

# Consolidated Financial Results for the Six Months Ended September 30, 2023 (Japanese Accounting Standards)

November 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: November 9, 2023  
 Scheduled date of start of dividend payment: December 8, 2023  
 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 Six Months Ended September 30, 2023 (From April 1, 2023 to September 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 six months ended September 30, 2023	716,199	-13.9	11,950	-59.6	18,418	-20.0	11,120	-52.9
The six months ended September 30, 2022	831,981	-3.3	29,560	1.8	23,025	-39.8	23,624	-38.1

(Note) Comprehensive income: The six months ended September 30, 2023: 40,220 million yen (-33.6%)

The six months ended September 30, 2022: 60,608 million yen (76.3%)

	Profit per share	Diluted profit per share
	Yen	Yen
The six months ended September 30, 2023	85.12	—
The six months ended September 30, 2022	180.80	—

### (2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	1,985,027	658,656	31.5
As of March 31, 2023	1,891,795	628,875	31.4

(Reference) Shareholders' equity: As of September 30, 2023: 626,146 million yen

As of March 31, 2023: 593,324 million yen

## 2. Dividend Payments

(Record date)	Dividend per share				
	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	—	47.00			
Year ending March 31, 2024 (Forecast)			—	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	1,660,000	2.1	40,000	-20.1	56,000	121.3	38,000	86.9	290.89

(Note) Revision to forecast published most recently: Yes

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 “(4) Key notes to consolidated quarterly financial statements, Application of special accounting treatment in the preparation of quarterly consolidated financial statements” under “2. Consolidated Financial Statements and Key Notes” on page 14.
- (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):     |                    |
| Six months ended September 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:                                   |                    |
| Six months ended September 30, 2023:  | 852,995 shares     |
| Year ended March 31, 2023:  | 857,856 shares     |
| (iii) Average number of outstanding shares during period (quarterly cumulative period): |                    |
| Six months ended September 30, 2023:  | 130,634,098 shares |
| Six months ended September 30, 2022:  | 130,661,264 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) Information on the consolidated earnings forecast and other future forecast” under “1. Qualitative Information on Financial Results” on page 6 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 Thursday, November 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. Qualitative Information on Financial Results

### (1) Details of operating results

#### 1) Summary of business performance for the current quarter

In the first half of the current fiscal year, the momentum of economic recovery slowed down mainly in China and Europe as monetary tightening continued in each country to suppress the inflation, while the global economy generally showed a moderate recovery trend.

The Japanese economy recovered moderately amid a recovery in inbound demand and a pick-up in personal consumption and corporate capital investment.

As for the business environment surrounding Mitsubishi Materials Group (“the Group”), the recovery trend in automobile production continued, however, demand for our automotive-related products did not recover. Also, demand for our semiconductors-related products also continued weak due to the sluggish semiconductor market. In addition, there were impacts such as a decline in palladium price, an increase in energy costs, and the yen's depreciation.

Under these circumstances, net sales and operating profit decreased in the Metals business, the Advanced Products business, and the Metalworking Solutions business in the first half of the current fiscal year. As a result, consolidated financial results for the period were net sales of ¥716.199 billion (down 13.9% year-on-year) and operating profit of ¥11.950 billion (down 59.6% year-on-year). Ordinary profit was ¥18.418 billion (down 20.0% year-on-year), despite a decrease in dividends received, mainly due to the recording of equity-method investment income. As a result, profit attributable to owners of parent was ¥11.120 billion (down 52.9% 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, (4) 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 H1	FY March 2024 H1	Change (%)	
Net sales	567.3	476.8	-90.4	(-15.9%)
Operating profit	16.4	7.1	-9.2	(-56.5%)
Ordinary profit	21.2	8.4	-12.7	(-60.0%)

In the Metals business, net sales and operating profit decreased year-on-year, mainly due to a decline in palladium price and an increase in energy cost and foreign exchange hedging cost, as well as the impact of PT. Smelting's shift to contract smelting from January 2023. Ordinary profit decreased due to a decrease in operating profit and a decrease in dividends.

