

Record of Telephone Conference Concerning FY2024 Q1 Results

Reference: FY2024 Q1 Results & FY2024 Forecast

[https://www.mitsui-](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=1%2f42rUVp6Ao%3d&tabid=242&mid=1027)

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Note:

PKG = Package substrate

HDI = High density interconnect

real profit = ordinary income excluding the inventory factors and the PGM price difference in Catalysts

■Explanation



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Results of FY2024 Q1

- FY2024 Q1 YoY : Sales and profits increased due to an increase in sales volume of major products in the Engineered Materials segment, such as MicroThin™, the weak yen and high metal prices, as well as an improvement in inventory factors resulting from this.
- As for the FY2024 forecast, we expect sales and profits to increase compared to the previous forecast. We expect an increase in sales volume of exhaust gas purification catalysts in the Mobility segment, a weaker yen and higher-than-expected metal prices, as well as an improvement in inventory factors resulting from this, the recording of extraordinary gains on sales of investment securities, and an increase in the price of copper foil from the second half of the fiscal year onwards.

(Unit: Billion yen)

	Q1 Results			Forecast		
	2024 Results	2023 Results	Difference (24-23)	2024 Forecast (Aug 8)	2024 Forecast (May 13)	Difference
Net Sales	169.9	147.5	22.4 15.2%	685.0	640.0	45.0 7.0%
Operating Income	23.5	-5.5	28.9 -	47.0	35.0	12.0 34.3%
Ordinary Income	26.2	5.1	21.1 415.1%	48.0	35.0	13.0 37.1%
Net income attributable to owners of parent	22.1	2.5	19.6 769.1%	43.0	22.0	21.0 95.5%

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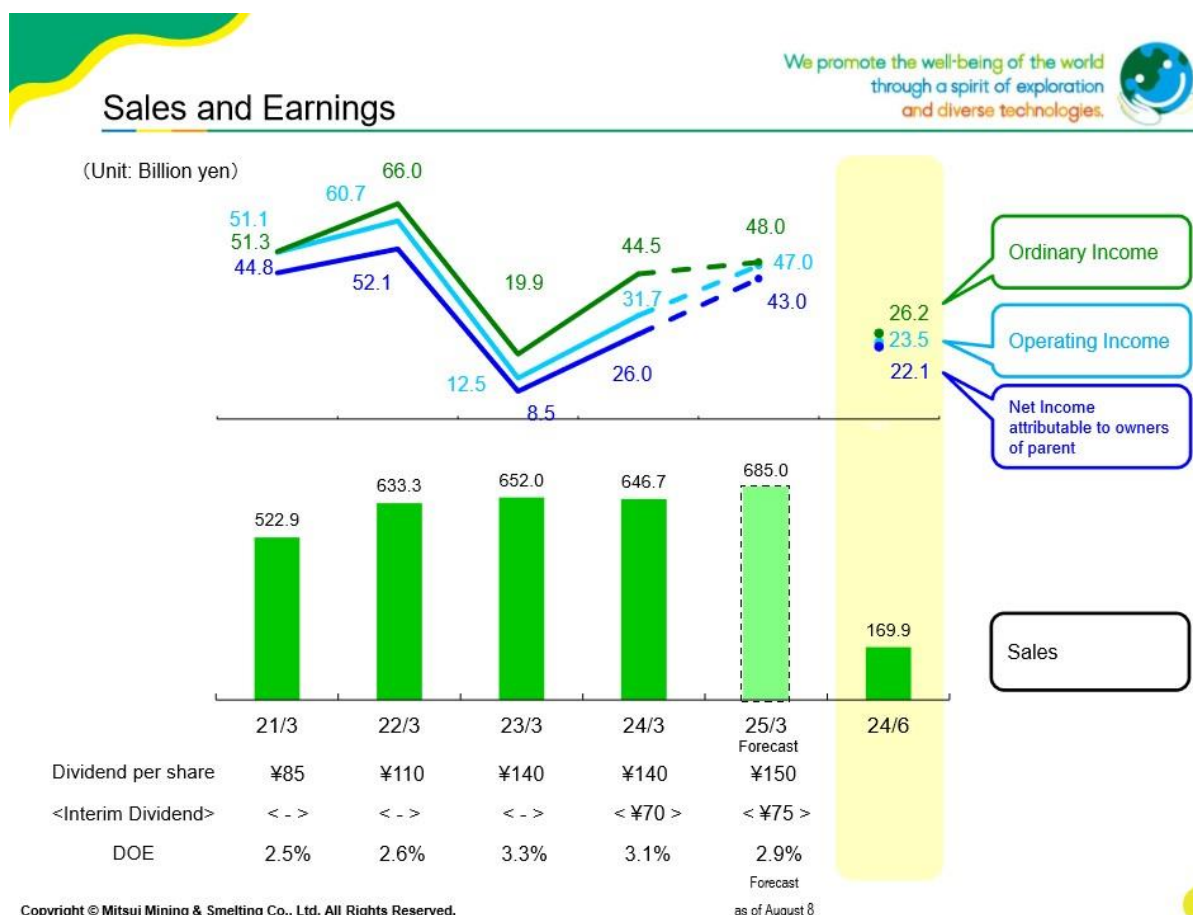
Please refer to page one of the financial results presentation.

