

Financial Results Briefing for the first quarter of the fiscal year ending March 31, 2023

Mitsubishi Materials Corporation Revises Upward its Full-Year Performance Forecast for Net Sales and Operating Profit following Solid Sales of Semiconductor-related Products

【Speaker】

Mr. Nobuhiro Takayanagi, Managing Executive Officer and CFO, Mitsubishi Materials Corporation (hereinafter referred to as “the Company”)

The following is a transcript of the Mitsubishi Materials Corporation Financial Results Briefing for the first quarter of the fiscal year ending March 31, 2023, held on August 9, 2022.

Mr. Nobuhiro Takayanagi (hereinafter referred to as “Takayanagi”):

Hello everyone, I am Takayanagi, Managing Executive Officer. Thank you very much for participating in our financial results briefing today. I would now like to present a summary of the first quarter of the fiscal year ending March 31, 2023 and the outlook for the full-year.

<Comparison with Previous Year Results (Consolidated Statements of Operations)>

Comparison with the Previous Year Result (Consolidated Statements of Operations)					[Unit: billion yen]
	FY22 1Q Result	FY23 1Q Result	YoY change	Reason	
Net sales	427.6	422.6	-5.0	Advanced Products +17.5, Metalworking Solutions +2.8, Metals +51.6, Environment & Energy -0.5, Cement -50.4, Aluminum -30.4	
Operating profit	14.8	13.9	-0.9	Advanced Products +0.4, Metalworking Solutions +2.2, Metals -1.2, Environment & Energy +0.7, Cement -1.9, Aluminum -2.1	
Net interest and dividend income	8.8	4.5	-4.3	Dividend income -4.3	
Share of profit (loss) of entities accounted for using equity method	1.6	(1.6)	-3.2	Mitsubishi UBE Cement Corporation -5.0	
Other Non-operating profit (loss)	(0.2)	0.2	+0.5		
Ordinary profit	25.1	17.0	-8.0	Advanced Products -0.4, Metalworking Solutions +2.8, Metals -5.1, Environment & Energy +0.9, Cement -7.3, Aluminum -1.8	
Extraordinary income	1.0	10.3	+9.3	FY23: Gain on changes in equity +11.0 FY22: Gain on sale of investment securities +1.0	
Income taxes	(5.6)	(1.8)	+3.7		
Profit (loss) attributable to non-controlling interests	(3.5)	(1.4)	+2.1		
Profit attributable to owners of parent	16.9	24.1	+7.2		

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Please refer to the year-on-year comparison on page 5 of the Supplementary Explanation of Consolidated Financial Results.

Net sales, operating profit, and ordinary profit for the first quarter of the fiscal year ending March 31, 2023 decreased than last year. Among these, the impact from the optimization of business portfolio led to a decrease of 86.3 billion yen in net sales, 4.2 billion yen in operating profit, and 4.3 billion yen in ordinary profit, respectively.

The following factors impacted the net sales. First, the exchange rate fluctuated towards yen depreciation. Also, sales increased in the Advanced Products Business due to sales price increase and firm demand from semiconductor and automobile industries. Finally, the Metals Business saw an increase in sales as a reaction to the impact of production cutbacks due to furnace repairs in the previous fiscal year. On the other hand, a negative factor has been the decline in copper prices.

I will explain the changes in operating profit and ordinary profit from page 7 onward, later in this presentation.

As for Profit attributable to owners of parent for the quarter, we recorded an extraordinary income of 11 billion yen as a gain on change in equity related to the Cement Business.

<Comparison with the Previous Year Results (Statistics)>

Comparison with the Previous Year Result (Statistics)				
■ Statistics		FY22 1Q Result	FY23 1Q Result	YoY change
Sales volumes of copper & copper alloy products	(thousand tons)	34	34	0
Sales volumes of copper cathodes (in-house product)	(thousand tons)	72	79	+7
Sales volumes of copper cathodes (PTS) *	(thousand tons)	66	68	+2
Dividend from copper mine	(billion yen)	9.4	5.1	-4.3
Income (Loss) from Equity Method Investments of Mitsubishi UBE Cement Corporation	(billion yen)	—	(5.0)	-5.0
* Contains only the amount of smelting as a custom smelter.				
Exchange rate (USD)	(yen/\$)	109	130	+20
Exchange rate (EUR)	(yen/€)	132	138	+6
Copper price (LME)	(\$/lb)	440	432	-8

