

FY March 2024 Q1 Financial Results

Mitsubishi Materials' overall progress was generally in line with the plan at the beginning of the fiscal year, and profit attributable to owners of parent excluding special factors exceeded last quarter's result.

【Speaker】

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

This is a transcript of Mitsubishi Materials Corporation's first quarter financial results for the fiscal year ending March 2024 announced on August 9, 2023.

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

I am Takayanagi, the Managing Executive Officer. Thank you very much for participating in our company's financial results briefing today. Now, I would like to give an overview of the financial results for the first quarter of the fiscal year ending March 2024 and the full-year business outlook.

【Executive Summary】

Executive Summary	
Business Environment and Outlook for FY24 Q1	<ul style="list-style-type: none"> In the automotive market, signs of demand recovery have emerged as the shortage of semiconductors has eased and automakers plan to increase production, and this trend is expected to continue in Q2 and onward. In the semiconductor market, device makers are showing signs of demand bottoming out after a period of steady decline, although final demand for smartphones, PCs and other devices remains sluggish. As for our products, it will take some time for the supply chain to clear the inventories in circulation, and recovery is expected in the second half of this year.
FY24 Q1 Results (YoY change)	<p>Results for FY24 Q1 showed a decrease in both sales and profits year-on-year. Excluding special factors such as reduced dividend income and business restructuring, ordinary profit of FY24 Q1 was 6.9 billion yen, down from 11.0 billion yen in FY23 Q1 (-37% YoY), mainly as a result of declines in sales amount. The original plan was to focus on the second half of this fiscal year, assuming a recovery in automotive demand from FY24 Q2 forward, and progress was in line with the plan.</p> <ul style="list-style-type: none"> Operating profit decreased, significantly impacted by the automobile and semiconductor businesses, partially offset by yen's depreciation and other factors (13.9 billion yen → 3.7 billion yen, -73% YoY). Ordinary profit fell due to a decrease in dividend income, despite earnings from Mitsubishi UBE Cement Corporation under "share of profit of entities accounted for using equity method" (17.0 billion yen → 6.9 billion yen, -59% YoY). Profit attributable to owners of parent decreased year-on-year due to a decline in ordinary profit and a large reduction in extraordinary income of 11 billion yen recorded in FY23 Q1 (24.1 billion yen → 4.9 billion yen, -80% YoY).
Full Year Performance Forecasts	<ul style="list-style-type: none"> Full-year earnings and dividend forecasts remain unchanged from those previously announced on May 12.

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As for business sentiment in the first quarter, there are signs of a recovery in demand in the automotive market, as the shortage of semiconductors has eased and manufacturers of finished automotive makers plan to increase production. This trend is expected to continue in the second quarter and beyond.

On the other hand, in the semiconductor market, final demand for smartphones, PCs, and other products remains weak. Although device manufacturers are showing signs of bottoming out in demand, which had been falling, our company products are still expected to recover in the second half of this fiscal year or later, as it still needs time to clear distribution inventories in the supply chain.

Results for the first quarter showed a year-on-year decrease in sales and profit. Excluding special factors such as a decrease in dividend income and corporate restructuring, ordinary profit decreased mainly due to a decline in sales, and we consider a 37% decrease year-on-year to be the current figure of our company's ability.

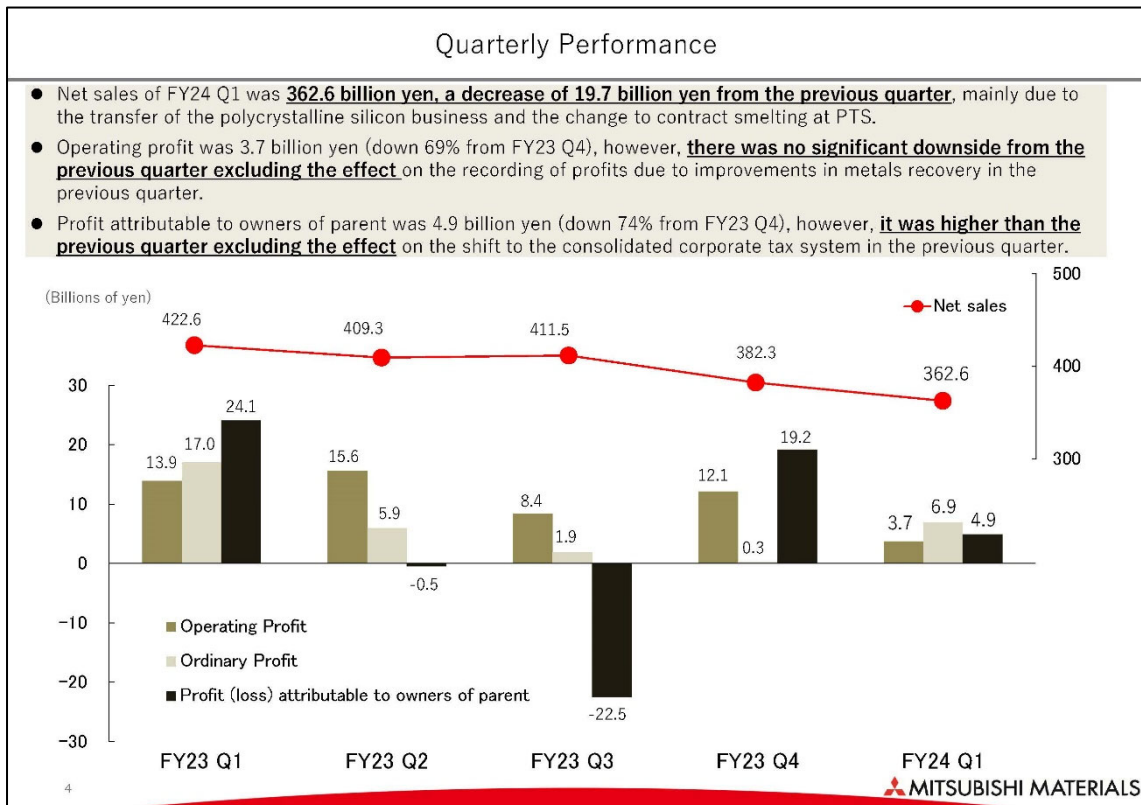
The plan at the beginning of the fiscal year was based on the assumption that demand for automobiles will recover after the second quarter. Although there are differences in each business, we believe that overall progress is almost as expected.