For Q1 of the fiscal year ending March 31, 2025, net sales were JPY169.9 billion, operating income was JPY23.5 billion, ordinary income was JPY26.2 billion, and net income attributable to owners of the parent was JPY22.1 billion. Compared to the previous year, net sales increased by JPY22.4 billion due to increased sales volume of key products in the engineered materials segment such as MicroThin™, and due to depreciation of yen, and higher metal prices. As for profits, in addition to the impact of increased revenues, a favorable turnaround in inventory factors due to the weaker yen and higher metal prices resulted in a significant increase in operating income, ordinary income, and net income attributable to owners of the parent of JPY28.9 billion, JPY21.1 billion, and JPY19.6 billion, respectively.

As disclosed today in the notice of revision of earnings and dividend forecasts, we have revised

our consolidated earnings forecasts for the fiscal year ending March 31, 2025, based on the results of Q1 and a review of the business environment from Q2 onward, and we now expect net sales of JPY685 billion, operating income of JPY47 billion, ordinary income of JPY48 billion, and net income of JPY43 billion, exceeding the previous forecast disclosed on May 13, 2024.

As for price assumptions for Q2 and beyond, we continue to assume the LME zinc price of USD2,700, lead price of USD2,100, copper price of USD4, and an exchange rate of JPY145, the same as previously announced on May 13, 2024. Please refer to the appendix on page 16.



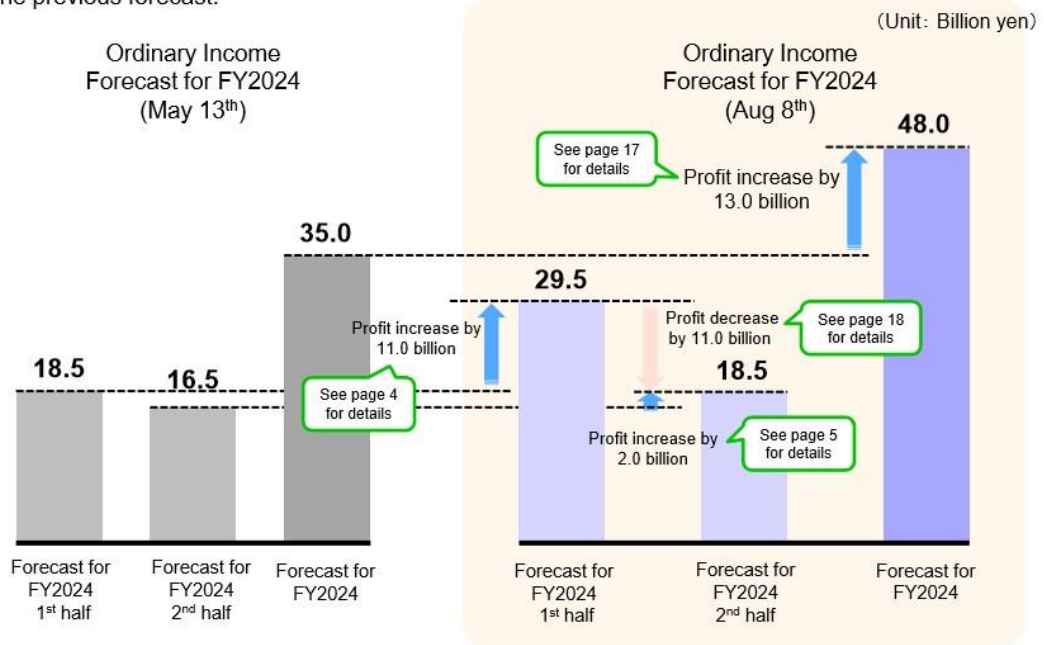
Please refer to page two of the financial results presentation.

As indicated below in the bar graph, as disclosed today in the notice of revision of earnings forecast and dividend forecast, the year-end dividend forecast has been increased by JPY5 from JPY70 to JPY75, and together with the interim dividend forecast of JPY75, the annual dividend forecast is expected to be JPY150.



FY2024 Ordinary Income Forecast

For FY2024, ordinary income is expected to increase by 11 billion yen in the first half compared to the previous forecast, and for the full year, it is expected to increase by 13 billion yen compared to the previous forecast.



