

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

***Mitsubishi Materials' Full-Year Forecasts Mostly in Line with Previous Forecasts,
Mitsubishi UBE Cement Expected to Become Profitable Next Year***

【Speaker】

Nobuhiro Takayanagi, Director, Managing Executive Officer, Mitsubishi Materials Corporation

This is a transcript of Mitsubishi Materials Corporation's third quarter financial results briefing for the fiscal year ending March 2023, which took place on February 10, 2023.

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

I am Takayanagi, the Managing Executive Officer. Thank you very much for attending our company's financial results briefing today. Now, please allow me to give an overview of our financial results for the third quarter and outlook for the full year.

<Executive Summary>

Executive Summary	
FY2023 3Q Business confidence	<ul style="list-style-type: none"> In the automotive market, there is a delay in recovery, but the EV-related market is stable. Carbide tools for the automotive market were affected by the delayed recovery of the market, but the aircraft and medical markets, mainly in North America, remained strong. The semiconductor market is becoming increasingly uncertain, which is beginning to affect semiconductor-related products. Market conditions are expected to become even more difficult in the first half of the next fiscal year. In the Metals business, copper prices, which had been on a downtrend since the end of the previous fiscal year, recovered slightly in 2Q, but the strong yen had a major impact on the decline in sales.
FY2023 3Q Cumulative Results and YoY change	<ul style="list-style-type: none"> Operating profit decreased due to the impact of the reorganization of the business portfolio and higher energy costs, etc., despite the impact of yen depreciation and increased sales in the Copper & copper alloy business (Luvata) and the Metals business. Ordinary profit decreased due to to decrease in dividend income received from Los Pelambres Mine and equity in losses of affiliates at Mitsubishi UBE Cement Company (MUCC) mainly due to higher coal prices, etc. Net income decreased due to extraordinary losses related to the transfer of the Polycrystalline silicon business, etc.
FY2023 4Q and Full Year Forecast	<ul style="list-style-type: none"> Although copper prices are expected to recover and sales of electrolytic copper are expected to increase, sales in the 4Q are expected to decline due to deteriorating market conditions in the automobile and semiconductor markets, the strong yen trend, and higher energy costs. Operating profit is almost in line with the previous forecast. <ul style="list-style-type: none"> ✓ Profit is expected to decrease in the Copper & copper alloy, the Electronic materials & components and the Metalworking Solutions businesses due to deteriorating automobile and semiconductor markets and higher energy costs, etc. ✓ Profit in the Metals business increased due to increased sales of electrolytic copper despite the impact of yen appreciation. Ordinary profit is expected to decrease, while net income is expected to increase due to a decrease in tax expenses, etc.
Future Outlook	<ul style="list-style-type: none"> In this fiscal year, there had been a couple of transient losses, including restructuring losses. However, in the next fiscal year, the company is expected to return to profitability through the penetration of additional price hikes, improved profitability through a review of its production system, and cost-cutting measures, etc. In the new medium-term management strategy, the company plans capital allocation from a longer-term perspective, building a recycling system of metal resources based on its strengths and realizing growth throughout the value chain by expanding the scope, regions, and scale of its operations, thereby increasing its enterprise value.

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 MITSUBISHI MATERIALS

First, please take a look at the Executive Summary on page 3. As for business sentiment in the third quarter, the EV-related businesses remained stable despite a slow recovery in the automotive market. Sales of carbide tools for the automotive market were affected by the slow recovery in the market, but sales for the aircraft and medical markets remained strong, especially in North America.

There is increasing uncertainty with regards to the semiconductor market. The impact on semiconductor-related products is beginning to take effect, and we expect market conditions to become even more severe toward the first half of next fiscal year. Copper prices had been on a downward trend since the end of the previous fiscal year, but showed a slight recovery from the second quarter. In addition, the yen has been appreciating in the third quarter. The impacts of such copper prices and foreign exchange rates are beginning to show in earnings.

Under such conditions, with regards to the results for the first nine months, while the first half of the period saw the impact of the weaker yen and increased sales in the Copper & Copper Alloy and Metals businesses, operating profit was affected by the exclusion of the cement and aluminum businesses from the scope of consolidation in addition to higher energy costs and other factors and resulted in lower profits compared with the same period last year.

Ordinary profit decreased from the same period last year due to a decrease in dividends received from the Los Pelambres Mine and equity-method investment losses related to Mitsubishi UBE Cement Corporation due to the steep rise in coal prices. With regards to net

profit, in addition to lower operating profit and ordinary profit, we recorded extraordinary losses related to the transfer of the polycrystalline silicon business in the third quarter. As a result, the earnings decreased from the same period of the previous year.

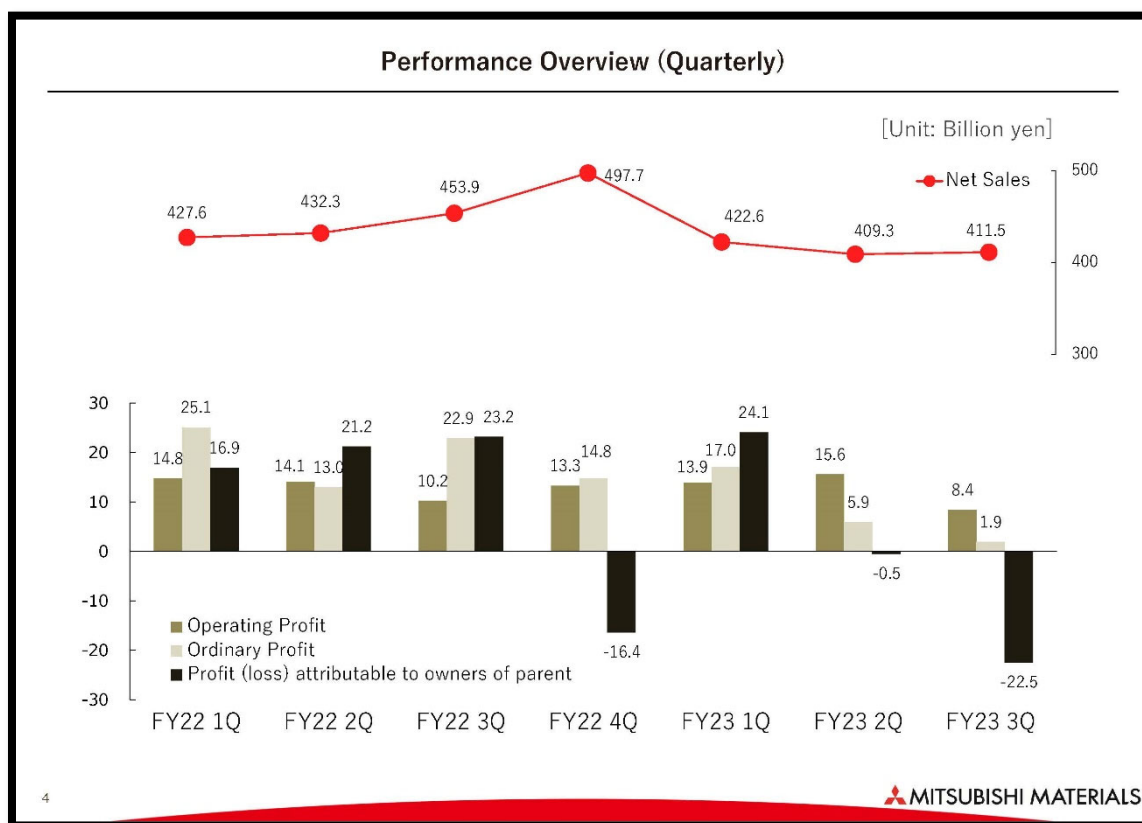
This is our full-year outlook, including the fourth quarter. Factors contributing to the profit increase include a recovery in copper prices and increased sales of electrolytic copper due to strong production. On the other hand, the decline in sales at the Advanced Products and Metalworking Solutions businesses in the automotive and semiconductor markets as well as the appreciation of the yen and further increases in energy and raw material costs are expected to be factors for a decline in earnings.

