

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Japanese Accounting Standards)

February 9, 2024

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: February 9, 2024
 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 Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 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 nine months ended December 31, 2023	1,081,585	-13.0	15,410	-59.4	43,651	74.9	24,600	—
The nine months ended December 31, 2022	1,243,565	-5.4	37,975	-3.4	24,962	-59.2	1,110	-98.2

(Note) Comprehensive income: The nine months ended December 31, 2023: ¥53,574 million (131.6%)
 The nine months ended December 31, 2022: ¥23,130 million (-63.3%)

	Profit per share	Diluted profit per share
	Yen	Yen
The nine months ended December 31, 2023	188.31	—
The nine months ended December 31, 2022	8.50	—

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	2,031,478	664,502	30.9
As of March 31, 2023	1,891,795	628,875	31.4

(Reference) Shareholders' equity: As of December 31, 2023: ¥627,100 million
 As of March 31, 2023: ¥593,324 million

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	1,530,000	-5.9	30,000	-40.1	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 accompanied by 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 special accounting treatment in the 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): | |
| Nine months ended December 31, 2023: | 131,489,535 shares |
| Year ended March 31, 2023: | 131,489,535 shares |
| (ii) Numbers of treasury shares at the end of period: | |
| Nine months ended December 31, 2023: | 855,645 shares |
| Year ended March 31, 2023: | 857,856 shares |
| (iii) Average number of outstanding shares during period (quarterly cumulative period): | |
| Nine months ended December 31, 2023: | 130,634,216 shares |
| Nine months ended December 31, 2022: | 130,665,136 shares |

* This quarterly financial summary is not subject to a quarterly review 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 (“Company” or “Group”), 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 a quarterly financial briefing for institutional investors on Friday, February 9, 2024. The materials used at this briefing are disclosed on the TDnet and the Company's website at the time that the quarterly 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 fiscal year

During the nine months of the current fiscal year, the global economy was on a generally moderate recovery path, however, the momentum of the recovery slowed mainly in China and Europe, amid rising commodity prices and monetary tightening to curb them in various countries.

The Japanese economy showed a moderate recovery amid a recovery in inbound demand and pickup in personal consumption.

With regard to the business environment surrounding the Group, while demand for automobiles improved due to the continued recovery of automobile production, demand for semiconductors remained weak due to the slump in the semiconductor market. In addition to these factors, there were effects of a decline in palladium prices and an increase in energy costs, and the yen's depreciation.

Under these circumstances, net sales and operating profit decreased in the Metals, Advanced Products, and Metalworking Solutions businesses year-on-year.

As a result, net sales in the first nine months were ¥1,081.585 billion (down 13.0% year-on-year) and ¥15.410 billion (down 59.4% year-on-year) in operating profit. Ordinary profit was ¥43.651 billion (up 74.9% year-on-year) due mainly to an increase in dividend income from mines and recording of equity-method gains. Consequently, profit attributable to owners of parent posted ¥24.60 billion (¥1.11 billion of profit attributable to owners of parent for the same period last fiscal 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 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)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Change (%)	
Net sales	839.1	716.3	-122.8	(-14.6%)
Operating profit	19.0	6.7	-12.2	(-64.3%)
Ordinary profit	21.6	28.3	6.7	(+31.0%)

In the Metals business, net sales and operating profit decreased year-on-year mainly due to lower palladium prices, deteriorating sulfuric acid trading conditions and increased foreign exchange hedging costs, as well as the impact of the transition of PT. Smelting to contract smelting from January 2023. Ordinary profit increased mainly due to increase in dividend income from Los Pelambres Copper Mine.

Advanced Products Business

(Billions of yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Change (%)	
Net sales	397.1	368.3	-28.8	(-7.3%)
Operating profit	7.5	2.4	-5.0	(-67.7%)
Ordinary profit	7.4	0.9	-6.4	(-86.7%)

In the Advanced Products business, sales of automotive-related products decreased mainly in the Copper & Copper Alloy business, partially offset by price revisions and the yen's depreciation. In the Electronic Materials & Components business, sales of semiconductor-related products declined due to the sluggish semiconductor market. As a result, net sales and operating profit decreased year-on-year. There was also the impact of the transfer of polycrystalline silicon business in March 2023. Ordinary profit decreased due to a decrease in operating profit and a decrease in equity-method investment gains.

Metalworking Solutions Business

(Billions of yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Change (%)	
Net sales	107.2	104.7	-2.4	(-2.3%)
Operating profit	11.3	8.2	-3.1	(-27.8%)
Ordinary profit	11.7	9.1	-2.6	(-22.2%)

In the Metalworking Solutions business, net sales and operating profit decreased year-on-year mainly due to a decrease in sales mainly in Japan and China, despite the impact of the yen's depreciation and the effect of price increases for cemented carbide products, our main products. Ordinary profit decreased due to the decrease in operating profit.

