

Consolidated Financial Statements
Mitsubishi Materials Corporation and consolidated subsidiaries
For the year ended March 31,2024

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, 2024”.
- Appended to the back of this document is English translations of the Independent Auditor’s Report on the Financial Statements that was 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”).
- Major subsidiaries and affiliates are as follows, which are listed in “Part1. Overview of the company 4. Overview of Subsidiaries and Affiliates” 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.

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

Consolidated Financial Statements, etc.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (As of March. 31, 2023)	Current Consolidated Fiscal Year (As of March. 31, 2024)
Assets		
Current assets		
Cash and deposits	*8 142,126	*8 134,923
Notes receivable – trade	30,301	*7 26,255
Accounts receivable – trade	158,197	180,540
Merchandise and finished goods	120,135	135,991
Work in process	127,368	126,297
Raw materials and supplies	130,171	166,212
Leased gold bullion	*10 234,896	*10 290,614
Gold bullion in custody	*10 97,103	*10 119,031
Other	76,317	103,799
Allowance for doubtful accounts	(578)	(636)
Total current assets	1,116,040	1,283,029
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*8 121,664	*8 129,813
Machinery, equipment and vehicles, net	148,099	192,346
Land, net	*8 87,904	*8 88,559
Construction in progress	37,671	24,670
Other, net	30,874	36,706
Total property, plant and equipment	*1, *3, *8 426,214	*1, *3, *8 472,096
Intangible assets		
Goodwill	9,224	8,029
Other	19,545	21,319
Total intangible assets	28,769	29,349
Investments and other assets		
Investment securities	*2, *8 256,544	*2, *8 286,714
Retirement benefit asset	7,761	16,673
Deferred tax assets	25,415	27,361
Other	*2 36,351	*2 53,170
Allowance for doubtful accounts	(5,302)	(766)
Total investments and other assets	320,770	383,153
Total non-current assets	775,754	884,599
Total assets	1,891,795	2,167,628

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (As of March. 31, 2023)	Current Consolidated Fiscal Year (As of March. 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	85,211	*7 94,745
Short-term borrowings	*8 146,972	*8 182,772
Current portion of bonds payable	—	10,000
Commercial papers	25,000	15,000
Income taxes payable	4,638	5,643
Provision for bonuses	11,193	11,214
Provision for loss on disposal of inventories	1,348	1,218
Provision for product compensation	58	—
Deposited gold bullion	*10 439,204	*10 567,047
Other	104,734	106,478
Total current liabilities	818,361	994,119
Non-current liabilities		
Bonds payable	70,000	80,000
Long-term borrowings	*8 291,589	*8 315,391
Deferred tax liabilities	4,381	9,416
Deferred tax liabilities for land revaluation	*9 7,577	*9 7,457
Provision for loss on business of subsidiaries and affiliates	73	73
Provision for environmental measures	14,388	12,123
Provision for directors' retirement benefits	571	532
Provision for share based compensation plan	458	455
Retirement benefit liability	24,350	19,227
Other	31,168	43,208
Total non-current liabilities	444,558	487,885
Total liabilities	1,262,919	1,482,005
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	81,917	81,745
Retained earnings	338,867	358,569
Treasury shares	(2,897)	(2,898)
Total shareholders' equity	537,345	556,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,193	9,751
Deferred gains or losses on hedges	1,631	3,262
Revaluation reserve for land	*9 16,702	*9 16,063
Foreign currency translation adjustment	33,786	57,567
Remeasurements of defined benefit plans	(335)	10,123
Total accumulated other comprehensive income	55,978	96,766
Non-controlling interests	35,550	31,981
Total net assets	628,875	685,623
Total liabilities and net assets	1,891,795	2,167,628

(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, 2022 - Mar. 31, 2023)	Current Consolidated Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)
Net sales	*1 1,625,933	*1 1,540,642
Cost of sales	*2, *3 1,449,162	*2, *3 1,392,497
Gross profit	176,771	148,144
Selling, general and administrative expenses	*4, *5 126,695	*4, *5 124,868
Operating profit	50,076	23,276
Non-operating income		
Interest income	1,676	3,972
Dividend income	9,274	24,057
Share of profit of entities accounted for using equity method	—	11,525
Foreign exchange gains	1,158	5,141
Rental income from non-current assets	4,210	4,159
Other	1,951	3,097
Total non-operating income	18,270	51,952
Non-operating expenses		
Interest expenses	6,014	7,766
Expense for the maintenance and management of abandoned mines	4,492	4,312
Rental expenses on non-current assets	2,879	2,709
Loss on retirement of non-current assets	1,820	2,003
Share of loss of entities accounted for using equity method	21,924	—
Other	5,910	4,334
Total non-operating expenses	43,041	21,126
Ordinary profit	25,306	54,102
Extraordinary income		
Gain on sales of investment securities	11,542	727
Gain on sales of non-current assets	*6 10,340	*6 90
Gain on change in equity	11,007	—
Other	621	22
Total extraordinary income	33,511	840
Extraordinary losses		
Impairment loss	*7 2,522	*7 7,759
Loss on business restructuring	*8 31,103	—
Loss on sales of investment securities	4,166	—
Other	6,253	1,153
Total extraordinary losses	44,046	8,912
Profit before income taxes	14,771	46,030
Income taxes – current	10,160	12,011
Income taxes – deferred	(20,965)	(3,261)
Total income taxes	(10,805)	8,750
Profit	25,576	37,280
Profit attributable to non-controlling interests	5,245	7,486
Profit attributable to owners of parent	20,330	29,793

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)	Current Consolidated Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)
Profit	25,576	37,280
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,755)	2,500
Deferred gains or losses on hedges	2,657	1,512
Foreign currency translation adjustment	13,290	17,727
Remeasurements of defined benefit plans	4,090	9,195
Share of other comprehensive income of entities accounted for using equity method	13,550	14,234
Total other comprehensive income	* 16,833	* 45,170
Comprehensive income	42,410	82,450
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	34,765	71,402
Comprehensive income attributable to non-controlling interests	7,644	11,047

(3) Consolidated Statement of Changes in Net Assets

Previous 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
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)
Decrease due to changes in the scope of equity method application of equity method affiliates					—
Change in scope of consolidation					—
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
Changes during the period								
Cash dividends								(9,818)
Profit attributable to owners of parent								20,330
Reversal of revaluation reserve for land								(508)
Decrease due to changes in the scope of equity method application of equity method affiliates								—
Change in scope of consolidation								—
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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2023	119,457	81,917	338,867	(2,897)	537,345
Changes during the period					
Cash dividends			(9,421)		(9,421)
Profit attributable to owners of Parent			29,793		29,793
Reversal of revaluation reserve for land			639		639
Decrease due to changes in the scope of equity method application of equity method affiliates			(1,308)		(1,308)
Change in scope of consolidation			(0)		(0)
Purchase of treasury shares				(94)	(94)
Disposal of treasury shares		(0)		94	94
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		(171)			(171)
Net changes in items other than shareholders' equity					
Total changes during the period	—	(171)	19,701	(0)	19,530
Balance as of March 31, 2024	119,457	81,745	358,569	(2,898)	556,875