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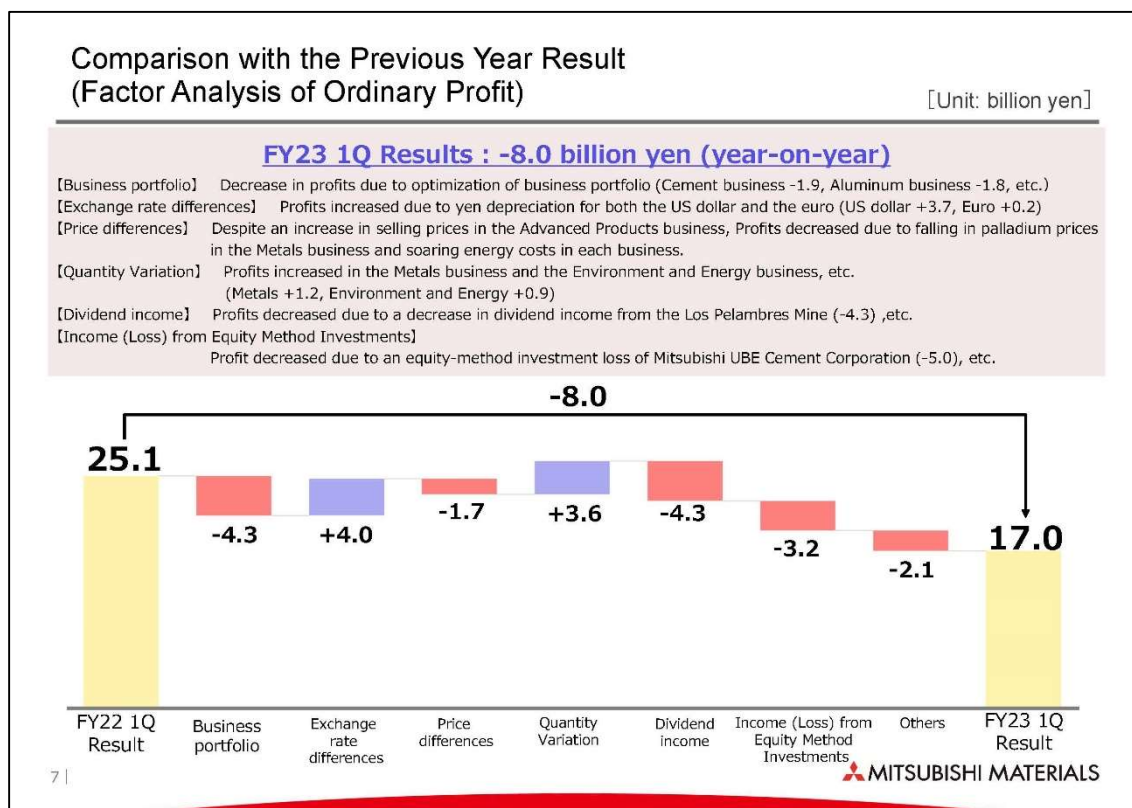
Please refer to page 6 for Statistics. In the Copper & copper alloy products, sales volume remained generally on par with the previous fiscal year, despite sluggish sales of extruded products for automotive applications in Japan.

Sales volume of in-house copper cathodes increased, partly as recovery from the production cutback at Naoshima Smelter & Refinery following the completion of furnace repairs from February to March 2021, and recovery from the production cutback at Onahama Smelter and Refinery, caused by equipment failure at a company providing oxygen.

Sales volume of copper cathodes at PT Smelting increased reflecting a rise in copper grade in ore. The mining dividend has decreased due to the impact of production cutbacks at the Los Pelambres copper mine in Chile due to drought conditions.

In addition, equity in earnings of Mitsubishi UBE Cement Corporation, established in April this year, totaled negative 5 billion yen, reflecting cost increases due to price hikes of raw materials such as coal and crude oil.

<Comparison with the Previous Year Results (Factor Analysis of Ordinary Profit)>



On page 7, I will explain the changes in ordinary profit using a waterfall graph. Ordinary profit for the first quarter of the fiscal year ending March 31, 2023 was 17 billion yen, a decrease of 8 billion yen from 25.1 billion yen in the first quarter of the previous fiscal year. This includes a 4.3 billion yen decrease due to optimization of business portfolio.