### Advanced Products Business

(Billions of yen)

	FY March 2023 H1	FY March 2024 H1	Change (%)	
Net sales	260.3	242.9	-17.3	(-6.7%)
Operating profit	6.1	0.8	-5.3	(-86.7%)
Ordinary profit	6.1	0.1	-5.9	(-97.5%)

In the Copper & Copper Alloy business, sales decreased mainly for automotive products, but there were effects such as price revisions and the yen's depreciation. In the Electronic Materials & Components business, sales of semiconductor-related products decreased due to worsening semiconductor market conditions. As a result, net sales and operating profit decreased year-on-year. In addition, there was also an impact on the transfer of polycrystalline silicon business in March 2023. Ordinary profit decreased due to a decline in operating profit and a decrease in equity-method investment gains.

## Metalworking Solutions Business

(Billions of yen)

	FY March 2023 H1	FY March 2024 H1	Change (%)	
Net sales	71.8	69.8	-2.0	(-2.9%)
Operating profit	7.8	5.2	-2.6	(-33.3%)
Ordinary profit	8.8	6.3	-2.4	(-27.7%)

In the Metalworking Solutions business, sales of cemented carbide products, our main products, decreased mainly in Japan and China, although there were effects of the yen's depreciation and price hikes. In addition, there was an increase in raw materials and energy costs. As a result, net sales and operating profit decreased year-on-year. Ordinary profit decreased due to a decrease in operating profit.

## Renewable Energy Business

(Billions of yen)

	FY March 2023 H1	FY March 2024 H1	Change (%)	
Net sales	1.7	2.2	0.5	(30.4%)
Operating profit	0.0	0.2	0.2	(380.4%)
Ordinary profit	0.3	0.3	-0.0	(-4.1%)

In the Renewable Energy business, net sales and operating profit increased year-on-year, mainly due to Komatagawa New Power Plant (hydroelectric power generation) that started commercial operation in December 2022. Ordinary profit decreased due to a decline in equity-method investment income, despite an increase in operating profit.

## Other Businesses

(Billions of yen)

	FY March 2023 H1	FY March 2024 H1	Change (%)	
Net sales	77.0	72.5	-4.5	(-5.9%)
Operating profit	3.5	1.5	-1.9	(-55.6%)
Ordinary profit (loss)	-9.7	8.2	17.9	(-%)

In Other businesses, net sales and operating profit decreased year-on-year due to deterioration in semiconductor market conditions. Ordinary profit increased due to the recording of equity-method investment profit in Mitsubishi UBE Cement Corporation (the same loss was recorded in the same period of the previous fiscal year) that implemented price hikes.

### (2) Details of financial position

Total assets at the end of the first half were ¥1,985.0 billion, an increase of ¥93.2 billion year-on-year. This was mainly due to an increase in inventories and property, plant and equipment.

Liabilities increased by ¥63.4 billion to ¥1,326.3 billion. This was mainly due to an increase in interest-bearing liabilities and deposited gold bullion.

The status of cash flows and their factors for the period are as follows.

(Cash flows from operating activities)

Net cash used in operating activities for the period amounted to ¥16.9 billion (a decrease of ¥12.0 billion year-on-year) due to an increase in inventories and other factors, despite the recording of profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the period amounted to ¥61.2 billion (an increase of ¥37.6 billion year-on-year), mainly due to expenditures for payment for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities for the period was ¥22.9 billion (a decrease of ¥37.1 billion year-on-year), mainly due to borrowings and commercial paper.

In addition to the above, taking into account the effect of exchange rate changes and other factors, the balance of cash and cash equivalents at the end of the period was ¥93.5 billion (a decrease of ¥47.5 billion year-on-year).

**(3) Information on the consolidated earnings forecast and other future forecast**

With regard to the consolidated earnings forecast for the fiscal year ending March 2024, the Company has revised the figures previously announced on May 12, 2023 as follows.

Although there is ongoing effect of the yen's depreciation, net sales are expected to be in line with the previous forecast, and operating profit is expected to decrease compared to the previous forecast due to the sluggish semiconductor market, the drop in the palladium price and a decrease in sales of our semiconductor-related products.

