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Record of Telephone Conference Concerning FY2024 Q2 Results

Reference: FY2024 Q2 Results & FY2024 Forecast
https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=e0mjesJDLCA%3d&tabid=242&mid=1027
Note:
PKG = Package substrate
HDI = High density interconnect
real profit = ordinary income excluding the inventory factors and the PGM price difference in Catalysts

■Explanation

Results of FY2024 1st half

We promote the well-being of the world through a spirit of exploration and diverse technologies.

- FY2024 1st half YoY : Sales and profits increased due to an increase in sales volume of major products in the Engineered Materials segment, such as MicroThin™, in the Metals segment the weak yen and high metal prices led to improved profits, as well as an improvement in inventory factors resulting from these.
- 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, in the Metals segment the weaker yen and higher-than-expected metal prices led to improved profits, as well as an improvement in inventory factors resulting from these.

(Unit: Billion yen)

	1st half Results			Forecast		
	2024 Results	2023 Results	Difference (24-23)	2024 Forecast (Nov 8)	2024 Forecast (Aug 8)	Difference
Net Sales	348.1	312.1	36.0 11.5%	695.0	685.0	10.0 1.5%
Operating Income	38.8	4.7	34.2 733.3%	56.0	47.0	9.0 19.1%
Ordinary Income	38.4	16.9	21.5 127.3%	55.0	48.0	7.0 14.6%
Net income attributable to owners of parent	37.0	8.1	28.9 354.8%	46.5	43.0	3.5 8.1%

1

Please refer to page one of the financial results presentation.

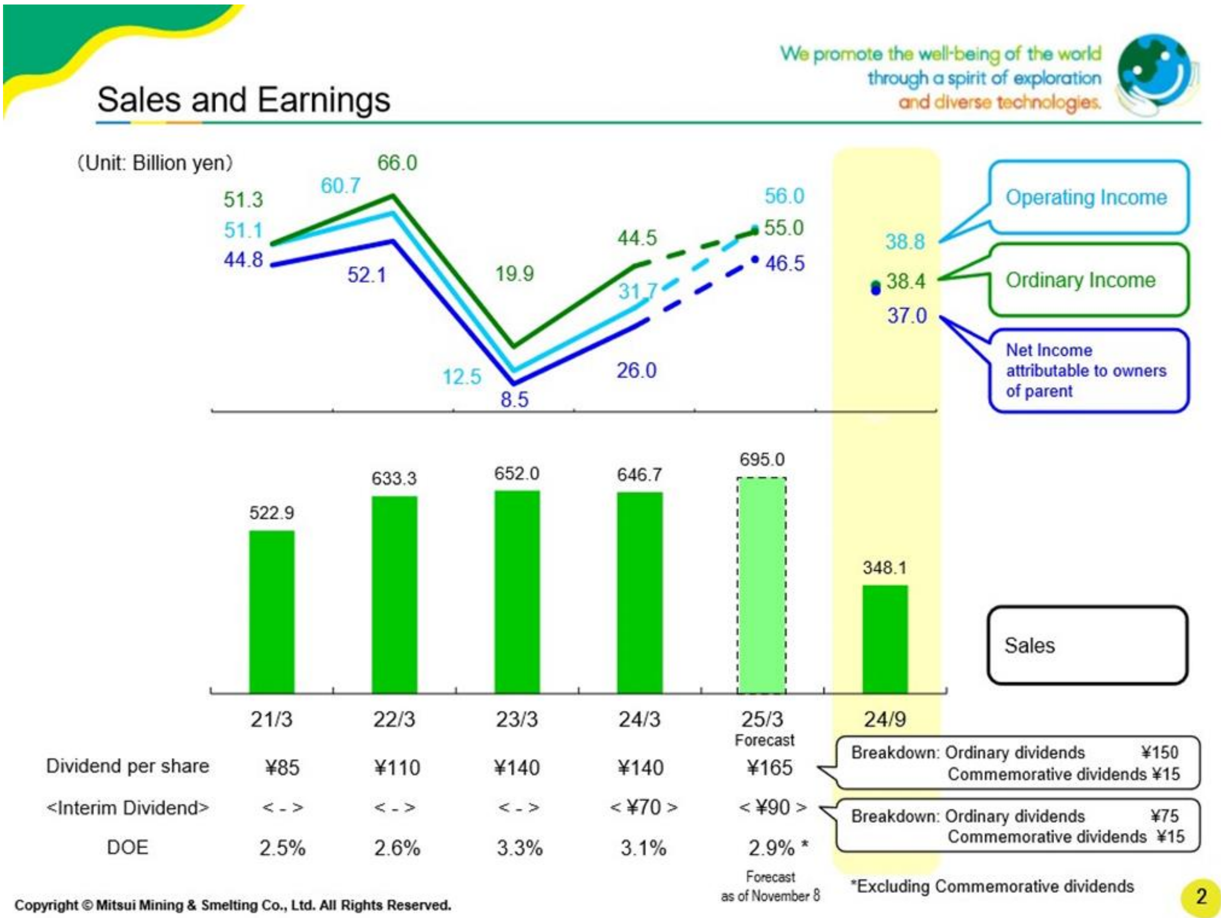
For H1 FY2024, net sales were JPY348.1 billion, operating income was JPY38.8 billion, ordinary income was JPY38.4 billion, and net income attributable to owners of the parent was JPY37 billion.
Compared to the previous year, net sales increased by JPY36 billion due to increased sales volume of major products in the engineered materials segment such as MicroThin™, and due to depreciation of yen, and higher metal prices.

As for profits, operating income increased by JPY34.2 billion due to factors such as the aforementioned increase in sales as well as a favorable turnaround in inventory-related factors resulting from the weaker yen and higher metal prices. Ordinary income increased by JPY21.5 billion only due to the absence of the JPY6.6 billion dividend from Japan Korea Joint

Smelting that was recorded in H1 FY2023 and deterioration in non-operating foreign exchange gains. This, together with extraordinary gains and losses, including gains on sales of cross shareholdings and shares of affiliates, resulted in a JPY28.9 billion increase in net income attributable to owners of the parent for the period.

Reflecting the results of H1 and reviewing business trends and other factors in H2 and beyond, we now forecast consolidated net sales of JPY695 billion, operating income of JPY56 billion, ordinary income of JPY55 billion, and net income of JPY46.5 billion for FY2024, exceeding our previous forecast disclosed on August 8.

From H2 and beyond, we are assuming an LME zinc price of USD2,900/ton, an LME lead price of USD2,050/ton, an LME copper price of USD4,800/ton, and an exchange rate of JPY145. Zinc is expected to be USD200 higher than the previous forecast of USD2,700, but other items are expected to remain at the same level as the previous forecast.