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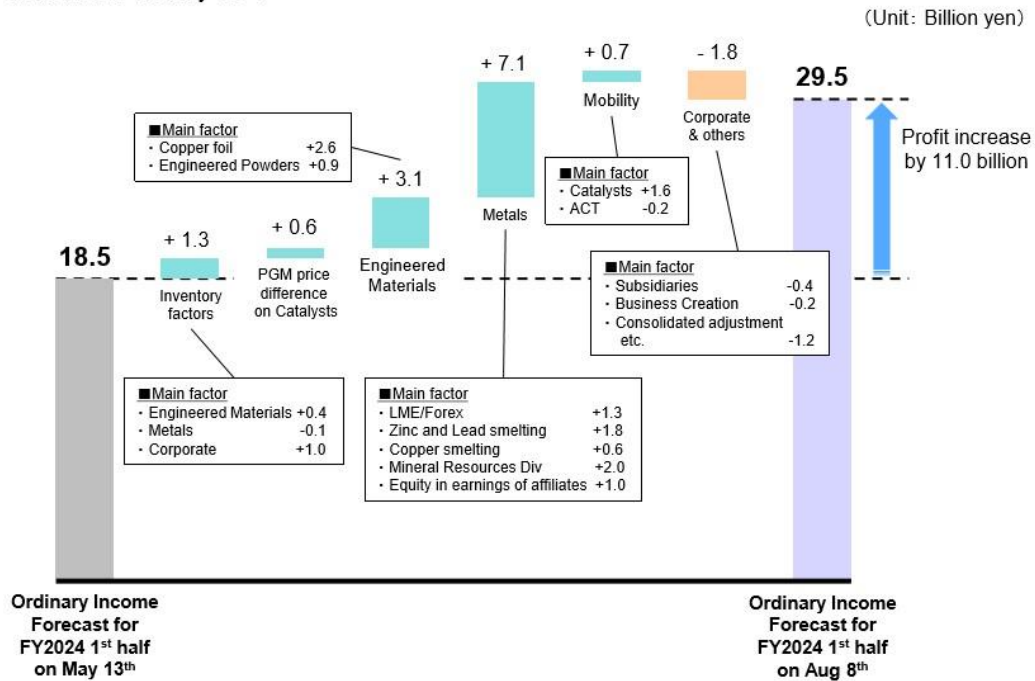
Next, please refer to page three.

For the full year of FY2024, we expect ordinary income of JPY29.5 billion, up JPY11 billion from the previous forecast, in H1, and JPY18.5 billion, up JPY2 billion, in H2, and JPY48.billion, up JPY13 billion, for the full year.



FY2024 1st half Ordinary Income Forecast

Ordinary income forecast is expected to increase by 11 billion yen from the forecast announced on May 13th.



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First, I would like to explain the difference between the previous forecast of ordinary income for H1 and the current forecast. Please refer to page four.

In terms of ordinary income, we expect an increase of JPY11 billion from the previous forecast of JPY18.5 billion. We expect a total increase of JPY10.9 billion based on the actual profit/loss of each segment of engineered materials, metals, and mobility.

I will explain about the breakdown by segment.

In the metals segment, which recorded the largest increase, income increased by JPY7.1 billion due to higher-than-expected metal prices and depreciation of yen in Q1, as well as decreases in raw material costs and processing costs.

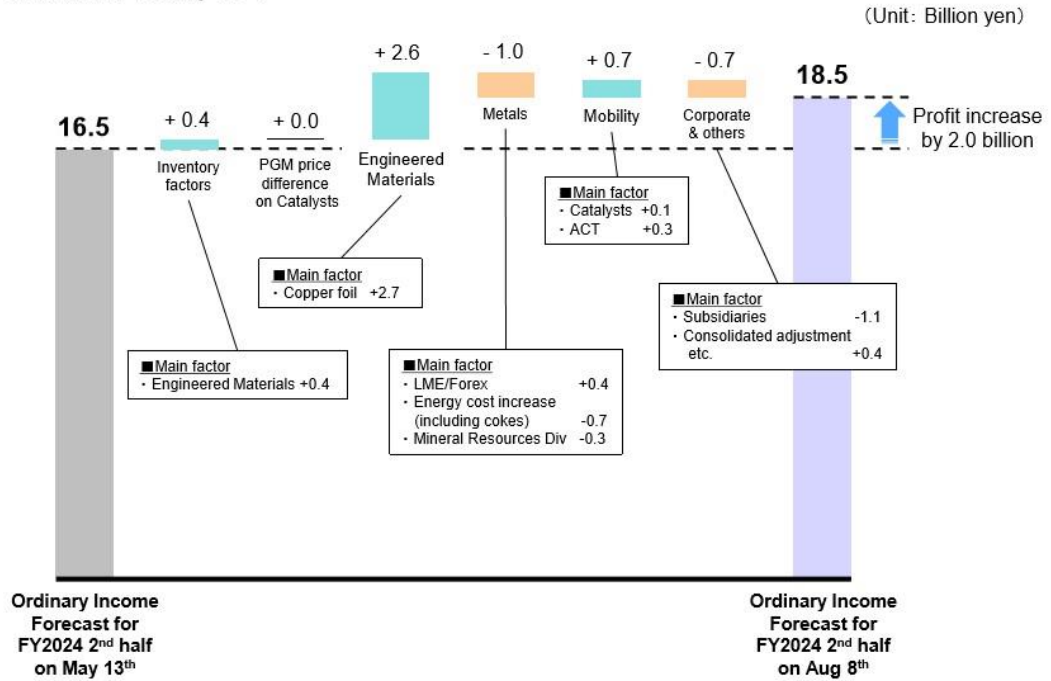
In the engineered materials segment, income increased by JPY3.1 billion mainly due to a decrease in fixed and selling expenses in the copper foil business and an increase in sales volume of each product in the engineered powder business.