	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, 2023	4,193	1,631	16,702	33,786	(335)	55,978	35,550	628,875
Changes during the period								
Cash dividends								(9,421)
Profit attributable to owners of Parent								29,793
Reversal of revaluation reserve for land								639
Decrease due to changes in the scope of equity method application of equity method affiliates								(1,308)
Change in scope of consolidation								(0)
Purchase of treasury shares								(94)
Disposal of treasury shares								94
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								(171)
Net changes in items other than shareholders' equity	5,558	1,630	(639)	23,780	10,458	40,788	(3,569)	37,218
Total changes during the period	5,558	1,630	(639)	23,780	10,458	40,788	(3,569)	56,748
Balance as of March 31, 2024	9,751	3,262	16,063	57,567	10,123	96,766	31,981	685,623

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)	Current Consolidated Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	14,771	46,030
Depreciation	44,402	46,699
Amortization of goodwill	1,680	1,744
Increase (decrease) in allowance for doubtful accounts	193	11
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(809)	—
Increase (decrease) in provision for environmental measures	(4,374)	(2,264)
Increase (decrease) in provision for retirement benefits and retirement benefits for directors	(1,351)	(1,018)
Interest and dividend income	(10,950)	(28,030)
Interest expenses	6,014	7,766
Foreign exchange losses (gains)	(591)	(3,488)
Share of loss (profit) of entities accounted for using equity method	21,924	(11,525)
Gain on change in equity	(11,007)	—
Gain on sales of non-current assets	(10,340)	(90)
Loss on retirement of non-current assets	1,820	2,003
Impairment loss	2,522	7,759
Loss on business restructuring	31,103	—
Loss (gain) on sales of investment securities	(7,375)	(727)
Loss (gain) on valuation of investment securities	48	1
Decrease (increase) in notes and accounts receivable – trade	6,062	(13,145)
Decrease (increase) in inventories	49,996	(43,501)
Proceeds from sales of gold bullion	99,989	129,986
Payment for purchase of gold bullion	(99,903)	(99,686)
Decrease (increase) in other current assets	6,382	(9,134)
Increase (decrease) in notes and accounts payable – trade	(64,812)	1,917
Increase (decrease) in accrued expenses	(4,832)	90
Increase (decrease) in other current liabilities	(12,482)	3,661
Increase (decrease) in other non-current liabilities	89	2,726
Other, net	(2,925)	3,539
Sub-total	55,242	41,324
Interest and dividend received	14,753	29,357
Interest paid	(5,836)	(7,765)
Income taxes (paid) refund	(18,995)	(11,564)
Net cash provided by (used in) operating activities	45,164	51,351

(Unit: Millions of yen)

	Previous Consolidated Fiscal Year (Apr. 1, 2022 - Mar. 31, 2023)	Current Consolidated Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(70,730)	(78,795)
Proceeds from sales of property, plant and equipment	13,123	496
Payment for purchase of intangible assets	(5,982)	(4,159)
Payment for purchase of investment securities	(755)	(2,819)
Proceeds from sales of investment securities	33,048	1,169
Payment for purchase of subsidiaries' shares	(792)	(688)
Payment for sales of subsidiaries' shares resulting in change in scope of consolidation	(9,936)	—
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	202	—
Payment for loans	(14,193)	(18,254)
Proceeds from collection of loans	10,613	3,369
Other, net	1,419	(3,315)
Net cash provided by (used in) investing activities	(43,985)	(102,998)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9,460	29,192
Proceeds from long-term borrowings	56,403	56,260
Repayment of long-term borrowings	(29,606)	(35,576)
Proceeds from issuance of bonds	—	20,000
Payment for redemption of bonds	(10,000)	—
Net increase (decrease) in commercial papers	(5,000)	(10,000)
Payment for purchase of treasury shares	(112)	(94)
Cash dividends paid	(9,818)	(9,421)
Cash dividends paid to non-controlling interests	(2,770)	(13,485)
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	(2,609)	(3,952)
Net cash provided by (used in) financing activities	3,473	32,921
Effect of exchange rate changes on cash and cash equivalents	5,811	8,779
Net increase (decrease) in cash and cash equivalents	10,463	(9,945)
Cash and cash equivalents at beginning of period	153,640	141,079
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	10
Decrease in cash and cash equivalents resulting from company split	(23,025)	—
Cash and cash equivalents at end of period	* 141,079	* 131,143

Notes to Consolidated Financial Statements

[Basis of Preparation of Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 99

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

Material Business Support Co., Ltd. (formerly MBS Preparation Co., Ltd.) has been included in the scope of consolidation due to the increased importance of the entrusted management business that was transferred from Mitsubishi Materials IT Solutions Co., Ltd. (formerly Material Business Support Co., Ltd.), a consolidated subsidiary, through a business transfer.

(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.

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

Major non-consolidated subsidiary and affiliate

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

Fair 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 primarily at the lower of cost or net selling value. Nonferrous metals are stated primarily at the first-in, first-out 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)

Primarily at 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 receivables and based on individual collectability for specific receivables 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 the exceeded amount of 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 formula basis.

(b) Processing method for actuarial gains and losses 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 gains and losses are 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 smelting, refining and sales of copper, gold, silver, lead, tin, palladium, etc., and environmental recycling-related, engaged in the manufacture and sale of copper alloy products, electronic materials, cemented carbide products etc., renewable energy 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. Forward foreign exchange contracts are translated at the contracted rates.

(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.

(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.

(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.

(9) Application of the Group tax sharing system

The Company and certain domestic consolidated subsidiaries adopt the Group tax sharing system. With regard to accounting procedures and disclosure for income tax, local corporation tax and tax effect accounting, we adopt the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021, The Accounting Standards Board of Japan ("ASBJ")).

[Significant Accounting Estimates]

Previous 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 previous fiscal year, the Company reported goodwill of ¥6,732 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, Luvata Oy 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.

(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 previous consolidated fiscal year

In the consolidated balance sheet for the previous 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 previous consolidated fiscal year

In the consolidated balance sheet for the previous 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 previous 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.

Current consolidated fiscal year (As of March 31, 2024)

(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 current consolidated fiscal year

In the consolidated balance sheet for the previous fiscal year, the Company reported goodwill of ¥6,761 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 Accounting Standards in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually irrespective of whether 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 uses the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows used to measure the value in use are estimated based on the Luvata Group's medium-term management plan approved by management. Embedded in the medium-term management plan are certain key assumptions, such as future growth rates of the automobile, MRI for medical use and other markets targeted by the Luvata Group's products, the projected increase in market share through sales expansion measures for electronic vehicles and other products, and sales volumes and prices considering the status of negotiations with customers. Uncertainty about the prospects of the Luvata Group's business performance has been increasing due to the weak semiconductor market conditions and soaring logistics, personnel and energy costs. Accordingly, management's judgment regarding these factors has a significant impact on the estimates of the future cash flows.

