(Calculation method of recoverable amount)

Recoverable amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Overview of assets groups for which impairment loss was recognized)

Asset groups	Location	Type	Impairment loss (Millions of yen)
Advanced Products	Amagasaki, Hyogo prefecture, etc.	Buildings, structures, machinery and equipment, etc.	1,104
Metalworking Solution Business	Chiyoda, Tokyo prefecture	Software in progress	583
Metal Business	Kitaakita, Akita prefecture	Structures, machinery and equipment, etc.	471
Other Businesses	Bangkok, Thailand	Buildings, etc.	9
Common assets	Chiyoda, Tokyo prefecture	Software in progress	348
Idle assets	Minamiuonuma, Niigata prefecture, etc.	Land	5
Total			2,522

(Circumstances leading up to recognizing impairment loss)

Regarding the asset group of the business assets of which profitability has significantly fallen due to a declining market price of products or other reasons and the asset group of the business assets of which market price has significantly fallen, their carrying amounts are reduced to their recoverable amount. Regarding the idle assets whose recoverable amount has fallen below the carrying amount due to a drop in their market prices etc., the carrying amounts are reduced to their recoverable amount. The Group recorded the amount of reduction in the carrying amounts of such business assets and idle assets as impairment loss ¥2,522 million in extraordinary losses.

・Breakdown of impairment loss by account titles
Buildings: ¥854 million, Structures: ¥307 million, Machinery and equipment: ¥285 million, Land: ¥5 million, Software in progress: ¥931 million, Other: ¥137 million

(Calculation method of recoverable amount)
Recoverable amount is measured by the net realizable value or the value in use. The net realizable value is calculated using real estate appraisal value for assets whose market price is of high significance and using the assessed value for property tax for other assets. Calculation of the value in use is based on the future cash flow discounted mainly by 6.0%.

(*7) Loss on business restructuring

Previous consolidated fiscal year (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 affiliates and the loss on business transfer etc., resulting from the transfer on March 31, 2022 of all the shares of Universal Can Corporation, a consolidated subsidiary engaged in aluminum business owned by the Company, and the Aluminum rolling and extrusion 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.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
The loss on business restructuring of ¥31,103 million represents loss on sales of shares of subsidiaries and affiliates associated with the transfer of the Company’s polycrystalline silicon business (including the shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and the shares of NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company) succeeded to High-Purity Silicon Corporation, newly established by the Company, through an absorption-type company split on March 31, 2023, and transferred all shares of High-Purity Silicon Corporation to SUMCO Corporation.

[Note 7 Consolidated Statement of Comprehensive Income]
(*) Reclassification adjustments and tax effects concerning other comprehensive income

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Gains (losses) incurred during period	4,720	(12,770)
Reclassification adjustment to net income	(28,824)	(11,388)
Amount before tax effect	(24,104)	(24,159)
Tax effect	7,231	7,403
Valuation difference on available-for-sale securities	(16,872)	(16,755)
Deferred gains or losses on hedges		
Gains (losses) incurred during period	18,760	(10,630)
Reclassification adjustment to net income	(20,006)	14,489
Amount before tax effect	(1,246)	3,858
Tax effect	245	(1,200)
Deferred gains or losses on hedges	(1,000)	2,657
Foreign currency translation adjustment:		
Gains (losses) incurred during period	27,558	13,290
Reclassification adjustment to net income	—	—
Amount before tax effect	27,558	13,290
Tax effect	—	—
Foreign currency translation adjustment	27,558	13,290
Remeasurements of defined benefit plans:		
Gains (losses) incurred during period	(618)	(659)
Reclassification adjustment to net income	1,515	1,220
Amount before tax effect	897	560
Tax effect	(48)	3,530
Remeasurements of defined benefit plans	848	4,090
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) incurred during period	986	12,282
Reclassification adjustment to net income	(916)	1,268
Share of other comprehensive income of entities accounted for using equity method	70	13,550
Total other comprehensive income	10,603	16,833

[Note 8 Consolidated Statement of Changes in Net Assets]
Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)
1. Class and total number of outstanding shares and 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 shares	131,489,535	—	—	131,489,535
Total	131,489,535	—	—	131,489,535
Treasury shares				
Common shares (*1, 2, 3)	836,604	13,043	1,214	848,433
Total	836,604	13,043	1,214	848,433

(*1) The number of treasury shares in common shares includes 274,700 shares held by the Board Incentive Plan Trust
(*2) Breakdown of treasury shares increased during the period
Increase by purchase of less-than one-unit shares 13,043 shares
(*3) Breakdown of treasury shares decreased during the period
Decrease by sales of less-than one-unit shares 1,214 shares

2. Dividend

(1) Dividend amount

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

(*1) The total dividend payment approved by the Board of Directors held on May 14, 2021, includes the dividend payment of ¥13 million for the shares held by the Board Incentive Plan Trust.
(*2) The total dividend payment approved by the Board of Directors held on November 9, 2021, includes the dividend payment of ¥10 million for the shares held by the Board Incentive Plan Trust.
(*3) The dividend per share of ¥40 approved by the Board of Directors held on November 9, 2021, includes special dividend of ¥15.

(2) Dividend whose record date belongs to the previous consolidated fiscal year but the effective date of which belongs to the current consolidated fiscal year

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

(*1) The total dividend payment approved by the Board of Directors held on May 13, 2022, includes the dividend payment of ¥13 million for the shares held by the Board Incentive Plan Trust.
(*2) The dividend per share of ¥50 approved by the Board of Directors held on May 13, 2022, includes special dividend of ¥15.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

1. Class and total number of outstanding shares and 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 shares	131,489,535	―	―	131,489,535
Total	131,489,535	―	―	131,489,535
Treasury shares				
Common shares (* 1, 2, 3)	848,433	51,605	42,182	857,856
Total	848,433	51,605	42,182	857,856

(*1) The number of treasury shares in common shares includes 235,432 shares held by the Board Incentive Plan Trust

(*2) Breakdown of the increase in the number of treasury shares during the current fiscal year

Increase by purchase of less-than one-unit shares 51,605 shares

(*3) Breakdown of the decrease in the number of treasury shares during the current fiscal year

Decrease by sales of less-than one-unit shares 591 shares

Decrease due to the Board Incentive Plan Trust 39,268 shares

Decrease due to changes in equity in affiliate accounted for using equity method 2,323 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 13, 2022 Board of Directors	Common shares	6,545	50.0	March 31, 2022	June 10, 2022
November 10, 2022 Board of Directors	Common shares	3,272	25.0	September 30, 2022	December 9, 2022

(*1) The total dividend payment approved by the Board of Directors held on May 13, 2022, includes the dividend payment of ¥13 million for the shares held by the Board Incentive Plan Trust.

(*2) The dividend per share of ¥50 approved by the Board of Directors held on May 13, 2022, includes special dividend of ¥15.

(*3) The total dividend payment approved by the Board of Directors held on November 10, 2022, includes the dividend payment of ¥5 million for the shares held by the Board Incentive Plan Trust.

(2) Dividend which has record date that belongs to the current consolidated fiscal year but the effective date of which belongs to the next consolidated fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record Date	Effective date
May 12, 2023 Board of Directors	Common shares	3,271	Retained earnings	25.0	March 31, 2023	June 9, 2023

(*) The total dividend payment approved by the Board of Directors held on May 12, 2023, includes the dividend payment of ¥5 million for the shares held by the Board Incentive Plan Trust.

[Note 9 Consolidated Statement of Cash Flows]

(*1) Reconciliation between cash and cash equivalents at the end of the period and amounts stated in the consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	159,221	142,126
Less time deposits with maturities over 3 months	(5,444)	(995)
Less restricted deposits	(135)	(51)
Cash and cash equivalents	153,640	141,079

(*2) Breakdown of assets and liabilities held by the companies which were deconsolidated due to the sales of shares during the current consolidated fiscal year.

The Company succeeded the Company's polycrystalline silicon business (including the shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and the shares of NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company) to High-Purity Silicon Corporation, a company newly established by the Company, through an absorption-type company split, and transferred all shares of High-Purity Silicon Corporation to SUMCO Corporation. The breakdown of assets and liabilities associated with the transfer, the transfer price of the shares and the expenditure on the transfer are as follows.

Current assets	¥31,725	million
Non-current assets	5,428	
Current liabilities	(3,096)	
Non-current liabilities	(89)	
Foreign currency translation adjustment	(3,900)	
Other	1,035	
Loss on business restructuring	(31,103)	
Transfer price of the shares	0	
Cash and cash equivalents	(9,672)	
Incidental expenses	(264)	
Less: Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	(9,936)	

(*3) Significant non-cash transactions

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

On May 14, 2021, the Company entered into an absorption type company split agreement with the integration preparatory company (“C Integration Arrangement, Ltd.”), which is the current Mitsubishi UBE Cement Corporation (hereinafter referred to as “Mitsubishi UBE Cement”), whereby the Company’s cement business and related businesses, etc. would be transferred to Mitsubishi UBE Cement, which was established through a 50-50 joint venture with Ube Industries, Ltd. (which is the current UBE Corporation). On April 1, 2022, the subject business of the Company was transferred to Mitsubishi UBE Cement. The breakdown of assets and liabilities related to the transferred business as a result of the absorption-type company split is as follows

Current assets	¥102,198	million
Non-current assets	299,943	
Total assets	402,141	
Current liabilities	136,766	
Non-current liabilities	36,500	
Total liabilities	173,266	

Current assets include cash and cash equivalents, which are included in “Decrease in cash and cash equivalents resulting from company split”.

