Consolidated Financial Statements

Mitsubishi Materials Corporation and consolidated subsidiaries

For the year ended March 31,2026

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, 2026".

・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:

Onahama Smelting & Refining Co.,Ltd., Mitsubishi Materials Chile SpA, Luvata Oy, Mitsubishi Cable Industries, Ltd., MOLDINO Tool Engineering, Ltd., Mitsubishi Materials U.S.A. Corp, Mitsubishi Materials Tools Europe GmbH (formerly MMC Hardmetal Europe Holdings GmbH), H.C. Starck Holding (Germany) GmbH,
Appi Geothermal Energy Corporation, Mitsubishi Materials Techno Corporation, Mitsubishi Materials Trading Corporation, Mitsubishi Materials Europe B.V.

The names of major affiliates accounted for using the equity method are as follows:

PT. Smelting, Mantoverde S.A., Elemental USA E-Waste & ITAD, Inc., Yuzawa Geothermal Power Corporation, LM Sun Power Co, Ltd., Green Cycle Corporation, Mitsubishi UBE Cement Corporation.

Consolidated Financial Statements, etc.

1. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous Fiscal Year (As of March. 31, 2025)	Current Fiscal Year (As of March. 31, 2026)
Assets		
Current assets		
Cash and deposits	*6 91,605	*6 123,019
Notes receivable – trade	23,309	25,508
Accounts receivable – trade	171,045	*6 198,349
Merchandise and finished goods	151,718	203,710
Work in process	141,312	184,670
Raw materials and supplies	190,399	221,644
Leased gold bullion	*8 463,727	*8 813,829
Gold bullion in custody	*8 129,505	*8 138,579
Other	102,212	*6 156,364
Allowance for doubtful accounts	(530)	(682)
Total current assets	1,464,306	2,064,993
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*6 154,987	*6 159,206
Machinery, equipment and vehicles, net	157,529	143,976
Land, net	*6 88,908	*6 88,727
Construction in progress	22,609	23,703
Other, net	19,801	18,919
Total property, plant and equipment	*1, *3, *6 443,836	*1, *3, *6 434,533
Intangible assets		
Goodwill	23,577	19,599
Other	28,210	27,341
Total intangible assets	51,788	46,940
Investments and other assets		
Investment securities	*2, *6 310,772	*2, *6 330,663
Long-term loans receivable	33,886	35,124
Retirement benefit asset	25,282	32,980
Deferred tax assets	24,919	22,317
Other	*2 24,494	*2, *6 32,301
Allowance for doubtful accounts	(766)	(770)
Total investments and other assets	418,590	452,616
Total non-current assets	914,215	934,090
Deferred assets		
Business commencement expenses	887	661
Total deferred assets	887	661
Total assets	2,379,409	2,999,744

(Unit: Millions of yen)

	Previous Fiscal Year (As of March. 31, 2025)	Current Fiscal Year (As of March. 31, 2026)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	99,426	123,608
Short-term borrowings	*6 308,345	281,845
Commercial papers	—	70,000
Current portion of bonds payable	—	30,000
Income taxes payable	4,396	8,710
Provision for bonuses	11,920	14,930
Provision for loss on disposal of inventories	772	862
Deposited gold bullion	*8 773,036	*8 1,239,178
Other	99,435	102,853
Total current liabilities	1,297,333	1,871,989
Non-current liabilities		
Bonds payable	100,000	110,000
Long-term borrowings	*6 184,753	*6 160,225
Deferred tax liabilities	14,985	18,972
Deferred tax liabilities for land revaluation	*7 7,667	*7 7,664
Provision for loss on business of subsidiaries and affiliates	73	69
Provision for environmental measures	14,120	13,078
Provision for directors' retirement benefits	422	429
Provision for share based compensation plan	456	476
Retirement benefit liability	41,208	38,791
Other	25,112	25,069
Total non-current liabilities	388,798	374,776
Total liabilities	1,686,132	2,246,766
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	81,745	81,745
Retained earnings	379,339	406,922
Treasury shares	(2,828)	(2,788)
Total shareholders' equity	577,714	605,338
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,894	12,127
Deferred gains or losses on hedges	972	3,315
Revaluation reserve for land	*7 15,670	*7 15,623
Foreign currency translation adjustment	57,698	74,045
Remeasurements of defined benefit plans	17,300	25,661
Total accumulated other comprehensive income	99,535	130,773
Non-controlling interests	16,026	16,866
Total net assets	693,276	752,978
Total liabilities and net assets	2,379,409	2,999,744

(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, 2024 - Mar. 31, 2025)	Current Fiscal Year (Apr. 1, 2025 - Mar. 31, 2026)
Net sales	*1 1,962,076	*1 1,844,053
Cost of sales	*2, *3 1,795,431	*2, *3 1,645,083
Gross profit	166,645	198,969
Selling, general and administrative expenses	*4, *5 129,526	*4, *5 138,466
Operating profit	37,118	60,502
Non-operating income		
Interest income	4,415	3,694
Dividend income	20,197	23,491
Share of profit of entities accounted for using equity method	17,539	21,201
Foreign exchange gains	―	5,735
Rental income from non-current assets	3,824	4,200
Other	2,640	2,714
Total non-operating income	48,618	61,038
Non-operating expenses		
Interest expenses	8,771	9,490
Expense for the maintenance and management of abandoned mines	4,170	4,136
Rental expenses on non-current assets	2,741	2,728
Loss on retirement of non-current assets	2,090	1,913
Foreign exchange losses	2,572	―
Other	5,154	5,715
Total non-operating expenses	25,501	23,983
Ordinary profit	60,235	97,556
Extraordinary income		
Gain on sale of businesses	―	2,400
Gain on sales of investment securities	3,927	2,253
Gain on change in equity	7,649	―
Other	1,084	1,078
Total extraordinary income	12,661	5,731
Extraordinary losses		
Impairment loss	*6 13,494	*6 30,335
Extra retirement payments	444	2,612
Other business restructuring expenses	–	*7 3,989
Provision for environmental measures	4,510	―
Other	4,483	4,548
Total extraordinary losses	22,933	41,487
Profit before income taxes	49,963	61,801
Income taxes – current	9,392	14,038
Income taxes – deferred	214	748
Total income taxes	9,606	14,787
Profit	40,357	47,013
Profit attributable to non-controlling interests	6,280	6,432
Profit attributable to owners of parent	34,076	40,581

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)	Current Fiscal Year (Apr. 1, 2025 - Mar. 31, 2026)
Profit	40,357	47,013
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,251)	2,106
Deferred gains or losses on hedges	(1,808)	2,555
Revaluation reserve for land	(218)	—
Foreign currency translation adjustment	241	12,437
Remeasurements of defined benefit plans	6,998	7,695
Share of other comprehensive income of entities accounted for using equity method	1,739	6,759
Total other comprehensive income	* 4,699	* 31,554
Comprehensive income	45,056	78,568
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	36,835	71,865
Comprehensive income attributable to non-controlling interests	8,221	6,702

(3) Consolidated Statement of Changes in Net Assets

Previous 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)
Change in scope of consolidation			(604)		(604)
Purchase of treasury shares				(20)	(20)
Disposal of treasury shares		(0)		90	90
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)
Change in scope of consolidation								(604)
Purchase of treasury shares								(20)
Disposal of treasury shares								90
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

Current fiscal year (From April 1, 2025 to March 31, 2026)

(Unit: Millions of yen))

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2025	119,457	81,745	379,339	(2,828)	577,714
Changes during the period					
Cash dividends			(13,084)		(13,084)
Profit attributable to owners of Parent			40,581		40,581
Reversal of revaluation reserve for land			46		46
Change in scope of consolidation			40		40
Purchase of treasury shares				(22)	(22)
Disposal of treasury shares		(0)		62	62
Net changes in items other than shareholders' equity					
Total changes during the period	—	(0)	27,583	40	27,623
Balance as of March 31, 2026	119,457	81,745	406,922	(2,788)	605,338

