MITSUBISHI MATERIALS

Mitsubishi Materials Corporation

Financial Results Briefing for Q2 of the Fiscal Year Ending March 2026

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Speakers:

Tetsuya Tanaka	Director, Executive Officer, President and CEO (Representative Executive Officer)
Kayo Hirano	Director, Managing Executive Officer, CFO

Question & Answer

Participant [Q]: A press release has been issued regarding the purchase of copper concentrates and the sale of copper cathodes. Please explain the purpose of the scheme and its economic effects.
Tanaka [A]: Currently, we negotiate individually with mining companies to determine prices for copper concentrate purchases. However, TC/RC has declined in recent years, forcing each company into difficult negotiations. Under these circumstances, consolidating purchases will increase buying volume and strengthen our bargaining power with the mines. This is the primary objective of the integration.
For the jointly purchased copper concentrates, as is currently done by Pan Pacific Copper Co., Ltd. ("PPC"), PPC will outsource smelting to each company, and the copper cathode produced will be sold by PPC. We will adopt the same scheme. While it is difficult to quantify the economic impact at this stage, we are confident that our negotiating power will improve.

Participant [Q]: Will the outsourced smelting generate revenue similar to the structure at Hibi Smelter, meaning that the commission from PPC will become revenue?
Tanaka [A]: Yes, the smelting will be outsourced, and the commission will become our income. When TC/RC deteriorates, the commission fee may decrease, and therefore revenue fluctuations will occur.

Participant [Q]: Does this change anything in the capital relationship with PPC?
Tanaka [A]: Ultimately, PPC will consist of four companies, including our own. However, for the time being, each company has its own contracts with suppliers, so it is difficult to suddenly switch these contracts because changing the parties to the contracts is challenging, and we assume there will be some differences in timing. Therefore, we are considering transferring the contracts to a PPC subsidiary, and once the contracts have been renegotiated, the subsidiary will be absorbed into PPC. Our company is expected to become a shareholder of PPC in the same way as Mitsui Kinzoku Company Limited, and JX Advanced Metals Corporation.

Participant [Q]: Please explain the changes in profits from H1 to H2 for each segment, including the factors causing the changes.
Hirano [A]: For the Metals business, profit was ¥1.1 billion in H1 and is expected to be ¥0.1 billion in H2. The major factors behind the decline are the impact of the scheduled maintenance at the Onahama Smelter & Refinery ("Onahama") and the production scale-down announced in Q1. In addition, profit will be lower than in H1 due to the absence of revenue from metal recovery differences recorded in H2 of last year.
The Copper & Copper Alloy business expects a profit of ¥5.0 billion in H2 compared to ¥2.0 billion in H1. The biggest factor will be the impact of rising copper prices, as we have revised the assumptions for copper prices.
The Electronic Materials & Components business posted a profit of ¥0.7 billion in H1, flat compared to last year, but the forecast for this fiscal year is a profit of ¥0.3 billion in H2 due to continued volume pressure caused by sluggish demand and intensified price competition.
The Metalworking Solutions business is expected to post a profit of ¥4.8 billion in H2 compared to ¥5.6 billion in H1. Since Q4 of last year, demand for tungsten ore has been tight due to China's export restrictions and other factors, and Japan New Metals' profit has been rising. However, this is not expected to push up profit as much as in H1, so the forecast is lower than in H1.

Participant [Q]: Metal prices have been highly volatile. You have disclosed the inventory valuation impact for H1, but what is the outlook for the full year?
Hirano [A]: For the Metals business, the inventory valuation impact due to the suspension of currency hedging was a decrease of ¥8.2 billion year-on-year in H1, but we expect it to settle at a decrease of ¥6.6 billion for the full year. For the Copper & Copper Alloy business, the impact was positive ¥4.4 billion year-on-year in H1, but the latest forecast for the full year is positive ¥0.65 billion.

Participant [Q]: How have you factored in the impact of tungsten price fluctuations in the Metalworking Solutions business?
Hirano [A]: We have incorporated the strong demand for tungsten and the delayed increase in scrap costs

into our latest profit forecast. At the beginning of the year, we assumed an APT price of $330, but it has recently risen to around $660. However, since market consensus is difficult to predict, we have kept the initial assumption for working capital calculations. For the P&L, we have already factored in the upward trend in costs and demand in the latest outlook.

