


Event Summary

[Company Name]	Mitsubishi Materials Corporation
[Date]	February 9, 2024
[Time]	18:00 – 18:54 (Total: 54 minutes, Presentation: 22 minutes, Q&A: 32 minutes)
[Venue]	Webcast
[Number of Speakers]	1 Nobuhiro Takayanagi (hereafter “Takayanagi”) Director, Managing Executive Officer, CFO

Presentation

Executive Summary

Business Environment in the Q3	<ul style="list-style-type: none"> As for the automobile market, Tier 1 companies and automakers continued to recover as the semiconductor shortage was largely resolved. Material manufacturers also saw a recovery in demand. Regarding the semiconductor market, demand remained sluggish as the economy continued to bottom out. The yen remained weak. Metal prices for copper and palladium are on a downtrend. Domestic electricity prices and raw material costs remained high.
Results for the Q1-Q3 of FY March 2024	<p>In the Q1-Q3, ordinary profit increased, although net sales and operating profit decreased YoY.</p> <ul style="list-style-type: none"> Net sales: ¥1,243.5 bn → ¥1,081.5 bn, down 13% YoY Decrease in sales (down ¥120.0 bn YoY), Transition of PTS to contract smelting (down ¥60.0 bn YoY). Operating profit: ¥37.9 bn → ¥15.4 bn, down 59% YoY Although there were the effects of the yen's depreciation and price revisions, they could not offset the impact of the production troubles and delays in receiving raw materials at smelters. However, operating profit of the Q3 increased from the Q2 in the Advanced Products business and Metalworking Solutions business. Ordinary profit: ¥24.9 bn → ¥43.6 bn, up 75% YoY Increase in dividend income from Los Pelambres Copper Mine, Increase in equity-method investment profit (equity-method investment loss was recorded at Mitsubishi UBE Cement Corporation in the previous fiscal year).
Full-Year Performance Forecast	<p>Although net sales and operating profit are expected to decrease from the previous forecast due to the significant impact of reduced sales and other factors, ordinary profit and profit attributable to owners of parent are unchanged due to a higher-than-expected dividend income from the copper mine.</p> <p>Net sales: ¥1,530.0 bn (down ¥130.0 bn), Operating profit: ¥30.0 bn (down ¥10.0 bn), Ordinary profit: ¥56.0 billion (unchanged), Profit attributable to owners of parent: ¥38.0 bn (unchanged). () are differences with the previous forecast on Nov. 9.</p> <ul style="list-style-type: none"> Metals : Reflected production troubles and delays in the arrival of raw materials at our smelter in Q3. Dividends from copper mines were more than expected. Copper & Copper Alloy : Reflected sluggish growth for automotive products in Q4, although there was a slight pickup in Q3. Electronic Materials & Components : Reflected weak sales due to a delayed recovery in demand for our mainstay products. Metalworking Solutions : Reflected an increase in raw material costs and sluggish sales in the automobile market. Entire company : Cost reduction effects slightly increased (¥7.6 bn/year (up ¥0.4 bn/year from the previous forecast)). <p>The dividend forecast is unchanged from the previous announcement at 94 yen (interim ¥47, year-end ¥47).</p> <p>To achieve the targets of the FY2031 Strategy, we will lift the company onto a growth path through the following initiatives; Building a LIB recycling pilot plant and promoting resource recycling projects overseas for expanding resource circulation; Strengthening the supply system for high-performance materials and products by monitoring trends in the automobile and semiconductor markets; Strengthening overseas manufacturing bases in cemented carbide tools; Promoting renewable energy business such as geothermal and wind power generation including the start of operation of Appi Geothermal Power Plant (scheduled in April 2024).</p>

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Takayanagi: Thank you very much for attending our financial results meeting today. I will now give an overview of the financial results for Q3 of the fiscal year ending March 31, 2024, and explain the outlook for the full year.

Please see page three of the supplementary explanatory material, the executive summary. I will explain business conditions in Q3 and the outlook for the future.

As for business conditions in Q3, the shortage of semiconductors in the automotive market has generally been resolved, and demand from finished product manufacturers and Tier 1 manufacturers is continuing to recover, while demand from materials manufacturers, including our company, is also picking up.

On the other hand, the semiconductor market continues to be in a low, stable, pot-bottom phase, and demand remains sluggish.

The yen is weak, while metal prices, copper and palladium softened slightly. Domestic electricity prices remain high and raw material costs continue to be high.

As for the cumulative results for Q3, net sales and operating profit decreased from the same period last year, while ordinary profit increased. Net sales decreased due to lower sales and a change in the scheme to contract

smelting for PTS. Operating profit was boosted by the effect of the yen's depreciation in exchange rates and price revisions but was also affected by lower sales and production troubles at a smelter. This was Onahama Smelter & Refinery. I will discuss this again later. And we have been affected by the late arrival of precious metal slime from PT Smelting. Operating profit of the Advanced Products business and the Metalworking Solutions business increased, albeit gradually, from Q2 to Q3.

Ordinary profit increased due to an increase in dividend income from Los Pelambres Copper Mine and an increase in equity-method investment profit from Mitsubishi UBE Cement.

As for the full-year forecast, we have revised downward from the previous forecast for net sales and operating profit due to the significant impact of reduced sales, but ordinary profit and profit attributable to owners of parent remain unchanged from the previous forecast due to higher dividend income from copper mines. In comparison with the previous year, ordinary profit is projected to be ¥56 billion for this fiscal year, compared to ¥25.3 billion in the previous year, and profit attributable to owners of parent will be ¥38 billion, compared to ¥20.3 billion in the previous year.

An overview of each business is as shown. As I mentioned, the Metals business had some production trouble with the auxiliary equipment of a smelting facility at Onahama Smelter & Refinery, and operations were suspended for about eight days. Factors including the delayed delivery of precious metal slime that I mentioned earlier were significant and are pushing operating profit down.

