



## **Mitsubishi Materials Corporation**

Q3 Financial Results Briefing for the Fiscal Year Ending March 2025

February 13, 2025

Speaker: Nobuhiro Takyanagi Director, Managing Executive Officer, CFO

## Question & Answer

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**Participant [Q]:** The trends in valuation gains and losses due to the suspension of hedging are all lumped together in rounds, or rather, all together. Could you separate the Metals business and the Copper & Copper Alloy business and tell us separately on how they appear in Q3 and Q4, respectively?

**Takayanagi [A]:** The Metals business was negative ¥2.5 billion in Q3 and plus ¥2.2 billion in Q4. For the Copper & Copper Alloy business, it is positive ¥1.0 billion in Q3 and positive ¥0.9 billion in Q4.

**Participant [Q]:** This already includes non-operating profit and operating profit.

**Takayanagi [A]:** They are included, yes.

**Participant [Q]:** I see. So, since this total is roughly the actual situation, Q3 is about negative ¥1.5 billion when both are combined. For Q4, I would say that it is about positive ¥3.1 billion when both are combined.

**Takayanagi [A]:** Yes, that's right.

**Participant [Q]:** Understood. I would like you to explain where the figures have changed this time, where the profit and loss has moved in each segment a little bit, and also the non-operating income and expenses, including the background of the loss of dividends from the Los Pelambres Copper Mine. Also, I didn't see anything on the full year equity earnings forecast, is that something you didn't want to give? Please let me know if you have a figure. That is all.

In terms of operating profit, for example, the Copper & Copper Alloy business increased by ¥0.1 billion, the Electronic Materials & Components business increased, and so on. I think there are a lot of things, but it is this change in profit and loss. What is your outlook for the previous and current full year?

**Takayanagi [A]:** First, for the Metals business, from the previous forecast, the dividends from the Los Pelambres Copper Mine have been reduced from the copper price assumption and some CAPEX changes. This is one thing, and from the point of view of the change from the last time, this means that the biggest change is about negative ¥1.5 billion.

Also, regarding non-operating profit, there is a positive impact of about ¥1.9 billion due to the increase in the foreign exchange assumption from ¥150 to ¥155. These are the two largest.

In the Copper & Copper Alloy business, the sales volume difference is negative by about ¥2.7 billion, but this amount includes the impact of the suspension of hedging mentioned earlier. In contrast, there was a positive inventory mark-to-market valuation of about ¥0.6 billion. This is within operating profit and another positive factor. The total hasn't changed significantly from the previous forecast, almost on par with the forecast, but there are some points that are so.

There were not many topics in the Electronic Materials & Components business. Basically, there was a volume difference, and sales grew more than originally planned. Functional materials, such as plating solution and other such products, saw a slightly higher-than-expected increase in profit due to better-than-expected sales.

And, the Metalworking Solutions business has a negative volume difference from the previous forecast. The sales mix of the product mix was negative by about ¥0.7 billion due to a poor composition difference. Also, another about negative ¥0.7 billion due to volume. In addition, there were some positive factors such as an increase in SG&A expenses, which added a few hundred million yen to the total. In total, it is about ¥2.0 billion in the negative. These are probably all the major factors.

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**Participant [Q]:** I would like to ask two questions about the Metalworking Solutions business. In terms of the downward revision of volume, by region, could you tell me which region's volume is particularly lowered compared to the previous forecast?

**Takayanagi [A]:** In terms of volume, first of all, it's down a lot in Europe. This was a big influence there because, as you all know, pretty much all the European automakers currently experiencing stagnation. And China, as you all know, is braking now with EVs. Meanwhile, Japanese OEMs are losing market share across the board. Sales for this market are down quite significantly. In conjunction with this, Japan also ended up with a bad situation in China and Southeast Asia, and production there and in Japan is also down. The number of companies that have been affected by that. This was for the first question.