As a result, net sales, operating profit and ordinary profit are in line with our previous forecasts, but have been revised slightly downward. Net profit is expected to increase from the previous forecast due to a fall in income taxes and other tax expenses.

Mitsubishi UBE Cement, which plans to record a one-time loss such as business restructuring losses in addition to the sharp rise in coal prices, is expected to return to profitability in the next fiscal year due to the penetration of the additional price increase, improved profitability resulting from the reassessment of its production system, and the implementation of cost-cutting measures, etc.

Today, we also announced our “Medium-Term Management Strategy 2031, which begins in FY2024. Details will be explained at the February 16 briefing on our new medium-term management strategy. By planning capital allocation from a longer-term perspective, we aim to build a recycling structure for metal resources based on our strengths. In addition, our business strategy is to increase corporate value by achieving growth across the entire value chain of the businesses selected in our business portfolio by expanding the scope, geographic reach, and scale of our businesses.

<Performance Overview (Quarterly)>



Next, please look at the quarterly trends. Net sales for the third quarter are shown in the line graph at the top of the slide. Compared with the second quarter, net sales increased by approximately ¥2 billion. Decline in electrolytic copper sales due to furnace repairs and scheduled maintenance at PT Smelting and Onahama Smelting & Refining Co., Ltd. resulted in lower net sales in the Metals business, but net sales in both the Copper & Copper Alloy and Electronic Materials & Components businesses under the Advanced Products Company both increased.

Operating profit, ordinary profit and net profit are shown in the bar graph at the bottom of the slide. In the Metals business, there was a decrease in sales of electrolytic copper due to furnace repairs and scheduled maintenance, and an increase in incurred costs. In addition, in the Copper & Copper Alloy business, Luvata's energy and raw material costs began to rise, and hedging costs increased due to fluctuations in interest rates and foreign exchange rates, resulting in operating profit of ¥8.4 billion, a decline of approximately ¥7 billion.

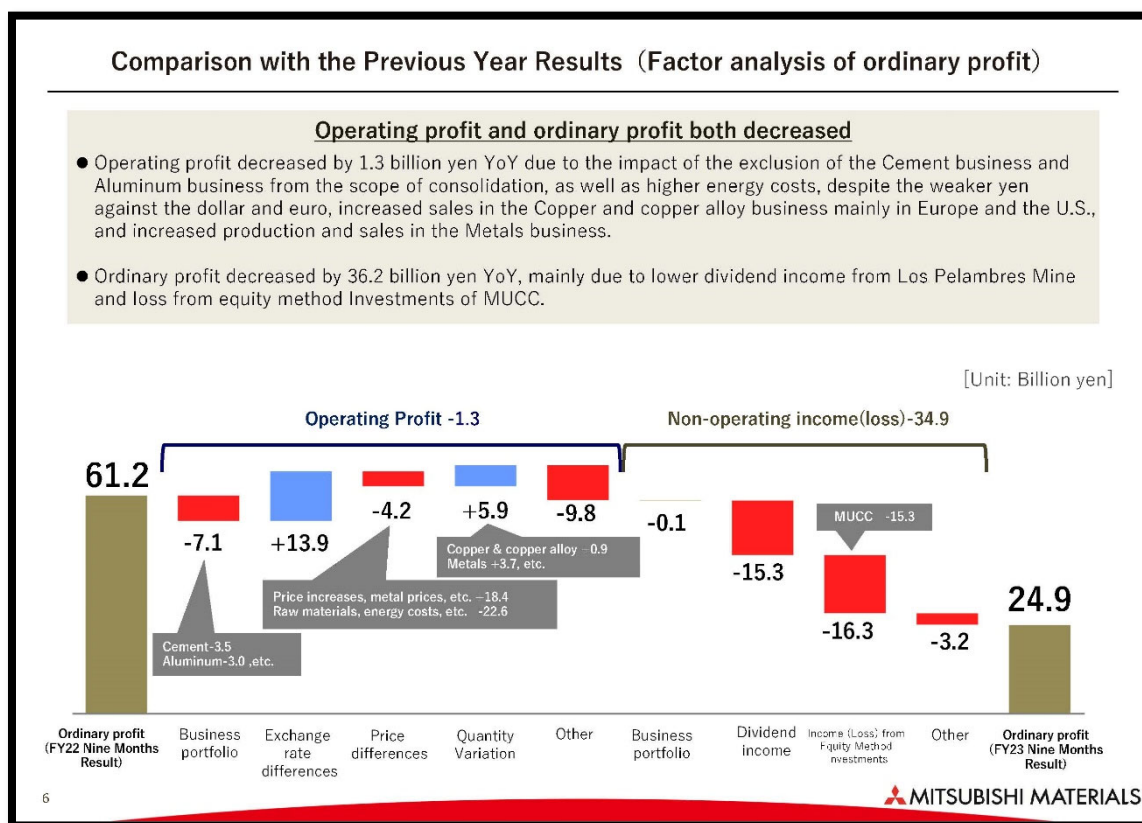
Ordinary profit ended up at ¥1.9 billion, down approximately ¥4 billion due to foreign exchange losses and other factors. As for net profit, an extraordinary loss of ¥35.8 billion was recorded as a provision for business restructuring losses related to the polycrystalline silicon business, resulting in a net loss of ¥22.5 billion, down ¥22.0 billion from the second quarter.

<Comparison with the Previous Year Results>

Comparison with the Previous Year Results			
[Unit: billion yen]	FY2022 Nine Months Result(a)	FY2023 Nine Months Result(b)	Difference (b-a)
Net sales	1,314.0	1,243.5	-70.4
Operating profit	39.3	37.9	-1.3
Dividend income	24.5	8.9	-15.6
Other financial income and expenses	(3.7)	(3.5)	0.1
Share of profit (loss) of entities accounted for using equity method	3.1	(13.7)	-16.8
Non-operating income (loss)	(2.0)	(4.5)	-2.5
Ordinary profit	61.2	24.9	-36.2
Extraordinary income (loss)	32.5	(16.2)	-48.8
Income taxes	(25.1)	(5.0)	20.1
Profit (loss) attributable to non-controlling interests	(7.1)	(2.5)	4.5
Profit attributable to owners of parent	61.4	1.1	-60.3
Exchange rate	111	137	(JPY / \$)
Exchange rate	131	141	(JPY / €)
Copper price (LME)	435	382	(¢ / lb)

For the first nine months, net sales were ¥1,243.5 billion, operating profit was ¥37.9 billion, ordinary profit came to ¥24.9 billion and net profit attributable to owners of the parent was ¥1.1 billion.