Operating profit, ordinary profit, and profit attributable to owners of parent are shown on the slide. Including some special factors, operating profit was 3.7 billion yen while it was 13.9 billion yen in the previous fiscal year.

Profit attributable to owners of parent fell significantly from the previous fiscal year due to an extraordinary income of 11 billion yen from changes in equity related to the integration of cement business.

The full-year earnings and dividend forecast for the fiscal year ending March 2024 have not changed from the previously announced figures.

【Quarterly Performance】



Net sales for the first quarter of the fiscal year ending March 2024 were 362.6 billion yen, down 19.7 billion yen from the previous quarter, mainly due to the transfer of polycrystalline silicon business and the scheme change to contract smelting for PT Smelting in Indonesia.

Operating profit was 3.7 billion yen, but there was a special factor in the previous quarter, which was the recording of profits due to improvement in the metal recoveries in the Metals Company. Except for that, there was no significant downside from the previous quarter, and operating profit was generally unchanged.

Profit attributable to owners of parent was 4.9 billion yen, however, excluding the extraordinary factor that there was a decrease in tax expenses in the previous quarter due to transition to a group-wide system of corporate income tax (Japanese group relief system), etc., the figure was recovered.

【Year-on-Year Comparison (Consolidated PL, Foreign Exchange and Copper Price)】

Year-on-Year Comparison (Consolidated PL, Foreign Exchange and Copper Price)			
	(Billions of yen)		
	FY March 2023 Q1 Results (a)	FY March 2024 Q1 Results (b)	Change (b-a)
Net Sales	422.6	362.6	-59.9
Operating profit	13.9	3.7	-10.1
Dividend income	5.6	0.7	-4.8
Other financial income and expenses	-1.1	-0.7	+0.3
Share of profit (loss) of entities accounted for using equity method	-1.6	0.7	+2.3
Non-operating income (loss)	0.2	2.4	+2.1
Ordinary profit	17.0	6.9	-10.1
Extraordinary income (loss)	10.3	0.1	-10.2
Income taxes	-1.8	-1.7	+0.1
Profit (loss) attributable to non-controlling interests	-1.4	-0.4	+0.9
Profit attributable to owners of parent	24.1	4.9	-19.2
Dollar exchange rate (yen/\$)	130	137	+8
Euro exchange rate (yen/€)	138	149	+11
Copper Price (LME) (cents/lb)	432	385	-48

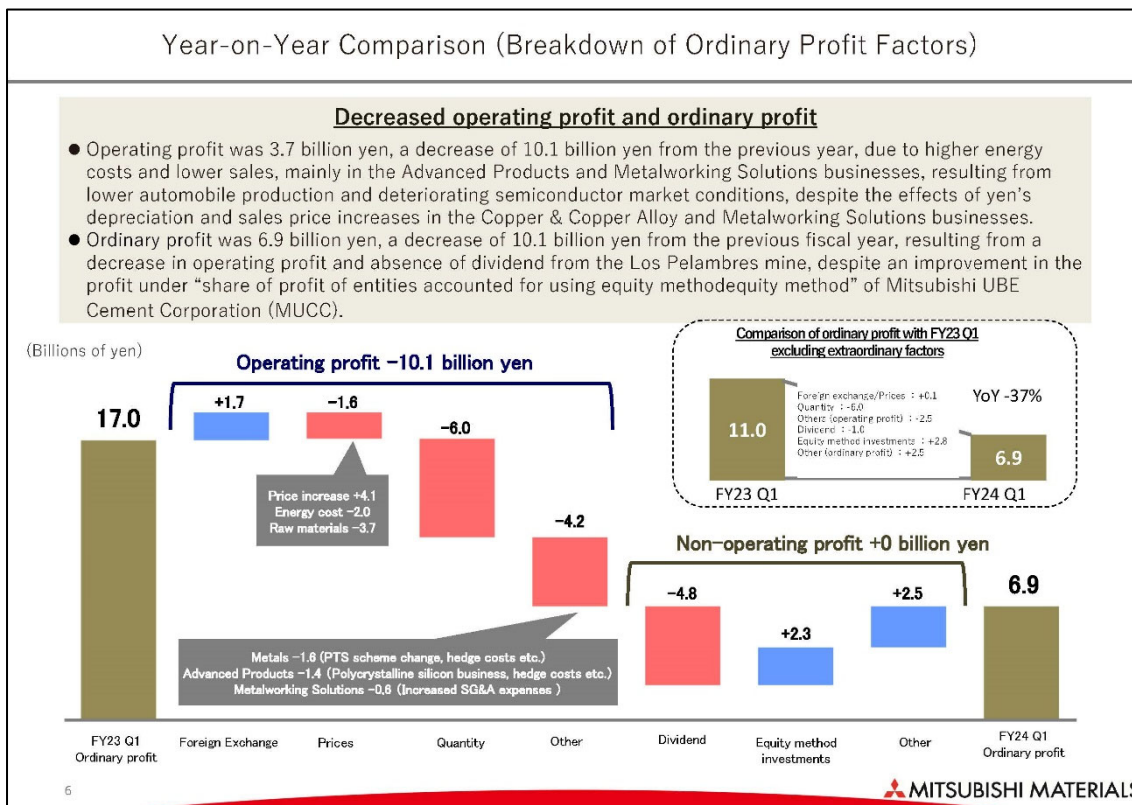
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In the first quarter, both sales and profit were lower than the same period of the previous fiscal year. Regarding net sales, approximately 17.0 billion yen increase due to the weaker yen was offset by approximately 20.0 billion yen decrease due to the impact of the decline in copper price.