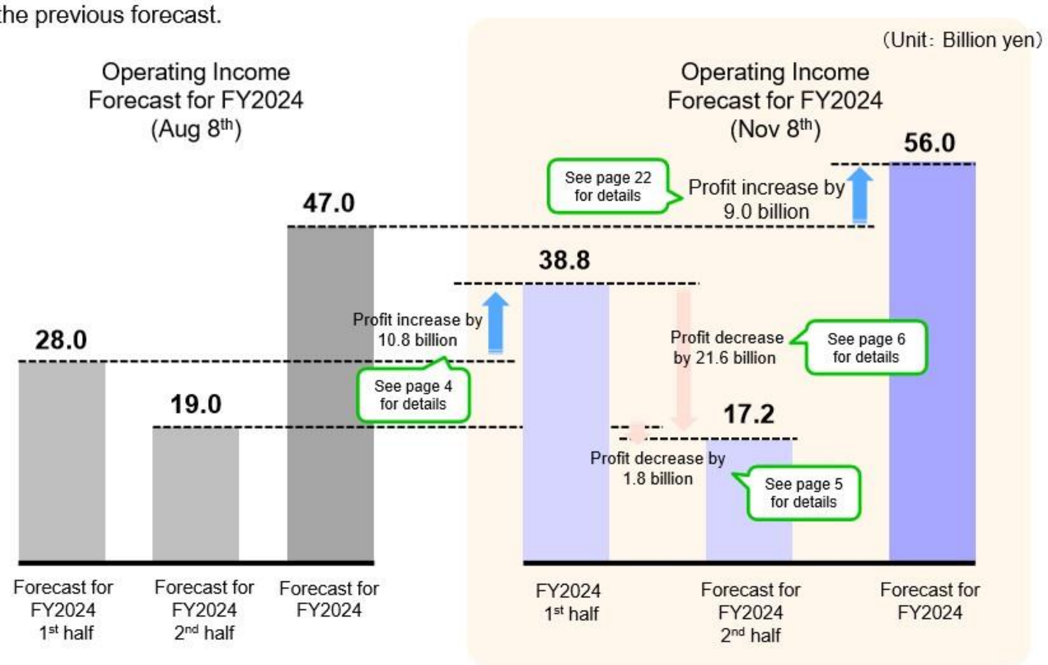
Please refer to page two of the financial results presentation.

As for the dividend shown at the bottom of the graph, we have decided to pay a commemorative interim dividend of JPY15 per share to express our gratitude to our shareholders for their continued support on the occasion of the 150th anniversary of the Company's founding, as announced today in the notice of dividends from surplus. Therefore, the total interim dividend is JPY90, an increase of JPY15 from the previous forecast of JPY75, and together with the year-end dividend forecast of JPY75, the annual dividend forecast is expected to be JPY165.

FY2024 Operating Income Forecast

We promote the well-being of the world through a spirit of exploration and diverse technologies.

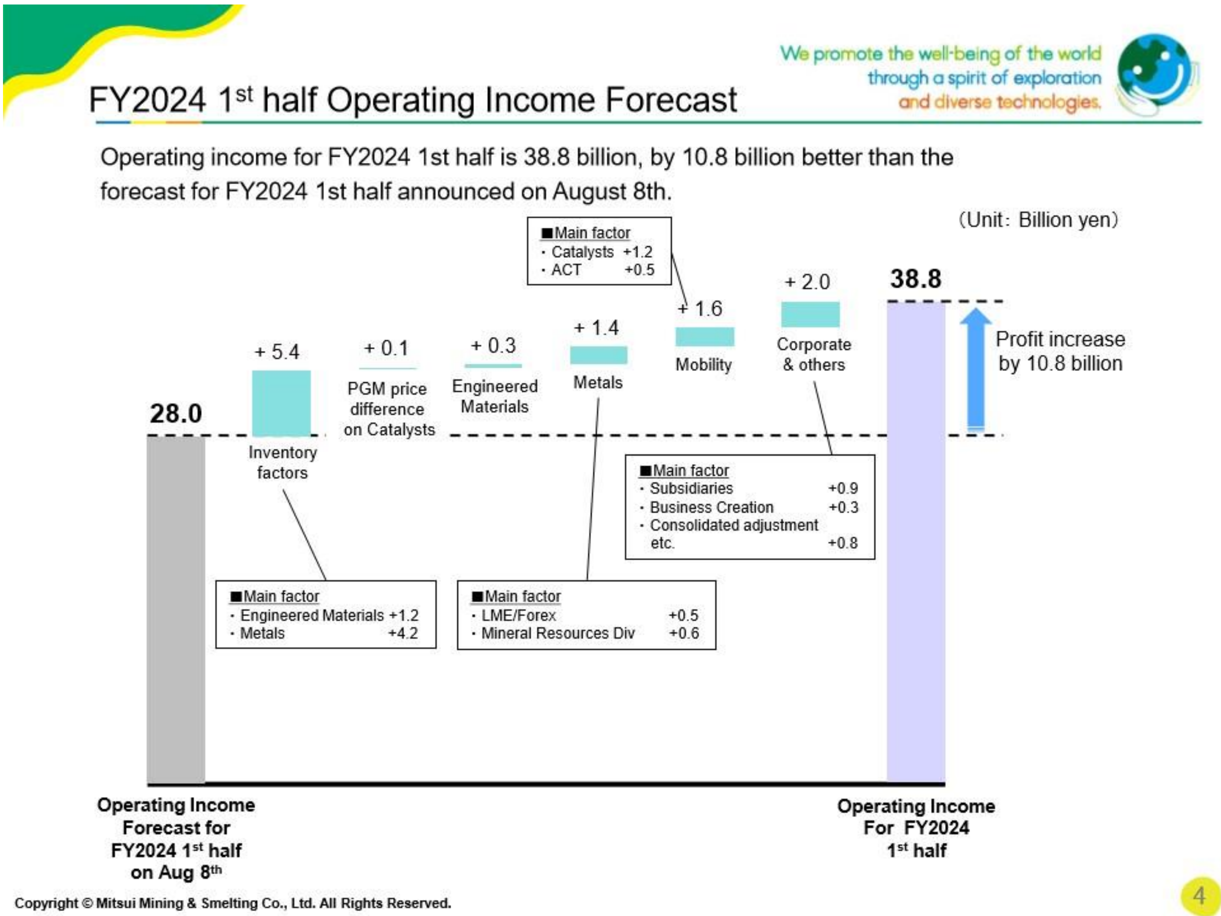
For FY2024, Operating income is expected to increase by 10.8 billion yen in the first half compared to the previous forecast, and for the full year, it is expected to increase by 9.0 billion yen compared to the previous forecast.



3

Next, please refer to page three.

For the full year of FY2024, the operating income for H1 was JPY38.8 billion, which is JPY10.8 billion higher than the previously announced forecast. In H2, it is now forecast at JPY17.2 billion, which is JPY1.8 billion below the previous forecast. For the full year, operating income is forecast at JPY56 billion, JPY9 billion higher than the previous forecast.



