Financial Results Briefing for the Six Months of the fiscal year ending March 31, 2023

Mitsubishi Materials' operating profit increased ¥0.5 billion year-on-year due to the impact of the weaker yen and higher sales in the Copper & copper alloy business and the Metal business

【Speaker】

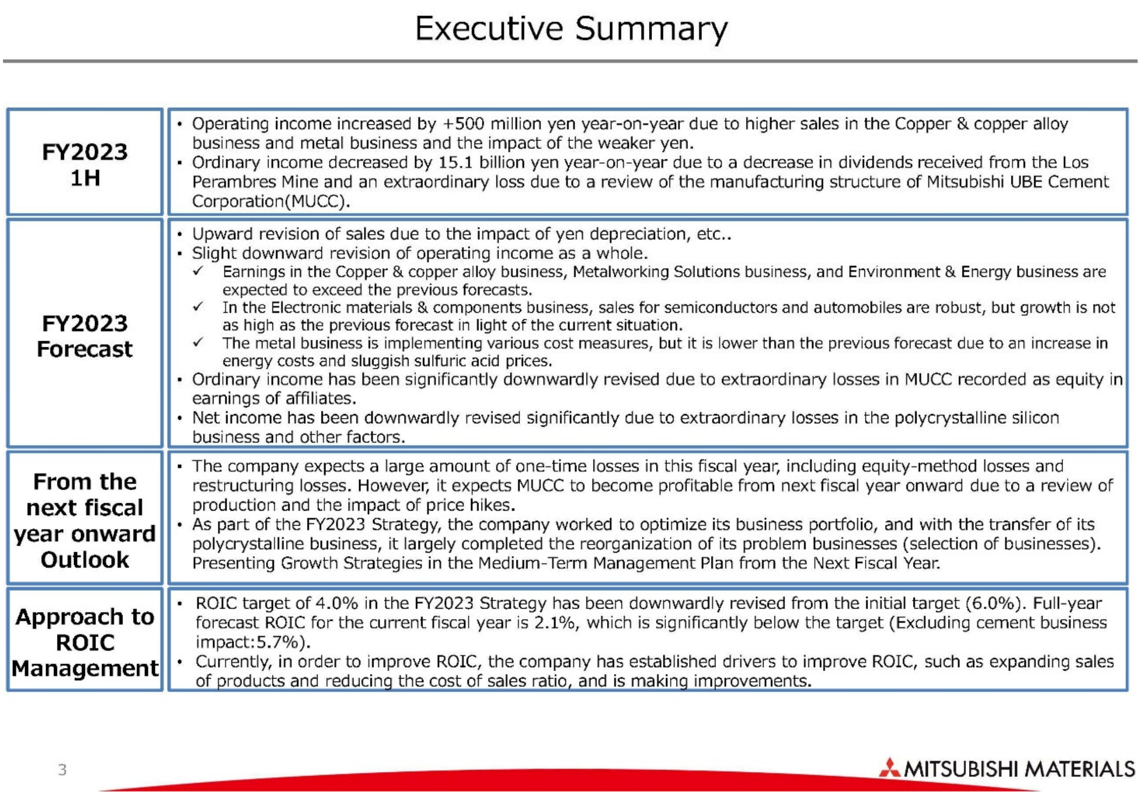
Nobuhiro Takayanagi, Managing Executive Officer and CFO, Mitsubishi Materials Corporation

This document transcribes the explanation of Mitsubishi Materials' financial results for the six months ended September 30, 2022, announced on November 10, 2022.

Mr. Nobuhiro Takayanagi (hereinafter referred to as "Takayanagi")

My name is Takayanagi, and I'm Managing Executive Officer. Thank you very much for participating in our financial results briefing today. I will explain an overview of the financial results for the second quarter and the full-year performance forecasts.

＜Executive Summary＞



Executive Summary

FY2023 1H	• Operating income increased by +500 million yen year-on-year due to higher sales in the Copper & copper alloy business and metal business and the impact of the weaker yen. • Ordinary income decreased by 15.1 billion yen year-on-year due to a decrease in dividends received from the Los Perambres Mine and an extraordinary loss due to a review of the manufacturing structure of Mitsubishi UBE Cement Corporation(MUCC).
FY2023 Forecast	• Upward revision of sales due to the impact of yen depreciation, etc.. • Slight downward revision of operating income as a whole. ✓ Earnings in the Copper & copper alloy business, Metalworking Solutions business, and Environment & Energy business are expected to exceed the previous forecasts. ✓ In the Electronic materials & components business, sales for semiconductors and automobiles are robust, but growth is not as high as the previous forecast in light of the current situation. ✓ The metal business is implementing various cost measures, but it is lower than the previous forecast due to an increase in energy costs and sluggish sulfuric acid prices. • Ordinary income has been significantly downwardly revised due to extraordinary losses in MUCC recorded as equity in earnings of affiliates. • Net income has been downwardly revised significantly due to extraordinary losses in the polycrystalline silicon business and other factors.
From the next fiscal year onward Outlook	• The company expects a large amount of one-time losses in this fiscal year, including equity-method losses and restructuring losses. However, it expects MUCC to become profitable from next fiscal year onward due to a review of production and the impact of price hikes. • As part of the FY2023 Strategy, the company worked to optimize its business portfolio, and with the transfer of its polycrystalline business, it largely completed the reorganization of its problem businesses (selection of businesses). Presenting Growth Strategies in the Medium-Term Management Plan from the Next Fiscal Year.
Approach to ROIC Management	• ROIC target of 4.0% in the FY2023 Strategy has been downwardly revised from the initial target (6.0%). Full-year forecast ROIC for the current fiscal year is 2.1%, which is significantly below the target (Excluding cement business impact:5.7%). • Currently, in order to improve ROIC, the company has established drivers to improve ROIC, such as expanding sales of products and reducing the cost of sales ratio, and is making improvements.

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MITSUBISHI MATERIALS

Please see the Executive Summary on page 3 of the Supplementary Explanation of Consolidated Financial Results.

Operating profit for the first half increased ¥0.5 billion year-on-year due to higher sales in the Copper & copper alloy business and the Metals business, and the impact of the weaker yen.

Ordinary profit fell ¥15.1 billion year-on-year due to a decrease in dividends received from the Los Pelambres Mine and an extraordinary loss due to a restructuring of the manufacturing structure of Mitsubishi UBE Cement Corporation.

Full-year performance forecasts have been revised. Major revisions include an upward revision to sales due to the impact of the weaker yen and a slight downward revision to operating profit as a whole. In the Electronic materials & components business, we have determined that growth will not be as strong as expected in the previous forecasts, taking the current situation in semiconductor and automotive markets into account. In the Metals business, we have considered the impact of higher energy costs and depressed sulfuric acid prices.

Ordinary profit has been significantly downwardly revised due to extraordinary losses in Mitsubishi UBE Cement Corporation recorded as equity in earnings of affiliates. Net income has also been downwardly revised significantly due to extraordinary losses in the Polycrystalline silicon business and other factors.

We expect a large amount of one-time losses in this fiscal year, including equity-method losses and restructuring losses. However, we expect Mitsubishi UBE Cement Corporation will become profitable from the next fiscal year onward due to a restructuring of production and the effect of price hikes.

