

Consolidated Financial Statements
Mitsubishi Materials Corporation and consolidated subsidiaries
For the year ended March 31,2025

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, 2025”.
- 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., Mitsubishi Materials Techno Corporation, Mitsubishi Materials Trading Corporation, Appi Geothermal Energy Corporation, H.C. Starck Holding (Germany) GmbH, Mitsubishi Materials Europe B.V.

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, PT. Smelting.

Consolidated Financial Statements, etc.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous Fiscal Year (As of March. 31, 2024)	Current Fiscal Year (As of March. 31, 2025)
Assets		
Current assets		
Cash and deposits	*6 134,923	*6 91,605
Notes receivable – trade	26,255	23,309
Accounts receivable – trade	180,540	171,045
Merchandise and finished goods	135,991	151,718
Work in process	126,297	141,312
Raw materials and supplies	166,212	190,399
Leased gold bullion	*8 290,614	*8 463,727
Gold bullion in custody	*8 119,031	*8 129,505
Other	103,799	102,212
Allowance for doubtful accounts	(636)	(530)
Total current assets	1,283,029	1,464,306
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*6 129,813	*6 152,535
Machinery, equipment and vehicles, net	192,346	155,323
Land, net	*6 88,559	*6 88,428
Construction in progress	24,670	22,609
Other, net	36,706	19,545
Total property, plant and equipment	*1, *3, *6 472,096	*1, *3, *6 438,443
Intangible assets		
Goodwill	8,029	32,823
Other	21,319	20,294
Total intangible assets	29,349	53,117
Investments and other assets		
Investment securities	*2, *6 286,714	*2, *6 310,772
Long-term loans receivable	31,720	33,886
Retirement benefit asset	16,673	25,282
Deferred tax assets	27,361	24,919
Other	*2 21,450	*2 24,494
Allowance for doubtful accounts	(766)	(766)
Total investments and other assets	383,153	418,590
Total non-current assets	884,599	910,151
Deferred assets		
Business commencement expenses	—	887
Total deferred assets	—	887
Total assets	2,167,628	2,375,345

(Unit: Millions of yen)

	Previous Fiscal Year (As of March. 31, 2024)	Current Fiscal Year (As of March. 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	94,745	99,426
Short-term borrowings	*6 182,772	*6 308,345
Current portion of bonds payable	10,000	—
Commercial papers	15,000	—
Income taxes payable	5,643	4,396
Provision for bonuses	11,214	11,920
Provision for loss on disposal of inventories	1,218	772
Deposited gold bullion	*8 567,047	*8 773,036
Other	106,478	99,435
Total current liabilities	994,119	1,297,333
Non-current liabilities		
Bonds payable	80,000	100,000
Long-term borrowings	*6 315,391	*6 184,753
Deferred tax liabilities	9,416	10,921
Deferred tax liabilities for land revaluation	*7 7,457	*7 7,667
Provision for loss on business of subsidiaries and affiliates	73	73
Provision for environmental measures	12,123	14,120
Provision for directors' retirement benefits	532	422
Provision for share based compensation plan	455	456
Retirement benefit liability	19,227	41,208
Other	43,208	25,112
Total non-current liabilities	487,885	384,735
Total liabilities	1,482,005	1,682,069
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	81,745	81,745
Retained earnings	358,569	379,339
Treasury shares	(2,898)	(2,828)
Total shareholders' equity	556,875	577,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,751	7,894
Deferred gains or losses on hedges	3,262	972
Revaluation reserve for land	*7 16,063	*7 15,670
Foreign currency translation adjustment	57,567	57,698
Remeasurements of defined benefit plans	10,123	17,300
Total accumulated other comprehensive income	96,766	99,535
Non-controlling interests	31,981	16,026
Total net assets	685,623	693,276
Total liabilities and net assets	2,167,628	2,375,345

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

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)	Current Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)
Net sales	*1 1,540,642	*1 1,962,076
Cost of sales	*2, *3 1,392,497	*2, *3 1,795,431
Gross profit	148,144	166,645
Selling, general and administrative expenses	*4, *5 124,868	*4, *5 129,526
Operating profit	23,276	37,118
Non-operating income		
Interest income	3,972	4,415
Dividend income	24,057	20,197
Share of profit of entities accounted for using equity method	11,525	17,539
Rental income from non-current assets	4,159	3,824
Foreign exchange gains	5,141	—
Other	3,097	2,640
Total non-operating income	51,952	48,618
Non-operating expenses		
Interest expenses	7,766	8,771
Expense for the maintenance and management of abandoned mines	4,312	4,170
Rental expenses on non-current assets	2,709	2,741
Foreign exchange losses	—	2,572
Loss on retirement of non-current assets	2,003	2,090
Other	4,334	5,154
Total non-operating expenses	21,126	25,501
Ordinary profit	54,102	60,235
Extraordinary income		
Gain on change in equity	—	7,649
Gain on sales of investment securities	727	3,927
Gain on sales of non-current assets	*6 90	*6 119
Other	22	965
Total extraordinary income	840	12,661
Extraordinary losses		
Impairment loss	*7 7,759	*7 13,494
Provision for environmental measures	—	4,510
Other	1,153	4,927
Total extraordinary losses	8,912	22,933
Profit before income taxes	46,030	49,963
Income taxes – current	12,011	9,392
Income taxes – deferred	(3,261)	214
Total income taxes	8,750	9,606
Profit	37,280	40,357
Profit attributable to non-controlling interests	7,486	6,280
Profit attributable to owners of parent	29,793	34,076

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)	Current Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)
Profit	37,280	40,357
Other comprehensive income		
Valuation difference on available-for-sale securities	2,500	(2,251)
Deferred gains or losses on hedges	1,512	(1,808)
Revaluation reserve for land	—	(218)
Foreign currency translation adjustment	17,727	241
Remeasurements of defined benefit plans	9,195	6,998
Share of other comprehensive income of entities accounted for using equity method	14,234	1,739
Total other comprehensive income	* 45,170	* 4,699
Comprehensive income	82,450	45,056
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	71,402	36,835
Comprehensive income attributable to non-controlling interests	11,047	8,221

(3) Consolidated Statement of Changes in Net Assets

Previous 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
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
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

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2024	119,457	81,745	358,569	(2,898)	556,875
Changes during the period					
Cash dividends			(12,692)		(12,692)
Profit attributable to owners of Parent			34,076		34,076
Reversal of revaluation reserve for land			(10)		(10)
Decrease due to changes in the scope of equity method application of equity method affiliates					—
Change in scope of consolidation			(604)		(604)
Purchase of treasury shares				(20)	(20)
Disposal of treasury shares		(0)		90	90
Changes in ownership interest of parent due to transaction with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during the period	—	(0)	20,769	69	20,838
Balance as of March 31, 2025	119,457	81,745	379,339	(2,828)	577,714

	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, 2024	9,751	3,262	16,063	57,567	10,123	96,766	31,981	685,623
Changes during the period								
Cash dividends								(12,692)
Profit attributable to owners of Parent								34,076
Reversal of revaluation reserve for land								(10)
Decrease due to changes in the scope of equity method application of equity method affiliates								—
Change in scope of consolidation								(604)
Purchase of treasury shares								(20)
Disposal of treasury shares								90
Changes in ownership interest of parent due to transaction with non-controlling interests								—
Net changes in items other than shareholders' equity	(1,857)	(2,289)	(392)	131	7,177	2,768	(15,954)	(13,185)
Total changes during the period	(1,857)	(2,289)	(392)	131	7,177	2,768	(15,954)	7,653
Balance as of March 31, 2025	7,894	972	15,670	57,698	17,300	99,535	16,026	693,276