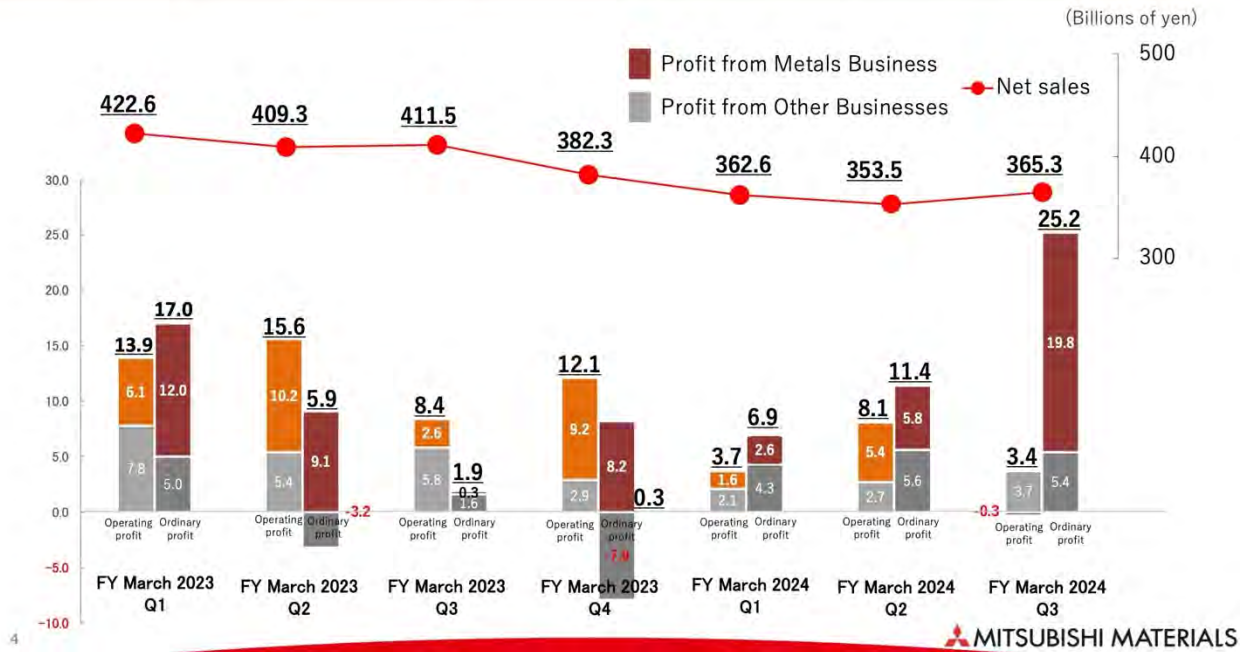
As for the Copper & Copper Alloy business, there was a slight recovery in Q3 for products for the automobile industry, but honestly speaking, it did not reach the level we had really expected.

When we announced our earnings forecast for Q4 on November 9, we thought that the recovery would be quite high, but discussion with our customers indicate that it is now slowing down considerably. This is the same for the Metalworking Solutions business. In light of this, we have revised our Q4 sales downward.

Accordingly, with our aforementioned forecasts for operating profit and ordinary profit, and since we have not changed ordinary profit and profit attributable to owners of parent, the dividend forecast remains unchanged from the previously announced figure of ¥94.

Quarterly Performance

- Net sales for the FY March 2024 Q3 were **¥365.3 bn (up ¥11.8 bn QoQ)**, mainly due to an increase in sales in the Metals business and Copper & Copper Alloy business.
- Operating profit was **¥3.4 bn (down ¥4.7 bn QoQ)**, mainly due to production troubles and delays in receiving raw materials in the Metals business.
- Ordinary profit was **¥25.2 bn (up ¥13.7 bn QoQ)**, due to recording of dividend income from Los Pelambres Copper Mine, etc.



Now, I would like to move on to profit and loss trends on page four. This is a line graph showing the change in sales for each quarter.

From this time, we will present operating profit and ordinary profit separately for the Metals business and other businesses. This highlights the large amount of mining dividends received in the Metals business. We conducted a close examination of the difference in actual income during H1 and H2, so September and March, and have showed those differences together, which reveals a trend of significant swings in operating profit and ordinary profit in the Metals business. We have made this change in order to better show the movements of the businesses other than the Metals business.

As for operating profit, as you can see here, other businesses were gradually recovering in Q1, Q2, and Q3 of this year. As for the Metals business, as I explained earlier, there were production problems and delays in receiving shipments, resulting in a negative figure for Q3.

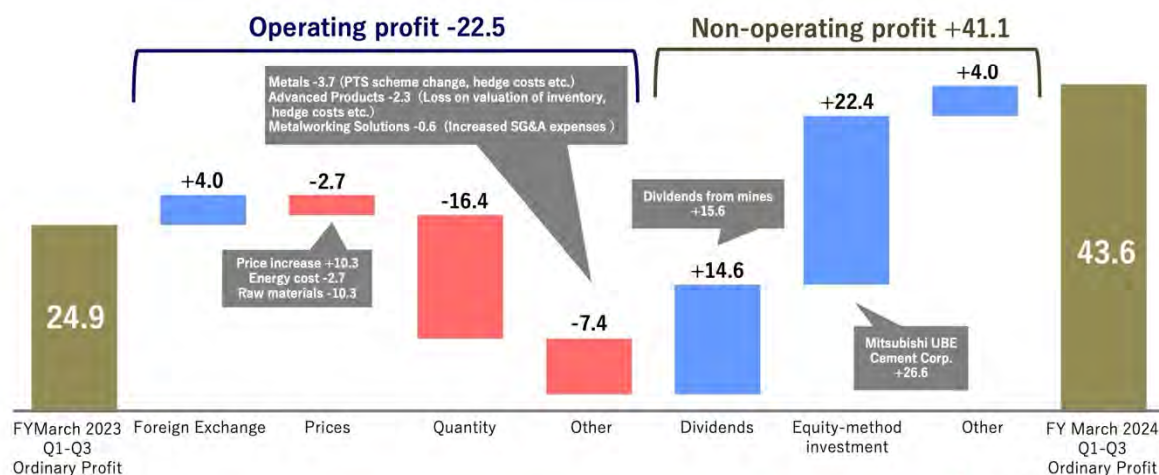
Ordinary profit increased by ¥13.7 billion from the previous quarter to ¥25.2 billion due to dividend income from Los Pelambres Copper Mine and an increase in profit from equity-method investment in Mitsubishi UBE Cement.

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

Ordinary profit increased due to an increase in dividends and recording of equity-method investment profit

- Operating profit was ¥15.4 bn (down ¥22.5 bn YoY), due to an increase in energy costs and a decrease in sales of automotive and semiconductor-related products, despite the impact of price revisions and the yen's depreciation.
- Ordinary profit was ¥43.6 bn (up ¥18.6 bn YoY), due to recording of equity-method investment profit at Mitsubishi UBE Cement Corporation and an increase in dividend income from Los Pelambres Copper Mine, while operating profit declined.