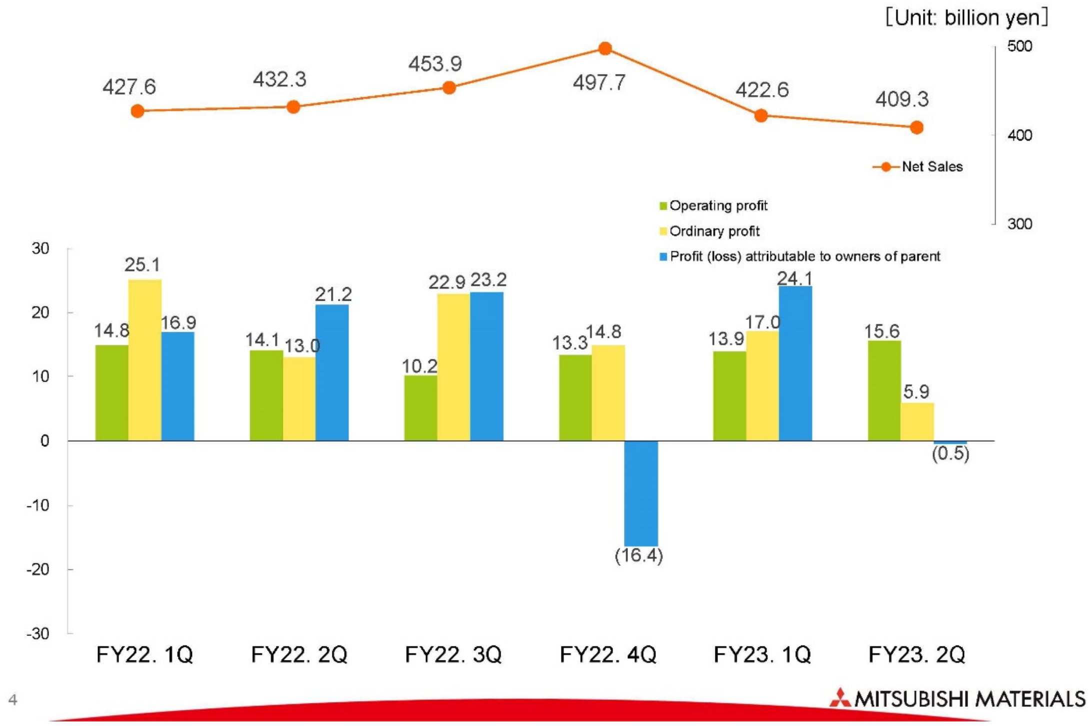
As part of the FY2023 Strategy, we have been focusing on optimizing our business portfolio, and with the transfer of the polycrystalline silicon business we disclosed the other day, we largely completed the reorganization of our problem businesses (selection of businesses). Accordingly, we believe that we will be able to present our growth strategy in the new Medium-Term Management Plan that will start in the next fiscal year.

For ROIC, we set the target of 4.0% in the current Medium-Term Management Plan. Our full-year forecast for the current fiscal year is 2.1%, far below the target.

In this forecast, a simple calculation excluding equity in earnings (losses) of affiliates of the Cement business and invested capital shows that ROIC is 5.7%.

<Performance Overview (Quarterly)>

Performance Overview (Quarterly)



Page 4 shows an overview of the quarterly performance. The results for the second quarter are shown in the bar chart at the bottom of the slide. As in the first quarter, operating profit increased due to the impact of the weaker yen, mainly in the Metals business and the Metalworking solutions business.

Ordinary profit fell due to a decline in dividends received from the Los Pelambres Mine and the increased equity in losses of Mitsubishi UBE Cement Corporation.

<Comparison with the Previous Year Results>

Comparison with the Previous Year Results

［Unit: billion yen］

	FY22 1H Results(a)	FY23 1H Results(b)	YoY change (b-a)
Net sales	860.0	831.9	-28.0
Operating profit	29.0	29.5	0.5
Dividend income	10.5	6.7	-3.7
Other financial income and expenses	(2.4)	(2.3)	0.0
Share of profit (loss) of entities accounted for using equity method	2.9	(9.7)	-12.7
Non-operating income (loss)	(1.8)	(1.1)	0.7
Ordinary profit	38.2	23.0	-15.1
Extraordinary income	19.7	11.6	-8.0
Income taxes	(15.2)	(8.0)	7.2
Profit (loss) attributable to non-controlling interests	(4.5)	(3.0)	1.4
Profit attributable to owners of parent	38.1	23.6	-14.5
Exchange rate（JPY / $）	110	134	24
Exchange rate （JPY / €）	131	139	8
Copper price （LME）（¢/lb）	433	392	-41

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Page 5 shows a comparison of P/L items with the previous year’s results. Net sales for the first half of the fiscal year ending March 31, 2023 were ¥831.9 billion, operating profit came to ¥29.5 billion, and ordinary profit was ¥23 billion. Compared with the previous fiscal year, net sales and operating profit were almost at the same level, but ordinary profit declined.

Because of the impact of business portfolio optimization of the Aluminum business and the Cement business, which were included in the results for the previous fiscal year, both net sales and operating profit grew positively if they are considered solely in the current business structure.

Net sales were ¥831.9 billion. This was mainly due to the impact of the weaker yen, the effect of price hikes in some businesses, stronger sales of products of Luvata, a group company in the Copper & copper alloy business, and higher sales due to increased production of copper cathodes, despite the impact of decreased sales revenue caused by declining copper prices.

Profit attributable to owners of parent fell ¥14.5 billion year-on-year to ¥23.6 billion due to the decrease in ordinary profit. This includes extraordinary income, including a ¥11 billion gain on change in equity and ¥1.3 billion gain on sale of strategic shareholdings.

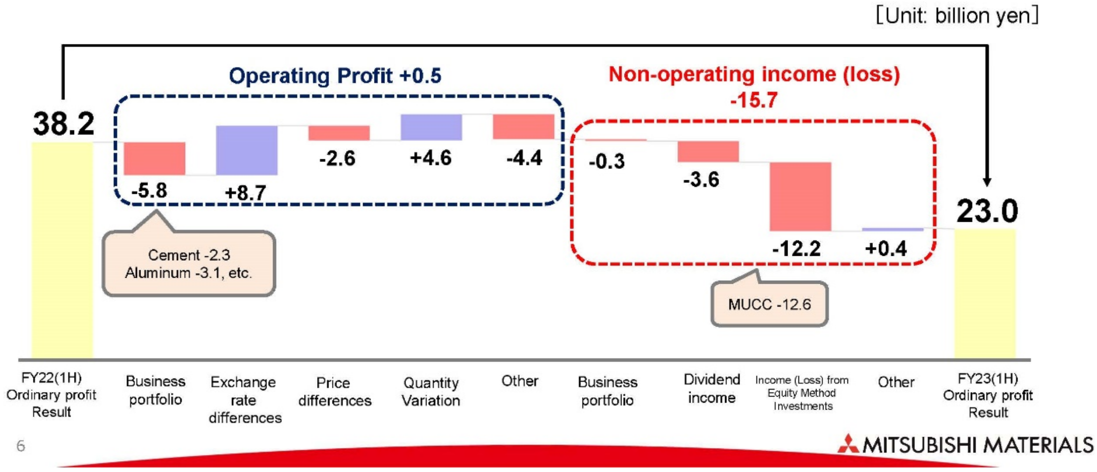
<Comparison with the Previous Year Results (Factor Analysis)>

Comparison with the Previous Year Results（Factor Analysis）

Operating profit increased, while Ordinary profit decreased.

