

Consolidated Financial Results for the Three Months Ended June 30, 2023

(Japanese Accounting Standards)

August 9, 2023

Name of Listed Company: Mitsubishi Materials Corporation Listing: Tokyo Stock Exchange
 Stock Code: 5711 URL: <https://www.mmc.co.jp/>
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 Scheduled date of Quarterly Report: August 9, 2023
 Scheduled date of start of dividend payment: –
 Supplementary materials for the financial results: Yes
 Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than one million yen are omitted)

1. Results of the Three Month Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(1) Consolidated Results of Operations (Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The three months ended June 30, 2023	362,660	-14.2	3,791	-72.8	6,982	-59.2	4,918	-79.6
The three months ended June 30, 2022	422,628	-1.2	13,924	-6.3	17,095	-32.0	24,135	42.7

(Note) Comprehensive income: The three months ended June 30, 2023: 20,970 million yen (-51.4%)
 The three months ended June 30, 2022: 43,134 million yen (38.4%)

	Profit per share	Diluted profit per share
	Yen	Yen
The three months ended June 30, 2023	37.65	–
The three months ended June 30, 2022	184.73	–

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	1,968,731	639,545	30.9
As of March 31, 2023	1,891,795	628,875	31.4

(Reference) Shareholders' equity: As of June 30, 2023: 608,308 million yen
 As of March 31, 2023: 593,324 million yen

2. Dividend Payments

	Dividend per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	25.00	–	25.00	50.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (Forecast)		47.00		47.00	94.00

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

3. Consolidated Earnings Forecast (From April 1, 2023 to March 31, 2024)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	1,670,000	2.7	50,000	-0.2	58,000	129.2	41,000	101.7	313.85

(Note) Revision to forecast published most recently: None

Notes:

- (1) Significant changes of subsidiaries during the period (changes in specific subsidiaries accompanying a change in the scope of consolidation): None
- (2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes
(Note) For details, please see “(3) Key notes to consolidated quarterly financial statements, Application of accounting methods specific to preparation of quarterly consolidated financial statements” under “2. Consolidated Financial Statements and Key Notes” on page 12.
- (3) Changes in accounting policies, changes of accounting estimates and restatement
- | | |
|---|------|
| (i) Changes in accounting policies due to amendments to accounting standards: | None |
| (ii) Other changes in accounting policies: | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatements: | None |
- (4) Numbers of outstanding shares (common stock)
- | | |
|---|--------------------|
| (i) Numbers of outstanding shares at the end of period (including treasury shares): | |
| Three months ended June 30, 2023: | 131,489,535 shares |
| Year ended March 31, 2023: | 131,489,535 shares |
| (ii) Numbers of treasury shares at the end of period: | |
| Three months ended June 30, 2023: | 849,976 shares |
| Year ended March 31, 2023: | 857,856 shares |
| (iii) Average number of outstanding shares during period (quarterly cumulative period): | |
| Three months ended June 30, 2023: | 130,631,691 shares |
| Three months ended June 30, 2022: | 130,649,934 shares |

* This financial results is not subject to an audit by certified public accountants or audit firms.

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

(Notes concerning forward-looking statements, etc.)

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

Please see “(3) Forecasts of consolidated financial results and other forward-looking statements” under “1. Overview of Operating Results and Financial Position” on page 5 for the assumptions about consolidated earnings forecasts.

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

The Company plans to hold an annual financial briefing for institutional investors on Wednesday, August 9, 2023. The materials used at this briefing are disclosed on the TDnet and the Company's website at the time that the annual financial results are announced.

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1. Overview of Operating Results and Financial Position

(1) Overview of operating results

1) Summary of business performance for the current quarter

During the three months ended June 30, 2023, the global economy was generally on a moderate recovery trend, but there was a slowdown in the momentum of the economic recovery, particularly in China and Europe, as monetary tightening continued in each country to suppress the rise in commodity prices.