	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, 2025	7,894	972	15,670	57,698	17,300	99,535	16,026	693,276
Changes during the period								
Cash dividends								(13,084)
Profit attributable to owners of Parent								40,581
Reversal of revaluation reserve for land								46
Change in scope of consolidation								40
Purchase of treasury shares								(22)
Disposal of treasury shares								62
Net changes in items other than shareholders' equity	4,233	2,343	(46)	16,346	8,361	31,238	839	32,077
Total changes during the period	4,233	2,343	(46)	16,346	8,361	31,238	839	59,701
Balance as of March 31, 2026	12,127	3,315	15,623	74,045	25,661	130,773	16,866	752,978

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)	Current Fiscal Year (Apr. 1, 2025 - Mar. 31, 2026)
Cash flows from operating activities		
Profit before income taxes	49,963	61,801
Depreciation	45,503	47,494
Amortization of goodwill	1,781	2,392
Increase (decrease) in allowance for doubtful accounts	(103)	136
Increase (decrease) in provision for environmental measures	1,997	(1,042)
Increase (decrease) in provision for retirement benefits and retirement benefits for directors	(3,075)	(3,718)
Interest and dividend income	(24,613)	(27,185)
Interest expenses	8,771	9,490
Foreign exchange losses (gains)	901	319
Share of loss (profit) of entities accounted for using equity method	(17,539)	(21,201)
Gain on change in equity	(7,649)	—
Loss (gain) on sales of non-current assets	(119)	133
Loss on retirement of non-current assets	2,090	1,913
Impairment loss	13,494	30,335
Loss (gain) on sales of investment securities	(3,917)	(718)
Loss (gain) on valuation of investment securities	1,146	50
Decrease (increase) in notes and accounts receivable – trade	14,029	(23,265)
Decrease (increase) in inventories	(47,155)	(117,669)
Proceeds from sales of gold bullion	149,985	209,927
Payment for purchase of gold bullion	(129,699)	(150,161)
Decrease (increase) in other current assets	4,531	(2,200)
Increase (decrease) in notes and accounts payable – trade	3,709	18,802
Increase (decrease) in accrued expenses	(2,078)	(4,527)
Increase (decrease) in other current liabilities	(9,057)	4,306
Increase (decrease) in other non-current liabilities	1,641	(879)
Other, net	(4,957)	(5,547)
Sub-total	49,583	28,985
Interest and dividend received	26,268	29,517
Interest paid	(8,773)	(9,490)
Income taxes (paid) refund	(8,189)	(9,337)
Net cash provided by (used in) operating activities	58,889	39,674

(Unit: Millions of yen)

	Previous Fiscal Year (Apr. 1, 2024 - Mar. 31, 2025)	Current Fiscal Year (Apr. 1, 2025 - Mar. 31, 2026)
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(56,077)	(48,897)
Proceeds from sales of property, plant and equipment	431	1,055
Payment for purchase of intangible assets	(4,212)	(2,748)
Payment for purchase of investment securities	(367)	(8,576)
Proceeds from sales of investment securities	13,997	3,447
Proceeds from withdrawal of investment securities	12,292	15,151
Payment for purchase of subsidiaries' shares	(4,733)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (33,646)	(1,245)
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	1,903	—
Proceeds from transfer of business	—	2,400
Payment for loans	(3,407)	(330)
Proceeds from collection of loans	877	1,214
Other, net	(6,439)	3,499
Net cash provided by (used in) investing activities	(79,383)	(35,030)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	41,528	48,823
Proceeds from long-term borrowings	16,049	10,301
Repayment of long-term borrowings	(43,390)	(124,594)
Proceeds from issuance of bonds	20,000	40,000
Payment for redemption of bonds	(10,000)	—
Net increase (decrease) in commercial papers	(15,000)	70,000
Payment for purchase of treasury shares	(20)	(22)
Cash dividends paid	(12,692)	(13,084)
Cash dividends paid to non-controlling interests	(7,493)	(6,531)
Other, net	(2,189)	(1,647)
Net cash provided by (used in) financing activities	(13,208)	23,244
Effect of exchange rate changes on cash and cash equivalents	2,280	5,365
Net increase (decrease) in cash and cash equivalents	(31,421)	33,255
Cash and cash equivalents at beginning of period	131,143	88,642
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(11,079)	(148)
Cash and cash equivalents at end of period	*1 88,642	*1 121,749

Notes to Consolidated Financial Statements

[Basis of Preparation of Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 99

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

In the current fiscal year, UFP S.R.L. has been included in the scope of consolidation because its shares were newly acquired.
Chemische Fabriken Oker und Braunschweig Aktiengesellschaft, because it carried out an absorption-type merger with H.C. Starck Holding (Germany) GmbH as the surviving company, MMC HARTMETALL GmbH, because it carried out an absorption-type merger with Mitsubishi Materials Tools Europe GmbH (formerly MMC Hardmetal Europe Holdings GmbH) as the surviving company, and MMC HARDMETAL (Thailand)CO.,LTD., because it carried out an absorption-type merger with Mitsubishi Materials (Thailand) Co., Ltd. (formerly MMC Tools (Thailand) Co., Ltd.) as the surviving company, have been excluded from the scope of consolidation. MATERIALS ECO-REFINING Co.,Ltd., Qingdao EcobrassCo.,Ltd., MMC Electronics (Hong Kong) Ltd., KITAKYUSHU ASH RECYCLE SYSTEMS, Zhejiang TMTEC Trading Corporations, have been excluded from consolidation due to liquidation. TMK Co.,Ltd. (formerly TOI MARINE KANKO Co.,Ltd.) has been excluded from the scope of consolidation because its materiality has decreased due to the transfer of tourism business.

(2) Name of major non-consolidated subsidiaries

Major non-consolidated subsidiary
Mitsubishi Materials Brasil Ltda. (formerly 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, Elemental USA E-Waste & ITAD, Inc. has been included in the scope of equity-method application due to our acquisition of shares in the company.
Copper Mountain Mine (BC) Ltd. has been excluded from the scope of equity-method application because MM Copper Corporation sold its entire equity interest in Copper Mountain Mine (BC) Ltd.

(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 Company's 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 Company's closing date.
The applicable major consolidated subsidiaries are as follows:
Closing date: December 31
MM Copper Corporation, Mitsubishi Materials Chile SpA, UFP S.R.L., H.C. Starck Holding (Germany) GmbH and 11 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 primally 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 are entered into for the purpose of limiting exchange rate fluctuation risk in foreign currency transactions.

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, 2025)

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

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 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 ¥18,073 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 previous fiscal year

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

In the consolidated balance sheet for the previous fiscal year, the Company reported property, plant and equipment of ¥443,836 million and other intangible assets of ¥28,210 million. In addition, an impairment loss of ¥12,358 million is recorded in the consolidated statement of profit or loss for the previous 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 previous fiscal year

In the consolidated balance sheet for the previous 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.

Current fiscal year (As of March 31, 2026)

(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

The Company acquired all shares of H.C. Starck Holding (Germany) GmbH ("HCSHD"), a company engaged in the tungsten business, on December 17, 2024, for ¥21,197 million. Although provisional accounting treatment had been applied in the previous consolidated fiscal year, the allocation of the acquisition cost was finalized in the current fiscal year. As a result, goodwill of ¥19,191 million was recognized in the consolidated balance sheet as of the end of the current fiscal year.

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

Goodwill acquired through the business combination transaction with HCSHD was considered to have an indication of impairment because a relatively significant portion of the acquisition cost was allocated to intangible assets, including goodwill. Accordingly, the necessity of recognizing an impairment loss was assessed by comparing the total amount of undiscounted future cash flows with the carrying amount.

The business plan of HCSHD includes key assumptions such as an increase in the scrap utilization rate in tungsten production at manufacturing sites in Europe and Canada, with the resulting reductions in production costs, as well as an increase in future sales volume in China.