## Quarterly Results by Segment

(Billions of yen)

		FYE March 2024 Result							FYE March 2025 Result						
		Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1	Q3	Q4	H2	Full-year
Metals	Net sales	240.9	235.8	476.8	239.5	321.6	561.1	1,038.0	390.0	342.4	732.4	362.5	368.9	731.4	1,463.9
	Operating profit	1.6	5.4	7.1	-0.3	3.0	2.7	9.8	8.8	13.6	22.4	-0.1	5.0	4.9	27.3
	Ordinary profit	2.6	5.8	8.4	19.8	2.7	22.5	31.0	12.1	5.8	18.0	23.7	3.6	27.3	45.4
Advanced Products *1	Net sales	120.5	122.4	242.9	125.3	120.4	245.7	488.7	132.3	128.8	261.1	124.3	133.9	258.2	519.3
	Operating profit	0.4	0.3	0.8	1.6	1.6	3.2	4.0	2.3	-3.3	-1.0	3.5	1.4	4.9	4.0
	Ordinary profit	0.2	-0.0	0.1	0.8	0.8	1.6	1.8	2.0	-4.3	-2.3	3.1	0.5	3.6	1.3
Copper & Copper Alloy	Net sales	101.6	102.7	204.3	105.9	99.9	205.8	410.2	113.0	109.8	222.9	104.9	115.9	220.8	443.8
	Operating profit	0.5	0.5	1.0	0.8	0.7	1.5	2.6	1.7	-3.2	-1.4	1.9	0.9	2.8	1.4
	Ordinary profit	-0.0	-0.1	-0.2	-0.2	-0.1	-0.3	-0.5	0.8	-4.2	-3.4	1.0	-0.1	0.9	-2.5
Electronic Materials & Components	Net sales	18.9	19.9	38.8	20.1	20.8	41.0	79.9	19.8	18.9	38.8	19.6	18.4	38.0	76.8
	Operating profit	0.1	-0.1	0.0	0.7	0.9	1.7	1.7	0.7	0.1	0.9	1.5	0.6	2.1	3.1
	Ordinary profit	0.4	0.2	0.6	0.9	1.1	2.1	2.8	1.4	0.1	1.6	2.0	0.8	2.8	4.4
Metalworking Solutions	Net sales	35.0	34.7	69.8	34.9	35.2	70.2	140.0	38.1	36.4	74.6	36.3	37.8	74.1	148.8
	Operating profit	3.2	1.9	5.2	2.9	2.5	5.5	10.8	2.9	3.8	6.8	0.0	2.2	2.2	9.1
	Ordinary profit	4.1	2.2	6.3	2.7	3.1	5.9	12.2	3.4	2.8	6.3	0.3	2.0	2.3	8.7
Renewable Energy	Net sales	1.2	1.0	2.2	1.2	1.1	2.3	4.6	2.3	2.1	4.5	1.8	2.1	3.9	8.4
	Operating profit	0.3	-0.0	0.2	0.3	0.2	0.5	0.8	0.9	0.7	1.6	0.3	0.2	0.5	2.2
	Ordinary profit	0.3	-0.0	0.3	0.2	0.3	0.5	0.8	1.2	0.5	1.8	0.4	0.2	0.6	2.5
Other	Net sales	33.4	39.0	72.5	41.7	46.3	88.0	160.6	35.0	37.6	72.7	40.6	45.0	85.6	158.3
	Operating profit	-0.1	1.6	1.5	1.6	4.5	6.2	7.8	0.6	1.5	2.1	1.7	0.8	2.5	4.6
	Ordinary profit	2.0	6.2	8.2	5.1	8.7	13.8	22.1	4.0	4.9	8.9	5.8	0.6	6.4	15.4
Adjustment	Net sales	-68.6	-79.5	-148.2	-77.4	-65.7	-143.1	-291.3	-84.2	-71.7	-155.9	-71.6	-91.6	-163.2	-319.1
	Operating profit	-1.8	-1.2	-3.1	-2.7	-4.2	-7.0	-10.1	-2.8	-1.6	-4.5	-0.8	-2.2	-3.0	-7.5
	Ordinary profit	-2.4	-2.7	-5.1	-3.5	-5.3	-8.8	-14.0	-4.3	-3.5	-7.9	-1.6	-5.0	-6.6	-14.5
Total	Net sales	362.6	353.5	716.1	365.3	459.0	824.4	1,540.6	513.7	475.8	989.5	494.1	496.3	990.4	1,980.0
	Operating profit	3.7	8.1	11.9	3.4	7.8	11.3	23.2	12.8	14.7	27.5	4.7	7.7	12.4	40.0
	Ordinary profit	6.9	11.4	18.4	25.2	10.4	35.6	54.1	18.6	6.2	24.9	31.9	2.1	34.0	59.0

\*1: 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.

