

# Financial Review

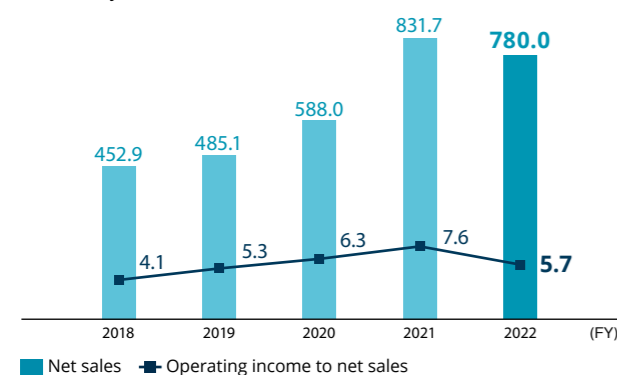
## Financial Performance

In fiscal 2022, demand for certain automotive products and services continued to be in an adjustment phase as the global shortage of semiconductors continued to affect the industry, and automobile production remained weak. Sales of telecommunications-related products declined due to the stagnant Chinese economy. In addition, sales of new energy-related products were weak due to changes in the competitive environment caused by the increasing use of general-purpose products. Orders for environmental and recycling-related services were solid for waste disposal. Regarding the market environment, the average exchange rate for the yen depreciated significantly against the U.S. dollar compared to the previous period. In contrast, the average prices of copper, silver, and PGMs (platinum group metals) declined. On the other hand, costs for electricity, fuel, and sub-materials increased significantly due to the global rise in energy and material prices.

In fiscal 2022, the first year of our Midterm Plan 2024, we have steadily implemented a variety of measures to strengthen our five core businesses further and enhance our management foundation based on our basic strategies of evolving our recycling-oriented business model and strengthening our sustainability management, to enhance our corporate value and contribute to the realization of a sustainable society. As a result of these measures, consolidated net sales increased 6.2% to ¥780,060 million, consolidated operating income decreased 30.1% to ¥44,610 million, and consolidated ordinary income decreased 27.0% to ¥55,501 million. Net income attributable to owners of parent decreased 50.9% to ¥25,041 million, mainly due to the posting of ¥5,826 million in extraordinary losses targeting business sites with deteriorating profitability.

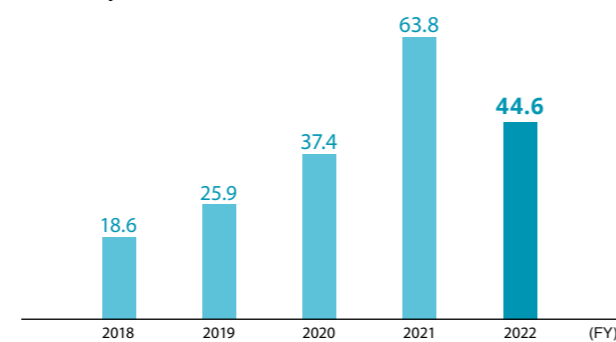
### Net Sales / Operating Income to Net Sales

(Billions of yen / %)



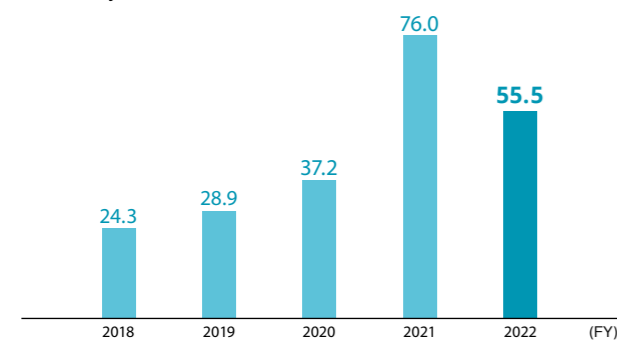
### Operating Income

(Billions of yen)



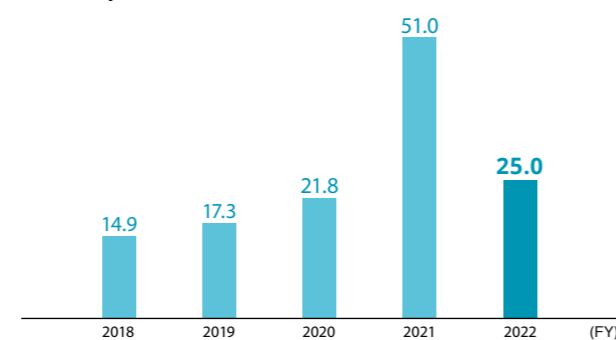
### Ordinary Income

(Billions of yen)



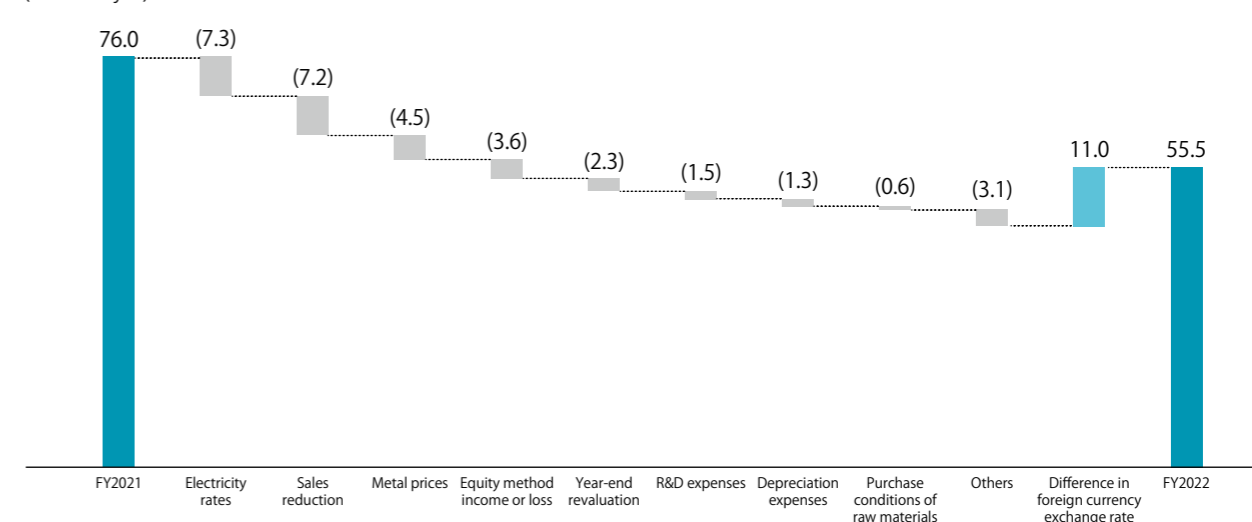
### Net Income Attributable to Owners of Parent

(Billions of yen)



### Factor Analysis of Ordinary Income

(Billions of yen)



### Results by Segment

(Billions of yen)

|                                      | FY2021       |                  |                 | FY2022       |                  |                 | YoY Changes   |                  |                 |
|--------------------------------------|--------------|------------------|-----------------|--------------|------------------|-----------------|---------------|------------------|-----------------|
|                                      | Net Sales    | Operating Income | Ordinary Income | Net Sales    | Operating Income | Ordinary Income | Net Sales     | Operating Income | Ordinary Income |
| Environmental Management & Recycling | 135.0        | 12.6             | 13.6            | 148.0        | 11.1             | 11.9            | 12.9          | (1.5)            | (1.6)           |
| Nonferrous Metals                    | 455.6        | 36.1             | 42.7            | 433.6        | 22.7             | 33.1            | (21.9)        | (13.3)           | (9.6)           |
| Electronic Materials                 | 175.3        | 5.2              | 6.5             | 138.2        | 2.9              | 4.5             | (37.1)        | (2.2)            | (2.0)           |
| Metal Processing                     | 111.9        | 6.3              | 6.8             | 116.1        | 5.3              | 5.5             | 4.2           | (1.0)            | (1.3)           |
| Heat Treatment                       | 28.9         | 2.6              | 3.0             | 30.1         | 1.4              | 1.8             | 1.1           | (1.1)            | (1.1)           |
| Others / Elimination                 | (75.1)       | 0.7              | 3.2             | (86.1)       | 0.9              | (1.5)           | (11.0)        | 0.2              | (4.8)           |
| <b>Total</b>                         | <b>831.7</b> | <b>63.8</b>      | <b>76.0</b>     | <b>780.0</b> | <b>44.6</b>      | <b>55.5</b>     | <b>(51.7)</b> | <b>(19.2)</b>    | <b>(20.5)</b>   |

### Foreign-Exchange Rate and Metal Prices

|                       | FY2021* | FY2022* |
|-----------------------|---------|---------|
| Exchange rate: (¥/\$) | 112.4   | 135.5   |
| Copper: (\$/t)        | 9,691   | 8,551   |
| Zinc: (\$/t)          | 3,254   | 3,332   |
| Indium: (\$/kg)       | 229     | 221     |

\* Figures are the average for the full year.

## Analysis of Financial Position

### Assets

Total assets at the end of fiscal 2022 decreased by ¥2,001 million from the end of the previous fiscal year to ¥655,282 million. Current assets decreased by ¥4,007 million, and non-current assets increased by ¥2,006 million.

The decrease in current assets was mainly due to a ¥9,486 million decrease in notes and accounts receivable-trade, and contract assets, a ¥9,363 million decrease in inventories, a ¥12,880 million increase in other current assets, and a ¥1,970 million increase in cash and deposits.

The increase in non-current assets was mainly due to a ¥4,878 million increase in property, plant, and equipment and a ¥2,947 million decrease in deferred tax assets.

### Liabilities

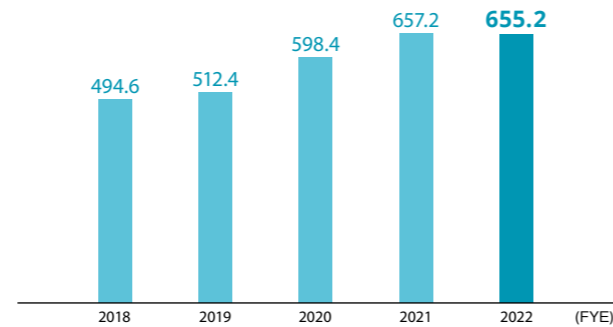
Total liabilities decreased by ¥34,030 million compared with the previous fiscal year-end. This was mainly due to a decrease in current liabilities from a decrease of ¥11,222 million in notes and accounts payable-trade, a decrease of ¥8,320 million in borrowing precious metals, a decrease of ¥7,891 million in long-term borrowings, and a decrease of ¥7,310 million in income taxes payable.

### Equity

As for total equity, net income attributable to owners of parent came to ¥25,041 million, but payment of cash dividends results in an increase in shareholders' equity of ¥16,480 million. In addition, total accumulated other comprehensive income increased by ¥14,957 million due in part to foreign currency translation adjustment and an increase in deferred gains or losses on hedges, leading to an increase in total equity of ¥32,028 million from the end of the previous fiscal year. As a result, the equity ratio was 52.6%.

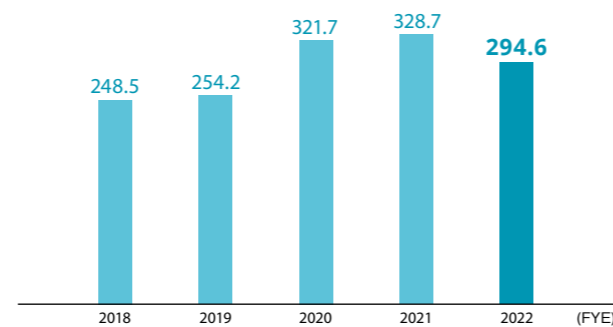
#### Total Assets

(Billions of yen)



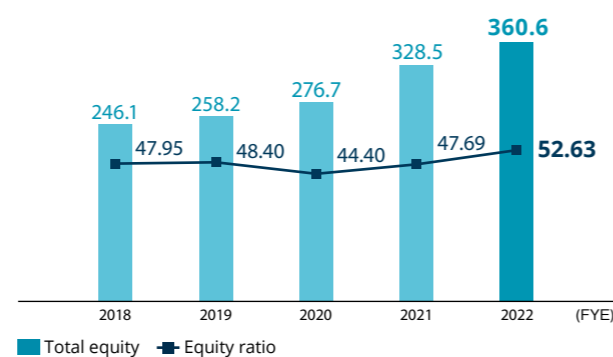
#### Liabilities

(Billions of yen)



#### Total Equity / Equity Ratio

(Billions of yen / %)



## Analysis of Cash Flows

Consolidated cash and cash equivalents (hereinafter, "net cash") at the end of the consolidated fiscal year under review amounted to ¥37,760 million, up ¥2,020 million compared with the previous fiscal year-end.

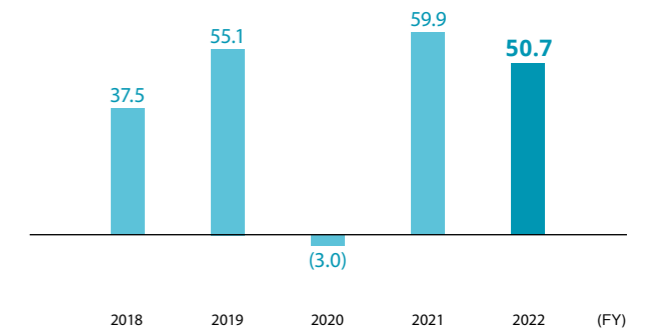
Net cash provided by operating activities came to ¥50,725 million, down ¥9,185 million compared with the previous fiscal year. This was primarily attributable to such factors as profit before income taxes of ¥45,930 million, income taxes paid of ¥31,378 million, depreciation of ¥23,955 million, and a decrease in trade receivables of ¥10,440 million.

Net cash used in investing activities amounted to ¥30,343 million, up ¥19,003 million compared with the previous fiscal year. This was mainly due to the purchase of property, plant, and equipment of ¥29,694 million, proceeds from sales of investment securities of ¥3,537 million, and purchase of intangible assets of ¥3,382 million.

Net cash used in financing activities amounted to ¥19,758 million, down ¥11,431 million compared with the previous fiscal year. This was mainly due to cash dividends paid of ¥12,659 million and a decrease in interest-bearing debt of ¥6,934 million.

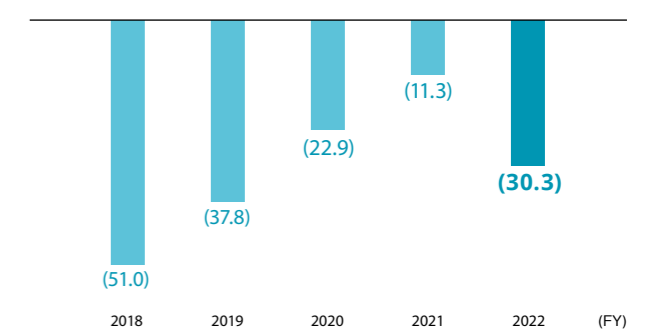
#### Cash Flows from Operating Activities

(Billions of yen)



#### Cash Flows from Investing Activities

(Billions of yen)



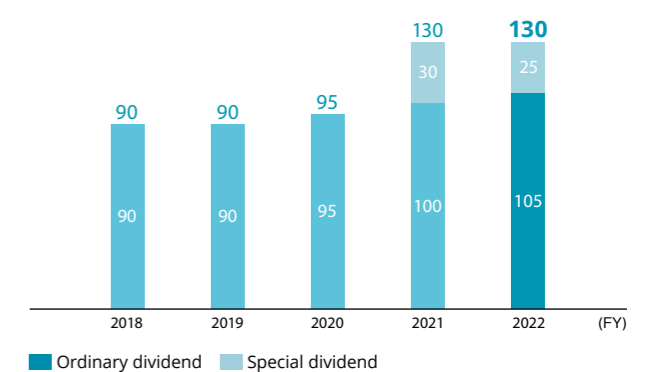
## Basic Dividend Policy and Dividends Paid for the Fiscal Year under Review

DOWA regards the payment of dividends to shareholders as one of its top management priorities. The Company sets out a policy of increasing dividends as performance allows while ensuring sufficient internal reserves for bolstering the corporate structure and expanding business in the future in line with the basic principle of maintaining stable dividends. Our basic policy for dividends during the period of the Midterm Plan 2024 (fiscal 2022 to fiscal 2024) is to not decrease the amount of ordinary dividends from the previous year's amount and to increase the amount of ordinary dividends in stages over the course of each fiscal year.

Based on this policy, we have decided to pay an ordinary dividend of ¥105 per share (an increase of ¥5 from the previous year) as well as a special dividend of ¥25 per share for fiscal 2022 since our performance for the year was the second highest on record, taking into consideration our plans for future growth investments and our financial position at the end of the fiscal year in review. As a result, the annual dividend per share for fiscal 2022 is ¥130 in total (ordinary dividend of ¥105 and a special dividend of ¥25), the same amount as the previous fiscal year.