In the Japanese economy, the economy was on a moderate recovery trend amid a recovery in inbound demand and a pick-up in consumer spending and business capital investment.

In the business environment surrounding the Company, there was a slowdown in demand for automotive and semiconductor-related products, although the yen's exchange rate generally remained weak. In addition, the Company was affected by declining prices of copper and palladium and rising energy prices.

Under these circumstances, net sales and operating profit decreased in the Metals business, Advanced Products business and Metalworking Solutions business in the first quarter of the current fiscal year. As a result, consolidated results for the first quarter of the current fiscal year were net sales of 362.66 billion yen, a decrease 14.2% year-on-year and operating profit of 3.791 billion yen, a decrease 72.8% year-on-year. Ordinary profit was 6.982 billion yen, a decrease 59.2% year-on-year, despite a decrease in dividends received, mainly due to the recording of share of profit of entities accounted for using equity method. As a result, profit attributable to owners of parent was 4.918 billion yen, a decrease 79.6% year-on-year.

2) Segment Overview

From the first quarter of the current fiscal year, the Company has changed its reporting segment. For more information, see “2. Consolidated Financial Statements and Key Notes (3) Key notes to quarterly consolidated quarterly financial statements (Segment information, etc.).” For the following year-on-year comparisons, figures for the same period of the previous fiscal year have been reclassified into the revised segmentation.

Metals Business

(Billions of yen)

	FY March 2023 Q1	FY March 2024 Q1	Change (%)	
Net sales	289.7	240.9	-48.7	(-16.8%)
Operating profit	6.1	1.6	-4.4	(-73.0%)
Ordinary profit	12.0	2.6	-9.3	(-77.7%)

In the Metals business, net sales and operating profit decreased compared to the same period of the previous fiscal year due to a decline in copper and palladium prices and an increase in energy costs, as well as the impact of the transition of PT. Smelting to contract smelting from January 2023. Ordinary profit decreased due to a decrease in operating profit and a decrease in dividends received.

Advanced Products Business

(Billions of yen)

	FY March 2023 Q1	FY March 2024 Q1	Change (%)	
Net sales	133.2	120.5	-12.7	(-9.6%)
Operating profit	3.7	0.4	-3.2	(-87.1%)
Ordinary profit	3.8	0.2	-3.5	(-93.6%)

In the Advanced Products business, net sales of Copper & Copper Alloy business, mainly automotive products, decreased due to the impact of reduced production of automobiles. In the Electronic Materials & Components business, sales of semiconductor-related products decreased due to deteriorating semiconductor market conditions. As a result, net sales and operating profit decreased compared to the same period of the previous fiscal year. This was partly due to the transfer of the polycrystalline silicon business in March 2023. Ordinary profit decreased due to a decrease in operating profit as well as a decrease under “share of loss of entities accounted for using equity method”.

Metalworking Solutions Business

(Billions of yen)

	FY March 2023 Q1	FY March 2024 Q1	Change (%)
Net sales	36.2	35.0	-1.2 (-3.4%)
Operating profit	4.3	3.2	-1.0 (-24.5%)
Ordinary profit	5.0	4.1	-0.8 (-17.7%)

In the Metalworking Solutions business, net sales of cemented carbide products which is its main products, decreased mainly in Japan and China, despite the impact of the yen's depreciation and sales price increases. In addition, there was an increase in raw material and energy costs. As a result, net sales and operating profit decreased compared to the same period of the previous fiscal year. Ordinary profit decreased due to a decrease in operating profit.

Renewable Energy Business

(Billions of yen)

	FY March 2023 Q1	FY March 2024 Q1	Change (%)
Net sales	0.9	1.2	0.3 (34.8%)
Operating profit	0.1	0.3	0.1 (89.8%)
Ordinary profit	0.2	0.3	0.0 (8.2%)

In the Renewable Energy business, net sales and operating profit increased compared to the same period of the previous fiscal year, mainly because the new Komatagawa power plant, hydroelectric power generation, began operating in December 2022. Ordinary profit increased due to an increase in operating profit.