In addition, the impact of changing the scheme of PT Smelting in Indonesia to contract smelting was approximately 50 billion yen, and the influence of the transfer of the polycrystalline silicon business was 7.8 billion yen. As a result of these changes in the restructuring scheme, net sales decreased by approximately 60 billion yen.

【Year-on-Year Comparison (Breakdown of Ordinary Profit Factors)】



Operating profit was benefited by the depreciation of the yen as well as increased sales prices in the Copper & Copper Alloy business and the Metalworking Solutions business. On the other hand, this was largely offset by increase in raw materials and energy costs. In addition, sales quantities decreased by 6 billion yen due to an influence of market downturn, resulting in a total operating profit decrease of 10.1 billion yen.

In terms of non-operating profit, there was no increase or decrease due to an absence of dividends received from the Los Pelambres mine and an improvement in equity method investment income of Mitsubishi UBE Cement Corporation.

As a result, ordinary profit for the first quarter of this fiscal year was 6.9 billion yen. As stated in the executive summary, ordinary profit decreased 37% year-on-year excluding extraordinary factors.

Compared to the same quarter of the previous fiscal year, the result was significantly affected by decline in sales quantities due to the automobile and semiconductor market conditions, but our company expects the automobile market to recover after the second quarter onward.


【Year-on-Year Comparison (Breakdown by Segment)】

Year-on-Year Comparison (Breakdown by Segment)									
	FY March 2023 Q1 Results (a) *1			FY March 2024 Q1 Results (b)			Change (b-a)		
	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit	Net sales	Operating profit	Ordinary profit
Metals	289.7	6.1	12.0	240.9	1.6	2.6	-48.7	-4.4	-9.3
Advanced products *2	133.2	3.7	3.8	120.5	0.4	0.2	-12.7	-3.2	-3.5
Copper & Copper Alloy	103.7	1.0	0.7	101.6	0.5	-0.0	-2.0	-0.5	-0.7
Electronic Materials & Components	29.9	2.5	3.0	18.9	0.1	0.4	-10.9	-2.4	-2.5
Metalworking Solutions	36.2	4.3	5.0	35.0	3.2	4.1	-1.2	-1.0	-0.8
Renewable Energy	0.9	0.1	0.2	1.2	0.3	0.3	+0.3	+0.1	+0.0
Other	37.1	1.2	-3.3	33.4	-0.1	2.0	-3.6	-1.3	+5.3
Adjustment	-74.8	-1.6	-0.7	-68.6	-1.8	-2.4	+6.1	-0.1	-1.6
Total	422.6	13.9	17.0	362.6	3.7	6.9	-59.9	-10.1	-10.1

(Billions of yen)

*1: Due to the reorganization as of April 1, 2023, the Company has changed its reporting segments. Accordingly, the results for FY March 2023 has been adjusted to the new segmentation.
 *2: The total amount of Advanced Products includes transactions among the Copper & Copper Alloy business and the Electronic Materials & Components business, etc., as common to Advanced Products.

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This slide shows year-on-year comparison by segment. Ordinary profit increased from the previous fiscal year in Other businesses, including cement business, but decreased in the others.