#### Cash Dividends

(Yen)



# Consolidated Performance Trends

(Millions of yen)

| For the years ended March 31                 |          |          |          |          |          |           | Midterm Plan 2020 |           | Midterm Plan 2024 |            |            |
|--|----------|----------|----------|----------|----------|-----------|-------------------|-----------|-------------------|------------|------------|
|  | 2012     | 2013     | 2014     | 2015     | 2016     | 2017      | 2018              | 2019      | 2020              | 2021       | 2022       |
| <b>Financial Performance</b>                 |          |          |          |          |          |           |                   |           |                   |            |            |
| Net Sales                                    | ¥419,390 | ¥443,985 | ¥464,219 | ¥406,598 | ¥410,503 | ¥ 454,754 | ¥ 452,928         | ¥ 485,130 | ¥ 588,003         | ¥ 831,794  | ¥ 780,060  |
| Cost of Sales                                | 365,963  | 382,079  | 391,509  | 337,314  | 341,177  | 387,831   | 396,495           | 421,630   | 512,155           | 725,368    | 689,241    |
| Selling, General and Administrative Expenses | 28,863   | 30,111   | 33,616   | 34,216   | 35,335   | 35,975    | 37,761            | 37,544    | 38,393            | 42,601     | 46,208     |
| Operating Income                             | 24,564   | 31,794   | 39,094   | 35,067   | 33,990   | 30,948    | 18,671            | 25,955    | 37,454            | 63,824     | 44,610     |
| <b>Operating Income by Segment</b>           |          |          |          |          |          |           |                   |           |                   |            |            |
| Environmental Management & Recycling (%)     | 26.37    | 29.86    | 18.80    | 18.01    | 19.50    | 16.06     | 30.46             | 27.76     | 22.58             | 19.85      | 24.95      |
| Nonferrous Metals (%)                        | 19.09    | 22.20    | 34.69    | 38.00    | 29.58    | 29.74     | 3.17              | 38.54     | 54.31             | 56.67      | 51.06      |
| Electronic Materials (%)                     | 23.58    | 21.12    | 22.55    | 22.89    | 19.36    | 18.17     | 11.66             | 4.09      | 6.60              | 8.23       | 6.66       |
| Metal Processing (%)                         | 19.89    | 16.96    | 14.85    | 14.01    | 20.49    | 23.54     | 33.74             | 19.71     | 11.72             | 9.97       | 11.90      |
| Heat Treatment (%)                           | 6.33     | 7.12     | 6.02     | 3.86     | 7.00     | 8.47      | 13.05             | 4.63      | 1.97              | 4.13       | 3.31       |
| Others and Elimination (%)                   | 4.74     | 2.74     | 3.09     | 3.24     | 4.06     | 4.01      | 7.92              | 5.27      | 2.82              | 1.15       | 2.12       |
| Ordinary Income                              | ¥ 27,277 | ¥ 35,055 | ¥ 42,037 | ¥ 35,056 | ¥ 36,504 | ¥ 36,355  | ¥ 24,309          | ¥ 28,996  | ¥ 37,200          | ¥ 76,073   | ¥ 55,501   |
| EBITDA*1                                     | 41,551   | 48,000   | 54,667   | 50,212   | 49,786   | 48,160    | 37,300            | 45,244    | 57,505            | 86,407     | 68,566     |
| Net Income Attributable to Owners of Parent  | 15,213   | 23,310   | 26,543   | 21,826   | 26,169   | 24,693    | 14,986            | 17,395    | 21,824            | 51,012     | 25,041     |
| Capital Expenditures                         | 18,422   | 16,549   | 17,247   | 22,936   | 26,526   | 24,608    | 24,087            | 37,723    | 37,338            | 32,546     | 34,153     |
| Depreciation                                 | 16,987   | 16,205   | 15,572   | 15,145   | 15,796   | 17,212    | 18,628            | 19,288    | 20,050            | 22,582     | 23,955     |
| R&D Expenses                                 | 4,604    | 4,651    | 5,320    | 5,594    | 5,670    | 5,380     | 5,888             | 6,076     | 6,177             | 7,035      | 8,569      |
| <b>Exchange Rate and Metal Prices</b>        |          |          |          |          |          |           |                   |           |                   |            |            |
| Copper (Price Quoted, Average)               | ¥696,375 | ¥757,633 | ¥765,775 | ¥675,483 | ¥603,917 | ¥ 756,683 | ¥ 746,608         | ¥ 681,592 | ¥ 769,500         | ¥1,136,175 | ¥1,209,150 |
| Zinc (Price Quoted, Average)                 | 208,675  | 240,325  | 285,983  | 269,383  | 305,633  | 386,733   | 353,725           | 313,308   | 309,400           | 419,725    | 503,817    |
| U.S. Dollar (Average)                        | 83.10    | 100.24   | 109.93   | 120.14   | 108.38   | 110.85    | 110.91            | 108.74    | 106.06            | 112.38     | 135.47     |
| <b>Financial Position</b>                    |          |          |          |          |          |           |                   |           |                   |            |            |
| Equity                                       | ¥142,400 | ¥166,987 | ¥195,649 | ¥203,370 | ¥227,821 | ¥ 247,762 | ¥ 246,158         | ¥ 258,241 | ¥ 276,715         | ¥ 328,574  | ¥ 360,603  |
| Non-Controlling Interests                    | 8,807    | 8,733    | 8,528    | 8,449    | 8,518    | 8,946     | 8,944             | 10,194    | 11,010            | 15,119     | 15,710     |
| Total Assets*2                               | 349,787  | 358,717  | 379,193  | 364,420  | 404,604  | 456,530   | 494,683           | 512,495   | 598,471           | 657,283    | 655,282    |
| Interest-Bearing Debt                        | 107,138  | 99,663   | 86,668   | 81,135   | 79,883   | 109,827   | 135,241           | 134,086   | 153,951           | 131,625    | 124,768    |
| <b>Per Share*3 (Yen)</b>                     |          |          |          |          |          |           |                   |           |                   |            |            |
| Basic Net Income                             | ¥ 51.41  | ¥ 78.77  | ¥ 89.69  | ¥ 73.75  | ¥ 88.43  | ¥ 417.21  | ¥ 253.22          | ¥ 293.92  | ¥ 368.45          | ¥ 857.32   | ¥ 420.76   |
| Fully Diluted Equity                         | 451.41   | 534.75   | 632.30   | 658.66   | 741.06   | 4,035.06  | 4,008.03          | 4,191.09  | 4,465.44          | 5,267.94   | 5,794.63   |
| Cash Dividends                               | 12.00    | 15.00    | 18.00    | 18.00    | 18.00    | 90.00     | 90.00             | 90.00     | 95.00             | 130.00     | 130.00     |
| <b>Cash Flows</b>                            |          |          |          |          |          |           |                   |           |                   |            |            |
| Cash Flows from Operating Activities         | ¥ 34,970 | ¥ 30,189 | ¥ 38,345 | ¥ 45,751 | ¥ 29,389 | ¥ 11,125  | ¥ 37,555          | ¥ 55,113  | ¥ (3,088)         | ¥ 59,911   | ¥ 50,725   |
| Cash Flows from Investing Activities         | (19,354) | (18,689) | (20,321) | (23,486) | (25,954) | (34,010)  | (51,025)          | (37,812)  | (22,943)          | (11,339)   | (30,343)   |
| Cash Flows from Financing Activities         | (14,982) | (12,341) | (16,905) | (11,159) | (7,155)  | 24,087    | 15,944            | (6,569)   | 11,585            | (31,190)   | (19,758)   |
| Free Cash Flow                               | 15,615   | 11,499   | 18,024   | 22,265   | 3,434    | (22,884)  | (13,470)          | 17,301    | (26,032)          | 48,571     | 20,382     |
| Cash and Cash Equivalents at End of Year     | 6,129    | 5,823    | 8,044    | 18,902   | 15,126   | 16,472    | 19,002            | 30,232    | 17,320            | 35,740     | 37,760     |
| <b>Ratios</b>                                |          |          |          |          |          |           |                   |           |                   |            |            |
| Return on Assets (ROA)*4 (%)                 | 8.15     | 9.90     | 11.39    | 9.43     | 9.49     | 8.44      | 5.11              | 5.76      | 6.70              | 12.12      | 8.46       |
| Return on Equity (ROE)*5 (%)                 | 12.30    | 15.97    | 15.37    | 11.43    | 12.64    | 10.78     | 6.30              | 7.17      | 8.50              | 17.62      | 7.61       |
| Operating Income to Net Sales (%)            | 5.86     | 7.16     | 8.42     | 8.62     | 8.28     | 6.81      | 4.12              | 5.35      | 6.37              | 7.67       | 5.72       |
| Equity Ratio*6 (%)                           | 38.19    | 44.12    | 49.35    | 53.49    | 54.20    | 52.31     | 47.95             | 48.40     | 44.40             | 47.69      | 52.63      |
| Operating Income Growth (%)                  | 11.60    | 29.43    | 22.96    | (10.30)  | (3.07)   | (8.95)    | (39.67)           | 39.01     | 44.31             | 70.40      | (30.10)    |
| Interest Coverage (Times)                    | 14.82    | 21.41    | 34.23    | 39.04    | 43.12    | 55.47     | 20.71             | 21.69     | 43.03             | 97.83      | 88.46      |
| Debt / Equity Ratio*6 (Times)                | 0.80     | 0.63     | 0.46     | 0.42     | 0.36     | 0.46      | 0.57              | 0.54      | 0.58              | 0.42       | 0.36       |
| Debt / Capacity Ratio (Times)                | 1.37     | 1.28     | 1.06     | 1.00     | 0.83     | 1.05      | 1.29              | 1.26      | 1.50              | 0.97       | 0.97       |
| Return on Invested Capital*6 (%)             | 6.69     | 8.76     | 9.12     | 8.68     | 8.19     | 6.41      | 3.22              | 4.41      | 5.79              | 10.57      | 6.10       |

\*1 EBITDA is calculated by adding operating income and depreciation.

\*2 Changes put forth in the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued February 16, 2018) have been applied to the consolidated financial results for the fiscal year under review. These amendments have been retroactively applied to the consolidated financial results for fiscal 2017, and the amount of total assets has been adjusted accordingly.

\*3 On October 1, 2017, the Company conducted a 5-for-1 reverse stock split.

\*4 Ordinary income divided by the average of total assets at the beginning and end of the fiscal year.

\*5 Net income attributable to owners of parent divided by the average of shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts) at the beginning and end of the fiscal year.

\*6 The ratios have been calculated using shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts).

# Consolidated Balance Sheet

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

| Assets  | Millions of yen |           | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|-----------|--|
|   | 2022            | 2021      | 2022                                     |
| <b>Current Assets:</b>  |                 |           |  |
| Cash and time deposits (Notes 4, 7, and 16) .....   | ¥ 38,818        | ¥ 36,847  | \$ 290,710                               |
| Notes and accounts receivable: (Note 16)  |                 |           |  |
| Trade .....   | 88,469          | 97,592    | 662,540                                  |
| Nonconsolidated subsidiaries and associates .....   | 1,263           | 1,729     | 9,462                                    |
| Others .....  | 7,219           | 5,048     | 54,065                                   |
| Subtotal .....  | 96,951          | 104,369   | 726,067                                  |
| Inventories: (Note 13)  |                 |           |  |
| Merchandise and finished products .....   | 64,236          | 54,026    | 481,064                                  |
| Work in process .....   | 9,494           | 8,693     | 71,100                                   |
| Raw materials and supplies .....  | 146,916         | 167,290   | 1,100,247                                |
| Subtotal .....  | 220,646         | 230,010   | 1,652,412                                |
| Other current assets .....  | 22,809          | 11,997    | 170,820                                  |
| Allowance for doubtful accounts .....   | (192)           | (183)     | (1,442)                                  |
| Total current assets .....  | 379,033         | 383,041   | 2,838,568                                |
| <b>Property, Plant, and Equipment (Notes 6 and 7):</b>  |                 |           |  |
| Land .....  | 25,979          | 27,890    | 194,559                                  |
| Buildings and structures .....  | 164,835         | 155,787   | 1,234,444                                |
| Machinery and equipment .....   | 296,412         | 283,894   | 2,219,816                                |
| Construction in progress .....  | 19,327          | 18,509    | 144,745                                  |
| Others .....  | 21,111          | 20,110    | 158,100                                  |
| Subtotal .....  | 527,665         | 506,192   | 3,951,665                                |
| Accumulated depreciation .....  | (354,443)       | (337,848) | (2,654,410)                              |
| Net property, plant, and equipment .....  | 173,222         | 168,344   | 1,297,255                                |
| <b>Investments and Other Assets:</b>  |                 |           |  |
| Investments in securities (Notes 5, 7, and 16) .....  | 30,604          | 27,905    | 229,195                                  |
| Investments in and advances to nonconsolidated subsidiaries and<br>associates (Notes 5, 7, 16 and 21) ..... | 51,720          | 55,299    | 387,330                                  |
| Deferred tax assets (Note 11) .....   | 6,456           | 9,403     | 48,350                                   |
| Goodwill .....  | 2,667           | 3,156     | 19,979                                   |
| Other assets .....  | 11,665          | 10,225    | 87,363                                   |
| Allowance for doubtful accounts .....   | (88)            | (93)      | (663)                                    |
| Total investments and other assets .....  | 103,025         | 105,897   | 771,554                                  |
| <b>Total assets</b> .....   | ¥ 655,282       | ¥ 657,283 | \$ 4,907,377                             |

\*The accompanying notes are an integral part of these consolidated financial statements.

| Liabilities and Equity  | Millions of yen |           | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|-----------|--|
|   | 2022            | 2021      | 2022                                     |
| <b>Current Liabilities:</b>   |                 |           |  |
| Short-term borrowings (Notes 7 and 16) .....  | ¥ 18,898        | ¥ 17,055  | \$ 141,527                               |
| Commercial paper (Notes 7 and 16) .....   | 35,000          | 33,000    | 262,113                                  |
| Current maturities of long-term debt (Notes 7 and 16) .....                                     | 18,439          | 11,184    | 138,094                                  |
| Notes and accounts payable: (Note 16)   |                 |           |  |
| Trade .....   | 50,707          | 61,009    | 379,747                                  |
| Nonconsolidated subsidiaries and associates .....   | 1,334           | 2,255     | 9,996                                    |
| Others .....  | 8,364           | 11,387    | 62,641                                   |
| Subtotal .....  | 60,407          | 74,652    | 452,385                                  |
| Accrued expenses .....  | 9,975           | 8,895     | 74,708                                   |
| Accrued income taxes .....  | 5,457           | 12,767    | 40,868                                   |
| Accrued bonuses .....   | 5,544           | 5,200     | 41,519                                   |
| Accrued directors' bonuses .....  | 405             | 346       | 3,039                                    |
| Borrowing precious metals .....   | 31,551          | 39,872    | 236,289                                  |
| Other current liabilities .....   | 23,481          | 25,292    | 175,848                                  |
| Total current liabilities .....   | 209,160         | 228,267   | 1,566,396                                |
| <b>Long-term Liabilities:</b>   |                 |           |  |
| Long-term debt (Notes 7 and 16) .....   | 55,540          | 72,039    | 415,941                                  |
| Liability for employees' retirement benefits (Note 8) .....                                     | 20,974          | 20,489    | 157,077                                  |
| Retirement allowance for directors and Audit & Supervisory<br>Board members .....               | 511             | 618       | 3,828                                    |
| Deferred tax liabilities (Note 11) .....  | 3,524           | 2,337     | 26,392                                   |
| Other long-term liabilities .....   | 4,967           | 4,955     | 37,198                                   |
| Total long-term liabilities .....   | 85,517          | 100,441   | 640,438                                  |
| Total liabilities .....   | 294,678         | 328,708   | 2,206,834                                |
| <b>Contingent Liabilities (Note 9)</b>  |                 |           |  |
| <b>Equity: (Note 10)</b>  |                 |           |  |
| Common stock:   |                 |           |  |
| Authorized: 200,000 thousand shares in 2022 and 2021  |                 |           |  |
| Issued: 61,989 thousand shares in 2022 and 2021   | 36,437          | 36,437    | 272,877                                  |
| Capital surplus .....   | 25,180          | 25,870    | 188,576                                  |
| Retained earnings .....   | 263,503         | 246,360   | 1,973,365                                |
| Treasury stock, at cost<br>(2,469 thousand shares in 2022 and 2,486 thousand shares in 2021) .. | (5,037)         | (5,064)   | (37,723)                                 |
| <b>Accumulated Other Comprehensive Income:</b>  |                 |           |  |
| Unrealized gain (loss) on available-for-sale securities<br>(Note 5) .....                       | 14,017          | 11,662    | 104,975                                  |
| Deferred gain (loss) on derivatives under hedge accounting<br>(Note 17) .....                   | (587)           | (5,547)   | (4,402)                                  |
| Foreign currency translation adjustments .....  | 10,644          | 3,788     | 79,717                                   |
| Defined retirement benefit plans (Note 8) .....   | 734             | (52)      | 5,503                                    |
| Total .....   | 344,893         | 313,455   | 2,582,889                                |
| <b>Noncontrolling interests</b> .....   | 15,710          | 15,119    | 117,653                                  |
| Total equity .....  | 360,603         | 328,574   | 2,700,542                                |
| <b>Total liabilities and equity</b> .....   | ¥ 655,282       | ¥ 657,283 | \$ 4,907,377                             |

## Consolidated Statement of Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

|   | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|----------|--|
|   | 2022            | 2021     | 2022                                     |
| <b>Net Sale</b> (Note 12) .....   | ¥ 780,060       | ¥831,794 | \$ 5,841,840                             |
| <b>Cost of Sales</b> (Note 13) .....  | 689,241         | 725,368  | 5,161,700                                |
| Gross profit (loss) .....   | 90,819          | 106,425  | 680,139                                  |
| <b>Selling, General, and Administrative Expenses</b> (Notes 8 and 14) ...         | 46,208          | 42,601   | 346,055                                  |
| Operating income (loss) .....   | 44,610          | 63,824   | 334,084                                  |
| <b>Other Income (Expenses):</b>   |                 |          |  |
| Interest and dividend income .....  | 1,716           | 1,165    | 12,853                                   |
| Interest expense .....  | (523)           | (664)    | (3,921)                                  |
| Gain (loss) on sales and disposals of property, plant and equipment,<br>net ..... | (2,085)         | (914)    | (15,615)                                 |
| Foreign exchange gain (loss) .....  | 1,316           | 361      | 9,859                                    |
| Share of profit (loss) of entities accounted for using<br>equity method .....     | 5,209           | 8,864    | 39,011                                   |
| Commission income .....   | 948             | 172      | 7,103                                    |
| Royalty income .....  | 1,537           | 1,669    | 11,516                                   |
| Gain (loss) on sales of investments in securities, net<br>(Note 5) .....          | (1,342)         | 1,473    | (10,056)                                 |
| Environmental expenses .....  | (1,209)         | (871)    | (9,054)                                  |
| Loss on impairments (Note 6) .....  | (5,826)         | (644)    | (43,633)                                 |
| Cancellation fee income .....   | —               | 1,269    | —  |
| Other, net .....  | 1,579           | 1,384    | 11,826                                   |
| Other Income (Expenses)-Net .....   | 1,320           | 13,266   | 9,887                                    |
| Income (loss) before income taxes .....   | 45,930          | 77,090   | 343,971                                  |
| <b>Income Taxes:</b> (Note 11)  |                 |          |  |
| Current .....   | 15,595          | 21,091   | 116,797                                  |
| Deferred .....  | 820             | (831)    | 6,145                                    |
| Total income taxes .....  | 16,416          | 20,259   | 122,943                                  |
| Net Income (loss) .....   | 29,513          | 56,831   | 221,028                                  |
| <b>Net Income (Loss) Attributable to Noncontrolling Interests</b> .....           | 4,472           | 5,818    | 33,496                                   |
| Net income (loss) attributable to owners of the parent .....                      | ¥ 25,041        | ¥ 51,012 | \$ 187,531                               |
| <b>Per Share:</b> (Note 2(20))  |                 |          |  |
|   | Yen             |          | U.S. dollars<br>(Note 1)                 |
| Basic net income .....  | ¥ 420.76        | ¥ 857.32 | \$ 3.15                                  |
| Cash dividends .....  | 130.00          | 130.00   | 0.97                                     |