First, I would like to explain the difference between the previous forecast of operating income for H1 and the actual result. Please see page four.

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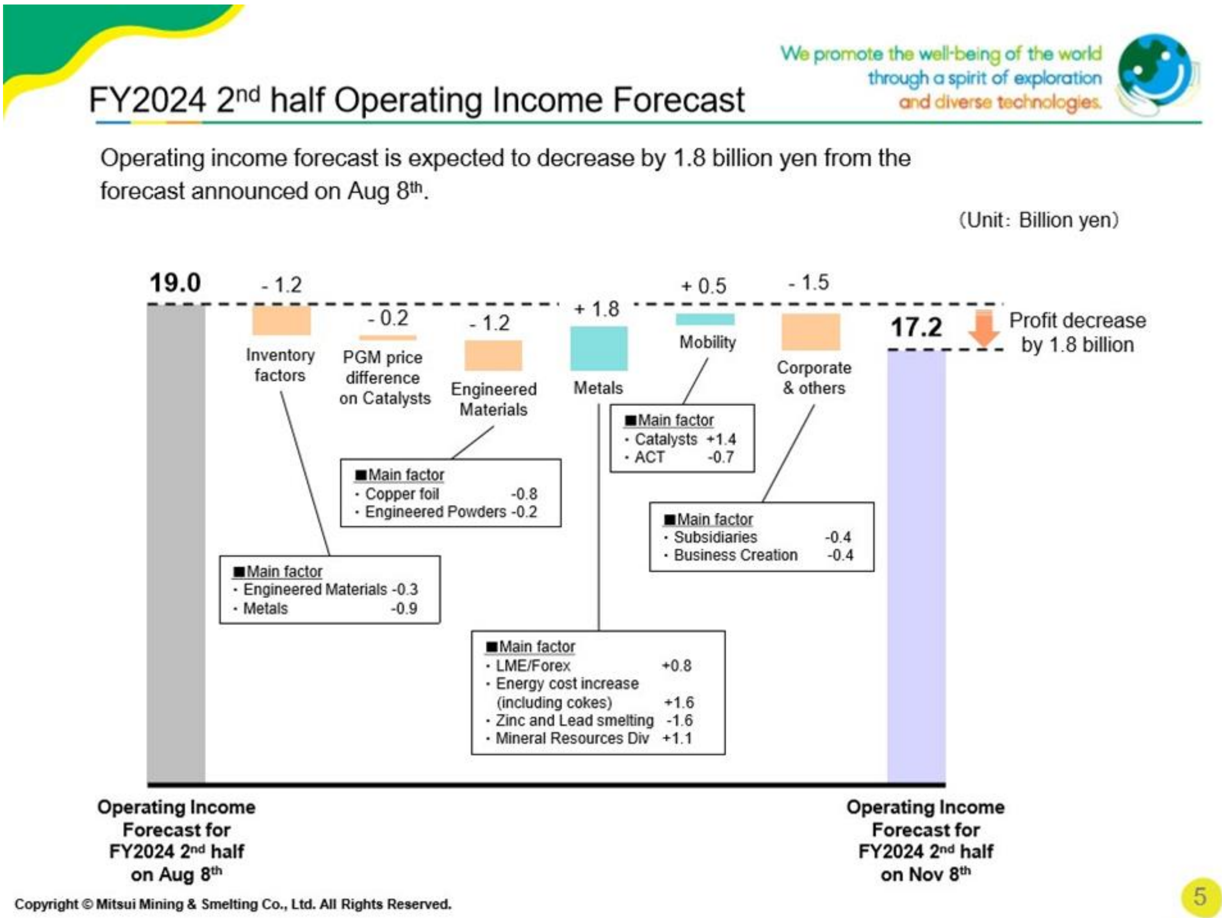
Operating income was JPY10.8 billion higher than the forecast. Half of this amount, or JPY5.4 billion, is attributable to a favorable turnaround in inventory factors due to the weaker yen and higher metal prices. In the business segments, the metals and mobility segments showed a turnaround compared to expectations, with the metals segment reporting JPYJPY1.4 billion higher than forecasted due to favorable market conditions, and the mobility segment posting JPY1.6 billion above expectations due to favorable sales mix differences in catalysts, cost reductions, and other factors.

In addition, in corporate and others, operating income for H1 was JPY10.8 billion higher than the previous forecast, due to an increase in revenue and profit at subsidiary Mesco, as well as lower corporate expenses and a JPY2 billion upturn.



We will now explain the difference between the previous and the latest forecasts of operating income for H2. Please see page five.

Operating income is expected to be JPY1.8 billion lower than the previous forecast. As I mentioned earlier, our price assumptions are USD2,900 for zinc and an exchange rate of JPY145, which is USD200 higher than the previous forecast for zinc and the same level for the exchange rate. However, since the exchange rate of JPY145 is expected to be higher than the previous fiscal year, the inventory factor is expected to deteriorate by 1.2 billion yen.

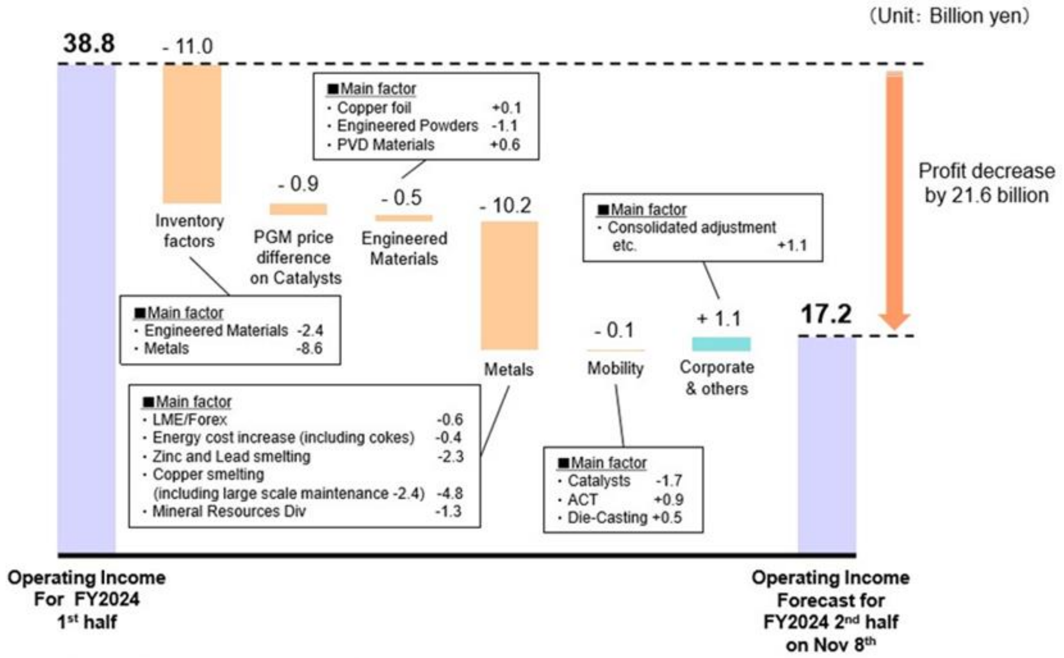
In business segments, the expected JPY1.2 billion decrease in income from engineered materials is significant, and mainly due to lower sales volume of electro-deposited copper foil and MicroThin™ in the copper foil business and lower margins resulting from the appreciation of the ringgit, the local currency in Malaysia.