Participant [Q]: From next fiscal year onward, the portion carved out to PPC will be accounted for using the equity method. I assume you will still hold assets at Onahama and the Naoshima Smelter & Refinery ("Naoshima"). How will total sales and profit look? Specifically, will operating profit for the Metals business become zero next year as smelting commissions shift to equity-method income? Also, what happens to initiatives such as expanding E-Scrap acceptance?
Hirano [A]: For PPC, smelting commissions will be recorded as equity-method income. The businesses subject to carve-out include copper concentrate purchases, sales of copper cathode derived from copper concentrate, sulfuric acid, and other copper smelting by-products. Recycling-related raw materials are excluded. The final structure of sales and profit will be discussed following today's basic agreement.

Segment Overview (Electronic Materials & Components)

- **H1 Result**: While sales of electronic devices and precision mounting materials were strong, a decline in sales of seal products and other factors resulted in ordinary profit of ¥1.7 billion (up ¥0.1 billion year-on-year)
- **Full-year Forecast**: Ordinary profit is projected to be ¥2.6 billion (down ¥2.7 billion from the previous forecast), mainly due to a decrease in sales volume centered on seal products and precision-machined silicon products, among other factors

(Billions of yen)

	FYE March 2025 H1 Result	FYE March 2026 H1 Result	Change
Net sales	38.8	41.8	+3.0
Operating profit	0.9	0.7	-0.2
Ordinary profit	1.6	1.7	+0.1

	Previous Full-year Forecast	Current Full-year Forecast	Change
Net sales	88.2	80.8	-7.4
Operating profit	4.0	1.0	-3.0
Ordinary profit	5.3	2.6	-2.7

H1 Ordinary Profit (FYE March 2025)	1.6
Exchange rate difference	-0.1
Price difference	-0.3
Volume difference	-0.0
Dividend income	+0.0
Share of profit (loss) of entities accounted for using equity method	+0.4
Other	+0.2
H1 Ordinary Profit (FYE March 2026)	1.7

Previous Forecast for Full-year Ordinary Profit (FYE March 2026)	5.3
Exchange rate difference	+0.2
Price difference	+0.4
Volume difference	-5.0
Dividend income	-0.0
Share of profit (loss) of entities accounted for using equity method	+0.5
Other	+1.1
Current Forecast for Full-year Ordinary Profit (FYE March 2026)	2.6

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Participant [Q]: Regarding the Electronic Materials & Components business, the profit outlook has declined. You mentioned seal products and precision-machined silicon products. What is the current business environment, and do you see any signs of improvement in H2 or next fiscal year?
Hirano [A]: We are seeing technological downgrades in certain products. Market demand for certain items has shifted from high-end to mid-range. For example, in heat-shield coating materials, intense price competition in EVs has led to cost-cutting measures, resulting in downgraded glass specifications, making our heat-shield coatings over-specified for the new requirements. We are investigating whether customers have lost orders or switched to alternative materials. Columnar silicon sales have also slightly declined recently. On the other hand, demand for semiconductor plating solutions, electrolytic fluorine, and automotive paste is expected to remain strong. We are working to increase sales of these products, expand other product lines, implement price adjustments, and reduce costs to narrow the gap from the beginning of the year.

Participant [Q]: Regarding the restructuring of the copper smelting business, since Onahama and Naoshima assets will remain on the balance sheet, is it correct to assume that the goal is not to significantly improve asset efficiency but rather to enhance buying power through joint procurement of copper concentrates?
Hirano [A]: Essentially, Onahama and Naoshima assets will remain on our company's balance sheet. However, certain items, such as inventories and receivables/payables related to this business, are expected to be carved out and transferred to a new company established by PPC. This will lighten our balance sheet. After the investment ratio is determined, interest-bearing debt and other related items will also be carved out and removed from our balance sheet.

Participant [Q]: So, while fixed assets at the smelters remain, working capital related to concentrate purchases and smelting will be reduced?
Hirano [A]: That is correct.

Participant [Q]: Could you disclose the book value of Onahama and Naoshima on the balance sheet, as well as inventories and receivables related to working capital? Also, as PPC absorbs these operations, is there a risk of significant impairment due to revaluation of future cash flows based on current purchase conditions?
Hirano [A]: We are currently working on these figures with external experts, so they are not disclosed at this time. Regarding impairment risk during the absorption process, we do not recognize any significant risk at this point.