\*The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

|  | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2022            | 2021     | 2022                                     |
| Net Income (loss) .....  | ¥ 29,513        | ¥ 56,831 | \$ 221,028                               |
| Other comprehensive income: (Note 18)                            |                 |          |  |
| Unrealized gain (loss) on available-for-sale securities .....    | 2,439           | 1,092    | 18,268                                   |
| Deferred gain (loss) on derivatives under hedge accounting ..... | 4,829           | (3,525)  | 36,167                                   |
| Foreign currency translation adjustments .....                   | 3,141           | 3,697    | 23,524                                   |
| Defined retirement benefit plans .....                           | 880             | 129      | 6,590                                    |
| Share of other comprehensive income in affiliates .....          | 3,702           | 1,985    | 27,726                                   |
| Total other comprehensive income .....                           | 14,992          | 3,379    | 112,277                                  |
| Comprehensive income .....                                       | ¥ 44,506        | ¥ 60,210 | \$ 333,305                               |
| Total comprehensive income attributable to:                      |                 |          |  |
| Owners of the parent .....                                       | ¥ 39,999        | ¥ 54,296 | \$ 299,550                               |
| Noncontrolling interests .....                                   | 4,507           | 5,914    | 33,754                                   |

\*The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

|   | Thousands   | Millions of yen      |                 |                   |                            |
|---|---|----------------------|-----------------|-------------------|----------------------------|
|   | Number of<br>Shares of<br>Common Stock<br>Outstanding | Shareholders' Equity |                 |                   |                            |
|   |   | Common Stock         | Capital Surplus | Retained Earnings | Treasury Stock,<br>at Cost |
| <b>Balance, March 31, 2021</b> .....  | <b>59,502</b>   | <b>¥ 36,437</b>      | <b>¥ 26,473</b> | <b>¥ 201,290</b>  | <b>¥ (5,064)</b>           |
| Cumulative effects of changes in accounting policies .....                                      | —   | —                    | —               | (233)             | —                          |
| <b>Restated balance, April 1, 2021</b> .....  | <b>59,502</b>   | <b>¥ 36,437</b>      | <b>¥ 26,473</b> | <b>¥ 201,057</b>  | <b>¥ (5,064)</b>           |
| Cash dividends paid .....   | —   | —                    | —               | (5,709)           | —                          |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —                    | —               | 51,012            | —                          |
| Purchases of treasury stock .....   | (0)   | —                    | —               | —                 | (1)                        |
| Disposal of treasury stock .....  | —   | —                    | —               | —                 | 0                          |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —                    | (602)           | —                 | —                          |
| Net changes of items other than shareholders' equity .....                                      | —   | —                    | —               | —                 | —                          |
| <b>Balance, March 31, 2022</b> .....  | <b>59,502</b>   | <b>¥ 36,437</b>      | <b>¥ 25,870</b> | <b>¥ 246,360</b>  | <b>¥ (5,064)</b>           |
| Cash dividends paid .....   | —   | —                    | —               | (7,813)           | —                          |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —                    | —               | 25,041            | —                          |
| Purchases of treasury stock .....   | (0)   | —                    | —               | —                 | (0)                        |
| Disposal of treasury stock .....  | 17  | —                    | 46              | —                 | 28                         |
| Change of scope of consolidation .....  | —   | —                    | —               | (85)              | —                          |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —                    | (737)           | —                 | —                          |
| Net changes of items other than shareholders' equity .....                                      | —   | —                    | —               | —                 | —                          |
| <b>Balance, March 31, 2023</b> .....  | <b>59,519</b>   | <b>¥ 36,437</b>      | <b>¥ 25,180</b> | <b>¥ 263,503</b>  | <b>¥ (5,037)</b>           |

|   | Thousands   | Thousands of U.S. dollars (Note 1) |                   |                     |                            |
|---|---|------------------------------------|-------------------|---------------------|----------------------------|
|   | Number of<br>Shares of<br>Common Stock<br>Outstanding | Shareholders' Equity               |                   |                     |                            |
|   |   | Common Stock                       | Capital Surplus   | Retained Earnings   | Treasury Stock,<br>at Cost |
| <b>Balance, April 1, 2022</b> .....   | <b>59,502</b>   | <b>\$ 272,877</b>                  | <b>\$ 193,744</b> | <b>\$ 1,844,982</b> | <b>\$ (37,928)</b>         |
| Cash dividends paid .....   | —   | —                                  | —                 | (58,511)            | —                          |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —                                  | —                 | 187,531             | —                          |
| Purchases of treasury stock .....   | (0)   | —                                  | —                 | —                   | (4)                        |
| Disposal of treasury stock .....  | 17  | —                                  | 351               | —                   | 210                        |
| Change of scope of consolidation .....  | —   | —                                  | —                 | (637)               | —                          |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —                                  | (5,520)           | —                   | —                          |
| Net changes of items other than shareholders' equity .....                                      | —   | —                                  | —                 | —                   | —                          |
| <b>Balance, March 31, 2023</b> .....  | <b>59,519</b>   | <b>\$ 272,877</b>                  | <b>\$ 188,576</b> | <b>\$ 1,973,365</b> | <b>\$ (37,723)</b>         |

\*The accompanying notes are an integral part of these consolidated financial statements.

|   | Millions of yen   |  |  |                                  |                  |                |                           |              |
|---|---|--|--|----------------------------------|------------------|----------------|---------------------------|--------------|
|   | Accumulated Other Comprehensive Income                  |  |  |                                  |                  | Total          | Non-controlling Interests | Total Equity |
|   | Unrealized Gain (Loss) on Available-for-Sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans |                  |                |                           |              |
| <b>Balance, March 31, 2021</b> .....  | <b>¥ 10,569</b>   | <b>¥ (2,196)</b>   | <b>¥ (1,643)</b>                         | <b>¥ (161)</b>                   | <b>¥ 265,704</b> | <b>¥11,010</b> | <b>¥ 276,715</b>          |              |
| Cumulative effects of changes in accounting policies .....                                      | —   | —  | —  | —                                | (233)            | —              | (233)                     |              |
| <b>Restated balance, April 1, 2021</b> .....  | <b>¥ 10,569</b>   | <b>¥ (2,196)</b>   | <b>¥ (1,643)</b>                         | <b>¥ (161)</b>                   | <b>¥ 265,470</b> | <b>¥11,010</b> | <b>¥ 276,481</b>          |              |
| Cash dividends paid .....   | —   | —  | —  | —                                | (5,709)          | —              | (5,709)                   |              |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —  | —  | —                                | 51,012           | —              | 51,012                    |              |
| Purchases of treasury stock .....   | —   | —  | —  | —                                | (1)              | —              | (1)                       |              |
| Disposal of treasury stock .....  | —   | —  | —  | —                                | 0                | —              | 0                         |              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —  | —  | —                                | (602)            | —              | (602)                     |              |
| Net changes of items other than shareholders' equity .....                                      | 1,092   | (3,350)  | 5,431                                    | 109                              | 3,283            | 4,108          | 7,392                     |              |
| <b>Balance, March 31, 2022</b> .....  | <b>¥ 11,662</b>   | <b>¥ (5,547)</b>   | <b>¥ 3,788</b>                           | <b>¥ (52)</b>                    | <b>¥ 313,455</b> | <b>¥15,119</b> | <b>¥ 328,574</b>          |              |
| Cash dividends paid .....   | —   | —  | —  | —                                | (7,813)          | —              | (7,813)                   |              |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —  | —  | —                                | 25,041           | —              | 25,041                    |              |
| Purchases of treasury stock .....   | —   | —  | —  | —                                | (0)              | —              | (0)                       |              |
| Disposal of treasury stock .....  | —   | —  | —  | —                                | 74               | —              | 74                        |              |
| Change of scope of consolidation .....  | —   | —  | —  | —                                | (85)             | —              | (85)                      |              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —  | —  | —                                | (737)            | —              | (737)                     |              |
| Net changes of items other than shareholders' equity .....                                      | 2,355   | 4,959  | 6,856                                    | 786                              | 14,957           | 590            | 15,548                    |              |
| <b>Balance, March 31, 2023</b> .....  | <b>¥ 14,017</b>   | <b>¥ (587)</b>   | <b>¥10,644</b>                           | <b>¥ 734</b>                     | <b>¥ 344,893</b> | <b>¥15,710</b> | <b>¥ 360,603</b>          |              |

|   | Thousands of U.S. dollars (Note 1)                      |  |  |                                  |                     |                  |                           |              |
|---|---|--|--|----------------------------------|---------------------|------------------|---------------------------|--------------|
|   | Accumulated Other Comprehensive Income                  |  |  |                                  |                     | Total            | Non-controlling Interests | Total Equity |
|   | Unrealized Gain (Loss) on Available-for-Sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans |                     |                  |                           |              |
| <b>Balance, April 1, 2022</b> .....   | <b>\$ 87,338</b>  | <b>\$ (41,544)</b>   | <b>\$ 28,369</b>                         | <b>\$ (389)</b>                  | <b>\$ 2,347,450</b> | <b>\$113,229</b> | <b>\$ 2,460,679</b>       |              |
| Cash dividends paid .....   | —   | —  | —  | —                                | (58,511)            | —                | (58,511)                  |              |
| Net Income (loss) attributable to owners of the parent .....                                    | —   | —  | —  | —                                | 187,531             | —                | 187,531                   |              |
| Purchases of treasury stock .....   | —   | —  | —  | —                                | (4)                 | —                | (4)                       |              |
| Disposal of treasury stock .....  | —   | —  | —  | —                                | 561                 | —                | 561                       |              |
| Change of scope of consolidation .....  | —   | —  | —  | —                                | (637)               | —                | (637)                     |              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests ... | —   | —  | —  | —                                | (5,520)             | —                | (5,520)                   |              |
| Net changes of items other than shareholders' equity .....                                      | 17,636  | 37,141   | 51,347                                   | 5,893                            | 112,018             | 4,423            | 116,442                   |              |
| <b>Balance, March 31, 2023</b> .....  | <b>\$ 104,975</b>                                       | <b>\$ (4,402)</b>  | <b>\$ 79,717</b>                         | <b>\$ 5,503</b>                  | <b>\$ 2,582,889</b> | <b>\$117,653</b> | <b>\$ 2,700,542</b>       |              |

# Consolidated Statement of Cash Flows

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

|   | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|-----------------|----------|--|
|   | 2022            | 2021     | 2022                                     |
| <b>Cash Flows from Operating Activities</b>   |                 |          |  |
| Income (loss) before income taxes .....   | ¥ 45,930        | ¥ 77,090 | \$ 343,971                               |
| Adjustments for:  |                 |          |  |
| Income taxes (paid) refund .....  | (31,378)        | (15,040) | (234,994)                                |
| Depreciation and amortization .....   | 24,454          | 23,085   | 183,138                                  |
| Loss (gain) on sales and disposals of property, plant, and<br>equipment, net .....                      | 2,085           | 914      | 15,615                                   |
| Share of (profit) loss of entities accounted for using<br>the equity method .....                       | (5,209)         | (8,864)  | (39,011)                                 |
| Loss (gain) on sales of investment securities, net (Note 5) .....                                       | 1,342           | (1,473)  | 10,056                                   |
| Loss on impairments (Note 6) .....  | 5,826           | 644      | 43,633                                   |
| Changes in assets and liabilities   |                 |          |  |
| Decrease (increase) in notes and accounts receivable .....  | 10,440          | (15,412) | 78,191                                   |
| Decrease (increase) in inventories .....  | 10,061          | (22,977) | 75,347                                   |
| Increase (decrease) in notes and accounts payable .....   | (12,302)        | 6,440    | (92,135)                                 |
| Increase (decrease) in allowance for doubtful accounts .....  | (7)             | (60)     | (54)                                     |
| Increase (decrease) in net defined benefit liability .....  | 1,747           | 923      | 13,086                                   |
| Decrease (increase) in interest and dividend receivables .....  | 7,884           | 3,795    | 59,049                                   |
| Increase (decrease) in interest payable .....   | (4)             | (52)     | (35)                                     |
| Increase (decrease) in borrowing precious metals .....  | (8,320)         | 1,691    | (62,313)                                 |
| Other, net .....  | (1,824)         | 9,204    | (13,663)                                 |
| Net cash provided by (used in) operating activities .....   | 50,725          | 59,911   | 379,882                                  |
| <b>Cash Flows from Investing Activities:</b>  |                 |          |  |
| Acquisition of property, plant, and equipment .....   | (29,694)        | (28,949) | (222,379)                                |
| Proceeds from sales of property, plant, and equipment .....   | 124             | 642      | 932                                      |
| Acquisition of intangible fixed assets.....   | (3,382)         | (2,830)  | (25,328)                                 |
| Acquisition of investments in securities .....  | (192)           | (185)    | (1,443)                                  |
| Proceeds from sales of investments in securities (Note 5) .....   | 3,537           | 1,552    | 26,492                                   |
| Proceeds from purchase of shares of subsidiaries resulting<br>in change in scope of consolidation ..... | —               | 13       | —  |
| Payments for loans .....  | (259)           | (278)    | (1,946)                                  |
| Proceeds from collection of loans .....   | 278             | 18,142   | 2,084                                    |
| Proceeds from subsidies .....   | 179             | 848      | 1,342                                    |
| Other, net .....  | (934)           | (296)    | (6,996)                                  |
| Net cash provided by (used in) investing activities .....   | (30,343)        | (11,339) | (227,242)                                |

|  | Millions of yen |          | Thousands of<br>U.S. dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2022            | 2021     | 2022                                     |
| <b>Cash Flows from Financing Activities:</b>   |                 |          |  |
| Net increase (decrease) in short-term loans payable .....                              | 1,754           | (21,427) | 13,140                                   |
| Net increase (decrease) in commercial papers .....                                     | 2,000           | (2,000)  | 14,977                                   |
| Proceeds from long-term debt .....   | 356             | 26,724   | 2,673                                    |
| Repayment of long-term debt .....  | (11,046)        | (35,927) | (82,726)                                 |
| Proceeds from issuance of bonds .....  | —               | 9,953    | —  |
| Dividends paid .....   | (7,809)         | (5,709)  | (58,482)                                 |
| Dividends paid to non-controlling interests .....                                      | (4,850)         | (2,439)  | (36,327)                                 |
| Repayment of lease obligations .....   | (368)           | (362)    | (2,756)                                  |
| Proceeds from share issuance to non-controlling shareholders....                       | 204             | —        | 1,533                                    |
| Purchases of treasury stock .....  | (0)             | (1)      | (4)                                      |
| Net cash provided by (used in) financing activities .....                              | (19,758)        | (31,190) | (147,972)                                |
| <b>Foreign Currency Translation Adjustments on Cash and<br/>Cash Equivalents .....</b> | 1,333           | 1,038    | 9,985                                    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>                      | 1,956           | 18,419   | 14,652                                   |
| <b>Cash and Cash Equivalents of Newly Consolidated Subsidiary ..</b>                   | 63              | —        | 476                                      |
| <b>Cash and Cash Equivalents at Beginning of Year .....</b>                            | 35,740          | 17,320   | 267,657                                  |
| <b>Cash and Cash Equivalents at End of Year (Note 4) .....</b>                         | ¥ 37,760        | ¥ 35,740 | \$ 282,786                               |

\*The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2022

## 1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DOWA HOLDINGS CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to U.S. \$1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The fiscal year ended March 31, 2023, is written “2022” and the fiscal year ended March 31, 2022, is written “2021.”

## 2. Summary of Significant Accounting Policies

### (1) Consolidation

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 87 (87 in 2021) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those significant companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 13 (15 in 2021) associated companies are accounted for by the equity method.

Investments in the remaining nonconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized on a straight-line basis within 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

#### (a) Changes in Consolidated Subsidiaries and Associates

(2022)

The consolidated financial statements for the year ended March 31, 2023 (fiscal 2022), now include NPGM KOREA Co., Ltd. in the consolidated financial statements for the year ended March 31, 2023, because it became a material subsidiary. Furthermore, AKITA RECYCLE & FINEPACK CO., LTD., which was previously classified as consolidated subsidiary, was then excluded from consolidation owing to its liquidation.

The consolidated financial statements for the year ended March 31, 2023 (fiscal 2022), Onahama Smelting and Refining Co., Ltd., was excluded from the scope of equity-method accounting because we sale all of the shares. Furthermore, Akagi Kouyu Co., Ltd. was excluded from the scope of equity-method accounting because our ownership ratio decreased due to the merger of Akagi Kouyu Co., Ltd. with Nichiju Kankyo Co., Ltd.

(2021)

The consolidated financial statements for the year ended March 31, 2022 (fiscal 2021), now include CONSTANTINE MINING LLC., which were affiliates accounted for by the equity method in the consolidated financial statements for the year ended March 31, 2021 because DOWA METALS & MINING ALASKA LTD. acquired additional equity in CONSTANTINE MINING LLC. Furthermore, KEY METAL REFINING, LLC was then excluded from consolidation owing to its liquidation.

The consolidated financial statements for the year ended March 31, 2022 (fiscal 2021), CONSTANTINE MINING LLC. was excluded from the scope of equity-method accounting because DOWA METALS & MINING ALASKA LTD. acquired additional equity in CONSTANTINE MINING LLC. Furthermore, EXPLORACIONES Y DESARROLLOS MINEROS TIZAPA, S. A. DE C. V. and SERVICIOS SAN JOSÉ DE PLATA, S. DE R. L. DE C. V., which were previously classified as affiliates accounted for by the equity method, have been removed from the scope of equity-method accounting as a result of an absorption-type merger with MINERA TIZAPA, S. A. DE C. V. and MINERA PLATA REAL, S. DE R. L. DE C. V., respectively, which remains as affiliates accounted for by the equity method.

#### (b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2023, the Company used financial statements with an account closing date of December 31, 2022, for 22 foreign subsidiaries, including PT Prasadha Pamunah Limbah Industri.; Dowa Environmental Management Co., Ltd.; Dowa Advanced Materials (Shanghai) Co., Ltd.; and other companies and used financial statements with an account closing date of February 28, 2023, for DOWA INTERNATIONAL CORPORATION. Material transactions that occurred between each closing date and March 31, 2023, were adjusted in the consolidated financial statements, as necessary.

#### (c) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards (“IFRS”) or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

### (2) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

### (3) Inventories

Inventories are stated at the lower of cost or net selling value. The costs of the primary finished products such as gold, silver, copper, zinc, lead, platinum, palladium, rhodium, cadmium, and other metals, and imported raw materials are determined by the first-in, first-out method. The costs of other finished products and other raw materials are determined by the moving-average method or the specific identification method, etc.