**Participant [Q]:** Secondly, if you look at the quarterly figures on page 20, the operating profit of the Metalworking Solutions business went to zero in Q3 and returned to ¥2.2 billion in Q4. I don't think we've seen zero much lately. Was there any major cause or something here? And, what is the background for some recovery in sales in Q4 compared to Q2 or Q3?

**Takayanagi [A]:** There is certainly the jump in Q3 or Q4 is a little bit bigger in numbers. As for special factors, first of all, non-operating foreign currency exchange losses were negative by about ¥1.0 billion. In addition, there are inventory write-downs of approximately ¥1.5 billion to ¥1.7 billion. That temporary exchange rate and sales negatives will be offset here to some extent. We are looking at Q4 as if it will be a positive number. That is all.

**Participant [Q]:** Why was operating profit zero in Q3?

**Takayanagi [A]:** The biggest thing is the inventory write-down, which is still close to ¥1.0 billion. In addition, the yen appreciated slightly in Q3, which accounted for about ¥1.0 billion. The negative impact of that addition was also quite large.

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**Participant [Q]:** Also on page 20, the Copper & Copper Alloy business was in the red by ¥3.2 billion in Q2, in the black by ¥1.9 billion in Q3, and in the black by ¥0.9 billion in Q4. I remember that in Q2, hedging was about negative ¥4.1 billion. What is the actual progress of the Copper & Copper Alloy business?

**Takayanagi [A]:** In terms of the strength of the Copper & Copper Alloy business, for example, in Q3 and Q4, excluding the impact of the suspension of hedging, ordinary profit was about ¥0.3 billion each. Regarding the Q3 and Q4 results of the Copper & Copper Alloy business, in terms of actual performance, the operating profit I just mentioned is roughly plus ¥0.9 billion in Q3 and almost zero plus ¥1.0 billion in Q4.

**Participant [Q]:** I see. Is this what you mean when you subtract the hedging impact that was mentioned earlier?

**Takayanagi [A]:** Yes. Q1 and Q2 were roughly ¥1.5 billion and ¥1.2 billion out, and Q3 and Q4 are a little bit lower. As for the actual value.

**Participant [Q]:** Is this a factor of quantity? Is it about cost or productivity? I'd like to know about that.

**Takayanagi [A]:** I think this is largely due to quantity. As for costs, we are already in a state of pretty good control right now. Thus, rather than costs, sales will not increase. Therefore, we are now trying to expand our sales base by reaching out to customers other than cars or to customers we have not reached before, even for the same type of cars.

**Participant [Q]:** I guess the second point is the background of the impairment loss. Will it be recorded in Q4? Let me check with you on the progress.

**Takayanagi [A]:** I think the impairment will be clarified in the next Q4, as you just said. I would like to accurately raise the appropriation there.

**Participant [Q]:** So, you're saying that you can't comment on any particular content up there?

**Takayanagi [A]:** Yes. It has not been confirmed yet. It will be clarified in Q4, so we would like to record it accurately there.

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**Participant [Q]:** I have a question regarding the earnings analysis of the Metals business. In the main breakdown of the price difference written in this document, it only says palladium and others. What was the total impact of palladium and other by-products compared to the previous year, positive or negative? Can you tell me separately the main price part of copper and its by-products?

**Takayanagi [A]:** The impact of by-products, including sulfuric acid, palladium, and platinum, is approximately ¥0.9 billion, which is a negative figure compared to the previous year. Also, in terms of copper, there is a copper premium included in the price, but this premium is roughly negative ¥0.5 billion negative ¥0.8 billion. The other two major factors are the impact of the suspension of forward exchange contracts, which is roughly negative ¥0.3 billion, and the reduction in hedging costs due to the suspension of forward exchange contracts, which is about positive ¥3.9 billion.

These are the main ones. In terms of equity in earnings of affiliates, overall year-on-year, the Copper Mountain Mine and the Mantoverde Mine have added about ¥2.0 billion or more. Roughly, a year-on-year increase of roughly ¥9.0 billion for the full year would be generated.

**Participant [Q]:** Similarly, in other areas, the ¥7.1 billion that you have explained in terms of metal recoveries this time. I wonder if some of the deterioration in refining margins, for example this time, will begin to come into play in the final quarter. I wonder if the change in margins and these metal recoveries points to a normal

recovery from the previous year's operations as a result. If you could give us a hint as to how you would like to calculate the level of performance of the smelter as whole profit in the future, please explain in what way it will remain in the future.