[Note 10 Lease Transactions]

1. Operating lease transactions (lessee)

Future minimum lease payments for non-cancelable operating leases

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Within 1 year	2,793	1,957
Over 1 year	19,775	15,802
Total	22,568	17,759

2. Operating lease transactions (lessor)

Future minimum lease income for non-cancelable operating leases

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Within 1 year	999	595
Over 1 year	1,407	889
Total	2,406	1,484

[Note 11 Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policy for dealing with financial instruments

The Group raises the necessary funds (mainly through bank loans and issuance of corporate bonds) for its capital expenditure plans to conduct its business. The Group invests temporary surplus funds in highly secured financial assets and raises short-term working capital through bank loans and commercial papers.

The Group utilizes derivative transactions for managing financial risks as described below and does not intend on operating speculative transactions.

(2) Contents of financial instruments and the risks involved in the financial instruments

Notes receivable and accounts receivable – trade are exposed to customers' credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities mainly consist of shares related to business or capital alliance with customers and suppliers, and are exposed to the risk of market price fluctuations.

Notes and accounts payable – trade will be due and payable within 1 year. As certain payables in foreign currencies arising from the import of raw materials are exposed to exchange rate fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term borrowings and commercial papers are used for raising funds related to operating transactions. Long-term borrowings and bonds payable are used mainly for raising the necessary funds related to capital expenditure. The longest maturity of them expires in 2037. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivative transactions (interest rate swaps).

Derivative transactions mainly include forward foreign exchange contracts and currency swaps for the purpose of hedging exchange rate fluctuation risk on transactions denominated in foreign currencies, commodity forward contracts and commodity price swaps for the purpose of hedging commodity price fluctuation risk on nonferrous metals and interest rate swaps for the purpose of hedging interest rate fluctuation risk on borrowings and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation risk. For hedging instruments and hedged items, hedging policy, assessment method for hedge effectiveness and others related to hedge accounting, please see "4. Significant accounting policies, (6) Method of principal hedge accounting" in "Note 1 Basis of Preparation of Consolidated Financial Statements" as described above.

(3) Risk management system for financial instruments

(a) Credit risk management (customers' default risk)

In the Company, sales departments of each in-house company regularly monitor the status of major business partners, manage payment dates and balances of trade receivables of each business partner in order to discover at an early stage and mitigate any concerns for collection due to the deterioration of financial conditions in accordance with the Credit Management Rules. Consolidated subsidiaries also conduct similar management activities in accordance with the Credit Management Rules of the Company based on the Group Accounting Regulations.

Regarding the use of derivative financial instruments, the Group deals only with highly creditworthy domestic and foreign banks, securities companies or trading firms to mitigate the default risk.

(b) Market risk management (exchange rate and interest rate fluctuation risks)

The Company and its certain consolidated subsidiaries use principally forward exchange contracts to hedge foreign currency exchange fluctuation risk by currency and on a monthly basis for trade receivables and payables denominated in foreign currencies as well as use interest rate swaps to manage interest rate fluctuation risk on borrowings.

As for investment securities, their market prices and the financial condition of issuers are continually monitored to manage the Group's holding status.

With respect to derivative transactions, the Company has set "Operation Standard Rules" and its supplementary rules "Operational Standards of Derivative Transactions" as the corporate rules and established "Operating Rules" and "Operation Standards of Derivative Transactions" corresponding to types of business of each in-house company as individual rules. In accordance with the authority for and the limit amount of transaction provided in these operational standards, forward foreign exchange contracts are executed and controlled by the Finance Department and other responsible departments; interest rate swaps are executed and controlled by the Finance Department; and commodity forward contracts are executed and controlled by each responsible department.

Consolidated subsidiaries utilizing derivative transactions also have provided their own operational standards individually pre-approved by the Company and operate derivative transactions within the scope.

(c) Liquidity risk management on fund raising (risk of failure to make payment on the relevant payment date)

The Group manages its liquidity risk by each company preparing and updating cash flow plan on a timely basis.

(4) Supplemental information on the matters related to the fair value of financial instruments

Fair values of financial instruments include values based on market prices and values reasonably calculated if there is no market price. Because variable factors are incorporated in calculating the relevant values, the market values may vary depending on the different assumptions. The contract amounts described in “Note 13 Derivative Transactions” represent the nominal contract amount or notional principal amount based on calculation and do not themselves indicate the market risk or credit risk of derivative transactions.

2. Matters related to the fair values of financial instruments

Amount recorded in the consolidated balance sheets, fair value of the financial instruments and the difference between them are as follows:

Cash is omitted from Notes. Also, deposits, notes receivable – trade, accounts receivable – trade, notes and accounts payable – trade, short-term borrowings and commercial papers are omitted because they are made settlement short term and their carrying amount approximate the fair values.

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Shares of subsidiaries and affiliates	13,964	9,545	(4,418)
Available-for-sale securities	66,352	66,352	—
Total assets	80,316	75,897	(4,418)
(1) Current portion of bonds payable	10,000	9,998	(2)
(2) Bonds payable	70,000	69,592	(408)
(3) Long-term borrowings	327,405	333,960	6,555
Total liabilities	407,405	413,550	6,145
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	13,318	13,318	—
(b) Derivative to which hedge accounting is applied	(1,282)	(1,612)	(330)
Total derivative transactions	12,036	11,705	(330)

Current Consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Shares of subsidiaries and affiliates	—	—	—
Available-for-sale securities	15,251	15,251	—
Total assets	15,151	15,251	—
(1) Current portion of bonds payable	—	—	—
(2) Bonds payable	70,000	69,411	(589)
(3) Long-term borrowings	291,589	291,139	(449)
Total liabilities	361,589	360,550	(1,038)
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	7,078	7,078	—
(b) Derivative to which hedge accounting is applied	1,556	1,540	(15)
Total derivative transactions	8,635	8,619	(15)

(*1) The following financial instruments are excluded from (1) Investment securities due to no fair values.

(Unit: Millions of yen)

Classification	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Shares of subsidiaries and affiliates (unlisted shares)	74,905	234,740
Available-for-sale securities (unlisted shares)	10,009	6,552

(*2) Net receivables and payables arising from derivative transactions are presented in net value. Total net payables are presented in parenthesis.

Notes:

1. Scheduled redemption amount of monetary assets after the consolidated closing date

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	159,221	―	―	―	―	―
Notes receivable – trade	30,302	―	―	―	―	―
Accounts receivable – trade	219,543	―	―	―	―	―
Total	409,067	―	―	―	―	―

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Cash and deposits	142,126	―	―	―	―	―
Notes receivable – trade	30,301	―	―	―	―	―
Accounts receivable – trade	158,197	―	―	―	―	―
Total	330,625	―	―	―	―	―

2. Repayment schedule of short-term borrowings, bonds payable and long-term borrowings after the consolidated closing date

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	171,304	―	―	―	―	―
Commercial papers	30,000	―	―	―	―	―
Bonds payable	10,000	―	10,000	―	30,000	30,000
Long-term borrowings	―	45,438	55,537	134,293	31,503	60,632
Total	211,304	45,438	65,537	134,293	61,503	90,632

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	146,972	―	―	―	―	―
Commercial papers	25,000	―	―	―	―	―
Bonds payable	―	10,000	―	30,000	10,000	20,000
Long-term borrowings	―	52,052	117,976	31,094	11,864	78,599
Total	171,972	62,052	117,976	61,094	21,864	98,599

3. Breakdown of Fair Value of Financial Instruments by Level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to measure fair value

Level 1 fair value: Fair value measured using observable fair value inputs based on (unadjusted) quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable fair value inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable fair value inputs

When multiple inputs that have a significant impact on fair value measurement are used, fair value is classified to the level with the lowest priority in the fair value measurement among the levels to which those inputs belong.

(1) Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	―	―	―	―
Available-for-sale securities	66,352	―	―	66,352
Total assets	66,352	―	―	66,352
(1) Current portion of bonds payable	―	―	―	―
(2) Bonds payable	―	―	―	―
(3) Long-term borrowings	―	―	―	―
Total liabilities	―	―	―	―
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	14,875	(1,556)	―	13,318
(b) Derivative to which hedge accounting is applied	69	(1,351)	―	(1,282)
Total derivative transactions	14,944	(2,908)	―	12,036

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	―	―	―	―
Available-for-sale securities	15,251	―	―	15,251
Total assets	15,251	―	―	15,251
(1) Current portion of bonds payable	―	―	―	―
(2) Bonds payable	―	―	―	―
(3) Long-term borrowings	―	―	―	―
Total liabilities	―	―	―	―
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	7,444	(365)	―	7,078
(b) Derivative to which hedge accounting is applied	(0)	1,556	―	1,556
Total derivative transactions	7,443	1,191	―	8,635

(2) Financial assets and liabilities not recorded at fair value on the Consolidated Balance Sheets
Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	9,545	—	—	9,545
Available-for-sale securities	—	—	—	—
Total assets	9,545	—	—	9,545
(1) Current portion of bonds payable	—	9,998	—	9,998
(2) Bonds payable	—	69,592	—	69,592
(3) Long-term borrowings	—	333,960	—	333,960
Total liabilities	—	413,550	—	413,550
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	—	—	—	—
(b) Derivative to which hedge accounting is applied	—	(330)	—	(330)
Total derivative transactions	—	(330)	—	(330)

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Shares of subsidiaries and affiliates	—	—	—	—
Available-for-sale securities	—	—	—	—
Total assets	—	—	—	—
(1) Current portion of bonds payable	—	—	—	—
(2) Bonds payable	—	69,411	—	69,411
(3) Long-term borrowings	—	291,139	—	291,139
Total liabilities	—	360,550	—	360,550
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	—	—	—	—
(b) Derivative to which hedge accounting is applied	—	(15)	—	(15)
Total derivative transactions	—	(15)	—	(15)

Note:
Explanation of valuation techniques used to measure fair value and inputs related to the fair value measurement

Investment securities
The fair values of listed shares and government bonds are measured based on market prices at the end of the period and are classified as Level 1 fair value because they are measured based on market prices for identical assets in active markets.