**(4) Property, Plant and Equipment**

Property, plant and equipment, including significant renewals and additions, are stated at cost. Repairs and maintenance expenses are charged to current income. Depreciation is mainly computed by the declining-balance method based on the estimated useful lives of the respective assets.

The Company and domestic consolidated subsidiaries have computed the depreciation for buildings (excluding leasehold improvements and building improvements) acquired on or after April 1, 1998, as well as for building improvements and structures acquired on or after April 1, 2016, by the straight-line method, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries.

Depreciation of the landfill and mining land are computed using the production method.

**(5) Long-lived Assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(6) Investment Securities**

Investment securities held by the Group are classified into two categories.

Available-for-sale securities with market prices are stated at fair value. Unrealized gains and losses on these securities are stated, net of applicable taxes, as "unrealized gain (loss) on available-for-sale securities" on the consolidated balance sheet. The fair value is determined based on the market price of closing date.

Available-for-sale securities without market prices are stated at cost by using the moving-average method.

In cases where the fair value of equity securities issued by nonconsolidated subsidiaries and associates, or available-for-sale securities, has declined significantly and such impairment is deemed other than temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

**(7) Allowance for Doubtful Accounts**

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**(8) Accrued Bonuses**

Accrued bonuses to employees are provided for at the estimated amounts, which the Group is obliged to pay to employees after the year-end.

**(9) Accrued Directors' Bonuses**

Accrued bonuses to directors, including bonuses for the portion corresponding to the corporate performance-based remuneration system, are provided for at the estimated amounts, which the Group is obliged to pay to directors after the year-end.

**(10) Retirement and Pension Plans**

The Company and consolidated subsidiaries have unfunded retirement benefit plans for employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period. Past service costs are amortized on a straight-line basis over five years within the average remaining service period.

**(11) Retirement Allowances for Directors and Audit & Supervisory Board Members**

Retirement allowance for directors and Audit & Supervisory Board members of some of the Company's subsidiaries are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

**(12) Allowance for Environmental Measures**

The Group adopted the Act Concerning Special Measures against PCB Waste (Act No. 65 of June 22, 2001) and recorded the estimated cost for the disposal of polychlorinated biphenyl waste. Those amounts are included in other long-term liabilities in the consolidated balance sheet.

**(13) Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

**(14) Group Tax Sharing System**

The Group files a tax return under the group tax sharing system.

**(15) Revenue Recognition**

The Group recognizes revenue using the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The primary performance obligations of main businesses involving revenue generated through contracts between customers and either the Company or its consolidated subsidiaries are described below, as are the points in time when those performance obligations are considered satisfied (and when revenue is recognized).

**(a) Environmental Management & Recycling Business**

The Environmental Management & Recycling Business engages in waste treatment, soil remediation, resource recycling, and other businesses. The main performance obligations of the waste treatment and soil remediation businesses are the disposal and detoxification of customer's waste and contaminated soil in accordance with the contract with the customer. The period between the receipt of the customer's waste and the completion of treatment is very short. Therefore, performance obligations are satisfied primarily at the time of completion of treatment and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

The main performance obligation of the resource recycling business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

**(b) Nonferrous Metals Business**

The Nonferrous Metals Business engages in the production and sale of copper, zinc, lead, gold, silver, zinc alloy, platinum, palladium, rhodium, indium, sulfuric acid, tin, antimony, and other metals. The main performance obligation of the Nonferrous Metals Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(c) Electronic Materials Business

The Electronic Materials Business engages in the production and sale of high-purity metals, compound semiconductor wafers, LEDs, conductive materials, battery materials, magnetic materials, reduced iron powder, and other materials. The main performance obligation of the Electronic Materials Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(d) Metal Processing Business

The Metal Processing Business engages in the production and sale of copper, brass, and copper alloy plates and strips, electroplated products, brass alloy rods, metal-ceramics substrates, and other materials. The main performance obligation of the Metal Processing Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(e) Heat Treatment Business

The Heat Treatment Business engages in heat treatment processing and industrial furnace business.

The heat treatment processing business is to provide services including heat and surface treatments for automobile parts and other metal materials. The main performance obligation of the heat treatment processing business is to provide heat treatment services on the customer's goods and then deliver the goods in accordance with the contract with the customer. Since the period of the receipt of the customer's goods, the completion of heat treatment services and delivery to the customer is very short, performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

The industrial furnaces business engages in the production and sale of heat treatment processing facilities, such as industrial furnaces and their ancillary equipment. The main performance obligations of the industrial furnaces business are to produce industrial furnaces and other products in accordance with the customer's specifications, to deliver the product to the designated location, to assemble, install, and configure the product, and to receive the acceptance of the customer's inspection in accordance with the contract with the customer. Since such transactions in the industrial furnaces business do not fulfill the requirements of Paragraph 38 of the ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," revised on March 31, 2020, it is determined that control over products is transferred to the customer on the completion of the acceptance inspection.

Therefore, performance obligations are satisfied at the time of completing the acceptance inspection and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(f) Others

The main performance obligation of other businesses including the contract of the construction such as plant construction, civil engineering and construction work is to complete such construction projects on the customer's land in accordance with the contract with the customer. These contracts performance obligations that are satisfied over time since the customer gains control of the assets during the progress of such constructions. The progress of fulfillment of this performance obligation is estimated based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total cost and as such is considered as a reasonable indicator of the degree of fulfillment of the performance obligation. Therefore, revenue is recognized over time based on such progress. If the conditions of these contracts do not meet the requirements of Paragraph 38 of the "Accounting Standard for Revenue Recognition," it is determined that control over assets is transferred to the customer and revenue is recognized upon completion of the construction project. Furthermore, if the contract is for a construction project of which period is very short, the alternative treatment is applied and then revenue is recognized upon completion of the project. The payment from the customer is usually received over the timing of the progress of performance obligations in accordance with the contract.

**(16) Research and Development**

Research and development costs are charged to income as incurred.

**(17) Leases**

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

**(18) Foreign Currency Translations and Consolidated Foreign Currency Financial Statements**

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the balance sheet date and foreign exchange gains and losses from translation are recognized in the consolidated statement of income. Assets and liabilities of foreign subsidiaries are converted into Japanese yen at the spot exchange rates prevailing on the balance sheet date of the foreign subsidiaries. Revenues and expenses of foreign subsidiaries are converted into Japanese yen at the average exchange rate for the accounting period of foreign subsidiaries. Translation differences are included as non-controlling interests and foreign currency translation adjustments in equity.

**(19) Derivatives and Hedging Activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in nonferrous metal, foreign exchange, and interest rates.

Nonferrous metal forward contracts, foreign exchange forward contracts, and interest rate swaps are utilized by the Group to reduce risks of fluctuation in nonferrous metal rates, foreign currency exchange, and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.
- b) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains or losses are mainly recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains or losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

**(20) Per Share Information**

Basic net income per share is based on the weighted-average number of shares of common stock of the Company issued and outstanding during the respective year.

## (21) Additional Information

### Termination of tolling contract

The Company has terminated the tolling contract (hereinafter “the contract”) for smelting copper concentrates between the consolidated subsidiary, DOWA METALS & MINING CO., LTD., (hereinafter “DMM”), and the tolling contractor, which is an affiliate accounted for by the equity method, Onahama Smelting and Refining Co., Ltd., at March 31, 2023.

As part of the contract termination, the Company has transferred all of the shares of Onahama Smelting and Refining Co., Ltd. owned by DMM to Mitsubishi Materials Corporation.

### (a) Background and purpose of termination of the contract

DMM produces and sells copper cathodes mainly from recycling materials at its wholly owned subsidiary, KOSAKA SMELTING & REFINING CO., LTD., and by the tolling of copper concentrates to Onahama Smelting and Refining Co., Ltd.

The Group has established the evolution of recycling-oriented business model as a basic strategy and decided to promote enhancing metal recycling as one of the priority initiatives in its medium-term management plan, Midterm Plan 2024. Based on this plan, the Company has decided to terminate the contract to concentrate its management resources in the metal recycling business.

### (b) Material impact of the termination of the contract on business activities

Since the contract is effective until the end of March 2023, the impact of the contract termination and the subsequent transfer of shares on the consolidated financial results for the fiscal year ended March 31, 2023, has been insignificant. Also, the impact on the consolidated financial results for the fiscal year ending March 31, 2024, is expected to be insignificant.

Net sales for the fiscal year ended March 31, 2023, related to the sale of products under the contract amounted to ¥75,809 million (U.S. \$567,733 thousand).

## 3. Significant Accounting Estimate

### Investments in Los Gatos Mine in Mexico

DMM, an operating company in the Group’s Nonferrous Metals Business, has invested in MINERA PLATA REAL, S. DE R. L. DE C. V. and OPERACIONES SAN JOSÉ DE PLATA, S. DE R. L. DE C. V. (hereinafter collectively referred to as “MPRs”), which are the operating companies of the Los Gatos Mine in the State of Chihuahua, Mexico. At the end of the consolidated fiscal year, DMM owns 30% of shares issued by MPRs. The book value of the investments to these companies were ¥18,301 million (U.S. \$137,059 thousand) as a result of the equity method applied by the Group, and these investments are recorded in the account of “Investments in and advances to nonconsolidated subsidiaries and associates”.

The material components, which consist of these investments, are the long-lived assets including property, plant and equipment and other long-term assets, used in the mining and ore sorting activities operated by MPRs. Estimates of the total future cash flows generated from the operations of Los Gatos Mine will have a significant impact on the valuation of these long-lived assets recorded in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

These estimates are calculated using a complex calculation model considering various assumptions, such as forecasts of the future market prices of metals, metal concentrate grades, and operational costs. As these assumptions, forecasts of the future market prices of metal are based on results for the current fiscal year, and metal concentrate grades and operational costs are estimated based on the latest plans of MPRs considering mining and ore sorting activities conducted during the current fiscal year.

In the current consolidated fiscal year, no impairment losses were recorded on these long-lived assets included in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

## 4. Consolidated Statement of Cash Flows

### (1) Cash and cash equivalents

Cash and cash equivalents at March 31, 2023 and 2022, consisted of the following:

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Cash and time deposits                                | ¥ 38,818        | ¥ 36,847 | \$ 290,710                |
| Time deposits with deposit terms of over three months | (1,057)         | (1,107)  | (7,923)                   |
| Cash and cash equivalents                             | ¥ 37,760        | ¥ 35,740 | \$ 282,786                |

### (2) Non-cash investing and financing activity

The increase (decrease) in assets related to investment at March 31, 2023 and 2022, consisted of the following:

|  | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2022            | 2021    | 2022                      |
| Increase in investment in securities   | ¥ —             | ¥ 6,860 | \$ —                      |
| Decrease in long-term loans receivable | —               | 6,900   | —                         |

## 5. Investment

Investment securities as of March 31, 2023 and 2022, consisted of the following:

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2022            | 2021     | 2022                         |
| Investments in securities   |                 |          |                              |
| Available-for-sale securities other than equity instruments without market prices | ¥ 28,131        | ¥ 25,409 | \$ 210,673                   |
| Unlisted securities   | 2,473           | 2,496    | 18,521                       |
| Subtotal  | 30,604          | 27,905   | 229,195                      |
| Investments in and advances to nonconsolidated subsidiaries and associates        |                 |          |                              |
| Investments in securities   | 48,189          | 51,799   | 360,891                      |
| Long-term loans receivable  | 3,530           | 3,499    | 26,438                       |
| Subtotal  | 51,720          | 55,299   | 387,330                      |
| Total   | ¥ 82,324        | ¥ 83,204 | \$ 616,525                   |

(Note) Certain reclassifications have been made in the 2021 to conform to the classifications used in 2022.

The net unrealized gains on the available-for-sale securities other than equity instruments without market prices as of March 31, 2023 and 2022, were ¥19,437 million (U.S. \$145,568 thousand) and ¥15,856 million, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, is as follows:

|                     | Millions of yen |        | Thousands of<br>U.S. dollars |
|---------------------|-----------------|--------|------------------------------|
|                     | 2022            | 2021   | 2022                         |
| Proceeds from sales | ¥3,537          | ¥1,552 | \$ 26,492                    |
| Gain on sales       | 455             | 1,473  | 3,412                        |
| Loss on sales       | 1,798           | —      | 13,469                       |

## 6. Long-lived Assets

(2022)

The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2023. The recoverable amount is measured mainly by value in use, which is discounted future cash flows at a rate of 4.5% to 30.0%.

| Purpose   | Location                              | Type                        | Millions of yen | Thousands of<br>U.S. dollars |
|---|---------------------------------------|-----------------------------|-----------------|------------------------------|
| The waste treatment business assets               | Yangon, Myanmar                       | Land and the building, etc. | ¥ 3,720         | \$ 27,859                    |
| The waste treatment business assets               | Iwaki city,<br>Fukushima prefecture   | Machinery, etc.             | 1,159           | 8,680                        |
| The waste treatment business assets               | Samutprakarn,<br>Thailand             | Machinery, etc.             | 803             | 6,019                        |
| The brass alloy rods production facilities assets | Asahi city,<br>Chiba prefecture       | Machinery, etc.             | 140             | 1,049                        |
| The idle asset group                              | Odate city,<br>Akita prefecture, etc. | Land, etc.                  | 3               | 27                           |
| Total   |                                       |                             | ¥ 5,826         | \$ 43,634                    |

(2021)

The Group reviewed its long-lived assets for impairment as of March 31, 2022. As a result, the Group recognized impairment losses of ¥644 million included in other expenses related to the building and machinery asset group for the brass alloy rods production facilities in Asahi City, the waste treatment business in Thailand and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2022.

## 7. Short-term Borrowings and Long-term Debt

Short-term borrowings from banks and other financial institutions were represented by short-term borrowings bearing interest at 0.22% to 8.20% (an approximate average rate of 0.92%) per annum at March 31, 2023, and 0.20% to 8.40% (an approximate average rate of 0.71%) per annum at March 31, 2022.

Commercial paper was represented by commercial paper bearing interest at an approximate average rate of 0.006% per annum at March 31, 2023, and an approximate average rate of -0.069% per annum at March 31, 2022.

It is customary in Japan for short-term borrowings to be rolled over each year.

At March 31, 2023 and 2022, long-term debt consisted of the following:

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2022            | 2021     | 2022                         |
| 0.00% to 8.52% loans, principally from banks and due between 2023 and 2032: |                 |          |                              |
| Collateralized  | ¥ 213           | ¥ 253    | \$ 1,600                     |
| Unsecured   | 40,656          | 51,316   | 304,472                      |
| 0.14% straight bonds due 2023   | 10,000          | 10,000   | 74,889                       |
| 0.11% straight bonds due 2024   | 10,000          | 10,000   | 74,889                       |
| 0.10% straight bonds due 2026   | 10,000          | 10,000   | 74,889                       |
| Lease obligations   | 3,110           | 1,654    | 23,294                       |
| Total   | 73,980          | 83,224   | 554,035                      |
| Long-term debt, bonds, and lease obligations (due within one year)          | 18,439          | 11,184   | 138,094                      |
| Long-term debt (due after one year)   | ¥ 55,540        | ¥ 72,039 | \$ 415,941                   |

At March 31, 2023 and 2022, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group, and as a deposit of deferred payment of import consumption tax.

|   | Millions of yen |          | Thousands of<br>U.S. dollars |
|---|-----------------|----------|------------------------------|
|   | 2022            | 2021     | 2022                         |
| Cash and time deposits  | ¥ 4             | ¥ 4      | \$ 29                        |
| Property, plant, and equipment, less accumulated depreciation, and land | 232             | 234      | 1,740                        |
| Investments in and advances to associates                               | 7,999           | 10,029   | 59,911                       |
| Investments in securities   | 15,980          | 13,334   | 119,673                      |
| Total   | ¥ 24,216        | ¥ 23,602 | \$ 181,355                   |

Annual maturities of long-term debt as of March 31, 2023, for the next five years and thereafter were as follows:

|                     | Millions of<br>yen | Thousands of<br>U.S. dollars |
|---------------------|--------------------|------------------------------|
| 2023                | ¥ 18,439           | \$ 138,094                   |
| 2024                | 23,108             | 173,055                      |
| 2025                | 9,084              | 68,034                       |
| 2026                | 16,269             | 121,840                      |
| 2027 and thereafter | 7,078              | 53,011                       |
| Total               | ¥ 73,980           | \$ 554,035                   |

## 8. Retirement and Pension Plans

The Company and its consolidated subsidiaries have adopted lump-sum benefit plans as their defined benefit pension plans and the Company and certain consolidated subsidiaries have adopted contributory defined benefit pension plans. In addition, certain consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme. Moreover, the payment of a premium severance amount that falls outside the scope of retirement benefit obligations based on computations that comply with accounting standards for retirement benefits may arise at the time of an employee's retirement.

Further, the lump-sum benefit plans adopted by certain consolidated subsidiaries calculate the liabilities for employees' retirement benefits and retirement benefit expenses using the simplified method.

Defined benefit plans excluding plans applying the simplified method

(1) The changes in defined benefit obligations relating to defined benefit plans in the consolidated fiscal years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Balance at beginning of year                                  | ¥ 13,428        | ¥ 12,711 | \$ 100,564                |
| Service cost  | 896             | 846      | 6,713                     |
| Interest expense  | 62              | 49       | 468                       |
| Actuarial (gains) losses                                      | (1,270)         | (299)    | (9,514)                   |
| Benefits paid   | (222)           | (276)    | (1,667)                   |
| Past service cost   | —               | 306      | —                         |
| Transition from the simplified method to the principle method | 1,316           | —        | 9,856                     |
| Other   | 92              | 88       | 689                       |
| Balance at end of year  | ¥ 14,302        | ¥ 13,428 | \$ 107,109                |

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Funded defined benefit obligation                     | ¥ —             | ¥ —      | \$ —                      |
| Plan assets   | —               | —        | —                         |
| Unfunded defined benefit obligation                   | 14,302          | 13,428   | 107,109                   |
| Net liability arising from defined benefit obligation | ¥ 14,302        | ¥ 13,428 | \$ 107,109                |

(3) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen |       | Thousands of U.S. dollars |
|---|-----------------|-------|---------------------------|
|   | 2022            | 2021  | 2022                      |
| Service cost  | ¥ 896           | ¥ 846 | \$ 6,713                  |
| Interest expense  | 62              | 49    | 468                       |
| Recognized actuarial (gains) losses                           | (27)            | (14)  | (207)                     |
| Amortization of past service cost                             | 54              | 54    | 410                       |
| Transition from the simplified method to the principle method | 480             | —     | 3,601                     |
| Other   | 6               | 1     | 48                        |
| Net periodic benefit costs                                    | ¥ 1,473         | ¥ 937 | \$ 11,033                 |

(4) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

|                          | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------|-----------------|---------|---------------------------|
|                          | 2022            | 2021    | 2022                      |
| Past service cost        | ¥ 54            | ¥ (252) | \$ 410                    |
| Actuarial (gains) losses | 1,229           | 336     | 9,208                     |
| Total                    | ¥ 1,284         | ¥ 84    | \$ 9,618                  |

(5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

|                                       | Millions of yen |       | Thousands of U.S. dollars |
|---------------------------------------|-----------------|-------|---------------------------|
|                                       | 2022            | 2021  | 2022                      |
| Unrecognized past service cost        | ¥ 164           | ¥ 219 | \$ 1,232                  |
| Unrecognized actuarial (gains) losses | (1,387)         | (158) | (10,394)                  |
| Total                                 | ¥ (1,223)       | ¥ 61  | \$ (9,161)                |

(6) Matters concerning the assumptions for the main actuarial calculations related to defined benefit plans as of March 31, 2023 and 2022, were as follows:

|               | 2022   | 2021   |
|---------------|--------|--------|
| Discount rate | 0.82 % | 0.08 % |

The Company used the index of salary increases by age at March 31, 2023 and 2022, as the expected rate of future salary increases.

