



## **Mitsubishi Materials Corporation**

Financial Results Briefing for the Fiscal Year Ended March 2025

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## Question & Answer

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**Participant [Q]:** Let me focus my question only on the Smelting business. The Copper & Copper Alloy business also gets a bit involved, but what was the trend in valuation gains or losses due to the suspension of hedging for H2 or the full year? Incidentally, you gave us a total of ¥-3.4 billion in operating profit and non-operating profit or loss for H1. Could you tell me how the Smelting business and the Copper & Copper Alloy business performed for the full year?

And the degree of deterioration of the Smelting business in the new fiscal year is very large. I'm looking at the upper right corner of page 13, and there is the figure of ¥-15.6 billion in the exchange rate difference. However, if calculated by sensitivity, it is likely around ¥5.0 billion to ¥6.0 billion, so perhaps it includes impacts from assets or inventory valuation. Or I wonder if it includes the valuation difference from the suspension of hedging. I am concerned about the huge difference in exchange rate difference.

I believe the deterioration in TC/RC exceeds ten-billion level, so I think it has been included in "Other." Can you please explain whether there is a transitory factor in this exchange rate difference of ¥-15.6 billion, and whether that will recover next year, for example, if the market remains unchanged.

**Hirano [A]:** The figures from the impact of the suspension of hedging were ¥-1.5 billion for operating profit and ¥-1.9 billion for non-operating profit or loss, for a total of ¥-3.4 billion in H1. To answer your question about the six months in H2, it was ¥+0.1 billion and ¥+0.4 billion for operating profit and non-operating profit or loss, respectively, for a total of ¥+0.5 billion at the ordinary profit level. Therefore, for the full year, it was ¥-1.4 billion for operating profit, ¥-1.5 billion for non-operating profit or loss, and ¥-2.9 billion for ordinary profit.

**Participant [Q]:** If possible, could you please separate them into Smelting business and Copper & Copper Alloy business? Just those for the full year are fine.

**Hirano [A]:** I will say this only for the full year. In the Metals business, it was ¥+0.4 billion for operating profit, ¥-1.5 billion for non-operating profit or loss, and ¥-1.1 billion for a total. In the Copper & Copper Alloy business, it was ¥-1.8 billion for operating profit and zero for non-operating profit or loss. Therefore, the figure for ordinary profit is ¥-1.8 billion.

**Participant [Q]:** Are these factors included in the forecast for the new fiscal year?

**Hirano [A]:** Yes. In the waterfall graph on page 12, you can see the note below that says exchange rates of ¥-18.1 billion. The inventory valuation impact of raw materials ¥-11.2 billion will be the corresponding one. It's for the Metals business.

**Participant [Q]:** Is this just for the Metals business?

**Hirano [A]:** Yes. For the Copper & Copper Alloy business, it is ¥-0.4 billion.

**Participant [Q]:** Therefore, aside from TC/RC, this is the key factor I could not predict when evaluating the performance of the Smelting business. Will these factors disappear next fiscal year, for example, if the market does not move?

**Hirano [A]:** They will disappear if the market doesn't move.

**Participant [Q]:** Is that ¥11.2 billion the absolute value?

**Hirano [A]:** ¥11.2 billion in absolute value is fine. We have come up with this figure by comparing the average exchange rate against the US dollar every three months. In other words, as an image of the calculation of this

¥11.2 billion, the average rate for Q4 of the fiscal year that ended was about ¥153/\$, and in our forecast for this fiscal year, it is ¥140/\$, so you can see the exchange difference that will appear when the advance payment for the ore purchase is actually placed on the final inventories. The ¥-11.2 billion comes out from the rate difference by ¥13/\$. That is the image. Therefore, in terms of sensitivity, if we calculate from this figure, plus or minus ¥0.86 billion by the depreciation or appreciation of the yen against the US dollar would be an answer from this disclosed data.

**Participant [Q]:** If it remains at ¥140/\$ through FYE March 2027 and FYE March 2028, it would disappear, correct?

**Hirano [A]:** Yes, as you say. What happens is that if the rate drops to ¥140/\$ in Q1 at once, it will be ¥-11.2 billion, and if it stays at ¥140/\$ for a long time after that, it will be flat, or zero.

**Participant [Q]:** I know it's too early to tell, but in the next fiscal year, when you make your forecast for the fiscal year ending March 2027, will it recover to the ten-billion level, if it remains at ¥140/\$?