【Consolidated Balance Sheet】

Consolidated Balance Sheet							
(Billions of yen)							
	End of March 2023 (a)	End of June 2023 (b)	Change(b-a)		End of March 2023 (a)	End of June 2023 (b)	Change(b-a)
Cash and deposits	142.1	129.0	-13.0	Notes and accounts payable - trade	85.2	72.7	-12.4
Notes and accounts Receivable - trade	188.4	186.4	-2.0	Borrowings, bonds payable and commercial papers	533.5	580.5	+47.0
Inventories	377.6	420.3	+42.6	Other liabilities	644.1	675.8	+31.7
Other	407.7	415.0	+7.2	Total liabilities	1,262.9	1,329.1	66.2
Total current assets	1,116.0	1,150.9	+34.8	Share capital	119.4	119.4	-
Property, plant and equipment and intangible assets	454.9	476.0	+21.0	Capital surplus and treasury shares	79.0	79.0	+0.0
Investments and other assets	320.7	341.8	+21.0	Retained earnings	338.8	340.5	+1.6
Total non - current assets	775.7	817.8	+42.0	Accumulated other comprehensive income	55.9	69.2	+13.3
Total assets	1,891.7	1,968.7	+76.9	Non-Controlling interests	35.5	31.2	-4.3
Shareholders' equity ratio	31 %	31 %		Total net assets	628.8	639.5	+10.6
Net D/E ratio	0.7 times	0.7 times		Total liabilities and net assets	1,891.7	1,968.7	+76.9


Total assets as of the end of June 2023 were 1,968.7 billion yen, an increase of 76.9 billion yen from the end of March. The main factors were an increase in inventories due to a rebound in furnace maintenances carried out at the Naoshima Smelter & Refinery in the previous quarter and an increase in long-term loans due to the operation of the Mantoverde mine.

【Overview of the Metals Business】

Metals Business			
			Metals Company
<p>● Ordinary profit was 2.6 billion yen, a decrease 9.3 billion yen year-on-year, due to a decline in prices of copper and palladium, an increase in energy costs, the absence of dividends received from the Los Pelambres mine, and a decrease in earnings under “share of profit of entities accounted for using equity method.”</p>			
(Billions of yen, Thousand tons)			
	FY March 2023 Q1 (a)	FY March 2024 Q1 (b)	Change (b-a)
Net sales	289.7	240.9	-48.7
Operating profit	6.1	1.6	-4.4
Ordinary profit	12.0	2.6	-9.3
Sales volume of electrolytic copper (in-house product)	79	86	+7
Dividend from copper mine	5.1	0.6	-4.5
Details of Ordinary Profit Decrease			
FY March 2023 Q1 (a)	12.0		
Foreign Exchange	+0.8		
Prices	-3.0		
Quantity	-0.6		
Dividend	-4.5		
Equity method investments	-3.3		
Other	+1.3		
FY March 2024 Q1 (b)	2.6		

This is an overview of the Metals business for the first quarter of the fiscal year ending March 2024. Ordinary income decreased 9.3 billion yen year-on-year. The main factors contributing to the decrease in earnings were a decline in the prices of concentrated sulfuric acid and palladium of approximately 2 billion yen, an increase in energy costs of approximately 1.3 billion yen, the absence of dividends received from the Los Pelambres mine of approximately 3.8 billion yen, and a decrease in earnings under “share of profit of entities accounted for using equity method” of approximately 3.3 billion yen.

【Overview of the Copper & Copper Alloy Business in the Advanced Products Business】

Advanced Products Business (Copper & Copper Alloy)			
<div>  Advanced Products Company </div>			
● Ordinary profit decreased by 0.7 billion yen year-on-year to 0.0 billion yen due to an increase in energy costs, a decrease in sales mainly of automotive products, and a decrease in profit under “share of profit of entities accounted for using equity method” (not recorded this quarter).			
(Billions of yen, Thousand tons)			
	FY March 2023 Q1 (a)	FY March 2024 Q1 (b)	Change (b-a)
Net sales	103.7	101.6	-2.0
Operating profit	1.0	0.5	-0.5
Ordinary profit	0.7	-0.0	-0.7
Sales volume of copper & copper alloy products	34	29	-5
Details of Ordinary Profit Decrease			
FY March 2023 Q1 (a)	0.7		
Foreign Exchange	+0.0		
Prices	+0.6		
Quantity	-0.9		
Dividend	-0.0		
Other	-0.4		
FY March 2024 Q1 (b)	-0.0		

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This is the Copper & Copper Alloy business. Ordinary profit decreased by 0.7 billion yen from the same quarter last fiscal year. Although there was an increase in sales prices, there was a rise in energy costs, a decline in sales mainly of automotive products, and a decrease in earnings under “share of profit of entities accounted for using equity method” of affiliates.

In the Copper & Copper Alloy business, net sales increased from 98 billion yen to 101.6 billion yen, and operating profit improved from 200 million yen to 500 million yen compared with the fourth quarter of the fiscal year ended March 2023. The figures are a little harsh, but considering the trends from the previous quarter, I believe we have generally bottomed out.


We are striving to achieve our profit target with the recovery of demand from the second quarter onward.

【Overview of the Electronic Materials & Components Business in the Advanced Products Business】

Advanced Products Business (Electronic Materials & Components)			Advanced Products Company
<ul style="list-style-type: none"> ● Ordinary profit was 0.4 billion yen, a decrease of 2.5 billion yen year-on-year, due to a decline in sales of semiconductor-related products and the impact of the transfer of the polycrystalline silicon business in March 2023. 			
(Billions of yen)			
	FY March 2023 Q1 (a)	FY March 2024 Q1 (b)	Change (b-a)
Net sales	29.9	18.9	-10.9
Operating profit	2.5	0.1	-2.4
Ordinary profit	3.0	0.4	-2.5
Details of Ordinary Income Decrease			
FY March 2023 Q1 (a)	3.0		
Foreign Exchange	+0.0		
Prices	+0.0		
Quantity	-1.4		
Dividend	-0.0		
Equity method investments	+0.0		
Other	-1.2		
FY March 2024 Q1 (b)	0.4		

Here is Electronic Materials & Components business. Ordinary profit decreased by 2.5 billion yen from the same period last fiscal year. This was largely affected by the worsening market conditions in the semiconductor industry. In our company, both silicon precision parts and precision packaging recorded losses.