In the other metals segment, we expect an increase in earnings due to favorable turnaround in metal prices and lower energy costs. In the mobility segment, we expect an increase in earnings due to higher sales volume of catalysts. However, we still expect an overall JPY1.8 billion decrease from the previous forecast.

FY2024 2nd half Operating Income Forecast

We promote the well-being of the world through a spirit of exploration and diverse technologies.

Operating income forecast for the second half of FY2024 is expected to decrease by 21.6 billion yen from the first half of FY2024.



6

Next, please refer to page six.

Operating income for H2 is forecast at JPY17.2 billion, a decrease of JPY21.6 billion compared to operating income of JPY38.8 billion for H1, and I will now explain why. The main reason for the JPY11 billion deterioration is that the favorable inventory factors that occurred in H1 have disappeared, and results in H2 will be impacted by this deterioration. The metals segment is expected to decrease by JPY10.2 billion.

In the metals segment, we expect market exchange rates to deteriorate compared to H1, and we are planning a major refurbishment of our copper smelter in H2, which is expected to account for about JPY4 billion of the decrease including operational impact, and we expect to increase fixed costs for zinc and lead, mainly repair costs.

In the engineered materials segment, we have factored in price increases of JPY1 billion to JPY1.5 billion in H2 for copper foil, and despite positive factors such as increased sales volume of electro-deposited copper foil and MicroThin™, the increase in fixed costs and lower margins due to the appreciation of the Malaysian ringgit, as mentioned earlier, should result in a limited increase of JPY0.1 billion in operating income.

Performance by Segment – Engineered Materials

(Unit : Billion yen)

	24/1H Results	23/1H Results	Diff. (24-23)	24/2H Forecast	23/2H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■Sales	78.1	59.7	18.3	76.9	64.3	12.6	155.0	124.1	30.9
■Operating income	14.0	6.5	7.5	11.0	9.0	2.1	25.0	15.4	9.6
■Ordinary income	12.4	7.4	5.0	11.1	9.0	2.0	23.5	16.4	7.1
※Ordinary income	9.9	6.5	3.4	11.0	8.3	2.6	20.9	14.8	6.1

※Ordinary income : Ordinary income excluding inventory factors.

(Engineered Material Products)		(Main Applications)
Battery Materials		・Nickel-hydrogen batteries for hybrid cars ・Lithium-ion batteries
Engineered Powders		・Wide range of electronic components ・Abrasive for glass
Copper Foil		・High-Density Packaging ・Printed circuit board
PVD Materials (Sputtering target)		・Flat panel displays
Ceramics		・Kiln furniture for electronic materials ・Liquid aluminum filtration equipment
Rare Earth Compounds (Nippon Yttrium Co., Ltd.)		・Protective materials for semiconductor production equipment ・Additives for electronic materials

Difference Analysis of Ordinary income

[FY2023 1st Half→FY2024 1st Half + 5.0]

Copper foil +3.2
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, Decrease in foreign exchange gains from the previous year -2.4, others)

Engineered Powders +1.3
(Volume of sales increases, others)

[FY2023→FY2024 Forecast + 7.1]

Copper foil +5.3
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, Decrease in foreign exchange gains from the previous year-2.4, others)

Engineered Powders +1.5
(Volume of sales increases, others)

14

Next, I would like to explain our business results by segment. The first is the engineered materials segment. Please look at page 14.

As in FY2023, the recovery trend continued through Q1 and will continue into H2 FY2024. However, the overall impression is that the speed of recovery is slower than expected, as sales volumes of some products, mainly copper foil, are down compared to the previous forecast.

Under these circumstances, ordinary income for H1 FY2024 was JPY12.4 billion. We expect JPY11.1 billion in H2 and JPY23.5 billion for the full year, both of which are higher than the previous year.
The main reasons are the continued recovery from FY2023 through FY2024, and the increase in sales volume of electro-deposited copper foil and MicroThin™, the main products of the copper foil business, and various product lines of the engineered powder business.

Performance by Segment – Metals

We promote the well-being of the world through a spirit of exploration and diverse technologies.

(Unit : Billion yen)

	24/1H Results	23/1H Results	Diff. (24-23)	24/2H Forecast	23/2H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■Sales	140.6	114.7	26.0	138.4	132.1	6.2	279.0	246.8	32.2
■Operating income	22.6	-1.9	24.5	3.9	8.2	-4.4	26.5	6.4	20.1
■Ordinary income	24.3	7.3	17.0	3.7	8.8	-5.0	28.0	16.1	11.9
※Ordinary income	16.6	9.6	7.0	4.6	6.1	-1.4	21.2	15.7	5.5

※Ordinary income : Ordinary income excluding inventory factors.

Difference Analysis of Ordinary income

	FY2023 1H→ FY2024 1H	FY2023→ FY2024 Forecast
LME/Forex	4.0	6.0
T/C	-2.1	-4.1
Inventory Factors	10.0	6.4
Equity profit/loss	0.3	-
Energy cost (Cokes,included in the number above)	3.1 (-0.3)	4.3 (+1.1)
Dividends	-6.6	-6.8
Others※	8.3	6.1
Total	17.0	11.9

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

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

※Detail of Others

FY2023 1H→ FY2024 1H	Improvement in zinc smelting operations +1.1, Fixed cost decrease in Lead & Zinc Div. (including large scale maintenance +1.5) +1.4, Improvement in copper smelting operations +2.4 Mineral Resources Div. +2.5
FY2023→ FY2024 Forecast	Improvement in zinc smelting operations +1.2, Improvement in lead smelting and other operations +0.3, Raw material cost of lead increase +0.6, Fixed cost decrease in Lead & Zinc Div. (including large scale maintenance +1.5) -0.2, Improvement in copper smelting operations +2.5, Cost increase in copper smelting (including large scale maintenance -2.4) -1.7, Mineral Resources Div. +3.3

15

Next is the metal segment. Please see page 15 of the document.

Regarding H1 FY2024, ordinary income was JPY24.3 billion. In H1, zinc prices averaged USD2,806, above the previously assumed price of USD2,700. Although the yen has been appreciating since August, the external environment has been favorable to the Company, with the exchange rate averaging JPY152.6 in H1, down from the previous forecast an exchange rate of JPY145.

