

## Record of Telephone Conference Concerning FY2023 Results

Reference: FY2023 Results & FY2024 Forecast

[https://www.mitsui-](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=KYEq8JQa%2fx0%3d&tabid=204&mid=824&TabModule903=0)

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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 FY2023 and Forecast of FY2024

- FY2023 YoY: Sales decreased slightly compared to the previous year due to lower metal prices and precious metal prices, although sales volumes of main products in the Engineered Materials segment and the Mobility segment increased.  
In addition, both operating income and ordinary income increased due to the above-mentioned increase in sales volume, improvement in inventory factors, decrease in retirement benefit expenses, and increase in non-operating income.
- As for the FY2024 forecast, sales are expected to decrease slightly compared to the previous year due to factors such as a decrease in sales volume in the Mobility segment, although sales volume in the Engineered Materials segment will increase.  
Additionally, operating income is expected to increase compared to the previous year due to increased sales volume in the Engineered Materials segment, but ordinary income is expected to decrease due to a decrease in non-operating income such as dividends received.

(Unit: Billion yen)

	Results			Forecast		
	2023 Results	2022 Results	Difference (23-22)	2024 Forecast	2023 Results	Difference (24-23)
<b>Net Sales</b>	646.7	652.0	-5.3 <i>-0.8%</i>	640.0	646.7	-6.7 <i>-1.0%</i>
<b>Operating Income</b>	31.7	12.5	19.2 <i>153.0%</i>	35.0	31.7	3.3 <i>10.4%</i>
<b>Ordinary Income</b>	44.5	19.9	24.6 <i>123.8%</i>	35.0	44.5	-9.5 <i>-21.4%</i>
Net income attributable to owners of parent	26.0	8.5	17.5 <i>205.4%</i>	22.0	26.0	-4.0 <i>-15.3%</i>

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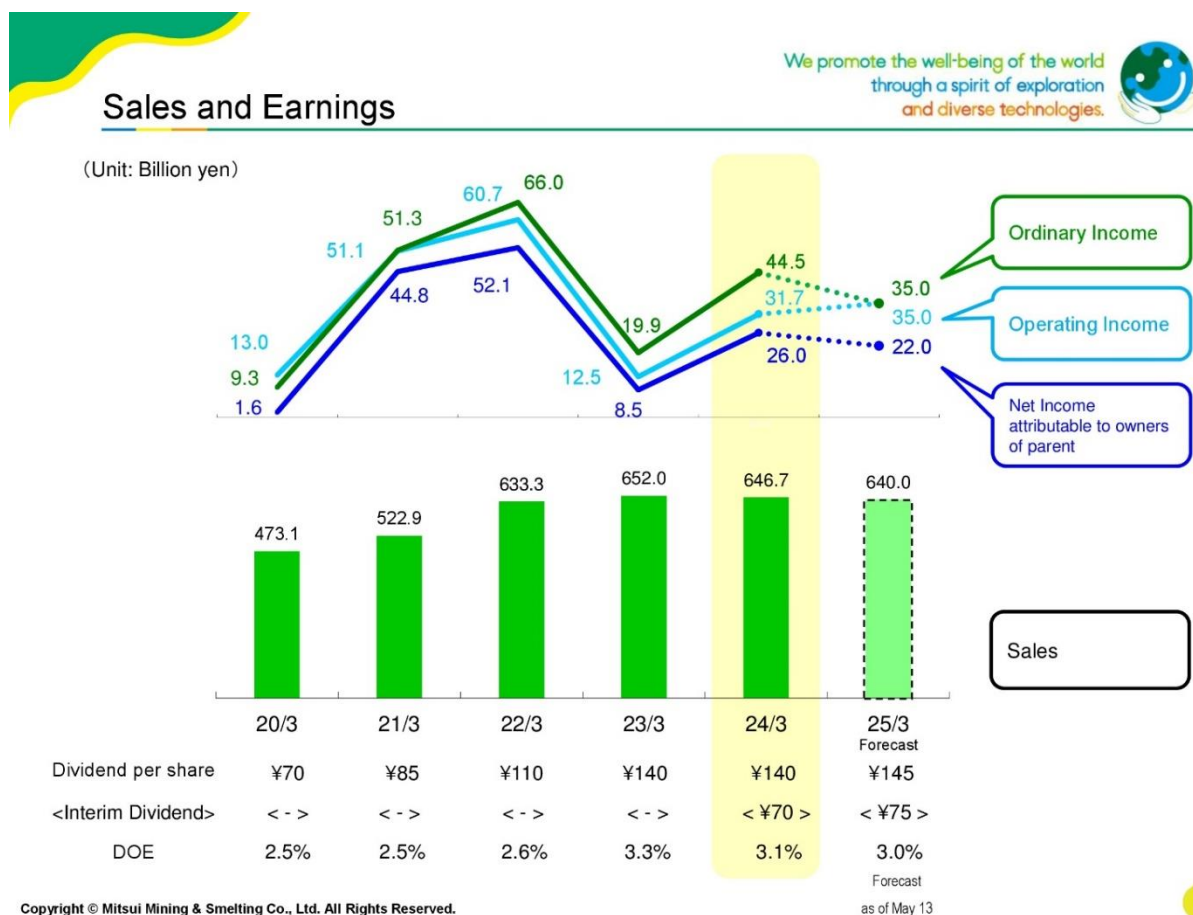
1

Please refer to page one.