Ordinary profit and profit attributable to owners of parent are expected to decrease slightly compared to the previous forecast due to lower operating profit than the previous forecast, despite an improvement in equity-method investment profit in Mitsubishi UBE Cement Corporation and an increase in foreign exchange gains.

There is no revision to the dividend forecast accompanying the revision of this earnings forecast.

Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024  
(April 1, 2023 - March 31, 2024)

(Billions of yen)

	Previous Forecast	Current Forecast	Change (%)
Net sales	1,670.0	1,660.0	(-0.6%)
Operating profit	50.0	40.0	(-20.0%)
Ordinary profit	58.0	56.0	(-3.4%)
Profit attributable to owners of parent	41.0	38.0	(-7.3%)

(Note) The above forecasts are based on economic conditions, market trends, and other factors that can be assumed as of the date of the announcement, and may differ from the forecasts due to various factors in the future.

**2. Consolidated Financial Statements and Key Notes**  
**(1) Consolidated balance sheet**

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	142,126	95,215
Notes receivable – trade	30,301	32,032
Accounts receivable – trade	158,197	167,969
Merchandise and finished goods	120,135	142,240
Work in process	127,368	125,255
Raw materials and supplies	130,171	176,803
Leased gold bullion	234,896	229,810
Other	173,420	171,357
Allowance for doubtful accounts	(578)	(613)
<b>Total current assets</b>	<b>1,116,040</b>	<b>1,140,070</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Machinery and equipment, net	147,293	159,601
Land, net	87,904	88,273
Other, net	191,016	209,113
<b>Total property, plant and equipment, net</b>	<b>426,214</b>	<b>456,989</b>
<b>Intangible assets</b>		
Goodwill	9,224	8,924
Other	19,545	21,465
<b>Total intangible assets</b>	<b>28,769</b>	<b>30,390</b>
<b>Investments and other assets</b>		
Investment securities	256,544	277,269
Other	69,528	85,609
Allowance for doubtful accounts	(5,302)	(5,300)
<b>Total investments and other assets</b>	<b>320,770</b>	<b>357,577</b>
<b>Total non-current assets</b>	<b>775,754</b>	<b>844,957</b>
<b>Total assets</b>	<b>1,891,795</b>	<b>1,985,027</b>

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	85,211	85,398
Short-term borrowings	146,972	145,816
Current portion of bonds payable	–	10,000
Commercial papers	25,000	55,000
Income taxes payable	4,638	5,175
Provisions	12,600	12,371
Deposited gold bullion	439,204	466,950
Other	104,734	98,530
<b>Total current liabilities</b>	<b>818,361</b>	<b>879,243</b>
<b>Non-current liabilities</b>		
Bonds payable	70,000	60,000
Long-term borrowings	291,589	305,156
Provision for environmental measures	14,388	13,096
Other provisions	1,103	1,080
Retirement benefit liability	24,350	23,441
Other	43,127	44,353
<b>Total non-current liabilities</b>	<b>444,558</b>	<b>447,127</b>
<b>Total liabilities</b>	<b>1,262,919</b>	<b>1,326,371</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	119,457	119,457
Capital surplus	81,917	81,916
Retained earnings	338,867	346,722
Treasury shares	(2,897)	(2,882)
<b>Total shareholders' equity</b>	<b>537,345</b>	<b>545,214</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,193	7,838
Deferred gains or losses on hedges	1,631	(1,303)
Revaluation reserve for land	16,702	16,696
Foreign currency translation adjustment	33,786	57,109
Remeasurements of defined benefit plans	(335)	591
<b>Total accumulated other comprehensive income</b>	<b>55,978</b>	<b>80,932</b>
<b>Non-controlling interests</b>	<b>35,550</b>	<b>32,509</b>
<b>Total net assets</b>	<b>628,875</b>	<b>658,656</b>
<b>Total liabilities and net assets</b>	<b>1,891,795</b>	<b>1,985,027</b>

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

(Millions of yen)

