Mitsubishi Materials Corporation

Financial Results Briefing for Q1 of the Fiscal Year Ending March 2027

August 6, 2026

Event Summary

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[Venue]	Webcast
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[Participants]	
[Number of Speakers]	2

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

Question & Answer

Participant [Q]: Regarding tungsten, if current market conditions continue, how do you see profits developing going forward, taking into account raw material price movements? In addition, for the profit increase reflected in the latest forecast, how should we think about the balance between temporary factors and the underlying strength of the business? If possible, I would also appreciate some quantitative indication.
Hirano [A]: Assuming that the international price of APT (ammonium paratungstate) remains at around $3,000 per MTU through the end of the fiscal year, the benefit from the drawdown of low-cost inventory in the first quarter amounted to ¥7.6 billion, as shown on page 8 under "Metals/Resources Circulation — Price differences: Impact of low-cost inventory consumption prior to the surge in tungsten prices." Going forward, inventory will be drawn down beginning with lower-cost inventory. As a result, we expect the profit increase effect to be larger in the second and third quarters. In the fourth quarter, however, inventory procured at higher prices will be reflected in cost of sales, and we expect the year-on-year increase in profit to normalize to approximately ¥5.0 billion.

Participant [Q]: Given your comment that the benefit from lower-cost inventory acquired before tungsten prices surged will fade in the fourth quarter, how should we think about the profit trend going forward?
Hirano [A]: The APT price was approximately $855 per MTU in December of last year and around $300 per MTU in April of last year, but it has surged to around $3,000 per MTU over the last four months. Given this price increase curve, we believe that, in the process of normalizing from the first quarter through the fourth quarter, profit will likely peak in the second and third quarters.
Tanaka [A]: If the APT price remains at the current level and raw material costs continue to rise, we do not believe that the current level of profit will continue.

Participant [Q]: As for the planned capacity expansion at H.C. Starck, what benefits do you expect beyond the pricing effect, particularly from an organic growth perspective?
Tanaka [A]: We have adopted a policy centered on resource circulation and aim to achieve a 100% recycling rate in our Tungsten Business. Currently, APT prices are rising due to tightening tungsten export restrictions, and H.C. Starck is no longer able to fully meet demand from its existing customers. In addition, supply chain disruptions have led to an increase in inquiries from new customers. However, due to shortages of raw materials, we are currently limiting supply. To address this constraint, we are considering expanding capacity, particularly in the production processes that use scrap as a raw material. Rather than significantly increasing total output, we aim to expand capacity from the processing of recycled materials through the intermediate production stages in order to meet customer expectations.

Participant [Q]: Could you elaborate on the earnings impact of the capacity expansion at H.C. Starck?
Tanaka [A]: When comparing the route of purchasing APT and producing WC (tungsten carbide) with the route of producing WC from scrap as the raw material, we believe that, at current price levels, profitability is relatively higher when scrap is utilized. We refer to this as the "scrap advantage." As a result of expanding scrap-processing capacity, we expect the level of profitability to be somewhat higher than under the conventional route of purchasing APT and manufacturing WC.

Participant [Q]: Turning to cemented carbide tools, demand appears to be recovering, and it seems that positive results are beginning to emerge beyond the impact of changes in raw material prices. In the past, there were cases where sales expansion was pursued with additional promotional and selling expenses. In the current phase of demand recovery, is it reasonable to assume that volume growth can be captured largely as incremental profit without incurring significant additional costs? Could you also comment on actual volume growth in cemented carbide tools, your expectations going forward, and changes in volume trends, including competition from increased exports of Chinese-made cemented carbide tools following the decline in tungsten prices in China?
Tanaka [A]: We believe there was some rush demand ahead of our price increase in June. However, even after taking that into account, volumes increased. Volume growth was observed across all regions, including

Japan, China, Asia, Europe, North America, and Central and South America. Approximately 70% of our overall raw material requirements can be sourced through recycling. In contrast, some cemented carbide tool manufacturers that rely on externally procured raw materials are facing difficulties securing those materials, and we believe some of that demand is shifting to manufacturers that have raw material production subsidiaries. That said, we need to continue monitoring carefully whether the trends witnessed in the first quarter will continue.