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)	Current Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)
Cash flows from operating activities		
Profit before income taxes	46,030	49,963
Depreciation	46,699	45,503
Amortization of goodwill	1,744	1,781
Increase (decrease) in allowance for doubtful accounts	11	(103)
Increase (decrease) in provision for environmental measures	(2,264)	1,997
Increase (decrease) in provision for retirement benefits and retirement benefits for directors	(1,018)	(3,075)
Interest and dividend income	(28,030)	(24,613)
Interest expenses	7,766	8,771
Foreign exchange losses (gains)	(3,488)	901
Share of loss (profit) of entities accounted for using equity method	(11,525)	(17,539)
Gain on change in equity	—	(7,649)
Gain on sales of non-current assets	(90)	(119)
Loss on retirement of non-current assets	2,003	2,090
Impairment loss	7,759	13,494
Loss (gain) on sales of investment securities	(727)	(3,917)
Loss (gain) on valuation of investment securities	1	1,146
Decrease (increase) in notes and accounts receivable – trade	(13,145)	14,029
Decrease (increase) in inventories	(43,501)	(47,155)
Proceeds from sales of gold bullion	129,986	149,985
Payment for purchase of gold bullion	(99,686)	(129,699)
Decrease (increase) in other current assets	(9,134)	4,531
Increase (decrease) in notes and accounts payable – trade	1,917	3,709
Increase (decrease) in accrued expenses	90	(2,078)
Increase (decrease) in other current liabilities	3,661	(9,057)
Increase (decrease) in other non-current liabilities	2,726	1,641
Other, net	3,539	(4,957)
Sub-total	41,324	49,583
Interest and dividend received	29,357	26,268
Interest paid	(7,765)	(8,773)
Income taxes (paid) refund	(11,564)	(8,189)
Net cash provided by (used in) operating activities	51,351	58,889

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2023 - Mar. 31, 2024)	Current Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(78,795)	(56,077)
Proceeds from sales of property, plant and equipment	496	431
Payment for purchase of intangible assets	(4,159)	(4,212)
Payment for purchase of investment securities	(2,819)	(367)
Proceeds from sales of investment securities	1,169	13,997
Proceeds from withdrawal of investment securities	—	12,292
Payment for purchase of subsidiaries' shares	(688)	(4,733)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (33,646)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,903
Payment for loans	(18,254)	(3,407)
Proceeds from collection of loans	3,369	877
Other, net	(3,315)	(6,439)
Net cash provided by (used in) investing activities	(102,998)	(79,383)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	29,192	41,528
Proceeds from long-term borrowings	56,260	16,049
Repayment of long-term borrowings	(35,576)	(43,390)
Proceeds from issuance of bonds	20,000	20,000
Payment for redemption of bonds	—	(10,000)
Net increase (decrease) in commercial papers	(10,000)	(15,000)
Payment for purchase of treasury shares	(94)	(20)
Cash dividends paid	(9,421)	(12,692)
Cash dividends paid to non-controlling interests	(13,485)	(7,493)
Other, net	(3,952)	(2,189)
Net cash provided by (used in) financing activities	32,921	(13,208)
Effect of exchange rate changes on cash and cash equivalents	8,779	2,280
Net increase (decrease) in cash and cash equivalents	(9,945)	(31,421)
Cash and cash equivalents at beginning of period	141,079	131,143
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	10	*3 (11,079)
Cash and cash equivalents at end of period	*1 131,143	*1 88,642

Notes to Consolidated Financial Statements

[Basis of Preparation of Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 107

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

In the current fiscal year, H.C. Starck Holding and 12 other companies, as well as Luvata Welshpool Ltd. (formerly Dawson Shanahan Holdings Ltd.) and 2 other companies, have been included in the scope of consolidation due to the acquisition of new shares. In the current fiscal year, Appi Geothermal Energy Corporation has been included in the scope of consolidation due to the increased importance.

PT. Smelting has been excluded from the scope of consolidation and included in the scope of equity method application, as the Company’s ownership ratio in it decreased due to a third-party allotment of shares.

Tianjin Tianling Carbide Tools Co.,Ltd., MOLDINO Tool Engineering (Shanghai), Ltd., and Mitsubishi Materials Southeast Asia Co., Ltd. have been excluded from consolidation due to liquidation. New Energy Fujimino Co., Ltd. has been excluded from the scope of consolidation due to the sale of all shares. Toso Co., Ltd. has been excluded because Mitsubishi Materials Techno Corporation, sold all of its shares. MFOPTEX Co., Ltd. and one other company have been excluded because Mitsubishi Cable Industries Co.,Ltd., sold part of its shares. Due to the loss of substantive control, Zao Luvata St.Petersburg has been excluded from the scope of consolidation.

(2) Name of major non-consolidated subsidiaries

Major non-consolidated subsidiary

MMC-METAL DO BRASIL Ltd.

(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: 14

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.

In the current fiscal year, Jiangwu H.C. Starck Tungsten Products Co., Ltd has been included in the scope of equity-method application due to the acquisition of new shares.

PT. Smelting has been excluded from the scope of consolidation and included in the scope of equity method application, as the Company’s ownership ratio in it decreased due to a third-party allotment of shares. MFOPTEX Co., Ltd. has been excluded from the scope of consolidation and included in the scope of equity method application, as Mitsubishi Cable Industries Co.,Ltd. sold part of its shares.

Naoshima Yoshino Sekko Co., Ltd has been excluded from the scope of equity-method application due to the completion of its liquidation.

(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 15 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, H.C. Starck Holding (Germany) GmbH and 12 other companies

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) Processing method for deferred assets

Business commencement expenses are amortized over a period of effect lasting within five years from the time of business commencement, using the straight-line method.

(4) 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 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 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.

(e) 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 and nuclear fuel material disposal is provided based on estimation.

(f) 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.

(g) Provision for share based compensation plan

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

(5) 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 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 fiscal year, and the amounts are amortized from the following fiscal year incurred.

(c) Adoption of simplified method for small-sized companies

Certain consolidated subsidiaries apply a simplified method in calculating retirement benefit liability and retirement benefit expenses, under which the amount of required voluntary termination benefit at the fiscal year-end is recognized as defined benefit obligation.

(6) 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.

(7) 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 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.

Conducting interest rate swap transactions to avoid the risks associated with fluctuations in borrowing interest rates and to reduce financing costs.

(c) Method of assessing hedge effectiveness

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

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

(8) 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.

(9) 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.

(10) 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 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 previous 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 such 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 previous fiscal year

In the consolidated balance sheet for the previous 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.

Current fiscal year (As of March 31, 2025)

(Evaluation of goodwill in the acquisition of shares in H.C. Starck Holding)

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

In the consolidated balance sheet for the current fiscal year, the Company acquired all shares of H.C. Starck Holding (Germany) GmbH. ("HCSHD"), which operates the tungsten products business, through its consolidated subsidiary, Mitsubishi Materials Europe B.V., on December 17, 2024 for ¥21,197 million and recorded goodwill of ¥27,319 million in conjunction with this acquisition.

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

The goodwill acquired through the business combination transaction with H.C. Starck is the expected future excess earning power based on the future business development of the acquired company, and is calculated from the difference between the acquisition cost and the fair value of the identifiable assets and liabilities of the acquired company at the time of the business combination. In acquiring the shares, the Company utilized external experts to conduct various due diligence processes. Additionally, the Company assessed the enterprise value using a combination of the discounted cash flow method, based on the future cash flows from the medium-term management plan of HCSHD, and the multiples method, which served as the basis for determining the share acquisition cost.

The medium-term management plan of HCSHD includes key assumptions such as increased scrap utilization rate in tungsten production, cost reduction through production efficiency, and synergies from leveraging the Group's value chain. Additionally, enterprise value assessment and estimating the discount rate requires advanced expertise in selecting the input data as the policy, and utilizing external specialists.

The timing and amount of future cash flow may be affected by changes in uncertain economic conditions, and if there are changes to the conditions or assumptions used for the estimates, it could have a significant impact on the evaluation of goodwill in the following fiscal year.

(The valuation of goodwill recognized in Luvata Oy)

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

In the consolidated balance sheet for the current fiscal year, the Company reported goodwill of ¥5,075 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. In addition, an impairment loss of ¥1,135 million related to goodwill of the Luvata Group is recorded in the consolidated statement of profit or loss for the current fiscal year.

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. In the current fiscal year, Luvata Oy conducted an impairment test and recorded an impairment loss of ¥1,135 million because the recoverable amount was less than the carrying amount.

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. 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. 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 such as the policy interest rates, in the countries where Luvata Group companies are located, are at a high level.

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.

The timing and amount of future cash flow may be affected by changes in uncertain economic conditions, and if there are changes to the conditions or assumptions used for the estimates, it could have a significant impact on the evaluation of goodwill in the following fiscal year.