<Comparison with the Previous Year Results (Factor analysis of ordinary profit)>



Please look at the waterfall graph on page 6. Compared with the same period last year, operating profit fell by ¥1.3 billion and ordinary profit decreased by ¥36.2 billion.

As for operating profit, the trend in the first half of the fiscal year continued, with the increase in raw materials and energy costs having a significant impact despite the increase in sales prices, which resulted in a decline in operating profit in terms of prices. Other factors contributing to the decline in earnings include higher costs from furnace repairs in the Metals business. On the other hand, the decline in earnings was covered by higher profits due to the depreciation of the yen and stronger sales in the Copper & Copper Alloy and Metals businesses.

Ordinary profit also continued the trend from the first half of the fiscal year, with a decrease in dividends received, mainly due to the effects of the drought at the Los Pelambres Mine. In addition, equity in losses on investments of Mitsubishi UBE Cement increased. As a result, ordinary profit was ¥24.9 billion, down ¥36.2 billion from the same period last year.

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

Comparison with the Previous Year Results (Breakdown by Segment)									
[Unit: Billion yen]									
	FY2022 Nine Months(a)			FY2023 Nine Months(b)			Difference(b-a)		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Advanced Products*1	356.8	9.8	11.6	397.1	7.5	7.4	40.3	-2.3	-4.2
Copper & copper alloy	267.6	3.0	3.7	304.1	2.4	0.9	36.5	-0.6	-2.8
Electronic materials & components	90.2	6.7	7.8	93.3	5.5	6.9	3.0	-1.1	-0.9
Metalworking Solutions	98.9	10.1	10.0	107.2	11.3	11.7	8.3	1.2	1.7
Metals	711.9	16.9	39.9	836.5	18.4	20.1	124.5	1.5	-19.7
Environment & Energy	13.2	1.0	2.2	13.0	1.6	3.1	-0.1	0.6	0.8
Others *2	335.5	8.5	6.3	116.0	4.4	(12.2)	-219.5	-4.1	-18.5
Adjustment Amount	(202.4)	(7.1)	(8.9)	(226.4)	(5.4)	(5.3)	-23.9	1.7	3.6
Total	1,314.0	39.3	61.2	1,243.5	37.9	24.9	-70.4	-1.3	-36.2

*1 The total value of advanced products includes transactions between the copper & copper alloy and electronic materials & components, etc., which are common to all advanced products.
 *2 Due to the integration of cement business and its related businesses on April 1, 2022, we have changed our cement-related businesses to include in "Others."

Here is the breakdown by business segment. In the Advanced Products, both the Copper & Copper Alloy and Electronic Materials & Components businesses posted higher net sales, but operating profit and ordinary profit declined due to increases in raw materials and energy costs as well as non-operating expenses. On the other hand, the Metalworking Solutions and Metals businesses showed positive growth in operating profit.

<Consolidated Balance Sheet>

Consolidated Balance Sheet							
				[Unit: Billion yen]			
	End of Mar 2022 (a)	End of Dec 2022 (b)	Difference (b-a)		End of Mar 2022 (a)	End of Dec 2022 (b)	Difference (b-a)
Cash and deposits	159.2	137.5	-21.6	Notes and accounts payable - trade	158.5	125.8	-32.6
Notes and accounts Receivable - trade	249.8	203.3	-46.4	Borrowings, bonds payable and commercial papers	608.7 29%	571.3 29%	-37.3
Inventories	454.5	474.2	19.6	Other liabilities	702.0	649.9	-52.0
Other	375.2	384.2	8.9	Total liabilities	1,469.2	1,347.2	-122.0
Total current assets	1,238.9	1,199.3	-39.6	Share capital	119.4	119.4	-
Property, plant and equipment and intangible assets	677.7	445.9	-231.7	Capital surplus and treasury shares	76.5	76.6	0.1
Investments and other assets	208.3	318.9	-110.5	Retained earnings	328.8	320.0	-8.8
Total non - current assets	886.0	764.9	-121.1	Accumulated other comprehensive income	59.9	62.4	2.4
Total assets	2,125.0	1,964.2	-160.7	Non-Controlling interests	70.9	38.5	-32.4
Shareholders' equity ratio	28 %	29 %		Total net assets	655.7 31%	617.0 31%	-38.7
Net D/E ratio	0.77 times	0.75 times		Total liabilities and net assets	2,125.0	1,964.2	-160.7

This is our balance sheet. Total assets at the end of December 2022 amounted to ¥1,964.2 billion, a decrease of ¥160.7 billion from the end of March. This is down approximately ¥30 billion from the end of September. Changes from the end of September include a decrease in investments and other assets resulting from the sale of investment securities, including cross-shareholdings. Liabilities amounted to ¥1,347.2 billion, down ¥122 billion from the end of March.

The provision for business restructuring losses discussed in the income statement is included in other liabilities. In addition, the impact of the shift to an equity-method affiliate following the integration of the cement business with Mitsubishi UBE Cement was approximately ¥200 billion in total assets and approximately ¥170 billion in liabilities, unchanged from the end of the second quarter.

<Performance Forecast for FY2023>

Performance Forecast for FY2023					
<p><u>Net sales and operating profit were in line with the previous forecast. Ordinary profit decreased, but profit attributable to owners of parent increased, mainly due to a decrease in tax expenses.</u></p> <ul style="list-style-type: none"> ● ROIC and ROA are expected to be lower than the previous forecast and the previous year's results due to the decrease in ordinary profit. ● ROE is expected to be higher than previous forecast due to the upward revision of the profit attributable to owners of parent, but significantly lower than the previous year's results. 					
[Unit: Billion yen]					
	FY2022 Results(a)	FY2023 Forecast			
		Nov 10, 2022 (b)	Feb 10, 2023 (c)	Difference (c-b)	Difference (c-a)
Net sales	1,811.7	1,690.0	1,680.0	-10.0	-131.7
Operating profit	52.7	44.0	43.0	-1.0	-9.7
Ordinary profit	76.0	18.0	15.0	-3.0	-61.0
Profit attributable to owners of parent	45.0	3.0	6.0	3.0	-39.0
ROIC (%)	7.0	2.1	1.6	-0.5pt	-5.4pt
ROA (ordinary profit to total assets) (%)	3.7	0.9	0.2	-0.7pt	-3.5pt
ROE (%)	8.0	0.5	1.1	0.6pt	-6.9pt
Dividend per share (yen)	90	50	50	—	-40

I would like to explain our forecast for the fiscal year ending March 2023. The earnings forecast announced this time consists of the same level of profit as the previous announcement, but with a slight downward revision. Net sales are expected to decline mainly due to the appreciation of the yen, as well as lower sales in the Copper & Copper Alloy and Metalworking Solutions businesses due to the deteriorating automobile and semiconductor market conditions. We forecast a decrease of ¥10 billion from the previously announced figure to ¥1.68 trillion for net sales.