	Six Months Ended September 30, 2022 (Apr. 1, 2022 – Sept. 30, 2022)	Six Months Ended September 30, 2023 (Apr. 1, 2023 – Sept. 30, 2023)
<b>Net sales</b>	831,981	716,199
<b>Cost of sales</b>	741,587	642,702
<b>Gross profit</b>	90,394	73,496
<b>Selling, general and administrative expenses</b>	60,834	61,545
<b>Operating profit</b>	29,560	11,950
<b>Non-operating income</b>		
Interest income	391	1,632
Dividend income	6,754	1,168
Exchange gain	2,702	4,568
Share of profit of entities accounted for using equity method	—	4,511
Rental income from non-current assets	2,144	2,104
Other	961	1,529
<b>Total non-operating income</b>	12,954	15,513
<b>Non-operating expenses</b>		
Interest expenses	2,786	3,244
Expense for the maintenance and management of abandoned mines	1,988	2,131
Share of loss of entities accounted for using equity method	9,793	—
Other	4,921	3,670
<b>Total non-operating expenses</b>	19,489	9,045
<b>Ordinary profit</b>	23,025	18,418
<b>Extraordinary income</b>		
Gain on sales of investment securities	1,331	659
Gain on change in equity	11,007	—
Other	242	22
<b>Total extraordinary income</b>	12,581	682
<b>Extraordinary losses</b>		
Loss on liquidation of affiliated companies	—	382
Impairment loss	—	271
Loss on changes in equity	640	—
Other	260	128
<b>Total extraordinary losses</b>	901	781
<b>Profit before income taxes</b>	34,705	18,319
<b>Income taxes</b>	8,004	6,277
<b>Profit</b>	26,700	12,042
<b>Profit attributable to non-controlling interests</b>	3,076	922
<b>Profit attributable to owners of parent</b>	23,624	11,120

**Consolidated statement of comprehensive income**

(Millions of yen)

	Six Months Ended September 30, 2022 (Apr. 1, 2022 – Sept. 30, 2022)	Six Months Ended September 30, 2023 (Apr. 1, 2023 – Sept. 30, 2023)
<b>Profit</b>	26,700	12,042
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(8,667)	3,200
Deferred gains or losses on hedges	(2,308)	(3,151)
Foreign currency translation adjustment	26,061	16,568
Remeasurements of defined benefit plans	316	989
Share of other comprehensive income of entities accounted for using equity method	18,505	10,571
Total other comprehensive income	33,907	28,177
<b>Comprehensive income</b>	60,608	40,220
(Break down)		
Comprehensive income attributable to owners of parent	52,525	36,079
Comprehensive income attributable to non-controlling interests	8,082	4,141

**(3) Consolidated statement of cash flows**

(Millions of yen)

	Six Months Ended September 30, 2022 (Apr. 1, 2022 – Sept. 30, 2022)	Six Months Ended September 30, 2023 (Apr. 1, 2023 – Sept. 30, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	34,705	18,319
Depreciation	22,102	22,561
Increase (decrease) in provision for environmental measures	(2,033)	(1,292)
Increase (decrease) of provision	(270)	(406)
Increase (decrease) of retirement benefit liability	368	(327)
Interest and dividend income	(7,145)	(2,800)
Interest expenses	2,786	3,244
Share of loss (profit) of entities accounted for using equity method	9,793	(4,511)
Loss (gain) on change in equity	(10,366)	-
Loss (gain) on sales of property, plant and equipment	(83)	(30)
Loss (gain) on sales of investment securities	(1,319)	(659)
Loss (gain) on valuation of investment securities	48	1
Decrease (increase) in notes and accounts receivable - trade	17,729	(7,735)
Decrease (increase) in inventories	(12,220)	(60,672)
Proceeds from sales of gold bullion	52,382	82,371
Payment for purchase of gold bullion	(52,363)	(52,218)
Decrease (increase) in other current assets	(24,365)	(1,958)
Increase (decrease) in notes and accounts payable - trade	(43,178)	(4,504)
Other	(11,401)	(1,668)
<b>Sub-total</b>	<b>(24,832)</b>	<b>(12,288)</b>
Interest and dividend received	10,947	4,123
Interest paid	(2,695)	(3,243)
Income taxes (paid) refund	(12,431)	(5,574)
<b>Net cash provided by (used in) operating activities</b>	<b>(29,011)</b>	<b>(16,983)</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(28,906)	(48,476)
Proceeds from sales of property, plant and equipment	218	188
Payment for purchase of investment securities	(565)	(2,552)
Proceeds from sales of investment securities	2,555	968
Payment for loans	(3,694)	(10,946)
Proceeds from collection of loans	8,365	3,266
Other	(1,531)	(3,664)
<b>Net cash provided by (used in) investing activities</b>	<b>(23,558)</b>	<b>(61,216)</b>