Derivative transactions
The fair values of derivative assets and derivative liabilities are based on observable inputs such as international commodity prices, interest rates and exchange rates, and are classified as Level 2 fair values.
The fair value of derivatives related to precious metals is measured based on the market price of the identical assets in an active market at the end of the period and is classified as Level 1 fair value.

Bonds payable
Since the fair value of bonds payable is based on market data, and is classified as Level 2 fair value.

Long-term borrowings

Long-term borrowings with floating interest rates are recorded at their carrying amount, as their fair value approximates their carrying amount due to the fact that floating interest rates reflect market interest rates in a short period of time. Long-term borrowings with fixed interest rates are classified as Level 2 fair value because the fair value is measured by discounting the total principal and interest based on market data at the interest rate that would be applicable to a similar new loan.

[Note 12 Securities]

1.Available-for-sale securities

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Shares	64,724	26,386	38,337
	(2) Bonds	78	76	1
	(3) Other	—	—	—
	Total	64,802	26,462	38,339
Securities with carrying amount not exceeding acquisition cost	(1) Shares	1,550	1,990	(440)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Total	1,550	1,990	(440)

Note:

Unlisted shares (¥10,009 million as recorded in the consolidated balance sheets) are not included in "Available-for-sale securities" above due to no market price.

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Shares	8,668	2,943	5,725
	(2) Bonds	129	128	1
	(3) Other	—	—	—
	Total	8,798	3,071	5,726
Securities with carrying amount not exceeding acquisition cost	(1) Shares	6,453	9,786	(3,333)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Total	6,453	9,786	(3,333)

Note:

Unlisted shares (¥6,552 million as recorded in the consolidated balance sheets) are not included in "Available-for-sale securities" above due to no market price.

2. Available-for-sale securities sold

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

Type	Total proceeds from sales	Total gain on sales	Total loss on sales
(1) Shares	59,135	29,710	618
(2) Bonds	53	—	—
(3) Other	—	—	—
Total	59,189	29,710	618

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

Type	Total proceeds from sales	Total gain on sales	Total loss on sales
(1) Shares	27,624	11,287	26
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	27,624	11,287	26

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥48 million for the current consolidated fiscal year and ¥369 million for the previous consolidated fiscal year.

If the fair value of any security at the end of the period declined by 50% or more of the acquisition cost, the decrease amount is all recorded as impairment loss. If the fair value at the end of the period declined by 30% to 50% of the acquisition cost, the impairment loss shall be recorded in an amount deemed necessary by considering the recoverability, etc. of each of the securities.

[Note 13 Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	10,935	—	(246)	(246)
	Other	1,772	—	(27)	(27)
	Buy				
	U.S. dollars	1,419	—	(14)	(14)
	Other	1,290	—	(32)	(32)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
Total		—	—	—	(321)

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	16,133	—	29	29
	Other	1,467	—	(18)	(18)
	Buy				
	U.S. dollars	906	—	(20)	(20)
	Other	1,459	—	(5)	(5)
	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	—	—	—	—
Total		—	—	—	(14)

(2) Interest rate related

Previous consolidated fiscal year (As of March 31, 2022)

Not applicable

Current consolidated fiscal year (As of March 31, 2023)

Not applicable

(3) Interest rate and currency related

Previous consolidated fiscal year (As of March 31, 2022)

Not applicable

Current consolidated fiscal year (As of March 31, 2023)

Not applicable

(4) Commodity related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Nonferrous metals forward contracts:				
	Sell	59,976	—	(1,853)	(1,853)
	Buy	151,804	—	15,494	15,494
Total		—	—	—	13,640

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Classification	Type of transactions	Contract amount	Contract amount over 1 year	Fair value	Gain (Loss)
Transactions other than market transactions	Nonferrous metals forward contracts:				
	Sell	28,500	—	(1,100)	(1,100)
	Buy	117,851	—	8,124	8,124
Total		—	—	—	7,023

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		95,776	771	(4,199)
	Other		1,234	—	(77)
	Buy				
	U.S. dollars		252	—	2
	Other		7	—	0
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		9,629	—	
	Other		4,160	—	
	Buy				
	U.S. dollars		1,282	—	
	Other		297	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	4,000	4,000	

Note:

Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable – trade, accounts payable – trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		65,393	20	(1,009)
	Other		613	91	(23)
	Buy				
	U.S. dollars		1,287	—	15
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		12,901	—	
	Other		4,809	—	
	Buy				
	U.S. dollars		1,412	—	
	Other		487	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	4,000	4,000	

Note:
Fair value of forward foreign exchange contracts, etc. to which designated hedge accounting is applied is included in the fair value of the related accounts receivable – trade, accounts payable – trade and long-term borrowings, because these derivative financial instruments are accounted integrally with the hedged items.

(2) Interest rate related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps: Pay fixed rate / receive floating rate	Long-term borrowings	27,609	23,500	(330)

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swaps: Pay fixed rate / receive floating rate	Long-term borrowings	15,000	—	(15)

(3) Interest rate and currency related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term borrowings	183	66	11

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Interest rate and currency swaps: Indonesian rupiah pay fixed / U.S. dollars receive floating	Long-term borrowings	11	—	1

(4) Commodity related

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable			
	Sell		197,530	15,053	(13,327)
	Buy		188,741	10,535	16,308

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Nonferrous metals forward contracts:	Accounts receivable, accounts payable, inventories			
	Sell		104,141	12,717	(1,119)
	Buy		40,879	941	2,852

[Note 14 Retirement Benefit]

1. Overview of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans to cover the benefits payable for all employees under these plans. Under the funded defined benefit pension plans, benefits are calculated based on the job qualifications and length of service and are paid at a lump-sum or in annuities. Under the lump sum retirement plan (they are principally unfunded plans, but some plans are of a funded-type as a result of the establishment of a retirement benefit trust), benefits are calculated based on the job qualifications and length of service, and are paid at a lump-sum.

Certain consolidated subsidiaries calculate their retirement benefit liability and retirement benefit expenses based on the simplified method.

2. Defined benefit pension plans

(1) Reconciliation of the beginning balance and the ending balance of retirement benefit obligation (excluding plans listed in (3) to which the simplified method is applied)

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	143,256	118,688
Service costs	5,328	4,795
Interest costs	259	150
Actuarial gains and losses	402	(1,406)
Benefit paid	(7,196)	(5,413)
Past service costs	(758)	61
Decrease due to exclusion from consolidation	(22,646)	(16,253)
Other	43	(31)
Balance at end of period	118,688	100,591

(2) Reconciliation of the beginning balance and the ending balance of plan assets (excluding plans listed in (3) to which the simplified method is applied)

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	107,840	93,413
Expected return on plan assets	1,878	1,592
Actuarial gains and losses	(548)	(2,004)
Contribution to the plan by the employer	2,705	2,422
Benefits paid	(3,293)	(2,826)
Decrease due to exclusion from consolidation	(13,779)	(7,791)
Other	(1,390)	46
Balance at end of period	93,413	84,851

(3) Reconciliation of the beginning balance and the ending balance of retirement benefit liability under the plans to which the simplified method is applied

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	1,897	1,855
Retirement benefit expenses	215	129
Benefits paid	(107)	(147)
Contribution to the plan	(21)	(3)
Decrease due to exclusion from consolidation	(128)	(984)
Balance at end of period	1,855	849

(4) Reconciliation between the ending balance of retirement benefit obligation and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Funded retirement benefit obligation	113,004	95,385
Plan assets	(93,413)	(84,851)
	19,591	10,533
Unfunded retirement benefit obligation	7,539	6,055
Net liability (asset) recorded in the consolidated balance sheets	27,130	16,589
Net retirement benefits liability	35,228	24,350
Net retirement benefits asset	(8,097)	(7,761)
Net liability (asset) recorded in the consolidated balance sheets	27,130	16,589

Notes:
The plan to which the simplified method is applied is included.

(5) Retirement benefit expenses and their components

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Service costs	5,543	4,924
Interest costs	259	150
Expected return on plan assets	(1,878)	(1,592)
Amortization of actuarial gains and losses	1,568	1,146
Amortization of past service costs	(53)	74
Retirement benefit costs on defined benefit plans	5,440	4,703

Notes:
Retirement benefit expenses for the plan to which the simplified method is applied are included in “Service costs”.

(6) Remeasurements of defined benefit pension plans

Remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Past service costs	704	61
Actuarial gains or losses	193	499
Total	897	560

(7) Accumulated remeasurements of defined benefit pension plans

Components of accumulated remeasurements of defined benefit pension plans (before adjusting for tax effects) are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Unrecognized past service costs	106	45
Unrecognized actuarial gains or losses	2,970	1,471
Total	3,076	1,516

(8) Plan assets

(a) Major components of plan assets

The ratio of each main category to total plan assets is as follows:

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Bonds	36%	35%
Shares	45	46
Life insurance (general accounts)	12	10
Cash and deposits	6	6
Other	1	3
Total	100	100

Notes:
Total plan assets include 26% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the previous consolidated fiscal year and 28% of the trust for the current consolidated fiscal year.

(b) Method of establishment of the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and expected allocation of plan assets, and long-term rates of return which are expected currently and in the future from the various assets which are included in the plan assets.