**Hirano [A]:** Yes.

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**Participant [Q]:** First, this time the impairment was recorded in relation to the Copper & Copper Alloy business, and you also recently announced the suspension of production and sales of bus bars. Is that impairment loss in the Copper & Copper Alloy business related to bus bars? In addition, in the FY2031 Strategy, bus bars are used for automotive applications, and I think they are one of the growth strategies and a major factor in the Copper & Copper Alloy business. So, please tell me about your future strategies.

**Hirano [A]:** Regarding the current status of impairment, this includes one related to the bus bar extrusion, and the brief answer is yes. However, the amount is not that large, less than ¥1.0 billion. We invested in increased production based on the assumption that demand for copper for automobiles would grow significantly in the future before the start of the FY2031 Strategy. As I am sure you are aware, we have decided to record impairment losses mainly in the Wakamatsu Plant this time.

**Participant [Q]:** Haven't you recorded impairment loss for the Sambo Plant?

**Hirano [A]:** No. Only for the bus bars I mentioned earlier. The amount of money has not reached the billion-yen mark.

**Participant [Q]:** Second, I'm just checking the numbers, or rather the cash flows from operating activities in the document. I'm looking at page 16 to ask this question. The plan of the cash flows from operating activities is ¥142.0 billion, an increase of about ¥90.0 billion year-on-year. However, operating profit is decreasing considerably, and if we look at amortization, the increase is only about ¥1.5 billion. You mentioned that you would reduce inventory and working capital, but I would like to know how much you can really expect to achieve this.

**Hirano [A]:** Regarding the feasibility of improving the cash flow from operating activities, we forecast an increase of under ¥90.0 billion in the cash flow from operating activities alone.

The average annual exchange rate for the last fiscal year was ¥153/\$, and if this decreases to ¥140/\$, the working capital from the exchange rate alone is ¥20.0 billion. The amount of inventory is now in an inflated state. The quantity is decreasing. The amount of money will be reduced from the inflated state. In other words, the cash outflow for purchases will be reduced, so I believe that this ¥20.0 billion is a definite improvement if the exchange rate moves. Other than that, inventory reduction will be further accelerated as a company-wide project. I mentioned at the beginning that the breakdown is currently undisclosed, but we do not expect any major deviations as a result of the effects of the business reforms that are underway. I believe that there is a reasonable probability of achieving this goal.

**Participant [Q]:** In addition, you mentioned capital allocation as one of the reasons for leaving the dividend unchanged. If the cash flows from operating activities were to deviate from your company's plan, what would be your thoughts on the dividend?

**Hirano [A]:** As to the question of how dividends are paid in the event of a slump, it depends on the degree of the slump and must be examined separately from various perspectives. At this moment, I would refrain from talking hypothetically.

**Participant [Q]:** Just to confirm, inventory increased by about ¥40.0 billion in the fiscal year that ended, and the exchange rate went up by about 13%, so I think you are talking about ¥20.0 billion, which is about half of that. What are the other big items in the remaining ¥70.0 billion out of the ¥90.0 billion?

**Hirano [A]:** Of course, there are various items that do not come out of operating profit, but we will disclose them in due course, so I would appreciate it if they are not disclosed right now.

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**Participant [Q]:** First, in your plan for the new fiscal year, you explained that you expect an increase in profit from volume effects in the Copper & Copper Alloy business and Metalworking Solutions business. However, it does not seem that demand for automobiles and other products is expected to increase that strongly. Please tell me what assumptions you are forecasting this increase.

**Hirano [A]:** Your understanding is correct regarding the inventory evaluation.

**Tanaka [A]:** Tanaka will explain the quantity difference. As I mentioned earlier, we expect a certain level of recovery in the domestic automobile market, so we are incorporating a quantity difference in that area. In the Copper & Copper Alloy business, we also expect to expand sales for AI server-related demand, such as for heat spreaders. As for the Metalworking Solutions business, we have included the difference in quantity not only for automobiles, but also for aircraft, medical care, and other applications, as mentioned on page six. That is all.

**Participant [Q]:** The second question is about the concept of profit for the new fiscal year in the Metals business. The negative inventory valuation you mentioned earlier is, to put it simply, the phenomenon that when you produce and sell gold bullion from copper concentrates procured when the yen is weak, the strong yen will have a negative impact on the sale of inventory that is more expensive than it would have been. Is it correct to understand that you expect this to happen this fiscal year? I think you mentioned earlier that the inventory valuation impact was ¥-11.2 billion, and I think you also mentioned a figure of ¥-0.4 billion. Let me confirm again what those figures are.