Net profit has been revised upward from the previously announced figures due to the expected decrease in tax expenses. ROIC and ROA are expected to decline from the previous announcement due to a decrease in ordinary profit. ROE will likely be higher than the previous announcement due to the upward revision of net profit. In addition, dividend remains unchanged at the previously announced ¥50.

<Performance Forecast for FY2023 (Exchange rates, Copper prices, Sensitivity)>

Performance Forecast for FY2023 (Exchange rates, Copper prices, Sensitivity)

Exchange rates, Copper prices		FY2023		
		1Q-3Q average	4Q average	Fiscal year average
Dollar-Yen Exchange Rate	Yen/\$	137	130	135
Euro-Yen Exchange Rate	Yen/€	141	140	140
copper price (LME)	¢ /lb	382	395	385

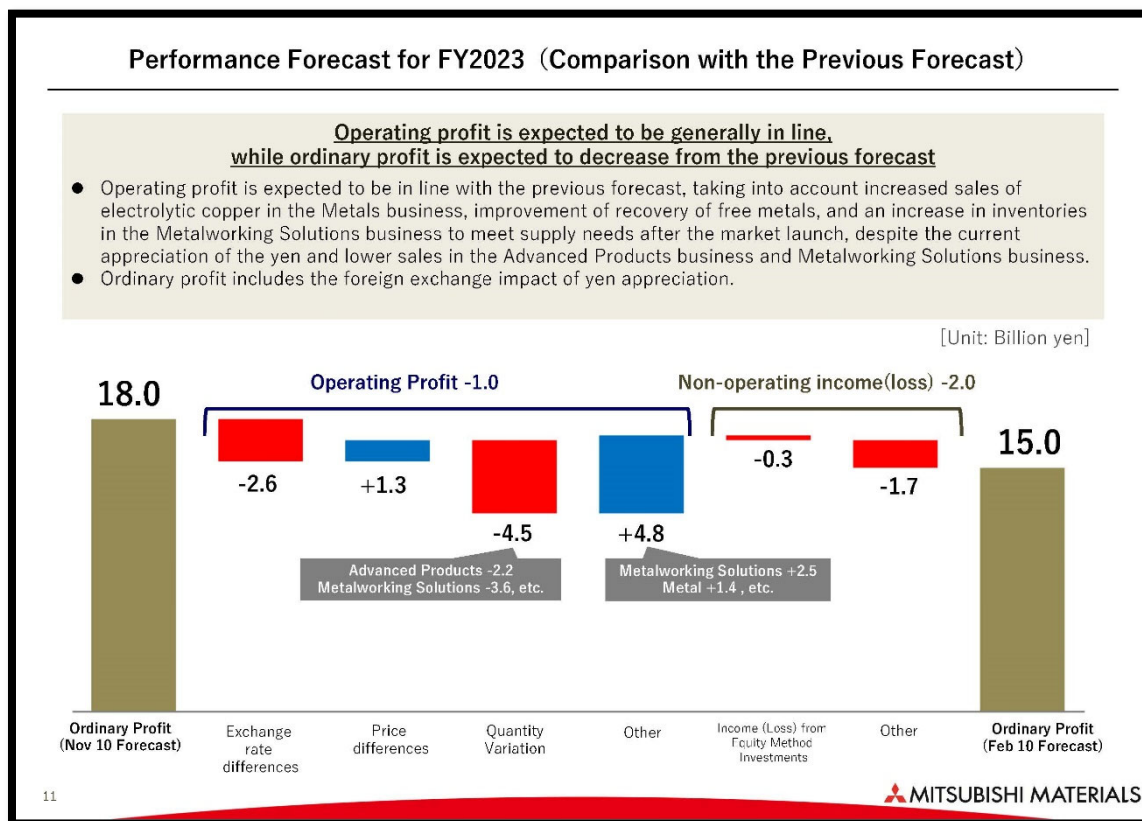
FY2023 4Q Sensitivity

[Unit: Billion yen]

Dollar-Yen Exchange Rate	Yen/\$	Operating Profit		0.15
Euro-Yen Exchange Rate	Yen/€	Operating Profit		0.04
copper price (LME)	10 ¢ /lb	Operating Profit	(a)	0.12
		Non-operating Income	(b)	0.01
		Ordinary Profit	(a+b)	0.13

The foreign exchange rates, copper prices, and sensitivity assumptions underlying the forecast are as follows. The exchange rate is set at ¥130 yen to the dollar and ¥140 to the euro. The copper price is fluctuating at the moment, but we set it at 395 cents a pound. The sensitivity of each is shown in the table at the bottom of the slide.

<Performance Forecast for FY2023 (Comparison with the Previous Forecast)>



This is the breakdown of ordinary profit factors. Please look at the graph at the bottom of the slide. Operating profit is expected to decrease by ¥1 billion from the previous announcement. The factors contributing to the decline in earnings include the impact of the appreciation of the yen, as I mentioned earlier, the decline in sales of the Advanced Products and Metalworking Solutions businesses due to the deteriorating sales environment, and others.

Other factors include an improvement in recovery of free metals in the Metals business and the impact of inventory in the Metalworking Solutions business, which have been factors for a slight increase in earnings, but the total has been revised slightly downward.

Non-operating profit or loss is mainly due to foreign exchange differences. It includes the impact of foreign exchange losses on bonds denominated in foreign currencies. In today's challenging business environment, we have revised the forecast slightly downward, but at the same time, we will continue our efforts to improve profitability and work to reduce the decline in earnings.

< Performance Forecast for FY2023 (Breakdown by Segment)>

Performance Forecast for FY2023 (Breakdown by Segment)									
[Unit: Billion yen]									
	Nov 10, 2022			Feb 10, 2023			Difference		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Advanced Products *1	539.8	10.7	9.9	536.3	7.9	6.9	-3.5	-2.8	-3.0
Copper & copper alloy	412.2	4.7	2.5	412.0	1.9	(0.4)	-0.2	-2.8	-2.9
Electronic materials & components	128.5	6.5	8.0	125.0	6.5	7.7	-3.5	0.0	-0.3
Metalworking Solutions	150.1	15.5	16.2	142.0	13.4	13.7	-8.1	-2.1	-2.5
Metals	1,090.7	19.7	20.7	1,110.5	21.9	21.4	19.8	2.2	0.7
Environment & Energy	18.1	2.3	3.9	17.1	2.3	4.0	-1.0	0.0	0.1
Others *2	152.4	4.4	(21.8)	162.6	5.9	(21.0)	10.2	1.5	0.8
Adjustment Amount	(261.2)	(8.8)	(11.0)	(288.5)	(8.4)	(10.0)	-27.3	0.4	1.0
Total	1,690.0	44.0	18.0	1,680.0	43.0	15.0	-10.0	-1.0	-3.0

*1 The total value of advanced products includes transactions between the copper & copper alloy and electronic materials & components, etc., which are common to all advanced products.
 *2 Due to the integration of cement business and its related businesses on April 1, 2022, we have changed our cement-related businesses to include in "Others."