(9) Matters concerning actuarial calculation basis

Main actuarial calculation basis

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Discount rate	Mainly 0.05%	Mainly 0.05%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,690 million for the previous consolidated fiscal year and ¥1,247million for the current consolidated fiscal year respectively.

[Note 15 Tax Effect Accounting]

1. Major components of deferred tax assets and liabilities

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Deferred tax assets:		
Tax loss carried forward (*2)	33,874	43,275
Loss on valuation of investment securities	14,520	9,043
Impairment loss on non-current assets	15,499	7,866
Retirement benefit liability	10,986	7,641
Retirement benefit trust asset	8,123	7,590
Unrealized gain	5,079	4,526
Provision for environmental measures	5,745	4,405
Loss on valuation of inventories	2,543	4,286
Valuation difference on securities at the time of company split	—	4,107
Loss on valuation of buildings	3,731	3,609
Provision for bonuses	3,713	3,563
Excess of depreciation	2,052	2,740
Allowance for doubtful accounts	1,881	1,773
Deferred gains or losses on hedges	5,151	502
Other	12,706	9,620
Sub-total	125,609	114,551
Valuation allowance for tax loss carried forward (*2)	(27,606)	(37,868)
Valuation allowance for deductible temporary differences	(71,509)	(37,011)
Valuation allowance (*1)	(99,115)	(74,879)
Total deferred tax assets	26,494	39,672
Deferred tax liabilities:		
Revaluation of land, as a result of merger	(4,513)	(4,513)
Valuation difference on full market value method	(4,115)	(2,888)
Retained earnings of foreign consolidated subsidiaries	(2,478)	(2,306)
Gain on contribution of securities to retirement benefit trust	(2,610)	(1,577)
Deferred gains or losses on hedges	(4,595)	(874)
Accelerated depreciation of property, plant and equipment	(1,432)	(867)
Valuation difference on available-for-sale securities	(11,576)	(719)
Deferred gain on sale of property, plant and equipment	(388)	(332)
Investment difference in foreign consolidated subsidiaries	(9,176)	—
Reserve for mining exploration	(5)	—
Other	(4,146)	(4,559)
Total deferred tax liabilities	(45,039)	(18,638)
Net deferred tax assets (liabilities)	(18,544)	21,033

(*1) The valuation allowance decreased by ¥24,235 million. This decrease was mainly due to an increase in the estimated recoverable amount of deferred tax assets and liabilities resulting from the application of the Group Tax Sharing System from the current fiscal year, and the exclusion of the cement business and its related businesses from the scope of consolidation.

(*2) Tax loss carried forward and the related deferred tax assets by expiration periods are as follows:

Previous consolidated fiscal year (As of March 31, 2022)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*a)	682	451	2,079	722	195	29,743	33,874
Valuation allowance	(682)	(445)	(2,079)	(707)	(151)	(23,540)	(27,606)
Net deferred tax assets	－	6	－	15	44	6,203	(*b) 6,268

(*a) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(*b) Deferred tax assets of ¥6,268 million is recorded for the tax loss carried forward of ¥33,874 million (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

Current consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*c)	9	2,038	110	282	35	40,799	43,275
Valuation allowance	(2)	(1,933)	(94)	(235)	－	(35,602)	(37,868)
Net deferred tax assets	6	104	16	47	35	5,197	(*d) 5,406

(*c) The tax loss carried forward shown on the above table is after multiplying the statutory effective income tax rate.

(*d) Deferred tax assets of ¥5,406 million is recorded for the tax loss carried forward of ¥43,275 million (the amount multiplied by the statutory effective income tax rate). Valuation allowance is not recognized for the tax loss carried forward which is determined recoverable based on the expected amount of future taxable income.

2. The reconciliation between the statutory effective income tax rate and the actual income tax rate after applying tax effect accounting

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Statutory effective income tax rate	－%	30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	－	16.2
Temporary differences for which tax effect cannot be recognized	－	(131.5)
Differences in statutory effective income tax rates of consolidated subsidiaries	－	(16.1)
Share of profit or loss of entities accounted for using equity method	－	45.4
Non-taxable permanent differences such as dividend income	－	(8.9)
Non-deductible foreign withholding taxes	－	9.8
Amortization of goodwill	－	3.4
Gain on change in equity	－	(22.8)
Other	－	0.7
Actual income tax rate after applying tax effect accounting	－	(73.2)

Note is omitted because the difference between Statutory effective income tax rate and Actual income tax rate after applying tax effect accounting is 5/100 or less of the statutory effective tax rate in the previous consolidated fiscal year.

3. Accounting for corporate and local corporate taxes or tax effect accounting related to these taxes

From the current consolidated fiscal year, the Company and certain domestic consolidated subsidiaries have changed from the stand-alone tax system to the group tax sharing system. Accordingly, the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021, ASBJ).

[Note 16 Business Combinations]

(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 integration preparatory company ("C Integration Arrangement, Ltd."), which is the current Mitsubishi UBE Cement Corporation (hereinafter referred to as "Mitsubishi UBE Cement"), whereby the Company's cement business and related businesses, etc. would be transferred to Mitsubishi UBE Cement, 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.

Furthermore, Mitsubishi UBE Cement entered into an absorption-type demerger agreement with UBE Corp on May 14,2021and 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 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 the business combination

April 1, 2022

(3) Legal form of the business combination

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

(4) Name of the company after the integration

Mitsubishi UBE Cement Corporation

(5) Other matters concerning overview of the transaction

Since the establishment of Ube-Mitsubishi Cement in 1998 through a 50-50 joint venture, the Company and UBE Corp 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 Corp to establish a new framework for their cement businesses that develops the existing relationship, in order to archive 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 strengths of these businesses. Such strengths 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 Corp's (1) infrastructure, such as large port facilities in the Ube area and coal centers, (2) nationwide ready-mixed concrete production and sales networks, and (3) Ube Materials Industries, Ltd.'s inorganic materials business.

(6) The reason for this transaction was considered to be a formation of a jointly controlled entity

For the formation of a jointly controlled entity, the Company and UBE Corp 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 treatment

The integration is 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).

As a result, gain on change in equity of ¥11,007 million is recorded under extraordinary income in the consolidated statement of profit or loss for the current fiscal year.

(Absorption-type Merger of Consolidated Subsidiary)

The Company resolved to merge with its consolidated subsidiary Materials' Finance Co., Ltd. (hereinafter referred to as "MFC") by absorption at a meeting of the Board of Directors held on September 28, 2022 and merged with the MFC by absorption effective January 1, 2023.

1. Overview of the transaction

(1) Name of the merged company and its business

Name of the merged company: Materials' Finance Co., Ltd.

Description of business: Financing services for the Company and its affiliates, etc.

(2) Date of business combination

January 1, 2023

(3) Legal form of business combination

MFC was dissolved in an absorption-type merger with the Company as the surviving company.

(4) Name of company after business combination

Mitsubishi Materials Corporation

(5) Purpose of business combination

The purpose of the business combination is to improve the efficiency of group finance operations, etc.

2. Overview of accounting treatment

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), the transaction was accounted for as a transaction under common control.

(Sale of shares of subsidiaries)

At a meeting of the Board of Directors held on October 28, 2022, the Company resolved to transfer (hereinafter referred to as the "Transfer") all the shares of the newly established company (hereinafter referred to as the "New Company") to SUMCO Corporation (hereinafter referred to as "SUMCO") after having the Company's polycrystalline silicon business (including the shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and the shares of NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company) succeeded to the New Company through an absorption-type company split (hereinafter referred to as the "Split", and the "Transaction" together with the Transfer), and contracted the Transfer agreement with SUMCO on the same date.

In addition, the Company established High-Purity Silicon Corporation as the New Company on December 5, 2022, and at a meeting of the Board of Directors held on December 27, 2022, the Company resolved to contract the Split agreement, and contracted the Split agreement with High-Purity Silicon Corporation on the same date.

Pursuant to the above, the Company executed the Transaction on March 31, 2023.

1. Overview of the transaction

(1) Name of the successor company

SUMCO Corporation

(2) Description of divested business

Manufacturing and sales of polycrystalline silicon for semiconductor, silicon tetrachloride, trichlorosilane, dichlorosilane, and other affiliated products (including shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company)

(3) Main reason for carrying out the business divestiture

The Company entered the silicon business for semiconductors in 1959 and have been manufacturing polycrystalline silicon mainly for supplying raw materials for silicon wafers for semiconductors. As the Polycrystalline Silicon Business is susceptible to changes in the market of semiconductors and silicon wafers, its business environment remains severe for the Polycrystalline Silicon Business, and the Company has recorded impairment loss of non-current assets in recent years.

In the medium-term management strategy covering fiscal 2020 through fiscal 2022, the Company has been promoting its optimization of the business portfolio. As a result of discussions with SUMCO, which specializes in the silicon wafer business, regarding the Polycrystalline Silicon Business, the Company has decided to execute this Transaction because we believe that operating the business through vertical integration under SUMCO will contribute to increasing the value of the Polycrystalline Silicon Business, and that it is the best for the Company and the Polycrystalline Silicon Business.

(4) Date of the business divestiture

March 31, 2023

(5) Other matters concerning overview of the transaction including legal form

Share transfers for which the consideration to be received is assets such as cash only.

2. Overview of the accounting treatment

(1) Amount of gain or loss on the transfer

Loss on business restructuring ¥31,103 million

(2) Appropriate carrying amounts of assets and liabilities of the transferred business, and major breakdown

Current assets	¥31,725	million
Non-current assets	5,428	
Total assets	37,153	
Current liabilities	3,096	
Non-current liabilities	89	
Total liabilities	3,185	

(3) Accounting treatment

The difference between the carrying amount on a consolidated basis and the transfer price of polycrystalline silicon business was recorded as a loss on business restructuring under extraordinary losses.

