Record of Telephone Conference Concerning FY2025 Q1 Results

Reference: FY2025 Q1 Results & FY2025 Forecast
LinkClick.aspx
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 FY2025 Q1

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

- FY2025 1st half YoY : The sales volume of MicroThin and Electrolytic Copper Foil VSP for AI Servers increased compared to the previous year. However, factors such as the strong yen, lower metal prices, the resulting unfavorable inventory effects led to a decline in both revenue and profit. Additionally, net income decreased due to the extraordinary losses related to the divestiture of Mitsui Kinzoku ACT.
- As for the FY2025 forecast, we expect sales and profits to increase compared to the previous forecast. We expect an increase in sales volume of MicroThin, Electrolytic Copper Foil VSP for AI Servers and exhaust gas purification catalysts. The extraordinary losses related to the divestiture of Mitsui Kinzoku ACT remains unchanged from the previous forecast.

(Unit: Billion yen)

	Q1 Results			Forecast		
	2025 Results	2024 Results	Difference (25-24)	2025 Forecast (Aug 8)	2025 Forecast (May 13)	Difference
Net Sales	169.0	169.9	-0.8 -0.5%	665.0	650.0	15.0 2.3%
Operating Income	11.4	23.5	-12.1 -51.3%	46.0	42.0	4.0 9.5%
Ordinary Income	10.0	26.2	-16.2 -61.7%	44.0	41.0	3.0 7.3%
Net income attributable to owners of parent	-6.0	22.1	-28.1 -	17.0	14.0	3.0 21.4%

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Please refer to page one of the financial results presentation.

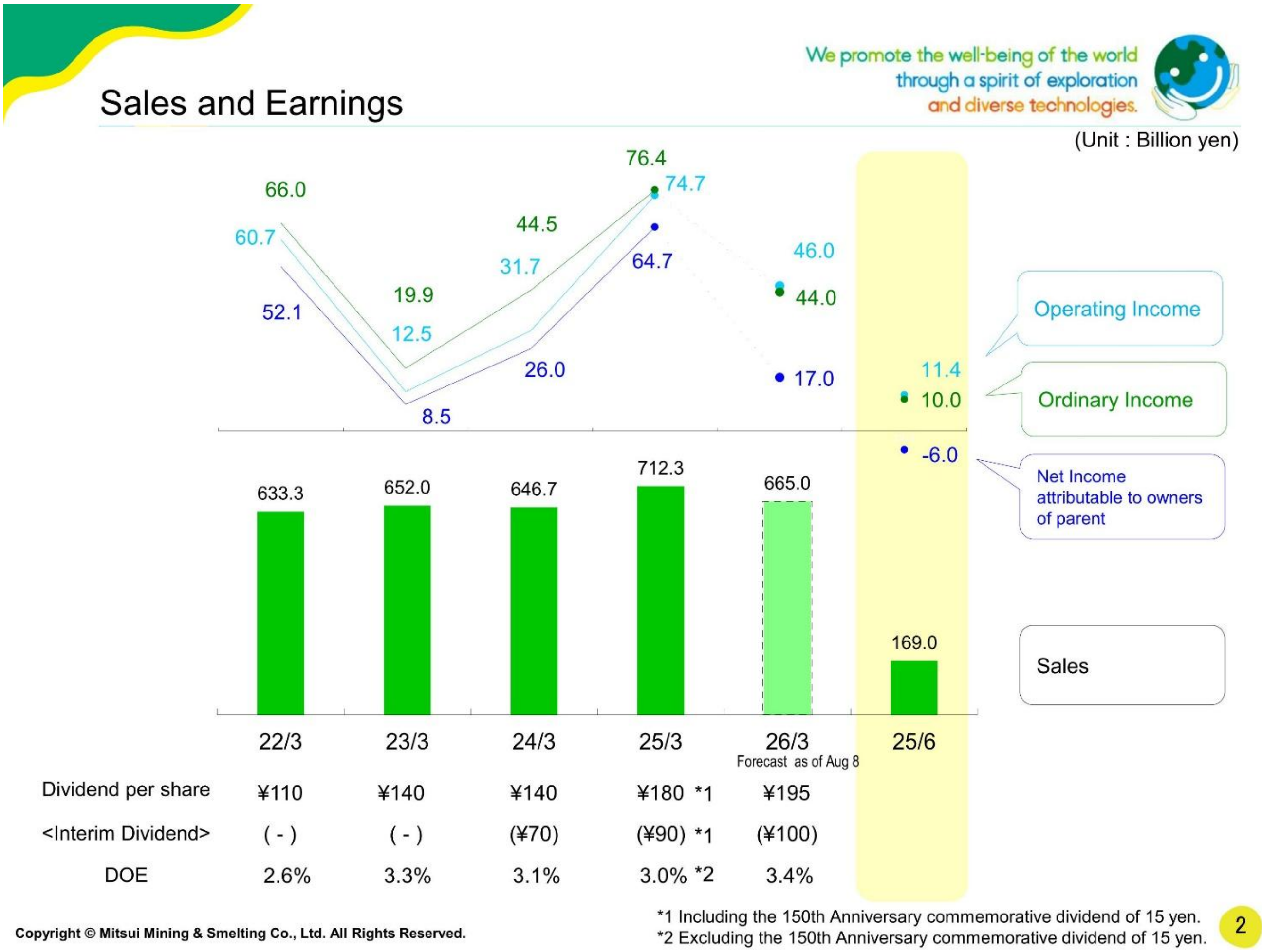
For Q1 of the fiscal year ending March 31, 2026, we recorded net sales of JPY169 billion, operating income of JPY11.4 billion, ordinary income of JPY10 billion, and net income attributable to owners of parent at a loss of JPY6 billion.
Although there was an increase in sales volume of major products in the engineered materials segment, such as MicroThin™ and electrolytic copper foil VSP™ for AI servers, consolidated net sales for the Group remained almost unchanged compared to the same period of the previous year due to the appreciation of the yen and the transfer of shares in several subsidiaries.