In the mobility segment, we expect an increase of JPY0.7 billion, mainly due to an increase in sales volume of exhaust gas purification catalysts for motorcycles.



FY2024 2nd half Ordinary Income Forecast

Ordinary income forecast is expected to increase by 2 billion yen from the forecast announced on May 13th.



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We will now explain the difference between the previous forecast of ordinary income for H2. Please see page five of the document.

Ordinary income is expected to increase by JPY2 billion. Since the assumed factors are the same as those in the previous forecast, namely a zinc price of USD2,700 and an exchange rate of JPY145, the main factor is a favorable turnaround in the copper foil business in the advanced materials & components segment. Specifically, the main factor was the inclusion of price increases for electro-deposited copper foil and MicroThin™ in H2.



Statements of income

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Billion yen)	Q1 Results			1st half			FY		
	2024 Results	2023 Results	Difference (24-23)	2024 Forecast	2023 Results	Difference (24-23)	2024 Forecast	2023 Results	Difference (24-23)
Net Sales	169.9	147.5	22.4 15.2%	345.0	312.1	32.9 10.5%	685.0	646.7	38.3 5.9%
Cost of sales	128.1	137.1	-9.1 -6.6%	-	-	-	-	-	-
Gross Profit	41.8	10.4	31.4 303.0%	-	-	-	-	-	-
SG&A expenses	18.3	15.8	2.5 15.7%	-	-	-	-	-	-
Operating Income	23.5	-5.5	28.9 -	28.0	4.7	23.3 501.0%	47.0	31.7	15.3 48.3%
Non-operating income/expenses -net	2.7	10.5	-7.8	1.5	12.2	-10.7	1.0	12.8	-11.8
Ordinary Income	26.2	5.1	21.1 415.1%	29.5	16.9	12.6 74.7%	48.0	44.5	3.5 7.8%
Extraordinary profit/losses-net	1.6	-1.4	3.0	9.8	-5.5	15.3	7.6	-6.0	13.6
Net Income before income taxes	27.8	3.7	24.1 659.6%	39.3	11.4	27.9 245.1%	55.6	38.5	17.0 44.2%
Income taxes & minority interests	5.7	1.1	4.6	8.3	3.2	5.1	12.6	12.6	0.0
Net income attributable to owners of parent	22.1	2.5	19.6 769.1%	31.0	8.1	22.9 280.7%	43.0	26.0	17.0 65.5%

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I will continue with the other items. See the income statement on page six.

For H1 FY2024, we expect to exceed the previous year's performance in terms of net sales, operating income, ordinary income, and net income for both H1 and the full fiscal year. In FY2024, as a feature, we plan to record extraordinary gains and losses of JPY9.8 billion in H1 and JPY7.6 billion for the full year.

Non-operating income/expenses and Extraordinary gains/losses

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(Unit : Billion yen)

	Q1Results			1st half			FY		
	2024 Results	2023 Results	Difference (24-23)	2024 Forecast	2023 Results	Difference (24-23)	2024 Forecast	2023 Results	Difference (24-23)
Interest income - net	-0.6	-0.6	0.0	-1.1	-1.1	0.0	-2.3	-2.2	-0.2
Dividend income - net	0.5	7.2	-6.7	0.5	7.2	-6.8	0.6	7.4	-6.8
Equity in gains/losses	1.5	1.1	0.4	2.2	2.0	0.2	3.0	3.2	-0.3
Foreign exchange gains/losses	1.2	2.7	-1.5	0.1	3.1	-3.1	0.1	3.0	-2.9
Others	0.1	0.1	0.0	-0.1	1.1	-1.2	-0.3	1.4	-1.7
Non-operating income/expenses - net	2.7	10.5	-7.8	1.5	12.2	-10.7	1.0	12.8	-11.8
Loss on sale & disposal of Fixed Asset	-0.3	-0.8	0.4	-1.0	-1.2	0.3	-2.8	-2.3	-0.5
PL on sale of Investment Securities	0.1	0.0	0.1	9.3	0.0	9.3	9.3	1.3	8.1
PL on sale of shares of subsidiaries and associates	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0	2.0
Loss on valuation of shares of subsidiaries and associates	0.0	0.0	0.0	0.0	-1.0	1.0	0.0	-1.0	1.0
Provision for loss on guarantees	0.0	0.0	0.0	0.0	-2.5	2.5	0.0	0.0	0.0
Provision of allowance for doubtful accounts	-0.2	0.0	-0.2	-0.2	0.0	-0.2	-0.2	-2.6	2.4
Others	0.0	-0.6	0.7	-0.4	-0.8	0.4	-0.7	-1.3	0.6
Extraordinary profit/losses - net	1.6	-1.4	3.0	9.8	-5.5	15.3	7.6	-6.0	13.6

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See page nine for a breakdown of extraordinary gains and losses.

The lower part of this page shows the breakdown of extraordinary gains and losses. Of the JPY9.3 billion gain on sales of securities, JPY9.2 billion is a gain on sales of cross-shareholdings, as disclosed today in the notice of gain on sales of securities for the current period and extraordinary income.