Here is the breakdown by business segment. The table on the slide shows that earnings in the Copper & Copper Alloy and Metalworking Solutions businesses fell from the previous forecast. From the next slide, I will explain by business segment.

<Advanced Products Business (Copper & copper alloy)>

Advanced Products Business (Copper & copper alloy)

- While there were positive factors such as increased sales in Europe and the U.S., higher sales prices, and equity in earnings of affiliates, results in the first nine months of the year showed a year-on-year decrease due to increased costs such as hedging costs and non-operating expenses, etc.
- The full-year forecast is expected to be lower than the previous forecast due to a decline in sales of Copper & copper alloy products as demand for automotive and semiconductor-related products enters an adjustment phase, and also due to the fact that raw material costs in LUVATA are expected to rise.
- ROIC is expected to fall to 0.5% due to a downward revision to the Ordinary profit forecast.

[Unit: Billion yen]

	FY2022 Nine Months(a)	FY2023 Nine Months(b)	Difference (b-a)	FY22 Result (c)	Performance Forecast for FY2023			Difference (e-d)	Difference (e-c)
					Nov 10, 2022 (d)	Feb 10, 2023 (e)			
Net sales	267.6	304.1	36.5	366.6	412.2	412.0	-0.2	45.4	
Operating profit	3.0	2.4	-0.6	4.6	4.7	1.9	-2.8	-2.7	
Ordinary profit	3.7	0.9	-2.8	5.3	2.5	(0.4)	-2.9	-5.7	
[Unit: thousand ton]									
Sales volumes of copper & copper alloy products	103	101	-2	138	139	135	-3	-3	
ROIC (%)					1.8	0.5	-1.3pt		

Breakdown of factors compared to previous year results

FY22 Nine Months Ordinary profit (Results)	3.7
Business portfolio	-1.0
Exchange rate differences	+0.3
Price differences	+0.4
Quantity Variation	+0.9
Dividend income	+0.1
Income (Loss) from Equity Method Investments	+0.5
Other	-4.0
FY23 Nine Months Ordinary profit (Results)	0.9

Breakdown of factors compared to the previous full-year forecast

FY23 Full-year Ordinary profit (Previous Forecast)	2.5
Exchange rate differences	-0.2
Price differences	-0.5
Quantity Variation	-1.3
Other	-0.9
FY23 Full-year Ordinary profit (Current Forecast)	(0.4)

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MITSUBISHI MATERIALS

First is the Advanced Products (Copper & copper alloy). For the full-year forecast, we expect ordinary profit to decline by ¥2.9 billion from the previous forecast, resulting in an ordinary loss of ¥400 million. At Luvata, sales increased from the previous fiscal year in the recovery phase from the COVID-19 pandemic, but on the other hand, procurement of raw materials and product exports have been affected.

In addition, the labor supply and demand situation remains extremely tight due to the U.S. economic recovery. The economy has slowed down as interest rates have risen, while the labor shortage remains the same. It is still difficult to hire people, especially around where Luvata is based. As a result, we expect sales to fall.

Sales of copper and copper alloy products also continue to undergo an adjustment phase, particularly for semiconductor-related products. In addition, sales of in-vehicle related products to Japanese automakers have fallen considerably, and we expect a decline in profits from the previous forecast.

In terms of price difference, we expect lower profits due to higher energy costs, particularly in Europe.

In addition, since interest rates rose in the U.S., copper futures trading has been heavily discounted. This has impacted our copper price hedging costs, and higher-than-expected costs is one of the reasons for lower earnings.

As a result, ROIC is expected to remain at 0.5%.

<Advanced Products Business (Electronic materials & components)>

Advanced Products Business (Electronic materials & components)								
<ul style="list-style-type: none"> Although the weaker yen contributed to higher profits, results in the first nine months of the year showed lower profits YoY due to lower sales and higher energy costs and raw material costs in Japan. The full-year forecast is expected to decrease in profit from the previous forecast, taking into account a decrease in sales due to deteriorating semiconductor market conditions and an increase in energy costs, etc. ROIC is expected to be 8.1% (up 1.7pt from the previous forecast) due to the impact of the transfer of the polycrystalline silicon business, etc., despite the downward revision of the ordinary profit forecast. 								
[Unit: Billion yen]								
	FY2022 Nine Months(a)	FY2023 Nine Months(b)	Difference (b-a)	FY22 Result (c)	Performance Forecast for FY2023			Difference (e-c)
					Nov 10, 2022 (d)	Feb 10, 2023 (e)	Difference (e-d)	
Net sales	90.2	93.3	3.0	120.7	128.5	125.0	-3.5	4.3
Operating profit	6.7	5.5	-1.1	10.0	6.5	6.5	0.0	-3.5
Ordinary profit	7.8	6.9	-0.9	11.6	8.0	7.7	-0.3	-3.9
				ROIC (%)	6.4	8.1	1.7pt	
Breakdown of factors compared to previous year results								
FY22 Nine Months Ordinary profit (Results)				7.8	Breakdown of factors compared to the previous full-year forecast			
Business portfolio				-0.3	FY23 Full-year Ordinary profit (Previous Forecast)			
Exchange rate differences				+2.3	Exchange rate differences			
Price differences				-2.1	Price differences			
Quantity Variation				-0.3	Quantity Variation			
Dividend income				+0.1	Dividend income			
Other				-0.6	Other			
FY23 Nine Months Ordinary profit (Results)				6.9	FY23 Full-year Ordinary profit (Current Forecast)			
					7.7			

Next is the Advanced Products (Electronic Materials & Components). Ordinary profit for the full year is expected to be at the same level as the previous forecast. However, we expect business confidence to deteriorate further as the semiconductor memory market continues to worsen and customers continue to adjust inventories.

The full-year forecast incorporates a sales decline in precision silicon products and other products.

ROIC is projected to be 8.1%, partly due to the impact of the transfer of the polycrystalline silicon business.

<Metalworking Solutions Business>

Metalworking Solutions Business

- Results in the first nine months of the year showed a year-on-year increase in profit due to a weaker yen, despite a decrease in sales to the Chinese region due to lockdowns.
- The full-year forecast is expected to show a decrease in profit from the previous forecast due to a decrease in sales, mainly in Japan, caused by the automobile production cutback, as well as the recent appreciation of the yen.
- ROIC is expected to be 6.4% (down 1.3pt from the previous forecast) due to the impact of the downward revision of the ordinary profit forecast.