For H2 FY2024, assuming a zinc price of USD2,900 and an exchange rate of JPY145, ordinary income is expected to be JPY3.7 billion, as major refurbishment of copper smelting is scheduled in H2. Combined with H1, we project JPY28 billion for the full year of FY2024. Incidentally, the zinc price is currently near USD3,000 and the exchange rate has depreciated to over JPY150.

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

Performance by Segment – Mobility

We promote the well-being of the world through a spirit of exploration and diverse technologies.

(Unit : Billion yen)

	24/1H Results	23/1H Results	Diff. (24-23)	24/2H Forecast	23/2H Results	Diff. (24-23)	FY2024 Forecast	FY2023 Results	Diff. (24-23)
■Sales	101.5	112.7	-11.2	99.5	105.7	-6.2	201.0	218.4	-17.4
(Mitsui Kinzoku ACT)	(47.4)	(48.4)	(-1.0)	(48.9)	(49.2)	(-0.4)	(96.3)	(97.6)	(-1.4)
■Operating income	7.5	2.8	4.7	6.5	7.4	-0.9	14.0	10.2	3.8
(Mitsui Kinzoku ACT)	(0.0)	(0.4)	(-0.3)	(0.9)	(0.3)	(0.6)	(1.0)	(0.7)	(0.3)
■Ordinary income	6.1	3.8	2.2	5.9	7.4	-1.5	12.0	11.3	0.7
(Mitsui Kinzoku ACT)	(-0.5)	(0.6)	(-1.1)	(1.0)	(0.4)	(0.6)	(0.5)	(1.1)	(-0.5)
※Ordinary income	5.4	7.6	-2.3	6.1	6.4	-0.3	11.5	14.1	-2.6

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

Difference Analysis of Ordinary income

[FY2023 1st Half→FY2024 1st Half + 2.2]

Catalysts +4.2 (Motorcycles volume of sales increase, PGM price difference improvement, others)
ACT -1.1 (Volume of sales decrease, Cost down, others)
Die-Casting -0.6 (Volume of sales decrease, Cost up, others)

[FY2023 →FY2024 Forecast +0.7]

Catalysts +2.3 (Motorcycles volume of sales increase, PGM price difference improvement, others)
ACT -0.5 (Volume of sales decrease, Cost down, others)
Die-Casting -0.4 (Volume of sales decrease, Cost up, others)

(Mobility Sector)		(Main Applications)
Catalysts		・Motorcycles ・Automobiles
Mitsui Kinzoku ACT		・Door locks for automobiles
Mitsui Kinzoku Die-Casting		・Die-Casting products

ACT : Difference Analysis of Ordinary income

	FY2023 1H→ FY2024 1H	FY2023→ FY2024 Forecast
Sales Volume	-1.4	-1.7
Cost down	1.2	3.2
Others※	-0.8	-2.0
Total	-1.1	-0.5

※Detail of Others	FY2023 1H→ FY2024 1H	FY2023→ FY2024 Forecast
Rising material prices such as steel material	-0.1	-0.2
Forex exchange	-0.5	-0.9
Projected Benefit Obligation	0.0	-0.7
Freight Charge	-0.1	-0.2

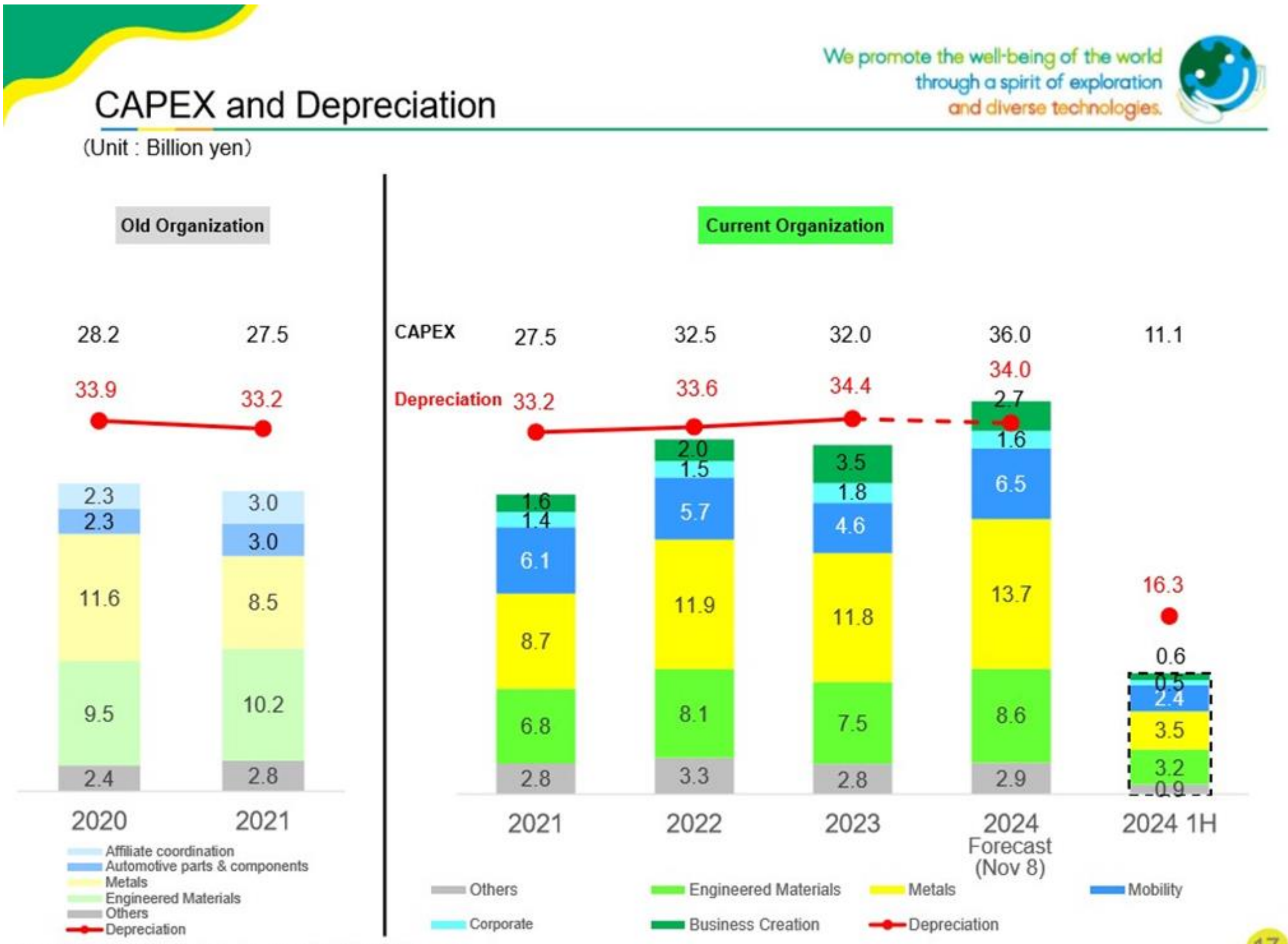
16

Next is the mobility segment. Please see page 16 of the document.