3. Reporting segment to which the divested business belonged

Advanced Products

4. Net sales and operating loss for the transferred business on the consolidated statement of profit or loss for the current consolidated fiscal year

Net sales	¥37,618	million
Operating loss	1,634	

[Note 17 Asset Retirement Obligation]
Asset retirement obligation recorded in the consolidated balance sheets

1. Overview of asset retirement obligation
Costs for obligations of handling hazardous materials including asbestos and PCB are reasonably estimated and the asset retirement obligation are recorded.

2. Calculation method for amount of asset retirement obligation
The Group estimates the expected period until payment (maximum 16 years) and adopts discount rates from 0.4% to 2.3%.

3. Changes in total amount of asset retirement obligation

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	3,739	3,900
Increase due to acquisitions of property, plant and equipment	94	60
Reconciliation due to passage of time	19	2
Decrease due to settlement of asset retirement obligations	(358)	(39)
Increase (decrease) due to changes in estimates	199	—
Foreign currency translation adjustments	236	—
Decrease due to company split	—	(3,576)
Other	(29)	—
Balance at end of period	3,900	347

[Note 18 Investment and Rental Property]

The Company and certain consolidated subsidiaries own rental office buildings and other rental properties in Osaka and other areas. The investment and rental property above include those used partly by the Company and certain consolidated subsidiaries.

The amount recorded in the consolidated balance sheets, changes during the period and its fair value are as follows:

(Unit: Millions of yen)

		Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Carrying amount			
	Balance at beginning of period	50,285	49,453
	Increase (decrease) during period	(831)	(10,146)
	Balance at end of period	49,453	39,307
Fair value at end of period		55,909	46,410

Notes:

1. Carrying amount is calculated by deducting accumulated depreciation from acquisition cost.
2. Fair values of major properties at the end of period are based on appraisal by external or internal real estate appraisers. Fair values of other properties at the end of period are calculated based on reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Profit or loss concerning investment and rental property are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Investment and rental properties		
Rent income	4,712	4,063
Rent expenses	3,108	3,015
Profit or loss	1,603	1,048
Impairment loss	46	0

Notes:

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

[Note 19 Revenue Recognition]

1. Information on breakdown of revenue from contracts with customers

(1) Breakdown by reportable segment and business

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reporting Segment						Other Businesses				Total
	Advanced Products			Metal working Solutions Business	Metals Business	Environment & Energy Business	Cement Business	Aluminum Products	Other	Sub-Total	
	Copper & copper alloy	Electronic materials and components	Sub-Total								
Sales to outside customers	362,581	106,535	469,117	128,162	774,847	17,028	207,843	114,891	99,868	422,603	1,811,759

Notes:

1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,811,759 million of net sales reported in the Consolidated Statement of Profit or Loss for the previous consolidated fiscal year mainly represents “revenue from contracts with customers,” and the amount of revenue from other sources is not material.
3. The Company changed its reporting segments following the integration of its cement business and related businesses, etc., which took place on April 1, 2022. Details of the change in segments are described in “Note 20 Segment Information. 1.Segment information. (3) Matters regarding the change of the reporting segments, among other changes”.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting Segment						Other Businesses				Total
	Advanced Products			Metal working Solutions Business	Metals Business	Environment & Energy Business	Cement Business	Aluminum Products	Other	Sub-Total	
	Copper & copper alloy	Electronic materials and components	Sub-Total								
Sales to outside customers	399,110	107,848	506,958	136,812	851,325	16,482	－	－	114,355	114,355	1,625,933

Notes:

1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,625,933 million of net sales reported in the Consolidated Statement of Profit or Loss for the current consolidated fiscal year mainly represents “revenue from contracts with customers”, and the amount of revenue from other sources is not material.
3. The Company changed its reporting segments following the integration of its cement business and related businesses, etc., which took place on April 1, 2022. Details of the change in segments are described in “Note 20 Segment Information. 1.Segment information. (3) Matters regarding the change of the reporting segments, among other changes”.

(2) Breakdown of region

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

As described in “Note 20 Segment Information 2. Related information (2) Information by region, (a) Net sales.” ¥1,811,759 million of net sales reported in the Consolidated Statement of Profit or loss for the previous consolidated fiscal year is primarily “revenue from contracts with customers”, and the amount of revenue from other sources is not material.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

As described in “Note 20 Segment Information 2. Related information (2) Information by region, (a) Net sales.” ¥1,625,933 million of net sales reported in the Consolidated Statement of Profit or loss for the current consolidated fiscal year is primarily “revenue from contracts with customers”, and the amount of revenue from other sources is not material.

2. Information that provides a basis for understanding the revenue arising from contracts with customers

As stated in “Note 1 Basis of Preparation of Consolidated Financial Statements 4. Significant accounting policies, (5) Basis for recording significant revenues and expenses”.

3. **Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year from contracts with customers that existed at the end of the current consolidated fiscal year.**

(1) Balance of contract assets and contract liabilities

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Balance at beginning of term (As of April 1, 2021)	Balance at end of term (As of March 31, 2022)
Receivables arising from contracts with customers	211,108	249,846
Contract assets	11,934	8,889
Contract liabilities	15,842	21,906

Notes:

1. Contract assets related to the Group's rights to unclaimed consideration for revenue recognized based on the progress measured in the provision of services under construction work contracts. Contract assets become receivables arising from contracts with customers when the contract construction work is completed and the Group's rights to the consideration become unconditional.
2. Contract assets are included in "Other" under current assets in the Consolidated Balance Sheets.
3. Contract liabilities are advances received from customers prior to the delivery of construction work and product, which are reversed upon revenue recognition.
4. Contract liabilities are included in "Other" under current liabilities in the Consolidated Balance Sheets.
5. The amount of revenue recognized in the previous consolidated fiscal year that was included in the balance of contract liabilities at the beginning of the period was not material.
6. The amount of revenue recognized from performance obligations satisfied in prior periods was not material in the previous consolidated fiscal year.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Balance at beginning of term (As of April 1, 2022)	Balance at end of term (As of March 31, 2023)
Receivables arising from contracts with customers	249,846	188,498
Contract assets	8,889	2,970
Contract liabilities	21,906	17,613

Notes:

1. Contract assets related to the Group's rights to unclaimed consideration for revenue recognized based on the progress measured in the provision of services under construction work contracts. Contract assets become receivables arising from contracts with customers when the contract construction work is completed and the Group's rights to the consideration become unconditional.
2. Contract assets are included in "Other" under current assets in the Consolidated Balance Sheets.
3. Contract liabilities are advances received from customers prior to the delivery of construction work and product, which are reversed upon revenue recognition.
4. Contract liabilities are included in "Other" under current liabilities in the Consolidated Balance Sheets.
5. The amount of revenue recognized in the current consolidated fiscal year that was included in the balance of contract liabilities at the beginning of the period was not material.
6. The amount of revenue recognized from performance obligations satisfied in prior periods was not material in the current consolidated fiscal year.

(2) Transaction prices allocated to remaining performance obligations

The Group has no significant transactions with a forecasted contract term exceeding one year. Also, no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

[Note 20 Segment Information]

1. Segment information

(1) Overview of reporting segments

(a) Method to define reporting segments

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

The Group adopts an in-house company system and each in-house company and business division make comprehensive domestic and international strategies and conduct business activities with respect to the products and services handled.

Accordingly, the Group consists of segments by products and services based on in-house company and has 4 reporting segments of "Advanced Products", "Metalworking Solutions Business", "Metals Business" and "Environment & Energy Business".

(b) Products and services which belong to each reporting segment

Major products of each business are as follows:

・Advanced Products:	Copper alloy products, electronic materials
・Metalworking Solutions Business:	Cemented carbide products
・Metals Business:	Nonferrous metal smelting and refining (including copper, gold, silver, palladium, sulfuric acid and etc.)
・Environment & Energy Business:	Energy, environmental recycling

(2) Method of calculating the amounts of net sales, profit or loss, assets, liabilities and other items of each reporting segment

The accounting method for business segments reported is consistent with those stated in "Note 1 Basis of Preparation of Consolidated Financial Statements".

Segment profit is based on the ordinary profit.

Amount of revenues and transfer between the segment are based on current market price.

(3) Matters regarding the change of the reporting segments, among other changes

Following the integration of the cement business and its related businesses on April 1, 2022, the Company has changed its reporting segments of the cement business, which was previously a reportable segment, to include the other businesses, based on the actual situation in determining the allocation of management resources.

Segment information for the previous consolidated fiscal year and "1. Information on breakdown of revenue from contracts with customers" described in "Note 19 Revenue Recognition" are disclosed based on the reporting segment classification and calculation method after the change.