Operating profit increased by 0.5 billion yen from the previous year due to the depreciation of the yen, mainly in the U.S. dollar and euro, an increase in sales of Copper & copper alloy business mainly in Europe and the United States, and an increase in production and sales in the Metals business, despite the impact of the exclusion of the Cement business and Aluminum business from the scope of consolidation, an increase in energy costs, and a decline in palladium prices.

Ordinary profit decreased by 15.1 billion yen from the previous year, mainly due to a decline in dividends received from the Los Perambles mine and the recording of equity method investment losses from Mitsubishi UBE Cement Corporation.



I will explain factors causing the increase and decrease in operating profit and ordinary profit in the waterfall chart. First, operating profit. Although the market conditions that existed in the first quarter still remain, the business PF (business portfolio) on the leftmost side of the graph was due to factors such as excluding the Cement business and the Aluminum business from the scope of consolidation.

In addition, price differences have been affected by such factors as higher selling prices for Copper & copper alloy products, higher raw materials and energy costs, and fluctuations in metal prices. As a result, operating profit increased ¥0.5 million.

As for non-operating income and loss, special points to note include a decrease of ¥12.6 billion in equity in earnings of Mitsubishi UBE Cement Corporation and a decrease of ¥3.6 billion in dividends received from the Los Pelambres Mine.

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

Comparison with the Previous Year Results（by Segment）

［Unit: billion yen］

	FY22 1H			FY23 1H			YoY Change		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Advanced Products	230.5	5.8	7.2	260.3	6.1	6.1	29.7	0.2	-1.1
Copper & copper alloy	172.9	1.4	1.9	200.1	2.4	1.2	27.1	1.0	-0.6
Electronic materials & components	58.3	4.3	5.3	60.4	3.8	5.0	2.0	-0.5	-0.2
Metalworking Solutions	65.4	5.8	5.7	71.8	7.8	8.8	6.4	2.0	3.0
Metals	469.4	14.8	24.9	565.5	15.9	20.1	96.0	1.1	-4.8
Environment & Energy	9.1	0.7	1.4	10.2	1.5	2.5	1.0	0.8	1.1
Others*	218.6	6.1	4.9	72.9	2.4	(10.8)	-145.7	-3.6	-15.7
Adjutment Amount	(133.3)	(4.3)	(6.1)	(148.8)	(4.4)	(3.7)	-15.5	-0.1	2.3
Total	860.0	29.0	38.2	831.9	29.5	23.0	-28.0	0.5	-15.1

• 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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This is the comparison with the previous year's results by segment. Of particular note is the polycrystalline silicon business, which is part of the Advanced Products business. We wanted to make up for the increase in energy costs by passing it on to selling prices, but we failed to cover it well. As a result, profit fell.

<Consolidated Balance Sheet>

Consolidated Balance Sheet

[Unit: billion yen]

	End of Mar 2022	End of Sep 2022	YoY change
Assets			
Cash and deposits	159.2	156.0	-3.1
Notes and accounts receivable - trade	249.8	188.8	-60.9
Inventories	454.5	461.9	7.3
Other	375.2	398.7	23.4
Total current assets	**1,238.9**	**1,205.6**	**-33.3**
Property, plant and equipment and intangible assets	677.7	443.1	-234.6
Investments and other assets	208.3	342.8	134.5
Total non-current assets	**886.0**	**785.9**	**-100.1**
Total assets	2,125.0	1,991.6	-133.4

	End of Mar 2022		End of Sep 2022		YoY change
Liabilities					
Notes and accounts playable – trade	158.5		112.9		-45.5
Borrowings, bonds payable and commercial papers	608.7	29%	585.1	29%	-23.5
Other liabilities	702.0		635.4		-66.5
Total liabilities	**1,469.2**		**1,333.5**		**-135.7**
Net assets					
Share capital	119.4		119.4		–
Capital surplus and treasury shares	76.5		76.6		0.0
Retained earnings	328.8		345.9		17.0
Accumulated other comprehensive income	59.9		73.9		14.0
Non-Controlling interests	70.9		42.1		-28.8
Total net assets	**655.7**	31%	**658.1**	33%	**2.3**
Total liabilities and net assets	2,125.0		1,991.6		-133.4
Shareholders' equity ratio	28 %		31 %		
Net D/E ratio	0.77 times		0.70 times		

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This is the Consolidated Balance Sheet. Total assets at the end of the second quarter of the fiscal year ending March 31, 2023 were ¥1,991.6 billion, down ¥133.4 billion from the end of the previous fiscal year. Liabilities decreased ¥135.7 billion to ¥1,333.5 billion.

Of these amounts, approximately ¥200 billion in total assets and approximately ¥170 billion in liabilities were recorded as a result of the transition to an equity-method affiliate following the business integration of the Cement business with UBE Corporation.

<Performance Forecast for FY2023>

Performance Forecast for FY2023

[Unit: billion yen]

Ordinary profit is expected to decline due to the expansion of equity method investment losses related to Mitsubishi UBE Cement Corporation which will record an extraordinary loss associated with the review of its production system. Although the Company expects to sell certain assets, profit attributable to owners of parent is expected to decline significantly due to a decline in ordinary profit and a booking an extraordinary loss related to the transfer of the Polycrystalline silicon business.

	Previous*	Current	Difference	Percent change
Net sales	1,640.0	1,690.0	50.0	3.0%
Operating profit	45.0	44.0	-1.0	-2.2%
Ordinary profit	32.0	18.0	-14.0	-43.8%
Profit attributable to owners of parent	20.0	3.0	-17.0	-85.0%
Dividend per share (yen)	50	50	0	

＊Announced on August 9, 2022.

Assumptions	Previous*	Current	Difference	
Exchange Rate(USD)	134	139	6	yen/$
Exchange Rate(EUR)	136	139	4	yen/€
Copper price (LME)	378	368	-10	¢/lb

Sensitivities			Current	
Exchange rates		1 yen/$ (yen depreciation) Operating Profit	0.3	billion yen
		1 yen/€ (yen depreciation) Operating Profit	0.08	billion yen
Copper price (LME)	a	+10¢/lb Operating Profit	0.2	billion yen
	b	+10¢/lb Non-Operating Profit	0.1	billion yen
	a+b	+10¢/lb Ordinary profit	0.3	billion yen