### Defined benefit plans applying the simplified method

(7) The changes in defined benefit obligations related to defined benefit plans to which the simplified method is applied in the consolidated fiscal years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2022            | 2021    | 2022                      |
| Balance at beginning of year                                  | ¥ 7,061         | ¥ 6,835 | \$ 52,880                 |
| Retirement benefit expenses                                   | 731             | 755     | 5,477                     |
| Benefits paid   | (278)           | (508)   | (2,087)                   |
| Transition from the simplified method to the principle method | (835)           | —       | (6,255)                   |
| Other   | (6)             | (21)    | (48)                      |
| Balance at end of year  | ¥ 6,672         | ¥ 7,061 | \$ 49,967                 |

(8) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets that apply the simplified method as of March 31, 2023 and 2022, were as follows:

|   | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2022            | 2021    | 2022                      |
| Funded defined benefit obligation                     | ¥ —             | ¥ —     | \$ —                      |
| Plan assets   | —               | —       | —                         |
| Unfunded defined benefit obligation                   | 6,672           | 7,061   | 49,967                    |
| Net liability arising from defined benefit obligation | ¥ 6,672         | ¥ 7,061 | \$ 49,967                 |

(9) The retirement benefit costs related to defined benefit plans calculated by the simplified method in the consolidated fiscal years ended March 31, 2023 and 2022, were as follows:

|  | Millions of yen |      | Thousands of<br>U.S. dollars |
|--|-----------------|------|------------------------------|
|  | 2022            | 2021 | 2022                         |
| Retirement benefit costs calculated by the simplified method | ¥731            | ¥755 | \$ 5,477                     |

#### Defined contribution plans

(10) The required contributions to defined contribution plans of the Company and its consolidated subsidiaries in the consolidated fiscal years ended March 31, 2023 and 2022, were as follows:

|  | Millions of yen |      | Thousands of<br>U.S. dollars |
|--|-----------------|------|------------------------------|
|  | 2022            | 2021 | 2022                         |
| Required contributions to defined contribution plans | ¥585            | ¥579 | \$ 4,388                     |

### 9. Contingent Liabilities

At March 31, 2023 and 2022, the Group guaranteed loans incurred by nonconsolidated subsidiaries and associates in the amount of ¥266 million (U.S. \$1,995 thousand) and ¥281 million, respectively.

### 10. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria and accordingly, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### (b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

#### (c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 31.3% for the years ended March 31, 2023 and 2022.

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

|   | Millions of yen |                 | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2022            | 2021            | 2022                      |
| Deferred tax assets   |                 |                 |                           |
| Reserve for employees' retirement benefits  | ¥ 6,252         | ¥ 6,123         | \$ 46,820                 |
| Loss on impairments of property, plant and equipment                              | 3,895           | 2,311           | 29,170                    |
| Unrealized earnings   | 3,152           | 3,095           | 23,610                    |
| Accrued bonus   | 1,679           | 1,658           | 12,579                    |
| Loss on devaluation of inventories  | 1,654           | 2,068           | 12,387                    |
| Loss on devaluation of investment securities                                      | 1,366           | 1,370           | 10,232                    |
| Consolidated subsidiaries' deficit (*2)   | 767             | 437             | 5,749                     |
| Foreign tax credit  | 652             | 739             | 4,886                     |
| Accrued enterprise tax  | 470             | 904             | 3,526                     |
| Excess depreciation   | 347             | 192             | 2,601                     |
| Deferred losses on derivatives under hedge accounting                             | 275             | 2,140           | 2,059                     |
| Loss on disposal of property, plant and equipment                                 | 177             | 186             | 1,329                     |
| Reserve for directors' and Audit & Supervisory Board members' retirement benefits | 160             | 193             | 1,198                     |
| Allowance for doubtful accounts   | 22              | 23              | 165                       |
| Others  | 3,967           | 3,459           | 29,709                    |
| <b>Total</b>  | <b>24,840</b>   | <b>24,904</b>   | <b>186,028</b>            |
| Less valuation allowance for tax loss carryforwards (*2)                          | (673)           | (385)           | (5,045)                   |
| Less valuation allowance for temporary differences                                | (8,732)         | (7,044)         | (65,397)                  |
| <b>Total valuation allowance (*1)</b>   | <b>(9,406)</b>  | <b>(7,429)</b>  | <b>(70,442)</b>           |
| <b>Total deferred tax assets</b>  | <b>15,434</b>   | <b>17,474</b>   | <b>115,585</b>            |
| Deferred tax liabilities  |                 |                 |                           |
| Unrealized gain on available-for-sale securities                                  | (5,683)         | (4,527)         | (42,559)                  |
| Retained earnings of affiliated companies   | (4,272)         | (3,526)         | (31,999)                  |
| Unrealized gain on land   | (732)           | (732)           | (5,482)                   |
| Reserve for overseas investment loss  | (52)            | (52)            | (395)                     |
| Enterprise tax receivable   | (37)            | (7)             | (284)                     |
| Others  | (1,723)         | (1,562)         | (12,906)                  |
| <b>Total deferred tax liabilities</b>   | <b>(12,502)</b> | <b>(10,408)</b> | <b>(93,627)</b>           |
| <b>Net deferred tax assets</b>  | <b>¥ 2,932</b>  | <b>¥ 7,065</b>  | <b>\$ 21,958</b>          |

(\*1) The amount of valuation allowance has increased by ¥1,976 million (U.S. \$14,798 thousand). This main reason for this increase is the recognition of a valuation allowance of ¥1,415 million (U.S. \$10,603 thousand) for loss on impairment of property, plant and equipment at consolidated subsidiaries.

(\*2) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

| March 31, 2023  | Millions of yen |                              |                               |                               |                               |               | Total         |
|---|-----------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|---------------|
|   | 1 year or less  | After 1 year through 2 years | After 2 years through 3 years | After 3 years through 4 years | After 4 years through 5 years | After 5 years |               |
| Deferred tax assets relating to tax loss carryforwards (a)        | 6               | 12                           | 19                            | 42                            | —                             | 685           | 767           |
| Less valuation allowances for tax loss carryforwards              | (6)             | (12)                         | (19)                          | (42)                          | —                             | (591)         | (673)         |
| <b>Net deferred tax assets relating to tax loss carryforwards</b> | <b>—</b>        | <b>—</b>                     | <b>—</b>                      | <b>—</b>                      | <b>—</b>                      | <b>93</b>     | <b>(b) 93</b> |

| March 31, 2023  | Thousands of U.S. Dollars |                              |                               |                               |                               |               | Total          |
|---|---------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|----------------|
|   | 1 year or less            | After 1 year through 2 years | After 2 years through 3 years | After 3 years through 4 years | After 4 years through 5 years | After 5 years |                |
| Deferred tax assets relating to tax loss carryforwards (a)        | 51                        | 92                           | 149                           | 321                           | —                             | 5,135         | 5,749          |
| Less valuation allowances for tax loss carryforwards              | (51)                      | (92)                         | (149)                         | (321)                         | —                             | (4,432)       | (5,045)        |
| <b>Net deferred tax assets relating to tax loss carryforwards</b> | <b>—</b>                  | <b>—</b>                     | <b>—</b>                      | <b>—</b>                      | <b>—</b>                      | <b>703</b>    | <b>(b) 703</b> |

| March 31, 2022  | Millions of yen |                              |                               |                               |                               |               | Total         |
|---|-----------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|---------------|
|   | 1 year or less  | After 1 year through 2 years | After 2 years through 3 years | After 3 years through 4 years | After 4 years through 5 years | After 5 years |               |
| Deferred tax assets relating to tax loss carryforwards (a)        | 60              | 6                            | 12                            | 19                            | 42                            | 294           | 437           |
| Less valuation allowances for tax loss carryforwards              | (25)            | (6)                          | (11)                          | (19)                          | (42)                          | (279)         | (385)         |
| <b>Net deferred tax assets relating to tax loss carryforwards</b> | <b>35</b>       | <b>—</b>                     | <b>0</b>                      | <b>—</b>                      | <b>0</b>                      | <b>15</b>     | <b>(b) 51</b> |

(a) Tax loss carryforwards were calculated using the statutory tax rate.

(b) Out of tax loss carryforward as of March 31, 2023 and 2022 of ¥767 million (U.S. \$5,749 thousand) and ¥437 million which were calculated using the statutory tax rate, deferred tax assets of ¥93 million (U.S. \$703 thousand) and ¥51 million were recognized, because utilization of such assets are supported by probable future taxable net income.

(2) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023 with the corresponding figures for 2022, is as follows:

|   | 2022   | 2021   |
|---|--------|--------|
| Normal effective statutory tax rate                   | 31.3 % | 31.3 % |
| Equity in earnings of affiliates                      | (3.5)  | (3.6)  |
| Tax credits   | (2.2)  | (1.1)  |
| Nontaxable items, including dividend income           | (0.2)  | (0.0)  |
| Valuation allowance                                   | 6.2    | (0.5)  |
| Retained earnings of affiliated companies             | 1.7    | 0.4    |
| Foreign source taxes                                  | 0.9    | 0.3    |
| Nondeductible items, including entertainment expenses | 0.6    | 0.2    |
| Inhabitants' tax                                      | 0.2    | 0.1    |
| Others  | 0.7    | (0.8)  |
| Actual effective tax rate                             | 35.7 % | 26.3 % |

## 12. Revenue / Net Sales

### (1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

| 2022   | Millions of yen                            |                      |                         |                     |                   |           |          |                |       |
|--|--|----------------------|-------------------------|---------------------|-------------------|-----------|----------|----------------|-------|
|  | Reportable segment                         |                      |                         |                     |                   |           |          | Others<br>(*4) | Total |
|  | Environmental<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total     |          |                |       |
| Waste treatment,<br>etc. (*1)                        | ¥ 55,822                                   | ¥ -                  | ¥ -                     | ¥ -                 | ¥ -               | ¥ 55,822  | ¥ -      | ¥ 55,822       |       |
| Recycle  | 84,061                                     | -                    | -                       | -                   | -                 | 84,061    | -        | 84,061         |       |
| Gold, silver, copper,<br>etc. (*2)                   | -  | 159,061              | -                       | -                   | -                 | 159,061   | -        | 159,061        |       |
| Platinum group                                       | -  | 183,593              | -                       | -                   | -                 | 183,593   | -        | 183,593        |       |
| Zinc, Indium   | -  | 91,027               | -                       | -                   | -                 | 91,027    | -        | 91,027         |       |
| Semiconductors,<br>Electronic Materials              | -  | -                    | 129,159                 | -                   | -                 | 129,159   | -        | 129,159        |       |
| Copper rolled products,<br>Electroplating (*3)       | -  | -                    | -                       | 116,166             | -                 | 116,166   | -        | 116,166        |       |
| Heat Treatment<br>Processing,<br>Industrial Furnaces | -  | -                    | -                       | -                   | 30,123            | 30,123    | -        | 30,123         |       |
| Others   | 8,122                                      | -                    | 9,066                   | -                   | -                 | 17,189    | 14,498   | 31,687         |       |
| Revenues from<br>contracts with<br>customers         | ¥ 148,006                                  | ¥ 433,682            | ¥ 138,225               | ¥ 116,166           | ¥ 30,123          | ¥ 866,204 | ¥ 14,498 | ¥ 880,703      |       |
| Intersegment sales<br>or transfers                   | (60,137)                                   | (24,054)             | (4,317)                 | (111)               | (58)              | (88,680)  | (11,962) | (100,642)      |       |
| Sales to external<br>customers                       | ¥ 87,868                                   | ¥ 409,627            | ¥ 133,908               | ¥ 116,055           | ¥ 30,064          | ¥ 777,524 | ¥ 2,536  | ¥ 780,060      |       |

| 2022   | Thousands of U.S. dollars                  |                      |                         |                     |                   |              |            |                |       |
|--|--|----------------------|-------------------------|---------------------|-------------------|--------------|------------|----------------|-------|
|  | Reportable segment                         |                      |                         |                     |                   |              |            | Others<br>(*4) | Total |
|  | Environmental<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total        |            |                |       |
| Waste treatment,<br>etc. (*1)                        | \$ 418,053                                 | \$ -                 | \$ -                    | \$ -                | \$ -              | \$ 418,053   | \$ -       | \$ 418,053     |       |
| Recycle  | 629,531                                    | -                    | -                       | -                   | -                 | 629,531      | -          | 629,531        |       |
| Gold, silver, copper,<br>etc. (*2)                   | -  | 1,191,205            | -                       | -                   | -                 | 1,191,205    | -          | 1,191,205      |       |
| Platinum group                                       | -  | 1,374,922            | -                       | -                   | -                 | 1,374,922    | -          | 1,374,922      |       |
| Zinc, Indium   | -  | 681,702              | -                       | -                   | -                 | 681,702      | -          | 681,702        |       |
| Semiconductors,<br>Electronic Materials              | -  | -                    | 967,268                 | -                   | -                 | 967,268      | -          | 967,268        |       |
| Copper rolled products,<br>Electroplating (*3)       | -  | -                    | -                       | 869,966             | -                 | 869,966      | -          | 869,966        |       |
| Heat Treatment<br>Processing,<br>Industrial Furnaces | -  | -                    | -                       | -                   | 225,590           | 225,590      | -          | 225,590        |       |
| Others   | 60,830                                     | -                    | 67,897                  | -                   | -                 | 128,728      | 108,578    | 237,306        |       |
| Revenues from<br>contracts with<br>customers         | \$ 1,108,414                               | \$ 3,247,830         | \$ 1,035,166            | \$ 869,966          | \$ 225,590        | \$ 6,486,968 | \$ 108,578 | \$ 6,595,547   |       |
| Intersegment sales<br>or transfers                   | (450,370)                                  | (180,146)            | (32,333)                | (832)               | (437)             | (664,121)    | (89,586)   | (753,707)      |       |
| Sales to external<br>customers                       | \$ 658,044                                 | \$ 3,067,684         | \$ 1,002,832            | \$ 869,134          | \$ 225,152        | \$ 5,822,847 | \$ 18,992  | \$ 5,841,840   |       |



| 2021   | Millions of yen              |                      |                         |                     |                   |           |          |     |                |       |
|--|------------------------------|----------------------|-------------------------|---------------------|-------------------|-----------|----------|-----|----------------|-------|
|  | Reportable segment           |                      |                         |                     |                   |           |          |     | Others<br>(*4) | Total |
|  | Environmental<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total     |          |     |                |       |
| Waste treatment,<br>etc. (*1)                        | ¥ 52,651                     | ¥ -                  | ¥ -                     | ¥ -                 | ¥ -               | ¥ 52,651  | ¥ -      | ¥ - | ¥ 52,651       |       |
| Recycle  | 74,471                       | -                    | -                       | -                   | -                 | 74,471    | -        | -   | 74,471         |       |
| Gold, silver, copper,<br>etc. (*2)                   | -                            | 138,926              | -                       | -                   | -                 | 138,926   | -        | -   | 138,926        |       |
| Platinum group                                       | -                            | 238,830              | -                       | -                   | -                 | 238,830   | -        | -   | 238,830        |       |
| Zinc, Indium   | -                            | 77,863               | -                       | -                   | -                 | 77,863    | -        | -   | 77,863         |       |
| Semiconductors,<br>Electronic Materials              | -                            | -                    | 165,720                 | -                   | -                 | 165,720   | -        | -   | 165,720        |       |
| Copper rolled products,<br>Electroplating (*3)       | -                            | -                    | -                       | 111,947             | -                 | 111,947   | -        | -   | 111,947        |       |
| Heat Treatment<br>Processing,<br>Industrial Furnaces | -                            | -                    | -                       | -                   | 28,994            | 28,994    | -        | -   | 28,994         |       |
| Others   | 7,922                        | -                    | 9,610                   | -                   | -                 | 17,532    | 13,888   | -   | 31,420         |       |
| Revenues from<br>contracts with<br>customers         | ¥ 135,045                    | ¥ 455,619            | ¥ 175,331               | ¥ 111,947           | ¥ 28,994          | ¥ 906,938 | ¥ 13,888 | ¥ - | ¥ 920,826      |       |
| Intersegment sales<br>or transfers                   | (51,893)                     | (21,378)             | (4,065)                 | (57)                | (17)              | (77,413)  | (11,618) | -   | (89,032)       |       |
| Sales to external<br>customers                       | ¥ 83,151                     | ¥ 434,240            | ¥ 171,266               | ¥ 111,889           | ¥ 28,976          | ¥ 829,524 | ¥ 2,269  | ¥ - | ¥ 831,794      |       |

(\*1) This includes waste treatment and soil remediation in domestic market, and Southeast Asia business.

(\*2) This includes gold, silver, copper, lead, tin, antimony, and other materials.

(\*3) It includes copper rolled products, electroplating, metal-ceramics substrates.

(\*4) Others primarily includes plant construction, civil engineering and construction work, engineering, office administration services, technological development support, sales administration, marketing, and other operations.