In addition, estimating a discount rate used to measure the value in use requires a high degree of valuation expertise in selecting the calculation methods and input data as the policy interest rates in the countries where Luvata Group companies are located are at a high level.

As a result of the impairment test performed in the current year, Luvata Oy determined that an impairment loss was not required to be recognized because 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.

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.

(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 ¥27,361 million.

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

The Group recognized deferred tax assets to the extent that deductible temporary differences are expected to reduce future tax payments.

The future taxable income 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 recognized amount of deferred tax assets.

[Changes in Presentation]

(Consolidated Statement of Profit or Loss)

“Foreign exchange gains”, which was included in “Other” under “Non-operating income” in the previous consolidated fiscal year, is disclosed 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, ¥3,110 million presented as “Other” under “Non-operating income” in the consolidated statement of profit or loss for the previous fiscal year has been reclassified as “Foreign exchange gains” of ¥1,158 million and “Other” of ¥1,951 million.

(Consolidated Statement of Cash Flows)

“Foreign exchange losses (gains)”, which was included in “Other” under “Cash flows from operating activities” 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, ¥(3,516) million presented as “Other” under “Cash flows from operating activities” in the consolidated statement of profit or loss for the previous fiscal year has been reclassified as “Foreign exchange losses (gains)” of ¥(591) million and “Other” of ¥(2,925) million.

[Additional Information]

(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 previous consolidated fiscal year, and ¥546 million and 220 thousand shares respectively at the end of the current consolidated fiscal year.

[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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Accumulated depreciation of property, plant and equipment	763,678	815,577

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

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Investment securities (shares)	234,740	259,597
(including the amount invested in joint venture in shares of affiliates)	162,581	186,169
Other (investments and other assets) (investment in capital)	1,319	1,389
(including the amount invested in joint venture in other)	827	902

(*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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Amount of reduction entry by direct reduction method	154	23

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, 2023)		Current consolidated fiscal year (As of March 31, 2024)	
Yuzawa Geothermal Power Corporation	1,366	Appi Geothermal Energy Corporation	1,683
Appi Geothermal Energy Corporation	938	Yuzawa Geothermal Power Corporation	1,209
Employees	1,281	Employees	1,144
Others (1 company)	267	Others (1 company)	302
Total	3,853	Total	4,339

5. Contingent liabilities

(Matters concerning taxation in Indonesia)

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

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 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 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\$23 million (¥3,123 million at the exchange rate as of the end of the previous consolidated fiscal year).

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

Current consolidated fiscal year (As of March 31, 2024)

The consolidated subsidiary of the Company, the PTS, has received a notice of reassessment from Indonesian Tax Authority covering the company's three fiscal years ended December 31, 2012, December 31, 2017, and December 31, 2019 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\$27 million (¥4,180 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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Notes receivable - trade discounted	1,425	788
Notes receivable - trade endorsed	—	2
Notes and accounts receivable - trade securitized with recourse	895	1,133

(*7) Notes maturing on the end date of the consolidated financial statements

Notes maturing on the end date of the consolidated financial statements are settled primarily on a clearing date.

Because the end date of the current consolidated fiscal year was a bank holiday, notes maturing on the end date of the current consolidated fiscal year are included in the balance at the end of the current consolidated fiscal year.

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Notes receivable - trade	—	1,885
Notes payable - trade	—	2,374

(*8) 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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Cash and deposits	11	11
Property, plant and equipment (*)	3,419	3,337
Investment securities	6,859	6,859
Total	10,290	10,208

Liabilities secured by the collateral are as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Short-term borrowings	70	70
Long-term borrowings (*)	840	820
(Current portion of long-term borrowings)	20	520)
Total	910	890

(*) Assets pledged as collateral for foundation mortgage

Name of assets, net

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Buildings and structures, net	969	887
Land, net	2,426	2,426
Total	3,396	3,314

Liabilities corresponding to the above

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Long-term borrowings	840	820
(Current portion of long-term borrowings)	20	520)
Total	840	820

(*9) Revaluation reserve for land

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

Current consolidated fiscal year (As of March 31, 2024)

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 fair value of the revalued land at the end of the consolidated fiscal year fiscal year and the book value after revaluation: ¥(8,370) million

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

[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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
6,732	(2,409)

(*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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
(7)	(2)

(*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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Transportation and storage	24,336	19,490
Depreciation and amortization	5,777	5,673
Retirement benefit expenses	2,098	2,223
Provision for directors' retirement benefits	246	271
Provision for bonuses	9,246	9,415
Salaries	29,543	31,275
Outsourcing expenses	11,044	11,352
Rental expenses	5,320	5,898
Research and development expenses	9,676	8,767

(*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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
9,676	8,767

(*6) Major components of gain on sales of non-current assets are as follows.

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Machinery, equipment and vehicles	98	55
Land	10,215	3

(*7) 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, 2022 to March 31, 2023)

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

Utilization of assets	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
Environment & Energy 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%.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)**(Overview of assets groups for which impairment loss was recognized)**

Utilization of assets	Location	Type	Impairment loss (Millions of yen)
Advanced Products	Chichibu, Saitama prefecture, etc.	Buildings, machinery and equipment, etc.	2,859
Metalworking Solution Business	Tianjin, China	Machinery and equipment, etc.	108
Renewable Energy Business	Fujimino, Saitama prefecture	Structures, machinery and equipment, etc.	978
Other Businesses	Naka, Ibaraki prefecture, etc.	Buildings, machinery and equipment, etc.	3,811
Idle assets	Minamiuonuma, Niigata prefecture	Land	1
Total			7,759

(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, sluggish market conditions, etc., and the asset group of the business assets of which the Company decided to exit the business, 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 ¥7,759 million in extraordinary losses.

- Breakdown of impairment loss by account titles

Buildings: ¥3,503 million, Structures: ¥411 million, Machinery and equipment: ¥2,786 million, Land: ¥483 million, Other: ¥574 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%.

(*8) Loss on business restructuring**Previous 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.