In addition, below that, we recorded JPY2 billion in gains/losses on sales of stocks of subsidiaries and affiliates, which is due to the transfer of stocks of some of our consolidated subsidiaries. The Company has been aiming to improve asset streamlining measures, and this series of stock sales is part of those measures. We will continue to steadily implement the initiatives of our current medium-term management plan, the 22nd Medium-Term Management Plan, such as investing management resources in growth areas and improving our financial position by reducing interest-bearing debt.









Performance by Segment – Engineered Materials

(Unit : Billion yen)

	24/Q1 Results	23/Q1 Results	Diff. (24-23)	24/1H Forecast	23/1H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■ Sales	38.0	28.7	9.3	75.0	59.7	15.3	152.0	124.1	27.9
■ Operating income	6.9	2.7	4.2	12.5	6.5	6.0	25.0	15.4	9.6
■ Ordinary income	7.4	3.2	4.1	12.0	7.4	4.6	24.5	16.4	8.1
※ Ordinary income	6.6	2.8	3.7	10.7	6.5	4.2	22.8	14.8	8.0

※ Ordinary income : Ordinary income excluding inventory factors.

(Engineered Material Products)	(Main Applications)
Battery Materials 	<ul style="list-style-type: none"> •Nickel-hydrogen batteries for hybrid cars •Lithium-ion batteries
Engineered Powders 	<ul style="list-style-type: none"> •Wide range of electronic components •Abrasive for glass
Copper Foil 	<ul style="list-style-type: none"> •High-Density Packaging •Printed circuit board
PVD Materials (Sputtering target) 	<ul style="list-style-type: none"> •Flat panel displays
Ceramics 	<ul style="list-style-type: none"> •Kiln furniture for electronic materials •Liquid aluminum filtration equipment
Rare Earth Compounds (Nippon Yttrium Co., Ltd.) 	<ul style="list-style-type: none"> •Protective materials for semiconductor production equipment •Additives for electronic materials

Difference Analysis of Ordinary income [FY2023 1st Half→FY2024 1st Half Forecast + 4.6]

Copper foil +4.5
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, Decrease in foreign exchange gains from the previous year, others)
Engineered Powders +0.9
(Volume of sales increases, others)

[FY2023→FY2024 Forecast + 8.1]

Copper foil +7.3
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, Decrease in foreign exchange gains from the previous year, others)
Engineered Powders +1.3
(Volume of sales increases, others)

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Next, I would like to explain our business results by segment. First, please see the engineered materials segment, page 12 of the document.

In the engineered materials segment, although there is a recovery trend in FY2024 compared to FY2023, only a few products such as MicroThin™ are expected to make a full recovery from H1 to H2 of FY2024. The sales volume of each product from H1 to H2 continues to show a recovery trend, but there will be slight increments, flat sales, and even a slight decline in some products.

Under these circumstances, we project ordinary income of JPY12 billion for H1 FY2024 and JPY24.5 billion for the full year, both of which are significantly higher than those of the previous year. The main reasons for the increase in sales volume were the sales of electro-deposited copper foil and MicroThin™, the main products of the copper foil business, and various products of the engineered powder business, as shown in the lower right corner of this page.



Performance by Segment – Metals

(Unit : Billion yen)

	24/Q1 Results	23/Q1 Results	Diff. (24-23)	24/1H Forecast	23/1H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■ Sales	65.5	52.4	13.1	138.0	114.7	23.3	270.0	246.8	23.2
■ Operating income	17.8	-6.1	24.0	17.0	-1.9	18.9	20.0	6.4	13.6
■ Ordinary income	19.4	1.6	17.8	18.5	7.3	11.2	21.5	16.1	5.4
※ Ordinary income	12.1	7.0	5.1	15.0	9.6	5.4	18.0	15.7	2.3

※ Ordinary income : Ordinary income excluding inventory factors.

Difference Analysis of Ordinary income

	FY2023 1H→ FY2024 1H Forecast	FY2023→ FY2024 Forecast
LME/Forex	3.5	4.7
T/C	-2.3	-3.4
Inventory Factors	5.8	3.1
Equity profit/loss	-0.1	-0.2
Energy cost	3.1	2.6
(Cokes, included in the number above)	(-0.4)	(+0.0)
Dividends	-6.6	-6.8
Others※	7.8	5.4
Total	11.2	5.4

Sensitivity to ordinary income(for FY2024)

(Unit: Billion yen)

		Full oper basis	Including forward contract
Zinc	±100\$/t	1.5	1.4
Lead	±100\$/t	0.4	0.4
US\$(yen/\$)	±1yen/\$	0.5	0.4

Zinc TC

	FY2023	FY2024
	274 \$/t	165 \$/t
	+6% for over 3,000\$/t	

※Detail of Others

FY2023 1H→ FY2024 1H Forecast	Improvement in zinc smelting operations +1.4, Fixed cost decrease in Lead & Zinc Div. (including large scale maintenance +1.5) +1.0, Improvement in copper smelting operations +2.0, Mineral Resources Div. +2.0
FY2023→ FY2024 Forecast	Improvement in zinc smelting operations +1.3, Improvement in lead smelting and other operations +0.5, Fixed cost decrease in Lead & Zinc Div. (including large scale maintenance +1.5) +0.1, Improvement in copper smelting operations +1.9, Cost increase in copper smelting (including large scale maintenance -2.4) -1.7, Mineral Resources Div. +1.7

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Next is the metal segment. Please refer to page 13 of the document.