【Overview of the Metalworking Solutions Business】

Metalworking Solutions Business			 Metalworking Solutions Company
<ul style="list-style-type: none"> ● Ordinary profit was 4.1 billion yen, a decrease of 0.8 billion yen year-on-year, due to an increase in raw materials and energy costs as well as a decrease in sales mainly in Japan and China. 			
(Billions of yen)			
	FY March 2023 Q1 (a)	FY March 2024 Q1 (b)	Change (b-a)
Net sales	36.2	35.0	-1.2
Operating profit	4.3	3.2	-1.0
Ordinary profit	5.0	4.1	-0.8

Details of Ordinary Income Decrease	
FY March 2023 Q1 (a)	5.0
Foreign Exchange	+0.8
Prices	+0.6
Quantity	-1.8
Dividend	-0.0
Equity method investments	-0.4
FY March 2024 Q1 (b)	4.1

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This is Metalworking Solutions business. Ordinary profit decreased by 0.8 billion yen from the same period of the previous fiscal year. There was a decrease in sales mainly in Japan and China, despite the effects of the yen's depreciation and sales price increases.

In the Metalworking Solutions business, compared with the fourth quarter of the fiscal year ended March 2023, net sales increased from 34.3 billion yen to 35.0 billion yen, and operating profit improved from 2.7 billion yen to 3.2 billion yen. However, market conditions in Japan and China remain difficult.

Despite the downward pressure on profits, we are expecting improvement from this point, as the market conditions are becoming relatively steady now.

【Overview of Mitsubishi UBE Cement Company (MUCC)】

Mitsubishi UBE Cement Corporation (MUCC)																	
■ Consolidated P/L of MUCC		(Billions of yen)		■ Details of MUCC													
	FY March 2023 Q1 Results	FY March 2024 Q1 Forecasts			FY March 2023 Q1 Results												
Net sales	129.6	147.8		Demand for cement in Japan (million tons)	9.18												
Operating profit	-7.8	9.4		Cement sales in Japan (million tons)	2.26												
Ordinary profit	-7.4	9.7		Cement sales in the U.S. (million tons)	0.50												
Profit (loss) attributable to owners of parent	-9.6	4.4		Ready-mixed concrete sales in the U.S. (million cy)	1.84												
■ Equity method profit (loss) for Mitsubishi Materials				Coal Price (\$/t)	373												
Share of profit (loss) of entities accounted for using equity method	-5.0	2.0		Exchange Rate (Yen/\$)	130												
<p>*The above coal price is a reference index and differs from the actual procurement price.</p> <p>(Reference) Consolidated balance sheet as of June 30, 2023 (Billions of yen)</p> <table> <tr> <td>Total assets</td><td>779.2</td><td>Interest bearing debt</td><td>203.0</td><td>Shareholders' equity</td><td>332.5</td></tr> <tr> <td>Shareholders' equity ratio</td><td>42.7%</td><td>Net D/E ratio</td><td>0.46 times</td><td></td><td></td></tr> </table>						Total assets	779.2	Interest bearing debt	203.0	Shareholders' equity	332.5	Shareholders' equity ratio	42.7%	Net D/E ratio	0.46 times		
Total assets	779.2	Interest bearing debt	203.0	Shareholders' equity	332.5												
Shareholders' equity ratio	42.7%	Net D/E ratio	0.46 times														
<ul style="list-style-type: none"> In the domestic cement business, sales volume decreased in the first quarter, but the company promoted additional price increases, which it has been working on since last year, as well as measures to improve profits, such as improving the business structure and increasing the use of cheaper thermal energy. The company aims to achieve profitability this fiscal year. In the U.S. business, ready-mixed concrete sales volume increased significantly in the first quarter due to the resumption of construction work that had been delayed by bad weather in the fourth quarter of the previous fiscal year. Combined with the effect of price increase, both sales and profit increased significantly. The full-year forecast is unchanged from the initial forecast. 																	

This is an overview of Mitsubishi UBE Cement Company. In the first quarter, net sales were 147.8 billion yen and profit attributable to owners of parent was 4.4 billion yen.

In the domestic business, although sales volume decreased in the first quarter, profit improved significantly due to measures to improve profit, such as additional price increases, business restructuring, and expanded use of cheap thermal energy, which we have been working on since last fiscal year, and we were able to record a surplus this quarter.

In the U.S. business, construction works, which had been delayed due to bad weather conditions in the fourth quarter of previous fiscal year, resumed and sales volume of ready-mixed concrete increased significantly in the first quarter. Price increases were steadily implemented, and sales and profit significantly improved due to increased sales and the effect of price increases. Earnings under “share of profit of entities accounted for using equity method” was 2 billion yen.