(Valuation of Non-current assets excluding Goodwill)

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

In the consolidated balance sheet for the current fiscal year, the Company reported property, plant and equipment of ¥438,443 million and other intangible assets of ¥20,294 million. In addition, an impairment loss of ¥12,358 million is recorded in the consolidated statement of profit or loss for the current fiscal year.

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

The Group conducts asset grouping based on the classifications used for management accounting and the units applied when making investment decisions and determine the existence or non-existence of indicators of impairment.

In cases where impairment is required for each asset group, the book value of that asset group is reduced to its recoverable amount, and the decrease is recognized as an impairment loss. The estimate of recoverable amount uses the higher value between the value in use or the net realizable value. The value in use is based on the expected future cash flows from the respective asset group. The estimates of future cash flows are based on the business plan and include key assumptions such as future revenue projections.

The timing and amount of future cash flow may be affected by changes in uncertain economic conditions, and if there are changes to the conditions or assumptions used for the estimates, it could have a significant impact on the valuation of fixed assets in the following fiscal year.

(Recoverability of Deferred Tax Assets)

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

In the consolidated balance sheet for the current fiscal year, the Company reported deferred tax assets of ¥24,919 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.

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 Accounting Policies]

(Application of “Accounting Standards for Corporation Tax, Inhabitants Tax and Enterprise Tax,” etc.)

The Company has applied the “Accounting Standards for Corporation Tax, Inhabitants Tax and Enterprise Tax,” etc. (ASBJ Statement No. 27, October 28, 2022. Hereinafter referred to as “Revised Accounting Standard 2022.”) from the beginning of the current fiscal year.

Amendments regarding the classification of income taxes (taxation of other comprehensive income) have been made in accordance with the transitional treatment set forth in the proviso of Paragraph -3 of Article 20 of the Revised Accounting Standards 2022 and the transitional treatment set forth in the proviso of Paragraph 65, Item - 2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (Guidance on Accounting Standards No. 28 issued on October 28, 2022. Hereinafter referred to as the “Revised Application Guidelines 2022”). This has no impact on the consolidated financial statements.

In addition, effective from the beginning of the current consolidated accounting period, the Revised Application Guidelines 2022 has been applied to the revision of the treatment in the consolidated financial statements in the case of deferral for tax purposes of gain or loss on sale of shares of subsidiaries, etc. between consolidated companies. The change in accounting policy has been retroactively applied, and the consolidated financial statements for the previous fiscal year have been presented as retrospectively applied. This has no impact on the consolidated financial statements for the previous fiscal year.

[New Accounting Standard not Adopted as Yet]

“Accounting Standard for Lease” (ASBJ Statement No. 34, September 13, 2024, ASBJ)

“Guidance on Accounting Standard for Lease” (ASBJ Guidance No. 33, September 13, 2024, ASBJ)

(1) Overview

As part of the effort to make Japanese standards internationally consistent, discussions were held at the Accounting Standards Board of Japan regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all leases of the lessee, based on international accounting standards. The basic policy is to base the standards on the single accounting treatment model of IFRS 16, however, rather than incorporating all provisions of IFRS 16, only the main provisions are included. The aim is to create lease accounting standards that are simple, highly convenient, and do not fundamentally require modifications even when using the provisions of IFRS 16 for individual financial statements.

As for the accounting treatment for the lessee, regarding the method of expense allocation for leases, a single accounting treatment model applies to all leases, regardless of whether the lease is a finance lease or an operating lease, similar to IFRS 16. This model involves recognizing depreciation expense on the right-of-use asset and interest expense on the lease liability.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2028.

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

The effect of the application of the “Accounting Standard for Lease” on the consolidated financial statements is currently under evaluation.

[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 ¥546 million and 220 thousand shares respectively at the end of the previous fiscal year, and ¥457 million and 184 thousand shares respectively at the end of the current fiscal year.

[Consolidated Balance Sheets]

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

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Accumulated depreciation of property, plant and equipment	815,577	750,745

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

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Investment securities (shares)	259,597	298,143
(including the amount invested in joint venture in shares of affiliates)	186,169	191,855
Other (investments and other assets) (investment in capital)	1,389	581
(including the amount invested in joint venture in other)	902	0

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

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Amount of reduction entry by direct reduction method	23	656

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 fiscal year (As of March 31, 2024)		Current fiscal year (As of March 31, 2025)	
Appi Geothermal Energy Corporation	1,683	Yuzawa Geothermal Power Corporation	1,012
Yuzawa Geothermal Power Corporation	1,209	Employees	1,032
Employees	1,144		
Others (1 company)	302		
Total	4,339	Total	2,045

5. Notes receivable – trade discounted, etc.

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Notes receivable - trade discounted	788	1,835
Notes receivable - trade endorsed	2	—
Notes and accounts receivable - trade securitized with recourse	1,133	646

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

Assets pledged as collateral are as follows:

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Cash and deposits(*a)	11	6,138
Property, plant and equipment (*b)	3,337	3,353
Investment securities	6,859	6,859
Total	10,208	16,351

Liabilities secured by the collateral are as follows:

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Short-term borrowings	70	70
Long-term borrowings (*b)	820	17,233
(Current portion of long-term borrowings)	520	1,635)
Total	890	17,303

(*a) Of the Cash and deposits in the current fiscal year, ¥6,125 million is being used as collateral for derivative transactions (interest rate swap transactions) other than the secured debts mentioned above.

(*b) Assets pledged as collateral for foundation mortgage are as follows:

Name of assets, net

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Buildings and structures, net	887	904
Land, net	2,426	2,426
Total	3,314	3,330

Liabilities corresponding to the above

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Long-term borrowings	820	733
(Current portion of long-term borrowings)	520	366)
Total	820	733

(*7) Revaluation reserve for land

Previous 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 fiscal year and the book value after revaluation: ¥(8,370) million

Current fiscal year (As of March 31, 2025)

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 fiscal year and the book value after revaluation: ¥(7,026) million

(*8) 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. The amount of revenue from contracts with customers is stated in “Notes to Consolidated Financial Statements [Revenue Recognition] 1. Information on breakdown of revenue from contracts with customers”

(*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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
(2,409)	7,523

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

(Unit: Millions of yen)

Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
(2)	(0)

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

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Transportation and storage	19,490	17,578
Depreciation and amortization	5,673	6,370
Retirement benefit expenses	2,223	1,273
Provision for directors' retirement benefits	271	269
Provision for bonuses	9,415	9,133
Salaries	31,275	32,829
Outsourcing expenses	11,352	11,344
Rental expenses	5,898	5,939
Research and development expenses	8,767	8,152

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

(Unit: Millions of yen)

Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
8,767	8,152

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

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Machinery, equipment and vehicles	55	86

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

(Method of asset grouping)

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

Previous 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%.

Current fiscal year (From April 1, 2024 to March 31, 2025)**(Overview of assets groups for which impairment loss was recognized)**

Utilization of assets	Location	Type	Impairment loss (Millions of yen)
Advanced Products	Aizuwakamatsu, Fukushima prefecture, etc.	Machinery and equipment, construction in progress, etc.	10,189
	Pori, Finland, etc.	Goodwill, rights, etc.	2,409
Metalworking Solution Business	Chiyoda, Tokyo prefecture	Software in progress, etc.	384
Metal Business	Chiyoda, Tokyo prefecture	Buildings, etc.	16
Other Businesses	Okazaki, Aichi prefecture	Buildings, etc.	0
Rental property	Toyono, Osaka prefecture	Land	12
Idle assets	Pori, Finland, etc.	Machinery and equipment, land, etc.	482
Total			13,494

(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 ¥13,494 million in extraordinary losses.

- Breakdown of impairment loss by account titles

Buildings: ¥649 million, Machinery and equipment: ¥7,641 million, Construction in progress: ¥822 million, Land: ¥910 million, Goodwill: 1,135 million, Rights ¥786 million, Software in progress: 384 million, Other: ¥1,163 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%.

(The valuation of fixed assets accounted for at Wakamatsu manufacturing plant)

Regarding the fixed assets of Wakamatsu manufacturing plant (hereinafter referred to as the respective asset group), the business environment has deteriorated significantly due to the sluggish demand in the automotive sector and the slow recovery of the semiconductor market. It determined that there were indicators of impairment for the asset group due to a significant deterioration in the business environment, which led to a substantial downward deviation from the initially planned production and sales volume, thus reducing profitability. In determining whether to recognize the impairment loss, the Company compared the total undiscounted future cash flows expected to be generated from the asset group with its carrying amount. As the undiscounted future cash flows were found to be lower than the carrying amount, the Company measured the impairment loss by reducing the carrying amount to the recoverable amount and recorded an impairment loss of ¥ 8,807 million. Furthermore, the Company used the value in use, which was calculated by discounting the future cash flows, as the recoverable amount for the asset group.