Regarding Q1 FY2024, ordinary income was JPY19.4 billion. Q1 was a very favorable external environment for the Company, with zinc prices once rising above USD3,000 and the yen depreciating over JPY160. In addition, inventory factors have improved, and in Q1 of this fiscal year, we received a small amount of ore with favorable T/C terms from last year, and we also recorded a portion of the settlement amount for last year's hedge. Other factors, such as YoY improvements in energy costs, particularly for electricity, also contributed to the Q1 results in the metals segment, which we recognize as being the result of a combination of various favorable conditions and a bit too good.

From Q2 onward, price assumptions are based on a zinc price of USD2,700 and an exchange rate of JPY145, and since a major refurbishment of the copper smelter is scheduled for H2, we expect ordinary income of JPY18.5 billion for H1 and JPY21.5 billion for the full year of FY2024.

The analysis of change in ordinary income compared to the previous year is shown in the table below, but it is expected to exceed the previous year's level due to the absence of a one-time dividend income of JPY6.6 billion from the previous year, deterioration in T/C, and other factors offset by favorable market prices, favorable exchange rates and inventory factors, lower energy costs, and other factors. We expect to exceed the previous year's level.



Performance by Segment – Mobility

(Unit : Billion yen)

	24/Q1 Results	23/Q1 Results	Diff. (24-23)	24/1H Forecast	23/1H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■Sales	50.2	55.4	-5.1	102.0	112.7	-10.7	200.0	218.4	-18.4
(Mitsui Kinzoku ACT)	(23.2)	(23.2)	(-0.0)	(48.1)	(48.4)	(-0.3)	(97.5)	(97.6)	(-0.2)
■Operating income	3.3	-0.2	3.5	5.8	2.8	3.0	12.0	10.2	1.8
(Mitsui Kinzoku ACT)	(-0.4)	(-0.0)	(-0.4)	(-0.4)	(0.4)	(-0.8)	(1.2)	(0.7)	(0.5)
■Ordinary income	3.5	0.9	2.5	5.3	3.8	1.5	11.0	11.3	-0.3
(Mitsui Kinzoku ACT)	(-0.5)	(0.3)	(-0.8)	(-0.4)	(0.6)	(-1.0)	(1.2)	(1.1)	(0.1)
※Ordinary income	3.0	4.2	-1.3	4.7	7.6	-2.9	10.4	14.1	-3.7

※Ordinary income : Ordinary income excluding PGM price difference on Catalysts.

Difference Analysis of Ordinary income

[FY2023 1st Half→FY2024 1st Half Forecast + 1.5]

Catalysts +3.2(Deterioration of sales composition,
PGM price difference improvement, others)

ACT -1.0(Deterioration of sales composition, Cost down, others)

[FY2023 →FY2024 Forecast - 0.3]

Catalysts +0.0(Volume of sales decrease,
PGM price difference improvement, others)

ACT +0.1(Deterioration of sales composition, Cost down,
others)

(Mobility Sector)	(Main Applications)
Catalysts	 <ul style="list-style-type: none"> •Motorcycles •Automobiles
Mitsui Kinzoku ACT	 <ul style="list-style-type: none"> •Door locks for automobiles
Mitsui Kinzoku Die-Casting	 <ul style="list-style-type: none"> •Die-Casting products

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ACT: Difference Analysis of Ordinary income

	FY2023 1H→ FY2024 1H Forecast	FY2023→ FY2024 Forecast	※Detail of Others	FY2023 1H→ FY2024 1H Forecast	FY2023→ FY2024 Forecast
Sales Volume	-1.4	-1.9	Rising material prices such as steel material	-0.1	-0.2
Cost down	1.2	3.8	Forex exchange	-0.4	-0.6
Others※	-0.8	-1.8	Projected Benefit	0.0	-0.8
Total	-1.0	0.1	Obligation		
			Freight Charge	-0.2	-0.4

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Finally, there is the mobility segment. Please refer to page 14.

As for exhaust gas purifying catalysts, we expect sales of catalysts for motorcycles to continue to be strong in H1 FY2024, but in H2 FY2024, we expect sales to decrease from H1, partly due to seasonal factors in India, and expect the full-year volume for the current fiscal year to remain flat YoY. On the other hand, sales of catalysts for automobiles are expected to decrease from the previous year due to struggling sales by Japanese car manufacturers in China.

As for door locks, another major product, the overall automotive market has been on a recovery trend since last year due to the easing of the effects of the semiconductor shortage. However, as with catalysts for automobiles, sales have been sluggish due to struggling sales by Japanese manufacturers in China, as well as the certification fraud issue by Japanese manufacturers, and we expect sales to remain at the same level as last year.