The foreign exchange difference is due to yen depreciation against the U.S. dollar, euro, and other currencies.

As for the price difference, we have raised sales prices in the Advanced Products and Metalworking Solutions Business. However, profits fell short of offsetting the decline in metal prices and the cost increases in raw materials and energy prices in each business segment.

In terms of volume difference, the Metals Business saw an increase in sales volume of its in-house copper cathodes products. Sales also increased in the Environment & Energy Business, contributing to higher sales and profit.

Dividend income and equity in earnings of affiliates are as described in the above.

<Comparison with the Previous Year Results (Factor Analysis by Segment)>

Comparison with the Previous Year Result (Factor Analysis by Segment)		[Unit: billion yen]									
		FY22 1Q Results	FY23 1Q Results	YoY change	Business portfolio	Exchange rate difference	Price difference	Quantity variation	Dividend income	Income (Loss) from Equity Method Investment	Others
Advanced Products	Net sales	115.7	133.2	+17.5	-2.4	2.5	16.3	1.1			
	Operating profit	3.2	3.7	+0.4	-0.1						-0.6
	Ordinary profit	4.2	3.8	-0.4	-0.6	0.8	-0.1	0.4	0.0	0.0	-0.9
Copper & copper alloy	Net sales	86.5	103.7	+17.1	-1.1	0.6	15.4	2.2			
	Operating profit	0.9	1.0	+0.1	0.0						-0.4
	Ordinary profit	1.7	0.7	-1.0	-0.5	0.0	0.3	0.2	0.0	0.0	-1.0
Electronic materials & components	Net sales	29.5	29.9	+0.3	-1.3	1.8	0.9	-1.1			
	Operating profit	2.2	2.5	+0.3	-0.1	0.7	-0.5	0.2			0.0
	Ordinary profit	2.5	3.0	+0.5	-0.1				0.0	0.0	0.2
Metalworking Solutions	Net sales	33.4	36.2	+2.8		2.3	0.8	-0.3			
	Operating profit	2.1	4.3	+2.2		0.9	0.0	-0.1			1.4
	Ordinary profit	2.1	5.0	+2.8					0.0	0.0	2.0
Metals	Net sales	237.1	288.8	+51.6		48.4	-5.8	9.0			
	Operating profit	7.1	5.8	-1.2		2.2	-1.3	1.2			-3.3
	Ordinary profit	16.6	11.4	-5.1					-4.2	0.6	-3.6
Environment & Energy	Net sales	5.5	5.0	-0.5	-2.7	0.0	0.0	2.2			
	Operating profit	0.2	1.0	+0.7	0.0	0.0	0.0	0.9			-0.2
	Ordinary profit	0.5	1.4	+0.9	0.0				0.0	0.1	-0.1
Others*	Net sales	108.8	35.1	-73.6	-81.1	0.6	0.0	6.9			
	Operating profit	3.7	0.7	-3.0	-4.1	0.0	-0.1	0.9			0.3
	Ordinary profit (loss)	3.4	(3.8)	-7.3	-3.7				0.0	-4.8	0.4
Adjustment Amount	Net sales	(73.0)	(75.9)	-2.9		0.0	0.9	-3.8			
	Operating profit	(1.5)	(1.7)	-0.1							-0.2
	Ordinary profit	(1.9)	(0.7)	+1.1		0.0	0.0	0.1	0.0	0.8	0.2
Total	Net sales	427.6	422.6	-5.0	-86.3	54.0	12.1	15.2			
	Operating profit	14.8	13.9	-0.9	-4.2						-2.6
	Ordinary profit	25.1	17.0	-8.0	-4.3	4.0	-1.7	3.6	-4.3	-3.2	-2.1

* Due to the integration of the cement business and its related businesses on April 1, 2022, we have changed our cement-related businesses to include in "Others."

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On page 8, I will explain the details of each business segment.

In the Advanced Products Business, the Copper & Copper Alloy business suffered from soaring raw materials and energy costs; however, both the company and Luvata revised processing fees (roll margins), and Luvata increased sales, mainly of superconducting wires for MRI applications.

As for other factors contributing to the difference, Luvata recorded a negative impact of approximately 700 million yen in valuation losses on derivatives due to the decline in copper prices.