(4) Information on net sales, profit or loss, assets, liabilities and other items of each reporting segment
Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Total	Adjustment	Amounts in consolidated financial statements
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Net sales								
(1) Sales to outside customers	469,117	128,162	774,847	17,028	422,603	1,811,759	—	1,811,759
(2) Intersegment sales and transfers	16,822	4,448	222,324	842	36,945	281,383	(281,383)	—
Total	485,939	132,611	997,171	17,871	459,549	2,093,142	(281,383)	1,811,759
Segment profit	16,931	14,522	50,230	3,894	6,631	92,210	(16,129)	76,080
Segment assets	420,365	216,602	882,293	43,068	484,828	2,047,159	77,873	2,125,032
Segment liabilities	350,099	172,636	682,301	40,521	239,891	1,485,449	(16,169)	1,469,280
Other items								
Depreciation	10,869	11,083	14,381	1,633	22,353	60,320	3,215	63,536
Amortization of goodwill	435	1,202	—	—	2,915	4,553	—	4,553
Interest income	156	103	320	25	270	877	(312)	564
Interest expenses	1,773	1,254	1,430	173	1,500	6,130	(632)	5,498
Share of profit (or loss) of entities accounted for using equity method	1,795	—	4,768	1,968	(3,442)	5,090	(11)	5,078
Investment into entities accounted for using equity method	5,504	—	38,225	12,059	22,404	78,194	(89)	78,104
Increase in property, plant and equipment and intangible assets	20,648	9,180	15,322	3,795	25,370	74,316	7,133	81,450

Notes:
1. “Other businesses” include cement-related, aluminum-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(16,129) million includes elimination of intersegment transactions of ¥(935) million and corporate expenses not allocated to each reporting segment of ¥(15,193) million. 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.
3. “Adjustment amount” of segment assets of ¥77,873 million includes the elimination of intersegment transactions of ¥(61,110) 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.
4. “Adjustment amount” of segment liabilities of ¥(16,169) million includes the elimination of intersegment transactions of ¥(60,922) 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.
5. “Adjustment amount” of ¥7,133 million for the increase in property, plant and equipment and intangible assets is mainly capital expenditure made by DX promotion dept and the Central Research Institute (currently Innovation Center).
6. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.
7. 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 expenses, and increase in property, plant and equipment and intangible assets) of Dia Consultants Co., Ltd. up to the date of deconsolidation are included.
8. As for the aluminum-related business, which used to be 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 businesses were split and succeeded, these businesses 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 expenses, share of loss of entities accounted for using equity method, and increases in property, plant and equipment and intangible assets) related to the aluminum-related business up to the date of deconsolidation are included.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Total	Adjustment	Amounts in consolidated financial statements
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Net sales								
(1) Sales to outside customers	506,958	136,812	851,325	16,482	114,355	1,625,933	—	1,625,933
(2) Intersegment sales and transfers	19,404	4,812	234,413	851	49,849	309,330	(309,330)	—
Total	526,363	141,624	1,085,738	17,333	164,204	1,935,264	(309,330)	1,625,933
Segment profit (loss)	7,177	14,520	28,018	4,597	(17,673)	36,639	(11,333)	25,306
Segment assets	405,767	222,760	910,748	49,888	265,586	1,854,750	37,044	1,891,795
Segment liabilities	297,347	119,470	706,120	33,424	117,709	1,274,072	(11,152)	1,262,919
Other items								
Depreciation	11,134	10,988	15,201	1,712	1,520	40,557	3,845	44,402
Amortization of goodwill	466	1,209	—	—	4	1,680	—	1,680
Interest income	305	175	1,385	30	185	2,082	(406)	1,676
Interest expenses	1,995	893	2,322	176	686	6,074	(59)	6,014
Share of profit (or loss) of entities accounted for using equity method	1,297	—	(1,231)	2,166	(24,205)	(21,973)	49	(21,924)
Investment into entities accounted for using equity method	3,299	—	45,682	13,274	161,373	223,629	(687)	222,942
Increase in property, plant and equipment and intangible assets	26,313	11,934	29,420	5,893	1,853	75,415	5,690	81,106

Notes:

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(11,333) million includes elimination of intersegment transactions of ¥(850) million and corporate expenses not allocated to each reporting segment of ¥(10,482) million. 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.
3. “Adjustment amount” of segment assets of ¥37,044 million includes the elimination of intersegment transactions of ¥(101,544) million and corporate assets of ¥138,589 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.
4. “Adjustment amount” of segment liabilities of ¥(11,152) million includes the elimination of intersegment transactions of ¥(101,769) million and corporate liabilities of ¥90,617 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.
5. “Adjustment amount” of ¥5,690 million for the increase in property, plant and equipment and intangible assets is mainly capital expenditure made by DX Promotion Division and the Innovation Center.
6. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.
7. As of March 31, 2023, the Company succeeded the Company's polycrystalline silicon business (including the shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and the shares of NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company) to High-Purity Silicon Corporation, a company newly established by the Company, through an absorption-type company split, and transferred all shares of High-Purity Silicon Corporation to SUMCO Corporation. The amounts of net sales, segment loss and other items (depreciation, interest income, interest expenses, share of loss of entities accounted for using equity

method, and increase in property, plant and equipment and intangible assets) related to the polycrystalline silicon business up to the date of deconsolidation are included.

2. Related Information

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(1) Information by product and service

This information is omitted because the same information is disclosed in "Segment information".

(2) Information by region

(a) Net sales

(Unit: Millions of yen)

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

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia	Other	Total
466,405	95,953	15,660	49,217	1,962	629,199

Notes:

1. Segmentation by country or region is based on geographical proximity.
2. Major countries or regions which belong to segments other than the United States
   Europe: Germany, the United Kingdom, Spain, France and Finland
   Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   Other: Australia, Canada and Brazil.

(3) Information by major customers

This information is omitted because no single customer accounts for 10% or more in the net sales in the consolidated statement of profit or loss.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(1) Information by product and service

This information is omitted because the same information is disclosed in "Segment information".

(2) Information by region

(a) Net sales

(Unit: Millions of yen)

Japan	United States	Europe	Asia	Other	Total
682,465	85,344	66,792	773,195	18,135	1,625,933

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia	Other	Total
328,370	15,002	18,244	64,172	424	426,214

Notes:

1. Segmentation by country or region is based on geographical proximity.
2. Major countries or regions which belong to segments other than the United States
   Europe: Germany, the United Kingdom, Spain, France and Finland
   Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   Other: Australia, Canada and Brazil.

(3) Information by major customers

(Unit: Millions of yen)

Name of the customer	Net sales	Relevant segment names
Sumitomo Corporation	291,264	Metals Business

3. Information about impairment loss on non-current assets by reporting segments
Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Impairment loss	2,600	171	19	—	487	3,278	608	3,886

Note: Adjustment amount of ¥608 million of impairment loss consists mainly of impairment loss on common assets.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Impairment loss	1,104	583	—	471	9	2,168	353	2,522

Note: Adjustment amount of ¥353 million of impairment loss consists mainly of impairment loss on common assets.

4. Information about amortized and unamortized amounts of goodwill by reporting segments
Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Amortization during period	435	1,202	—	—	2,915	4,553	—	4,553
Unamortized balance at end of period	6,874	3,621	—	—	18,876	29,371	—	29,371

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Amortization during period	—	—	—	—	—	—	—	—
Unamortized balance at end of period	2,221	—	—	—	—	2,221	—	2,221

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Amortization during period	466	1,209	—	—	4	1,680	—	1,680
Unamortized balance at end of period	6,732	2,481	—	—	10	9,224	—	9,224

Amortized and unamortized amounts of negative goodwill resulted from business combination, etc. carried out before April 1, 2010 are as follows:

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Advanced Products	Metal working Solution Business	Metals Business	Environment & Energy Business				
Amortization during period	—	—	—	—	—	—	—	—
Unamortized balance at end of period	2,221	—	—	—	—	2,221	—	2,221

[Note 21 Related Parties Information]

1. Transactions with related parties

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There are no significant transactions with related parties to be disclosed.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

Non-consolidated subsidiaries and affiliates of the Company submitting consolidated financial statements

Type	Name	Location	Capital or contributions (Millions of yen)	Nature of business	Voting rights holding or held	Relationship	Transaction		Transaction Amount (Millions of yen)
Non-consolidated subsidiary	High-Purity Silicon Corporation (Note 1)	Yokkaichi, Mie prefecture	0	Polycrystalline silicon business	Holding directly 100.0%	Business transfer	Business transfer (Note 2)	Total assets transferred	37,153
								Total liabilities transferred	3,185
								Acquisition of shares	0
Affiliate	Mitsubishi UBE Cement Corporation	Chiyoda, Tokyo prefecture	50,250	Cement Manufacturing	Holding directly 50.0%	Business transfer Acquisition of shares Concurrent directors	Business transfer (Note 3)	Total assets transferred	402,141
								Total liabilities transferred	173,266
								Acquisition of shares	188,590

Transaction terms and policies for determining transaction terms, etc.

Notes:

1. As of March 31, 2023, the Company transferred its shareholding in High-Purity Silicon Corporation. As a result of the transfer, the loss on business restructuring of ¥31,103 million was recorded for the current consolidated fiscal year. The percentage of voting rights held by the Company is as of the time of the transfer of shares, and the transaction amount is for the period during which the company was a subsidiary.
2. With respect to the business transfer, the polycrystalline silicon business operated by the Company and all shares of Mitsubishi Polycrystalline Silicon America Corporation and NIPPON AEROSIL CO., LTD. held by the Company were transferred through an absorption-type company split, and the Company acquired the shares as consideration for the business transfer.
3. With respect to the business transfer, the cement business and related businesses, etc. operated by the Company were transferred through an absorption-type company split, and the Company acquired the shares as consideration for the business transfer.

2. Notes on parent company and significant affiliates

Condensed financial information of significant affiliates

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There is no applicable information about significant affiliates to be disclosed.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

In the current consolidated fiscal year, the significant affiliate is the Mitsubishi UBE Cement Corporation, whose summarized consolidated financial information is as follows:

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

Total current assets	¥278,142	million
Total non-current assets	495,282	
Total current liabilities	269,702	
Total non-current liabilities	146,112	
Total net assets	357,609	
Net sales	576,304	
Loss before income taxes	(42,745)	
Net loss	(47,332)	

Notes:

Mitsubishi UBE Cement Corporation became a significant affiliate from the current consolidated fiscal year due to its increased importance. As a result, condensed financial information for the previous consolidated fiscal year is not presented.