Sales of catalysts for motorcycles increased in H1 FY2024 compared to the previous year due to continued strong sales since last year. Although sales in H2 FY2024 are expected to decrease from H1 and from the previous year due to seasonal factors in India, we expect sales volume for the full fiscal year to exceed that of the previous year.
On the other hand, sales of catalysts for automobiles are expected to decrease year on year in both halves of the fiscal year due to struggling sales by Japanese car manufacturers in China.

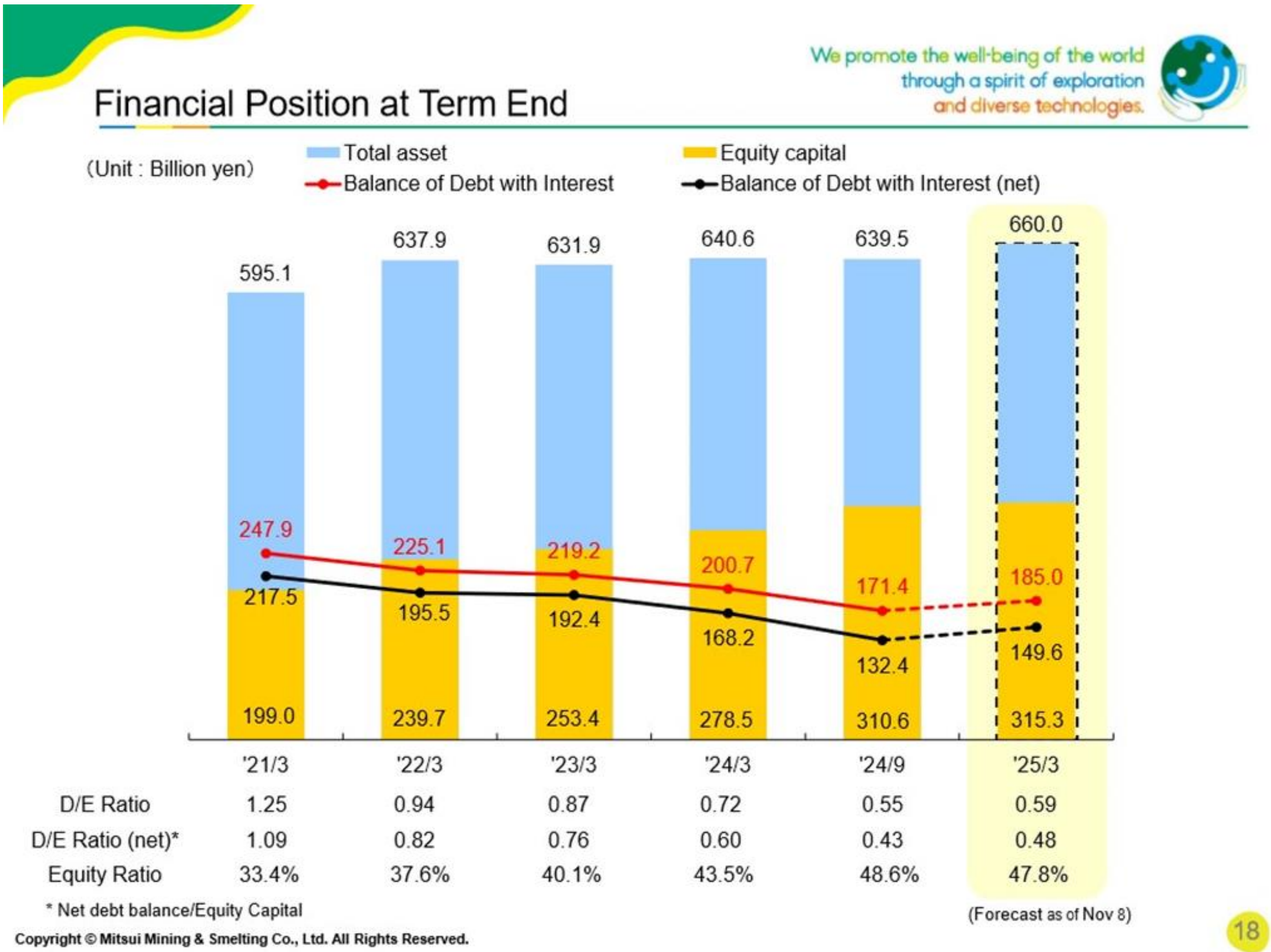
As for door locks, another major product, the overall automotive market has been on a recovery trend since last year due to the easing of the effects of the semiconductor shortage. However, as with catalysts for automobiles, sales have been sluggish due to struggling sales by Japanese manufacturers in China, and we expect sales to decrease year on year as well. Regarding overall sales in the mobility segment, we expect sales of door locks to slightly decrease last year, and sales of catalysts to decline due to lower precious metal prices. Overall sales in the segment were JPY101.5 billion in H1 and are forecast at JPY99.5 billion in H2 and JPY201 billion for the full year.

The mobility segment as a whole is expected to post ordinary income of JPY12 billion for the full year of FY2024, an improvement of JPY0.7 billion from the previous year. However, on an actual profit/loss basis excluding the impact of precious metal prices, the segment is expected to post ordinary income of JPY11.5 billion for the full year of FY2024, a decrease of JPY2.6 billion from the previous year.