Additionally, on the subject of refining margins, which you just brought up a little bit, I was wondering how much of an impact we should estimate for the next fiscal year. I would be happy to hear from you, even if it is just a rough figure.

**Takayanagi [A]:** Metal recoveries and margin are not necessarily linked. We have been able to achieve relatively stable operations, and this positive result is the result of operations being more successful than we had originally budgeted. I have to admit that there is a bit of subtlety when it comes to whether this comes up every year.

Just now, from February to March, the Naoshima Smelter & Refinery is undergoing furnace maintenance. If we can get off to a good start, especially in the next fiscal year, including the startup of this furnace maintenance work, I think we can expect another positive result. However, it is difficult to say at this stage how much that will be.

And you can think of this Q4 as having almost no low TC/RC numbers. Basically, the arrival in December and the departure in about three months after arrival, so those arriving in December are almost always in the December QP. Therefore, I think it is safe to say that we are still accepting TC/RC with a high number.

If TC/RC falls to the level that is being talked about now, we cannot say anything definite because we have not yet completed all the negotiations. However, we estimate that there will be a negative impact of ¥10.0 billion to ¥15.0 billion to some extent. I would like to mention that the range is still a little wide.

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**Participant [Q]:** First of all, regarding the Copper & Copper Alloy business, I have been looking at the increase/decrease section on page 11, and it seems that the contribution of the price hike is small compared to the measures of the price hike.

**Takayanagi [A]:** As for the price increase in the Copper & Copper Alloy business, basically, the Q1 to Q3 results are shown as a year-on-year comparison, but I understand that the price increase itself has not yet moved significantly in the copper processing industry as a whole, so the monetary impact is probably around this level.

**Participant [Q]:** I understand. The first part, the effect of the price hike, is that if the volume is firm, it will appear like a cycle?

**Takayanagi [A]:** Of course, there will be. That is correct.

**Participant [Q]:** The second is about the Metals business. I would like to follow up on the status of the arrival and processing of the gold and silver slimes in H2, and in addition, I would like to know if there is any new news coming in on the gold and silver slimes.

**Takayanagi [A]:** About the slime, I think the question is information about whether the Indonesian government has export licenses or not or something like that. Since we do not have accurate information at this point, we would like to answer this question separately.

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**Participant [Q]:** The first point is about cost improvement. At the beginning of the fiscal year, I believe that the cost improvement projection for the fiscal year ending March 2025 was ¥17.8 billion. With the environment changing and hedging costs moving in various ways, it is hard to say how much of an effect this cost improvement has had. How is this factored into the plan?

Also, if the business environment does not change much for the next fiscal year, how should we look at further cost improvement through self-help efforts? You mentioned that you are still unsure about the impairment in Q4, but please let us know if there are any improvement measures for the next fiscal year.

In addition, this is a continuation of the question I just asked, but in the final year of the Phase 1 of the Medium-term Management Strategy, I think that various things are behind schedule. Once again, what are you thinking about what you need to do now to take the next step forward?

**Takayanagi [A]:** First of all, we originally announced a cost figure of ¥17.8 billion at the beginning of the fiscal year, and we expect it to be close to that level, but it seems to be slightly lower than that.

I will refrain from commenting today on the particulars of the downward swing, but please consider the situation as such.

Right now, we are planning the budget for the fiscal year ending March 2026, and before that, we are analyzing various situations through the PDCA cycle of the Medium-term Management Strategy itself. Since we announced our Medium-term Management Strategy in 2022, many things, especially the automotive market, have been changing. We have already begun to make some changes to our original strategy to better fit the needs of the market. I think that if we do this, we will be able to see the shape of the next Phase 2 a little further down the road.

I would like to add that we may need to make some major changes in the form of the TC/RC, not only for automotives, but also for the current downward swing of the TC/RC. That is all.

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**Takayanagi [M]:** Thank you all very much for your time.

The market itself continues to be in a rather uncertain situation, and the TC/RC market in particular, as has been discussed earlier, has become quite a headwind for us. I believe that we are at a critical juncture in our survival in this environment, so I would like to make sure that our strategy or what we need to do is clear. We look forward to your continued guidance and encouragement.

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### ***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.*