[Unit: Billion yen]

	FY2022 Nine Months(a)	FY2023 Nine Months(b)	Difference (b-a)	FY22 Result (c)	Performance Forecast for FY2023			Difference (e-d)	Difference (e-c)
					Nov 10, 2022 (d)	Feb 10, 2023 (e)			
Net sales	98.9	107.2	8.3	132.6	150.1	142.0	-8.1		9.4
Operating profit	10.1	11.3	1.2	14.1	15.5	13.4	-2.1		-0.7
Ordinary profit	10.0	11.7	1.7	14.5	16.2	13.7	-2.5		-0.8
				ROIC (%)	7.7	6.4	-1.3pt		


Breakdown of factors compared to previous year results

FY22 Nine Months Ordinary profit (Results)	10.0
Exchange rate differences	+3.7
Price differences	-0.2
Quantity Variation	-1.9
Other	+0.1
FY23 Nine Months Ordinary profit (Results)	11.7

Breakdown of factors compared to the previous full-year forecast

FY23 Full-year Ordinary profit (Previous Forecast)	16.2
Exchange rate differences	-0.4
Price differences	-0.6
Quantity Variation	-3.6
Other	+2.1
FY23 Full-year Ordinary profit (Current Forecast)	13.7

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 MITSUBISHI MATERIALS

Next is the Metalworking Solutions business. Ordinary profit for the full year is expected to decline by ¥2.5 billion yen from the previous forecast to ¥13.7 billion. In addition to the recent appreciation of the yen, we expect a decline in sales in the Asian region, especially in Japan and China.

In the case of Japan, the short supply of semiconductors and in-vehicle components, for automobiles in particular, is having an impact. In addition, the semiconductor manufacturing equipment related businesses are starting to show signs of weakness. Therefore, we expect ROIC to be 6.4%.

<Metals Business>

Metals Business

● Results in the first nine months of the year showed a year-on-year decrease due to the impact of higher energy costs, as well as lower mine dividends and equity in earnings of affiliates despite the positive impact of a weaker yen and increased sales of electrolytic copper.
 ● The full-year forecast is expected to increase in profit from the previous forecast, taking into account increased sales of electrolytic copper and improvement of recovery of free metals, etc.
 ● ROIC is expected to be 8.3% (down 1.0pt from the previous forecast) due to increased invested capital, despite upward revisions to Ordinary profit forecasts.

[Unit: Billion yen, thousand ton]

	FY2022 Nine Months(a)	FY2023 Nine Months(b)	Difference (b-a)	FY22 Result (c)	Performance Forecast for FY2023			Difference (e-c)
					Nov 10, 2022 (d)	Feb 10, 2023 (e)	Difference (e-d)	
Net sales	711.9	836.5	124.5	997.1	1,090.7	1,110.5	19.8	113.4
Operating profit	16.9	18.4	1.5	25.2	19.7	21.9	2.2	-3.3
Ordinary profit	39.9	20.1	-19.7	50.2	20.7	21.4	0.7	-28.8
Sales volumes of copper cathodes(In-house product)	225	245	20	316	309	317	8	0
Sales volumes of copper cathodes(PTS)	203	201	-2	271	233	236	3	-35
Dividend from copper mine	23.0	7.0	-15.9	23.5	7.4	7.2	-0.2	-16.2
ROIC (%)					9.3	8.3	-1.0pt	


Breakdown of factors compared to previous year results

FY22 Nine Months Ordinary profit (Results)	39.9
Exchange rate differences	+7.6
Price differences	-2.1
Quantity Variation	+3.7
Dividend income	-16.0
Income (Loss) from Equity Method Investments	-2.5
Other	-10.4
FY23 Nine Months Ordinary profit (Results)	20.1

Breakdown of factors compared to the previous full-year forecast

FY23 Full-year Ordinary profit (Previous Forecast)	20.7
Exchange rate differences	-1.6
Price differences	+1.4
Quantity Variation	+1.0
Income (Loss) from Equity Method Investments	-0.2
Other	+0.1
FY23 Full-year Ordinary profit (Current Forecast)	21.4

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 **MITSUBISHI MATERIALS**

Next, I will talk about the Metals business. We expect an increase in profit for the full year from the previous forecast. Despite the factor of lower earnings due to the appreciation of the yen, electrolytic copper sales volume is higher than the previous forecast, partly due to strong production at both the parent company and PT Smelting.

In addition, overall profit is also expected to increase and ROIC is expected to be 8.3%, due in part to the improvement in recovery of free metals.

<Environment & Energy Business>

Environment & Energy Business

- Results in the first nine months of the year increased YoY due to higher sales in the nuclear power business, as well as higher equity in earnings of affiliates.
- For the full year, we expect ordinary profit to be in line with our previous forecast.
- ROIC is expected to have no change from the previous forecast, as there are almost no changes in ordinary profit in both the environmental recycling business and the renewable energy business.

[Unit: Billion yen]

	FY2022 Nine Months(a)	FY2023 Nine Months(b)	Difference (b-a)	FY2022 Result (c)	Performance Forecast for FY2023			Difference (e-c)
					Nov 10, 2022 (d)	Feb 10, 2023 (e)	Difference (e-d)	
Net sales	13.2	13.0	-0.1	17.8	18.1	17.1	-1.0	-0.7
Operating profit	1.0	1.6	0.6	2.2	2.3	2.3	0.0	0.1
Ordinary profit	2.2	3.1	0.8	3.8	3.9	4.0	0.1	0.2
ROIC (%) Environmental Recycling					5.2	5.2	—	
ROIC (%) Renewable energy					2.4	2.4	—	


Breakdown of factors compared to previous year results

FY22 Nine Months Ordinary profit (Results)	2.2
Quantity Variation	+0.9
Income (Loss) from Equity Method Investments	+0.3
Other	-0.4
FY23 Nine Months Ordinary profit (Results)	3.1

Breakdown of factors compared to the previous full-year forecast

FY23 Full-year Ordinary profit (Previous Forecast)	3.9
Income (Loss) from Equity Method Investments	+0.1
FY23 Full-year Ordinary profit (Current Forecast)	4.0

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 MITSUBISHI MATERIALS

In the Environment & Energy business, both ordinary profit and ROIC results were in line with previous forecasts.

<Mitsubishi UBE Cement>

Mitsubishi UBE Cement

[Unit: Billion yen]

■ Major P/L Items

Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

	FY2023 Nine Months	FY2023 Full-year Forecast
Net Sales	449.6	592.0[657.5]
Operating profit (loss)	(24.2)	(28.0)[(23.5)]
Ordinary profit (loss)	(22.4)	(26.0)[(22.5)]
Profit (loss) attributable to owners of parent	(33.3)	(53.0)[(49.5)]

[]: forecast released November 10, 2022

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

Mitsubishi Materials (MMC)

Share of loss of entities accounted for equity method *	(16.9)	(26.7)[(26.4)]
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*The exchange rate used to calculate the share of loss entities accounted for using equity method is 135 yen/\$ which is the same rate used by the MMC in its earnings forecasts.

- Although the acquisition of an additional cement price hike (+3,000 yen) has been delayed due to protracted negotiations for the initial price hike (+2,200 yen) that was completed, negotiations are underway for early acquisition of the additional price hike due to the sharp rise in heat energy costs.
- Promoted profit improvement through expansion of waste utilization, energy-saving measures, etc.
- In the U.S. cement and ready-mixed concrete business, sales volume exceeded the previous year's level, and the company passed on higher energy and raw material costs to customers.

