

Financial Results Briefing for the fiscal year ended March 31, 2023

Mitsubishi Materials' ordinary profit is expected to be ¥58 billion for the fiscal year ending March 2024 since Mitsubishi UBE Cement Corporation is expected to become profitable

【Speaker】

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

This is a transcript of Mitsubishi Materials Corporation's financial results briefing for the fiscal year ended March 2023, which took place on May 12, 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 full-year financial results for the fiscal year ended March 2023 and full-year outlook for the fiscal year ending March 2024.

【Executive Summary】

Executive Summary	
Business Environment for the 4Q of FY March 2023	<ul style="list-style-type: none"> ● In the automotive market, the North American market was robust, and the Chinese market recovered rapidly from the slump caused by the COVID-19 pandemic in the first half of the fiscal year. On the other hand, the Japanese market, including xEV-related markets, was in a stagnant phase. Thus, the overall pace of recovery was moderate. ● The semiconductor market was sluggish due to lower demand for end products from the second half of the fiscal year. The same situation is expected to continue at least through the first half of FY March 2024. ● Due to the prolonged high cost of raw materials and energy, some of these costs were added to the selling price, however, this was a factor in the decline in profit.
FY March 2023 Results	<ul style="list-style-type: none"> ● Operating profit decreased due to the impact of high raw material prices and high energy costs, as well as sluggish semiconductor and automobile markets in the Copper & copper alloy Business and the Electronic materials & components Business. (¥52.7 billion to ¥50.0 billion) ● Ordinary profit decreased due to a decrease in dividend income from the Los Pelambres mine and a significant loss on equity in earnings attributable to a rise in coal prices at Mitsubishi UBE Cement Corporation (MUCC). (¥76.0 billion to ¥25.3 billion) ● In addition to ordinary income, net income decreased due to the recording of loss on business restructuring, the recording of extraordinary income from the sale of investment securities, etc., and the decrease in tax expense due to the impact of the partial transition to the group relief system. (¥45.0 billion to ¥20.3 billion)
FY March 2024 Forecast	<ul style="list-style-type: none"> ● Operating profit is expected to increase due to improved earnings in the Copper & copper alloy Business. However, this profit is expected to remain at the same level as in FY March 2023 due to a decrease in volume in the Electronic materials & components Business. (¥50.0 billion) ● Ordinary profit is expected to increase significantly from FY March 2023 results due to an increase in dividend income from the Los Pelambres mine and an improvement in equity in earnings of MUCC. (¥58.0 billion) ● Net income is expected to roughly double from FY March 2023 due to an increase in ordinary profit. (41.0 billion) ● As a result, the dividend amount is expected to be 94 yen/share (+ 44 yen), compared to 50 yen/share in FY March 2023.
Future Outlook	<ul style="list-style-type: none"> ● As the first year of Phase 1 of the Medium-Term Management Strategy FY March 2031 (released on Feb. 10, 2023), which aims to strengthen our competitiveness, we plan to focus on improving the yield of our copper processing business and improving earnings by reducing variable costs in the Electronic materials & components Business, investing in the supply of high-performance materials and products, and expanding our tungsten business. ● We expect a company-wide ROIC of 4.1% and ROE of 6.8% in FY March 2024.

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First, here is the business environment in the fourth quarter of the fiscal year ended March 2023. In the automotive market, the North American market was robust, and the Chinese market recovered rapidly from the slump caused by the COVID-19 pandemic in the first half of the fiscal year. On the other hand, the Japanese market, including xEV-related markets, was in a stagnant phase. Thus, the overall pace of recovery was moderate.

The semiconductor market was sluggish due to lower demand for end products from the second half of the fiscal year. The same situation is expected to continue at least through the first half of the fiscal year ending March 2024. Due to the prolonged high cost of raw materials and energy, some of these costs were added to the selling price; however, this was a factor in the decline in profit.

I would like to explain our results for the fiscal year ended March 2023. Operating profit decreased overall due to the impact of high raw material prices and high energy costs, as well as sluggish semiconductor and automobile markets in the Copper & Copper Alloy business and the Electronic Materials & Components business.

Ordinary profit fell due to a decrease in dividend income from the Los Pelambres Mine and a significant loss on equity in earnings attributable to a rise in coal prices at Mitsubishi UBE Cement Corporation.

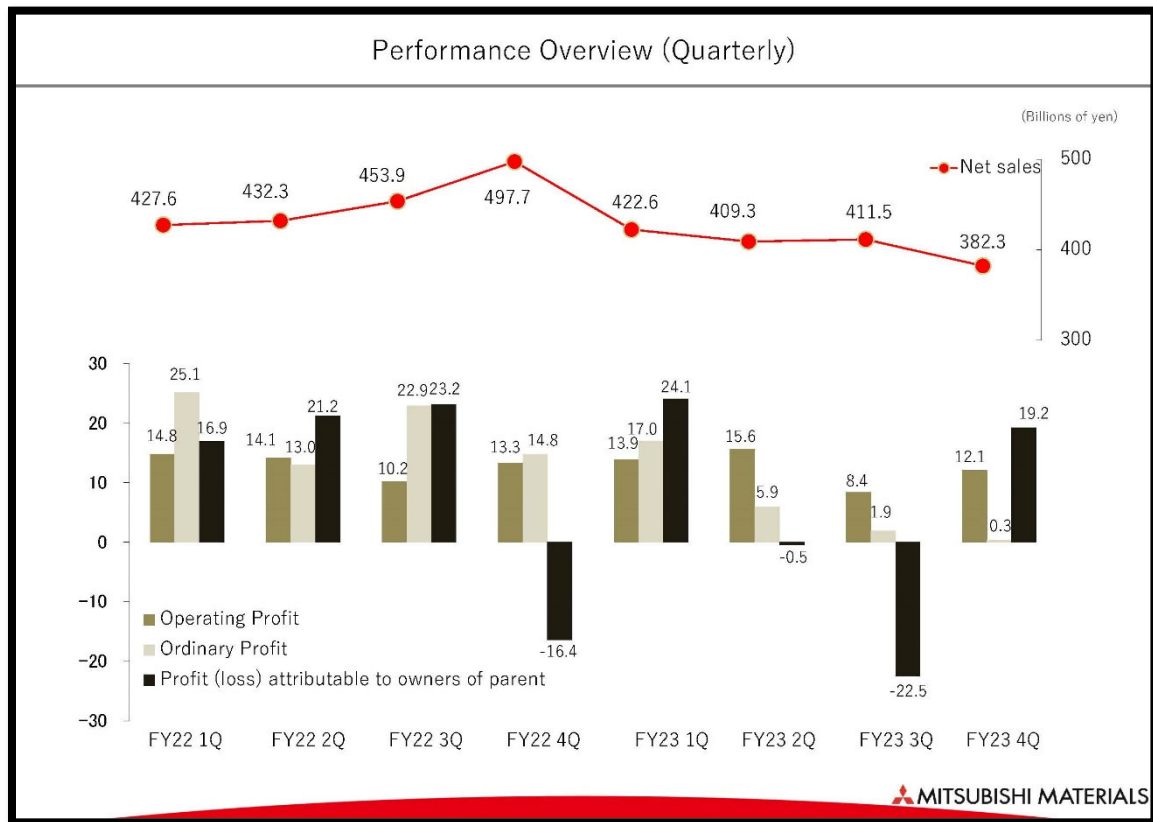
In addition to the reduction in ordinary profit, net income was affected by the recording of a loss on business restructuring, the recording of extraordinary income from the sale of investment securities, etc., and the decrease in tax expense due to the impact of the transition to the group relief system. As a result, net income dropped from the previous fiscal year, while the gap with ordinary profit is much smaller.

In our full-year performance forecast for the fiscal year ending March 2024, operating profit is expected to increase due to improved earnings in the Copper & Copper Alloy business. On the other hand, this profit is expected to remain at the same level as in the fiscal year ended March 2023 due to a decrease in volume in the Electronic Materials & Components business.

Ordinary profit is expected to rise significantly from the fiscal year ended March 2023 due to an increase in dividend income from the Los Pelambres Mine and an improvement in equity in earnings of Mitsubishi UBE Cement Corporation. Net income is expected to roughly double from the fiscal year ended March 2023 due to higher ordinary profit. As a result, the dividend amount is expected to be ¥94 per share, compared with ¥50 per share in the fiscal year ended March 2023.