The timing and amount of future cash flows may be affected by changes in uncertain economic conditions, and if there are changes in 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 ¥434,533 million and other intangible assets of ¥27,341 million. In addition, an impairment loss of ¥25,748 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 determines 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 ¥22,317 million.

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

Deferred tax assets are estimated based on the timing and amount of future taxable income in accordance with future business plans. 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.

[New Accounting Standard not Adopted as Yet]
1. Accounting standards for Leases and related guidance
"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),etc.

(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.

2. Accounting standards for Subsequent Events and related guidance
"Accounting Standard for Subsequent Events" (ASBJ Statement No. 41, January 9, 2026, ASBJ)
"Guidance on Accounting Standard for Subsequent Events" (ASBJ Guidance No. 35, January 9, 2026, ASBJ)

(1) Overview

The accounting standards for subsequent events were developed with priority given to establishing comprehensive accounting standards that address the definition, accounting treatment and disclosure of subsequent events. As a basic policy, the accounting-related provisions set forth in Practical Guideline No. 1 to Auditing and Assurance Standards Committee Statement No. 560, "Audit Considerations for Subsequent Events," issued by the Japanese Institute of Certified Public Accountants, were in principle carried over and transferred to the Accounting Standards Board of Japan. These standards prescribe the accounting treatment and disclosure of subsequent events through revisions to the wording, clarification of the evaluation period, and the introduction of disclosure requirements such as a note regarding the approval of the issuance of financial statements.

(2) Scheduled date of application

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

[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 ¥457 million and 184 thousand shares respectively at the end of the previous fiscal year, and ¥395 million and 159 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, 2025)	Current fiscal year (As of March 31, 2026)
Accumulated depreciation of property, plant and equipment	750,745	776,921

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

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Investment securities (shares)	298,143	314,580
(including the amount invested in joint venture in shares of affiliates)	191,855	195,731
Other (investments and other assets) (investment in capital)	581	522
(including the amount invested in joint venture in other)	0	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, 2025)	Current fiscal year (As of March 31, 2026)
Amount of reduction entry by direct reduction method	656	22

4. Debt guarantees

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

(Unit: Millions of yen)

Previous fiscal year (As of March 31, 2025)		Current fiscal year (As of March 31, 2026)	
Yuzawa Geothermal Power Corporation	1,012	Mantoverde S.A.	21,583
Employees	1,032	Yuzawa Geothermal Power Corporation	900
		Employees	837
		Other (1 company)	98
Total	2,045	Total	23,420

5. Notes receivable – trade discounted, etc.

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Notes receivable - trade discounted	1,835	–
Notes and accounts receivable - trade securitized with recourse	646	1,067

(*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, 2025)	Current fiscal year (As of March 31, 2026)
Cash and deposits(*a)	6,138	4,838
Accounts receivable – trade	―	387
Property, plant and equipment (*b)	3,353	3,251
Investment securities	6,859	36,496
Other (Current assets)	―	38
Other (Investments and other assets)	―	846
Total	16,351	45,859

Liabilities secured by the collateral are as follows:

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Short-term borrowings	70	―
Long-term borrowings (*b)	17,233	15,597
(Current portion of long-term borrowings	1,635	1,435)
Total	17,303	15,597

(*a) Cash and deposits of ¥6,125 million in the previous fiscal year and ¥4,824 million in the current fiscal year are provided as collateral for derivative transactions (interest rate swap transactions), in addition to 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, 2025)	Current fiscal year (As of March 31, 2026)
Buildings and structures, net	904	824
Land, net	2,426	2,426
Total	3,330	3,251

Liabilities corresponding to the above

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Long-term borrowings	733	366
(Current portion of long-term borrowings	366	166)
Total	733	366

(*7) Revaluation reserve for land

Previous 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

Current fiscal year (As of March 31, 2026)

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: ¥(7,004) 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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
7,523	(3,472)

(*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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
(0)	(2)

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

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Transportation and storage	17,578	17,420
Depreciation and amortization	6,370	8,136
Retirement benefit expenses	1,273	1,739
Provision for directors' retirement benefits	269	311
Provision for bonuses	9,133	10,110
Salaries	32,829	35,412
Outsourcing expenses	11,344	13,204
Rental expenses	5,939	5,773
Research and development expenses	8,152	8,541

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

(Unit: Millions of yen)

Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
8,152	8,541

(*6) 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, etc. are classified by individual asset unit. The impact on segments is presented in the relevant part.

Previous 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. The Company 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 are 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)
(Overview of assets groups for which impairment loss was recognized)

Utilization of assets	Location	Type	Impairment loss (Millions of yen)
Metal Business	Iwaki, Fukushima prefecture	Buildings, Machinery and equipment, etc.	20,361
Advanced Products	Pori, Finland, etc.	Machinery and equipment, Goodwill, etc.	7,303
Metalworking Solution Business	West Java, Indonesia, etc.	Buildings, Machinery and equipment, etc.	1,699
Renewable Energy Business	Kazuno, Akita prefecture	Construction in progress	629
Other Businesses	Sunto-gun, Shizuoka prefecture	Buildings, etc.	2
Rental property	Sannnohe-gun, Aomori prefecture	Buildings, Land, etc.	103
Idle assets	Iwaki, Fukushima prefecture, etc.	Machinery and equipment, Tools and Furniture and fixtures, etc.	236
Total			30,335

(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 ¥30,335 million in extraordinary losses.
・Breakdown of impairment loss by account titles
Buildings: ¥4,020 million, Structures ¥875 million, Machinery and equipment: ¥17,104 million, Construction in progress: ¥2,636 million, Land: ¥280 million, Goodwill: ¥4,587 million, Software in progress: ¥597 million, Other: ¥234 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 10.0%.

(The valuation of fixed assets accounted for at Onahama Smelting & Refining Co.,Ltd.)
Since the commencement of operations at the Onahama Smelter & Refinery, Japan's first joint copper smelter, in 1965, Onahama Smelting and Refining Co., Ltd. has been producing copper cathode using copper concentrates, a primary raw material, as its main feedstock for more than 60 years, while expanding, updating and improving its facilities. However, the external environment surrounding the copper smelting business has become increasingly competitive with overseas smelters, and the terms for purchasing copper concentrates from mining companies (TC/RC) have deteriorated significantly, making the future outlook uncertain. Amid these circumstances, Onahama Smelting and Refining Co., Ltd. has been striving to secure profitability by implementing cost reduction measures, such as cutting fixed costs by suspending some processes. However, the Company has decided to suspend the processing of copper concentrates and the operation of related smelting facilities at the Onahama Smelter & Refinery by the end of March 2027 as part of its fundamental structural reforms.
As a result of comparing the total amount of undiscounted future cash flows to be obtained from the asset group with the carrying amount, the undiscounted future cash flows fell below the carrying amount. In measuring impairment losses, the carrying amount was reduced to the recoverable amount, and an impairment loss of ¥20,236 million was recorded.

(The valuation of fixed assets accounted for at Luvata Oy)
Luvata Oy adopts International Financial Reporting Standards (IFRS). Regardless of whether there are indications of impairment, groups of cash-generating units including goodwill undergo an impairment test every fiscal year. If the recoverable amount falls below the carrying amount, the carrying amount is reduced to the recoverable amount, and the reduction is recognized as an impairment loss. The recoverable amount is the higher of value in use or fair value less costs of disposal.
As a result of the impairment test for the fiscal year under review, the recoverable amount fell below the carrying amount, resulting in the recognition of an impairment loss of ¥4,587 million. This was mainly due to the recognition

of impairment losses resulting from an increase in the carrying amount, primarily attributable to an increase in working capital due to a rise in copper prices.

(*7) Other business restructuring expenses

In line with the decision to suspend the processing of copper concentrates and the operation of related smelting facilities at Onahama Smelting and Refining Co., Ltd. by the end of March 2027, a valuation loss was recorded on supplies held by the company that are not expected to be used in the future.