The future cash flows used to measure the value in use are estimated based on the business plan, and primarily include key assumptions such as the forecast sales volume on the product demand outlook, assumptions regarding manufacturing costs, and the net realized value of the constituent assets within the asset group at the end of their economic useful lives.

[Consolidated Statement of Comprehensive Income]

(*) Reclassification adjustments as well as income taxes and tax effects concerning other comprehensive income

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities		
Gains (losses) incurred during period	4,310	(1,448)
Reclassification adjustment to net income	(706)	(1,771)
Amount before income taxes and tax effect	3,603	(3,219)
Income taxes and tax effect	(1,102)	967
Valuation difference on available-for-sale securities	2,500	(2,251)
Deferred gains or losses on hedges		
Gains (losses) incurred during period	(16,513)	(9,492)
Reclassification adjustment to net income	17,782	7,491
Amount before income taxes and tax effect	1,269	(2,001)
Income taxes and tax effect	242	192
Deferred gains or losses on hedges	1,512	(1,808)
Revaluation reserve for land		
Income taxes and tax effect	—	(218)
Foreign currency translation adjustment:		
Gains (losses) incurred during period	19,656	6,498
Reclassification adjustment to net income	—	(8,185)
Amount before income taxes and tax effect	19,656	(1,687)
Income taxes and tax effect	(1,928)	1,928
Foreign currency translation adjustment	17,727	241
Remeasurements of defined benefit plans:		
Gains (losses) incurred during period	12,408	10,971
Reclassification adjustment to net income	825	(635)
Amount before income taxes and tax effect	13,233	10,336
Income taxes and tax effect	(4,038)	(3,338)
Remeasurements of defined benefit plans	9,195	6,998
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) incurred during period	14,454	2,201
Reclassification adjustment to net income	(219)	(462)
Share of other comprehensive income of entities accounted for using equity method	14,234	1,739
Total other comprehensive income	45,170	4,699

[Consolidated Statement of Changes in Net Assets]
Previous 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 fiscal year but the effective date of which belongs to the next 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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

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)	859,157	7,685	36,403	830,439
Total	859,157	7,685	36,403	830,439

(*1) The number of treasury shares in common shares includes 184,039 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 7,685 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 265 shares

Decrease due to the Board Incentive Plan Trust 36,138 shares

2. Dividend

(1) Dividend amount

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2024 Board of Directors	Common shares	6,149	47.0	March 31, 2024	June 12, 2024
November 8, 2024 Board of Directors	Common shares	6,542	50.0	September 30, 2024	December 10, 2024

(*1) 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.

(*2) The total dividend payment approved by the Board of Directors held on November 8, 2024, includes the dividend payment of ¥9 million for the shares held by the Board Incentive Plan Trust.

(2) Dividend which has record date that belongs to the current fiscal year but the effective date of which belongs to the next 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 16, 2025 Board of Directors	Common shares	6,542	Retained earnings	50.0	March 31, 2025	June 11, 2025

(*) The total dividend payment approved by the Board of Directors held on May 16, 2025, includes the dividend payment of ¥9 million for the shares held by the Board Incentive Plan Trust.

[Consolidated Statement of Cash Flows]

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

	(Unit: Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash and deposits	134,923	91,605
Less time deposits with maturities over 3 months	(3,779)	(2,962)
Cash and cash equivalents	131,143	88,642

(*2) The main breakdown of the assets and liabilities of the company that became a new consolidated subsidiary through the acquisition of shares in the current fiscal year

Due to the acquisition of shares, we have newly consolidated H.C. Starck Holding and 12 other companies (hereinafter referred to as new consolidated subsidiaries). The breakdown of assets and liabilities at the start of consolidation, as well as the relationship between the acquisition cost of the shares of the new consolidated subsidiaries and the expenditure (net amount) for the acquisition of the new consolidated subsidiaries, is as follows.

Current assets	¥23,778 million
Non-current assets	24,883
Goodwill	27,319
Liabilities	(22,251)
Non-current liabilities	(30,868)
Non-controlling interests	(1,664)
Acquisition cost of shares	21,197
Cash and cash equivalents	(2,353)
Loans executed between the date of acquisition of control and the deemed acquisition date	13,193
Deduction: Purchase of shares of subsidiaries resulting in change	32,037

(*3) Significant non-cash transactions

Current fiscal year (From April 1, 2024 to March 31, 2025)

As of June 30, 2024, the Company decreased its ownership ratio in PTS (hereinafter referred to as “PTS”) due to the completion of the third-party allocation of new shares to PT Freeport Indonesia and PTS changed from a consolidated subsidiary of the Company to an equity-method affiliate. The breakdown of assets and liabilities related to the transferred business as a result of the carrying out the business divestiture is as follows

Current assets	¥29,355 million
Non-current assets	88,876
Total assets	118,232
Current liabilities	3,923
Non-current liabilities	20,820
Total liabilities	24,743

Current assets include cash and cash equivalents ¥13,767million, which are included in “Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation”.

[Lease Transactions]**1. Operating lease transactions (lessee)**

Future minimum lease payments for non-cancelable operating leases

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Within 1 year	1,754	2,259
Over 1 year	14,129	13,514
Total	15,883	15,773

2. Operating lease transactions (lessor)

Future minimum lease income for non-cancelable operating leases

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Within 1 year	792	1,057
Over 1 year	2,156	2,610
Total	2,949	3,667

[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 borrowing period is due 2038. Some of these are exposed to interest rate fluctuation risks because they contain variable interest rates, but we are hedging using derivative transactions (interest rate swap transactions).

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, (7) 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.

Additionally, to avoid the interest rate fluctuation risk associated with borrowing, we are using interest rate swap transactions.

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,

and by utilizing a cash management system, through centralized management of surplus funds among group companies.

(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 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	—

Current Fiscal year (As of March 31, 2025)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1)			
Available-for-sale securities	6,117	6,117	—
Total assets	6,117	6,117	—
(1) Bonds payable	100,000	97,388	(2,612)
(2) Long-term borrowings	184,753	180,973	(3,780)
Total liabilities	284,753	278,361	(6,392)
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	34,239	34,239	—
(b) Derivative to which hedge accounting is applied	155	155	—
Total derivative transactions	34,394	34,394	—

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

(Unit: Millions of yen)

Classification	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Shares of subsidiaries and affiliates (unlisted shares)	259,597	298,143
Available-for-sale securities (unlisted shares)	6,692	6,511

(*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 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	—	—	—	—	—

Current fiscal year (As of March 31, 2025)

(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	91,605	—	—	—	—	—
Notes receivable – trade	23,309	—	—	—	—	—
Accounts receivable – trade	171,045	—	—	—	—	—
Investment securities Among other securities, those with a maturity date.						
Bonds	97	164	—	—	—	—
Total	286,057	164	—	—	—	—

2. Repayment schedule of bonds payable, long-term borrowings and other interest-bearing debts after the consolidated closing date

Previous 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

Current fiscal year (As of March 31, 2025)

(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	308,345	—	—	—	—	—
Commercial papers	—	—	—	—	—	—
Bonds payable	—	30,000	10,000	30,000	15,000	15,000
Long-term borrowings	—	34,350	19,783	15,986	25,967	88,666
Total	308,345	64,350	29,783	45,986	40,967	103,666

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 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

Current fiscal year (As of March 31, 2025)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities:				
Available-for-sale securities	6,117	—	—	6,117
Total assets	6,117	—	—	6,117
Derivative transactions				
(a) Derivative to which hedge accounting is not applied	34,146	93	—	34,239
(b) Derivative to which hedge accounting is applied	—	155	—	155
Total derivative transactions	34,146	248	—	34,394

(2) Financial assets and liabilities not recorded at fair value on the Consolidated Balance Sheets
Previous 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

Current fiscal year (As of March 31, 2025)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Bonds payable	—	97,388	—	97,388
(2) Long-term borrowings	—	180,973	—	180,973
Total liabilities	—	278,361	—	278,361

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 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)
Total		20,425	14,446	5,978

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.

