



## **Mitsubishi Materials Corporation**

Financial Results Briefing for Q1 of the Fiscal Year Ending March 2026

August 7, 2025

**Speakers:**

Tetsuya Tanaka

Director, Chief Executive Officer (Representative Executive Officer)

Kayo Hirano

Director, Managing Executive Officer, CFO

## Question & Answer

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**Participant [Q]:** What were the actual operating profit and ordinary profit for Q1? (How much of the impact from raw material inventory valuation, which can be considered a temporary factor, is included in each?) Please provide the absolute amounts, not relative to the previous fiscal year.

**Hirano [A]:** The absolute impact of raw material inventory valuation was negative ¥5.0 billion this fiscal year, compared to ¥6.6 billion last fiscal year.

**Participant [Q]:** If the ¥5.0 billion negative impact from inventory valuation were excluded and assuming no delays in the production ramp-up—under which an additional ¥1.0 billion would have been realized—the actual performance would have been about ¥6.0 billion higher, mainly in the Smelting segment. Furthermore, if the ¥5.0 billion foreign exchange loss on foreign currency-denominated receivables and payables had not been recorded in non-operating profit/loss, the result would have been another ¥5.0 billion higher. From this starting point, do you believe achieving full-year operating profit of ¥10.0 billion is fully attainable? Do you have a solid plan to offset the temporary negative factors?

**Hirano [A]:** Regarding the inventory valuation impact, the benefit from the yen being ¥5 weaker than assumed will provide some upside, but essentially only that portion will be recovered through external factors. The remainder will need to be offset through our own efforts, such as the production ramp-up after regular furnace maintenance, recovery of equity-method earnings that have declined, and improvements in volume.

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**Participant [Q]:** About the Metals business, you just announced the reduction of copper concentrate processing capacity at the Onahama Smelter & Refinery (“Onahama”). You are going to suspend some facilities after the scheduled maintenance in October to November. I think the plan is to basically increase the processing capacity of copper concentrates at the Naoshima Smelter & Refinery (“Naoshima”), not Onahama, toward the fiscal year ending March 2028. I would like to know if this will be executed as planned and would like you to explain the balance between Onahama and Naoshima.

Also, regarding Onahama, I think you are talking about increasing E-Scrap throughput while reducing copper concentrate throughput. Is this difficult to achieve before the pre-treatment facility goes online in 2029, and first of all, are you talking about a decrease in copper cathode production volume? If you have an idea of how production and fixed costs will stand in this area, I would appreciate a little more explanation.

**Tanaka [A]:** First of all, Naoshima is currently making progress and the production of copper concentrate is slightly increasing. As for E-Scrap, the production increase has been planned and is progressing as planned.

As for Onahama, after the maintenance work, the processing of copper concentrates will be reduced and the processing ratio of E-Scrap will remain unchanged, which means that the processing ratio of E-Scrap will increase relatively.

And as for pre-treatment at Onahama in the fiscal year ending March 2030, we are still planning to implement it, but we are still scrutinizing the future situation in Onahama and what we will do.

**Participant [Q]:** You have announced a price increase for cemented carbide tools for orders received from October 1. Could you also please explain this?

**Hirano [A]:** As for the effects of the price increase in Q1, we estimate that it will improve profits by about ¥140 million to ¥150 million per month. We will continue to assess the business environment in each area and consider price revisions as necessary. I hope I have answered your question.

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**Participant [Q]:** I would like to know about the current business environment in comparison with your original full-year plan. The impact of the exchange rate will be negative in Q1 compared to the same period last year, but for the full year, with the current exchange rate, could it have a slightly more positive impact?

Also, in terms of the actual market, it sounds like the volume of cemented carbide tools for the automobile industry is a little weak. I also have the impression that the delay in production start-up after the periodic furnace maintenance will be a negative factor compared to the current plan in terms of actual production.

Please tell us again how you see the current situation compared to your plans for the full year. This is my first question.

**Hirano [A]:** As you mentioned in your question, the assumption for the exchange rate for the full-year plan is ¥140 per dollar, but until recently, the exchange rate has been around ¥145 per dollar, which means that the yen has been slightly weaker than expected. We have provided a sensitivity figure of ¥5 per dollar, and it is certain that the exchange rate has increased by ¥5.

In contrast, there was a slight decline in sales volume, especially in Q1 of this fiscal year, especially in the Metalworking Solutions business, and we expect this to reduce a small portion of operating profit and ordinary profit. Other than that, there is no significant deviation from the plan.

**Participant [Q]:** About the sales volume of cemented carbide tools in Q1, could you please tell us the growth rate compared to the same period last year and by region?