Regarding profits, in addition to the aforementioned net sales factors, the significant improvement in the previous fiscal year due to metal inventory factors has resulted in a deterioration in the current fiscal year. There has also been a foreign exchange loss in non-operating income and expenses.

Consequently, operating income decreased by JPY12.1 billion and ordinary income decreased by JPY16.2 billion compared to the same period last year.
Net income attributable to owners of parent company for the first quarter decreased by JPY28.1 billion compared to the same period of the previous fiscal year due to a decrease in ordinary income and the recording of extraordinary losses related to the transfer of shares in Mitsui Kinzoku ACT, among other factors. The estimated number of extraordinary losses related to the transfer of shares in Mitsui Kinzoku ACT remains unchanged from that announced on May 13, 2025.

For the fiscal year ending March 2026, we have revised our full-year forecast, originally disclosed on May 13, 2025, to reflect the Q1 results and business trends in Q2 and beyond. The revised forecast is JPY665 billion for net sales, JPY46 billion for operating income, JPY44 billion for ordinary income, and JPY17 billion for net income. All of these figures exceed the previous forecast.

As for price assumptions for Q2 and beyond, the LME zinc price of USD2,800 per ton, LME lead price of USD2,000 per ton, LME copper price of USD4.45 per pound, and the exchange rate of JPY145 to the US dollar.



Please refer to page two of the material.

This graph shows the trends in sales and earnings.
Regarding the dividends listed at the bottom of the graph, there have been no changes to the forecasts disclosed on May 13. These are expected to be JPY 100 per share as an interim dividend, JPY 95 per share as a year-end dividend, and JPY 195 per share as an annual dividend.