With respect to the future outlook, as the first year of Phase 1 of Medium-term Management Strategy FY2031 released recently, which aims to strengthen our competitiveness, we plan to focus on improving the yield rate of our Copper & Copper Alloy business and improving earnings. We will do this by reducing variable costs in the Electronic Materials & Components business, investing in the supply of high-performance materials and products, and expanding our tungsten business. We expect a company-wide ROIC of 4.1% and ROE of 6.8% in the fiscal year ending March 2024.

【Performance Overview (Quarterly)】



Next, please look at the quarterly trends. Net sales are shown in the line graph on the slide. Net sales for the fourth quarter of the fiscal year ended March 2023 fell approximately ¥29.2 billion from the third quarter of the same year.

The main factor was PT Smelting's shift to the contract smelting method in the Metals business from January this year, in addition to the impact of the markets.

As shown in the bar graph at the bottom of the slide, operating profit and net income for the fourth quarter increased from the third quarter. On the other hand, ordinary profit declined.

Operating profit increased overall for the fourth quarter due to the elimination of furnace maintenance expenses at PT Smelting and Onahama Smelter & Refinery, which were recorded for the third quarter, despite the impact of furnace maintenances at the Naoshima Smelter & Refinery, the deteriorating market conditions in the Electronic Materials & Components business, and the soaring raw material costs due to higher tungsten prices in the Metalworking Solutions business.

With respect to ordinary profit, there was a significant loss on equity in earnings of the Company, because much of the business restructuring expenses at Mitsubishi UBE Cement Corporation were recorded as extraordinary losses for the fourth quarter.

Net income improved approximately ¥41.7 billion due to the impact of the provision for losses related to the restructuring of the polycrystalline silicon business for the third quarter and lower tax expenses as a result of adopting the group relief system.

【Comparison with the Previous FY Results (Income statement, exchange rates, copper prices)】

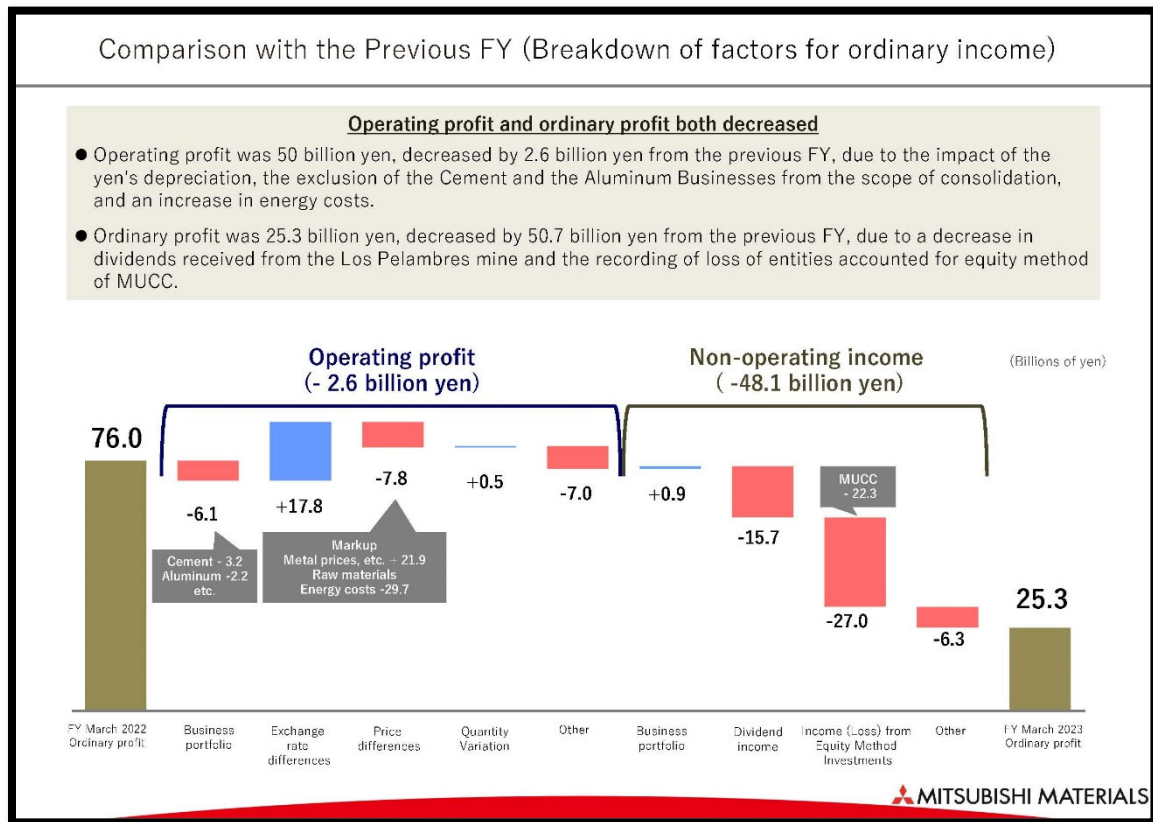
Comparison with the Previous FY Results			
	(Billions of yen)		
	FY March 2022 Results (a)	FY March 2023 Results (b)	Difference (b-a)
Net Sales	1811.7	1,625.9	-185.8
Operating profit	52.7	50.0	-2.6
Dividend income	25.3	9.2	-16.0
Other financial income and expenses	-4.9	-4.3	+0.5
Share of profit (loss) of entities accounted for using equity method	5.0	-21.9	-27.0
Non-operating income (loss)	-2.0	-7.7	-5.6
Ordinary profit	76.0	25.3	-50.7
Extraordinary income (loss)	0.5	-10.5	-11.0
Income taxes	-24.0	10.8	+34.8
Profit (loss) attributable to non-controlling interests	-7.5	-5.2	+2.3
Profit attributable to owners of parent	45.0	20.3	-24.6
Dollar exchange rate (yen/\$)	112	135	+23
Euro exchange rate (yen/€)	131	141	+10
Copper Price (LME) (cents/lb)	440	388	-52

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Here is a comparison of the results for the fiscal year ended March 2022 and the fiscal year ended March 2023. For the fiscal year ended March 2023, net sales were ¥1,625.9 billion, operating profit came to ¥50 billion, ordinary profit was ¥25.3 billion, and net profit attributable to owners of the parent was ¥20.3 billion, a decrease in sales and profit from the same period of the previous fiscal year.

The restructuring of the business portfolio implemented to date has excluded the Cement business and the Aluminum business from the scope of consolidation for the fiscal year ended March 2023. The changes in operating profit and ordinary profit are explained in detail on the next slide.

【Comparison with the Previous FY (Breakdown of factors for ordinary income)】



Here is the analysis of changes in ordinary profit. As indicated in bold above the waterfall graph on the slide, operating profit fell ¥2.6 billion and non-operating income decreased ¥48.1 billion. Operating profit decreased due to ¥6.1 billion decrease attributable to the reorganization of the business portfolio, price differences and other factors, despite the depreciation of the yen.


In terms of price differences, the soaring raw material prices and energy costs had a significant impact, and we have not been able to cover all of it despite partial price pass-throughs. Other factors contributing to the decline in profit by ¥7 billion include a drop in recovery of free metals in the Metals business, an increase in furnace repair costs, and higher hedging costs in the Copper & Copper Alloy and Metals businesses.

Non-operating income fell due to a decrease in mine dividends and an increase in loss on equity in earnings of Mitsubishi UBE Cement Corporation from the previous fiscal year.

【Comparison with the Previous FY Results (Breakdown by segment)】

Comparison with the Previous FY Results (Breakdown by Segment)									
(Billions of yen)									
Segment	FY March 2022 Results (a)			FY March 2023 Results (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	485.9	14.7	16.9	526.3	8.1	7.1	+40.4	-6.5	-9.7
Copper & copper alloy	366.6	4.6	5.3	402.1	2.6	-0.0	+35.5	-1.9	-5.3
Electronic materials & components	120.7	10.0	11.6	124.6	5.9	7.7	+3.9	-4.0	-3.8
Metalworking Solutions	132.6	14.1	14.5	141.6	14.1	14.5	+9.0	-0.0	-0.0
Metals	997.1	25.2	50.2	1,085.7	27.5	28.0	+88.5	+2.2	-22.2
Environment & Energy	17.8	2.2	3.8	17.3	2.6	4.5	-0.5	+0.3	+0.7
Others *2	459.5	10.5	6.6	164.2	7.3	-17.6	-295.3	-3.2	-24.3
Adjustment Amount	-281.3	-14.2	-16.1	-309.3	-9.6	-11.3	-27.9	+4.5	+4.7
Total	1,811.7	52.7	76.0	1,625.9	50.0	25.3	-185.8	-2.6	-50.7

*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."