Current fiscal year (As of March 31, 2025)

(Unit: Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Shares	4,471	970	3,501
	(2) Bonds	258	258	0
	(3) Other	—	—	—
	Total	4,730	1,228	3,502
Securities with carrying amount not exceeding acquisition cost	(1) Shares	1,386	2,119	(732)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Total	1,386	2,119	(732)
Total		6,117	3,347	2,770

Note:

Unlisted shares (¥6,511 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 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	—

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

Type	Total proceeds from sales	Total gain on sales	Total loss on sales
(1) Shares	13,887	2,607	10
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	13,887	2,607	10

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥1 million for the previous fiscal year and ¥1,146 million for the current 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 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)

Current fiscal year (As of March 31, 2025)

(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	17,260	—	(44)	(44)
	Other	1,575	—	(13)	(13)
	Buy				
	U.S. dollars	583	—	(1)	(1)
	Other	718	—	(11)	(11)
Total		—	—	—	(70)

(2) Commodity related

Previous 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

Current fiscal year (As of March 31, 2025)

(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	73,151	—	(3,819)	(3,819)
	Buy	198,691	—	38,105	38,105
Total		—	—	—	34,286

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Previous 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.

Current fiscal year (As of March 31, 2025)

(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,	2,253	—	18
	Other	accounts payable	344	—	(4)
	Buy				
	U.S. dollars		—	—	—
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell				
	U.S. dollars	Accounts receivable,	7,269	—	
	Other	accounts payable	4,352	—	
	Buy				
	U.S. dollars		530	—	
	Other		168	—	
Hedged items are translated using currency swaps	Currency swaps:				
	Pay Japanese yen / Receive U.S. dollars	Long-term borrowings	—	—	

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 fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

(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 swaps:				
	Pay fixed rate / receive floating rate	Long-term borrowings	8,250	7,614	450

(3) Commodity related**Previous 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:	Inventories			
	Sell		126,311	23,512	(12,504)
	Buy		102,219	7,161	9,693

Current fiscal year (As of March 31, 2025)

(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:	Inventories			
	Sell		67,230	—	(3,851)
	Buy		47,344	603	3,541

[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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	100,591	99,311
Service costs	5,352	4,815
Interest costs	183	217
Actuarial gains and losses	(1,065)	(13,045)
Benefit paid	(5,803)	(6,804)
Past service costs	26	33
Increase due to newly consolidated subsidiaries	—	30,682
Decrease due to exclusion from consolidation	—	(1,022)
Other	25	44
Balance at end of period	99,311	114,231

(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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	84,851	97,648
Expected return on plan assets	1,508	1,564
Actuarial gains and losses	11,368	(2,040)
Contribution to the plan by the employer	2,125	2,113
Benefits paid	(2,554)	(3,085)
Increase due to newly consolidated subsidiaries	—	2,844
Other	347	124
Balance at end of period	97,648	99,170

(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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	849	891
Retirement benefit expenses	96	85
Benefits paid	(53)	(28)
Contribution to the plan	(4)	(3)
Increase due to newly consolidated subsidiaries	3	—
Decrease due to exclusion from consolidation	—	(80)
Other	—	(2)
Balance at end of period	891	863

(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 fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Funded retirement benefit obligation	93,443	78,168
Plan assets	(97,648)	(99,170)
	(4,205)	(21,001)
Unfunded retirement benefit obligation	6,759	36,927
Net liability (asset) recorded in the consolidated balance sheets	2,554	15,926
Net retirement benefits liability	19,227	41,208
Net retirement benefits asset	(16,673)	(25,282)
Net liability (asset) recorded in the consolidated balance sheets	2,554	15,926

Notes:

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

(5) Retirement benefit expenses and their components

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2023, to March 31, 2024)	Current fiscal year (From April 1, 2024, to March 31, 2025)
Service costs	5,448	4,901
Interest costs	183	217
Expected return on plan assets	(1,508)	(1,564)
Amortization of actuarial gains and losses	730	(730)
Amortization of past service costs	95	95
Other	382	444
Retirement benefit costs on defined benefit plans	5,331	3,363

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 fiscal year (From April 1, 2023, to March 31, 2024)	Current fiscal year (From April 1, 2024, to March 31, 2025)
Past service costs	69	62
Actuarial gains or losses	13,164	10,274
Total	13,233	10,336

(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 fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Unrecognized past service costs	(19)	(81)
Unrecognized actuarial gains or losses	(11,697)	(21,971)
Total	(11,717)	(22,052)

(8) Plan assets**(a) Major components of plan assets**

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

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Bonds	33%	36%
Shares	50	28
Life insurance (general accounts)	8	8
Cash and deposits	6	25
Other	3	3
Total	100	100

Notes:

Total plan assets include 30% of retirement benefit trust established on retirement lump sum grants or corporate pension plans for the previous fiscal year and 30% of the trust for the current 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 fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Discount rate	Mainly 0.05%	Mainly 1.73%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Notes:

The discount rate applied in the calculation at the beginning of the current fiscal year was the 0.05%, but as a result of review of the discount rate at the end of the fiscal year, it was determined that a change in the discount rate would have a significant impact on the amount of retirement benefit obligation, and the discount rate was changed to 1.73%.

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,170 million for the previous fiscal year and ¥1,103 million for the current fiscal year respectively.

[Tax Effect Accounting]

1. Major components of deferred tax assets and liabilities

	(Unit: Millions of yen)	
	Previous fiscal year	Current fiscal year
	(As of March 31, 2024)	(As of March 31, 2025)
Deferred tax assets:		
Tax loss carried forward	42,756	41,982
Impairment loss on non-current assets	9,470	12,042
Loss on valuation of investment securities	7,532	8,329
Retirement benefit trust asset	8,006	7,794
Unrealized gain	5,283	5,814
Loss on valuation of inventories	4,573	5,286
Provision for environmental measures	3,712	4,312
Valuation difference on securities at the time of company split	4,107	4,192
Provision for bonuses	3,430	3,650
Loss on valuation of buildings	3,488	3,462
Dividend income as withdrawal of investments	—	3,347
Retirement benefit liability	3,776	2,598
Excess of depreciation	3,104	925
Allowance for doubtful accounts	706	609
Deferred gains or losses on hedges	459	63
Other	12,783	13,239
Sub-total	113,193	117,656
Valuation allowance for tax loss carried forward (*)	(36,351)	(35,200)
Valuation allowance for deductible temporary differences	(35,745)	(46,679)
Valuation allowance	(72,096)	(81,880)
Total deferred tax assets	41,097	35,775
Deferred tax liabilities:		
Valuation difference on full fair value method	(2,888)	(6,445)
Revaluation of land, as a result of merger	(4,513)	(4,273)
Retained earnings of foreign consolidated subsidiaries	(2,578)	(1,842)
Gain on contribution of securities to retirement benefit trust	(1,858)	(1,339)
Valuation difference on available-for-sale securities	(1,822)	(854)
Deferred gain on sale of property, plant and equipment	(333)	(338)
Deferred gains or losses on hedges	(765)	(175)
Foreign currency translation adjustment	(1,928)	—
Accelerated depreciation of property, plant and equipment	(856)	—
Other	(5,607)	(6,508)
Total deferred tax liabilities	(23,152)	(21,778)
Net deferred tax assets (liabilities)	17,945	13,997

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

Previous 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 (*a)	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	(*b) 6,404

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

(*b) Deferred tax assets of ¥6,404 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.

Current fiscal year (As of March 31, 2025)

(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)	109	290	—	689	406	40,486	41,982
Valuation allowance	(109)	(290)	—	(461)	(318)	(34,020)	(35,200)
Net deferred tax assets	—	—	—	228	87	6,465	(*d) 6,782

(*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 ¥6,782 million is recorded for the tax loss carried forward of ¥41,982 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 fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Statutory effective income tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	12.8	6.8
Temporary differences for which tax effect cannot be recognized	(8.1)	12.5
Differences in statutory effective income tax rates of consolidated subsidiaries	(14.4)	(7.1)
Share of profit or loss of entities accounted for using equity method	(7.7)	(10.7)
Non-taxable permanent differences such as dividend income	(4.5)	(13.7)
Non-deductible foreign withholding taxes	8.4	5.7
Amortization of goodwill	1.1	1.1
Gain on change in equity	—	(4.7)
Other	0.8	(1.3)
Actual income tax rate after applying tax effect accounting	19.0	19.2

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).

4. Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate tax rate.

With the enactment of the “Act to Partially Amend the Income Tax Act and Others”, (Act No. 13 of 2025) by the National Diet on March 31, 2025, the “Special Corporation Tax for Defense” will be imposed starting from the fiscal year commencing on or after April 1, 2026.

As a result, for the deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved after the fiscal year starting on April 1, 2026, the statutory effective tax rate has been adjusted from 30.6% to 31.5% for calculation purposes.

It should be noted that the impact of this tax rate change is not material.

[Business combination]

(Exclusion from consolidation due to capital increase by third-party allotment of PT. Smelting)

As of June 30, 2024, PT. Smelting (hereinafter referred to as “PTS”) has transitioned from a consolidated subsidiary of the Company to an equity-method affiliate company due to a decrease in its equity ratio following the completion of capital increase by third-party allotment to PT Freeport Indonesia (hereinafter referred to as “PTFI”).

1. Overview of the transaction

- (1) Name of the transferee company

PT Freeport Indonesia

- (2) Details of the divested business

Contract smelting of copper concentrate in Indonesia

- (3) Main reasons for the business divestiture

Since its establishment in 1996, PTS has been the Group’s key base in Southeast Asia and the only Indonesian copper smelter, providing a stable supply of high-quality copper cathode to Indonesia and Southeast Asian countries. In Indonesia, under the Mining Law enacted in 2009, mining companies are required to add higher value to minerals, and PTS is increasingly viewed as a smelter attached to the Grasberg Mine, which is operated by PTFI. In light of this situation, the Company has been discussing PTS with PTFI. As a result, the Company reached an agreement with PTFI on the following matters, and a resolution was passed at the Company’s Board of Directors meeting held on November 25, 2021, to conclude an agreement related to these matters.

- The expansion of PTS will be carried out as part of the efforts to add higher value to minerals
- PTS will receive full financing from PTFI for the cost of expansion work
- The completion of the expansion work is conditional on conversion of the entire amount of the loan from PTFI to PTS into new shares of PTS (capital increase of PTS) based on the book value net asset method

Based on the above, the expansion work has been completed, and PTS’s ownership ratio decreased with the completion of PTS’s capital increase on June 30, 2024. Therefore, PTS transitioned from a consolidated subsidiary of the Company to an equity-method affiliate company.

- (4) Date of business separation

June 30, 2024

- (5) Outline of other transactions including legal form

Issuance of new shares through third-party allotment to PTFI

2. Outline of accounting treatment performed

- (1) Amount of gain or loss on transfer

Gain on change in equity: ¥7,553 million

- (2) Appropriate book value of assets and liabilities related to the transferred business and major breakdown thereof

Current assets: ¥29,355 million

Non-current assets: ¥88,876

Total assets: ¥118,232

Current liabilities: ¥3,923

Non-current liabilities: ¥20,820

Total liabilities: ¥24,743

- (3) Accounting

The difference between the consolidated book value of PTS and the paid-in amount is recorded as “gain on changes in equity” in extraordinary income.

3. Reportable segments that included separate businesses

Metals business

4. Estimated amount of profit and loss pertaining to the divested business, reported on the consolidated profit and loss statement for the current fiscal year

Net sales: ¥11,109 million

Operating profit: ¥1,540

(Business combination through acquisition)

The Company has entered into an agreement with Masan High-Tech Materials Corporation (hereinafter referred to as “MHT”) regarding the acquisition (hereinafter referred to as “the Acquisition”) of all shares of H.C. Starck Holding (Germany) GmbH (hereinafter referred to as “H.C. Starck”), which operates the tungsten business, and signed the share transfer agreement on the Acquisition with Masan Tungsten Limited Liability Company on May 29, 2024, and acquired the shares on December 17, 2024, through Mitsubishi Materials Europe B.V., a wholly owned subsidiary of the Company, formerly known as MM Netherlands B.V.

1. Overview of the transaction

(1) Name of acquired company and its business outline

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

Business: Manufacture, sales and recycling of tungsten powder, tungsten carbide powder, and 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 FY2030 for FY2023 to FY2030, 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 with MHT group, an intermediate raw material for tungsten, and continue the business partnership in future.

(3) Date of the business combination

December 17, 2024 (deemed acquisition date on December 31, 2024)

(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%

(7) Main reasons for determining the acquirer

This was due to the acquisition of shares by Mitsubishi Materials Europe B.V., a consolidated subsidiary, acquired shares by cash.

2. Period of results of the acquiree included in the consolidated financial statements

December 31, 2024, is the deemed acquisition date, and the Company consolidated only the balance sheet of the acquired company as of December 31, which is its fiscal year-end. Therefore, the results of the acquiree are not included in the consolidated statements of profit or loss for the current fiscal year.

3. Breakdown of the acquisition cost of the acquired company and the types of consideration

Consideration for acquisition: cash ¥21,197 million

Acquisition cost: ¥ 21,197

4. Breakdown and amount of major acquisition-related expenses

Advisory expenses ¥1,198 million

5. Amount of goodwill generated, cause of occurrence, method of amortization and amortization period

(1) Amount of goodwill incurred

¥27,319 million (approximate)

As the allocation of acquisition costs has not been completed at the end of the fiscal year under review, the amount was tentatively calculated.

(2) Cause of occurrence

As acquisition costs exceeded the net amount allocated to assets received and liabilities assumed, the excess amount is recorded as goodwill.

(3) Amortization method and amortization period

The Company estimates the period during which the investment effect will occur and plans to amortize the investment over a reasonable period. The amortization period is currently being calculated.

6. The assets acquired and the liabilities assumed at the acquisition date, and its major breakdown

Current assets ¥23,778 million

Non-current assets ¥24,883

Total assets ¥48,662

Current liabilities ¥22,251

Non-current liabilities ¥30,868

Total liabilities ¥53,120

As the allocation of acquisition costs has not been completed, the amounts of assets received and liabilities assumed are tentatively calculated.

7. Allocation of acquisition costs

At the end of the current fiscal year, the identification of identifiable assets and liabilities as of the date of the business combination and the calculation of their fair values have not been completed, and the allocation of acquisition costs has not been completed. Therefore, provisional accounting procedures have been performed based on reasonable information available at that time.

8. Estimated impact on the consolidated statement of profit or loss for the current fiscal year, assuming that the business combination was completed on the first day of the current fiscal year, along with the method of calculation

Net sales ¥56,014 million

Loss on operating profit ¥(1,229)

(Calculation method of estimated amount)

Net sales and profit and loss information calculated on the assumption that the business combination was completed on the first day of the current fiscal year are used as the estimated amount of impact.

This note has not received audit certification.

[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, and obligations to restore the site to its original condition associated with real estate lease agreements 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 28 years) and adopts discount rates from 0.5% to 2.3%.

3. Changes in total amount of asset retirement obligation

	(Unit: Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	347	3,608
Increase due to acquisitions of property, plant and equipment	6	96
Reconciliation due to passage of time	2	22
Decrease due to settlement of asset retirement obligations	(0)	(357)
Increase (decrease) due to change of estimates	3,349	(5)
Decrease due to differences between the balance of asset retirement obligations and the actual retirement costs	—	(271)
Increase (Decrease) due to change in the scope of consolidation	—	936
Other increase (decrease)	(96)	(206)
Balance at end of period	3,608	3,822

[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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Carrying amount		
Balance at beginning of period	39,307	38,804
Increase (decrease) during period	(502)	3,431
Balance at end of period	38,804	42,235
Fair value at end of period	46,466	56,427

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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Investment and rental properties		
Rent income	4,396	4,525
Rent expenses	3,356	3,303
Profit or loss	1,039	1,222
Impairment loss	1	168

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 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:

1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,540,642 million of net sales reported in the Consolidated Statement of Profit or Loss for the previous fiscal year mainly represents “revenue from contracts with customers,” and the amount of revenue from other sources is not material.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(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	1,202,272	428,367	63,547	491,914	144,221	8,336	115,331	1,962,076

Notes:

1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,962,076 million of net sales reported in the Consolidated Statement of Profit or Loss for the previous fiscal year mainly represents “revenue from contracts with customers,” and the amount of revenue from other sources is not material.