FY2025 Operating Income Forecast

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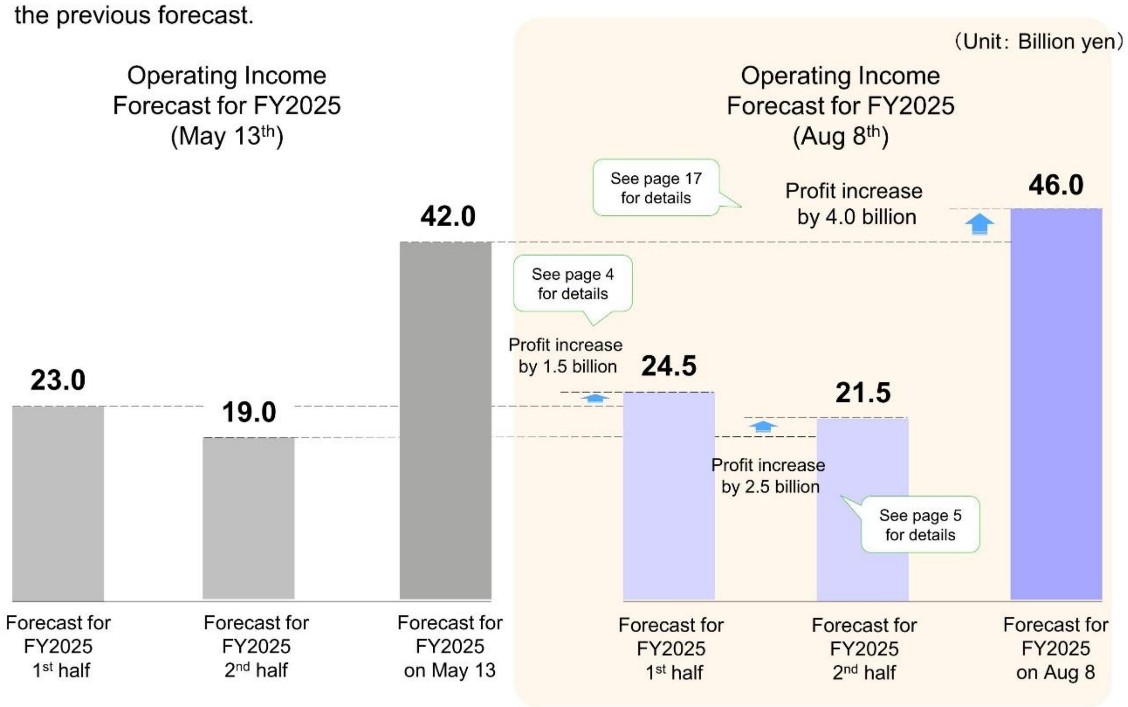
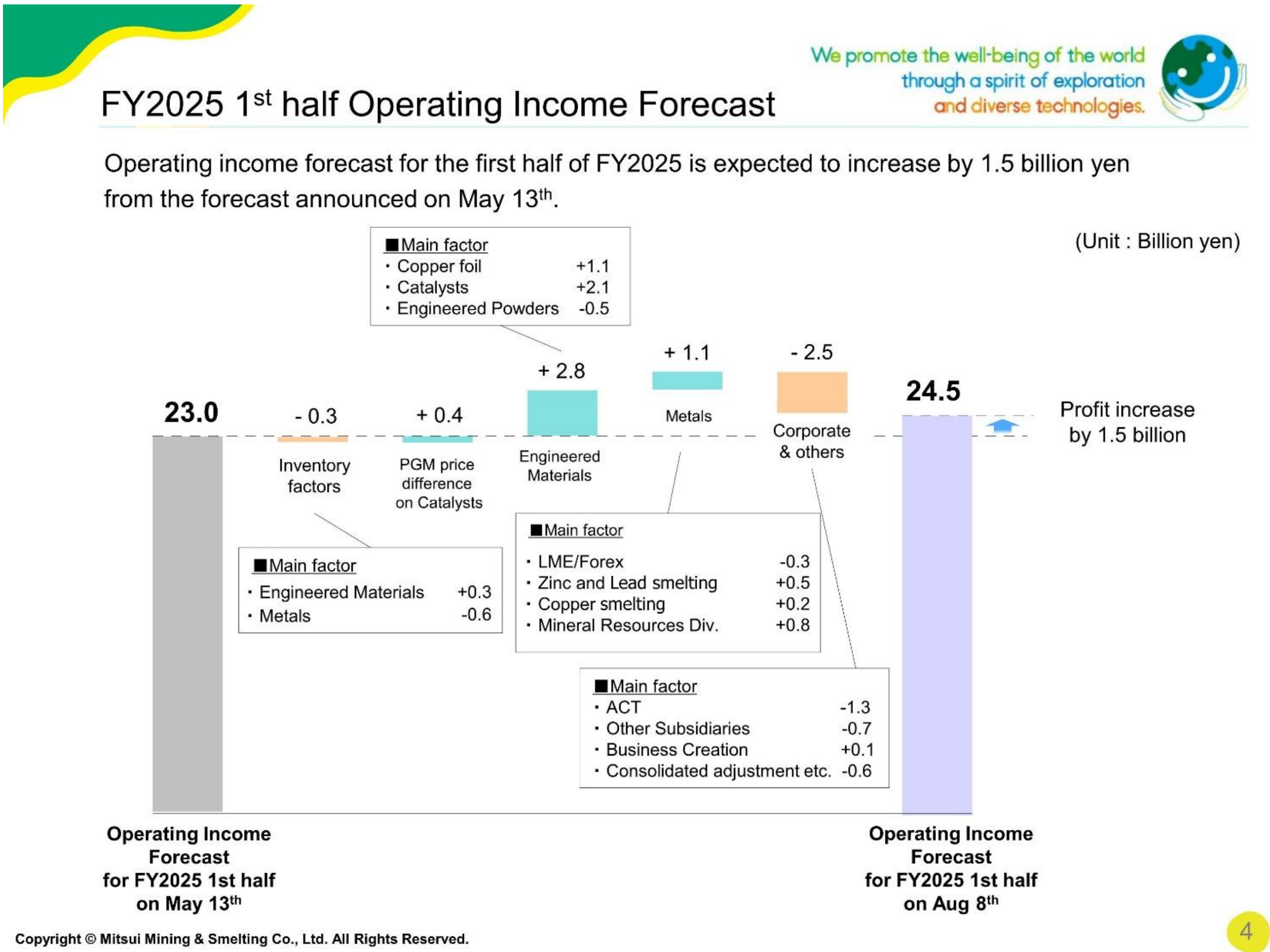
For FY2025, operating income is expected to increase by 1.5 billion yen in the first half compared to the previous forecast, and for the full year, it is expected to increase by 4.0 billion yen compared to the previous forecast.