For the fiscal year ended March 31, 2024, we recorded net sales of JPY646.7 billion, operating income of JPY31.7 billion, ordinary income of JPY44.5 billion, and net income attributable to owners of the parent of JPY26.0 billion. Compared to the previous year, net sales decreased by JPY5.3 billion due to lower zinc prices and rhodium and other metal prices, although sales volumes of key products in the functional materials and mobility segments increased. Operating income, on the other hand, increased by JPY19.2 billion due to the impact of the increase in sales volume of the major products I mentioned earlier, a favorable turnaround in inventory factors, and a decrease in retirement benefit expenses resulting from a change in the discount rate used to calculate retirement benefit liabilities due to a rise in long-term interest rates. In addition, ordinary income and net income attributable to the parent company increased by

JPY24.6 billion and JPY17.5 billion, respectively, due to dividend income of JPY 6.6 billion from the Japan-Korea joint smelting project and an increase in non-operating foreign exchange gains due to the yen's depreciation toward the end of the fiscal year.

For the fiscal year ending March 31, 2025, we forecast consolidated net sales of JPY640 billion, operating income of JPY35 billion, ordinary income of JPY35 billion, and net income of JPY22 billion. We assume an LME Zinc price of USD2,700, an LME Lead price of USD2,100, an LME Copper price of 400 cents, and an exchange rate of JPY145 to the US dollar.

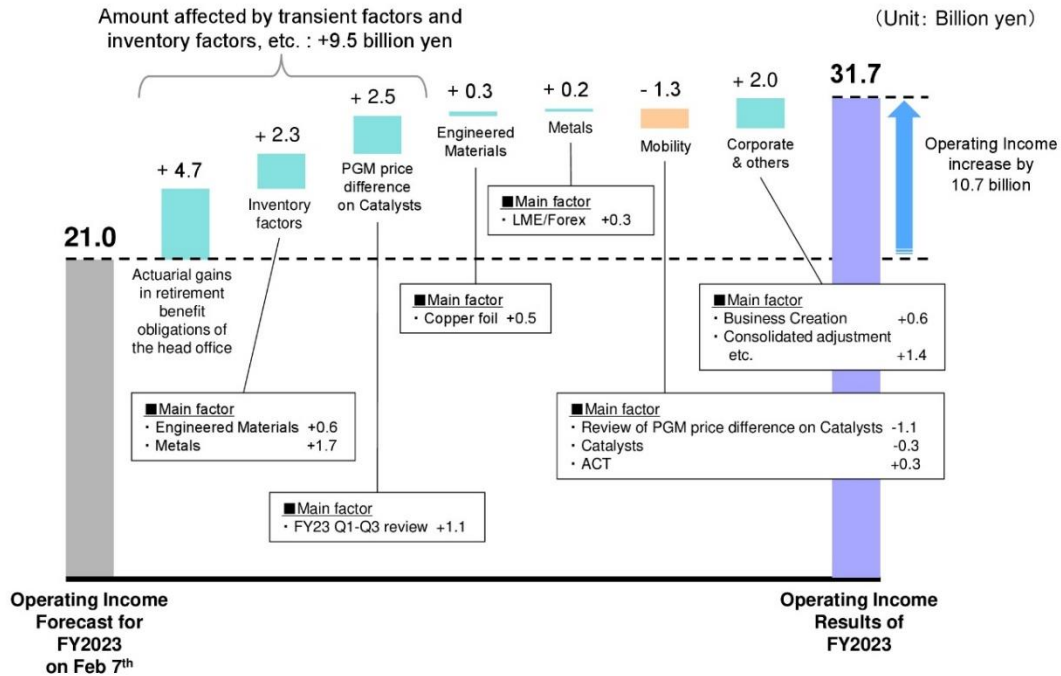


As for dividends, the bar graph on the next page shows that for the fiscal year ended March 31, 2024, we will pay an interim dividend of JPY70 per share, which has already been paid, and a year-end dividend of JPY70 per share, for an annual dividend of JPY140 per share, unchanged from our previously announced dividend forecast. For the fiscal year ending March 31, 2025, we plan to pay an interim dividend of JPY75 per share and a year-end dividend of JPY70 per share, for an annual dividend of JPY145 per share, an increase of JPY5, in line with our dividend policy of targeting a DOE of 3%.



## FY2023 Operating Income

Operating income of FY2023 is 31.7 billion, by 10.7 billion better than the forecast for FY2023 announced on February 7<sup>th</sup>.



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4

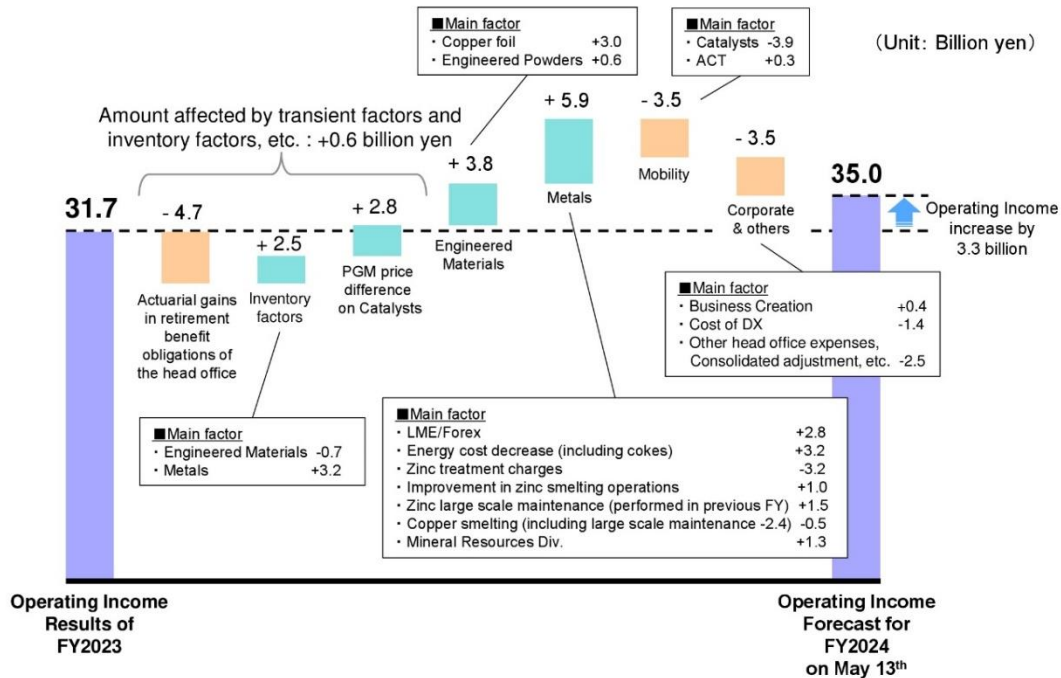
We will now explain the difference between the full-year results for FY2023 and the previous forecast announced on February 7, 2024. Please refer to page four.