(Billions of yen)



6

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Now I would like you to jump to the waterfall graph on page six. This chart shows the current fiscal year's Q3 year-to-date ordinary profit compared to the previous fiscal year.

This time the part about price differences is a little bit of an abridged version. This is a negative ¥2.7 billion, but the breakdown is: a positive ¥10.3 billion from price increases, a negative ¥5.6 billion from metals prices, minus ¥4.9 billion from raw material prices, and minus ¥2.7 billion from energy costs.

As for the other areas, the details I mentioned earlier are listed here.

Consolidated Balance Sheet

								(Billions of yen)
Item	End of March 2023 (a)	End of December 2023 (b)	Change (b-a)	Item	End of March 2023 (a)	End of December 2023 (b)	Change (b-a)	
Cash and deposits	142.1	115.2	-26.9	Notes and accounts payable - trade	85.2	82.5	-2.6	
Notes and accounts Receivable - trade	188.4	193.0	+4.5	Borrowings, bonds payable and commercial papers	533.5	602.2	+68.6	
Inventories	377.6	451.8	+74.2	Other liabilities	644.1	682.2	+38.0	
Other	407.7	423.5	+15.8	Total liabilities	1,262.9	1,366.9	+104.0	
Total current assets	1,116.0	1,183.8	+67.7					
Property, plant and equipment and intangible assets	454.9	488.8	+33.9	Share capital	119.4	119.4	-	
Investments and other assets	320.7	358.7	+38.0	Capital surplus and treasury shares	79.0	79.0	+0.0	
Total non - current assets	775.7	847.6	+71.9	Retained earnings	338.8	353.1	+14.2	
Total assets	1,891.7	2,031.4	+139.6	Accumulated other comprehensive income	55.9	75.4	+19.5	
				Non-Controlling interests	35.5	37.4	+1.8	
Shareholders' equity ratio	31 %	31 %		Total net assets	628.8	664.5	+35.6	
Net D/E ratio	0.7 times	0.8 times		Total liabilities and net assets	1,891.7	2,031.4	+139.6	

7

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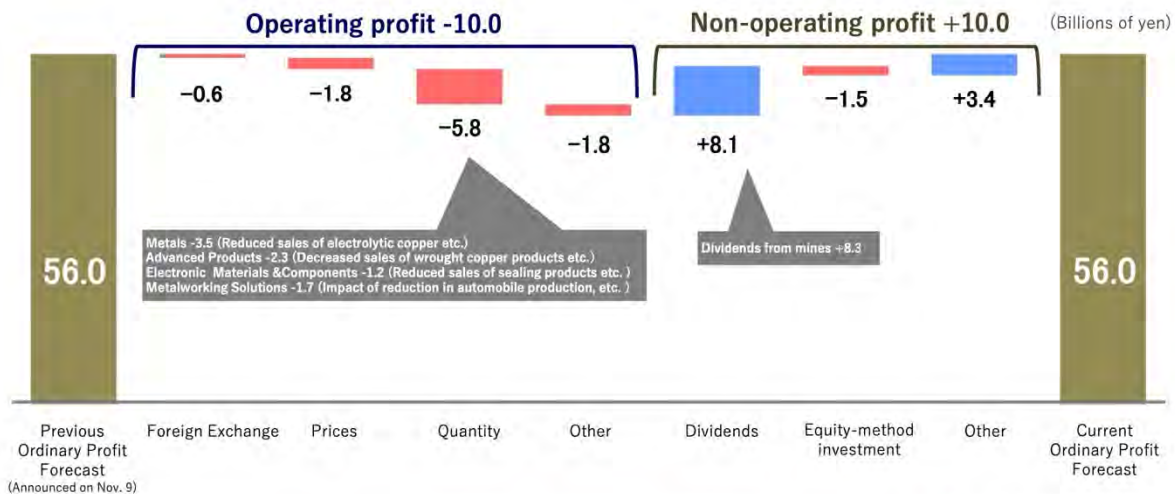
Let us turn to the consolidated balance sheet on page seven. This is the consolidated balance sheet as of December 31, 2023.

The balance is ¥2,031.4 billion, an increase of ¥139.6 billion from the end of March 2023. At the end of the previous fiscal year, March 31, 2023, inventories were much smaller than usual due to the furnace repair work at Naoshima Smelter & Refinery that was conducted in Q4 of the previous fiscal year. Therefore, we would like you to understand that inventories for the current fiscal year are increasing, in a sense, returning to normal levels as a result of the elimination of this impact.

Full-Year Forecast for FY March 2024 (Difference from Previous Forecast)

Ordinary profit forecast remains unchanged

- Operating profit is expected to be ¥30.0 bn (down ¥10.0 bn from the previous forecast) due to declined palladium prices and lower sales of our products for the automotive and semiconductor markets.
- Ordinary profit forecast is unchanged from the previous forecast mainly owing to an increase in dividend income from Los Pelambres Copper Mine.



9

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I would like to move on to page eight. Let's skip to page nine for this one as well. I think I have already mentioned the main points of profit and loss in ordinary profit.

I will give you some more detail here. Operating profit here is a forecast loss of ¥10 billion. This includes the cost reduction measures to restore profitability that I mentioned in the previous report. Putting cost reduction measures together again this time, this fiscal year it is ¥7.6 billion, but please understand that this is included in the "Other" and a portion of the "Quantity" sections.

This includes the ¥10.3 billion effect of price increases that I mentioned earlier, and we have taken a more target-oriented approach to management and budgeting from this fiscal year, and rather than accumulating the amount, have taken steps to close the gap between targets and actual results. I think this is one of the areas where we are seeing positive results.

The minus ¥10 billion is quite large, but of this amount, spot factors, or transitory factors, is the operations trouble at Onahama Smelter & Refinery that I mentioned earlier. This is shown as a negative figure of about ¥1.3 billion, mainly as a decrease in sales of electrolytic copper due to the eight-day stoppage.

The impact of reduced sales of gold and silver because gold and silver slime did not arrive from PT Smelting was a negative ¥1.7 billion. Regarding hedging costs, the foreign exchange discount and some of the expenses come to about ¥1 billion. The remainder is other factors, including inventory valuation losses, totaling about ¥5 billion or less, which we consider to be spot factors.