Please refer to page three of the material.

Operating income for FY2025 is expected to be JPY24.5 billion in H1, an increase of JPY1.5 billion compared to the previous forecast, and JPY21.5 billion in H2, an increase of JPY2.5 billion. The full-year figure is expected to be JPY46 billion, an increase of JPY4 billion.



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

Operating income is expected to increase by around JPY1.5 billion compared to the previous forecast. There will be an increase in real profit in both the engineered materials and metals segments, but a decrease in the corporate and others segment.

I would like to explain the factors behind the increase or decrease in each business segment.

In the engineered materials segment, we expect operating income to increase by JPY2.8 billion due to higher sales volumes of our key products, such as MicroThin™ and electrolytic copper foil VSP™, as well as increased sales of exhaust gas purification catalysts for motorcycles and automobiles.

In the metals segment, we expect operating income to increase by JPY1.1 billion, primarily due to delays in exploration activities around the zinc mine in Peru, primarily in the mineral resources division.

In the corporate and other segments, operating income decreased by JPY2.5 billion. Due to Mitsui Kinzoku ACT reducing sales to Chinese customers and delays in cost reduction, there was a decrease of 1.3 billion yen. Other subsidiaries also saw a total decrease of JPY0.7 billion.

FY2025 2nd half Operating Income Forecast

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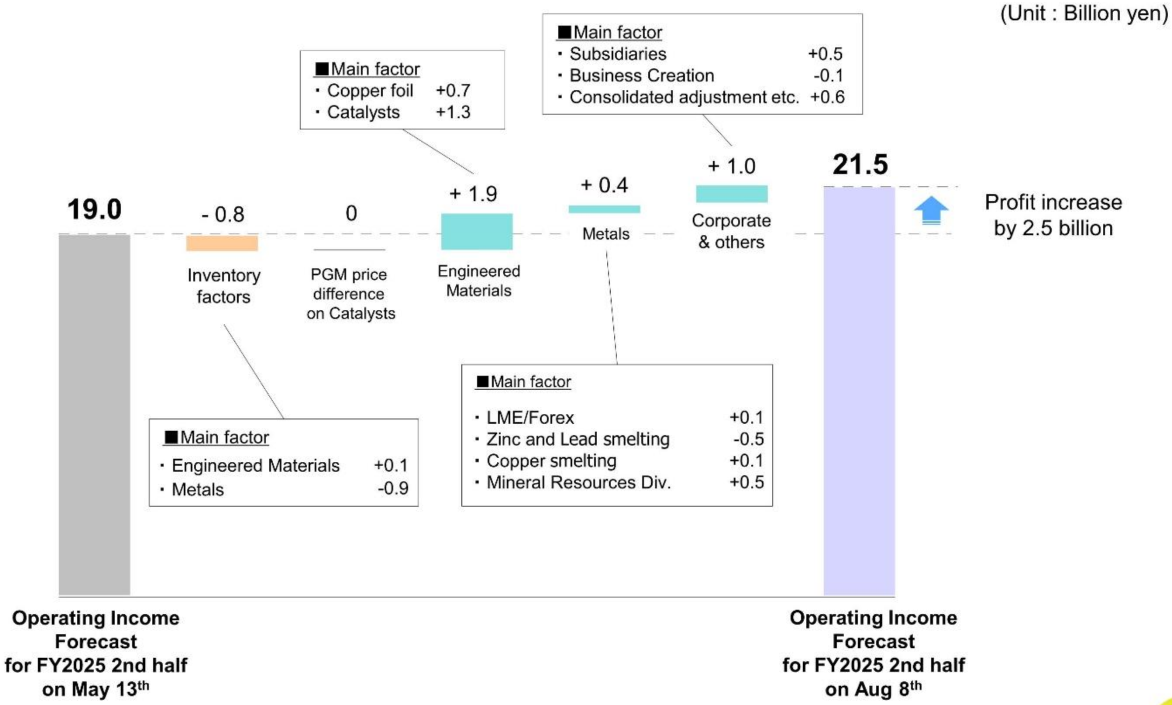
Operating income forecast for the second half of FY2025 is expected to increase by 2.5 billion yen from the forecast announced on May 13th.



Next, I would like to explain the difference between the previous forecast of ordinary income for H2. Please refer to page five of the document.

Operating income is expected to increase by JPY2.5 billion. The metal price and forex are based on LME zinc price of USD2,800 per ton, and the exchange rate of JPY145 to the US dollar, which are the same as the previous forecast. The main contributing factors are an improvement in the engineered materials segment due to increased sales volumes of electrolytic copper foil VSP™ and exhaust gas purification catalysts, resulting in an expected increase of JPY1.9 billion in this segment.