In the Electronic Materials & Components business, in addition to the foreign exchange impact of yen depreciation, sales of sealing materials by Mitsubishi Cable Industries, Ltd. are strong in the semiconductor manufacturing equipment and pneumatic-related fields.

In the Metalworking Solutions Business, lockdowns in China due to the spread of COVID-19 caused a slowdown in automobile production, but on the other hand, demand remained strong in North America and other regions. In addition, foreign exchange rate effects due to yen depreciation were also a factor.

In the Metals Business, although yen depreciation and an increase in sales volume for copper cathodes had a positive impact, the price fall of palladium, cost rise due to soaring energy prices, and decrease in dividend income from copper mines had a negative impact.

In the Environment & Energy Business, the nuclear power-related sales increased.

In the Others section, we recorded an equity in losses of Mitsubishi UBE Cement Corporation. That is the presentation of the year-on-year comparisons.


<Consolidated Balance Sheet>

Consolidated Balance Sheet

[Unit: billion yen]

	End of Mar 2022	End of June 2023	YoY change		End of Mar. 2022	End of June 2023	YoY change
Assets				Liabilities			
Cash and deposits	159.2	142.6	-16.5	Notes and accounts payable – trade	158.5	122.1	-36.3
Notes and accounts receivable – trade	249.8	209.4	-40.3	Borrowings, bonds payable and commercial papers	608.7 29%	609.2 30%	+0.5
Inventories	454.5	461.8	+7.2	Other liabilities	702.0	646.2	-55.8
Other	375.2	429.1	+53.8	Total liabilities	1,469.2	1,377.6	-91.6
Total current assets	1,238.9	1,243.1	+4.1	Net assets			
Property, plant and equipment and intangible assets	677.7	436.3	-241.4	Share capital	119.4	119.4	—
Investments and other assets	208.3	340.5	+132.2	Capital surplus and treasury shares	76.5	76.6	+0.0
Total non-current assets	886.0	776.9	-109.1	Retained earnings	328.8	346.4	+17.5
Total assets	2,125.0	2,020.0	-105.0	Accumulated other comprehensive income	59.9	59.5	-0.4
				Non-Controlling interests	70.9	40.3	-30.6
				Total net assets	655.7 31%	642.3 32%	-13.4
				Total liabilities and net assets	2,125.0	2,020.0	-105.0
				Shareholders' equity ratio	28 %	30 %	
				Net D/E ratio	0.77 times	0.78 times	

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Let me explain the balance sheet on page 9. Total assets at the end of the first quarter of the fiscal year ending March 31, 2023 amounted to 2,020 billion yen, a decrease of 105 billion yen from the end of the previous fiscal year. Total liabilities were 1,377.6 billion yen at the end of the first quarter. This is a decrease of 91.6 billion yen from the end of the previous fiscal year.

Among these, the impact of the transition of the Cement Business to an equity-method affiliate is approximately 200 billion yen in total assets and 170 billion yen in total liabilities.

< FY2023 Performance Forecast (Statistics / Sensitivity / Assumptions) >

FY2023 Performance Forecast (Statistics / Sensitivity / Assumptions)					
■ Statistics		FY23 Forecast			
		Previous	Current	Difference	
Sales volumes of copper & copper alloy products	(thousand tons)	144	140	-5	
Sales volumes of copper cathodes (in-house product)	(thousand tons)	310	314	+4	
Sales volumes of copper cathodes (PTS)*	(thousand tons)	233	232	-1	
Dividend from copper mine	(billion yen)	7.2	7.6	+0.4	
Income (Loss) from Equity Method Investments of Mitsubishi UBE Cement Corporation	(billion yen)	(0.5)	(12.9)	-12.4	
* Contains only the amount of smelting as a custom smelter.					
■ Sensitivity		FY23 Forecast			
		2Q - 4Q			
Exchange rate (USD)	:1 yen/\$ (yen depreciation)	Operating profit	+0.5		billion yen
Exchange rate (EUR)	:1 yen/€ (yen depreciation)	Operating profit	+0.11		billion yen
Copper price (LME)	:+10¢/lb	Operating profit (a)	+0.4		billion yen
		Non-Operating profit (b)	+0.2		billion yen
		Ordinary Profit (a)+(b)	+0.6		billion yen
■ Assumptions		FY23 Forecast			
		2Q	2nd Half		
Exchange rate(USD)		135	135 yen/\$		
Exchange rate(EUR)		135	135 yen/€		
Copper price (LME)		360	360 ¢/lb		

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Next, I would like to present our revised full-year performance forecast. First, we are looking at foreign exchange rate and copper price assumptions for the second quarter and beyond: ¥135 for the U.S. dollar and ¥135 for the euro as well, and we assume the copper price to be 360 cents per pound. The sensitivity to these exchange rate and price fluctuations appears in the upper part of the slide.