(2) Breakdown of region

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

As described in “Segment Information Related information (2) Information by region, (a) Net sales.” ¥1,540,642 million of net sales reported in the Consolidated Statement of Profit or loss for the previous fiscal year is primarily “revenue from contracts with customers”, and the amount of revenue from other sources is not material.

Current fiscal year (From April 1, 2024 to March 31, 2025)

As described in “Segment Information Related information (2) Information by region, (a) Net sales.” ¥1,962,076 million of net sales reported in the Consolidated Statement of Profit or loss for the current 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, (6) 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 fiscal year from contracts with customers that existed at the end of the current fiscal year.

(1) Balance of contract assets and contract liabilities

Previous 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 and under non-current liabilities in the Consolidated Balance Sheets.
5. The amount of revenue recognized in the previous 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 fiscal year.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Balance at beginning of term (As of April 1, 2024)	Balance at end of term (As of March 31, 2025)
Receivables arising from contracts with customers	206,795	194,354
Contract assets	7,818	7,246
Contract liabilities	19,839	15,215

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 and under non-current liabilities in the Consolidated Balance Sheets.
5. The amount of revenue recognized in the current 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 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 fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Within 1 year	430	357
Over 1 year	2,960	2,678
Total	3,391	3,035

[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.), home appliance recycling |
| • Advanced Products: | Copper alloy products, electronic materials |
| • Metalworking Solutions Business: | Cemented carbide products |
| • Renewable Energy Business: | Renewable Energy |

(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 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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

((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	1,202,272	491,914	144,221	8,336	115,331	1,962,076	—	1,962,076
(2) Intersegment sales and transfers	231,360	18,443	4,583	0	42,339	296,726	(296,726)	—
Total	1,433,633	510,358	148,804	8,337	157,670	2,258,803	(296,726)	1,962,076
Segment profit	41,167	3,156	8,537	2,609	18,551	74,021	(13,786)	60,235
Segment assets	1,288,709	395,900	303,996	55,829	291,676	2,336,112	39,233	2,375,345
Other items								
Depreciation	14,061	13,024	10,841	2,192	986	41,105	4,398	45,503
Amortization of goodwill	—	548	1,228	—	4	1,781	—	1,781
Interest income	3,838	300	601	3	83	4,826	(411)	4,415
Interest expenses	2,698	3,757	954	408	736	8,555	216	8,771
Share of profit (or loss) of entities accounted for using equity method	1,490	1,157	—	812	14,079	17,539	—	17,539
Investment into entities accounted for using equity method	88,197	5,040	264	5,205	186,524	285,232	(1,188)	284,043
Increase in property, plant and equipment and intangible assets	19,015	18,055	12,740	1,921	3,958	55,690	3,187	58,878

Notes:

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(13,786) million includes elimination of intersegment transactions of ¥(2,453) million and corporate expenses not allocated to each reporting segment of ¥(11,332) 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 ¥39,233 million includes the elimination of intersegment transactions of ¥(88,444) million and corporate assets of ¥127,677 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. The company has started operating a global cash management system from current fiscal year with the aim of improving funding efficiency across the group companies. As a result, all corporate funding is centrally managed at the headquarters. Therefore, since segment liabilities are not used for decision-making regarding the allocation of management resources, we do not disclose the amounts of liabilities for each reporting segment.
5. “Increase in property, plant and equipment and intangible assets” doesn't include increase in assets for business combination.
6. “Adjustment amount” of ¥3,187 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.
7. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.

Related Information**Previous 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

(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

Current fiscal year (From April 1, 2024 to March 31, 2025)**(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		
840,950	121,112	128,477	226,966	623,234	21,335	1,962,076

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia		Other	Total
			Indonesia	Other		
352,725	18,291	38,775	2,083	23,507	3,059	438,443

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, 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	428,349	Metals Business

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

Previous 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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(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	114	12,906	384	—	53	13,459	34	13,494

Note: Adjustment amount of ¥34 million of impairment loss consists mainly of impairment loss on common assets.

Information about amortized and unamortized amounts of goodwill by reporting segments

Previous 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

Current fiscal year (From April 1, 2024 to March 31, 2025)

(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	—	548	1,228	—	4	1,781	—	1,781
Unamortized balance at end of period	—	5,469	27,352	—	2	32,823	—	32,823

[Related Parties Information]

1. Transactions with related parties

Previous 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%	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.

Current fiscal year (From April 1, 2024 to March 31, 2025)

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%	Financial Support	Execution of loans (Note 1)	2,684	Short-term loans receivable	969
									Long-term loans receivable	33,218
							Interest income (Note 2)	2,555	Current assets other	3,350

Transaction terms and policies for determining transaction terms, etc.

Notes:

1. Execution of loans records the net amount of the loan amount and the repayment amount.
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 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 fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Total current assets	306,573	288,233
Total non-current assets	506,421	518,865
Total current liabilities	211,023	190,367
Total non-current liabilities	185,760	192,022
Total net assets	416,210	424,707
Net sales	585,298	561,037
Profit before income taxes	42,844	50,023
Net Profit	24,585	30,298

[Per Share Information]

(Unit: yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net assets per share	5,003.75	5,183.34
Profit per share	228.07	260.82

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 fiscal year. The number of treasury shares were 859 thousand at the end of the previous fiscal year and 830 thousand at the end of the current fiscal year. Of these, the number of treasury shares of the Company held by Board Incentive Plan Trust were 220 thousand shares for the previous fiscal year and 184 thousand shares for the current fiscal year.
2. Diluted profit per share for the current fiscal year is not provided because there is no dilutive share.
3. Profit per share is calculated based on the following items:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Profit per share		
Profit attributable to owners of parent (Unit: Millions of yen)	29,793	34,076
Amount not attributable to common shareholders (Unit: Millions of yen)	—	—
Profit attributable to common shareholders of owners of parent (Unit: Millions of yen)	29,793	34,076
Average number of shares issued during period (Unit: Thousand shares)	130,633	130,653

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 fiscal year. The weighted-average treasury shares were 855 thousand during the previous fiscal year and 836 thousand during the current fiscal year. Of these, the weighted-average treasury shares of the Company held by Board Incentive Plan Trust were 223 thousand shares during the previous fiscal year and 193 thousand shares during the current fiscal year.

[Significant Subsequent Events]

Not applicable

(5) Consolidated Supplemental Schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance as of March 31, 2024 (Millions of yen)	Balance as of March 31, 2025 (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	—	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	20,000	0.863	None	November 29, 2028
Mitsubishi Materials Corporation	39th unsecured bonds	April 24, 2024	—	15,000	0.856	None	April 24, 2029
Mitsubishi Materials Corporation	40th unsecured bonds	April 24, 2024	—	5,000	1.054	None	April 24, 2031
Total		—	(10,000) 90,000	100,000	—	—	—

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
—	30,000	10,000	30,000	15,000

Schedule of borrowings

Classification	Balance as of March 31, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	143,899	186,412	1.9	—
Current portion of long-term borrowings	38,872	121,933	1.6	—
Current portion of lease obligations	3,530	2,618	—	—
Long-term borrowings (excluding current portion)	315,391	184,753	0.8	2026 to 2038
Lease obligations (excluding current portion)	24,866	7,586	—	2026 to 2053
Other interest bearing liabilities				
Current portion of commercial papers	15,000	—	—	—
Employees' saving deposit	7,395	6,966	0.5	—
Guarantee deposits received	643	908	0.6	—
Total	549,599	511,180	—	—

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	34,350	19,783	15,986	25,967
Lease obligations	1,491	1,032	714	446

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 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 fiscal year.