[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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Valuation difference on available-for-sale securities		
Gains (losses) incurred during period	(1,448)	5,312
Reclassification adjustment to net income	(1,771)	(2,227)
Amount before income taxes and tax effect	(3,219)	3,085
Income taxes and tax effect	967	(978)
Valuation difference on available-for-sale securities	(2,251)	2,106
Deferred gains or losses on hedges		
Gains (losses) incurred during period	(9,492)	(20,580)
Reclassification adjustment to net income	7,491	24,618
Amount before income taxes and tax effect	(2,001)	4,037
Income taxes and tax effect	192	(1,482)
Deferred gains or losses on hedges	(1,808)	2,555
Revaluation reserve for land		
Income taxes and tax effect	(218)	―
Foreign currency translation adjustment:		
Gains (losses) incurred during period	6,498	12,994
Reclassification adjustment to net income	(8,185)	(557)
Amount before income taxes and tax effect	(1,687)	12,437
Income taxes and tax effect	1,928	―
Foreign currency translation adjustment	241	12,437
Remeasurements of defined benefit plans:		
Gains (losses) incurred during period	10,971	11,385
Reclassification adjustment to net income	(635)	(1,000)
Amount before income taxes and tax effect	10,336	10,385
Income taxes and tax effect	(3,338)	(2,689)
Remeasurements of defined benefit plans	6,998	7,695
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) incurred during period	2,201	9,963
Reclassification adjustment to net income	(462)	(3,203)
Share of other comprehensive income of entities accounted for using equity method	1,739	6,759
Total other comprehensive income	4,699	31,554

[Consolidated Statement of Changes in Net Assets]

Previous 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

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)	830,439	6,687	25,032	812,094
Total	830,439	6,687	25,032	812,094

(*1) The number of treasury shares in common shares includes 159,209 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 6,687 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 202 shares

Decrease due to the Board Incentive Plan Trust 24,830 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 16, 2025 Board of Directors	Common shares	6,542	50.0	March 31, 2025	June 11, 2025
November 11, 2025 Board of Directors	Common shares	6,542	50.0	September 30, 2025	December 10, 2025

(*1) 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.

(*2) The total dividend payment approved by the Board of Directors held on November 11, 2025, includes the dividend payment of ¥7 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 13, 2026 Board of Directors	Common shares	6,541	Retained earnings	50.0	March 31, 2026	June 12, 2026

(*) The total dividend payment approved by the Board of Directors held on May 13, 2026, includes the dividend payment of ¥7 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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Cash and deposits	91,605	123,019
Less time deposits with maturities over 3 months	(2,962)	(1,269)
Cash and cash equivalents	88,642	121,749

(*2) Breakdown of assets and liabilities of companies newly consolidated through share acquisitions

For the previous fiscal year (from April 1, 2024 to March 31, 2025)

As a result of acquiring shares, H.C. Starck Holding GmbH and its 12 affiliated companies (hereinafter, the “newly consolidated subsidiaries”) were newly included in consolidation. The breakdown of assets and liabilities at the time of initial consolidation, as well as the relationship between the acquisition cost of the shares of the newly consolidated subsidiaries and the net cash outflow for the acquisition, are as follows.

Current assets	23,778	million
Non-current assets	38,192	
Goodwill	18,073	
Current liabilities	(22,251)	
Non-current liabilities	(34,931)	
Non-controlling interests	(1,664)	
Acquisition price of shares	21,197	
Cash and cash equivalents	(2,353)	
Loans executed between the acquisition date and the deemed acquisition date	13,193	
Net: cash outflow due to acquisition of shares of subsidiaries accompanying changes in the scope of consolidation	32,037	

Notes:

During the current fiscal year, the provisional accounting treatment for the business combination has been finalized, and the figures for the previous fiscal year reflect material revisions to the initial allocation of the acquisition cost resulting from the finalization of the provisional accounting treatment.

[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, 2025)	Current fiscal year (As of March 31, 2026)
Within 1 year	2,259	2,214
Over 1 year	13,514	11,466
Total	15,773	13,681

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, 2025)	Current fiscal year (As of March 31, 2026)
Within 1 year	1,057	1,146
Over 1 year	2,610	2,445
Total	3,667	3,591

[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 consist of forward foreign exchange contracts for the purpose of hedging exchange rate fluctuation risk on transactions denominated in foreign currencies, commodity forward contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metals, interest rate swap transactions for the purpose of avoiding risks associated with interest rate fluctuations in borrowings and reducing funding costs. 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, commercial papers and current portion of bonds payable are omitted because they are made settlement short term and their carrying amount approximate the fair values.

Previous 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	–

Current Fiscal year (As of March 31, 2026)

(Unit: Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*1) Available-for-sale securities	9,325	9,325	–
Total assets	9,325	9,325	–
(1) Bonds payable	110,000	107,135	(2,865)
(2) Long-term borrowings	160,225	152,780	(7,444)
Total liabilities	270,225	259,915	(10,309)
Derivative transactions (*2)			
(a) Derivative to which hedge accounting is not applied	85,915	85,915	–
(b) Derivative to which hedge accounting is applied	4,848	4,848	–
Total derivative transactions	90,763	90,763	–

(*1) Stocks with no market price are not included in " (1) Investment securities ". The amounts of these financial instruments recorded on the consolidated balance sheets are as follows.

(Unit: Millions of yen)

Classification	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Shares of subsidiaries and affiliates (unlisted shares)	298,143	314,580
Available-for-sale securities (unlisted shares)	6,511	6,757

(*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 Company's closing date

Previous 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	—	—	—	—

Current fiscal year (As of March 31, 2026)

(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	123,019	—	—	—	—	—
Notes receivable – trade	25,508	—	—	—	—	—
Accounts receivable – trade	198,349	—	—	—	—	—
Investment securities						
Among other securities, those with a maturity date.						
Bonds	374	103	—	—	—	—
Total	347,252	103	—	—	—	—

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

Previous 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

Current fiscal year (As of March 31, 2026)

(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	281,845	—	—	—	—	—
Commercial papers	70,000	—	—	—	—	—
Bonds payable	30,000	40,000	30,000	15,000	10,000	15,000
Long-term borrowings	—	19,852	24,057	26,521	22,082	67,710
Total	381,845	59,852	54,057	41,521	32,082	82,710

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, 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

Current fiscal year (As of March 31, 2026)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities: Available-for-sale securities	9,325	—	—	9,325
Total assets	9,325	—	—	9,325
Derivative transactions (a) Derivative to which hedge accounting is not applied	85,873	42	—	85,915
(b) Derivative to which hedge accounting is applied	—	4,848	—	4,848
Total derivative transactions	85,873	4,890	—	90,763

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

Current fiscal year (As of March 31, 2026)

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Bonds payable	—	107,135	—	107,135
(2) Long-term borrowings	—	152,780	—	152,780
Total liabilities	—	259,915	—	259,915

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, 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.