Next, I would like to explain the Statistics. For copper & copper alloy products, we estimate a decrease in sales volume from the initial forecast, as we expect the negative impact of the lockdowns in China to be more severe on some of our customers.

Sales volume of in-house copper cathodes products is expected to increase mainly in the second quarter, thanks to steady operations in the first quarter, etc. We expect a decrease in sales volume of copper cathodes at PT Smelting, as the operation rate remained at a low level due to a series of operational troubles in the first quarter.

The mine dividend reflects the impact of revised foreign exchange rate and copper price assumptions.

With regard to equity in earnings of Mitsubishi UBE Cement Corporation, despite our efforts to cope with cost increases due to surging raw material prices such as coal and crude oil, including additional price increases for domestic cement and export prices, we expect a significant decrease from the previous forecast due to the impact of deteriorated earnings in the first half.

<Performance Forecast for FY2023>

Performance Forecast for FY2023

[Unit: billion yen]

Performance Forecast for FY2023 was revised as follows from the previous one announced on May 13, 2022, in consideration of the steady sales of semiconductor-related products in the first quarter of the FY2023, continuing depreciation of the yen, decline in metal prices, and deterioration of loss from equity method for Mitsubishi UBE Cement Corporation.

	Previous*	Current	Difference	Percent change
Net sales	1,590.0	1,640.0	+50.0	+3.1%
Operating profit	36.0	45.0	+9.0	+25.0%
Ordinary profit	36.0	32.0	-4.0	-11.1%
Profit attributable to owners of parent	20.0	20.0	0	—
Exchange Rate(USD) yen/\$	120	134	+14	
Exchange Rate(EUR) yen/€	135	136	+1	
Copper price (LME) \$/lb	448	378	-69	
Dividend per share (yen)	50	50	—	

*Announced on May 13, 2022

		Previous*	Current	Difference
Advanced Products	Net sales	546.1	525.8	-20.3
	Operating profit	6.9	9.5	+2.6
	Ordinary profit	6.5	9.1	+2.6
Copper & copper alloy	Net sales	426.4	400.3	-26.1
	Operating profit	2.0	3.0	+1.0
	Ordinary profit	0.7	1.4	+0.7
Electronic materials & components	Net sales	121.1	126.9	+5.8
	Operating profit	5.3	6.8	+1.5
	Ordinary profit	6.0	8.0	+2.0
Metalworking Solutions	Net sales	146.8	148.0	+1.2
	Operating profit	12.1	14.2	+2.1
	Ordinary profit	12.3	14.6	+2.3
Metals	Net sales	1,020.2	1,053.9	+33.7
	Operating profit	18.8	23.7	+4.9
	Ordinary profit	24.2	25.9	+1.7
Environment & Energy	Net sales	17.6	17.6	+0.0
	Operating profit	1.5	2.0	+0.5
	Ordinary profit	2.9	3.4	+0.5
Others*	Net sales	145.1	147.2	+2.1
	Operating profit	3.9	4.2	+0.3
	Ordinary profit	1.9	(9.2)	-11.1
Adjustment Amount	Net sales	(286.0)	(252.7)	+33.3
	Operating profit	(7.4)	(8.8)	-1.4
	Ordinary profit	(11.9)	(11.9)	+0.0
Total	Net sales	1,590.0	1,640.0	+50.0
	Operating profit	36.0	45.0	+9.0
	Ordinary profit	36.0	32.0	-4.0

* Due to the integration of the cement business and its related businesses on April 1, 2022, we have changed our cement-related businesses to include in "Others."