This will be largely eliminated in Q4, so we expect operating profit to recover to some extent.



- For the Q1-Q3 results, ordinary profit was ¥28.3 bn (up ¥6.7 bn YoY), due to an increase of dividends from Los Pelambres Copper Mine, despite a decline of palladium prices, worsening sulfuric acid trading conditions and higher foreign exchange hedging costs.
- Regarding the full-year forecasts, ordinary profit is expected to be ¥35.7 bn (up ¥0.7 bn from the previous forecast), owing to the increase of dividends from Los Pelambres Copper Mine, despite a decrease of sales in electrolytic copper and equity-method investment gains.

(Billions of yen)

Item	FY March 2023 Q1-Q3 Result (a)	FY March 2024 Q1-Q3 Result (b)	Change (b-a)	Previous Full-Year Forecast (c)	Current Full-Year Forecast (d)	Change (d-c)
Net sales	839.1	716.3	-122.8	1,110.6	1,023.8	-86.8
Operating profit	19.0	6.7	-12.2	22.3	16.0	-6.3
Ordinary profit	21.6	28.3	+6.7	35.0	35.7	+0.7
Sales volume of electrolytic copper (in-house product)	245 thousand tons	278 thousand tons	+32 thousand tons	400 thousand tons	390 thousand tons	-10 thousand tons
Dividend from copper mine	7.0	22.7	+15.6	14.8	23.2	+8.3

Details of Ordinary Profit Increase

FY March 2023 Q1-Q3 Result (a)	21.6
Foreign Exchange	+1.5
Prices	-7.7
Quantity	-2.3
Dividend	+15.6
Equity method investment	-2.7
Other	+2.3
FY March 2024 Q1-Q3 Result (b)	28.3

Details of Ordinary Profit Increase

Previous Full-Year Forecast (c)	35.0
Foreign Exchange	-0.7
Prices	-0.7
Quantity	-3.5
Dividend	+8.1
Equity method investment	-0.8
Other	-1.7
Current Full-Year Forecast (d)	35.7

10

Now I would like to move on to the next page, the Metals business. As for Q3 shown here, in addition to the trouble at Onahama and the delay in receiving metal slime, the palladium price has fallen. On the other hand, as a positive factor, the net income for sulfuric acid is slightly more positive than we had expected. These figures are the result of these factors.

Accumulated operating profit for the three quarters totaled ¥6.7 billion, and accumulated ordinary profit was ¥28.3 billion. The full year forecast is for operating profit of ¥16 billion and ordinary profit of ¥35.7 billion.

Regarding dividends from mines, the previous forecast was ¥14.8 billion, but this time it is ¥23.2 billion, an upward revision of about ¥8.3 billion.

Advanced Products Business (Copper & Copper Alloy)



Advanced Products Company

- For the Q1-Q3 results, ordinary profit was ¥ -0.4 bn (down ¥1.3 bn YoY), due to a decrease in sales mainly of automotive products and an increase in hedging costs, despite positive effects of price revisions.
- Regarding the full-year forecasts, ordinary profit is expected to be ¥0.1 bn (down ¥1.7 bn from the previous forecast), due to a decrease in energy costs, despite a further decrease in sales of wrought copper products.

				(Billions of yen)		
Item	FY March 2023 Q1-Q3 Result (a)	FY March 2024 Q1-Q3 Result (b)	Change (b-a)	Previous Full-Year Forecast (c)	Current Full-Year Forecast (d)	Change (d-c)
Net sales	304.1	310.3	+6.1	427.4	418.7	-8.7
Operating profit	2.4	1.8	-0.5	4.6	3.0	-1.6
Ordinary profit	0.9	-0.4	-1.3	1.8	0.1	-1.7
Sales volume of copper & copper alloy products	101 thousand tons	93 thousand tons	-8 thousand tons	126 thousand tons	124 thousand tons	-2 thousand tons

Details of Ordinary Profit Decrease

FY March 2023 Q1-Q3 Result (a)	0.9
Foreign Exchange	+0.2
Prices	+4.1
Quantity	-2.5
Other	-3.1
FY March 2024 Q1-Q3 Result (b)	-0.4

Details of Ordinary Profit Decrease

Previous Full-Year Forecast (c)	1.8
Foreign Exchange	+0.2
Prices	+1.2
Quantity	-2.3
Other	-0.8
Current Full-Year Forecast (d)	0.1

11

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Now, I would like to move on to the Copper & Copper Alloy business. There was a slight recovery in automotive products in Q3. In the cumulative Q3, ordinary profit decreased by ¥1.3 billion from the previous year.

Although there were positive factors such as price revisions, sales of products for the automobile industry have been recovering, but the figures are lower than we had expected. In addition, the increase in hedging costs due to the growing foreign exchange discount resulted in a decrease in profit.

As shown here, for the full year, operating profit is expected to be ¥3 billion and ordinary profit is ¥100 million. The sales volume of wrought copper products decreased from 126,000 tons to 124,000 tons, and in some areas, our plan to increase sales, including the product mix, did not go as smoothly as we had hoped, causing a decline in profit.

- For the Q1-Q3 results, ordinary profit was ¥1.6 bn (down ¥5.2 bn YoY), mainly due to a decrease in sales of semiconductor-related products owing to the sluggish semiconductor market.
- Regarding the full-year forecasts, ordinary profit is expected to be ¥2.2 bn (down ¥0.5 bn from the previous forecast), due to a decrease in sales of sealing products, etc.

(Billions of yen)

Item	FY March 2023 Q1-Q3 Result (a)	FY March 2024 Q1-Q3 Result (b)	Change (b-a)	Previous Full-Year Forecast (c)	Current Full-Year Forecast (d)	Change (d-c)
Net sales	93.3	59.0	-34.2	82.6	80.0	-2.6
Operating profit	5.5	0.7	-4.7	2.1	1.5	-0.6
Ordinary profit	6.9	1.6	-5.2	2.7	2.2	-0.5


Details of Ordinary Profit Decrease

FY March 2023 Q1-Q3 Result (a)	6.9
Foreign Exchange	+0.1
Prices	-0.4
Quantity	-4.1
Dividend	-0.4
Equity method investment	+0.0
Other	-0.4
FY March 2024 Q1-Q3 Result (b)	1.6

Details of Ordinary Profit Decrease

Previous Full-Year Forecast (c)	2.7
Foreign Exchange	+0.0
Prices	+0.1
Quantity	-1.2
Dividend	—
Equity method investment	+0.2
Other	+0.4
Current Full-Year Forecast (d)	2.2

12

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This is followed by the Electronic Materials & Components business. In Q3, the semiconductor market continued to be in a pot-bottom phase, and demand was weak. However, sales of chemical products for the automotive sector have been improving. Sales of sealing products were weak compared to Q2 due to a decrease in orders for some semiconductor equipment.