【Full Year Forecasts for FY March 2024】

Full Year Forecasts for FY March 2024

- The consolidated earnings forecast for FY March 2024 has not been changed from the previous forecast, announced on May 12, considering the actual results for the first quarter of the current fiscal year and the outlook for the future business environment.


(Billions of yen)

	FY March 2023 (a)	FY March 2024 (b)	Change (b-a)
Net sales	1,625.9	1,670.0	+44.1
Operating profit	50.0	50.0	-0.0
Ordinary profit	25.3	58.0	+32.7
Profit attributable to owners of parent	20.3	41.0	+20.7

(Yen)

Dividend per share	interim	25	47	+22
	year-end	25	47	+22

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This slide shows the full-year forecasts for the fiscal year ending March 2024. Although the semiconductor market is expected to be difficult from the second quarter onward, the automotive market is on a recovery trend.

Dividends from mines depend on copper price and the state of operations, so we will keep a close eye on them. Earnings from Mitsubishi UBE Cement Corporation under “share of profit of entities accounted for using equity method” was solid in the first quarter, so we expect to see an upside going forward.

In total, these are within our initial expectations, so there is no particular change from our full-year earnings forecast announced in May. The same applies to our dividend forecast.

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

FY March 2024 Full-Year Forecast (Breakdown by Segment)									
● Sales and profit forecasts by segment are unchanged from the previous forecast announced on May 12.									
(Billions of yen)									
	FY March 2023 Results (a) *1			FY March 2024 Forecast (b)			Change (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*2	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
Renewable 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: Due to the reorganization as of April 1, 2023, the Company has changed its reporting segments. Accordingly, the results for FY March 2023 has been adjusted to the new segmentation.
 *2: The total amount of Advanced Products includes transactions among the Copper & Copper Alloy business and the Electronic Materials & Components business, etc., as common to advanced products.

This slide shows the forecast for the fiscal year by segment.

That's all for my explanation.

Question and Answer Session

【Q & A: Dividends from Los Pelambres mine】

Questioner: Regarding the operation of Los Pelambres mine, it was mentioned that the launch of the expansion project was somewhat delayed, but should we be prepared for some risk of impact? Also, what quarters do you expect the dividends to come out?

Takayanagi: Antofagasta plc recently released a quarterly production report on the Los Pelambres mine. According to this report, production at the Los Pelambres mine is expected to decrease by 30,000 to 40,000 tons per year from the initial plan at the beginning of the year.

One factor behind this is the desalination project. The launch of the desalination plant, which processes seawater into desalinated water, has been delayed a little, and as a result, the operation rate of the concentrator has not been able to increase.

With regard to this desalination project, although it was delayed for 1 month, I understand that the water supply of 400 ℓ/s is expected to be achieved by the end of August.

As to how much it will affect the dividends, in addition to these operational changes, we are also examining the cash flow, including the copper price and the planned expansion of the concentrator.

We expect the dividends level to be close to what we initially expected, and we have made such a request to Antofagasta plc. I hope you understand that we are still waiting for the results of the cash flow review, including the timing of the dividends and when our financial results will be affected.

【Q & A: Impact of changing PT Smelting scheme】

Questioner: What is the impact of changing scheme for PT Smelting in Indonesia to contract smelting? I asked this question because no data was found to show whether there was impact on profit or loss.

Takayanagi: As for PT Smelting, in terms of profit and loss, we started getting commission fees.

In fact, the situation has been changing from what it used to be. The main point is that we can now earn a stable income by eliminating various variable factors.

Additionally, it is difficult to show the specific amount of money in terms of how it differs from the past. Because the view will change a little depending on the operating situation of PT Smelting. However, as of now, there is a drop of about 1 billion yen from the first quarter of last fiscal year.

The biggest reason for this is that the difference in metal recoveries is becoming lower.

【Q & A: Signs of recovery from the second quarter onward】

Questioner: You mentioned you expect recovery after the second quarter, but are you seeing any signs of recovery since the second quarter is just under half over?

Takayanagi: As for the second quarter, the Copper & Copper Alloy business and the Electronic Materials & Components business are still in a little tough situation. However, compared to May and June, orders received in July and August are gradually rising.

Regarding orders for the Metalworking Solutions business, in many cases, there is a slight time lag to economic fluctuations. In the first quarter, there was a considerable upswing in the figures for each segment of the automotive industry, so I think there is a possibility of an upswing in the second quarter or a little later.


【Q & A: Progress and future forecast of the Copper & Copper Alloy business and the Electronic Materials & Components business】

Questioner: The progress of the Copper & Copper Alloy business and the Electronic Materials & Components business is quite slow compared to the full-year plan. What will be improved in the future to reach the full-year plan? I would like to know if it is just the quantity issue or if there are some other factors.


Takayanagi: As for the Copper & Copper Alloy business and the Electronic Materials & Components business, based on the initial plan, which is weighted toward the second half of the fiscal year, we expect the market to recover.

However, the market has been a little softer recently, especially in the first quarter, than we expected. To cope with such a situation, we are taking measures such as cost reduction and further sales expansion in the second half.