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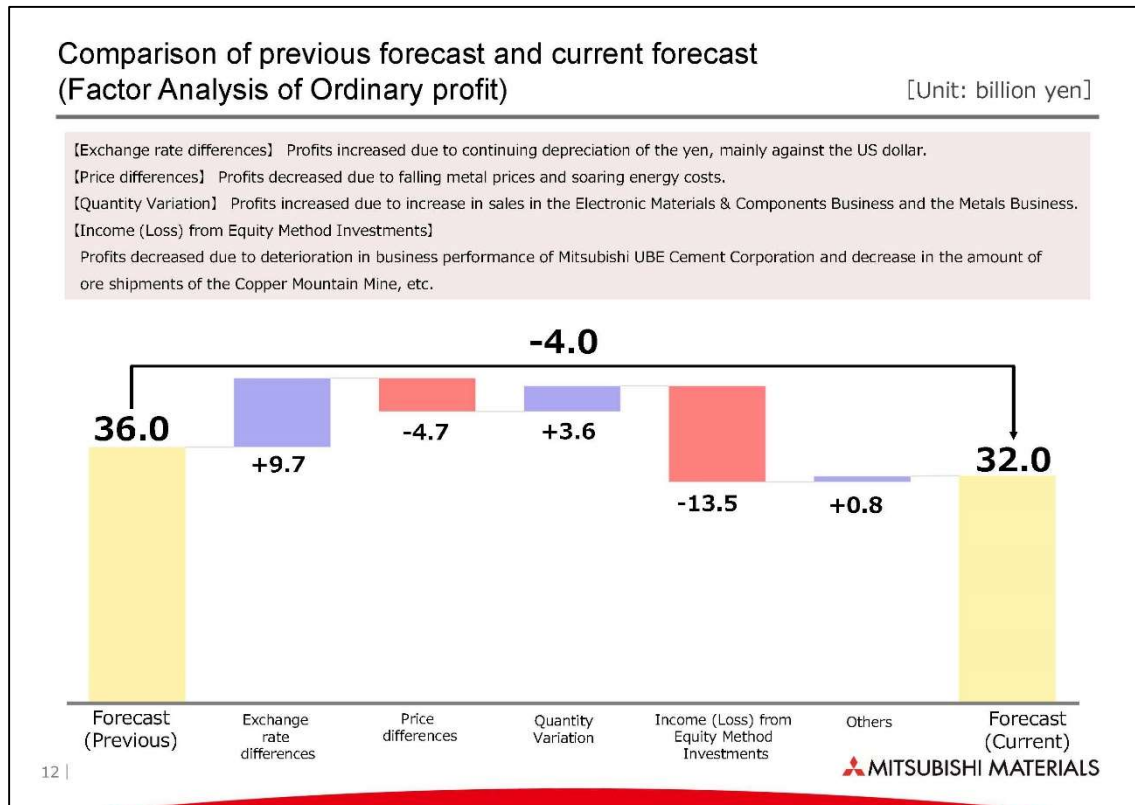
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I will explain the statement of operation on page 11. The revised full-year performance forecast reflects the strong sales of semiconductor-related products in the first quarter and continued yen depreciation in the second quarter and beyond.

On the other hand, in consideration of the decline in metal prices and the deterioration in equity in earnings of Mitsubishi UBE Cement Corporation, we now forecast net sales of 1,640 billion yen, operating profit of 45 billion yen, ordinary profit of 32 billion yen, and profit attributable to owners of parent of 20 billion yen. Since profit attributable to owners of parent remains unchanged, the dividend per share is 50 yen, in line with the previous forecast.

Fluctuation by segment is shown on the right side of the slide. I would like to present the increase/decrease in ordinary profit on page 12.

<Comparison of previous forecast and current forecast (Factor Analysis of Ordinary Profit) >



Let me describe the changes in ordinary profit using a waterfall graph. Regarding the exchange rate difference, we have factored in an increase of 9.7 billion yen, mainly due to the impact of yen depreciation against the U.S. dollar. We expect a 4.7 billion yen decrease in the price difference, mainly due to the impact of lower copper prices and higher energy prices.

The volume difference incorporates higher sales in the Electronic Materials & Components Business and the Metals Business.

As for equity in earnings of affiliates, we expect a decrease of 13.5 billion yen. As explained in the above Statistics, the impact of the deteriorated business performance of Mitsubishi UBE Cement Corporation is approximately 12.4 billion yen. In addition, we expect a decrease of 1.2 billion yen due to a decline in crude ore grade resulting from changes in mining locations at Copper Mountain Mine, totaling a decrease of approximately 13.5 billion yen.