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Here is a breakdown by business segment compared with the previous fiscal year. As for advanced products, net sales grew in both the Copper & Copper Alloy and Electronic Materials and Components businesses. However, operating profit declined due to higher raw material prices and energy costs, and ordinary profit also fell due to the increased burden of non-operating expenses.

In the Metalworking Solutions business, both operating profit and ordinary profit were almost unchanged from the previous year. In the Metals business, ordinary profit dropped due to a large decrease in mine dividends. In the Environment & Energy business, both home appliance recycling and renewable energy performed almost as expected, and both operating profit and ordinary profit increased.

【Comparison with the Previous Forecast on February 10, 2023】

Comparison with the Previous Forecast			
	FY March 2023 Previous Forecast Feb 10, 2022 (a)	FY March 2023 Results (b)	Difference (b-a)
(Billions of yen)			
Net sales	1,680.0	1,625.9	-54.0
Operating profit	43.0	50.0	+7.0
Ordinary profit	15.0	25.3	+10.3
Profit attributable to owners of parent	6.0	20.3	+14.3
Dollar exchange rate (yen/\$)	135	135	-
Euro exchange rate (yen/€)	140	141	+1
Copper Price (LME) (cents/lb)	385	388	+3
Dividend per share (yen)	50	50	-

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Here is a comparison of the results with the previous forecast announced on February 10, 2023. Both operating profit and ordinary profit exceeded the previous forecasts.

This resulted from an improvement in recovery of free metals due to the continuous stable operations in the Metals business and a decrease in loss on equity in earnings of Mitsubishi UBE Cement Corporation, despite a slightly negative impact of a decline in sales of copper & copper alloy products in the Advanced Products business and a fall in some metal prices in the Metals business.

Mitsubishi UBE Cement Corporation's operating profit and ordinary profit did not deviate significantly from the previous forecasts, but the company is expected to move from a significant deficit to a profit in FY2024 and beyond due to the New Medium-term Management Strategy.

As a result, some deferred tax assets are expected to be recorded, and this will reduce tax expenses. Extraordinary losses on restructuring also decreased. As a result, loss on equity in earnings decreased.

【Consolidated Balance Sheet】

Consolidated Balance sheet							
	End of March 2022 (a)	End of March 2023 (b)	Difference (b-a)		End of March 2022 (a)	End of March 2023 (b)	Difference (b-a)
							(Billions of yen)
Cash and deposits	159.2	142.1	-17.0	Notes and accounts payable - trade	158.5	85.2	-73.3
Notes and accounts Receivable - trade	249.8	188.4	-61.3	Borrowings, bonds payable and commercial papers	608.7	533.5	-75.1
Inventories	454.5	377.6	-76.9	Other liabilities	702.0	644.1	-57.8
Other	375.2	407.7	+32.4	Total liabilities	1,469.2	1,262.9	-206.3
Total current assets	1,238.9	1,116.0	-122.8	Share capital	119.4	119.4	-
Property, plant and equipment and intangible assets	677.7	454.9	-222.7	Capital surplus and treasury shares	76.5	79.0	+2.5
Investments and other assets	208.3	320.7	+112.4	Retained earnings	328.8	338.8	+10.0
Total non-current assets	886.0	775.7	-110.3	Accumulated other comprehensive income	59.9	55.9	-4.0
Total assets	2,125.0	1,891.7	-233.2	Non-Controlling interests	70.9	35.5	-35.3
Shareholders' equity ratio	28 %	31 %		Total net assets	655.7	628.8	-26.8
Net D/E ratio	0.8 times	0.7 times		Total liabilities and net assets	2,125.0	1,891.7	-233.2

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Here is the consolidated balance sheet. The balance at the end of March 2023 was ¥1,891.7 billion, a decrease of ¥233.2 billion from the end of March last year. This was mainly due to the fact that the establishment of Mitsubishi UBE Cement Corporation excluded the Cement business from the scope of consolidation, resulting in a loss of approximately ¥200 billion in assets and approximately 170 billion in liabilities.

【Performance Forecast for FY March 2024 (Income statement, dividend per share)】

Performance Forecast for FY March 2024

(Billions of yen)

	FY March 2023 Results (a)	FY March 2024 Forecast (b)	Difference (b-a)
Net sales	1,625.9	1,670.0	+44.1
Operating profit	50.0	50.0	± 0.0
Dividend income	9.2	17.8	+8.6
Other financial income	-4.3	-4.7	-0.4
Equity in net income	-21.9	6.6	+28.5
Other non-operating income	-7.7	-11.7	-4.0
Ordinary profit	25.3	58.0	+32.7
Extraordinary income (loss)	-10.5	-2.0	+8.5
Income taxes	10.8	-10.1	-20.9
Profit attributable to non-controlling interests	-5.2	-4.9	+0.3
Profit attributable to owners of parent	20.3	41.0	+20.7
Dividend per share (yen)			
Interim dividend	25	47	+22
Final dividend	25	47	+22


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Here is the full-year forecast for the fiscal year ending March 2024. Net sales will be ¥1,670 billion, operating profit is expected to be ¥50 billion, ordinary profit will post ¥58 billion, and net profit attributable to owners of the parent will come to ¥41 billion. In accordance with the dividend policy stated in Medium-term Management Strategy FY2031 announced in February of this year, we have increased the annual dividend to ¥94 per share, up ¥44.

【Exchange rates, copper prices, sensitivity, and business indicators for FY March 2024 Performance Forecast】


Exchange rates, copper prices, sensitivity, and business indicators for Performance Forecast

Exchange rates, Copper prices				Full Year
Dollar-Yen Exchange Rate	Yen/\$			135
Euro-Yen Exchange Rate	Yen/€			145
Copper price (LME)	¢/lb			390
Sensitivity				Full Year
Dollar-Yen Exchange Rate	Yen/\$	Operating profit		0.80
Euro-Yen Exchange Rate	Yen/€	Operating profit		0.17
Copper Price (LME)	+10¢/lb	(a) Operating profit		0.59
		(b) Non-operating Income		1.84
		(a + b) Ordinary Income		2.43

(Billions of yen)

Management index		FY March 2023 Results	FY March 2024 Forecast	FY March 2026 Plan	FY March 2031 Target
ROIC Before deducting non-risk inventories	%	*1 1.4	4.1	5.5	9.0
ROE	%	3.5	6.8	10.0	13.6