(Millions of yen)

	Six Months Ended September 30, 2022 (Apr. 1, 2022 – Sept. 30, 2022)	Six Months Ended September 30, 2023 (Apr. 1, 2023 – Sept. 30, 2023)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	40,431	10,636
Proceeds from long-term borrowings	12,928	17,516
Repayment of long-term borrowings	(3,737)	(23,432)
Payment for redemption of bonds	(10,000)	-
Net increase (decrease) in commercial paper	30,000	30,000
Payment for purchase of treasury shares	(8)	(79)
Cash dividends paid	(6,545)	(3,271)
Cash dividends paid to non-controlling interests	(1,764)	(7,261)
Other	(1,221)	(1,162)
<b>Net cash provided by (used in) financing activities</b>	<b>60,083</b>	<b>22,946</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>14,239</b>	<b>7,672</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>21,753</b>	<b>(47,580)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>153,640</b>	<b>141,079</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of consolidated subsidiaries' accounting period</b>	<b>-</b>	<b>10</b>
<b>Decrease in cash and cash equivalents resulting from company split</b>	<b>(23,025)</b>	<b>-</b>
<b>Cash and cash equivalents at the end of period</b>	<b>152,368</b>	<b>93,509</b>

#### (4) Key notes to consolidated quarterly financial statements

##### Notes on going concern assumption

N/A

##### Segment information, etc.

I. For the first six months ended September 30, 2022 (from April 1, 2022 to September 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	449,621	250,661	69,099	1,737	60,861	831,981	—	831,981
(2) Within consolidated group	117,695	9,646	2,778	0	16,191	146,312	(146,312)	—
Total	567,316	260,308	71,878	1,738	77,053	978,293	(146,312)	831,981
Segment income (loss)	21,245	6,117	8,802	321	(9,719)	26,767	(3,742)	23,025

(Notes)

1. “Other businesses” include cement-related and engineering-related businesses.
2. “Adjustment” in segment income (loss) of ¥(3,742) million includes the amount of elimination of intersegment transactions of ¥(200) million and corporate expenses of ¥(3,541) million 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 six months ended September 30, 2023 (from April 1, 2023 to September 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	359,704	235,379	67,478	2,265	51,370	716,199	—	716,199
(2) Within consolidated group	117,152	7,610	2,329	0	21,133	148,226	(148,226)	—
Total	476,857	242,990	69,807	2,266	72,504	864,425	(148,226)	716,199
Segment income (loss)	8,490	150	6,362	308	8,232	23,544	(5,125)	18,418

(Notes)

1. “Other businesses” include cement-related and engineering-related businesses.
2. “Adjustment” in segment income (loss) of ¥(5,125) million includes the amount of elimination of intersegment transactions of ¥40 million and corporate expenses of ¥(5,165) million 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 FY2031, 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 half of the previous fiscal year is disclosed based on the new reporting segmentation and calculation method.

## Notes on the significant changes in the amount of shareholders' equity, if any

N/A

### Application of special accounting treatment in the 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 half the current fiscal year.

### Additional information

#### (Stock-based compensation system)

#### 1. Overview of the transactions

The Company has introduced a share-based compensation plan ("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 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 and 220 thousand shares respectively at the end of the first half 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 at the exchange rate as of the end of the previous consolidated fiscal year).

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

##### Current consolidated fiscal year (As of September 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, 2017, December 31, 2018, and December 31, 2019, as of the end of the current consolidated fiscal year.

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

As of the end of the current consolidated fiscal year, the additional amount disputed by PTS totaled US\$29 million (¥4,430 million at the exchange rate as of the end of the second quarter of the current consolidated fiscal year).

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