Segment Overview (Copper & Copper Alloy)

- **H1 Result**: Ordinary profit was ¥0.2 billion (up ¥3.6 billion year-on-year), primarily due to the impact of inventory valuation of raw materials resulting from the rise in copper prices (H1 FYE March 2025: 430¢/lb to H1 FYE March 2026: 438¢/lb)
- **Full-year Forecast**: Ordinary profit is projected to be ¥3.4 billion (up ¥0.7 billion from the previous forecast) due to the revision of the copper price assumption (previous full-year forecast: 425¢/lb to current full-year forecast: 436¢/lb)

(Billions of yen)

	FYE March 2025 H1 Result	FYE March 2026 H1 Result	Change	Previous Full-year Forecast	Current Full-year Forecast	Change
Net sales	222.9	223.6	+0.7	470.2	470.8	+0.5
Operating profit	-1.4	2.0	+3.4	7.3	7.1	-0.1
excluding inventory valuation impact	*2.8*	*1.8*	*-1.0*			
Ordinary profit	-3.4	0.2	+3.6	2.6	3.4	+0.7
excluding inventory valuation impact	*0.8*	*-0.0*	*-0.8*			

H1 Ordinary Profit (FYE March 2025)	-3.4
Exchange rate difference	-0.1
Price difference	+5.6
Volume difference	-0.1
Dividend income	-0.0
Share of profit (loss) of entities accounted for using equity method	–
Other	-1.6
H1 Ordinary Profit (FYE March 2026)	0.2

Previous Forecast for Full-year Ordinary Profit (FYE March 2026)	2.6
Exchange rate difference	+0.0
Price difference	+3.0
Volume difference	-2.0
Dividend income	-0.0
Share of profit (loss) of entities accounted for using equity method	–
Other	-0.3
Current Forecast for Full-year Ordinary Profit (FYE March 2026)	3.4

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Participant [Q]: In the Copper & Copper Alloy business, the latest forecast shows a negative ¥2.0 billion impact from volume differences. What is driving this downward revision?
Hirano [A]: The main factor is continued weakness in products for the European automotive market.

Participant [Q]: What are your current considerations for fundamental structural reforms?
Tanaka [A]: The benefits and drawbacks of structural reforms in monetary terms are not incorporated in the H1 results or the full-year forecast, and we are currently examining what to implement. In principle, beyond

the previously announced integration of the Sambo Plant and the Sakai Plant, we are considering streamlining unprofitable products in the Copper & Copper Alloy business.

Participant [Q]: Regarding the positioning of the Copper & Copper Alloy business, how will the copper smelting business change in the context of collaboration with PPC?
Tanaka [A]: Regarding integration with PPC, PPC will purchase copper concentrates collectively and outsource smelting to us. We will return the smelted copper cathode to PPC, but for the portion used in our Copper & Copper Alloy business, we will repurchase it from PPC and continue our operations. Therefore, the positioning of this business will essentially remain unchanged.

Participant [Q]: Regarding tungsten prices, you mentioned earlier that scrap prices have also risen, limiting spreads. Could you elaborate on the impact of rising tungsten prices? For tungsten carbide sales, have you been able to raise selling prices in line with market trends? Also, in the cemented carbide tools business, Chinese competitors are reportedly raising prices due to higher raw material costs. Has this been a tailwind for your business?
Tanaka [A]: Tungsten prices have risen from $330 at the beginning of the year to around $660 currently. For tungsten carbide manufacturers such as Japan New Metals and H.C. Starck, it is common for APT prices to be incorporated into sales contracts as a formula, so selling prices increase in line with market prices. On the other hand, cemented carbide tools do not follow such formulas, so we negotiate price increases individually to reflect higher raw material costs.

Participant [Q]: If the fundamental structural reforms are accelerated in the future, I assume additional expenses will likely appear as extraordinary losses. In that case, I would like to know whether there are any so-called extraordinary gains that would offset such transient losses, such as the sale of financial assets.
Hirano [A]: We are strongly committed to balancing business performance while advancing structural reforms. However, since we currently hold almost no strategic share holdings, there are no candidates for extraordinary gains that could fully offset the additional ¥10.0 billion or the cumulative ¥15.0 billion recorded since the beginning of the year.
To avoid a situation where losses continue indefinitely without clarity on when they will end, we have decided to record these losses ahead of schedule in the current fiscal year and have incorporated them into our forecast.

[END]