Other Businesses

(Billions of yen)

	FY March 2023 Q1	FY March 2024 Q1	Change (%)
Net sales	37.1	33.4	-3.6 (-9.9%)
Operating profit (loss)	1.2	-0.1	-1.3 (-%)
Ordinary profit (loss)	-3.3	2.0	5.3 (-%)

In Other businesses, net sales and operating profit decreased compared with the same period of the previous fiscal year due to deterioration in semiconductor market conditions. Ordinary profit increased because Mitsubishi UBE Cement Corporation recorded a profit under "share of profit of entities accounted for using equity method", a loss was recorded in the same period of the previous fiscal year, due to sales prices increase.

(2) Overview of financial position

Total assets at the end of the first quarter were 1,968.7 billion yen, an increase of 76.9 billion yen from the end of the previous fiscal year. This was mainly due to an increase in inventories and property, plant and equipment during the first quarter.

Liabilities increased 66.2 billion yen from the end of the previous fiscal year to 1,329.1 billion yen. This was mainly due to an increase in interest-bearing liabilities and deposits during the first quarter of the current fiscal year.

(3) Forecasts of consolidated financial results and other forward-looking statements

Although the Company's earnings are significantly affected by fluctuating factors such as foreign exchange rates, metal prices, and energy prices, the consolidated earnings forecasts for the fiscal year ending March 2024 have not changed from the previous announcement on May 12, 2023, in consideration of the results for the first quarter of the current fiscal year and the outlook for the future business environment.

(Note)

The above forecasts are based on the economic conditions and market trends that can be assumed as of the date of the announcement. The results may differ from the forecasts due to various factors.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	142,126	129,095
Notes receivable – trade	30,301	29,317
Accounts receivable – trade	158,197	157,099
Merchandise and finished goods	120,135	129,410
Work in process	127,368	141,234
Raw materials and supplies	130,171	149,732
Leased gold bullion	234,896	234,993
Other	173,420	180,648
Allowance for doubtful accounts	(578)	(611)
Total current assets	1,116,040	1,150,919
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	147,293	152,313
Land, net	87,904	88,054
Other, net	191,016	205,281
Total property, plant and equipment, net	426,214	445,648
Intangible assets		
Goodwill	9,224	9,341
Other	19,545	21,021
Total intangible assets	28,769	30,362
Investments and other assets		
Investment securities	256,544	268,140
Other	69,528	78,961
Allowance for doubtful accounts	(5,302)	(5,302)
Total investments and other assets	320,770	341,800
Total non-current assets	775,754	817,811
Total assets	1,891,795	1,968,731

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	85,211	72,736
Short-term borrowings	146,972	138,714
Commercial papers	25,000	70,000
Income taxes payable	4,638	2,904
Provisions	12,600	7,380
Deposited gold bullion	439,204	460,449
Other	104,734	121,326
Total current liabilities	818,361	873,512
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term borrowings	291,589	301,859
Provision for environmental measures	14,388	14,331
Other provisions	1,103	1,017
Retirement benefit liability	24,350	23,770
Other	43,127	44,694
Total non-current liabilities	444,558	455,673
Total liabilities	1,262,919	1,329,185
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	81,917	81,917
Retained earnings	338,867	340,513
Treasury shares	(2,897)	(2,874)
Total shareholders' equity	537,345	539,013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,193	7,788
Deferred gains or losses on hedges	1,631	(3,699)
Revaluation reserve for land	16,702	16,703
Foreign currency translation adjustment	33,786	47,953
Remeasurements of defined benefit plans	(335)	549
Total accumulated other comprehensive income	55,978	69,295
Non-controlling interests	35,550	31,237
Total net assets	628,875	639,545
Total liabilities and net assets	1,891,795	1,968,731