## (2) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen                    |                           |                                    |                           | Thousands of U.S. dollars          |                           |
|---|------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
|   | 2022                               |                           | 2021                               |                           | 2022                               |                           |
|   | Balance at<br>beginning of<br>year | Balance at<br>end of year | Balance at<br>beginning of<br>year | Balance at<br>end of year | Balance at<br>beginning of<br>year | Balance at<br>end of year |
| Receivables from contracts with customers | ¥ 98,894                           | ¥ 89,487                  | ¥ 84,132                           | ¥ 98,894                  | \$ 740,619                         | \$ 670,170                |
| Contract assets                           | 119                                | 39                        | -                                  | 119                       | 891                                | 296                       |
| Contract liabilities                      | 8,574                              | 16,830                    | 7,529                              | 8,574                     | 64,211                             | 126,043                   |

(\*1) Contract assets are primarily recognized by the revenue recognition of construction contracts of which performance obligations are fulfilled over time. Contract assets are classified into receivables from contracts with customers when a consolidated subsidiaries' right to compensation becomes unconditional. Contract assets are included in the consolidated balance sheet under notes and accounts receivable.

(\*2) Contract liabilities primarily occur in contracts in the Nonferrous Metals business and the Electronic Materials business, which involve advance payments received from customers which are netted with receivables when the revenue is recognized. Contract liabilities are included in the consolidated balance sheet in "Other current liabilities" under "Current Liabilities".

(\*3) The contract liabilities amounts to ¥8,574 million (U.S. \$64,211 thousand) and ¥7,529 million which were included in such balances at the beginning of the fiscal year and related revenue was recognized for the years ended March 31, 2023 and 2022, respectively.

## 13. Loss on Devaluation of Inventories

The Group recorded the following loss on devaluation of inventories held for ordinary sales purposes due to impairments reflecting a drop in profitability for the years ended March 31, 2023 and 2022:

|               | Millions of yen |         | Thousands of<br>U.S. dollars |
|---------------|-----------------|---------|------------------------------|
|               | 2022            | 2021    | 2022                         |
| Cost of sales | ¥ 9,436         | ¥ 1,714 | \$ 70,670                    |

## 14. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen |         | Thousands of<br>U.S. dollars |
|---|-----------------|---------|------------------------------|
|   | 2022            | 2021    | 2022                         |
| Research and development costs              | ¥ 6,666         | ¥ 5,894 | \$ 49,928                    |
| Exploration costs of new ore deposits, etc. | 1,902           | 1,140   | 14,245                       |
| Total                                       | ¥ 8,569         | ¥ 7,035 | \$ 64,173                    |

## 15. Leases

The minimum rental commitments under noncancelable operating leases due at March 31, 2023 and 2022, were as follows:

|                           | Millions of yen |       | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|-------|------------------------------|
|                           | 2022            | 2021  | 2022                         |
| Operating leases (lessee) |                 |       |                              |
| Within one year           | ¥ 161           | ¥ 204 | \$ 1,211                     |
| Over one year             | 206             | 259   | 1,549                        |
| Total                     | ¥ 368           | ¥ 464 | \$ 2,760                     |

## 16. Financial Instruments

### (1) Status of Financial Instruments

#### (a) Policy for financial instruments

The Group is supposed to manage its funds using short-term deposits and bond repurchase agreements.

Financial instruments used for financing are mainly bank loans and other instruments, including corporate bonds and electronic commercial paper, based on the Group's policy of diversifying financing methods, sources, and maturities, etc.

Derivatives are used to avoid the market fluctuation risks of interest on borrowings and the sale and purchase prices of inventories, etc., only within the range of the hedged items, and the Group's policy is to not use derivatives for speculative purposes.

#### (b) Nature, extent of risks, and risk management for financial instruments

Notes and accounts receivable, and contract assets, which are operating receivables, are exposed to customer credit risk. The Group manages the credit risk of receivables by monitoring the payment terms and balances for each customer.

Listed securities, which are among the equity instruments in investments in securities, are exposed to the risk of market price fluctuations. The Group has a system to periodically monitor and assess the fair values of listed securities, even though, the securities are held neither for pure investment purposes nor short-term trading purposes.

Payment terms of notes and accounts payable, which are operating debt, are mostly less than one year.

Borrowings are exposed to liquidity risk and interest rate fluctuation risk. In order to mitigate these risks, the Group uses multiple financial institutions and staggers the redemption dates of loans. With regard to a portion of long-term debt, the Group uses interest rate swaps as hedging instruments to avoid fluctuation risks of interest rates. The Group periodically compiles cash flow plans and performance, and the status of financing is reported at the management meeting monthly.

In addition to interest rate swaps, the Group enters into derivative financial instruments, namely foreign exchange forward contracts and nonferrous metal forward contracts. The former is used to avoid risks of foreign exchange fluctuations associated with the sale of finished products and purchases of inventories (mainly imported raw materials), which are denominated in foreign currencies. The latter is used to avoid fluctuation risks in market prices for raw materials and finished goods that are influenced by nonferrous metal market prices.

Monthly meetings are held regarding derivative transactions, with the attendance of directors who are in charge of hedge transactions and the head of each business division. At the meetings, the implementation policies for hedge transactions are determined, the execution of derivative transactions is managed and reported, and hedge effectiveness is evaluated. In accordance with the policies, each derivative transaction is executed based on internal guidelines, which regulate the credit limit amount and procedures of transactions and reporting. Evaluation of hedge effectiveness is omitted for interest rate swaps as the swaps qualify for hedge accounting and meet specific matching criteria for interest rate swaps. The Group has a policy to diversify transactions through multiple counterparties with high credit standings in order to mitigate credit risk.

#### (c) Supplementary explanation to fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Since variable factors are incorporated into calculations of the fair value of financial instruments, and the results of valuation may differ depending on prerequisites. The contract or notional amounts of derivatives which are shown in Note 17. Derivatives do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

### (2) Fair Value of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values. Descriptions are omitted for cash and time deposits, notes and accounts receivable, notes and accounts receivable, and contract assets, notes and account payable, short-term borrowings, and commercial paper because these items consist of cash and items that are settled in a short period of time. Therefore, their carrying amounts approximate fair value.

| 2022   | Millions of yen |            |            | Thousands of U.S. dollars |             |            |
|--|-----------------|------------|------------|---------------------------|-------------|------------|
|  | Carrying amount | Fair value | Difference | Carrying amount           | Fair value  | Difference |
| Investments in securities (*2)                                 | ¥ 37,618        | ¥ 40,871   | ¥ 3,253    | \$ 281,720                | \$ 306,082  | \$ 24,362  |
| Total assets   | ¥ 37,618        | ¥ 40,871   | ¥ 3,253    | \$ 281,720                | \$ 306,082  | \$ 24,362  |
| Long-term debt (including repayments due within one year) (*3) | 70,869          | 70,576     | (293)      | 530,741                   | 528,546     | (2,195)    |
| Total liabilities  | ¥ 70,869        | ¥ 70,576   | ¥ (293)    | \$ 530,741                | \$ 528,546  | \$ (2,195) |
| Derivatives (*4)   | ¥ (1,826)       | ¥ (1,826)  | ¥ -        | \$ (13,675)               | \$ (13,675) | \$ -       |

| 2021   | Millions of yen |            |            |
|--|-----------------|------------|------------|
|  | Carrying amount | Fair value | Difference |
| Investments in securities (*2)                                 | ¥ 37,302        | ¥ 34,399   | ¥ (2,903)  |
| Total assets   | ¥ 37,302        | ¥ 34,399   | ¥ (2,903)  |
| Long-term debt (including repayments due within one year) (*3) | 81,569          | 81,230     | (338)      |
| Total liabilities  | ¥ 81,569        | ¥ 81,230   | ¥ (338)    |
| Derivatives (*4)   | ¥ (10,707)      | ¥ (10,707) | ¥ -        |

(\*1) Equity instruments without market prices are not included in Assets Investments in securities. The amounts of such financial instruments recorded in the consolidated balance sheet are as follows.

| Classification                                   | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2022            | 2021     | 2022                      |
| Unlisted securities and others (carrying amount) | ¥ 41,176        | ¥ 42,402 | \$ 308,366                |

(\*2) Assets : Investments in securities as of March 31, 2023 and 2022, stated above, are obtained by equity instruments without market prices of ¥41,176 million (U.S. \$308,366 thousand) and ¥42,402 million, respectively, and long-term loans receivable of ¥3,530 million (U.S. \$26,438 thousand) and ¥3,499 million, respectively, from the sum of investments in securities of ¥30,604 million (U.S. \$229,195 thousand) and ¥27,905 million, respectively, and investments in and advances to nonconsolidated subsidiaries and associates of ¥51,720 million (U.S. \$387,330 thousand) and ¥55,299 million, respectively, presented in the consolidated balance sheet.

(\*3) Liabilities : Long-term debt as of March 31, 2023 and 2022, stated above, is obtained by subtracting lease obligations of ¥3,110 million (U.S. \$23,294 thousand) and ¥1,654 million, respectively, from the sum of current maturities of long-term debt of ¥18,439 million (U.S. \$138,094 thousand) and ¥11,184 million, respectively, and long-term debt of ¥55,540 million (U.S. \$415,941 thousand) and ¥72,039 million, respectively, presented in the consolidated balance sheet.

(\*4) Derivative transactions stated above are stated net of assets and liabilities.

Maturity analysis for financial assets with contractual maturities

| Millions of yen                                    |                       |                                  |                                    |                    |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|
|  | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| <b>2022</b>  |                       |                                  |                                    |                    |
| Cash and time deposits                             | ¥ 3,606               | ¥ –                              | ¥ –                                | ¥ –                |
| Notes and accounts receivable, and contract assets | 89,527                | –                                | –                                  | –                  |
| <b>Total</b>                                       | <b>¥ 93,133</b>       | <b>¥ –</b>                       | <b>¥ –</b>                         | <b>¥ –</b>         |

| Thousands of U.S. dollars                          |                       |                                  |                                    |                    |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|
|  | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| <b>2022</b>  |                       |                                  |                                    |                    |
| Cash and time deposits                             | \$ 27,007             | \$ –                             | \$ –                               | \$ –               |
| Notes and accounts receivable, and contract assets | 670,467               | –                                | –                                  | –                  |
| <b>Total</b>                                       | <b>\$ 697,474</b>     | <b>\$ –</b>                      | <b>\$ –</b>                        | <b>\$ –</b>        |

| Millions of yen                                    |                       |                                  |                                    |                    |
|--|-----------------------|----------------------------------|------------------------------------|--------------------|
|  | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| <b>2021</b>  |                       |                                  |                                    |                    |
| Cash and time deposits                             | ¥ 2,868               | ¥ –                              | ¥ –                                | ¥ –                |
| Notes and accounts receivable, and contract assets | 99,013                | –                                | –                                  | –                  |
| <b>Total</b>                                       | <b>¥ 101,882</b>      | <b>¥ –</b>                       | <b>¥ –</b>                         | <b>¥ –</b>         |

(3) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

| Millions of yen                |                 |            |            |                 |
|--------------------------------|-----------------|------------|------------|-----------------|
|                                | Level 1         | Level 2    | Level 3    | Total           |
| <b>2022</b>                    |                 |            |            |                 |
| Investments in securities      | ¥ 28,131        | ¥ –        | ¥ –        | ¥ 28,131        |
| <b>Total assets</b>            | <b>¥ 28,131</b> | <b>¥ –</b> | <b>¥ –</b> | <b>¥ 28,131</b> |
| Derivatives (*1,2)             | ¥ –             | ¥ (1,826)  | ¥ –        | ¥ (1,826)       |
| Currency-related transactions  | –               | (415)      | –          | (415)           |
| Commodity-related transactions | –               | (1,411)    | –          | (1,411)         |

| Thousands of U.S. dollars      |                   |             |             |                   |
|--------------------------------|-------------------|-------------|-------------|-------------------|
|                                | Level 1           | Level 2     | Level 3     | Total             |
| <b>2022</b>                    |                   |             |             |                   |
| Investments in securities      | \$ 210,673        | \$ –        | \$ –        | \$ 210,673        |
| <b>Total assets</b>            | <b>\$ 210,673</b> | <b>\$ –</b> | <b>\$ –</b> | <b>\$ 210,673</b> |
| Derivatives (*1,2)             | \$ –              | \$ (13,676) | \$ –        | \$ (13,676)       |
| Currency-related transactions  | –                 | (3,108)     | –           | (3,108)           |
| Commodity-related transactions | –                 | (10,567)    | –           | (10,567)          |

| Millions of yen                |                 |            |            |                 |
|--------------------------------|-----------------|------------|------------|-----------------|
|                                | Level 1         | Level 2    | Level 3    | Total           |
| <b>2021</b>                    |                 |            |            |                 |
| Investments in securities      | ¥ 25,409        | ¥ –        | ¥ –        | ¥ 25,409        |
| <b>Total assets</b>            | <b>¥ 25,409</b> | <b>¥ –</b> | <b>¥ –</b> | <b>¥ 25,409</b> |
| Derivatives (*1,2)             | ¥ –             | ¥ (10,707) | ¥ –        | ¥ (10,707)      |
| Currency-related transactions  | –               | (4,112)    | –          | (4,112)         |
| Commodity-related transactions | –               | (6,594)    | –          | (6,594)         |

(\*1) Derivative transactions recorded in assets and liabilities are displayed collectively. Net credits and debts arising from derivative transactions are displayed as net values. Items for which totals are negative are shown in parentheses.

(\*2) Under derivative transactions, a loss of ¥587 million (U.S. \$4,402 thousand) and ¥5,547 million for transactions to which hedge accounting was applied was recorded on the consolidated balance sheet for the years ended March 31, 2023 and 2022, respectively.

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

| 2022  | Millions of yen |          |         |          |
|---|-----------------|----------|---------|----------|
|   | Level 1         | Level 2  | Level 3 | Total    |
| Investments in securities                                 | ¥ 12,740        | ¥ –      | ¥ –     | ¥ 12,740 |
| Total assets  | ¥ 12,740        | ¥ –      | ¥ –     | ¥ 12,740 |
| Long-term debt (including repayments due within one year) | ¥ –             | ¥ 70,576 | ¥ –     | ¥ 70,576 |
| Total liabilities   | ¥ –             | ¥ 70,576 | ¥ –     | ¥ 70,576 |

| 2022  | Thousands of U.S. dollars |            |         |            |
|---|---------------------------|------------|---------|------------|
|   | Level 1                   | Level 2    | Level 3 | Total      |
| Investments in securities                                 | \$ 95,409                 | \$ –       | \$ –    | \$ 95,409  |
| Total assets  | \$ 95,409                 | \$ –       | \$ –    | \$ 95,409  |
| Long-term debt (including repayments due within one year) | \$ –                      | \$ 528,546 | \$ –    | \$ 528,546 |
| Total liabilities   | \$ –                      | \$ 528,546 | \$ –    | \$ 528,546 |

| 2021  | Millions of yen |          |         |          |
|---|-----------------|----------|---------|----------|
|   | Level 1         | Level 2  | Level 3 | Total    |
| Investments in securities                                 | ¥ 8,990         | ¥ –      | ¥ –     | ¥ 8,990  |
| Total assets  | ¥ 8,990         | ¥ –      | ¥ –     | ¥ 8,990  |
| Long-term debt (including repayments due within one year) | ¥ –             | ¥ 81,230 | ¥ –     | ¥ 81,230 |
| Total liabilities   | ¥ –             | ¥ 81,230 | ¥ –     | ¥ 81,230 |

(Note) The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investments in securities

Investment in securities that are listed as equity instruments are valued using quoted market prices. Since listed equity instruments are traded in active markets, their fair value is classified as Level 1.

Derivatives

Derivatives are calculated based on fair value obtained from financial institutions, and their fair value is classified as Level 2.

Long-term debt (including repayments due within one year)

The fair value of long-term debt is calculated using the discounted cash flow method, which is based on the present value of the total principal and interest discounted using an assumed interest rate on equivalent new borrowings. Long-term debt with variable interest rates qualifies for special treatment under hedge accounting. The fair value of these accounts is calculated by discounting the total of the interest and principal, including the relevant interest rate swap, by an interest rate reasonably estimated assuming similar borrowings are taken out. Therefore, their fair value is classified as Level 2.