[Note 22 Per Share Information]

(Unit: yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	4,476.52	4,541.96
Profit per share	344.56	155.60

Notes:

1. For the purpose of calculating net assets per share, shares of the Company held in Board Incentive Plan Trust are included in the treasury shares excluded from the total number of the common shares outstanding at the end of consolidated fiscal year. The number of treasury shares at the end of the previous consolidated fiscal year was 848 thousand, which included 274 thousand shares of the Company held by Board Incentive Plan Trust. In addition, the number of treasury shares at the end of the current consolidated fiscal year is 857 thousand, which included 235 thousand shares of the Company held by Board Incentive Plan Trust.
2. Diluted profit per share for the current consolidated fiscal year is not provided because there is no dilutive share.
3. Profit per share is calculated based on the following items:

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Profit per share		
Profit attributable to owners of parent (Unit: Millions of yen)	45,015	20,330
Amount not attributable to common shareholders (Unit: Millions of yen)	–	–
Profit attributable to common shareholders of owners of parent (Unit: Millions of yen)	45,015	20,330
Average number of shares issued during period (Unit: Thousand shares)	130,646	130,659

Notes:

For the purpose of calculating Profit per share, shares of the Company held in Board Incentive Plan Trust are included in the treasury shares excluded from the weighted-average common shares outstanding during consolidated fiscal year. The weighted-average treasury shares during the previous consolidated fiscal year were 843 thousand, which included 274 thousand shares of the Company held by Board Incentive Plan Trust. In addition, the weighted-average treasury shares during the current consolidated fiscal year were 827 thousand, which included 244 thousand shares of the Company held by Board Incentive Plan Trust.

[Note 23 Significant Subsequent Events]
(Change in segment classification)
At the Board of Directors meeting held on February 10, 2023, the Company resolved the Medium-Term Management Strategy for the period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2031(hereinafter referred to as "FY2031 Strategy").
The Group has set out "Our Commitment" of "For people, society and the earth, circulating resources for a sustainable future". The Group will build a recycling system of metal resources based on our strengths and realize growth throughout the value chain by expanding the scope, regions, and scale of our operations.
Based on the FY2031 Strategy, the Company implemented organizational restructuring to strengthen its Resource Recycling Business and Renewable Energy Business on April 1, 2023.
As a result, the reportable segment has been reclassified from the former "Advanced Products", "Metalworking Solution Business", "Metals Business" and "Environment & Energy Business" to "Metals Business", "Advanced Products", "Metal working Solution Business" and "Renewable Energy Business".
Information on the amounts of net sales, profit or loss, assets, liabilities and other items by reporting segment for the current consolidated fiscal year based on the segment classification after the change is as follows.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Information on the amounts of net sales, profit or loss, assets, liabilities and other items for each reporting segment

(Unit: Millions of yen)

	Metals Business	Advanced Products	Metal working Solution Business	Renewable Energy Business	Other Businesses	Total	Adjustment	Amount recorded consolidated financial statements
Net sales								
(1) Sales to outside customers	854,962	506,958	136,812	3,475	123,725	1,625,933	—	1,625,933
(2) Intersegment sales and transfers	234,375	19,404	4,812	0	46,902	305,495	(305,495)	—
Subtotal	1,089,337	526,363	141,624	3,475	170,628	1,931,429	(305,495)	1,625,933
Segment Profit (loss)	29,901	7,177	14,520	991	(15,950)	36,639	(11,333)	25,306
Segment assets	924,004	405,767	222,760	31,783	270,090	1,854,406	37,388	1,891,795
Segment liabilities	710,068	297,347	119,470	27,267	119,673	1,273,827	(10,907)	1,262,919
Other items								
Depreciation	15,795	11,134	10,988	932	1,706	40,557	3,845	44,402
Amortization of goodwill	—	466	1,209	—	4	1,680	—	1,680
Interest income	1,393	305	175	1	206	2,082	(406)	1,676
Interest expenses	2,380	1,995	893	158	646	6,074	(59)	6,014
Share of profit (or loss) of entities accounted for using equity method	(129)	1,297	—	1,063	(24,205)	(21,973)	49	(21,924)
Investment into entities accounted for using equity method	53,890	3,299	—	5,066	161,373	223,629	(687)	222,942
Increase in property, plant and equipment and intangible assets	29,837	26,313	11,934	5,223	2,106	75,415	5,690	81,106

Notes:
1. "Other businesses" include cement-related and engineering-related business.
2. "Adjustment amount" of segment profit of ¥(11,333) million includes elimination of intersegment transactions of ¥(850) million and corporate expenses not allocated to each reporting segment of ¥(10,482) million. 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.
3. "Adjustment amount" of segment assets of ¥37,388 million includes the elimination of intersegment transactions of ¥(101,200) million and corporate assets of ¥138,589 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.
4. "Adjustment amount" of segment liabilities of ¥(10,907) million includes the elimination of intersegment transactions of ¥(101,426) million and corporate liabilities of ¥90,518 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.

5. “Adjustment amount” of ¥5,690 million for the increase in property, plant and equipment and intangible assets is mainly capital expenditure made by DX Promotion Division and the Innovation Center.
6. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.
7. As of March 31, 2023, the Company succeeded the Company's polycrystalline silicon business (including the shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and the shares of NIPPON AEROSIL CO., LTD., an equity-method affiliated company of the Company) to High-Purity Silicon Corporation, a company newly established by the Company, through an absorption-type company split, and transferred all shares of High-Purity Silicon Corporation to SUMCO Corporation. The amounts of net sales, segment loss and other items (depreciation, interest income, interest expenses, share of loss of entities accounted for using equity method, and increase in property, plant and equipment and intangible assets) related to the polycrystalline silicon business up to the date of deconsolidation are included.

(5) Consolidated Supplemental Schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2023 (Millions of yen)	Interest rate (%)	Collateral	Maturity
	Straight bonds						
Mitsubishi Materials Corporation	31st unsecured bonds	December 6, 2016	10,000	10,000	0.470	None	December 4, 2026
Mitsubishi Materials Corporation	32nd unsecured bonds	August 30, 2017	(10,000) 10,000	—	0.160	None	August 30, 2022
Mitsubishi Materials Corporation	33rd unsecured bonds	August 30, 2017	10,000	10,000	0.380	None	August 30, 2027
Mitsubishi Materials Corporation	34th unsecured bonds	September 5, 2019	10,000	10,000	0.150	None	September 5, 2024
Mitsubishi Materials Corporation	35th unsecured bonds	June 7, 2021	20,000	20,000	0.110	None	June 5, 2026
Mitsubishi Materials Corporation	36th unsecured bonds	June 7, 2021	10,000	10,000	0.280	None	June 7, 2028
Mitsubishi Materials Corporation	37th unsecured bonds	June 7, 2021	10,000	10,000	0.360	None	June 6, 2031
Total		—	(10,000) 80,000	70,000	—	—	—

Notes:
1. The amounts in parentheses presented under “Balance as of March 31, 2022” represent the amounts scheduled to be redeemed within 1 year.
2. The annually scheduled redemption amount within 5 years after the consolidated closing date is as follows:

(Unit: Millions of yen)

Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
—	10,000	—	30,000	10,000

Schedule of borrowings

Classification	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2023 (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	136,632	111,595	1.1	—
Current portion of long-term borrowings	34,671	35,376	0.7	—
Current portion of lease obligations	2,342	2,600	—	—
Long-term borrowings (excluding current portion)	327,405	291,589	1.4	2024 to 2037
Lease obligations (excluding current portion)	18,433	19,518	—	2024 to 2046
Other interest bearing liabilities				
Current portion of commercial papers	30,000	25,000	0.0	—
Employees' saving deposit	8,018	7,695	0.5	—
Guarantee deposits received	3,081	872	0.2	—
Total	560,586	494,248	—	—

Notes:
1. The average interest rate represents the weighted-average rate applicable to the year-end balance.
2. The average interest rate of lease obligations is not presented because the lease obligations are recorded on the consolidated balance sheets as an amount before deduction of interest equivalents from the total lease obligations.
3. Total amount of scheduled repayment of long-term borrowings, lease obligations and other interest-bearing debts (excluding those to be repaid within 1 year) within 5 years after the consolidated closing date is as follows:

(Unit: Millions of yen)

Classification	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	52,052	117,976	31,094	11,864
Lease obligations	2,364	1,627	1,442	1,285

Schedule of asset retirement obligation

Schedule of asset retirement obligation is omitted pursuant to the provision of Article 92-2 of the Regulation on Consolidated Financial Statements because the amounts of the asset retirement obligation at the beginning and end of the current consolidated fiscal year are not more than 1% of the total amount of the liabilities and net assets at the beginning and end of the current consolidated fiscal year.

2. Other

Quarterly financial information etc. for the current consolidated fiscal year

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales (Millions of yen)	422,628	831,981	1,243,565	1,625,933
Profit before income taxes (Millions of yen)	27,421	34,705	8,713	14,771
Profit attributable to owners of parent (Millions of yen)	24,135	23,624	1,110	20,330
Profit per share (yen)	184.73	180.80	8.50	155.60

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share (yen)	184.73	(3.91)	(172.29)	147.11

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 23, 2023

To the Board of Directors of Mitsubishi Materials Corporation :

KPMG AZSA LLC
Tokyo Office, Japan

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroshi Tani
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takeharu Kirikae
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consoliadted Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated balance sheet as at March 31, 2023 and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Assessment of the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 2, “Significant Accounting Estimates” to the consolidated financial statements, the Group reported goodwill of ¥9,224 million in the consolidated balance sheet for the current fiscal year. Included therein was the goodwill of ¥6,732 million recognized in Luvata Oy, a consolidated subsidiary included in the Advanced Products segment, representing 0.4% of total assets in the consolidated financial statements. The goodwill arose when the Company acquired an equity interest in the Luvata Special Products business (hereinafter referred to as the “Luvata Group”), which is centered around Luvata Pori Oy, through MMC Copper Products Oy (subsequently renamed Luvata Oy), a consolidated subsidiary of the Company.