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

(Millions of yen)

	Three Months Ended June 30, 2022 (Apr. 1, 2022 - June 30, 2022)	Three Months Ended June 30, 2023 (Apr. 1, 2023 - June 30, 2023)
Net sales	422,628	362,660
Cost of sales	377,189	327,507
Gross profit	45,439	35,153
Selling, general and administrative expenses	31,514	31,361
Operating profit	13,924	3,791
Non-operating income		
Interest income	160	801
Dividend income	5,643	763
Exchange gain	2,364	2,805
Rental income from non-current assets	1,014	1,078
Share of profit of entities accounted for using equity method	-	716
Other	532	1,126
Total non-operating income	9,714	7,292
Non-operating expenses		
Interest expenses	1,277	1,551
Expense for the maintenance and management of abandoned mines	881	625
Share of loss of entities accounted for using equity method	1,633	-
Other	2,751	1,924
Total non-operating expenses	6,544	4,101
Ordinary profit	17,095	6,982
Extraordinary income		
Gain on sales of investment securities	0	383
Gain on change in equity	11,007	-
Other	185	12
Total extraordinary income	11,193	395
Extraordinary losses		
Loss on liquidation of affiliated companies	-	155
Impairment loss	0	105
Loss on changes in equity	640	-
Other	225	9
Total extraordinary losses	866	270
Profit before income taxes	27,421	7,107
Income taxes	1,874	1,703
Profit	25,547	5,404
Profit attributable to non-controlling interests	1,412	486
Profit attributable to owners of parent	24,135	4,918

Consolidated statement of comprehensive income

(Millions of yen)

	Three Months Ended June 30, 2022 (Apr. 1, 2022 - June 30, 2022)	Three Months Ended June 30, 2023 (Apr. 1, 2023 - June 30, 2023)
Profit	25,547	5,404
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,192)	3,249
Deferred gains or losses on hedges	(1,533)	(5,463)
Foreign currency translation adjustment	17,611	12,306
Remeasurements of defined benefit plans	292	916
Share of other comprehensive income of entities accounted for using equity method	8,409	4,557
Total other comprehensive income	17,586	15,566
Comprehensive income	43,134	20,970
(Break down)		
Comprehensive income attributable to owners of parent	38,570	18,233
Comprehensive income attributable to non-controlling interests	4,564	2,736

(3) Key notes to consolidated quarterly financial statements

Notes on going concern assumption

N/A

Segment information, etc.

[Segment information]

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

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

(Millions of yen)

	Reporting segment				Other Businesses	Total	Adjustment	Amounts in consolidated financial statements
	Metals Business	Advanced Products Business	Metalworking Solutions Business	Renewable Energy Business				
Net sales								
(1) Outside Customers	228,383	128,461	34,974	923	29,886	422,628	-	422,628
(2) Within consolidated group	61,370	4,837	1,316	0	7,287	74,813	(74,813)	-
Total	289,754	133,299	36,290	923	37,174	497,442	(74,813)	422,628
Segment income (loss)	12,084	3,815	5,022	287	(3,355)	17,854	(759)	17,095

(Notes)

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment” in segment income of (759) million yen includes the amount of elimination of intersegment transactions of (27) million yen and corporate expenses of (731) million yen which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.
3. Segment income (loss) is adjusted for ordinary profit in the quarterly consolidated statements of income.