Operating income increased by JPY10.7 billion from JPY21.0 billion in the previous fiscal year to JPY31.7 billion in the current fiscal year, of which JPY9.5 billion was attributable to one-time and inventory factors and the impact of precious metal prices. The decrease in retirement benefit expenses I mentioned earlier added JPY4.7 billion, and although metal prices did not change significantly, inventory factors turned around by JPY2.3 billion due to the weakening of the yen. As for the impact of precious metal prices on catalysts, although precious metal prices remained unchanged, the impact increased by JPY2.5 billion, an increase of JPY1.1 billion from the previous period, due in part to price settlements by some customers and a review of the calculation of precious metal price impact in FY2023 to reflect actual conditions. This means that of the negative JPY1.3 billion in the mobility category, second from the right, the negative JPY1.1 billion is affected by this. Combined with a JPY1.2 billion turnaround in the total of other segments, this resulted in an increase in the operating income of JPY10.7 billion to JPY31.7 billion.



## FY2024 Operating Income Forecast

Operating income forecast for FY2024 is 35.0 billion, increase by 3.3 billion from the previous year.



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5

Please refer to page five of the document. The difference between the forecast for FY2024 and the previous year is explained in terms of operating income, which also has fewer non-operating and other non-recurring factors.

Operating income for FY2024 is expected to be JPY35 billion, an increase of JPY3.3 billion from the FY2023 result of JPY31.7 billion. We expect the elimination of the impact of retirement benefit expenses and the difference between inventory factors and metal price effects to be a positive JPY0.6 billion, and a positive JPY2.7 billion improvement in the total business segment.

I will now explain the reasons for the increase or decrease in each business segment. In the advanced materials and component products segment, we forecast an increase of JPY3.8 billion, mainly due to increased sales of major products, such as copper foil and functional powders. In the metals and minerals segment, despite the deterioration of PC, we forecast an increase of JPY5.9 billion due to a zinc price forecast of USD1,700 per ton and an expected decrease in energy costs, mainly for electric power. On the other hand, in the mobility segment, income decreased by JPY3.5 billion due to the significant impact of decreased sales volume of catalysts for motorcycles and automobiles. In the head office jurisdiction and others, we expect a JPY0.4 billion improvement in the business creation sector, as the increase in miscellaneous income exceeds the increase in expenses, but we expect a JPY3.5 billion decrease due to an increase in DX-related expenses and head office cost consolidation adjustments. Taking these factors into account, the forecast for FY2024 is JPY35 billion, an increase of JPY3.3 billion from the previous year.

## Statements of income

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(Unit : Billion yen)	Results			Forecast			
	2023 Results	2022 Results	Difference (23-22)	2024 Forecast	Difference (24-23)	1st Half Forecast	2nd Half Forecast
<b>Net Sales</b>	646.7	652.0	-5.3 <i>-0.8%</i>	640.0	-6.7 <i>-1.0%</i>	310.0	330.0
Cost of sales	551.3	572.6	-21.3 <i>-3.7%</i>	-	-	-	-
<b>Gross Profit</b>	95.4	79.3	16.1 <i>20.2%</i>	-	-	-	-
SG&A expenses	63.7	66.8	-3.1 <i>-4.6%</i>	-	-	-	-
<b>Operating Income</b>	31.7	12.5	19.2 <i>153.0%</i>	35.0	3.3 <i>10.4%</i>	18.5	16.5
Non-operating income/expenses -net	12.8	7.4	5.5 <i>123.8%</i>	0.0	-12.8 <i>-21.4%</i>	0.0	0.0
<b>Ordinary Income</b>	44.5	19.9	24.6 <i>123.8%</i>	35.0	-9.5 <i>-21.4%</i>	18.5	16.5
Extraordinary profit/losses-net	-6.0	-4.7	-1.3	-3.2	2.7	-1.1	-2.1
<b>Net Income before income taxes</b>	38.5	15.2	23.4 <i>153.8%</i>	31.8	-6.8 <i>-17.6%</i>	17.4	14.4
Income taxes & minority interests	12.6	6.7	5.9	9.8	-2.8	4.9	4.9
Net income attributable to owners of parent	26.0	8.5	17.5 <i>205.4%</i>	22.0	-4.0 <i>-15.3%</i>	12.5	9.5

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6

See the income statement on page six.

Forecasts for FY2024. Although sales volume of major functional materials products increased, sales are expected to decrease by JPY6.7 billion to JPY640 billion, due to lower precious metal prices and lower sales volume in the mobility segment compared to the previous year. As explained earlier, operating income is expected to increase by JPY3.3 billion to JPY35 billion. The forecast for ordinary income for FY2024 is JPY35 billion, a decrease of JPY9.5 billion from the previous year, but the JPY12.8 billion in non-operating income and expenses for FY2023 on the left side of this document includes JPY10.5 billion in one-time factors that are not reflected in the FY2024 forecast. Considering this, we believe that ordinary income as well as operating income will exceed the previous year's level.