Non-operating income/expenses and Extraordinary income/losses

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(Unit : Billion yen)

	Q1 Results			1st half			FY		
	2025 Results	2024 Results	Difference (25-24)	2025 Forecast (Aug 8)	2024 Results	Difference (25-24)	2025 Forecast (Aug 8)	2024 Results	Difference (25-24)
Interest income - net	-0.5	-0.6	0.1	-1.0	-1.1	0.1	-1.9	-1.9	0.0
Dividend income - net	0.5	0.5	0.0	0.5	0.5	0.0	0.5	0.6	-0.1
Equity in gains/losses	0.8	1.5	-0.8	1.0	2.8	-1.9	2.0	4.6	-2.6
Forex Exchange gain or loss	-2.3	1.2	-3.4	-2.3	-3.1	0.8	-2.3	-2.4	0.2
Others	0.0	0.1	-0.1	0.3	0.5	-0.2	-0.4	0.8	-1.2
Non-operating income/expenses - net	**-1.4**	**2.7**	**-4.1**	**-1.5**	**-0.4**	**-1.1**	**-2.0**	**1.7**	**-3.7**

	Q1 2025 Results	Q1 2024 Results	Q1 Difference (25-24)	1st half 2025 Forecast (Aug 8)	1st half 2024 Results	1st half Difference (25-24)	FY 2025 Forecast (Aug 8)	FY 2024 Results	FY Difference (25-24)
Loss on sale & disposal of Fixed Asset	-0.3	-0.3	0.1	-0.6	-0.9	0.3	-2.7	-2.9	0.1
Impairment losses	0.0	0.0	0.0	0.0	-1.1	1.1	0.0	-2.8	2.8
PL on sale of Investment Securities	0.0	0.1	-0.1	0.0	9.4	-9.4	0.0	9.4	-9.4
PL on sale of shares of subsidiaries and associates	2.1	2.0	0.1	2.1	2.2	-0.1	-17.6	2.2	-19.8
Provision of allowance for doubtful accounts	-0.1	-0.2	0.2	-0.1	-0.0	-0.0	-0.1	-0.5	0.5
Provision for other reserves	-19.7	0.0	-19.7	-19.7	0.0	-19.7	0.0	0.0	0.0
Others	0.0	0.0	0.0	-0.5	-0.2	-0.3	-0.0	-1.0	0.9
Extraordinary income/losses - net	**-17.9**	**1.6**	**-19.5**	**-18.8**	**9.3**	**-28.1**	**-20.4**	**4.4**	**-24.8**

I would like to continue with the other items.
Please refer to page 10 of the materials, which covers non-operating income/expenses and extraordinary income/losses.

As was stated in the bottom left of the page, a loss on the transfer of shares in Mitsui Kinzoku ACT was recorded in Q1, amounting to JPY19.7 billion, as provision for other reserves. The transfer of the shares is scheduled to take place between October and December 2025.

Performance by Segment – Engineered Materials

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(Unit : Billion yen)

	25/Q1 Results	24/Q1 Results	Diff. (25-24)	25/1H Forecast	24/1H Results	Diff. (25-24)	FY2025 Forecast	FY2024 Results	Diff. (25-24)
■Sales	71.3	61.0	10.2	147.0	124.0	23.0	287.0	246.2	40.8
■Operating income	12.9	11.0	1.9	25.0	22.1	2.9	45.5	41.8	3.7
■Ordinary income	10.5	11.7	-1.2	23.0	19.7	3.3	43.0	40.3	2.7
※Ordinary income	9.7	10.4	-0.7	22.2	16.5	5.7	42.1	35.9	6.2

※Ordinary income : Ordinary income excluding inventory factors and PGM price difference on Catalysts..

(Engineered Material Products)		(Main Applications)
Copper Foil		・High-Density Packaging ・Printed circuit board
Catalysts		・Motorcycles ・Automobiles
Battery Materials		・Nickel-hydrogen batteries for hybrid cars ・Lithium-ion batteries
Engineered Powders		・Wide range of electronic components
Rare Material		・Abrasive for glass ・Wide range of electronic components
Ceramics		・Kiln furniture for electronic materials ・Liquid aluminum filtration equipment
PVD Materials (Sputtering target)		・Flat panel displays

Difference Analysis of Ordinary income

[FY2024 1st Half→FY2025 1st Half Forecast + 3.3]

Copper foil +5.9 (MicroThin and VSP volume of sales increases, others)
PVD Materials -1.7 (Inventory factors, others)
Engineered Powders and Rare Materials *
-0.6 (Volume of sales decreases, others)

[FY2024→FY2025 Forecast + 2.7]

Copper foil +8.7 (MicroThin and VSP volume of sales increases, others)
Catalysts -1.1 (Volume of sales decreases, others)
Battery Materials -0.5 (Volume of sales decreases, others)
PVD Materials -2.3 (Inventory factors, others)
Engineered Powders and Rare Materials *
-1.0 (Volume of sales decreases, others)

*Due to the transfer of some products from Engineered Powders to Rare Materials as part of the organizational restructuring in April 2025, we are comparing the combined ordinary income.