**Hirano [A]:** This is on page 12 of the document. As to your question about ¥-11.2 billion and ¥-0.4 billion, I am a bit puzzled because we do not want to use the term "impact of hedging suspension" from this fiscal year, but as for the impact of hedging suspension, or in other words, the impact of the metal prices and foreign exchange rates as they are without being hedged, ¥-11.2 billion is from the Metals business and ¥-0.4 billion is from the Copper & Copper Alloy business as a result of exchange rate difference.

## Various Factors or Elements

### Production and Sales Trends of Major Products

			FYE March 2024 Result							FYE March 2025 Result							FYE March 2026 Forecast
			Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1	Q3	Q4	H2	Full-year	Full-year
Copper cathode	production	thousand tons	96	109	204	95	113	208	413	112	102	214	98	85	183	397	416
	sales	thousand tons	86	99	186	92	111	203	388	102	93	195	88	79	167	362	389
Gold	production	tons	9	6	14	4	8	12	26	9	9	19	10	10	19	38	31
	sales	tons	8	6	14	4	8	12	26	9	9	19	10	10	19	38	31
Silver	production	tons	66	61	126	44	65	109	235	81	75	156	69	75	144	301	275
	sales	tons	65	61	126	39	71	110	236	82	74	156	69	76	145	302	275
Wrought copper products	sales	thousand tons	29	31	61	32	31	63	124	29	29	58	31	29	60	117	135

### Dividends from Mines

			FYE March 2024 Result							FYE March 2025 Result							FYE March 2026 Forecast
			Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1	Q3	Q4	H2	Full-year	Full-year
Los Pelambres	dividends	¥ billion	-	-	-	20.8	0.1	21.0	21.0	-	-	-	13.7	2.2	16.0	16.0	15.6
Escondida	dividends	¥ billion	0.6	0.3	0.9	0.9	0.2	1.2	2.1	0.8	-	0.8	2.7	-	2.7	3.6	4.8
Total	dividends	¥ billion	0.6	0.3	0.9	21.7	0.4	22.2	23.1	0.8	-	0.8	16.4	2.2	18.7	19.6	20.4

### Metal Prices and Foreign Exchange Rates

		FYE March 2024 Result							FYE March 2025 Result							FYE March 2026 Forecast
		Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1	Q3	Q4	H2	Full-year	Full-year
Dollar exchange rate	¥/\$	137	145	141	148	149	148	145	156	149	153	152	153	153	153	140
Euro exchange rate	¥/€	149	157	153	159	161	160	157	168	164	166	163	161	162	163	160
Copper price (LME)	¢/lb	385	379	382	371	383	377	379	442	417	430	416	424	420	425	425
Gold price	\$/oz	1,978	1,929	1,954	1,976	2,072	2,024	1,989	2,338	2,476	2,407	2,662	2,862	2,762	2,585	2,700
Palladium price	\$/oz	1,449	1,251	1,350	1,085	978	1,031	1,191	972	970	971	1,011	961	986	979	1,000

## Profit/Loss on Equity-Method Investment

(Billions of yen)

Company Name	Mitsubishi Materials' Equity	FYE March 2024 Result							FYE March 2025 Result							FYE March 2026 Forecast
		Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1	Q3	Q4	H2	Full-year	Full-year
Copper Mountain Mine(BC)Ltd.	25%	-0.4	-1.7	-2.2	0.5	-0.5	0.0	-2.2	0.0	-0.6	-0.6	0.0	-0.5	-0.5	-1.1	-0.5
Mantoverde S.A.	30%	-1.2	0.2	-1.0	-0.2	-1.0	-1.3	-2.3	-0.2	-0.4	-0.6	0.6	0.5	1.2	0.5	4.9
PT.Smelting *1	34%	-	-	-	-	-	-	-	-	0.4	0.4	0.2	0.3	0.6	1.1	1.5
Kansai Recycling Systems	41.4%	0.1	0.1	0.2	0.1	0.1	0.2	0.5	0.1	0.1	0.3	0.1	0.1	0.2	0.5	0.5
Fujikura Diamond Cable *2	22%	0.2	0.1	0.4	0.2	0.2	0.5	0.9	0.3	0.0	0.4	0.3	0.3	0.7	1.1	0.8
Yuzawa Geothermal Power Corporation	30%	0.0	0.0	0.0	0.2	0.1	0.4	0.4	0.3	-0.0	0.3	0.2	0.1	0.3	0.7	0.3
Mitsubishi UBE Cement Corporation	50%	2.0	4.7	6.7	2.9	4.1	7.0	13.8	3.6	3.6	7.2	4.3	2.5	6.8	14.0	13.2
Others		0.1	0.1	0.2	0.1	-0.2	-0.0	0.2	0.2	-0.0	0.1	0.1	0.3	0.6	0.7	0.6
<b>Total</b>		<b>0.7</b>	<b>3.7</b>	<b>4.5</b>	<b>4.1</b>	<b>2.8</b>	<b>7.0</b>	<b>11.5</b>	<b>4.5</b>	<b>3.1</b>	<b>7.6</b>	<b>6.3</b>	<b>3.6</b>	<b>9.9</b>	<b>17.5</b>	<b>21.3</b>