## 17. Derivatives

(1) Derivative Transactions to which Hedge Accounting is Not Applied

Currency-related transactions (2022)

| Type                                   | Millions of yen |             |            |                         | Thousands of U.S. dollars |             |            |                         |
|--|-----------------|-------------|------------|-------------------------|---------------------------|-------------|------------|-------------------------|
|  | Contract amount | Over 1 year | Fair value | Unrealized gains/losses | Contract amount           | Over 1 year | Fair value | Unrealized gains/losses |
| Forward Exchange Contract Transactions |                 |             |            |                         |                           |             |            |                         |
| Selling                                |                 |             |            |                         |                           |             |            |                         |
| U. S. dollars                          | ¥ 27,872        | ¥ –         | ¥ 188      | ¥ 188                   | \$208,737                 | \$ –        | \$ 1,414   | \$ 1,414                |
| Euro                                   | 40              | –           | (1)        | (1)                     | 305                       | –           | (11)       | (11)                    |
| Thai baht                              | 1,964           | –           | (23)       | (23)                    | 14,711                    | –           | (174)      | (174)                   |
| Total                                  | –               | –           | –          | ¥ 163                   | –                         | –           | –          | \$ 1,227                |

Commodity-related transactions (2022)

| Type                               | Millions of yen |             |            |                         | Thousands of U.S. dollars |             |            |                         |
|------------------------------------|-----------------|-------------|------------|-------------------------|---------------------------|-------------|------------|-------------------------|
|                                    | Contract amount | Over 1 year | Fair value | Unrealized gains/losses | Contract amount           | Over 1 year | Fair value | Unrealized gains/losses |
| Nonferrous Metal Forward Contracts |                 |             |            |                         |                           |             |            |                         |
| Selling                            |                 |             |            |                         |                           |             |            |                         |
| Gold                               | ¥ 3,057         | ¥ –         | ¥ (165)    | ¥ (165)                 | \$ 22,898                 | \$ –        | \$ (1,238) | \$ (1,238)              |
| Silver                             | 4,049           | –           | (260)      | (260)                   | 30,327                    | –           | (1,952)    | (1,952)                 |
| Zinc                               | 1,118           | –           | 25         | 25                      | 8,379                     | –           | 192        | 192                     |
| Copper                             | 3,548           | –           | (135)      | (135)                   | 26,574                    | –           | (1,012)    | (1,012)                 |
| Lead                               | 2               | –           | (0)        | (0)                     | 20                        | –           | (0)        | (0)                     |
| Nickel                             | 204             | –           | 18         | 18                      | 1,529                     | –           | 142        | 142                     |
| Palladium                          | 1,211           | –           | 170        | 170                     | 9,070                     | –           | 1,275      | 1,275                   |
| Total                              | –               | –           | –          | ¥ (346)                 | –                         | –           | –          | \$ (2,595)              |

Currency-related transactions (2021)

| Type                  | Millions of yen |             |            |                         |
|-----------------------|-----------------|-------------|------------|-------------------------|
|                       | Contract amount | Over 1 year | Fair value | Unrealized gains/losses |
| Forward Exchange      |                 |             |            |                         |
| Contract Transactions |                 |             |            |                         |
| Selling               |                 |             |            |                         |
| U. S. dollars         | ¥ 39,943        | ¥ -         | ¥ (2,441)  | ¥ (2,441)               |
| Thai baht             | 2,219           | -           | (178)      | (178)                   |
| Total                 | -               | -           | -          | ¥ (2,619)               |

Commodity-related transactions (2021)

| Type              | Millions of yen |             |            |                         |
|-------------------|-----------------|-------------|------------|-------------------------|
|                   | Contract amount | Over 1 year | Fair value | Unrealized gains/losses |
| Nonferrous Metal  |                 |             |            |                         |
| Forward Contracts |                 |             |            |                         |
| Selling           |                 |             |            |                         |
| Gold              | ¥ 2,446         | ¥ -         | ¥ (214)    | ¥ (214)                 |
| Silver            | 5,391           | -           | (544)      | (544)                   |
| Zinc              | 974             | -           | (144)      | (144)                   |
| Copper            | 4,524           | -           | (427)      | (427)                   |
| Lead              | 25              | -           | (3)        | (3)                     |
| Nickel            | 219             | -           | (142)      | (142)                   |
| Palladium         | 1,589           | -           | (153)      | (153)                   |
| Total             | -               | -           | -          | ¥ (1,631)               |

(2) Derivative Transactions to which Hedge Accounting is Applied

Currency-related transactions (2022)

| Treatment  | Type                                   | Hedged item         | Millions of yen |             |            | Thousands of U.S. dollars |             |            |
|--|--|---------------------|-----------------|-------------|------------|---------------------------|-------------|------------|
|  |  |                     | Contract amount | Over 1 year | Fair value | Contract amount           | Over 1 year | Fair value |
| Standard treatment                               | Forward exchange contract transactions | Accounts receivable |                 |             |            |                           |             |            |
|  | Selling                                |                     |                 |             |            |                           |             |            |
|  | U. S. dollars                          |                     | ¥ 21,325        | ¥ -         | ¥ (572)    | \$ 159,705                | \$ -        | \$ (4,290) |
|  | Thai baht                              |                     | 899             | -           | (6)        | 6,737                     | -           | (45)       |
| Currency swaps under designated hedge accounting | Forward exchange contract transactions | Accounts receivable |                 |             |            |                           |             |            |
|  | Selling                                |                     |                 |             |            |                           |             |            |
|  | U. S. dollars                          |                     | ¥ 2,582         | ¥ -         | (*1)       | \$ 19,336                 | \$ -        | (*1)       |
| Total  |  |                     | -               | -           | -          | -                         | -           | -          |

Commodity-related transactions (2022)

| Treatment          | Type              | Hedged item | Millions of yen |             |            | Thousands of U.S. dollars |             |            |
|--------------------|-------------------|-------------|-----------------|-------------|------------|---------------------------|-------------|------------|
|                    |                   |             | Contract amount | Over 1 year | Fair value | Contract amount           | Over 1 year | Fair value |
| Standard treatment | Nonferrous Metal  | Inventory   |                 |             |            |                           |             |            |
|                    | Forward Contracts |             |                 |             |            |                           |             |            |
|                    | Selling           |             |                 |             |            |                           |             |            |
|                    | Gold              |             | ¥ 9,016         | ¥ -         | ¥ (615)    | \$ 67,527                 | \$ -        | \$ (4,609) |
|                    | Silver            |             | 8,201           | -           | (649)      | 61,417                    | -           | (4,867)    |
|                    | Zinc              |             | 29,163          | -           | 513        | 218,406                   | -           | 3,846      |
|                    | Copper            |             | 6,109           | -           | (173)      | 45,756                    | -           | (1,302)    |
|                    | Lead              |             | 203             | -           | (7)        | 1,522                     | -           | (59)       |
|                    | Buying            |             |                 |             |            |                           |             |            |
|                    | Silver            |             | ¥ 253           | ¥ -         | ¥ 37       | \$ 1,897                  | \$ -        | \$ 280     |
|                    | Zinc              |             | 1,626           | -           | (168)      | 12,184                    | -           | (1,261)    |
| Total              |                   |             | -               | -           | -          | -                         | -           | -          |

Currency-related transactions (2021)

| Treatment  | Type                                   | Hedged item         | Millions of yen |             |            |           |
|--|--|---------------------|-----------------|-------------|------------|-----------|
|  |  |                     | Contract amount | Over 1 year | Fair value |           |
| Standard treatment                               | Forward exchange contract transactions | Accounts receivable |                 |             |            |           |
|  |  |                     | Selling         |             |            |           |
|  |  |                     | U. S. dollars   | ¥ 29,220    | ¥ -        | ¥ (1,434) |
|  | Thai baht                              | 1,011               | -               | (58)        |            |           |
| Currency swaps under designated hedge accounting | Forward exchange contract transactions | Accounts receivable |                 |             |            |           |
|  |  |                     | Selling         |             |            |           |
|  |  |                     | U. S. dollars   | ¥ 2,843     | ¥ -        | (*)       |
| Total  |  |                     | -               | -           | -          |           |

Commodity-related transactions (2021)

| Treatment          | Type                               | Hedged item | Millions of yen |             |            |         |
|--------------------|------------------------------------|-------------|-----------------|-------------|------------|---------|
|                    |                                    |             | Contract amount | Over 1 year | Fair value |         |
| Standard treatment | Nonferrous Metal Forward Contracts | Inventory   |                 |             |            |         |
|                    |                                    |             | Selling         |             |            |         |
|                    |                                    |             | Gold            | ¥ 8,219     | ¥ -        | ¥ (615) |
|                    |                                    |             | Silver          | 7,230       | -          | (504)   |
|                    |                                    |             | Zinc            | 20,416      | -          | (3,439) |
|                    |                                    |             | Copper          | 8,829       | -          | (835)   |
|                    |                                    |             | Lead            | 65          | -          | (4)     |
|                    | Buying                             |             |                 |             |            |         |
|                    |                                    |             | Silver          | ¥ 466       | ¥ -        | ¥ 1     |
|                    |                                    |             | Zinc            | 2,530       | -          | 435     |
| Total              |                                    |             | -               | -           | -          |         |

(\*) The fair values of currency swaps under designated hedge accounting are included in the fair values of accounts receivable because they are accounted for as an integral part of accounts receivable, which are hedged items.

18. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

|   | Millions of yen |            | Thousands of U.S. dollars |
|---|-----------------|------------|---------------------------|
|   | 2022            | 2021       | 2022                      |
| Unrealized gain (loss) on available-for-sale securities:    |                 |            |                           |
| Gain (loss) arising during the year                         | ¥ 3,460         | ¥ 1,429    | \$ 25,911                 |
| Reclassification adjustments to profit or loss              | 134             | (177)      | 1,007                     |
| Amount before income tax effect                             | 3,594           | 1,252      | 26,919                    |
| Income tax effect   | (1,155)         | (160)      | (8,651)                   |
| Total   | ¥ 2,439         | ¥ 1,092    | \$ 18,268                 |
| Deferred gain (loss) on derivatives under hedge accounting: |                 |            |                           |
| Gain (loss) arising during the year                         | ¥ 603           | ¥ (15,926) | \$ 4,517                  |
| Reclassification adjustments to profit or loss              | 6,091           | 11,096     | 45,620                    |
| Adjustment for cost of asset acquisition                    | -               | -          | -                         |
| Amount before income tax effect                             | 6,694           | (4,829)    | 50,138                    |
| Income tax effect   | (1,865)         | 1,304      | (13,970)                  |
| Total   | ¥ 4,829         | ¥ (3,525)  | \$ 36,167                 |
| Foreign currency translation adjustments:                   |                 |            |                           |
| Adjustments arising during the year                         | ¥ 3,141         | ¥ 3,678    | \$ 23,524                 |
| Reclassification adjustments to profit or loss              | -               | 18         | -                         |
| Amount before income tax effect                             | 3,141           | 3,697      | 23,524                    |
| Income tax effect   | -               | -          | -                         |
| Total   | ¥ 3,141         | ¥ 3,697    | \$ 23,524                 |
| Defined retirement benefit plan:                            |                 |            |                           |
| Adjustments arising during the year                         | ¥ 1,294         | ¥ 57       | \$ 9,695                  |
| Reclassification adjustments to profit or loss              | (10)            | 26         | (76)                      |
| Amount before income tax effect                             | 1,284           | 84         | 9,618                     |
| Income tax effect   | (404)           | 45         | (3,027)                   |
| Total   | ¥ 880           | ¥ 129      | \$ 6,590                  |
| Share of other comprehensive income in associates:          |                 |            |                           |
| Gain (loss) arising during the year                         | ¥ 3,556         | ¥ 2,042    | \$ 26,632                 |
| Reclassification adjustments to profit or loss              | 146             | (56)       | 1,093                     |
| Total   | ¥ 3,702         | ¥ 1,985    | \$ 27,726                 |
| Total other comprehensive income                            | ¥ 14,992        | ¥ 3,379    | \$ 112,277                |

19. Subsequent Event

The following appropriation of retained earnings at March 31, 2023, was approved at the Board of Directors' meeting held on May 18, 2023:

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Year-end cash dividends, ¥130 (U.S. \$0.97) per share | ¥ 7,815         | \$ 58,527                 |

(Note) The dividend per share by the resolution of the Board of Directors' meeting held on May 18, 2023 has been included a special dividend of ¥25 (U.S. \$0.18).

## 20. Segment Information

### (1) Outline of reportable segments

The Company's reportable segments are the components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company's operations are classified into five product and service segments based on its operating companies.

Each segment's businesses are as follows:

In the Environmental Management & Recycling segment, the Group conducts waste treatment, soil remediation, resource recycling, logistics, and other operations.

In the Nonferrous Metals segment, the Group produces and sells copper, zinc, lead, gold, silver, zinc alloys, platinum, palladium, rhodium, indium, sulfuric acid, tin, antimony, and other materials.

In the Electronic Materials segment, the Group produces and sells high-purity metal materials, compound semiconductor wafers, LEDs, conductive materials, battery materials, magnetic materials, reduced iron powder, and other materials. In the Metal Processing segment, the Group produces and sells copper, brass and copper alloy strips, electroplated products, brass rods, metal-ceramic substrates, and other materials.

In the Heat Treatment segment, the Group provides heat and surface treatment of metallic materials, such as automobile components, and manufactures, sells, and provides maintenance of industrial furnaces and ancillary equipment.

### (2) Method for calculating sales, income (loss), assets, liabilities, and other items by reportable segment

The accounting treatment and methods for the reportable segments are largely consistent with Note 1. Basis of Presentation of the Consolidated Financial Statements and Note 2. Summary of Significant Accounting Policies.

Segment income is reconciled to ordinary income. Ordinary income is calculated by adding share of profit (loss) of entities accounted for using equity method, interest and dividend income, royalty income, etc. and deducting interest expense, environmental expenses, etc. from operating profit (loss).

### (3) Information on sales, income (loss), assets, liabilities, and other items by reportable segment

Segment information as of March 31, 2023 and 2022, are summarized as follows:

| 2022   | Millions of yen                                 |                      |                         |                     |                   |           |                |            |                |              |
|--|---|----------------------|-------------------------|---------------------|-------------------|-----------|----------------|------------|----------------|--------------|
|  | Reportable segment                              |                      |                         |                     |                   |           |                | Reconcili- |                |              |
|  | Environmen-<br>tal<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total     | Others<br>(*1) | Total      | ations<br>(*2) | Consolidated |
| Net sales  |   |                      |                         |                     |                   |           |                |            |                |              |
| Sales to external customers  | ¥ 87,868  | ¥ 409,627            | ¥ 133,908               | ¥ 116,055           | ¥ 30,064          | ¥ 777,524 | ¥ 2,536        | ¥ 780,060  | ¥ -            | ¥ 780,060    |
| Intersegment sales or transfers  | 60,137  | 24,054               | 4,317                   | 111                 | 58                | 88,680    | 11,962         | 100,642    | (100,642)      | -            |
| Total  | ¥ 148,006                                       | ¥ 433,682            | ¥ 138,225               | ¥ 116,166           | ¥ 30,123          | ¥ 866,204 | ¥ 14,498       | ¥ 880,703  | ¥ (100,642)    | ¥ 780,060    |
| Segment income (*3)  | ¥ 11,990  | ¥ 33,112             | ¥ 4,562                 | ¥ 5,514             | ¥ 1,896           | ¥ 57,076  | ¥ 68           | ¥ 57,145   | ¥ (1,643)      | ¥ 55,501     |
| Segment assets   | 132,797   | 291,080              | 85,730                  | 103,373             | 46,013            | 658,996   | 12,142         | 671,138    | (15,856)       | 655,282      |
| Other items:   |   |                      |                         |                     |                   |           |                |            |                |              |
| Depreciation   | 7,893   | 5,779                | 3,552                   | 3,336               | 2,452             | 23,014    | 446            | 23,461     | 494            | 23,955       |
| Amortization of goodwill   | 348   | -                    | -                       | -                   | 149               | 498       | -              | 498        | -              | 498          |
| Investment in affiliates accounted for by the equity method            | 3,442   | 26,878               | 716                     | 315                 | -                 | 31,353    | -              | 31,353     | 9,612          | 40,965       |
| Increase in property, plant, and equipment and intangible fixed assets | ¥ 8,029   | ¥ 10,993             | ¥ 4,467                 | ¥ 5,405             | ¥ 1,521           | ¥ 30,417  | ¥ 346          | ¥ 30,763   | ¥ 3,389        | ¥ 34,153     |

| 2022   | Thousands of U.S. dollars                       |                      |                         |                     |                   |              |                |              |                |              |
|--|---|----------------------|-------------------------|---------------------|-------------------|--------------|----------------|--------------|----------------|--------------|
|  | Reportable segment                              |                      |                         |                     |                   |              |                | Reconcili-   |                |              |
|  | Environmen-<br>tal<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total        | Others<br>(*1) | Total        | ations<br>(*2) | Consolidated |
| Net sales  |   |                      |                         |                     |                   |              |                |              |                |              |
| Sales to external customers  | \$ 658,044                                      | \$ 3,067,684         | \$ 1,002,832            | \$ 869,134          | \$ 225,152        | \$ 5,822,847 | \$ 18,992      | \$ 5,841,840 | \$ -           | \$ 5,841,840 |
| Intersegment sales or transfers  | 450,370   | 180,146              | 32,333                  | 832                 | 437               | 664,121      | 89,586         | 753,707      | (753,707)      | -            |
| Total  | \$ 1,108,414                                    | \$ 3,247,830         | \$ 1,035,166            | \$ 869,966          | \$ 225,590        | \$ 6,486,968 | \$ 108,578     | \$ 6,595,547 | \$ (753,707)   | \$ 5,841,840 |
| Segment income (*3)  | \$ 89,796                                       | \$ 247,975           | \$ 34,170               | \$ 41,300           | \$ 14,200         | \$ 427,443   | \$ 515         | \$ 427,959   | \$ (12,310)    | \$ 415,648   |
| Segment assets   | 994,517   | 2,179,884            | 642,035                 | 774,160             | 344,595           | 4,935,194    | 90,934         | 5,026,128    | (118,750)      | 4,907,377    |
| Other items:   |   |                      |                         |                     |                   |              |                |              |                |              |
| Depreciation   | 59,114  | 43,279               | 26,605                  | 24,988              | 18,369            | 172,358      | 3,343          | 175,701      | 3,702          | 179,403      |
| Amortization of goodwill   | 2,611   | -                    | -                       | -                   | 1,122             | 3,734        | -              | 3,734        | -              | 3,734        |
| Investment in affiliates accounted for by the equity method            | 25,781  | 201,288              | 5,368                   | 2,362               | -                 | 234,801      | -              | 234,801      | 71,989         | 306,790      |
| Increase in property, plant, and equipment and intangible fixed assets | \$ 60,129                                       | \$ 82,328            | \$ 33,454               | \$ 40,482           | \$ 11,397         | \$ 227,792   | \$ 2,594       | \$ 230,386   | \$ 25,385      | \$ 255,772   |

| Millions of yen  |   |                      |                         |                     |                   |           |                |           |                              |              |
|--|---|----------------------|-------------------------|---------------------|-------------------|-----------|----------------|-----------|------------------------------|--------------|
| 2021   | Reportable segment                              |                      |                         |                     |                   |           | Others<br>(*1) | Total     | Reconcili-<br>ations<br>(*2) | Consolidated |
|  | Environmen-<br>tal<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total     |                |           |                              |              |
| Net sales  |   |                      |                         |                     |                   |           |                |           |                              |              |
| Sales to external customers  | ¥ 83,151  | ¥ 434,240            | ¥ 171,266               | ¥ 111,889           | ¥ 28,976          | ¥ 829,524 | ¥ 2,269        | ¥ 831,794 | ¥ -                          | ¥ 831,794    |
| Intersegment sales or transfers  | 51,893  | 21,378               | 4,065                   | 57                  | 17                | 77,413    | 11,618         | 89,032    | (89,032)                     | -            |
| Total  | ¥ 135,045                                       | ¥ 455,619            | ¥ 175,331               | ¥ 111,947           | ¥ 28,994          | ¥ 906,938 | ¥ 13,888       | ¥ 920,826 | ¥ (89,032)                   | ¥ 831,794    |
| Segment income (*3)  | ¥ 13,663  | ¥ 42,774             | ¥ 6,574                 | ¥ 6,817             | ¥ 3,010           | ¥ 72,841  | ¥ 560          | ¥ 73,401  | ¥ 2,671                      | ¥ 76,073     |
| Segment assets   | 133,880   | 304,154              | 92,678                  | 98,294              | 45,974            | 674,982   | 11,848         | 686,830   | (29,547)                     | 657,283      |
| Other items:   |   |                      |                         |                     |                   |           |                |           |                              |              |
| Depreciation   | 7,340   | 4,654                | 3,947                   | 3,352               | 2,471             | 21,766    | 306            | 22,072    | 509                          | 22,582       |
| Amortization of goodwill   | 348   | 20                   | -                       | -                   | 134               | 503       | -              | 503       | -                            | 503          |
| Investment in affiliates accounted for by the equity method            | 3,327   | 25,713               | 623                     | 389                 | -                 | 30,054    | -              | 30,054    | 13,978                       | 44,033       |
| Increase in property, plant, and equipment and intangible fixed assets | ¥ 10,255  | ¥ 9,068              | ¥ 3,965                 | ¥ 4,746             | ¥ 1,545           | ¥ 29,580  | ¥ 881          | ¥ 30,462  | ¥ 2,083                      | ¥ 32,546     |

(\*1) The Others segment comprises business operations that are not included in the reportable segments. These operations primarily comprise intergroup transactions, including real estate leasing, plant construction, civil engineering and construction work, office administration services, technological development support, and other operations.