Regarding overall sales in the mobility segment, we expect sales of door locks to be at the same level as last year, but sales of catalysts to decline due to lower metal prices, so we expect overall sales in the mobility segment to be JPY102 billion in H1 and JPY200 billion for the full year, a decrease from the previous year.

The mobility segment's overall ordinary income is JPY5.3 billion in H1, an improvement of JPY1.5 billion from the previous year, and JPY11 billion for the full year, a slight decrease of JPY0.3 billion from the previous year, with an apparent profit/loss comparable to that of the previous year. However, on an actual profit/loss basis, excluding the impact of metal prices, H1 FY2024 saw a decrease of JPY2.9 billion from the previous year to JPY4.7 billion, and for the full year, a decrease of JPY3.7 billion from the previous year to JPY10.4 billion, mainly due to a decrease in sales volume of catalysts for automobiles.

■Q&A Session

Engineered Materials Segment

Q.

Regarding the profit and loss of copper foil compared to the previous forecast, you explained that the sales volumes of both electro-deposited copper foils and MicroThin™ would not change much, but that profits would increase in the first half due to reduced fixed costs and other factors as well as in the second half due to price increases. Could you please give additional explanations on this?

A.

In the first half, profits increased 2.6 billion yen compared to the previous forecast, which was mainly due to factors other than sales. In particular, profit margins improved not only in Japan, but also in Taiwan and Malaysia, due to the weaker yen exchange rate in the first quarter. In addition, fixed costs and SG&A expenses, which were expected to increase considerably in the previous forecast, will not increase that much in the current forecast. Differences in cost accounting, which are expected to be favorable, will also contribute to the improvement. The 2.7 billion yen increase in profits in the second half includes the effect of price increases, which is roughly between 1.0 to 1.5 billion yen. Other than that, we have accumulated favorable factors such as reduced fixed costs and the positive impact of foreign exchange rates, and thus, an increase in sales volumes will not have a large impact in the second half either. Fixed cost expenditure was only incurred up until the current first quarter. Since labor, depreciation, and development expenses were not incurred in the first quarter, we expect that the favorable turnaround will remain to some extent for the full fiscal year. We saw a positive foreign exchange impact in the first quarter, and expect to see a favorable impact in the second quarter and beyond as well due to the depreciation of local currencies at overseas bases.

Q.

I understand that the favorable turnaround in profit and loss for copper foil reflected the same factors as in the first quarter. Do you have any additional information on factors other than price increases that would contribute to the upward revision in the second half of the fiscal year?

A.

In the second half, the favorable turnaround in fixed and SG&A expenses was not as large as it was in the first half, and there will be a favorable turnaround in foreign exchange differences at overseas bases.

Q.

The sales volume of MicroThin™ for HDI increased more than 10% in the first quarter compared to the previous forecast. What are the reasons for this increase and the upward revision in the current forecast? I would also like to know the number of installations of MicroThin™ in new smartphones of North American brands and if there are any new installations in smartphones of other brands.

A.

The production of MicroThin™ for HDI for new models of smartphones of North American brands starts in the first quarter, peaks in the second quarter, and subsides in the third quarter and thereafter, as in the past. Since sales of smartphones of North American brands have been stronger than expected, we expect a considerable increase in the first half. We do not expect any significant changes in the number of installations. We are continuing our efforts to increase installations in smartphones other than North American brands, but we have not heard of any such actual installations.

Q.

As for MicroThin™ for PKG, seeing the figures on page 10 of the explanatory material, I have the impression that the increase is significant from 69 in the second quarter to 78 in the second half. Could you tell us what caused this (for example, a return of smartphone demand and an increase in memory-related demand)?

A.

The figure for MicroThin™ for PKG has slightly declined in the first quarter compared to the previous forecast, but the current forecast for the second half shows the view that sales volume will increase at the same level as before, taking into account the fact that a full-scale recovery will start in the second half. For the second half, we expect sales volume growth in non-smartphone memory applications to drive overall growth, as in the past.

Q.

Regarding your efforts to improve the profitability of MicroThin™, what price increases will be passed on to improve the margins that have deteriorated due to increased fixed costs, etc.? In addition, if the price increases become prevalent in the second half, can we expect it to be a contributing factor to increasing profits in the next fiscal year onward?

A.

The aim of raising the price of copper foil is to improve profitability. In particular, labor and other fixed costs, as well as energy costs, have increased compared to the past. We have raised the prices of MicroThin™ and electro-deposited copper foil to improve profitability, and we expect the effect to start appearing in the second half. At the moment, we expect to see an effect of 1.0 to 1.5 billion yen for the half year, and we believe that this will continue to serve as a positive factor next fiscal year as well.

Q.

Regarding electro-deposited copper foil, please explain your view on the current situation in terms of its use in flexible printed circuits and communication infrastructure.

A.

Regarding electro-deposited copper foil for flexible printed circuits, the sales volume has increased steadily from the previous term due to strong demand for smartphones of Chinese brands, etc., and has exceeded the previous forecast. Regarding electro-deposited copper foil for communication infrastructure, the sales volume increased from the previous term due to strong demand for low- and mid-range server applications, etc., but did not reach the previous forecast.