■ Environmental Factors

		FY2023 Nine Months	FY2023 Full-year Forecast
Total demand for cement in Japan	(million tons)	28.59	38.00
Cement sales volumes in Japan	(million tons)	7.01	9.18
Cement sales volumes in the U.S.	(million tons)	1.31	1.71
Ready-mixed concrete sales volumes in the U.S.	(million cy)	5.48	7.06
Coal Price	(\$/t)	392	393
Exchange Rate	(Yen/\$)	137	134

(Reference) Consolidated Balance Sheet as of December 31, 2022

Total assets	787.6	Interest-bearing debt	208.0	Shareholder's equity	336.0
Shareholder's Equity ratio	42.7%	Net D/E ratio	0.44 times		

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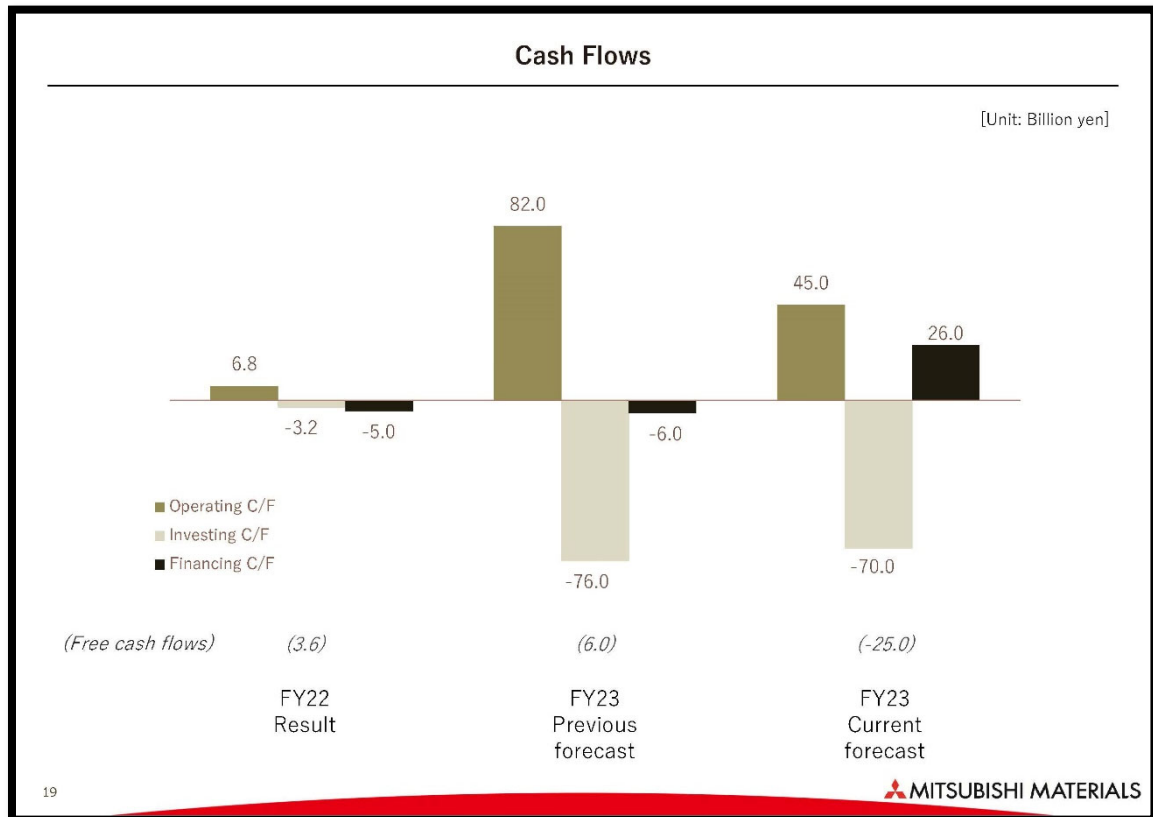
MITSUBISHI MATERIALS

This is an overview of Mitsubishi UBE Cement. The table on the left side of the slide shows the consolidated results for the first nine months and the full-year forecast. We continue to implement initiatives to improve profitability, such as increasing the use of waste materials and energy-saving measures.

As for the selling price of cement in Japan, we were able to raise the price by ¥2,200, which we proposed at the beginning of the fiscal year, as a result of gaining the general understanding of customers, although negotiations were protracted.

However, the timing of when this price increase will actually impact earnings is expected to be moved back slightly. We are also currently negotiating an additional ¥3,000 price increase, but due to the aforementioned protracted negotiations, our negotiations here have been slightly delayed. As a result, the full-year forecast for equity in losses of affiliated companies is expected to decrease from the previous forecast.

<Cash Flows>



Moving on to cash flow. Operating cash flow decreased ¥37 billion from the previous forecast to ¥45 billion due to an increase in working capital associated with higher metal prices in the Advanced Products and Metals businesses, as well as an increase in inventories in the Metals business resulting from higher gold content in the ores.

Cash flow from investments is expected to be ¥70.0 billion, an increase of ¥6 billion from the previous forecast, mainly due to a decrease in expenditures for capital investment. Free cash flow for the current fiscal year is projected to be less than the previous forecast.

In light of these difficult conditions, the dividend mentioned earlier remains unchanged.

This concludes my explanation.

Question and Answer Session

<Q&A (Summary): Level of operating profit>

Q: Focusing on the operating profit in the current forecast, for the second half of the fiscal year it is ¥13.4 billion, which means that doubling that amount would be about ¥27 billion. Could you please explain this profit level?

Even if the cement business performs better next fiscal year, a decline in operating profit would offset some of the recovery. I would like to know if there are any transitory factors in the downturn in the second half of the fiscal year, or if there are any factors that can be improved in the next fiscal year.

A: As for the level of operating profit we have in mind, we would at least like to reach the level of about ¥15 billion per quarter recorded in the second quarter of this fiscal year.

There are several factors that have contributed to the current downturn in business performance. In the Advanced Products and Metalworking Solutions businesses, sales have declined slightly due to deteriorating market conditions, which we intend to compensate for through cost reductions and other measures.

<Q&A (Summary): Improving earnings at Los Pelambres Mine>

Q: As for the Los Pelambres Mine, according to Antofagasta PLC's financial results, I understand that the start-up of the desalination plant has been delayed, though there seemed to have been some rain. I would like to know if it is safe to assume that the Los Pelambres Mine's earnings improvement will be delayed.

A: It is true that we had a little bit of rain for a while, and the capacity utilization went up to near full capacity, but January and February are the dry months in Chile, so the capacity utilization has to be reduced.

The delay in the start-up of the desalination plant has had a significant impact on our performance and we are concerned about the impact on the next fiscal year. We are working closely through the Metals Company to gather information on this matter.

<Q&A (Summary): Profit trends in the second half of the year for the Copper & copper alloy and Metalworking solutions businesses>

Q: According to the quarterly trends shown on page 22 of the presentation material, the Copper & copper alloy business shows little change between the third and fourth quarters in terms of sales volume of copper and copper alloy products, but operating profit is expected to decline in the fourth quarter compared with the third quarter. Not much change in sales is expected for the Metalworking solutions business in the third and fourth quarters, but operating profit is forecast to decline in the fourth quarter. Please explain these profit trends.