【Q & A: Current status of the Metals business and forecast from the second quarter】

Metals Business			 Metals Company
<p>● Ordinary profit was 2.6 billion yen, a decrease 9.3 billion yen year-on-year, due to a decline in prices of copper and palladium, an increase in energy costs, the absence of dividends received from the Los Pelambres mine, and a decrease in earnings under "share of profit of entities accounted for using equity method."</p>			
(Billions of yen, Thousand tons)			
	FY March 2023 Q1 (a)	FY March 2024 Q1 (b)	Change (b-a)
Net sales	289.7	240.9	-48.7
Operating profit	6.1	1.6	-4.4
Ordinary profit	12.0	2.6	-9.3
Sales volume of electrolytic copper (in-house product)	79	86	+7
Dividend from copper mine	5.1	0.6	-4.5

Details of Ordinary Profit Decrease	
FY March 2023 Q1 (a)	12.0
Foreign Exchange	+0.8
Prices	-3.0
Quantity	-0.6
Dividend	-4.5
Equity method investments	-3.3
Other	+1.3
FY March 2024 Q1 (b)	2.6

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Questioner: I would like to know the reason why the equity method investment income of the Metals business in the first quarter was down 3.3 billion yen from the same quarter of the previous fiscal year. Is this situation expected to recover from the second quarter?

Takayanagi: The equity method investment income in the Metals business was mainly due to the Copper Mountain and Mantoverde mines. The Copper Mountain mine was less than expected due to lower ore grade and lower recovery.

Regarding the Mantoverde mine, we received information that costs are increasing.

As for whether this situation will continue in the future, the Copper Mountain mine, the Mantoverde mine, and their respective operating companies, Hudbay Minerals and Capstone Copper, are working hard to improve the situation, and I would like to look forward to their efforts.

However, I think we need to be careful about whether the decline in ore grade at the Copper Mountain mine will recover in the short term. Our mine engineers are also watching the situation closely.

【Q & A: Operating profit in the Metals business】

Questioner: I think operating profit of the Metals business in the first quarter is quite low compared to the full-year plan of 21.9 billion yen, but will it recover from the second quarter? I would like to know if it is possible to achieve the full-year plan.

Takayanagi: In the first quarter, there was no profit recording by the actual metal recoveries. Therefore, I think there could be a story of increasing operating profit after the second quarter.

We are struggling because the price of sulfuric acid is lower than we originally anticipated, but the overall trend is that way.

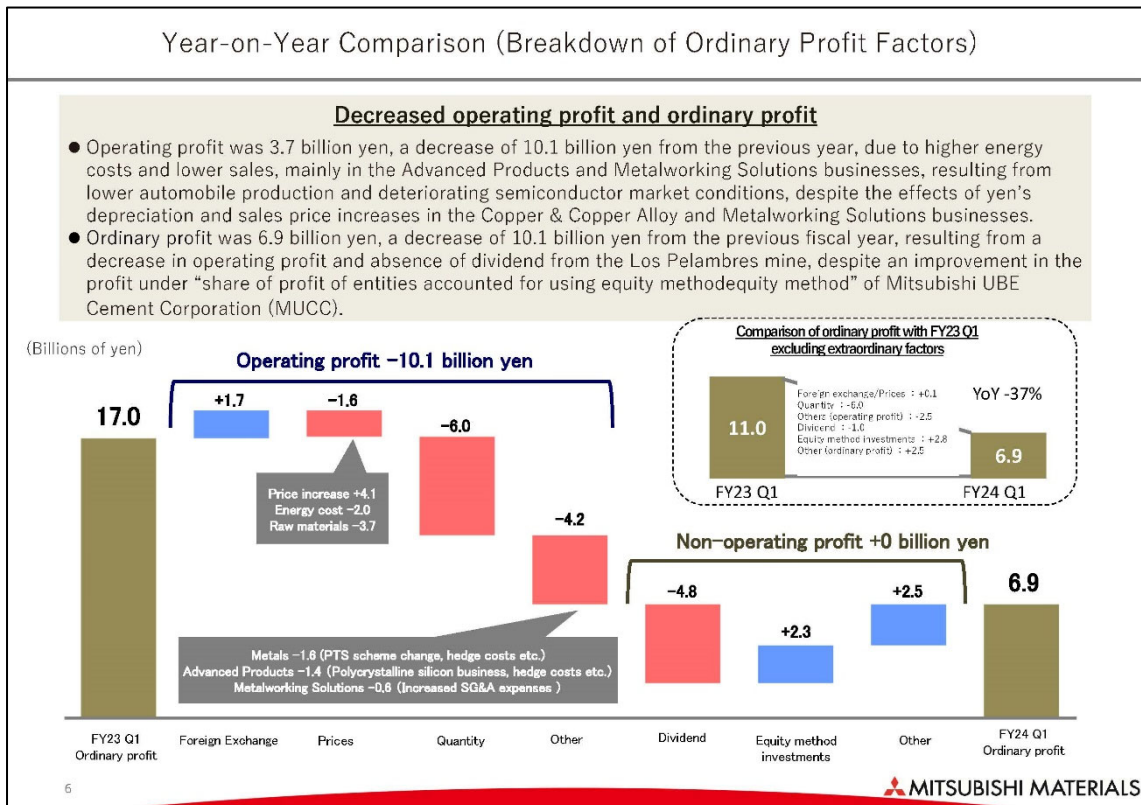
【Q & A: About the cement business】

Questioner: What are the possible reasons for the upward trend in the cement business compared to the initial assumption? I would also like to know your company's price increase plan and cost outlook from the second quarter.