The Q1 operating profit from the Metalworking Solutions business was ¥3.0 billion, which is a rather high progress rate compared to the full-year plan. Could you please tell us how we should interpret this?

**Hirano [A]:** Overall, it was a negative 3.9%. By region, Japan was down 7.6%, China was down 16%, Asia was up 7.9%, Europe was down 4.2%, North America was up 3.4%, Latin America was down 12.3%, and other regions were down 30.6%.

For the absolute amount, the figure is based on sales in yen and is ¥23.0 billion as the value of cemented carbide tools.

**Participant [Q]:** I guess the Metalworking Solutions business has an operating profit of ¥3.0 billion in this Q1. Compared to the full year ¥9.7 billion, I think the progress looks rather good. How should that be interpreted?

**Hirano [A]:** I don't feel that there has been an outstandingly large number of cases this year. One factor is the part related to Japan New Metals, which sells our tungsten powder and other products. As you may have heard, the export restrictions on rare metals from China have resulted in extremely skewed demand in some areas and an increase in supply demand.

Against this backdrop, sales and profits of our subsidiary, Japan New Metals, are slightly higher than in normal periods.

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**Participant [Q]:** The Onahama and copper processing facilities have begun to consider streamlining their facilities.

After CEO Tanaka took office, there was a review of the Medium-term Management Strategy and long-range vision to date, which had been a path of expansion, and the plan was to rebuild earnings by combining high-value-added streamlining and other measures. Regardless of the timing of the Medium-term Management Strategy, you mentioned that you would like to do this as soon as possible, and I have the impression that you have already begun to make moves.

Is it safe to assume that this move will not be limited to a one-off event but will be supplemented with additional initiatives as a major policy change?

**Tanaka [A]:** As you pointed out, we have been making announcements as we have decided things. We are announcing from the point where we have decided and have begun to consider, so it is not the end of the process. We are in the process of continuing to consider the structural reforms with no area off-limits, and we believe that there will be additional announcements when the time is right to make them public.

We are trying to get rid of as much negativity as possible this fiscal year, so we have left our full year forecast unchanged for this fiscal year, although there is an upward swing due to the exchange rate, because we think it is necessary to allocate a small amount of restructuring costs.

**Participant [Q]:** About the Electronic Materials & Components business, you mentioned that data centers and AI systems are strong, and that even so, profits have decreased, so the analysis of the increase/decrease between positive and negative figures is almost zero. If there is any variation in this area, could you please explain it to us, including what to expect in the future?

## Segment Overview (Copper & Copper Alloy/Electronic Materials & Components)

### Copper & Copper Alloy

Ordinary profit was -¥0.9 billion, mainly due to the decline in copper prices compared to the previous year (down ¥1.7 billion year-on-year).

Excluding inventory valuation effects, Q1 results showed an operating profit of ¥0.3 billion and an ordinary profit of -¥0.3 billion.

	FYE March 2025 Q1 Result	FYE March 2026 Q1 Result	Change	FYE Mar. 2026 Full-year Forecast
Net sales	113.0	110.3	-2.7	4,70.2
Operating profit	1.7	-0.2	-2.0	7.3
Ordinary profit	0.8	-0.9	-1.7	2.6

Q1 Ordinary Profit (FYE March 2025)	0.8
Exchange rate difference	-0.1
Price difference	-0.7
Volume difference	-0.2
Dividend income	-0.0
Share of profit (loss) of entities accounted for using equity method	-
Other	-0.5
Q1 Ordinary Profit (FYE March 2026)	-0.9

### Electronic Materials & Components

Ordinary profit totaled ¥0.9 billion (down ¥0.5 billion year-on-year), primarily due to a decline in seal product sales and other factors, despite strong performance in precision mounting materials.

	FYE March 2025 Q1 Result	FYE March 2026 Q1 Result	Change	(Billions of yen) FYE Mar. 2026 Full-year Forecast
Net sales	19.8	21.6	+1.8	88.2
Operating profit	0.7	0.5	-0.2	4.0
Ordinary profit	1.4	0.9	-0.5	5.3

Q1 Ordinary Profit (FYE March 2025)	1.4
Exchange rate difference	-0.0
Price difference	-0.0
Volume difference	-0.0
Dividend income	+0.0
Share of profit (loss) of entities accounted for using equity method	-0.0
Other	-0.3
Q1 Ordinary Profit (FYE March 2026)	0.9

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12

**Hirano [A]:** I would like to make a few comments on the Electronic Materials & Components business while referencing the information on page 12 of the presentation materials. On the page that says page 12, there are some notations.