II. For the first quarter ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

1. Information on net sales and profit of each reported segment

(Millions of yen)

	Reporting segment				Other Businesses	Total	Adjustment	Amount in quarterly consolidated statement of profit or loss
	Metals Business	Advanced Products Business	Metalworking Solutions Business	Renewable Energy Business				
Net sales								
(1) Outside Customers	186,559	116,854	33,815	1,244	24,187	362,660	-	362,660
(2) Within consolidated group	54,422	3,670	1,227	0	9,309	68,630	(68,630)	-
Total	240,981	120,524	35,043	1,244	33,497	431,291	(68,630)	362,660
Segment income	2,689	244	4,131	311	2,027	9,404	(2,422)	6,982

(Notes)

1. “Other businesses” include cement-related and engineering-related business.
2. “Adjustment” in segment income of (2,422) million yen includes the amount of elimination of intersegment transactions of (314) million yen and corporate expenses of (2,107) million yen which are not allocated to the reporting segments. Corporate expenses consist mainly of general and administrative expenses, basic experiment and research expenses, and financial income and expenses that do not belong to the reporting segments.
3. Segment income is adjusted for ordinary profit in the quarterly consolidated statements of income.

2. Changes in Reporting Segments

Based on the Medium-term Management Strategy FY 2031, the Company reorganized its business structure as of April 1, 2023 in order to strengthen its resource recycling and renewable energy businesses. Accordingly, the Company has changed its reporting method to include “Environment and Energy business” in “Metals business,” “Renewable Energy business,” and “Other businesses”. Segment information for the first quarter of the previous fiscal year is disclosed based on the classification of the new reporting segmentation and the calculation method.

Notes on Significant Changes in the Amount of Shareholders' Equity

N/A

Application of Accounting Methods Specific to Preparation of Quarterly Consolidated Financial Statements

Tax expenses are calculated by multiplying income before income taxes by the estimated effective tax rate, which is reasonably estimated by applying tax effect accounting to income before income taxes for the consolidated fiscal year including this first quarter.

Additional information

(Stock-based compensation system)

1. Overview of the transactions

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 (“BIP Trust”). The Plan is to issue and grant the executive officers the Company’s shares and the amount equivalent to the disposal value of the Company’s shares, according to the executive officers’ positions or other conditions.

2. The Company’s shares remaining in BIP Trust

The Company’s shares remaining in BIP Trust are recorded as the treasury shares in the net assets of the balance sheet, with their carrying amount in BIP Trust (excluding the amount of ancillary expenses). The carrying amount and the number of the Company’s treasury shares are 587 million yen and 235 thousand shares respectively at the end of the previous consolidated fiscal year. The carrying amount and the number of the Company’s treasury shares are 546 million yen and 220 thousand shares respectively at the end of the first quarter of the current fiscal year.

Contingent liabilities

(Matters concerning taxation in Indonesia)

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

The consolidated subsidiary of the Company, PT. Smelting (“PTS”), has received a notice of reassessment from Indonesian Tax Authority covering the company’s five fiscal years ended December 31, 2012, December 31, 2014, December 31, 2016, December 31, 2017, and December 31, 2018 as of the end of the current consolidated fiscal year. Indonesian Tax Authority has unilaterally disallowed certain agent fees, etc. of PTS for some time, and since these corrections are not acceptable for the Company and PTS, PTS is asserting the legitimacy of the Company and PTS to Indonesian Tax Authority, through tax trials, objections, and other means.

As of the end of the previous consolidated fiscal year, the additional amount disputed by PTS totaled US\$23 million (3,123 million yen at the exchange rate as of the end of the current consolidated fiscal year).

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

Current consolidated fiscal year (As of June 30, 2023)

The consolidated subsidiary of the Company, the PTS, has received a notice of reassessment from Indonesian Tax Authority covering the company’s four fiscal years ended December 31, 2012, December 31, 2016, December 31, 2017, and December 31, 2018, as of the end of the current consolidated fiscal year.

Indonesian Tax Authority has unilaterally disallowed certain agent fees, etc. of PTS for some time, and since these corrections are not acceptable for the Company and PTS, PTS is asserting the legitimacy of the Company and PTS to Indonesian Tax Authority, through tax trials, objections, and other means.

As of the end of the current consolidated fiscal year, the additional amount disputed by PTS totaled US\$18 million (2,669 million yen at the exchange rate as of the end of the current consolidated fiscal year).

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