[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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Gains (losses) incurred during period	(12,770)	4,310
Reclassification adjustment to net income	(11,388)	(706)
Amount before tax effect	(24,159)	3,603
Tax effect	7,403	(1,102)
Valuation difference on available-for-sale securities	(16,755)	2,500
Deferred gains or losses on hedges		
Gains (losses) incurred during period	(10,630)	(16,513)
Reclassification adjustment to net income	14,489	17,782
Amount before tax effect	3,858	1,269
Tax effect	(1,200)	242
Deferred gains or losses on hedges	2,657	1,512
Foreign currency translation adjustment:		
Gains (losses) incurred during period	13,290	19,656
Reclassification adjustment to net income	—	—
Amount before tax effect	13,290	19,656
Tax effect	—	(1,928)
Foreign currency translation adjustment	13,290	17,727
Remeasurements of defined benefit plans:		
Gains (losses) incurred during period	(659)	12,408
Reclassification adjustment to net income	1,220	825
Amount before tax effect	560	13,233
Tax effect	3,530	(4,038)
Remeasurements of defined benefit plans	4,090	9,195
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) incurred during period	12,282	14,454
Reclassification adjustment to net income	1,268	(219)
Share of other comprehensive income of entities accounted for using equity method	13,550	14,234
Total other comprehensive income	16,833	45,170

[Consolidated Statement of Changes in Net Assets]

Previous 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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)	857,856	39,224	37,923	859,157
Total	857,856	39,224	37,923	859,157

(*1) The number of treasury shares in common shares includes 220,177 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 16,924 shares

Increase due to the Board Incentive Plan Trust 22,300 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 368 shares

Decrease due to the Board Incentive Plan Trust 37,555 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 12, 2023 Board of Directors	Common shares	3,271	25.0	March 31, 2023	June 9, 2023
November 9, 2023 Board of Directors	Common shares	6,150	47.0	September 30, 2023	December 8, 2023

(*1) 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.

(*2) The total dividend payment approved by the Board of Directors held on November 9, 2023, includes the dividend payment of ¥10 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 14, 2024 Board of Directors	Common shares	6,149	Retained earnings	47.0	March 31, 2024	June 12, 2024

(*) The total dividend payment approved by the Board of Directors held on May 14, 2024, includes the dividend payment of ¥10 million for the shares held by the Board Incentive Plan Trust.

[Consolidated Statement of Cash Flows]

(*) 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Cash and deposits	142,126	134,923
Less time deposits with maturities over 3 months	(995)	(3,779)
Time deposits	(51)	—
Cash and cash equivalents	141,079	131,143

[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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Within 1 year	1,957	1,754
Over 1 year	15,802	14,129
Total	17,759	15,883

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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Within 1 year	595	792
Over 1 year	889	2,156
Total	1,484	2,949

[Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policy for dealing with financial instruments

The Group raises the necessary funds through issuing corporate bonds and borrowing loans from bank 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.

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. 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 "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.

As for investment securities, the Company regularly monitors the market value, as well as the financial condition of the issuers, and continuously review its holdings, taking into consideration the relationship with the issuers.

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 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

Since variable factors are incorporated in calculating the relevant values, the fair values may vary depending on the different assumptions. The contract amounts described in “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, current portion of bonds payable 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, 2023)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Available-for-sale securities	15,251	15,251	—
Total assets	15,251	15,251	—
(1) Bonds payable	70,000	69,411	(589)
(2) 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)

Current Consolidated fiscal year (As of March 31, 2024)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Available-for-sale securities	20,425	20,425	—
Total assets	20,425	20,425	—
(1) Bonds payable	80,000	78,699	(1,301)
(2) Long-term borrowings	315,391	313,028	(2,363)
Total liabilities	395,391	391,727	(3,664)
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	27,361	27,361	—
(b) Derivative to which hedge accounting is applied	1,048	1,048	—
Total derivative transactions	28,410	28,410	—

(*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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Shares of subsidiaries and affiliates (unlisted shares)	234,740	259,597
Available-for-sale securities (unlisted shares)	6,552	6,692

(*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, 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	—	—	—	—	—

Current consolidated fiscal year (As of March 31, 2024)

(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	134,923	—	—	—	—	—
Notes receivable – trade	26,255	—	—	—	—	—
Accounts receivable – trade	180,540	—	—	—	—	—
Total	341,719	—	—	—	—	—

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, 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

Current consolidated fiscal year (As of March 31, 2024)

(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	182,772	—	—	—	—	—
Commercial papers	15,000	—	—	—	—	—
Bonds payable	10,000	—	30,000	10,000	30,000	10,000
Long-term borrowings	—	159,307	32,527	19,662	14,487	89,406
Total	207,772	159,307	62,527	29,662	44,487	99,406

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 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, 2023)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Available-for-sale securities	15,251	—	—	15,251
Total assets	15,251	—	—	15,251
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

Current consolidated fiscal year (As of March 31, 2024)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Available-for-sale securities	20,425	—	—	20,425
Total assets	20,425	—	—	20,425
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	27,699	(338)	—	27,361
(b) Derivative to which hedge accounting is applied	—	1,048	—	1,048
Total derivative transactions	27,699	710	—	28,410

(2) Financial assets and liabilities not recorded at fair value on the Consolidated Balance Sheets Previous consolidated fiscal year (As of March 31, 2023)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Bonds payable	—	69,411	—	69,411
(2) 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)

Current consolidated fiscal year (As of March 31, 2024)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Bonds payable	—	78,699	—	78,699
(2) Long-term borrowings	—	313,028	—	313,028
Total liabilities	—	391,727	—	391,727
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	—	—	—	—
(b) Derivative to which hedge accounting is applied	—	—	—	—
Total derivative transactions	—	—	—	—

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.

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.

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.

[Securities]

1. Available-for-sale securities

Previous 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.

Current consolidated fiscal year (As of March 31, 2024)

(Unit: Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Shares	18,403	12,182	6,220
	(2) Bonds	148	144	4
	(3) Other	—	—	—
	Total	18,552	12,327	6,225
Securities with carrying amount not exceeding acquisition cost	(1) Shares	1,872	2,119	(246)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Total	1,872	2,119	(246)

Note:

Unlisted shares (¥6,692 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, 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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

Type	Total proceeds from sales	Total gain on sales	Total loss on sales
(1) Shares	1,269	706	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	1,269	706	—

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥48 million for the previous consolidated fiscal year and ¥1 million for the current 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.

[Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

(1) Currency related

Previous 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)
Total		—	—	—	(14)

Current consolidated fiscal year (As of March 31, 2024)

(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	19,019	—	(160)	(160)
	Other	1,944	—	7	7
	Buy				
	U.S. dollars	1,219	—	4	4
	Other	529	—	(14)	(14)
Total		—	—	—	(163)

(2) Commodity related

Previous 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

Current consolidated fiscal year (As of March 31, 2024)

(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	6,501	—	(177)	(177)
	Buy	129,961	—	27,702	27,702
Total		—	—	—	27,524

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Previous 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:				
	Sell				
	U.S. dollars	Accounts receivable,	65,393	20	(1,009)
	Other	accounts payable	613	91	(23)
	Buy				
	U.S. dollars		1,287	—	15
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable,	12,901	—	
	Other	accounts payable	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.