Renewable Energy Business

(Billions of yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Change (%)	
Net sales	2.4	3.5	1.0	(+43.0%)
Operating profit	-0.0	0.5	0.6	(-%)
Ordinary profit	0.5	0.5	-0.0	(-0.5%)

In the Renewable Energy business, net sales and operating profit increased year-on-year, mainly driven by the start of commercial operation of Komatagawa New Power Plant (hydroelectric power generation) in December 2022. Ordinary profit was on par with the same period of the previous fiscal year due to a decrease in equity-method investment gains, despite an increase in operating profit.

Other Businesses

(Billions of yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Change (%)	
Net sales	120.8	1,14.2	-6.5	(-5.4%)
Operating profit	5.5	3.2	-2.2	(-40.9%)
Ordinary profit (loss)	-11.0	13.3	24.3	(-%)

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

(2) Details of financial position

Total assets at the end of the nine months of the current fiscal year were ¥2,031.4 billion, an increase of ¥ 139.6 billion year-on-year. This was mainly due to an increase in inventories and property, plant and equipment. Liabilities increased by ¥104.0 billion to ¥1,366.9 billion. This was mainly due to an increase in interest-bearing liabilities and deposited gold bullion.

(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 November 9, 2023 as follows.

Compared to the previous forecast, net sales and operating profit are expected to decrease due to lower-than-expected consolidated net sales and operating profit for the nine months of the current fiscal year, as well as lower sales of automotive and semiconductor-related products and declined palladium prices. Ordinary profit and profit attributable to owners of parent are unchanged from the previous forecast considering an increase in dividend income from Los Pelambres Copper Mine and the outlook for the future business environment.

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	1,660.0	1,530.0	-7.8%
Operating profit	40.0	30.0	-25.0%
Ordinary profit	56.0	56.0	—
Profit attributable to owners of parent	38.0	38.0	—

(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 December 31, 2023
Assets		
Current assets		
Cash and deposits	142,126	115,218
Notes receivable – trade	30,301	30,234
Accounts receivable – trade	158,197	162,862
Merchandise and finished goods	120,135	134,834
Work in process	127,368	125,203
Raw materials and supplies	130,171	191,850
Leased gold bullion	234,896	247,014
Other	173,420	177,219
Allowance for doubtful accounts	(578)	(634)
Total current assets	1,116,040	1,183,804
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	147,293	182,820
Land, net	87,904	88,200
Other, net	191,016	188,341
Total property, plant and equipment, net	426,214	459,362
Intangible assets		
Goodwill	9,224	8,443
Other	19,545	21,091
Total intangible assets	28,769	29,535
Investments and other assets		
Investment securities	256,544	277,077
Other	69,528	86,946
Allowance for doubtful accounts	(5,302)	(5,246)
Total investments and other assets	320,770	358,777
Total non-current assets	775,754	847,674
Total assets	1,891,795	2,031,478

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	85,211	82,550
Short-term borrowings	146,972	163,658
Current portion of bonds payable	–	10,000
Commercial papers	25,000	45,000
Income taxes payable	4,638	4,960
Provisions	12,600	7,672
Deposited gold bullion	439,204	491,245
Other	104,734	95,547
Total current liabilities	818,361	900,634
Non-current liabilities		
Bonds payable	70,000	80,000
Long-term borrowings	291,589	303,553
Provision for environmental measures	14,388	13,055
Other provisions	1,103	1,142
Retirement benefit liability	24,350	23,176
Other	43,127	45,413
Total non-current liabilities	444,558	466,341
Total liabilities	1,262,919	1,366,976
Net assets		
Shareholders' equity		
Share capital	119,457	119,457
Capital surplus	81,917	81,916
Retained earnings	338,867	353,124
Treasury shares	(2,897)	(2,888)
Total shareholders' equity	537,345	551,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,193	7,198
Deferred gains or losses on hedges	1,631	814
Revaluation reserve for land	16,702	16,314
Foreign currency translation adjustment	33,786	50,432
Remeasurements of defined benefit plans	(335)	729
Total accumulated other comprehensive income	55,978	75,489
Non-controlling interests	35,550	37,401
Total net assets	628,875	664,502
Total liabilities and net assets	1,891,795	2,031,478

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

(Millions of yen)