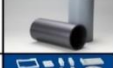




## Performance by Segment – Engineered Materials

(Unit : Billion yen)

	FY2023 Results	FY2022 Results	Diff. (23-22)	FY2024 Forecast	Diff. (24-23)	1st Half Forecast	2nd Half Forecast
■ Sales	124.1	112.5	11.6	145.0	20.9	70.0	75.0
■ Operating income	15.4	9.9	5.5	18.5	3.1	8.5	10.0
■ Ordinary income	16.4	10.7	5.7	18.0	1.6	8.5	9.5
※ Ordinary income	14.8	11.0	3.8	17.1	2.3	7.6	9.5

※ Ordinary income : Ordinary income excluding inventory factors.

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

### Difference Analysis of Ordinary income

[FY2022 → FY2023 + 5.7]

Copper foil +5.0  
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, others)  
PVD Materials +1.9  
(Inventory factors, others)

[FY2023 → FY2024 Forecast + 1.6]

Copper foil +1.9  
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, Decrease in foreign exchange gains from the previous year -9 , others)  
PVD Materials -0.8  
(Inventory factors, others)

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12

Next, I would like to explain our business results by segment. The first is the engineered materials segment. Please refer to page 12.

As for engineered materials, our overall impression is that a full-fledged recovery is not expected until FY2024 or later, despite the recovery trend that began in FY2023.

Under these circumstances, ordinary income for FY2023 was JPY16.4 billion, an increase of JPY5.7 billion from the previous year. The main factor was a JPY5 billion increase in the copper foil business due to higher sales of electrodeposited copper foil and MicroThin™.

For FY2024, we expect ordinary income to increase by JPY1.6 billion to JPY18 billion, as noted in the lower right-hand corner of this document. Taking into account that the non-operating foreign exchange gain of JPY900 million in the copper foil business, which occurred in the previous fiscal year, will be removed, and that the deterioration of inventory factors in the thin film materials business will amount to about JPY700 million, we expect a substantial improvement of JPY3.2 billion, in addition to the original JPY1.6 billion in profit increase.



## Performance by Segment – Metals

(Unit : Billion yen)

	FY2023 Results	FY2022 Results	Diff. (23-22)	FY2024 Forecast	Diff. (24-23)	1st Half Forecast	2nd Half Forecast
■ Sales	246.8	256.4	-9.6	253.0	6.2	125.0	128.0
■ Operating income	6.4	4.1	2.2	15.5	9.1	11.5	4.0
■ Ordinary income	16.1	9.1	7.0	15.5	-0.6	11.5	4.0
※ Ordinary income	15.7	12.8	2.9	11.9	-3.8	7.9	4.0

※ Ordinary income : Ordinary income excluding inventory factors.

### Difference Analysis of Ordinary Income

	FY2022→ FY2023	FY2023→ FY2024 Forecast
LME/Forex	-0.9	2.8
T/C	1.0	-3.2
Inventory Factors	4.1	3.2
Equity profit/loss	-2.3	-1.2
Energy cost	-1.7	3.2
(Cokes, included in the number above)	(+0.9)	(+0.1)
Dividends	6.1	-6.8
Others ※	0.7	1.4
<b>Total</b>	<b>7.0</b>	<b>-0.6</b>

### Sensitivity to ordinary income(for FY2024)

( Unit: Billion yen )

		Full open 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

FY2022	230 \$/t	
FY2023	274 \$/t	• +6% for over 3,000\$/t
FY2024	165 \$/t	

### ※Detail of Others

FY2022→ FY2023	Fixed cost increase in Lead & Zinc Div. (including large scale maintenance -1.5) -2.9, Raw material cost of lead increase -1.9, Improvement in copper smelting operations +2.2, Cost decrease in copper smelting (including large scale maintenance +2.5) +1.8, Mineral Resources Div. +1.3
FY2023→ FY2024 Forecast	Improvement in zinc smelting operations +1.0, Raw material cost of lead increase -0.2, Fixed cost decrease in Lead & Zinc Div. (including large scale maintenance +1.5) +0.5, Improvement in copper smelting operations +1.2, Cost increase in copper smelting (including large scale maintenance -2.4) -1.7

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13

Next is the metals business segment. Please refer to page 13.

As for zinc prices, they went from a high level of over USD3,000 per ton in FY2022, to a slump in the USD2,400 to USD2,500 range in FY2023, while the yen continued to depreciate from FY2022 to the present. The analysis of factors on the lower left shows that the exchange rate for FY2023 was minus JPY0.9 billion, which means that the decline in metal prices was compensated to some extent by the weaker yen, while inventory factors added JPY4.1 billion, plus dividends received. We estimate that the performance in FY2023 was supported by inventory factors and transitory factors.

As for the forecast for FY2024, although we expect a deterioration in actual profit/loss due to factors such as the expected deterioration in T/C and the elimination of dividend income, as shown in the reanalysis below left, we have assumed a price of USD2,700 per ton in light of the current rise in zinc prices, and a favorable turnaround in inventory factors as a result of the price increase. In addition, due to a decrease in energy costs, especially in electricity, we expect a favorable turnaround in operating income and the same level of ordinary income, as seen from a financial perspective.