Current consolidated fiscal year (As of March 31, 2024)

(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:				
	Sell				
	U.S. dollars	Accounts receivable,	1,440	24	(22)
	Other	accounts payable	500	15	(15)
	Buy				
	U.S. dollars		—	—	—
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable,	10,406	—	
	Other	accounts payable	5,384	—	
	Buy				
	U.S. dollars		988	—	
	Other		484	—	
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, 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)

Current consolidated fiscal year (As of March 31, 2024)

Not applicable

(3) Interest rate and currency related**Previous 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

Current consolidated fiscal year (As of March 31, 2024)

Not applicable

(4) Commodity related**Previous 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,			
	Sell	accounts payable,	104,141	12,717	(1,119)
	Buy	inventories	40,879	941	2,852

Current consolidated fiscal year (As of March 31, 2024)

(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:				
	Sell	Inventories	126,311	23,512	(12,504)
	Buy		102,219	7,161	9,693

[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 defined benefit pension plans (all of those are funded 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	118,688	100,591
Service costs	4,795	5,352
Interest costs	150	183
Actuarial gains and losses	(1,406)	(1,065)
Benefit paid	(5,413)	(5,803)
Past service costs	61	26
Decrease due to exclusion from consolidation	(16,253)	—
Other	(31)	25
Balance at end of period	100,591	99,311

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	93,413	84,851
Expected return on plan assets	1,592	1,508
Actuarial gains and losses	(2,004)	11,368
Contribution to the plan by the employer	2,422	2,125
Benefits paid	(2,826)	(2,554)
Decrease due to exclusion from consolidation	(7,791)	—
Other	46	347
Balance at end of period	84,851	97,648

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	1,855	849
Retirement benefit expenses	129	96
Benefits paid	(147)	(53)
Contribution to the plan	(3)	(4)
Increase due to newly consolidated subsidiaries	—	3
Decrease due to exclusion from consolidation	(984)	—
Balance at end of period	849	891

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Funded retirement benefit obligation	95,385	93,443
Plan assets	(84,851)	(97,648)
	10,533	(4,205)
Unfunded retirement benefit obligation	6,055	6,759
Net liability (asset) recorded in the consolidated balance sheets	16,589	2,554
Net retirement benefits liability	24,350	19,227
Net retirement benefits asset	(7,761)	(16,673)
Net liability (asset) recorded in the consolidated balance sheets	16,589	2,554

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, 2022, to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023, to March 31, 2024)
Service costs	4,924	5,448
Interest costs	150	183
Expected return on plan assets	(1,592)	(1,508)
Amortization of actuarial gains and losses	1,146	730
Amortization of past service costs	74	95
Retirement benefit costs on defined benefit plans	4,703	4,949

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, 2022, to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023, to March 31, 2024)
Past service costs	61	69
Actuarial gains or losses	499	13,164
Total	560	13,233

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Unrecognized past service costs	45	(19)
Unrecognized actuarial gains or losses	1,471	(11,697)
Total	1,516	(11,717)

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Bonds	35%	33%
Shares	46	50
Life insurance (general accounts)	10	8
Cash and deposits	6	6
Other	3	3
Total	100	100

Notes:

Total plan assets include 28% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the previous consolidated fiscal year and 30% 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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
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 ¥1,247 million for the previous consolidated fiscal year and ¥1,170 million for the current consolidated fiscal year respectively.

[Tax Effect Accounting]

1. Major components of deferred tax assets and liabilities

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Deferred tax assets:		
Tax loss carried forward	43,275	42,756
Loss on valuation of investment securities	9,043	9,470
Retirement benefit trust asset	7,590	8,006
Impairment loss on non-current assets	7,866	7,532
Unrealized gain	4,526	5,283
Loss on valuation of inventories	4,286	4,573
Valuation difference on securities at the time of company split	4,107	4,107
Retirement benefit liability	7,641	3,776
Provision for environmental measures	4,405	3,712
Loss on valuation of buildings	3,609	3,488
Provision for bonuses	3,563	3,430
Excess of depreciation	2,740	3,104
Allowance for doubtful accounts	1,773	706
Deferred gains or losses on hedges	502	459
Other	9,620	12,783
Sub-total	114,551	113,193
Valuation allowance for tax loss carried forward (*)	(37,868)	(36,351)
Valuation allowance for deductible temporary differences	(37,011)	(35,745)
Valuation allowance	(74,879)	(72,096)
Total deferred tax assets	39,672	41,097
Deferred tax liabilities:		
Revaluation of land, as a result of merger	(4,513)	(4,513)
Valuation difference on full fair value method	(2,888)	(2,888)
Retained earnings of foreign consolidated subsidiaries	(2,306)	(2,578)
Foreign currency translation adjustment	—	(1,928)
Gain on contribution of securities to retirement benefit trust	(1,577)	(1,858)
Valuation difference on available-for-sale securities	(719)	(1,822)
Accelerated depreciation of property, plant and equipment	(867)	(856)
Deferred gains or losses on hedges	(874)	(765)
Deferred gain on sale of property, plant and equipment	(332)	(333)
Other	(4,559)	(5,607)
Total deferred tax liabilities	(18,638)	(23,152)
Net deferred tax assets (liabilities)	21,033	17,945

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

Previous 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 (*a)	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	(*b) 5,406

(*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 ¥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.

Current consolidated fiscal year (As of March 31, 2024)

(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)	1,922	94	285	—	597	39,856	42,756
Valuation allowance	(1,922)	(94)	(235)	—	(274)	(33,824)	(36,351)
Net deferred tax assets	—	—	50	—	323	6,031	(*d) 6,404

(*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 ¥6,404 million is recorded for the tax loss carried forward of ¥42,756 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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Statutory effective income tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	16.2	12.8
Temporary differences for which tax effect cannot be recognized	(131.5)	(8.1)
Differences in statutory effective income tax rates of consolidated subsidiaries	(16.1)	(14.4)
Share of profit or loss of entities accounted for using equity method	45.4	(7.7)
Non-taxable permanent differences such as dividend income	(8.9)	(4.5)
Non-deductible foreign withholding taxes	9.8	8.4
Amortization of goodwill	3.4	1.1
Gain on change in equity	(22.8)	—
Other	0.7	0.8
Actual income tax rate after applying tax effect accounting	(73.2)	19.0

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

The Company and certain domestic consolidated subsidiaries adopt 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).