In the cumulative Q3, ordinary profit decreased by ¥5.2 billion from the previous year.

The forecast for the full year has been revised downward by about ¥500 million from the previous forecast. This reflects a decrease in orders for sealing products in H2 of the fiscal year.



- For the Q1-Q3 results, ordinary profit was ¥9.1 bn (down ¥2.6 bn YoY), due to a decrease in sales mainly in Japan and China despite the yen's depreciation.
- Regarding the full-year forecasts, ordinary profit is expected to be ¥12.6 bn (down ¥3.0 bn from the previous forecast), due to an increase in raw material costs and expected weak sales of automotive products.

(Billions of yen)

Item	FY March 2023 Q1-Q3 Result (a)	FY March 2024 Q1-Q3 Result (b)	Change (b-a)	Previous Full-Year Forecast (c)	Current Full-Year Forecast (d)	Change (d-c)
Net sales	107.2	104.7	-2.4	154.8	141.0	-13.8
Operating profit	11.3	8.2	-3.1	14.7	11.6	-3.1
Ordinary profit	11.7	9.1	-2.6	15.6	12.6	-3.0

Details of Ordinary Profit Decrease

FY March 2023 Q1-Q3 Result (a)	11.7
Foreign Exchange	+2.3
Prices	+0.7
Quantity	-5.5
Dividend	-0.0
Equity method investment	-0.1
FY March 2024 Q1-Q3 Result (b)	9.1

Details of Ordinary Profit Decrease

Previous Full-Year Forecast (c)	15.6
Foreign Exchange	-0.1
Prices	-1.1
Quantity	-1.7
Dividend	-0.1
Equity method investment	+0.1
Current Full-Year Forecast (d)	12.6

13

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I would like to turn to page 13. This is the Metalworking Solutions business. In Q3, as I mentioned, the automotive market was in a recovery trend for finished product manufacturers and Tier 1 manufacturers, but as with the Copper & Copper Alloy business, our sales have not risen to the level we had expected. We believe that this is most likely due to the fact that the elimination of distribution inventories in the supply chain has not progressed as much as we had anticipated.

In the cumulative Q3, ordinary profit decreased by ¥2.6 billion on year.

It is difficult to foresee significant improvement in this trend in Q4. Therefore, our final forecast for ordinary profit is ¥12.6 billion for the full year, a decrease of ¥3 billion from the previous forecast.

Mitsubishi UBE Cement Corporation (MUCC)

■ Consolidated P/L of MUCC

(Billions of yen)

	FY March 2023 Q1-Q3 Result	FY March 2024 Q1-Q3 Result	FY March 2024 Forecast
Net sales	449.6	447.8	590.0 (600.0)
Overseas business only	108.0	138.5	180.0 (185.0)
Operating profit	-24.2	36.5	39.5 (33.0)
Overseas business only	6.8	24.9	26.5 (24.0)
Ordinary profit	-22.3	38.4	40.5 (33.5)
Profit (loss) attributable to owners of parent	-33.2	19.3	19.5 (19.0)

() forecast released on November 9, 2023

■ Equity method profit (loss) for Mitsubishi Materials

	FY March 2023 Q1-Q3 Result	FY March 2024 Q1-Q3 Result	FY March 2024 Forecast
Share of profit (loss) of entities accounted for using equity method	-16.9	9.7	9.5 (9.4)

- The domestic cement business recorded a profit in the Q1-Q3, thanks to the completion of a ¥5,000 price hike and increased use of low-cost thermal energy. Although the business environment remains challenging due to declining domestic demand and rising logistics costs, MUCC aims to become profitable for the full year.
- The environment and energy business and domestic group companies posted increased profits in the Q1-Q3 following the H1.
- In the U.S. ready-mixed concrete business, profit increased significantly in Q1-Q3, owing to the effect of price hikes, although sales were sluggish in the Q3 (Oct.-Dec.) due to a decline in demand for commercial facilities and the impact of bad weather. In the 4Q (Jan.-Mar.), the profit margin is expected to shrink due to weak sales volume and higher costs.
- In the Q3, the estimated additional cost for dismantling the Aomori plant, which was shut down at the end of the last fiscal year, was recorded as an extraordinary loss.

14

■ Details of MUCC

	FY March 2023 Q1-Q3 Result	FY March 2024 Q1-Q3 Result	FY March 2024 Forecast
Demand for cement in Japan (million t)	28.59	26.71	35.00 (36.00)
Cement sales in Japan (million t)	7.01	6.35	8.40 (8.65)
Cement sales in the U.S. (million st)	1.31	1.35	1.75 (1.80)
Ready-mixed concrete sales in the U.S. (million cy)	5.48	5.39	6.75 (7.00)
Coal Price (\$/t)	392	148	151 (177)
Exchange Rate (¥/\$)	137	143	144 (145)

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

(Reference) Consolidated balance sheet as of December 31, 2023 (Billions of yen)

Total assets	795.6	Interest-bearing debt	178.4	Shareholders' equity	348.3
Shareholders' equity ratio	43.8%	Net D/E ratio	0.34 times		

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Page 14 is about Mitsubishi UBE Cement. As for the cumulative Q3 results, ordinary profit improved by ¥60.7 billion on year. The cement business in Japan achieved profitability in cumulative Q3 thanks to the completion of a ¥5000 price hike and the effect of improvements such as increased use of low-cost thermal energy. Although the business environment is not necessarily easy, with declining domestic demand and increasing logistics costs, we are aiming to achieve profitability for the full year.

In the ready-mixed concrete business in the US, sales were slightly sluggish in Q3 due to a decline in demand for commercial facilities and the impact of bad weather, but the effect of price increases was effective and earnings increased.

We are taking a very conservative view for Q4, considering the usual seasonal factors that tend to slow sales growth during this season, as well as higher logistics costs, etc.