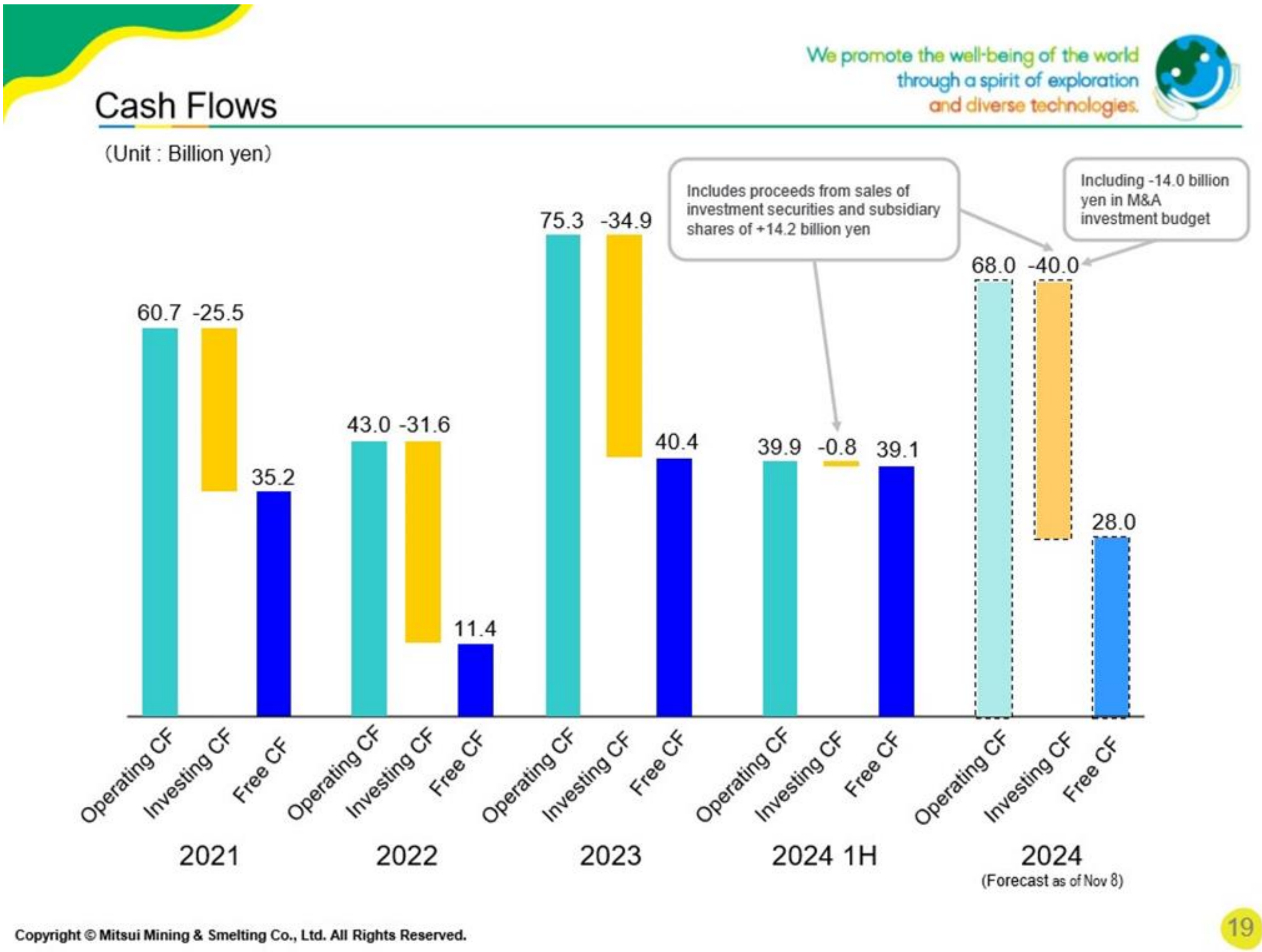
17

The H1 results for FY2024 on the far-right show CAPEX of JPY11.1 billion. The full year forecast for FY2024, the second bar from the right, calls for JPY36 billion in CAPEX. Therefore, in H2 FY2024, we plan to make capital investments of JPY24.9 billion.



Next, I will explain our financial condition. Please look at page 18.

As shown in the second bar from the right, the financial position as of the end of September 2024 was 48.6% of equity ratio and 0.43 of net D/E ratio, a significant improvement from the end of March this year.
On the other hand, the forecast of financial position as of the end of March 2025, the rightmost column, shows an equity ratio of 47.8% and a debt-to-equity ratio of 0.48, which is slightly worse than that of the end of September.



I will now detail the explaining factors. Please refer to page 19.

The second cash flow from the right, representing the first half of the year, includes JPY14.2 billion in proceeds from sales of investment securities, so-called cross shareholdings, and sales of shares in subsidiaries, which contributed significantly to the improvement of the financial position.

On the other hand, on the far right, for the current full year, in addition to CAPEX, we have factored in JPY14 billion as a budget line for M&A, which has not yet been implemented at this time. Therefore, free cash flow for H2 FY2024 is expected to be temporarily negative due to the fact that CAPEX will be concentrated toward H2 and that JPY14 billion are budgeted for M&A.

■Q&A Session

Total or multiple segments

Q.

If we add the large scale maintenance factor of approximately JPY4.0 billion (including repair expenses of JPY2.4 billion) back to the operating income for the second half shown on page 26 of the financial results presentation, operating income would be approximately JPY22.0 billion, and doubling it would result in JPY44.0 billion. If so, do you estimate your actual current operating income to be around JPY45.0 billion?

A.

Yes, that's about right. Given also that some of our businesses, such as catalysts, tend to be a little weaker in the second half due to seasonality, we estimate our current actual operating income for the current fiscal year to be around JPY45.0 billion yen.

Engineered Materials Segment

Q.
Regarding copper foil, please give us a breakdown of the downward revision of JPY0.8 billion from the previous forecast to the FY2024 operating income forecast shown on page 22 of the financial results presentation.

A.
In terms of sales, the operating loss due to a decrease in sales volumes of both MicroThin™ and electro-deposited copper foil compared to the previous forecast is estimated to be within the range of JPY0.6 billion to JPY1.0 billion. Margins have narrowed due to the change in the Malaysian ringgit in the second half. However, on a full-year basis, they are expected to be wider as JPY was weaker against USD in the first half than predicted in the previous forecast. We estimate that the narrowing of margins due to the effect of exchange rates will be less than JPY0.5 billion. In addition, as the sales volume of high-grade VSP™ is steadily growing, we expect the improving unit sales price structure to result in an increase of over JPY1.0 billion. Other than that, we estimate the negative impact of cost accounting that takes into account the slightly lower copper price and higher local currencies in the second half to be within the range of JPY0.6 billion to JPY1.0 billion.

Q.
Regarding changes in margins for copper foil, you indicated that the revised operating income forecast for the second half is lower than the previous forecast, and operating income for the second half is expected to remain flat from the first half. Please tell us about your efforts to improve margins and their trends.

A.
Regarding margin trends, the previous forecast reflected about JPY1.0 to 1.5 billion as an impact of price increases, and the revised forecast also assumes nearly the same amount while our price increase efforts are making progress as planned. As for electro-deposited copper foil, margins have improved due to an increase in the average unit sales price resulting from an increase in the percentage of high-grade VSP™. We intend to further improve the margin ratio of electro-deposited copper foil going forward, mainly through the growth of high-grade VSP™.

Q.
Regarding the trend of copper foil, why did sales volumes of electro-deposited copper foil and MicroThin™ decline? Please explain the reasons for each of them separately.