As for characteristic movements, while sales of precision mounting materials which are included in the Electronic Materials & Components business were strong, sales of seal products were down due to the continuing situation of excess customer inventories and the excess inventory of main products. As a result, the total of the sales of these products decreased, resulting in a decrease in profit.

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**Participant [Q]:** About the integration of the Copper & Copper Alloy business at the western Japan production sites. Specifically, what kind of products are you going to consolidate and in what way?

Also, CEO Tanaka commented earlier that he is planning to add some more restructuring expenses. Please let us know if this will appear in the “ordinary profit stage” or in the “profit attributable to owners of parent” stage, and if it will be in the form of an extraordinary loss.

In addition, although you have not revised your earnings forecast, what are your plans for dividends in the event that bottom-line net profit falls below the Company’s forecast due to the recording of expenses associated with the structural reforms in the future?

**Tanaka [A]:** The main purpose of the integration of the western Japan bases of the Copper & Copper Alloy business is to optimize the production system, not to physically integrate the locations. The bases, the Sakai Plant and the Sambo Plant, will remain, but their planning will be integrated, and the management structure will be streamlined.

Also, depending on the stage of the structural reforms, some of these costs will appear in ordinary profit, and some will appear in extraordinary losses. It is difficult to give an answer at this time.

**Participant [Q]:** About cash flow. The plan at the beginning of the fiscal year was for an operating cash flow of about ¥90.0 billion year-on-year. I think the plan was to improve it and was for ¥142.0 billion in terms of operating cash flow. What progress is being made toward that? You mentioned a lot about the decrease in inventories, etc. Please tell us about the current Q1 progress, the future outlook, and the probability of achieving it.

**Hirano [A]:** I think the initial plan was to improve free cash flow by about ¥90.0 billion. So, the issue is how that is progressing. At the beginning of my explanation of the Q1 situation, I mentioned that there was a delay in the start-up of the Metals business after the periodic furnace maintenance.

Now that start-up delay has been resolved and it is gradually returning to normal, but the amount of work in process at the end of June was a little larger than we had expected at the beginning of the period. We are not disclosing this information for this quarter because we will normalize it through to Q4, but as of the end of June, we were slightly behind our initial plan in terms of working capital for this reason.

However, looking to the end of the fiscal year, there are currently no major deviations from the plan, and we hope that you will understand this.

**Participant [Q]:** What are your thoughts about dividends, from the first question?

**Tanaka [A]:** Although we cannot give a definite statement at this time, we believe that under the current earnings forecast, the dividend will not be affected.

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## Key Metrics

### Production and Sales of Major Products

			FYE March 2025 Result							FYE March 2026 Result
			Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1
Copper cathode	production	kt	112	102	214	98	85	183	398	81
	sales	kt	102	93	195	88	79	167	362	77
Gold	production	t	9	9	19	10	10	19	38	4
	sales	t	9	9	19	10	10	19	38	4
Silver	production	t	81	75	156	69	75	144	301	49
	sales	t	82	74	156	69	76	145	302	47
Wrought copper products	sales	kt	29	29	58	31	29	60	117	31

### Dividends from Mining Interests

			FYE March 2025 Result							FYE March 2026 Result
			Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1
Los Pelambres	¥ bn		–	–	–	13.7	2.2	16.0	16.0	–
Escondida	¥ bn		0.8	–	0.8	2.7	–	2.7	3.6	2.2
Total	¥ bn		0.8	–	0.8	16.4	2.2	18.7	19.6	2.2

### Metal Prices and Foreign Exchange Rates

			FYE March 2025 Result							FYE March 2026 Result
			Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1
Dollar exchange rate	¥/\$		156	149	153	152	153	153	153	145
Euro exchange rate	¥/€		168	164	166	163	161	162	163	164
Copper price (LME)	¢/lb		442	417	430	416	424	420	425	432
Gold price	\$/oz		2,338	2,476	2,407	2,662	2,862	2,762	2,585	3,280
Palladium price	\$/oz		972	970	971	1,011	961	986	979	990

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15

**Participant [Q]:** On page 15 of the presentation materials, production and sales trends for main products seem to be a bit weak for both gold and silver production and sales. Could you tell us about the background to this? Also, I wonder if you could give me some background or hints on how to view Q2 and onwards.

**Hirano [A]:** As you pointed out, both production and sales of gold and silver appear to be weakening, and in fact, the figures are actually decreasing. This is because last year, the timing of gold and silver slime sent from PT. Smelting in Indonesia was included in Q1 of the fiscal year, but that is not the case this fiscal year, and the difference in timing has resulted in a decrease in the amount. The current situation is that the export permit expired at the end of December last year. As has been mentioned several times, no export permit applications have been approved, and no exports have taken place since the expiration. This is the background of the situation, and it is the same as in the past.

[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.