## Performance by Segment – Mobility

(Unit : Billion yen)

	FY2023 Results	FY2022 Results	Diff. (23-22)	FY2024 Forecast	Diff. (24-23)	1st Half Forecast	2nd Half Forecast
■ Sales	218.4	216.5	1.9	192.0	-26.4	95.0	97.0
(Mitsui Kinzoku ACT)	(97.6)	(86.0)	(11.6)	(98.0)	(0.3)	(47.8)	(50.2)
■ Operating income	10.2	3.4	6.8	9.5	-0.7	4.0	5.5
(Mitsui Kinzoku ACT)	(0.7)	(-1.4)	(2.1)	(1.0)	(0.3)	(-0.3)	(1.3)
■ Ordinary income	11.3	3.2	8.1	9.0	-2.3	4.0	5.0
(Mitsui Kinzoku ACT)	(1.1)	(-0.6)	(1.7)	(1.1)	(0.1)	(-0.2)	(1.3)
※ Ordinary income	14.1	6.3	7.8	9.0	-5.1	4.0	5.0

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




### Difference Analysis of Ordinary income

[FY2022 → FY2023 + 8.1]

Catalysts +6.0 (Volume of sales increase, Precious metal price difference, Foreign exchange gains, others )  
ACT +1.7 (Volume of sales increase, Cost down, others)

[FY2023 → FY2024 Forecast - 2.3]

Catalysts -2.3 (Volume of sales decrease, Precious metal price difference, Decrease in foreign exchange gains from the previous year, others )  
ACT +0.1 (Deterioration of sales composition, Cost down, others)

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

### ACT: Difference Analysis of Ordinary income

	FY2022→ FY2023	FY2023→ FY2024 Forecast	※Detail of Others	FY2022→ FY2023	FY2023→ FY2024 Forecast
Sales Volume	1.4	-0.8	Rising material prices such as steel material	-0.1	0.0
Cost down	0.7	2.0	Forex exchange	-0.7	-0.7
Others※	-0.4	-1.1	Projected Benefit Obligation	0.3	-0.7
Total	1.7	0.1	Freight Charge	0.3	0.1
			Subsidy income	-0.2	0.0

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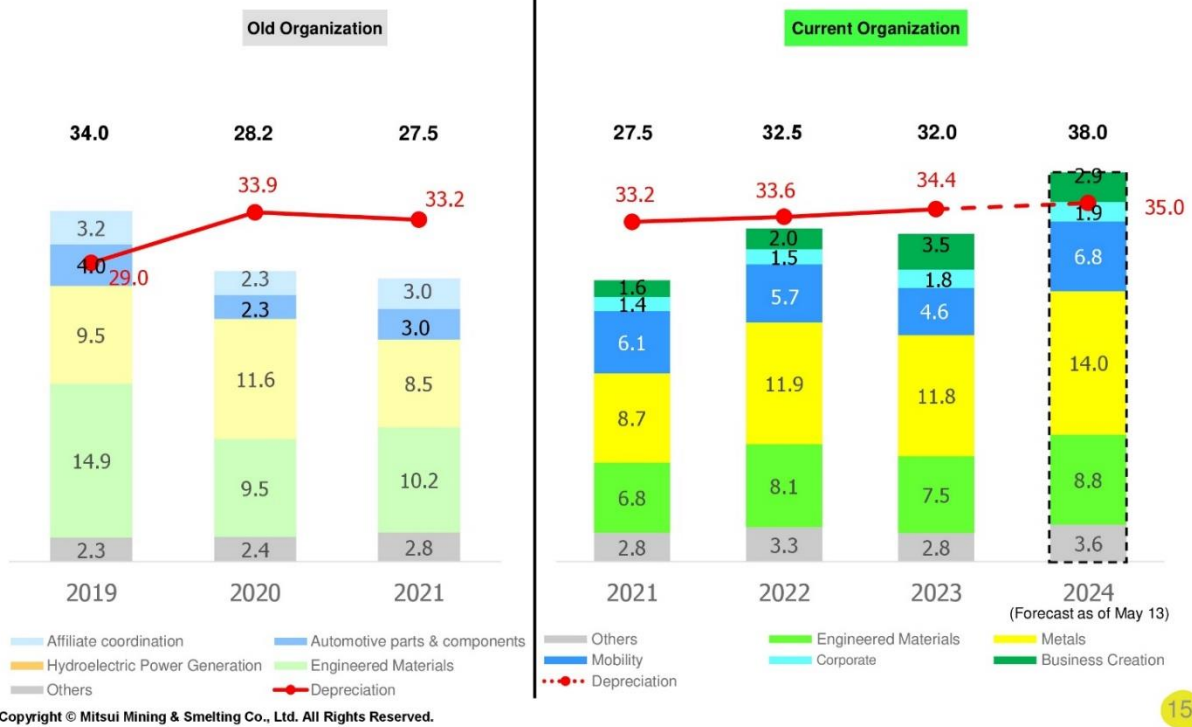
14

Next is the mobility sector. Please refer to page 14.

Regarding FY2023, the automobile market itself has been recovering due to the easing of the impact of the semiconductor shortage and other factors, but Japanese manufacturers' struggles in sales due to the progress of EVs in China have become obvious. As for the motorcycle market, although they are solid in each region, sales remained strong in FY2023, especially in India. In light of this situation, the mobility sector's overall ordinary income for FY2023 was JPY11.3 billion, an increase of JPY8.1 billion from the same period last year. The JPY8.1 billion in increased profits is attributed to the catalysts segment. The catalysts segment is listed at the bottom of the center of this page, and it is worth JPY6 billion. Excluding the positive impact of precious metal prices of JPY0.3 billion and the favorable turnaround in non-operating foreign exchange gains of JPY1.9 billion, the increase was JPY3.8 billion, the majority of which was due to the increase in sales volume. As for door latches for automobiles, the increase in sales due to the recovery of the automobile market was significant, resulting in an increase in profit of JPY1.7 billion.