I would like to explain our business results by segment.

First, please refer to the engineered materials segment, page 13 of the materials.

In the engineered materials segment, demand for MicroThin™ and electrolytic copper foil VSP™ for AI servers was particularly strong in the copper foil business in FY2025, exceeding that of the previous fiscal year. The sales volume of VSP™ is also expected to exceed previous forecasts. Consequently, the copper foil business is expected to achieve higher sales volume and profits in both H1 and the full year compared to the previous fiscal year.
Regarding exhaust gas purification catalysts, we anticipate increased sales volumes for both motorcycles and automobiles compared to previous forecasts. However, these will still be lower than last year's levels. As shown in the bottom right-hand section, we expect profits for the full year to decrease compared to the previous fiscal year due to lower sales volume.

In light of these circumstances, we expect the engineered materials segment to generate ordinary income of JPY23 billion in H1 and JPY43 billion for the full year in FY2025, mainly due to increased copper foil sales. These results are expected to exceed those of the previous year.

Performance by Segment – Metals

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

(Unit : Billion yen)

	25/Q1 Results	24/Q1 Results	Diff. (25-24)	25/1H Forecast	24/1H Results	Diff. (25-24)	FY2025 Forecast	FY2024 Results	Diff. (25-24)
■Sales	74.0	73.2	0.9	158.0	155.2	2.8	313.0	325.0	-12.0
■Operating income	2.9	17.9	-15.0	8.0	22.7	-14.7	14.0	41.8	-27.8
■Ordinary income	3.3	19.5	-16.2	8.0	24.3	-16.3	13.5	44.5	-31.0
※Ordinary income	5.6	12.2	-6.6	10.2	16.6	-6.4	16.9	31.9	-15.0

※Ordinary income : Ordinary income excluding inventory factors.

Difference Analysis of Ordinary income

	FY2024 1H→ FY2025 1H Forecast	FY2024→ FY2025 Forecast
LME/Forex	-1.4	-3.1
T/C	-1.7	-2.6
Inventory Factors	-9.9	-16.0
Equity profit/loss	-1.2	-1.9
Energy cost	2.0	2.4
(Cokes, included in the number avobe)	(0.9)	(0.7)
Others *	-4.1	-9.8
Total	-16.3	-31.0

Sensitivity to ordinary income (for FY2025)

			Full open basis	Including forward contract
Zinc	±	100$/t	1.6	1.4
Lead	±	100$/t	0.2	0.2
US$ (yen/$)	±	1yen/$	0.5	0.4

Zinc TC

FY2024	165 $/t	
FY2025	80 $/t	

*Detail of Others

FY2024 1H→ FY2025 1H Forecast	Operating variance in zinc smelting operations +0.7, Lead raw material mix variance -1.3, Copper smelting tolling terms variance -1.1, Mineral Resource Div. -2.2
FY2024→ FY2025 Forecast	Operating variance in zinc smelting operations -1.0, Operating variance in lead smelting operations -1.1, Lead raw material mix variance -2.4, Operating variance in copper smelting operations -1.8, Copper smelting tolling terms variance -2.3, Fixed cost increase in Copper (including large scale maintenance +2.4) +2.3, Mineral Resource Div. -3.6

Next is the metals segment. Please refer to 14 of the material.

For the fiscal year ending March 2025, zinc prices are expected to be slightly lower than in the previous fiscal year. The exchange rate is also expected to trend towards a stronger yen. Additionally, challenging external conditions are anticipated due to the further deterioration of treatment charges (TC) and the reversal of favorable inventory factors from the previous fiscal year. Consequently, operating income is projected to decrease compared to the previous fiscal year for all periods, including Q1, H1, and the full year.

However, the estimated real profit for the current fiscal year is JPY16.9 billion, as shown in the table above. Our metal business aims to achieve the real profit of JPY20 billion yen by 2030, and we recognize that the profits from this business are around JPY15 billion to JPY20 billion yen. Consequently, we believe that this year's figure more accurately reflects our true capabilities. In contrast, we recognize that the real profit of JPY31.9 billion in the previous fiscal year was an unusually high figure due to favorable external conditions.

Finally, I would like to share some additional information about our stock price. Since July 22, when it was around JPY5,300, our stock price has been on an upward trend. The closing price on August 8 was JPY6,693. As shown on page one of the materials, the full-year forecast for net income this fiscal year is JPY17 billion. However, as previously explained, we recognized a one-time loss of JPY19.7 billion related to the transfer of shares in Mitsui Kinzoku ACT. Therefore, in terms of real performance, excluding this loss means that the net income for this fiscal year, even after considering corporate taxes, is estimated to be approximately JPY30 billion.