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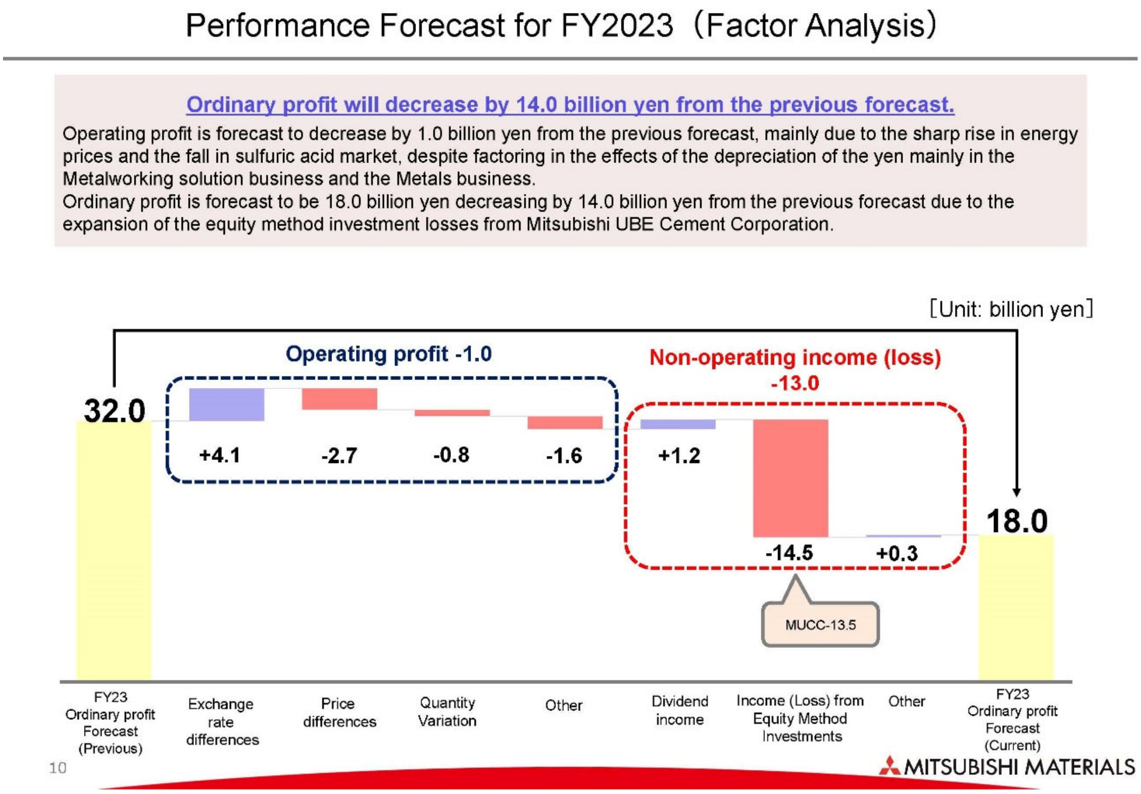
This is the full-year performance forecast after the revision. The table at the top-right of the slide shows the assumptions of exchange rates and copper prices. For the full year, we assume the exchange rates to be ¥139 against both the U.S. dollar and the euro, and the copper price to be 368 cents per pound.

For the second half, we assume the exchange rates to be ¥145 against the U.S. dollar and ¥140 against the euro, and the copper price to be 345 cents. Sensitivities of the exchange rates and the copper prices are shown in the lower right.

Net sales are ¥1,690 billion, up ¥50 billion from the previous forecast, partly due to the impact of foreign exchange rates. Profit attributable to owners of parent is ¥3 billion, down ¥17 billion from the previous forecast, mainly due to an extraordinary loss on the transfer of the polycrystalline silicon business announced on October 28.

The dividend is ¥50, unchanged from the previous forecast.

<Performance Forecast for FY2023 (Factor Analysis)>



I will explain operating profit and ordinary profit in the waterfall chart. The exchange rate difference is an increase of ¥4.1 billion due to the weaker yen.

The price difference is down ¥2.7 billion due to factors such as soaring electricity and other energy costs, a sluggish sulfuric acid market, and estimated lower metal prices. Operating profit is lower by ¥1 billion.

Ordinary profit is forecast to be ¥18 billion, down ¥14 billion from the previous forecast, as non-operating income decreased significantly due to an equity-method loss of Mitsubishi UBE Cement Corporation.

In this performance forecast, we expect a significant decrease in profit due to an extraordinary loss in Mitsubishi UBE Cement Corporation and the polycrystalline silicon business. Of course, we will work hard to reduce this decrease by improving profitability, including reducing repair, contracting, and other production costs.

<Performance Forecast for FY2023 (by Segment)>

Performance Forecast for FY2023（by Segment）

[Unit: billion yen]

	Previous[*1]			Current			Difference		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Advanced Products	525.8	9.5	9.1	539.8	10.7	9.9	14.0	1.2	0.8
Copper & copper alloy	400.3	3.0	1.4	412.2	4.7	2.5	11.9	1.7	1.1
Electronic materials & components	126.9	6.8	8.0	128.5	6.5	8.0	1.6	-0.3	0.0
Metalworking Solutions	148.0	14.2	14.6	150.1	15.5	16.2	2.1	1.3	1.6
Metals	1,053.9	23.7	25.9	1,090.7	19.7	20.7	36.8	-4.0	-5.2
Environment & Energy	17.6	2.0	3.4	18.1	2.3	3.9	0.5	0.3	0.5
Others[*2]	147.2	4.2	(9.2)	152.4	4.4	(21.8)	5.2	0.2	-12.6
Adjutment Amount	(252.7)	(8.8)	(11.9)	(261.2)	(8.8)	(11.0)	-8.5	0.0	0.9
Total	1,640.0	45.0	32.0	1,690.0	44.0	18.0	50.0	-1.0	-14.0

*1 Announce on August 9, 2022.
*2 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” .

11 MITSUBISHI MATERIALS

Page 11 shows the full-year forecast by segment. The following pages describe each segment in detail.

<Advanced Products Business (Copper & copper alloy)>

Advanced Products Business（Copper & copper alloy）

In the first-half, profits declined due to an increase in non-operating expenses, despite an increase in sales in the European region and an increase in profits due to price increases.
The full-year forecast is expected to be higher than the previous forecast, taking into account increased sales and effects of yen depreciation.

［Unit: billion yen］

	FY22 1H Results	FY23 1H Results	Difference	FY23 Forecast (Previous)	FY23 Forecast (Current)	Difference
Net Sales	172.9	200.1	27.1	400.3	412.2	11.9
Operating Profit	1.4	2.4	1.0	3.0	4.7	1.7
Ordinary Profit	1.9	1.2	-0.6	1.4	2.5	1.1
Sales volumes of copper & copper alloy products (Unit: thousand ton)	68	66	-2	140	139	-1

■ Breakdown of factors compared to previous year results

	Amount
FY22 1H Ordinary profit（Results）	1.9
(Business portfolio)	-0.8
(Exchange rate differences) Impact of yen depreciation	0.2
(Price differences) Price increase, etc.	0.4
(Quantity Variation) Sales increase in Europe	0.7
(Dividend income)	0.1
(Income (Loss) from Equity Method Investments)	0.5
(Other)	-1.7
FY23 1H Ordinary Profit（Results）	1.2

■ Breakdown of factors compared to the previous full-year forecast

	Amount
FY23 Full-year Ordinary profit (Previous Forecast)	1.4
(Exchange rate differences)Impact of yen depreciation	0.4
(Price differences)	-1.3
(Quantity Variation) Sales increase in Europe	0.8
(Other)	1.2
FY23 Full-year Ordinary profit (Current Forecast)	2.5

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Page 12 is about the Copper & copper alloy business. Ordinary profit for the first half was down ¥0.6 billion year-on-year.