A: First of all, in the Copper & copper alloy business, the break-even point has not been sufficiently lowered yet, and we believe the impact of reduced production is directly affecting profits. In addition to this, we believe that the price increase has not been sufficient to cover the increase in energy costs.

As for the Metalworking solutions business, we believe the reason is in the composition of sales and the fact that the break-even point has not been lowered sufficiently, and we are considering increasing production efficiency.

<Q&A (Summary): Profit and loss trends from the first half of the year to the second half and price pass-throughs>

Q: Regarding the decline in profits from the first half to the second half of the fiscal year, is it correct to understand that such decline is due to an overall decrease in demand and the rise in costs, particularly energy? It was mentioned that the break-even point has yet to be fully lowered, but I would like to confirm the status of price pass-throughs.

A: As for the decline in profits from the first half to the second half of the fiscal year, energy costs and other factors had an impact, but in terms of ordinary profit, expenses related to the consolidation of production at Mitsubishi UBE Cement are recorded mostly in the second half of the fiscal year, which also contributed to the decrease.

In terms of price pass-through, the cement business is struggling due to the slow progress in raising prices by an additional ¥3,000. We hope to complete this in the next fiscal year.

In the Copper & copper alloy business, one round of price increases for general products has been completed. However, we believe that we must continue to make efforts with regard to in-vehicle related products.

Q: As for coal prices, thermal coal prices have been falling recently. Does the cement business look promising in the next fiscal year If the additional ¥3,000 price increase is completed?

A: The current coal market is highly volatile, so we are not in a situation to be happy or sad by current price movements. Each cement manufacturers are facing a very difficult situation due to the steep rise in coal prices, so I think it is more important to consider what sales strategy to use to provide products to customers.

<Q&A (Summary): Cutting tools in the Metalworking solutions business>

Q: Regarding the situation of cutting tools in the Metalworking solutions business, I am under the impression that automobile sales themselves have remained sluggish, but I would like to confirm the sales volume trends at MMC, and whether the accumulated inventory is beginning to affect sales later than the market.

A: We understand that sales in North America and Europe are decent, and it is in Japan that sales are stagnant at present.

Domestic sales prices were also revised in the Metalworking solutions business in October. In the third quarter, sales may have temporarily declined in part due to this, and we hope to recover in the fourth quarter and the first quarter of the next fiscal year.

<Q&A (Summary): Full-year forecast for the Metalworking solutions business>

Q: With regard to the full-year forecast for the Metalworking solutions business, the explanation was that while sales are expected to decline due to a drop in demand, inventories will be built up, so there is a mix of things occurring. Please explain the situation regarding orders received and volume.

A: In terms of the inventory in the Metalworking solutions business, we have not yet been able to build it up to an appropriate level. As a result, we analyze that some orders are being lost due to lack of shorter product lead times. We are now in a situation where we are producing without stopping operations in order to build up inventory to an adequate level.

Please understand that this is a temporary situation because orders have recently been falling slightly.

It is not that inventory is building up more than an appropriate level, but that the balance between the buildup and orders received in the process of right-sizing the inventory shortage is leading to this kind of mixed situation.

<Q&A (Summary): Cash flow Outlook>

Q: Free cash flow will likely be significantly more negative than in the last forecast. As of the end of December, the net D/E ratio was 0.75 and the forecast for the end of the fiscal year is 0.7. Please explain the changes in cash flow toward the end of the fiscal year.

A: The cash flow forecast announced this time incorporates the latest projections. We have factored in almost everything including those related to the business transfer and others, so you can assume that this is our best estimate.

Q: Is it a correct understanding that the net D/E ratio at the end of this fiscal year is expected to be 0.7, which is a slight improvement from the end of the third quarter?

A: Yes, it is.

<Q&A (Summary): Future prospects for price pass-throughs>

Q: I think it was mentioned in the explanation that there are still some areas where the company has not received agreement from customers to raise prices, but is this because there is a backlog of orders at the moment waiting to be filled? Also, I think we can assume that the current inflation will continue and demand will drop further, but can the company pursue the price increase which has not received customers' agreement so far under such circumstances?

A: Part of it is due to the filling of back orders, but it is not substantial. As for the status of the price increase, we have already received approval to raise prices once, but since energy costs and other costs have risen even further, we believe we must try to raise prices further.

On the other hand, we are in a very difficult situation since we are negotiating a price increase in the presence of competitors. Please understand that it is very difficult to negotiate a price increase when the production volume of automobiles is not increasing and the overall market for orders is not favorable. Therefore, we are currently thinking about our strategy, including what we to do in the next fiscal year.

<Q&A (Summary): Breakdown of increase/decrease in the full-year forecast for the Metalworking solutions business>

Q: With regard to the full-year forecast for the Metalworking solutions business, in the 'Breakdown of factors compared to the previous full-year forecast', there is an increase of ¥ 2.1 billion due to 'Other'. Please give us a breakdown of this.

A: Of the ¥2.1 billion, about 60% is related to inventory adjustments, and the remainder is a reduction in SG&A expenses.

<Q&A (Summary): Factors contributing to the profit increase in the full-year forecast for the Metals business>

Q: Please explain the increase in electrolytic copper sales and the improvement of recovery of free metals, which were cited as factors contributing to the profit increase in the Metals business forecast for the full fiscal year.

A: The increase in electrolytic copper sales means that stable operations at the Naoshima Smelter & Refinery and PT Smelting have resulted in higher-than-expected production, and the corresponding increase in electrolytic copper sales has been incorporated into the full-year forecast.

The percentage of copper recovered from one tonne of copper concentrate, is determined by several factors, including the ratio of impurities, but a high percentage of copper can be recovered when operations are stable. The current forecast incorporates the upward swing in recovery of free metals as a result of stable operations.

<Q&A (Summary): Price fluctuation impact in the Metals business>

Q: Regarding the Metals business, please explain the impact of electricity costs, sulfuric acid prices, and palladium prices, including figures.

A: First, the impact of energy costs compared with the previous year's results is a cost increase of about ¥3 billion to ¥4 billion.

With regard to sulfuric acid, the price of sulfuric acid itself rose last year due to the soaring international price of sulfur, but the international price has been declining since the second quarter of FY2023 due to a decrease in demand for fertilizer.

The price of palladium has been in a downward trend because the entire automotive industry has not been able to increase production due to a shortage of semiconductors. We had assumed the price of around \$1,900 per ounce, but the current price has fallen to between \$1,600 and \$1,700 per ounce, which has had an impact. Although it is difficult to indicate the impact of this price fluctuation, we assume that the impact will be in the range of ¥1.5 billion to ¥2.5 billion compared with the previous fiscal year's results.

<Greetings from Mr. Takayanagi>

Thank you all very much for taking the time out of your busy schedule to join us today. Aside from our third quarter financial results and forecasts, we also announced today our new medium-term management strategy. We plan to complete the selection of our business portfolio this fiscal year and hope to get back on a growth trajectory in one fell swoop, so I would like to explain about this next week.

We look forward to your continued guidance and encouragement. Thank you for today.