In that case, net income per share would be about JPY520. Based on the current stock price, PER would be around 13 times. As the average PER for the non-ferrous metal sector is also 13 times, we do not believe that our stock price is overvalued at this point despite its sharp rise.

As we disclosed in our three-year medium-term business plan, the 2025–2027 Medium-Term Business Plan, we aim to achieve ordinary profits of 70 billion yen in the fiscal year 2027 and to achieve ordinary profits of 100 billion yen by the fiscal year 2030. By implementing a growth strategy for that purpose, we will strive for further increases in stock prices and ultimately work to enhance corporate value.

■Q&A Session

Engineered Materials Segment

Q.

Regarding MicroThin™, could you tell us about any changes or notable trends, such as the transition from DDR4 to DDR5, or changes in the quantities of MicroThin™ installed on smartphone circuit boards?

A.

Comparing the previous forecast for MicroThin™ with the current forecast, in the first half, we expect sales volumes for HDI to increase, while the second half is projected to be in line with the previous forecast. We see that the quantity of MicroThin™ per smartphone has not changed significantly and the product continues to be used in the same way as before, while sales volumes have performed strongly. Regarding for PKG, we believe that memory-related customers are currently performing very well, and that products for smartphones are also doing well. At this point, we do not see any major changes taking place.

Q.

Please explain the background behind the upward revision to the VSP™ volume forecast, including whether this forecast incorporates the trend toward raising the grade of copper foil used in generative AI servers, and whether the continuation of such trend would raise growth expectations for the next fiscal year and beyond. Also, could you tell us how confident you are in your outlook for the second half of the year?

A.

High-grade VSP™ continues to show strong growth, and we recognize that demand for high-frequency copper foil remains very strong. In line with that trend, the SI3-VSP™ in the HVLP5 copper foil category, which we explained as under development at our January 2025 business briefing, has now entered mass production, and the forecast incorporates its contribution to sales in the second half of the fiscal year. Amid the very strong growth in demand for higher-grade copper foil, we are preparing a structure that can respond to this demand, and we plan to expand sales of VSP™. Although we have not yet received any actual orders for the second half of the fiscal year and the forecast is based on customer feedback, first-quarter results and current orders are very strong, so we expect further growth in the second half.

Q.

According to the plan for this fiscal year, high-grade VSP™ was expected to grow, but according to the current forecast, VSP™ volume has come in significantly above forecast. How has the ratio of high-grade products to conventional products changed between the initial forecast and the current forecast?

A.
In our previous forecast, we expected high-grade products to account for around 95% of total VSP™ in FY2025, but in our current forecast, we see the ratio as slightly below 90%, as non-high-grade products have not declined as much as in the previous forecast. On the other hand, looking only at high-grade products, sales volumes are expected to increase compared to the previous forecast, and as a result, total VSP™ volume has been revised significantly upward.

Q.
Regarding the profit-boosting effect from the sales mix improvements accompanying the increase in VSP™, I believe that the improvement effect of a higher ratio of high-grade VSP™ is also significant. If the ratio of HVLP4 and HVLP5 increases further, can sales mix improvement effects be expected in the next fiscal year and beyond?

A.
Regarding the expected future improvement in the sales mix of electro-deposited copper foil, we believe that the effect will continue, as the sales composition of VSP™ will increase through replacement of non-VSP™ electro-deposited copper foil, and in line with our policy, we will expand sales of higher-value-added VSP™. Although we do not disclose the sales composition or unit prices of our high-grade products, we believe that rising demand for higher-grade products will place us in a more advantageous position in the competitive environment.

Q.
What is the year-on-year profit increase amount for VSP™ in the current forecast?

A.
An overall improvement in the average unit price of electro-deposited copper foil is expected to contribute around JPY 3.0 billion to profit. On the other hand, the sales volume of electro-deposited copper foil is expected to increase compared to the previous forecast, and the resulting higher sales volume will also contribute to profits.

Q.
VSP™ sales in the second half of the fiscal year are forecast to be 600 tons per month. In the January 2025 news release, it was announced that production capacity would be increased to 520 tons/month in Taiwan and to 60 tons/month in Malaysia, for a total of 580 tons/month. Is production capacity now in the process of being increased? In addition, what are your thoughts on capacity expansion in response to strong demand, for the timeframe spanning from the current fiscal year through the next fiscal year?