\*1 As Mitsubishi Materials decreased its ownership interest in PT. Smelting due to the completion of the third-party allocation of new shares, it was included in the earnings calculation as an equity-method affiliate starting from Q2 of the fiscal year ended March 2025.

\*2 Mitsubishi Materials' stake in Fujikura Diamond Cable for the fiscal year ended March 2024 is 22.5%, and for the fiscal year ended March 2025 is 22%.

**Participant [M]:** In addition, please tell me how you see the metal recoveries themselves in the new fiscal year, and why equity in earnings and dividends received will increase.

**Hirano [A]:** As for the equity method and the dividends from the mines, as you mentioned, the basic structure is to share the margins obtained from extracting copper from the mines, smelting, and selling as copper with the mines. So, what we take is the smelting margins. If the margins we take decrease, the mines will become more profitable. The total amount is ¥6.0 billion. What I just mentioned is in the middle section of page 27 of the document as reference material. As the amount in our margin decreases, the dividend amount is expected to increase. Los Pelambres Mine and Escondida Mine are written here, and for the fiscal year ending March 2026, this is calculated at ¥140/\$. On the next page, page 28, there is a breakdown of the profit or loss on equity-method investment. The first and second lines from the top are mines, and the third is the equity method subsidiary in Indonesia. Copper Mountain Mine is a special case, but the mines that have started operations, such as Mantoverde Mine, are structured in such a way that the mines can earn a lot of profit while we do not take, and we can take 30% of their profit.

**Participant [Q]:** In terms of equity earnings and dividends received, the assumption for the Copper & Copper Alloy business is almost unchanged, and the mines will be positive to the extent that TC/RC deteriorates from the smelting. Although the strong yen will have a negative effect on the mines, there will be some positive effects from the operations of Mantoverde Mine and others. Is that correct?

**Hirano [A]:** You are right.

**Participant [Q]:** What are the nuances of whether you are actually seeing a response to the recovery at the moment, or whether you are just making such assumptions at the moment?

**Tanaka [A]:** To be honest, I don't feel that the automotive industry is improving much on a global basis yet. In Japan, too, the situation varies depending on the manufacturers, and it is not as if there has been a steady increase because some are doing well, and others are not.

On the other hand, in Metalworking Solutions business, demand for aircraft once decreased due to the COVID-19 pandemic, has been steadily increasing, and last fiscal year sales reached a record high.

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**Participant [Q]:** I have one question to confirm how to interpret the profit analysis. I am looking at pages 12 and 13, and I have a feeling of strangeness with the item of price hikes. So, I would like to confirm it. For example, ¥2.0 billion in the price hike is on the waterfall chart, and if you break it down into each area, I think this is mainly from the Metals business. However, the copper price assumption is flat, and the exchange rate is seen as a strong yen, so I wonder if it is correct to understand that the positive price difference in the Metals business is mainly related to by-products.

We do not use the term "price hike" in the Metals business very often, so I wonder if this is related to cost-shifting efforts, mainly in the Copper & Copper Alloy business and Metalworking Solutions business. On the other hand, if we look here, the price difference is negative in the Copper & Copper Alloy business and Electronic Materials & Components business, so what does the positive contribution from this price factor mean? In the case of Metalworking Solutions business, the cost increase of tungsten is also a topic of discussion, and the positive price difference is a bit disconcerting. Please explain this area.

**Hirano [A]:** Thank you for your question. I would like to answer the first question about the price hike, which you said seems strange.

It hit me when I received your question, but I would like you to understand that this refers to our annual activities to improve the net price of sulfuric acid as this is often said in the area of profitability improvement in the Metals business. In the case of the Metals business, we hope you understand that the price hike is an improvement and impact from the net price of sulfuric acid.

**Participant [Q]:** The second question is about the cost reduction efforts, and they are progressing ahead of the plan in the FY2031 Strategy. Last year, the year-on-year figure was ¥8.4 billion, and for the new fiscal year, I believe you said that you will add ¥8.4 billion as well. This is shown in detail in the matrix on page 14, but it is included separately in the waterfall chart, so it is difficult to see as it is.