Current fiscal year (As of March 31, 2026)

(Unit: Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities with carrying amount exceeding acquisition cost	(1) Shares	8,846	3,020	5,826
	(2) Bonds	478	478	0
	(3) Other	—	—	—
	Total	9,325	3,498	5,826
Securities with carrying amount not exceeding acquisition cost	(1) Shares	—	—	—
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Total	—	—	—
Total		9,325	3,498	5,826

Note:

Unlisted shares (¥6,757 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, 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

Current fiscal year (From April 1, 2025 to March 31, 2026)

(Unit: Millions of yen)

Type	Total proceeds from sales	Total gain on sales	Total loss on sales
(1) Shares	2,785	2,253	9
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	2,785	2,253	9

3. Securities on which impairment losses are recorded

The investment securities were impaired by ¥1,146 million for the previous fiscal year and ¥50 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, 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)

Current fiscal year (As of March 31, 2026)

(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	20,718	–	(277)	(277)
	Other	1,771	–	(15)	(15)
	Buy				
	U.S. dollars	1,592	–	2	2
	Other	604	–	(4)	(4)
Total		–	–	–	(294)

(2) Commodity related

Previous 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

Current fiscal year (As of March 31, 2026)

(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	70,019	–	870	870
	Buy	241,374	–	85,339	85,339
Total		–	–	–	86,210

2. **Derivative transactions to which hedge accounting is applied**
 (1) Currency related
 Previous 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:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		2,253	—	18
	Other		344	—	(4)
	Buy				
	U.S. dollars		—	—	—
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		7,269	—	
	Other		4,352	—	
	Buy				
	U.S. dollars		530	—	
	Other		168	—	

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

Current fiscal year (As of March 31, 2026)

(Unit: Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount	Contract amount over 1 year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell				
	U.S. dollars		132,782	—	(1,565)
	Other		429	—	(4)
	Buy				
	U.S. dollars		128	—	(0)
	Other		—	—	—
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note
	Sell				
	U.S. dollars		5,192	—	
	Other		6,741	—	
	Buy				
	U.S. dollars		652	—	
	Other		224	—	

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

(2) Interest rate related

Previous 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

Current fiscal year (As of March 31, 2026)

(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	7,614	6,978	846

(3) Commodity related

Previous 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

Current fiscal year (As of March 31, 2026)

(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		79,000	−	1,459
	Buy		54,920	1,517	4,113

[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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Balance at beginning of period	99,311	114,231
Service costs	4,815	5,662
Interest costs	217	1,295
Actuarial gains and losses	(13,045)	(4,129)
Benefit paid	(6,804)	(7,143)
Past service costs	33	98
Increase due to newly consolidated subsidiaries	30,682	193
Decrease due to exclusion from consolidation	(1,022)	—
Other	44	1,355
Balance at end of period	114,231	111,563

(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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Balance at beginning of period	97,648	99,170
Expected return on plan assets	1,564	1,530
Actuarial gains and losses	(2,040)	7,354
Contribution to the plan by the employer	2,113	2,052
Benefits paid	(3,085)	(3,979)
Increase due to newly consolidated subsidiaries	2,844	—
Other	124	495
Balance at end of period	99,170	106,624

(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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Balance at beginning of period	891	863
Retirement benefit expenses	85	119
Benefits paid	(28)	(97)
Contribution to the plan	(3)	(3)
Decrease due to exclusion from consolidation	(80)	(81)
Other	(2)	70
Balance at end of period	863	871

(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, 2025)	Current fiscal year (As of March 31, 2026)
Funded retirement benefit obligation	78,168	74,618
Plan assets	(99,170)	(106,624)
	(21,001)	(32,005)
Unfunded retirement benefit obligation	36,927	37,816
Net liability (asset) recorded in the consolidated balance sheets	15,926	5,811
Net retirement benefits liability	41,208	38,791
Net retirement benefits asset	(25,282)	(32,980)
Net liability (asset) recorded in the consolidated balance sheets	15,926	5,811

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, 2024, to March 31, 2025)	Current fiscal year (From April 1, 2025, to March 31, 2026)
Service costs	4,901	5,781
Interest costs	217	1,295
Expected return on plan assets	(1,564)	(1,530)
Amortization of actuarial gains and losses	(730)	(1,142)
Amortization of past service costs	95	143
Other	444	2,612
Retirement benefit costs on defined benefit plans	3,363	7,158

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, 2024, to March 31, 2025)	Current fiscal year (From April 1, 2025, to March 31, 2026)
Past service costs	62	45
Actuarial gains or losses	10,274	10,344
Total	10,336	10,390

(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, 2025)	Current fiscal year (As of March 31, 2026)
Unrecognized past service costs	(81)	(126)
Unrecognized actuarial gains or losses	(21,971)	(32,316)
Total	(22,052)	(32,442)

(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, 2025)	Current fiscal year (As of March 31, 2026)
Bonds	36%	40%
Shares	28	23
Life insurance (general accounts)	8	6
Cash and deposits	25	29
Other	3	2
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 32% 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, 2025)	Current fiscal year (As of March 31, 2026)
Discount rate	Mainly 1.73%	Mainly 1.73%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,103 million for the previous fiscal year and ¥946 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 (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Deferred tax assets:		
Tax loss carried forward	41,982	35,197
Impairment loss on non-current assets	12,042	16,148
Retirement benefit trust asset	7,794	8,131
Loss on valuation of investment securities	8,329	7,275
Loss on valuation of inventories	5,286	7,138
Unrealized gain	5,814	6,273
Dividend income as withdrawal of investments	3,347	5,927
Retirement benefit liability	2,598	5,235
Provision for bonuses	3,650	4,486
Valuation difference on securities at the time of company split	4,192	4,227
Provision for environmental measures	4,312	4,023
Loss on valuation of buildings	3,462	3,341
Excess of depreciation	925	913
Allowance for doubtful accounts	609	722
Deferred gains or losses on hedges	63	523
Other	13,239	13,643
Sub-total	117,656	123,212
Valuation allowance for tax loss carried forward (*1)	(35,200)	(29,232)
Valuation allowance for deductible temporary differences	(46,679)	(52,610)
Valuation allowance	(81,880)	(81,843)
Total deferred tax assets	35,775	41,369
Deferred tax liabilities:		
Valuation difference on full fair value method	(10,508)	(10,774)
Retirement benefit asset	(3,154)	(10,366)
Revaluation of land, as a result of merger	(4,273)	(4,273)
Gain on contribution of securities to retirement benefit trust	(1,339)	(2,126)
Deferred gains or losses on hedges	(175)	(2,121)
Retained earnings of foreign consolidated subsidiaries	(1,842)	(2,082)
Valuation difference on available-for-sale securities	(854)	(1,833)
Deferred gain on sale of property, plant and equipment	(338)	(335)
Other	(3,353)	(4,110)
Total deferred tax liabilities	(25,841)	(38,023)
Net deferred tax assets (liabilities)	9,934	3,345

Notes:

1.Tax loss carried forward and the related deferred tax assets by expiration periods are as follows:

Previous 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 (*1)	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	(*2) 6,782

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

(*2) Deferred tax asset 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.

Current fiscal year (As of March 31, 2026)

(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 (*3)	293	—	613	215	313	33,761	35,197
Valuation allowance	(293)	—	(613)	(215)	(214)	(27,896)	(29,232)
Net deferred tax assets	—	—	—	—	99	5,865	(*4) 5,964

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

(*4) Deferred tax asset of ¥5,964 million is recorded for the tax loss carried forward of ¥35,197 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. In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the figures for the previous fiscal year reflect the significant revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment.

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, 2025)	Current fiscal year (As of March 31, 2026)
Statutory effective income tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible permanent differences such as entertainment expenses	6.8	9.4
Temporary differences for which tax effect cannot be recognized	12.5	5.9
Differences in statutory effective income tax rates of consolidated subsidiaries	(7.1)	(6.3)
Share of profit or loss of entities accounted for using equity method	(10.7)	(10.2)
Non-taxable permanent differences such as dividend income	(13.7)	(9.0)
Non-deductible foreign withholding taxes	5.7	4.3
Amortization of goodwill	1.1	1.4
Tax credit	(0.8)	(2.5)
Gain on change in equity	(4.7)	—
Other	(0.5)	0.4
Actual income tax rate after applying tax effect accounting	19.2	23.9

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).

[Business combination]

(Finalization of provisional accounting treatment for business combination)

Regarding the business combination with H.C. Starck Holding (Germany) GmbH conducted on December 17, 2024, provisional accounting treatment had been applied in the previous fiscal year and was finalized in the current fiscal year.

As a result of the finalization of the provisional accounting treatment, a significant revision was made to the initial allocation of acquisition cost in the comparative information included in the consolidated financial statements for the current fiscal year.

Accordingly, the amount of goodwill of ¥27,319 million, which was calculated provisionally, decreased by ¥9,245 million to ¥18,073 million due to the finalization of the accounting treatment. The decrease in goodwill was due to increases of ¥5,392 million in tangible fixed assets, ¥7,916 million in other intangible fixed assets, and ¥4,063 million in non-current liabilities. At the end of the previous fiscal year, tangible fixed assets, other intangible fixed assets, and non-current liabilities increased by ¥5,392 million, ¥7,916 million, and ¥4,063 million, respectively, and goodwill decreased by ¥9,245 million.