[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, as required by various laws and regulations, 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	3,900	347
Increase due to acquisitions of property, plant and equipment	60	6
Reconciliation due to passage of time	2	2
Decrease due to settlement of asset retirement obligations	(39)	0
Increase (decrease) due to change of estimates	—	3,349
Decrease due to company split	(3,576)	—
Other	—	(96)
Balance at end of period	347	3,608

[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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Carrying amount		
Balance at beginning of period	49,453	39,307
Increase (decrease) during period	(10,146)	(502)
Balance at end of period	39,307	38,804
Fair value at end of period	46,410	46,466

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 real estate appraisers, while for other properties with less significance, its fair values of at the end of period are calculated based on reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.
However, the fair values are the appraisal amounts, or the amounts adjusted by applying such indicators, unless there are significant changes in certain appraisal amounts, or indicators expected to reflect market prices appropriately from the time of their acquisition from the third party, or from the most recent appraisal.

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

(Unit: Millions of yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Investment and rental properties		
Rent income	4,063	4,396
Rent expenses	3,015	3,356
Profit or loss	1,048	1,039
Impairment loss	0	1

Notes:

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

[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, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reporting Segment						Other Businesses	Total
	Metals Business	Advanced Products			Metal working Solutions Business	Renewable Energy Business		
		Copper & copper alloy	Electronic materials and components	Sub-Total				
Sales to outside customers	854,962	399,110	107,848	506,958	136,812	3,475	123,725	1,625,933

Notes:

- The amounts shown are after deducting intersegment sales or transfers.
- ¥1,625,933 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.
- The Company changed its reporting segments following change in segment classification, etc., which took place on April 1, 2023. Details of the change in segments are described in “Segment Information. Segment information. 1. Overview of reporting segments (3) Matters regarding the change of the reporting segments, among other changes”.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Reporting Segment						Other Businesses	Total
	Metals Business	Advanced Products			Metal working Solutions Business	Renewable Energy Business		
		Copper & copper alloy	Electronic materials and components	Sub-Total				
Sales to outside customers	815,087	406,198	66,369	472,567	135,732	4,644	112,610	1,540,642

Notes:

- The amounts shown are after deducting intersegment sales or transfers.
- ¥1,540,642 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.
- The Company changed its reporting segments following change in segment classification, etc., which took place on April 1, 2023. Details of the change in segments are described in “Segment Information. Segment information. 1. Overview of reporting segments (3) Matters regarding the change of the reporting segments, among other changes”.

(2) Breakdown of region

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

As described in “Segment Information Related information 2. Information by region, (1) Net sales.” ¥1,625,933 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, 2023 to March 31, 2024)

As described in “Segment Information Related information 2. Information by region, (1) Net sales.” ¥1,540,642 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 “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, 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Balance at beginning of term (As of April 1, 2023)	Balance at end of term (As of March 31, 2024)
Receivables arising from contracts with customers	188,498	206,795
Contract assets	2,970	7,818
Contract liabilities	17,613	19,839

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 adopts the practical approach to notes on the transaction value allocated to the outstanding performance obligations and does not include in notes any contracts whose initially expected period is one year or less. The total transaction amount allocated to remaining performance obligations and the period in which revenue recognition is expected are as follows.

Also, no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Within 1 year	-	430
Over 1 year	-	2,960
Total	-	3,391

[Segment Information]

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 "Metals Business", "Advanced Products", "Metalworking Solutions Business", and "Renewable Energy Business".

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

Major products of each business are as follows:

- | | |
|------------------------------------|--|
| • Metals Business: | Nonferrous metal smelting and refining (including copper, gold, silver, lead, tin, palladium, sulfuric acid and etc.), environmental recycling |
| • Advanced Products: | Copper alloy products, electronic materials |
| • Metalworking Solutions Business: | Cemented carbide products |
| • Renewable Energy Business: | Renewable Energy |

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

In light of the Medium-term Management Strategy FY2031, our company has changed its reporting segment to include "Environment & Energy Business" in "Metals Business," "Renewable Energy Business," and "Other Business" in line with the reorganization implemented on April 1, 2023 to strengthen its Resource Recycling Business and the Renewable Energy Business.

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

(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 "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) Information on net sales, profit or loss, assets, liabilities and other items of each reporting segment
Previous 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
	Metals Business	Advanced Products	Metal working Solution Business	Renewable Energy Business				
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)	—
Total	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. 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

((Unit: Millions of yen))

	Reporting segment				Other Businesses	Total	Adjustment	Amounts in consolidated financial statements
	Metals Business	Advanced Products	Metal working Solution Business	Renewable Energy Business				
Net sales								
(1) Sales to outside customers	815,087	472,567	135,732	4,644	112,610	1,540,642	—	1,540,642
(2) Intersegment sales and transfers	222,938	16,144	4,301	0	47,989	291,374	(291,374)	—
Total	1,038,025	488,712	140,034	4,644	160,600	1,832,016	(291,374)	1,540,642
Segment profit	31,046	1,818	12,272	857	22,131	68,125	(14,023)	54,102
Segment assets	1,155,904	395,484	237,101	32,270	298,999	2,119,760	47,868	2,167,628
Segment liabilities	930,186	286,027	119,032	27,481	124,461	1,487,189	(5,184)	1,482,005
Other items								
Depreciation	17,246	12,517	10,738	1,133	1,031	42,667	4,031	46,699
Amortization of goodwill	—	514	1,226	—	4	1,744	—	1,744
Interest income	3,638	235	356	0	76	4,308	(335)	3,972
Interest expenses	2,620	2,730	675	268	574	6,870	895	7,766
Share of profit (or loss) of entities accounted for using equity method	(3,940)	979	—	616	13,870	11,525	—	11,525
Investment into entities accounted for using equity method	53,335	3,997	—	5,041	184,838	247,212	(687)	246,525
Increase in property, plant and equipment and intangible assets	48,724	21,540	11,619	855	2,366	85,107	2,767	87,874

Notes:

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(14,023) million includes elimination of intersegment transactions of ¥(1,896) million and corporate expenses not allocated to each reporting segment of ¥(12,126) 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 ¥47,868 million includes the elimination of intersegment transactions of ¥(73,957) million and corporate assets of ¥121,826 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 ¥(5,184) million includes the elimination of intersegment transactions of ¥(78,683) million and corporate liabilities of ¥73,499 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 ¥2,767 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.

Related Information**Previous 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
			Hong Kong	Other		
682,465	85,344	66,792	161,139	612,055	18,135	1,625,933

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia		Other	Total
			Indonesia	Other		
328,370	15,002	18,244	49,540	14,632	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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)**(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
			Hong Kong	Other		
729,077	81,343	73,246	168,178	470,412	18,383	1,540,642

(Changes in Presentation)

“Hong Kong” sales, which was included in “Asia” in the previous consolidated fiscal year, is disclosed is disclosed separately in the current consolidated fiscal year due to its increased financial materiality. To reflect this change in presentation, "Segment Information, Related information, (2) Information by region, (a) Net sales” for the previous consolidated fiscal year have been reclassified.

As a result, ¥773,195 million presented as “Asia” in the previous fiscal year has been reclassified as “Hong Kong” of ¥161,139 million and “Other” of ¥612,055 million.