	Nine Months Ended December 31, 2022 (Apr. 1, 2022 – Dec. 31, 2022)	Nine Months Ended December 31, 2023 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	1,243,565	1,081,585
Cost of sales	1,112,300	973,393
Gross profit	131,265	108,191
Selling, general and administrative expenses	93,290	92,781
Operating profit	37,975	15,410
Non-operating income		
Interest income	853	2,661
Dividend income	8,901	23,564
Share of profit of entities accounted for using equity method	-	8,697
Rental income from non-current assets	3,117	3,109
Other	1,933	4,316
Total non-operating income	14,806	42,349
Non-operating expenses		
Interest expenses	4,447	5,099
Expense for the maintenance and management of abandoned mines	3,025	2,961
Share of loss of entities accounted for using equity method	13,739	-
Other	6,607	6,046
Total non-operating expenses	27,819	14,108
Ordinary profit	24,962	43,651
Extraordinary income		
Gain on sales of investment securities	11,099	666
Gain on change in equity	11,007	-
Other	265	50
Total extraordinary income	22,371	717
Extraordinary losses		
Impairment loss	611	1,306
Provision for loss on business restructuring	35,847	-
Other	2,162	713
Total extraordinary losses	38,621	2,020
Profit before income taxes	8,713	42,348
Income taxes	5,016	10,444
Profit	3,697	31,903
Profit attributable to non-controlling interests	2,586	7,303
Profit attributable to owners of parent	1,110	24,600

Consolidated statement of comprehensive income

(Millions of yen)

	Nine Months Ended December 31, 2022 (Apr. 1, 2022 – Dec. 31, 2022)	Nine Months Ended December 31, 2023 (Apr. 1, 2023 – Dec. 31, 2023)
Profit	3,697	31,903
Other comprehensive income		
Valuation difference on available-for-sale securities	(17,049)	1,045
Deferred gains or losses on hedges	6,091	(920)
Foreign currency translation adjustment	11,013	9,724
Remeasurements of defined benefit plans	477	1,141
Share of other comprehensive income of entities accounted for using equity method	18,899	10,679
Total other comprehensive income	19,433	21,671
Comprehensive income	23,130	53,574
(Break down)		
Comprehensive income attributable to owners of parent	18,321	44,498
Comprehensive income attributable to non-controlling interests	4,808	9,076

(4) Key notes to consolidated quarterly financial statements

Notes on going concern assumption

N/A

Segment information, etc.

I. For the first nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on net sales and income of each reporting 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	662,068	382,455	103,305	2,476	93,259	1,243,565	—	1,243,565
(2) Within consolidated group	177,123	14,687	3,944	0	27,547	223,303	(223,303)	—
Total	839,192	397,143	107,250	2,476	120,806	1,466,869	(223,303)	1,243,565
Segment income (loss)	21,615	7,417	11,744	537	(11,034)	30,280	(5,317)	24,962

(Notes)

1. “Other businesses” include cement-related and engineering-related businesses.
2. “Adjustment” in segment income (loss) of ¥(5,317) million includes the amount of elimination of intersegment transactions of ¥(132) million and corporate expenses of ¥(5,185) 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	543,073	356,389	101,260	3,541	77,320	1,081,585	—	1,081,585
(2) Within consolidated group	173,290	11,918	3,489	0	36,951	225,650	(225,650)	—
Total	716,364	368,307	104,750	3,541	114,272	1,307,235	(225,650)	1,081,585
Segment income (loss)	28,317	985	9,136	535	13,338	52,312	(8,661)	43,651

(Notes)

1. “Other businesses” include cement-related and engineering-related businesses.
2. “Adjustment” in segment income (loss) of ¥(8,661) million includes the amount of elimination of intersegment transactions of ¥(1,261) million and corporate expenses of ¥(7,399) 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 nine months 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 nine months of 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 nine months 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 December 31, 2023)

The consolidated subsidiary of the Company, PTS, has received a notice of reassessment from Indonesian Tax Authority covering the company's three fiscal years ended December 31, 2012, December 31, 2017, and December 31, 2019, as of the end of the current consolidated fiscal year.

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

As of the end of the current consolidated fiscal year, the additional amount disputed by PTS totaled US\$27 million (¥3,916 million at the exchange rate as of the end of the third quarter of the current consolidated fiscal year).

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

Notes to quarterly consolidated statement of income

Provision for loss on business restructuring

(From April 1, 2022 to December 31, 2022)

In order to prepare for a loss associated with the transfer of the Company's polycrystalline silicon business (Includes shares of Mitsubishi Polycrystalline Silicon America Corporation, a consolidated subsidiary of the Company, and NIPPON AEROSIL Corporation, an equity-method affiliate of the Company), an estimated loss of ¥35,847 million was recognized as an extraordinary loss in the previous fiscal year.