Regarding price differences, the decrease in profit due to higher raw materials and energy costs is offset by a revision of the roll margin.

As for the quantity variation, sales were down in extrusion products in the non-consolidated Copper & copper alloy business due to a decline in sales of products for infrastructures and overseas faucets, while demand for superconducting wires for MRI has rapidly recovered at the group company, Luvata. In addition, sales increased due to large orders for industrial processed products.

The decrease in profit is partly attributable to the transfer of shares in KMCT Corporation in the optimization of business portfolio. Another factor is a decrease in valuation gains on derivatives of Luvata caused by a decline in copper prices.

In the full-year forecast, we expect ordinary profit to increase by ¥1.1 billion from the previous forecast to ¥2.5 billion. In terms of price difference, we expect profit to decline due to rising raw materials and energy costs, however, we expect profit to increase since sales at Luvata are expected to remain in a similar environment in the second half onwards in addition to the effect of the weaker yen.

<Advanced Products Business (Electronic materials & components)>

Advanced Products Business (Electronic materials & components)

［Unit: billion yen］

In the first-half of the fiscal year, although there were effects of yen depreciation, profits declined due to soaring domestic energy prices and soaring raw material prices.
The full-year forecast for ordinary profit is at the same level as the previous forecast, although it incorporates the decreased sales due to worsening semiconductor market conditions.

	FY22 1H Results	FY23 1H Results	Difference	FY23 Forecast (Previous)	FY23 Forecast (Current)	Difference
Net Sales	58.3	60.4	2.0	126.9	128.5	1.6
Operating Profit	4.3	3.8	-0.5	6.8	6.5	-0.3
Ordinary Profit	5.3	5.0	-0.2	8.0	8.0	0.0

■ **Breakdown of factors compared to previous year results**

	Amount
FY22 1H Ordinary profit (Results)	5.3
(Business portfolio)	-0.2
(Exchange rate differences)Impact of yen depreciation	1.6
(Price differences)Soaring energy prices, etc.	-1.4
(Dividend income)	-0.1
(Other)	-0.1
FY23 1H Ordinary Profit (Results)	5.0

■ **Breakdown of factors compared to the previous full-year forecast**

	Amount
FY23 Full-year Ordinary profit (Previous Forecast)	8.0
(Exchange rate differences)Impact of yen depreciation	0.1
(Quantity Variation)	-1.0
(Income (Loss) from Equity Method Investments)	0.2
(Other)	0.6
FY23 Full-year Ordinary profit (Current Forecast)	8.0

13 MITSUBISHI MATERIALS

Page 13 shows the Electronic materials & components business. Ordinary profit for the first half was down ¥0.2 billion year-on-year. Of course, we have been able to enjoy the effects of the weaker yen, but at the same time, we have been affected by rising energy costs. In addition, profit declined significantly due to continuing high costs of raw materials for metal silicon, which is a raw material for polycrystalline silicon.

In the full-year forecast, ordinary profit is expected to be at the same level as the previous forecast, while sales of silicon precision products are expected to decline due to the deterioration in the semiconductor memory market and inventory adjustments by customers.

<Metalworking Solutions Business>

Metalworking Solutions Business

[Unit: billion yen]

In the first-half of the fiscal year, despite the impact of soaring domestic energy prices and sluggish sales due to lockdowns in China, profits increased due to effects of yen depreciation.
The full-year forecast for ordinary profit is expected to increase from the previous forecast, taking into account the continuation of the current exchange rate and the increase in domestic selling prices.

	FY22 1H Results	FY23 1H Results	Difference	FY23 Forecast (Previous)	FY23 Forecast (Current)	Difference
Net Sales	65.4	71.8	6.4	148.0	150.1	2.1
Operating Profit	5.8	7.8	2.0	14.2	15.5	1.3
Ordinary Profit	5.7	8.8	3.0	14.6	16.2	1.6

■ **Breakdown of factors compared to previous year results**

	Amount
FY22 1H Ordinary profit (Results)	5.7
(Exchange rate differences)Impact of yen depreciation	2.0
(Quantity Variation)Sales decrease in China, etc.	-0.1
(Other)	1.1
FY23 1H Ordinary Profit (Results)	8.8

■ **Breakdown of factors compared to the previous full-year forecast**

	Amount
FY23 Full-year Ordinary profit (Previous Forecast)	14.6
(Exchange rate differences)Impact of yen depreciation	1.1
(Price differences)Price increase, etc.	0.8
(Quantity Variation)	0.1
(Other)	-0.4
FY23 Full-year Ordinary profit (Current Forecast)	16.2

14 MITSUBISHI MATERIALS

Page 14 shows the Metalworking solutions business. In both the first-half results and the full-year forecast, profits increased. Ordinary profit for the first half was up ¥3 billion year-on-year. Major factors include the weaker yen. Also, while sales in China decreased due to the lockdown in response to the COVID-19 pandemic, sales in North America and Latin America increased.

In the full-year forecast, we expect ordinary profit to increase by ¥1.6 billion from the previous forecast. For this forecast, we have factored in the revision of prices for domestic customers from October in addition to the weaker yen.

<Metals Business>

Metals Business

[Unit: billion yen]

In the first-half of the fiscal year, despite a decline in profits due to soaring domestic energy prices, operating profit increased due to effects of yen depreciation and an increase in sales volumes of copper cathodes. Conversely, ordinary profit declined due to a decrease in mine dividends and a decrease in income from equity method investments.
As for the full-year forecast, although we expect an increase in profit due to the current exchange rate continuation, we expect a decrease in profit from the previous forecast, taking into account a further rise in energy prices and a decrease in income from equity method investments.

	FY22 1H Results	FY23 1H Results	Difference	FY23 Forecast (Previous)	FY23 Forecast (Current)	Difference
Net Sales	469.4	565.5	96.0	1,053.9	1,090.7	36.8
Operating Profit	14.8	15.9	1.1	23.7	19.7	-4.0
Ordinary Profit	24.9	20.1	-4.8	25.9	20.7	-5.2
Sales volumes of copper cathodes (in-house product) (Unit: thousand ton)	146	162	16	314	309	-5
Sales volumes of copper cathodes (PTS) * (Unit: thousand ton)	131	138	7	232	233	1
Dividend from copper mine	9.4	5.7	-3.7	7.6	7.4	-0.1

*Contains only the amount of smelting as a custom smelter

■ **Breakdown of factors compared to previous year results**

	Amount
FY22 1H Ordinary profit (Results)	24.9
(Exchange rate differences)Impact of yen depreciation	4.6
(Price differences)	-1.4
(Quantity Variation)Increase in sales volumes of copper cathodes	1.6
(Dividend income)Decrease in dividend income from a mine	-3.7
(Income (Loss) from Equity Method Investments)	-1.0
(Other)	-4.9
FY23 1H Ordinary Profit (Results)	20.1

■ **Breakdown of factors compared to the previous full-year forecast**

	Amount
FY23 Full-year Ordinary profit (Previous Forecast)	25.9
(Exchange rate differences)Impact of yen depreciation	2.3
(Price differences)	-2.3
(Quantity Variation)Decrease in sales volumes of copper cathodes	-1.4
(Income (Loss) from Equity Method Investments)	-1.2
(Other)	-2.5
FY23 Full-year Ordinary profit (Current Forecast)	20.7

15 MITSUBISHI MATERIALS

Page 15 shows the Metals business. Ordinary profits are down in both the first-half results and the full-year forecast. Ordinary profit for the first half decreased ¥4.8 billion year-on-year.