The amortization period for goodwill is 20 years, while the amortization period for customer-related assets, which are included in other intangible fixed assets other than goodwill, is 20 years, and the amortization period for technology-related assets is 10 years.

[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 27 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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Balance at beginning of period	3,608	3,822
Increase due to acquisitions of property, plant and equipment	96	79
Reconciliation due to passage of time	22	24
Decrease due to settlement of asset retirement obligations	(357)	(17)
Increase (decrease) due to change of estimates	(5)	38
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)	(206)	466
Balance at end of period	3,822	4,413

[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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Carrying amount			
	Balance at beginning of period	38,804	43,388
	Increase (decrease) during period	4,583	579
	Balance at end of period	43,388	43,967
Fair value at end of period		56,427	54,446

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.
3. In the current fiscal year, the Company finalized the provisional accounting treatment for a business combination, and the figures for the previous fiscal year are presented after reflecting a material revision to the initial allocation of the acquisition cost due to the finalization of the provisional accounting treatment.

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

(Unit: Millions of yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Investment and rental properties		
Rent income	4,525	5,476
Rent expenses	3,303	3,649
Profit or loss	1,222	1,826
Impairment loss	168	105

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, 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(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	937,814	498,681	69,290	567,972	230,591	6,202	101,472	1,844,053

Notes:
1. The amounts shown are after deducting intersegment sales or transfers.
2. ¥1,844,053 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, 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 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, 2025 to March 31, 2026)

As described in "Segment Information Related information (2) Information by region, (a) Net sales." ¥1,844,053 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, 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 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 previous fiscal year.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(Unit: Millions of yen)

	Balance at beginning of term (As of April 1, 2025)	Balance at end of term (As of March 31, 2026)
Receivables arising from contracts with customers	194,354	223,858
Contract assets	7,246	1,854
Contract liabilities	15,215	13,905

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, 2025)	Current fiscal year (As of March 31, 2026)
Within 1 year	357	383
Over 1 year	2,678	2,198
Total	3,035	2,581

[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, 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	308,059	55,829	291,676	2,340,175	39,233	2,379,409
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. Segment information for the previous fiscal year is disclosed based on the amount after the significant revision of the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment described in "Notes (Business Combinations, etc.)".
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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(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	937,814	567,972	230,591	6,202	101,472	1,844,053	—	1,844,053
(2) Intersegment sales and transfers	297,828	17,845	4,150	7	38,561	358,393	△358,393	—
Total	1,235,643	585,817	234,741	6,210	140,033	2,202,446	△358,393	1,844,053
Segment profit	57,066	20,093	14,980	802	14,856	107,798	△10,241	97,556
Segment assets	1,786,173	452,986	342,884	55,846	277,275	2,915,165	84,578	2,999,744
Other items								
Depreciation	11,929	12,524	15,229	2,085	1,132	42,900	4,594	47,494
Amortization of goodwill	—	488	1,902	—	2	2,392	—	2,392
Interest income	2,983	295	680	12	58	4,029	△335	3,694
Interest expenses	2,380	4,175	2,836	484	262	10,139	△649	9,490
Share of profit (or loss) of entities accounted for using equity method	7,429	2,145	556	603	10,467	21,201	—	21,201
Investment into entities accounted for using equity method	99,785	6,520	1,304	5,179	189,780	302,571	△1,263	301,307
Increase in property, plant and equipment and intangible assets	19,718	14,802	12,065	3,229	2,074	51,891	3,091	54,982

Notes:

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(10,241) million includes elimination of intersegment transactions of ¥(385) million and corporate expenses not allocated to each reporting segment of ¥(9,856) 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 ¥84,578 million includes the elimination of intersegment transactions of ¥(100,132) million and corporate assets of ¥184,711 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 ¥3,091 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.
5. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.

Related Information

Previous 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
352,725	18,291	43,182	25,800	3,835	443,836

Notes:

In the current fiscal year, the Company finalized the provisional accounting treatment for a business combination, and the figures for the previous fiscal year are presented after reflecting a material revision to the initial allocation of the acquisition cost due to the finalization of the provisional accounting treatment.

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

Current fiscal year (From April 1, 2025 to March 31, 2026)

(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		
1,051,013	120,676	135,533	57,735	455,463	23,629	1,844,053

(b) Property, plant and equipment

(Unit: Millions of yen)

Japan	United States	Europe	Asia	Other	Total
341,927	17,987	46,859	23,944	3,814	434,533

(Change in Presentation)

In the previous fiscal year, "Indonesia" was presented as a separate line item. However, due to its immateriality, it has been included in "Asia" in the current fiscal year. To reflect this change in presentation, the geographical segment information for the previous fiscal year has been reclassified.

As a result, the amounts of ¥2,083 million previously presented under "Indonesia" and ¥23,717 million under "Others" in the previous fiscal year have been reclassified as "Asia" totaling ¥25,800 million.

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	239,565	Metals Business

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

Previous 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.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(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	20,361	7,451	1,699	635	2	30,150	185	30,335

Note: Adjustment amount of ¥185 million of impairment loss consists mainly of impairment loss on idle assets.

Information about amortized and unamortized amounts of goodwill by reporting segments

Previous 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	18,106	–	2	23,577	–	23,577

Note:

In the current fiscal year, the Company finalized the provisional accounting treatment for a business combination, and the figures for the previous fiscal year are presented after reflecting a material revision to the initial allocation of the acquisition cost due to the finalization of the provisional accounting treatment.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(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	–	488	1,902	–	2	2,392	–	2,392
Unamortized balance at end of period	–	–	19,599	–	–	19,599	–	19,599

[Related Parties Information]

1. Transactions with related parties

Previous 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. Loans are stated on a net basis, representing the net of disbursements and repayments.
2. The interest rate for loans receivable is determined reasonably in consideration of market interest rates.

Current fiscal year (From April 1, 2025 to March 31, 2026)

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 indirectly 30%	Financial Support, Guarantee (for a loan)	Collection of funds	970	Short-term loans receivable	1,037
									Long-term loans receivable	34,483
							Interest income (Note 1)	2,249	Current assets other	113
									Investments and other assets	5,298
							Loan guarantee (Note 2)	21,583	–	–

Transaction terms and policies for determining transaction terms, etc.

Notes:

1. The interest rate for loans receivable is determined reasonably in consideration of market interest rates.
2. The guarantee was provided in connection with bank borrowings, and a guarantee fee has been received based on prevailing market 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 and Mantoverde S.A., whose summarized consolidated financial information is as follows:

(Unit: Millions of yen)

	Mitsubishi UBE Cement Corporation		Mantoverde S.A.	
	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Total current assets	288,233	318,718	35,020	72,799
Total non-current assets	518,865	537,136	343,767	348,997
Total current liabilities	190,367	219,361	44,468	43,133
Total non-current liabilities	192,022	199,312	215,999	235,625
Total net assets	424,707	437,181	118,319	143,037
Net sales	561,037	538,358	74,152	158,943
Profit before income taxes	50,023	39,028	5,575	31,661
Net Profit	30,298	22,615	3,297	19,546

Notes:

Mantoverde S.A. has been classified as a significant associate from the current fiscal year due to its increased materiality. In addition, among the above associates, the fiscal year-end of Mantoverde S.A. is December 31, which does not coincide with the Company's fiscal year-end. The figures shown in the above table are based on March 31, 2026 for Mitsubishi UBE Cement Corporation and December 31, 2025 for Mantoverde S.A.