Luvata Oy applies International Financial Reporting Standards (IFRS) in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually in addition to when there is an indication of impairment. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use or the fair value less costs of disposal. As a result of the impairment test performed in the current fiscal year, Luvata Oy determined that the recoverable amount of the group of cash-generating units, including goodwill arising from the acquisition of the equity interest in the Luvata Group, exceeded its carrying amount, and therefore the recognition of an impairment loss was not required.

Luvata Oy used the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows used to measure the value in use were estimated based on the Luvata Group’s medium-term management plan prepared by management. Embedded in the medium-term management plan were certain key assumptions such as the future growth rates of the</td><td>In order to assess the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy, we requested the auditor of Luvata Oy to perform an audit. Then we evaluated the report and reviewed the audit working papers of the auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

(1) Internal control testing
Test of the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, with a particular focus on controls to prevent or detect the adoption of unreasonable assumptions in the estimates of future cash flows.

(2) Assessment of the reasonableness of the estimated value in use
Assessment of the reasonableness of the estimated value in use by performing the following procedures:

● assessment of the consistency of the growth rates of the automobile, MRI and other relevant markets underlying the medium-term management plan with data published by external organizations;
● assessment of the consistency of management’s forecasts regarding future development of the electric vehicle market where Luvata Oy plans to enter into, which was the premise for the plan to increase market share, with forecast reports published by external organizations; and
● inspection of contracts and other documents that showed the status of negotiations with customers.

Considering the results of the above procedures, an assessment was performed to determine the impact, if any, on impairment testing when specific uncertainties were incorporated into</td></tr>
</table>

automobile, MRI and other markets targeted by the Luvata Group's products, the projected increase in market share through sales expansion measures, and sales prices taking into account the status of negotiations with customers. Uncertainty about the prospects of the Luvata Group's business performance has been increasing due to reduction in production volume in the automobile industry caused by the shortage of semiconductors, and soaring logistics, personnel and energy costs. Accordingly, management's judgment regarding these factors had a significant impact on the estimates of the future cash flows. In addition, estimating the discount rate used to measure the value in use required a high degree of valuation expertise in selecting the calculation methods and input data. We, therefore, determined that our assessment of the reasonableness of the estimated value in use related to the valuation of the goodwill recognized in Luvata Oy was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	future cash flows. In addition, we assessed the discount rate, with the assistance of a valuation specialist within our domestic network firms, by performing the following procedures: ● assessment of the appropriateness of the calculation methods for estimating the discount rate used by management; and ● comparison of the discount rate independently calculated by the valuation specialist with the discount rate adopted by management.

Assessment of the appropriateness of the judgment as to whether an impairment loss should be recognized on the non-current assets held by Mitsubishi UBE Cement Corporation, an affiliate accounted for using the equity method	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2, "Significant Accounting Estimates" to the consolidated financial statements, the Group reported investment securities of ¥256,544 million in the consolidated balance sheet for the current fiscal year. Included therein was the investment security of ¥160,685 million recognized for Mitsubishi UBE Cement Corporation (hereinafter referred to as "Mitsubishi UBE Cement"), an affiliate accounted for using the equity method operating mainly cement related businesses, which accounted for 8.5% of total assets in the consolidated financial statements. Based on its business segments, Mitsubishi UBE Cement determined that the asset group belonging to these businesses was the smallest unit that generates largely independent cash flows. Whenever there is an indicator of impairment for non-current assets, it is necessary to determine whether an impairment loss should be recognized	In order to assess the appropriateness of the judgment as to whether an impairment loss should be recognized on the non-current assets held by Mitsubishi UBE Cement, we requested the auditor of Mitsubishi UBE Cement to perform an audit. Then we evaluated the report and reviewed the audit working papers of the auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures among others: **(1) Internal control testing** Test of the design and operating effectiveness of internal controls relevant to the assessment of whether an impairment loss should be recognized on non-current assets, with a particular focus on controls to prevent or detect the adoption of unreasonable assumptions in the estimates of future cash flows. **(2) Assessment of the reasonableness of estimated future cash flows**

by comparing the total undiscounted future cash flows expected to be generated from the asset group with its carrying amount. If it is determined that the recognition of an impairment loss is necessary and the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction in the carrying amount is recognized as an impairment loss. In the consolidated financial statements of the Group, the Group's share of the impairment loss is recognized as part of its share of loss of entities accounted for using the equity method. In the cement business of Mitsubishi UBE Cement, a significant operating loss was incurred primarily due to a significant deterioration in the business environment, as a result of such factors as a substantial increase in coal prices. Considering the indicator of impairment, an assessment was performed to determine whether an impairment loss should be recognized. Based on this assessment, no impairment loss was recognized as the total undiscounted future cash flows expected to be generated from the asset group exceeded the carrying amount of the non-current assets in the asset group. The future cash flows used in determining whether an impairment loss should be recognized were estimated based on Mitsubishi UBE Cement's medium-term management strategy prepared by Mitsubishi UBE Cement's management. In estimating the future cash flows, domestic demand for cement and unit sales prices underlying the sales projections, and the type composition of coal used in the cement production and their projected prices were used as key assumptions. As those projections involved uncertainty, management's judgment on them had a significant impact on the estimates. We, therefore, determined that our assessment of the appropriateness of the judgment as to whether an impairment loss should be recognized on the non-current assets held by Mitsubishi UBE Cement was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	Assessment of the reasonableness of key assumptions adopted in Mitsubishi UBE Cement's medium-term management strategy, which formed the basis for estimating future cash flows by performing the following procedures: ● assessment of the consistency of domestic demand for cement used to calculate the sales projections with forecast data published by external organizations; ● assessment of the unit sales prices underlying the sales projections, through discussion with the management of Mitsubishi UBE Cement and retrospective review of the result of the price increases that were publicly announced in the past; ● assessment of the type composition of coal, through discussion with the management of Mitsubishi UBE Cement, evaluation of the feasibility based on the past actual usage, and evaluation of the reasonableness of the production plan based on the estimated type composition; and ● assessment of the consistency of the coal prices used to project cost of sales with forecasts published by external organizations. In addition, considering the results of the above procedures, an assessment was performed to determine the impact, if any, on the judgment as to whether an impairment loss should be recognized when specific uncertainties were incorporated into future cash flows.

Appropriateness of the judgment regarding the recoverability of deferred tax assets of Mitsubishi Materials Corporation	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2, "Significant Accounting Estimates (Recoverability of Deferred Tax	The primary procedures we performed to assess the appropriateness of the judgment regarding the

Assets)" to the consolidated financial statements, the Group reported deferred tax assets of ¥25,415 million in the consolidated balance sheet for the current fiscal year. Included therein were the deferred tax assets of ¥10,599 million recognized in Mitsubishi Materials Corporation (hereinafter referred to as "the Company"), representing 0.6% of total assets in the consolidated financial statements. In addition, as described in Note 15 "Tax Effect Accounting", the Company has elected to file its tax return under the group tax sharing system from the current fiscal year instead of filing on a stand-alone basis, and the deferred tax assets are accounted for in accordance with "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (Practical Solution No. 42). As set forth in "Guidance on the Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26), deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future tax payments. The recoverability of the Company's deferred tax assets was determined based on the future taxable income and the scheduling of temporary differences for the Company and certain domestic consolidated subsidiaries (hereinafter referred to as the "Tax Sharing Group."), with the expectation of applying the group tax sharing system. The future taxable income for the Tax Sharing Group was estimated based on the budget and medium-term management strategy prepared by management. This estimate involved uncertainties because it was dependent upon several key assumptions, such as an increase in sales volume of Advanced Products and the Metalworking Solutions Business, particularly in the Company, resulting from increased demand in the automobile, semiconductor and other industries, as well as the projections of non-ferrous metal prices. Management's judgment on them had a significant impact on the recognized amount of deferred tax assets. We, therefore, determined that our assessment of the appropriateness of the judgment regarding the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and	recoverability of deferred tax assets of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls relevant to the judgment on the recoverability of deferred tax assets, including the processes of preparing the budget and the medium-term management strategy and estimating future taxable income. In this testing we focused in particular on controls to prevent or detect the adoption of unreasonable assumptions in the estimates of future taxable income. **(2) Assessment of the reasonableness of the estimated future taxable income** In order to assess the appropriateness of key assumptions adopted in the budget and the medium-term management strategy of the Company that form the basis for estimating the future taxable income of the Tax Sharing Group, we primarily performed the following procedures: ● assessed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the budget reported to, and the medium-term management strategy approved by the Board of Directors; ● assessed the reasonableness of the assumptions regarding an increase in sales volume of Advanced Products and the Metalworking Solution Business resulting from increased demand in the automobile, semiconductor and other industries, by comparing the market growth with forecast data published by external organizations; ● assessed the reasonableness of assumptions about the projections of non-ferrous metal prices by comparing the future prices with forecasts published by external organizations; and ● analyzed the achievement status of the past estimates of future taxable income against actual results, including causes of any variances, and then compared the future taxable income with our own estimates which incorporated specific uncertainties considering the achievements status of the past plans.

accordingly, a key audit matter.	

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' and officers' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the directors' and officers' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Mitsubishi Materials Corporation as at March 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the audit committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.