While the yen weakened, profit fell ¥2 billion due to higher energy costs, and also dropped by slightly less than ¥3 billion due to a decline in some metal prices.

In addition, a fall in dividends from mines and a decrease in equity in earnings of affiliates resulted in a significant year-on-year decrease in profit in the first half.

In the full-year forecast, we expect ordinary profit to decrease by ¥5.2 billion from the previous forecast. In addition to a decline in sulfuric acid prices due to lower sulfur prices, we expect the production of copper cathodes to decrease on a non-consolidated basis.

Furthermore, equity in earnings of copper mines are also expected to deteriorate. This is because production has not increased to the planned amount due to a decline in the quality of ore processed at Copper Mountain in Canada.

<Environment & Energy Business>

Environment & Energy Business

[Unit: billion yen]

In first-half Net Sales and profits were increased, reflecting an increase in sales in the nuclear power business and a reaction to last year's regular repair of geothermal power generation.
The full-year forecast is expected to increase profits from the previous forecast, taking into account increased sales in the nuclear power business.

	FY22 1H Results	FY23 1H Results	Difference	FY23 Forecast (Previous)	FY23 Forecast (Current)	Difference
Net Sales	9.1	10.2	1.0	17.6	18.1	0.5
Operating Profit	0.7	1.5	0.8	2.0	2.3	0.3
Ordinary Profit	1.4	2.5	1.1	3.4	3.9	0.5

■ **Breakdown of factors compared to previous year results**

	Amount
FY22 1H Ordinary profit (Results)	1.4
(Quantity Variation)	1.2
(Income (Loss) from Equity Method Investments)	0.1
(Other)	-0.2
FY23 1H Ordinary Profit (Results)	2.5

■ **Breakdown of factors compared to the previous full-year forecast**

	Amount
FY23 Full-year Ordinary profit (Previous Forecast)	3.4
(Quantity Variation)	0.3
(Income (Loss) from Equity Method Investments)	0.2
FY23 Full-year Ordinary profit (Current Forecast)	3.9

16 MITSUBISHI MATERIALS

Page 16 shows the Environment & energy business. Profits increased both in the first-half results and the full-year forecast. Profit is up in the first half due to the full-scale implementation of construction for safety measures at the Rokkasho Reprocessing Plant in the nuclear power business. In the full-year forecast, we have also factored in stronger sales of designing services in the nuclear power business.

<Mitsubishi UBE Cement>

Mitsubishi UBE Cement

[Unit: billion yen]

■Major P/L Items of Mitsubishi UBE Cement

	FY23 1H Results	FY23 Forecast
Net sales	281.4	657.5
Operating profit (loss)	(20.0)	(23.5)
Ordinary profit (loss)	(18.6)	(22.5)
Profit (loss) attributable to owners of parent	(26.3)	(49.5)

■Share of loss of entities accounted for using equity method in Mitsubishi Materials

Share of loss of entities accounted for using equity method※	(13.4)	(26.4)

Previous Forecast	(12.9)
changes in profit	-13.5

		FY23 1H Results	FY23 Forecast
Total demand for cement in Japan	(million tons)	18.59	38.00
Cement sales volumes in Japan	(million tons)	4.57	9.32
Cement sales volumes in the U.S.	(million tons)	0.92	1.70
Ready-mixed concrete sales volumes in the U.S.	(million cy)	3.40	6.50
Coal Price	($/ t)	398	399
Exchange Rate	(Yen/$)	134	135

※The exchange rate used to calculate the share of loss of entities accounted for using equity method is 139 yen/$ which is the same rate used by the MMC in its earnings forecasts.

17 MITSUBISHI MATERIALS

Page 17 shows an overview of performance by Mitsubishi UBE Cement Corporation. The first-half results and the full-year forecasts are shown on the left side of the slide.

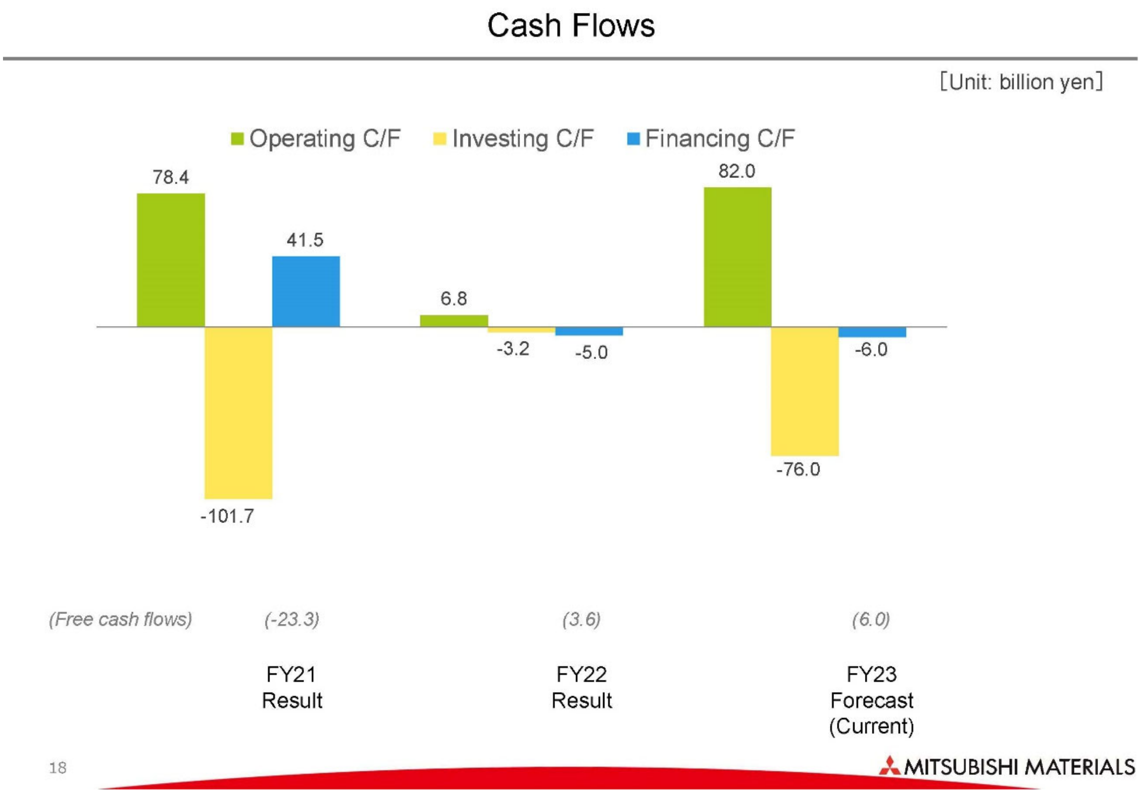
We expect a significant deficit compared to the year-beginning forecast as a result of the impairment loss due to the restructuring of the manufacturing structure announced on September 26, and the timing of price increase that is slightly delayed from the initial expectation, in addition to surging coal and other energy costs.