Participant [Q]: How should we think about the competitive environment for cemented carbide tools?
Tanaka [A]: Some overseas competitors have subsidiaries that produce tungsten materials, and we believe those companies have not experienced significant disruption in terms of tool supply. On the other hand, we understand that some domestic manufacturers without raw material production capabilities have been forced to reduce the number of inventory items they carry.

Participant [Q]: As for cash flow, I have the impression that working capital could increase further in the second and third quarters. Taking into account the recent issuance of ¥70.0 billion in convertible bonds, as well as the Medium-term Management Strategy (FYE March 2027–2029), which assumes annual cash outflows of more than ¥160.0 billion for growth investments and maintenance and upgrading investments, totaling approximately ¥500.0 billion over three years, how should we think about cash flow for this fiscal year? What are your expectations for working capital through the second and third quarters?
Hirano [A]: While working capital has increased alongside ordinary profit, the two largely offset each other. Accordingly, this will not affect our plans for the growth investments and maintenance and upgrading investments contemplated under the Medium-term Management Strategy (FYE March 2027–2029). At present, working capital is also being affected by the inventory build-up ahead of Japan's Obon holiday period and is therefore expected to increase and peak around the second quarter. However, in the fourth quarter, we are scheduled to undertake furnace maintenance, including expansion work for recycled material processing at Naoshima Smelter & Refinery, and we expect to reduce inventory substantially before then. In addition, if the integration with Pan Pacific Copper is completed on February 1 as planned, we expect this to have a significant effect in restraining the increase in working capital.

Participant [Q]: Page 13 shows net investment cash flow of positive ¥2.0 billion. Is it correct to understand that this figure already includes investments planned under the Medium-term Management Strategy (FYE March 2027–2029)?
Hirano [A]: Yes. The investment amounts contemplated under the Medium-term Management Strategy (FYE March 2027–2029) were already incorporated into the previous forecast of ¥46.0 billion issued at the beginning of the fiscal year. The difference between that previous forecast and the current forecast is approximately ¥2.0 billion and is mainly attributable to factors such as foreign exchange movements. Accordingly, we intend to proceed with investments as originally planned.

Participant [Q]: On the impact of tungsten, is it correct to understand that the profit growth from the use of low-cost inventory was ¥7.6 billion in the first quarter and is expected to be approximately ¥5.0 billion in the fourth quarter? Could you explain the extent of the profit increase expected in the second and third quarters? In addition, should we understand the overall impact as the combined effect of utilizing low-cost inventory and the scrap advantage?
Hirano [A]: As shown on page 12, in our revised full-year forecast, the effect of drawing down low-cost inventory acquired prior to the surge in tungsten prices is expected to comprise a positive impact of ¥159.5 billion from higher selling prices and a negative impact of ¥84.8 billion from higher costs, resulting in a net positive impact on profit of ¥74.7 billion. Of this amount, ¥7.6 billion was recorded in the first quarter, and approximately ¥5.0 billion is anticipated in the fourth quarter. The remaining approximately ¥62.1 billion is expected to be recorded in the second and third quarters. At present, we expect the impact to be somewhat larger in the second quarter, although actual sales volumes will depend on market conditions. This profit increase includes both the effect of drawing down planned inventory and the scrap advantage resulting from the use of scrap. However, it is difficult at this point to separate the two effects precisely.

Participant [Q]: Regarding the increase in sales of cemented carbide tools, do you have any regional growth figures you can share? Additionally, given that APT is currently not being supplied from China, are customers indicating that they intend to continue placing orders with your company? Could you also comment on your expectations regarding ongoing orders going forward?
Hirano [A]: In the first quarter, sales of cemented carbide tools increased year on year by 13.7% in Japan, 49.4% in China, 30.2% in Asia, 26.6% in Europe, 38.2% in North America, and 33.6% in Central and South America. Overall, sales increased by 30.4%. These figures are on a value basis and include the effects of selling price adjustments.
Tanaka [A]: Tool manufacturers can broadly be divided into those that can procure raw materials internally and those that cannot. Against this backdrop, an increasing number of customers are seeking to place orders with our Group because of our ability to secure raw materials on a relatively stable basis. However, our recycling operations are already running at full capacity, and we are therefore unable to meet all of the demand. Even if China resumes supply, we believe that some customers will continue shifting their orders to supply routes outside China in view of supply risks.