The mobility sector's overall ordinary income for FY2024 is expected to be JPY9 billion, down JPY2.3 billion from the previous year. Of the forecast JPY2.3 billion decrease in profit, almost all of this is attributable to the catalysts business, and we have factored in the deterioration in sales volume for motorcycles, mainly in India, and for automobiles, mainly in China, due to a decline in sales volume. With the projected JPY2.3 billion decrease in the catalysts business, the positive turnaround in the impact of precious metal prices, which is seen to add JPY2.8 billion, and a negative JPY1 billion due to the absence of non-operating foreign exchange gains that occurred last year, etc., excluding these positive factors of JPY1.8 billion, the resulting decrease is forecast at JPY4.1 billion, more than half of which is due to the decrease in sales volume.





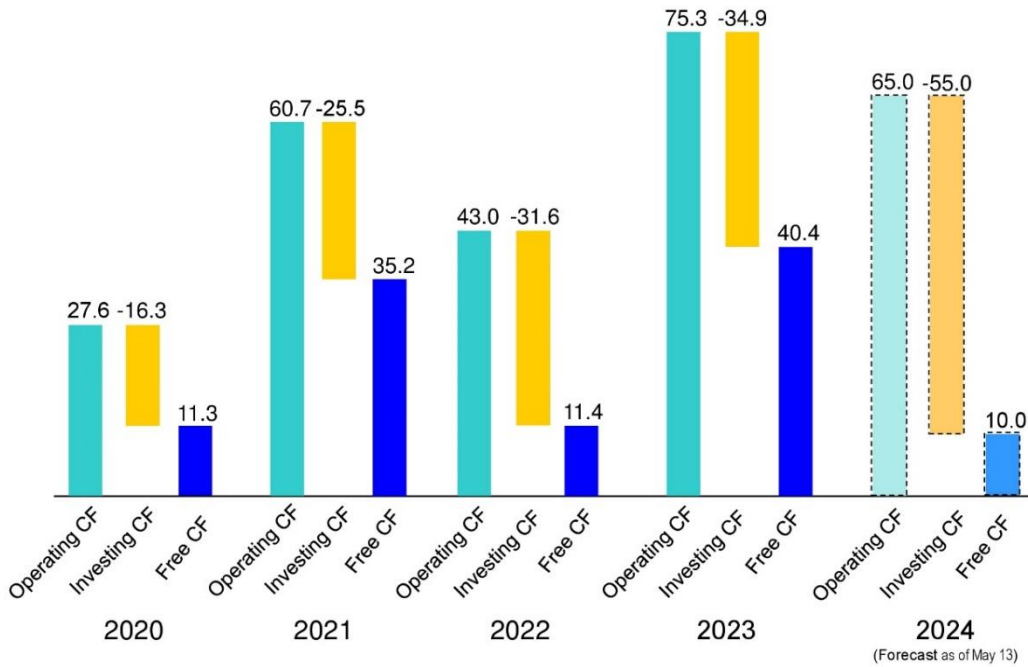
For information on capital expenditures and depreciation, please refer to page 15 here.

Capital investment of JPY32 billion was made in FY2023. In FY2024, we expect a year-on-year increase to JPY38 billion due to the scheduled large scale maintenance of copper smelting operations in the metals segment, and other projects carried over from FY2023.

# Cash Flows

(Unit : Billion yen)

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16

For consolidated cash flows, please refer to page 16.

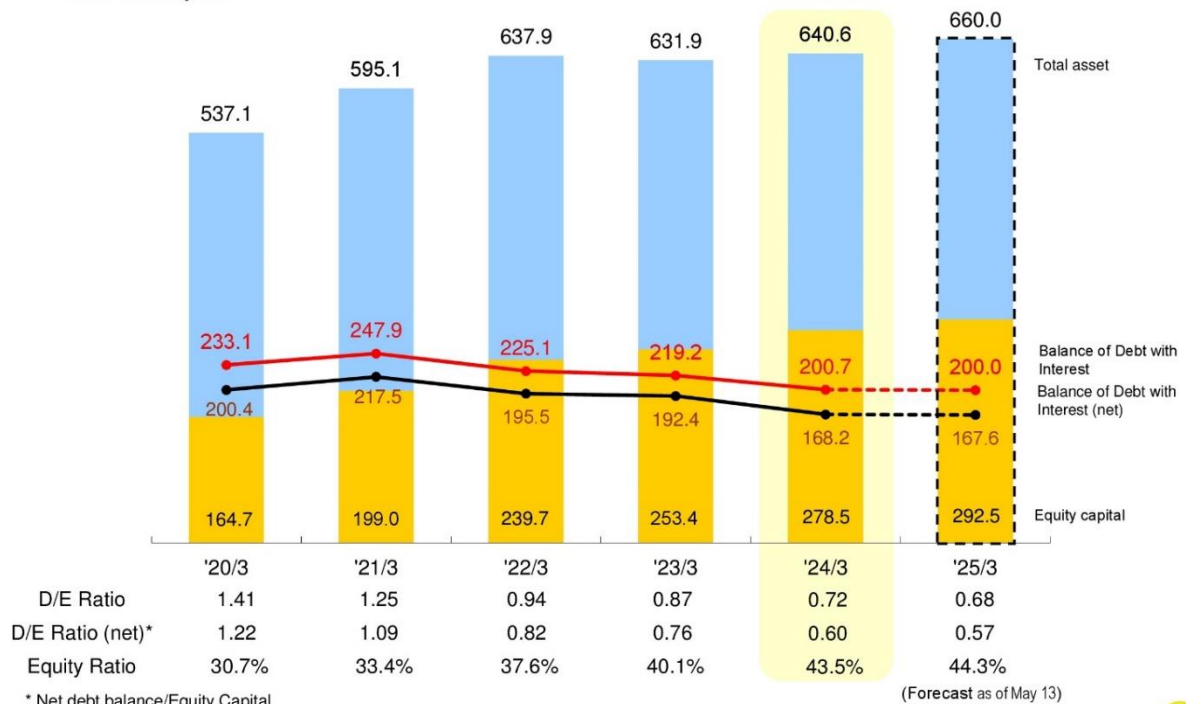
In FY2023, operating cash flow totaled a positive JPY75.3 billion, due to a total of JPY66.1 billion in operating income and depreciation, as well as a decrease in the inventory balance due to lower metal prices and other factors. Investment cash flow was less than expected at minus JPY34.9 billion, mainly due to some capital investment projects carried over from FY2024. Thus, free cash flow was positive JPY40.4 billion.