Profit attributable to owners of parent decreased to minus ¥26.3 billion for the first-half results and minus ¥49.5 billion for the full-year forecast.

Mitsubishi UBE Cement Corporation is facing a very difficult business environment due to rising coal and other energy costs. For this reason, we are seriously considering measures to improve profitability, such as making additional increases in cement prices in Japan, restructuring the manufacturing structure, and achieving further cost reductions.

If these efforts prove effective, we believe that we can expect to secure a certain level of profit in the next fiscal year.

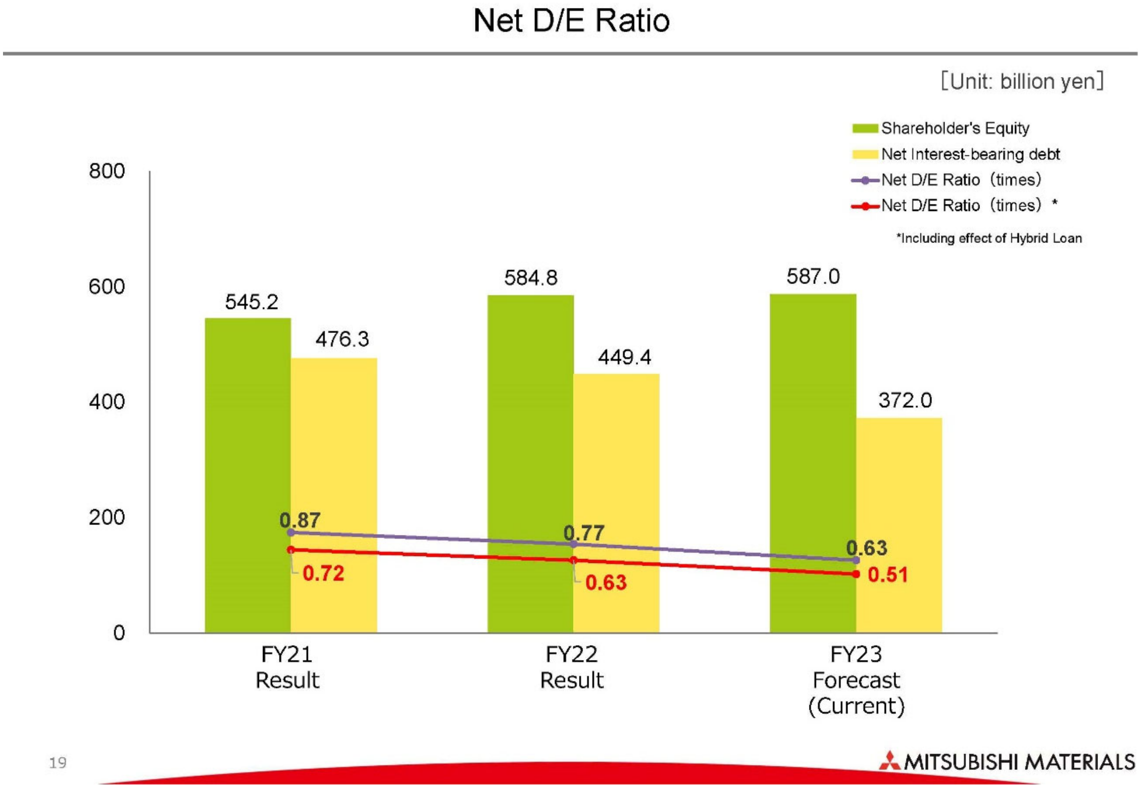
<Cash Flows>



Page 18 shows cash flows. The bar graph on the right shows operating cash flows and investment cash flows expected for the fiscal year ending March 31, 2023. We plan to see ¥82 billion as operating cash flows primarily since we revised conditions for foreign exchange rates and copper prices.

For investing cash flows, we plan to see ¥76 billion partly because some of the investments originally planned have been delayed.

<Net D/E Ratio>



Page 19 shows the net D/E ratio. We plan to have a net D/E ratio of 0.63 as of March 31, 2023. The net D/E ratio taking the effect of hybrid loans into account is 0.51.

That is all for my explanation.

Question and Answer Session

<Q&A (Summary): Forecast for the Cement business for the current fiscal year>
Q: Regarding Mitsubishi UBE Cement, you announced that you expected a loss of about ¥20 billion in 2 years due to the restructuring of the manufacturing structure. According to the full-year forecast for the current fiscal year, I understand that the difference between ordinary profit of minus ¥22.5 billion and net income of minus ¥49.5 billion is more than ¥25 billion. How much do you expect for the current fiscal year? Are there any other expected extraordinary losses? Please let me know as much as you can disclose.

A: About 90% of the ¥20 billion will be recorded for the current fiscal year.
Others include domestic and overseas taxes and income and loss on non-controlling interests, but we do not expect any significant extraordinary income or loss other than losses on the restructuring of the manufacturing structure.

<Q&A (Summary): Changes in profit and loss from the first quarter to the second quarter, and from the first half to the second half>
Q: Regarding the first-half results, in terms of changes in profit and loss from the first quarter to the second quarter, profit from the Electronic materials & components business fell from ¥2.5 billion to ¥1.3 billion, and conversely, profit from the Metals business increased significantly from ¥5.8 billion to ¥10.1 billion. Please explain why the profit levels have changed significantly in a quarter.
In the same way, please explain changes from the first half to the second half. Does the operating profit of ¥14.4 billion expected for the second half represent a real value or include a temporary factor?

A: First of all, the change in operating profit from the first quarter to the second quarter in the Electronic materials & components business is almost accounted for by the decrease in profit for the polycrystalline silicon business.
This is because the impact of soaring raw materials and energy costs was not able to be offset by price increases, resulting in a decrease in profit for both the Yokkaichi Plant and MIPSA. These two sites accounted for a decrease of ¥1 billion. This is the change in the Electronic materials & components business.
In the Metals business, the sales volume of copper cathodes has increased. This is partly due to the trend of sales from time to time and there is no particular major reason for it, but anyway, this quantity has increased.
In addition, the recovery difference also increased to a positive range due to steady operations at the Naoshima Smelter & Refinery and the refineries of Onahama Smelter & Refining and PT Smelting.
Negative factors include a decline in copper prices, which has been offset by the weaker yen. As a result, please understand that the increase in sales volume and the increase in recovery difference account for ¥4 billion.
The Electronic materials & components business and the Metals business saw larger changes from the first half to the second half.

Operating profit for the second half of the Electronic materials & components business dropped ¥1.1 billion from the first half. In addition to a decline in profit in the polycrystalline silicon business, sales of silicon precision parts and precision mounting materials of the Sanda Plant are expected to fall due to the deterioration in the semiconductor market conditions. This accounts for a decline of slightly more than ¥1 billion.

In the Metals business, the second half will be affected by a repair of furnaces at both the Naoshima Smelter & Refinery and PT Smelting. The impact is significant, because the repair of furnaces will reduce the recovery difference compared with the first half, when operations were brisk.

A decline in operating profit from the first half to the second half is about ¥12 billion, of which about half is accounted for by this decrease in recovery difference.

Costs are also expected to increase due to the repair of furnaces, which will have a negative impact of slightly more than ¥3 billion.