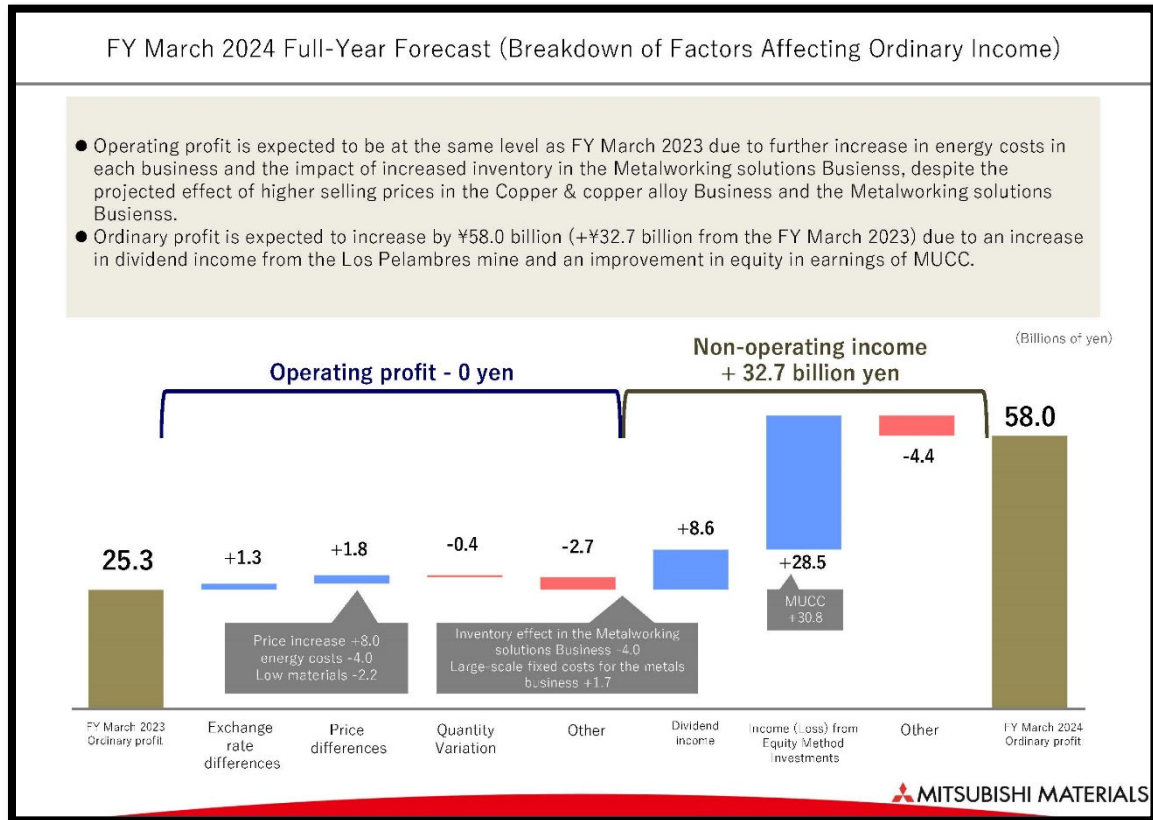
*1 ROIC(after deducting non-risk inventories) on FY Mar/2023 was 2.6%

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I would like to explain the assumptions underlying our performance forecasts and key management index. As for the assumptions for performance forecasts, we assume foreign exchange rates to be ¥135 to the dollar and ¥145 to the euro, and the copper price to be 390 cents per pound, based on recent developments and the consensus price of financial institutions.

Sensitivity to changes in the assumptions is shown in the middle of the slide. The lower part of the slide shows ROIC and ROE over time. We expect net income to recover for the fiscal year ending March 2024, and both indicators are expected to improve from the previous fiscal year.

【FY March 2024 Full-Year Forecast (Breakdown of factors affecting ordinary profit)】



Here is the analysis of changes in ordinary profit. Compared with the previous fiscal year, operating profit is expected to be almost unchanged from the previous year, and non-operating income will be up ¥32.7 billion. Operating profit is expected to benefit from price increases in the Copper & Copper Alloy and Metalworking Solutions businesses.

On the other hand, there has been the impact of increased inventory in the Metalworking Solutions business in the second half of FY2023, in addition to a further increase in energy costs. As a result, operating profit is expected to remain at the same level as the previous fiscal year.

In terms of non-operating income, ordinary profit is expected to end up at ¥58 billion due to an increase in dividend income from the Los Pelambres Mine and an improvement in equity in earnings of Mitsubishi UBE Cement Corporation.

【FY March 2024 Full-Year Forecast (Breakdown by segment)】

FY March 2024 Full-Year Forecast (Breakdown by Segment)									
(Billions of yen)									
	FY March 2023 Results (a)			FY March 2024 Forecast (b)			Difference (b-a)		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Metals	1,089.3	28.2	29.9	1,071.7	21.9	34.5	-17.6	-6.3	+4.6
Advanced Products *1	526.3	8.1	7.1	547.4	15.5	12.6	+21.1	+7.4	+5.5
Copper & copper alloy	402.1	2.6	-0.0	464.0	9.7	6.7	+61.9	+7.1	+6.7
Electronic materials & components	124.6	5.9	7.7	84.9	6.1	6.3	-39.7	+0.2	-1.4
Metalworking Solutions	141.6	14.1	14.5	153.9	14.3	15.2	+12.3	+0.2	+0.7
Environment & Energy	3.4	0.2	0.9	4.5	0.5	0.4	+1.1	+0.3	-0.5
Others	170.6	9.0	-15.9	160.8	5.9	8.7	-9.8	-3.1	+24.6
Adjustment Amount	-305.4	-9.6	-11.3	-268.3	-8.1	-13.4	+37.1	+1.5	-2.1
Total	1,625.9	50.0	25.3	1,670.0	50.0	58.0	+44.1	-0.0	+32.7

*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."

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Here are changes from the previous year by business segment. I would like to explain the details of each business in the subsequence slides. To explain one point, we have moved home appliance recycling from the Environment & Energy Company to the Metals Company as part of the current reorganization. The remaining renewable energy is listed as a separate segment.

【Metals Business】

Metals Business

- Ordinary profit on FY March 2023 was 28.0 billion yen, decreased by 22.2 billion yen from FY March 2022, due to the yen depreciated, an increase in energy costs, mine dividends, and a decrease in equity in earnings.
- Ordinary profit on FY Marh 2024 is forecast at 34.5 billion yen, increased by 4.6 billion yen from FY March 2023, due to an increase dividends received while energy costs are expected to increase.
- ROIC is expected to be 6.2%(-0.8 % YoY) due to the increase in invested capital, although ordinary profit is expected to increase.

Previous Organization

Current Organization

(Billions of yen, thousand tons)

	FY March 2022 Results (a)	FY March 2023 Results (b)	Difference (b-a)	FY March 2023 Results (c)	FY March 2024 Forecast (d)	Difference (d-c)
Net sales	997.1	1,085.7	+88.5	1,089.3	1,071.7	-17.6
Operating profit	25.2	27.5	+2.2	28.2	21.9	-6.3
Ordinary profit	50.2	28.0	-22.2	29.9	34.5	+4.6
Sales volumes of copper cathodes(in-house product)	316	318	+2	318	399	+81
Sales volumes of copper cathodes(PTS)*1	271	240	-31	240	-	-240
Dividend from copper mine	23.5	7.2	-16.3	7.2	15.8	+8.6
ROIC(%)		6.8		7.0	6.2	-0.8

*1 Sales volume of copper cathodes is as a custom smelter

Before deducting non-risk inventories

ROIC(after deducting non-risk inventories) was 13.5%

Breakdown of factors compared to previous year results

FY March 2022 Results	50.2
Exchange rate differences	+9.5
Price differences	-4.1
Quantity Variation	-0.2
Dividend income	-16.3
Income (Loss) from Equity Method Investments	-5.9
Other	-5.2
FY March 2023 Results	28.0

Breakdown of factors compared to the previous full-year forecast

FY March 2023 Results	29.9
Price differences	-1.1
Quantity Variation	+0.4
Dividend income	+8.6
Income (Loss) from Equity Method Investments	-0.1
Other	-3.2
FY March 2024 Forecast	34.5

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The results of the Metals business for the fiscal year ended March 2023 are shown in two categories, namely, “FY March 2023 Results (b)” and “FY March 2023 Results (c),” in line with changes resulting from the reorganization of segments. “Results (b)” uses the old segments, and “Results (c)” shows the figures from the new segments including home appliance recycling.

According to “Results (b)” for the fiscal year ended March 2023, ordinary profit declined ¥22.2 billion from the previous fiscal year. Despite the effect of the yen’s depreciation, major factors contributing to the decreased profit include higher energy costs, lower dividends from the Los Pelambres Mine, and deteriorated earnings from the Copper Mountain and Mantoverde Mines, both of which are accounted for by the equity method.

Next, as for the forecast for the fiscal year ending March 2024, ordinary profit is expected to increase ¥4.6 billion from the previous fiscal year. Main factors contributing to the higher profit include an expected increase in dividend income from mines in which we have invested.

Particularly as for the Los Pelambres Mine, we expect its dividends to go up ¥8.2 billion from the previous fiscal year due to an expected increase in the production volume resulting from the planned completion of the construction for expanding the concentrator in July 2023. With respect to furnace maintenances at Smelters & Refineries in the fiscal year ending March 2024, they are not planned at Naoshima Smelter & Refinery in Japan. Onahama Smelter & Refinery is planning maintenances for about a month.

PT Smelting plans to do some construction to expand while suspending operations for 75 days from May to mid-July. ROIC is expected to be 6.2% for the fiscal year ending March 2024 from 7.0% for the fiscal year ended March 2023, partly due to increased inventory, despite an increase in earnings.