Participant [Q]: You mentioned that sales of cemented carbide tools increased by 30.4% on a value basis. Could you provide some indication of the breakdown, including the increase on a volume basis? A qualitative explanation would also be helpful.
Hirano [A]: Based on our calculations using the sales figures for the Metalworking Solutions Business shown on page 17 of the supplementary materials, we estimate that selling price adjustments accounted for approximately 8 percentage points of the 30.4% increase. Accordingly, we understand that the remaining approximately 22 percentage points correspond to volume growth.

Participant [Q]: If the APT price remains at around $3,000 per MTU, is it correct to understand that the benefit from utilizing low-cost inventory will gradually diminish, while the scrap advantage will continue as long as the price differential between APT and scrap remains? Should we therefore understand the overall impact of tungsten as the combined effect of low-cost inventory and the scrap advantage?
Tanaka [A]: Yes, that understanding is correct.

Participant [Q]: As for Copper & Copper Alloy Products and the Advanced Products Businesses, I have the impression that you have made solid progress in adjusting selling prices. You have been implementing structural reforms and correcting selling prices. Should we understand that the price adjustments have now progressed to a certain level? Alternatively, can we expect further price adjustments from the second quarter onward to improve margins? How should we think about your pricing strategy going forward?
Tanaka [A]: Selling price adjustments have progressed to a certain extent. At present, our main focus is on further narrowing our product portfolio and shifting the product mix toward higher-value-added products, including by discontinuing low-profitability products where appropriate.
At the same time, raw material prices are rising, particularly for the Advanced Products Business. We will therefore need to continue negotiations to adjust selling prices appropriately.

Participant [Q]: With respect to volumes for the Copper & Copper Alloy Products and the Advanced Products Businesses, the first-quarter results appear to show a significant year-on-year positive impact on profit. In the full-year forecast, however, the former is down compared with the previous forecast, while the latter is positive but does not appear to show a significant increase. What trends are you seeing in volumes at this stage?
Hirano [A]: In this revision to our earnings forecast, we mainly revised our assumptions for the second quarter onward regarding foreign exchange rates, metal prices, and supply-demand and pricing conditions in the Tungsten Business. For the Advanced Products Business, the strong performance of electronic materials is evident in the first-quarter results. However, we have not reflected this performance in our full-year forecast at this point. Accordingly, there is no significant difference from the previous forecast in terms of full-year volumes.
For the Copper & Copper Alloy Products Business as well, we saw signs of a recovery in automotive demand during the first quarter. However, we intend to monitor the situation for a little longer and have therefore not revised our volume assumptions in this forecast revision. As a result, as in the previous forecast, we continue to assume a slight decline in volume.

Participant [Q]: Looking at the quarterly profit trend, inventory valuation gains arising from metal recovery differences are generally recorded in the second and fourth quarters, while mine dividends tend to be relatively substantial in the third quarter. Taking into account that the benefit from drawing down low-cost tungsten inventory is expected to arise in the second and third quarters, is it reasonable to envisage profits increasing further in the second quarter following the first quarter, remaining at a high level in the third quarter, and then moderating somewhat in the fourth quarter?
Hirano [A]: Your understanding is correct. The inventory valuation gains recorded in the second and fourth quarters correspond to metal recovery differences identified through physical inventory counts. The benefit from drawing down low-cost tungsten inventory is also expected to arise in the second and third quarters, with the impact expected to peak in the second quarter.
On the other hand, in the fourth quarter, we expect a decline in profit associated with furnace maintenance and the construction work to expand recycled material processing capacity at Naoshima Smelter & Refinery. We therefore expect profit to be at a relatively low level in the fourth quarter.

Participant [Q]: On a quarterly basis, is it therefore reasonable to envisage profits remaining higher in the second and third quarters than in the first quarter, before moderating in the fourth quarter?
Hirano [A]: Yes, that is broadly how we envisage the quarterly profit trend.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company.*