(\*2) Reconciliations for the fiscal years ended March 31, 2023 and 2022, were as follows:

(1) The reconciliations to segment income of ¥1,643 million (U.S. \$12,310 thousand) and ¥2,671 million include non-operating income and expenses not allocated to any reportable segment (dividends, share of profit (loss) of entities accounted for using equity method, interest expense, etc.) of ¥1,794 million (U.S. \$13,439 thousand) and ¥3,132 million, respectively, and eliminations for intersegment unrealized earning of ¥34 million (U.S. \$255 thousand) and ¥237 million, respectively.

(2) The reconciliations to segment assets of ¥15,856 million (U.S. \$118,750 thousand) and ¥29,547 million include corporate assets of ¥65,104 million (U.S. \$487,568 thousand) and ¥67,386 million that are not allocated to any reportable segment, respectively, and intersegment eliminations of ¥80,961 million (U.S. \$606,319 thousand) and ¥96,933 million, respectively. The main components of corporate assets are surplus working capital (cash and deposits), long-term investments (investments in securities), and assets of administrative department.

(\*3) Segment income is reconciled with ordinary income.

## Related Information

### 1. Information by geographic region (2022)

#### (1) Net sales

| Millions of yen |                           |          |           |                                  |       |           |
|-----------------|---------------------------|----------|-----------|----------------------------------|-------|-----------|
| Japan           | North and Central America | Europe   | China     | Asia (excluding Japan and China) | Other | Total     |
| ¥ 532,984       | ¥ 6,353                   | ¥ 72,079 | ¥ 107,103 | ¥ 61,454                         | ¥ 85  | ¥ 780,060 |

| Thousands of U.S. dollars |                           |            |            |                                  |        |              |
|---------------------------|---------------------------|------------|------------|----------------------------------|--------|--------------|
| Japan                     | North and Central America | Europe     | China      | Asia (excluding Japan and China) | Other  | Total        |
| \$ 3,991,497              | \$ 47,583                 | \$ 539,798 | \$ 802,090 | \$ 460,226                       | \$ 643 | \$ 5,841,840 |

#### (2) Net property, plant, and equipment

| Millions of yen |                           |        |         |                                  |       |           |
|-----------------|---------------------------|--------|---------|----------------------------------|-------|-----------|
| Japan           | North and Central America | Europe | China   | Asia (excluding Japan and China) | Other | Total     |
| ¥ 141,402       | ¥ 5,376                   | ¥ 460  | ¥ 2,919 | ¥ 23,063                         | ¥ -   | ¥ 173,222 |

| Thousands of U.S. dollars |                           |          |           |                                  |       |              |
|---------------------------|---------------------------|----------|-----------|----------------------------------|-------|--------------|
| Japan                     | North and Central America | Europe   | China     | Asia (excluding Japan and China) | Other | Total        |
| \$ 1,058,958              | \$ 40,263                 | \$ 3,448 | \$ 21,864 | \$ 172,719                       | \$ -  | \$ 1,297,255 |

### 2. Information by major customer (2022)

| Name of corporate customer    | Net sales                                  | Name of involved segment             |
|-------------------------------|--|--------------------------------------|
| TANAKA KIKINZOKU KOGYO K.K.   | ¥103,117 million (U.S. \$772,241 thousand) | Mainly the Nonferrous Metals segment |
| SUMISHO MATERIALS CORPORATION | ¥86,773 million (U.S. \$649,839 thousand)  | Mainly the Nonferrous Metals segment |

### 3. Information on impairment losses on fixed assets by reportable segment (2022)

| Millions of yen                   |   |                      |                         |                     |                   |         |       |         |         |              |              |
|-----------------------------------|---|----------------------|-------------------------|---------------------|-------------------|---------|-------|---------|---------|--------------|--------------|
| 2022                              | Reportable segment                              |                      |                         |                     |                   |         | Total | Others  | Total   | Eliminations | Consolidated |
|                                   | Environmen-<br>tal<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total   |       |         |         |              |              |
| Impairment losses on fixed assets | ¥ 5,682   | ¥ -                  | ¥ -                     | ¥ 312               | ¥ -               | ¥ 5,995 | ¥ -   | ¥ 5,995 | ¥ (168) | ¥ 5,826      |              |

| Thousands of U.S. dollars         |   |                      |                         |                     |                   |           |       |           |            |              |              |
|-----------------------------------|---|----------------------|-------------------------|---------------------|-------------------|-----------|-------|-----------|------------|--------------|--------------|
| 2022                              | Reportable segment                              |                      |                         |                     |                   |           | Total | Others    | Total      | Eliminations | Consolidated |
|                                   | Environmen-<br>tal<br>Management<br>& Recycling | Nonferrous<br>Metals | Electronic<br>Materials | Metal<br>Processing | Heat<br>Treatment | Total     |       |           |            |              |              |
| Impairment losses on fixed assets | \$ 42,557                                       | \$ -                 | \$ -                    | \$ 2,341            | \$ -              | \$ 44,898 | \$ -  | \$ 44,898 | \$ (1,265) | \$ 43,633    |              |



4. Unamortized balance of goodwill by reportable segment (2022)

| Millions of yen                        |                                      |                   |                      |                  |                |         |        |         |              |              |  |
|--|--------------------------------------|-------------------|----------------------|------------------|----------------|---------|--------|---------|--------------|--------------|--|
| Reportable segment                     |                                      |                   |                      |                  |                |         |        |         |              |              |  |
|  | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Total   | Others | Total   | Eliminations | Consolidated |  |
| <b>2022</b>                            |                                      |                   |                      |                  |                |         |        |         |              |              |  |
| Unamortized balance at fiscal year end | ¥ 2,092                              | ¥ -               | ¥ -                  | ¥ -              | ¥ 575          | ¥ 2,667 | ¥ -    | ¥ 2,667 | ¥ -          | ¥ 2,667      |  |

| Thousands of U.S. dollars              |                                      |                   |                      |                  |                |           |        |           |              |              |  |
|--|--------------------------------------|-------------------|----------------------|------------------|----------------|-----------|--------|-----------|--------------|--------------|--|
| Reportable segment                     |                                      |                   |                      |                  |                |           |        |           |              |              |  |
|  | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Total     | Others | Total     | Eliminations | Consolidated |  |
| <b>2022</b>                            |                                      |                   |                      |                  |                |           |        |           |              |              |  |
| Unamortized balance at fiscal year end | \$ 15,669                            | \$ -              | \$ -                 | \$ -             | \$ 4,309       | \$ 19,979 | \$ -   | \$ 19,979 | \$ -         | \$ 19,979    |  |

1. Information by geographic region (2021)

(1) Net sales

| Millions of yen |           |                           |          |           |                                  |       |           |
|-----------------|-----------|---------------------------|----------|-----------|----------------------------------|-------|-----------|
|                 | Japan     | North and Central America | Europe   | China     | Asia (excluding Japan and China) | Other | Total     |
|                 | ¥ 553,816 | ¥ 5,314                   | ¥ 79,350 | ¥ 141,982 | ¥ 51,244                         | ¥ 85  | ¥ 831,794 |

(2) Net property, plant, and equipment

| Millions of yen |           |                           |        |         |                                  |       |           |
|-----------------|-----------|---------------------------|--------|---------|----------------------------------|-------|-----------|
|                 | Japan     | North and Central America | Europe | China   | Asia (excluding Japan and China) | Other | Total     |
|                 | ¥ 135,652 | ¥ 3,308                   | ¥ 554  | ¥ 2,901 | ¥ 25,926                         | ¥ -   | ¥ 168,344 |

2. Information by major customer (2021)

| Name of corporate customer    | Net sales        | Name of involved segment             |
|-------------------------------|------------------|--------------------------------------|
| SUMISHO MATERIALS CORPORATION | ¥124,836 million | Mainly the Nonferrous Metals segment |
| TANAKA KIKINZOKU KOGYO K.K.   | ¥95,593 million  | Mainly the Nonferrous Metals segment |

3. Information on impairment losses on fixed assets by reportable segment (2021)

| Millions of yen                   |                                      |                   |                      |                  |                |       |        |       |              |              |  |
|-----------------------------------|--------------------------------------|-------------------|----------------------|------------------|----------------|-------|--------|-------|--------------|--------------|--|
| Reportable segment                |                                      |                   |                      |                  |                |       |        |       |              |              |  |
|                                   | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Total | Others | Total | Eliminations | Consolidated |  |
| <b>2021</b>                       |                                      |                   |                      |                  |                |       |        |       |              |              |  |
| Impairment losses on fixed assets | ¥ 194                                | ¥ -               | ¥ -                  | ¥ 405            | ¥ -            | ¥ 600 | ¥ -    | ¥ 600 | ¥ 44         | ¥ 644        |  |

4. Unamortized balance of goodwill by reportable segment (2021)

| Millions of yen                        |                                      |                   |                      |                  |                |         |        |         |              |              |  |
|--|--------------------------------------|-------------------|----------------------|------------------|----------------|---------|--------|---------|--------------|--------------|--|
| Reportable segment                     |                                      |                   |                      |                  |                |         |        |         |              |              |  |
|  | Environmental Management & Recycling | Nonferrous Metals | Electronic Materials | Metal Processing | Heat Treatment | Total   | Others | Total   | Eliminations | Consolidated |  |
| <b>2021</b>                            |                                      |                   |                      |                  |                |         |        |         |              |              |  |
| Unamortized balance at fiscal year end | ¥ 2,441                              | ¥ -               | ¥ -                  | ¥ -              | ¥ 715          | ¥ 3,156 | ¥ -    | ¥ 3,156 | ¥ -          | ¥ 3,156      |  |

21. Related Party Disclosures

Transactions with related parties

2021

| Type      | Company   | Address                                  | Capital or contribution to capital | Contents of business | Ratio of voting rights ownership | Relationship with related parties | Content                          | Transaction amount | Account items | Balance at the end of the period |
|-----------|---|--|------------------------------------|----------------------|----------------------------------|-----------------------------------|----------------------------------|--------------------|---------------|----------------------------------|
| Affiliate | MINERA PLATA REAL, S. DE R.L. DE C.V.             | LOMAS DE CHAPULTEPEC 11000, MEXICO, D.F. | \$209,886 thousand                 | Smelting             | 30.0% indirectly                 | Fund loan                         | Fund collection                  | ¥3,159 million     | -             | -                                |
|           |   |  |                                    |                      |                                  |                                   | Underwriting of capital increase | ¥877 million       | -             | -                                |
|           |   |  |                                    |                      |                                  |                                   | Interest on loans                | ¥25 million        | -             | -                                |
| Affiliate | OPERACIONES SAN JOSÉ DE PLATA, S. DE R.L. DE C.V. | LOMAS DE CHAPULTEPEC 11000, MEXICO, D.F. | \$332,069 thousand                 | Smelting             | 30.0% indirectly                 | Fund loan                         | Fund collection                  | ¥21,616 million    | -             | -                                |
|           |   |  |                                    |                      |                                  |                                   | Underwriting of capital increase | ¥6,061 million     | -             | -                                |
|           |   |  |                                    |                      |                                  |                                   | Interest on loans                | ¥176 million       | -             | -                                |

(Note) The interest rate of the loan is determined taking market interest rate into account.



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DOWA HOLDINGS CO., LTD.:

### Opinion

We have audited the consolidated financial statements of DOWA HOLDINGS CO., LTD. (the "Company") and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As discussed in Note 2.(21) to the consolidated financial statements, the Company has terminated the tolling contract for smelting copper concentrates between the consolidated subsidiary, DOWA METALS & MINING CO., LTD. (hereinafter "DMM"), and the tolling contractor, which is an affiliate accounted for by the equity method, Onahama Smelting and Refining Co., Ltd., at March 31, 2023. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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.

### *Valuation of investments in the Los Gatos Mine*

#### Key Audit Matter Description

As stated in Note 3. "Significant Accounting Estimate" to the consolidated financial statements, DMM, an operating company in the Group's Nonferrous Metals business has invested in MINERA PLATA REAL, S. DE R. L. DE C. V. and OPERACIONES SAN JOSE DE PLATA, S. DE R. L. DE C. V. (hereinafter collectively referred to as "MPRs"), which are the operating companies of the Los Gatos Mine in the State of Chihuahua, Mexico. As of the year end, DMM owns 30% of shares issued by MPRs. The book value of the investments to these companies were ¥18,301 million as a result of the equity method applied by the Group, and these investments are recorded in the account of "Investments in and advances to nonconsolidated subsidiaries and associates." The ratio of the amount of these accounts to the amount of total assets was 2.7%.

The material components, which consist of these investments, are the long-lived assets including property, plant and equipment and other long-term assets, used in the mining and ore sorting activities operated by MPRs. Estimates of the total future cash flows generated from the operations of Los Gatos Mine will have a significant impact on the valuation of these long-lived assets recorded in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

The total amount of future cash flows is calculated using a complex calculation model considering various assumptions, such as forecasts of the future market prices of metals, metal concentrate grades, and operational costs.

In the current year, no impairment losses were recorded on these long-lived assets included in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

The Los Gatos Mine is a significant project in the Group's strategies for securing a long-term and stable supply of raw materials for the Group's producing processes, and the amount of such investments is material. Furthermore, these assumptions described above that are used in the calculation for the future cash flows are affected by management's judgment regarding the external environments and future operating condition involving high uncertainties and therefore, a comprehensive consideration is required. Due to the factors described above, we have determined the valuation of investments in the Los Gatos Mine to be a key audit matter.

#### How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the valuation of investments in the Los Gatos Mine included the following, among others:

- We obtained sufficient understanding on the Group's controls over the valuation of investments in the Los Gatos Mine and tested the design and operating effectiveness of such controls.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the calculation model for the future cash flows.



- Among the various assumptions for management's estimation regarding the future cash flows, we evaluated the reasonableness of management's estimations of the future market prices of metals by comparing them with future forecast data of market participants that we obtained independently. We also evaluated the reasonableness of management's estimations regarding the metal concentrate grade and operating costs by comparing them with actual performance results.
- Based on these estimations of future cash flows, we evaluated whether the Group properly valued the long-lived assets in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method.

#### *Hedge accounting for derivative transactions*

##### Key Audit Matter Description

As stated in Note 17. "Derivatives" to the consolidated financial statements, the Group entered into nonferrous metal forward contracts (both of transactions for which hedge accounting is not applied and for which hedge accounting is applied), which amounted to 65,881 million yen in selling and 1,879 million yen in buying as of March 31, 2023. Furthermore, the Group entered into foreign exchange forward contracts (both of transactions to which hedge accounting is not applied and those to which hedge accounting is applied), which amounted to 51,779 million yen in selling of U.S. dollars, 40 million yen in selling of Euro and 2,863 million yen in selling of Thai Baht. The Group accounted for the valuation losses on these derivatives, which were qualified for hedge accounting, as Deferred loss on derivatives under hedge accounting, a component of equity, which totaled 587 million yen, net of tax effects.

As the Group has material amounts of metal inventories (both of raw materials and finished goods), and these inventories are exposed to fluctuations in the market prices of nonferrous metal and foreign exchange rates, they utilize nonferrous metal forward contracts and foreign exchange forward contracts for the purposes of managing the exposure to variability in market prices of nonferrous metals and foreign exchange rates for the period from the timing of purchasing the raw material to the timing of selling the finished goods.

As stated in Note 2.(19) "Summary of Significant Accounting Policies—Derivatives and Hedging Activities" and 16. "Financial Instruments" to the consolidated financial statements, the Group tests whether the derivatives are in compliance with the Group's implementation policies for hedge transactions prior to entering into hedging transactions. Also, the Group determines the hedging instruments, hedged items, and the methods of assessing hedge effectiveness as part of their pre-testing. Furthermore, the Group compares the cumulative gain or loss on the hedging instrument with the cumulative change in fair value of the hedged items, and assesses the hedging relationship at the monthly meeting to monitor the hedging transactions ("hedge meeting") as part of their post-testing, which is the period from the start of the hedge to the time of the effectiveness assessment.

As described above, the amount of fair value may be material for such derivatives for the purpose of managing the exposure to variability in market prices of the Group's Nonferrous Metals business inventories. In addition, the determination of the hedge accounting qualification requires expertise, and if the hedge accounting is not qualified, the gains or losses of the market value must be recorded in the consolidated statement of income, which may have a significant impact on the consolidated financial statements. Due to the factors described above, we have determined the hedge accounting for the derivative transactions to be a key audit matter.

##### How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the hedge accounting for the derivative transactions included the following, among others:

- We performed confirmation procedures with all parties related to the derivative transactions to confirm the completeness of the Group's derivative ledgers, which covers all of the derivative transactions.
- We tested the accuracy of the unrealized gains or losses amount of the derivative transactions recorded in the Group's ledger by reconciling the amount of market value with the related information publicly available and recalculating these amounts.

- In evaluating the Group's pre-testing, we gained an understanding of the Group's hedging policies and determined whether there is no material change in the Group's policies during the year by inquiring of the Group's management and inspecting the Group's policy regarding the derivative transactions.
- At the Group's year end closing, in evaluating the Group's post-testing executed, we read the minutes of the Group's hedge meeting and related documents for the qualification of the hedging relationship, recalculated the ratio of the cumulative gain or loss on the hedging instrument from inception of the hedge over the cumulative change in fair value of the hedged item, determined the ratios were within the range from 80% to 125%, and assessed the Group's testing.
- Based on our audit procedures results related to the Group's pre-testing and post-testing, we evaluated whether the Group recorded deferred gain or loss on derivatives under hedge accounting as a component of equity for derivatives that were qualified for hedge accounting considering the tax effects.

##### **Other Information**

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the 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 DOWA REPORT 2023, but does not include the consolidated financial statements and our auditor's report thereon. DOWA REPORT 2023 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

##### **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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 and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, 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.

#### 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.

*Deloitte Touche Tohmatsu LLC*

July 28, 2023