2. Other

Quarterly financial information etc. for the current fiscal year

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales (Millions of yen)	513,701	989,592	1,483,695	1,962,076
Profit before income taxes (Millions of yen)	27,598	32,086	64,166	49,963
Profit attributable to owners of parent (Millions of yen)	20,954	24,669	49,173	34,076
Profit per share (yen)	160.41	188.83	376.37	260.82

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Profit (loss) per share (yen)	160.41	28.43	187.54	(115.55)

Notes:

The company prepares quarterly financial information for the first and third quarters in accordance with the regulations established by the financial instruments exchange. However, we do not receive an interim review of the financial information related to these quarters.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 24, 2025

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, 2025, 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, 2024 to March 31, 2025, 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, 2025, 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the

consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Enterprise Value Assessment related to the Acquisition of Shares in H.C. Starck Holding (Germany) GmbH.	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in “Business Combinations,” to the consolidated financial statements, the Group acquired all shares of H.C. Starck Holding (Germany) GmbH. (“HCSHD”), which operates the tungsten products business, through its consolidated subsidiary, Mitsubishi Materials Europe B.V., on December 17, 2024 for ¥21,197 million and recorded goodwill of ¥27,319 million in conjunction with this acquisition.</p> <p>Mitsubishi Materials Corporation (“the Company”) allocates the acquisition cost to the identifiable assets and liabilities of HCSHD based on their estimated fair values as of the deemed acquisition date, December 31, 2024, in the consolidated financial statements. If the acquisition cost exceeds the net amount allocated to the identifiable assets and liabilities, the excess amount is recognized as goodwill.</p> <p>As of the end of the current fiscal year, the identification of identifiable assets and liabilities and the determination of their fair value have not been completed, and the allocation of the acquisition cost has not been finalized. Accordingly, the Company is applying provisional accounting treatment based on the reasonable information available at the end of the current fiscal year.</p> <p>In acquiring the shares of HCSHD, the Company utilized external experts to conduct various due diligence processes. Additionally, the Company assessed the enterprise value using a combination of the discounted cash flow method, based on the future cash flows from the medium-term management plan of HCSHD, and the multiples method, which served as the basis for determining the share acquisition cost.</p> <p>The medium-term management plan of HCSHD includes key assumptions such as increased scrap utilization rate in tungsten production, cost reduction through production efficiency, and synergies from leveraging the Group’s value chain, all of which are influenced by management’s judgment. Additionally, estimating the discount rate requires advanced expertise.</p> <p>This business combination is significant in terms of its monetary value, and transactions of this scale do not occur regularly. Furthermore, the assumptions included in the medium-term management plan and the applicable discount rate involve management’s estimates and judgments. Moreover, the enterprise value that served as the basis for determining the share acquisition cost significantly impacts the allocation of acquisition costs to identifiable assets and liabilities, and the resulting</p>	<p>In order to assess the appropriateness of the enterprise value assessment related to the acquisition of shares in HCSHD, we performed the following audit procedures, among others. These included involving the auditor of HCSHD, directing, supervising, and reviewing their work as part of the audit procedures performed.</p> <p>(1) Internal control testing We evaluated the design effectiveness and tested implementation of certain internal controls related to the decision-making process for stock acquisition based on the Group’s business strategy, including due diligence, test of assumptions included in the discount rate and the medium-term management plan, and determination of the acquisition cost.</p> <p>(2) Evaluation of the appropriateness of the enterprise value assessment</p> <ul style="list-style-type: none"> ● We inspected relevant meeting minutes and conducted inquiries with management to understand the purpose of the stock acquisition, the business activities of the acquired company, and its business environment. ● We inspected relevant meeting minutes and made inquiries with management to examine the significant assumptions considered in the formulation of the medium-term management plan used as the basis for the valuation of HCSHD. In particular, we examined the consistency of significant assumptions such as the increased scrap utilization rate in tungsten production, cost reduction through production efficiency, and synergies from leveraging the Group’s value chain with forecasts of future market conditions published by external organizations. We also compared these assumptions with past performance and conducted inquiries with management and inspected meeting minutes to evaluate their reasonableness. ● With the assistance of our valuation specialists, we conducted a comparison of significant assumptions such as the discount rate with available external data and performed a sensitivity analysis through independent recalculations.

<p>goodwill amount that is recognized in the subsequent fiscal year.</p> <p>Based on these considerations, we identified the appropriateness of the enterprise value assessment related to the acquisition of shares in HCSHD as a key audit matter because it is significant in our audit of the consolidated financial statements for the current fiscal year.</p>	
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Reasonableness of the Future Cash Flow Estimates for the Valuation of Fixed Assets at Wakamatsu Plant	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>Out of the total tangible and intangible fixed assets amounting to ¥491,561 million recorded on the Group's consolidated balance sheet, ¥ 9,912 million belongs to the fixed assets of the Wakamatsu plant, which is part of the copper alloy products business in the Advanced Products segment ("asset group"). Furthermore, as indicated in the "Impairment Loss," under the "Consolidated Statement of Income", an impairment loss of ¥8,807 million has been recorded for this asset group.</p> <p>At the end of the current fiscal year, the Company assessed indications of impairment for each asset group. It determined that there were indicators of impairment for the asset group due to a significant deterioration in the business environment, which led to a substantial downward deviation from the initially planned production and sales volume, thus reducing profitability. In determining whether to recognize the impairment loss, the Company compared the total undiscounted future cash flows expected to be generated from the asset group with its carrying amount. As the undiscounted future cash flows were found to be lower than the carrying amount, the Company measured the impairment loss by reducing the carrying amount to the recoverable amount and recorded an impairment loss of ¥ 8,807 million. Furthermore, the Company used the value in use, which was calculated by discounting the future cash flows, as the recoverable amount for the asset group.</p> <p>For the asset group, the estimation of the future cash flows based on its medium-term management plan used for determining whether to recognize an impairment loss and measuring the impairment loss includes significant assumptions. These key assumptions primarily involve the forecasted sales volume based on the product demand outlook, assumptions regarding manufacturing costs, and the net realized value of the constituent assets within the asset group at the end of their economic useful lives. The performance of the Company's copper alloy products business is significantly affected by factors such as the downturn in automotive-related demand, soaring logistics, personnel, and energy costs, thereby increasing the uncertainty of future outlooks. As such,</p>	<p>In order to assess the reasonableness of the future cash flow estimates for the valuation of fixed assets at the Wakamatsu plant, we performed the following audit procedures, among others:</p> <p>(1) Evaluation of Internal Controls We evaluated the design and operating effectiveness of internal controls related to the valuation of fixed assets. The evaluation specifically focused on controls aimed at preventing or detecting the adoption of unreasonable assumptions in the estimation of future cash flows.</p> <p>(2) Evaluation of the Reasonableness of the Future Cash Flow Estimates:</p> <ul style="list-style-type: none"> ● We inspected the budgets and medium-term management plan approved by management and conducted inquiries with management and performed a retrospective review over the budgets by comparing actual results to management's historical forecasts. ● To assess the reasonableness of the sales volume forecasts, we examined the consistency of the product demand outlook, which serves as the basis for the future cash flow estimates, with data published by external organizations. ● We conducted a trend analysis using historical performance data to evaluate the reasonableness of the assumptions regarding manufacturing costs. ● We performed a sensitivity analysis to determine the sufficiency of the future cash flows, considering future uncertainties related to significant assumptions such as sales volume forecasts and manufacturing cost assumptions. ● To evaluate the reasonableness of the estimation period for the future cash flows, we compared it with the economic remaining useful life of the key assets. ● With the assistance of our valuation specialists, we assessed the appraisal value included in the basis for calculating the net realizable value of the constituent assets within the asset group at the end of their economic useful lives and inspected the appraisal techniques and appraisal results based on

<p>management's judgments concerning these factors have a significant impact on the estimation of the future cash flows.</p> <p>Based on the above, we identified the reasonableness of the future cash flow estimates for the valuation of fixed assets at the Wakamatsu plant as a key audit matter because it is significant in our audit of the consolidated financial statements for the current fiscal year.</p>	<p>real estate appraisal standards.</p> <ul style="list-style-type: none"> ● With the assistance of our valuation 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.
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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 ¥32,823 million in the consolidated balance sheet as of March 31, 2025. Included therein was goodwill of ¥5,075 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 (“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. In the current fiscal year, Luvata Oy conducted an impairment test and recorded an impairment loss of ¥1,135 million because the recoverable amount was less than the carrying amount.</p> <p>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</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 estimate the 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 external valuation specialists, 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. ● 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

<p>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 such as the policy interest rates, in the countries where Luvata Group companies are located, are at a high level.</p> <p>Therefore, we identified the reasonableness of the estimated value in use related to the valuation of goodwill recognized in Luvata Oy as a key audit matter because it is significant in our audit of the consolidated financial statements for the current fiscal year.</p>	<p>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.</p> <ul style="list-style-type: none"> ● 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 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, 2025, 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.