Takayanagi: One factor was the U.S. business, which exceeded our initial assumptions in terms of sales volume. The construction works, which had been delayed due to bad weather from January to March, resumed. As a result, Robertson's Ready Mix's sales volume of ready-mixed concrete also increased accordingly. In addition, I think the biggest factor is that we are also quite actively raising sales prices in the U.S.

We are also finishing negotiations with almost all of our domestic customers on price increases, and so far, we feel that we can proceed almost as expected.

【Q & A: Extraordinary factors in operating profit】



Questioner: Regarding the comparison with the previous year's results, the slide shows "comparison excluding extraordinary factors", does this mean that dividends from the Los Pelambres mine, the change for the PT Smelting scheme, and the transfer of the polycrystalline silicon business were eliminated?

Takayanagi: You are correct. The differences both negative 2.5 billion yen and negative 4.2 billion yen in "Others (operating profit)" are due to the impact of the change in the PT Smelting scheme and the decrease in operating income resulting from the transfer of the polycrystalline silicon business. The difference in "Dividend" is due to the Los Pelambres mine.

【Q & A: Price differences in the Metals business】

Metals Business			Metals Company
<p>● Ordinary profit was 2.6 billion yen, a decrease 9.3 billion yen year-on-year, due to a decline in prices of copper and palladium, an increase in energy costs, the absence of dividends received from the Los Pelambres mine, and a decrease in earnings under "share of profit of entities accounted for using equity method."</p>			
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Questioner: With regard to the breakdown of price differences in the Metals business, I would like to know the impact of price fluctuations on by-products such as palladium and concentrated sulfuric acid in the first quarter. Also, how is the impact of worsening market conditions factored into the plan for the second quarter and beyond?

Takayanagi: As for the breakdown of the negative 3 billion yen mentioned in the "Prices" , the impact of palladium and concentrated sulfuric acid is about 2 billion yen, and the rest is electricity.

The price of palladium remains low, so I'm a little concerned about the impact on the second quarter and beyond.

【Q & A: Profit ratio of cement business in the U.S. and Japan】

Mitsubishi UBE Cement Corporation (MUCC)

■ Consolidated P/L of MUCC

(Billions of yen)

	FY March 2023 Q1 Results	FY March 2024 Q1 Forecasts
Net sales	129.6	147.8
Operating profit	-7.8	9.4
Ordinary profit	-7.4	9.7
Profit (loss) attributable to owners of parent	-9.6	4.4

■ Equity method profit (loss) for Mitsubishi Materials

Share of profit (loss) of entities accounted for using equity method	-5.0	2.0
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■ Details of MUCC

		FY March 2023 Q1 Results	FY March 2024 Q1 Forecasts
Demand for cement in Japan	(million tons)	9.18	8.58
Cement sales in Japan	(million tons)	2.26	2.06
Cement sales in the U.S.	(million stons)	0.50	0.49
Ready-mixed concrete sales in the U.S.	(million cy)	1.84	2.02
Coal Price	(\$/ t)	373	161
Exchange Rate	(Yen/\$)	130	137

*The above coal price is a reference index and differs from the actual procurement price.

In the domestic cement business, sales volume decreased in the first quarter, but the company promoted additional price increases, which it has been working on since last year, as well as measures to improve profits, such as improving the business structure and increasing the use of cheaper thermal energy. The company aims to achieve profitability this fiscal year.

In the U.S. business, ready-mixed concrete sales volume increased significantly in the first quarter due to the resumption of construction work that had been delayed by bad weather in the fourth quarter of the previous fiscal year. Combined with the effect of price increase, both sales and profit increased significantly.


The full-year forecast is unchanged from the initial forecast.

(Reference) Consolidated balance sheet as of June 30, 2023

(Billions of yen)

Total assets	779.2	Interest bearing debt	203.0	Shareholders' equity	332.5
Shareholders' equity ratio	42.7%	Net D/E ratio	0.46 times		

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Q & A: Operating profit increased from a loss of 7.8 billion yen in the same period of the previous fiscal year to a profit of 9.4 billion yen. Could you tell me the ratio of profit increases in the U.S. and Japan?

Takayanagi: Consolidated operating profit increased about 18 billion yen. About 12 billion yen of that was recovered by the cement business. And about 7 billion yen of that came from the U.S. and the rest from Japan.

【Q & A: Measures to recover earnings from the second quarter onward】

Questioner: In the Copper & Copper Alloy business, I think that it was envisioned that ROIC would be improved by improving the yield rates and reviewing the product lineup.

While sales volume has not yet recovered much, I would like to know how the effects of such revenue recovery measures should be seen after the second quarter.

Takayanagi: In the Copper & Copper Alloy business, ROIC recovery measures will directly lead to profit recovery measures. I feel that sales volume bottomed out from the fourth quarter of the previous fiscal year to the first quarter of this fiscal year.

If the sales volume does not increase, we will not be able to take effective actions to improve the yield rates and product lineup. Going forward, we plan to work on this while the overall operation rates increase.

【Greetings from Mr. Takayanagi】

Takayanagi: Thank you very much for participating in our company's quarterly financial results briefing today.

We will continue to explain the measures we are taking in response to market conditions in a way that is easier for you to understand.

Thank you for your continued support.