[Per Share Information]

(Unit: yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Net assets per share	5,183.34	5,633.05
Profit per share	260.82	310.56

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 was 830 thousand at the end of the previous fiscal year and 812 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 184 thousand shares for the previous fiscal year and 159 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, 2024 to March 31, 2025)	Current fiscal year (From April 1, 2025 to March 31, 2026)
Profit per share		
Profit attributable to owners of parent (Unit: Millions of yen)	34,076	40,581
Amount not attributable to common shareholders (Unit: Millions of yen)	—	—
Profit attributable to common shareholders of owners of parent (Unit: Millions of yen)	34,076	40,581
Average number of shares issued during period (Unit: Thousand shares)	130,653	130,671

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 836 thousand during the previous fiscal year and 818 thousand during the current fiscal year. Of these, the weighted-average treasury shares of the Company held by Board Incentive Plan Trust were 193 thousand shares during the previous fiscal year and 168 thousand shares during the current fiscal year.

[Significant Subsequent Events]

(Transition of Retirement Benefit Plan)

The Company partially transitioned its lump-sum retirement benefit plan to a defined contribution pension plan in April 2026 and has applied the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1).
As a result of this transition, the Company expects to recognize extraordinary income of ¥11,033 million in the following fiscal year.

(Changes in Segment Classification)

At the Board of Directors' meeting held on November 26, 2025, the Company resolved a medium-term management strategy (fiscal years 2026 to 2028) to be implemented from fiscal year 2026 onward.
Under this plan, effective April 1, 2026, the Company will reorganize its business structure and classify operations ranging from the collection and processing of recycled raw materials to the manufacturing of copper and copper alloy products and tungsten materials as the "Materials domain," while positioning the manufacturing of cemented carbide products and high-performance products involving further downstream processing as the "Products domain," and accelerating global expansion of each domain.
In the Materials domain, the Company will promote the expansion of secondary raw material smelting, resource circulation loops, and tungsten recycling through the integration of related businesses. In the Products domain, the Company aims to improve profitability through the provision of high value-added products and solutions. In the Resources business, the Company will contribute to the stable procurement of copper concentrates used in the Materials domain and the establishment of a stable earnings base through investments in mines. In the Renewable Energy business, the Company will develop an energy platform that combines a diverse mix of power sources, centered on geothermal, hydropower, and solar power to achieve both stable supply and decarbonization.
Accordingly, the Company has changed its reportable segments from the former "Metals," "High Performance Products," "Processing," and "Renewable Energy" segments to "Materials domain," "Products domain (Cemented Carbide Products business)," "Products domain (High Performance Products business)," "Resources," and "Renewable Energy."
Information on net sales, profit or loss, assets, and other items for each reportable segment for the current fiscal year under the new segment classification is presented below.

Current fiscal year (From April 1, 2025 to March 31, 2026)

(Unit: Millions of yen)

	Reporting segment					Other Businesses	Total	Adjustment	Amounts in consolidated financial statements
	Materials Business Area	Products Business Area		Mineral Resources Business	Renewable Energy Business				
		Carbide Products	Advanced Products						
Net sales									
(1) Sales to outside customers	1, 375, 270	142, 875	219, 834	―	6, 202	99, 869	1, 844, 053	―	1, 844, 053
(2) Intersegment sales and transfers	51, 739	4, 394	14, 700	―	7	43, 583	114, 425	(114, 425)	―
Total	1, 427, 010	147, 269	234, 534	―	6, 210	143, 453	1, 958, 478	(114, 425)	1, 844, 053
Segment profit	44, 849	15, 148	5, 533	28, 670	802	15, 057	110, 061	(12, 504)	97, 556
Segment assets	1, 994, 926	219, 788	222, 573	123, 907	55, 846	279, 388	2, 896, 430	103, 314	2, 999, 744
Other items									
Depreciation	19, 881	10, 608	8, 741	392	2, 085	1, 191	42, 900	4, 594	47, 494
Amortization of goodwill	926	976	488	―	―	2	2, 392	―	2, 392
Interest income	779	613	256	2, 305	12	61	4, 029	(335)	3, 694
Interest expenses	5, 416	795	2, 410	770	484	262	10, 139	(649)	9, 490
Share of profit (or loss) of entities accounted for using equity method	3, 232	―	2, 145	5, 302	603	10, 467	21, 751	(549)	21, 201
Investment into entities accounted for using equity method	53, 422	―	6, 520	47, 294	5, 179	189, 780	302, 198	(890)	301, 307
Increase in property, plant and equipment and intangible assets	28, 010	8, 868	9, 658	5	3, 229	2, 119	51, 891	3, 091	54, 982

Notes:

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment amount” of segment profit of ¥(12,504) million includes elimination of intersegment transactions of ¥(2,648) million and corporate expenses not allocated to each reporting segment of ¥(9,856) 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 ¥103,314 million includes the elimination of intersegment transactions of ¥(81,396) million and corporate assets of ¥184,711 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 ¥3,091 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.
5. Segment profit has been adjusted with ordinary profit on the consolidated statement of profit or loss.

(Execution of Agreement on Business Integration Relating to the Purchase of Copper Concentrate and the Sale of Electrolytic Copper, etc. through Company Split (Simplified Absorption-type Split))

1. Overview of the Integration

On May 28, 2026, the Company resolved at a meeting of its Board of Directors to integrate the business conducted by the Company involving the purchase of copper concentrate and the sale of electrolytic copper, sulfuric acid, and other by-products derived from copper smelting (hereinafter, the "Target Business") into Pan Pacific Copper Co., Ltd. (hereinafter "PPC"), in which JX Advanced Metals Corporation (hereinafter "JX Metals"), MITSUI KINZOKU CO.,LTD. (hereinafter "Mitsui Metals"), and Marubeni Corporation (hereinafter "Marubeni"; together with JX Metals and Mitsui Metals, the "PPC Shareholders," and collectively with the Company, the "Parties") have made investments (hereinafter the "Integration"). In connection with the foregoing, the Company entered into a business integration agreement (the "Definitive Agreement") with the PPC Shareholders.

The external environment surrounding the copper smelting business has been characterized by intensifying competition with overseas smelters, coupled with a significant deterioration in treatment and refining charges (TC/RC) for copper concentrate procured from mining companies, and the outlook remains uncertain. Under these circumstances, the Parties intend to strengthen international competitiveness by centrally procuring copper concentrate through the Integration and to reduce costs through the consolidation of common functions and the streamlining of sales operations, thereby establishing a new structure to maintain and enhance the profitability of the copper smelting business.

The Integration will be implemented as follows:(i) PPC will establish a new company (the "New Company") to serve as the receiving entity for the Target Business;(ii) the Company shall conduct an absorption-type company split (the "First Absorption-type Split") whereby the Company acts as the splitting company and PPC as the successor company; and(iii) on the same effective date as the First Absorption-type Split and conditional upon its effectiveness, PPC shall conduct another absorption-type company split whereby PPC acts as the splitting company and the New Company as the successor company (the "Second Absorption-type Split"; collectively with the First Absorption-type Split, the "Absorption-type Splits").

Following the Integration, the ownership ratios in PPC will be: the Company: 32.00%, JX Metals: 32.50%, Mitsui Metals: 21.90%, Marubeni: 13.60%. The New Company will become a wholly owned subsidiary of PPC.

2. Summary of the First Absorption-type Split Agreement

(1) Method of the Split

Splitting company: the Company
Successor company: Pan Pacific Copper Co., Ltd.

(2) Effective date

October 1, 2026 (planned)

(3) Rights and obligations to be succeeded

PPC will succeed to the rights and obligations held by our company in relation to the Integrated Business on the Effective Date, except for the matters not to be succeeded to in the Absorption-type Company Split Agreement for the First Absorption-type Company Split.

The succession of obligations to PPC through the First Absorption-type Company Split will be performed by the method of assumption of obligations without discharge.

(4) Consideration for the split

PPC will issue 94,608 shares of common stock and allocate all of them to the Company.
Prior to the effective date, PPC will conduct a stock split at a ratio of 17 shares for each share.

(5) Change in capital of the successor company

There will be no change in the amount of the Company's capital as a result of the First Absorption-type Split.