【Advanced Products Business (Copper & copper alloy)】

Advanced Products Business (Copper & copper alloy)

- Ordinary profit on FY March 2023 was 0 billion yen, decreased by 5.3 billion yen from FY March 2022, due to an increase in energy costs and hedging costs, as well as an increase in non-operating expenses.
- Ordinary profit on FY March 2024 is forecast at 6.7 billion yen, increased by 6.7 billion yen from FY March 2023, due to the effect of the revision of sales and the increase in sales volume of copper & copper alloy products.
- ROIC is expected to be 2.8% (+2.2 % YoY) due to the recovery of ordinary profit.

(Billions of yen, thousand tons)

	FY March 2022 Results (a)	FY March 2023 Results (b)	Difference (b-a)	FY March 2024 Forecast (c)	Difference (c-b)
Net sales	366.6	402.1	+35.5	464.0	+61.9
Operating profit	4.6	2.6	-1.9	9.7	+7.1
Ordinary profit	5.3	0.0	-5.3	6.7	+6.7
Sales volume of copper & copper alloy products	138	134	-4.0	148	+14
ROIC(%) <small>Before deducting non-risk inventories</small>		0.6		2.8	+2.2


ROIC (after deducting non-risk inventories) was 0.8%

Breakdown of factors compared to previous year results

FY March 2022 Results	5.3
Business portfolio	-1.2
Exchange rate difference	+0.5
Price difference	+0.5
Quantity Variation	+0.9
Income (Loss) from Equity Method Investments	+0.3
Other	-6.3
FY March 2023 Results	-0.0

Breakdown of factors compared to the previous full-year forecast

FY March 2023 Results	-0.0
Exchange rate differences	+0.2
Price differences	+3.0
Quantity Variation	+3.5
Income (Loss) from Equity Method Investments	-0.4
Other	+0.4
FY March 2024 Forecast	6.7

 MITSUBISHI MATERIALS

MITSUBISHI MATERIALS

As for the results of the Copper & Copper Alloy business for the fiscal year ended March 2023, ordinary profit was unfortunately zero, a decline of ¥5.3 billion from the previous fiscal year. This was mainly due to operating profit that was lower than the previous fiscal year resulting from higher energy and hedging costs, and decreased valuation gains on Luvata's derivatives recorded for the previous fiscal year.

Here is the forecast for the fiscal year ending March 2024. Ordinary profit is expected to recover by ¥6.7 billion from the previous fiscal year. Major factors include incorporating an increase in processing fees announced in October of the previous year, in addition to the increase in sales of copper and copper alloy products.

The sales volumes of copper and copper alloy products are also expected to increase approximately 10% from the previous fiscal year, based on automakers' plans to increase production. In addition, Luvata, our subsidiary, expects to expand sales of welding, electrode materials and superconducting wires due to growing demand for products for automobiles and MRI.

The investment of approximately ¥30 billion to increase production, which is a growth investment, is also proceeding on schedule, including the increase in production capacity of the Sakai Plant. I would like to give a detailed explanation at the Business Strategy IR Meeting on April 17. We expect a significant improvement of ROIC to 2.8% for the fiscal year ending March 2024.

【Advanced Products Business (Electronic materials and components)】

Advanced Products Business (Electronic materials & components)					
<ul style="list-style-type: none"> ● Ordinary profit on FY March 2023 was 7.7 billion yen, decreased by 3.8 billion yen from FY March 2022, due to an increase in energy costs and a decrease in sales of semiconductor-related products. ● Ordinary profit on FY March 2024 is forecasted at 6.3 billion yen , decreased by 1.4 billion yen from FY March 2023, due to a decrease in sales caused by the deterioration of the semiconductor market. ● ROIC is expected to be 6.5% (-2.2 % YoY) due to the projected decrease in ordinary profit. 					
(Billions of yen)					
	FY March 2022 Results (a)	FY March 2023 Results (b)	Difference (b-a)	FY March 2024 Forecast (c)	Difference (c-b)
Net sales	120.7	124.6	+3.9	84.9	-39.7
Operating profit	10.0	5.9	-4.0	6.1	+0.2
Ordinary profit	11.6	7.7	-3.8	6.3	-1.4
ROIC(%) <small>Before deducting non-risk investments</small>		8.7		6.5	-2.2

Breakdown of factors compared to previous year results	
FY March 2022 Results	11.6
Business portfolio	-0.3
Exchange rate differences	+2.8
Price differences	-2.5
Quantity Variation	-1.0
Dividend income	-0.3
Other	-2.5
FY March 2023 Results	7.7

Breakdown of factors compared to the previous full-year forecast	
FY March 2023 Results	7.7
Price differences	-1.2
Quantity Variation	-3.1
Dividend income	-0.3
Income (Loss) from Equity Method Investments	-0.5
Other	+3.7
FY March 2024 Forecast	6.3

MITSUBISHI MATERIALS

Here are the results of the Electronic Materials and Components business for the fiscal year ended March 2023. Ordinary profit fell ¥3.8 billion from the previous fiscal year. This was mainly due to a decline in orders for precision silicon products affected by the deterioration of the semiconductor market.

In the forecast for the fiscal year ending March 2024, ordinary profit is expected to decrease further by ¥1.4 billion from the previous fiscal year. The impact of this deterioration of the semiconductor market is still considerable, and we also expect to see a decline in sales of precision-mounted materials in addition to precision silicon products.

Net sales are expected to decrease ¥39.7 billion from the previous fiscal year, of which ¥33 billion will be due to the transfer of the polycrystalline silicon business. Excluding its effect, net sales are expected to decrease approximately ¥6.5 billion.

The semiconductor market is expected to recover from the second half of the fiscal year. We want to ride the wave of recovery successfully by understanding market changes in a timely manner. ROIC for the fiscal year ending March 2024 is expected to decline from 8.7% for the previous fiscal year to 6.5% partly due to the deteriorated market conditions.

【Metalworking Solutions Business】

Metalworking Solutions Business					
<ul style="list-style-type: none"> ● Ordinary profit on FY March 2023 was 14.5 billion yen, almost unchanged from FY March 2022, due to an increase in energy and raw material costs and a decrease in sales in China. ● Ordinary profit on FY March 2024 is forecasted at 15.2 billion yen, increased by 0.7 billion yen from FY March 2023, due to the effect of higher sales prices and the expected moderate growth of the sales environment. ● ROIC is expected to be 6.5% (-0.4% YoY) due to an increase in investment capital despite an increase in ordinary profit. 					
(Billions of yen)					
	FY March 2022 Results (a)	FY March 2023 Results (b)	Difference (b-a)	FY March 2024 Forecast (c)	Difference (c-b)
Net sales	132.6	141.6	+9.0	153.9	+12.3
Operating profit	14.1	14.1	-0.0	14.3	+0.2
Ordinary profit	14.5	14.5	-0.0	15.2	+0.7
ROIC(%)		6.9		6.5	-0.4

Breakdown of factors compared to previous year results	
FY March 2022 Results	14.5
Exchange rate differences	+4.7
Price differences	-1.1
Quantity Variation	-2.8
Other	-0.8
FY March 2023 Results	14.5

Breakdown of factors compared to the previous full-year forecast	
FY March 2023 Results	14.5
Exchange rate differences	+1.0
Price differences	+1.0
Quantity Variation	+1.6
Dividend income	+0.9
Other	-3.8
FY March 2024 Forecast	15.2

 MITSUBISHI MATERIALS

Here are the results of the Metalworking Solutions business for the fiscal year ended March 2023. The results ended up at almost the same level as the previous fiscal year due to a decrease in sales to the Chinese region and an increase in energy costs, despite positive effects of the yen's depreciation.

In the forecast for the fiscal year ending March 2024, ordinary profit is expected to increase ¥0.7 billion from the previous fiscal year. This will be mainly due to stronger sales of cutting tools and the expected effect of sales price increases implemented in Japan and overseas last year.

Shipments of cutting tools are expected to increase 7% from the previous fiscal year, reflecting increased demand for aircraft and medical applications, as well as a recovery of automobile production in certain regions. ROIC is expected to be 6.5%.

[Mitsubishi UBE Cement Corporation]

Mitsubishi UBE Cement Corporation

■ Major P/L Items

Mitsubishi UBE Cement Corporation and Consolidated Subsidiaries

(Billions of yen)

	FY March 2023 Results	FY March 2024 Forecast
Net sales	576.3	670.0
Operating profit	-28.4	25.0
Ordinary profit	-25.8	25.5
Profit (loss) attributable to owners of parent	-47.3	14.5

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

Share of loss of entities accounted for equity method *	-24.9	5.9
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*Share of loss of entities accounted for equity method for the fiscal year ending March 31, 2024 is calculated based on Our Company's forecast of ¥135/\$ exchange rate.