Q.

How about the sales volume of VSP™ (Very Smooth Profile Copper Foil) for generative AI, a highly profitable product of electro-deposited copper foil? Will it contribute to profits?

A.

Although there are quarterly fluctuations in the sales volume of high-grade VSP™ for generative AI, a year-on-year comparison between the FY2023 results and FY2024 full-year forecast shows approximately 40% increase, which is a higher increase than that indicated in the previous forecast. Of course, it will contribute to profits, but the amount of the impact will be slightly smaller than that realized in the period from FY2022 to FY2023.

Q.

The sales volume of electro-deposited copper foil has not changed much from the previous forecast, but the external environment has been changing as seen in the latest server-related news. Given these factors, can we expect the top line to show a high growth rate and be a

factor to increase profits in the next fiscal year, in line with the existing view?

A.

Regarding high-grade VSP™ of electro-deposited copper foil, the current demand is very strong, but we cannot fully forecast the volume of use of our copper foil, given possible design changes of some servers and other factors. Therefore, we expect the sales volume of high-grade VSP™ in the second half of FY2024 to be higher than the previous forecast, but the sales volume of total VSP™, including high-grade VSP™, is expected to remain at the same level as in the previous forecast. However, some consider this figure to be modest considering the current strong demand, and we anticipate market growth in the future.

Q.

Regarding the engineered powders business, according to page 24 of the explanatory material, net sales are growing, but there are some comments in the explanation of the engineered materials segment that there are fluctuations by business and by product. Could you please give additional explanations?

A.

The sales volume of copper powders for MLCC, the main product of the engineered powders business, has not increased much. On the other hand, the sales volumes of tantalum oxide and abrasives for glass polishing increased from the fourth quarter of FY2023.

Metals Segment

Q.

Profits in the metal business have been highly volatile, and they are expected to fall in the second half compared to the first half. Which period should be considered as the basis for showing ordinary income (ordinary income excluding inventory factors) assuming that metals market conditions and exchange rates remain flat?

A.

When we assume zinc prices of US\$2,700 and an exchange rate of 145 yen to the dollar (the same as the assumptions for the current forecast) and we regard the second half as the basis, the Company's full year ordinary income will be approximately 12 to 14 billion yen, after taking into account the 2.5 billion yen of large-scale maintenance for copper smelting, a one-time factor included in the current forecast, and the addition of 3 to 4 billion yen from operations to the 3 billion yen of profits for the metals business in the second half.

Mobility Segment

Q.

In the full-year forecast, the figures for the sales volume of motorcycle catalysts have increased considerably. In the previous financial results, the risk of market share being lost due to intensified competition in India was factored into the forecast for the current fiscal year. Please tell us how you view this situation in the current financial results. Please also share the reason for the intensification of competition.

A.

Regarding the sales volume of motorcycle catalysts in India, we first expected the Indian economy to deteriorate slightly this year after last year's strong performance, but in fact we are seeing an increase in the sales volume as the economy continues to be strong. Regarding the intensifying competition with competitors, no market share was taken in the first quarter, and we believed in the previous forecast that we could still maintain our market share in the first quarter. However, there are some indications that our market share is being taken by competitors, and we expect to see the actual impact of this intensified competition in the second half, as indicated in the previous forecast. Actually, local catalyst manufacturers have been

competing with us to take the market share by approaching certain customers in India since the beginning of this fiscal year.

Total or multiple segments

Q.

While profits in the first quarter were quite high in the major segments, ordinary income (ordinary income excluding inventory factors) will decrease significantly in the second quarter, according to your plan. Although there is an explanation on page 19 of the explanatory material, I would like to know the major factors causing the fluctuations in profits for engineered materials, metals, and mobility, respectively.

A.

Regarding the main breakdown on page 19 of the explanatory material, the largest factor of the 1.1 billion yen decrease in copper foil is the minus 0.8 billion yen deterioration in foreign exchange gains in non-operating income. We expect fixed and SG&A expenses to increase slightly in the second quarter because the actual figures for the first quarter were small. The 4.6 billion yen decrease in zinc and lead smelting is mostly due to the difference in the composition of zinc and lead raw materials, some TC carried over from the previous year, and the absence of the factors that made the first quarter so strong in the second quarter. Regarding the 1.1 billion yen decrease in copper smelting, we expect a slight deterioration in the second quarter in terms of operating capacity, such as the amount of difference in actual yield. Regarding the 1.9 billion yen decrease in catalysts, we expect no significant decrease due to sales factors, but we expect a 0.9 billion yen decrease in foreign exchange gains in non-operating income and other cost-related factors that will increase in the second quarter.

Q.

The overall impression changes considerably depending on whether profits in the first and second quarters are your actual profits. I would like to know your company's view on this matter. Regarding the increase in expenses in the second quarter, your view seems to be a conservative. I would like to know if the results in the second quarter, when the foreign exchange gains are eliminated, show your actual profits.

A.

In the second quarter, there will be reactionary effects from factors that were good in the first quarter, so we believe that the results in the first half as a whole properly show our actual profits.