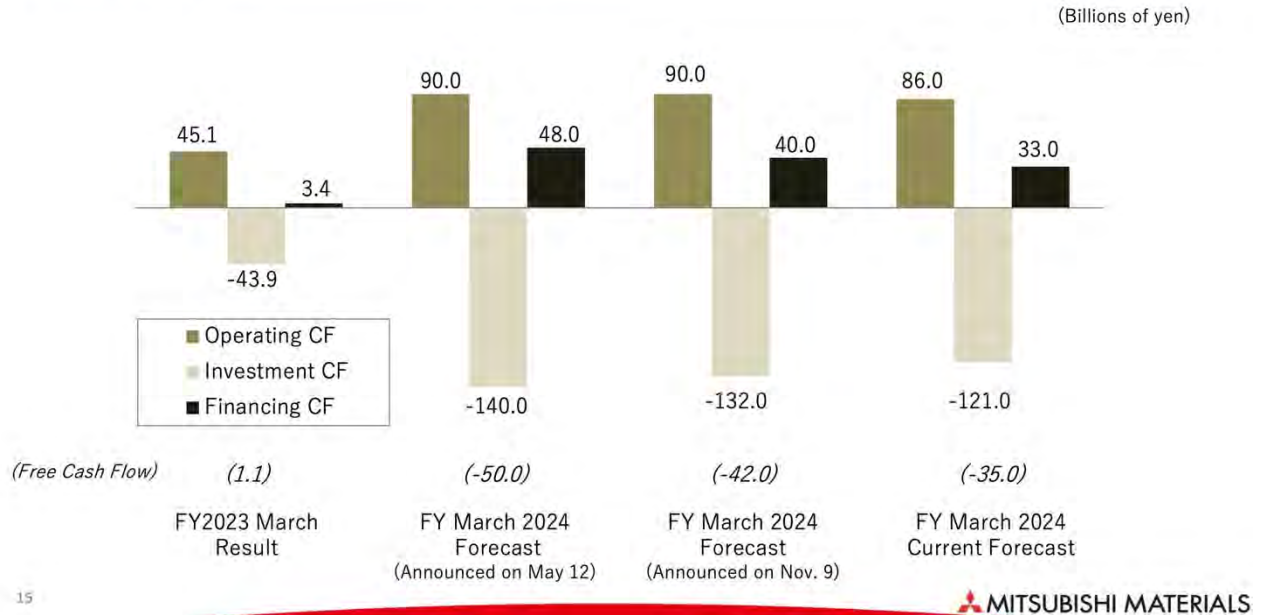
In Q3 we posted the cost of dismantling the Aomori plant that was shut down at the end of the previous fiscal year, as we consolidate production by closing the Aomori plant and suspending the operation of one kiln at the Isa plant, as we explained last time. That will cost about ¥20 billion, about 90% of which was accounted for last fiscal year. The remaining portion will be included this fiscal year after we check the costs, especially soil costs.

In Q3 of this fiscal year, a portion of this extraordinary loss was recorded, but this is not the cost of soil, but rather the cost of dismantling the Aomori Plant, which was originally estimated to increase when a more accurate estimate was made. That difference has been recorded. This is about ¥4 billion on a 100% basis.

The full-year forecast for ordinary profit has been revised upward by ¥7 billion from the previous forecast of ¥33.5 billion to ¥40.5 billion.

Cash Flow Forecast

- Free CF for the full-year is expected to improve from the previous forecast, announced on Nov. 9, due to a partial revision of investment projects planned in the Investment CF, despite a declined Operating CF owing to a decrease in operating profit, etc.
- We will continue to implement measures to improve cash flows, such as inventory reduction and early collection of accounts receivable.



Now I would like to explain the cash flow shown on the next page. The forecasts announced in May, in November, and this time are shown in the table.

Originally, we had assumed an operating cash flow of about ¥90 billion. We are actually revising our operating profit downward, but we are taking measures such as inventory reduction and early collection of accounts receivable to mitigate the decline in operating cash flow compared to the budget. As a result, operating cash flow is now forecast at ¥86 billion.

Regarding investment activities, some investments have been shifted back, resulting in a negative free cash flow outlook of ¥121 billion, compared with a negative free cash flow of ¥35 billion. This is a reduction compared to the initially projected negative free cash flow of ¥50 billion.

Question & Answer

Participant [Q]: I would like to hear about just non-operating profit in general.

This time, dividends received from Los Pelambres have increased considerably, and even historically speaking, the ¥20 billion figure is very large. For Los Pelambres, I think the profit is expected to increase because of the increased production, but I was wondering if you could explain the background and sustainability of the increase here.

Also, including the “Other” parts of the full-year forecast, I’m wondering if there are any temporary items in there. I would like to learn what will and will not be left over for next year. I would like to know what the outlook is for earnings from equity-method holdings, if you have one.

I would like to know a little more about this turnaround in non-operating profit. Also, the production up to November of Los Pelambres, I think it has recovered about 30,000 tons per month. Please include this as well. Thank you.

Takayanagi [A]: Thank you for your questions. First of all, as you all know, Los Pelambres is involved in a seawater desalination project and its concentrator capacity expansion project.

A significant portion of the work there was basically done by borrowing from a banking group, but we have heard that the refinancing, etc. there has been successful and that the management of the financing has been quite successful. This is one of the reasons it has been able to pay out this dividend, as it now has a relatively large amount of cash on hand.

So, I was wondering if this level of payout was probably the same payout level about three years ago. I have a hazy recollection of this, but I believe that is about the level.

In the future, we will no longer have to worry about the water aspect I mentioned, while the capacity of the concentrator will expand, so we are expecting quite positive results in terms of production, and I think the rest will depend on copper prices. We now believe that if the copper price continues at a slightly higher level than it is at now, we can expect to continue to receive substantial dividends. This answers the first question.

Participant [Q]: Does it include foreign exchange gains or anything like that? Are the other areas of non-operating profit sustainable?

Takayanagi [A]: In the “Other” section, not all of them are transient, but a large part of them is. I can’t go into too much detail about it.

Participant [Q]: That’s fine. Is it OK to subtract ¥1.5 billion from the previous forecast for profit from equity-method holdings? Or do you not have a previous outlook?

Takayanagi [A]: Last time, we were looking at about ¥8.7 billion. We are looking at ¥7.2 billion this time, so it is about minus ¥1.5 billion. The biggest one there is Copper Mountain. As for Copper Mountain, our partner, or rather the main shareholder, Hudbay, is currently running the operation.