In April 2022, the company began operations as Mitsubishi UBE Cement Corporation

In the domestic business, under the severe business environment caused by the steep rise in thermal energy prices, we implemented measures to improve profits and losses by raising cement prices in two stages, improving the structure (shutdown of Aomori Plant and Iso No. 2 kiln), and increasing the use of cheap thermal energy.

In addition to improving the supply system for cement and ready-mixed concrete, the U.S. business raised prices.

In the fiscal year ending March 23, the Company posted a loss due to the deterioration of the business environment and the posting of expenses for structural improvement. However, the Company expects to post a profit in the fiscal year ending March 24 through the implementation of the measures to improve its profit and loss announced in the fiscal year ending March 23.

■ Environmental Factors

		FY March 2023 Results	FY March 2024 Forecast
Total demand for cement in Japan	(million tons)	37.24	38.00
Cement sales volumes in Japan	(million tons)	9.09	9.28
Cement sales volumes in the U.S.	(million tons)	1.63	1.69
Ready-mixed concrete sales volumes in the U.S.	(million cy)	6.74	7.48
Coal Price	(\$/ t)	356	370
Exchange Rate	(Yen/ \$)	135	130

(Reference) Consolidated balance sheet as of March 31, 2023

(Billions of yen)

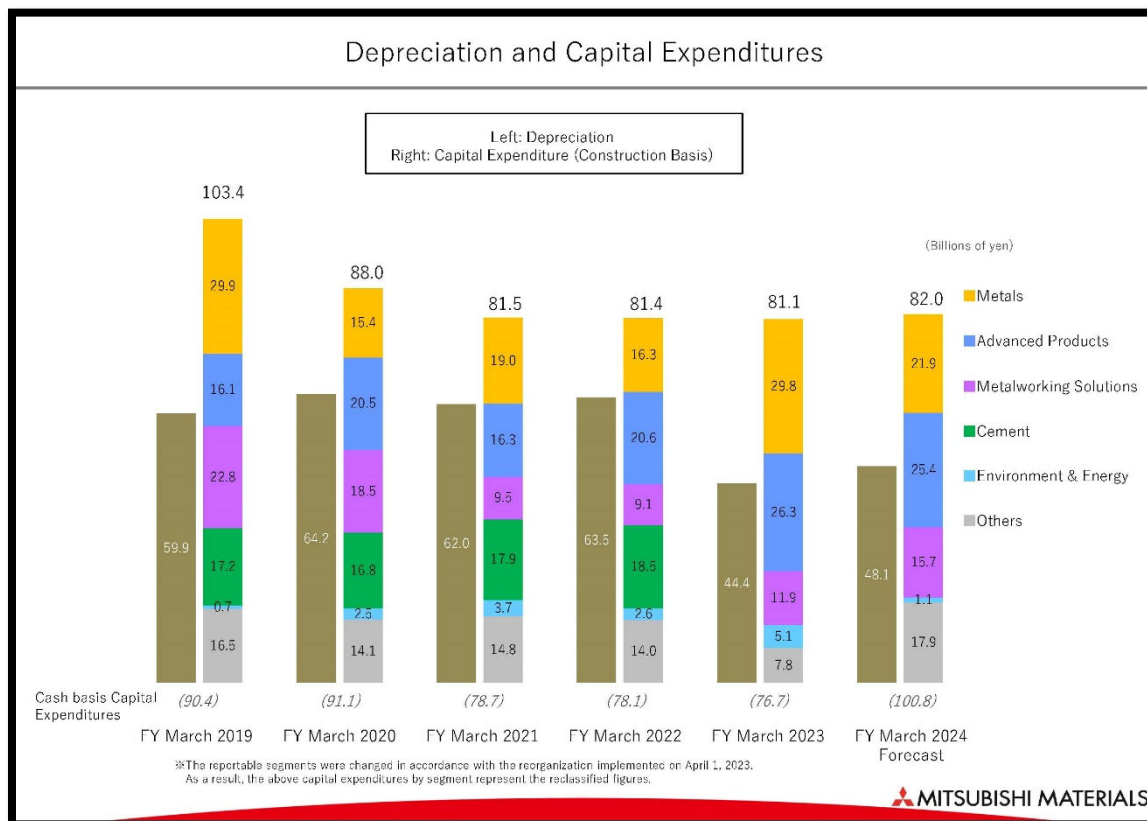
Total assets	772.7	Interest-bearing debt	217.5	Shareholder's equity	319.8
Shareholder's equity ratio (%)	41.4%	Net D/E ratio	0.48 times		

MITSUBISHI MATERIALS

This is about Mitsubishi UBE Cement Corporation. First, I would like to explain the results for the fiscal year ended March 2023. Net sales were ¥576.3 billion, and net profit attributable to owners of the parent was a loss of ¥47.3 billion. This was mainly due to the recording of restructuring costs in light of the deteriorating business environment, including higher thermal energy costs.

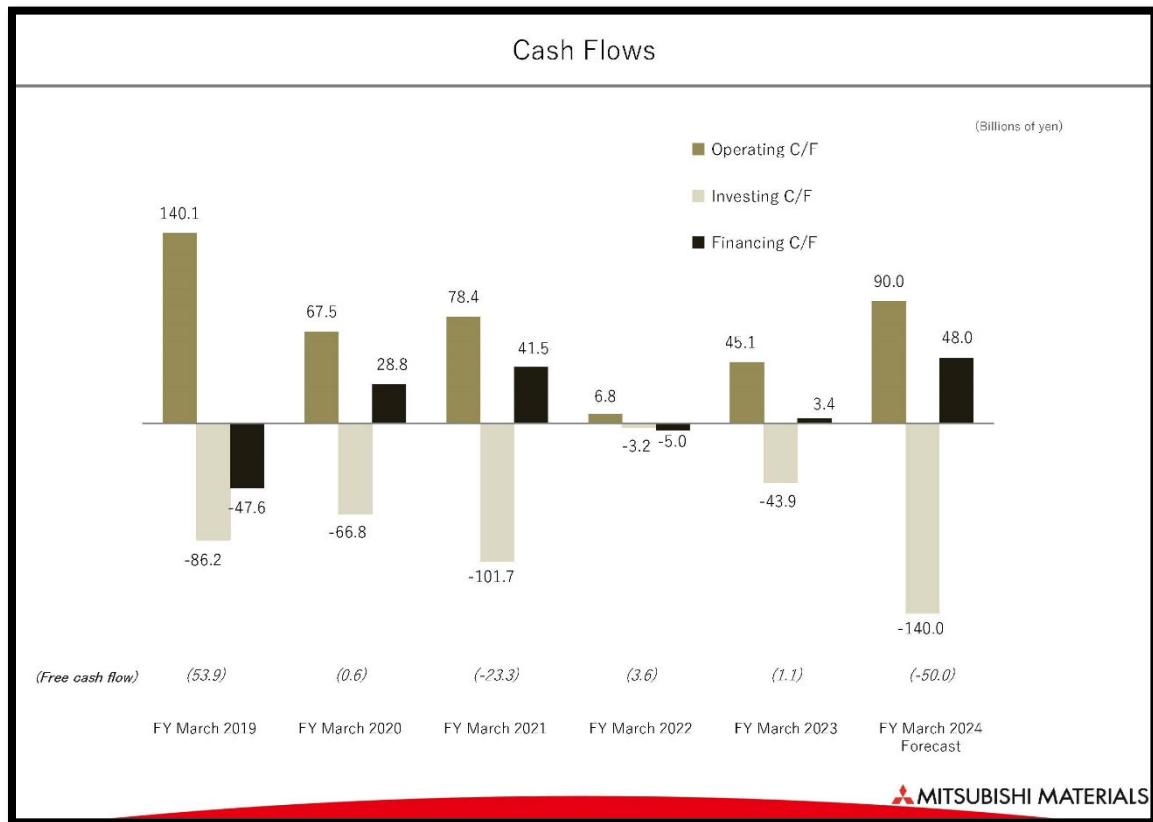
In the forecast for the fiscal year ending March 2024, net sales are expected to be ¥670 billion, and net profit attributable to owners of the parent will be a surplus of ¥14.5 billion. Factors contributing to this return to profitability include an increase in cement prices, effects of restructuring, and incorporation of measures to improve profits and losses, such as expanding the use of cheap thermal energy, as a response to an increase in thermal energy costs.