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia		Other	Total
			Indonesia	Other		
335,634	17,127	22,109	79,565	17,237	422	472,096

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	229,297	Metals Business

Information about impairment loss on non-current assets by reporting segments

Previous 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
	Metals Business	Advanced Products	Metal working Solution Business	Renewable 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Metals Business	Advanced Products	Metal working Solution Business	Renewable Energy Business				
Impairment loss	—	2,859	108	978	3,811	7,757	1	7,759

Note: Adjustment amount of ¥1 million of impairment loss consists mainly of impairment loss on common assets.

Information about amortized and unamortized amounts of goodwill by reporting segments

Previous 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
	Metals Business	Advanced Products	Metal working Solution Business	Renewable 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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Reporting segment				Other Businesses	Sub Total	Corporate and Elimination	Total
	Metals Business	Advanced Products	Metal working Solution Business	Renewable Energy Business				
Amortization during period	—	514	1,226	—	4	1,744	—	1,744
Unamortized balance at end of period	—	6,761	1,262	—	6	8,029	—	8,029

[Related Parties Information]

1. Transactions with related parties

Previous 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:

- 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.
- 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.
- 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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

Type	Name	Location	Capital or contributions (Thousands of U.S. dollars)	Nature of business	Voting rights holding or held	Relationship	Transaction	Transaction Amount (Millions of yen)	Account title	Balance as of March 31 (Millions of yen)
Affiliate	Mantoverde S.A.	Providencia, Santiago, Chile	518,460	Mining	Holding directly 30.0%	Financial Support	Execution of loans (Note 1)	17,892	Short-term loans receivable	736
									Long-term loans receivable	31,195
							interest income (Note 2)	1,889	Current assets other	1,454

Transaction terms and policies for determining transaction terms, etc.

Notes:

1. Execution of loans records the total transaction amount that occurred.
2. The interest rate for loans receivable is determined reasonably in consideration of market interest rates.

2. Notes on parent company and significant affiliates

Condensed financial information of significant affiliates

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

(Unit: Millions of yen)

	Mitsubishi UBE Cement Corporation	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Total current assets	278,142	306,573
Total non-current assets	495,282	506,421
Total current liabilities	269,702	211,023
Total non-current liabilities	146,112	185,760
Total net assets	357,609	416,210
Net sales	576,304	585,298
Profit (loss) before income taxes	(42,745)	42,844
Net Profit (loss)	(47,332)	24,585

[Per Share Information]

(Unit: yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Net assets per share	4,541.96	5,003.75
Profit per share	155.60	228.07

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 were 857 thousand at the end of the previous consolidated fiscal year and 859 thousand at the end of the current consolidated fiscal year. Of these, the number of treasury shares of the Company held by Board Incentive Plan Trust were 235 thousand shares for the previous consolidated fiscal year and 220 thousand shares for the current consolidated fiscal year.
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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Profit per share		
Profit attributable to owners of parent (Unit: Millions of yen)	20,330	29,793
Amount not attributable to common shareholders (Unit: Millions of yen)	—	—
Profit attributable to common shareholders of owners of parent (Unit: Millions of yen)	20,330	29,793
Average number of shares issued during period (Unit: Thousand shares)	130,659	130,633

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 were 827 thousand during the previous consolidated fiscal year and 855 thousand during the current consolidated fiscal year. Of these, the weighted-average treasury shares of the Company held by Board Incentive Plan Trust were 244 thousand shares during the previous consolidated fiscal year and 223 thousand shares during the current consolidated fiscal year.

[Significant Subsequent Events]

(Agreement signed to acquire shares of H.C. Starck Holding)

The Company has entered into an agreement with Masan High-Tech Materials Corporation ("MHT") regarding the acquisition (hereinafter referred to as "the Acquisition") of all shares of H.C. Starck Holding (Germany) GmbH ("H.C. Starck"), which operates the tungsten business, and signed a definitive agreement on the Acquisition with Masan Tungsten Limited Liability Company, a subsidiary of MHT at a meeting of the Board of Directors held on May 29, 2024, and signed the agreement on the same date.

1. Overview of the transaction

(1) Name and business of the acquired company

Name of the acquired company: H.C. Starck Holding (Germany) GmbH

Business: Manufacture, sales and recycling of tungsten powder, tungsten carbide powder, tungsten chemical

(2) Principal purpose of the business combination

H.C. Starck is one of the world's leading manufacturers with a history of more than 100 years and is producing and selling high-quality powders made mainly of tungsten, tungsten carbide and its alloys in Europe, North America and China, and also has a sales network in Japan with a prominent presence in each region. H.C. Starck owns one of the world's largest tungsten recycling capabilities.

In the Medium-term Management Strategy FY2031 for FY2024 to FY2031, the Group sets a goal of becoming "a leading company in tungsten products recognized by customers globally" as one of our business strategies.

Regarding cemented carbide cutting tools, which are mainly made of tungsten, we are promoting initiatives to collect used cemented carbide cutting tools and to secure recycling capacities on a global basis.

As a result of the Acquisition, the Group will have bases of the tungsten business in four major markets: Japan, Europe, North America and China. The Group has decided the Acquisition based on the belief that the collaboration between Japan New Metals Co., Ltd. (consolidated subsidiary of the Company) and H.C. Starck will create synergies and increase corporate value through strengthening R&D capabilities, promoting cross-selling, and utilizing recycling technologies and capabilities while leading to the global business development of tungsten recycling. Furthermore, the Group also entered into long-term procurement agreement for APT, an intermediate raw material for tungsten, and continue the business partnership in future.

(3) Date of the business combination

The Acquisition is planned to be executed without delay and expected to be completed by the end of March 2025 after obtaining following approval by the relevant authorities.

(4) Legal form of the business combination

Acquisition of shares by cash

(5) Name after the business combination

No change.

(6) Ratio of voting rights acquired

100.0%

2. Acquisition cost of acquired business and breakdown by type of consideration

Consideration for acquisition: cash and deposits of approximately ¥21,000 million

Acquisition cost: approximately ¥ 21,000 million.

3. Major acquisition-related costs and nature

Not yet defined at this moment.

4. Amount of goodwill generated, reason for the generation of goodwill, method of amortization and amortization period

Not yet defined at this moment.

5. Major assets and liabilities received on the date of business combination

Not yet defined at this moment.

6. Outlook for the Future

The impact of this acquisition on the Company's consolidated financial results for the fiscal year ending March 31, 2025 is currently being determined.