We are currently reviewing our operation and mining plans in various areas, and the impact of these changes has resulted in a negative balance of just under ¥900 million compared to the budget, so it is not quite ¥15 million. I guess that’s about it.

Participant [M]: I understand. Thank you very much. I'm finished now.

Participant [Q]: Thank you for taking my questions. First, regarding the Copper & Copper Alloy business, looking at the financial results of various companies up to this point, many people say that the automobile industry is recovering relatively well, but many others say that the rest are in a difficult situation.

I wonder how your company evaluates the current recovery of copper products for automobiles compared to the industry and market trends. I get the impression that the recovery is a little more gradual, so please give me some background on that and how you see that.

Secondly, in the Metalworking Solutions business, you mentioned last time, in November, that there was a factor of about ¥2 billion in H2 profit that could be boosted a little by building up inventory. How is that now? That is all.

Takayanagi [A]: Thank you very much. Our frank impression of the Copper & Copper Alloy business is that in Q3, especially for coating copper alloys for wire harness terminal materials, such as those we produce in Wakamatsu Plant, it takes from October to November, maybe two months, to reach a fairly normal level. Orders returned to this level, but then started to weaken again.

I am paying attention to the financial results of companies such as Sumitomo Wiring Systems and Yazaki Corporation, but our main customers for wiring harnesses are these two companies, which are the largest in the world, so I would say that our business with these two companies about determines the result. However, our feeling is frankly that orders are falling.

For example, the real OEMs and Tier 1 companies are doing well, but from that point onward, I see that not everyone is necessarily all sunshine. This answers the first question.

Regarding the second question, I believe we did refer to building up inventory, or rather, bringing inventory to an appropriate level. We have had the bitter experience of missing out on many opportunities because we did not keep inventory at an appropriate level when demand suddenly picked up after a period of slow demand. So, I believe I talked last time about building inventory up to an appropriate level.

Orders have been slower than we had expected, so our inventory is a bit larger than we had targeted. Therefore, it is our view that some adjustments may be necessary.

Normally, when demand picks up here, we would have made a reasonable profit because we had inventory at our proper target level. This time, because we were not able to build it up, we have that minus for the Copper & Copper Alloy business. Therefore, although there is a decrease of about ¥3 billion from the previous forecast, I think it would be better to understand that this is roughly what we are talking about. That is all.

Participant [M]: I understand. Thank you very much.

Participant [Q]: Thank you for taking my questions. My first question is about the cement business. Looking at the quarterly profit trends up to Q3, it has been fairly steady, but in Q4, as you explained, I am a little concerned about whether it will really get this bad. I wonder if you could tell us how you see the situation.

My second question is that your company's interpretation is that your original assumption of a recovery in the Copper & Copper Alloy business and Metalworking Solutions business was a bit optimistic, or that the

recovery is a bit slower than originally expected, so is there no change in market share or anything like that? Could you please confirm this point? That is all.

Takayanagi [A]: Thank you very much. I have to admit that I have asked Mitsubishi UBE Cement the same question, and we have talked about how bad it could really be.

However, sales in the US last year were not so good due to bad weather on the West Coast of the US last year, and regarding the current situation in January, although it has not been completely settled yet, sales are mostly uncertain.

Therefore, I also think that although I told you that this is a very conservative forecast, it may not be that conservative.

As for the domestic market, as shown in the segment information shown earlier, total domestic demand for cement is now seen by Mitsubishi UBE Cement at 35 million tons, which is also weak as sales for this January-March period. Based on our current estimates for Japan and the US, we are presenting this forecast. This answers the first question.

For the second, regarding the Copper & Copper Alloy business and the Metalworking Solutions business, we have been trying to improve share of our wrought copper products intensively for several months now, and we are now in the process of going deeper into this area. It is quite difficult to accurately convert our market share but based on the overall shipment volume of wrought copper products and the ratio of our parts to the total automobile production volume, we have confirmed that we are not necessarily losing market share in terms of our shipment volume in the Copper & Copper Alloy business.

As for the Metalworking Solutions business, cemented carbide tools have a wide range of applications, and there are many places where it is distributed and sold, so it is quite difficult to check the market share. This is an item for consideration that we would like to check a little more in depth, while comparing how much the domestic share has fallen and how far our share has dropped. That is all.

Participant [M]: I understand. Thank you very much.

Participant [Q]: Thank you for taking my questions. I also have a question about the future outlook for cement earnings. I think two big topics for you over this last year have been taking full advantage of price hikes and reaping the results of condensing production sites. However, the business environment in Japan remains sluggish, and I have the impression that the environment in North America is not conducive to volume growth either.

Can we expect some further initiatives for the future? You may have some area of penetration of this fiscal year's price increases or some effects on an area basis. I would like to know about the factors for further improvement and expectations for the current and next fiscal year, as far as you can tell us at this point. So, please let us know the direction you are taking. If possible, I would appreciate it if you could talk separately about the domestic market and the US.

The second question is about cemented carbide tools in the Metalworking Solutions business, and I think you have indicated a gradual but steady quarterly recovery in earnings, with Q2 marking the bottom. How is this connected to your original initiatives? In the midst of such a slump in demand, I wonder if what you are trying to do in terms of product mix and overseas expansion is being done according to the plan. I would appreciate it if you could explain the potential for future growth due to unique factors in this area, which is a bit different from simple aggregate demand movements. These are my two questions.

Takayanagi [A]: Thank you for your questions. As for the future direction of the cement business, as you say, if domestic demand falls to 35 million tons, I think it will be very difficult.

However, we closed the Aomori plant at an early stage and suspended one kiln at the Isa plant, so the so-called export volume has been reduced considerably, and the believe results have materialized.

However, if the domestic market shrinks further, we will probably have to consider our next move in the domestic market as well. There are several options, and although I don't think it is the right time to talk about them in detail, but we do have a sense of urgency.

In the US, interest rates are not likely to fall, and I think it is quite possible that they will not be linked to demand, but I believe that interest rates will eventually fall, and the market in the US itself, especially in Southern California on the West Coast, is expected to recover sooner or later.

Although there are seasonal factors during the period from January to March, I think the direction of the market will recover in April and beyond. However, there is a question of what will happen in the presidential election, so we want to continue to monitor the situation closely.

I would also like to add that we are always looking for ways to expand our overseas cement business to become another pillar of our business, as well as thinking about expanding the West Coast of the United States.