In FY2024, we plan to achieve a positive free cash flow of JPY10 billion. In FY2024, investment cash flow is expected to increase compared to FY2023, due to the existing capital investment of JPY38 billion and the M&A budget of minus JPY55 billion, which is planned in the mid-term plan.



## Financial Position at Term End

(Unit : Billion yen)



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17

Finally, here is the financial situation. Please refer to page 17.

In FY2023, the increase in free cash flow resulted in an equity ratio of 43.5%, interest-bearing debt of JPY200.7 billion, and a net debt-to-equity ratio of 0.60, which represents an improvement in financial strength from the previous fiscal year. Over the course of FY2024, we expect to improve our financial position, albeit modestly, with an equity ratio of 44.3%, interest-bearing debt of JPY200 billion, and a net debt-to-equity ratio of 0.57. We will continue our efforts to improve our financial position.

### ■Q&A Session

#### Total or multiple segments

Q.

*Regarding the trends of products shown on page 10 (of the FY2023 Results & FY 2024 Forecast), I would like to know what is happening with MicroThin™ and electro-deposited copper foil in terms of the gap between the previous forecast and the current forecast as well as the forecast for the new fiscal year. You also explained that sales of catalysts for motorcycles would decrease in India, so I would like to ask you to provide a qualitative explanation by summarizing the main products. In addition, please explain about engineered powders.*

A.

Regarding the trends of products shown on page 10, electro-deposited copper foil is roughly in line with the plan, although there has been a slight decrease in comparison to the previous forecast in FY2023 and the current forecast. As for the breakdown, there are some differences. There has been a slight recovery in sales of midrange products for communication infrastructure, while overall sales have decreased slightly. Sales of MicroThin™ are up slightly, and sales for PKG were almost in line with our expectations. In the previous forecast, we estimated that sales of MicroThin™ for HDI would be lower based on the struggles of North American smartphone

manufacturers in China. However, actual results were up slightly from the previous forecast. The sales volume of catalysts for motorcycles was nearly in line with the plan, but there was a slight decrease in the sales volume in India. The sales volume of catalysts for automobiles was roughly in line with the previous forecast. The same is seen in the sales volume of side door latches. The sales volume of copper powder in the engineered powders division is almost in line with the previous forecast. The sales volume increased slightly from the third quarter to the fourth quarter, but this was not a significant increase and is in line with the previous forecast. As for FY2024, we expect sales of electro-deposited copper foil to grow steadily for both flexible printed circuits and communication infrastructure. As for MicroThin™, the sales volume is also growing; in particular, sales growth for PKG has been significant. In the previous financial results briefing and elsewhere, I have stated that a full-fledged recovery would take place in the second quarter of FY2024, and I still believe that this full-fledged recovery will occur at a timing close to the one I indicated in the previous forecast. As for copper powder in the engineered powders division, we expect a full-scale recovery to happen in FY2025, and we continue to consider FY2024 to be in the middle of a recovery. We assume that sales in FY2024 will increase over those in FY2023, but a full-scale recovery in sales is not yet upon us. The sales volume of catalysts for motorcycles has been declining considerably, especially in India. We have lowered our forecast because of the reaction to quite strong sales in FY2023 and the fact that we will no longer receive one-time orders from local manufacturers. As for catalysts for automobiles, we expect the sales volume to decline due to intensifying competition in North America and India. Regarding side door latches, we expect the sales volume to recover some extent from the current level.

### **Engineered Materials Segment**

Q.

*Regarding MicroThin™, do you see any changes such as rising usage intensity for smartphone applications among PKG; growing demand for non-smartphone applications, especially DRAM; or expansion in new customers for HDI applications? The conventional view is that the sales growth driver of MicroThin™ for PKG in the new fiscal year is mainly sales for memory applications. Please describe the changes in terms of the ratio of smartphones versus non-smartphones.*

A.

The situation for MicroThin™ is that there have been no significant changes from the conventional view in the growth of smartphone applications versus non-smartphone applications among PKG, nor in expansion of new customers for HDI applications. Regarding the ratio of smartphones versus non-smartphones in PKG, the share for smartphones is about 55% in the fourth quarter of FY2023 and is expected to decline to about 50% in FY2024.

Q.

*Regarding electro-deposited copper foil, what is the status of VSP™ (Very Smooth Profile Copper Foil) used in, for example, generative AI, and what will the growth rate and ratio be in this fiscal year compared to the previous year?*

A.

The sales volume of VSP™ remained flat from the third to the fourth quarter of FY2023. Based on the assumption that demand will grow in FY2024, the growth rate for the overall sales volume of VSP™, not only that for generative AI, is expected to exceed 25% from FY2023 to FY2024. The share of VSP™ of the overall sales volume of electro-deposited copper foil was around 15% to 20% in FY2023, and the forecast for FY2024 is unchanged from that for FY2023, but we expect the share of VSP™ to increase by around 0.5% to 1%.

Q.