A.
VSP™ production capacity has been 580 tons per month since April 2025, and we are consistently working on plans to increase output even slightly by implementing productivity improvements and other measures. Although we cannot provide any specific details at this time, we are actively considering investments to increase production capacity, and once a decision has been made, we intend to announce it in a news release or similar. With regard to increasing the capacity of VSP™, a long lead time will not be required because capacity can be expanded by modifying existing facilities, and we expect we will be able to reliably secure capacity in response to immediate growth in demand. Looking ahead, various considerations will be necessary, but we are thinking of an approach of steadily preparing capacity in line with demand.

Q.
Please explain the growth in copper foil sales volume and profits for each of VSP™ and MicroThin™ on pages 4 and 5 of the financial results presentation.

A.
Compared to the previous forecast, operating income for copper foil increased in both the first and second halves. The first-half forecast for MicroThin™ reflects demand for HDI that is slightly higher than expected, while the second-half forecast remains unchanged from the previous forecast in terms of volume. On the other hand, VSP™ is expected to show very strong growth in both the first and second halves of the fiscal year, and the impact of this growth has been factored into the forecast.

Q.
Regarding profits from copper foil, the medium-term management plan for 2025 set a target ROIC value and a goal of further increasing profit margins during the plan period and beyond. Does the year-on-year increase in profits reflect the margin improvement as anticipated? Please explain the effects of VSP™ on improving the sales mix, the effects of last year's price increase in the second half, the effects of the increased sales volume, and other related.

A.
As you are aware, margins are improving. Regarding the impact of price increases, we expect the combined effect of MicroThin™ and electro-deposited copper foil for the full year to be slightly below JPY 3.0 billion, in line with our previous forecast. The increase in VSP™ sales is expected to contribute to an increase in profit of several hundred million yen compared to the previous forecast; this improvement will be driven by an improvement in the average selling price of electro-deposited copper foil. For fixed costs, which were previously projected to worsen year-on-year, we are making efforts on an actual operational basis to minimize the deterioration, and the forecast now incorporates a slight reduction in such deterioration.

Q.
Regarding catalysts, despite lower sales volume compared to the previous year, sales volume are expected to exceed the previous forecast. Please explain the background behind this increase, and given that precious metal prices are rising, the impact on profits if precious metal prices continue to rise.

A.
Regarding catalysts for motorcycles, the strong performance is due to favorable market conditions. In our previous forecast, we had anticipated that the strong economic performance in India and other regions would taper off somewhat, but upon further review, we found the market remains very strong, and we have factored in increased sales as a result. Regarding catalysts for automobiles, we expect sales volumes of our catalyst products to decline at a slower pace due to factors such as the slowing progress of vehicle electrification in North America. Regarding the impact of precious metal prices, in the current forecast, we expect prices that rose in the first quarter to stabilize in the second quarter and beyond, with a slight negative impact on profit and loss already having been incorporated. However, if precious metal prices continue to rise, profits are expected to increase. The improvement in operating income in the current forecast is due to increased sales volumes rather than rising precious metal prices.

Q.
Regarding the interpretation of profits in the engineered materials business, operating income excluding inventory factors and PGM price difference on catalysts for the first quarter was JPY 12.1 billion, but due to foreign exchange losses of JPY 2.3 billion, ordinary income was JPY 9.7 billion. Is it correct to focus on operating income? Also, the outlook for profits in the second half is lower than in the first half. Could you explain the background behind the change in the actual profits and operating income of the engineered materials business from the first half to the second half?

A.
As you point out, foreign exchange losses in non-operating income have fluctuated significantly, so please focus on operating income. The factors contributing to the decline in profits in the engineered materials segment from the first half to the second half of FY2025 are as follows: first, as in the previous forecast, we expect a slight sales volume decline in MicroThin™ from the first half to the second half due to seasonal factors. In addition, for catalysts for motorcycles in India, we expect a sales decline due to a seasonal factor, namely the Diwali shopping season, so production is front-loaded in the first half and will slow in the second half, resulting in a sales decline.

Q.
The foreign exchange losses of JPY 2.3 billion in non-operating income for the engineered materials business appears to have significantly reduced profits. Please explain the additional information on the foreign exchange losses.

A.
Foreign exchange losses in the copper foil business were significant, which included the impact of the New Taiwan Dollar rising against the US Dollar.

Metals Segment
Q.
Regarding the metals business, are there any additional details on the factors behind the profit fluctuations from the first half to the second half of FY2025?

A.
The main factors contributing to the expected decline in profits from the first half to the second half are: the large-scale maintenance at Hachinohe Smelting from March to April 2026, which is expected to reduce zinc production; and the tendency for maintenance costs and related expenses to be concentrated toward the end of the fiscal year.

Q.
How do you view the impact of purchased ore contract terms in the first half and second half?

A.
We expect zinc treatment charges (TC) to remain at USD 80 for both the first and second halves. However, because our zinc operations typically use a slightly higher proportion of recycled raw materials in the second half, we anticipate some cost improvement in raw materials during that period.