A.
Regarding electro-deposited copper foil for communication infrastructure, the high-grade category is performing very well, particularly and for use in AI servers. However, the momentum in other categories in general appears to have run its course for the time being, and the speed of recovery has slowed down a little toward the second half, and in some categories, sales volume has fallen in the second half compared to the first half.
MicroThin™ for HDI performed reasonably well in the first quarter, but its performance slowed down in the second quarter. This is probably because of the fact that there were some advance orders for parts and materials. As the actual sales volume in the first half was a little lower than the previous forecast, we have lowered sales volume assumptions somewhat for our second-half forecast. The actual sales volume of MicroThin™ for PKG in the second quarter was higher than the previous forecast, but we feel that this sales volume was in excess of the actual demand and expect that sales will be slightly weaker going forward, particularly in memory-

related applications. We have lowered sales volume assumptions for our revised forecast marginally compared to the previous forecast by reflecting adjustments in some memory applications in the second half.

Q.
Regarding MicroThin™, what is your overall view on overall growth rates and any upside/downside with regard to the long-term forecast explained at the business explanation meeting in January 2024?

A.
Our view on MicroThin™ has not changed, in that sales volume will be driven in the long term by non-smartphone applications among PKG, especially memory-related applications. On the whole, compared to the outlook given at the business explanation meeting, which stated that a full-fledged recovery is expected later in the first half of the FY2024 or early in the second half, we now expect a slight underperformance as the recovery will be delayed a little. As for future growth, we expect strong growth as no change is expected in the usage of MicroThin™.

Q.
Regarding the relationship between MicroThin™ and the memory market, will there be no change in the structure in which MicroThin™ shipments decline in parallel when the DRAM market and supply and demand weaken? Or has resiliency increased with regard to the usual silicon cycles or inventory adjustments due to increases in usage per unit and areas in which it is used?

A.
As for the relationship between MicroThin™ and the memory market, within the areas in which our MicroThin™ is used, high bandwidth memory, for example, does not affect MicroThin™ as it is not used. On the other hand, resilience has likely increased in some areas as the usage volume will increase for some applications as a result of the shift from DDR4 to DDR5. However, we expect MicroThin™ to be affected naturally by trends in the broader memory market.

Q.
What is the expected growth rate of electro-deposited copper foil for AI applications?

A. At the previous financial results presentation, we explained that high-grade VSP™ would grow by slightly more than 40% from FY2023 to FY2024, but our revised forecast expects a growth rate of around 90%. The previous forecast did not consider any upside due to the significant uncertainty. We have revised the growth rate upward for the revised forecast because we can now reasonably predict an increase in sales resulting from the launch of the next-generation GPU for AI servers, which has been delayed. As you can see from the rapid growth rate that we predict for high-grade VSP™ in the second half, we expect strong growth for such applications in the second half as the percentage of VSP™ has increased considerably while electro-deposited copper foil as a whole is somewhat sluggish and its sales are decreasing.

Q.
Regarding high-grade VSP™, may I understand that there are growing business opportunities for Company N's next-generation GPU?

A.
At this point, uncertainty remains about the usage of our high-grade VSP™ in Company N's next-generation GPU. On the other hand, the sales volume of high-grade VSP™ is expected to increase going forward, mainly based on the current status of customer orders. It is unlikely that our products will not be used at all because of the change in the model. On the contrary, we

expect that there will be growing needs for our high-grade VSP™, which provides high-added value.

Q.
As demand for VSP™ is growing rapidly, is there a possibility that you will need to enhance your production capacity going forward by, for example, constructing a dedicated processing line?

A.
We can currently handle the production of VSP™ within the current capacity. VSP™ is produced in Taiwan, and in order to make the best use of the capacity there going forward, we are already in the process of transferring the production of generic models among electro-deposited copper foil to Malaysia. We may consider various options if sales volume increases further in the future. However, we are currently handling the production by adjusting the manufacturing mix between Taiwan and Malaysia.

Metals Segment
Q.
The graph on page 6 of the financial results presentation shows that the metals segment accounts for a significant portion of the decrease in operating income from the first half to the second half, including the effect of the Mineral Resources Division, zinc and lead smelting, and an increase in energy costs, such as coke, in addition to the impact of maintenance. Please explain the background to this.

A.
The JPY1.3 billion for the Mineral Resources Div. is mainly due to the timing difference in the recognition of exploration expenses, and there is a difference of about JPY1.0 billion between the first half and the second half in exploration expenses for peripheral mining areas in Peru. As for the JPY2.3 billion for zinc and lead smelting, short-term medium-scale maintenance was scheduled for September–October, and there was initially a difference of over JPY1.0 billion between the first half and the second half in repair expenses. As a result of cost revision for the second half, repair expenses increased as construction cost per unit increased, which widened the difference between the first half and the second half further. We forecast JPY0.4 billion increase for energy cost because while coke is expected to improve as coking coal cost is decreasing, electricity cost is expected to increase.

Q.
Do you have any measures to reduce the frequency, the duration, and the negative impact of maintenance for copper smelting?

A.
Large-scale maintenance for copper smelting is conducted once every two years. The duration of such maintenance varies on each occasion, but is in the range of 45 to 60 days. The impact on profit or loss includes repair expenses of approximately JPY2.5 billion and a difference of JPY1.0 to 1.5 billion arising from the unevenness in the operation, in that we produce intermediate products as much as possible before maintenance, and then use them during maintenance. Therefore, the difference between the first half and the second half due to large-scale maintenance amounts to approximately JPY4.0 billion in total. Until about 10 years ago, we conducted large-scale maintenance every year rather than every other year. We changed the maintenance frequency from every year to every other year because the number of days of downtime will be shorter in the longer term in the case of the latter frequency.

Mobility Segment
Q.

What is the background of the upward revision of JPY2.6 billion for catalysts in the FY2024 operating income forecast on page 22 of the financial results presentation?

A.
The increase in catalysts is mainly attributable to an increase in sales volume. Compared to the previous forecast, we expect motorcycles in India, in particular, to achieve an increase in sales, which will be a positive factor of slightly less than JPY 1.0 billion. In addition, we expect a positive impact of somewhat over JPY1.0 billion arising from the actual cost for the first half and cost revision in the second half forecast. The operating income forecast also reflects improvements in total production cost and SG&A expenses, including development expenses in addition to the manufacturing division.

Q.
What is the background of the downward revision from the previous forecast for ACT in the FY2024 operating income forecast?

A.
As for the background of the downward revision for ACT, we do not expect sales volume to improve both in the previous forecast and the revised forecast, mainly due to struggling Japanese-affiliated car manufacturers in China. However, while we expected to secure profit through cost reduction in the previous forecast, we have lowered profit somewhat in the revised forecast because actual cost reduction fell slightly short of the target in the previous forecast.

Q.
What is your current view on Mobility as a whole amid the medium- to long-term structural reforms involving ACT and die-casting, which in particular has been the target of your “value transformation” strategy to search for the best outside owners?

A.
Regarding the medium- to long-term structural reforms in Mobility as a whole, we are in the process of determining the positions of these two businesses as part of the preparation for the announcement of a new medium-term management plan scheduled for the next fiscal year. Although die-casting is a business subject to value transformation, we are continuing to work to create a profitable structure for it.