【Depreciation and Capital Expenditures】



This shows depreciation and capital expenditures for each fiscal year. For the fiscal year ended March 2023, depreciation was ¥44.4 billion and capital expenditures were ¥81.1 billion. For the fiscal year ending March 2024, depreciation is planned to be ¥48.1 billion and capital expenditures are planned to be ¥82 billion.

【Cash Flows】



Here is the cash flow for each fiscal year. The results for the fiscal year ended March 2023 show an improvement in free cash flow compared with the most recent forecasts.

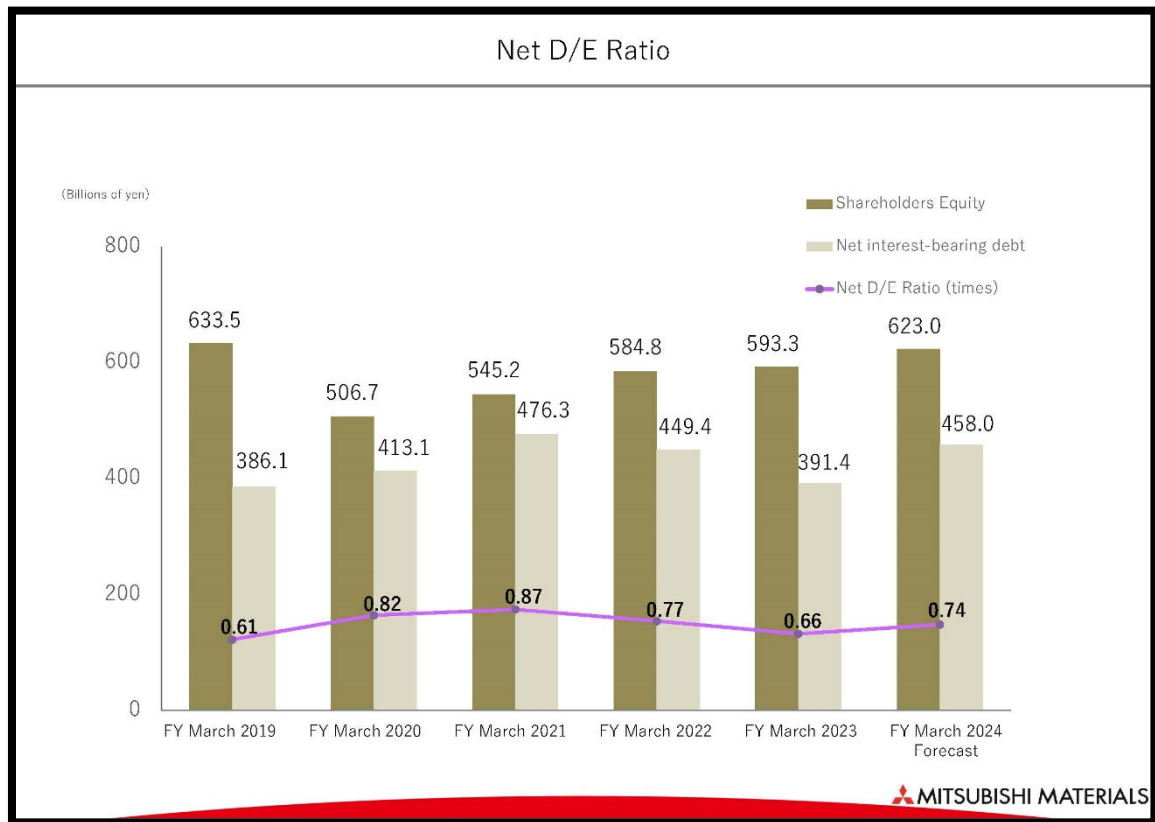
Operating cash flow remained at the same level as the previous forecast due to an increase in working capital associated with rising copper prices, despite an increase in ordinary profit. Investing cash flow improved significantly due to an increase in gain on sale of assets and a decrease in capital expenditures.

The forecasts for the fiscal year ending March 2024 are shown on the slide. Operating cash flow is expected to be ¥90 billion, an increase of ¥35 billion from the previous fiscal year, in light of the recovery in business performance.

As for investing cash flow, we plan to invest a total of ¥140 billion as growth investments, in addition to normal maintenance and renewal, in accordance with our policy of implementing growth investment measures to strengthen our competitiveness as stated in Medium-term Management Strategy FY2031.

For the fiscal year ending March 2024, this slide directly shows the amounts of investments and loans, because we have not incorporated the previous sale of cross-shareholdings and other assets.

【Net D/E ratio】



Here are the trends of net D/E ratio. It was 0.66 in the fiscal year ended March 2023, down 0.11 from the previous fiscal year. This was mainly due to exclusion of the Cement business from the scope of consolidation, which resulted in a decrease in borrowings.

The figure for the fiscal year ending March 2024 is expected to be 0.74, a slight increase. We plan to proceed with the growth investment measures that I explained earlier in relation to cash flow in the first year of Medium-term Management Strategy FY2031, and we have set this ratio while taking their effects into account.

This concludes my explanation.

Question and Answer Session

<Q&A (Summary): Points to keep in mind when forecasting the results of the Metals business>

Q: Please explain what should be kept in mind when forecasting the performance of the Metals business, such as fluctuations in market conditions and foreign exchange rates, recovery of free metals and changes of PT Smelting's smelting method. In addition, you explained that the recovery of free metals deviated from the previously announced forecast. Please explain the factors for the deviation.

A: There are several reasons why the recovery of free metals deviated from the previously announced forecast.

The first is the deviation at Hosokura Metal Mining Company, which smelts lead.

Hosokura Metal Mining Company removes lead contained in the electrolytic slime produced during the copper smelting process. After lead is removed, the electrolytic slime is sent to the Naoshima Smelter & Refinery for the process of recovering precious metals.

We are currently working to improve the efficiency of this process and increase the recovery rate of precious metals, but this effect has not been fully incorporated, resulting in an impact of slightly under ¥1 billion.

The other is PT Smelting. It was difficult to predict the recovery of free metals, and this had a positive impact.

Those are two major reasons.

Hosokura Metal Mining's economic benefits from improving the efficiency are now becoming visible, and we believe that the deviation will be reduced by incorporating them into the budget in the future.

PT Smelting has switched to contract smelting, and we believe that the difference in the recovery of free metals will be eliminated in general.

The forecast for the current fiscal year is based on detailed analysis of the results of the previous fiscal year and incorporates the actual situation. Although there will be differences due to changes in copper or other metal prices, we will work to minimize the gap between forecasts and actual results caused by fluctuations in the volume of materials.

<Q&A (Summary): Conviction of the results for the fiscal year ending March 2024>

Q: Given that profit levels dropped in the Copper & Copper Alloy, Electronic Materials & Components, and Metalworking Solutions businesses for the fourth quarter and the current business sentiment is deteriorating, it looks difficult to achieve performance forecasts for the new fiscal year. Please tell us about your company's conviction, including its performance trends from the first half to the second half of the fiscal year.

A: The performance forecasts for automakers and Tier 1 companies for the current fiscal year are about 10% to 20% higher than the previous fiscal year, and we believe that products for automobiles will perform reasonably well for the full year. In fact, major automakers are strongly insisting that the semiconductor shortage has almost been eliminated and that they are going to start production now, so we are hopeful. On the other hand, as for the semiconductor industry, we think that the first half of the fiscal year will be quite tough, and that there will be a certain gap between the first and second half of the fiscal year.

<Q&A (Summary): Impact of coal price fluctuations on performance>

Q: The coal price is \$370/t in the performance forecast for Mitsubishi UBE Cement Corporation. Is this the average including more expensive coal remaining in inventories, or on the assumption of the spot market? Do fluctuations in coal prices affect the performance forecast announced this time?

A: The assumption of coal prices is somewhat higher than the current market. We are most concerned about the spot market for Australian coal. We are currently increasing the proportion of the use of low-grade coal and reforming our operating structure so that we are not directly affected by fluctuations in the spot market for Australian coal, and this is now being established.