You may give us the progress or future initiatives in this area, for example, at future briefings on the FY2031 Strategy, including whether there is room for new acceleration under CEO Tanaka's new management structure. Or for example, I think the Copper & Copper Alloy business that led to the impairment may result in a reduction in the fixed costs, but what is the capacity for further cost reductions in this area, and how is it incorporated in the plan? Please explain this area.

**Tanaka [A]:** As for cost reduction, this fiscal year, as you pointed out, the items of the efforts on page 14 are incorporated separately in the waterfall chart. Also, while the target for this fiscal year in Phase 1 of the FY2031 Strategy is likely to be unachievable, we are still considering what we will do in the medium- to long-term in terms of cost reductions. We intend to tackle a wide range of themes, from large ones to small ones. We will announce what we can announce at future briefings on the FY2031 Strategy once we have finalized them.

**Participant [Q]:** I understand the price differences or by-products in the Metals business in Ms. Hirano's explanation, but the price difference for the Advanced Products business and Metalworking Solutions business is also negative. How should I understand this?

**Hirano [A]:** Regarding the Copper & Copper Alloy business, I have to try hard to find a way not to use this terminology, but the impact of the suspension of hedging in the last fiscal year is included in the Metalworking Solutions business.



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**Participant [Q]:** The first question is about the executive summary page of the guidance for this fiscal year on page six. You said you do not know the impact of tariffs and have not factored them in, but if there are tariff impacts based on current information, I would appreciate any hints, even if qualitative, as to what segments are likely to be affected.

**Tanaka [A]:** First, regarding the impact of the US tariffs, for example, there are very few direct exports of copper cathode to the US in the materials, so even if tariffs are imposed on copper, which I believe they will not be, the impact would be minimal.

In the Electronic Materials & Components business and Metalworking Solutions business, it is estimated that some products that are directly exported are subject to tariffs, but it is difficult to foresee the amount of the tariffs or the percentage of tariffs that will be charged. In addition, in the Electronic Materials & Components business and the Copper & Copper Alloy business, there are cases in which products delivered to some customers in Japan are indirectly exported to the United States, and it is difficult to determine what percentage of these products go to the United States. As for what would happen if tariffs were applied, we believe that the Copper & Copper Alloy business, Electronic Materials & Components business, and Metalworking Solutions business would be negatively affected, but at this point we have no idea of the scale of this impact.

**Participant [Q]:** The second question is about the dividend forecast on page 17. You plan to pay the same dividend as the last fiscal year even in a difficult environment. At the top of the page, you described that “taking into account the overall management factors such as periodic revenue, retained earnings, and financial position,” and what is the background behind the decision to pay ¥100 per share? If you have any more hints on how to think about this, please let me know.

**Hirano [A]:** We have internally discussed the dividend forecast on page 17, which is the point of the answer. As for financial soundness, as shown in the center of the document, Phase 1 of the FY2031 Strategy calls for a net D/E ratio of 0.7 at the end of the fiscal year ending March 2026, or rather, for the entire three-year period. With various incidents during the year, such as metal price hikes and the yen’s depreciation, the ratio had sometimes gone up sharply, but fortunately, we were able to control the ratio to 0.7 in the last fiscal year. Also, we are on track to secure a ratio of 0.6 for the current fiscal year, which is slightly lower than the 0.7 we achieved in the previous fiscal year, and this is certainly a point of discussion as a criterion for judgment.

Regarding the dividend forecast, when we look at how operating cash flow is allocated, we consider it not for a single year, but for a cumulative period of three years in Phase 1 of the FY2031 Strategy, in accordance with the communications with you. If there is room for investment, we will use the appropriate amount from operating cash flow, but if there are no major plans for investment, then we should use the unused cash from operating cash flow for returns, although it is difficult to give the exact amount as a percentage of the cumulative three-year period in the severe business environment we are facing. We are well aware that this will exceed the dividend payout ratio of 30% that we have intended, but we have judged that it is appropriate to use this cash for returns this fiscal year. I think it might have been a little difficult to understand. We have decided based on capital allocation over a three-year period.

**Participant [Q]:** This is related to the earlier question. As for the cash flow graph on page 16, even if operating cash flow is squeezed a little this fiscal year, for example, this shape would not be damaged very much over the next three years.

**Hirano [A]:** Our desire to avoid that is at work this time.

[END]



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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.*