That is all I have to say. Thank you so much for your attention.

Question and Answer Session

<Q&A (Summary): Overview of the Cement Business and Future Outlook>

Q: I understand that information on the Cement Business is limited, but please give us an overview and outlook for the future, including efforts to raise prices in Japan in response to rising coal prices, cost reductions, and the current status of the U.S. business. Looking at the first quarter figures, it appears that the full-year deficit is expected to shrink.

A: The Japan Cement Association (JCA) estimates the domestic demand for cement at 38 million tons, and we are not seeing much significant improvement this year.

On the other hand, as costs are rising, we asked our customers to raise the price by 2,200 yen last year as a countermeasure. Thanks to the gradual understanding of our customers, we are now in the process of implementing this measure.

However, coal prices have now temporarily exceeded \$400 on the Australian exchange spot, and the price increase of 2,200 yen alone is not enough to cover this cost increase. Therefore, we are starting to ask our customers for an additional price increase of 3,000 yen.

We expect that the impact of additional price increases will appear from the second half of this fiscal year, and we have factored this effect into our current forecast.

Thus, although the situation will gradually improve towards the second half of the fiscal year, the situation has not yet reached the point where it will improve dramatically. On an operating profit basis, we expect to make profit in the second half of the year.

Regarding the U.S., we have not been able to resolve the driver shortage yet. However, we have raised prices in the U.S. as well, and the effects of these price increases are gradually appearing. In addition, the percentage of coal used as fuel is lower than in Japan, so we believe that the impact of energy costs is less than in Japan.

<Q&A (Summary): Market environment for each product group>

Q: Please explain the market environment and other recent developments of the main product groups in the main businesses, such as the Copper & Copper Alloy Business, the Electronic Materials & Components Business, and the Metalworking Solutions Business.

A: The two main markets in the Copper & Copper Alloy Business are the automobile market and the electronic materials market. With regard to the automobile market, we expect the severe situation for automobile-related parts and copper terminal materials for automobiles to continue due to the impact of automobile production cutbacks in China.

On the other hand, for terminal materials, some orders have been slightly delayed from customer

demand. In light of the above, we expect that our terminal materials manufacturing will continue to be close to full operation.

As for the Electronic Materials & Components Business, we believe that the business environment is difficult to forecast. Although we expected strong demand for semiconductors and chips for semiconductor manufacturing equipment, considering the situations of our customers, we are anticipating a phase where inventories pile up.

As for the Cemented Carbide Products in the Metalworking Solutions Business, market conditions are generally the same as in the Copper & Copper Alloy Business, as the main demand is from the automobile industry.

However, we assume that this market condition may change significantly due to fluctuations in crude oil prices and economic trends in the United States.

In the revised performance forecast, we assume that there will be a slight decrease in sales volume.

<Q&A (Summary): Factors behind the operating profit increase in the performance forecast>

Q: In your revised performance forecast, you have raised your operating profit forecast in the Copper & Copper Alloy, the Electronic Materials & Components and the Metalworking Solutions Businesses. Please tell us the factors behind this.

A: The profit increase in the first quarter is the factor behind the revised operating profit in the Copper & Copper Alloy, the Electronic Materials & Components and the Metalworking Solutions Businesses.

<Q&A (Summary): Reasons behind the unchanged forecast of profit attributable to owners of parent>

Q: Please explain the reasons behind the unchanged forecast of profit attributable to owners of parent from the initial forecast.

A: Regarding the forecast of profit attributable to owners of parent, while we revised our ordinary profit forecast downward, we recorded cement-related extraordinary income of about 11 billion yen in the first quarter. In addition, we expect to incur a certain amount of loss as expenses for liquidation of business relating to some unprofitable products .

Considering these circumstances, we have decided to leave profit attributable to owners of parent unchanged at this time.

<Q&A (Summary): Breakdown of price difference in performance forecast>

Q: Please tell us the breakdown of the negative price difference of 4.7 billion yen in the revised performance forecast, including the impact of price and energy costs.

A: The price difference of 4.7 billion yen consists of a 2 billion yen decrease in electricity prices and a 2.7 billion yen decrease in other prices including metal prices such as copper and palladium.