(5) Consolidated Supplemental Schedules**Schedule of bonds payable**

Company	Description	Date of Issuance	Balance as of March 31, 2023 (Millions of yen)	Balance as of March 31, 2024 (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	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) 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
Mitsubishi Materials Corporation	38th unsecured bonds	November 29, 2023	—	20,000	0.863	None	November 29, 2028
Total		—	70,000	(10,000) 90,000	—	—	—

Notes:

1. The amounts in parentheses presented under “Balance as of March 31, 2024” 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	30,000

Schedule of borrowings

Classification	Balance as of March 31, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	111,595	143,899	1.6	—
Current portion of long-term borrowings	35,376	38,872	1.3	—
Current portion of lease obligations	2,600	3,530	—	—
Long-term borrowings (excluding current portion)	291,589	315,391	1.9	2025 to 2037
Lease obligations (excluding current portion)	19,518	24,866	—	2025 to 2053
Other interest bearing liabilities				
Current portion of commercial papers	25,000	15,000	0.0	—
Employees' saving deposit	7,695	7,395	0.5	—
Guarantee deposits received	872	643	0.2	—
Total	494,248	549,599	—	—

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	159,307	32,527	19,662	14,487
Lease obligations	2,877	2,147	1,914	1,718

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)	362,660	716,199	1,081,585	1,540,642
Profit before income taxes (Millions of yen)	7,107	18,319	42,348	46,030
Profit attributable to owners of parent (Millions of yen)	4,918	11,120	24,600	29,793
Profit per share (yen)	37.65	85.12	188.31	228.07

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit per share (yen)	37.65	47.47	103.19	39.76

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 26, 2024

To the Board of Directors of
Mitsubishi Materials Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Yukitaka Maruchi
Designated Engagement Partner,
Certified Public Accountant:

Koji Inoue
Designated Engagement Partner,
Certified Public Accountant:

Hiroyuki Fukushima
Designated Engagement Partner,
Certified Public Accountant:

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Mitsubishi Materials Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2023 to March 31, 2024, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

The “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” which was identified as a key audit matter in the audit of the consolidated financial statements for the previous year ended March 31, 2023 was not identified as a key audit matter for the audit of the consolidated financial statements for the current year ended March 31, 2024 because the operating profit/loss of Mitsubishi UBE Cement Corporation's cement business turned positive due to increases of selling prices, and there was no indicator of impairment.

Further, the “Appropriateness of the judgment regarding the recoverability of deferred tax assets of Mitsubishi Materials Corporation” which was identified as a key audit matter in the audit of the consolidated financial statements for the previous year ended March 31, 2023 was not identified as a key audit matter for the audit of the consolidated financial statements for the current year ended March 31, 2024 as a result of considering the current year's actual taxable income of Mitsubishi Materials Corporation and certain domestic subsidiaries applying the group tax sharing system, the uncertainty in estimates regarding future taxable income for the subsequent years, the extent of subjective judgment by management and the impact on the consolidated financial statements.

Assessment of the reasonableness of the estimated value in use related to the valuation of goodwill recognized in Luvata Oy	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in “Significant Accounting Estimates” to the consolidated financial statements, the Group reported goodwill of ¥8,029 million in the consolidated balance sheet as of March 31, 2024. Included therein was goodwill of ¥6,761 million recognized in Luvata Oy, a consolidated subsidiary that is part of the Advanced Products segment and manufactures and sells copper alloy products, representing 0.3% of total assets in the consolidated balance sheet. Goodwill arose when the Company acquired an equity interest in the Luvata Special Products business (hereinafter referred to as the “Luvata Group”) in May 2017, which is mainly led by Luvata Pori Oy, through MMC Copper Products Oy (subsequently renamed Luvata Oy), a consolidated subsidiary of the Company.</p> <p>Luvata Oy applies IFRS Accounting Standards in preparing its financial statements. A group of cash-generating units, including goodwill, is tested for impairment annually irrespective of whether 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 year, Luvata Oy determined that an impairment loss was not required to be recognized because 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.</p> <p>Luvata Oy uses the value in use as the recoverable amount for impairment testing on goodwill. The future cash flows</p>	<p>In order to assess the reasonableness of the estimated value in use related to the valuation of goodwill recognized in Luvata Oy, with the assistance of the auditor of Luvata Oy (“the component auditor”), we performed the following audit procedures, among others:</p> <p>(1) Internal control testing</p> <p>Test of the design and operating effectiveness of internal controls relevant to the valuation of goodwill, with a particular focus on the following internal controls:</p> <ul style="list-style-type: none"> ● Internal controls that management verified and approved that the significant assumptions used to the estimate future cash flows in the impairment test were reasonable in comparison with available market information. ● Internal controls that management verified and approved that the discount rate, which was calculated by an external valuation specialist, and used to calculate the recoverable amount in the impairment test was reasonable. <p>(2) Assessment of the reasonableness of the estimated value in use</p> <ul style="list-style-type: none"> ● We inspected the medium-term management plan approved by management, discussed with management and performed a retrospective review over the medium-term management plan by comparing actual results to management's historical forecasts. ● We assessed the consistency of the growth rates of the automobile, MRI for medical use and other relevant markets underlying the medium-term management plan with data published by external organizations. ● We assessed the consistency of management's forecasts regarding future development of the electric vehicle market where Luvata Oy plans to enter into, contributing to the projected increase in market share, with forecast reports published by external organizations.

<p>used to measure the value in use are estimated based on the Luvata Group's medium-term management plan approved by management. Embedded in the medium-term management plan are certain key assumptions, such as future growth rates of the automobile, MRI for medical use and other markets targeted by the Luvata Group's products, the projected increase in market share through sales expansion measures for electronic vehicles and other products, and sales volumes and prices considering the status of negotiations with customers. Uncertainty about the prospects of the Luvata Group's business performance has been increasing due to the weak semiconductor market conditions and soaring logistics, personnel and energy costs. Accordingly, management's judgment regarding these factors has a significant impact on the estimates of the future cash flows.</p> <p>In addition, estimating a discount rate used to measure the value in use requires a high degree of valuation expertise in selecting the calculation methods and input data as the policy interest rates in the countries where Luvata Group companies are located are at a high level.</p> <p>Therefore, we determined that our assessment of the reasonableness of the estimated value in use related to the valuation of goodwill recognized in Luvata Oy was significant in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.</p>	<ul style="list-style-type: none"> ● We inspected contracts and other documents that showed the status of negotiations with customers regarding future products volumes and prices. ● With the assistance of our network firm's fair value specialists, we assessed the appropriateness of the calculation methods applied in estimating the discount rate used by management, and tested the discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management. ● We performed sensitivity analyses over significant assumptions such as the medium-term management plan, the growth rate and the discount rate.
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Other Matter

The consolidated financial statements of the Group for the year ended March 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2023.

Other Information

Management is responsible for the other information. The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

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 Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 an 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 and 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 it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Mitsubishi Materials Corporation. and its subsidiaries are disclosed in “4 Corporate Governance, etc., (3) Audit, 4) Audit Fees” of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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 Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The other information in the Annual Securities Report referred to in the "Other Information" section of this English translation is not translated.