3. Summary of the Second Absorption-type Split Agreement

(1) Method of the Split

Splitting company: Pan Pacific Copper Co., Ltd.
Successor company: New Company (PPC Materials Co., Ltd.)

(2) Effective date

October 1, 2026 (planned)

(3) Change in capital of the successor company

The capital of the successor company will increase by ¥2,999 million as a result of the Second Absorption-type Split.

4.Reporting Segment
Metals Business
(The new segment division is the Materials Business Area)

5. Schedule of the Integration
May 28, 2026: Board resolution approving the Definitive Agreement
May 28, 2026: Execution of the Definitive Agreement
June 2026 (planned): Establishment of the New Company
July 2026 (planned): Board resolution approving the Absorption-type Split agreements
July 2026 (planned): Execution of the Absorption-type Split agreements
September 2026 (planned): Shareholders' meeting approval of the Absorption-type Split agreements (PPC)
October 1, 2026 (planned): Effective date of the Absorption-type Splits

Notes:
The execution of the Integration is subject to the completion of required notifications and approvals from relevant domestic and overseas authorities, including the Japan Fair Trade Commission (collectively "Regulatory Approvals"). The schedule may be changed upon consultation among the Parties due to Regulatory Approval procedures or other reasons.
The First Absorption-type Split constitutes a simplified absorption-type split under Article 784, Paragraph 2 of the Companies Act for the Company, and the Second Absorption-type Split constitutes a short-form absorption-type split under Article 784, Paragraph 1 for the New Company; therefore, neither the Company nor the New Company requires approval by a shareholders' meeting.
The effectiveness of the First Absorption-type Split is subject to the effectiveness of the stock split of PPC at a ratio of 17 shares for each share.

(5) Consolidated Supplemental Schedules
Schedule of bonds payable

Company	Description	Date of Issuance	Balance as of March 31, 2025 (Millions of yen)	Balance as of March 31, 2026 (Millions of yen)	Interest rate (%)	Collateral	Maturity
	Straight bonds						
Mitsubishi Materials Corporation	31st unsecured bonds	December 6, 2016	10,000	(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	35th unsecured bonds	June 7, 2021	20,000	(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	15,000	0.856	None	April 24, 2029
Mitsubishi Materials Corporation	40th unsecured bonds	April 24, 2024	5,000	5,000	1.054	None	April 24, 2031
Mitsubishi Materials Corporation	41th unsecured bonds	February 27, 2026	—	30,000	1.614	None	February 25, 2028
Mitsubishi Materials Corporation	42th unsecured bonds	February 27, 2026	—	10,000	2.166	None	February 27, 2031
Total		—	100,000	(30,000) 140,000	—	—	—

Notes:
1. The amounts in parentheses presented under "Balance as of March 31, 2026" represent the amounts scheduled to be redeemed within 1 year.
2. The annually scheduled redemption amount within 5 years after the Company's 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	40,000	30,000	15,000	10,000

Schedule of borrowings

Classification	Balance as of March 31, 2025 (Millions of yen)	Balance as of March 31, 2026 (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	186,412	247,355	1.9	—
Current portion of long-term borrowings	121,933	34,490	1.3	—
Current portion of lease obligations	2,618	2,502	—	—
Long-term borrowings (excluding current portion)	184,753	160,225	1.0	2027 to 2038
Lease obligations (excluding current portion)	7,586	7,393	—	2027 to 2041
Other interest bearing liabilities				
Current portion of commercial papers	—	70,000	1.0	—
Employees' saving deposit	6,966	6,052	0.5	—
Guarantee deposits received	908	2,107	1.9	—
Total	511,180	530,126	—	—

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 Company's 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	19,852	24,057	26,521	22,082
Lease obligations	1,386	782	539	225

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

Semiannual information, etc. for the current fiscal year

Cumulative period	2nd Quarter	4th Quarter
Net sales (Millions of yen)	829,914	1,844,053
Profit before income taxes (Millions of yen)	8,976	61,801
Profit attributable to owners of parent (Millions of yen)	5,485	40,581
Profit per share (yen)	41.98	310.56

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 22, 2026

To the Board of Directors of
Mitsubishi Materials Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Yukitaka Maruchi
Designated Engagement Partner,
Certified Public Accountant:

Hajime Yoshizaki
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, 2026, 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, 2025 to March 31, 2026, 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, 2026, 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, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, 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.

<table>
<tr><th colspan="2">Appropriateness of Future Cash Flow Estimates for the Valuation of Goodwill Related to H.C. Starck Holding (Germany) GmbH.</th></tr>
<tr><td>Key Audit Matter Description</td><td>How the Key Audit Matter Was Addressed in the Audit</td></tr>
<tr><td>As described in the note “Significant Accounting Estimates – Evaluation of goodwill in the acquisition of shares in H.C. Starck Holding” to the consolidated financial statements, Mitsubishi Materials Corporation (“the Company”) acquired all shares of H.C. Starck Holding (Germany) GmbH. (“HCSHD”) on December 17, 2024, for ¥21,197 million. Although provisional accounting treatment had been applied in the previous consolidated fiscal year, the allocation of the acquisition cost was finalized in the current fiscal year. As a result, goodwill of ¥19,191 million was recognized in the consolidated balance sheet as of the end of the current consolidated fiscal year.

As of the deemed acquisition date of December 31, 2024, the Company estimated the fair values of the identifiable assets and liabilities of HCSHD with the assistance of external specialists, and allocated the acquisition cost to such identifiable assets and liabilities based on those fair values in HCSHD’s financial statements. The excess of the acquisition cost over the net amount allocated to the identifiable assets and liabilities was recognized as goodwill.

Because a relatively significant portion of the acquisition cost was allocated to intangible assets, including goodwill, the Company determined that an indication of impairment of goodwill existed and assessed whether recognition of an impairment loss was required by comparing the total amount of undiscounted future cash flows with the carrying amount.

The estimates of future cash flows used in determining whether recognition of an impairment loss was required were based on HCSHD’s business plan prepared by management. The business plan includes key assumptions such as an increase in the scrap utilization rate in tungsten production at manufacturing sites in Europe and Canada and the resulting reductions in production costs, as well as an increase in future sales volume in China. These assumptions involve a high degree of uncertainty, and the forecasts are affected by management's judgment.
Based on these considerations, we identified the appropriateness of future cash flow estimates for the valuation of goodwill related to HCSHD as a key audit matter because it is significant in our audit of the consolidated financial statements for the current fiscal year.</td><td>In order to assess the appropriateness of future cash flow estimates for the valuation of goodwill related to 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.

(1) Internal control testing
We evaluated the design of internal controls related to the assessment of assumptions included in the business plan and the determination of whether any indications of goodwill impairment existed. In particular, we focused on controls over the process for determining the recognition of impairment losses and the process for estimating undiscounted future cash flows that affect such determinations.

(2) Evaluation of the reasonableness of future cash flows
● In order to understand the key assumptions, we conducted inquiries with management regarding the business activities and business environment, etc., underlying the future cash flow projections.
● To evaluate the reasonableness of the key assumptions, we read minutes of important meetings, including meetings of the Board of Directors, and assessed whether they were consistent with the responses obtained through inquiries with management. We also compared such assumptions with observable information available from external data and other sources. In particular, with respect to key assumptions such as the increase in the scrap utilization rate in tungsten production and the resulting reductions in productions costs, as well as future sales volumes, we compared them with forecasts of future market conditions published by external organizations, determined consistency with such forecasts, and assessed their reasonableness through comparison with past performance, inquiries of management, and inspection of supporting documents such as meeting minutes.
● With respect to key assumptions regarding scrap collection volumes, which underpin the assumed increase in the scrap utilization rate, and future sales volumes, we performed the sensitivity analysis to assess the possibility that reasonably possible changes in such assumptions could cause undiscounted future cash flows to fall below the carrying amount.</td></tr>
</table>

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, 2026, 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.

<u>Notes to the Readers of Independent Auditor's Report</u>

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.