And as for the Metalworking Solutions business, I basically don't think we will change our approach in the current situation. We sell mainly in Europe, North America, Southeast Asia, Japan, and China. Sales in Southeast Asia are a little weak, but sales in Europe and North America are generally in line with our expectations.

However, the problem is that China has not rebounded, and orders from Japanese OEMs have not rebounded either. I think that probably includes not only OEMs in terms of machine tools, but also other industries that are spread out there, other industries that are slowing down due to China's lack of recover, and industries other than the automotive industry. My understanding is that there are probably many people in this area who feel a sense of crisis, regardless of what our peers in the industry think. That is all.

Participant [M]: I understand. Thank you very much.

Participant [Q]: I would like to ask two questions. The first question is to confirm numbers, but can you tell me about the change in the operating profit of the Metals business from Q3 to Q4, and what is causing it? I'm sure there are a variety of price impacts, electricity costs, sulfuric acid, precious metals, pass-throughs, etc. Please tell us about that. This is my first question.

Secondly, I have a question regarding cash flow projections and inventory. Inventory as of the end of December was ¥451.8 billion, an increase of ¥74 billion from the end of March. This is quite a build-up. As you mentioned earlier, even in the area of the Metalworking Solutions business, demand is not as strong as expected, and inventories are piling up more than expected.

That didn't seem to sell well into Q4. I think you mentioned the reduction of working capital, but the forecast for operating cash flow is ¥86 billion, so I wonder what else we can expect in terms of inventory reduction. I think the inventory level has to be compressed considerably at the end of March but let me confirm whether it will be in the ¥300 billion range or not. That is all.

Takayanagi [A]: Thank you for your questions. Regarding the Metals business's movement from Q3 to Q4, the effects of the Onahama trouble, reduced sales of gold and silver, and delays in receiving raw materials for

precious metal slime from PT Smelting. The total of these amounts is just over ¥3 billion, and one of the first things that will happen is that this will basically disappear.

In addition, as I mentioned at the beginning of this presentation, a portion of the metal recovery differences in net income that will be accounted for at the end of March is currently being counted, so I believe that this will have a positive effect as well. I hope you can think of it as a combination of these two factors that led to the movements from Q3 to Q4. This answers the first question.

In response to the second question, we have been working on reducing accounts receivable to a certain extent, and inventories, including intermediate inventories, and they are now being reduced to the lowest possible level that will allow each Company to operate at its target level. We are working on compressing this now.

However, to be honest, when sales are down a bit, inventory inevitably accumulates, and it has become a bit of a game, but this is a point that we will continue to strive to achieve. That is all.

Participant [Q]: I understand. As for the first question, is it your understanding that the metal recovery differences in net income will be quite large at the end of March?

Takayanagi [A]: That's right. Yes.

Participant [M]: I understand. Thank you very much.

Participant [Q]: Thank you very much for taking my questions. I have two. The first is about page 11, the slide where you explained the Copper & Copper Alloy business. Earlier you commented that there were not many products that were aimed at improving the product mix. Could you tell us about that?

For example, on the righthand side of page 11, the sales volume of wrought copper products decreased by only 2 thousand tons between this forecast and the previous forecast, but the difference in quantity is as large as minus ¥2.3 billion in the lower part of the page. Could you please include an explanation of that? This is my first question.

The second question is on the page 12. In the section of the Electronic Materials & Components business, you explained that the sales volume of sealing materials is weak. Could you also please explain this? That is all. Thank you.

Takayanagi [A]: Thank you for your questions. Sorry that my explanation was insufficient. The sales volume of copper & copper alloy products in this table is the so-called non-consolidated sales volume. Additionally, there is actually the sales volume of Luvata, one of our Group companies. We have been thinking quite a bit about increasing sales in this company.

In terms of product mix, of course, on a stand-alone basis, oxygen-free copper-based alloys are our most profitable product and are our best-selling product, so our product mix is to sell more of them. This is where I spoke in the sense that if the terminal material does not grow much, some of the growth will stop, and that is where it will not go well.

I think there was a discrepancy in the sense that it doesn't match the quantity, because now Luvata's reduction in sales was not clear.

On the other hand, in the case of Luvata, the world of welding electrode materials, for example, is a world where the number of pieces is discussed rather than copper products that are weighed in tons, so it would be difficult to give a clear figure here.

This may not be a complete answer, but that is the situation with copper processing.

As for sealing materials for the Electronic Materials & Components business, orders had been falling since the beginning of this fiscal year, but we were able to maintain a high level of operations because we had a backlog of orders to sell. But that backlog was almost completely consumed in H1 of this fiscal year. Here I had wanted to say that because operations suddenly fell, sealing materials have weakened. That is all.

Participant [Q]: Thank you. I would like to confirm some points. For Luvata, I think it had about five products that were competitive, but do you feel that there is a decline in general, or is there a decline in specific varieties? How should this be interpreted?

Takayanagi [A]: The biggest problem this fiscal year is superconducting wires. Superconducting wires are mainly sold in China, where they are used in medical devices such as MRI machines, but production did not pick up due to a recent drop in demand in China and problems on the raw material side. These two factors are the most significant, with negative sales compared to the previous year largely due to these two factors. That is all.

Participant [Q]: Thank you. In the area of sealing materials, the backlog of orders is disappearing, so what kind of macroeconomic, or other, trends should we watch in order for orders to build up again in the future? Can you give us any hints as to what to expect?

Takayanagi [A]: We have a wide range of demand for sealing materials, including semiconductor-related, machine tool, and automobile-related demand, so I think we need to look at the overall economy first.

In the case of Mitsubishi Cable Industries, Ltd., the profit margin of semiconductors is high, so by looking at the overall economy and the semiconductor business, I think that the profit and loss trend of Mitsubishi Cable Industries, Ltd. can be assumed to some extent. That is all.

Participant [Q]: I understand. Does this mean that we cannot just look at semiconductors?

Takayanagi [A]: That's right. I think that is not enough.

Participant [M]: I understand. Sorry for taking so long. Thank you very much.

Moderator [M]: We will now conclude the question and answer session. Finally, I would like to ask Mr. Takayanagi to say a few words.

Takayanagi [M]: Thank you very much, everyone, for your participation over such a lengthy period. I would like to express my sincere gratitude. We are frankly quite concerned about the slight decrease in operating profit, and we are determined to tighten the reins of our efforts to increase profitability and to continue our efforts to raise the top line. We look forward to your continued guidance and encouragement of our company. Thank you very much for your time today.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*