In addition, soaring energy costs will have a greater impact in the second half than in the first half, with an expected negative impact of slightly over ¥3 billion.

These three factors mainly contribute to the decline in operating profit.

Furthermore, please understand that the net unit price of sulfuric acid is decreasing, which accounts for the rest.

As explained above, since many temporary factors are also included, the real value seems to be higher than the operating profit of ¥14.4 billion for the second half.

<Q&A (Summary): Changes in profit and loss for the Copper & copper alloy business from the first half to the second half>

Q: As you expect an increase in the sales volume of copper & copper alloy products from the first half to the second half in the Copper & copper alloy business, it seems profit could increase a little more. Regarding changes in the market conditions in the Copper & copper alloy business, such as those for automobiles, please tell us about your view of business sentiment in Europe and the production volume of automobiles in Japan.

A: First of all, regarding Luvata, I feel very strongly that business confidence is recovering. While I think demand for products for automobiles has slightly decreased partly because of the Russia-Ukraine issue, I believe that we are covering this in non-automotive areas, especially in the medical field for MRIs.

As for automobiles in Japan, it is somewhat difficult to have a view, since the production volume of our target fields has not increased.

On the other hand, we have a backlog of orders, which we will use to keep balance in the second half.

In terms of the profit level, net sales grew due to the weaker yen, but this was partly offset by an increase in energy costs, resulting in severe profit figures.

<Q&A (Summary): Loss on the transfer of the polycrystalline silicon business>

Q: The extraordinary loss from the recently announced transfer of the polycrystalline silicon business is expected to be ¥36 billion. Please tell us whether the amount of the loss will exceed the net assets of the polycrystalline silicon business, and whether this loss includes a cash outflow.

A: First of all, the details of the deal have not been disclosed, so we also refrain from disclosing the cash payment.

Also, we cannot say the amount of loss in detail, but please understand that the amount also includes other amounts such as expenses.

<Q&A (Summary): Change in profit for Mitsubishi UBE Cement Corporation>

Q: You said that operating profit for Mitsubishi UBE Cement will improve significantly from the first half to the second half and is expected to become profitable in the next fiscal year. Again, please explain factors for the change from the first half to the second half, and from the current fiscal year to the next fiscal year, including the effects of various measures such as price increases and structural reforms.

A: The biggest factor for the improvement in operating profit from the first half to the second half is the effect of the price increase.

The price increase was delayed behind the timing targeted by Mitsubishi UBE Cement, but it is the biggest factor for the improvement.

Large changes caused by other factors, including energy costs and exchange rates, have not been factored in.

The positive effect of consolidating production is estimated to be about ¥10 billion per year. In the next fiscal year, we expect to achieve profitability as the consolidation of production will take effect while the price increase will have been almost completed.

<Q&A (Summary): Changes in profit and loss for the Metalworking solutions business from the first half to the second half>

Q: The Metalworking solutions business plans to have profit of almost the same level from the first half to the second half. What are your assumptions for the demand trend for cemented carbide cutting tools, the effect of foreign exchange rates, and the status of costs?

A: First, regarding the effect of foreign exchange rates, I need to point out we can expect an increase in profit from sales to Europe and the United States.

These two regions have a market with high profit margins. Therefore, if the yen depreciates in these markets, it will have a significant impact on profit.

On the other hand, sales in China are quite difficult, and this has offset it.

Regarding our view on production, in terms of automobiles, our general view is that the United States and Latin America performed relatively well, while Europe performed reasonably well. China is still slowing down.

In Japan, it is difficult to determine whether the current situation was caused by a shortage of semiconductors.

<Q&A (Summary): Price increase and consolidation of production by Mitsubishi UBE Cement Corporation>

Q: How widespread is the price increase by Mitsubishi UBE Cement? Restructuring the manufacturing structure will reduce the production capacity by approximately 3 million tons. How much will this increase the operation rate?

A: I cannot tell you much about the price increase in detail, but it is behind schedule.

Most of our customers have agreed to the increase of ¥2,200 that we announced last year, but we are currently negotiating an additional ¥3,000 increase.

We are working to obtain the consent of our customers by the end of this fiscal year.

Please understand that this current progress has been reflected in the full-year forecast for Mitsubishi UBE Cement.

And the operation rate depends on how much we export. Please understand that it is currently not easy to tell you the operation rate here because the profitability of exports itself is very poor.

<Q&A (Summary): Cash flows and the net D/E ratio>

Q: In the first half, free cash was negative partly because operating cash flows were inflated toward expenditures. Why do you expect free cash for the full year forecast to settle at almost net zero?

A: The improvement in operating cash flows in the second half is due to the transfer of inventories and other assets that have been on our balance sheet to the consignor (PT Freeport Indonesia) side through the shift of PT Smelting to the contract smelting method. This significantly improves cash flows with an impact of approximately ¥40 billion.

<Q&A (Summary): The impact of energy costs and metal prices in the Metals business>

Q: For the Metals business, how have the first-half results and the full-year forecast factored in the impacts of the increase in energy costs and the sluggish sulfuric acid prices, and what were the results?

A: The decrease in profit from the previous forecast due to the rise in energy costs is expected to be approximately ¥2 billion.

As for sulfuric acid, we expect a decrease in profit of about ¥3 billion from the first half to the second half.

<Q&A (Summary): Extraordinary income and loss in the full-year forecast>

Q: The downward revision of net profit by ¥17 billion in this full-year forecast includes a loss of ¥36 billion on business restructuring of the polycrystalline silicon business, and the drop in net profit seems small. Is there any positive factor?

A: There are some items that are expected to generate extraordinary income, such as the sale of strategic shareholdings and other assets. We have forecast this net profit taking such factors into account.

<Q&A (Summary): Accuracy of the next fiscal year forecast for Mitsubishi UBE Cement Corporation>
Q: What is your view on the forecasts of the sales volume and coal prices, which are assumptions that must be met before Mitsubishi UBE Cement's results become profitable in the next fiscal year? Please explain the accuracy of the forecast of becoming profitable.

A: Under the assumption that there will be no drastic changes in coal prices or domestic sales volumes, the basic idea is to achieve profitability by steadily implementing cost reductions and other measures in addition to the restructuring of the manufacturing structure and the price increase, and generating their effect.

Considering that there will be no spot costs such as consolidation costs in the next fiscal year, we believe that there is a reasonable degree of accuracy.

<Q&A (Summary): Shareholder return policy>
Q: The shareholder return will not reach the amount expected within the Medium-Term Management Plan period even if the dividend forecast for the current fiscal year is included. Are you considering additional measures for shareholder return?

A: We consider the target for the shareholder return during the Medium-Term Management Plan period to be equivalent to the amount of dividends for 3 years with a dividend of ¥80 per annum. As the current level of dividends is not enough to reach the target, we are now considering how to return profits to shareholders.

<Greetings from Mr. Takayanagi>
Takayanagi:

Ladies and gentlemen, thank you for accompanying me for such a long time. I am also very grateful for the many questions you have asked me.

And this time, we received numerous questions about cement, and I believe determining how to restore this business is a very important point for us.

We will share information on how the Cement business recovers with you in a timely manner. We appreciate your continued support. Thank you very much today.