<Q&A (Summary): Future outlook for the Electronic materials & components business>

Q: While the first quarter performance in the Electronic materials & components business was very strong, the revised performance forecast that you have increased appears to be a bit conservative. Please tell us about this idea, whether you saw some risk of a slowdown in demand for semiconductor equipment and other products.

A: As you are aware, we are taking a conservative outlook on demand for semiconductor manufacturing equipment.

<Q&A (Summary): Factors behind the decrease in equity in earnings of affiliates>

Q: Regarding Mitsubishi UBE Cement Corporation, please explain the deterioration of the full-year forecast in the form of factor analysis, including business factors, unit price factors, and other factors, as well as the respective impacts in Japan and the United States.

A: We do not have detailed data on hand since the company is an equity-method affiliate, but the fact that the Company's performance deteriorated by about 5 billion yen in the first quarter means that on a 100-percent basis, the Company's performance deteriorated by about 10 billion yen. Of this amount, we assume that about 40% is probably due to energy costs.

In addition, the planned price increase has gradually been accepted by our customers, so the impact of price revision is slightly lower compared to the original plan.

<Q&A (Summary): Measures to improve profitability of Mitsubishi UBE Cement Corporation and future initiatives>

Q: What is the outlook regarding Mitsubishi UBE Cement Corporation's profit improvement measures? And will the 50/50 joint venture make it difficult to make decisions due to the equal partnership? Please let us know if there are any details you can talk about at this point.

A: First of all, since this is a 50/50 joint venture, you might worry that decision making might be delayed, but basically, we try to respect Mitsubishi UBE Cement Corporation's decision-making autonomy as much as possible.

We believe that we are in an important situation, so the management team of the Company and UBE Corporation are making collaborative efforts at board meetings and beyond.

In terms of profit improvement measures, in addition to price increases of products, we are considering ways to reduce production costs and expenses with an eye to speeding up the process. We will present it to you once the decision has been made.

<Q&A (Summary): Comparison with the initial forecast>

Q: In your previous forecast for FY2023 at the time of financial settlement of the fiscal year ended March 31, 2022, you explained that you expect positive volume growth in the Advanced Products Business and the Metalworking Solutions Business in contrast to the costs of increasing production of the Copper & Copper Alloy Business and the Electronic Materials & Components Business and the costs of strengthening sales in the Metalworking Solutions Business. Please tell us what the cost/volume differences were in this first quarter.

Please also tell us how you have changed these factors in your revised full-year performance forecast.

A: Roughly estimated, we have reduced costs by about 2 to 3 billion yen compared to the budget.

However, we do not project an equivalent cost reduction in our forecast.

We have not changed our forecast that the volume difference will appear from the second quarter onward. While we have lowered the sales forecast of copper & copper alloy products and cemented carbide products from the original budget, and that might have some impact, we do not expect a significant change in total.

<Q&A (Summary): Full-Year Cash Flow Assumptions>

Q: Please tell us how the full-year cash flow will change as a result of this performance forecast revision, and how you have progressed toward your goal of a total shareholder return equivalent to 80 yen per share, as the total dividend.

A: Regarding the full-year cash flow, copper prices have recently dropped considerably, having a positive effect on cash flow.

On the other hand, if the exchange rate remains at 135 yen, we believe it will be mostly offset by the impact of inventory increase due to yen depreciation.

In addition, the impact of PT Smelting's change to a contract refining system since January 2023, which was announced in May 2022, has not changed so far. If the decrease in inventories or the inventory increase due to the exchange rate is offset and the major factor, PT Smelting, remains unchanged, the cash flow itself as a total will not change significantly.

Going forward, our target for the amount of shareholders return remains unchanged, and we will continue to make every effort, including direct dividends and share buybacks.

Well, since it appears we have no further questions, we will now conclude the question and answer session. Lastly, Mr. Takayanagi, CFO, would like to conclude with a few words.

<Closing remarks from Mr. Takayanagi>

Takayanagi;

This year, amidst the complicated situation, we will continue to work on various measures in order to keep a better track record and increase our corporate value.

Especially, although I could not talk much today, I believe that our company will not be able to survive unless we continue to strengthen our cost competitiveness, so we would like to focus more on this area and would appreciate your continued guidance and encouragement. Thank you very much for your time today.