*As for VSP™, the projected growth rate for FY2024 is slightly over 25%. Compared to last*

*year's growth rate of about 30%, I think the growth rate has declined a bit and is becoming more moderate. How is the competitive environment now? I think it is somewhat too modest to assume that the growth rate will decline year-on-year while investment for generative AI servers is expanding. Please give us the background to the 25% growth rate.*

A.

As for the VSP™ growth rate, I mentioned figures for total VSP™, of which the high-grade VSP™ used in, for example, AI servers accounted for roughly half of the total in the FY2023 results. The growth rate of high-grade VSP™ was nearly zero in FY2022, but the growth rate became very high as high-grade VSP™ was adopted for the first time in FY2023. In FY2024, the percentage of high-grade products in VSP™ will remain roughly half, and we expect the growth rate to be approximately 25% or more from FY2023 to FY2024. In terms of the competitive environment, our foil continues to be used as the de facto standard, and there have been no particular changes to the competitive environment.

Q.

*According to the figures on page 12, income from copper foil is expected to increase by 1.9 billion yen in FY2024, versus the actual increase of 5.0 billion yen in FY2023. I am aware that there are foreign exchange gains and so on. However, according to the figures on page 10, the growth in the sales volume of MicroThin™ and of electro-deposited copper foil from FY2023 to FY2024 is considerably larger than that from FY2022 to FY2023. By contrast, the growth in income in FY2024 appears to be low. I would like to know if there are any reasons for this or changes in the competitive environment.*

A.

Regarding profit and loss for copper foil in FY2024, although we expect large growth in sales volume, non-operating foreign exchange gains are expected to decrease by 0.9 billion yen, and beyond that, we also expect an increase in fixed costs. An increase in labor costs is expected not only in Japan but overseas, and we also expect increases in development and amortization costs, resulting in modest figures for income growth. In response to the business environment with a worsening profit margin ratio, we will consider the possibility of raising prices. If possible, we would like to pass the costs on to our customers.

Q.

*Regarding the explanation of last year's copper foil income, I think that the heavy fixed costs incurred during the period when production was lower than usual were recognized as a negative factor amounting to about 2 billion in total during the first half of the year. In the process of returning the production volume to normal, I believe this negative factor will become rather minor in comparison to the previous year, but are there any concerns in terms of competition that are actually causing the profit margin to worsen? Please explain whether there are any risks that could in fact suppress profit growth with respect to future sales growth.*

A.

As for copper foil in FY2024, there is the reverse effect of the deterioration in cost calculation due to the payout of high book value products seen in FY2023. However, since the sales volume will increase from the first half to the second half of FY2024, and since the cost of finishing is becoming lower and inventories are still relatively high, the cost calculation impact of about 2 billion yen in the previous fiscal year will not become a positive factor at full scale, but rather roughly half of that amount will contribute to the FY2024 result. As for copper foil, fixed costs are expected to increase because we plan to enhance personnel for development and sales expansion mainly for MicroThin™, which will increase labor costs and development costs. We are also considering raising prices for MicroThin™ and are evaluating opportunities to do so. Meanwhile, regarding MicroThin™, we believe that there will be a shift to high-value-added products due to advanced functionality and applications, which will lead to a sufficient

improvement in prices due to the enhanced product mix. Although we expect fixed costs to increase in the current fiscal year, we will continue to make efforts to ensure sales growth brings about profit growth in the medium term.

### **Mobility Segment**

Q.

*Regarding the mobility segment described on page 14, catalyst profits will decrease by 2.3 billion in FY2024. During the previous year, the negative impact from precious metal prices was significant, and I believe this will become a factor for improvement in the current fiscal year. Please tell us the breakdown of the 2.3 billion decrease, including the decrease in sales volume, the impact of precious metal prices, foreign exchange gains, and so on.*

A.

Regarding catalysts, profits will decrease by 2.3 billion yen from FY2023 to FY2024. With respect to this, there is a positive impact of 2.8 billion yen—namely, the elimination of the impact of deteriorated precious metal prices in the previous fiscal year. Non-operating foreign exchange gains of approximately 1 billion yen, which are currently posted, will no longer be available next fiscal year, resulting in a negative impact of approximately 1 billion yen. Of the negative 4.1 billion yen, the largest factor other than the above is the impact from reduced sales of catalysts for motorcycles and automobiles, and we believe that most of the deterioration will come from sales factors, including deterioration in unit sales prices and the product mix. We also expect somewhat more conservative figures for other costs, but the main factor is related to sales. We estimate the negative impact of the decline in sales volume to be around 2 billion yen.

Q.

*As for catalysts, you expect sales for both motorcycles and automobiles to decrease this year. You said that the previous year was too favorable for motorcycles, but I would like to know the background as to why it will deteriorate so much.*

A.

The background to the deterioration in catalysts for motorcycles, especially in India, is partly a reaction to FY2023, but it is also due to intensified competition in products for local manufacturers. The sales volume did not actually decrease in the fourth quarter of FY2023, but our sales volume estimates incorporate the severe environmental conditions.

### **Others**

Q.

I would like to know the reservation status of foreign exchange and of zinc.

A.

The reservation status for FY2024 is about 7% for zinc at \$2,800 and 13% for foreign exchange at ¥135, with no other reservations.

Q.

*The adjustment amount for ordinary income shown on page 7 is positive 4 billion yen in FY2023 and negative 4.1 billion yen in FY2024. We would like to know the reason for this discrepancy.*

A.

The change in the adjustment amount shown on page 7 is 8.1 billion yen. This includes 4.7 billion yen in actuarial differences in retirement benefit obligations at the head office. Other than this, DX-related expenses of 1.4 billion yen indicated on page 5 of the FY2023 Results & FY 2024 Forecast are also included. Others refers to consolidation adjustments and so forth.