Therefore, we are implementing a mechanism where even if the spot market for Australian coal rises significantly in the future, Mitsubishi UBE Cement Corporation's performance will not be sensitively affected and deteriorate.

Q: Conversely, if the range of decline in Australian coal prices widens, will profit increase?

A: We assume that the break-even price between Australian spot coal and low-grade coal is around the mid-\$100 level, but that will not occur because it is unlikely that Australian coal prices will suddenly decline.

<Q&A (Summary): Factors contributing to the profit increase in the Electronic Materials & Components business for the fiscal year ending March 2024>

Q: The performance forecast for the fiscal year ending March 2024 says that the Electronic Materials & Components business will post a profit increase of ¥3.7 billion due to other factors. What are those factors?

A: The increase of ¥3.7 billion due to other factors is incorporated into other factors as we are looking to generate this profit through a combination of cost reductions, sales expansion or price pass-throughs amid the generally very difficult market conditions.

<Q&A (Summary): Regional sales growth in the Metalworking Solutions business>

Q: You said that you expect increased sales of products for aircraft and medical applications for the fiscal year ending March 2024 in the Metalworking Solutions business. How much volume increase are you expecting by region?

A: We expect an increase of slightly more than 10% in North America, slightly less than 10% in Europe and Asia, and about 5% in China, an area where it is difficult to forecast. Japan is also expected to see an increase of slightly less than 10%, on a par with Europe.

<Q&A (Summary): Factors contributing to the profit increase in the Copper & Copper Alloy business for the fiscal year ending March 2024>

Q: You forecast that the Copper & Copper Alloy business for the fiscal year ending March 2024 will recover from the previous fiscal year. Please explain the factors contributing to changes in the Copper & Copper Alloy business, such as an increase in sales due to the recovery in automobile demand and the certainty of obtaining earnings through sales price increases.

A: Sales volume reflects the portion where each automaker forecasts better performance than the previous fiscal year. As for sales price increases, we have incorporated the effect of the sales price increases announced last fall.

<Q&A (Summary): Factors contributing to the profit increase in the Cement business for the fiscal year ending March 2024>

Q: Regarding the improvement in profits and losses in the Cement business, please explain to what extent the effects of profit improvement measures such as price increases and greater use of cheap thermal energy, as well as restructuring, are contributing to a change in profits and losses.

A: First, the price increases were ¥2,200 in the first price increase and ¥3,000 in the second. The price increase of ¥2,200 has been accepted by our customers, and its effect has been fully incorporated.

On the other hand, the price increase of ¥3,000 is still being negotiated with some customers, but we consider that its effect will be realized gradually, and the negotiations for the price increase are progressing as scheduled.

In terms of the overall ratio, the effect of the higher prices is about the same as the combined effect of increasing the use of cheap thermal energy and consolidating the production system.

<Q&A (Summary): Outlook for investing cash flow for the fiscal year ending March 2024 >

Q: Capital expenditures of ¥82 billion are planned for the fiscal year ending March 2024. In Medium-term Management Strategy FY2031, the total investment for growth and investment for maintenance and renewal was set at ¥360 billion over 3 years, so I envisioned annual capital expenditures of more than ¥100 billion. Given the remaining investment amount, I would envision that investment will be further accelerated in the next fiscal year and beyond. Is this correct? I would like to confirm the consistency with Medium-term Management Strategy FY2031.

A: The fund-based amount of capital expenditures for the fiscal year ending March 2024 is expected to be close to ¥100 billion.

In addition, we also expect cash outflows for investments and loans, and the total amount of investing cash flow is expected to be ¥140 billion.

Compared with investments planned for other fiscal years under Phase 1 of Medium-term Management Strategy FY2031, the amount for the fiscal year ending March 2024 is a little greater, and we plan to make prior investment.

<Q&A (Summary): Price increases in the Cement business>

Q: In the performance forecast for the fiscal year ending March 2024, I recognize that most of the factors contributing to the increase in ordinary profit are an improvement in the Cement business and an increase in mine dividends, and that completing price increases in the Cement business is a key point.

Spot prices for thermal coal from Newcastle have fallen to around \$160/t. Please explain again the part of your explanation earlier in which you stated that the margin would not expand in response to a decline in fuel prices. Are you implying that the spread will be maintained because the selling price is going down while you are maintaining the spread?

A: It is true that thermal coal prices are declining, but selling prices are not linked to coal prices like bunker surcharges.

We believe that coal prices will rise in the long run, and we have absolutely no intention of neglecting price negotiations due to the temporary decline in coal prices. We intend to complete the price increases in order to strengthen our management base and stably supply products to our customers.

<Q&A (Summary): The Cement business in the United States>

Q: Regarding the status of the Cement business in the United States, please explain the current business environment and your forecast for the fiscal year ending March 2024.

A: The sales volume of ready-mixed concrete in the United States is expected to increase to 7.48 million cubic yards for the fiscal year ending March 2024, from 6.74 million cubic yards for the fiscal year ended March 2023.

We also believe that the negotiations for price increases are progressing steadily.

<Q&A (Summary): Factors contributing to change in the Metalworking Solutions business for the fiscal year ending March 2024>

Q: The forecast of the Metalworking Solutions business for the fiscal year ending March 2024 says that earnings will decrease ¥3.8 billion due to other factors. Please explain what those factors are.

A: In the Metalworking Solutions business, inventories were built up in the previous fiscal year. This was because we were not able to maintain the level of inventories that we thought was appropriate, and we were operating with a balance of production volume that was larger than the sales volume. While it reduced cost burdens for the previous fiscal year, this balance has become negative in the current fiscal year, which is a factor contributing to a decrease in earnings.

In addition to it, the impact of foreign exchange differences on foreign currency-denominated receivables and payables has also been incorporated into the factors contributing to decreased earnings.

<Q&A (Summary): Disclosure units after the change of segments>

Q: Medium-term Management Strategy FY2031 divides the Metals business into the resources business and the smelting & resource recycling business. Is it correct to understand that these business segments will be continuously used in the future?

A: While segments in results announcements and securities reports are integrated as the Metals business, we will divide the Metals business into the resources business and the smelting & resource recycling business for disclosing the progress of Medium-term Management Strategy FY2031.

While we will continue to consider whether it is appropriate to use different disclosure units between financial results and the Medium-term Management Strategy FY2031, we intend to use those disclosure units for the time being.

<Q&A (Summary): Outlook for sales in the Copper & Copper Alloy business for the fiscal year ending March 2024>

Q: In the forecast of the Copper & Copper Alloy business for the fiscal year ending March 2024, you expect an increase in the sales volume of products for automobiles for the full year by approximately 10%. Given that the sales volume declined slightly for the fourth quarter of the fiscal year ended March 2023, are you expecting a gradual increase? Please explain the gap between the first and second halves of the fiscal year.

A: As for automobiles, we believe we can fully expect this level of increase for the full year.

Because automakers have not announced production volumes for the first and second halves of the fiscal year and there are no clear figures, it is difficult to provide forecasts by predicting developments in the first and second halves of the fiscal year.

We believe there will be a gap since we expect the first quarter to be a little challenging, but for now we recognize that it is appropriate to speak about the full year.

<Q&A (Summary): Approach to shareholder return>

Q: The dividend forecast for the fiscal year ending March 2024 is set at 30%, in line with the dividend policy set out in Medium-term Management Strategy FY2031. If the company revises its full-year performance forecast or discloses its first-half performance forecast, will the amount itself change due to the emphasis on the payout ratio? If so, will you adjust the timing of the change at the end of the fiscal year? Please explain your approach to shareholder return.

A: As for our dividend policy, we have stated that we aim for a dividend payout ratio of 30%, as indicated in Medium-term Management Strategy FY2031, and we intend to basically stick to this policy.

Therefore, changes in future performance forecasts will also affect shareholder returns. However, from the perspective of shareholders, we believe that it is better for the fluctuation in dividend forecasts to be moderate. Therefore, we would like to consider how to set the dividend amount in light of our company's business performance.

<Greetings from Mr. Takayanagi>

Thank you all very much for spending time with us today. This year is the first year of Medium-term Management Strategy FY2031, and we feel we must start it under a challenging external environment. However, we will do our best throughout this year as we aim to achieve the targets especially for Phase 1 of the Medium-term Management Strategy FY2031. We look forward to continuing to work with you. Thank you for today.